

Investment Objective

The aim of the **VIP Australian Shares Leaders Portfolio** is to provide investors with investment income and capital growth in excess of the S&P/ASX 100 Index over the long term from investment in a portfolio of large capitalisation (cap) Australian shares.

The portfolio invests in 15 to 30 Australian shares within the S&P/ASX 100 index that have been selected via a Quantitative and Qualitative screening process. This process aims to short list companies that are transparent and easy to understand, run by good management, priced below their valuation, &, display attractive growth prospects.

Performance Review

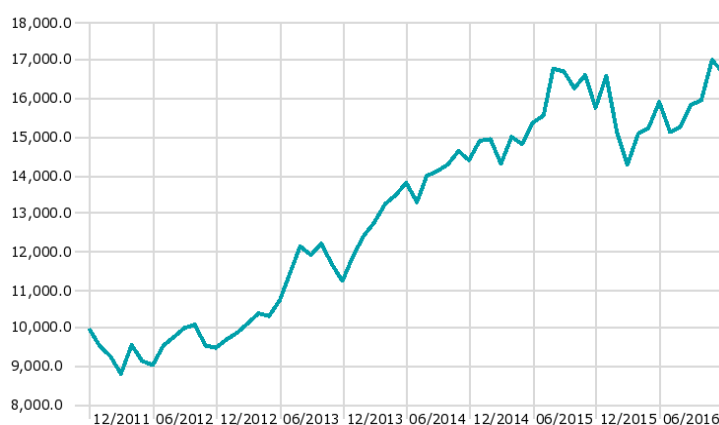
The VIP Australian Share Leaders portfolio generated a -1.83% return for the month and 5.45% over the last 3 months. The portfolio outperformed the S&P/ASX 100 index in June by 0.73% and outperformed by 1.67% over the quarter.

Over the last year the portfolio has generated a 5.98% return pre-fees outperforming the ASX 100 index by 6.33%.

The post-fees returns for the *Investment* and *Superannuation & Pension* portfolios are shown in the table below.

Investment Growth

Time Period: 1/07/2011 to 30/06/2016



—VIP Australian Share Leaders

Trailing Returns

As of Date: 30/06/2016

	1 Month	3 Month	6 Month	1 Year	2 Years	3 Years	4 Years	Since Inception
VIP Australian Share Leaders	-1.83	5.45	4.93	5.98	7.73	14.12	15.17	10.81
VIP Australian Share Leaders Investment	-1.93	5.09	4.23	4.55	6.28	12.59	13.62	9.33
VIP Australian Share Leaders Super-Pension	-1.89	5.24	4.52	5.13	6.87	13.21	14.25	9.93
S&P/ASX 100 TR	-2.56	3.78	0.67	-0.35	2.81	7.53	11.54	9.62

Performance Contributors & Detractors

The strongest performing sector was the Utilities sector 6.22% followed by the Materials and Consumer Discretionary sectors with 0.31% and 0.14% gains respectively. On the other hand, the Information Technology sector -7.83% followed by Consumer Staples -4.09% and Health Care -2.44% achieved the lowest returns over the month.

Over the last 3 months the higher allocation of the portfolio to the Basic Materials, Health Care, Utilities, Technology, and Communication Services along with a lower allocation to the Consumer Defensive, Consumer Cyclical, and Financial Services sector **contributed** to performance; whereas a higher allocation to Industrials and a lower allocation of the portfolio to the Energy sectors **detracted** from performance.

The **Top 3 Contributors** for the month were Aristocrat Leisure Ltd +8.09%, Spark Infrastructure Group +6.09%, and Sydney Airport +0.14%; and the **Top 3 Detractors** for the month were Bank of Queensland -8.94%, Boral -8.53%, and Bendigo and Adelaide Bank Ltd -6.25%.

Theresa May

The past month for Britain has been a whirlwind of events. Since the shock upset victory for the Brexiters and the chaos that ensued, including a dark day on global markets and the resignation of David Cameron, the storm has settled somewhat with Theresa May landing firmly on her feet at the threshold of 10 Downing Street as the next Prime Minister of the United Kingdom. May was revealed as Cameron's successor with her main rivals stepping aside and conceding, putting an end to a short-lived election campaign originally planned to last 9 weeks. Britain's new Prime Minister as of Wednesday the 13th now steps into the conundrum that is the orchestration of Britain's divorce from the European Union with the objective of fully realising the potential Brexit presents.

Theresa May, 59, was previously the Home Secretary in the Conservative government from 2010 until her ascension to Prime Minister following the stepping down of David Cameron, who served as Prime Minister from 2010. Despite having been an advocate for a 'Stay' vote, May has since embraced the reality of the situation and laid to rest concerns from 'Leave' supporters that she may try and reverse the decision, stating that 'Brexit mean Brexit.'

Given that Britain was expected to essentially exist without a Prime Minister for the duration of the election campaign, the decision by competitors such as Boris Johnson and Andrea Leadsom to pull out of the race has come as a pleasant surprise for a British community that has been wallowing in uncertainty since the leave vote emerged victorious by a 52-48 margin. May, who has been labelled as a 'bloody difficult woman' by senior conservative Kenneth Clarke, holds this description in good stead for the difficult job ahead, and as a result has brought relative calm to the stock markets, who are now able to grasp a sense of where Britain is heading.

Although it is acknowledged that her views on the economy are 'scarcely known' (a fair appraisal given that the short race to office didn't allow her to make her detailed views apparent), Britain's 81st Prime Minister has made it clear she understands that "Leave supporters were not just voting against Europe but were delivering a cry of frustration about a range of problems afflicting British society." Logically, her vision for Britain will therefore attempt to eradicate these problems. During her short campaign, she has confronted the issues of a widening wage gap, and asked for more transparency in the bosses pay compared to their workers as well as a higher level of job security for these workers. Furthermore, May wants to "bridge the gap between the elderly and the young, the north and the south, those excluded from the benefits of globalisation and the beneficiaries." Clearly, Theresa's theme is one of equality, transparency, and a 'power to the people' mentality.

In terms of coordinating the separation from the EU, it is not yet known the specific strategy May will take, and to be fair while writing this she has only officially been in office for a number of hours. It is commonly known that disentangling from the rest of Europe will predominantly involve the discussion of trade deals and immigration agreements, among numerous other points. The challenge in doing so will be to ensure Britain simultaneously makes changes to improve their competitiveness to capitalise on the opportunities Brexit presents. However, the general consensus is that if executed properly, Brexit could mean long term growth for Britain, and ultimately, a return to the jewel of a country so many Brexiters voted for.

Theresa May's reluctance to rush into activating article 50 (the article used to withdraw from the EU), as well as a less contentious relationship with the EU are positive indicators that signal she is the right person for the job. The market certainly thinks so, with the FTSE 100 now higher than it was pre-Brexit. The FTSE 250 has not been so quick to jump as it holds more domestic UK businesses, but regardless was also up 2% when May was announced as next Prime Minister. It is a good start, and it is no doubt Britain and to an extent global markets hope to see this continue.

Source: Financial Times, Bloomberg, The Telegraph

Portfolio Holdings & Adjustments

VIP Australian Share Leaders - Holdings

	Ticker	Sector	Total Ret 1 Mo (Mo-End)	Total Ret 3 Mo (Mo-End)	Total Ret 1 Yr (Qtr-End)	Dividend Yield % TTM
RBA Bank accepted Bills 90 Days			0.16	0.52	2.20	
James Hardie Industries PLC DR	JHX	Materials	-1.48	16.29	20.49	2.01
CSL Ltd	CSL	Health Care	-3.09	10.59	32.12	1.87
Boral Ltd	BLD	Materials	-8.53	0.65	11.33	4.61
Ramsay Health Care Ltd	RHC	Health Care	-1.36	16.95	19.24	2.15
Aristocrat Leisure Ltd	ALL	Consumer Discretionary	8.09	34.95	82.88	1.41
Brambles Ltd	BXB	Industrials	-3.58	2.23	19.89	2.50
Australia and New Zealand Banking Group Ltd	ANZ	Financials	-5.34	7.69	-17.33	10.81
Westpac Banking Corp	WBC	Financials	-4.23	1.29	0.48	9.50
Bank of Queensland Ltd	BOQ	Financials	-8.94	-8.14	-8.57	10.83
TPG Telecom Ltd	TPM	Telecommunication Services	-3.41	5.82	34.73	1.57
Bendigo and Adelaide Bank Ltd	BEN	Financials	-6.25	8.23	-13.89	10.06
Telstra Corp Ltd	TLS	Telecommunication Services	-0.54	4.32	-2.23	7.92
DuluxGroup Ltd	DLX	Materials	-1.86	3.25	15.63	4.62
Sydney Airport	SYD	Industrials	0.14	5.98	44.98	3.94
Spark Infrastructure Group	SKI	Utilities	6.09	17.87	32.40	4.89

Portfolio Adjustments

In June, the VIP Investment Committee decided to sell Flight Centre after consecutive months of poor performance.

Portfolio Risk & Sector Exposure

Risk v Return

The VIP portfolios aim to reduce volatility, or risk, over the long term and achieve excess returns per unit of risk that is taken compared to benchmark index, the S&P/ASX 100 Index.

The chart on the right plots return on the vertical axis against risk (in the form of Standard Deviation) on the horizontal index. Basically the higher up the vertical axis (high return) and the more left on the horizontal axis (low risk) is the ideal position that we aim for over the long term.

The chart on the right shows that the VIP Australian Share Leaders portfolio (aqua triangle) has achieved an **equal return** and **lower risk** compared to the S&P/ASX 100 Index (black pentagon) since inception on 01/07/2011.

This is the outcome we aim to achieve for our investors.

Sector Exposure

The portfolios largest sector exposure is to the Healthcare sector closely followed by the Financial Services and Materials sectors.

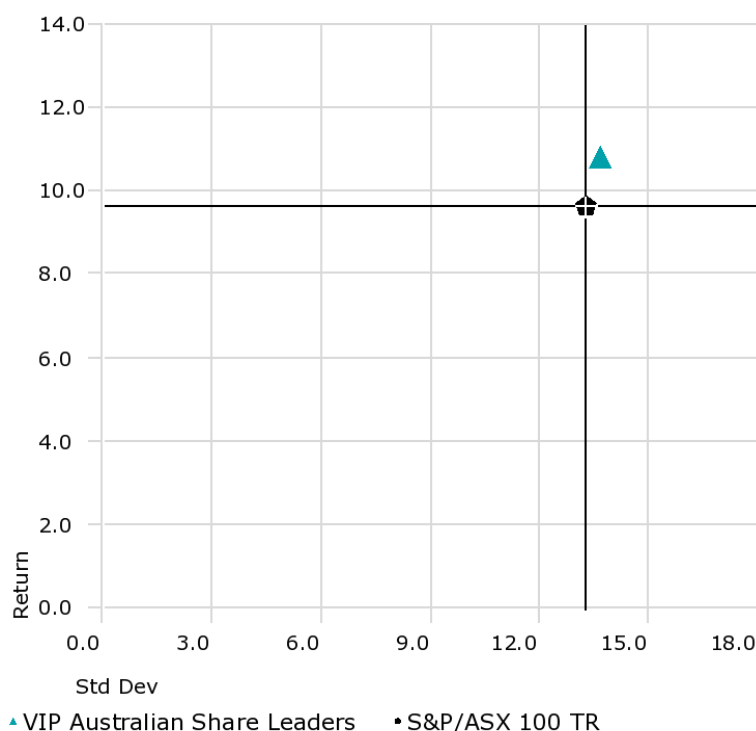
The *VIP Investment Committee* has positioned the portfolio to generate strong income yields in this current allocation while taking positions in more defensive sectors such as Healthcare and Financial Services within the current environment.

A complete Equity Sector chart is included on the right.

Risk-Reward

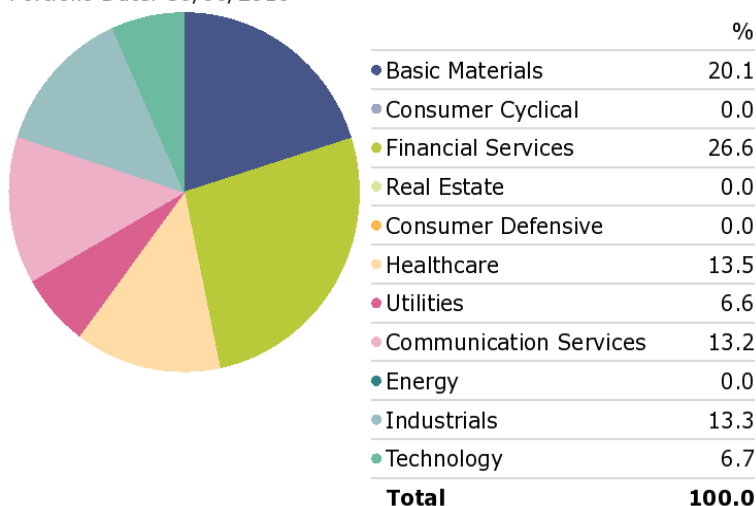
Time Period: Since Inception to 30/06/2016

Calculation Benchmark: S&P/ASX 100 TR



VIP Australian Share Leaders - Equity Sectors

Portfolio Date: 30/06/2016



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