

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 1.63% return for the month and -4.00% over the last 3 months. The portfolio underperformed the S&P/ASX 100 index in November by 1.63% and by 5.73% over the quarter.

Over the last year the portfolio has generated a 9.38% return pre-fees underperforming the ASX 100 index by 0.41%.

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 30/11/2016



—VIP Australian Share Leaders

Trailing Returns

As of Date: 30/11/2016

| | 1 Month | 3 Month | 6 Month | 1 Year | 2 Years | 3 Years | 4 Years | 5 Years | Since Inception |
|--|---------|---------|---------|--------|---------|---------|---------|---------|-----------------|
| VIP Australian Share Leaders | 1.63 | -4.00 | -2.01 | 9.38 | 6.08 | 7.33 | 12.72 | 12.73 | 9.88 |
| VIP Australian Share Leaders Investment | 1.52 | -4.32 | -2.67 | 7.91 | 4.66 | 5.89 | 11.21 | 11.21 | 8.41 |
| VIP Australian Share Leaders Super-Pension | 1.57 | -4.19 | -2.40 | 8.50 | 5.23 | 6.47 | 11.82 | 11.83 | 9.01 |
| S&P/ASX 100 TR | 3.26 | 1.73 | 3.56 | 9.79 | 5.67 | 5.30 | 9.86 | 11.01 | 9.71 |

Performance Contributors & Detractors

The strongest performing sector was the Financial Services sector 6.06% followed by the Energy and Utilities sectors with 3.67% and 3.61% gains respectively. On the other hand, the Healthcare sector -1.42% followed by Telecommunications Services -0.32% and Consumer Discretionary 0.05% achieved the lowest returns over the month.

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

The **Top 3 Contributors** for the month were National Australia Bank 8.37%, Bendigo and Adelaide Bank 8.27%, and Westpac Banking Corp 7.03%; and the **Top 3 Detractors** for the month were Ramsay Health Care -3.48%, Oil Search -3.15%, and Aristocrat Leisure -2.22%.

2016 – An Upsetting Year of Upsets

In the ebbs and flows of the human race's history, 2016 will have proven to be a significant one. The world said goodbye to icons of once in a lifetime greatness such as David Bowie, Prince, and Muhammad Ali. Leicester City won the Premier League from a 5000 to 1 chance at the start of the season, LeBron James and his Cavaliers brought home a maiden championship to Cleveland after toppling the record breaking 73-9 Golden State Warriors, and the Chicago Cubs won the World Series after a 108-year drought. Closer to home, the Western Bulldogs completed a fairy tale season by beating grand final mainstays the Sydney Swans to bring home their first flag since 1954, and the Cronulla Sharks defied history to give the Shire their first premiership in the club's 50-year history. Moreover, the world's economic tectonic plates shifted after the British voted to leave the European Union, and even more so when Donald Trump went from a side joke to the President-elect of the United States, set to be inaugurated on the 20th of January 2017.

There is no doubt that 2016 has been the year of upsets, a year where the underdog rose to rewrite the history books. What this has induced (not so much the sporting achievements) has been an extremely volatile year on global markets, which saw drastic drops immediately followed by bounces on both the Brexit and US election incidents. What is important to note is that Value Investment Partners has been able maintain a level of stability throughout a rollercoaster year, largely containing the fire that is 2016. With the French and German election presenting the potential for more changes to the world as we know it in 2017, VIP is prepared to continue embracing the challenges ahead and capitalising on the opportunities that will undoubtedly rise through volatility as we have done in 2016.

From the team here at Value Investment Partners, we'd like to thank you for your continued support through a turbulent year. We wish you a happy and restful holiday season, a safe summer, and a prosperous 2017 for us all.

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 |
|---|--------|----------------------------|-------------------------|-------------------------|--------------------------|----------------------|
| ResMed Inc DR | RMD | Health Care | 5.87 | -7.47 | 16.64 | |
| Reliance Worldwide Corp Ltd | RWC | Industrials | 5.74 | 0.64 | | |
| James Hardie Industries PLC DR | JHX | Materials | 6.06 | -4.01 | 21.70 | 1.94 |
| Spark Infrastructure Group | SKI | Utilities | 1.35 | -8.56 | 32.09 | 6.05 |
| Aristocrat Leisure Ltd | ALL | Consumer Discretionary | -2.22 | -0.66 | 85.83 | 1.24 |
| Bendigo and Adelaide Bank Ltd | BEN | Financials | 8.27 | 14.17 | 18.48 | 7.91 |
| Australia and New Zealand Banking Group Ltd | ANZ | Financials | 6.11 | 9.86 | 11.26 | 8.03 |
| National Australia Bank Ltd | NAB | Financials | 8.37 | 10.99 | 7.57 | 9.73 |
| Seek Ltd | SEK | Industrials | 1.16 | -6.15 | 34.43 | 3.87 |
| Challenger Ltd | CGF | Financials | -1.02 | 18.45 | 48.94 | 4.27 |
| Ramsay Health Care Ltd | RHC | Health Care | -3.48 | -13.42 | 38.22 | 2.46 |
| Westpac Banking Corp | WBC | Financials | 7.03 | 10.70 | 9.14 | 8.57 |
| CSL Ltd | CSL | Health Care | -2.50 | -8.52 | 22.25 | 2.09 |
| Brambles Ltd | BXB | Industrials | 2.17 | -3.08 | 26.29 | 2.77 |
| Oil Search Ltd | OSH | Energy | -3.15 | -3.82 | -0.18 | 0.95 |
| RBA Bank accepted Bills 90 Days | | | 0.14 | 0.43 | 2.11 | |
| Telstra Corp Ltd | TLS | Telecommunication Services | 1.41 | -3.99 | 0.23 | 8.95 |

Portfolio Adjustments

In November, the VIP Investment Committee sold TPG Telecom after their future capital expenditure reported exceeded expectations. Furthermore DuluxGroup, Sydney Airport, and DUET Group were sold to reduce the portfolio’s exposure to infrastructure. In their place, the committee chose to acquire Oil Search to increase holdings in the resources sector, and Seek given their dominance in the Australian market and their opportunity to further this into China. VIP also acquired Challenger, who holds 75% of the retail annuity market in Australia, and Resmed Inc, who looks to benefit from a rising awareness in sleep apnoea.

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.

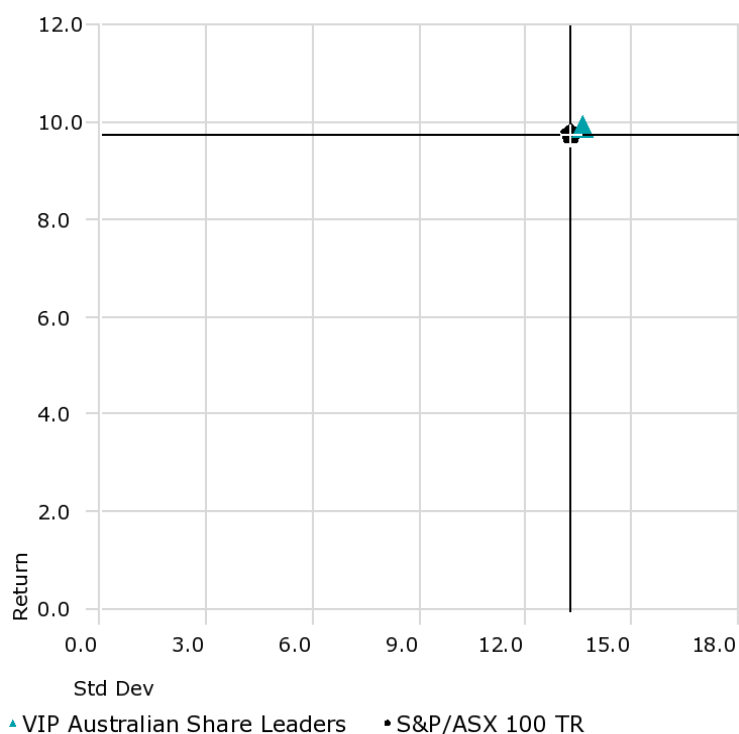
The chart on the right shows that the VIP Australian Share Leaders portfolio (aqua triangle) has achieved an **equal return** and **lower risk** compared to the S&P/ASX 100 Index (black pentagon) since inception on 01/07/2011.

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

Risk-Reward

Time Period: Since Inception to 30/11/2016

Calculation Benchmark: S&P/ASX 100 TR



Sector Exposure

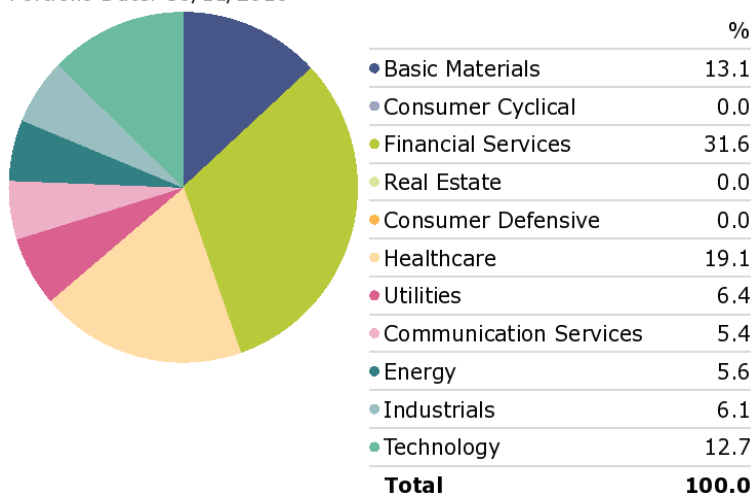
The portfolios largest sector exposure is to the Healthcare sector closely followed by the Financial Services and Materials sectors.

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.

VIP Australian Share Leaders - Equity Sectors

Portfolio Date: 30/11/2016



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