

### 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 -2.41% return for the month and 3.13% over the last 3 months. The portfolio underperformed the S&P/ASX 100 index in January by 1.82% and by 4.06% over the quarter.

Over the last year the portfolio has generated a 11.84% return pre-fees underperforming the ASX 100 index by 5.66%.

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 31/01/2017



—VIP Australian Share Leaders

### Trailing Returns

As of Date: 31/01/2017

	1 Month	3 Month	6 Month	1 Year	2 Years	3 Years	4 Years	5 Years	Since Inception
VIP Australian Share Leaders	-2.41	3.13	-4.87	11.84	4.26	8.35	10.19	12.08	9.87
VIP Australian Share Leaders Investment	-2.52	2.78	-5.51	10.33	2.87	6.90	8.71	10.58	8.40
VIP Australian Share Leaders Super-Pension	-2.47	2.92	-5.25	10.94	3.43	7.49	9.31	11.19	9.00
S&P/ASX 100 TR	-0.59	7.19	3.96	17.50	4.73	7.47	8.64	11.04	9.79

### Performance Contributors & Detractors

The strongest performing sector was the Health Care sector 4.76% followed by the Materials and Utilities sectors with 4.74% and 0.87% gains respectively. On the other hand, the Consumer Discretionary sector -4.26% followed by Information Technology -4.04% and Financial Sectors -2.05% achieved the lowest returns over the month.

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

The **Top Contributors** for the month were CSL Ltd +11.84%, and ResMed Inc DR +4.08%; and the **Top Detractors** for the month were Brambles -16.05%, Reliance Worldwide Corp -9.38%, and James Hardie Industries PLC DR -5.87%.

### Investing in a Trump World

One month into his four-year term as POTUS and President Trump has already caused a worldwide stir through questionable cabinet choices, alternative facts, and controversial decisions such as his executive orders to place travel bans from selected countries with high Muslim populations, and the defunding of international planned parenthood. In fact, unless one is an avid follower of Fox News, it is hard to remember the last time there was a positive article or news story on Donald Trump.

However, personal beliefs and values take a back seat when investing in the market. Logic starts to come to the forefront of the mind, and one's opinion on Trump's actions beginning to take the form of what is positive or negative for the market. From an investment perspective, it is essential to look at Trump's administration and determine the pros and cons of his leadership in order to develop an opinion on his influence on the market.

In terms of pros, the proposition of a tax reform looms as the most prevalent of factors that would induce a positive market. Such a change, including tax cuts and the return of trillions of corporate profits held in overseas tax havens, would have an enormous effect on the US economy and therefore the markets.

Furthermore, the deregulation of industries such as the financial sector has impacted positively on the market, which has enjoyed a post-election rally. This in turn has a knock-on effect on other industries, with the common thinking being that with deregulation comes a decline in cost of business.

While it remains to see fit if he will deliver on this promise, the possibility of Trump rolling out an extensive infrastructure plan has also boded well for the market. A spending of up to \$1 trillion dollars on the renewing and expanding of bridges, tunnels, roads, ports and water systems would pump wealth into the economy and bring jobs to struggling areas. Combined, all these factors make for an optimistic sentiment, a somewhat immeasurable aspect that does wonders for business, the economy, and thus the market.

However, much of this isn't being portrayed in the everyday media, largely because there are numerous cons that counteract such positive facets. For one, President Trump is clearly either distracted or prioritises very wrongly. He has so far clamped down on Muslim immigration from select countries even though known danger countries such as Afghanistan and Pakistan were left off the list. Furthermore, his questionable cabinet selections and ill communications to allies along with a seemingly favouritism to Russia have left critics shaking their heads.

Even more damning on the President's image and his influence on the market is apparent inability to appear presidential – thus far into his presidency the world has been exposed to his strange insistence on alternative facts that are easily debunked, not to mention his dismissal of anything he doesn't agree with to be 'fake news.' Trump continually argues with the intelligence community and abuses the news media, then complains of his negative portrayal by the media. Needless to say, this incapacity to focus on the job at hand offsets the positive vibe created.

These cons of Trump are magnified by his involvement in scandals and legal issues. Without going into detail, Trump has been sued for defamation, has numerous allegations against him for sexual assault, shoddy business dealings, and been bankrupt 4 times. No president of the United States has ever been so linked to such things, and as a result creates negativity in the economy and thus the markets.

Despite all this, the markets are up. Where they go next will no doubt largely depend on Trump and his actions.

Source: Bloomberg

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	4.08	13.90	15.32	
CSL Ltd	CSL	Health Care	11.84	11.73	-2.71	1.78
Spark Infrastructure Group	SKI	Utilities	-1.68	5.41	30.86	5.50
Bendigo and Adelaide Bank Ltd	BEN	Financials	-1.26	12.76	14.49	8.10
National Australia Bank Ltd	NAB	Financials	-1.11	13.37	16.05	9.15
Aristocrat Leisure Ltd	ALL	Consumer Discretionary	-1.42	0.59	54.26	1.62
James Hardie Industries PLC DR	JHX	Materials	-5.87	6.05	28.37	2.39
Australia and New Zealand Banking Group Ltd	ANZ	Financials	-3.71	9.27	17.10	7.70
Challenger Ltd	CGF	Financials	-1.96	2.42	34.22	3.99
Westpac Banking Corp	WBC	Financials	-2.73	8.48	5.14	8.19
Seek Ltd	SEK	Industrials	-2.96	-1.37	0.46	3.82
Reliance Worldwide Corp Ltd	RWC	Industrials	-9.38	-2.03		
Oil Search Ltd	OSH	Energy	-4.18	3.15	8.01	0.94
Ramsay Health Care Ltd	RHC	Health Care	-2.20	-8.94	3.03	2.39
RBA Bank accepted Bills 90 Days			0.15	0.44	1.99	
Brambles Ltd	BXB	Industrials	-16.05	-9.71	9.95	3.07
Telstra Corp Ltd	TLS	Telecommunication Services	-1.96	0.40	-1.20	8.48

Portfolio Adjustments

In January, the VIP Investment Committee made no changes to the portfolio.

## 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.

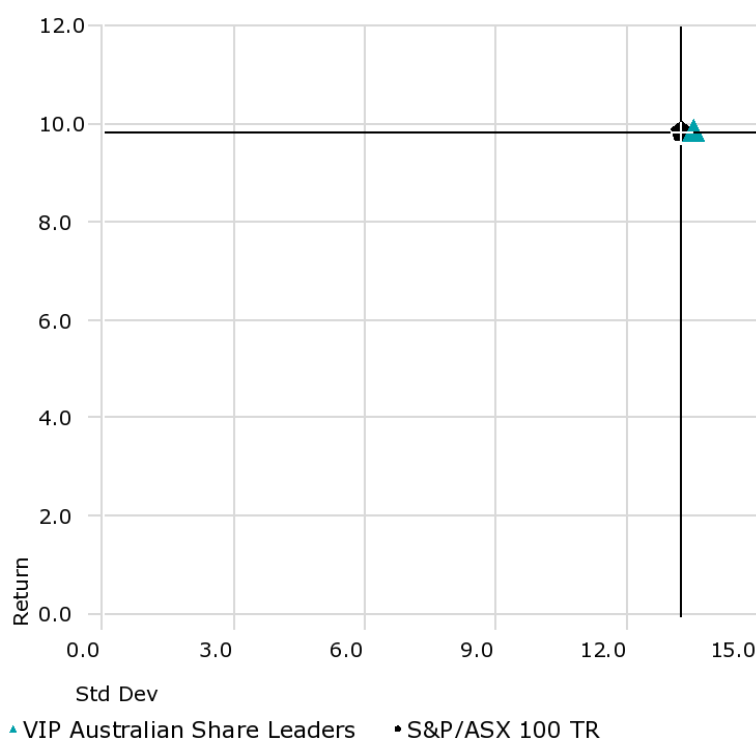
The *VIP Investment Committee* has positioned the portfolio to generate strong income yields in this current allocation while taking positions in more defensive sectors such as Healthcare and Financial Services within the current environment.

A complete Equity Sector chart is included on the right.

### Risk-Reward

Time Period: Since Inception to 31/01/2017

Calculation Benchmark: S&P/ASX 100 TR



### VIP Australian Share Leaders - Equity Sectors

Portfolio Date: 31/01/2017

