

### Investment Objective

The **VIP International Portfolio** aims to provide long term capital growth by investing in a diversified portfolio of International assets. The portfolio actively invests in 2 to 5 managed funds, Exchange Traded Funds (ETF's), or Listed Investment Companies (LIC's) that provide diversified exposure to international share markets.

Underlying managers are selected by the VIP Investment Committee by undergoing due diligence into the managers People, Investment Processes, and Investment Performance; and selecting managers that provide investment sector, style, and geographical diversification.

### Performance Review

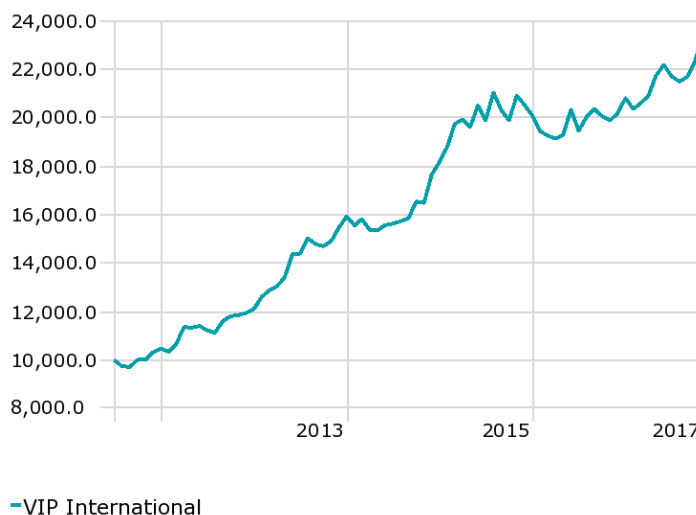
The VIP International share portfolio generated a 4.85% return for the month **pre-fees** and 8.80% over the last 3 months. In doing so the portfolio outperformed the MSCI World Ex Aus (AUD) index in October by 0.57% and outperformed over the last 3 months by 0.06%.

Over the last year, the portfolio has generated a 17.60% return and underperformed the index by 4.40%.

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

### Investment Growth

Time Period: 1/07/2011 to 31/10/2017



### Trailing Returns

As of Date: 31/10/2017

	1 Month	3 Month	6 Month	1 Year	2 Years	3 Years	4 Years	5 Years	Since Inception
VIP International	4.85	8.80	7.61	17.60	5.75	12.37	11.92	14.56	14.35
VIP International Investment	4.73	8.43	6.89	16.02	4.33	10.86	10.42	13.02	12.71
VIP International Super-Pension	4.78	8.58	7.18	16.66	4.91	11.47	11.03	13.65	13.33
MSCI World Ex Australia NR AUD	4.28	8.74	6.97	22.00	7.42	13.37	14.38	18.78	9.71

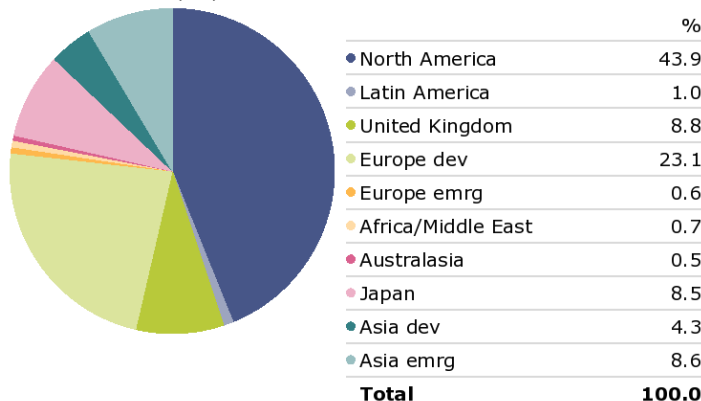
### Portfolio Exposure

The portfolios regional exposure is dominated by North American and developed Europe holdings as these are the lower risk sectors of the international markets.

The portfolio also includes an allocation to emerging markets with exposure to developed and emerging Asian countries and South America. However, this exposure has recently been reduced due to the market and economic stress these emerging markets are experiencing at present.

### VIP International - Equity Regional Exposure

Portfolio Date: 31/10/2017



### Looking at ETFs

Almost in their 25<sup>th</sup> year of existence now, the Exchange Traded Fund, or ETF as it is widely known, has exponentially grown into prominence in the investment world since the first of its kind was created in 1993. More and more, the ETF has become a viable investment option for Ma and Pa investors who would otherwise simply invest in bank or resources stocks of their choice. The rise of ETFs can also be attributed to institutional investment firms, who's large financial backing of these funds has shone legitimacy on their operations and their place in the market. Value Investment Partners itself has benefitted from the use of ETFs since inception, allowing them to provide us with a cost-effective way to expose our portfolios to a number of assets. As more investors foray into the world of ETFs, it's worthwhile looking at as to why the Exchange Traded Fund has become so popular.

Firstly, it's important to understand exactly what the ETF is, and it is exactly what its name entails – it is a fund that is traded on the stock exchange. Essentially, it is a security with a ticker bought on the stock exchange that once invested in, gives access to all the assets and their returns chosen by the ETF manager. An ETF usually aims to replicate and beat an index or a modification of an index. ETFs can also be sector or region specific, have particular goals such as high growth or high dividend, and be hedged or unhedged to currency fluctuations.

A main component of the ETF that makes it so popular is its accessibility. Like any Australian equity, it trades as easily on the ASX as any other security would, which leads on to the following benefit of ETFs – its liquidity. As an asset class, it provides a similar function as a managed fund, but is able to be sold to cash if needed with the cash settled and received in T+2 business days. Compare this to a managed fund, which can take over a week to be transferred into cash.

Given its accessibility and liquidity, it makes it a highly efficient method of diversifying ones' portfolio. Through a single trade, an investor is exposed to any number of securities that the ETF manager deems appropriate, which would be particularly high if the aim was to replicate an index. With this concept in mind, it enables investors to effectively diversify into a number of asset classes, significantly international equities, with a minimal amount of trades.

In relation to its efficiency as a diversifier, this also stands true in terms of cost. Because its management fees on average are lower relative to its managed fund equivalent, ETFs as a result are an incredibly cost-efficient way to diversify. Furthermore, there is the factor of cost-saving in terms of minimising brokerage fees as the amount of trades for one ETF stock will obviously be lower than individually building a portfolio stock by stock.

As touched on previously, ETFs offer a gateway to international equities. While there are ways in which international equities can be acquired through the creation of an international brokerage account, this method includes somewhat arduous processes that can make international trading a time-consuming exercise. Alternatively, the investment into an international ETF on the ASX is as simple as trading any Australian security.

Despite all the benefits an ETF brings to one's portfolio, it must be noted that the concept also brings a lack of transparency in exactly what is held in the fund. While most ETFs will disclose the top 10 or 20 holdings, the entire fund isn't made public for fear of being replicated. In this sense, the research on ETFs is therefore more towards the management process and track record in order to gain trust in the fund being invested in.

All in all, the ETF concept can bring many benefits to one's portfolio, as it has done for VIP for many years now.

## Portfolio Holdings & Adjustments

### VIP International - Holdings

Portfolio Date: 31/10/2017

	Global Category	Total Ret 1 Mo (Mo-End)	Total Ret 3 Mo (Mo-End)	Total Ret 6 Mo (Mo-End)	Total Ret 1 Yr (Mo-End)
Platinum International Fund	Global Equity Large Cap	6.33	12.31	16.10	29.95
Magellan Global	Global Equity Large Cap	4.99	8.88	6.11	20.46
Morphic Global Opportunities	Global Equity Large Cap	5.13	8.94	7.11	22.60
AB Global Equities	Global Equity Large Cap	4.71	6.87	6.60	22.47
iShares Europe ETF (AU)	Europe Equity Large Cap	2.77	8.02	8.06	25.67
RBA Bank accepted Bills 90 Days		0.14	0.43	0.86	1.74

### Performance Contributors & Detractors, and Portfolio Adjustments

The **Top Contributors** were Platinum International Fund +6.33%, Morphic Global Opportunities +5.13%, and Magellan Global +4.99%. The **Top Detractor** was iShares Europe ETF (AU) +2.77%.

In October, the Investment Committee made no changes to the portfolio.

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