

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

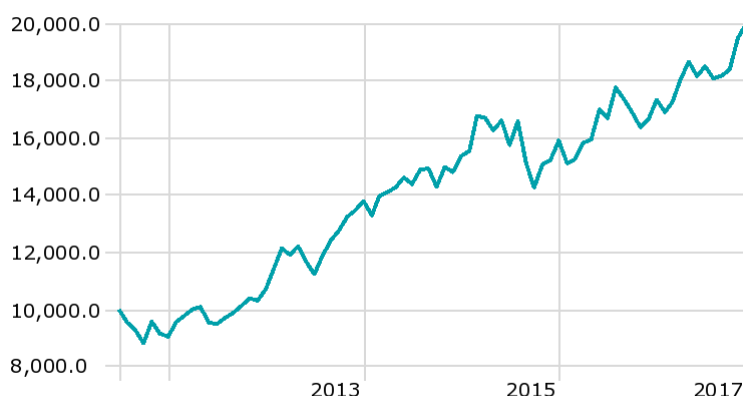
The VIP Australian Share Leaders portfolio generated a 2.49% **pre-fees** return for the month and 9.99% over the last 3 months. The portfolio outperformed the S&P/ASX 100 index in November by 1.05% and by 4.82% over the quarter.

Over the last year, the portfolio has generated an 20.09% return pre-fees outperforming the ASX 100 index by 6.09%.

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 30/11/2017



—VIP Australian Share Leaders

Trailing Returns

As of Date: 30/11/2017

	1 Month	3 Month	6 Month	1 Year	2 Years	3 Years	4 Years	5 Years	Since Inception
VIP Australian Share Leaders PRE-FEES	2.49	9.99	10.05	20.09	14.56	10.53	10.38	14.16	11.40
Net VIP Australian Share Leaders Investment	2.38	9.62	9.31	18.49	13.03	9.04	8.90	12.63	9.91
Net VIP Australian Share Leaders Super-Pension	2.42	9.77	9.61	19.14	13.65	9.65	9.50	13.25	10.51
S&P/ASX 100 TR	1.44	5.17	5.75	14.00	11.88	8.38	7.41	10.68	9.85

Performance Contributors & Detractors

The strongest performing sector was the Information Technology sector 4.46% followed by the Energy and Consumer Staples sectors with 4.13% and 3.22% gains respectively. On the other hand, the Telecommunications sector -1.60% followed by Financials 0.00% and Consumer Discretionary sectors 0.86% achieved the lowest returns over the month.

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

The **Top Contributors** for the month were APA Group +9.11%, James Hardie Industries +8.09%, and Brambles +8.03%. The **Top Detractors** for the month were Aristocrat Leisure -6.62%, South32 Ltd -3.26%, and Australia and New Zealand Banking Group Ltd -1.06%.

Looking Back on 2017

2017, in contrast to its predecessor, has been a year of steady growth and positivity around the world. While 2016 was the year of upsets that made for a turbulent time on the global markets, 2017 can be looked back upon as a stabiliser that kept the world moving once the dust settled from the previous year.

No doubt the largest event of last year was the election of President Trump in November 2016. 2017 was therefore the year in which the world watched on to see how a man of such polarizing character would influence the world and its economies and markets. Amidst an endless supply of headlines and noise, Trump, whether to his credit or not, has seen a prosperous year as president with the S&P500 Index posting a 17.2% return for the past financial year. Much of this return was bolstered by Trump's promises of corporate tax cuts, higher infrastructure spending, and less regulation. Whether or not these promises are delivered is another matter for 2018 but for now, Wall Street is a Trump-friendly place.

While the French and German elections were flagged last year as potential disruptors to the global economy, the two major powers in the EU held steady with Emmanuel Macron winning the French election and Angela Merkel reinstated for her fourth term as German Chancellor. In line with political stability, European share markets also made significant gains, notably a 27.3% return for Germany and 24.8% gain for the French market.

Overall, the global economy improved its performance over the past year on the back of strong corporate earnings, positive business surveys, rising consumer sentiment, strong jobs growth and lower unemployment. China was able to earn a respectable 9% on its market through large infrastructure spending and a robust housing market.

Domestically, Australia's share market has posted a solid year with 14% growth on the ASX100. This was achieved despite a subdued annual economic growth of 2% for the last financial year as well as high unemployment and underemployment rates at 5.5% and 8.8% respectively. Given this sparse capacity in the labour market, wages growth remains subdued and consumer sentiment remains low. As such, Australia's annual inflation has been sedated at 2.1% for the past financial year.

In the wake of a slow but positive local economy, Value Investment Partners has performed well, particularly considering that we entered the year slightly behind the market after safeguarding our investors from any potential downturn that could have resulted in the aftermath of the Trump election. Given our current position, VIP is in good stead to capitalise on the opportunities that 2018 brings.

From the team here at Value Investment Partners, we'd like to thank you for your continued support through a successful year. We wish you a happy and restful holiday season, a safe summer, and a prosperous 2018 for us all.

Source: MLC, Credit Suisse

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
James Hardie Industries PLC DR	JHX	Materials	8.09	21.54	-10.66	1.95
Brambles Ltd	BXB	Industrials	8.03	11.53	-22.17	3.19
APA Group	APA	Utilities	9.11	5.42	3.58	5.33
Challenger Ltd	CGF	Financials	5.19	13.56	27.27	3.48
CIMIC Group Ltd	CIM	Industrials	5.54	23.39	59.89	3.42
Macquarie Group Ltd	MQG	Financials	2.36	15.99	17.80	5.91
CSL Ltd	CSL	Health Care	3.17	12.24	26.83	1.24
ResMed Inc DR	RMD	Health Care	4.11	17.45	15.75	1.05
Rio Tinto Ltd	RIO	Materials	2.16	4.58	37.25	6.20
BHP Billiton Ltd	BHP	Materials	2.86	2.47	21.97	5.57
Seek Ltd	SEK	Industrials	0.60	12.12	10.79	3.38
Treasury Wine Estates Ltd	TWE	Consumer Staples	0.51	8.63	26.61	1.82
Spark Infrastructure Group	SKI	Utilities	2.76	-0.51	15.53	5.51
BT Investment Management Ltd	BTT	Financials	1.58	3.30	29.81	4.65
Westpac Banking Corp	WBC	Financials	-0.54	4.93	17.27	8.53
Australia and New Zealand Banking Group Ltd	ANZ	Financials	-1.06	0.69	15.40	8.02
Aristocrat Leisure Ltd	ALL	Consumer Discretionary	-6.62	3.87	34.76	1.93
South32 Ltd	S32	Materials	-3.26	15.55	42.40	4.98
S&P/ASX 100 TR			1.44	5.17	9.72	

Portfolio Adjustments

In November, the VIP Investment Committee bought Brambles, a stable company purchased at an attractive price.

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.

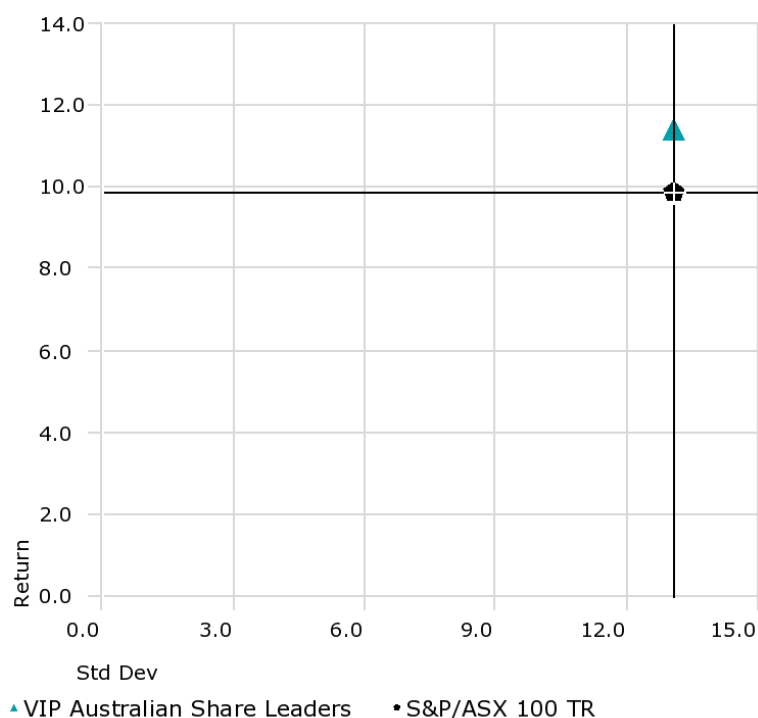
The chart on the right shows that the VIP Australian Share Leaders portfolio (aqua triangle) has achieved an **equal return** and **lower risk** compared to the S&P/ASX 100 Index (black pentagon) since inception on 01/07/2011.

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

Risk-Reward

Time Period: Since Inception to 30/11/2017

Calculation Benchmark: S&P/ASX 100 TR



Sector Exposure

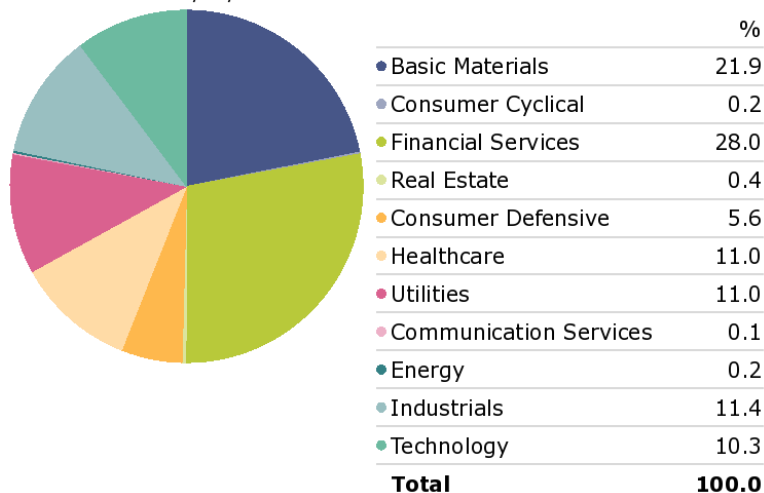
The portfolios largest sector exposure is to the Healthcare sector closely followed by the Financial Services and Materials sectors.

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: 30/11/2017



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