

### Investment Objective

The **VIP Fixed Interest Portfolio** aims to provide a high level of income over the medium to long term through investment in a diversified portfolio of Australian fixed income securities including Government and Semi Government Bonds, Managed Funds, Term Deposits and Cash.

The portfolio invests in 4 to 10 fixed income securities including Government and Semi Government Bonds, Managed Funds, Term Deposits and Cash that are managed with a bottom up approach while taking top down economic considerations into consideration.

### Performance Review

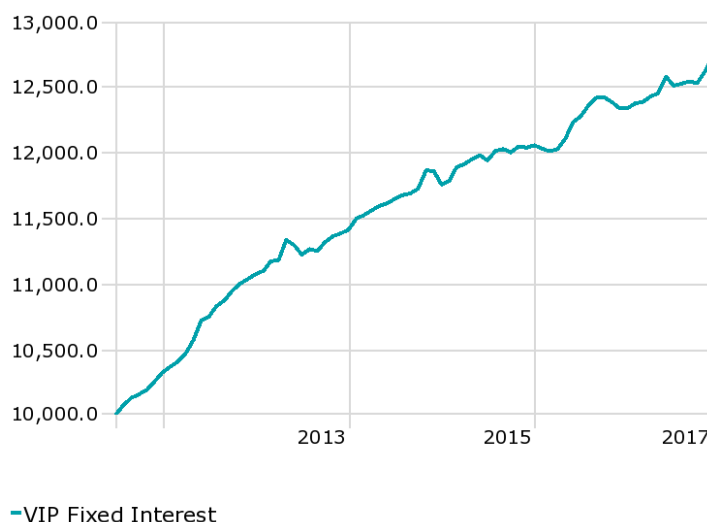
The VIP Fixed Interest portfolio generated a 0.86% return for the month **pre-fees** and 1.47% over the last 3 months. This was against the Bloomberg AusBond Composite index return of 0.87% over the month and 1.66% over the quarter.

The portfolio underperformed the index by 0.01% over the month, and underperformed the index 0.19% over the last 3 months.

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



### Trailing Returns

As of Date: 30/11/2017

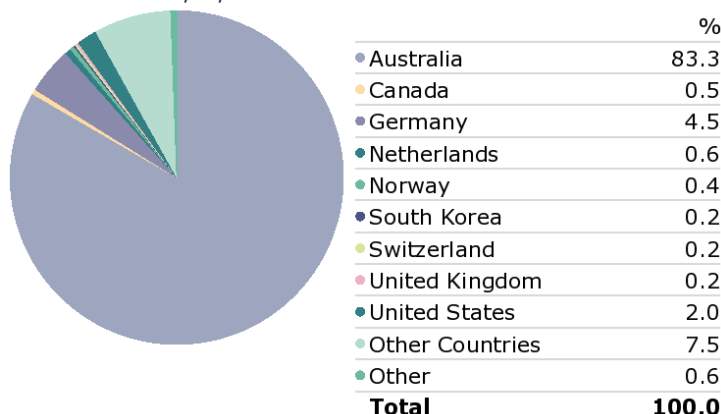
	1 Month	3 Month	6 Month	1 Year	2 Years	3 Years	4 Years	5 Years	Since Inception
VIP Fixed Interest PRE-FEES	0.86	1.47	1.17	3.16	2.83	2.38	2.83	2.90	3.83
Net VIP Fixed Interest Investment	0.75	1.12	0.49	1.78	1.45	1.01	1.45	1.52	2.45
Net VIP Fixed Interest Super-Pension	0.80	1.26	0.77	2.34	2.01	1.56	2.01	2.08	3.01
Bloomberg AusBond Composite 0+Y TR AUD	0.87	1.66	0.99	4.02	3.73	3.81	4.98	4.30	8.19

### Portfolio Exposure

The portfolio is allocated across Australian and International fixed interest sectors as capital loss fears from the Quantitative Easing Tapering program have ceased.

### VIP Fixed Interest - Fixed-Inc Country Exposure

Portfolio Date: 30/11/2017



### 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 Fixed Interest - Holdings

Portfolio Date: 30/11/2017

	Portfolio Weighting %	Total Ret 1 Mo (Mo-End)	Total Ret 3 Mo (Mo-End)	Total Ret 6 Mo (Mo-End)	Total Ret 1 Yr (Mo-End)
iShares Core Composite Bond ETF	75.01	0.86	1.62	0.90	3.85
Realm High Income	24.99	0.21	0.84	1.58	3.83

### Performance Contributors & Detractors, and Portfolio Adjustments

The **Top Detractors** were Realm High Income 0.21%, and iShares Core Composite Bond (AU) 0.86%

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

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