

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 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

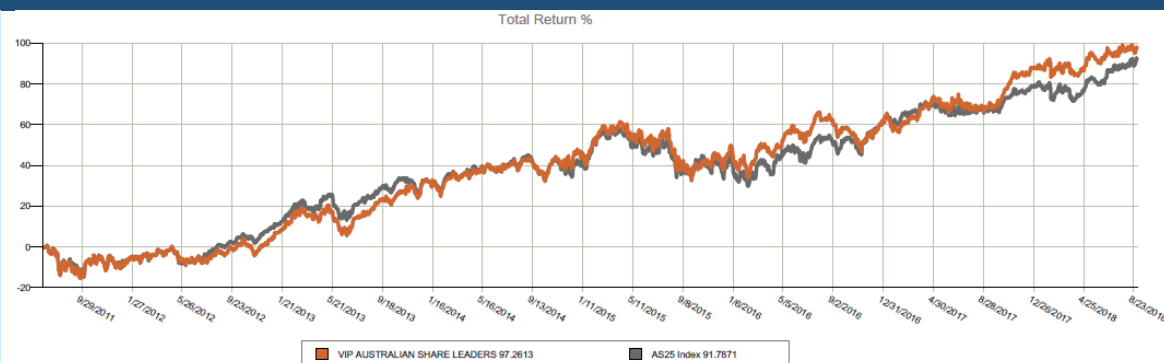
The VIP Australian Share Leaders portfolio generated a 0.29% **pre-fees** return for the month and 3.36% over the last 3 months. The portfolio underperformed the S&P/ASX 100 index over the month by 1.00% and underperformed by 3.31% over the quarter.

Over the last year, the portfolio has generated an 17.14% return pre-fees outperforming the ASX 100 index by 2.43%.

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

Contributors & Detractors

The **Top Contributors** were CSL +15.61%, Resmed +10.24%, and Seven Group Holdings +8.71%. The **Top Detractors** were Challenger -11.50%, Costa Group Holdings -8.13%, and Rio Tinto -7.54%.



Trailing Returns

31/08/2018

	1 Month	3 Month	6 Month	1 Year	3 Year	5 Year
VIP Australian Share Leaders PRE-FEES	0.29	3.36	4.02	17.14	17.63	16.34
Net VIP Australian Share Leaders Investment	0.22	3.16	3.62	16.34	16.83	15.54
Net VIP Australian Share Leaders Super-Pension	0.18	3.02	3.35	15.79	16.28	14.99
S&P/ASX 100 TR	1.29	6.46	7.25	14.71	17.03	13.87

	% End Weight	Tot Rtn 1M	Tot Rtn 3M	Tot Rtn 6M	Tot Rtn 1Y	Total Return YTD (%)
VIP AUSTRALIAN SHARE LEADERS	100.00	0.29	3.36	4.02	17.14	4.96
Consumer Discretionary	10.64	-3.72	0.20	22.88	44.33	27.80
Consumer Staples	5.23	-8.13	-7.25	-12.61	5.25	-4.18
Financials	16.19	-4.52	-0.73	0.51	6.52	-1.88
Health Care	12.13	12.96	18.61	33.49	65.11	52.05
Indexes	5.00	0.17	0.51	0.99	1.85	1.28
Industrials	17.18	5.11	12.16	6.68	25.77	4.14
Information Technology	5.99	6.82	12.06	13.63	13.63	13.63
Materials	21.72	-4.13	-4.68	-6.11	16.50	-4.64
Utilities	5.93	4.35	6.53	4.19	-2.95	-2.06

Economic Outlook

The end of August brought the Australian stock market to a ten-year high, with VIP benefitting particularly from CSL's +15.61% return for the month, an outstanding performer for the year thus far with +79.15% for the year. Following the Health Care trend, Resmed also posted a +10.24% return, and Seven Group bounced back with +8.71% for August.

Naturally, the US market is also riding record highs. The US economy has shown significant strength on the back of optimism in business sentiment, which no doubt has been a catalyst to the economy gaining jobs as well as investment. Opinions aside on the current POTUS, it must be said that at least part of this is owed to his presidency, given his insistence on spending on the US economy and decision to cut the US federal corporate income tax from 35% to 21% earlier this year. While it may cause problems for the future, at least for the short term the fiscal stimulus has pumped up US growth. The tax cut in fact is more than a short-term play, given that it in theory encourages investment, leading to job creation and wage inflation. The concern here is that all this is funded by debt, which put the US on a less sustainable spending pattern than it could be.

Locally, August saw once again a new Prime Minister step into office for this country. Scott Morrison, as 30th Prime Minister, will seek to pull the Liberal Party out of a catastrophic 2018 and attempt to maintain parliament in next years federal election, for which the Labor Party is now largely favourites. Despite turmoil at the head of Australia, the stock market continues to go from strength to strength.

The movements in parliament are now more than ever in the forefront of VIP's sights. With a new head of the Liberal Party, the stage is now set for what will most probably be a matchup between Morrison and Bill Shorten next May.

Month in Review - Economic & Market Commentary

Performance - Main View

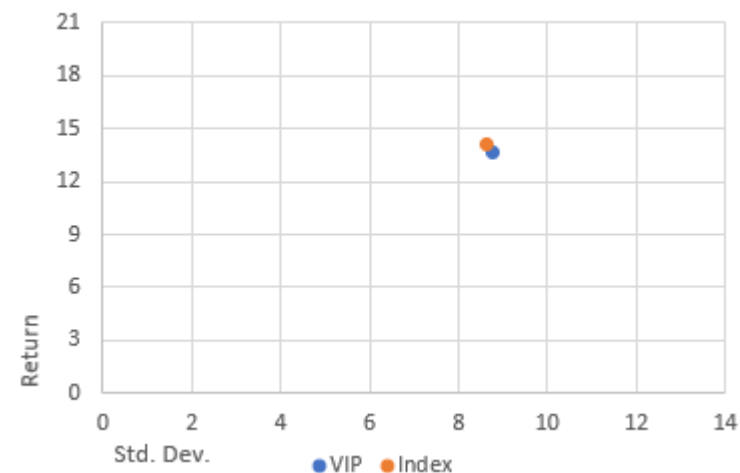
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VIP AUSTRALIAN SHARE LEADERS	100.00	0.29	3.36	4.02	17.14	4.96
WESTPAC BANKING CORP	2.68	-3.12	2.48	-4.25	-3.05	-6.02
AUST AND NZ BANKING GROUP	2.82	0.68	8.42	4.49	6.04	5.62
CHALLENGER LTD	4.92	-11.50	-14.58	-12.62	-9.71	-20.42
BBG AUB Bank Bill	5.00	0.17	0.51	0.99	1.85	1.28
ARB CORP LTD	5.06	-5.66	-9.86	-9.86	-9.86	-9.86
COSTA GROUP HOLDINGS LTD	5.23	-8.13	-8.25	-8.25	-8.25	-8.25
RIO TINTO LTD	5.26	-7.54	-9.51	-8.47	9.51	-2.01
JAMES HARDIE INDUSTRIES-CDI	5.29	-1.53	-2.86	-5.75	22.48	-4.79
SOUTH32 LTD	5.51	-2.52	-6.45	-2.29	13.89	-7.04
ARISTOCRAT LEISURE LTD	5.58	-1.89	5.16	28.96	51.47	34.13
SEEK LTD	5.64	4.82	10.89	12.22	37.09	19.30
BHP BILLITON LIMITED	5.66	-4.73	1.28	8.05	26.17	11.45
CIMIC GROUP LTD	5.72	1.97	21.77	7.25	22.12	-2.44
BENDIGO AND ADELAIDE BANK	5.77	-1.02	7.71	11.34	11.34	11.34
SEVEN GROUP HOLDINGS LTD	5.83	8.71	4.46	4.46	4.46	4.46
RESMED INC-CDI	5.86	10.24	14.89	26.74	63.69	42.38
SPARK INFRASTRUCTURE GROUP	5.93	4.35	9.09	2.94	-5.39	-1.16
COMPUTERSHARE LTD	5.99	6.82	12.06	13.63	13.63	13.63
CSL LTD	6.27	15.61	22.31	40.16	79.15	61.85

Portfolio Adjustments

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

Risk Reward

Risk-Reward One Year



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