

Investment Objective

The aim of the **VIP Property Securities Portfolio** is to provide investors with tax advantaged income and long term capital growth from investment in an actively managed, concentrated portfolio of property and property related companies and trusts listed on the ASX.

The portfolio invests in 4 to 10 Australian Real Estate Investment trusts (A-REITs) listed on the S&P/ASX 200 A-REIT Accumulation 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

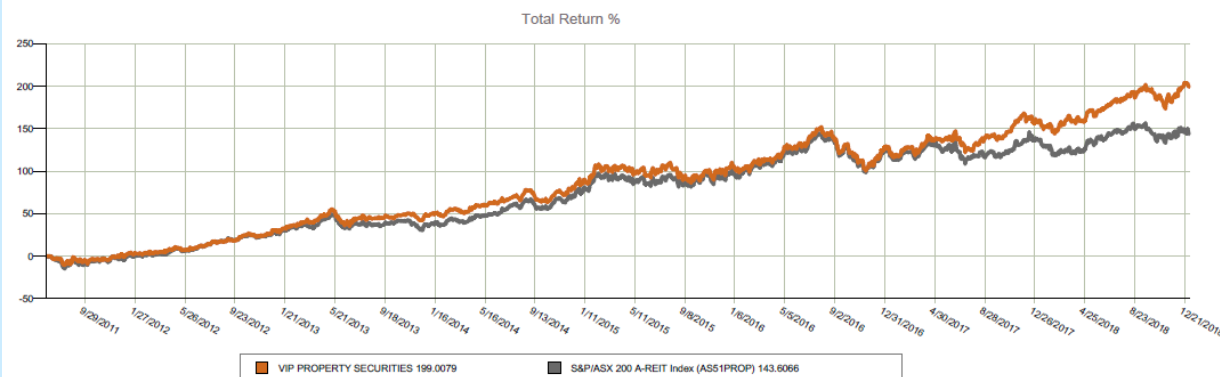
The VIP Property Securities portfolio generated a 4.15% return for the month **pre-fees** and 1.29% over the last 3 months. The portfolio outperformed the S&P/ASX 200 A-REIT index during the month by 2.47%, and outperformed over the quarter by 3.21%.

Over the last year, the portfolio has generated a 15.76% return and outperformed the index by 13.17%.

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

Contributors & Detractors

The **Top Contributor** was Charter Hall 8.49%.



Trailing Returns

	31/12/2018					
	1 Month	3 Month	6 Month	1 Year	3 Year	5 Year
VIP Property Securities PRE-FEES	4.15	1.29	6.77	15.76	20.26	23.53
Net VIP Property Securities Investment	4.08	1.09	6.37	14.96	19.46	22.73
Net VIP Property Securities Super-Pension	4.04	0.95	6.10	14.41	18.91	22.18
S&P/ASX 200 A-REIT TR	1.68	-1.92	-0.09	2.59	11.47	19.49

	% End Weight	Tot Rtn 1M	Tot Rtn 3M	Tot Rtn 6M	Tot Rtn 1Y	Total Return YTD (%)
VIP PROPERTY SECURITIES	100.00	4.15	1.29	6.77	15.76	15.76
ARENA REIT	30.46	1.79	3.51	15.26	12.92	12.92
CROMWELL PROPERTY GROUP	32.97	1.81	-5.19	-7.88	6.08	6.08
CHARTER HALL GROUP	36.57	8.49	5.91	16.31	29.08	29.08

Economic Outlook

Entering into the month of December many investors were hopeful for a 'Santa Rally' to gain back the losses in the market from the months of October and November, unfortunately volatility continued, and economic and political pressures built resulting in a continued decline in the Australian market. This resulted in a further decline of 2.16% of the ASX S&P 200 Price Index over the month resulting in a total nominal return from the ASX S&P 200 of -6.9% for 2018. Similar losses have been felt around the world as trade tensions continue to escalate, and political uncertainty rises causing global markets more broadly to become increasingly nervous about the future.

Negotiations for a trade deal between China and the United States have been continuing but with the 1st of March deadline looming with no significant news concerning progress, investors will be growing more hawkish about the possibility of a comprehensive trade deal being agreed to by the date. The trade war has already cost investors significant amounts of money and are making businesses less complete in the two economies, if a deal is not reached by the deadline than the market may begin to price in the possibility of a resolution being far in the future adding to the losses already incurred. A divided legislature in the United States will increase government gridlock and may begin to impact investor confidence, exaggerated by President Donald Trump's erratic policy changes creating a sense of unease for investors in the largest economy in the world. Global markets are generally uncertain about the productive nature of a split congress, especially with such a unique environment throughout the White House, this will continue to foster volatility.

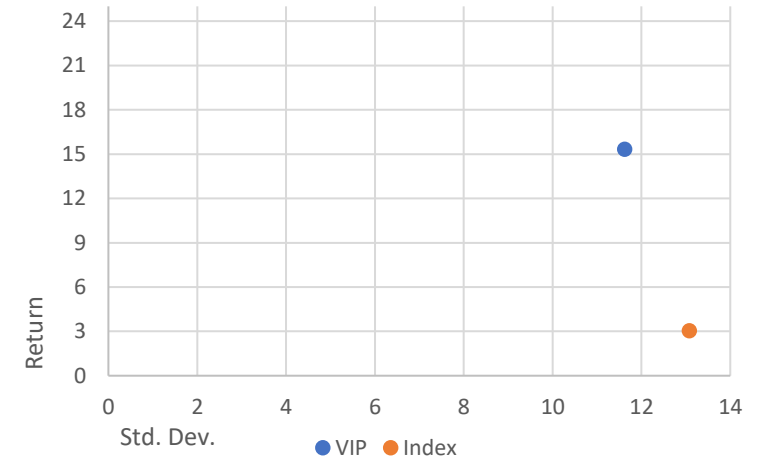
A NSW state and Australian Federal election is to be called within the first half of the new year, bringing uncertainty for businesses and investors in particular concerning policy decisions around tax and investment continued to weigh on the market over the last couple of months. The outcome of the state election is unclear as many believe that the condition of the federal Liberal party will influence the outcome of the election in Labours favour. The federal election is fairly certainly going to be won by the Labour party and with it brings significant changes to negative gearing, capital gains taxes, and a variety of other measures that target investors and large businesses, which will have a material effect on returns and volatility.

Overall, the market has been extremely volatile over the last month with only small gains to be found in the last 5 days of trading in the month, the market is continuing to price the current high levels of uncertainty. A business friendly and on time US-China trade agreement, as well as less aggressive policy action from the federal labour party would increase positivity in the market and build momentum to recoup the losses incurred over the last quarter.

Portfolio Adjustments

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

Risk-Reward One Year



Sharpe Ratio

Risk-Reward One Year

