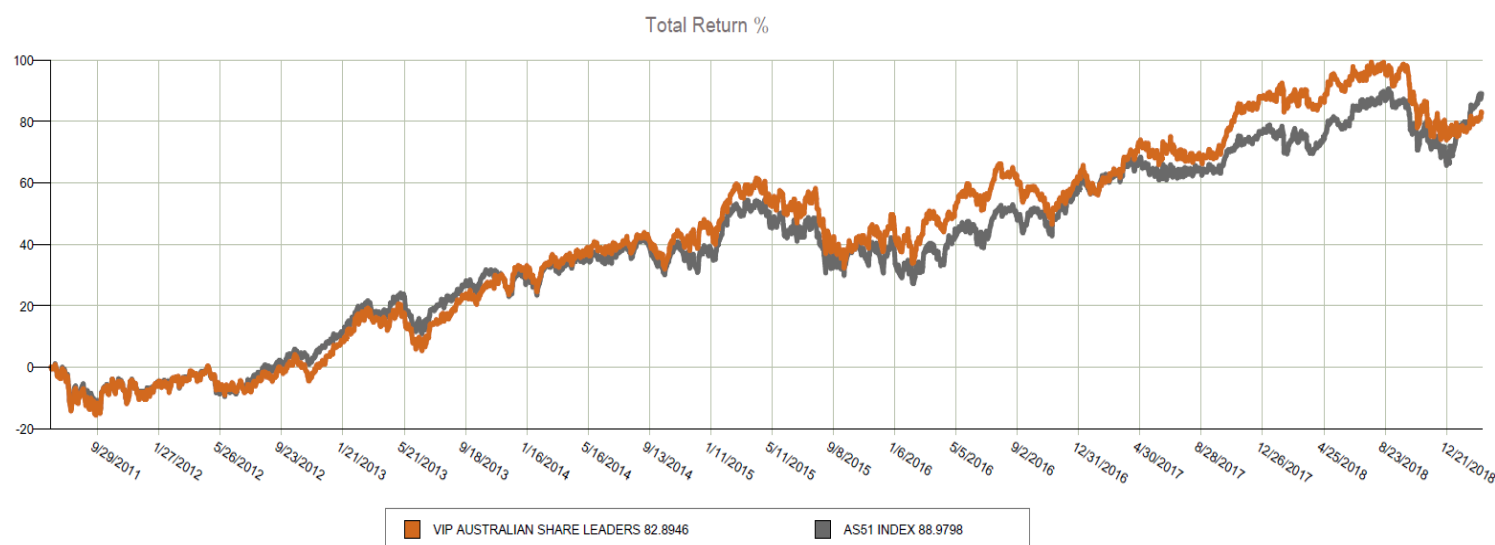


Investment Objective

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 & Portfolio Adjustments

The VIP Australian Share Leaders portfolio generated 2.77% pre-fees return for the month and 2.40% over the last 3 months. The portfolio underperformed against the S&P/ASX 200 index over the month by 3.21% and underperformed by 7.54% over the quarter. Over the last year, the portfolio has generated a -3.56% return pre-fees underperforming the ASX 200 index by 10.60%. The **post-fees** returns for the *Investment* and *Superannuation & Pension* portfolios are shown in **blue** in the table below.

The **Top Contributors** were ANZ Group 11.87%, ResMed Inc 11.45%, and South32 Ltd 10.67%. The **Top Detractors** were Bendigo & Adelaide Bank -8.53%, Treasury Wine Estates Ltd -8.21%, and -3.44% Costa Group Holdings Ltd -3.44%.

In February the Investment Committee purchased stock in Treasury Wine Estates Ltd and SEEK Ltd.

Trailing Returns

28/02/2019

	1 Month	3 Month	6 Month	1 Year	3 Year	5 Year
VIP Australian Share Leaders PRE-FEES	2.77	2.40	-7.28	-3.56	13.07	10.41
Net VIP Australian Share Leaders Investment	2.70	2.20	-7.68	-4.36	12.27	9.61
Net VIP Australian Share Leaders Super-Pension	2.66	2.06	-7.96	-4.91	11.72	9.06
S&P/ASX 200 TR	5.98	9.94	-0.29	7.04	19.54	11.67

Individual Securities Performance Review

	% End Weight	Tot Rtn 1M	Tot Rtn 3M	Tot Rtn 6M	Tot Rtn 1Y	Total Return YTD (%)	Tot Rtn 5Y (A)
VIP AUSTRALIAN SHARE LEADERS	100.00	2.77	2.40	-7.28	-3.56	2.47	6.40
WESTERN AREAS LTD	2.67	-2.13	5.50	-16.67	-16.67	15.00	-3.58
SANDFIRE RESOURCES NL	2.73	4.72	14.38	-1.35	-1.35	9.58	-0.27
WESTPAC BANKING CORP	2.77	9.82	3.81	-2.15	-6.31	7.67	1.74
AUST AND NZ BANKING GROUP	2.87	11.87	4.48	-2.20	2.19	14.47	3.04
BENDIGO AND ADELAIDE BANK	4.87	-8.53	-7.68	-12.28	-2.34	-8.62	3.22
TREASURY WINE ESTATES LTD	5.05	-8.21	-8.21	-8.21	-12.58	-8.21	1.04
COSTA GROUP HOLDINGS LTD	5.77	-3.44	-29.83	-25.19	-31.36	-28.03	-7.25
BHP GROUP LTD	5.80	6.89	26.51	20.17	29.84	13.42	1.54
RESMED INC-CDI	5.82	11.45	-2.82	-5.57	19.68	-8.50	13.99
RIO TINTO LTD	5.85	10.47	31.22	32.20	21.01	22.54	5.58
SEEK LTD	5.85	6.23	6.23	-10.11	0.87	6.23	7.14
SOUTH32 LTD	5.92	10.76	26.13	14.98	12.35	16.72	9.61
REA GROUP LTD	6.06	7.69	7.19	9.83	9.83	10.22	1.89
BBG AUB Bank Bill	37.98	0.17	0.51	0.99	1.99	0.35	1.34

Economic & Market Commentary

The Australian and many international markets for the month of February continued to be supported by bullish momentum coming out of January as investor confidence shifts. Encouraged by; a change in expectations of the US/China trade war resolution being optimistic and positive; and many large Australian and international companies in this reporting season delivering stronger than expected results. Resulting in a 5.98% gain from the S&P/ASX 200 Index, and international markets such as the US and Japan enjoying similar tailwinds with the S&P 500 returning 2.88% and the Nikkei 225 gaining 2.87%.

Representatives and negotiators from the US and China met this month in an effort to reach an agreement on trade relations before the March 1st tariff increase deadline set by President Donald Trump. Although there have been mixed reports on the progress of discussions between the two parties and whether or not a solution would be found is up for continued speculation. One positive to emerge from the trade negotiations was President Trump's decision to delay implementing further tariffs, which may indicate that he can see a positive outcome eventuating and does not want to jeopardize the current progress by implementing a tariff on almost \$200 billion USD of Chinese goods. As a result, investors have grown bullish on the outcome of the trade negotiations and have begun to revise company stock values for more positive growth and a more stable trade environment in the future.

The RBA this month in its comments on the Australian economy has sighted significant uncertainties on economic outlook with consumption being a key contributor to that uncertainty. As a consequence, the RBA board commented that they saw scenarios where interest rates could rise or fall. The choice of the RBA not to bring certainty concerning the cash rate in the future adds to the unease felt by investors as they predict and guess on where interest rates will be in 12-months. Further noted was the reality of a notable drop in home loan approvals due to a weaker demand and a tighter credit environment but admitting that the fall of housing prices were large in comparison to historical standards, although not out of cycle and unlikely to have a large economic impact. For many individuals within the economy it would be difficult to say that there has been a material impact on consumer confidence and spending as a direct result of the decline in house prices.

The upcoming federal election has continued to way down on the Australian markets with investors bearish on the economic and investment environment under a Labor government. The proposed changes in negative gearing, franking credit refunds, capital gains tax discounts, and income tax reform has made investors nervous and represents material headwinds for the market if brought into law. The most recent Newspoll places the ALP at 53% and the Coalition at 47% on a two-party preferred basis, as even betting websites have predicted a win for the Labor party by a swing of around 20 seats.

What does this mean for investors? A positive trade outcome will continue to return certainty of the world trading system and boost equities markets, while a more certain RBA will help spur investment and reduce volatility in the Australian market. Giving reasons for optimism and bullishness further into 2019.

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