



VALUE
INVESTMENT
PARTNERS

VIP Property Securities Portfolio

Monthly Review
December 2013

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 -0.32% return for the month and 1.98% over the last 3 months. The portfolio outperformed the S&P/ASX 200 A-REIT index during the month by 1.01% and over the quarter by 3.50%.

Over the last year the portfolio has generated a 13.67% return and outperformed the index by 6.56%.

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

Investment Growth

Time Period: 30/06/2011 to 31/12/2013



Trailing Returns

As of Date: 31/12/2013

| | 1 Month | 3 Month | 6 Month | 1 Year | 2 Years | Since Inception |
|---------------------------------------|---------|---------|---------|--------|---------|-----------------|
| VIP Property Securities | -0.32 | 1.98 | 4.04 | 13.67 | 20.42 | 15.25 |
| VIP Property Securities Investment | -0.43 | 1.64 | 3.33 | 12.15 | 18.81 | 13.90 |
| VIP Property Securities Super-Pension | -0.38 | 1.78 | 3.62 | 12.76 | 19.46 | 14.52 |
| S&P/ASX 200 A-REIT TR | -1.33 | -1.52 | -1.48 | 7.11 | 19.33 | 10.20 |

Portfolio Holdings

VIP Property Securities - Holdings

Portfolio Date: 31/12/2013

| | Ticker | Total Ret 1 Mo (Qtr-End) | Total Ret 3 Mo (Qtr-End) | Total Ret 1 Yr (Qtr-End) | Dividend Yield % TTM |
|---------------------------------------|--------|--------------------------|--------------------------|--------------------------|----------------------|
| SPDR S&P/ASX 200 Listed Property Fund | SLF | -1.35 | -1.67 | 6.63 | |
| Cromwell Property Group | CMW | 1.92 | 1.92 | 24.10 | 7.06 |
| Commonwealth Property Office Fund | CPA | 0.79 | 12.28 | 28.77 | 5.57 |
| BWP Trust | BWP | -1.40 | -0.96 | 7.84 | 6.28 |
| Stockland Corporation Limited | SGP | -3.12 | -3.62 | 9.07 | 6.61 |
| Investa Office Fund | IOF | 3.29 | 9.24 | 11.53 | 5.89 |
| Charter Hall Group | CHC | 0.27 | 1.90 | 20.27 | 5.77 |

Source: Morningstar Direct

Month in Review - Economic & Market Commentary

The recent market volatility since the US Fed's announcement of the reduction of its monthly stimulus program from this month has caused many to question whether we are approaching a down market cycle based on how well markets have risen since September 2011.

Since the Eurozone debt crisis of September 2011 Australian shares as measured by the ASX 100 have risen by 36% and global shares as measured by the largest 100 multi-national companies have risen by over 60%.

However the markets are concerned that the US economy is not strong enough at this stage to sustain current economic growth and recovery with tapering and (ultimately) removal of the US Fed's stimulus program. And the markets are using the current US profit reporting season as an indicator of the strength of the US economy.

And the results have been mixed with negative results from the likes of Morgan Stanley with lower profit due to increased costs, IBM with weak sales due to reduced Chinese sales of server and storage infrastructure, and Samsung quarterly profit drop due to slower sales of smartphones.

On the other hand, Delta Airlines posted profit rises on revenue gains and lower fuel costs, Microsoft posted profit rise off the back of Office application sales, LG Electronics doubled quarterly profit off the back of TV sales, and Amazon posted a profit in 2013 on a jump in revenue.

If reporting season is not a good indicator of the markets then something can possibly be drawn from economic developments.

From an economic perspective the growth and recovery story in developed markets remains strong with mainly positive data coming out of the US, Europe, and Japan. Emerging markets, on the other hand, are a concern as commentators are worried that a reduction of US Stimulus will stop the flow of capital that is flowing from the developed to the emerging economies such as China, Brazil, Russia, and other developing Asian nations. Commentators are looking closely at these economies to see if there are any similarities to the state of these economies just prior to the 1997-98 Asian Crisis where large flows of money out of Asian markets led to the collapse of the Thai currency and contributed to the Russian debt default in 1998. This is important as any vulnerability that is sensed by the market could lead to a sell-off in shares off the back of the strong gains that have been achieved over the last 2 years.

Luckily, emerging markets are stronger today with these economies largely having less debt (as a % of GDP), higher foreign currency reserves, lower inflation, and mainly floating (not fixed) and lower currencies. Of these economies China, South Korea, Taiwan, and Russia are less of a concern compared to Brazil, India, Indonesia, Ukraine, Turkey, and South Africa.

This all points to an environment of increased short-term volatility where negative economic or company news will send markets down on a day-to-day basis. However, from a fundamental point of view company reporting and economic data is mainly positive and supporting of current share prices that seem fair value based on Price to earnings ratios.

Source: AMP Capital

Portfolio Holdings & Adjustments

Performance Contributors & Detractors:

The **Top Contributors** for the month were Investa Office Fund +3.29%, Cromwell Property Group +1.92%, and Commonwealth Office Property Trust 0.79%.

The **Top Detractors** were Stockland Corporation -3.12%, BWP Trust -1.40%, and SPDR S&P/ASX200 Listed Property ETF -1.35%.

Property Securities Portfolio Adjustments:

The VIP Investment Committee did not make any changes to the Property Securities portfolio in December.

Value Investment Partners Pty Ltd is a Corporate Authorised Representative (Representative No.: 409849) ABN 72 149 815 707 of Sterling Managed Investments Pty Ltd, Australian Financial Services Licensee (AFSL 340744). This document has been prepared for general information purposes only and not as specific advice to any particular person. Any advice contained in this document is General Advice and does not take into account any person's investment objectives, financial situation and particular needs. Before making any investment decision based on this advice, you should consider, with or without the assistance of a securities adviser, whether it is appropriate to your particular investment needs, objectives and financial circumstances. A Product Disclosure Statement and/or Investment Options Document on any financial product mentioned in this document should also be obtained and read prior to proceeding with an investment decision. Future Financial Services and its representatives may have an interest or associations with the product providers detailed in this report, and will be entitled to receive remuneration for the provision of personal financial product advice by means of commissions and/or fees and other benefits. If you proceed with personal advice, details of remuneration and associations will be detailed in full within a Financial Services Guide and Statement of Advice. Although every effort has been made to verify the accuracy of the information contained in this document, Future Financial Services Pty Ltd, its officers, employees and agents disclaim all liability (except for any liability which by law cannot be excluded), for any error, inaccuracy in, or omission from the information contained in this document or any loss or damage suffered by any person directly or indirectly through relying on this information.

Source: Morningstar Direct