

## 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.

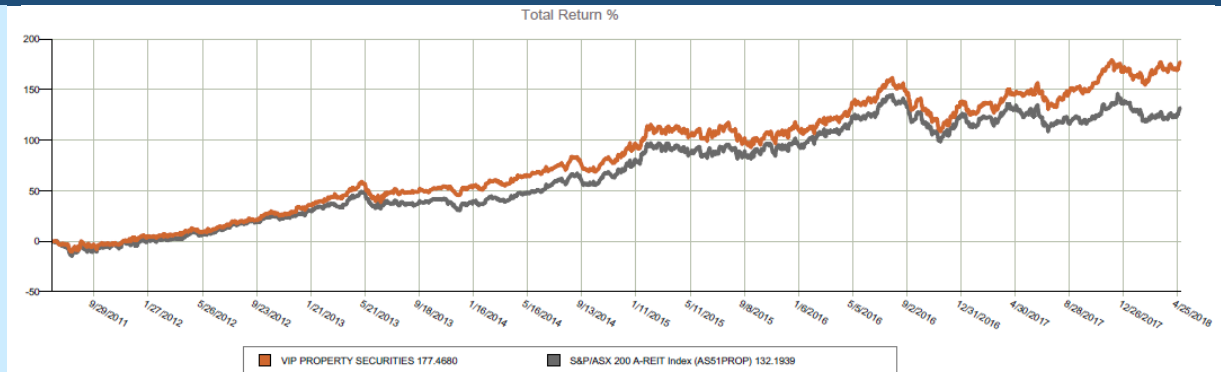
The portfolio invests in 4 to 10 Australian Real Estate Investment trusts (A-REITs) listed on the S&P/ASX 200 A-REIT Accumulation index that have been selected via a Quantitative and Qualitative screening process. This process aims to short list companies that are transparent and easy to understand, run by good management, priced below their valuation, & display attractive growth prospects.

## Performance Review

The VIP Property Securities portfolio generated a 2.71% return for the month **pre-fees** and 3.92% over the last 3 months. The portfolio underperformed the S&P/ASX 200 A-REIT index during the month by 1.76%, and outperformed over the quarter by 2.82%.

Over the last year, the portfolio has generated a 13.43% return and outperformed the index by 12.40%.

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



## Trailing Returns

	1 Month	3 Month	6 Month	1 Year
VIP Property Securities PRE-FEES	2.71	3.92	7.13	13.43
Net VIP Property Securities Investment	2.60	3.58	6.46	12.08
Net VIP Property Securities Super-Pension	2.64	3.72	6.73	12.63
S&P/ASX 200 A-REIT TR	4.47	1.10	3.18	1.03

## Performance - Main View

	% End Weight	Tot Rtn 1M	Tot Rtn 3M	Tot Rtn 6M	Tot Rtn 1Y	Total Return YTD (%)
VIP PROPERTY SECURITIES	100.00	2.71	3.92	7.13	13.43	3.00
ARENA REIT	32.00	3.24	-1.19	2.42	10.67	0.12
CHARTER HALL GROUP	32.00	2.97	0.00	4.33	9.71	-1.99
CROMWELL PROPERTY GROUP	36.00	1.88	11.74	12.89	24.69	9.53

## Contributors & Detractors

The **Top Detractors** were Cromwell Property Group +1.88%, Charter Hall Group +2.97%, and Arena REIT +3.24%.

**Economic Outlook**

After an unprecedented amount of volatility in the markets to begin the year 2018, the month of April has seen the bounce in prices expected by the VIP Investment Committee. Although more pronounced in the US, the market bounce in Australia saw stocks such as Aristocrat Leisure (+11.47%) and CSL (+9.58%) have an outstanding month.

Around the world, it appears President Trump has posted a win for his administration with China agreeing to reduce America’s trade deficit. The Trump administration aims to cut the deficit by \$200 billion, which will be highly beneficial for US exporters to China, particularly US farmers with China showing a preference towards agricultural products. Given the VIP portfolios in regard to international holdings are predominantly weighted towards the US, this information should bode well for the international assets held by VIP.

That said, any volatility in the international arena could potentially be blamed on President Trump and his decisions on key economic factors. For one, reneging on the Iran Nuclear Deal not only guarantees more volatility in the Middle East where tensions are forever high as is, but loses the already-waning faith between Trump and the power of Europe, if it was ever there to begin with. Furthermore, withdrawing from the long-awaited summit with North Korea can only spell for uncertainty in the global economy.

Within Europe, while Merkel and Macron (Germany and France respectively) are enforcing sensible policy as the main powers of the continent, Italy is a cause for concern as a result of the populist movement. The populist parties that won the country’s elections two months ago have been given the go ahead to form government, hugely threatening the cohesion of the EU. Essentially, with Italian populism comes the promise to safeguard the interest of Italians, which could lead to decisions that are averse to the greater good of the EU.

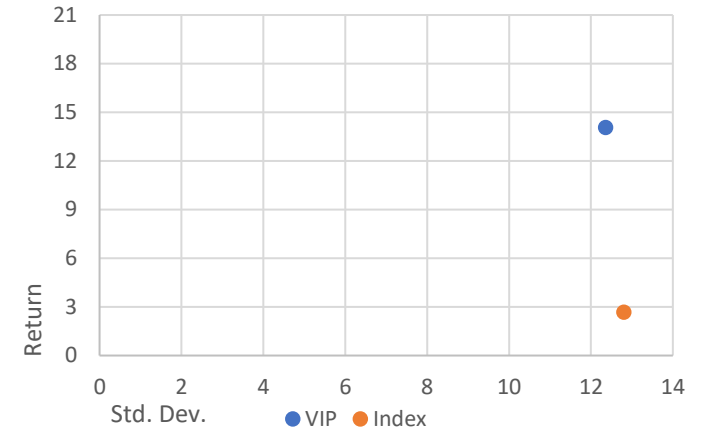
Closer to home, the Federal Budget released recently is a clear election budget, making promises that bode well for voters. In the meantime, the east coast property market continues to lose heat. To the VIP Investment Committee, the greatest concern currently is credit growth – if the banks tighten lending next year, coupled with a slowing property market, this could lead to negative credit growth next year which may not be factored into the markets. That said, at this point this is simply hypothesising and ensures that the Committee has a keen eye on any movements that may indicate that this concept may come into fruition, enabling us to react swiftly and accordingly.

Going forward, the big question in terms of business is will the Liberal government get their company tax cuts through the senate? Naturally, the posed tax cuts present a giant target of attack for the Labor government, and in an election year, this may seem unwise for the Coalition and has yet to receive strong support from independent parties in the senate with only four confirmed supporters on the senate crossbench.

**Portfolio Adjustments**

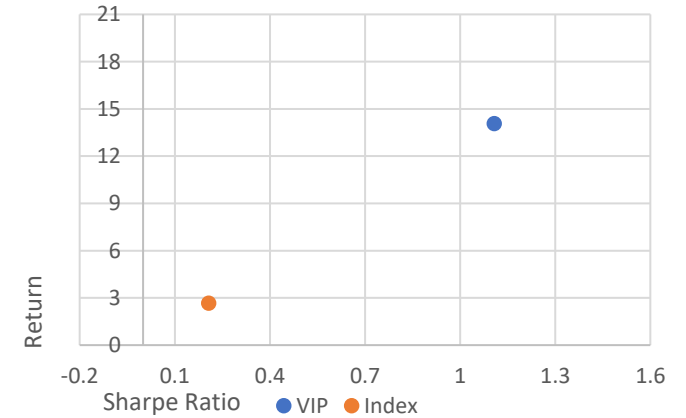
In April, the Investment Committee made no changes to the portfolio.

Risk-Reward One Year



**Sharpe Ratio**

Risk-Reward One Year



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