

## 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.

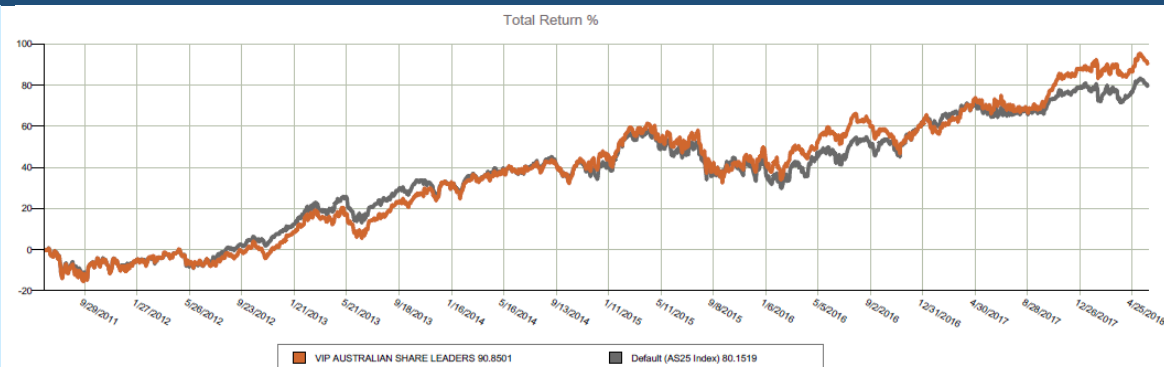
The portfolio invests in 15 to 30 Australian shares within the S&P/ASX 100 index that have been selected via a Quantitative and Qualitative screening process. This process aims to short list companies that are transparent and easy to understand, run by good management, priced below their valuation, &, display attractive growth prospects.

## Performance Review

The VIP Australian Share Leaders portfolio generated a 0.89% **pre-fees** return for the month and 0.64% over the last 3 months. The portfolio outperformed the S&P/ASX 100 index over the month by 0.03% and underperformed by 0.11% over the quarter.

Over the last year, the portfolio has generated an 13.39% return pre-fees outperforming the ASX 100 index by 5.04%.

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



## Trailing Returns

	31/05/2018			
	1 Month	3 Month	6 Month	1 Year
VIP Australian Share Leaders PRE-FEES	0.89	0.64	3.62	13.39
Net VIP Australian Share Leaders Investment	0.78	0.30	2.95	12.04
Net VIP Australian Share Leaders Super-Pension	0.82	0.44	3.22	12.59
S&P/ASX 100 TR	0.86	0.75	2.47	8.35

## Contributors & Detractors

The **Top Contributors** were Challenger +19.35%, Aristocrat Leisure +12.71%, and CSL +9.09%. The **Top Detractors** were Treasury Wine Estates -13.06%, CIMIC -9.19%, and Boral -8.87%.

	% End Weight	Tot Rtn 1M	Tot Rtn 3M	Tot Rtn 6M	Tot Rtn 1Y	Total Return YTD (%)
VIP AUSTRALIAN SHARE LEADERS	100.00	0.89	0.64	3.62	13.39	1.55
Consumer Discretionary	5.88	12.71	22.63	38.67	39.88	27.55
Consumer Staples	4.64	-13.06	-5.78	4.82	13.48	3.31
Energy		0.00	0.00	0.00	-4.36	0.00
Financials	17.04	7.67	1.25	0.40	7.29	-1.16
Health Care	11.38	8.06	12.54	25.92	39.68	28.19
Indexes	4.33	0.17	0.48	0.91	1.78	0.77
Industrials	14.88	-4.57	-4.88	-6.46	11.21	-7.14
Information Technology	5.26	2.00	1.40	1.40	1.40	1.40
Materials	26.07	-1.11	-1.50	7.10	26.91	0.04
Utilities	10.54	-2.32	-2.19	-11.14	-11.25	-8.06

### Economic Outlook

May saw the expected correction in markets after a meteoric rise of the all ordinaries in April. With it came strong returns from Challenger, which posted a return of 19.35% for May after being somewhat lacklustre for the last six months. Aristocrat Leisure and CSL also continued their outstanding performances this year, posting returns of 12.71% and 9.09% for the month.

Internationally, the feature of global movements has had predominant focus around the Singapore Summit with President Trump finally meeting with North Korea's Supreme Leader Kim Jong-Un after much hype. While the general consensus among political commentators is that promises and agreements made by the leaders must be taken with a grain of salt, the outcome of the meeting (among other points) essentially reaffirmed the April 27, 2018 Panmunjom Declaration, in which North Korea commits to work towards the complete denuclearization of the Korean Peninsula. It is noted that North Korea has made this promise without action numerous times.

Significantly, Trump's major move was to announce the end of military exercises with South Korea as an assurance to North Korea to provide them with security guarantees. The importance in this point is that this leaves South Korea largely exposed in the event of a North Korean invasion. Without consultation with South Korea or US Forces Korea, it is this decision from Trump that has convinced commentators that North Korea won the summit.

Around the globe, the central banks are tightening their monetary policies, with the US Federal Reserve, the European Central Bank, The Bank of Japan, and the Bank of England predicted to become contractionary in the next few months. In contrast, China is enforcing monetary easing in order to divert an investment bust, which in itself could cause waves via a weaker yuan. Specific to the US, as quoted in the Telegraph (London):

*"The unwinding of quantitative easing implies a loss of \$US2 trillion (\$2.7 trillion) in annual net stimulus by December, compared to peak QE. Nobody knows what the consequences will be as the Fed reverses the process at an accelerating pace, lifting bond sales to \$US50 billion a month by early autumn. It is uncharted territory."*

The world has never been so in debt before, and as such has never been more vulnerable to monetary tightening. The property market on Australia's east coast is in itself a great example. According to the Institute of International Finance, world debt reached 318% of GDP for 2017. It is safe to say the world's central banks will play a particularly strong hand in the progression of financial markets in the coming years.

Looking ahead, VIP continues to keep a keen eye on trade talks coming out of the US, which will highly influence the decisions made by the Investment Committee.

## Month in Review - Economic & Market Commentary

### Performance - Main View

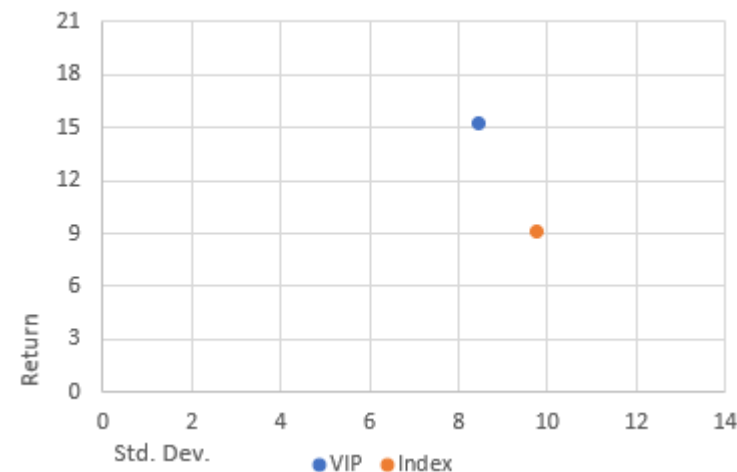
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VIP AUSTRALIAN SHARE LEADERS	100.00	0.89	0.64	3.62	13.39	1.55
WESTPAC BANKING CORP	2.65	0.38	-6.57	-8.64	-3.01	-8.29
AUST AND NZ BANKING GROUP	2.73	4.31	-3.62	-1.62	2.67	-2.58
BBG AUB Bank Bill	4.33	0.17	0.48	0.91	1.78	0.77
TREASURY WINE ESTATES LTD	4.64	-13.06	-5.78	4.82	13.48	3.31
CIMIC GROUP LTD	4.69	-9.19	-11.92	-19.22	0.29	-19.88
BRAMBLES LTD	4.76	-8.51	-4.46	-10.26	-2.54	-8.92
JAMES HARDIE INDUSTRIES-CDI	4.91	-6.10	-2.98	3.74	16.07	-1.99
BORAL LTD	4.99	-8.87	-16.18	-16.18	-16.18	-16.18
SPARK INFRASTRUCTURE GROUP	5.03	-6.38	-5.63	-12.86	-13.27	-9.39
COMPUTERSHARE LTD	5.26	2.00	1.40	1.40	1.40	1.40
SOUTH32 LTD	5.27	0.00	4.45	6.38	34.65	-0.63
BENDIGO AND ADELAIDE BANK	5.36	1.32	3.36	3.36	2.17	3.36
SEEK LTD	5.42	3.96	1.20	10.67	22.60	7.58
RIO TINTO LTD	5.42	3.89	1.16	15.71	31.82	8.30
BHP BILLITON LIMITED	5.48	5.95	6.68	19.19	24.57	10.04
AGL ENERGY LTD	5.51	1.70	1.10	-10.17	-10.17	-7.00
RESMED INC-CDI	5.56	7.01	10.31	21.28	46.05	23.93
CSL LTD	5.82	9.09	14.59	30.45	46.60	32.33
ARISTOCRAT LEISURE LTD	5.88	12.71	22.63	38.67	39.88	27.55
CHALLENGER LTD	6.29	19.35	2.30	-6.56	3.64	-6.83

### Portfolio Adjustments

In May, the VIP Investment Committee decided to sell Treasury Wine Estates to take profits from the tenure of the investment, as well as Boral and Brambles after consecutive underperformances. To replace the holdings, Seven Group Holdings was bought to ensure a continued weighting towards the Industrials sector. Costa Group Holdings was also acquired due to its place as Australia's leading supplier of fresh produce.

### Risk Reward

#### Risk-Reward One Year



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