

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

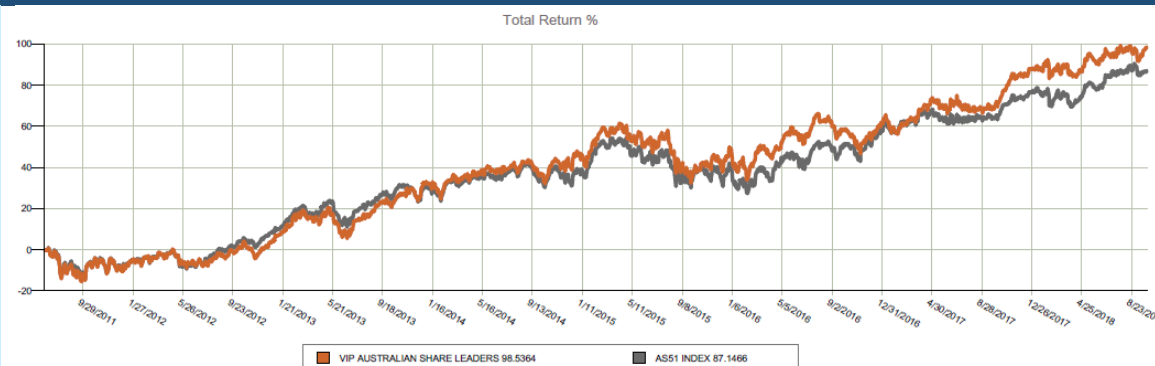
The VIP Australian Share Leaders portfolio generated a 0.65% **pre-fees** return for the month and 1.87% over the last 3 months. The portfolio outperformed the S&P/ASX 100 index over the month by 1.91% and outperformed by 0.32% over the quarter.

Over the last year, the portfolio has generated an 16.70% return pre-fees outperforming the ASX 100 index by 2.71%.

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

Contributors & Detractors

The **Top Contributors** were South32 +15.27%, Seven Group Holdings +9.65%, and Rio Tinto +8.28%. The **Top Detractors** were CSL -10.98%, Aristocrat Leisure -9.97%, and Seek -6.36%.



Trailing Returns

30/09/2018

	1 Month	3 Month	6 Month	1 Year	3 Year	5 Year
VIP Australian Share Leaders PRE-FEES	0.65	1.87	7.03	16.70	21.13	15.71
Net VIP Australian Share Leaders Investment	0.58	1.67	6.63	15.90	20.33	14.91
Net VIP Australian Share Leaders Super-Pension	0.54	1.53	6.36	15.35	19.78	14.36
S&P/ASX 200 TR	-1.26	1.55	10.13	13.99	18.53	12.92

	% End Weight	Tot Rtn 1M	Tot Rtn 3M	Tot Rtn 6M	Tot Rtn 1Y	Total Return YTD (%)
VIP AUSTRALIAN SHARE LEADERS	100.00	0.65	1.87	7.03	16.70	5.64
Consumer Discretionary	9.84	-6.86	-9.27	17.25	35.52	19.03
Consumer Staples	5.19	-0.11	-12.46	-12.33	11.58	-4.29
Financials	15.82	-1.65	-1.35	4.66	2.30	-3.50
Health Care	11.52	-4.46	9.00	29.88	58.52	45.27
Indexes	4.97	0.16	0.52	1.01	1.87	1.44
Industrials	17.60	3.07	12.94	12.27	24.74	7.34
Information Technology	6.17	3.80	9.43	17.95	17.95	17.95
Materials	23.20	7.51	1.50	3.20	19.41	2.52
Utilities	5.69	-3.43	0.26	-0.24	-1.55	-5.42

Economic Outlook

While August posted record highs on the stock market, it showed signs of softening at the back end of the month and this trend spurred into September, with the month starting with a correction before steadily working upwards again. As a result of this, companies such as South32 posted solid returns of +15.27% off a full year profit rise, benefitting from a commodities upswing. Likewise, Seven Group Holdings performed well with +9.65% and Rio Tinto with +8.28% to close out September.

Internationally, the most relevant story is still the ongoing trade war between the world's superpowers of China and the US. With President Trump hitting China with a tariff on \$200 billion in goods on top of the original \$50 billion taxed in June, the trade war does not show signs of slowing anytime soon, given that the US is on the offensive and China, with the world watching, is determined to save face.

The US economy continues to stay strong as it has done all year, with the lowest unemployment rate since 2000. However, the recent round of tariffs could severely impact their economy as everyday goods may become more expensive given that it is debatable as to whether or not the US has the capacity to produce and replace the goods that were originally from China. Further down the chain, if goods aren't able to be efficiently sourced, this impacts a business' profit margins and growth, which in turn affects employment.

With the US economy powering forward amidst continually murky territory, the Federal Reserve raised rates in order to prevent the American Machine from overheating.

In Australia, the east coast has shown weakness in the property market (as has been predicted for three years now), with confidence in the housing market sinking due to falling house prices and tightening credit. While the RBA maintained a cash rate of 1.5%, the big four banks (excluding NAB) raised rates, essentially doing the RBA's job.

Month in Review - Economic & Market Commentary

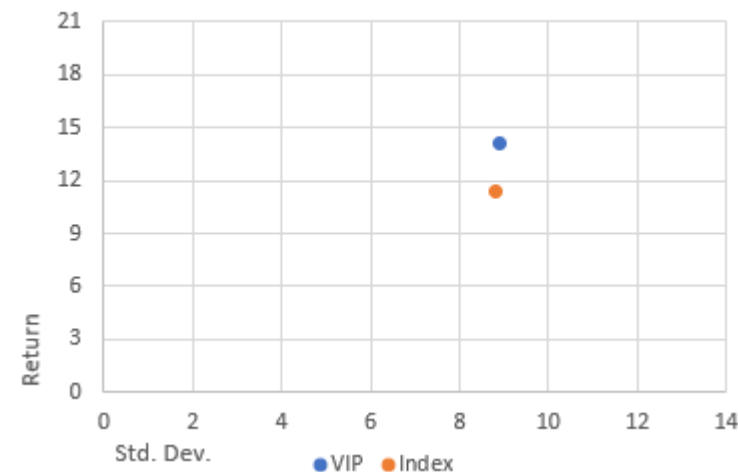
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VIP AUSTRALIAN SHARE LEADERS	100.00	0.65	1.87	7.03	16.70	5.64
WESTPAC BANKING CORP	2.60	-2.14	-4.68	0.74	-7.06	-8.03
AUST AND NZ BANKING GROUP	2.67	-4.47	-0.21	7.95	0.61	0.89
ARB CORP LTD	4.85	-3.43	-12.95	-12.95	-12.95	-12.95
BBG AUB Bank Bill	4.97	0.16	0.52	1.01	1.87	1.44
ARISTOCRAT LEISURE LTD	4.99	-9.97	-7.96	18.95	37.47	20.75
CHALLENGER LTD	5.06	3.42	-3.75	-1.33	-7.25	-17.70
COSTA GROUP HOLDINGS LTD	5.19	-0.11	-12.46	-8.35	-8.35	-8.35
JAMES HARDIE INDUSTRIES-CDI	5.20	-0.99	-7.58	-6.77	21.06	-5.74
SEEK LTD	5.24	-6.36	-3.83	12.77	27.85	11.71
BENDIGO AND ADELAIDE BANK	5.49	-4.37	2.25	6.47	6.47	6.47
CSL LTD	5.55	-10.98	5.06	30.17	51.98	44.09
RIO TINTO LTD	5.66	8.28	-2.58	4.10	20.90	6.10
SPARK INFRASTRUCTURE GROUP	5.69	-3.43	1.65	-3.03	-4.93	-4.55
RESMED INC-CDI	5.97	2.52	12.94	29.30	65.40	45.97
CIMIC GROUP LTD	6.01	5.66	23.10	19.26	19.96	3.08
BHP BILLITON LIMITED	6.03	7.18	4.97	18.93	35.23	19.46
COMPUTERSHARE LTD	6.17	3.80	9.43	17.95	17.95	17.95
SOUTH32 LTD	6.31	15.27	11.12	10.82	14.36	7.15
SEVEN GROUP HOLDINGS LTD	6.35	9.65	20.13	14.53	14.53	14.53

Portfolio Adjustments

In September, the VIP Investment Committee made no changes to the portfolio.

Risk Reward

Risk-Reward One Year



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