

## 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

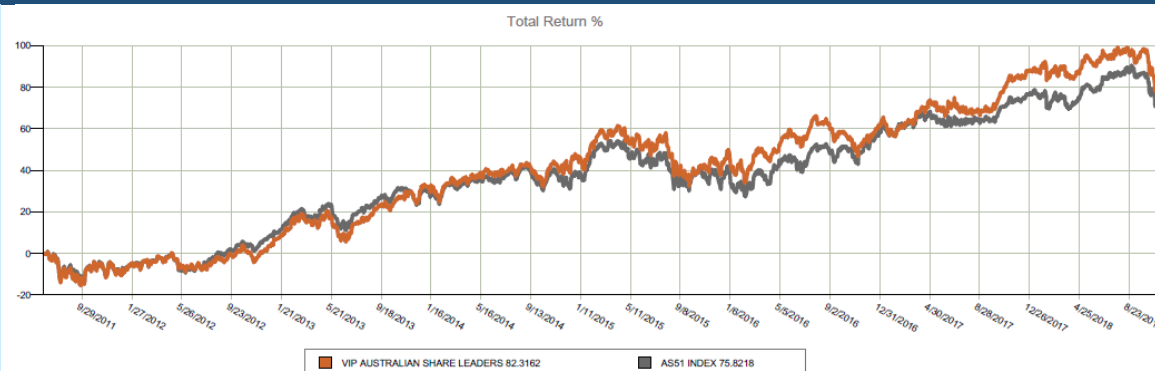
The VIP Australian Share Leaders portfolio generated a -8.17% **pre-fees** return for the month and -7.31% over the last 3 months. The portfolio underperformed the S&P/ASX 100 index over the month by 2.45% and underperformed by 1.56% over the quarter.

Over the last year, the portfolio has generated an 1.25% return pre-fees underperforming the ASX 100 index by 1.71%.

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 Computershare -0.90%, Rio Tinto -3.00%, and REA Group -3.53%. The **Top Detractors** were Seven Group Holdings -21.56%, Western Areas -18.48%, and Costa Group -14.45%.



## Trailing Returns

31/10/2018

	1 Month	3 Month	6 Month	1 Year	3 Year	5 Year
VIP Australian Share Leaders PRE-FEES	-8.17	-7.31	-3.62	1.25	13.50	11.86
Net VIP Australian Share Leaders Investment	-8.24	-7.51	-4.02	0.45	12.70	11.06
Net VIP Australian Share Leaders Super-Pension	-8.28	-7.65	-4.30	-0.10	12.15	10.51
S&P/ASX 200 TR	-5.72	-5.75	-0.08	2.96	12.55	9.74

	% End Weight	Tot Rtn 1M	Tot Rtn 3M	Tot Rtn 6M	Tot Rtn 1Y	Total Return YTD (%)
VIP AUSTRALIAN SHARE LEADERS	100.00	-8.17	-7.31	-3.62	1.25	-2.99
Communication Services	5.58	-3.53	-3.53	-3.53	-3.53	-3.53
Consumer Discretionary	10.75	-7.62	-17.16	-2.83	11.63	9.96
Consumer Staples	5.61	-14.45	-21.49	-31.09	-16.50	-18.12
Financials	11.56	-5.18	-10.96	-0.32	-6.22	-8.50
Health Care	11.50	-6.60	0.79	14.37	38.18	35.68
Indexes	5.14	0.17	0.49	1.01	1.89	1.61
Industrials	16.42	-14.47	-7.34	-5.64	-2.98	-8.19
Information Technology	5.65	-0.90	9.88	17.57	16.88	16.88
Materials	27.78	-8.38	-5.56	-7.15	3.07	-6.07
Utilities		-1.34	-0.59	-0.87	-4.44	-6.69

### Economic Outlook

The backend of September showed promise of continued gains in the stock market for 2018 until October saw devastation with the Australian All Ordinaries falling 6.47% and below the coveted 6000 mark for the first time since April. After months of unease among investors worldwide, the markets finally felt the full accumulative pressures of the trade war, higher interest rates in the US, and fears of slowing growth. The losses were seen globally, with the US' Nasdaq and S&P 500 dropping 9% and 7% respectively for the month, Hong Kong's Hang Seng falling 10%, and China's Shanghai Composite losing 8% for October. In Europe, Italy and France respectively lost 8% and 7% for the month.

Economically speaking, the most relevant event in recent memory was the US Mid-Term elections, held at the beginning of November. While the president is not directly influenced by the election (that is, citizens are not voting him in or out of office), Mid-Terms are widely understood to be a referendum on the president, i.e. how well he has fared in the first half of his presidency. In the House of Representatives, all 435 members were up for re-election, and 35 of the 100 seats in the senate were to be contested. It is noted that pre-elections, both the House and the Senate were held by a Republican majority.

As expected, the Democrats won back the House with a net gain of 34 seats, exceeding the 23 seats needed to win the majority (the party represented by the president has lost an average of 32 seats in the House of Representatives during the Mid-Terms since the US Civil War). In the Senate, 23 seats currently held by Democrats were to be contested compared to the 8 Republican seats – clearly in this scenario, the Democrats had more to lose than to gain, and this was in fact the case.

The major difference as a result of the Mid-Terms is the Democrats ability to launch investigations, subpoena documents, and to block Republican policies they do not agree with. This essentially means the US government comes to a gridlock of sorts compared to pre-election, where the Republican party held both majorities and could pass legislation with relative ease.

While volatility is still to be expected for the rest of the year, the hope is the mid-term election results will spur positivity in the market.

## Month in Review - Economic & Market Commentary

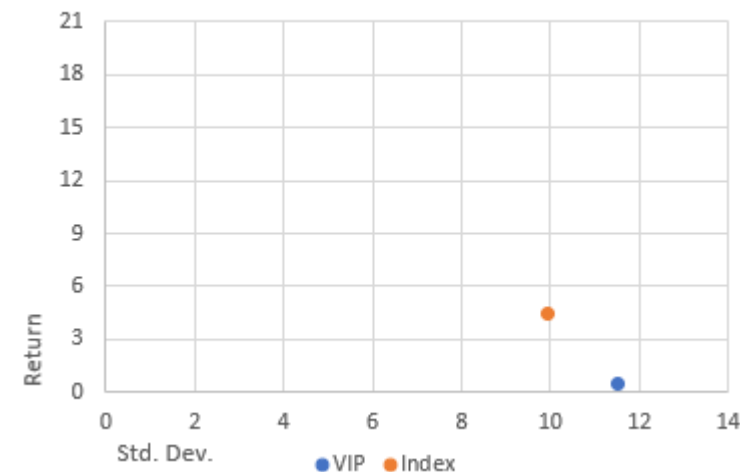
	% End Weight	Tot Rtn 1M	Tot Rtn 3M	Tot Rtn 6M	Tot Rtn 1Y	Total Return YTD (%)
VIP AUSTRALIAN SHARE LEADERS	100.00	-8.17	-7.31	-3.62	1.25	-2.99
WESTERN AREAS LTD	2.76	-18.48	-18.48	-18.48	-18.48	-18.48
SANDFIRE RESOURCES NL	2.83	-10.38	-10.38	-10.38	-10.38	-10.38
AUST AND NZ BANKING GROUP	2.90	-7.98	-11.50	-0.59	-8.41	-7.17
WESTPAC BANKING CORP	2.91	-3.87	-8.86	-3.22	-13.55	-11.59
BBG AUB Bank Bill	5.14	0.17	0.49	1.01	1.89	1.61
SEVEN GROUP HOLDINGS LTD	5.19	-21.56	-6.51	-10.16	-10.16	-10.16
ARISTOCRAT LEISURE LTD	5.19	-6.82	-17.70	-0.57	14.23	12.52
SEEK LTD	5.35	-13.97	-15.56	-7.13	-0.55	-3.90
SOUTH32 LTD	5.44	-7.65	3.77	-0.42	2.48	-1.05
JAMES HARDIE INDUSTRIES-CDI	5.54	-10.35	-12.60	-19.04	-3.31	-15.49
ARB CORP LTD	5.56	-8.71	-16.83	-20.53	-20.53	-20.53
REA GROUP LTD	5.58	-3.53	-3.53	-3.53	-3.53	-3.53
RIO TINTO LTD	5.61	-3.00	-2.89	-1.26	12.35	2.92
COSTA GROUP HOLDINGS LTD	5.61	-14.45	-21.49	-21.59	-21.59	-21.59
BHP BILLITON LIMITED	5.61	-6.99	-5.03	6.97	23.79	11.11
COMPUTERSHARE LTD	5.65	-0.90	9.88	17.57	16.88	16.88
RESMED INC-CDI	5.75	-6.74	5.40	17.54	38.72	36.13
CSL LTD	5.76	-6.52	-3.78	11.04	36.99	34.69
BENDIGO AND ADELAIDE BANK	5.76	-4.84	-9.93	-0.68	1.32	1.32
CIMIC GROUP LTD	5.89	-7.92	-0.80	7.58	1.00	-5.09

## Portfolio Adjustments

In October, the VIP Investment Committee sold Challenger Group after a lacklustre reporting season, and acquired Western Areas and Sandfire Resources to boost the resources holdings in the portfolio. Additionally, Spark Infrastructure was offloaded after a stagnant performance for the year, replaced by REA group which the Investment Committee viewed as discounted stock with a worthy upside.

## Risk Reward

### Risk-Reward One Year



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