

Investment Objective

The aim of the **VIP Balanced Portfolio** is to provide investors with a combination of capital growth and income over the medium to long term from investment within a diversified portfolio of growth assets (60% allocation to Australian shares, International shares, and property securities) and defensive assets (40% allocation to fixed interest and cash).

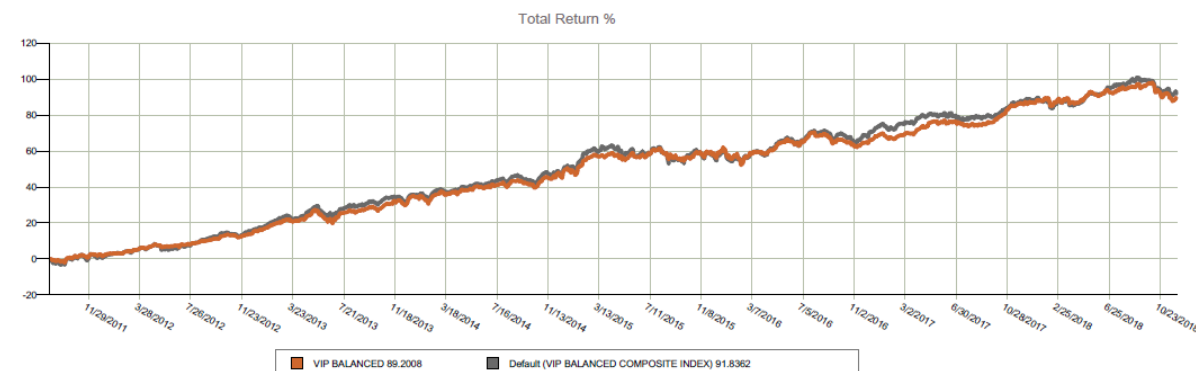
The portfolio is composed of 30 – 60 securities and consists of ASX listed securities, Exchange Traded Funds (ETFs), Listed Investment Companies (LICs), Managed Funds, Government and Semi Government Bonds, Term Deposits and Cash.

Performance Review

The VIP Balanced portfolio generated a -1.27% return **pre-fees** in November, and -4.13% return pre-fees in the quarter.

Over the last year the portfolio has generated an 1.48% return **pre-fees** and underperformed by 0.64%.

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



Tactical Asset Allocation

The VIP Balanced portfolios asset allocation as at 30/11/18 was as follows:

- Australian Shares 25%
- International Shares 25%
- Property Securities 0%
- Fixed Interest 35%
- USD 5%
- Cash 10%

Trailing Returns

	30/11/2018					
	1 Month	3 Month	6 Month	1 Year	3 Year	5 Year
VIP Balanced PRE-FEES	-1.27	-4.13	-0.77	1.48	8.71	10.67
Net VIP Balanced Investment	-1.34	-4.33	-1.17	0.68	7.91	9.87
Net VIP Balanced Super-Pension	-1.38	-4.47	-1.45	0.13	7.36	9.32
VIP Balanced Composite Index	-0.96	-4.45	0.16	2.12	9.64	10.71

	% End Weight	Tot Rtn 1M	Tot Rtn 3M	Tot Rtn 6M	Tot Rtn 1Y	Total Return YTD (%)
VIP BALANCED	100.00	-1.27	-4.13	-0.77	1.48	1.36
Australian Equities	22.05	-3.61	-10.94	-7.22	-4.06	-6.05
CASH Liquid	10.01	0.15	0.48	0.99	1.91	1.77
Fixed Income	35.00	-0.08	0.24	1.35	2.18	2.29
International Equities	23.76	-1.74	-6.31	-0.57	2.12	3.79

Economic Outlook

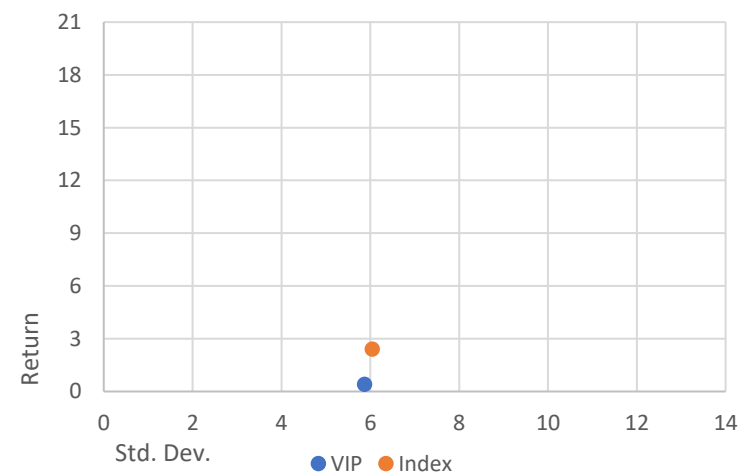
After a significant decline in the market in the month of October the worries in the market have not retreated as the market struggled to bounce back throughout November as investors have become more bearish and have begun reassessing the fundamentals of the market and the Australian economy entering the new year. This resulted in a further decline of 2.8% of the ASX S&P 200 Price Index over the month, with similar losses being felt around the world as trade tensions continue to escalate and further increased uncertainty around Brexit has made the market increasingly nervous about the future.

Trade tensions between China and the US have continued to put significant pressure on the markets. The market reacted positively to the outcome of the G20 summit as President Trump and President Xi agreed to a 90-day halt on increasing trade tariffs. Unfortunately, dialogue out of the two countries recast doubt on whether an agreement could be made within those 90 days and the market slid back into a decline. The trade relationship between the US and China has the capacity to spill over into Australia and investors have begun to price that into the market assisting in its decline over November.

The outcome of Brexit is increasingly uncertain with Prime Minister Theresa May recently calling off the parliamentary vote on the Brexit deal due to a lack of support from parliament, meaning that the deal needs to be reformed. With the March deadline for the exit coming around quickly, business has increased concerns around the investment certainty that was once facilitated by the EU. Australian investors have followed suit as they become increasingly bearish about the outcome of Brexit and have become less optimistic about the outcome on business and trade.

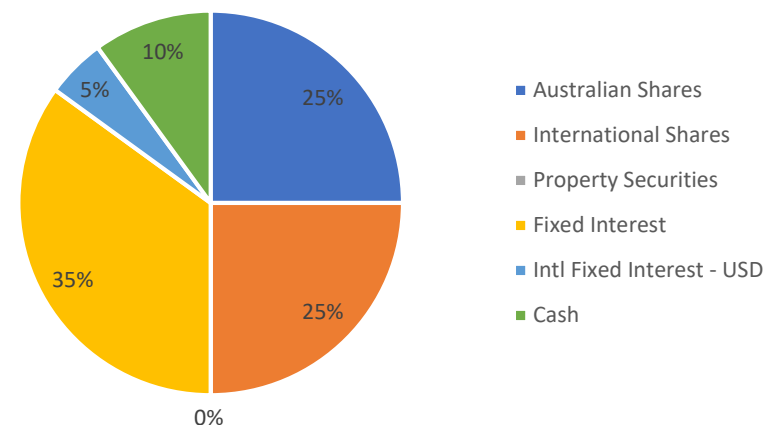
The hearings for the Banking Royal Commission have ended and the final report is due in the first few months of next year, the major banks have been suffering under the scrutiny and there is more bleeding to come. The state of the Italian economy has also been weighing in on investor behaviour with concerns that the European Central Bank will have to intervene to stimulate Italy's economy, the third largest economy in Europe (Excluding the UK). Overall, the market has been extremely volatile over the last month, the market is playing catch up and is pricing in a lot of the current uncertainty. A positive US-China trade agreement and a comprehensive, business friendly Brexit would increase positivity in the market and build momentum to recoup the losses incurred over the last quarter.

Risk-Reward One Year



Tactical Asset Allocation

Balanced Portfolio TAA as at: 30/11/18



Australian Shares Portfolio

The VIP Australian Share Leaders portfolio generated a -2.67% **pre-fees** return for the month and -10.05% over the last 3 months. The portfolio underperformed the S&P/ASX 200 index over the month by 0.43% and underperformed by 0.74% over the quarter.

Over the last year, the portfolio has generated a -3.66% return pre-fees underperforming the ASX 200 index by 2.70%.

The **Top Contributors** were Costa Group Holdings 24.75%, ANZ 6.5%, and REA Group 6.21%. The **Top Detractors** were James Hardie Industries -14.85%, South32 -14.36%, and Cimic Group -14.15%.

VIP Australian Share Leaders Holdings

	% End Weight
VIP AUSTRALIAN SHARE LEADERS	100.00
WESTERN AREAS LTD	2.74
SANDFIRE RESOURCES NL	2.80
WESTPAC BANKING CORP	2.99
AUST AND NZ BANKING GROUP	3.17
ARISTOCRAT LEISURE LTD	4.77
SEVEN GROUP HOLDINGS LTD	4.78
SOUTH32 LTD	4.78
JAMES HARDIE INDUSTRIES-CDI	4.85
CIMIC GROUP LTD	5.19
BBG AUB Bank Bill	5.29
COMPUTERSHARE LTD	5.33
BHP BILLITON LIMITED	5.49
RIO TINTO LTD	5.52
ARB CORP LTD	5.57
CSL LTD	5.58
SEEK LTD	5.69
RESMED INC-CDI	6.00
REA GROUP LTD	6.09
BENDIGO AND ADELAIDE BANK	6.18
COSTA GROUP HOLDINGS LTD	7.19

VIP Australian Share Leaders Equity Sectors

Materials (26.19)
Information Technology (5.33)
Industrials (15.66)
Indexes (5.29)
Health Care (11.58)
Financials (12.34)
Consumer Staples (7.19)
Consumer Discretionary (10.33)
Communication Services (6.09)

Australian Shares Portfolio Adjustments

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

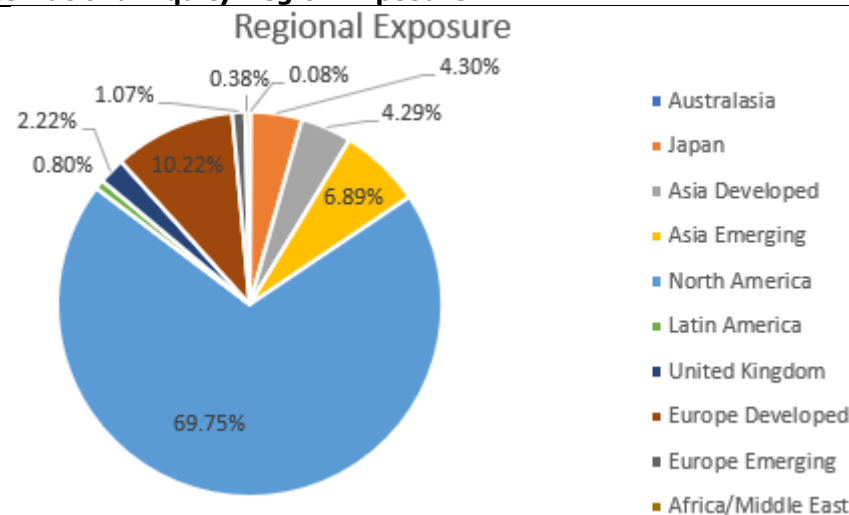
International Shares Portfolio

The VIP International Share Portfolio generated a -1.01% return for the month **pre-fees** and -4.91% over the last 3 months. In doing so the portfolio outperformed the MSCI World Ex Aus (AUD) index by 0.82% for the month and outperformed by 1.71%.

Over the last year, the portfolio has generated a 3.16% return and underperformed the index by 1.07%.

The **Top Contributors** were Winton Global Alpha 1.71% and BBG AUG Bank Bill 0.15%. The **Top Detractors** were Platinum International Fund -2.74%, Loftus Peak Global Disruption -2.50%, and Magellan Global Fund -2.07%.

VIP International Equity Region Exposure



VIP International Equity Holdings

	% End Weight
VIP INTERNATIONAL	100.00
BBG AUB Bank Bill	2.13
LOFTUS PEAK GLOBAL DISRUPTN	12.69
PLATINUM INTERNATIONAL FUND	19.55
WINTON GLOBAL ALPHA FD	21.48
ALLIANCEBERNSTEIN GLB EQ FD	22.04
MAGELLAN GLOBAL FD	22.11

International Shares Portfolio Adjustments

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

Property Securities Portfolio

The VIP Property Securities portfolio generated a 2.36% return for the month **pre-fees** and - 1.94% over the last 3 months. The portfolio overperformed the S&P/ASX 200 A-REIT index during the month by 2.80%, and outperformed over the quarter by 3.31%.

Over the last year, the portfolio has generated a 11.00% return and outperformed the index by 8.33%.

The **Top Contributors** were Arena REIT 10.60% and Charter Hall 1.30% The **Top Detractor** was Cromwell Property Group -3.26%.

VIP Property Securities Holdings

	% End Weight
VIP PROPERTY SECURITIES	100.00
ARENA REIT	31.17
CROMWELL PROPERTY GROUP	33.73
CHARTER HALL GROUP	35.10

Property Securities Portfolio Adjustments

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

Fixed Interest Portfolio

The VIP Fixed Interest portfolio generated a 0.10% return for the month **pre-fees** and 0.29% over the last 3 months. This was against the Bloomberg AusBond Composite index return of 0.24% over the month and 0.30% over the quarter.

The portfolio underperformed the index by 0.14% over the month and underperformed by 0.01% over the last 3 months.

The **Top Contributor** was iShares Core Composite Bond +0.20%. The **Top Detractor** was Realm High Income -0.19%.

VIP Fixed Interest Holdings

	% End Weight
VIP FIXED INTEREST	100.00
REALM HIGH INCOME FUND-WHL	25.05
ISHARES CORE COMPOSITE BOND	74.95

Fixed Interest Portfolio Adjustments

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

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