

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 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

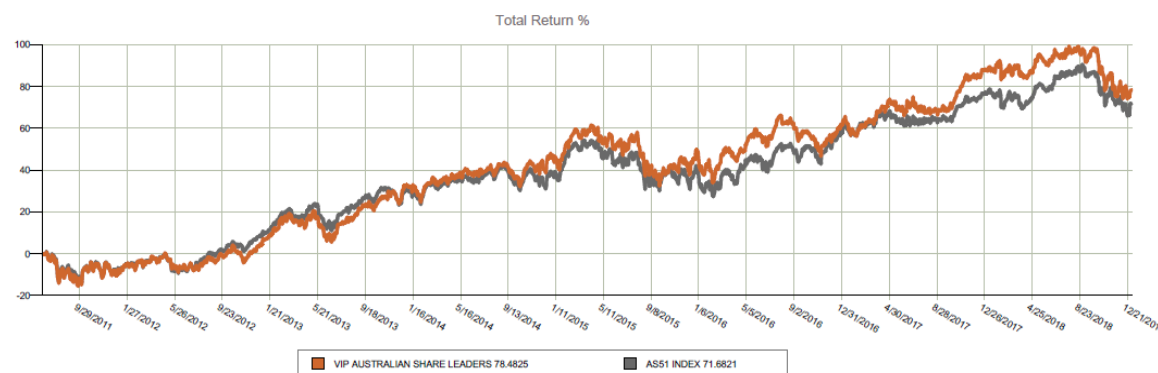
The VIP Australian Share Leaders portfolio generated a **-0.07% pre-fees** return for the month and **-10.10%** over the last 3 months. The portfolio outperformed the S&P/ASX 200 index over the month by 0.05% and underperformed by 1.84% over the quarter.

Over the last year, the portfolio has generated a **-5.03%** return pre-fees underperforming the ASX 200 index by 2.19%.

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 BHP Billiton Ltd 11.53%, South32 Ltd 8.06%, and Rio Tinto Ltd 7.08%. The **Top Detractors** were Australia and New Zealand Banking Group -8.73%, Western Areas Ltd -8.26%, and Westpac Banking Group -3.58%.



Trailing Returns

	31/12/2018					
	1 Month	3 Month	6 Month	1 Year	3 Year	5 Year
VIP Australian Share Leaders PRE-FEES	-0.07	-10.10	-8.42	-5.03	9.73	9.98
Net VIP Australian Share Leaders Investment	-0.14	-10.30	-8.82	-5.83	8.93	9.18
Net VIP Australian Share Leaders Super-Pension	-0.18	-10.44	-9.10	-6.38	8.38	8.63
S&P/ASX 200 TR	-0.12	-8.26	-6.84	-2.84	10.56	9.26

	% End Weight	Tot Rtn 1M	Tot Rtn 3M	Tot Rtn 6M	Tot Rtn 1Y	Total Return YTD (%)
VIP AUSTRALIAN SHARE LEADERS	100.00	-0.07	-10.10	-8.42	-5.03	-5.03
Communication Services	5.62	-2.75	-0.35	-0.35	-0.35	-0.35
Consumer Discretionary		0.00	-9.38	-17.78	7.87	7.87
Consumer Staples	5.59	-2.50	4.07	-8.90	-0.40	-0.40
Energy		0.00	0.00	0.00	0.00	0.00
Financials	11.44	-2.58	-4.06	-5.35	-7.42	-7.42
Health Care	5.68	4.57	-4.32	4.29	38.99	38.99
Indexes	48.65	0.15	0.48	0.99	1.92	1.92
Industrials		-6.94	-26.33	-16.80	-20.92	-20.92
Information Technology		0.00	-7.52	1.21	9.08	9.08
Materials	23.02	4.32	-12.34	-11.03	-10.14	-10.14
Real Estate		0.00	0.00	0.00	0.00	0.00
Utilities		0.00	-1.34	-1.08	-6.69	-6.69

Economic Outlook

Entering into the month of December many investors were hopeful for a 'Santa Rally' to gain back the losses in the market from the months of October and November, unfortunately volatility continued, and economic and political pressures built resulting in a continued decline in the Australian market. This resulted in a further decline of 2.16% of the ASX S&P 200 Price Index over the month resulting in a total nominal return from the ASX S&P 200 of -6.9% for 2018. Similar losses have been felt around the world as trade tensions continue to escalate, and political uncertainty rises causing global markets more broadly to become increasingly nervous about the future.

Negotiations for a trade deal between China and the United States have been continuing but with the 1st of March deadline looming with no significant news concerning progress, investors will be growing more hawkish about the possibility of a comprehensive trade deal being agreed to by the date. The trade war has already cost investors significant amounts of money and are making businesses less competitive in the two economies, if a deal is not reached by the deadline then the market may begin to price in the possibility of a resolution being far in the future adding to the losses already incurred. A divided legislature in the United States will increase government gridlock and may begin to impact investor confidence, exaggerated by President Donald Trump's erratic policy changes creating a sense of unease for investors in the largest economy in the world. Global markets are generally uncertain about the productive nature of a split congress, especially with such a unique environment throughout the White House, this will continue to foster volatility.

A NSW state and Australian Federal election is to be called within the first half of the new year, bringing uncertainty for businesses and investors in particular concerning policy decisions around tax and investment continued to weigh on the market over the last couple of months. The outcome of the state election is unclear as many believe that the condition of the federal Liberal party will influence the outcome of the election in Labour's favour. The federal election is fairly certainly going to be won by the Labour party and with it brings significant changes to negative gearing, capital gains taxes, and a variety of other measures that target investors and large businesses, which will have a material effect on returns and volatility.

Overall, the market has been extremely volatile over the last month with only small gains to be found in the last 5 days of trading in the month, the market is continuing to price the current high levels of uncertainty. A business friendly and on time US-China trade agreement, as well as less aggressive policy action from the federal labour party would increase positivity in the market and build momentum to recoup the losses incurred over the last quarter.

Month in Review - Economic & Market Commentary

Performance - Main View

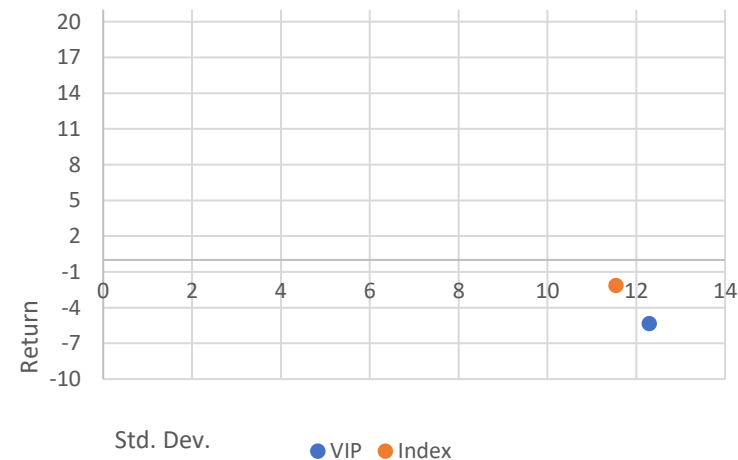
	% End Weight	Tot Rtn 1M	Tot Rtn 3M	Tot Rtn 6M	Tot Rtn 1Y	Total Return YTD (%)	Tot Rtn 5Y (A)
VIP AUSTRALIAN SHARE LEADERS	100.00	-0.07	-10.10	-8.42	-5.03	-5.03	6.09
AUST AND NZ BANKING GROUP	2.84	-8.73	-10.56	-10.75	-9.77	-9.77	0.24
WESTPAC BANKING CORP	2.84	-3.58	-7.14	-11.48	-14.59	-14.59	0.92
WESTERN AREAS LTD	2.85	-8.26	-27.54	-27.54	-27.54	-27.54	-6.24
SANDFIRE RESOURCES NL	2.90	4.37	-9.97	-9.97	-9.97	-9.97	-2.08
COSTA GROUP HOLDINGS LTD	5.59	-2.50	4.07	-8.90	-4.63	-4.63	-0.94
REA GROUP LTD	5.62	-2.75	-0.35	-0.35	-0.35	-0.35	-0.07
RESMED INC-CDI	5.68	6.20	0.67	13.69	46.94	46.94	16.03
RIO TINTO LTD	5.71	7.08	-0.37	-2.93	5.71	5.71	1.70
BHP BILLITON LIMITED	5.74	11.53	-1.16	3.76	18.08	18.08	-0.78
BENDIGO AND ADELAIDE BANK	5.75	1.03	0.37	2.63	6.87	6.87	4.53
SOUTH32 LTD	5.82	8.06	-14.54	-5.04	-8.43	-8.43	6.27
BBG AUB Bank Bill	48.65	0.15	0.48	0.99	1.92	1.92	1.26

Portfolio Adjustments

In December, the Investment Committee made a number of changes to the portfolio. The Investment Committee sold; CSL Ltd, SEEK Ltd, James Hardie Industries Ltd, Seven Group Holdings Ltd, Aristocrat Leisure Ltd, Cimic Group Ltd, Computershare Ltd, and ARB Corp Ltd.

Risk Reward

Risk-Reward One Year



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