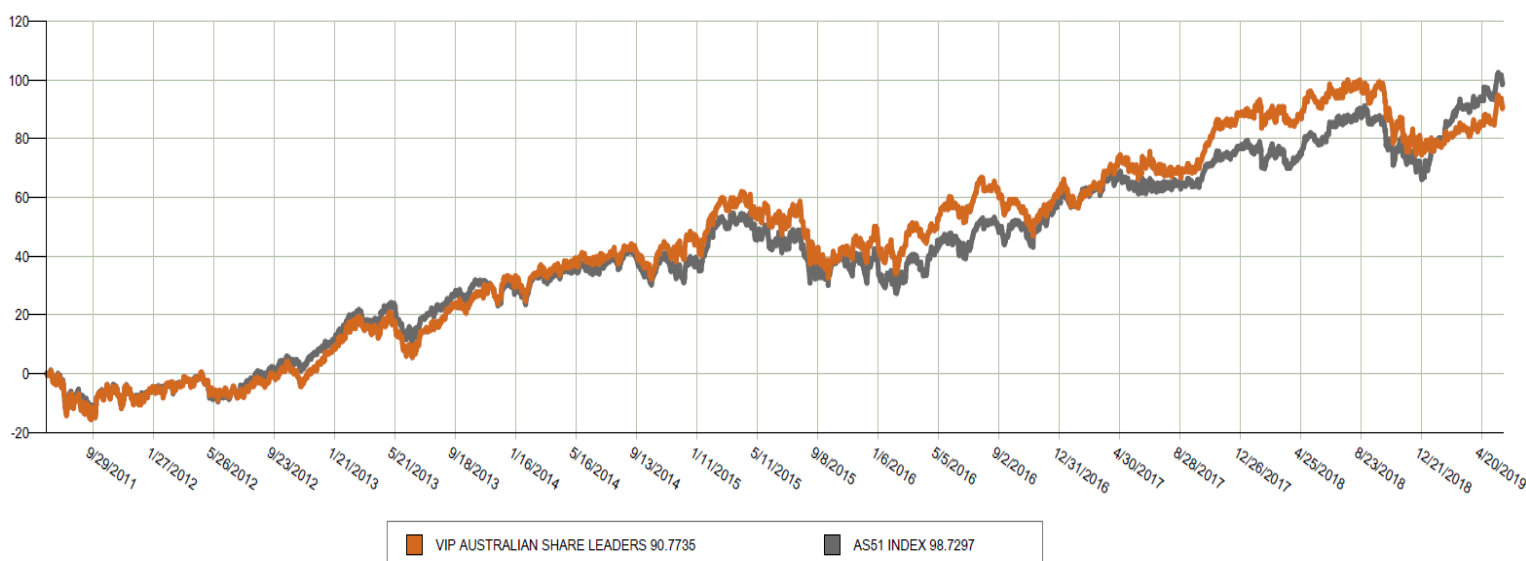


Investment Objective

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 200 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 200 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.

Total Portfolio Performance (%)



Performance Review & Portfolio Adjustments

The VIP Australian Share Leaders portfolio generated 2.59% pre-fees return for the month and 4.01% over the last 3 months. The portfolio outperformed against the S&P/ASX 200 index over the month by 0.88% and underperformed by 0.93% over the quarter. Over the last year, the portfolio has generated a -0.33% return pre-fees underperforming the ASX 200 index by 11.46%. The **post-fees** returns for the *Investment* and *Superannuation & Pension* portfolios are shown in **blue** in the table below.

The **Top Contributors** were SEEK Ltd 14.77%, ResMed Inc-CDI 11.62%, and REA Group 11.36%. The **Top Detractors** were Sandfire Resources NL -12.64%, Treasury Wine Estates Ltd -12.50%, and Macquarie Group Ltd -8.01%.

In May the Investment Committee sold its position in REA Group to materialise the 21.08% gains on the investment.

Trailing Percentage Returns Against the Benchmark

	1 Month	3 Month	6 Month	1 Year	3 Year	5 Year
VIP Australian Share Leaders Gross Returns	2.59	4.01	6.50	-0.33	9.75	10.33
VIP Australian Share Leaders Super-Pension Net Returns	2.52	3.81	6.10	-1.13	8.95	9.53
VIP Australian Share Leaders Investment Net Returns	2.48	3.67	5.83	-1.68	8.40	8.98
S&P/ASX 200 Index	1.71	4.94	15.38	11.13	16.12	12.35

Individual Securities Performance Review

	% End Weight	Tot Rtn 1M	Tot Rtn 3M	Tot Rtn 6M	Tot Rtn 1Y	Total Return YTD (%)
VIP AUSTRALIAN SHARE LEADERS	100.00	2.59	4.01	6.50	-0.33	6.58
REA GROUP LTD	0.00	11.36	9.86	17.76	20.66	21.08
WOOLWORTHS GROUP LTD	3.26	-1.51	-1.94	-1.94	-1.94	-1.94
TREASURY WINE ESTATES LTD	3.26	-12.50	1.62	-6.73	-5.72	-6.73
SONIC HEALTHCARE LTD	3.50	1.95	6.73	6.73	6.73	6.73
RAMSAY HEALTH CARE LTD	3.50	6.90	8.41	8.41	8.41	8.41
SANDFIRE RESOURCES NL	3.50	-12.64	-15.14	-2.95	-16.29	-7.01
WESTERN AREAS LTD	3.50	-3.54	-5.22	0.00	-21.01	9.00
ALUMINA LTD	3.50	6.70	-7.00	-7.00	-7.00	-7.00
RESMED INC-CDI	6.53	11.62	12.85	9.66	22.43	3.25
SEEK LTD	6.53	14.77	15.00	22.16	14.62	22.16
SOUTH32 LTD	7.01	-0.60	-12.94	9.81	-6.36	1.62
COMMONWEALTH BANK OF AUSTRAL	8.76	5.35	10.92	10.92	10.92	10.92
WESTPAC BANKING CORP	8.76	3.37	5.48	9.50	5.77	13.57
AUST AND NZ BANKING GROUP	8.76	5.60	2.59	7.18	8.77	17.43
MACQUARIE GROUP LTD	8.76	-8.01	-1.75	-1.75	-1.75	-1.75
BHP GROUP LTD	9.34	0.96	3.55	30.99	26.02	17.45
BBG AUB Bank Bill	11.53	0.15	0.48	0.99	1.99	0.84

Economic & Market Commentary

Global markets suffered material losses over the month of May, with systemic downside in markets mainly attributable to the break down of trade negotiations between the US and China as well as the implementation and enforcement of previously announced tariffs on US and Chinese goods. As such, the US's S&P 500 posted a 5.87% decline for the month, Japan's Nikkei 225 recorded a 7.45% fall, Europe's Euro Stoxx 50 a 6.66% decline, and the UK's FTSE 100 3.46% negative return. In Australia, in contrast a surprise election victory of the Coalition added tailwinds to markets, with the elimination of proposed franking credit and negative gearing reform boosting financial stocks and listed real estate trusts, helping to nudge the S&P/ASX 200 index into positive return territory recording a 1.10% rise.

US-China trade talks have deteriorated over the month of May with anonymous sources from both sides, reported by The New York Times, stating that negotiations have grinded to a halt with limited to no continued communications between both sides occurring. A glimmer of hope exists in the G20 meeting this June as it has been rumored that President Xi and President Trump are expected to meet, as something as trivial as a handshake and photo op would be all that markets need to feel a sense of progress and ultimately resolution. Out of Europe and the UK, Prime Minister Theresa May has announced that she will be resigning her position and leaving the office of Prime Minister in the early weeks of June as a consequence of once again failing to pass a resolution to confirm a deal on leaving the European Union. Although confirming that she would not leave office until a replacement was decided on by the party room, there is cautious optimism from markets that a new lead negotiator will at least be able to formulate a deal regardless of its content, as certainty is better than the worst possible Brexit outcome.

In Australia the upset election victory from the Coalition boosted markets and investor confidence as the election result eliminated the possibility of major taxation reform that was going to be directly impacting investors in both equity, debt, and housing markets. On a less positive note the RBA during their meeting for June decided to cut the official cash rate but 25 basis points to a record low of 1.25% citing growing concerns for the length of trade negotiations globally, low consumer confidence and spending, and a tightening credit environment. Unfortunately the Australian economy has been plagued with wages stagnation, low levels of inflation, and slowing economic growth that would make it difficult to continue to lower the unemployment rate without monetary easing when the federal government is reluctant to stimulate with big spending schemes in order to maintain election promises of balancing the budget.

What does this mean for investors? Regardless of political affiliation markets have reacted positively to a Coalition federal government which has removed global headwinds from affecting Australian markets for now. The Coalition government, a lowering of the cash rate, and a removal of higher approval ratings for loan applications are hopefully sufficient to boost economic growth. If done in conjunction to positive trade negotiations between US and China, investors should continue to observe growing wealth in the short-medium term.

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