



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 300 Index over the long term from investment in a portfolio of medium to large capitalisation Australian companies. The portfolio invests in 10 to 40 Australian shares within the S&P/ASX 300 index that have been selected via a quantitative, qualitative screening process, and align with macroeconomic themes identified by our analysts and consultants to generate excess returns over the long term.

Investment Strategy

Using our tailored quantitative models our analysts identify companies that meet 57 financial and market measures testing over 7200 data points to identify undervalued securities. Our team analyses company reports, external consultant material, and research papers to identify strong company fundamentals and assessments of potential benefits from macroeconomic trends, forecasts, and developments. Finally, using risk models we test the diversification of potential portfolio constructions to ensure that client risk parameters are met and that an acceptable risk/reward trade off is achieved.

Portfolio Performance

| | 1 Month | 3 Month | 6 Month | Y.T.D. | 1 Year | 3 Year (p.a.) | 5 Year (p.a.) | 7 Year (p.a.) | Since Inception (p.a.) |
|-------------------|---------|---------|---------|--------|--------|---------------|---------------|---------------|------------------------|
| Gross Returns | 1.89% | 0.49% | 7.21% | 22.22% | 22.22% | 14.37% | 10.62% | 9.03% | 10.28% |
| Net Returns | 1.82% | 0.42% | 6.81% | 21.75% | 21.42% | 13.57% | 9.82% | 8.23% | 9.48% |
| Benchmark Returns | 2.78% | 2.15% | 3.87% | 17.38% | 17.38% | 13.65% | 9.78% | 8.95% | 9.55% |

VIP Australian Share Leaders Portfolio – 168.25%
ASX/S&P 200 Accumulation Index – 150.97%



Market Commentary

Just as Delta and broader COVID issues looked to be easing and the world was returning to some normality, the emergence of Omicron late in the December quarter threw society and markets back into uncertainty. The emergence of Omicron not only led to another wave of infections resulting in labour and supply shortages, shutdowns, shipping bottlenecks, and rising prices, but also the broad acceptance that inflation was not going to be transitory. All of this spooked markets, as was evident in economic commentary from business leaders and central bankers, the rise in treasury yields, equity market volatility and the sell down of tech and high PE stocks globally. Omicron led to further business shutdowns and supply chain issues across major economies such as the U.S., China and Australia. Paradoxically Omicron also led to an increase in demand in some areas which exacerbated the impact of supply constraints. The net result, slowing economies and persistent inflation.

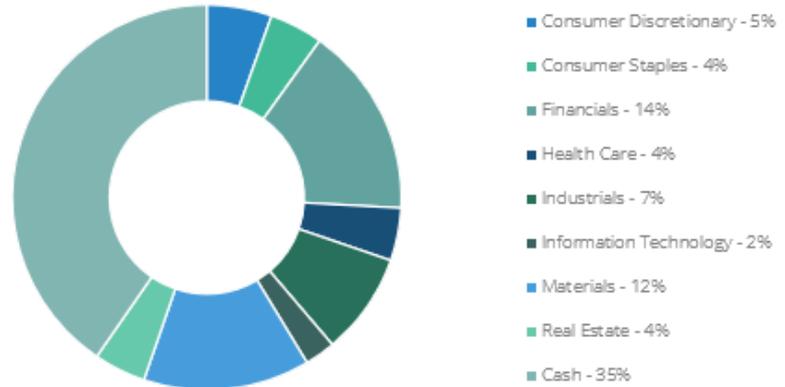
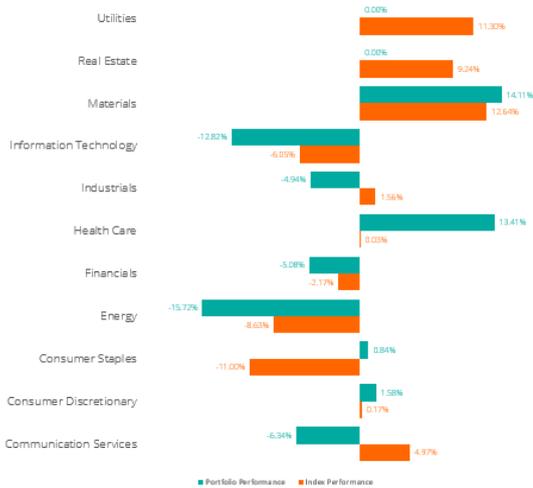
However, it wasn't just Omicron and the economic effects of closures that spooked markets. A number of additional inflationary factors emerged that are of even greater concern. Energy prices saw increased volatility and started on an upward price trajectory. Even more concerning to markets was the fact that US rents and wages began contributing to U.S. inflation. Rising rents and wages reflect the impact of creating money via the huge monetary stimulus that has occurred around the world in response to Covid. Inflation from rents and wages is a big problem because it is a structural issue that has previously spiralled out of control and problematically these factors look set to continue to drive inflation.

VIP initially sold down your high PE and technology stocks in October well ahead of the broader market reacting to the potential for higher rates, because we believed inflation was going to last longer than many others did. We have temporarily increased your cash level to between 25 and 30% also positioned your portfolio to minimise the impact that rising yields could have by reducing yield exposure and increasing the level of exposure to corporate credit. This protected your portfolio and capital as the benchmark fell over the last quarter.



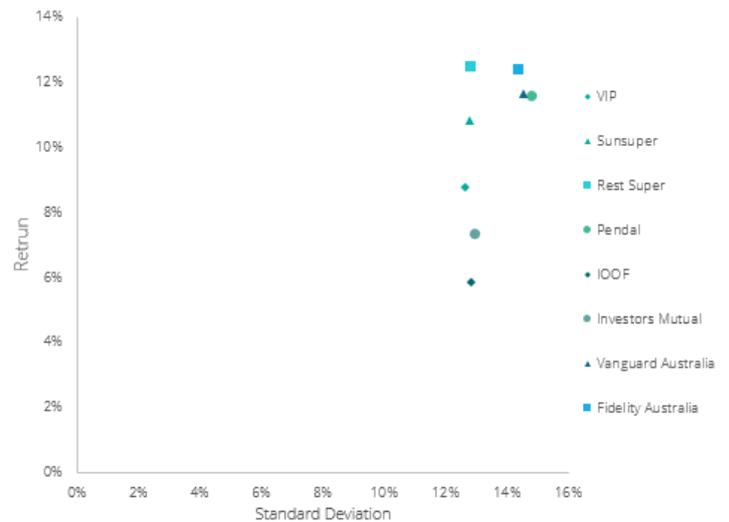
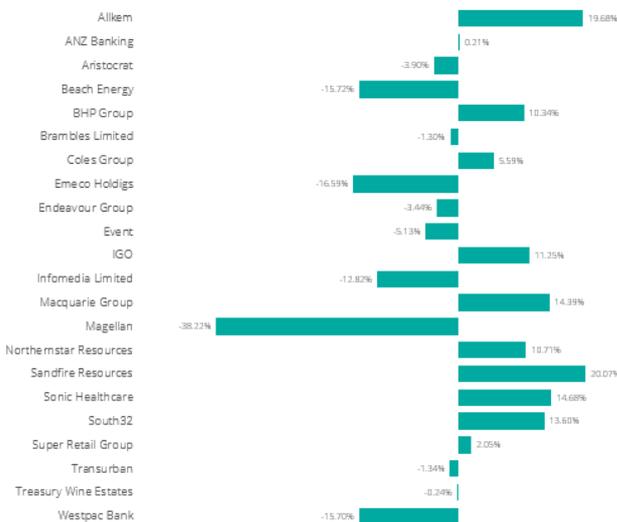
3 Month Sector Performance

Current Sector Allocation



3 Month Holdings Performance

5 Year Risk/Return Profile



Upside & Downside Capture

Portfolio Facts

| | 3 Month | 5 Year |
|------------------|---------|--------|
| Upside Capture | 125% | 106% |
| Downside Capture | 159% | 95% |

| | |
|---------------------------|----------------------------|
| Inception Date | 30 th June 2011 |
| Asset Class | Multi-Asset |
| Platform Availability | Xplore Wealth |
| Index Benchmark | ASX/S&P 200 Index |
| Investment Horizon | 5 – 7 Years |
| Minimum Investment | \$75,000 AUD |
| Management Fee (Exc. GST) | 0.80% |