

Investment Objective

The aim of the **VIP Property Securities Portfolio** is to provide investors with tax advantaged income and long term capital growth from investment in an actively managed, concentrated portfolio of property and property related companies and trusts listed on the ASX.

The portfolio invests in 4 to 10 Australian Real Estate Investment trusts (A-REITs) listed on the S&P/ASX 200 A-REIT Accumulation 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 Property Securities portfolio generated a 4.01% return pre-fees in February, and a 12.72% return pre-fees for the 3 months to 28/02/2013.

Over these periods the S&P/ASX 200 A-REIT index generated 3.52% and 11.19% respectively.

Over the last year the portfolio has generated a 32.00% return pre-fees, and although the portfolio has underperformed the S&P/ASX 200 A-REIT index over the last year the portfolio has outperformed the index since inception.

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

Investment Growth

Time Period: 30/06/2011 to 28/02/2013



—VIP Property Securities

Trailing Returns

As of Date: 02/28/2013

	1 Month	3 Month	6 Month	1 Year	Since Inception
VIP Property Securities	4.01	12.72	19.59	32.00	21.15
VIP Property Securities Investment	3.90	12.34	18.80	30.23	19.84
VIP Property Securities Super-Pension	3.95	12.50	19.12	30.95	20.50
S&P/ASX 200 A-REIT TR	3.52	11.19	17.02	33.41	10.50

Performance Contributors & Detractors

The **Top Contributors** for the month were Stockland +8.99% and Cromwell Property Group +8.05%.

Performance **Detractors** for the month were Commonwealth Office Property Trust +0.45%, Bunnings Warehouse Property Trust +0.85%, and SDPR S&P/ASX 200 Listed Property Fund +3.46%.



Month in Review - Economic & Market Commentary

Last month we reported that positive investor sentiment has continued to drive share markets globally. This continued in February, albeit at a slower pace, with the key index for global shares (the MSCI Ex Australia in AUD) rising 1.90% in February and posting a 16.47% return for the 12 months to 28/02/2013. The Australian share market followed this trend with the top 200 companies by market capitalisation (the ASX 200) rising 5.37% in February and 24.19% for the year to 28/02/2013.

These sharemarket returns were attributed to the flow of money from low income term deposit and bond investments, in an environment of extremely low global interest rates, to shares that are paying higher income yields. Continued improvement in US economic data is spurring this flow of money with the expectation that the global economy is turning the corner.

The main risk that we highlighted last month was the sustainability of these returns in light of the still weak economic backdrop and less than impressive corporate earnings. In such an environment only a small amount of bad (or even '*not so good*') news could affect the markets dramatically. It seemed as though the inconclusive Italian election result could be this '*not so good*' news; however, global markets (excluding those in Europe) took the result in their stride and kept rising.

So the question remains – *what will it take for the markets to slow down this level of growth?* At the time of writing it seems that Cyprus, the island nation of just over 1.1 million people, may be the 'hand-brake' that market pundits have been expecting... more on this next month as the situation unfolds.

From an economic perspective February was a good month for employment data in the US. In Australia the RBA kept rates on hold, but stated that the low inflation outlook still gives the RBA scope to reduce interest rates. Forecasts range from anywhere between a 0.25% to 0.75% cut this year. This forecast range is also evident in term of GDP growth forecasts with the banks forecasting a range between 2.0% to 3.2% GDP growth this year.

With a recovering US economy, a relatively strong Chinese economy, and low interest rates to kick-start the Australian economy there may be enough support for more share price growth this year.

Portfolio Holdings & Adjustments

VIP Property Securities - Holdings

Portfolio Date: 28/02/2013

	Ticker	Total Ret 1 Mo (Mo-End)	Total Ret 3 Mo (Mo-End)	Total Ret 1 Yr (Mo-End)	Dividend Yield % TTM
SPDR S&P/ASX 200 Listed Property Fund	SLF	3.46	10.95	32.79	
Cromwell Property Group	CMW	8.05	14.78	36.53	5.81
BWP Trust	BWP	0.85	14.04	37.88	5.83
Stockland Corporation Limited	SGP	8.99	14.45	26.18	6.54
Commonwealth Property Office Fund	CPA	0.45	12.45	20.92	5.71

Property Securities Portfolio Adjustments:

The *VIP Investment Committee* did not make any changes to the Property Securities portfolio in February.

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