VIP Property Securities Portfolio

Monthly Review
April 2013

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 6.21% return pre-fees in April, and a 9.99% return pre-fees for the 3 months to 30/04/2013.

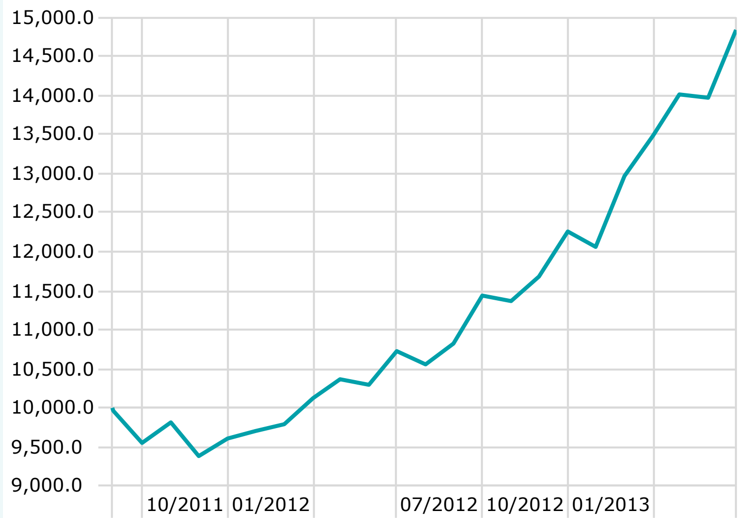
Over these periods the S&P/ASX 200 A-REIT index generated 8.24% and 9.06% respectively.

Over the last year the portfolio has generated a 38.33% return pre-fees and outperformed the S&P/ASX 200 A-REIT index over the last year and since inception by 4.19% and 13.34% respectively.

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 30/04/2013



Trailing Returns

As of Date: 04/30/2013

	1 Month	3 Month	6 Month	1 Year	Since Inception
VIP Property Securities	6.21	9.99	21.05	38.33	23.96
VIP Property Securities Investment	6.10	9.63	20.24	36.48	22.58
VIP Property Securities Super-Pension	6.14	9.78	20.57	37.23	23.26
S&P/ASX 200 A-REIT TR	8.24	9.06	15.56	34.14	10.62

Performance Contributors & Detractors

The **Top Contributor** for the month was the Cromwell Property Group +8.25%.

And the **Top Detractors** were Bunnings Warehouse Property Trust +1.68%, Commonwealth Office Property Trust +4.50%, Stockland +6.03%, and SDPT S&P/ASX 200 Listed Property Fund +8.13%.

Source: Morningstar Direct

Month in Review - Economic & Market Commentary

The attention of investment markets in April and into May has been placed firmly on the world's 3rd largest economy, Japan, and program of Quantitative Easing (also known as printing money) targeted towards stimulating the Japanese economy and taking them off the deflationary carousel they have been on for some time.

Japan has been in a deflationary environment where prices go down due to lower priced imports from trading partners such as China, and a high household savings ratios over the years where Japanese consumers spend less of their incomes than European or US consumers – low spending and demand leads to lower prices. To stop this deflationary environment Prime Minister Shinzo Abe and the Bank of Japan (BoJ) have embarked on a Quantitative Easing exercise aimed at boosting the Japanese economy and bringing about inflation of 2% over the next 2 years.

In doing so the BoJ is expanding its balance sheet to 270 trillion yen… that's $2.66 trillion AUD. In comparison the Australian debt ceiling is currently $0.3 trillion AUD, which we are forecast to reach by December 2014 based on the Gillard Governments projected deficits.

Many commentators have warned that this move will cause Japan to default due to its debt, which will have much larger ramifications for global investment markets than the fears of a Greek default; and early signs of trouble were evident this month as the BoJ announced that the monthly bond purchases would be increased to 7.6 trillion yen (or $76 billion USD) causing a significant sell off of Japanese Government bonds.

However, with this negative prospect of a potential Japanese default some time during this 2 year Quantitative Easing program comes the positive prospect of the effect of this additional money supply on commodity prices.

Additional stimulus money is planned to eventually be spent or invested thereby stimulating the economy. Investments made in infrastructure will increase the demand for the raw commodities that feed into these projects, which subsequently increase these commodities prices. Remember high demand = high price. And this should have a positive effect on Australian mining companies whose values are linked to commodity prices.

Similarly if this program, known as *Abenomics* after Prime Minister Abe, works and starts to kick start the Japanese economy then the positive effect of a growing Japan will be felt in other economies.

So as it stands the two possible outcomes are completely at odds with each other… financial default on the one hand, or financial prosperity on the other. Our job is to closely monitor these developments and structure the portfolios accordingly.

Portfolio Holdings & Adjustments

VIP Australian Share Leaders - Holdings

Portfolio Date: 30/04/2013

	Portfolio Weighting %	Dividend Yield % TTM
SPDR S&P/ASX 200 Listed Property Fund	38.56	
Cromwell Property Group	17.12	6.49
Commonwealth Property Office Fund	16.35	32.86
BWP Trust	14.66	4.38
Stockland Corporation Limited	13.30	5.09

Property Securities Portfolio Adjustments:

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

Source: Morningstar Direct