VIP Property Securities Portfolio

Monthly Review
July 2015

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

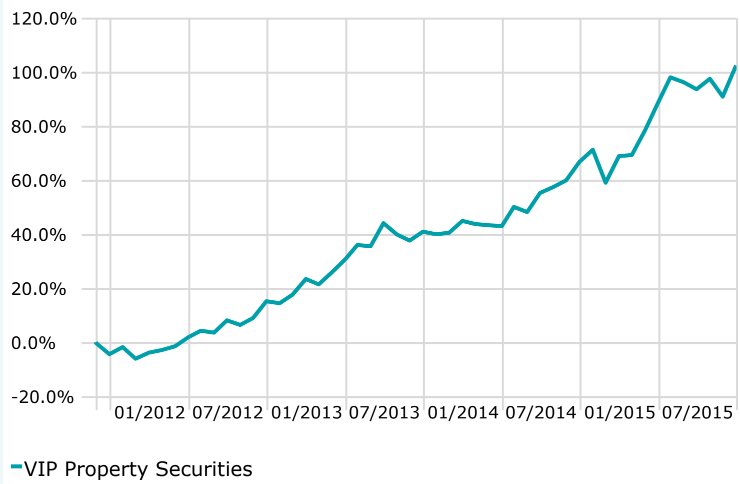
The VIP Property Securities portfolio generated a 6.03% return for the month and 4.54% over the last 3 months. The portfolio outperformed the S&P/ASX 200 A-REIT index during the month by 0.32%, and over the quarter by 0.26%.

Over the last year the portfolio has generated a 21.38% return and outperformed the index by 0.30%.

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 31/07/2015



Trailing Returns

As of Date: 31/07/2015

	1 Month	3 Month	6 Month	1 Year	2 Years	3 Years	4 Years	Since Inception
VIP Property Securities	6.03	4.54	7.15	21.38	19.87	20.72	20.65	18.83
VIP Property Securities Investment	5.91	4.19	6.44	19.76	18.27	19.10	19.04	17.35
VIP Property Securities Super-Pension	5.96	4.33	6.73	20.42	18.92	19.76	19.69	18.00
S&P/ASX 200 A-REIT TR	5.71	4.28	4.74	21.08	19.31	18.43	20.16	10.84

Portfolio Holdings

VIP Property Securities - Holdings

Portfolio Date: 31/07/2015

	Portfolio Weighting %	Total Ret 1 Mo (Mo-End)	Total Ret 3 Mo (Mo-End)	Total Ret 6 Mo (Mo-End)	Total Ret 1 Yr (Mo-End)	Dividend Yield % TTM
SPDR® S&P/ASX 200 Listed Property ETF	19.62	5.65	4.32	4.68	20.66	
BWP Trust	17.22	10.13	13.54	21.11	37.80	4.90
Goodman Group	15.97	4.31	6.42	8.50	26.87	3.60
Cromwell Property Group	13.42	8.78	2.71	8.95	17.02	7.56
Stockland Corp Ltd	12.91	3.66	-1.58	-0.23	10.59	5.94
Charter Hall Group	10.63	4.65	-5.44	0.23	14.56	5.45
Investa Office Fund	10.24	4.21	9.06	5.10	16.32	5.04

Source: Morningstar Direct

Month in Review - Economic & Market Commentary

China: The Sequel

Much has been said recently about the falling Chinese market and as a result, questions arise as to what lies ahead for a slowing China. When any market takes a plunge, panic consequently follows concerning the state of the economy. Although this can be true in some cases, in China's case its stock market plays a small role in its economy, and even more so has few ties to the overall economy. Therefore, the potential for China's equity correction to spread a worldwide economic meltdown is rather limited. This is the true reality of the situation, which subsequently presents the question 'is China's economy being reflected in its market?'

In short, it is not. China's equity market predominantly consists of 'retail investors who make their investment decisions based on what they read in investor newsletters.' Additionally, the Chinese governments' efforts to boost liquidity in the market (through tools such as interest rate reductions and reserve ratio requirement cuts) were timed poorly with the Greece crisis pulling the plug on global risk. Combine this with the Chinese retail investor, and the result is a flurry of panic selling despite what the Chinese economy is doing.

Overall, the underlying concept is that regardless of what the Chinese stock market is doing, the Chinese economy itself is still growing (albeit slower), and even more so, transforming. China is moving away from being a low-cost producer and exporter, to becoming a consumer driven society. In this process mistakes and adjustments will be made which are possibly being reflected in the stock market. However, this does not necessarily reflect the state of the 2nd largest economy in the World.

It is true that China's growth is slowing down as we discussed in last months report. This is largely due to the industrial and property sectors, with growth in real industrial output declining from 14% in mid-2011 to 5.9% in April. While slowdown is no doubt causing a stir in both the Chinese stock market and international markets alike, it must be noted that it would have been ridiculous to think for a second that China's rate of growth was ever sustainable. In contrast to being a slowing economy, China is instead simply beginning the 'necessary rebalance towards a more sustainable, consumption-led growth model,' as noted by chief economist at Standard Life Investments Jeremy Lawson.

Despite playing a huge role in the World's economy, the truth is that China is still an emerging market. Which means it hasn't yet reached its final form. Which means its economy will continue to grow and flourish. All this taken into consideration, it is ludicrous to think that the Chinese stock market is indicative of the well-being of its country. China as an economic organism is still in its infantile stages of development, with new markets continually building.

Take for example its environmental problem concerning the pollution and waste generated by the country, which opens up new markets in the quest to turn China green. Also take into account its ever-expanding middle class, the rising amount of billionaires, and that the Chinese population are earning more than ever.

The fact that Chinese banks are generally uninvolved in providing leverage and are not showing signs of stress is indicative of a sound economy, regardless of what the market is saying. Furthermore, 'there is very little evidence that the moves in the stock market will have a major impact on the real economy,' and even if there was, stocks only amount to 15% of total wealth. Even the average retail investor, who we previously mentioned to be highly reactive to what everyone else is doing, spends less of their wealth that other countries with a 49% savings rate.

While China's eventual transition to a consumer society will no doubt create volatility and weaken growth reflected in the market, these negatives are minor in terms of China's pursuit to their desired economy. As said by Jan Dehn, head of research at Ashmore in London, 'you need to break eggs to make an omelette.'

Source: Kenneth Rapoza, Forbes.

Portfolio Holdings & Adjustments

Performance Contributors & Detractors:

The **Top Contributors** were BWP TRust +10.13%, and Cromwell Property Group +8.78; and the **Top Detractors** were Stockland Corp Ltd +3.66%, Investa Office Fund +4.21%, and Goodman Group +4.31%.

Property Securities Portfolio Adjustments:

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

Source: Morningstar Direct