

### 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

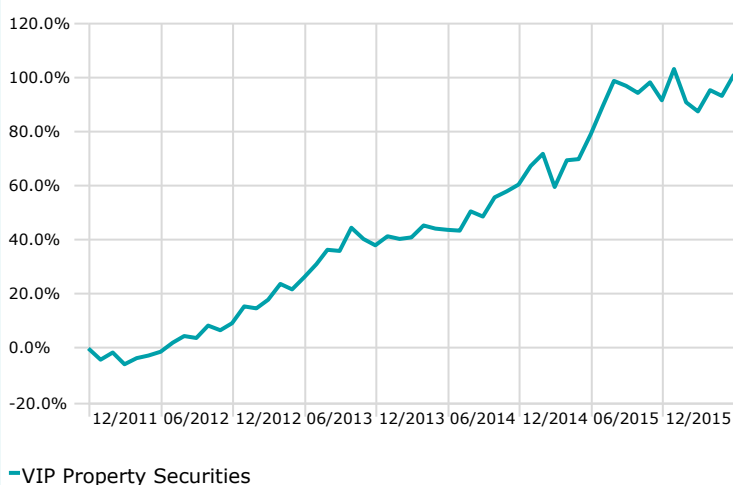
The VIP Property Securities portfolio generated a 4.10% return for the month and 7.28% over the last 3 months. The portfolio outperformed the S&P/ASX 200 A-REIT index during the month by 0.11%, and outperformed over the quarter by 1.33%.

Over the last year the portfolio has generated a 12.31% return and underperformed the index by 2.01%.

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

### Investment Growth

Time Period: 1/07/2011 to 31/12/2015



### Trailing Returns

As of Date: 31/12/2015

	1 Month	3 Month	6 Month	1 Year	2 Years	3 Years	4 Years	Since Inception
VIP Property Securities	4.10	7.28	4.98	12.31	18.29	16.79	19.45	16.79
VIP Property Securities Investment	3.98	6.92	4.27	10.81	16.71	15.22	17.85	15.20
VIP Property Securities Super-Pension	4.03	7.07	4.56	11.42	17.35	15.86	18.50	15.84
S&P/ASX 200 A-REIT TR	3.99	5.95	7.12	14.32	20.53	15.88	19.93	10.75

### Portfolio Holdings

#### VIP Property Securities - Holdings

Portfolio Date: 31/12/2015

	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	19.43	3.95	5.87	6.97	13.97	
Goodman Group	15.36	4.40	9.21	1.90	14.24	3.79
BWP Trust	14.84	1.95	4.92	5.95	19.13	5.33
Cromwell Property Group	14.77	4.89	11.45	6.32	9.67	8.09
Stockland Corp Ltd	14.56	5.55	9.66	2.98	5.39	5.95
Scentre Group	10.89	4.75	7.44	14.52	25.96	5.07
Investa Office Fund	10.16	6.17	4.01	7.84	15.25	4.96

### The Lucky Country

From almost any standpoint, it is easy to understand why Australia is fondly referred to (albeit mostly by Australians) as 'The Lucky Country.' With another Australia Day just passed, we Australians were once again offered the chance to experience and reflect on what makes this country great – the sun, the surf, the beach, the barbeques. Whilst these distinctive factors of our nation's character are no doubt great, they are admittedly accessible in other areas of the globe. So what makes us so lucky? Beyond the obvious, the answer lies within the fundamental components of Australia, such as our current government, interest rates, the low Australian dollar, as well as current prices in oil and energy. Given the recent volatility in the market, from an investors perspective it is easy to forget that we are in fact a privileged bunch.

In the Spring of 2015 the Australian public witnessed the demise of Tony Abbott's time at the helm, and emerging victorious was a leader that oozed success, and had a resume to back it up. Mr Malcolm Turnbull took the prime minister's office after an illustrious career in investment banking as a partner for Goldman Sachs as well as his own firm 'Whitlam Turnbull & Co Ltd, and historically has proven to be an expert at mastering policy detail. As was mentioned in the VIP August Report, Turnbull's success resulted in a boost in consumer and business confidence, a feat considering China's correction in August had thrown global markets into disarray, and fear was a widespread theme across the world's economy. Almost five months ahead we see stability in the government, a tell-tale sign to the everyday Australian being that the coalition is rarely making a headline in today's newspapers.

Australia is also experiencing historically low interest rates, with a cash rate of 2.00%. Effectively, the point of lowering a cash rate is to promote growth by encouraging spending and reducing the cost of borrowing, each of which stimulate the economy. As a result, the nation is currently recording inflation at an increase of 2% in 2016, a rate that although slightly higher than expected, is well under control. Compare this to other economies such as Europe, Japan, and China, where, as put by AFR's Phil Baker "fears that inflation is so low that central banks will, sooner than later, be forced to cut interest rates to stave off a bout of potential deflation." Consequently, Australia finds itself the 'envy of the world,' with inflation a welcomed relief if the alternative is the potential of deflation derived from a lethargic rate of growth.

Noticeable of recent times is the severe decrease in both oil and energy prices. Essentially, these prices are a by-product of the slowdown of China's economy. Among other market factors, it is a simple case of the supply/demand concept in that while supply has more or less remained stable, China's slowdown has largely decreased the demand for these sectors and as a result the prices have fallen. While this may upset shareholders in oil or energy (of which the VIP Portfolios hold neither), the Australian general public is happy to benefit from cheaper fuel and a slighter energy bill.

Finally, it is common knowledge that the Australian dollar now resides at a lowly \$0.70 after peaking at \$1.10 in 2011, and although this obviously impacts overseas travel plans there is the other, indispensably valuable side of the coin. A low Australian dollar, whilst meaning a holiday abroad will be more expensive, encourages Australian's to travel within Australia, thus putting money back into our businesses. Subsequently, a pickup in business leads to a greater demand for employees and a greater need for marketing campaigns all of which promote the growth of our economy. Our exports, including tourism, become more attractive and locally produced goods are able to compete more effectively against imported products. All in all, the Australian dollar at \$0.70 is doing far more good than damage.

One must ponder what the motherland was thinking when it sent convicts (of all people) from damp, grey England to one of the most spectacular landscapes the earth has to offer. Over 200 years later, to live in such a land seems to be a birthright. However, regardless of all the perks Australians enjoy on a daily basis, when considering the Australian economy relative to the developed world as well as its incomparability to the developing countries, to be standing on this golden soil we are, in every sense of the word, lucky.

### Portfolio Holdings & Adjustments

#### Performance Contributors & Detractors:

The **Top Contributors** were Investa Office Fund 6.17%, Stockland Corp Ltd 5.55%, and Cromwell Property Group 4.89%; the **Top Detractors** were BWP Trust 1.95%, SPDR S&P/ASX 200 Listed Property ETF 3.95%, and Goodman Group 4.40%.

#### Property Securities Portfolio Adjustments:

In December, the VIP Investment Committee decided to sell Charter Hall Group to reduce fund manager exposure, and bought Scentre Group in order to increase direct retail coverage.

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