

### 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

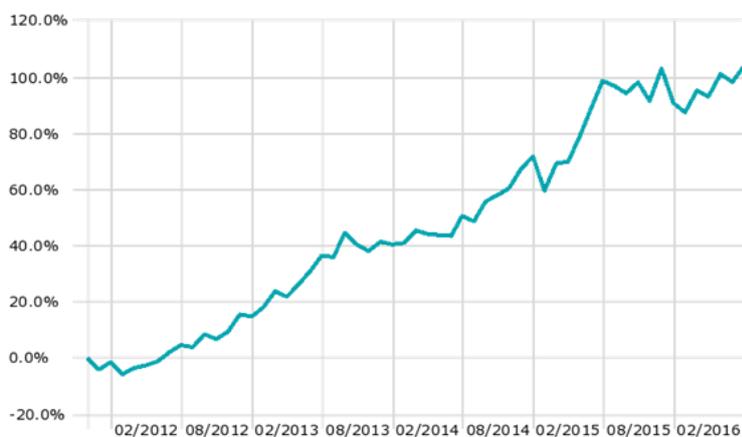
The VIP Property Securities portfolio generated a 2.76% return for the month and 5.47% over the last 3 months. The portfolio underperformed the S&P/ASX 200 A-REIT index during the month by 0.10%, and over the quarter by 2.63%.

Over the last year the portfolio has generated a 2.53% return and underperformed the index by 3.87%.

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 29/02/2016



—VIP Property Securities

### Trailing Returns

As of Date: 29/02/2016

	1 Month	3 Month	6 Month	1 Year	2 Years	3 Years	4 Years	Since Inception
VIP Property Securities	2.76	5.47	6.78	2.53	16.31	14.31	18.15	16.48
VIP Property Securities Investment	2.65	5.11	6.06	1.15	14.75	12.78	16.57	14.90
VIP Property Securities Super-Pension	2.69	5.26	6.35	1.71	15.39	13.40	17.21	15.53
S&P/ASX 200 A-REIT TR	2.86	8.10	9.84	6.40	20.00	14.36	18.86	10.81

### Portfolio Holdings

#### VIP Property Securities - Holdings

Portfolio Date: 29/02/2016

	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	45.09	2.80	7.96	9.65	6.17	
BWP Trust	15.45	5.54	4.49	5.16	14.25	5.03
Goodman Group	15.02	6.74	7.99	8.34	7.69	3.53
Stockland Corp Ltd	14.71	1.96	7.30	9.77	-5.93	5.78
Scentre Group	9.73	2.86	11.86	17.44	18.63	4.76

### Election Year and the United States of Uncertainty

With the US Election Day approximately 8 months away, the USA and moreover the world stares down the barrel of the very possible reality that is President Trump. What began as a side story to the marathon that is the US election has quickly turned into the focal point of the whole matter, with billionaire Donald Trump emerging as the heavy frontrunner for the Republican nomination. On the other hand, Hillary Clinton faces competition from socialist Bernie Sanders in the race for the Democratic nomination, although it is acknowledged Clinton is very much the primary candidate for the position. While many things can change between now and the election day on the 8<sup>th</sup> of November, what is certain is that the US presidential elections have the ability to throw absolute uncertainty into the markets, pending on who will emerge victorious as the 45<sup>th</sup> president of the United States of America.

Historically, markets have revolved around both terms of presidency as well as the election, with the 8<sup>th</sup> year of presidency (of which the USA is experiencing now) ranking last in terms of equity returns, and often the first half of the election year providing even worse returns. In fact, according to Ned Davis Research, the Dow Jones Industrial Average falls an average 1.8% through May. Given the state of the markets of late, it is conceivable to say that with the uncertainty that accompanies an election year, a return to the stability experienced throughout 2012-2015 is still beyond the foreseeable horizon.

Of course, even if we did know who the next president was, the prediction on what that would do to markets is still purely speculative given the history of politicians and their 'promises.' However, based on the policy Trump has outlined, one can see benefits for defence and homeland security companies, consumer discretionary companies, and infrastructure builders if he were to carry out his pledge to reduce taxes on low and middle income workers. Much of this derives from his stances on immigration reform and domestic job creation, all of which are based on the mantra 'make America great again.' Alternatively, a Sanders presidency could potentially bring about the breaking up of banks deemed too big to fail, reverse the North American Free Trade Agreement, and create a single-payer healthcare system.

Another factor that could further increase uncertainty risk is the introduction of a third-party candidate entering the fray, effectively turning the traditional Republican/Democrat rivalry into a three-way race. It is known that Mike Bloomberg, the former mayor of New York as well as the founder of financial news service and terminal provider 'Bloomberg' is considering a third-party bid. Furthermore, if Trump is unsuccessful in winning the Republican nomination, there still lies the possibility that he continues his presidential campaign as an independent.

As noted by James Abate, CIO of Centre Funds in New York, "what the election cycle is doing with regard to the introduction of third-party candidates and disarray in both parties is pushing peoples' perception of risk up." This level of unease is reflected in the gold market, which is up more than 17% this year. As stated by Aurion Capital Management fund manager Greg Taylor, "you're seeing massive inflows into gold stocks and that's a sign something might be different, whether that's the fear trade from politics or negative rates, that's the biggest trade."

While Trump is frontrunner for the Republican bid, it is widely recognised that he is strongly opposed by senior Republicans, with some party donors already fundraising for an anti-Trump campaign, according to the New York Times. Many veteran Republican politicians believe Trump to be controversial given that the Republican orthodoxy is vastly contradicted by his stance on immigration, and believe Trump as the Party's nominee would lose to Hilary Clinton. This may lead to influential Republicans putting their best efforts behind another candidate, leaving the door open for more twists and turns in the US election theatre.

All in all, the US election will no doubt hold surprises up until election day – the fact that Trump is still standing is a surprise in itself.

Source: Sydney Morning Herald, New York Times, BBC

## Portfolio Holdings & Adjustments

### Performance Contributors & Detractors:

The **Top Contributors** were Goodman Group +6.74%, BWP Trust +5.54%, and Scentre Group +2.86%; the **Top Detractors** were SPDR S&P/ASX 200 Listed Property ETF +1.03%, and Stockland Corp Ltd +1.96%.

### Property Securities Portfolio Adjustments:

In February the VIP Investment Committee decided to sell Cromwell Property Group as we believe it has very little growth left, and Investa Office Fund because it is under a takeover bid and there is little upside. The collective weighting of the two is now held in SPDR S&P/ASX 200 Listed Property ETF.

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