

Investment Objective

The **VIP Fixed Interest Portfolio** aims to provide a high level of income over the medium to long term through investment in a diversified portfolio of Australian fixed income securities including Government and Semi Government Bonds, Managed Funds, Term Deposits and Cash.

The portfolio invests in 4 to 10 fixed income securities including Government and Semi Government Bonds, Managed Funds, Term Deposits and Cash that are managed with a bottom up approach while taking top down economic considerations into consideration.

Performance Review

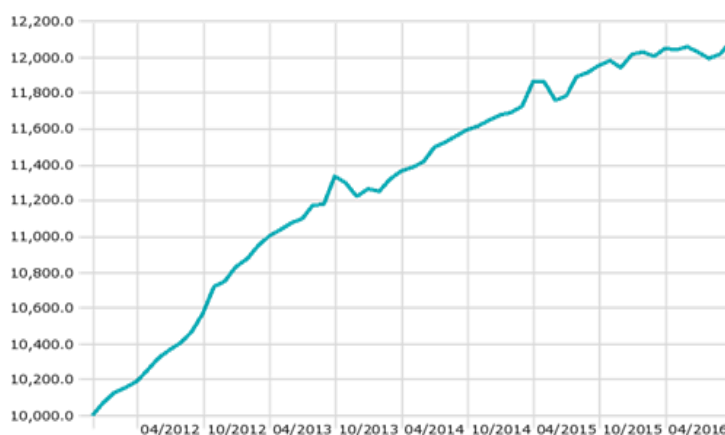
The VIP Fixed Interest portfolio generated a 0.60% return for the month and 0.52% over the last 3 months. This was against the Bloomberg AusBond Composite index return of 0.26% over the month and 1.08% over the quarter.

The portfolio outperformed the index by 0.34% over the month, and underperformed the index 0.56% over the last 3 months.

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 30/04/2016



—VIP Fixed Interest

Trailing Returns

As of Date: 30/04/2016

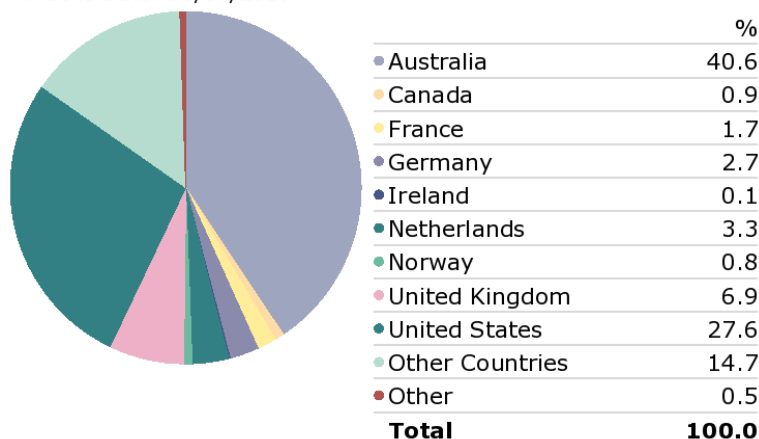
	1 Month	3 Month	6 Month	1 Year	2 Years	3 Years	4 Years	Since Inception
VIP Fixed Interest	0.60	0.52	0.33	1.14	2.11	2.17	3.42	4.00
VIP Fixed Interest Investment	0.49	0.19	-0.35	-0.22	0.74	0.80	2.03	2.62
VIP Fixed Interest Super-Pension	0.53	0.32	-0.07	0.33	1.30	1.35	2.59	3.19
Bloomberg AusBond Composite 0+Y TR AUD	0.26	1.08	1.76	3.38	6.10	4.94	5.45	8.50

Portfolio Exposure

The portfolio is allocated across Australian and International fixed interest sectors as capital loss fears from the Quantitative Easing Tapering program have ceased.

VIP Fixed Interest - Fixed-Inc Country Exposure

Portfolio Date: 30/04/2016



The Budget and Superannuation

As the 2016 federal election approaches, one predominant factor that will have a large say in swaying voters is the federal budget recently announced on Tuesday the 3rd of May. Deemed by many as unsurprising and somewhat conservative, Treasurer Scott Morrison's budget has been criticised particularly for not making changes to the governments' current negative gearing policy, as well as not allocating enough to health and education. Of course, many of these criticisms are derived from The Labor Party and its supporters, but whatever your perspective on the budget, one thing for certain is that it affects everyone, because everyone needs super. In the coming paragraphs we will detail how the budget has impacted the country's policies on superannuation, and how it could affect our investors.

In regards to superannuation, the budget can be considered to be bittersweet. On the bitter side, there is the '\$500,000 lifetime limit on non-concessional after-tax contributions and the \$1.6 million limit on superannuation pension accounts.' Essentially, what this means is that after the \$500,000 of after-tax contributions, any other monies will then be able to be taxed. Obviously, the governments motive behind this decision is to cap the limit in which taxpayers are able to put their earnings in a tax-free environment, a motive that also carries into the reasoning behind the \$1.6 million limit on superannuation pension accounts. The budget also proposes a reduction of concessional (before-tax) contributions from the current \$30,000 a year to \$25,000.

However, there are positives in the budget in relation to superannuation which will help employees make salary sacrifice contributions more effectively. Currently, tax-deductible super contribution can only be made if a person doesn't receive employer superannuation contributions, or their employment income is less than 10% of their total employment related income (e.g. someone who earns predominantly off commissions). The 2016 budget policies now allow anyone to make a tax-deductible super contribution until the age of 75. Furthermore, the budget has eradicated the work test, which previously required a person between ages 65 and 75 to work 40 hours in 30 consecutive working days if they wanted to make a tax-deductible super contribution.

While these developments may not initially appear to be so significant, the effect they can have on not only a person's super but their overall earnings are substantial. As the superannuation system stands, an employer's Super Guarantee Contribution is 9.5% of an employee's taxable salary. If an employee was to make a salary sacrifice super contribution, the employer is legally allowed to contribute 9.5% of the salary *after* this salary sacrifice has been made, effectively contributing less than usual had there been no salary sacrificed at all. As a result of the 2016 budget, employees are now able to make tax-deductible super contributions from after-tax income regardless of their terms of employment, as opposed to making salary sacrifice contributions which have the potential to lessen their 9.5% Super Guarantee contribution.

Obviously, the removal of the work tests will hugely increase the ease in which a retiree of the age of under 75 will be able to contribute to their superannuation through tax deductible personal super contributions. Additionally, there is the possibility of reduced tax payable on income received outside of superannuation, particularly in the event of the sale of an investment or a property. The income from the sale would be considered a taxable capital gain, but by making tax-deductible contributions from the income of the sale, one could reduce their tax payable.

While the caps on super contributions and pension accounts will no doubt pose a hindrance to many taxpayers, the upside is seen in the ability for all taxpayers under the age of 75 to make tax-deductible super contributions, and benefit from this accordingly.

Source: Sydney Morning Herald, The Australian, Colonial First Estate

Portfolio Holdings & Adjustments

VIP Fixed Interest - Holdings

Portfolio Date: 30/04/2016

	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)
Realm High Income	25.36	1.23	1.74	1.79	2.62
RBA Bank accepted Bills 30 Days	22.16	0.29	0.63	1.15	2.19
Bentham Wholesale Global Income	21.37	1.99	2.22	0.12	-0.61
iShares Core Composite Bond (AU)	16.78	-0.39	0.42	1.04	2.58
BT Pure Alpha Fixed Income	14.33	-0.73	-3.73	-4.11	-2.93

Performance Contributors & Detractors, and Portfolio Adjustments

The **Top Contributor** was Bentham Wholesale Global Income +1.99%, and Realm High Income +1.23%. **Top Detractors** were BT Pure Alpha Fixed Income -0.73%, and iShares Composite Bond -0.39%.

The *VIP Investment Committee* made no adjustments to the portfolio in April.

Value Investment Partners Pty Ltd is a Corporate Authorised Representative (Representative No.: 409849) ABN 72 149 815 707 of Sterling Managed Investments Pty Ltd, Australian Financial Services Licensee (AFSL 340744). This document has been prepared for general information purposes only and not as specific advice to any particular person. Any advice contained in this document is General Advice and does not take into account any person's investment objectives, financial situation and particular needs. Before making any investment decision based on this advice, you should consider, with or without the assistance of a securities adviser, whether it is appropriate to your particular investment needs, objectives and financial circumstances. A Product Disclosure Statement and/or Investment Options Document on any financial product mentioned in this document should also be obtained and read prior to proceeding with an investment decision. Futuro Financial Services and its representatives may have an interest or associations with the product providers detailed in this report, and will be entitled to receive remuneration for the provision of personal financial product advice by means of commissions and/or fees and other benefits. If you proceed with personal advice, details of remuneration and associations will be detailed in full within a Financial Services Guide and Statement of Advice. Although every effort has been made to verify the accuracy of the information contained in this document, Futuro Financial Services Pty Ltd, its officers, employees and agents disclaim all liability (except for any liability which by law cannot be excluded), for any error, inaccuracy in, or omission from the information contained in this document or any loss or damage suffered by any person directly or indirectly through relying on this information.