

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

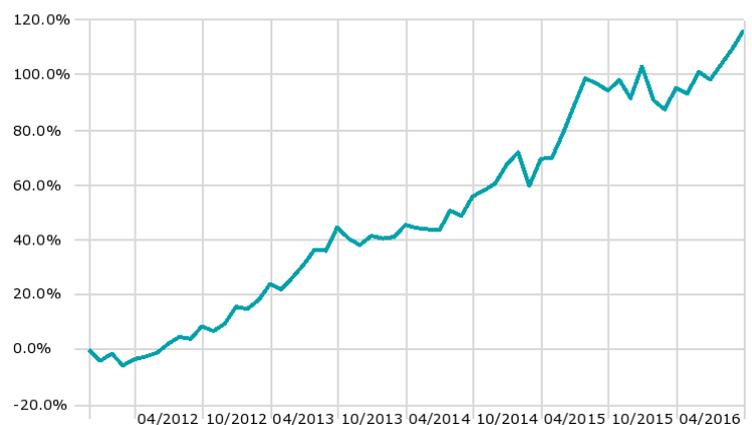
The VIP Property Securities portfolio generated a 3.18% return for the month and 9.10% over the last 3 months. The portfolio outperformed the S&P/ASX 200 A-REIT index during the month by 0.38%, and over the quarter by 0.83%.

Over the last year the portfolio has generated a 11.34% return and underperformed the index by 4.29%.

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 Property Securities

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 Property Securities	3.18	9.10	10.76	11.34	17.84	14.38	18.85	17.31
VIP Property Securities Investment	3.07	8.73	10.02	9.84	16.26	12.85	17.25	15.72
VIP Property Securities Super-Pension	3.12	8.88	10.32	10.45	16.90	13.47	17.90	16.36
S&P/ASX 200 A-REIT TR	2.80	8.27	10.46	15.63	20.71	14.33	19.00	10.92

Portfolio Holdings

VIP Property Securities - 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)	Dividend Yield % TTM
SPDR® S&P/ASX 200 Listed Property ETF	44.90	2.76	8.12	10.21	15.37	
BWP Trust	15.72	2.34	14.01	11.27	20.55	4.58
Goodman Group	15.02	3.30	13.32	15.47	13.92	3.18
Stockland Corp Ltd	14.52	2.34	6.85	10.91	3.87	5.26
Scentre Group	9.84	5.63	10.22	15.81	30.99	4.54

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

Performance Contributors & Detractors:

The **Top Contributors** were Scentre Group +5.63%, and Goodman Group +3.30%; the **Top Detractors** were Stockland Corp Ltd +2.34%, and BWP Trust +2.34%.

Property Securities Portfolio Adjustments:

In April the VIP Investment Committee made no adjustments to the portfolio.

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