

Investment Objective

The aim of the **VIP Conservative Portfolio** is to provide investors with a reliable income stream with the potential for moderate capital growth over the medium to long term from investment within a diversified portfolio heavily weighted to defensive assets (70% allocation to fixed interest and cash) and holding some growth assets (30% allocation to Australian shares, International shares, and property securities).

The portfolio is composed of 30 – 60 securities and consists of ASX listed securities, Exchange Traded Funds (ETFs), Listed Investment Companies (LICs), Managed Funds, Government and Semi Government Bonds, Term Deposits and Cash.

Performance Review

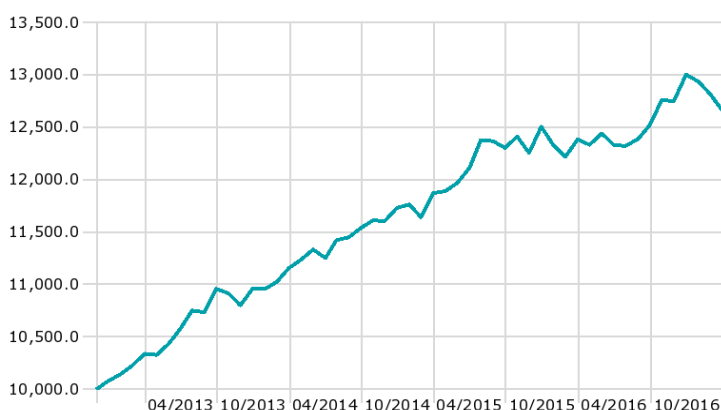
The VIP Conservative portfolio generated a -1.12% return pre-fees in October, and -2.31% return pre-fees in the quarter.

Over the last year the portfolio has generated a 3.61% return pre-fees and over 3 years 5.72%.

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

Investment Growth

Time Period: 1/07/2012 to 31/10/2016



—VIP Conservative Investment

Trailing Returns

As of Date: 31/10/2016

	1 Month	3 Month	6 Month	1 Year	2 Years	3 Years	4 Years	Since Inception
VIP Conservative	-1.12	-2.31	1.82	3.61	4.67	5.72	6.63	7.28
VIP Conservative Investment	-1.23	-2.64	1.13	2.22	3.27	4.30	5.20	5.60
VIP Conservative Super-Pension	-1.19	-2.51	1.41	2.78	3.84	4.88	5.78	6.42
VIP Conservative Composite Index	-1.92	-2.68	1.80	4.63	5.26	6.06	6.49	7.56

Tactical Asset Allocation

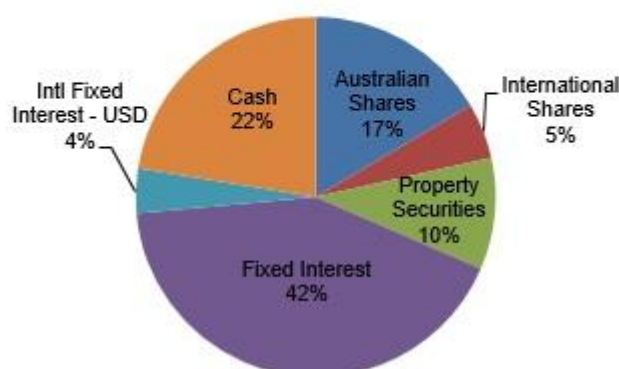
The VIP Conservative portfolios asset allocation as at 31/10/2016 was as follows:

- Australian Shares 17%
- International Shares 5%
- Property Securities 10%
- Fixed Interest 42%
- International Fixed Interest - US dollars 4%
- Cash 22%

Fixed interest allocation is currently reduced and held in cash as the *VIP Investment Committee* believes this to be a safer method of investing at this time.

Conservative Portfolio TAA

As at: 31/10/2016



Risk vs Return

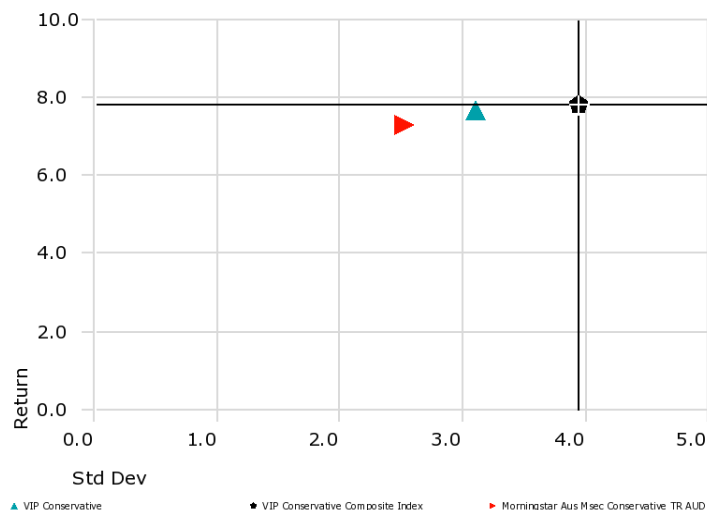
The VIP portfolios aim to reduce volatility, or risk, over the long term and achieve excess returns per unit of risk that is taken compared to our Conservative Composite Index and the Morningstar Multi-Sector Conservative Index.

The chart on the right plots return on the vertical axis against risk (in the form of Standard Deviation) on the horizontal index. Basically the higher up the vertical axis (high return) and the more left on the horizontal axis (low risk) is the ideal position that we aim for over the long term.

The chart on the right shows that the VIP Conservative portfolio (aqua triangle) has achieved **lower risk** compared to the Conservative Composite Index (black pentagon) and **higher return** and **lower risk** than our peers represented by the Morningstar Multi-Sector Conservative index (red triangle) and since inception on 01/07/2011.

This is the outcome we aim to achieve for our investors.

Risk-Reward



Month in Review - Economic & Market Commentary

The Voice of 2016

A protest vote is traditionally considered a vote for a 3rd party that has a slim-to-none chance of getting anywhere in an election or referendum – it is a chance for the voter to express his or her dissatisfaction for the frontrunners, or their refusal of the current political system. While it may detract from the total votes each campaign receives, overall it does not directly influence the final outcome. However, 2016 has redefined the term 'protest vote.'

This year, the world has watched in shock as the history of humanity took drastic steps in a completely unpredicted direction, firstly with Great Britain voting to leave the EU in June in the event famously known as 'Brexit,' and of course with an underdog victory for Republican nominee Donald Trump in the US presidential election. While of course both the 'Leave' decision and Trump had their supporters, it is well known that each received votes that they weren't expected to win, simply because they represented everything that wasn't the current political system. Such votes can be considered protest votes, protesting against present government conditions and the overall status quo.

What is significant here is the belief that while a protest vote would make the result closer in both cases, much of this was to vent frustration at the frontrunner of the referendum or election, rather than to support a 'Leave' decision or a Trump presidency. In line with the traditional definition of a protest vote, the vote itself in many cases was not intended to alter the outcome – Britain was largely anticipated to remain in the EU, and Hilary Clinton was predicted as a shoo-in to be the first female president of the United States, at a stage paying \$1.36 at major betting companies. In fact, a pro-Brexit voter was quoted by the BBC in stating "I'm shocked that we voted for Leave, I didn't think that was going to happen. I didn't think my vote was going to matter too much because I thought we were just going to remain." This quote in a nutshell defines the beginnings of the protest vote of 2016.

Accoladed documentary maker Michael Moore has been a very clear-eyed commentator of the US election, and correctly predicted a Trump victory. Among numerous reasons, Moore attributes a Trump presidency to the voters that the government have 'forgotten' about, taking their perspective of the struggling working class by saying 'Donald Trump, has arrived to clean house! You don't have to agree with him! You don't even have to like him! He is your personal Molotov cocktail to throw right into the center of the bastards who did this to you!' This ideal also encapsulates the modern-day protest vote, a concept he defines as the Jesse Ventura effect in which the people of Minnesota once elected professional wrestler Jesse Ventura in the 90's as 'their version of a good practical joke on a sick political system.'

The modern-day protest vote is a vote for change; for anything other than what has been, for what has been has not worked. This is evident in the upcoming French election. For one, candidate Marine Le Pen, leader of the far-right National Front party vows to hold a referendum concerning whether France stays in the EU, much like the Brexit situation. While polls show she will most likely make it to the French presidential final round runoff next May, she is unlikely to win the presidency. Polls also had Clinton as a 90% chance of winning the US election days before it, proving that polls are merely a figure. Moreover, Angela Merkel, Germany's current chancellor faces competition in her bid for a fourth term as commander-in-chief. Germany is currently posed with the refugee issue much like the rest of Europe is, and as a result the far-right, ultra conservative anti-immigrant Alternative for Germany (AfD) party is gaining traction in one of the most influential countries of the EU.

The world finds itself in a fascinatingly significant period in its history, rife with uncertainty and volatility. With approaching French and German elections in 2017, and given what we have witnessed in 2016, any return to normality in the short term may just be the eye of the storm.

Source: The Independent, The Guardian

Australian Shares Portfolio

The VIP Australian Share Leaders portfolio generated a -3.11% return for the month and -7.75% over the last 3 months. The portfolio underperformed the S&P/ASX 100 index in October by 1.23% and by 4.74% over the quarter.

Over the last year the portfolio has generated an 8.73% return pre-fees underperforming the ASX 100 index by 3.20%.

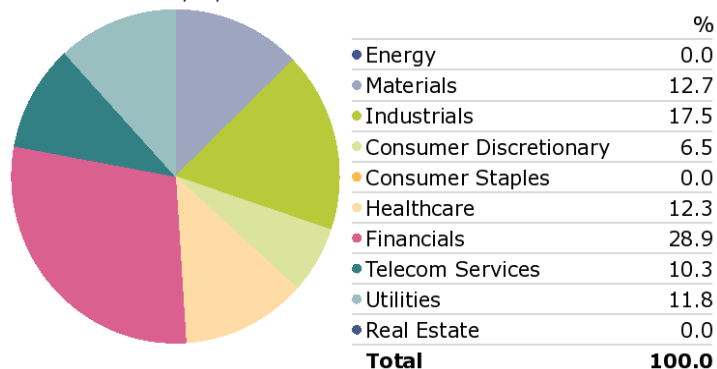
The **Top 3 Contributors** for the month Bendigo and Adelaide Bank Ltd 3.34%, Westpac Banking Corp 3.25%, and Australian and New Zealand Banking Group 0.80%; and the **Top 3 Detractors** for the month were TPG Telecom -11.05%, Sydney Airport -10.19%, and Ramsay Health Care -7.28%.

VIP Australian Share Leaders - Holdings

	Ticker	Dividend Yield % TTM
Bendigo and Adelaide Bank Ltd	BEN	8.20
Australia and New Zealand Banking Group Ltd	ANZ	8.07
National Australia Bank Ltd	NAB	9.80
Westpac Banking Corp	WBC	8.50
DuluxGroup Ltd	DLX	5.84
Aristocrat Leisure Ltd	ALL	1.30
Ramsay Health Care Ltd	RHC	2.37
Telstra Corp Ltd	TLS	8.89
James Hardie Industries PLC DR	JHX	2.08
DUET Group	DUE	7.66
Reliance Worldwide Corp Ltd	RWC	
Brambles Ltd	BXB	2.65
CSL Ltd	CSL	2.07
Spark Infrastructure Group	SKI	5.97
Sydney Airport	SYD	4.48
RBA Bank accepted Bills 90 Days		
TPG Telecom Ltd	TPM	2.87

VIP Australian Share Leaders - Equity Sectors

Portfolio Date: 31/10/2016



Australian Shares Portfolio Adjustments:

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

International Shares Portfolio

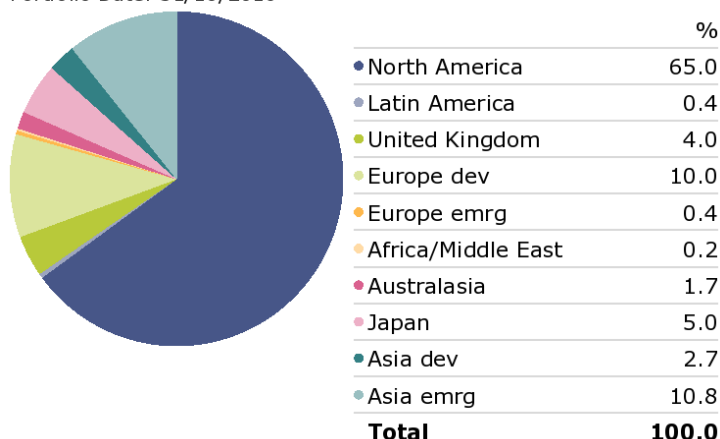
The VIP International share portfolio generated a -0.88% return for the month and -0.70% over the last 3 months. In doing so the portfolio outperformed the MSCI World Ex Aus (AUD) index in October by 0.50% and outperformed over the last 3 months by 0.72%.

Over the last year the portfolio has generated a -4.90% return and outperformed the index by 0.50%.

The **Top Contributors** were Platinum International Fund -0.05%, and Magellan Global -0.88%. The **Top Detractors** were Morpich Global Opportunities -2.09% and Vanguard US Total Market Shares ETF -1.65%.

VIP International - Equity Regional Exposure

Portfolio Date: 31/10/2016



VIP International - Holdings

Portfolio Date: 31/10/2016

	Global Category
Magellan Global	Global Equity Large Cap
Platinum International Fund	Global Equity Large Cap
Vanguard US Total Market Shares ETF	US Equity Large Cap Blend
Morpich Global Opportunities	Global Equity Large Cap
RBA Bank accepted Bills 90 Days	

International Portfolio Adjustments:

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

Property Securities Portfolio

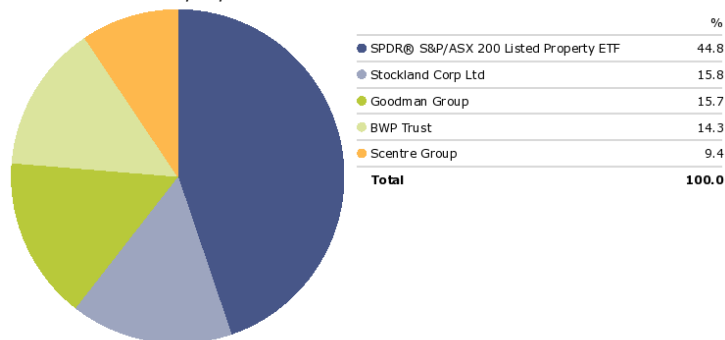
The VIP Property Securities portfolio generated a -7.97% return for the month and -14.98% over the last 3 months. The portfolio outperformed the S&P/ASX 200 A-REIT index during the month by 0.11%, and underperformed over the quarter by 0.69%.

Over the last year the portfolio has generated a 5.93% return and underperformed the index by 0.13%.

The **Top Contributors** were Goodman Group -6.73%, Stockland Corp Ltd -7.14%, and BWP Trust -7.48%, and the **Top Detractors** was SPDR S&P/ASX 200 Listed Property ETF -7.90%, and Scentre Group -10.43%.

VIP Property Securities - Portfolio Holdings

Portfolio Date: 31/10/2016



VIP Property Securities - Holdings

Portfolio Date: 31/10/2016

	Ticker	Dividend Yield % TTM
SPDR® S&P/ASX 200 Listed Property ETF	SLF	
Stockland Corp Ltd	SGP	5.78
Goodman Group	GMG	3.66
BWP Trust	BWP	5.83
Scentre Group	SCG	5.07

Property Securities Portfolio Adjustments:

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

Fixed Interest Portfolio

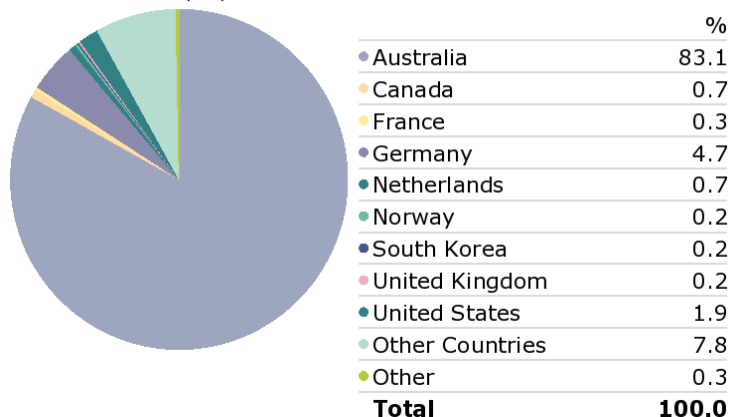
The VIP Fixed Interest portfolio generated a -0.30% return for the month and 0.19% over the last 3 months. This was against the Bloomberg AusBond Composite index return of -1.28% over the month and -1.08% over the quarter.

The portfolio outperformed the index by 0.98 % over the month, and outperformed the index 1.27% over the last 3 months.

The **Top Contributors** were Realm High Income +0.73%, RBA Bank accepted Bills 30 Days +0.15%, BT Pure Alpha Fixed Income -0.35%, and, The **Top Detractors** was iShares Core Composite Bond (AU) -1.29%.

VIP Fixed Interest - Country Exposure

Portfolio Date: 31/10/2016



VIP Fixed Interest Portfolio - Income Yield

Portfolio Date: 31/10/2016

	Income Return 1 Yr (Mo-End)
RBA Bank accepted Bills 90 Days	
iShares Core Composite Bond (AU)	2.99
Realm High Income	3.43
BT Pure Alpha Fixed Income	0.68

Fixed Interest Portfolio Adjustments:

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

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