

## 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 -0.06% return pre-fees in March, and 3.18% return pre-fees for the 3 months to 31/03/2013.

Over the last year the portfolio has generated a 10.26% return pre-fees.

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

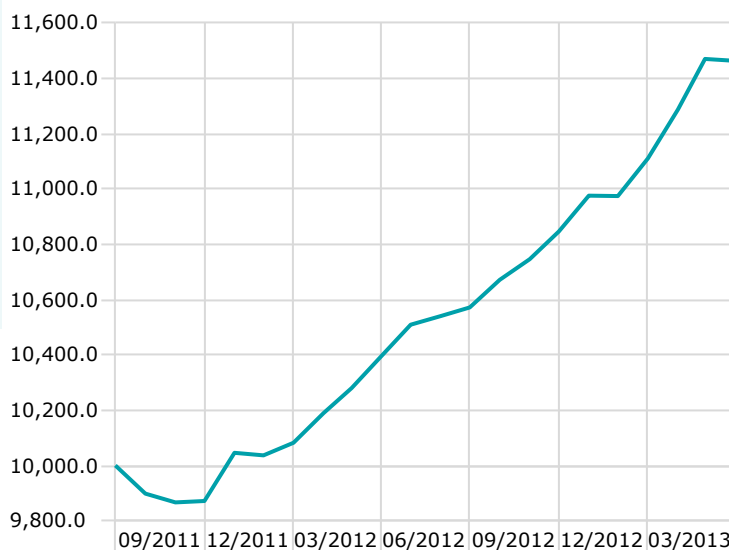
## Trailing Returns

As of Date: 03/31/2013

	1 Month	3 Month	6 Month	1 Year	Since Inception
VIP Conservative	-0.06	3.18	5.69	10.26	8.11
VIP Conservative Investment	-0.17	2.83	4.98		9.91
VIP Conservative Super-Pension	-0.13	2.97	5.27	9.38	7.25

## Investment Growth

Time Period: 1/07/2011 to 31/03/2013



—VIP Conservative

## Tactical Asset Allocation

The VIP Conservative portfolio's asset allocation as at 31/03/2013 was as follows:

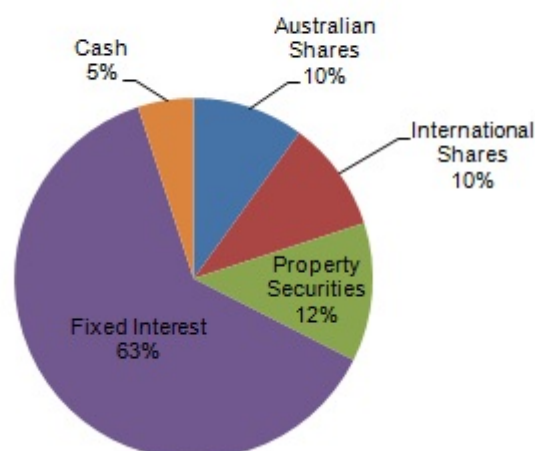
- Australian Shares 10%
- International Shares 10%
- Property Securities 12.5%
- Fixed Interest 62.5%
- Cash 5%

The Growth asset allocation (Shares and Property Securities) is at our 30% target level.

In terms of these Growth assets, Australian shares are held under-benchmark (target) while International shares and Property Securities are held at over-benchmark levels. These weightings are due to the *VIP Investment Committee's* targeting of yield and more favourable market conditions in global shares.

## Conservative Portfolio TAA

As at: 31/03/2013



**Month in Review - Economic & Market Commentary**

Growth assets have continued their good performance in March albeit with interruptions from Europe in terms of the Italian election and Cyprus debt fears. Share markets have continued to rise during the month off the back of positive economic news.

The US economy continues to improve with positive jobs data announced in February and a larger fall in the unemployment rate than expected. Retail sales have also been stronger as the US consumer is more confident and therefore happy to spend.

Europe continues to be the thorn in the side of the global economic recovery story with the mis-managed Cyprus debt situation causing short term losses in share markets globally. One of the fears of the Cyprus recovery plan to tax high bank deposits is that it could cause a Europe wide run on banks and stretch the financial stability of many intertwined EU banks. Luckily this has not eventuated.

Chinese economic news has also been mixed with the authority's concerned about speculation in the housing sector. They are introducing measures such as capital gains taxes to slow down the property sector, and the concern is that stronger initiatives to slow the property sector could have an impact on other related industries such as manufacturing. Chinese businesses, however, are not concerned with the latest business sentiment figures pointing to a positive 2013-14.

Similarly, the Australian economy is grappling with the absence of the mining sector to fuel the nation's economy. The S&P/ASX 300 Materials index has fallen over the year to date whereas the Industrials, Financials, Consumer Staples, Consumer Discretionary, and IT sector indices are all in positive territory. It seems, however, that the economy is taking the mining sector weakness in its stride with surprising jobs growth data announced in February and consequently positive consumer sentiment figures off the back of this jobs growth.

Australian businesses do not share this positive sentiment, however, as shown by the February NAB business survey. It seems the high AUD, inactivity of the Reserve Bank to cut interest rates, and the noise our politicians are making in an election year is taking its toll.

**Portfolio Commentary - Australian Shares**

The Australian share portfolio generated a -2.08% return for the month and 10.50% over the last 3 months to 31/03/2013. The portfolio outperformed the S&P/ASX 100 index which generated a return of -2.17% and 8.59% over the month and last 3 months respectively.

The **Top 3 Contributors** for the month were Fairfax Media +9.57%, Origin Energy +9.12%, and Sonic Healthcare +3.72%.

And the **Top 3 Detractors** for the month were Rio Tinto -13.32%, Leighton Holdings -10.46%, and Iluka Resources -10.17%.

The *VIP Investment Committee* elected to take profits in Seek Limited and replace Origin Energy with AGL Energy during the month.

**VIP Australian Share Leaders - Market Sectors**

Portfolio Date: 31/03/2013



	%
• Energy	14.4
• Materials	16.2
• Industrials	13.2
• Consumer Discretionary	4.3
• Consumer Staples	7.2
• Healthcare	7.7
• Financials	29.2
• Information Technology	0.0
• Telecom Services	0.0
• Utilities	7.7
<b>Total</b>	<b>100.0</b>

**VIP Australian Share Leaders - Holdings**

Portfolio Date: 31/03/2013

	Ticker	Dividend Yield % TTM
RBA Bank accepted Bills 90 Days		
AGL Energy Limited	AGK	4.15
Sonic Healthcare Limited	SHL	1.88
Bendigo And Adelaide Bank Ltd.	BEN	5.53
Westpac Banking Corp	WBC	5.42
Australia and New Zealand Banking Group Limited	ANZ	5.02
Santos Ltd	STO	2.32
Wesfarmers Ltd	WES	4.01
Woodside Petroleum Limited	WPL	3.29
Lend Lease Corporation Limited	LLC	3.57
UGL Ltd	UGL	9.06
BHP Billiton Ltd	BHP	3.26
Leighton Holdings Limited	LEI	4.11
Rio Tinto Ltd	RIO	2.90
Fairfax Media Ltd.	FXJ	3.13
Iluka Resources Limited	ILU	3.31
Origin Energy Limited	ORG	3.87
Seek Limited	SEK	1.76



## International Shares Portfolio

The International share portfolio generated a 1.41% return for the month and 7.73% over the last 3 months to 31/03/2013. In doing so the portfolio outperformed the MSCI World Ex Aus (AUD) index in March by +0.80% and over the last 3 months by +0.50%.

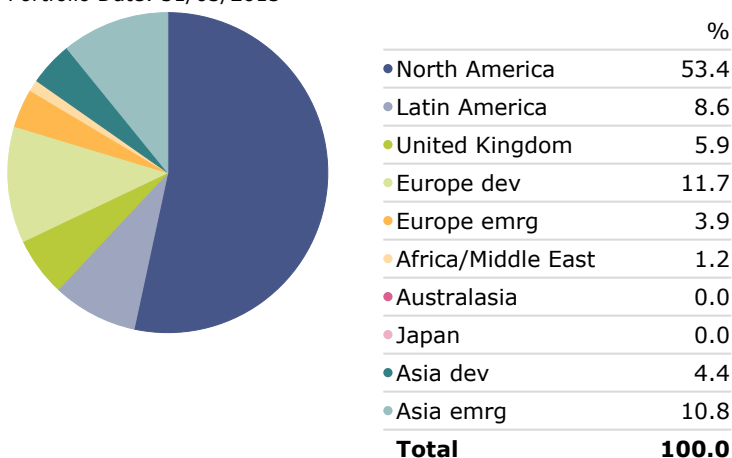
Over the last year the portfolio has outperformed the index by +4.08% to 31/03/2013.

The **Top Contributor** for the month was Magellan Global fund with +1.92%, and the **Top Detractors** were the Aberdeen Emerging Opportunities fund and the Wingate Global Equity fund with -1.95% and +0.40% return for the month respectively.

The portfolios holdings and the total regional exposure are included below.

## VIP International - Equity Regional Exposure

Portfolio Date: 31/03/2013



## VIP International - Holdings

Portfolio Date: 31/03/2013

	Portfolio Weighting %
Magellan Global	40.24
RBA Bank accepted Bills 90 Days	39.81
Aberdeen Emerging Opportunities	19.96
AUI Wingate Global Equity Fund	0.00

## International Portfolio Adjustments:

The *VIP Investment Committee* sold the Wingate Global Equity Fund and added the Aberdeen Emerging Opportunities fund in March. Another core asset will be added in April with the remaining proceeds allocated to cash as at 31/03/13.

## Property Securities Portfolio

The Property Securities portfolio generated a -0.63% return for the month and 7.67% over the last 3 months to 31/03/2013. The portfolio outperformed the S&P/ASX 200 A-REIT index during the month by +2.05% and by +2.47% over the last 3 months.

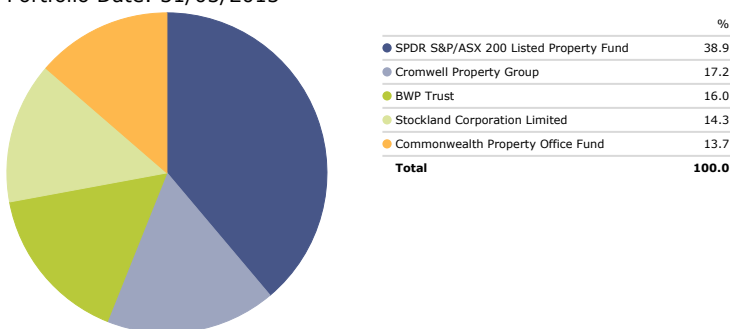
The **Top Contributors** for the month were Cromwell Property Group +5.12, Bunnings Warehouse Property Trust +0.85%, and Commonwealth Office Property Trust -0.45%.

And the **Top Detractors** were SDPT S&P/ASX 200 Listed Property Fund -3.42%, and Stockland -2.93%.

The portfolios holdings and dividend yields are included below.

## VIP Property Securities - Portfolio Holdings

Portfolio Date: 31/03/2013



## VIP Property Securities - Holdings

Portfolio Date: 31/03/2013

	Ticker	Dividend Yield % TTM
SPDR S&P/ASX 200 Listed Property Fund	SLF	
Cromwell Property Group	CMW	5.21
BWP Trust	BWP	5.04
Stockland Corporation Limited	SGP	6.17
Commonwealth Property Office Fund	CPA	5.52

## Property Securities Portfolio Adjustments:

The *VIP Investment Committee* did not make any changes to the Property Securities portfolio in March.

**Fixed Interest Portfolio**

The Fixed Interest portfolio generated a 0.06% return for the month and 0.95% over the last 3 months to 31/03/2013. This was against the UBS Composite 0+Yr Bond index return of -0.20% and 0.16% over the month and last 3 months respectively.

The **Top Contributors** for the month were PIMCO Diversified Fund +0.21%, Aberdeen Floating Rate Income fund +0.14%, the Schroder Fixed Income Fund -0.12%. There were no Detractors over the month.

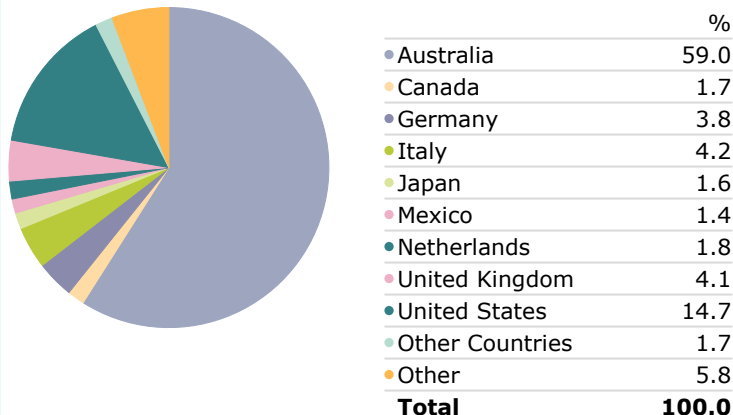
The portfolios country exposure is included below.

**Fixed Interest Portfolio Adjustments:**

The *VIP Investment Committee* did not make any changes to the Fixed Interest portfolio in March.

**VIP Fixed Interest - Country Exposure**

Portfolio Date: 31/03/2013

**VIP Fixed Interest Portfolio - Income Yield**

Portfolio Date: 31/03/2013

	Income Return 1 Yr (Mo-End)
PIMCO EQT WS Diversified Fixed Interest	9.92
Schroder Fixed Income	7.38
Aberdeen Australian Floating Rt Inc	3.95

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