

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 1.59% return pre-fees in July, and 0.33% return pre-fees over the the last quarter.

Over the last year the portfolio has generated a 10.04% return pre-fees.

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

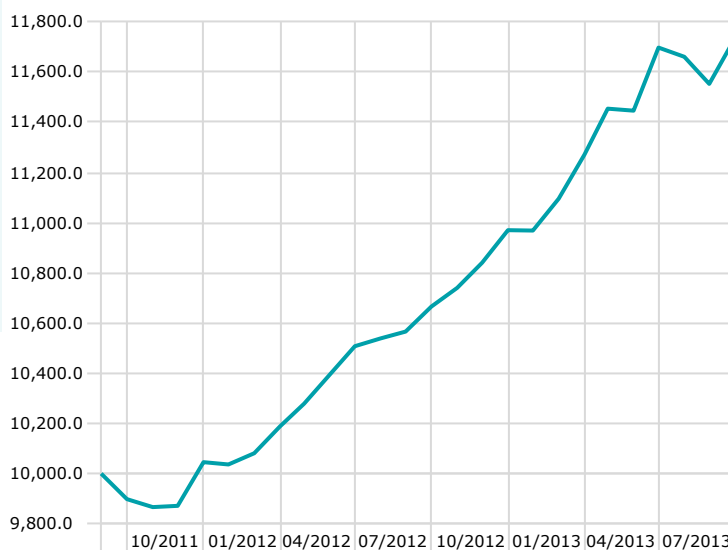
Trailing Returns

As of Date: 07/31/2013

	1 Month	3 Month	6 Month	1 Year	2 Years	Since Inception
VIP Conservative	1.59	0.33	4.13	10.04	8.89	7.99
VIP Conservative Investment	1.47	-0.01	3.43	8.56		8.71
VIP Conservative Super-Pension	1.52	0.13	3.71	9.16	8.02	7.13

Investment Growth

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



—VIP Conservative

Tactical Asset Allocation

The VIP Conservative portfolios asset allocation as at 31/07/2013 was as follows:

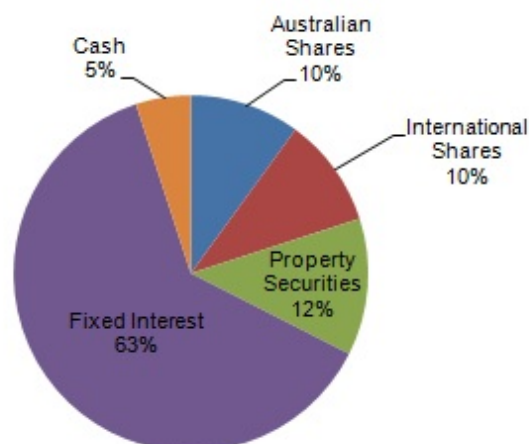
- Australian Shares 10%
- International Shares 10%
- Property Securities 12%
- Fixed Interest 63%
- Cash 5%

The Growth asset allocation (Shares and Property Securities) is currently at the 60% 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: 31/07/2013





Month in Review - Economic & Market Commentary

Economic news in July was again dominated by speculation of when the US Federal Reserve will cut or taper stimulus, however, the markets took this speculation in their stride in July as Australian share market rose 5.4% and the index measuring global share market growth (ex Australia) also rose by 7.4% in Australian dollar terms.

These movements are possible hinting that the markets are focusing on the fundamentals and are starting to see that a tapering of stimulus in the US means the US economy is improving.

AMP Capital have reported US economic data to support this recovery view including a rebound on manufacturing activity in the US, a reduction in Unemployment claims, and increases in US house prices that help boost household wealth and consumer confidence. At the same time household and corporate debt levels have also fallen adding to this confidence.

This recovery is not only occurring in US households as corporate profits have also increased not only in the US, but also in Europe and Japan. AMP Capital have reported that 74% of US corporates have exceeded analysts' profit expectations. Europe and Japan have recorded similar results with 72% and 56% of corporates in these respective countries also exceeding analysts' profit expectations. Looking at these numbers the cynic may say that profit has been increased by measures such as cost reduction that are not related to increasing activity or output, however, in each of these economies over 50% of companies have exceeded analysts' sales revenue estimates illustrating that a major reason for these profit increases have been new sales – a positive signal for consumer and business confidence within these economies.

Looking more closely at Europe we can see an increase in the manufacturing activity for the first time in 2 years. Similarly there was an increase in services business activity in July all pointing towards a positive European economic growth result in the current quarter.

In a recent blog post on our website we discussed the stimulus measures in Japan and finished by posing 2 scenarios for Japan whether the stimulus measures work or fail. A recent report by AMP Capital has shown that these measures are starting to work with profit growth among Japanese businesses reaching 8% compared to 7% in Europe and 3% in the US. *Could 'Abenomics' (coined after Japanese PM Shinzo Abe) be working in Japan?*

All this data points to a continued recovery and growth picture for 2013 and heading into 2014. This period of growth won't be without its speed-bumps, such as when the US Fed announces a stimulus tapering plan, however, can be sustained with a continued improvement in economic, corporate, and confidence fundamentals.

Portfolio Commentary - Australian Shares Portfolio

The Australian share portfolio generated a 5.86% return for the month and -2.84% over the last quarter. The portfolio outperformed the S&P/ASX 100 index over the month by 0.90%, but underperformed over the quarter by 0.95%.

The **Top 3 Contributors** for the month were Myer Holdings +12.61%, Santos Ltd +9.10%, and Woodside Petroleum +7.37%.

The **Top 3 Detractors** for the month were Sonic Healthcare -3.38%, Fairfax Media -3.03%, and Wesfarmers Ltd +2.42%.

In July the *VIP Investment Committee* elected to add further defensive holdings to the portfolio by selling BHP Billiton and Leighton Holdings, and adding Twenty-First Century Fox (the pay TV and movie arm of the old News Corp), Ramsay Healthcare, and Ansell Limited.

This further reduces resource sector exposure, and adds exposure to companies that are not dependant on global economic growth to maintain and grow earnings.

VIP Australian Share Leaders - Holdings

Portfolio Date: 31/07/2013

	Ticker	Dividend Yield % TTM
Myer Holdings Limited	MYR	6.91
Westpac Banking Corp	WBC	5.38
Bendigo And Adelaide Bank Ltd.	BEN	5.92
Wesfarmers Ltd	WES	4.49
Australia and New Zealand Banking Group Limited	ANZ	5.09
Telstra Corp Ltd	TLS	5.74
Ramsay Health Care Limited	RHC	1.86
Twenty-First Century Fox Inc DR	FOX	0.43
Woodside Petroleum Limited	WPL	4.08
Ansell Limited	ANN	1.32
Sonic Healthcare Limited	SHL	3.15
Lend Lease Corporation Limited	LLC	3.19
Santos Ltd	STO	2.04
UGL Ltd	UGL	4.66
RBA Bank accepted Bills 90 Days		
Fairfax Media Ltd.	FXJ	3.54



International Shares Portfolio

The International Share portfolio generated a 4.43% return for the month and 12.22% over the last 3 months to 31/07/2013. In doing so the portfolio underperformed the MSCI World Ex Aus (AUD) index during the month by 3.02% and over the last 3 months by 7.43%.

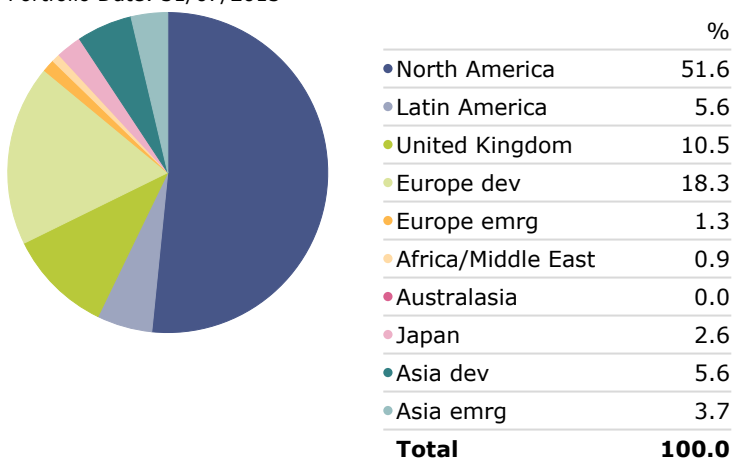
Over the last year the portfolio has generated a 35.09% return and underperformed the index by 8.74%.

All the portfolios holdings underperformed the index in July with the Blue Sky Global Macro -1.20%, Aberdeen Emerging Opportunities +1.25%, Aberdeen International Equity +5.34%, and the Magellan Global fund +5.45% return for the month.

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

VIP International - Equity Regional Exposure

Portfolio Date: 31/07/2013



VIP International - Holdings

Portfolio Date: 31/07/2013

	Portfolio Weighting %
Magellan Global	42.63
Aberdeen International Equity	40.05
Aberdeen Emerging Opportunities	9.11
Blue Sky Apeiron Global Macro A	8.21

International Portfolio Adjustments:

The *VIP Investment Committee* did not make any changes to the portfolio in July.

Property Securities Portfolio

The Property Securities portfolio generated a 2.42% return for the month and -2.24% over the last 3 months to 31/07/2013. The portfolio outperformed the S&P/ASX 200 A-REIT index during the month by 3.21% and over the quarter by 3.04%.

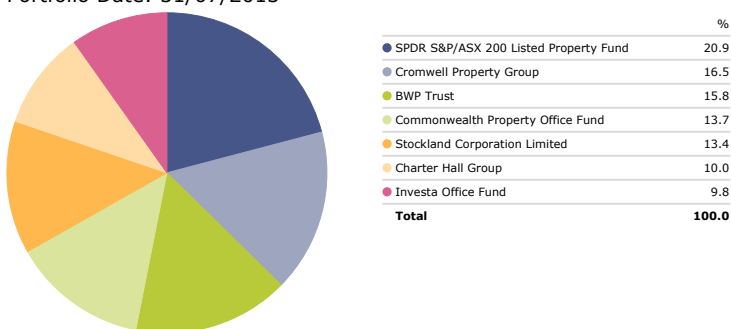
Over the last year the portfolio has generated a 22.20% return and outperformed the index by 5.53%.

The **Top Contributors** for the month were BWP Trust +9.33%, Commonwealth Office Property Trust +5.00%, and Stockland +2.87%; and the **Top Detractor** was SPDR S&P/ASX 200 Listed Property ETF -0.85%.

The portfolios holdings and dividend yields are included below.

VIP Property Securities - Portfolio Holdings

Portfolio Date: 31/07/2013



VIP Property Securities - Holdings

Portfolio Date: 31/07/2013

	Ticker	Dividend Yield % TTM
SPDR S&P/ASX 200 Listed Property Fund	SLF	
Cromwell Property Group	CMW	6.16
BWP Trust	BWP	3.73
Commonwealth Property Office Fund	CPA	4.86
Stockland Corporation Limited	SGP	5.47
Charter Hall Group	CHC	4.63
Investa Office Fund	IOF	5.09

Property Securities Portfolio Adjustments:

The *VIP Investment Committee* did not make any changes to the portfolio in July.

**Fixed Interest Portfolio**

The Fixed Interest portfolio generated a 0.38% return for the month and -0.62% over the last 3 months to 31/07/2013. This was against the UBS Composite 0+Yr Bond index return of 0.86% and -0.27% over the month and last 3 months respectively.

There were no **Contributors** for the month returning above the index with the **Detractors** being Cash +0.23%, Aberdeen Floating Rate Income fund +0.26%, and PIMCO Diversified Fixed Interest Fund +0.57% return for the month.

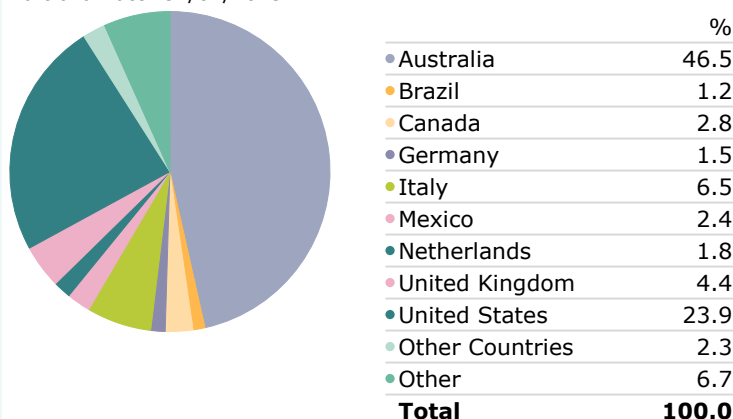
The portfolios country exposure is included below.

Fixed Interest Portfolio Adjustments:

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

VIP Fixed Interest - Country Exposure

Portfolio Date: 31/07/2013

**VIP Fixed Interest Portfolio - Income Yield**

Portfolio Date: 31/07/2013

	Income Return 1 Yr (Mo-End)
RBA Bank accepted Bills 90 Days	
PIMCO EQT WS Diversified Fixed Interest	5.11
Aberdeen Australian Floating Rt Inc	3.95
Schroder Fixed Income	5.06

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