

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 1.33% return pre-fees in October, and 2.09% return pre-fees over the quarter.

Over the last year the portfolio has generated a 9.23% return pre-fees.

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

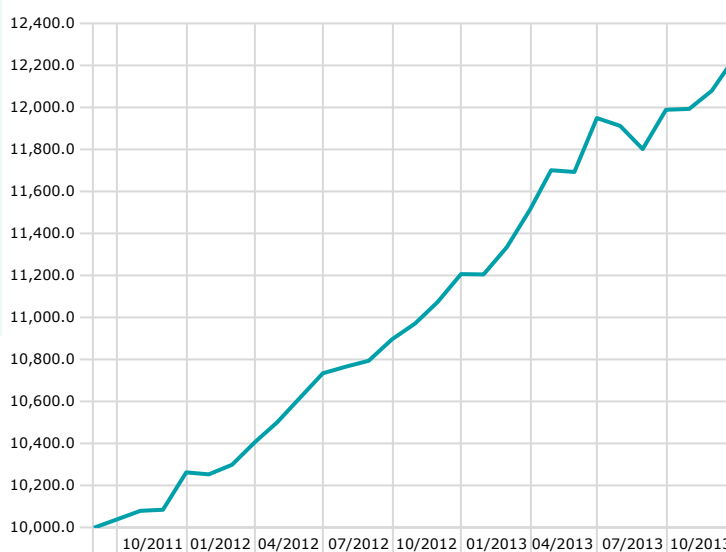
Trailing Returns

As of Date: 31/10/2013

	1 Month	3 Month	6 Month	1 Year	2 Years	Since Inception
VIP Conservative	1.33	2.09	2.43	9.23	9.22	9.06
VIP Conservative Investment	1.21	1.75	1.74	7.76		8.42
VIP Conservative Super-Pension	1.26	1.89	2.02	8.36	8.35	8.19

Investment Growth

Time Period: 1/07/2011 to 31/10/2013



—VIP Conservative

Tactical Asset Allocation

The VIP Conservative portfolios asset allocation as at 31/10/2013 was as follows:

- Australian Shares 22%
- International Shares 10%
- Property Securities 0%
- Fixed Interest 63%
- Cash 5%

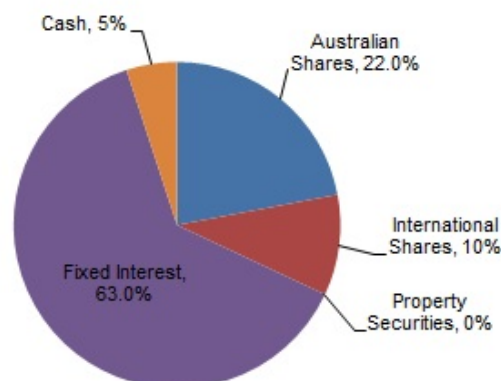
The Growth asset allocation (Shares and Property Securities) is currently at the 30% target level.

In terms of these Growth assets, Australian shares are held at benchmark (target) levels and International shares are held at over-benchmark levels.

The *VIP Investment Committee's* reduced Property Securities exposure once again to 0% upon the fully priced nature of Property Securities in a difficult rental environment.

Conservative Portfolio TAA

As at: 31/10/2013



Month in Review - Economic & Market Commentary

With Christmas and 2014 quickly approaching it's a good time to take stock and see how the global economy and the markets are progressing as the year draws to a close. The theme for the year has been strong global share market growth in an environment of weak economic growth, and the question remains of whether the share markets are correct and signalling strong 2014 economic growth or if they have run too hard.

Over the last 12 months global share markets have performed very strongly with the US market (S&P500) up 32.9%, EU market (Dow Jones Eurostoxx) up 26.8%, Japanese markets (Japan TOPIX) up 68.0%, and the Australian markets (ASX200) up 24.2%.

The drivers of this share market performance seem to be the continued improvement of the economies of the US, Europe, Japan, and China. However, growth is slow and results are mixed.

The US growth story has been muddled with the political tug-of-war that was (and continues to be) the debt ceiling negotiations and the ever present soap opera that is the question of whether the US Federal Reserve (US Fed) will taper (or cut) the amount of stimulus that is being pumped into the economy on a monthly basis. In the background business and consumer confidence continues to grow, unemployment is slowly falling, and the US is growing off the back of a low dollar that is leading to a resurgence in manufacturing activity – it's amazing that this can be achieved with all the 'noise' from Congress and the US Fed.

Europe is also starting to show signs of growth, albeit slow growth, with growth contributions from Germany, Spain, and Portugal while France and Italy went the other way over the September quarter. The environment is still very weak with high unemployment, high debt levels, and only slight improvements in business and consumer confidence. It is, however, a start and will allow the Eurozone to focus on rebuilding.

Japanese results have also been mixed with slower growth in the September quarter compared to the June quarter due to slower consumer and business spending and investment. It will be interesting to see if Japan's money-printing program can continue to keep the flame burning and the economy growing.

And China's recently announced reforms are expected to be extremely positive for Chinese growth and are aimed at boosting internal consumption. They include reforms that aim to expand farmers land rights to further encourage urbanisation; loosening the one child policy; encouraging more private investment in state businesses; faster financial and exchange rate deregulation; and more market-determined pricing of oil, water, and electricity. These reforms if implemented will allow market forces to play more of a role in the economy, which is expected to be a positive driver of Chinese growth over the medium term, and will be positive for the price of relatively cheap Chinese shares over the medium term.

Although these major economies are growing slowly global share markets, as leading indicators, are reflecting an expectation of stronger economic growth over the next year. However, looking at some of the difficulties and roadblocks these economies face such as unemployment, debt, and low consumer and business confidence compared to average levels, you can't help to think that the markets have run a little too hard. Only time will tell though and we will continue to watch with interest to see if the market is correct or if a correction is on the cards at some point.

Source: AMP Capital

Portfolio Commentary - Australian Shares Portfolio

The Australian Share portfolio generated a 3.74% return for the month and 10.82% over the last 3 months. The portfolio underperformed the S&P/ASX 100 index during October by 0.29%, but outperformed over the last 3 months by 1.86%.

The **Top 3 Contributors** for the month were Lend Lease +12.20%, ANZ Bank +9.94%, Bendigo & Adelaide Bank +8.78%.

The **Top 3 Detractors** for the month were Ansell Limited -6.66%, Myer Holdings -4.21%, and Sonic Healthcare -0.31%.

The *VIP Investment Committee* sold Santos in October and replaced the company with BHP Billiton in order to add diversification and Materials sector exposure, and reduce Energy sector exposure.

VIP Australian Share Leaders - Holdings

Portfolio Date: 31/10/2013

	Ticker	Dividend Yield % TTM
Lend Lease Corporation Limited	LLC	3.18
James Hardie Industries PLC DR	JHX	1.52
Australia and New Zealand Banking Group Limited	ANZ	5.13
Westpac Banking Corp	WBC	5.31
Crown Resorts Ltd	CWN	2.06
Sonic Healthcare Limited	SHL	3.48
Wesfarmers Ltd	WES	4.16
Twenty-First Century Fox Inc DR	FOX	0.53
BHP Billiton Ltd	BHP	3.21
Ramsay Health Care Limited	RHC	1.81
Telstra Corp Ltd	TLS	5.51
Bendigo And Adelaide Bank Ltd.	BEN	5.39
Ansell Limited	ANN	1.71
Woodside Petroleum Limited	WPL	4.02
Myer Holdings Limited	MYR	6.29

Source: Morningstar Direct

International Shares Portfolio

The International Share portfolio generated a 1.42% return for the month and -0.80% over the last 3 months. In doing so the portfolio underperformed the MSCI World Ex Aus (AUD) index in October by 1.13% and over the last 3 months by 1.75%.

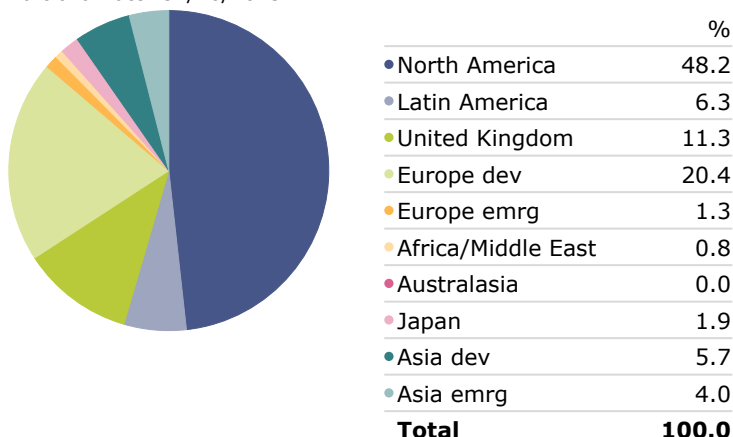
Over the last year the portfolio has generated a 25.74% return and underperformed the index by 12.42%.

The **Top Contributors** for the month was the Aberdeen Emerging Opportunities Fund +3.29%; and the **Top Detractors** were the BlueSky Global Macro Fund -4.91%, Aberdeen International Equity +1.79%, and the Magellan Global Fund +1.88%.

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

VIP International - Equity Regional Exposure

Portfolio Date: 31/10/2013



VIP International - Holdings

Portfolio Date: 31/10/2013

	Portfolio Weighting %
Magellan Global	42.20
Aberdeen International Equity	40.79
Aberdeen Emerging Opportunities	9.39
Blue Sky Apeiron Global Macro A	7.62

Property Securities Portfolio

The Property Securities portfolio generated a 3.13% return for the month and 2.83% over the last 3 months. The portfolio outperformed the S&P/ASX 200 A-REIT index during the month by 0.48%, however, underperformed the index over the quarter by 0.68%.

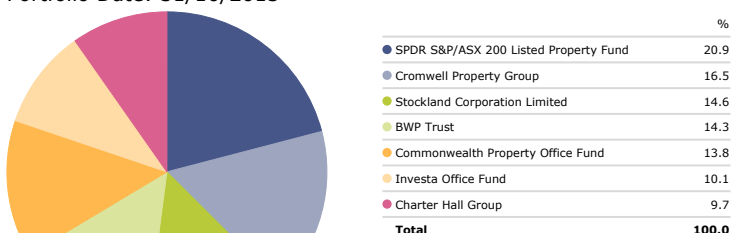
Over the last year the portfolio has generated a 17.39% return and outperformed the index by 4.09%.

The **Top Contributors** for the month were Investa Office Fund +5.42%, Charter Hall Group +4.88%, and Commonwealth Office Property Trust +4.82%; and the **Top Detractors** were BWP Trust +0.88%, Cromwell Property Group +2.05%, and SPDR S&P/ASX200 Listed Property ETF +2.57%.

The portfolios holdings and dividend yields are included below.

VIP Property Securities - Portfolio Holdings

Portfolio Date: 31/10/2013



VIP Property Securities - Holdings

Portfolio Date: 31/10/2013

	Ticker	Dividend Yield % TTM
SPDR S&P/ASX 200 Listed Property Fund	SLF	
Cromwell Property Group	CMW	6.64
Stockland Corporation Limited	SGP	5.28
BWP Trust	BWP	3.83
Commonwealth Property Office Fund	CPA	4.44
Investa Office Fund	IOF	4.68
Charter Hall Group	CHC	4.52

International Portfolio Adjustments:

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

Property Securities Portfolio Adjustments:

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

Fixed Interest Portfolio

The Fixed Interest portfolio generated a 0.88% return for the month and 0.25% over the last 3 months. This was against the UBS Composite 0+Yr Bond index return of 0.12% and -0.15% over the month and last 3 months respectively.

The **Top Contributors** for the month were the Realm High Income Fund +0.55%, PIMCO Diversified Fixed Interest Fund +0.51%, Cash +0.22%, and the Aberdeen Floating Rate Income Fund +0.21%, and there were no **Detractors** for the month.

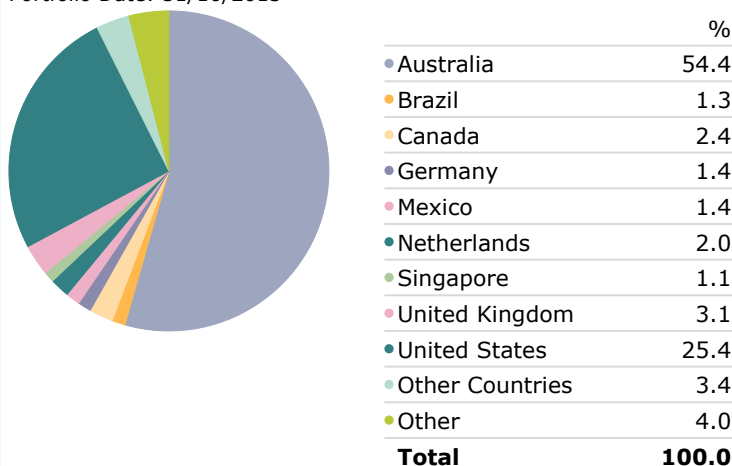
The portfolios country exposure is included below.

Fixed Interest Portfolio Adjustments:

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

VIP Fixed Interest - Country Exposure

Portfolio Date: 31/10/2013



VIP Fixed Interest Portfolio - Income Yield

Portfolio Date: 31/10/2013

	Income Return 1 Yr (Mo-End)
PIMCO EQT WS Diversified Fixed Interest	4.41
Aberdeen Australian Floating Rt Inc	3.52
Realm High Income	5.14
RBA Bank accepted Bills 90 Days	

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