

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

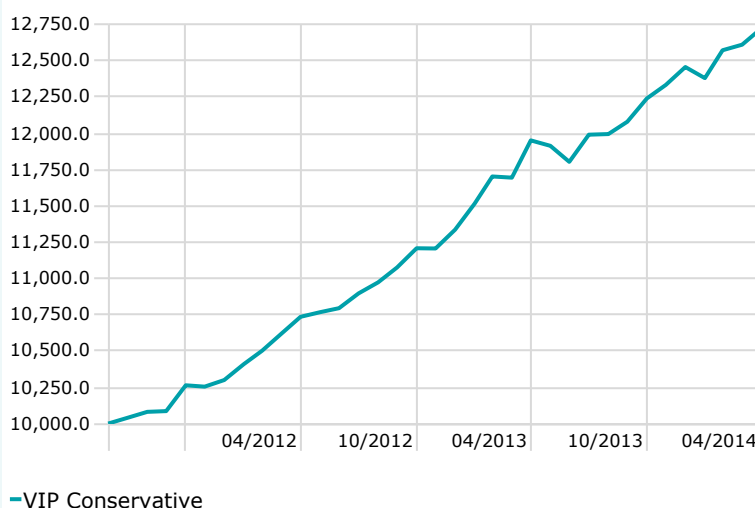
The VIP Conservative portfolio generated a 0.88% return pre-fees in April, and 2.76% return pre-fees in the quarter.

Over the last year the portfolio has generated a 6.45% return pre-fees.

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 30/04/2014



Trailing Returns

As of Date: 30/04/2014

	1 Month	3 Month	6 Month	1 Year	2 Years	Since Inception
VIP Conservative	0.88	2.76	3.93	6.45	8.86	8.87
VIP Conservative Investment	0.77	2.42	3.24	5.02		7.91
VIP Conservative Super-Pension	0.81	2.56	3.52	5.60	7.99	8.00

Tactical Asset Allocation

The VIP Conservative portfolios asset allocation as at 30/04/2013 was as follows:

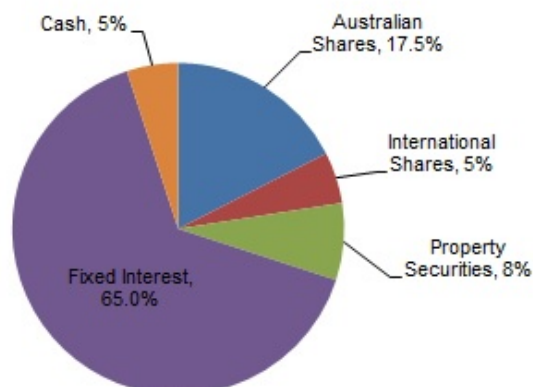
- Australian Shares 17.5%
- International Shares 5%
- Property Securities 7.5%
- Fixed Interest 65%
- Cash 5%

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

In terms of these Growth assets, Australian shares and Property Securities are help below benchmark (target) levels, whereas International shares are held above 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: 30/04/2014



Month in Review - Economic & Market Commentary

Have you ever been to a restaurant looking for an impressive meal that could arouse your senses and fill your insides with flavour to unfortunately be served a meal that was good... but could have been better? Well this is essentially how the global economies and markets have been performing for the most part of 2014. The technical term for this could be "So-So".

The share markets have been moving in a positive trajectory however this has been in a zig-zag manner. The MSCI World Index has been up 0.9% in local currency terms with the US market (S&P 500) up 1.6%, European shares (FTSEurofirst 300) up 3.4%, and UK markets (FTSE 100) up 1.6%, and the Japanese markets (Nikkei) dragging the index down with a 13.5% loss in the calendar year to date.

Domestically Australian shares (ASX 200) are up 2.4% for the year to date dragged down by poor demand for resources by China seeing the Materials sector decline by 1.6%, and low consumer confidence leading to a 1.4% decline in consumer discretionary spending.

Similarly, Australian property securities have been positive with a strong recent push driving prices up 7.9% with added yields of 1.2% year to date.

As you can see excluding the Australian property securities sector returns have been good, but not great.... or So-So.

Returning to my restaurant analogy, now that the "So-So" entrées and mains have come and gone we sit and hope that dessert will knock our socks off. Unfortunately we're looking at more of the same with leading business indicators not pointing to an overly positive outlook.

In Australia Treasury in its Budget documents indicated that corporate profits will have very little growth, if not flat-line, in the 2014-15 year and are expected to have modest growth in the years to come to 2018. Similarly, from a commercial property perspective NAB's March survey shows that the sector is facing falling rents where landlords are having to offer sweeteners to attract and retain tenants. This outlook for shares and property securities may set a ceiling in share and security prices for the immediate future.

Globally business activity data looks a little more promising with commentators predicting 2.5% global growth, which should support further share prices rises. US data has been positive with manufacturing rebounding from a bad northern hemisphere winter and good jobs data. The UK is also poised for attractive growth as it comes out of a period of austerity and spending cuts. Unfortunately outside of Germany the rest of Europe is still in a no-growth period with the 2nd and 3rd largest EU economies, France and Italy, experiencing zero to negative growth over the last quarter.

And the Japanese money-printing exercise seems to be working in relation to turning around Japan's deflation concerns, but is not translating into the growth outcomes that are expected considering the sheer size of their stimulus program.

This leaves China, the elephant in the room. Although forecasters are predicting a high 7% growth rate for the year there is a significant amount of concern about shocks that can hit the Chinese and global economy from China's financial & banking sector and a slowdown of China's property boom.

Source: Prepared with the help of our research partners Morningstar Australia.

Portfolio Commentary - Australian Shares Portfolio

The Australian Share portfolio generated a 1.20% return for the month and 6.95% over the last 3 months. The portfolio underperformed the S&P/ASX 100 index in both periods by 0.74% and 0.35% respectively.

The **Top 3 Contributors** for the month were Lend Lease +9.28%, Woodside Petroleum +4.56%, and ANZ Bank +4.26%.

The **Top 3 Detractors** for the month Ramsay Healthcare -6.90%, James Hardie Industries -4.26%, and Crown Resorts -3.55%.

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

VIP Australian Share Leaders - Holdings

	Ticker	Dividend Yield % TTM
BHP Billiton Ltd	BHP	3.44
Woodside Petroleum Ltd	WPL	4.92
Lend Lease Corp Ltd	LLC	3.12
Australia and New Zealand Banking Group Ltd	ANZ	5.16
Telstra Corp Ltd	TLS	5.30
Wesfarmers Ltd	WES	4.35
Bendigo And Adelaide Bank Ltd	BEN	5.29
Sonic Healthcare Ltd	SHL	3.66
Westpac Banking Corp	WBC	5.04
Computershare Limited	CPU	2.24
Macquarie Group Ltd.	MQG	3.95
Ansell Ltd	ANN	2.11
James Hardie Industries PLC DR	JHX	1.53
Ramsay Health Care Ltd	RHC	1.59
Crown Resorts Ltd	CWN	1.69

Source: Morningstar Direct

International Shares Portfolio

The International Share portfolio generated a -0.21% return for the month and 4.78% over the last 3 months. In doing so the portfolio underperformed the MSCI World Ex Aus (AUD) index in April by 1.21% and over the last 3 months by 1.21%.

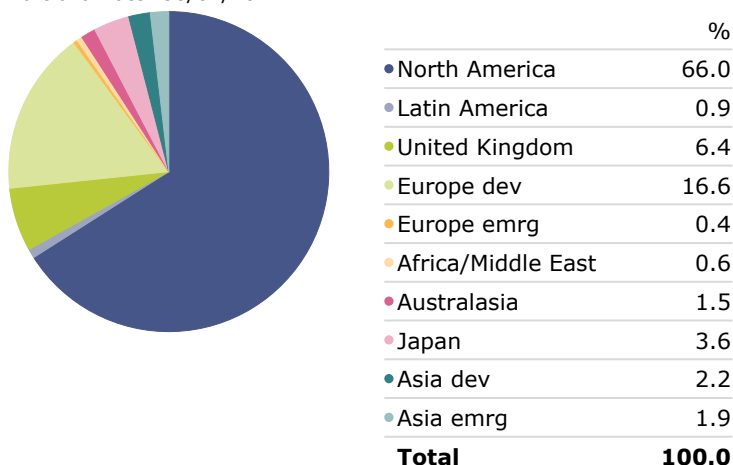
Over the last year the portfolio has generated a 2.25% return and underperformed the index by 15.10%.

There were no **Contributors** for the month above the index return; and the **Top Detractors** were the Magellan Global Fund -0.33%, Vanguard Total Market Shares ETF +0.09%, Vanguard All World Ex-US ETF +0.73%.

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

VIP International - Equity Regional Exposure

Portfolio Date: 30/04/2014



VIP International - Holdings

Portfolio Date: 30/04/2014

	Portfolio Weighting %
Magellan Global	42.39
Vanguard US Total Market Shares (AU) ETF	33.00
Vanguard All-World Ex US Shares (AU) ETF	24.61

Property Securities Portfolio

The Property Securities portfolio generated a 4.74% return for the month and 15.30% over the last 3 months. The portfolio underperformed the S&P/ASX 200 A-REIT index during the month by 0.93%, however, outperformed the index over the quarter by 0.06%.

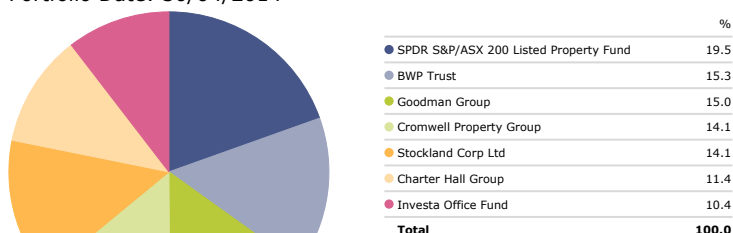
Over the last year the portfolio has generated a -3.94% return and outperformed the index by 4.52%.

The **Top Contributor** for the month was the BWP Trust +7.26%; and the **Top Detractors** were SPDR S&P/ASX200 Listed Property ETF +1.89%, Investa Office Fund +3.05%, and Cromwell Property Group +3.09%.

The portfolios holdings and dividend yields are included below.

VIP Property Securities - Portfolio Holdings

Portfolio Date: 30/04/2014



VIP Property Securities - Holdings

Portfolio Date: 30/04/2014

	Ticker	Dividend Yield % TTM
SPDR S&P/ASX 200 Listed Property Fund	SLF	
BWP Trust	BWP	5.40
Goodman Group	GMG	2.74
Cromwell Property Group	CMW	6.90
Stockland Corp Ltd	SGP	6.17
Charter Hall Group	CHC	4.84
Investa Office Fund	IOF	5.51

International Portfolio Adjustments:

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

Property Securities Portfolio Adjustments:

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

Fixed Interest Portfolio

The Fixed Interest portfolio generated a +0.30% return for the month and +0.83% over the last 3 months. This was against the UBS Composite 0+Yr Bond index return of +0.91% and +1.27% over the month and last 3 months respectively.

The **Top Contributor** for the month was the Realm High Income Fund +0.97%; and the **Detractors** were the Aberdeen Floating Rate Income Fund +0.18% and Cash +0.22% for the month.

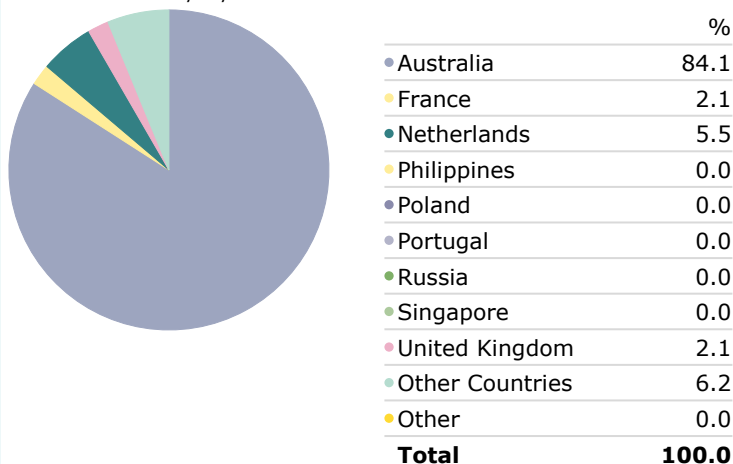
The portfolios country exposure is included below.

Fixed Interest Portfolio Adjustments:

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

VIP Fixed Interest - Country Exposure

Portfolio Date: 30/04/2014



VIP Fixed Interest Portfolio - Income Yield

Portfolio Date: 30/04/2014

	Income Return 1 Yr (Mo-End)
Aberdeen Australian Floating Rt Inc	2.89
Realm High Income	7.09
RBA Bank accepted Bills 90 Days	

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