

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 0.31% return pre-fees in March, and 1.24% return pre-fees in the quarter.

Over the last year the portfolio has generated a 7.84 return pre-fees.

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

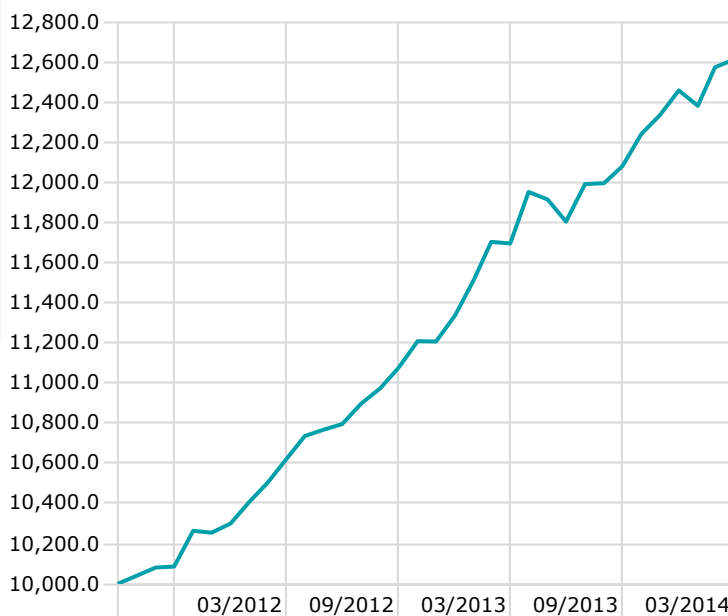
Trailing Returns

As of Date: 31/03/2014

	1 Month	3 Month	6 Month	1 Year	2 Years	Since Inception
VIP Conservative	0.31	1.24	4.40	7.84	8.97	8.81
VIP Conservative Investment	0.19	0.90	3.70	6.39		7.83
VIP Conservative Super-Pension	0.24	1.04	3.98	6.98	8.10	7.94

Investment Growth

Time Period: 1/07/2011 to 31/03/2014



—VIP Conservative

Tactical Asset Allocation

The VIP Conservative portfolios asset allocation as at 31/03/2014 was as follows:

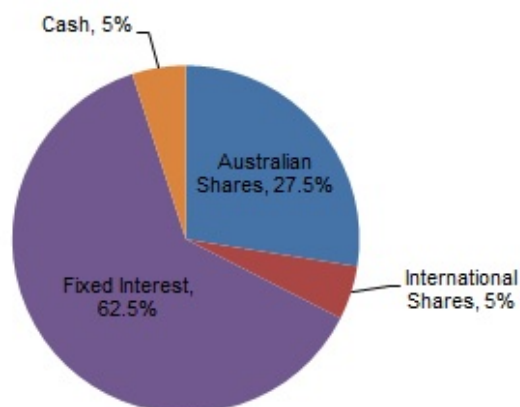
- Australian Shares 27.5%
- International Shares 5%
- Property Securities 0%
- Fixed Interest 62.5%
- Cash 5%

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

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

Conservative Portfolio TAA

As at: 31/03/2014



Month in Review - Economic & Market Commentary

Global World share markets have been weakened in March, mainly due to the events in Ukraine and the concerns over Chinese growth. The Japanese share markets falls ahead of sales tax increases also scared the global markets.

Stronger business activity in the many major economies is hinting at resulting in interest rate increases. However in Australia, slower than usual business activity looks like continuing through much of the year with the reserve Bank stating that they would keep interest rates low for some time. This did not have the expected downward effect on the Australian dollar which rose in value.

The S&P/ASX 200 index followed world share markets, with a weak January, a rally in February and a mixed March, to finish with a marginal gain for the quarter of 0.8%. The resources sector in particular detracted from performance, with worries over the outlook for growth in China and the state of the Chinese banking system. Other sectors performed more strongly with Information technology, Financial, and Industrials up 5.3%, 2.8%, and 2.1% respectively. Australian consumers are not spending which has resulted in consumer staples and consumer discretionary companies down 2.8% and 2.0% respectively.

Australian property securities did not have the same ride as Australian shares as they did not experience the same losses as the rest of the share market in January, rose with the share market in February and although they have been sold off like shares in March, have ended up with a 2.3% increase in value for the year to date, outperforming the share market which fell no 0.4% over the same period.

Global markets improved in February after a poor January but have suffered again in March, mainly due to the political tensions around Ukraine, fears of a slowing Chinese economy, a setback in Japan. The MSCI World index is down 1.6% in the year to date in overseas currency terms.

Among the developed economies, the US market was relatively unaffected (S&P 500 down 0.4%), Europe was weaker (FTSE 300 down 2.4%), while Japan struggled as investors questioned the ultimate effectiveness of the Abe government's program of economic stimulus (Nikkei down 12.1%).

The main problems, however, have been in emerging markets given the Ukrainian crisis, a slowing Brazilian economy, and concerns over China. Overall, the BRIC economies (Brazil, Russia, India and China) are down 10.2% year to date.

Source: Morningstar

Portfolio Commentary - Australian Shares Portfolio

The Australian Share portfolio generated a 0.81% return for the month and 1.82% over the last 3 months. The portfolio outperformed the S&P/ASX 100 index in March by 0.48%, however, underperformed over the last 3 months by 0.26%.

Over the last year the portfolio has generated a 16.92% return pre-fees.

The **Top 3 Contributors** for the month were Lend Lease +7.00%, Westpac bank +3.26%, and Macquarie Group +2.95%.

The **Top 3 Detractors** for the month were Wesfarmers -4/10%, BHP Billiton -3.29%, and Rio Tinto -3.12%.

The *VIP Investment Committee* sold Rio Tinto and invested the proceeds into BHP Billiton in March.

This was due to the weakness in China leading to a greater fall in Iron Ore prices compared to other commodities. As Rio is primarily an Iron Ore miner compared to BHP, which is more diversified, the change is a way to maintain Materials exposure whilst reducing the risk of holding a more concentrated mining company.

VIP Australian Share Leaders - Holdings

Portfolio Date: 31/03/2014

	Ticker	Dividend Yield % TTM
Lend Lease Corp Ltd	LLC	3.24
Ramsay Health Care Ltd	RHC	1.68
James Hardie Industries PLC DR	JHX	1.62
Westpac Banking Corp	WBC	4.95
Australia and New Zealand Banking Group Ltd	ANZ	4.76
Computershare Limited	CPU	2.27
Woodside Petroleum Ltd	WPL	5.06
Sonic Healthcare Ltd	SHL	3.62
Macquarie Group Ltd.	MQG	4.13
Telstra Corp Ltd	TLS	5.46
Bendigo And Adelaide Bank Ltd	BEN	5.39
BHP Billiton Ltd	BHP	3.42
Crown Resorts Ltd	CWN	1.71
Wesfarmers Ltd	WES	4.43
Rio Tinto Ltd	RIO	3.45
Ansell Ltd	ANN	2.26

Source: Morningstar Direct

International Shares Portfolio

The International share portfolio generated a -2.86% return for the month and -3.54% over the last 3 months. In doing so the portfolio outperformed the MSCI World Ex Aus (AUD) index in March by 0.57%, but underperformed over the last 3 months by 1.14%.

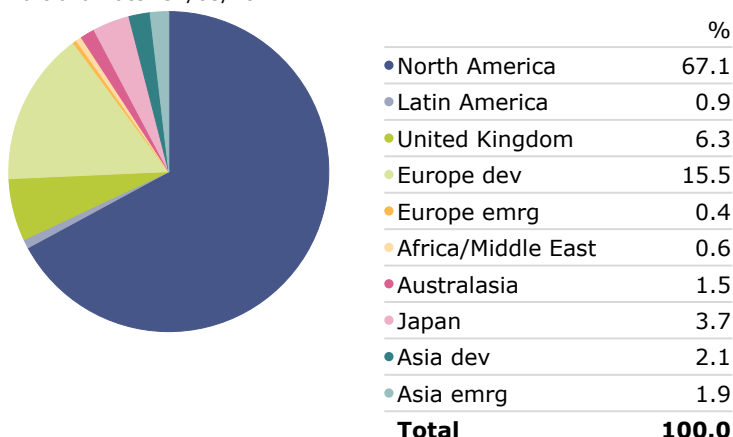
Over the last year the portfolio has generated a 17.81% return and underperformed the index by 16.92%; however, since inception the portfolio has outperformed the index by 7.49%.

The **Top Contributor** for the month was the Vanguard US Total Market Shares ETF -2.98% and the Vanguard All-World Ex US Shares ETF -3.12%; and the **Top Detractors** were the Magellan Global Fund -3.62%.

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

VIP International - Equity Regional Exposure

Portfolio Date: 31/03/2014



VIP International - Holdings

Portfolio Date: 31/03/2014

	Portfolio Weighting %
Magellan Global	42.45
Vanguard US Total Market Shares (AU) ETF	33.15
Vanguard All-World Ex US Shares (AU) ETF	24.40

International Portfolio Adjustments:

The *VIP Investment Committee* did not make any changes to the International Shares portfolio in March. However, the BlueSky Aperion Global Macro fund was closed down and returned all capital to investors.

Property Securities Portfolio

The Property Securities portfolio generated a -1.27% return for the month and 3.41% over the last 3 months. The portfolio outperformed the S&P/ASX 200 A-REIT index during the month by 0.33% and over the quarter by 0.26%.

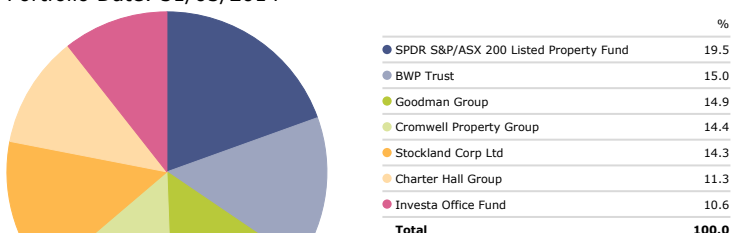
Over the last year the portfolio has generated a 9.19% return and outperformed the index by 4.17%.

The **Top Contributors** for the month were Investa Office Fund +1.25%, Charter Hall Group -0.75%, and Cromwell Property Group -1.07%. The **Top Detractors** were Stockland Corporation -2.85%, BWP Trust -2.10%, and SPDR S&P/ASX200 Listed Property ETF -1.63%.

The portfolios holdings and dividend yields are included below.

VIP Property Securities - Portfolio Holdings

Portfolio Date: 31/03/2014



VIP Property Securities - Holdings

Portfolio Date: 31/03/2014

	Ticker	Dividend Yield % TTM
SPDR S&P/ASX 200 Listed Property Fund	SLF	
BWP Trust	BWP	5.58
Goodman Group	GMG	4.03
Cromwell Property Group	CMW	6.94
Stockland Corp Ltd	SGP	6.17
Charter Hall Group	CHC	5.10
Investa Office Fund	IOF	5.46

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 0.31% return for the month and 1.27% over the last 3 months. This was against the UBS Composite 0+Yr Bond index return of 0.02% and 1.45% over the month and last 3 months respectively. Over the last year the portfolio has generated a 3.40% return and outperformed the index by 0.10%.

The **Top Contributors** for the month were the Realm High Income Fund +0.61%, the Aberdeen Floating Rate Income Fund +0.26%, and Cash +0.22%. There were no **Detractors** in March.

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.

Fixed Interest Portfolio Exposure:

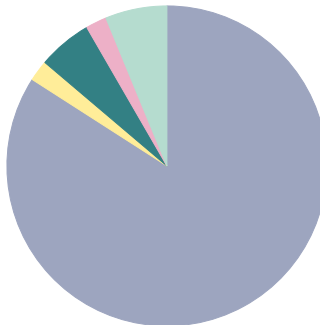
The portfolio is primarily allocated across Australian fixed interest securities.

Across these markets the portfolio holds approximately 78.2% Cash with the remainder being allocated across Government bonds and Corporate bonds.

This high cash holding is affecting performance, however, it is a protection measure to ensure that the US Federal Reserve's tapering of QE3 does not result in negative bond returns.

VIP Fixed Interest - Country Exposure

Portfolio Date: 31/03/2014



	%
• Australia	84.1
• France	2.1
• Netherlands	5.5
• Philippines	0.0
• Poland	0.0
• Portugal	0.0
• Russia	0.0
• Singapore	0.0
• United Kingdom	2.1
• Other Countries	6.2
• Other	0.0
Total	100.0

VIP Fixed Interest Portfolio - Income Yield

Portfolio Date: 31/03/2014

	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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