

Investment Objective

The aim of the **VIP Property Securities Portfolio** is to provide investors with tax advantaged income and long term capital growth from investment in an actively managed, concentrated portfolio of property and property related companies and trusts listed on the ASX.

The portfolio invests in 4 to 10 Australian Real Estate Investment trusts (A-REITs) listed on the S&P/ASX 200 A-REIT Accumulation index that have been selected via a Quantitative and Qualitative screening process. This process aims to short list companies that are transparent and easy to understand, run by good management, priced below their valuation, &, display attractive growth prospects.

Performance Review

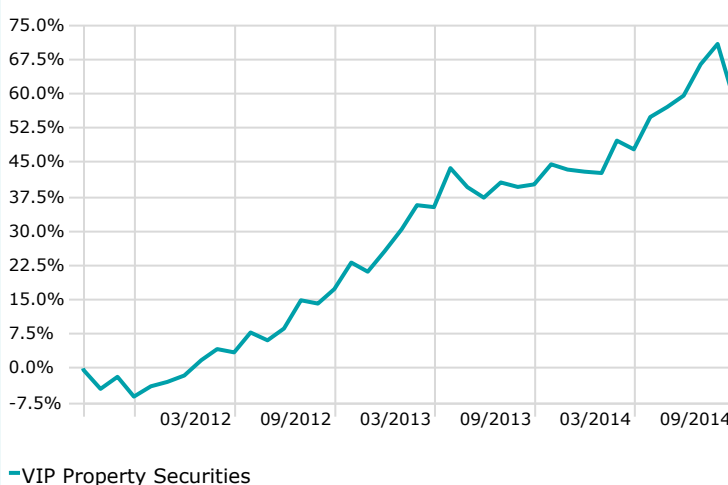
The VIP Property Securities portfolio generated a -7.13% return for the month and -0.55% over the last 3 months. The portfolio outperformed the S&P/ASX 200 A-REIT index during the month by 1.78%, but underperformed the index over the quarter by 1.61%.

Over the last year the portfolio has generated a 13.20% return and outperformed the index by 1.01%.

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

Investment Growth

Time Period: 30/06/2011 to 30/09/2014



Trailing Returns

As of Date: 30/09/2014

	1 Month	3 Month	6 Month	1 Year	2 Years	3 Years	Since Inception
VIP Property Securities	-7.13	-0.55	7.34	13.20	16.32	19.14	15.24
VIP Property Securities Investment	-7.23	-0.89	6.62	11.68	14.76	17.54	13.84
VIP Property Securities Super-Pension	-7.19	-0.75	6.91	12.30	15.39	18.19	14.47
S&P/ASX 200 A-REIT TR	-5.35	1.06	10.45	12.19	14.20	18.94	10.38

Portfolio Holdings

VIP Australian Share Leaders - Holdings

Portfolio Date: 30/09/2014

	Portfolio Weighting %	Total Ret 1 Mo (Mo-End)	Total Ret 3 Mo (Mo-End)	Total Ret 6 Mo (Mo-End)	Total Ret 1 Yr (Mo-End)	Dividend Yield % TTM
SPDR® S&P/ASX 200 Listed Property ETF	19.93	-5.35	0.92	10.17	11.62	
Goodman Group	15.50	-7.35	2.38	11.49	10.18	3.79
BWP Trust	14.76	-9.47	-3.63	5.96	11.26	5.90
Stockland Corp Ltd	14.43	-7.06	1.80	8.53	8.27	5.77
Cromwell Property Group	13.78	-3.54	-0.58	2.99	5.32	7.80
Charter Hall Group	11.11	-9.51	-3.99	5.34	16.88	5.13
Investa Office Fund	10.49	-8.72	-1.47	6.25	19.83	5.29

Finally It's Over

It finally happened. The US Federal Reserve announced last night (our time) the end of its stimulus program – QE3. This brings to an end the \$US85 billion (yes, billion) a month that the US Fed was pumping into the financial system by buying Treasury bonds and mortgage-backed securities to hold interest rates down and boost the recovering US economy.

By buying bonds (Treasury bonds and mortgage-backed securities) the demand had drove up bond prices and effectively pushed down interest rates or yields remembering that the price of bonds moves in the opposite direction to the bond yield (interest rates) and vice versa... rising bond price = falling interest rates; and falling bond price = rising interest rates.

That produced a selloff in bond markets which saw a marketable rise in short term US Government bond yields. The 5-year US Treasury note yield jumped to a level where it is on track for its largest done-day increase since the middle of March.

The announcement also saw an increase in the US dollar (USD) against all major currencies as expected with the market starting to price in an increase in official interest rates sooner post the announcement.

Stocks suffered a losses during the trading session but recovered late in trading to close down only marginally on the day.

The US Fed also expressed confidence in the US recovery with a positive view on the US employment situation. They stated that the US unemployment and inflation targets remain on track even in light of a slowing global economy particularly in Europe. The US Fed also stated that although they announced the end of QE3 US interest rates would remain near 0% for a “*considerable time*”.

It was these comments that underpinned a recovery in the earlier market losses of the trading day.

In September markets were spooked by poor economic news from Germany and equally poor outlook from the International Monetary Fund (IMF). The IMF predicted only 3.3% global economic growth in 2014 and 3.8% in 2015, which were lower than the July forecasts. The forecasts highlighted 0.8% growth in from Europe in 2014 and 7.4% from China.

Commodity prices also fell in September with the RBA Index of Commodity prices down 3.1% in September taking the annual decline in prices to 18%. The large miners such as Rio Tinto came under fire for increasing iron-ore production in an environment of falling iron-ore process as more supply would lead to lower prices again.

This negative economic news along with the focus on the geo-political conflicts in the Middle East and Ukraine, and the Ebola epidemic in West Africa, led to a 5.38% fall in Australian shares (S&P/ASX 200 index) 5.35% fall in Australian Property Securities (S&P/ASX 200 A-REIT index) although international markets rose for the month.

These negative Australian results led a fall in global markets in October with the US market (S&P 500 index) falling by 5.4% by the middle of this month. At the time of writing the S&P 500 had made up all of this October loss while the Australian market (S&P/ASX 200) is still down approximately 200 points or 3.5% from the September highs.

Portfolio Holdings & Adjustments

Performance Contributors & Detractors:

The **Top 3 Contributors** were Cromwell Group -3.54%; and the **Top Detractors** were Charter Hall Group -9.51%, BWP trust -9.47%, and Investa Office Fund -8.72%.

Property Securities Portfolio Adjustments:

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

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