

Investment Objective

The aim of the **VIP Balanced Portfolio** is to provide investors with a combination of capital growth and income over the medium to long term from investment within a diversified portfolio of growth assets (60% allocation to Australian shares, International shares, and property securities) and defensive assets (40% allocation to fixed interest and cash).

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 Balanced portfolio generated a 1.86% return pre-fees in January, and 5.23% return pre-fees over the quarter.

Over the last year the portfolio has generated a 14.67% return pre-fees and over 3 years 13.50%.

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 31/01/2015



Trailing Returns

As of Date: 31/01/2015

	1 Month	3 Month	6 Month	1 Year	2 Years	3 Years	Since Inception
VIP Balanced	1.86	5.23	6.65	14.67	13.00	13.50	12.48
VIP Balanced Investment	1.74	4.88	5.93	13.13	11.49	11.98	10.97
VIP Balanced Super-Pension	1.79	5.02	6.22	13.76	12.10	12.60	11.59
VIP Balanced Composite Index	2.97	5.27	7.01	14.66	13.09	14.00	11.67

Tactical Asset Allocation

The VIP Balanced portfolios asset allocation as at 31/01/2015 was as follows:

- Australian Shares 20%
- International Shares 30%
- Property Securities 10%
- Fixed Interest 35%
- Cash 5%

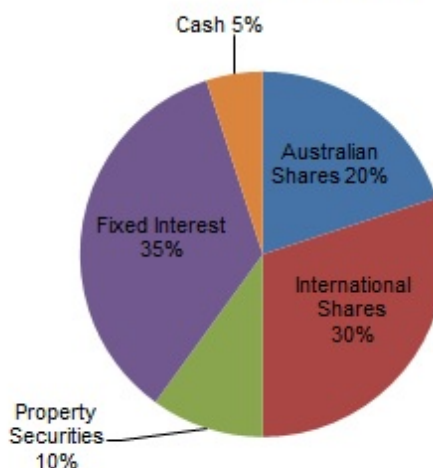
The Growth asset allocation (Shares and Property Securities) is currently at the 60% target level.

In terms of these Growth assets, International shares are held above benchmark (target) levels, Property Securities are held at benchmark levels, and Australian shares are held below benchmark levels.

These weightings are due to the *VIP Investment Committee's* currently cautious approach and allocation to the Australian share market.

Balanced Portfolio TAA

As at: 31/01/2015



Risk vs Return

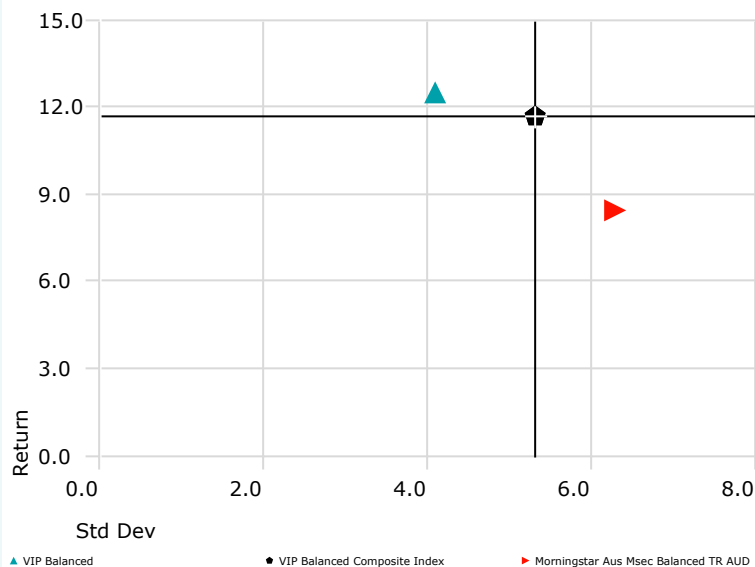
The VIP portfolios aim to reduce volatility, or risk, over the long term and achieve excess returns per unit of risk that is taken compared to our Balanced Composite Index and the Morningstar Multi-sector Balanced Index.

The chart on the right plots return on the vertical axis against risk (in the form of Standard Deviation) on the horizontal axis. Basically the higher up the vertical axis (high return) and the more left on the horizontal axis (low risk) is the ideal position that we aim for over the long term.

The chart on the right shows that the VIP Balanced portfolio (aqua triangle) has achieved a **higher return** and **lower risk** compared to the Balanced Composite Index (black pentagon) and our peers represented by the Morningstar Multi-sector Balanced index (red triangle) since inception on 01/07/2011.

This is the outcome we aim to achieve for our investors.

Risk-Reward



Month in Review - Economic & Market Commentary

What's in store for 2015?

2014 saw an interesting period for global economies and markets, and at this point it seems that 2015 will be serving up a similar menu. And it seems that this menu is going to continue to be defined by low interest rates and rising growth asset prices as investors search for yield and income growth.

The size of the money printing programs in the US, Japan, and stimulus measures in China not only indicated the continuation of low interest rates for some time to come, but also acted to drive up growth asset prices (shares and property) forcing investors to take greater risk to achieve returns in excess of low cash and short-term bond returns.

These growth asset prices are the main focus now as investors ask whether the underlying economies are strong enough to sustain these prices and help these companies (in the case of shares) achieve greater profits and dividend growth. Market shocks as we experienced last September and October were due to these types of questions as commodity and oil price falls signalled weak global growth that was not sufficient to support share prices at those levels.

In reply to this, developed economies have confirmed their commitment to keep interest rates low as a means to drive economic growth, and there is no better example of this than the Reserve Bank of Australia (RBA) cutting rates in February and talk of more cuts to come. Even the US Federal Reserve (US Fed) has signalled to the market that although rates are expected to rise in 2015 these rises will be small and will take some time.

In theory lower interest rates in Australia will help consumers spend as their confidence levels rise with the rise of their house prices and surplus cash flows. This increased confidence and demand will help business drive revenue growth and profitability in an environment where the interest bill on their loans is at very low levels. And, Australian companies that export goods or generate profits in US dollars will also see a rise in profits as low interest rates are expected to lower the value of the Australian Dollar (AUD) making exports more competitive.

The problem is that this theory does depend on where we're starting from, and the current position of the Australian economy is that of low economic growth (actually close to zero growth when you factor in inflation), low consumer demand, almost no wage growth, and rising unemployment. Luckily we have great political leaders from all sides that divert our attention from reality with leadership spills, a focus on international affairs that we all agree on (such as our non-approval of the death penalty) and searching for political point scoring when a potentially important report (such as the inter-generational report this week) is presented by the opposing side.

The reality is that some sectors will perform well in this environment and others will not, and therefore companies in those sectors will find it a little easier, than their peers, to generate profits. These would include companies with US dollar earnings, defensive companies that sell necessities and not discretionary items, and companies in sectors where global demand is depleting global supply such as Energy.

The US also has pressures even though the US economy is performing well with rising economic growth, stronger business investment, and falling unemployment. From a US perspective investors must consider the effect of increasing interest rates and a higher US dollar (making US exports less-competitive) on US consumers, businesses, and ultimately the US economy. This would also have an effect on the prices of US companies.

And finally, there is China and its impact on global asset prices. China, as in all economies, has its own pressures with one of the main being the large amount of reported un-used construction stock that will likely see a continuation of soft construction activity in China in 2015. Chinese authorities are expected to set fiscal and monetary policy to help ensure the economy can grow with an uplift in exports and consumer driven consumption with growth from consumption outpacing growth from investment and development. Commentators are projecting 7.1% GDP growth in 2015 for China, which will help support asset prices into the year.

The continuation of this expansionary interest policy from the world's major economies in 2015, in an attempt to lead to an increase in economic growth, is expected to sustain growth asset prices by driving company profit growth, driving export activity, and (as seen on the east coast of Australia) maintaining strong housing market activity. However, with the current stagnant position (weak in Europe) of most economies this profit growth will most likely be enjoyed by some and not all sectors of the economy.

Source: This article has been written with the help of our research partners Morningstar.

Australian Shares Portfolio

The Australian share portfolio generated a 1.21% return for the month and 3.71% over the last 3 months. The portfolio underperformed the S&P/ASX 100 index in January by 2.20% and outperformed the index over the quarter by 1.44%.

Over the last year the portfolio has generated a 16.97% return pre-fees outperforming the ASX100 index by 3.81%.

The **Top 3 Contributors** for the month were Telstra Corp +8.88%, Crown Resorts +7.25%, and Wesfarmers Ltd +4.48%.

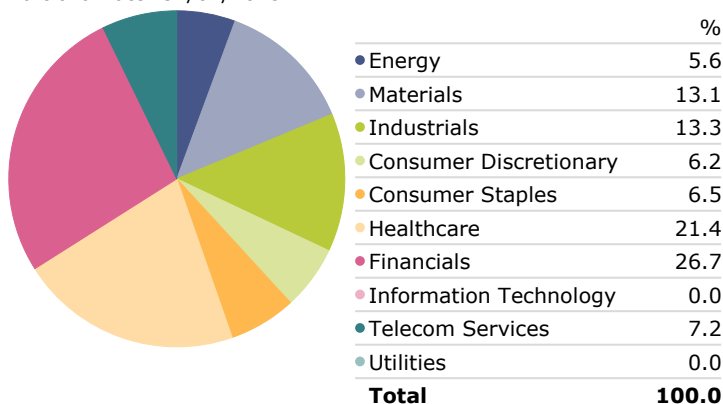
The **Top 3 Detractors** for the month were Woodside Petroleum -9.81%, Leighton Holdings -8.31%, and James Hardie Industries -1.36%.

VIP Australian Share Leaders - Holdings

	Ticker	Dividend Yield % TTM
Telstra Corp Ltd	TLS	6.78
Ramsay Health Care Ltd	RHC	1.65
CSL Ltd	CSL	1.34
Ansell Ltd	ANN	1.91
Brambles Ltd	BXB	2.71
Lend Lease Group	LLC	4.61
Bendigo And Adelaide Bank Ltd	BEN	7.47
Westpac Banking Corp	WBC	6.87
James Hardie Industries PLC DR	JHX	4.37
Australia and New Zealand Banking Group Ltd	ANZ	7.16
Wesfarmers Ltd	WES	6.72
Leighton Holdings Ltd	LEI	6.17
Rio Tinto Ltd	RIO	4.91
Crown Resorts Ltd	CWN	2.93
Woodside Petroleum Ltd	WPL	12.31

VIP Australian Share Leaders - Equity Sectors

Portfolio Date: 31/01/2015



Australian Shares Portfolio Adjustments:

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

International Shares Portfolio

The International Share portfolio generated a 3.53% return for the month and 14.14% over the last 3 months. In doing so the portfolio outperformed the MSCI World Ex Aus (AUD) index in January by 0.35% and the index over the last 3 months by 2.60%.

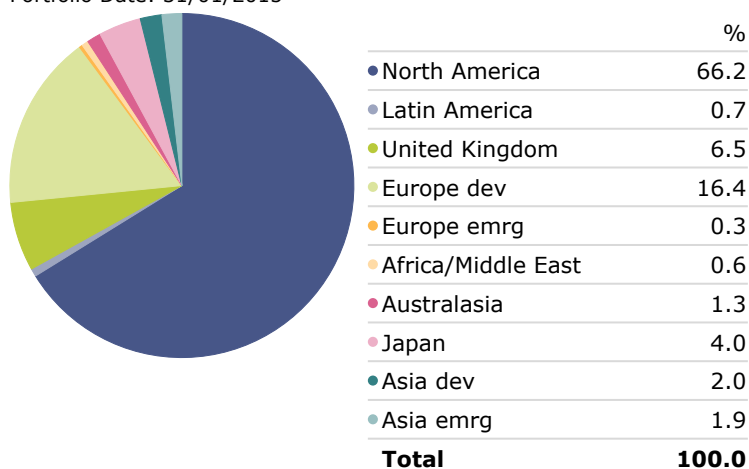
Over the last year the portfolio has generated a 21.02% return and outperformed the index by 0.90%.

The **Top Contributors** for the month were the Vanguard All World Ex-US ETF +5.33%; and the **Detractors** for the month were Vanguard US Total Market Shares ETF +2.17%, and the Magellan Global Fund +2.78%.

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

VIP International - Equity Regional Exposure

Portfolio Date: 31/01/2015



VIP International - Holdings

Portfolio Date: 31/01/2015

	Portfolio Weighting %
Magellan Global	42.08
Vanguard US Total Market Shares ETF	34.94
Vanguard All-World ex-US Shares ETF	22.98

International Portfolio Adjustments:

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

Property Securities Portfolio

The Property Securities portfolio generated a 5.86% return for the month and 11.88% over the last 3 months. The portfolio underperformed the S&P/ASX 200 A-REIT index during the month by 1.85% and over the quarter by 0.59%.

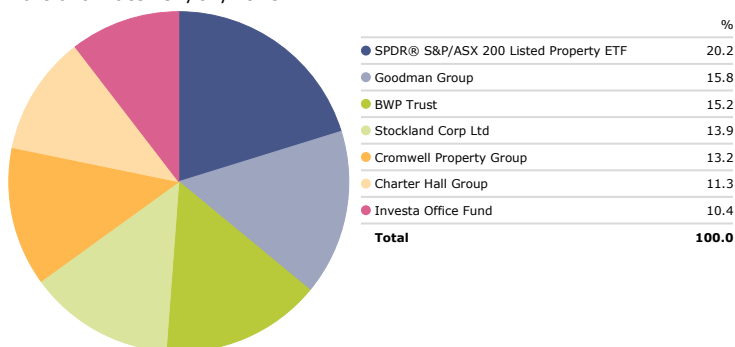
Over the last year the portfolio has generated a 32.13% return and underperformed the index by 4.06%, however, has outperformed over the last 3 years and Since Inception.

The **Top 3 Contributors** were Goodman Group +7.73%; and the **Top Detractors** were BWP Trust +2.15%, Cromwell Group +2.91%, and Investa Office Fund +6.04%.

The portfolios holdings and dividend yields are included below.

VIP Property Securities - Portfolio Holdings

Portfolio Date: 31/01/2015



VIP Property Securities - Holdings

Portfolio Date: 31/01/2015

	Ticker	Dividend Yield % TTM
SPDR® S&P/ASX 200 Listed Property ETF	SLF	
Goodman Group	GMG	3.36
BWP Trust	BWP	5.18
Stockland Corp Ltd	SGP	5.11
Cromwell Property Group	CMW	6.72
Charter Hall Group	CHC	4.69
Investa Office Fund	IOF	4.63

Property Securities Portfolio Adjustments:

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

Fixed Interest Portfolio

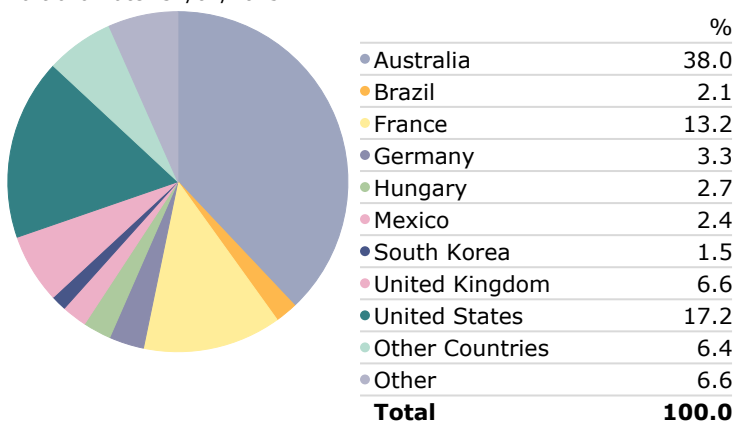
The Fixed Interest portfolio generated a 0.23% return for the month and -0.68% over the last 3 months. This was against the Bloomberg AusBond Composite 0+Yr index return of 1.61% and 4.63% over the month and last 3 months respectively.

There were no **Contributors** that achieved an excess return over the index for the month; and the **Top Detractors** for the month were the Benthams Global Income Fund +0.02%, Realm High Income Fund +0.22%, and the Franklin Templeton Multi-Sector Bond Fund +0.43%.

The portfolios country exposure is included below.

VIP Fixed Interest - Country Exposure

Portfolio Date: 31/01/2015



VIP Fixed Interest Portfolio - Income Yield

Portfolio Date: 31/01/2015

	Income Return 1 Yr (Mo-End)
Bentham Wholesale Global Income	5.19
Franklin Templeton Multisector Bond I	2.32
Realm High Income	5.16

Fixed Interest Portfolio Adjustments:

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

Value Investment Partners Pty Ltd is a Corporate Authorised Representative (Representative No.: 409849) ABN 72 149 815 707 of Sterling Managed Investments Pty Ltd, Australian Financial Services Licensee (AFSL 340744). This document has been prepared for general information purposes only and not as specific advice to any particular person. Any advice contained in this document is General Advice and does not take into account any person's investment objectives, financial situation and particular needs. Before making any investment decision based on this advice, you should consider, with or without the assistance of a securities adviser, whether it is appropriate to your particular investment needs, objectives and financial circumstances. A Product Disclosure Statement and/or Investment Options Document on any financial product mentioned in this document should also be obtained and read prior to proceeding with an investment decision. Futuro Financial Services and its representatives may have an interest or associations with the product providers detailed in this report, and will be entitled to receive remuneration for the provision of personal financial product advice by means of commissions and/or fees and other benefits. If you proceed with personal advice, details of remuneration and associations will be detailed in full within a Financial Services Guide and Statement of Advice. Although every effort has been made to verify the accuracy of the information contained in this document, Futuro Financial Services Pty Ltd, its officers, employees and agents disclaim all liability (except for any liability which by law cannot be excluded), for any error, inaccuracy in, or omission from the information contained in this document or any loss or damage suffered by any person directly or indirectly through relying on this information.