

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

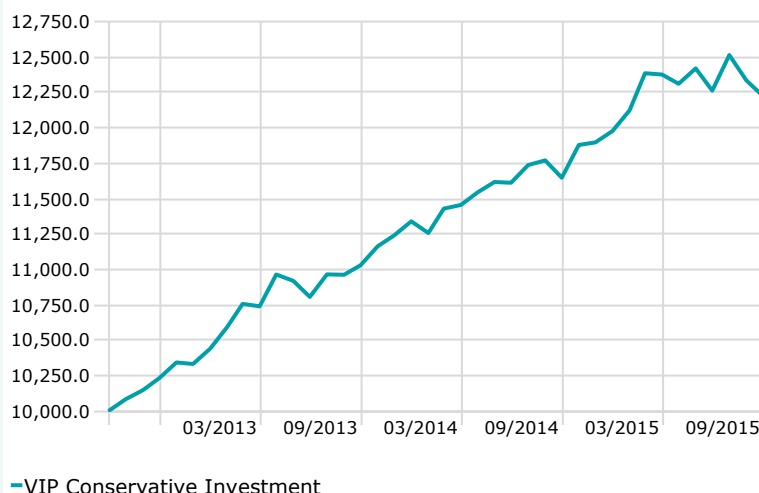
The VIP Conservative portfolio generated a -0.78% return pre-fees in September, and 0.03% return pre-fees in the quarter.

Over the last year the portfolio has generated a 6.38% return pre-fees and over 3 years 7.55%. Over 1 to 3 years and since Inception the portfolio has achieved performance above our Conservative Composite Index.

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

Investment Growth

Time Period: 30/06/2012 to 30/09/2015



Trailing Returns

As of Date: 30/09/2015

	1 Month	3 Month	6 Month	1 Year	2 Years	3 Years	4 Years	Since Inception
VIP Conservative	-0.78	0.03	-0.55	6.38	6.71	7.55	8.17	7.89
VIP Conservative Investment	-0.89	-0.31	-1.22	4.96	5.28	6.11		6.37
VIP Conservative Super-Pension	-0.84	-0.17	-0.95	5.54	5.86	6.69	7.31	7.03
VIP Conservative Composite Index	-0.42	0.24	-2.45	6.59	6.53	7.00	8.32	7.75

Tactical Asset Allocation

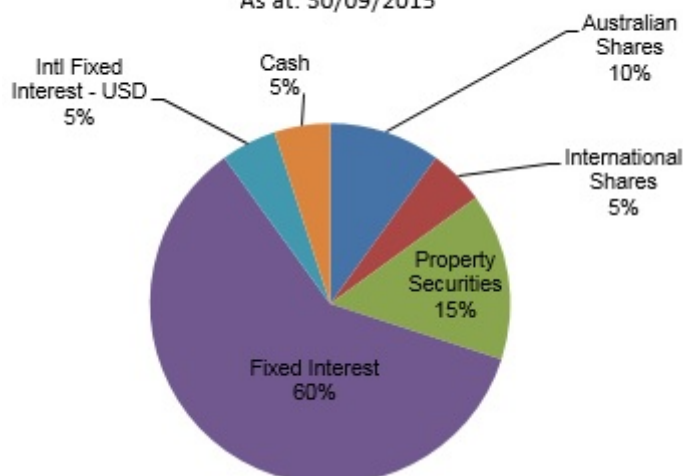
The VIP Conservative portfolios asset allocation as at 30/09/2015 was as follows:

- Australian Shares 10%
- International Shares 5%
- Property Securities 15%
- Fixed Interest 60%
- International Fixed Interest - US dollars 5%
- Cash 5%

In September the *VIP Investment Committee* increased Growth Assets by 6%, and Fixed Interest by 10% in order to utilize excess cash.

Conservative Portfolio TAA

As at: 30/09/2015



Risk vs Return

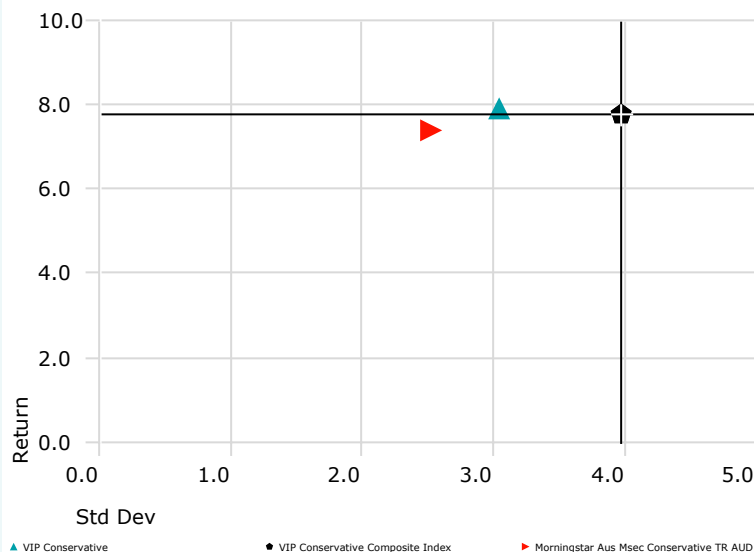
The VIP portfolios aim to reduce volatility, or risk, over the long term and achieve excess returns per unit of risk that is taken compared to our Conservative Composite Index and the Morningstar Multi-sector Conservative Index.

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 Conservative portfolio (aqua triangle) has achieved **lower risk** compared to the Conservative Composite Index (black pentagon) and **higher return** and **lower risk** than our peers represented by the Morningstar Multi-sector Conservative index (red triangle) and 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

Housing: Start of the Slowdown

For the past 3 years, a week hasn't gone by without a mention of the Sydney housing bubble – 'how long will this growth be sustainable,' and moreover, 'how will this next generation of home buyers ever afford a house' are common queries in the largest city in Australia. The country's housing values have risen 24% in the last 3 years, with Sydney accounting for 46% of total price growth, much of which can be attributed to an undersupply of residential property as well as record low interest rates. However, it seems that the bubble is finally prime to pop, with numerous signs indicating that Sydney will be seeing a slowing down of growth in months to come. Naturally, with the slowing of the housing market comes the questions as to why it is happening, and perhaps more importantly, what the slow down means for investors.

It is important to note upfront that the extent to which this slowdown will occur is vastly opinionated. On one hand, a majority of property experts and research branches are yet to acknowledge any indication that the housing market will record a fall in prices in the near future. Conversely, other major financial institutions such as Macquarie Bank and Credit Suisse predict that 'national house prices would see a 7.5% decline from March next year.' Regardless of how substantial a slowdown this will be, all indicators point to the fact that there will indeed be a slowdown. For one, auction clearance rates have recently recorded below their usual highs, with Sydney dropping to 75% in September from the 80% it has held for much of the year, and again to 66% in October. Furthermore, as noted in the *Domain Group House Price Report*, Sydney has 'experienced the slowest rate of price growth since March 2014, at just 3.2%.'

There are many factors that attribute to the slowing down of the housing market, a major one being the simple economics of supply and demand. As mentioned previously, much of the growth was propelled by an undersupply of houses in comparison to demand. However, as a result of this surplus of demand what we are now witnessing is a construction boom, with approximately 720,000 new homes to be built in Australia by 2019. Investment bank Goldman Sachs predict this will lead to an oversupply of housing by 2017, and following the rules of supply/demand, lower the housing prices.

Also highlighted by Goldman is that this construction boom should derive from a growing economy, although this is not the case. Signs such as wage growth were at a low 2.3% this year, and the Australian economy's growth rate was 0.2% in the second quarter this being the lowest since 2013. Additionally, population growth in 2014 was only 1.4%, and is looking to fall even lower in 2015. All this taken into account, it's fairly noticeable that the housing growth we have experienced in the past few years isn't sustainable compared to economic growth, hence the overall consensus that a slowdown is inevitable.

Interest rates also have much to do with housing growth. With the cash rate at the historic low of 2%, lending has been high with the banks following suit and enabling a greater accessibility to mortgage loans, which of course boosts housing price growth. Recently however, there has been movement by banking regulator APRA to limit lending to property investors, and banks are expected to raise interest rates with Westpac already doing so. As stated by Domain Group senior economist Andrew Wilson, 'nothing will slow a market more than higher interest rates.' These factors accumulate to make it harder to obtain a mortgage, thus reducing demand and therefore housing price growth.

While it cannot be said to what extent the housing growth rate will reduce or if housing prices will fall, it is a safe observation to say that all market signals are largely indicative of a peaking housing bubble that is set for a slowdown. Whether this will be a resounding pop or a hissing deflation, only time will tell.

Source: Georgina Mitchell, Justine Parker, Mat Spasic, Jens Meyer

Australian Shares Portfolio

The VIP Australian Share Leaders portfolio generated a -5.59% return for the month and -9.43% over the last 3 months. The portfolio underperformed the S&P/ASX 100 index in September by 2.52% and underperformed by 2.73% over the quarter.

Over the last year the portfolio has generated a -0.19% return pre-fees outperforming the ASX 100 index by 0.13%.

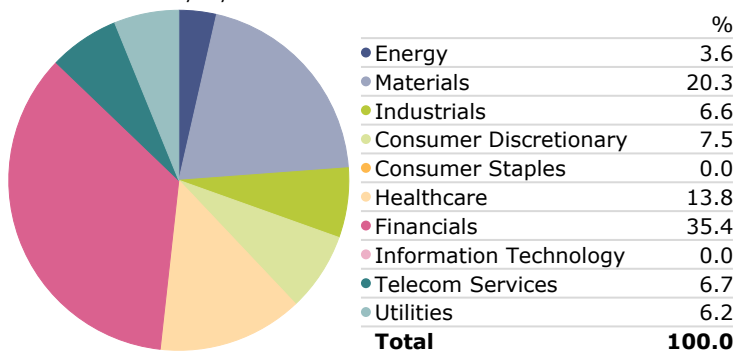
The **Top 3 Contributors** for the month were Aristocrat Leisure Ltd 2.01%, Brambles Ltd 0.59%, and CSL Ltd -1.93%; and the **Top 3 Detractors** for the month were Origin Energy Ltd -26.15%, Lend Lease Group -9.97%, and Bendigo and Adelaide Bank Ltd -9.66%.

VIP Australian Share Leaders - Holdings

	Ticker	Dividend Yield % TTM
Westpac Banking Corp	WBC	8.24
Australia and New Zealand Banking Group Ltd	ANZ	8.95
James Hardie Industries PLC DR	JHX	2.45
Aristocrat Leisure Ltd	ALL	1.76
CSL Ltd	CSL	1.81
Ramsay Health Care Ltd	RHC	2.12
RBA Bank accepted Bills 90 Days		
Telstra Corp Ltd	TLS	7.91
Brambles Ltd	BXB	3.11
Bank of Queensland Ltd	BOQ	7.30
Bendigo and Adelaide Bank Ltd	BEN	8.84
Spark Infrastructure Group	SKI	5.98
BHP Billiton Ltd	BHP	9.80
DuluxGroup Ltd	DLX	5.28
Lend Lease Group	LLC	4.44
Origin Energy Ltd	ORG	7.48

VIP Australian Share Leaders - Equity Sectors

Portfolio Date: 30/09/2015



Portfolio Adjustments:

The VIP Investment Committee decided to buy BHP Billiton as we believe it to be a stock with a good yield that was able to be acquired at the bottom of the commodity cycle. The Committee also decided to buy Spark Infrastructure Group in order to add an infrastructure asset to the portfolio as well as the security's tax efficient cash flow. While Harvey Norman has benefitted from government announcements, we believe it is now fully priced and thus decided to sell the stock.

International Shares Portfolio

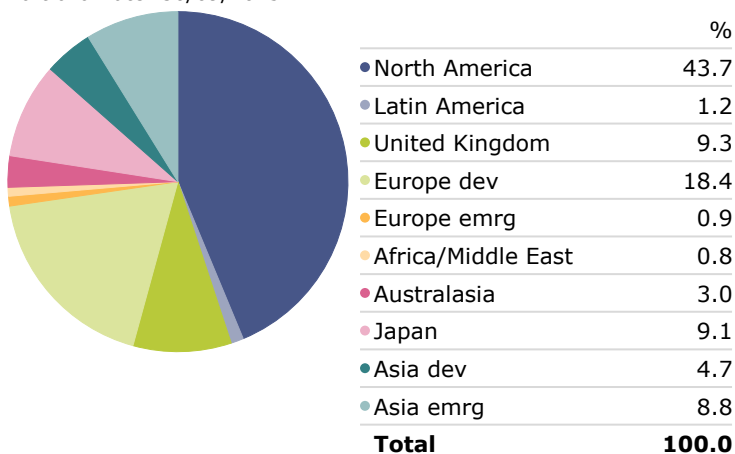
The VIP International share portfolio generated a -2.14% return for the month and -0.08% over the last 3 months. In doing so the portfolio outperformed the MSCI World Ex Aus (AUD) index in September by 0.62% and underperformed over the last 3 months by 0.49%.

Over the last year the portfolio has generated a 20.15% return and outperformed the index by 1.28%.

The **Top Contributors** for the month were Platinum International Fund 0.92% and Magellan Global -1.31%; The **Top Detractor** was the Vanguard All-World ex-US Shares ETF -4.14%.

VIP International - Equity Regional Exposure

Portfolio Date: 30/09/2015



VIP International - Holdings

Portfolio Date: 30/09/2015

	Global Category
Magellan Global	Global Equity Large Cap
Platinum International Fund	Global Equity Large Cap
Vanguard All-World ex-US Shares ETF	Global Equity Large Cap
Morphic Global Opportunities	Global Equity Large Cap
RBA Bank accepted Bills 90 Days	

International Portfolio Adjustments:

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

Property Securities Portfolio

The VIP Property Securities portfolio generated a -1.76% return for the month and -2.14% over the last 3 months. The portfolio underperformed the S&P/ASX 200 A-REIT index during the month by 1.49%, and over the quarter by 3.25%.

Over the last year the portfolio has generated a 17.48% return and underperformed the index by 2.84%.

The **Top Contributors** were Investa Office Fund 3.68%, SPDR S&P/ASX 200 Listed Property ETF 1.04%, and BWP Trust 0.98%; and the **Top Detractors** were Cromwell Property Group -4.40%, Stockland Corp Ltd -6.10%, and Goodman Group -6.70%.

Fixed Interest Portfolio

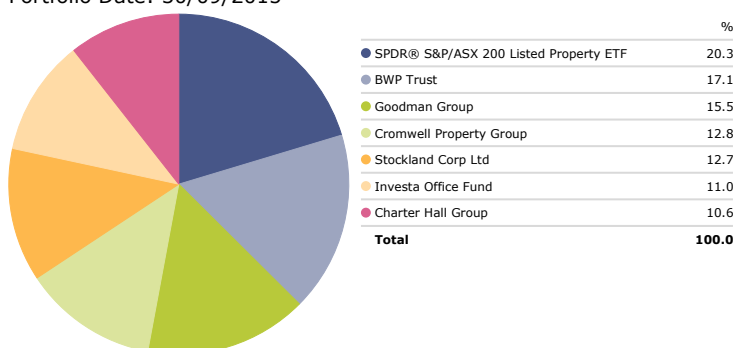
The VIP Fixed Interest portfolio generated a -0.21% return for the month and 0.52% over the last 3 months. This was against the Bloomberg AusBond Composite index return of 0.25% over the month and 2.20% over the quarter.

The portfolio underperformed the index by 0.46% over the month, and underperformed the index 1.68% over the last 3 months.

The **Top Contributor** for the month was iShares Composite Bond 0.62%. The **Top Detractors** for the month were the RBA Bank accepted Bills 30 Days +0.17%, Bentham Wholesale Global Income -1.21%, and Realm High Income -0.27%.

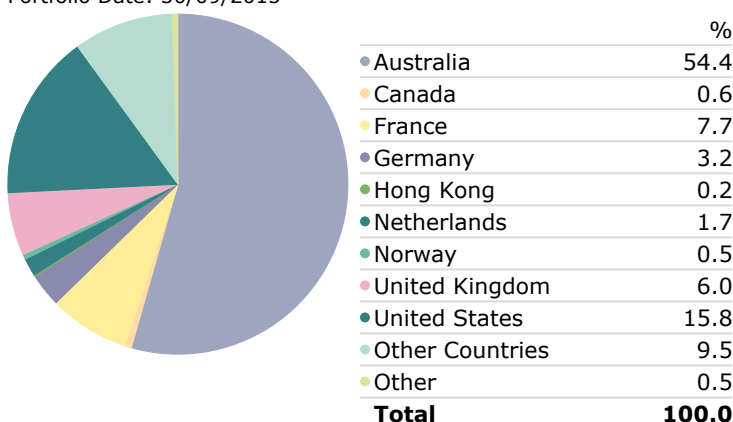
VIP Property Securities - Portfolio Holdings

Portfolio Date: 30/09/2015



VIP Fixed Interest - Country Exposure

Portfolio Date: 30/09/2015



VIP Property Securities - Holdings

Portfolio Date: 30/09/2015

	Ticker	Dividend Yield % TTM
SPDR® S&P/ASX 200 Listed Property ETF	SLF	
BWP Trust	BWP	4.94
Goodman Group	GMG	3.68
Cromwell Property Group	CMW	3.96
Stockland Corp Ltd	SGP	6.03
Investa Office Fund	IOF	4.75
Charter Hall Group	CHC	5.44

VIP Fixed Interest Portfolio - Income Yield

Portfolio Date: 30/09/2015

	Income Return 1 Yr (Mo-End)
iShares Composite Bond	3.98
Realm High Income	3.61
RBA Bank accepted Bills 30 Days	
Bentham Wholesale Global Income	5.53

Property Securities Portfolio Adjustments:

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

Fixed Interest Portfolio Adjustments:

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

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.