

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

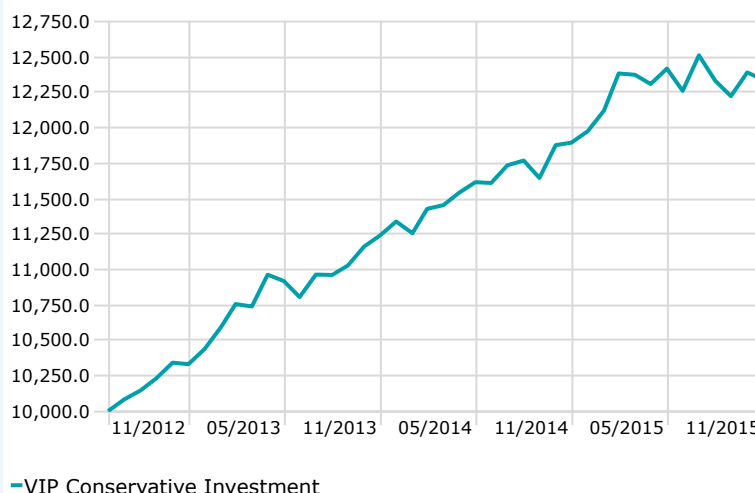
The VIP Conservative portfolio generated a -0.31% return pre-fees in November, and 0.39% return pre-fees in the quarter.

Over the last year the portfolio has generated a 5.14% return pre-fees and over 3 years 7.54%. Over 1 to 4 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: 1/07/2012 to 30/11/2015



Trailing Returns

As of Date: 30/11/2015

	1 Month	3 Month	6 Month	1 Year	2 Years	3 Years	4 Years	Since Inception
VIP Conservative	-0.31	0.39	0.04	5.14	6.20	7.54	8.03	7.92
VIP Conservative Investment	-0.42	0.05	-0.64	3.73	4.78	6.10		6.35
VIP Conservative Super-Pension	-0.38	0.19	-0.36	4.30	5.36	6.69	7.17	7.06
VIP Conservative Composite Index	-0.93	0.17	-1.15	4.77	6.56	6.78	7.88	7.87

Tactical Asset Allocation

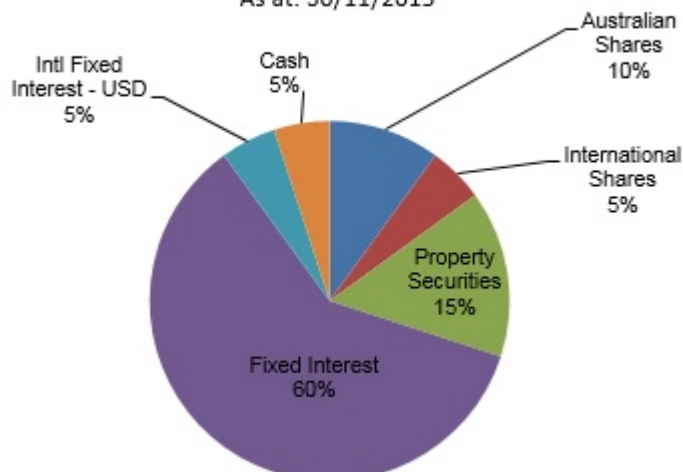
The VIP Conservative portfolios asset allocation as at 30/11/2015 was as follows:

- 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. This carried into November.

Conservative Portfolio TAA

As at: 30/11/2015



Risk vs Return

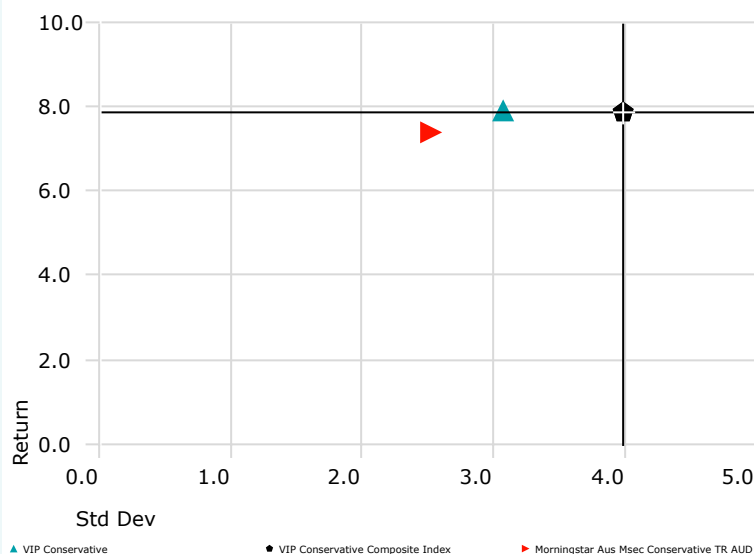
The VIP portfolios aim to reduce volatility, or risk, over the long term and achieve excess returns per unit of risk that is taken compared to our Conservative Composite Index and the Morningstar Multi-sector Conservative Index.

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

China Cracks the IMF

After much consideration by the International Monetary Fund (IMF) and even more lobbying by the Chinese Government, the Chinese renminbi has been recognised as one of the world's significant currencies with its inclusion to the Special Drawing Rights basket, a move that accentuates the country's continual rise as an economic and financial heavyweight. To be anointed by the IMF as a World Reserve means to be acknowledged as a currency that is 'safe, reliable and freely usable' and thus opens the door for a wider use of the renminbi or 'yuan' in trade and finance. Effective as of the end of September 2016, the yuan will officially join the US dollar, the pound, the euro, and the yen as one of the mainstays of the global economy. The significance of the inclusion from a global standpoint is that the Special Drawing Rights (SDR), the IMF's accounting unit, is used as a benchmark for the majority of central banks in measuring their reserves, which are held to protect their respective countries in times of volatility.

Over the past few years, the People's Bank of China (PBOC) has been working towards designing a currency that meets the mould favoured by the IMF in order to be given the IMF designation. As it is widely known, unlike most other currencies the yuan at the start of each day was valued not by market factors, but by the PBOC, which left suspicions over the real value of the currency. In an effort to make it more 'user-friendly,' the currency was devalued and is now instead valued at the previous day's close, providing consistency to the exchange rate and allowing market forces to play a larger role. The IMF's approval of the yuan is also symbolic of the diminishing significance of the Euro, with yuan basically taking over the euro's role in the Special Drawing Rights.

Of course, the acceptance of the renminbi as a global currency will bring about macroeconomic effects throughout the globe. In terms of China, the "Inclusion in the SDR will only deepen the expectations that China will let market forces decide the yuan's exchange rate (The Economist)." At the mercy of the market, this could well lead to a devaluation with the US federal reserve looking to raise interest rates at the same time China loosens its monetary policy, forcing downward pressure on the yuan. Conversely, Large scale purchases of renminbi by overseas central banks would also make it more difficult for China to prevent the currency from appreciating, which in turn would make exports less competitive. Both sides of the coin can be argued but whatever the result, the PBOC will have an increasingly diminishing ability to control it. The inclusion also increases trade settlement in yuan, as well as the Global Central Bank's exposure to the currency.

An interesting point to note is that IMF's decision on the yuan poses geopolitical consequences. As the global economy becomes more and more intertwined with the yuan, the West to an extent loses its ability to impose financial sanctions on countries accused of human rights abuses among other violations, such as Sudan and North Korea. Given the increasing usability of the renminbi, it enables these countries greater freedom in deciding where they do their banking, and how to potentially circumvent sanctions. Noting that both Sudan and North Korea are close financial and business partners with China, this presents certain concerns particularly for countries such as the USA and Europe.

While the inclusion will no doubt have macroeconomic effects around the globe, these will not be felt immediately. What will be immediate, however, will be the recognition of the symbolic significance in having the IMF designation. In achieving this, China secures its position as a global economic power, and while we wait to see the true effects of the decision, it is common knowledge that a reputation can be just as effective.

Source: The Economist, Tim Worstall, Keith Bradsher

Source: Morningstar Direct

Australian Shares Portfolio

The VIP Australian Share Leaders portfolio generated a 1.03% return for the month and 0.81% over the last 3 months. The portfolio outperformed the S&P/ASX 100 index in November by 1.78% and underperformed by 2.05% over the quarter.

Over the last year the portfolio has generated a 2.88% return pre-fees outperforming the ASX 100 index by 1.18%.

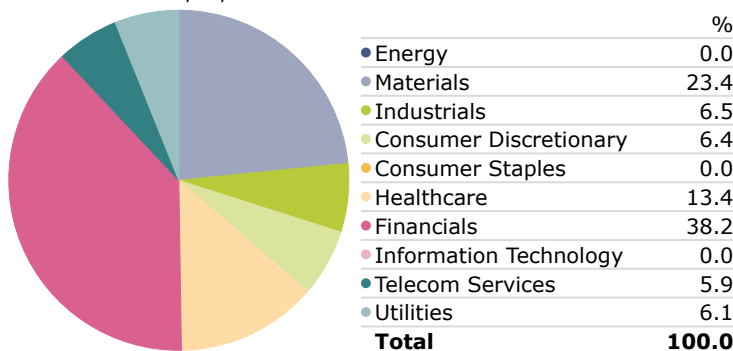
The **Top 3 Contributors** for the month were Dulux Group 8.30%, Ramsay Health Care 8.13%, and Westpac Banking Corp 6.73%; and the **Top 3 Detractors** for the month were BHP Billiton -21.42%, James Hardie Industries -10.60%, and Spark Infrastructure Group -7.62%

VIP Australian Share Leaders - Holdings

	Ticker	Dividend Yield % TTM
Westpac Banking Corp	WBC	8.26
Australia and New Zealand Banking Group Ltd	ANZ	9.65
DuluxGroup Ltd	DLX	4.60
CSL Ltd	CSL	1.59
Ramsay Health Care Ltd	RHC	1.97
Bank of Queensland Ltd	BOQ	7.83
Brambles Ltd	BXB	2.87
Bendigo and Adelaide Bank Ltd	BEN	8.39
Boral Ltd	BLD	4.60
Aristocrat Leisure Ltd	ALL	1.71
Lendlease Group	LLC	4.18
Spark Infrastructure Group	SKI	6.21
Telstra Corp Ltd	TLS	8.01
James Hardie Industries PLC DR	JHX	2.74
BHP Billiton Ltd	BHP	14.06
RBA Bank accepted Bills 90 Days		

VIP Australian Share Leaders - Equity Sectors

Portfolio Date: 30/11/2015



Portfolio Adjustments:

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

International Shares Portfolio

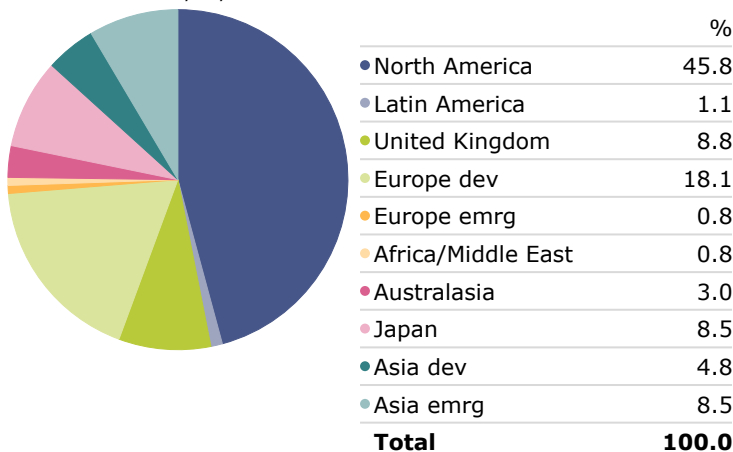
The VIP International share portfolio generated a -1.85% return for the month and 1.07% over the last 3 months. In doing so the portfolio outperformed the MSCI World Ex Aus (AUD) index in November by 0.21% and underperformed over the last 3 months by 0.15%.

Over the last year the portfolio has generated a 16.27% return and underperformed the index by 1.15%.

The **Top Contributors** were Morphic Global Opportunities -1.35%, Magellan Global -1.59%, and Platinum International Fund -1.59%. The **Top Detractor** was Vanguard All-World ex-US Shares ETF -2.93%.

VIP International - Equity Regional Exposure

Portfolio Date: 30/11/2015



VIP International - Holdings

Portfolio Date: 30/11/2015

	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 November.

Property Securities Portfolio

The VIP Property Securities portfolio generated a -1.08% return for the month and 1.24% over the last 3 months. The portfolio outperformed the S&P/ASX 200 A-REIT index during the month by 1.85%, and underperformed over the quarter by 0.36%.

Over the last year the portfolio has generated a 13.74% return and underperformed the index by 1.14%.

The **Top Contributors** were Cromwell Property Group +1.49%, Goodman Group +0.82%, and Charter Hall Group -0.45%; the **Top Detractors** were Investa Office Fund -4.46%, and SPDR S&P/ASX 200 Listed Property ETF -2.94%.

Fixed Interest Portfolio

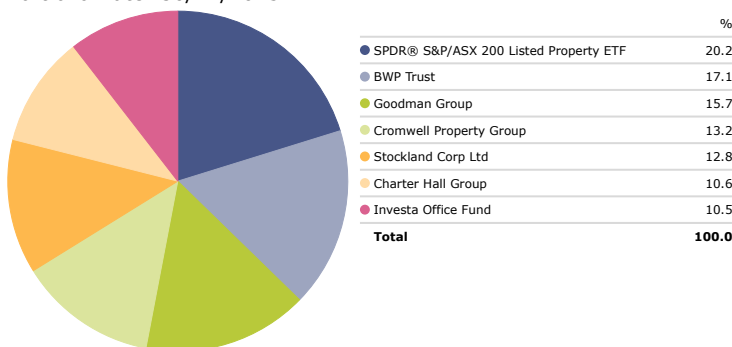
The VIP Fixed Interest portfolio generated a -0.08% return for the month and 0.09% over the last 3 months. This was against the Bloomberg AusBond Composite index return of -0.88% over the month and -0.33% over the quarter.

The portfolio outperformed the index by 0.80% over the month, and by 0.42% over the last 3 months.

The **Top Contributors** for the month were Bentham Wholesale Global Income +0.30%, Realm High Income +0.18%, and RBA Bank accepted Bills 30 Days +0.17%; The **Top Detractor** for the month was iShares Composite bond -0.89%.

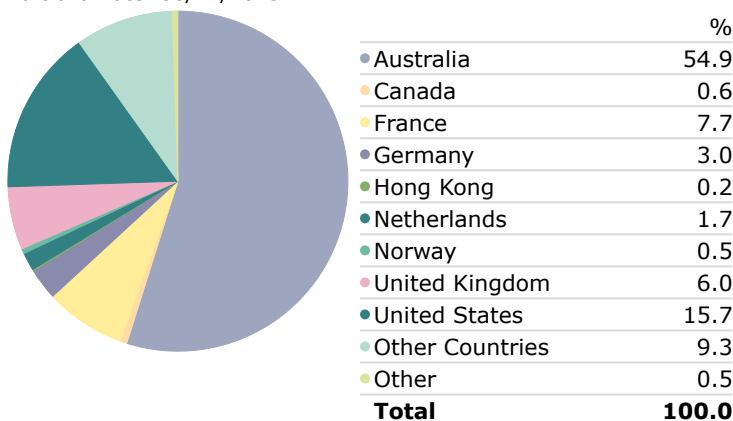
VIP Property Securities - Portfolio Holdings

Portfolio Date: 30/11/2015



VIP Fixed Interest - Country Exposure

Portfolio Date: 30/11/2015



VIP Property Securities - Holdings

Portfolio Date: 30/11/2015

	Ticker	Dividend Yield % TTM
SPDR® S&P/ASX 200 Listed Property ETF	SLF	
BWP Trust	BWP	4.99
Goodman Group	GMG	3.56
Cromwell Property Group	CMW	7.57
Stockland Corp Ltd	SGP	5.74
Charter Hall Group	CHC	5.27
Investa Office Fund	IOF	4.76

VIP Fixed Interest Portfolio - Income Yield

Portfolio Date: 30/11/2015

	Income Return 1 Yr (Mo-End)
iShares Composite Bond	3.73
Realm High Income	4.19
RBA Bank accepted Bills 30 Days	
Bentham Wholesale Global Income	5.39

Property Securities Portfolio Adjustments:

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

Fixed Interest Portfolio Adjustments:

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

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