

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

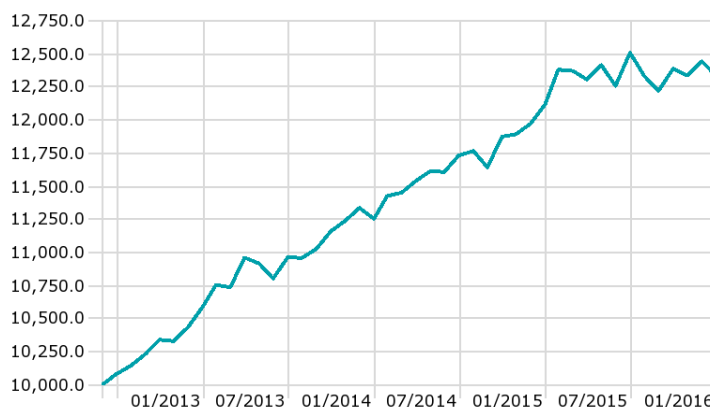
The VIP Conservative portfolio generated a -0.78% return pre-fees in January, and -0.11 return pre-fees in the quarter.

Over the last year the portfolio has generated a 3.15% return pre-fees and over 3 years 6.64%. 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 31/01/2016



—VIP Conservative Investment

Trailing Returns

As of Date: 31/01/2016

	1 Month	3 Month	6 Month	1 Year	2 Years	3 Years	4 Years	Since Inception
VIP Conservative	-0.78	-0.11	-0.74	3.15	6.11	6.64	7.67	7.67
VIP Conservative Investment	-0.90	-0.45	-1.41	1.77	4.69	5.21		6.03
VIP Conservative Super-Pension	-0.85	-0.31	-1.14	2.33	5.27	5.79	6.82	6.81
VIP Conservative Composite Index	-0.25	-0.02	-0.53	1.22	6.79	6.25	7.67	7.78

Tactical Asset Allocation

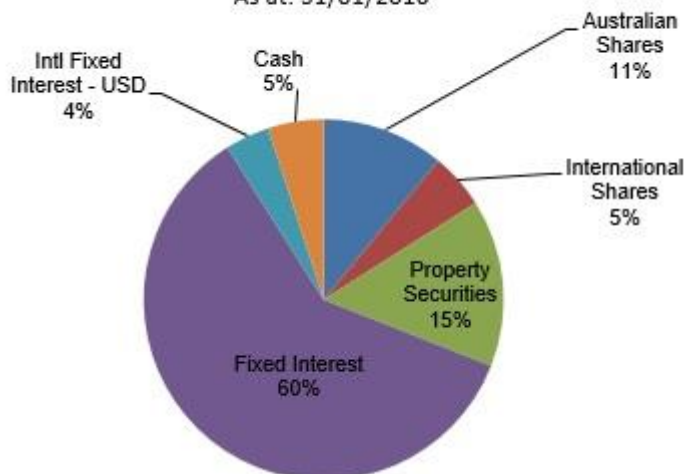
The VIP Conservative portfolios asset allocation as at 31/01/2016 was as follows:

- Australian Shares 11%
- International Shares 5%
- Property Securities 15%
- Fixed Interest 60%
- International Fixed Interest - US dollars 4%
- Cash 5%

In January the Growth asset allocation (Shares and Property Securities) is currently at 31% due to the *VIP Investment Committee's* decision to sell a percentage of the holdings of the US dollar given the US Federal Reserves' decision to raise interest rates in America.

Conservative Portfolio TAA

As at: 31/01/2016



Risk vs Return

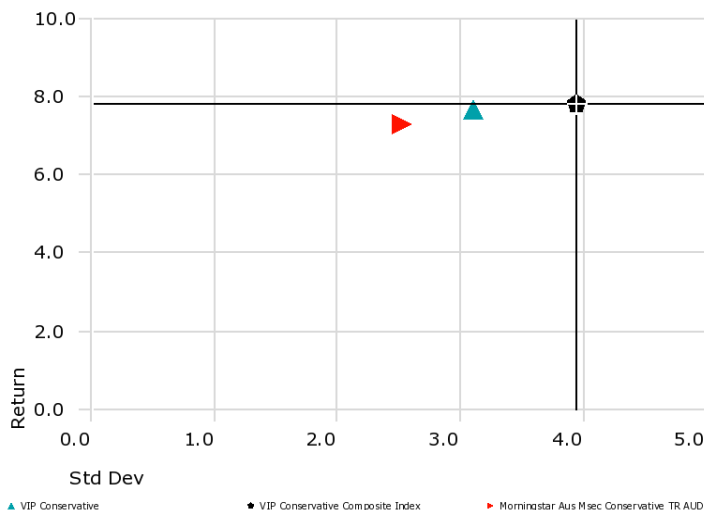
The VIP portfolios aim to reduce volatility, or risk, over the long term and achieve excess returns per unit of risk that is taken compared to our Conservative Composite Index and the Morningstar Multi-sector Conservative Index.

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

Stock Profile: TPG Telecom

While our investors are regularly notified of changes to the VIP Portfolios and the reasons behind them in our monthly reports, much of this can leave a sense of curiosity as to what the company we have invested in actually does. Our monthly review for January will highlight TPG Telecom, an Australian telecommunications and IT company that specialises in consumer and business internet services as well as mobile telephone services. It is a recent acquisition of our portfolios and as such is held in the VIP Growth, Balanced, and Conservative portfolios, as well as the Australian Share Leaders Portfolio.

Total Peripherals Group or TPG was established in 1986 by David Teoh, and later executed a reverse takeover (the takeover of a public company by a smaller company) of SP Telemedia Limited in 2008. From there on, the company became known as TPG Telecom and has since risen to become Australia's second largest internet provider among offering other products and services including networking, OEM services, mobile phone services, and accounting software. Since 2008, the company has made several acquisitions, major ones including the purchasing of AAPT Ltd from Telecom New Zealand in 2013, a move that has allowed TPG to gain access to AAPT's fibre-optic network of which we'll discuss in due course. The acquisition of iiNet (Australia's 3rd largest internet provider) was also significant, as it enabled TPG to become the second largest provider after Telstra.

In terms of business strategy, TPG is the price leader of the industry and as a result has earned 'strong organic market share gains over several years,' as noted by adviser research centre Morningstar. The price leading strategy is well supported by the fact that owning AAPT as well as PIPE Networks, both of which provide TPG with control of fibre-optic infrastructure, has enabled the company to reduce both international and domestic backhaul expenses (backhaul – the infrastructure required to connect new developments to the wider telecommunications network). Significantly, this also puts TPG in a comfortable position to adjust to the structural changes that will come with the National Broadband Network (NBN) rollout.

This leads on to one of the most predominant reasons the VIP Investment Committee decided to invest in TPG Telecom. Last December at the company's annual general meeting, Teoh announced TPG was going after Telstra's share of the telecommunications market by speeding up TPG's fibre rollout, as well as "launching products and services at prices he claims the incumbent cannot match." By targeting Telstra (which is also held in our portfolios), TPG increases pressure on the incumbent number 1, which is strategically aiming to reduce costs and increase profits through overseas investments.

Teoh believes one of their key advantages lies in pricing, stating that "when we price something we look very long term and we want to ensure that Telstra can't follow us." The other key advantage is found in their fibre infrastructure. Fibre-optic systems are the most essential facet of any digital communications system, and are therefore the key to succeeding in a time where the country is in the process of embracing the National Broadband Network, as TPG is effectively competing against the NBN in the wholesale market by 'connecting lucrative apartment buildings to NBN-like broadband services known as fibre-to-the-basement.' While both Telstra and Optus have negotiated multimillion deals with streaming video giants such as Netflix and Stan as well as sporting codes, Teoh is largely focussed on the fibre-optic side of the business, stating that "we have the fibre infrastructure, this is our core business – we are not going to stop."

Given the strong acquisitions made throughout the years, not to mention a well-placed fibre infrastructure and business strategy, TPG Telecom is set for strong potential in our portfolios.

Source: David Ramli, Morningstar

Australian Shares Portfolio

The VIP Australian Share Leaders portfolio generated a -4.97% return for the month and 0.26% over the last 3 months. The portfolio outperformed the S&P/ASX 100 index in January by 0.51% and by 4.00% over the quarter.

Over the last year the portfolio has generated a -2.79% return pre-fees outperforming the ASX 100 index by 9.44%.

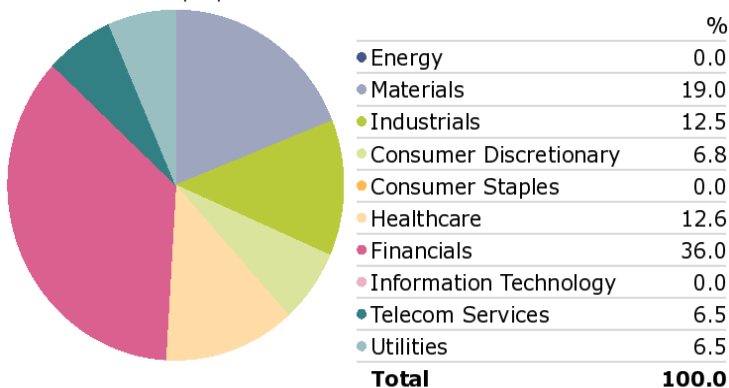
The **Top 3 Contributors** for the month were Spark Infrastructure Group 2.86%, Aristocrat Leisure Ltd 0.39%, and Telstra Corp Ltd 0.36%; and the **Top 3 Detractors** for the month were Australia and New Zealand Banking Group Ltd -13.43%, Ramsay Health Care Ltd -10.83%, and Bendigo and Adelaide Bank Ltd -10.13%.

VIP Australian Share Leaders - Holdings

	Ticker	Dividend Yield % TTM
Westpac Banking Corp	WBC	8.98
Australia and New Zealand Banking Group Ltd	ANZ	11.18
Aristocrat Leisure Ltd	ALL	1.71
CSL Ltd	CSL	1.62
Telstra Corp Ltd	TLS	8.43
DuluxGroup Ltd	DLX	4.41
Spark Infrastructure Group	SKI	5.97
Brambles Ltd	BXB	2.68
Lendlease Group	LLC	4.57
Boral Ltd	BLD	5.01
James Hardie Industries PLC DR	JHX	2.57
Bank of Queensland Ltd	BOQ	9.56
CIMIC Group Ltd	CIM	5.35
Bendigo and Adelaide Bank Ltd	BEN	10.86
Ramsay Health Care Ltd	RHC	2.05
RBA Bank accepted Bills 90 Days		

VIP Australian Share Leaders - Equity Sectors

Portfolio Date: 31/01/2016



Australian Shares Portfolio Adjustments:

In January the VIP Investment Committee made no adjustment to the portfolio.

International Shares Portfolio

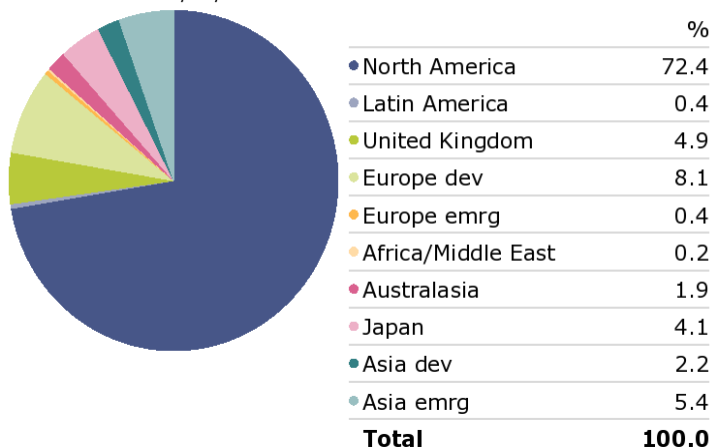
The VIP International share portfolio generated a -3.21% return for the month and -7.04% over the last 3 months. In doing so the portfolio outperformed the MSCI World Ex Aus (AUD) index in January by 0.02% and outperformed over the last 3 months by 0.34%.

Over the last year the portfolio has generated a 3.33% return and underperformed the index by 1.52%.

The **Top Contributors** were Magellan Global Opportunities -1.50%, Morpnic Global Opportunities -1.99%, and Vanguard US Total Market Shares ETF -2.97%. The **Top Detractor** was Platinum International Fund -4.13%.

VIP International - Equity Regional Exposure

Portfolio Date: 31/01/2016



VIP International - Holdings

Portfolio Date: 31/01/2016

	Global Category
Magellan Global	Global Equity Large Cap
Platinum International Fund	Global Equity Large Cap
Vanguard US Total Market Shares ETF	US Equity Large Cap Blend
Morpnic Global Opportunities	Global Equity Large Cap
RBA Bank accepted Bills 90 Days	

International Portfolio Adjustments:

In January the VIP Investment Committee made no adjustment to the portfolio.

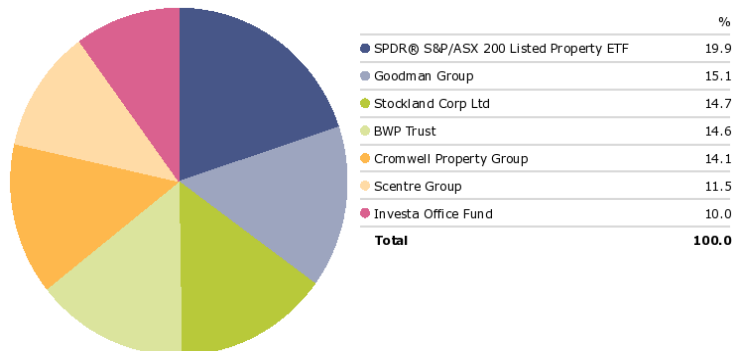
Property Securities Portfolio

The VIP Property Securities portfolio generated a -1.41% return for the month and 1.52% over the last 3 months. The portfolio underperformed the S&P/ASX 200 A-REIT index during the month by 2.47%, and over the quarter by 0.50%. Over the last year the portfolio has generated a 4.60% return and underperformed the index by 2.67%.

The **Top Contributors** was Scentre Group 3.82%; the **Top Detractors** were Cromwell Property Group -5.71%, Goodman Group -3.03%, and Investa Office Fund -2.50%.

VIP Property Securities - Portfolio Holdings

Portfolio Date: 31/01/2016



VIP Property Securities - Holdings

Portfolio Date: 31/01/2016

	Ticker	Dividend Yield % TTM
SPDR® S&P/ASX 200 Listed Property ETF	SLF	
Goodman Group	GMG	3.48
Stockland Corp Ltd	SGP	5.64
BWP Trust	BWP	5.13
Cromwell Property Group	CMW	7.97
Scentre Group	SCG	4.68
Investa Office Fund	IOF	4.92

Property Securities Portfolio Adjustments:

In January the VIP Investment Committee made no adjustment to the portfolio.

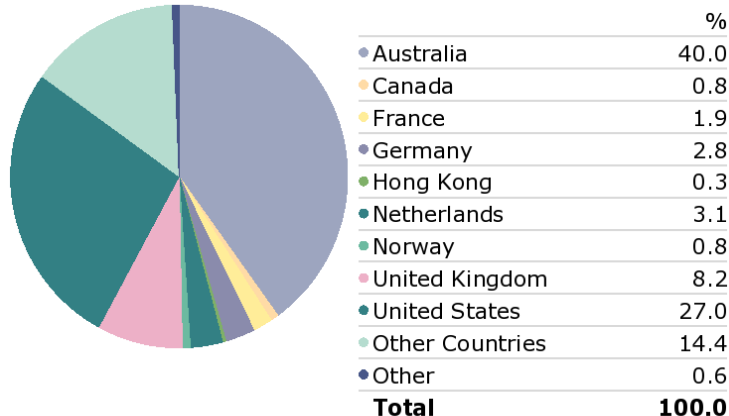
Fixed Interest Portfolio

The VIP Fixed Interest portfolio generated a -0.27% return for the month and -0.19% over the last 3 months. This was against the Bloomberg AusBond Composite index return of 1.22% over the month and 0.67% over the quarter. The portfolio underperformed the index by 1.49% over the month, and outperformed the index 0.86% over the last 3 months.

The **Top Contributors** were Magellan Global Opportunities -1.50%, Morpheic Global Opportunities -1.99%, and Vanguard US Total Market Shares ETF -2.97%. The **Top Detractor** was Platinum International Fund -4.13%.

VIP Fixed Interest - Country Exposure

Portfolio Date: 31/01/2016



VIP Fixed Interest Portfolio - Income Yield

Portfolio Date: 31/01/2016

	Income Return 1 Yr (Mo-End)
Realm High Income	2.79
RBA Bank accepted Bills 30 Days	
Bentham Wholesale Global Income	5.26
iShares Composite Bond	3.64
BT Pure Alpha Fixed Income	4.20

Fixed Interest Portfolio Adjustments:

In January the VIP Investment Committee made no adjustment to the portfolio.

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