

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 1.19% return pre-fees in April, and 1.88% return pre-fees in the quarter.

Over the last year the portfolio has generated a 3.14% return pre-fees and over 3 years 5.96%. 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 30/04/2016



Trailing Returns

As of Date: 30/04/2016

	1 Month	3 Month	6 Month	1 Year	2 Years	3 Years	4 Years	Since Inception
VIP Conservative	1.19	1.88	1.76	3.14	5.59	5.96	7.32	7.67
VIP Conservative Investment	1.08	1.54	1.08	1.76	4.17	4.54		6.05
VIP Conservative Super-Pension	1.12	1.68	1.36	2.32	4.75	5.12	6.47	6.81
VIP Conservative Composite Index	1.15	2.82	2.80	2.98	6.63	5.89	7.60	7.99

Tactical Asset Allocation

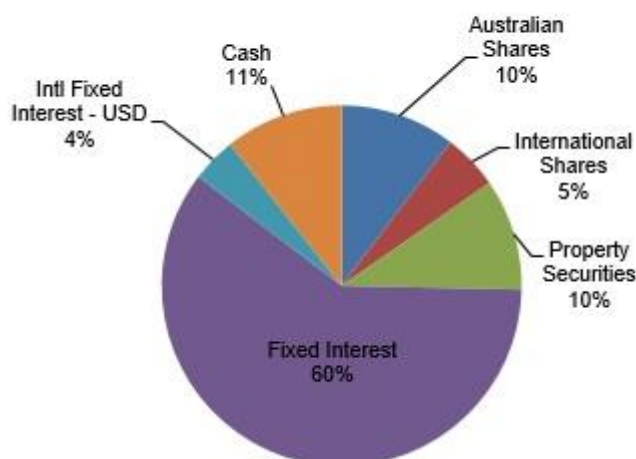
The VIP Conservative portfolios asset allocation as at 30/04/2016 was as follows:

- Australian Shares 10%
- International Shares 5%
- Property Securities 10%
- Fixed Interest 60%
- International Fixed Interest - US dollars 4%
- Cash 11%

In April the Growth asset allocation (Shares and Property Securities) is currently lower than the target level of 30% due to the *VIP Investment Committee's* belief that the market has featured too much volatility in recent times to be at target level.

Conservative Portfolio TAA

As at: 30/04/2016



Risk vs Return

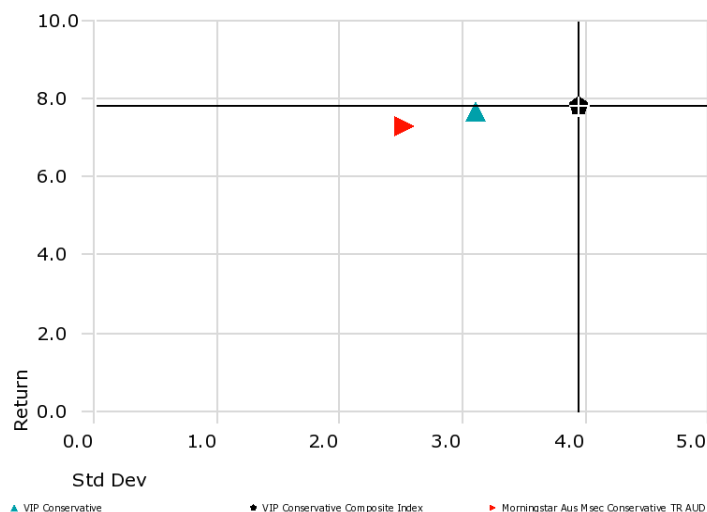
The VIP portfolios aim to reduce volatility, or risk, over the long term and achieve excess returns per unit of risk that is taken compared to our Conservative Composite Index and the Morningstar Multi-Sector Conservative Index.

The chart on the right plots return on the vertical axis against risk (in the form of Standard Deviation) on the horizontal index. 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

The Budget and Superannuation

As the 2016 federal election approaches, one predominant factor that will have a large say in swaying voters is the federal budget recently announced on Tuesday the 3rd of May. Deemed by many as unsurprising and somewhat conservative, Treasurer Scott Morrison's budget has been criticised particularly for not making changes to the governments' current negative gearing policy, as well as not allocating enough to health and education. Of course, many of these criticisms are derived from The Labor Party and its supporters, but whatever your perspective on the budget, one thing for certain is that it affects everyone, because everyone needs super. In the coming paragraphs we will detail how the budget has impacted the country's policies on superannuation, and how it could affect our investors.

In regards to superannuation, the budget can be considered to be bittersweet. On the bitter side, there is the '\$500,000 lifetime limit on non-concessional after-tax contributions and the \$1.6 million limit on superannuation pension accounts.' Essentially, what this means is that after the \$500,000 of after-tax contributions, any other monies will then be able to be taxed. Obviously, the governments motive behind this decision is to cap the limit in which taxpayers are able to put their earnings in a tax-free environment, a motive that also carries into the reasoning behind the \$1.6 million limit on superannuation pension accounts. The budget also proposes a reduction of concessional (before-tax) contributions from the current \$30,000 a year to \$25,000.

However, there are positives in the budget in relation to superannuation which will help employees make salary sacrifice contributions more effectively. Currently, tax-deductible super contribution can only be made if a person doesn't receive employer superannuation contributions, or their employment income is less than 10% of their total employment related income (e.g. someone who earns predominantly off commissions). The 2016 budget policies now allow anyone to make a tax-deductible super contribution until the age of 75. Furthermore, the budget has eradicated the work test, which previously required a person between ages 65 and 75 to work 40 hours in 30 consecutive working days if they wanted to make a tax-deductible super contribution.

While these developments may not initially appear to be so significant, the effect they can have on not only a person's super but their overall earnings are substantial. As the superannuation system stands, an employer's Super Guarantee Contribution is 9.5% of an employee's taxable salary. If an employee was to make a salary sacrifice super contribution, the employer is legally allowed to contribute 9.5% of the salary *after* this salary sacrifice has been made, effectively contributing less than usual had there been no salary sacrificed at all. As a result of the 2016 budget, employees are now able to make tax-deductible super contributions from after-tax income regardless of their terms of employment, as opposed to making salary sacrifice contributions which have the potential to lessen their 9.5% Super Guarantee contribution.

Obviously, the removal of the work tests will hugely increase the ease in which a retiree of the age of under 75 will be able to contribute to their superannuation through tax deductible personal super contributions. Additionally, there is the possibility of reduced tax payable on income received outside of superannuation, particularly in the event of the sale of an investment or a property. The income from the sale would be considered a taxable capital gain, but by making tax-deductible contributions from the income of the sale, one could reduce their tax payable.

While the caps on super contributions and pension accounts will no doubt pose a hindrance to many taxpayers, the upside is seen in the ability for all taxpayers under the age of 75 to make tax-deductible super contributions, and benefit from this accordingly.

Source: Sydney Morning Herald, The Australian, Colonial First Estate

Australian Shares Portfolio

The VIP Australian Share Leaders portfolio generated a 0.76% return for the month and 5.51% over the last 3 months. The portfolio underperformed the S&P/ASX 100 index in April by 2.61% and underperformed by 0.58% over the quarter.

Over the last year the portfolio has generated a -1.91% return pre-fees outperforming the ASX 100 index by 3.66%.

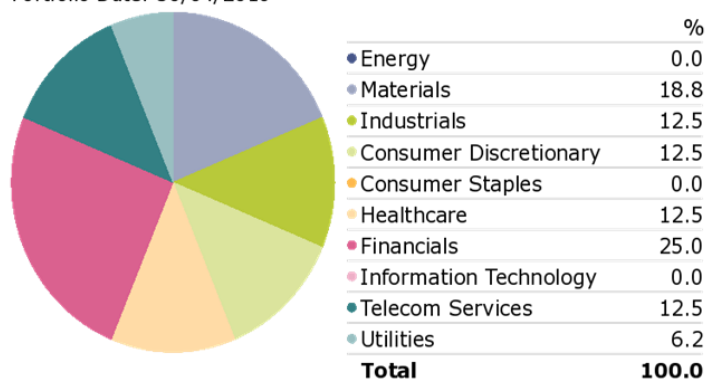
The **Top 3 Contributors** for the month were Ramsay Health Care Ltd +5.85%, Bendigo and Adelaide Bank Ltd +5.07%, and Boral Ltd +4.21%; and the **Top 3 Detractors** for the month were TPG Telecom -4.67%, Aristocrat Leisure Ltd -2.91%, Bank of Queensland Ltd -2.70%.

VIP Australian Share Leaders - Holdings

	Ticker	Dividend Yield % TTM
RBA Bank accepted Bills 90 Days		
Aristocrat Leisure Ltd	ALL	1.47
Australia and New Zealand Banking Group Ltd	ANZ	10.29
Bank of Queensland Ltd	BOQ	9.46
Bendigo and Adelaide Bank Ltd	BEN	9.85
Boral Ltd	BLD	4.33
Brambles Ltd	BXB	2.47
CSL Ltd	CSL	1.87
DuluxGroup Ltd	DLX	4.44
Flight Centre Travel Group Ltd	FLT	5.79
James Hardie Industries PLC DR	JHX	2.30
Ramsay Health Care Ltd	RHC	2.21
Spark Infrastructure Group	SKI	5.45
Sydney Airport	SYD	3.53
Telstra Corp Ltd	TLS	7.69
TPG Telecom Ltd	TPM	1.60
Westpac Banking Corp	WBC	8.90

VIP Australian Share Leaders - Equity Sectors

Portfolio Date: 30/04/2016



Australian Shares Portfolio Adjustments:

In April the VIP Investment Committee decided to sell Macquarie Group Ltd (MQG), Lend Lease Group (LLC), and CIMIC Group (CIM). MQG was sold to reduce VIP's exposure to the banks, it being the best option given its lower dividends. The Committee also believed LLC has had its run, as has CIM where we sold out at what we believed to be fair value.

MQG and LLC were replaced with Flight Centre (FLT) and Sydney Airport (SYD). FLT provides investors with exposure to a powerful travel brand that underpins a consistently successful growth culture as Australia's leading travel agent. SYD was acquired for its strong cash flow and notable efforts to improve its management and administration in the pursuit of higher profits.

International Shares Portfolio

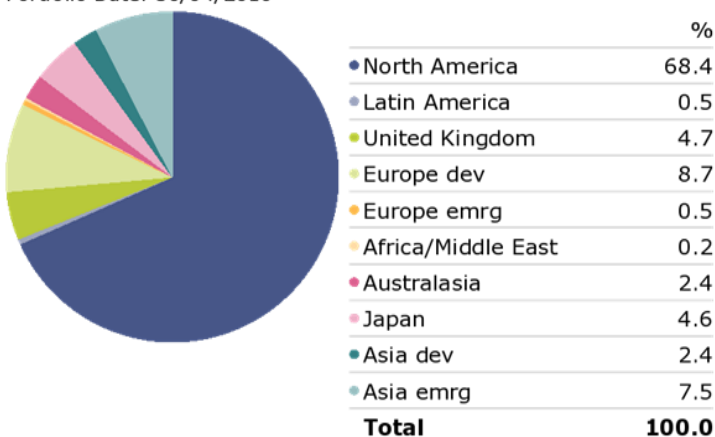
The VIP International share portfolio generated a 0.81% return for the month and -0.79% over the last 3 months. In doing so the portfolio underperformed the MSCI World Ex Aus (AUD) index in April by 1.55% and over the last 3 months by 0.41%.

Over the last year the portfolio has generated a -1.67% return and underperformed the index by 0.86%.

The **Top Detractors** were Magellan Global -0.80%, Vanguard US Total Market Shares ETF 1.44%, and Platinum International Fund 1.57%.

VIP International - Equity Regional Exposure

Portfolio Date: 30/04/2016



VIP International - Holdings

Portfolio Date: 30/04/2016

	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
Morphic Global Opportunities	Global Equity Large Cap
RBA Bank accepted Bills 90 Days	

International Portfolio Adjustments:

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

Property Securities Portfolio

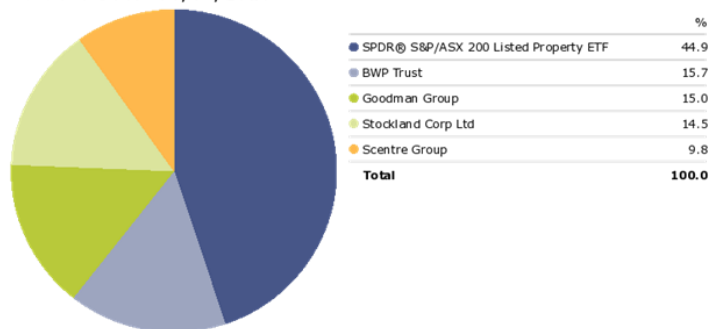
The VIP Property Securities portfolio generated a 3.18% return for the month and 9.10% over the last 3 months. The portfolio outperformed the S&P/ASX 200 A-REIT index during the month by 0.38%, and over the quarter by 0.83%.

Over the last year the portfolio has generated a 11.34% return and underperformed the index by 4.29%.

The **Top Contributors** were Scentre Group +5.63%, and Goodman Group +3.30%; the **Top Detractors** were Stockland Corp Ltd +2.34%, and BWP Trust +2.34%.

VIP Property Securities - Portfolio Holdings

Portfolio Date: 30/04/2016



VIP Property Securities - Holdings

Portfolio Date: 30/04/2016

	Ticker	Dividend Yield % TTM
SPDR S&P/ASX 200 Listed Property ETF	SLF	
BWP Trust	BWP	4.62
Goodman Group	GMG	3.21
Stockland Corp Ltd	SGP	5.32
Scentre Group	SCG	4.57

Property Securities Portfolio Adjustments:

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

Fixed Interest Portfolio

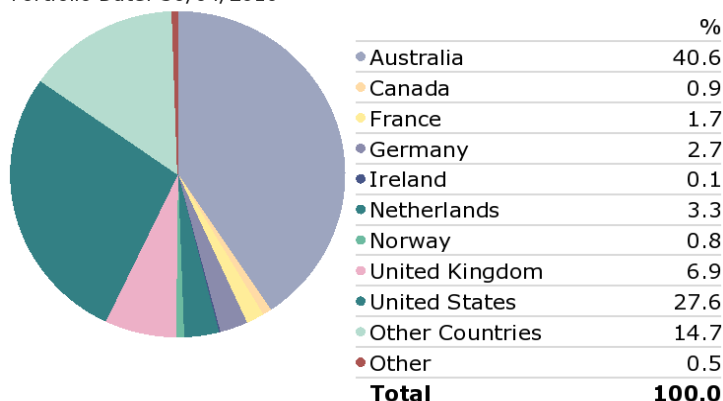
The VIP Fixed Interest portfolio generated a 0.60% return for the month and 0.52% over the last 3 months. This was against the Bloomberg AusBond Composite index return of 0.26% over the month and 1.08% over the quarter.

The portfolio outperformed the index by 0.34% over the month, and underperformed the index 0.56% over the last 3 months.

The **Top Contributor** was Bentham Wholesale Global Income +1.99%, and Realm High Income +1.23%. **Top Detractors** were BT Pure Alpha Fixed Income -0.73%, and iShares Composite Bond -0.39%.

VIP Fixed Interest - Country Exposure

Portfolio Date: 30/04/2016



VIP Fixed Interest Portfolio - Income Yield

Portfolio Date: 30/04/2016

	Income Return 1 Yr (Mo-End)
Realm High Income	2.94
RBA Bank accepted Bills 30 Days	
Bentham Wholesale Global Income	5.08
iShares Core Composite Bond (AU)	2.88
BT Pure Alpha Fixed Income	3.52

Fixed Interest Portfolio Adjustments:

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

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