

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

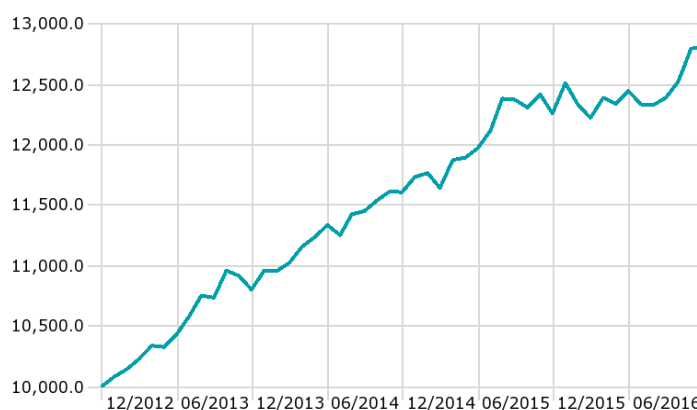
The VIP Conservative portfolio generated a 0.20% return pre-fees in June, and 3.72% return pre-fees in the quarter.

Over the last year the portfolio has generated a 5.90% return pre-fees and over 3 years 7.28%. 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 30/06/2016



— VIP Conservative Investment

Trailing Returns

As of Date: 30/06/2016

	1 Month	3 Month	6 Month	1 Year	2 Years	3 Years	4 Years	Since Inception
VIP Conservative	0.20	3.72	3.61	5.90	6.47	7.28	7.83	7.94
VIP Conservative Investment	0.09	3.37	2.91	4.47	5.04	5.84	6.39	6.39
VIP Conservative Super-Pension	0.14	3.51	3.19	5.05	5.62	6.42	6.97	7.08
VIP Conservative Composite Index	0.88	3.93	5.38	7.49	7.26	7.71	8.05	8.30

Tactical Asset Allocation

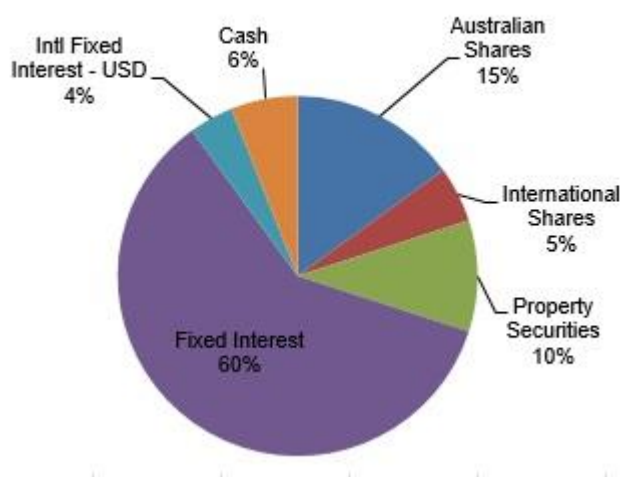
The VIP Conservative portfolios asset allocation as at 30/06/2016 was as follows:

- Australian Shares 15%
- International Shares 5%
- Property Securities 10%
- Fixed Interest 60%
- International Fixed Interest - US dollars 4%
- Cash 6%

Growth asset allocation (Shares and Property Securities) is currently at the target level of 30% due to the *VIP Investment Committee's* belief that the market at present allows for such a weighting.

Conservative Portfolio TAA

As at: 30/06/2016



Risk vs Return

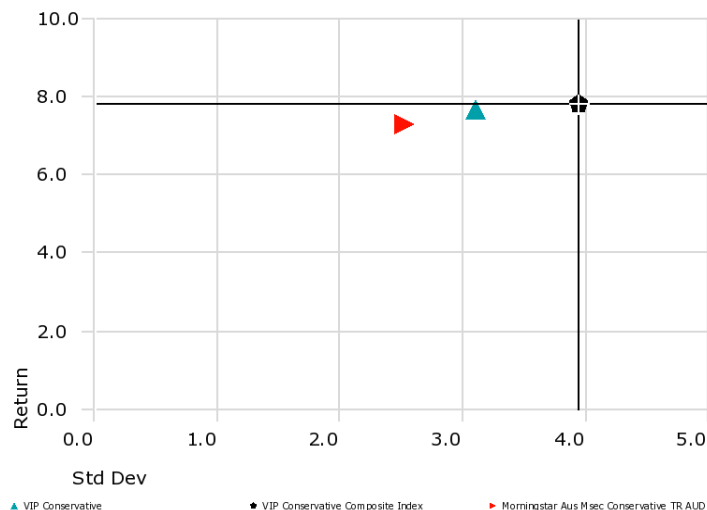
The VIP portfolios aim to reduce volatility, or risk, over the long term and achieve excess returns per unit of risk that is taken compared to our Conservative Composite Index and the Morningstar Multi-Sector Conservative Index.

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

Theresa May

The past month for Britain has been a whirlwind of events. Since the shock victory for the Brexiters and the chaos that ensued, including a dark day on global markets and the resignation of David Cameron, the storm has settled somewhat with Theresa May landing firmly on her feet at the threshold of 10 Downing Street as the next Prime Minister of the United Kingdom. May was revealed as Cameron's successor with her main rivals stepping aside and conceding, putting an end to a short-lived election campaign originally planned to last 9 weeks. Britain's new Prime Minister as of Wednesday the 13th now steps into the conundrum that is the orchestration of Britain's divorce from the European Union with the objective of fully realising the potential Brexit presents.

Theresa May, 59, was previously the Home Secretary in the Conservative government from 2010 until her ascension to Prime Minister following the stepping down of David Cameron, who served as Prime Minister from 2010. Despite having been an advocate for a 'Stay' vote, May has since embraced the reality of the situation and laid to rest concerns from 'Leave' supporters that she may try and reverse the decision, stating that 'Brexit means Brexit.'

Given that Britain was expected to essentially exist without a Prime Minister for the duration of the election campaign, the decision by competitors such as Boris Johnson and Andrea Leadsom to pull out of the race has come as a pleasant surprise for a British community that has been wallowing in uncertainty since the leave vote emerged victorious by a 52-48 margin. May, who has been labelled as a 'bloody difficult woman' by senior conservative Kenneth Clarke, holds this description in good stead for the difficult job ahead, and as a result has brought relative calm to the stock markets, who are now able to grasp a sense of where Britain is heading.

Although it is acknowledged that her views on the economy are 'scarcely known' (a fair appraisal given that the short race to office didn't allow her to make her detailed views apparent), Britain's 81st Prime Minister has made it clear she understands that "Leave supporters were not just voting against Europe but were delivering a cry of frustration about a range of problems afflicting British society." Logically, her vision for Britain will therefore attempt to eradicate these problems. During her short campaign, she has confronted the issues of a widening wage gap, and asked for more transparency in the bosses pay compared to their workers as well as a higher level of job security for these workers. Furthermore, May wants to "bridge the gap between the elderly and the young, the north and the south, those excluded from the benefits of globalisation and the beneficiaries." Clearly, Theresa's theme is one of equality, transparency, and a 'power to the people' mentality.

In terms of coordinating the separation from the EU, it is not yet known the specific strategy May will take, and to be fair while writing this she has only officially been in office for a number of hours. It is commonly known that disentangling from the rest of Europe will predominantly involve the discussion of trade deals and immigration agreements, among numerous other points. The challenge in doing so will be to ensure Britain simultaneously makes changes to improve their competitiveness to capitalise on the opportunities Brexit presents. However, the general consensus is that if executed properly, Brexit could mean long term growth for Britain, and ultimately, a return to the jewel of a country so many Brexiters voted for.

Theresa May's reluctance to rush into activating article 50 (the article used to withdraw from the EU), as well as a less contentious relationship with the EU are positive indicators that signal she is the right person for the job. The market certainly thinks so, with the FTSE 100 now higher than it was pre-Brexit. The FTSE 250 has not been so quick to jump as it holds more domestic UK businesses, but regardless was also up 2% when May was announced as next Prime Minister. It is a good start, and it is no doubt Britain and to an extent global markets hope to see this continue.

Source: Financial Times, Bloomberg, The Telegraph

Australian Shares Portfolio

The VIP Australian Share Leaders portfolio generated a -1.83% return for the month and 5.45% over the last 3 months. The portfolio outperformed the S&P/ASX 100 index in June by 0.73% and outperformed by 1.67% over the quarter.

Over the last year the portfolio has generated a 5.98% return pre-fees outperforming the ASX 100 index by 6.33%.

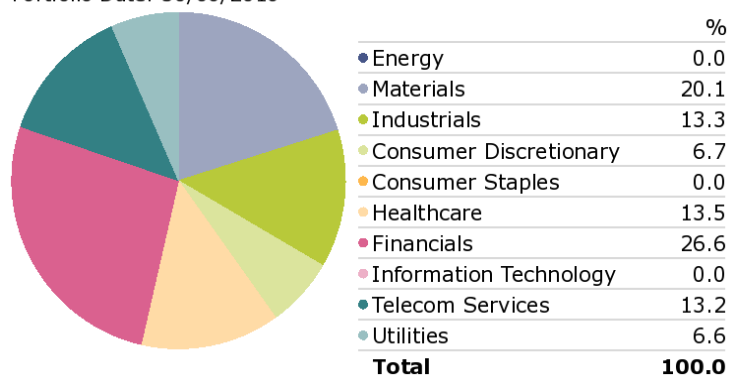
The **Top 3 Contributors** for the month were Aristocrat Leisure Ltd +8.09%, Spark Infrastructure Group +6.09%, and Sydney Airport +0.14%; and the **Top 3 Detractors** for the month were Bank of Queensland -8.94%, Boral -8.53%, and Bendigo and Adelaide Bank Ltd -6.25%.

VIP Australian Share Leaders - Holdings

	Ticker	Dividend Yield % TTM
RBA Bank accepted Bills 90 Days		
James Hardie Industries PLC DR	JHX	1.95
CSL Ltd	CSL	1.84
Boral Ltd	BLD	4.55
Ramsay Health Care Ltd	RHC	2.12
Aristocrat Leisure Ltd	ALL	1.39
Brambles Ltd	BXB	2.47
Australia and New Zealand Banking Group Ltd	ANZ	10.45
Westpac Banking Corp	WBC	9.20
Bank of Queensland Ltd	BOQ	10.60
TPG Telecom Ltd	TPM	1.54
Bendigo and Adelaide Bank Ltd	BEN	9.82
Telstra Corp Ltd	TLS	7.81
DuluxGroup Ltd	DLX	4.59
Sydney Airport	SYD	3.90
Spark Infrastructure Group	SKI	4.87

VIP Australian Share Leaders - Equity Sectors

Portfolio Date: 30/06/2016



Australian Shares Portfolio Adjustments:

In June, the VIP Investment Committee decided to sell Flight Centre after consecutive months of poor performance.

International Shares Portfolio

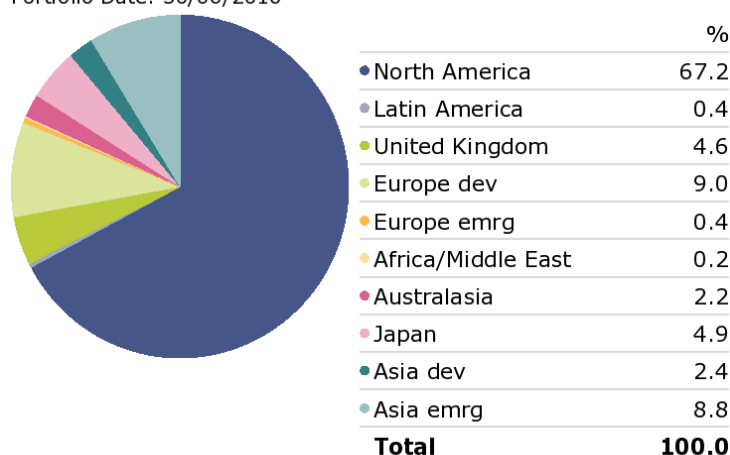
The VIP International share portfolio generated a -4.42% return for the month and 1.60% over the last 3 months. In doing so the portfolio underperformed the MSCI World Ex Aus (AUD) index in June by 0.59% and over the last 3 months by 2.77%.

Over the last year the portfolio has generated a -2.26% return and underperformed the index by 2.66%.

The **Top Contributors** were Morphic Global Opportunities -2.73%, and Vanguard US Total Market Shares ETF -2.91%. The **Top Detractors** were Magellan Global -5.66%, and Platinum International Fund -4.70%.

VIP International - Equity Regional Exposure

Portfolio Date: 30/06/2016



VIP International - Holdings

Portfolio Date: 30/06/2016

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

International Portfolio Adjustments:

The VIP Investment Committee made no adjustments to the portfolio in June.

Property Securities Portfolio

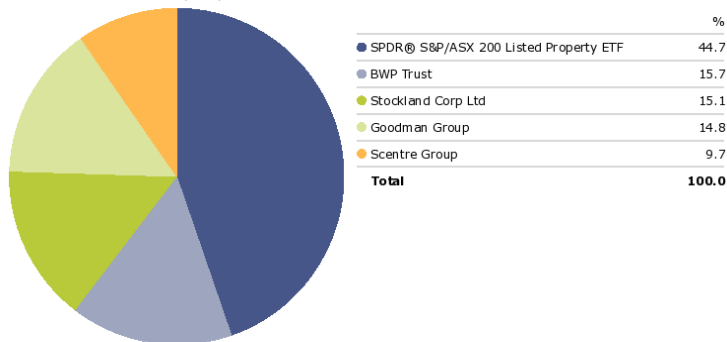
The VIP Property Securities portfolio generated a 3.79% return for the month and 9.87% over the last 3 months. The portfolio outperformed the S&P/ASX 200 A-REIT index during the month by 0.25%, and over the quarter by 0.62%.

Over the last year the portfolio has generated a 20.24% return and underperformed the index by 4.33%.

The **Top Contributors** were Stockland Corp Ltd +6.69%, Scentre Group +5.58%, and SPDR S&P/ASX 200 Listed Property ETF +3.48%. The **Top Detractors** were Goodman Group +1.70% and BWP Trust +2.87%.

VIP Property Securities - Portfolio Holdings

Portfolio Date: 30/06/2016



VIP Property Securities - Holdings

Portfolio Date: 30/06/2016

	Ticker	Dividend Yield % TTM
SPDR S&P/ASX 200 Listed Property ETF	SLF	
BWP Trust	BWP	4.49
Stockland Corp Ltd	SGP	5.00
Goodman Group	GMG	3.32
Scentre Group	SCG	3.98

Fixed Interest Portfolio

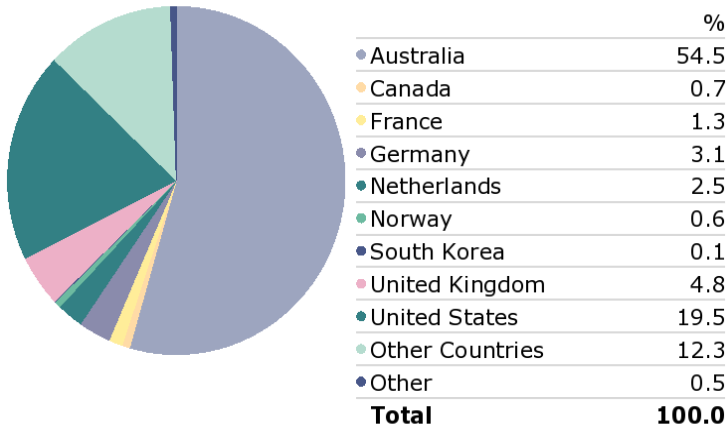
The VIP Fixed Interest portfolio generated a 0.57% return for the month and 2.50% over the last 3 months. This was against the Bloomberg AusBond Composite index return of 1.33% over the month and 2.87% over the quarter.

The portfolio underperformed the index by 0.76% over the month, and underperformed the index 0.37% over the last 3 months.

The **Top Contributor** was RBA Bank accepted Bills 30 Days +2.24%. **Top Detractors** were Bentham Wholesale Global Income -1.51%, Realm High Income +0.25%, and BT Pure Alpha Fixed Income +1.61%.

VIP Fixed Interest - Country Exposure

Portfolio Date: 30/06/2016



VIP Fixed Interest Portfolio - Income Yield

Portfolio Date: 30/06/2016

	Income Return 1 Yr (Mo-End)
iShares Core Composite Bond (AU)	3.52
Realm High Income	3.55
Bentham Wholesale Global Income	4.21
BT Pure Alpha Fixed Income	1.06
RBA Bank accepted Bills 30 Days	

Property Securities Portfolio Adjustments:

The *VIP Investment Committee* made no adjustments to the portfolio in June.

Fixed Interest Portfolio Adjustments:

The *VIP Investment Committee* made no adjustments to the portfolio in June.

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