

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

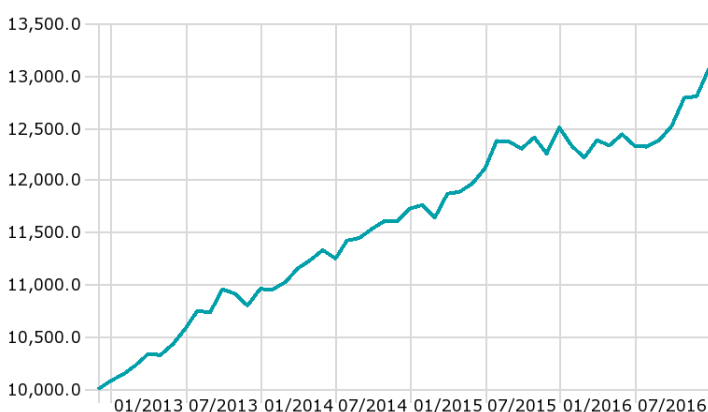
The VIP Conservative portfolio generated a 2.26% return pre-fees in July, and 4.83% return pre-fees in the quarter.

Over the last year the portfolio has generated a 6.01% return pre-fees and over 3 years 7.52%.

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 31/07/2016



—VIP Conservative Investment

Trailing Returns

As of Date: 31/07/2016

	1 Month	3 Month	6 Month	1 Year	2 Years	3 Years	4 Years	Since Inception
VIP Conservative	2.26	4.83	6.80	6.01	7.03	7.52	8.19	8.29
VIP Conservative Investment	2.15	4.47	6.08	4.58	5.60	6.08	6.74	6.81
VIP Conservative Super-Pension	2.19	4.62	6.37	5.16	6.18	6.66	7.32	7.43
VIP Conservative Composite Index	2.44	5.25	8.22	7.64	7.72	8.05	8.23	8.68

Tactical Asset Allocation

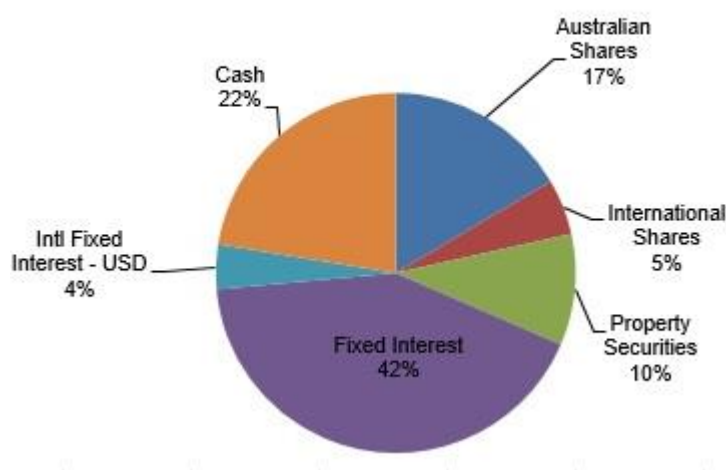
The VIP Conservative portfolios asset allocation as at 31/07/2016 was as follows:

- Australian Shares 17%
- International Shares 5%
- Property Securities 10%
- Fixed Interest 42%
- International Fixed Interest - US dollars 4%
- Cash 22%

Fixed interest allocation is currently reduced and held in cash as the *VIP Investment Committee* believes this to be a safer method of investing at this time.

Conservative Portfolio TAA

As at: 31/07/2016



Risk vs Return

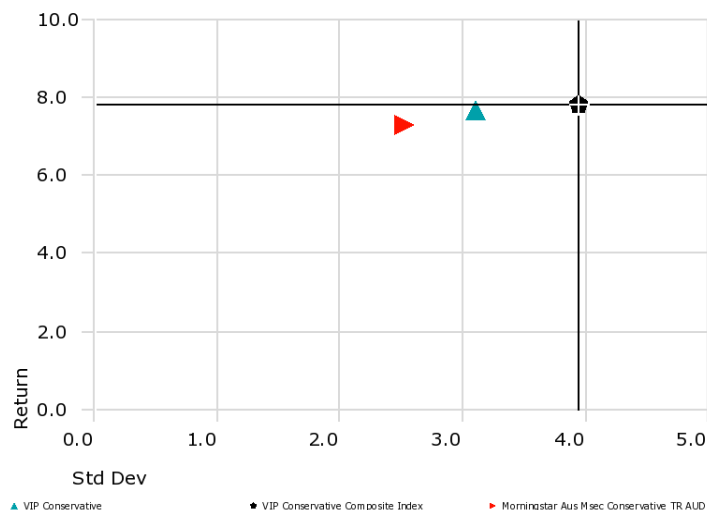
The VIP portfolios aim to reduce volatility, or risk, over the long term and achieve excess returns per unit of risk that is taken compared to our Conservative Composite Index and the Morningstar Multi-Sector Conservative Index.

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

Race to the White House

While it may seem like the US Election has been dragged out for longer than anyone can remember, it can be said that the race is at last heading into its (relatively) final stages, with a 3-month sprint to the oval office ending on the 8th of November. The candidates of the respective parties are very much polar opposites, both in their stance and beliefs as well as their expectation to be candidates in the first place. For the Democrats, former Secretary of State and First Lady Hillary Clinton leads the party as the potential first female president, as was largely expected by political analysts. On the other hand, what was first perceived as a publicity stunt unfolded as a more than serious matter as Donald Trump, business tycoon and former reality show host, claimed the Republican nomination in his bid to 'Make America Great Again.'

Such a matchup makes for a very interesting race, one which will divide and force America's hand in nominating a president who, at the end of the day, will upset a large percentage of the population. Clinton has been deemed untrustworthy and largely unpopular even among Democrat circles, citing the use of a private email account during her time as Secretary of State. Conversely, Trump looms as a dangerous man with dangerous ideals. Furthermore, he has zero political experience and has ridden the wave of citizens angry at the establishment. On this note, gaining the support of certain demographics becomes the main game in the election, with certain groups up for grabs, and others well and truly wrapped around their respective nominees' finger.

It has been recognised by Clinton's party that this race may be won or lost in the white women sector, in particularly the white, suburban, married woman. While some of this sector believe Clinton to be untrustworthy, Clinton will be hoping for a percentage of their vote due to an indifference towards her opposed to a repulsion of Trump. Part of Clinton's "winning white women" strategy must include reaching out to Republican women who are disenchanted with their Republican nominee. As it stands, she has a 2% lead in white females according to Gallup.

On the contrary, the white male population is largely in Trump's corner, with a 24% lead on Clinton. She, according to Gallup's poll, is disliked by 25% of white males, whereas 49% of white males are favourable of Trump. It is known that this is the group most likely to hurt Clinton in her bid to the White House, particularly the group that includes white males without a college degree. It is common knowledge that Trump appeals to average working class man who feels he has been hard done by, with a Washington Post analysis concluding that Trump's support skewed male, white, and poor.

Mentioning college degrees, it is important to note that this also becomes a predominant factor in determining votes. Trump's support by white non-college graduates exceeds Clinton's by 21%, a number that is highly correlated to the white male lead previously mentioned. This can be attributed to the 'battler' Trump appeals to, and it is obvious as to why. Trump's campaign promises to bring jobs back to the American people, a significant promise given that The Hamilton Project has found that the full-time, full-year employment rate of men without a bachelor's degree fell from 76% in 1990 to 68% in 2013. Moreover, while real wages have grown for men and women with a four-year degree or better in the last 25 years, they have fallen for non-college men. Clinton leads Trump by 9% in college graduates.

For obvious reasons, groups classified as minorities (i.e. African American, Hispanic, Asian, Muslim, Jewish) are all very much in favour of Clinton, simply because Trump has said enough to lose their vote, and generally appears to be racially insensitive, according to Republican campaign veterans. Furthermore, Clinton has the support of the LGBT community with a 36% lead on Trump in this area.

From an investment perspective, each nominee would make for a turbulent time on the share markets. With Clinton wanting to raise the company tax rate, Wall St and those alike may be forced into voting for Trump. In contrast, the difference between what Trump says and what he will actually do is the unknown, and that in itself is a scary thought. Either way, the next 3 months will no doubt hold more than a few surprises on the road to the White House.

Source NY Times, Washington Post, The Guardian, Washington Times

Australian Shares Portfolio

The VIP Australian Share Leaders portfolio generated a 6.46% return for the month and 11.41% over the last 3 months. The portfolio outperformed the S&P/ASX 100 index in July by 0.34% and outperformed by 4.86% over the quarter.

Over the last year the portfolio has generated a 7.15% return pre-fees outperforming the ASX 100 index by 6.00%.

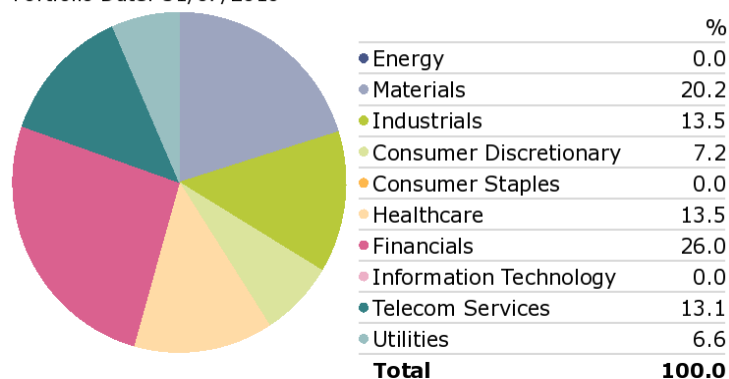
The **Top 3 Contributors** for the month were Aristocrat Leisure Ltd +15.51%, Boral Ltd 10.45%, and Ramsay Health Care Ltd 9.80%; and the **Top 3 Detractors** for the month were Bank of Queensland -0.28%, Telstra Corp Ltd +3.78%, and DuluxGroup Ltd 5.06%.

VIP Australian Share Leaders - Holdings

	Ticker	Dividend Yield % TTM
RBA Bank accepted Bills 90 Days		
Aristocrat Leisure Ltd	ALL	1.25
Boral Ltd	BLD	4.26
Ramsay Health Care Ltd	RHC	2.04
Brambles Ltd	BXB	2.45
James Hardie Industries PLC DR	JHX	2.00
Sydney Airport	SYD	3.79
TPG Telecom Ltd	TPM	1.47
Australia and New Zealand Banking Group Ltd	ANZ	9.35
CSL Ltd	CSL	1.79
Westpac Banking Corp	WBC	8.72
Spark Infrastructure Group	SKI	4.70
Bendigo and Adelaide Bank Ltd	BEN	9.06
DuluxGroup Ltd	DLX	4.58
Telstra Corp Ltd	TLS	7.91
Bank of Queensland Ltd	BOQ	10.15

VIP Australian Share Leaders - Equity Sectors

Portfolio Date: 31/07/2016



Australian Shares Portfolio Adjustments:

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

International Shares Portfolio

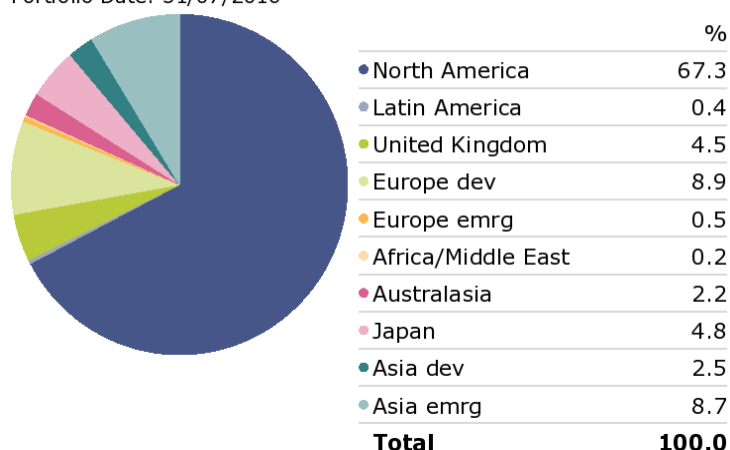
The VIP International share portfolio generated a 2.92% return for the month and 3.84% over the last 3 months. In doing so the portfolio outperformed the MSCI World Ex Aus (AUD) index in July by 0.92% and underperformed over the last 3 months by 0.16%.

Over the last year the portfolio has generated a -4.80% return and underperformed the index by 0.87%.

The **Top Contributors** were Platinum International Fund +3.36%, and Magellan Global +2.86%. The **Top Detractors** were and Morpich Global Opportunities +1.63%, and Vanguard US Total Market Shares ETF +1.85%.

VIP International - Equity Regional Exposure

Portfolio Date: 31/07/2016



VIP International - Holdings

Portfolio Date: 31/07/2016

	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
Morpich 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 July.

Property Securities Portfolio

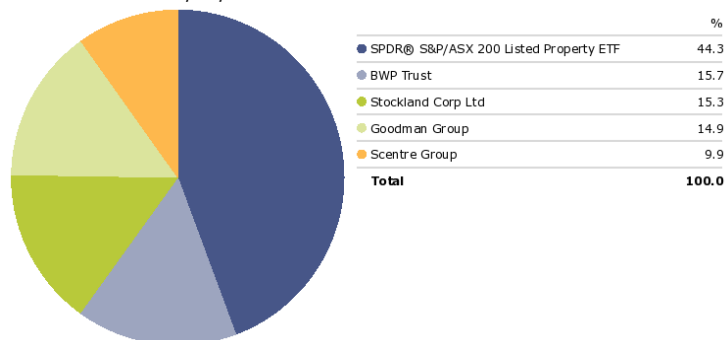
The VIP Property Securities portfolio generated a 5.64% return for the month and 12.50% over the last 3 months. The portfolio outperformed the S&P/ASX 200 A-REIT index during the month by 0.22%, and over the quarter by 0.47%.

Over the last year the portfolio has generated a 19.81% return and underperformed the index by 4.41%.

The **Top Contributors** were Scentre Group +7.72%, Stockland Corp Ltd +7.01%, and Goodman Group +6.05%. The **Top Detractors** were BWP Trust +5.22%, and SPDR S&P/ASX 200 Listed Property ETF 5.31%.

VIP Property Securities - Portfolio Holdings

Portfolio Date: 31/07/2016



VIP Property Securities - Holdings

Portfolio Date: 31/07/2016

	Ticker	Dividend Yield % TTM
SPDR® S&P/ASX 200 Listed Property ETF	SLF	
BWP Trust	BWP	4.60
Stockland Corp Ltd	SGP	5.01
Goodman Group	GMG	3.24
Scentre Group	SCG	4.06

Property Securities Portfolio Adjustments:

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

Fixed Interest Portfolio

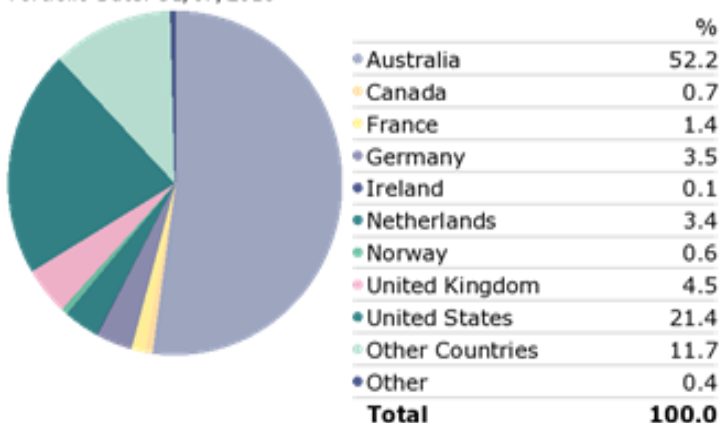
The VIP Fixed Interest portfolio generated a 0.92% return for the month and 2.77% over the last 3 months. This was against the Bloomberg AusBond Composite index return of 0.74% over the month and 3.35% over the quarter.\

The portfolio outperformed the index by 0.18% over the month, and underperformed the index 0.58% over the last 3 months.

The **Top Contributor** was RBA Bank accepted Bills 30 Days +2.43% and Bentham Wholesale Global Income +1.67%. **Top Detractors** were, BT Pure Alpha Fixed Income -0.15%, iShares Core Composite Bond (AU) +0.70%, and Realm High Income +0.71%.

VIP Fixed Interest - Country Exposure

Portfolio Date: 31/07/2016



VIP Fixed Interest Portfolio - Income Yield

Portfolio Date: 31/07/2016

	Income Return 1 Yr (Mo-End)
iShares Core Composite Bond (AU)	3.07
Realm High Income	3.60
Bentham Wholesale Global Income	4.59
BT Pure Alpha Fixed Income	1.06
RBA Bank accepted Bills 30 Days	

Fixed Interest Portfolio Adjustments:

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

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