

Investment Objective

The **VIP Fixed Interest Portfolio** aims to provide a high level of income over the medium to long term through investment in a diversified portfolio of Australian fixed income securities including Government and Semi Government Bonds, Managed Funds, Term Deposits and Cash.

The portfolio invests in 4 to 10 fixed income securities including Government and Semi Government Bonds, Managed Funds, Term Deposits and Cash that are managed with a bottom up approach while taking top down economic considerations into consideration.

Performance Review

The VIP Fixed Interest portfolio generated a 0.06% return pre-fees in March, and a 0.95% return pre-fees for the 3 months to 31/03/2013.

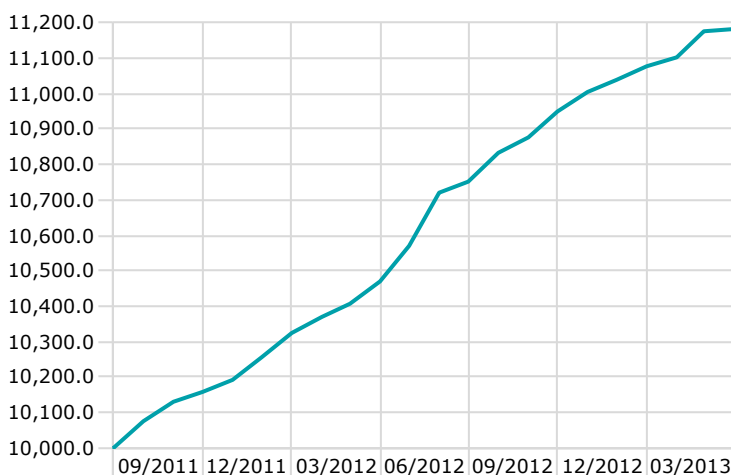
Over these periods the fixed interest index, the UBS Composite index, generated -0.20% and 0.16% respectively.

Over the last year the portfolio has generated a 6.79% return pre-fees.

The post-fees returns for the *Investment* and *Superannuation & Pension* portfolios are shown in the table below.

Investment Growth

Time Period: 30/06/2011 to 31/03/2013



—VIP Fixed Interest

Trailing Returns

As of Date: 03/31/2013

	1 Month	3 Month	6 Month	1 Year	Since Inception
VIP Fixed Interest	0.06	0.95	2.12	6.79	6.57
VIP Fixed Interest Investment	-0.06	0.61	1.44	5.36	5.15
VIP Fixed Interest Super-Pension	-0.01	0.75	1.72	5.94	5.73
UBS Composite 0+ Yr TR AUD	-0.20	0.16	0.37	7.04	8.93

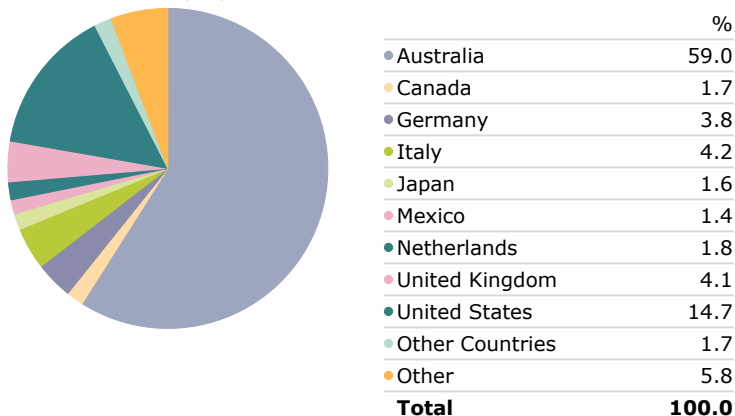
Portfolio Exposure

The portfolio is mainly allocated across Australian fixed interest securities with the next dominant region being the US.

Across these regional markets the portfolio holds approximately 31.7% Government bonds, 31.3% Corporate bonds, and 22.8% Cash and Cash Equivalents.

VIP Fixed Interest - Fixed-Inc Country Exposure

Portfolio Date: 31/03/2013



**Month in Review - Economic & Market Commentary**

Growth assets have continued their good performance in March albeit with interruptions from Europe in terms of the Italian election and Cyprus debt fears. Share markets have continued to rise during the month off the back of positive economic news.

The US economy continues to improve with positive jobs data announced in February and a larger fall in the unemployment rate than expected. Retail sales have also been stronger as the US consumer is more confident and therefore happy to spend.

Europe continues to be the thorn in the side of the global economic recovery story with the mis-managed Cyprus debt situation causing short term losses in share markets globally. One of the fears of the Cyprus recovery plan to tax high bank deposits is that it could cause a Europe wide run on banks and stretch the financial stability of many intertwined EU banks. Luckily this has not eventuated.

Chinese economic news has also been mixed with the authority's concerned about speculation in the housing sector. They are introducing measures such as capital gains taxes to slow down the property sector, and the concern is that stronger initiatives to slow the property sector could have an impact on other related industries such as manufacturing. Chinese businesses, however, are not concerned with the latest business sentiment figures pointing to a positive 2013-14.

Similarly, the Australian economy is grappling with the absence of the mining sector to fuel the nation's economy. The S&P/ASX 300 Materials index has fallen over the year to date whereas the Industrials, Financials, Consumer Staples, Consumer Discretionary, and IT sector indices are all in positive territory. It seems, however, that the economy is taking the mining sector weakness in its stride with surprising jobs growth data announced in February and consequently positive consumer sentiment figures off the back of this jobs growth.

Australian businesses do not share this positive sentiment, however, as shown by the February NAB business survey. It seems the high AUD, in-activity of the Reserve Bank to cut interest rates, and the noise our politicians are making in an election year is taking its toll.

Portfolio Holdings & Adjustments**VIP Fixed Interest - Holdings**

Portfolio Date: 31/03/2013

	Portfolio Weighting %	Total Ret 1 Mo (Mo-End)	Total Ret 3 Mo (Mo-End)	Total Ret 6 Mo (Mo-End)	Total Ret 1 Yr (Mo-End)
PIMCO EQT WS Diversified Fixed Interest	43.07	1.70	2.51	3.39	10.15
Schroder Fixed Income	42.97	1.40	1.77	2.10	7.49
Aberdeen Australian Floating Rt Inc	13.96	0.46	1.00	2.02	4.24

Performance Contributors & Detractors, and Portfolio Adjustments

During March the fixed interest index, the UBS Composite index, generated -0.20% return, and all three investments outperformed this index. The PIMCO Diversified Fixed Interest Fund generated a 1.70% gain, followed by the Schroder Fixed Income gained 1.40% and the Aberdeen Floating Rate Note generated a 0.46% gain during the month.

The *VIP Investment Committee* did not make any changes to the Fixed Interest portfolio in March.

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