

Investment Objective

The aim of the **VIP Property Securities Portfolio** is to provide investors with tax advantaged income and long term capital growth from investment in an actively managed, concentrated portfolio of property and property related companies and trusts listed on the ASX.

The portfolio invests in 4 to 10 Australian Real Estate Investment trusts (A-REITs) listed on the S&P/ASX 200 A-REIT Accumulation index that have been selected via a Quantitative and Qualitative screening process. This process aims to short list companies that are transparent and easy to understand, run by good management, priced below their valuation, &, display attractive growth prospects.

Performance Review

The VIP Property Securities portfolio generated a -3.00% return pre-fees in May, and a +2.73% return pre-fees for the 3 months to 31/05/2013.

Over these periods the S&P/ASX 200 A-REIT index generated -3.72% and +1.43% respectively.

Over the last year the portfolio has generated a 35.80% return pre-fees and outperformed the S&P/ASX 200 A-REIT index over the last year and since inception by 4.99% and 10.24% respectively.

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 31/05/2013



-VIP Property Securities

Trailing Returns

As of Date: 05/31/2013

	1 Month	3 Month	6 Month	1 Year	Since Inception
VIP Property Securities	-3.00	2.73	19.22	35.80	20.70
VIP Property Securities Investment	-3.11	2.38	18.42	33.98	19.35
VIP Property Securities Super-Pension	-3.06	2.53	18.74	34.72	20.01
S&P/ASX 200 A-REIT TR	-3.72	1.43	12.77	30.81	10.46

Performance Contributors & Detractors

The **Top Contributors** for the month were Bunnings Warehouse Property Trust +3.31%, Cromwell Property Group -0.95%, and SDPT S&P/ASX 200 Listed Property Fund -3.71%.

And the **Top Detractors** were Stockland -5.68%, and Commonwealth Office Property Trust -5.17%.



Month in Review - Economic & Market Commentary

In a recent blog post on our website www.vipim.com.au we discuss the recent market volatility and highlighted the fact that the market is falling upon any announcement, expectation, or rumour that the US Federal Reserve (US Fed) will stop printing money.

The reasons, we explained, that the US Fed would stop the Quantitative Easing program were due to an improvement of the US economy based on the rationale that a stronger US economy will not require the support of the central bank.

Is the US Economy improving? As we've reported over recent months US economic trends are all positive. In May we again saw increases in house prices, mortgage applications, pending home sales, consumer confidence and improved manufacturing conditions. And many other major economies followed the suit with increases in European business and consumer confidence, Japanese household spending, industrial and manufacturing activity, Chinese manufacturing activity, and Korean industrial production and exports.

The Australian economy, on the other hand, is not seeing these same improvements with weak business investment and construction activity and subdued private credit growth. If Australian households don't spend and borrow businesses won't invest, ramp up production, and hire more staff. Hopefully some political stability, certainty, and vision post the September election will help our economy strengthen from this position.

So it seems that the volatility may be here to stay until there is some certainty around the US Fed's timetable to slow, and eventually stop, stimulus. However, although the current volatility will re-rate the markets prices for a post-US money printing world the engine rooms of the global economy seem to be heading in the right direction to support strengthening company profits and share prices going forward.

In the meantime the VIP Investment Committee is taking defensive positions by allocating to greater dividend paying blue-chip companies, by significantly selling bond exposure due to the continued global government bond crash concerns, and by allocating the portfolio for an expected fall in the Australian dollar as we are seeing at present.

Portfolio Holdings & Adjustments

VIP Property Securities - Holdings

Portfolio Date: 31/05/2013

	Ticker	Total Ret 1 Mo (Mo-End)	Total Ret 3 Mo (Mo-End)	Total Ret 1 Yr (Mo-End)	Dividend Yield % TTM
SPDR S&P/ASX 200 Listed Property Fund	SLF	-3.71	1.37	30.27	
Cromwell Property Group	CMW	-0.95	12.57	56.54	5.66
Commonwealth Property Office Fund	CPA	-5.17	-1.35	41.81	30.25
BWP Trust	BWP	3.31	5.93	37.45	2.15
Stockland Corporation Limited	SGP	-5.68	-2.93	17.29	2.57

Property Securities Portfolio Adjustments:

The *VIP Investment Committee* did not make any changes to the Property Securities portfolio in May.

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Source: Morningstar Direct