

Investment Objective

The **VIP International Portfolio** aims to provide long term capital growth by investing in a diversified portfolio of International assets. The portfolio actively invests in 2 to 5 managed funds, Exchange Traded Funds (ETF's), or Listed Investment Companies (LIC's) that provide diversified exposure to international share markets.

Underlying managers are selected by the VIP Investment Committee by undergoing due diligence into the managers People, Investment Processes, and Investment Performance; and selecting managers that provide investment sector, style, and geographical diversification.

Performance Review

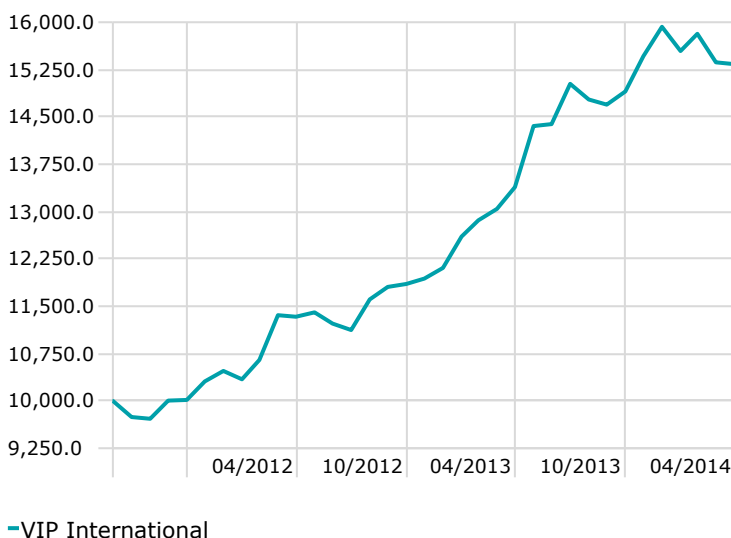
The VIP International share portfolio generated a -0.18% return for the month and -1.33% over the last 3 months. In doing so the portfolio underperformed the MSCI World Ex Aus (AUD) index in April by 1.21%, but underperformed over the last 3 months by 1.14%.

Over the last year the portfolio has generated a 14.56% return and underperformed the index by 16.91%; however, since inception the portfolio has outperformed the index by 6.89%.

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 30/04/2014



Trailing Returns

As of Date: 30/04/2014

	1 Month	3 Month	6 Month	1 Year	2 Years	Since Inception
VIP International	-0.18	-1.33	2.91	14.56	16.34	16.28
VIP International Investment	-0.29	-1.66	2.22	13.02	14.78	14.74
VIP International Super-Pension	-0.25	-1.53	2.50	13.65	15.42	15.37
MSCI World Ex Australia NR AUD	1.03	-0.19	8.84	31.47	23.88	9.39

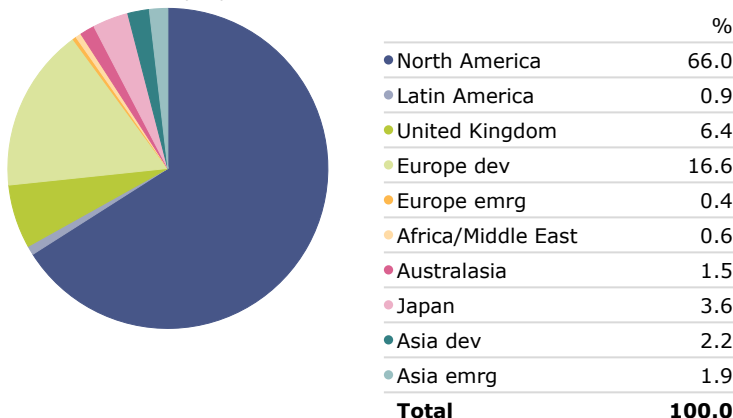
Portfolio Exposure

The portfolios regional exposure is dominated by North American and developed Europe holdings as these are the lower risk sectors of the international markets.

The portfolio also includes an allocation to emerging markets with exposure to developed and emerging Asian countries and South America. However, this exposure has recently been reduced due to the market and economic stress these emerging markets are experiencing at present.

VIP International - Equity Regional Exposure

Portfolio Date: 30/04/2014



Month in Review - Economic & Market Commentary

Have you ever been to a restaurant looking for an impressive meal that could arouse your senses and fill your insides with flavour to unfortunately be served a meal that was good... but could have been better? Well this is essentially how the global economies and markets have been performing for the most part of 2014. The technical term for this could be "So-So".

The share markets have been moving in a positive trajectory however this has been in a zig-zag manner. The MSCI World Index has been up 0.9% in local currency terms with the US market (S&P 500) up 1.6%, European shares (FTSEurofirst 300) up 3.4%, and UK markets (FTSE 100) up 1.6%, and the Japanese markets (Nikkei) dragging the index down with a 13.5% loss in the calendar year to date.

Domestically Australian shares (ASX 200) are up 2.4% for the year to date dragged down by poor demand for resources by China seeing the Materials sector decline by 1.6%, and low consumer confidence leading to a 1.4% decline in consumer discretionary spending.

Similarly, Australian property securities have been positive with a strong recent push driving prices up 7.9% with added yields of 1.2% year to date.

As you can see excluding the Australian property securities sector returns have been good, but not great... or So-So.

Returning to my restaurant analogy, now that the "So-So" entrées and mains have come and gone we sit and hope that dessert will knock our socks off. Unfortunately we're looking at more of the same with leading business indicators not pointing to an overly positive outlook.

In Australia Treasury in its Budget documents indicated that corporate profits will have very little growth, if not flat-line, in the 2014-15 year and are expected to have modest growth in the years to come to 2018. Similarly, from a commercial property perspective NAB's March survey shows that the sector is facing falling rents where landlords are having to offer sweeteners to attract and retain tenants. This outlook for shares and property securities may set a ceiling in share and security prices for the immediate future.

Globally business activity data looks a little more promising with commentators predicting 2.5% global growth, which should support further share prices rises. US data has been positive with manufacturing rebounding from a bad northern hemisphere winter and good jobs data. The UK is also poised for attractive growth as it comes out of a period of austerity and spending cuts. Unfortunately outside of Germany the rest of Europe is still in a no-growth period with the 2nd and 3rd largest EU economies, France and Italy, experiencing zero to negative growth over the last quarter.

And the Japanese money-printing exercise seems to be working in relation to turning around Japan's deflation concerns, but is not translating into the growth outcomes that are expected considering the sheer size of their stimulus program.

This leaves China, the elephant in the room. Although forecasters are predicting a high 7% growth rate for the year there is a significant amount of concern about shocks that can hit the Chinese and global economy from China's financial & banking sector and a slowdown of China's property boom.

Source: Prepared with the help of our research partners Morningstar Australia.

Portfolio Holdings & Adjustments

VIP International - Holdings

Portfolio Date: 30/04/2014

	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)
Magellan Global	42.39	-0.33	-1.30	7.61	26.37
Vanguard US Total Market Shares (AU) ETF	33.00	0.09	-0.82	10.14	35.18
Vanguard All-World Ex US Shares (AU) ETF	24.61	0.73	0.20	4.59	22.09

Performance Contributors & Detractors, and Portfolio Adjustments

There were no **Contributors** for the month above the index return; and the **Top Detractors** were the Magellan Global Fund -0.33%, Vanguard Total Market Shares ETF +0.09%, Vanguard All World Ex-US ETF +0.73%.

The *VIP Investment Committee* did not make any changes to the International Shares portfolio in April.

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Source: Morningstar Direct