

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

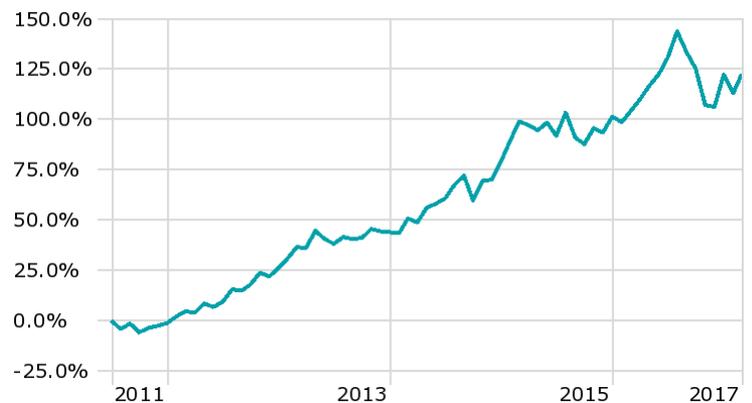
The VIP Property Securities portfolio generated a 4.41% return for the month **pre-fees** and 7.93% over the last 3 months. The portfolio outperformed the S&P/ASX 200 A-REIT index during the month by 0.26%, and over the quarter by 2.08%.

Over the last year the portfolio has generated a 9.04% return and outperformed the index by 1.16%.

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

Investment Growth

Time Period: 1/07/2011 to 28/02/2017



—VIP Property Securities

Trailing Returns

As of Date: 28/02/2017

	1 Month	3 Month	6 Month	1 Year	2 Years	3 Years	4 Years	5 Years	Since Inception
VIP Property Securities PRE-FEES	4.41	7.93	-4.65	9.04	5.73	13.84	12.97	16.27	15.13
Net VIP Property Securities Investment	4.30	7.58	-5.28	7.58	4.31	12.32	11.46	14.71	13.57
Net VIP Property Securities Super-Pension	4.34	7.72	-5.02	8.17	4.89	12.94	12.07	15.34	14.20
S&P/ASX 200 A-REIT TR	4.15	5.85	-5.90	7.88	7.13	15.82	12.71	16.58	6.04

Portfolio Holdings

VIP Property Securities - Holdings

Portfolio Date: 28/02/2017

	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)	Dividend Yield % TTM
SPDR® S&P/ASX 200 Listed Property ETF	44.83	4.30	5.95	-5.82	7.68	
Goodman Group	16.59	9.10	14.93	1.15	20.15	3.28
Stockland Corp Ltd	16.11	8.51	11.92	-0.08	19.16	5.31
BWP Trust	13.13	-2.40	0.89	-9.66	-6.76	6.02
Scentre Group	9.34	1.79	5.63	-9.88	4.93	5.17

Green Gold: Medical Marijuana

For decades, the subject of medical marijuana has long been a contentious topic. However, after years of campaigning from patients who have received relief from the drug despite obtaining it on the black market, the Federal Government has made legal the cultivation and manufacturing of medical marijuana in Australia in November 2016. Although now legal to produce for medicinal purposes, distribution of the cannabis plant is regulated by each state.

For example, Queensland has from this month allowed specialists to prescribe dosage to patients of diseases including MS, epilepsy, cancer, and HIV/AIDS given that they can prove marijuana could be beneficial. NSW will only prescribe for life-ending illnesses, although not to children. Victoria on the other hand will be able to give access to children with severe epilepsy, while the ACT aims to increase education sources for doctors through legislation that is expected later this year. Tasmania is still developing legislation, but Western Australia has fully embraced federal legislation, meaning doctors in the state are able to prescribe medical marijuana under strict conditions.

What this all means is that the seedlings of change have been sowed for the dynamic of the healthcare sector. It is important to note first that medical marijuana doesn't necessarily define as the stereotype of the drug – much of the remedial properties are achieved via the extraction of oil as opposed to smoking, meaning that recipients can relieve pain without getting high. As this becomes more apparent to the wider public, negative connotations will decrease and a greater level of research will be conducted across the sector. If proven effective and non-harmful, which early studies from the USA suggest, medical marijuana will continue its rise in society and could very possibly one day reside next to more artificial painkillers such as opioids in the pharmaceutical market.

Going by this logic, one would assume that not only would current medical marijuana companies continue to gain traction in the industry, but mainstay pharmaceutical giants would also take a vested interest in the drug given that it could not only become its competitor, but also a potential product one day. This concept is very much based on the fact that research will now vastly increase now that marijuana is legal in some form. While the common consensus would suggest that for a pharma giant to release a product in the near term would be detrimental to their name given that there still exists a stigma in society, it wouldn't be ridiculous to think that one day in the future, a medical marijuana product is offered by the larger pharmaceutical companies.

There is also the train of thought that pharmaceutical companies would widely oppose such developments in legislation. This concept is boosted by the findings of a research conducted in the USA released last year in the journal 'Health Affairs,' which found that in the 17 medical marijuana states in 2013, "the average doctor prescribed 265 fewer doses of antidepressants each year, 486 fewer doses of seizure medication, 541 fewer anti-nausea doses and 562 fewer doses of anti-anxiety medication." From this information, one would conclude that the medication not only works, but is a viable substitute for more harmful and addicting opioid-based painkillers.

Of course, since the legislation was passed by the federal government, Medical Marijuana companies listed on the ASX enjoyed a significant rise. In announcing last month that the government planned to increase supply and relax importation laws, medical marijuana companies' stock rose up to 24% in one day's trading. To think where the industry is in a decade is truly one of speculation and wonder.

Sources: SMH, Washington Post, ABC

Portfolio Holdings & Adjustments

Performance Contributors & Detractors:

Top Contributors were Goodman Group +9.10%, Stockland Corp Ltd +8.51%, and SPDR S&P/ASX 200 Listed Property ETF +4.30%. **Top Detractors** were BWP Trust -2.40%, and Scentre Group 1.79%.

Property Securities Portfolio Adjustments:

In February the VIP Investment Committee made no adjustments to the portfolio.

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