

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

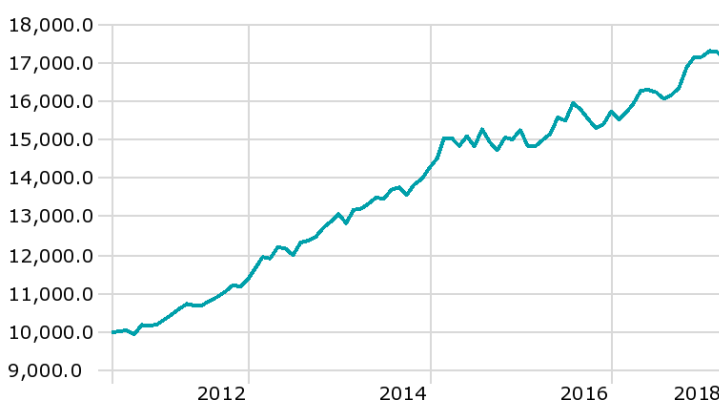
The VIP Conservative portfolio generated a -0.87% return **pre-fees** in March, and 0.14% return pre-fees in the quarter.

Over the last year the portfolio has generated a 8.86% return **pre-fees** and over 3 years 5.83%.

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

Investment Growth

Time Period: 2/07/2011 to 31/03/2018



—VIP Balanced Investment

Trailing Returns

As of Date: 31/03/2018

	1 Month	3 Month	6 Month	1 Year	2 Years	3 Years	4 Years	5 Years	Since Inception
VIP Balanced PRE-FEES	-0.87	0.14	5.45	8.86	8.30	5.83	8.15	8.98	9.83
Net VIP Balanced Investment	-0.98	-0.20	4.75	7.40	6.85	4.41	6.70	7.52	8.36
Net VIP Balanced Super-Pension	-1.00	-0.24	4.65	7.20	6.65	4.21	6.50	7.31	8.16
VIP Balanced Composite Index	-1.17	-1.55	2.98	3.76	7.38	4.17	7.17	8.08	9.08

Tactical Asset Allocation

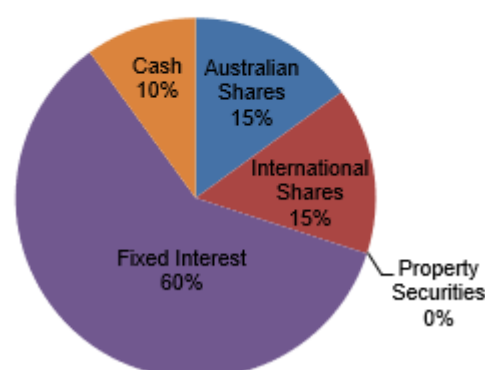
The VIP Conservative portfolios asset allocation as at 31/03/2018 was as follows:

- Australian Shares 15%
- International Shares 15%
- Property Securities 0%
- Fixed Interest 60%
- Cash 10%

The Growth asset allocation (Shares and Property Securities) is currently at the target level of 30%.

Conservative Portfolio TAA

As at: 31/03/2018



Risk vs Return

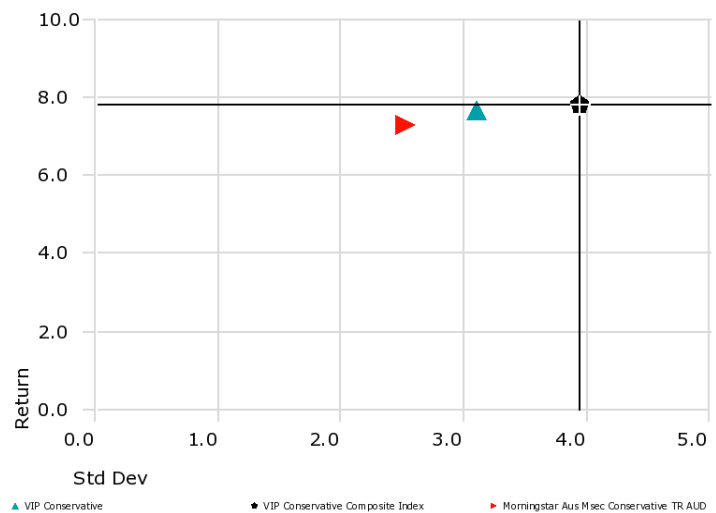
The VIP portfolios aim to reduce volatility, or risk, over the long term and achieve excess returns per unit of risk that is taken compared to our Conservative Composite Index and the Morningstar Multi-Sector Conservative Index.

The chart on the right plots return on the vertical axis against risk (in the form of Standard Deviation) on the horizontal axis. 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

Performance Review

Throughout one of the most volatile starts to a year we have seen in decades, the asset allocation towards International Equities has prevailed as the best performer over the last quarter. Specifically, the Morpheic Global Opportunities fund has been a steady holding of recent times, posting a 0.72% return for the month and a 2.69% return over the quarter. Morpheic, with a slight underweighting to the US compared to the benchmark (MSCI All Countries World Daily Total Return Net Index), has managed to relatively negate the trade war noise coming out of the US, and has shown a preference towards Asia which has been beneficial.

In contrast to International Equities, the Australian Equities allocation has felt the brunt of the year's volatility thus far. Whilst still outperforming the S&P/ASX100 index, the VIP Australian Shares have experienced uncertainty as the market attempts to find its place after an incredible performance in the last quarter of 2017. With Financials making up approximately 40% of the ASX, it is to no surprise that the market experiences such volatility in the midst of the Banking Royal Commission in which some truly appalling practices have been revealed in the big 4 banks. While VIP obviously holds a decent weighting towards financials, this is still only about half of the index and thankfully the effect of the Commission is therefore softened.

Asset Allocation

While growth assets sit at target weight, this is a result of an overweighting of International Equities given the positive economic outlook the world holds at this moment. As a result, property securities have held a zero weighting in the portfolio for a number of months as a result of the Investment Committee's belief that property has enjoyed its run and International Equities have a higher ceiling.

Going Forward

Looking ahead, VIP keeps a keen eye on the Federal Budget on the 8th of May, which will provide the Investment Committee with insight as to how the Government plans to spend the taxpayers' dollars and as such, how we should invest accordingly.

Australian Shares Portfolio

The VIP Australian Share Leaders portfolio generated a -2.67% **pre-fees** return for the month and -1.73% over the last 3 months. The portfolio outperformed the S&P/ASX 100 index in March by 1.23% and outperformed by 2.17% over the quarter.

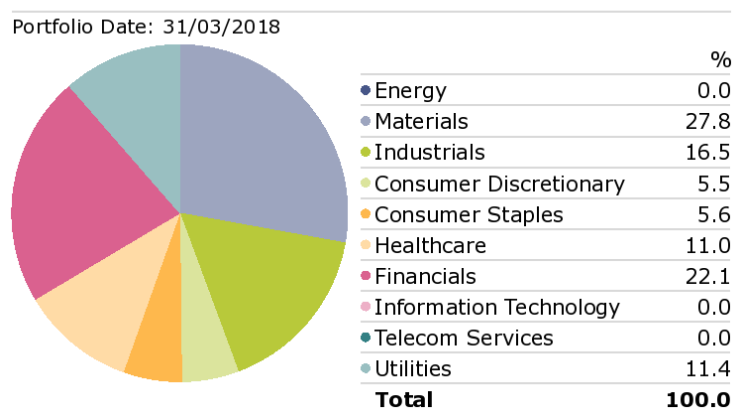
Over the last year, the portfolio has generated an 11.01% return pre-fees outperforming the ASX 100 index by 9.44%.

The **Top Contributors** for the month were Brambles +5.66%, Spark Infrastructure Group +2.33%, and South32 +0.92%. The **Top Detractors** for the month were Challenger -8.41%, ANZ -7.54%, and Westpac Banking -6.99%.

VIP Australian Share Leaders - Holdings

	Ticker	Dividend Yield % TTM
Brambles Ltd	BXB	3.39
James Hardie Industries PLC DR	JHX	1.27
Spark Infrastructure Group	SKI	6.72
Boral Ltd	BLD	4.01
AGL Energy Ltd	AGL	6.66
ResMed Inc DR	RMD	1.28
Treasury Wine Estates Ltd	TWE	2.02
Macquarie Group Ltd	MQG	5.53
Westpac Banking Corp	WBC	9.28
BHP Billiton Ltd	BHP	5.89
Challenger Ltd	CGF	4.44
Aristocrat Leisure Ltd	ALL	1.81
Australia and New Zealand Banking Group Ltd	ANZ	8.55
CIMIC Group Ltd	CIM	3.98
South32 Ltd	S32	5.37
Rio Tinto Ltd	RIO	6.71
CSL Ltd	CSL	1.19
Seek Ltd	SEK	3.39

VIP Australian Share Leaders - Equity Sectors



Australian Shares Portfolio Adjustments:

In March, the VIP Investment Committee sold BTT and bought BLD in order to boost the portfolios holdings in infrastructure.

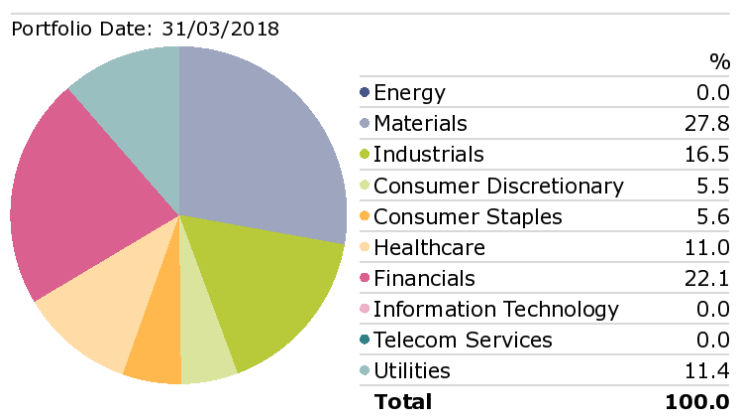
International Shares Portfolio

The VIP International share portfolio generated a -0.50% return for the month **pre-fees** and 1.37% over the last 3 months. In doing so the portfolio outperformed the MSCI World Ex Aus (AUD) index by 0.03% and by 0.58%.

Over the last year, the portfolio has generated a 14.51% return and outperformed the index by 1.20%.

The **Top Contributors** were Morphic Global Opportunities +0.72%, iShares Europe ETF (AU) +0.40%, and AB Global Equities +0.17%. The **Top Detractors** were Magellan Global -1.54%, Platinum International Fund -1.28%.

VIP Australian Share Leaders - Equity Sectors



VIP International - Holdings

	Global Category
Platinum International Fund	Global Equity Large Cap
AB Global Equities	Global Equity Large Cap
Morphic Global Opportunities	Global Equity Large Cap
Magellan Global	Global Equity Large Cap
iShares Europe ETF (AU)	Europe Equity Large Cap
RBA Bank accepted Bills 90 Days	

International Portfolio Adjustments:

In March, the Investment Committee made no changes to the portfolio.

Property Securities Portfolio

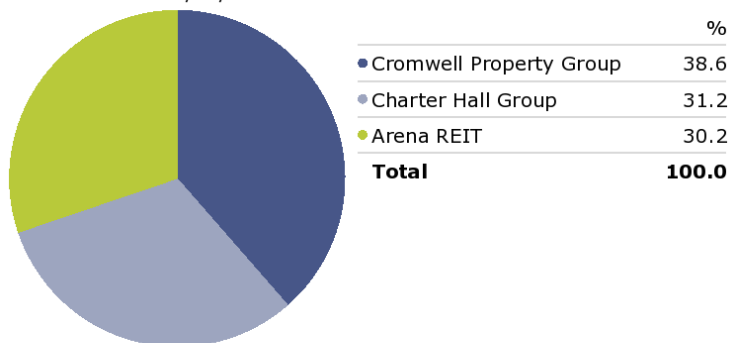
The VIP Property Securities portfolio generated a 0.91% return for the month **pre-fees** and 0.17% over the last 3 months. The portfolio outperformed the S&P/ASX 200 A-REIT index during the month by 0.84%, and over the quarter by 6.57%.

Over the last year, the portfolio has generated a 13.28% return and outperformed the index by 14.05%.

The **Top Contributor** was Cromwell Property Group +8.59%. the **Top Detractors** Arena REIT -4.70%, and Charter Hall Group -2.05%.

VIP Property Securities - Portfolio Holdings

Portfolio Date: 31/03/2018



VIP Property Securities - Holdings

Portfolio Date: 31/03/2018

	Ticker	Dividend Yield % TTM
Cromwell Property Group	CMW	7.84
Charter Hall Group	CHC	5.97
Arena REIT	ARF	5.76

Fixed Interest Portfolio

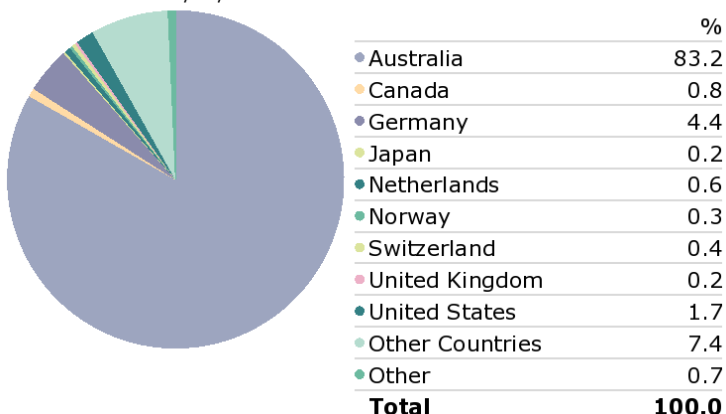
The VIP Fixed Interest portfolio generated a 0.66% return for the month **pre-fees** and 0.88% over the last 3 months. This was against the Bloomberg AusBond Composite index return of 0.84% over the month and 0.87% over the quarter.

The portfolio underperformed the index by 0.18% over the month, and outperformed by 0.01% over the last 3 months.

The **Top Contributor** was iShares Core Composite Bond (AU) 0.80%, and the **Top Detractor** was Realm High Income -0.04%.

VIP Fixed Interest - Country Exposure

Portfolio Date: 31/03/2018



VIP Fixed Interest Portfolio - Income Yield

Portfolio Date: 31/03/2018

	Income Return 1 Yr (Mo-End)
iShares Core Composite Bond ETF	2.33
Realm High Income	2.62

Property Securities Portfolio Adjustments:

In March, the Investment Committee made no changes to the portfolio.

Fixed Interest Portfolio Adjustments:

In March, the Investment Committee made no changes to the portfolio.

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