

Investment Objective

The aim of the **VIP Balanced Portfolio** is to provide investors with a combination of capital growth and income over the medium to long term from investment within a diversified portfolio of growth assets (60% allocation to Australian shares, International shares, and property securities) and defensive assets (40% allocation to fixed interest and cash).

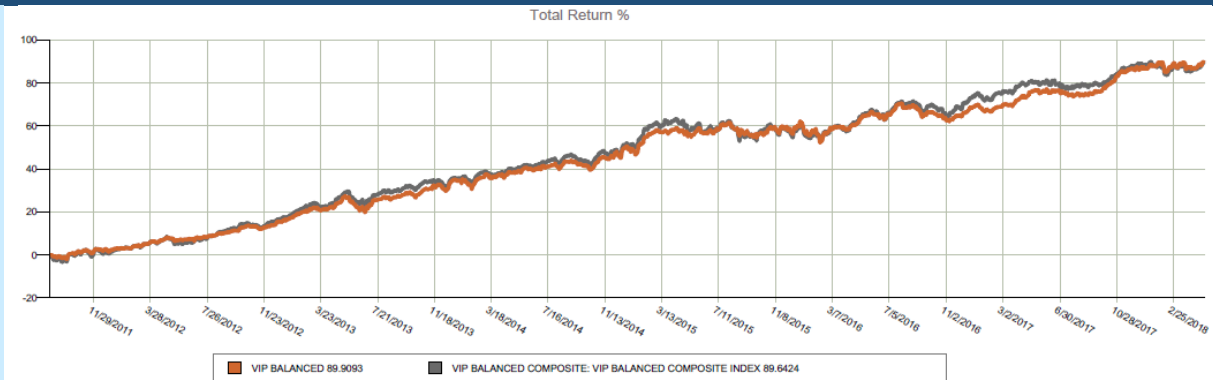
The portfolio is composed of 30 – 60 securities and consists of ASX listed securities, Exchange Traded Funds (ETFs), Listed Investment Companies (LICs), Managed Funds, Government and Semi Government Bonds, Term Deposits and Cash.

Performance Review

The VIP Balanced portfolio generated a 1.35% return **pre-fees** in April, and 0.70% return pre-fees in the quarter.

Over the last year the portfolio has generated a 8.15% return **pre-fees** and outperformed by 3.11%.

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



Trailing Returns

	30/04/2018			
	1 Month	3 Month	6 Month	1 Year
VIP Balanced PRE-FEES	1.35	0.70	3.58	8.15
Net VIP Balanced Investment	1.24	0.36	2.91	6.80
Net VIP Balanced Super-Pension	1.28	0.50	3.18	7.35
VIP Balanced Composite Index	2.13	0.98	2.85	5.04

Tactical Asset Allocation

The VIP Balanced portfolios asset allocation as at 30/04/18 was as follows:

- Australian Shares 30%
- International Shares 29%
- Property Securities 0%
- Fixed Interest 35%
- Cash 6%

Performance - Main View 1

	% End Weight	Tot Rtn 1M	Tot Rtn 3M	Tot Rtn 6M	Tot Rtn 1Y	Total Return YTD (%)
VIP BALANCED	100.00	1.35	0.70	3.58	8.15	1.70
AREITs		0.00	0.00	1.35	9.00	0.00
Australian Equities	30.00	2.08	-0.22	4.67	10.95	0.43
CASHLiquid	5.90	0.16	0.44	0.87	1.75	0.59
Fixed Income	35.00	0.04	0.55	1.08	2.81	0.71
International Equities	29.10	2.49	1.59	5.07	15.00	4.08

Economic Outlook

After an unprecedented amount of volatility in the markets to begin the year 2018, the month of April has seen the bounce in prices expected by the VIP Investment Committee. Although more pronounced in the US, the market bounce in Australia saw stocks such as Aristocrat Leisure (+11.47%) and CSL (+9.58%) have an outstanding month.

Around the world, it appears President Trump has posted a win for his administration with China agreeing to reduce America's trade deficit. The Trump administration aims to cut the deficit by \$200 billion, which will be highly beneficial for US exporters to China, particularly US farmers with China showing a preference towards agricultural products. Given the VIP portfolios in regard to international holdings are predominantly weighted towards the US, this information should bode well for the international assets held by VIP.

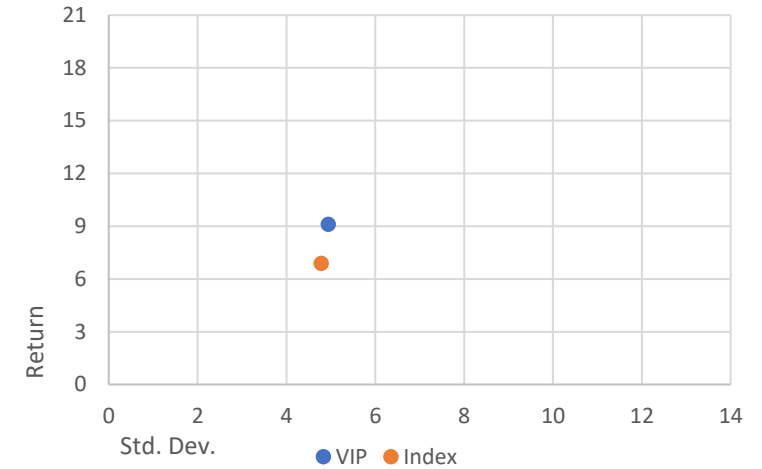
That said, any volatility in the international arena could potentially be blamed on President Trump and his decisions on key economic factors. For one, reneging on the Iran Nuclear Deal not only guarantees more volatility in the Middle East where tensions are forever high as is, but loses the already-waning faith between Trump and the power of Europe, if it was ever there to begin with. Furthermore, withdrawing from the long-awaited summit with North Korea can only spell for uncertainty in the global economy.

Within Europe, while Merkel and Macron (Germany and France respectively) are enforcing sensible policy as the main powers of the continent, Italy is a cause for concern as a result of the populist movement. The populist parties that won the country's elections two months ago have been given the go ahead to form government, hugely threatening the cohesion of the EU. Essentially, with Italian populism comes the promise to safeguard the interest of Italians, which could lead to decisions that are averse to the greater good of the EU.

Closer to home, the Federal Budget released recently is a clear election budget, making promises that bode well for voters. In the meantime, the east coast property market continues to lose heat. To the VIP Investment Committee, the greatest concern currently is credit growth - if the banks tighten lending next year, coupled with a slowing property market, this could lead to negative credit growth next year which may not be factored into the markets. That said, at this point this is simply hypothesising and ensures that the Committee has a keen eye on any movements that may indicate that this concept may come into fruition, enabling us to react swiftly and accordingly.

Going forward, the big question in terms of business is will the Liberal government get their company tax cuts through the senate? Naturally, the posed tax cuts present a giant target of attack for the Labor government, and in an election year, this may seem unwise for the Coalition and has yet to receive strong support from independent parties in the senate with only four confirmed supporters on the senate crossbench.

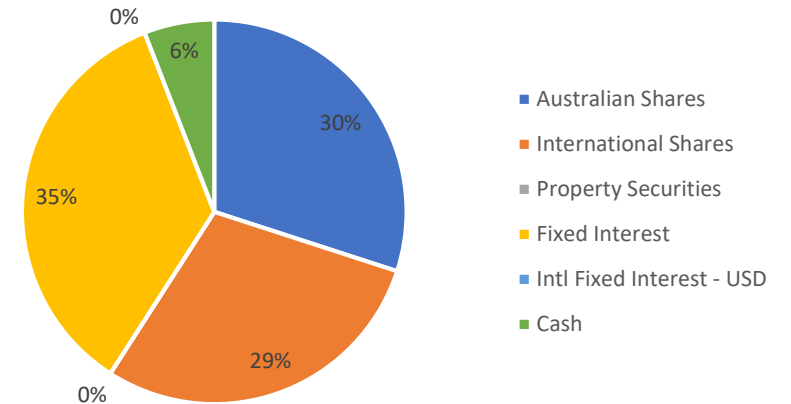
Risk-Reward One Year



Tactical Asset Allocation

Balanced Portfolio TAA

as at: 30/04/18



Australian Shares Portfolio

The VIP Australian Share Leaders portfolio generated a 2.02% **pre-fees** return for the month and 0.10% over the last 3 months. The portfolio underperformed the S&P/ASX 100 index in April by 1.89% and by 0.16% over the quarter.

Over the last year, the portfolio has generated an 9.64% return pre-fees outperforming the ASX 100 index by 5.25%.

The **Top Contributors** were Aristocrat Leisure +11.47% CSL +9.58%, and Treasury Wine Estates +8.85%. The **Top Detractors** were Boral -7.53%, Challenger -6.41%, and Spark Infrastructure -1.67%.

VIP Australian Share Leaders Holdings

	% End Weight
VIP AUSTRALIAN SHARE LEADERS BLEND	100.00
AUST AND NZ BANKING GROUP	2.77
WESTPAC BANKING CORP	2.77
TREASURY WINE ESTATES LTD	5.55
RESMED INC-CDI	5.55
SPARK INFRASTRUCTURE GROUP	5.55
RIO TINTO LTD	5.55
BRAMBLES LTD	5.55
SEEK LTD	5.55
BENDIGO AND ADELAIDE BANK	5.55
ARISTOCRAT LEISURE LTD	5.56
COMPUTERSHARE LTD	5.56
CSL LTD	5.56
AGL ENERGY LTD	5.56
JAMES HARDIE INDUSTRIES-CDI	5.56
BHP BILLITON LIMITED	5.56
BORAL LTD	5.56
SOUTH32 LTD	5.56
CIMIC GROUP LTD	5.56
CHALLENGER LTD	5.56

VIP Australian Share Leaders Equity Sectors

Materials (27.79)
Industrials (16.66)
Financials (16.66)
Health Care (11.11)
Utilities (11.11)
Consumer Discretionary (5.56)
Information Technology (5.56)
Consumer Staples (5.55)

Australian Shares Portfolio Adjustments

In April, the VIP committee reduced the portfolios exposure to the big banks by selling Macquarie Group and half of both ANZ and Westpac. In their place, Bendigo and Adelaide Bank was bought to maintain a holding in financials, as well as Computershare due to their foothold in the US share registry systems.

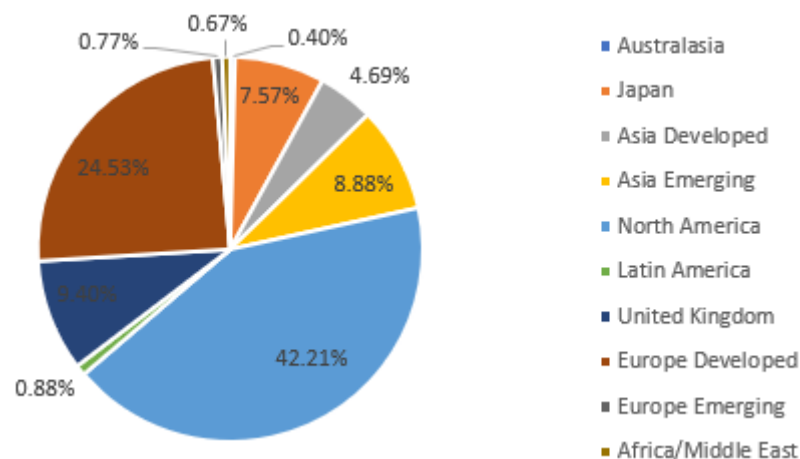
International Shares Portfolio

The VIP International share portfolio generated a 2.24% return for the month **pre-fees** and 1.29% over the last 3 months. In doing so the portfolio underperformed the MSCI World Ex Aus (AUD) index by 0.58% and by 0.68%.

Over the last year, the portfolio has generated a 12.69% return and underperformed the index by 0.33%.

The **Top Contributors** were iShares Europe ETF (AU) +4.62%, and AllianceBernstein Global Equities +2.86%. The **Top Detractors** were Morphic Global +0.91%, Loftus Peak Global Disruption Fund +1.00%, and Magellan Global +1.70%.

VIP International Equity Region Exposure



VIP International Equity Holdings

	% End Weight
VIP INTERNATIONAL	100.00
BBG AUB Bank Bill	5.00
LOFTUS PEAK GLOBAL DISRUPTN	8.00
ISHARES EUROPE -CDI	15.00
PLATINUM INTERNATIONAL FUND	18.00
MORPHIC GLOBAL OPP FD	18.00
MAGELLAN GLOBAL FD	18.00
ALLIANCEBERNSTEIN GLB EQ FD	18.00

International Shares Portfolio Adjustments

The VIP Investment Committee decided to add the Loftus Peak Global Disruption Fund to the portfolio to receive a higher exposure to innovative technologies.

Property Securities Portfolio

The VIP Property Securities portfolio generated a 2.71% return for the month **pre-fees** and 3.92% over the last 3 months. The portfolio underperformed the S&P/ASX 200 A-REIT index during the month by 1.76%, and outperformed over the quarter by 2.82%.

Over the last year, the portfolio has generated a 13.43% return and outperformed the index by 12.40%.

The **Top Detractors** were Cromwell Property Group +1.88%, Charter Hall Group +2.97%, and Arena REIT +3.24%.

Fixed Interest Portfolio

The VIP Fixed Interest portfolio generated a -0.38% return for the month **pre-fees** and 0.65% over the last 3 months. This was against the Bloomberg AusBond Composite index return of -0.35% over the month and 0.79% over the quarter.

The portfolio underperformed the index by 0.03% over the month, and outperformed by 0.14% over the last 3 months.

The **Top Contributors** was Realm High Income +0.30%. The **Top Detractors** was iShares Core Composite Bond -0.61%.

VIP Property Securities Holdings

	% End Weight
VIP PROPERTY SECURITIES	100.00
ARENA REIT	32.00
CHARTER HALL GROUP	32.00
CROMWELL PROPERTY GROUP	36.00

Property Securities Portfolio Adjustments

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

VIP Fixed Interest Holdings

	% End Weight
VIP FIXED INTEREST	100.00
REALM HIGH INCOME FUND-WHL	25.00
ISHARES CORE COMPOSITE BOND	75.00

Fixed Interest Portfolio Adjustments

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

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