

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 Balanced portfolio generated a 0.69% return **pre-fees** in June, and 1.70% return pre-fees in the quarter.

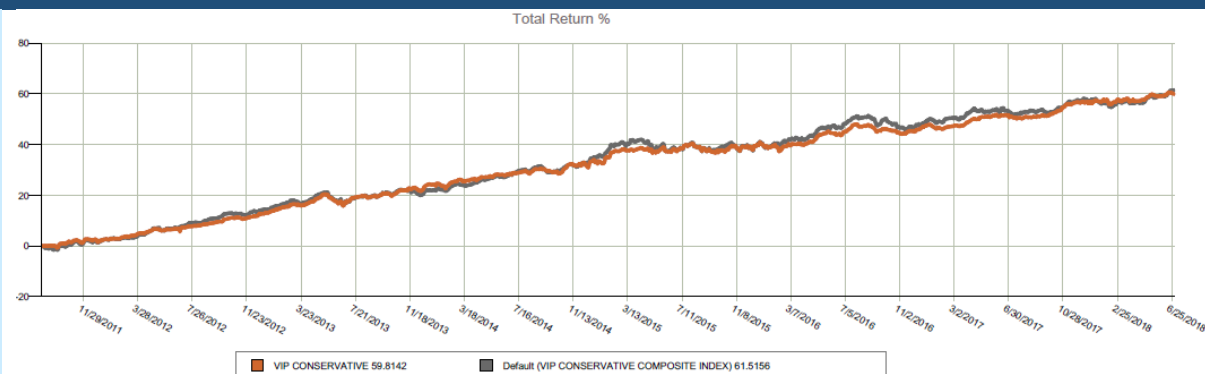
Over the last year the portfolio has generated a 6.16% return **pre-fees** and outperformed by 0.05%.

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

Tactical Asset Allocation

The VIP Conservative portfolios asset allocation as at 30/06/18 was as follows:

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



Trailing Returns

30/06/2018

	1 Month	3 Month	6 Month	1 Year	3 Year	5 Year
VIP Conservative PRE-FEES	0.69	1.70	2.31	6.16	7.57	9.16
Net VIP Conservative Investment	0.62	1.50	1.91	5.36	6.77	8.36
Net VIP Conservative Super-Pension	0.58	1.36	1.64	4.81	6.22	7.81
VIP Conservative Composite Index	1.21	3.24	2.46	6.11	7.85	9.38

	% End Weight	Tot Rtn 1M	Tot Rtn 3M	Tot Rtn 6M	Tot Rtn 1Y	Total Return YTD (%)
VIP CONSERVATIVE	100.00	0.42	1.42	2.03	5.87	2.03
AREITs		0.00	0.00	0.00	5.32	0.00
Australian Equities	14.99	2.63	5.64	3.93	15.61	3.93
CASHLiquid	10.46	0.15	0.49	0.92	1.78	0.92
Fixed Income	60.00	0.34	0.56	1.38	2.77	1.38
International Equities	14.55	-1.37	1.39	2.96	12.57	2.96

Economic Outlook

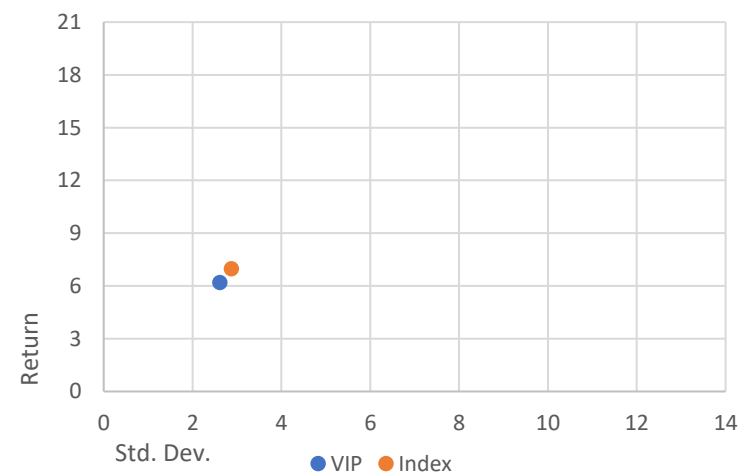
While May saw the largely expected correction in the markets, June brought windfall to the ASX, edging it towards a 10-year high. On the back of this, relative newcomers to the VIP portfolios Computershare and Costa Group Holdings performed well over the month with returns of 6.29% and 4.70% respectively. Moreover, Seek returned 7.97% for June, and is priced at all-time highs for the job matching company.

Outside of Australia, the first shots of the US-China Trade War have been shot after months of discussion, with the US imposing a 25% levy on \$US 34 billion worth of Chinese good entering the US. In retaliation, China implemented tariffs on US products including soybeans, whiskey, and automobiles. These are merely considered to be opening strikes, with threats from President Trump that this could escalate to a final tariff towards \$500 billion, similar to the amount imported by the USA in 2017. With the potential to become the largest trade war in history, it stands that while it is all done under the guise that it brings jobs back to the US, the fact is that such tariffs will push higher prices onto the companies and consumers. Already, iconic American company Harley Davidson has shifted production to Europe to negate the effects of the trade war.

Regarding Europe, Theresa May's cabinet appears to be in disarray, with Brexit Minister David Davis resigning, shortly followed by Foreign Secretary Boris Johnson, who in particular was a prominent campaigner for the Leave vote. Davis leaves after disagreeing with May's vision of a British exit from the European Union, which in her opinion would include plans for close trade and regulatory ties with the EU. Johnson in turn voiced his disappointment with the direction May was taking in negotiations on the terms of Brexit. All in all, a light is shone on the waning trust her own cabinet has in May, and puts a threat on her position as Prime Minister.

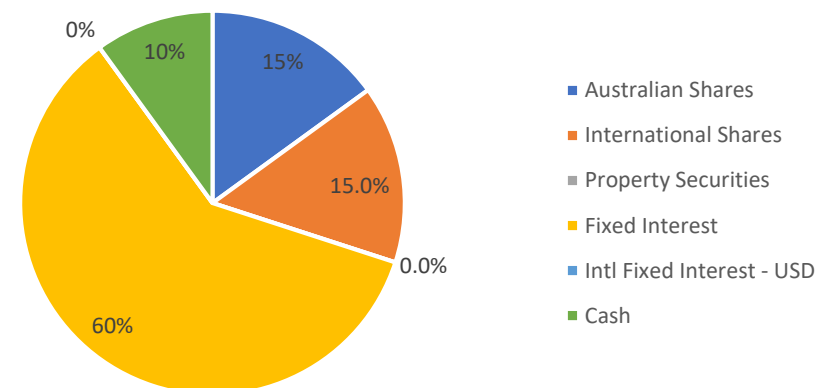
With the larger world power creating waves in the global arena, VIP remains acutely aware to any economic movements that may impact our holdings and as such, watch the political pieces move with keen interest.

Risk-Reward One Year



Tactical Asset Allocation

Conservative Portfolio TAA as at: 30/06/18



Australian Shares Portfolio

The VIP Australian Share Leaders portfolio generated a 2.12% **pre-fees** return for the month and 5.07% over the last 3 months. The portfolio underperformed the S&P/ASX 100 index over the month by 1.34% and underperformed by 3.35% over the quarter.

Over the last year, the portfolio has generated an 13.64% return pre-fees outperforming the ASX 100 index by 1.59%.

The **Top Contributors** were Seek +7.97%, Computershare 6.29%, and Costa Group Holdings +4.70%. The **Top Detractors** were Challenger -8.22%, Seven Group Holdings -4.66%, and South32 -2.96%.

VIP Australian Share Leaders Holdings

	% End Weight
VIP AUSTRALIAN SHARE LEADERS BLEND	100.00
WESTPAC BANKING CORP	3.03
AUST AND NZ BANKING GROUP	3.04
SOUTH32 LTD	5.36
CHALLENGER LTD	5.41
SEVEN GROUP HOLDINGS LTD	5.49
RIO TINTO LTD	5.79
ARISTOCRAT LEISURE LTD	5.82
JAMES HARDIE INDUSTRIES-CDI	5.83
BHP BILLITON LIMITED	5.89
CSL LTD	5.89
RESMED INC-CDI	5.93
BENDIGO AND ADELAIDE BANK	5.97
SPARK INFRASTRUCTURE GROUP	5.97
COSTA GROUP HOLDINGS LTD	6.03
CIMIC GROUP LTD	6.03
COMPUTERSHARE LTD	6.12
AGL ENERGY LTD	6.16
SEEK LTD	6.24

VIP Australian Share Leaders Equity Sectors

Materials (22.86)
Industrials (17.76)
Financials (17.46)
Utilities (12.13)
Health Care (11.82)
Information Technology (6.12)
Consumer Staples (6.03)
Consumer Discretionary (5.82)

Australian Shares Portfolio Adjustments

In June, the VIP Investment Committee made no changes to the portfolio.

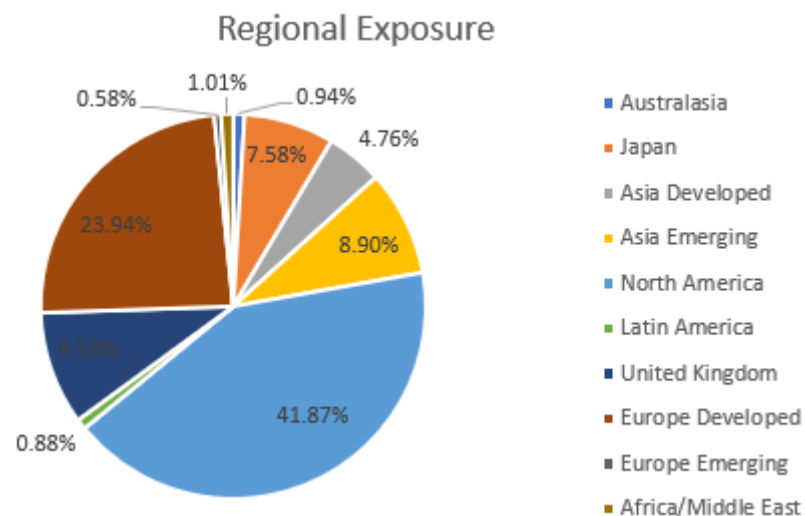
International Shares Portfolio

The VIP International share portfolio generated a 0.54% return for the month **pre-fees** and 3.09% over the last 3 months. In doing so the portfolio underperformed the MSCI World Ex Aus (AUD) index by 1.79% and by 2.44%.

Over the last year, the portfolio has generated a 13.57% return and underperformed the index by 1.82%.

The **Top Contributors** were Magellan Global +2.78%. The **Top Detractors** were Platinum International -2.52%, Morphic -0.32%. iShares Europe +0.32%.

VIP International Equity Region Exposure



VIP International Equity Holdings

	% End Weight
VIP INTERNATIONAL	100.00
BBG AUB Bank Bill	4.95
LOFTUS PEAK GLOBAL DISRUPTN	8.59
ISHARES EUROPE -CDI	14.59
PLATINUM INTERNATIONAL FUND	17.18
MORPHIC GLOBAL OPP FD	17.75
ALLIANCEBERNSTEIN GLB EQ FD	18.10
MAGELLAN GLOBAL FD	18.84

International Shares Portfolio Adjustments

The VIP Investment Committee swapped iShares Europe ETF (IEU) for Vanguard Midcap Index Fund (VTS) late in the month in order to turn the portfolio's focus towards the US and away from Europe.

Property Securities Portfolio

The VIP Property Securities portfolio generated a 3.44% return for the month **pre-fees** and 8.23% over the last 3 months. The portfolio underperformed the S&P/ASX 200 A-REIT index during the month by 1.70%, and outperformed over the quarter by 1.12%.

Over the last year, the portfolio has generated a 19.74% return and outperformed the index by 7.05%.

The **Top Contributors** were Cromwell Property Group +5.14% and Charter Hall Group +4.89%. The **Top Detractor** was Arena REIT -0.37%.

VIP Property Securities Holdings

	% End Weight
VIP PROPERTY SECURITIES	100.00
ARENA REIT	29.30
CHARTER HALL GROUP	33.10
CROMWELL PROPERTY GROUP	37.60

Property Securities Portfolio Adjustments

In June, the VIP Investment Committee made no changes to the portfolio.

Fixed Interest Portfolio

The VIP Fixed Interest portfolio generated a 0.37% return for the month **pre-fees** and 0.57% over the last 3 months. This was against the Bloomberg AusBond Composite index return of 0.48% over the month and 0.82% over the quarter.

The portfolio underperformed the index by 0.11% over the month, and by 0.25% over the last 3 months.

The **Top Detractors** were Realm High Income +0.22% and iShares Core Composite Bond +0.42%.

VIP Fixed Interest Holdings

	% End Weight
VIP FIXED INTEREST	100.00
REALM HIGH INCOME FUND-WHL	25.13
ISHARES CORE COMPOSITE BOND	74.87

Fixed Interest Portfolio Adjustments

In June, the VIP Investment Committee made no changes to the portfolio.

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