

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 0.58% return **pre-fees** in July, and 1.76% return pre-fees in the quarter.

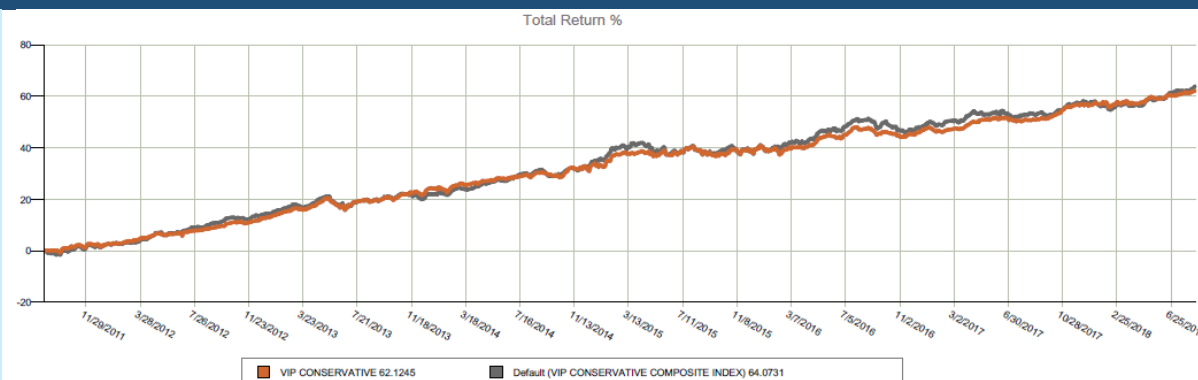
Over the last year the portfolio has generated a 7.24% return **pre-fees** and outperformed by 0.74%.

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 31/07/18 was as follows:

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



Trailing Returns

31/07/2018

	1 Month	3 Month	6 Month	1 Year	3 Year	5 Year
VIP Conservative PRE-FEES	0.58	1.76	2.44	7.24	6.76	8.83
Net VIP Conservative Investment	0.51	1.56	2.04	6.44	5.96	8.03
Net VIP Conservative Super-Pension	0.47	1.42	1.77	5.89	5.41	7.48
VIP Conservative Composite Index	0.53	2.74	3.57	6.50	6.99	9.10

	% End Weight	Tot Rtn 1M	Tot Rtn 3M	Tot Rtn 6M	Tot Rtn 1Y	Total Return YTD (%)
VIP CONSERVATIVE	100.00	0.58	1.76	2.44	7.24	2.92
AREITs		0.00	0.00	0.00	13.24	0.00
Australian Equities	14.99	1.02	4.56	4.32	18.99	4.99
CASHLiquid	10.01	0.19	0.52	0.95	1.83	1.11
Fixed Income	60.00	0.32	1.11	1.73	2.91	1.70
International Equities	15.00	1.45	2.38	4.01	17.37	6.56

Economic Outlook

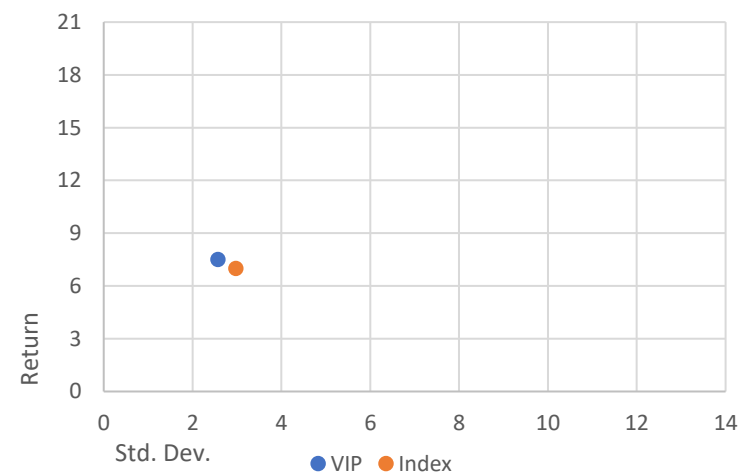
Though moderately volatile, July continued off the back of a very strong June, posting a steady return on the ASX. Notably, CIMIC Group recorded a strong month with +14.26%, as well as Bendigo and Adelaide Bank and Challenger, posting returns of +8.03% and +5.16% respectively.

In the US, Trump's long-time personal lawyer Michael Cohen has pleaded guilty to eight charges, including breaking campaign finance rules. Given that these charges are directly linked to expenses paid to hush the extra-marital affair saga the President has since denied, this could have significant effects on Trump's term as President. However, if anything, the last two years have proven that the POTUS is essentially untouchable despite all the misgivings on his character, dealings and alleged collusions with the Russian government. His former campaign chief Paul Manafort has also been convicted of eight charges including tax and bank fraud, although Trump was quick to distance himself from this case.

Domestically, Australia has yet again found itself in a power struggle at the top of politics. After an unsuccessful attempt to take the highest position from Malcolm Turnbull, Peter Dutton has resigned from the cabinet and receded to the backbench. However, the support shown for Dutton among the Liberal Party has all but revealed that Turnbull's days as Prime Minister are numbered, given the Liberals voted 48-35 in favour of Turnbull, meaning 35 were in support of a Dutton leadership spill. Already, 10 ministers have offered their resignation to Turnbull in support of Dutton, and Dutton has confirmed he is working on a second challenge. On the other side of the bench, the Labor Party simply needs to keep quiet and watch the Liberals implode.

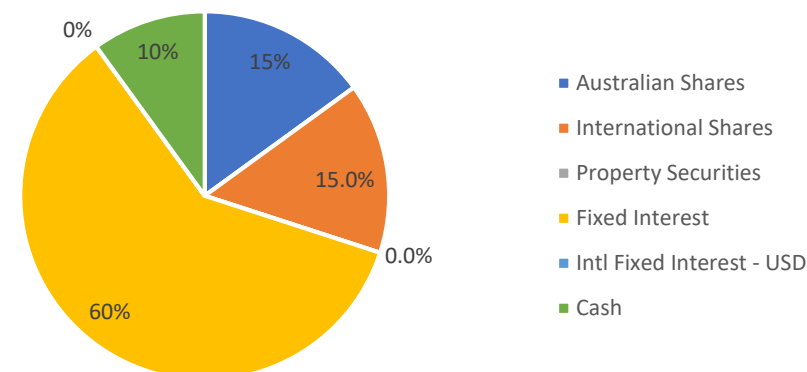
As the policies of the political party in charge of this country no doubt has a significant effect on the direction of investment, the movements in parliament are now more than ever in the forefront of VIP's sights.

Risk-Reward One Year



Tactical Asset Allocation

Conservative Portfolio TAA as at: 31/07/18



Australian Shares Portfolio

The VIP Australian Share Leaders portfolio generated a 0.92% **pre-fees** return for the month and 3.98% over the last 3 months. The portfolio underperformed the S&P/ASX 100 index over the month by 0.67% and underperformed by 2.03% over the quarter.

Over the last year, the portfolio has generated an 17.29% return pre-fees outperforming the ASX 100 index by 3.43%.

The **Top Contributors** were CIMIC Group +14.26%, Bendigo and Adelaide Bank +8.03%, and Challenger +5.16%. The **Top Detractors** were James Hardie -5.20%, Costa Group Holdings -4.61%, and ARB Corp -4.45%.

VIP Australian Share Leaders Holdings

Performance - Main View

	% End Weight
VIP AUSTRALIAN SHARE LEADERS	100.00
WESTPAC BANKING CORP	2.77
AUST AND NZ BANKING GROUP	2.81
BBG AUB Bank Bill	5.00
RESMED INC-CDI	5.33
ARB CORP LTD	5.37
SEVEN GROUP HOLDINGS LTD	5.38
JAMES HARDIE INDUSTRIES-CDI	5.38
SEEK LTD	5.39
CSL LTD	5.44
CHALLENGER LTD	5.58
COMPUTERSHARE LTD	5.62
CIMIC GROUP LTD	5.63
SOUTH32 LTD	5.67
SPARK INFRASTRUCTURE GROUP	5.70
RIO TINTO LTD	5.70
COSTA GROUP HOLDINGS LTD	5.70
ARISTOCRAT LEISURE LTD	5.71
BENDIGO AND ADELAIDE BANK	5.85
BHP BILLITON LIMITED	5.96

VIP Australian Share Leaders Equity Sectors

Materials (22.72)
Financials (17.01)
Industrials (16.40)
Consumer Discretionary (11.08)
Health Care (10.77)
Consumer Staples (5.70)
Utilities (5.70)
Information Technology (5.62)

Australian Shares Portfolio Adjustments

In July, the VIP Investment Committee sold AGL, which did not present a significant upside for the Investment Committee, and replaced it with ARB, who commands a niche export market globally for four-wheel drive accessories.

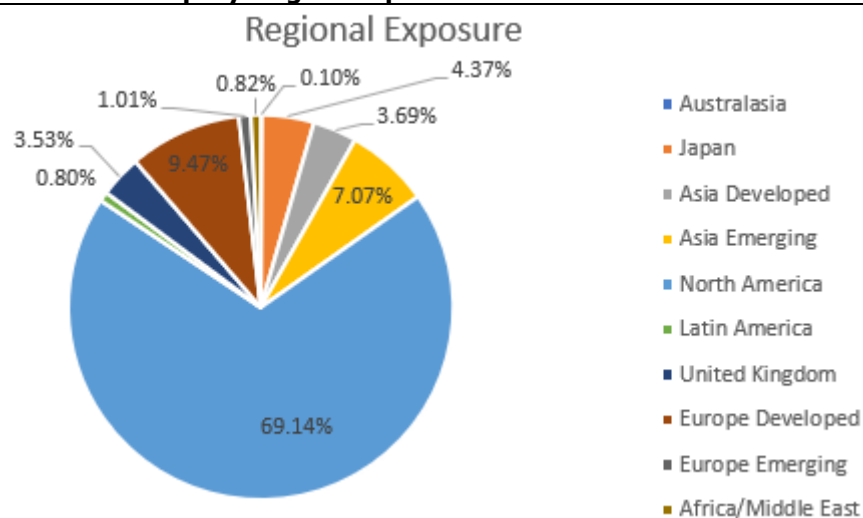
International Shares Portfolio

The VIP International Share Portfolio generated a 1.43% return for the month **pre-fees** and 2.36% over the last 3 months. In doing so the portfolio underperformed the MSCI World Ex Aus (AUD) index by 1.09% and by 2.93%.

Over the last year, the portfolio has generated a 16.45% return and underperformed the index by 3.86%.

The **Top Contributors** were AllianceBernstein +3.90%. The **Top Detractors** were Platinum International 0.00%, Loftus Peak +0.99% and VTS +2.05%.

VIP International Equity Region Exposure



VIP International Equity Holdings

Performance - Main View

	% End Weight
VIP INTERNATIONAL	100.00
BBG AUB Bank Bill	2.01
LOFTUS PEAK GLOBAL DISRUPTN	13.23
PLATINUM INTERNATIONAL FUND	20.15
VANGUARD TOTL ST MKT ETF-CDI	20.54
MAGELLAN GLOBAL FD	21.86
ALLIANCEBERNSTEIN GLB EQ FD	22.20

International Shares Portfolio Adjustments

The VIP Investment Committee sold Morpich and rebalanced across the portfolio.

Property Securities Portfolio

The VIP Property Securities portfolio generated a 2.50% return for the month **pre-fees** and 8.09% over the last 3 months. The portfolio outperformed the S&P/ASX 200 A-REIT index during the month by 1.54%, and outperformed over the quarter by 2.07%.

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	29.45
CHARTER HALL GROUP	33.60
CROMWELL PROPERTY GROUP	36.95

Property Securities Portfolio Adjustments

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

Fixed Interest Portfolio

The VIP Fixed Interest portfolio generated a 0.27% return for the month pre-fees and 1.22% over the last 3 months. This was against the Bloomberg AusBond Composite index return of 0.16% over the month and 1.33% over the quarter.

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

The **Top Contributors** were Realm High Income +0.51% and iShares Core Composite Bond +0.19%.

VIP Fixed Interest Holdings

	% End Weight
VIP FIXED INTEREST	100.00
REALM HIGH INCOME FUND-WHL	25.15
ISHARES CORE COMPOSITE BOND	74.85

Fixed Interest Portfolio Adjustments

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

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