

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).

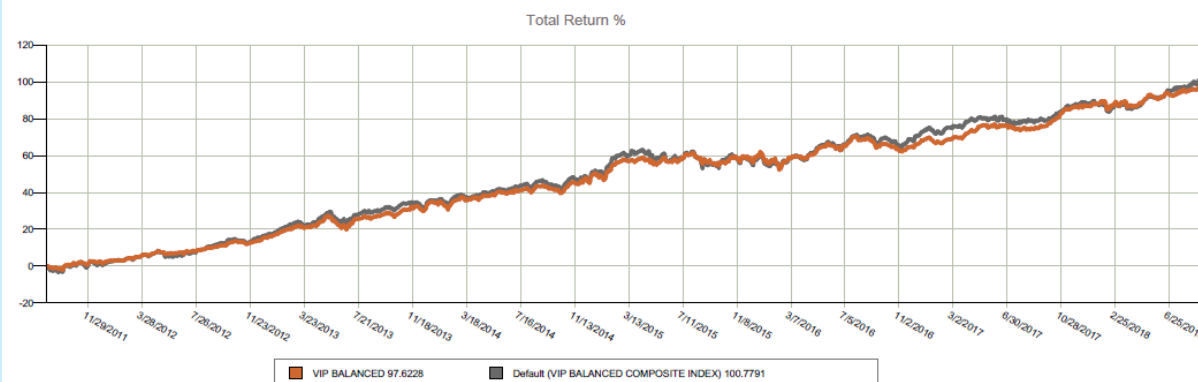
The portfolio is composed of 30 – 60 securities and consists of ASX listed securities, Exchange Traded Funds (ETFs), Listed Investment Companies (LICs), Managed Funds, Government and Semi Government Bonds, Term Deposits and Cash.

Performance Review

The VIP Balanced portfolio generated a 1.60% return **pre-fees** in August, and 3.61% return pre-fees in the quarter.

Over the last year the portfolio has generated an 12.76% return **pre-fees** and outperformed by 12.23%.

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



Tactical Asset Allocation

The VIP Balanced portfolios asset allocation as at 31/08/18 was as follows:

- Australian Shares 30%
- International Shares 30%
- Property Securities 0%
- Fixed Interest 35%
- Cash 5%

Trailing Returns

31/08/2018

	1 Month	3 Month	6 Month	1 Year	3 Year	5 Year
VIP Balanced PRE-FEES	1.60	3.61	4.70	12.76	11.28	13.39
Net VIP Balanced Investment	1.53	3.41	4.30	11.96	10.48	12.59
Net VIP Balanced Super-Pension	1.49	3.27	4.03	11.41	9.93	12.04
VIP Balanced Composite Index	1.71	4.83	6.94	12.23	12.41	13.21

	% End Weight	Tot Rtn 1M	Tot Rtn 3M	Tot Rtn 6M	Tot Rtn 1Y	Total Return YTD (%)
VIP BALANCED	100.00	0.90	2.43	3.15	11.87	4.17
AREITs		0.00	0.00	0.00	13.24	0.00
Australian Equities	30.00	1.02	4.56	4.32	18.99	4.99
CASHLiquid	5.00	0.19	0.52	0.95	1.83	1.11
Fixed Income	35.00	0.42	0.91	1.46	2.87	1.62
International Equities	30.00	1.45	2.38	4.01	17.37	6.56

Economic Outlook

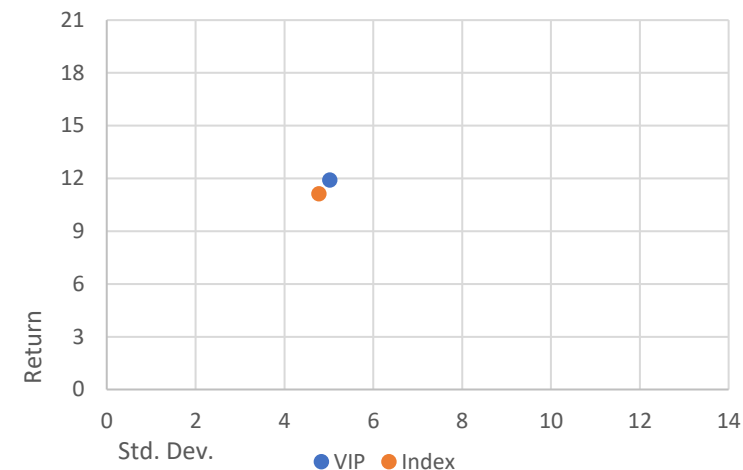
The end of August brought the Australian stock market to a ten-year high, with VIP benefitting particularly from CSL's +15.61% return for the month, an outstanding performer for the year thus far with +79.15% for the year. Following the Health Care trend, Resmed also posted a +10.24% return, and Seven Group bounced back with +8.71% for August.

Naturally, the US market is also riding record highs. The US economy has shown significant strength on the back of optimism in business sentiment, which no doubt has been a catalyst to the economy gaining jobs as well as investment. Opinions aside on the current POTUS, it must be said that at least part of this is owed to his presidency, given his insistence on spending on the US economy and decision to cut the US federal corporate income tax from 35% to 21% earlier this year. While it may cause problems for the future, at least for the short term the fiscal stimulus has pumped up US growth. The tax cut in fact is more than a short-term play, given that it in theory encourages investment, leading to job creation and wage inflation. The concern here is that all this is funded by debt, which put the US on a less sustainable spending pattern than it could be.

Locally, August saw once again a new Prime Minister step into office for this country. Scott Morrison, as 30th Prime Minister, will seek to pull the Liberal Party out of a catastrophic 2018 and attempt to maintain parliament in next years federal election, for which the Labor Party is now largely favourites. Despite turmoil at the head of Australia, the stock market continues to go from strength to strength.

The movements in parliament are now more than ever in the forefront of VIP's sights. With a new head of the Liberal Party, the stage is now set for what will most probably be a matchup between Morrison and Bill Shorten next May.

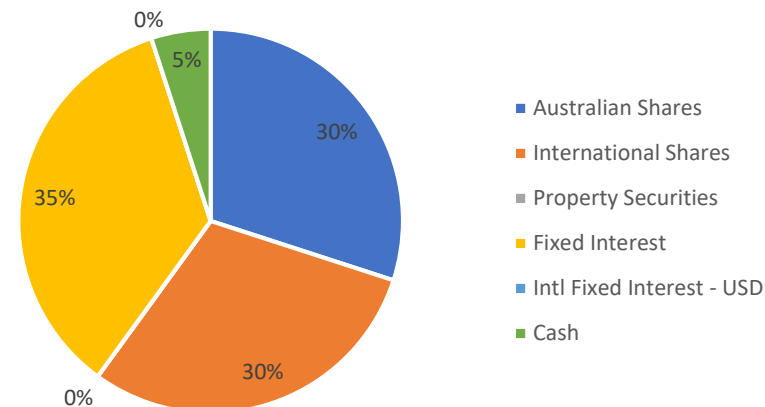
Risk-Reward One Year



Tactical Asset Allocation

Balanced Portfolio TAA

as at: 31/08/18



Australian Shares Portfolio

The VIP Australian Share Leaders portfolio generated a 0.29% **pre-fees** return for the month and 3.36% over the last 3 months. The portfolio underperformed the S&P/ASX 100 index over the month by 1.00% and underperformed by 3.31% over the quarter.

Over the last year, the portfolio has generated an 17.14% return pre-fees outperforming the ASX 100 index by 2.43%.

The **Top Contributors** were CSL +15.61%, Resmed +10.24%, and Seven Group Holdings +8.71%. The **Top Detractors** were Challenger -11.50%, Costa Group Holdings -8.13%, and Rio Tinto -7.54%.

VIP Australian Share Leaders Holdings

	% End Weight
VIP AUSTRALIAN SHARE LEADERS	100.00
WESTPAC BANKING CORP	2.68
AUST AND NZ BANKING GROUP	2.82
CHALLENGER LTD	4.92
BBG AUB Bank Bill	5.00
ARB CORP LTD	5.06
COSTA GROUP HOLDINGS LTD	5.23
RIO TINTO LTD	5.26
JAMES HARDIE INDUSTRIES-CDI	5.29
SOUTH32 LTD	5.51
ARISTOCRAT LEISURE LTD	5.58
SEEK LTD	5.64
BHP BILLITON LIMITED	5.66
CIMIC GROUP LTD	5.72
BENDIGO AND ADELAIDE BANK	5.77
SEVEN GROUP HOLDINGS LTD	5.83
RESMED INC-CDI	5.86
SPARK INFRASTRUCTURE GROUP	5.93
COMPUTERSHARE LTD	5.99
CSL LTD	6.27

VIP Australian Share Leaders Equity Sectors

Materials (21.72)
Industrials (17.18)
Financials (16.19)
Health Care (12.13)
Consumer Discretionary (10.64)
Information Technology (5.99)
Utilities (5.93)
Consumer Staples (5.23)

Australian Shares Portfolio Adjustments

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

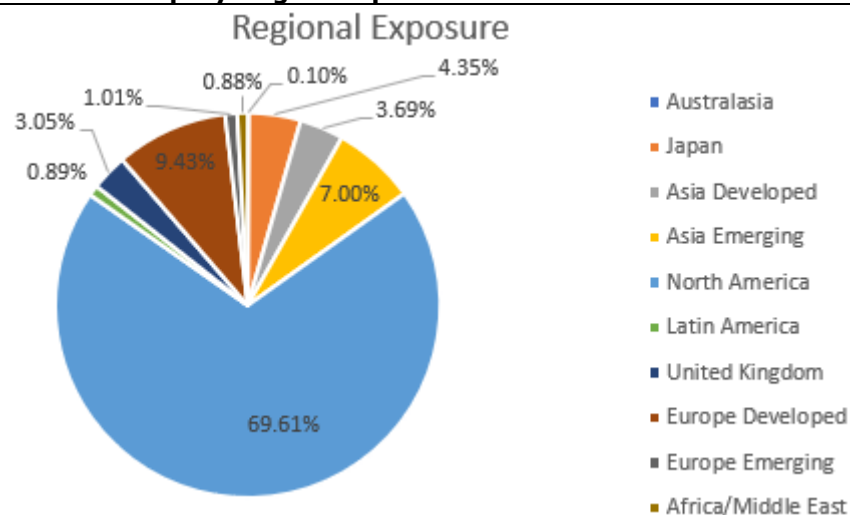
International Shares Portfolio

The VIP International Share Portfolio generated a 4.26% return for the month **pre-fees** and 6.40% over the last 3 months. In doing so the portfolio outperformed the MSCI World Ex Aus (AUD) index by 0.12% for the month and underperformed by 2.85%.

Over the last year, the portfolio has generated a 20.40% return and underperformed the index by 3.86%.

The **Top Contributors** were Loftus Peak +7.26%, Magellan Global +6.42%, and VTS +6.34%. The **Top Detractors** were Platinum International -0.19%, and AllianceBernstein +2.86%.

VIP International Equity Region Exposure



VIP International Equity Holdings

	% End Weight
VIP INTERNATIONAL	100.00
BBG AUB Bank Bill	1.94
LOFTUS PEAK GLOBAL DISRUPTN	13.61
PLATINUM INTERNATIONAL FUND	19.29
VANGUARD TOTL ST MKT ETF-CDI	20.95
ALLIANCEBERNSTEIN GLB EQ FD	21.90
MAGELLAN GLOBAL FD	22.31

International Shares Portfolio Adjustments

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

Property Securities Portfolio

The VIP Property Securities portfolio generated a 1.99% return for the month **pre-fees** and 8.15% over the last 3 months. The portfolio underperformed the S&P/ASX 200 A-REIT index during the month by 0.72%, and outperformed over the quarter by 2.1%.

Over the last year, the portfolio has generated a 21.07% return and outperformed the index by 5.60%.

The **Top Contributors** were Charter Hall Group +6.43%. The **Top Detractor** was Cromwell Property Group -0.45%, and Arena REIT 0.00%.

VIP Property Securities Holdings

	% End Weight
VIP PROPERTY SECURITIES	100.00
ARENA REIT	28.87
CHARTER HALL GROUP	35.06
CROMWELL PROPERTY GROUP	36.06

Property Securities Portfolio Adjustments

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

Fixed Interest Portfolio

The VIP Fixed Interest portfolio generated a 0.61% return for the month **pre-fees** and 1.26% over the last 3 months. This was against the Bloomberg AusBond Composite index return of 0.81% over the month and 1.45% over the quarter.

The portfolio underperformed the index by 0.20% over the month and underperformed by 0.19% over the last 3 months.

The **Top Detractors** were Realm High Income +0.29% and iShares Core Composite Bond +0.72%.

VIP Fixed Interest Holdings

	% End Weight
VIP FIXED INTEREST	100.00
REALM HIGH INCOME FUND-WHL	25.07
ISHARES CORE COMPOSITE BOND	74.93

Fixed Interest Portfolio Adjustments

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

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