

### 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 0.31% return **pre-fees** in September, and 2.82% return pre-fees in the quarter.

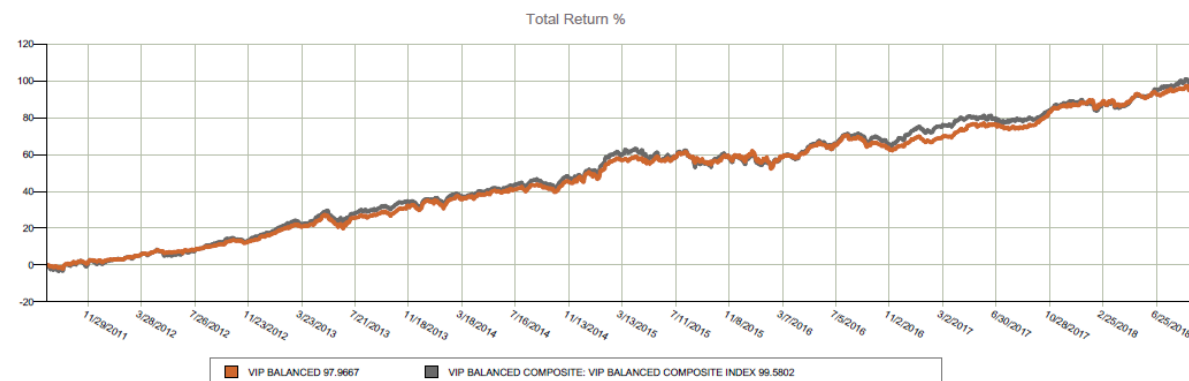
Over the last year the portfolio has generated an 11.65% return **pre-fees** and outperformed by 0.67%.

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 30/09/18 was as follows:

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



### Trailing Returns

30/09/2018

	1 Month	3 Month	6 Month	1 Year	3 Year	5 Year
VIP Balanced PRE-FEES	0.31	2.82	5.68	11.65	12.17	13.13
Net VIP Balanced Investment	0.24	2.62	5.28	10.85	11.37	12.33
Net VIP Balanced Super-Pension	0.20	2.48	5.01	10.30	10.82	11.78
VIP Balanced Composite Index	-0.60	2.22	7.49	10.98	12.77	12.68

	% End Weight	Tot Rtn 1M	Tot Rtn 3M	Tot Rtn 6M	Tot Rtn 1Y	Total Return YTD (%)
VIP BALANCED	100.00	0.31	2.82	5.68	11.65	6.05
AREITs		0.00	0.00	0.00	4.77	0.00
Australian Equities	30.00	0.66	2.18	7.95	17.75	6.19
CASHLiquid	5.00	0.16	0.52	1.01	1.87	1.44
Fixed Income	35.00	0.12	0.95	1.49	3.11	2.16
International Equities	30.00	0.18	6.06	9.29	17.46	10.99

## Economic Outlook

While August posted record highs on the stock market, it showed signs of softening at the back end of the month and this trend spurred into September, with the month starting with a correction before steadily working upwards again. As a result of this, companies such as South32 posted solid returns of +15.27% off a full year profit rise, benefitting from a commodities upswing. Likewise, Seven Group Holdings performed well with +9.65% and Rio Tinto with +8.28% to close out September.

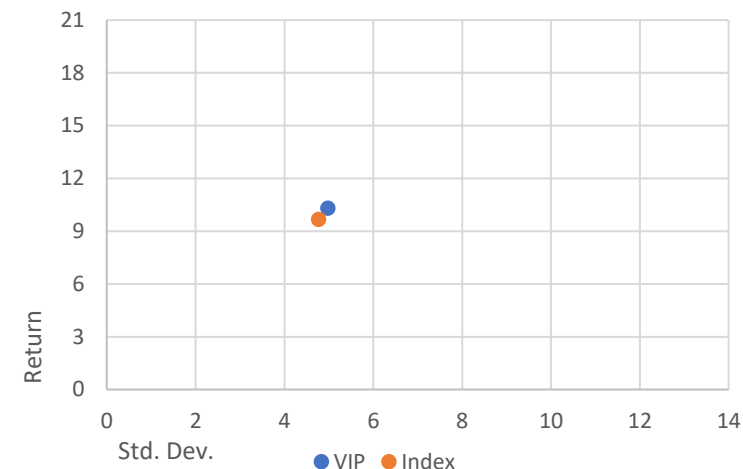
Internationally, the most relevant story is still the ongoing trade war between the world's superpowers of China and the US. With President Trump hitting China with a tariff on \$200 billion in goods on top of the original \$50 billion taxed in June, the trade war does not show signs of slowing anytime soon, given that the US is on the offensive and China, with the world watching, is determined to save face.

The US economy continues to stay strong as it has done all year, with the lowest unemployment rate since 2000. However, the recent round of tariffs could severely impact their economy as everyday goods may become more expensive given that it is debatable as to whether or not the US has the capacity to produce and replace the goods that were originally from China. Further down the chain, if goods aren't able to be efficiently sourced, this impacts a business' profit margins and growth, which in turn affects employment.

With the US economy powering forward amidst continually murky territory, the Federal Reserve raised rates in order to prevent the American Machine from overheating.

In Australia, the east coast has shown weakness in the property market (as has been predicted for three years now), with confidence in the housing market sinking due to falling house prices and tightening credit. While the RBA maintained a cash rate of 1.5%, the big four banks (excluding NAB) raised rates, essentially doing the RBA's job.

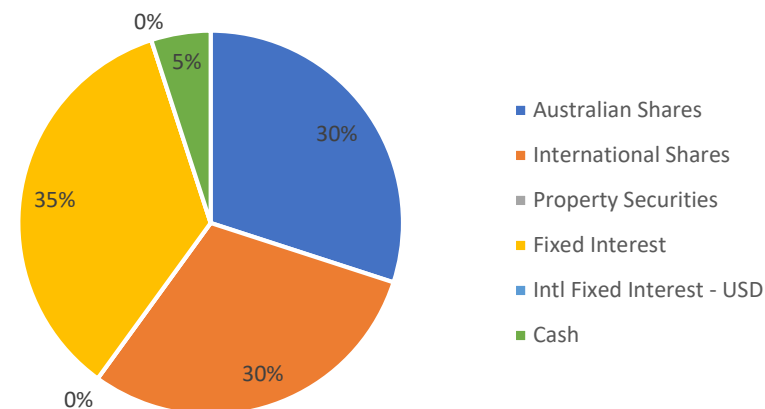
## Risk-Reward One Year



## Tactical Asset Allocation

### Balanced Portfolio TAA

as at: 30/09/18



## Australian Shares Portfolio

The VIP Australian Share Leaders portfolio generated a 0.65% **pre-fees** return for the month and 1.87% over the last 3 months. The portfolio outperformed the S&P/ASX 100 index over the month by 1.91% and outperformed by 0.32% over the quarter.

Over the last year, the portfolio has generated an 16.70% return pre-fees outperforming the ASX 100 index by 2.71%.

The **Top Contributors** were South32 +15.27%, Seven Group Holdings +9.65%, and Rio Tinto +8.28%. The **Top Detractors** were CSL -10.98%, Aristocrat Leisure -9.97%, and Seek -6.36%.

### VIP Australian Share Leaders Holdings

Performance - Main View

	% End Weight
VIP AUSTRALIAN SHARE LEADERS	100.00
WESTPAC BANKING CORP	2.60
AUST AND NZ BANKING GROUP	2.67
ARB CORP LTD	4.85
BBG AUB Bank Bill	4.97
ARISTOCRAT LEISURE LTD	4.99
CHALLENGER LTD	5.06
COSTA GROUP HOLDINGS LTD	5.19
JAMES HARDIE INDUSTRIES-CDI	5.20
SEEK LTD	5.24
BENDIGO AND ADELAIDE BANK	5.49
CSL LTD	5.55
RIO TINTO LTD	5.66
SPARK INFRASTRUCTURE GROUP	5.69
RESMED INC-CDI	5.97
CIMIC GROUP LTD	6.01
BHP BILLITON LIMITED	6.03
COMPUTERSHARE LTD	6.17
SOUTH32 LTD	6.31
SEVEN GROUP HOLDINGS LTD	6.35

### VIP Australian Share Leaders Equity Sectors

Materials (23.20)
Industrials (17.60)
Financials (15.82)
Health Care (11.52)
Consumer Discretionary (9.84)
Information Technology (6.17)
Utilities (5.69)
Consumer Staples (5.19)

### Australian Shares Portfolio Adjustments

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

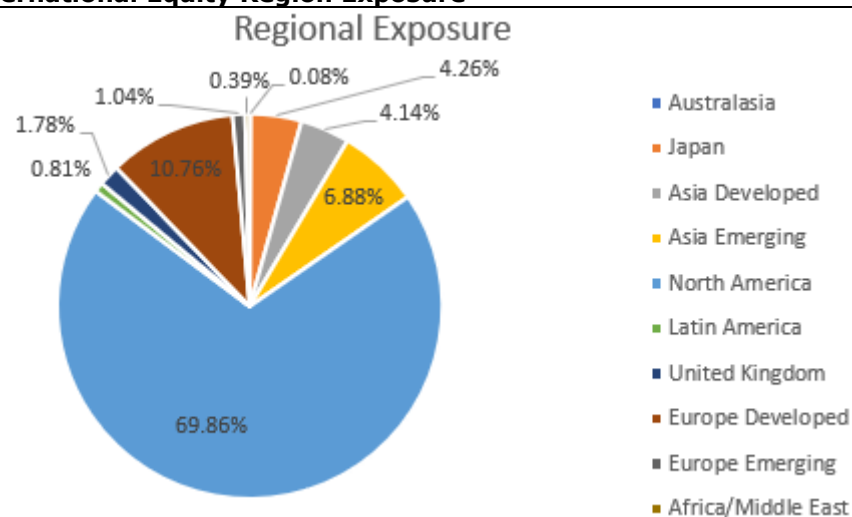
## International Shares Portfolio

The VIP International Share Portfolio generated a 0.17% return for the month **pre-fees** and 5.94% over the last 3 months. In doing so the portfolio underperformed the MSCI World Ex Aus (AUD) index by 0.38% for the month and underperformed by 1.41%.

Over the last year, the portfolio has generated a 16.71% return and underperformed the index by 4.11%.

The **Top Contributor** was VTS +0.99%. The **Top Detractors** were Loftus Peak -0.44%, Platinum International -0.27%, and Alliance Bernstein -0.01%.

### VIP International Equity Region Exposure



### VIP International Equity Holdings

Performance - Main View

	% End Weight
VIP INTERNATIONAL	100.00
BBG AUB Bank Bill	1.94
LOFTUS PEAK GLOBAL DISRUPTN	13.53
PLATINUM INTERNATIONAL FUND	19.20
VANGUARD TOTL ST MKT ETF-CDI	21.12
ALLIANCEBERNSTEIN GLB EQ FD	21.86
MAGELLAN GLOBAL FD	22.35

### International Shares Portfolio Adjustments

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

Property Securities Portfolio

The VIP Property Securities portfolio generated a 0.83% return for the month **pre-fees** and 5.41% over the last 3 months. The portfolio outperformed the S&P/ASX 200 A-REIT index during the month by 2.60%, and outperformed over the quarter by 3.55%.

Over the last year, the portfolio has generated a 22.62% return and outperformed the index by 9.77%.

The **Top Contributors** were Arena REIT +4.09%. Charter Hall Group +0.56%, and Cromwell Property Group -1.53%.

VIP Property Securities Holdings

	% End Weight
VIP PROPERTY SECURITIES	100.00
ARENA REIT	29.81
CHARTER HALL GROUP	34.97
CROMWELL PROPERTY GROUP	35.22

Property Securities Portfolio Adjustments

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

Fixed Interest Portfolio

The VIP Fixed Interest portfolio generated a -0.19% return for the month **pre-fees** and 0.69% over the last 3 months. This was against the Bloomberg AusBond Composite index return of -0.42% over the month and 0.54% over the quarter.

The portfolio outperformed the index by 0.23% over the month and outperformed by 0.15% over the last 3 months.

The **Top Contributors** were Realm High Income +0.31% and iShares Core Composite Bond -0.36%.

VIP Fixed Interest Holdings

	% End Weight
VIP FIXED INTEREST	100.00
REALM HIGH INCOME FUND-WHL	25.20
ISHARES CORE COMPOSITE BOND	74.80

Fixed Interest Portfolio Adjustments

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

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