

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 Conservative portfolio generated a 0.10% return **pre-fees** in September, and 1.75% return pre-fees in the quarter.

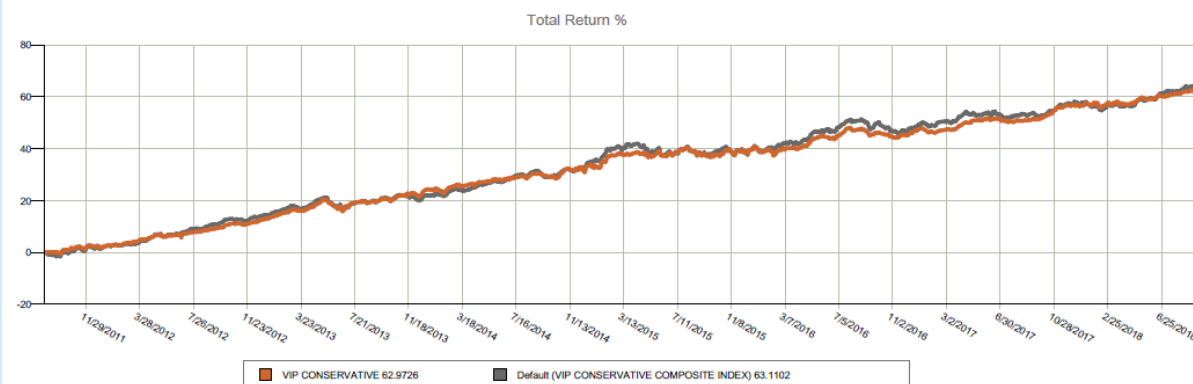
Over the last year the portfolio has generated a 7.26% return **pre-fees** and outperformed by 0.52%.

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 30/09/18 was as follows:

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



Trailing Returns

| | 30/09/2018 | | | | | |
|------------------------------------|------------|---------|---------|--------|--------|--------|
| | 1 Month | 3 Month | 6 Month | 1 Year | 3 Year | 5 Year |
| VIP Conservative PRE-FEES | 0.10 | 1.75 | 3.45 | 7.26 | 8.40 | 8.88 |
| Net VIP Conservative Investment | 0.03 | 1.55 | 3.05 | 6.46 | 7.60 | 8.08 |
| Net VIP Conservative Super-Pension | -0.01 | 1.41 | 2.78 | 5.91 | 7.05 | 7.53 |
| VIP Conservative Composite Index | -0.64 | 0.99 | 4.26 | 6.74 | 8.17 | 8.84 |

| | % End Weight | Tot Rtn 1M | Tot Rtn 3M | Tot Rtn 6M | Tot Rtn 1Y | Total Return YTD (%) |
|------------------------|--------------|------------|------------|------------|------------|----------------------|
| VIP CONSERVATIVE | 100.00 | 0.10 | 1.75 | 3.45 | 7.26 | 4.06 |
| AREITs | | 0.00 | 0.00 | 0.00 | 4.77 | 0.00 |
| Australian Equities | 14.99 | 0.66 | 2.18 | 7.95 | 17.75 | 6.19 |
| CASHLiquid | 10.01 | 0.16 | 0.52 | 1.01 | 1.87 | 1.44 |
| Fixed Income | 60.00 | -0.08 | 0.78 | 1.34 | 3.24 | 2.17 |
| International Equities | 15.00 | 0.18 | 6.06 | 9.29 | 17.46 | 10.99 |

Economic Outlook

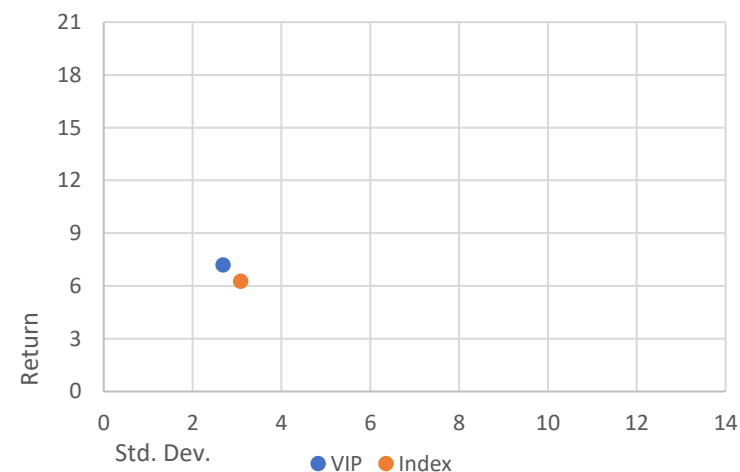
The end of August brought the Australian stock market to a ten-year high, with VIP benefitting particularly from CSL's +15.61% return for the month, an outstanding performer for the year thus far with +79.15% for the year. Following the Health Care trend, Resmed also posted a +10.24% return, and Seven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

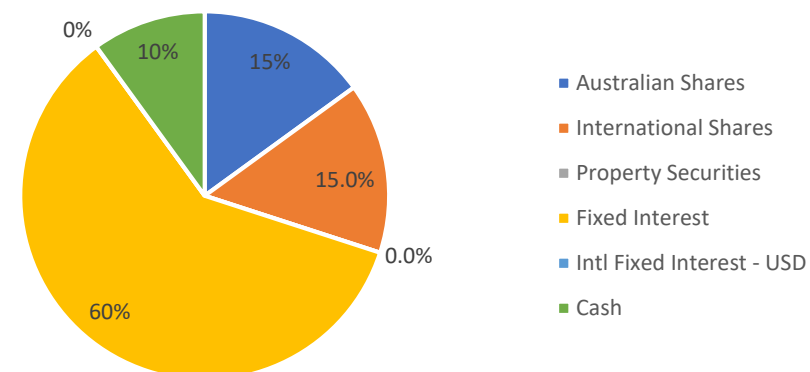
The movements in parliament are now more than ever in the forefront of VIP's sights. With a new head of the Liberal Party, the stage is now set for what will most probably be a matchup between Morrison and Bill Shorten next May.

Risk-Reward One Year



Tactical Asset Allocation

Conservative 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.

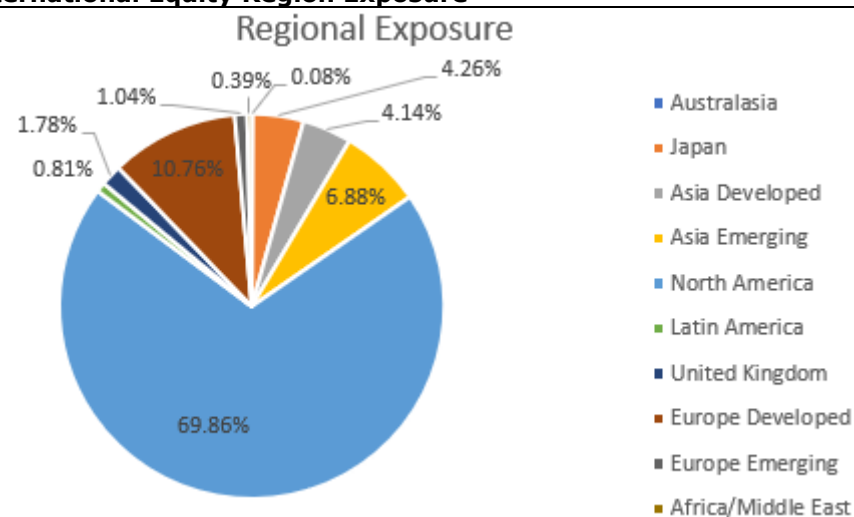
International Shares Portfolio

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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