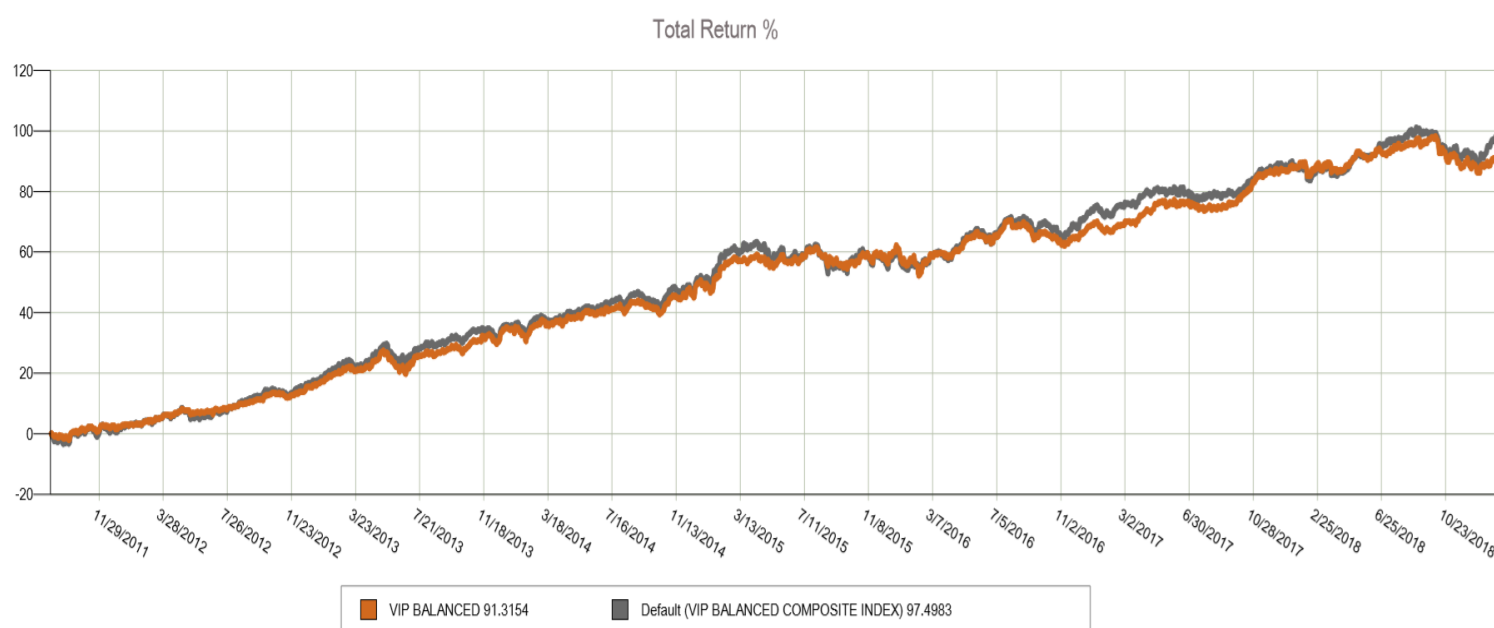


Investment Objective

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.



Portfolio Performance Review

The VIP Balanced portfolio generated a 1.19% return **pre-fees** in January, and -0.30% return pre-fees in the quarter. Over the last year the portfolio has generated an 1.35% return **pre-fees** and underperformed against the benchmark by 3.71%. The **post-fees** returns for the *Investment* and *Superannuation & Pension* portfolios are shown in blue in the table below.

Trailing Returns

31/01/2019

	1 Month	3 Month	6 Month	1 Year	3 Year	5 Year
VIP Balanced PRE-FEES	1.19	-0.30	-1.64	1.35	9.58	10.99
Net VIP Balanced Investment	1.12	-0.50	-2.04	0.55	8.78	10.19
Net VIP Balanced Super-Pension	1.08	-0.64	-2.32	0.00	8.23	9.64
VIP Balanced Composite Index	2.73	1.87	-0.04	5.06	11.51	11.56

	% End Weight	Tot Rtn 1M	Tot Rtn 3M	Tot Rtn 6M	Tot Rtn 1Y	Total Return YTD (%)
VIP BALANCED	100.00	1.19	-0.30	-1.64	1.35	1.19
AREITs		0.00	0.00	0.00	0.00	0.00
Australian Equities	13.23	-0.21	-1.61	-9.07	-5.14	-0.21
CASHLiquid	21.77	0.18	0.49	0.98	1.95	0.18
Fixed Income	35.00	0.79	0.86	1.60	3.09	0.79
International Equities	25.00	4.05	-0.25	-0.59	3.02	4.05
Not Classified		0.00	0.00	0.00	0.00	0.00
USD	5.00	-2.53	-2.04	-0.66	-0.66	-2.53

Economic & Market Commentary

The month of January was a refreshing and welcomed change from the previous quarter, as stocks bounced back after Christmas day lows, and central banks begun to adjust their rhetoric to avoid aggressive rate rises with a looming global economic slowdown. As a result the S&P/ASX 200 Index rose by 3.90% during January, and international markets such as the USA and Japan enjoyed similar rallies with the S&P 500 and Nikkei 225 rising 7.87% and 6.19% respectively.

The US government shutdown ended on the 25th of January 2019 earning itself the longest government shutdown in the history of the United States at 35 consecutive days. President Donald Trump, after a 'sick out' by many air traffic controllers in key areas of the country, was forced to end the partial government shutdown. As a result, the President introduced a three-week spending bill without any financing for his wall in order to reopen the government. The spending bill ends on the 15th of February and if a bill is not passed the US government would return to a partial government shutdown. Although the effects of the shutdown are negligible on the economy only causing roughly \$3 billion in permanent damage to the US economy, the effects on workers are significant and so are the effects on President Donald Trump's likelihood of reelection in 2020.

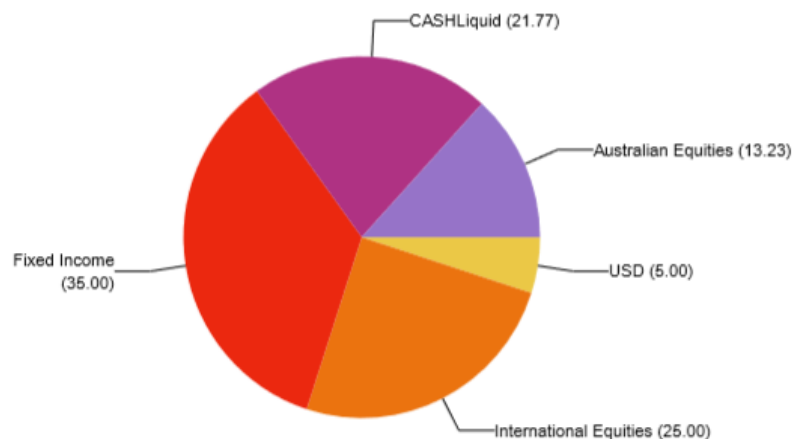
On January 15th after years of negotiation between the UK and the European Union on the conditions of Brexit the deal was finally taken to the floor of British Parliament and was rejected by a vote of 432 to 202, representing the largest margin of defeat on a bill introduced by a British government in 95 years. Prime Minister Theresa May now has only two more months to right and agree upon a new deal between the EU and British Parliament by the 29th of March or the possibility of a no deal Brexit which would have significant impacts on the UK economy will become highly likely. With a highly contentious debate over the way in which the UK should leave the European Union it is becoming increasingly unlikely that a positive result will come to fruition every day that a deal cannot be realized.

In Australia the final report for Commissioner Haynes of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry has been released, and to the surprise of many commentators and the markets it was a relatively 'soft' blow to the industry. Although the report recommended material reforms to mortgage broking, independency tests, corporate governance, and the way in which customers are charged for services provided there was no major request from the Commissioner. Unlike many expected there were no explicit requests for civil or criminal action to be taken against any individuals or companies involved in the misconduct, there is no specific request for a major structural change to the financial industry in general, and there was no recommendation that the big four banks be forcibly demerged. The markets were pleased by this news with Australian banks and financial stocks (excluding mortgage broking companies) seeing some of their largest single day gains in many months.

The IMF days before the World Economic Forum in Davos, Switzerland has revised global growth forecasts down to 3.50% for 2019 and 3.60% for 2020 representing a 0.20% and 0.10% downward revision respectively. The IMF cut its global growth forecasts on the back of increased trade tariffs between China and the United States. It said the latest revision is due in part to carry over from last year, mentioning weakness for German auto manufacturers due to new fuel emission standards, and soft domestic demand in Italy after recent sovereign and financial risks. But the IMF also highlighted weakening sentiment in the global financial markets and a contraction in Turkey that's now projected to be deeper than anticipated.

What does this mean for investors? The global world order trade system is being restructured which brings volatility but also opportunities for companies to poise themselves to benefit from the resulting environment. Stock markets are recovering as the global outlook by many organizations and multinationals has become more bullish and earnings reports from the US have been announced that are stronger than expected. As central banks walk back on hawkish calls for monetary tightening and have become more dovish towards the economy, as well as growing optimism for a positive outcome from the US/China trade talks investors have begun to rally behind optimism for economic and market conditions for 2019.

Tactical Asset Allocation & Risk/Return



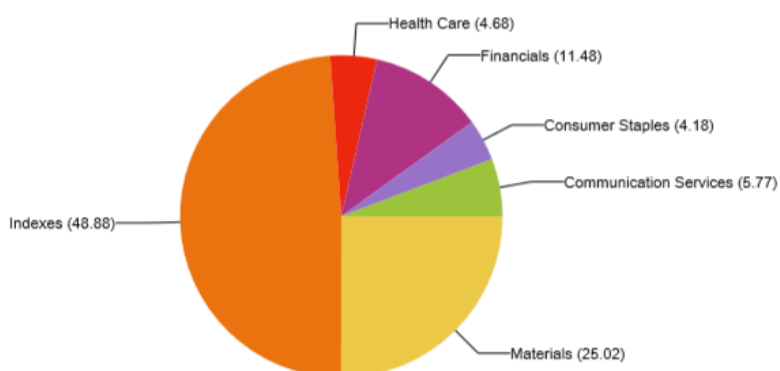
Australian Shares Portfolio Performance & Portfolio Adjustments

The VIP Australian Share Leaders portfolio generated a -0.29% pre-fees return for the month and -2.39% over the last 3 months. The portfolio underperformed against the S&P/ASX 200 index over the month by 4.16% and underperformed by 3.81% over the quarter. Over the last year, the portfolio has generated a -5.97% return pre-fees underperforming the ASX 200 index by 7.34%. The **Top Contributors** were Western Areas Ltd 17.50%, Rio Tinto 10.93%, and BHP Group Ltd 6.11%. The **Top Detractors** were Costa Group Holdings Ltd -25.47%, Resmed Inc CDI -17.90%, and Westpac Banking Group -1.96%.

In January the Investment Committee made a no changes to the portfolio.

VIP Australian Share Leaders Holdings & Sector Exposure

	% End Weight
VIP AUSTRALIAN SHARE LEADERS	100.00
WESTPAC BANKING CORP	2.80
AUST AND NZ BANKING GROUP	2.92
SANDFIRE RESOURCES NL	3.05
WESTERN AREAS LTD	3.36
COSTA GROUP HOLDINGS LTD	4.18
RESMED INC-CDI	4.68
BENDIGO AND ADELAIDE BANK	5.76
REA GROUP LTD	5.77
BHP GROUP LTD	6.11
SOUTH32 LTD	6.15
RIO TINTO LTD	6.36
BBG AUB Bank Bill	48.88



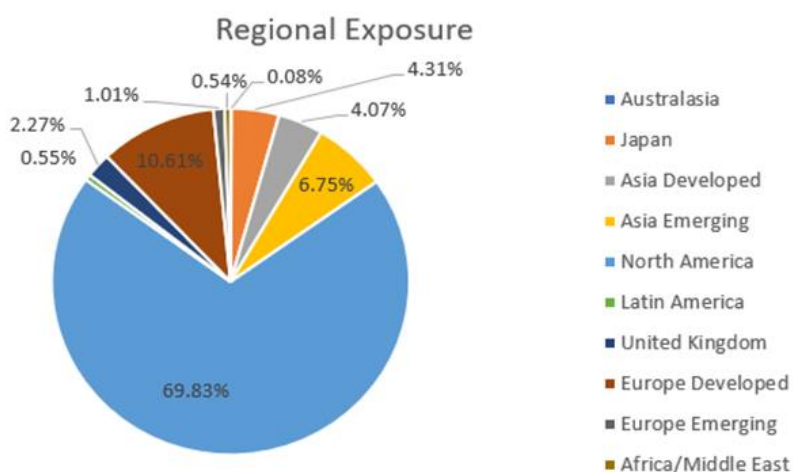
International Shares Portfolio Performance & Portfolio Adjustments

The VIP International Share Portfolio generated a 2.92% return for the month pre-fees and -0.80% over the last 3 months. In doing so the portfolio underperformed against the MSCI World Ex Aus (AUD) index by 1.16% for the month and outperformed by 1.39% over the quarter. Over the last year, the portfolio has generated a 2.56% return and underperformed against the index by 1.24%. The **Top Contributors** were Loftus Peak Global Disruption 7.77% and AllianceBernstein Global Equity 5.03%. The **Top Detractors** were Winton Global Alpha -1.58% and BBG AUB Bank Bill 0.18%.

In January, the Investment Committee made no changes to the portfolio.

VIP International Equity Holdings & Region Exposure

	% End Weight
VIP INTERNATIONAL	100.00
BBG AUB Bank Bill	2.13
LOFTUS PEAK GLOBAL DISRUPTN	12.89
PLATINUM INTERNATIONAL FUND	20.05
WINTON GLOBAL ALPHA FD	20.46
MAGELLAN GLOBAL FD	22.11
ALLIANCEBERNSTEIN GLB EQ FD	22.35



Properties Security Portfolio Performance & Portfolio Adjustments

The VIP Property Securities portfolio generated a 9.86% return for the month pre-fees and 17.12% over the last 3 months. The portfolio outperformed the S&P/ASX 200 A-REIT index during the month by 3.69%, and outperformed over the quarter by 9.64%. Over the last year, the portfolio has generated a 28.40% return and outperformed the index by 15.79%. The **Top Contributors** were Arena REIT 11.62%, and Charter Hall Group 10.92%. The **Top Detractor** was Cromwell Property Group 7.07%.

In January, the Investment Committee made no changes to the portfolio.

VIP Property Security Holdings & Risk/Return



Fixed Interest Portfolio Performance & Portfolio Adjustments

The VIP Fixed Interest portfolio generated a 0.78% return for the month pre-fees and 1.77% over the last 3 months. This was against the Bloomberg AusBond Composite index return of 0.64% over the month and 2.20% over the quarter. The portfolio outperformed the index by 0.14% over the month and underperformed by 0.63% over the last 3 months. The **Top Contributors** were Realm High Income Fund 0.80% and iShares Core Composite Bond 0.78%.

In January, the Investment Committee made no changes to the portfolio.

VIP Fixed Interest Holdings & Returns

	% End Weight	Tot Rtn 1M	Tot Rtn 3M	Tot Rtn 6M	Tot Rtn 1Y	Total Return YTD (%)
VIP FIXED INTEREST	100.00	0.78	1.77	2.59	4.51	0.78
REALM HIGH INCOME FUND-WHL	24.76	0.80	0.30	1.00	2.22	0.80
ISHARES CORE COMPOSITE BOND	75.24	0.78	2.27	3.12	5.29	0.78

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