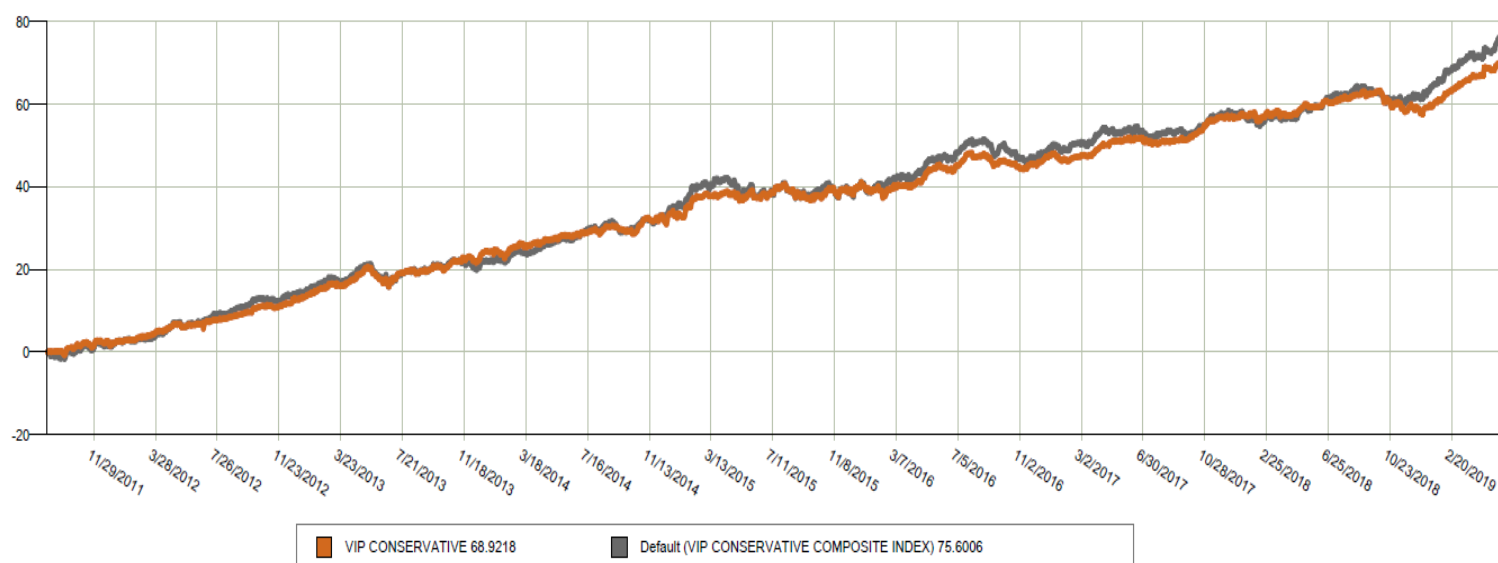


Investment Objective

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.

Total Portfolio Performance (%)



Portfolio Performance Review

The VIP Conservative portfolio generated a 1.32% return **pre-fees** in April, and 4.69% return pre-fees in the quarter. Over the last year the portfolio has generated a 6.35% return pre-fees and underperformed against the benchmark by 2.92%. The **post-fees** returns for the *Investment* and *Superannuation & Pension* portfolios are shown **in blue** in the table below.

Trailing Percentage Returns Against the Benchmark

	1 Month	3 Month	6 Month	1 Year	3 Year	5 Year
VIP Conservative Gross Returns	0.07	3.00	6.08	6.10	7.44	8.10
VIP Conservative Super-Pension Net Returns	0.00	2.80	5.68	5.30	6.64	7.30
VIP Conservative Investment Net Returns	-0.04	2.66	5.41	4.75	6.09	6.75
VIP Conservative Composite Index	1.68	4.04	9.24	10.04	8.77	9.48

	% End Weight	Tot Rtn 1M	Tot Rtn 3M	Tot Rtn 6M	Tot Rtn 1Y	Total Return YTD (%)
VIP CONSERVATIVE	100.00	0.06	2.78	5.92	6.04	6.11
Australian Equities	9.03	1.15	4.14	8.73	1.91	7.73
International Equities	15.00	-5.29	0.78	9.11	7.42	11.99
AREITs	7.00	2.84	6.43	13.20	13.20	13.20
Fixed Income	60.00	0.89	2.85	4.74	6.68	4.37
CASHLiquid	8.97	0.16	0.48	0.99	1.99	0.86

Economic & Market Commentary

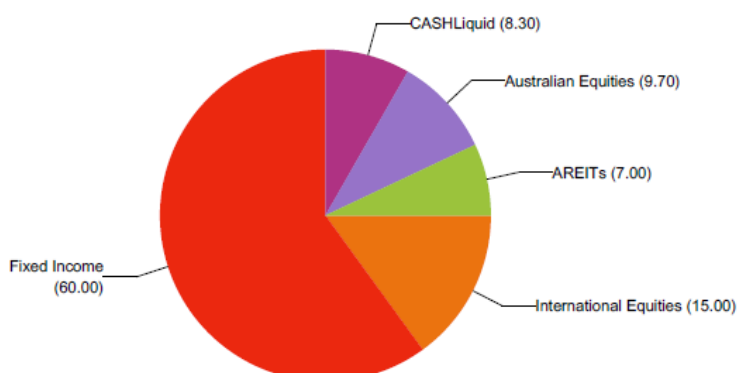
Global markets suffered material losses over the month of May, with systemic downside in markets mainly attributable to the break down of trade negotiations between the US and China as well as the implementation and enforcement of previously announced tariffs on US and Chinese goods. As such, the US's S&P 500 posted a 5.87% decline for the month, Japan's Nikkei 225 recorded a 7.45% fall, Europe's Euro Stoxx 50 a 6.66% decline, and the UK's FTSE 100 3.46% negative return. In Australia, in contrast a surprise election victory of the Coalition added tailwinds to markets, with the elimination of proposed franking credit and negative gearing reform boosting financial stocks and listed real estate trusts, helping to nudge the S&P/ASX 200 index into positive return territory recording a 1.10% rise.

US-China trade talks have deteriorated over the month of May with anonymous sources from both sides, reported by The New York Times, stating that negotiations have grinded to a halt with limited to no continued communications between both sides occurring. A glimmer of hope exists in the G20 meeting this June as it has been rumored that President Xi and President Trump are expected to meet, as something as trivial as a handshake and photo op would be all that markets need to feel a sense of progress and ultimately resolution. Out of Europe and the UK, Prime Minister Theresa May has announced that she will be resigning her position and leaving the office of Prime Minister in the early weeks of June as a consequence of once again failing to pass a resolution to confirm a deal on leaving the European Union. Although confirming that she would not leave office until a replacement was decided on by the party room, there is cautious optimism from markets that a new lead negotiator will at least be able to formulate a deal regardless of its content, as certainty is better than the worst possible Brexit outcome.

In Australia the upset election victory from the Coalition boosted markets and investor confidence as the election result eliminated the possibility of major taxation reform that was going to be directly impacting investors in both equity, debt, and housing markets. On a less positive note the RBA during their meeting for June decided to cut the official cash rate but 25 basis points to a record low of 1.25% citing growing concerns for the length of trade negotiations globally, low consumer confidence and spending, and a tightening credit environment. Unfortunately the Australian economy has been plagued with wages stagnation, low levels of inflation, and slowing economic growth that would make it difficult to continue to lower the unemployment rate without monetary easing when the federal government is reluctant to stimulate with big spending schemes in order to maintain election promises of balancing the budget.

What does this mean for investors? Regardless of political affiliation markets have reacted positively to a Coalition federal government which has removed global headwinds from affecting Australian markets for now. The Coalition government, a lowering of the cash rate, and a removal of higher approval ratings for loan applications are hopefully sufficient to boost economic growth. If done in conjunction to positive trade negotiations between US and China, investors should continue to observe growing wealth in the short-medium term.

Tactical Asset Allocation & Risk/Return



Australian Shares Leaders Blend Portfolio Performance & Portfolio Adjustments

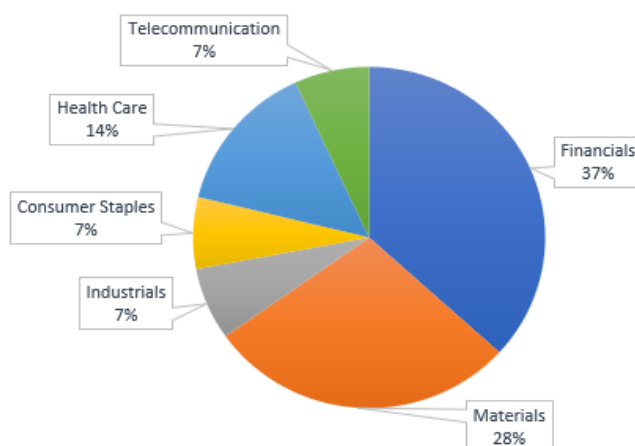
The VIP Australian Share Leaders portfolio generated 2.59% pre-fees return for the month and 4.01% over the last 3 months. The portfolio outperformed against the S&P/ASX 200 index over the month by 0.88% and underperformed by 0.93% over the quarter. Over the last year, the portfolio has generated a -0.33% return pre-fees underperforming the ASX 200 index by 11.46%. The post-fees returns for the *Investment* and *Superannuation & Pension* portfolios are shown in blue in the table below.

The Top Contributors were SEEK Ltd 14.77%, ResMed Inc-CDI 11.62%, and REA Group 11.36%. The Top Detractors were Sandfire Resources NL -12.64%, Treasury Wine Estates Ltd -12.50%, and Macquarie Group Ltd -8.01%.

In May the Investment Committee sold its position in REA Group to materialise the 21.08% gains on the investment.

VIP Australian Share Leaders Blend Holdings & Sector Exposure

	% End Weight
VIP AUSTRALIAN SHARE LEADERS	100.00
REA GROUP LTD	0.00
WOOLWORTHS GROUP LTD	3.26
TREASURY WINE ESTATES LTD	3.26
SONIC HEALTHCARE LTD	3.50
RAMSAY HEALTH CARE LTD	3.50
SANDFIRE RESOURCES NL	3.50
WESTERN AREAS LTD	3.50
ALUMINA LTD	3.50
RESMED INC-CDI	6.53
SEEK LTD	6.53
SOUTH32 LTD	7.01
COMMONWEALTH BANK OF AUSTRAL	8.76
WESTPAC BANKING CORP	8.76
AUST AND NZ BANKING GROUP	8.76
MACQUARIE GROUP LTD	8.76
BHP GROUP LTD	9.34
BBG AUB Bank Bill	11.53



International Shares Portfolio Performance & Portfolio Adjustments

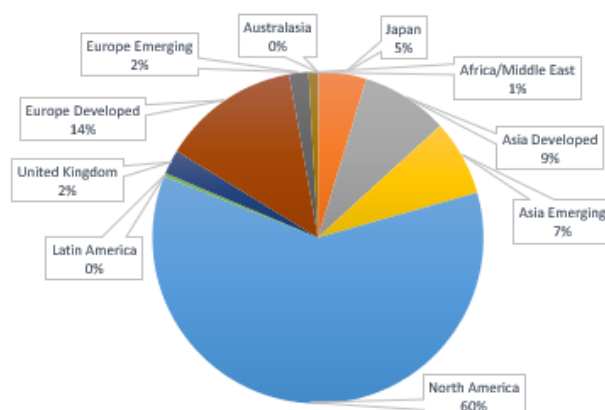
The VIP International Share Portfolio generated a -5.00% return for the month pre-fees and 1.33% over the last 3 months. In doing so the portfolio underperformed against the MSCI World Ex Aus (AUD) index by 0.57% for the month and underperformed by 0.09% over the quarter. Over the last year, the portfolio has generated a 6.86% return and underperformed against the index by 1.96%. The post-fees returns for the *Investment* and *Superannuation & Pension* portfolios are shown in blue in the table below.

The **Top Contributors** was Cash 0.15%. The **Top Detractors** were Loftus Peak Global Disruption -9.02%, Platinum International -4.59%, and Alliance Bernstein Global Equity -4.59%

In May, 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	2.01
LOFTUS PEAK GLOBAL DISRUPTN	17.69
PLATINUM INTERNATIONAL FUND	19.61
ALLIANCEBERNSTEIN GLB EQ FD	29.95
MAGELLAN GLOBAL FD	30.74



Properties Security Portfolio Performance & Portfolio Adjustments

The VIP Property Securities portfolio generated a 1.36% return for the month pre-fees and 8.43% over the last 3 months. The portfolio underperformed the S&P/ASX 200 A-REIT index during the month by 1.11% and outperformed over the quarter by 2.37%. Over the last year, the portfolio has generated a 37.16% return and outperformed the index by 20.65%. The post-fees returns for the *Investment* and *Superannuation & Pension* portfolios are shown in blue in the table below.

The **Top Contributors** were Charter Hall Group 5.40%, Dexus 3.04%, and Cromwell Property Group The **Top Detractor** was Arena REIT -6.14% and Goodman Group 1.82%.

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

VIP Property Security Holdings & Risk/Return

	% End Weight
VIP PROPERTY SECURITIES	100.00
CROMWELL PROPERTY GROUP	19.30
DEXUS	19.35
ARENA REIT	20.19
GOODMAN GROUP	20.24
CHARTER HALL GROUP	20.92



Fixed Interest Portfolio Performance & Portfolio Adjustments

The VIP Fixed Interest portfolio generated a 1.16% return for the month pre-fees and 3.15% over the last 3 months. This was against the Bloomberg AusBond Composite index return of 1.70% over the month and 3.85% over the quarter. The portfolio underperformed the index by 0.54% over the month and underperformed by 0.70% over the last 3 months. The post-fees returns for the *Investment* and *Superannuation & Pension* portfolios are shown in blue in the table below.

The **Top Contributor** was iShares Composite Bond Fund 1.68%. The **Top Detractor** was Realm High Income Fund -0.45%. In May, 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	1.16	3.15	5.86	7.49	4.93
REALM HIGH INCOME FUND-WHL	24.26	-0.45	1.39	2.52	3.79	2.83
ISHARES CORE COMPOSITE BOND	75.74	1.68	3.72	6.97	8.74	5.62

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