



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

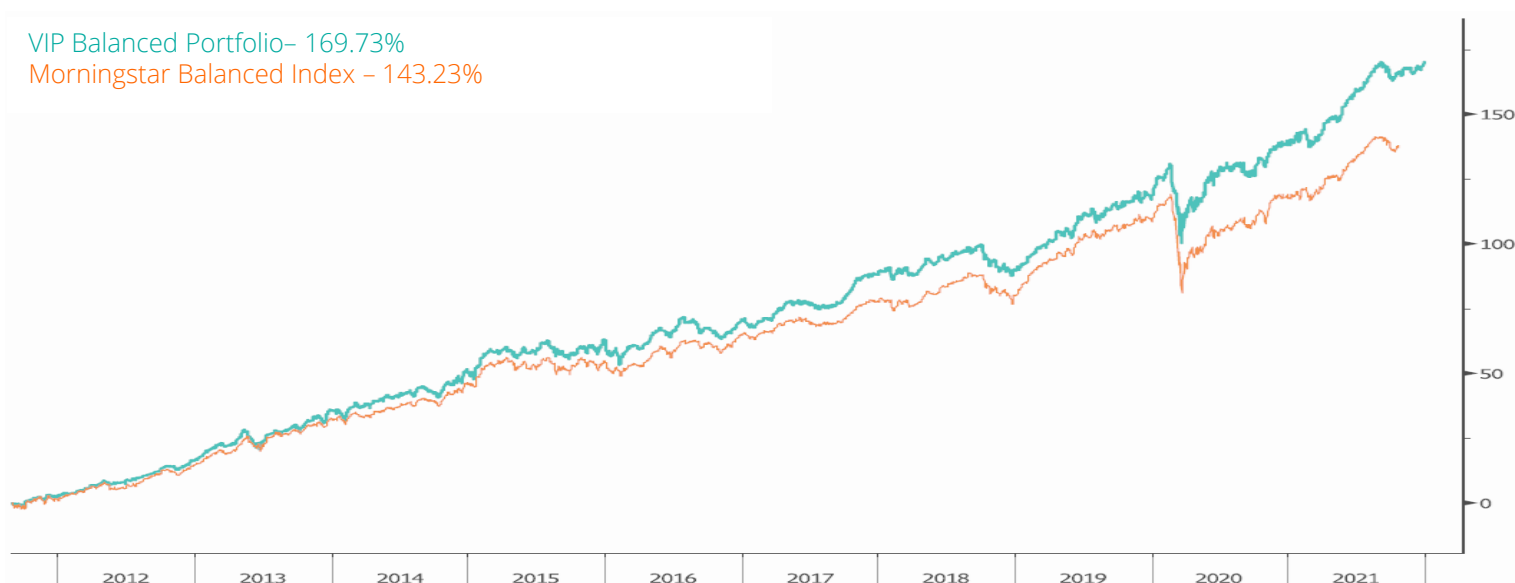
### Investment Strategy

Using the principles of diversification, Value Investment Partners' multi-asset products use a specific blend of inhouse asset class specific portfolios to develop an 'all weather' fund designed to accrue and protect wealth in any market environment. Using tactical asset allocation, Value Investment Partners constructs the optimal portfolio of a variety of asset classes to control market risk exposure and take advantage of opportunities in a large investable universe..

### Portfolio Performance

	1 Month	3 Month	6 Month	Y.T.D.	1 Year	3 Year (p.a.)	5 Year (p.a.)	7 Year (p.a.)	Since Inception (p.a.)
Gross Returns	1.24%	1.34%	3.91%	13.39%	13.39%	12.36%	9.68%	8.74%	10.53%
Net Returns	1.17%	1.27%	3.51%	12.92%	12.59%	11.56%	8.88%	7.94%	9.73%
Benchmark Returns	1.27%	2.60%	4.40%	11.83%	11.83%	10.51%	8.10%	7.62%	9.38%

VIP Balanced Portfolio– 169.73%  
Morningstar Balanced Index – 143.23%



### Portfolio Asset Allocation



- Australian Equities - 18%
- International Equities - 20%
- Property Securities - 8%
- Domestic Fixed Interest - 14%
- International Fixed Interest - 9%
- Cash - 32%

### Portfolio Facts

Inception Date	31 <sup>st</sup> August 2011
Asset Class	Multi-Asset
Platform Availability	Xplore Wealth
Index Benchmark	Morningstar Balanced Index
Investment Horizon	5 – 7 Years
Suggested Minimum Investment	\$250,000 AUD
Management Fee (Exc. GST)	0.80%



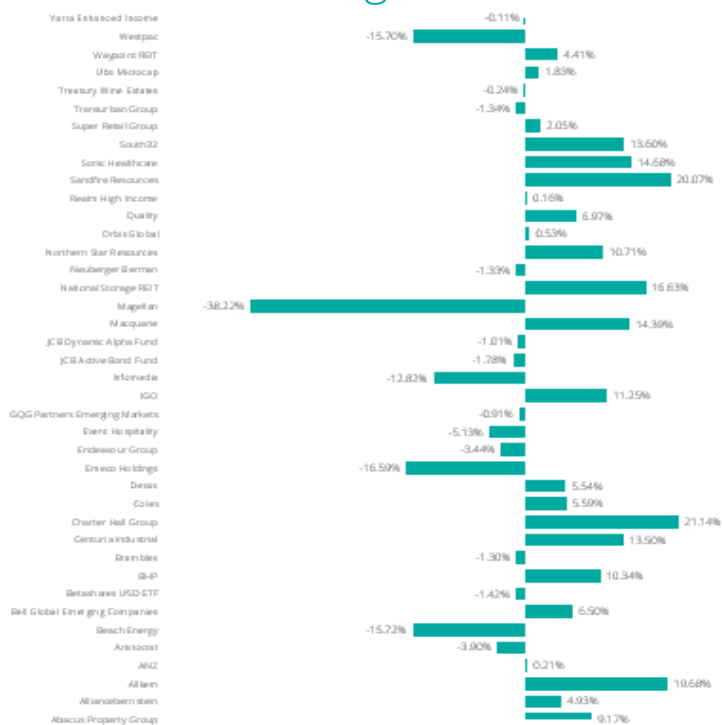
### 3 Month Sector Performance



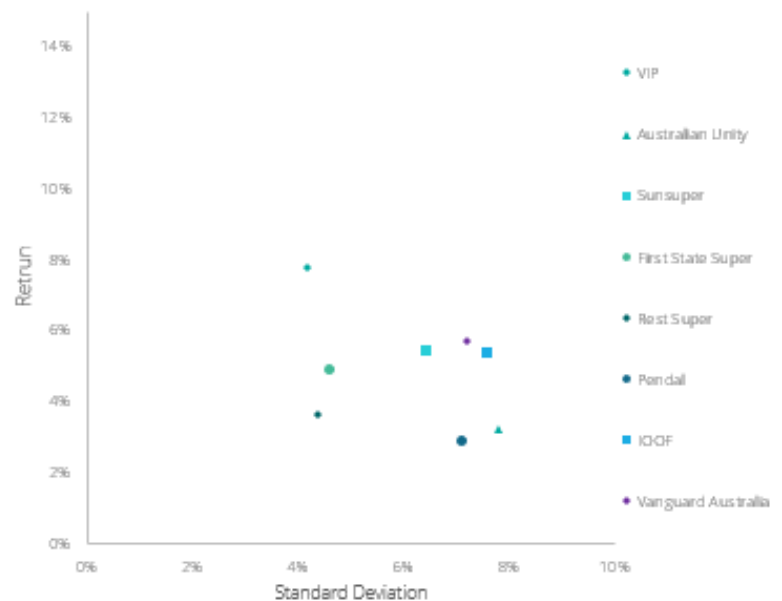
### Current Sector Allocation



### 3 Month Holdings Performance



### 5 Year Risk/Return Profile



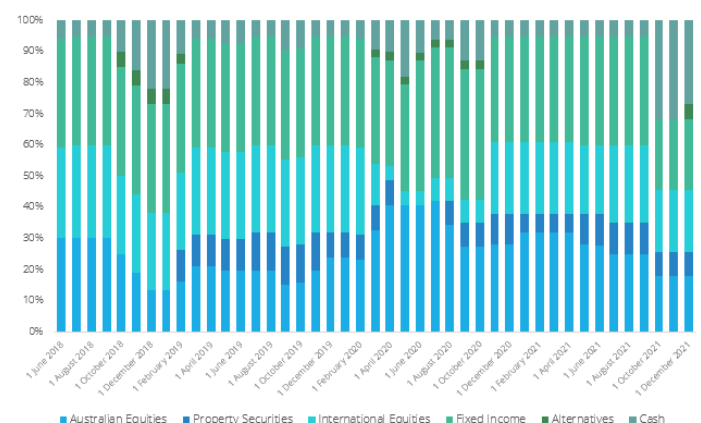
### Upside & Downside Capture

3 Month      5 Year

Upside Capture      57%      108%

Downside Capture      78%      92%

### Balanced Trailing Asset Weights





## Market Commentary

Just as Delta and broader COVID issues looked to be easing and the world was returning to some normality, the emergence of Omicron late in the December quarter threw society and markets back into uncertainty.

The emergence of Omicron not only led to another wave of infections resulting in labour and supply shortages, shutdowns, shipping bottlenecks, and rising prices, but also the broad acceptance that inflation was not going to be transitory. All of this spooked markets, as was evident in economic commentary from business leaders and central bankers, the rise in treasury yields, equity market volatility and the sell down of tech and high PE stocks globally.

### Multiple factors continue to drive uncertainty

Omicron led to further business shutdowns and supply chain issues across major economies such as the U.S., China and Australia. Paradoxically Omicron also led to an increase in demand in some areas which exacerbated the impact of supply constraints. The net result, slowing economies and persistent inflation.

However, it wasn't just Omicron and the economic effects of closures that spooked markets. A number of additional inflationary factors emerged that are of even greater concern. Energy prices saw increased volatility and started on an upward price trajectory. Even more concerning to markets was the fact that US rents and wages began contributing to U.S. inflation. Rising rents and wages reflect the impact of creating money via the huge monetary stimulus that has occurred around the world in response to Covid. Inflation from rents and wages is a big problem because it is a structural issue that has previously spiralled out of control and problematically these factors look set to continue to drive inflation.

In recognition of the changing drivers of inflation a raft of Federal Reserve officials and central bankers around the world have signalled their intention to combat inflation more aggressively than was previously expected, with US rates now possibly on track for a March increase.

Further complicating the picture is the prospect for stagflation (a combination of inflation with lower levels of economics growth) and the prospect of different policy responses by different governments to COVID and economic issues. As such the economic concerns that have emerged increasingly look to be of a longer-term nature than previously anticipated and markets can't look through them, as they were doing mid-year, (when inflation was widely being labelled transitory) which is why markets remain spooked.

### VIP has been positioning your portfolio for these events since October

VIP initially sold down your high PE and technology stocks in October well ahead of the broader market reacting to the potential for higher rates, because we believed inflation was going to last longer than many others did. We have temporarily increased your cash level to between 25 and 30% also positioned your portfolio to minimise the impact that rising yields could have by reducing yield exposure and increasing the level of exposure to corporate credit. This protected your portfolio and capital as the benchmark fell over the last quarter.

2022 is unlikely to see the stellar returns achieved in 2021 and risks to performance are enhanced, however VIP is comfortable with the positioning of your portfolio and the prospects for further outperformance.

Sources Referred and Data Collected From: Bloomberg, NAB, CommBank, & RBA