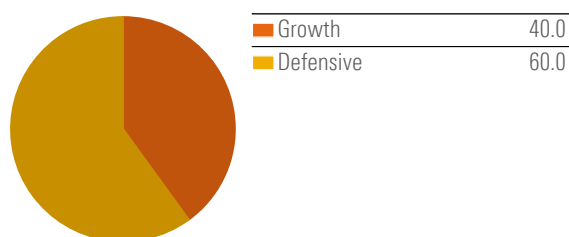




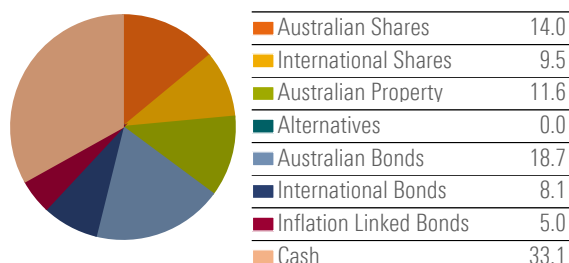
Diversified Income Managed Account Portfolio

Quarterly Performance Update: Q2 2016

Long Term Target %



Current Asset Allocation %



The portfolio delivered positive quarterly returns, despite a Brexit shock.

The portfolio retains elevated levels of cash in anticipation of further market volatility and in recognition that a number of asset classes look increasingly expensive.

How the portfolio performed

The Diversified Income Portfolio delivered a return of 2.66% for the quarter, pleasingly outperforming its objective. This result was achieved in an extremely tumultuous period for financial markets, which were caught off-guard by the unexpected decision of the British people to exit the European Union after more than 40 years of membership. Whilst this was left field, the portfolio's generally cautious positioning given valuation concerns, helped buffer the portfolio from the ensuing market volatility.

What happened to valuations and how is the portfolio positioned?

Notwithstanding already high valuations in global and domestic bonds, the Brexit shock induced a flight to safety. This saw global bonds strengthen further, particularly in the United States. The move reflected revised expectations as to the timing and speed of U.S. interest rate rises due to the growing uncertainty as to the outlook for global growth. Australian bonds were further supported by an unexpected 0.25% interest rate cut which was quickly enacted following a poor domestic inflation reading in late April.

Australian property and shares similarly had strong quarters, the former doing particularly well as investors sought 'defensive' yield in the increasingly volatile market conditions. The portfolio's large cash positions also aided performance through the market volatility although this return was slightly impacted by the unexpected cut to the cash rate.

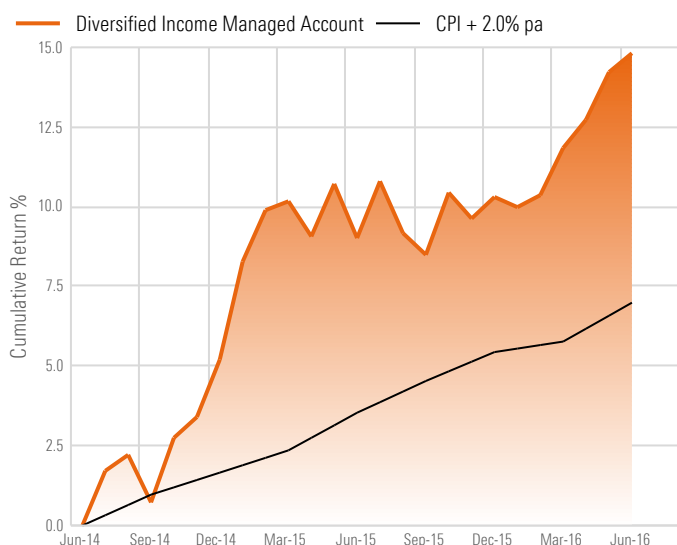
European shares were the largest detractor on the portfolio's performance for the quarter. This weakness sees European shares become even more attractive relative to other asset classes, based on our valuation analysis.

We made slight changes to the portfolio in late May. This saw us continuing to reduce exposure to yield assets such as Australian property and Australian bonds, whilst increasing our weighting to Australian shares. We also introduced an allocation to European shares given our longer term view of their supportive valuations and fundamentals and took the opportunity to refine our Emerging Market exposure toward standout opportunities in South Korea.

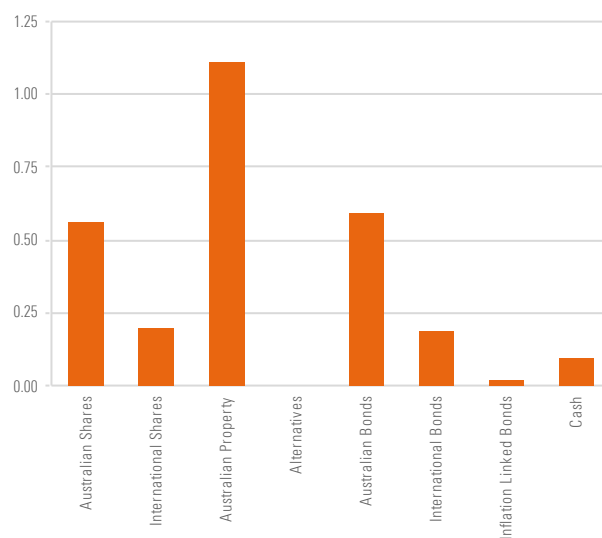
With key asset classes largely remaining expensive, we continue to position for ongoing volatility, with ample cash available to take advantage of compelling investment opportunities, where it makes sense to do so.

Performance Overview

Compound Returns %



Contribution to Return by Asset Class % over the Quarter

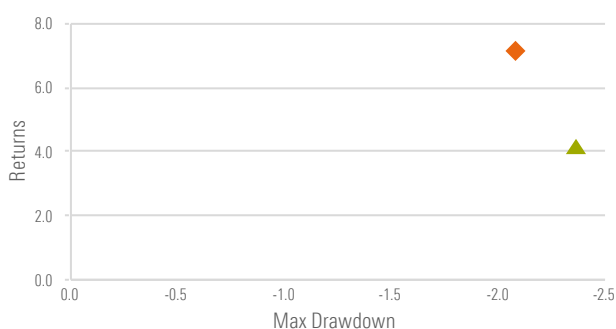


Total Returns %

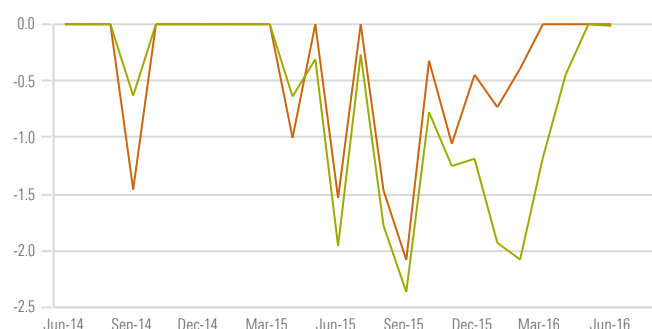
	3 Months	6 Months	1 Year	Inception (pa)
Diversified Income Managed Account ^{1,2}	2.66	4.09	5.32	7.15
CPI + 2.0% pa ⁴	1.14	1.46	3.31	3.41
Outperformance	1.52	2.63	2.01	3.74
Distribution Return	0.51	0.85	2.28	2.38
Cash Benchmark	0.56	1.14	2.24	2.42

Risk Overview vs Peer Average³

Returns and Drawdown % Since Inception



Drawdown %



◆ Diversified Income Managed Account ▲ Peer Category Average

— Diversified Income Managed Account — Peer Category Average

1. Investment performance is before tax and after the standard management fee of 0.605% (inclusive of GST). Investment performance is shown from 30/06/2014 and represents modelled performance only and assumes income received is reinvested. An individual investor's performance will differ from the modelled performance depending on factors such as transaction timing, actual management fees, whether income is paid and any divergence from model portfolio weightings.

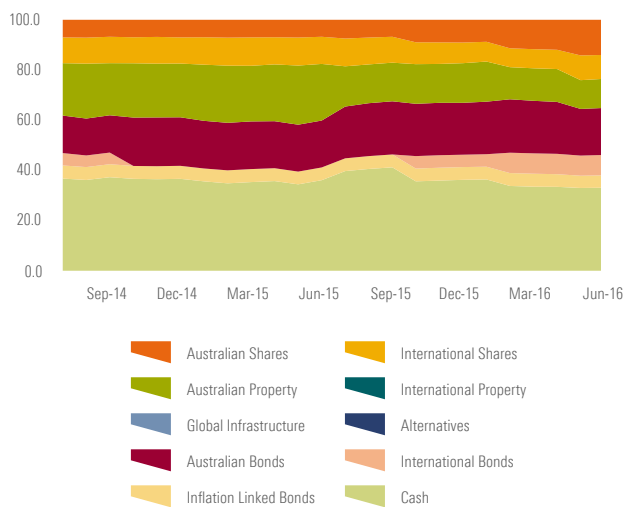
2. Management fees can be negotiated and may be less than the standard management fee. The portfolio may include exchange traded funds which charge management fees and these are an additional cost to individual investors and impact their return.

3. Peer Average is the Morningstar Australia Open End Multisector Moderate category, which contains multi-sector funds with 20.0 - 40.0 percent of their investments in growth assets such as shares and property.

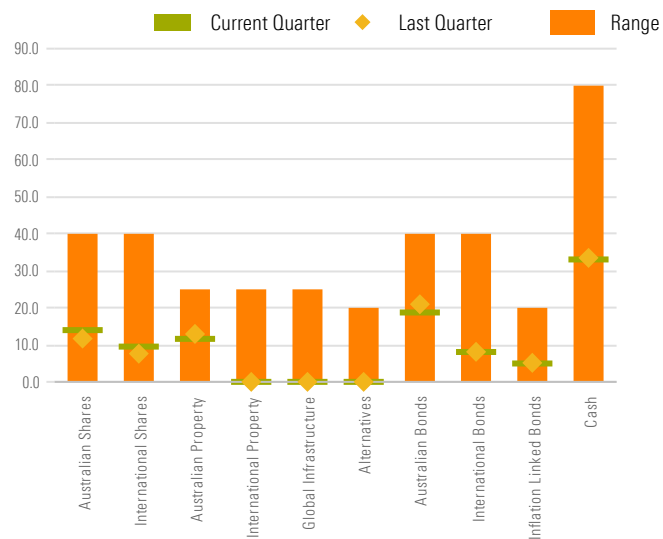
4. The CPI was not available for the current quarter at the time of creation. CPI for the same quarter of previous year has been used as a proxy for the current quarter. Please note the actual CPI for the current quarter may differ to the proxy used.

Allocation Overview

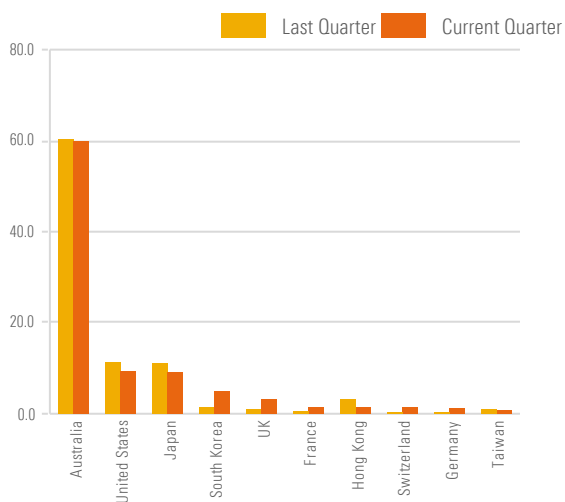
Asset Allocation %



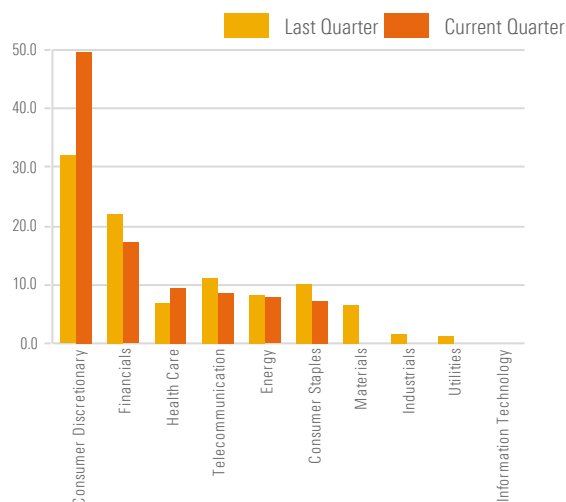
VDAA vs Range %



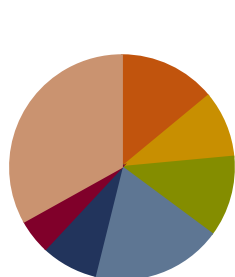
Equity Sector Regional Allocations %



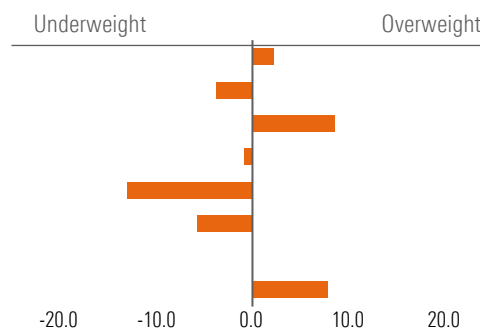
Australian Shares Sector Allocations %



Current Asset Allocation Vs Peer Average % ¹



Actual Allocation	Asset Class	Active Weight
14.0	Australian Shares	2.2
9.5	International Shares	-3.8
11.6	Australian Property	8.5
0.0	Alternatives	-0.9
18.7	Australian Bonds	-13.0
8.1	International Bonds	-5.8
5.0	Inflation Linked Bonds	0.0
33.1	Cash	7.8



1. Peer Average is the Morningstar Australia Open End Multisector Moderate category, which contains multi-sector funds with 20.0 - 40.0 percent of their investments in growth assets such as shares and property.

Portfolio Holdings

Holding	Code	Morningstar® Economic Moat Rating™ ¹	Morningstar/ Chant West/ Lonsec Rating ¹	Current Portfolio Weight (%)	Price (\$)	Trailing Yield/ Distribution Return (%) ²	Market Capitalisation (\$ million)
Australian Shares				13.99			
Consumer Discretionary							
Navitas Ltd.	NVT	None	Hold	1.53	5.49	5.13	2,060
Trade Me Group Ltd.	TME	Wide	Reduce	1.51	4.42	3.27	1,756
Sky City Entertainment Group Ltd	SKC	Narrow	Hold	1.49	4.36	3.63	2,615
InvoCare Ltd.	IVC	Narrow	Hold	1.35	13.14	2.42	1,446
Sky Network Television Ltd.	SKT	Narrow	Hold	1.06	4.55	6.02	1,771
Consumer Staples							
Woolworths Ltd.	WOW	Narrow	Accumulate	1.02	20.89	7.93	26,550
Energy							
Woodside Petroleum Ltd.	WPL	None	Hold	1.09	26.84	8.09	22,114
Financials							
ASX Ltd.	ASX	Wide	Reduce	1.42	45.76	6.06	8,859
Platinum Asset Management Ltd.	PTM	Narrow	Accumulate	0.99	5.76	8.93	3,379
Health Care							
Sonic Healthcare Ltd.	SHL	Narrow	Hold	1.33	21.55	3.92	8,908
Telecommunication							
Telstra Corp. Ltd.	TLS	Narrow	Hold	1.20	5.56	7.97	67,975
International Shares				9.53			
Morningstar International Shares (Hedged) Fund	INT0016AU	-	4 Apples	3.54	0.42	0.05	-
iShares MSCI Japan ETF	IJP	-	Neutral	1.79	15.42	1.38	199
iShares Europe ETF	IEU	-	Neutral	1.73	49.73	2.64	556
iShares MSCI Emerging Markets ETF	IEM	-	Bronze	1.56	45.76	2.01	350
iShares MSCI South Korea Capped ETF	IKO	-	-	0.91	69.68	2.13	24
Australian Property				11.63			
GPT Group	GPT	Narrow	Hold	2.40	5.41	4.25	9,727
Scentre Group	SCG	Narrow	Reduce	2.13	4.92	4.25	26,196
Westfield Corp	WFD	Narrow	Hold	1.99	10.65	3.24	22,132
Dexus Property Group	DXS	Narrow	Hold	1.48	9.02	4.95	8,731
Goodman Group	GMG	Narrow	Hold	1.41	7.11	3.38	12,644
Vicinity Centres	VCX	Narrow	Hold	1.37	3.32	5.33	13,143
Mirvac Group	MGR	None	Hold	0.85	2.02	4.90	7,477
Australian Bonds				18.74			
iShares Composite Bond ETF	IAF	-	Silver	18.74	109.63	3.35	320
International Bonds				8.08			
Morningstar International Bonds (Hedged) Fund	INT0082AU	-	Investment Grade	8.08	1.05	1.31	-
Inflation Linked Bonds				4.97			
iShares Government Inflation ETF	ILB	-	-	4.97	115.75	1.55	64
Cash				33.07			
Cash & Cash Equivalents		-	-	16.91	1.00	1.20	-
BetaShares Australian High Interest Cash ETF	AAA	-	Neutral	16.16	50.17	2.30	932

1. Any Morningstar Ratings or Economic Moat Ratings contained in this report are based on the full research report available from Morningstar or your adviser.

2. Calculated as either the last 12 month distribution return or last 12 months of dividends divided by current share price.

Transactions over the quarter

Action	Security/ APIR Code	Security Name	Rationale
Australian Equities			Asset Allocation Decision: Increase
-	Removed	IHD-AU iShares S&P/ASX Dividend Opportunities ETF	The iShares S&P/ASX Dividend Opportunities ETF seeks to track the investment results of an index composed of Australian equities, chosen because they are expected to deliver an above-market average yield, before fees and expenses. The ETF was added to the portfolio because it allowed us to quickly and efficiently capture an improving yield thematic that had presented in Australian equities following a period of market weakness. With the Australian market since rallying, the incentive to hold the ETF has diminished. As such, we exit the holding in favour of more targeted yield opportunities via individual securities.
-	Removed	BHP-AU BHP Billiton Limited	BHP Billiton Limited is a diversified natural resources company with interests in Petroleum and Potash, Copper, Iron ore and Coal assets. BHP Billiton was originally added to the portfolio on valuation grounds. More recently however, we have become concerned that the 'investment case' of the company is looking less attractive, having flagged large asset write-downs in the face of falling commodity prices, most notably with regard to iron ore. With downside risks to the iron ore price remaining and further uncertainty regarding the outcome of compensation claims arising from the Samarco tailings dam disaster in Brazil, we have elected to cut the holding and invest in companies with stronger investment drivers.
+	Added	IVC-AU Invocare Limited	Invocare Limited owns and operates funeral homes, cemeteries, crematoria and memorial gardens in Australia, New Zealand, Singapore and China. The company enjoys a dominant market position in Australia, with a strong brand and reputation. Invocare brings an attractive mix of yield (Morningstar FY17 expected yield of 3.7%, fully franked), quality (in particular, defensive earnings profile and sustainable dividend payouts) and supportive valuations to the portfolio. In addition, they have growth opportunities through their Southern Californian business.
↑	Increased	NVT-AU Navitas Limited	
↑	Increased	SKC-AU SKYCITY Entertainment Group Limited	
↑	Increased	TME-AU Trade Me Group Limited	
↑	Increased	ASX-AU ASX Limited	
↑	Increased	SHL-AU Sonic Healthcare Limited	
↑	Increased	TLS-AU Telstra Corporation Limited	All stocks see a meaningful re-weighting higher as we remove the high-yield ETF yet increase the overall allocation to Australian equities.
↑	Increased	WPL-AU Woodside Petroleum Limited	
↑	Increased	PTM-AU Platinum Asset Management Limited	
↑	Increased	WOW-AU Woolworths Limited	
↑	Increased	SKT-AU SKY Network Television Limited	

International Equities				Asset Allocation Decision: Increase
-	Removed	IBK-AU	iShares MSCI BRIC ETF	The iShares MSCI BRIC ETF seeks to track the results of an index composed of Brazilian, Russian, Chinese and Indian equities, before fees and expenses. Recent strong price increases in certain Emerging Markets, most notably Brazil and, to a lesser extent, Russia, leads us to exit our allocation to this ETF in favour of adding an allocation to South Korean equities, which presents with far more attractive valuations. In addition, we are becoming increasingly concerned by the amount of borrowing on the books of Chinese banks, much of which, we believe, is of low credit quality, and so we take this opportunity to reduce our exposure to Chinese 'Financials'.
-	Removed	INT00017AU	Morningstar International Shares (Unhedged) Fund (formerly Ibbotson International Shares Core Trust (Unhedged))	The Morningstar International Shares (Unhedged) Fund is a diversified portfolio of international securities selected in accordance with Morningstar's disciplined investment approach to identifying undervalued, under-owned and quality securities. In this trade update, we exit the small holding in the unhedged version of the fund, as we rebalance the global equities component of the portfolio toward the most favourable opportunities.
↑	Increased	INT00016AU	Morningstar International Shares (Hedged) Fund (formerly Ibbotson International Shares Core Trust (Hedged))	The Morningstar International (Hedged) Shares Fund is a diversified portfolio of international securities selected in accordance with Morningstar's disciplined investment approach to identifying undervalued, under-owned and quality securities. In this trade update, we increase our allocation to the currency hedged version of this product, given the Australian dollar's recent weakness as well as de-risking the portfolio from exposure to the Japanese Yen. This is because the Japanese Yen typically has an opposite relationship with Japanese equities. Essentially, we remain positive on Japanese equities, but at the same time, want to limit our exposure to the Japanese Yen. Note: investors in the funds via our managed accounts do not incur any additional underlying investment management fees.
↑	Increased	IEU-AU	iShares MSCI Europe ETF	The iShares MSCI Europe ETF seeks to track the results of an index composed of European equities, before fees and expenses. As at 20 May 2016, the top 5 sectors represented by the ETF are 'Financials'; 19.7%, 'Consumer Staples'; 15.7%, 'Health Care'; 13.8%, 'Industrials'; 11.9% and 'Consumer Discretionary'; 11.3%. The top 5 country weightings are 'United Kingdom'; 30.5%, 'France'; 15.0%, 'Switzerland'; 14.1%, 'Germany'; 13.4% and 'Spain'; 4.8%. With U.K. and European equities becoming increasingly attractive relative to other asset classes, we take the opportunity to add to our holding. The ICR (management cost) on this ETF is 0.60% p.a.
+	Added	IKO-AU	iShares MSCI South Korea ETF	The iShares MSCI South Korea ETF seeks to track the results of an index composed of South Korean equities, before fees and expenses. As at 20 May 2016, the top 5 sectors represented by the ETF are 'Information Technology'; 35.3%, 'Consumer Discretionary'; 15.2%, 'Financials'; 13.5%, 'Industrials'; 11.8% and 'Consumer Discretionary'; 10.2%. With South Korean equities increasingly attractively priced relative to other asset classes, we take this opportunity to add to our existing holding. The ICR (management cost) on this ETF is 0.62% p.a.
Australian Property				Asset Allocation Decision: Decrease
-	Removed	SGP-AU	Stockland	Further to our decision to decrease our allocation to Australian property, we have sought to reduce any exposure to residential property development. This is due to concerns regarding a slowing domestic economy, poor housing affordability, increasing housing supply and ongoing regulatory changes aimed at slowing property investment.
↓	Decreased	MGR-AU	Mirvac Group	Accordingly, we exit Stockland and reduce Mirvac, which generate a significant portion of their earnings from this sector.
Alternatives				Asset Allocation Decision: No Change

Australian Bonds			Asset Allocation Decision: Decrease
↓	Decreased	IAF-AU	<p>iShares Core Composite Bond ETF</p> <p>The iShares Core Composite Bond ETF seeks to track the results of an index composed of investment grade fixed income bonds issued in the Australian debt market, less fees and expenses. Domestic interest rate expectations have fallen following the poor March inflation reading and the subsequent cut to the RBA cash rate in May. With a bond's price and its yield having an inverse relationship, all things being equal, bond prices have rallied in this environment and valuations are now relatively less attractive than they were, despite the prospect of interest rates remaining low for some time yet. As such, we have reduced our allocation to the asset class.</p>
International Bonds			Asset Allocation Decision: No Change
Inflation-linked Bonds			Asset Allocation Decision: No Change
Cash			Asset Allocation Decision: No Change

Morningstar's Investment Principles



We put investors first. We believe the firms that put investors first win in the long term because their investors win.

Since 1984, Morningstar, Inc. has been helping investors reach their financial goals. Our fiduciary duty to our principals is paramount.



We're independent-minded. To deliver results, we think it's necessary to invest with conviction, even when it means standing apart from the crowd.

Our research shows that making decisions based on fundamental analysis, rather than short-term factors and sentiment, delivers better long-term investment results.



We invest for the long term. Taking a patient, long-term view helps people ride out the market's ups and downs and take advantage of opportunities when they arise.

Investing with a multi decade horizon aligns with investors focus on increasing their purchasing power over their lifetimes.

The long term is the only period where fundamental, valuation driven investing works.



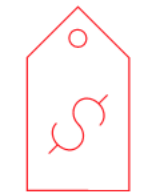
We're valuation-driven investors. Anchoring decisions to an investment's fair value—or what it's really worth—can lead to greater potential for returns.

Valuation-driven investing through a long-term focus on the difference between price and intrinsic value enables investors to get more than they're paying for.



We take a fundamental approach. Powerful research is behind each decision we hold, and we understand what drives each investment we analyse.

Fundamental investing incorporates a focus on the future earnings of an investment and not its prospective price change.



We strive to minimise costs. Controlling costs helps investors build wealth by keeping more of what they earn.

Investment returns are uncertain, but costs are not.

Lower costs allow investors to keep more of their returns.



We build portfolios holistically. To help manage risk and deliver better returns, truly diversified portfolios combine investments with different underlying drivers.

Portfolios should be more than the sum of their parts.

True diversification can have a powerful impact on a portfolio's risk-adjusted returns – but simply holding more investments isn't the same as true diversification.