



VMAPS

Ventura Morningstar

Conservative

Managed Account Portfolio

Trade Update

11 2021

All data and information as at 03/11/2021
For Financial Adviser Use Only

Asset Allocation themes¹

| Asset class | Change | New AA |
|---------------------------|--------|--------|
| Australian Equities | – | 8.9% |
| International Equities | – | 18.8% |
| Property & Infrastructure | – | 0.0% |
| Australian Bonds | 2.0 | 29.4% |
| International Bonds | – | 13.1% |
| Alternatives/Other | – | 5.0% |
| Cash | -2.0 | 24.7% |

At a glance

- Yields on Australian and (to a lesser extent) global bonds have soared over the last couple of months, given expectations around rising inflation and anticipation that the U.S. Federal Reserve ('the Fed') will begin to wind back its stimulus program earlier than expected.
- This sees Australian bonds increasingly appeal, especially relative to cash, and we have made a notable increase in our investment in this asset class.

Growth vs Defensive splits¹

| Assets | Change | New Split |
|-----------|--------|-----------|
| Growth | – | 30.2% |
| Defensive | – | 69.8% |

Portfolio action

We have increased our allocation to Australian bonds in the portfolio, funded from cash:

| Security | Security/ APIR Code | Current Weighting | New Weighting | Increase / Decrease |
|---------------------------------|------------------------|----------------------|------------------|------------------------|
| iShares Core Composite Bond ETF | IAF-AU | 18.4% | 20.4% | 2.0% |
| iShares Core Cash ETF | BILL-AU | 5.6% | 3.6% | -2.0% |

¹ May not sum to 100.0% due to rounding.
Morningstar Investment Management considers
Alternatives/Other to be 50% Growth / 50%
Defensive assets.

About Morningstar Investment Management Australia

Morningstar Investment Management Australia is a global leader in asset allocation and multi-asset portfolio construction.

Morningstar's long-term, valuation-driven approach is underpinned by an emphasis on preserving capital and undertaking fundamental analysis of global asset classes and securities. We invest with the client in mind, delivering holistic and cost-effective investment solutions, helping them to meet their investment goals.

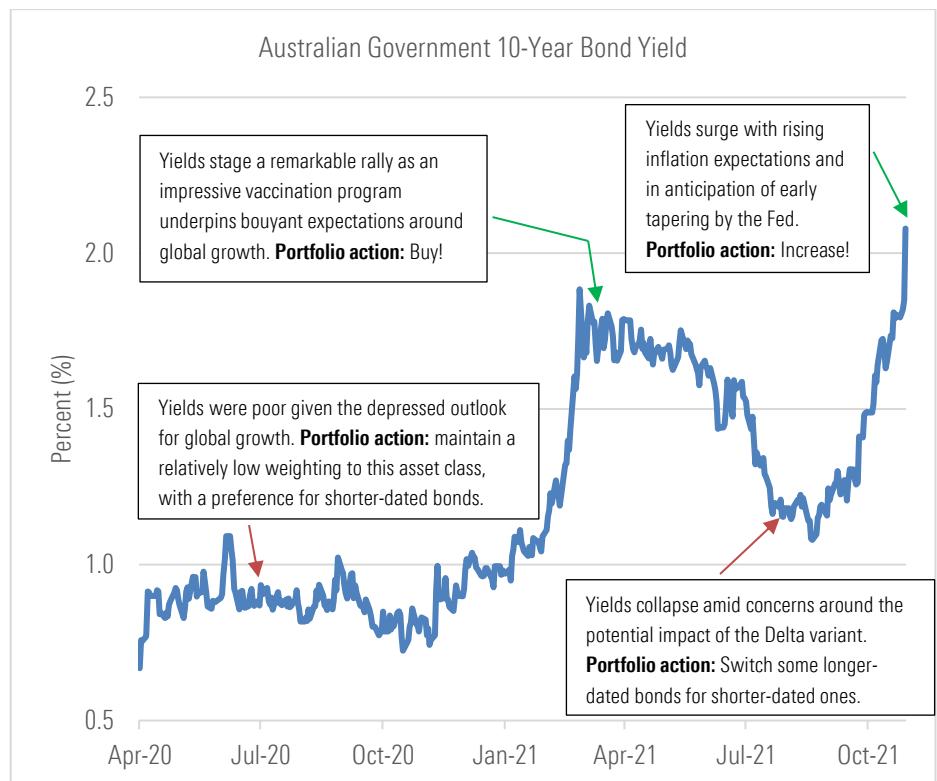
Rationale

While much investor attention is understandably focused on global sharemarkets, it has been an equally fascinating chapter for bond markets, with bond yields fluctuating (at times, wildly) throughout this COVID-19 period. This, in itself, is not uncommon – the path of an economic recovery is rarely smooth – but the speed and magnitude of these gyrations has been simply extraordinary, as investors attempt to navigate this ever-changing environment.

More recently, bond yields have moved sharply higher, with the Australia Government 10-year bond yield breaking through 2% in late October. In part, this reflects investors adjusting to the reality of higher inflation, which has been exacerbated by the recent spike in energy prices. However, investors have also had to prepare for the U.S. Federal Reserve beginning to unwind the massive stimulus program that has underpinned this economic recovery (and the associated sharemarket rally) to date. Remember that bond prices fall as yields rise, and vice versa, all things being equal, and so the recent rise in bond yields has seen rare losses in key bond markets.

Bonds typically fulfil two functions in a diversified portfolio. Firstly, they provide investors with a source of income and, secondly, they typically diversify sharemarket exposure (thereby helping to preserve capital in uncertain times, generally speaking). Following the recent improvement in bond yields, Australian bonds now represent much better value, in our view. Said another way, we are much more confident in their ability to deliver income and diversification benefits to the portfolio at current valuations, and we have increased our allocation accordingly.

More broadly, it may be helpful to consider this trade in the context of how we have actively responded to the changing opportunities in this asset class over 2021. As you can see from the chart below, the relative volatility in this asset class has provided a fantastic opportunity for nimble investors to take advantage of better yields (and to, conversely, hold a lower, or different, allocation to bonds when it makes sense to do).



Source: FactSet. As at 29 October 2021.

Portfolio Post Changes

| Security | Security/APIR Code | GICS Industry Group | New Weighting ² |
|--|--------------------|---------------------|----------------------------|
| Australian Equities | | | 8.9% |
| Brambles Limited | BXB-AU | Industrials | 1.8% |
| Medibank Private Limited | MPL-AU | Financials | 1.4% |
| Woodside Petroleum Limited | WPL-AU | Energy | 1.0% |
| Commonwealth Bank of Australia Limited | CBA-AU | Financials | 1.0% |
| Insurance Australia Group Limited | IAG-AU | Financials | 0.9% |
| Westpac Banking Corporation Limited | WBC-AU | Financials | 0.8% |
| Newcrest Mining Limited | NCM-AU | Materials | 0.8% |
| Morningstar Australian Shares Fund | INT0002AU | | 1.1% |
| International Equities | | | 18.8% |
| BetaShares FTSE 100 ETF | F100-AU | | 5.2% |
| BetaShares Global Energy Companies ETF (AUD Hedged) | FUEL-AU | | 3.6% |
| Morningstar International Shares Active ETF | MSTR-AU | | 2.9% |
| iShares MSCI Japan ETF | IJP-AU | | 2.0% |
| iShares MSCI Emerging Markets ETF | IEM-AU | | 1.4% |
| iShares Europe ETF | IEU-AU | | 1.0% |
| Vanguard FTSE Europe Shares ETF | VEQ-AU | | 1.0% |
| iShares China Large-Cap ETF | IZZ-AU | | 1.0% |
| Vanguard FTSE Emerging Markets Shares ETF | VGE-AU | | 0.7% |
| Property & Infrastructure | | | 0.0% |
| Australian Bonds | | | 29.4% |
| iShares Core Composite Bond ETF | IAF-AU | | 20.4% |
| BetaShares Australian Bank Senior Floating Rate Bond ETF | QPON-AU | | 7.5% |
| Vanguard Australian Fixed Interest ETF | VAF-AU | | 1.5% |
| International Bonds | | | 13.1% |
| Morningstar International Bonds Fund | INT0082AU | | 11.5% |
| <i>BNY Mellon Global Aggregate Bonds</i> | | | |
| <i>Colchester Global Sovereign Bonds</i> | | | |
| <i>Ashmore Emerging Market Bonds</i> | | | |
| Vanguard International Credit Securities (Hedged) ETF | VCF-AU | | 1.7% |
| Alternatives/Other | | | 5.0% |
| Morningstar Multi Asset Real Return Fund | INT0011AU | | 5.0% |
| Cash | | | 24.7% |
| iShares Enhanced Cash ETF | ISEC-AU | | 13.1% |
| BetaShares Australian High Interest Cash ETF | AAA-AU | | 5.3% |
| iShares Core Cash ETF | BILL-AU | | 3.6% |
| Platform Cash | CASH_AUD | | 2.8% |
| | | Total | 100.0% |

²May not sum to 100.0% due to rounding.

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Our investment principles



We put investors first



We're independent-minded



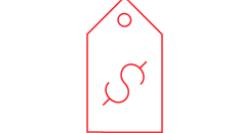
We invest for the long term



We're valuation-driven investors



We take a fundamental approach



We strive to minimise costs



We build portfolios holistically