Ventura Morningstar Diversified Income Managed Account Portfolio Trade Update

VMAPS

11 2021

All data and information as at 03/11/2021
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Asset Allocation themes[1]

Asset class	Change	New AA
Australian Equities	–	13.0%
International Equities	–	25.3%
Property & Infrastructure	–	2.0%
Australian Bonds	1.5	26.7%
International Bonds	–	15.6%
Alternatives/Other	–	3.9%
Cash	-1.5	13.6%

Growth vs Defensive splits[1]

Assets	Change	New Split
Growth	–	42.2%
Defensive	–	57.8%

[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.

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.

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	16.3%	17.8%	1.5%
iShares Core Cash ETF	BILL-AU	6.7%	5.2%	-1.5%

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.

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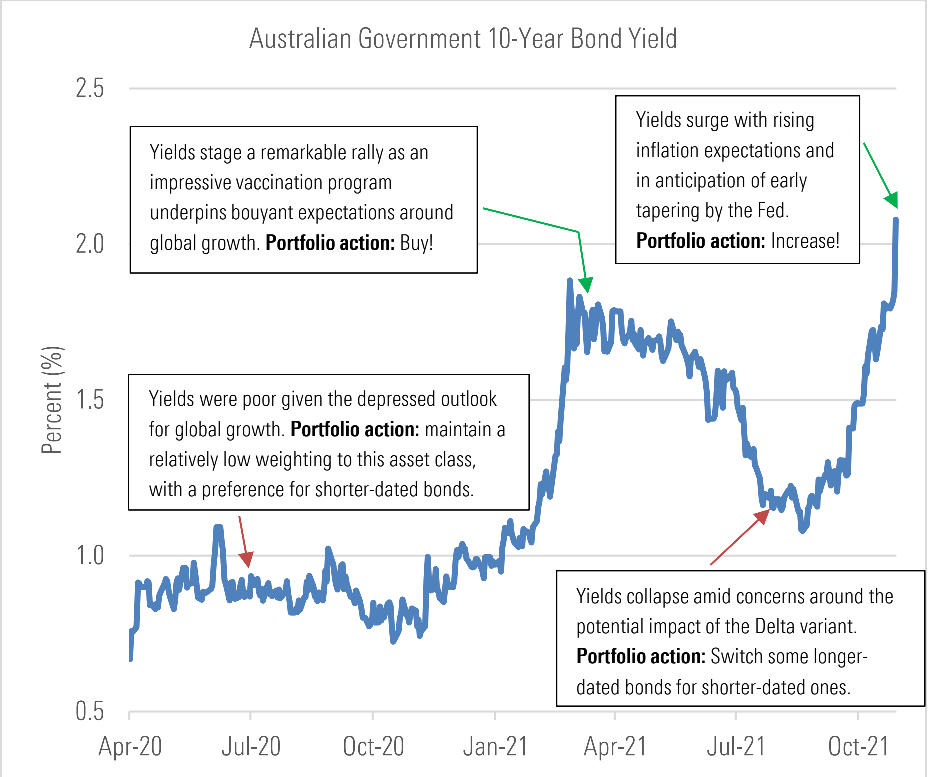
More broadly, it may be helpful to consider this trade in the context of how we have actively responded to the changing opportunities in this asset class over 2021. As you can see from the chart below, the relative volatility in this asset class has provided a fantastic opportunity for nimble investors 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			**13.0%**
Brambles Limited	BXB-AU	Industrials	2.0%
Medibank Private Limited	MPL-AU	Financials	1.6%
Insurance Australia Group Limited	IAG-AU	Financials	1.0%
Woodside Petroleum Limited	WPL-AU	Energy	1.0%
Commonwealth Bank of Australia Limited	CBA-AU	Financials	0.9%
National Australia Bank Limited	NAB-AU	Financials	0.9%
Westpac Banking Corporation Limited	WBC-AU	Financials	0.8%
Amcor PLC	AMC-AU	Materials	0.6%
Morningstar Australian Shares Fund	INT0002AU		4.2%
International Equities			**25.3%**
Morningstar International Shares Active ETF	MSTR-AU		6.7%
BetaShares Global Energy Companies ETF (AUD Hedged)	FUEL-AU		5.8%
BetaShares FTSE 100 ETF	F100-AU		5.3%
Morningstar International Shares Fund	INT0017AU		4.1%
iShares MSCI Emerging Markets ETF	IEM-AU		1.9%
Vanguard FTSE Emerging Markets Shares ETF	VGE-AU		1.0%
iShares MSCI Japan ETF	IJP-AU		0.5%
Property & Infrastructure			**2.0%**
SPDR Dow Jones Global Real Estate ETF	DJRE-AU		1.0%
GPT Group	GPT-AU		0.9%
Australian Bonds			**26.7%**
iShares Core Composite Bond ETF	IAF-AU		17.8%
BetaShares Australian Bank Senior Floating Rate Bond ETF	QPON-AU		8.9%
International Bonds			**15.6%**
Morningstar International Bonds Fund	INT0082AU		12.4%
BNY Mellon Global Aggregate Bonds			
Colchester Global Sovereign Bonds			
Ashmore Emerging Market Bonds			
iShares Global High Yield Bond (AUD Hedged) ETF	IHHY-AU		1.6%
Vanguard International Credit Securities (Hedged) ETF	VCF-AU		1.6%
Alternatives/Other			**3.9%**
Morningstar Multi Asset Real Return Fund	INT0011AU		3.9%
Cash			**13.6%**
BetaShares Australian High Interest Cash ETF	AAA-AU		5.6%
iShares Core Cash ETF	BILL-AU		5.2%
Platform Cash	CASH_AUD		2.9%
		Total	**100.0%**

[2] May 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