



VMAPS

Ventura Morningstar Models

INVESTMENTS AND RESEARCH TO HELP YOU ACHIEVE YOUR FINANCIAL GOALS

Ventura Morningstar Models are a cost effective way for you to access Morningstar's asset allocation and portfolio construction expertise. They have designed an investment approach focused on growing investor's wealth, whilst preserving capital through every stage of the market cycle. These Models come with the added benefit of being supported by Morningstar® Equity Research, giving you access to a research report on every listed company held within each portfolio.

VENTURA FM

INTRODUCING MORNINGSTAR

Ventura Investment Management Ltd (Ventura) has been managing client portfolios in Australia for more than 15 years. Ventura has appointed Morningstar Investment Management Australia Limited (Morningstar) as the specialist investment manager for the Ventura Morningstar Models.

Morningstar is a leading provider of asset allocation, portfolio construction and investment research services with over 35 years' experience in the United States, Australia and other international markets. Morningstar advises and manages funds for superannuation funds, institutions, platform distributors, financial advisers and individuals. Morningstar's disciplined investment approach delivers independent, cost effective and holistic solutions for our clients – helping them reach their financial goals. This long-term, valuation driven approach is underpinned by an emphasis on preserving capital and undertaking meticulous comprehensive fundamental analysis of global asset classes and securities.



A unique combination; helping you stay one step ahead on the path to achieving your financial goals.

1. MORNINGSTAR DYNAMIC ASSET ALLOCATION

Determining Where the Best Opportunities Are

Strategic Asset Allocation provides little flexibility to move away from high risk asset classes and towards those presenting good value, due to constraints of benchmark weightings.

This results in an investment that performs very similarly to an index, and even if the investment outperforms the benchmark, you may still see negative returns or returns below inflation.

By removing these constraints, Morningstar is able to invest only if the reward is worth the risk. This approach is known as Dynamic Asset Allocation.

Then Morningstar look at investor sentiment. If everyone is buying into an asset class, it's likely that it's a very crowded position. This opens you up to the risks associated with a change in investor behaviour. If sentiment towards the asset class changes, there's a risk of significant capital loss when investors sell out, particularly where valuations are not underpinned by fundamentals.

The output of this process determines the weight of an asset class in each of the Ventura Morningstar Models.

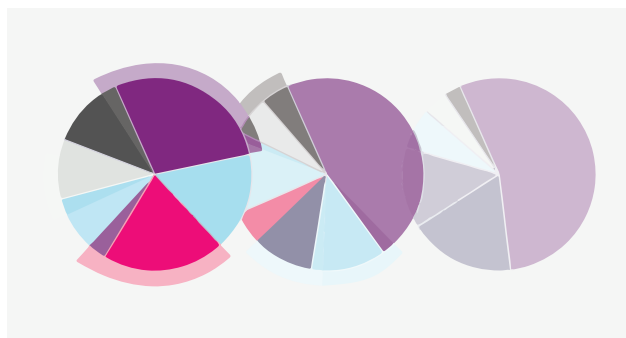
Strategic Asset Allocation

Little flexibility to move when market conditions change.



Dynamic Asset Allocation

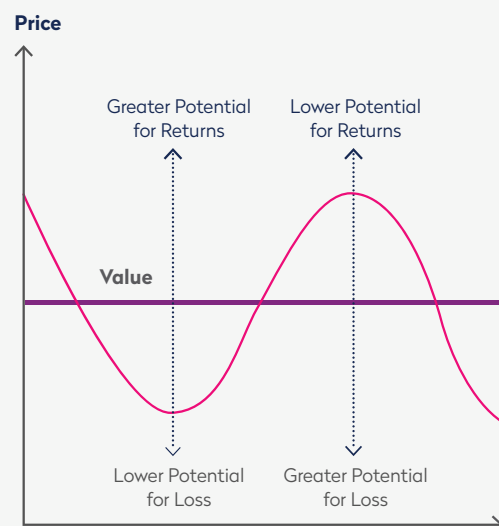
Total flexibility to move when market conditions change.



This foundation of Morningstar's investments process involves the continuous analysis of asset class valuations using our dynamic asset allocation framework. This way, they establish which asset classes are undervalued and overvalued, relative to their 'true value', also known as 'intrinsic value'. In practical terms, we're seeking to invest in assets that are cheap or undervalued.

Value = Greater Potential For Returns

The potential for return is greater and potential for loss is lower if an asset is cheap, or currently undervalued by the market. If you buy an asset that's expensive or overvalued, Morningstar see that as high risk, as you can see on the right hand side of this chart.



The unique combination of dynamic asset allocation, a security selection process focused on quality and value, supported by Morningstar Equity Research, allows you to stay one step ahead on the path to achieving your financial goals.

2. MORNINGSTAR QUALITY AND VALUE SECURITY SELECTION

Once Morningstar know which asset classes present the best opportunities, they select the individual securities presenting the best opportunities within an asset class.

The Ventura Morningstar Models are biased towards high quality undervalued assets. These assets have high Morningstar Quality and Value Scores

Quality – Morningstar Quality Score

Looks at factors such as whether a company has stable and consistent earnings, whether it has little or no debt or has good management.

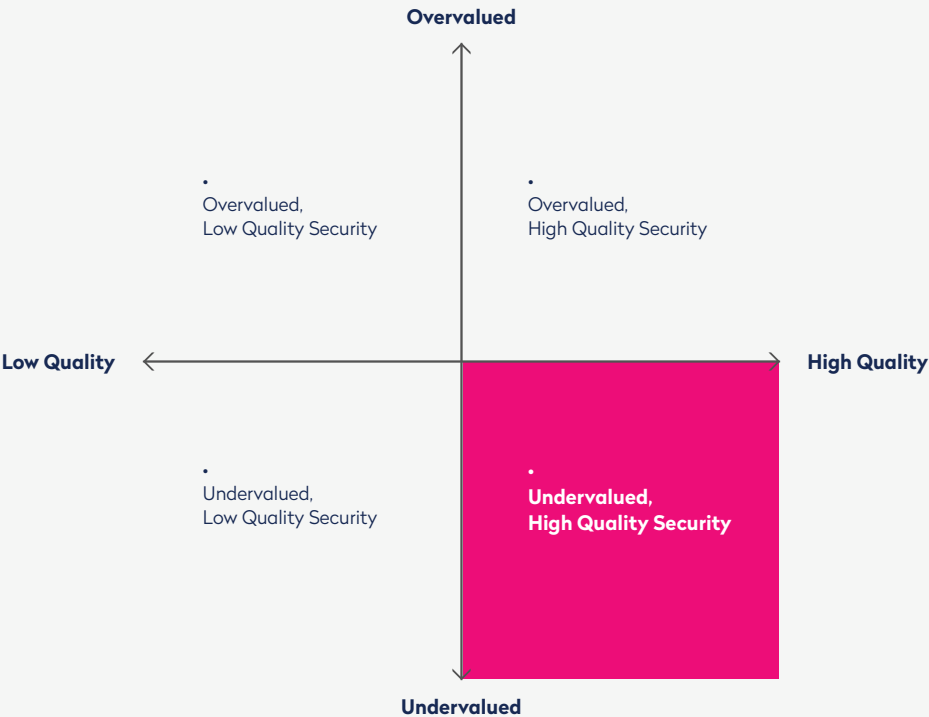


Value – Morningstar Value Score

The same test as when choosing the type of asset. Stocks can be cheap, fair value or expensive and by buying the undervalued stocks and avoiding the expensive stocks your return potential increases while your chance of loss decreases.

Quality + Value = Greater Potential For Sustainable Returns

After Morningstar have scored a stock in terms of value, they then determine which are high-quality companies. As you can see in the chart below, securities can be high quality, but overvalued. To be held in our managed accounts, they're looking for securities with both a high Morningstar quality and value score, as shown by the dark blue quadrant.



3. SUPPORTED BY MORNINGSTAR GLOBAL EQUITY RESEARCH

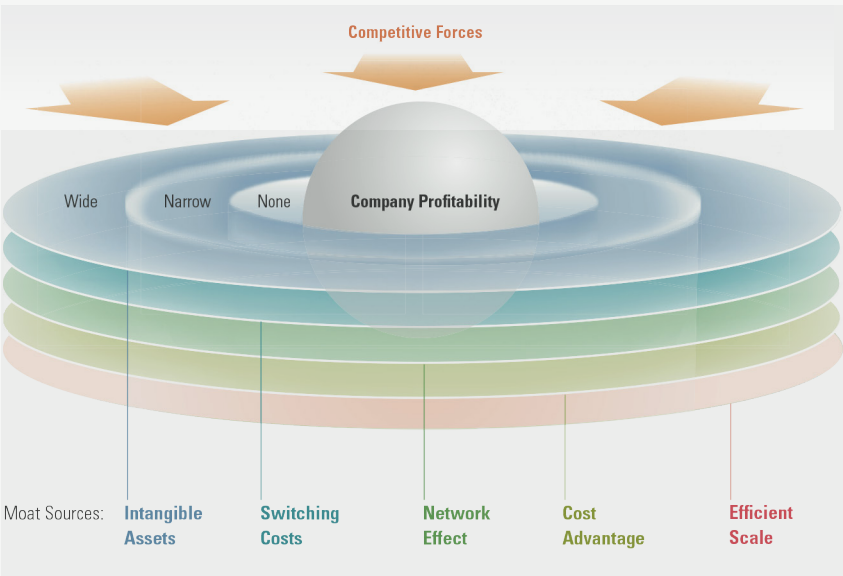
Ventura Morningstar Models come with an added level of transparency: Morningstar Global Equity Research Reports on every listed company in the portfolio. The majority of securities in the Ventura Morningstar Models also have a Morningstar Economic Moat Rating.

Stay One Step Ahead with Morningstar

Research Reports Morningstar has over 170 equity and credit analysts globally, covering approximately 1,600 stocks and 700 debt issuers, making it one of the largest independent research teams in the world. Morningstar analysts apply a consistent, rigorous, and proven global methodology which focuses on long-term fundamental valuation, competitive advantages, risk, financial health, and stewardship.

Morningstar® Economic Moat Rating™

The economic moat concept refers to how likely a company is to keep competitors at bay for an extended period. One of the keys to finding superior long-term investments is buying companies that will be able to stay one step ahead of their competitors, and it's this characteristic – think of it as the strength and sustainability of a firm's competitive advantage – that is captured in the Morningstar Economic Moat Rating.



Growing your wealth, while preserving capital through every stage of the market cycle.

Morningstar align their investment goals to investors: They focus on growing and preserving savings, in real terms. They don't let themselves get hung up on beating their peers or a sharemarket index, such as the S&P/ASX200. To determine their investment objective, Morningstar start with the rate of inflation and add to that an additional amount agreed between financial advisers and investors.

This gives Morningstar a CPI+ objective.

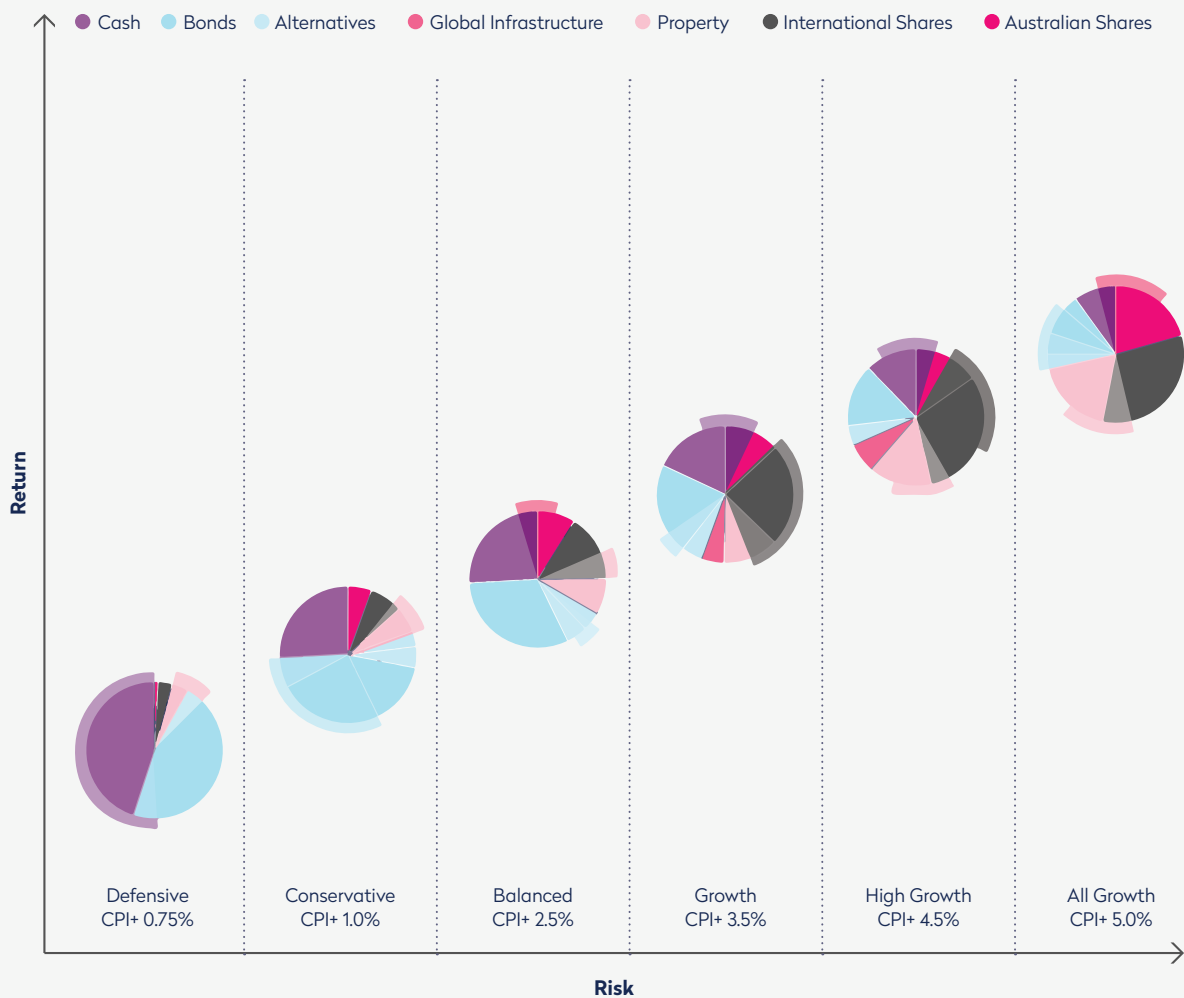
So your objectives and theirs are the same, namely growing savings above inflation and increasing buying power.

The same definition of risk as you: At Morningstar, they think about risk differently to other investment managers who use terms such as 'tracking error' or 'standard deviation'. Morningstar uses a simpler and more practical definition. They define risk as losing money that can't be made back.

Asset allocation expertise: Based on Morningstar's definition of risk, they've designed an investment approach that gives them the flexibility to invest in asset classes only if it makes sense to do so. If the reward isn't worth the risk, Morningstar is able to avoid the asset class completely. This approach is known as 'Dynamic Asset Allocation'

Suite of Ventura Morningstar Models

Ventura Morningstar Models have been designed to meet the needs of all investors, across all risk profiles and life stages. The chart below shows our suite of diversified managed accounts, as well as asset allocation examples.



The information displayed is for illustrative purposes only. It should not be used to assess the exact risk/return relationship between portfolios.

For further information on VMAPS, please contact your VenturaFM representative or contact us on 1300 738 421 or go to www.venturaFM.com.au

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