



VMAPS

Ventura Morningstar

All Growth

Managed Account Portfolio

Trade Update

06 2022

All data and information as at 20/06/2022
For Financial Adviser Use Only

Asset Allocation themes¹

| Asset class | Change | New AA |
|---------------------------|-------------|--------|
| Australian Equities | – | 33.2% |
| International Equities | 2.0 | 56.0% |
| Property & Infrastructure | – | 0.6% |
| Australian Bonds | – | 0.0% |
| International Bonds | – | 0.0% |
| Alternatives/Other | -1.0 | 7.0% |
| Cash | -1.0 | 3.2% |

At a glance

- Higher-than-expected inflation has led to significant losses in key share and bond markets throughout 2022. Despite this, the rigour built into the portfolio has seen it hold up relatively well over this period.
- Elsewhere, having experienced falls of around 20% calendar-year-to-date, global shares (in aggregate) now also represent much better value and we have increased our weighting accordingly.

Growth vs Defensive splits¹

| Assets | Change | New Split |
|-----------|-------------|-----------|
| Growth | 1.5 | 93.3% |
| Defensive | -1.5 | 6.7% |

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 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.

Portfolio action

We have increased our allocation to broad international sharemarkets, funded, in part, by a reduced allocation to the Morningstar Multi Asset Real Return Fund, alongside some cash.

| Security | Security/ APIR Code | Current Weighting | New Weighting | Increase / Decrease ² |
|--|---------------------|-------------------|---------------|----------------------------------|
| International Equities | | 54.0% | 56.0% | 2.0% |
| iShares Core MSCI World (Ex Australia) ESG Leaders ETF | IWLD-AU | 1.9% | 3.9% | 2.0% |
| Alternatives/Other | | 8.0% | 7.0% | -1.0% |
| Morningstar Multi Asset Real Return Fund | INT0011AU | 8.0% | 7.0% | -1.0% |
| Cash | | 4.2% | 3.2% | -1.0% |
| Platform Cash | CASH_AUD | 4.2% | 3.2% | -1.0% |

² May not sum due to rounding.

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Rationale

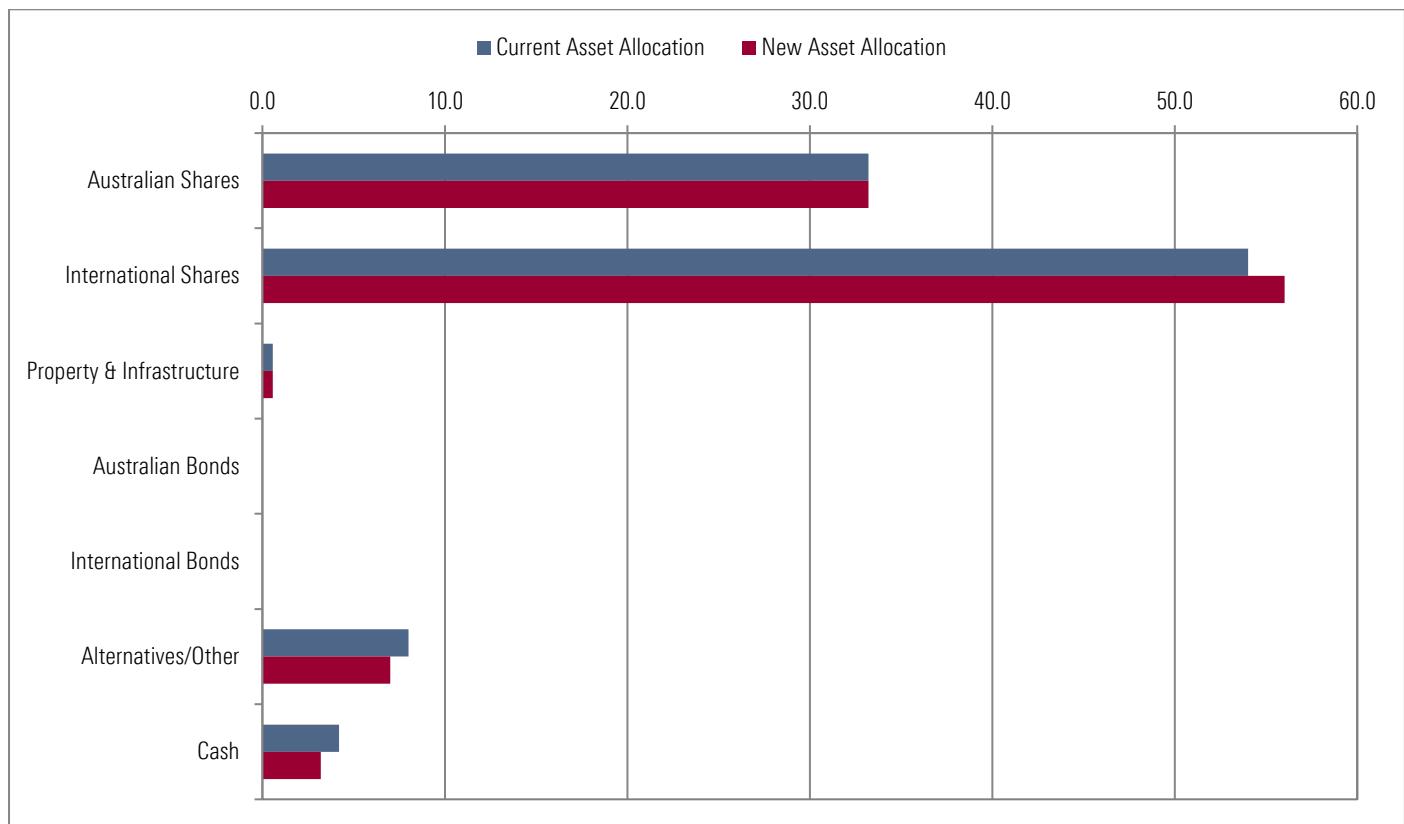
2022 has proven to be an increasingly challenging period for investors, amid a backdrop of rising inflation, increasing interest rates, and ongoing geopolitical tensions. In recent weeks, inflation headwinds have worsened, with the latest U.S. inflation data fuelling concerns that we may be in for an inflationary period that is both more severe, and of longer duration, than previously anticipated. While this is important from an increased cost of living perspective, the knock-on implications on the outlook for interest rates have had a profound impact on both share and bond markets. Global shares, for example, are down around 20% (in aggregate) calendar-year-to-date, while losses in key Australian and global bond markets, (which are in excess of 10%, over the same timeframe), are among the greatest falls seen in these asset classes in the past 80 years! Despite this uncertainty, pleasingly, the portfolio has held up relatively well.

In recent weeks, the risks (and fears) of a more dire economic scenario appear to have intensified, both globally and locally. The narrative goes that, should we be in for a period of higher inflation, for longer, then Central Banks may need to raise interest rates so aggressively (to try and control inflation) that they actually suffocate economic growth, thereby tipping economies into recession. Worse still, is the potential for a return to a 1970's style 'stagflation' scenario, characterised by high inflation, high unemployment and no economic growth, which would understandably be a very difficult situation for the Reserve Bank of Australia (and the Australian government) to manage domestically.

The challenge is that inflation and interest rates are notoriously difficult to predict, as are the actions of Central Banks, and so while it is natural to focus on the worst potential outcome, the reality may be very different. For this reason, the portfolio is constructed in such a way that it holds some assets that typically do well in an inflationary environment and others that we would expect to prosper should inflation expectations soften. Of course, the lens through which these assets are added to the portfolio is valuation – or simply said, "are we getting a good deal to invest in these assets?" This is particularly relevant right now, given the magnitude of recent falls that sees many assets representing much better value.

It is worth highlighting just how significant the change in interest rate expectations has been. The yield on an Australian government 10-year bond, for instance, has soared to be 4.1% (it was barely 1.5% at the start of 2022!), with much of this adjustment coming in the last fortnight. Higher inflation and interest rates have similarly impacted sharemarket investors too, both through a potential impairment to profits (should higher costs not be able to be passed on to consumers) but also in terms of the way that investors value companies (because the future earnings and dividends of a company are worth less in today's dollars, when you use a higher interest rate in the calculation). Following their recent weakness, global shares are more attractively priced (especially shares in the United States), and we have increased our investment in this asset class.

Current versus New Asset Allocation



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

Portfolio Post Changes

| Security | Security/APIR Code | GICS Industry Group | New Weighting ³ |
|--|--------------------|--|----------------------------|
| Australian Equities | | | 33.2% |
| Brambles Limited | BXB-AU | Industrials | 2.6% |
| Woodside Energy Group Limited | WDS-AU | Energy | 2.1% |
| Westpac Banking Corporation Limited | WBC-AU | Financials | 1.8% |
| CSL Limited | CSL-AU | Pharmaceuticals, Biotechnology & Life Sciences | 1.8% |
| Newcrest Mining Limited | NCM-AU | Materials | 1.8% |
| Medibank Private Limited | MPL-AU | Financials | 1.5% |
| Commonwealth Bank of Australia Limited | CBA-AU | Financials | 1.3% |
| Australia & New Zealand Banking Group Limited | ANZ-AU | Financials | 1.2% |
| Insurance Australia Group Limited | IAG-AU | Financials | 1.2% |
| Resmed Inc. | RMD-AU | Health Care Equipment & Services | 1.1% |
| Ramsay Healthcare Limited | RHC-AU | Health Care Equipment & Services | 1.1% |
| Amcor PLC | AMC-AU | Materials | 0.9% |
| QBE Insurance Group Limited | QBE-AU | Financials | 0.7% |
| BHP Group Limited | BHP-AU | Materials | 0.7% |
| Morningstar Australian Shares Fund | INT0002AU | | 13.4% |
| International Equities | | | 56.0% |
| Morningstar International Shares Fund | INT0017AU | | 10.5% |
| BetaShares FTSE 100 ETF | F100-AU | | 8.3% |
| iShares MSCI Japan ETF | IJP-AU | | 7.5% |
| Morningstar International Shares Fund (AUD Hedged) | INT0016AU | | 6.0% |
| iShares Europe ETF | IEU-AU | | 4.7% |
| iShares China Large-Cap ETF | IZZ-AU | | 4.3% |
| iShares Core MSCI World (Ex Australia) ESG Leaders ETF | IWLD-AU | | 3.9% |
| iShares MSCI South Korea ETF | IKO-AU | | 2.8% |
| Vanguard FTSE Emerging Markets Shares ETF | VGE-AU | | 2.1% |
| BetaShares Global Energy Companies ETF (AUD Hedged) | FUEL-AU | | 2.1% |
| iShares Global Consumer Staples ETF | IXI-AU | | 1.4% |
| Morningstar International Shares Active ETF | MSTR-AU | | 1.3% |
| Vanguard FTSE Europe Shares ETF | VEQ-AU | | 1.1% |
| Property & Infrastructure | | | 0.6% |
| GPT Group | GPT-AU | | 0.6% |
| Alternatives/Other | | | 7.0% |
| Morningstar Multi Asset Real Return Fund | INT0011AU | | 7.0% |
| Cash | | | 3.2% |
| Platform Cash | CASH_AUD | | 3.2% |
| | | Total | 100.0% |

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