

Asset Allocation themes¹

Asset class	Change	New AA
Australian Equities	-0.9	8.8%
International Equities	—	6.8%
Property & Infrastructure	—	0.0%
Australian Bonds	—	37.4%
International Bonds	—	20.6%
Alternatives/Other	—	2.0%
Cash	0.9	24.5%

Growth vs Defensive splits¹

Assets	Change	New Split
Growth	-0.9	16.5%
Defensive	0.9	83.5%

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.

At a glance

- The portfolios continue to hold up well amongst the increasing volatility we are seeing across global financial markets.
- Following a good Australian reporting season for many of our portfolio holdings, we have taken profits on a number of names and rotated into stocks where we see more value as a result of the recent market volatility.
- We have increased our allocation to cash and defensive assets due to higher bond yields.

Portfolio action

We have taken profits in Australian Equities and rotated into assets where we currently see more value. We have also increased our allocation to cash.

Security	Security/ APIR Code	Current Weighting	New Weighting	Increase / Decrease ²
Australian Equities		9.7%	8.8%	0.9%
Australia & New Zealand Banking Group Limited	ANZ-AU	0.0%	1.0%	1.0%
Newcrest Mining Limited	NCM-AU	0.6%	1.1%	0.5%
Brambles Limited	BXB-AU	2.3%	1.3%	1.0%
Woodside Energy Group	WDS-AU	1.3%	0.9%	0.4%
Medibank Private Limited	MPL-AU	1.6%	0.9%	0.7%
James Hardie	JHX-AU	0.0%	0.8%	0.8%
Commonwealth Bank of Australia	CBA-AU	0.9%	0.0%	0.9%
Cash		23.6%	24.5%	0.9%
Platform Cash		2.8%	3.7%	0.9%

² May not sum due to rounding.

Rationale

As has been the case for much of 2022, markets continue to exhibit elevated levels of volatility relative to what we have been accustomed to in years prior. Generally, the portfolios have held up relatively well seeing portfolio losses far superior to what we have seen in broad share and debt markets. Notwithstanding this, the portfolios continue to be monitored carefully and as part of this and in conjunction with our usual post Australian reporting season review a number of portfolio adjustments have been undertaken.

The results from the reporting season have been generally better than expectations with a key focus on the higher inflation environment. The Australian Equity component of the SMAs has significantly outperformed the broader market in 2022 YTD, big drivers of this outperformance have been Woodside, Brambles, and Medibank, therefore we have taken profits from these holdings and have rotated them into assets where we see more value. This has included increasing our holdings to ANZ and introducing James Hardie into the portfolios which is a manufacturer of fibre cement siding and backerboard. We are adding James Hardie to the portfolios given our ongoing view this is a quality business with strong market positions across its key markets. Price moves over the course of 2022 due to concerns about the impact of recession look overdone in our view and we look to add exposure to this quality business.

We have also increased our allocation to cash and defensive assets. We are now getting paid much higher yields in these portfolios, so can achieve the CPI + objective much more easily owning defensive assets. When yields were lower, we had to own more growth assets in order to achieve the objectives of the portfolio.

Portfolio Post Changes

Security	Security/APIR Code	GICS Industry Group	New Weighting ³
Australian Equities			9.6%
Brambles Limited	BXB-AU	Industrials	1.3%
CSL Limited	CSL-AU	Pharmaceuticals, Biotechnology & Life Sciences	1.0%
Australia & New Zealand Banking Group Limited	ANZ-AU	Financials	1.0%
Newcrest Mining Limited	NCM-AU	Materials	1.0%
Insurance Australia Group Limited	IAG-AU	Financials	1.0%
Westpac Banking Corporation Limited	WBC-AU	Financials	0.9%
Woodside Energy Group Limited	WDS-AU	Energy	0.9%
Medibank Private Limited	MPL-AU	Financials	0.9%
James Hardie Industries PLC	JHX-AU	Materials	0.8%
Commonwealth Bank of Australia Limited	CBA-AU	Financials	0.0%
International Equities			6.8%
BetaShares FTSE 100 ETF	F100-AU		2.8%
iShares Core MSCI World (Ex Australia) ESG Leaders ETF	IWLD-AU		1.5%
Morningstar International Shares Fund	INT0017AU		0.9%
iShares Europe ETF	IEU-AU		0.8%
iShares MSCI Japan ETF	IJP-AU		0.7%
Property & Infrastructure			0.0%
Australian Bonds			37.4%
iShares Core Composite Bond ETF	IAF-AU		19.4%
Vanguard Australian Fixed Interest ETF	VAF-AU		15.4%
BetaShares Australian Bank Senior Floating Rate Bond ETF	QPON-AU		2.6%
International Bonds			20.6%
Morningstar International Bonds Fund	INT0082AU		18.4%
<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		2.2%
Alternatives/Other			2.0%
Morningstar Multi Asset Real Return Fund	INT0011AU		2.0%
Cash			24.5%
iShares Enhanced Cash ETF	ISEC-AU		16.5%
BetaShares Australian High Interest Cash ETF	AAA-AU		4.3%
Platform Cash	CASH_AUD		3.7%
Total			100.0%

³ 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