Global Shares Managed Account Portfolio

Quarterly Performance Update

Q42016

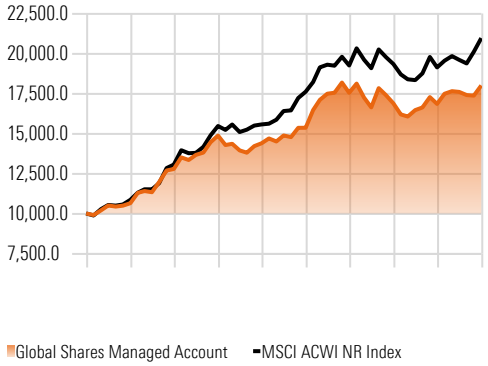
All data and information as at Portfolio Date: 31/12/2016

Top Holdings

	Weighting %
Morningstar Intl Shares Fund Hedged	30.6
iShares MSCI Japan (AU)	18.8
iShares Europe (AU)	17.9
iShares MSCI Emerging Markets (AU)	15.9
iShares MSCI South Korea Capped (AU)	5.0
iShares MSCI Taiwan (AU)	4.6
Morningstar Intl Shares Fund Unhedged	3.7
Cash Account	3.5

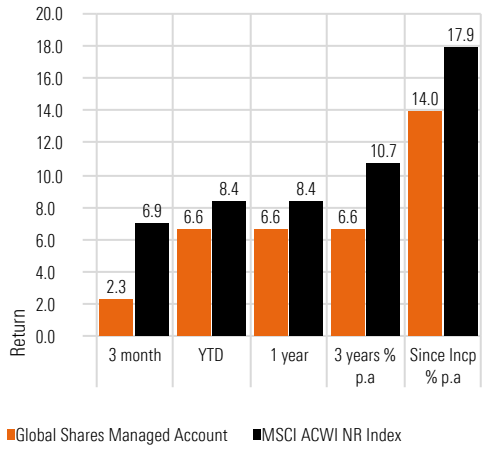
Investment Growth of $10,000

Time Period: 01/07/2012 to 31/12/2016



Returns Relative to Benchmark

As of Date: 31/12/2016



An eventful fourth quarter of 2016 capped a truly remarkable year for financial markets. Donald Trump's surprise election as U.S. President dominated headlines as investors tried to digest what his protectionist views and polarising opinions mean for the U.S. (and global) economy. However, one of the more important events of the last quarter, that had significant implications for portfolio returns and asset class valuations, appeared to have been overlooked by many. This is in relation to an apparent change in tactics by the world's Central Banks, having realised that they have reached, or are reaching, their limits in terms of their ability to provide monetary stimulus. This was highlighted by the Japanese Central Bank adopting a more targeted approach, reduced, albeit prolonged, support from the European Central Bank and the U.S. Federal Reserve raising interest rates, whilst signalling that inflation and interest rates will probably rise faster than current expectations.

Perhaps surprisingly against this backdrop, global equities generally performed well. This was partly due to investors taking the view that, despite the lack of clarity, Trump's policies should on balance be good for growth. This may well be the case, but improved growth is already more than captured in the price of U.S. equities, which repeatedly hit all-time highs during the quarter. Global markets were also well supported by investors responding positively to the more targeted approach to monetary stimulus undertaken by the respective Central Banks. This was particularly the case for the Financials sector, given that higher interest rates should make it easier for banks to make money. Energy stocks were also stronger, especially in Europe and Japan, as the oil price pushed toward 2016 highs, following confirmation of an agreement between OPEC members to cut oil production.

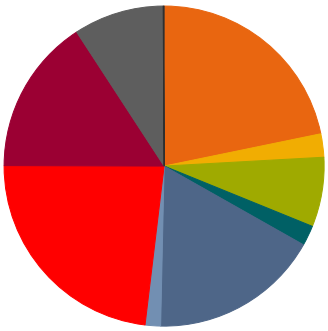
What happened to valuations and how is the portfolio positioned?

Critically now, valuation pressures continue to mount in many key markets, creating a growing sense of caution that is both prudent and warranted. This increases our focus on the preservation of capital, whilst thoughtfully allocating assets towards pockets of opportunity that offer compelling valuation advantages and a margin of safety. We continue to see opportunities in Emerging Markets, which lagged developed market returns this quarter with Trump-induced U.S. Dollar strength. With regard to Japanese equities, expected returns are less attractive, following a strong quarter, albeit they are still reasonably priced relative to other asset classes.

MORNINGSTAR

Equity Region Exposure

Portfolio Date: 31/12/2016



	%
North America	21.8
Latin America	2.4
United Kingdom	7.0
Africa/Middle East	2.0
Europe dev	17.2
Europe emrg	1.6
Japan	23.1
Asia dev	15.8
Asia emrg	9.1
Australasia	0.1
Total	**100.0**

Equity Sectors (GICS)

Portfolio Date: 31/12/2016

	%
Energy	4.0
Materials	6.6
Industrials	12.7
Healthcare	11.1
Consumer Discretionary	14.4
Consumer Staples	11.4
Financials	13.7
Information Technology	16.9
Telecom Services	5.1
Utilities	2.5
Real Estate	1.5
Total	**100.0**

Global Portfolio - Complete List of Holdings

Portfolio Date: 31/12/2016

	Code	Style Box	Portfolio Weight %
Morningstar Intl Shares Fund Hedged	11745		30.6
iShares MSCI Japan (AU)	IJP		18.8
iShares Europe (AU)	IEU		17.9
iShares MSCI Emerging Markets (AU)	IEM		15.9
iShares MSCI South Korea Capped (AU)	IKO		5.0
iShares MSCI Taiwan (AU)	ITW		4.6
Morningstar Intl Shares Fund Unhedged	11743		3.7
Cash Account			3.5

Transactions in the Quarter

There were no transactions in the quarter

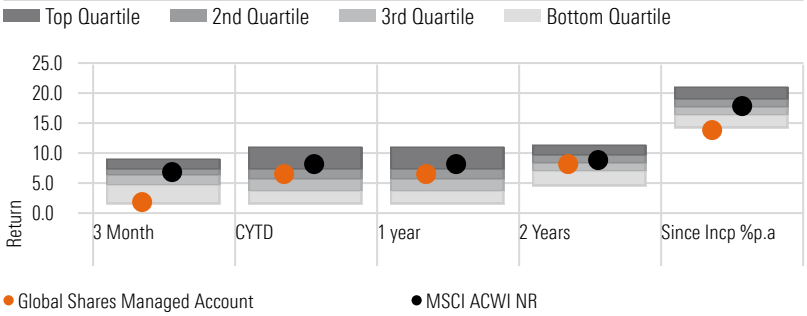
Market Performance

Time Period: Since Inception to 31/12/2016

	Inv	Bmk1
Up Period Percent	62.96	66.67
Down Period Percent	37.04	33.33
Best Month	7.23	7.97
Worst Month	-4.84	-3.52
Best Quarter	13.86	13.41
Worst Quarter	-6.25	-5.20

Performance Relative to Peer Group

Peer Group (5-95%): All Managed Investments - Australia - Equity World Large Blend



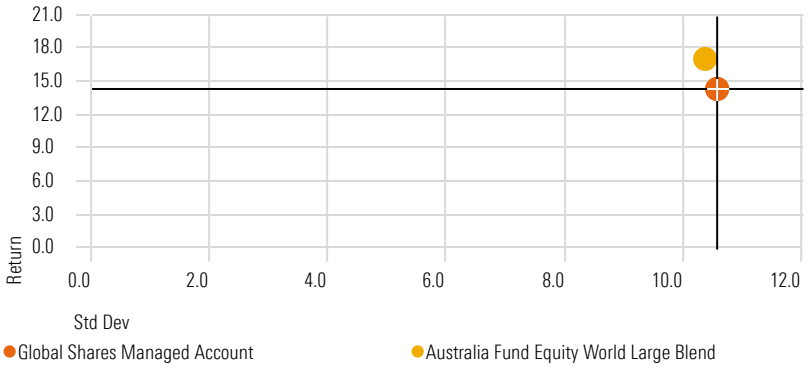
Risk

Time Period: Since Inception to 31/12/2016

	Inv	Bmk1
Return % pa	13.95	17.87
Std Dev	10.43	9.94
Max Drawdown	-11.67	-9.78

Risk-Reward

Time Period: 01/07/2012 to 30/09/2016



Glossary of Terms

Term	Description
Active Return	A performance measure of a portfolio relative to its benchmark.
Allocation Effect	Refers to the portion of an investment manager's value-add attributable to the manager's decision on how much to allocate to each market sector, in other words, a manager's decision to overweight and underweight certain sectors compared with the benchmark.
Alpha	A measure of the difference between a portfolio's actual returns and its expected performance, given its level of risk as measured by beta.
Average Market Cap (mil)	Average Market Cap (mil) This is an estimation of the value of a business that is obtained by multiplying the number of shares outstanding by the current price of a share.
Best Month	The highest monthly return of the investment since its inception or for as long as Morningstar has data available.
Best Quarter	The highest quarterly (3-month) return of the investment since its inception or for as long as Morningstar has data available.
Beta	A measure of systematic risk with respect to a benchmark. Systematic risk is the tendency of the value of the fund and the value of benchmark to move together. Beta measures the sensitivity of the fund's excess return (total return minus the risk-free return) with respect to the benchmark's excess return that results from their systematic co-movement.
Debt to Capital % (TTM)	A ratio measuring a firm's financial leverage. This ratio is calculated by dividing long-term debt (excluding other liabilities) by total capitalisation (the sum of common equity plus preferred equity plus long-term debt).
Down Capture Ratio	Downside Capture Ratio measures manager's performance in down markets. A down-market is defined as those periods (months or quarters) in which market return is less than 0. In essence, it tells you what percentage of the down-market was captured by the manager. For example, if the ratio is 110%, the manager has captured 110% of the down-market and therefore underperformed the market on the downside.
Down Period Percent	Number of months below 0 divided by the total number of months.
Downside Deviation	This measures only deviations below a specified benchmark.
Moat Company Pct	Percentage of the portfolio, by market value, having a narrow or wide moat.
P/E Ratio (TTM)	A measure of value. It is the average price divided by latest earnings.
Portfolio Price/Fair Value	Ratio of the portfolio's market value to the fair value of the portfolio.
R2	Reflects the percentage of a portfolio's movements that can be explained by movements in its benchmark.
ROA % (TTM)	Return on assets (ROA) measures a firm's performance in using assets to generate earnings independent of how the firm financed acquisition of those assets.
ROE % (TTM)	Return on equity (ROE) is the percentage a company earns on its total equity in a given year. ROE shows how much profit a company generates on the money shareholders have invested in the firm.
Selection Effect	Represents the portion of performance attributable to the manager's stock picking ability.
Sharpe Ratio (arith)	Is calculated using standard deviation and excess return to determine reward per unit of risk. The higher the Sharpe Ratio, the better the fund's historical risk-adjusted performance.
Std Dev	A statistical measurement of dispersion about an average, which, for a mutual fund, depicts how widely the returns varied over a certain period of time. Investors use the standard deviation of historical performance to try to predict the range of returns that are most likely for a given fund.
Tracking Error	A measure of the volatility of excess returns relative to a benchmark.
Turnover (2 Yr Avg)	Measures the portfolio manager's trading activity by taking the lesser of purchases or sales (excluding all securities with maturities of less than one year) and dividing by average monthly net assets.
Up Capture Ratio	Upside Capture Ratio measures a manager's performance in up markets relative to the market (benchmark) itself. It is calculated by taking the security's upside capture return and dividing it by the benchmark's upside capture return.
Up Period Percent	Number of months above 0 divided by the total number of months.
Worst Month	The lowest monthly return of the investment since its inception or for as long as Morningstar has data available.
Worst Quarter	The lowest quarterly (3-month) return of the investment since its inception or for as long as Morningstar has data available.

Morningstar's Investment Principles

We put investors first. We believe the firms that put investors first win in the long term because their investors win.

Since 1984, Morningstar, Inc. has been helping investors reach their financial goals. Our fiduciary duty to our principals is paramount.

We're independent-minded. To deliver results, we think it's necessary to invest with conviction, even when it means standing apart from the crowd.

Our research shows that making decisions based on fundamental analysis, rather than short-term factors and sentiment, delivers better long-term investment results.

We invest for the long term. Taking a patient, long-term view helps people ride out the market's ups and downs and take advantage of opportunities when they arise.

Investing with a multi decade horizon aligns with investors focus on increasing their purchasing power over their lifetimes.

The long term is the only period where fundamental, valuation driven investing works.

We're valuation-driven investors. Anchoring decisions to an investment's fair value—or what it's really worth—can lead to greater potential for returns.

Valuation-driven investing through a long-term focus on the difference between price and intrinsic value enables investors to get more than they're paying for.

We take a fundamental approach. Powerful research is behind each decision we hold, and we understand what drives each investment we analyse.

Fundamental investing incorporates a focus on the future earnings of an investment and not its prospective price change.

We strive to minimise costs. Controlling costs helps investors build wealth by keeping more of what they earn.

Investment returns are uncertain, but costs are not.

Lower costs allow investors to keep more of their returns.

We build portfolios holistically. To help manage risk and deliver better returns, truly diversified portfolios combine investments with different underlying drivers.

Portfolios should be more than the sum of their parts.

True diversification can have a powerful impact on a portfolio's risk-adjusted returns – but simply holding more investments isn't the same as true diversification.