# Australian Shares Small Cap Managed Account Portfolio

102017

All data and information as at Portfolio Date: 31/10/2017

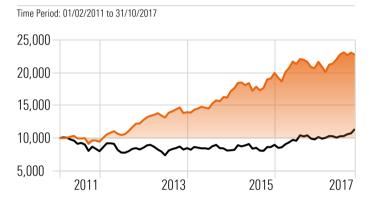
Monthly Performance Update

Risk Profile: Very High Inception: 28 February 2011 Management Fee: 0.85% Investment Horizon: 7 Years

# **Investment Objective**

The objective of the Morningstar Australian Shares Small Cap Portfolio aims to outperform the S&P/ASX Small Ordinaries Accumulation Index over a complete cycle.

#### **Investment Growth**



Australian Shares Small Cap Managed Account Portfolio

■S&P/ASX Small Ordinaries TR AUD

# **Investment Strategy**

This is an actively managed concentrated portfolio consisting of Morningstar's best small cap ideas outside of the S&P/ASX 100 with sufficient liquidity. Portfolio holdings primarily consist of companies trading at attractive discounts to intrinsic value relative to the portfolio universe. All else equal, Morningstar also strives to own companies with economic moats as high quality companies tend to outperform with reduced volatility.

Total return will tend to be driven by both capital appreciation and dividend yield with the mix dependent on the opportunities available.

## **Trailing Returns**

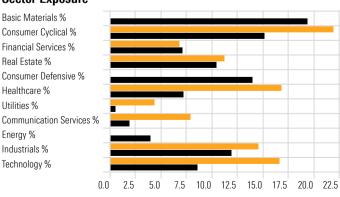
	5yr (% p.a)	3yr (% p.a)	1yr	3mth	1mth	Incp (% p.a)
Australian Shares Small Cap	13.19	11.74	9.06	-1.61	-1.43	12.92
S&P/ASX Small Ordinaries TR AUD	6.05	10.48	14.58	10.32	6.02	1.96

Past performance is not a reliable indicator of future performance. Returns over 12 months are annualised.

## **Risk Since Inception**

	Std Dev	Max Drawdown	Beta
Australian Shares Small Cap	11.32	-11.63	0.59
S&P/ASX Small Ordinaries TR AUD	14.53	-26.88	1.00

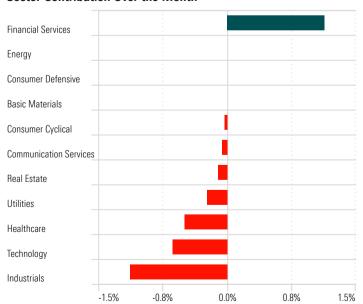
#### **Sector Exposure**



Australian Shares Small Cap Portfolio

■S&P/ASX Small Ordinaries TR AUD

#### **Sector Contribution Over the Month**



#### Notes

Management fees can be negotiated and may be less than the standard management fee.

2) Investment performance is before tax and after the standard management fee of 0.85% (inclusive of GST). Investment performance represents modelled performance only and assumes income received is reinvested. An individual investor's performance will differ from the modelled performance depending on factors such as transaction timing, actual management fees, whether income is paid and any divergence from model portfolio weightings.



### **Portfolio Holdings**

Cash Account  Xero Ltd  Technology  Nine Entertainment Co. Holdings Ltd  Consumer Cyclical  Platinum Asset Management Ltd  Financial Services  Ainsworth Game Technology Ltd  Consumer Cyclical  Air New Zealand Ltd  Industrials  Tox Free Solutions Ltd  Industrials  MYOB Group Ltd  Technology  SkyCity Entertainment Group Ltd  Consumer Cyclical  Sigma Healthcare Ltd  Healthcare  Virtus Health Ltd  Healthcare  Hotel Property Investments  Real Estate  Mercury NZ Ltd  Utilities  ALE Property Group  Real Estate  Greencross Ltd  Healthcare  Spark New Zealand Ltd  Communication Services  Chorus Ltd  Communication Services  OFX Group Ltd  Healthcare  Septia Group Ltd  Healthcare  Septia Group Ltd  Industrials  Australian Pharmaceutical Industries Ltd  Healthcare  Septia Group Ltd  Technology  Folkestone Education Trust  Real Estate  Myer Holdings Ltd  Consumer Cyclical	Portfolio Weighting %	Morningstar Sector	
Nine Entertainment Co. Holdings Ltd Consumer Cyclical  Platinum Asset Management Ltd Financial Services  Ainsworth Game Technology Ltd Consumer Cyclical  Air New Zealand Ltd Industrials Tox Free Solutions Ltd Industrials  MYOB Group Ltd Technology  SkyCity Entertainment Group Ltd Consumer Cyclical  Sigma Healthcare Ltd Healthcare  Virtus Health Ltd Healthcare  Wercury NZ Ltd Utilities  ALE Property Group Real Estate  Greencross Ltd Healthcare  Spark New Zealand Ltd Communication Services  OFX Group Ltd Industrials  Australian Pharmaceutical Industries Ltd Healthcare  Sentia Group Ltd Technology  Real Estate  Myer Holdings Ltd Consumer Cyclical	8.74	_	Cash Account
Platinum Asset Management Ltd  Ainsworth Game Technology Ltd  Consumer Cyclical  Air New Zealand Ltd  Industrials  Tox Free Solutions Ltd  MYOB Group Ltd  Technology  SkyCity Entertainment Group Ltd  Consumer Cyclical  Sigma Healthcare Ltd  Healthcare  Virtus Health Ltd  Healthcare  Hotel Property Investments  Real Estate  Mercury NZ Ltd  ALE Property Group  Real Estate  Greencross Ltd  Healthcare  Spark New Zealand Ltd  Communication Services  OFX Group Ltd  Industrials  Australian Pharmaceutical Industries Ltd  Healthcare  iSentia Group Ltd  Technology  Folkestone Education Trust  Real Estate  Myer Holdings Ltd  Consumer Cyclical	7.92	Technology	Xero Ltd
Ainsworth Game Technology Ltd  Air New Zealand Ltd  Industrials  Tox Free Solutions Ltd  Industrials  MYOB Group Ltd  Technology  SkyCity Entertainment Group Ltd  Consumer Cyclical  Sigma Healthcare Ltd  Healthcare  Virtus Health Ltd  Healthcare  Hotel Property Investments  Real Estate  Mercury NZ Ltd  Utilities  ALE Property Group  Real Estate  Greencross Ltd  Healthcare  Spark New Zealand Ltd  Communication Services  Chorus Ltd  Communication Services  OFX Group Ltd  Industrials  Australian Pharmaceutical Industries Ltd  Healthcare  iSentia Group Ltd  Technology  Folkestone Education Trust  Real Estate  Myer Holdings Ltd  Consumer Cyclical	6.94	Consumer Cyclical	Nine Entertainment Co. Holdings Ltd
Air New Zealand Ltd Industrials Tox Free Solutions Ltd Industrials MYOB Group Ltd Technology SkyCity Entertainment Group Ltd Consumer Cyclical Sigma Healthcare Ltd Healthcare Virtus Health Ltd Healthcare Hotel Property Investments Real Estate Mercury NZ Ltd Utilities ALE Property Group Real Estate Greencross Ltd Healthcare Spark New Zealand Ltd Communication Services Chorus Ltd Communication Services OFX Group Ltd Industrials Australian Pharmaceutical Industries Ltd Healthcare iSentia Group Ltd Technology Folkestone Education Trust Real Estate Myer Holdings Ltd Consumer Cyclical	6.18	Financial Services	Platinum Asset Management Ltd
Tox Free Solutions Ltd  MYOB Group Ltd  Technology  SkyCity Entertainment Group Ltd  Consumer Cyclical  Sigma Healthcare Ltd  Healthcare  Virtus Health Ltd  Healthcare  Hotel Property Investments  Real Estate  Mercury NZ Ltd  Utilities  ALE Property Group  Real Estate  Greencross Ltd  Healthcare  Spark New Zealand Ltd  Communication Services  Chorus Ltd  OFX Group Ltd  Industrials  Australian Pharmaceutical Industries Ltd  Technology  Folkestone Education Trust  Real Estate  Myor Holdings Ltd  Consumer Cyclical	5.25	Consumer Cyclical	Ainsworth Game Technology Ltd
MYOB Group Ltd  SkyCity Entertainment Group Ltd  Consumer Cyclical  Sigma Healthcare Ltd  Healthcare  Virtus Health Ltd  Healthcare  Hotel Property Investments  Real Estate  Mercury NZ Ltd  Utilities  ALE Property Group  Real Estate  Greencross Ltd  Healthcare  Spark New Zealand Ltd  Communication Services  Chorus Ltd  OFX Group Ltd  Industrials  Australian Pharmaceutical Industries Ltd  Technology  Folkestone Education Trust  Real Estate  Meanthcare  Technology  Folkestone Education Trust  Real Estate  Myer Holdings Ltd  Consumer Cyclical	5.24	Industrials	Air New Zealand Ltd
SkyCity Entertainment Group Ltd Consumer Cyclical Sigma Healthcare Ltd Healthcare Virtus Health Ltd Healthcare Hotel Property Investments Real Estate Mercury NZ Ltd Utilities ALE Property Group Real Estate Greencross Ltd Healthcare Spark New Zealand Ltd Communication Services Chorus Ltd OFX Group Ltd Industrials Australian Pharmaceutical Industries Ltd Technology Folkestone Education Trust Real Estate Myer Holdings Ltd Consumer Cyclical	5.18	Industrials	Tox Free Solutions Ltd
Sigma Healthcare Ltd  Wirtus Health Ltd  Healthcare  Hotel Property Investments  Real Estate  Mercury NZ Ltd  Utilities  ALE Property Group  Real Estate  Greencross Ltd  Healthcare  Spark New Zealand Ltd  Communication Services  Chorus Ltd  Communication Services  OFX Group Ltd  Industrials  Australian Pharmaceutical Industries Ltd  Healthcare  iSentia Group Ltd  Technology  Folkestone Education Trust  Real Estate  Myer Holdings Ltd  Consumer Cyclical	5.12	Technology	MYOB Group Ltd
Virtus Health Ltd Healthcare Hotel Property Investments Real Estate  Mercury NZ Ltd Utilities  ALE Property Group Real Estate  Greencross Ltd Healthcare  Spark New Zealand Ltd Communication Services  Chorus Ltd Communication Services  OFX Group Ltd Industrials  Australian Pharmaceutical Industries Ltd Healthcare  iSentia Group Ltd Technology  Folkestone Education Trust Real Estate  Myer Holdings Ltd Consumer Cyclical	5.06	Consumer Cyclical	SkyCity Entertainment Group Ltd
Hotel Property Investments  Mercury NZ Ltd  Utilities  ALE Property Group  Real Estate  Greencross Ltd  Healthcare  Spark New Zealand Ltd  Communication Services  Chorus Ltd  Communication Services  OFX Group Ltd  Industrials  Australian Pharmaceutical Industries Ltd  iSentia Group Ltd  Technology  Folkestone Education Trust  Real Estate  Myer Holdings Ltd  Consumer Cyclical	4.54	Healthcare	Sigma Healthcare Ltd
Mercury NZ Ltd  ALE Property Group  Real Estate  Greencross Ltd  Healthcare  Spark New Zealand Ltd  Communication Services  Chorus Ltd  Communication Services  OFX Group Ltd  Industrials  Australian Pharmaceutical Industries Ltd  Healthcare  iSentia Group Ltd  Technology  Folkestone Education Trust  Real Estate  Myer Holdings Ltd  Utilities  Healthcare  Technology  Folkestone Education Trust  Real Estate  Myer Holdings Ltd  Consumer Cyclical	4.34	Healthcare	Virtus Health Ltd
ALE Property Group Real Estate  Greencross Ltd Healthcare  Spark New Zealand Ltd Communication Services  Chorus Ltd Communication Services  OFX Group Ltd Industrials  Australian Pharmaceutical Industries Ltd Healthcare  iSentia Group Ltd Technology  Folkestone Education Trust Real Estate  Myer Holdings Ltd Consumer Cyclical	4.27	Real Estate	Hotel Property Investments
Greencross Ltd Healthcare  Spark New Zealand Ltd Communication Services  Chorus Ltd Communication Services  OFX Group Ltd Industrials  Australian Pharmaceutical Industries Ltd Healthcare iSentia Group Ltd Technology  Folkestone Education Trust Real Estate  Myer Holdings Ltd Consumer Cyclical	4.01	Utilities	Mercury NZ Ltd
Spark New Zealand Ltd Communication Services Chorus Ltd Communication Services  OFX Group Ltd Industrials Australian Pharmaceutical Industries Ltd Healthcare iSentia Group Ltd Technology Folkestone Education Trust Real Estate Myer Holdings Ltd Consumer Cyclical	3.92	Real Estate	ALE Property Group
Chorus Ltd Communication Services  OFX Group Ltd Industrials  Australian Pharmaceutical Industries Ltd Healthcare iSentia Group Ltd Technology  Folkestone Education Trust Real Estate  Myer Holdings Ltd Consumer Cyclical	3.79	Healthcare	Greencross Ltd
OFX Group Ltd Industrials  Australian Pharmaceutical Industries Ltd Healthcare  iSentia Group Ltd Technology  Folkestone Education Trust Real Estate  Myer Holdings Ltd Consumer Cyclical	3.61	Communication Services	Spark New Zealand Ltd
Australian Pharmaceutical Industries Ltd Healthcare  iSentia Group Ltd Technology  Folkestone Education Trust Real Estate  Myer Holdings Ltd Consumer Cyclical	3.61	Communication Services	Chorus Ltd
iSentia Group Ltd Technology  Folkestone Education Trust Real Estate  Myer Holdings Ltd Consumer Cyclical	2.81	Industrials	OFX Group Ltd
Folkestone Education Trust Real Estate  Myer Holdings Ltd Consumer Cyclical	2.68	Healthcare	Australian Pharmaceutical Industries Ltd
Myer Holdings Ltd Consumer Cyclical	2.11	Technology	iSentia Group Ltd
	2.03	Real Estate	Folkestone Education Trust
A	1.36	Consumer Cyclical	Myer Holdings Ltd
Automotive Holdings Group Ltd Consumer Cyclical	1.32	Consumer Cyclical	Automotive Holdings Group Ltd

# **About Morningstar**

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 objective, 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 comprehensive fundamental analysis of global asset classes and securities.

## 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.



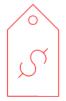
**We're valuation-driven investors.** Anchoring decisions to an investment's fair value—or what it's really worth—can lead to greater potential for returns.

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.

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