

# Morningstar Global Shares Managed Account Portfolio

# Q42020

## Quarterly Performance Update

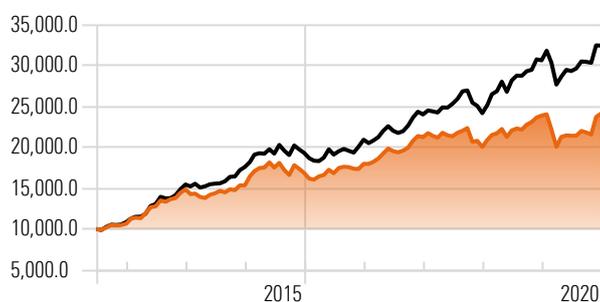
All data and information as at Portfolio Date: 31/12/2020

### Top Holdings

	Weighting %
Morningstar Int Shares (\$A Hedged)(Zero Fee Class)	26.6
iShares MSCI Japan ETF (AU)	17.8
iShares MSCI Emerging Markets ETF (AU)	11.3
iShares MSCI South Korea ETF (AU)	9.2
BetaShares FTSE 100 ETF	8.8
BetaShares Glb Energy Coms ETF	7.5
iShares Europe ETF (AU)	6.9
iShares Global Consumer Staples ETF (AU)	4.6
Cash Account	3.2
Vanguard FTSE Europe Shares ETF	2.7

### Investment Growth of \$10,000

Time Period: 1/07/2012 to 31/12/2020



■ Portfolio ■ MSCI ACWI NR Index

### Trailing Returns

	5yr (% p.a)	3yr (% p.a)	1yr	3mth	1mth	Incp (% p.a)
Portfolio	7.45	4.36	1.04	10.63	1.78	10.94
MSCI ACWI NR Index	10.94	10.56	5.90	6.52	-0.08	14.88

**Past performance is not a reliable indicator of future performance.**

Returns over 12 months are annualised.

### Key Messages

- Share markets continued their strong recovery through to the end of the year.
- The start of the COVID-19 vaccine rollout and the conclusion of the U.S. election prompted confidence in investors.
- Economically sensitive investments made a comeback after an extended period of relative weakness.

For humanity, we gladly wave goodbye to 2020, but for financial markets, we endured a period of surprising benefit. Not even the wildest of market predictions would have been right. If someone asked you how the market would perform if a global pandemic hit, causing widespread job losses and the biggest contraction in the economy for around 90 years, we doubt you'd describe today's reality. Global stocks, corporate bonds, real estate, gold, commodities and bitcoin have all moved forward and delivered positive performance.

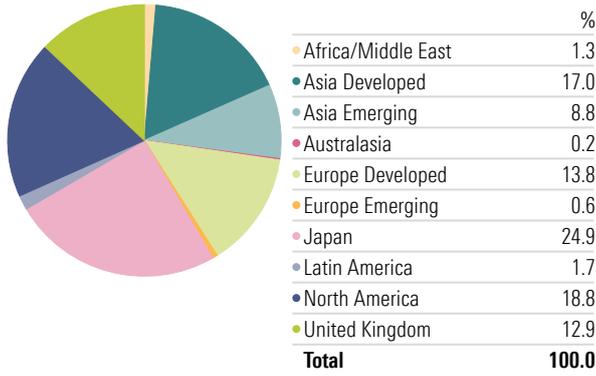
The final quarter of 2020 was a strong one by historical measures. It is a clear case of market participants looking over the horizon, spurred on by the vaccine rollout combined with a perception of greater political stability. The wave of "good news" comes with many fascinating and constructive sub plots. One of the most interesting happened in the fourth quarter of 2020, where value stocks bucked a multi-year trend to join the winner's list. This was partly marked by President-elect Biden's victory but is also a vision for life after lockdowns and COVID-19, with the reopening of the economy considered a positive for economically sensitive sectors. Company defaults and bankruptcies also remain low globally, defying the doomsayers, supported by record stimulus and the cheapest borrowing rates ever seen.

Here are some of the fourth-quarter and full-year 2020 highlights:

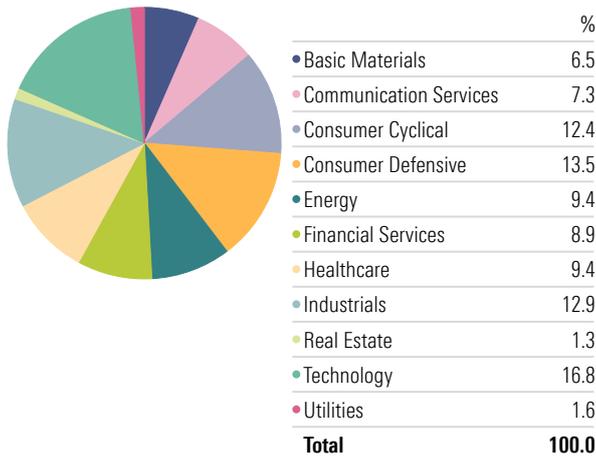
- Global shares rose meaningfully in the fourth quarter, finishing 2020 with healthy overall returns. Returns from this asset class have been somewhat muted for unhedged investors, however, given the stronger Australian dollar. At year-end, the U.S. market had rallied as much as 70% from the March lows.
- Shares in emerging market companies outperformed developed market peers, during the fourth quarter and on a 12-month view. This sector was buoyed by renewed confidence in the outlook for global growth and low U.S. interest rates.
- Energy and financials were the best performing sectors in Q4 2020 recording gains of more than 20%! Nonetheless, returns from these sectors finished down on a calendar year view, materially so in the case of energy. Even accounting for the recent rally, this sector continues to appeal as an attractive investment opportunity given its compelling valuation, in our view.
- Among fixed income assets, interest-rate-sensitive bonds were one of the rare assets to fall in the fourth quarter. Meanwhile, riskier high-yield and emerging-markets bond categories performed the best on the back of the improved outlook for global growth.

Above all else, while it may feel like a good time to invest, investors still need to weigh up the prices that they are paying, as we've seen extreme divergence in asset prices, which potentially raises the risk of loss. As Warren Buffett once said, "Only when the tide goes out do you discover who's been swimming naked". That said, we continue to see opportunities and remain confident that our positions are in the best long-term interests of our clients—acknowledging tomorrow's challenges and working towards a prosperous 2021 and beyond with good financial decision making.

### Equity Regional Exposure - Portfolio



### Equity Sector Exposure - Portfolio



### Risk

Time Period: Since Inception to 31/12/2020

	Inv	Bmk1
Return % pa	10.94	14.88
Std Dev	10.95	10.29
Max Drawdown	-16.57	-13.03

### Global Portfolio - Complete List of Holdings

Portfolio Date: 31/12/2020

	Code	Style Box	Portfolio Weight %
Morningstar Int Shares (\$A Hedged)(Zero Fee Class)	11745		26.6
iShares MSCI Japan ETF (AU)	IJP		17.8
iShares MSCI Emerging Markets ETF (AU)	IEM		11.3
iShares MSCI South Korea ETF (AU)	IKO		9.2
BetaShares FTSE 100 ETF	F100		8.8
BetaShares Glb Energy Coms ETF	FUEL		7.5
iShares Europe ETF (AU)	IEU		6.9
iShares Global Consumer Staples ETF (AU)	IXI		4.6
Cash Account			3.2
Vanguard FTSE Europe Shares ETF	VEQ		2.7
Vanguard FTSE Emerging Markets Shrs ETF	VGE		1.5

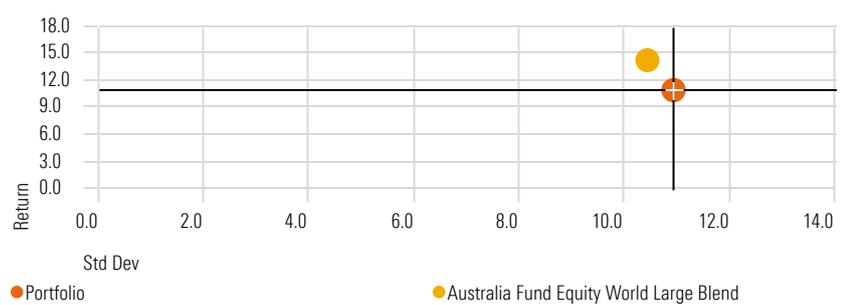
### Market Performance

Time Period: Since Inception to 31/12/2020

	Inv	Bmk1
Up Period Percent	62.75	63.73
Down Period Percent	37.25	36.27
Best Month	9.94	7.97
Worst Month	-9.70	-8.88
Best Quarter	13.86	13.41
Worst Quarter	-16.05	-10.33

### Risk-Reward

Time Period: Since Common Inception (1/07/2012) to 31/12/2020



## 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.

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