

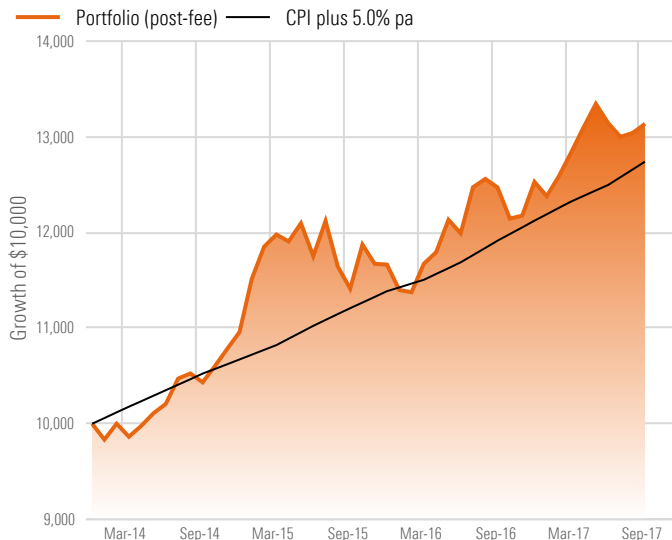
# High Growth Plus Managed Account Portfolio

## Quarterly Performance Update

# Q3 2017

All data and information as of September 30, 2017

### Compound Returns %

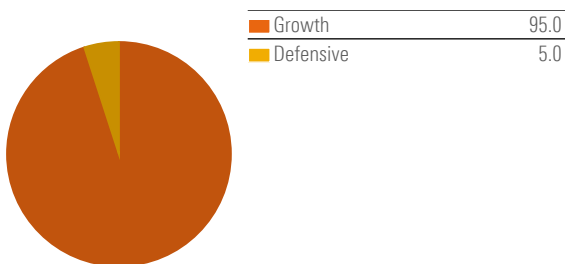


### Total Returns %

	3y (pa)	1y	3m	Inception (pa)
Portfolio (pre-fee) <sup>1</sup>	8.82	6.16	0.13	8.38
Portfolio (post-fee) <sup>1,2</sup>	7.98	5.34	-0.06	7.54
CPI + 5.0% pa <sup>4</sup>	6.58	6.93	1.94	6.67

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

### Long Term Target %



***"We simply attempt to be fearful when others are greedy and to be greedy only when others are fearful." – Warren Buffett***

### Key Takeaways

- Global equity markets continue to grind higher, defying expensive valuations
- Bond markets also appear overvalued, leading us to hold higher levels of cash than normal
- The portfolio continues to exceed its longer-term objectives

### The future looks different to the past

Longer term portfolio returns continue to be above what we might reasonably expect to receive. Indeed, as financial journalists mark the 10-year anniversary of the start of the global financial crisis (GFC), it is prudent to pause and consider where we have been, and the environment that we now find ourselves in. A glance at global equity returns since the crisis ended, sees double digit annual gains across most major equity regions. Bond markets too, have been equally well supported, with interest rate expectations being driven down under the weight of stimulus measures being deployed by the Central Banks of the United States, Europe and Japan, as they look to support and bolster their respective growth. This has been a boon for investors, but is simply an unsustainable expectation of returns from these asset classes going forward, in our view.

In this respect, it is perhaps ironic that this quarter marks a key turning point in the direction of the monetary policies that have underpinned these extraordinary gains, with the U.S. Federal Reserve formally announcing it will begin to start reducing the size of its balance sheet while the European Central Bank (ECB) looks to be reducing the scale of its current purchasing program. It is difficult to say with certainty what may happen as this tailwind turns to a potential headwind, however, worryingly, this occurs at a time when valuations in key equity and bond markets appear increasingly expensive, and as our perception of quality in these asset classes is in many cases deteriorating.

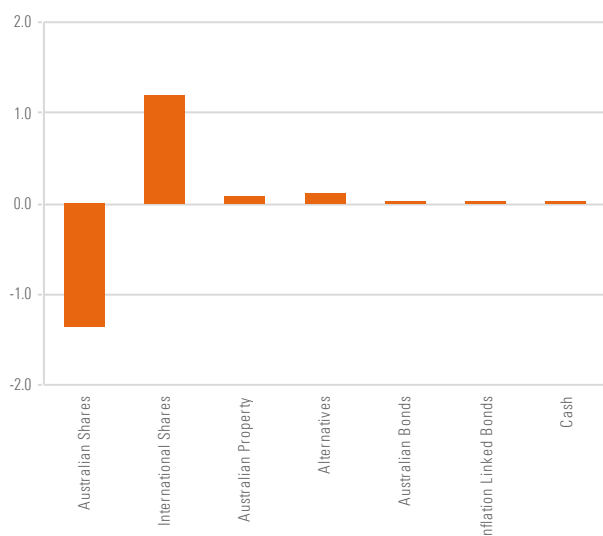
### Let the good times roll...

Nonetheless, positive investor sentiment has so far failed to budge. While elevated macroeconomic and geopolitical risks remain, money continues to flow into markets given the strong recent returns and the absence of volatility has led many others to see this as "a good time to invest". This is most notable in European equities, where after period of uncertainty due to elections, Brexit/EU negotiations and concerns regarding ECB monetary policy, investors again feel comfortable to invest. This is highly irrational behaviour. In our view, the key driver of longer term performance is the price you pay for your assets- and typically the most attractive prices come in times of heightened uncertainty and fear.

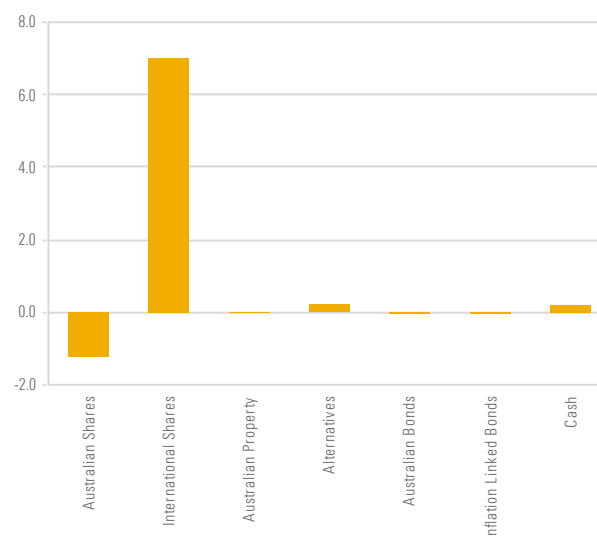
The current environment reinforces the need to have a robust investment strategy and to be mindful of human behavioural biases when investing. Indeed, we continue to believe that portfolio returns going forward will be driven as much by as what investors don't own (in terms of expensive assets) ... as what they do. Accordingly, the portfolio remains positioned toward those investments offering the most attractive reward for risk, for example, shares in select Emerging Market countries, while holding ample cash in wait for more compelling investment opportunities. While identifying the timing and catalyst for markets to return closer to their fair value (or what they are really worth) is challenging, we remain fearful when others are greedy.

## Portfolio Analytics

### Contribution to Return by Asset Class % over the Quarter

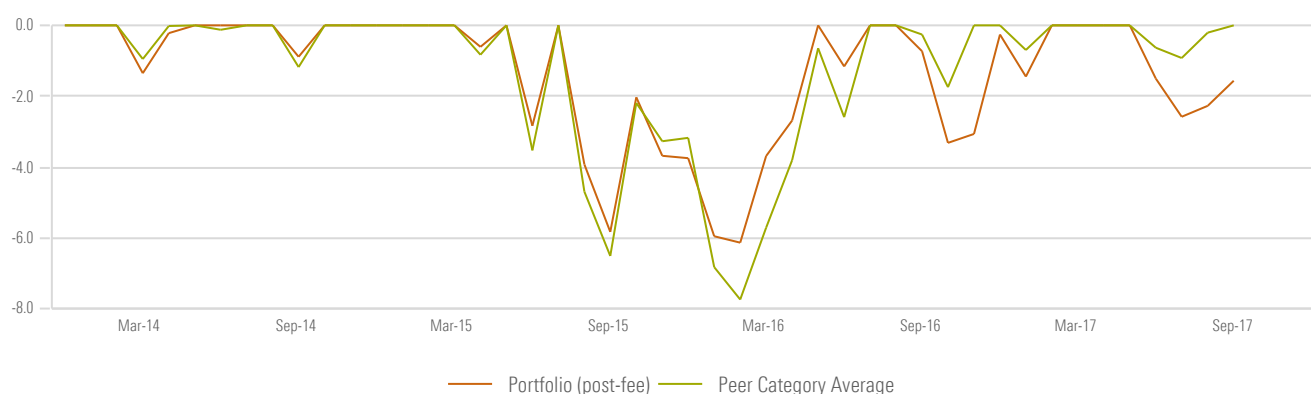


### Contribution to Return by Asset Class %pa over One Year

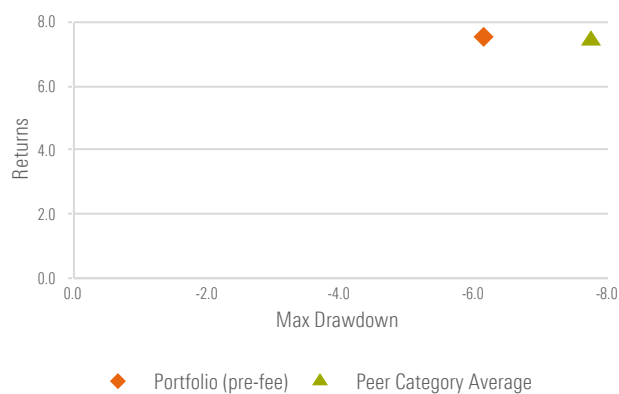


### Risk Overview vs Peer Average<sup>3</sup>

#### Drawdown %



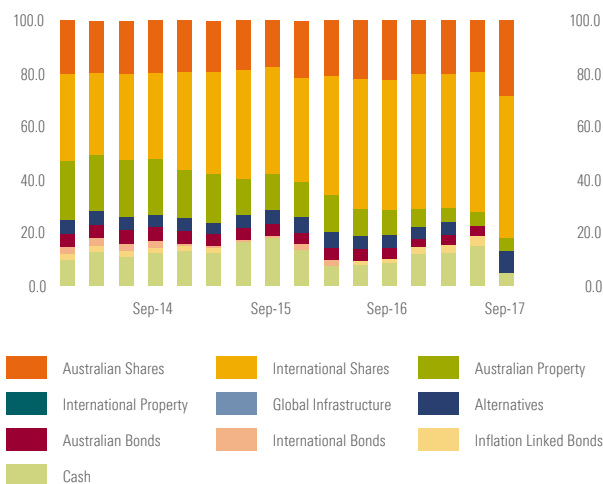
### Returns and Drawdown % Since Inception



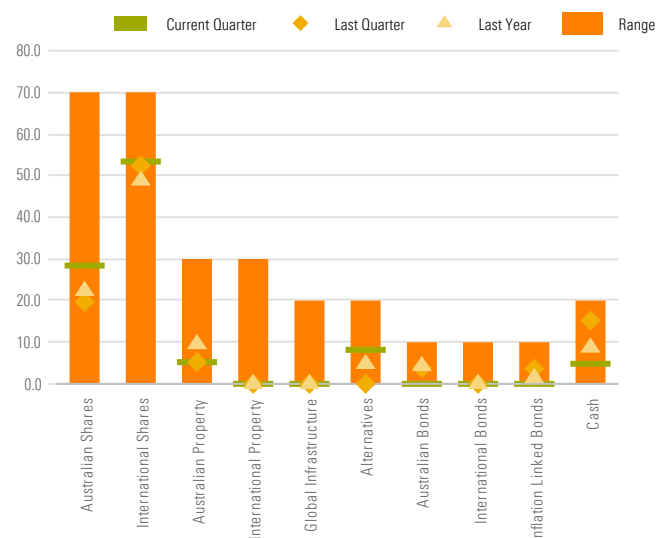
- Investment performance is before tax and the post-fee return is after the standard management fee of 0.77% (inclusive of GST). Investment performance is shown from 31/12/2013 and represents modelled performance only and assumes income received is reinvested. An individual investor's performance will 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. The portfolio may include exchange traded funds which charge management fees and these are an additional cost to individual investors and impact their return.
- Management fees can be negotiated and may be less than the standard management fee.
- Peer Average is the Morningstar Australia Open End Multisector Aggressive category, which contains multi-sector funds with more than 80.0 percent of their investments in growth assets such as shares and property.
- The CPI was not available for the current quarter at the time of creation. CPI for the same quarter of previous year has been used as a proxy for the current quarter. Please note the actual CPI for the current quarter may differ to the proxy used.

## Allocation Overview

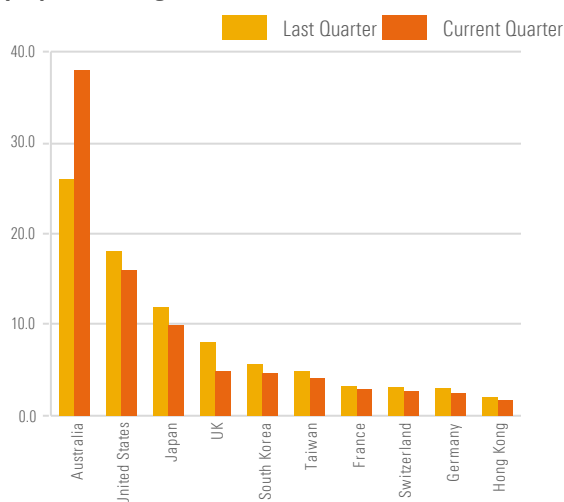
### Asset Allocation %



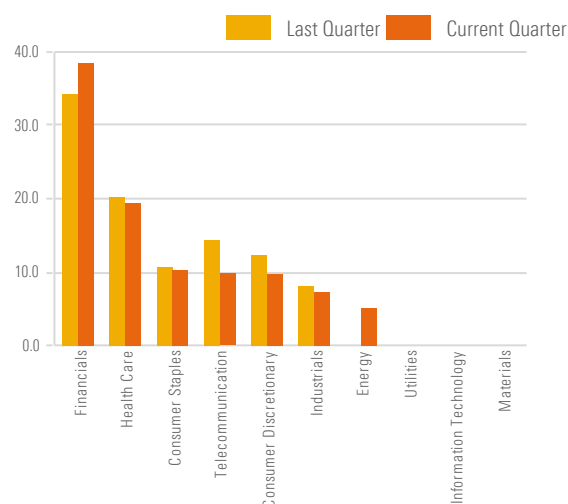
### Asset Allocation vs Range %



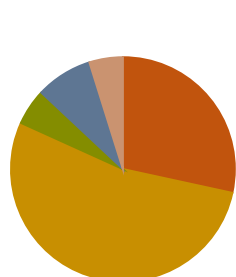
### Equity Sector Regional Allocations %



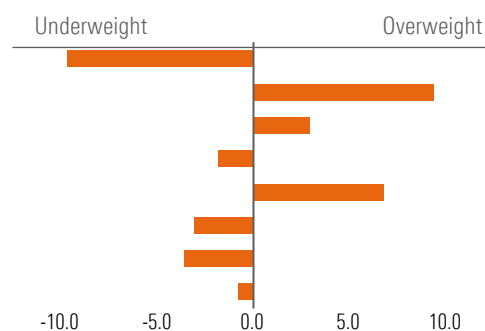
### Australian Shares Sector Allocations %



### Current Asset Allocation Vs Peer Average % <sup>1</sup>



Actual Allocation	Asset Class	Active Weight
28.4	Australian Shares	-9.6
53.4	International Shares	9.4
5.2	Australian Property	2.9
0.0	International Property	-1.9
8.2	Alternatives	6.7
0.0	Australian Bonds	-3.1
0.0	International Bonds	-3.6
4.8	Cash	-0.8



1. Peer Average is the Morningstar Australia Open End Multisector Aggressive category, which contains multi-sector funds with more than 80.0 percent of their investments in growth assets such as shares and property.

## Portfolio Holdings

Holding	Code	Morningstar® Economic Moat Rating™ <sub>1</sub>	Morningstar/ Chant West/ Lonsec/ Zenith Rating <sub>1</sub>	Current Portfolio Weight (%)	Price (\$)	Trailing Yield/ Distribution Return (%) <sub>2</sub>
Australian Shares				28.41		
Consumer Discretionary						
Crown Ltd.	CWN	Narrow	Hold	2.23	11.31	5.37
Sky City Entertainment Group Ltd	SKC	Narrow	Hold	0.52	3.43	5.40
Consumer Staples						
Coca-Cola Amatil Ltd.	CCL	Narrow	Accumulate	2.21	7.73	6.08
Woolworths Ltd.	WOW	Narrow	Hold	0.70	25.21	3.65
Energy						
Woodside Petroleum Ltd.	WPL	None	Accumulate	1.45	29.10	3.70
Financials						
Commonwealth Bank of Australia	CBA	Wide	Accumulate	2.27	75.25	5.79
QBE Insurance Group Ltd.	QBE	Narrow	Accumulate	2.19	10.01	5.79
Medibank Private Ltd.	MPL	Narrow	Hold	2.03	2.92	4.11
AMP Ltd.	AMP	Narrow	Hold	2.00	4.83	6.22
National Australia Bank Ltd.	NAB	Wide	Hold	1.31	31.50	6.19
Platinum Asset Management Ltd.	PTM	Narrow	Reduce	1.13	6.06	4.46
Health Care						
ResMed Inc.	RMD	Narrow	Hold	1.56	9.74	1.87
Ansell Ltd.	ANN	Narrow	Hold	1.36	22.28	2.57
Ramsay Health Care Ltd.	RHC	Narrow	Accumulate	1.33	62.28	2.34
Sonic Healthcare Ltd.	SHL	Narrow	Hold	1.27	20.91	4.26
Industrials						
Brambles Ltd.	BXB	Wide	Accumulate	2.05	9.00	3.22
Telecommunication						
Telstra Corp. Ltd.	TLS	Narrow	Accumulate	2.18	3.49	6.30
Spark New Zealand	SPK	Narrow	Hold	0.61	3.33	7.03
International Shares				53.36		
Morningstar International Shares (Hedged) Fund	INT0016AU	-	4 Apples	11.55	0.46	5.62
iShares Europe ETF	IEU	-	Neutral	10.28	59.35	2.46
iShares MSCI Emerging Markets ETF	IEM	-	Neutral	8.97	56.72	1.36
iShares MSCI Japan ETF	IJP	-	Bronze	6.73	70.89	1.73
Morningstar International Shares (Unhedged) Fund	INT0017AU	-	4 Apples	5.86	0.90	3.05
iShares Global Healthcare ETF CDI	IXJ	-	-	2.96	142.40	1.58
iShares MSCI South Korea Capped ETF	IKO	-	-	2.75	87.60	0.97
iShares MSCI Taiwan ETF	ITW	-	-	2.38	45.67	2.02
Betashares GBP ETF	POU	-	-	1.90	16.88	-

1. Any Morningstar Ratings or Economic Moat Ratings contained in this report are based on the full research report available from Morningstar or your adviser.

2. Calculated as either the last 12 month distribution return or last 12 months of dividends divided by current share price.

## Portfolio Holdings

Holding	Code	Morningstar® Economic Moat Rating™ <sup>1</sup>	Morningstar/ Chant West/ Lonsec/ Zenith Rating <sup>1</sup>	Current Portfolio Weight (%)	Price (\$)	Trailing Yield/ Distribution Return (%) <sup>2</sup>
<b>Australian Property</b>				<b>5.22</b>		
Westfield Corp	WFD	Narrow	Accumulate	1.80	7.84	4.33
Scentre Group	SCG	Narrow	Hold	1.15	3.93	5.64
GPT Group	GPT	Narrow	Hold	0.97	4.96	5.03
Vicinity Centres	VCX	Narrow	Hold	0.69	2.66	6.24
Goodman Group	GMG	Narrow	Hold	0.61	8.24	3.34
<b>Alternatives</b>				<b>8.17</b>		
Morningstar Multi Asset Real Return Fund	INT0011AU	-	Recommended	8.17	0.96	6.92
<b>Cash</b>				<b>4.84</b>		
Cash & Cash Equivalents		-	-	4.84	1.00	1.72

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## Transactions over the quarter

Please refer to the latest trade updates.

## 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.

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**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.

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**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.

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**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.

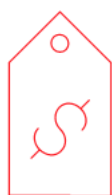
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**We take a fundamental approach.** Powerful research is behind each decision we hold, and we understand what drives each investment we analyse.

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

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**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.

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**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.