

# Morningstar Growth Real Return Fund

# Q22022

## Quarterly Performance Update

All data and information as at Portfolio Date: 30/06/2022

**Risk Profile:** Medium to High  
**Inception:** 1 January 2010\*  
**Size \$m:** 421.2  
**Unit Pricing:** Daily  
**Distributions:** Quarterly  
**Investment Horizon:** 7 Years

**Management Fees and Costs\*\*:** Up to 0.59%\*\*\*  
**Performance Fees:** 0.01%\*\*\*  
**Transaction Costs:** 0.00%\*\*\*  
**Buy-Sell Spread:** 0.10%/0.06%

### At a Glance

2022 has proven to be an increasingly challenging period for investors amid a backdrop of rising inflation, higher interest rates and ongoing geopolitical tensions. In recent weeks, inflation headwinds have worsened, with the latest U.S. inflation data fuelling concerns that we may be in for an inflationary period that is both more severe and of longer duration than previously anticipated. While this is important from an increased cost of living perspective, the knock-on implications on the outlook for interest rates have profoundly impacted both share and bond markets. Global shares, for example, are down around 18% (in aggregate and before adjusting for currency moves) calendar-year-to-date, while losses in key bond markets (which are just under 10%, over the same timeframe) are among the greatest falls seen in these asset classes in the past 80 years!

Management Fees and Costs include Morningstar's management fee of 0.57% as well as our reasonable estimate of excluded indirect costs which represent that portion of expenses charged by underlying funds which Morningstar do not pay out of its management fee.

### What's the purpose of this fund?

The Fund aims to earn a rate of return that exceeds inflation\*\*\*\* by at least 3.5% p.a. over rolling 7-year periods.



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

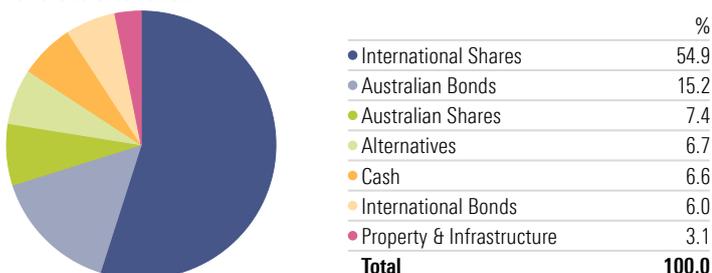
Returns over 12 months are annualised.

### How the investment portfolio has performed

	10yr (% p.a.)	7yr (% p.a.)	5yr (% p.a.)	3yr (% p.a.)	1yr (%)	3mth (%)	Since inception (% p.a.)
Fund (post-fee)^	7.45	5.07	4.36	3.53	-1.97	-3.53	6.43
CPI + 3.50%^	5.84	5.86	6.22	6.81	10.03	2.95	5.88

### Portfolio Holdings - Morningstar Growth Real Return Fund

Portfolio Date: 30/06/2022



\*The Fund's inception date used is 1 January 2010, the start of the full implementation of the Valuation Driven Asset Allocation process.

\*\*Management fees can be negotiated and may be less than the standard management fee. The portfolio may include exchange traded funds which charge management fees and these are an additional cost to individual investors and impact their return. This and any other excluded indirect costs incurred by the portfolio is captured within 'Management Fees and Costs' above.

\*\*\*All fees and costs are estimates for the 2021/22 financial year and are expressed as a percentage of net asset value of the Fund excluding accrued fees.

\*\*\*\*Inflation is an increase in the level of prices of the goods and services that households buy, which is measured by the Consumer Price Index.

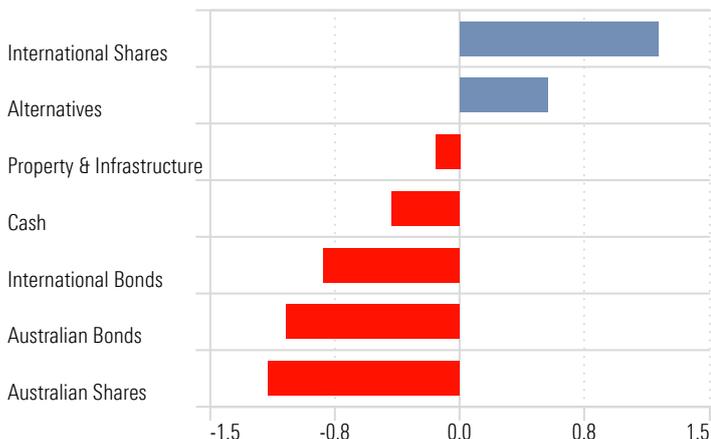
^Investment performance is before tax and after the standard management fee (inclusive of GST).

^^The CPI was not available for the current period at the time of creation. CPI for the same period of previous year has been used as a proxy for the current period. Please note the actual CPI for the current quarter will differ to the proxy used.



# Information about the portfolio's performance

## What drove portfolio performance over the past year?

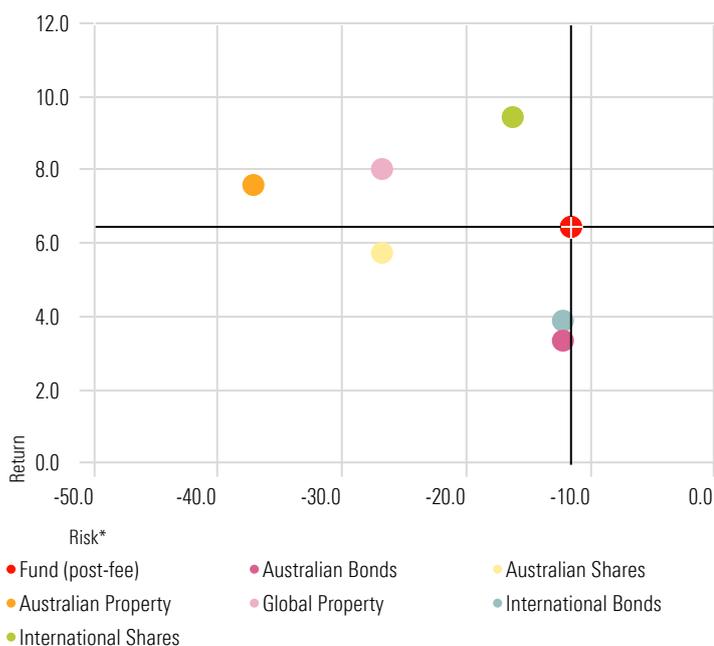


This chart shows how the individual parts of the portfolio contributed to investment performance over the past year.

While it is important to understand how each asset class has contributed to overall performance, one year is a very short time in financial markets. Returns over such a short period are often heavily influenced by investor sentiment and are not necessarily indicative of longer-term outcomes. Morningstar encourages investors to consider this information in the context of achieving their longer-term goals.

Actual outcomes may differ, as the chart has been prepared using a monthly 'buy and hold' approach.

## Risk versus reward since inception



This chart shows how a number of investments have performed on average since full implementation of the Valuation Driven Asset Allocation process, which occurred on 1 January 2010.

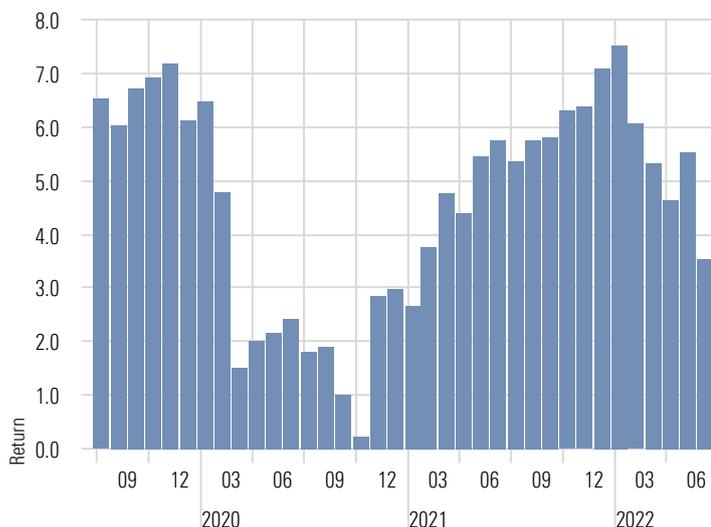
Returns alone are not the full picture. You cannot generate returns without taking on a level of risk. The chart shows the 'riskiness' of each investment relative to its average return.

You want to be as close to the top right corner of the chart as possible, as this indicates high returns achieved with less risk. You would expect cash to be towards the bottom right of the chart, with little to no risk and consequently, low returns.

It's important to note that past performance is not a reliable indicator of future performance and **riskiness of investments may far exceed what has occurred in the past.**

\*Risk is measured as the maximum loss from a peak to a trough for that investment during the period.

## How stable have returns been? (Rolling 3 year returns)

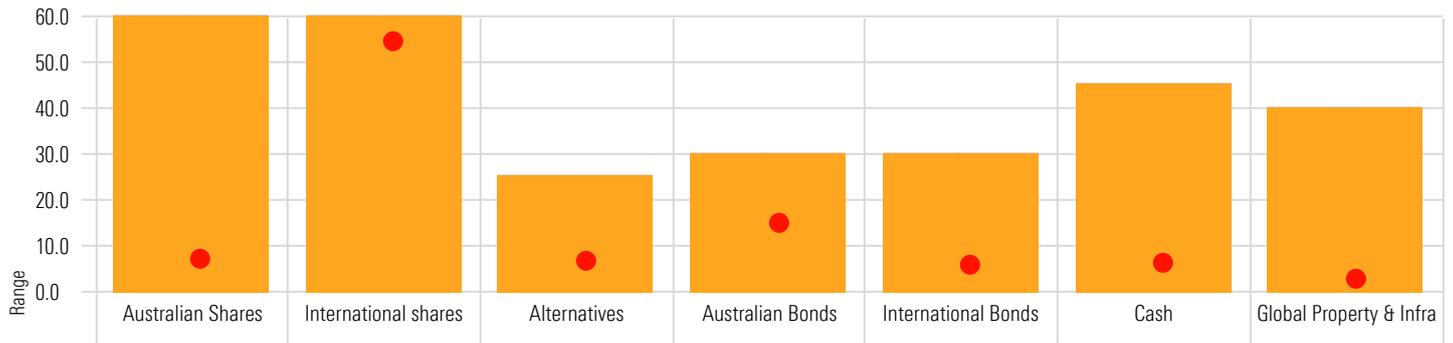


This chart shows the annual performance of the portfolio over rolling 3 year periods – e.g. your average annual return for each of the three years for any given month. In other words, this chart shows that the portfolio has delivered consistent positive returns over longer-term periods.

**Long-term investing helps you ride out the market's ups and downs.** It also lets you take advantage of opportunities that arise due to other investors making short-term, emotion-led investment decisions (e.g. irrationally selling investments at the first sign of fear and uncertainty).

# Information about what the portfolio is invested in

## How asset allocation is positioned vs the allowable ranges



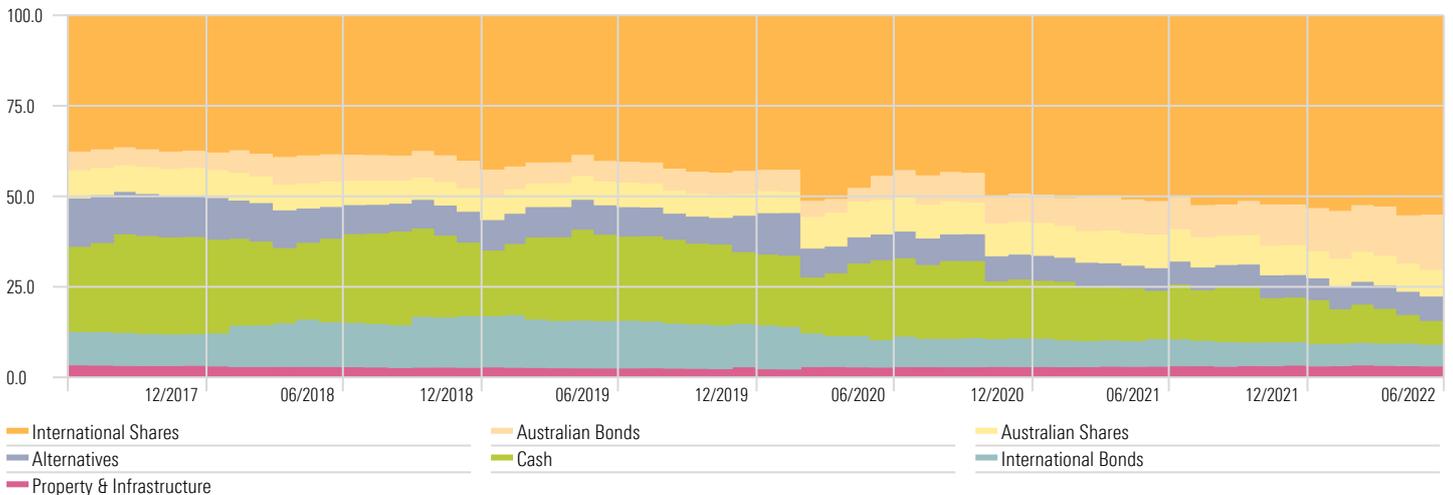
● Actual

The above chart shows the current breakdown of how the portfolio is invested.

A key difference in Morningstar's approach is that we use wide asset class ranges when constructing the portfolio. This means that we have the flexibility to invest in an asset class (e.g. shares, bonds and property) only if it makes sense to do so. If the reward isn't worth the risk, we can avoid the asset class and hold higher levels of cash, in wait for better opportunities to arise.

## Asset Allocation over 5 years %

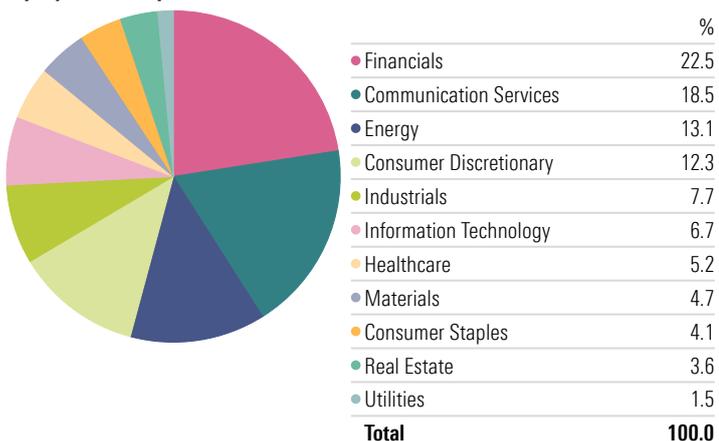
Time Period: 1/07/2017 to 30/06/2022



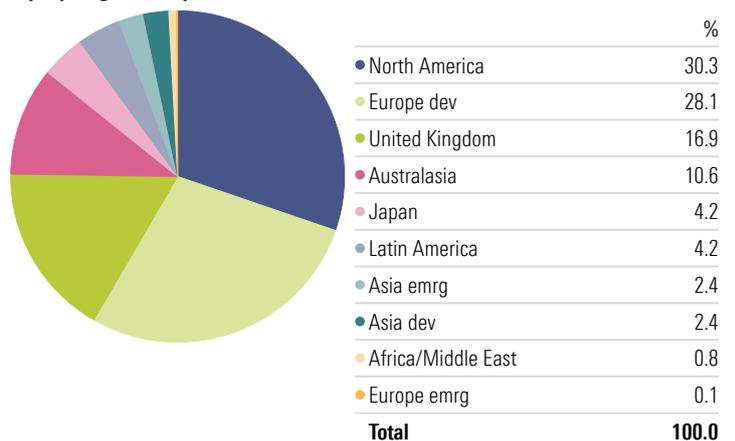
This chart shows how the portfolio positioning has changed over time in accordance with our valuation driven asset allocation process.

The portfolio has the flexibility to move towards opportunities that offer the best reward for risk (and away from those that we deem to be less attractive). As you can see, Morningstar's valuation driven approach has seen the portfolio positioning change over time, as we take advantage of prevailing investment opportunities to position the portfolio for longer term returns.

## Equity Sector Exposure

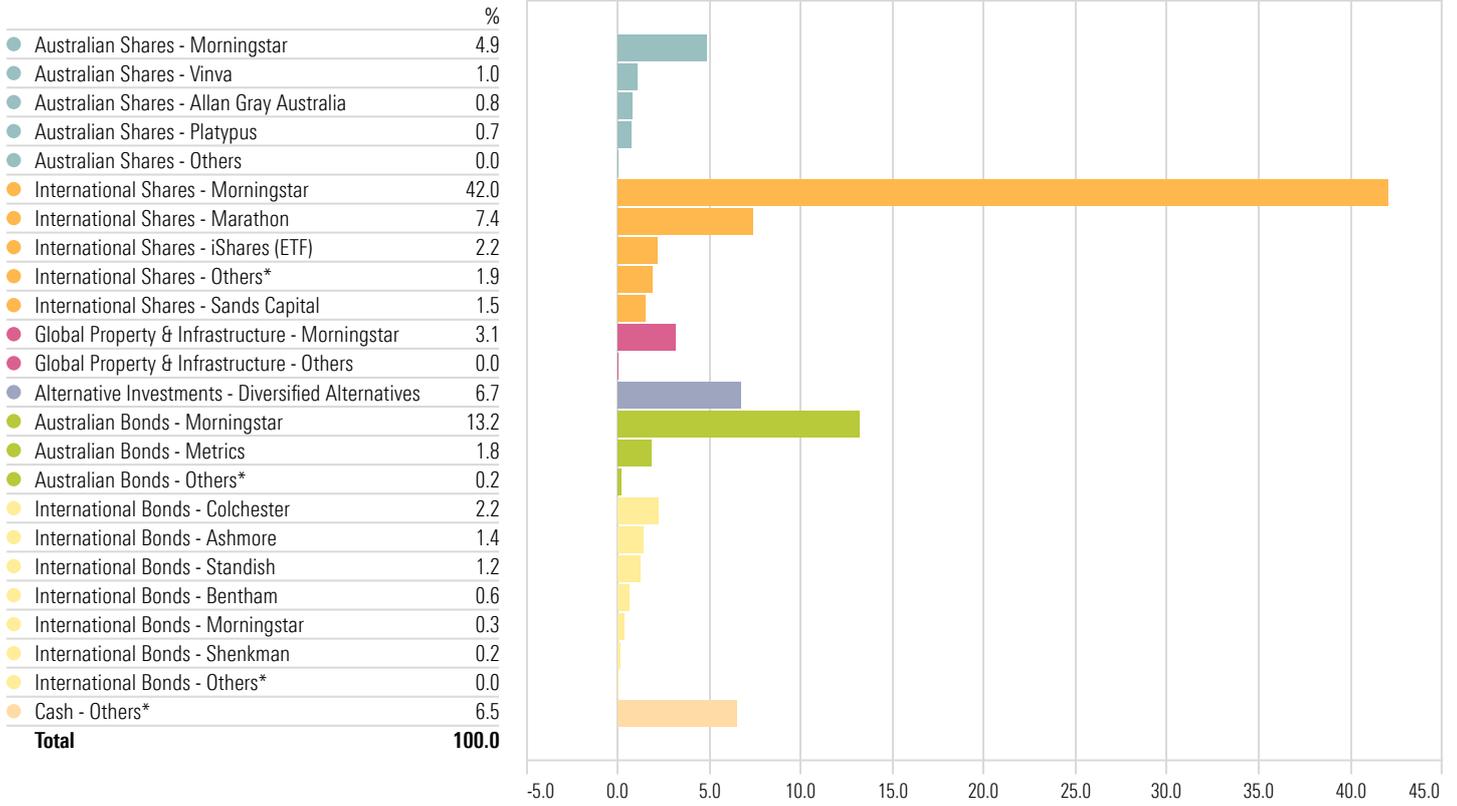


## Equity Regional Exposure



# Information about who manages the fund

## Fund Holdings



\*Others can include futures, liquidity and transition cash, other exchange traded funds and direct stocks. Further information on the underlying holdings of the fund is available by contacting your financial adviser or Morningstar.

# Top equity holdings

Top 20 holdings: 16.13% Other: 83.87%

	Portfolio Weighting %	Country	Sector
<b>Stock</b>	<b>16.13</b>		
TotalEnergies SE	1.25	FRA	Energy
BP PLC	1.18	GBR	Energy
Shell PLC	1.11	GBR	Energy
Lloyds Banking Group PLC	1.10	GBR	Financials
BT Group PLC	0.95	GBR	Communication Services
Vodafone Group PLC	0.92	GBR	Communication Services
Credit Suisse Group AG	0.87	CHE	Financials
Alibaba Group Holding Ltd Ordinary Shares	0.84	CHN	Consumer Discretionary
Compass Group PLC	0.82	GBR	Consumer Discretionary
Citigroup Inc	0.77	USA	Financials
Wells Fargo & Co	0.73	USA	Financials
AXA SA	0.70	FRA	Financials
Barclays PLC	0.66	GBR	Financials
Tencent Holdings Ltd	0.65	CHN	Communication Services
ING Groep NV	0.64	NLD	Financials
Telefonica SA	0.63	ESP	Communication Services
Orange SA	0.59	FRA	Communication Services
KBC Group SA/NV	0.58	BEL	Financials
Banco Santander SA	0.58	ESP	Financials
Julius Baer Gruppe AG	0.58	CHE	Financials

## Morningstar's Investment Principles



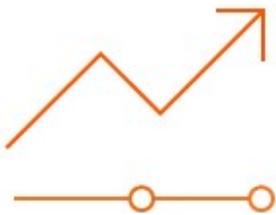
**We put investors first.** We believe the firms that put investors first win in the long term because their investors win.

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.



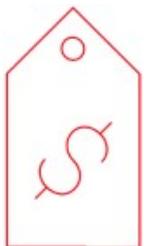
**We're valuation-driven investors.** Anchoring decisions to an investment's fair value—or what it's really worth—can lead to greater potential for returns.

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.