

Multi Asset Managed Portfolios: Real Return Managed Funds

For advisers looking to access a professionally managed portfolio that reflects our highest conviction investment ideas. These portfolios use versatile implementation methods (i.e. direct securities, ETFs, share market futures, currency forwards and custom in-house strategies, as well as managed funds, including leading specialist investment managers from around the world) to deliver a clearly defined return above inflation.



Adviser Checklist:

What could make the Real Return Managed Funds right for you and your clients?

You believe in having a more flexible asset allocation approach	✓
You believe a 'real' or 'inflation plus' objective is better aligned to your client's goals	✓
Your definition of risk is based on wanting to minimise capital loss in times of market stress	✓
You're looking for a scalable, cost-effective, and professionally managed investment solution	✓
You're looking to remove the administrative burden of implementing and rebalancing model portfolios	✓
You want your clients to be invested in the most compelling, valuation driven investment opportunities at any given time	✓
You're looking for an investment solution supported by regular client friendly communications	✓
You're looking to leverage active and passive management – the best of both worlds	✓

Achieving Your Clients' Financial Goals

As your investment management partner, we manage the Real Return Managed Funds with the same investment objective and definition of risk as your clients – growing their savings above a clearly defined rate of inflation, with the goal of not losing money that can't be made back.

Managing the Portfolio to a CPI+ Objective: To determine the investment objective of the portfolio, we start with the rate of inflation (tracked using the Consumer Price Index or CPI) and add to that an additional amount to match your clients' risk profile and financial goals. This gives us a CPI+ objective. It means the portfolio's objectives and your clients' objectives are the same, namely growing savings above the rising cost of living.

Managing the Portfolio to Preserve Your Clients' Capital: We've designed the portfolio's risk management approach to align with the needs of clients – our goal is to preserve their savings and to not invest in assets if the reward isn't worth the risk. In other words, we aim to avoid investing in overvalued assets.

Valuation Driven Asset Allocation – investing only if it makes sense to do so: We've designed an investment approach that gives us the flexibility to take advantage of opportunities as and when they arise. This approach is known as Valuation Driven Asset Allocation. By avoiding over-valued assets, we aim to deliver more consistent returns with lower risk and preserve your clients' savings (Refer Diagram 1).

A Focus on Quality: It's not just about value. In practical terms, we're seeking to buy good quality, attractively priced investments that are overlooked or underappreciated (Refer Diagram 2). We do this by undertaking comprehensive research to understand the fundamental drivers behind each investment – uncovering undervalued investments which display characteristics of quality (e.g. high and stable cash flows and conservative debt levels).

Diagram 1

Value = Greater Potential For Returns

The potential for return is greater and potential for loss is lower if an asset is cheap, or currently undervalued by the market. If you buy an asset that's expensive or overvalued, we see that as high risk, as you can see on the right hand side of this chart (above the VALUE line).

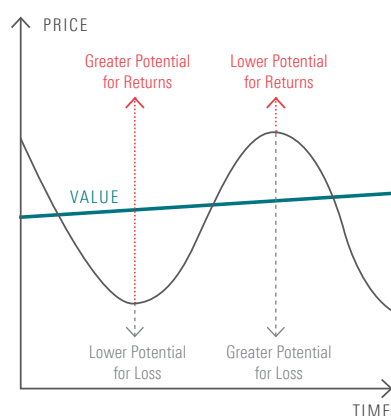
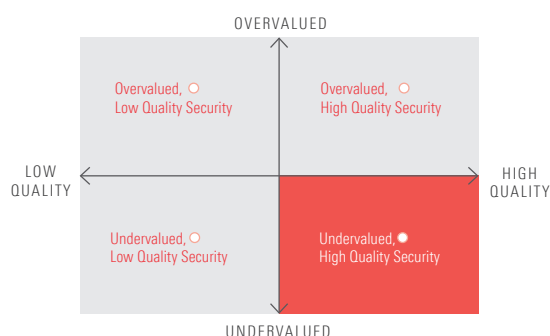


Diagram 2

Quality + Value = Greater Potential For Sustainable Returns

After we have scored a stock in terms of value, we then determine which are high-quality companies. As you can see in the chart below, securities can be high quality, but overvalued. To be held in our managed accounts, we're looking for securities with both a high Morningstar Quality and Value score, as shown by the red quadrant.



Morningstar's global research teams working for your clients

The Australian Investment Team - comprising of portfolio managers, analysts and asset-allocation specialists - manage the portfolios. They are supported by one of the largest independent research teams globally. The team leverage research carried out by more than 100 analysts, covering investment opportunities from around the world. This enables them to drill deeper into each and every investment opportunity before deciding whether it has a place in the portfolio or not. When implementing these views, the team has the flexibility and expertise to choose the most suitable investments that work together in achieving a common investment objective. We're able to use direct securities, ETFs, share market futures, currency forwards and custom in-house strategies, as well as managed funds employing leading specialist investment managers from around the world.

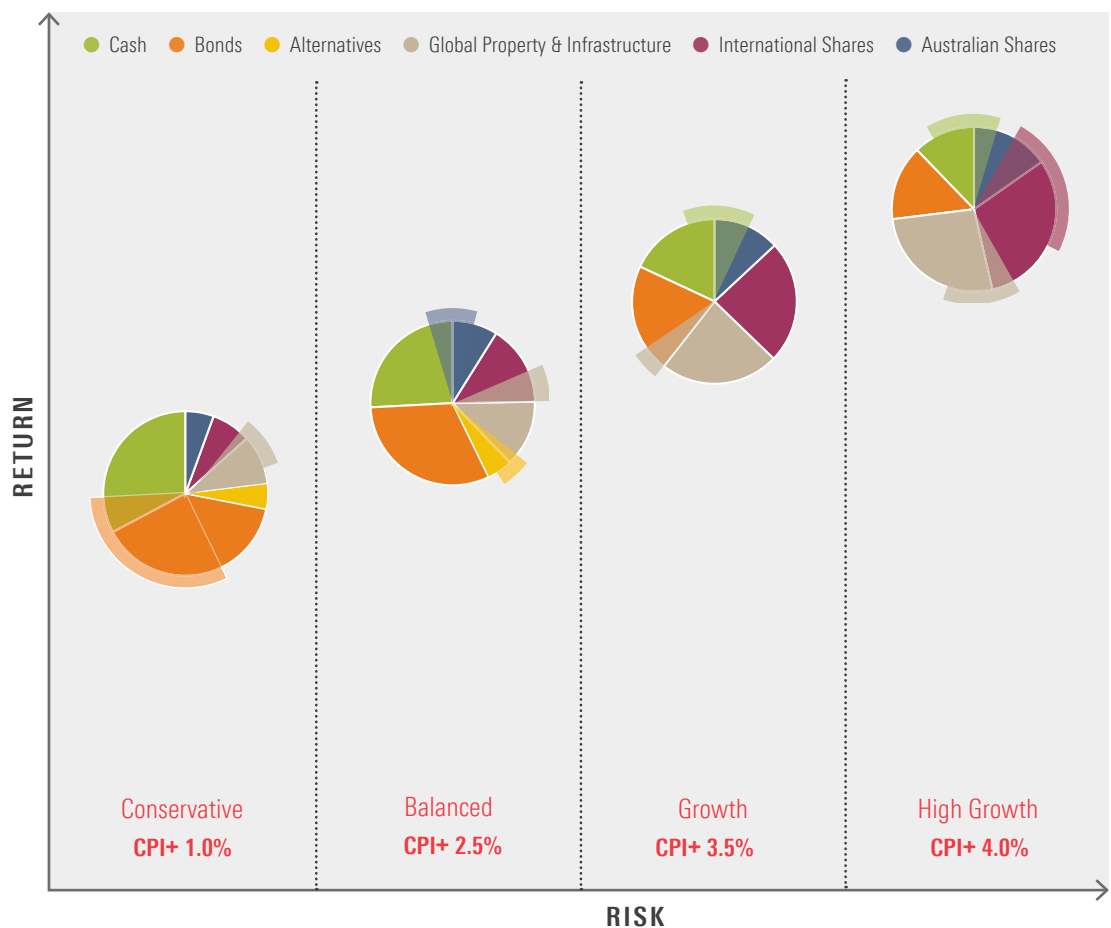
Playing To Our Strengths – Specialised And Cost Effective Implementation:

Morningstar's investment approach and expertise provides flexibility to choose the most suitable investments that work together in achieving a common investment objective. We're able to use direct investments, Exchange Traded Funds, in-house strategies, as well as employing leading specialist fund managers from around the world. What this means for your clients is a cost effective, diversified solution that is professionally managed by Morningstar Investment Management and advised by you - giving them comfort that their money is in good hands.

Morningstar's Suite of Real Return Managed Funds

Morningstar's Real Return Managed Funds have been designed to meet the needs of all investors, across all risk profiles and life stages. The range consists of portfolios designed to suit your diverse client base, aligned with our integrated risk-tolerance questionnaire.

The chart below shows the Morningstar's Real Return Managed Fund range, as well as asset allocation examples.



The information displayed is for illustrative purposes only. It should not be used to assess the exact risk/return relationship between portfolios.



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Want to get in touch?

Let's work together to define your
businesses investment needs.

Speak to your local Relationship Manager
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