Simply Human: The Behavioural Biases That Prevent Most Investors From Sticking With Their Plans and How Advisers Can Help

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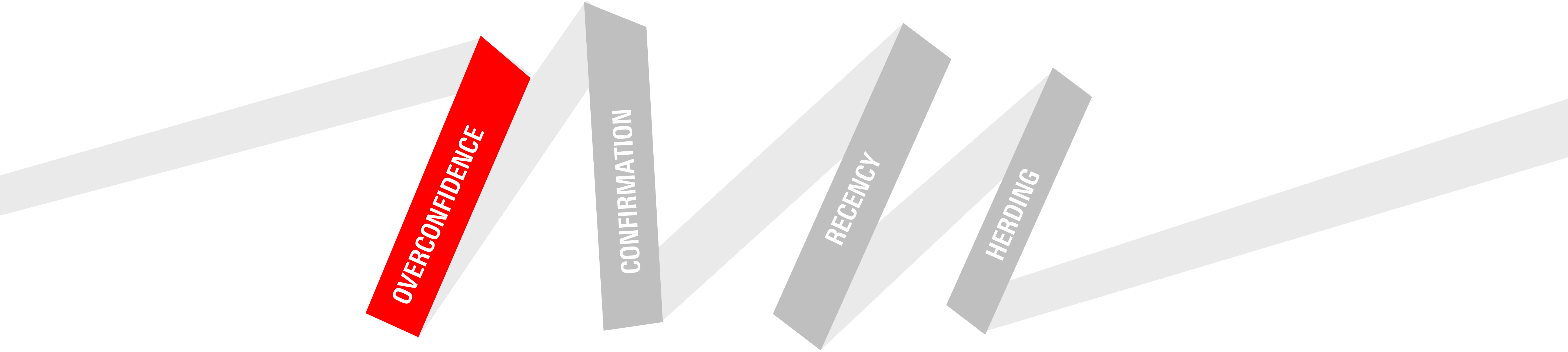
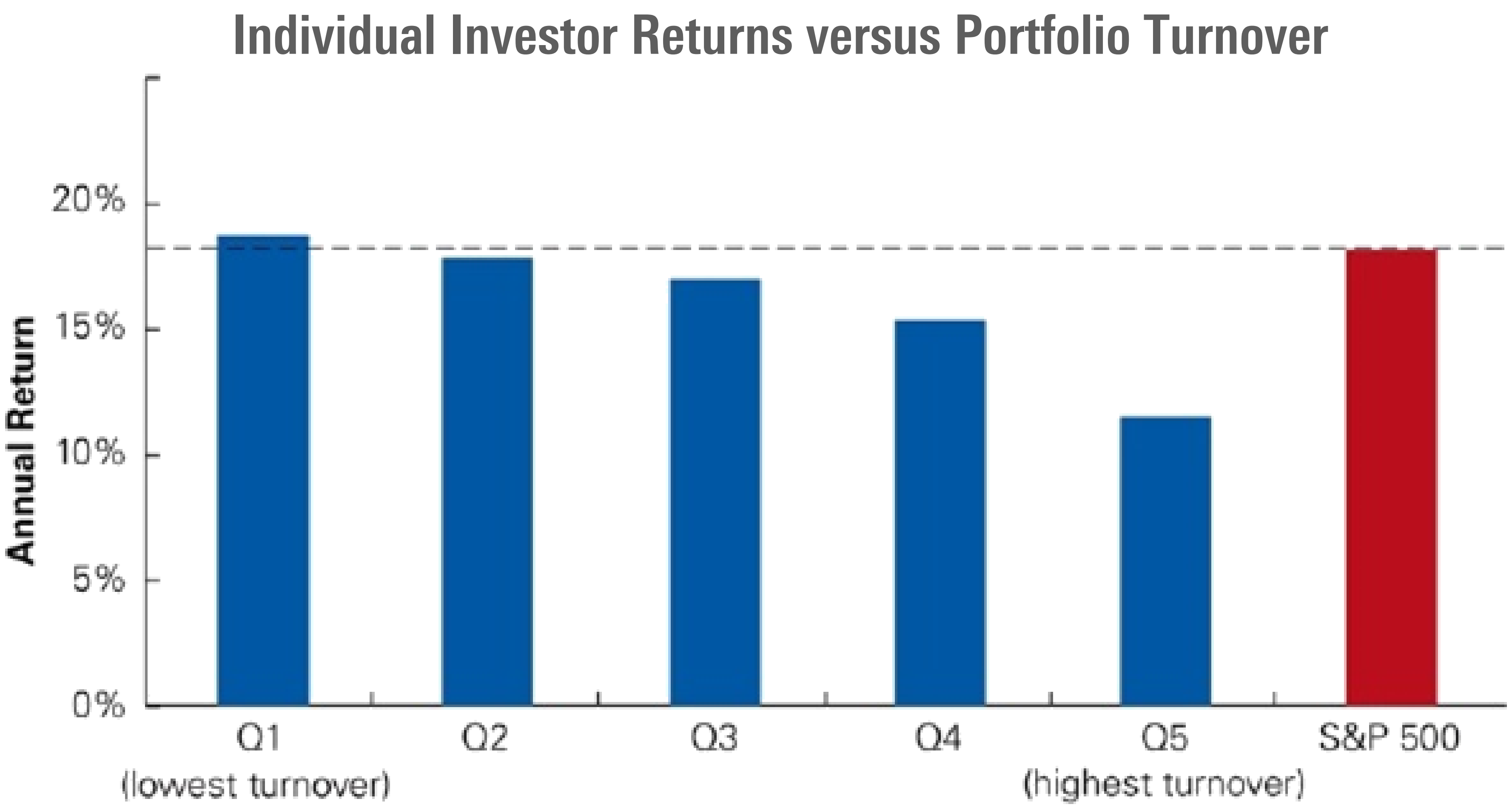
Advising is much more than this

Four common investment biases

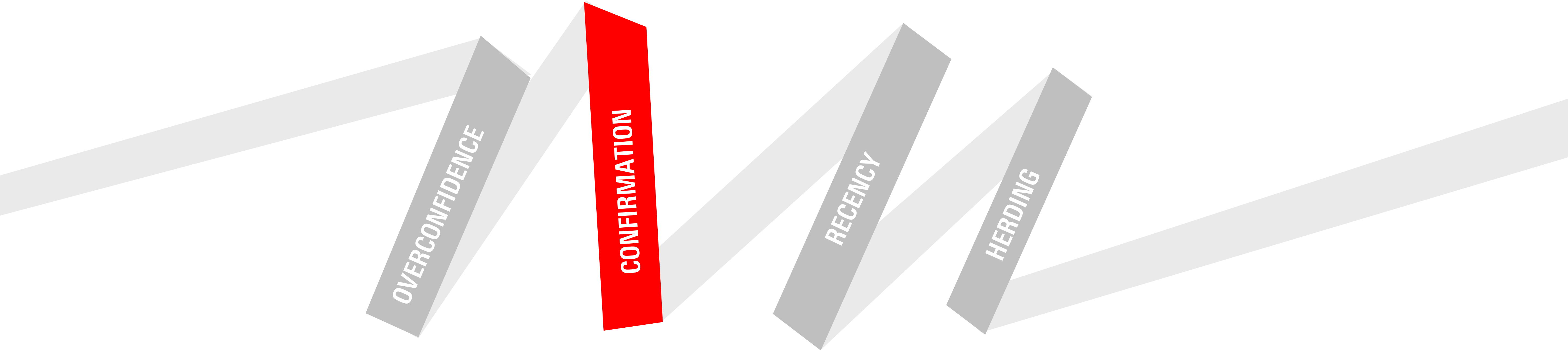


Overconfidence bias in action



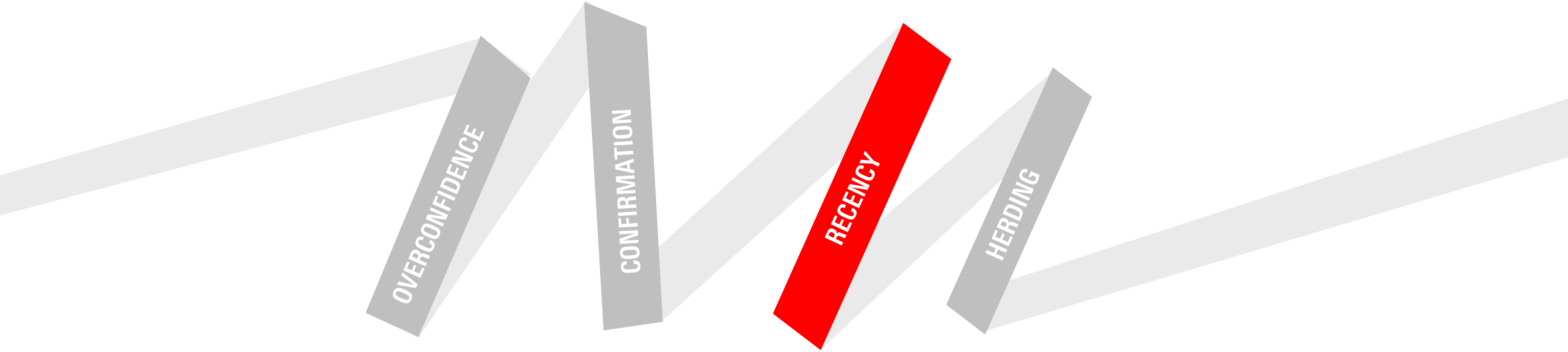
Source: B. Barber and T. Odean, “Trading is Hazardous to Your Wealth”, 2000.

Four common investment biases

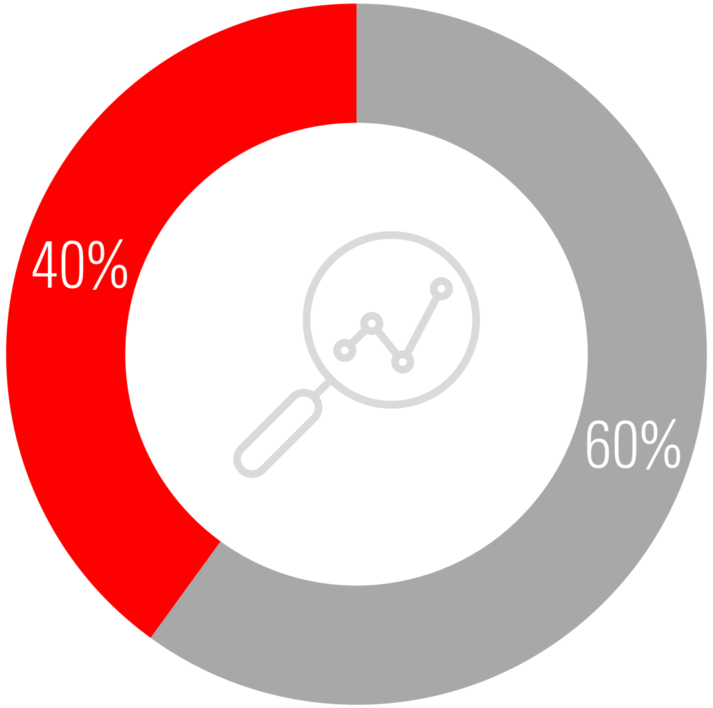


Confirmation bias in action during the US election

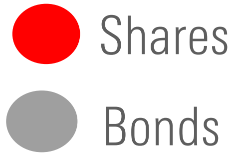
Four common investment biases

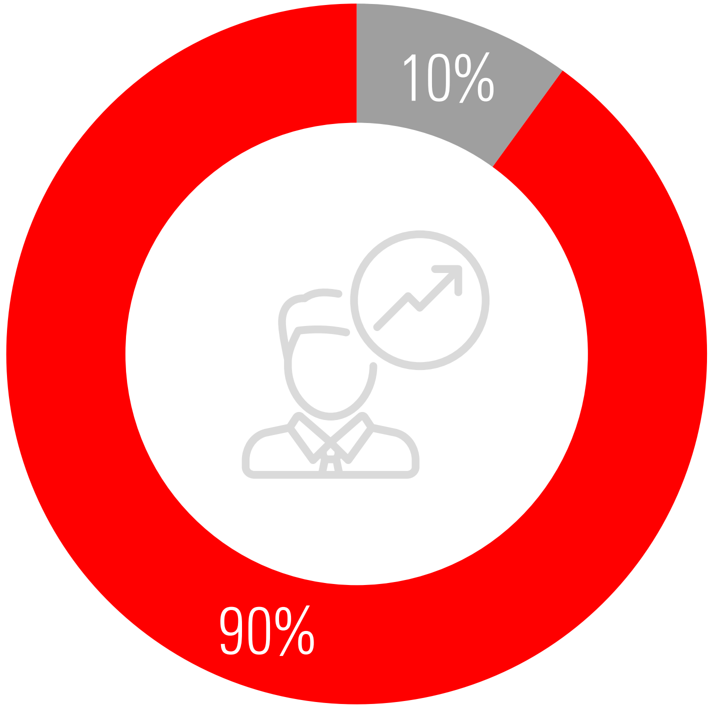


Recency bias in action with investment selection



When shown a distribution of **1-year** returns, investors allocated 40% to shares.

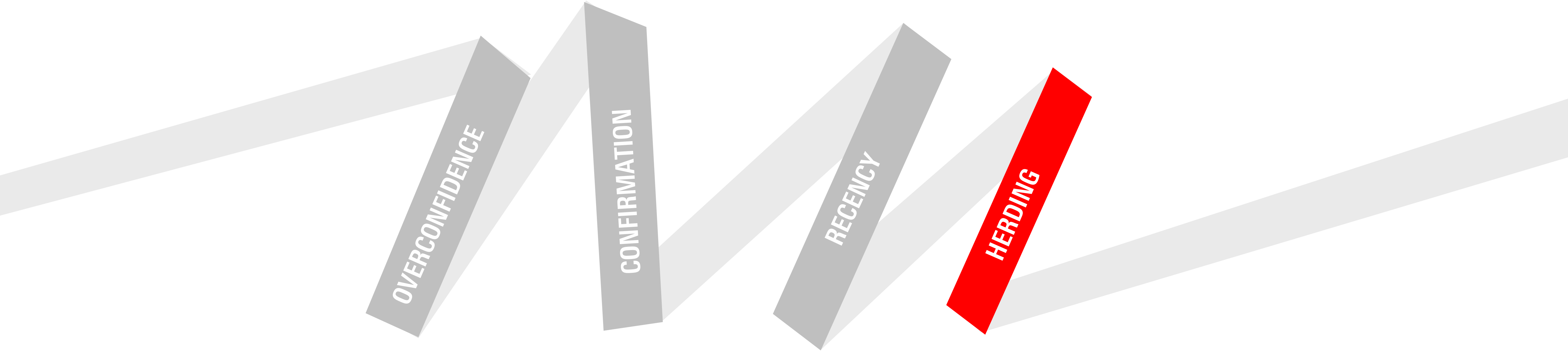




When shown a distribution of **30-year** returns, investors allocated 90% to shares.

Source: Shlomo Benartzi and Richard H. Thaler, "Risk Aversion or Myopia? Choices in Repeated Gambles and Retirement Investments," March 1999.

Four common investment biases



Valuation-driven investing is about psychology

Three ways to do better

How can investors overcome these challenges? The key is to remember that it's how we're wired. Everyone —no matter how smart you are.

We can't overcome these problems by force of will; instead, we have to remove our human frailties from the equation, or put tremendous time and energy into avoiding these mistakes.

Here are three basic strategies for avoiding these common mistakes.

1. Dedicate your entire life to investing (and psychology)
Great valuation-driven investors (Buffett, Munger, Graham, etc.) show that this is possible. But these people not only dedicate their lives to it: they hire teams of others, gather extensive data, and buy expensive software.

If you'd like to go down that route—great! But if you just want to dabble, don't even think about it. Watching the news or reading the papers give us the illusion of special insight or information—but we'll usually be crushed by people who devote their lives to the process.

2. Partner with professionals
Many investors realize the limitations they face and turn to professional advisers for help. Advisers typically use software to simplify investment analysis and avoid common mistakes (or partner with professional investment management companies) and study investor psychology to help investors overcome the challenges we've talked about.

3. Keep it simple and use autopilot
Our minds will take shortcuts, no matter what we do. One way to avoid this is to stop thinking—and go with simple investments that you may never need to touch again. Many retirement plans do this—they help make saving and investing in appropriate vehicles automatic. That's also what some online apps try to do as well.

See page 31, “Resources to learn more” and page 8, “Our Investment Management group’s approach”

A new guide for you to apply behavioural science

Simple but Not Easy

A Guide for Helping Investors Overcome Behavioral Obstacles

☑ Indicates client worksheet

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Common investor biases can lead to:

1. **Chasing short term returns**
2. Abandoning long term plans
3. Not meeting one’s goals

How you can help

i. Explain the "ETISOPPO"
ii. Know client's financial personality

Financial Personality Quiz

1. Please mark on the line below how long a 1-year wait feels to you.

(5) ···················· (4) ···················· (3) ···················· (2) ···················· (1)

EXTREMELY SHORT

EXTREMELY LONG

See page 19, "Survey for clients"

Financial Personality Quiz

2. When you think of your life 10 years from now, how clear and detailed is your mental picture?

1 ····· 2 ····· 3 ····· 4 ····· 5

EXTREMELY VAGUE
AND WITHOUT DETAIL

EXTREMELY CLEAR
AND VERY DETAILED

See page 19, "Survey for clients"

Financial Personality Quiz

3. How far ahead do you tend to think and plan?

1. Less than a month
2. 1-6 months
3. 6 months to a year
4. 1-5 years
5. 5-10 years
6. 10 years or more

See page 19, "Survey for clients"

Interpreting your results

Mental Time Horizon

Question 1:
Score on a reverse scale of 5-1 (5 = Extremely short, 1 = Extremely Long) ________

Question 2:
Score on a scale of 1-5 (1 = Extremely vague and without detail, 5 = Extremely clear and detailed) ________

Question 3:
Score on a scale of 1-6 (1 = Less than a month, 6 = 10 + years) ________

Add up the total scores for questions 1-3. Answers will range from 1 to 16.
Scores between 1 and 8 = Short-term focus (Bottom half of the matrix)
Scores between 9 and 16 = Long-term focus (Top half of the matrix)

See page 20, "Interpreting the results (Scoring)"

Financial Personality Matrix

LONG-TERM FOCUS

A Long-term focus, Internal locus of control

People in this quadrant will tend toward good savings habits and long-term investment strategies. They will generally have a positive emotional experience with their money.

B Long-term focus, External locus of control

May have higher financial anxiety. Watch for signs of passivity in financial decisions.

SHORT-TERM FOCUS

C Short-term focus, Internal locus of control

May have generally positive feelings about their finances, a short-term mental focus is inherently problematic with respect to long-term planning. Look for ways to lengthen their view in small increments over time.

D Short-term focus, External locus of control

This is the most at risk type. The combination of short-term focus and external locus of control can result in high debt and high anxiety. Empower them by working toward small, manageable savings goals and building their financial skills over time.

INTERNAL CONTROL

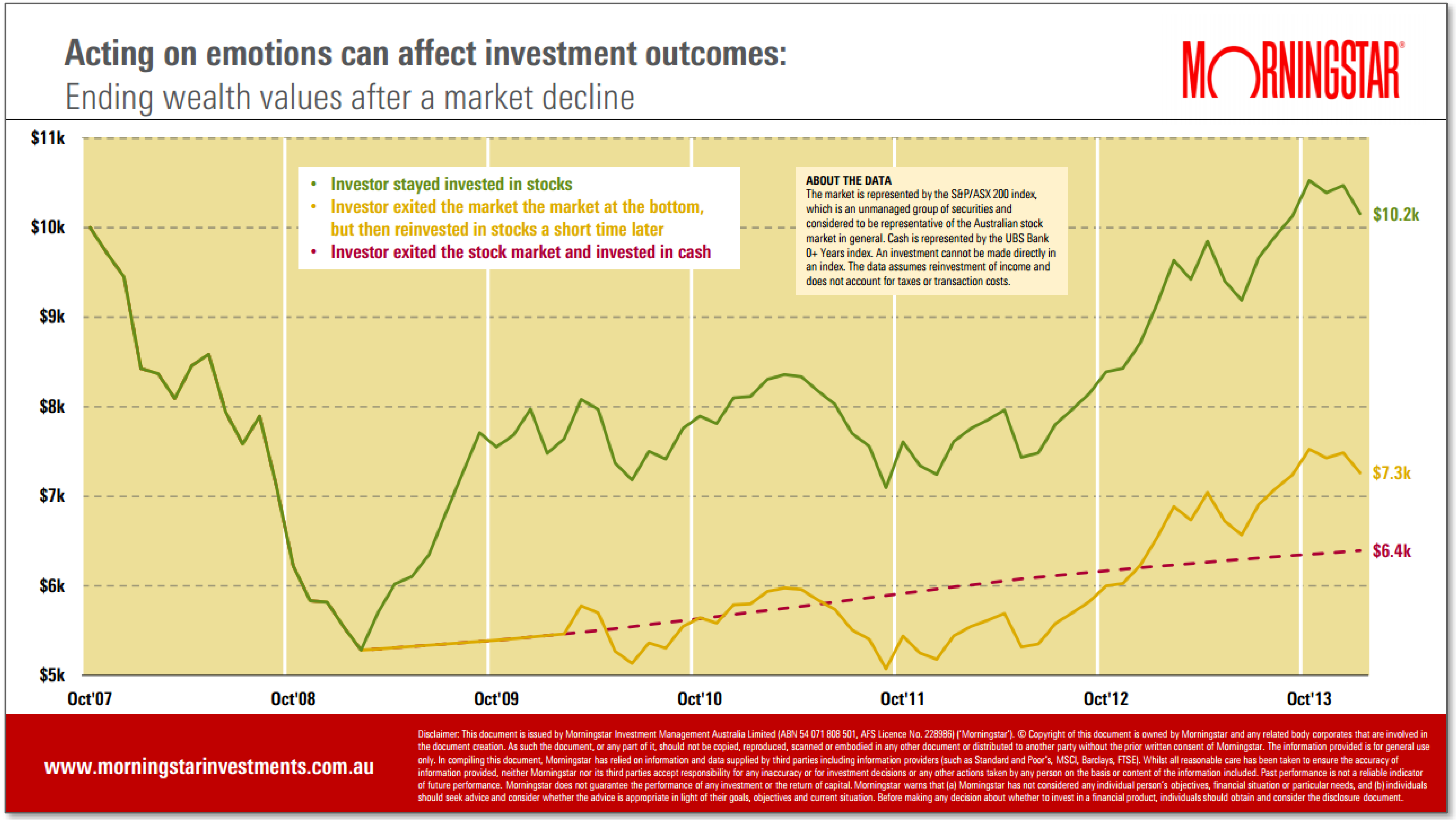
EXTERNAL CONTROL

See page 21, "Financial Personality Matrix"

Common investor biases can lead to:

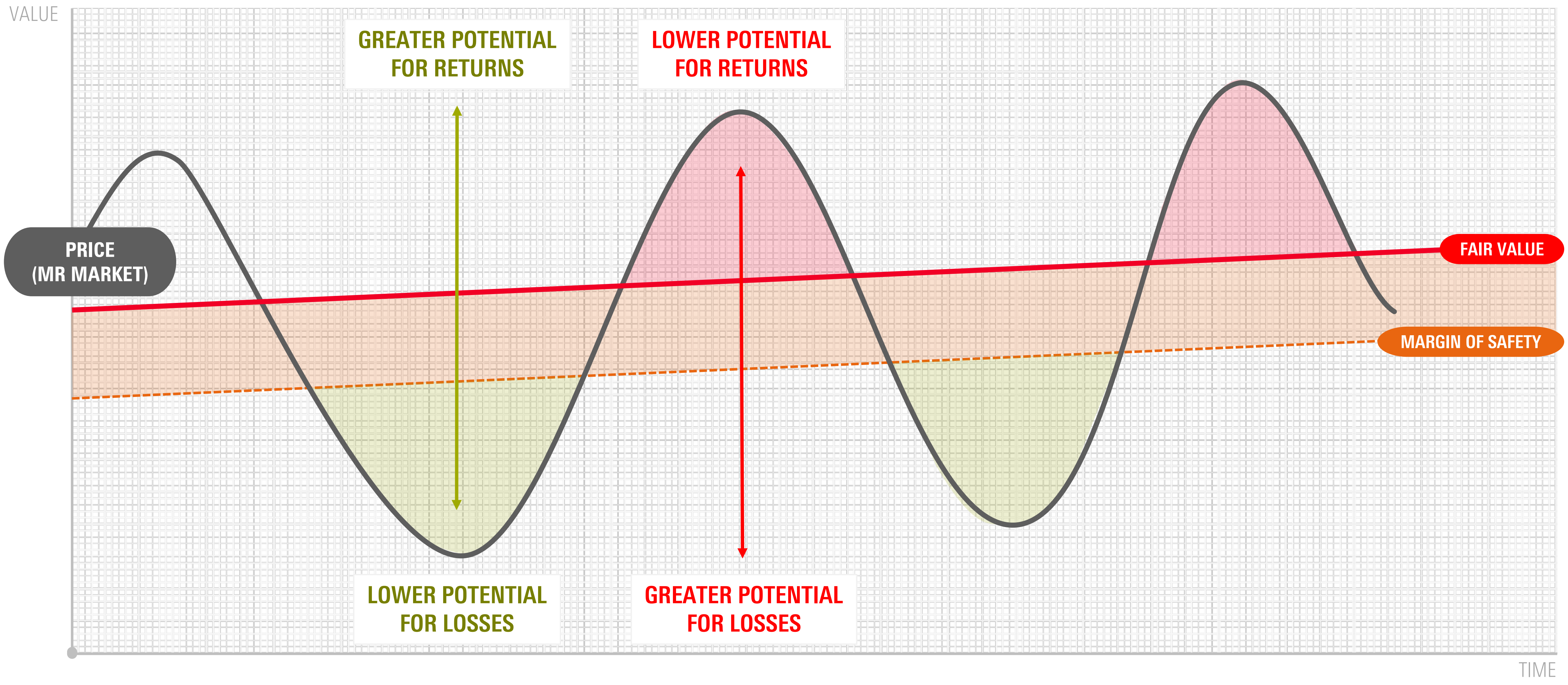
1. Chasing short term returns
2. **Abandoning long term plans**
3. Not meeting one's goals

Acting on emotions can effect investment outcomes



See page 2, Figure 1, "The Importance of Staying Invested"

Change the narrative



See page 9, Figure 2, "We're valuation-driven investors"

Write a letter to your future self

The Personal Commitment Letter

To my future self,

I know you want to move your money right now. The market is going crazy. I am writing to remind you that even though it is tempting, what you really want to do is stay the course.

You have planned well, and you can handle the storm. Remember how you felt when you sat down with ______________________________ and talked about the reasons for choosing your strategy.

Ride it out.

Sincerely,

____

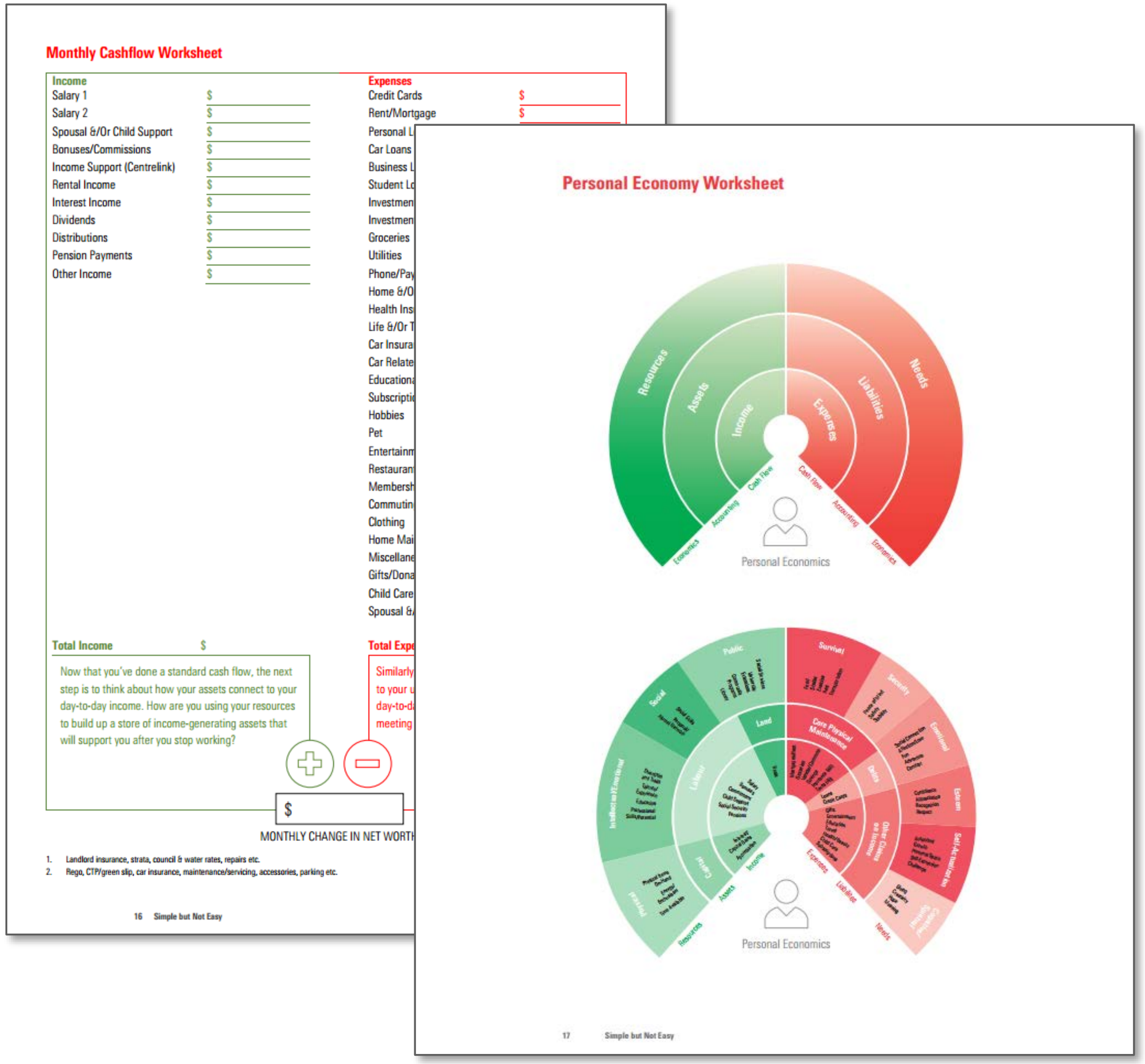
Date _______________

See page 23, "Letter to your future self"

Common investor biases can lead to:

1. Chasing short term returns
2. Abandoning long term plans
3. **Not meeting one’s goals**

Personal Economy Worksheet

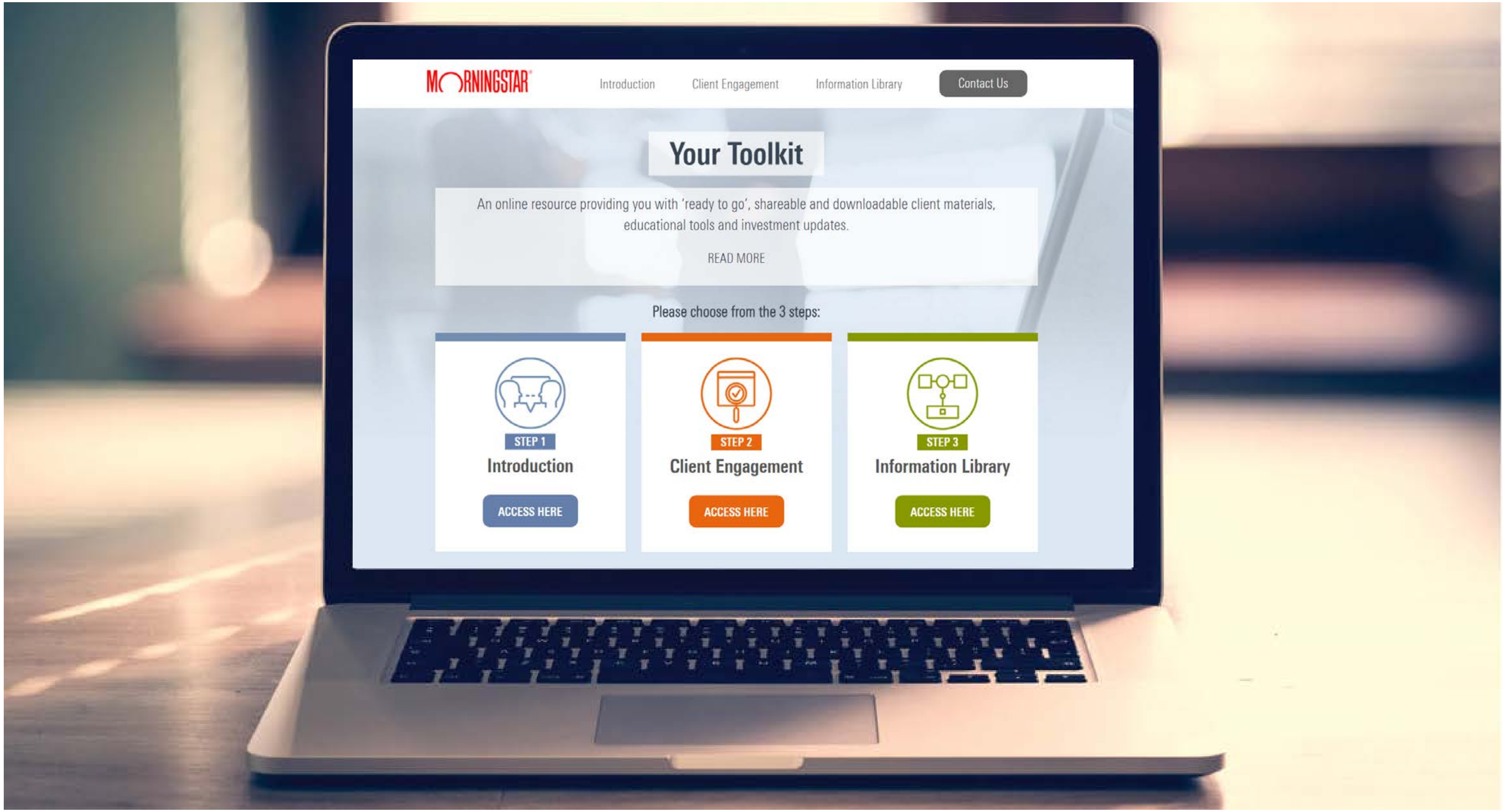


1. Understand the cash flow
2. Identify the needs
3. **Change the strategy, but meet the need**

See pages 14-17, "Understanding the total financial picture"

Summary of the practical tools you can use

1. Chasing short term returns → Financial Personality Quiz
2. Abandoning long term plans → Letter to Your Future Self
3. Not meeting one’s goals → Personal Economy Worksheet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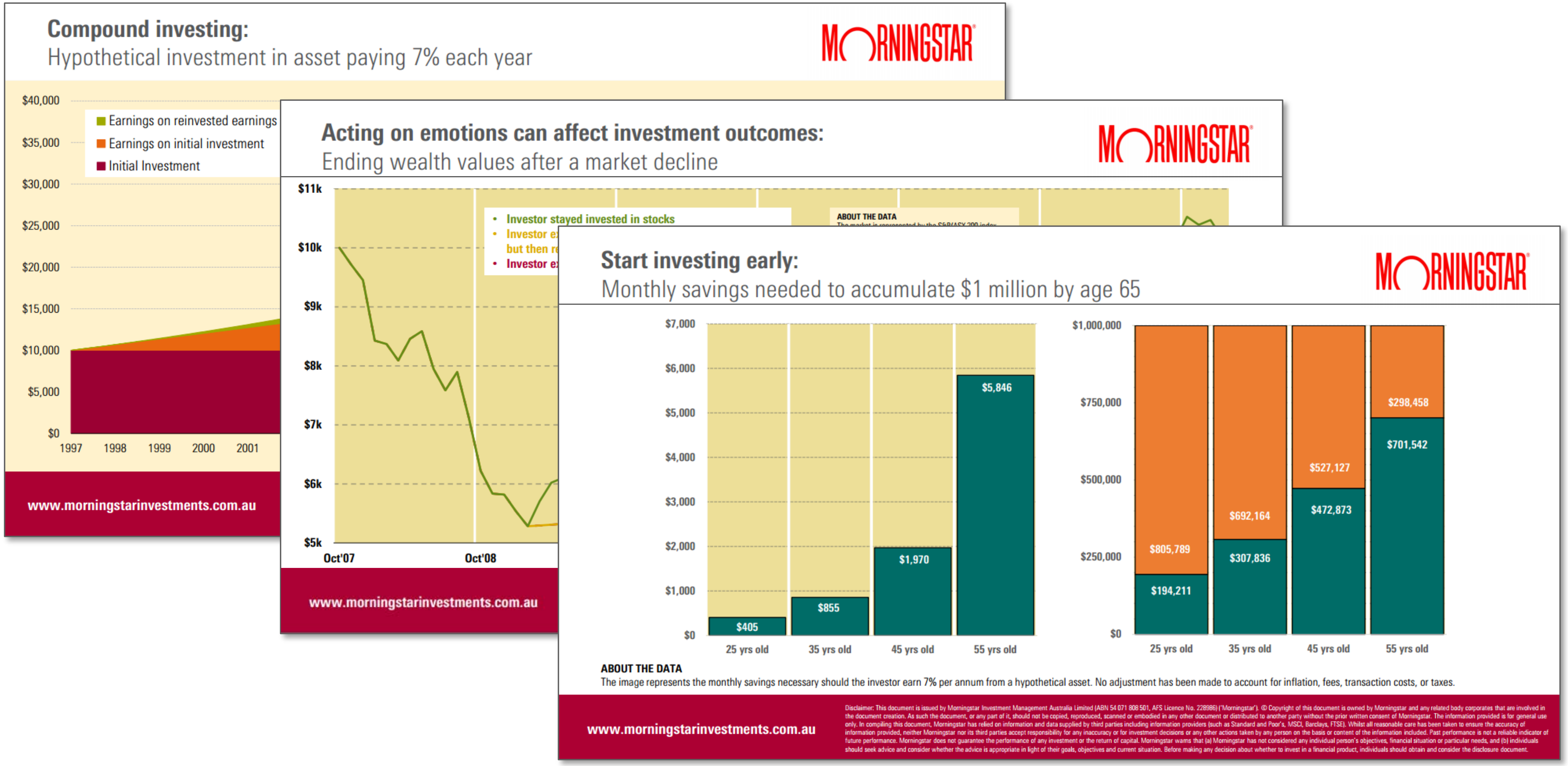
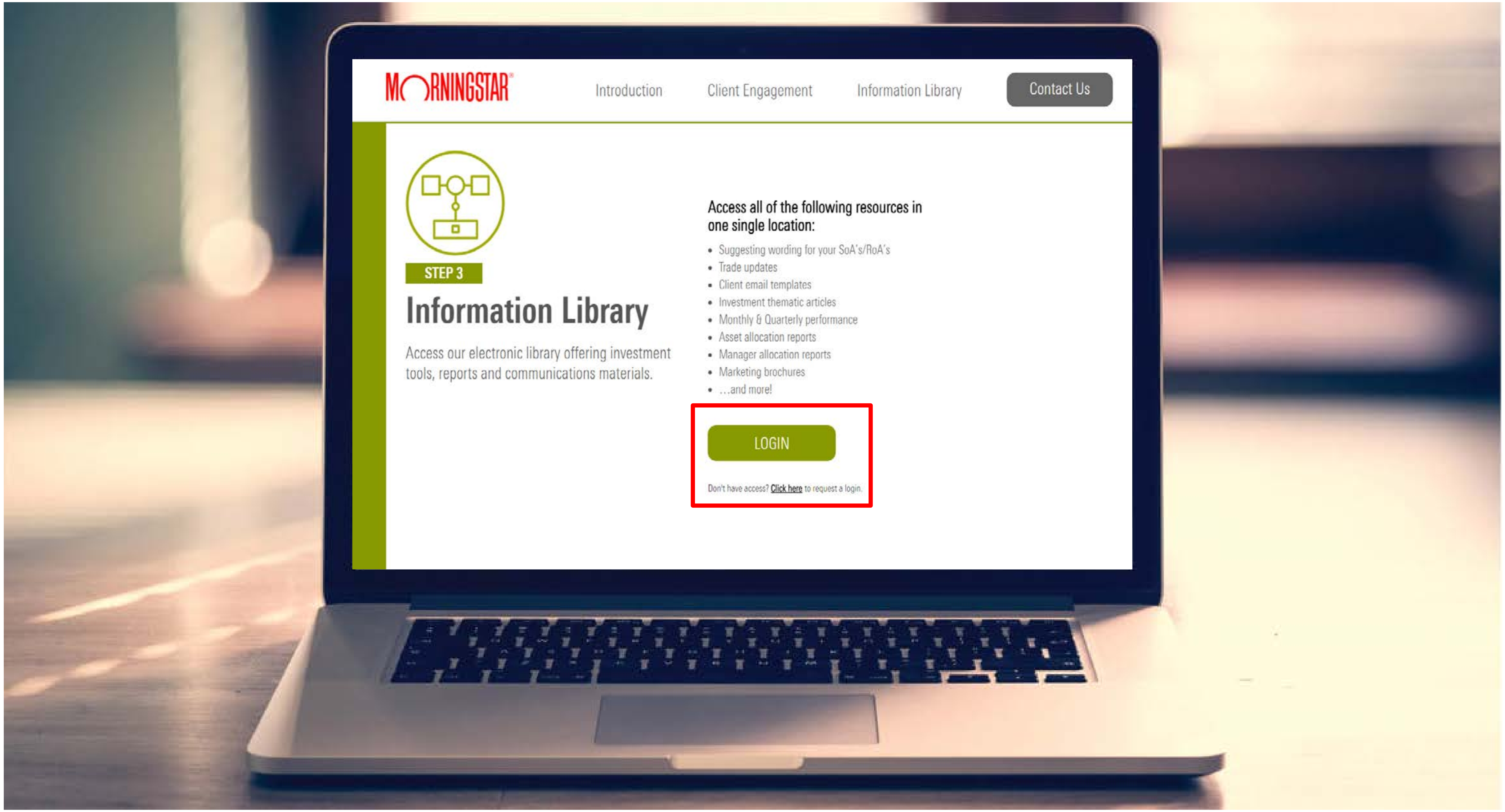
Client engagement tools to help in your advice process





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Trade updates
Client email templates
Investment thematic articles
Monthly & Quarterly performance
Asset allocation reports
Manager allocation reports
Marketing brochures
...and more!
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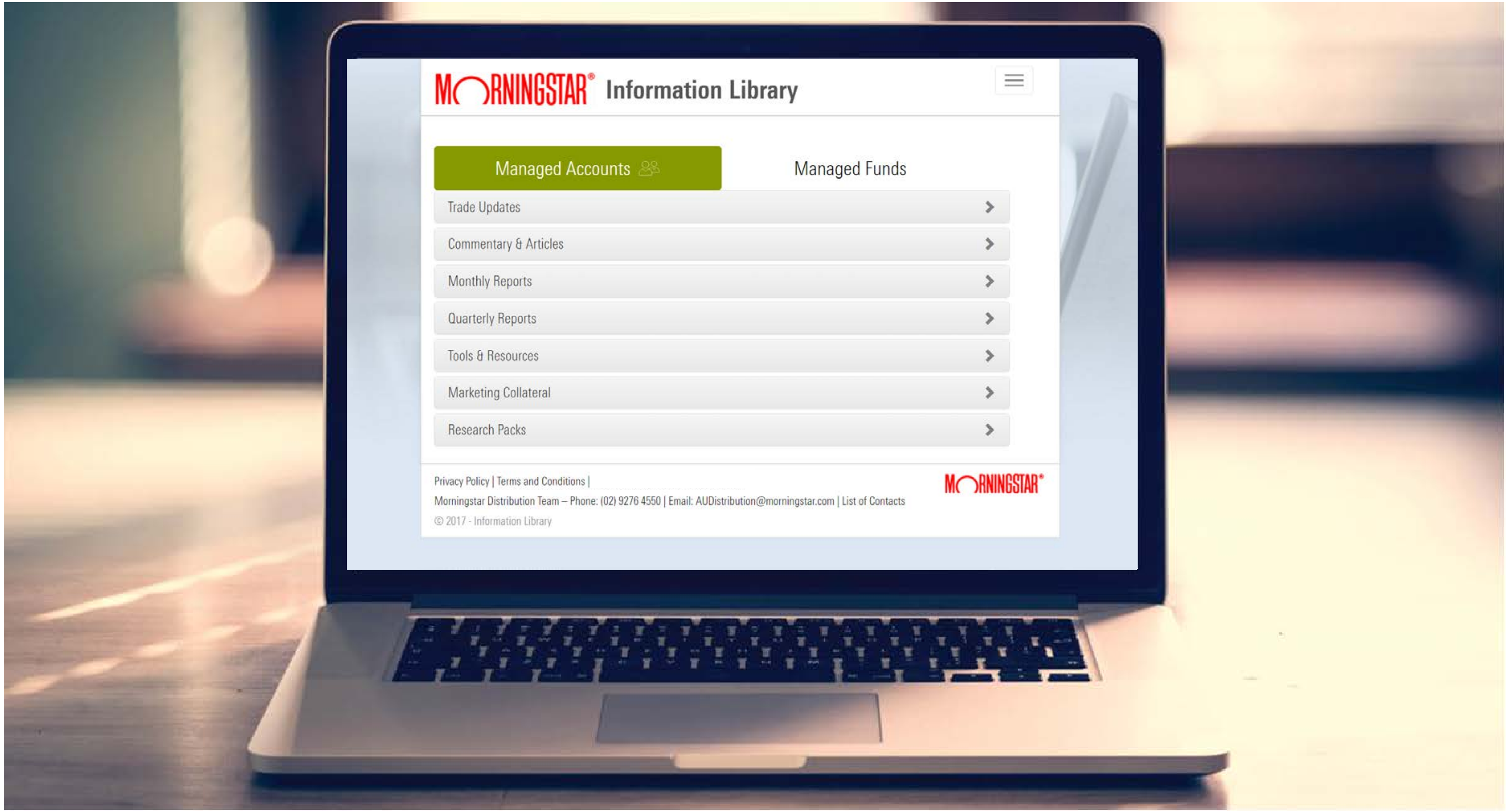
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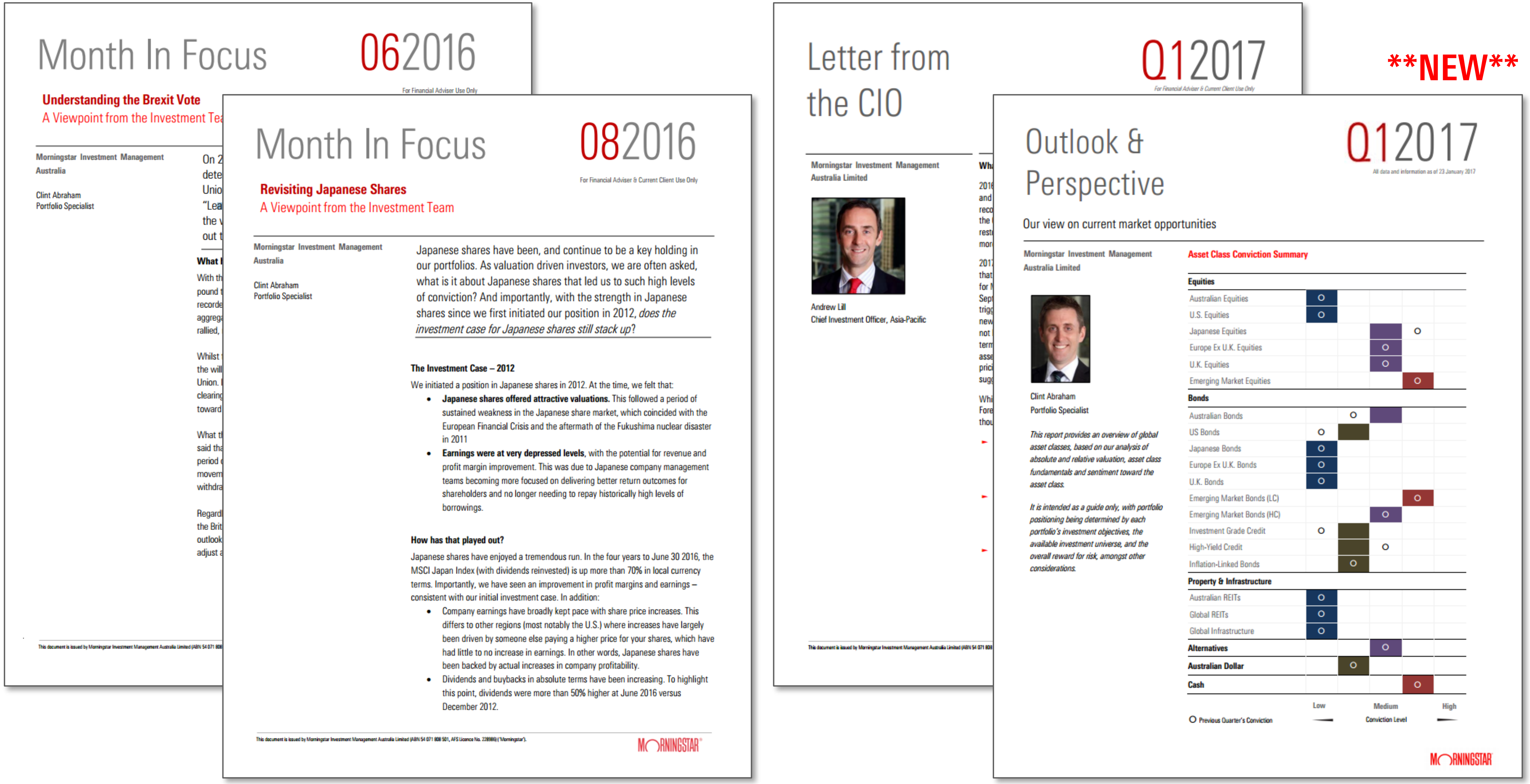

Month In Focus 062016

For Financial Adviser Use Only

Understanding the Brexit Vote

A Viewpoint from the Investment Tea

Morningstar Investment Management Australia

Clint Abraham
Portfolio Specialist

Month In Focus 082016

For Financial Adviser & Current Client Use Only

Revisiting Japanese Shares

A Viewpoint from the Investment Team

Morningstar Investment Management Australia

Clint Abraham
Portfolio Specialist

Japanese shares have been, and continue to be a key holding in our portfolios. As valuation driven investors, we are often asked, what is it about Japanese shares that led us to such high levels of conviction? And importantly, with the strength in Japanese shares since we first initiated our position in 2012, *does the investment case for Japanese shares still stack up?*

The Investment Case – 2012

We initiated a position in Japanese shares in 2012. At the time, we felt that:

- **Japanese shares offered attractive valuations.** This followed a period of sustained weakness in the Japanese share market, which coincided with the European Financial Crisis and the aftermath of the Fukushima nuclear disaster in 2011
- **Earnings were at very depressed levels**, with the potential for revenue and profit margin improvement. This was due to Japanese company management teams becoming more focused on delivering better return outcomes for shareholders and no longer needing to repay historically high levels of borrowings.

How has that played out?

Japanese shares have enjoyed a tremendous run. In the four years to June 30 2016, the MSCI Japan Index (with dividends reinvested) is up more than 70% in local currency terms. Importantly, we have seen an improvement in profit margins and earnings – consistent with our initial investment case. In addition:

- Company earnings have broadly kept pace with share price increases. This differs to other regions (most notably the U.S.) where increases have largely been driven by someone else paying a higher price for your shares, which have had little to no increase in earnings. In other words, Japanese shares have been backed by actual increases in company profitability.
- Dividends and buybacks in absolute terms have been increasing. To highlight this point, dividends were more than 50% higher at June 2016 versus December 2012.

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Letter from the CIO Q12017

For Financial Adviser & Current Client Use Only

Morningstar Investment Management Australia Limited

Andrew Lill
Chief Investment Officer, Asia-Pacific

Outlook & Perspective Q12017

All data and information as of 23 January 2017

Our view on current market opportunities

Morningstar Investment Management Australia Limited

Clint Abraham
Portfolio Specialist

This report provides an overview of global asset classes, based on our analysis of absolute and relative valuation, asset class fundamentals and sentiment toward the asset class.

It is intended as a guide only, with portfolio positioning being determined by each portfolio's investment objectives, the available investment universe, and the overall reward for risk, amongst other considerations.

Asset Class Conviction Summary

Equities
- Australian Equities
- U.S. Equities
- Japanese Equities
- Europe Ex U.K. Equities
- U.K. Equities
- Emerging Market Equities

Bonds
- Australian Bonds
- US Bonds
- Japanese Bonds
- Europe Ex U.K. Bonds
- U.K. Bonds
- Emerging Market Bonds (LC)
- Emerging Market Bonds (HC)
- Investment Grade Credit
- High-Yield Credit
- Inflation-Linked Bonds

Property & Infrastructure
- Australian REITs
- Global REITs
- Global Infrastructure

Alternatives

Australian Dollar

Cash

Low — Medium — High
Conviction Level

Previous Quarter's Conviction

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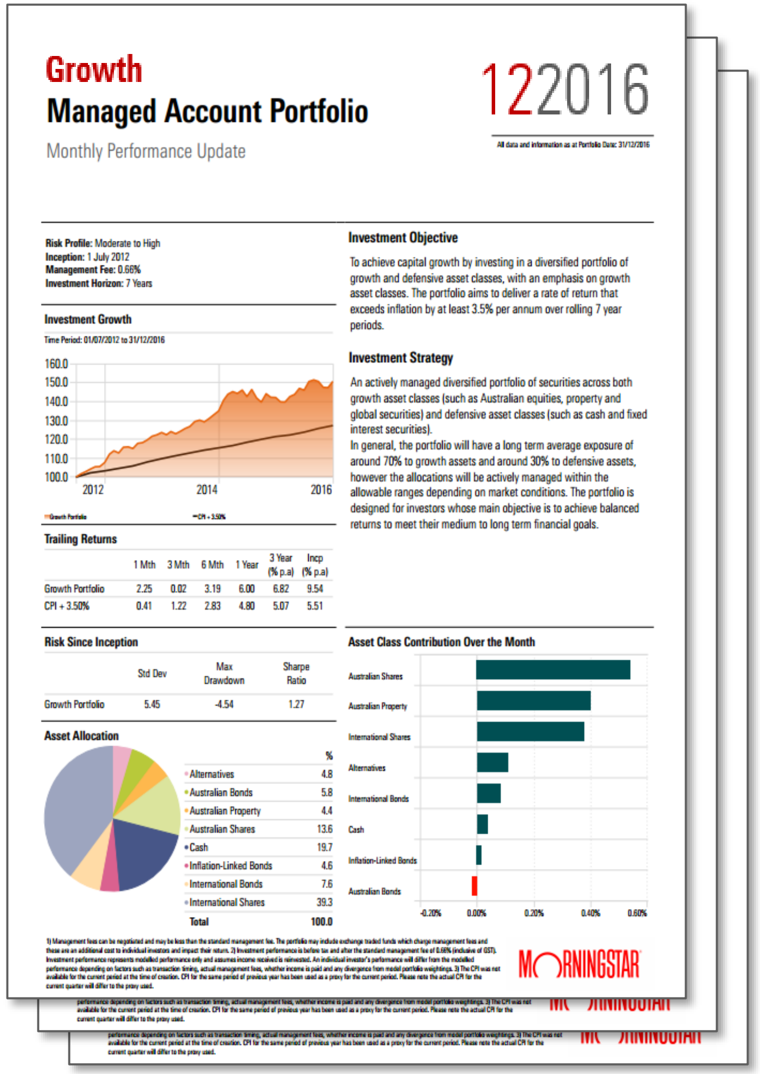
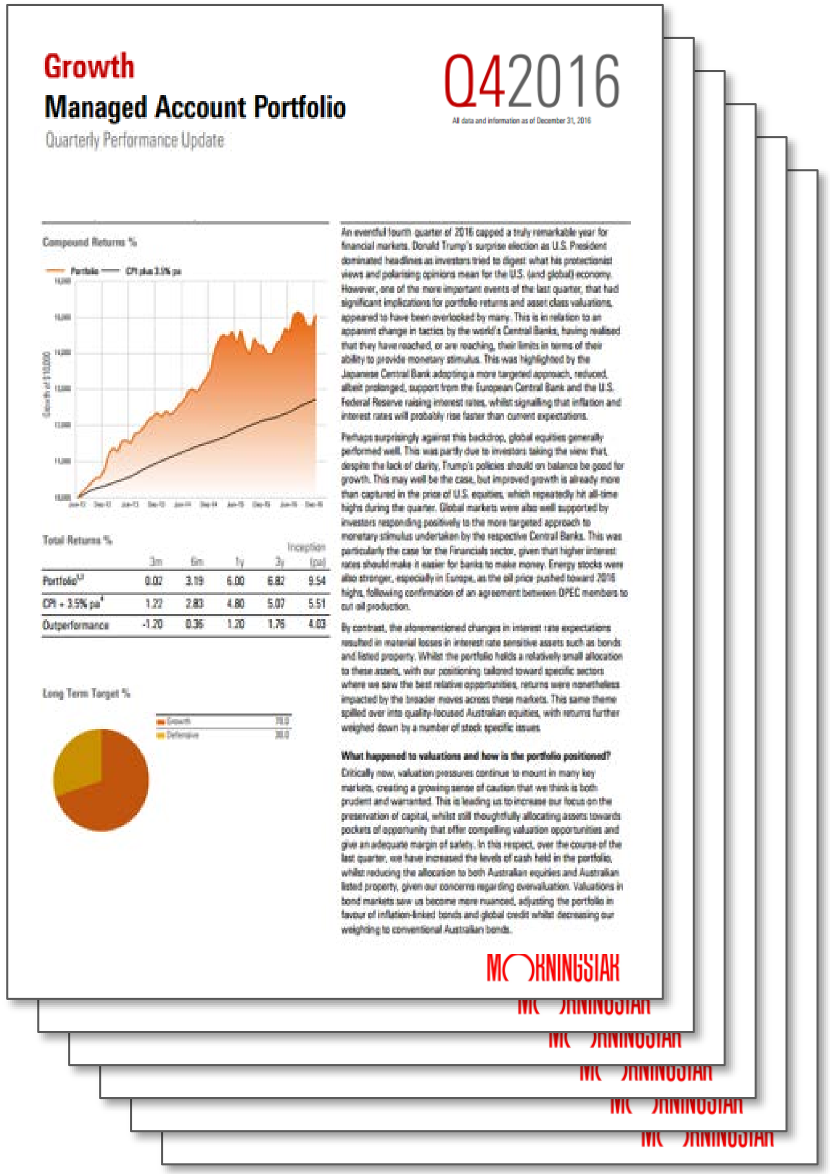
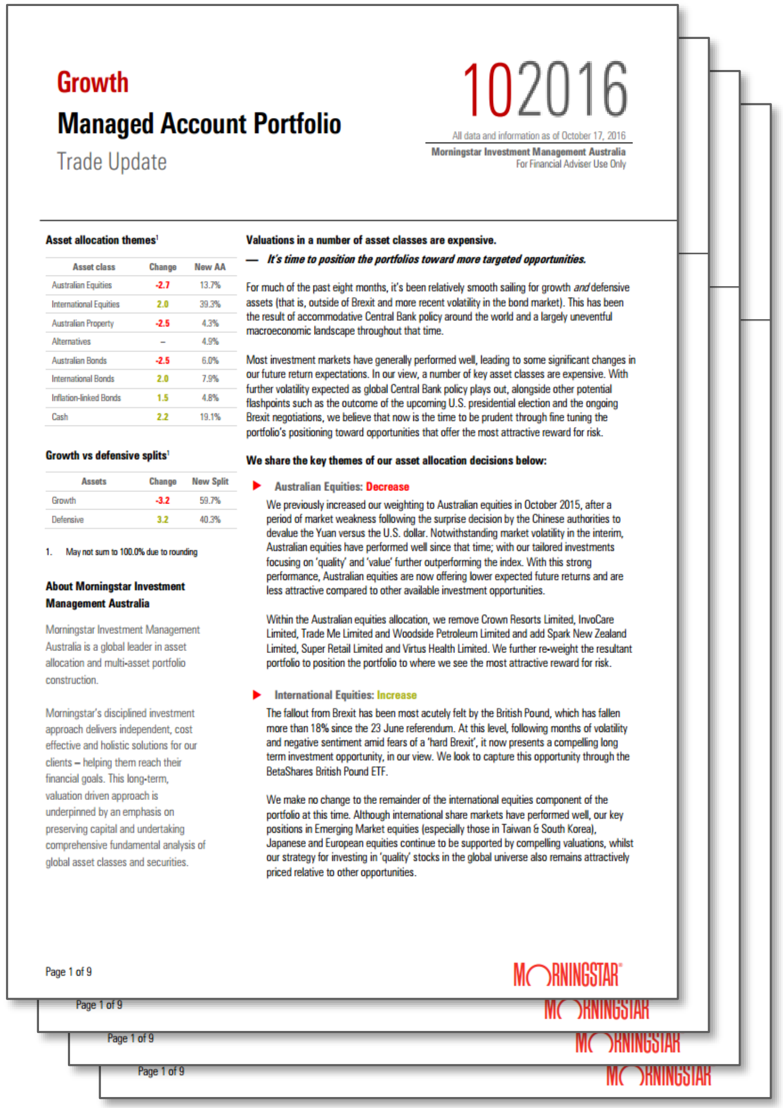
Monthly and Quarterly Reports, and Trade Updates







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Bringing Managed Funds to Life

Growth Real Return Fund

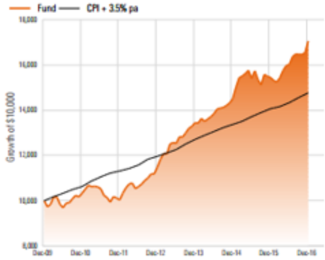
Quarterly Performance Update

Q42016

All data and information as of December 31, 2016

APIR Code (Class A)	INT0038AU
Inception	11 May 2001
Size $m	427.4
Unit Pricing	Daily
Distributions	Quarterly
Management Fee	Up to 0.70%
Buy/Sell Spread	0.16% / 0.16%
Minimum Investment	$20,000

Total Return Against Objective[1]



Total Returns %

	3m	6m	1y	3y	5y	7y	Inception (pa)
Fund [2,3]	3.55	6.45	10.45	8.25	11.20	7.93	5.98
CPI + 3.5% pa	1.40	3.00	4.98	5.13	5.47	5.72	6.05
Outperformance	2.15	3.45	5.47	3.13	5.73	2.20	-0.07

Current Asset Allocation %

Australian Shares	7.9
International Shares	41.5
Property	0.9
Global Infrastructure	1.6
Alternatives	11.0
Australian Bonds	4.1
International Bonds	9.0
Inflation Linked Bonds	3.8
Cash	20.3

An eventful fourth quarter of 2016 capped a truly remarkable year for financial markets. Donald Trump's surprise election as U.S. President dominated headlines as investors tried to digest what his protectionist views and polarising opinions mean for the U.S. (and global) economy. However, one of the more important events of the last quarter, that had significant implications for portfolio returns and asset class valuations, appeared to have been overlooked by many. This is in relation to an apparent change in tactics by the world's Central Banks, having realised that they have reached, or are reaching, their limits in terms of their ability to provide monetary stimulus. This was highlighted by the Japanese Central Bank adopting a more targeted approach, reduced, albeit prolonged, support from the European Central Bank and the U.S. Federal Reserve raising interest rates, whilst signalling that inflation and interest rates will probably rise faster than current expectations.

Perhaps surprisingly against this backdrop, global equities generally performed well. This was partly due to investors taking the view that, despite the lack of clarity, Trump's policies should on balance be good for growth. This may well be the case, but as long-term, valuation driven investors, we believe that improved growth is already more than captured in the price of U.S. equities, which repeatedly hit all-time highs during the quarter. Energy stocks were stronger, especially in Europe, where we have a high conviction position, as the oil price pushed toward 2016 highs, following confirmation of an agreement between OPEC members to cut oil production. Financials were also well supported globally by investors responding positively to the more targeted approach to monetary stimulus undertaken by the respective Central Banks, given that higher interest rates should make it easier for banks to make money.

By contrast, the aforementioned changes in interest rate expectations resulted in material losses in interest rate sensitive assets such as bonds and listed property. The portfolio holds a relatively small allocation to these assets, given our valuation concerns, with our positioning tailored toward specific sectors where we saw the best relative opportunities. Pleasingly, this saw us largely avoid the carnage that unfolded in yield sensitive asset classes. Indeed, our bond allocation actually contributed positively to the portfolio's return. The portfolio's elevated cash levels also allowed us to take advantage of selective opportunities that emerged in bond markets.

What happened to valuations and how is the portfolio positioned?

Critically now, valuation pressures continue to mount in many key markets, creating a growing sense of caution that we think is both prudent and warranted. This is leading us to increase our focus on the preservation of capital, whilst still thoughtfully allocating assets towards pockets of opportunity that offer compelling valuation opportunities and give an adequate margin of safety. In this respect, over the course of the last quarter, we have reduced our allocations to both Australian equities and Australian listed property, given our concerns regarding overvaluation. Conversely, valuations in bond markets have started to look a little more attractive. This has seen us add to our Australian and U.S. bond investments, taking a new position in local currency Emerging Market Debt and further increasing our position in inflation-linked bonds. The net effect of these moves has seen cash decrease slightly, although it remains elevated to what we might normally expect.

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Portfolio Holdings

Asset Class	Allocation (%)	Type of Holdings	Manager
Australian Shares	7.9	Managed Fund	Allan Gray Australia
			JCP Investment Partners
			Omega
			Platypus
			Vinva
International Shares	41.5	Direct Shares	Morningstar
		ETF	State Street
		Managed Fund	Altrinsic
			Axiom
			Marathon
			Omega
			Sands Capital
Property	0.9	Managed Fund	Omega
Global Infrastructure	1.6	Managed Fund	Omega
Alternatives	11.0	Managed Fund	Morningstar
Australian Bonds	4.1	Managed Fund	Metrics
			Omega
International Bonds	9.0	ETF	Wisdom Tree
		Managed Fund	Ashmore
			Colchester
			Omega
			Shenkman
			Standish
			T Rowe Price
Inflation Linked Bonds	3.8	Managed Fund	Omega
Cash	20.3	Institutional Cash Account	J.P. Morgan
		Managed Fund	Omega

Transactions over the quarter

Action		Security/ APIR Code	Security Name	Rationale
Australian Equities				**Asset Allocation Decision:** Decrease
↓	Decreased	INT0022AU	Morningstar Australian Shares Fund	The Morningstar Australian Shares Fund is a diversified portfolio of Australian securities selected in accordance with Morningstar's disciplined investment approach to identifying undervalued, under-owned and quality securities. Following strength in Australian equities in Q3 2016 that extended into the fourth quarter, we have reduced the allocation to the asset class in the portfolio, given that expected returns are now much less attractive, both in absolute terms and relative to other investment opportunities.
International Equities				**Asset Allocation Decision:** No Change
Global Property Securities				**Asset Allocation Decision:** Decrease
↓	Decreased	INT0054AU	Morningstar Australian Property Securities Fund	Following a period of sustained strength in Australian listed property, we are becoming increasingly concerned that valuations in the asset class are unsustainable. Indeed, we believe there to be the risk of material capital losses from these levels, particularly should interest rate expectations rise from here. Given this, we continue to reduce our allocation, in favour of investments with more appealing valuations.
Global Infrastructure				**Asset Allocation Decision:** No Change
Australian Bonds				**Asset Allocation Decision:** Increase
↑	Increased	INT0020AU	Morningstar Australian Bonds Fund	The portfolio holds a relatively low allocation to Australian bonds given our concerns that the asset class is overvalued. This is particularly the case for longer dated Australian bonds, which are most exposed to changes in interest rate expectations. Following a recent rise in global bond yields, as investors moved to price in the prospect of higher future inflation as well as the likelihood of Central Banks providing less support than they have in recent years, Australian bonds are now more reasonably priced and continue to appeal relative to global peers.
International Bonds				**Asset Allocation Decision:** Increase
↑	Increased	INT0080AU	Morningstar International Bonds Fund (Hedged)	The Morningstar International Bonds Fund (Hedged) is a diversified portfolio of global fixed income securities. As with Australian bonds, the portfolio holds a relatively low allocation to U.S. bonds, and in particularly longer dated U.S. bonds, which we consider expensive. That said, following the recent sell off in global bonds, especially those in the U.S., in response to changes in inflation and interest rate expectations, the reward for risk is now much more attractive.
+	Added	ELD:US	WisdomTree Emerging Market Local Currency Debt Fund ETF	Amongst the current global bond universe, Emerging Market Bonds look to offer some of the more attractive return opportunities, particularly where they are issued in the currency of the Emerging Market country. Accordingly, we introduced the WisdomTree Emerging Market Local Currency Debt Fund ETF into the portfolio, which we believe will complement our existing Emerging Market Debt investments.
Global Inflation-linked Bonds				**Asset Allocation Decision:** Increase
↑	Increased	INT0092AU	Morningstar Global Inflation Linked Securities Fund (Hedged)	With inflation-linked bonds, the value of the principal rises (or falls) with changes in inflation expectations. Very benign inflation expectations around the world means current inflation-linked bond valuations offer an attractive longer-term opportunity to add cheap inflation protection to portfolios.
Cash				**Asset Allocation Decision:** Decrease
↓	Decreased	INT0030AU	Morningstar Cash Fund	Cash levels fell over the quarter as we took advantage of favourable valuations in the bond asset classes to selectively increase our bond allocations.
Alternatives				**Asset Allocation Decision:** No Change

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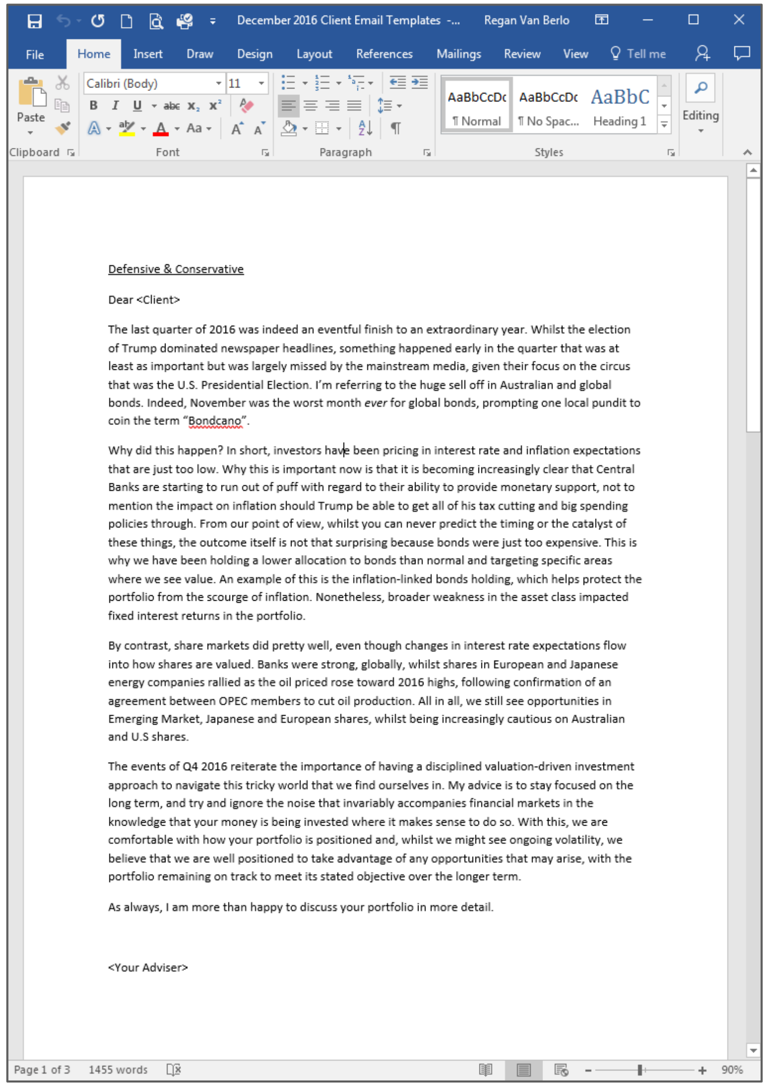
Templates to support client communication

Monthly Portfolio Update



Defensive & Conservative

Dear <Client>

The last quarter of 2016 was indeed an eventful finish to an extraordinary year. Whilst the election of Trump dominated newspaper headlines, something happened early in the quarter that was at least as important but was largely missed by the mainstream media, given their focus on the circus that was the U.S. Presidential Election. I'm referring to the huge sell off in Australian and global bonds. Indeed, November was the worst month *ever* for global bonds, prompting one local pundit to coin the term "Bondcano".

Why did this happen? In short, investors have been pricing in interest rate and inflation expectations that are just too low. Why this is important now is that it is becoming increasingly clear that Central Banks are starting to run out of puff with regard to their ability to provide monetary support, not to mention the impact on inflation should Trump be able to get all of his tax cutting and big spending policies through. From our point of view, whilst you can never predict the timing or the catalyst of these things, the outcome itself is not that surprising because bonds were just too expensive. This is why we have been holding a lower allocation to bonds than normal and targeting specific areas where we see value. An example of this is the inflation-linked bonds holding, which helps protect the portfolio from the scourge of inflation. Nonetheless, broader weakness in the asset class impacted fixed interest returns in the portfolio.

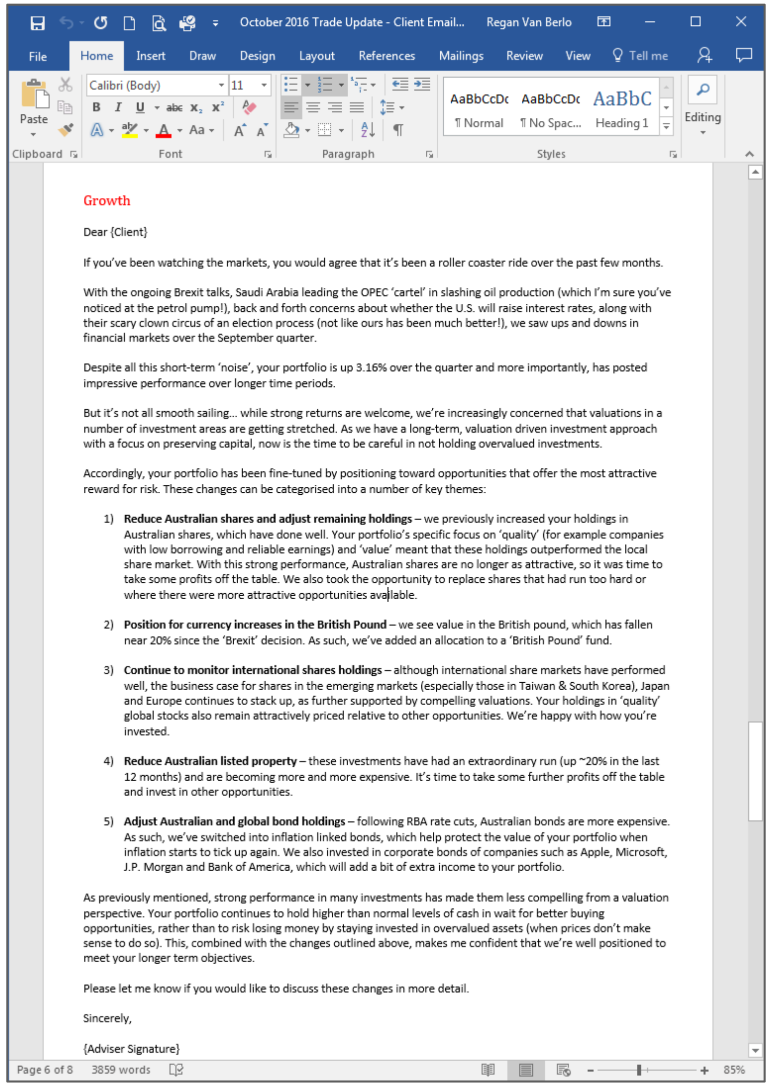
By contrast, share markets did pretty well, even though changes in interest rate expectations flow into how shares are valued. Banks were strong, globally, whilst shares in European and Japanese energy companies rallied as the oil priced rose toward 2016 highs, following confirmation of an agreement between OPEC members to cut oil production. All in all, we still see opportunities in Emerging Market, Japanese and European shares, whilst being increasingly cautious on Australian and U.S shares.

The events of Q4 2016 reiterate the importance of having a disciplined valuation-driven investment approach to navigate this tricky world that we find ourselves in. My advice is to stay focused on the long term, and try and ignore the noise that invariably accompanies financial markets in the knowledge that your money is being invested where it makes sense to do so. With this, we are comfortable with how your portfolio is positioned and, whilst we might see ongoing volatility, we believe that we are well positioned to take advantage of any opportunities that may arise, with the portfolio remaining on track to meet its stated objective over the longer term.

As always, I am more than happy to discuss your portfolio in more detail.

<Your Adviser>

Portfolio Trade Update



Growth

Dear {Client}

If you've been watching the markets, you would agree that it's been a roller coaster ride over the past few months.

With the ongoing Brexit talks, Saudi Arabia leading the OPEC 'cartel' in slashing oil production (which I'm sure you've noticed at the petrol pump!), back and forth concerns about whether the U.S. will raise interest rates, along with their scary clown circus of an election process (not like ours has been much better!), we saw ups and downs in financial markets over the September quarter.

Despite all this short-term 'noise', your portfolio is up 3.16% over the quarter and more importantly, has posted impressive performance over longer time periods.

But it's not all smooth sailing… while strong returns are welcome, we're increasingly concerned that valuations in a number of investment areas are getting stretched. As we have a long-term, valuation driven investment approach with a focus on preserving capital, now is the time to be careful in not holding overvalued investments.

Accordingly, your portfolio has been fine-tuned by positioning toward opportunities that offer the most attractive reward for risk. These changes can be categorised into a number of key themes:

1) **Reduce Australian shares and adjust remaining holdings** – we previously increased your holdings in Australian shares, which have done well. Your portfolio's specific focus on 'quality' (for example companies with low borrowing and reliable earnings) and 'value' meant that these holdings outperformed the local share market. With this strong performance, Australian shares are no longer as attractive, so it was time to take some profits off the table. We also took the opportunity to replace shares that had run too hard or where there were more attractive opportunities available.

2) **Position for currency increases in the British Pound** – we see value in the British pound, which has fallen near 20% since the 'Brexit' decision. As such, we've added an allocation to a 'British Pound' fund.

3) **Continue to monitor international shares holdings** – although international share markets have performed well, the business case for shares in the emerging markets (especially those in Taiwan & South Korea), Japan and Europe continues to stack up, as further supported by compelling valuations. Your holdings in 'quality' global stocks also remain attractively priced relative to other opportunities. We're happy with how you're invested.

4) **Reduce Australian listed property** – these investments have had an extraordinary run (up ~20% in the last 12 months) and are becoming more and more expensive. It's time to take some further profits off the table and invest in other opportunities.

5) **Adjust Australian and global bond holdings** – following RBA rate cuts, Australian bonds are more expensive. As such, we've switched into inflation linked bonds, which help protect the value of your portfolio when inflation starts to tick up again. We also invested in corporate bonds of companies such as Apple, Microsoft, J.P. Morgan and Bank of America, which will add a bit of extra income to your portfolio.

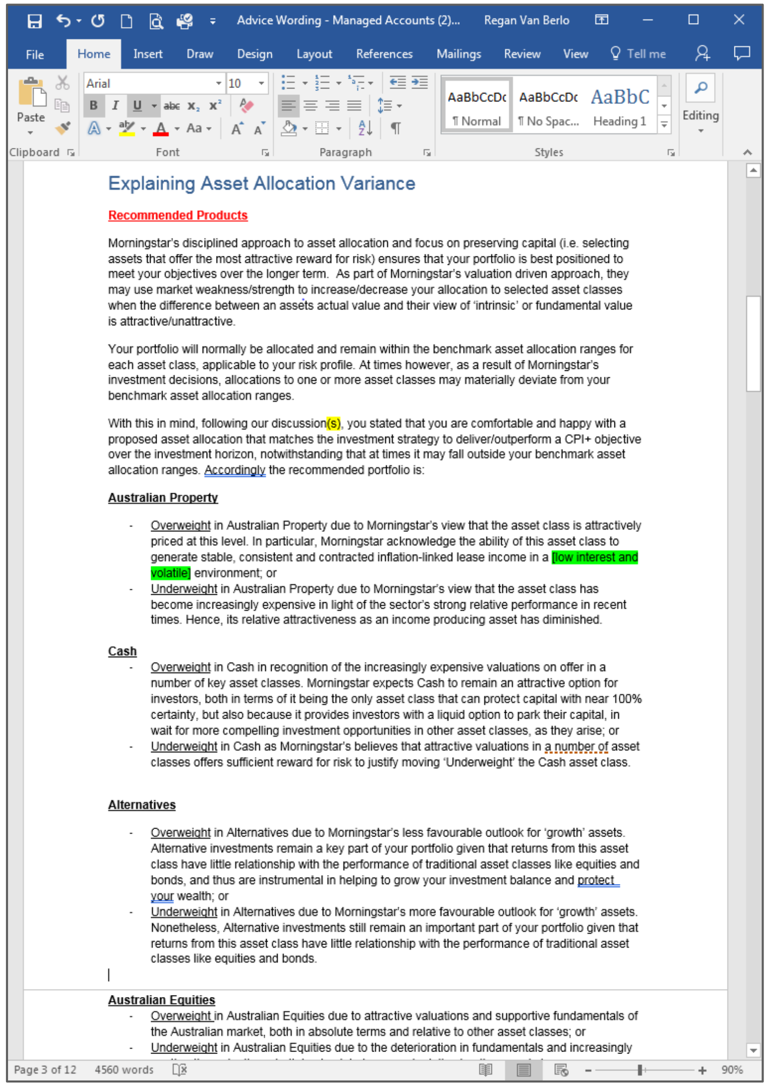
As previously mentioned, strong performance in many investments has made them less compelling from a valuation perspective. Your portfolio continues to hold higher than normal levels of cash in wait for better buying opportunities, rather than to risk losing money by staying invested in overvalued assets (when prices don't make sense to do so). This, combined with the changes outlined above, makes me confident that we're well positioned to meet your longer term objectives.

Please let me know if you would like to discuss these changes in more detail.

Sincerely,

{Adviser Signature}

Suggested SOA Wording



Explaining Asset Allocation Variance

Recommended Products

Morningstar's disciplined approach to asset allocation and focus on preserving capital (i.e. selecting assets that offer the most attractive reward for risk) ensures that your portfolio is best positioned to meet your objectives over the longer term. As part of Morningstar's valuation driven approach, they may use market weakness/strength to increase/decrease your allocation to selected asset classes when the difference between an assets actual value and their view of 'intrinsic' or fundamental value is attractive/unattractive.

Your portfolio will normally be allocated and remain within the benchmark asset allocation ranges for each asset class, applicable to your risk profile. At times however, as a result of Morningstar's investment decisions, allocations to one or more asset classes may materially deviate from your benchmark asset allocation ranges.

With this in mind, following our discussion(s), you stated that you are comfortable and happy with a proposed asset allocation that matches the investment strategy to deliver/outperform a CPI+ objective over the investment horizon, notwithstanding that at times it may fall outside your benchmark asset allocation ranges. Accordingly the recommended portfolio is:

Australian Property

- Overweight in Australian Property due to Morningstar's view that the asset class is attractively priced at this level. In particular, Morningstar acknowledge the ability of this asset class to generate stable, consistent and contracted inflation-linked lease income in a [low interest and volatile] environment; or
- Underweight in Australian Property due to Morningstar's view that the asset class has become increasingly expensive in light of the sector's strong relative performance in recent times. Hence, its relative attractiveness as an income producing asset has diminished.

Cash

- Overweight in Cash in recognition of the increasingly expensive valuations on offer in a number of key asset classes. Morningstar expects Cash to remain an attractive option for investors, both in terms of it being the only asset class that can protect capital with near 100% certainty, but also because it provides investors with a liquid option to park their capital, in wait for more compelling investment opportunities in other asset classes, as they arise; or
- Underweight in Cash as Morningstar's believes that attractive valuations in a number of asset classes offers sufficient reward for risk to justify moving 'Underweight' the Cash asset class.

Alternatives

- Overweight in Alternatives due to Morningstar's less favourable outlook for 'growth' assets. Alternative investments remain a key part of your portfolio given that returns from this asset class have little relationship with the performance of traditional asset classes like equities and bonds, and thus are instrumental in helping to grow your investment balance and protect your wealth; or
- Underweight in Alternatives due to Morningstar's more favourable outlook for 'growth' assets. Nonetheless, Alternative investments still remain an important part of your portfolio given that returns from this asset class have little relationship with the performance of traditional asset classes like equities and bonds.

Australian Equities

- Overweight in Australian Equities due to attractive valuations and supportive fundamentals of the Australian market, both in absolute terms and relative to other asset classes; or
- Underweight in Australian Equities due to the deterioration in fundamentals and increasingly

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