

Morningstar Investment Management Adviser Roadshow



Join the Conversation

#MIMAR

Chris Galloway, CFA

Managing Director, Asia Pacific
Investment Management group, Morningstar

The Art and Science of Maximising Investor Returns

Morningstar's investment principles



We put
investors first



We're
independent-minded



We invest for
the long term



We're valuation
driven investors



We take a
fundamental approach



We strive to
minimize costs



We build
portfolios holistically

Drivers of total investor returns

Long term asset class returns

Capital market Returns

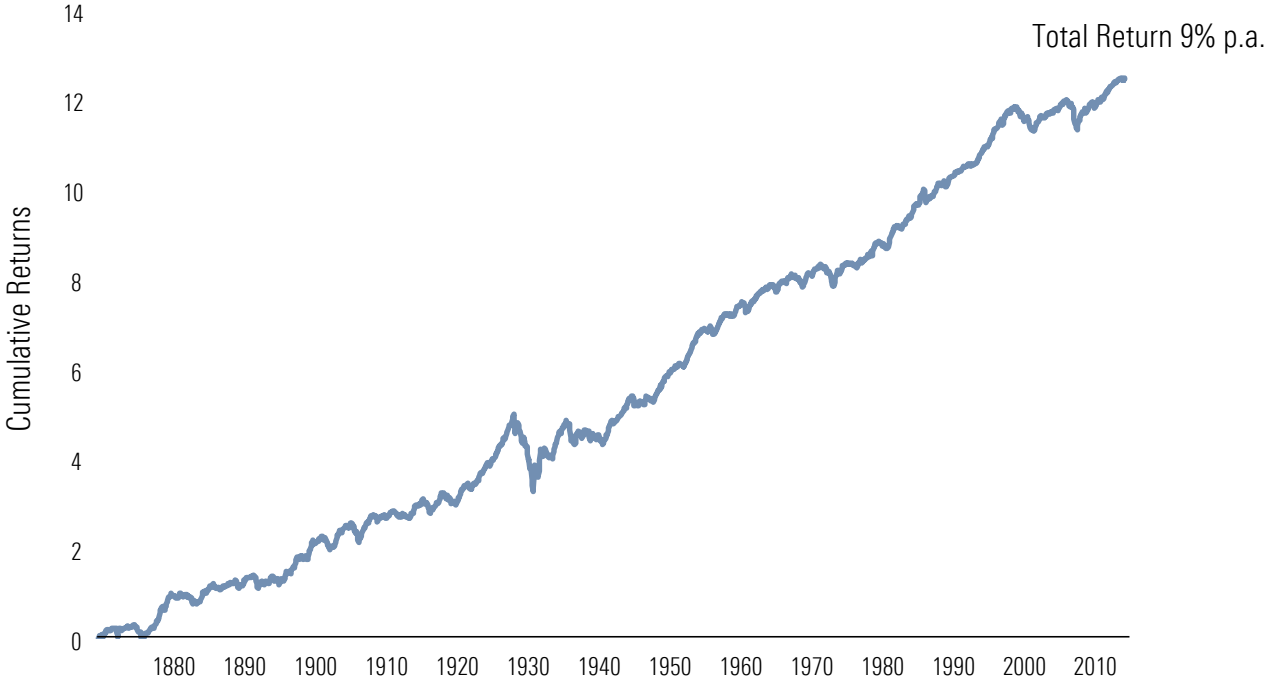


“In the short run, the stock market is driven mostly by *demand* but in the long run, the cash flows that corporations *supply* are the ultimate drivers of stock returns”
- Philip Straehl and Roger Ibbotson



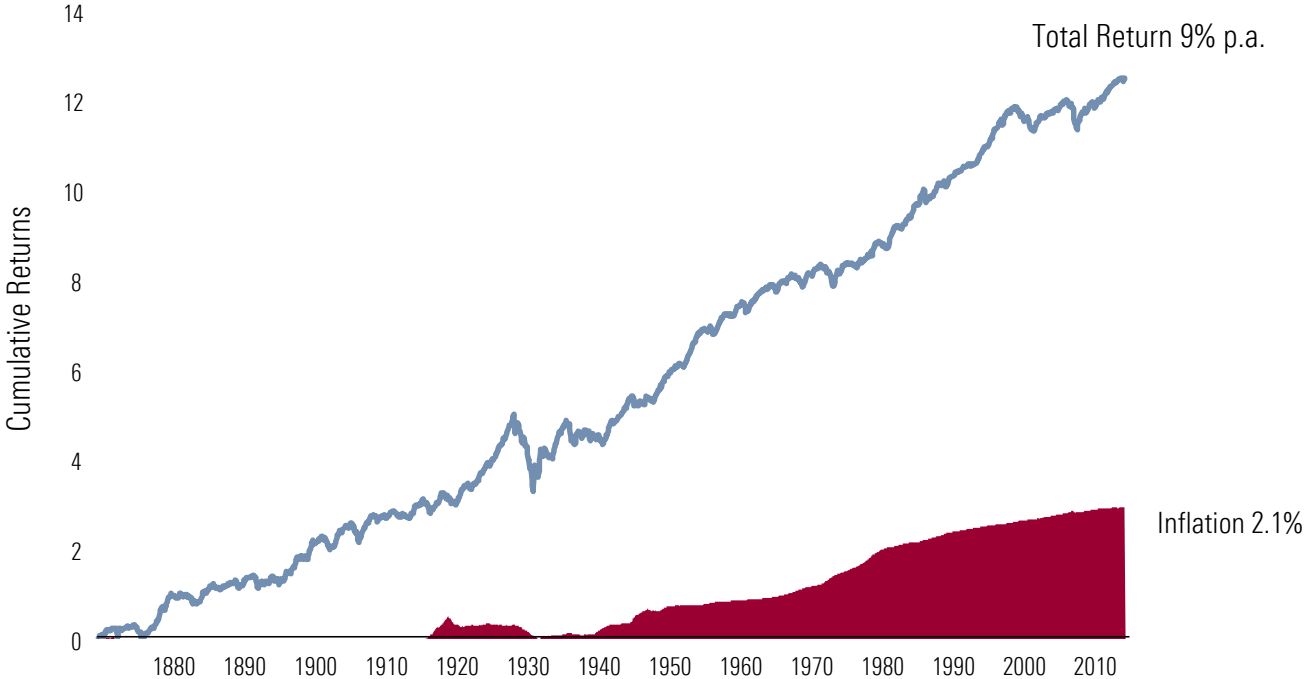
Source: Philip U. Straehl and Roger G. Ibbotson: The Long-Run Drivers of Stock Returns: Total Payouts and the Real Economy, Third Quarter 2017

Long-run stock returns are driven by fundamentals



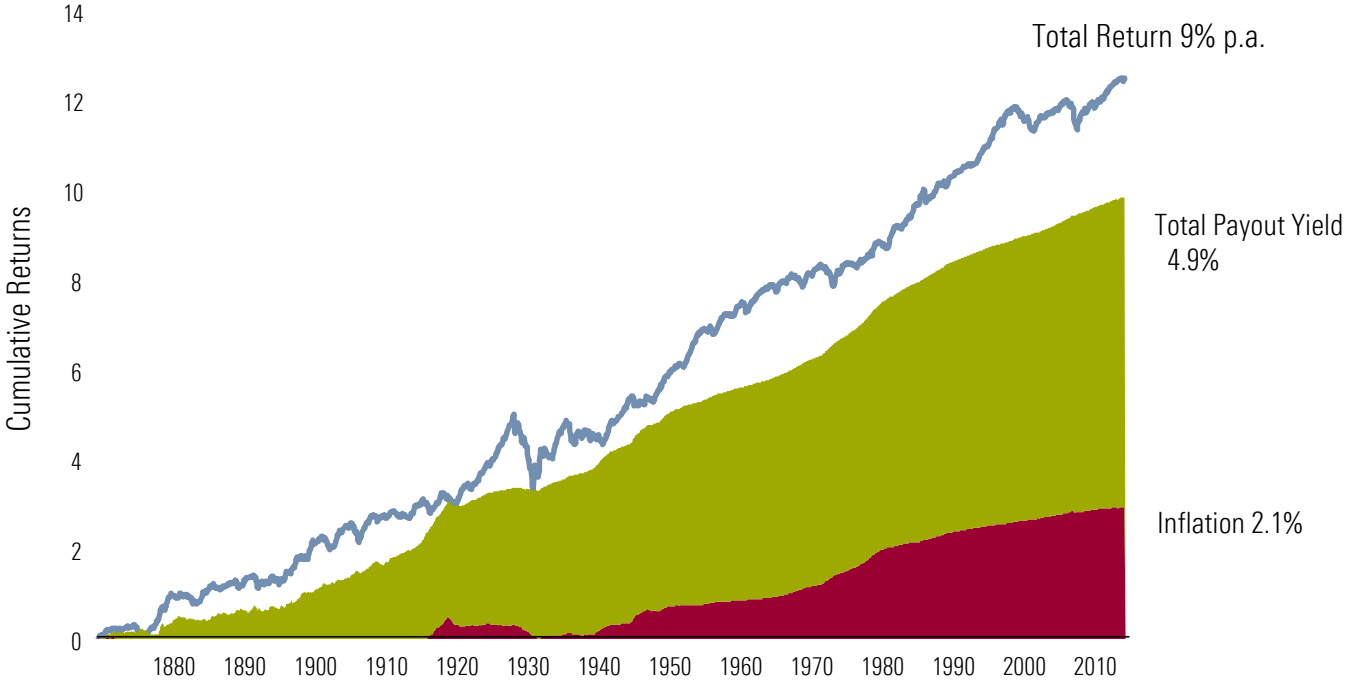
Source: Morningstar Investment Management. For illustrative purposes only. U.S. Large Cap Stock Return 1871-2015

Long-run stock returns are driven by fundamentals



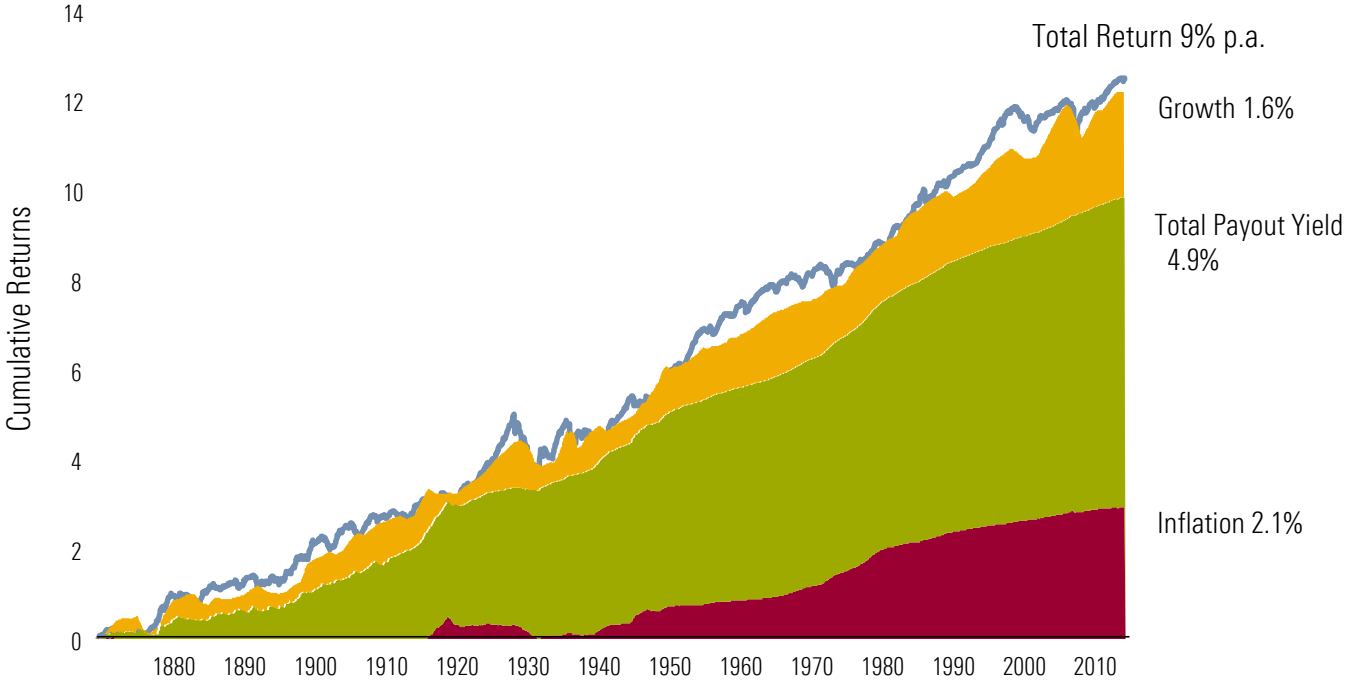
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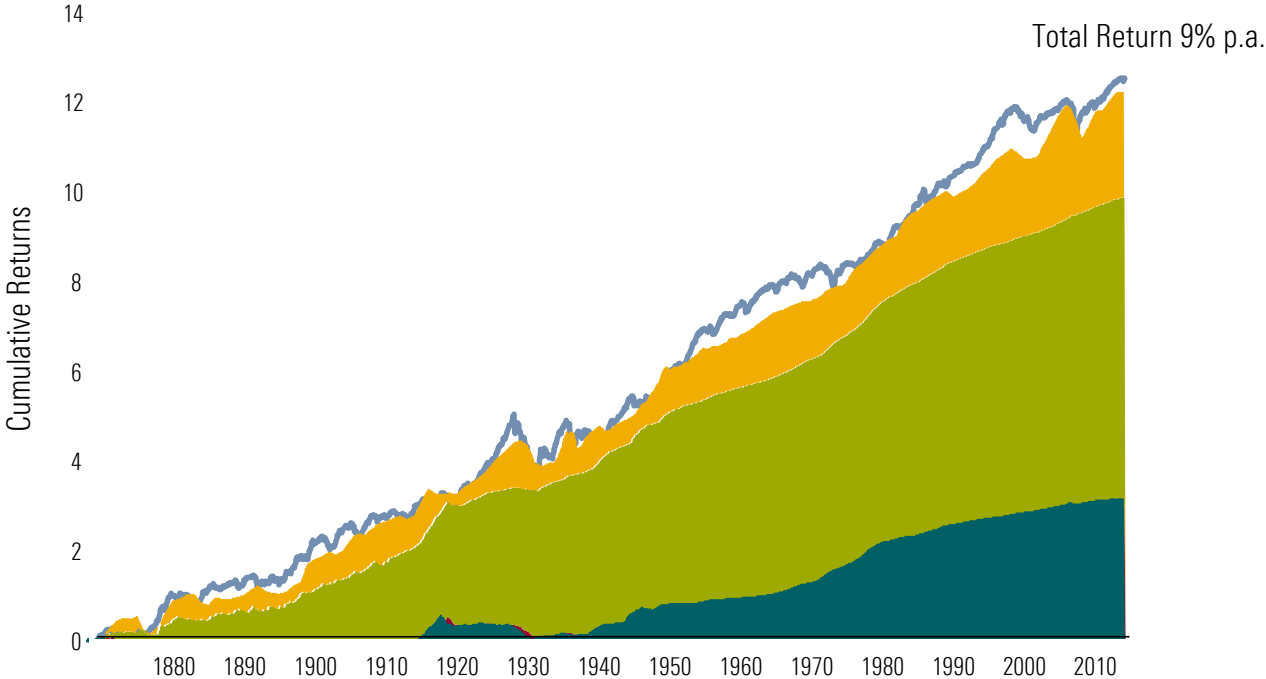
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Long-run stock returns are driven by fundamentals



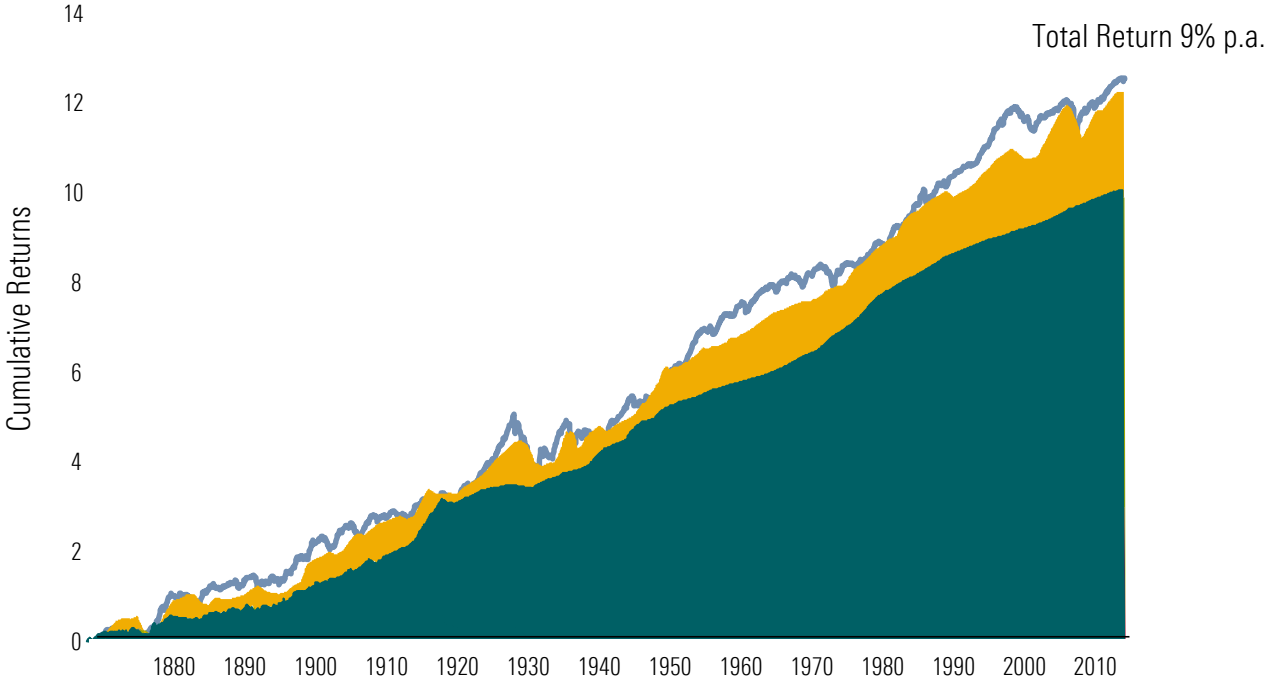
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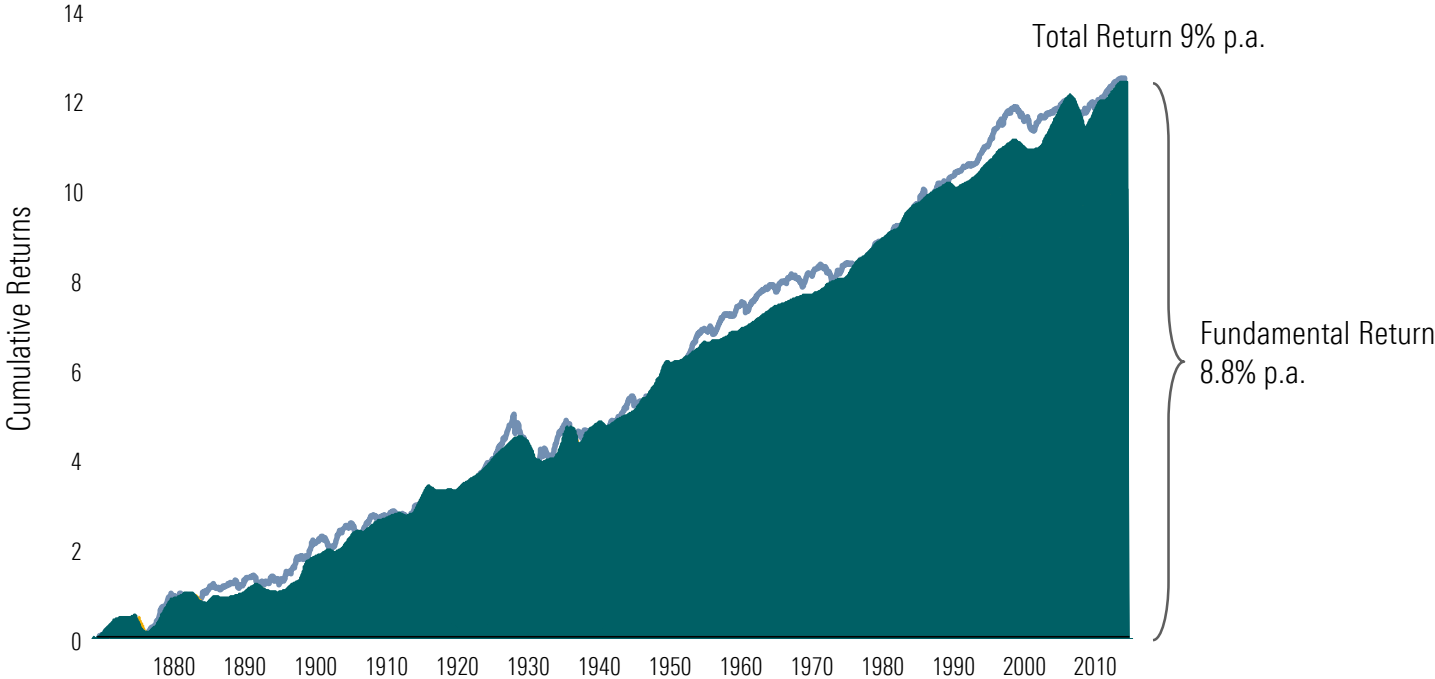
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Drivers of total investor returns

Implementation shortfall



Drivers of total investor returns

Implementation shortfall

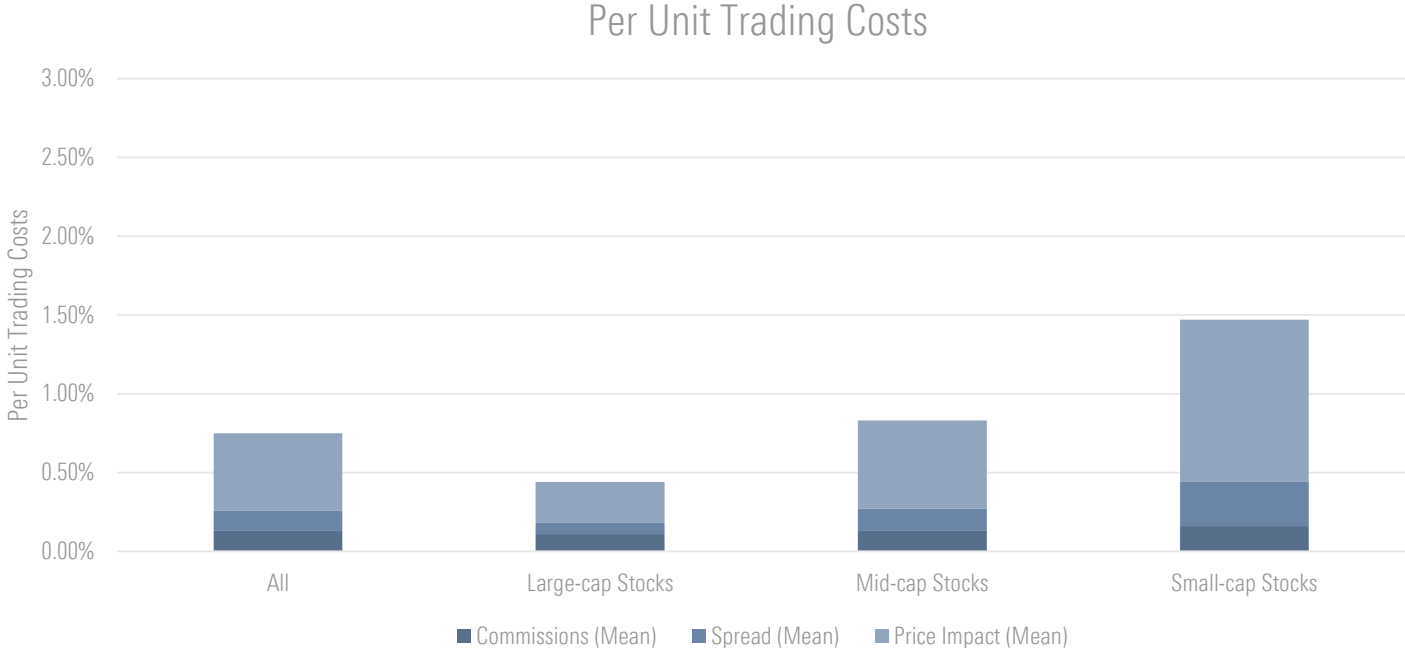


“You can’t control what markets can do, but you can control the costs you pay. The less you pay to the purveyors of investment services, the more there will be for you.”

– Burton Malkiel

Drivers of total investor returns

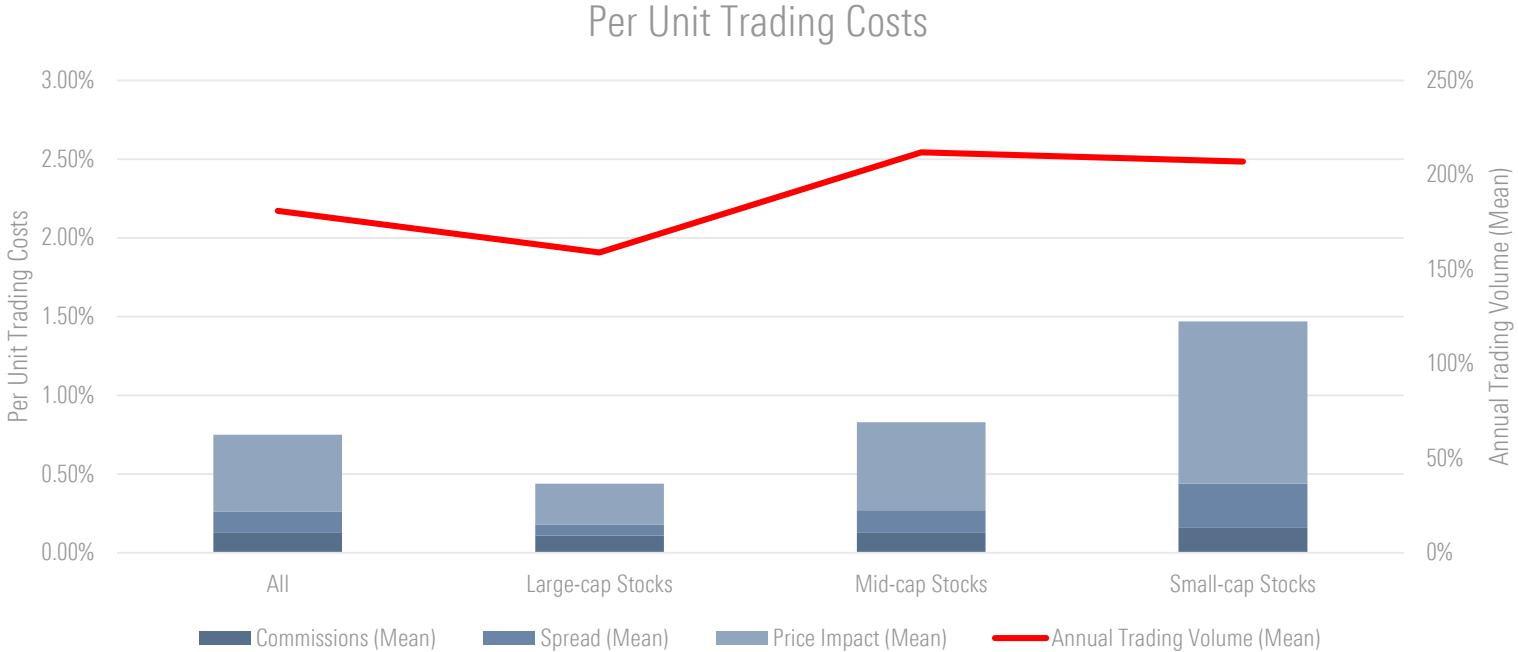
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Source: Edelen, Roger M. and Evans, Richard B. and Kadlec, Gregory B., Scale Effects in Mutual Fund Performance: The Role of Trading Costs (March 17, 2007)

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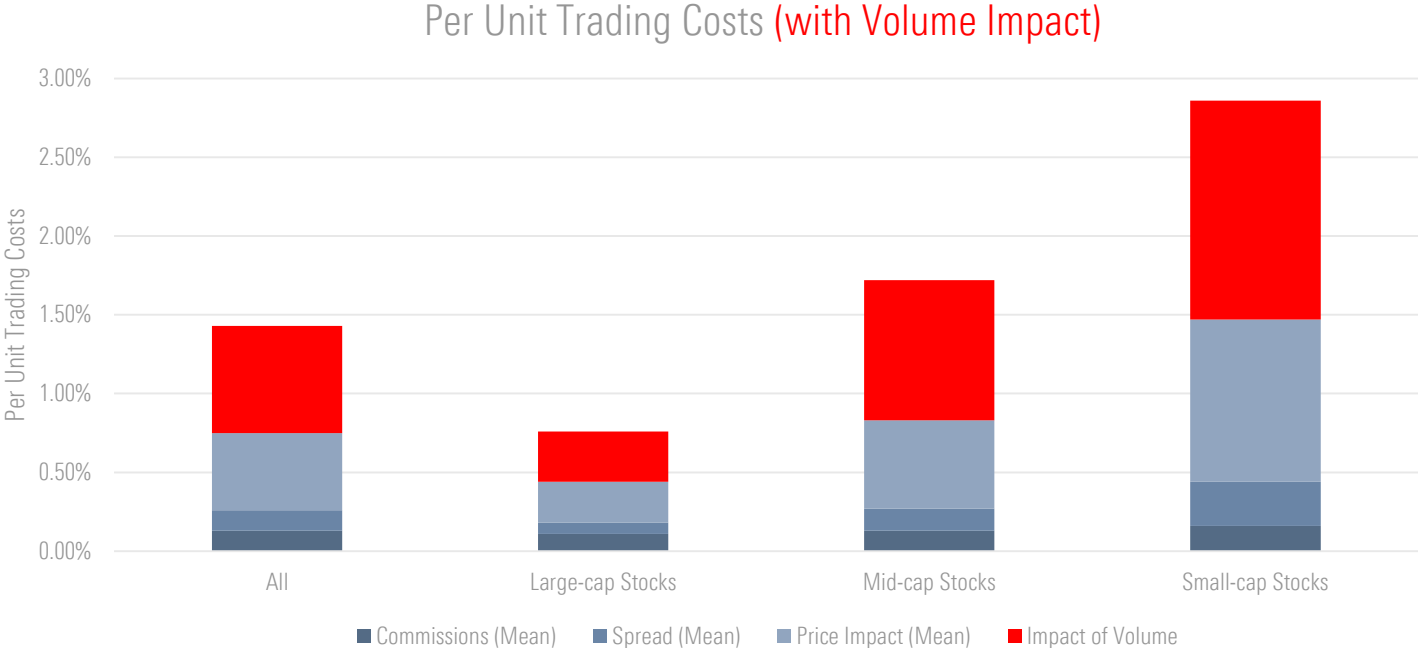
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Drivers of total investor returns

Investor behaviour gap



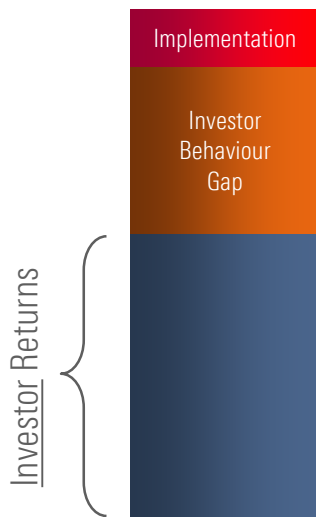
Drivers of total investor returns

Investor behaviour gap



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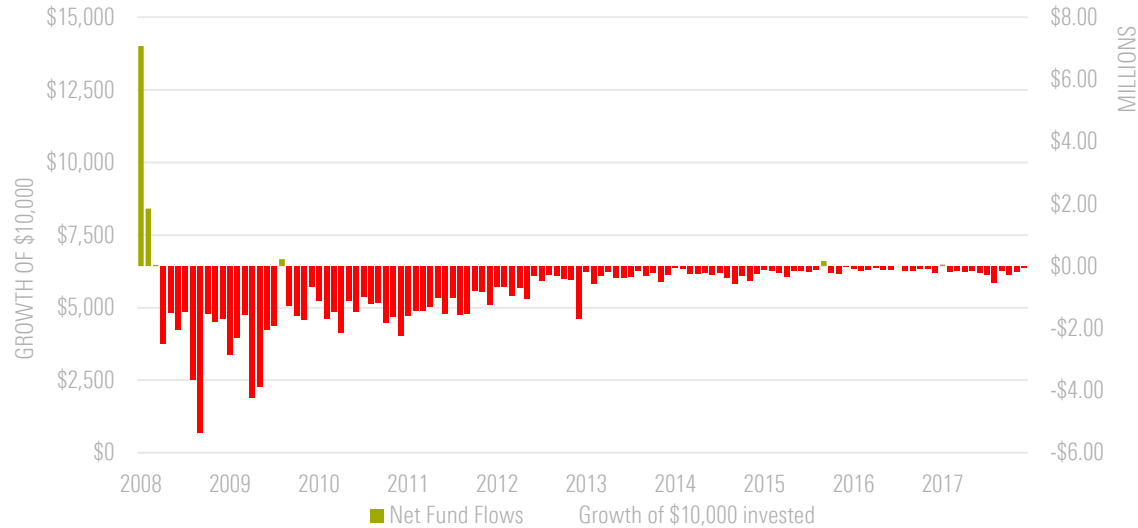
Investor behaviour gap



“Typically, the studies find that the returns investors have earned over time are much lower than the returns of the average investment.”

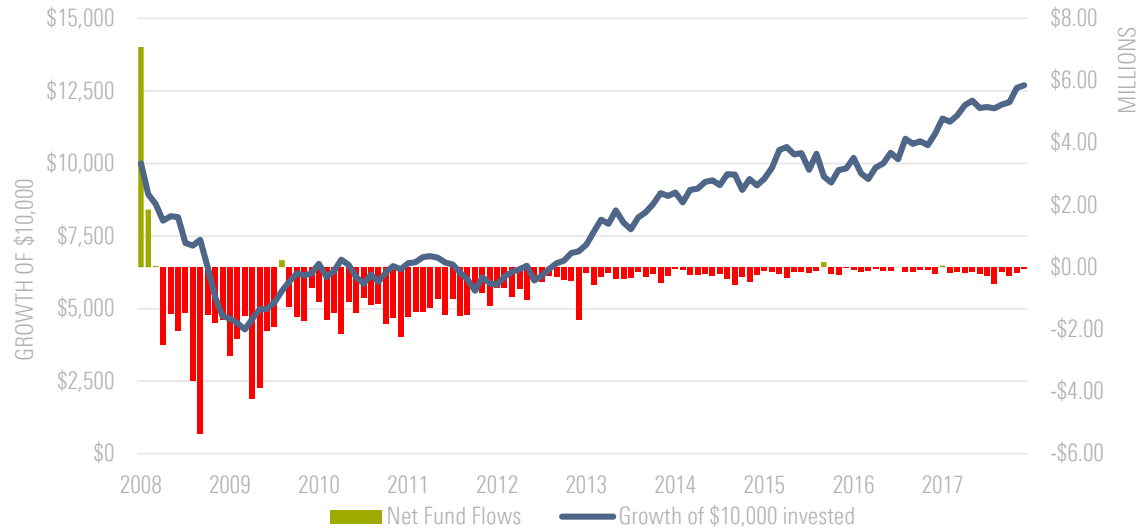
– Carl Richards, The Behaviour Gap

The behaviour gap - investor versus investment returns



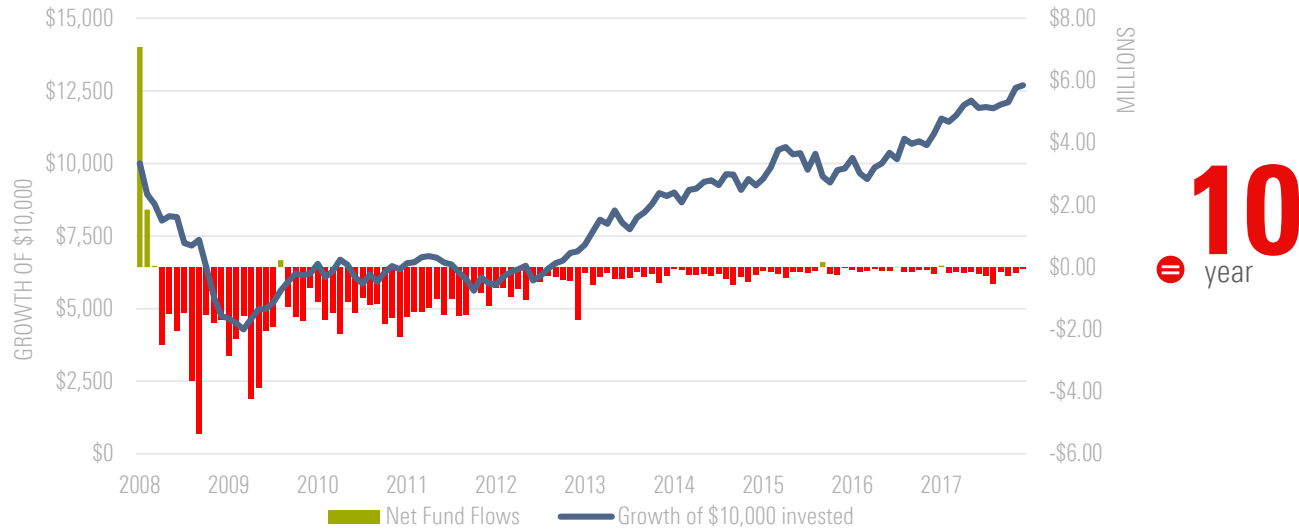
Source: Morningstar Fund Manager Research – 10 Year Wealth versus Fund Cash Flows 2007 to 2017

The behaviour gap - investor versus investment returns



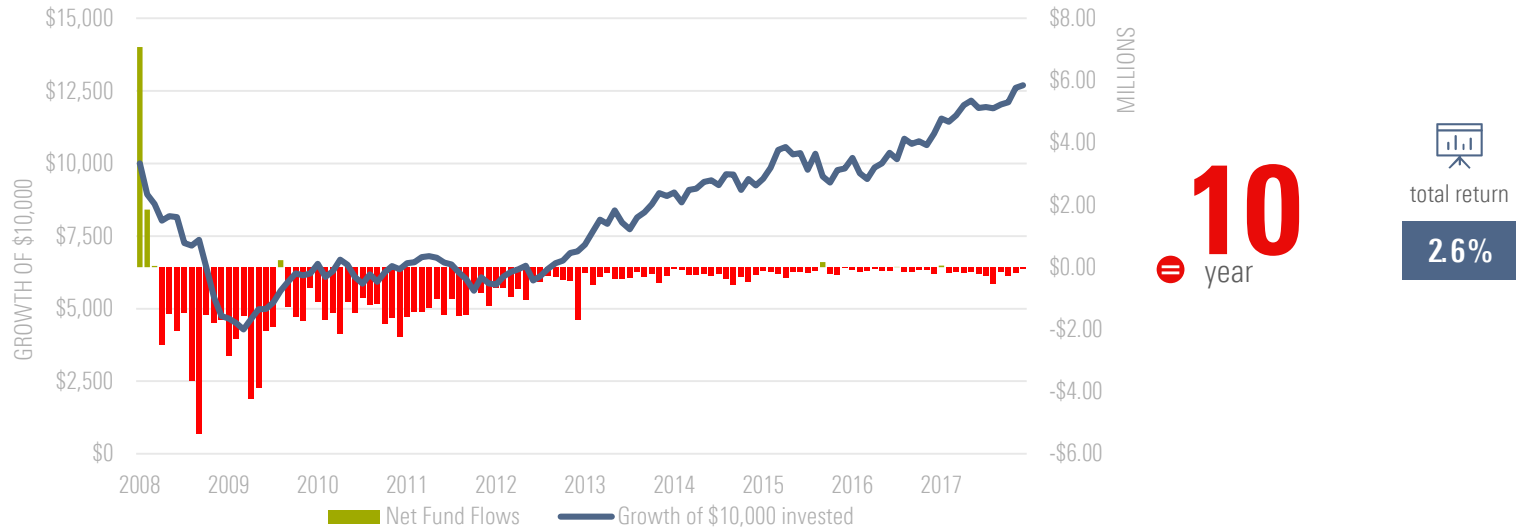
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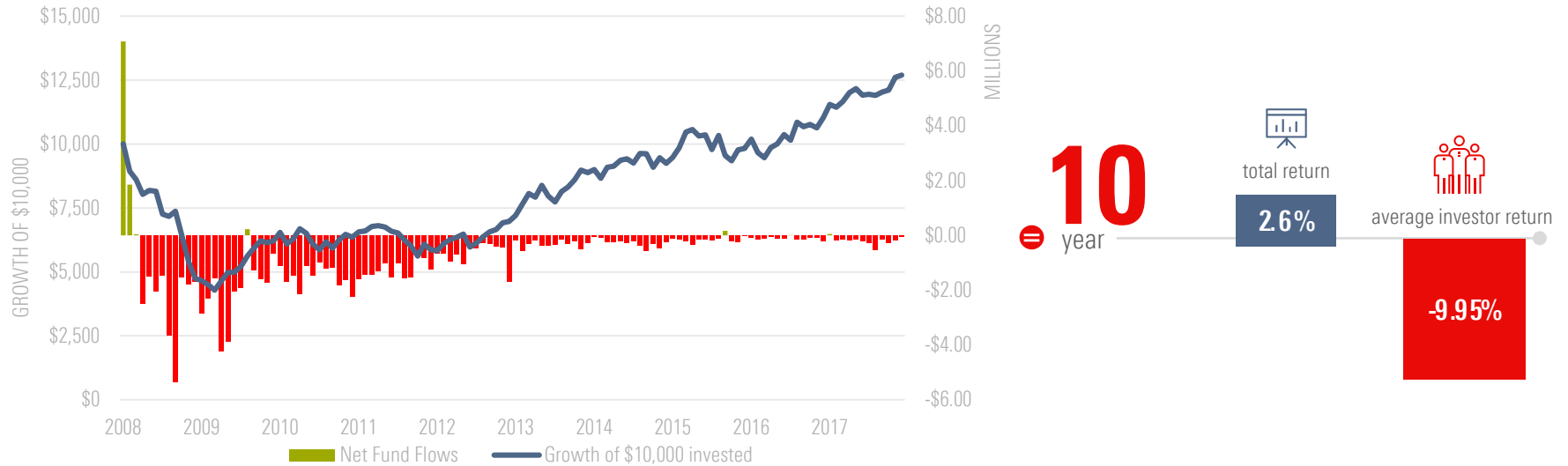
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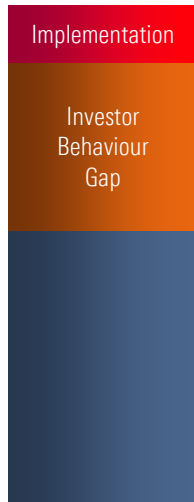
The behaviour gap - investor versus investment returns



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Drivers of Total Investor Returns

The value of financial advice



Sources: (1) David Blanchett and Paul Kaplan, "Alpha, Beta, and Now Gamma," The Journal of Retirement, Fall 2013.

Drivers of Total Investor Returns

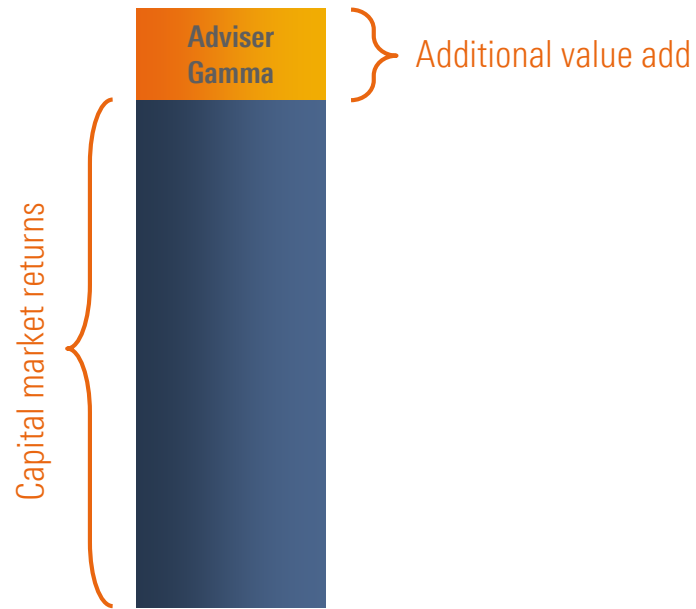
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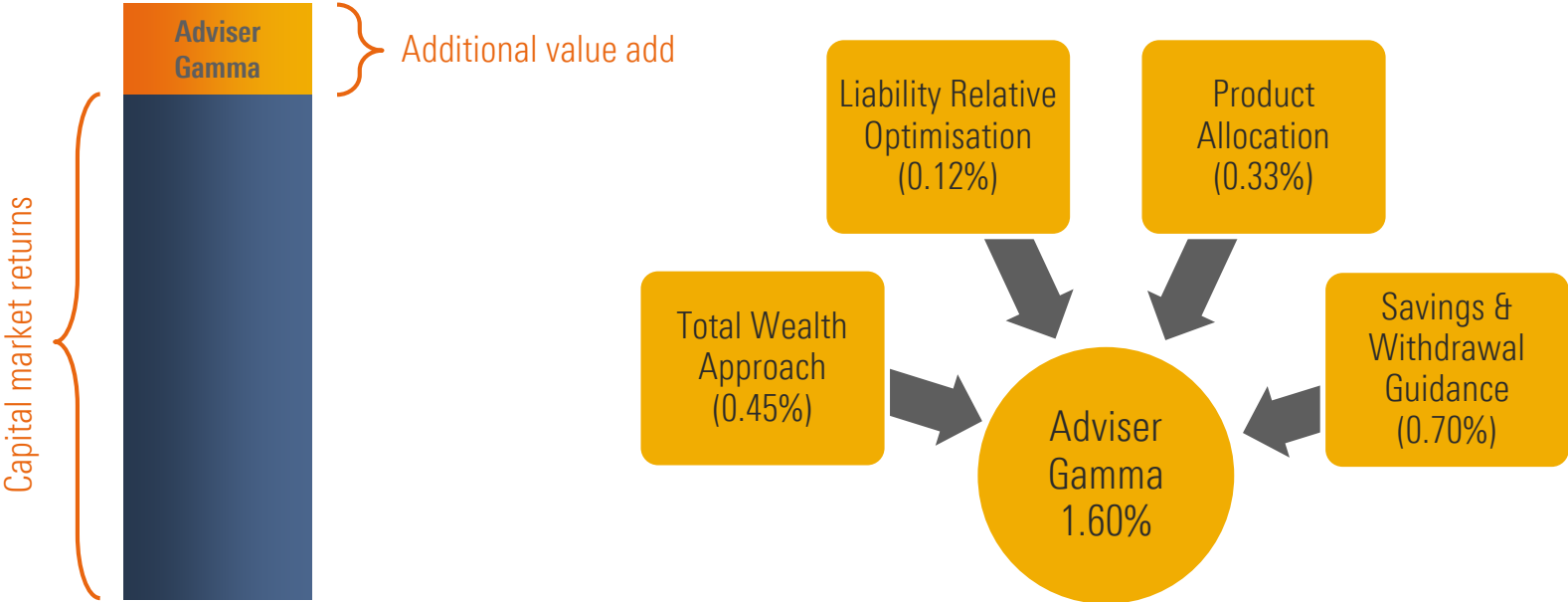
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