

# Morningstar Balanced (50) Managed Account Portfolio

# Q1 2022

## Quarterly Performance Update

All data and information as at Portfolio Date: 31/03/2022

**Risk Level:** Medium  
**Inception:** 1 July 2012  
**Investment Horizon:** 5 Years

**Management Fee:** 0.55%  
**Indirect Cost Ratio:** 0.21%

### At a Glance

- Global equity returns initially reversed last quarter's gains as concerns about US rate rises and conflict in Ukraine weighed heavily on investor sentiment and the outlook for growth.
- Intensifying worries over supply shortages and distribution chain breakdowns caused hard and soft commodity prices to rally hard. Oil exceeded USD140 per barrel, close to its all-time high.
- Longer dated bonds initially rallied due to Russia's actions in Ukraine, but yields rose with inflation expectations, driven by sharp rises in oil, prompting central banks to act.

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

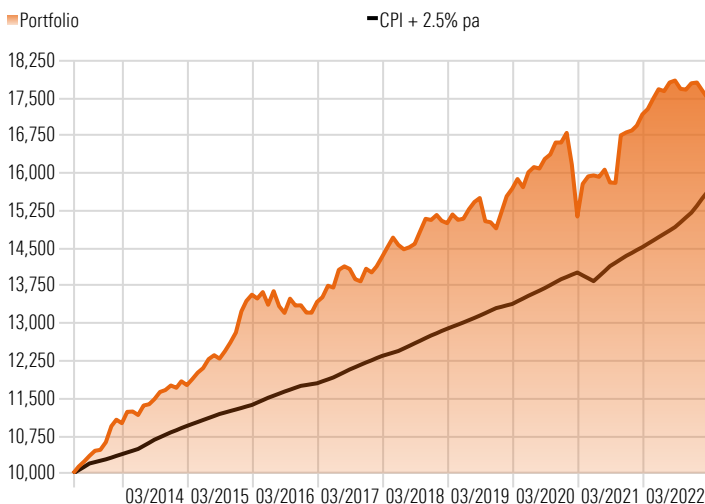
This is a portfolio of investments hand-picked by our team of professional investors. It targets around 50% growth assets like shares and property, and 50% defensive assets such as cash and bonds. We actively buy, hold or sell each investment depending on market conditions, with an aim to optimise your rewards, whilst preserving your savings over the targeted investment horizon.

### How the investment portfolio has performed

	9yr (% p.a)	7yr (% p.a)	5yr (% p.a)	3yr (% p.a)	1yr (%)	3mth (%)	1mth (%)	Incp (% p.a)
Portfolio*	5.29	3.70	4.09	3.72	1.93	-1.63	-0.89	5.91
CPI + 2.50%^	4.64	4.65	4.82	5.29	7.59	2.72	0.90	4.68

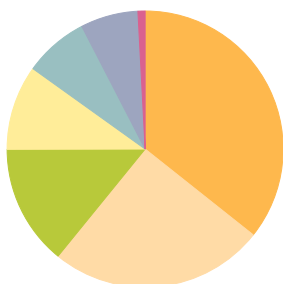
### Past performance is not a reliable indicator of future performance.

Returns over 12 months are annualised.



The portfolio aims to earn a rate of return that exceeds inflation by at least 2.5% per annum over rolling 5 year periods.

### Quarter-end Asset Allocation



	%
International Shares	35.7
Australian Bonds	25.2
Cash	14.1
Australian Shares	9.9
International Bonds	7.5
Alternatives	6.7
Property & Infrastructure	0.8
<b>Total</b>	<b>100.0</b>

\*Investment performance is before tax and the post-fee return is after the standard management fee of 0.55% and indirect cost ratio (both are inclusive of GST). Investment performance is shown from 01/07/2012 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 (captured within the indirect cost ratio above) to individual investors and impact their return.

^The CPI was not available for the current quarter at the time of creation of this report. 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.

Concerns over the prospect of higher inflation and the onset of conflict in Ukraine saw most equity markets fall this quarter. While these are significant issues for investors to digest, it is, in many ways, as much about the uncertainty of what may or may not happen, as it is about the ultimate outcome. Said another way, investors tend to be much better at dealing with things (and getting in a position to move forward), once they have clarity around a situation (good or bad) than when they are in a holding pattern, waiting for more information. In this regard, all equity sectors have increased since the onset of the conflict, with most developed equity markets having now recouped more than half of their losses since the year began.

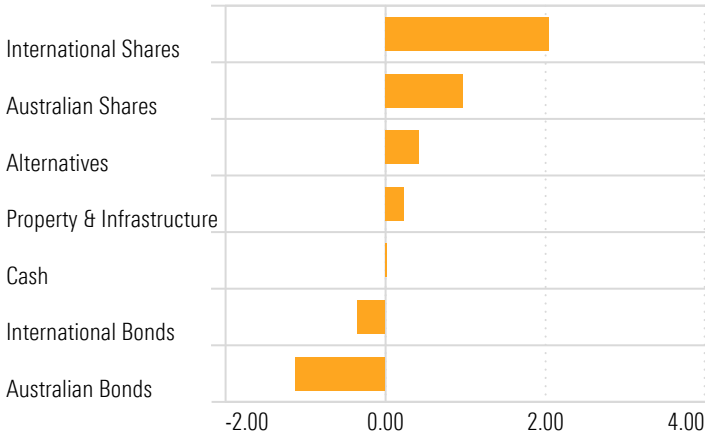
After more than a decade of worrying that inflation has been too low, the global economy is now faced with the prospect of inflation being too high, given the increased price of oil, industrial metals and soft commodities brought about by the Ukraine situation. Russia and Ukraine account for 30% of global wheat production; while the withdrawal of up to 10% of world oil supply and nearly twice that in gas, plus the large supply gap in industrial metals has seen core inflation spike to over 7.5% in the US and 4.5% in Australia. Bond market reaction has been swift, with bond yields rising around the world (US 10-year bond yields have risen by around 1%). The expectation of a cash rate increase has been fulfilled in the US, and speculation continues about similar monetary tightening in other developed nations. The dilemma for central banks is to curtail inflation but, at the same time, to not stall the economic recovery as a result of raising rates.

The portfolio has held up well in what has been a challenging investment environment, with its global energy positions performing strongly. The Investments team made the decision to trim some energy exposure, as prices of oil and gas, in particular, rose. The proceeds have been redeployed into banks, which look set to benefit from the rising interest rate environment. Further, they've broadened global exposures to US stocks, buying into valuations not seen for some time. Taking advantage of better value (and yields) in bonds, the team have also increased bond exposures.

While investment market volatility is always expected, it's in volatile times that investors should remind themselves of their investment objectives and time horizon. Morningstar's valuation-driven approach remains disciplined at this time. Investing is a long-term exercise, and Morningstar's valuation-driven approach has the ability to identify opportunities and take advantage of volatility during challenging environments.

# Information about the portfolio's performance

## What drove portfolio performance over the past year?

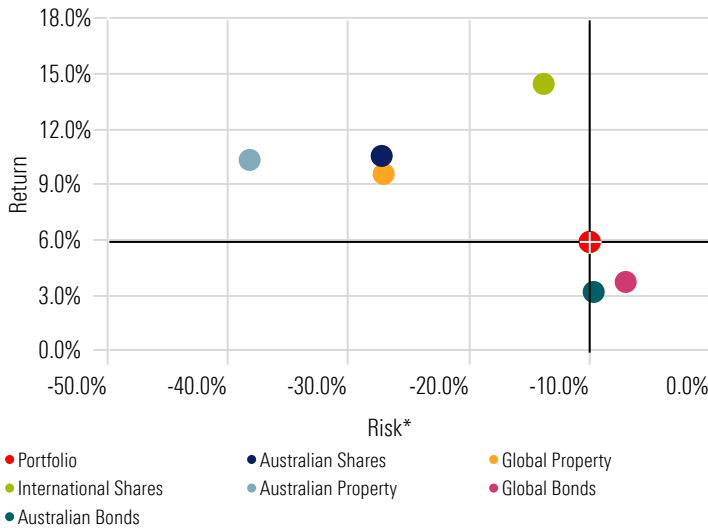


Actual outcomes may differ, as the chart has been prepared assuming a 'buy and hold' approach. Contribution to return from ETFs has been calculated using NAV returns.

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.

## Risk versus reward since inception^



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

This chart shows how a number of investments have performed on average since 1 July 2012.

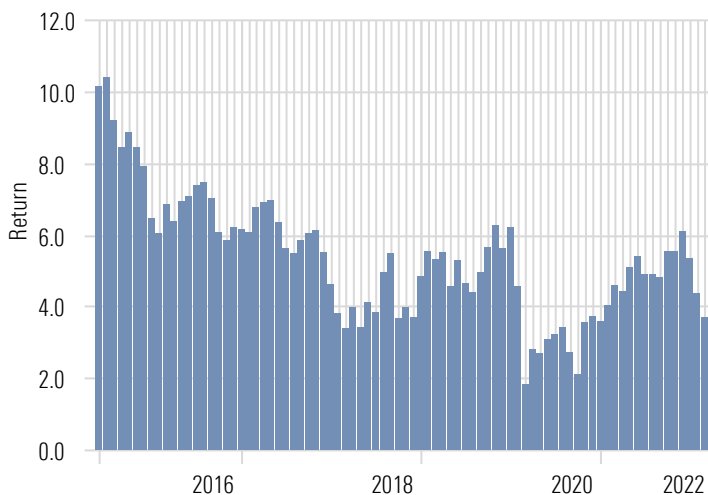
Returns alone are not the full picture. You cannot generate returns without taking on a level of risk. The chart shows the 'riskiness' of each investment relative to its average return.

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.**

^Asset classes are represented by the following Morningstar Indices: Morningstar Australia NR AUD (Australian Shares), Morningstar AU Core BD GR Hdg AUD (Australian Bonds), Morningstar Gbl Mkts NR AUD (International Shares), Morningstar DM REIT NR Hdg AUD (Global Property), Morningstar Australia REIT NR AUD (Australian Property), Morningstar Gbl Core Bd GR Hdg AUD (Global Bonds)

## How stable has performance been? (Rolling 3 year returns)



Past performance is not a reliable indicator of future performance.

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

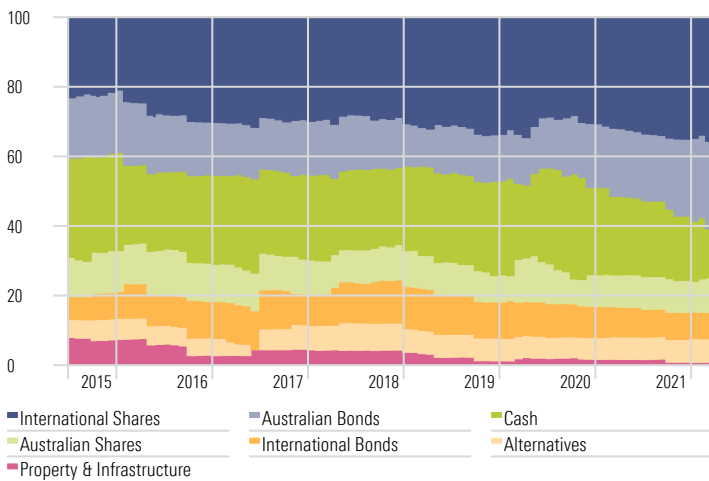


◆ Quarter-end asset allocation

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.

## How we navigated investment markets over time

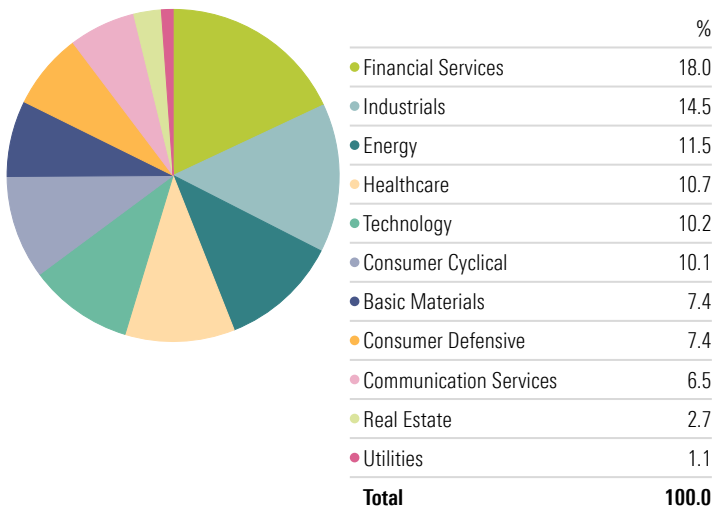


This chart shows how the portfolio positioning has changed over time in accordance with our valuation-driven asset allocation process.

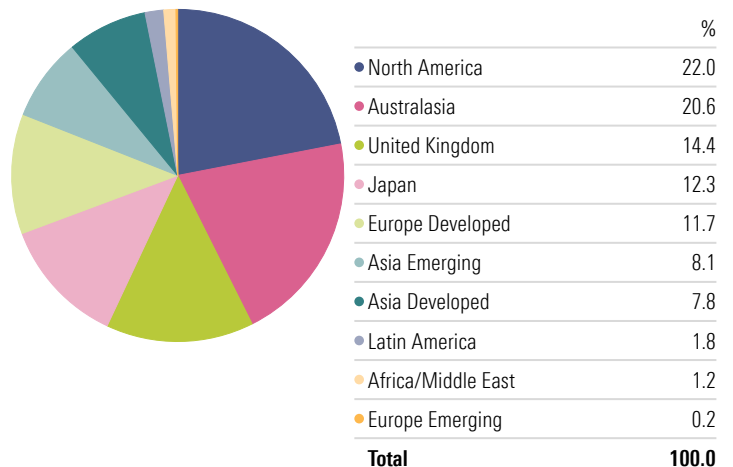
The portfolio has the flexibility to move towards opportunities that offer the best reward for risk (and away from those that we deem to be less attractive).

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 - Portfolio



## Equity Regional Exposure - Portfolio



## What you're invested in

Holding	Code	Asset Class	Morningstar Sector	Portfolio Weighting %
iShares Core Composite Bond ETF	IAF	Australian Bonds		17.463
Morningstar International Bonds (Zero Fee Class)	17381	International Bonds		7.525
iShares Core Cash ETF	BILL	Cash		7.466
Morningstar International Shrs Actv ETF	MSTR	International Shares		7.367
Mstar Multi Asset Real Return (Zero Fee Class)	11736	Alternatives		6.749
Morningstar Int Shares (Zero Fee Class)	11743	International Shares		5.772
BetaShares FTSE 100 ETF	F100	International Shares		5.415
Vanguard Australian Fixed Interest ETF	VAF	Australian Bonds		3.925
BetaShares Aus Bank Sr Fltng Rt Bd ETF	QPON	Australian Bonds		3.802
BetaShares High Int Cash	AAA	Cash		3.745
iShares MSCI Japan ETF (AU)	IJP	International Shares		3.439
BetaShares Glb Energy Coms ETF	FUEL	International Shares		3.257
Cash Account		Cash		2.887
iShares MSCI South Korea ETF (AU)	IKO	International Shares		1.957
iShares China Large-Cap ETF (AU)	IZZ	International Shares		1.848
Brambles Ltd	BXB	Australian Shares	Industrials	1.793
Vanguard FTSE Europe Shares ETF	VEQ	International Shares		1.659
iShares Europe ETF (AU)	IEU	International Shares		1.414
Vanguard FTSE Emerging Markets Shrs ETF	VGE	International Shares		1.382
Medibank Private Ltd	MPL	Australian Shares	Financial Services	1.348
Woodside Petroleum Ltd	WPL	Australian Shares	Energy	1.274
Westpac Banking Corp	WBC	Australian Shares	Financial Services	1.272
iShares MSCI Emerging Markets ETF (AU)	IEM	International Shares		1.123
iShares Core MSCI Wld Ex Aus ESG LdrsETF	IWLD	International Shares		1.046
Newcrest Mining Ltd	NCM	Australian Shares	Basic Materials	1.016
CSL Ltd	CSL	Australian Shares	Healthcare	0.880
Insurance Australia Group Ltd	IAG	Australian Shares	Financial Services	0.874
GPT Group	GPT	Property & Infrastructure	Real Estate	0.833
Commonwealth Bank of Australia	CBA	Australian Shares	Financial Services	0.770
ResMed Inc DR	RMD	Australian Shares	Healthcare	0.700

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