

Morningstar Medalist Core Conservative (15)

Managed Account Portfolio

062023

All data and information as at Portfolio Date: 27/06/2023

Morningstar Investment Management Australia

For Financial Adviser Use Only

Trade Update

At a glance

Morningstar has made changes to the Morningstar Medalist Core portfolios in June. The changes are designed to reflect our best ideas from an asset allocation, manager selection and manager allocation perspective while adhering to our approach to active/passive optimisation, i.e., only taking an active manager risk where the odds are in our favour to achieve a suitable level of alpha over the medium term. These changes include rebalancing the portfolios towards the targeted growth and defensive asset allocation.

Portfolio exposures were adjusted at the end of the second quarter where we've implemented some minor tilts to our SAA while keeping the growth defensive asset split neutral.

Portfolio action

Security	Previous Weighting	New Weighting	Increase / Decrease
International Shares			
Capital Group New Perspective (AU)	0.00%	2.09%	2.08%
Barrow Hanley Global Share S	4.30%	2.11%	-2.19%
Australian Fixed Interest			
Janus Henderson Tactical Income	14.05%	10.00%	-4.05%
Vanguard Australian Fixed Interest ETF	16.93%	23.97%	7.04%
Australian Fixed Interest			
iShares Global Bond Index	14.08%	17.97%	3.89%
Bentham Global Income	11.46%	7.97%	-3.49%
Cash			
iShares Core Cash ETF	25.93%	22.98%	-2.95%

Rationale

The portfolio's equity allocation maintains a preference to global equities over local stocks due to diversification and relative valuation in areas of the market where our managers are exposed. We've introduced Capital Group New Perspective (Gold) at a modest allocation into the global equity sleeve to increase the portfolio's exposure to quality (high MOAT, low debt equities) which should provide better defensiveness if economic conditions deteriorate from here. This change has mostly been funded from Barrow Hanley Global Share S (Gold).

Against the backdrop of rising yields, rising equity market valuations and the potential for economic growth to contract, we've increased our exposure to Vanguard Australian Fixed Interest ETF (Gold rated) and iShares Global Bond Index (Bronze), aimed at increasing the overall duration exposure of the portfolio. We currently view interest rate duration as offering a more compelling valuation from a yield and portfolio diversification perspective, and we've funded those changes with decreases to our lower duration managers, Bentham Global Income (Silver), Janus Henderson Tactical Income (Silver) and cash.

Portfolio Post Changes

Medalist Core Conservative - Previous Allocation

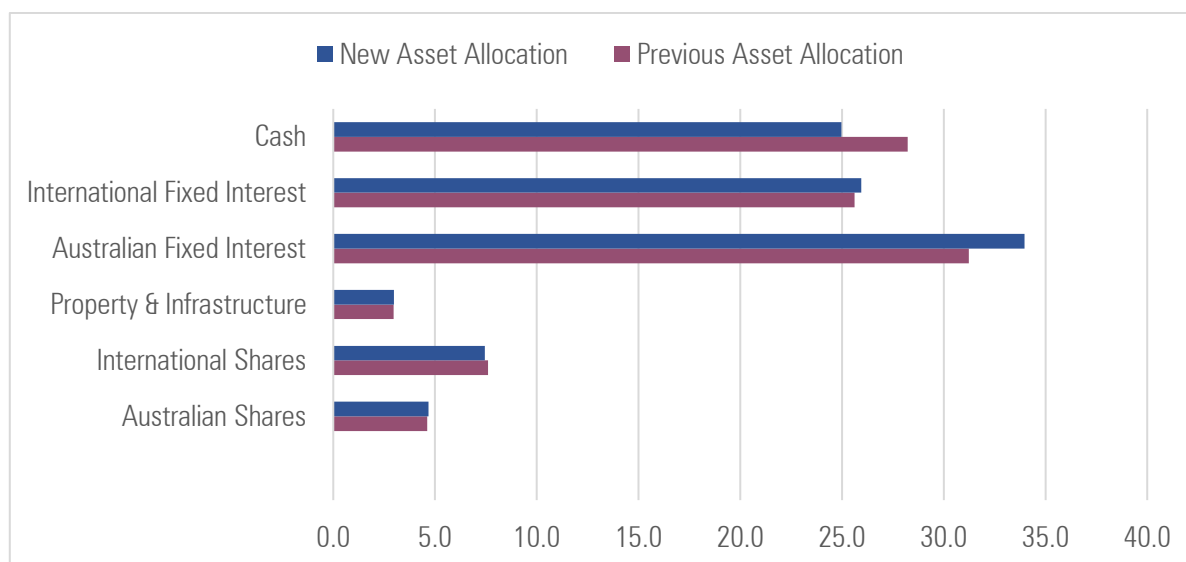
Portfolio Date: 19/06/2023

	Portfolio Weighting %
iShares Core Cash ETF	25.93
Vanguard Australian Fixed Interest ETF	16.93
iShares Global Bond Index	14.08
Janus Henderson Tactical Income	14.05
Bentham Global Income	11.46
Fidelity Australian Equities	4.62
Barrow Hanley Global Share S	4.30
MFS Global Equity Trust II - I Hedged	3.29
MFG Core Infrastructure	3.00
Bloomberg AusBond Bank 0+Y TR AUD	2.33
Capital Group New Perspective (AU)	0.00

Medalist Core Conservative - New Allocation

Portfolio Date: 22/06/2023

	Portfolio Weighting %
Vanguard Australian Fixed Interest ETF	23.97
iShares Core Cash ETF	22.98
iShares Global Bond Index	17.97
Janus Henderson Tactical Income	10.00
Bentham Global Income	7.97
Fidelity Australian Equities	4.68
MFS Global Equity Trust II - I Hedged	3.25
MFG Core Infrastructure	2.98
Barrow Hanley Global Share S	2.11
Capital Group New Perspective (AU)	2.09
Bloomberg AusBond Bank 0+Y TR AUD	2.00



All changes are consistent with Morningstar’s long-term SAA where we prefer:

- Global equity over Australian equity.
- Australian bonds over global bonds.
- A balanced allocation to investment styles.
- A mild use of unconstrained fixed interest funds.
- To have return diversification from sources other than alternative strategies.

In all changes, we have considered portfolio balance, diversification, the risk adjusted return outlook for asset classes and portfolio turnover.

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