

Morningstar Medalist Core All Growth (98)

Managed Account Portfolio

042024

All data and information as at Portfolio Date: 15/04/24

Morningstar Investment Management Australia

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Trade Update

At a glance

Morningstar has made changes to the Morningstar Medalist Core Portfolios in April. 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. This involves only taking active manager risk where the probabilities favour achieving a suitable level of alpha over the medium-term.

Portfolio action.

Security	Previous Weighting	New Weighting	Increase / Decrease
Australian Shares			
Fidelity Australian Equities	12.2%	13.5%	1.3%
DNR Capital Australian Emerging Coms	5.3%	6.0%	0.7%
Platypus Australian Eqs Fd Instl Units	7.6%	8.0%	0.4%
Schroder WS Australian Equity Fund - WC	9.9%	12.2%	2.3%
International Shares			
MFS Global Equity Trust II - I Hedged	12.4%	13.4%	1.0%
GQG Partners Global Equity AUD Hedged	9.1%	7.9%	-1.2%
Barrow Hanley Global Share S	10.8%	11.6%	0.8%
Property and Infrastructure			
MFG Core Infrastructure	7.4%	5.6%	-1.8%
iShares Global Listed Property Idx Hdg S	8.4%	4.9%	-3.5%

Rationale

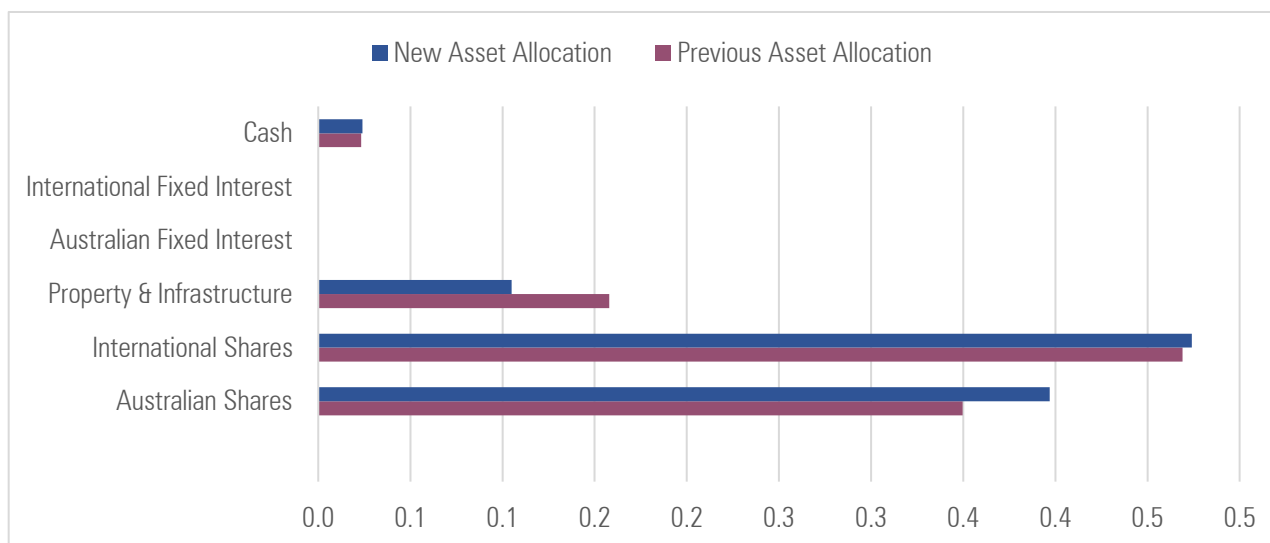
The portfolio maintains a slight overweight to cash relative to growth assets, with a skew that is in line with recent portfolio changes. The positioning reflects our view of relative valuations and recent equity market strength.

The portfolio's equity allocation maintains a preference to global over domestic equities due to diversification and relative valuation. On an absolute basis equity allocations have proportionately increased with the new SAA, though we have elected to hold both marginally underweight on a relative basis given valuations. All Australian equity managers were increased, along with MFS Global Equity Trust II - I Hedged (Gold) and Barrow Hanley Global Share (Gold), while GQG Partners Global Equity AUD Hedged (Gold) were slightly reduced.

Real assets allocations were decreased in accordance with the updated SAA but remain overweight given relatively attractive valuations in global property and infrastructure. iShares Global Listed Property Index Fund (Hedged) (Bronze) was decreased on an absolute basis but remains relatively overweight, as was MFG Core Infrastructure Fund (Silver). This portion of the portfolio now includes an allocation to Australian listed property, though is currently held at no weight given unattractive valuations.

Portfolio Post Changes

Security	Previous Asset Allocation	New Asset Allocation
Australian Shares	35.0%	39.7%
Fidelity Australian Equities	12.2%	13.5%
Schroder WS Australian Equity Fund - WC	9.9%	12.2%
Platypus Australian Eqs Fd Instl Units	7.6%	8.0%
DNR Capital Australian Emerging Coms	5.3%	6.0%
International Shares	46.9%	47.4%
MFS Global Equity Trust II - I Hedged	12.4%	13.4%
GQG Partners Global Equity AUD Hedged	9.1%	7.9%
Capital Group New Perspective (AU)	11.2%	11.1%
Barrow Hanley Global Share S	10.8%	11.6%
Vanguard FTSE Emerging Markets Shrs ETF	3.4%	3.4%
Property and Infrastructure	15.8%	10.5%
MFG Core Infrastructure	7.4%	5.6%
iShares Global Listed Property Idx Hdg S	8.4%	4.9%
Cash	2.3%	2.4%
AUD cash	2.3%	2.4%



This quarter saw the implementation of our updated SAA, with asset class and manager weights shifting as a result. We have made the following adjustments to the SAA:

- Disaggregated the Property asset classes allowing the introduction of AREITs, providing greater diversification and additional options within the yield-driven growth category.
- Increased the equity allocation as a result of changes to our long-term return assumptions, while still maintaining a preference for global over domestic equities given a larger opportunity set and lower concentration risks.
- Decreased the cash allocations in the lower risk profiles, which increases the long-term performance expectations.
- Increased the international fixed interest allocation, improving the long-term return expectations and increasing the diversification benefits and opportunity set for the defensive portion of the portfolios.

Subsequently, all portfolio changes are consistent with Morningstar’s refreshed long-term SAA where we prefer:

- Global equities over Australian equities.
- A balanced allocation to investment styles.
- 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, portfolio turnover and trading costs.

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