

# Morningstar Medalist Core Balanced (50)

## Managed Account Portfolio

# 042024

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

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 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
<b>Australian Shares</b>			
Fidelity Australian Equities	8.6%	8.0%	-0.6%
Schroder WS Australian Equity Fund - WC	6.9%	7.5%	0.6%
<b>International Shares</b>			
GQG Partners Global Equity AUD Hedged	4.4%	3.9%	-0.5%
Capital Group New Perspective (AU)	6.9%	6.2%	-0.7%
Barrow Hanley Global Share S	5.9%	6.8%	0.9%
<b>Property and Infrastructure</b>			
iShares Global Listed Property Idx Hdg S	4.6%	3.4%	-1.2%
<b>Australian Fixed Interest</b>			
Vanguard Australian Fixed Interest ETF	17.4%	17.3%	-0.1%
Janus Henderson Tactical Income	3.6%	4.3%	0.7%
<b>International Fixed Interest</b>			
iShares Global Bond Index	12.8%	15.0%	2.2%
Bentham Global Income	5.0%	6.2%	1.3%
<b>Cash</b>			
iShares Core Cash ETF	8.8%	6.2%	-2.6%

#### *Rationale*

The portfolio maintains a slight overweight to defensive assets 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 maintains a mild overweight in Australian fixed interest, shifting funds from Vanguard Australian Fixed Interest Index (Gold) into Janus Henderson Tactical Income Fund (Silver). Similarly, global fixed interest positions have increased on an absolute basis given the changes to the portfolio's strategic asset allocation (SAA), with both iShares Global Bond Index (Bronze) and Bentham Global Income Fund (Silver) increasing in weight, though neutral to the new SAA. Cash has moved underweight relative to the SAA, increasing the portfolio's duration and taking advantage of the attractive yields on offer by funding Australian and global fixed interest. Additionally, this acts as an equity market diversifier.

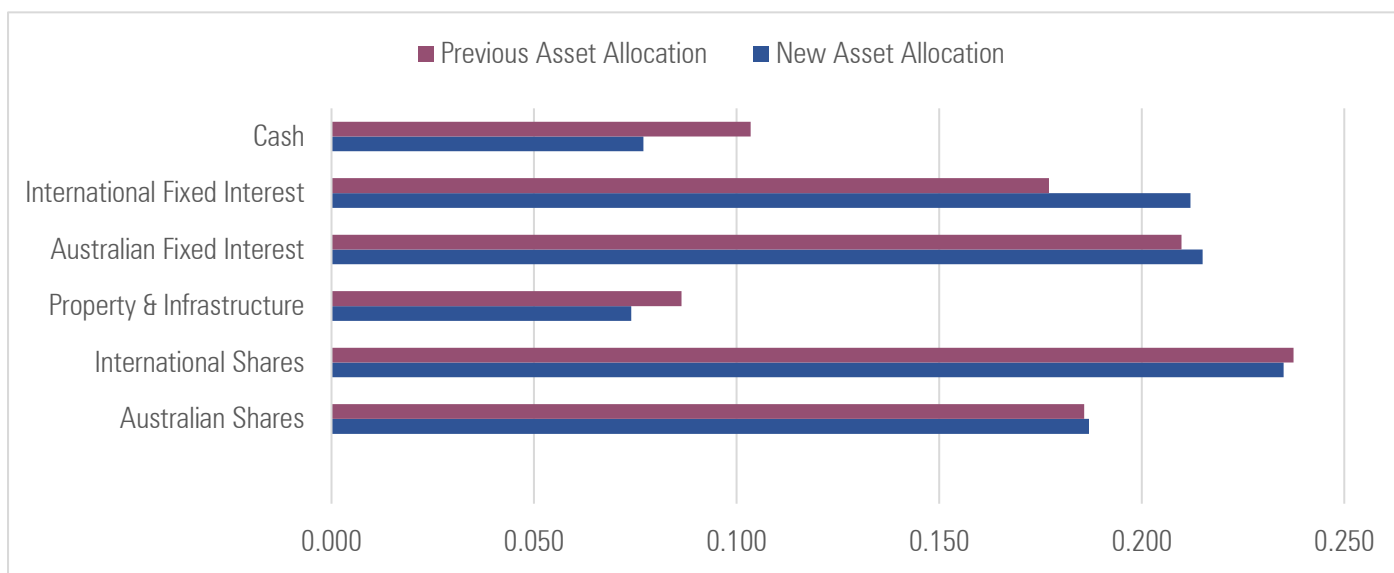
The portfolio's equity allocation maintains a preference to global over domestic equities due to diversification and relative valuation within the managers we use, though we have elected to hold both marginally underweight relative to the SAA. Fidelity Australian Equities (Gold) was slightly reduced, as were Capital Group New Perspective Fund (Gold) and GQG Partners Global Equity AUD

Hedged (Gold) on the back of strong performance, with funds moved into Schroder Wholesale Australian Equity (Gold) and Barrow Hanley Global Share Fund (Gold).

Real assets allocations were decreased in accordance with the updated SAA, however, 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, while MFG Core Infrastructure Fund (Silver) was held at a mild overweight. 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
<b>Australian Shares</b>	<b>18.6%</b>	<b>18.7%</b>
Fidelity Australian Equities	8.6%	8.0%
Schroder WS Australian Equity Fund - WC	6.9%	7.5%
Platypus Australian Eqs Fd Instl Units	3.1%	3.2%
<b>International Shares</b>	<b>23.8%</b>	<b>23.5%</b>
MFS Global Equity Trust II - I Hedged	6.6%	6.6%
GQG Partners Global Equity AUD Hedged	4.4%	3.9%
Capital Group New Perspective (AU)	6.9%	6.2%
Barrow Hanley Global Share S	5.9%	6.8%
<b>Property and Infrastructure</b>	<b>8.6%</b>	<b>7.4%</b>
MFG Core Infrastructure	4.0%	4.0%
iShares Global Listed Property Idx Hdg S	4.6%	3.4%
<b>Australian Fixed Interest</b>	<b>21.0%</b>	<b>21.5%</b>
Janus Henderson Tactical Income	3.6%	4.3%
Vanguard Australian Fixed Interest ETF	17.4%	17.3%
<b>International Fixed Interest</b>	<b>17.7%</b>	<b>21.2%</b>
iShares Global Bond Index	12.8%	15.0%
Bentham Global Income	5.0%	6.2%
<b>Cash</b>	<b>10.4%</b>	<b>7.7%</b>
AUD Cash	1.6%	1.5%
iShares Core Cash ETF	8.8%	6.2%



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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