

Morningstar Medalist Core Conservative (15)

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 are favourable to achieve a suitable level of alpha over the medium-term.

Portfolio action

Security	Previous Weighting	New Weighting	Increase / Decrease
Australian Shares			
Fidelity Australian Equities	4.9%	4.7%	-0.2%
International Shares			
MFS Global Equity Trust II - I Hedged	3.1%	2.7%	-0.4%
Capital Group New Perspective (AU)	2.3%	2.0%	-0.3%
Australian Fixed Interest			
Vanguard Australian Fixed Interest ETF	22.9%	20.1%	-2.9%
Janus Henderson Tactical Income	9.3%	10.7%	1.4%
International Fixed Interest			
iShares Global Bond Index	18.6%	20.0%	1.4%
Bentham Global Income	7.9%	9.0%	1.1%

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.

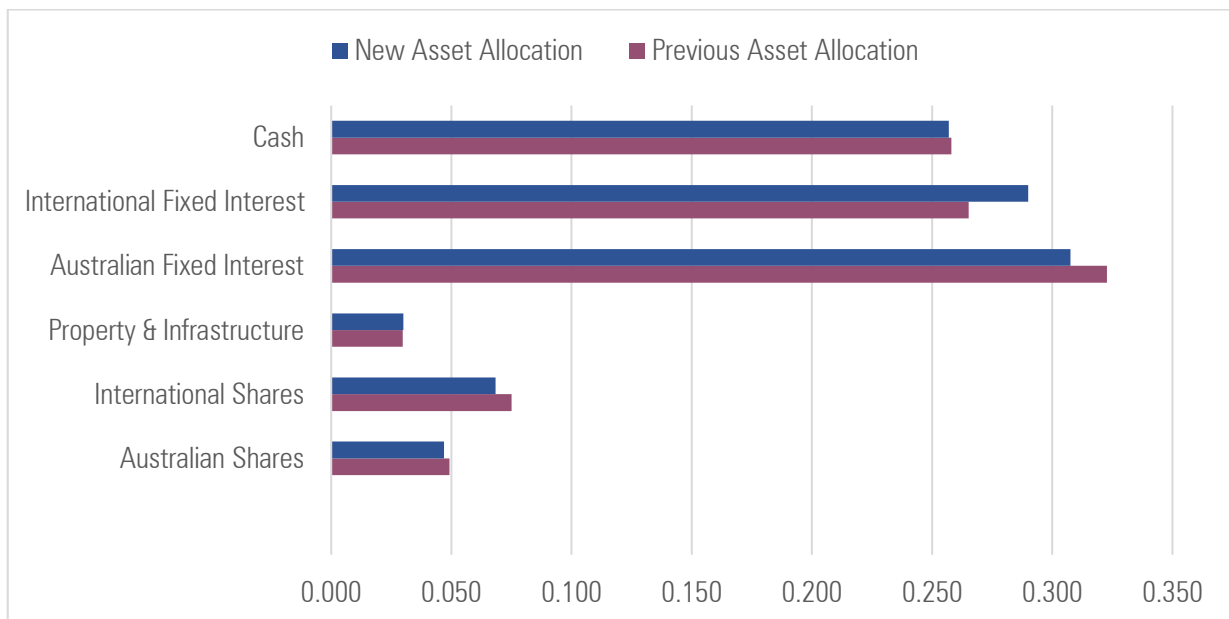
The portfolio maintains a mild overweight in Australian fixed interest, shifting funds from Vanguard Australian Fixed Interest Index (Gold) into Janus Henderson Tactical Income Fund (Silver). Similarly, global fixed interest positions have increased on an absolute basis given the changes to the portfolio's strategic asset allocation (SAA), with both iShares Global Bond Index (Bronze) and Bentham Global Income Fund (Silver) increasing in weight, though neutral to the 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 local stocks due to diversification and relative valuation within the managers we use, though we have elected to hold both marginally underweight relative to the new SAA. Fidelity Australian Equities (Gold) was slightly reduced, as were MFS Global Equity Trust II - I Hedged (Gold) and Capital Group New Perspective Fund (Gold) on the back of strong performance.

There were no changes to real assets manager weights, with exposure to MFG Core Infrastructure Fund (Silver) held at the target weight. The result is a neutral weighting relative to the SAA.

Portfolio Post Changes

Security	Previous Asset Allocation	New Asset Allocation
Australian Shares	4.92%	4.70%
Fidelity Australian Equities	4.92%	4.70%
International Shares	7.50%	6.84%
MFS Global Equity Trust II - I Hedged	3.07%	2.70%
Capital Group New Perspective (AU)	2.27%	2.00%
Barrow Hanley Global Share S	2.16%	2.14%
Property and Infrastructure	2.98%	3.00%
MFG Core Infrastructure	2.98%	3.00%
Australian Fixed Interest	32.28%	30.76%
Janus Henderson Tactical Income	9.34%	10.70%
Vanguard Australian Fixed Interest ETF	22.94%	20.06%
International Fixed Interest	26.52%	29.00%
iShares Global Bond Index	18.64%	20.00%
Bentham Global Income	7.88%	9.00%
Cash	25.80%	25.70%
AUD Cash	1.76%	1.70%
iShares Core Cash ETF	24.04%	24.00%



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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