

# Morningstar Medalist Core Conservative (15)

## Managed Account Portfolio

# 022024

All data and information as at Portfolio Date: 02/02/24

Morningstar Investment Management Australia

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### Trade Update

#### *At a glance ....*

Morningstar has made changes to the Morningstar Medalist Core Portfolios in February. 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.

#### *Portfolio action*

Security	Previous Weighting	New Weighting	Increase / Decrease
<b>International Shares</b>			
MFS Global Equity Trust II - I Hedged	3.3%	3.0%	-0.3%
<b>Property and Infrastructure</b>			
MFG Core Infrastructure	2.7%	3.0%	0.3%
<b>Australian Fixed Interest</b>			
Vanguard Australian Fixed Interest ETF	23.9%	23.2%	-0.7%
<b>International Fixed Interest</b>			
iShares Global Bond Index	19.1%	18.8%	-0.3%
Bentham Global Income	8.1%	7.9%	-0.2%
<b>Cash</b>			
iShares Core Cash ETF	21.9%	24.6%	2.7%

#### *Rationale*

The portfolio maintains a slight overweight to defensive assets relative to growth assets, with a skew that is essentially the same as our last portfolio changes. The positioning reflects our view of relative valuations and recent equity market strength.

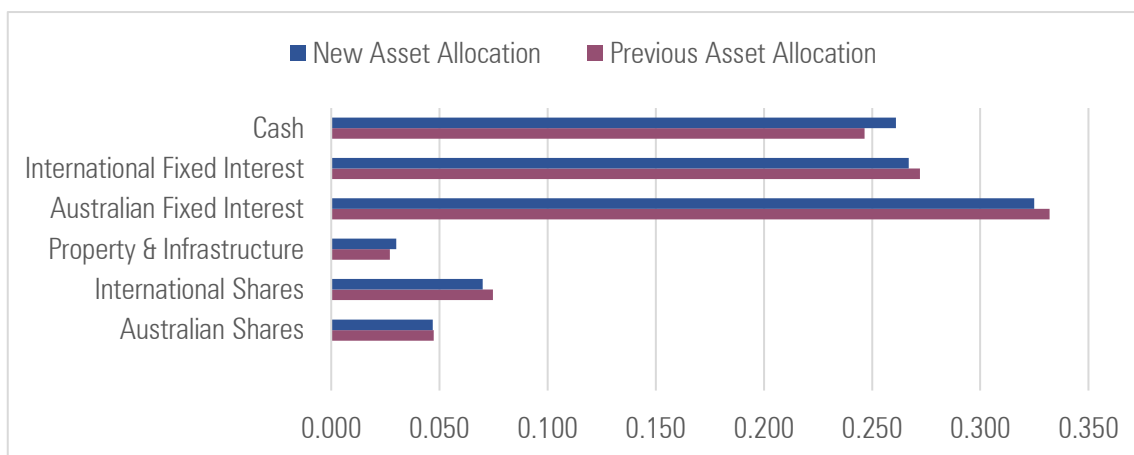
We have modestly adjusted our Australian and global fixed interest positions given the recent strong returns, shifting funds from Vanguard Australian Fixed Interest Index (Gold), iShares Global Bond Index (Bronze), and Bentham Global Income back to cash. Despite trimming these exposures in the portfolio, we are still maintaining an overweight to both Australian and global bonds, and an underweight to cash relative to the strategic asset allocation weights. Cash increases are in response to attractive running yields relative to bonds and the outperformance of the other asset classes, while the overweight to Australian and global bonds provides benchmark duration exposure and subsequent portfolio protection, with current valuations appearing reasonably attractive.

The portfolio's equity allocation maintains a preference to global over local stocks due to diversification and relative valuation, though this valuation gap continues to shrink. We've elected to maintain the current Australian equity positioning, though have marginally reduced the portfolio exposure to MFS Global Equity Trust II - I Hedged (Gold) in the global equity sleeve. Global equities maintain a slight overweight while Australian equities is still slightly underweight relative to the strategic asset allocation weights.

There were marginal changes to manager weights, with exposure to MFG Core Infrastructure Fund (Silver) rebalanced back to the target weight. The result is a neutral weighting relative to the strategic asset allocation.

## Portfolio Post Changes

Security	Previous Asset Allocation	New Asset Allocation
<b>Australian Shares</b>	<b>4.74%</b>	<b>4.70%</b>
Fidelity Australian Equities	4.74%	4.70%
<b>International Shares</b>	<b>7.47%</b>	<b>7.00%</b>
MFS Global Equity Trust II - I Hedged	3.27%	3.00%
Capital Group New Perspective (AU)	2.13%	2.00%
Barrow Hanley Global Share S	2.08%	2.00%
<b>Property and Infrastructure</b>	<b>2.71%</b>	<b>3.00%</b>
MFG Core Infrastructure	2.71%	3.00%
<b>Australian Fixed Interest</b>	<b>33.20%</b>	<b>32.50%</b>
Janus Henderson Tactical Income	9.35%	9.30%
Vanguard Australian Fixed Interest ETF	23.85%	23.20%
<b>International Fixed Interest</b>	<b>27.22%</b>	<b>26.70%</b>
iShares Global Bond Index	19.10%	18.80%
Bentham Global Income	8.12%	7.90%
<b>Cash</b>	<b>24.66%</b>	<b>26.10%</b>
Bloomberg AusBond Bank 0+Y TR AUD	2.80%	1.50%
iShares Core Cash ETF	21.86%	24.60%



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 flexible 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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