

Morningstar Medalist Core Moderate (30) Managed Account Portfolio

022024

Trade Update

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

Morningstar Investment Management Australia

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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
International Shares			
Capital Group New Perspective (AU)	4.4%	4.0%	-0.4%
MFS Global Equity Trust II - I Hedged	6.4%	6.0%	-0.4%
Australian Fixed Interest			
Janus Henderson Tactical Income	7.5%	7.8%	0.3%
Vanguard Australian Fixed Interest ETF	19.9%	19.5%	-0.4%
International Fixed Interest			
iShares Global Bond Index	16.7%	16.3%	-0.4%
Property and Infrastructure			
MFG Core Infrastructure	2.9%	2.7%	-0.2%
iShares Global Listed Property Idx Hdg S	2.9%	3.2%	0.3%
Cash			
iShares Core Cash ETF	17.2%	19.2%	2.0%

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) and iShares Global Bond Index (Bronze) to Janus Henderson Tactical Income (Silver) and 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, while the overweight to Australian and global bonds provides benchmark duration exposure and subsequent portfolio protection, with current valuations appearing reasonably attractive.

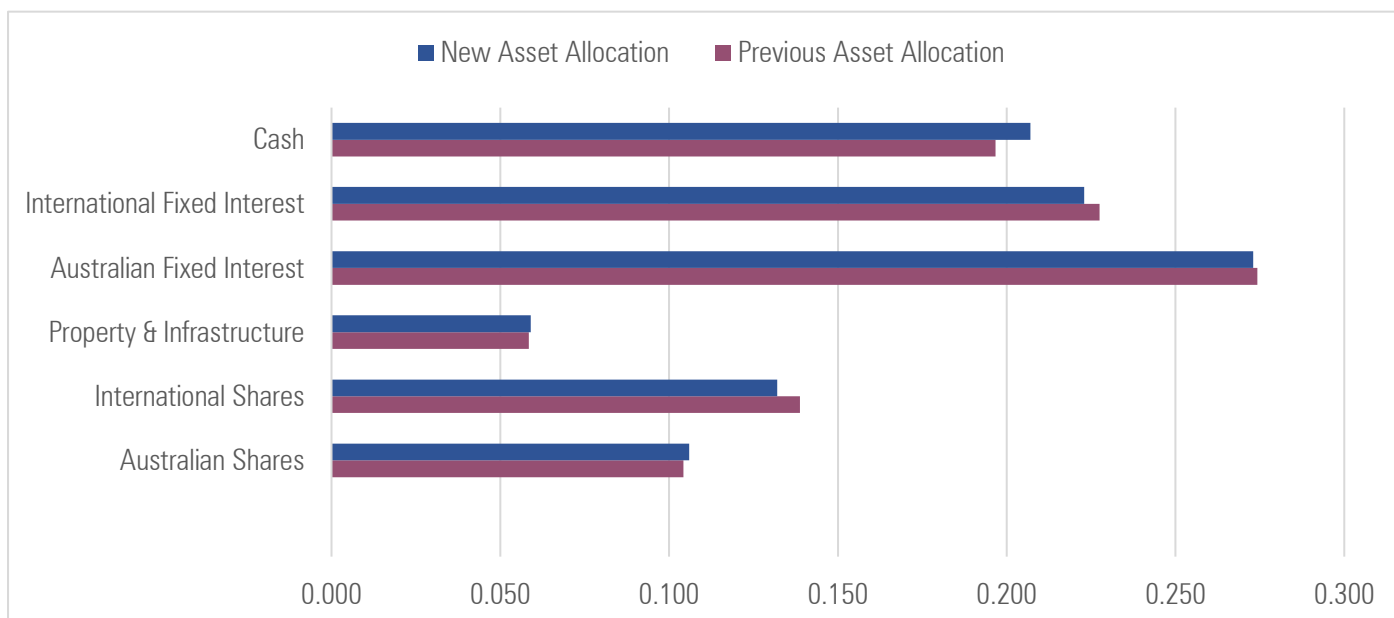
The portfolio's equity allocation maintains a preference to global over local stocks due to diversification and relative valuation, though this valuation gap continues to shrink. We've elected to maintain the current Australian equity positioning, though have marginally reduced the portfolio exposure to MFS Global Equity Trust II - I Hedged (Gold) and Capital Group New Perspective (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 in property and infrastructure, shifting funds from MFG Core Infrastructure Fund (Silver) to iShares Global Listed Property Index Fund (Hedged) (Bronze). The result is a marginal underweight relative to the strategic asset allocation, though a skew in favour of REITs over infrastructure on the basis of relative valuations.

Portfolio Post Changes

Security	Previous Asset Allocation	New Asset Allocation
Australian Shares	10.4%	10.6%
Fidelity Australian Equities	5.7%	5.7%
Schroder WS Australian Equity Fund - WC	4.7%	4.9%
International Shares	13.9%	13.2%
MFS Global Equity Trust II - I Hedged	6.4%	6.0%
Capital Group New Perspective (AU)	4.4%	4.0%
Barrow Hanley Global Share S	3.1%	3.2%
Property and Infrastructure	5.8%	5.9%
MFG Core Infrastructure	2.9%	2.7%
iShares Global Listed Property Idx Hdg S	2.9%	3.2%
Australian Fixed Interest	27.4%	27.3%
Janus Henderson Tactical Income	7.5%	7.8%
Vanguard Australian Fixed Interest ETF	19.9%	19.5%
International Fixed Interest	22.8%	22.3%
iShares Global Bond Index	16.7%	16.3%
Bentham Global Income	6.1%	6.0%
Cash	19.7%	20.7%
Bloomberg AusBond Bank 0+Y TR AUD	2.4%	1.5%
iShares Core Cash ETF	17.2%	19.2%



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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