



VMAPS

# VENTURA MORNINGSTAR DEFENSIVE MODEL

October 2018

## COMMENTARY

Well, October certainly lived up to its fear-driven reputation. It was an ugly month for risk-taking investors once again, conjuring memories of the Great Depression in October 1929, Black Monday in October 1987 and the Global Financial Crisis in October 2008.

2018 was not nearly as dramatic as the examples listed above, although attribution at these times is always far more complex than we later believe in hindsight. This time around, stretched valuations, which we have noted for some time, are likely to have played a role (especially in the tech sector), combined with growing concerns around interest rates and vulnerabilities to Chinese growth.

Both developed and emerging-markets equities fell by around 6.8% over October (in local currency terms), wiping out all of 2018's gains and taking us back to around November 2017 index levels.

Perhaps most compellingly, it is the relative performance that saw some meaningful change. While every sector fell during the month, it was a tale of two stories. Areas with rich valuations (tech and materials, especially in the U.S.) fell hard, while those at the cheaper end (telecommunications, utilities, and consumer staples) all kept losses to less than 5%.

Thankfully, bond markets have also played a role in stemming the downside, especially in some of the higher-quality government issuance. However, this was not nearly enough to truly diversify against the losses. Of note, emerging-markets debt also held up quite well following a tough period (especially hard currency issuance), as did credit-sensitive assets, which is a healthy reminder that correlations don't always hold.

As Warren Buffett aptly put it, "two super-contagious diseases, fear and greed, will forever occur in the investment community. The timing of these epidemics will be unpredictable." We are now starting to see this unpredictability play out, creating our greatest moments to add value.

### Model performance

31/10/2018

Period	Income %	Growth %	Total %
1 month	0.13	-0.83	-0.70
3 months	0.28	-0.57	-0.29
6 months	0.86	-0.82	0.04
1 yr pa	1.58	-0.33	1.25
3 yr pa	1.84	0.21	2.05

The Ventura Morningstar Defensive Model has been operating since September 2014. The performance shown is indicative only and may vary to actual investor performance due to investment model trading requirements at the individual investor account level.

### Top Holdings

31/10/2018

	Security	Portfolio %
1	Morningstar International Bonds (Hedged) Fund	21.5
2	iShares Enhanced Cash ETF	17.7
3	iShares Core Composite Bond ETF	13.7
4	BetaShares Australian High Interest Cash ETF	10.0
5	iShares Core Cash ETF	10.0
6	iShares Government Inflation ETF	5.9
7	Cash Account	4.4
8	iShares MSCI Emerging Markets ETF	2.3
9	Morningstar Multi Asset Real Return Fund	2.0
10	Vanguard Australian Fixed Interest Index ETF	1.9
11	iShares MSCI Japan ETF CDI	1.6
12	iShares Europe ETF CDI	1.5
13	Morningstar Australian Shares Fund	1.5
14	SPDR Dow Jones Global Real Estate ETF	1.0
15	Morningstar International Shares (Hedged)	1.0
16	Telstra Corporation Limited	0.8
17	QBE Insurance Group Limited	0.7
18	Brambles Limited	0.7
19	Ramsay Health Care Limited	0.6
20	Commonwealth Bank of Australia	0.5

### Model Composition

31/10/2018

Asset Class	Min	NP	Actual	Max
Australian Equities	0	5.0	5.3	15
Global Equities	0	7.0	6.4	15
AREIT			0.0	
Global Property	0	2.0	1.0	15
Global Infrastructure			0.0	
Alternatives	0	2.0	2.0	20
Aust Fixed Income	0	28.0	21.5	70
Global Fixed Income (Hedged)	0	20.0	21.5	70
Cash	10	36.0	42.2	90
		<b>100.0</b>	<b>100.0</b>	
	Growth	15.0	13.8	
	Income	85.0	86.2	

Min and Max allocations show the range in which the Model Manager can allocate, while NP refers to the Neutral Position of the Model and Actual refers to the Actual exposure at the date of this Profile.

## Model Details

<b>Objective</b>	CPI+0.75%
<b>Suggested timeframe</b>	2 years
<b>Number of securities</b>	25–80
<b>Estimated max. turnover</b>	<40%
<b>Model management fee</b>	0.55%pa
<b>Indirect Cost Ratio (ICR)</b>	0.15%pa

## Authorised Investments

ASX shares & ETFs, A-REITs, LICs, Global ETFs, Cash & Fixed Income ETFs, Managed Funds, and Cash & Term Deposits.

## About Morningstar

Morningstar Investment Management Australia Limited (ABN 54 071 808 501; AFSL 228986) is a leading provider of asset allocation, portfolio construction and investment research services with over 35 years experience in the United States, Australia and other international markets. Morningstar advises and manages funds for superannuation funds, institutions, platform distributors, financial advisers and individuals.

## Morningstar's Investment Approach

Morningstar's disciplined investment approach delivers independent, cost effective and holistic solutions for our clients – helping them reach their financial goals. This long-term, valuation driven approach is underpinned by an emphasis on preserving capital and undertaking meticulous comprehensive fundamental analysis of global asset classes and securities.

## Portfolio Construction Process

When building diversified portfolios to achieve long-term real returns (after fees and taxes), a dynamic approach to asset allocation improves the outcome for investors. A total-portfolio-perspective approach that seeks to adjust the portfolio when the reward for risk changes, and measures risk in a more meaningful way to preserve capital for investors, is expected to provide a more stable and improved path to wealth accumulation. This approach is often contrarian to market consensus with patience and discipline provides significant investment opportunities.

## Security Selection

Buying shares of superior businesses and allowing them to compound over time is the surest way to create wealth in the stock market. The long-term fundamentals of businesses, such as cash flow, competition, economic cycles, and stewardship, are the primary focus because history has shown that market sentiment is fleeting, momentum can quickly reverse, and the herd is sometimes a dangerous crowd. Occasionally, this approach causes our investment models to appear out of step, but willingness to be contrarian is an important source of outperformance.

## About Ventura

Ventura Investment Management Ltd (Ventura) has been proudly managing the asset of Australian investors for over 10 years. Our mission is to assist all Australians in establishing and maintaining financial independence that will allow our investors to achieve what is most important to them.

To deliver this, we have created three series of investment solutions that can be tailored to individual circumstances and goals. Through our scale and expertise, our investors gain access to some of the world's leading asset managers.

Whether you're starting out, a sophisticated investor, or anywhere in between, we have professionally managed investment solutions that help ease the burden of the four key areas to building and maintaining investment portfolios: research, blending of selected assets, monitoring selected assets for quality and valuation and implementation.

## About VMAPS

Ventura Managed Account Portfolios (VMAPS) is a next generation portfolio management solution that can be tailored to individual investor circumstances and goals. Through our scale and experience, our investors gain access to the thoughts and expertise of the world's leading asset managers.

Supported by professional financial advice, VMAPS offer investor benefits of:

1. Beneficial ownership of the investments in their portfolio (including payment of dividends)
2. Personal tax positions (including franking credits)
3. Transparency of portfolio holdings with quality online reporting
4. Low cost trading of portfolio holdings
5. Professional portfolio construction and management

With no minimum investment amount, the VMAPS solution offers choice of insurer and is available for Superannuation & Pension, or as ordinary, Non-Superannuation monies (including Self-Managed Superannuation Funds).

---

For more information speak to your financial adviser.

1300 738 421  
info@venturafm.com.au  
venturafm.com.au

This document has been prepared and issued by Ventura Investment Management Limited, ABN 49 092 375 258, AFS licence number 253045 (Ventura). Ventura is the responsible entity for the Ventura Managed Account Portfolios, referred to in this document as VMAPS. Information contained in this document is of a general nature only, it is not intended as advice as it does not take into account your individual objectives, financial situation or needs. You should consider the Product Disclosure Statement (PDS) in deciding to acquire or continue to hold this product. Investment can only be made by completing the VMAPS application form with your financial adviser. To obtain a copy of the PDS for VMAPS contact your adviser or Ventura. Past performance is not necessarily indicative of future performance.