



VMAPS

VENTURA MORNINGSTAR DEFENSIVE MODEL

December 2018

COMMENTARY

2018 proved to be a challenging year for investors. During the final quarter, positive sentiment, especially toward U.S. shares, made way for fear and uncertainty. In many ways, the issues dominating media headlines are not new. Indeed, we have known about the likes of Brexit, the escalation in trade tariff tensions and the expected upward path of U.S. interest rates for some time, notwithstanding that we are a little further down the road as these matters play out. However, other possible headwinds have emerged too.

More recently, global growth concerns have been compounded by a plunging oil price and potentially worrying signals from the U.S. bond market, which is indicating the increased risk of a U.S. recession. This comes as the ability of Trump to implement his agenda is now in question following the result of the midterm elections that saw the Republicans lose the lower house. Closer to home, political disarray and uncertainty around the final outcomes of the Royal Commission are negatively impacting investor confidence. Understandably, share markets struggled in this environment, with many key indices posting losses in excess of 10% for the quarter.

The outlook for Australian and especially U.S. equities is far less compelling, with both markets offering poor forecast returns, after inflation, leading to the increased likelihood of losses in these markets. Among defensive assets, Emerging Market Debt (bonds issued by Emerging Market nations) offer the most attractive reward for risk, with shorter dated U.S. bonds also representing reasonable value.

Model performance

31/12/2018

Period	Income %	Growth %	Total %
1 month	0.06	0.28	0.34
3 months	0.21	-0.68	-0.48
6 months	0.51	0.00	0.50
1 yr pa	1.46	-0.72	0.75
3 yr pa	1.78	0.52	2.30
5 yr pa	2.17	1.01	3.18

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.

Model Composition

31/12/2018

Asset Class	Min	NP	Actual	Max
Australian Equities	0	5.0	6.2	15
Global Equities	0	7.0	6.3	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	21.6	70
Global Fixed Income (Hedged)	0	20.0	21.6	70
Cash	10	36.0	41.2	90
		100.0	100.0	
	Growth	15.0	14.5	
	Income	85.0	85.5	

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.

Top Holdings

31/12/2018

	Security	Portfolio %
1	Morningstar International Bonds (Hedged) Fund	21.6
2	iShares Enhanced Cash ETF	17.6
3	iShares Core Composite Bond ETF	13.8
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	3.7
8	iShares MSCI Emerging Markets ETF	2.5
9	Morningstar Multi Asset Real Return Fund	2.0
10	Vanguard Australian Fixed Interest Index ETF	2.0
11	iShares MSCI Japan ETF CDI	1.5
12	Morningstar Australian Shares Fund	1.5
13	iShares Europe ETF CDI	1.5
14	SPDR Dow Jones Global Real Estate ETF	1.0
15	Morningstar International Shares (Hedged)	0.9
16	Commonwealth Bank of Australia	0.8
17	Telstra Corporation Limited	0.7
18	Brambles Limited	0.7
19	Woodside Petroleum Ltd	0.7
20	James Hardie Industries	0.6

Model Details

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

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