



# VENTURA MORNINGSTAR BALANCED MODEL

August 2019

## COMMENTARY

It has been a fascinating period in financial markets as fear and uncertainty reigned in the final quarter of 2018. However, we have seen a sharp reversal in sentiment, with both share and bond markets staging a remarkable rally in 2019. Curiously, many of the reasons that were cited behind the falls toward the end of 2018, remained during this period. Nonetheless, investors have taken heart from the more supportive language of the U.S. Federal Reserve, as the 'Fed' attempts to appease concerns regarding the pace and scale of quantitative tightening (the reversal of the quantitative easing program that supported share and bond markets for so long). Other Central Banks too, notably the European Central Bank and our own Reserve Bank of Australia, have similarly changed policy direction as they move to stimulate growth and inflation in their respective economies. While this has been positive for growth assets like shares, the softening outlook for global interest rate expectations has also supported global bond markets (bond prices rise as interest rates fall, all things being equal), as well as yield-sensitive asset classes such as global listed property and global listed infrastructure. This has flowed through into strong positive returns for investors across most asset classes.

While the overall reward for risk in markets leads to the investment manager proceeding with caution, they can see appealing opportunities by applying a long-term, valuation-driven approach. Japanese shares still appear attractively priced, with the ongoing 'trade wars' weighing on sentiment toward the asset class, while the continued focus of their corporates on improving shareholder outcomes (increased dividends, improving profit margins) is expected to benefit us as shareholders.

Elsewhere, the underlying investment case for Emerging Market shares remains sound, given their improving earnings profile and reasonable valuations compared to developed market peers. By contrast, the outlook for Australian and U.S. shares 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, particularly where they are issued in the currency of the Emerging Market country (as opposed to U.S. dollars), while shorter dated U.S. bonds also represent reasonable value.

### Model performance

31/08/2019

Period	Income %	Growth %	Total %
1 month	0.06	-0.23	-0.18
3 months	0.83	1.55	2.38
6 months	0.96	2.61	3.57
1 yr pa	1.52	2.81	4.34
3 yr pa	2.17	2.24	4.41
5 yr pa	2.15	3.27	5.41
7 yr pa	2.37	4.31	6.67

The Ventura Morningstar Balanced 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

31/08/2019

	Security	Portfolio %
1	iShares Core Cash ETF	17.5
2	Morningstar International Bonds (Hedged) Fund	11.3
3	iShares Core Composite Bond ETF	8.0
4	Morningstar International Shares (Hedged)	6.8
5	Morningstar Multi Asset Real Return Fund	6.5
6	iShares MSCI Japan ETF CDI	5.2
7	Cash Account	4.2
8	BetaShares Australian High Interest Cash ETF	4.2
9	iShares Global Consumer Staples ETF	3.7
10	BetaShares Australian Bank Senior Floating Rate Bond ETF	3.7
11	BetaShares FTSE 100 ETF	3.5
12	iShares Europe ETF CDI	2.7
13	iShares MSCI South Korea ETF	2.6
14	iShares MSCI Emerging Markets ETF	2.3
15	iShares Government Inflation ETF	2.0
16	iShares Global Healthcare ETF CDI	2.0
17	Morningstar Australian Shares Fund	1.6
18	Vanguard FTSE Emerging Markets Shares ETF	1.6
19	Commonwealth Bank of Australia	1.0
20	SPDR Dow Jones Global Real Estate ETF	1.0

### Model Composition

31/08/2019

Asset Class	Min	NP	Actual	Max
Australian Equities	0	16.0	8.8	45
Global Equities	0	23.0	31.4	45
AREIT			1.4	
Global Property	0	8.0	1.0	35
Global Infrastructure			0.0	
Alternatives	0	6.0	6.5	25
Aust Fixed Income	0	20.0	13.7	40
Global Fixed Income (Hedged)	0	14.0	11.3	40
Cash	0	13.0	25.9	55
		<b>100.0</b>	<b>100.0</b>	
	Growth	50.0	45.8	
	Income	50.0	54.2	

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+2.5%
<b>Suggested timeframe</b>	5 years
<b>Number of securities</b>	25-80
<b>Estimated max. turnover</b>	<40%
<b>Model management fee</b>	0.605%pa
<b>Indirect Cost Ratio (ICR)</b>	0.22%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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