



# VENTURA MORNINGSTAR DEFENSIVE MODEL

February 2020

## COMMENTARY

Shares rallied in late 2019 to cement a strong year of gains across major equity markets around the world. Looking back over one of the stronger years on record, the common catalyst was the influence of central banks, whose support came in response to sluggish growth (both economically and in terms of corporate profitability). That said, counter to earlier signals, the global economy proved more resilient than many expected as the year wound to a close. This coupled with trade fears subsiding and greater clarity regarding a potential Brexit outcome (following Boris Johnson's convincing victory in the UK election), sent shares to record highs in many parts of the world. All equity sectors gained ground, but energy was relatively weak as concerns around oil oversupply tempered gains and healthcare took some heat amid political developments. Booming technology stocks and the internet-oriented names in the communications-services sector underpinned the "growth" style's outperformance of "value" through 2019. Regarding size, larger companies dominated smaller equivalents over the last three quarters of the year, partly buoyed by bigger global weights in technology and financials.

Turning to bonds, the Federal Reserve's policy reversal (that has given investors a renewed confidence in the "lower for longer" interest rate outlook) drove strong returns across fixed income markets through 2019, although this ran out of steam as the year came to an end. The broad message was clear, however, with central bank easing, low defaults and manageable inflation expectations helping bond investors. Even the riskier corners of the bond market did well, with high yield bonds and emerging markets debt delivering double-digit gains. On the one hand, 2019 was a great year for investors. Double-digit returns in share markets will usually put a smile on most faces but on the other, we've endured one of the more unpredictable periods in history, with low interest rates, heightened geopolitical uncertainty and stretching asset prices dominating question time. Indeed, these returns have been achieved with very little regard for risk.

Regardless of how we got here, it is hard to look past the evidence linking expensive valuations to lower future returns. As such, we must be mindful of behavioural biases that paint these recent returns as reasonable and sustainable expectations for the future. With this in mind, the Model Manager continues to focus on delivering the maximum amount of return, for a given level of risk, as opposed to just generating returns without regard for the risk taken in achieving them. Ultimately, their process looks to identify unloved assets that they think will help deliver investor outcomes over the longer term.

### Model performance

29/02/2020

Period	Income %	Growth %	Total %
1 month	0.04	-1.08	-1.04
3 months	0.20	-0.39	-0.19
6 months	0.36	0.41	0.76
1 yr pa	0.98	3.02	4.00
3 yr pa	1.43	1.82	3.26
5 yr pa	1.82	0.69	2.52

### Top Holdings

29/02/2020

Security	Portfolio %
1 Morningstar International Bonds (Hedged) Fund	19.7
2 iShares Enhanced Cash ETF	19.1
3 iShares Core Cash ETF	15.0
4 iShares Core Composite Bond ETF	9.8
5 BetaShares Australian High Interest Cash ETF	9.3
6 BetaShares Australian Bank Senior Floating Rate Bond ETF	6.0
7 iShares Government Inflation ETF	2.9
8 Cash Account	2.9
9 iShares MSCI Emerging Markets ETF	2.0
10 Morningstar Multi Asset Real Return Fund	2.0
11 Vanguard Australian Fixed Interest Index ETF	1.9
12 iShares MSCI Japan ETF CDI	1.5
13 BetaShares FTSE 100 ETF	1.5
14 iShares Global Consumer Staples ETF	1.1
15 iShares Europe ETF CDI	0.9
16 Link Administration Holdings	0.8
17 Morningstar Australian Shares Fund	0.8
18 Brambles Limited	0.6
19 Commonwealth Bank of Australia	0.6
20 Westpac Banking Corporation	0.6

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

29/02/2020

Asset Class	Min	NP	Actual	Max
Australian Equities	0	5.0	4.4	15
Global Equities	0	7.0	7.0	15
AREIT			0.0	
Global Property	0	2.0	0.0	15
Global Infrastructure			0.0	
Alternatives	0	2.0	2.0	20
Aust Fixed Income	0	28.0	20.7	70
Global Fixed Income (Hedged)	0	20.0	19.7	70
Cash	10	36.0	46.3	90
		<b>100.0</b>	<b>100.0</b>	
	Growth	15.0	12.4	
	Income	85.0	87.6	

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.

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