



# VENTURA MORNINGSTAR DEFENSIVE MODEL

August 2020

## COMMENTARY

During 2020, investment markets have experienced considerable volatility: the first quarter saw share markets record significant declines, the second quarter (in many cases) saw the fastest share market recovery since 1983 and bond markets – despite low starting yields – still managed modest gains that provided some offset during share market weakness. The net result for shares was a modestly negative year-to-date performance but, peculiarly, this is no different than what one might expect in a typical six-monthly period.

Technology stocks continued to outperform as they thrived in the work-from-home environment, which contrasts with long established businesses whose stocks are struggling despite decades of positive cashflows. Likewise, there were similar strong performance from riskier bond markets (as expected in a speedy market recovery) with most of the earlier losses overturned. In fact, corporate bond yields are now back towards the record-lows of late 2019, especially among lower-rated (sub-investment grade) issuance, which seemed unfathomable to some just months ago. More broadly opportunities in bond markets are becoming increasingly limited, especially among treasury bonds whose already-low yields have not budged upwards with the stock rally. As the risk of a potential second wave of COVID-19 infection increases, the validity of the overall market rebound seems questionable. Indeed, this is a challenging period, arguably with higher uncertainty than any period since World War II. For example, there are clear demand shocks to contend with—including everything from suppressed household spending to a lack of corporate investment. There are also supply chain issues, which would all be exacerbated if another spike in coronavirus cases was to occur.

Following from the spectacular rally in share markets over the second quarter, the following power of three key drivers are observed: – herd behaviour, the significant and rapid policy response influence, and the fear of missing out. The speed and magnitude of the market rebound in the second quarter should serve to demonstrate how quickly sentiment and momentum can turn around, and that attempting to time the top or bottom of the market is difficult, if not impossible. The model manager anchors their investment decisions on valuations, or what an asset is really worth. Doing so reduces the likelihood of falling into behavioural investment traps. The dispersion in share performance has created interesting valuation opportunities for active investors, as the model manager have taken advantage of pricing dislocations that market volatility and behavioural biases such as fear of loss can bring.

The second quarter rebound highlighted the ever-important balance between return generation and risk management, reiterating the importance of staying emotionally grounded and smartly diversifying into attractively priced assets. Uncertainty abounds, and in many cases, financial markets are factoring in little room for error. However, the portfolio remains positioned toward attractively priced opportunities, in which the model manager think will deliver for clients.

### Model performance

31/08/2020

Period	Income %	Growth %	Total %
1 month	0.04	-0.28	-0.25
3 months	1.01	-0.66	0.35
6 months	1.06	-1.79	-0.73
1 yr pa	1.42	-1.39	0.03
3 yr pa	1.44	1.09	2.53
5 yr pa	1.65	0.79	2.44

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

31/08/2020

Asset Class	Min	NP	Actual	Max
Australian Equities	0	5.0	8.1	15
Global Equities	0	7.0	3.9	15
AREIT			0.0	
Global Property	0	2.0	0.0	15
Global Infrastructure			0.0	
Alternatives	0	2.0	1.8	20
Aust Fixed Income	0	28.0	24.4	70
Global Fixed Income (Hedged)	0	20.0	22.2	70
Cash	10	36.0	39.5	90
		<b>100.0</b>	<b>100.0</b>	
	Growth	15.0	12.9	
	Income	85.0	87.1	

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

31/08/2020

	Security	Portfolio %
1	iShares Enhanced Cash ETF	19.8
2	Morningstar International Bonds (Hedged) Fund	17.2
3	iShares Core Cash ETF	11.7
4	iShares Core Composite Bond ETF	8.5
5	BetaShares Australian Bank Senior Floating Rate Bond ETF	8.1
6	iShares Government Inflation ETF	5.9
7	BetaShares Australian High Interest Cash ETF	4.3
8	Australian Dollar	3.7
9	Vanguard International Credit Securities Index Fd (Hedged) ETF	3.0
10	iShares Global High Yield Bond (AUD Hedged) ETF	2.1
11	Vanguard Australian Fixed Interest Index ETF	1.9
12	Morningstar Multi Asset Real Return Fund	1.8
13	BetaShares FTSE 100 ETF	1.5
14	BHP	1.0
15	BetaShares Global Energy Companies ETF (hedged)	0.9
16	Medibank Private Ltd	0.9
17	Link Administration Holdings	0.9
18	iShares Europe ETF CDI	0.8
19	Woodside Petroleum Ltd	0.8
20	iShares MSCI Japan ETF CDI	0.7

## 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.