



VENTURA MORNINGSTAR GROWTH MODEL

February 2021

COMMENTARY

Debt levels are at all-time highs, economic output is at multi-decade lows, there are widespread job losses, a global pandemic halting most human interactions and yet global stock prices are at or near record highs. A meaningful part of the narrative is attributable to record levels of stimulus. Interest rates are expected to sit around all-time lows for the foreseeable future, with the U.S. Federal Reserve and the Reserve Bank of Australia both hinting that rates are likely to remain low, until at least 2023.

Looking within equities, not all is equal. Divergence in returns continues, by both country and sector. While the U.S. has done well 2020-to-date, the U.K. share market remains under pressure. Elsewhere, "new world" growth companies, notably in the technology sector, are demanding a curiously high premium, while "established" businesses fall out of favour. Understanding this dispersion is key to navigating the current investment environment. Ultimately, it is unpopular stocks that tend to outperform popular stocks in the long run, as validated in several academic studies. While 2020 has so far proven to be an outlier in this sense, it is the contrarian investor that has the upper hand probabilistically. This popularity/unpopularity conundrum should not be understated in these extreme times.

Unsung heroes in times of stress, such as cash and longer-dated bonds, continue to play their role as a defensive ballast. Remember that the pledges by central banks to keep rates low has provided some comfort for fixed income investors, despite the low yields. In this regard, the spread between riskier bond holdings (such as lower-quality corporate bonds) and safer exposure (such as government bonds, which tend to offset equity risk) saw a big spike in early 2020. Emerging market debt remains an area of interest, given the high relative yields on offer.

Taken together, balancing capital growth and capital preservation is undoubtedly demanding at present, but this requires a steady hand. There are the simple things to get right, such as keeping costs low, focusing on the long term, and diversifying the return/risk drivers. However, to excel in today's environment, it also requires advanced analytical and behavioural skill, the ability to rationally assess the market extremes against one's goals, then sensibly execute on those observations. The model manager will continue in this way, for the benefit of all investors.

Model performance

28/02/2021

Period	Income %	Growth %	Total %
1 month	0.06	1.14	1.20
3 months	0.25	1.90	2.15
6 months	0.25	7.64	7.88
1 yr pa	1.11	6.48	7.59
3 yr pa	1.49	3.82	5.31
5 yr pa	1.92	4.59	6.51
7 yr pa	2.07	4.33	6.40

The Ventura Morningstar Growth 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

28/02/2021

	Security	Portfolio %
1	iShares Core Cash ETF	11.7
2	Morningstar International Shares Active ETF	10.9
3	BetaShares Global Energy Companies ETF (hedged)	9.5
4	Morningstar Multi Asset Real Return Fund	7.6
5	BetaShares FTSE 100 ETF	7.6
6	iShares Core Composite Bond ETF	6.8
7	iShares MSCI Japan ETF CDI	6.3
8	BetaShares Australian Bank Senior Floating Rate Bond ETF	5.4
9	Morningstar International Bonds (Hedged) Fund	4.9
10	iShares Europe ETF CDI	3.1
11	Australian Dollar	2.4
12	iShares MSCI South Korea ETF	2.3
13	Vanguard FTSE Emerging Markets Shares ETF	1.8
14	Westpac Banking Corporation	1.5
15	Brambles Limited	1.4
16	iShares MSCI Emerging Markets ETF	1.4
17	Medibank Private Ltd	1.3
18	Insurance Australia Group	1.2
19	Woodside Petroleum Ltd	1.2
20	Newcrest Mining Limited	1.1

Model Composition

28/02/2021

Asset Class	Min	NP	Actual	Max
Australian Equities	0	22.0	15.8	60
Global Equities	0	33.0	43.7	60
AREIT			1.6	
Global Property	0	11.0	0.0	40
Global Infrastructure			0.0	
Alternatives	0	8.0	7.6	25
Aust Fixed Income	0	12.0	12.2	30
Global Fixed Income (Hedged)	0	8.0	4.9	30
Cash	0	6.0	14.1	45
		100.0	100.0	
	Growth	70.0	64.9	
	Income	30.0	35.1	

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.

Model Details

Objective	CPI+3.5%
Suggested timeframe	7 years
Number of securities	25-80
Estimated max. turnover	<40%
Model management fee	0.66%pa
Indirect Cost Ratio (ICR)	0.20%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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