



VENTURA MORNINGSTAR BALANCED MODEL

May 2022

COMMENTARY

Concerns over the prospect of higher inflation and the onset of conflict in Ukraine saw most equity markets fall this quarter. While these are significant issues for investors to digest, it is, in many ways, as much about the uncertainty of what may or may not happen, as it is about the ultimate outcome. In this regard, all equity sectors have increased since the onset of the conflict, with most developed equity markets having now recouped more than half of their losses since the year began.

After more than a decade of worrying that inflation has been too low, the global economy is now faced with the prospect of inflation being too high, given the increased price of oil, industrial metals and soft commodities brought about by the Ukraine situation. Russia and Ukraine account for 30% of global wheat production; while the withdrawal of up to 10% of world oil supply and nearly twice that in gas, plus the large supply gap in industrial metals has seen core inflation spike to over 7.5% in the US and 4.5% in Australia. Bond market reaction has been swift, with bond yields rising around the world (US 10-year bond yields have risen by around 1%). The expectation of a cash rate increase has been fulfilled in the US, and speculation continues about similar monetary tightening in other developed nations. The dilemma for central banks is to curtail inflation but, at the same time, to not stall the economic recovery as a result of raising rates.

The portfolio has held up well in what has been a challenging investment environment, with its global energy positions performing strongly. The Investment team made the decision to trim some energy exposure, as prices of oil and gas (in particular) rose. The proceeds have been redeployed into banks, which look set to benefit from the rising interest rate environment. Further, they've broadened global exposures to US stocks, buying into valuations not seen for some time. Taking advantage of better value (and yields) in bonds, the team have also increased bond exposures.

While investment market volatility is always expected, it's in volatile times that investors should remind themselves of their investment objectives and time horizon, especially as Morningstar's valuation-driven approach remains disciplined at this time.

Model performance

31/05/2022

Period	Income %	Growth %	Total %
1 month	0.00	0.00	0
3 months	0.05	-1.99	-1.94
6 months	0.40	-2.39	-1.99
1 yr pa	2.48	-3.48	-1
3 yr pa	1.65	1.61	3.26
5 yr pa	1.61	1.69	3.3
7 yr pa	1.90	1.57	3.47

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

31/05/2022

Security	Portfolio %
1 iShares Core Composite Bond ETF	17.1
2 Morningstar International Bonds (Hedged) Fund	9.4
3 iShares Core Cash ETF	7.5
4 Morningstar International Shares Active ETF	7.1
5 Morningstar Multi Asset Real Return Fund	6.9
6 Vanguard Australian Fixed Interest Index ETF	5.8
7 Morningstar International Shares (Unhedged) Fund	5.7
8 BetaShares FTSE 100 ETF	5.5
9 BetaShares Australian High Interest Cash ETF Units	3.8
10 iShares MSCI Japan ETF CDI	3.4
11 Australian Dollar	3.0
12 iShares Core MSCI World Ex Australia ESG Leaders ETF	3.0
13 Brambles Limited	2.0
14 iShares MSCI South Korea ETF	2.0
15 iShares China Large-Cap ETF CDI	1.9
16 Vanguard FTSE Europe Shares ETF	1.6
17 BetaShares Global Energy Companies ETF (hedged)	1.6
18 Medibank Private Ltd	1.4
19 iShares Europe ETF CDI	1.4
20 Vanguard FTSE Emerging Markets Shares ETF	1.4

Model Composition

31/05/2022

Asset Class	Min	NP	Actual	Max
Australian Equities	0	16.0	10.0	45
Global Equities	0	23.0	35.7	45
AREIT			0.8	
Global Property	0	8.0	0.0	35
Global Infrastructure			0.0	
Alternatives	0	6.0	6.9	25
Aust Fixed Income	0	20.0	22.9	40
Global Fixed Income (Hedged)	0	14.0	9.4	40
Cash	0	13.0	14.3	55
		100.0	100.0	
	Growth	50.0	49.9	
	Income	50.0	50.1	

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+2.5%
Suggested timeframe	5 years
Number of securities	25-80
Estimated max. turnover	<40%
Model management fee	0.605%pa
Indirect Cost Ratio (ICR)	0.25%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

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