

Ventura Morningstar Defensive Model



vMAPs Model Profile | October 2017

Market Commentary

Economic growth and confidence gauges are strengthening, especially in the US, Europe and China, while corporate profitability continues to improve and unemployment edges lower.

The US continues to enjoy a stellar period of progress – both economically and in the markets – with consumer confidence now at a 14-year high and markets continuing to break new records. Investors seem to be embracing everything that lies ahead of them at present, with the prospects of US tax reform and speculation over the Federal Reserve chairperson taken in its stride. The US dollar resurgence has also provided a modest tailwind for offshore investors, rising by approximately 1% against the euro and sterling.

European optimism has been another clear development, and October saw a further consolidation of this. The Catalan independence vote posed a risk to Spanish and Eurozone stability, however the initial fear was followed by a sense of calm. Even the prospect of having a 31-year-old elected as the leader of Austria was embraced by investors. All of this leaves the European Central Bank with a challenging situation, as it pulls back on stimulus (cutting quantitative easing from €60 billion to €30 billion per month from January 2018) while grappling with stubbornly low inflation.

Global growth is also supported by China's growth trajectory, which continues to run ahead of the government's expectation (GDP growth of 6.8% year-on-year is ahead of the 6.5% expectation for 2017). This optimism was reinforced in the five-yearly China Party Congress, at which President Xi Jinping was re-elected for a second term.

Other key events in October were the Japanese election success of Prime Minister Shinzo Abe and hints that Brexit is moving forward in the UK. The former was embraced wholeheartedly by investors, whilst the outlook for the UK carries far greater uncertainty.

October was another strong month for investment markets, especially for equities. Both developed and emerging markets produced meaningful gains in the vicinity of 2% to 4% on average (in local currency terms), with emerging markets slightly ahead once again. Asian markets were the standout, with Japan, Korea and Taiwan all rising by as much as 6% to 8% following the Japanese election and a lull in North Korean tensions.

Bond markets were reasonably choppy during the month, remaining sensitive to central bank and geopolitical developments. European debt experienced heightened volatility following the Catalonia vote, although ended modestly positive over the month. Emerging market debt (especially local currency issuance) was a clear laggard, following a resurging US dollar as well as a deteriorating Mexican economy and the potential for a Venezuelan default. More broadly, corporate bonds slightly outperformed government bonds as credit spreads grind towards record lows.

Model Performance

31/10/2017

Period	Income %	Growth %	Total %
1mth	0.13	0.67	0.80
3mths	0.41	0.57	0.98
6mths	0.83	0.05	0.89
1 yr (%) pa	1.94	0.56	2.50
3 yr (%) pa	2.23	0.92	3.15

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

31/10/2017

Asset Class	Min	NP	Actual	Max
Australian Equities	0	5.0	5.2	15
Global Equities	0	7.0	5.8	15
AREIT		2.0	1.3	
Global Property	0	0.0	0.0	15
Global Infrastructure		0.0	0.0	
Alternatives	0	2.0	2.0	20
Aust Fixed Income	0	28.0	15.8	70
Global Fixed Income (Hedged)	0	20.0	17.4	70
Cash	10	36.0	46.7	90
		100.0	100.0	
		Growth	15.0	12.8
		Income	85.0	87.2

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.

Top Holdings

31/10/2017

Security	Portfolio %
1 iShares Core Cash ETF	23.1
2 Morningstar International Bonds Fund	17.4
3 BetaShares Australian High Interest Cash ETF	16.1
4 iShares Composite Bond ETF	15.8
5 Cash Account	7.5
6 iShares Government Inflation ETF	5.9
7 iShares MSCI Emerging Markets ETF	2.6
8 Morningstar Multi-Asset Real Return Fund	2.0
9 iShares Europe ETF	1.7
10 iShares MSCI Japan ETF	1.6
11 Brambles Ltd	0.8
12 Telstra Corporation Limited	0.8
13 QBE Insurance Group Limited	0.7
14 Westfield Corporation	0.7
15 Commonwealth Bank of Australia	0.7
16 Ansell Limited	0.6
17 Medibank Private Ltd.	0.6
18 GPT Group	0.6
19 Coca-Cola Amatil Limited	0.5
20 Crown Resorts Limited	0.4

Model Details

Objective	CPI+0.75%
Suggested timeframe	2yrs
Number of securities	25-80
Estimated max. turnover	<40%
Model Management Fee	0.55%pa
Indirect Cost Ratio (ICR)	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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