



## Presentation to Spinell's Clients



### **Investing when and where it makes sense to do so**

- The importance of having a valuation driven approach

Clint Abraham, Associate Director, Portfolio Specialist

May 2018

---

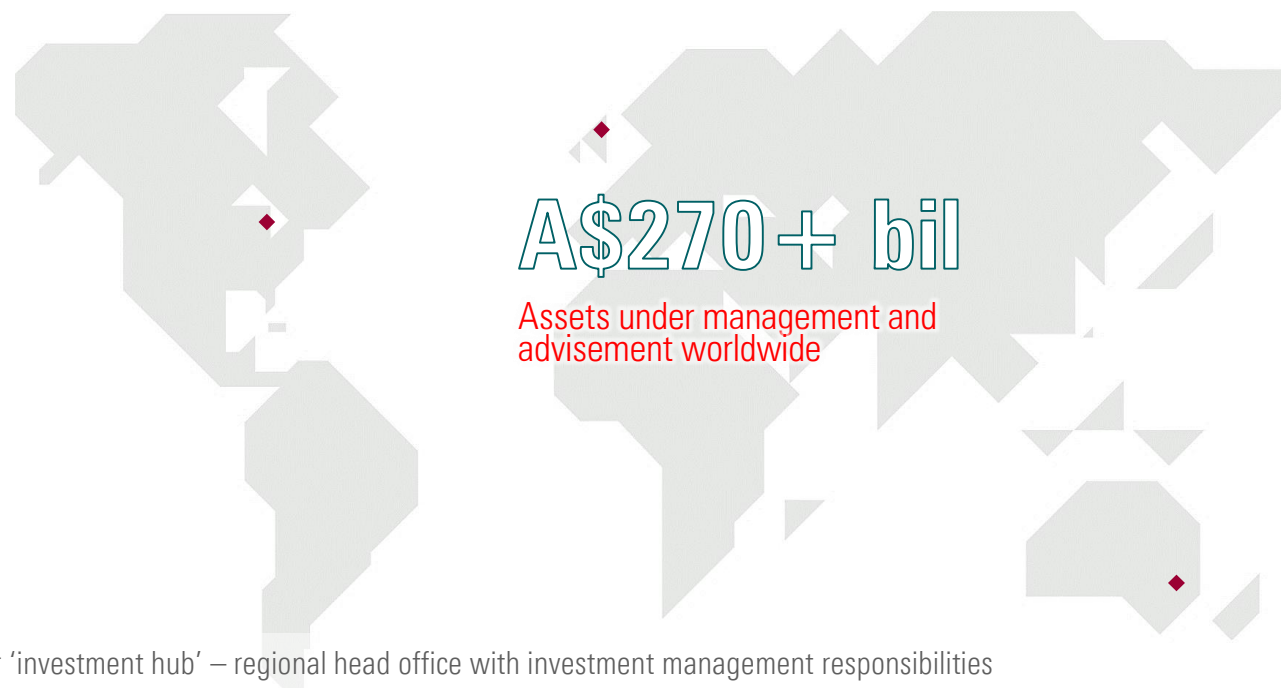
# Agenda

- Who is Morningstar Investment Management?
- Our Investment Principles
- Valuing Investments
- Investment Market Recap & Outlook
- Asset Allocation
- Positioning

---

# Morningstar Investment Management Australia Limited

- Morningstar Investment Management Australia Limited is Morningstar's investment management business based in Sydney, Australia.
- We offer multi-asset investment management (incorporating both multi-manager and direct strategies) and research services to institutions, advisers and individual investors.
- The Sydney office manages and advises on ~A\$7 billion (as at 31 August 2017).



Source: Morningstar Investment Management Australia, 31 August 2017

---

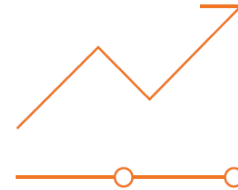
## Our Investment Principles



We put investors first.



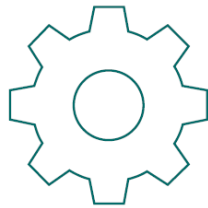
We're independent-minded.



We invest for the long term.



We're valuation-driven investors.



We take a fundamental approach.



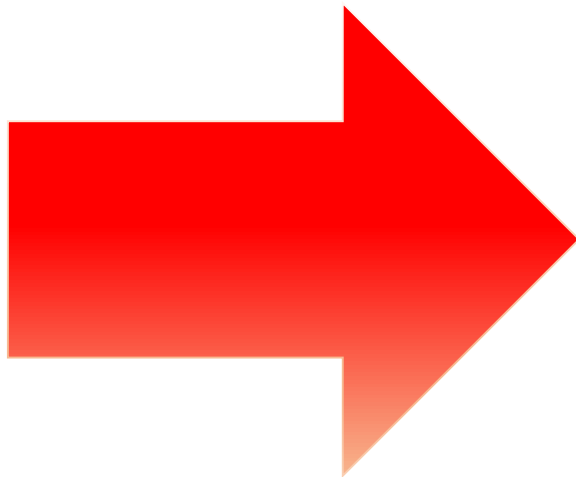
We strive to minimize costs.



We build portfolios holistically.

---

## The outcome? Multi Asset Portfolios with:



Inflation + investment objectives  
(Balanced: CPI + 2.5% over rolling 5 year periods)

A focus on capital preservation

Flexible asset class ranges

---

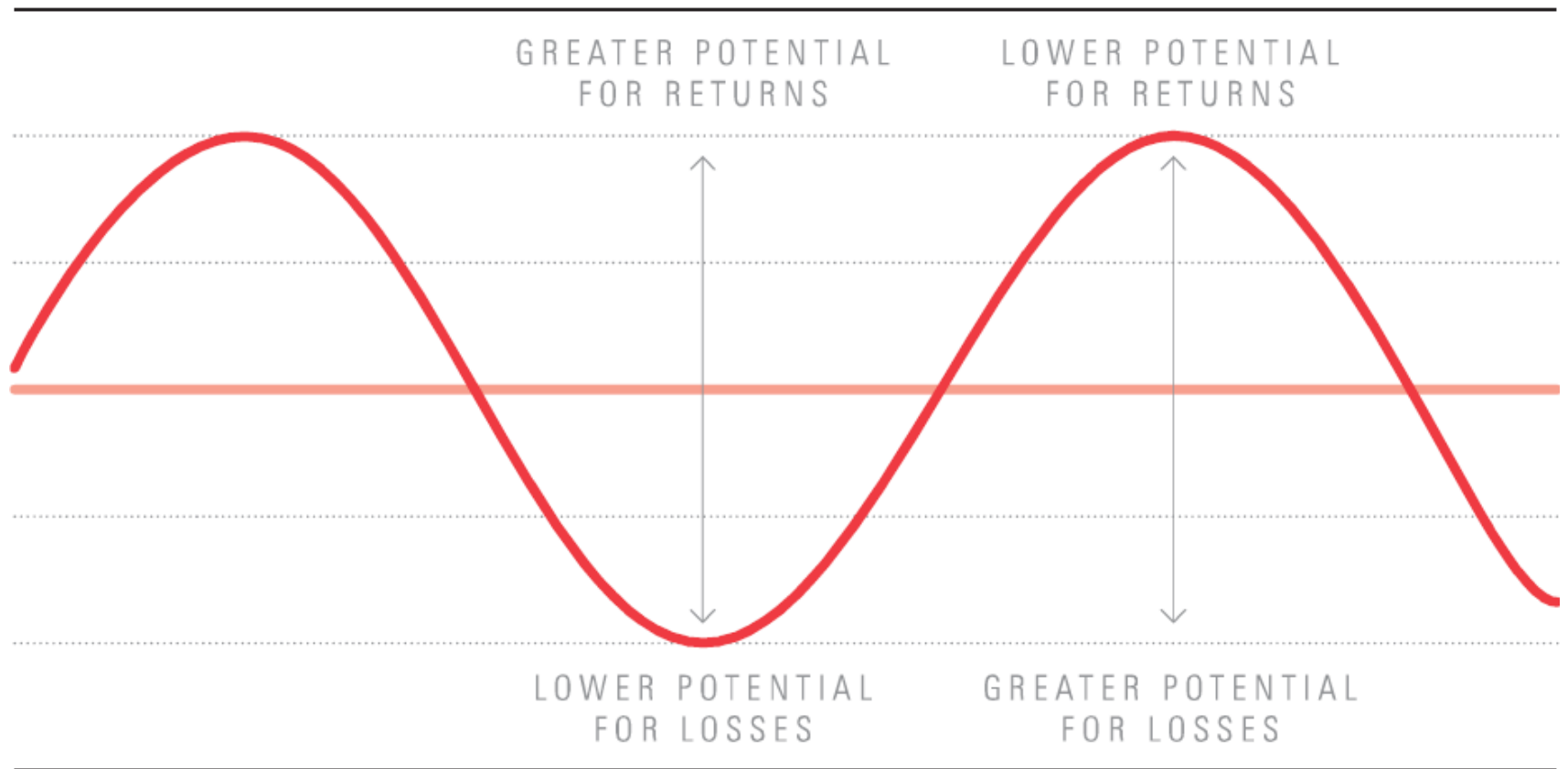
## Valuation-Driven Asset Allocation

“ **Price** is what you pay; **value** is what you get. ”

*Warren Buffett, 2008 Letter to Shareholders of Berkshire Hathaway Inc.*

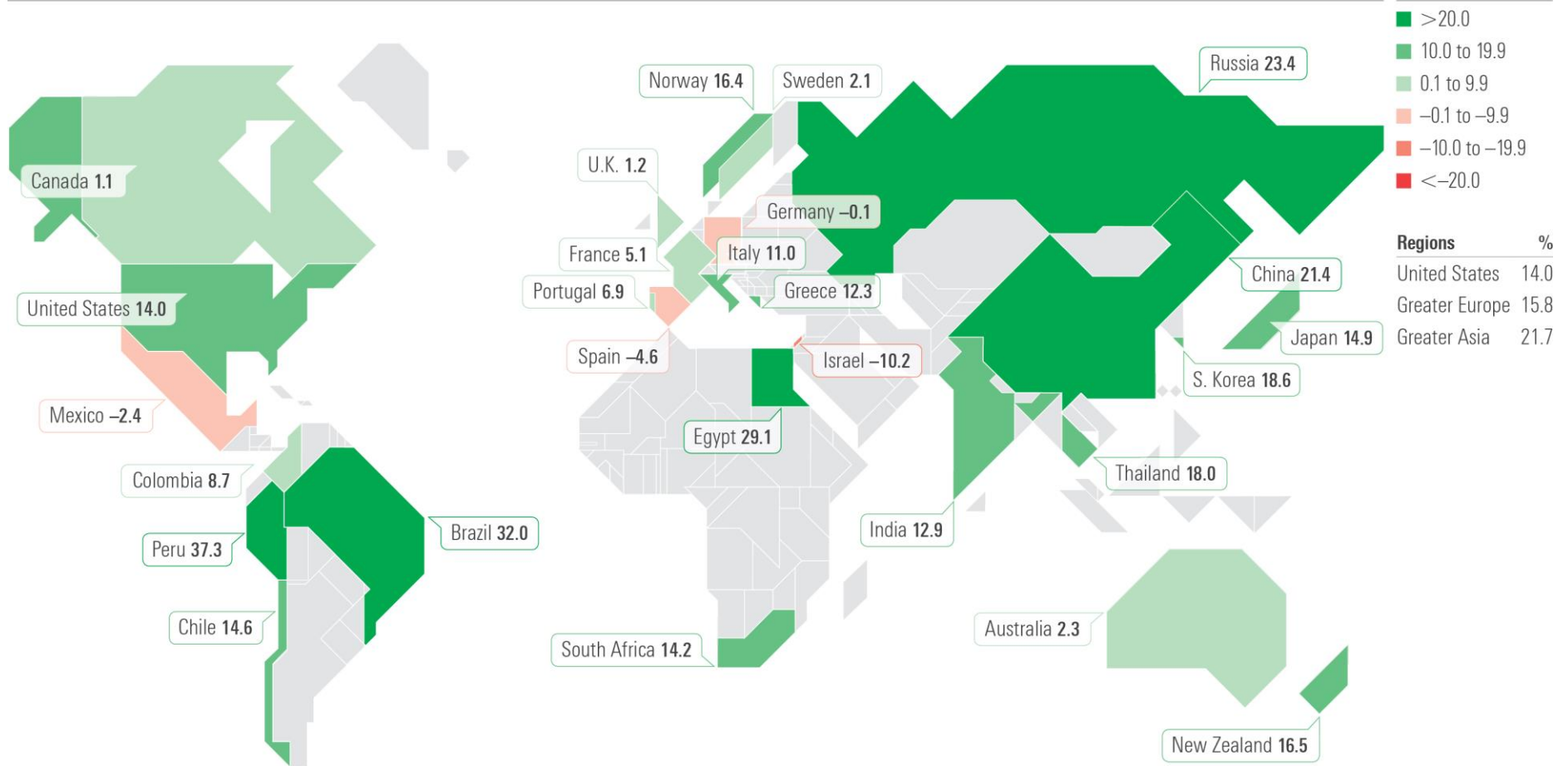
# Valuation Driven Asset Allocation

— Price — Fair Value



# It's been a pretty good time for markets.....

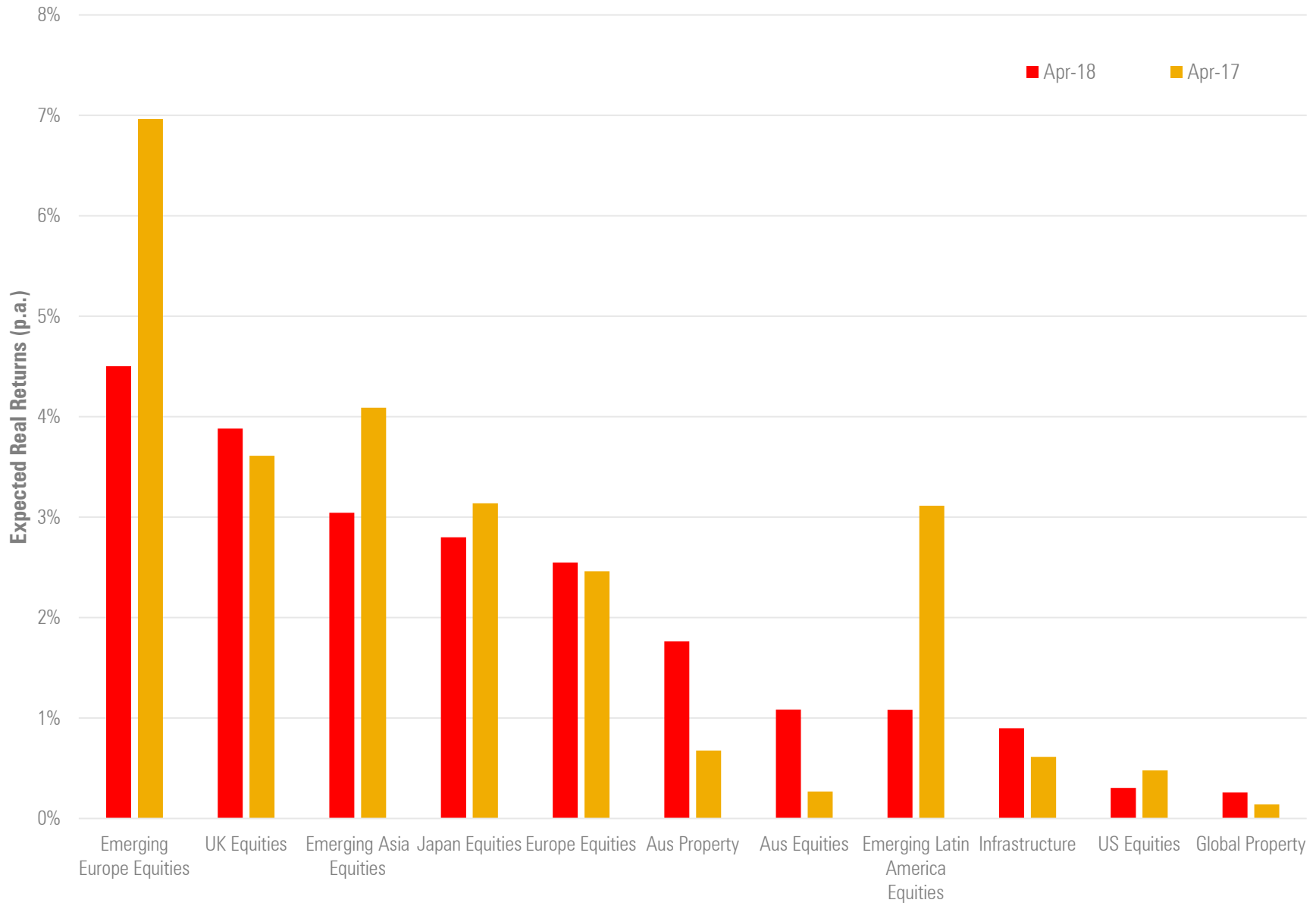
1-Year Trailing Returns of Morningstar Country Indexes in Base Currency by Percentage



Source: Morningstar. 12 month returns to 31 March 2018.



# Expected Returns, after inflation, for select growth assets



Source: Morningstar. As at 30 April 2018.

# Expected Returns, after inflation, for select defensive assets



Source: Morningstar. As at 30 April 2018.

# Asset Class Conviction- Q118

*This table provides an overview of global asset classes, based on our analysis of absolute and relative valuation, asset class fundamentals and sentiment toward the asset class.*

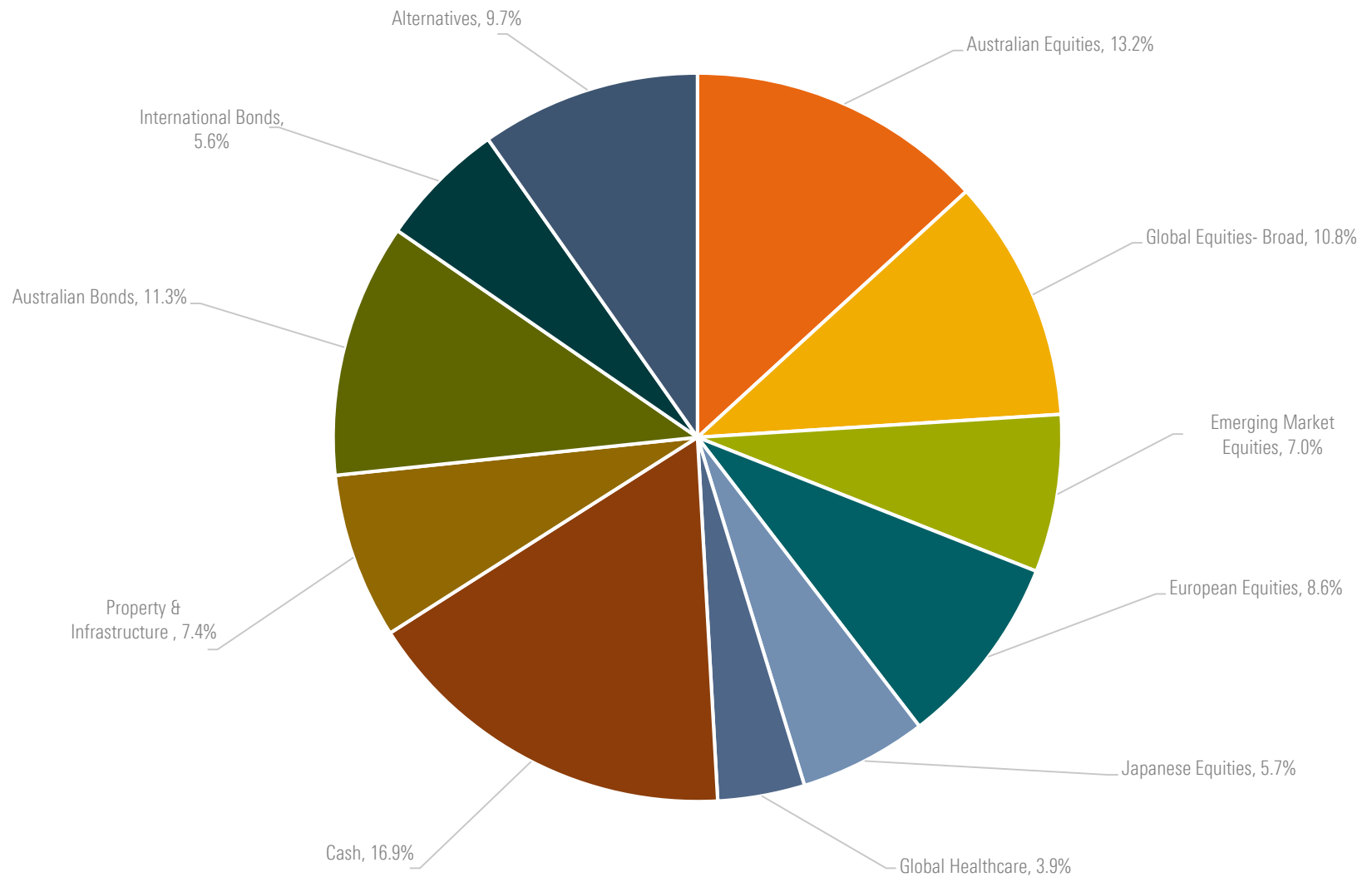
*It is intended as a guide only, with portfolio positioning being determined by each portfolio's investment objectives, the available investment universe, the size and characteristics of the asset class and the overall reward for risk, among other considerations.*

Conviction Level	Low	Low to Medium	Medium	Medium to High	High
<b>Equities</b>					
Australian Equities	○				
U.S. Equities	○				
Japanese Equities			○		
Europe Ex U.K. Equities		○			
U.K. Equities			○		
Emerging Market Equities				○	
<b>Bonds</b>					
Australian Bonds			○		
U.S. Bonds		○			
Japanese Bonds	○				
Europe Ex U.K. Bonds	○				
U.K. Bonds	○				
Emerging Market Bonds (LC)			○		
Emerging Market Bonds (HC)		○			
Investment Grade Credit		○			
High-Yield Credit		○			
Inflation-Linked Bonds		○			
<b>Property &amp; Infrastructure</b>					
Australian REITs	○				
Global REITs	○				
Global Infrastructure	○				
<b>Alternatives</b>					
Australian Dollar		○			
Cash				○	

○ Previous Quarter's Conviction

Source: Morningstar Investment Management, As at 18 January 2018

# Growth Managed Account- May 2018



Source: Morningstar. As at 18 May 2018

## Growth Managed Account- a deeper dive

Security	New Weighting	Security	New Weighting
<b>Australian Equities</b>	<b>13.2%</b>	<b>Property &amp; Infrastructure</b>	<b>7.4%</b>
Telstra Corporation Limited	1.4%	SPDR Dow Jones Global Real Estate ETF	3.4%
QBE Insurance Group Limited	1.4%	Scentre Group	0.9%
Brambles Limited	1.3%	Goodman Group	0.8%
Medibank Private Limited	1.1%	GPT Group	0.8%
Commonwealth Bank of Australia Limited	1.0%	Vicinity Centres	0.8%
Crown Resorts Limited	1.0%	Dexus Property Group	0.6%
Woodside Petroleum Limited	0.8%	<b>Australian Bonds</b>	<b>11.3%</b>
Ramsay Healthcare Limited	0.8%	iShares Core Composite Bond ETF	8.0%
Coca-Cola Amatil Limited	0.7%	iShares Government Inflation ETF	3.3%
Sonic Healthcare Limited	0.7%	<b>International Bonds</b>	<b>5.6%</b>
Morningstar Australian Shares Fund	3.0%	Morningstar International Bonds Fund (Hedged)	5.6%
<b>International Equities</b>	<b>35.9%</b>	<b>Alternatives</b>	<b>9.7%</b>
Morningstar International Shares Fund (Hedged)	9.8%	Morningstar Multi Asset Real Return Fund	9.7%
iShares Europe ETF	7.6%	<b>Cash</b>	<b>16.9%</b>
iShares MSCI Japan ETF	5.7%	iShares Core Cash ETF	8.6%
iShares MSCI Emerging Markets ETF	4.7%	Platform Cash	8.2%
iShares Global Healthcare ETF	3.9%		<b>100.0%</b>
iShares MSCI South Korea ETF	2.3%		
Vanguard FTSE Europe Shares ETF	1.0%		
Morningstar International Shares Fund (Unhedged)	1.0%		

Source: Morningstar. As at 31 December 2017

---

“ Holding cash is uncomfortable, but not as uncomfortable as doing something stupid. ”

*Warren Buffett*

---

Any Morningstar ratings/recommendations contained in this presentation are based on the full research report available from Morningstar or your adviser.

© Morningstar, Inc. All rights reserved. Neither Morningstar, its affiliates, nor the content providers guarantee the data or content contained herein to be accurate, complete or timely nor will they have any liability for its use or distribution. No part of this document may be reproduced or distributed in any form without the prior written consent of Morningstar.

Any general advice or 'class service' have been prepared by Morningstar Australasia Pty Ltd (ABN: 95 090 665 544, AFSL: 240892) and/or Morningstar Research Ltd, subsidiaries of Morningstar, Inc, without reference to your objectives, financial situation or needs. Please refer to our Financial Services Guide (FSG) for more information at [www.morningstar.com.au/s/fsg.pdf](http://www.morningstar.com.au/s/fsg.pdf). You should consider the advice in light of these matters and if applicable, the relevant Product Disclosure Statement (Australian products) or Investment Statement (New Zealand products) before making any decision to invest.

Our publications, ratings and products should be viewed as an additional investment resource, not as your sole source of information. Past performance does not necessarily indicate a financial product's future performance. To obtain advice tailored to your situation, contact a professional financial adviser. Some material is copyright and published under licence from ASX Operations Pty Ltd ACN 004 523 782 ("ASXO").

**Spinell®**

**MORNINGSTAR®**