
Quarterly Economic Briefing

Morningstar Manager Research

30 July 2020

Contents

- 1 Executive Summary
 - 3 International Equity
 - 6 Australian Equity
 - 8 International Listed Property
 - 9 Global Infrastructure
 - 11 Australian Listed Property
 - 12 Global Fixed Interest
 - 14 Australian Fixed Interest
 - 15 Australian Dollar
 - 17 Asset Allocation
-

Important Disclosure

The conduct of Morningstar's analysts is governed by Code of Ethics Policy, and Investment Research Integrity Policy. For information regarding conflicts of interest, please visit:

<http://global.morningstar.com/equitydisclosures>

Executive Summary

2020 has shaped up to be an unforgettable year. Investment markets have experienced considerable volatility, with risk assets recording significant declines in the March quarter as the global health pandemic saw governments around the world lockdown their economies and the movement of people. This was followed by a spectacular rally in the June quarter, with sharemarkets posting, in many cases, the fastest recovery since 1983. Most notably, U.S equities have recovered most of their lost ground in 2020, led by the technology sector; indeed, some segments of the US sharemarket ended the quarter well above their pre-COVID highs. The speed and magnitude of the June quarter market rebound was underpinned by the sheer scale and speed of central bank and government stimulus, and the reopening of many economies. This saw many market participants look through the immediate short-term economic weakness and price in expectations for a rapid (or "V-shaped") economic recovery.

With this optimistic view dominating sentiment, global listed property and listed infrastructure also participated in the rally; and other cyclical assets such as commodities, most notably, crude oil and iron ore, recorded stellar gains. One of the biggest movers for the quarter was the Australian dollar, which rose spectacularly against the United States dollar (USD) and against a basket of currencies, which was consistent with the 'risk-on' flavour of the period. Bonds were laggard performers but still managed small gains, although this was driven by strong performance from corporate and high yield bonds, with government bonds lagging; indeed, longer-dated government bond yields in Australia ended the June quarter higher.

The speed and magnitude of the spectacular share market rebound 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. We anchor our investment decisions on valuations, or what an asset is really worth, and by doing so, we reduce the likelihood of falling into behavioural investment traps, such as fear of loss.

Looking ahead, it remains unclear how the COVID-19 pandemic will unfold. Uncertainty abounds, and in many cases, investment markets are factoring in little room for error. With the swift recovery in asset prices and the sharp improvement in investor sentiment over the quarter, there has been a deterioration in the reward for risk that has led us to trim the growth allocation to underweight from neutral across all

the portfolios. For the Growth portfolio, this reduction in risk was expressed by lowering the allocation to global equities, from neutral to underweight, to reflect lower expected future returns stemming from strong gains in the U.S sharemarket. We also trimmed the allocation to global listed infrastructure but retained a modest overweight. Following the strong gains in the Australian dollar, we reduced the allocation to hedged international equities in favour of unhedged international equities, which should help manage downside risks by improving diversification in the portfolio in the event of an equity selloff.

With Australian government bond yields rising, there has been a modest improvement in relative value versus global bonds that has warranted an increased allocation to Australian fixed income, from underweight to neutral. Cash levels were also raised to offer a buffer should equity markets decline. As a result, the Growth portfolio is now overweight defensive assets (from neutral).

Asset Allocation Summary - Growth Risk Profile (as at 30 June 2020)

Growth Portfolio	SAA (%)	Current Allocation (%)	Over/Underweight (%)	Previous Allocation (%)	Change (%)
Australian Equity	23.0	23.0	+0.0	23.0	0.0
International Equity (Hedged)	17.5	13.6	-3.9	19.3	-5.7
International Equity (Unhedged)	17.5	20.4	+2.9	15.8	4.7
Australian Listed Property	3.0	2.0	-1.0	2.0	0.0
International Listed Property	5.0	4.0	-1.0	4.0	0.0
Global Infrastructure	4.0	5.0	+1.0	6.0	-1.0
Australian Fixed Interest	11.0	11.0	+0.0	10.0	1.0
International Fixed Interest	7.0	7.0	+0.0	7.0	0.0
Cash	12.0	14.0	+2.0	13.0	1.0
Total Defensive	30.0	32.0	+2.0	30.0	2.0
Total Growth	70.0	68.0	-2.0	70.0	-2.0

Market Returns to 30 June 2020 (AUD)

Asset Class	QTR	YTD	1yr	3yr
Australian Cash	0.03	0.22	0.71	1.46
Australian Fixed Income	0.53	3.53	4.18	5.57
Global Fixed Income	2.27	3.57	5.18	4.73
Australian REITs	19.92	-21.29	-21.33	2.00
Global REITs	8.59	-22.50	-17.63	-1.89
Global Infrastructure	10.68	-20.40	-16.25	-1.36
Australian Equities	16.48	-10.42	-7.68	5.19
Global Equities (\$A)	5.94	-3.60	5.18	10.76

Source: Morningstar Direct

International Equity

Review

Global sharemarkets rebounded from losses to record an impressive gain for the quarter, led by the U.S. sharemarket which recorded the best quarter in more than two decades. There was a wide disparity in returns across global sectors, with the IT sector being the standout performer, delivering over 30% (in local currency). By contrast the defensive sectors, such as utilities and consumer staples, lagged with returns below 10%. The performance gap—embodied by growth and value stocks—has stretched to the bounds of extremity, which offers a contrarian opportunity, for long term investors.

Outlook

The recent period of heightened market volatility has accentuated large valuation differences and opportunities across global equities. With this, the opportunity set is increasingly nuanced across countries and sectors.

At current prices, U.S. equities are once again looking expensive overall, on our analysis. Investors are hardly expected to be rewarded for the risk taken—especially relative to international markets. A large part of this story is the high implied growth rate of some of the underlying companies. For example, a handful of “new world” stocks (predominantly technology stocks that have reinvented old business methods) have dominated their more established counterparts. We note that there are behavioural biases that lead investors to assume that recent high returns will be permanently continued into the future. However, against any measure of corporate history, the probability of these companies achieving such continued high growth rates is low and makes us cautious.

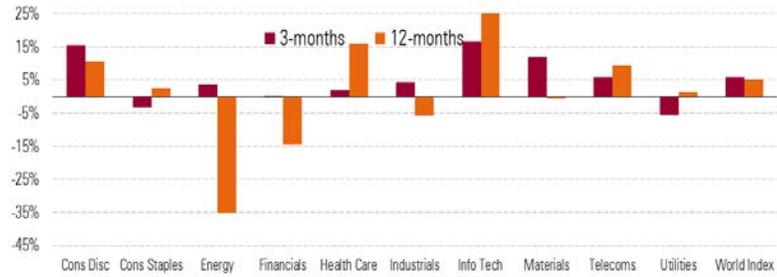
Challenges aside, there are pockets of the U.S. market that we like, however, these opportunities tend to cluster in more cyclical areas of the market—including energy and financials—where profitability may continue to retreat for a while. That said, we believe that current prices in these sectors provide an attractive reward for risk.

We continue to view U.K. equities to be among the most attractive investment opportunities. For context, investor sentiment has encountered a one-two punch, with a long-winded Brexit transition flowing straight into COVID-19 lockdowns. This has meant sellers have outnumbered buyers for an extended period, which we believe represents a contrarian opportunity supported by inviting valuations.

To best describe Europe, we can paraphrase Warren Buffett, when he famously said that he doesn't like pessimism, but he likes the prices that pessimism brings. We continue to believe European stocks offer a much better reward for risk than U.S. peers, and at a sector level we still have a positive view on European energy, financials, telecommunications, and to a lesser degree, healthcare.

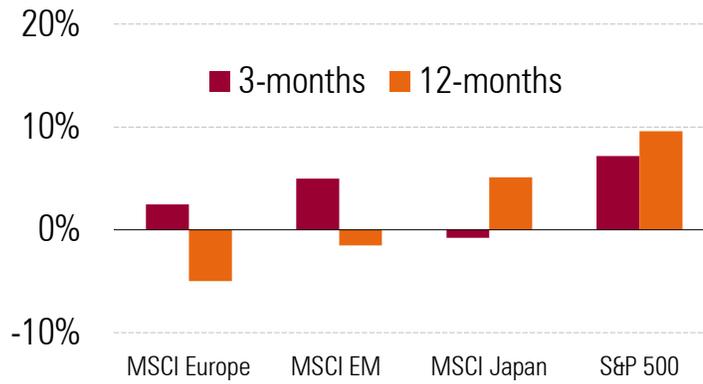
With uncertainty continuing to be elevated, we remain focused on finding assets that trade at a discount to their fair value.

Exhibit 1.1 Global Sub-sectors and Market (AUD) - Trailing Returns to 30 June 2020



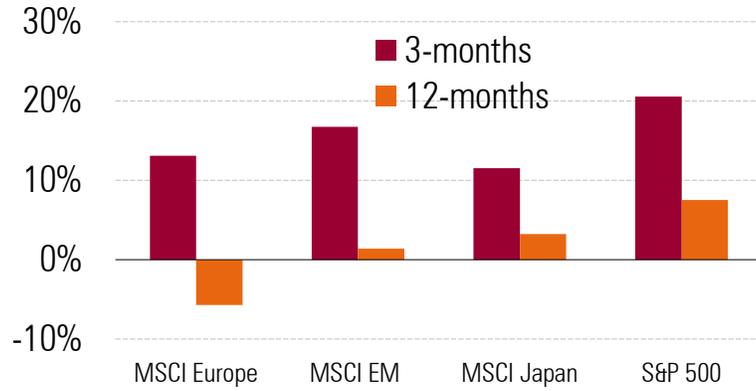
Source: Morningstar Direct

Exhibit 1.2 Regional Indexes (AUD) - Trailing Returns to 30 June 2020



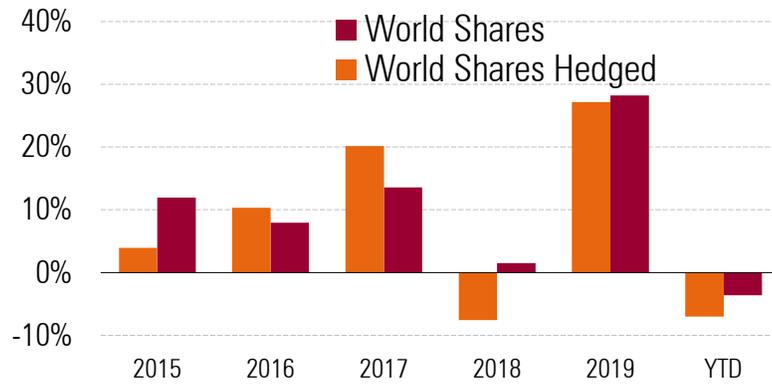
Source: Morningstar Direct

Exhibit 1.3 Regional Indexes (LCL) - Trailing Returns to 30 June 2020



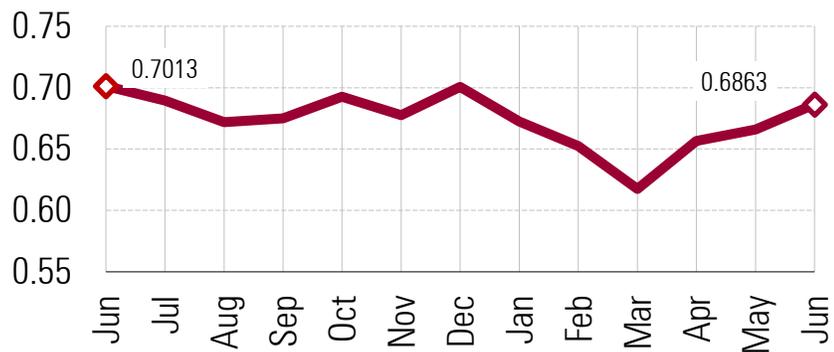
Source: Morningstar Direct

Exhibit 1.4 Global Shares Hedged vs Unhedged (AUD) - Calendar Year Returns



Source: Morningstar Direct

Exhibit 1.5 AUD/USD Exchange Rate - Trailing One - Year to 30 June 2020



Source: Reserve Bank of Australia

Australian Equity

Review

The Australian sharemarket staged an impressive rebound in the June quarter that saw the ASX 200 post a gain of 16.5%, which was the largest quarterly increase since 2009. This rally was fueled by an unprecedented AUD 150 billion government injection and aggressive monetary stimulus by the Reserve Bank of Australia to bolster the COVID-19 hit economy. However, it was not smooth sailing for the sharemarket and performance was choppy throughout the period as sentiment waxed and waned about the prospects of a return to 'normal' conditions for the global economy. Returns for the full 2019/20 fiscal year ended in the red, -7.7%, to be the worst year for Australian shares since the 2011/12 fiscal year. Notably, Australian shares have underperformed global shares (local currency) for the quarter and fiscal year.

Although all sectors recorded gains for the quarter, there was a meaningful divergence in sector performance, with defensive sectors being the laggards as healthcare, utilities, consumer staples all returned less than 8%; by contrast, the IT sector soared by more than 48% and consumer discretionary gained 30%.

Outlook

At the start of 2020, our view was that the Australian sharemarket was among the most expensive global asset classes, with poor expected returns elevating the likelihood of loss. However, following the COVID-19 related market turbulence, there has been a significant improvement in expected returns, and while these have reduced somewhat over the June quarter, they remain meaningfully higher than a year ago. With this, we retain a medium conviction in the asset class and a neutral asset allocation.

The Australian sharemarkets' recovery from its March lows, while impressive, has lagged global markets, however, most share regions still appear relatively more attractive, with the notable exception of the U.S and to a lesser extent, Europe-ex UK.

Exhibit 2.1 Market Dividend Yield Style Factor - 10 Years to 30 June

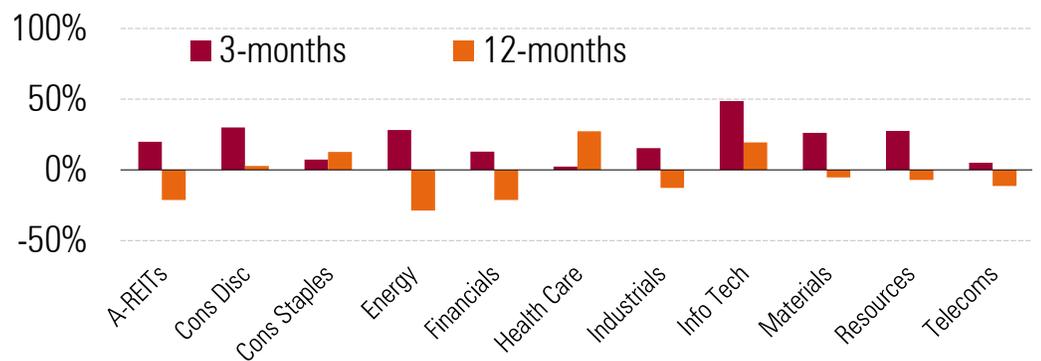


Source: Morningstar Direct

Exhibit 2.2 Market P/E Ratio - 10 Years to 30 June



Exhibit 2.3 S&P/ASX 200 Sub-sectors and Market (AUD) - Trailing Returns to 30 June



Source: Morningstar Direct

International Listed Property

Review

Global real estate investment trusts (GREITs) recorded strong gains for the quarter with the FTSE EPRA/NAREIT Developed NR (\$A Hedged) Index gaining 8.6%, however this gain was swamped by the sharp drawdown of the previous quarter, to dampen the 1 year return to a loss of -17.6%.

On a country basis, Hong Kong and Japan were relative laggards, with the former particularly impacted by China/Hong Kong relations over Hong Kong's autonomy. On a sector basis, the office sector struggled; while Industrials and Retail led the way, however, these were for differing reasons. Within the "growth" style, industrial assets were seen to benefit from an acceleration towards more online shopping, while within the "value" style, retail assets rebounded on the market's view that the previous quarter's price falls were overdone.

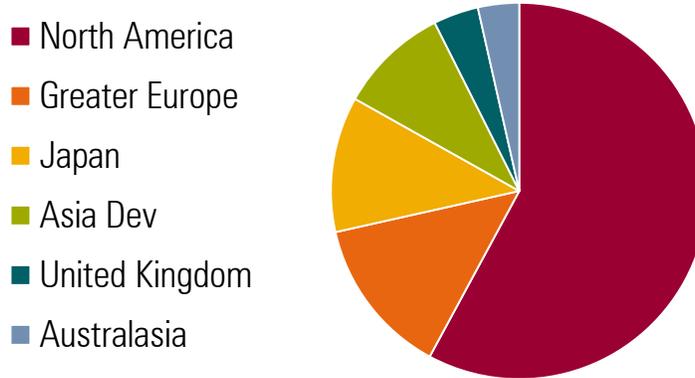
Over the 1-year period, hotels and retail REITs were the worst performing sub-sectors, with the former affected by travel restrictions and economic downturn concerns (rents on only 1-day leases), and the latter by social distancing requirements and an expected acceleration away from bricks and mortar retailing. Overall, 1 year returns for the asset class has lagged other growth assets, such as shares.

Outlook

We believe earnings risks remain in the short term, as social-distancing restrictions impact the immediate profitability (and potentially viability) of shopping mall operators (and their tenants), while investors in previously overvalued office REITs must adjust expectations for a more depressed growth outlook in the near term.

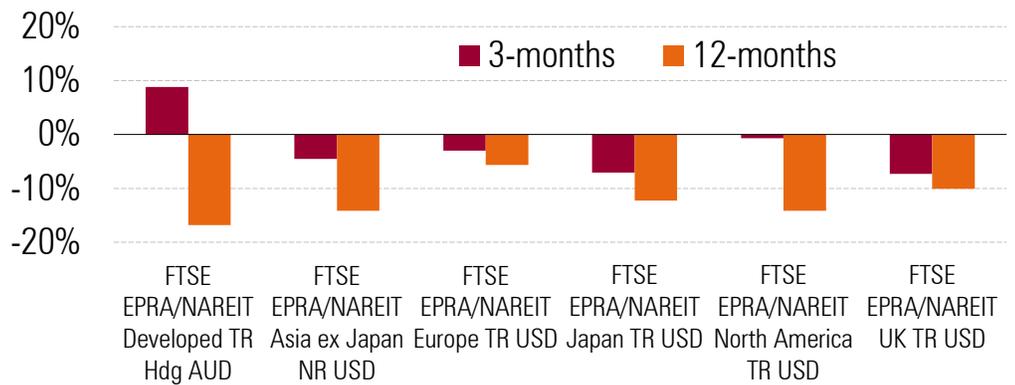
Time will tell if the trends toward accelerating online sales and working-from-home persist. While uncertainty in this asset class may be beginning to be priced, our view is that global listed property remains a generally unattractive investment opportunity, and we continue to see superior opportunities in other growth assets. With this, we retain an underweight allocation to the asset class.

Exhibit 3.1 Global REITs - FTSE EPRA/NAREIT Index Regional Exposure as at 30 June



Source: Morningstar Direct

Exhibit 3.2 Global REITs (AUD) - Trailing Returns to 30 June



Source: Morningstar Direct

Global Infrastructure

Review

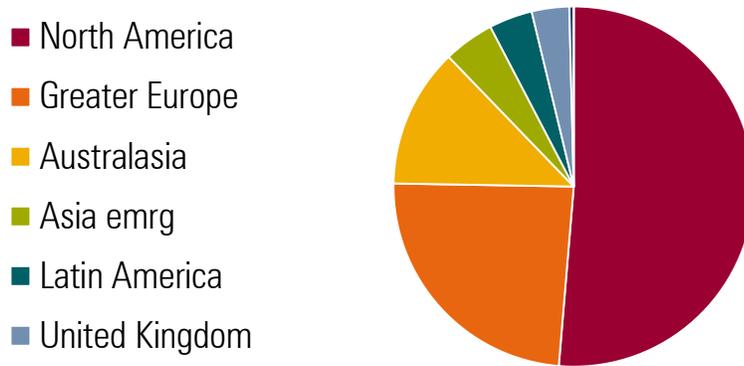
Global infrastructure recorded a solid rebound in the June quarter, with the S&P Global Infrastructure, Net Returns, \$A hedged index rising 10.7%, however, the asset class continues to record a loss for the 1-year period, with returns down -16.2%. For the June quarter, gains were led by the economically sensitive sectors, most notably Airports and Toll Roads, which had been the worst hit in the COVID-19 selloff of the previous quarter. This reversal in the performance of cyclical sectors was not large enough to offset losses for the 1-year, with Airports recording a loss of 33.5%, reflecting travel restrictions, and in some cases, debt funding concerns. Defensive sectors held up better than transportation infrastructure over the 1-year period but lagged in the June quarter reversal. A notable area of strong performance over both the June quarter and 1-year was Communications Infrastructure.

Outlook

The near-term outlook for global infrastructure remains uncertain. On one hand, expectations of a sustained period of low interest rates at the hands of global central banks is likely to be seen as a positive; on the other, earnings uncertainty, particularly for those more economically sensitive assets, may well weigh on sentiment for some time, as the COVID-19 pandemic plays out.

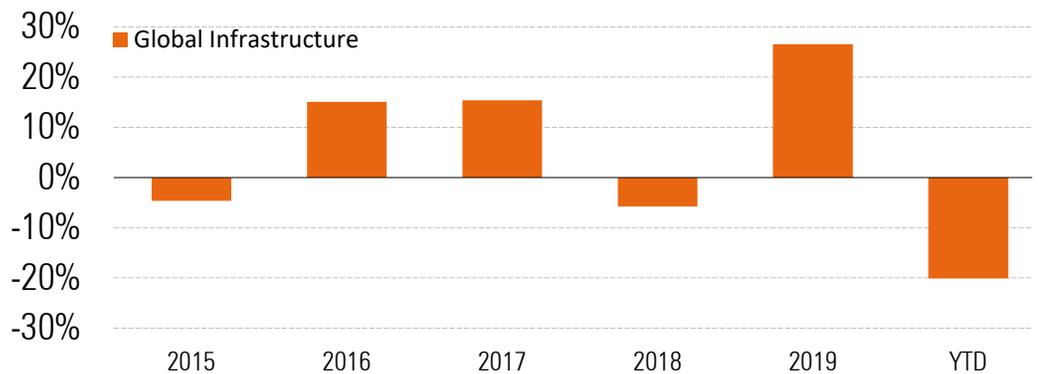
While expected returns from global infrastructure are better than a year ago, they have reduced somewhat through the June quarter. With this, we have trimmed the allocation in the growth portfolio but retain an overweight position.

Exhibit 4.1 S&P Global Infrastructure - Regional Exposure as at 30 June



Source: Morningstar Direct

Exhibit 4.2 Global Infrastructure (AUD) - Calendar Year Returns to 30 June



Source: Morningstar Direct

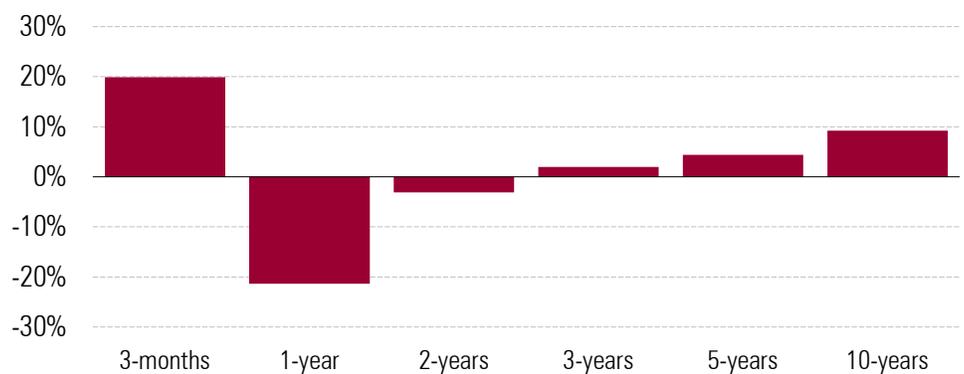
Australian Listed Property - Review

Australian listed property has rallied strongly in recent months, partially reversing the losses that saw it among the worst performing global asset classes in the first quarter of 2020. Retail shopping malls were especially strong in the June quarter, notwithstanding that COVID-19 is expected to accelerate the trend toward online shopping, while the office sector was the notable laggard, with questions remaining regarding the outlook for demand in this space, given the shift toward 'working from home' as a consequence of COVID-19. Returns for the asset class for the 1-year period remain poor, with a loss of -21.3%.

Outlook

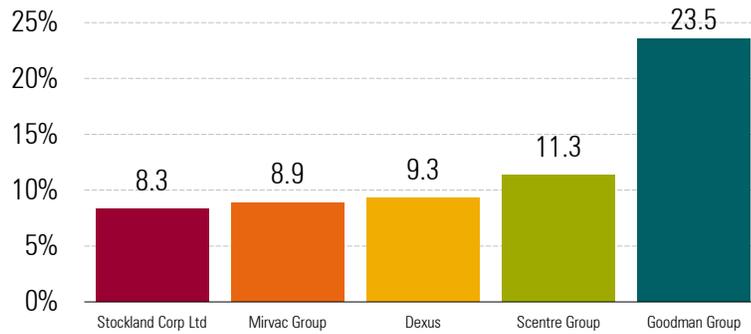
We previously held the view that Australian listed property was expensive, with the underlying fundamentals of the asset class not justifying the high prices paid. Expected returns improved following the dramatic decline in prices throughout the first quarter of 2020. However, the extent of this has diminished of late and we continue to see a better reward for risk among sharemarkets. With this, we retain an underweight asset allocation.

Exhibit 5.1 A-REITS (AUD) - Trailing Returns to 30 June



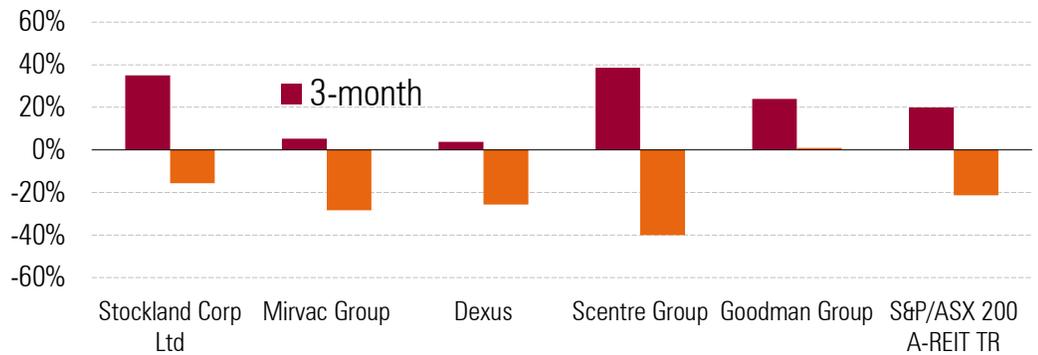
Source: Morningstar Direct

Exhibit 5.2 S&P/ASX 200 A-REITS Index - Exposure to the top 5 holdings as at 30 June



Source: Morningstar Direct

Exhibit 5.3 Top 5 A-REITS (AUD) Trailing Returns to 30 June



Source: Morningstar Direct

Global Fixed Interest Review

The benchmark global bond index (Bloomberg Barclays Global Aggregate Total Return, \$A hedged) rose by 2.3% for the quarter (to be +5.2% on the rolling year). Gains were led by corporate bonds, which outperformed government bonds, as spreads on investment grade credit narrowed, which was consistent with the broader market rally in riskier assets. A significant narrowing in credit spreads was also evident in high yield bonds.

Since the start of the COVID-19 lockdowns, we have seen interest rates cut, monetary stimulus packages enacted, and investors flocking to so-called safe-haven assets, which has driven the decline in global

sovereign bond yields to record-low levels and the duration of these bonds to increase. As a general observation, governments are borrowing more money for longer periods, which makes sense for them, but increases the sensitivity to interest rates (duration) for bond holders.

Outlook

We acknowledge that global bond markets, on aggregate, are expensive. However, we retain a neutral asset allocation as the portfolios still require defensive characteristics in the event of further potential equity market declines. It is useful to remember that government bonds usually play two roles for an investor — as a source of return (which looks non-existent from current levels) and as a form of protection. Regarding the latter, we note that U.S. bonds continue to offer diversification benefits, while European and UK bonds offer a poor reward for risk with potentially negative longer-term outcomes.

COVID-19 has exacerbated existing bond market concerns around future economic growth, with much of the current market debate focused on the depth and duration of the expected contraction and the feedback into the real economy through credit markets. Central bank intervention is also an issue, as it keeps government bond yields low to entice spending and reduce the interest burden of governments. Yet, regardless of how you look at it, government bonds are unattractive from an absolute valuation perspective.

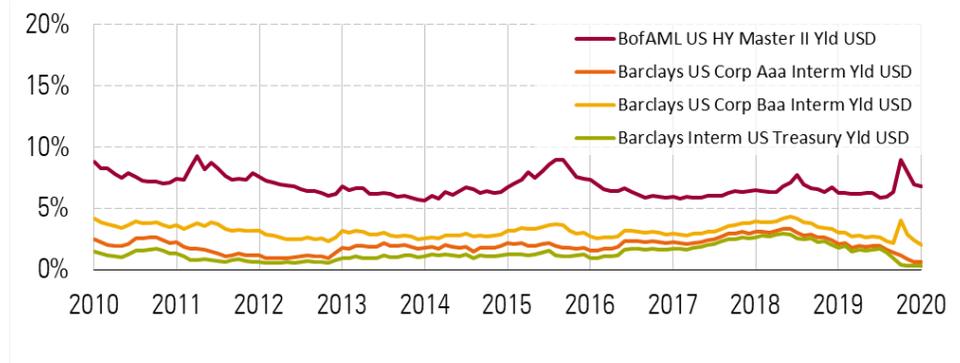
Corporate bond yields still remain reasonably attractive relative to government bonds, but they are not that attractive in an absolute sense, and the small window of opportunity that existed in the COVID-19 volatility spike seems to be closing. One should also be aware of further credit-rating downgrades, where we believe several BBB-rated issuers are at risk of being downgraded. This “credit quality” development needs to be monitored carefully, as a heightened default cycle can’t be ruled out.

Exhibit 6.1 Global Bond Yield - Barclays Global Aggregate Yield (USD) - 10 Years to 30 June



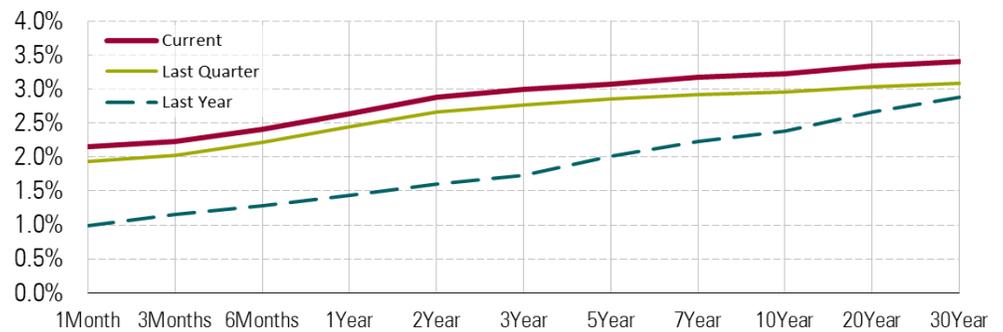
Source: Morningstar Direct

Exhibit 6.2 US Bond Yield Indexes - AAA to High Yield - 10 Years to 30 June



Source: Morningstar Direct

Exhibit 6.3 US Treasury Bond Yield Curves as at 30 June



Source: U.S Department of the Treasury

Australian Fixed Interest Review

The Australian bond market was not immune to gyrations through the quarter. Still, it did manage to end modestly stronger, with the Bloomberg AusBond Composite 0 + Years Total Return Index ending the quarter up 0.5% (+4.2% on a 12-month view). With central bank policy anchoring the short end of the Australian yield curve to 0.25%, the curve steepened as 10-year government bond yields ended the quarter higher at 0.88%; indeed, the Australian yield curve was one of the steepest amongst developed government bond markets. Consequently, the 10-year government bond yield rose above the U.S 10-year government bond yield for the first time since 2018.

Within bond markets, credit outperformed government bonds as spreads narrowed, which was consistent with the rally in risk assets.

Outlook

Australian bonds typically perform two functions in a multi-asset portfolio – diversifying sharemarket exposure (thereby helping to preserve capital) and providing income to the portfolio. At current low yields, the ability of Australian bonds to fulfil these functions is limited. However, the recent rise in longer dated yields offers an improvement in relative value versus other developed bond markets. With this, we have increased allocation to the asset class, from underweight to neutral.

Credit markets offer better relative value, although this has reduced over recent months. In an absolute sense, it is worth noting that the overall yield on credit is low versus history owing to the decline in government bond yields, and we anticipate that low absolute yields are likely to persist for some time.

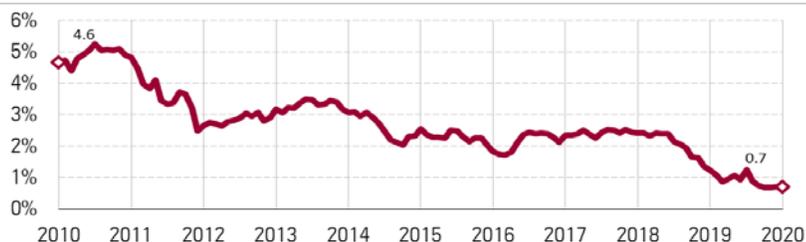
Australian Dollar Review

The Australian dollar rose spectacularly against the United States dollar (USD) and against a basket of currencies over the June quarter. This currency strength was due to a multitude of drivers, chief amongst them being the broad-based weakness of the USD. Indeed, the US dollar declined to its lowest level on a trade-weighted basis since March, reflecting the surge in US dollar liquidity created by the U.S Federal Reserve's stimulatory policies. Over the past three months the Fed has injected USD 3 trillion (AUD 4.3 trillion) into the US financial system. Stimulus from the U.S has surpassed other regions, further driving relative USD weakness versus other currencies. Also driving gains in the AUD has been the improved appetite for risk taking by investors and rising commodity prices (including iron ore and oil).

Outlook

While currencies are notoriously volatile, the impact of the global pandemic on the Australian dollar is noteworthy. Indeed, at quarter-end, the AUD/USD exchange rate traded at USD 0.6939, which is near our estimate of fair value for the currency pair and well above the lows seen in March 2020. More broadly, exposure to the Japanese Yen and the British Pound continues to appeal, particularly following recent strong gains in the Australian dollar. Overall, this warrants a reduction in the ratio of currency hedged international assets, subject to individual portfolio investment objectives and risk profiles.

Exhibit 7.1 Australian Bond Yield - Barclays Global Australia Yield (AUD) - 10 Years to 30 June



Source: Morningstar Direct

Asset Allocation

Strategic Asset Allocations Summary

The table below presents the key attributes of the five portfolios. Morningstar derived the portfolios using the optimisation process based on mean-variance analysis. In designing the portfolios, Morningstar aimed to balance the objective of income and growth requirements for a typical investor in each of the five risk profiles: conservative, moderate, balanced, growth and aggressive.

Risk Profile	Conservative	Moderate	Balanced	Growth	Aggressive
Minimum Investment Period (Years)	2+	3+	5+	7+	9+
Portfolio Characteristics %					
Growth Assets	15.0	30.0	50.0	70.0	90.0
Defensive Assets	85.0	70.0	50.0	30.0	10.0
Strategic Asset Allocation %					
Australian Equity	5.0	10.0	17.0	23.0	30.0
International Equity (50% Hedged)	7.0	14.0	24.0	35.0	45.0
Australian Listed Property	0.0	0.0	3.0	3.0	4.0
International Listed Property	3.0	3.0	3.0	5.0	6.0
Global Infrastructure	0.0	3.0	3.0	4.0	5.0
Australian Fixed Interest	28.0	23.0	18.0	11.0	4.0
International Fixed Interest	21.0	17.0	12.0	7.0	3.0
Cash	36.0	30.0	20.0	12.0	3.0
Expected Long-Term Return %*					
Total	4.2	4.7	5.5	6.2	6.9
Income	3.6	3.6	3.5	3.4	3.4
Growth	0.5	1.0	1.8	2.5	3.1
Franking Credit	0.1	0.1	0.2	0.3	0.4
Projected Range of Returns % pa (95% Confidence interval) **					
5 Years	1.2 to 7.2	0.7 to 8.8	-0.5 to 11.4	-1.9 to 14.2	-3.4 to 17.2
10 Years	2.1 to 6.3	1.9 to 7.6	1.2 to 9.7	0.5 to 11.9	-0.4 to 14.1
20 Years	2.7 to 5.7	2.7 to 6.7	2.5 to 8.4	2.1 to 10.2	1.8 to 12.0
Risk**					
Expected probability of a negative return over any single year (%)	9.5	13.4	18.9	22.7	25.3
Expected number of negative years in 20	1.9 years	2.7 years	3.8 years	4.5 years	5.1 years

* Income, growth and other capital market assumptions refer to long term expectations over multiple decades. Over shorter periods outcomes may vary significantly.

** Analytics shown in this table are a forecast not a prediction. The projected balance and results are only estimates, the actual amounts may be higher or lower.

Conservative Portfolio	SAA (%)	Current Allocation	Over/Underweight (%)	Previous	Change (%)
Australian Equity	5.0	4.0	-1.0	4.0	0.0
International Equity (Hedged)	3.5	3.0	-0.5	4.2	-1.2
International Equity (Unhedged)	3.5	3.0	-0.5	2.8	0.2
Australian Listed Property	0.0	0.0	+0.0	0.0	0.0
International Listed Property	3.0	3.0	+0.0	2.0	1.0
Global Infrastructure	0.0	0.0	+0.0	0.0	0.0
Australian Fixed Interest	28.0	27.0	-1.0	25.0	2.0
International Fixed Interest	21.0	21.0	+0.0	19.0	2.0
Cash	36.0	39.0	+3.0	43.0	-4.0
Total Defensive	85.0	87.0	+2.0	87.0	0.0
Total Growth	15.0	13.0	-2.0	13.0	0.0
Total Domestic	69.0	70.0	+1.0	72.0	-2.0
Total International	31.0	30.0	-1.0	28.0	2.0
Australian Dollar Exposure	96.5	97.0	+0.5	97.2	-0.2
Foreign Currency Exposure	3.5	3.0	-0.5	2.8	0.2
Currency Hedge Ratio	50.0%	50.0%	0.0%	60.0%	-10.0%

Strategic and Tactical Asset Allocations

Moderate Portfolio	SAA (%)	Current Allocation (%)	Over/Underweight (%)	Previous Allocation (%)	Change (%)
Australian Equity	10.0	9.0	-1.0	9.0	0.0
International Equity (Hedged)	7.0	7.0	+0.0	8.4	-1.4
International Equity (Unhedged)	7.0	7.0	+0.0	5.6	1.4
Australian Listed Property	0.0	0.0	+0.0	0.0	0.0
International Listed Property	3.0	3.0	+0.0	2.0	1.0
Global Infrastructure	3.0	2.0	-1.0	2.0	0.0
Australian Fixed Interest	23.0	22.0	-1.0	21.0	1.0
International Fixed Interest	17.0	17.0	+0.0	17.0	0.0
Cash	30.0	33.0	+3.0	35.0	-2.0
Total Defensive	70.0	72.0	+2.0	73.0	-1.0
Total Growth	30.0	28.0	-2.0	27.0	1.0
Total Domestic	63.0	64.0	+1.0	65.0	-1.0
Total International	37.0	36.0	-1.0	35.0	1.0
Australian Dollar Exposure	93.0	93.0	+0.0	94.4	-1.4
Foreign Currency Exposure	7.0	7.0	+0.0	5.6	1.4
Currency Hedge Ratio	50.0%	50.0%	0.0%	60.0%	-10.0%

Balanced Portfolio	SAA (%)	Current Allocation (%)	Over/Underweight (%)	Previous Allocation (%)	Change
Australian Equity	17.0	17.0	+0.0	17.0	0.0
International Equity (Hedged)	12.0	11.5	-0.5	14.4	-2.9
International Equity (Unhedged)	12.0	11.5	-0.5	9.6	1.9
Australian Listed Property	3.0	2.0	-1.0	1.0	1.0
International Listed Property	3.0	3.0	+0.0	2.0	1.0
Global Infrastructure	3.0	3.0	+0.0	3.0	0.0
Australian Fixed Interest	18.0	18.0	+0.0	17.0	1.0
International Fixed Interest	12.0	12.0	+0.0	12.0	0.0
Cash	20.0	22.0	+2.0	24.0	-2.0
Total Defensive	50.0	52.0	+2.0	53.0	-1.0
Total Growth	50.0	48.0	-2.0	47.0	1.0
Total Domestic	58.0	59.0	+1.0	59.0	0.0
Total International	42.0	41.0	-1.0	41.0	0.0
Australian Dollar Exposure	88.0	88.5	+0.5	90.4	-1.9
Foreign Currency Exposure	12.0	11.5	-0.5	9.6	1.9
Currency Hedge Ratio	50%	50%	0%	60%	-10%

Growth Portfolio	SAA (%)	Current Allocation (%)	Over/Underweight (%)	Previous Allocation (%)	Change (%)
Australian Equity	23.0	23.0	+0.0	23.0	0.0
International Equity (Hedged)	17.5	13.6	-3.9	19.3	-5.7
International Equity (Unhedged)	17.5	20.4	+2.9	15.8	4.7
Australian Listed Property	3.0	2.0	-1.0	2.0	0.0
International Listed Property	5.0	4.0	-1.0	4.0	0.0
Global Infrastructure	4.0	5.0	+1.0	6.0	-1.0
Australian Fixed Interest	11.0	11.0	+0.0	10.0	1.0
International Fixed Interest	7.0	7.0	+0.0	7.0	0.0
Cash	12.0	14.0	+2.0	13.0	1.0
Total Defensive	30.0	32.0	+2.0	30.0	2.0
Total Growth	70.0	68.0	-2.0	70.0	-2.0
Total Domestic	49.0	50.0	+1.0	48.0	2.0
Total International	51.0	50.0	-1.0	52.0	-2.0
Australian Dollar Exposure	82.5	79.6	-2.9	84.3	-4.7
Foreign Currency Exposure	17.5	20.4	+2.9	15.8	4.7
Currency Hedge Ratio	50%	40%	-10%	55%	-15%

Aggressive Portfolio	SAA (%)	Current Allocation (%)	Over/Underweight (%)	Previous Allocation (%)	Change
Australian Equity	30.0	30.0	+0.0	30.0	0.0
International Equity (Hedged)	22.5	17.2	-5.3	24.8	-7.6
International Equity (Unhedged)	22.5	25.8	+3.3	20.3	5.6
Australian Listed Property	4.0	2.0	-2.0	2.0	0.0
International Listed Property	6.0	6.0	+0.0	5.0	1.0
Global Infrastructure	5.0	6.0	+1.0	6.0	0.0
Australian Fixed Interest	4.0	4.0	+0.0	4.0	0.0
International Fixed Interest	3.0	3.0	+0.0	3.0	0.0
Cash	3.0	6.0	+3.0	5.0	1.0
Total Defensive	10.0	13.0	+3.0	12.0	1.0
Total Growth	90.0	87.0	-3.0	88.0	-1.0
Total Domestic	41.0	42.0	+1.0	41.0	1.0
Total International	59.0	58.0	-1.0	59.0	-1.0
Australian Dollar Exposure	77.5	74.2	-3.3	79.8	-5.6
Foreign Currency Exposure	22.5	25.8	+3.3	20.3	5.6
Currency Hedge Ratio	50%	40%	-10%	55%	-15%



Copyright, Disclaimer and Other Information

This report has been issued and distributed by Morningstar Australasia Pty Ltd ABN: 95 090 665 544, AFSL: 240892 and/ or Morningstar Research Limited, subsidiaries of Morningstar, Inc.

To the extent the report contains any general advice or 'class service' this has been prepared by Morningstar Australasia Pty Ltd and/or Morningstar Research Ltd, without reference to your objectives, financial situation or needs. Please refer to our Financial Services Guide (FSG) for more information including our conflict management procedures at You should consider the advice in light of these matters and if applicable, the relevant Product Disclosure Statement before making any decision to invest.

Copyright

© The material contained in this document is copyright of Morningstar, Inc., its licensors and any related bodies corporate that are involved in the document's creation. All rights reserved. Except as permitted by the Copyright Act 1968 (Australia) or Copyright Act 1994 (New Zealand), you may not reproduce, transmit, disseminate, sell or publish this information without the written consent of Morningstar, Inc.

Trademarks

Morningstar and the Morningstar logo are registered trademarks of Morningstar, Inc.

Disclaimer

All care has been taken in preparing this report. However, please note we base our financial product research on current information provided to us by third parties (including financial product issuers) which we cannot necessarily verify. While we use all reasonable efforts to obtain information from reliable sources, we do not guarantee the data or content contained herein to be accurate, complete or timely. To the extent that our research is based on information received from other parties, no liability is accepted by Morningstar, its affiliates nor their content providers for errors contained in the report or omissions from the report. Morningstar determines its ratings on information disclosed to it by financial product issuers and on past performance of products. Past performance is no guarantee of future performance.

More Information

If you wish to obtain further information regarding this report, licensing and our services, please contact us on:

Morningstar.com.au subscribers	Advisers/Institutions/Others
Tel: 1800 03 44 55	Tel: +61 2 9276 4446
Email: help.au@morningstar.com	Email: helpdesk.au@morningstar.com

Further information can also be obtained at www.morningstar.com/company/disclosures

About Morningstar Manager Research

Morningstar Manager Research provides independent, fundamental analysis on managed investment strategies. Analyst views are expressed in the form of Morningstar Analyst Ratings, which are derived through research of five key pillars—Process, Performance, Parent, People, and Price. A global research team issues detailed Analyst Reports on strategies that span vehicle, asset class, and geography. Analyst Ratings are subjective in nature and should not be used as the sole basis for investment decisions. An Analyst Rating is an opinion, not a statement of fact, and is not intended to be nor is a guarantee of future performance.

About Morningstar Manager Research Services

Morningstar Manager Research Services combines the firm's fund research reports, ratings, software, tools, and proprietary data with access to Morningstar's manager research analysts. It complements internal due-diligence functions for institutions such as banks, wealth managers, insurers, sovereign wealth funds, pensions, endowments, and foundations. Morningstar's manager research analysts are employed by various wholly owned subsidiaries of Morningstar, Inc. including but not limited to Morningstar Research Services LLC (USA), Morningstar UK Ltd, and Morningstar Australasia Pty Ltd.