

Quarterly Economic Briefing

Morningstar Manager Research

5 February 2019

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Important Disclosure

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Executive Summary

The December quarter was turbulent and marked by sharp declines in global and Australian sharemarkets. Concerns over escalating trade tensions, Brexit, slower growth in China, a less certain interest rate outlook in the United States (U.S), and the partial shutdown of the U.S government, amongst other issues that weighed on sentiment.

While many key sharemarkets experienced losses in excess of 10% for the quarter, global bond markets strengthened, which provided some offset to equity market losses and highlighted the important diversification role of bonds within a multi-asset portfolio. Volatility over the period resulted in notable changes to relative valuations across asset classes. As a result, we modestly raised exposure to Australian equities, for the more growth-oriented portfolios, but retained an overall underweight allocation to the asset class, across all portfolios. We also modestly raised exposure to global listed infrastructure owing to improving valuations over the last six months and to increase exposure to growth assets, albeit at the defensive end of the growth spectrum. With the rise in global and Australian bond markets over the quarter, valuations are increasingly expensive and expected returns have declined. As such, we trimmed our allocation to global and Australian bonds. While these asset allocation changes have resulted in an increase in the growth allocation and a decrease in the income allocation; we retain an overall underweight growth and overweight income split.

Asset Allocation Summary - Growth Risk Profile (as at 31 December 2018)

Growth Portfolio	SAA (%)	Current Allocation (%)	Over/Underweight (%)	Previous Allocation (%)	Change (%)
Australian Equity	23.0	19.0	-4.0	18.0	1.0
International Equity (Hedged)	17.5	16.2	-1.3	16.2	0.0
International Equity (Unhedged)	17.5	22.8	5.3	22.8	0.0
Australian Listed Property	3.0	1.0	-2.0	1.0	0.0
International Listed Property	5.0	3.0	-2.0	3.0	0.0
Global Infrastructure	4.0	4.0	0.0	3.0	1.0
Australian Fixed Interest	11.0	11.0	0.0	12.0	-1.0
International Fixed Interest	7.0	6.0	-1.0	7.0	-1.0

Cash	12.0	17.0	5.0	17.0	0.0
Total Defensive	30.0	34.0	+4.0	36.0	-2.0
Total Growth	70.0	66.0	-4.0	64.0	2.0

Market Returns to 31 December 2018 (AUD)

Asset Class	QTR	YTD	1yr	3yr
Australian Cash	0.49	1.95	1.95	1.89
Australian Fixed Income	2.24	4.54	4.54	3.70
Global Fixed Income	1.66	1.65	1.65	3.51
Australian REITs	-1.91	2.91	2.91	7.18
Global REITs	-5.76	-3.95	-3.95	3.28
Global Infrastructure	-4.18	-6.71	-6.71	6.78
Australian Equities	-8.24	-2.84	-2.84	6.69
Global Equities (\$A)	-11.10	1.52	1.52	7.49

International Equity

Review

The index for global equities plunged by -13.3% (MSCI World ex- Australia, local currency, Net Return Index) in the December quarter, with losses in excess of 10% (in local currency) being recorded for key sharemarkets, including the US, Japan, France, Germany and China. These substantial declines tended to swamp gains from earlier in the year, such that most sharemarkets ended the calendar year with negative returns. The Australian dollar weakened against key currencies, which provided a modest improvement to the returns of unhedged international investments for Australian investors, to -11.1%.

Sentiment took a hit over the quarter as fear and uncertainty grew over escalating trade tensions between the United States (U.S) and China, the looming Brexit deadline, slower growth in China, the interest rate outlook in the US, and the partial shutdown of the U.S government over the funding for President Trump's U.S – Mexico border wall, amongst other issues.

Returns across regions were negative, although the U.S and Japan were among the worst performers in local-currency terms, followed by Europe, developed Asia-Pacific and the U.K. (where multinationals comfortably outperformed domestic-focused companies). Emerging market equities, having lagged for much of the year, had a relatively better quarter and outperformed developed markets, but still underperformed for the full calendar year.

Defensive sectors generally outperformed cyclical sectors, with technology, financials and energy amongst the hardest hit sectors. Notably, in the U.S. technology sector, the dominant FAANG stocks experienced significant share price weakness in the final three months of 2018.

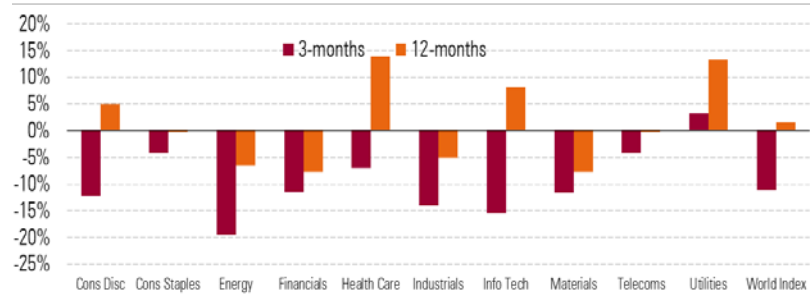
Outlook

Global sharemarket turbulence over the quarter, and indeed over the full calendar year, has seen an improvement in absolute valuations across regions. While sharemarkets are less expensive than a year ago, we don't believe it is prudent to raise our exposure to global equities as the portfolios are overweight versus their SAA's. Importantly, the portfolios have an overall underweight allocation to growth assets, which is expressed mainly through underweight allocations to global listed property.

Across regions and countries, it is our view that the U.S sharemarket continues to present an elevated risk of loss, notwithstanding that valuations have improved in an absolute sense. The underlying investment case for Emerging Market equities remains compelling, given their improving earnings profile and relatively attractive valuations compared to developed market peers. U.K. equities too are among our most preferred investments, as Brexit-related concerns has resulted in investors being overly pessimistic. However, British corporates remain high quality, in general, and while risks are present, investors are being attractively compensated to invest, in our view. Japanese equities, following weakness over the quarter and year, also remain relatively attractive as corporates continue to improve shareholder outcomes (increased dividends, improving profit margins). In terms of relative preference among the regions, Emerging Markets are similarly ranked to the UK and Japan, followed by Europe and then U.S equities.

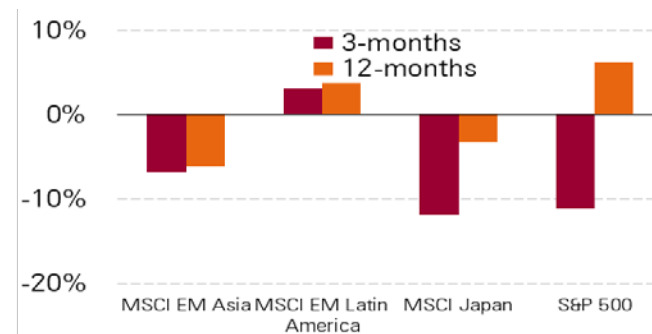
At a sector level, recent volatility has led to shifts in relative value opportunities across sectors, with U.S consumer staples now offering an attractive reward for risk. While there are risks to the sector, such as increasing competitive threats and changing consumer tastes, we believe that there is now a sufficient margin of safety to compensate for that risk. By contrast, the U.S healthcare sector has performed strongly versus other sectors over the past year, warranting taking profit and reducing exposure. We remain positive about European energy securities, European financials, and European telecommunications, including names such as Telefonica, BT, Vodafone, Orange and Swisscom. For the telecommunications sector, this follows a period of price weakness relating to concerns around revenue trends, given the challenged outlook for their established businesses and the growing importance of data, a lack of industry consolidation, threat of regulation and investors moving into more growth-oriented sectors. Nonetheless, we believe current valuations provide a reasonable margin of safety to invest.

Exhibit 1.1 Global Sub-sectors and Market (AUD) - Trailing Returns to 31 December 2018



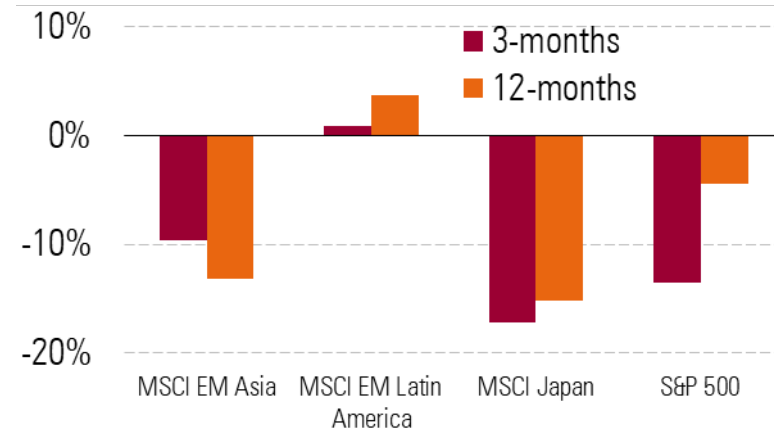
Source: Morningstar Direct

Exhibit 1.2 Regional Indexes (AUD) - Trailing Returns to 31 December 2018



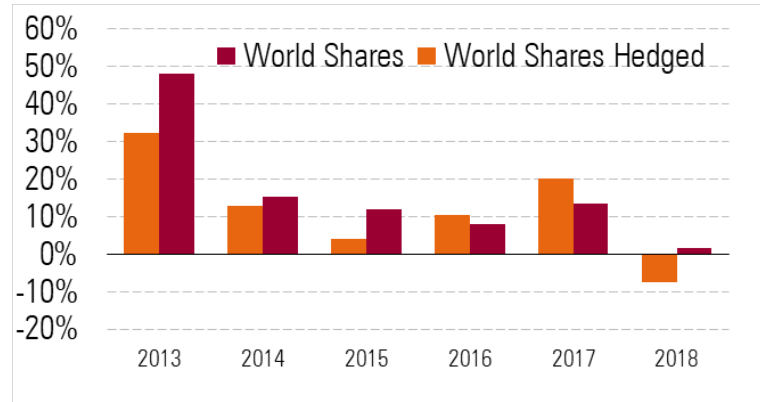
Source: Morningstar Direct

Exhibit 1.3 Regional Indexes (LCL) - Trailing Returns to 31 December 2018



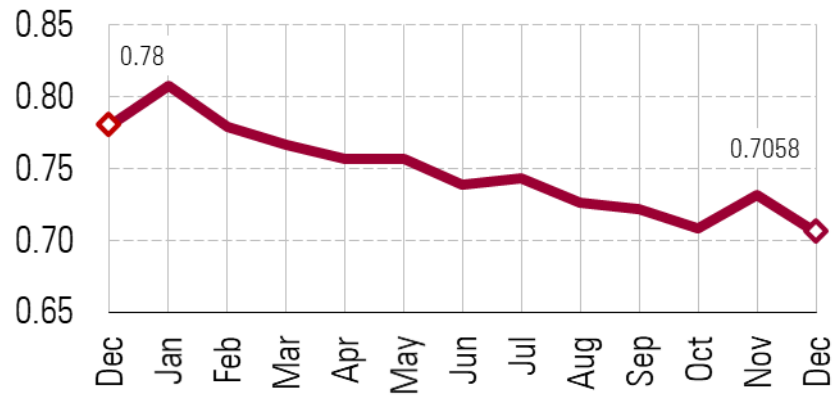
Source: Morningstar Direct

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 31 December 2018



Source: Reserve Bank of Australia

Australian Equity Review

The S&P/ASX 200 Accumulation Index weakened steadily throughout the quarter to end the period 8.2% lower. This significant decline eroded gains seen earlier in the year, resulting in a loss of 2.8% for the year, and the index back at levels not seen since late 2016. Despite the losses for the quarter and year, Australian shares managed to outperform global markets for both periods.

Losses were recorded across all sectors for the quarter, while the dispersion in sectoral performance remained wide with a spread of approximately 19 percentage points between the best- and worst-performing sectors. The energy sector was the worst performer as oil prices plummeted, reflecting the loosening of U.S. sanctions on Iran and increased global oil supplied. Defensive sectors such as utilities, listed property, and consumer staples performed well; notably, consumer discretionary was among the weakest sectors. The main exception to the outperformance of the defensive sectors was Communication Services (which contains what was Telecommunication Services companies), which lagged particularly through December after the ACCC expressed their preliminary view on the TPG/Hutchison merger and the adverse impact on competition. The telecommunications sector was the worst-performing sector for 2018, declining by 23%; while the financial sector also took a sizable hit as the proceedings from the Royal Commission into Banking and regulatory uncertainty weighed on sentiment for most of the year.

Outlook

While we continue to regard valuations in Australian shares as expensive in absolute terms, there has been an improvement in valuations over the past six months that has warranted increasing the size of the allocation, while still retaining an overall underweight exposure.

For some time, we have regarded the largest sector, financials, to be generally unattractive. However, we are seeing value returning to the big four banks as softer share prices have started to reflect the uncertain regulatory environment, increased capital requirements, changes in macro-prudential policy, and a weaker residential property outlook. While these risks are likely to contribute to a more difficult operating environment, a sufficient margin of safety could be emerging within the big four banks to compensate us for that risk. Still, banking peers in Japan and the U.K. generally offer better value. Within the second-largest sector, materials, our view remains that valuations are still unattractive, with these companies also being typically viewed to be of lower quality (that is, no Morningstar Economic Moat Rating).

Exhibit 2.1 Market Dividend Yield Style Factor - ASX - Morningstar Australia Index GR AUD - 10 Years to 31 December

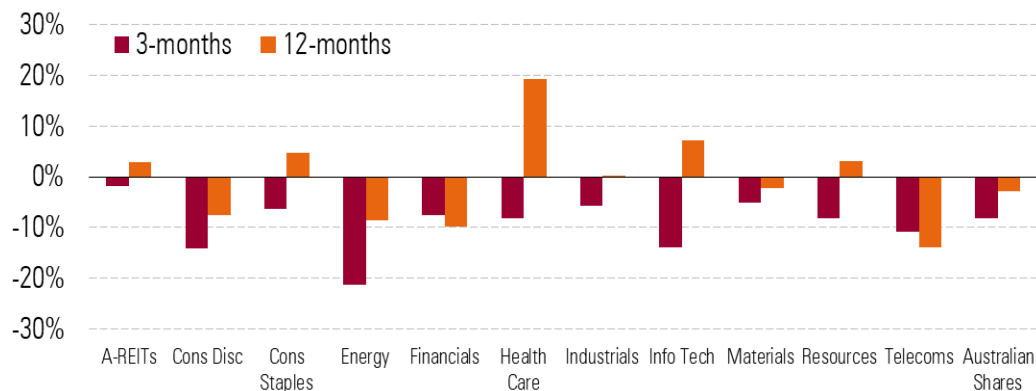


Source: Morningstar Direct

Exhibit 2.2 Market P/E Ratio Dividend Yield Style Factor - ASX - Morningstar Australia Index GR AUD - 10 Years to 31 December



Source: Morningstar Direct

Exhibit 2.3 S&P/ASX 200 Sub-sectors and Market (AUD) - Trailing Returns to 31 December

Source: Morningstar Direct

International Listed Property

Review

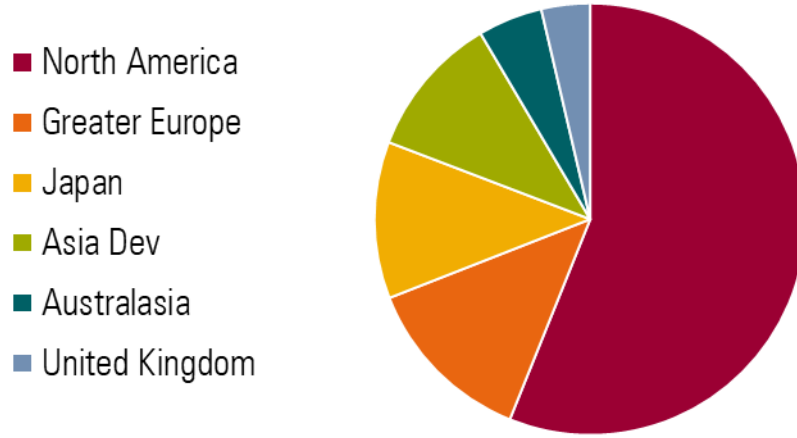
Global real estate investment trusts (G-REITs) delivered negative returns for the quarter, but outperformed general equities, reflecting the defensive characteristics of the asset class. The FTSE EPRA/NAREIT Developed NR (\$A Hedged) Index declined by -5.8% for the quarter and also ended down -4.0% for 2018. Volatility over the course of 2018 was elevated, as sentiment toggled between concerns over rising U.S interest rates versus the positive impact from stronger economic growth.

For the quarter, North America and the UK were the worst performing regions. Within North America, Hotels were the worst performing sector, reflecting its "equity-like" characteristics with one-day leases; while the Diversified REIT sector fared the best owing to the longer-term nature of lease contracts within the self-storage and healthcare REITs. Within the UK, retail REITs were down significantly due to concerns about Brexit and over-supply concerns. Retail REITs also fared poorly in Continental Europe, with large-cap retail group Unibail-Rodamco-Westfield declining sharply owing to concerns over high leverage and slowing rental growth.

Outlook

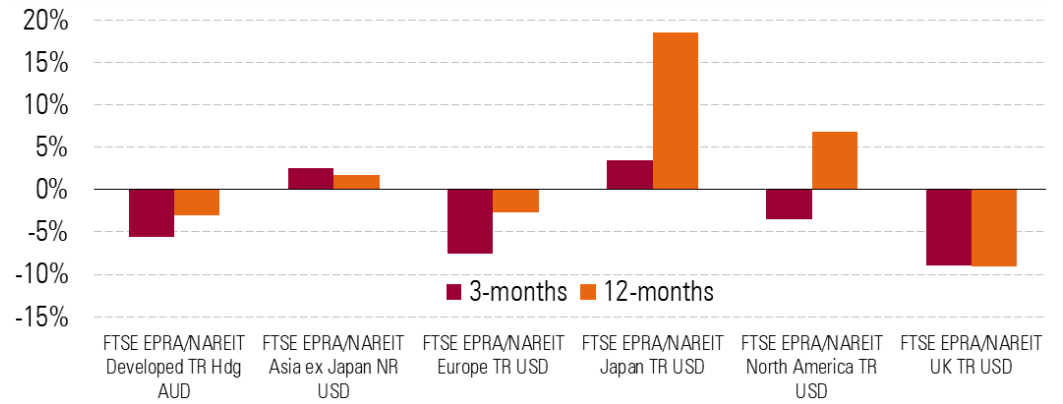
While absolute valuations for Global REITs have improved modestly following the sell-off in the December quarter, the asset class remains expensive and, in our view, continues to present a heightened risk of capital losses from this level. At a regional level, valuations in U.S REITs, continue to look more attractive relative to European and Asian peers.

Exhibit 3.1 Global REITs - Regional Exposure as at 31 December



Source: Morningstar Direct

Exhibit 3.2 Global REITs (AUD) - Trailing Returns to 31 December



Source: Morningstar Direct

Global Infrastructure

Review

Global infrastructure recorded a loss of 4.2% for the quarter (S&P Global Infrastructure, Net Returns, \$A hedged index), performing better than general equities owing to its perceived defensive earnings characteristics. Returns for the 2018 calendar year were poor, declining by -6.7%.

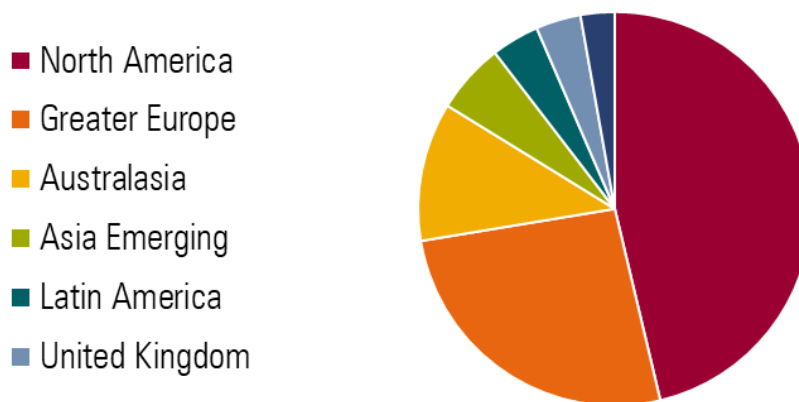
The worst performing sectors were the more economic-sensitive sectors, such as Airports, Ports and Pipelines. Within airports, European and Emerging Markets airports (in Latin America and China) performed poorly, while Sydney Airport and Auckland Airport were relatively resilient. The best performing sectors were the Integrated Utilities, Toll Roads, and Transmission & Distribution sectors.

Outlook

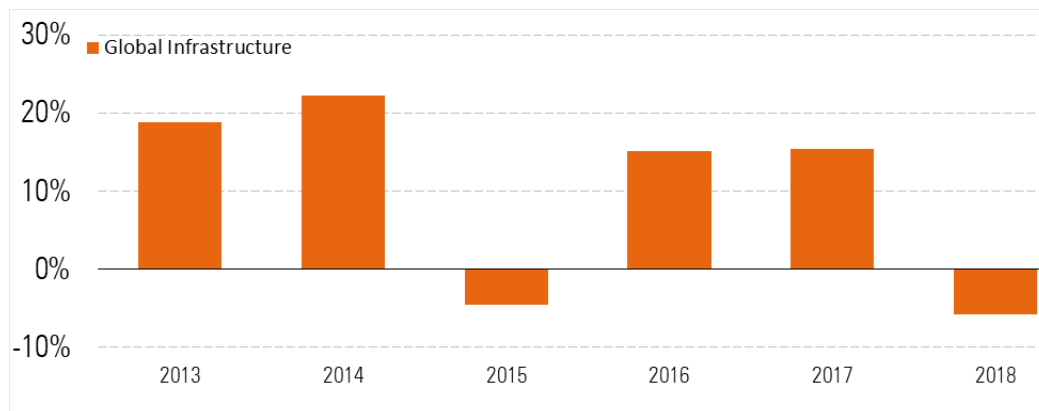
For some time, we have held an underweight asset allocation to the asset class, reflecting our view that valuations were expensive and offered a poor reward for risk. In addition, the asset class has experienced significant volatility over the past 12 months as investors moved to price in higher interest-rate expectations. While further volatility is likely, there are growing doubts over the extent of further, if any, U.S interest rate hikes during 2019, and together with the improvement in valuations, we believe closing the underweight allocation to the asset class is appropriate. We now hold a neutral allocation for most portfolios.

While there are expectations of increasing infrastructure spend as Central Banks look to hand over the stimulus baton to governments to enact fiscal policy, not to mention the potential infrastructure bonanza in the U.S. under President Trump, this has not yet transpired.

Exhibit 4.1 S&P Global Infrastructure - Regional Exposure as at 31 December



Source: Morningstar Direct

Exhibit 4.2 Global Infrastructure (AUD) - Calendar Year Returns to 31 December

Source: Morningstar Direct

Australian Listed Property

Review

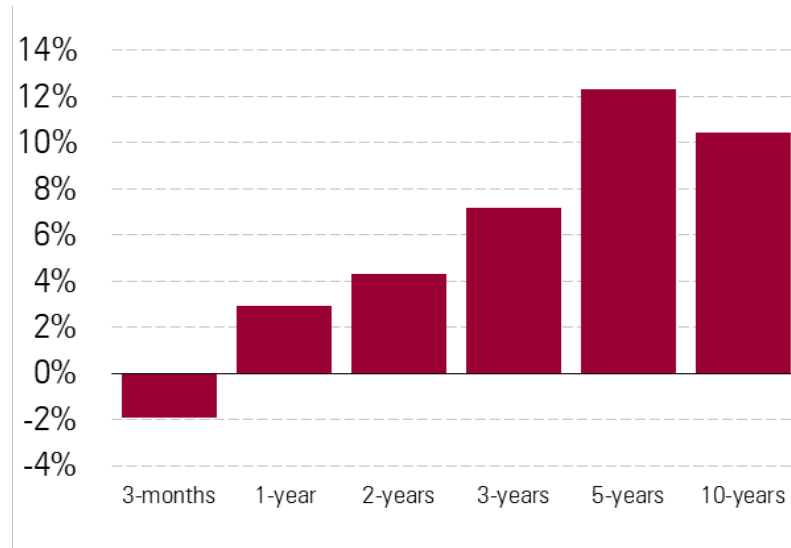
Australian real estate investment trusts (A-REITs) fell for the quarter with the S&P/ASX 300 A-REIT Accumulation Index delivering a return of -1.7% and outperforming its global peers. Throughout 2018, asset class performance was volatile but ended the year 3.3% higher.

The Industrials sub-sector (largely dominated by Goodman Group) was the best performing sub-sector, followed by the Retail sub-sector. Within Retail, the large cap retail mall groups (Vicinity Centres and Scentre Group) lagged their smaller retail counterparts (Bunnings Warehouse Property Trust, Charter Hall Retail, and Shopping Centres Australasia), but fared relatively well versus their UK/Continental Europe retail peers. Within the Diversified sub-sector, Residential property-focused groups such as Mirvac Group and Stockland underperformed on falling property value concerns and tightening credit conditions.

Outlook

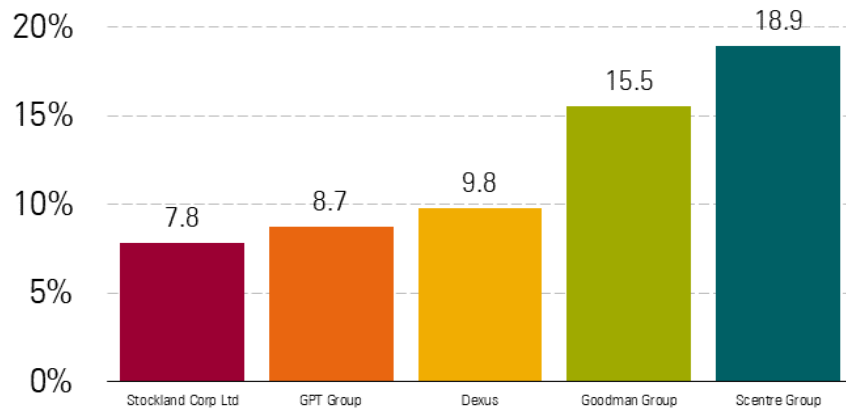
Australian listed property continues to trade ahead of our fair value estimates. With the risk of further global interest rate rises, we expect ongoing volatility and potential losses from current levels. As such, we maintain a low conviction stance toward the asset class.

Exhibit 5.1 A-REITS (AUD) - Trailing Returns to 31 December

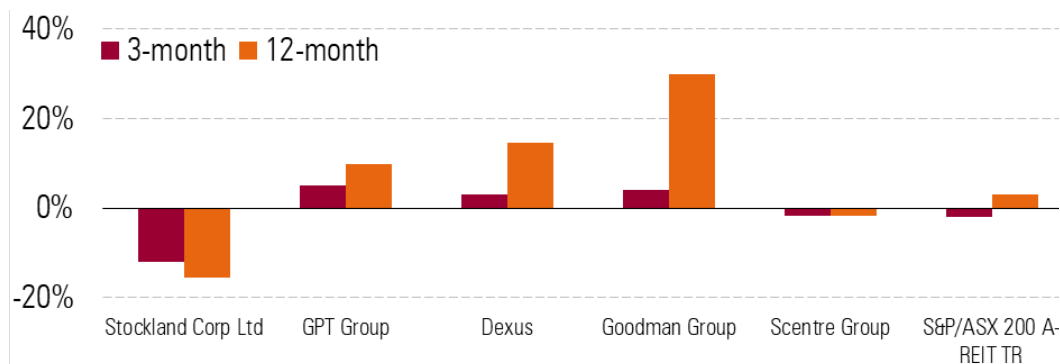


Source: Morningstar Direct

Exhibit 5.2 A-REITS - Exposure to the top 5 holdings as at 31 December



Source: Morningstar Direct

Exhibit 5.3 Top 5 A-REITS (AUD) Trailing Returns to 31 December

Source: Morningstar Direct

Global Fixed Interest

Review

The benchmark global bond index (Bloomberg Barclays Global Aggregate Total Return, \$A hedged) rose 1.7% over the quarter, providing some offset to equity market losses and validating the important diversification role of bonds within a multi-asset portfolio. Global bond markets ended the 2018 calendar year 1.65% higher.

In general, developed market government bond yields ended the quarter lower, driven by falling equity markets and concerns over slowing global growth. The closely watched U.S bond market experienced significant volatility over the second half of 2018 as the yield on the U.S 10-year bond peaked above 3.20% before retreating below 2.80% at year end. US Federal Reserve Chairman Powell noted in December that rates are now closer to what it regards as a 'neutral' level. Expectations for further interest rate increases from the U.S Federal Reserve in 2019 have fallen significantly, and concerning for investors, yields on 3-year bonds are now above yields on 5-year bonds, which historically has suggested an increased risk of recession.

While developed market government bonds and emerging market debt (in local currency terms) posted small positive returns for the quarter, credit and high yield debt markets experienced losses as spreads widened with the sell-off in equities.

Outlook

With the strengthening in government bond markets, most regions have become increasingly overvalued. As such, we have reduced our allocation to the asset class, as investors are being forced to accept lower yields and longer duration — a poor trade-off — than what they have been faced with

historically. With yields still low in a historical sense, this reduces current cash flows while also increasing the risk of capital loss should bond yields rise towards their longer-term fair value.

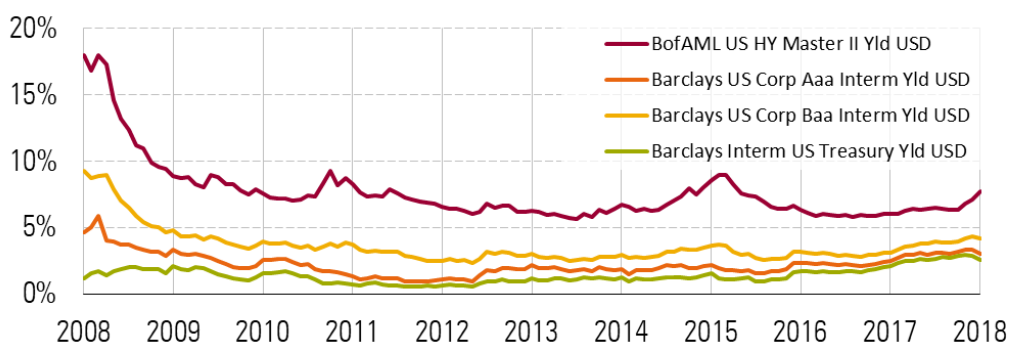
We are biased to emerging market bonds over developed market bonds. Within emerging market bonds, we equally rank the return outlook for hard currency and local currency bonds (where the bonds are issued in the currency of the Emerging Market nation). The range of opportunities within Emerging Market Debt are diverse, with country and currency selection being vital.

Exhibit 6.1 Global Bond Yield - Barclays Global Aggregate Yield (USD) - 10 Years to 31 December

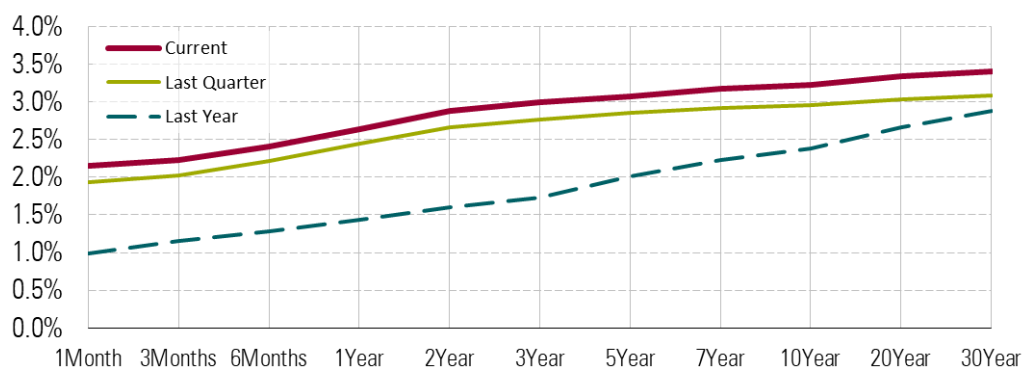


Source: Morningstar Direct

Exhibit 6.2 US Bond Yield Indexes - AAA to High Yield - 10 Years to 31 December



Source: Morningstar Direct

Exhibit 6.3 US Treasury Bond Yield Curves as at 31 December

Source: U.S Department of the Treasury

Australian Fixed Interest

Review

The Australian fixed interest market performed well versus developed market peers, with the Bloomberg AusBond Composite 0 + Years Total Return Index returning 2.2% for the quarter. For the year, the Australian bond market delivered modest positive returns to be amongst the best performing asset classes.

The economic backdrop in Australia was generally steady with inflation low and stable, the unemployment rate at six-year lows, and GDP growth broadly consistent with the central bank's forecasts. However, house prices continued to fall, and continued high household debt levels remain a concern for consumer spending. For some time, Australian bond market expectations have been for steady official interest rates throughout 2019 before being raised in 2020. However, concerns over slowing global growth has led to some expectation that rates could possibly be cut further in Australia. As such, Australian bond yields ended the quarter lower; most notably, the 10-year government bond yield fell below 2.3%, having been around 2.7% as recently as six months ago.

Outlook

Following gains over recent months, Australian bonds have become increasingly unattractive in an absolute sense. The decline in bond yields has been significant and has led us to downgrade our conviction to the asset class.

While Australian bonds (and cash) remain among our preferred defensive plays (i.e. they are the assets that we would expect to help preserve capital in our diversified portfolios in times of market uncertainty), the ability of the asset class to diversify the returns of growth assets is limited at these low yields. As such, we have reduced our allocation to Australian bonds to reflect the lower reward for risk.

Australian credit markets also represent a poor absolute reward for risk trade off compared to what has been available historically, and the relative opportunity versus other global credit markets has reduced.

Australian Dollar Review

The Australian Dollar (AUD) experienced broad-based currency weakness over the December quarter, with a sharp decline occurring in December as commodity prices weakened and official interest rates were held steady. Overall, the Australian Dollar experienced significant weakness over the course of 2018, helping to markedly boost unhedged international investment returns. Against the United States Dollar, the AUD fell almost US 2 cents for the quarter and by more than US\$7.50 for the year. By contrast, the USD performed particularly well versus most other currencies for the year.

Outlook

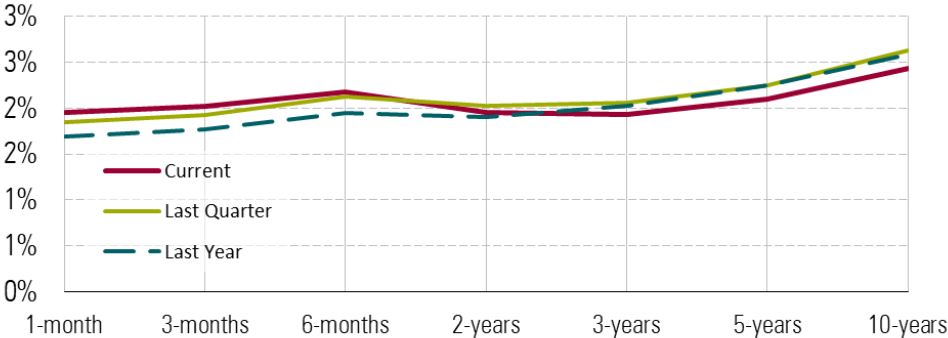
With the AUD softening against the U.S Dollar over the past year, we see AUD valuations as getting closer to its long-term fair value against the U.S Dollar. We remain constructive on the British pound, due to its improved valuations in the face of ongoing Brexit negotiation risks. We also continue to expect further gains for the Japanese Yen (and therefore a falling Australian Dollar in relative terms), as moves higher would be well justified on valuation grounds. In aggregate, we favour being predominantly unhedged, subject to individual portfolio investment objectives and risk profile.

Exhibit 7.1 Australian Bond Yield - Barclays Global Australia Yield (AUD) - 10 Years to 31 December



Source: Morningstar Direct

Exhibit 7.2 Australian Bond Yield Curves as at 31 December



Source: Reserve Bank of Australia

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.

Strategic and Tactical Asset Allocations
Conservative & Moderate

Conservative Portfolio	SAA (%)	Current Allocation	Over/Underweight	Previous Allocation	Change (%)
Australian Equity	5.0	3.0	-2.0	3.0	0.0
International Equity (Hedged)	3.5	3.2	-0.3	2.8	0.4
International Equity (Unhedged)	3.5	4.8	1.3	4.2	0.6
Australian Listed Property	0.0	0.0	0.0	0.0	0.0
International Listed Property	3.0	1.0	-2.0	1.0	0.0
Global Infrastructure	0.0	0.0	0.0	0.0	0.0
Australian Fixed Interest	28.0	26.0	-2.0	28.0	-2.0
International Fixed Interest	21.0	17.0	-4.0	19.0	-2.0
Cash	36.0	45.0	9.0	42.0	3.0
Total Defensive	85.0	88.0	3.0	89.0	-1.0
Total Growth	15.0	12.0	-3.0	11.0	1.0
Total Domestic	69.0	74.0	5.0	73.0	1.0
Total International	31.0	26.0	-5.0	27.0	-1.0
Australian Dollar Exposure	96.5	95.2	-1.3	95.8	-0.6
Foreign Currency Exposure	3.5	4.8	1.3	4.2	0.6
Currency Hedge Ratio	50%	40%	-10%	0.4	0.0

Moderate Portfolio	SAA (%)	Current Allocation	Over/Underweight	Previous Allocation	Change (%)
Australian Equity	10.0	7.0	-3.0	7.0	0.0
International Equity (Hedged)	7.0	6.4	-0.6	6.0	0.4
International Equity (Unhedged)	7.0	9.6	2.6	9.0	0.6
Australian Listed Property	0.0	0.0	0.0	0.0	0.0
International Listed Property	3.0	1.0	-2.0	1.0	0.0
Global Infrastructure	3.0	2.0	-1.0	1.0	1.0
Australian Fixed Interest	23.0	21.0	-2.0	23.0	-2.0
International Fixed Interest	17.0	16.0	-1.0	17.0	-1.0
Cash	30.0	37.0	7.0	36.0	1.0
Total Defensive	70.0	74.0	4.0	76.0	-2.0
Total Growth	30.0	26.0	-4.0	24.0	2.0
Total Domestic	63.0	65.0	2.0	66.0	-1.0
Total International	37.0	35.0	-2.0	34.0	1.0
Australian Dollar Exposure	93.0	90.4	-2.6	91.0	-0.6
Foreign Currency Exposure	7.0	9.6	2.6	9.0	0.6
Currency Hedge Ratio	50%	40%	-10%	0.4	0.0

Balanced & Growth

Balanced Portfolio	SAA (%)	Current Allocation (%)	Over/Underweight (%)	Previous Allocation (%)	Change
Australian Equity	17.0	14.0	-3.0	13.0	1.0
International Equity (Hedged)	12.0	11.4	-0.6	11.4	0.0
International Equity (Unhedged)	12.0	15.6	3.6	15.6	0.0
Australian Listed Property	3.0	0.0	-3.0	0.0	0.0
International Listed Property	3.0	2.0	-1.0	2.0	0.0
Global Infrastructure	3.0	3.0	0.0	2.0	1.0
Australian Fixed Interest	18.0	18.0	0.0	19.0	-1.0
International Fixed Interest	12.0	11.0	-1.0	12.0	-1.0
Cash	20.0	25.0	5.0	25.0	0.0
Total Defensive	50.0	54.0	4.0	56.0	-2.0
Total Growth	50.0	46.0	-4.0	44.0	2.0
Total Domestic	58.0	57.0	-1.0	57.0	0.0
Total International	42.0	43.0	1.0	43.0	0.0
Australian Dollar Exposure	88.0	84.4	-3.6	84.4	0.0
Foreign Currency Exposure	12.0	15.6	3.6	15.6	0.0
Currency Hedge Ratio	50%	42%	-8%	0.4	0.0

Growth Portfolio	SAA (%)	Current Allocation (%)	Over/Underweight (%)	Previous Allocation (%)	Change
Australian Equity	23.0	19.0	-4.0	18.0	1.0
International Equity (Hedged)	17.5	16.2	-1.3	16.2	0.0
International Equity (Unhedged)	17.5	22.8	5.3	22.8	0.0
Australian Listed Property	3.0	1.0	-2.0	1.0	0.0
International Listed Property	5.0	3.0	-2.0	3.0	0.0
Global Infrastructure	4.0	4.0	0.0	3.0	1.0
Australian Fixed Interest	11.0	11.0	0.0	12.0	-1.0
International Fixed Interest	7.0	6.0	-1.0	7.0	-1.0
Cash	12.0	17.0	5.0	17.0	0.0
Total Defensive	30.0	34.0	4.0	36.0	-2.0
Total Growth	70.0	66.0	-4.0	64.0	2.0
Total Domestic	49.0	48.0	-1.0	48.0	0.0
Total International	51.0	52.0	1.0	52.0	0.0
Australian Dollar Exposure	82.5	77.2	-5.3	77.2	0.0
Foreign Currency Exposure	17.5	22.8	5.3	22.8	0.0
Currency Hedge Ratio	50%	42%	-8%	0.4	0.0

Aggressive

Aggressive Portfolio	SAA (%)	Current Allocation (%)	Over/Underweight (%)	Previous Allocation (%)	Change (%)
Australian Equity	30.0	28.0	-2.0	27.0	1.0
International Equity (Hedged)	22.5	20.2	-2.3	20.2	0.0
International Equity (Unhedged)	22.5	28.8	6.3	28.8	0.0
Australian Listed Property	4.0	1.0	-3.0	1.0	0.0
International Listed Property	6.0	3.0	-3.0	3.0	0.0
Global Infrastructure	5.0	4.0	-1.0	3.0	1.0
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	8.0	5.0	10.0	-2.0
Total Defensive	10.0	15.0	5.0	17.0	-2.0
Total Growth	90.0	85.0	-5.0	83.0	2.0
Total Domestic	41.0	41.0	0.0	42.0	-1.0
Total International	59.0	59.0	0.0	58.0	1.0
Australian Dollar Exposure	77.5	71.2	-6.3	71.2	0.0
Foreign Currency Exposure	22.5	28.8	6.3	28.8	0.0
Currency Hedge Ratio	50%	41%	-9%	0.4	0.0



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