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# How to Achieve Wealth Goals through Portfolio Construction

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Management

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# Upcoming Events

- 2019 Managed Account Awards
- Portfolio Management Conference
- Responsible Manager Masterclass

## 2019 Managed Account Awards

- Finalists announced 30<sup>th</sup> May
- Awards 25<sup>th</sup> June

## Portfolio Management Conference

- Sydney 6<sup>th</sup> August – Portfolio management / asset allocation
- Melbourne 22<sup>nd</sup> October – Australian & Int'l equities and Fixed income Investments

## Responsible Manager Masterclass

- 17<sup>th</sup> September



Portfolio Managers



Managed Account Providers



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# WATERSHED MULTI-ASSET PORTFOLIO POSITIONING:

## Key Considerations:

**Growth** / Defensive split

Growth: Domestic / Overseas

Sector: Region & Currency

**Defensive** : Gov't Bond, Corporate Bond, (Fixed / Floating), Cash /Alternative

All levers within a Diversified Multi Asset Managed Account

FUNDS MANAGEMENT

DEALER SERVICES



**WATERSHED**

FUNDS MANAGEMENT

# MIXED SIGNALS FROM 10 YEAR AND 5 YEAR BOND YIELD MARKETS: MSCI VS US

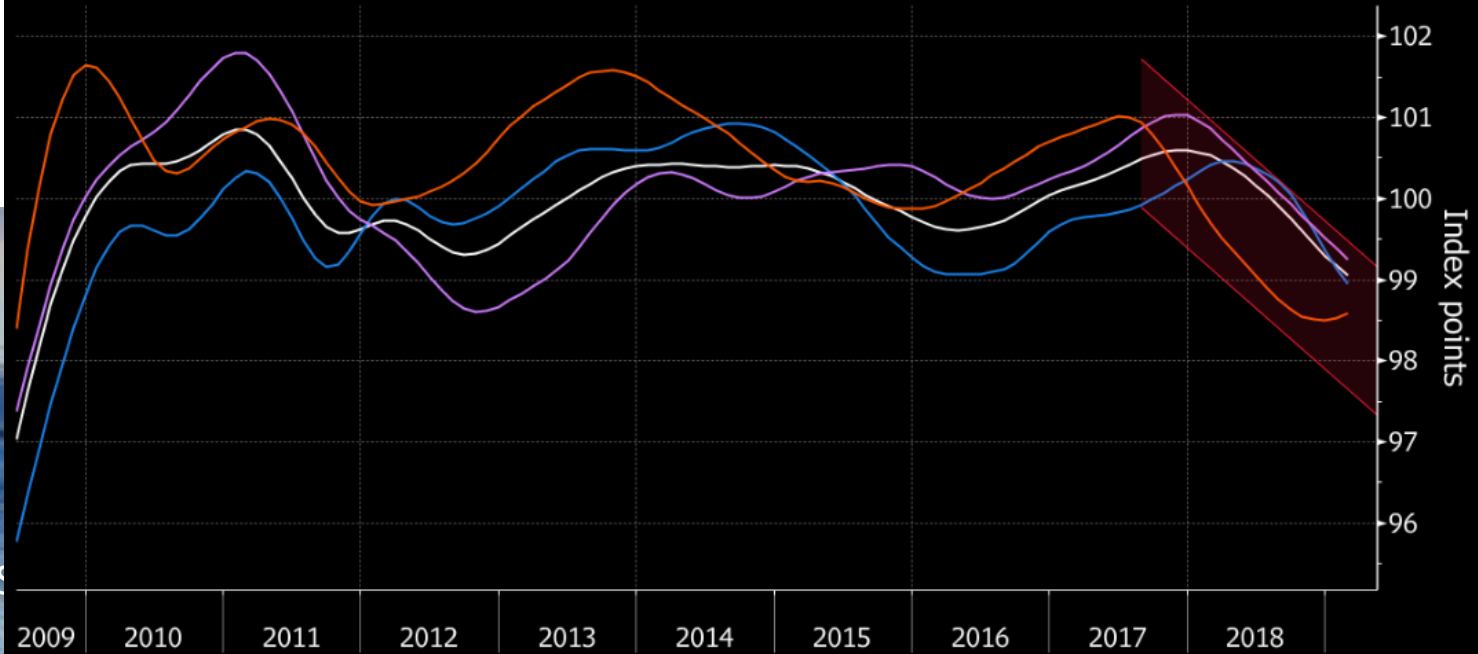


# GROWTH SETTING (BALANCED) CURRENTLY 48%

Global Growth is struggling to find a bottom

## Weak West OECD economy gauge hits the lowest level since 2009

■ Leading indicator for OECD ■ U.S. ■ Euro area ■ China



Source: Organization for Economic Cooperation and Development

FUNDS

HED

FUND MANAGEMENT



# CHINA: STIMULATING GROWTH ON A DESPITE GREEN SHOTS IN APRIL

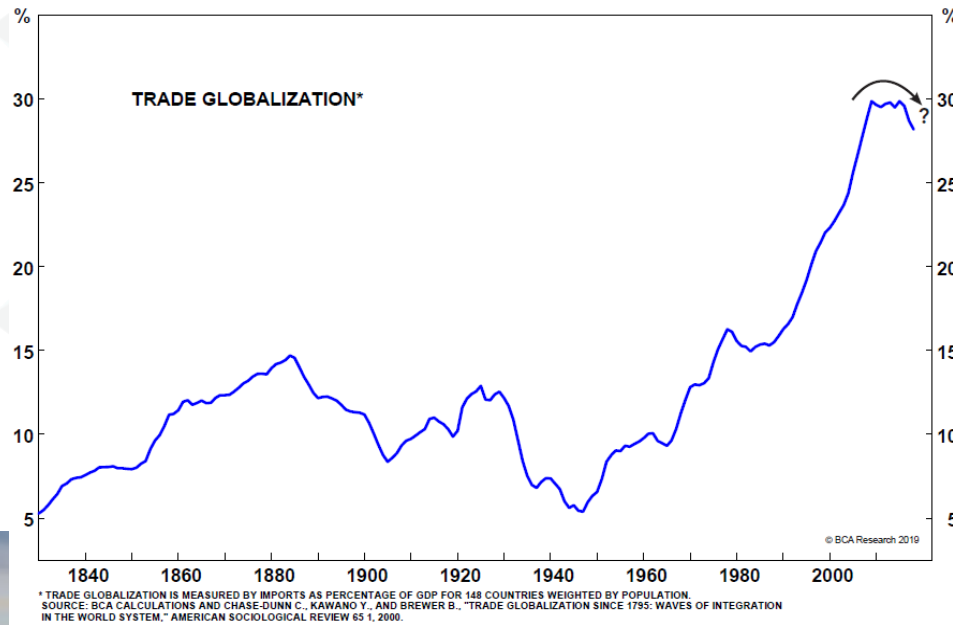
## China Retail Sales



## Manufacturing PMI's DEALER SERVICES



# AND THE TRADE WAR IS A MAJOR RISK



DEALER SERVICES

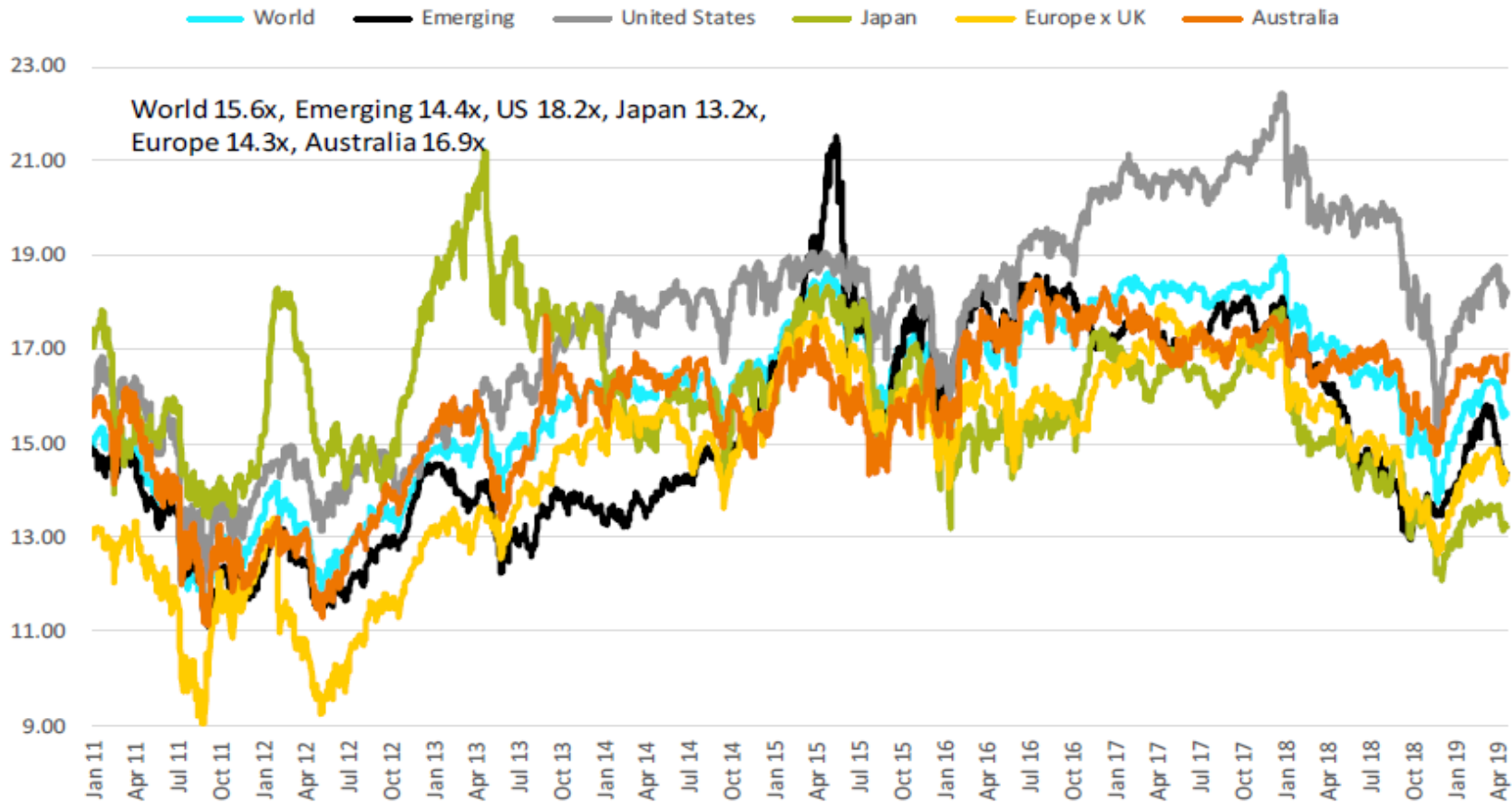


FUNDS MANAGEMENT



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# MARKETS FAIRLY VALUED YTD TO DATE AND MARKET IS BALANCED



# AUSTRALIA - HUGE RECENT RE-RATING DRIVEN BY:

1. Election Result

2. APRA loosening lending standards

3. RBA cutting Cash rate (with at least one more expected)

DEALER SERVICES

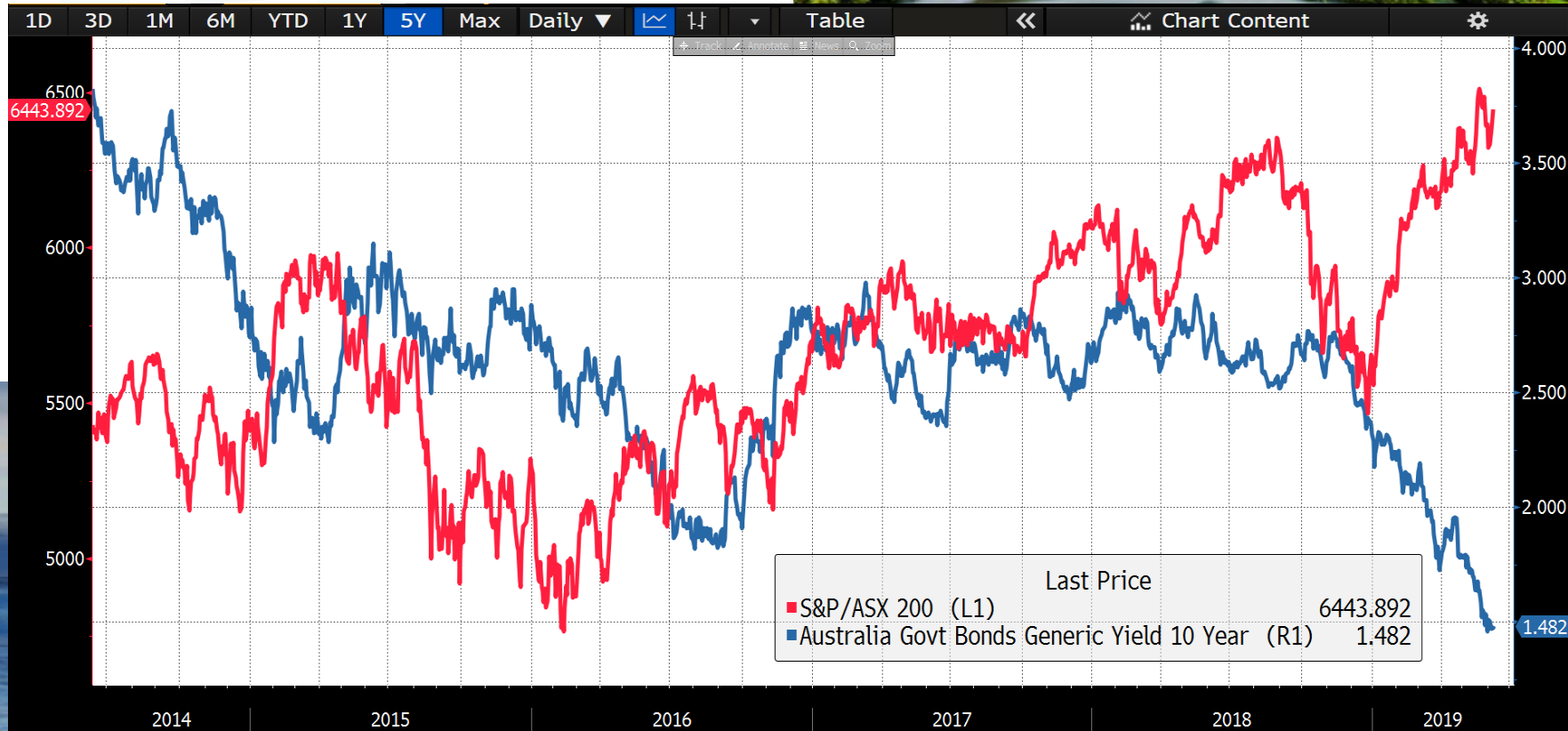
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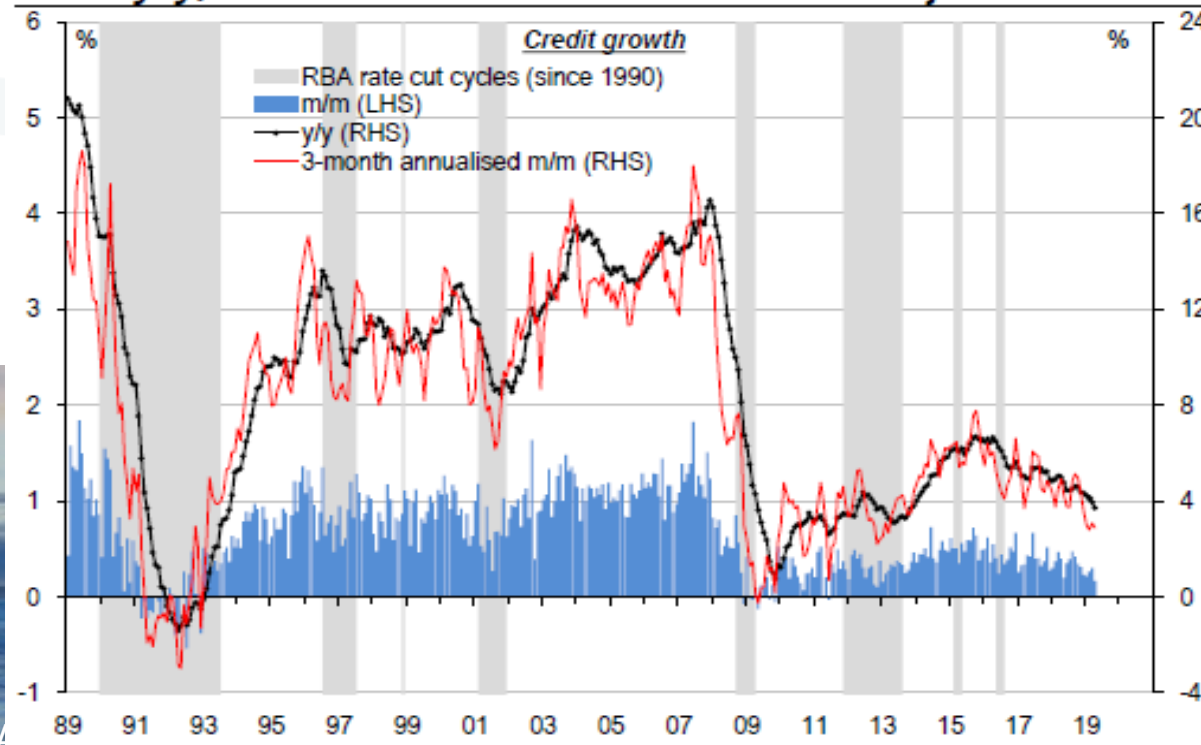
# AGAIN: MIXED SIGNALS: ASX 200 VS 10 YEAR BOND YIELD



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# BUT WHERE IS THE EARNINGS GROWTH?

Figure 1: Apr total credit growth slowed to 0.2% m/m & 3.7% y/y, with the 3-month annualised rate just 2.9%



Source: ABS, RBA, UBS

SERVICES

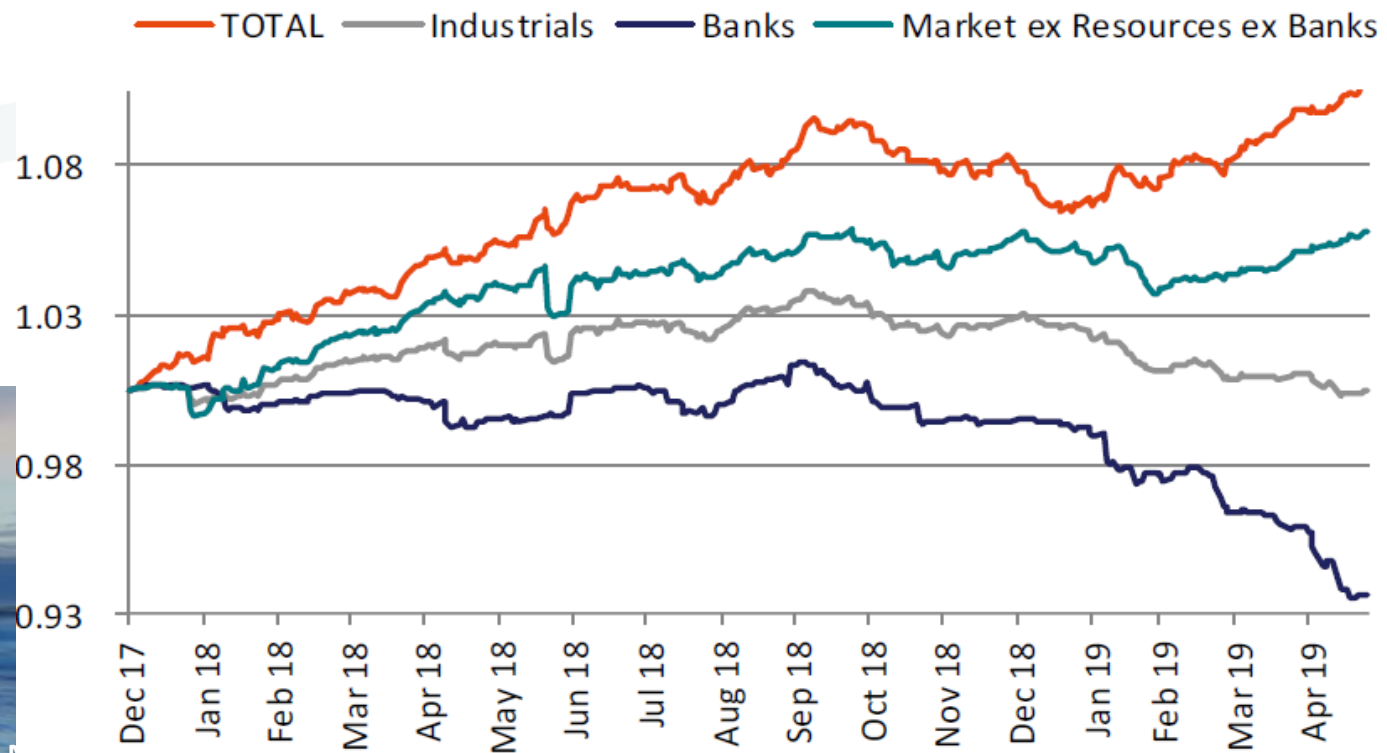
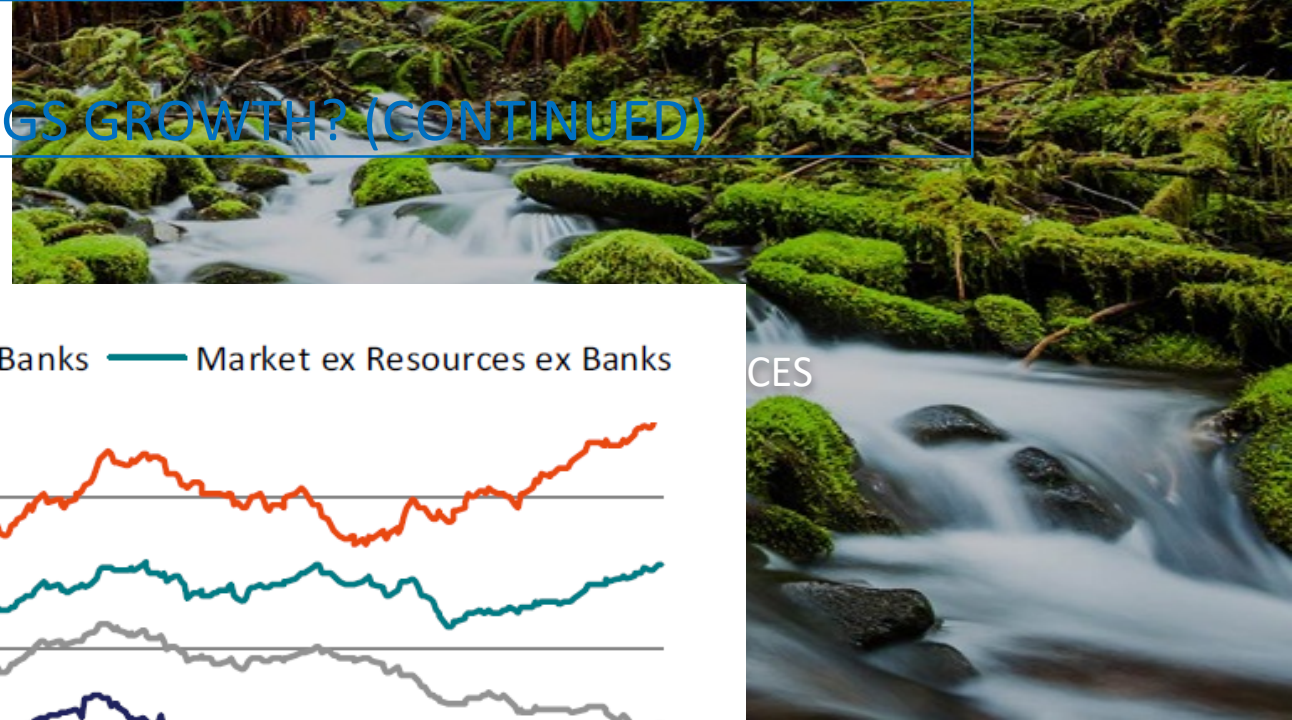
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# BUT WHERE IS THE EARNINGS GROWTH? (CONTINUED)



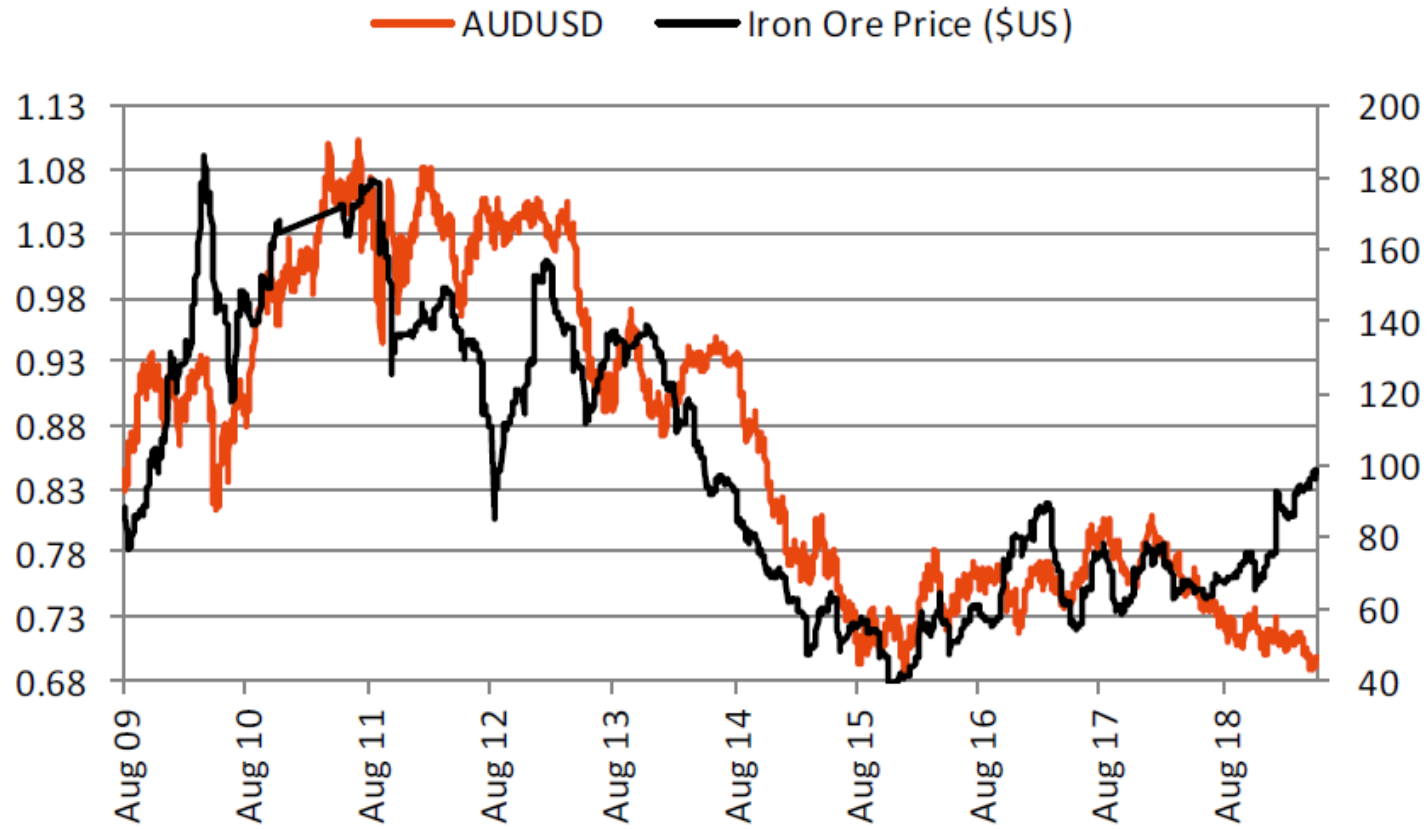
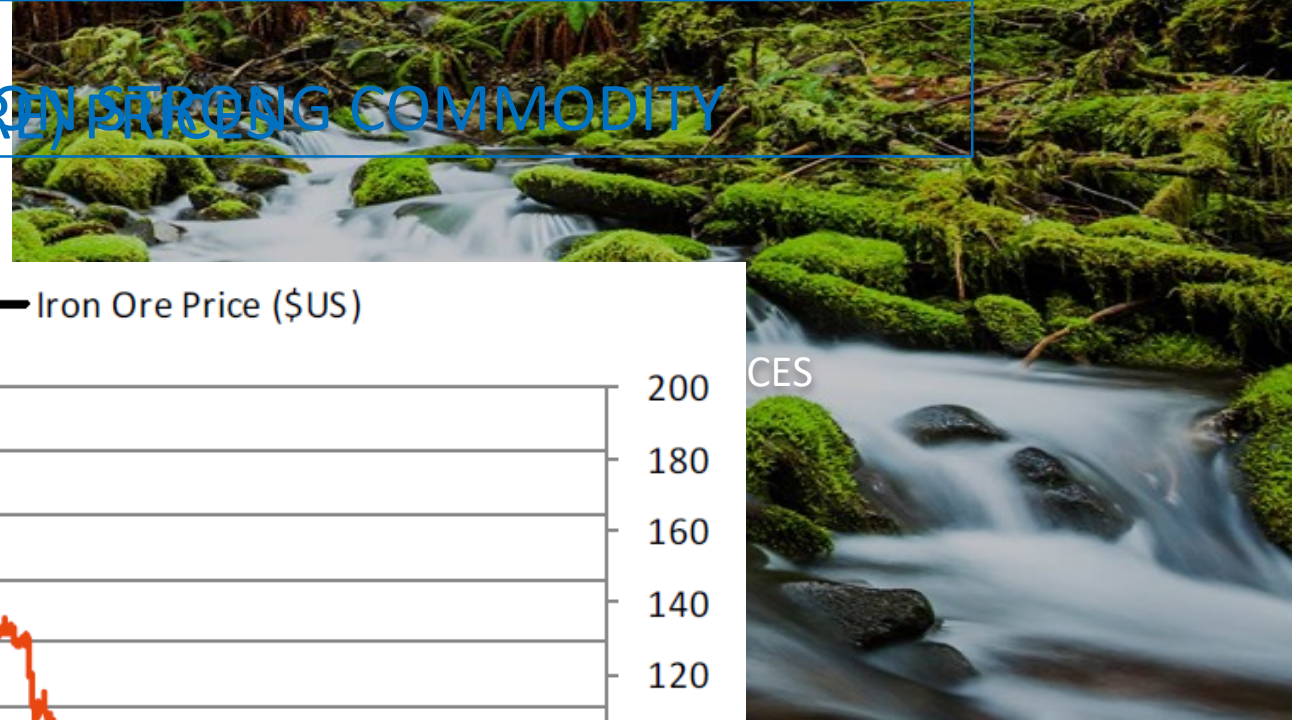
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# WATERSHED

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# MARKET LEVEL RISK NOT IN STRONG COMMODITY

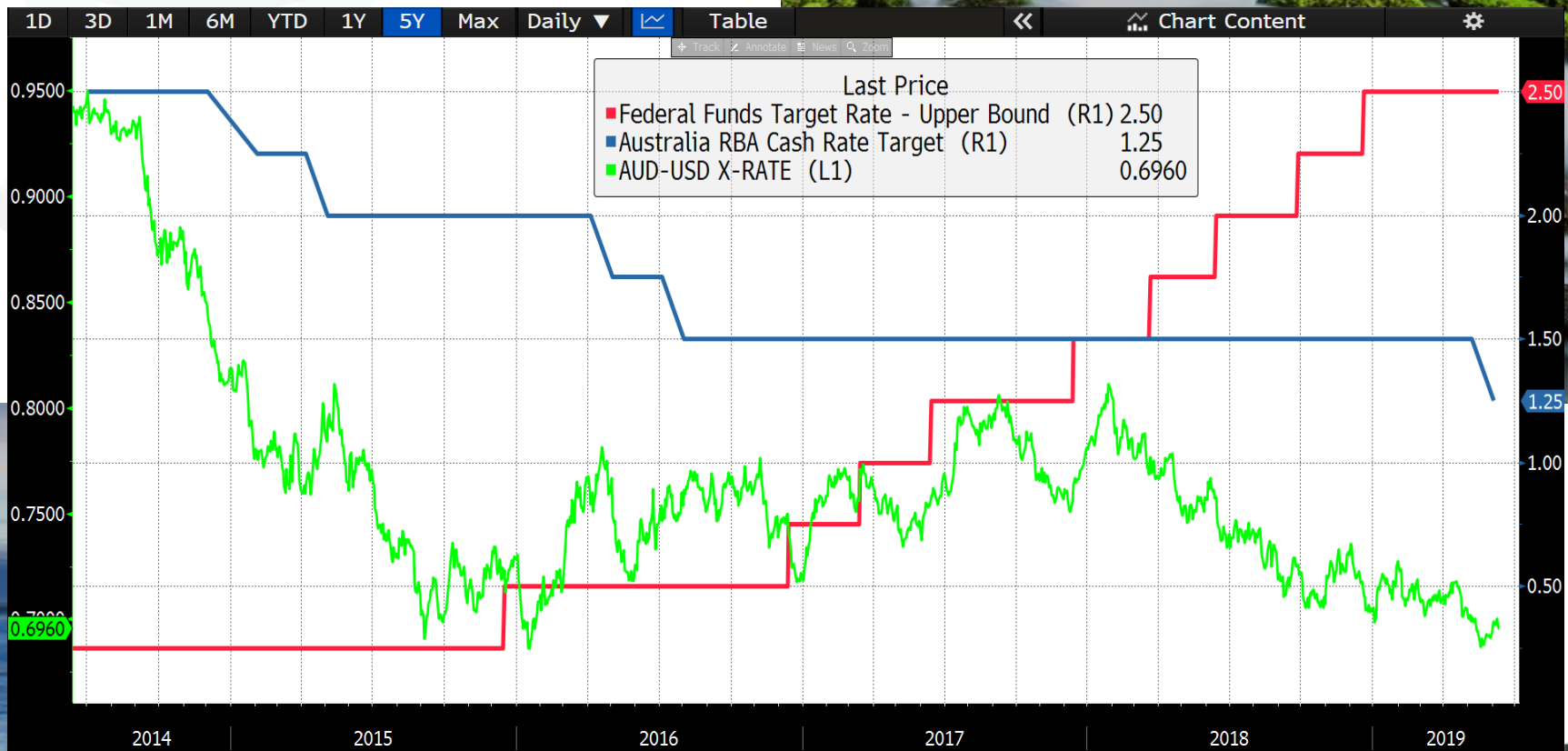


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# CURRENCY POSITIONING



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# OVERALL POSITIONING

Higher than average cash levels (we will get the opportunity to allocate cash to either bonds or Equities in H2)

Global Earnings will be weaker over the next few quarters - reflecting the weak economic environment over 2019 so far

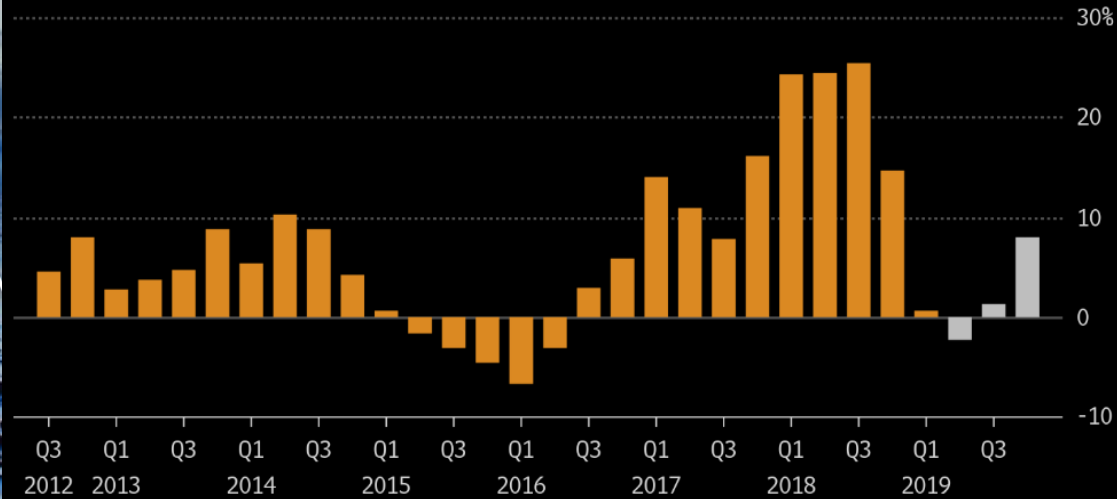
Will markets look through weakness with a view that accommodative Monetary Policy will drag the economy back up?

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## Growth Under Threat

Analysts expect S&P 500 earnings to be stuck this quarter and next

Actual Forecast



Source: Bloomberg

Bloomberg

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CRASHED  
MANAGEMENT



Portfolio Managers



Managed Account Providers



# Applying a valuation driven approach to investing in today's world

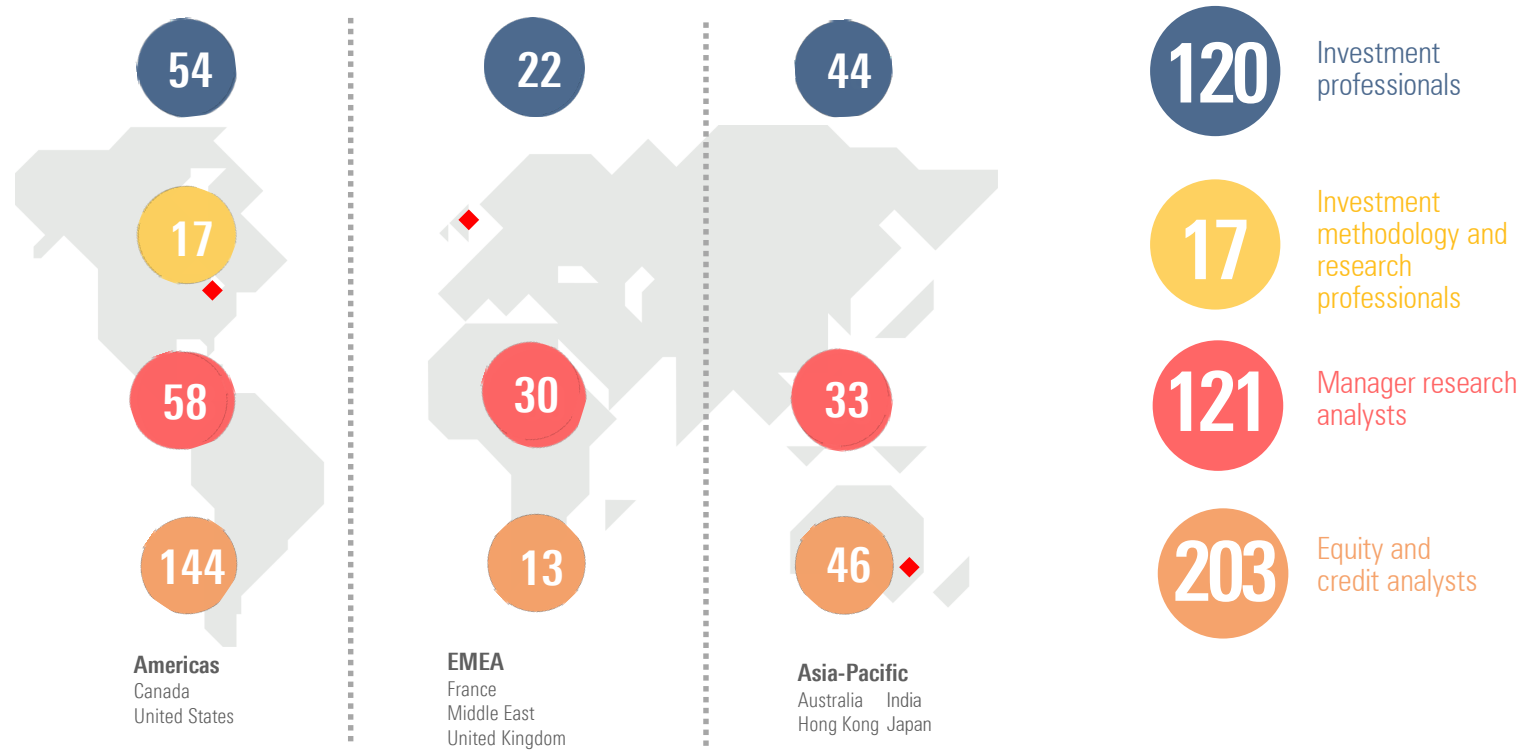
Michael Lagudi

National Manager – Investment Solutions

Morningstar Investment Management

# Morningstar's Investment Management group

Drawing on Morningstar's trusted, independent asset allocation and investment research expertise



◆ Morningstar office with investment management responsibilities – 'investment hubs'

# A Distinctive Approach: Asset Class Ranges & Positioning for a Growth Portfolio



Source: Factset, Morningstar

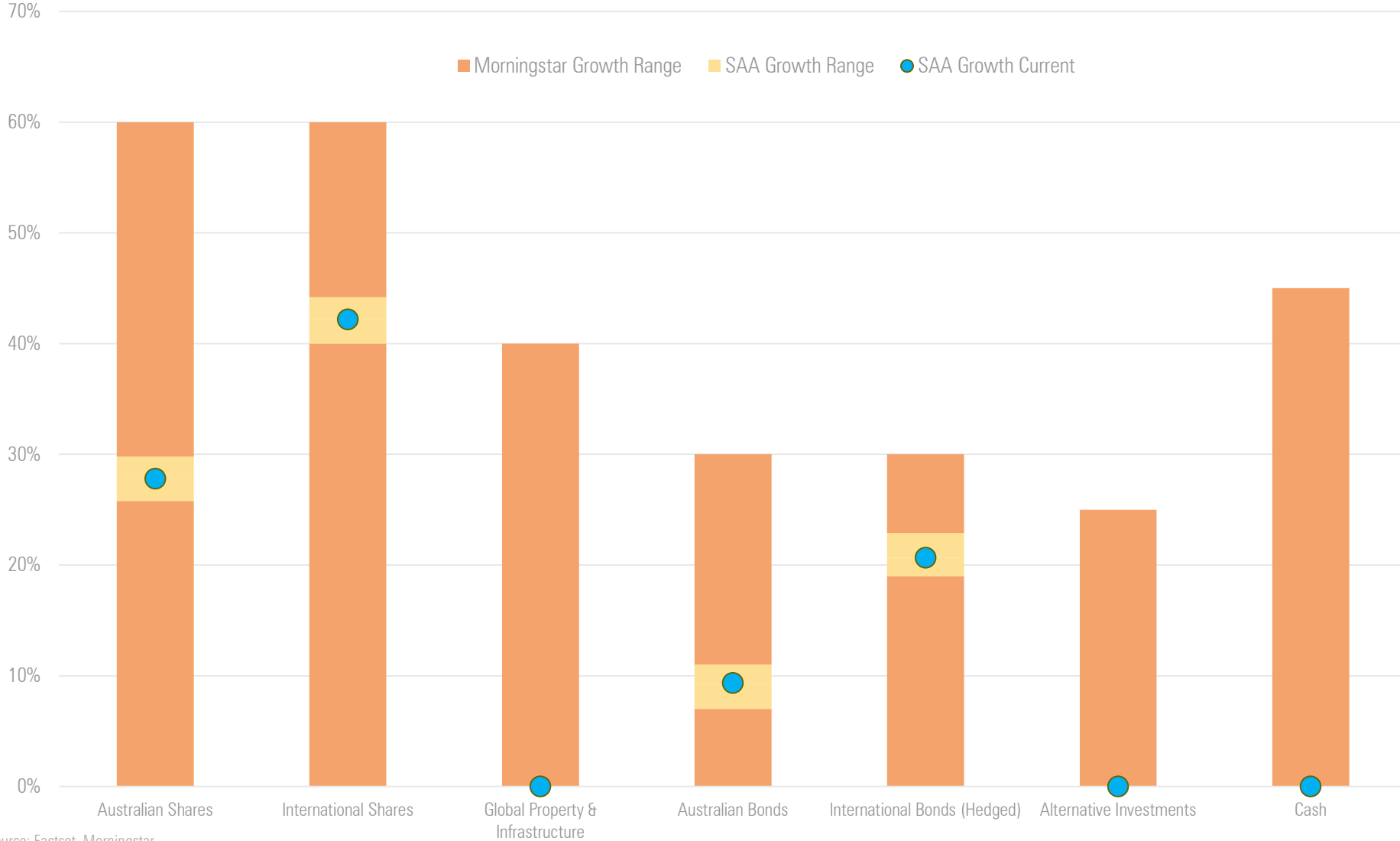
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## Setting Appropriate Investment Objectives for Clients

Traditional Approach:



# A Distinctive Approach: Asset Class Ranges & Positioning for a Growth Portfolio



Source: Factset, Morningstar



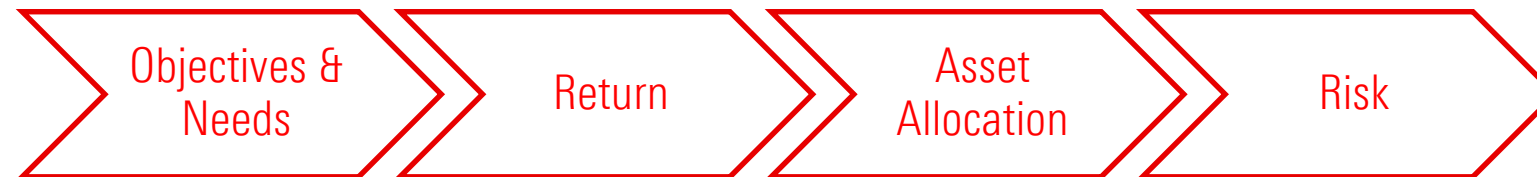
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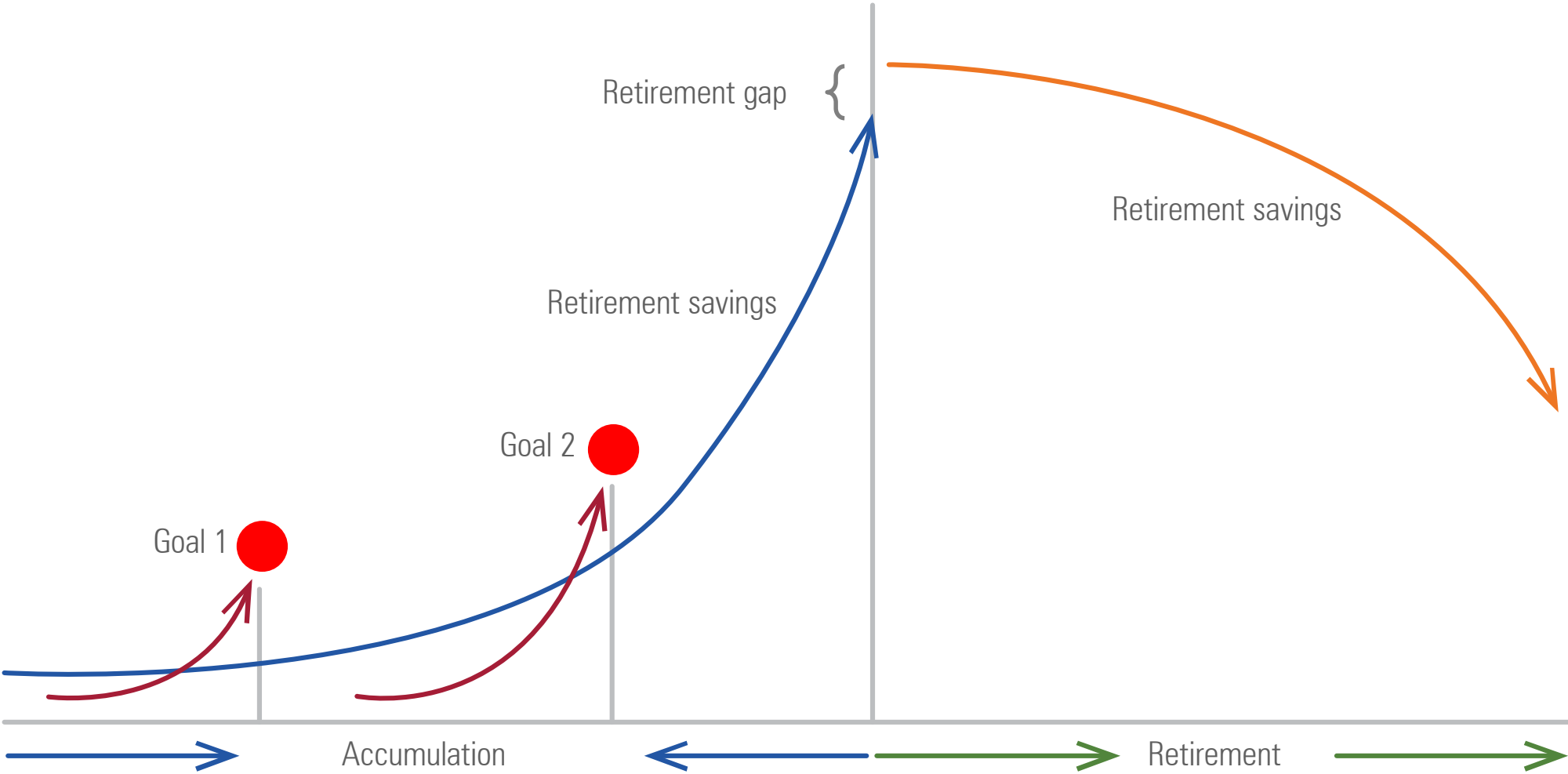
Traditional Approach:



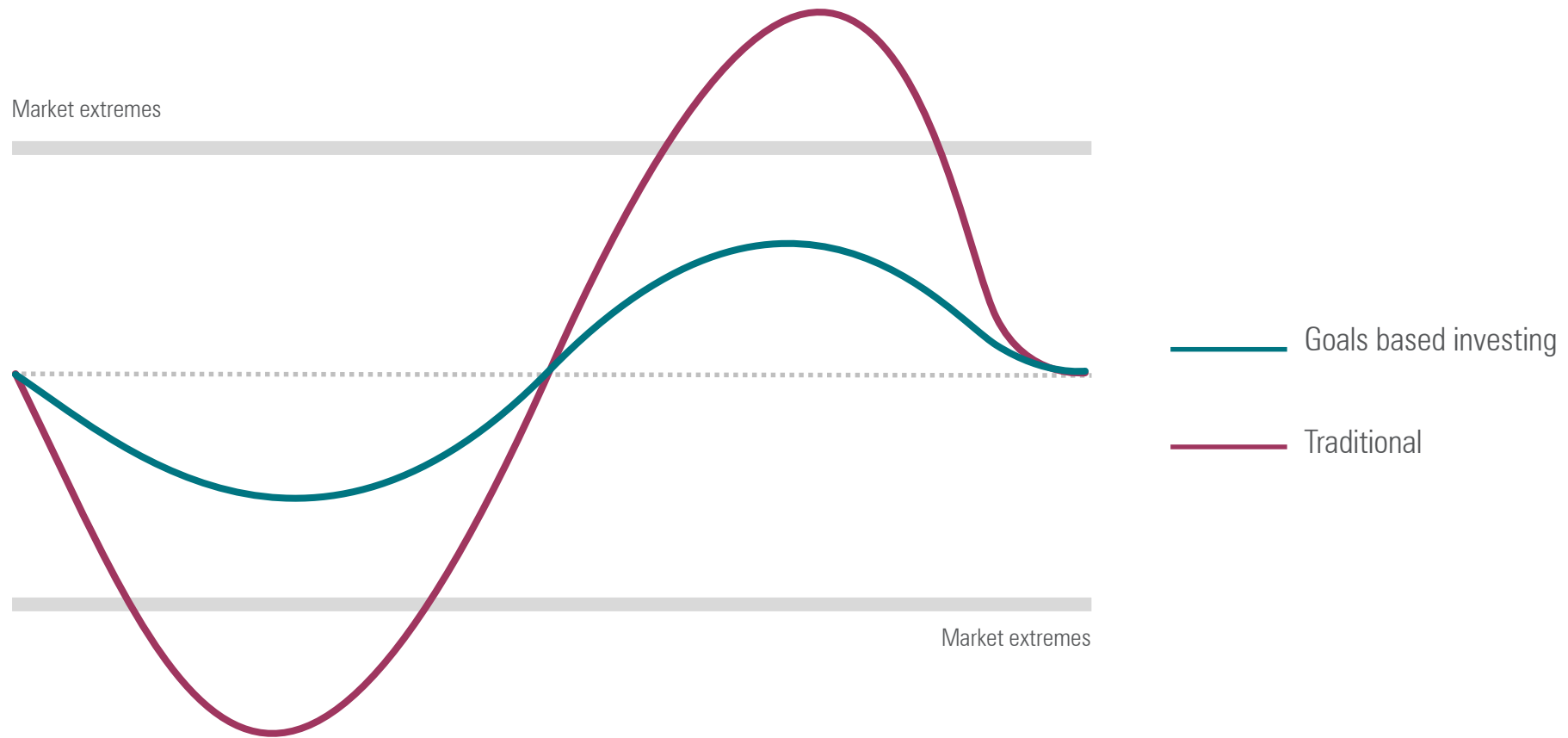
Objectives Based Approach:



# Objectives Based Financial Planning: Don't Let the Markets Determine Your Chance of Success!



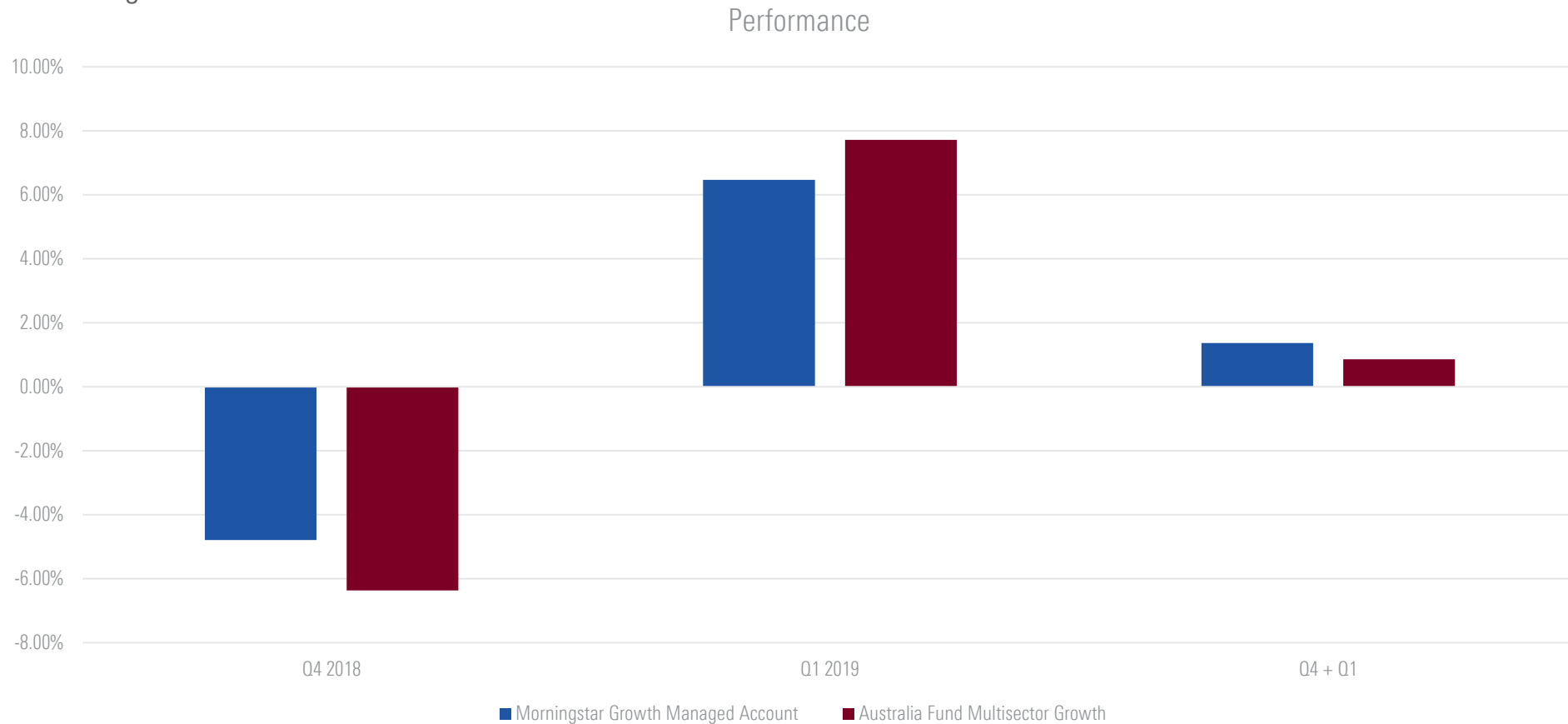
# Implications of Outcome (or Real Return) Investing



For illustrative purposes only.

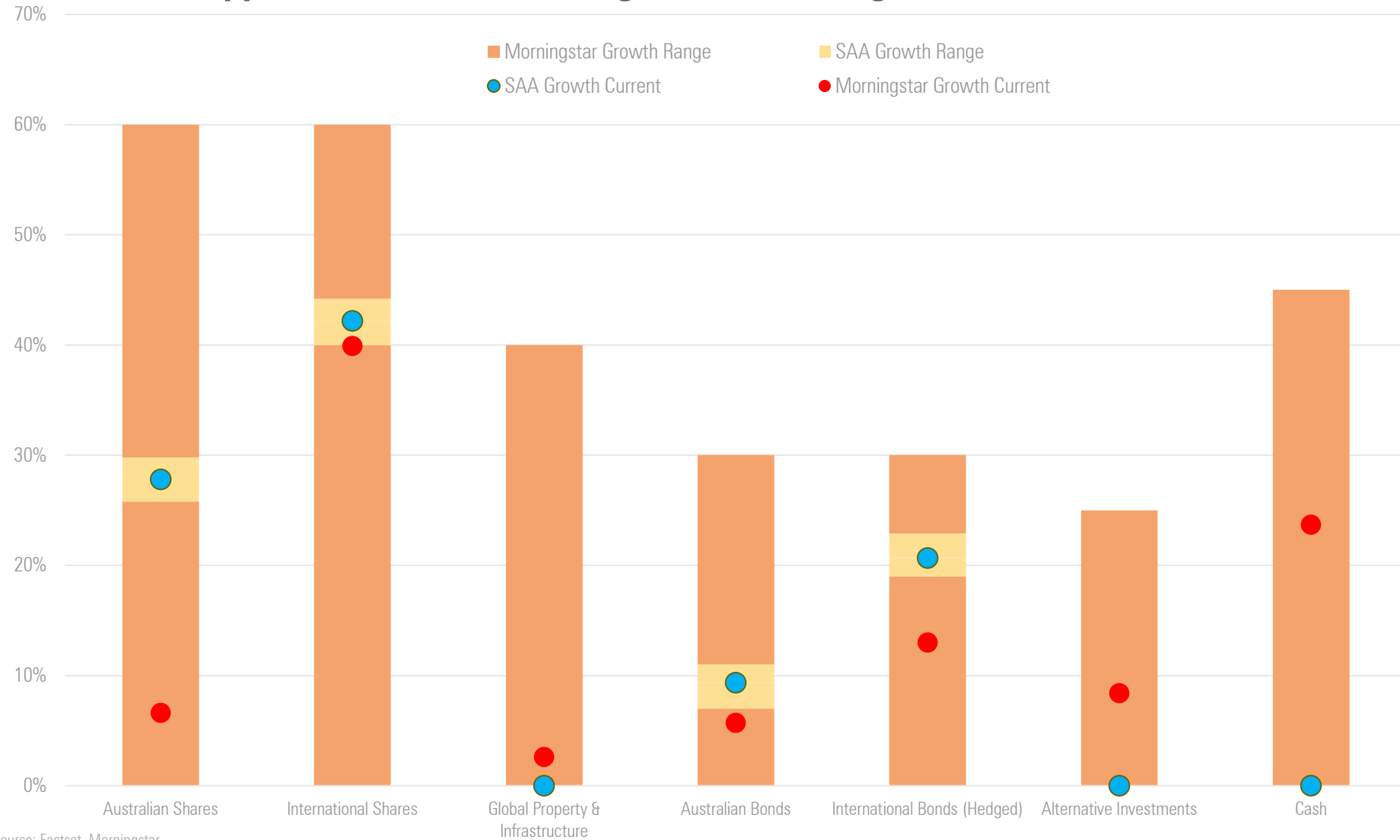
# In practice – superior risk-adjusted returns through recent volatility

Growth managed account



Source: Morningstar. As at 31 March 2019.

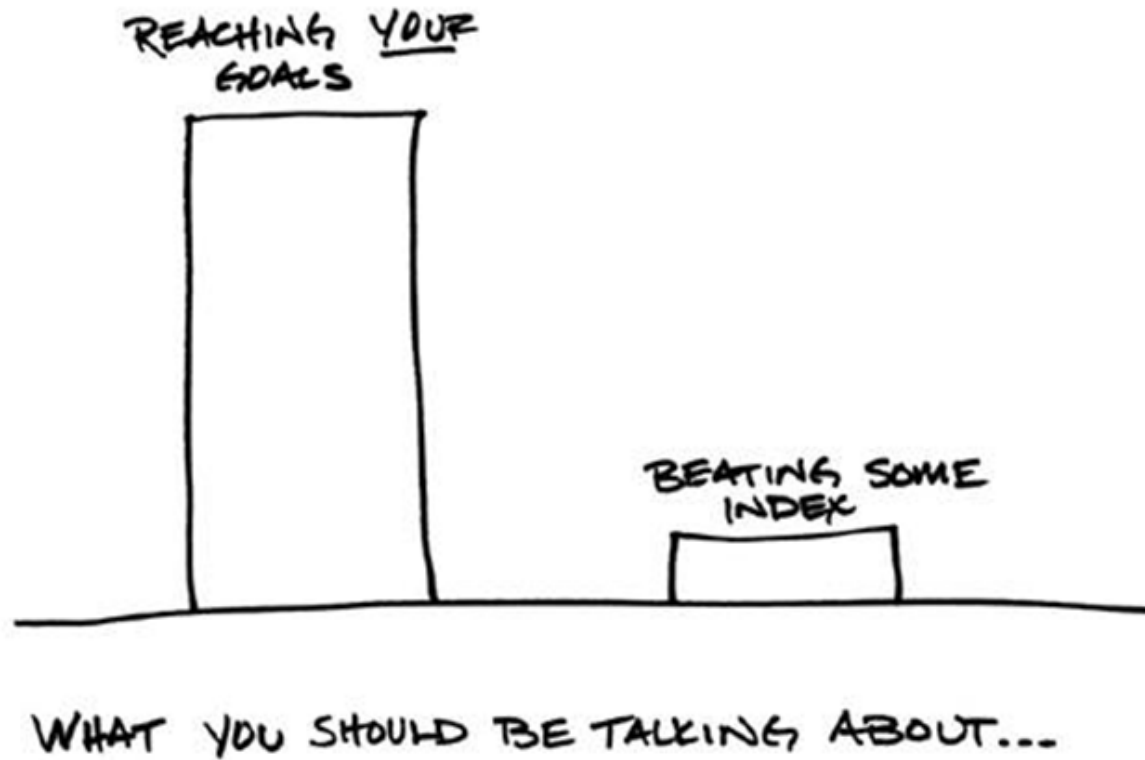
# A Distinctive Approach: Asset Class Ranges & Positioning for a Growth Portfolio



Source: Factset, Morningstar

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## Magnifying Benefits: Re-Framing the Performance Conversation



## Wealth Adviser Managed Account Investment Solutions

Risk Profile	Conservative	Moderate	Balanced	Growth	High Growth
Investment Objective	CPI + 0.75%	CPI + 1.0%	CPI + 2.5%	CPI + 3.5%	CPI + 4.5%
Growth/Defensive	15/85	30/70	50/50	70/30	90/10
Managed Account	✓	✓	✓	✓	✓



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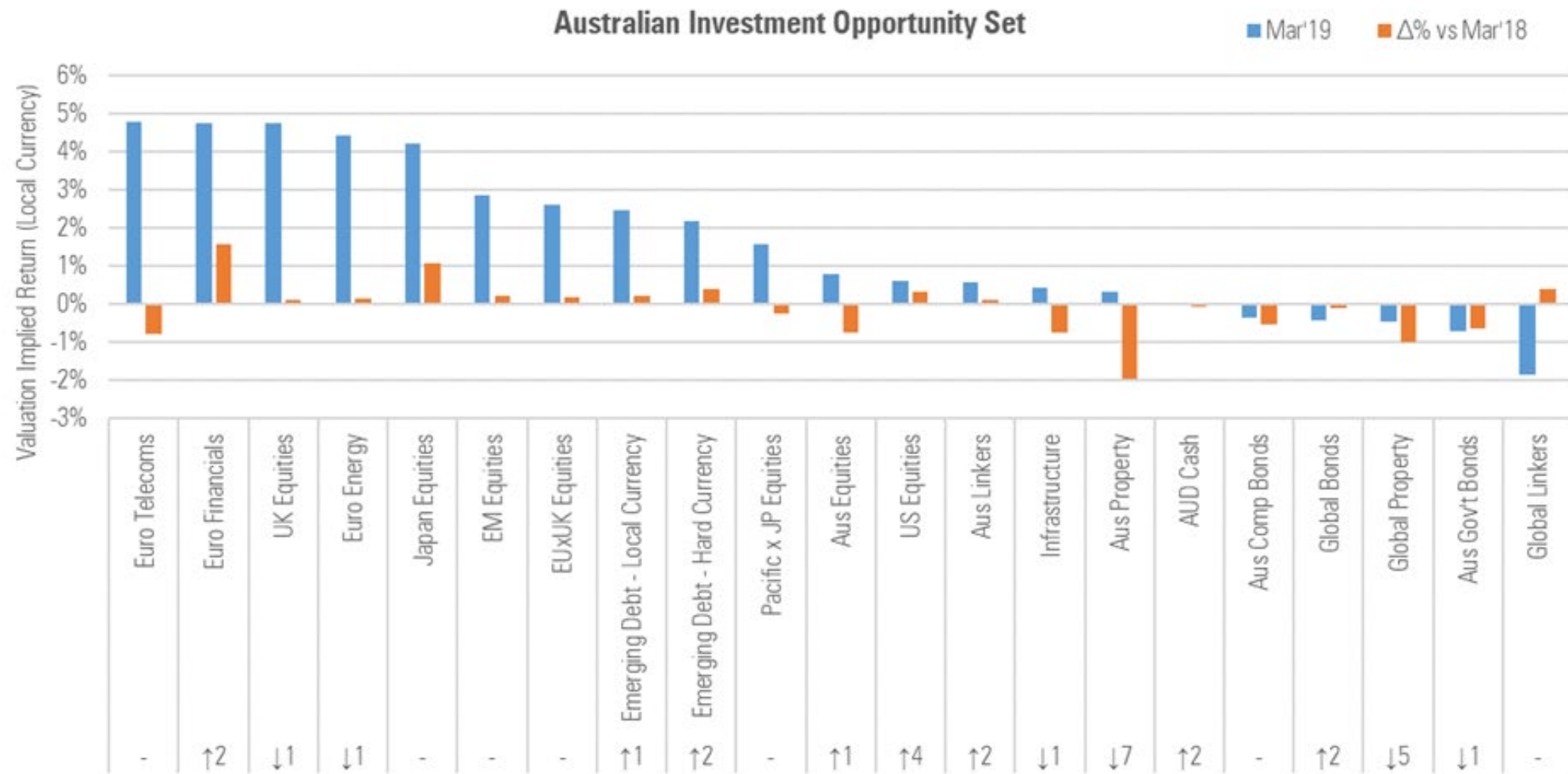
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## Australian opportunity set changes over the course of the last year



- Despite the turbulence, equity returns are generally little changed from a year ago and remain low.
- Fixed income has become increasingly expensive, although EMD remains attractive.

Source: Morningstar as at 31/3/2019



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# Questions

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