

Morningstar Growth Fund

Q42020

Quarterly Performance Update

All data and information as at Portfolio Date: 31/12/2020

Inception: 1 January 2010*

Size \$m: 263.6

Unit pricing: Daily

Distributions: Quarterly

Management fees and costs:** Up to 0.64%***

Performance fees: 0.05%***

Transaction costs: 0.02%***

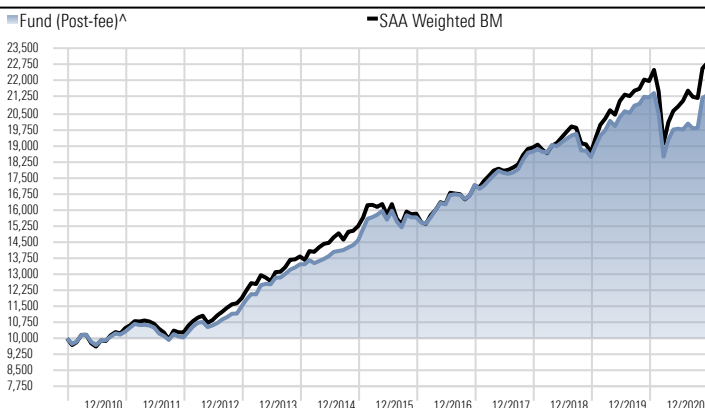
Buy-Sell spread: 0.11%/0.09%

Minimum investment: \$500,000

Management Fees and Costs include Morningstar's management fee of 0.60% as well as our reasonable estimate of excluded indirect costs which represent that portion of expenses charged by underlying funds which Morningstar do not pay out of its management fee.

What's the purpose of this fund?

The Fund aims to achieve capital growth through investing in a diversified portfolio of growth and defensive asset classes, with an emphasis on growth asset classes.



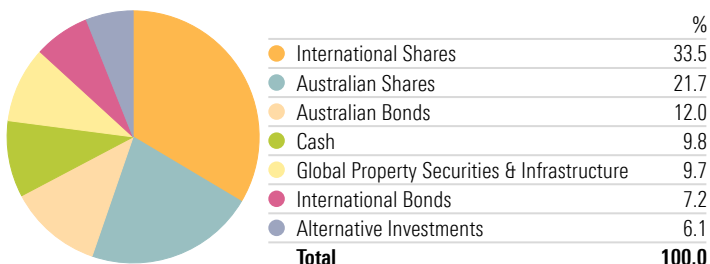
Past performance is not a reliable indicator of future performance.

Returns over 12 months are annualised.

How the investment portfolio has performed

	10yr (% p.a)	7yr (% p.a)	5yr (% p.a)	3yr (% p.a)	1yr (%)	3mth (%)	Since inception (% p.a)
Fund (Post-fee) [^]	7.53	6.81	6.41	4.50	0.53	7.87	7.14
SAA Weighted BM	8.10	7.44	7.63	6.52	3.84	7.43	7.80

Quarter-end Asset Allocation



*The Fund's inception date used is 1 January 2010, the start of the full implementation of the Valuation Driven Asset Allocation process.

**Management fees can be negotiated and may be less than the standard management fee. The portfolio may include exchange traded funds which charge management fees and these are an additional cost to individual investors and impact their return. This and any other excluded indirect costs incurred by the portfolio is captured within 'Management Fees and Costs' above.

***All fees are expressed as a percentage of net asset value of the Fund excluding accrued fees.

[^]Investment performance is before tax and after the standard management fee (inclusive of GST).

Key Messages

- Share markets continued their strong recovery through to the end of the year.
- The start of the COVID-19 vaccine rollout and the conclusion of the U.S. election prompted confidence in investors.
- Economically sensitive investments made a comeback after an extended period of relative weakness.

For humanity, we gladly wave goodbye to 2020, but for financial markets, we endured a period of surprising benefit. Not even the wildest of market predictions would have been right. If someone asked you how the market would perform if a global pandemic hit, causing widespread job losses and the biggest contraction in the economy for around 90 years, we doubt you'd describe today's reality. Global stocks, corporate bonds, real estate, gold, commodities and bitcoin have all moved forward and delivered positive performance.

The final quarter of 2020 was a strong one by historical measures. It is a clear case of market participants looking over the horizon, spurred on by the vaccine rollout combined with a perception of greater political stability. The wave of "good news" comes with many fascinating and constructive sub plots. One of the most interesting happened in the fourth quarter of 2020, where value stocks bucked a multi-year trend to join the winner's list. This was partly marked by President-elect Biden's victory but is also a vision for life after lockdowns and COVID-19, with the reopening of the economy considered a positive for economically sensitive sectors. Company defaults and bankruptcies also remain low globally, defying the doomsayers, supported by record stimulus and the cheapest borrowing rates ever seen.

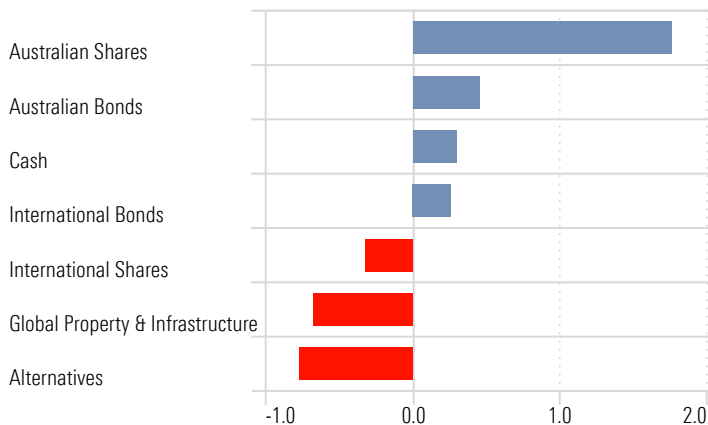
Here are some of the fourth-quarter and full-year 2020 highlights:

- Global shares rose meaningfully in the fourth quarter, finishing 2020 with healthy overall returns. Returns from this asset class have been somewhat muted for unhedged investors, however, given the stronger Australian dollar. At year-end, the U.S. market had rallied as much as 70% from the March lows.
- Shares in emerging market companies outperformed developed market peers, during the fourth quarter and on a 12-month view. This sector was buoyed by renewed confidence in the outlook for global growth and low U.S. interest rates.
- Energy and financials were the best performing sectors in Q4 2020 recording gains of more than 20%! Nonetheless, returns from these sectors finished down on a calendar year view, materially so in the case of energy. Even accounting for the recent rally, this sector continues to appeal as an attractive investment opportunity given its compelling valuation, in our view.
- Among fixed income assets, interest-rate-sensitive bonds were one of the rare assets to fall in the fourth quarter. Meanwhile, riskier high-yield and emerging-markets bond categories performed the best on the back of the improved outlook for global growth.

Above all else, while it may feel like a good time to invest, investors still need to weigh up the prices that they are paying, as we've seen extreme divergence in asset prices, which potentially raises the risk of loss. As Warren Buffett once said, "Only when the tide goes out do you discover who's been swimming naked". That said, we continue to see opportunities and remain confident that our positions are in the best long-term interests of our clients—acknowledging tomorrow's challenges and working towards a prosperous 2021 and beyond with good financial decision making.

Information about the portfolio's performance

What drove portfolio performance over the past year?

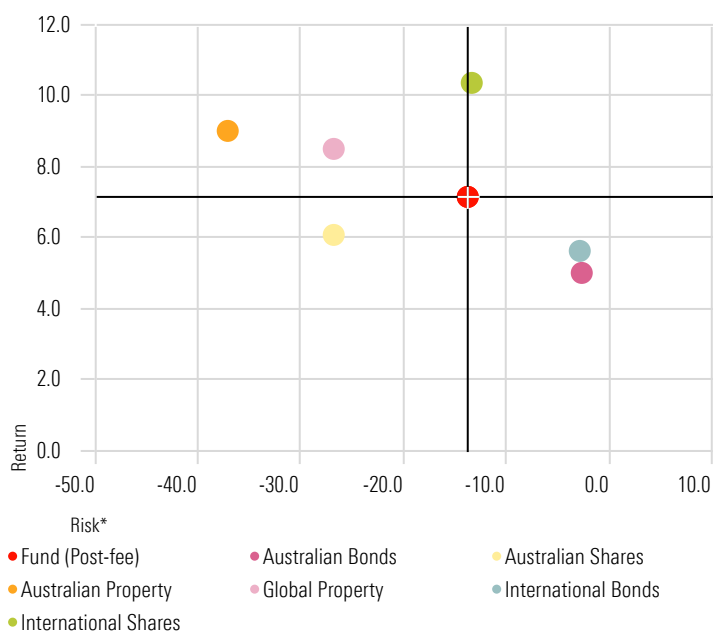


Actual outcomes may differ, as the chart has been prepared using a monthly 'buy and hold' approach.

This chart shows how the individual parts of the portfolio contributed to investment performance over the past year.

While it is important to understand how each asset class has contributed to overall performance, one year is a very short time in financial markets. Returns over such a short period are often heavily influenced by investor sentiment and are not necessarily indicative of longer-term outcomes. Morningstar encourages investors to consider this information in the context of achieving their longer-term goals

Risk versus reward since inception



This chart shows how a number of investments have performed on average since full implementation of the Valuation Driven Asset Allocation process, which occurred on 1 January 2010.

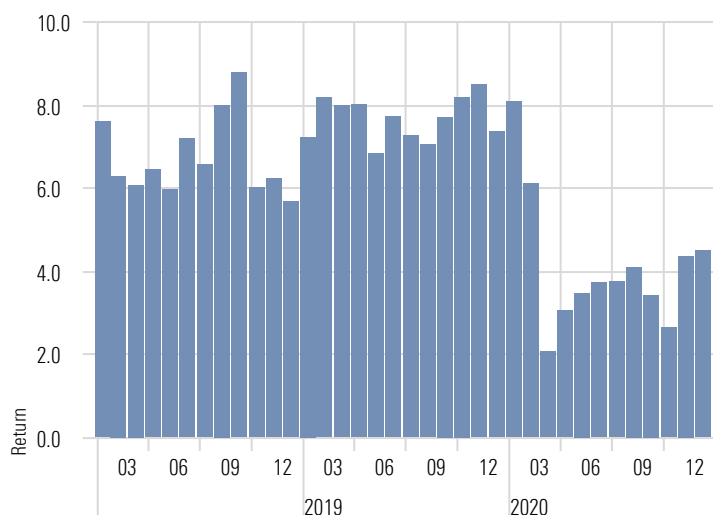
Returns alone are not the full picture. You cannot generate returns without taking on a level of risk. The chart shows the 'riskiness' of each investment relative to its average return.

You want to be as close to the top right corner of the chart as possible, as this indicates high returns achieved with less risk. You would expect cash to be towards the bottom right of the chart, with little to no risk and consequently, low returns.

It's important to note that past performance is not a reliable indicator of future performance and **riskiness of investments may far exceed what has occurred in the past.**

*Risk is measured as the maximum loss from a peak to a trough for that investment during the period.

How stable have returns been? (Rolling 3 year returns)

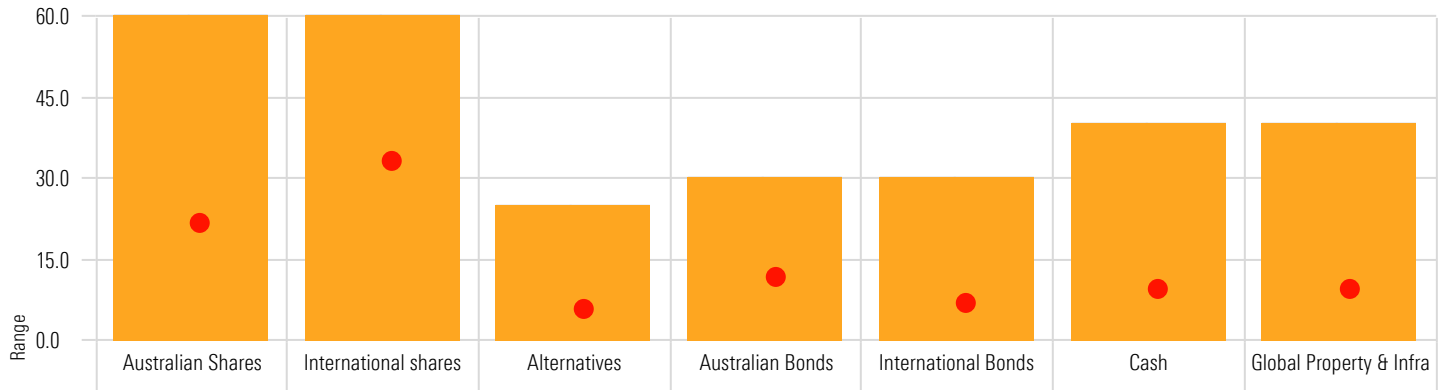


This chart shows the annual performance of the portfolio over rolling 3 year periods – e.g. your average annual return for each of the three years for any given month. In other words, this chart shows that the portfolio has delivered consistent positive returns over longer-term periods.

Long-term investing helps you ride out the market's ups and downs. It also lets you take advantage of opportunities that arise due to other investors making short-term, emotion-led investment decisions (e.g. irrationally selling investments at the first sign of fear and uncertainty).

Information about what the portfolio is invested in

How asset allocation is positioned vs the allowable ranges



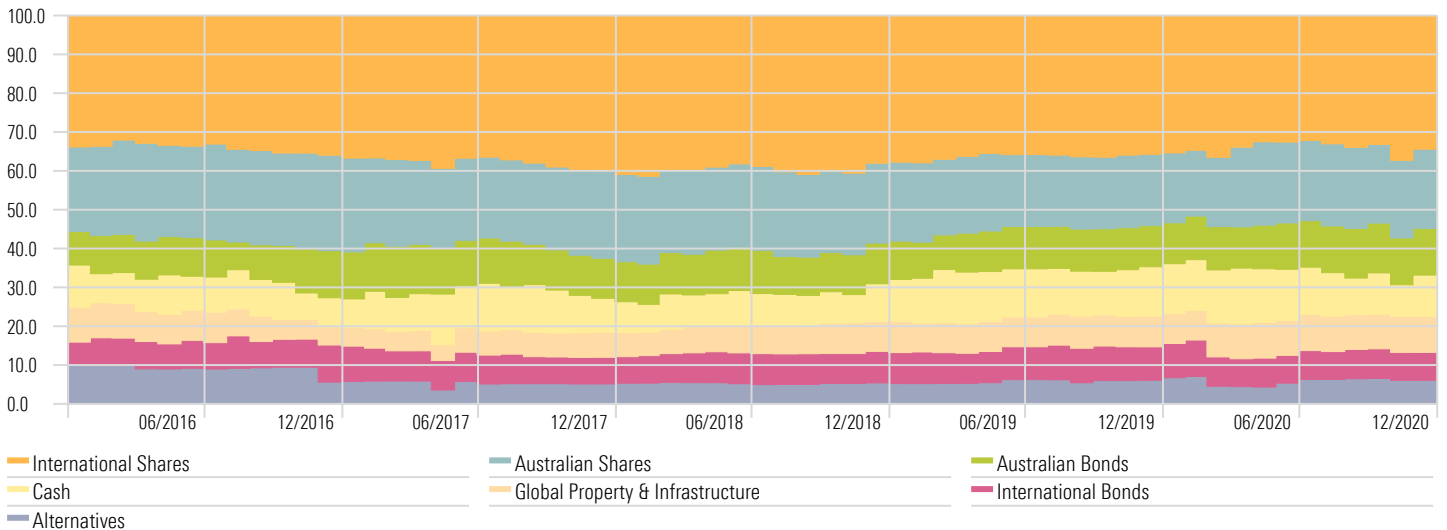
● Actual

The above chart shows the current breakdown of how the portfolio is invested.

A key difference in Morningstar's approach is that we use wide asset class ranges when constructing the portfolio. This means that we have the flexibility to invest in an asset class (e.g. shares, bonds and property) only if it makes sense to do so. If the reward isn't worth the risk, we can avoid the asset class and hold higher levels of cash, in wait for better opportunities to arise.

Asset Allocation over 5 years %

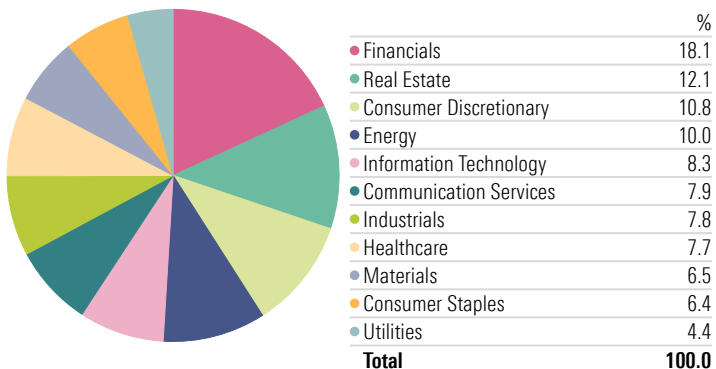
Time Period: 1/01/2016 to 31/12/2020



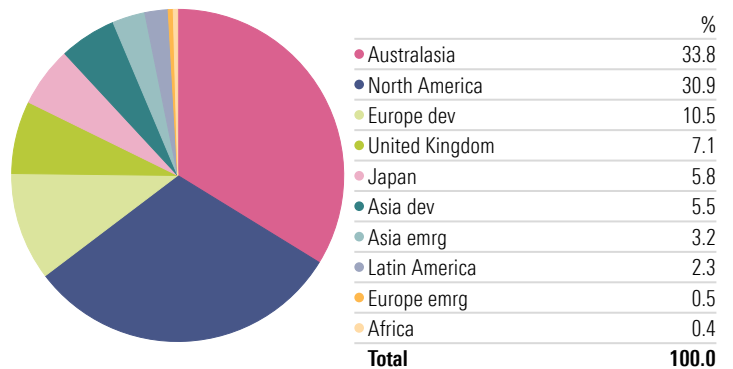
This chart shows how the portfolio positioning has changed over time in accordance with our valuation driven asset allocation process.

The portfolio has the flexibility to move towards opportunities that offer the best reward for risk (and away from those that we deem to be less attractive). As you can see, Morningstar's valuation driven approach has seen the portfolio positioning change over time, as we take advantage of prevailing investment opportunities to position the portfolio for longer term returns.

Equity Sector Exposure

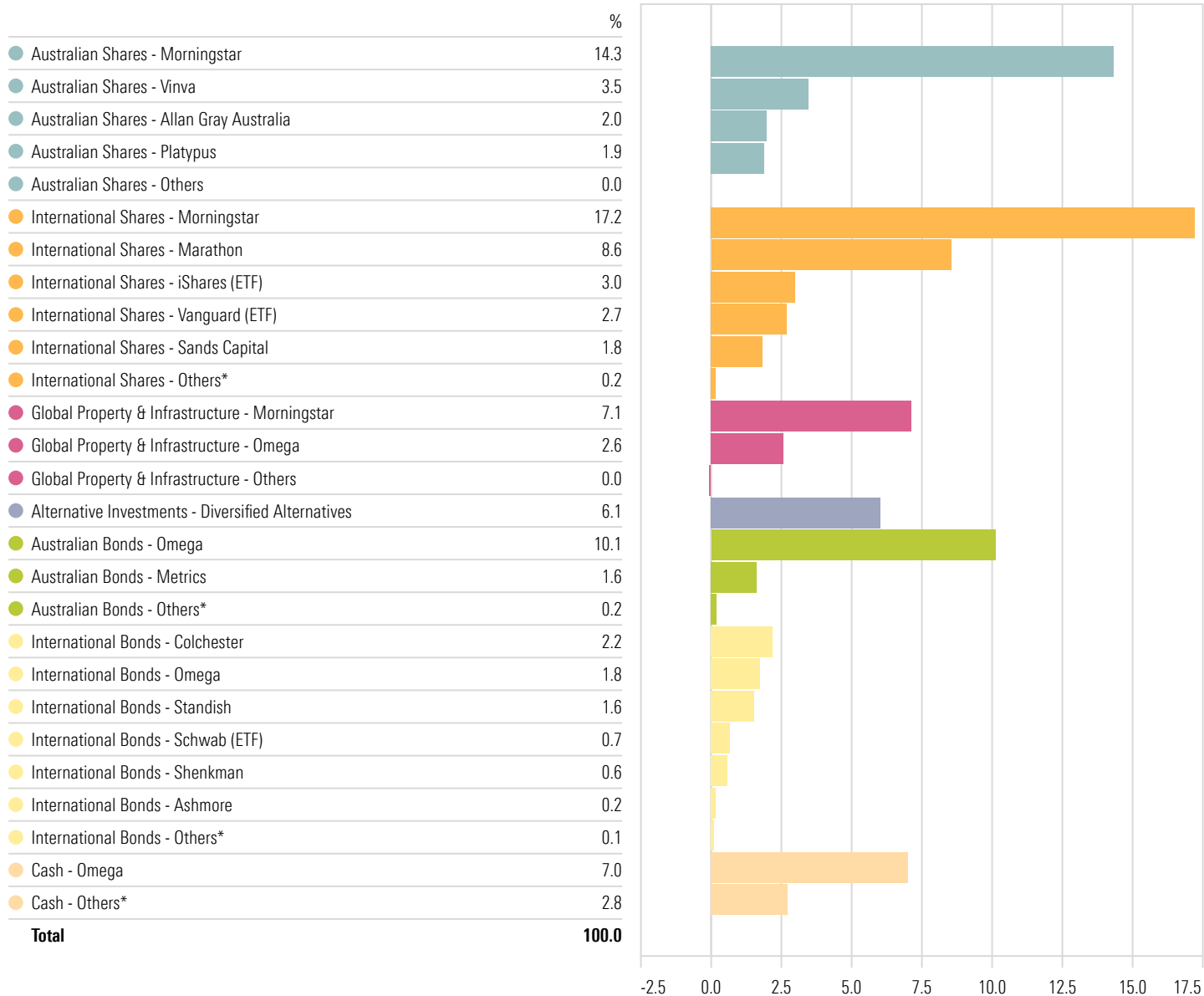


Equity Regional Exposure



Information about who manages the fund

Fund Holdings



*Others can include futures, liquidity and transition cash, other exchange traded funds and direct stocks. Further information on the underlying holdings of the fund is available by contacting your financial adviser or Morningstar.

Morningstar's Investment Principles



We put investors first. We believe the firms that put investors first win in the long term because their investors win.

Since 1984, Morningstar, Inc. has been helping investors reach their financial goals. Our fiduciary duty to our principals is paramount.



We're independent-minded. To deliver results, we think it's necessary to invest with conviction, even when it means standing apart from the crowd.

Our research shows that making decisions based on fundamental analysis, rather than short-term factors and sentiment, delivers better long-term investment results.



We invest for the long term. Taking a patient, long-term view helps people ride out the market's ups and downs and take advantage of opportunities when they arise.

Investing with a multi decade horizon aligns with investors focus on increasing their purchasing power over their lifetimes.

The long term is the only period where fundamental, valuation driven investing works.



We're valuation-driven investors. Anchoring decisions to an investment's fair value — or what it's really worth — can lead to greater potential for returns.

Valuation-driven investing through a long-term focus on the difference between price and intrinsic value enables investors to get more than they're paying for.



We take a fundamental approach. Powerful research is behind each decision we hold, and we understand what drives each investment we analyse.

Fundamental investing incorporates a focus on the future earnings of an investment and not its prospective price change.



We strive to minimise costs. Controlling costs helps investors build wealth by keeping more of what they earn.

Investment returns are uncertain, but costs are not.

Lower costs allow investors to keep more of their returns.



We build portfolios holistically. To help manage risk and deliver better returns, truly diversified portfolios combine investments with different underlying drivers.

Portfolios should be more than the sum of their parts.

True diversification can have a powerful impact on a portfolio's risk-adjusted returns — but simply holding more investments isn't the same as true diversification.