



# Building better portfolios with listed products

Matt Wilkinson,  
Senior Manager Research Analyst,  
Morningstar Australasia

# Live Poll

## How important are fixed interest funds & ETFs to you?

- None
- I'm interested but need to know more before using them
- I used them but they're not a key part of my portfolio
- They play an important role in my portfolio



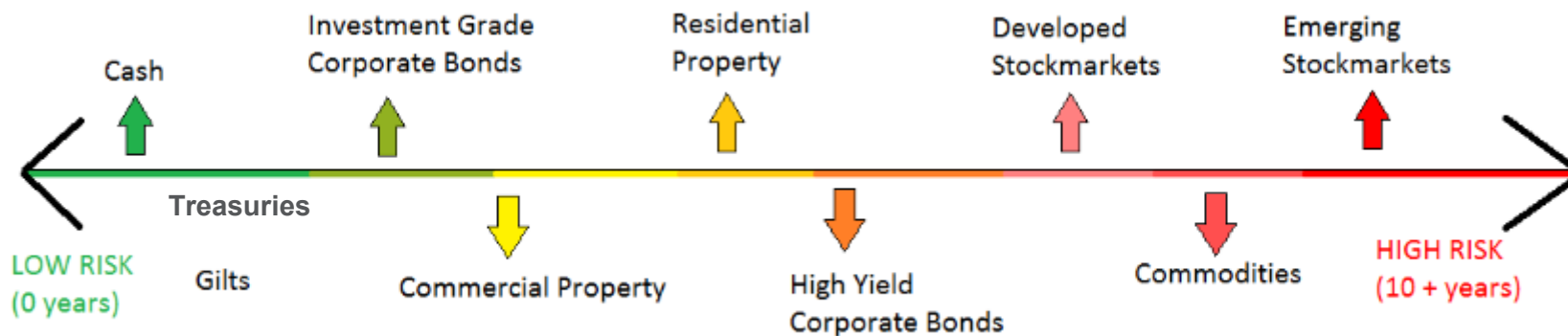
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## Why use listed products?

- Ease of access
- Great active and passive products – Variety across asset classes
- Can be done very cheaply
- Price transparency
- Choose simplicity or greater sophistication/flexibility

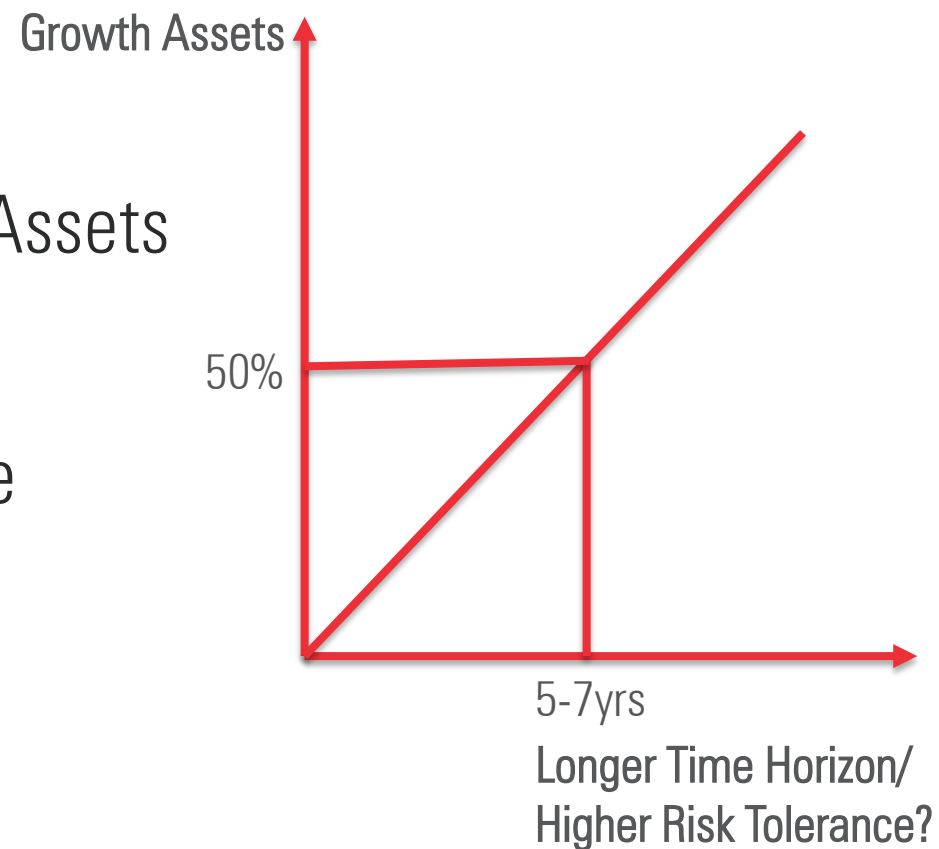
# The Buckets – Growth and Defensive Asset Classes

- Growth Buckets: Global Equities, Australian Equities, Property, Infrastructure.
- Defensive Buckets: Government Bonds, Corporate Credit, Cash.



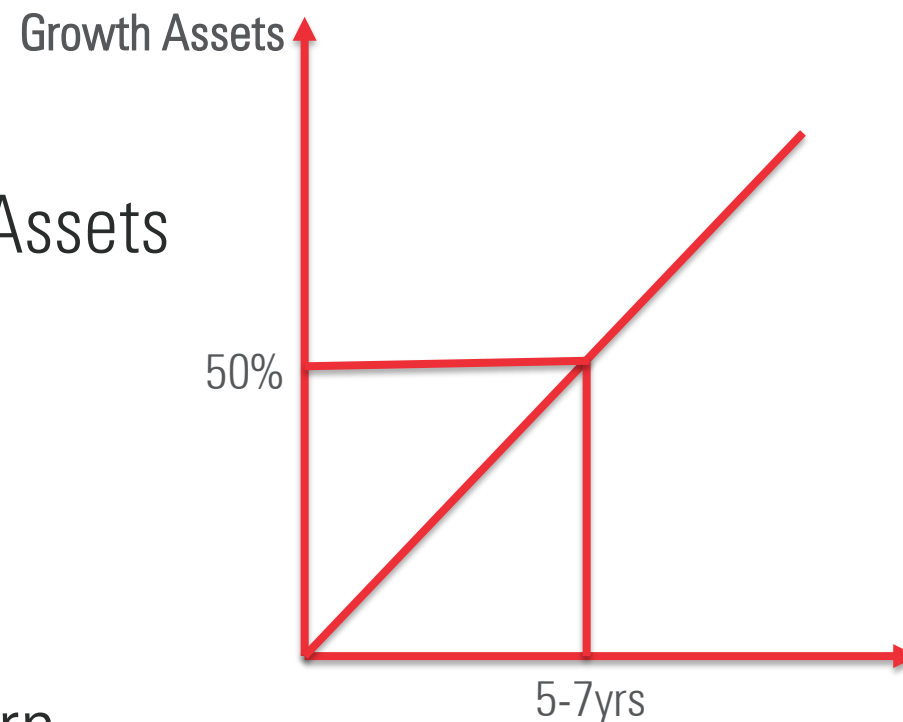
## Step 1: Asset Allocation

- Balanced Portfolio 50:50 Defensive/Growth Assets
  - 5 – 7 year time horizon
- Time Horizon – the longer you have the more growth assets
- Risk Tolerance – the more tolerant the more growth assets



## Step 1: Asset Allocation (cont.)

- Balanced Portfolio 50:50 Defensive/Growth Assets
- Income
  - How much yield do you need?
  - And what is the safest place to get it?
- Remember – total return versus income return





## Step 2: Populate the buckets – International Equities



- Active International Equities
  - Magellan Global, MGE. 1.35% + 10% performance fee  Silver
  - Platinum International, PIXX. 1.1% + 15% performance fee  Silver
  - Platinum Asia, PAXX. 1.1% + 15% performance fee  Bronze
  - Fidelity Global Emerging Markets, FEMX. 99bps
  - VanEck Vectors MSCI World ex Aus Quality, QUAL. 40bps  Bronze

## Step 2: Populate the buckets - International Equities

- Passive International Equities – Developed Markets
  - Vanguard MSCI International, VGS. 18bps  Silver
  - iShares Core MSCI World All Cap, IWLD. 9bps  Silver
  - State Street SPDR S&P World ex Australia, WWOZ. 30bps  Bronze
- Passive Emerging Market Equities
  - Vanguard Emerging Market Shares Index, VEM. 48bps  Bronze
  - iShares MSCI Emerging Markets, IEM. 67bps **Neutral**









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## Step 2: Populate the buckets - International Equities



- International Equities - Other
  - Magellan Infrastructure Ccy Hedged, MICH. 1.05% + 10% performance fee. Assets: \$400mil  Bronze
  - SPDR Dow Jones Global Real Estate, DJRE. 50bps  Bronze
  - Be careful of specific country, sector and commodity bets


## Step 2: Populate the buckets - Australian Equities

- Passive Australian Equities – Large Cap
  - Vanguard Australian Shares (ASX300), VAS. 10bps  Bronze
  - iShares Core S&P/ASX 200 ETF, IOZ. 9bps  Bronze
  - State Street SPDR S&P/ASX200 Fund, STW. 19bps  Bronze
- Passive Australian Small Cap Equities
  - iShares S&P/ASX Small Ordinaries, ISO. 55bps **Neutral**



## Step 2: Populate the buckets - Australian Equities



- Australian Equities, Other
  - BetaShares FTSE RAFI Australia 200, QOZ. 30bps  Bronze
  - VanEck Vectors Australia Equal Weight, MVW. 35bps  Bronze
  - Vanguard Australia Property Securities, VAP. 23bps  Gold

## Step 2: Populate the buckets – Australian Fixed Interest






- Australian Fixed Interest - Passive
  - iShares Core Composite Bond, IAF. 20bps  Silver
  - Vanguard Australian Fixed Interest Index, VAF. 20bps  Silver
  - BetaShares Australian High Interest Cash, AAA. 18bps **Neutral**
- Australian Fixed Interest - Active
  - BetaShares Legg Mason Australian Bond Fund, BNDS. 42bps

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## Step 2: Populate the buckets – International Fixed Interest



- International Fixed Interest - Passive
  - Vanguard International Fixed Interest, VIF. 20bps  Bronze
  - Vanguard International Credit Securities Index, VCF. 30bps  Bronze
  - iShares Core Global Corporate Bond, IHCB. 26bps  Bronze

## Step 3: Execution -> Placing the Trade

### Buyers

Buyers	Volume	Price
1	12,204	34.080
2	41,020	34.060
3	25,971	34.030
1	12,017	34.010
2	33,003	34.000
2	13,370	33.980
1	6,117	33.960
1	6,595	33.950
1	12,204	33.940
2	21,707	33.930
4	31,311	33.920
1	7,385	33.910

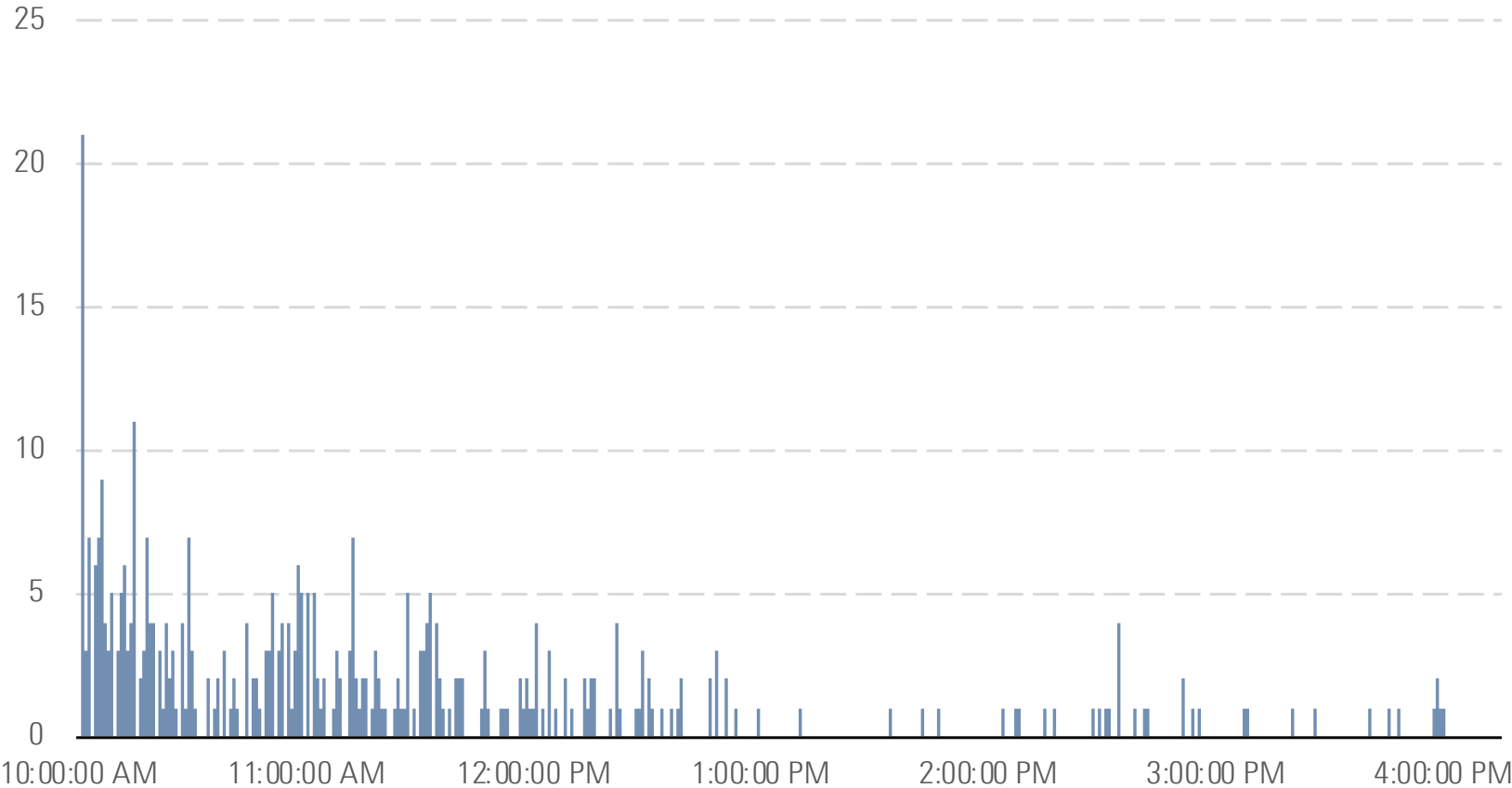
### Sellers

Price	Volume	Sellers
34.110	2,628	1
34.120	30,000	1
34.130	39,036	2
34.140	31,860	3
34.150	5,841	7
34.160	6,387	3
34.170	1,840	1
34.180	9,218	2
34.190	3,000	1
34.200	13,890	11
34.210	33,003	2
34.220	51,064	5

Source: ANZ Share Investing

# Step 3: Execution -> Placing the Trade

Observed Price Spikes by Time of Day



Source: Morningstar Real-Time Data.

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## Points on how to execute a trade on ETFs

- ✓ Check the market depth and the spread
- ✓ Use limit orders wherever possible
- ✓ Global products are most prone to wide spreads
- ✓ Be most cautious of the mornings and in volatile markets



# Sample Portfolio

	Ticker	Asset Allocation	Value Allocation	Fees
			<b>\$10,000</b>	
<b>Growth</b>		<b>50%</b>	<b>\$5,000</b>	
<b>Defensive</b>		<b>50%</b>	<b>\$5,000</b>	
<b>Growth Assets</b>				
<b>Australian Equities</b>		<b>25%</b>	<b>\$2,500</b>	
iShares Core S&P/ASX 200	IOZ	20%	\$2,000	9bps
BetaShares FTSE RAFI Australia 200	QOZ	5%	\$500	30bps
<b>International Equities</b>		<b>25%</b>	<b>\$2,500</b>	
Vanguard MSCI World All Cap	VGS	12%	\$1,200	18bps
Magellan Global	MGE	8%	\$800	135bps +
Platinum International	PIXX	5%	\$500	110bps +
<b>Defensive Assets</b>				
<b>Australian Fixed Interest</b>		<b>25%</b>		
BetaShares Legg Mason Australian Bond Fund	BNDS	25%	\$2,500	42bps
<b>International Fixed Interest</b>		<b>25%</b>		
Vanguard International Fixed Interest	VIF	20%	\$2,000	20bps
Vanguard International Credit Securities	VCF	5%	\$500	30bps

## ETFs with Morningstar ratings

+ Add filter

ETFs

### Medalist Australian equity

Our highest rated Australian equity ETFs

ETF Name	Medalist Rating
BetaShares Australia 200 ETF	Bronze
BetaShares FTSE RAFI...	Bronze
BetaShares Managed Risk AUS...	Bronze

See full list (13)

ETFs

### Medalist global equity

Our highest rated global equity ETFs

ETF Name	Medalist Rating
Magellan Global Equities ETF	Silver
iShares Core MSCI World All...	Silver
iShares Core MSCI World All...	Silver

See full list (17)

ETFs

### Medalist Australian listed property

Our highest rated Australian listed property ETFs

ETF Name	Medalist Rating
Vanguard Australian Property...	Gold
SPDR® S&P/ASX 200 Listed...	Silver
VanEck Vectors Australian...	Bronze

See full list (3)

ETFs

### Medalist global property

Our highest rated global property ETFs

ETF Name	Medalist Rating
SPDR® Dow Jones Global Real...	Bronze

See full list (1)

ETFs

### Medalist emerging market equity

Our highest rated emerging market equity ETFs

ETF Name	Medalist Rating
Vanguard FTSE Emerging...	Bronze

See full list (1)

ETFs

### Medalist Australian fixed interest

Our highest rated Australian fixed interest ETFs

ETFs

### Medalist global fixed interest

Our highest rated global fixed interest ETFs

ETFs

### Medalist global fixed infrastructure

Our highest rated global infrastructure ETFs











# Morningstar.com.au – Model Portfolios



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## ETF Portfolios

Morningstar's ETF Model Portfolios are a series of diversified, model portfolios that use a passive investment framework to offer low-cost market exposure via exchange traded funds (ETFs). Asset allocations have been devised using Morningstar's strategic asset allocation framework and long-term capital market assumptions. ETF selection relies on Morningstar's qualitative and quantitative ETF research.

Date	Title
30 Jun 2019	 Morningstar ETF Model Portfolios: Q2 2019
31 Mar 2019	 Morningstar ETF Model Portfolios: Q1 2019
31 Dec 2018	 Morningstar ETF Model Portfolios: Q4 2018
30 Sep 2018	 Morningstar ETF Model Portfolios: Q3 2018
30 Jun 2018	 Morningstar ETF Model Portfolios: Q2 2018
31 Mar 2018	 Morningstar ETF Model Portfolios: Q1 2018
31 Dec 2017	 Morningstar ETF Model Portfolios: Q4 2017
30 Sep 2017	 Morningstar ETF Model Portfolios: Q3 2017
30 Jun 2017	 Morningstar ETF Model Portfolios: Q2 2017
31 Mar 2017	 Morningstar ETF Model Portfolios: Q1 2017

# Morningstar ETF Balanced Model Portfolio

Portfolio Manager: Tim Murphy

Portfolio Date: 30/06/2019

Time Horizon Growth/Defensive

5 Years 50/50

## Risk Profile

This suits investors with a minimum five-year timeframe or those who seek both income and capital growth. This portfolio suits investors who desire a modest level of capital stability but are willing to accept moderate investment value volatility in return for commensurate potential investment performance, hence the 50.0 percent exposure to growth (shares and listed property) and 50.0 percent exposure to income (cash and fixed interest) assets.

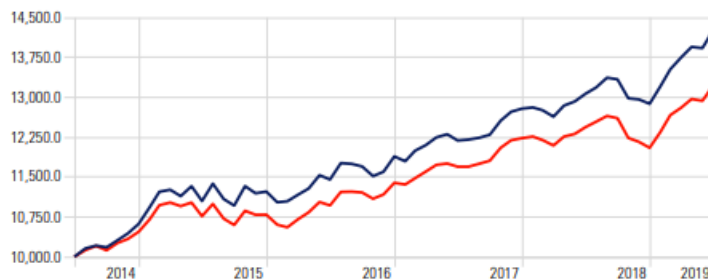
## Overview

The Morningstar ETF Model Portfolios are constructed using the risk and return attributes of the Morningstar Risk Profiles. Underpinning these attributes is a set of investment objectives and time horizons that differentiate the five model portfolios across the risk/return spectrum.

Each of the Morningstar ETF Model Portfolios aims to be appropriately diversified by ETF issuer and asset class while adhering to a long-term strategic asset allocation setting. This setting has been devised using Morningstar's strategic asset allocation framework and long-term capital market assumptions.

## Growth of \$10,000 (after fees, before tax)<sup>1</sup>

Time Period: 1/07/2014 to 30/06/2019



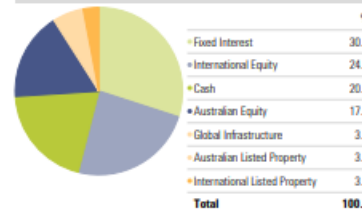
— Morningstar ETF Balanced Model Portfolio — Morningstar Category Average - Balanced

## Portfolio Returns<sup>1</sup>

	1Mth %	3Mth %	6Mth %	1Yr %	3Yr %	Incp %p.a
Morningstar ETF Balanced Model Portfolio	2.37	3.68	10.70	9.12	7.57	7.35
Morningstar Category Average - Balanced	2.18	3.27	9.67	6.32	6.47	5.81

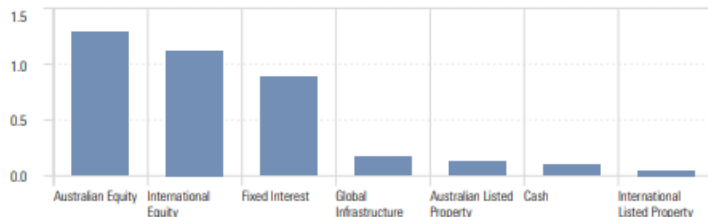
Since Inception Date: 30/06/2014

## Asset Allocation



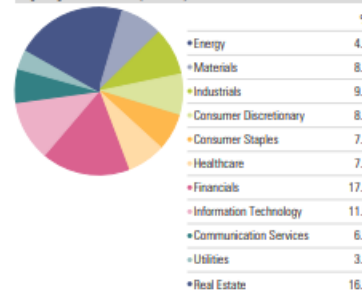
## Contribution

Time Period: 1/04/2019 to 30/06/2019



Contribution analysis attributes the total return of the portfolio to each asset class. It has been calculated based on NAV returns of the underlying ETFs.

## Equity Sectors (GICS)



## Holdings<sup>2</sup> (%)

Equity Style Box	Portfolio Weighting	Management Fee	3 Mo Total Ret	6 Mo Total Ret	1 Yr Total Ret	2 Yr Total Ret (Ann)	3 Yr Total Ret (Ann)
BetaShares Aus High Interest Cash ETF	20.00	0.18	0.51	0.99	2.02	2.01	2.03
iShares Core Composite Bond ETF	18.00	0.20	3.17	6.85	9.54	6.14	4.06
Vanguard MSCI Index Intl (Hdg) ETF	10.00	0.21	3.43	16.31	5.82	8.61	12.69
SPDR® S&P/ASX 200 ETF	9.00	0.19	7.94	19.56	11.39	12.09	12.79
Vanguard Intl Fxd Intr Idx (Hdg) ETF	8.00	0.20	2.43	5.17	6.53	4.36	2.46
Magellan Global Equities ETF	6.00	1.35	6.53	17.92	19.43	18.12	17.09
BetaShares FTSE RARF Australia 200 ETF	5.00	0.30	8.03	17.20	9.23	10.91	13.92
VanEck Vectors MSCI Wid ex Aus Qty ETF	4.00	0.40	5.38	20.91	16.42	17.11	16.35
Vanguard FTSE Emerging Markets Shrs ETF	4.00	0.48	2.10	11.61	8.82	8.78	10.85
Vanguard Intl Credit Secs Idx (Hdg) ETF	4.00	0.30	3.43	6.94	8.15	4.38	3.81
Magellan Infrastructure Ccy Hdg ETF	3.00	1.05	4.98	19.00	15.98	11.42	
SPDR® Dow Jones Global Real Estate ETF	3.00	0.50	0.37	11.70	11.45	9.61	4.57
VanEck Vectors Australian Equal Wt ETF	3.00	0.35	6.98	18.56	10.96	11.84	12.94
Vanguard Australian Property Secs ETF	3.00	0.23	4.01	18.77	19.44	16.23	8.46

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## Important Information

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