Multi Asset Real Return Fund

Introduce a buffer against overvalued and falling markets

In the current investment environment, the Multi Asset Real Return Fund (the Fund) is positioned to act as a buffer against overvalued and falling markets within your clients' portfolios.

Five reasons to invest

- **A 'real return' objective:** The Fund is mandated to deliver a return of CPI + 4% over 7 year periods, irrespective of what's happening in investment markets.
- **Focus on capital preservation:** The Fund's real return objective means its focus is on preserving capital in times of market stress whilst outpacing inflation. We see this as more important than keeping pace with an investment market index such as the S&P/ASX 200.
- **Investment flexibility:** Not constrained by growth or defensive ranges, we have the flexibility and expertise to invest where the opportunities are. We're able to move away from overvalued assets and actively position the portfolio for changing market conditions to take advantage of opportunities when they arise.
- **Multi asset:** Asset allocation is the primary driver of long-term investment returns. We leverage our extensive global investment team to identify investment opportunities and across an extensive number of asset classes, geographies, and sectors.
- **Cost competitive:** Controlling costs helps investors build wealth by keeping more of what they earn. So we've designed the Fund to keep costs investor friendly at 0.70%.

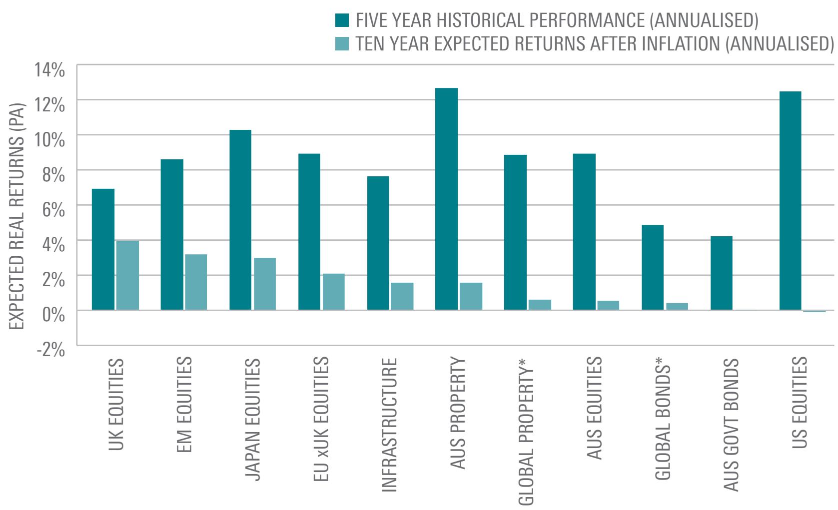
Why now? Fact: Stock and bond markets have rarely been more expensive

After a nine-year bull market, many investors are thinking “what’s going to happen next”? Is now the time to protect portfolios from the increased likelihood of falling markets or a period of negative returns?

We’ve valued asset classes from around the world and Chart 1 is an example of our findings. The chart shows expected annual returns for major asset classes over the next ten years. Following an extended period of strong performance in key share and bond markets, we expect a period of much more subdued returns across most financial markets.

For example, many of the below examples are priced to not even keep up with inflation, over our forecast period. So, what can you do to help protect to your client’s portfolios for all market eventualities?

Chart 1 (July 2018)



Source: Morningstar Investment Management as at August 2018

What is a real return objective and why is the Fund managed this way?

When a fund aims to deliver a return above inflation, it’s known as ‘real return’ or ‘objectives-based’ investing.

Most funds are benchmarked to a market index, such as the S&PASX200. If a fund is trying to outperform an index, it will tend to have very similar characteristics. When investment markets are going up, the fund goes up. But what happens during falling investment markets? You guessed it, the fund goes down with it. That’s why the Morningstar Multi-Asset Real Return Fund targets a CPI+ objective. So irrespective of what’s happening in investment markets, our aim is to consistently deliver a rate of return above CPI+4% over rolling 7 year periods.

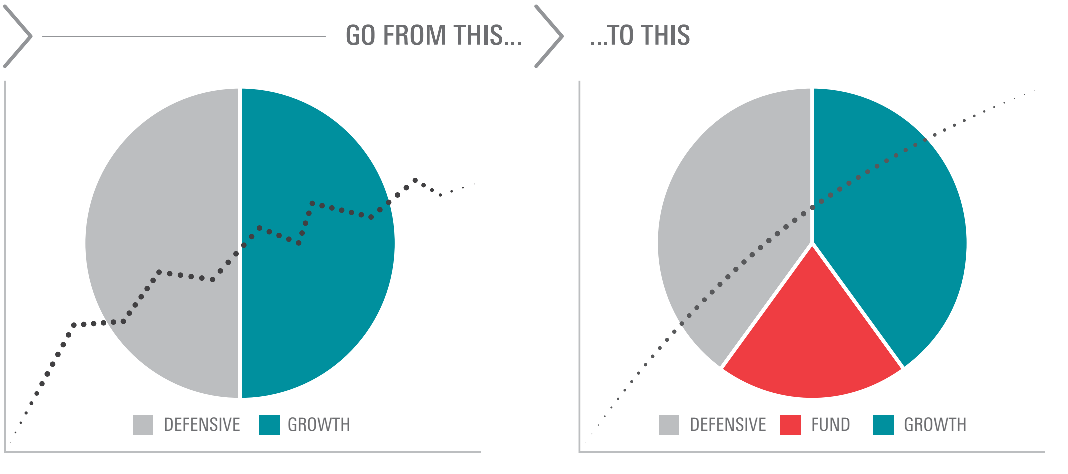
Using the Morningstar Multi Asset Real Return Fund as a buffer against falling markets

"Rule No. 1: Never lose money. Rule No. 2: Never forget rule No. 1."

Warren Buffett, Chairman and CEO Berkshire Hathaway.

If, like Warren Buffet, you place great importance on not losing money, now may be the time to introduce a buffer against overvalued and falling markets into your clients' investment portfolios.

Use as an alternative to equities and fixed income: A flexible portfolio that adapts to all conditions. The Fund can be used as an alternative to traditional equities and fixed income holdings to introduce an uncorrelated source of returns.



Illustrative purposes only

Help your clients stick to their long-term plans

We know that sticking with a long-term financial plan can be challenging. People are bombarded by economic news and it can cause both excessive panic as well as "F.O.M.O.". By focusing on real returns, we can deliver smoother investment journeys for your clients. In doing so, we believe it's easier for you to prevent your clients from getting spooked and moving away from their long-term plans.

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Want to get in touch?
Let's work together to define your businesses investment needs.
Speak to your local Relationship Manager by calling us on (02) 9276 4550.

Morningstar Investment Management is a leading provider of asset allocation, portfolio construction and investment research services with over 35 years' experience in the United States, Australia and other international markets. We advise and manage funds for superannuation funds, institutions, financial advisers and individual investors.

Morningstar Investment Management is part of Morningstar Inc. a listed company (NASDAQ: MORN) and leading provider of independent investment research in North America, Europe, Australia, and Asia. We offer an extensive line of products and services and have 4,000+ employees across more than 27 countries; managing and advising on more than A$260 billion globally (as at 30 September 2016).