Morningstar Australian Shares Income
Model Portfolio
Transaction Alert

052022

All data and information as Portfolio Date: 06/05/2022

Morningstar Investment Management Australia
For Financial Adviser Use Only

Trade Summary

Action	Ticker	Previous Weight %	New Weight %
Added	CAR-AU	0.0%	3.0%
Added	FPH-AU	0.0%	3.0%
Added	TNE-AU	0.0%	3.0%
Added	WTC-AU	0.0%	3.0%
Increased	ANN-AU	3.2%	3.5%
Increased	AZJ-AU	4.5%	5.0%
Increased	BAP-AU	3.3%	4.5%
Increased	BHP-AU	3.2%	4.0%
Increased	ING-AU	1.5%	2.5%
Increased	IVC-AU	3.6%	4.0%
Increased	PTM-AU	1.3%	2.5%
Increased	TPG-AU	2.9%	3.0%
Increased	WBC-AU	3.6%	4.5%
Removed	CBA-AU	1.9%	0.0%
Removed	CIM-AU	1.6%	0.0%
Removed	CPU-AU	5.3%	0.0%
Removed	GOZ-AU	3.8%	0.0%
Decreased	BXB-AU	4.0%	3.0%
Decreased	LNK-AU	4.6%	2.5%

Portfolio Objective

The objective of the Australian Shares Income Portfolio is to provide attractive net and gross dividend yields while outperforming the S&P/ASX 200 Accumulation Index over a complete cycle. The portfolio is actively managed and concentrated, mostly consisting of companies with sustainable distributions, franking credits, and trading at discounts to intrinsic value according to our large research team. All else equal, we also strive to own companies with economic moats, as high-quality companies tend to provide attractive returns with reduced volatility. Total return will generally be driven more by income than capital appreciation, although both are desirable.

Trade Analysis

We have made a range of trades on the portfolio. The rationale for each trade is provided below. Substantially more analysis on every portfolio holding is available through Morningstar Equity Research.

Detailed Trade List

	Action	Security Code	Security Name	Previous Weighting (%)	New Weighting (%)
Australian Equities				**94.226%**	**96.839%**
+	Added	CAR-AU	Carsales.com Limited	0.000%	3.000%
	Rationale	Carsales owns the leading online platform for new and second-hand cars in Australia. We previously bought the company in the depths of the March 2020 COVID-selloff, when uncertainty regarding the economic outlook (with many people in lockdown) created an attractive opportunity to buy this quality business. With the ensuing economic recovery, the company's share price soared, leading us to sell and lock in profits. More recently, the company has once again experienced weakness, with heightened inflation creating an uncertain trading environment. With this, we have reinitiated a position in the company.			
+	Added	FPH-AU	Fisher & Paykel Healthcare Corporation Limited	0.000%	3.000%
	Rationale	Fisher & Paykel Healthcare is a leading designer, manufacturer and marketer of products and systems for use in acute and chronic respiratory care, surgery and the treatment of obstructive sleep apnea. Strong sales in the pandemic period have quickly returned to more normal levels, which is affecting sentiment toward the company. Nonetheless, the long-term outlook for this quality business appears attractive, with current pricing giving us the opportunity to buy into the company for less than we think it's worth.			
+	Added	WTC-AU	WiseTech Global Limited	0.000%	3.000%
	Rationale	After significantly increasing our fair value estimate for narrow-moat-rated WiseTech Global in the previous quarter, we still believe that WiseTech is significantly undervalued. WiseTech has many attractive attributes including its switching cost based economic moat, a large global addressable market and competitive offering, relatively low ESG risk, a strong balance sheet, an innovative culture, and a large recurring revenue base. Our fair value estimate for WiseTech is AUD 60.00 and we forecast a revenue CAGR of 19% over the next decade, as we expect strong revenue growth from new customers and increased software usage.			
+	Added	TNE-AU	Technology One Limited	0.000%	3.000%
	Rationale	Technology One is a software provider and consultant, servicing government, local government, financial services, health & community services, education, and utilities and managed services markets. Sentiment toward the global I.T. sector has been poor of late, given rising interest rate expectations, which has seen TNE's share price fall. That said, TNE's longer term prospects appear positive, given our expectations around robust profit growth and expanding profit margins. With this, we use the recent weakness to initiate a position.			
↑	Increased	ANN-AU	Ansell Limited	3.199%	3.500%
↑	Increased	AZJ-AU	Aurizon Holdings Limited	4.504%	5.000%
↑	Increased	BAP-AU	Bapcor Limited	3.292%	4.500%
↑	Increased	BHP-AU	BHP Group Limited	3.200%	4.000%
↑	Increased	ING-AU	Inghams Group Limited	1.549%	2.500%
↑	Increased	IVC-AU	Invocare Limited	3.609%	4.000%
↑	Increased	PTM-AU	Platinum Asset Management Limited	1.332%	2.500%
↑	Increased	TPG-AU	TPG Telecom Limited	2.891%	3.000%
↑	Increased	WBC-AU	Westpac Banking Corporation Limited	3.569%	4.500%
	Rationale	We take this opportunity to top up our investments in reasonably priced companies, that in many cases are Moat-rated by Morningstar Equity Research, which offer attractive payouts on a grossed-up basis.			
X	Removed	CBA-AU	Commonwealth Bank of Australia Limited	1.942%	0.000%
X	Removed	CIM-AU	CIMIC Group Limited	1.580%	0.000%
X	Removed	CPU-AU	Computershare Limited	5.330%	0.000%
X	Removed	GOZ-AU	Growthpoint Properties Australia	3.813%	0.000%
↓	Decreased	BXB-AU	Brambles Limited	3.956%	3.000%
↓	Decreased	LNK-AU	Link Administration Holdings Limited	4.620%	2.500%

Rationale	We take the opportunity to reduce or exit a number of holdings in the portfolio. Computershare, a leading global provider of share registry and related services has enjoyed an extraordinary run since its inclusion in the portfolio during the pandemic. In our view, the company's positive outlook is now priced in, and we exit in favour of other opportunities. Similarly, CBA's share price has done well, leading us to take profits, while we see superior opportunities in the Moat-rated space, resulting in us selling no Moat-rated Growthpoint. As for Cimic, the board has approved an off-market takeover from Hochtief. We have lastly trimmed our weighting to Brambles and Link, in recognition that their grossed-up dividend yield is less attractive than peers.		
Cash		**5.774%**	**3.161%**

Proposed Portfolio

Security	Security Code	GICS Industry Group	New Weighting[1]
Australian Equities			**96.839%**
Aurizon Holdings Limited	AZJ-AU	Transportation	5.000%
Bapcor Limited	BAP-AU	Retailing	4.500%
Westpac Banking Corporation Limited	WBC-AU	Financials	4.500%
Rio Tinto Limited	RIO-AU	Materials	4.477%
Monadelphous Group Limited	MND-AU	Capital Goods	4.324%
National Australia Bank Limited	NAB-AU	Financials	4.288%
BHP Group Limited	BHP-AU	Materials	4.000%
Invocare Limited	IVC-AU	Consumer Services	4.000%
Medibank Private Limited	MPL-AU	Financials	3.908%
Australia & New Zealand Banking Group Limited	ANZ-AU	Financials	3.856%
IRESS Limited	IRE-AU	Software & Services	3.681%
Fortescue Metals Group Ltd	FMG-AU	Materials	3.582%
Ansell Limited	ANN-AU	Health Care Equipment & Services	3.500%
Perpetual Limited	PPT-AU	Diversified Financials	3.143%
Brambles Limited	BXB-AU	Industrials	3.000%
Technology One Limited	TNE-AU	Software & Services	3.000%
Fisher & Paykel Healthcare Corporation Limited	FPH-AU	Health Care Equipment & Services	3.000%
WiseTech Global Limited	WTC-AU	Software & Services	3.000%
Carsales.com Limited	CAR-AU	Media & Entertainment	3.000%
TPG Telecom Limited	TPG-AU	Communication Services	3.000%
South32 Limited	S32-AU	Materials	2.891%
Inghams Group Limited	ING-AU	Food, Beverage & Tobacco	2.500%
Link Administration Holdings Limited	LNK-AU	Software & Services	2.500%
Platinum Asset Management Limited	PTM-AU	Diversified Financials	2.500%
Pendal Group Limited	PDL-AU	Diversified Financials	2.458%
Scentre Group	SCG-AU	Real Estate	2.387%
Janus Henderson Group PLC	JHG-AU	Diversified Financials	2.371%
Amcor PLC	AMC-AU	Materials	2.357%
Dexus	DXS-AU	Real Estate	2.116%
Cash			**3.161%**
Platform Cash	CASH_AUD		3.161%
		Total	**100.000%**

[1] May not sum to 100.0% due to rounding.

Morningstar's Investment Principles

We put investors first. We believe 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. A patient, long-term view helps us stay the course during 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. We anchor on an investment's underlying intrinsic value, rather than fleeting news, sentiment or momentum. Much of the market's daily volatility is meaningless noise.

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 invest significant time and resources to truly understand what we own and why we own it.

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 letting them keep more of what they earn.

Investment returns are uncertain, but costs are not.

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

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.