

# Morningstar Australia Prospects

## December 2015

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Morningstar Australia Prospects

### Snapshot

### Strategy Overview

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Welcome to Morningstar Australia Prospects, a listing of promising investment strategies we believe may be worthy of greater investor attention, but that are not yet covered by Morningstar Manager Research.

Morningstar operates an independent manager research model. This means we determine our own coverage universe. The Australian managed fund universe has thousands of unique funds. In Australia, our coverage is organised across 19 sectors spanning all major asset classes. At 31 October 2015, we had full rated coverage on 500 flagship strategies which mapped to about 4,500 underlying funds, exchange-traded funds (ETFs), and listed investment companies (LICs).

Our analysts are always alert for strategies that may deserve a wider audience and, eventually, full qualitative research coverage. These strategies constitute Morningstar Prospects.

Morningstar Prospects have some or all of these characteristics:

- unique strategy or process
- existing strategy with new, possibly transformative, management
- new strategy run by a manager with a long track record elsewhere
- under-the-radar strategy that has an established track record but is not well-known.

Every six months we will update our list of Prospects. Some strategies may "graduate" to full analyst coverage. Others won't make the cut and could be dropped from the list of Prospects because their fundamentals deteriorate or there are material, negative changes.

As noted earlier, Morningstar's qualitative manager research aims to determine which investments deserve the attention of investors and which do not. Morningstar Prospects allows us to share what we believe are the most promising members of our research "bench". Morningstar Manager Research sources the list in the normal course of the work we do every day. We consider coverage requests from clients. We look at strong competitors of funds we already cover. We look closely at categories which have captured a lot of investor attention and at those categories where it can be hard to find appropriate funds.

Morningstar evaluates funds for inclusion in Morningstar Prospects based on our standard 5P framework: Process, People, Parent, Performance, and Price. We take appropriate time to get to know a manager and strategy before committing to full coverage. Prospect strategies are likely to have enduring competitive advantages and long-term appeal, but have so far not met our coverage criteria.

Morningstar Australia Prospects List		Total Return (% as at 31 October 2015)									
		1-Year		3-Year		5-Year		Inception Date	Ongoing Mgmt. Fee%	Fund Size* (AUD Million)	Comments**
Asset Class / Category / Strategy Name	Ticker	Return	Cat Rank	Annizd	Cat Rank	Annizd	Cat Rank				
<b>Global Equity</b>											
<b>Australia OE Equity Emerging Markets</b>											
BT Global Emerging Markets Opportunit WS	19536	12.44	3	-	-	-	-	28/08/2012	1.4	0.4	UR
<b>Australia OE Equity World Large Blend</b>											
CFS FC Inv-Sanlam Mgd Risk Glb Shr	40851	-	-	-	-	-	-	18/05/2015	0.73	0.6	UPS
Robeco BP Global Premium Equities AUD	40752	-	-	-	-	-	-	26/11/2014	0.85	6.5	NFEM
<b>Australia OE Equity World Large Growth</b>											
Antipodes Global P	5667	30.56	10	29.25	6	15.70	35	28/06/1994	1.20	98	EFNM
<b>Australia OE Equity World Large Value</b>											
Pan-Tribal Global Equity Fund	40679	-	-	-	-	-	-	24/11/2014	1.20	8	NFEM
Polaris Global Equity Fund	40664	25.46	30	-	-	-	-	10/10/2014	1.28	14	NFEM
<b>Australian Equity</b>											
<b>Australia OE Equity Australia Large Blend</b>											
Fidelity Australian Opportunities	19483	7.78	4	13.23	4	-	-	31/07/2012	0.85	7.3	NFEM
<b>Australia OE Equity Australia Large Growth</b>											
Wavestone Wholesale Australian Share	10717	11.84	6	13.65	15	7.43	25	17/11/2003	0.97	116.5	EFNM
<b>Australia OE Equity Australia Large Value</b>											
Perennial Value Wealth Defender Aust Shr	40379	-0.26	40	-	-	-	-	30/05/2014	0.98	63.8	UPS
<b>Australia OE Equity Australia Mid/Small Blend</b>											
Fidelity Future Leaders	19893	15.29	21	-	-	-	-	22/07/2013	1.20	4.9	NFEM
<b>Fixed Income</b>											
<b>Australia OE Bonds - Global</b>											
Fidelity Global Strategic Bond	19946	3.37	63	-	-	-	-	22/10/2013	0.75	33.4	NFEM, UPS
<b>Australia OE Multi-Strategy Income</b>											
Payden Global Income Opportunities	19589	3.12	10	3.96	51	-	-	18/09/2012	0.70	62.4	UR
<b>Other</b>											
<b>Australia OE Alternative Strategies</b>											
Bennelong Kardinia Absolute Return	19493	9.20	-	9.22	-	-	-	11/04/2012	1.54	241.3	UPS
UBS Dynamic Alpha Strategies Fund A	40297	-0.83	-	6.44	-	6.57	-	18/06/2007	0.85	1601.7	UR
<b>Australia OE Equity Global Real Estate</b>											
Presima Global Property Sec Concentrated	40007	12.80	33	-	-	-	-	31/05/2013	1.00	33.8	NFEM
<b>Australia OE Equity World Other</b>											
Partners Group Global Value (AUD) W	19894	17.14	-	16.31	-	-	-	31/05/2012	1.75	-	UPS
<b>Australia OE Infrastructure - Global</b>											
Maple-Brown Abbott Global Listed Infrs	19900	22.60	9	-	-	-	-	18/12/2012	0.98	271.7	UR

Morningstar Australia Prospects List <i>Continued</i>		Total Return (% as at 31 October 2015)										
		1-Year		3-Year			5-Year		Inception Date	Ongoing Mgmt. Fee%	Fund Size* (AUD Million)	Comments**
Asset Class / Category / Strategy Name	Ticker	Return	Cat Rank	Annizd	Cat Rank	Annizd	Cat Rank					
<b>Multisector</b>												
<b>Australia OE Multisector Aggressive</b>												
MLC Inflation Plus Assertive Portfolio B	13401	14.19	4	13.29	65	9.31	53	05/12/2005	1.28	285.4	UR	
<b>Australia OE Multisector Balanced</b>												
BMO Pyrford Global Absolute Return	40602	12.75	1	-	-	-	-	06/06/2014	0.90	221.9	NFEM	
MLC Wholesale Inflation Plus - Conserv	19939	7.84	17	-	-	-	-	01/10/2013	0.76	199.8	UR	
State Street Sustainer	40279	5.43	59	-	-	-	-	31/01/2014	0.75	15.8	NFEM	
<b>Australia OE Multisector Growth</b>												
Aberdeen Multi-Asset Real Return	3216	5.77	68	6.75	99	5.84	96	07/06/1994	0.84	91.1	UR	
MLC Wholesale Inflation Plus - Moderate	19940	10.21	3	-	-	-	-	01/10/2013	0.91	241.5	UR	
State Street Builder	40277	5.54	71	-	-	-	-	31/01/2014	0.75	73.7	NFEM	
<b>Australia OE Multisector Moderate</b>												
State Street Provider	40278	4.99	41	-	-	-	-	31/01/2014	0.75	21.9	NFEM	

\* Fund size: refers to the amount of money managed as a standalone portfolio across all share classes/subaccounts for a particular strategy.

\*\* Comments: **EFNM**=Existing Fund/New Manager **NFEM**=New Fund/Experienced Manager **UR**=Under-the-Radar Manager **UPS**=Unique Process/Strategy

## Strategy Overviews

### Global Equity

<b>Antipodes Global Fund</b>		by Anshula Venkataraman	
<b>Asset Class</b>	<b>Category</b>	<b>Availability</b>	<b>Comments</b>
Global Equity	Australia OE Equity World Large Growth	Managed Fund	Existing Fund/New Manager

Antipodes Global Fund is a high conviction global equity portfolio launched by Antipodes Partners, a new firm headed by a familiar face in Jacob Mitchell, ex-Deputy Chief Investment Officer at Platinum. The strategy's effective inception date is July 2015. Mitchell and the rest of the investment team—nine in all—use quantitative and qualitative analysis to invest in attractively valued companies that have a certain degree and sustainability of competitive advantage. Antipodes Global believes all businesses will, in the long term, succumb to changes in the operating environment such as new competition, technological disruption, and greater regulation. Accordingly, to help define these investment opportunities, the team uses an in-house model which seeks to identify opportunities around changes in the business cycle, market structure, and socio/macroeconomic environment. Antipodes Global takes short positions in equity and indexes and actively manages currency exposure in the portfolio, which typically holds 20-60 stocks. Antipodes Global applies a base management fee of 1.20% plus a performance fee of 15% of the fund's excess returns relative to the MSCI All Country World Net Index.

Portfolio Manager(s)	Start Date
Jacob Mitchell	07-2015

<b>BT Global Emerging Markets Opportunities</b>		by Matthew Wilkinson	
<b>Asset Class</b>	<b>Category</b>	<b>Availability</b>	<b>Comments</b>
Global Equity	Australia OE Equity Emerging Markets	Managed Fund	Under-the-Radar Manager

BT Global Emerging Markets Opportunities is run by JO Hambro Capital Management, or JOHCM. They apply a stock level fundamental approach combined with a country level top-down analysis of economic growth, monetary policy, politics, and other factors before making any investments. This team is led by fund managers, James Syme and Paul Wimborne, both of whom joined JOHCM in 2011 from Baring Asset Management. Each has more than 15 years' investment experience. The portfolio managers for this fund believe country allocation is the major driver of outperformance in emerging markets. BT Global Emerging Markets Opportunities uses derivatives occasionally and equity exposures are usually unhedged. The result is an index-agnostic concentrated portfolio of between 50 and 60 names where the top 20 make up approximately 60% of the portfolio. The fund is allowed to hold up to 20% in cash. Looking at the European vehicle, performance has been solid since 2011 with the fund outperforming the benchmark and peers on a 1-, 3- and 5-year look back while volatility has been around index level. The fee for the Australian vehicle is 1.40% and there is no performance fee.

Portfolio Manager(s)	Start Date
James Syme	05-2011
Paul Wimborne	04-2011

**Pan-Tribal Global Equity Fund** by Anshula Venkataraman

<b>Asset Class</b>	<b>Category</b>	<b>Availability</b>	<b>Comments</b>
Global Equity	Australia OE Equity World Large Value	Managed Fund	New Fund/Experienced Manager

Pan-Tribal Global Equity Fund is managed by U.S.-based Davis Advisors which is new to the Australian market. Pan-Tribal Global Equity Fund, which is distributed locally by Melbourne-based Pan-Tribal, launched in November 2014, but the firm has been managing equity portfolios since 1969. The team managing this strategy has more than a decade of experience working together. Using fundamental bottom-up research, the team estimates the intrinsic value of businesses and invests in those it deems good value. The fund seeks businesses with long-term growth potential and bases valuation estimates on characteristics such as competitive advantage, management quality, and financial strength. With just above 60 holdings, the portfolio tilts towards giant- and large-cap names such as Amazon. The team does not restrict exposure by sector, country, or industry, allowing the portfolio to significantly diverge from its MSCI All Country World Index (AUD). The vehicle is offered for a fee of 1.20%, slightly higher than many category peers.

<b>Portfolio Manager(s)</b>	<b>Start Date</b>
Christopher Davis	11-2014
Danton Goei	11-2014
Tania Pouschine	11-2014

**Polaris Global Equity Fund** by Anshula Venkataraman

<b>Asset Class</b>	<b>Category</b>	<b>Availability</b>	<b>Comments</b>
Global Equity	Australia OE Equity World Large Value	Managed Fund	New Fund/Experienced Manager

Polaris Global Equity Fund isn't likely to look familiar to investors. Launched through Macquarie in October 2014, the fund uses an all-cap, low-turnover, contrarian value strategy which sets it apart. The team uses fundamental research to build a diversified portfolio of companies that demonstrate a strong and sustainable cash flow and are priced at a meaningful discount to their intrinsic value. The fund stands out in a few ways: it has substantial numbers of assets in every slice of the market-cap spectrum (giant, large, mid, small, and micro), and its country allocations diverge significantly from the MSCI World ex Australia Index with more exposure to niche markets. Although the fund has a short track record and a fairly steep fee of 1.28%, it has performed strongly so far and the global strategy has had more than a decade of solid returns. Although Polaris Global Equity Fund is new to the Australian market, the team is backed by a nearly 30-year-old value-driven approach and founder Bernard Horn who leads the established global version of this strategy.

<b>Portfolio Manager(s)</b>	<b>Start Date</b>
Bernard Horn	10-2014

**Robeco BP Global Premium Equities AUD**

by Matthew Wilkinson

<b>Asset Class</b>	<b>Category</b>	<b>Availability</b>	<b>Comments</b>
Global Equity	Australia OE Equity World Large Blend	Managed Fund	New Fund/Existing Manager

Robeco BP Global Premium Equities is a bottom-up diversified global equities fund. First and foremost this manager bases its investment decisions on fundamental valuation. Secondly, it believes in business momentum. And it's these two investment principles that have guided this manager well for nearly 30 years. The fund opened in Australia in late 2014, but a European/US vehicle has been running for over 10 years. Performance has been impressive against the index and peers, with the fund returning first or second quartile numbers in each year from 2009 to date. There are approximately 100 names in the portfolio with the top 30 making up around 50% of the fund, producing a good balance of concentration and diversification. Usually, its top position is less than 4% and the fund is currently overweight mid-cap stocks at the expense of giant-cap stocks. Sector weightings look to be cognisant of the benchmark (MSCI World ex Australia index) although the fund is happy to deviate. Similarly, the fund's country breakdown will float near the index values. The maximum allowed cash position in the fund is 5%. Fees are reasonable for an active global equities manager at 0.85% and there is no performance fee.

<b>Portfolio Manager(s)</b>	<b>Start Date</b>
Christopher Hart	07-2008

**Sanlam Managed Risk Global Share**

by Anshula Venkataraman

<b>Asset Class</b>	<b>Category</b>	<b>Availability</b>	<b>Comments</b>
Global Equity	Australia OE Equity World Large Blend	Managed Fund	Unique Process/Strategy

Colonial First State, or CFS, offers Sanlam's Managed Risk Global Share fund in Australia. Started in May 2015, the fund aims to provide investors with long-term capital growth while managing downside volatility using a risk management strategy managed by Milliman, a global actuarial and risk management firm. The fund is exposed to the Colonial First State Wholesale Indexed Global Share Fund which aims to track the performance of the MSCI World ex Australia Index. To reduce and maintain volatility at its 15% target and to also hedge against market risk, Milliman uses a dynamic model which uses short positions in equity index futures that move in the opposite direction to the Colonial First State Wholesale Indexed Global Share Fund. The hedging protects the fund from market downturns but consequently reduces its upside potential. Sanlam Managed Risk Global Share charges a reasonable 0.73% fee and no performance fees.

<b>Portfolio Manager(s)</b>	<b>Start Date</b>
David Itzkovits	05-2015

## Australian Equity

### Fidelity Australian Opportunities

by Ross MacMillan

Asset Class	Category	Availability	Comments
Australia Equity	Australia OE Equity Australia Large Blend	Managed Fund	New Fund/Experienced Manager

Launched in July 2012, the Fidelity Australian Opportunities Fund is based on a blended bottom-up fundamental investment approach which seeks stocks with strong balance sheets, solid free cash flow, and low gearing. Positively, the highly-experienced Kate Howitt, the portfolio manager since inception, took the classic Fidelity investment process and overlaid her own well-considered investment philosophy, based on market inefficiency, quality businesses and a focus on undervalued, high dividend yielding stocks. Howitt is ably assisted by nine locally based analysts, who undertake intensive deep-dive bottom-up research, ranking companies on a 1 to 5 scale. However, final portfolio selection is based firmly on Howitt's own review of the company's business model and investment thesis, after personally meeting senior management. Fidelity Australian Opportunities normally holds 40-60 companies, but has a mandate to hold up to 70 stocks in the portfolio. The investment style and process, which solidly leans towards large-cap high yielding stocks, has proven successful, with the fund meaningfully outperforming the benchmark index (S&P/ASX 200 Accumulation Index) and many peers. The fund is reasonably priced but has a limited asset base at this relatively early stage of establishment.

Portfolio Manager(s)	Start Date
Katie Howitt	07-2012

### Fidelity Future Leaders

by Ross MacMillan

Asset Class	Category	Availability	Comments
Australia Equity	Australia OE Equity Australia Mid/Small Blend	Managed Fund	New Fund/Experienced Manager

Fidelity Future Leaders Fund focuses on the mid-to small-cap market adopting a traditional (40-70 stock portfolio) blended bottom-up investment process, searching for companies with strong competitive positioning and sound stewardship using fundamental research processes. The fund's portfolio manager, James Abela, works on identifying companies which are attractively valued and score highly on viability, sustainability and credibility. Interestingly, the Fidelity Future Leaders Fund uses a strategically targeted portfolio mix based on the following four individual stock groupings: quality/strong franchise, upward cyclical momentum, transition/fundamental change, and value/out-of-favour. Cash holdings are limited to a maximum of 10%. While limited in duration, the fund's returns based on the strategic structured portfolio investing style is proving successful, with solid outperformance against the relevant benchmark (the S&P/ASX Mid-Small Index) and most peers over one- and two-year periods. Undoubtedly, Abela, who has been manager since the fund's inception in July 2013, benefits from being supported by nine in-house equity analysts and an ability to leverage Fidelity's global network of investment knowledge. Nevertheless, the fund has a small asset base but is competitively priced.

Portfolio Manager(s)	Start Date
James Abela	07-2013

**Perennial Value Wealth Defender**

by Ross MacMillan

<b>Asset Class</b>	<b>Category</b>	<b>Availability</b>	<b>Comments</b>
Australia Equity	Australia OE Equity Australia Large Value	Managed Fund	Unique Process/Strategy

Long-time UBS hedge fund manager Dan Bosscher joined Perennial in 2012 and was appointed portfolio manager of the Value Wealth Defender Fund when it launched in May 2014. The fund uses a conventional bottom-up value investment style combined with Perennial's proprietary stock ranking screens to establish a diversified portfolio of good quality undervalued stocks, but then overlays a capital protection strategy. Ultimately, Bosscher aims to outperform the ASX 300 Accumulation Index while limiting the fund's losses in a falling market. Since inception, the fund has implemented dynamic portfolio protection strategies at all times (using equity and index derivatives) to cushion the impact of losses. However, like all risk management insurance, the capital protection strategy comes at a cost. Since inception, the fund's annualized cost of undertaking capital protection has been 1.2% per annum. The fund outperforms in a falling market but not always meaningfully, as increased volatility also often means higher prices when buying protection. Conversely, in a rising market, the protection strategy can become a drag on returns. Cash holdings may range from 0%–50%. While there is only a limited period available to judge, net performance since inception has been slightly weaker than the selected benchmark. Nonetheless, a prudent and very relevant investment strategy in the current highly uncertain market conditions.

<b>Portfolio Manager(s)</b>	<b>Start Date</b>
Dan Bosscher	05-2014

**Wavestone Wholesale Australian Share**

by Ross MacMillan

<b>Asset Class</b>	<b>Category</b>	<b>Availability</b>	<b>Comments</b>
Australia Equity	Australia OE Equity Australia Large Growth	Managed Fund	Experienced Manager/New Fund

Back to the future with Wavestone's principals and seasoned portfolio managers, Catherine Allfey and Graeme Burke, who started working together at Colonial First State (CFS) in 1998, until forming Wavestone in 2006. The third member of the team, Raaz Bhuyan, also worked at CFS from 2003, as a senior equities analyst and portfolio manager, before joining Wavestone in 2014. While the Wavestone Wholesale Australian Fund's effective inception date is February 2014, the investment team and process have a long stable history. Wavestone adopts an active high conviction approach combined with a bottom-up growth investment process. Since first managing money at CFS, the Wavestone team has applied growth, quality and valuation tests to companies, while positioning their investment style towards businesses which provide growth at a reasonable price. The fund has reasonable flexibility and is permitted to acquire hybrid securities and unlisted companies (which are expected to list on the ASX within 12 months). In addition, the fund may use options, futures and other derivatives but this exposure would normally be limited. The fund's relatively small \$110 million asset base provides the fund with more flexibility than many of its larger competitors. Positively, management fees are reasonable for a large-cap growth fund and there is no performance fee applicable.

<b>Portfolio Manager(s)</b>	<b>Start Date</b>
Catherine Allfey	02-2014
Raaz Bhuyan	02-2014
Graeme Burke	02-2014



## Fixed Income

### Fidelity Global Strategic Bond by Elliot Lucas

Asset Class	Category	Availability	Comments
Global Fixed Income	Australia OE Bonds - Global	Managed Fund	New Strategy/Experienced Manager, Unique Process/Strategy

Fidelity Global Strategic Bond Fund invests across the global fixed interest universe. It typically focuses on investment grade credit and developed market sovereign bonds, in line with its nominal benchmark, the Barclays Global Aggregate Index (A\$ Hedged). However the fund's approach is not constrained to the benchmark, with wide parameters around duration, high yield bonds and emerging market debt for example. Andy Weir, Fidelity's Director of Quantitative Research, has managed this fund since inception in October 2013. While that's a relatively short period, Fidelity has form in managing global bond strategies. For example, we have high regard for Fidelity's UK-based unconstrained bond strategy managed by Weir's colleague Ian Spreadbury, and Weir has access to the same network of analysts. A gap opened in Fidelity's normally expansive analytical staff when Fidelity Worldwide (which governs this strategy) separated from U.S. affiliate Fidelity Investments in 2013. However, rebuilt U.S. capabilities are bedding in, which should add appeal to Fidelity Global Strategic Bond over time. Fidelity Global Strategic Bond's performance has been underwhelming so far, trailing most other funds in this category and also lagging the benchmark. However, it has been a relatively short period. As Weir continues his time at the helm and Fidelity consolidates its U.S. analytical strength, this strategy's appeal should grow.

Portfolio Manager(s)	Start Date
Andy Weir	10-2013

### Payden Global Income Opportunities by Elliot Lucas

Asset Class	Category	Availability	Comments
Australia Fixed Income	Australia OE Multi-Strategy Income	Managed Fund	Under-the-Radar Manager

Founded in September 2012, the Payden Global Income Opportunities fund aims to provide after fee returns of 250 basis points above the Bloomberg AusBond Bank Bill Index. The fund invests in a broad mix of fixed income securities with a highly diversified portfolio of more than 300 positions. Investments are selected according to the Payden Absolute Return Investing, or PARI, method which combines macroeconomic assessment, identification of income-generating investments through financial analysis and company visits, and risk management. The three pillars of the strategy are core income, tactical trading and tail hedges managed through the use of derivatives. The fund invests extensively in non-agency residential mortgage-backed securities which they like for their significant price upside and limited downsides. Payden aims to keep its duration low by staying invested near the front end of the curve. While the track record for this fund is quite short, the U.S.-based version of this strategy founded in late 2008 should be indicative of the performance of this fund—it has impressively returned 7.16% per annum after fees since inception with no negative yearly returns, and successfully exceeded its investment objective.

Portfolio Manager(s)	Start Date
Brian W. Matthews	01-1986
Brad Boyd	01-2002

## Other

### Bennelong Kardinia Absolute Return

by Ross MacMillan

Asset Class	Category	Availability	Comments
Other Alternative	Australia OE Alternative Strategies	Managed Fund	Unique Process/Strategy

Kardinia Capital is a small team comprising Mark Burgess and Kristiaan Rehder, who have jointly managed the modestly-sized Bennelong Kardinia Absolute Return fund since August 2011. Burgess and Rehder have extensive experience working together and as portfolio managers, particularly at Herschel Asset Management. The Absolute Return fund is a variable long/short Australian equity fund with the long-term objective of achieving high annual investment returns (in excess of 10%) but also focusing on capital protection. The firm's investment philosophy can be best described as high conviction and style agnostic, adopting a combination of top-down, bottom-up, growth and value investing. However, the overall investment process is fundamental stock selection based on growth at a reasonable price. Unsurprisingly, portfolio turnover can be high, historically ranging between 200%-300% annually, while cash has often exceeded 50%. Stop loss limits and derivatives are occasionally used to contain losses and hedge physical positions. Despite challenging conditions, recent performance has been strong, with the fund outperforming its benchmark (RBA Official Cash Rate) and most peers but slightly under the targeted double digit returns. Management fees are towards the high end and a performance fee kicks in for the fund's investment returns above the benchmark cash rate (2% at the time of writing).

Portfolio Manager(s)	Start Date
Mark Burgess	08-2011
Kristiaan Rehder	08-2011

### Maple-Brown Abbott Global Listed Infrastructure

by Wilson Wong

Asset Class	Category	Availability	Comments
Other Sector Equity	Australia OE Infrastructure - Global	Managed Fund	Under-the-Radar Manager

Maple-Brown Abbott Global Listed Infrastructure was set up in late-2012 by Andrew Maple-Brown alongside three other portfolio managers and analysts. The team previously shared an extensive history working together in Macquarie's Global Listed Infrastructure team. Maple-Brown Abbott owns 51% of this business unit, the team holding the remainder. A high conviction bottom-up approach underpins the investment process, which upholds a strict definition of what is investible. The team looks specifically for global listed infrastructure securities with real assets which have a necessary function within society, have low cash flow volatility and are inflation-protected. Although the focus is on fundamental research and cash flow modelling, macroeconomic factors are factored into its risk management process. The portfolio is typically expected to hold 25-35 securities, primarily across utilities, pipelines, airports and toll roads. Maple-Brown Abbott Global Listed Infrastructure has a return target of 5.5% above the OECD Total Inflation Index.

Portfolio Manager(s)	Start Date
Andrew Maple-Brown	12-2012
Steven Kempler	12-2012
Justin Lannen	12-2012
Lachlan Pike	12-2012

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**Partners Group Global Value Fund (AUD)** by Anshula Venkataraman
 

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Asset Class	Category	Availability	Comments
Other	Australia OE Equity World Other	Managed Fund	Unique Process/Strategy

Partners Group Global Value Fund is a broadly diversified Australian unit trust which invests in an underlying fund, Partners Group Global Value SICAV. The underlying fund invests in private equity funds using three key strategies: a top-down strategy used to select investments according to financing stage (venture capital, buyout, special situations) and geography; a bottom-up strategy to identify those funds expected to outperform peers, and a commitment strategy to manage liquidity and maintain a high level of investment by drawing down and investing amounts over time. This approach includes direct, secondary, primary, and listed investments. It is worth noting that the fund only allows monthly redemptions. Ultimately, Partners Group allocates capital to the segments (type of investment, financial stage, and geographic region) believed to offer superior value relative to others. The underlying fund cannot allocate more than 20% to any single investment and may hold up to 10% in cash. The fund has trailed the MSCI World Index (AUD) since its inception in 2012. Partners Group offers the wholesale version of the fund for an expensive 1.75% fee.

Portfolio Manager(s)	Start Date
Roberto Cagnati	05-2012

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**Presima Global Property Sec Concentrated** by Wilson Wong
 

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Asset Class	Category	Availability	Comments
Real Estate Sector Equity	Australia OE Equity Global Real Estate	Managed Fund	New Fund/Experienced Manager

Presima Global Property Securities Concentrated was launched in May 2013 and shortly after was appointed as the replacement manager for a property fund that Morningstar previously covered, Zurich Global Property Securities. Presima is a global real estate specialist boutique based in Montreal, Canada and is a wholly-owned subsidiary of National Australia Bank. The firm's concentrated strategy is run by co-managers Stéphane Larsen, Vincent Felteau and Martin Pepin. The fund, as its name suggests, is a high conviction strategy which invests in both developed and off-benchmark emerging market real estate securities. It targets a 2%-3% excess return over the FTSE EPRA/NAREIT Developed Index and can deviate meaningfully from its benchmark as seen through its high active share of about 75%. Using a fundamental process, the strategy aims to find mispriced fundamentals in the global real estate market through primary research and financial modelling. There is a strong focus on stock selection here with a goal of maintaining a "best ideas" portfolio of 30–40 real estate securities with broad exposures across the U.S., Europe, Asia, Australia, and select emerging markets. Although the focus is primarily bottom-up analysis, top-down analysis in regard to macro factors, and industry trends also factor into the portfolio construction.

Portfolio Manager(s)	Start Date
Stéphane Larsen	05-2013
Vincent Felteau	05-2013
Martin Pepin	05-2013

**UBS Dynamic Alpha Strategies Fund**

by Elliot Lucas

<b>Asset Class</b>	<b>Category</b>	<b>Availability</b>	<b>Comments</b>
Other Alternative	Australia OE Alternative Strategies	Managed Fund	Under-the-Radar Manager

Founded in mid-2007, this fund aims to maximise total return through a combination of capital appreciation and current income. This active strategy invests across an unrestricted range of global asset classes including equity, fixed income, cash, currencies and commodities. They target an absolute return of 3.5%–5.5% above the Bloomberg AusBond Bank Bill Index over a full market cycle. Call options provide most of the equity exposure while both Investment Grade credit and a mix of long and short U.S. treasuries provide the fixed interest exposure. Forty-eight analysts provide a highly diversified range of investment ideas, with the fund holding between 30 and 50 hedged "pairs" on a variety of markets. Downside protection is emphasised through extensive use of options to hedge against tail risk events. This tail hedging was tested in 2011 where global equity markets fell some 20% in a short period during which the fund only suffered a 4.2% drawdown and finished up over the year. Dynamic Alpha has been plagued by high staff turnover, but the current team is highly experienced and part of UBS' global assets allocation committee, giving them exposure to a very wide variety of trading ideas.

<b>Portfolio Manager(s)</b>	<b>Start Date</b>
Andreas Koester	01/10/2009
Tom Rivers	01/10/2009

## Multisector

### Aberdeen Multi-Asset Real Return

by Wilson Wong

Asset Class	Category	Availability	Comments
Allocation	Australia OE Multisector Growth	Managed Fund	Under-the-Radar Manager

Aberdeen Multi-Asset Real Return applies a multimanager approach through allocations to both internal and external managers, with an absolute return objective of CPI +5% while targeting lower volatility than equities. Dynamic asset allocation is used which shifts capital across managers and asset classes on a regular basis according to a forward-looking analysis of valuations and expected returns. Both quantitative and qualitative research is used here, along with a strong focus on risk management and capital preservation. The portfolio is well-diversified with global equities typically comprising 20 – 45% of the portfolio, global bonds from 0%–50%, alternatives from 0%–30%, property from 0%–15% and cash of up to 15%. Protecting the downside risk is a key focus and this is aided by allocating a small portion of the portfolio in alternatives strategies for diversification of returns and potential tail risk protection. The strategy is led by seasoned Head of Multi Asset Mike Turner who is well-backed by Investment Manager Philip Ross, both of whom joined Aberdeen in 2003 following its acquisition of Edinburgh Fund Managers.

Portfolio Manager(s)	Start Date
Mike Turner	11-2003
Phillip Ross	11-2003

### BMO Pyrford Global Absolute Return

by Wilson Wong

Asset Class	Category	Availability	Comments
Allocation	Australia OE Multisector Balanced	Managed Fund	New Fund/Experienced Manager

BMO Pyrford Global Absolute Return offers a global multisector absolute return strategy which aims to preserve capital while providing a stable real return stream in excess of the CPI in the long term, with below-average volatility. Pyrford is based in London and since 2007, it has been a wholly owned subsidiary of Bank of Montreal, or BMO. The process consists of allocating capital across equities, government bonds and cash with a focus on valuation. A combination of top-down and bottom-up analysis form the bedrock of the strategy. Although relatively straightforward, this time-tested process has been applied consistently. CIO Tony Cousins leads the effort alongside founder/strategic adviser Bruce Campbell and a capable team of three head portfolio managers, each with coverage responsibilities across the Asia Pacific, Europe/U.K. or U.S. region. Portfolio managers and investment analysts are rigorously selected, with a strict requirement that they have considerable buy-in into Pyrford's investment philosophy and process. Senior team members focus on asset allocation whereas the junior investment analysts typically conduct the bottom-up stock analysis. Pyrford's autonomous investment culture is a plus, though employees are often required to follow the firm's investment process with little to no deviation.

Portfolio Manager(s)	Start Date	Portfolio Manager(s)	Start Date
Tony Cousins	06-2014	Nabil Irfan	06-2014
Bruce Campbell	06-2014	Peter Moran	06-2014
Paul Simons	06-2014	Jun Yu	06-2014
Daniel McDonagh	06-2014	Stefan Bain	06-2014
Suhail Arain	06-2014		

**MLC Inflation Plus – Assertive, Moderate, Conservative** by Wilson Wong

<b>Asset Class</b>	<b>Category</b>	<b>Availability</b>	<b>Comments</b>
Allocation	Australia OE Multisector Aggressive/Growth/ Balanced	Managed Funds	Under-the-Radar Manager

MLC Inflation Plus, as its name suggests, aims to provide investors, in particular retirees, with a real return above the CPI through a multimanager approach. It comes in three options: Assertive, Moderate and Conservative, each with different return targets (CPI +6%, +5%, +3.5% respectively). The Moderate and Conservative options are relatively new, having been launched in late 2013. The heavy focus on risk management and implementation are recurring themes in the portfolio construction process. MLC's scenario analysis and stress-testing of strategic asset allocations aid the managers in determining the right mix of assets to mitigate the risk of large drawdowns in different market environments. Despite the risk-conscious approach, the strategy isn't immune to major downturns and there will be periods when return objectives are not met. For example, the Assertive portfolio still experienced a significant drawdown during the global financial crisis in 2008. External managers are blended to form diversified portfolios which suit the risk and return profile of each option. MLC dynamically allocates across Australian and international equities, fixed interest, and cash in addition to alternatives which can lead to flexible asset allocations. Head of Investments, Susan Gosling is the architect of the MLC inflation plus portfolios and is well-supported by Portfolio Manager, Ben McCaw.

<b>Portfolio Manager(s)</b>	<b>Start Date</b>	<b>Portfolio Manager(s)</b>	<b>Start Date</b>
Susan Gosling	12-2005	Jonathan Armitage	08-2011
Ben McCaw	09-2008		

**State Street Builder/Sustainer/Provider** by Wilson Wong

<b>Asset Class</b>	<b>Category</b>	<b>Availability</b>	<b>Comments</b>
Allocation	Australia OE Multisector Growth/Balanced/ Moderate	Managed Funds	New Fund/Experienced Manager

The State Street Builder, Sustainer and Provider funds offer retirement solutions for different stages of retirement and were launched in early 2014. An experienced team headed by Daniel Farley runs this new retirement lifestyle product range, aiming to consistently generate real income while minimising volatility in the short term. The absolute return multisector portfolios are constructed using dynamic asset allocation, adjusted through the use of a proprietary macro indicator which determines the market's underlying level of risk aversion. Additionally, tactical asset allocation is used to tilt the portfolio towards asset classes seen as undervalued in the underlying market environment. An equity risk management tool is also implemented which reduces the portfolio's equity exposure during periods of high volatility and vice-versa. The portfolios are diversified with capital allocated across a range of domestic and global assets including Australian and global equities, fixed income, property and infrastructure, and commodities, alongside a relatively large allocation to cash and alternatives. State Street Builder targets investors approaching retirement whereas the Sustainer targets retirees aged 65–80, and the Provider is an option for those aged 80+ who require income longevity. State Street Builder's return target is CPI +5%, Sustainer's is CPI + RBA cash rate, and Provider's target is the RBA cash rate +2%–3%.

<b>Portfolio Manager(s)</b>	<b>Start Date</b>
Daniel Farley	01-2014
Mark Wills	01-2014
Rafiq Choudhury	01-2014
Edwin Kwok	08-2014

## Process

Morningstar Manager Research analysts compile and maintain the Morningstar Prospects list. These are managers and strategies that typically have not been subject to full analyst coverage in the past but that may merit such coverage in the future.

Morningstar analysts consider a variety of quantitative and qualitative factors when proposing candidates for the Prospects list, including management experience, uniqueness and durability of strategy, performance, and fees. The final decision is made by a committee of senior analysts and team leaders with extensive experience assessing investment strategies.

The following delineates the Morningstar Prospects process in more detail:

### Idea Generation

Any Morningstar Manager Research analyst can recommend a manager or strategy for the list, with ideas typically coming from:

- Screening new or small funds for managers with promising records or established records at other open-end mutual funds or other vehicles, such as separate accounts.
- Reviewing requests for coverage from internal and external consumers of Manager Research or the asset managers themselves.
- Researching individual managers and strategies.
- Communicating with other investors, managers, and industry contacts.

### List Composition

Morningstar Prospects doesn't include a set number of strategies or try to offer ideas for every asset class, category, and subcategory, but it does try to offer a balance of funds from areas where it can be difficult to find good funds with capacity, as well as funds from more-traditional categories. Prospects generally fall into one or more of these broad classifications:

- **Existing Fund/New Manager:** A previously unappealing fund gets a promising new leader, team, or strategy.
- **New Fund/Experienced Manager:** A manager with a long, impressive track record elsewhere or a firm with established expertise launches a new fund.
- **Under-the-Radar Manager:** A fund with a long track record that has not yet attracted attention or assets.
- **Unique Process/Strategy:** A manager that offers a distinctive approach.

### Ongoing Maintenance

The committee reviews the list at least semi-annually, making additions and deletions as necessary. There is no maximum or minimum time a manager or strategy can remain a Prospect. A fund can leave the Prospects list for the following reasons:

- It has graduated to full analyst coverage.
- There has been a material change to management or strategy that lowers our confidence.
- It has closed to new investors.
- New ideas are more compelling.

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