

Morningstar Australia Prospects

December 2017

Content

Morningstar Australia Prospects

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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. In December 2017, nine new Prospects were added, 10 funds “graduated to full coverage”, and one was dropped from the list. See Page 2 for a table that lists all Prospects and Page 13 for the Morningstar Analyst Ratings of all graduates.

New additions include Barrow Hanley Global Equity Trust, Bell Global Equities, BMO LGM Global Emerging Markets, CFM IS Trends Trust, CC JCB Active Bond, Lazard Global Equity Franchise, Lennox Australian Smaller Companies, Schroder Equity Opportunities, and Vanguard Global Quantitative Equity. We dropped Flinders Emerging Companies from Prospects, as it was unlikely to graduate because of its small size and our decreasing conviction in the strategy.

The graduates include AB Dynamic Global Fixed Income (Morningstar Analyst Rating of Bronze), AB Managed Volatility Equities (Bronze), Ausbil 130/30 Focus Fund (Bronze), CFS FC Inv-Sanlam Managed Risk Global Share (Bronze), Fidelity Asia (Bronze), Fidelity Australian Opportunities (Silver), Pan-Tribal Global Equity Fund (Bronze), and Spheria Australian Smaller Companies (Bronze). AXA IM Sustainable Equity, Nikko AM Global Share, and JPMorgan Global Macro Opportunities are also under coverage but have not yet been assigned ratings (scheduled to be released in first-quarter 2018).

Morningstar operates an independent manager research model. This means we determine our own coverage universe, and don’t accept payment from product providers to be rated. The Australasian managed fund universe has thousands of unique funds. Our coverage is organised across 19 sectors spanning all major asset classes. At 30 Nov 2017, we had full rated coverage on around 470 flagship Australia and New Zealand strategies, which mapped to about 3270 underlying funds, exchange-traded funds, and listed investment companies.

Our analysts are always on 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 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 that 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 30 Nov 2017)									
		1-Year		3-Year		5-Year		Inception Date	Ongoing Fee %	Fund Size* (AUD Million)	Comments**
Asset Class / Category / Strategy Name	Ticker	Return	Cat Rank	Annlzd	Cat Rank	Annlzd	Cat Rank				
Global Equity											
Australia Fund Equity World Large Blend											
★ Bell Global Equities Platform Class	41458	19.30	73	-	-	-	-	30/06/2015	0.90	33	NFEM
★ Lazard Global Equity Franchise	41079	20.78	46	16.09	2	-	-	1/10/2013	1.25	53.1	UPS
Australia Fund Equity World Large Value											
★ Barrow Hanley Global Equity Trust	41377	22.65	10	-	-	-	-	5/05/2016	0.99	47	NFEM
Polaris Global Equity Fund	40664	18.69	50	13.54	16	-	-	10/10/2014	1.28	83	NFEM
★ Vanguard Global Quantitative Equity	41592	21.65	35	-	-	-	-	20/01/2016	0.35	23.1	UPS
Australian Equity											
Australia Fund Equity Australia Large Blend											
★ Schroder Equity Opportunities	16744	15.87	20	10.40	12	12.12	11	14/12/2007	0.92	8.2	UR
Australia Fund Equity Australia Large Growth											
Wavestone Australian Share***	10717	15.06	44	11.09	19	12.22	24	17/11/2003	0.97	188.6	UR
Australia Fund Equity Australia Mid/Small											
★ Lennox Australian Small Companies	41754	-	-	-	-	-	-	24/04/2017	1.10	16.5	UR
Asia and Emerging Markets Equity											
Australia Fund Equity Emerging Markets											
Janus Henderson Glb Emerging Markets Eq	41407	19.88	87	-	-	-	-	29/07/2016	1.25	40.7	EFNM
★ BMO LGM Global Emerging Markets	40940	24.18	60	-	-	-	-	2/06/2015	0.90	1.6	UPS
Fixed Income											
Australia Fund Bonds - Australia											
★ CC JCB Active Bond Fund	410406	4.08	20	-	-	-	-	3/08/2016	0.55	134.2	UPS
Australia Fund Diversified Credit											
Mackay Shields Unconstrained Bond	41414	5.02	30	-	-	-	-	1/06/2016	0.80	69.4	UPS
Other											
Australia Fund Alternative Strategies											
Pengana PanAgora Absolute Rtrn Glb Eqs	41029	(3.22)	-	-	-	-	-	9/12/2015	1.52	129.8	NFEM
Australia Fund Alternative Strategies – Managed Futures											
★ CFM IS Trends Trust Class A Units	41834	-	-	-	-	-	-	14/07/2017	0.60	89.2	NFEM
Australia Fund Equity Global Real Estate											
Presima Global Property Sec Concentrated	40007	9.44	78	5.47	70	-	-	31/05/2013	1.00	34.2	NFEM
Multisector											
Australia Fund Multisector Flexible											
PineBridge Global Dynamic Asset Alloc I	40674	14.96	2	7.11	23	-	-	29/07/2014	1.00	1,236.7	NFEM

* Fund size: refers to the amount of money managed as a stand-alone 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

***Fund has seen a material manager or strategy change since inception.

★ = New Addition

Strategy Overviews

Global Equity

Bell Global Equities		by Michael Malseed	
Asset Class	Category	Availability	Comments
Global Equity	Australia Fund Equity World Large Blend	Managed Fund	New Fund/ Experienced Manager

Bell Global Equities is a new retail offering provided by Bell Asset Management, a majority staff-owned investment boutique. The firm has been managing institutional money in global equities since 2003, and had AUD 1.4 billion in funds under management as at July 2017. CIO Ned Bell and portfolio manager Adrian Martuccio lead a team of five investment analysts who undertake fundamental, bottom-up equities research. The strategy has a quality bias, but will invest broadly across large-, mid-, and small-cap names, resulting in a diversified portfolio of 90-110 names. The process has rigor, and the portfolio's quality, growth, and valuation characteristics have appeal. The management fee is reasonable for global equities coming in at 0.90% with no performance fee.

Portfolio Manager(s)	Start Date
Ned Bell	06-2015
Adrian Martuccio	06-2015

Lazard Global Equity Franchise		by Kunal Kotwal	
Asset Class	Category	Availability	Comments
Global Equity	Australia Fund Equity World Large Blend	Managed Fund	Unique Process/Strategy

Lazard Global Franchise offers investors exposure to economic franchises across the world. Franchises include businesses which have a natural monopoly, economies of scale, network effects, brands, and high switching costs. The objective is to achieve total returns more than the MSCI World Index with lower risk over the long term. The strategy is managed by the experienced quartet of John Mulquiney, Warryn Robertson, Bertrand Cliquet, and Matthew Landy, who have expanded their remit to global equities since 2012 on the back of a very strong track record of managing the highly successful global listed infrastructure product. The team employs a benchmark-unaware, valuation-driven investment process with the aim of protecting capital and generating strong risk-adjusted return. With wide sector and country limits, the managers have enough flexibility to implement ideas in a high-conviction way, having around 50 names in the portfolio and generally investing in the mega-cap to large-cap segment of the market. Overall the fee of 1.25% is slightly more expensive than the average within this Morningstar Category.

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Portfolio Manager(s)	Start Date	Portfolio Manager(s)	Start Date
Warryn Robertson	10/2013	Bertrand Cliquet	10/2013
John Mulquiney	10/2013	Matthew Landy	10/2013

Barrow Hanley Global Equity Trust

By Sarah Fox

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

The Barrow Hanley Global Equity Trust is a high-conviction global equity strategy that follows a value style with a fundamental, bottom-up approach. While this strategy was recently launched in Australia in 2016, Barrow Hanley Mewhinney and Strauss was established in 1979, and is one of the largest value-oriented equity investment managers in the United States. The experienced and long-tenured equity investment team manage around USD 90 billion for a multitude of global clients having displayed strict adherence to their traditional value disciplines regardless of market conditions. The strategy seeks to identify companies with a favourable combination of valuation characteristics such as below market price-to-earnings, below market price-to-book, and above-market dividend yields. An additional focus centers on change factors to identify companies with improving key operating fundamentals. Internally developed fundamental research is conducted on the stocks that receive the highest ranking from this initial screening process. The result is a traditional-value, active, and prudently concentrated portfolio of between 50 and 70 stocks with low turnover. The Australian wholesale unit trust is distributed by BNP Paribas Asset Management.

Portfolio Manager(s)	Start Date
Cory Martin	05-2016

Polaris Global Equity Fund

by Anshula Venkataraman

Asset Class	Category	Availability	Comments
Global Equity	Australia Fund 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 that sets it apart. The team uses fundamental research to build a diversified portfolio of companies that demonstrate 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 greater 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 offshore vehicle has had more than a decade of solid returns. Although Polaris Global Equity Fund is relatively new to the Australian market, the team is backed by a 30-year-old value-driven approach and founder Bernard Horn, who leads the established global version of this strategy.

Portfolio Manager(s)	Start Date
Bernard Horn	10-2014

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Vanguard Global Quantitative Equity		By Anshula Venkataraman	
Asset Class	Category	Availability	Comments
Global Equity	Australia Fund Equity World Large Value	Managed Fund	Unique Process/Strategy

Launched in January 2016 in Australia, Vanguard Global Quantitative Equity targets companies believed to have strong growth potential at a reasonable price. Vanguard ranks stocks in the MSCI World ex Australia Index (net dividends reinvested) AUD using a proprietary model that favours companies with financial strength, effective capital allocation, strong sentiment, and reasonable valuations. Stocks are ranked within their sectors, and the most attractive-ranking stocks are included in the portfolio. Vanguard does not try to take sector bets and limits sector exposures to +/-0.60% to those of the benchmark. The result is a diversified portfolio with around 200-400 securities. Tracking error is limited to 2% annually. Turnover can be high, typically between 80% and 120% per year. Head of Quantitative Equity (Australia) Michael Roach leads this strategy, backed by Vanguard's global resources and established systems. Vanguard's presence in Australia is dominated by its indexing business, but the shop has extensive experience running quantitative strategies abroad. The low 0.35% fee is also a positive here. This strategy is relatively new with a small asset base, but its strong record so far shows promise.

Portfolio Manager(s)	Start Date
Michael Roach	01-2016

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Australian Equity

Schroder Equity Opportunities

by Ross MacMillan

Asset Class	Category	Availability	Comments
Australia Equity	Australia Fund Equity Australia Large Blend	Managed Fund	Under-the-Radar

The Schroder Equity Opportunities fund is not new but is managed by one of the most respected investment teams in the market and has often been overshadowed by its big brother, the Schroder Australian Share Fund, despite strong outperformance. The highly respected investing duo of Martin Conlon and Andrew Fleming are the portfolio managers of this fund, which has as its target the enviable aim of outperforming the S&P/ASX 300 Accumulation Index by 3%-5% before fees over the long term. The strategy takes a more diversified and active approach to investing in Australian and New Zealand stocks than Schroder Australian Share, with significant exposure to stocks outside the S&P/ASX100. However, the same diligent bottom-up fundamental investment process is adopted, supported by the extensive and highly knowledgeable Schroder research team. Stocks are essentially selected for the portfolio based on two key characteristics: business quality and valuation. The portfolio will normally contain up to 100 stocks, with average turnover between 30% and 50%. While the portfolio will include well-known stocks such as Woolworths, Rio Tinto, and NAB, smaller-cap stocks also feature, like Cleanaway Waste Management and IDP Education. Overall, this is a solid fund that could potentially replace a large- and small-cap fund strategy. The management fee of 0.92% is not unreasonable, but a 15.4% performance fee on gross outperformance above 2% over the S&P/ASX 300 Accumulation Index can result in an expensive overall package.

Portfolio Manager(s)	Start Date
Martin Conlon	12-2007
Andrew Fleming	12-2007

Wavestone Wholesale Australian Share

by Ross MacMillan

Asset Class	Category	Availability	Comments
Australia Equity	Australia Fund Equity Australia Large Growth	Managed Fund	Under-the-Radar

It's back to the future with Wavestone's principals and seasoned portfolio managers, Catherine Allfrey and Graeme Burke, who started working together at Colonial First State 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 Wavestone Wholesale Australian's effective inception date is February 2014, the investment team and process have a long and 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 that provide growth at a reasonable price. The fund has reasonable flexibility and can 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. Positively, management fees are reasonable for a large-cap growth fund, and there is no performance fee applicable.

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Portfolio Manager(s)	Start Date		
Catherine Allfrey	02-2014	Graeme Burke	02-2014
Raaz Bhuyan	02-2014		

Lennox Australian Small Companies

by Michael Malseed

Asset Class	Category	Availability	Comments
Australia Equity	Australia Fund Equity Australia Mid/Small	Managed Fund	Under-the-Radar

Lennox Australian Small Companies is a new small-cap Australian equities strategy offered by Lennox Capital Partners, a boutique founded in March 2017 by Liam Donohue and James Dougherty, with the backing of Fidante Partners. The investment duo previously worked together at Macquarie Investment Management, where they had managed the Macquarie Australian Small Companies Fund and the Macquarie Emerging Companies Fund since 2012. They are joined by analyst Olivia Bible, who had previously worked as a sell-side analyst at JP Morgan and Moelis & Co. The team's investment philosophy centres around identifying high-quality stocks, with the potential for upside earnings surprise over a three-year time horizon. The portfolio is expected to have an industrials bias, as resources stocks typically do not pass the initial quality filter. The fund charges a 1.10% per year base fee plus a 15% performance fee for returns in excess of the S&P/ASX Small Ordinaries Accumulation Index. With funds under management of just over AUD 20 million as at 30 Nov 2017, in its early stages this strategy should benefit from its ability to trade nimbly in the market.

Portfolio Manager(s)	Start Date
Liam Donohue	03-2017
James Dougherty	03-2017

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Asia and Emerging Markets Equity

Janus Henderson Glb Emerging Markets Eq		by Michael Malseed	
Asset Class	Category	Availability	Comments
Emerging Markets Equity	Australia Fund Equity Emerging Markets	Managed Fund	Existing Fund/New Manager

Janus Henderson Global Emerging Markets Equity has the ingredients of a very interesting strategy. While the Australian vehicle only launched in July 2016, portfolio manager Glen Finegan spent more than a decade at First State Stewart, most recently as a senior portfolio manager. The team at Henderson is small, led by Finegan as head of Emerging Market Equities, and also including Stephen Deane who previously managed the Worldwide Equity funds with Finegan at Stewart Investors. But Finegan brings a wealth of experience from a former shop that we rate highly. When he joined in February 2015 Finegan set about implementing a new process at Henderson, but relied heavily on the investing approach he has used for the past decade or more. The result is a bottom-up fundamental, high-conviction approach, with a focus on capital preservation. The aim is to deliver long-term capital growth by investing in high-quality, reasonably priced companies that are domiciled in, or derive a substantial proportion of earnings from, emerging markets. The result is an index-unaware portfolio that can include companies domiciled in developed markets, as long as they have significant revenue from emerging markets. It's worth noting that while a U.K. equivalent version of Henderson's fund has been in operation since February 1987, Finegan's appointment marks a distinct new era for the U.K. fund, and the arrival of a new emerging-markets offering on the scene for Australian investors.

Portfolio Manager(s)	Start Date
Glen Finegan	02-2015
Stephen Deane	03-2016

BMO LGM Global Emerging Markets		by Matthew Wilkinson	
Asset Class	Category	Availability	Comments
Emerging Markets Equity	Australia Fund Equity Emerging Markets	Managed Fund	Unique Process/Strategy

BMO LGM Global Emerging Markets Strategy produces a unique portfolio from emerging-markets equities. The mainly London-based team have a pronounced exposure to frontier markets and a smaller-cap bias as they search for companies that are exposed to countries with growing per-capita gross domestic product. They find stocks exposed to this growth from the consumer staples, financials, and consumer discretionary sectors particularly. Importantly, the team have a focus on sustainable business models and healthy balance sheets, and look for management/shareholder alignment. As such company meetings are crucial to the process. Valuation is important and the team take a long-term outlook for their investment thesis to play out. We think the investment team of more than 15 is capable and experienced. With a 0.90% management fee this is an attractive option for a differentiated emerging-markets portfolio.

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Portfolio Manager(s)	Start Date	Portfolio Manager(s)	Start Date
Rishikesh Patel	05-2006	Damian Bird	11-2015
Irina Hunter	12-2007		

Fixed Income

CC JCB Active Bond

by Kunal Kotwal

Asset Class	Category	Availability	Comments
Fixed Income	Australia Fund Bonds - Australia	Managed Fund	Unique Process/Strategy

Distributed by Channel Capital, CC JCB Active Bond offers investors an actively managed exposure within the Australian government, state government, and supranational fixed-income universe excluding credit securities. The fund uses a combination of fundamental and technical analysis to make individual bond security selections and adjust duration exposures against the benchmark. The fund can only allocate to AAA or AA rated bonds backed by a public finance agency. The fund is managed by Charles Jamieson and Angus Coote, who have extensive experience in fixed-income markets. This duo is also supported by a highly experienced advisory board composed of Mark Burgess, Saul Eslake, Lynda O'Grady, Neil Tritton, and John Kean. The strategy aims to outperform the Bloomberg Aubond Treasury Index over rolling three-year periods. In addition to the performance objective, the fund aims to act as a cornerstone diversifier against growth assets, be a secure source of liquidity, and protect against deflation or cyclical downturns. The fund costs 55 basis points (including administrative fees), which is slightly above the average within the peer group.

Portfolio Manager(s)	Start Date	Portfolio Manager(s)	Start Date
Charles Jamieson	12-2014	Paul Chin	12-2014
Angus Coote	12-2014	Christopher Manuell	12-2014

Mackay Shields Unconstrained Bond

by Tim Wong

Asset Class	Category	Availability	Comments
Fixed Income	Australia Fund Diversified Credit	Managed Fund	Unique Process/Strategy

A well-established name in the U.S., Mackay Shields is comparatively new to the Australian market. This fixed-income subsidiary of New York Life Insurance Company has been managing a similar unconstrained bond strategy in the U.S. since 2010, commencing in June 2016 in Australia. Veteran manager Lou Cohen leads this portfolio, and combines research on macroeconomic factors and individual securities while paying particular heed to understanding the phase of the business cycle and relative valuation between sectors. Cohen has a wide remit—government and municipal bonds are investable, as are several varieties of credit—investment-grade corporates, high-yield, emerging-markets debt, convertible bonds, and securitised instruments. Meanwhile, interest-rate duration can range between zero and seven years. That said, this portfolio has stuck principally to credit securities since it began, and its aggressive stance is visible in the sizable exposure (often 50% or more) to sub-investment-grade securities. Furthermore, the team's been reluctant to take much interest-rate risk over this span. Charging a fee of 0.80%, this strategy is at the costlier end of the credit universe.

Portfolio Manager(s)	Start Date
Lou Cohen	06-2016

★ = New Addition

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Other**Pengana PanAgora Absolute Return Global Equity** by Matthew Wilkinson

Asset Class	Category	Availability	Comments
Other Alternative	Australia Fund Alternatives Strategies	Managed Fund	New Fund/Experienced Manager

Boston-based investment manager PanAgora is highly experienced at its craft, having run quantitative strategies since 1989. As a new fund in the Australian market this is an absolute return fund focusing on exploiting inefficiencies that exist in global equity markets using long and short equity positions. The fund has several sub-strategies that, when combined, aim to provide a more stable set of returns over any single strategy. The sub-strategies are broken into three portfolios based on holding period. The long-term portfolio, with a holding period of nine to 12 months, is by far the majority of the total fund and includes fundamental arbitrage strategies based upon a company's strengths or weaknesses. Merger or risk-arbitrage strategies fall into the intermediate portfolio, where the event horizon is three to nine months. The short-term portfolio, one day to three months, is made of event-driven arbitrage strategies based on significant corporate actions and market events. The team only incorporate those strategies with a long history of data (around a decade) and the number of positions will typically be greater than 500, which ensures diversity. There is a return objective of 8%-14% and a risk objective of 4%-8% while keeping equity beta between zero and 0.2. Though the process is compelling and the track record to date is solid, the only drawback is a management fee of 1.52% and performance fee of 20.22%.

Portfolio Manager(s)	Start Date
George Mussalli	07-2004
Richard Tan	07-2008

CFM IS Trends – Class A by Kunal Kotwal

Asset Class	Category	Availability	Comments
Other Alternative	Australia Fund Alternatives Strategies	Managed Fund	New Fund/Experienced Manager

Launched in September 2017, the CFM IS Trends fund offers investors a cost-effective exposure to managed futures. The program employs the well-known and persistent strategy of long-term trend-following across five asset classes (equities, bonds, commodities, currencies, and short-term interest rates), and 100 different markets. The fund's objective is to achieve long-term capital appreciation through returns that seek to be uncorrelated with traditional asset classes. The fund utilises multiple look-back periods to construct a portfolio targeting a volatility of 10%; the average holding period of the strategy is around eight to 10 months. CFM is headed by a five-person management board including chairman Jean-Philippe Bouchaud; president Philippe Jordan; and Marc Potters, Jacques Saulière, and Laurent Laloux. These senior members have extensive experience in quantitative finance especially as it pertains to alternative beta, risk premium, and trend following. The fund is also priced competitively at a 0.60% management expense ratio with a 10% performance fee over cash.

Portfolio Manager(s)	Start Date	Portfolio Manager(s)	Start Date
Jean-Philippe Bouchaud	09-2017	Phil Seager	09-2017
Philippe Jordan	09-2017	Stefano Ciliberti	09-2017

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Portfolio Manager(s)	Start Date	Portfolio Manager(s)	Start Date
Marc Potters	09-2017	Joachim de Lataillade	09-2017
Jacques Saulière	09-2017		

Presima Global Property Sec Concentrated		by Tim Wong	
Asset Class	Category	Availability	Comments
Real Estate Sector Equity	Australia Fund 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 Morningstar previously covered, Zurich Global Property Securities. Presima is a global real estate specialist boutique based in Montreal, and is a wholly owned subsidiary of National Australia Bank. The firm's concentrated strategy is run by comanagers Stéphane Larsen, Vincent Felteau, and Martin Pepin. The fund, as its name suggests, is a high-conviction strategy that invests in both developed and off-benchmark emerging-markets 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 portfolio construction.

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

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Multisector

PineBridge Global Dynamic Asset Allocation		by Elliot Lucas	
Asset Class	Category	Availability	Comments
Multisector	Australia Fund Multisector Growth	Managed Fund	New Fund/Experienced Manager

PineBridge Global Dynamic Allocation is an absolute return style multiasset fund. This fund launched in Australia in July 2014, but the strategy has a track record going back to January 2005, which provides some insight to its ability to deliver over a full market cycle. Over a market cycle, this fund aims to deliver gross returns of CPI+5%, with volatility of 8%-10% while also providing downside protection. To achieve this mandate, experienced portfolio managers Peter Hu, Michael J. Kelly, Magali Azema-Barac, Agam Sharma, and Sunny Ng have an extremely broad investable universe. The focus is on making dynamic asset-allocation decisions. The process is multifaceted, but is based on five-year forecasts of the risk and return of different asset classes and then overlaid with the team's Risk Dial Score, which adjusts exposure to risk assets up or down based on intermediate-term expectations. For example, while the team may have a long-term bullish view on equities, it can temporarily pull back its equity exposures in light of significant event uncertainty. This results in a portfolio with a highly variable growth/defensive split and featuring a diverse set of investments ranging from typical international equities and bonds to bank loans or even gold. PineBridge is a global asset manager with strategies across most asset classes, which enables this team to draw upon the firm's broader resources to deliver on its absolute return objective.






































































































Portfolio Manager(s)	Start Date	Portfolio Manager(s)	Start Date
Peter Hu	07-2014	Agam Sharma	07-2014
Michael J. Kelly	07-2014	Sunny Ng	07-2014
Magali Azema-Barac	07-2014		

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Morningstar Prospects Graduates

Morningstar Analyst Rating  Positive  Neutral  Negative

Asset Class / Category / Strategy Name	Ticker	Overall	People	Process	Parent	Performance	Price	Rating Date	1-Yr	1-Yr-Cat Rank	3-Yr	3-Yr-Cat Rank
Global Equity												
Australia Fund Equity World Large Blend												
AXA IM Sustainable Equity*	40549	-	-	-	-	-	-	n/a	21.48	38	13.14	21
Capital Group New Perspective (AU)	40984	 Gold						02/2017	25.56	12	-	-
CFS FC Inv-Sanlam Mgd Risk Glb Shr	40851	 Bronze						08/2016	18.20	84	-	-
Nikko AM Global Share*	6272	-	-	-	-	-	-	n/a	21.29	42	12.92	30
Robeco BP Global Premium Equities AUD	40752	 Silver						04/2016	18.66	81	13.33	17
Australia Fund Equity World Large Growth												
Antipodes Global Fund – Class P	5667	 Bronze						01/2017	18.14	91	17.12	7
Pan-Tribal Global Equity Fund	40679	 Bronze						12/2017	24.40	36	14.54	15
Australian Equity												
Australia Fund Equity Australia Large Blend												
AB Managed Volatility Equities	40678	 Bronze						09/2017	18.84	3	12.77	4
Fidelity Australian Opportunities	19483	 Silver						11/2017	18.37	5	12.30	4
Australia Fund Equity Australia Large Growth												
Ausbil 130/30 Focus	18354	 Bronze						12/2017	16.81	27	11.81	10
Australia Fund Equity Australia Mid/Small Blend												
Fidelity Future Leaders	19893	 Silver						10/2016	25.50	8	16.70	22
Australia Fund Equity Australia Mid/Small Growth												
Spheria Australian Smaller Companies	15723	 Bronze						10/2017	18.19	36	19.82	9
Asia and Emerging Markets Equity												
Australia Fund Equity Asia Pacific w/o Japan												
CFS Asian Growth	41320	 Silver						02/2017	17.7	96	-	-
Fidelity Asia	13316	 Bronze						12/2017	30.82	44	17.73	10
Australia Fund Equity Emerging Markets												
BT Global Emerging Markets Opportunities	19536	 Bronze						01/2016	32.03	11	11.51	11
Fixed Income												
Australia Fund Multi-Strategy Income												
AB Dynamic Global Fixed Income	40260	 Bronze						11/2017	4.35	60	3.60	57
Payden Global Income Opportunities	19589	 Bronze						12/2016	3.49	73	3.81	43
Other												
Australia Fund Alternative Strategies												
Bennelong Kardinia Absolute Return	19493	Neutral						05/2017	7.67	-	4.82	-
JPMorgan Global Macro Opportunities*	41086	-	-	-	-	-	-	n/a	19.95	-	-	-
Partners Group Global Value	19894	 Bronze						03/2017	11.03	-	11.14	-

*Analyst Rating to be published in Q1 2018.

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Asset Class / Category / Strategy Name	Ticker	Morningstar Analyst Rating						Rating Date	1-Yr	1-Yr-Cat Rank	3-Yr	3-Yr-Cat Rank
		Overall	People	Process	Parent	Performance	Price					
Australia Fund Infrastructure – Global												
Maple-Brown Abbott Global Listed Infrastructure	19900	 Bronze	+	+	●	●	●	05/2016	13.62	98	12.86	16
Multisector												
Australia Fund Multisector Flexible												
BMO Pyrford Global Absolute Return	40602	 Silver	+	+	+	+	–	06/2016	5.91	82	4.82	69
MLC Inflation Plus Assertive Portfolio B	13401	Neutral	+	●	●	●	–	08/2016	8.35	55	5.72	40
MLC WS Inflation Plus – Conservative	19939	Neutral	+	●	●	●	–	08/2016	4.48	94	4.15	89
MLC WS Inflation Plus - Moderate	19940	Neutral	+	●	●	●	–	08/2016	6.24	74	5.26	52

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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 semiannually, 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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- ▶ the process by which products are selected for coverage,
- ▶ the filters and research methodology applied, and
- ▶ Morningstar's ratings and recommendation scales across credit, equity, ETF, fund, and LIC research,

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