

MAPS Core Conservative Portfolio

The Morgan Stanley Wealth Management MAPS (Multi-Asset Portfolio Solutions) Core Conservative Portfolio is an actively-managed diversified portfolio that invests in a broad range of managed funds and exchange traded funds.

Who is this portfolio suitable for?

Morgan Stanley Wealth Management Australia has designed this portfolio to be suitable for investors who have a conservative risk profile and are looking for a portfolio with a mix of growth and defensive assets. It is suitable for investors who can tolerate several quarters of lower returns relative to a higher risk tolerance portfolio through different phases in a market cycle (see Risks section on page 5). The portfolio has a core strategic asset allocation range of 8%-32% in growth assets and 68%-92% in defensive assets.

Performance

Note: The MAPS Core Conservative Portfolio is based on the Core Conservative model published by the Morgan Stanley Wealth Management Research team. Past performance may not be indicative of future results.



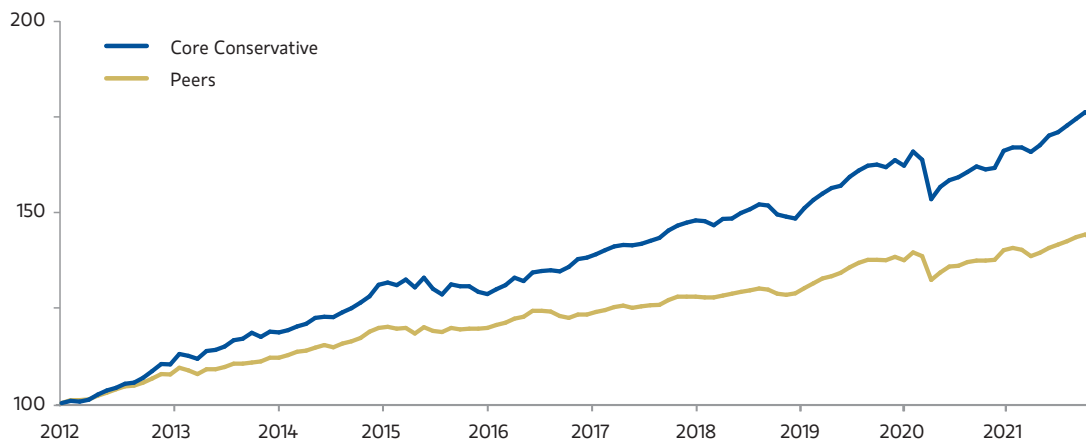
IMAP
MANAGED ACCOUNT
AWARD WINNER
LICENSEE MANAGED
ACCOUNT



IMAP
MANAGED ACCOUNT
AWARD WINNER
MULTI ASSET

Morgan Stanley Wealth Management was a winner in the Licensee and Multi Asset categories in the 2021 IMAP Managed Account Awards.

As at 30 September 2021 ¹	1 Month	3 Month	1 Year	3 Year (pa)	5 Year (pa)	7 Year (pa)	Inception (18 April 2012) (pa)
Core Conservative	-0.9	1.2	8.5	4.9	5.4	5.3	6.2
Peers	-1.0	0.3	4.2	3.5	3.1	3.4	4.0
Outperformance	0.1	0.9	4.3	1.4	2.3	1.9	2.2



¹ Rounded to one decimal point

Source: Morningstar, Morgan Stanley Wealth Management Research. Results shown represent total return (including dividends). Past performance is no guarantee of future results. The portfolio is hypothetical and does not include actual trades; results do not include transaction costs/fees. Return data from 18 April 2012 to 30 September 2021. Morningstar Category Average ("peers") is the Morningstar Australia Fund Multisector Conservative Category Average. Performance is net of ICRs (indirect cost ratio).

Market Commentary

After eleven sequential months of outperformance, the S&P/ASX 200 index closed 1.9% (TR) lower in September at 7332 points, although YTD performance remains strong at ~15%. Resources performance was split, with Energy the best-performing sector (+16.7%), whilst Materials (-9.3%) fell the most. On the attribution front, Financials (+46bp) and Energy (+46bp) were the largest contributors to the overall returns for the month, whilst value was lost through Materials (-173bp).

September also saw negative total returns across major equity regions of around 3-5%, with Japan the only major region with a positive total return (4.3%). Energy was the only global equity sector with positive returns (9.1%). Total returns were also negative within Developed Market (DM) rates while Credit outperformed. US Investment Grade and High Yield excess returns were up 26bp and 53bp, respectively. The US dollar appreciated against major DM and Emerging Market currencies. Natural gas had a particularly strong month (+33.2%), while iron ore had the third-worst MoM performance in history (-16.4%).

US Non-farm payrolls rose 194,000 in September, following an upwardly revised 366,000 increase in August (net two month back revisions were +169,000). This marked a disappointingly low non-farm payrolls gain in September, but the report was not without some bright spots – strong wages, an increase in the average work week, some solid sector level details, and a solid household survey employment gain.

The yield on the benchmark 10-year US Treasury increased from 1.3% at the end of August to 1.5% at month-end. However, both the Bloomberg Barclays Global Aggregate (Total Return, USD) and the Bloomberg AusBond Composite (Total Return, USD) were down 1.8% and 1.5% respectively.

Source: MSWM Research; Morgan Stanley Research

September index returns



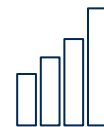
S&P/ASX 200
(Total Return, AUD)

↓1.90%



**Bloomberg Barclays
Global Aggregate**
(Total Return, USD)

↓1.80%



**Bloomberg AusBond
Composite**
(Total Return, USD)

↓1.50%

Investment strategy

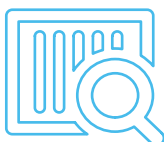
The MAPS Core Conservative Portfolio draws from Morgan Stanley's leading insights and specifically aligns to the needs of investors with a conservative risk profile. It is designed to capture value at several points in the investment process; asset allocation, active-passive strategy mix, manager selection, portfolio construction and risk management.

The portfolio seeks out the highest quality ETFs and managed funds.

Benefits



Optimised active-passive mix



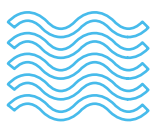
Award winning research capability



Broad universe of listed ETFs and managed funds



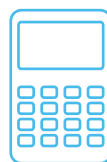
Broad diversification



Lower volatility



Active risk management



Full performance and tax reporting



Access to national presentations

Investment guidelines

Asset allocation ranges	Min %	Target %	Max %
Australian equities	1%	11%	21%
Australian fixed interest	34%	44%	54%
International equities	0%	8%	18%
International fixed interest	11%	21%	31%
Listed property	0%	1%	11%
Cash	10%	15%	30%

Key information

Date of inception: 30 September 2020

Minimum investment: \$25,000

Model portfolio fee: 0.275% pa (GST included), which is retained by Morgan Stanley Wealth Management.

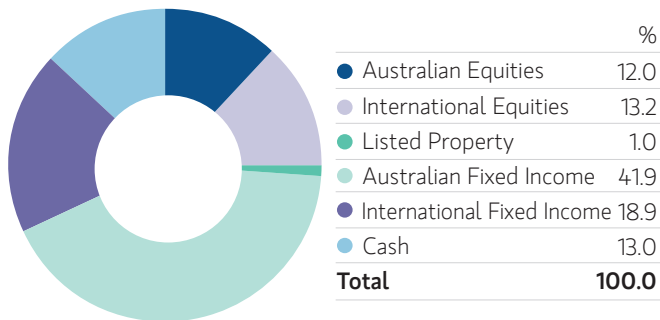
Typical number of holdings: The portfolio will typically hold up to 35 underlying assets.

Estimated management expense ratio (MER): less than 0.45% pa (This is an estimate of the current MER for the underlying assets. These are reflected in the unit price of the underlying securities and are not charged to you as a fee or retained by Morgan Stanley Wealth Management.)

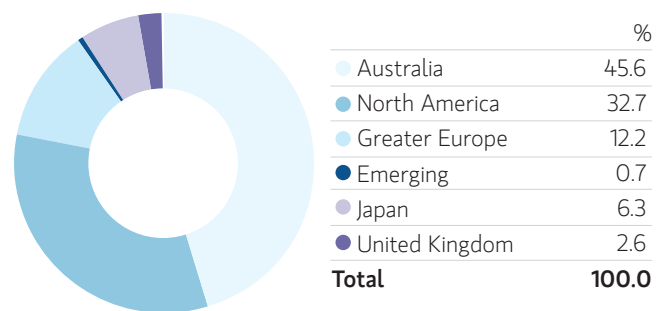
Investment team

The portfolio is managed by the Morgan Stanley Wealth Management Investment Solutions team. The Investment Solutions team draws on the global resources of Morgan Stanley and also leverages the asset allocation insights from the Morgan Stanley Wealth Management Research team.

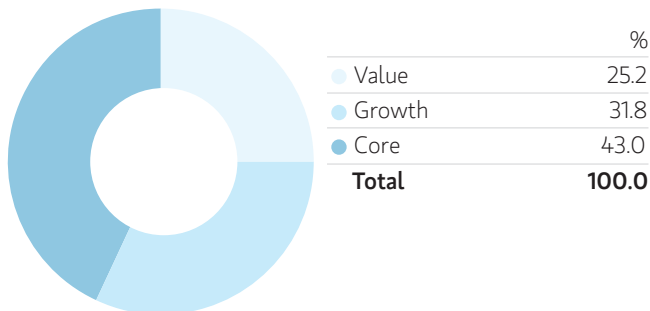
Asset Allocation Breakdown (AUS)



Equity Regional Exposure



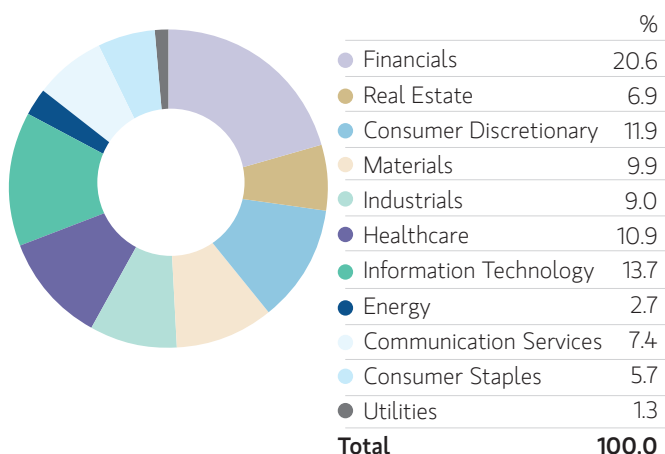
Equity Style Allocation



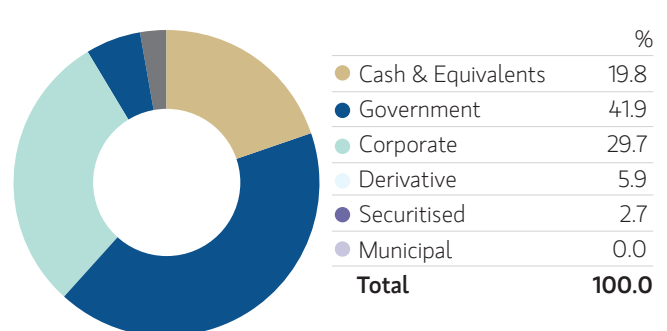
Top Holdings

	Portfolio Weighting %
Vanguard Australian Government Bond ETF	15.9
BetaShares Aus High Interest Cash ETF	13.1
Betashares Aust Mjr Bnk Hyb Idx ETF	12.1
Bentham Global Income	8.1
Vanguard Intl Fxd Intr (Hdg) ETF	7.9

Equity Sectors (GICS)



Fixed Income Sector



Source: Morningstar, Morgan Stanley Wealth Management Research.
Allocations based on the Core Conservative Portfolio as at 30 September 2021.

Benchmark

The Investment Solutions team sets the benchmark for the MAPS Core Conservative Portfolio by referring to analysis generated by the Wealth Management Research team.

The portfolio has a dual benchmark. A real return benchmark (i.e. targeting a premium over inflation) with an appropriate indicative time horizon for realisation; and a relative return objective, allowing investors to measure portfolio performance against the median comparable multi-asset portfolio in Australia.

Portfolio Risk Profile	Real Return Objective	Relative Return Objective
Conservative	CPI + 2.0%	Morningstar Australia Fund Multisector Conservative Category Average
Balanced	CPI + 3.0%	Morningstar Australia Fund Multisector Balanced Category Average
Growth	CPI + 4.5%	Morningstar Australia Fund Multisector Aggressive Category Average

Risks

Investors should note that an investment in the portfolio through Morgan Stanley's Separately Managed Account (SMA) involves risk, including:

Market risk - The risk associated with factors that can influence the direction and volatility of an overall market, or security-specific risks. These factors can affect one country or a number of countries.

International investments risk - The risk arising from political and economic uncertainties, interest rate movements and differences in regulatory supervision associated with international investments.

Currency risk - Currency exchange rate fluctuation risk arising from investing across multiple countries.

Interest rate risk - The risk arising from movements in interest rates which may cause the price of securities within the portfolio to fluctuate.

Credit risk - The risk of an issuing entity defaulting on its obligation to pay interest/principal when due.

Liquidity risk - The risk that an asset may not be converted to cash in a timely manner.

Counterparty risk - The risk of another party to a transaction failing to meet its obligations.

Leverage risk - Where underlying investments contain leverage, the movement in market prices may magnify the gains or losses within the portfolio. This may result in a loss of capital.

Investors should consider the relevant product disclosure statement or offer document (where available) for other risks that may apply.

www.morganstanley.com.au

Important Information

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Before entering into any transaction, you should ensure that you fully understand the terms of the transaction, relevant risk factors, the nature and extent of your risk of loss, as well as the legal, tax, and accounting consequences of the transaction. You should also carefully evaluate whether the transaction is appropriate for you in light of your experience, objectives, financial resources, and other relevant circumstances and whether you have the operational resources in place to monitor the associated risks and obligations over the term of the transaction. We recommend that you obtain financial as well as tax advice based on your own individual circumstances before making an investment decision. Morgan Stanley's Separately Managed Accounts platform and certain financial products and services are available in Australia solely to persons who are "wholesale clients" under s761G of the Corporations Act 2001 ("Act"). Accordingly, you are assumed to have sufficient knowledge and experience to make your own evaluation of the merits and risks of a transaction of this type and to be able to assess fully the adequacy of information provided to you. No other person may rely on the contents of this communication nor have access to any such financial products and services, and you acknowledge that as a wholesale client your rights under the Act may be reduced.

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