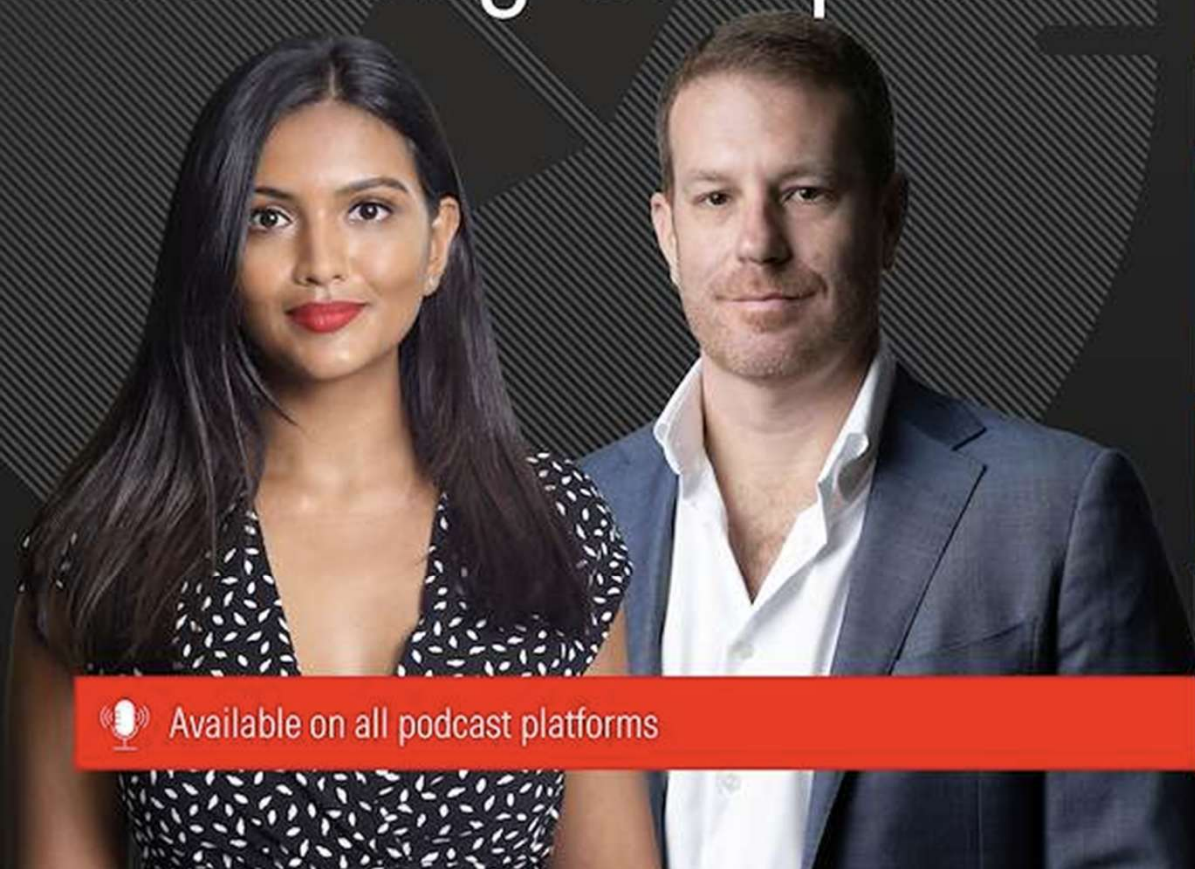




Investing Compass



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Morningstar income investing bootcamp

Webinar 1 – Building an income portfolio

Webinar 2 – Assessing individual shares

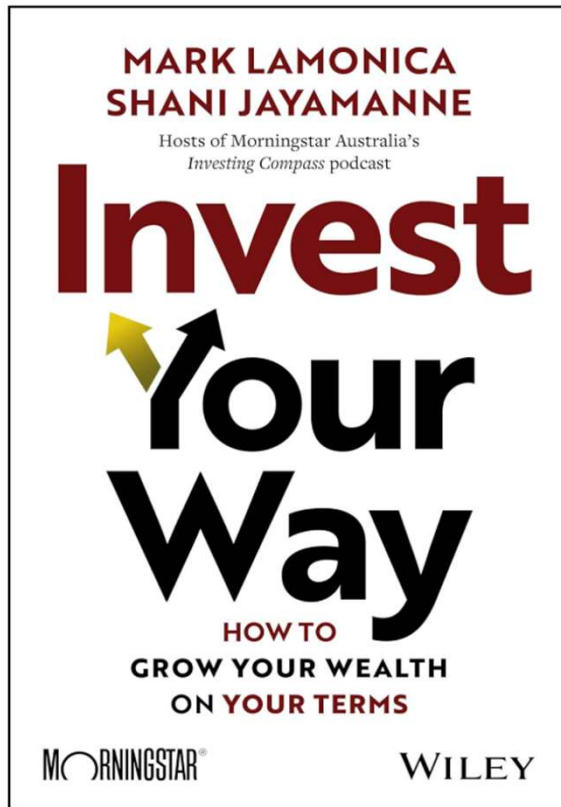
Webinar 3 – Using ETFs to generate income

Webinar 4 – Other income options (LICs, covered calls, dividend harvesting)

Learning objectives

1. Understand the role income ETFs can play in your portfolio

Getting the foundations right



- The biggest issue many investors face is undermining their own outcomes by letting emotions influence decision making and making mistakes
- ETFs exacerbate these tendencies given the ease of trading, the proliferation of new ETFs and compelling marketing based on recent performance
- The key is adding structure to decision making by establishing goals, setting an investment strategy and developing a process to guide decision making

Income ETFs

Income ETFs are factor ETFs which follow a rules-based index that identifies characteristics attractive for income investing.

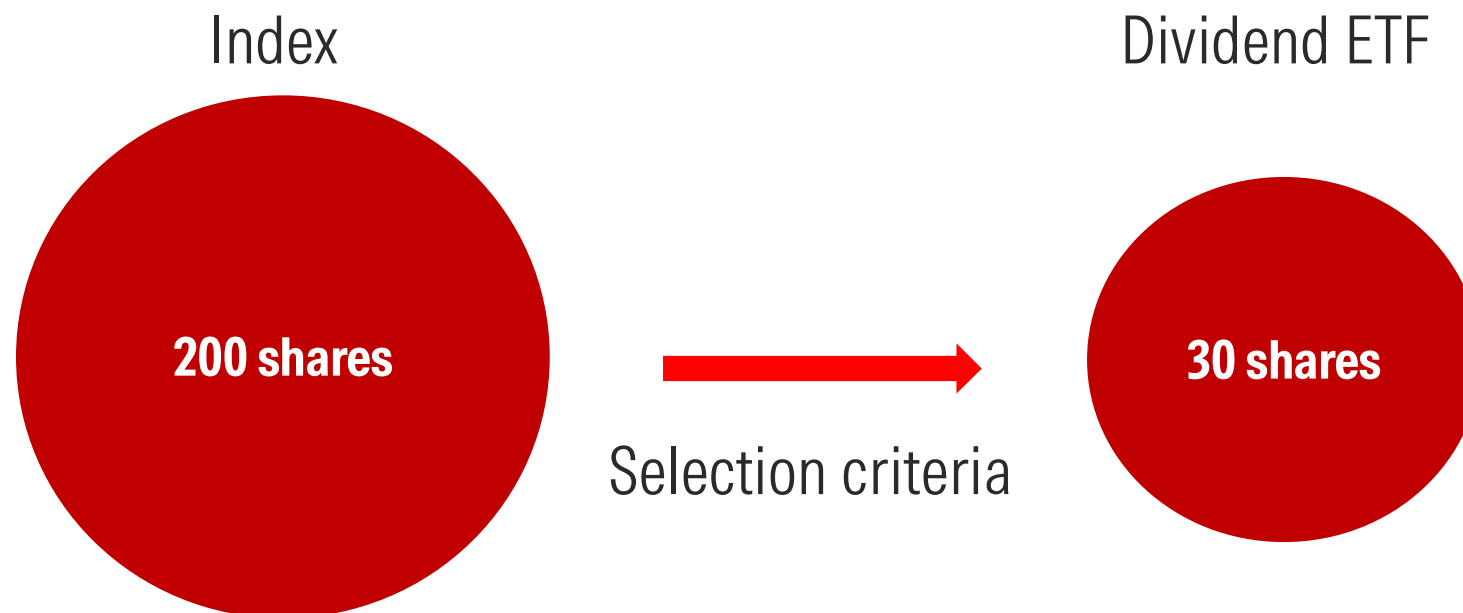
Advantages

- ETFs allow investors to easily obtain access to a diversified portfolio of income producing shares
- ETFs can pass along franking credits when invested in Australian shares

Disadvantages

- Most income ETFs frequently rebalance which can generate capital gains which are passed on to end investors
- ETF fees detract from income

Income ETFs



- Shares that grow dividends quickly tend to have lower yields as earnings growth fuels dividend growth
- To keep yields high dividend ETFs may constantly rotate into highest yields shares which lowers future growth prospects

Evaluating income ETFs

The key to evaluating any ETF is to understand the portfolio construction approach:

1. Identify underlying index on ETF provider website
2. Go to index website to review index selection criteria
3. Review existing holdings to understand how the rules are implemented

When reviewing the criteria there are two factors to consider: avoiding dividend traps and opportunities for income growth.

Examples of income ETFs

ETF	2016 to 2025 growth
Vanguard Australian Shares High Yield (ASX: VHY)	78.50%
State Street SPDR MSCI Australian High Dividend (ASX: SYI)	190.33%
State Street S&P Global Dividend ETF (ASX: WDIV)	205.83%
Inflation	Approximately 36%

Examples of income ETFs

Vanguard Australian Shares High Yield (ASX: VHY)

- The index ranks all dividend-paying stocks in the FTSE Australia 200, excluding property trusts, based on their one-year forward dividend yield (typically from the Institutional Brokers' Estimate System).
- A market-cap-weighted approach is applied to determine individual position sizing, and a proprietary screen is applied, which aims to balance the high-yield objective with turnover.
- To avoid concentration in higher-yielding sectors, the index sensibly caps industry exposure at 40% and individual positions at 10%.
- The index is rebalanced semiannually, with income distribution made quarterly. Fee is 0.25%.

State Street Aus Select High Div ETF (ASX: SYI)

- Shares are screened for durable and persistent dividends and has a minimum cutoff for return on equity, debt/equity, and earnings volatility.
- A price-performance screen removes the lowest 5% of securities with a negative one-year price return. To make the final cut, securities must carry a dividend yield greater than the broader MSCI Australia Shares Investable Market Index based on a combination of historical dividend yields and forward-looking one-year dividend yields.
- The index is rebalanced semiannually, with income distribution made quarterly. Fee is 0.20%.

Examples of income ETFs

Vanguard Australian Shares High Yield (ASX: VHY)



Holdings	% Portfolio Weight
Commonwealth Bank of Australia	10.41
BHP Group Ltd	9.36
Westpac Banking Corp	6.61
National Australia Bank Ltd	6.47
ANZ Group Holdings Ltd	5.76
Rio Tinto Ltd	5.41
Woodside Energy Group Ltd	5.34
Telstra Group Ltd	4.79
Macquarie Group Ltd	4.52
Transurban Group	3.95

3.47% trailing yield

State Street Aus Select High Div ETF (ASX: SYI)



Holdings	% Portfolio Weight
CSL Ltd	11.65
ANZ Group Holdings Ltd	9.51
National Australia Bank Ltd	9.51
Westpac Banking Corp	8.57
Telstra Group Ltd	7.21
QBE Insurance Group Ltd	4.59
Coles Group Ltd	4.45
Evolution Mining Ltd	4.43
Santos Ltd	3.68
Computershare Ltd	2.85

7.25% trailing yield

Examples of income ETFs

SYI State Street® SPDR® MSCI Australia Select High Dividend Yield ETF

Overview

Performance

Holdings

Distributions

Documents

Invest

Fund Characteristics as of 31 Aug 2026

Weighted Average Market Cap

AUD \$55,969.39 M

Dividend Yield ⓘ

3.96%

Price/Earnings Ratio FY1 ⓘ

16.42

Return on Equity ⓘ

14.78%

Number of Holdings

57

Est. 3-5 Year EPS Growth ⓘ

5.23%

Price/Earnings ⓘ

17.67

Price/Cash Flow ⓘ

9.82

Total Market Capitalisation

AUD \$849,111.50 M

Examples of income ETFs

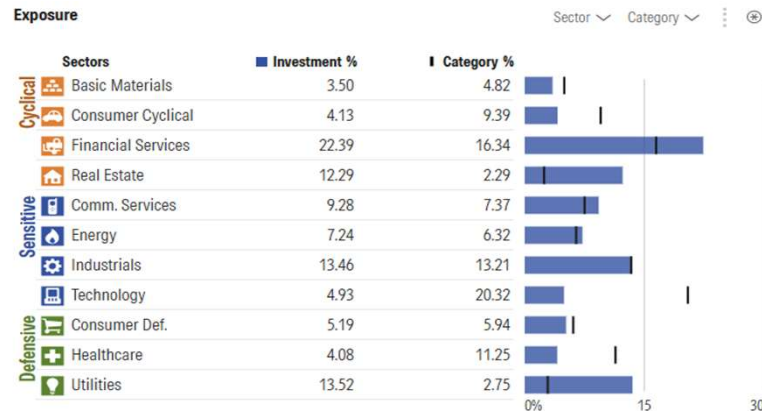
State Street S&P Global Dividend ETF (ASX: WDIV)

- Index selects top 100 global dividend-paying stocks that have maintained or increased dividends for at least 10 consecutive years.
- Stocks must have a float-adjusted market cap of at least USD 1 billion and an average daily value traded of at least USD 5 million for the three months prior to the rebalancing reference date.
- Shares from each country is capped at 20, and the number of stocks from each sector is capped at 35. At each rebalancing, the weighting for each index constituent is capped at 3%, and the weighting of each country and GICS sector is capped at 25%.
- The index is annually rebalanced and the fee is 0.35%.

Examples of income ETFs

State Street S&P Global Dividend ETF (ASX: WDIV)

Exposure



Holdings

Holdings	% Portfolio Weight
Lenovo Group Ltd	2.76
GS Holdings Corp	2.07
Legal & General Group PLC	1.79
Highwoods Properties Inc	1.56
Teleperformance SE	1.55
APA Group	1.52
Verizon Communications Inc	1.51
Altria Group Inc	1.45
Northwest Bancshares Inc	1.40
Getty Realty Corp	1.38

10.38% trailing yield

Examples of income ETFs

WDIV State Street® SPDR® S&P® Global Dividend ETF

Overview

Performance

Holdings

Distributions

Documents

Invest

Fund Characteristics as of 31 Aug 2026

Weighted Average Market Cap

AUD \$38,107.44 M

Dividend Yield ⓘ

4.77%

Price/Earnings Ratio FY1 ⓘ

12.77

Return on Equity ⓘ

13.77%

Number of Holdings

93

Est. 3-5 Year EPS Growth ⓘ

5.95%

Price/Earnings ⓘ

14.71

Price/Cash Flow ⓘ

7.49

Total Market Capitalisation

AUD \$3,414,393.30 M