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**Instructions**

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# Morningstar Overview

## Morningstar company overview

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| *About Morningstar Research* | Morningstar Australasia Pty Limited (ABN 95 090 665 544, AFSL: 240892) is a subsidiary of Morningstar, Inc. a leading provider of independent investment research in North America, Europe, Australia, and Asia, which operates through wholly or majority owned subsidiaries in in 32 countries. Morningstar Australasia offers an extensive line of products and services for individual investors, financial advisers, asset managers and institutional investors. Established in 1999, Morningstar Australasia provides Stock, Fund, ETF, LIC, and Credit data & research, and software solutions to financial services professionals and individual investors. |
| *About Morningstar Investment Management* | Morningstar Investment Management Australia Limited (ABN 54 071 808 501, AFSL 228986) (‘Morningstar’) is the investment manager for the recommended investments.  Morningstar is a leading provider of investment management, asset allocation, portfolio construction and investment research services with over 35 years’ experience in the United States, Australia and other international markets. They advise and manage funds for superannuation funds, institutions, platform distributors, financial advisers and investors.  Morningstar Investment Management Australia Limited is part of Morningstar, Inc., a stock exchange listed company (NASDAQ: MORN) and a leading provider of independent investment research in North America, Europe, Australia, and Asia. They offer an extensive line of products and services and have 12,000+ employees across more than 32 countries; managing and advising on billions of dollars globally.  I have joined with Morningstar to deliver portfolios that are in line with your investment objectives and risk tolerance assessment outcomes. |

## How your Money is Managed

Morningstar Medalist Core portfolios are managed according to the below principles. These investment principles are intended to guide their behaviour and support rational decision making as part of their investment process.

These principles are:

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| Icon  Description automatically generated | **We put investors first.** We believe firms that put investors first win in the long term because their investors win.  *Why it’s important*: Firms that allow conflicts of interest to hijack their actions do not have investors’ best interests in mind. Their actions could have detrimental effects on clients’ portfolios.  *What we do*: We know that generating long-term benefit for clients will ultimately lead to long-term benefit for Morningstar as well. We also align our portfolio managers’ incentives with the long-term performance (after fees) that investors experience. |
| Icon  Description automatically generated | **We’re independent-minded.** To deliver results, we think it’s necessary to invest with conviction, even when it means standing apart from the crowd.  *Why it’s important*: Herding is commonplace in investing, often leading to volatile booms and busts. Meeting your investment goals may often mean acting independently from the crowd.  *What we do*: We’re mindful of our emotions and test our assumptions to help determine whether they are simply consensus views or instead driven by objective estimation of intrinsic value. Taking outcomes for granted or falling prey to dangerous biases can derail even the best-intentioned investment team. |
| A picture containing polygon  Description automatically generated | **We invest for the long term.** A patient, long-term view helps us stay the course during the market’s ups and downs and take advantage of opportunities when they arise.  *Why it’s important*: Investors often overemphasise the importance of recent events, rushing into hot stocks near the peak and fleeing from market downturns just as the outlook for returns improves.  *What we do*: We avoid arbitrary trading activity and measure holding periods in years rather than months. This keeps costs down and focuses our minds on valuation rather than market noise. |
| Shape, polygon  Description automatically generated | **We are valuation driven investors.** Whilst we are anchored to a Strategic Asset Allocation, we are valuation driven investors. We use asset allocation tilts within our portfolios that aim to deliver appropriate return for risk to our investors.  *Why it’s important*: We know that diversification is important as it spreads your money across multiple asset classes to reduce the risk of underperformance if a single asset class performs poorly.  *What we do*: We leverage our strong internal asset allocation capability to ensure that you are invested appropriately. Our investments align closely to this asset allocation to ensure your investment is appropriately diversified across asset classes. |
| Icon  Description automatically generated | **We take a fundamental approach.** Powerful research is behind each decision we take, and we invest significant time and resources to truly understand what we own and why we own it.  *Why it’s important*: Researchers find that investors base decisions on dangerous shortcuts; from the spelling of fund managers’ names, to whether friends have mentioned the company before. Investors use these tenuous characteristics to judge whether an investment is worthy and then often selectively seek out data that confirms those potentially biased conclusions.  *What we do*: We structure our analysis around the fundamental characteristics of each company, including its cash flow, balance sheet, and potential for a sustainable competitive advantage. Our research, screening, and portfolio construction processes keep our focus on facts that really matter. |
| Icon  Description automatically generated | **We strive to minimise costs.** Controlling costs helps investors build wealth by letting them keep more of what they earn.  *Why it’s important*: Investors face a barrage of information, and human minds ten to focus on just one or two narrow characteristics, sometimes ignoring fees. While returns are volatile and uncertain, fees aren’t.  *What we do*: Total fees to the investor are a key consideration in our portfolio construction process – be it management fees, taxes or transaction costs. Whilst not always the lowest cost provider, we aim to be the best value for money asset manager and are committed to charging clients fair and reasonable fees for our services while delivering on our investment principles. |

The evidence that supports our philosophy is based on a combination of well documented academic research, as well as, internal capital markets, equity, and manager research. We have hundreds of internal investment professionals with experience providing investment research and advice, and managing client investments over many years. This resourcing allows us to develop a sustainable culture based on our investment principles, and portfolios based primarily on our internal capabilities.

## Holdings fall outside of approved product list

Your Morningstar Managed Account Portfolio is actively managed by Morningstar, with all underlying assets bought and sold based on their instruction.

Due to the dynamic nature of Morningstar’s investment approach, the portfolio may at times, hold assets that are not currently covered by the [Licensee] Approved Product List (APL). These individual holdings should not be viewed in isolation and instead, should be viewed in aggregate for their contribution as part of a multi asset portfolio.

[Licensee] has given authority to licenced [Licensee] Advisers to invest in the Morningstar Managed Account Portfolios and accept that changes will be made within the portfolios (as valuations change and opportunities present) on the instruction of Morningstar.

# Morningstar Medalist Core Portfolios

## Investment Approach

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| *Investment Objectives* | Morningstar’s Medalist Core portfolios aim to consistently outperform their relevant benchmarks. Underlying managers have been selected based on Morningstar Australasia’s independent medal ratings which considers a manager’s ability to meet and exceed their benchmarks. This, combined with the active/passive optimisation means that your portfolio should be well positioned to exceed its benchmark, so the measure of success is the continued ability to do so.  **Morningstar Medalist Core**   |  |  |  |  | | --- | --- | --- | --- | | **Risk Profile** | **Portfolio** | **Benchmark** | **Period** | | Conservative | Conservative | Outperform the composite multi-asset class conservative benchmark over a rolling 3-year period. | 3 years | | Moderate | Moderate | Outperform the composite multi-asset class moderate benchmark over a rolling 3-year period. | 3 years | | Balanced | Balanced | Outperform the composite multi-asset class balanced benchmark over a rolling 5-year period. | 5 years | | Growth | Growth | Outperform the composite multi-asset class growth benchmark over a rolling 7-year period. | 7 years | | Aggressive | High Growth | Outperform the composite multi-asset class high growth benchmark over a rolling 9-year period. | 9 years | | All Growth | All Growth | Outperform the composite multi-asset class all growth benchmark over a rolling 10-year period. | 10 years | |

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| *Asset Allocation Approach* | Your recommended portfolio follows a ‘Strategic Asset Allocation’ approach. This approach ensures that your portfolio aligns with the level of risk you need to achieve your objectives. It also ensures your investment is well-diversified with a mix of assets to ensure that you do not hold all of your eggs in one basket. Taking a strategic asset allocation approach means that we are not trying to time the market, instead leaving funds invested to benefit from the compounding effect of returns over the long term. |
| *Portfolio Construction* | The Medalist Core portfolios are unique in that they represent the best thinking of Morningstar Australasia’s research business, coupled with the portfolio management capability of Morningstar’s investment management business.  In constructing your portfolio, Morningstar first considers funds that are rated either Gold, Silver, or Bronze. These funds represent the strongest fund managers in Australia based on Morningstar Australasia’s independent, forward-looking criteria used to determine the manager’s ability to meet and exceed their objectives.  The portfolio construction has a built in active/passive optimisation which aims to ensure that you only pay higher fees where history shows this to be worthwhile. To achieve this, Morningstar have completed in-depth analysis to determine the likelihood of active managers outperforming the market. Where this likelihood is high, they use active managers, which are generally more expensive, aiming to provide you with greater returns. Where the likelihood is low, Morningstar opt for passive managers to ensure the cost to you is minimised. |

## Medalist Core Portfolios

### **Conservative (15)**

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| **Why** | * Your desire is to achieve a consistent return by investing in a diversified portfolio of predominately defensive asset classes, such as cash and fixed interest, with a small proportion of growth assets, like Australian shares, property and international shares. * Your portfolio has been constructed with the objective of producing a return that exceeds the portfolio’s composite multi-asset class conservative benchmark over a rolling 3-year period. * Your portfolio is powered by Morningstar’s independent research and portfolio construction capabilities, leveraging their global capabilities and resources. * Your portfolio has exposure to a diverse mix of managed investments, which include primarily interest- producing and some growth assets. Over the long term, your portfolio aims to have an 85% allocation to defensive assets and a 15% allocation to growth assets. * Your portfolio aims to reduce the probability of a significant negative return through a high exposure to defensive asset classes. * Your portfolio will be managed by Morningstar Investment Management, using third-party fund managers who are amongst Morningstar’s highest rated according to their independent research. * The investment style of your portfolio has been optimised according to the probability of achieving the best performance for the lowest cost. Where the likelihood of outperformance of the market is high, you will have an allocation to active managers, where this is low, you will have an allocation to passive managers. * The underlying fund managers, their funds and the construction of your portfolio are regularly reviewed for suitability and market conditions. |
| **Risks** | * A low level of volatility can be expected from time to time, and, overall returns are likely to be relatively low. It’s important to note however, returns from the portfolio are not guaranteed and capital loss is possible. * The recommended investment may underperform your existing portfolio. * Investors cannot control financial markets and economic circumstances. Investments with inherent share and property exposures are volatile by nature as they are not capital guaranteed. The concept of volatility means that investment values can move both up and down. The greater the volatility the more ups and downs. The reward for accepting volatility is likely higher returns over the long term. * All asset classes, other than cash, will inevitably experience periods of negative returns. This is especially true for growth-oriented investments, such as Australian and International shares and property. However, no one can predict when negative returns will occur, or their duration. The implication of prolonged periods of negative returns for investors is that it can reduce the number of years that your portfolio will last or you may need to postpone your retirement. * You will realise any investment gains and there may be tax payable on the capital gains. We strongly recommend that you confirm your tax position with your accountant. |
| **Disadvantages** | * As your portfolio has been designed for investors who favour stability of capital and lower volatility, potential returns are also lower than more aggressive portfolios. |
| **Other Considerations** | * In general, the Conservative portfolio will hold 85% defensive assets and 15% growth assets; however, the allocations will be actively managed within the allowable ranges depending on market conditions. * Your portfolio will be managed by Morningstar who have a highly capable global investment team who specialise in asset allocation, quality stock selection and portfolio construction. * In addition, Morningstar Australasia have a global research team, known for their independence, who determine fund ratings on a regular basis. * Morningstar’s approach within the Medalist Core portfolios consider the likelihood of active managers to outperform the market on a regular basis. Where outperformance is unlikely, they invest in passive managers to reduce costs to you. * Morningstar's Medalist Core portfolios are based on research provided by Morningstar Australasia's Fund Research team. Morningstar's Manager research team does not received payments from fund managers to rate their, nor does Morningstar Investment Management use any of their own funds or investment vehicles within these portfolios. * To maintain independence, Morningstar Australasia does not provide qualitative research on Morningstar Investment Management Products. |

### **Moderate (30)**

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| **Why** | * Your desire is to achieve a consistent return by investing in a diversified portfolio of predominately defensive asset classes, such as cash and fixed interest, with a small proportion of growth assets, like Australian shares, property and international shares. * Your portfolio has been constructed with the objective of producing a return that exceeds the portfolio’s composite multi-asset class Moderate benchmark over a rolling 3-year period. * Your portfolio is powered by Morningstar Australasia’s independent research and portfolio construction capabilities, leveraging their global capabilities and resources. * Your portfolio has exposure to a diverse mix of managed investments, which include primarily interest-producing and some growth assets. Over the long term, your portfolio aims to have a 70% allocation to defensive assets and a 30% allocation to growth assets. * Your portfolio aims to reduce the probability of a significant negative return through exposure to defensive asset classes. * Your portfolio will be managed by Morningstar Investment Management, using third-party fund managers who are amongst Morningstar Australasia’s highest rated according to their independent research. * The investment style of your portfolio has been optimised according to the probability of achieving the best performance for the lowest cost. Where the likelihood of outperformance of the market is high, you will have an allocation to active managers, where this is low, you will have an allocation to passive managers. * The underlying fund managers, their funds and the construction of your portfolio are regularly reviewed for suitability and market conditions. |
| **Risks** | * A low level of volatility can be expected from time to time, and, overall returns are likely to be relatively low. It’s important to note however, returns from the portfolio are not guaranteed and capital loss is possible. * The recommended investment may underperform your existing portfolio. * Investors cannot control financial markets and economic circumstances. Investments with inherent share and property exposures are volatile by nature as they are not capital guaranteed. The concept of volatility means that investment values can move both up and down. The greater the volatility the more ups and downs. The reward for accepting volatility is likely higher returns over the long term. * All asset classes, other than cash, will inevitably experience periods of negative returns. This is especially true for growth-oriented investments, such as Australian and International shares and property. However, no one can predict when negative returns will occur, or their duration. The implication of prolonged periods of negative returns for investors is that it can reduce the number of years that your portfolio will last or you may need to postpone your retirement. * You will realise any investment gains and there may be tax payable on the capital gains. We strongly recommend that you confirm your tax position with your accountant. |
| **Disadvantages** | * As your portfolio has been designed for investors who favour stability of capital and lower volatility, potential returns are also lower than more aggressive portfolios. |
| **Other Considerations** | * In general, the Conservative portfolio will hold 70% defensive assets and 30% growth assets; however, the allocations will be actively managed within the allowable ranges depending on market conditions. * Your portfolio will be managed by Morningstar who have a highly capable global investment team who specialise in asset allocation, quality stock selection and portfolio construction. * In addition, Morningstar Australasia have a global research team, known for their independence, who determine fund ratings on a regular basis. * Morningstar’s approach within the Medalist Core portfolios consider the likelihood of active managers to outperform the market on a regular basis. Where outperformance is unlikely, they invest in passive managers to reduce costs to you. * Morningstar's Medalist Core portfolios are based on research provided by Morningstar Australasia's Fund Research team. Morningstar's Manager research team does not received payments from fund managers to rate their, nor does Morningstar Investment Management use any of their own funds or investment vehicles within these portfolios. * To maintain independence, Morningstar Australasia does not provide qualitative research on Morningstar Investment Management Products. |

### **Balanced (50)**

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| **Why** | * Your desire is to achieve a consistent return by investing in a diversified portfolio with a mix of growth asset classes, like Australian shares, property and international shares, and defensive asset classes, such as cash and fixed interest * Your portfolio has been constructed with the objective of producing a return that exceeds the portfolio’s composite multi-asset class balanced benchmark over a rolling 5-year period. * Your portfolio is powered by Morningstar Australasia’s independent research and portfolio construction capabilities, leveraging their global capabilities and resources. * Your portfolio has exposure to a diverse mix of managed investments, which include both interest-producing and growth assets. Over the long term, your portfolio aims to have a 50% allocation to defensive assets and a 50% allocation to growth assets. * Your portfolio will be managed by Morningstar Investment Management, using third-party fund managers who are amongst Morningstar Australasia’s highest rated according to their independent research. * The investment style of your portfolio has been optimised according to the probability of achieving the best performance for the lowest cost. Where the likelihood of outperformance of the market is high, you will have an allocation to active managers, where this is low, you will have an allocation to passive managers. * The underlying fund managers, their funds and the construction of your portfolio are regularly reviewed for suitability and market conditions. |
| **Risks** | * A moderate level of volatility can be expected from time to time, and, overall returns likely to be average compared to other risk profiles. It’s important to note however, returns from the portfolio are not guaranteed and capital loss is possible. * The recommended investment may underperform your existing portfolio. * Investors cannot control financial markets and economic circumstances. Investments with inherent share and property exposures are volatile by nature as they are not capital guaranteed. The concept of volatility means that investment values can move both up and down. The greater the volatility the more ups and downs. The reward for accepting volatility is likely higher returns over the long term. * All asset classes, other than cash, will inevitably experience periods of negative returns. This is especially true for growth-oriented investments, such as Australian and International shares and property. However, no one can predict when negative returns will occur, or their duration. The implication of prolonged periods of negative returns for investors is that it can reduce the number of years that your portfolio will last or you may need to postpone your retirement. * You will realise any investment gains and there may be tax payable on the capital gains. We strongly recommend that you confirm your tax position with your accountant. |
| **Disadvantages** | * As your portfolio has been designed for investors who favour stability of capital and lower volatility, potential returns are also lower than more aggressive portfolios. |
| **Other Considerations** | * In general, the Conservative portfolio will hold 50% defensive assets and 50% growth assets; however, the allocations will be actively managed within the allowable ranges depending on market conditions. * Your portfolio will be managed by Morningstar who have a highly capable global investment team who specialise in asset allocation, quality stock selection and portfolio construction. * In addition, Morningstar Australasia have a global research team, known for their independence, who determine fund ratings on a regular basis. * Morningstar’s approach within the Medalist Core portfolios consider the likelihood of active managers to outperform the market on a regular basis. Where outperformance is unlikely, they invest in passive managers to reduce costs to you. * Morningstar's Medalist Core portfolios are based on research provided by Morningstar Australasia's Fund Research team. Morningstar's Manager research team does not received payments from fund managers to rate their, nor does Morningstar Investment Management use any of their own funds or investment vehicles within these portfolios. * To maintain independence, Morningstar Australasia does not provide qualitative research on Morningstar Investment Management Products. |

### **Growth (70)**

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| **Why** | * Your desire is to achieve strong returns by investing in a diversified portfolio with a mix of growth asset classes, like Australian shares, property and international shares, with a smaller proportion of defensive asset classes, like cash and fixed interest. * Your portfolio has been constructed with the objective of producing a return that exceeds the portfolio’s composite multi-asset class growth benchmark over a rolling 7-year period. * Your portfolio is powered by Morningstar Australasia’s independent research and portfolio construction capabilities, leveraging their global capabilities and resources. * You are aiming to receive a strong return over the long term and are not overly concerned with protecting your capital from market down turns over the short term. * Your portfolio has exposure to a diverse mix of managed investments which include primarily growth assets and some exposure to interest-producing assets. Over the long term, your portfolio aims to have a 30% allocation to defensive assets and a 70% allocation to growth assets. * Your portfolio will be managed by Morningstar Investment Management, using third-party fund managers who are amongst Morningstar Australasia’s highest rated according to their independent research. * The investment style of your portfolio has been optimised according to the probability of achieving the best performance for the lowest cost. Where the likelihood of outperformance of the market is high, you will have an allocation to active managers, where this is low, you will have an allocation to passive managers. * The underlying fund managers, their funds and the construction of your portfolio are regularly reviewed for suitability and market conditions. |
| **Risks** | * A higher level of volatility can be expected from time to time, due to the amount invested in growth asset classes. Generally, it would be expected that this will outperform lower risk profiles over the long term however, it’s important to note, returns from the portfolio are not guaranteed and capital loss is possible. * The recommended investment may underperform your existing portfolio. * Investors cannot control financial markets and economic circumstances. Investments with inherent share and property exposures are volatile by nature as they are not capital guaranteed. The concept of volatility means that investment values can move both up and down. The greater the volatility the more ups and downs. The reward for accepting volatility is likely higher returns over the long term. * All asset classes, other than cash, will inevitably experience periods of negative returns. This is especially true for growth-oriented investments, such as Australian and International shares and property. However, no one can predict when negative returns will occur, or their duration. The implication of prolonged periods of negative returns for investors is that it can reduce the number of years that your portfolio will last or you may need to postpone your retirement. * You will realise any investment gains and there may be tax payable on the capital gains. We strongly recommend that you confirm your tax position with your accountant. |
| **Disadvantages** | * As your portfolio has been designed for investors who favour stability of capital and lower volatility, potential returns are also lower than more aggressive portfolios. |
| **Other Considerations** | * In general, the Conservative portfolio will hold 30% defensive assets and 70% growth assets; however, the allocations will be actively managed within the allowable ranges depending on market conditions. * Your portfolio will be managed by Morningstar who have a highly capable global investment team who specialise in asset allocation, quality stock selection and portfolio construction. * In addition, Morningstar Australasia have a global research team, known for their independence, who determine fund ratings on a regular basis. * Morningstar’s approach within the Medalist Core portfolios consider the likelihood of active managers to outperform the market on a regular basis. Where outperformance is unlikely, they invest in passive managers to reduce costs to you. * Morningstar's Medalist Core portfolios are based on research provided by Morningstar Australasia's Fund Research team. Morningstar's Manager research team does not received payments from fund managers to rate their, nor does Morningstar Investment Management use any of their own funds or investment vehicles within these portfolios. * To maintain independence, Morningstar Australasia does not provide qualitative research on Morningstar Investment Management Products. |

### **High Growth (90)**

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| **Why** | * Your desire is to achieve strong returns by investing in a portfolio holding predominately growth asset classes, like Australian shares, property and international shares, with a smaller proportion of defensive asset classes, like cash and fixed interest. * Your portfolio has been constructed with the objective of producing a return that exceeds the portfolio’s composite multi-asset class high growth benchmark over a rolling nine-year period. * You are aiming to receive a strong return over the long term and are not concerned with short term market volatility. * Your portfolio is powered by Morningstar’s independent research and portfolio construction capabilities, leveraging their global capabilities and resources. * Your portfolio has exposure to a diverse mix of managed investments, which include primarily growth assets and may have some exposure to interest-producing assets. Over the long term, your portfolio aims to have a 10% allocation to defensive assets and a 90% allocation to growth assets. * You are aiming to receive a strong return over the long term and are not overly concerned with protecting your capital from market down turns over the short term. * Your portfolio has exposure to a diverse mix of managed investments which include primarily growth assets and some exposure to interest-producing assets. Over the long term, your portfolio aims to have a 30% allocation to defensive assets and a 70% allocation to growth assets. * Your portfolio will be managed by Morningstar Investment Management, using third-party fund managers who are amongst Morningstar Australasia’s highest rated according to their independent research. * The investment style of your portfolio has been optimised according to the probability of achieving the best performance for the lowest cost. Where the likelihood of outperformance of the market is high, you will have an allocation to active managers, where this is low, you will have an allocation to passive managers. * The underlying fund managers, their funds and the construction of your portfolio are regularly reviewed for suitability and market conditions. |
| **Risks** | * A higher level of volatility can be expected from time to time, due to the amount invested in growth asset classes. Generally, it would be expected that this will outperform lower risk profiles over the long term however, it’s important to note, returns from the portfolio are not guaranteed and capital loss is possible. * The recommended investment may underperform your existing portfolio. * Investors cannot control financial markets and economic circumstances. Investments with inherent share and property exposures are volatile by nature as they are not capital guaranteed. The concept of volatility means that investment values can move both up and down. The greater the volatility the more ups and downs. The reward for accepting volatility is likely higher returns over the long term. * All asset classes, other than cash, will inevitably experience periods of negative returns. This is especially true for growth-oriented investments, such as Australian and International shares and property. However, no one can predict when negative returns will occur, or their duration. The implication of prolonged periods of negative returns for investors is that it can reduce the number of years that your portfolio will last or you may need to postpone your retirement. * You will realise any investment gains and there may be tax payable on the capital gains. We strongly recommend that you confirm your tax position with your accountant. |
| **Disadvantages** | * As your portfolio has been designed for investors who favour stability of capital and lower volatility, potential returns are also lower than more aggressive portfolios. |
| **Other Considerations** | * In general, the Conservative portfolio will hold 10% defensive assets and 90% growth assets; however, the allocations will be actively managed within the allowable ranges depending on market conditions. * Your portfolio will be managed by Morningstar who have a highly capable global investment team who specialise in asset allocation, quality stock selection and portfolio construction. * In addition, Morningstar Australasia have a global research team, known for their independence, who determine fund ratings on a regular basis. * Morningstar’s approach within the Medalist Core portfolios consider the likelihood of active managers to outperform the market on a regular basis. Where outperformance is unlikely, they invest in passive managers to reduce costs to you. * Morningstar's Medalist Core portfolios are based on research provided by Morningstar Australasia's Fund Research team. Morningstar's Manager research team does not received payments from fund managers to rate their, nor does Morningstar Investment Management use any of their own funds or investment vehicles within these portfolios. * To maintain independence, Morningstar Australasia does not provide qualitative research on Morningstar Investment Management Products. |

### **All Growth (98)**

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| --- | --- |
| **Why** | * Your desire is to achieve strong returns by investing in a portfolio holding predominately growth asset classes, like Australian shares, property and international shares, with a smaller proportion of defensive asset classes, like cash and fixed interest. * Your portfolio has been constructed with the objective of producing a return that exceeds the portfolio’s composite multi-asset class all growth benchmark over a rolling 10-year period. * You are aiming to receive a strong return over the long term and are not concerned with short term market volatility. * Your portfolio is powered by Morningstar’s independent research and portfolio construction capabilities, leveraging their global capabilities and resources. * Your portfolio has exposure to a diverse mix of managed investments, which primarily invest in growth assets. Over the long term, your portfolio aims to have a 98% allocation to growth assets. * You are aiming to receive a strong return over the long term and are not overly concerned with protecting your capital from market down turns over the short term. * Your portfolio has exposure to a diverse mix of managed investments which include primarily growth assets and some exposure to interest-producing assets. Over the long term, your portfolio aims to have a 30% allocation to defensive assets and a 70% allocation to growth assets. * Your portfolio will be managed by Morningstar Investment Management, using third-party fund managers who are amongst Morningstar Australasia’s highest rated according to their independent research. * The investment style of your portfolio has been optimised according to the probability of achieving the best performance for the lowest cost. Where the likelihood of outperformance of the market is high, you will have an allocation to active managers, where this is low, you will have an allocation to passive managers. * The underlying fund managers, their funds and the construction of your portfolio are regularly reviewed for suitability and market conditions. |
| **Risks** | * A higher level of volatility can be expected from time to time, due to the amount invested in growth asset classes. Generally, it would be expected that this will outperform lower risk profiles over the long term however, it’s important to note, returns from the portfolio are not guaranteed and capital loss is possible. * The recommended investment may underperform your existing portfolio. * Investors cannot control financial markets and economic circumstances. Investments with inherent share and property exposures are volatile by nature as they are not capital guaranteed. The concept of volatility means that investment values can move both up and down. The greater the volatility the more ups and downs. The reward for accepting volatility is likely higher returns over the long term. * All asset classes, other than cash, will inevitably experience periods of negative returns. This is especially true for growth-oriented investments, such as Australian and International shares and property. However, no one can predict when negative returns will occur, or their duration. The implication of prolonged periods of negative returns for investors is that it can reduce the number of years that your portfolio will last or you may need to postpone your retirement. * You will realise any investment gains and there may be tax payable on the capital gains. We strongly recommend that you confirm your tax position with your accountant. |
| **Disadvantages** | * As your portfolio has been designed for investors who favour stability of capital and lower volatility, potential returns are also lower than more aggressive portfolios. |
| **Other Considerations** | * In general, the Conservative portfolio will hold 10% defensive assets and 90% growth assets; however, the allocations will be actively managed within the allowable ranges depending on market conditions. * Your portfolio will be managed by Morningstar Investment Management who have a highly capable global investment team who specialise in asset allocation, quality stock selection and portfolio construction. * In addition, Morningstar Australasia have a global research team, known for their independence, who determine fund ratings on a regular basis. * Morningstar’s approach within the Medalist Core portfolios consider the likelihood of active managers to outperform the market on a regular basis. Where outperformance is unlikely, they invest in passive managers to reduce costs to you. * Morningstar's Medalist Core portfolios are based on research provided by Morningstar Australasia's Fund Research team. Morningstar's Manager research team does not received payments from fund managers to rate their, nor does Morningstar Investment Management use any of their own funds or investment vehicles within these portfolios. * To maintain independence, Morningstar Australasia does not provide qualitative research on Morningstar Investment Management Products. |

## Key Benefits and Risks

### Benefits

* Investing in Morningstar’s Medalist Core Portfolios will provide you access to professional investment management and portfolio monitoring from Morningstar, a market leading global investment research & portfolio management company
* Your portfolio will be invested according to Morningstar’s best ideas and your portfolio is regularly monitored by global professionals to ensure you continue to be appropriately invested, even between reviews.
* Your portfolio is based on Morningstar Australasia’s trusted, independent fund research.
* Your portfolio will be invested in line with your risk profile, ensuring that you are not taking unnecessary risks with your money.
* Morningstar’s approach to investing your money aims to maximise returns over the long term, whilst minimising fees.
* Morningstar’s portfolios are constructed using an active/passive optimisation approach. This means they have performed significant analysis to understand which asset classes historically benefit from active management and which don’t. This allows Morningstar to minimise the fees that you pay, ideally without impacting your investment returns over the long term.
* Being a managed account structure, your funds are automatically updated to reflect Morningstar’s best thinking. This is done on your behalf without all of the paperwork and gives you the confidence that your portfolios is keeping up with the changing market in between reviews.
* Morningstar provides significant oversight and investment governance to ensure that your portfolio remains aligned to achieving its goals.

### Risks

* All investments carry risks which include but are not limited to market risk, interest rate risk, currency risk, credit risk & geo-political risk. Each of the underlying investment fund options may experience poor or negative returns from time to time. This is true of any investment portfolio.
* Manager risk which includes the risk that the investment selections that Morningstar makes do not perform as intended or that Morningstar may lose key portfolio management and/or research staff.
* Administrative risk which includes the risk that the administration of your managed account may mean that your holdings not exactly match the model manager’s chosen selections from time to time. Morningstar has invested significant time, resources, and money over the past three decades to build a robust operations process ensuring that investors are as closely aligned to their best thinking as possible.
* Transactions and the cost of transactions may impact your portfolio’s performance.

## Fees

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Portfolio | Investment Management Fee | Indirect Cost (Pre-Rebate) | Indirect Cost (Post Rebate) | Total Fee (Pre-Rebate) | Total Fee (Post Rebate) |
| Conservative | **0.275%** | 0.369% | **0.303%** | 0.644% | **0.578%** |
| Moderate | **0.275%** | 0.430% | **0.359%** | 0.705% | **0.634%** |
| Balanced | **0.275%** | 0.537% | **0.446%** | 0.812% | **0.721%** |
| Growth | **0.275%** | 0.626% | **0.526%** | 0.901% | **0.801%** |
| High Growth | **0.275%** | 0.716% | **0.600%** | 0.991% | **0.875%** |
| All Growth | **0.275%** | 0.757% | **0.635%** | 1.032% | **0.910%** |

Notes:

1. Fees includes GST but not Recipient Input Tax Credits (RITC). Depending on the administration platform used to access these portfolios, RITC will be credited to the investor account up to the value of 75% of the GST payable. See the Platform PDS for more information.
2. The above are approximate fees including GST but not Recipient Input Tax Credits (RITC). Depending on the administration platform used to access these portfolios, RITC will be credited to the investor account up to the value of 75% of the GST payable. See the Platform PDS for more information.

# Fund Manager Commentary from Morningstar Australasia Fund Research

## Australian Equity

* Fidelity Australian Equities (**Morningstar Rated Gold**) earns the highest rating, with a skilled and passionate fund manager overseeing a quality-focused time-tested investment process. Paul Taylor has a dual role now as the head of investments at Fidelity Australia since January 2022 as well as the portfolio manager on his strategy uninterrupted since 2003. Alongside an adept analyst team, Taylor’s familiarity with the local market is as good as any in the industry and gives him a significant edge when he builds his typically, growth tilted, portfolio.
* Schroder Australian Equity (**Morningstar Rated Gold**) Fund deserves high conviction as its skilled and stable team continues to apply its methodical and detailed process unwaveringly when appraising a company’s pricing power, long term reliability and mid-cycle earnings; attributes that often lead to a value tilted portfolio. Head of Australian equities Martin Conlon has managed this fund since 2003 after joining Schroders in 1994; deputy head of equities Andrew Fleming has been with Schroders since 2007 and has 30 years of investing experience. Conlon and Fleming, together with a large and experienced analyst group, are especially thoughtful in researching companies and understanding the economic backdrop when building the portfolio.
* Platypus Australian Equities(**Morningstar Rated Bronze**) presents long-term investors with an attractive growth-focused proposition led by a skilled portfolio manager and established investment team. Prasad Patkar joined Platypus in 2008 and has been the portfolio manager and key decision-maker on this strategy since 2016. Patkar adopts a disciplined approach to stock selection and portfolio construction, making highly perceptive investment decisions. The qualitative investment team, which includes deputy portfolio manager Jelena Stevanovic and three analysts, has already established a solid reputation for its careful investing approach to finding long term growth companies.
* DNR Capital Australian Emerging Companies’ **(Morningstar Rated Silver)** leading duo and versatile, distinctive approach make this offering stand out. The strategy is comanaged by Sam Twidale and Mark Sedawie. Twidale, previously a portfolio manager at Schroders, has excellent experience through several market cycles, while Sedawie has been with DNR since 2008, moving through the analyst ranks during that time. High conviction positions are common in this portfolio and the managers are not afraid to move the portfolio around to where they see the best opportunities. As such the investment style of the portfolio is flexible.

## Global Equity

* A simple, commonsense approach enacted by esteemed portfolio managers keeps MFS Global Equity **(Morningstar Rated Gold)**  at the forefront of the pack. Comanagers Roger Morley and Ryan McAllister uphold a longstanding tradition of investing in companies with a sustainable growth outlook courtesy of a substantive competitive advantage. The methodical approach is straightforward, disciplined and willing to ignore index weights, as seen in its long-standing sector skews – an attractive trait given the size and quality of the analyst platform at MFS.
* Capital New Perspective’s **(Morningstar Rated Gold)**  veteran leadership and time-tested approach targeting firms benefiting from global trade earns our highest conviction. The strategy’s proven multimanager approach sets it up for long-term success. Two principal officers help ensure the fund’s sleeves meld together into a diversified global portfolio. The managers run their sleeves of the overall portfolio as they see fit but must stick to companies that receive at least 25% of their revenues from outside their home region. The result is a highly diversified portfolio with a growth bias that fits well with the other global equity managers.
* GQG Partners Global Equity **(Morningstar Rated Silver)**  logical approach and its manager’s ability to successfully navigate the territory is impressive. Lead portfolio manager Rajiv Jain founded GQG Partners in 2016 after running a similar strategy at Swiss-bank Vontobel for 14 years. Jain describes his approach as "quality-growth," seeking companies with a strong market position, a record of prudent capital allocation, and a history of weathering tough economic conditions. A standout feature to move the portfolio where highest returns are viewed reflects the investments team’s skill and conviction.
* Barrow Hanley Global Equity Trust **(Morningstar Rated Gold)**  is top shelf in delivering value-focused global equities thanks to its talented portfolio management team with a strong analyst bench, who have consistently executed a best-in-class pragmatic investment process. Additionally, the institutional share class offers a very compelling management fee and the fund fits very well in global equity exposure.
* Vanguard FTSE Emerging Markets Shares ETF VGE **(Morningstar Rated Bronze)** is a sound choice for diversified, cost-effective exposure to emerging market equities. Emerging markets are perceived to offer outsized growth opportunities and higher expected returns relative to the developed markets, plus additional diversification. Vanguard mirrors the risk/return profile FTSE Emerging Markets All Cap China A Inclusion Index, a broad portfolio spread across 24 emerging-markets economies.

## Australian Fixed Interest

* The Vanguard Australian Fixed Income ETF **(Morningstar Rated Gold)**  is an excellent choice for diversified Australian bond exposure at a very competitive price. The Australian fixed income market is narrow and historically, a passive approach has been sensible in the Australian bonds sector as many active strategies tend to take modest bets against the index, leading to low levels of return dispersion.
* Janus Henderson Tactical Income’s **(Morningstar Rated Silver)**  experienced investment team and flexible approach continue to guide this strategy though an era of change. Jay Sivapalan forges on as the head of Australian fixed interest utilizing his 23 years of market experience to guide the investment team and shape a portfolio that typically has duration much lower than that of this category’s primary index. The strategy offers more flexibility and less interest-rate risk relative to a typical Australian bond offering, courtesy of its split index (50/50 AusBond Bank Bills and AusBond Composite indexes). The primary exposures will typically be Australian government and government-related bonds, credit and securitised instruments, though emerging markets, loans, and high yield can pop up. The portfolio can also invest in hybrids opportunistically.

## International Fixed Interest

* iShares Global Bond Index **(Morningstar Rated Bronze)** is a solid low-cost passive offering for Australian investors in the global fixed-interest segment. The strategy benefits from BlackRock's legacy of indexing expertise and the integration of sophisticated systems for seamless execution. The fund tracks the Bloomberg Global Aggregate Bond Index (AUD Hedged) Index, a well-diversified global government- and corporate-bond benchmark, replicating the index's duration, yield, and average credit quality.
* Bentham **(Morningstar Rated Silver)** is a long-standing boutique fixed-interest manager that continues to show strong willingness to use its broad investment toolkit to deliver a higher level of cash plus returns over the long term. Bentham is strongly led by managing director and portfolio manager Richard Quin, alongside founding partners Nik Persic and Mark Fabry. While the investment team is relatively small locally an arrangement with the Credit Suisse Credit Investments Group brings institutional-grade analysis for its largest allocations in high yield and loans. The experience and research quality here are very impressive.

## Real Assets

* MFG Core Infrastructure **(Morningstar Rated Silver)** offers investors access to the defensive qualities of Magellan’s stringent investment universe at an invitingly low cost. Portfolio manager David Costello helms this strategy under the guidance and support of head of infrastructure Gerald Stack and the well-regarded Magellan infrastructure team of eight. This strategy leverages Magellan’s proprietary infrastructure universe as the bedrock of the process. To be considered for inclusion, a company must possess an asset that is essential for the efficient functioning of society and have earnings that aren’t overly affected by competition, commodity prices, or sovereign risks. The final 70-100 stock portfolio is constructed systematically with weightings based on market-capitalisation, and subsequently rebalanced monthly. Together with an appealing fee, this strategy fits very nicely in the portfolio.
* iShares Global Listed Property **(Morningstar Rated Bronze)** establishes itself as a solid, cost-efficient strategy for investors seeking global listed property exposure. With a diversified portfolio of around 380 companies across the rental and nonrental property businesses, the strategy spans a wider universe compared with competing passive products. The fund aims to track the performance of the FTSE EPRA/NAREIT Developed Index (AUD Hedged) and so it’s well-diversified across several property subsectors. HisFtorically, passive funds have performed in this category well versus many active peers. Additionally, this strategy’s lower fee boosted the degree of outperformance over the average active funds in the category.
* Vanguard Australian Property Securities Index **(Morningstar Rated Gold)** is the top choice in this category. This highly efficient strategy provides access to the domestic listed property sector via an impressively constructed index, with an unbeatable cost advantage over active and passive peers alike. The Australian REIT market is small, with just 47 listings on the ASX as of August 2022. Inevitably, few active managers in our coverage are able to outperform the benchmark, thereby making the appeal of passive strategies strong in this market segment.