



## Suggested SOA Text & Appendices

### Adviser Use Only

**The text on the following pages are suggestive in nature and for your reference only.**

We advise that you amend the text to suit your needs.

In adapting this text, you will need to ensure this section is relevant to your clients' goals, objectives and personal circumstances.

Please check with your licensee's pre-vet and/or compliance team regarding the appropriateness of the wording for the relevant section of the SOA before using the suggested wording.

**(Updated October 2021)**

## Morningstar CFS First Choice Active Portfolios

### 1. Rationale for Morningstar Managed Accounts

The investment landscape is complex and evolving, so it's important to consider a portfolio choice that is able to meet current and future investor requirements.

In order to recommend a portfolio that best matches your needs and maximises the chance of you achieving your goals I am recommending a Morningstar Managed Account available through Colonial First State FirstChoice administration platform.

Managed accounts are an efficient way to deliver diversified portfolio of assets covering cash, fixed interest, equities property & infrastructure that is pro-actively managed over time with a minimum of administrative burden and delay on you.

By choosing this managed account portfolio, I am able to access on your behalf portfolios that are constructed and monitored by professional investment researchers from Morningstar Australasia Pty Limited (AFSL 240892). I am able to leverage Morningstar's extensive capability for your benefit.

Any portfolio changes are implemented and administered over time by Colonial First State. Changes by Morningstar that are required, are able to be acted on, and will be reflected on your account, without having to wait for our next advice review.

In addition, these managed account portfolios are provided to you without any additional fee over and above the fees of the underlying investment options within FirstChoice.

Morningstar Australasia is a subsidiary of Morningstar, Inc. a leading provider of independent investment research in North America, Europe, Australia, and Asia, with operations in 29 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.

### 2. Portfolio Strategy

#### Morningstar CFS FC High Growth

The Morningstar CFS FC High Growth portfolio is an actively managed portfolio which aims to beat the Morningstar Category Average – Australia Superannuation Multisector Aggressive Benchmark over a rolling 9 year period. Within

this portfolio, Morningstar adopts an active management style across all asset classes, which blends the best ideas and management styles from a range of highly regarded asset managers to achieve the greatest returns.

Based on the portfolio construction approach, this portfolio should provide protection in falling markets but will likely lag in strong up markets, a trade-off we believe better will serve investors over the long term.

The strategic asset allocation of this portfolio is:

- 90% allocation to growth assets (Australian and International Shares, Property and Infrastructure)
- 10% allocation to defensive assets (Cash and Fixed Interest)

This portfolio is suitable for investors seeking high potential investment performance and can accept higher levels of investment value volatility. The minimum investment period is 9 years.

This portfolio is managed by Morningstar Australasia who has extensive experience in managing and advising on model portfolios and managed accounts. The team leverages the institutional-grade asset allocation approach, manager research and portfolio construction capabilities of the global Morningstar business. Underlying funds are selected based on Morningstar's Analyst Rating and how well they complement each other within each portfolio.

### Morningstar CFS FC Growth

The Morningstar CFS FC Growth portfolio is an actively managed portfolio which aims to beat the Morningstar Category Average – Australia Superannuation Multisector Growth Benchmark over a rolling 7 year period. Within this portfolio, Morningstar adopts an active management style across all asset classes, which blends the best ideas and management styles from a range of highly regarded asset managers to achieve the greatest returns.

Based on the portfolio construction approach, this portfolio should provide protection in falling markets but will likely lag in strong up markets, a trade-off we believe better will serve investors over the long term.

The strategic asset allocation of this portfolio is:

- 70% allocation to growth assets (Australian and International Shares, Property and Infrastructure)
- 30% allocation to defensive assets (Cash and Fixed Interest)

This portfolio is suitable for investors seeking higher potential investment performance and can accept higher levels of investment value volatility. The minimum investment period is 7 years.

This portfolio is managed by Morningstar Australasia who has extensive experience in managing and advising on model portfolios and managed accounts. The team leverages the institutional-grade asset allocation approach, manager research and portfolio construction capabilities of the global Morningstar business. Underlying funds are selected based on Morningstar's Analyst Rating and how well they complement each other within each portfolio.

### Morningstar CFS FC Balanced

The Morningstar CFS FC Balanced portfolio is an actively managed portfolio which aims to beat the Morningstar Category Average – Australia Superannuation Multisector 50% Balanced/50% Growth Benchmark over a rolling 6 year period. Within this portfolio, Morningstar adopts an active management style across all asset classes, which blends the best ideas and management styles from a range of highly regarded asset managers to achieve the greatest returns.

Based on the portfolio construction approach, this portfolio should provide protection in falling markets but will likely lag in strong up markets, a trade-off we believe better will serve investors over the long term.

The strategic asset allocation of this portfolio is:

- 60% allocation to growth assets (Australian and International Shares, Property and Infrastructure)
- 40% allocation to defensive assets (Cash and Fixed Interest)

This portfolio is suitable for investors seeking moderate levels of investment value volatility in return for corresponding potential investment performance. The minimum investment period is 6 years.

This portfolio is managed by Morningstar Australasia who has extensive experience in managing and advising on model portfolios and managed accounts. The team leverages the institutional-grade asset allocation approach, manager research and portfolio construction capabilities of the global Morningstar business. Underlying funds are selected based on Morningstar's Analyst Rating and how well they complement each other within each portfolio.

### Morningstar CFS FC Moderate

The Morningstar CFS FC Moderate portfolio is an actively managed portfolio which aims to beat the Morningstar Category Average – Australia Superannuation Multisector Balanced Benchmark over a rolling 5 year period. Within this portfolio, Morningstar adopts an active management style across all asset classes, which blends the best ideas and management styles from a range of highly regarded asset managers to achieve the greatest returns.

Based on the portfolio construction approach, this portfolio should provide protection in falling markets but will likely lag in strong up markets, a trade-off we believe better will serve investors over the long term.

The strategic asset allocation of this portfolio is:

- 50% allocation to growth assets (Australian and International Shares, Property and Infrastructure)
- 50% allocation to defensive assets (Cash and Fixed Interest)

This portfolio is suitable for investors seeking medium levels of investment value volatility in return for corresponding potential investment performance. The minimum investment period is 5 years.

This portfolio is managed by Morningstar Australasia who has extensive experience in managing and advising on model portfolios and managed accounts. The team leverages the institutional-grade asset allocation approach, manager research and portfolio construction capabilities of the global Morningstar business. Underlying funds are selected based on Morningstar's Analyst Rating and how well they complement each other within each portfolio.

### Morningstar CFS FC Conservative

The Morningstar CFS FC Conservative portfolio is an actively managed portfolio which aims to beat the Morningstar Category Average – Australia Superannuation Multisector Moderate Benchmark over a rolling 3 year period. Within this portfolio, Morningstar adopts an active management style across all asset classes, which blends the best ideas and management styles from a range of highly regarded asset managers to achieve the greatest returns.

Based on the portfolio construction approach, this portfolio should provide protection in falling markets but will likely lag in strong up markets, a trade-off we believe better will serve investors over the long term.

The strategic asset allocation of this portfolio is:

- 30% allocation to growth assets (Australian and International Shares, Property and Infrastructure)
- 70% allocation to defensive assets (Cash and Fixed Interest)

This portfolio is suitable for investors seeking medium to low levels of investment value volatility and therefore accepts lower potential investment performance. The minimum investment period is 3 years.

This portfolio is managed by Morningstar Australasia who has extensive experience in managing and advising on model portfolios and managed accounts. The team leverages the institutional-grade asset allocation approach, manager research and portfolio construction capabilities of the global Morningstar business. Underlying funds are selected based on Morningstar's Analyst Rating and how well they complement each other within each portfolio.

### Morningstar CFS FC Defensive

The Morningstar CFS FC Conservative portfolio is an actively managed portfolio which aims to beat the Morningstar Category Average – Australia Superannuation Multisector Conservative Benchmark over a rolling 3 year period. Within this portfolio, Morningstar adopts an active management style across all asset classes, which blends the best ideas and management styles from a range of highly regarded asset managers to achieve the greatest returns.

Based on the portfolio construction approach, this portfolio should provide protection in falling markets but will likely lag in strong up markets, a trade-off we believe better will serve investors over the long term.

The strategic asset allocation of this portfolio is:

- 15% allocation to growth assets (Australian and International Shares, Property and Infrastructure)
- 85% allocation to defensive assets (Cash and Fixed Interest)

This portfolio is suitable for investors seeking low levels of investment value volatility and therefore accepts lower potential investment performance. The minimum investment period is 3 years.

This portfolio is managed by Morningstar Australasia who has extensive experience in managing and advising on model portfolios and managed accounts. The team leverages the institutional-grade asset allocation approach, manager research and portfolio construction capabilities of the global Morningstar business. Underlying funds are selected based on Morningstar's Analyst Rating and how well they complement each other within each portfolio.

### 3. Benefits & Risks

#### Benefits

- Access to professional investment management and portfolio monitoring from Morningstar, a market leading global investment research & portfolio management company
- Morningstar selects its best ideas for investment fund options to include in each portfolio, and actively monitors these over time
- Morningstar utilises Strategic Asset Allocation, an approach which aims to maximise return over the long term
- Portfolio changes automatically implemented on your behalf, without additional paperwork required
- Significant oversight and governance over the portfolio to assist in ensuring the portfolio remains within its investment mandate

#### Risks

- Investment 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.
- 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. Transactions and the cost of transactions may impact your portfolio's performance.

## Appendix 1 – Morningstar CFS FC Managed Accounts – Active Portfolios

### Australian Equities

- ***Fidelity Wholesale Australian Equities: Rated Gold.***  
Our preferred core Australian equity allocation. An outstanding portfolio manager with a thoughtful investment process and well structured portfolio methodology sets this strategy consistently ahead of competitors.
- ***Schroder Wholesale Australian Equity: Rated Gold.***  
Experienced portfolio managers with an impressive research team. Stability, reliability and dependability are the hallmarks of the team, process and strategy. Another quality core Australian equity allocation with a portfolio that is value-oriented.
- ***Investors Mutual Wholesale Australian Share: Rated Gold.***  
Our preferred value strategy. Notwithstanding the challenges of value investing we believe that allocation to this style of investing still has merits. One of the hallmarks of this strategy is downside protection. A team of talented investors with a rigorous process that is best position to capture the value premium.
- ***First Sentier Wholesale Australian Small Companies: Rated Silver.***  
An exceptional team and strong process make this one of our favourites for small cap Australian equity exposure. The team has remained remarkably stable and consistently produced strong outcomes off the back of insightful differentiated research, which we believe will continue.

### Global Equities

- ***Magellan Wholesale Global Share – Hedged: Rated Gold.***  
Allocating to the hedged version to take into our overall SAA and CMA views. A thoughtful balance between high-quality growth stocks and lower-volatility defensive names make this one of our standout global equity managers.
- ***MFS Wholesale Global Equity: Rated Gold.***  
Another one of our long standing favourites and coupled with Magellan forming the core of our global equity exposure. A long standing sustainable growth-oriented approach executed by expert personnel. Its focus on stock level analysis is straightforward, emphasising companies that can grow their earnings consistently over a business cycle.
- ***Platinum Wholesale International: Rated Bronze.***  
A diversifier to the core of Magellan and MFS. Platinum's thorough research process includes active currency management and short-selling. The portfolio is benchmark unaware and can contain meaningful sector and regional tilts. Typically, a greater Asia focus over the more US focused portfolios of MFS and Magellan.
- ***FirstChoice Wholesale Emerging Markets: Rated Neutral.***  
Allocating to a single sector multi-manager option to gain access to a dedicated emerging market exposure across the more growth oriented portfolios. We believe that emerging markets can act as a diversifier and additional source of returns. An experienced team oversees a number of quality emerging market managers.

## Property and Infrastructure

- ***FirstChoice Wholesale Global Property Securities: Rated Neutral.***  
Allocating to a single sector multi-manager option to gain access to global property exposure. A number of quality underlying managers, including one of our favourites make this an efficient means of gaining access to the asset class.
- ***Magellan Wholesale Infrastructure Fund: Rated Silver.***  
An experienced team run a conservative, patient yet detailed process meaning that it's one of our top idea in infrastructure sector. And it has the runs on the board to prove it with long running returns coming with extremely low risk metrics.
- ***Ironbark Wholesale Property Securities: Rated Silver.***  
A differentiated approach and tight-knit team make this our choice for an actively managed AREIT exposure that can deliver incremental returns above the benchmark.

## Cash and Fixed Interest

- ***First Sentier Wholesale Strategic Cash:***  
Given the low rates available for cash options we have an 'enhanced' cash option noting that the portfolio consists of high quality money market securities (including asset backed securities), with predominantly short maturities, to achieve a very stable income stream.
- ***Pimco Wholesale Global Bond:***  
Rated Gold. Our best pick in the global bond category. An experienced portfolio management team backed by Pimco's diligent and deeply resourced team. This benchmark-aware portfolio primarily holds investment-grade government and corporate bonds in developed markets, venturing into high yield, inflation-linked bonds, and securitised and emerging-markets debt when opportunities emerge making it an excellent choice as the anchor for global bonds.
- ***Colchester Wholesale Global Government Bond: Rated Silver.***  
This strategy is heavily focused on sovereign bonds across both developed and emerging markets. An experienced team that has concentrated on sovereign bond investing for many years is attractive and this exposure should provide the portfolios with the equity market diversification required.
- ***Schroder Wholesale Absolute Return Income: Rated Bronze.***  
Flexible bond investing giving credit exposure with a careful eye on risk. Australian and global investment-grade credit is the backbone of this strategy, with cash another significant component.
- ***Pimco Wholesale Australian Bond: Rated Gold.***  
Our pick for core Australian Bond exposure. Investing in Australian cash, government, semi-government, and corporate securities, much like the index. However, it can invest up to 30% offshore and take currency bets which adds some differentiation to their peers. A skilled local team supported by the firm's global expertise and insights.
- ***Perpetual Wholesale Diversified Income: Rated Bronze.***  
A consistent time-tested process led by a stable team of seasoned investors. The portfolio typically consists a core element, representing liquid investment-grade securities, and a plus element, consisting of higher-yielding, less liquid, lower-credit-quality assets. The team has shown skill in balancing these elements, with the core bucket typically representing 90% of the portfolio.

## Appendix 2 – Fees

### Investment Fees

Portfolio	Benchmark	Fee Super Accumulation	Fee Super Pension
Morningstar Defensive	Morningstar Category Average Australia Fund Multisector Conservative	0.88%	0.87%
Morningstar Conservative	Morningstar Category Average Australia Fund Multisector Moderate	0.99%	0.99%
Morningstar Moderate	Morningstar Category Average Australia Fund Multisector Balanced	1.20%	1.20%
Morningstar Balanced	Morningstar Category Average Australia Fund Multisector 50% Balanced/50% Growth Category Average	1.25%	1.24%
Morningstar Growth	Morningstar Category Average Australia Fund Multisector Growth	1.34%	1.33%
Morningstar High Growth	Morningstar Category Average Australia Fund Multisector Aggressive	1.48%	1.47%

*Fees include: administration fee, estimated investment fee, or estimated performance fees (where applicable) and Estimated Indirect Cost Ratio as per the CFS FirstChoice Wholesale Personal Super and Pension PDS dated 30 June 2021*