



## Suggested SOA Text & Appendices

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## Morningstar CFS First Choice Core Managed Account Portfolios

### 1. Rationale for Morningstar CFS FC Managed Account Portfolios

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 CFS FC Managed Account portfolios 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 Core

The Morningstar CFS FC High Growth Core 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. Morningstar Core portfolios use a combination of passive and active investments.

Passive investments are cost effective but are susceptible to performing in line with markets, particularly falling markets. Active investments seek to beat performance benchmarks and should provide some protection in falling markets at the cost of higher investment fees.

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 Core

The Morningstar CFS FC Growth Core 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. Morningstar Core portfolios use a combination of passive and active investments.

Passive investments are cost effective but are susceptible to performing in line with markets, particularly falling markets. Active investments seek to beat performance benchmarks and should provide some protection in falling markets at the cost of higher investment fees.

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 Core

The Morningstar CFS FC Balanced Core 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. Morningstar Core portfolios use a combination of passive and active investments.

Passive investments are cost effective but are susceptible to performing in line with markets, particularly falling markets. Active investments seek to beat performance benchmarks and should provide some protection in falling markets at the cost of higher investment fees.

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 Core

The Morningstar CFS FC Moderate Core 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. Morningstar Core portfolios use a combination of passive and active investments.

Passive investments are cost effective but are susceptible to performing in line with markets, particularly falling markets. Active investments seek to beat performance benchmarks and should provide protection in falling markets at the cost of higher investment fees.

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 Core

The Morningstar CFS FC Conservative Core 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. Morningstar Core portfolios use a combination of passive and active investments.

Passive investments are cost effective but are susceptible to performing in line with markets, particularly falling markets. Active investments seek to beat performance benchmarks and should provide some protection in falling

markets at the cost of higher investment fees.

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 Core

The Morningstar CFS FC Defensive Core 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. Morningstar Core portfolios use a combination of passive and active investments.

Passive investments are cost effective but are susceptible to performing in line with markets, particularly falling markets. Active investments seek to beat performance benchmarks and should provide some protection in falling markets at the cost of higher investment fees.

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 Core Managed Accounts – Core Portfolios

### Australian Equities

- **Colonial First State Wholesale Index Australian Share:**  
Low cost, efficient core exposure to Australian Bond benchmark. CFS utilising the expertise of First Sentier Investors for this strategy.
- **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.
- **Realindex Wholesale Australian Share: Rated Bronze.**  
Bringing a value-tiled systematic exposure to Australian equities at a reasonable price. Realindex uses a long standing factor based approach, first commercialised by US based Research Affiliates, to uncover undervalued stocks. Realindex, now part of First Sentier Investments, have added a number of enhancements to the original process and continue to apply a disciplined investment process.
- **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

- **Colonial First State Wholesale Index Global Share – Hedged:**  
Allocating to the hedged version to take into account our overall SAA and CMA views. Low cost, efficient core exposure to Australian Bond benchmark. CFS utilising the expertise of State Street Global Advisers for this strategy.
- **Realindex Wholesale Global Share: Rated Bronze.**  
Bringing a value-tiled systematic exposure to Global equities at a reasonable price. Realindex uses a long standing factor based approach, first commercialised by US based Research Affiliates, to uncover undervalued stocks. Realindex, now part of First Sentier Investments, have added a number of enhancements to the original process and continue to apply a disciplined investment process.
- **Stewart Investors Wholesale Worldwide Sustainability: Rated Gold.**  
A best-in-class team and clear investment approach add a growth focus to portfolio. The approach is straightforward and distinct. Its investment process centres around quality--specifically, that of management, franchises, and financials. Akin to the strategy's name, it seeks out companies contributing to a more sustainable future, eschewing those with limited social utility, those that face sustainability-related headwinds, and those with nondurable franchises.
- **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. An experienced team oversees a number of quality emerging market managers.

## Property and Infrastructure

- **Colonial First State Wholesale Index Global Property Securities:**  
Low cost, efficient core exposure to global REITs. CFS utilising the expertise of State Street Global Advisers for this strategy.
- **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.
- **Colonial First State Wholesale Index Property Securities:**  
Low cost, efficient core exposure to AREIT benchmark. CFS utilising the expertise of First Sentier Investments for this strategy.

## 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.
- **Colonial First State Wholesale Index Global Bond:**  
Low cost, efficient core access to global bonds. CFS utilising the expertise of State Street Global Advisors as the underlying manager for this option.
- **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.
- **Colonial First State Wholesale Index Australian Bond:**  
Low cost, efficient core exposure to Australian Bond benchmark. CFS utilising the expertise of First Sentier Investors for this strategy.
- **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	0.56%	0.56%
Morningstar Conservative	Morningstar Category Average Australia Fund Multisector Moderate	0.59%	0.59%
Morningstar Moderate	Morningstar Category Average Australia Fund Multisector Balanced	0.68%	0.68%
Morningstar Balanced	Morningstar Category Average Australia Fund Multisector 50% Balanced/50% Growth Category Average	0.70%	0.69%
Morningstar Growth	Morningstar Category Average Australia Fund Multisector Growth	0.75%	0.74%
Morningstar High Growth	Morningstar Category Average Australia Fund Multisector Aggressive	0.80%	0.79%

*Fees include: administration fees and costs, investment fees and costs, estimated performance fees (where applicable) as per the CFS FirstChoice Wholesale Personal Super and Pension PDS dated 13 December 2021*