

Changes to Morningstar CFS FirstChoice Managed Accounts



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Active Managed Fund Changes

Pimco Australian Bond, Schroder Absolute Return and Perpetual Diversified Income removed. Janus Henderson Tactical Income, Western Asset Australian Bond and Bentham Global Income added.

- Recent changes to the FirstChoice menu prompted a review of the fixed income category.
- Silver rated Western Asset Australian Bond replaces Pimco Australian Bond to provide additional manager diversification. Silver rated Janus Henderson Tactical Income completes the Australian Fixed Interest allocation.
- Gold rated Pimco Global Bond and Bronze rated Colchester Global Government Bond are retained as the core global bond allocation. Silver rated Bentham Global Income introduced to provide added credit exposure.

Asset allocation changes.

- Cash reduced across Defensive, Conservative, Moderate and Balanced profiles to fund higher allocations to fixed interest, particularly longer duration managers.
- Reduced allocation to Australian equities in favour of global equities. Slight reduction in exposure to emerging market equities.
- Australian Small Cap (FSI Australian Small Companies) exposure added to Growth portfolio.

Active Managed Fund Changes – New Managers

Janus Henderson Tactical Income (Silver*). Portfolio manager Jay Sivapalan has been with the firm for more than two decades and has been able to rebuild a flat and cohesive team culture since he assumed lead responsibility almost five years ago. 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). In addition to the traditional AusBond Composite Index universe (Australian government and government-related bonds, credit, and securitised instruments) the portfolio can invest into riskier sectors like emerging markets, loans, and high yield, though the team has historically used these exposures sparingly. The portfolio can also invest in hybrids opportunistically.

Bentham Global Income (Silver*). Bentham's investment team is relatively small locally but remains strongly led by managing director and portfolio manager Richard Quin, who continues at the helm alongside founding partners Nik Persic and Mark Fabry. The three senior members are supported by a dedicated team of analysts and dealers. An arrangement with the Credit Suisse Credit Investments Group brings institutional-grade analysis for its largest allocations in high yield and loans. Bentham's focus is on identifying relative value across sectors and the capital structure, relying on both its top-down views and bottom-up research. Bentham seeks undervalued sectors and sectors where it is compensated for the risks. This has seen the manager make some significant shifts in credit sector and overall credit beta allocations over time, as well as changes in interest-rate positioning, which is reflective of the manager's high-conviction approach.

Western Asset Australian Bond (Silver*). Anthony Kirkham, head of investment/portfolio manager, is the lead portfolio manager of this strategy, and we have high regard for his investment knowledge and skills. Kirkham is supported by an experienced investment team, consisting of Craig Jendra and Damon Shinnick, co-portfolio managers, and Sean Rogan, research analyst. Drawing on Western Asset's global resources, macroeconomic views are set initially by the firm's global investment strategy committee. Kirkham, Jendra, and Shinnick then collaborate and express shrewd domestic perspectives from these global views, as well as meticulous credit analysis at the sector and issuer levels. The stability of this group and quality of the research are impressive.

Core Managed Fund Changes

Colchester Global Government Bond, Schroder Absolute Return Income, Perpetual Diversified Income and CFS Index Australian Share removed. Janus Henderson Tactical Income, Bentham Global Income and Schroder Australian Equity added.

- Recent changes to the FirstChoice menu prompted a review of the fixed income category.
- Passive remains the core of the Australian fixed interest exposure with Silver rated Janus Henderson Tactical Income added to provide flexibility.
- Silver rated Bentham Global Income added to provide added credit exposure alongside the core passive global fixed interest exposure.
- Schroder Australian Equity replaces the index exposure reflecting a favouring of active management in equities.

Asset allocation changes.

- Cash reduced across Defensive, Conservative, Moderate and Balanced profiles to fund higher allocations to fixed interest, particularly longer duration managers.
- Reduced allocation to Australian equities in favour of global equities. Slight reduction in passive global equity exposure reflecting a favouring of active management in equities. Slight reduction in exposure to emerging market equities.
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Core Managed Fund Changes – New Managers

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Bentham Global Income (Silver*). Bentham's investment team is relatively small locally but remains strongly led by managing director and portfolio manager Richard Quin, who continues at the helm alongside founding partners Nik Persic and Mark Fabry. The three senior members are supported by a dedicated team of analysts and dealers. An arrangement with the Credit Suisse Credit Investments Group brings institutional-grade analysis for its largest allocations in high yield and loans. Bentham's focus is on identifying relative value across sectors and the capital structure, relying on both its top-down views and bottom-up research. Bentham seeks undervalued sectors and sectors where it is compensated for the risks. This has seen the manager make some significant shifts in credit sector and overall credit beta allocations over time, as well as changes in interest-rate positioning, which is reflective of the manager's high-conviction approach.

Schroder Australian Equity (Gold*). 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 are especially thoughtful in researching companies and understanding the economic backdrop when building the portfolio. In addition, the broader investment team, which includes a head of research, six portfolio managers including three additions in 2022, one qualitative research analyst, and two quantitative data analysts, are knowledgeable and perceptive. Schroder's investment process involves detailed fundamental bottom-up company assessments to gain an understanding of quality and value. The primary focus of the research is appraising a company's pricing power, long-term reliability, and midcycle earnings.

Morningstar CFS FC Active Managed Accounts - Summary Sheet												
CFS Investment Category	Medalist Rating*	CFS FirstChoice Active Managed Account Target Portfolio	Defensive	Conservative	Moderate	Balanced	Growth	High Growth				
		Asset Range	Morningstar CFS FC Active Defensive	Morningstar CFS FC Active Conservative	Morningstar CFS FC Active Moderate	Morningstar CFS FC Active Balanced	Morningstar CFS FC Active Growth	Morningstar CFS FC Active High Growth	FirstChoice Wholesale Personal Super	FirstChoice Wholesale Pension		
		Fund	Target Allocations	Target Allocations	Target Allocations	Target Allocations	Target Allocations	Target Allocations	APIR	Fee	APIR	Fee
		Cash (SAA)	28%	22%	11%	10%	4%	2%				
		Cash DAA Tilt	25%	20%	10%	7%						
Enhanced Cash	-	First Sentier Wholesale Strategic Cash	25%	20%	10%	7%	4%	2%	FSF0610AU	0.39%	FSF0538AU	0.39%
		Fixed Interest (SAA)	57%	48%	39%	30%	26%	8%				
		Fixed Interest DAA Tilt	60%	50%	40%	33%						
Diversified Fixed Interest	Gold	Pimco Wholesale Global Bond	12%	10%	8%	7%	6%	4%	FSF1393AU	0.87%	FSF1399AU	0.87%
Diversified Fixed Interest	Bronze	Colchester Wholesale Global Government Bond	7%	6%	5%	4%	3%		FSF6700AU	0.94%	FSF7004AU	0.94%
Diversified Fixed Interest	Silver	Bentham Wholesale Global Income	7%	6%	5%	4%	3%		AIL5072AU	0.93%	AIL7408AU	0.93%
Australian Fixed Interest	Silver	Western Asset Wholesale Australian Bond	24%	20%	18%	15%	14%	4%	AIL8499AU	0.67%	AIL7888AU	0.67%
Australian Fixed Interest	Silver	Janus Henderson Wholesale Tactical Income	10%	8%	4%	3%	0%		AIL6138AU	0.70%	AIL1409AU	0.70%
		Australian Equities (SAA)	5%	11%	19%	23%	26%	34%				
		Australian Equities DAA Tilt	5%	10%	18%	22%	24%	32%				
Australian Share	Gold	Fidelity Wholesale Australian Equities	5%	5%	7%	10%	9%	11%	FSF0833AU	1.11%	FSF0827AU	1.09%
Australian Share	Gold	Schroder Wholesale Australian Equity		5%	7%	7%	7%	10%	FSF0588AU	1.05%	FSF0520AU	1.04%
Australian Share	Gold	Investors Mutual Wholesale Australian Share			4%	5%	5%	7%	FSF0592AU	1.24%	FSF0524AU	1.24%
Australian Share - Small Companies	Gold	First Sentier Wholesale Australian Small Companies					3%	4%	FSF0646AU	1.15%	FSF0573AU	1.14%
		International Equities (SAA)	7%	13%	22%	29%	32%	41%				
		International Equities DAA Tilt	7%	14%	23%	30%	34%	43%				
Global Share	Gold	T. Rowe Price Wholesale Global Equity - Hedged	3%	6%	7%	9%	10%	13%	FSF7813AU	1.29%	FSF4456AU	1.29%
Global Share	Gold	MFS Wholesale Global Equity	4%	8%	10%	11%	12%	14%	FSF0625AU	1.26%	FSF0552AU	1.24%
Global Share	Gold	Barrow Hanley Wholesale Global Share			6%	7%	8%	11%	FSF0624AU	1.34%	FSF0551AU	1.34%
Global Share - Emerging Markets	Silver	Pendal Wholesale Global Emerging Market Opportunities				3%	4%	5%	FSF2790AU	1.60%	FSF9007AU	1.59%
		Property and Infrastructure (SAA)	3%	6%	9%	8%	12%	15%				
Global Property and Infrastructure Securities	Silver	Resolution Capital Wholesale Global Property Securities		3%	4%	3%	3%	5%	FSF8077AU	1.44%	FSF6318AU	1.45%
Global Property and Infrastructure Securities	Silver	Magellan Wholesale Infrastructure*	3%	3%	5%	5%	6%	7%	FSF1790AU	1.62%	FSF1798AU	1.62%
Australian Property and Infrastructure Securities	Silver	Ironbark Wholesale Property Securities					3%	3%	FSF0640AU	0.84%	FSF0567AU	0.86%
		Total Growth	15%	30%	50%	60%	70%	90%				
		Total Defensive	85%	70%	50%	40%	30%	10%				
		Superannuation Portfolio Fee	0.76%	0.85%	0.99%	1.05%	1.10%	1.21%				
		Pension Portfolio Fee	0.76%	0.84%	0.98%	1.05%	1.10%	1.21%				
		Notes										
		Fees include: Administration Fee, Estimated Investment Fee, Estimated Performance Fee (if applicable) and Estimated Indirect Cost Ratio as per the CFS FirstChoice Wholesale Personal Super and Pension PDS dated 22 May 2023. * denotes performance fee funds										

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			Morningstar CFS FC Core Defensive	Morningstar CFS FC Core Conservative	Morningstar CFS FC Core Moderate	Morningstar CFS FC Core Balanced	Morningstar CFS FC Core Growth	Morningstar CFS FC Core High Growth	FirstChoice Wholesale Personal Super	FirstChoice Wholesale Pension		
		Fund	Target Allocations	Target Allocations	Target Allocations	Target Allocations	Target Allocations	Target Allocations	APIR	Fee	APIR	Fee
		Cash (SAA)	28%	22%	11%	10%	4%	2%				
		Cash DAA Tilt	25%	20%	10%	7%	4%	2%				
Enhanced Cash	-	First Sentier Wholesale Strategic Cash	25%	20%	10%	7%	4%	2%	FSF0610AU	0.39%	FSF0538AU	0.39%
		Fixed Interest (SAA)	57%	48%	39%	30%	26%	8%				
		Fixed Interest DAA Tilt	60%	50%	40%	33%	26%	8%				
Global Fixed Interest	Neutral	Colonial First State Wholesale Index Global Bond	18%	16%	13%	11%	8%	4%	FSF9175AU	0.35%	FSF5788AU	0.35%
Diversified Fixed Interest	Silver	Bentham Wholesale Global Income	8%	6%	5%	4%	4%		AIL5072AU	0.93%	AIL7406AU	0.93%
Australian Fixed Interest	Silver	Janus Henderson Tactical Income	10%	8%	4%	3%			AIL6138AU	0.70%	AIL1409AU	0.70%
Australian Fixed Interest	Bronze	Colonial First State Wholesale Index Australian Bond	24%	20%	18%	15%	14%	4%	FSF0618AU	0.34%	FSF0545AU	0.34%
		Australian Equities (SAA)	5%	11%	19%	23%	26%	34%				
		Australian Equities DAA Tilt	5%	10%	18%	22%	24%	32%				
Australian Share	Gold	Schroder Wholesale Australian Equity	0%	6%	5%	7%	7%	10%	FSF0588AU	1.05%	FSF0520AU	1.04%
Australian Share	Gold	Fidelity Wholesale Australian Equities	5%	4%	9%	10%	9%	11%	FSF0833AU	1.11%	FSF0827AU	1.09%
Australian Share	Silver	Realindex Wholesale Australian Share Value			4%	5%	5%	7%	FSF1003AU	0.64%	FSF0998AU	0.64%
Australian Share - Small Companies	Gold	First Sentier Wholesale Australian Small Companies					3%	4%	FSF0646AU	1.15%	FSF0573AU	1.14%
		International Equities (SAA)	7%	13%	22%	29%	32%	41%				
		International Equities DAA Tilt	7%	14%	23%	30%	34%	43%				
Global Share	Bronze	Colonial First State Wholesale Index Global Share - Hedged	3%	6%	9%	12%	13%	16%	FSF0835AU	0.36%	FSF0829AU	0.36%
Global Share	Bronze	Realindex Wholesale Global Share Value	2%	4%	6%	6%	8%	10%	FSF1005AU	0.75%	FSF1000AU	0.75%
Global Share	Gold	GQG Partners Wholesale Global Equity	2%	4%	8%	9%	9%	12%	AIL5176AU	1.00%	AIL6283AU	1.00%
Global Share - Emerging Markets	Silver	Pendal Wholesale Global Emerging Market Opportunities				3%	4%	5%	FSF2790AU	1.60%	FSF9007AU	1.59%
		Property and Infrastructure (SAA)	3%	6%	9%	8%	12%	15%				
Global Property and Infrastructure Securities	Neutral	Colonial First State Wholesale Index Global Property Securities		3%	4%	3%	3%	5%	FSF3667AU	0.35%	FSF9777AU	0.36%
Global Property and Infrastructure Securities	Silver	Magellan Wholesale Infrastructure*	3%	3%	5%	5%	6%	7%	FSF1790AU	1.62%	FSF1798AU	1.62%
Australian Property and Infrastructure Securities	Bronze	Colonial First State Wholesale Index Property Securities					3%	3%	FSF0643AU	0.34%	FSF0570AU	0.34%
		Total Growth	15%	30%	50%	60%	70%	90%				
		Total Defensive	85%	70%	50%	40%	30%	10%				
		Superannuation Portfolio Fee	0.54%	0.57%	0.65%	0.71%	0.75%	0.83%				
		Pension Portfolio Fee	0.54%	0.57%	0.65%	0.71%	0.74%	0.82%				
		Notes										
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