

# CFS FirstChoice Managed Accounts

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Morningstar Investment Management  
February 2024



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## Why Morningstar

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The Morningstar CFS FirstChoice Managed Accounts are built using the skill and knowledge of our Manager Research and Morningstar Investment Management teams.

## Manager Research

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Our independence is unshakeable. We advocate for individual investors, which is how we've built relationships across the financial world. Advisers want to work with us because we are a trusted source of research, and their clients rely on our independent information. We don't charge product manufacturers to rate their products eliminating any potential for conflict of interest.

Our research analysts take a candid view and are willing to diverge from conventional wisdom and stand by their opinions. Our analysts work on a team that's independent. They are required to report on investments fairly, accurately, and from the investor's point of view. They ask tough questions. They judge every investment by what it does – not by what its manager says it does.

## Morningstar Investment Management

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Matthew Wilkinson, portfolio manager, is primarily responsible for the multi-asset multi-manager portfolios. Matthew has over 16 years of industry experience (8 years at Morningstar). Matthew is part of the Morningstar Investment Management team that has over 100 investment professionals globally and over \$200b in assets under management and advisement worldwide. Other key personnel involved in the portfolios are Matt Wachter, Chief Investment Officer, Asia Pacific; Bianca Rose, Senior Portfolio Manager; James Foot, Head of Research, Asia Pacific.



## Investment Philosophy

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Applying our skill and knowledge in asset allocation, investment selection, and portfolio construction, our team works to create investment strategies built on Morningstar's resources. Every recommendation we make is driven by our core investment principles:

- ▶ We put investors first.
- ▶ We're independent-minded.
- ▶ We invest for the long term.
- ▶ We're valuation-driven investors.
- ▶ We take a fundamental approach.
- ▶ We strive to minimise costs.

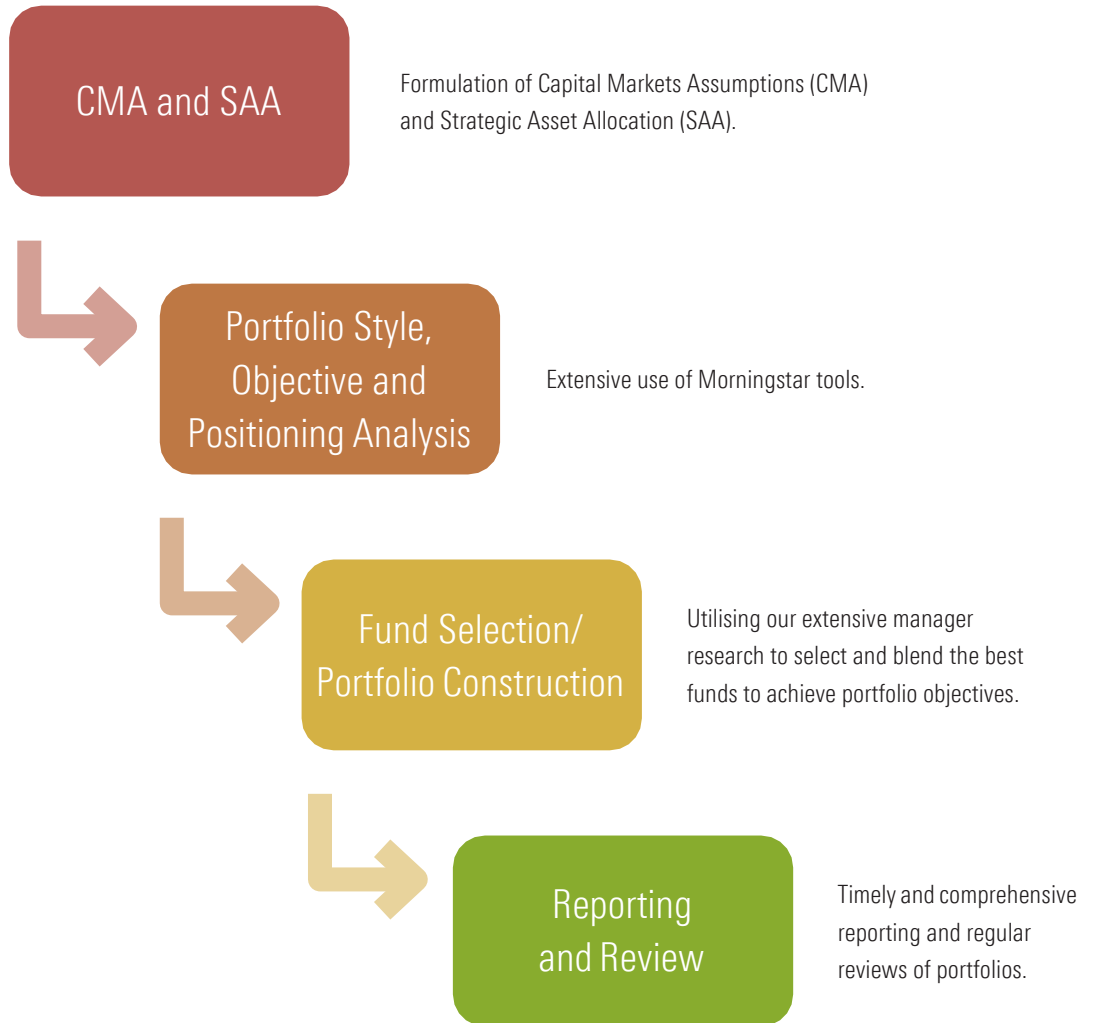
In practice the above translates to:

- ▶ We utilise both active and passive forms of investment and incorporate them as appropriate into portfolios taking into account the overall portfolio objectives.
- ▶ Consistent with our principle of investing for the long term, turnover of underlying managers within the portfolio is kept to a minimum. We don't believe in making changes for changes sake. We pick good managers and measure them over the appropriate time horizon for their strategy.
- ▶ Timing the market is difficult, even for the most seasoned investor. Our portfolios are built using a Strategic Asset Allocation approach based on long term assumptions. Whilst we do incorporate the medium term outlook in our thinking, frequent tactical asset allocation is not part of our portfolio construction.

We believe that diversification works and will build portfolios that are appropriately diversified across the major asset classes. Our views on diversification are primarily driven by the desire to deal with the unpredictability of future events.

## Portfolio Construction Process

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## Capital Market Assumptions (CMA) and Strategic Asset Allocation (SAA)

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We periodically reassess our long-term SAA and aim to create robust SAAs that are well-positioned to deal with a wide range of possible future outcomes in global investment markets. We adhere to the principle of diversification when formulating the asset allocations of portfolios catering to diverse investor risk tolerances.

We use a supply-side building-block approach to forecast equity returns. First introduced by Diermeier, Ibbotson, and Siegel (1984), and later adapted to stocks by Ibbotson and Chen (2003), the supply-side model is based on the idea that equity returns can be decomposed into underlying economic and corporate fundamentals. Fixed interest returns are derived using a similar approach based on expectations for cash rates, inflation and credit spreads. Standard deviation and correlation assumptions are also not solely a function of historical outcomes. The approach considers common market and economic factors driving returns and relationships.

CMAs refer to the long term (in this case 20 years). It is possible that fluctuations in markets may move outcomes away from the base case strategic assumptions, particularly during the short to medium term.

Morningstar's CMAs are used as inputs into the portfolio construction process to find the combination of assets with the highest expected returns for a given level of risk. Morningstar uses both mean variance optimisation (MVO) with constraints to asset classes and a Monte Carlo simulation to create diverse portfolios. A second optimisation is then done that uses a different measure of risk – known as Conditional Value at Risk (CVaR). This is done as investors tend to be more concerned with significant losses (i.e. downside risk) than the standard deviation of returns. CVaR provides a better downside risk measure by computing the probability weighted average loss during adverse times. The second reason is that CVaR can take into account the reality that almost all asset classes and portfolios have returns that aren't normally distributed.

An additional qualitative overlay is then applied to account for elements that are not otherwise factored into a purely mathematical process. Considerations include increasing the allocation to diversifying assets for Australian investors (such as Australian bonds) and imposing lower and upper boundaries to stop any single asset class receiving an immaterial or excessive allocation.

## Capital Market Assumptions (CMA) and Strategic Asset Allocation (SAA)

**Table 1: Asset Class Long Term Return and Risk Assumptions**

Asset Classes	Expected Return	Standard Deviation
	% p.a.	% p.a.
Australian Equity*	7.90%	15.50%
International Equity (45% Hedged)	6.75%	13.00%
Australian Listed Property	6.85%	17.00%
International Listed Property	7.00%	17.00%
Global Infrastructure	7.00%	13.50%
Australian Fixed Interest	2.00%	4.25%
International Fixed Interest	2.25%	4.00%
Cash	1.75%	1.75%

\*Return expectations for Australian Equities incorporate franking credits.

**Table 2: Asset Class Correlation Assumptions**

Correlation	1	2	3	4	5	6	7	8
1 Australian Equity	1.00	0.69	0.66	0.68	0.69	0.03	0.06	0.01
2 International Equity (45% Hedged)	0.69	1.00	0.54	0.65	0.66	0.01	0.04	0.00
3 Australian Listed Property	0.66	0.54	1.00	0.74	0.73	0.14	0.17	0.02
4 International Listed Property	0.68	0.65	0.74	1.00	0.78	0.12	0.21	0.04
5 Global Infrastructure	0.69	0.66	0.73	0.78	1.00	0.13	0.19	0.05
6 Australian Fixed Interest	0.03	0.01	0.14	0.12	0.13	1.00	0.69	0.21
7 International Fixed Interest	0.06	0.04	0.17	0.21	0.19	0.69	1.00	0.14
8 Cash	0.01	0.00	0.02	0.04	0.05	0.21	0.14	1.00

**Table 3: Risk and Return metrics of Morningstar managed account portfolios**

	Defensive	Conservative	Moderate	Balanced	Growth	High Growth
Expected Return	2.77%	3.57%	4.63%	5.14%	5.67%	6.70%
Standard Deviation	3.07%	4.41%	6.66%	7.80%	9.01%	11.49%
Chance of Achieving Loss over 1 Year	18.33%	20.94%	24.33%	25.48%	26.47%	27.98%
Magnitude of negative return over 1 yr (3 Standard Deviation)	-6.44%	-9.67%	-15.35%	-18.26%	-21.37%	-27.76%
Expected Number of Negative Years in 20	3.67	4.19	4.87	5.10	5.29	5.55
Time Horizon	3	3	5	6	7	9
Prob of Negative Return over Timeframe	5.90%	8.07%	5.99%	5.32%	4.80%	4.00%
Expected Range of Returns over 1 year at 3 St Dev	-6.4% to 12%	-9.7% to 16.8%	15.3% to 24.6%	-18.3% to 28.6%	-21.4% to 32.7%	-27.8% to 41.2%
Expected Range of Returns over 1 year at 1.5 St Dev	-1.8% to 7.4%	-3.1% to 10.2%	-5.4% to 14.6%	-6.6% to 16.8%	-7.8% to 19.2%	-10.5% to 23.9%



## Current Strategic Asset Allocation views

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- ▶ **We prefer global equities over domestic equities:** While Australian equities do have slightly higher return forecasts in our capital market assumptions, international equities are forecast to have significantly lower risk and offers superior risk adjusted returns. International equities are also attractive as they provide more diversified sector exposure as opposed to Australian equities which has significant concentration in the financial services sector.
- ▶ **We prefer domestic bonds over global bonds:** This view is designed to improve the fundamental diversification of the risk profiles. The implementation of a home country bias into the long-term asset mix for bonds recognises the importance of Australian Fixed Interest to local investors. This is because the asset class can potentially provide a hedge against a local economic downturn (assuming it has been bought at the right price).
- ▶ **Cash allocation:** The proposed cash levels are a view of capital preservation over capital growth and is a reflection of the current opportunity set across markets.
- ▶ **Property and Infrastructure:** Exposure within the yield driven growth assets is being reshaped in favour of infrastructure at the expense of listed property. The rationale being to broaden out and diversify the return drivers across the infrastructure sub-industries. Examples of infrastructure assets include airports, pipelines, ports, railroads, telecommunications infrastructure, toll roads and other utilities (e.g. power). Global listed property remains the favoured asset class within the Real Estate Investment Trust (REIT) complex on account of the more diversified and deeper opportunity set as compared to Australian REITs.
- ▶ **Alternatives strategies:** The value of an alternative strategy to a portfolio is made on a case by case basis. Though some offer an attractive exposure to a diverse range of alternative investments and potentially improving the consistency of returns, we consider the options currently available not to be suitable for the Morningstar Managed Accounts due to the low confidence we have in underlying strategies delivering worthwhile risk adjusted returns. And there are alternatives across other asset classes that can play a similar role.





## Morningstar CFS FC Managed Accounts

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Morningstar Managed Accounts represent our highest conviction, best ideas portfolios across the SAA profiles of Defensive, Conservative, Moderate, Balanced, Growth and High Growth.

The investment objective of the portfolios is to outperform their Morningstar Category Average benchmark over the appropriate time horizon for each portfolio.

The Morningstar Managed Accounts encapsulate active management across all asset classes. Underlying managers are chosen taking in to account their Morningstar Medalist Rating and the role the fund brings from a portfolio construction perspective. On a post fee basis we anticipate these managers can add value over the investment cycle. A key element of picking active managers within these portfolios is the ability to protect the portfolio in down market periods. A key thesis is that we anticipate the portfolios will likely lag in strong up markets but better protect in down markets. This is a trade-off we believe will serve investors over the long term.

Funds included in the Morningstar Managed Accounts:

### Cash and Fixed Interest

- ▶ **First Sentier Wholesale Strategic Cash:** Given the lower 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 *Bronze*. 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.
- ▶ **Bentham Wholesale Global Income:** Rated *Silver*. Our pick for a flexible global bond strategy. The strategy mainly invests across the credit spectrum managing exposure to quality, interest rate and credit duration, maturity and yield. The investment team is highly skilled and experienced and can also draw on the support from offshore experts in the credit field.
- ▶ **Western Asset Wholesale Australian Bond:** Rated *Silver*. This strategy has robust and yet relatively simple investment process that focusses on mispriced domestic fixed interest securities across sectors. An experienced team support a highly regarded portfolio manager makes this compelling as a core Australian bond holding.
- ▶ **Janus Henderson Tactical Income:** Rated *Silver*. This is our pick for an Australian fixed interest, low duration manager with an absolute return type approach, courtesy of its split benchmark, 50/50 AusBond Bank Bills and AusBond Composite indexes. The investment team is highly experienced, suitably resourced, and cohesive which lends well to execute a strategy that has used its flexibility judiciously in the past.



## Morningstar CFS FC Managed Accounts

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### 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 positioned to capture the value premium.
- ▶ **First Sentier Wholesale Australian Small Companies:** Rated *Gold*. 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

- ▶ **T. Rowe Price Global Equity – Hedged:** Rated *Gold*. Allocating to the hedged version to take into account our overall SAA and CMA views. T. Rowe Price Global Equity is one of our best picks in the global growth category. Scott Berg has overseen this strategy for over a decade, utilising T. Rowe's vast analyst network to seek out underappreciated growth potential. Diversification and emerging markets exposure are also key characteristics of the portfolio.
- ▶ **MFS Wholesale Global Equity:** Rated *Gold*. Another one of our long-standing favourites 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.
- ▶ **Barrow Hanley Global Share:** Rated *Gold*. Barrow Hanley is a Dallas-based global value manager with a long pedigree over many decades that demonstrates superiority. We have gained increasing confidence in its relative value approach since it was first brought to market in Australia in 2016. The firm was subsequently acquired by Perpetual, who now distributes it in Australia. It also has more midcap exposure than our other model managers, bringing a point of difference.
- ▶ **Pendal Global Emerging Market Opportunities:** Rated *Silver*. Providing a dedicated emerging market exposure across the more growth-oriented portfolios. Portfolio managers James Syme and Paul Wimborne have worked together since 2006 joining J O Hambro (part of Pendal) in 2011. Ada Chan, who joined in 2016 as an analyst was promoted to portfolio manager in early 2022. Unique in this space the trio take a top-down approach evaluating all the countries that make up the MSCI Emerging Markets Index using quantitative and qualitative factors such as growth, liquidity, currency, political risks, and valuation. Once a country is deemed investable, they look for companies with high return on capital and return on equity.

## Morningstar CFS FC Managed Accounts

### Property and Infrastructure

- **Resolution Capital Global Property:** Rated *Silver*. Resolution Capital Global Property is one of our strongest conviction strategies within the global property sector. Marco Colantonio, Robert Promisel, Julian Campbell-Wood and founder and CIO Andrew Parsons are each responsible for a quarter of the portfolio. All have considerable experience but bring expertise in different sectors of the global property market under a time-tested investment process. This results in a concentrated portfolio but is reasonable diversified across property sectors and geographical locations.
- **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.

Morningstar Managed Accounts			
Portfolio	Benchmark	Fee (Superannuation)	Fee (Pension)
Morningstar Defensive	Morningstar Category Average – Australia Fund Multisector Conservative	0.76%	0.76%
Morningstar Conservative	Morningstar Category Average – Australia Fund Multisector Moderate	0.85%	0.84%
Morningstar Moderate	Morningstar Category Average – Australia Fund Multisector Balanced	0.99%	0.98%
Morningstar Balanced	Morningstar Category Average – Australia Fund Multisector 50% Balanced/50% Growth Category Average	1.05%	1.05%
Morningstar Growth	Morningstar Category Average – Australia Fund Multisector Growth	1.10%	1.10%
Morningstar High Growth	Morningstar Category Average – Australia Fund Multisector Aggressive	1.21%	1.21%

Fees include: administration fees and costs, investment fees and costs, estimated performance fees (where applicable) as per the QSFirstChoice Wholesale Personal Super and Pension PDS dated 22 May 2022.

## Morningstar CFS FC Managed Accounts

Fund	Morningstar Defensive Target Allocations	Morningstar Conservative Target Allocations	Morningstar Moderate Target Allocations	Morningstar Balanced Target Allocations	Morningstar Growth Target Allocations	Morningstar High Growth Target Allocations
<b>Cash</b>	<b>25%</b>	<b>20%</b>	<b>10%</b>	<b>7%</b>	<b>4%</b>	<b>2%</b>
First Sentier Wholesale Strategic Cash	25%	20%	10%	7%	4%	2%
<b>Fixed Interest</b>	<b>60%</b>	<b>50%</b>	<b>40%</b>	<b>33%</b>	<b>26%</b>	<b>8%</b>
Pimco Wholesale Global Bond	12%	10%	8%	7%	6%	4%
Colchester Wholesale Global Government Bond	7%	6%	5%	4%	3%	
Bentham Wholesale Global Income	7%	6%	5%	4%	3%	
Western Asset Wholesale Australian Bond	24%	20%	18%	15%	14%	4%
Janus Henderson Wholesale Tactical Income	10%	8%	4%	3%	0%	
<b>Australian Equities</b>	<b>5%</b>	<b>11%</b>	<b>19%</b>	<b>23%</b>	<b>26%</b>	<b>34%</b>
Fidelity Wholesale Australian Equities	5%	5%	7%	10%	9%	11%
Schroder Wholesale Australian Equity		5%	7%	7%	7%	10%
Investors Mutual Wholesale Australian Share			4%	5%	5%	7%
First Sentier Wholesale Australian Small Companies					3%	4%
<b>International Equities</b>	<b>7%</b>	<b>13%</b>	<b>22%</b>	<b>29%</b>	<b>32%</b>	<b>41%</b>
T. Rowe Price Global Equity - Hedged	3%	6%	7%	9%	10%	13%
MFS Wholesale Global Equity	4%	8%	10%	11%	12%	14%
Barrow Hanley Global Share			6%	7%	8%	11%
Pendal Global Emerging Market Opportunities				3%	4%	5%
<b>Property and Infrastructure</b>	<b>3%</b>	<b>6%</b>	<b>9%</b>	<b>8%</b>	<b>12%</b>	<b>15%</b>
Resolution Capital Global Property Securities		3%	4%	3%	3%	5%
Magellan Wholesale Infrastructure	3%	3%	5%	5%	6%	7%
Ironbark Wholesale Property Securities					3%	3%
<b>Total Growth</b>	<b>15%</b>	<b>30%</b>	<b>50%</b>	<b>60%</b>	<b>70%</b>	<b>90%</b>
<b>Total Defensive</b>	<b>85%</b>	<b>70%</b>	<b>50%</b>	<b>40%</b>	<b>30%</b>	<b>10%</b>

## Morningstar CFS FC Managed Accounts

Fund	FirstChoice Wholesale Personal Super	FirstChoice Wholesale Pension
	APIR	APIR
First Sentier Wholesale Strategic Cash	FSF0610AU	FSF0538AU
Pimco Wholesale Global Bond	FSF1393AU	FSF1399AU
Colchester Wholesale Global Government Bond	FSF6700AU	FSF7004AU
Bentham Wholesale Global Income	AIL5072AU	AIL7406AU
Western Asset Wholesale Australian Bond	AIL6499AU	AIL7888AU
Janus Henderson Wholesale Tactical Income	AIL6138AU	AIL1409AU
Fidelity Wholesale Australian Equities	FSF0833AU	FSF0827AU
Schroder Wholesale Australian Equity	FSF0588AU	FSF0520AU
Investors Mutual Wholesale Australian Share	FSF0592AU	FSF0524AU
First Sentier Wholesale Australian Small Companies	FSF0646AU	FSF0573AU
T. Rowe Price Global Equity - Hedged	FSF7813AU	FSF4456AU
MFS Wholesale Global Equity	FSF0625AU	FSF0552AU
Barrow Hanley Global Share	FSF0624AU	FSF0551AU
Pendal Global Emerging Market Opportunities	FSF2790AU	FSF9007AU
Resolution Capital Global Property Securities	FSF8077AU	FSF0763AU
Magellan Wholesale Infrastructure	FSF1790AU	FSF6318AU
Ironbark Wholesale Property Securities	FSF0640AU	FSF0567AU



## Morningstar CFS FC Core Managed Accounts

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Morningstar Core Managed Accounts represent a cost conscious blend of active and passive strategies across the SAA profiles of Defensive, Conservative, Moderate, Balanced, Growth and High Growth.

The investment objective of the portfolios is to outperform their Morningstar Category Average benchmark over the appropriate time horizon for each portfolio.

The Morningstar Managed Accounts are based on a principle of core and satellite portfolio construction. Passive strategies are used to gain cost effective exposure to the underlying asset class. The extensive use of passive strategies does mean that the portfolios are susceptible to performing in line with the market, particularly falling markets. Active strategies complement this exposure by seeking to add additional return sources above the market return and can bring limited protection in falling markets. Underlying managers are chosen taking in to account their Morningstar Medalist Rating and the role the fund brings from a portfolio construction perspective.

Funds included in the Morningstar Core Managed Accounts:

### 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 Sate Wholesale Index Global Bond:** Rated *Neutral*. Low cost, efficient core access to global bonds. CFS utilising the expertise of State Street Global Advisors as the underlying manager for this option.
- ▶ **Colonial First State Wholesale Index Australian Bond:** Rated *Bronze*. Low cost, efficient core exposure to Australian Bond benchmark. CFS utilising the expertise of First Sentier Investors for this strategy.
- ▶ **Bentham Wholesale Global Income:** Rated *Silver*. Our pick for a flexible global bond strategy. The strategy mainly invests across the credit spectrum managing exposure to quality, interest rate and credit duration, maturity and yield. The investment team is highly skilled and experienced and can also draw on the support from offshore experts in the credit field.
- ▶ **Janus Henderson Tactical Income:** Rated *Silver*. This is our pick for an Australian fixed interest, low duration manager with an absolute return type approach, courtesy of its split benchmark, 50/50 AusBond Bank Bills and AusBond Composite indexes. The investment team is highly experienced, suitably resourced, and cohesive which lends well to execute a strategy that has used its flexibility judiciously in the past.

## Morningstar CFS FC Core Managed Accounts

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### 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 set 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, investment process and strategy. This is another quality core Australian equity allocation with a portfolio that has a focus on value.
- ▶ **Realindex Wholesale Australian Share:** Rated *Silver*. Bringing a value-tilted 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 *Gold*. 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 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-tilted 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.
- ▶ **GQG Partners Global Equity:** Rated *Gold*. GQG Partners has a go-anywhere approach run by a highly talented manager in Rajiv Jain. Jain describes himself as quality-growth, but the portfolio has had many different characteristics over time with a wide range of different stocks depending on where they see opportunities. This go-anywhere approach compliments the index and Realindex allocations.
- ▶ **Pendal Global Emerging Market Opportunities:** Rated *Silver*. Providing a dedicated emerging market exposure across the more growth-oriented portfolios. Portfolio managers James Syme and Paul Wimborne have worked together since 2006 joining J O Hambro (part of Pendal) in 2011. Ada Chan, who joined in 2016 as an analyst was promoted to portfolio manager in early 2022. Unique in this space the trio take a top-down approach evaluating all the countries that make up the MSCI Emerging Markets Index using quantitative and qualitative factors such as growth, liquidity, currency, political risks, and valuation. Once a country is deemed investable, they look for companies with high return on capital and return on equity.

## Morningstar CFS FC Core Managed Accounts

### Property and Infrastructure

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

Morningstar Core Managed Accounts			
Portfolio	Benchmark	Fee (Superannuation)	Fee (Pension)
Morningstar Defensive Core	Morningstar Category Average – Australia Fund Multisector Conservative	0.54%	0.54%
Morningstar Conservative Core	Morningstar Category Average – Australia Fund Multisector Moderate	0.57%	0.57%
Morningstar Moderate Core	Morningstar Category Average – Australia Fund Multisector Balanced	0.65%	0.65%
Morningstar Balanced Core	Morningstar Category Average – Australia Fund Multisector 50% Balanced/50% Growth Category Average	0.71%	0.71%
Morningstar Growth Core	Morningstar Category Average – Australia Fund Multisector Growth	0.75%	0.74%
Morningstar High Growth Core	Morningstar Category Average – Australia Fund Multisector Aggressive	0.83%	0.82%

Fees include: administration fees and costs, investment fees and costs, performance fees (where applicable) as per the CFS FirstChoice Wholesale Personal Super and Pension PDS dated 22 May 2022.



## Morningstar CFS FC Core Managed Accounts

Fund	Morningstar Defensive Core	Morningstar Conservative Core	Morningstar Moderate Core	Morningstar Balanced Core	Morningstar Growth Core	Morningstar High Growth Core
	Target Allocations	Target Allocations	Target Allocations	Target Allocations	Target Allocations	Target Allocations
<b>Cash</b>	<b>28%</b>	<b>22%</b>	<b>11%</b>	<b>10%</b>	<b>4%</b>	<b>2%</b>
First Sentier Wholesale Strategic Cash	25%	20%	10%	7%	4%	2%
<b>Fixed Interest</b>	<b>57%</b>	<b>48%</b>	<b>39%</b>	<b>30%</b>	<b>26%</b>	<b>8%</b>
Colonial First State Wholesale Index Global Bond	18%	16%	13%	11%	8%	4%
Bentham Wholesale Global Income	8%	6%	5%	4%	4%	
Janus Henderson Tactical Income	10%	8%	4%	3%		
Colonial First State Wholesale Index Australian Bond	24%	20%	18%	15%	14%	4%
<b>Australian Equities</b>	<b>5%</b>	<b>11%</b>	<b>19%</b>	<b>23%</b>	<b>26%</b>	<b>34%</b>
Schroder Wholesale Australian Equity	0%	6%	5%	7%	7%	10%
Fidelity Wholesale Australian Equities	5%	4%	9%	10%	9%	11%
Realindex Wholesale Australian Share			4%	5%	5%	7%
First Sentier Wholesale Australian Small Companies					3%	4%
<b>International Equities</b>	<b>7%</b>	<b>13%</b>	<b>22%</b>	<b>29%</b>	<b>32%</b>	<b>41%</b>
Colonial First State Wholesale Index Global Share-Hedged	3%	6%	9%	12%	13%	16%
Realindex Wholesale Global Share	2%	4%	6%	6%	8%	10%
GQG Partners Global Equity	2%	4%	8%	9%	9%	12%
Pendal Global Emerging Market Opportunities				3%	4%	5%
<b>Property and Infrastructure</b>	<b>3%</b>	<b>6%</b>	<b>9%</b>	<b>8%</b>	<b>12%</b>	<b>15%</b>
Colonial First State Wholesale Index Global Property Securities		3%	4%	3%	3%	5%
Magellan Wholesale Infrastructure	3%	3%	5%	5%	6%	7%
Colonial First State Wholesale Index Property Securities					3%	3%
<b>Total Growth</b>	<b>15%</b>	<b>30%</b>	<b>50%</b>	<b>60%</b>	<b>70%</b>	<b>90%</b>
<b>Total Defensive</b>	<b>85%</b>	<b>70%</b>	<b>50%</b>	<b>40%</b>	<b>30%</b>	<b>10%</b>

## Morningstar CFS FC Core Managed Accounts

Fund	FirstChoice Wholesale Personal Super	FirstChoice Wholesale Pension
	APIR	APIR
First Sentier Wholesale Strategic Cash	FSF0610AU	FSF0538AU
Colonial First State Wholesale Index Global Bond	FSF9175AU	FSF5788AU
Bentham Wholesale Global Income	AIL5072AU	AIL7406AU
Janus Henderson Tactical Income	AIL6138AU	AIL1409AU
Colonial First State Wholesale Index Australian Bond	FSF0618AU	FSF0545AU
Colonial First State Wholesale Index Australian Share	FSF0581AU	FSF0513AU
Fidelity Wholesale Australian Equities	FSF0833AU	FSF0827AU
Realindex Wholesale Australian Share	FSF1003AU	FSF0998AU
First Sentier Wholesale Australian Small Companies	FSF0646AU	FSF0573AU
Colonial First State Wholesale Index Global Share- Hedged	FSF0835AU	FSF0829AU
Realindex Wholesale Global Share	FSF1005AU	FSF1000AU
GQG Partners Global Equity	AIL5176AU	AIL6283AU
Pendal Global Emerging Opportunities	FSF2790AU	FSF9007AU
Colonial First State Wholesale Index Global Property Securities	FSF3667AU	FSF9777AU
Magellan Wholesale Infrastructure	FSF1790AU	FSF1798AU
Colonial First State Wholesale Index Property Securities	FSF0643AU	FSF0570AU

## Morningstar Overview

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