

MANAGED ACCOUNT

CFS FirstChoice Managed Accounts Morningstar Investment Management March 2025



Contents

03	Why Morningstar
04	Investment Philosophy
05	Portfolio Construction Process
06	Capital Market Assumptions (CMA) and Strategic Asset Allocation (SAA) Table 1: Asset Class Long Term Return and Risk Assumptions Table 2: Asset Class Correlation Assumptions Table 2: Asset Class Correlation Assumptions
08	Capital Market Assumptions (CMA) and Strategic Asset Allocation (SAA)
09	Morningstar CFS FC Core Managed Accounts Morningstar CFS FC Active Managed Accounts
10	Morningstar Overview

Why Morningstar

The Morningstar CFS FirstChoice Managed Accounts are built on the skill and knowledge of Morningstar's Investment Management and Manager Research teams.

Morningstar Investment Management Australia

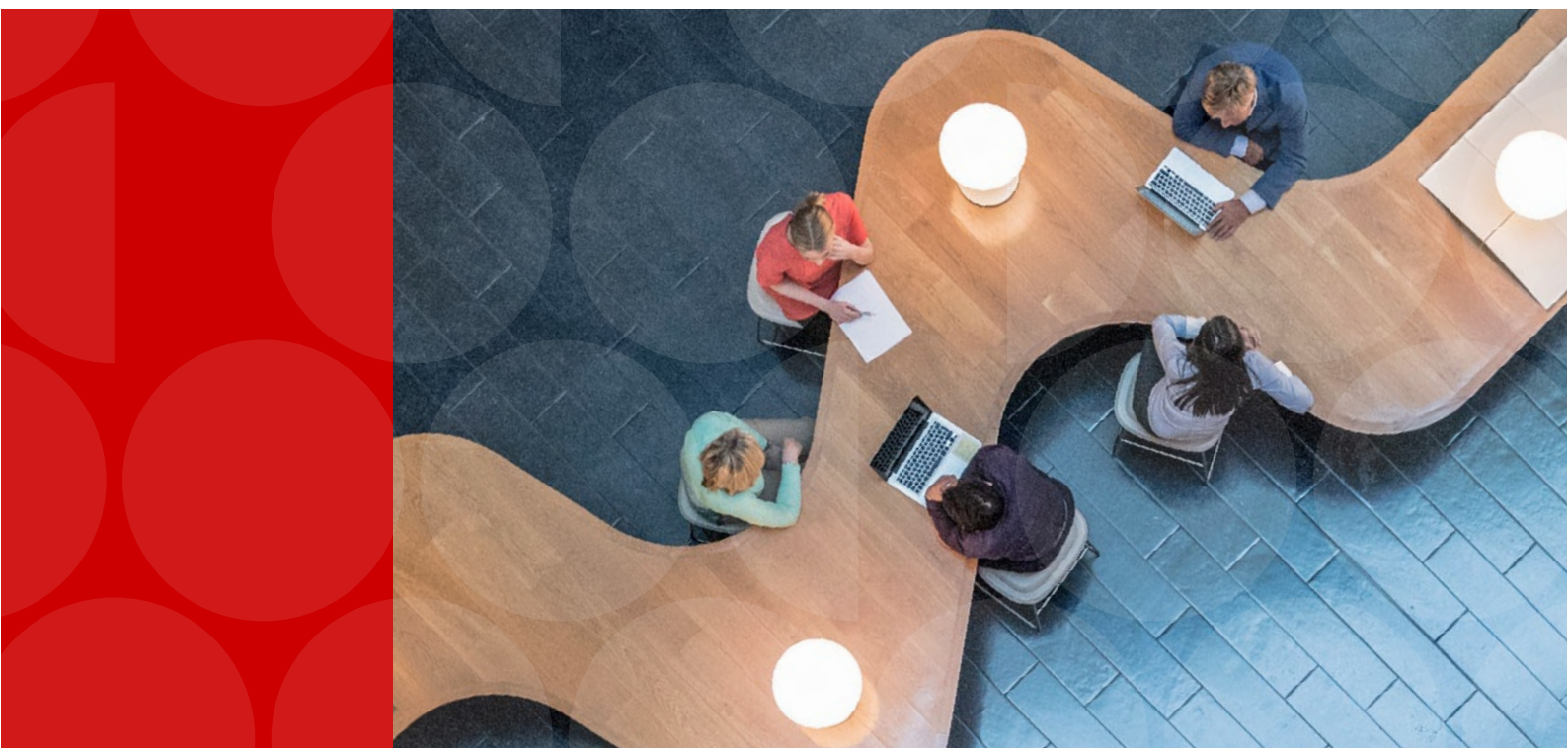
Morningstar Investment Management is a leading provider of investment management, asset allocation, portfolio construction, and investment research services, with over 35 years of experience managing and advising on billions of dollars globally.

Our investment professionals combine an international perspective with deep local market knowledge, guided by consistent global principles. This enables us to craft solutions tailored to the unique needs of the markets we serve. The Australian team consists of investment managers, asset class specialists, and an in-house investment operations team, promoting cohesive and agile decision-making.

Manager Research

We are committed to advocating for investors, which has allowed us to build strong relationships within the financial advice industry. Financial advisers trust us as a reliable source of research, and their clients depend on our unbiased information and insights. To avoid any potential for conflicts of interest, we don't charge fund managers to rate their products.

Our research analysts offer candid opinions, often challenging conventional wisdom and they stand by their assessments. They work as part of a global team, committed to reporting on investments fairly, accurately, and from the investor's perspective. They ask tough questions and evaluate each investment on its merit — not by the claims of its manager. Our Medalist Rating methodology highlights the value that managers can bring to investors.



Investment Philosophy

At Morningstar, we use our skill and knowledge in asset allocation, investment selection and portfolio construction to build investments strategies that are designed to help you achieve your financial goals. Every investment decision is driven by our core investment principles:

01



We champion investors

- We believe that if investors win, we all win.
- We are independent minded which allows us to make investment decisions with the focus on helping investors meet their financial goals.
- Investment decisions are made with the end investor in mind.

02



We take a fundamental approach

- We believe that fundamental factors, such as the quality of personnel and an investment's future earnings, will drive results.
- Powerful analytics and models are behind our research and portfolios, giving us the confidence to take a long-term perspective.
- We stand firm behind our investment views, even if they are unpopular. This means being willing to ride out market volatility.

03



We believe that price matters

- We anchor on an investment's underlying intrinsic value rather than fleeting news, sentiment or momentum.
- Focusing on the difference between price and intrinsic value enables investors to get more than they're paying for.
- We also believe controlling costs helps investors build wealth by letting them keep more of what they earn.

In practice, this means

- Carefully considering the overall portfolio objectives and incorporating both active and passive managers as appropriate where we are confident that the benefit of active management justifies the cost.
- Using Morningstar's extensive research to understand the factors that impact both risk and returns, using a long-term approach focussed on company fundamentals rather than short-term market noise. Building portfolios that are diversified across major asset classes to manage the unpredictability of markets into the future.

Portfolio Construction Process



CMA and SAA

Formulation of Capital Markets Assumptions (CMA) and Strategic Asset Allocation (SAA).



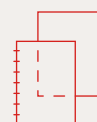
Portfolio Style, Objective and Positioning Analysis

Extensive use of Morningstar tools.



Fund Selection/Portfolio Construction

Utilising our extensive manager research to select and blend the best funds to achieve portfolio objectives.



Reporting

Timely and comprehensive reporting and regular reviews of portfolios.

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

We regularly review our long-term Strategic Asset Allocation (SAA), which make up the basis of our portfolios. Morningstar uses a robust process to ensure that portfolios that follow our SAA are well-positioned for a wide range of possible future outcomes within global investment markets. Importantly, our SAA adheres to the principle of diversification meaning that risk is spread across a range of asset classes.

Capital Market Assumptions (CMAs) refer to our future-looking return expectations over the long-term (20 years). It is, however, important to note that given the long-term view, it is possible that short to medium term fluctuations may move away from our base assumptions. Where there are more extreme variations, we may conduct interim reviews to confirm that our initial expectations remain unaffected.

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. Our portfolios take these CMAs and conduct two optimisation processes, using metrics that consider how investors typically consider risk (i.e. concern around loss of capital).

Undertaking this process results in well-diversified portfolios that aim to consider the goals of investors.

The below tables outline our current expected returns per asset class on an annual basis along with the expected correlation of assets (i.e. how different asset classes perform relative to each other). More information can be found in our SAA Methodology document.

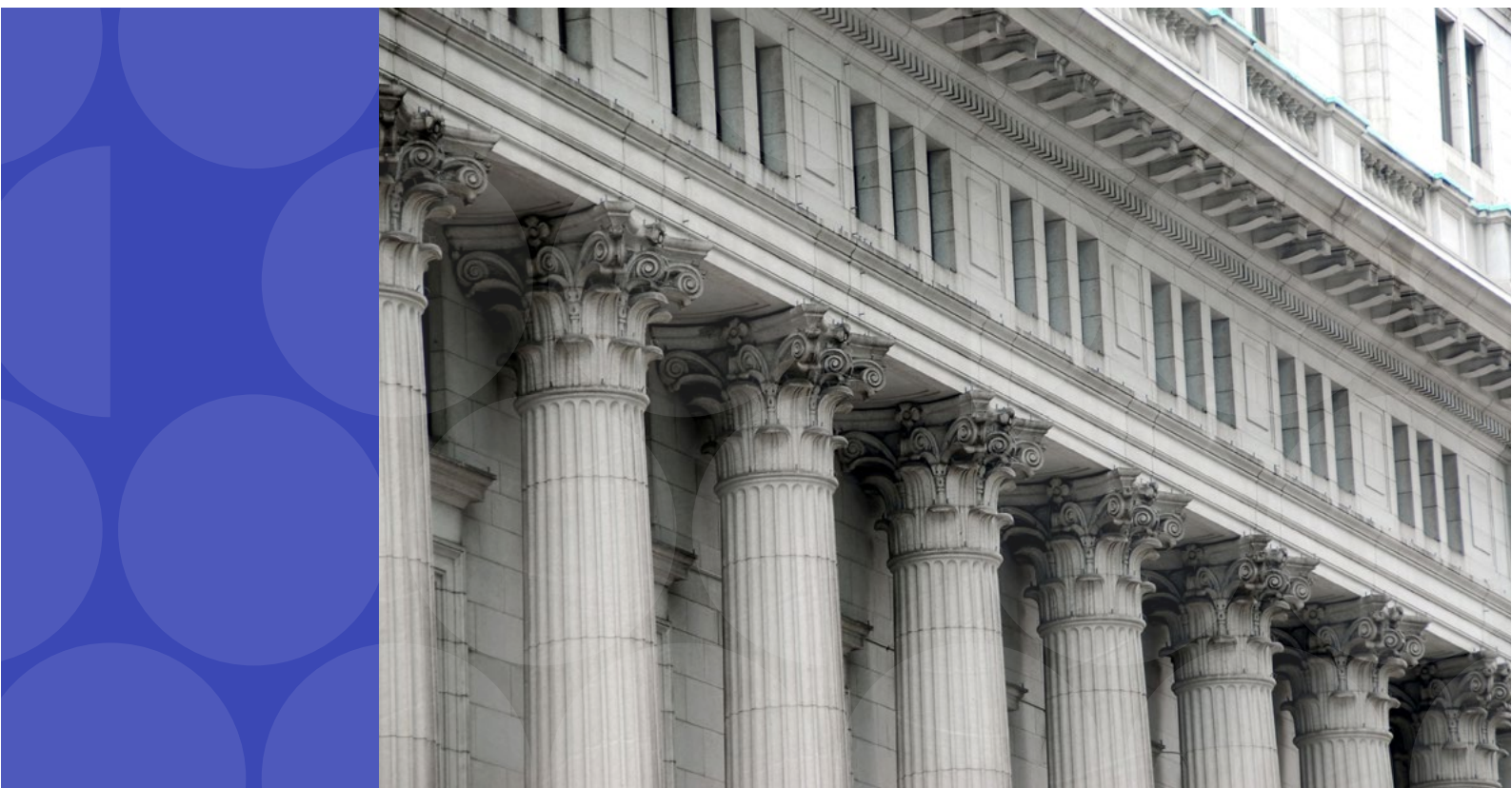


Table 1: Asset Class Long Term Return and Risk Assumptions

Asset Classes	Expected Return % p.a.	Standard Deviation % p.a.
Australian Equity*	8.00%	15.50%
International Equity (45% Hedged)	7.00%	13.00%
Australian Listed Property	6.70%	19.00%
International Listed Property	7.00%	18.00%
Global Infrastructure	6.70%	14.00%
Australian Fixed Interest	4.00%	4.50%
International Fixed Interest	4.00%	4.25%
Cash	3.00%	1.75%

*Return expectations for Australian Equities incorporate franking credits.

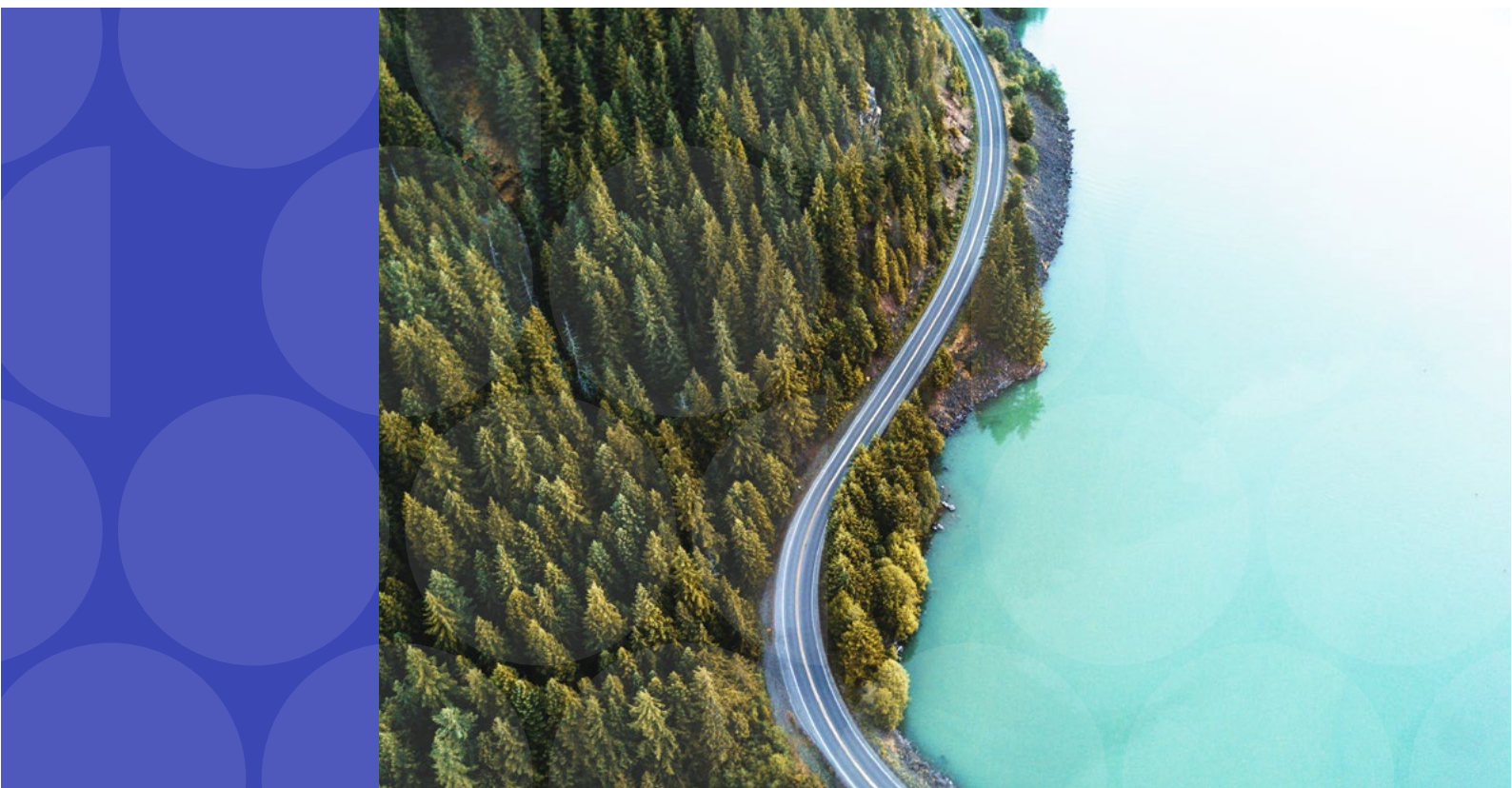
Table 2: Asset Class Correlation Assumptions

Asset Classes	1	2	3	4	5	6	7	8
1 Australian Equity	1.00							
2 International Equity (45% Hedged)	0.69	1.00						
3 Australian Listed Property	0.72	0.63	1.00					
4 International Listed Property	0.70	0.65	0.77	1.00				
5 Infrastructure	0.72	0.67	0.73	0.80	1.00			
6 Australian Fixed Interest	0.07	0.06	0.20	0.18	0.17	1.00		
7 International Fixed Interest	0.10	0.11	0.30	0.29	0.26	0.72	1.00	
8 Cash	0.02	0.00	0.05	0.04	0.05	0.23	0.18	1.00

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

The below outline how our current Strategic Asset Allocation and Capital Market Assumptions have changed between the previous review in 2021 and the most recent review in 2024. Typically, periodic reviews are conducted every three years but may be undertaken more frequently should there be significant short to medium-term fluctuations.

- **Increase equity allocations with a continued preference for global opportunities:**
The higher risk profiles have an increased allocation to equities based on the return and diversification benefits over property and infrastructure. While Australian equities have a 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.
- **Increase allocation with a preference towards international fixed interest:** This view is designed to improve expected returns resulting from higher global bond yields as well as the diversification benefits of fixed income over cash.
- **Decrease cash allocations in favour of fixed income:** This position has been taken in favour of fixed income assets for the diversification benefits over cash along with the improved expected return outlook as a result of higher bond yields.
- **Property and Infrastructure: reduced exposure to yield driven growth assets:** This view has been taken due to lower expected risk adjusted return within our capital market assumptions. Allocation has been redirected to equities where we believe there is a greater risk reward likelihood.





Morningstar CFS FC Core Managed Accounts

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

The investment objective of the portfolios is to outperform the average of peers with a similar growth/defensive asset profile over the appropriate investment time horizon.

The portfolios utilise a mix of active and passive strategies. The passive strategies are used to gain cost effective exposure to various asset classes, while we use active strategies to compliment exposures as they seek to generate outperformance over the market cycle. Underlying active managers are chosen taking in to account their Morningstar Medalist Rating and the role they play in portfolio construction.



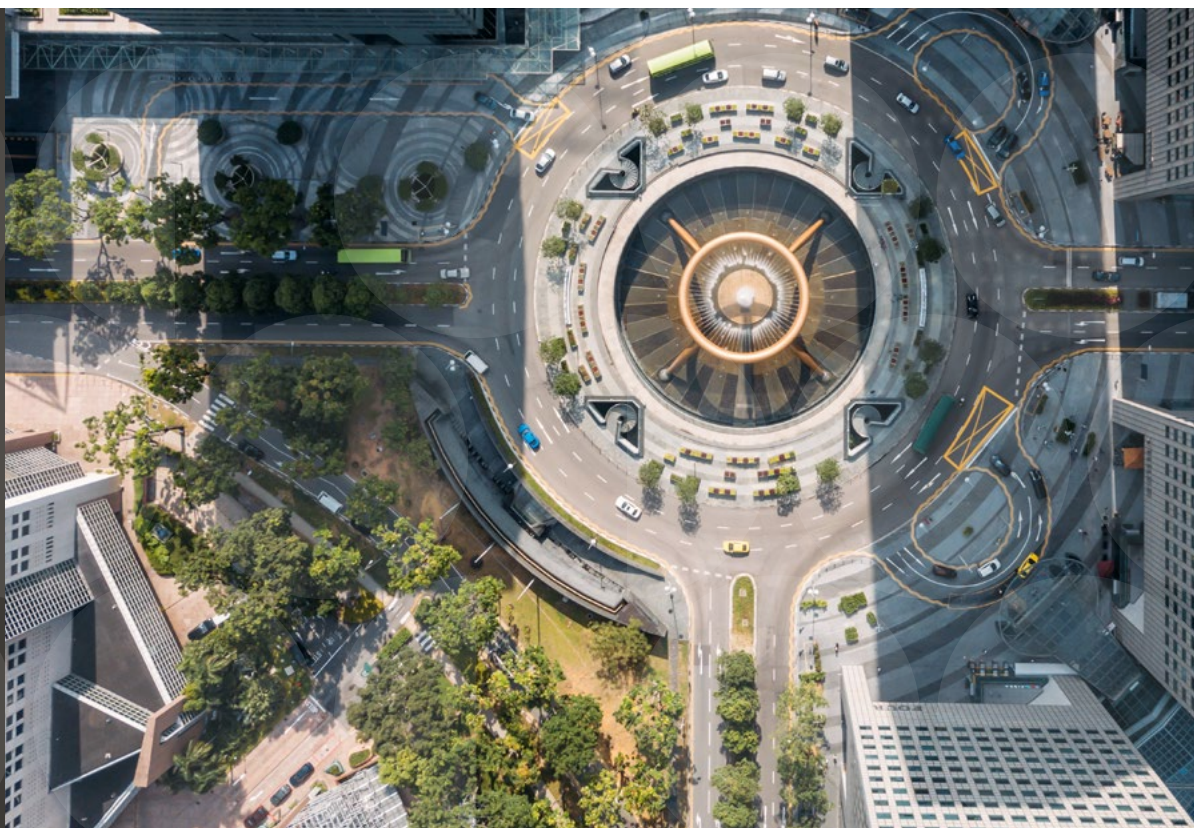
Morningstar CFS FC Active Managed Accounts

Morningstar Active Managed Accounts represent our best research and portfolio construction ideas across the risk profiles of Defensive, Conservative, Moderate, Balanced, Growth and High Growth.

The investment objective of the portfolios is to outperform the average of peers with a similar growth/defensive asset profile over the appropriate investment time horizon.

The Morningstar Active Managed Accounts utilise active management across all asset classes. Underlying managers are chosen taking in to account their Morningstar Medalist Rating and the role they play in portfolio construction.

To achieve a Morningstar Medalist Rating, managers must demonstrate a likelihood to outperform the market after fees, therefore we anticipate these managers can add value over the investment cycle.



Morningstar Overview

Morningstar Investment Management

Morningstar Investment Management Australia Limited is a subsidiary of Morningstar, Inc., a leading provider of investment insights in North America, Europe, Australia, Asia, and Africa. Morningstar, Inc.'s investment advisory subsidiaries provide discretionary investment management and advisory services. Guided by our investment principles, Morningstar, Inc.'s investment advisory subsidiaries are committed to focusing on their mission to design portfolios that help investors reach their financial goals. Morningstar, Inc.'s global investment management team works as one to apply a disciplined investment process to its strategies and portfolios, bringing together core capabilities in asset allocation, investment selection, and portfolio construction. This robust process integrates proprietary research and leading investment techniques. As of Dec. 31, 2024, Morningstar, Inc.'s investment advisory subsidiaries were responsible for approximately US\$338 billion* in assets under management and advisement across North America, Europe, Australia and Asia.

Morningstar Australasia


Morningstar Australasia is a subsidiary of Morningstar, Inc. ("the company"), a leading provider of independent investment insights in North America, Europe, Australia, Asia, and Africa. The Company offers an extensive line of products and solutions that serve a wide range of market participants, including individual and institutional investors in public and private capital markets, financial advisors and wealth managers, asset managers, retirement plan providers and sponsors, and issuers of fixed-income securities. Morningstar provides data and research insights on a wide range of investment offerings, including managed investment products, publicly listed companies, private capital markets, debt securities, and real-time global market data. Morningstar also offers investment management services through its investment advisory subsidiaries, with approximately US\$328 billion in assets under advisement and management as of Dec. 31, 2024. The Company operates through wholly-owned subsidiaries in 32 countries. For more information, visit www.morningstar.com/company. Follow Morningstar on X @MorningstarInc.




Disclaimer

This document is issued by Morningstar Investment Management Australia Limited (ABN 54 071 808 501, AFS Licence No. 228986) ('Morningstar'). © Copyright of this document is owned by Morningstar and any related bodies corporate that are involved in the document's creation. As such the document, or any part of it, should not be copied, reproduced, scanned or embodied in any other document or distributed to another party without the prior written consent of Morningstar. The information provided is for general use only. In compiling this document, Morningstar has relied on information and data supplied by third parties including information providers (such as Standard and Poor's, MSCI, Barclays, FTSE). Whilst all reasonable care has been taken to ensure the accuracy of information provided, neither Morningstar nor its third parties accept responsibility for any inaccuracy or for investment decisions or any other actions taken by any person on the basis or context of the information included. Past performance is not a reliable indicator of future performance. Morningstar does not guarantee the performance of any investment or the return of capital. Morningstar warns that (a) Morningstar has not considered any individual person's objectives, financial situation or particular needs, and (b) individuals should seek advice and consider whether the advice is appropriate in light of their goals, objectives and current situation. Refer to our Financial Services Guide (FSG) for more information at morningstarinvestments.com.au/fsg. Before making any decision about whether to invest in a financial product, individuals should obtain and consider the disclosure document and the Target Market Determination (TMD). For a copy of the relevant disclosure document, please contact our Adviser Solutions Team on 1800 951 999.

To Find Out More

 1800 951 999 (Toll free)

 morningstarinvestments.com.au

For more information on the portfolio including its strategy, fees, product features, benefits and risks, please speak to your adviser.

It is important that you understand the risks involved in investing in the portfolio, your tolerance to these risks, and your investment time horizon. For further information about the risks of investing in the portfolio, please refer to the disclosure document.