

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 July 2025)**

Morningstar CFS First Choice Active Portfolios

# 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 Investment Management Australia Limited (AFSL 228986). 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 is a provider of investment management, asset allocation, portfolio construction, investment advice and investment research services. Morningstar is a wholly owned subsidiary of Morningstar, Inc. Morningstar, Inc is a US based publicly listed company that was established in 1984 and operates through wholly or majority owned subsidiaries in over 32 countries.

Morningstar advises on, and manages portfolios for superannuation funds, institutions, platforms, financial advisers and individuals. Morningstar’s investment philosophy has its foundation in investing for the long term. Morningstar focuses its investment activities on what drives markets and investment outcomes.

# 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.

# 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, with some limited Dynamic asset allocation tilts to account for market and economic conditions.
* 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 Silver.

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 Silver.

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.

#### 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 Silver.

Allocating to the hedged global shares to allow for our SAA and CMA views of the Australian Dollar. 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.

#### Colonial First State Wholesale Index Global Share – Hedged. Rated Bronze.

Allocating to the hedged global shares to allow for our SAA and CMA views of the Australian Dollar. Low cost, efficient core exposure provides diversification and lifts the portfolio’s beta in this asset class. CFS utilising the expertise of State Street Global Advisers for this strategy.

#### Barrow Hanley Global Share. Rated Silver.

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 Bronze***

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.

* ***GQG Partners Wholesale Global Equity. Rated Silver***

GQG Partners Wholesale Global Equity 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 RQI allocations.

* ***Capital Group New Perspective. Rated Silver***

Capital Group New Perspective stands out with a veteran management team and a robust analyst group that delivers a highly diversified portfolio. Capital Group utilize a multi-portfolio manager approach that draw on the group’s extensive analyst pool to seek out companies that benefit from global trade. The strategy benefits from a long an impressive track record.

**Property and Infrastructure**

#### Resolution Capital Global Property Securities. Rated Bronze.

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 Bronze.

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.

We include an ‘enhanced‘ cash option for the cash exposure 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 Silver.

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.

#### Bentham Wholesale Global Income. Rated Bronze.

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 Bronze.

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.

# Appendix 2 – Fees

### Investment Fees

|  |  |  |  |
| --- | --- | --- | --- |
| **Portfolio** | **Benchmark** | **Fee Super****Accumulation** | **Fee Super Pension** |
| Morningstar Defensive | Morningstar Category AverageAustralia Superannuation Multisector Conservative | 0.72% | 0.72% |
| Morningstar Conservative | Morningstar Category Average Australia Superannuation Multisector Moderate | 0.81% | 0.81% |
| Morningstar Moderate | Morningstar Category Average Australia Superannuation Multisector Balanced | 0.84% | 0.84% |
| Morningstar Balanced | Morningstar Category Average Australia Superannuation Multisector50% Balanced/50% Growth Category Average | 0.86% | 0.86% |
| Morningstar Growth | Morningstar Category Average Australia Superannuation Multisector Growth | 0.90% | 0.90% |
| Morningstar High Growth | Morningstar Category Average Australia Superannuation Multisector Aggressive | 0.97% | 0.97% |

*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 SPDS dated 24 May 2025 and PDS Dated 16 November 2024.*