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12 December 2016

Dear Investor,

Revised investment strategy
We would like to provide you with some information regarding upcoming revisions to the investment strategy of the product.

What's changing?
Morningstar has completed a review of the investment objective and investment strategy of the Morningstar Aggressive Real Return Fund and will be making revisions designed to provide investors with greater protection against downside risk.

We will implement a broader multi asset investment approach with higher levels of asset allocation flexibility across growth assets, alternative investments and income and defensive assets. We believe that these revisions allow for a greater ability to navigate an increasingly risky market environment with fewer compelling investment opportunities.

The Fund will be renamed Morningstar *Multi Asset* Real Return Fund in recognition of its revised investment strategy. We will lower our standard management fee by 0.10% from 0.82% (net of GST) to 0.72% (net of GST). The Fund's management costs, incorporating indirect costs charged, are expected to be 0.80% (net of GST)[1].

Refer to Appendix A for the current and revised product features of the Fund.

Why are we making these changes?
We've recently conducted a review of our investment product suite. Our objective is to simplify our offering and to offer contemporary investment products which meet investor needs. As a result, we will be revising the investment strategy for the Morningstar Aggressive Real Return Fund and renaming it the Morningstar Multi Asset Real Return Fund (ARSN: 092 232 356). In addition, we will be reducing our management fee by 0.10%.

[1] Management costs represents a management fee of 0.72% plus estimated underlying manager performance based fees of 0.04% and estimated underlying manager expense recoveries of 0.04%

Next steps

If you are comfortable that the upcoming revisions to the Morningstar Multl Asset Real Return Fund align with your investment goals, we look forward to receiving your application. However if you prefer, you wish to consider our Morningstar High Growth Real Return Fund which has a very similar fund profile to the Morningstar Aggressive Real Return and a comparable management fee.

	Morningstar High Growth Real Return	**Morningstar Aggressive Real Return (Current, to be revised)**	**Morningstar Multi Asset Real Return (Revised)**
Investment Objective	CPI + 4.0% p.a.	CPI + 4.5% p.a.	CPI + 4.0% p.a.
Investment Period	9+ years	10+ years	7+ years
Asset allocation	Wide ranges	Wide ranges	Relatively unconstrained
Risk Level	High	High	Medium
Management Fee	0.76% p.a.	0.82% p.a.	0.72% p.a.

Importantly, you should obtain and consider the relevant disclosure document and seek financial advice to determine whether the investment solution is appropriate for you, in line with your goals, objectives and current situation. For a copy of the relevant disclosure document and application form, go to www.morningstarinvestments.com.au/disclosure.

More information

If you have any questions about the changes, please do not hesitate to contact us on +61 2 9276 4550.

We appreciate your ongoing support and are here to assist you as required.

Yours sincerely,

Michael Kwok
Product and Communications Manager

Appendix A – Morningstar Multi Asset Real Return Fund

Feature	**Current**		**New**	
Name	Morningstar Aggressive Real Return Fund		Morningstar Multi Asset Real Return Fund	
Investment objective	The Fund aims to earn a rate of return that exceeds inflation increases by at least 4.5% pa over rolling 10 year periods		The Fund aims to earn a rate of return that exceeds inflation increases by at least 4.0% pa over rolling 7 year periods	
Investment strategy	An actively managed diversified Fund with a long term average exposure of 100% to growth assets such as shares, property and infrastructure. The Fund will be invested dynamically across managed funds, direct securities, exchange traded funds, foreign exchange contracts and/or derivatives. The Fund aims to deliver real returns whilst preserving capital over the targeted investment horizon.		A multi-asset fund designed to take full advantage of current market valuations by investing in a diversified portfolio of the most attractive assets on a reward for risk basis. Unlike more traditional diversified funds, the Fund is not constrained by a specific benchmark or index. Underpinning the portfolio is an overarching focus on capital preservation over the targeted investment horizon. To construct the portfolio, the Fund can hold managed funds, direct securities, exchange traded funds, foreign exchange contracts and derivatives. The composition of the Fund, including exposure to growth and defensive assets, is expected to change over time, taking advantage of opportunities arising from mispriced markets.	
Risk	High		Medium	
Asset classes and ranges	Min	Max	Min	Max
Australian Shares	0	70	Growth	0 – 100%
International Shares	0	70	Alternative investments	0 – 25%
Global Property Securities	0	45		
Global Infrastructure	0	20	Income and defensive	0 – 100%
Australian Bonds	0	10		
International Bonds (Hedged)	0	10		
Global Inflation Linked Securities (H)	0	10		
Cash	0	20		
Alternative Investments	0	25		

MORNINGSTAR®

Morningstar **Aggressive Real Return Fund**

Product Disclosure Statement
1 July 2016

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Morningstar Aggressive Real Return Fund

Product Disclosure Statement (PDS) | 1 July 2016

Important Notes

This PDS is a summary of the significant information you need to make a decision about the Morningstar Aggressive Real Return Fund ARSN 092 232 356 ('Fund'). It highlights references to important information that is included in the *'Additional Information Document'* which forms part of this PDS (together, the 'Disclosure Documents'). You should read the Disclosure Documents before making a decision to invest in the Fund.

The information provided in this PDS is general information only and does not take into account your personal investment objectives, financial situation or particular needs. It is recommended you seek professional financial advice tailored to your personal circumstances before making a decision.

You can access the Disclosure Documents for the Morningstar Investment Funds in the 'How to Invest' section of our website www.morningstarinvestments.com.au or by calling Morningstar on +61 2 9276 4550.

This PDS and the offer of units in the Fund are only available to Australian resident investors receiving this PDS (including electronically) in Australia and to New Zealand residents who are wholesale investors where permitted by Australian and New Zealand law. Other applications from outside Australia will not be accepted.

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1. About Morningstar Investment Management Australia Limited

Morningstar Investment Management Australia Limited (ABN 54 071 808 501; AFSL 228986) ('Morningstar' or 'Responsible Entity') is the Responsible Entity of the Fund and the issuer of units in the Fund. Morningstar's obligations are governed by the Fund's constitution ('Constitution'), the *Corporations Act 2001 (Cth)* ('Corporations Act') and general trust law. Morningstar is responsible for the operation of the Fund.

Morningstar is a leading provider of asset allocation, portfolio construction and investment research services with over 35 years' experience in the United States, Australia and other international markets. Morningstar advises and manages funds for superannuation funds, institutions, platform distributors, financial advisers and individuals.

Morningstar's disciplined investment approach delivers independent, cost effective and holistic solutions for our clients – helping them reach their financial goals. This long-term, valuation driven approach is underpinned by an emphasis on preserving capital and undertaking comprehensive fundamental analysis of global asset classes and securities.

2. How the Morningstar Aggressive Real Return Fund Works

The Fund is a managed investment scheme registered with the Australian Securities & Investments Commission ('ASIC'), which is subject to the Corporations Act and other applicable law. The legal structure of the Fund is a unit trust governed by its Constitution. An investor's interest in the Fund is represented by their holding of units in the Fund. Investors do not own a direct share of the underlying assets of the Fund.

When you invest in the Fund, your money will be pooled with that of other investors. This pool is used to buy assets and they are managed on behalf of all investors according to the Fund's investment objective and investment strategy. By investing in the Fund, you have access to certain investments that you may not otherwise be able to access on your own. You also access Morningstar's disciplined investment process. Refer to Section 5 for the Fund's investment profile.

The total value of the assets in the Fund is divided into 'units' and a 'unit price' is generally calculated for each Business Day. The unit price will generally change daily, as the market value of assets in the Fund rise or fall.

Making an Initial Investment

Investors can make an initial investment in the Fund by completing the application form and faxing it in accordance with the instructions contained in the application form. An application form can be found in the 'How to Invest' section of our website **www.morningstarinvestments.com.au**.

You can also invest using the managed funds settlement service operated by the ASX ('mFund'). Further information on mFund can be found in 'How to Apply' on page 6.

When you invest in the Fund, units are issued to you, subject to your application monies being received and you completing all identification documentation required under Australian anti-money laundering and counter-terrorism requirements. The number of units allocated to you is based on the amount invested divided by the entry price for the applicable Business Day. Refer to Section 8 on how to apply.

Entry prices are usually higher than exit prices due to the 'buy/sell spread'. The buy/sell spread is built into the unit price and represents your contribution to the transactional costs of buying and selling the underlying assets in the Fund.

The minimum initial investment in the Fund is $20,000, but this amount may be waived or varied upon application.

Morningstar reserves the right to decline any application that is submitted without the need to give reasons.

You can increase your investment by acquiring additional units or decrease your investment by redeeming units in the Fund.

Making Additional Investments

The minimum additional investment is $5,000 but this amount may be waived or varied upon application. Refer to Section 8 for how to apply for additional investments in the Fund.

Making a Redemption

You may apply to redeem any or all of your units on any Business Day. The minimum amount that may be redeemed from the Fund is $5,000 or the balance of your investment in the Fund if the redemption request results in a balance of less than $5,000. Morningstar has discretion to waive or vary the minimum redemption amount prior to redemption.

To redeem, you must complete a redemption form and fax it to the contact details as set out in the redemption form (please use the contact details shown on the last page of the PDS for a copy of a redemption form if required).

If you are using mFund, you can withdraw units in the Fund in a similar way as you sell listed shares. Further

information on mFund can be found on page 6.

The number of units redeemed is based on the amount redeemed divided by the exit price.

Under its Constitution, if the Fund is liquid, redemptions are to be paid within 30 days from receipt of a redemption request. However, Morningstar will endeavour to pay redemption requests as soon as possible. Normally, redemption proceeds will be paid within 6 Business Days following receipt of your request.

If the Fund is not liquid (as defined in the Corporations Act), you may only redeem from the Fund in accordance with the terms of a redemption offer made by Morningstar.

Redemption of units could make you liable for tax on any gain. Morningstar recommends you seek professional tax advice before you redeem units.

Switching Between Funds

You may switch your investment to another Morningstar fund subject to the redemption terms. The amount you switch must meet both the minimum redemption and switching investment amounts. As at the date of this PDS, these investment amounts are $5,000, but this amount may be waived or varied.

When you switch, you are redeeming your investment from one fund and reinvesting it in another. To do this, you must complete and return both an application form and a redemption form.

When you request a switch, the units of the fund you switch out of are redeemed at the exit price and the units of the fund you switch into are issued at the entry price at the time of the redemption. As such, the buy/sell spreads of both funds will apply and the value of your investment may change.

Distributions

The taxable income earned on your investments is paid to you as a distribution and may include interest, dividends (including imputation credits, if any), rent, profits and net realised capital gains from the sale of assets.

Distributions will be made at least annually on 30 June, but are generally paid quarterly within 15 to 30 days after each 31 March, 30 June, 30 September and 31 December. The amount may vary at each distribution and the Fund may make no distribution for a quarter or the financial year where there is no taxable income to distribute. Capital gains are generally distributed annually at 30 June. You may choose to have your distributions paid directly to a nominated Australian bank, building society or credit union account.

Special distributions may be declared outside of these times where it is necessary to preserve equity between investors.

Your distributions will be reinvested if you have elected this on your application form. Any request for distribution reinvestment or cancellation of distribution reinvestment is effective if received and accepted by Morningstar in writing at least 7 days (or such other period as determined by Morningstar) before the end of the distribution period.

The reinvestment unit price is the price calculated on the distribution date using that day's unit price, determined after making an allowance for income distribution. There would normally be no buy/sell spread associated with reinvestment because the assets remain invested in the Fund.

To calculate your distribution, the number of units you own on the relevant entitlement date is multiplied by the distribution cents per unit, as at the distribution date. This method for calculating distributions currently applies to this Fund and all classes of units in the Fund.

Unit prices may fall immediately after a distribution, reflecting the income that is paid out to you. If you invest just before a distribution, you may get some of your capital back as income. Conversely, if you redeem units just before a distribution, you may be converting what would otherwise be income into a capital gain or a reduced capital loss.

Provided that all income is distributed to investors in relation to the year it is earned, the Fund will not pay Australian income tax under current law.

You will be assessed on your share of the taxable income of the Fund in the year to which your entitlement relates, even if the income is reinvested in additional units.

Indirect Investors

Morningstar authorises the use of this PDS as disclosure to persons who wish to access the Fund indirectly through an Investor Directed Portfolio Service (IDPS), IDPS-like scheme or a nominee or custody service (collectively referred to as an 'IDPS').

Persons who invest in the Fund through an IDPS will be subject to different conditions from those referred to in this PDS, particularly with regard to cut-off times for transacting, timing of distributions, cooling-off rights, the complaints process, applications, redemptions, Fund reporting and investor notices. Also, additional fees and costs to those disclosed in this PDS may be charged by your IDPS operator.

Indirect Investors should read the guide provided by the IDPS operator. If you are selecting the Fund through an IDPS, please refer to your IDPS operator or your financial adviser for information on how to invest in the Fund.

You should read the important information about 'Investment in and redeeming from the Fund' (including restrictions on withdrawals and information relevant to Indirect Investors) before making a decision. Go to Section 1 of the ***'Additional Information Document'***. The material relating to investment in and redeeming from the Fund may change between the time when you read this PDS and the day when you acquire the product.

3. Benefits of Investing in the Morningstar Aggressive Real Return Fund

The Fund is managed by investment professionals with considerable experience in asset allocation, portfolio construction and investment research.

Investors benefit from these three core capabilities which are built on a foundation of proprietary methodologies and award winning research. The Fund provides diversification across multiple investments, investment managers and investment styles.

4. Risks of Managed Investment Schemes

In making an investment decision, it is important to consider the investment, its level of risk and diversification, how it relates to your investment goals and other investments you may hold. You should read all the information in this PDS carefully and seek appropriate professional advice before you make a decision.

All investments carry risk. Different strategies may carry different levels of risk depending on the assets that make up the strategy. Assets with the highest long-term returns may have the highest level of short-term risks. Returns are not guaranteed and future returns may differ from past returns.

All investments have some level of risk. Risk is the likelihood of not getting all your money back and/or getting lower returns than expected. Investments with higher expected returns often involve higher short-term risk.

Before investing, it is important that you understand the risk involved in the investment you are considering, your tolerance to that risk and your investment time horizon.

If you are investing via an IDPS, your financial adviser will be able to assist you with determining your investment goals.

Generally, the **key risks of investing in managed investment schemes** include the risk that:

- the value of investments will vary;
- the level of returns and distributions will vary, and future returns and distributions may differ from past returns and distributions;
- returns are not guaranteed and investors may lose some of their money;
- laws affecting managed investment schemes may change including tax laws;
- investing in a fund may have different tax consequences than investing directly into assets that the Fund holds. This is because applications and redemptions by other investors may impact the distribution and the overall tax position of a fund;
- the Fund could come to an end; and
- the level of risk for each investor will vary depending on a range of factors including their

age, investment timeframe, the investor's other investments and their individual risk tolerance.

Significant and specific risks you should consider if investing in this Fund are:

Market Risk
The Fund invests in investment markets and these markets are affected by a range of conditions (e.g. economic, technological or political) that impact returns. As the risk relates to the market as a whole, it cannot be reduced by holding a greater variety of assets within a particular market. Periods of extreme market volatility can alter the level of risk, return and liquidity of the Fund.

Currency Risk
Movements in exchange rates between the Australian dollar and foreign currencies can affect the performance of the Fund due to its exposure to international investments. When foreign currencies fall in value relative to the Australian dollar this can have an adverse impact on investment returns for the Fund. The Fund may use currency hedging to reduce the magnitude of currency risk.

Manager Risk
There is a risk that underlying managers may fail to meet their investment objectives, resulting in sub-standard returns for the Fund.

Counterparty or Default Risk
There is a risk that a party Morningstar contracts with in relation to the Fund, fails to meet its contractual obligations, resulting in a loss of capital for the Fund. Counterparties include brokers, foreign exchange counterparties and borrowers under any stock lending agreements.

In addition, investing through an administration platform brings some risk that the operator of the administration platform may not perform its obligations properly. In the case of mFund, ASX may suspend or revoke the admission of the Fund to mFund. ASX's systems could fail or there could be errors, anomalies or irregularities.

Contractual Risk
In the interests of efficient investment, Morningstar may act on an investment application before confirmation that application monies have been received. If an investor fails to meet its contractual obligations to pay application monies, this may result in a loss of capital to the Fund, the risk of units not being issued to that investor or the subsequent cancellation of these units. Investors may be liable for any loss to their potential capital in the event of market movements before application monies are received.

Changes in Laws
The value of investments held by the Fund may be affected by changes to laws in Australia or overseas, such as taxation.

Derivatives Risk
Derivatives (such as options, futures, swaps, forward rate agreements and forward foreign exchange contracts) may be used in managing the assets of the Fund. Risks associated with using derivatives might include the value of the derivative failing to move in line with the underlying asset, illiquidity of the derivative, the Fund not being able to meet payment obligations as they arise and counterparty risk (this is where the counterparty to the derivative contract cannot meet its obligations under the contract). Further information can be found in Morningstar's Derivative Risk Statement which can be obtained free of charge by contacting Morningstar at the contact details shown on the last page of the PDS.

Inflation Risk
Inflation reduces the purchasing power of assets or income over time. Changes in inflation may impact the value of your investment in the Fund.

Interest Rate Risk
An increase in interest rates may lead to a reduction in the value of most investments. This risk is usually greater for fixed interest investments that have longer maturity dates.

Liquidity Risk
Liquidity risk is the risk that a security may not be able to be converted into cash on a timely basis with little or no loss of capital. Liquidity will be affected by market movements. During extreme market volatility, the Fund may experience illiquidity. Redemptions may be suspended for a period of time and payments may be deferred.

You should read the important information about 'Further risks' before making a decision. Go to Section 2 of the ***'Additional Information Document'***. The material relating to further risks may change between the time when you read this PDS and the day when you acquire the product.

5. How We Invest Your Money

You should consider the likely investment return, risk and your investment timeframe before choosing to invest in the Fund.

Morningstar's experienced investment professionals develop investment strategies which they believe are most likely to deliver on the Fund's investment objective.

Morningstar's disciplined investment approach provides the necessary flexibility to respond to the dynamic nature of markets and results in the comprehensive fundamental analysis of securities, leveraging the global resources of Morningstar.

Investment Profile

Investment Objective[1]

Aims to earn a rate of return that exceeds Consumer Price Index increases by at least 4.5% p.a. over rolling 10 year periods.

Investment Strategy

An actively managed diversified Fund with a long term average exposure of 100% to growth assets such as shares, property and infrastructure. The Fund will be invested dynamically across managed funds, direct securities, exchange traded funds, foreign exchange contracts and/or derivatives. The Fund aims to deliver real returns whilst preserving capital over the targeted investment horizon.

Minimum Suggested Timeframe for Holding Investment	10 years
Suitable Investor Profile	The Fund is designed for investors who seek the potential for high capital growth and diversification across multiple asset classes, investment strategies, investment managers and styles.
Risk Level/Profile[2]	High
Inception Date	2/11/2000
Fund Net Asset Value as at 31 May 2016	$61.2 million
Distribution Frequency	Quarterly
APIR Code	INT0040AU
ARSN	092 232 356
Changes to the Fund	The Fund's investment return objective (including its benchmark), asset classes, asset ranges and currency strategy (if any) can be changed, without prior notice in some cases. Investors will be informed of any material change to the Fund as required by law.

Notes
1. The investment return objective is expressed before the deduction of management fees, expense recoveries and taxation, i.e. performance is measured relative to the benchmark before fees, costs, and taxes are deducted. Refer to Section 6 details on fees and costs and Section 7 for details on taxation. The investment return objective is not intended to be

a forecast; it is merely an indication of what the Fund aims to achieve over the investment time horizon. The Fund may not be successful in meeting its investment return objective and **returns are not guaranteed**.

2. 'High' risk profile means that the Fund may experience periods of negative and/or volatile returns, and loss of value, while offering the potential for greater returns.
3. Day-to-day asset allocations vary within the ranges shown. If market movements cause a breach of the ranges shown, Morningstar will rebalance asset allocations shortly thereafter. The ranges may be changed without prior notice but Morningstar will notify affected investors as soon as practicable and within 30 days of making any such material adjustments. For the most recent asset allocations, please refer to our website **www.morningstarinvestments.com.au**.
4. The Fund may invest through other Morningstar funds to obtain its desired asset allocation. Where the Fund invests in another fund managed by Morningstar, the management fee or performance fee (if applicable) will only be charged once on the invested amount.
5. Morningstar determines the level of currency exposure and hedging to adopt for each Fund. Currency hedging aims to reduce the impact of movements in the value of the Australian dollar against other currencies. For information associated with the risk of currency, please refer to the 'Currency Risk' section on page 3.
6. The asset class 'International Shares' is actively hedged for currency exposure.

Ethical Statement

Morningstar does not explicitly take into account labour standards or environmental, social or ethical considerations when making investment decisions for the Fund or when selecting or monitoring underlying managers. Selected underlying managers are also not required to take any such considerations into account when making their investment decisions.

You should read the important information about 'How we invest your money' before making a decision. Go to Section 3 of the ***'Additional Information Document'***. The material relating to how we invest your money may change between the time when you read this PDS and the day when you acquire the product.

Asset Allocation [3,4,5]	
Sectors	**Ranges (%)**
Australian Shares	0–70
International Shares [6]	0–70
Global Property Securities	0–45
Global Infrastructure	0–20
Australian Bonds	0–10
International Bonds (Hedged)	0–10
Global Inflation-Linked Securities (Hedged)	0–10
Cash	0–20
Alternative Investments	0–25

6. Fees and Costs

Did You Know?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your Fund balance, rather than 1%, could reduce your final return by up to 20% over a 30-year period (for example, reduce it from $100,000 to $80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower administration fees where applicable. Ask Morningstar or your financial adviser.

To Find Out More

If you would like to find out more, or see the impact of the fees based on your own circumstances, the **Australian Securities & Investments Commission (ASIC)** website (**www.moneysmart.gov.au**) has a managed investment fee calculator to help you check out different fee options.

The information in the fee tables below can be used to compare costs between different managed investment schemes. To calculate the effect of fees and costs on account balances use the calculator on the ASIC 'Moneysmart' website at **www.moneysmart.gov.au**. Fees and costs are deducted from the assets of the Fund and reduce investment return to investors.

Type of Fee or Cost	Amount
Fees When Your Money Moves In or Out of the Fund	
Establishment fee	Nil
Contribution fee	Nil
Withdrawal fee	Nil
Termination fee	Nil
Management Costs	
The fees and costs for managing your investment	0.82% p.a. of the net asset value of your investment in the Fund

This Fund may have exposure to underlying managers and Morningstar funds which charge performance fees. Performance based management fees are an additional cost to you and impact the returns you may receive. For more information on performance fees, please refer to page 5.

Example of Annual Fees and Costs

This table gives an example of how the fees and costs for the Fund can affect your investment over a one-year period. You should use the information in the table to compare the costs of this product with other managed investment products.

Example – Morningstar Aggressive Real Return Fund balance of $50,000 including a contribution of $5,000 at the beginning of the year[7]		
Contribution fee	Nil	For every additional $5,000 you put in, you will be charged $0 as a contribution fee.
PLUS Management costs[8]	0.82% p.a.	And, for the average balance of $50,000 you have in the Fund you will be charged a management fee of $410 inclusive of GST and RITC.
PLUS Performance fee costs[9]	0.03% p.a.	And, assuming an underlying investment manager charges a performance fee of which the criteria to be paid are met (and based on the assumptions below), for every $50,000 you have in the Fund you will be charged $14.35.[10,12]
EQUALS Cost of Fund	0.85% p.a.	If you invest $5,000 at the beginning of the year and your average balance is $50,000 over the course of the year, you would be charged: **$424.35 p.a.**[11] **What it costs you will depend on the fees you negotiate.**

If you have consulted a financial adviser, additional fees such as an Investment Advice Fee and/or an Ongoing Advice Fee may be payable to that financial adviser. Please refer to the Statement of Advice provided by your financial adviser. In addition, you should read the information about 'Payments to your financial adviser' in Section 4 of the *'Additional Information Document'*.

Notes

7. The example is based on an average investment balance of $50,000 which includes a contribution of $5,000 at the beginning of the year.

8. Management costs are calculated on an Indirect Cost Ratio basis and are net of GST and RITCs. Management costs are rounded to two decimal places, but in practice the rates are calculated and applied at more than two decimal places. Refer to 'Management Costs' in the section 'Additional Explanation of Fees and Costs' for a more detailed description of how management fees and expenses are calculated.

9. The constitution of the Morningstar Aggressive Real Return Fund does not permit the Responsible Entity to charge a performance fee, however this Fund does have exposure to underlying investments which may charge performance fees.

10. See 'Management Costs' in the section 'Additional Explanation of Fees and Costs' for more information on how performance fees are calculated. In the worked example, the performance fee is calculated assuming one investment manager, which charges a performance fee of 10.25% (net GST and RITC), and outperforms its performance hurdle by 8%. Please note the fact that the example assumes outperformance of 8% is not in any way intended to be a forecast of the likely returns generated by any particular investment manager. **Returns are not guaranteed.**

11. The example assumes that your average balance is $50,000 throughout the year (i.e. no further contributions are made and the Fund's unit price does not change) and fees are not individually negotiated. The example does not include the effect of any transaction costs (including buy/sell spreads) or abnormal expenses which may be incurred by the Fund.

12. This example is calculated on the basis that (a) the underlying manager charges a performance fee of 10.25% (net GST and RITC), (b) the underlying fund outperforms its hurdle by 8% in the year (and there is no previous negative performance to be made up and no prior performance fees have been paid), and (c) the Morningstar Aggressive Real Return Fund has 3.5% of its portfolio invested with the particular manager, then you will be charged a performance fee of $14.35 calculated as follows:

    Invested amount multiplied by the investment manager exposure multiplied by the manager's outperformance multiplied by the performance fee percentage:

    = ($50,000 x 3.5% x 8% x 10%) + (GST - RITC)
    = $14.00 + ($14.00 x 10%) - (75% x $14.00 x 10%)
    = $14.35

Additional Explanation of Fees and Costs

Change of Costs

Morningstar has the right to change the amount of fees without investors' consent within the limits set out in the Fund's Constitution. Any increase to the amount of fees will not take effect until 30 days' notice to investors has been given.

Management Costs

Management costs are the fees and costs for managing your investment and include all direct and indirect costs for managing the Fund. If the Fund invests in another fund managed by Morningstar, the management fee and performance fee (if applicable) will only be charged once on the invested amount.

Performance Fees

Certain underlying managers including Morningstar may charge performance fees. These fees are payable if the relevant investment managers meet specific investment performance targets. Performance fees are structured so that an investment manager's remuneration is linked to the investment return achieved over an appropriate benchmark index.

If the Fund is exposed to performance fees this is footnoted in the table on page 4. If the Fund is not currently exposed to performance fees, it may be in the future, and affected unit holders will be notified at least 30 days before such underlying investment manager changes are implemented.

Buy/Sell Spreads

The difference between the entry price and exit price of a unit is called the 'buy/sell spread'. This covers the estimated transaction costs of buying or selling investments when you apply for, switch or redeem units from the Fund. The buy spread is added to the price payable on application for units, and the sell spread is deducted from the amount payable to you when you redeem units. Each is expressed as a percentage of the unit price.

The buy/sell spread amounts paid by transacting investors are retained in the Fund to cover these transaction costs.

The Fund's buy/sell spread is 0.17% upon entry ($34 for each $20,000 investment) and 0.17% upon exit ($34 for each $20,000 investment).

Buy and sell spreads may change without notice, for example if transaction costs change. Morningstar has a Unit Pricing Policy in place which sets out the guidelines and relevant factors for calculating unit prices, including buy and sell spreads. You may obtain a copy of the Unit Pricing Policy (and any records ASIC requires to be maintained) free of charge by contacting Morningstar.

mFund costs

If you access the Fund through mFund, your broker may charge you a fee to help you acquire or redeem units via mFund. You should consider your broker's Financial Services Guide. Refer to 'How to Apply' below for further information.

Differential Fees and Unit Pricing
Morningstar may from time to time negotiate different fees (by way of a rebate or waiver of fees) with investors who are wholesale clients (as the Corporations Act defines that term).

Morningstar's documented policy regarding the exercise of discretions regarding unit pricing; and records of any exercise of such discretions which are outside the scope of the policy, or inconsistent with the policy is available on request from Morningstar at no charge.

You should read the important information about 'Fees and costs' before making a decision. Go to Section 4 of the ***'Additional Information Document'***. The material relating to fees and costs may change between the time when you read this PDS and the day when you acquire the product.

7. How Managed Investment Schemes are Taxed

Investing in a registered managed investment scheme is likely to have tax consequences.

Investors are strongly advised to seek professional taxation advice.

The Fund does not pay tax on behalf of investors. As an investor, you will be assessed for tax on your share of the income and capital gains generated by the Fund.

Tax laws, and the interpretation and administration of them, change over time.

You should read the important information about 'Additional information about tax' before making a decision. Go to Section 5 the ***'Additional Information Document'***. The material relating to tax may change between the time when you read this PDS and the day when you acquire the product.

8. How to Apply

This PDS and the offer of units in the Fund are available only to Australian resident investors receiving this PDS (including electronically) in Australia and to New Zealand residents who are wholesale investors where permitted by Australian and New Zealand law. Other applications from outside Australia will not be accepted.

Indirect Investors who are clients of an IDPS operator do not have a direct relationship with the Responsible Entity. Refer to the 'Indirect Investors' section on page 2.

You can invest directly in the Fund by completing the application form including anti-money laundering information and paying the application monies. The application form is found in the 'How to Invest' section of our website. The minimum initial investment in the Fund is $20,000 and $5,000 for additional investments, but these amounts may be waived or varied.

If you provide a correctly completed application request, including anti-money laundering information and cleared funds, prior to the cut-off time on a Business Day, you will generally pay the entry price calculated as at the close of business on that Business Day. For correctly completed application requests and cleared funds received after the cut-off time, you will generally pay the entry price calculated as at the close of business on the next Business Day. Refer to the application form for details on cut-off times.

On request, Morningstar may agree special cut-off times (later than those specified in the application form) for investors who are 'wholesale clients' (as defined in the Corporations Act).

If your application monies are not received, either units will not be issued to you or any units which have been issued may be cancelled and you will be deemed not to be an investor. The amount owing, together with any costs and expenses incurred by the Fund as a result of non-receipt of the monies, will be treated as a debt owing to the Fund and units held by you may be redeemed in order to meet that debt.

No interest is received on application monies, including monies for additional investments, and no interest will be paid to you if for any reason (such as failure to complete the anti-money laundering requirements) your application does not progress.

mFund

The Fund has been admitted to mFund, the managed funds settlement service operated by the ASX. This provides a convenient way for investors to apply or redeem units in the Fund. mFund allows you to settle, or pay the application price and be paid the redemption price, based on the net asset value of the Fund. This is not the same as the Fund being listed (or quoted), where the market decides the price of the units. When transactions are settled through mFund, units are issued by us or redeemed by us. mFund does not facilitate on-market buying and selling between investors. Your unit holding will be CHESS sponsored by your broker and identified through your individual Holder Identification Number (HIN).

See **www.mfund.com.au** for additional information.

Cooling-off Period

A cooling-off right does not apply to indirect investments so Indirect Investors should consult their IDPS operator in relation to any cooling-off rights that may apply. If a cooling-off period applies to you, and you decide that your investment in the Fund is not suitable, you can request in writing to have it cancelled during the 14-day cooling-off period. Your request must state that you are exercising your cooling-off right. The 14-day period commences on confirmation of your investment or 5 days after your units are issued, whichever is earlier. The amount refunded to you will reflect any change in unit prices, taxes, transaction costs (including buy/sell spreads) and administrative expenses incurred, and will not include interest. Accordingly, the amount refunded may be less than the amount you initially invested.

Complaints

Morningstar aims to provide you with quality ongoing service and has established procedures for dealing with complaints. If you are investing directly and are dissatisfied or have a complaint about your investment in the Fund, please contact our Compliance Manager in the first instance using **complaints@morningstarinvestments.com.au**.

Your complaint will be acknowledged within 3 Business Days of receipt and Morningstar will make every effort to resolve your complaint within 21 days of receipt. In any event, we will finalise our response no later than 45 days after receipt.

If you are still not satisfied, you may refer the matter to the Financial Ombudsman Service (FOS) of which Morningstar is a member. FOS is an independent dispute resolution body whose services are free to complainants. FOS can consider claims of up to $500,000 (or higher if you and Morningstar otherwise agree in writing). FOS is only able to make a determination of up to $309,000 per managed investment claim (excluding compensation for costs and interest payments). These monetary limits and the FOS terms of reference may change from time to time. Morningstar is bound by the decisions made by FOS. Current details can be obtained from the FOS website listed below. The contact details for FOS are:

Financial Ombudsman Service

GPO Box 3
Melbourne VIC 3001
Tel: 1800 367 287
Fax: +61 3 9613 6399
Email: **info@fos.org.au**
Web: **www.fos.org.au**

You should read the important information about 'How to apply' including information on Indirect Investors before making a decision. Go to Section 6 of the ***'Additional Information Document'***. The material relating to 'How to apply' may change between the time when you read this PDS and the day when you acquire the product.

9. Additional Information

If you are printing an electronic copy of this PDS you must print all pages, including the Additional Information Document, application form accompanying the PDS and any additional documents (if applicable). If you make this PDS available to another person, you must give them the entire electronic file or print out, including the Additional Information Document, application form and any additional documents (if applicable). You can obtain a paper copy of this PDS (and any additional documents) free of charge by contacting Morningstar.

The value of your investment may rise and fall, and at times your returns may be negative. Neither Morningstar nor any of its related companies, directors, officers, service providers or the underlying managers appointed for the Fund guarantee that your

investment will appreciate in value or retain its value, guarantee the repayment of capital or guarantee the performance of the Fund. Investments in the Fund are subject to investment risk, including possible delays in repayment (such as a delay in receiving funds from a redemption of an underlying investment) and loss of income or loss of capital invested.

Custody is the safekeeping of assets. A custodian has been appointed to hold and maintain certain Fund assets as agent of the Responsible Entity. Any Fund assets not held by the custodian are held directly by the Responsible Entity. A custodian is the legal owner of assets, but not the beneficial owner. Custodians do not decide which assets are bought or sold. They simply hold them securely for their beneficial owners and deal with them as directed by the beneficial owner.

Services provided by the custodian (as agent of the Responsible Entity) include core custodial services of trade and transaction settlement, corporate action event reporting and administration, reconciliations, and proxy voting services. Other custodial services include record keeping and reporting, income and distribution processing, cash management and tax reclamations. Investment administration services are also provided by Morningstar's custodian like valuing Fund assets, calculating unit prices and distribution amounts, performance reporting, and unit registry. The custodian manages a securities lending program in relation to the Fund assets. Morningstar may change the custodian.

Unless stated otherwise, all fees are inclusive of GST after taking into account any expected RITCs.

All monetary amounts referred to in this PDS are in Australian dollars, and all telephone numbers are Australian (unless otherwise specified).

You should retain a copy of this PDS and any other related material for future reference. You should consider all current information when making an initial investment or ongoing investment in the Fund.

References to dollars are to Australian dollars and contact numbers are to contact numbers in Australia (unless otherwise indicated).

You should retain a copy of this PDS and any other related material for future reference. You should consider all current information when making an initial investment or ongoing investment in the Fund.

Information that is not materially adverse information is subject to change from time to time. Where this occurs, a website notice will be posted at www.morningstarinvestments.com.au.
A paper copy of any updated information will be given to a person without charge on request.

Contact Details

Investors using mFund:
Contact your financial adviser or broker

otherwise:

Responsible Entity and issuer:
Morningstar Investment Management Australia Limited
Level 36, Australia Square
264 George Street
Sydney NSW 2000
Tel: +61 2 9276 4550
Fax: +61 2 9276 4560
Web: **www.morningstarinvestments.com.au**
Email: **AUDistribution@morningstar.com**

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