

Australian Shares Small Cap Managed Account Portfolio

102017

Monthly Performance Update

All data and information as at Portfolio Date: 31/10/2017

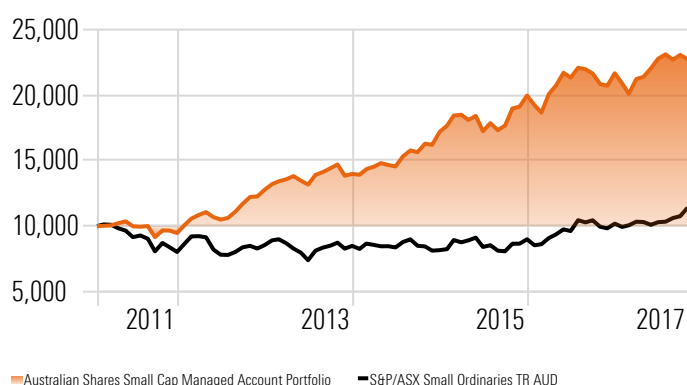
Risk Profile: Very High
Inception: 28 February 2011
Management Fee: 0.85%
Investment Horizon: 7 Years

Investment Objective

The objective of the Morningstar Australian Shares Small Cap Portfolio aims to outperform the S&P/ASX Small Ordinaries Accumulation Index over a complete cycle.

Investment Growth

Time Period: 01/02/2011 to 31/10/2017



Investment Strategy

This is an actively managed concentrated portfolio consisting of Morningstar's best small cap ideas outside of the S&P/ASX 100 with sufficient liquidity. Portfolio holdings primarily consist of companies trading at attractive discounts to intrinsic value relative to the portfolio universe. All else equal, Morningstar also strives to own companies with economic moats as high quality companies tend to outperform with reduced volatility.

Total return will tend to be driven by both capital appreciation and dividend yield with the mix dependent on the opportunities available.

Trailing Returns

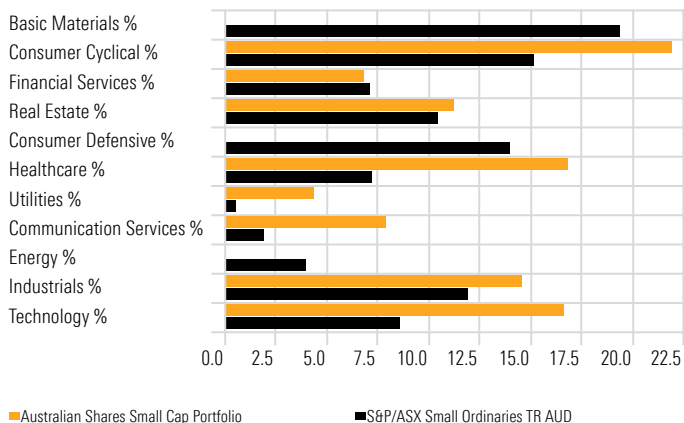
| | 5yr (% p.a) | 3yr (% p.a) | 1yr | 3mth | 1mth | Incp (% p.a) |
|---------------------------------|-------------|-------------|-------|-------|-------|--------------|
| Australian Shares Small Cap | 13.19 | 11.74 | 9.06 | -1.61 | -1.43 | 12.92 |
| S&P/ASX Small Ordinaries TR AUD | 6.05 | 10.48 | 14.58 | 10.32 | 6.02 | 1.96 |

Past performance is not a reliable indicator of future performance. Returns over 12 months are annualised.

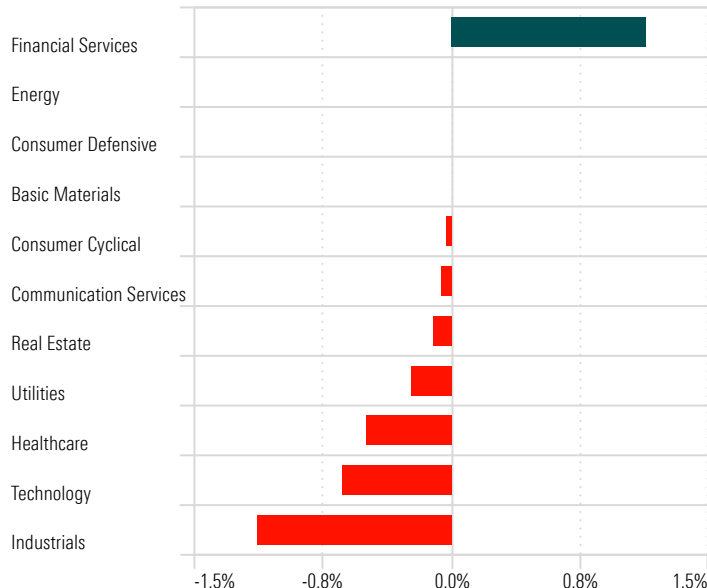
Risk Since Inception

| | Std Dev | Max Drawdown | Beta |
|---------------------------------|---------|--------------|------|
| Australian Shares Small Cap | 11.32 | -11.63 | 0.59 |
| S&P/ASX Small Ordinaries TR AUD | 14.53 | -26.88 | 1.00 |

Sector Exposure



Sector Contribution Over the Month



Notes:

1) Management fees can be negotiated and may be less than the standard management fee.
 2) Investment performance is before tax and after the standard management fee of 0.85% (inclusive of GST). Investment performance represents modelled performance only and assumes income received is reinvested. An individual investor's performance will differ from the modelled performance depending on factors such as transaction timing, actual management fees, whether income is paid and any divergence from model portfolio weightings.



Portfolio Holdings

| | Morningstar Sector | Portfolio Weighting % |
|--|---------------------------|------------------------------|
| Cash Account | — | 8.74 |
| Xero Ltd | Technology | 7.92 |
| Nine Entertainment Co. Holdings Ltd | Consumer Cyclical | 6.94 |
| Platinum Asset Management Ltd | Financial Services | 6.18 |
| Ainsworth Game Technology Ltd | Consumer Cyclical | 5.25 |
| Air New Zealand Ltd | Industrials | 5.24 |
| Tox Free Solutions Ltd | Industrials | 5.18 |
| MYOB Group Ltd | Technology | 5.12 |
| SkyCity Entertainment Group Ltd | Consumer Cyclical | 5.06 |
| Sigma Healthcare Ltd | Healthcare | 4.54 |
| Virtus Health Ltd | Healthcare | 4.34 |
| Hotel Property Investments | Real Estate | 4.27 |
| Mercury NZ Ltd | Utilities | 4.01 |
| ALE Property Group | Real Estate | 3.92 |
| Greencross Ltd | Healthcare | 3.79 |
| Spark New Zealand Ltd | Communication Services | 3.61 |
| Chorus Ltd | Communication Services | 3.61 |
| OFX Group Ltd | Industrials | 2.81 |
| Australian Pharmaceutical Industries Ltd | Healthcare | 2.68 |
| iSentia Group Ltd | Technology | 2.11 |
| Folkestone Education Trust | Real Estate | 2.03 |
| Myer Holdings Ltd | Consumer Cyclical | 1.36 |
| Automotive Holdings Group Ltd | Consumer Cyclical | 1.32 |

About Morningstar

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 objective, 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.



We put investors first. We believe the firms that put investors first win in the long term because their investors win.

Since 1984, Morningstar, Inc. has been helping investors reach their financial goals. Our fiduciary duty to our principals is paramount.



We're independent-minded. To deliver results, we think it's necessary to invest with conviction, even when it means standing apart from the crowd.

Our research shows that making decisions based on fundamental analysis, rather than short-term factors and sentiment, delivers better long-term investment results.



We invest for the long term. Taking a patient, long-term view helps people ride out the market's ups and downs and take advantage of opportunities when they arise.

Investing with a multi decade horizon aligns with investors focus on increasing their purchasing power over their lifetimes.

The long term is the only period where fundamental, valuation driven investing works.



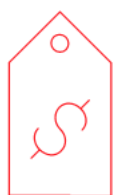
We're valuation-driven investors. Anchoring decisions to an investment's fair value—or what it's really worth—can lead to greater potential for returns.

Valuation-driven investing through a long-term focus on the difference between price and intrinsic value enables investors to get more than they're paying for.



We take a fundamental approach. Powerful research is behind each decision we hold, and we understand what drives each investment we analyse.

Fundamental investing incorporates a focus on the future earnings of an investment and not its prospective price change.



We strive to minimise costs. Controlling costs helps investors build wealth by keeping more of what they earn.

Investment returns are uncertain, but costs are not.

Lower costs allow investors to keep more of their returns.



We build portfolios holistically. To help manage risk and deliver better returns, truly diversified portfolios combine investments with different underlying drivers.

Portfolios should be more than the sum of their parts.

True diversification can have a powerful impact on a portfolio's risk-adjusted returns – but simply holding more investments isn't the same as true diversification.