



# Morningstar Investment Funds

**Additional Information Document**  
1 July 2016

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## Additional Information Document | 1 July 2016

This **Additional Information Document** has been issued by Morningstar Investment Management Australia Limited (ABN 54 071 808 501; AFSL 228986) ('Morningstar')

Information in this **Additional Information Document** forms part of the Product Disclosure Statements (each a PDS and together the PDSs) for the following Morningstar Funds (collectively the 'Funds' and individually the 'Fund') managed by Morningstar.

- ▶ Morningstar Aggressive Real Return Fund dated 1 July 2016
- ▶ Morningstar High Growth Real Return Fund dated 1 July 2016
- ▶ Morningstar Growth Real Return Fund dated 1 July 2016
- ▶ Morningstar Balanced Real Return Fund dated 1 July 2016
- ▶ Morningstar Conservative Real Return Fund dated 1 July 2016
- ▶ Morningstar Multi-Asset All Growth Fund dated 1 July 2016
- ▶ Morningstar Multi-Asset Defensive Fund dated 1 July 2016
- ▶ Morningstar Australian Shares Fund dated 1 July 2016
- ▶ Morningstar International Shares (Unhedged) Fund dated 1 July 2016
- ▶ Morningstar International Shares (Hedged) Fund dated 1 July 2016
- ▶ Morningstar Australian Property Securities Fund dated 1 July 2016
- ▶ Morningstar Global Property Securities (Hedged) Fund dated 1 July 2016
- ▶ Morningstar Australian Shares High Alpha Fund dated 1 July 2016
- ▶ Morningstar International Shares High Opportunities (Unhedged) Fund dated 1 July 2016
- ▶ Morningstar International Shares High Opportunities (Hedged) Fund dated 1 July 2016
- ▶ Morningstar Australian Bonds Fund dated 1 July 2016
- ▶ Morningstar International Bonds (Hedged) Fund dated 1 July 2016
- ▶ Morningstar Global Inflation Linked Securities (Hedged) Fund dated 1 July 2016
- ▶ Morningstar Cash Fund dated 1 July 2016
- ▶ Morningstar High Growth Fund dated 30 May 2016
- ▶ Morningstar Growth Fund dated 30 May 2016
- ▶ Morningstar Balanced Fund dated 30 May 2016
- ▶ Morningstar Moderate Fund dated 30 May 2016
- ▶ Morningstar Conservative Fund dated 30 May 2016

You should read this **Additional Information Document** together with the relevant PDS before making a decision to invest in the Fund(s).

This **Additional Information Document** and the PDSs are available online at [www.morningstarinvestments.com.au](http://www.morningstarinvestments.com.au) or you can request a free copy by calling Morningstar on +61 2 9276 4550.

The information in this **Additional Information Document** is general information only and does not take into account your personal investment objectives, financial situation or particular needs. It is recommended that you seek professional advice tailored to your personal circumstances before making a decision. Neither Morningstar nor any other related body corporate, guarantees the performance of the Fund(s) or the return of capital or income. Your investment in the Fund(s) is subject to investment risk. This could involve delays in repayment and loss of income or loss of capital invested.

## Contents

1. Investment in and redeeming from the Fund	2
2. Further risks	3
3. How we invest your money	3
4. Fees and costs	4
5. Additional information about tax	8
6. How to apply	10
7. Additional information	10
8. Definitions	12

## 1. Investment in and redeeming from the Fund

The following information forms part of Section 2 of the PDS.

### How to Submit Your Request

Unless you are using the managed funds settlement service operated by the ASX ('mFund'), all requests to invest, redeem or switch must be sent by facsimile using the contact details provided on the last page.

All requests to invest must be made using the application form which accompanies the PDS and which is available from our website

[www.morningstarinvestments.com.au](http://www.morningstarinvestments.com.au)

Please use the contact details shown on the last page to obtain a copy of the forms required when making an application, redemption or a switch.

### Making a Redemption

Unless you are using mFund, redemption requests received prior to the cut-off time on a Business Day, will generally receive the exit price calculated as at the close of business that day. For redemption requests received after the cut-off time, you will generally receive the exit price calculated as at the close of business on the next Business Day.

Morningstar may negotiate later cut-off times with investors who are wholesale clients (as the Corporations Act defines that term).

### Restrictions on Withdrawals

Under the Fund's Constitution, redemption proceeds must be paid within maximum timeframes after the redemption request is received. For all Funds, excluding those listed below, their Constitution requires redemption proceeds to be paid within 30 days. For those listed below, the following maximum timeframes apply to the payment of redemption proceeds:

- ▶ Morningstar Global Inflation Linked Securities (Hedged) Fund – 18 months
- ▶ Morningstar High Growth Fund – 18 months
- ▶ Morningstar Multi-Asset All Growth Fund – 60 days
- ▶ Morningstar Multi-Asset Defensive Fund – 60 days

Morningstar will, however, endeavour to pay redemption requests as soon as possible. Normally, redemption proceeds will be paid within 6 Business Days following receipt of your written request.

In exceptional circumstances, redemptions may take longer than the periods described above. This may occur where it is impractical to calculate the unit prices, where other investors may be disadvantaged by a redemption, where a delay is in the best interests of all investors or as otherwise permitted by the relevant Constitution and the law.

Where underlying Fund assets can only be realised after a substantial notice period, this could also lead to a longer redemption period. If the liquidity of underlying Fund assets prohibits payment of part or all of your redemption proceeds in cash, then you may be required to receive part or all of your redemption proceeds in specie, meaning you may need to retain units in an illiquid Fund until such time as the underlying assets can be realised. Under the Corporations Act, a fund is illiquid if it has less than 80% liquid assets (generally cash and marketable securities).

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

### Transferring Units

You may transfer units to another person at any time providing appropriate consent has been obtained. However, you may be required to complete appropriate anti-money requirements. Please contact Morningstar, on the contact details shown on the last page, for further information.

### Unit Prices

The unit price is calculated by dividing the Net Asset Value ('NAV') of the Fund by the number of units on issue in the Fund at the relevant time plus an allowance for transaction costs (including the buy/sell spread). Please refer to page 8 for more information on buy/sell spreads.

Where the Fund has more than one class of unit, the unit price of each class of unit is calculated by dividing the NAV of that class of unit by the number of units on issue in that class at the relevant time plus an allowance for transaction costs. The NAV of a class is calculated as if there was a separate Fund corresponding to the class of unit.

Valuations are generally undertaken on each Business Day, subject to the Fund's Constitution. Valuations of alternative investments may be performed less frequently. If the Fund is exposed to alternative investments, unit prices will generally reflect the last available valuation. Please refer to page 4 for more information on alternative investments.

Units are priced on a 'forward' or 'next price' basis. Under this method, unit prices are struck using values available at the next valuation cut-off time after the processing time.

### Valuation

Under each Constitution, the value of any property will be its current market value determined by reference to a recognised independent source, by a

method determined by a qualified independent valuer or any other appropriate method which is capable of being verified independently by a registered company auditor including, but not limited to, estimates of value based on objective criteria, where actual figures are not available and where there will be no significant detriment to any investor. Fund property may be revalued whenever it is thought fit. Property acquired must be valued at cost (including acquisition cost) until revalued.

Under each Constitution, discretion may be exercised which can impact unit prices. The manners in which these discretions are exercised are outlined in Morningstar's unit pricing policy. Investors may obtain a copy of Morningstar's unit pricing policy (and any records ASIC requires) from Morningstar free of charge upon request.

### Indirect Investors

This section only applies to investors who are investing in the Fund through an IDPS, i.e. as an Indirect Investor in the Fund.

If you are investing through an IDPS, your application should be made using the forms provided by your IDPS operator only. Do not use the forms provided by Morningstar. Please consult your adviser or IDPS operator if you are uncertain if this applies to you. If you are investing through an IDPS, you are directing your IDPS operator to arrange for your monies to be invested in the Fund on your behalf. Accordingly, you:

- ▶ are not a direct investor in the Fund;
- ▶ are not registered as an investor in the Fund;
- ▶ do not receive distributions of income, tax statements or reports directly from Morningstar (as these will be made to your IDPS operator or its custodian); and
- ▶ are not entitled to receive notice of, attend or vote at investor meetings or participate directly in the winding up or termination of the Fund.

Your IDPS operator acquires these rights and can exercise, or decline to exercise them, on your behalf. References in the PDS to 'you' or 'your' should be read as references to your IDPS operator, as the context indicates.

Your IDPS operator will be responsible for confirming transactions, providing reports and responding to your enquiries. You should refer to your IDPS operator as the first point of contact regarding any enquiries about your investment (and for any issues that remain unresolved, contact the complaints scheme of which they are a member). You will also need to notify your IDPS operator of any changes in your details.

Please refer to your IDPS operator for information on:

- ▶ how to invest or make additional investments or switch between the Fund and another fund (as you do not complete the application form or any other forms available from Morningstar);

- ▶ the minimum initial investment, additional investment or switching amounts;
- ▶ how to redeem investments and the minimum redemption amounts;
- ▶ details of cooling-off rights (if any) that may apply to your investment in the IDPS; and
- ▶ any additional fees charged by your IDPS operator that may apply.
- ▶ Indirect Investors should read the guide provided by their IDPS operator and should also seek appropriate professional taxation and investment advice.

Morningstar is not responsible for the operation of any IDPS.

## 2. Further risks

The following information forms part of Section 4 of the PDS.

This section contains additional information about significant risks of managed investment schemes more generally, while the PDS contains specific risk factors relevant to the Fund.

### Risk Levels/Profiles

In the Fund's investment profile shown in its PDS, it has a:

- ▶ 'High' risk level it may experience periods of negative (and/or volatile) returns and loss of value, although it also offers the potential for greater returns and greater value;
- ▶ 'Medium' or 'Medium to High' risk level it may experience periods of negative (and/or volatile) returns but not as frequently as funds with a 'High' risk level. This Fund may also offer greater potential for capital growth than funds with a 'Low' risk level;
- ▶ 'Low to Medium' or 'Low' risk level it is not expected to have frequent periods of negative (and/or volatile) returns, although you may experience negative returns in certain market conditions; and
- ▶ 'Very Low' risk level it is not expected to have negative (and/or volatile) returns but may do so in certain market conditions.

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.

### Other Risks

In addition to the more significant risks described in the PDS, the following risks may impact your investment and affect managed investment schemes generally:

#### Currency Risk

Movements in exchange rates between the Australian dollar and foreign currencies can affect the performance of the Fund if it has 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. Currency hedging may be used to reduce the magnitude of currency risk.

#### Country Risk

There is a risk that a country where assets are located in which the Fund invests could become politically or economically unstable, which may prevent assets (such as shares) being sold or the proceeds being repatriated to Australia. This risk is generally higher in countries classified as emerging markets.

#### Stock Lending Risk

Performance returns can be enhanced by participation in a stock lending program. Risks associated with stock lending include the loss of collateral value in the event of borrower default (similar to Counterparty or Default risk described in the PDS), loss of voting rights and operational risks.

#### Leverage Risk

Morningstar does not use leverage to magnify the returns from the Fund. However, the underlying investments of the Fund may be leveraged. Leverage magnifies both gains and losses. Investors in the Fund do not have a contingent liability and will not be required to contribute additional funds in the event that underlying leveraged investments generate a loss.

#### Pricing Risk

Less liquid investments may be priced infrequently and, in order to ensure timely unit pricing, their valuations may be based on estimates.

#### Short Selling Risk

Short selling refers to the process of selling stocks that you do not own (stocks are borrowed first before short selling) and then buying them back at a future date, with an expectation that the price of those stocks will fall. The Fund may be exposed to short selling where the market permits this trading strategy. Establishing a short position involves a higher level of risk than investing in a stock. When a Fund invests in a stock, the maximum loss is generally limited to the amount invested. With short positions, there is theoretically no limit to the loss that may be incurred because the loss will continue to increase as the price of the stock increases.

#### Stock Specific Risk

Stock specific risk is the uncertainty of the return of a stock, arising from factors that are specific to the organisation that issues those stocks. It is generally not related to events that affect other comparable organisations or the market as a whole.

## 3. How we invest your money

The following information forms part of Section 5 of the PDS.

Morningstar aims to deliver consistent investment returns by applying a disciplined investment process built around in-depth investment research, a focus on asset allocation and innovative portfolio construction. We develop an investment strategy designed to achieve a Fund's

investment objectives and implement exposure to highly ranked investments via a mix of strategies directly managed by Morningstar and/or single or multi manager portfolios.

#### Asset Allocation

Morningstar believes that asset allocation is of paramount importance in the delivery of investment return. Underpinning Morningstar's approach to asset allocation is its capital markets research. This involves a review of the fundamental and technical drivers of each asset class, the development of expected returns and risks, along with detailed scenario analysis for each asset class. This research is used in conjunction with the portfolio construction process to develop the asset allocation and ranges for each Fund.

Morningstar believes that reward for risk varies through time and is closely related to valuation. It therefore adopts an approach to investment strategy that involves adjusting the asset allocation from time to time within the allowable asset allocation ranges. Asset allocation is adjusted to help preserve capital when the risk of loss is perceived to be high or to take advantage of an attractive risk/reward opportunity.

#### Investment Research

Research is one of the core foundations of the Morningstar group. Indeed, the integrity and quality of research is essential to its investment process. Accordingly, Morningstar's capital markets and underlying investment/manager research is rigorous drawing on the resources of the Morningstar group globally, to deliver comprehensive fundamental analysis across global asset classes, securities and investment managers.

#### Risk Management

Morningstar recognises risk is multifaceted and subjective in nature. The monitoring of risk is not designed to be precise or reliant on one particular metric. Morningstar feels precision and the heavy reliance on one risk measure leads to potentially poor risk management. The appropriate monitoring of risk requires experience, judgment and a number of qualitative and quantitative measures. Morningstar recognises these characteristics of risk, and therefore applies a sceptical, conservative and practical approach to risk management utilising a wide array of measures, with the goal of minimising the permanent impairment of investor capital.

#### Investment Management

Morningstar will manage the investment process for each Fund as described in its PDS.

Each Fund has an investment objective and risk level. Morningstar will review the investment objective and risk level of each Fund on an ongoing basis. Morningstar aims to provide affected investors with at least 30 days' advance notice before material changes to investment objectives take effect.

In an attempt to achieve the investment objectives, Morningstar set what is believed to be an appropriate

investment strategy and asset allocation; select appropriate investments, appoint and terminate underlying managers. We also, monitor and review the Funds' performance, investment strategy, investments, underlying investment manager(s) and implementation processes to ensure they are consistent with the investment objectives. Where appropriate, adjustments may be made to these without prior notice. Morningstar's investment strategy may not achieve the investment objective.

### Direct Strategies

Morningstar may directly manage some investment strategies, where it believes this is appropriate. Where it directly manages an investment strategy, Morningstar selects the underlying investments, rather than the investment managers. Morningstar manages direct strategies using extensive proprietary research and stock selection systems and processes, with a view to achieving the investment objective of the particular strategy, and where applicable contributing to the investment objective of the diversified portfolio as a whole.

### Underlying Investment Managers

Depending on the type of investment strategy, Morningstar may implement investment exposures via a mix of underlying managers. Managers are combined to build a portfolio that aims to perform consistently with the investment objectives through different environments. Active managers seek to maximise outperformance within agreed risk constraints relative to a benchmark.

Morningstar endeavours to identify active underlying managers with superior investment capabilities. Morningstar believes that well-resourced and experienced underlying managers, who have aligned their interests with those of their investors and who have a differentiated investment strategy, will have a better chance of delivering investment returns in excess of the benchmark.

Active underlying managers adopt different investment styles in managing portfolios. Although returns are not guaranteed, each of Morningstar's selected active underlying managers is expected to deliver investment returns in excess of their performance benchmark over the longer term. By effectively combining underlying managers with different styles, Morningstar targets more consistent returns relative to the benchmarks without sacrificing long-term performance.

### Authorised Investments

The Funds may hold a broad range of investments and asset classes, including:

- ▶ unlisted unit trusts;
- ▶ unlisted investments;
- ▶ shares listed on recognised stock exchanges
- ▶ real estate investment funds listed on recognised stock exchanges;
- ▶ exchange traded funds;
- ▶ listed investment companies;
- ▶ hedge funds;
- ▶ foreign currencies;

- ▶ fixed income;
- ▶ cash and cash equivalents;
- ▶ global infrastructure;
- ▶ derivatives (including futures); and
- ▶ alternative assets and alternative strategies (refer below for more information).

The investments and asset classes held by the Funds are explained in the Investment Profile in Section 5 of the PDS.

### Derivatives

Derivatives (such as options, futures, swaps, forward rate agreements and forward foreign exchange contracts) may be used to manage the assets of the Fund. Where derivatives are permitted, they are used to manage risk or to gain exposure to individual securities, currencies and investment markets. The total exposure created by underlying managers using derivatives is limited by Morningstar establishing specific and detailed guidelines for derivative usage in each Fund's investment mandate. Where the Fund invests in derivatives directly, the use of derivatives will be consistent with Morningstar's investment policies and procedures. Further information can be found in Morningstar's Derivative Risk Statement which can be obtained free of charge by contacting Morningstar on the contact details shown on the last page.

### Alternative Investments

Alternative strategies are defined as investment strategies with returns that are expected to behave differently to equity and fixed income returns over the medium to long term. They may utilise hedging, short selling, leverage, investment in securities outside conventional benchmark indices and other strategies that result in returns that do not closely track equity and fixed income returns. The majority of these strategies are typically used by managed investment schemes commonly referred to as hedge funds which have redemption terms, fees, legal structures and other features not commonly found in traditional equity and bond funds.

### Stock Lending

As part of Morningstar's investment strategies, the Fund's investment returns may be enhanced by earning revenue from participation in a stock lending program managed by the Fund's custodian.

The stock lending program involves lending selected Fund stock to a third party (borrower) through the custodian (agent) for a period of time, in return for a fee. At the end of the period, the borrower returns the stock, which is either the original stock or more commonly are equivalent in number and type to the original stock. As part of this arrangement, borrowers provide collateral to the custodian.

Depending on the type of collateral lodged, the stock lending program can earn revenue in one of two ways. When the custodian, as agent, receives cash collateral, they invest the cash and earn interest on the cash. Where it receives non-

cash collateral, a fee rate is used to determine the fees payable and will depend on the size of the loan, duration, availability and other relevant circumstances. Any stock lending revenue is shared between the Fund and the custodian.

While performance returns can be enhanced by participation in a stock lending program, there are some associated risks (see page 3 for further details).

## 4. Fees and costs

The following information forms part of Section 6 of the PDS.

### 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 contribution fees and management costs 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](http://www.moneysmart.gov.au)) has a managed investment fee calculator to help you check out different fee options.

Type of Fee or Cost	Amount	How and When Paid
<b>Fees When Your Money Moves in or Out of the Fund<sup>1</sup></b>		
<b>Establishment fee</b> The fee to open your investment.	Nil	Not applicable
<b>Contribution fee</b> The fee on each amount contributed to your investment	Nil	Not applicable
<b>Withdrawal fee</b> The fee on each amount you take out of your investment	Nil	Not applicable
<b>Termination fee</b> The fee to close your investment.	Nil	Not applicable
<b>Management Costs</b>		
The fees and costs for managing your investment	<b>Management fee % p.a.<sup>3</sup></b> Management fees range from 0.31% pa to 1.08% pa of the amount you have invested.	The management fee is accrued daily and paid monthly. This amount is deducted from the assets of each class of unit in a Fund and is reflected in the unit price. The management fee includes all non-performance based investment management fees as well as running expenses of the Fund (but does not include abnormal expenses). See 'Management fees' for more information. Management fees can be negotiated. Please contact Morningstar on the contact details shown on the last page to find out if and how you can negotiate your management fees.
The amount you pay is listed in Section 6 of the PDS.	Plus <b>Abnormal expenses</b> Expected to be 0% p.a.	
	<b>Performance fees<sup>4</sup></b> Certain underlying managers charge performance fees and Morningstar also charges performance fees for some Funds. The underlying managers typically charge between 10.25% and 30.75% of performance in excess of a benchmark index, although they can be higher. For Funds managed by Morningstar which charge a performance fee, the fee is currently 10.25% of performance in excess of the relevant benchmark.	Performance fees charged by the underlying managers and Morningstar are reflected in the unit prices of the Funds. Performance fees are paid to the underlying managers and Morningstar by deducting the fees from the underlying assets of the Fund or by redeeming a sufficient number of units in the underlying Fund. Please refer to 'Performance fees' for more information. Please contact Morningstar on the contact details shown on the last page to find out if and how you can negotiate performance fees.
<b>Service Fees</b>		
<b>Investment switching fee</b> The fee for changing the investment options	Nil	Not applicable

#### Notes

1. You may also incur a buy/sell spread when you buy/sell Fund units. An explanation of the buy/sell spread is found in on page 8.
2. Some IDPS operators may be paid an annual product access payment for offering the Fund on their investment menus. The product access payment is not an additional fee paid by investors; it is paid for out of Morningstar's management fee for the Fund. It does not reduce the returns an investor may receive. Please refer to 'Commission' on page 8 for more information.
3. Inclusive of GST after taking into account any expected RITC. Fees are rounded to two decimal places, but in practice the rates are calculated and applied at more than two decimal places.
4. Please note Morningstar manages three other managed investment schemes not covered by this Additional Information Document which charge performance fees (that is, Morningstar Diversified Alternatives Fund, Morningstar Alpha Strategies Fund and Morningstar Global Trading Strategies Fund). Refer to page 7 for more information. Performance fees may be charged by the Morningstar Global Inflation Linked Securities (Hedged) Fund in the future. A number of Funds offered have indirect exposure to performance fees charged by underlying managers and Morningstar Funds. Refer to page 7 for further information.

<b>Morningstar Investment Funds</b>	<b>Management Fee % p.a.<sup>5</sup></b>	<b>Buy/Sell Spread %<sup>6</sup></b>	<b>Minimum Initial Investment</b>	<b>Dollar Example of Buy/Sell Spread Included in Unit Price Based on the Minimum Initial Investment/Withdrawal<sup>7</sup></b>
Morningstar Aggressive Real Return Fund <sup>8</sup>	0.82	0.17 / 0.17	\$20,000	\$34 / \$34
Morningstar High Growth Real Return Fund <sup>8</sup>	0.76	0.17 / 0.17	\$20,000	\$34 / \$34
Morningstar Growth Real Return Fund <sup>8</sup>	0.70	0.16 / 0.16	\$20,000	\$32 / \$32
Morningstar Balanced Real Return Fund <sup>8</sup>	0.64	0.14 / 0.14	\$20,000	\$28 / \$28
Morningstar Conservative Real Return Fund <sup>8</sup>	0.57	0.10 / 0.10	\$20,000	\$20 / \$20
Morningstar Multi-Asset All Growth Fund <sup>8</sup>	0.82	0.17 / 0.17	\$20,000	\$34 / \$34
Morningstar Multi-Asset Defensive Fund <sup>8</sup>	0.55	0.10 / 0.10	\$20,000	\$20 / \$20
Morningstar International Shares (Unhedged) Fund	0.51	0.10 / 0.10	\$20,000	\$20 / \$20
Morningstar International Shares (Hedged) Fund	0.56	0.12 / 0.12	\$20,000	\$24 / \$24
Morningstar Australian Property Securities Fund	0.35	0.10 / 0.10	\$20,000	\$20 / \$20
Morningstar Global Property Securities (Hedged) Fund	0.57	0.10 / 0.10	\$20,000	\$20 / \$20
Morningstar Australian Shares High Alpha Fund <sup>8</sup>	0.92	0.20 / 0.20	\$20,000	\$40 / \$40
Morningstar International Shares High Opportunities (Hedged) Fund <sup>8</sup>	1.08	0.27 / 0.27	\$20,000	\$54 / \$54
Morningstar International Shares High Opportunities (Unhedged) Fund <sup>8</sup>	1.03	0.25 / 0.25	\$20,000	\$50 / \$50
Morningstar Australian Shares Fund	0.46	0.10 / 0.10	\$500,000	\$500 / \$500
Morningstar Australian Bonds Fund	0.35	0.10 / 0.10	\$500,000	\$500 / \$500
Morningstar International Bonds (Hedged) Fund	0.62	0.13 / 0.13	\$500,000	\$650 / \$650
Morningstar Global Inflation Linked Securities (Hedged) Fund <sup>9</sup>	0.56	0.12 / 0.12	\$500,000	\$600 / \$600
Morningstar Cash Fund	0.36	0.00 / 0.00	\$500,000	\$0 / \$0
Morningstar Conservative Fund <sup>8</sup>	0.31	0.10 / 0.10	\$500,000	\$500 / \$500
Morningstar Moderate Fund <sup>8</sup>	0.57	0.11 / 0.11	\$500,000	\$550 / \$550
Morningstar Balanced Fund <sup>8</sup>	0.64	0.14 / 0.14	\$500,000	\$700 / \$700
Morningstar Growth Fund <sup>8</sup>	0.70	0.16 / 0.16	\$500,000	\$800 / \$800
Morningstar High Growth Fund <sup>8</sup>	0.82	0.17 / 0.17	\$500,000	\$850 / \$850

## Notes

5. Management fee includes all non-performance based investment management fees and the Responsible Entity's running expenses (excluding abnormal expenses). Management fee percentages are inclusive of GST after taking into account any expected RITC. Management fee percentages are rounded to two decimal places, but in practice the rates are calculated and applied at more than two decimal places. For more information on fees and costs, please refer to the following pages.
6. The buy/sell spreads are current as at the date of this Additional Information Document. For up to date buy/sell spreads, please contact Morningstar.
7. The example is based on the assumption that the unit price (before the estimate for transaction costs) is \$1.00 when you invest the minimum initial investment amount in each Fund and that the unit price (before the estimate for transaction costs) is \$1.00 when you withdraw the minimum investment amount from each Fund.
8. These Funds 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 information on this page.
9. This Fund does not currently charge a performance fee but is permitted to do so under its Constitution.

### Examples of Annual Fees and Costs

The PDS for the Fund contains an example of how fees and costs can affect your investment over a 1 year period. You should use this table to compare the Fund with other managed investment products.

You should read the information in the PDS for the Fund about 'Fees and costs' before making a decision.

Management Costs Include:

#### Management Fees

The management fees are charged by accruing them within the Fund's unit price on a daily basis. On a monthly basis, management fees are paid to Morningstar from the Fund's assets. The maximum management fee allowable under the Fund's Constitution is 3% p.a. of the NAV of the Fund. The Fund's Constitution allows the management fee to be charged in other ways negotiated with you, for example by invoicing you directly.

For more information about if and when you can negotiate the management fee, please contact Morningstar.

For wholesale clients, in line with ASIC Class Order 03/217 (as amended from time to time),

Morningstar may:

- ▶ charge a lower management fee than those currently specified in the PDS; or
- ▶ rebate a part of the management fee.

Staff Investors are allowed to invest in the Fund with concessional arrangements and management fees to the standard offer. Staff Investors are subject to Morningstar's internal human resource policies and procedures governing the staff investment program. The offer of the Fund to Staff Investors complies with Chapter 7 of the Corporations Act and with ASIC Class Order 03/217.

#### Underlying Manager Fees

Where the Fund invests with underlying managers through a managed investment scheme or investment mandate, Morningstar pays the underlying managers' management fees (except performance fees and running costs of the underlying managers, where applicable) out of the management fee payable shown in the PDS. Refer to 'Performance fees' below for more information on underlying manager performance fees.

#### Performance Fees

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

If the Fund is exposed to performance fees, this is explained in the PDS. If the Fund is not exposed to performance fees, it may be in the future, and affected investors will be notified at least 30 days before such underlying manager changes are implemented.

The management costs part of the 'Fees and costs' table on page 5, shows underlying managers' performance fees are typically between 10.25% and 30.75% of performance in excess of the relevant benchmark, although they can be higher or lower.

Performance fees payable to underlying managers are generally charged in one of the following ways:

- ▶ accrued within an underlying fund's unit price;
- ▶ a sufficient number of units are redeemed by the underlying manager to fund payment of the performance fee; or
- ▶ an invoice is issued directly to the Fund.

The diversified funds may invest in the following Morningstar Funds which charge performance fees: Morningstar Global Trading Strategies Fund, the

Morningstar Alpha Strategies Fund and the Morningstar Diversified Alternatives Fund. These Funds currently charge a performance fee of 10.25% of their performance in excess of their performance benchmark. For the Morningstar Global Trading Strategies Fund and the Morningstar Alpha Strategies Fund the performance benchmark is the Bloomberg AusBond Bank Bill Index. For the Morningstar Diversified Alternatives Fund the performance benchmark is the Bloomberg AusBond Bank Bill Index plus 2% p.a. The performance fee for these Funds can be changed, so long as it is within the maximum of 25.625% permitted by their Constitutions. For the Morningstar Diversified Alternatives Fund, the performance fee is accrued in the unit price of the Fund. For the other two Funds, any performance fee is paid by redeeming a sufficient number of units in these Funds. Further information about the performance fees charged by these Funds can be found in the current Morningstar Alternatives Fund Information Memorandum and the Morningstar Diversified Alternatives Fund PDS located on the Morningstar website [www.morningstarinvestments.com.au](http://www.morningstarinvestments.com.au).

Any performance fees payable from the Fund will be an additional cost to you. The method of charging performance fees (including the percentage amount of the performance fee) may change in the future. Investors will be given prior notice if performance fee arrangements change and the change results in the estimated performance fees exceeding the range disclosed in this Additional Information Document.

Investors can also contact Morningstar, on the contact details shown on the last page, for further information on the performance fees that currently apply to their investment.

#### Running Expenses

As authorised by the Constitution, Morningstar is entitled to be reimbursed from the Fund for all expenses incurred in managing and administering the Fund. Under the Constitution, there is no specific limit on the level of expense recovery from Fund assets. Running expenses are all expenses incurred in managing and administering the Fund. These exclude fees paid to underlying managers, abnormal expenses and transactions costs used to determine the buy/sell spreads. Currently, running expenses such as custody, certain taxation or legal advice, as well as audit costs are paid out of the management fee. These running expenses are not an additional cost to you.

#### Abnormal Expenses

Abnormal expenses are additional Fund expenses that may arise from time to time in relation to the Fund. These include costs incurred in litigation, convening a meeting for investors or winding up the Fund.

Abnormal expenses may be recovered from Fund assets and are not included in the management fee. If incurred, they are accrued, if and when, they are able to be estimated and reflected in the unit price at that time (see page 2 for more information about unit prices). These costs are incurred infrequently.

### Transaction Costs (Buy/Sell Spreads)

Transaction costs are costs and expenses incurred in the acquisition or disposal of Fund assets. These include brokerage, duties and taxes. They reflect the costs that would ordinarily be incurred by an investor who invested directly in these assets. Transaction costs are normally incurred directly by the Fund. However, where they are incurred by Morningstar on behalf of the Fund, these will be reimbursed from the Fund.

### 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 a Fund. The buy spread is added to the price payable on an 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 buy/sell spreads applying to the Fund are shown in Section 6 of the PDS. 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 this policy (and any records ASIC requires to be maintained) free of charge by contacting Morningstar on the contact details shown on the last page.

### mFund costs

Your broker may charge you a fee to help you acquire or redeem units via mFund.

### Commission

No commissions are paid to third parties, such as licensed financial advisers, IDPS operators or other licensees. Morningstar may pay 'shelf space' fees for a Fund to be listed on an IDPS investment menu where it is permitted to do so.

### Payments to your financial adviser

You may agree with your financial adviser to pay advice fees for financial planning services provided to you. These advice fees are additional to the fees shown in the fee table on page 5, and are paid to your financial adviser, not to Morningstar as the Responsible Entity.

Advice fees may be in the form of:

- ▶ an Investment Advice Fee; and/or
- ▶ Ongoing Advice Fee.

You and your financial adviser determine the amount of any advice fees and how they will be charged.

### Change in Fees and Costs

The Fund's fees and costs may change within limits allowed by its Constitution and investors will be notified in writing by Morningstar of any increases in the fees and costs at least 30 days before implementation. If the Fund ever sought to charge fees above the maximums permitted in its Constitution, investor consent would be sought.

### GST

Fees and costs charged to the Fund attract 10% GST, which is charged to and borne by the Fund. All fees and costs disclosed in the PDS are inclusive of GST, to the extent applicable, after taking into account any expected RITCs. The Fund will claim RITCs where possible under the GST regulations. These credits will reduce the overall cost of GST to the Fund and will be reflected in the unit price. The net GST is the net cost after taking into account GST and RITCs.

### Switching Fee

A switch between Funds is treated as a redemption from one and an application into another. The Funds do not charge a switching fee (or an entry or exit fee on the amount of the switch) but both Funds' buy/sell spreads will apply to switches.

## 5. Additional information about tax

The following information forms part of Section 7 of the PDS.

The following is a brief outline of the Australian taxation consequences of investing in the Fund.

**Investors are strongly advised to seek professional taxation advice. Please be aware that not all the following statements will apply to all investors.**

This information is intended as a general guide only and is based on Australian taxation laws that are current as at the date of this Additional Information Document. These laws, and the interpretation and administration of them, may alter over time.

The Funds are established as separate unit trusts.

The effect of tax on the Fund, and hence your investment in the Fund, can vary depending on factors such as the type of investment, the timing of investment transactions and entry and exit of other investors in the Fund.

### Distributions

The Fund is a resident of Australia for tax purposes. It is intended that investors will be presently entitled to all of the net income (including net taxable capital gains) of the Fund for each income year.

If all income is distributed to investors in relation to the year it is earned, the Fund will not pay Australian income tax on its net income under current tax law.

The Fund cannot distribute any tax losses to investors but, if it meets certain conditions, it may be able to take the losses into account in subsequent years.

An Australian investor's share of the net income of the Fund for a year of income, including amounts received in a subsequent year or which are reinvested, forms part of the investor's assessable income of that year.

The distributions you receive may include different types of income, which reflect the income derived by the Fund, for example:

- ▶ capital gains;
- ▶ foreign income and foreign income tax offsets;
- ▶ franked dividends/franking credits; and
- ▶ tax deferred distributions.

You will be provided with a statement for tax purposes after 30 June each year, to assist you (and your adviser) in determining your tax position. This tax statement will advise you of the distribution amounts and components (if any) to include in your tax return for example as assessable income, capital gains, any franked dividends/franking credits and any foreign income/foreign income tax offsets.

In addition, the statement will advise you of the tax-deferred portion (if any) of the distribution; that is, those amounts that have been distributed to you but are not included in taxable income. Generally, such amounts will reduce your cost base in the units in the Fund. Should your cost base be reduced below zero after one or more cumulative tax-deferred distributions, the amounts in excess of your cost base should be a capital gain that should be included in your taxable income. You may be entitled to the CGT discount in respect of this gain (of 50% for resident funds and individuals or 33.33% for superannuation funds) on any net capital gain, if you have held your units in the Fund for at least 12 months from the date of acquisition. Companies are not entitled to CGT discounts on their capital gains, including discount capital gains distributed by a Fund.

If you redeem units, you will also need to include any capital gains or losses you have made in the calculation of your net capital gain or loss for the income year assuming you hold the units in the Fund on capital account (unless you are a non-resident investor that may not be liable for Australian CGT – see 'Tax on Capital Gains' on page 9). Depending on the type of entity you are, you may be entitled to a CGT discount.

On redemption of units, you may receive both

capital proceeds and an income component representing your share of the undistributed income for the year up to the redemption date. In addition, Morningstar may choose to allocate any gains arising from the realisation to you. Any such income distributions should be included in your assessable income in the year you are presently entitled to that distribution.

If a performance fee is payable by you, Morningstar will redeem the number of units on your behalf to pay the performance fee. The redemption will constitute a disposal of those units for tax purposes. Investors should consult their taxation advisers regarding the deductibility of the performance fee to them in light of their own particular circumstances.

### **Franked Distributions/Frinking Credits**

Distributions from some of the Funds may include franked distributions. Subject to satisfying certain criteria, such franked distributions generally entitle Australian resident investors to obtain a tax offset (the franking credit) that is available to offset against their income tax liability. Franked distributions and franking credits are included in a person's assessable income. If the franking credits exceed the tax payable on your taxable income, the excess credits may be refundable to you if you are a resident individual or complying superannuation fund. Excess franking credits may generate tax losses if you are a corporate entity.

### **Non-Resident Investors**

The Fund's net income, that has an Australian source to which a foreign investor is presently entitled, will have tax withheld before a distribution is made to a non-resident investor.

The rate of withholding tax will depend on the type of income and the country of tax residence of the investor, whether the Funds continue to qualify as Managed Investment Funds (MITs) (as defined in Australian tax laws) and any Exchange of Information Agreement or Double Tax Treaty.

In most cases, these withholding taxes are each a final tax. As a result, the non-resident investor should not be entitled to a credit in Australia for any withholding tax paid or be liable to further tax on income from which withholding tax has been withheld.

Foreign sourced income to which a non-resident is presently entitled should not be subject to tax in Australia.

### **Foreign Income and Foreign Income Tax Offsets**

Where foreign tax has been paid by the Fund in respect of foreign investment of Fund assets, the Fund will generally pass on any available corresponding foreign income tax offsets to resident investors, so that investors can offset these income tax offsets against the Australian tax payable on their

assessable foreign income. Morningstar will advise such investors of their share of foreign income tax offsets.

### **Tax Deferral Provisions**

The Funds may directly or indirectly hold interests in Controlled Foreign Companies (CFC) at the end of a financial year. Under the CFC regime, resident investors may be assessed on their portion of the CFC's attributable income for the financial year, even though the income is not distributed. Investors should seek their own advice regarding the application of these rules to their investment.

The taxation of foreign investment is generally under review. Investors should monitor the developments in this area and discuss them with their own professional tax adviser.

### **Tax on Capital Gains**

Any capital gains distributed by the Funds will be taxable to non-resident investors only to the extent that the capital gain was in respect of taxable Australian property (that is, typically Australian real property or shares or units in an entity whose majority underlying value is derived from taxable Australian property based on current market values of the entity's assets). The statement provided to investors after 30 June each year will disclose the extent to which a distributed capital gain is in respect of taxable Australian property.

The Funds meet the definition of 'MIT' and have made an irrevocable election to apply a deemed capital account treatment for gains and losses on disposal of certain investments (including shares and units in other funds, but excluding derivatives and foreign exchange contracts), with the exception of Morningstar International Bonds (Hedged) Fund.

Under the CGT provisions of the Australian income tax legislation, the disposal of units, either by redeeming, switching or transferring units, may lead to a CGT liability. Generally, investors who are non-residents of Australia for income tax purposes (and do not have an Australian permanent establishment) will only be subject to the Australian CGT provisions on the disposal of their units if their units are taxable Australian property. A non-resident investor's units are generally taxable Australian property if:

- ▶ they and their associates hold 10% or more of the units in the Fund at either the time they dispose of their units or throughout a 12 month period that began no later than 24 months before that disposal time; and
- ▶ more than 50% (by market value) of the Fund's assets comprised (directly or indirectly) of interests in taxable Australian real property.

However, based on the current investments and investment approach of the Funds as at the date of

issue of this Additional Information Document, it is not expected that the second condition would be satisfied.

Non-resident investors who use their units in carrying on a business through an Australian permanent establishment will be subject to Australian CGT on the disposal of their units in the same way as residents. This is so whether or not such non-resident investors hold more or less than 10% of the units in the Fund.

It is strongly recommended that non-resident investors obtain their own tax advice when disposing of units in the Funds. It should also be noted that you may be subject to the tax laws in your country and should consult a taxation adviser before investing.

### **Tax File Numbers (TFN) and Australian Business Numbers (ABN)**

It is not compulsory for you to quote your TFN or ABN. If you are making this investment in the course of a business or enterprise that you carry on, you may quote an ABN instead of a TFN. Failure by you to quote an ABN or TFN, or claim an exemption, may cause the Fund to withhold tax at the top marginal rate plus the Medicare Levy plus the temporary budget repair levy, on gross payments including distributions of income to you. By quoting your TFN or ABN it will be applied to all your investments with the Fund. If you do not want to quote your TFN or ABN for some investments, please notify Morningstar.

### **Taxation of Financial Arrangements**

The Funds have opted into the taxation of financial arrangements (TOFA) regime under Division 230 of the Income Tax Assessment Act 1997 to adopt the default methods. Morningstar will continue to monitor whether the Funds should elect any of the alternative methods. The impact of the TOFA regime is not expected to materially change the taxation consequences of income flowing from the Funds.

### **Changes in the Tax Law**

The expected tax implications of investing in the Fund described in this tax disclosure may change as a result of changes in the taxation laws and interpretation of them by the Courts and/or the Australian Tax Office.

For example, the new Attribution Managed Investment Trust tax regime has been introduced which applies from 1 July 2016 (with individual managed investment trusts having the choice to apply the rules from 1 July 2015). Under this new legislation, certain managed investment trusts may elect into the new attribution regime for the taxation of managed investment trusts which is intended to reduce complexity, increase certainty and minimise compliance costs.

It is recommended that investors obtain independent taxation advice that takes into account your specific circumstances regarding investing in the Fund and the potential application of any changes in the tax law.

### **GST**

The issue, redemption or transfer of units in the Fund will not attract GST under current GST law. Investors should seek independent advice in relation to the GST consequences of their investment.

## **6. How to apply**

The following information forms part of Section 8 of the PDS.

Once your application has been processed, a confirmation of your investment showing the amount invested, or which you have agreed to invest, the number of units issued, the entry price and the date the units were issued, will be sent to you usually within 5 Business Days from the date of receipt of the application.

If you do not receive a confirmation, please use the relevant contact details provided on the last page to confirm receipt of your application.

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 provide all identification documentation required under Australian anti-money laundering and counter-terrorism requirements) your application is not processed.

You may make additional investments in the Fund by completing the additional application section of the application form which can be found on the Morningstar website and paying the application monies.

If you provide a correctly completed application request, including anti-money laundering information and cleared funds, prior to the cut-off times 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 times, 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).

You become an investor in the Fund as at the date of issue of your new units, whether or not the number or value of units can be calculated at that date. Please refer to the details on buy/sell spreads on page 8, unit

prices on page 2 and to switching fee on page 8 for more information.

## **7. Additional information**

The following information forms part of Section 9 of the PDS.

### **Information On Request from Morningstar**

You may contact Morningstar between 9:00 am and 5:00 pm (Sydney time) on any Business Day to assist with any questions you might have, or further information you may require, in relation to your investment in the Fund.

Morningstar's contact details are shown on the last page of each PDS as well as this Additional Information Document. If you are an Indirect Investor, the following information does not apply.

### **Changing Your Details**

You must notify any change to your details, including contact details, distribution instructions, bank account details or account operating instructions.

To advise changes, please complete the relevant sections of the application form and fax it in accordance with the instructions contained in the application form. A confirmation of these changes will be sent to you.

### **Confirmation of Transactions and Reporting**

You will be provided with a confirmation of your transaction once it is processed, usually within 5 Business Days after you have supplied all relevant information required. This may be when you make your initial investment, additional investment, redemption, switch or transfer. A quarterly statement detailing your transactions over the previous quarter, including any distribution, will be sent to you. At the end of each financial year, you will be sent a statement for tax purposes. If at any other time you would like a transaction statement of your investment, unit price information or the financial statements for a Fund, please contact Morningstar on the contact details shown on the last page.

### **Privacy Statement**

By applying to invest in the Funds, you consent and agree to your personal information about you being obtained and used by Morningstar and other parties as explained in this Privacy Statement. The type of information held includes your name, address and other information that you provide when opening your account, as well as records of your account transactions and the value of your unit holding.

Your information may be used to:

- ▶ provide the products and services you request;
- ▶ efficiently manage and administer all investments and services provided; and

- ▶ ensure that internal business operations run smoothly, which may include fulfilling all legal requirements and conducting confidential systems maintenance and testing.

Your personal information may be provided confidentially to external service providers, including the custodian, auditors, taxation advisers, legal advisers and information technology consultants.

We may disclose your personal information to our related companies, but only so those related companies can assist us with functions relating to managing your account.

Morningstar's related companies include our parent company Morningstar, Inc., in the United States and related companies worldwide. These related companies are located in: Belgium, Brazil, Canada, Chile, China, Denmark, Finland, France, Germany, Hong Kong, India, Italy, Japan, South Korea, Luxembourg, Mexico, The Netherlands, New Zealand, Norway, Singapore, South Africa, Spain, Sweden, Switzerland, Taiwan, Thailand and the United Kingdom.

We may also use your personal information to provide you with information about other products and services that we or our related companies offer from time to time (direct marketing).

If you do not wish information to be sent to you about other products managed by Morningstar or our related companies, please note this in the relevant box provided on your application form or contact Morningstar on the contact details shown on this page.

Additionally, your personal information will be disclosed if required by law to do so (including under legislation in relation to anti-money laundering and counter-terrorism)

For information as to how you can access, correct and update your personal information and how Morningstar manages privacy related complaints please refer to Morningstar's Privacy Policy. A copy of Morningstar's Privacy Policy is available on our website. Alternatively, you can contact our Privacy Officer to request a free copy.

### **Privacy Officer Contact Details**

Privacy Officer  
Morningstar Investment Management Australia Limited  
Level 36, Australia Square 264  
George Street  
Sydney NSW 2000  
Tel: +61 2 9276 4532  
Fax: +61 2 9276 4545  
Email: [auprivacy@morningstar.com](mailto:auprivacy@morningstar.com)

### **Foreign Account Tax Compliance Act**

The Foreign Account Tax Compliance Act ('FATCA') is a US law enacted to combat non-compliance by U.S. taxpayers using foreign accounts. FATCA requires foreign financial institutions ('FFIs') to report to the US tax authority, or the relevant local tax authorities for jurisdictions covered by an appropriate Intergovernmental Agreement with the US, information about financial accounts held by U.S. taxpayers, foreign entities in which US taxpayers hold a substantial ownership interest and payments to Non-participating Financial Institutions.

The Fund is an FFI under FATCA and subject to FATCA rules. Investors are required to provide certain information in order for the Fund to be FATCA compliant. This information can be provided by completing the relevant anti-money laundering and counter-terrorism forms available on Morningstar's website.

### **Commonwealth Anti-Money Laundering and Counter-Terrorism Requirements**

Morningstar is required by the Commonwealth Anti-Money Laundering and Counter-Terrorism Financing Act 2006 to obtain additional information from new investors as to their identity, source of funds and similar matters, and to verify that information by sighting appropriate documentation. These requirements may also apply in relation to existing investors.

New investors (and existing investors required to provide additional information) can provide additional information by completing the relevant section of the application form on Morningstar's website. Please go to

[www.morningstarinvestments.com.au/disclosure](http://www.morningstarinvestments.com.au/disclosure) and see 'Application Form' in the document library. Details about the way in which additional information can be verified are contained within the application form. For example, individuals will be required to produce a current photographic identification document, such as a current passport or driver's licence, or to provide a certified copy of the document, in order to verify their identity details.

Morningstar reserves the right to request information as is necessary to verify the identity of any investor and their personnel (for example, if an investor is a company, the identity of the company directors may need to be verified) and to assess the likelihood of the investor or its personnel being involved in money laundering or terrorism financing.

Information that you provide may be disclosed to the Australian Transaction Reports and Analysis Centre under Australian law (or by underlying managers resident in other countries who are subject to similar legislation in their own countries). You may not be informed if such a disclosure is

made. Otherwise your information will be confidential.

If you do not provide the required information, your application will not be processed until the information requested has been provided and all anti-money laundering checks have been completed. This may mean that the units may not be issued and redemption payments may not be made within the time periods contemplated in the PDS.

By applying for units through the PDS, you agree that Morningstar may, in its absolute discretion, not issue units to you, refuse the transfer of units you wish to sell or purchase, delay, block or freeze any transactions or cancel or redeem any units which have been issued to you, if such action is considered necessary or desirable in light of its obligations under the Commonwealth Anti-Money Laundering and Counter-Terrorism Financing Act 2006 or any related legislation. In the above circumstances, Morningstar will not be liable to you for any resulting loss.

### **Constitutions**

The Fund is governed by a Constitution, as amended from time to time, and the Constitution may relate to several Funds or to an individual Fund. Each Constitution sets out Morningstar's obligations as well as the rights of investors. Some key aspects of the Constitutions have been summarised in this Additional Information Document.

Morningstar may alter the Constitution as specified in the Constitution and in accordance with the law. The Corporations Act specifies that the consent of investors (given at a meeting convened and conducted in accordance with the Corporations Act) is required for any alteration unless Morningstar reasonably believes that the alteration will not adversely affect the rights of investors.

You may view a copy of the Constitution at Morningstar's offices on any Business Day or you may obtain a copy free of charge by contacting Morningstar on the contact details shown on the last page.

### **Compliance Plan**

Morningstar has established a compliance plan for the Fund, which sets out the measures to be applied in operating the Fund to ensure compliance with its Constitution and the law. Morningstar is responsible for overseeing the compliance plan.

### **Classes of Units**

Under the Constitution, units may be issued in one or more classes and additional classes of units may be created at any time. All units in a class will have identical interests and rights and will be subject to identical conditions. Where the Fund issues units of different classes, the interests, rights and conditions

attached to the class of units may differ in relation to fees.

### **Rights of Investors**

Subject to the Constitution, investors are generally entitled to:

- ▶ receive a share of the Fund's distributable income;
- ▶ redeem units;
- ▶ transfer units;
- ▶ switch between Funds;
- ▶ receive confirmation of investment;
- ▶ receive acknowledgement of units held;
- ▶ receive annual audited accounts, and
- ▶ inspect the Fund's Constitution.

If you are an Indirect Investor, you are not an investor in the Funds (your IDPS operator is the investor).

### **Investor Meetings**

Subject to the Constitution, investors are also entitled to requisition, attend and vote at investor meetings for any Fund in which they hold units. An investor is bound by a resolution of investors, whether or not they attend the meeting at which it is passed.

### **Interest in the Funds**

Each unit issued in a Fund entitles the investor to a beneficial interest in the total investments of the Fund, but does not give the investor an interest in any particular part of the Fund.

### **Investor Liability**

While the law in relation to investor liability has not yet been settled, the Constitution limits an investor's liability in a Fund to the amount the investor has invested or agreed to invest.

### **Termination of a Fund**

Morningstar can terminate a Fund, subject to the Corporations Act, at any time. If a Fund is terminated, the Fund's assets must be converted to cash where possible and used to pay or provide for the Fund's liabilities (including those incurred in winding up the Fund and any unpaid fees). In such an event, the realisation of assets may be postponed.

Investors are entitled to a share of the balance of the assets in accordance with the Fund's Constitution. This will be the final distribution of the Fund, which may include both a capital and income component.

### **Financial Information**

The Fund's annual report will be made available to investors each year. You can request a copy of the annual report by contacting Morningstar on the contact details shown on the last page.

### **Borrowings**

Under the Constitution, the Fund is permitted to borrow. Generally, borrowings may be used to facilitate short-term liquidity needs, and the redemption of unit, and to gain exposure to derivatives, including for the purposes of achieving target asset allocation. By virtue of the Fund's exposure to alternative investment strategies, it may also be exposed implicitly to borrowings and other liabilities.

### **Changes to the Funds**

New funds may be added or existing Funds closed. The Fund's investment 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.

### **Net Asset Value (NAV)**

The latest available NAV has been included in the respective PDS at the time of issue. The latest quarterly NAV is also disclosed in our Quarterly Fund Profiles available on our website

[www.morningstarinvestments.com.au/fund-performance](http://www.morningstarinvestments.com.au/fund-performance) as well as via the ASX Market Announcements Platform if the Fund is available via mFund.

### **Performance Information**

Investment performance becomes outdated very quickly. Past performance information has not been included in the PDS.

If you require up-to-date Fund performance information, please contact Morningstar on the contact details provided on the last page. Morningstar will provide the information to you free of charge. In assessing any performance information, you should bear in mind that past performance is not a reliable indicator of future performance.

### **Related Party Transactions**

Morningstar receives a range of services from its related party, Morningstar Australasia Pty Ltd. These services are provided in accordance with a shared services agreement.

Staff Investors are allowed to invest in the Fund. Their investment is governed by Morningstar's staff investment policies and procedures.

### **Conflicts of Interest**

If there is a material conflict between the duties of Morningstar in relation to its obligations to the Fund and its personal interests, Morningstar will disclose particulars of the conflict.

## **8. Definitions**

**'AFS Licence' or 'AFSL'** means Australian Financial Services Licence.

**'ASIC'** means the Australian Securities and Investments Commission.

**'Business Day'** means any day other than Saturday and Sunday during which banks are open for general banking business in the state of New South Wales.

**'CGT'** means Capital Gains Tax which is the tax you pay on any capital gains.

**'Constitution'** means the Constitution of one or more Funds, as amended from time to time, or the Constitutions for all of the Funds, as the context indicates.

**'Direct Investor'** is an investor who invests and holds units directly in the Funds, and not through an IDPS.

**'GST'** means Goods and Services Tax as defined in A New Tax System (Goods and Services Tax) Act 1999

**'Morningstar'** means Morningstar Investment Management Australia Limited ABN 54 071 808 501, AFS Licence No. 228986, the Investment Manager of the Funds, the issuer of units in the Funds and the responsible entity of the Funds.

**'IDPS'** means a master fund, wrap account, investor directed portfolio service or similar product (but does not include the ASX Managed Fund Service).

**'Indirect Investor'** is an investor who gains exposure to the Funds through an IDPS.

**'Investment Advice Fee'** is an advice fee that is generally charged when you make an initial or additional investment in the Fund.

**'mFund'** is the managed funds settlement service operated by the ASX.

**'NAV'** means the Net Asset Value of a Fund and is the value of all assets of the Fund less liabilities of the Fund (excluding any amount representing the value of the investors' interests in the Fund or rights attaching to units, unless they have become due and payable to the relevant investor, regardless of whether characterised as equity or debt in the accounts of the Funds) and is calculated in accordance with the Constitution of the Fund.

**'Ongoing Advice Fee'** is an advice fee that is generally paid on a regular basis for ongoing financial advice provided to you.

**'PDS'** means Product Disclosure Statement.

**'RITC'** means Reduced Input Tax Credit as defined in A New Tax System (Goods and Services Tax) Act 1999.

**'Staff Investor'** is an investor who is an employee

as defined by Morningstar's internal human resource policies and procedures governing its staff investment program.

**'the Funds'** means the managed investment schemes to which this document relates.

**'you' or 'your'** means an investor or prospective investor in the Fund(s).

### **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](http://www.morningstarinvestments.com.au)

Email: [AUDistribution@morningstar.com](mailto:AUDistribution@morningstar.com)



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