

Morningstar Australian Shares High Alpha Fund

Q1 2017

All data and information as of March 31, 2017

Quarterly Performance Update

APIR Code (Class A)	INT0074AU
Inception	07 Dec 2005
Size \$m	344.2
Unit Pricing	Daily
Distributions	Quarterly
Management Fee	Up to 0.92%
Buy/Sell Spread	0.20% / 0.20%
Minimum Investment	\$20,000

Investment Objective

Aims to maximise outperformance relative to the benchmark (S&P/ASX 300 Accumulation Index) over rolling seven year periods, by investing predominantly in listed Australian shares.

Investment Strategy

An actively managed Fund predominantly invested in Australian shares using high conviction Australian Shares managers.

To implement this strategy, Morningstar may design portfolios and/or appoint managers to manage the assets of the Fund.

Key Features

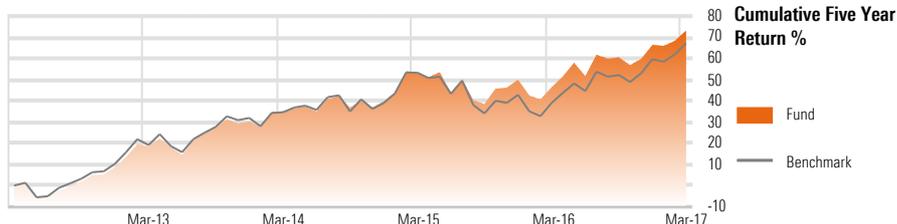
Access to a selection of boutique managers capable of generating significant outperformance (alpha) due to their:

- × low funds under management; and
- × tailored, high alpha mandates.

The managers selected are skilled at running high conviction portfolios. They take large positions, without the influence or constraint of the benchmark.

Multi-manager diversification benefit by combining high conviction, high alpha managers with varying investment styles into the one portfolio.

Performance¹



Total Return %	3 Months	6 Months	1 Year	3 Years (pa)	5 Years (pa)
Fund (Net of Fees)	4.12	7.93	18.32	8.66	11.62
Benchmark	4.71	9.88	20.24	7.51	10.83
Active Return	-0.59	-1.95	-1.91	+1.16	+0.78

Portfolio Analysis²

Market Capitalisation	Fund %	Bmark %	Active Sector Positions	+/- Bmark %
50 Leaders	57.6	78.9	Healthcare	+5.0
51-100 Leaders	17.6	11.5	Energy	+4.3
Ex-100 Leaders	22.5	9.6	Consumer Discretionary	+3.9
Cash	2.3	0.0	Materials	+1.7

Manager Weightings



Manager	Style	%
● Vinva	Quant + long/short	34.7
● JCP Investment Partners	Growth	31.7
● Allan Gray Australia	Contrarian	19.6
● Platypus	Growth	13.9

Manager Styles

Growth: The focus is on selecting stocks that are regarded as having strong earnings growth potential.

Quant + long/short: An approach that allows the manager flexibility to short sell securities in the market and simultaneously invest the proceeds of such sales to increase the portfolio's long positions. Typically, the portfolio will exhibit small biases to Value stocks and the Momentum factor.

Contrarian: An approach that often includes holding stocks currently out of favour with the market.

Consumer Staples	+1.0
Information Technology	-0.4
Telecommunication Services	-0.5
Industrials	-1.2
Utilities	-1.4
Property Trusts	-2.5
Financial ex-Property Trusts	-12.1
Cash	+2.3

Top/Bottom 5 Divergent Stock Positions	+/- Bmark %
Woodside Petroleum	+2.2
QBE Insurance	+2.1
CYBG	+2.0
Origin Energy	+1.6
Woolworths	+1.5
Commonwealth Bank of Australia	-6.6
Westpac Bank	-5.3
National Australia Bank	-3.7
BHP Billiton	-3.4
Australia and New Zealand Bank	-3.1

Notes

1. Performance measures are expressed after fees, costs and before taxes. Performance may not sum due to the rounding of individual components.

2. Allocations may not add up to 100% due to the rounding of individual components.

3. The Management fee is inclusive of GST (after taking into account Reduced Input Tax Credits) and can be negotiated for direct investors. The Fund also has exposure to underlying investment managers which charge performance fees and these are an additional cost to you and impact the return.

4. Please refer to the Product Disclosure Statement on the Morningstar website for more information on how to apply.

Morningstar's Investment Principles



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.



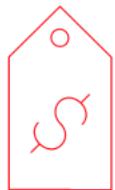
We're valuation-driven investors. Anchoring decisions to an investment's fair value — or what it's really worth — can lead to greater potential for returns.

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.