

Morningstar Australian Bonds Fund

Q4 2016

All data and information as of December 31, 2016

Quarterly Performance Update

APIR Code (Class A)	INT0020AU
Inception	07 Jul 2000
Size \$m	285.6
Unit Pricing	Daily
Distributions	Quarterly
Management Fee	Up to 0.35%
Buy/Sell Spread	0.10% / 0.10%
Minimum Investment	\$500,000

Investment Objective

Aims to match and, where possible, enhance performance relative to the benchmark (Bloomberg AusBond Composite Index) over rolling three year periods by investing predominantly in Australian investment grade bonds.

Investment Strategy

A Fund predominantly invested in government, semi-government and/or corporate Australian bonds. The Fund aims to deliver a superior risk return profile to the performance benchmark and aims to provide investors with a consistent income, whilst also looking to preserve the investors underlying capital.

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

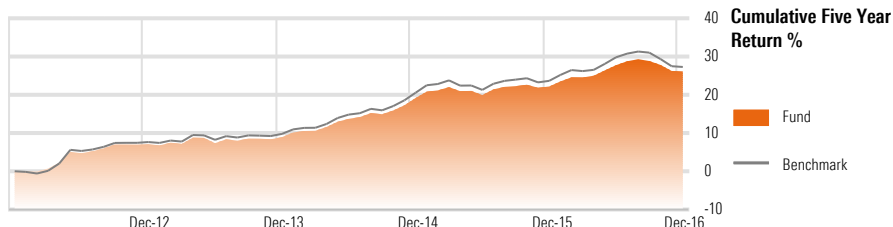
Available to wholesale investors, and indirectly to retail investors via select retail platforms.

Key Features

Delivery of index like returns for Australian bonds, provided at a low cost.

Investments are in sovereign (Australian Government), semi-government and high grade corporate bond securities which are high quality debt instruments and afford a diversified exposure to Australian fixed interest instruments.

Performance¹



Total Return %	3 Months	6 Months	1 Year	3 Years (pa)	5 Years (pa)
Fund (Net of Fees)	-2.14	-1.32	3.19	5.00	4.74
Benchmark ⁴	-2.86	-1.96	2.92	5.05	4.94
Active Return	+0.72	+0.64	+0.27	-0.05	-0.20

Portfolio Analysis²

Characteristics

Modified Duration (years)	4.3
Yield to Maturity (%)	3.0

Sector Allocations

	%
Corporates	41.2
Government	35.8
Semi Government	17.9
Supranational/Agency	2.2
Residential MBS	2.2
Cash	0.6

Maturity Breakdown

	%
0 - 3 years	28.1
3 - 5 years	19.5
5 + years	51.8
Cash	0.6

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. Refer to the current disclosure document for more information on fees and costs.

4. The benchmark was the Bloomberg AusBond Government Bond (All Maturities) Index up until 15 June 2012.

5. 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.



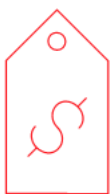
We're valuation-driven investors. Anchoring decisions to an investment's fair value — or what it's really worth — can lead to greater potential for returns.

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.