

Morningstar Investment Management Managed Accounts

Investments and Research To Help You Achieve Your Financial Goals

Morningstar Managed Accounts are a cost effective way for you to access Morningstar's asset allocation and portfolio construction expertise. We've designed an investment approach focused on growing your wealth, while preserving capital through every stage of the market cycle. Our managed accounts come with the added benefit of being supported by Morningstar® Equity Research, giving you access to a research report on every listed company held within each portfolio.

MORNINGSTAR®

A unique combination;

The unique combination of valuation driven asset allocation and a security selection process focused on quality and value, supported by Morningstar Equity Research, allows you to stay one step ahead on the path to achieving your financial goals.

1

Morningstar Valuation Driven Asset Allocation

Determining Where the Best Opportunities Are

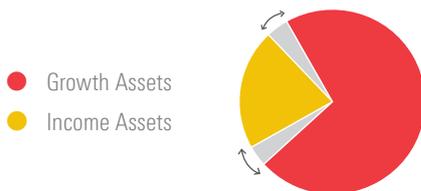
A Strategic Asset Allocation or 'set and forget' approach provides little flexibility to move away from high risk asset classes and towards those presenting good value, due to constraints of benchmark weightings. This results in an investment that performs very similarly to an index, and even if the investment outperforms the benchmark, you may still see negative returns or returns below inflation.

By removing these constraints, we're able to invest only if the reward is worth the risk.

We know that markets change. Our active, Valuation Driven Asset Allocation approach means that we are able to take advantage of opportunities as they arise, rather than at a once a year (or longer) rebalance, as is typically the case with a 'Strategic Asset Allocation' approach.

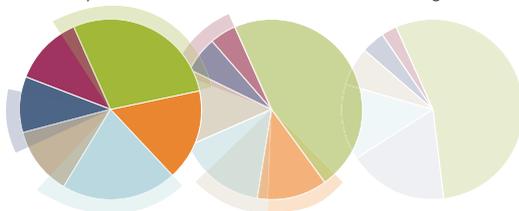
Strategic Asset Allocation

Little flexibility to move when market conditions change.



Valuation Driven Asset Allocation

Total flexibility to move when market conditions change.



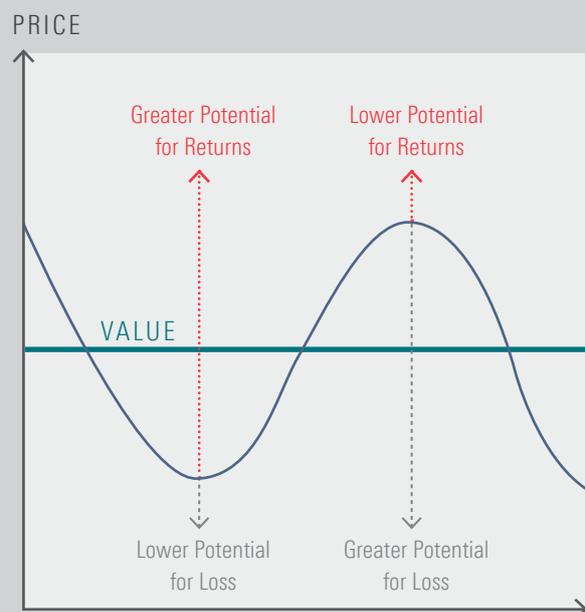
This foundation of our investment process involves the continuous analysis of asset class valuations using our Valuation Driven Asset Allocation framework. This way, we establish which asset classes are undervalued and overvalued, relative to their 'fair value', also known as 'intrinsic value'. In practical terms, we're seeking to invest in assets that are cheap or undervalued and to avoid the expensive or overvalued ones. But it's not just about value. We want to be sure that the assets we hold are of good quality. We do this by undertaking comprehensive research to understand the fundamental drivers behind each investment.

Then we look at investor sentiment. If everyone is buying into an asset class, it's likely that it's a very crowded position. This opens you up to the risks associated with a change in investor behaviour. If sentiment towards the asset class changes, there's a risk of significant capital loss when investors sell out, particularly where valuations are not underpinned by fundamentals. Generally the best time to invest is when sentiment is negative. In other words, we're independently minded, often investing 'against the crowd'.

The output of this process determines the weight of an asset class in each of our managed accounts.

Value = Greater Potential For Returns

The potential for return is greater and potential for loss is lower if an asset is cheap, or currently undervalued by the market. If you buy an asset that's expensive or overvalued, we see that as high risk, as you can see on the right hand side of this chart.



helping you stay one step ahead

2

Morningstar Quality and Value Security Selection

Once we know which asset classes present the best opportunities, we select the individual securities presenting the best opportunities within an asset class.

Our managed accounts are biased towards high quality undervalued assets. These assets have high Morningstar Quality and Value Scores.

Quality – Morningstar Quality Score

Looks at factors such as whether a company has stable and consistent earnings, whether it has little or no debt or has good management.

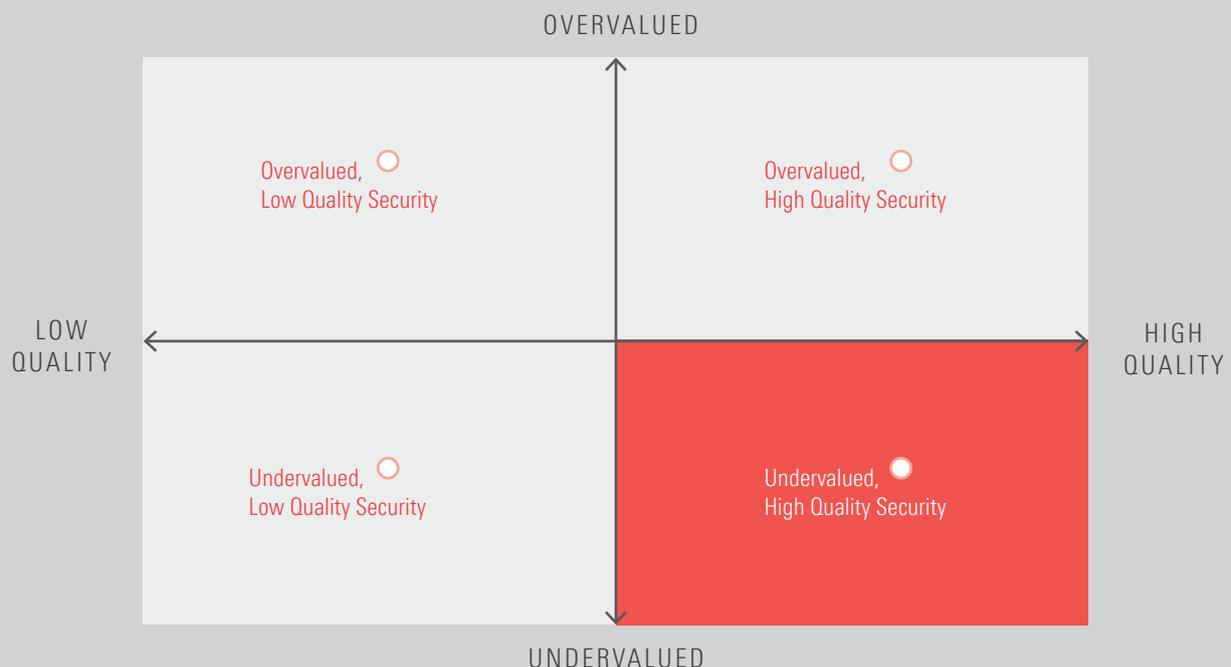


Value – Morningstar Value Score

The same test as when choosing the type of asset. Stocks can be cheap, fair value or expensive and by buying the undervalued stocks and avoiding the expensive stocks your return potential increases while your chance of loss decreases.

Quality + Value = Greater Potential For *Sustainable Returns*

After we have scored a stock in terms of value, we then determine which are high-quality companies. As you can see in the chart below, securities can be high quality, but overvalued. To be held in our managed accounts, we're looking for securities with both a high Morningstar Quality and Value score, as shown by the dark red quadrant.



on the path to achieving your financial goals.

3 Supported by Morningstar Global Equity Research

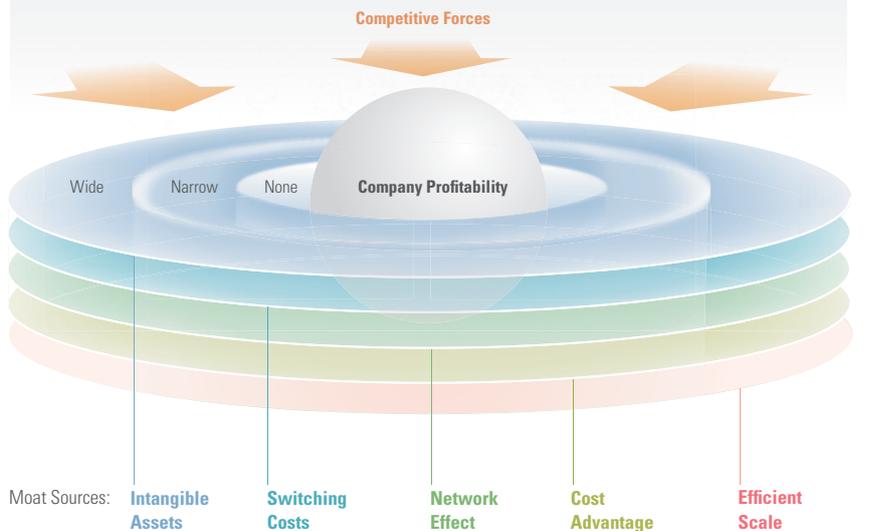
Morningstar's Managed Accounts come with an added level of transparency: Morningstar Global Equity Research Reports on the majority of listed companies held in the portfolios, as well as a Morningstar Economic Moat Rating.

Stay One Step Ahead with Morningstar Research Reports

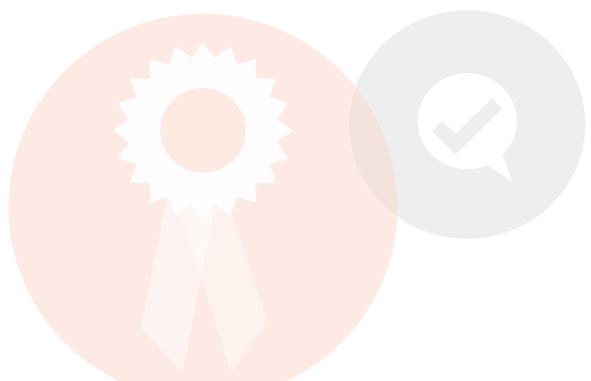
Morningstar has over 170 equity and credit analysts globally, covering approximately 1,600 stocks and 700 debt issuers, making it one of the largest independent research teams in the world. Morningstar analysts apply a consistent, rigorous, and proven global methodology which focuses on long-term fundamental valuation, competitive advantages, risk, financial health, and stewardship. Through Morningstar Adviser Research Centre™, your adviser will be able to access and share with you a report on every listed company held within the portfolio.

Morningstar Economic Moat Rating™

The economic moat concept refers to how likely a company is to keep competitors at bay for an extended period. One of the keys to finding superior long-term investments is buying companies that will be able to stay one step ahead of their competitors, and it's this characteristic – think of it as the strength and sustainability of a firm's competitive advantage – that is captured in the Morningstar Economic Moat Rating.



This block contains a collage of Morningstar research reports and financial data tables. On the left, there is a report for "OBE Insurance Group Limited" with the headline "OBE Identifies Emerging Markets as a Key Growth Opportunity". The report includes sections for "Business Overview", "Business Prospects", and "Valuation". In the center, there is a table titled "Valuation spreads insurance risk with upside from term interest rates". On the right, there is a large table with multiple columns of financial data, including "Revenue", "Net Income", and "EPS".



Growing wealth, while preserving capital through every stage of the market cycle.

Our goal is to help your clients achieve their financial goals by producing more consistent returns with less risk. We don't get hung up about keeping pace with an index or benchmark such as the S&P/ASX200. We are long-term investors, **focussing on what matters to your clients - preserving wealth and growing their savings above the rate of inflation.**

Capital Preservation

We think about risk differently to other managers who use terms such as 'tracking error' or 'standard deviation'. We use a simpler and more practical definition. **We define risk as losing money that can't be made back.** Based on this definition of risk, we've designed an investment approach aligned to the needs of investors – preserving their savings, growing their wealth, and not investing in assets if the reward isn't worth the risk.

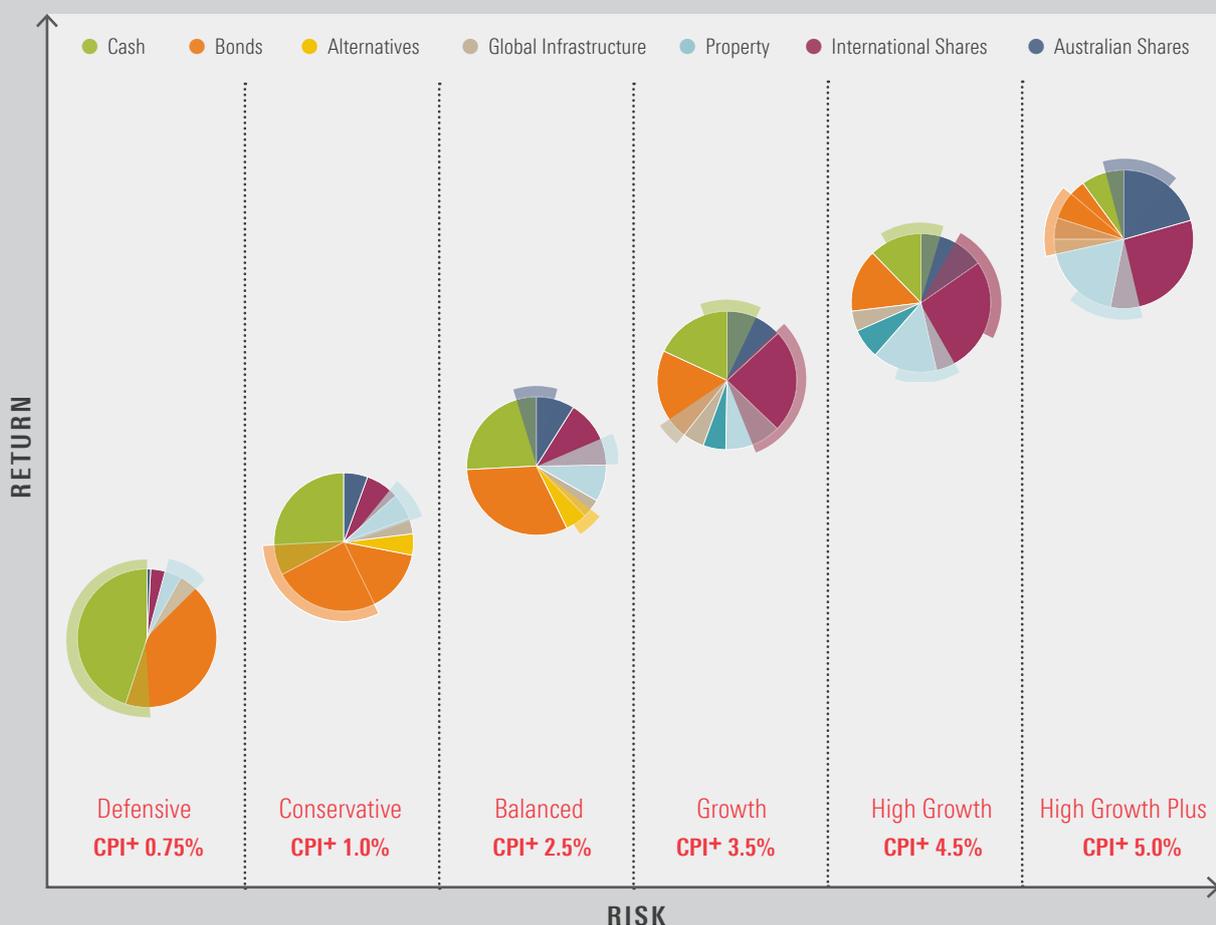
Introducing the CPI+ Objective

To determine our investment objective, we start with the rate of inflation and add to that an additional amount that can be matched with the risk profile and financial goals of your clients. This gives us a CPI+ objective.

So your clients' objectives and ours are the same, namely growing savings above inflation and increasing purchasing power.

Morningstar's Suite of Managed Accounts

Morningstar's diversified managed accounts have been designed to meet the needs of all investors, across all risk profiles and life stages. The chart below shows our suite of diversified managed accounts, as well as asset allocation examples.



The information displayed is for illustrative purposes only. It should not be used to assess the exact risk/return relationship between portfolios.

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

Morningstar's disciplined investment approach delivers independent, cost effective and holistic solutions for investors – 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.



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