

2 August 2017

Dear Investor,

Updates to the Morningstar Investment Funds' PDS

We'd like to provide you with some updated information relating to the Morningstar Investment Funds. A number of product and regulatory developments have affected the Morningstar Investment Funds.

After reading this, no further action is required from you and the updated information will be reflected in new product disclosure statements (PDS) to be issued at the end of September 2017.

Product developments	Applies to
1. Fund name change	Morningstar Conservative Real Return Fund
2. Product feature changes – simplified asset classes and updated investment mix	<p><u>Real Return Suite</u></p> <ul style="list-style-type: none"> – Morningstar High Growth Real Return Fund – Morningstar Growth Real Return Fund – Morningstar Balanced Real Return Fund – Morningstar Conservative Real Return Fund <p><u>Diversified Suite</u></p> <ul style="list-style-type: none"> – Morningstar High Growth Fund – Morningstar Growth Fund – Morningstar Balanced Fund – Morningstar Moderate Fund – Morningstar Conservative Fund
3. Reduced minimum and additional investment amount	Morningstar Australian Shares Fund
Regulatory developments	Applies to
1. Morningstar opted in to AMIT – a new tax regime for managed funds	All Morningstar Investment Funds
2. Changes to the way we disclose fees and costs	All Morningstar Investment Funds
3. Start of common reporting standard regime	All Morningstar Investment Funds
4. Access to dispute resolution process for platform investors	All Morningstar Investment Funds

Product developments

1. Fund name change

Morningstar's suite of investment management services and businesses around the world have recently unified under the Morningstar brand. Moving to the Morningstar brand for the investment management business in Australia unites our investment management, data, research, ratings, and technology capabilities under one global brand that represents three decades of serving investors directly and indirectly around the world.

As a result, we're changing the name of a fund to better align with the broader Morningstar business:

	Name	Morningstar category
Current	Morningstar Conservative Real Return Fund	Morningstar Multisector Moderate Index
New	Morningstar Moderate Real Return Fund	Morningstar Multisector Moderate Index

Please note: there are no changes to the level of risk, investment objectives or the way your investment in this fund is managed. **The name change is cosmetic in nature only.**

2. Product feature changes – simplified asset classes and updated investment mix

As part of our regular review of asset classes and capital markets, we're:

- increasing the investment return objective of the Morningstar High Growth Real Return Fund, and
- updating the investment mix (strategic asset allocation) and growth/defensive percentages for our Diversified Suite.

We're also simplifying the way we disclose our asset classes and updating the asset allocation ranges for greater flexibility and consistency. We believe the simplification changes will help investors better understand our investment products.

The updates **do not increase the risk level/profile categories** or the way your investment(s) in the fund(s) are managed.

Refer to the appendices (A & B) on the back pages for details on the updated product features.

3. Reduced minimum and additional investment amount

Previously, the Morningstar Australian Shares Fund was offered primarily to institutional and wholesale investors and was not readily available to retail investors.

Based on investor feedback and demand, we've reduced the minimum initial and additional investment amounts to \$20,000 (previously \$500,000) and \$5,000 (previously \$100,000) accordingly.

The fund offers a **simple and low-cost** way to access an actively managed portfolio of high quality Australian businesses at attractive valuations.

Importantly, you should consider the disclosure document and seek financial advice to determine if the fund is appropriate for you, in line with your goals, objectives and current situation.

Regulatory developments

1. Morningstar opted in to AMIT – a new tax regime for managed funds

A new tax regime for managed funds called the Attribution Managed Investment Trust (AMIT) Regime was recently introduced. The AMIT Regime intends to reduce complexity and increase certainty around the tax treatment of managed funds.

Consistent with ASIC relief, and as we considered the AMIT Regime to be **in the best interests of our investors**, we've amended our funds' constitutions in order to elect into and operate under the new AMIT Regime. Our PDS tax section will be updated to reflect key elements of the new AMIT Regime.

For more detail, please read the notice we published on our [website](#).

2. Changes to the way we disclose fees and costs

From 30 September 2017, we're changing the way investment fees and costs are presented in the PDS in line with ASIC's regulatory changes.

While there are some changes to the amounts of fees and costs presented, it's important to note that there are no new or additional fees being charged and there is no impact on the net returns you receive (after fees and costs) or how we calculate investment performance.

The regulatory changes require us to present all indirect expenses that are incurred in managing your investments. These include costs incurred via the use of investment vehicles which provide access to 'hard to access' investment opportunities. These costs are charged by service providers, such as investment banks and specialist external managers. While these costs have always been incurred and reflected in the net return received by investors, these will now be incorporated in the fees and costs information in our PDS.

3. Common Reporting Standard

The Common Reporting Standard (**CRS**) is a single global standard for collecting, reporting and exchanging financial account information of foreign tax residents. Under CRS banks and other financial institutions like investment funds will collect and report information to the ATO. The ATO will in turn exchange information with participating tax authorities.

From 1 July 2017, we updated our application form to allow for information we need to collect for CRS compliance. Our PDS will also be updated to reflect key elements of CRS requirements.

4. Access to dispute resolution process for platform investors

Morningstar aims to provide our investors with quality investment products and ongoing service, and has established resolution procedures in place for dealing with disputes. In addition to these procedures, we are a voluntary member of the Financial Ombudsman Service (FOS), a not-for-profit, non-government organisation that helps resolve disputes about financial services and products.

We are pleased to **extend our dispute resolution procedures** to retail clients who invest via a platform/investment administration service such as an Investor Directed Portfolio Service (IDPS), IDPS-like scheme or a nominee/custody service.

Need more information?

Further information will be available in the disclosure documents on or around **30 September 2017**.

Alternatively, please contact your financial adviser, or a member of our distribution team between 9.00am and 5.00pm (Sydney time) Monday to Friday on 02 9276 4550, or email AUDistribution@morningstar.com.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Michael Kwok', written in a cursive style.

Michael Kwok
Product & Communications Manager
Morningstar Investment Management

Appendix A: Product Feature Changes – Real Return Suite

Morningstar High Growth Real Return Fund

	Current		New	
Investment objective	Aims to earn a rate of return that exceeds Consumer Price Index increases by at least 4.0% p.a. over rolling 9 year periods.		Aims to earn a rate of return that exceeds Consumer Price Index increases by at least 4.5% p.a. over rolling 9 year periods.	
Investment strategy	An actively managed diversified Fund with a long term average exposure of around 90% to growth assets such as shares, property and infrastructure and around 10% exposure to income assets such as cash and fixed interest. The Fund will be invested dynamically across managed funds, direct securities, exchange traded funds, foreign exchange contracts and/or derivatives. The Fund aims to deliver real returns whilst preserving capital over the targeted investment horizon.		An actively managed multi-asset Fund with a long term average exposure of around 90% to growth assets such as shares, property and infrastructure and around 10% exposure to defensive assets such as cash and fixed interest. The Fund will be invested dynamically across managed funds, direct securities, exchange traded funds, foreign exchange contracts and/or derivatives. The Fund aims to deliver real returns whilst preserving capital over the targeted investment horizon.	
Risk profile	High		High	
Asset allocation ranges	Min	Max	Min	Max
Australian Shares	0	65	0	75
International Shares	0	65	0	75
Global Property & Infrastructure ¹			0	45
Global Property Securities	0	40		
Global Infrastructure	0	20		
Alternative Investments	0	25	0	25
Australian Bonds	0	15	0	20
International Bonds (Hedged)	0	15	0	20
Global Inflation-Linked Securities (H) ²	0	15		
Cash	0	35	0	30

1. 'Global Property Securities' and 'Global Infrastructure' have been combined to form a consolidated asset class 'Global Property & Infrastructure'.
2. 'Global Inflation-Linked Securities (Hedged)' have been incorporated into 'Australian Bonds' and 'International Bonds (Hedged)'.

Appendix A: Product Feature Changes – Real Return Suite

Morningstar Growth Real Return Fund

	Current		New	
Investment objective	Aims to earn a rate of return that exceeds Consumer Price Index increases by at least 3.5% p.a. over rolling 7 year periods.		Aims to earn a rate of return that exceeds Consumer Price Index increases by at least 3.5% p.a. over rolling 7 year periods.	
Investment strategy	An actively managed diversified Fund with a long term average exposure of around 70% to growth assets such as shares, property and infrastructure and around 30% exposure to income assets such as cash and fixed interest. The Fund will be invested dynamically across managed funds, direct securities, exchange traded funds, foreign exchange contracts and/or derivatives. The Fund aims to deliver real returns whilst preserving capital over the targeted investment horizon.		An actively managed multi-asset Fund with a long term average exposure of around 70% to growth assets such as shares, property and infrastructure and around 30% exposure to defensive assets such as cash and fixed interest. The Fund will be invested dynamically across managed funds, direct securities, exchange traded funds, foreign exchange contracts and/or derivatives. The Fund aims to deliver real returns whilst preserving capital over the targeted investment horizon.	
Risk profile	Medium to High		Medium to High	
Asset allocation ranges	Min	Max	Min	Max
Australian Shares	0	60	0	60
International Shares	0	60	0	60
Global Property & Infrastructure ¹			0	40
Global Property Securities	0	40		
Global Infrastructure	0	20		
Alternative Investments	0	25	0	25
Australian Bonds	0	20	0	30
International Bonds (Hedged)	0	20	0	30
Global Inflation-Linked Securities (H) ²	0	15		
Cash	0	45	0	45

1. 'Global Property Securities' and 'Global Infrastructure' have been combined to form a consolidated asset class 'Global Property & Infrastructure'.
2. 'Global Inflation-Linked Securities (Hedged)' have been incorporated into 'Australian Bonds' and 'International Bonds (Hedged)'.

Appendix A: Product Feature Changes – Real Return Suite

Morningstar Balanced Real Return Fund

	Current		New	
Investment objective	Aims to earn a rate of return that exceeds Consumer Price Index increases by at least 2.5% p.a. over rolling 5 year periods.		Aims to earn a rate of return that exceeds Consumer Price Index increases by at least 2.5% p.a. over rolling 5 year periods.	
Investment strategy	An actively managed diversified Fund with a long term average exposure of around 50% to growth assets such as shares, property and infrastructure and around 50% exposure to income assets such as cash and fixed interest. The Fund will be invested dynamically across managed funds, direct securities, exchange traded funds, foreign exchange contracts and/or derivatives. The Fund aims to deliver real returns whilst preserving capital over the targeted investment horizon.		An actively managed multi-asset Fund with a long term average exposure of around 50% to growth assets such as shares, property and infrastructure and around 50% exposure to defensive assets such as cash and fixed interest. The Fund will be invested dynamically across managed funds, direct securities, exchange traded funds, foreign exchange contracts and/or derivatives. The Fund aims to deliver real returns whilst preserving capital over the targeted investment horizon.	
Risk profile	Medium		Medium	
Asset allocation ranges	Min	Max	Min	Max
Australian Shares	0	45	0	45
International Shares	0	45	0	45
Global Property & Infrastructure ¹			0	35
Global Property Securities	0	30		
Global Infrastructure	0	15		
Alternative Investments	0	25	0	25
Australian Bonds	0	30	0	40
International Bonds (Hedged)	0	30	0	40
Global Inflation-Linked Securities (H) ²	0	20		
Cash	0	45	0	55

1. 'Global Property Securities' and 'Global Infrastructure' have been combined to form a consolidated asset class 'Global Property & Infrastructure'.
2. 'Global Inflation-Linked Securities (Hedged)' have been incorporated into 'Australian Bonds' and 'International Bonds (Hedged)'.

Appendix A: Product Feature Changes – Real Return Suite

Morningstar Moderate Real Return Fund (previously named Morningstar Conservative Real Return Fund)

	Current		New	
Investment objective	Aims to earn a rate of return that exceeds Consumer Price Index increases by at least 1.0% p.a. over rolling 3 year periods.		Aims to earn a rate of return that exceeds Consumer Price Index increases by at least 1.0% p.a. over rolling 3 year periods.	
Investment strategy	An actively managed diversified Fund with a long term average exposure of around 30% to growth assets such as shares, property and infrastructure and around 70% exposure to income assets such as cash and fixed interest. The Fund will be invested dynamically across managed funds, direct securities, exchange traded funds, foreign exchange contracts and/or derivatives. The Fund aims to deliver real returns whilst preserving capital over the targeted investment horizon.		An actively managed multi-asset Fund with a long term average exposure of around 30% to growth assets such as shares, property and infrastructure and around 70% exposure to defensive assets such as cash and fixed interest. The Fund will be invested dynamically across managed funds, direct securities, exchange traded funds, foreign exchange contracts and/or derivatives. The Fund aims to deliver real returns whilst preserving capital over the targeted investment horizon.	
Risk profile	Low to Medium		Low to Medium	
Asset allocation ranges	Min	Max	Min	Max
Australian Shares	0	30	0	30
International Shares	0	30	0	30
Global Property & Infrastructure ¹			0	25
Global Property Securities	0	20		
Global Infrastructure	0	10		
Alternative Investments	0	25	0	25
Australian Bonds	0	40	0	50
International Bonds (Hedged)	0	40	0	50
Global Inflation-Linked Securities (H) ²	0	20		
Cash	10	70	0	70

1. 'Global Property Securities' and 'Global Infrastructure' have been combined to form a consolidated asset class 'Global Property & Infrastructure'.
2. 'Global Inflation-Linked Securities (Hedged)' have been incorporated into 'Australian Bonds' and 'International Bonds (Hedged)'.

Appendix B: Product Feature Changes – Diversified Suite

Morningstar High Growth Fund

Current				New			
Investment strategy				Investment strategy			
An actively managed diversified Fund with a long term average exposure of around 95% to growth assets such as shares, property and infrastructure and around 5% exposure to defensive assets such as cash and fixed interest. The Fund will be invested across managed funds, direct securities, exchange traded funds, foreign exchange contracts and/or derivatives. The Fund aims to deliver real returns whilst preserving capital over the targeted investment horizon.				An actively managed diversified Fund with a long term average exposure of around 90% to growth assets such as shares, property and infrastructure and around 10% exposure to defensive assets such as cash and fixed interest. The Fund will be invested across managed funds, direct securities, exchange traded funds, foreign exchange contracts and/or derivatives. The Fund aims to deliver real returns whilst preserving capital over the targeted investment horizon.			
Range (%)				Range (%)			
Asset classes	SAA	Min	Max	Asset classes	SAA	Min	Max
Australian Shares	34	0	65	Australian Shares	29	0	75
International Shares	37	0	65	International Shares	44	0	75
Property Securities	13	0	40	Global Property & Infrastructure ¹	14	0	45
Global Infrastructure	5	0	20	Alternative Investments ²	6	0	25
Alternative Investments	6	0	25	Australian Bonds ³	2	0	20
Total Growth	95	85	100	International Bonds (Hedged) ³	2	0	20
Australian Bonds	2	0	15	Cash	3	0	20
International Bonds (Hedged)	1	0	15	Total Growth	90	80	100
Global Inflation-Linked Securities (Hedged)	0	0	15	Total Defensive	10	0	20
Cash	2	0	35				
Total Defensive	5	0	15				

1. 'Global Infrastructure' has been combined with 'Property Securities' to form a consolidated asset class 'Global Property & Infrastructure'.
2. 'Alternative Investments' classified as 50% growth and 50% defensive.
3. 'Global Inflation-Linked Securities (Hedged)' have been incorporated into 'Australian Bonds' and 'International Bonds (Hedged)'.

Appendix B: Product Feature Changes – Diversified Suite

Morningstar Growth Fund

Current				New			
Investment strategy				Investment strategy			
An actively managed diversified Fund with a long term average exposure of around 75% to growth assets such as shares, property and infrastructure and around 25% exposure to defensive assets such as cash and fixed interest. The Fund will be invested across managed funds, direct securities, exchange traded funds, foreign exchange contracts and/or derivatives. The Fund aims to deliver real returns whilst preserving capital over the targeted investment horizon.				An actively managed diversified Fund with a long term average exposure of around 70% to growth assets such as shares, property and infrastructure and around 30% exposure to defensive assets such as cash and fixed interest. The Fund will be invested across managed funds, direct securities, exchange traded funds, foreign exchange contracts and/or derivatives. The Fund aims to deliver real returns whilst preserving capital over the targeted investment horizon.			
Range (%)				Range (%)			
Asset classes	SAA	Min	Max	Asset classes	SAA	Min	Max
Australian Shares	26	0	60	Australian Shares	22	0	60
International Shares	29	0	60	International Shares	33	0	60
Property Securities	8	0	40	Global Property & Infrastructure ¹	11	0	40
Global Infrastructure	4	0	20	Alternative Investments ²	8	0	25
Alternative Investments	8	0	25	Australian Bonds ³	12	0	30
Total Growth	75	65	85	International Bonds (Hedged) ³	8	0	30
Australian Bonds	11	0	20	Cash	6	0	40
International Bonds (Hedged)	6	0	20	Total Growth	70	60	80
Global Inflation-Linked Securities (Hedged)	3	0	15	Total Defensive	30	20	40
Cash	5	0	45				
Total Defensive	25	15	35				

1. 'Global Infrastructure' has been combined with 'Property Securities' to form a consolidated asset class 'Global Property & Infrastructure'.
2. 'Alternative Investments' classified as 50% growth and 50% defensive.
3. 'Global Inflation-Linked Securities (Hedged)' have been incorporated into 'Australian Bonds' and 'International Bonds (Hedged)'.

Appendix B: Product Feature Changes – Diversified Suite

Morningstar Balanced Fund

Current				New			
Investment strategy				Investment strategy			
An actively managed diversified Fund with a long term average exposure of around 60% to growth assets such as shares, property and infrastructure and around 40% exposure to defensive assets such as cash and fixed interest. The Fund will be invested across managed funds, direct securities, exchange traded funds, foreign exchange contracts and/or derivatives. The Fund aims to deliver real returns whilst preserving capital over the targeted investment horizon.				An actively managed diversified Fund with a long term average exposure of around 50% to growth assets such as shares, property and infrastructure and around 50% exposure to defensive assets such as cash and fixed interest. The Fund will be invested across managed funds, direct securities, exchange traded funds, foreign exchange contracts and/or derivatives. The Fund aims to deliver real returns whilst preserving capital over the targeted investment horizon.			
Range (%)				Range (%)			
Asset classes	SAA	Min	Max	Asset classes	SAA	Min	Max
Australian Shares	21	0	45	Australian Shares	16	0	45
International Shares	23	0	45	International Shares	23	0	45
Property Securities	7	0	30	Global Property & Infrastructure ¹	8	0	35
Global Infrastructure	3	0	15	Alternative Investments ²	6	0	25
Alternative Investments	6	0	25	Australian Bonds ³	20	0	40
Total Growth	60	50	70	International Bonds (Hedged) ³	14	0	40
Australian Bonds	15	0	30	Cash	13	0	55
International Bonds (Hedged)	8	0	30	Total Growth	50	40	60
Global Inflation-Linked Securities (Hedged)	5	0	20	Total Defensive	50	40	60
Cash	12	0	55				
Total Defensive	40	30	50				

1. 'Global Infrastructure' has been combined with 'Property Securities' to form a consolidated asset class 'Global Property & Infrastructure'.
2. 'Alternative Investments' classified as 50% growth and 50% defensive.
3. 'Global Inflation-Linked Securities (Hedged)' have been incorporated into 'Australian Bonds' and 'International Bonds (Hedged)'.

Appendix B: Product Feature Changes – Diversified Suite

Morningstar Moderate Fund

Current				New			
Investment strategy				Investment strategy			
An actively managed diversified Fund with a long term average exposure of around 45% to growth assets such as shares, property and infrastructure and around 55% exposure to defensive assets such as cash and fixed interest. The Fund will be invested across managed funds, direct securities, exchange traded funds, foreign exchange contracts and/or derivatives. The Fund aims to deliver real returns whilst preserving capital over the targeted investment horizon.				An actively managed diversified Fund with a long term average exposure of around 30% to growth assets such as shares, property and infrastructure and around 70% exposure to defensive assets such as cash and fixed interest. The Fund will be invested across managed funds, direct securities, exchange traded funds, foreign exchange contracts and/or derivatives. The Fund aims to deliver real returns whilst preserving capital over the targeted investment horizon.			
Range (%)				Range (%)			
Asset classes	SAA	Min	Max	Asset classes	SAA	Min	Max
Australian Shares	14	0	35	Australian Shares	9	0	30
International Shares	16	0	35	International Shares	13	0	30
Property Securities	6	0	25	Global Property & Infrastructure ¹	5	0	25
Global Infrastructure	3	0	10	Alternative Investments ²	6	0	25
Alternative Investments	6	0	25	Australian Bonds ³	23	0	50
Total Growth	45	35	55	International Bonds (Hedged) ³	17	0	50
Australian Bonds	21	0	35	Cash	27	0	70
International Bonds (Hedged)	10	0	35	Total Growth	30	20	40
Global Inflation-Linked Securities (Hedged)	6	0	20	Total Defensive	70	60	80
Cash	18	0	60				
Total Defensive	55	45	65				

1. 'Global Infrastructure' has been combined with 'Property Securities' to form a consolidated asset class 'Global Property & Infrastructure'.
2. 'Alternative Investments' classified as 50% growth and 50% defensive.
3. 'Global Inflation-Linked Securities (Hedged)' have been incorporated into 'Australian Bonds' and 'International Bonds (Hedged)'.

Appendix B: Product Feature Changes – Diversified Suite

Morningstar Conservative Fund

Current				New			
Investment strategy				Investment strategy			
An actively managed diversified Fund with a long term average exposure of around 75% to defensive assets such as fixed interest and cash and around 25% exposure to growth assets such as shares and property. The Fund will be invested across managed funds, direct securities, exchange traded funds, foreign exchange contracts and/or derivatives. The Fund aims to deliver real returns whilst preserving capital over the targeted investment horizon.				An actively managed diversified Fund with a long term average exposure of around 85% to defensive assets such as fixed interest and cash and around 15% exposure to growth assets such as shares and property. The Fund will be invested across managed funds, direct securities, exchange traded funds, foreign exchange contracts and/or derivatives. The Fund aims to deliver real returns whilst preserving capital over the targeted investment horizon.			
Range (%)				Range (%)			
Asset classes	SAA	Min	Max	Asset classes	SAA	Min	Max
Australian Shares	7	0	30	Australian Shares	5	0	15
International Shares	7	0	30	International Shares	7	0	15
Property Securities	4	0	20	Global Property & Infrastructure ¹	2	0	15
Global Infrastructure	2	0	10	Alternative Investments ²	2	0	20
Alternative Investments	5	0	25	Australian Bonds ³	28	0	70
Total Growth	25	15	35	International Bonds (Hedged) ³	20	0	70
Australian Bonds	25	0	40	Cash	36	10	90
International Bonds (Hedged)	14	0	40	Total Growth	15	5	25
Global Inflation-Linked Securities (Hedged)	6	0	20	Total Defensive	85	75	95
Cash	30	10	70				
Total Defensive	75	65	85				

1. 'Global Infrastructure' has been combined with 'Property Securities' to form a consolidated asset class 'Global Property & Infrastructure'.
2. 'Alternative Investments' classified as 50% growth and 50% defensive.
3. 'Global Inflation-Linked Securities (Hedged)' have been incorporated into 'Australian Bonds' and 'International Bonds (Hedged)'.