

Morningstar Investment Funds - Series 5

Annual report

For the year ended 30 June 2023

Morningstar Investment Funds - Series 5

Annual report - For the year ended 30 June 2023

Morningstar Alpha Strategies Fund

ARSN 126 314 538

Morningstar Diversified Alternatives Fund

ARSN 128 307 004

Morningstar Global Inflation Linked Securities (Hedged) Fund

ARSN 127 861 938

Morningstar International Bonds (Hedged) Fund

ARSN 121 406 219

Morningstar International Shares High Opportunities (Hedged) Fund

ARSN 123 814 433

Morningstar Investment Funds - Series 5

Annual report - For the year ended 30 June 2023

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Directors' report

The directors of Morningstar Investment Management Australia Limited (ABN 54 071 808 501), the Responsible Entity of Morningstar Investment Funds - Series 5, present their report together with the financial report of Morningstar Alpha Strategies Fund, Morningstar Diversified Alternatives Fund, Morningstar Global Inflation Linked Securities (Hedged) Fund, Morningstar International Bonds (Hedged) Fund and Morningstar International Shares High Opportunities (Hedged) Fund (collectively "the Schemes"), for the year ended 30 June 2023.

Principal activities

The Schemes are registered managed investment schemes domiciled in Australia.

During the year, the Schemes continue to invest funds in accordance with their investment return objectives and investment strategies as set out in the current product disclosure statements and in accordance with the provisions of the Schemes' Constitutions.

The Schemes did not have any employees during the year (2022: Nil).

There were no significant changes in the nature of the Schemes' activities during the year.

On 31 May 2021, Morningstar Alpha Strategies Fund effectively disposed all of its assets with small residual balances remaining in the Scheme. The Responsible Entity intends to keep the Scheme open and will make a decision regarding its future operations and objectives. Other than this, there were no other significant changes in the nature of the Schemes' activities.

Directors

The following persons held office as directors of the Responsible Entity from the beginning of the financial year up to the date of this report unless noted otherwise:

James Downing (director)

Christopher Galloway (director)

James Wickham (director) (resigned 31 May 2023)

Joanne Brady (director)

Fiona White (company secretary)

Directors' report (continued)

Review of results and operations

The investment policy of the Schemes continues to be that detailed in the current product disclosure statements and in accordance with the provisions of the governing documents of the Schemes.

Results

The performance of the Schemes, as represented by the results of their operations, were as follows:

| | Morningstar Alpha Strategies Fund | | Morningstar Diversified Alternatives Fund | | Morningstar Global Inflation Linked Securities (Hedged) Fund | |
|--------------------------------|--|--------------|--|--------------|---|---------------|
| | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 |
| | \$ | \$ | \$'000 | \$'000 | \$'000 | \$'000 |
| Net operating profit/(loss) | <u>(6)</u> | <u>(6)</u> | <u>3,298</u> | <u>8,177</u> | <u>211</u> | <u>(422)</u> |
| Distributions - Class A | | | | | | |
| Distribution paid and payable | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Distribution (cents per unit) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Distributions - Class B | | | | | | |
| Distribution paid and payable | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Distribution (cents per unit) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Distributions - Class Z | | | | | | |
| Distribution paid and payable | <u>-</u> | <u>-</u> | <u>1,659</u> | <u>-</u> | <u>931</u> | <u>125</u> |
| Distribution (cents per unit) | <u>-</u> | <u>-</u> | <u>1.1105</u> | <u>-</u> | <u>4.3078</u> | <u>0.2836</u> |

Directors' report (continued)

Review of results and operations (continued)

Results (continued)

| | Morningstar International Bonds (Hedged) Fund | | Morningstar International Shares High Opportunities (Hedged) Fund | |
|---------------------------------------|--|-----------------|--|-----------------|
| | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Net operating profit/(loss) | <u>5,895</u> | <u>(24,369)</u> | <u>16,638</u> | <u>(26,522)</u> |
| <i>Distributions - Class A</i> | | | | |
| Distribution paid and payable | - | - | - | - |
| Distribution (cents per unit) | - | - | - | - |
| <i>Distributions - Class B</i> | | | | |
| Distribution paid and payable | - | - | <u>2,412</u> | <u>4,590</u> |
| Distribution (cents per unit) | - | - | <u>2.0926</u> | <u>3.7183</u> |
| <i>Distributions - Class Z</i> | | | | |
| Distribution paid and payable | - | - | - | <u>427</u> |
| Distribution (cents per unit) | - | - | - | <u>4.7639</u> |

Significant changes in state of affairs

In the opinion of the directors, there were no other significant changes in the state of affairs of the Schemes that occurred during the financial year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect:

- (i) the operations of the Schemes in future financial years, or
- (ii) the results of those operations in future financial years, or
- (iii) the state of affairs of the Schemes in future financial years.

Directors' report (continued)

Likely developments and expected results of operations

The Schemes will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Schemes and in accordance with the provisions of the Schemes' Constitutions.

The results of the Schemes' operations will be affected by a number of factors, including the performance of investment markets in which the Schemes invest. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Further information on likely developments in the operations of the Schemes and the expected results of those operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to the Schemes.

Indemnification and insurance of officers or auditors

During the financial year, the Responsible Entity paid premiums in respect of contracts insuring the directors, secretary, and all executive officers of the Responsible Entity against a liability incurred as a director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contracts of insurance prohibit disclosure of the amount of the premium.

During or since the end of the financial year, the Responsible Entity has not indemnified an officer or auditor of the Schemes or of any related body corporate against a liability incurred as an officer or auditor. In addition, the Responsible Entity neither paid, nor agreed to pay, a premium in respect of a contract insuring against a liability incurred by an officer or auditor.

Fees paid to and interests held in the Schemes by the Responsible Entity or its associates

Fees paid to the Responsible Entity and its associates out of Scheme property during the year are disclosed in Note 14 to the financial statements.

No fees were paid out of Scheme property to the directors of the Responsible Entity during the year.

The number of interests in the Schemes held by the Responsible Entity or its associates as at the end of the financial year are disclosed in Note 14 to the financial statements.

Interests in the Schemes

The movement in units on issue in the Schemes during the year is disclosed in Note 6 to the financial statements.

The value of the Schemes' assets and liabilities are disclosed in the statements of financial position and derived using the basis set out in Note 2 to the financial statements.

Environmental regulation

The operations of the Schemes are not subject to any particular or significant environmental regulations under a law of the Commonwealth, State or Territory. There have been no known significant breaches of any other environmental requirements applicable to the Schemes.

Directors' report (continued)

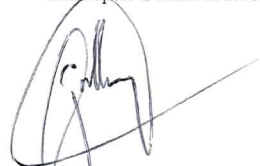
Rounding

The Schemes are entities of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the directors' report and financial statements. Amounts in the directors' report and the financial statements have been rounded in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, unless otherwise indicated.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 6.

This report is made in accordance with a resolution of the directors.



Director

Sydney

20 September 2023



**Building a better
working world**

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Auditor's Independence Declaration to the Directors of Morningstar Investment Management Australia Limited, as Responsible Entity for Morningstar Investment Funds – Series 5

For the following Morningstar Investment Funds - Series 5 (the "Schemes"):

- ▶ Morningstar Alpha Strategies Fund;
- ▶ Morningstar Diversified Alternatives Fund;
- ▶ Morningstar Global Inflation Linked Securities (Hedged) Fund;
- ▶ Morningstar International Bonds (Hedged) Fund; and
- ▶ Morningstar International Shares High Opportunities (Hedged) Fund

As lead auditor for the audit of the financial report of the above Schemes for the financial year ended 30 June 2023, I declare to the best of my knowledge and belief, there have been:

- a) No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;
- b) No contraventions of any applicable code of professional conduct in relation to the audit; and
- c) No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

Ernst & Young

Elliott Shadforth
Partner
20 September 2023

Morningstar Investment Funds - Series 5
Statements of comprehensive income
For the year ended 30 June 2023

| | Note | Morningstar Alpha Strategies Fund | | Morningstar Diversified Alternatives Fund | | Morningstar Global Inflation Linked Securities (Hedged) Fund | |
|--|------|-----------------------------------|-------------------|---|---------------------|--|---------------------|
| | | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 |
| | | \$ | \$ | \$'000 | \$'000 | \$'000 | \$'000 |
| Investment income | | | | | | | |
| Interest income | 3 | - | - | 12 | - | 210 | 273 |
| Dividend income | | - | - | 8 | 12 | - | - |
| Trust distributions | | - | - | 1,315 | 360 | - | - |
| Changes in fair value of financial instruments held at fair value through profit or loss | 5 | - | 1 | 1,614 | 7,334 | 48 | (660) |
| Other investment income | | - | - | 14 | 51 | - | - |
| Fee rebates from related schemes | | - | - | 452 | 600 | - | - |
| Total investment income/(loss) | | - | 1 | 3,415 | 8,357 | 258 | (387) |
| Expenses | | | | | | | |
| Management fees | 14 | - | - | - | 57 | - | 2 |
| Custody fees | 14 | - | - | 86 | 70 | 22 | 14 |
| Audit and tax fees | 14 | - | - | 4 | 4 | 3 | 2 |
| Transaction costs | | - | - | - | - | 15 | 6 |
| Withholding tax expense | | - | - | - | - | - | - |
| Other operating expenses borne by Responsible Entity | 14 | - | - | 23 | 29 | 3 | 7 |
| Other operating expenses | | <u>6</u> | <u>7</u> | <u>4</u> | <u>20</u> | <u>4</u> | <u>4</u> |
| Total operating expenses | | <u>6</u> | <u>7</u> | <u>117</u> | <u>180</u> | <u>47</u> | <u>35</u> |
| Net operating profit/(loss) attributable to unitholders before finance costs | | <u>(6)</u> | <u>(6)</u> | <u>3,298</u> | <u>8,177</u> | <u>211</u> | <u>(422)</u> |
| Financing costs attributable to unitholders | | | | | | | |
| Distributions to unitholders | 11 | - | - | (1,659) | - | (931) | (125) |
| (Increase)/decrease in net assets attributable to unitholders | 6 | <u>6</u> | <u>6</u> | <u>(1,639)</u> | <u>(8,177)</u> | <u>720</u> | <u>547</u> |
| Net profit/(loss) attributable to unitholders after finance costs | | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Other comprehensive income | | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total comprehensive income for the financial year | | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

The above statements of comprehensive income should be read in conjunction with the accompanying notes.

Morningstar Investment Funds - Series 5
Statements of comprehensive income
For the year ended 30 June 2023

| | Note | Morningstar International Bonds (Hedged) Fund | | Morningstar International Shares High Opportunities (Hedged) Fund | |
|--|------|---|-----------------|---|-----------------|
| | | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 |
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| Investment income | | | | | |
| Interest income | 3 | 9,509 | 5,181 | 4 | - |
| Dividend income | | - | - | - | - |
| Trust distributions | | 2 | - | 5,417 | 20,060 |
| Changes in fair value of financial instruments held at fair value through profit or loss | 5 | (3,262) | (29,132) | 12,155 | (45,636) |
| Other investment income | | 261 | 10 | - | - |
| Fee rebates from related schemes | | 130 | 103 | - | - |
| Total investment income/(loss) | | 6,640 | (23,838) | 17,576 | (25,576) |
| Expenses | | | | | |
| Management fees | 14 | 179 | 173 | 938 | 946 |
| Custody fees | 14 | 370 | 189 | - | - |
| Audit and tax fees | 14 | 33 | 24 | - | - |
| Transaction costs | | - | - | - | - |
| Withholding tax expense | | 1 | 3 | - | - |
| Other operating expenses borne by Responsible Entity | 14 | 67 | 95 | - | - |
| Other operating expenses | | 95 | 47 | - | - |
| Total operating expenses | | 745 | 531 | 938 | 946 |
| Net operating profit/(loss) attributable to unitholders before finance costs | | 5,895 | (24,369) | 16,638 | (26,522) |
| Financing costs attributable to unitholders | | | | | |
| Distributions to unitholders | 11 | - | - | (2,412) | (5,017) |
| (Increase)/decrease in net assets attributable to unitholders | 6 | 5,895 | 24,369 | (14,226) | 31,539 |
| Net profit/(loss) attributable to unitholders after finance costs | | - | - | - | - |
| Other comprehensive income | | - | - | - | - |
| Total comprehensive income for the financial year | | - | - | - | - |

The above statements of comprehensive income should be read in conjunction with the accompanying notes.

Morningstar Investment Funds - Series 5
Statements of financial position
30 June 2023

| | Note | Morningstar Alpha Strategies Fund | | Morningstar Diversified Alternatives Fund | | Morningstar Global Inflation Linked Securities (Hedged) Fund | |
|---|-------|-----------------------------------|--------------|---|--------------|--|--------------|
| | | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 |
| | | \$ | \$ | \$'000 | \$'000 | \$'000 | \$'000 |
| Assets | | | | | | | |
| Cash and cash equivalents | 13(b) | - | 5 | 454 | 687 | 543 | 2,472 |
| Deposits held with brokers for margin | | - | - | 355 | 1,139 | - | - |
| Due from brokers - receivable for securities sold | | - | - | 54 | 52 | - | - |
| Receivables | 4 | - | 1 | 90 | 314 | 1 | 33 |
| Financial assets held at fair value through profit or loss | 7 | - | - | 78,026 | 108,072 | 13,005 | 20,053 |
| Total assets | | - | 6 | 78,979 | 110,264 | 13,549 | 22,558 |
| Liabilities | | | | | | | |
| Cash held on collateral (liability) | | - | - | 332 | - | - | - |
| Distribution payable | 11 | - | - | - | - | - | - |
| Due to brokers - payable for securities purchased | | - | - | - | - | - | - |
| Payables | 10 | - | - | 41 | 42 | 13 | 8 |
| Financial liabilities held at fair value through profit or loss | 8 | - | - | 326 | 238 | 221 | 133 |
| Total liabilities (excluding net assets attributable to unitholders) | | - | - | 699 | 280 | 234 | 141 |
| Net assets attributable to unitholders - liability | 6 | - | 6 | 78,280 | 109,984 | 13,315 | 22,417 |

The above statements of financial position should be read in conjunction with the accompanying notes.

Morningstar Investment Funds - Series 5
Statements of financial position
30 June 2023

| | Note | Morningstar International Bonds (Hedged) Fund | | Morningstar International Shares High Opportunities (Hedged) Fund | |
|---|-------|---|------------------------|---|------------------------|
| | | 30 June 2023 \$'000 | 30 June 2022 \$'000 | 30 June 2023 \$'000 | 30 June 2022 \$'000 |
| Assets | | | | | |
| Cash and cash equivalents | 13(b) | 7,824 | 7,410 | 2,554 | 349 |
| Deposits held with brokers for margin | | 6,555 | 4,486 | - | - |
| Due from brokers - receivable for securities sold | | 1,304 | 184 | - | - |
| Receivables | 4 | 3,238 | 1,662 | 18 | 17 |
| Financial assets held at fair value through profit or loss | 7 | <u>372,692</u> | <u>253,480</u> | <u>105,337</u> | <u>109,140</u> |
| Total assets | | <u>391,613</u> | <u>267,222</u> | <u>107,909</u> | <u>109,506</u> |
| Liabilities | | | | | |
| Cash held on collateral (liability) | | 313 | 324 | - | - |
| Distribution payable | 11 | - | - | - | - |
| Due to brokers - payable for securities purchased | | 2,336 | 302 | 2,000 | - |
| Payables | 10 | 1,098 | 922 | 74 | 83 |
| Financial liabilities held at fair value through profit or loss | 8 | <u>6,342</u> | <u>10,288</u> | <u>1,540</u> | <u>1,259</u> |
| Total liabilities (excluding net assets attributable to unitholders) | | <u>10,089</u> | <u>11,836</u> | <u>3,614</u> | <u>1,342</u> |
| Net assets attributable to unitholders - liability | 6 | <u>381,524</u> | <u>255,386</u> | <u>104,295</u> | <u>108,164</u> |

The above statements of financial position should be read in conjunction with the accompanying notes.

The Schemes' net assets attributable to unitholders are classified as a liability under AASB 132 *Financial Instruments: Presentation*. As such the Schemes have no equity, and no items of changes in equity have been presented for the current or comparative year.

Morningstar Investment Funds - Series 5
Statements of cash flows
For the year ended 30 June 2023

| | Morningstar Alpha Strategies Fund | | Morningstar Diversified Alternatives Fund | | Morningstar Global Inflation Linked Securities (Hedged) Fund | |
|---|-----------------------------------|--------------|---|----------------|--|----------------|
| | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 |
| Note | \$ | \$ | \$'000 | \$'000 | \$'000 | \$'000 |
| <i>Cash flows from operating activities</i> | | | | | | |
| Transaction costs of financial instruments held at fair value through profit or loss | - | - | - | - | (15) | (6) |
| Dividends received | - | - | 8 | 12 | - | - |
| Trust distributions received | - | - | 141 | 87 | - | - |
| Interest received | - | - | 12 | - | 242 | 275 |
| Other income received | 1 | - | 14 | 51 | - | - |
| RITC received/(paid) | - | 7 | - | 131 | - | - |
| Fee rebates received | - | - | 659 | 303 | - | - |
| Management fees paid | - | - | - | (57) | - | (2) |
| Custody fees paid | - | - | (80) | (63) | (19) | (14) |
| Audit and tax fees paid | - | - | (6) | (3) | (4) | (2) |
| Other expenses paid | (6) | (7) | (32) | (47) | (4) | (12) |
| Withholding tax expense paid | - | - | - | - | - | - |
| <i>Net cash inflow/(outflow) from operating activities</i> | (5) | - | 716 | 414 | 200 | 239 |
| <i>Cash flows from investing activities</i> | | | | | | |
| Proceeds from sale of financial instruments held at fair value through profit or loss | - | 1 | 89,111 | 1,392 | 36,697 | 27,265 |
| Purchase of financial instruments held at fair value through profit or loss | - | - | (55,122) | (6,752) | (29,423) | (29,563) |
| <i>Net cash inflow/(outflow) from investing activities</i> | - | 1 | 33,989 | (5,360) | 7,274 | (2,298) |
| <i>Cash flows from financing activities</i> | | | | | | |
| Proceeds from applications by unitholders | - | - | 7,500 | 3,900 | 6,200 | 4,500 |
| Payments for redemptions by unitholders | - | - | (42,502) | - | (15,513) | (1,350) |
| Distributions paid | - | - | - | - | - | - |
| <i>Net cash inflow/(outflow) from financing activities</i> | - | - | (35,002) | 3,900 | (9,313) | 3,150 |
| <i>Net increase/(decrease) in cash and cash equivalents</i> | (5) | 1 | (297) | (1,046) | (1,839) | 1,091 |
| Cash and cash equivalents at the beginning of the year | 5 | 4 | 687 | 1,778 | 2,472 | 1,021 |
| Effects of foreign currency exchange rate changes on cash and cash equivalents | - | - | 64 | (45) | (90) | 360 |
| <i>Cash and cash equivalents at the end of the year</i> | - | 5 | 454 | 687 | 543 | 2,472 |

The above statements of cash flows should be read in conjunction with the accompanying notes.

Morningstar Investment Funds - Series 5
Statements of cash flows
For the year ended 30 June 2023

| | Morningstar International Bonds (Hedged) Fund | | Morningstar International Shares High Opportunities (Hedged) Fund | |
|---|--|------------------|--|-----------------|
| | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 |
| Note | \$'000 | \$'000 | \$'000 | \$'000 |
| <i>Cash flows from operating activities</i> | | | | |
| Transaction costs of financial instruments held at fair value through profit or loss | - | - | - | - |
| Dividends received | - | - | - | - |
| Trust distributions received | 2 | - | - | - |
| Interest received | 8,301 | 5,154 | 4 | - |
| Other income received | 261 | 10 | - | 1 |
| RITC received/(paid) | (8) | - | (1) | - |
| Fee rebates received | 134 | 77 | - | - |
| Management fees paid | (176) | (172) | (947) | (961) |
| Custody fees paid | (290) | (172) | - | - |
| Audit and tax fees paid | (41) | (19) | - | - |
| Other expenses paid | (148) | (144) | - | - |
| Withholding tax expense paid | (5) | (3) | - | - |
| | 13(a) | 8,030 | 4,731 | (944) |
| <i>Net cash inflow/(outflow) from operating activities</i> | | (960) | | (960) |
| <i>Cash flows from investing activities</i> | | | | |
| Proceeds from sale of financial instruments held at fair value through profit or loss | 290,742 | 246,034 | 35,431 | 36,949 |
| Purchase of financial instruments held at fair value through profit or loss | (419,330) | (299,101) | (11,775) | (40,789) |
| | 13(a) | (128,588) | (53,067) | 23,656 |
| <i>Net cash inflow/(outflow) from investing activities</i> | | (3,840) | | (3,840) |
| <i>Cash flows from financing activities</i> | | | | |
| Proceeds from applications by unitholders | 232,260 | 94,662 | 7,909 | 37,911 |
| Payments for redemptions by unitholders | (112,183) | (42,677) | (28,416) | (33,560) |
| Distributions paid | - | (8,756) | - | - |
| | 13(a) | 120,077 | 43,229 | (20,507) |
| <i>Net cash inflow/(outflow) from financing activities</i> | | 4,351 | | 4,351 |
| <i>Net increase/(decrease) in cash and cash equivalents</i> | | | | |
| Cash and cash equivalents at the beginning of the year | 7,410 | 12,117 | 349 | 798 |
| Effects of foreign currency exchange rate changes on cash and cash equivalents | 895 | 400 | - | - |
| | 13(b) | 7,824 | 7,410 | 2,554 |
| <i>Cash and cash equivalents at the end of the year</i> | | 349 | | 349 |

The above statements of cash flows should be read in conjunction with the accompanying notes.

1 General information

These financial statements cover Morningstar Alpha Strategies Fund, Morningstar Diversified Alternatives Fund, Morningstar Global Inflation Linked Securities (Hedged) Fund, Morningstar International Bonds (Hedged) Fund and Morningstar International Shares High Opportunities (Hedged) Fund (collectively “the Schemes”) as individual entities. The Schemes were constituted on 12 July 2007, 14 November 2007, 18 October 2007, 7 September 2006 and 20 February 2007 respectively and were incorporated in Australia.

The Responsible Entity of the Schemes is Morningstar Investment Management Australia Limited (“the Responsible Entity”). The registered office of the Responsible Entity is Level 3, International Tower 1, 100 Barangaroo Avenue, Barangaroo, Sydney NSW 2000.

On 5 May 2016, the Attribution Managed Investment Trust (“AMIT”) regime, applying to Managed Investment Trusts was enacted under the Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016. The Attribution Managed Investment Trust (“AMIT”) regime allows MITs that meet certain requirements to make an irrevocable choice to be an AMIT. With its introduction, the Responsible Entity has amended the Scheme’s Constitution to allow the Scheme to operate as an AMIT, effective from 1 July 2017. The Responsible Entity is therefore no longer contractually obligated to pay distributions, however it is obligated to attribute taxable income to Unitholders for each financial year.

The financial statements were authorised for issue by the directors on 20 September 2023. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated in the following text.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Accounting Standards Board and the *Corporations Act 2001* in Australia.

The financial statements have been prepared on a historical cost basis, except for investments in financial assets and financial liabilities which have been measured at fair value.

The statements of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within twelve months, except for financial assets and liabilities at fair value through profit or loss. The amount expected to be recovered or settled within twelve months in relation to these balances cannot be reliably determined.

The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Schemes under ASIC Corporations Instrument 2016/191.

Statement of Compliance

The financial statements comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board

The Schemes are for-profit entity for the purposes of preparing Financial Statements.

(b) Changes in accounting standards

The Schemes have adopted all mandatory standards and amendments for the year beginning 1 July 2022. Adoption of these standards and amendments has not had any material effect on the financial position or performance of the Schemes.

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2022 that would be expected to have a material impact on the Funds. Since 1 July 2022, no standards have been issued, that are not yet effective, that would be expected to have a material impact on the Funds

2 Summary of significant accounting policies (continued)

(c) Financial instruments

(i) Classification

The Schemes' investments are categorised as held at fair value through profit or loss. They comprise:

- Financial instruments held at fair value through profit or loss upon initial recognition
These include financial assets and financial liabilities that are not held for trading purposes and which may be sold. These are investments in exchange traded debt and equity instruments, unlisted unit trusts, unlisted equity instruments, fixed interest securities, money market securities and commercial paper.
- Derivative financial instruments such as futures, forward contracts, options and interest rate swaps are included under this classification. All derivatives in a net receivable or payable position are shown on a gross basis and reported as either derivative financial assets or derivative financial liabilities. The Schemes do not hold any derivatives as hedges in a hedging relationship, with any gains or losses arising from a change in fair value taken directly to net profit or loss for the year as disclosed in Note 11 to the financial statements.

(ii) Recognition / derecognition

The Schemes recognise financial assets and financial liabilities on the date they become party to the contractual agreement (trade date) and recognise changes in fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investments has expired or the Schemes have transferred substantially all risks and rewards of ownership.

Any gains or losses arising on derecognition of the asset (calculated as the difference between the disposal proceeds and the carrying amount of the asset) are included in the statements of comprehensive income in the year the asset is derecognised as realised gains or losses on financial instruments.

(iii) Measurement

Financial assets and liabilities held at fair value through profit or loss

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately.

Subsequent to initial recognition, all financial assets and financial liabilities held at fair value through profit or loss are measured at fair value. Gains and losses arising from the changes in the fair value are presented in the statements of comprehensive income within 'Change in fair value of financial instruments at fair value through profit or loss' in the period in which they arise.

- Fair value in an active market
The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the reporting date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.
- Fair value in an inactive or unquoted market
The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used in a market at the reporting date applicable for an instrument with similar terms and conditions.

Where other pricing models are used, inputs are based on market data at the reporting date. Fair values for unquoted equity investments are estimated, where possible, using applicable pricing/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issue.

2 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(iii) Measurement (continued)

Financial assets and liabilities held at fair value through profit or loss (continued)

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Schemes would receive or pay to terminate the contract at the reporting date taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as the net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date.

Investments in other unlisted investment funds are recorded at the redemption value per unit as reported by the managers of such funds.

Assessment of Schemes' investments as structured entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. An interest in a structured entity is any form of contractual or non-contractual involvement which creates variability in returns arising from the performance of the entity for the Schemes.

The Responsible Entity has assessed whether the managed investment funds in which the Schemes invest in should be classified as structured entities. The Responsible Entity has considered the voting rights and other similar rights afforded to investors in these funds, including the rights to remove the fund manager or redeem holdings. The Responsible Entity has concluded on whether these rights are the dominant factor in controlling the funds, or whether the contractual agreement with the fund manager is the dominant factor in controlling these funds.

As voting rights or similar rights are the dominant factor in deciding who controls the funds, the Responsible Entity has concluded that the managed investment funds in which the Schemes invest in are not structured entities.

(iv) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the asset and settle the liability simultaneously. This is generally not the case with master netting agreements unless one party to the agreement defaults and the related assets and liabilities are presented gross in the statements of financial position.

(d) Net assets attributable to unitholders

Units are redeemable at the unitholders' option and are therefore classified as financial liabilities due to mandatory distributions. The units can be redeemed from the Schemes at any time for cash equal to a proportionate share of the Schemes' net asset value. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the reporting date if unitholders exercised their right to redeem units from the Schemes.

(e) Cash and cash equivalents

For the purpose of presentation in the statements of financial position, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, other short term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

(f) Margin accounts

Margin accounts comprise cash held as collateral for derivative transactions. The cash is held by the broker and is only available to meet margin calls.

2 Summary of significant accounting policies (continued)

(g) Investment income

Interest income and expenses are recognised in the statements of comprehensive income for all debt instruments using the effective interest method.

Interest income is recognised in the statements of comprehensive income as it accrues, using the original effective interest rate of the instrument calculated at acquisition or origination date. Interest income includes the amortisation of any discount or premium or other differences between initial carrying amount of an interest-bearing instrument and its amount calculated on an effective interest rate basis.

Dividend income is recognised on when the Schemes' right to receive the payment is established. Dividend revenue is presented net of withholding tax in the statements of comprehensive income.

Trust distributions (including distributions from cash management trusts) are recognised on a present entitlement basis.

Net changes in the fair value of financial instruments measured at fair value through profit or loss

Net changes in the fair value of financial instruments are recognised as income and are determined as the difference between the fair value at the balance date or consideration received (if sold during the financial year) and the fair value as at the prior balance date or initial fair value (if acquired during the financial year).

(h) Expenses

All expenses, including management fees and custodian fees, are recognised in the statements of comprehensive income on an accrual basis.

(i) Income tax

Under tax legislation, the Schemes are not liable to pay income tax because the AMIT tax regime now applies and unitholders are attributed the income of the Schemes.

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Schemes are not subject to capital gains tax.

Realised capital losses are not distributed to unitholders but are retained in the Schemes to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed to unitholders.

The benefits of imputation credits and foreign tax paid are passed on to unitholders.

The Schemes currently incur withholding tax imposed by certain countries on investment income. Such income is recorded net of withholding tax in the statements of comprehensive income

(j) Distributions

In accordance with the Schemes' Constitutions, the Schemes distribute their distributable income, and any other amounts determined by the Responsible Entity, to unitholders by cash or reinvestment. The distributions are recognised in the statements of comprehensive income as finance costs attributable to unitholders.

(k) Increase/decrease in net asset attributable to unitholders

Non-distributable income is included in net assets attributable to unitholders and may consist of unrealised changes in fair value of financial instruments held at fair value through profit or loss, derivative financial instruments, accrued income not yet assessable, expenses provided or accrued for which are not yet deductible, net capital losses and tax free or tax deferred income. Net capital gains on the realisation of any financial instruments (including any adjustments for tax deferred income previously taken directly to net assets attributable to unitholders) and accrued income not yet assessable will be included in the determination of distributable income in the same period in which it becomes assessable for tax.

2 Summary of significant accounting policies (continued)

(l) Foreign currency translation

(i) Functional and presentation currency

Items included in the Schemes' financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the Schemes compete for funds and is regulated. The Australian dollar is also the Schemes' presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of comprehensive income.

(m) Due to/from brokers

Unsettled sales/purchases of investments represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the reporting date.

(n) Receivables

Receivables may include amounts for dividends, trust distributions and interest. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last payment in accordance with the policy set out in Note 2(g) above. Amounts are generally received within 30 days of being recorded as receivables.

Receivables include such items as Reduced Input Tax Credits (RITC) and application monies receivable from unitholders.

(o) Payables

Payables include liabilities, accrued expenses and redemptions monies owing by the Schemes which are unpaid as at the end of the reporting period.

The distribution amount payable to unitholders as at the end of each reporting period is recognised separately in the statements of financial position when unitholders are presently entitled to the distributable income under the Schemes' Constitutions.

(p) Applications and redemptions

Applications received for units in the Schemes are recorded net of any entry fees payable prior to the issue of units in the Schemes. Redemptions from the Schemes are recorded gross of any exit fees payable after the cancellation of units redeemed.

(q) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Schemes by third parties such as investment management fees have been passed onto the Schemes. The Schemes qualify for RITC at a rate of at least 55%; hence investment management fees, custodial fees and other expenses have been recognised in the statements of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). The net amount of GST recoverable from the ATO is included in receivables in the statements of financial position. Cash flows relating to GST are included in the statements of cash flows on a gross basis.

2 Summary of significant accounting policies (continued)

(r) Classes of units

Members who purchased units in Morningstar Investment Funds - Series 5 invest in one or more of the following classes of units:

- Class A;
- Class B; and
- Class Z

All classes of units in Morningstar Investment Funds - Series 5 are exposed to the same underlying pool of assets.

(s) Use of estimates and significant judgement

The Schemes make estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

For the majority of the financial instruments held, quoted market prices are readily available. However, certain financial instruments, for example, over-the-counter derivatives or unquoted securities are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Responsible Entity, independent of the area that created them. Models are calibrated by back testing to actual transactions to ensure that outputs are reliable.

To the extent practicable, models use observable data. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

For certain other financial instruments, including amounts due from/to brokers and payables, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

(t) Comparatives

Where necessary, comparative figures have been reclassified to conform to any changes in presentation made in this financial report.

3 Interest income

The following table details the interest income earned by the Schemes during the year:

| | Morningstar Global Inflation Linked Securities (Hedged) Fund | | Morningstar International Bonds (Hedged) Fund | |
|----------------------------------|---|-------------------|--|---------------------|
| | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Fixed interest income - domestic | 148 | 229 | 189 | 97 |
| Fixed interest income - foreign | <u>62</u> | <u>44</u> | <u>9,320</u> | <u>5,084</u> |
| Total interest income | <u>210</u> | <u>273</u> | <u>9,509</u> | <u>5,181</u> |

4 Receivables

| | Morningstar Alpha Strategies Fund | | Morningstar Diversified Alternatives Fund | | Morningstar Global Inflation Linked Securities (Hedged) Fund | |
|---|--|-----------------|--|-------------------|---|------------------|
| | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 |
| | \$ | \$ | \$'000 | \$'000 | \$'000 | \$'000 |
| Applications receivable | - | - | - | - | - | - |
| Unit trust distributions receivable | - | - | - | 17 | - | - |
| Interest receivable | - | - | - | - | - | 32 |
| Fee rebates from related schemes receivable | - | - | 90 | 297 | - | - |
| Withholding tax reclaims receivable | - | - | - | - | - | - |
| RITC receivable | - | 1 | - | - | 1 | 1 |
| Other receivables | - | - | - | - | - | - |
| Total receivables | <u>-</u> | <u>1</u> | <u>90</u> | <u>314</u> | <u>1</u> | <u>33</u> |

4 Receivables (continued)

| | Morningstar International Bonds (Hedged) Fund | | Morningstar International Shares High Opportunities (Hedged) Fund | |
|---|--|--------------|--|--------------|
| | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Applications receivable | 374 | 121 | - | - |
| Unit trust distributions receivable | - | - | - | - |
| Interest receivable | 2,762 | 1,447 | - | - |
| Fee rebates from related schemes receivable | 41 | 45 | - | - |
| Withholding tax reclaims receivable | 16 | 12 | - | - |
| RITC receivable | 20 | 37 | 18 | 17 |
| Other receivables | 25 | - | - | - |
| Total receivables | 3,238 | 1,662 | 18 | 17 |

5 Changes in fair value of financial instruments held at fair value through profit or loss

| | Morningstar Alpha Strategies Fund | | Morningstar Diversified Alternatives Fund | | Morningstar Global Inflation Linked Securities (Hedged) Fund | |
|---|--|--------------|--|--------------|---|--------------|
| | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 |
| | \$ | \$ | \$'000 | \$'000 | \$'000 | \$'000 |
| Financial instruments | | | | | | |
| Net realised gain/(loss) on financial instruments held at fair value through profit or loss | - | - | (646) | (1,348) | (645) | (1,749) |
| Net unrealised gain/(loss) on financial instruments held at fair value through profit or loss | - | 1 | 2,260 | 8,682 | 693 | 1,089 |
| Net gains/(losses) on financial instruments held at fair value through profit or loss | - | 1 | 1,614 | 7,334 | 48 | (660) |

5 Changes in fair value of financial instruments held at fair value through profit or loss (continued)

| | Morningstar International Bonds (Hedged) Fund | | Morningstar International Shares High Opportunities (Hedged) Fund | |
|---|--|-----------------|--|-----------------|
| | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Financial instruments | | | | |
| Net realised gain/(loss) on financial instruments held at fair value through profit or loss | (23,623) | (11,329) | (9,998) | (1,730) |
| Net unrealised gain/(loss) on financial instruments held at fair value through profit or loss | <u>20,361</u> | <u>(17,803)</u> | <u>22,153</u> | <u>(43,906)</u> |
| Net gains/(losses) on financial instruments held at fair value through profit or loss | <u>(3,262)</u> | <u>(29,132)</u> | <u>12,155</u> | <u>(45,636)</u> |

6 Net assets attributable to unitholders

(a) Movement in number of units and net assets attributable to unitholders during the year were as follows:

| | Morningstar Alpha Strategies Fund | | | | | | | | | | | |
|---|--|----------|-----------------|----------|-------------------------|------------|-----------------|------------|-------------------------|------------|-----------------|------------|
| | Class A | | | | Class B | | | | Class Z | | | |
| | 30 June 2023 | | 30 June 2022 | | 30 June 2023 | | 30 June 2022 | | 30 June 2023 | | 30 June 2022 | |
| | No. | \$ | No. | \$ | No. | \$ | No. | \$ | No. | \$ | No. | \$ |
| Opening balance | - | - | - | - | - | 1 | - | 2 | - | 5 | - | 10 |
| Applications | - | - | - | - | - | - | - | - | - | - | - | - |
| Redemptions | - | - | - | - | - | - | - | - | - | - | - | - |
| Units issued upon reinvestment of distributions | - | - | - | - | - | - | - | - | - | - | - | - |
| Increase/(decrease) in net assets attributable to unitholders | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(1)</u> | <u>-</u> | <u>(1)</u> | <u>-</u> | <u>(5)</u> | <u>-</u> | <u>(5)</u> |
| Closing balance | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>5</u> |

6 Net assets attributable to unitholders (continued)

| | Morningstar Diversified Alternatives Fund | | | | | | | | | | | |
|---|--|---------------|-------------------------|---------------|-------------------------|---------------|-------------------------|---------------|-------------------------|---------------|-------------------------|---------------|
| | Class A | | | | Class B | | | | Class Z | | | |
| | 30 June 2023 | | 30 June 2022 | | 30 June 2023 | | 30 June 2022 | | 30 June 2023 | | 30 June 2022 | |
| | No. '000 | \$'000 | No. '000 | \$'000 | No. '000 | \$'000 | No. '000 | \$'000 | No. '000 | \$'000 | No. '000 | \$'000 |
| Opening balance | - | - | - | - | - | - | - | - | 179,164 | 109,984 | 172,471 | 97,907 |
| Applications | - | - | - | - | - | - | - | - | 12,129 | 7,500 | 6,693 | 3,900 |
| Redemptions | - | - | - | - | - | - | - | - | (68,360) | (42,502) | - | - |
| Units issued upon reinvestment of distributions | - | - | - | - | - | - | - | - | 2,656 | 1,659 | - | - |
| Increase/(decrease) in net assets attributable to unitholders | - | - | - | - | - | - | - | - | - | 1,639 | - | 8,177 |
| Closing balance | - | - | - | - | - | - | - | - | 125,589 | 78,280 | 179,164 | 109,984 |

| | Morningstar Global Inflation Linked Securities (Hedged) Fund | | | | | | | | | | | |
|---|---|---------------|-------------------------|---------------|-------------------------|---------------|-------------------------|---------------|-------------------------|---------------|-------------------------|---------------|
| | Class A | | | | Class B | | | | Class Z | | | |
| | 30 June 2023 | | 30 June 2022 | | 30 June 2023 | | 30 June 2022 | | 30 June 2023 | | 30 June 2022 | |
| | No. '000 | \$'000 | No. '000 | \$'000 | No. '000 | \$'000 | No. '000 | \$'000 | No. '000 | \$'000 | No. '000 | \$'000 |
| Opening balance | - | - | - | - | - | - | - | - | 36,969 | 22,417 | 31,549 | 19,689 |
| Applications | - | - | - | - | - | - | - | - | 10,028 | 6,200 | 7,345 | 4,500 |
| Redemptions | - | - | - | - | - | - | - | - | (25,383) | (15,513) | (2,131) | (1,350) |
| Units issued upon reinvestment of distributions | - | - | - | - | - | - | - | - | 1,628 | 931 | 206 | 125 |
| Increase/(decrease) in net assets attributable to unitholders | - | - | - | - | - | - | - | - | - | (720) | - | (547) |
| Closing balance | - | - | - | - | - | - | - | - | 23,242 | 13,315 | 36,969 | 22,417 |

6 Net assets attributable to unitholders (continued)

| | Morningstar International Bonds (Hedged) Fund | | | | | | | | | | | |
|---|--|---------------|---------------------|---------------|---------------------|---------------|---------------------|---------------|---------------------|----------------|---------------------|----------------|
| | Class A | | | | Class B | | | | Class Z | | | |
| | 30 June 2023 | | 30 June 2022 | | 30 June 2023 | | 30 June 2022 | | 30 June 2023 | | 30 June 2022 | |
| | No. '000 | \$'000 | No. '000 | \$'000 | No. '000 | \$'000 | No. '000 | \$'000 | No. '000 | \$'000 | No. '000 | \$'000 |
| Opening balance | 1,334 | 1,093 | 316 | 287 | 36,182 | 29,954 | 33,218 | 30,610 | 266,687 | 224,339 | 212,137 | 197,551 |
| Applications | 5,441 | 4,517 | 1,018 | 918 | 19,684 | 16,325 | 7,986 | 7,218 | 252,542 | 211,671 | 97,679 | 86,647 |
| Redemptions | (255) | (209) | - | - | (8,824) | (7,151) | (5,022) | (4,587) | (124,732) | (104,910) | (43,129) | (38,889) |
| Units issued upon reinvestment of distributions | - | - | - | - | - | - | - | - | - | - | - | - |
| Increase/(decrease) in net assets attributable to unitholders | - | 4 | - | (112) | - | 191 | - | (3,287) | - | 5,700 | - | (20,970) |
| Closing balance | <u>6,520</u> | <u>5,405</u> | <u>1,334</u> | <u>1,093</u> | <u>47,042</u> | <u>39,319</u> | <u>36,182</u> | <u>29,954</u> | <u>394,497</u> | <u>336,800</u> | <u>266,687</u> | <u>224,339</u> |

| | Morningstar International Shares High Opportunities (Hedged) Fund | | | | | | | | | | | |
|---|--|---------------|---------------------|---------------|---------------------|----------------|---------------------|----------------|---------------------|---------------|---------------------|---------------|
| | Class A | | | | Class B | | | | Class Z | | | |
| | 30 June 2023 | | 30 June 2022 | | 30 June 2023 | | 30 June 2022 | | 30 June 2023 | | 30 June 2022 | |
| | No.'000 | \$'000 | No.'000 | \$'000 | No.'000 | \$'000 | No.'000 | \$'000 | No.'000 | \$'000 | No.'000 | \$'000 |
| Opening balance | - | - | - | - | 129,341 | 100,421 | 117,180 | 123,041 | 9,488 | 7,743 | 6,611 | 7,294 |
| Applications | - | - | - | - | 9,770 | 7,909 | 35,935 | 34,161 | - | - | 3,869 | 3,750 |
| Redemptions | - | - | - | - | (23,837) | (20,054) | (29,675) | (31,810) | (9,488) | (8,362) | (1,515) | (1,750) |
| Units issued upon reinvestment of distributions | - | - | - | - | 2,726 | 2,412 | 5,901 | 4,590 | - | - | 523 | 427 |
| Increase/(decrease) in net assets attributable to unitholders | - | - | - | - | - | 13,607 | - | (29,561) | - | 619 | - | (1,978) |
| Closing balance | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>118,000</u> | <u>104,295</u> | <u>129,341</u> | <u>100,421</u> | <u>-</u> | <u>-</u> | <u>9,488</u> | <u>7,743</u> |

As stipulated within the Schemes' Constitutions, each unit represents a right to an individual share in the Schemes and does not extend to a right in the underlying assets of the Schemes. There are three classes of unitholders in the Schemes being Class A; Class B; and Class Z.

6 Net assets attributable to unitholders (continued)

(b) Capital risk management

The Schemes manage their net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability. The amount of net assets attributable to unitholders can significantly change on a daily basis as the Schemes are subject to daily applications and redemptions at the discretion of unitholders.

Management monitors the Schemes' redemptions and assesses the impact of requests for large redemptions on remaining unitholders. Where the impact is significant, management may decide to pay a special distribution and/or may delay payment of the redemption amount.

7 Financial assets held at fair value through profit or loss

| | Morningstar Alpha Strategies Fund | | Morningstar Diversified Alternatives Fund | | Morningstar Global Inflation Linked Securities (Hedged) Fund | |
|---|-----------------------------------|--------------|---|--------------|--|--------------|
| | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 |
| | Fair value | Fair value | Fair value | Fair value | Fair value | Fair value |
| | \$ | \$ | \$'000 | \$'000 | \$'000 | \$'000 |
| Financial assets held at fair value through profit or loss | | | | | | |
| Derivatives | | | | | | |
| Forward currency contracts | - | - | - | - | - | - |
| International fixed interest futures | - | - | - | - | - | - |
| Total derivatives | - | - | - | - | - | - |
| Equity securities | | | | | | |
| International equity securities listed on a prescribed stock exchange | - | - | 334 | - | - | - |
| Total equity securities | - | - | 334 | - | - | - |
| Fixed interest securities | | | | | | |
| International government bonds | - | - | - | - | - | 9,367 |
| Australian other public sector bonds | - | - | - | - | - | 10,686 |
| International other public sector bonds | - | - | - | - | - | - |
| International corporate bonds | - | - | - | - | - | - |
| International commercial mortgages | - | - | - | - | - | - |
| International floating rate notes | - | - | - | - | - | - |
| International other fixed interest securities | - | - | - | - | - | - |
| Total fixed interest securities | - | - | - | - | - | 20,053 |
| Unlisted unit trusts | | | | | | |
| Units in unlisted Australian equity trusts | - | - | 47,761 | 66,425 | - | - |
| Units in unlisted International equity trusts | - | - | 16,559 | 19,212 | - | - |
| Units in unlisted Australian fixed interest trusts | - | - | - | 3,596 | - | - |
| Total unlisted unit trusts | - | - | 64,320 | 89,233 | - | - |
| Listed unit trusts | | | | | | |
| Australian listed trusts | - | - | 13,372 | 18,839 | - | - |
| International listed trusts | - | - | - | - | 13,005 | - |
| Total listed unit trusts | - | - | 13,372 | 18,839 | 13,005 | - |
| Total financial assets held at fair value through profit or loss | - | - | 78,026 | 108,072 | 13,005 | 20,053 |

7 Financial assets held at fair value through profit or loss (continued)

| | Morningstar International Bonds (Hedged) Fund | | Morningstar International Shares High Opportunities (Hedged) Fund | |
|---|--|-----------------------|--|-----------------------|
| | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 |
| | Fair value | Fair value | Fair value | Fair value |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Financial assets held at fair value through profit or loss | | | | |
| Derivatives | | | | |
| Forward currency contracts | 3,490 | 4,372 | 40 | 11 |
| International fixed interest futures | 245 | - | - | - |
| Total derivatives | <u>3,735</u> | <u>4,372</u> | <u>40</u> | <u>11</u> |
| Equity securities | | | | |
| International equity securities listed on a prescribed stock exchange | - | - | - | - |
| Total equity securities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fixed interest securities | | | | |
| International government bonds | 56,372 | 34,701 | - | - |
| Australian other public sector bonds | 4,534 | 7,712 | - | - |
| International other public sector bonds | 198,294 | 155,882 | - | - |
| International corporate bonds | 18,518 | 14,265 | - | - |
| International commercial mortgages | 46,030 | 22,999 | - | - |
| International floating rate notes | 13,188 | 5,410 | - | - |
| International other fixed interest securities | 204 | 750 | - | - |
| Total fixed interest securities | <u>337,140</u> | <u>241,719</u> | <u>-</u> | <u>-</u> |
| Unlisted unit trusts | | | | |
| Units in unlisted Australian equity trusts | - | - | 105,297 | 109,129 |
| Units in unlisted International equity trusts | - | - | - | - |
| Units in unlisted Australian fixed interest trusts | - | - | - | - |
| Total unlisted unit trusts | <u>-</u> | <u>-</u> | <u>105,297</u> | <u>109,129</u> |
| Listed unit trusts | | | | |
| Australian listed trusts | - | - | - | - |
| International listed trusts | 31,817 | 7,389 | - | - |
| Total listed unit trusts | <u>31,817</u> | <u>7,389</u> | <u>-</u> | <u>-</u> |
| Total financial assets held at fair value through profit or loss | <u>372,692</u> | <u>253,480</u> | <u>105,337</u> | <u>109,140</u> |

An overview of the risk exposures relating to financial assets held at fair value through profit or loss is included in Note 15.

8 Financial liabilities held at fair value through profit or loss

| | Morningstar Diversified Alternatives Fund | | Morningstar Global Inflation Linked Securities (Hedged) Fund | | Morningstar International Bonds (Hedged) Fund | | Morningstar International Shares High Opportunities (Hedged) Fund | |
|--|---|--------------|--|--------------|---|---------------|---|--------------|
| | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 |
| | Fair value | Fair value | Fair value | Fair value | Fair value | Fair value | Fair value | Fair value |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Financial liabilities held at fair value through profit or loss | | | | | | | | |
| Derivatives | | | | | | | | |
| Forward currency contracts | 326 | 238 | 221 | 133 | 6,235 | 10,288 | 1,540 | 1,259 |
| International fixed interest futures | - | - | - | - | 107 | - | - | - |
| Total derivatives | <u>326</u> | <u>238</u> | <u>221</u> | <u>133</u> | <u>6,342</u> | <u>10,288</u> | <u>1,540</u> | <u>1,259</u> |
| Total financial liabilities held at fair value through profit or loss | <u>326</u> | <u>238</u> | <u>221</u> | <u>133</u> | <u>6,342</u> | <u>10,288</u> | <u>1,540</u> | <u>1,259</u> |

An overview of the risk exposures relating to financial liabilities held at fair value through profit or loss is included in Note 15.

9 Remuneration of auditor

The auditor's remuneration for Morningstar International Shares High Opportunities (Hedged) Fund was paid by the Sector Schemes and is reflected in the financial statements of the relevant Scheme. Sector schemes are schemes managed by Morningstar Investment Management Australia Limited that receive inter-funding investments from the Schemes.

| | Morningstar Alpha Strategies Fund | | Morningstar Diversified Alternatives Fund | | Morningstar Global Inflation Linked Securities (Hedged) Fund | | Morningstar International Bonds (Hedged) Fund | |
|---|-----------------------------------|--------------|---|--------------|--|--------------|---|---------------|
| | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Ernst & Young Australian firm | | | | | | | | |
| Audit of financial statements | - | - | 5,919 | 6,495 | 3,515 | 3,884 | 41,995 | 28,068 |
| Other services - Compliance plan audit | - | - | 2,800 | 2,894 | 2,800 | 2,894 | 2,800 | 2,894 |
| Total remuneration for audit and other assurance services | <u>-</u> | <u>-</u> | <u>8,719</u> | <u>9,389</u> | <u>6,315</u> | <u>6,778</u> | <u>44,795</u> | <u>30,962</u> |

10 Payables

| | Morningstar Alpha Strategies Fund | | Morningstar Diversified Alternatives Fund | | Morningstar Global Inflation Linked Securities (Hedged) Fund | |
|----------------------------|--|--------------|--|--------------|---|--------------|
| | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 |
| | \$ | \$ | \$'000 | \$'000 | \$'000 | \$'000 |
| Redemptions payable | - | - | - | - | - | - |
| Management fees payable | - | - | - | - | - | - |
| Custody fees payable | - | - | 32 | 26 | 8 | 5 |
| Audit and tax fees payable | - | - | - | 2 | - | 1 |
| Other payables | - | - | 9 | 14 | 5 | 2 |
| Total Payables | - | - | 41 | 42 | 13 | 8 |

| | Morningstar International Bonds (Hedged) Fund | | Morningstar International Shares High Opportunities (Hedged) Fund | |
|----------------------------|--|--------------|--|--------------|
| | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Redemptions payable | 886 | 799 | - | - |
| Management fees payable | 16 | 13 | 74 | 83 |
| Custody fees payable | 153 | 73 | - | - |
| Audit and tax fees payable | 6 | 13 | - | - |
| Other payables | 37 | 24 | - | - |
| Total Payables | 1,098 | 922 | 74 | 83 |

11 Distributions to unitholders

The distributions during the year were as follows:

| Morningstar Diversified Alternatives Fund | | | | | | | | | | | |
|--|------------|---------------------|------------|---------------------|------------|---------------------|------------|---------------------|------------|---------------------|------------|
| Class A | | | | Class B | | | | Class Z | | | |
| 30 June 2023 | | 30 June 2022 | | 30 June 2023 | | 30 June 2022 | | 30 June 2023 | | 30 June 2022 | |
| \$'000 | CPU | \$'000 | CPU | \$'000 | CPU | \$'000 | CPU | \$'000 | CPU | \$'000 | CPU |
| Distribution paid | | | | | | | | | | | |
| - September | | | | | | | | | | | |
| - | - | - | - | - | - | - | - | 341 | 0.0292 | - | - |
| - March | | | | | | | | | | | |
| - | - | - | - | - | - | - | - | 1,318 | 1.0813 | - | - |
| - | - | - | - | - | - | - | - | 1,659 | 1.1105 | - | - |
| Morningstar Global Inflation Linked Securities (Hedged) Fund | | | | | | | | | | | |
| Class A | | | | Class B | | | | Class Z | | | |
| 30 June 2023 | | 30 June 2022 | | 30 June 2023 | | 30 June 2022 | | 30 June 2023 | | 30 June 2022 | |
| \$'000 | CPU | \$'000 | CPU | \$'000 | CPU | \$'000 | CPU | \$'000 | CPU | \$'000 | CPU |
| Distribution paid | | | | | | | | | | | |
| - June | | | | | | | | | | | |
| - | - | - | - | - | - | - | - | 931 | 4.3078 | 125 | 0.2836 |
| - | - | - | - | - | - | - | - | 931 | 4.3078 | 125 | 0.2836 |
| Morningstar International Shares High Opportunities (Hedged) Fund | | | | | | | | | | | |
| Class A | | | | Class B | | | | Class Z | | | |
| 30 June 2023 | | 30 June 2022 | | 30 June 2023 | | 30 June 2022 | | 30 June 2023 | | 30 June 2022 | |
| \$'000 | CPU | \$'000 | CPU | \$'000 | CPU | \$'000 | CPU | \$'000 | CPU | \$'000 | CPU |
| Distribution paid | | | | | | | | | | | |
| - June | | | | | | | | | | | |
| - | - | - | - | 2,412 | 2.0926 | 4,590 | 3.7183 | - | - | 427 | 4.7639 |
| - | - | - | - | 2,412 | 2.0926 | 4,590 | 3.7183 | - | - | 427 | 4.7639 |

12 Derivative financial instruments

In the normal course of business, the Schemes may enter into transactions in various derivative financial instruments which have certain risks. A derivative is a financial instrument or other contract which is settled at a future date whose value changes in response to a change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Derivative transactions include many different instruments, such as forwards, futures and options. Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the Schemes' portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- hedging to protect an asset or liability of the Scheme against a fluctuation in market values or to reduce volatility
- a substitution for trading of physical securities
- adjusting asset exposures within the parameters set in the investment strategy, and/or adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

While derivatives are used for trading purposes, they are not used to gear (leverage) a portfolio. Gearing a portfolio would occur if the level of exposure to the markets exceeds the underlying value of the Scheme.

The Schemes held the following derivative financial instruments during the year:

(a) Futures

Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. The futures contracts are collateralised by cash or marketable securities. Changes in futures contracts' values are usually settled net daily with the exchange. Interest rate futures are contractual obligations to receive or pay a net amount based on changes in interest rates at a future date at a specified price, established in an organised financial market.

(b) Forward currency contracts

Forward currency contracts are primarily used by the Schemes to hedge against foreign currency exchange rate risks on its non-Australian dollar denominated securities. The Schemes agree to receive or deliver a fixed quantity of foreign currency for an agreed upon price on an agreed future date. Forward currency contracts are valued at the prevailing bid price at the end of each reporting period. The Schemes recognise a gain or loss equal to the change in fair value at the end of each reporting period. Forward currency contracts are settled on a gross basis.

12 Derivative financial instruments (continued)

The Schemes' derivative financial instruments at year end are detailed below:

| Morningstar Diversified Alternatives Fund | | | | | | |
|---|---------------|--------------------|--------------------------|---------------|--------------------|---------------|
| 2023 | | | | | | |
| Fair values | | | 2022 | | | |
| Contract/Notional | Assets | Liabilities | Contract/Notional | Assets | Liabilities | |
| \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Sell | | | | | | |
| Forward currency contracts | 19,037 | - | (326) | 18,518 | - | (238) |
| | | - | (326) | | - | (238) |
| Morningstar Global Inflation Linked Securities (Hedged) Fund | | | | | | |
| 2023 | | | | | | |
| Fair values | | | 2022 | | | |
| Contract/Notional | Assets | Liabilities | Contract/Notional | Assets | Liabilities | |
| \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Sell | | | | | | |
| Forward currency contracts | 12,887 | - | (221) | 11,582 | - | (133) |
| | | - | (221) | | - | (133) |
| Morningstar International Bonds (Hedged) Fund | | | | | | |
| 2023 | | | | | | |
| Fair values | | | 2022 | | | |
| Contract/Notional | Assets | Liabilities | Contract/Notional | Assets | Liabilities | |
| \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Buy | | | | | | |
| Forward currency contracts | 245,933 | 3,490 | - | 241,666 | 4,372 | - |
| International fixed interest futures | 9,297 | 245 | - | - | - | - |
| | | 3,735 | - | | 4,372 | - |
| Sell | | | | | | |
| Forward currency contracts | 439,011 | - | (6,235) | 385,939 | - | (10,288) |
| International fixed interest futures | 35,903 | - | (107) | - | - | - |
| | | - | (6,342) | | - | (10,288) |

12 Derivative financial instruments (continued)

| | Morningstar International Shares High Opportunities (Hedged) Fund | | | | | |
|----------------------------|--|-----------------------|----------------|---------------------------------|-----------------------|----------------|
| | 2023 | | | 2022 | | |
| | Contract/ Notional \$'000 | Fair values | | Contract/ Notional \$'000 | Fair values | |
| | Assets \$'000 | Liabilities \$'000 | | Assets \$'000 | Liabilities \$'000 | |
| Buy | | | | | | |
| Forward currency contracts | 6,757 | <u>40</u> | <u>-</u> | 2,038 | <u>11</u> | <u>-</u> |
| | | <u>40</u> | <u>-</u> | | <u>11</u> | <u>-</u> |
| Sell | | | | | | |
| Forward currency contracts | 94,416 | <u>-</u> | <u>(1,540)</u> | 109,510 | <u>-</u> | <u>(1,259)</u> |
| | - | <u>-</u> | <u>(1,540)</u> | - | <u>-</u> | <u>(1,259)</u> |

Risk exposures and fair value measurements

Information about the Schemes' exposure to credit risk, foreign exchange risk, and interest rate risk and about the methods and assumptions used in determining fair values is provided in Note 15 to the financial statements. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of derivative financial instruments disclosed above.

13 Reconciliation of net operating profit/(loss) to net cash used in/from operating activities

| | Morningstar Alpha Strategies Fund | | Morningstar Diversified Alternatives Fund | | Morningstar Global Inflation Linked Securities (Hedged) Fund | |
|--|--|--------------|--|--------------|---|--------------|
| | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 |
| | \$ | \$ | \$'000 | \$'000 | \$'000 | \$'000 |
| (a) Reconciliation of operating profit to net cash inflow/(outflow) from operating activities | | | | | | |
| Net operating profit/(loss) | (6) | (6) | 3,298 | 8,177 | 211 | (422) |
| Change in fair value of investments | - | (1) | (1,614) | (7,334) | (48) | 660 |
| (Increase)/decrease in receivables | 1 | 7 | 224 | 1,605 | 32 | 2 |
| Increase/(decrease) in payables | - | - | (1) | 10 | 5 | (1) |
| Trust distribution received/reinvested | - | - | (1,191) | (2,044) | - | - |
| Net cash inflow/(outflow) from operating activities | (5) | - | 716 | 414 | 200 | 239 |
| (b) Components of cash and cash equivalents | | | | | | |
| Cash at bank | - | 5 | 454 | 687 | 543 | 2,472 |
| | - | 5 | 454 | 687 | 543 | 2,472 |
| (c) Non-cash financing and investing activities | | | | | | |
| Reinvestment of unitholder distributions in the Schemes | - | - | (1,659) | - | (931) | (125) |
| Reinvestment of dividend and distribution income of the Schemes | - | - | (1,191) | (2,044) | - | - |

13 Reconciliation of net operating profit/(loss) to net cash used in/from operating activities (continued)

| | Morningstar International Bonds (Hedged) Fund | | Morningstar International Shares High Opportunities (Hedged) Fund | |
|--|--|---------------------------|--|---------------------------|
| | 30 June 2023 \$'000 | 30 June 2022 \$'000 | 30 June 2023 \$'000 | 30 June 2022 \$'000 |
| (a) Reconciliation of operating profit to net cash inflow/(outflow) from operating activities | | | | |
| Net operating profit/(loss) | 5,895 | (24,369) | 16,638 | (26,522) |
| Change in fair value of investments | 3,262 | 29,132 | (12,155) | 45,636 |
| (Increase)/decrease in receivables | (1,216) | (57) | (1) | 1 |
| Increase/(decrease) in payables | 89 | 25 | (9) | (15) |
| Trust distribution received/reinvested | - | - | (5,417) | (20,060) |
| <i>Net cash inflow/(outflow) from operating activities</i> | <u>8,030</u> | <u>4,731</u> | <u>(944)</u> | <u>(960)</u> |
| (b) Components of cash and cash equivalents | | | | |
| Cash at bank | <u>7,824</u> | <u>7,410</u> | <u>2,554</u> | <u>349</u> |
| | <u>7,824</u> | <u>7,410</u> | <u>2,554</u> | <u>349</u> |
| (c) Non-cash financing and investing activities | | | | |
| Reinvestment of unitholder distributions in the Schemes | - | - | (2,412) | (5,017) |
| Reinvestment of dividend and distribution income of the Schemes | - | - | (5,417) | (20,060) |

14 Related party transactions

Responsible Entity

The Responsible Entity of the Schemes is Morningstar Investment Management Australia Limited (ABN 54 071 808 501). The registered office of the Responsible Entity is Level 3, International Tower 1, 100 Barangaroo Avenue, Barangaroo, Sydney NSW 2000.

Parent Entities

The immediate Australian Parent Entity of the Responsible Entity is Morningstar Australasia Pty Limited. The ultimate parent is Morningstar Inc., a company incorporated in the US.

Key management personnel

(a) Directors

The following persons held office as directors of the Responsible Entity from the beginning of the financial year up to the date of this report unless noted otherwise:

James Downing (director)

Christopher Galloway (director)

James Wickham (director) (resigned 31 May 2023)

Joanne Brady (director)

Fiona White (company secretary)

(b) Other key management personnel

In addition to the Directors noted above, Morningstar Investment Management Australia Limited, the Responsible Entity of the Schemes, is considered to be key management personnel with the authority for the strategic direction and management of the Schemes.

14 Related party transactions (continued)

Related party transactions

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the year and amounts payable at year end between the Schemes and the Responsible Entity are as follows:

| | Morningstar Alpha Strategies Fund | | Morningstar Diversified Alternatives Fund | | Morningstar Global Inflation Linked Securities (Hedged) Fund | |
|---|--|---------------------|--|---------------------|--|---------------------|
| | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 |
| Fees paid and payable to the Responsible Entity | \$ - | \$ - | <u>\$ 112,583</u> | <u>160,116</u> | <u>\$ 27,704</u> | <u>25,155</u> |
| | | | Morningstar International Bonds (Hedged) Fund | | Morningstar International Shares High Opportunities (Hedged) Fund | |
| | | | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 |
| Fees paid and payable to the Responsible Entity | | | <u>\$ 649,321</u> | <u>480,736</u> | <u>\$ 938,022</u> | <u>946,078</u> |

14 Related party transactions (continued)

Related party schemes' unitholdings

Parties related to the Schemes (including the Responsible Entity, its affiliates or other schemes managed by the Responsible Entity) held units in the Schemes as follows:

| Entity Name | Morningstar Diversified Alternatives Fund | | | | | |
|---|---|--------------------|--|-------------------------------------|--------------------|--|
| | 30 June 2023 | | | 30 June 2022 | | |
| | Number of units held 000's units | Interest held % | Distributions paid/payable by the Scheme \$'000 | Number of units held 000's units | Interest held % | Distributions paid/payable by the Scheme \$'000 |
| Morningstar Conservative Fund | - | - | 1 | 341 | 0.19 | - |
| Morningstar Growth Fund | - | - | 59 | 30,363 | 16.95 | - |
| Morningstar High Growth Fund | - | - | 16 | 8,305 | 4.63 | - |
| Morningstar Multi-Asset Real Return Fund | 35,846 | 28.54 | 424 | 30,902 | 17.25 | - |
| Morningstar Growth Real Return Fund | 47,718 | 38.00 | 598 | 46,759 | 26.10 | - |
| Morningstar Balanced Real Return Fund | 28,078 | 22.36 | 352 | 30,611 | 17.09 | - |
| Morningstar Balanced Fund | - | - | 25 | 12,862 | 7.18 | - |
| Morningstar Moderate Real Return Fund | 10,522 | 8.38 | 132 | 10,310 | 5.75 | - |
| Morningstar Moderate Fund | - | - | 10 | 5,355 | 2.99 | - |
| Morningstar High Growth Real Return Fund | 3,425 | 2.72 | 43 | 3,356 | 1.87 | - |
| | <u>125,589</u> | <u>100.00</u> | <u>1,660</u> | <u>179,164</u> | <u>100.00</u> | <u>-</u> |
| Entity Name | Morningstar Global Inflation Linked Securities (Hedged) Fund | | | | | |
| | 30 June 2023 | | | 30 June 2022 | | |
| | Number of units held 000's units | Interest held % | Distributions paid/payable by the Scheme \$'000 | Number of units held 000's units | Interest held % | Distributions paid/payable by the Scheme \$'000 |
| Ibbotson WS Dynamic Growth Trust (Active) | - | - | - | 21,887 | 59.21 | 74 |
| Morningstar Balanced Real Return Fund | 7,397 | 31.83 | 296 | 6,879 | 18.61 | 23 |
| Morningstar Growth Real Return Fund | 4,961 | 21.34 | 199 | 4,613 | 12.48 | 16 |
| Morningstar Moderate Real Return Fund | 3,860 | 16.61 | 155 | 3,589 | 9.70 | 12 |
| Morningstar Multi-Asset Real Return Fund | 7,024 | 30.22 | 281 | - | - | - |
| | <u>23,242</u> | <u>100.00</u> | <u>931</u> | <u>36,968</u> | <u>100.00</u> | <u>125</u> |

14 Related party transactions (continued)

Related party schemes' unitholdings (continued)

| Entity Name | Morningstar International Bonds (Hedged) Fund | | | | | |
|---|--|--------------------|--|-------------------------------------|--------------------|--|
| | 30 June 2023 | | | 30 June 2022 | | |
| | Number of units held 000's units | Interest held % | Distributions paid/payable by the Scheme \$'000 | Number of units held 000's units | Interest held % | Distributions paid/payable by the Scheme \$'000 |
| Ibbotson WS Dynamic Growth Trust (Active) | - | - | - | 29,554 | 9.72 | - |
| Morningstar Multi-Asset Defensive Fund | <u>82,370</u> | <u>18.38</u> | <u>-</u> | <u>53,592</u> | <u>17.62</u> | <u>-</u> |
| | <u>82,370</u> | <u>18.38</u> | <u>-</u> | <u>83,146</u> | <u>27.34</u> | <u>-</u> |

| Entity Name | Morningstar International Shares High Opportunities (Hedged) Fund | | | | | |
|---|--|--------------------|--|-------------------------------------|--------------------|--|
| | 30 June 2023 | | | 30 June 2022 | | |
| | Number of units held 000's units | Interest held % | Distributions paid/payable by the Scheme \$'000 | Number of units held 000's units | Interest held % | Distributions paid/payable by the Scheme \$'000 |
| Ibbotson WS Dynamic Growth Trust (Active) | - | - | - | 9,487 | 6.83 | 427 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>9,487</u> | <u>6.83</u> | <u>427</u> |

Key management personnel unitholdings

At 30 June 2023, no key management personnel held units in the Schemes (2022: Nil).

Key management personnel remuneration

Key management personnel are paid by a related party of the Responsible Entity. Payments made from the Schemes to the Responsible Entity do not include any remuneration amounts directly attributable to key management personnel.

14 Related party transactions (continued)

Investments

The Schemes held investments in the following schemes which were also managed by the Responsible Entity or its related parties:

| Fund Name | Morningstar Diversified Alternatives Fund | | | | | | | |
|-----------------------|--|-----------------------------------|--------------------|---|---------------------|-----------------------------------|--------------------|---|
| | 30 June 2023 | | | | 30 June 2022 | | | |
| | Units held Units | Fair value of investment \$ | Interest held % | Distribution received/ receivable \$ | Units held Units | Fair value of investment \$ | Interest held % | Distribution received/ receivable \$ |
| Morningstar Cash Fund | <u>1,011</u> | <u>1,005</u> | <u>0.94</u> | <u>43</u> | <u>303</u> | <u>300</u> | <u>0.25</u> | <u>-</u> |
| | | <u>1,005</u> | | <u>43</u> | | <u>300</u> | | <u>-</u> |

| Fund Name | Morningstar International Shares High Opportunities (Hedged) Fund | | | | | | | |
|---|--|-----------------------------------|--------------------|---|---------------------|-----------------------------------|--------------------|---|
| | 30 June 2023 | | | | 30 June 2022 | | | |
| | Units held Units | Fair value of investment \$ | Interest held % | Distribution received/ receivable \$ | Units held Units | Fair value of investment \$ | Interest held % | Distribution received/ receivable \$ |
| Morningstar International Shares High Opportunities (Unhedged) Fund | <u>63,937</u> | <u>105,297</u> | <u>51.74</u> | <u>5,417</u> | <u>77,876</u> | <u>109,129</u> | <u>54.84</u> | <u>20,060</u> |
| | | <u>105,297</u> | | <u>5,417</u> | | <u>109,129</u> | | <u>20,060</u> |

The principal activity of the fund is denoted by the name of the fund.

Key management personnel loan disclosures

The Schemes have not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period (2022: Nil).

15 Financial risk management

(a) Financial risk management objectives, policies and processes

Risks arising from holding financial instruments are inherent in the Schemes' activities, and are managed through a process of ongoing identification, measurement and monitoring. The Schemes are exposed to credit risk, liquidity risk and market risk.

Financial instruments of the Schemes comprise investments in financial assets for the purpose of generating a return on the investment made by unitholders, in addition to derivatives, cash and cash equivalents, net assets attributable to unitholders, and other financial instruments such as trade debtors and creditors, which arise directly from its operations.

The Responsible Entity is responsible for identifying and controlling the risks that arise from these financial instruments.

15 Financial risk management (continued)

(a) Financial risk management objectives, policies and processes (continued)

The risks are measured using a method that reflects the expected impact on the results and net assets attributable to unitholders of the Schemes from reasonably possible changes in the relevant risk variables. Information about these risk exposures at the reporting date, measured on this basis, is disclosed below. Information about the total fair value of financial instruments exposed to risk, as well as compliance with established investment mandate limits, is also monitored by the Responsible Entity. These mandate limits reflect the investment strategy and market environment of the Schemes, as well as the level of risk that the Schemes are willing to accept, with additional emphasis on selected industries.

This information is prepared and reported to relevant parties within Management on a regular basis as deemed appropriate, including the investment manager, compliance manager, other key management, the Investment Committee of the Investment manager, and ultimately the Board of Directors of the Responsible Entity.

As part of its risk management strategy, the Schemes may use derivatives to manage certain risk exposures.

Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. In order to avoid excessive concentration of risk, the Schemes monitor their exposure to ensure concentrations of risk remain within acceptable levels and either reduces exposure or uses derivative instruments to manage the excessive risk concentrations when they arise.

(b) Credit risk

Credit risk represents the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Schemes.

The Schemes' maximum credit risk exposure at reporting date in relation to each class of recognised financial asset, other than derivative financial instruments, is the carrying amount of those assets as indicated in the statements of financial position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date.

In relation to derivative financial instruments, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. The risk associated with these contracts is minimised by undertaking transactions with counterparties on recognised exchanges, and ensuring that transactions are undertaken with a large number of counterparties. As such, the Schemes do not have a concentration of credit risk that arises from exposure to derivatives from a single, or small group of counterparties.

There are no financial assets that are past due or impaired, or would otherwise be past due or impaired except for the terms having been renegotiated.

Unsettled sales of investments are transactions with brokers awaiting settlement. The credit risk relating to unsettled transactions is considered small due to the short settlement period involved and the high credit quality of the brokers used. The Schemes monitor the credit rating and financial positions of the brokers used to further mitigate this risk.

Substantially all of the assets of the Schemes are held by the custodian, JPMorgan. Bankruptcy or insolvency of the custodian may cause the Schemes' rights with respect to securities held by the custodian to be delayed or limited. The Schemes monitor their risk by monitoring the credit quality and financial positions of the custodian the Schemes use.

Credit risk is not considered to be significant to the Schemes except in relation to investments in debt securities.

Credit quality per class of debt instrument

The credit quality of financial assets is managed by the Schemes using Standard and Poor's rating categories, in accordance with the investment mandate of the Schemes. The Schemes' exposure in each grade is monitored on a weekly basis. This review process allows management to assess the potential loss as a result of risks and take corrective action.

15 Financial risk management (continued)

(b) Credit risk (continued)

An analysis of directly held fixed interest securities by rating is set out in the table below:

| Rating | Morningstar Global Inflation Linked Securities (Hedged) Fund | | Morningstar International Bonds (Hedged) Fund | |
|--------------|---|-----------------|--|-----------------|
| | 30 June 2023 | 30 June 2022 | 30 June 2023 | 30 June 2022 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| AAA | - | 20,053 | 130,046 | 91,321 |
| AA+ | - | - | 339 | 421 |
| AA- | - | - | 13,640 | 12,517 |
| AA | - | - | 590 | 7,159 |
| A+ | - | - | 15,536 | 15,898 |
| A | - | - | 20,598 | 23,934 |
| A- | - | - | 14,225 | 6,830 |
| BBB+ | - | - | 33,180 | 25,649 |
| BBB | - | - | 5,050 | 6,188 |
| BBB- | - | - | 8,241 | 9,440 |
| BB+ | - | - | 9,947 | 2,403 |
| BB- | - | - | 2,099 | 238 |
| B+ | - | - | 1,472 | 427 |
| B | - | - | - | 254 |
| BB | - | - | 2,916 | 1,134 |
| WD | - | - | - | 47 |
| Not rated | - | - | 79,261 | 37,859 |
| Total | - | 20,053 | 337,140 | 241,719 |

15 Financial risk management (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Schemes will experience difficulty in meeting obligations associated with financial liabilities.

This risk is controlled through the Schemes' investment in financial instruments, which under normal market conditions are readily convertible to cash. In addition, the Schemes maintain sufficient cash and cash equivalents to meet normal operating requirements. Units are redeemed on demand at the unitholders' option. However, the Directors do not envisage that the contractual maturity disclosed in the table below will be representative of the actual cash outflows, as holders of these instruments typically retain them for the medium to long term. As stated in the Schemes' Constitution, where it is impracticable for the Responsible Entity to issue out redemptions during instances of stock market closures or emergency state of affairs, the Responsible Entity may at any time suspend the redemption of units.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements.

| | Morningstar Alpha Strategies Fund | | | | | | | | | |
|--|--|---------------------|----------------------|---------------------------|--------------|------------------------------|---------------------|----------------------|---------------------------|--------------|
| | 30 June 2023 | | | | | 30 June 2022 | | | | |
| | Less than 1 month | 1 - 6 months | 7 - 12 months | Over 12 months | Total | Less than 1 month | 1 - 6 months | 7 - 12 months | Over 12 months | Total |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Net assets attributable to unitholders | - | - | - | - | - | 6 | - | - | - | 6 |
| Total financial liabilities | - | - | - | - | - | 6 | - | - | - | 6 |

The table above analyses the Schemes' derivative financial instruments that are settled on a gross basis into relevant maturity groupings based on the remaining period at the end of the financial year to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows

15 Financial risk management (continued)

(c) Liquidity risk (continued)

| | Morningstar Diversified Alternatives Fund | | | | | | | | | |
|---|--|--------------------------------|---------------------------------|--------------------------------------|-------------------------|---|--------------------------------|---------------------------------|--------------------------------------|-------------------------|
| | 30 June 2023 | | | | | 30 June 2022 | | | | |
| | Less than 1 month \$'000 | 1 - 6 months \$'000 | 7 - 12 months \$'000 | Over 12 months \$'000 | Total \$'000 | Less than 1 month \$'000 | 1 - 6 months \$'000 | 7 - 12 months \$'000 | Over 12 months \$'000 | Total \$'000 |
| Deposit held with broker for margin | 332 | - | - | - | 332 | - | - | - | - | - |
| Payables | 41 | - | - | - | 41 | 42 | - | - | - | 42 |
| Financial liabilities held at fair value through profit or loss | - | 326 | - | - | 326 | 238 | - | - | - | 238 |
| Net assets attributable to unitholders | <u>78,280</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>78,280</u> | <u>109,984</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>109,984</u> |
| Total financial liabilities | <u>78,653</u> | <u>326</u> | <u>-</u> | <u>-</u> | <u>78,653</u> | <u>110,264</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>110,264</u> |
| | Less than 1 month \$'000 | 1 - 6 months \$'000 | 7 - 12 months \$'000 | Over 12 months \$'000 | Total \$'000 | Less than 1 month \$'000 | 1 - 6 months \$'000 | 7 - 12 months \$'000 | Over 12 months \$'000 | Total \$'000 |
| Forward Foreign Exchange | | | | | | | | | | |
| Inflow | - | 19,037 | - | - | 19,037 | 18,518 | - | - | - | 18,518 |
| (Outflow) | <u>-</u> | <u>(19,037)</u> | <u>-</u> | <u>-</u> | <u>(19,037)</u> | <u>(18,518)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(18,518)</u> |

The table above analyses the Schemes' derivative financial instruments that are settled on a gross basis into relevant maturity groupings based on the remaining period at the end of the financial year to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows

15 Financial risk management (continued)

(c) Liquidity risk (continued)

| | Morningstar Global Inflation Linked Securities (Hedged) Fund | | | | | | | | | |
|---|---|--------------------------------|---------------------------------|--------------------------------------|-------------------------|---|--------------------------------|---------------------------------|--------------------------------------|-------------------------|
| | 30 June 2023 | | | | | 30 June 2022 | | | | |
| | Less than 1 month \$'000 | 1 - 6 months \$'000 | 7 - 12 months \$'000 | Over 12 months \$'000 | Total \$'000 | Less than 1 month \$'000 | 1 - 6 months \$'000 | 7 - 12 months \$'000 | Over 12 months \$'000 | Total \$'000 |
| Payables | 13 | - | - | - | 13 | 8 | - | - | - | 8 |
| Financial liabilities held at fair value through profit or loss | - | 221 | - | - | 221 | 133 | - | - | - | 133 |
| Net assets attributable to unitholders | <u>13,315</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>13,315</u> | <u>22,417</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>22,417</u> |
| Total financial liabilities | <u>13,328</u> | <u>221</u> | <u>-</u> | <u>-</u> | <u>13,549</u> | <u>22,558</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>22,558</u> |
| | Less than 1 month \$'000 | 1 - 6 months \$'000 | 7 - 12 months \$'000 | Over 12 months \$'000 | Total \$'000 | Less than 1 month \$'000 | 1 - 6 months \$'000 | 7 - 12 months \$'000 | Over 12 months \$'000 | Total \$'000 |
| Forward Foreign Exchange | | | | | | | | | | |
| Inflow | - | 12,887 | - | - | 12,887 | 11,582 | - | - | - | 11,582 |
| (Outflow) | <u>-</u> | <u>(12,887)</u> | <u>-</u> | <u>-</u> | <u>(12,887)</u> | <u>(11,582)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(11,582)</u> |

The table above analyses the Schemes' derivative financial instruments that are settled on a gross basis into relevant maturity groupings based on the remaining period at the end of the financial year to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows

15 Financial risk management (continued)

(c) Liquidity risk (continued)

| | Morningstar International Bonds (Hedged) Fund | | | | | | | | | |
|---|--|------------------------|-------------------------|-----------------------------|------------------|--------------------------------|------------------------|-------------------------|-----------------------------|------------------|
| | 30 June 2023 | | | | | 30 June 2022 | | | | |
| | Less than 1 month \$'000 | 1 - 6 months \$'000 | 7 - 12 months \$'000 | Over 12 months \$'000 | Total \$'000 | Less than 1 month \$'000 | 1 - 6 months \$'000 | 7 - 12 months \$'000 | Over 12 months \$'000 | Total \$'000 |
| Cash held on collateral | 313 | - | - | - | 313 | 324 | - | - | - | 324 |
| Payables | 1,098 | - | - | - | 1,098 | 922 | - | - | - | 922 |
| Financial liabilities held at fair value through profit or loss | 5,049 | 1,293 | - | - | 6,342 | 9,555 | 733 | - | - | 10,288 |
| Due to brokers - payable for securities purchased | 2,336 | - | - | - | 2,336 | 302 | - | - | - | 302 |
| Net assets attributable to unitholders | <u>381,524</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>381,524</u> | <u>255,386</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>255,386</u> |
| Total financial liabilities | <u>390,320</u> | <u>1,293</u> | <u>-</u> | <u>-</u> | <u>391,613</u> | <u>266,489</u> | <u>733</u> | <u>-</u> | <u>-</u> | <u>267,222</u> |
| | Less than 1 month \$'000 | 1 - 6 months \$'000 | 7 - 12 months \$'000 | Over 12 months \$'000 | Total \$'000 | Less than 1 month \$'000 | 1 - 6 months \$'000 | 7 - 12 months \$'000 | Over 12 months \$'000 | Total \$'000 |
| Forward Foreign Exchange | | | | | | | | | | |
| Inflow | 253,437 | 143,394 | - | - | 396,831 | 451,189 | 176,415 | - | - | 627,604 |
| (Outflow) | <u>(253,437)</u> | <u>(143,394)</u> | <u>-</u> | <u>-</u> | <u>(396,831)</u> | <u>(451,189)</u> | <u>(176,415)</u> | <u>-</u> | <u>-</u> | <u>(627,604)</u> |

The table above analyses the Schemes' derivative financial instruments that are settled on a gross basis into relevant maturity groupings based on the remaining period at the end of the financial year to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows

15 Financial risk management (continued)

(c) Liquidity risk (continued)

| | Morningstar International Shares High Opportunities (Hedged) Fund | | | | | | | | | |
|---|--|--------------------------------|---------------------------------|--------------------------------------|-------------------------|---|--------------------------------|---------------------------------|--------------------------------------|-------------------------|
| | 30 June 2023 | | | | | 30 June 2022 | | | | |
| | Less than 1 month \$'000 | 1 - 6 months \$'000 | 7 - 12 months \$'000 | Over 12 months \$'000 | Total \$'000 | Less than 1 month \$'000 | 1 - 6 months \$'000 | 7 - 12 months \$'000 | Over 12 months \$'000 | Total \$'000 |
| Due to brokers - payable for securities purchased | 2,000 | - | - | - | 2,000 | - | - | - | - | - |
| Payables | 74 | - | - | - | 74 | 83 | - | - | - | 83 |
| Financial liabilities held at fair value through profit or loss | - | 1,540 | - | - | 1,540 | 1,256 | 3 | - | - | 1,259 |
| Net assets attributable to unitholders | <u>104,295</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>104,295</u> | <u>108,164</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>108,164</u> |
| Total financial liabilities | <u>106,369</u> | <u>1,540</u> | <u>-</u> | <u>-</u> | <u>107,909</u> | <u>109,503</u> | <u>3</u> | <u>-</u> | <u>-</u> | <u>109,506</u> |
| | Less than 1 month \$'000 | 1 - 6 months \$'000 | 7 - 12 months \$'000 | Over 12 months \$'000 | Total \$'000 | Less than 1 month \$'000 | 1 - 6 months \$'000 | 7 - 12 months \$'000 | Over 12 months \$'000 | Total \$'000 |
| Forward Foreign Exchange | | | | | | | | | | |
| Inflow | - | 101,173 | - | - | 101,173 | 111,323 | 226 | - | - | 111,549 |
| (Outflow) | <u>-</u> | <u>(101,173)</u> | <u>-</u> | <u>-</u> | <u>(101,173)</u> | <u>(111,323)</u> | <u>(226)</u> | <u>-</u> | <u>-</u> | <u>(111,549)</u> |

The table above analyses the Schemes' derivative financial instruments that are settled on a gross basis into relevant maturity groupings based on the remaining period at the end of the financial year to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows

15 Financial risk management (continued)

(d) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. Market risk is managed and monitored using sensitivity analysis, and minimised through ensuring that all investment activities are undertaken in accordance with established mandate limits and investment strategies.

The Schemes buy and sell derivatives in the ordinary course of business, and also incur financial liabilities, in order to manage market risks.

Currency risk

Currency risk is the risk that the fair value of the future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Schemes enter into forward foreign exchange contracts principally to hedge the foreign exchange risk implicit in the value of portfolio securities denominated in foreign currencies, and to secure a particular exchange rate for a planned purchase or sale of securities. The term of these contracts rarely exceeds twelve months.

The table below indicates the currencies to which the Schemes had significant exposure at 30 June 2023 on its assets and liabilities and forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Australian dollar on net assets attributable to unitholders and net operating profit before distributions, with all other variables held constant.

| | | Morningstar Alpha Strategies Fund | | | | | |
|--------------|---------------------------|--|-------------|--------------------------|-------------------------|-----------------------------|--------------|
| | | US Dollar | Euro | British Pound | Japanese Yen | Other Currencies | Total |
| | | A\$ | A\$ | A\$ | A\$ | A\$ | A\$ |
| 30 June 2023 | Cash and cash equivalents | - | - | - | - | - | - |
| | Total assets | - | - | - | - | - | - |
| | | Morningstar Alpha Strategies Fund | | | | | |
| | | US Dollar | Euro | British Pound | Japanese Yen | Other Currencies | Total |
| | | A\$ | A\$ | A\$ | A\$ | A\$ | A\$ |
| 30 June 2022 | Cash and cash equivalents | 5 | - | - | - | - | 5 |
| | Total assets | 5 | - | - | - | - | 5 |

15 Financial risk management (continued)

(d) Market risk (continued)

Currency risk (continued)

| | Morningstar Diversified Alternatives Fund | |
|---|--|--------------------------|
| 30 June 2023 | US Dollar A\$'000 | Total A\$'000 |
| Assets | | |
| Cash and cash equivalents | 1 | 1 |
| Deposits held with brokers for margin | 355 | 355 |
| Due from brokers - receivable for securities sold | <u>54</u> | <u>54</u> |
| Total assets | <u>410</u> | <u>410</u> |
| Liabilities | | |
| Total liabilities (excluding net assets attributable to unitholders) | <u>-</u> | <u>-</u> |
| | | |
| | Morningstar Diversified Alternatives Fund | |
| 30 June 2022 | US Dollar A\$'000 | Total A\$'000 |
| Assets | | |
| Cash and cash equivalents | 8 | 8 |
| Deposits held with brokers for margin | 344 | 344 |
| Due from brokers - receivable for securities sold | <u>52</u> | <u>52</u> |
| Total assets | <u>404</u> | <u>404</u> |
| Liabilities | | |
| Total liabilities (excluding net assets attributable to unitholders) | <u>-</u> | <u>-</u> |

15 Financial risk management (continued)

(d) Market risk (continued)

Currency risk (continued)

| | Morningstar Global Inflation Linked Securities (Hedged) Fund | |
|---|--|------------------|
| | US Dollar A\$'000 | Total A\$'000 |
| 30 June 2023 | | |
| Assets | | |
| Cash and cash equivalents | 13 | 13 |
| Total assets | 13 | 13 |
| Liabilities | | |
| Payables | 3 | 3 |
| Total liabilities (excluding net assets attributable to unitholders) | 3 | 3 |
| | | |
| | Morningstar Global Inflation Linked Securities (Hedged) Fund | |
| | US Dollar A\$'000 | Total A\$'000 |
| 30 June 2022 | | |
| Assets | | |
| Cash and cash equivalents | 2,299 | 2,299 |
| Receivables | 22 | 22 |
| Total assets | 2,321 | 2,321 |
| Liabilities | | |
| Total liabilities (excluding net assets attributable to unitholders) | - | - |

15 Financial risk management (continued)

(d) Market risk (continued)

Currency risk (continued)

| 30 June 2023 | Morningstar International Bonds (Hedged) Fund | | | | | |
|---|---|-----------------|-----------------------------|----------------------------|--------------------------------|------------------|
| | US Dollar A\$'000 | Euro A\$'000 | British Pound A\$'000 | Japanese Yen A\$'000 | Other Currencies A\$'000 | Total A\$'000 |
| Assets | | | | | | |
| Cash and cash equivalents | 425 | 14 | 47 | 69 | 776 | 1,331 |
| Deposits held with brokers for margin | 5,831 | 301 | - | - | - | 6,132 |
| Receivables | 794 | 547 | 78 | 31 | 1,336 | 2,786 |
| Due from broker-receivable for securities sold | - | - | - | - | 1,304 | 1,304 |
| Total assets | 7,050 | 862 | 125 | 100 | 3,416 | 11,553 |
| Liabilities | | | | | | - |
| Deposits held with brokers for margin | - | - | - | - | 313 | 313 |
| Cash held on collateral (liability) | - | 1,040 | - | - | 1,296 | 2,336 |
| Total liabilities (excluding net assets attributable to unitholders) | - | 1,040 | - | - | 1,609 | 2,649 |
| | | | | | | |
| 30 June 2022 | Morningstar International Bonds (Hedged) Fund | | | | | |
| | US Dollar A\$'000 | Euro A\$'000 | British Pound A\$'000 | Japanese Yen A\$'000 | Other Currencies A\$'000 | Total A\$'000 |
| Assets | | | | | | |
| Cash and cash equivalents | 3,153 | 54 | 44 | 32 | 268 | 3,551 |
| Deposits held with brokers for margin | 4,095 | - | 176 | 14 | - | 4,285 |
| Receivables | 465 | 126 | 25 | 33 | 820 | 1,469 |
| Due from broker-receivable for securities sold | 184 | - | - | - | - | 184 |
| Total assets | 7,897 | 180 | 245 | 79 | 1,088 | 9,489 |
| Liabilities | | | | | | |
| Deposits held with brokers for margin | 324 | - | - | - | - | 324 |
| Cash held on collateral (liability) | - | 302 | - | - | - | 302 |
| Total liabilities (excluding net assets attributable to unitholders) | 324 | 302 | - | - | - | 626 |

15 Financial risk management (continued)

(d) Market risk (continued)

Currency risk (continued)

Sensitivity analysis

There is no foreign exchange risk for the Schemes as all amounts are hedged against the Australian dollar.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Schemes, with the exception of Morningstar Global Inflation Linked Securities (Hedged) Fund and Morningstar International Bonds (Hedged) Fund do not have significant exposure to interest rate risk as all of the Schemes' instruments are non-interest bearing.

At the reporting date, the interest rate profile of the Schemes' interest-bearing financial instruments were:

| | Morningstar Global Inflation Linked Securities (Hedged) Fund | | | | | | | |
|---|---|---|--|-------------------------|--|---|--|-------------------------|
| | 30 June 2023 | | | | 30 June 2022 | | | |
| | Floating interest rate \$'000 | Fixed interest rate \$'000 | Non-interest bearing \$'000 | Total \$'000 | Floating interest rate \$'000 | Fixed interest rate \$'000 | Non-interest bearing \$'000 | Total \$'000 |
| Assets | | | | | | | | |
| Cash and cash equivalents | 543 | - | - | 543 | 2,472 | - | - | 2,472 |
| Receivables | - | - | 1 | 1 | - | - | 33 | 33 |
| Financial assets held at fair value through profit or loss | - | - | 13,005 | 13,005 | - | 20,053 | - | 20,053 |
| Total assets | 543 | - | 13,006 | 13,549 | 2,472 | 20,053 | 33 | 22,558 |
| Liabilities | | | | | | | | |
| Payables | - | - | 13 | 13 | - | - | 8 | 8 |
| Financial liabilities held at fair value through profit or loss | - | - | 221 | 221 | - | - | 133 | 133 |
| Total liabilities excluding net assets attributable to unitholders | - | - | 234 | 234 | - | - | 141 | 141 |
| Net assets attributable to unitholders - liability | 543 | - | 12,772 | 13,315 | - | - | 22,417 | 22,417 |
| Net exposure | 543 | - | 12,772 | 13,315 | - | - | 22,417 | 22,417 |

15 Financial risk management (continued)

(d) Market risk (continued)

Interest rate risk (continued)

| | Morningstar International Bonds (Hedged) Fund | | | | | | | |
|---|--|----------------------------------|-----------------------------------|-----------------|-------------------------------------|----------------------------------|-----------------------------------|-----------------|
| | 30 June 2023 | | | | 30 June 2022 | | | |
| | Floating interest rate \$'000 | Fixed interest rate \$'000 | Non-interest bearing \$'000 | Total \$'000 | Floating interest rate \$'000 | Fixed interest rate \$'000 | Non-interest bearing \$'000 | Total \$'000 |
| Assets | | | | | | | | |
| Cash and cash equivalents | 7,824 | - | - | 7,824 | 7,410 | - | - | 7,410 |
| Deposits held with brokers for margin | 6,555 | - | - | 6,555 | 4,486 | - | - | 4,486 |
| Due from brokers - receivable for securities sold | - | - | 1,304 | 1,304 | - | - | 184 | 184 |
| Receivables | - | - | 3,238 | 3,238 | - | - | 1,662 | 1,662 |
| Financial assets held at fair value through profit or loss | <u>13,188</u> | <u>324,197</u> | <u>35,307</u> | <u>372,692</u> | <u>5,410</u> | <u>236,309</u> | <u>11,761</u> | <u>253,480</u> |
| Total assets | <u>27,567</u> | <u>324,197</u> | <u>39,849</u> | <u>391,613</u> | <u>17,306</u> | <u>236,309</u> | <u>13,607</u> | <u>267,222</u> |
| Liabilities | | | | | | | | |
| Cash held on collateral (liability) | 313 | - | - | 313 | 324 | - | - | 324 |
| Due to brokers - payable for securities purchased | - | - | 2,336 | 2,336 | - | - | 302 | 302 |
| Payables | - | - | 1,098 | 1,098 | - | - | 922 | 922 |
| Financial liabilities held at fair value through profit or loss | - | <u>107</u> | <u>6,235</u> | <u>6,342</u> | - | - | <u>10,288</u> | <u>10,288</u> |
| Total liabilities excluding net assets attributable to unitholders | <u>313</u> | <u>107</u> | <u>9,669</u> | <u>10,089</u> | <u>324</u> | <u>-</u> | <u>11,512</u> | <u>11,836</u> |
| Net assets attributable to unitholders - liability | <u>27,254</u> | <u>324,090</u> | <u>30,180</u> | <u>381,524</u> | <u>-</u> | <u>-</u> | <u>255,386</u> | <u>255,386</u> |
| Net exposure | <u>27,254</u> | <u>297,485</u> | <u>30,180</u> | <u>354,919</u> | <u>-</u> | <u>-</u> | <u>255,386</u> | <u>255,836</u> |

15 Financial risk management (continued)

(d) Market risk (continued)

Interest rate risk (continued)

The sensitivity of the statements of comprehensive income is the effect of the assumed changes in interest rate on:

- i) changes in fair value of investments for the year, based on revaluing fixed rate financial assets at 30 June 2023; and
- ii) the interest income for one year, based on the floating financial assets held at 30 June 2023.

- Sensitivity analysis for instruments held for hedging

There is no sensitivity effect on net assets attributable to unitholders as the Schemes have no available for sale assets or designated hedging instruments.

- Sensitivity analysis for fixed rate and variable rate instruments

The Schemes account for fixed rate financial assets and liabilities at fair value through profit or loss. The effect of a change of 100 basis points in interest rates would have increased/decreased the net assets attributable to unitholders and profit or loss by the amount shown in the table below.

The following table demonstrates the sensitivity of the Schemes statements of comprehensive income to a reasonably possible change in interest rates, with all other variables held constant. The effect on interest income shown in the table is based on income prior to any distributions to unitholders.

| | Morningstar Global Inflation Linked Securities (Hedged) Fund | | Morningstar International Bonds (Hedged) Fund | |
|-------------------------------|---|---------------|--|-----------------|
| | +9.50% | -9.50% | +6.70% | -6.70% |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| <i>Fixed interest rate</i> | | | | |
| 30 June 2023 | - | - | 21,714 | (21,714) |
| 30 June 2022 | 983 | (983) | 16,382 | (16,382) |
| <i>Floating interest rate</i> | | | | |
| 30 June 2023 | 52 | (52) | 1,826 | (1,826) |
| 30 June 2022 | 121 | (121) | 1,172 | (1,172) |

15 Financial risk management (continued)

(d) Market risk (continued)

Interest rate risk (continued)

The interest rate risk disclosures have been prepared on the basis of the Schemes' direct investment and not on a look-through basis for investments held indirectly through unit trusts. Consequently, the disclosure of interest rate risk in the above note may not represent the true interest rate risk profile of the Schemes where the Schemes have significant investments in unit trusts which have exposure to the interest rate markets.

For the following Schemes there is no interest rate risk since no investments are held in money market or fixed interest securities:

- Morningstar Alpha Strategies Fund
- Morningstar Diversified Alternatives Fund
- Morningstar International Shares High Opportunities (Hedged) Fund

Equity price risk

Equity price risk is the risk that the fair value of equities decreases as a result of changes in market prices, whether those changes are caused by factors specific to the individual stock or factors affecting all instruments in the market. Equity price risk exposure arises from the Schemes' investment portfolio.

The table below indicates the movement of the trusts' net assets attributable to unitholders based on the movement in the value of the underlying securities as per the table below:

| | Morningstar Diversified Alternatives Fund | | Morningstar International Shares High Opportunities (Hedged) Fund | |
|---------------------|--|----------------|--|-----------------|
| | +2.07% | -2.07% | +10.5% | -10.5% |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| 30 June 2023 | 1,611 | (1,611) | 11,056 | (11,056) |
| 30 June 2022 | 2,622 | (2,622) | 11,421 | (11,421) |

15 Financial risk management (continued)

(e) Fair value hierarchy

The Schemes classify fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, non-market observable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Responsible Entity. The Responsible Entity considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The table below sets out the Schemes' financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2023 and 30 June 2022.

| | Morningstar Diversified Alternatives Fund | | | | | | | |
|--|--|-------------------|-------------------|-----------------|-------------------|-------------------|-------------------|-----------------|
| | At 30 June 2023 | | | | At 30 June 2022 | | | |
| | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
| Financial assets | | | | | | | | |
| Financial assets held at fair value through profit or loss: | | | | | | | | |
| Equity securities | - | - | 334 | 334 | - | - | - | - |
| Listed unit trusts | 13,372 | - | - | 13,372 | - | 18,839 | - | 18,839 |
| Unlisted unit trusts | <u>47,114</u> | <u>17,036</u> | <u>170</u> | <u>64,320</u> | <u>-</u> | <u>89,030</u> | <u>203</u> | <u>89,233</u> |
| Total | <u>60,486</u> | <u>17,036</u> | <u>504</u> | <u>78,026</u> | <u>-</u> | <u>107,869</u> | <u>203</u> | <u>108,072</u> |
| Financial liabilities | | | | | | | | |
| Financial liabilities held at fair value through profit or loss: | | | | | | | | |
| Derivatives | - | 326 | - | 326 | - | 238 | - | 238 |
| Total | <u>-</u> | <u>326</u> | <u>-</u> | <u>326</u> | <u>-</u> | <u>238</u> | <u>-</u> | <u>238</u> |

15 Financial risk management (continued)

(e) Fair value hierarchy (continued)

| Morningstar Global Inflation Linked Securities (Hedged) Fund | | | | | | | |
|---|---------------|----------------|--------------|-----------------|---------------|----------------|----------------|
| At 30 June 2023 | | | | At 30 June 2022 | | | |
| Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Financial assets | | | | | | | |
| Financial assets held at fair value through profit or loss: | | | | | | | |
| Fixed interest securities | - | - | - | - | 20,053 | - | 20,053 |
| Listed unit trusts | <u>13,005</u> | - | - | <u>13,005</u> | - | - | - |
| Total | <u>13,005</u> | - | - | <u>13,005</u> | <u>20,053</u> | - | <u>20,053</u> |
| Financial liabilities | | | | | | | |
| Financial liabilities held at fair value through profit or loss: | | | | | | | |
| Derivatives | - | <u>221</u> | - | - | <u>133</u> | - | <u>133</u> |
| Total | - | <u>221</u> | - | - | <u>133</u> | - | <u>133</u> |
| Morningstar International Bonds (Hedged) Fund | | | | | | | |
| At 30 June 2023 | | | | At 30 June 2022 | | | |
| Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Financial assets | | | | | | | |
| Financial assets held at fair value through profit or loss: | | | | | | | |
| Derivatives | 245 | 3,490 | - | 3,735 | - | 4,372 | 4,372 |
| Fixed interest securities | - | 336,045 | 1,095 | 337,140 | 212 | 241,507 | 241,719 |
| Listed unit trusts | <u>31,817</u> | - | - | <u>31,817</u> | <u>7,389</u> | - | <u>7,389</u> |
| Total | <u>32,062</u> | <u>339,535</u> | <u>1,095</u> | <u>372,692</u> | <u>7,601</u> | <u>245,879</u> | <u>253,480</u> |
| Financial liabilities | | | | | | | |
| Financial liabilities held at fair value through profit or loss: | | | | | | | |
| Derivatives | <u>107</u> | <u>6,235</u> | - | <u>6,342</u> | - | <u>10,288</u> | <u>10,288</u> |
| Total | <u>107</u> | <u>6,235</u> | - | <u>6,342</u> | - | <u>10,288</u> | <u>10,288</u> |

15 Financial risk management (continued)

(e) Fair value hierarchy (continued)

| | Morningstar International Shares High Opportunities (Hedged) Fund | | | | | | | |
|--|--|----------------|----------------|----------------|------------------------|----------------|----------------|----------------|
| | At 30 June 2023 | | | | At 30 June 2022 | | | |
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Financial assets | | | | | | | | |
| Financial assets held at fair value through profit or loss: | | | | | | | | |
| Derivatives | - | 40 | - | 40 | - | 11 | - | 11 |
| Unlisted unit trusts | - | 105,297 | - | 105,297 | - | 109,129 | - | 109,129 |
| Total | - | 105,337 | - | 105,337 | - | 109,140 | - | 109,140 |
| Financial liabilities | | | | | | | | |
| Financial liabilities held at fair value through profit or loss: | | | | | | | | |
| Derivatives | - | 1,540 | - | 1,540 | - | 1,259 | - | 1,259 |
| Total | - | 1,540 | - | 1,540 | - | 1,259 | - | 1,259 |

Investments, whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active unlisted unit trusts, active listed equities, exchange traded derivatives, currency contracts, money market securities, government bonds and listed corporate debt.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include certain unlisted corporate debt and floating rate notes, warrants, swaps, certain unlisted unit trusts, and certain listed equities. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non transferability, which are generally based on available market information.

Investments classified within level 3 have significant unobservable inputs, as they are infrequently traded. Level 3 instruments include certain unlisted shares, certain corporate debt securities and unlisted unit trusts with suspended applications and withdrawals. As observable prices are not available for these securities, the Responsible Entity has used valuation techniques to derive fair value.

(i) *Transfers between levels*

There have been no transfers between levels for the financial year ended 30 June 2023 (2022: Nil).

15 Financial risk management (continued)

(e) Fair value hierarchy (continued)

(ii) Movement in level 3 instruments

Investments in unlisted unit trusts are recorded at the redemption value per unit as reported by the investment managers of such funds. The Funds may make adjustments to the value based on considerations such as: liquidity of the Investee Fund or its underlying investments, the value date of the net asset value provided, or any restrictions on redemptions and the basis of accounting.

AASB 13.93(g) requires an entity to provide description of the valuation processes. For fair value measurements categorised within Level 3 of the fair value hierarchy, AASB 13.93(d) requires an entity to disclose quantitative information about the significant unobservable inputs used in the measurement and any changes in valuation techniques.

The following table presents the movement in level 3 instruments for the year ended 30 June 2023 and 30 June 2022 by class of financial instrument.

| Deferred Purchase Agreements | Morningstar Diversified Alternatives Fund | |
|---|--|---------------------|
| | 30 June 2023 | 30 June 2022 |
| | \$'000 | \$'000 |
| Opening balance | 203 | 712 |
| Purchases | 225 | (452) |
| Sales | - | - |
| Gains/(losses) recognised in profit or loss | <u>76</u> | <u>(57)</u> |
| Closing balance | <u>504</u> | <u>203</u> |

16 Performance fees

No performance fees were accrued for any of the Schemes for the financial year ended 30 June 2023 (2022: Nil).

17 Events subsequent to the reporting period

No significant events have occurred since the reporting period which would impact on the financial position of the Schemes disclosed in the statement of financial position as at 30 June 2023 or on the results and cash flows of the Schemes for the year ended on that date (2022: Nil).

18 Contingent assets and liabilities and commitments

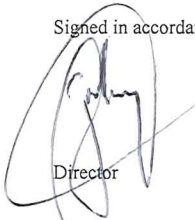
There are no contingent assets and liabilities or commitments as at 30 June 2023 (2022: Nil).

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 7 to 59 of Morningstar Alpha Strategies Fund, Morningstar Diversified Alternatives Fund, Morningstar Global Inflation Linked Securities (Hedged) Fund, Morningstar International Bonds (Hedged) Fund and Morningstar International Shares High Opportunities (Hedged) Fund are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Schemes' financial position as at 30 June 2023 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date; and
 - (ii) complying with International Financial Reporting Standards as issued by the International Accounting Standards Board, and other mandatory professional reporting requirements.
- (b) there are reasonable grounds to believe that the Schemes will be able to pay their debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.



Director

Sydney

20 September 2023



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working world**

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Independent Auditor's Report to the unitholders of Morningstar Investment Funds - Series 5

Opinion

For the following Morningstar Investment Funds - Series 5 (the "Schemes"):

- ▶ Morningstar Alpha Strategies Fund;
- ▶ Morningstar Diversified Alternatives Fund;
- ▶ Morningstar Global Inflation Linked Securities (Hedged) Fund;
- ▶ Morningstar International Bonds (Hedged) Fund; and
- ▶ Morningstar International Shares High Opportunities (Hedged) Fund

We have audited the financial reports of the Schemes, which comprise the statements of financial position as at 30 June 2023, the statements of comprehensive income, statements of changes in net assets attributable to unitholders and statements of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial reports of the Schemes are in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Schemes' financial position as at 30 June 2023 and of their financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audits in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Reports* section of our report. We are independent of the Schemes in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the "Code") that are relevant to our audits of the financial reports in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Information Other than the Financial Reports and Auditor's Report Thereon

The directors of Morningstar Investment Management Australia Limited as the Responsible Entity of the Schemes (the "Responsible Entity") are responsible for the other information. The other information is the directors' report accompanying the financial reports.

Our opinion on the financial reports does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial reports, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial reports or our knowledge obtained in the audits or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Reports

The directors of the Responsible Entity are responsible for the preparation of financial reports that give a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial reports that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial reports, the directors of the Responsible Entity are responsible for assessing the Schemes' ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Schemes or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Reports

Our objectives are to obtain reasonable assurance about whether the financial reports as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audits. We also:

- ▶ Identify and assess the risks of material misstatement of the financial reports, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Auditor's Responsibilities for the Audit of the Financial Reports (continued)

- ▶ Obtain an understanding of internal control relevant to the audits in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Schemes' internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- ▶ Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Schemes' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial reports or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Schemes to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial reports, including the disclosures, and whether the financial reports represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.



Ernst & Young



Elliott Shadforth
Partner
Sydney
20 September 2023