

Morningstar Investment Funds - Series 3

Annual report

For the year ended 30 June 2021

Morningstar Investment Funds - Series 3

Annual report - For the year ended 30 June 2021

Morningstar Balanced Real Return Fund

ARSN 092 229 975

Morningstar Moderate Real Return Fund

ARSN 092 232 589

Morningstar Growth Real Return Fund

ARSN 092 234 136

Morningstar High Growth Real Return Fund

ARSN 092 226 358

Morningstar Multi-Asset Real Return Fund

ARSN 092 232 356

Morningstar Investment Funds - Series 3

Annual report - For the year ended 30 June 2021

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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 3, present their report together with the financial report of Morningstar Balanced Real Return Fund, Morningstar Moderate Real Return Fund, Morningstar Growth Real Return Fund, Morningstar High Growth Real Return Fund and Morningstar Multi-Asset Real Return Fund (collectively “the Schemes”), for the year ended 30 June 2021.

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 (2020: Nil).

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

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:

Daniel Needham (director)

Christopher Galloway (director)

James Wickham (director)

Scott Schilling (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 Balanced Real Return Fund		Morningstar Moderate Real Return Fund		Morningstar Growth Real Return Fund	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net operating profit/(loss)	<u>23,103</u>	<u>(7,730)</u>	<u>5,043</u>	<u>(1,954)</u>	<u>62,391</u>	<u>(14,725)</u>
Distributions - Class A						
Distribution paid and payable	<u>7,719</u>	<u>6,326</u>	<u>3,087</u>	<u>2,399</u>	<u>13,006</u>	<u>11,820</u>
Distribution (cents per unit)	<u>3.8131</u>	<u>2.9684</u>	<u>4.8472</u>	<u>3.7217</u>	<u>3.3481</u>	<u>3.0546</u>
Distributions - Class B						
Distribution paid and payable	<u>392</u>	<u>345</u>	<u>221</u>	<u>218</u>	<u>1,031</u>	<u>889</u>
Distribution (cents per unit)	<u>3.8070</u>	<u>2.9948</u>	<u>4.8720</u>	<u>3.7886</u>	<u>3.3755</u>	<u>3.0630</u>
Distributions - Class Z						
Distribution paid and payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Distribution (cents per unit)	<u>4.0637</u>	<u>3.2046</u>	<u>4.9333</u>	<u>3.8622</u>	<u>3.8723</u>	<u>3.5896</u>

Directors' report (continued)

Review of results and operations (continued)

Results (continued)

	Morningstar High Growth Real Return Fund		Morningstar Multi-Asset Real Return Fund	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	\$'000	\$'000	\$'000	\$'000
Net operating profit/(loss)	<u>12,962</u>	<u>(3,869)</u>	<u>32,101</u>	<u>(6,294)</u>
<i>Distributions - Class A</i>				
Distribution paid and payable	<u>1,931</u>	<u>1,606</u>	<u>102</u>	<u>854</u>
Distribution (cents per unit)	<u>3.1776</u>	<u>2.4571</u>	<u>0.2112</u>	<u>1.7117</u>
<i>Distributions - Class B</i>				
Distribution paid and payable	<u>68</u>	<u>57</u>	<u>1</u>	<u>11</u>
Distribution (cents per unit)	<u>3.1698</u>	<u>2.4733</u>	<u>0.2428</u>	<u>1.9189</u>
<i>Distributions - Class Z</i>				
Distribution paid and payable	<u>-</u>	<u>-</u>	<u>486</u>	<u>3,247</u>
Distribution (cents per unit)	<u>3.6272</u>	<u>2.8905</u>	<u>0.3255</u>	<u>2.3283</u>

Significant changes in state of affairs

In the opinion of the directors, there were no 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 2021 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 13 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 13 to the financial statements.

Interests in the Schemes

The movement in units on issue in the Schemes during the year is disclosed in Note 5 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.

Chris
Galloway

Digitally signed
by Chris Galloway
Date: 2021.09.22
10:59:01 +10'00'

Director

Sydney

22 September 2021



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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 3

For the following Morningstar Investment Funds - Series 3 (the "Schemes"):

- ▶ Morningstar Balanced Real Return Fund;
- ▶ Morningstar Moderate Real Return Fund;
- ▶ Morningstar Growth Real Return Fund;
- ▶ Morningstar High Growth Real Return Fund; and
- ▶ Morningstar Multi-Asset Real Return Fund.

As lead auditor for the audit of the financial report of the above Schemes for the financial year ended 30 June 2021, 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; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

Ernst & Young

Elliott Shadforth
Partner
22 September 2021

Morningstar Investment Funds - Series 3
Statements of comprehensive income
For the year ended 30 June 2021

	Note	Morningstar Balanced Real Return Fund		Morningstar Moderate Real Return Fund		Morningstar Growth Real Return Fund	
		30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Investment income							
Interest income		-	-	-	-	-	-
Dividend income		-	-	-	-	-	-
Trust distributions		10,758	9,875	3,878	3,312	20,979	19,818
Changes in fair value of financial instruments held at fair value through profit or loss	4	13,262	(16,678)	1,428	(4,996)	43,389	(32,611)
Other investment income		-	-	-	-	-	-
Fee rebates from related schemes		-	-	-	-	-	-
Total investment income/(loss)		24,020	(6,803)	5,306	(1,684)	64,368	(12,793)
Expenses							
Management fees	13	892	925	254	269	1,936	1,929
Custody fees	13	-	-	-	-	-	-
Audit fees	13	-	-	-	-	-	-
Transaction costs		-	-	-	-	-	-
Other operating expenses borne by Responsible Entity	13	-	-	-	-	-	-
Other operating expenses		25	2	9	1	41	3
Total operating expenses		917	927	263	270	1,977	1,932
Net operating profit/(loss) attributable to unitholders before finance costs		23,103	(7,730)	5,043	(1,954)	62,391	(14,725)
Financing costs attributable to unitholders							
Distributions to unitholders	10	(8,111)	(6,671)	(3,308)	(2,617)	(14,037)	(12,709)
(Increase)/decrease in net assets attributable to unitholders	5	(14,992)	14,401	(1,735)	4,571	(48,354)	27,434
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 3
Statements of comprehensive income
For the year ended 30 June 2021

	Note	Morningstar High Growth Real Return Fund		Morningstar Multi-Asset Real Return Fund	
		30 June 2021	30 June 2020	30 June 2021	30 June 2020
		\$'000	\$'000	\$'000	\$'000
Investment income					
Interest income		-	1	-	-
Dividend income		-	-	356	160
Trust distributions		3,337	3,395	6,154	8,229
Changes in fair value of financial instruments held at fair value through profit or loss	4	9,971	(6,918)	25,989	(14,262)
Other investment income		-	-	91	87
Fee rebates from related schemes		-	-	30	30
Total investment income/(loss)		13,308	(3,522)	32,620	(5,756)
Expenses					
Management fees	13	346	347	309	333
Custody fees	13	-	-	19	9
Audit fees	13	-	-	7	3
Transaction costs		-	-	20	21
Other operating expenses borne by Responsible Entity	13	-	-	16	11
Other operating expenses		-	-	148	161
Total operating expenses		346	347	519	538
Net operating profit/(loss) attributable to unitholders before finance costs		12,962	(3,869)	32,101	(6,294)
Financing costs attributable to unitholders					
Distributions to unitholders	10	(1,999)	(1,663)	(589)	(4,112)
(Increase)/decrease in net assets attributable to unitholders	5	(10,963)	5,532	(31,512)	10,406
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 3
Statements of financial position
30 June 2021

	Note	Morningstar Balanced Real Return Fund		Morningstar Moderate Real Return Fund		Morningstar Growth Real Return Fund	
		30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets							
Cash and cash equivalents	12(b)	10,262	12,048	4,520	5,209	14,108	12,600
Deposits held with brokers for margin		-	-	-	-	-	-
Due from brokers - receivable for securities sold		1,800	600	-	-	-	400
Receivables	3	17	17	4	5	38	33
Financial assets held at fair value through profit or loss	6	<u>193,432</u>	<u>190,191</u>	<u>64,848</u>	<u>64,647</u>	<u>408,730</u>	<u>358,915</u>
Total assets		<u>205,511</u>	<u>202,856</u>	<u>69,372</u>	<u>69,861</u>	<u>422,876</u>	<u>371,948</u>
Liabilities							
Cash held on collateral (liability)		-	-	-	-	-	-
Distribution payable	10	6,207	4,976	2,707	2,245	9,388	9,348
Due to brokers - payable for securities purchased		-	-	-	400	-	-
Payables	9	78	77	22	22	180	159
Financial liabilities held at fair value through profit or loss	7	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities (excluding net assets attributable to unitholders)		<u>6,285</u>	<u>5,053</u>	<u>2,729</u>	<u>2,667</u>	<u>9,568</u>	<u>9,507</u>
Net assets attributable to unitholders - liability	5	<u>199,226</u>	<u>197,803</u>	<u>66,643</u>	<u>67,194</u>	<u>413,308</u>	<u>362,441</u>

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

Morningstar Investment Funds - Series 3
Statements of financial position
30 June 2021

	Note	Morningstar High Growth Real Return Fund		Morningstar Multi-Asset Real Return Fund	
		30 June 2021	30 June 2020	30 June 2021	30 June 2020
		\$'000	\$'000	\$'000	\$'000
Assets					
Cash and cash equivalents	12(b)	918	730	12,333	14,762
Deposits held with brokers for margin		-	-	2,466	5,550
Due from brokers - receivable for securities sold		-	-	-	-
Receivables	3	7	6	90	39
Financial assets held at fair value through profit or loss	6	<u>63,415</u>	<u>59,303</u>	<u>229,811</u>	<u>168,980</u>
Total assets		<u>64,340</u>	<u>60,039</u>	<u>244,700</u>	<u>189,331</u>
Liabilities					
Cash held on collateral (liability)		-	-	323	-
Distribution payable	10	1,208	1,013	-	2,722
Due to brokers - payable for securities purchased		-	-	-	-
Payables	9	31	28	59	49
Financial liabilities held at fair value through profit or loss	7	<u>-</u>	<u>-</u>	<u>2,211</u>	<u>393</u>
Total liabilities (excluding net assets attributable to unitholders)		<u>1,239</u>	<u>1,041</u>	<u>2,593</u>	<u>3,164</u>
Net assets attributable to unitholders - liability	5	<u>63,101</u>	<u>58,998</u>	<u>242,107</u>	<u>186,167</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 3
Statements of cash flows
For the year ended 30 June 2021

	Morningstar Balanced Real Return Fund		Morningstar Moderate Real Return Fund		Morningstar Growth Real Return Fund	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Note						
Cash flows from operating activities						
Transaction costs of financial instruments held at fair value through profit or loss	-	-	-	-	-	-
Dividends received	-	-	-	-	-	-
Trust distributions received	-	-	-	-	-	-
Interest received	-	-	-	-	-	-
Other income received	-	-	-	-	-	-
RITC received/(paid)	-	-	1	1	(5)	3
Fee rebates received	-	-	-	-	-	-
Management fees paid	(891)	(928)	(254)	(273)	(1,916)	(1,932)
Custody fees paid	-	-	-	-	-	-
Audit fees paid	-	-	-	-	-	-
Other expenses paid	(25)	-	(9)	-	(40)	-
Net cash inflow/(outflow) from operating activities	(916)	(928)	(262)	(272)	(1,961)	(1,929)
Cash flows from investing activities						
Proceeds from sale of financial instruments held at fair value through profit or loss	71,927	98,704	36,483	38,564	94,836	170,788
Purchase of financial instruments held at fair value through profit or loss	(51,076)	(81,754)	(31,333)	(30,858)	(78,401)	(158,118)
Net cash inflow/(outflow) from investing activities	20,851	16,950	5,150	7,706	16,435	12,670
Cash flows from financing activities						
Proceeds from applications by unitholders	32,500	50,899	16,442	15,298	63,782	60,211
Payments for redemptions by unitholders	(46,462)	(49,151)	(18,752)	(16,781)	(62,651)	(56,445)
Distributions paid	(6,487)	(6,289)	(2,822)	(1,010)	(12,615)	(3,869)
Net cash inflow/(outflow) from financing activities	(20,449)	(4,541)	(5,132)	(2,493)	(11,484)	(103)
Net increase/(decrease) in cash and cash equivalents	(514)	11,481	(244)	4,941	2,990	10,638
Cash and cash equivalents at the beginning of the year	12,048	499	5,209	244	12,600	1,665
Effects of foreign currency exchange rate changes on cash and cash equivalents	(1,272)	68	(445)	24	(1,482)	297
Cash and cash equivalents at the end of the year	10,262	12,048	4,520	5,209	14,108	12,600

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

Morningstar Investment Funds - Series 3
Statements of cash flows
For the year ended 30 June 2021

	Morningstar High Growth Real Return Fund		Morningstar Multi-Asset Real Return Fund	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	Note	\$'000	\$'000	\$'000
<i>Cash flows from operating activities</i>				
Transaction costs of financial instruments held at fair value through profit or loss	-	-	(20)	(21)
Dividends received	-	-	336	134
Trust distributions received	-	-	6,122	202
Interest received	(1)	1	-	2
Other income received	-	-	91	87
RITC received/(paid)	-	-	(2)	-
Fee rebates received	-	-	26	46
Management fees paid	(343)	(347)	(308)	(335)
Custody fees paid	-	-	(16)	(15)
Audit fees paid	-	-	(6)	(3)
Other expenses paid	-	-	(159)	(175)
<i>Net cash inflow/(outflow) from operating activities</i>	12(a) (344)	(346)	6,064	(78)
<i>Cash flows from investing activities</i>				
Proceeds from sale of financial instruments held at fair value through profit or loss	18,672	24,382	157,597	234,090
Purchase of financial instruments held at fair value through profit or loss	(9,426)	(25,271)	(185,650)	(239,014)
<i>Net cash inflow/(outflow) from investing activities</i>	9,246	(889)	(28,053)	(4,924)
<i>Cash flows from financing activities</i>				
Proceeds from applications by unitholders	12,124	17,536	60,494	53,377
Payments for redemptions by unitholders	(19,242)	(15,784)	(36,084)	(39,916)
Distributions paid	(1,546)	(420)	(3,293)	(2,278)
<i>Net cash inflow/(outflow) from financing activities</i>	(8,664)	1,332	21,117	11,183
<i>Net increase/(decrease) in cash and cash equivalents</i>				
Cash and cash equivalents at the beginning of the year	730	627	14,762	5,911
Effects of foreign currency exchange rate changes on cash and cash equivalents	(50)	6	(1,557)	2,670
<i>Cash and cash equivalents at the end of the year</i>	12(b) 918	730	12,333	14,762

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

1 General information

These financial statements cover Morningstar Balanced Real Return Fund, Morningstar Moderate Real Return Fund, Morningstar Growth Real Return Fund, Morningstar High Growth Real Return Fund and Morningstar Multi-Asset Real Return Fund (collectively “the Schemes”) as individual entities. The Schemes were constituted on 27 March 2000 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 22 September 2021. 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 2020. 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 2020 that would be expected to have a material impact on the Funds. Since 1 July 2020, 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.
Financial assets and financial liabilities held at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Schemes' documented investment strategy. The Schemes' policy is for the Responsible Entity to evaluate the information about these financial instruments on a fair value basis together with other related financial information.
- 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.

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)

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.

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.

(v) Investment entity exception

An investment entity is an entity that:

- (a) obtains funds from one or more unitholders for the purpose of providing the unitholder(s) with investment management services
- (b) commits to its unitholder(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- (c) measures and evaluates the performance of substantially all of its investments on a fair value basis

Typical characteristics of an investment entity include:

- (a) it has more than one investment;
- (b) it has more than one unitholder;
- (c) it has unitholders that are not related parties of the entity; and
- (d) it has ownership interests in the form of equity or similar interests.

2 Summary of significant accounting policies (continued)

(c) Financial instruments (continued)

(v) Investment entity exception (continued)

The Schemes outlined in Note 13 have been determined to be investment entities even though some of the unitholders are related parties. All transactions between the Schemes and their related parties are at market value and on normal commercial terms and conditions. This includes purchases and sales of financial instruments as well as applications and redemptions of units. As such, the related parties do not transact with the Schemes on terms that are unavailable to other unitholders therefore this does not preclude the Schemes from meeting the definition of an investment entity

(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.

(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.

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.

2 Summary of significant accounting policies (continued)

(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.

(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.

2 Summary of significant accounting policies (continued)

(n) Receivables

Receivables may include amounts for trust distributions and interest. Trust Distribution is 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.

(r) Classes of units

Members who purchased units in Morningstar Investment Funds - Series 3 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 3 are exposed to the same underlying pool of assets.

2 Summary of significant accounting policies (continued)

(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 Receivables

	Morningstar Balanced Real Return Fund		Morningstar Moderate Real Return Fund		Morningstar Growth Real Return Fund	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Settlements receivable	1,800	-	-	-	-	-
Dividends receivable	-	-	-	-	-	-
Unit trust distributions receivable	-	-	-	-	-	-
Interest receivable	-	-	-	-	-	-
Fee rebates from related schemes receivable	-	-	-	-	-	-
Withholding tax reclaims receivable	-	-	-	-	-	-
RITC receivable	17	17	4	5	38	33
Fee rebates receivable	-	-	-	-	-	-
Total receivables	1,817	17	4	5	38	33

	Morningstar High Growth Real Return Fund		Morningstar Multi-Asset Real Return Fund	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	\$'000	\$'000	\$'000	\$'000
Settlements receivable	-	-	-	-
Dividends receivable	-	-	2	9
Unit trust distributions receivable	-	-	50	18
Interest receivable	-	-	1	1
Fee rebates from related schemes receivable	-	-	9	-
Withholding tax reclaims receivable	-	-	20	-
RITC receivable	7	6	8	6
Fee rebates receivable	-	-	-	5
Total receivables	7	6	90	39

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

	Morningstar Balanced Real Return Fund		Morningstar Moderate Real Return Fund		Morningstar Growth Real Return Fund	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial instruments						
Net realised gain/(loss) on financial instruments held at fair value through profit or loss	(757)	(1,522)	(289)	(713)	(1,193)	(2,415)
Net unrealised gain/(loss) on financial instruments held at fair value through profit or loss	<u>14,019</u>	<u>(15,156)</u>	<u>1,717</u>	<u>(4,283)</u>	<u>44,582</u>	<u>(30,196)</u>
Net gains/(losses) on financial instruments held at fair value through profit or loss	<u>13,262</u>	<u>(16,678)</u>	<u>1,428</u>	<u>(4,996)</u>	<u>43,389</u>	<u>(32,611)</u>
			Morningstar High Growth Real Return Fund		Morningstar Multi-Asset Real Return Fund	
			30 June 2021	30 June 2020	30 June 2021	30 June 2020
			\$'000	\$'000	\$'000	\$'000
Financial instruments						
Net realised gain/(loss) on financial instruments held at fair value through profit or loss			(302)	(628)	(1,613)	737
Net unrealised gain/(loss) on financial instruments held at fair value through profit or loss			<u>10,273</u>	<u>(6,290)</u>	<u>27,602</u>	<u>(14,999)</u>
Net gains/(losses) on financial instruments held at fair value through profit or loss			<u>9,971</u>	<u>(6,918)</u>	<u>25,989</u>	<u>(14,262)</u>

5 Net assets attributable to unitholders

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

	Morningstar Balanced Real Return Fund											
	Class A				Class B				Class Z			
	30 June 2021		30 June 2020		30 June 2021		30 June 2020		30 June 2021		30 June 2020	
	No. '000	\$'000	No. '000	\$'000	No. '000	\$'000	No. '000	\$'000	No. '000	\$'000	No. '000	\$'000
Opening balance	213,910	187,696	213,514	200,841	11,658	10,103	9,655	8,972	5	4	3	2
Applications	34,626	31,550	50,846	47,786	1,050	950	3,312	3,102	-	-	11	11
Redemptions	(48,332)	(44,021)	(51,172)	(47,962)	(2,672)	(2,441)	(1,310)	(1,180)	-	-	(9)	(9)
Units issued upon reinvestment of distributions	419	387	722	640	6	6	1	1	-	-	-	-
Increase/(decrease) in net assets attributable to unitholders	<u>-</u>	<u>14,224</u>	<u>-</u>	<u>(13,609)</u>	<u>-</u>	<u>768</u>	<u>-</u>	<u>(792)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Closing balance	<u>200,623</u>	<u>189,836</u>	<u>213,910</u>	<u>187,696</u>	<u>10,042</u>	<u>9,386</u>	<u>11,658</u>	<u>10,103</u>	<u>5</u>	<u>4</u>	<u>5</u>	<u>4</u>

	Morningstar Moderate Real Return Fund											
	Class A				Class B				Class Z			
	30 June 2021		30 June 2020		30 June 2021		30 June 2020		30 June 2021		30 June 2020	
	No. '000	\$'000	No. '000	\$'000	No. '000	\$'000	No. '000	\$'000	No. '000	\$'000	No. '000	\$'000
Opening balance	64,311	61,655	67,118	68,586	5,776	5,536	4,505	4,604	4	3	2	1
Applications	16,558	16,260	12,737	13,064	186	182	2,168	2,225	-	-	9	9
Redemptions	(17,399)	(17,112)	(15,602)	(15,876)	(1,640)	(1,640)	(897)	(898)	-	-	(7)	(7)
Units issued upon reinvestment of distributions	25	24	58	57	-	-	-	-	-	-	-	-
Increase/(decrease) in net assets attributable to unitholders	<u>-</u>	<u>1,567</u>	<u>-</u>	<u>(4,176)</u>	<u>-</u>	<u>168</u>	<u>-</u>	<u>(395)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Closing balance	<u>63,495</u>	<u>62,394</u>	<u>64,311</u>	<u>61,655</u>	<u>4,322</u>	<u>4,246</u>	<u>5,776</u>	<u>5,536</u>	<u>4</u>	<u>3</u>	<u>4</u>	<u>3</u>

5 Net assets attributable to unitholders (continued)

	Morningstar Growth Real Return Fund											
	Class A				Class B				Class Z			
	30 June 2021		30 June 2020		30 June 2021		30 June 2020		30 June 2021		30 June 2020	
	No. '000	\$'000	No. '000	\$'000	No. '000	\$'000	No. '000	\$'000	No. '000	\$'000	No. '000	\$'000
Opening balance	388,938	337,559	381,062	355,299	28,877	24,868	31,700	29,324	14	14	24	25
Applications	63,029	58,382	62,012	57,819	5,932	5,400	2,534	2,344	-	-	47	48
Redemptions	(64,181)	(58,967)	(55,323)	(51,259)	(4,108)	(3,684)	(5,839)	(5,128)	-	-	(58)	(58)
Units issued upon reinvestment of distributions	913	870	1,187	1,040	535	511	482	420	1	1	1	1
Increase/(decrease) in net assets attributable to unitholders	-	44,926	-	(25,340)	-	3,426	-	(2,092)	-	2	-	(2)
Closing balance	<u>388,699</u>	<u>382,770</u>	<u>388,938</u>	<u>337,559</u>	<u>31,236</u>	<u>30,521</u>	<u>28,877</u>	<u>24,868</u>	<u>15</u>	<u>17</u>	<u>14</u>	<u>14</u>

	Morningstar High Growth Real Return Fund											
	Class A				Class B				Class Z			
	30 June 2021		30 June 2020		30 June 2021		30 June 2020		30 June 2021		30 June 2020	
	No. '000	\$'000	No. '000	\$'000	No. '000	\$'000	No. '000	\$'000	No. '000	\$'000	No. '000	\$'000
Opening balance	66,459	57,009	64,745	60,828	2,357	1,986	1,734	1,601	4	3	2	2
Applications	12,686	11,658	17,671	16,573	513	466	1,079	961	-	-	2	2
Redemptions	(20,261)	(18,610)	(16,352)	(15,382)	(726)	(632)	(458)	(402)	-	-	-	-
Units issued upon reinvestment of distributions	264	254	395	345	4	4	2	2	-	-	-	-
Increase/(decrease) in net assets attributable to unitholders	-	10,612	-	(5,355)	-	350	-	(176)	-	1	-	(1)
Closing balance	<u>59,148</u>	<u>60,923</u>	<u>66,459</u>	<u>57,009</u>	<u>2,148</u>	<u>2,174</u>	<u>2,357</u>	<u>1,986</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>3</u>

5 Net assets attributable to unitholders (continued)

	Morningstar Multi-Asset Real Return Fund											
	Class A				Class B				Class Z			
	30 June 2021		30 June 2020		30 June 2021		30 June 2020		30 June 2021		30 June 2020	
	No. '000	\$'000	No. '000	\$'000	No. '000	\$'000	No. '000	\$'000	No. '000	\$'000	No. '000	\$'000
Opening balance	49,598	49,073	51,283	53,573	607	585	592	602	140,975	136,509	126,062	128,904
Applications	3,818	4,006	9,248	9,612	-	-	5	5	55,073	56,488	42,904	43,760
Redemptions	(9,153)	(9,508)	(10,955)	(11,535)	(84)	(81)	(1)	(1)	(25,695)	(26,495)	(27,991)	(28,380)
Units issued upon reinvestment of distributions	17	17	22	22	2	1	11	11	-	-	-	-
Increase/(decrease) in net assets attributable to unitholders	-	6,899	-	(2,599)	-	78	-	(32)	-	24,535	-	(7,775)
Closing balance	44,280	50,487	49,598	49,073	525	583	607	585	170,353	191,037	140,975	136,509

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.

(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.

6 Financial assets held at fair value through profit or loss

	Morningstar Balanced Real Return Fund		Morningstar Moderate Real Return Fund		Morningstar Growth Real Return Fund	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	Fair value	Fair value	Fair value	Fair value	Fair value	Fair value
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets held at fair value through profit or loss						
Derivatives						
Forward currency contracts	-	-	-	-	-	-
International share price index futures	-	-	-	-	-	-
Total derivatives	-	-	-	-	-	-
Australian equity securities listed on a prescribed stock exchange	-	-	-	-	-	-
International equity securities listed on a prescribed stock exchange	-	-	-	-	-	-
Total equity securities	-	-	-	-	-	-
Unlisted unit trusts						
Units in unlisted Australian equity trusts	150,787	140,769	45,128	44,969	349,382	302,372
Units in unlisted International equity trusts	-	-	-	-	-	-
Units in unlisted Australian fixed interest trusts	42,645	49,422	19,720	19,678	59,348	56,543
Total unlisted unit trusts	193,432	190,191	64,848	64,647	408,730	358,915
Listed unit trusts						
International listed trusts	-	-	-	-	-	-
Total listed unit trusts	-	-	-	-	-	-
Total financial assets held at fair value through profit or loss	193,432	190,191	64,848	64,647	408,730	358,915

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

	Morningstar High Growth Real Return Fund		Morningstar Multi-Asset Real Return Fund	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	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	-	-	1,280	397
International share price index futures	-	-	-	26
Total derivatives	-	-	1,280	423
Australian equity securities listed on a prescribed stock exchange	-	-	-	1,281
International equity securities listed on a prescribed stock exchange	-	-	12,041	7,048
Total equity securities	-	-	12,041	8,329
Unlisted unit trusts				
Units in unlisted Australian equity trusts	59,785	53,149	166,550	108,738
Units in unlisted International equity trusts	-	-	-	5,188
Units in unlisted Australian fixed interest trusts	3,630	6,154	36,763	32,461
Total unlisted unit trusts	63,415	59,303	203,313	146,387
Listed unit trusts				
International listed trusts	-	-	13,177	13,841
Total listed unit trusts	-	-	13,177	13,841
Total financial assets held at fair value through profit or loss	63,415	59,303	229,811	168,980

An overview of the risk exposures relating to financial assets held at fair value through profit or loss is included in Note 14.

7 Financial liabilities held at fair value through profit or loss

	Morningstar Multi-Asset Real Return Fund	
	30 June 2021	30 June 2020
	Fair value	Fair value
	\$'000	\$'000
Financial liabilities held at fair value through profit or loss		
Derivatives		
Forward currency contracts	1,556	153
Australian share price index futures	-	10
International share price index futures	655	230
Total derivatives	<u>2,211</u>	<u>393</u>
Total financial liabilities held at fair value through profit or loss	<u>2,211</u>	<u>393</u>

An overview of the risk exposures relating to financial liabilities held at fair value through profit or loss is included in Note 14.

8 Remuneration of auditor

The auditor's remuneration for all of the above Schemes were paid by the sector schemes and are reflected in the financial statements of the relevant Schemes. Sector schemes are schemes managed through Morningstar Investment Management Australia Limited that receive inter-funding investments from the Schemes.

9 Payables

	Morningstar Balanced Real Return Fund		Morningstar Moderate Real Return Fund		Morningstar Growth Real Return Fund	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Management fees payable	76	75	21	21	176	156
Custody fees payable	-	-	-	-	-	-
Audit fees payable	-	-	-	-	-	-
Other payables	<u>2</u>	<u>2</u>	<u>1</u>	<u>1</u>	<u>4</u>	<u>3</u>
Total Payables	<u>78</u>	<u>77</u>	<u>22</u>	<u>22</u>	<u>180</u>	<u>159</u>

9 Payables (continued)

	Morningstar High Growth Real Return Fund		Morningstar Multi-Asset Real Return Fund	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	\$'000	\$'000	\$'000	\$'000
Management fees payable	31	28	27	26
Custody fees payable	-	-	7	4
Audit fees payable	-	-	2	1
Other payables	-	-	23	18
Total Payables	31	28	59	49

10 Distributions to unitholders

The distributions during the year were as follows:

	Morningstar Balanced Real Return Fund											
	Class A				Class B				Class Z			
	30 June 2021		30 June 2020		30 June 2021		30 June 2020		30 June 2021		30 June 2020	
	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU
Distribution paid												
- September	848	0.3962	787	0.3683	47	0.3998	39	0.3747	-	0.4407	-	0.4452
- December	377	0.1805	-	-	21	0.1878	-	-	-	0.2506	-	-
- March	341	0.1657	319	0.1531	18	0.1716	23	0.1929	-	0.2062	-	0.3017
- June	247	3.0707	526	2.4470	5	3.0478	1	2.4272	-	3.1662	-	2.4577
Distribution payable												
- June	5,906	3.0707	4,694	2.4470	301	3.0478	282	2.4272	-	-	-	-
	7,719	3.8131	6,326	2.9684	392	3.8070	345	2.9948	-	4.0637	-	3.2046

10 Distributions to unitholders (continued)

	Morningstar Moderate Real Return Fund											
	Class A				Class B				Class Z			
	30 June 2021		30 June 2020		30 June 2021		30 June 2020		30 June 2021		30 June 2020	
	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU
Distribution paid												
- September	350	0.5429	198	0.2972	31	0.5501	18	0.3188	-	0.5383	-	0.3639
- December	103	0.1553	-	-	9	0.1650	-	-	-	0.2093	-	-
- March	86	0.1341	98	0.1522	7	0.1428	10	0.1775	-	0.1597	-	0.2761
- June	15	4.0149	48	3.2723	-	-	-	-	-	4.0260	-	3.2222
Distribution payable												
- June	<u>2,533</u>	<u>4.0149</u>	<u>2,055</u>	<u>3.2723</u>	<u>174</u>	<u>4.0141</u>	<u>190</u>	<u>3.2923</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>3,087</u>	<u>4.8472</u>	<u>2,399</u>	<u>3.7217</u>	<u>221</u>	<u>4.8720</u>	<u>218</u>	<u>3.7886</u>	<u>-</u>	<u>4.9333</u>	<u>-</u>	<u>3.8622</u>

	Morningstar Growth Real Return Fund											
	Class A				Class B				Class Z			
	30 June 2021		30 June 2020		30 June 2021		30 June 2020		30 June 2021		30 June 2020	
	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU
Distribution paid												
- September	1,601	0.4059	1,415	0.3719	120	0.4110	120	0.3768	-	0.4598	-	0.4896
- December	940	0.2458	-	-	79	0.2617	-	-	-	0.3523	-	-
- March	861	0.2220	568	0.1472	70	0.2311	51	0.1630	-	0.2927	-	0.3446
- June	595	2.4744	874	2.5355	383	2.4717	333	2.5232	-	2.7675	-	2.7554
Distribution payable												
- June	<u>9,009</u>	<u>2.4744</u>	<u>8,963</u>	<u>2.5355</u>	<u>379</u>	<u>2.4717</u>	<u>385</u>	<u>2.5232</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>13,006</u>	<u>3.3481</u>	<u>11,820</u>	<u>3.0546</u>	<u>1,031</u>	<u>3.3755</u>	<u>889</u>	<u>3.0630</u>	<u>-</u>	<u>3.8723</u>	<u>-</u>	<u>3.5896</u>

10 Distributions to unitholders (continued)

	Morningstar High Growth Real Return Fund											
	Class A				Class B				Class Z			
	30 June 2021		30 June 2020		30 June 2021		30 June 2020		30 June 2021		30 June 2020	
	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU
Distribution paid												
- September	266	0.3948	249	0.4003	8	0.3870	8	0.4095	-	0.4417	-	0.5128
- December	196	0.3085	9	0.0147	7	0.3181	1	0.0256	-	0.4178	-	0.1509
- March	181	0.2900	116	0.1797	7	0.3003	4	0.1891	-	0.3695	-	0.2597
- June	123	2.1843	261	1.8624	3	2.1644	2	1.8491	-	2.3982	-	1.9671
Distribution payable												
- June	<u>1,165</u>	<u>2.1843</u>	<u>971</u>	<u>1.8624</u>	<u>43</u>	<u>2.1644</u>	<u>42</u>	<u>1.8491</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>1,931</u>	<u>3.1776</u>	<u>1,606</u>	<u>2.4571</u>	<u>68</u>	<u>3.1698</u>	<u>57</u>	<u>2.4733</u>	<u>-</u>	<u>3.6272</u>	<u>-</u>	<u>2.8905</u>

	Morningstar Multi-Asset Real Return Fund											
	Class A				Class B				Class Z			
	30 June 2021		30 June 2020		30 June 2021		30 June 2020		30 June 2021		30 June 2020	
	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU
Distribution paid												
- September	102	0.2112	94	0.1803	1	0.2428	1	0.2213	486	0.3225	404	0.2995
- December	-	-	62	0.1207	-	-	1	0.1848	-	-	395	0.2864
- March	-	-	45	0.0930	-	-	1	0.1619	-	-	363	0.2640
- June	-	-	16	1.3177	-	-	8	1.3509	-	-	-	-
Distribution payable												
- June	<u>-</u>	<u>-</u>	<u>637</u>	<u>1.3177</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1.3509</u>	<u>-</u>	<u>-</u>	<u>2,085</u>	<u>1.4784</u>
	<u>102</u>	<u>0.2112</u>	<u>854</u>	<u>1.7117</u>	<u>1</u>	<u>0.2428</u>	<u>11</u>	<u>1.9189</u>	<u>486</u>	<u>0.3225</u>	<u>3,247</u>	<u>2.3283</u>

11 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.

	Morningstar Multi-Asset Real Return Fund					
	2021			2020		
	Contract/ Notional \$'000	Fair values		Contract/ Notional \$'000	Fair values	
	Assets \$'000	Liabilities \$'000		Assets \$'000	Liabilities \$'000	
Buy						
Forward currency contracts	101,606	1,280	(1,556)	158,745	397	(153)
International share price index futures	4,908	-	(81)	6,307	26	(95)
		<u>1,280</u>	<u>(1,637)</u>		<u>423</u>	<u>(248)</u>
Sell						
Australian share price index futures	-	-	-	(1,915)	-	(10)
International share price index futures	23,440	-	(574)	(14,812)	-	(135)
		<u>-</u>	<u>(574)</u>		<u>-</u>	<u>(145)</u>

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

	Morningstar Balanced Real Return Fund		Morningstar Moderate Real Return Fund		Morningstar Growth Real Return Fund	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(a) Reconciliation of operating profit to net cash inflow/(outflow) from operating activities						
Net Operating profit/(loss)	23,103	(7,730)	5,043	(1,954)	62,391	(14,725)
Change in fair value of investments	(13,262)	16,678	(1,428)	4,996	(43,389)	32,611
(Increase)/decrease in receivables	-	-	1	1	(5)	3
Increase/(decrease) in payables	1	(1)	-	(3)	21	-
Trust distribution received/reinvested	(10,758)	(9,875)	(3,878)	(3,312)	(20,979)	(19,818)
Net cash inflow/(outflow) from operating activities	(916)	(928)	(262)	(272)	(1,961)	(1,929)
(b) Components of cash and cash equivalents						
Cash at bank	<u>10,262</u>	<u>12,048</u>	<u>4,520</u>	<u>5,209</u>	<u>14,108</u>	<u>12,600</u>
	<u>10,262</u>	<u>12,048</u>	<u>4,520</u>	<u>5,209</u>	<u>14,108</u>	<u>12,600</u>
(c) Non-cash financing and investing activities						
Reinvestment of unitholder distributions in the Schemes	(393)	(641)	(24)	(57)	(1,382)	(1,641)
Reinvestment of dividend and distribution income of the Schemes	(10,758)	(9,875)	(3,878)	(3,312)	(20,979)	(19,818)

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

	Morningstar High Growth Real Return Fund		Morningstar Multi-Asset Real Return Fund	
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	\$'000	\$'000	\$'000	\$'000
(a) Reconciliation of operating profit to net cash inflow/(outflow) from operating activities				
Net Operating profit/(loss)	12,962	(3,869)	32,101	(6,294)
Change in fair value of investments	(9,971)	6,918	(25,989)	14,262
(Increase)/decrease in receivables	(1)	-	(58)	20
Increase/(decrease) in payables	3	-	10	(11)
Trust distribution received/reinvested	(3,337)	(3,395)	-	(8,055)
<i>Net cash inflow/(outflow) from operating activities</i>	<u>(344)</u>	<u>(346)</u>	<u>6,064</u>	<u>(78)</u>
(b) Components of cash and cash equivalents				
Cash at bank	<u>918</u>	<u>730</u>	<u>12,333</u>	<u>14,762</u>
	<u>918</u>	<u>730</u>	<u>12,333</u>	<u>14,762</u>
(c) Non-cash financing and investing activities				
Reinvestment of unitholder distributions in the Schemes	(258)	(347)	(18)	(33)
Reinvestment of dividend and distribution income of the Schemes	(3,337)	(3,395)	-	(8,055)

13 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:

Daniel Needham (director)

Christopher Galloway (director)

James Wickham (director)

Scott Schilling (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.

13 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 Balanced Real Return Fund				Morningstar Balanced Real Return Fund			
	30 June 2021				30 June 2020			
	Units held	Fair value of investment	Interest held	Distribution received/receivable	Units held	Fair value of investment	Interest held	Distribution received/receivable
Units	\$	%	\$	Units	\$	%	\$	
Morningstar Alpha Strategies Fund	-	-	-	35,542	1,941,047	2,554,612	10.69	-
Morningstar Australian Bonds Fund	31,973,051	29,196,191	8.11	444,487	9,697,820	8,970,581	3.97	975,142
Morningstar Cash Fund	13,585,164	13,448,497	4.18	10,106	40,891,844	40,451,847	7.91	517,425
Morningstar Global Inflation Linked Securities (Hedged) Fund	6,840,676	4,267,829	21.68	1,755,099	7,916,816	7,994,164	10.19	813,756
Morningstar Multi-Asset All Growth Fund	97,658,337	100,152,530	16.46	5,539,161	102,951,674	88,002,061	17.67	5,542,077
Morningstar Multi-Asset Defensive Fund	33,969,880	30,988,683	31.72	2,407,455	31,176,636	29,527,391	31.31	1,844,694
Morningstar Diversified Alternatives Fund	<u>27,120,584</u>	<u>15,378,727</u>	<u>15.72</u>	<u>566,208</u>	<u>21,693,680</u>	<u>12,690,586</u>	<u>12.03</u>	<u>181,772</u>
		<u>193,432,457</u>		<u>10,758,058</u>		<u>190,191,242</u>		<u>9,874,866</u>

Fund Name	Morningstar Moderate Real Return Fund				Morningstar Moderate Real Return Fund			
	30 June 2021				30 June 2020			
	Units held	Fair value of investment	Interest held	Distribution received/receivable	Units held	Fair value of investment	Interest held	Distribution received/receivable
Units	\$	%	\$	Units	\$	%	\$	
Morningstar Alpha Strategies Fund	-	-	-	15,629	853,553	1,123,361	4.70	-
Morningstar Australian Bonds Fund	14,342,128	13,096,514	3.64	199,383	3,591,363	3,322,046	1.47	353,148
Morningstar Cash Fund	6,691,116	6,623,804	2.06	4,978	16,533,931	16,356,025	3.20	218,001
Morningstar Global Inflation Linked Securities (Hedged) Fund	3,569,420	2,226,925	11.31	915,799	4,726,463	4,772,641	6.09	485,825
Morningstar Multi-Asset All Growth Fund	17,325,201	17,767,687	2.92	1,003,781	16,280,571	13,916,470	2.79	912,364
Morningstar Multi-Asset Defensive Fund	21,141,740	19,286,341	19.74	1,523,043	21,630,630	20,486,370	21.72	1,275,644
Morningstar Diversified Alternatives Fund	<u>10,310,301</u>	<u>5,846,456</u>	<u>5.98</u>	<u>215,253</u>	<u>7,983,282</u>	<u>4,670,140</u>	<u>4.43</u>	<u>66,892</u>
		<u>64,847,727</u>		<u>3,877,866</u>		<u>64,647,053</u>		<u>3,311,874</u>

13 Related party transactions (continued)

Investments (continued)

Fund Name	Morningstar Growth Real Return Fund							
	30 June 2021				30 June 2020			
	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 Alpha Strategies Fund	-	-	-	64,856	3,541,997	4,661,622	19.50	-
Morningstar Australian Bonds Fund	37,683,137	34,410,357	9.56	523,868	16,323,742	15,099,624	6.68	1,434,093
Morningstar Cash Fund	25,190,690	24,937,272	7.75	18,740	41,893,817	41,443,039	8.11	469,860
Morningstar Global Inflation Linked Securities (Hedged) Fund	4,587,583	2,862,147	14.54	1,177,027	8,807,496	8,893,545	11.34	905,308
Morningstar Multi-Asset All Growth Fund	279,545,348	286,684,936	47.13	15,610,349	275,247,784	235,279,053	47.25	14,694,111
Morningstar Multi-Asset Defensive Fund	36,526,061	33,320,534	34.11	2,607,871	33,701,907	31,919,076	33.84	2,004,624
Morningstar Diversified Alternatives Fund	<u>46,759,084</u>	<u>26,514,738</u>	<u>27.11</u>	<u>976,210</u>	<u>36,956,518</u>	<u>21,619,193</u>	<u>20.50</u>	<u>309,660</u>
		<u>408,729,984</u>		<u>20,978,921</u>		<u>358,915,152</u>		<u>19,817,656</u>

Fund Name	Morningstar High Growth Real Return Fund							
	30 June 2021				30 June 2020			
	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 Alpha Strategies Fund	-	-	-	4,497	245,619	323,259	1.35	-
Morningstar Cash Fund	271	268	-	-	4,492,504	4,444,164	0.87	54,068
Morningstar Multi-Asset All Growth Fund	56,441,288	57,882,799	9.52	3,207,321	59,970,826	51,262,463	10.29	3,202,432
Morningstar Diversified Alternatives Fund	3,355,722	1,902,862	1.95	70,059	2,671,803	1,562,978	1.48	22,387
Morningstar Australian Bonds Fund	<u>3,974,427</u>	<u>3,629,248</u>	<u>1.01</u>	<u>55,252</u>	<u>1,848,450</u>	<u>1,709,835</u>	<u>0.76</u>	<u>115,722</u>
		<u>63,415,177</u>		<u>3,337,129</u>		<u>59,302,699</u>		<u>3,394,609</u>

13 Related party transactions (continued)

Investments (continued)

Fund Name	Morningstar Multi-Asset Real Return Fund							
	30 June 2021				30 June 2020			
	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 Global Shares Fund	14,199,052	22,499,879	54.70	759,985	11,113,896	14,357,387	99.98	3,157,489
Ibbotson International Shares Active (Unhedged) Trust	-	-	-	66,958	8,063,962	5,919,755	8.21	131,363
Morningstar Global Opportunities Fund (formerly known as Ibbotson International Shares (Unhedged) Trust)	17,392,084	77,632,699	15.21	2,689,234	12,802,159	45,811,629	10.97	2,149,271
Morningstar Australian Bonds Fund	14,236,985	13,000,503	3.61	197,922	-	-	-	137,211
Morningstar Global Listed Infrastructure (Hedged) Fund (formerly known as Morningstar Australian Equity Income Fund)	-	-	-	-	-	-	-	753,921
Morningstar Cash Fund	24,004,380	23,762,896	7.38	17,857	32,813,638	32,460,563	6.35	411,142
Morningstar Diversified Alternatives Fund	27,699,541	15,707,024	16.06	578,296	23,210,702	13,578,028	12.88	194,484
Morningstar Global Inflation Linked Securities (Hedged Fund)	-	-	-	-	7,331,076	7,402,701	9.44	753,549
Morningstar Australian Shares Fund	11,738,122	15,640,343	3.84	407,126	15,851,270	16,680,608	5.46	243,437
Morningstar International Shares (Unhedged) Fund	<u>9,105,108</u>	<u>9,471,497</u>	<u>1.43</u>	<u>817,758</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>177,714,841</u>		<u>5,535,136</u>		<u>136,210,671</u>		<u>7,931,867</u>

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

13 Related party transactions (continued)

Investment in subsidiary

	Morningstar Multi-Asset Real Return Fund	
	30 June 2021	30 June 2020
	\$	\$
Morningstar Global Shares Fund	<u>22,499,879</u>	<u>14,357,387</u>
Investments in subsidiaries at fair value	<u>22,499,879</u>	<u>14,357,387</u>

The Scheme meets the definition of an investment entity. Therefore, it does not consolidate its subsidiaries but rather, it recognises Morningstar Global Shares Fund as investment at fair value through profit or loss.

Name of unconsolidated subsidiary	Principal place of business	Morningstar Multi-Asset Real Return Fund	
		Ownership interest (%)	
		30 June 2021	30 June 2020
Morningstar Global Shares Fund	Australia	54.70%	99.98%

The above subsidiaries do not control any further subsidiaries.

Restrictions

The Scheme receives income in the form of interest from its investments in unconsolidated subsidiaries, and there are no significant restrictions on the transfer of funds from these entities to the Scheme.

Support

The Scheme has no contractual commitments or current intentions to provide any other financial or other support to its unconsolidated subsidiaries.

14 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.

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.

14 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 Balanced Real Return Fund									
	30 June 2021					30 June 2020				
	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
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Distribution payable	6,207	-	-	-	6,207	4,976	-	-	-	4,976
Payables	78	-	-	-	78	77	-	-	-	77
Net assets attributable to unitholders	<u>199,226</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>199,226</u>	<u>197,803</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>197,803</u>
Total financial liabilities	<u>205,511</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>205,511</u>	<u>202,856</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>202,856</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.

	Morningstar Moderate Real Return Fund									
	30 June 2021					30 June 2020				
	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
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Due to brokers - payable for securities purchased	-	-	-	-	-	400	-	-	-	400
Distribution payable	2,707	-	-	-	2,707	2,245	-	-	-	2,245
Payables	22	-	-	-	22	22	-	-	-	22
Net assets attributable to unitholders	<u>66,643</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>66,643</u>	<u>67,194</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,194</u>
Total financial liabilities	<u>69,372</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,372</u>	<u>69,861</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,861</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.

14 Financial risk management (continued)

(c) Liquidity risk (continued)

	Morningstar Growth Real Return Fund									
	30 June 2021					30 June 2020				
	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
Distribution payable	9,388	-	-	-	9,388	9,348	-	-	-	9,348
Payables	180	-	-	-	180	159	-	-	-	159
Net assets attributable to unitholders	<u>413,308</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>413,308</u>	<u>362,441</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>362,441</u>
Total financial liabilities	<u>422,876</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>422,876</u>	<u>371,948</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>371,948</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.

	Morningstar High Growth Real Return Fund									
	30 June 2021					30 June 2020				
	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
Distribution payable	1,208	-	-	-	1,208	1,013	-	-	-	1,013
Payables	31	-	-	-	31	28	-	-	-	28
Net assets attributable to unitholders	<u>63,101</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,101</u>	<u>58,998</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,998</u>
Total financial liabilities	<u>64,340</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,340</u>	<u>60,039</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,039</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.

14 Financial risk management (continued)

(c) Liquidity risk (continued)

	Morningstar Multi-Asset Real Return Fund									
	30 June 2021					30 June 2020				
	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	323	-	-	-	323	-	-	-	-	-
Distribution payable	-	-	-	-	-	2,722	-	-	-	2,722
Payables	59	-	-	-	59	49	-	-	-	49
Financial liabilities held at fair value through profit or loss	-	2,211	-	-	2,211	153	240	-	-	393
Net assets attributable to unitholders	<u>242,107</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>242,107</u>	<u>186,167</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>186,167</u>
Total financial liabilities	<u>242,489</u>	<u>2,211</u>	<u>-</u>	<u>-</u>	<u>244,700</u>	<u>189,091</u>	<u>240</u>	<u>-</u>	<u>-</u>	<u>189,331</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.

(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.

14 Financial risk management (continued)

(d) Market risk (continued)

Currency risk (continued)

The table below indicates the currencies to which the Schemes had significant exposure at 30 June 2021 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 Balanced Real Return Fund						
30 June 2021	US Dollar	Euro	British Pound	Japanese Yen	Other Currencies	Total
	AS'000	AS'000	AS'000	AS'000	AS'000	AS'000
Assets						
Cash and cash equivalents	<u>3,577</u>	-	-	<u>7,773</u>	-	<u>11,350</u>
Total assets	<u>3,577</u>	-	-	<u>7,773</u>	-	<u>11,350</u>
Liabilities						
Payables	-	-	-	<u>2</u>	-	<u>2</u>
Total liabilities (excluding net assets attributable to unitholders)	-	-	-	<u>2</u>	-	<u>2</u>
Morningstar Balanced Real Return Fund						
30 June 2020	US Dollar	Euro	British Pound	Japanese Yen	Other Currencies	Total
	AS'000	AS'000	AS'000	AS'000	AS'000	AS'000
Assets						
Cash and cash equivalents	<u>3,901</u>	-	-	<u>8,747</u>	-	<u>12,648</u>
Total assets	<u>3,901</u>	-	-	<u>8,747</u>	-	<u>12,648</u>
Liabilities						
Payables	-	-	-	<u>2</u>	-	<u>2</u>
Total liabilities (excluding net assets attributable to unitholders)	-	-	-	<u>2</u>	-	<u>2</u>

14 Financial risk management (continued)

(d) Market risk (continued)

Currency risk (continued)

Morningstar Moderate Real Return Fund						
30 June 2021	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	1,252	-	-	2,721	-	3,973
Total assets	1,252	-	-	2,721	-	3,973
Liabilities						
Payables	-	-	-	-	-	-
Total liabilities (excluding net assets attributable to unitholders)	-	-	-	-	-	-
Morningstar Moderate Real Return Fund						
30 June 2020	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	1,365	-	-	3,061	-	4,426
Total assets	1,365	-	-	3,061	-	4,426
Liabilities						
Payables	-	-	-	1	-	1
Total liabilities (excluding net assets attributable to unitholders)	-	-	-	1	-	1

14 Financial risk management (continued)

(d) Market risk (continued)

Currency risk (continued)

		Morningstar Growth Real Return Fund					
30 June 2021		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		-	-	-	14,614	-	14,614
Total assets		-	-	-	14,614	-	14,614
Liabilities		-	-	-	-	-	-
Total liabilities (excluding net assets attributable to unitholders)		-	-	-	-	-	-
		Morningstar Growth Real Return Fund					
30 June 2020		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		-	-	-	12,651	-	12,651
Total assets		-	-	-	12,651	-	12,651
Liabilities		-	-	-	-	-	-
Total liabilities (excluding net assets attributable to unitholders)		-	-	-	-	-	-

14 Financial risk management (continued)

(d) Market risk (continued)

Currency risk (continued)

Morningstar High Growth Real Return Fund						
30 June 2021	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	-	-	-	302	-	302
Total assets	-	-	-	302	-	302
Liabilities	-	-	-	-	-	-
Total liabilities (excluding net assets attributable to unitholders)	-	-	-	-	-	-
Morningstar High Growth Real Return Fund						
30 June 2020	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	353	-	-	-	-	353
Total assets	353	-	-	-	-	353
Liabilities	-	-	-	-	-	-
Total liabilities (excluding net assets attributable to unitholders)	-	-	-	-	-	-

14 Financial risk management (continued)

(d) Market risk (continued)

Currency risk (continued)

30 June 2021	Morningstar Multi-Asset Real Return 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	82	-	-	9,922	-	10,004
Deposits held with brokers for margin*	-	-	36	31	-	67
Accrued income*	<u>24</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24</u>
Total assets	<u>106</u>	<u>-</u>	<u>36</u>	<u>9,953</u>	<u>-</u>	<u>10,095</u>
Liabilities	-	-	-	-	-	-
Deposits held with brokers for margin	<u>323</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>323</u>
Total liabilities (excluding net assets attributable to unitholders)	<u>323</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>323</u>

30 June 2020	Morningstar Multi-Asset Real Return 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	45	-	-	13,529	-	13,574
Deposits held with brokers for margin*	(1,071)	(1,749)	167	(1,242)	-	(3,895)
Accrued income*	<u>3</u>	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>2</u>
Total assets	<u>(1,023)</u>	<u>(1,749)</u>	<u>167</u>	<u>12,286</u>	<u>-</u>	<u>9,681</u>
Liabilities	-	-	-	-	-	-
Total liabilities (excluding net assets attributable to unitholders)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

*The balances are disclosed separately by currency in the currency exposure tables and are aggregated in the Statement of financial position.

14 Financial risk management (continued)

(d) Market risk (continued)

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 do not have significant exposure to interest rate risk as all of the Schemes' instruments are non-interest bearing.

Further details of the Schemes' investments in unit trusts are disclosed in Note 6 to the financial statements.

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 Balanced Real Return Fund		Morningstar Moderate Real Return Fund		Morningstar Growth Real Return Fund	
	+10%	-10%	+10%	-10%	+10%	-10%
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
30 June 2021	2,503	(2,503)	483	(483)	7,236	(7,236)
30 June 2020	2,531	(2,531)	500	(500)	6,512	(6,512)
			Morningstar High Growth Real Return Fund		Morningstar Multi-Asset Real Return Fund	
			+10%	-10%	+10%	-10%
			\$'000	\$'000	\$'000	\$'000
30 June 2021			1,405	(1,405)	4,505	(4,505)
30 June 2020			1,340	(1,340)	3,388	(3,388)

14 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 2021 and 30 June 2020.

	Morningstar Balanced Real Return Fund							
	At 30 June 2021				At 30 June 2020			
	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:								
Unlisted unit trusts	-	<u>193,432</u>	-	<u>193,432</u>	-	<u>190,191</u>	-	<u>190,191</u>
Total	-	<u>193,432</u>	-	<u>193,432</u>	-	<u>190,191</u>	-	<u>190,191</u>

	Morningstar Moderate Real Return Fund							
	At 30 June 2021				At 30 June 2020			
	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:								
Unlisted unit trusts	-	<u>64,848</u>	-	<u>64,848</u>	-	<u>64,647</u>	-	<u>64,647</u>
Total	-	<u>64,848</u>	-	<u>64,848</u>	-	<u>64,647</u>	-	<u>64,647</u>

14 Financial risk management (continued)

(e) Fair value hierarchy (continued)

Morningstar Growth Real Return Fund								
	At 30 June 2021			At 30 June 2020				
	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:								
Unlisted unit trusts	-	408,730	-	408,730	-	358,915	-	358,915
Total	-	408,730	-	408,730	-	358,915	-	358,915
Morningstar High Growth Real Return Fund								
	At 30 June 2021			At 30 June 2020				
	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:								
Unlisted unit trusts	-	63,415	-	63,415	-	59,303	-	59,303
Total	-	63,415	-	63,415	-	59,303	-	59,303
Morningstar Multi-Asset Real Return Fund								
	At 30 June 2021			At 30 June 2020				
	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	-	1,280	-	1,280	26	397	-	423
Equity securities	12,041	-	-	12,041	8,329	-	-	8,329
Unlisted unit trusts	-	203,313	-	203,313	-	146,387	-	146,387
Listed unit trusts	13,177	-	-	13,177	13,841	-	-	13,841
Total	25,218	204,593	-	229,811	22,196	146,784	-	168,980
Financial liabilities								
Financial liabilities held at fair value through profit or loss:								
Derivatives	655	1,556	-	2,211	240	153	-	393
Total	655	1,556	-	2,211	240	153	-	393

14 Financial risk management (continued)

(e) Fair value hierarchy (continued)

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.

(i) Transfers between levels

There have been no transfers between levels for the financial year ended 30 June 2021 (2020: Nil).

15 Performance fees

No performance fees were accrued for any of the Schemes for the financial year ended 30 June 2021 (2020: Nil).

16 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 2021 or on the results and cash flows of the Schemes for the year ended on that date (2020: Nil).

17 Contingent assets and liabilities and commitments

There are no contingent assets and liabilities or commitments as at 30 June 2021 (2020: 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 53 of Morningstar Balanced Real Return Fund, Morningstar Moderate Real Return Fund, Morningstar Growth Real Return Fund, Morningstar High Growth Real Return Fund and Morningstar Multi-Asset Real Return 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 2021 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.

Chris
Galloway

Digitally signed
by Chris Galloway
Date: 2021.09.22
13:29:18 +10'00'

Director

Sydney

22 September 2021



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Independent Auditor's Report to the unitholders of Morningstar Investment Funds - Series 3

Opinion

For the following Morningstar Investment Funds - Series 3 (the "Schemes"):

- ▶ Morningstar Balanced Real Return Fund;
- ▶ Morningstar Moderate Real Return Fund;
- ▶ Morningstar Growth Real Return Fund;
- ▶ Morningstar High Growth Real Return Fund; and
Morningstar Multi-Asset Real Return Fund.

We have audited the financial reports of the Schemes, which comprise the statements of financial position as at 30 June 2021, 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 2021 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
22 September 2021