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## **Morningstar International Shares Active ETF (Managed Fund)**

ASX: MSTR

ARSN: 129 136 447

Product Disclosure Statement | 1 November 2019

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The Issuer and Responsible Entity is:  
Morningstar Investment Management Australia Limited  
ABN: 54 071 808 501  
Australian Financial Services License No: 228986

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## Important notice

### Authorised Participants

The offer in this Product Disclosure Statement ('PDS') is for persons who are authorised trading participants ('Authorised Participants') under the ASX Operating Rules and who have entered into a relevant Authorised Participant agreement ('AP Agreement') with Morningstar Investment Management Australia Limited (ABN 54 071 808 501, AFSL 228986) ('Morningstar', 'Responsible Entity', 'we' or 'us'). Accordingly, specific sections of the PDS (such as applying for or redeeming units in the Morningstar International Shares Active ETF (Managed Fund) (ARSN 129 136 447) ('Fund')) are only of direct relevance to such persons.

### All other investors

All other investors (i.e. non-Authorised Participants) can acquire units in the Fund through the Australian Securities Exchange Ltd ('ASX') via a stockbroker or their financial adviser. For these investors, the PDS should be used for informational purposes only to assess the merits of investing in the Fund.

This PDS and the offer of units in the Fund are available only to Australian resident investors receiving this PDS (including electronically) in Australia where permitted by Australian law. Morningstar will not accept applications from outside Australia. For the avoidance of doubt, units in the Fund are not intended to be sold to US Persons as defined under Regulation S of the US federal securities laws.

A copy of this PDS has been lodged with the Australian Securities & Investments Commission ('ASIC'). As at the date of this PDS, the units in the Fund are yet to be quoted for trading on the ASX. An application has been made to the ASX for units in the Fund to be quoted for trading on the AQUA market of the ASX under the AQUA Rules. We will only accept applications to create units once the exposure period for the PDS has expired. The exposure period expires 7 days after lodgement of the PDS with ASIC, subject to possible extension by ASIC for a further period of up to 7 days. Neither ASIC nor the ASX take any responsibility for the contents of this PDS.

## Contacts

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## 1. Foreword

The information in this PDS is general information only and does not take into account the personal investment objectives, financial situation or particular needs of any particular person. Investors should consider the appropriateness of the Fund having regard to their own objectives, financial situation and needs. Investors should read the entire PDS and seek professional advice tailored to their personal circumstances before making a decision to acquire or dispose of units in the Fund. Neither Morningstar nor any other related body corporate, guarantees the performance of the Fund or the return of capital or income. An investment in the Fund is subject to risks (see section '4. Risk'). This could involve delays in repayment and loss of income or loss of capital invested.

### 1.1 About the PDS

This PDS contains significant information needed to make a decision about units quoted under the AQUA Rules of the ASX for the Fund.

The offer or invitation to subscribe for units in the Fund is subject to the terms and conditions described in this PDS. If any section of the PDS is invalid or unenforceable under the law, it is excluded to not affect the validity or enforceability of the remaining sections in any way.

If you have received this PDS by electronic means, we can provide a paper copy to you free of charge. Simply make a request by contacting us on 1800 951 999 (Toll Free).

### 1.2 Changes to the PDS

Information in this PDS is current as at the issue date of this PDS. Certain information in this PDS, such as the Fund's investment objective (including its benchmark), asset classes, asset ranges and currency strategy can be changed, without prior notice in some cases.

If a change is considered materially adverse we will issue a supplementary or new PDS. In addition, any material updates will be released to the ASX ([www.asx.com.au](http://www.asx.com.au)) via the ASX Market Announcements Platform.

Information that is not materially adverse information is subject to change from time to time. Where this occurs, a website notice will be posted at [morningstarinvestments.com.au/MSTR](http://morningstarinvestments.com.au/MSTR). A paper copy of any updated information will be given to a person without charge on request.

## 2. About the Morningstar International Shares Active ETF (Managed Fund)

### 2.1 About Morningstar

Morningstar is the responsible entity and investment manager of the Fund and the issuer of units in the Fund. Morningstar's obligations are governed by the Fund's constitution ('Constitution'), the Corporations Act 2001 (Cth) ('Corporations Act') and general trust law. Morningstar is responsible for the operation of the Fund.

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

Morningstar's disciplined investment approach delivers objective, cost effective and holistic solutions for our clients – helping them reach their financial goals. This long-term, valuation driven approach is underpinned by an emphasis on preserving capital and undertaking comprehensive fundamental analysis of global asset classes and securities.

### 2.2 Active exchange traded funds

Exchange traded funds ('ETFs') are quoted managed investment schemes that provide the opportunity to gain exposure to a portfolio of assets in a single transaction. ETFs typically provide investment returns which track a benchmark index.

An active exchange traded fund ('Active ETF') is an ETF that is actively managed, typically with a goal to outperform a target benchmark index (i.e., the responsible entity/investment manager makes decisions about the underlying portfolio construction).

The benefits of ETFs include:

- ▶ Diversification: provide the ability to diversify a portfolio through holding a single security and to create a diversified portfolio of ETFs across asset classes; and
- ▶ Liquidity: enables investors to trade on the ASX any time during market hours. This flexibility provides an efficient way to implement asset allocation changes to a portfolio.

▶ The benefits of Active ETFs include:

- ▶ Being an ETF: An Active ETF features the same benefits as ETFs (as described above); and
- ▶ Active management: An Active ETF provides access to active investment management capabilities, aimed at outperforming a benchmark and seeking to minimise losses during market downturn instead of passively following the benchmark.

The Fund is an Active ETF. The Fund is a feeder fund into an existing unlisted registered managed investment scheme, the Morningstar International Shares (Hedged) Fund (ARSN 092 227 435) ("**Underlying Fund**"), which is also managed and operated by Morningstar. The Fund invests primarily in the Underlying Fund, but may also hold cash and/or derivatives to gain desired exposures or manage risks. Morningstar actively manages the portfolio construction of the Fund and the Underlying Fund.

### 2.3 Key benefits of the Fund

There are many benefits of investing in the Fund. Some of the key benefits include:

- ▶ the Fund is an Active ETF (featuring the benefits of Active ETFs described above);
- ▶ the Fund provides exposure to an investment strategy managed by investment professionals with considerable experience in investment management, global investing, portfolio construction and investment research. Investors benefit from these core capabilities which are built on a foundation of proprietary methodologies and award-winning research;
- ▶ the Fund provides investors with efficient access and exposure to diversification across multiple investments from around the world in a single investment;
- ▶ units in the Fund can be easily bought and sold just like any stock listed on the ASX, without the need to directly trade individual stocks on international exchanges; and
- ▶ the Fund provides a global investment solution for different types of investors, including those who want to build their own customised portfolio to complement their existing local investments.

## 3. Key information summary

	Details	Refer to section
Fund name and ARSN	Morningstar International Shares Active ETF (Managed Fund) ARSN 129 136 447	
ASX Code	MSTR	
Responsible entity and manager	Morningstar Investment Management Australia Limited (ABN 54 071 808 501, AFSL 228986)	
About the Fund	<p>The Fund is a managed investment scheme registered with the ASIC.</p> <p>The Fund will invest predominantly in units of the Morningstar International Shares (Hedged) Fund (ARSN 092 227 435) ("<b>Underlying Fund</b>") and some cash. The Fund may also invest in derivatives to gain desired exposures or manage risks.</p> <p>The Underlying Fund predominantly invests in listed international shares with the aim of producing superior long-term returns relative to the Benchmark. In turn, the Fund aims to produce superior long-term returns relative to the Benchmark.</p>	4

	Details	Refer to section
	<p>The Underlying Fund consists of a well-diversified portfolio of companies that exhibit desirable fundamental quality and/or value characteristics. An application has been made to the ASX for units in the Fund to be quoted for trading on the AQUA market of the ASX under the AQUA Rules. This means investors have the opportunity to gain exposure to a diversified portfolio of assets in a single transaction and can trade units on the ASX in the same way as trading other ASX listed securities, subject to liquidity.</p> <p>There are some notable differences between securities quoted under the AQUA Rules and other securities on the ASX listed market. These differences are outlined in Section 7.</p>	
Investment objective <sup>1</sup>	To achieve meaningful capital growth over the medium-to-long term, while minimising the risk of permanent capital loss, by providing exposure to listed international shares.	4
Benchmark	MSCI All Country World ex-Australia Index with Net Dividends Reinvested (Hedged into \$AUD)	4
Net Asset Value	Morningstar will calculate and publish the Fund's Net Asset Value ('NAV') daily at <a href="http://morningstarinvestments.com.au/MSTR">morningstarinvestments.com.au/MSTR</a> ('Website').	4
Authorised Participants – creating and redeeming units	<p>The offer for units in the Fund made in this PDS is only available to Authorised Participants.</p> <p>An Authorised Participant can apply for creation/redemption of units in the Fund in accordance with their AP Agreement by submitting a request to Morningstar or the Fund's Registrar. Requests to apply for/redemption of units in the Fund can be submitted via an Application/Redemption Form.</p> <p>Applications and redemptions consist only of a cash amount equal to the application or withdrawal amount as appropriate, adjusted by the applicable buy/sell spread for the transaction.</p>	11
Investors other than Authorised Participants – entering and exiting the Fund	<p>Once quoted (and subject to market conditions), investors may purchase/sell their units on the ASX. The price investors enter and exit the Fund will be the price at which they buy or sell the units on the ASX AQUA market.</p> <p>The purchase/sale of units on the ASX is not governed by the terms of this PDS and therefore the minimum investment/redemption requirement does not apply to units purchased on the ASX.</p>	11
Market liquidity	Investors can buy and sell units from/to other investors in the Secondary Market in the same way as other listed ASX securities. The Responsible Entity's appointed agent, on behalf of the Fund, may provide liquidity to investors by acting as a buyer and seller of units.	11
Fees and other costs	Investors will be charged management costs of 0.39% pa of the NAV of the Fund.	9
Risks	All investments are subject to risk. The key risks associated with the Fund are described in this PDS.	5
Distributions	The distribution period will generally be quarterly (i.e. 31 March, 30 June, 30 September and 31 December each year).	8

	Details	Refer to section
	Information in relation to distributions will be disclosed to the ASX via the ASX Market Announcements Platform.	
Cooling off	As with securities listed on the ASX, investors do not have any cooling off rights.	12
Regular reporting	<p>The following information can be obtained from the Website (<a href="http://morningstarinvestments.com.au/MSTR">morningstarinvestments.com.au/MSTR</a>):</p> <ul style="list-style-type: none"> <li>▪ the Fund's daily NAV;</li> <li>▪ the Fund's daily NAV per Unit;</li> <li>▪ the full disclosure of investments held by the Fund on a look through basis, disclosed daily;</li> <li>▪ copies of announcements made to the ASX via the ASX Market Announcements Platform (including continuous disclosure notices, redemption and distribution information);</li> <li>▪ the total number of Managed Fund securities on issue;</li> <li>▪ copies of the latest PDS; and</li> <li>▪ copies of Annual Reports and financial statements.</li> </ul> <p>Morningstar will comply with any continuous disclosure obligation by lodging documents with ASIC as and when required and by posting any continuous disclosure notices at: <a href="http://morningstarinvestments.com.au/disclosure">morningstarinvestments.com.au/disclosure</a>.</p>	11 & 12

1. The investment objective is expressed net of fees and expenses, and before any taxes payable by you. Refer to section '8. Fees and costs' for details on fees and costs and section '9. Taxation' for details on taxation. The investment objective is not intended to be a forecast; it is merely an indication of what the Fund aims to achieve over the investment time horizon. The Fund may not be successful in meeting its investment return objective and **returns are not guaranteed**.

#### 4. The Morningstar International Shares Active ETF (Managed Fund)

**You should consider the likely investment return, risk and your investment timeframe before choosing to invest in the Fund.**

##### 4.1 How the Fund works

The Fund is a managed investment scheme registered with the ASIC, which is subject to the Corporations Act and other applicable law. The legal structure of the Fund is a unit trust governed by its Constitution. An investor's interest in the Fund is represented by their holding of units in the Fund. Investors do not own a direct share of the underlying assets of the Fund.

When you invest in the Fund, your money will be pooled with that of other investors. This pool is used to buy assets and they are managed on behalf of all investors according to the Fund's investment objective and investment strategy. By investing in the Fund, you have access to certain investments that you may not otherwise be able to access on your own. You also access Morningstar's disciplined investment process. Refer to section '3.3 Investment strategy' for the Fund's investment profile.

The total value of the assets in the Fund is divided into 'units' and a 'unit price' is generally calculated for each Business Day. The unit price will generally change daily, as the market value of assets in the Fund rise or fall.

##### 4.2 Investment objective

To achieve meaningful capital growth over the medium-to-long term, while minimising the risk of permanent capital loss, by providing exposure to listed international shares.

##### 4.3 Investment strategy

The Fund invests predominantly in units of the Underlying Fund and some cash. The Fund may also invest in derivatives to gain desired exposures or manage risks. The Underlying Fund predominantly invests in listed international shares with the aim of producing

superior long-term returns relative to the Benchmark, being the MSCI All Country World ex-Australia Index with Net Dividends Reinvested (Hedged into \$AUD). In turn, the Fund aims to produce superior long-term returns relative to the Benchmark.

The Underlying Fund consist of a well-diversified portfolio of companies that exhibit desirable fundamental quality and/or value characteristics, supplemented by a passive currency overlay. Morningstar is the responsible entity and investment manager of the Underlying Fund and the issuer of units in the Underlying Fund.

<b>Minimum Suggested Timeframe for Holding Investment</b>	5 years
<b>Suitable Investor Profile</b>	The Fund is designed for Australian investors who seek the potential for meaningful capital growth over the medium to long term and geographic diversification, while minimising the risk of permanent capital loss, by providing exposure to listed international shares.
<b>Benchmark</b>	MSCI All Country World ex-Australia Index with Net Dividends Reinvested (Hedged into \$AUD)
<b>Currency Management</b>	Morningstar aims to fully hedge the Fund's currency exposure back to the Australian dollar to minimise the potential impact of volatile currency movements.
<b>Risk Level/Profile<sup>†</sup></b>	High
<b>Strategy Inception Date*</b>	01/07/2013
<b>Fund Net Asset Value* as at 30 September 2019</b>	\$2.56 million
<b>Underlying Fund's Strategy Inception Date</b>	01/07/2013
<b>Underlying Fund Net Asset Value as at 30 September 2019</b>	\$515.88 million
<b>Distribution Frequency</b>	Quarterly

<sup>†</sup> 'High' risk profile means that the Fund may experience periods of negative and/or volatile returns, and a loss of value, while offering the potential for greater returns.

\* The Strategy Inception Date and Fund Net Asset Value refer to the establishment date and Fund Net Asset Value of the Fund. This differs from the Underlying Fund, which the Fund holds units in.

#### 4.4 About the Underlying Fund

##### Sector allocation

The Underlying Fund's sector allocation is generally as follows:

Sector	Allocation range
International shares	90 - 100%
Cash	0 - 10%

##### Investment universe

The Underlying Fund will generally gain exposure to shares listed on recognised stock exchanges, preferred shares or other securities of an equity nature, shares received from a corporate action, ETFs with an objective to replicate the Benchmark or part thereof, cash and cash equivalents invested in money market or fixed interest securities and managed funds that invest in these securities.

The Underlying Fund is also authorised to use derivatives as outlined in Morningstar's Derivatives Risk Statement ('DRS'). The DRS can be obtained free of charge by contacting Morningstar.

## 4.5 Use of derivatives

Derivatives (such as futures and forward foreign exchange contracts) are used if the expected risks and rewards of the derivatives are consistent with the investment objective and strategy of the Fund. Where derivatives are permitted, they are used to manage risk or to gain exposure to individual securities, currencies and investment markets. The Fund will not use derivatives for speculation or for the purpose of leveraging (magnifying) investment returns. The use of derivatives in the Fund will not be used to a material extent; that is, use will generally not exceed 5% of the NAV of the Fund. Where the Fund invests in derivatives directly, the use of derivatives will be consistent with Morningstar's investment policies and procedures. Further information can be found in Morningstar's DRS which can be obtained free of charge by contacting Morningstar.

## 4.6 Ethical statement

Morningstar does not explicitly take into account labour standards or environmental, social or ethical considerations when making investment decisions for the Fund or the Underlying Fund.

## 5. Risks

### **All investments carry risk.**

It's important to understand that different investment strategies may carry different levels of risk, depending on the assets that make up the strategy.

Assets with the highest long-term returns may also carry the highest level of short-term risks (this is known as the 'Risk/Return Trade Off'), particularly if you exit your investment without considering the minimum suggested investment time frame. Investment returns are not guaranteed and future returns may differ from past returns. This means the value of your investment may vary, and you may lose some of the value of your investment.

In making an investment decision, it is important to understand the risks involved in the investment you are considering, your risk tolerance and investment time horizon. You should also consider how the investment relates to your financial goals and how it fits with other investments you may hold.

You should read all the information in this PDS carefully and seek appropriate professional advice before you make a decision.

### **The significant and specific risks of investing in the Fund include, but are not limited to:**

#### **Collateral risk**

The Fund may enter into derivatives arrangements that require it to deliver (or 'post') collateral to the derivative counterparty or clearer. As a result, the Fund may be exposed to certain risks in respect of that collateral including the credit risk of the counterparty or clearer.

#### **Conflicts of interest risk**

Morningstar and its various service providers may from time to time act as issuer, investment manager, market maker, custodian, unit registry, broker, administrator, distributor or dealer to other parties or funds that have similar objectives to those of the Fund. It is therefore possible that any of them may have potential conflicts of interest with the Fund. Morningstar may invest in, directly or indirectly, or manage or advise other funds which invest in assets which may also be purchased by the Fund. Neither Morningstar nor any of its affiliates nor any person connected with it is under any obligation to offer investment opportunities to the Fund.

Morningstar manages its obligations to the Fund such that any conflicts are resolved fairly.

#### **Country risk**

The risk that a country where the Underlying Fund invests in could become politically or economically unstable. This may prevent the Underlying Fund's assets (such as shares) being sold or the proceeds being repatriated to Australia. This risk is generally higher in countries classified as emerging markets.

#### **Derivatives risk**

Derivatives (such as futures and forward foreign exchange contracts) may be used to manage the assets of the Fund. Derivatives may be used to manage risk or to gain exposure to individual securities, currencies and investment markets. The value of a derivative is



linked to the value of an underlying asset and can be volatile. While the use of derivatives offers the opportunity for higher gains, it can also magnify losses to the Fund. Derivatives risk includes the value of the derivative failing to move in line with that of the underlying asset, potential illiquidity of the derivative, the Fund not being able to meet payment obligations as they arise or the risk that the other party with whom the derivative contract is held will fail to perform its contractual obligations (refer to 'Collateral risk' and 'Counterparty risk'). Morningstar does not intend to gear the Fund through the use of derivatives. The use of derivatives in the Fund will not be used to a material extent; that is, use will generally not exceed 5% of the NAV of the Fund. Where the Fund invests in derivatives directly, the use of derivatives will be consistent with Morningstar's investment policies and procedures. Further information can be found in Morningstar's DRS which can be obtained free of charge by contacting Morningstar.

#### **Foreign currency**

Movements in exchange rates between the Australian dollar and foreign currencies can affect the performance of the Fund. When foreign currencies fall in value relative to the Australian dollar, this can have an adverse impact on investment returns for the Fund. Morningstar aims to fully hedge the Fund's foreign denominated investments to the Australian dollar.

#### **Interest rate risk**

The capital value or income of investments held by the Fund may be adversely affected by interest rates movements.

#### **Investment markets**

The risk of negative returns resulting from unfavourable investment market conditions.

#### **Investment style risk**

The chance value and quality focussed investing will deliver returns that underperform the overall share market. Different styles of investing tend to go through cycles of over or underperformance, particularly in the short term.

#### **Key person risk**

The skill and performance of Morningstar can have a significant impact (both directly and indirectly) on the investment returns of the Fund. Changes in key personnel and resources of Morningstar may also have a material impact on investment returns on the Fund.

#### **Liquidity risk**

The risk that investments may not be able to be converted into cash on a timely basis with little or no loss of capital. Although the units will be quoted under the AQUA Rules there can be no assurances that there will be a liquid market. Please refer to 'Market making risk' to understand the arrangements we have in place to assist in maintaining liquidity for the Fund. Different securities within the Underlying Fund's portfolio may be less liquid than others or pose a higher risk of becoming illiquid during times of market stress. The less liquid the security, the more difficult it may be to sell the security when it is desirable to do so or to realise what we perceive to be fair value in the event of a sale. During extreme market volatility, Morningstar may choose to suspend redemptions and defer payments for a period of time to protect investors (refer to 'Trading risk').

#### **Portfolio management risk**

The risk that we, as responsible entity and investment manager, may fail to meet our obligations or provide sub-standard returns for the Fund.

#### **Stock specific risk**

Stock specific risk is the uncertainty of the return of a stock held in the Underlying Fund, arising from factors that are specific to the organisation that issues those stocks. It is generally not related to events that affect other comparable organisations or the market as a whole.

### **Related party risk**

There is a risk that the interests of a related party may influence the decision-making of Morningstar to the detriment of the interests of investors as a whole when Morningstar is considering whether to enter into a transaction with a related party.

### **Underlying Fund risk**

The Fund is exposed to the risks of the Underlying Fund including investment performance, liquidity, management, default and counterparty risk, all of which may affect the value of units in the Underlying Fund and therefore the value of units in the Fund.

### **The significant and specific risks of investing in managed funds and ETFs include, but are not limited to:**

#### **Counterparty or default risk**

The risk that a party Morningstar contracts with in relation to the Fund, fails to meet its contractual obligations, resulting in losses. Counterparties include stockbrokers, market makers, derivatives dealers and foreign exchange dealers. Any collateral lodged with counterparties related to derivatives may also be at risk in the event of default (refer to 'Collateral risk'). This may result in the investment activities of the Fund being adversely affected.

#### **Market making risk**

Under the AQUA Rules, Morningstar has certain market making obligations in respect of the Fund. To facilitate an orderly and liquid market in the Fund, we will appoint market maker(s) to provide alternate liquidity. Additionally, the Fund may enter into transactions to acquire or to liquidate assets in anticipation of the market making agent fulfilling its settlement processing obligations in a correct and timely manner. Whilst we monitor our market maker(s)' ability to maintain continuous liquidity to the market, there is no guarantee that these requirements will always be met, particularly if there is a failure by a market maker. Morningstar cannot guarantee that a market maker will fulfil its obligations or that a market maker will continue to be appointed.

#### **Operational risk**

The risk that the Fund is subject to operational risks, including with respect to cyber-security, that impact the administration, performance and/or reporting of the Fund. There is the possibility that errors are made in the provision of services to the Fund.

#### **Pricing risk**

Less liquid investments may be priced infrequently and in order to ensure timely unit pricing, their valuations may be based on estimates.

#### **Regulatory and tax risk**

The value of investments held by the Fund may be affected by changes to laws in Australia or overseas, such as investment restrictions and taxation.

#### **Revocation of ASX approval of quotation risk**

The risk that the Fund does not meet the requirements necessary to maintain quotation of units in the Fund on the ASX.

#### **Settlement risk**

The risk that the Fund may be exposed to authorised participants failing to fulfil their settlement obligations. The risk is somewhat mitigated as a result of authorised participants being subject to participation rules. These rules include sanctions for failure to meet certain obligations. The Fund may also suffer loss if an Authorised Participant fails to deliver the application consideration for units, or redeliver units in relation to a redemption, by the settlement time and the Fund has entered into transactions in reliance on delivery occurring.

#### **Spread risk**

The risk that the Fund may trade at a significant premium or discount than might otherwise be expected in the Secondary Market – e.g. due to disruptions in the Fund unit creation/redemption process or if the trading in the Fund is suspended, in accordance with the Fund's Constitution.

## Trading risk

The risk that investors are unable to acquire or dispose of units in the Fund in certain situations. Examples include where trading of units in the Fund are suspended by the ASX, instances where the units in the Fund are not widely held and in exceptional circumstances such as market disruptions. If this occurs, investors will not be able to buy or sell units on the ASX. The underlying assets held by the Fund may also be suspended or delisted. Under these circumstances, we may take measures, such as suspending the unit creation and redemption process, or we may potentially terminate the Fund.

There may be other occasions where we may suspend the application and redemption process, such as around the end of a distribution period or where other factors prevent the accurate calculation of unit prices. This may cause the Fund's units to be suspended from trading on the ASX.

There is also the risk that the issue price and redemption price applicable to a unit may differ from the trading price of a unit on the ASX. The trading price is dependent upon a number of factors, including demand for and supply of the units in the Fund, investor confidence and the availability of market maker services during the course of the trading day. The risk is mitigated as the application and redemption mechanism is designed to minimise the likelihood that the units will trade on the ASX at a significantly different price to the issue price or redemption price. If you buy or sell units on the Secondary Market, you will pay or receive the trading price, which may be higher or lower than NAV price.

**The material relating to the risks above may change between the time when you read this PDS and the day when you acquire the product.**

## 6. Additional Information about the Fund

### 6.1 Borrowing

Under the Constitution, the Fund is permitted to borrow. Generally, borrowings may be used to facilitate short-term liquidity needs, the redemption of units and to gain exposure to derivatives, including for the purposes of achieving target asset allocations. Borrowing to magnify the Fund's investment exposure to listed international shares is not permitted.

### 6.2 Cash and liquidity management

The Fund may hold cash or cash equivalent investments that aim to protect capital and provide liquidity for any day-to-day transaction requirements (such as collateral).

Cash equivalent investments include, but are not limited to, cash funds, high quality short-term money market instruments and short dated debt securities such as government and government-related issued securities.

### 6.3 Derivatives

Derivatives (such as futures and forward foreign exchange contracts) are used if the expected risks and rewards of the derivatives are consistent with the investment objective and strategy of the Fund. Where derivatives are permitted, they are used to manage risk or to gain exposure to individual securities, currencies and investment markets. The Fund will not use derivatives for speculation or for the purpose of leveraging (magnifying) investment returns. The use of derivatives in the Fund will not be used to a material extent; that is, use will generally not exceed 5% of the NAV of the Fund. Where the Fund invests in derivatives directly, the use of derivatives will be consistent with Morningstar's investment policies and procedures. Further information can be found in Morningstar's DRS which can be obtained free of charge by contacting Morningstar.

### 6.4 Investment management

Morningstar will manage the investment process for the Fund in line with the PDS and will review the investment objective and risk level of the Fund on an ongoing basis. Morningstar aims to provide affected investors with at least 30 days' advance notice before material changes to investment objectives take effect.

In an attempt to achieve the investment objectives, Morningstar set what is believed to be an appropriate investment strategy; select appropriate investments and, if applicable, appoint and terminate investment managers. Morningstar also monitor and review the

Fund's performance, investment strategy, investments, underlying investment manager(s) (if applicable) and implementation processes to ensure they are consistent with the investment objectives.

Where appropriate, adjustments may be made to these without prior notice. There is no guarantee that Morningstar's investment strategy will achieve the investment objective.

## 6.5 Performance

Investment performance becomes outdated very quickly. Past performance information has not been included in the PDS.

Monthly and historical performance information for the Fund will be published on Morningstar's website at [morningstarinvestments.com.au/MSTR](http://morningstarinvestments.com.au/MSTR).

**Neither the return of capital nor the performance of the Fund is guaranteed. Past performance is not a reliable indicator of future returns.**

The market price of units in the Fund on the Secondary Market will vary from the NAV price. There are number of factors that may influence the current market price such as price movement of the underlying securities in the portfolio held by the Underlying Fund, investor demand for units in the Fund and the buy/sell spread.

## 6.6 Securities lending

Investment performance can be enhanced by participation in a securities lending program. Risks associated with stock lending include the loss of collateral value in the event of borrower default, loss of voting rights and operational risks. Neither the Fund nor the Underlying Fund engage in securities lending.

## 6.7 Short selling

Short selling is an investment or trading strategy that seeks to profit on the decline in a stock or other securities price. Neither the Fund nor the Underlying Fund engage in short selling.

## 6.8 Simple investment strategy

Neither the Fund nor the Underlying Fund qualify as a 'Hedge Fund'. A Hedge Fund is a registered managed investment scheme which is either promoted as a hedge fund or exhibits two or more of the following characteristics:

- ▶ a complex investment strategy or structure
- ▶ use of debt for the dominant purpose of making a financial investment
- ▶ derivative use
- ▶ engaging in short selling, and
- ▶ charging a performance fee.

## 6.9 Underlying exchanges

The Underlying Fund will hold securities that are purchased on listed exchanges that are currently members of the World Federation of Exchanges ('WFE') or the Federation of European Securities Exchanges ('FESE').

## 6.10 Latest information about the Fund

Morningstar is subject to regular reporting and disclosure obligations in its capacity as responsible entity and issuer of the Fund.

The following information can be obtained by visiting Morningstar's website at [morningstarinvestments.com.au/MSTR](http://morningstarinvestments.com.au/MSTR) ('Web'), contacting the Morningstar Customer Service Team on 1800 951 999 (Toll free) (between 9:00 am to 5:00 pm Sydney time) and/or the ASX Market Announcements Platform ('ASX MAP'):

Information	Updated	Available From
A copy of the latest PDS	At least annually	Web & ASX MAP
Details of any continuous disclosure notices given by Morningstar to ASIC and/or the ASX	When required	Web & ASX MAP
Information about Morningstar's Distribution Reinvestment Plan ('DRP')	When required	Web
Morningstar's unit pricing policy	When required	On Request
Details of any dates when the ASX may be closed due to public holidays	Yearly in advance	Web
Full portfolio holdings disclosure on a look through basis	Daily	Web
Information about the Fund's redemptions	Monthly	ASX MAP
The Fund's calculated NAV	Daily	Web
The Fund's calculated NAV (per unit)	Daily	Web
Total number of Fund securities on issue	Daily	Web
	Monthly	ASX MAP
Annual reports and financial statements	Annually	Web
Details of distribution announcements given by Morningstar to the ASX	When required	ASX MAP
Distribution information	At least quarterly	Web & ASX MAP
Half-yearly financial reports announced by Morningstar	At least biannually	ASX MAP

## 7. About the AQUA Rules of the ASX and CHESS

### 7.1 AQUA Rules of the ASX

An application has been made to the ASX for the units in the Fund to be quoted for trading on the AQUA market of the ASX under the AQUA Rules. The AQUA Rules form part of the ASX Operating Rules; however, the Fund will not be listed on the ASX under the ASX Listing Rules.

The AQUA Rules have been designed to offer greater flexibility for issuers in designing products and having them quoted on the ASX, which results in greater product choice and ease of access for investors.

The key distinction between products admitted under the ASX Listing Rules and those quoted under the ASX AQUA Rules is the level of control and influence that the issuer has over the underlying instrument.

Under the ASX Listing Rules	Under the ASX AQUA Rules
<p>The issuer</p> <ul style="list-style-type: none"> <li>▶ Controls the value of its own securities and the business it runs;</li> <li>▶ The value of those securities is directly influenced by the equity issuer's performance and conduct.</li> </ul> <p>e.g. An ASX listed company's management and board generally control the fate of the business and, therefore, have direct influence over its share price.</p>	<p>The issuer</p> <ul style="list-style-type: none"> <li>▶ Does not control the value of the assets underlying its products but;</li> <li>▶ Offers products that give investors exposure to the underlying assets – such as shares, indices, currencies or commodities. The value (or price) of products quoted under the AQUA Rules is dependent upon the performance of the underlying assets rather than the financial performance of the issuer itself.</li> </ul> <p>e.g. a managed fund issuer does not control the value of the shares it invests in.</p>

The following information highlights the key differences between the effect of listing under the ASX Listing Rules and quotation under the ASX AQUA Rules:

Information	ASX Listing Rules	ASX AQUA Rules
Continuous disclosure	Products under the ASX Listing Rules are subject to the continuous disclosure requirements under Listing Rule 3.1 and section 674 of the Corporations Act.	<ul style="list-style-type: none"> <li>▶ Issuers of products quoted under the AQUA Rules are not subject to the continuous disclosure requirements under Listing Rule 3.1 and section 674 of the Corporations Act.</li> <li>▶ There is still a requirement under the AQUA Rules that an issuer of a product quoted under the AQUA Rules provide the ASX with information that the non-disclosure of which may lead to the establishment of a false market in its products or would materially affect the price of its products.</li> </ul> <p><b>What obligations do apply under the AQUA Rules?</b></p> <p>There is an obligation on issuers of managed funds and ETFs to disclose:</p> <ul style="list-style-type: none"> <li>▶ Information about the net tangible assets (NTA) or the NAV of the fund on a daily basis if the fund is admitted to Trading Status,</li> <li>▶ Information about net monthly redemptions to give investors a sense of whether the fund is growing or shrinking. This information must be disclosed on the fund’s website on a monthly basis,</li> <li>▶ Information about dividends, distributions and other disbursements. This information must be disclosed to the ASX via the ASX MAP, and</li> <li>▶ Any other information that is required to be disclosed to ASIC under section 675 of the Corporations Act must be disclosed to the ASX via ASX MAP at the same time it is disclosed to ASIC.</li> </ul>
Periodic disclosure	Products under the ASX Listing Rules are required to disclose half yearly and annual financial information or annual reports under Chapter 4 of the ASX Listing Rules	<p>Issuers of products quoted under the AQUA Rules:</p> <ul style="list-style-type: none"> <li>▶ are not required to disclose half yearly and annual financial information or annual reports under the AQUA Rules, as the value of a product quoted under the AQUA Rules is determined by the value of the underlying instrument and not by the financial performance of the issuer,</li> <li>▶ will be subject to the ASX’s capital requirements which ensure that issuers have sufficient levels of available capital for its operations,</li> <li>▶ will be required to disclose any other information required under section 323DA of the Corporations Act should be disclosed to ASX on the next business day after it is disclosed to the relevant foreign entity,</li> <li>▶ are still required to lodge with ASIC the fund’s financial reports required under Chapter 2M of the Corporations Act.</li> </ul>

Corporate control	Requirements in the Corporations Act and the ASX Listing Rules in relation to matters such as takeover bids, share buy-backs, change of capital, new issues, restricted securities, disclosure of directors' interests and substantial shareholdings apply to companies and listed schemes.	<ul style="list-style-type: none"> <li>▶ Certain requirements in the Corporations Act and the ASX Listing Rules in relation to matters such as takeover bids, buy-backs, change of capital, new issues, restricted securities, disclosure of directors' interests and substantial shareholdings that apply to companies and listed schemes do not apply to products quoted under the AQUA Rules.</li> <li>▶ Issuers of products quoted under the AQUA Rules are subject to the general requirement to provide the ASX with information concerning itself that may lead to the establishment of a false market or materially affect the price of its products.</li> <li>▶ Section 601FM of the Corporations Act continues to apply in relation to the removal of a responsible entity of a registered managed investment scheme by an extraordinary resolution of members.</li> </ul>
Related party transactions	Chapter 10 of the ASX Listing Rules, which relates to transactions between an entity and persons in a position to influence the entity, specifies controls over related party transactions.	<ul style="list-style-type: none"> <li>▶ Chapter 10 of the ASX Listing Rules does not apply to AQUA quoted products.</li> <li>▶ Products quoted under the AQUA Rules which are registered managed investment schemes remain subject to the related party requirements in Part 5C.7 and Chapter 2E of the Corporations Act.</li> </ul>
Auditor rotation obligations	There are specific requirements in relation to auditor rotation under Part 2M.4 Division 5 of the Corporations Act.	<ul style="list-style-type: none"> <li>▶ Issuers of products quoted under the AQUA Rules are not subject to the requirements under Part 2M.4 Division 5 of the Corporations Act.</li> <li>▶ Responsible entities of registered managed investment schemes will continue to be required to undertake an independent audit of its compliance with the scheme's compliance plan in accordance with section 601HG of the Corporations Act and the auditor must not be the auditor of the scheme's financial statements (though they may be from the same firm)</li> </ul>
Product disclosure	Entities admitted under the ASX Listing Rules are subject to the requirements of the Corporations Act in relation to the issue of a regulated offer document, and information on the risks associated with an investment in a product is expected to be covered.	<ul style="list-style-type: none"> <li>▶ Products quoted under the AQUA Rules will also be subject to these requirements of the Corporations Act.</li> </ul>

Source: ASX Rules Framework

## 7.2 About CHES

The Responsible Entity participates in the Clearing House Electronic Sub-register System ('CHES'). CHES is a fast and economical clearing and settlement facility which also provides an electronic sub-register service. The unit registry has established and will maintain an electronic sub-register with CHES on behalf of Morningstar.

Morningstar will not issue investors with certificates in respect of their Units. Instead, when investors purchase units on the ASX they will receive a holding statement from the Unit Registry which will set out the number of units they hold. The holding statement will specify the "Holder Identification Number" or "Shareholder Reference Number" allocated by CHESS.

Subject to ASX Operating Rules and the ASX Listing Rules, Morningstar may decline to register a purchaser of a unit or units.

## 8. Distributions

Distributions may include interest, dividends (including imputation credits, if any), rent, profits and net realised capital gains from the sale of assets.

Any distributions will be made at least annually on 30 June, but are generally paid quarterly within 10 to 30 days after each 31 March, 30 June, 30 September and 31 December. Where the distribution date falls on a weekend or a Public holiday, Morningstar may make the distribution on the prior business day. The amount may vary at each distribution and the Fund may make no distribution for a quarter or the financial year. Capital gains are generally distributed annually at 30 June.

Special distributions may be declared outside of these times where it is necessary to preserve equity between investors.

### 8.1 Distribution Reinvestment Plan ('DRP')

Investors may be able to participate in a DRP (subject to the Fund's DRP terms and conditions). If the DRP is made available, investors may decide whether to:

- ▶ participate in the DRP and receive any distributions they are entitled to in the form of additional units in the Fund, or
- ▶ not participate in the DRP and receive any distributions they are entitled to in the form of cash paid directly to their nominated Australian bank account.

Any investors who do not make a DRP election will default to not participating in any DRP on offer. In this scenario, distributions will be paid as cash. A DRP election continues until a new election is made by the investor.

Investors can obtain a copy of the DRP policy and change their election preference by registering online via Morningstar's unit registrar Link Market Services Limited (ABN: 54 083 214 537) ('Link') or by calling Link on 1300 554 474 (between 8:30am to 7:30pm).

Any changes to the DRP will be posted on Morningstar's website at [morningstarinvestments.com.au/MSTR](http://morningstarinvestments.com.au/MSTR).

The Fund's DRP Policy can be obtained from the Fund's dedicated webpage at [morningstarinvestments.com.au/MSTR](http://morningstarinvestments.com.au/MSTR).

Distributions are calculated in accordance with the Fund's Constitution. In general, distribution entitlements for a unitholder are calculated based on the number of units owned on the relevant entitlement date and then multiplied by the distribution cents per unit as at the distribution date. The distribution date and the distribution entitlement date are generally the same date for distribution purposes.

Unit prices may fall immediately after a distribution, reflecting the income that is payable to unitholders. If you invest just before a distribution, you may get some of your capital back as distribution income. Conversely, if you redeem units just before a distribution, you may be converting what would otherwise be income into a capital gain or a reduced capital loss.

### Calculation of the reinvestment unit price

The reinvestment unit price is the price calculated on the distribution date using that day's unit price, determined after making an allowance for income distributions. There would normally be no buy/sell spread associated with reinvestment because the assets remain invested in the Fund.

### 8.2 Distribution on redemption

Proceeds resulting from Authorised Participant unit redemption requests may include an attribution or distribution of capital gains and/or income in a Fund. Where this occurs and once the relevant information is available, we will notify redeeming Authorised



Participants of the estimated amount relating to the redemption proceeds. Refer to the section 11. How to transact' for further information.

### 8.3 Tax statement

Investors will receive an annual tax statement outlining their entitlements and the breakdown of taxable income. Morningstar generally issues tax statements as soon as practicable after the end of the financial year.

## 9. Fees and other costs

### Did You Know?

Small differences in both investment performance and fees and costs can have a substantial impact on your long-term returns. For example, total annual fees and costs of 2% of your account balance rather than 1% could reduce your final return by up to 20% over a 30-year period (for example, reduce it from \$100,000 to \$80,000). You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs. You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

### To Find Out More

If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website ([www.moneysmart.gov.au](http://www.moneysmart.gov.au)) has a managed funds fee calculator to help you check out different fee options.

The following table shows fees and other costs that you may be charged and applies to the Fund offered through this PDS. These fees and costs may be deducted from your money, from the returns on your investment or from the Fund assets as a whole. Taxes are set out in Section '10 Taxation'. You should read all the information about fees and costs because it is important to understand their impact on your investment.

Type of Fee or Cost	Amount		How and when paid
<b>Fees when your money moves in or out of the Fund</b>			
<b>Establishment fee</b> <i>The fee to open your investment.</i>	Nil		Not Applicable
<b>Contribution fee</b> <i>The fee on each amount contributed to your investment.</i>	<b>Authorised Participants</b> Nil	<b>Other investors</b> Nil <sup>1</sup>	Not Applicable
<b>Withdrawal fee</b> <i>The fee on each amount you take out of your investment.</i>			Not Applicable
<b>Exit fee</b> <i>The fee to close your investment.</i>	Nil		Not Applicable
<b>Management costs. The fees and costs for managing your investment.</b>			
<b>The fees and costs for managing your investment</b>	<b>Direct costs</b>	<b>Management fee</b> 0.39% p.a.	The fee paid to Morningstar to manage the Fund. The fee is calculated and accrued daily based on the NAV of the Fund and paid monthly in arrears from the assets of the Fund. This fee is reflected in the NAV price.  Normal running expenses are paid out of the management fee. Any abnormal running expenses are expected to be

		nil. However, if incurred, they are accrued and, if they are able to be estimated, are reflected in the unit price at that time.  These fees are not negotiable.
	<b>Indirect costs</b>	<b>Estimated indirect costs<sup>2</sup></b> 0.00% p.a.  Indirect costs are reflected in the Fund's NAV price and are payable from the Fund's assets. These fees are not negotiable.
<b>Service fees<sup>3</sup></b>		
<b>Switching fee</b> <i>The fee for changing investment options</i>	<b>Nil</b>	Not Applicable

1. Investors other than Authorised Participants can buy/sell units in the Fund on the ASX through their stockbroker or adviser. These investors cannot redeem units in the Fund with Morningstar, other than in exceptional circumstances. Please refer to the Section '11 How to transact' for further information about withdrawal rights for investors who are not Authorised Participants. Buy/sell spreads or other costs may apply to these investors. Please refer to Section '9.1 Additional explanation of fees and costs' for further information about these costs.
2. The estimated indirect costs shown represent our reasonable estimate at the date of this PDS of those costs that you will incur in the future. Please refer to Section '9.1 Additional explanation of fees and costs'.
3. Please refer to Section '9.1 Additional explanation of fees and costs' for more information on costs that may be payable.

### Example of Annual Fees and Costs

This table gives an example of how the fees and costs for the Fund can affect your investment over a one-year period. You should use this table to compare this product with other managed investment products.

#### Example – Morningstar International Shares Active ETF (Managed Fund) balance of \$50,000 with a contribution of \$5,000 during the year<sup>4</sup>

Contribution fee	Nil <sup>4</sup>	For every additional \$5,000 you put in, you will be charged \$0 as a contribution fee.
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<b>PLUS</b> Management costs <sup>5</sup>	0.39% p.a.	And, for every \$50,000 you have in the Fund you will be charged \$195 each year.
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#### **EQUALS Cost of Fund**

If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged fees of:

**\$195.00 p.a.<sup>6</sup>**

If you have consulted a financial adviser, additional fees such as an Investment Advice Fee and/or an Ongoing Advice Fee may be payable to that financial adviser. Please refer to the Statement of Advice provided by your financial adviser. In addition, you should read the information about 'Payments to your financial adviser' in section '9.1 Additional explanation of fees and costs'.

4. Transaction costs may be incurred by Authorised Participants who create units in the Fund in a Cash Transaction. These fees/costs are not applicable to non-Authorised Participant investors buying units in the Fund on exchange. For Authorised Participants, a buy spread of 0.10% (as at the issue date of this PDS), equal to \$5 on a \$5,000 contribution, will also apply (see 'Buy/Sell Spreads' in section '9.1 Additional explanation of fees and costs' for more information).
5. Management costs include management fees of 0.39% p.a., as well as indirect costs (estimated to be 0.00% p.a. for the financial year ended 30 June 2019). Management costs are charged on the NAV of your investment. Management costs are net of GST and RITCs and rounded to two decimal places, but in practice the rates are calculated and applied at more than two decimal places.

Please refer to section '9.1 Additional explanation of fees and costs' for a more detailed description of how management fees and expenses are calculated.

- The example assumes that your average balance is \$50,000 throughout the year (i.e. no management costs are applied to the additional \$5,000 contribution and the unit price does not change) and fees are not negotiable. The example does not include the effect of any transaction costs (including brokerage, buy/sell spreads) or abnormal expenses which may be incurred by the Fund. Non-Authorised Participant investors may incur expenses such as brokerage buy/sell spreads (the difference between the bid and ask prices of units in the Fund on the ASX) when transacting on the ASX. Please refer to section '9.1 Additional explanation of fees and costs' for a more detailed description of these types of costs.

## 9.1 Additional explanation of fees and costs

### **Change of costs**

The Fund's fees and costs may change within limits allowed by its Constitution and investors will be notified in writing by Morningstar of any increases in the fees and costs at least 30 days before implementation. If the Fund ever sought to charge fees above the maximums permitted in its Constitution, investor consent would be sought. Morningstar reserves the right to waive or reduce any of the fees and costs described in this PDS without prior notice.

### **Management costs**

Management costs include fees and costs charged directly to the Fund (such as management fees and running expenses) as well as other indirect costs incurred which reduce the return of the Fund.

All estimates of fees and costs in this section are based on information available as at the date of this PDS. The figures represent our reasonable estimate at the date of this PDS of those costs that you will incur in the future. You should refer to the Fund's website at [morningstarinvestments.com.au/MSTR](http://morningstarinvestments.com.au/MSTR) from time to time for any updates which are not materially adverse to investors.

### *Management fees*

Management fees are Morningstar's remuneration for managing and overseeing the Fund's investments. The management fees are charged by accruing them within the Fund's unit price on a daily basis. On a monthly basis, management fees are paid to Morningstar from the Fund's assets. The maximum management fee allowable under the Constitution is 3% p.a. of the NAV of the Fund.

### *Running expenses*

As authorised by the Constitution, Morningstar is entitled to be reimbursed from the Fund for all expenses incurred in managing and administering the Fund. Under the Constitution, there is no specific limit on the level of expense recovery from Fund assets.

Ordinary running expenses are all routine expenses incurred in managing and administering the Fund. These exclude fees paid to underlying managers (if any), abnormal expenses and transactional and operational costs. Currently, ordinary running expenses of the Fund incurred such as fees paid to the appointed market maker, custody safekeeping costs, certain taxation or legal advice costs, as well as audit costs are paid out of Morningstar's management fee. These ordinary running expenses are not an additional cost to investors.

### *Abnormal expenses*

Abnormal expenses are additional Fund expenses that may arise from time to time in relation to the Fund. These include costs incurred in litigation, convening a meeting for investors or winding up the Fund.

Abnormal expenses may be recovered from the Fund's assets and are not included in the management fee. If incurred, they are accrued, if and when, they are able to be estimated and reflected in the unit price at that time. These costs are incurred infrequently and are estimated to be nil as at the date of the PDS.

### *Indirect costs*

Indirect costs are those amounts paid from the assets of the Fund that we know or, where required, reasonably estimate will reduce the return of the Fund or the amount or value of the income of, or property attributable to, the Fund or an underlying managed fund or ETF in which the Fund invests. Indirect costs do not include the management fee or recoverable expenses as set out in this section. For example, indirect costs typically include charges of an underlying fund where the Fund invests in assets indirectly, and costs associated with certain over-the-counter (OTC) derivatives which the Fund may be exposed to. Where the Fund invests in assets indirectly

through other managed funds or ETFs, indirect costs are deducted from the assets of the interposed vehicle in which the Fund invests, accrued daily in the interposed vehicle's net asset value, and then paid periodically. Fees and costs charged by these investments are not covered by Morningstar's management fee and are indirect costs to you.

The management costs set out in the table above include indirect costs of 0.00% p.a. of the Fund's NAV, which is an amount Morningstar reasonably estimates will apply in the future.

Investments by the Fund in the Underlying Fund do not incur additional management fees.

### **Transactional and operational costs**

#### *What are transactional and operational costs?*

Transactional and operational costs are costs and expenses incurred in the acquisition or disposal of Fund assets. These include brokerage, settlement costs, clearing costs, duties and taxes. They reflect the costs that would ordinarily be incurred by an investor who invested directly in these assets. Transaction costs are normally incurred directly by the Fund. However, where they are incurred by Morningstar on behalf of the Fund, these will be reimbursed from the Fund and/or reflected in the unit price of the Fund.

Transactional costs are either "explicit" or "implicit" in nature. "Explicit" costs are deducted from the assets of the Fund for a particular transaction, such as brokerage, settlement costs, clearing costs, duties and taxes. "Implicit" costs can arise as a result of bid-offer differences being applied to assets traded by the Fund. These costs are factored into the individual asset value and reflected in the Fund's unit price. Transactional and operational costs are an additional cost of investing and are not a fee paid to Morningstar.

#### *Buy/sell spreads for Authorised Participants*

The difference between the entry price and exit price of a unit is called the 'buy/sell spread'. This covers the estimated explicit transaction costs of buying or selling investments when an investor applies for or redeems units from a Fund (eg buying or selling units in the Underlying Fund). The buy spread is added to the price payable on an application for units and the sell spread is deducted from the amount payable when units are redeemed. Each is expressed as a percentage of the unit price.

The buy/sell spread amounts paid by transacting investors are retained in the Fund to cover these transaction costs (the buy/sell spread is not paid to Morningstar). Spreads may change without notice, for example if transaction costs change. Currently, the Fund's buy/sell spread is estimated to be 0.10% upon entry (\$5 for each \$5,000 investment) and 0.10% upon exit (\$5 for each \$5,000 investment). Because the buy/sell spread is reflected in the buy/sell unit prices, you won't see transaction costs on any account statement we send you.

The Underlying Fund charges a buy/sell spread to the Fund and is currently estimated to be up to 0.10% upon entry (\$5 for each \$5,000 investment) and up to 0.10 upon exit (\$5 for each \$5,000 investment). Again, this is charged because entering or exiting an Underlying Fund necessitates the buying or selling of an Underlying Fund's investments, which means an Underlying Fund will incur transactional and operational costs. The Underlying Fund's spreads are reflected in the unit price of the Underlying Fund. The Underlying Fund's spreads may also change without notice.

#### *Buy/sell spreads for Non-Authorised Participants*

Generally, only Authorised Participants pay the buy/sell spread as they buy/sell their units directly. However, investors who are not Authorised Participants may be able to redeem Fund units in the Fund directly in exceptional circumstances (refer to section '11. How to transact' for further information about withdrawal rights these investors). In these circumstances, Morningstar may charge a sell spread to reflect a reasonable estimate of the costs incurred as a result of processing the withdrawal request. The sell spread is an additional cost to the redeeming investor that is paid to the Fund for the benefit of remaining investors and is consistent with the sell spread charged (per unit) to an Authorised Participant that redeems units in the Fund. This sell spread is not received by Morningstar.

Details of any applicable sell spread will be provided on request from the Morningstar Customer Service Team on 1800 951 999 (Toll free) (between 9:00 am to 5:00 pm Sydney time).

#### *Estimated net transactional and operational costs*

The table below sets out the transactional and operational costs Morningstar reasonably estimates will be incurred by the Fund (on a look through basis to the Underlying Fund) in the future. We have reflected the total explicit transactional and operational costs

incurred, less the amount of buy/sell spread recovered from applications and redemptions, resulting in the net explicit costs incurred in the Fund. In addition, we have reflected the implicit costs incurred.

Name	Explicit Transaction Costs	Less: Buy/Sell Spread Recovery	Equals: Net Explicit Transaction Costs	Plus: Implicit Transaction Costs	Net Transaction Costs
Morningstar International Shares Active ETF (Managed Fund)	0.20%	0.10%	0.10%	0.01%	0.11%

#### Notes

- ▶ 'Explicit' costs are deducted from the assets of the Fund for a particular transaction, such as brokerage, settlement costs, clearing costs, duties and taxes. Any OTC derivative costs and borrowing costs are captured as 'Explicit costs'.
- ▶ Where the buy/sell spread recovery is greater than total transaction costs, a nil net transaction cost is disclosed.
- ▶ 'Implicit' costs arise as a result of bid-offer differences being applied to assets traded by the Fund. These costs are factored into the individual asset value and reflected in the Fund's unit price.
- ▶ For every \$50,000 you have in the Fund you will likely incur approximately \$55 in net transaction costs.

#### Stockbroking fees for all other investors

Non-Authorised Participant investors may incur expenses such as brokerage buy/sell spreads (the difference between the bid and ask prices of units in the Fund on the ASX) when transacting on the ASX. Subject to law we may pay stockbrokers a stamping fee which will not be paid out of the assets of the Fund.

Please consult a stockbroker or financial adviser for more information in relation to their fees and charges.

#### GST

Fees and costs charged to the Fund attract 10% GST, which is charged to and borne by the Fund. All fees and costs disclosed in the PDS are inclusive of GST, to the extent applicable, after taking into account any expected RITCs. The Fund will claim RITCs where possible under the GST regulations. These credits will reduce the overall cost of GST to the Fund and will be reflected in the unit price. The net GST is the net cost after taking into account GST and RITCs.

#### Commission

No commissions are paid to third parties, such as licensed financial advisers, IDPS operators or other licensees.

#### Payments to your financial adviser

You may agree with your financial adviser to pay advice fees for financial planning services provided to you. These advice fees are additional to the fees shown in the fee table in section '8. Fees and costs', and are paid to your financial adviser, not to Morningstar as the responsible entity.

Generally, advice fees are be in the form of an:

- ▶ Investment Advice Fee; and/or
- ▶ Ongoing Advice Fee.

You and your financial adviser determine the amount of any advice fees and how they will be charged.

## Alternative forms of remuneration

Alternative forms of remuneration, such as professional development, sponsorship and entertainment to financial advisers, licensee groups and platform operators may be provided by Morningstar. The costs of any such benefits provided are incurred by Morningstar and are not an additional cost to you. Morningstar will only pay these benefits to the extent that they are permitted by law.

## 10. Taxation

### **Investing in a listed registered managed investment scheme is likely to have tax consequences.**

The following is a brief outline of the Australian taxation consequences of investing in the Fund. This information assumes that investors hold their units in the Fund on capital account. The effect of tax on the Fund, and hence your investment in the Fund, can vary depending on factors such as the type of investment, the timing of investment transactions and entry and exit of other investors in the Fund.

This information is intended as a general guide only and is based on Australian taxation laws that are current as at the date of this PDS. These laws, and the interpretation and administration of them, may alter over time.

**Investors are strongly advised to seek professional taxation advice specific to their own circumstances. Please be aware that not all the following statements will apply to all investors.**

### 10.1 Attribution Managed Investment Trust ('AMIT')

Morningstar as Responsible Entity of the Fund will make an election for the Fund to be treated as an AMIT for Australian tax purposes, subject to the Fund satisfying the requirements to be an AMIT.

### 10.2 Deemed capital account election

There are tax rules that allow an eligible 'managed investment trust' to make an irrevocable election to apply the capital gains tax ('CGT') rules as the primary code for the taxation of gains and losses on disposal of certain assets (including shares and units in other unit trusts). Morningstar as Responsible Entity of the Fund will be making this election for the Fund.

### 10.3 Attribution of Taxable Income

The Fund is a resident of Australia for tax purposes. The Fund is not generally subject to Australian income tax on the taxable income of the Fund. As an investor, you will be assessed for tax on the income and capital gains attributed to you or on your share of income and capital gains generated by the Fund, including amounts received in a subsequent year or which are reinvested.

The amounts attributed to you, or distributions you receive, may include different types of income, which reflect the income derived by the Fund, for example:

- ▶ assessable income (e.g. franked dividends, foreign dividends and foreign currency gains);
- ▶ capital gains;
- ▶ non-assessable amounts (e.g. tax deferred distributions); and
- ▶ tax offsets (i.e. franking credits and foreign income tax offsets).

You will be provided with an AMIT member annual ('AMMA') statement or annual tax statement for tax purposes after 30 June each year, to assist you (and your adviser, if applicable) in determining your tax position. This tax statement will advise you of the attributed trust components or distribution components (if any) to include in your assessable income.

In addition, the statement will advise you of the non-assessable amounts (if any) of the distribution; that is, those amounts that have been distributed to you but are not included in assessable income. Generally, such amounts will reduce your cost base in the units in the Fund. Should your cost base be reduced below zero after one or more cumulative distributions of non-assessable amounts, the amounts in excess of your cost base should be a capital gain that should be included in your assessable income.

For income years in which the Fund qualifies as an AMIT, if the trust components attributed to an investor for tax purposes are not actually paid to the investor, they may be entitled to an upward cost base adjustment for their units in the Fund. The relevant cost base adjustments will be advised to investors in the AMMA statement they receive after 30 June each year.

The Fund cannot attribute or distribute losses to investors. Any revenue losses may be carried forward and offset against the taxable income of the Fund in subsequent years where certain conditions are met. Capital losses may be carried forward and offset against the capital gains of the Fund in subsequent years.

#### 10.4 Franked distributions/franking credits

The trust components attributed or distributed to you from the Fund may include franked distributions from Australian companies and attached franking credits. Subject to satisfying certain criteria, franked distributions generally entitle Australian resident investors to obtain a tax offset (the franking credit) against their income tax liability. If the franking credits exceed the tax payable on your taxable income, the excess credits may be refundable to you if you are a resident individual or complying superannuation fund. Excess franking credits may generate tax losses if you are a corporate entity.

#### 10.5 Foreign income and foreign income tax offsets

Where foreign withholding tax has been paid by the Fund in respect of foreign investment of Fund assets, the Fund will generally pass on any available corresponding foreign income tax offsets to investors. Investors may be eligible to offset these foreign income tax offsets against any Australian tax payable on their assessable foreign source income. Morningstar as Responsible Entity of the Fund will advise investors of such foreign income tax offsets in the AMMA statement or annual tax statement.

#### 10.6 Attribution of Capital gains

Capital gains attributed or distributed to you by the Fund should be eligible to benefit from the 50% CGT discount concession where the assets have been held by the Fund for 12 months or more, and certain other conditions are satisfied. To the extent that a trust component attributed or distributed to you from the Fund includes a CGT discount concession amount, the amount should not be assessable income where you are an individual or trust and you hold your units on capital account. In some circumstances, such amounts may require an adjustment to the cost base of your units in the Fund. Investors that are companies and complying superannuation entities may not receive the full benefit of the CGT discount concession as companies are not entitled to the CGT discount and complying superannuation entities are entitled to a discount of 33.3%.

#### 10.7 Taxation of Financial Arrangements

The Fund has opted into the taxation of financial arrangements (TOFA) regime under Division 230 of the Income Tax Assessment Act 1997 to adopt the default methods. Morningstar will continue to monitor whether the Fund should elect any of the alternative methods. The impact of the TOFA regime is not expected to materially change the taxation consequences of income in the Fund.

#### 10.8 Disposal or transfer of units in the Fund

The disposal of units, either by redeeming or transferring units, may lead to a CGT liability.

You may be entitled to the CGT discount concession (of 50% for Australian resident trusts and individuals or 33.33% for complying superannuation funds) on capital gains, if you have held your units in the Fund for at least 12 months (excluding date of acquisition and disposal) and other conditions are satisfied. Any capital losses you have from other sources should be offset against the nominal capital gain before applying the CGT discount. Companies are not entitled to a discount on their capital gains, including discount capital gains attributed or distributed by a Fund.

#### 10.9 Redemption of units by Authorised Participants

In order to make a request to redeem units in the Fund, the Authorised Participant must be an Australian Resident.

Authorised Participants are considered an Australian Resident on the following basis:

- ▶ if they confirm with Morningstar that they have been an Australian Resident for tax purposes from the beginning of the financial year in which the confirmation is made, and

- ▶ that they reasonably believe they will continue to be an Australian Resident.

When an Authorised Participant redeems units in the Fund, they will be entitled to a withdrawal amount. This withdrawal amount may include both capital proceeds and an income component representing your share of the undistributed income of the Fund for the year up to the redemption date. In addition, Morningstar as Responsible Entity of the Fund may choose to allocate any gains arising to the Fund from the redemption to you. Any such attribution or income distributions should be included in the assessable income of the Authorised Participant in the income year the Fund's trust components are attributed (or the income year in which present entitlement arises where the Fund is not an AMIT).

Morningstar will notify Authorised Participants of the attribution or entitlement of the taxable income of the Fund in the AMMA statement or annual tax statement issued after the end of the financial year in which the units in the Fund were redeemed.

**The tax consequences for an Authorised Participant will depend on their particular circumstances.**

**We recommend Authorised Participants obtain independent professional tax advice regarding the tax consequences of applying for and redeeming units in the Fund.**

#### 10.10 Non-resident investors

Australian source income (e.g. interest, dividends, and other Australian sourced income and gains) attributed or distributed to a non-resident investor may be subject to Australian withholding tax.

The rate of withholding tax will depend on the type of income and the country of tax residence of the investor, whether the Fund qualifies as a withholding MIT and any Exchange of Information Agreement or Double Tax Treaty that the investor's country of tax residence has with Australia.

In most cases, these withholding taxes are each a final tax. As a result, the non-resident investor should not be entitled to a credit in Australia for any withholding tax paid or be liable to further Australian income tax on income from which withholding tax has been withheld.

Foreign sourced income attributed or distributed to a non-resident investor should generally not be subject to tax in Australia unless, for example, the investor has a permanent establishment in Australia.

In broad terms, any capital gains attributed or distributed by the Fund will be taxable to non-resident investors only to the extent that the capital gain was in respect of taxable Australian property (that is, typically Australian real property or shares or units in an entity whose majority underlying value is derived from taxable Australian property based on current market values of the entity's assets). The statement provided to investors after 30 June each year will disclose the extent to which an attributed or distributed capital gain is in respect of taxable Australian property.

Generally, investors who are non-residents of Australia for income tax purposes (and do not have an Australian permanent establishment) will only be subject to the Australian CGT provisions on the disposal of their units if their units are taxable Australian property. A non-resident investor's units are generally taxable Australian property if:

- ▶ they and their associates hold 10% or more of the units in the Fund at either the time they dispose of their units or throughout a 12-month period that began no later than 24 months before that disposal time; and
- ▶ more than 50% (by market value) of the Fund's assets comprised (directly or indirectly) of interests in taxable Australian real property.

However, based on the current investments and investment approach of the Fund as at the date of issue of this PDS, it is not expected that the second condition would be satisfied.



Non-resident investors who hold their units in the course of carrying on a business through an Australian permanent establishment will be subject to Australian CGT on the disposal of their units in the same way as residents. This is so whether or not such non-resident investors hold more or less than 10% of the units in the Fund.

**It is strongly recommended that non-resident investors obtain their own tax advice when disposing of units in the Fund. It should also be noted that you may be subject to the tax laws in your country and should consult a taxation adviser before investing.**

#### 10.11 Tax File Numbers ('TFN') and Australian Business Numbers ('ABN')

It is not compulsory for you to quote your TFN or ABN. If you are making this investment in the course of a business or enterprise that you carry on, you may quote an ABN instead of a TFN. Failure by you to quote an ABN or TFN, or claim an exemption, may cause the Fund to withhold tax at the top marginal rate plus any additional levies on gross payments including distributions or attribution of income to you. You may be able to claim a credit in your tax return for any TFN or ABN tax withheld. By quoting your TFN or ABN it will be applied to all your investments with the Fund. If you do not want to quote your TFN or ABN for some investments, please notify Morningstar.

#### 10.12 GST

The issue, redemption or transfer of units in the Fund will not attract GST under current GST law. Investors should seek independent advice in relation to the GST consequences of their investment.

### 11. How to transact

**Requests for the creation or redemption of units in the Fund may only be submitted by Authorised Participants.**

Investors who are not Authorised Participants cannot apply for or redeem units in the Fund (other than in exceptional circumstances) directly with Morningstar through this PDS, but may buy or sell units in the Fund on the ASX through their stockbroker or adviser.

#### 11.1 Authorised Participants

##### Authorised Participant Agreement (AP Agreement)

Authorised Participants are required to provide Morningstar with a signed AP Agreement prior to transacting with Morningstar and are required to comply with any additional requirements set out in the AP Agreement.

##### Operating Procedures

Prior to transacting, Morningstar will provide Authorised Participants with a manual that outlines the Operating Procedures.

Authorised Participants should read the Operating Procedures before transacting. The Operating Procedures include the following important information. Please note the information below only relates to Authorised Participants:

- ▶ the cut-off time for requests to create or redeem units in the Fund,
- ▶ Business Days the Fund is open for unit creation and redemption requests,
- ▶ settlement timeframes for requests to create and redeem units in the Fund,
- ▶ minimum unit creation and redemption sizes (note that a minimum creation unit size of 100,000 units applies for Cash Transactions by Authorised Participants and buy/sell spreads may apply when Authorised Participants create or redeem units in the Fund), and
- ▶ details on how additional requests to create or redeem units in the Fund can be made.

The Operating Procedures may be updated at any time and Morningstar will provide notification and a copy of the Operating Procedures to all Authorised Participants. Authorised Participants can also request a copy of the most recent Operating Procedures by contacting the Morningstar Investment Operations Team on 1800 951 999 (Toll free) (between 9:00 am to 5:00 pm Sydney time).

### Applying and redeeming

An Authorised Participant can make a request to apply for and/or redeem multiples of a creation unit in the Fund in accordance with their AP Agreement by submitting a request to Morningstar or the Fund's Registrar. Requests to apply/redeem units in the Fund can be submitted via an Application/Redemption Form.

Applications or redemptions consist only of a cash amount equal to the application or withdrawal amount as appropriate, adjusted by the applicable buy spread for the transaction.

Only whole units in the Fund will be issued. Accordingly, applications will be rounded up to the next whole unit. The Authorised Participant must transfer to the Fund the corresponding cash amount for the whole number of units, in return for which we will issue the Authorised Participant with that number of units. The exchange of units for cash consideration will be settled through CHES.

Units issued pursuant to the above processes will be quoted under the AQUA Rules on the ASX with effect from the settlement of the issue of the relevant units. On a monthly basis we will announce to the ASX via the ASX Market Announcements Platform the Fund's total units on issue.

An Authorised Participant may only apply to redeem units in cash. Only whole units in the Fund will be redeemed. Accordingly, redemption amounts will be rounded down to the next whole unit. The Authorised Participant must transfer units being redeemed to us for cancellation in return for a corresponding cash amount from the Fund.

In certain circumstances we may be required or permitted by the Constitution or by law to deduct or withhold amounts relating to tax and other amounts from the redemption amount that would otherwise be payable to an investor. These amounts (if any) will be deducted from the cash amount that would otherwise be payable to the relevant investor in respect of the redemption.

We may determine that some or all of the redemption amount consists of income (which may include net capital gains), rather than capital of the Fund. We will advise you when this is the case as soon as practicable after the end of the financial year in which the withdrawal occurred.

A sell spread may be payable by Authorised Participants for unit redemptions. Refer to 'Additional explanation of fees and costs' for more information on sell spreads.

Redemption amounts will be rounded down to the next whole unit. Generally, actual redemption amounts will be less than the requested redemption amount. The difference will be equal to the difference between the requested redemption amount and the amount resulting from the redemption of a whole number of units.

**Morningstar may refuse any application or redemption request as permitted by the Constitution or if the request is not in accordance with the terms of the AP Agreement. If this occurs, Morningstar will notify the Authorised Participant.**

There can be processing delays, for example because your forms are incomplete. If Morningstar refuse or are unable to process your application request, we will return your money. Law also requires that we return application moneys to you if units are not issued within 30 days of us receiving your monies. No interest is earned on lodged application monies and no interest will be paid to an Authorised Participant. Refunds are made generally less any taxes and transactions (such as bank) fees.

### Restrictions on withdrawals

Under the Constitution, redemption proceeds must be paid within 21 days after the redemption request is received.

Morningstar will, however, endeavour to pay redemption requests as soon as possible. Normally, redemption proceeds will be paid within 6 Business Days following receipt of an investor's request.

In exceptional circumstances, redemptions may take longer than the periods described above. There may be occasions where Morningstar may suspend redemption requests. This may occur where it is impractical to calculate the unit prices (e.g. because of closure of or trading restrictions on the ASX or other securities exchanges), where a delay is in the best interests of the investors as a whole or as otherwise permitted by the Constitution and the law.

Where underlying Fund assets can only be realised after a substantial notice period, this could also lead to a longer redemption period. If the liquidity of underlying Fund assets prohibits payment of part or all of the redemption proceeds in cash, investors may be required to receive part or all of the redemption proceeds in specie, meaning investors may need to retain units in an illiquid Fund until such time as the underlying assets can be realised. Under the Corporations Act, a fund is illiquid if it has less than 80% liquid assets (generally cash and marketable securities).

If the Fund is not liquid, investors may only redeem from the Fund in accordance with the terms of a redemption offer made by Morningstar.

## 11.2 Non-Authorised Participants

Non-Authorised Participant unitholders can buy and sell units in the Fund via their stockbroker or adviser through the ASX and hold these units on capital account. The exchange of units for cash consideration will be settled through CHESS. Subject to the Constitution and ASX requirements, a unit is usually transferable through the ASX. A unit may also be transferred by any other method of transfer which is required or permitted by the Corporations Act and ASX.

As tax implications are unique to each investor, we strongly recommend that non-Authorised Participant unitholders seek their own independent tax advice.

### Withdrawal rights for investors other than Authorised Participants

Generally, only Authorised Participants can transact directly with Morningstar, with all other investors buying and selling units in the Fund via their adviser or stockbroker through the ASX.

However, if the units in the Fund are suspended from trading on the ASX for more than 5 consecutive ASX trading days, investors have a right to redeem units directly with the Fund and receive a cash payment for their units in the Fund within a reasonable time unless:

- ▶ the Fund is no longer being offered and is wound up;
- ▶ the Fund is not liquid for the purposes of section 601KA(4) of the Corporations Act; or
- ▶ Morningstar suspends redemptions of units in the Fund within the rules of the Constitution.

If this direct redemption right is available, Morningstar will post a notice on its website at [morningstarinvestments.com.au/MSTR](http://morningstarinvestments.com.au/MSTR) at that time. The notice will include a non-Authorised Participant Redemption Form for investors to complete, together with instructions on how to complete and submit the form (alongside anticipated processing and payment timeframes). No minimum withdrawal amounts apply in these circumstances and a sell spread may apply.

In the event that such a redemption occurs, any withdrawal fee per unit payable by investors who are not Authorised Participants will not be greater than the withdrawal fee per unit that would generally be payable by an Authorised Participant receiving redemption proceeds in cash when withdrawing the minimum parcel of units.

### CHESS Statements

Investors in the Fund will receive a CHESS statement showing the number of units they hold after they acquire units in the Fund. Any changes to holdings will be communicated by way of an updated CHESS statement.

## 11.3 Valuations and pricing

Subject to the Constitution, valuations are generally undertaken on each Business Day, except on non-ASX trading days and if there are factors that prevent the accurate calculation of unit prices (for example, where markets are closed in relevant countries). Units are priced on a 'forward' or 'next price' basis. Under this method, unit prices are struck using values available at the next valuation cut-off time (2:00PM Sydney Time) after the processing time.

Under the Constitution, the value of any property will be its current market value determined by reference to a recognised independent source, by a method determined by a qualified independent valuer or any other appropriate method which is capable of

being verified independently by a registered company auditor including, but not limited to, estimates of value based on objective criteria, where actual figures are not available and where there will be no significant detriment to any investor. Fund property may be revalued whenever it is thought fit. Property acquired must be valued at cost (including acquisition cost) until revalued.

The value of a Fund unit is calculated by dividing the NAV by the number of units on offer. Units in the Fund are valued using the unit price of the Underlying Fund which is generally determined using the prices of underlying securities at the most recent closing price on the relevant markets in which they trade and then converted into Australian dollars.

The purchase price per unit (paid by an Authorised Participant) is determined by dividing the NAV of the Fund by the number of units in the Fund on offer at the time the purchase price is determined and then adjusted by the buy spread that applies for the transaction.

The withdrawal price per unit (payable to an Authorised Participant) is determined by dividing the NAV of the Fund by the number of units in the Fund on offer at the time the withdrawal amount is determined and then adjusted by the sell spread that applies for the transaction.

The withdrawal price per unit paid to an Authorised Participant on the redemption of units in the Fund will generally include taxable income (in the form of an attribution or entitlement). Please refer to sections '7. Distributions' and '9. Taxation' for further details regarding how this is determined.

Under the Constitution, discretion may be exercised which can impact unit prices (including discretion that may impact the buy/sell spread). The manners in which these discretions are exercised are outlined in Morningstar's unit pricing policy. Investors may obtain a copy of Morningstar's unit pricing policy (and any records ASIC requires) from Morningstar free of charge upon request.

Details of the daily NAV price and any management activities that cause the last reported NAV to move by more than 10% will be made available on Morningstar's website at [morningstarinvestments.com.au/MSTR](http://morningstarinvestments.com.au/MSTR).

## 12. Additional information

If you are printing an electronic copy of this PDS you must print all pages and any additional documents (if applicable). If you make this PDS available to another person, you must give them the entire electronic file or print out and any additional documents (if applicable). You can obtain a paper copy of this PDS (and any additional documents) free of charge by contacting Morningstar.

The value of your investment may rise and fall, and at times your returns may be negative. Neither Morningstar nor any of its related companies, directors, officers, service providers or underlying managers appointed (if applicable) for the Fund guarantee that your investment will appreciate in value or retain its value, guarantee the repayment of capital or guarantee the performance of the Fund. Investments in the Fund are subject to investment risk, including possible delays in repayment (such as a delay in receiving funds from a redemption of an underlying investment) and loss of income or loss of capital invested.

### 12.1 Information on request from Morningstar

You may contact Morningstar between 9:00 am and 5:00 pm (Sydney time) on any Business Day to assist with any questions you might have, or further information you may require, in relation to your investment in the Fund.

**Morningstar's contact details are shown on the last page of the PDS.**

### 12.2 Disclosing entity

As a disclosing entity the Fund will be subject to regular reporting and disclosure obligations. Copies of any documents lodged with ASIC in relation to the Fund may be obtained from, or can be inspected at, an ASIC office. In addition, investors will have the right to obtain a copy of the following documents:

- ▶ the most recent annual financial report lodged with ASIC;
- ▶ any subsequent half yearly financial report lodged with ASIC after the lodgement of the annual report; and
- ▶ any continuous disclosure notices given after the annual report but before the date of this PDS.

Morningstar will comply with any continuous disclosure obligation by lodging documents with ASIC as and when required and by posting any continuous disclosure notices at: [morningstarinvestments.com.au/disclosure](http://morningstarinvestments.com.au/disclosure).

As an issuer of a product quoted under the AQUA Rules Morningstar will also comply with the continuous and periodic disclosure requirements as set out in section '7 About the AQUA Rules of the ASX and CHESST'.

### 12.3 Changing your details

You must notify any change to your details, including contact details, distribution instructions, bank account details or account operating instructions.

To advise changes, please complete the change of details form and submit it in accordance with the instructions contained within.

### 12.4 Confirmation of transactions and reporting

Authorised Participants will be provided with a confirmation of transaction once it is processed, usually within 3 Business Days after we receive all relevant information. If you buy or sell units on the Secondary Market, you will receive confirmation of your transaction from your stockbroker. This may be when you make your initial investment, additional investment, redemption, switch or transfer. A monthly statement detailing your transactions over the previous quarter, including any distribution, will be sent to you from the Registrar. At the end of each financial year, you will be sent a statement for tax purposes. If at any other time you would like a transaction statement of your investment, unit price information or the financial statements for a Fund, please contact Morningstar on the contact details shown on the last page of this document.

### 12.5 Privacy statement

By applying to invest in the Fund, you consent and agree to your personal information about you being obtained and used by Morningstar and other parties as explained in this Privacy Statement. The type of information held includes your name, address and other information that you provide when opening your account, as well as records of your account transactions and the value of your unit holding.

Your information may be used to:

- ▶ provide the products and services you request;
- ▶ efficiently manage and administer all investments and services provided; and
- ▶ ensure that internal business operations run smoothly, which may include fulfilling all legal requirements and conducting confidential systems maintenance and testing.

Your personal information may be provided confidentially to external service providers, including the custodian, auditors, taxation advisers, legal advisers and information technology consultants.

We may disclose your personal information to our related companies, but only so those related companies can assist us with functions relating to managing your account.

Morningstar's related companies include our parent company Morningstar, Inc., in the United States and related companies worldwide. These related companies are located in: Belgium, Brazil, Canada, Chile, China, Denmark, Finland, France, Germany, Hong Kong, India, Italy, Japan, South Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Singapore, South Africa, Spain, Sweden, Switzerland, Taiwan, Thailand and the United Kingdom.

We may also use your personal information to provide you with information about other products and services that we or our related companies offer from time to time (direct marketing). If you do not wish information to be sent to you about other products managed by Morningstar or our related companies, please contact Morningstar on the contact details shown on this page.

Our custodian may disclose your personal information in accordance with its Privacy Policy. The custodian's Privacy Policy lists the countries in which recipients of personal information disclosed by the custodian (or its agents) may be located. The custodian's Privacy Policy is available at [morningstarinvestments.com.au/custodian-privacy-policy](http://morningstarinvestments.com.au/custodian-privacy-policy).

Additionally, your personal information will be disclosed if required by law to do so (including under legislation in relation to anti-money laundering and counter-terrorism and applicable taxation legislation).

For information as to how you can access, correct and update your personal information and how Morningstar manages privacy related complaints please refer to Morningstar's Privacy Policy. A copy of Morningstar's Privacy Policy is available on our website. Alternatively, you can contact our Privacy Officer to request a free copy.

#### Privacy officer contact details

##### Privacy Officer

Morningstar Investment Management Australia Limited  
Level 3, International Tower 1  
100 Barangaroo Avenue  
Barangaroo NSW 2000  
Tel: +61 2 9276 4532  
Fax: +61 2 9276 4545  
Email: [auprivacy@morningstar.com](mailto:auprivacy@morningstar.com)

#### 12.6 Foreign Account Tax Compliance Act

The Foreign Account Tax Compliance Act ('FATCA') is a US law enacted to combat non-compliance by U.S. taxpayers using foreign accounts. FATCA requires foreign financial institutions ('FFIs') to report to the US tax authority, or the relevant local tax authorities for jurisdictions covered by an appropriate Intergovernmental Agreement with the US, information about financial accounts held by U.S. taxpayers, certain non-financial foreign entities in which US taxpayers hold a substantial ownership interest and payments to Non-Participating Financial Institutions.

The Fund is an FFI under FATCA and subject to the FATCA rules. Investors are required to provide certain information in order for the Fund to be FATCA compliant. This information can be provided by completing the relevant anti-money laundering and counter-terrorism forms available on Morningstar's website.

#### 12.7 Common Reporting Standard

The Common Reporting Standard ('CRS') is a single global standard for collecting, reporting and exchanging financial account information of foreign tax residents to tax authorities (such as the Australian Tax Office ('ATO')).

Australian Financial Institutions ('AFIs') such as banks and investment funds are required to collect and report on certain investor information to the ATO in order to comply with the CRS. The ATO will in turn exchange information with participating jurisdictions.

As the Fund is an AFI, you agree to provide all the necessary information and certification required by Morningstar to meet our obligations under CRS.

#### 12.8 Commonwealth Anti-Money Laundering and Counter-Terrorism Requirements ('AML and CTF')

##### Authorised Participants

Morningstar cannot accept and may delay a unit creation request until the identity of the Authorised Participant has been verified in a satisfactory form and in accordance with AML & CTF Legislation.

By completing a unit creation request in a way that is determined appropriate by Morningstar, Authorised Participants agree that:

- ▶ they do not use an assumed name to make a unit creation request,
- ▶ any money used to acquire units in the Fund is not derived from or related to any criminal or terrorist financing activities,

- ▶ any proceeds of the investment will not be used in relation to any criminal or terrorist financing activities,
- ▶ they will provide to us any additional information we reasonably require for the purpose of the AML & CTF Legislation upon request, and
- ▶ they consent to their information being provided to Morningstar from third parties if deemed necessary to comply with AML & CTF Legislation.

In order to comply with the AML & CTF Legislation, Morningstar may:

- ▶ delay or reject a unit creation or redemption request; and
- ▶ disclose information that we hold about an Authorised Participant to regulators of the AML & CTF Legislation and our related bodies corporate.

#### Appointed representatives

The identity of appointed agents or legal representatives of an Authorised Participant must be verified by Morningstar. Any instructions from an appointed agent or legal representative cannot be actioned by Morningstar until the identity of that agent or representative has been verified.

Appointed legal representatives include executors of estates, attorneys (appointed under a power of attorney) and appointed representatives.

#### 12.9 Compulsory redemption

In some circumstances we may also compulsorily redeem your units, for example, where the law prohibits you from being an investor in the Fund.

#### 12.10 Constitution

The Fund is governed by a Constitution, as amended from time to time. The Constitution sets out Morningstar's obligations as well as the rights of investors. Some key matters addressed by the Constitution include the process by which units are issued and redeemed, the calculation and distribution of income, the investment powers of the Responsible Entity, the Responsible Entity's right to claim indemnity from the Fund and charge fees and expenses to the Fund and how to convene investor meetings. Other aspects of the Constitution are summarised in this section or elsewhere in the PDS.

Morningstar may alter the Constitution as specified in the Constitution and in accordance with the law. The Corporations Act specifies that the consent of investors (given at a meeting convened and conducted in accordance with the Corporations Act) is required for any alteration unless Morningstar reasonably believes that the alteration will not adversely affect the rights of investors.

You may view a copy of the Constitution at Morningstar's offices on any Business Day or you may obtain a copy free of charge by contacting Morningstar on the contact details shown on the last page of this document.

#### 12.11 Compliance plan

Morningstar has established a compliance plan for the Fund, which sets out the measures to be applied in operating the Fund to ensure compliance with its Constitution and the law. Morningstar is responsible for overseeing the compliance plan.

#### 12.12 Auditor

We have an obligation under the Corporations Act to appoint an auditor for the Fund and Fund's Compliance Plan.

#### 12.13 Investor meetings

Subject to the Constitution, investors are also entitled to requisition, attend and vote at investor meetings for any Fund in which they hold units. An investor is bound by a resolution of investors, whether or not they attend the meeting at which it is passed.

#### 12.14 Interest in the Fund

Each unit issued in the Fund entitles the investor to a beneficial interest in the total investments of the Fund, but does not give the investor an interest in any particular asset of the Fund.

#### 12.15 Investor liability

While the law in relation to investor liability has not yet been settled, the Constitution limits an investor's liability in a Fund to the amount the investor has invested or agreed to invest.

#### 12.16 Termination of the Fund

Morningstar can terminate the Fund, subject to the Corporations Act, at any time. If the Fund is terminated, the Fund's assets must be converted to cash where possible and used to pay or provide for the Fund's liabilities (including those incurred in winding up the Fund and any unpaid fees). In such an event, the realisation of assets may be postponed.

Investors are entitled to a share of the balance of the assets in accordance with the Fund's Constitution. This will be the final distribution of the Fund, which may include both a capital and income component.

#### 12.17 Related party transactions

Morningstar receives a range of services from its related parties, Morningstar Australasia Pty Ltd and Morningstar India Private Limited. The support services provided are part of a service model which allows certain functions to be centralised and shared. These services are provided in accordance with intercompany agreements.

#### 12.18 Conflicts of Interest

If there is a material conflict between the duties of Morningstar in relation to its obligations to the Fund and its personal interests, Morningstar will disclose particulars of the conflict.

#### 12.19 Responsible entity duties

In addition to the Constitution, the Responsible Entity must comply with the requirements of the Corporations Act and general trust law. Under the Corporations Act and as Responsible Entity, Morningstar's duties include:

- ▶ acting in the best interests of investors and putting investors first if there is a conflict between investors' interests and Morningstar's interests,
- ▶ ensuring that Fund assets are clearly identified as such and held separately from Morningstar and that of any other fund,
- ▶ ensuring the Fund is valued at regular intervals in line with a documented unit pricing policy,
- ▶ ensuring that any payments out of the Fund are made in accordance with the Corporations Act,
- ▶ reporting any significant or likely breach of an obligation to ASIC under the general AFSL conditions and any breach of the Corporations Act that relates to the Fund that has or is likely to have a materially adverse effect on the interests of investors.

#### 12.20 Custody

Custody is the safekeeping of assets. JP Morgan Chase Bank, N.A. (Sydney branch) (ABN 43 074 112 011) (JP Morgan) has been appointed to hold and maintain certain Fund assets. JP Morgan's role as custodian is limited to holding the assets of the Fund as Morningstar's agent. JP Morgan has no supervisory role in relation to the operation of the Fund and is not responsible for protecting your interests. Any Fund assets not held by the custodian are held directly by the Responsible Entity. A custodian is the legal owner of assets, but not the beneficial owner. Custodians do not decide which assets are bought or sold. They simply hold them securely for their beneficial owners and deal with them as directed by the beneficial owner.

Services provided by the custodian (as agent of the Responsible Entity) include core custodial services of trade and transaction settlement, corporate action event reporting and administration, reconciliations, and proxy voting services. Other custodial services include record keeping and reporting, income and distribution processing, cash management and tax reclamations. Investment administration services are also provided by Morningstar's custodian like valuing Fund assets, calculating unit prices and distribution amounts, performance reporting, and unit registry.



### **JPMorgan Chase Bank N.A. (Sydney branch)**

Level 18  
85 Castlereagh Street  
Sydney NSW 2000

JP Morgan have provided their consent to be named and have not withdrawn their consent before the issue date of the PDS.

JPMorgan has not been involved in the preparation of this PDS or caused or otherwise authorised the issue of this PDS. JPMorgan has not independently verified the information contained in this PDS and, accordingly, accepts no responsibility for the accuracy or completeness of the information. JPMorgan does not guarantee the success or the performance of the Fund nor the repayment of capital or any particular rate of capital or income return.

#### **12.21 Unit registrar**

We have appointed Link as the registrar for the Funds. Link is responsible for maintaining unitholder records such as quantity of securities held, tax file number (if provided) and details of participation in the DRP.

### **Link Market Services Limited (Sydney - Head Office)**

Level 12  
680 George Street  
Sydney NSW 2000

Link have provided their consent to be named and have not withdrawn their consent before the issue date of the PDS.

#### **12.22 Market maker**

Morningstar is required to meet certain market making requirements under the AQUA Rules. To meet supply and demand for units in the Fund, Morningstar has appointed market maker(s) to fulfil two key roles:

- ▶ providing liquidity to the market by acting as buyer and seller of units in the Fund. Market makers provide bid and ask prices that are continuously updated throughout the day to reflect any price changes in underlying securities, and
- ▶ meeting the market supply and demand by applying for and redeeming units in the Fund where necessary, in or through an Authorised Participant relationship.

Market makers are well positioned to determine a reasonable value of units in the Fund. Morningstar provides the Fund's constituent file on a daily basis, which contains details of the daily Net Asset Value of the Underlying Fund and the cash and derivatives held by the Fund. Market Markets use this information, along with subscriptions to data services, proprietary analysis of flows and interactions with other market participants to determine the price of units in the Fund. These prices are sent as bid/ask orders to the stock exchange (with a bid/ask spread). The bid/ask orders are available on the open market and investors can place market or limit orders to trade with the market maker or other participants as desired.

The market maker(s) appointed by Morningstar have been selected based on their extensive experience in trading and market making in existing ASX quoted exchange traded products as well as exchange traded products in other international markets. The market maker(s) appointed by Morningstar may also have financial agreements with the ASX which provide certain incentives to operate in this capacity.

Generally, arrangements with a market maker will specify certain permitted circumstances in which the market making obligations may be suspended (such as operational disruptions, market disruptions or unusual conditions, other events set out in the ASX Operating Rules, the suspension or rejection by the Responsible Entity of applications for units or redemption requests, or the market maker not having ASIC relief to allow short selling of Units). If the market maker defaults on its obligations, the Responsible Entity may seek to replace the market maker, although the arrangements with the market maker may limit or exclude any liability on the part of the market maker. The arrangements with the market maker may also provide that the market maker has no liability or responsibility to unitholders for any act or omission made in connection with the market maker arrangements. A market maker will retain for its own account any trading profit and bear any loss which may be generated by its market making activities.

To ensure optimal outcomes for investors, and subject to the AQUA Rules and agreements with the market maker, Morningstar may change the lead market maker or appoint additional market makers. Morningstar has no intention to undertake internal market making activities on behalf of the Fund. The Responsible Entity may determine to no longer appoint market makers in respect of the Fund in circumstances where it is no longer required to do so under the AQUA Rules.

#### 12.23 No cooling off rights

No cooling off period applies in relation to applications for units in the Fund. Authorised Participants are considered 'wholesale clients' as defined in the Corporations Act. Wholesale clients are not entitled to cooling off rights. Please contact Morningstar if you require further information in relation to cooling off rights.

#### 12.24 Online access and communications

To assist us with our commitment to ensure you receive timely investment notices and statements, the default option for communications will be via email unless you indicate otherwise or as required by law.

To stay up to date with your holding, you will need to update your details on the Link website.

To update your details, visit [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au). Here, you can:

- ▶ provide your email address to receive communications about your holding, such as distribution and tax statements, or elect to receive communication via post,
- ▶ update your details (e.g. change of address),
- ▶ elect to participate in the distribution reinvestment program, or update the bank details where your distributions will be paid,
- ▶ lodge your TFN or ABN. If you don't provide this information you may be taxed at the highest marginal tax rate.

#### 12.25 ASIC relief

##### Ongoing disclosure of material changes and significant events

ASIC has granted relief via Class Order [CO 13/721] (as amended from time to time) under section 1020F(1) of the Corporations Act from the ongoing disclosure requirements in section 1017B on condition that Morningstar complies with the continuous disclosure requirements in section 675 of the Corporations Act as if the Fund were an unlisted disclosing entity. Morningstar will comply with these continuous disclosure requirements of the Corporations Act as if the Fund was an unlisted disclosing entity.

##### Periodic statements

ASIC has granted relief via Class Order [CO 13/1200] (as amended from time to time) which exempts Morningstar from certain period statement requirements. In particular, Morningstar are not required to include purchase or sale price information or return on investment information where we are unable to determine such information provided we explain why this information is not included and how it can be obtained or calculated. In addition, Class Order 13/1200 requires Morningstar to report in the periodic statement whether the Fund has met its investment objective.

#### 12.26 Other

Unless stated otherwise, all fees are inclusive of GST after taking into account any expected RITCs.

All monetary amounts referred to in this PDS are in Australian dollars, and all telephone numbers are Australian (unless otherwise specified).

You should retain a copy of this PDS and any other related material for future reference. You should consider all current information when making an initial investment or ongoing investment in the Fund.

#### 12.27 Complaints

Morningstar aims to provide you with quality ongoing service and has established procedures for dealing with complaints. If you are dissatisfied or have a complaint about your investment in the Fund, please contact us either via email at [complaints@morningstarinvestments.com.au](mailto:complaints@morningstarinvestments.com.au) or by phone on 1800 951 999.

Your complaint will be acknowledged within 3 Business Days of receipt and Morningstar will make every effort to resolve your complaint within 21 days of receipt. In any event, we will finalise our response no later than 45 days after receipt.

If you are still not satisfied, you may refer the matter to an external dispute resolution scheme.

The Australian Financial Complaints Authority ('AFCA') is an external dispute resolution scheme. AFCA operations are financed by contributions made by its members, including Morningstar. The scheme is free to consumers. Please direct any matters to AFCA as below:

**Australian Financial Complaints Authority**

GPO Box 3

Melbourne VIC 3001

Tel: 1800 931 678

Email: [info@afca.org.au](mailto:info@afca.org.au)

Web: [www.afca.org.au](http://www.afca.org.au)

### 13. Definitions

**'AQUA Rules'** means the rules that apply to AQUA products and the trading of AQUA products as set out in Schedule 10A of the ASX Operating Rules.

**'ASIC'** means the Australian Securities and Investments Commission.

**'ASX'** means ASX Limited.

**'ASX Listing Rules'** means the ASX Listing Rules published by the ASX, as supplemented, amended, varied or replaced from time to time.

**'ASX MAP'** means ASX Market Announcements Platform.

**'ASX Operating Rules'** means the ASX Operating Rules published by the ASX, as supplemented, amended, varied or replaced from time to time.

**'Authorised Participant'** means a person who has executed an authorised participant agreement with Morningstar which authorises them to apply for and redeem units in the Fund off market.

**'Benchmark'** means MSCI All Country World ex-Australia Index with Net Dividends Reinvested (Hedged into \$AUD).

**'Business Day'** means any day other than Saturday and Sunday during which all banks are open for general banking business in the state of New South Wales.

**'Cash Transaction'** means a Cash Application or Cash Redemption.

**'Cash Application'** means an application made by an Authorised Participant by exchanging an amount of cash for units in the Fund.

**'Cash Redemption'** means a redemption made by an Authorised Participant by exchanging an amount of units in the Fund for cash.

**'CGT'** means Capital Gains Tax which is the tax you pay on any capital gains.

**'CHESS'** means the Clearing House Electronic Sub-Register System.

**'Constitution'** means the Constitution of the Fund, as amended from time to time, as the context indicates.

**'Fund'** means the Morningstar International Shares Active ETF (Managed Fund) ARSN 129 136 447, an Australian registered managed investment scheme.

**'GST'** means Goods and Services Tax as defined in A New Tax System (Goods and Services Tax) Act 1999

**'Investment Advice Fee'** is an advice fee that is generally charged by your financial adviser when you make an initial or additional investment in the Fund.

**'Morningstar'** means Morningstar Investment Management Australia Limited ABN 54 071 808 501, AFS Licence No. 228986, the Investment Manager of the Fund, the issuer of units in the Fund and the responsible entity of the Fund.

**'NAV'** means the Net Asset Value of a Fund and is the value of all assets of the Fund less liabilities of the Fund (excluding any amount representing the value of the investors' interests in the Fund or rights attaching to units, unless they have become due and payable to the relevant investor, regardless of whether characterised as equity or debt in the accounts of the Fund) and is calculated in accordance with the Constitution of the Fund.

**'Ongoing Advice Fee'** is an advice fee that is generally charged by your financial adviser on a regular basis for ongoing financial advice provided to you.

**'PDS'** means Product Disclosure Statement.

**'RITC'** means Reduced Input Tax Credit as defined in A New Tax System (Goods and Services Tax) Act 1999.

**'Secondary Market'** is the trading venue for buyers and sellers of existing units in the Fund. This is usually performed on a securities exchange (for example the ASX) or 'over the counter'.

**'The Fund'** means the managed investment scheme to which this document relates.

**'Underlying Fund'** means the Morningstar International Shares (Hedged) ) Fund (ARSN 092 227 435).

**'you'** or **'your'** means an investor or prospective investor in the Fund.

For personal use only

## Contact Details

### Responsible Entity and Issuer:

Morningstar Investment Management Australia Limited  
Level 3, International Tower 1  
100 Barangaroo Avenue  
Barangaroo NSW 2000  
Tel: 1800 951 999 (Toll Free)  
Fax: +61 2 8572 9913  
Web: [morningstarinvestments.com.au](http://morningstarinvestments.com.au)  
Email: [invest@morningstar.com.au](mailto:invest@morningstar.com.au)

### Registrar

Link Market Services Limited  
Telephone: 1300 554 474 (between 8:30am to 7:30pm)  
Monday to Friday (excluding Public Holidays)  
Fax: +61 2 9287 0303  
Fax: +61 2 9287 0309 (for proxy voting)  
Email: [registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au)  
Mail: Locked Bag A14, Sydney South NSW 1235

### ASX enquiries

Telephone: 131 279 (within Australia)  
Telephone: +61 2 9338 0000 (outside Australia)