



Morningstar International Shares Active ETF (Managed Fund)

ASX: MSTR

ARSN: 129 136 447

Product Disclosure Statement | 30 September 2021

The Issuer and Responsible Entity is:
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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.

As at the date of this PDS, the units in the Fund have been quoted for trading on the AQUA market of ASX Limited ('ASX'). A copy of this PDS has been lodged with the Australian Securities & Investments Commission ('ASIC') and the ASX on 30 September 2021. 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. An investment in the Fund is subject to risks (see section 5 'Risks'). This could involve delays in repayment and 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) 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 notice will be posted at 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 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:** An ETF provides the ability to diversify a portfolio through holding a single security and to create a diversified portfolio of ETFs across asset classes; and
- ▶ **Liquidity:** An ETF 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. These core capabilities 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 securities listed on the ASX, without the need to directly trade individual securities 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	The Fund is a managed investment scheme registered with the ASIC. The Fund will invest predominantly in units of the Morningstar International Shares (Hedged) Fund (ARSN 092 227 435) (" Underlying Fund ") and some cash. The Fund may also invest in derivatives to gain desired exposures or manage risks.	4

	Details	Refer to section
	<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> <p>The Underlying Fund consists of a well-diversified portfolio of companies that exhibit desirable fundamental quality and/or value characteristics.</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 ¹	Aims 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, supplemented by a passive currency overlay to reduce the risk of foreign currency price movements.	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 morningstarinvestments.com.au/MSTR ('Web').	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 morningstarinvestments.com.au/MSTR ('Web'):</p> <ul style="list-style-type: none"> • the Fund's daily NAV; • the Fund's daily NAV per Unit; • the full disclosure of investments held by the Fund on a look through basis disclosed daily; • copies of announcements made to the ASX via the ASX Market Announcements Platform (including continuous disclosure notices, redemption and distribution information); • the total number of Managed Fund securities on issue; • copies of the latest PDS; and • copies of Annual Reports and financial statements. <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 morningstarinvestments.com.au/continuous-disclosure</p>	11 & 12

1. The investment objective is expressed net of fees and expenses, and before any taxes payable by you. Refer to section 9 'Fees and other costs' for details on fees and costs and section 10 '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 4.3 '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 rises or falls.

4.2 Investment objective

Aims 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, supplemented by a passive currency overlay to reduce the risk of foreign currency price movements.

4.3 Investment strategy

An actively managed Fund predominantly invested in units of the Underlying Fund. 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 (\$A Hedged). 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.

Minimum Suggested Timeframe for Holding Investment	5 years
Suitable Investor Profile	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.
Benchmark	MSCI All Country World ex-Australia Index with Net Dividends Reinvested (\$A Hedged)
Currency Management	Morningstar aims to fully hedge the Fund's currency exposure back to the Australian dollar to minimise the potential impact of volatile currency movements.
Risk Level/Profile[†]	High
Strategy Inception Date*	1/7/2013
Fund Net Asset Value* as at 31 August 2021	\$157.93 million
Underlying Fund's Strategy Inception Date	1/7/2013
Underlying Fund Net Asset Value as at 31 August 2021	\$197.61 million
Distribution Frequency	Quarterly

† '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 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.

The Underlying Fund is also authorised to use derivatives as outlined in Morningstar's Derivatives Risk Statement ('DRS').

4.6 Environmental, social and governance (ESG) considerations

Morningstar applies an ESG integration approach to investing which means the impact of environmental, social and governance risks (which include labour standards) are assessed when selecting, retaining or realising the investments of the Fund or the Underlying Fund.

Morningstar may exclude certain securities or sectors based on environmental, social or governance factors. More information on the excluded securities and sectors is available at morningstarinvestments.com.au/esg-policy/

5. Risks

All investments carry risk.

It is 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 timeframe. 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.

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.

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.

Environmental, social and governance risk

The risk that investment managers (including external managers) fail to adequately manage or mitigate risks associated with environmental, social, and governance factors. This may result in negative reputational and/or economic damage to a portfolio holding company impacting its ability to earn long-term, sustainable profits.

Foreign currency risk

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.

Investment markets

Economic, technological, climate, health, political or legal conditions, interest rates and even market sentiment, can (and do) change, and these changes can affect the value of the investments in the Fund.

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').

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.

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.

Pricing risk

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

Security specific risk

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

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.

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.

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 instances where trading of units in the Fund are suspended by the ASX, instances where the units in the Fund are not widely held and 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.

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 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 sets what is believed to be an appropriate investment strategy; selects appropriate investments and, if applicable, appoints and terminates investment managers. Morningstar also monitors and reviews 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 available on our website at morningstarinvestments.com.au/MSTR or by contacting us.

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 securities 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 our website at morningstarinvestments.com.au/MSTR ('Web'), contacting Morningstar 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

The Fund is quoted for trading on the AQUA market of the ASX under the AQUA 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 AQUA Rules form part of the ASX Operating Rules; however, the Fund is not listed on the ASX under the ASX Listing Rules.

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"> ▶ Controls the value of its own securities and the business it runs; ▶ The value of those securities is directly influenced by the equity issuer's performance and conduct. <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"> ▶ Does not control the value of the assets underlying its products but; ▶ 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. <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"> ▶ 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. ▶ 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. <p>What obligations do apply under the AQUA Rules?</p> <p>There is an obligation on issuers of managed funds and ETFs to disclose:</p> <ul style="list-style-type: none"> ▶ 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, ▶ 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 webpage on a monthly basis, ▶ Information about dividends, distributions and other disbursements. This information must be disclosed to the ASX via the ASX MAP, and ▶ 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.
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"> ▶ 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, ▶ will be subject to the ASX’s capital requirements which ensure that issuers have sufficient levels of available capital for its operations, ▶ 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, ▶ are still required to lodge with ASIC the fund’s financial reports required under Chapter 2M of the Corporations Act.

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"> ▶ 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. ▶ 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. ▶ 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.
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"> ▶ Chapter 10 of the ASX Listing Rules does not apply to AQUA quoted products. ▶ 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.
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"> ▶ Issuers of products quoted under the AQUA Rules are not subject to the requirements under Part 2M.4 Division 5 of the Corporations Act. ▶ 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)
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"> ▶ Products quoted under the AQUA Rules will also be subject to these requirements of the Corporations Act.

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 annually for the financial year ending 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 for the financial year ending 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 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 our registry services provider, Link Market Services (ABN: 54 083 214 537) ('Link Market Services'), or by calling Link Market Services on 1300 554 474 (between 8:30am to 7:30pm). Any changes to the DRP will be posted on our website at morningstarinvestments.com.au/MSTR

The DRP Policy can be obtained from the Fund's dedicated webpage at 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 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 are not able to negotiate to pay lower fees.

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)** Moneysmart website (www.moneysmart.gov.au) has a managed funds fee calculator to help you check out different fee options.

This section shows fees and costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the assets of the Fund as a whole. Taxes are set out in another part of this PDS. You should read all the information about fees and costs because it is important to understand their impact on your investment.

Fees and Costs Summary

Morningstar International Shares Active ETF (Managed Fund)		
Type of Fee or Cost	Amount	How and when paid
Ongoing annual fees and costs		
Management fees and costs The fees and costs for managing your investment	0.39% p.a.	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.
Performance fees	Nil	Performance fees are paid out of the Fund's assets when specific

Amounts deducted from your investment in relation to the performance of the product		investment performance targets are met and are not paid directly by you.
Transaction costs The costs incurred by the Fund when buying or selling assets	0.10% p.a.	Transaction costs are reflected in the Fund's NAV price and are payable from the Fund's assets. These fees are not negotiable.
Member activity related fees and costs (fees for services or when your money moves in or out of the Fund)		
Establishment fee <i>The fee to open your investment.</i>	Nil	Not Applicable
Contribution fee <i>The fee on each amount contributed to your investment.</i>	Authorised Participants Nil	Other investors Nil ²
Withdrawal fee <i>The fee on each amount you take out of your investment.</i>		
Buy-sell spread <i>An amount deducted from your investment representing costs incurred in transactions by the Fund</i>	Authorised Participants +0.09% / -0.08%	Other investors Available upon request
Exit fee <i>The fee to close your investment.</i>	Nil	See '9.1 Additional explanation of fees and costs' for more information.
Service fees³		
Switching fee <i>The fee for changing investment options</i>	Nil	Not Applicable

2. 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.

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 ongoing annual 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 schemes.

Example – Morningstar International Shares Active ETF (Managed Fund)		Balance of \$50,000 with a contribution of \$5,000 during the year
Contribution fees	Nil	For every additional \$5,000 you put in, you will be charged \$0 .
PLUS Management fees and costs	0.39% p.a.	And , for every \$50,000 you have in the Morningstar International Shares Active ETF (Managed Fund) you will be charged or have deducted from your investment \$195 each year.
PLUS Performance fees	Nil	And , you will be charged or have deducted from your investment \$0 in performance fees each year.
PLUS Transaction costs	0.10% p.a.	And , you will be charged or have deducted from your investment \$50 in transaction costs.

**EQUALS Cost of
Morningstar International
Shares Active ETF
(Managed 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 and costs of:

\$245.00 p.a.

What it costs you will depend on the investment option you choose.

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'.

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 0.09% (as at the issue date of this PDS), equal to \$4.50 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).

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.

When calculating ongoing annual fees and costs in this table, the law says we must assume that the value of your investment remains at \$50,000 and the Fund's unit price does not fluctuate. Ongoing annual fees and costs actually incurred will depend on the market value of your investment and the timing of your contributions (including any reinvestment of distributions). The example assumes no abnormal expenses are incurred, no service fees are charged. All fees are expressed as a per annum percentage of net asset value of the Fund excluding accrued fees. The example reflects our management fees and costs and net transaction costs incurred for the 2020/21 financial year. Totals may appear incorrect due to rounding. Returns are not guaranteed.

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

Ongoing annual fees and costs

Ongoing annual 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 webpage at morningstarinvestments.com.au/MSTR from time to time for any updates which are not materially adverse to investors.

Management fees and costs

Management fees and costs are Morningstar's remuneration and costs for managing and overseeing the Fund's investments. The management fees and costs 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 and costs are incurred 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 transaction 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.

Transaction costs

What are transaction costs?

Transaction 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.

Transaction costs are deducted from the assets of the Fund for a particular transaction, such as brokerage, settlement costs, clearing costs, duties and taxes. These costs are factored into the individual asset value and reflected in the Fund's unit price. Transaction 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 transaction costs of buying or selling investments when an investor applies for or redeems units from the Fund (e.g. 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 0.09% upon entry (\$4.50 for each \$5,000 investment) and 0.08% upon exit (\$4 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 0.09% upon entry (\$4.50 for each \$5,000 investment) and up to 0.08% upon exit (\$4 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 transaction 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 Morningstar on 1800 951 999 (toll free) (between 9:00am to 5:00pm Sydney time).

Estimated net transaction costs

The table below sets out the net transaction costs incurred by the Fund (on a look through basis to the Underlying Fund) in the previous financial year. We have reflected the total transaction costs incurred, less the amount of buy-sell spread recovered from applications and redemptions, resulting in the net transaction costs incurred by the Fund.

Name	Transaction Costs	Less: Buy-Sell Spread Recovery	Equals: Net Transaction Costs
Morningstar International Shares Active ETF (Managed Fund)	0.15%	0.05%	0.10%

Notes

- ▶ Transaction 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 also captured as 'Transaction costs'.
- ▶ Where the buy-sell spread recovery is greater than total transaction costs, a nil net transaction cost is disclosed.
- ▶ For every \$50,000 you have in the Fund, you will likely incur approximately \$50 in net transaction 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.

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 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 has made an election for the Fund to be treated as an AMIT for Australian tax purposes. It is anticipated that the Fund will continue to satisfy 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 has made this election for the Fund.

10.3 Attribution of taxable income

The Fund is a resident of Australia for tax purposes. It is intended that the Fund's trust components will be attributed to investors on a fair and reasonable basis each income year under the AMIT regime. Accordingly, Morningstar as Responsible Entity of the Fund should not pay Australian income tax on the taxable income of the Fund. An Australian investor's attributed assessable trust components under the AMIT regime, including amounts distributed in a subsequent year or which are reinvested, forms part of the investor's assessable income of that year.

The amounts attributed to you 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 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 (if any) to include in your assessable income.

In addition, the AMMA 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 to zero after one or more cumulative distributions of non-assessable amounts, any excess amounts should be a capital gain that should be included in the determination of your net capital gain for the income year. Depending on the type of entity you are, you may be entitled to a capital gains tax (CGT) discount (refer to section 10.8 below).

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 to 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 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.

10.6 Attribution of capital gains

The Fund will determine its CGT position and attribute net capital gains to investors. Net capital gains derived by the Fund should be eligible to benefit from the 50% CGT discount concession where the relevant assets have been held by the Fund for 12 months or more, and certain other conditions are satisfied. Where the discounted component of the capital gain is distributed to you, it will generally not be assessable where you are an individual or trust and you hold your units on capital account. In certain limited circumstances, such amounts may require an adjustment to the tax 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%.

The Australian Government has announced a proposed amendment to the law to remove the CGT discount at the trust level. The proposed amendment is expected to apply to income years commencing on or after three months after the date of Royal Assent of enabling legislation.

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* and to adopt the default methods of recognising gains and losses from financial arrangements. Broadly, this means that where gains and losses are "sufficiently certain" they will be recognised on a compounding accruals basis, otherwise they will be recognised on a realisation basis. Morningstar will continue to monitor whether the Fund should elect any of the alternative TOFA methods that may result in gains and losses relating to financial arrangements being recognised on another basis. 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 will generally result in a realisation for CGT purposes.

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 grossed-up 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 the 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 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 AMMA 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 only 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.

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 of residence 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 Morningstar on 1800 951 999 (toll free) (between 9:00am to 5:00pm 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 refuses or is unable to process your application request, we will return your money. Law also requires that we return application monies 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 transaction fees (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, a notice will be posted on our website at 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.

CHESSE Statements

Investors in the Fund will receive a CHESSE 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 CHESSE 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 8 'Distributions' and 10 '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 our website at 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 capital invested.

12.1 Information on request from Morningstar

You may contact Morningstar between 9:00am and 5:00pm (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 this 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/continuous-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 through wholly owned or majority-owned operating subsidiaries located in: Brazil, Canada, Chile, Denmark, France, Germany, India, Italy, Japan, Luxembourg, Mexico, The Netherlands, New Zealand, Norway, People's Republic of China (Hong Kong and the mainland), Poland, Romania, Republic of China (Taiwan), Singapore, South Africa, South Korea, Spain, Sweden, Switzerland, Thailand, United Arab Emirates and the United Kingdom.

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 is available at 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, 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 at morningstarinvestments.com.au/privacy-policy

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 4444
Email: 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, and certain non-financial foreign entities in which US taxpayers hold a substantial ownership interest.

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 sections within the application form available on our 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 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. JPMorgan Chase Bank, N.A. (Sydney branch) (ABN 43 074 112 011) (JPMorgan) has been appointed to hold and maintain certain Fund assets. JPMorgan's role as custodian is limited to holding the assets of the Fund on behalf of the Responsible Entity. JPMorgan has no supervisory role in relation to the operation of the Fund. 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 the assets on behalf of and as instructed by the Responsible Entity.

Services provided by JPMorgan include core custody and fund administration. JPMorgan have provided their consent to be named and have not withdrawn their consent before the issue date of the PDS.

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

JPMorgan Chase Bank N.A. (Sydney branch)

Level 18
85 Castlereagh Street
Sydney NSW 2000

12.21 Unit registrar

We have appointed Link Market Services as the registrar for the Funds. Link Market Services 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 Market Services has provided their consent to be named and has 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 makers 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 Market Services' website.

To update your details, visit www.linkmarketservices.com.au

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 or by phone on 1800 951 999.

Your complaint will be acknowledged within 24 hours (1 Business Day) of receipt and Morningstar will make every effort to resolve your complaint within 20 days of receipt. In any event, we will finalise our response no later than 30 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

Web: 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 ASX list as a trading day.

'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.

Contact Details

Responsible Entity and Issuer:

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Barangaroo NSW 2000
Tel: 1800 951 999 (toll free)
Fax: +61 2 8572 9913
Web: morningstarinvestments.com.au/MSTR
Email: invest@morningstar.com.au

Registrar

Link Market Services Limited
Telephone: 1300 420 094 (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
Mail: Locked Bag A14, Sydney South NSW 1235

ASX enquiries

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