

Key changes flyer

Changes to the Product Disclosure Statement
as at 15 June 2024

FirstChoice Investments

**New Product Disclosure Statement:
Supplementary Product Disclosure Statement (SPDS)
dated 15 June 2024**

The SPDS dated 15 June 2024 supplements the FirstChoice Investments Product Disclosure Statement (PDS), Issue No 2023/2 dated 18 November 2023.

This flyer outlines the changes we have made as part of the SPDS for FirstChoice Investments, dated 15 June 2024. We suggest you read this flyer to assess whether this information affects your investment decisions and speak to your financial adviser before making any investment decisions.

You can obtain a copy of the most up-to-date PDS on our website by visiting cfs.com.au and choosing Product disclosure statements located under 'Tools & Resources' on the menu, or by calling us on 13 13 36.

Changes to investment managers for some First Sentier Investors investment options

In April, First Sentier Investors (FSI) announced some internal team changes which affected the management of six FSI investment funds available on FirstChoice Investments:

- First Sentier Developing Companies
- First Sentier Diversified Fixed Interest
- First Sentier Equity Income
- First Sentier Future Leaders
- First Sentier Global Credit Income
- First Sentier Target Return Income

We have actively sought and appointed well-credentialed replacement investment managers. Each replacement manager has a strong track record in the respective asset classes and strong research house ratings.

For more information, refer to "Manager replacements".

Changes to the investment manager and closure to new investors for the T. Rowe Price Australian Equity investment option

In February, T. Rowe Price as the investment manager for the T.Rowe Price Australian Equity investment option announced they would no longer offer this investment strategy in the Australian market.

We have appointed Ausbil as the replacement manager. The investment option was closed to new investors from 15 June 2024. For more information on the new Manager, refer to "Manager replacements".

Other operating expenses and abnormal costs

We have updated the wording in the PDS about the responsibility entity's discretion to recover costs and expenses relating to the option. The updated wording is as follows:

The Constitution for each managed investment scheme allows for the ongoing operating costs, charges, expense and properly incurred outgoings (such as registry, trust accounting, investment, audit, regulatory, production of the offer documents and taxation advice) and other administration costs, charges and expenses to be paid directly from the option. Alternatively, the responsible entity is entitled to recover these costs from the option. The Constitution does not place any limit on these costs that can be paid from each option.

Abnormal costs (such as costs of unitholder meetings, recovery and realisation of assets, changes to the Constitution and defending or pursuing legal proceedings) are paid out of the option. These costs are incurred fairly infrequently. Where the recovered expenses affect your account, they are reflected in the disclosed fees and costs.

Investment option changes

Manager replacements

We have made some manager changes. You can compare the new investment option with the investment option that was replaced in the table below.

Replaced option: T. Rowe Price Australian Equity ¹	New option: Ausbil Australian Active Equity ¹
Previous objective	New objective
To provide long-term capital growth through investment primarily in a portfolio of securities of Australian companies listed on the Australian stock exchange. The option aims to outperform the S&P/ASX 200 Accumulation Index over rolling three year periods after fees and taxes.	To provide long-term growth with moderate tax-effective income. The option aims to outperform the S&P/ASX 300 Accumulation Index over rolling three-year periods before fees and taxes.

Previous strategy			New strategy		
<p>The strategy is a high conviction portfolio that seeks to identify high quality growing companies that T. Rowe Price expect to compound value faster than the overall market and outperform over time. The strategy relies on extensive proprietary fundamental research by an experienced Australian investment team collaborating with and receiving insights from the T. Rowe Price global research platform.</p> <p>The strategy is a quality growth-oriented portfolio with fundamental, bottom up research at the core of the process. As a high conviction portfolio T. Rowe Price applies a proprietary business quality assessment process to identify high quality companies and non-consensus ideas. Detailed valuation work is then undertaken, utilising various techniques and scenarios, to ensure T. Rowe Price own these businesses at attractive prices.</p>			<p>The option predominantly invests in a portfolio of listed large cap Australian equities in the S&P/ASX 300 Index. The option seeks to identify earnings and earnings revisions at an early stage, and hence to pre-empt stock price movements. The manager also seeks to position the portfolio towards those sectors and stocks which it believes will experience positive earnings revisions and away from those it believes will suffer negative revisions. At any time, the portfolio will be tilted toward stocks which afford the most compelling opportunities for appreciation over the coming 12 months.</p>		
Previous Benchmark			New Benchmark		
S&P/ASX 200 Accumulation Index			S&P/ASX 300 Accumulation Index		
Previous asset allocation			New asset allocation		
Assets	Range	Benchmark	Assets	Range	Benchmark
Australian shares	90%–100%	100%	Australian shares	90%–100%	100%
Cash	0%–10%	0%	Cash	0%–10%	0%
Investment category: Australian share			Investment category: Australian share		
Minimum suggested timeframe: At least 7 years			Minimum suggested timeframe: At least 7 years		
Standard risk measure: 7			Standard risk measure: 7		

1 This fund was closed to new investors on the FirstChoice Wholesale Investments, FirstChoice Wholesale Super and Pension, and FirstChoice Wholesale Pre-Retirement Pension (TTR) investment menus.

Replaced option: First Sentier Developing Companies			New option: Longwave Australian Small Companies		
Previous objective			New objective		
To provide long-term capital growth that exceeds the S&P/ASX Small Ordinaries Accumulation Index over rolling three-year periods before fees and taxes.			The option aims to outperform the S&P ASX Small Ordinaries Accumulation Index over rolling seven-year periods before fees and taxes.		
Previous strategy			New strategy		
The manager's growth approach is based on the belief that, over the medium-to-long term, share prices are driven by growth in a company's earnings, despite the existence of sentiment that can lead to short-term price volatility. The strategy is therefore to invest primarily in a portfolio of Australian companies with a market capitalisation or free float of generally less than \$500 million at the time of initial investment, with strong balance sheets, whose earnings are expected to grow at a greater rate than the Australian economy as a whole. The option predominantly invests in Australian companies and therefore does not hedge currency risk.			The strategy consists of a combination of fundamental and quantitative processes leading to a diversified portfolio of high-quality small companies. Quantitative models built from many years of fundamental experience and insight are designed to assess companies for risk of failure across a range of characteristics, for example commercial viability, shareholder risk, management and business quality, accounting risk, significant company events and liquidity. Fundamental research is applied to each company to identify probability of outperformance and determine business value drivers, apply analyst judgements, and form a view on fair value.		
Previous Benchmark			New Benchmark		
S&P/ASX Small Ordinaries Accumulation Index			S&P/ASX Small Ordinaries Accumulation Index		
Previous asset allocation			New asset allocation		
Assets	Range	Benchmark	Assets	Range	Benchmark
Australian shares	80%–100%	100%	Australian shares	90%–100%	100%
Cash	0%–10%	0%	Cash	0%–10%	0%
Investment category: Australian share – small companies			Investment category: Australian share – small companies		
Minimum suggested timeframe: At least 7 years			Minimum suggested timeframe: At least 7 years		
Standard risk measure: 7			Standard risk measure: 7		

This manager replacement has resulted in a decrease in fees, refer to 'Fees'.

The transition to the new Manager's desired portfolio started in June 2024. In the interests of investors this will need to be implemented in an orderly manner which may take some time to complete due to the underlying securities held in the previous Manager's portfolio. CFS will provide updates on the status of the transition on the website under Product Updates.

First Sentier Developing Companies change – Investor and Significant Investor Visa scheme impact

The appointment of Longwave means that there are changes to the investment strategy of the option. These differences mean that the option no longer meets the requirements to be an "emerging companies investment" for the purposes of the Investor or Significant Investor Visa scheme.

Replaced option: First Sentier Diversified Fixed Interest	New option: Macquarie Dynamic Bond
Previous objective	New objective
To outperform the Bloomberg AusBond Composite 0+Yr Index over rolling three-year periods before fees and taxes.	The option aims to outperform Bloomberg Global Aggregate Index hedged to Australian dollars over rolling three-year periods before fees and taxes by dynamically investing in global fixed income instruments. It aims to provide diversification against equity risk as well as capital growth and some income.
Previous strategy	New strategy
The option is an actively managed portfolio which aims to add value by managing interest rate, inflation, and sector exposures and the mix of Australian and foreign securities. The option primarily invests in Australian and international fixed interest securities. Derivatives may be used for risk management or return enhancement. The option aims to hedge currency exposure.	The option provides exposure to an actively managed, benchmark unaware and diversified portfolio of fixed income investments such as sovereign bonds and investment grade credit. The option may also provide exposure to other fixed income sectors such as high yield and emerging markets debt when these are expected to outperform. Generally, exposure will be to fixed rate notes. The duration profile of the option is actively managed through the use of derivatives such as swaps and futures. The investment process aims to reduce the risk of the option being adversely affected by unexpected events or downgrades in the credit rating of the option's investments. A disciplined framework is used to analyse each sector and proposed investment to assess its risk. The portfolio is generally hedged to Australian dollars.

Previous Benchmark			New Benchmark		
Bloomberg AusBond Composite 0+Yr Index			Bloomberg Global Aggregate Index (Hedged to AUD)		
Previous asset allocation			New asset allocation		
Assets	Range	Benchmark	Assets	Range	Benchmark
Cash and fixed interest	100%	100%	Sovereign Bonds	0–100% ²	N/A
			Investment Grade Credit	0–70% ³	N/A
			High Yield	0–20%	N/A
			Emerging Markets Debt	0–20% ⁴	N/A
Investment category: Diversified fixed interest			Investment category: Diversified fixed interest		
Minimum suggested timeframe: At least 3 years			Minimum suggested timeframe: At least 3 years		
Standard risk measure: 5			Standard risk measure: 5		

This manager replacement has resulted in an increase in fees, refer to 'Fees'.

- 2 Sovereign bonds: Includes Australian government and semi-government, supranational, global sovereign and cash
- 3 Investment grade credit: Includes Australian and global investment grade credit
- 4 Emerging markets debt: May include holdings of sub-investment grade instruments

Replaced option:
First Sentier Equity Income

New option:
Martin Currie Australia
Equity Income

Previous objective

To provide a total return comprised of regular income, franking credits and some capital growth from Australian shares over the long term, delivered with consistently lower volatility than the S&P/ASX 100 Accumulation Index. The option aims to deliver risk-adjusted returns that exceed the S&P/ASX 100 Accumulation Index before fees and taxes over a full market cycle.

New objective

To generate an after-tax income yield in excess of the S&P/ASX 200 Index franked yield over rolling three-year periods before fees and taxes. The option aims to provide long-term growth in its dividend income in excess of CPI.

Previous strategy

The investment strategy is based on the belief that maximising income from Australian shares requires investing in companies that can grow earnings, and hence their dividend stream, over the long-term. Returns are generated from a number of sources including dividends, franking credits and capital returns from Australian shares, as well as income generated from equity options. In the selection of Australian shares, investment opportunities are identified by detailed fundamental research of all companies in the investible universe, regardless of the stock's dividend yield. The use of equity options in conjunction with Australian shares is expected to result in a greater proportion of the total return delivered as income and reduced volatility in returns. The option uses equity options to modify the return profile of its Australian share holdings, as well as for return enhancement and risk management purposes.

New strategy

The investment manager seeks to provide a growing income stream by investing in a diversified portfolio of high-quality companies. The investment manager combines extensive fundamental research into long-term normalised earnings power, quantitative research and disciplined portfolio construction to identify the most attractive income opportunities. The portfolio is managed in a tax-aware manner in order to maximise the benefit from franking credits and maintain low levels of portfolio turnover.

Previous asset allocation			New asset allocation		
S&P/ASX 100 Accumulation Index			S&P/ASX 200 Index yield		
Assets	Range	Benchmark	Assets	Range	Benchmark
Australian shares	60%–100%	N/A	Australian shares	90%–100%	100%
Cash	0%–40%	N/A	Cash	0%–10%	0%
Investment category: Lower volatility share			Investment category: Australian share		
Minimum suggested timeframe: At least 7 years			Minimum suggested timeframe: At least 7 years		
Standard risk measure: 6			Standard risk measure: 7		

This manager replacement has resulted in a decrease in fees, refer to 'Fees'.

Replaced option:
First Sentier Future Leaders

New option:
Investors Mutual Future Leaders

Previous objective

To provide long-term capital growth by investing predominantly in small Australian companies. The option aims to outperform the S&P/ASX Small Ordinaries Accumulation Index over rolling three year periods before fees and taxes.

New objective

To provide a rate of return (after fees and expenses and before taxes) that exceeds the return of the S&P/ASX Small Ordinaries Accumulation Index on a rolling four-year basis.

Previous strategy

The option's strategy is based on the belief that over the medium-to-long term, stock prices are driven by the ability of management to generate excess returns over their cost of capital in their chosen industry. Management is a critical determinant in our assessment of small company investment opportunities outside the S&P/ASX 50 Index. The option seeks to own companies with strong balance sheets to be able to withstand short-term shocks to their operating environment. The option predominantly invests in Australian companies and therefore does not hedge currency risk.

New strategy

The option will invest in a diversified portfolio of quality ASX listed Australian shares outside the Top 50 shares listed on the ASX, where these shares are identified by the investment team as being undervalued.

Previous Benchmark			New Benchmark		
S&P/ASX Small Ordinaries Accumulation Index			S&P/ASX Small Ordinaries Accumulation Index		
Previous asset allocation			New asset allocation		
Assets	Range	Benchmark	Assets	Range	Benchmark
Australian shares	90%–100%	100%	Australian shares	80%–100%	100%
Cash	0%–10%	0%	Cash	0%–20%	0%
Investment category: Australian share – small companies			Investment category: Australian share – small companies		
Minimum suggested timeframe: At least 7 years			Minimum suggested timeframe: At least 7 years		
Standard risk measure: 7			Standard risk measure: 7		
Replaced option: First Sentier Global Credit Income			New option: Janus Henderson Diversified Credit		
Previous objective			New objective		
To provide income-based returns and to outperform the Bloomberg AusBond Bank Bill Index over rolling three-year periods before fees and taxes by investing in a diversified portfolio of relatively higher yielding Australian and international fixed interest investments.			The option seeks to achieve a total return before fees and taxes that exceeds the total return of the Bloomberg AusBond Bank Bill Index by 2.00% p.a. over rolling three year periods.		

Previous strategy	New strategy
<p>The option invests in a portfolio of predominantly global credit securities. The option's strategy is to earn an income return from its investments, controlling risk through careful selection and monitoring, combined with broad diversification. The increased credit risk of credit securities means that these investments have the potential to deliver higher returns over the medium term compared to cash. Derivatives may be used for risk management or return enhancement. The option aims to hedge currency exposure.</p>	<p>The option will typically invest in a diversified portfolio of Australian and global investment grade and sub-investment grade securities, which can be listed or unlisted. The option is designed to leverage the considerable expertise of the Manager and gives them the flexibility to actively allocate the option's assets geographically and across the credit ratings spectrum. The Manager considers the risk and return outcomes of the securities and how the option may benefit from diversification across less correlated global credit market sectors. The Manager's approach is to determine the overall level of credit and duration risk in the option by taking a top-down approach, which considers trends in credit fundamentals, market dynamics and current valuations. The Manager then works to construct and maintain a well-diversified portfolio that aims to offer the best risk-adjusted returns within the option's risk framework. To the extent that the option holds fixed interest rate securities, the Manager will use interest rate derivatives to hedge the option's interest rate risk to a modified duration range of 0 to 3 years.</p>
Previous Benchmark	New Benchmark
Bloomberg AusBond Bank Bill Index	Bloomberg AusBond Bank Bill Index +2%

Previous asset allocation			New asset allocation		
Assets	Range	Benchmark	Assets	Range	Benchmark
Cash and fixed interest	100%	100%	Cash and short-term securities	0–50%	N/A
			Corporate debt	0–100%	N/A
			Australian hybrids	0–70%	N/A
			Australian asset backed securities	0–50%	N/A
			Global high yield credit	0–25%	N/A
			Global secured loans	0–20%	N/A
			Emerging markets debt	0–10%	N/A
			Investment category: Short duration fixed interest		
Minimum suggested timeframe: At least 3 years			Minimum suggested timeframe: At least 3 years		
Standard risk measure: 4			Standard risk measure: 4		

Replaced option:

First Sentier Target Return Income

New option:

Daintree Core Income

Previous objective

To actively manage investor capital to target a total return of 2–2.5% pa above the Reserve Bank of Australia cash rate over three years (including franking) after fees and before taxes by investing across income producing assets including cash, bonds, capital notes and equity income strategies. The option will aim to pay an annual income in the region of 5% out of its total return.

New objective

The option aims to generate returns of 1.5% - 2.0% p.a. above the RBA Cash Rate after fees and before taxes over rolling three-year periods.

Previous strategy

The option manages a broad opportunity set of income producing investments, actively adjusting the investment mix to achieve the target return under all market conditions. The investment style is an active, research-driven decision making process that seeks to construct a portfolio of the best ideas across the capital structure incorporating interest rate, inflation, government, credit, capital note and equity income strategies. These diversified sources of income and return are managed in a risk-aware framework to achieve the investment objectives with a low degree of volatility and minimal risk of capital loss. The option provides daily liquidity and is managed from the perspective of an Australian investor, thereby incorporating the benefits of franking credits. Derivatives may be used for risk management or return enhancement. The option aims to hedge currency exposure.

New strategy

The aim of the strategy is to provide a steady stream of income and capital stability over the medium term, by investing in a diversified portfolio of credit fixed income securities and cash, and to provide a total return (after fees) that exceeds the Benchmark measured throughout a market cycle.

Previous Benchmark

RBA Cash Rate

New Benchmark

RBA Cash Rate +1.5%

Previous asset allocation			New asset allocation		
Assets	Range	Benchmark	Assets	Range	Benchmark
Australian shares, global property securities and global listed infrastructure securities	0-30%	0%	Cash and cash equivalents	0-100%	N/A
			Australian fixed interest	0-100%	N/A
Capital notes, cash and fixed income	70-100%	100%	Global fixed interest	0-50%	N/A
			High yield	0-10%	N/A
			Mortgage and asset backed securities	0-50%	N/A
Investment category: Alternative income			Investment category: Short duration fixed interest		
Minimum suggested timeframe: At least 5 years			Minimum suggested timeframe: At least 3 years		
Standard risk measure: 4			Standard risk measure: 4		

This manager replacement has resulted in an increase in fees, refer to 'Fees'.

FirstChoice Multi-Manager Single Sector manager changes

We've changed the investment manager allocation for CFS Global Share and CFS Global Share - Hedged, effective from 3 June 2024.

CFS Global Share and CFS Global Share – Hedged			
Previous manager allocation		New manager allocation	
NinetyOne	20%	Sanders	22.5%
Sanders	18%	WCM	12.5%
WCM	13.5%	Fisher	17.5%
JO Hambro	13.5%	Arrowstreet	30%
Arrowstreet	28%	Alphinity	17.5%
Ballie Gifford	7%		

Investment manager change for CFS Index Australian Bond

We have appointed BlackRock Investments to replace First Sentier Investors as the underlying investment manager for the CFS Index Australian Bond investment option. There are no changes to the Objective, Strategy, asset allocation or fees of the option.

Investment option strategy change

We've made some minor changes to the strategy wording for a number of investment options. The changes are indicated in the table below.

Investment option name	FirstChoice Wholesale Investments	FirstChoice Wholesale Super	FirstChoice Wholesale Pension	FirstChoice Wholesale Pre-Retirement Pension
Generation Global Share	•	•	•	
Platinum Asia	•	•	•	•
Platinum International	•	•	•	•

Fees

Fees and costs decreases

The fees and costs for the following investment options have decreased as shown:

Investment option	Current total management fees and costs and performance fees (p.a.) prior to 1 July 2024	New total management fees and costs and performance fees (p.a.) from 1 July 2024	Difference
Ausbil Australian Active Equity	1.04%	0.99%	0.05%
Investors Mutual Australian Share	1.24%	1.19%	0.05%
Longwave Australian Small Companies⁵	1.34%	1.24%	0.10%
Martin Currie Australia Equity Income⁵	1.24%	1.09%	0.15%
Platinum Asia	2.03%	1.63%	0.40%
Platinum International	1.89%	1.64%	0.25%

Fees and costs increases

The fees and costs for the following investment options have increased as shown:

Investment option	Current total management fees and costs and performance fees (p.a.) prior to 1 August 2024	New total management fees and costs and performance fees (p.a.) from 1 August 2024	Difference
Daintree Core Income⁵	0.56% ⁶	0.64%	0.08%
Macquarie Dynamic Bond⁵	0.59%	0.66%	0.07%

Buy/sell spread cost changes

Transactions costs are incurred when you buy or sell units in an investment option. These include charges such as brokerage and stamp duty. To cover these costs there is usually a small difference between the purchase price and selling price of the units, which is called a buy/ sell spread. The below table outlines changes that have been made to the buy/sell spreads.

Investment option	Previous spread per transaction	New spread per transaction	Difference
Ausbil Australian Active Equity⁵	0.10%	0.15%	0.05%

- 5 This option has had a manager change, see 'Manager replacements'.
- 6 The performance fee on the FSI Target Return Income investment option was removed effective 1 June 2024. There will no performance fee applicable on the Daintree Core Income investment option.

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