News Release

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FOR IMMEDIATE RELEASE

Morningstar Announces Findings from Third Global Fund Investor Experience Report
New Zealand Scores C- Grade

AUCKLAND, 16 May 2013 — Morningstar Australasia Pty Limited, a subsidiary of Morningstar, Inc. (NASDAQ: MORN), today released its Global Fund Investor Experience Report, which assesses the experiences of managed fund investors in 24 countries across North America, Europe, Asia, and Africa. New Zealand scored a grade of C- in the report.

Morningstar's evaluation of investor-friendly practices in managed fund markets worldwide identified the United States as the best market for fund investors based on criteria such as investor protection, transparency, fees, taxation, and investment distribution, while South Africa scored the worst. This year's report also includes first-time reviews of fund investor experiences in Korea and Denmark. The report is not a commentary on a country's managed funds industry, as there are many factors besides industry behaviour that can affect an investor's experience.

"We launched the first Global Fund Investor Experience Report in 2009 to examine the treatment of managed fund investors in 16 countries, with the goal of advancing a dialogue about best practices worldwide. Since that time, we've had numerous conversations with regulators and fund managers in multiple countries about their existing policies and ways to improve," said Morningstar Australasia Chief Executive Officer Anthony Serhan. "Working with our analysts around the world, we expanded our survey to 24 countries this year. We hope our findings will help fund managers and regulators around the globe continue to focus on improving the environment for investors."

New Zealand

New Zealand scored a C-. Although still below average, New Zealand's grade has improved as a result of ongoing changes in regulation and disclosure. Morningstar anticipates that the New Zealand government's deliberative approach to making changes will result in more improvements and investor-friendly practices in the years to come.

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- New Zealand is slowly improving in regulation and taxation. The government is reviewing all fund regulations, but has only taken incremental action. In the retirement sector, the government has been aggressive about changing regulations and improving legally required disclosures. New Zealand's tax structure is complex on the surface. There are a number of taxable scenarios depending on the geography of the investment and the domicile of the fund manager an investor chooses. But in the end, the total tax burden for New Zealand fund investors is low, and the absence of most capital gains taxes reduces tax burdens.
- New Zealand has made strides improving disclosure, but efforts have been uneven. Later this year, New Zealand is expected to provide portfolio holdings for the first time for KiwiSaver funds, but plans to extend this requirement to standard managed funds are yet to materialise. And there is still ambiguity about fee disclosures, and standard reporting has not been implemented in full force. This makes cross-sectional analysis very difficult to achieve.
- New Zealand's average grade for fees and expenses is a result of both positives and negatives. Fees for KiwiSaver products bring down overall charges and appear competitive. New Zealand has a wide spectrum of foreign-domiciled funds (Australian unit trusts) registered for sale, and a number of legacy products which tend to be more expensive. The global assets included in estimating the cost of available-for-sale funds outweigh the small subset of domestic New Zealand funds in that sample. So while costs for available-for-sale funds are above the global average, costs for locally-domiciled funds are in line with or slightly below the global average. This is a direct result of the low-fee KiwiSaver options.
- New Zealand fares better in sales and media, benefitting from open architecture platforms and a variety of sales channels. Investment platforms frequently waive or significantly reduce stated investment minimums. New Zealand stands out in requiring that financial advisers consider all competing investments before making a recommendation.

Methodology and World Results

Morningstar researchers evaluated countries in four categories: Regulation and Taxation, Disclosure, Fees and Expenses, and Sales and Media. Morningstar weighted the questions and answers to give greater importance to factual, empirical answers as well as the high-priority issues of fees, taxes, and transparency. Morningstar assigned countries a letter grade for each category, and then added the category scores to produce an overall country grade. The report's authors gathered information from available public data and from Morningstar analysts. The following are the country grades from highest to lowest scores and then in alphabetical order:

United States: A

Korea: B+

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Netherlands: B

Singapore: B

Taiwan: B

Thailand: B

China: B-

Denmark: B-

Germany: B-

India: B-

Norway: B-

Spain: B-

Sweden: B-

Switzerland: B-

United Kingdom: B-

Australia: C+

Belgium: C+

Canada: C+

France: C+

Italy: C+

Japan: C

Hong Kong: C-

New Zealand: C-

South Africa: D

Among the key findings:

- Bans on financial adviser commissions are spreading around the world. In the United Kingdom, the Retail Distribution Review (RDR) has already brought such a ban into effect, while similar moves are underway in Australia and The Netherlands.
- While the United States and European fund markets are roughly similar in size, US investors pay significantly lower fees than European investors.
- New Zealand showed the greatest improvement from the 2011 study, rising from a D- to a C- because of positive regulatory changes and an encouraging expansion of disclosure requirements.
- Fund managers in most countries continue to treat the names of portfolio managers as trade secrets, leaving investors no way to determine who is responsible for a fund's success or failure.
- Australia and New Zealand still do not require funds to publicly disclose full portfolio holdings, while France, South Africa, Korea, and the UK only disclose holdings to current owners.

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To read the complete report, visit: http://global.morningstar.com/fundinvestorexperience2013

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