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News Release

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FOR IMMEDIATE RELEASE

Morningstar Announces Findings from Fourth Global Fund Investor Experience Report; Australia Scores B- Grade

SYDNEY, 9 June 2015 — Morningstar Australasia Pty Limited, a subsidiary of Morningstar, Inc. (NASDAQ: MORN), today released its biennial Global Fund Investor Experience report, which assesses the experiences of managed fund investors in 25 countries across North America, Europe, Asia, and Africa. Australia scored a grade of B- in the report. Morningstar researchers identified Korea and the United States as the most investor-friendly markets and China the least investor-friendly market.

Morningstar evaluated countries in four categories that are weighted to calculate the overall grade: Regulation and Taxation, Disclosure, Fees and Expenses, and Sales and Media. Morningstar researchers generally favour active fund regulation; a low investor tax burden; more disclosure; lower fund fees; a varied fund distribution system; and local news media that helps to educate investors about their choices. Morningstar assigned countries a letter grade for each of the four categories and used the underlying scores to produce an overall country grade. The analysis was based on information from publicly available sources, Morningstar data, and Morningstar experts located in the company's offices around the world.

Anthony Serhan, Morningstar's Managing Director of Research Strategy, Asia-Pacific, said: "Our mission at Morningstar is to help investors reach their financial goals. The goal of our Global Fund Investor Experience report is to improve the investor experience by examining the treatment of fund investors in various countries to spur dialogue about best practices. Every market we examined has areas for improvement, and we hope our research about the experience of fund investors worldwide will help serve as a catalyst for positive change."

Highlights of Australia's grade include:

- Australia receives the highest grade of A for **Fees and Expenses**. The removal of sales commissions in Australia has helped reduce both ongoing fund expenses and entry fees. Equity, fixed-income, and multisector funds in Australia are some of the least expensive globally—most markets evaluated in the

report continue to have ongoing sales commissions built into fund expenses.

- Australia also scores relatively highly for **Sales and Media**, with an A-. Australian investors benefit from a range of channels through which to buy managed funds and an open-architecture industry. Fund investors in Australia also benefit from the fiduciary standard requiring advisers to place the interests of the investor ahead of their own, a stronger protection than that found in most markets globally. Fund investors in Australia also benefit from comparatively regular and frequent media discussion of managed funds investing.
- Australia continues to score relatively poorly for **Disclosure**, receiving a D. Australia remains the only country out of the 25 assessed without any working periodic mandatory portfolio holdings disclosure. The implementation of legislation that would lead to holdings disclosure for superannuation funds has been repeatedly delayed and does not also extend to managed funds. A meaningful number of fund managers operating in Australia do, however, provide Morningstar with monthly or quarterly disclosure. Elsewhere in the Disclosure category, a growing number of markets now either require or have as standard practice publication of portfolio managers' names and tenures in product disclosure statements, but Australia is not among these countries.
- Australia also scores comparatively poorly for **Regulation and Taxation**, with a D. Australians pay some of the highest fund taxes of any country in the report, including a consumption tax for the investment management service. Australia is also one of only a handful of countries in which fund investors have to pay capital gains each year. In regulation, Australia lacks a single regulatory body for both managed funds and retirement vehicles, which helps reduce the costs of regulation and simplifies the message to fund managers. While regulations are updated regularly, not all regulatory sanctions are disclosed to the public.

The overall country grades for 2015 are below, from highest to lowest and then in alphabetical order:

Korea: A

United States: A

The Netherlands: A-

Taiwan: A-

United Kingdom: B+

Sweden: B

Australia: B-

Denmark: B-

Finland: B-

Norway: B-

Switzerland: B-

Canada: C+

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Germany: C+

India: C+

New Zealand: C+

Thailand: C+

Belgium: C

France: C

Hong Kong: C

Singapore: C

South Africa: C

Spain: C

Italy: C-

Japan: C-

*China: D+

New this year, Morningstar incorporated The World Press Freedom Index in its assessment of media for the Sales and Media category. Reporters Without Borders, an international non-profit organisation, publishes the index annually to measure the freedom of information in 180 countries. Morningstar also added a quantitative analysis about the frequency of portfolio reporting in the Disclosure category, and included a first-time review of the fund investor experience in Finland.

Additional key findings of the 2015 report include:

- Korea received an A this year because of its improved sales practices, up from a B+ in 2013, and is the only other country aside from the United States to achieve the top grade.
- The United States garnered the highest score for the fourth time with a top grade of A. While the United States boasts relatively low expenses and strong disclosure, its Sales and Media category grade is average.
- The Netherlands rose to an A- grade in 2015, compared with a B in 2013, improving in the areas of Fees and Expenses and Sales and Media assisted by a newly implemented ban on adviser commissions.
- Finland received a grade of B-, reflecting consistent practices that have developed from pan-European regulations.
- China received the lowest grade of a D+ because of high fees, limitations on overseas investing, and restrictions on foreign-domiciled funds.*
- Nearly every market has enacted new or updated regulations over the past two years, which shows active engagement by regulators in the areas Morningstar evaluates in the report.

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- In the United States, Australia, South Africa, and The Netherlands, ongoing fund fees are typically unbundled, which decreases reported fund fees. However, if investors are paying for both advice and an administration platform, the total cost of owning a fund could be an additional 1.0 to 1.5 percent.
- In 22 of the 25 countries evaluated, banks and insurance companies are named as one of the dominant fund sales channels. The next most common channel, cited in seven countries, is the independent adviser.

To read Morningstar's complete Global Fund Investor Experience report, please visit http://global.morningstar.com/GFIE2015PressKit. Morningstar published its first Global Fund Investor Experience report in 2009.

Morningstar has more than 100 manager research analysts worldwide who cover approximately 4,100 funds. The company provides data on approximately 186,500 open-end mutual funds, 9,800 closed-end funds, and 11,300 exchange-traded product listings at 31 March 2015.

*Editor's Note: In its 2013 report, Morningstar inadvertently used incorrect expense data for Chinese funds. Morningstar corrected the data in the 2015 report, which lowered China's grade for the Fees and Expenses category and was the primary factor in the drop of China's overall grade from B- to D+.

About Morningstar Australasia Pty Limited and Morningstar, Inc.

Morningstar Australasia Pty Limited is a subsidiary of Morningstar, Inc., a leading provider of independent investment research in North America, Europe, Australasia, and Asia. The company offers an extensive line of products and services for individual investors, financial advisers, asset managers, and retirement plan providers and sponsors. Morningstar provides data on approximately 500,000 investment offerings, including stocks, mutual funds, and similar vehicles, along with real-time global market data on more than 15 million equities, indexes, futures, options, commodities, and precious metals, in addition to foreign exchange and Treasury markets. Morningstar also offers investment management services through its investment advisory subsidiaries and had more than U.S. $179.0 billion in assets under advisement and management at 31 March 2015. The company has operations in 27 countries.

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