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News Release

Level 36, Australia Square
264 George Street
Sydney NSW 2000

Telephone: +61 2 9276 4444
Facsimile: +61 2 9276 4545

Media Contact:
Phillip Gray, +61 2 9276 4456 or phillip.gray@morningstar.com

FOR IMMEDIATE RELEASE

Morningstar Announces Findings from Fourth Global Fund Investor Experience Report; New Zealand Scores C+ Grade

AUCKLAND, 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. New Zealand scored a grade of C+ 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.

Tim Murphy, Morningstar Australasia's Director of Manager Research, 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 New Zealand's grade include:

- New Zealand's C+ grade for **Disclosure** represents an improvement from the 2013 report, recognising the significant strides made in the area. Legislation now mandates a register to which fund managers must post ongoing information, including semi-annual full portfolio holdings updates. The short-form Product Disclosure Statement and shorter Key Information Document with strict word limits allow

investors to quickly identify funds' most important characteristics, such as portfolio managers' names and tenures, meeting a global best practice. However, no trading cost measure, marketing and distribution, or embedded advice fees are included.

- New Zealand also continues to improve in **Regulation and Taxation**, receiving a C. The government has been aggressive about changing regulations and improving legally required disclosures. New Zealand's tax structure appears complex relative to other countries because fund managers assess taxes on distributions before disbursing them to the investor. While investors have to pay a consumption tax for the investment management service, the absence of most capital gains taxes helps to greatly reduce the total tax burden.
- New Zealand received a B for **Fees and Expenses**, with costs for home-grown funds in line with or slightly below the global average and further ahead of the large number of foreign-domiciled funds for sale in multiple markets. Meanwhile, New Zealand has a very wide spectrum of foreign-domiciled funds registered for sale in the country, and they tend to be more expensive.
- New Zealand received a C+ grade in **Sales and Media**. Investors have a full spectrum of sales channels, and the dominant channel is broadly an open architecture system. However, distribution through financial advisers is losing share to banks with fewer offerings from multiple providers. New Zealand particularly stands out in requiring that financial advisers consider all competing investments before making a recommendation, but the practice of using sales contests to motivate the general sale of funds is allowed with little oversight or guidance. Articles about managed funds investing appear regularly in the New Zealand media.

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+

Germany: C+

India: C+

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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.*
- Since the 2013 study, regulators in New Zealand introduced semi-annual portfolio holdings disclosure, while Thailand plans to move from semi-annual to quarterly disclosure. Australia is now the only market that does not have portfolio holdings disclosure requirements. The global fund industry is generally ahead of regulatory requirements, with monthly holdings releases becoming common.
- 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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