
Global Investor Experience Methodology

Disclosure

Morningstar Manager Research

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The Disclosure grades issued in the Global Investor Experience study were based on the answers to 30 questions in a fixed-response survey completed by in-house, country-expert analysts, plus other inputs determined quantitatively by leveraging Morningstar's comprehensive and extensive global database of managed products. The questions and inputs evaluated markets across six key categories: general, simplified, and non-simplified prospectus; fee disclosure; portfolio holdings disclosure; portfolio manager name and compensation disclosure; sales disclosure; and ESG and stewardship disclosure. The five grades are:

- ▶ Top
- ▶ Above Average
- ▶ Average
- ▶ Below Average
- ▶ Bottom

Survey Questions

General, Simplified, and Non-Simplified Prospectus

- ▶ Do the financial statements include comparisons to prior-year statements?
- ▶ How frequently must funds provide investor/shareholder reports?
- ▶ How frequently do funds provide investor/shareholder fact sheets (including updated performance at a minimum)?
- ▶ Are funds required to publish a section on management's discussion of fund performance within fund literature?
- ▶ Is there a centralized website containing the fund documents (prospectus, annual reports, interim reports, and so on)?
- ▶ Are the name(s) and tenure(s) of the lead portfolio manager(s) included in the simplified document?
- ▶ Is the simplified document required to pertain to only one fund at a time?
- ▶ Is the language in the simplified prospectus simple enough for an average investor to understand?
- ▶ Does the strategy or objective section provide enough specific information so that an investor can clearly understand what the strategy is doing (and so a Morningstar Category assignment can be determined)?
- ▶ Does the simplified prospectus contain a section that covers risks that are materially relevant to the fund (not a calculated volatility measure like the synthetic risk and reward indicator)?
- ▶ Is the section on material risks easily understood by end investors?
- ▶ Does the simplified document contain a monetary illustration of fees, based upon an assumption of standard monetary investment? If no, is this required in any other fund document?
- ▶ Are standardized returns readily available at point of sale to an investor?

Fee Disclosure

- ▶ Do market participants commonly provide a simple, aggregated 'total cost' metric?
- ▶ When a fund invests in other funds, does the total fee measure (for example, the total expense ratio, ongoing charges figure, management expense ratio, or ongoing charge) include the fees of the underlying funds?
- ▶ Are funds required to regularly assess the reasonableness of fees?
- ▶ If permitted to be charged, how are management fees, performance fees, other ongoing charges (such as custody, administrative, and so on), purchase and redemption fees, trading costs incurred, and embedded advice fees reported?

Portfolio Holdings Disclosure

- ▶ Are funds required to disclose their portfolio holdings?
- ▶ Where portfolio holdings are required, what must be included (full holdings, material holdings, long-only, short, derivatives, private investments, and so on)?
- ▶ What is the frequency of required full portfolio holdings disclosure?
- ▶ What is the observed frequency of monthly portfolio holdings disclosure? (A quantitative input.)
- ▶ How much beyond the end of the period are funds required to release full portfolios under regulations?
- ▶ How much beyond the end of the period do funds typically release this data to Morningstar and other investors? (A quantitative input.)

Portfolio Manager Name and Compensation Disclosure

- ▶ Are the name(s) and tenure(s) of lead portfolio manager(s) included in fund literature?
- ▶ Do funds disclose lead portfolio manager(s) ownership in the fund?
- ▶ Do fund companies disclose information on the compensation of managers?
- ▶ What percentage of funds report portfolio manager names to Morningstar? (A quantitative input.)

Sales Disclosure

- ▶ Are funds allowed to be sold without retail investors being provided at least a short-form prospectus?
- ▶ Are advisers required to disclose conflicts of interest (such as being tied to a specific provider)?
- ▶ Do financial advisers have to disclose retrocession and trail compensation received from the funds or owners of the funds they sell?
- ▶ Do financial advisers have to disclose non-trail compensation received from the funds or owners of the funds they sell (for example, accelerating volume bonuses, gifts, and sales competitions)?

ESG and Stewardship Disclosure

- ▶ What is the current state of environmental, social, and governance disclosures in your market?
- ▶ Does the market have regulation or a stewardship code that requires disclosure of stewardship activities?

Grading

Most questions had a range of possible answers, one of which represented a recognisable global best practice. Those 'best practice' answers received the full credit available for the question, with other responses awarded progressively less credit.

The weights of each type of question that constituted the final grades are illustrated in the table below.

Approximate Weights by Scoring Category

	%
Simplified and Non-Simplified Prospectus	30
Fee Disclosure	10
Portfolio Holdings Disclosure	20
Portfolio Manager Name and Compensation Disclosure	15
Sales Disclosure	15
ESG and Stewardship Disclosure	10

Source: Morningstar, Inc.



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