The Global Investor Experience Fees and Expenses study grades are based on responses to six 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 five grades are:

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

### Six Survey Questions

- Are all sales loads and breakpoints fixed, or are loads negotiable?
- Are funds permitted to charge asymmetrical performance fees?
- Do fund documents disclose the relevant terms of the performance fee such that an investor can accurately estimate expenses?
- Is it common for investors to pay for advice outside of commissions and expenses?
- When purchasing funds without advice, are investors able to easily buy funds without loads?
- When purchasing funds without advice, are investors able to easily buy funds without trail commissions?

### Quantitative Measures

- Asset-weighted median expense ratio—Allocation (Available for Sale)
- Asset-weighted median expense ratio—Allocation (Locally Domiciled Only)
- Asset-weighted median expense ratio—Equity (Available for Sale)
- Asset-weighted median expense ratio—Equity (Locally Domiciled Only)
- Asset-weighted median expense ratio—Fixed Income (Available for Sale)
- Asset-weighted median expense ratio—Fixed Income (Locally Domiciled Only)
- What percentage of funds report a front load (Available for Sale)?
- What percentage of funds report a front load (Locally Domiciled Only)?

The primary metric used in the quantitative scoring is the asset-weighted median expense ratio. The construction of this metric involves filtering the universe of available funds in each domicile to include only those share classes relevant to the purpose of this study of retail investor experiences.
Expense ratio selection is based on the methodology developed for Morningstar’s Representative Cost datapoint.
https://www.morningstar.com/content/dam/marketing/shared/pdfs/Research/Representative_Cost.pdf

The study considers open-end funds in the following broad asset classes: allocation, equity, and fixed-income. Share classes that meet any of the following criteria are omitted from the study:

- lacking a current expense ratio
- inactive (liquidated) at the time of the study
- identified as being unavailable to retail investors, often labelled ‘Institutional’ in Morningstar’s database
- ‘Minimum Initial Investment’ amount above USD 100,000

Additionally, exchange-traded fund expense data are not included in asset-weighted median calculations, as it isn’t possible to accurately measure ETF ownership within each market for many domiciles represented in this study.

Once the appropriate share classes have been selected, we sort each asset class group by expense ratio and calculate a weight and cumulative weight using net assets converted to a common currency. Then, according to that cumulative weight, we determine the 50th percentile expense ratio. This is the asset-weighted median.

**Market Summary Graphics**

In the 2019 study, we include market summaries for each of the 26 markets graded. In the left column, we display:

- Fees and Expenses Grade – This is grade for the market and results from consideration of the qualitative survey results as well as quantitative inputs.
- Asset-Weighted Medians – These inputs are significant to the overall grade and are therefore featured prominently. For closed fund markets, the asset-weighted medians for locally domiciled share classes and available-for-sale share classes are identical.
- Fees and Expenses Detail, GIE Market Rank – This is the absolute rank of the asset-weighted median for a particular asset class, compared against the other markets included in the study.
- Fees and Expenses Detail, Graphic – The graphic displays the range of retail fund expense ratios observed within the asset class for the market, eliminating outliers (weighted percentile below 5% or above 95%). The asset-weighted median is displayed as a vertical bar within the range.
- ETF Usage – The graphic indicates whether retail investor use of ETFs in the market is considered low, medium, or high by Morningstar’s local experts and directors of global ETF research. The same information is reflected in the Exhibit 5 table: Fees and Expenses –Market Characteristics.