Morningstar's Medalist Rating™ – We are LIVE! Even More Coverage Coming!

Dear Valued Fund Research Client,

Morningstar is delighted to inform you that we successfully released the first round of additional coverage as a result of the Medalist Rating capability on 1 September 2023.

The Morningstar Medalist Rating has and will further expand access to our market-leading ratings whilst maintaining our independent business model and leveraging our valuable global analyst capability alongside machine learning technology. With expanded coverage, users of our Research will be able to assess a broader universe of fund and ETF managed investments, powered by Morningstar's well regarded Research Methodology.

The Medalist Rating is a single, effective forward-looking rating that allows advisers, AFSLs, and investors to screen, sort, and rank to discover best-in-class managed investment products.

There will be two further increases in coverage during 2023 described below.

Increases in Coverage to come end of September and October 2023

Firstly, following the initial coverage uplift on 1 September 2023, our Medalist Rating coverage will increase further at the end of September and October 2023. Based on data collected on 31 July 2023, in total our coverage is expected to increase from approximately 1,907 to ~2,900 fund vehicles, an expected 52% increase in total by the end of 2023.

This increase in coverage is a reflection of the Medalist Rating methodology which scales our ~130 analysts' efforts globally and further leverages our machine-learning model.

The following table shows the breakdown of the estimated pre/post change and size of increase in coverage each month.

Fund Type	31 July 2023	1 September 2023	1 October 2023	1 November 2023	Increased Rating Coverage 2023
Medalist Ratings - Open Ended Funds, ETFs and Investment / Superannuation / Pension Platform Funds	**1,907**	**2,249**	**~2,600***	**~2,900***	**~1000***
Cumulative % Coverage Uplift		**18%**	**36%**	**52%**	

*these numbers are estimates and are subject to data validation

These increases are material and are also a consequence of a targeted data collection effort that has been in place since this initiative commenced. To recap, under the Morningstar Medalist Rating, Morningstar intends to assign pillar ratings to vehicles in the following three ways:

- Directly, by Analysts, when analysts assign all three pillars to a specific vehicle.
- Indirectly, by Analysts, when Pillar Ratings are assigned to vehicles that are not covered directly by analysts. This is achieved by mapping the Pillar Ratings analysts have assigned to vehicles they cover to uncovered vehicles that are related in some way to the vehicles they cover.
- Directly, by Algorithm, when Pillar Ratings are assigned algorithmically to vehicles not assigned Pillar Ratings directly or indirectly by an analyst.

From 1 September 2023, Medalist Ratings are being generated, where:

- All three Pillars (Parent, People, Process) are assigned directly or indirectly from analysts' assessments; or
- At least two of the three Pillars (Parent, People, Process) are assessed by an analyst directly or indirectly. If an analyst assessment is absent on the third Pillar, the machine-learning model will assign the Pillar Rating. A Medalist Rating will be produced when 100% Data Coverage exists at the fund vehicle level.

The next uplift will occur on 27 September 2023 when we allow Medalist Ratings to be generated where:

- All three Pillars (Parent, People, Process) are assigned directly or indirectly from analysts' assessments; or
- If an analyst assessment is absent on any Pillar the machine-learning model will assign the Pillar Rating. A Medalist Rating will be produced when 95% or greater Data Coverage exists at the fund vehicle level.

The second and final uplift for 2023 will occur on 1 November 2023 when we allow Medalist Ratings to be generated where:

- All three Pillars (Parent, People, Process) are assigned directly or indirectly from analysts' assessments; or
- If an analyst assessment is absent on any Pillar the machine-learning model will assign the Pillar Rating. A Medalist Rating will be produced when 80% or greater Data Coverage exists at the fund vehicle level.

The "% Data Coverage" data point is a summary metric describing the level of data completeness used to generate the overall rating.

The Medalist Rating is typically published monthly on the 4th Tuesday of each month and is typically visible in Morningstar products the next day.

These increases are likely to give Morningstar a market leading coverage position which is expected to be further enhanced into 2024 and over time.

It is all part of our commitment to support you to empower investor success.

Accessing New Ratings on Primary and Platform Fund Vehicles

Until 1 September, 2023, the Morningstar Flagship Fund Medalist Rating delivered identical ratings between the primary investment fund vehicle and the platform fund vehicle (for example, master trust or superannuation/pension versions of a particular investment fund).

As a result, the fees and costs that may be associated with the platform vehicle were not considered. Post 1 September 2023, we have taken the opportunity to align with both our global approach to rating platform funds; and with Australian Prudential Regulatory Authority's (APRA) approach in its Choice and Superannuation Heatmaps where Total Fees and Costs (i.e. both investment and administration fees) are considered. That is, all fees and costs charged by a vehicle that reduce an investor's return will be considered.

Each fund vehicle, primary or associated (whether that is a platform vehicle or associated vehicles with different fee arrangements) now receives its own Morningstar Medalist Rating.

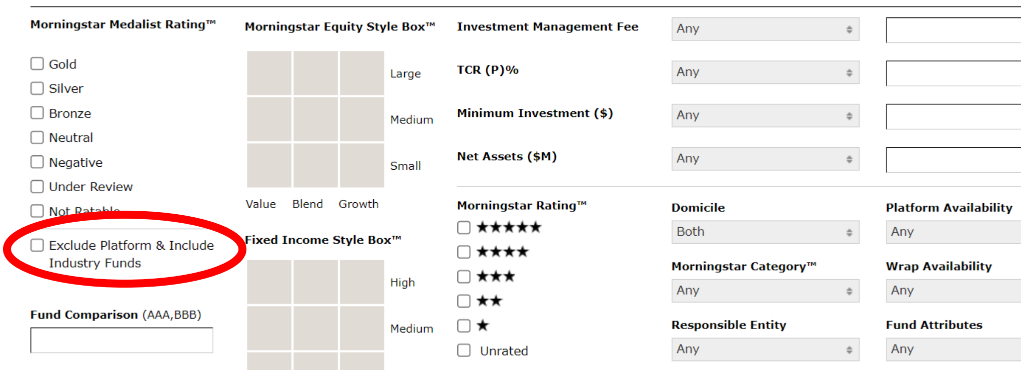
A platform fund vehicle will inherit all three Pillar assessments of the primary fund vehicle – if those assessments exist. The Morningstar Medalist Rating process will also assess the fees and costs specifically attributed to that platform fund vehicle so that each platform fund vehicle will receive its own discrete Medalist Rating.

Different fund vehicles associated with a fund strategy may receive different Morningstar Medalist Ratings depending on the fees and costs at the fund vehicle level.

Importantly, the Morningstar Medalist Rating does not assess or express any opinion about the investment access point (i.e. the Master Trust or Platform in this case) from a features and benefits perspective. Therefore, to the extent an investor wishes to understand Morningstar's view of a strategy excluding any administrative fees and costs, in most cases, the primary fund vehicle's rating should be considered. To re-iterate, the Morningstar Medalist Rating only considers the investment strategy merits of the fund vehicle, not any additional associated services (for example, life insurance options).

In the Superannuation and Pension Universes, there may be some vehicles where the primary vehicle includes administration fees and costs of the investment access point.

Should you wish to access primary fund vehicles, excluding platform versions on Adviser Research Centre (ARC), click on the new flag below within the Fund Screener.



Want to know more?

To assist your understanding of the changes that have been incorporated as part of initiating the Medalist Ratings [here is a supplement](#) that was written by Annika Bradley, our Director Manager Research Ratings.

To further assist your understanding of the Medalist Ratings, we have produced an article ["The Morningstar Medalist Rating – How it works and how it has performed"](#), authored by Annika Bradley, Director, Manager Research Ratings Asia Pacific, that illustrates how the Medalist Ratings work and the results the Ratings have achieved across from its use over time.

Morningstar has a wealth of resources and capabilities to support your ability to build portfolios and access implementation solutions. If you would like to know more, please contact your business account representative or our Morningstar Support team.

In summary, we are pleased to add significant value to your Research offering and are excited by the prospect of future coverage increases, as well as widening the range of investment vehicles that can be researched and rated for your benefit.

If you have any further questions or needs, please review our FAQs and the official press release or contact your Morningstar Support team.

Kind regards,

Rick Di Cristoforo

Director of Research and Investment Products

Morningstar Australasia Pty Ltd