
November 2015
Australia & New Zealand

Morningstar Manager Research Overview¹

1. This summary is compiled from a number of standalone documents that are available on request. If you would like any more information about our process, or ratings committee structure, for example, please contact anyone in the Manager Research team.

Morningstar Qualitative Manager Research

Morningstar is a leading global provider of independent investment research, with more than 110 manager research analysts based across North America, Europe, Australia, New Zealand and Asia. The 14 member Australasian manager research team has 10 years of average experience and has been producing qualitative manager research and ratings since 1999.

Morningstar's qualitative manager research aims to determine which investments deserve the attention of investors and which do not.

Morningstar assesses investment managers based on how we believe they will perform in the future over an economic cycle, against both peers and accepted benchmarks. Our model rewards managers that are open and transparent, have a well-run investment process and, importantly, are good fiduciaries of investors' monies.

Morningstar operates an independent manager research model. This means that we determine our own coverage universe. Our coverage is organised across 19 sectors that span all major asset classes. We had full coverage on 500 flagship strategies which mapped to about 4,500 underlying funds, ETFs and LICs at 31 October 2015.

There are three guiding principles that define the strategies Morningstar covers:

Investment Merit – As well as including some of the best-known strategies on offer globally, there is also scope for worthy but largely undiscovered strategies to fall within our review.

Client Demand – Given our user-pays philosophy, Morningstar responds to client demand to initiate strategy coverage. Correspondingly, we will cease coverage of funds and sectors where no substantial client demand exists.

Strategy Size – If there is a fund that has a large amount of assets, it is likely that coverage of the strategy will benefit a large number of investors and although there may not be current client demand, Morningstar may cover it in order to provide a view of the offering to existing investors.

Prior to any sector review Morningstar's category review committee meets to determine the category constituents. Funds considered for inclusion in the review include the following; analysts' best ideas, Morningstar Prospects, fund coverage request form submissions, client demand.

The Morningstar Analyst Rating™ is the final outcome of a collaborative process based on a site visit, manager questionnaire, quantitative and holdings-based analysis of the portfolio and an assessment of all the key issues outlined, as illustrated in the diagram below.

Morningstar Fund Review Process



Following the conclusion of the manager review process, the Morningstar Australasian Manager Research Ratings Committee convenes to determine which investments deserve the attention of investors and which do not. This committee is responsible for the governance and oversight of the rating outcomes and consists of senior members of the manager research team and can include senior members from the Morningstar global analyst group. In some cases we also call on an independent member who is within the Morningstar group but sits outside the Australasian manager research team.

The entire Morningstar manager research team participates in the ratings process but voting is limited to the director of manager research (Asia Pacific), the directors of Australasian manager research, independent member, sector lead and lead strategy analyst. The analyst rating does not express a view on a given asset class or peer group but seeks to evaluate each fund within the context of an appropriate benchmark and peer group given what it is trying to achieve. By giving a fund a rating, we are expressing an expectation about a strategy's ability to outperform its relevant performance benchmark and/or peers on a risk-adjusted basis over the long term (defined as a full market cycle). This long-term conviction is summarised through a five-point scale from Gold to Negative. These should be interpreted as follows:

Gold

These funds are our highest conviction recommendations and stand out as best of breed for their investment mandate. To earn a Gold rating, a fund must distinguish itself across the five pillars that form the basis of our analysis. That is, a Gold-rated fund should have a seasoned, talented and successful manager or management team; a sound, thoughtful process that has been executed skilfully and consistently; a portfolio that's in harmony with the stated process and that's capable of delivering a reward that compensates investors for the risks it takes; reasonable expenses; and a strong parent organisation that is focused on responsible stewardship of investor assets.

Silver

Funds in this category are high-conviction recommendations. They have notable advantages across several, but perhaps not all, of the five pillars. With those fundamental strengths, we expect these funds to beat

their relevant performance benchmarks and/or peers on a risk-adjusted basis over the long term (defined as a full market cycle of at least five years). While these are worthy funds with many positive features, they don't necessarily rise to the standard of best in breed. Funds rated Silver may be working their way up our list of recommended picks as we gain more familiarity and conviction in key pillars or working their way down on the basis of a degradation within specific pillars.

Bronze

These funds have advantages that clearly outweigh any disadvantages across the pillars, giving us the conviction to award them a positive rating. As is the case with any fund receiving a positive rating, we expect these funds to beat their relevant performance benchmarks and/or peers on a risk-adjusted basis over a full market cycle (defined as a full market cycle of at least five years). Funds rated Bronze may be working their way up our list of recommended picks as we gain more familiarity and conviction in key pillars or working their way down on the basis of a degradation within specific pillars

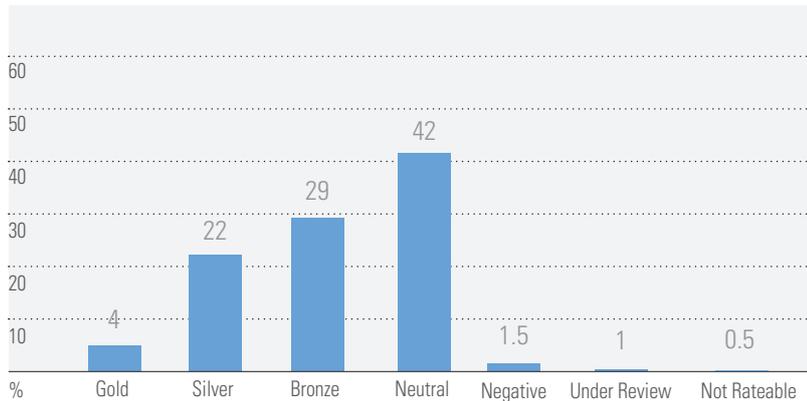
Neutral

These are funds in which we do not have a strong positive or negative conviction. In our judgment, they are not likely to deliver standout returns but are not likely to seriously underperform either. A fund that is overly benchmark-conscious could receive this rating so long as its fees are reasonable enough to give it a chance of keeping up with the average fund in the category or a competing index fund. Promising but unproven funds may also feature here until we see further evidence that the fund has the potential to outperform.

Negative

These funds possess at least one flaw that we believe is likely to significantly hamper future performance, such as high fees or an unstable management team. Because of these faults, we believe these funds are inferior to most competitors and will likely underperform their median peers and benchmark on a risk-adjusted basis in the long term. For example, a fund that combines an overly benchmark-conscious strategy with high fees is likely to get this rating because its strategy lends itself to underperformance.

Figure 1: Morningstar Analyst Rating™ Distribution for Australasian Funds at 31 August 2015.



Morningstar may also use two other designations in place of a rating:

Under Review

This designation means that a change at a rated fund requires further review to determine the impact on the rating.

Not Rateable

This designation means either that a fund has failed to provide sufficient transparency to determine a rating, or that we are providing information on a new strategy where investors require guidance as to suitability, but there is not yet sufficient information to rate the fund.

Morningstar Prospects

At the end of 2015 we introduced Morningstar Prospects. The Prospects list highlights strategies that the Manager Research believe are worthy of additional investor attention. Such investments likely have enduring competitive advantages and long-term appeal, but have so far not met our coverage criteria. Morningstar evaluates funds for inclusion based on our standard 5P framework. Inclusion on the list does not guarantee that a strategy will be subject to full analyst coverage, and strategies can still move to full coverage without being on the Prospects list.

Annual Manager Research Schedule

Sector reviews form the basis of the Morningstar manager research process. Full reviews are conducted on annual 12 monthly cycles. The following schedule shows Morningstar Australasia's intended fund research schedule. Morningstar reserves the right to alter this schedule on the basis of developments or unforeseen circumstances.

Sector	Commencement Date	Completion date	Sector Lead
Global Listed Infrastructure	January	April	Tim Wong
Global Listed Property	January	April	Mark Laidlaw
Australian and New Zealand Listed Property	January	April	Tim Wong
Multi Sector and KiwiSaver	January	May	Matthew Wu
Australian Equities – Large Caps	March	August	Ross Macmillan
Australian Equities – Small Caps	May	August	Ross Macmillan
Fixed Interest – Australian Bonds	May	September	Alex Prineas
Fixed Interest – Global Bonds	May	September	Alex Prineas
Fixed Interest – Global/Australian Bonds	May	September	Alex Prineas
Fixed Interest – Credit	May	September	Alex Prineas
Fixed Interest – Multi-Strategy Income	May	September	Alex Prineas
New Zealand Fixed Interest	May	September	Elliot Smith
New Zealand Equities	July	October	Elliot Smith
Alternatives/Hedge Funds	August	November	Matthew Wu
Asian Equities	August	December	Matt Wilkinson
Emerging Market Equities	August	December	Matt Wilkinson
International Equities – Small Caps	September	January	Kathryn Young
International Equities – Large Caps	September	January	Kathryn Young

Communication of Ratings:

Once ratings have been decided, they are communicated to subscribers through the publication of our fund reports. Subscribers are notified of ratings changes through a daily research update email. No external parties are alerted to ratings changes prior to report publication.

Fund Coverage requests can be submitted to: <http://corporate1.morningstar.com/forms/fundcoveragerequestau.aspx>

For any queries, please contact:

Tim Murphy, CFA, CAIA
 Director of Manager Research
 +61 2 9276 4436 (AUS)
 +64 9915 6783 (NZ)
 tim.murphy@morningstar.com

Tom Whitelaw
 Director of Manager Research Ratings
 +61 9276 4405 (AUS)
 +64 9915 6782 (NZ)
 tom.whitelaw@morningstar.com

Kathryn Young
 Associate Director
 +61 2 9276 4474 (AUS)
 +64 9 927 1242 (NZ)
 kathryn.young@morningstar.com

Australasian Manager Research Team Qualifications, Tenure and Industry Experience

		Qualifications	Industry Experience (Years)	Tenure with Morningstar (Years)
Grant Kennaway	Director of Manager Research, Asia-Pacific	MBA, BA, Diploma of Financial Planning, Postgraduate Diploma in Management	26	4
Tim Murphy	Director of Manager Research	CFA, CAIA, MAppFin, PGDipAcc, BAppFin, FFin	14	10.5
Tom Whitelaw	Director of Manager Research Ratings	BA, First Class, (Business & Finance)	13	8.5
Kathryn Young	Associate Director	MBA (Finance & Economics), Bachelor of Business Administration Hons	8	8.5
Tim Wong	Senior Analyst	CFA, Bachelor of Commerce	11	7
Alex Prineas	Senior Analyst	Bachelor of Commerce, Post Graduate Diploma in Applied Finance & Investments	15	7
Ross Macmillan	Senior Analyst	Bachelor of Commerce (Accounting, Finance and Systems)	27	4.5
Matthew Wu	Analyst	Bachelor of Mathematics Hons	2	1.5
Matt Wilkinson	Analyst	Bachelor of Engineering Hons, Masters of Applied Finance	8	<1
Elliot Lucas	Analyst	Masters of Engineering & Masters of International Economics and Finance	2.5	<1
Elliot Smith	Analyst	Bachelor of Engineering Hons, Bachelor of Commerce	2.5	2.5
Wilson Wong	Analyst	Bachelor of Commerce	1	<1
Andrew Miles	Analyst	Bachelor of Mathematics Hons	3	3
Anshula Venkataraman	Analyst	Bachelor of Economics	1	1
Average Experience and Tenure			10	4.5

Grant Kennaway
Director of Manager Research,
Asia-Pacific

Tom Whitelaw
Director of Manager Research Ratings

Tim Murphy
Director of Manager Research

Kathryn Young
Associate Director

Alex Prineas
Senior Analyst

Ross Macmillan
Senior Analyst

Tim Wong
Senior Analyst

Elliot Lucas
Analyst

Andrew Miles
Analyst

Elliot Smith
Analyst

Anshula Venkataraman
Analyst

Matt Wilkinson
Analyst

Wilson Wong
Analyst

Matthew Wu
Analyst

Morningstar Manager Research Team Biographies

Grant Kennaway

**Director of Manager
Research, Asia Pacific
Morningstar, Australia**



Grant Kennaway is Director of Manager Research, Asia Pacific for Morningstar, a leading global provider of investment research.

Grant is responsible for leading Morningstar's fund research efforts in Australasia and Asia.

Before joining Morningstar in November 2011, Grant spent 11 years at Australian investment research house Lonsec, ultimately as General Manager Research/Director after roles as Head of Fund Research and as a fund research analyst. He started his career working for fund managers in Australia and the United Kingdom.

Grant has a Master's Degree in Business Administration, a Bachelor of Arts degree, a Diploma of Financial Planning, and a Postgraduate Diploma in Management

Tim Murphy, CFA, CAIA

**Director of Manager
Research Morningstar,
Australasia**



Tim Murphy is Director of Manager Research with Morningstar, a leading global provider of independent investment research.

Tim is responsible for leading qualitative research on Australian and New Zealand funds, exchange-traded funds, and listed investment companies, as well as managing Morningstar's model portfolios and relationships with consulting and adviser clients.

Before joining Morningstar in 2005, Tim worked in equity derivatives trading with Optiver Australia, and prior to that, in mortgage securitisation with Macquarie Bank, as well as in corporate credit analysis roles with HSBC and Commonwealth Bank. He worked on secondment to Morningstar's London office in 2007. He comments regularly about investing issues in the media.

He has a Bachelor of Applied Finance, Postgraduate Diploma in Accounting, and Master of Applied Finance degrees from Macquarie University, as well as having earned the right to use the Chartered Financial Analyst and Chartered Alternative Investment Analyst designations. He has completed the Investment Management Workshop at Harvard Business School, is a Fellow of FINSIA, and has been a guest lecturer in Macquarie University's Master of Applied Finance Program on the topic of Equity Funds Management

Tom Whitelaw

**Director of Manager
Research Morningstar,
Australasia**



Tom Whitelaw is Director of Manager Research Ratings with Morningstar, a leading global provider of independent investment research.

Tom is responsible for leading the Australasian manager research team. He chairs Morningstar's Australasian ratings committee and monitors the manager review process and production schedule. Tom also undertakes qualitative research on Australian and New Zealand investment managers and their strategies.

Tom joined Morningstar in the United Kingdom in 2007, spending three years researching funds before moving to Australia in 2010. He worked previously as a fund analyst for Aviva, where he was responsible for fund selection across the group's life, pension, and collective investment platforms. Before that, he worked at Pearson Jones, where he prepared and maintained recommended fund lists for the firm's independent financial advisers.

Tom has a Bachelor's degree with first class honours in Business and Finance from Sheffield Hallam University, and holds the United Kingdom Society of Investment Professionals Investment Management Certificate.

Kathryn Young

**Associate Director
Manager Research
Morningstar**



Kathryn is an Associate Director at Morningstar, a leading global provider of independent investment research.

Kathryn is responsible for conducting qualitative research on Australian and New Zealand fund managers and their funds.

Kathryn joined Morningstar in the United States in April 2007 as a senior data analyst and began researching managers and funds in October 2009. She has worked in Australia since February 2012. In the US, she covered a broad range of funds, specialising in fixed interest and commodities funds as well as socially responsible/ green investing.

Kathryn has a Bachelor of Business Administration degree from the University of Washington, where she graduated cum laude, and a Master of Business Administration degree majoring in Finance and Economics from the University of Chicago Booth School of Business

Ross Macmillan

**Senior Analyst
Manager Research
Morningstar**



Ross is a Senior Analyst in the manager research team at Morningstar, a leading provider of independent investment research. Ross is responsible for conducting qualitative research on Australian and New Zealand fund managers and their funds.

Ross joined Morningstar in 2011 and until late 2015 worked as Industrial Equities Sector Head, principally responsible for fundamental industrial equities research in Australia, China and India, managing analysts in Sydney, Hong Kong, Shenzhen and Mumbai.

Before joining Morningstar, Ross worked as a Senior Equities Analyst for Baillieu Holst Stockbroking and Commonwealth Securities, covering industrial equities in the Australian market.

Ross has a Bachelor of Commerce (Accounting, Finance and Systems) from the University of NSW, is a Chartered Accountant (CA), Professional Stockbroker and Fellow of FINSIA.

Alex Prineas

**Senior Analyst
Manager Research
Morningstar**



Alex is a Senior Analyst with Morningstar, a leading global provider of independent investment research.

Alex is responsible for conducting qualitative research on Australian and New Zealand fund managers and their funds.

Alex worked as a research analyst for Morningstar in the United Kingdom from February 2009 to September 2011. Before that, he worked for OBSR, an independent investment research firm which is now a Morningstar company.

He previously spent six years at ING Australia working in marketing, product development, and research. Alex has a Bachelor of Commerce degree from the University of New South Wales, majoring in accounting and finance, and a Postgraduate Diploma in Applied Finance and Investment from Finsia.

Tim Wong, CFA

**Senior Analyst
Manager Research
Morningstar**



Tim Wong is a Senior Research Analyst with Morningstar, a leading global provider of independent investment research.

Tim is responsible for conducting qualitative research on Australian and New Zealand fund managers and their funds

Before joining Morningstar in 2008, Tim was a senior financial analyst at the New South Wales Treasury, and before that worked as an intern at Credit Suisse in equities research.

He has a Bachelor's degree in Commerce from the University of New South Wales, majoring in Finance and Information Systems, and has earned the right to use the Chartered Financial Analyst designation

Elliot Lucas

**Analyst
Manager Research
Morningstar**



Elliot is an Analyst with Morningstar, a leading global provider of independent investment research.

Elliot is responsible for conducting qualitative research on Australian and New Zealand fund managers and their funds.

Before joining Morningstar in 2015, Elliot worked as an equities research analyst at Capital Dynamics and before worked as a fixed interest derivatives trader at Epoch Capital.

He has a Master's degree in International Economics and Finance from the University of Queensland and a Master's degree in Engineering from the Ecole Centrale de Lyon.

Andrew Miles

Analyst
Manager Research
Morningstar



Andrew is an Analyst with Morningstar, a leading global provider of independent investment research.

Andrew is responsible for conducting qualitative research on Australian and New Zealand fund managers and their funds.

Andrew joined Morningstar in 2011. He initially worked in the institutional software division, in London and Sydney, before moving into research in 2015.

He has a Bachelor's degree with honours in Mathematics from the University of Reading and holds the UK Investment Management Certificate.

Elliot Smith

Analyst
Manager Research
Morningstar



Elliot is an Analyst with Morningstar, a leading global provider of independent investment research.

Elliot is responsible for conducting qualitative research on Australian and New Zealand fund managers and their funds.

Elliot joined Morningstar in New Zealand in 2013, assuming responsibility for the local fund and equity databases and providing assistance to the manager research team.

He has a Bachelor's degree with honours in Engineering and a Bachelor of Commerce majoring in Economics and Finance, both from the University of Canterbury. Elliot is a CFA Level II Candidate.

Anshula Venkataraman

Analyst
Manager Research
Morningstar



Anshula is an Analyst with Morningstar, a leading global provider of independent investment research.

Anshula is responsible for conducting qualitative research on Australian and New Zealand fund managers and their funds.

Anshula joined Morningstar in 2014 as part of the Morningstar Development Program in Chicago, initially working within the Advisor Software Group before moving to the Sydney Manager Research in 2015.

Anshula has a B.A. with a major in Economics from Wellesley College and is a CFA Level II Candidate.

Matthew Wilkinson

Analyst
Manager Research
Morningstar



Matt Wilkinson is an Analyst with Morningstar, a leading global provider of independent investment research.

Matt is responsible for conducting qualitative research on Australian and New Zealand fund managers and their funds.

Before joining Morningstar in 2015, Matt worked for Propex Derivatives in the fixed interest and equity futures market analysing and managing exposures. Prior to that Matt had a career in engineering and construction working on local and overseas projects, most recently in a commercial management role.

Matt has a Masters of Applied Finance from Macquarie University and a Bachelor of Civil Engineering from the University of Sydney.

Wilson Wong

Analyst
Manager Research
Morningstar



Wilson is an Analyst with Morningstar, a leading global provider of independent investment research.

Wilson is responsible for conducting qualitative research on Australian and New Zealand fund managers and their funds.

Before joining Morningstar in 2015, Wilson worked as an Adviser at KPMG in their Private Enterprise division providing accounting and tax services for private companies and high net worth individuals. During this time, he also worked on secondment as a Mergers & Acquisitions Analyst at KPMG Corporate Finance.

Wilson has a Bachelor of Commerce degree with distinction from the University of New South Wales, majoring in finance and accounting.

Matthew Wu

Analyst
Manager Research
Morningstar



Matthew is an Analyst with Morningstar, a leading global provider of independent investment research.

Matthew is responsible for conducting qualitative research on Australian and New Zealand fund managers and their funds.

Before joining Morningstar in 2014, Matthew worked as a junior equities research analyst at Intelligent Investor Share Advisor and before that he worked as an intern at Microequities Asset Management.

Matthew has a Bachelor's degree with honours in Mathematics from the University of New South Wales.

About Morningstar

Independent. Insightful. Trusted.

Morningstar Inc. is a leading provider of independent investment research in North America, Europe, Australia and Asia. We offer an extensive line of products and services for individuals, financial advisers and institutions.

Morningstar was founded by Joe Mansueto in 1984. Mansueto remains our Chairman of the Board and Chief Executive Officer of Morningstar Inc., a publically listed company on the NASDAQ (ticker symbol: MORN) since May 2005, with a market capitalisation of about US\$3.8 billion as at February 2014. Mansueto is Morningstar's largest shareholder with approximately 49% of the issued capital. Morningstar Inc. has offices in 27 locations and employs more than 3,500 staff worldwide. Our head office is located in Chicago, Illinois, United States.

Morningstar provides data on more than 437,000 investment offerings, including stocks, mutual funds, and similar vehicles, along with real-time global market data on more than 10 million equities, indices, futures, options, commodities, and precious metals, in addition to foreign exchange and Treasury markets. Morningstar also offers investment management services and has more than US\$176 billion in assets under advisement or management as of 30 Sept 2013.

Morningstar Australasia, a wholly owned subsidiary of Morningstar Inc., has operated in Australia and New Zealand since 1999. The firm's flagship retail websites, www.morningstar.com.au and www.morningstar.net.nz, offer comprehensive data and objective information about more than 12,000 managed funds and 2,000 stocks available to individual investors in Australia and New Zealand, including proprietary Morningstar analyst research on 250 individual stocks and 300 investment strategies distributed through 4,000 individual funds. The site also offers independent editorial content produced by Morningstar analysts and journalists based in Sydney and around the world.

In addition to its investing site, Morningstar Australasia provides a range of innovative products and services to investors, advisers and institutions. These include Morningstar® Adviser Research Centre™, a web-based solution developed specifically for dealer groups and advisers, and Morningstar Direct™, a global institutional investment analysis platform. The company also licenses fund and stock data feeds, publishes investor newsletters and sells stock research and analysis software.

Level 36, Australia Square
264 George Street
Sydney NSW 2000
Australia
+61 2 9276 4444
helpdesk.au@morningstar.com

Level 23, Vero Centre
48 Shortland Street
Auckland
New Zealand
+ 64 9 915 6770
helpdesk.nz@morningstar.com