

23 June 2022

ASX Limited
PO Box H224
Australia Square NSW 1215
Attn: Kevin Lewis
Submitted via email to: kevin.lewis@asx.com.au

Dear Kevin,

Please find attached an electronic copy of the response questions as requested.

Morningstar is in a unique position to offer feedback to this consultation. We track over 10,000 managed investments in Australia, including all ETFs, LICs and MFunds that are tradable via your exchange and competitor exchanges. We also have similar levels of coverage for managed investments globally, whether they be listed or unlisted. Furthermore our manager research team qualitatively rate many tradable managed investments offered on the ASX and our equity research team offer qualitative research on REITs. Our large ecosystem of data and research in Australia ensures we closely observe how our clients currently use, and would like to use the data available on exchange tradable securities – and importantly what limitations exist today.

Compared to global peers, managed investments in Australia operate in a low disclosure environment. In our latest disclosure chapter of our 'Global Investor Experience Survey Australia scores poorly. The author quoted "Australia stands alone as having clearly the feeblest disclosure regime among the 26 markets in this study", The study did not focus directly on the listed fund universe, but many of the same conclusions would be made.

We are strongly of the view that enhancing transparency within managed investments is critical to the investor experience.

In our submission we have only provided answers where Morningstar has a house view, and the appropriate subject matter expertise.

If you would like any clarification on our submission, or desire further information – we would be happy to arrange for you to meet with our local or global subject matter experts.

Sincerely,
Greg Bunkall, Data Director – Morningstar Australasia

Response to ASX Consultation Paper

Enhancing the ASX Investment Products Offering (16 April 2022)



Name: [Greg Bunkall, Matt Maenke]

Date: [23/06/2022]

~~Confidential~~/Not confidential

Consultation Question	Our Response
2.2 Some threshold rule issues - Why three separate rule books?	
Question 2.2.1: Would you have any concerns if ASX were to combine the ASX AQUA Rules and Warrant Rules into a single rule book governing non-listed Investment Products? If so, what are they and how might they be addressed?	Answer: N/A
Question 2.2.2: If the ASX AQUA Rules and Warrant Rules are combined into a single rule book governing non-listed Investment Products, would you have any concerns if ASX were to make Warrants a sub-category of ETSPs? If so, what are those concerns?	Answer: N/A
Question 2.2.3: Do you see any benefit or value in maintaining the name “AQUA” as part of the ASX Investment Product rule framework? Does it have any currency with investors?	Answer: N/A
2.3 Some threshold rule issues - The treatment of LICs and LITs under the Listing Rules	
Question 2.3.1: Do you support the proposed new definition of “financial investment entity” set out in the consultation paper. If not, why not and how would you define this term?	Answer: N/A

Response to ASX Consultation Paper
Enhancing the ASX Investment Products Offering (16 April 2022)

Consultation Question	Our Response
2.4 Some threshold rule issues - The treatment of REITs and IFs under the Listing Rules	

Response to ASX Consultation Paper Enhancing the ASX Investment Products Offering (16 April 2022)

Question 2.4.1: Should REITs and IFs be formally recognised in the Listing Rules as separate categories of listed investment vehicles? If not, why not?

Answer: Morningstar’s observation is that REITs and IFs are not typically found directly held within diversified investment portfolios for individual investors (either advised, or self-directed). That is, they are not typically used as building blocks to build out a rounded asset class exposure. REITs and IFs are not usually substitutes for traditional managed funds.

We have, however, observed that LICs/LITs are more commonly used and substituted within individual investment portfolios.

We do not observe our clients using our tools to compare REITs/IFs with managed funds—however, we do observe that LICs/LITs are more commonly compared.

We believe that it makes sense to have formally recognised, separate categories for REITs and IFs within the listed investment vehicle designation.

REITs are more commonly compared with non-investment companies. As such, it is important any changes to not render them less comparable to those entities.

The consultation paper states that REITs are currently subject to “the same admission requirements and ongoing obligations under the Listing Rules as other (non-investment) entities.” This is appropriate for two main reasons. First, REITs exercise control over properties they own and are not passive owners of assets. Second, while REITs are vehicles that own property, they also undertake business activities beyond rent-collecting. These activities include property development, funds management, third-party property management, provision of aged care, advertising and customer data collection, energy generation, and many other businesses. The amount of “other business activity” differs among REITs and differs for individual REITs over time. For

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Consultation Question	Our Response
	<p>example, Shopping Centres Australasia primarily owns neighbourhood shopping centres, and its main income source is rent. By contrast, major office-REIT Dexus also has a substantial funds management business. Yet Shopping Centres Australasia has had funds management businesses in the past and may have them again. Also, Dexus is growing its funds management business at present. This underscores the absence of clear demarcation between passive, rent-collecting REITs, and actively managed property businesses. This flexibility is an important part of the capital allocation and portfolio management process for property-related businesses.</p> <p>Therefore, care should be exercised to make sure that the creation of a separate investment subcategory for REITs does not result in unintended, arbitrary distinctions between REITs and other property-related businesses, or onerous reporting requirements that differ depending on whether a property-related company is classified as a REIT or not. Any such arbitrary distinctions may hamper capital allocation.</p>
<p>Question 2.4.2: Do you support the proposed new definitions of “real estate investment entity” and “infrastructure investment entity” set out in the consultation paper. If not, why not and how would you define these terms?</p>	<p>Answer: Morningstar sees no issue with the definition in the consultation paper; however, we would like to see more clarity and specificity within the definition on how the ASX will determine the nature of the investment assignment. It is not clear in the definition between what is a real estate investment entity and what is not, other than “the ASX determines this.”</p>

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Consultation Question	Our Response
2.5 Some threshold rule issues - Towards a more aligned rule framework for Investment Products	
<p>Question 2.5.1: Do you support the proposed new definition of “collective investment entity” set out in the consultation paper. If not, why not and how would you define this term?</p>	<p>Answer: The differentiating factor between what the proposal document calls “collective investment entities” and the other ASX-tradable managed investments, like ETPs/MFunds (investment products), is that the collective investment entities are closed-ended. Both the name and the definition should make this clear. Calling only the closed-ended entities “collective investment entities” risks confusing investors and observers, because the ETPs/MFunds are also collective and could easily be known investment entities—at least from the public’s point of view.</p> <p>Morningstar believes the ASX should consider a nomenclature that specifically names the most obvious differences between the types of securities being grouped together (open or closed-ended).</p>
<p>Question 2.5.2: Are there other types of entities, apart from LICs, LITs, REITs and IFs, that should be formally recognised in the Listing Rules as separate categories of collective investment entities so that some or all of the specific Listing Rules that are proposed to apply collectively to LICs, LITs, REITS and IFs also apply to them?</p>	<p>Answer: N/A</p>
2.6 Some threshold rule issues - Issues with the current definition of “investment entity” in the Listing Rules	
<p>Question 2.6.1: Do you think that the terms “LIC” and “LIT” have a particular connotation for retail investors? If so, what is that connotation and what ramifications does that have for the definition of “investment entity” in the Listing Rules?</p>	<p>Answer: N/A</p>

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Consultation Question	Our Response
<p>Question 2.6.2: If the current rule framework for investment entities in the Listing Rules is retained, should the definition of “investment entity” be narrower and more specific about the types of securities and derivatives in which the entity can invest? If so, what types of securities and derivatives should LICs and LITs be limited to investing in? Alternatively, should the definition of “investment entity” be broader and allow the entity to invest in a wider class of financial assets than just securities or derivatives? If so, what additional classes of financial assets should LICs and LITs be allowed to invest in?</p>	<p>Answer: N/A</p>
<p>Question 2.6.3: If the current rule framework for investment entities in the Listing Rules is retained, should there be any constraints on the ability of a LIC or LIT to invest in securities in an unlisted company or in OTC derivatives, given the capacity that opens for them to invest in any class of underlying asset? If so, what should those constraints be? If not, why not?</p>	<p>Answer: N/A</p>
<p>Question 2.6.4: If the current rule framework for investment entities in the Listing Rules is retained, should the definition of “investment entity” continue to exclude an entity that has an objective of exercising control over or managing any entity, or the business of any entity, in which it invests? If so, why? If not, why not?</p>	<p>Answer: N/A</p>
<p>Question 2.6.5: If your answer to Question 2.6.4 is “yes”, what consequence do you think should follow if a LIC or LIT enters into, or seeks to enter into, a transaction that will allow it to exercise control over or manage any entity, or the business of any entity, in which it invests? Should this be prohibited? Or should it be permitted if the entity obtains approval from its shareholders/unitholders?</p>	<p>Answer: N/A</p>

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Consultation Question	Our Response
<p>Question 2.6.6: If your answer to Question 2.6.4 is “yes”, how do you think ASX should address a situation where an investment entity generally does not have the objective of exercising control over or managing any entity, or the business of any entity, in which it invests but feels that it needs to do so in a particular case, in the interests of its investors, because the entity or business is being poorly managed? Should this be permitted if the entity obtains approval from its shareholders/unitholders or should ASX consider granting a waiver to allow this to occur where it is satisfied that this is a “one-off” and temporary situation?</p>	<p>Answer: N/A</p>
<p>Question 2.6.7: If your answer to Question 2.6.4 is “yes”, to address the concerns in the text, would you support expanding the second limb of the definition of “investment entity” so that it reads: <i>“Its objectives do not include (alone or together with others) exercising control over or managing any entity, or the business of any entity, in which it invests”</i>?</p>	<p>Answer: N/A</p>
<p>Question 2.6.8: As an alternative to precluding an investment entity from having an objective of exercising control over or managing an entity or its business, would it be better for the Listing Rules to limit the percentage holding an investment entity and its associates can have in any one entity. If so, what percentage would you suggest? If not, why not?</p>	<p>Answer: N/A</p>
<p>Question 2.6.9: As an alternative to, or in addition to, the suggestion in the previous question, would it be better for the Listing Rules to limit the percentage of funds that an investment entity can invest in any one entity, thereby ensuring that it has a portfolio of different investments? If so, what percentage would you suggest? If not, why not?</p>	<p>Answer: N/A</p>
<p>Question 2.6.10: If the current rule framework for investment entities in the Listing Rules is retained, to address the concerns in the text, should the definition of “investment entity” be broadened so that it captures any entity which has been advised by ASX that it is an investment entity for the purposes of the Listing Rules?</p>	<p>Answer: N/A</p>

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Consultation Question	Our Response
<p>Question 2.6.11: If the current rule framework for investment entities in the Listing Rules is retained, are there any other improvements that could be made to the existing definition of “investment entity” in the Listing Rules? If so, what are they?</p>	<p>Answer: N/A</p>
<p>3.2 Approved issuers - Approved issuers of AQUA Products and Warrants</p>	
<p>Question 3.2.1: Should the list of Approved Issuers of AQUA Products and Warrants be expanded to include entities that are prudentially regulated by an overseas regulator equivalent to APRA? If not, why not?</p>	<p>Answer: N/A</p>
<p>Question 3.2.2: Are there any other types of issuers who should be added to the list of Approved Issuers for AQUA Products and Warrants? If so, what are they and why should they be added to the list of Approved Issuers for AQUA Products and Warrants?</p>	<p>Answer: N/A</p>
<p>3.3 Approved issuers - Financial products excluded from being AQUA Products</p>	
<p>Question 3.3.1: Do you agree with ASX’s proposed changes to the exclusions in AQUA Rule 10A.3.3(d) so that they only apply to securities in a financial investment entity, real estate investment entity or infrastructure investment entity that is quoted on the ASX market under the ASX Listing Rules rather than the AQUA Rules. If not, why not?</p>	<p>Answer: N/A</p>
<p>Question 3.3.2: Do you think that an AQUA Product issuer should be precluded from having a controlling interest in the issuer of an underlying instrument in its portfolio? If not, why not? If so, do you think that AQUA Rule 10A.3.3(d) is sufficiently clear in this regard? If not, how would you re-word that rule to cover the point?</p>	<p>Answer: N/A</p>

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Consultation Question	Our Response
3.4 Approved issuers - Hybrid Listed/AQUA Product structures	
<p>Question 3.4.1: Do you have any views about hybrid structures, where a listed issuer that is also approved as an AQUA Product issuer simultaneously issues one class of securities that is a Listed Investment Product subject to the Listing Rules and another class of securities that is an AQUA Product subject to the AQUA Rules? What do you see as the advantages and disadvantages of these hybrid structures? Do you see any particular risks associated with, or have any other concerns about, these hybrid structures that you would like to see addressed in any re-write of the Listing Rules and the AQUA Rules?</p>	<p>Answer: N/A</p>
4.2 Admission requirements and processes - Minimum fund size	
<p>Question 4.2.1: Is having an NTA (after deducting the costs of fund raising) of \$15 million a suitable threshold for admission as a LIC or LIT? Should it be higher? If so, what should it be?</p>	<p>Answer: N/A</p>
<p>Question 4.2.2: Is having an NTA (after deducting the costs of fund raising) of \$4 million a suitable threshold for admission as a REIT or IF? Should it be higher? If so, what should it be?</p>	<p>Answer: N/A</p>
<p>Question 4.2.3: If in your response to Question 2.5.2 you have identified other types of collective investment product issuers, apart from LICs, LITs, REITs and IFs, that should be formally recognised in the Listing Rules as separate categories of listed investment vehicles, is having an NTA (after deducting the costs of fund raising) of \$4 million a suitable threshold for admission as such a vehicle? Should it be higher? If so, what should it be?</p>	<p>Answer: N/A</p>
<p>Question 4.2.4: Do you agree with ASX's conclusion that it is not necessary to impose a minimum subscription or fund size requirement for AQUA Products or Warrants to be admitted to quotation under the AQUA Rules or Warrant Rules, given the liquidity support obligations that apply to those products? If not, why not and what minimum subscription or fund size would you suggest?</p>	<p>Answer: N/A</p>

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Consultation Question	Our Response
<p>Question 4.2.5: Do you think that ASX should have the power to order the issuer of an AQUA Product or Warrant to conduct an orderly wind down of the product and also for ASX to suspend quotation of the product while the orderly wind-down is undertaken if, in ASX’s opinion, there is not sufficient investor interest in the product to warrant its continued quotation? If so, what considerations do you think ASX should take into account in exercising that power? If not, why not?</p>	<p>Answer: N/A</p>
<p>4.3 Admission requirements and processes - Commitments</p>	
<p>Question 4.3.1: Should REITs and IFs be excluded from the “commitments test”, in the same way that LICs and LITs are?</p>	<p>Answer: REITs are primarily viewed by investors as non-investment entities and, as such, should remain subject to the same rules as other non-investment entities. Therefore, REITs should remain subject to the commitments test, unless there is a specific reason as to why it should not. The consultation paper provides no reason why REITs should be exempt, other than the possibility that REITs might be included in a separate investment category. Morningstar does not view that as a sufficient reason, given the fact that REITs are typically viewed by investors as non-investment entities.</p>
<p>Question 4.3.2: If in your response to Question 2.5.2 you have identified other types of collective investment product issuers, apart from LICs, LITs, REITs and IFs, that should be formally recognised in the Listing Rules as separate categories of listed investment vehicles, should those product issuers also be excluded from the “commitments test”, in the same way that LICs and LITs are?</p>	<p>Answer: N/A</p>

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Consultation Question	Our Response
4.4 Admission requirements and processes - Required licences	
<p>Question 4.4.1: Should entities seeking admission to the official list as an issuer of a Listed Investment Product have to satisfy an admission condition that they hold all required licenses under Chapter 7 of the Corporations Act and, once they are admitted, under a continuing obligation to satisfy that condition for as long as they have any Listed Investment Products on issue? If not, why not?</p>	<p>Answer: N/A</p>
4.5 Admission requirements and processes - Adequate facilities and resources	
<p>Question 4.5.1: Should entities seeking admission to the official list as an issuer of a Listed Investment Product have to satisfy an admission condition that they have adequate facilities, systems, processes, procedures, personnel, expertise, financial resources and contractual arrangements with third parties to perform their obligations as such an issuer and, once they are admitted, under a continuing obligation to satisfy that condition for as long as they have any Listed Investment Products on issue? If not, why not?</p>	<p>Answer: N/A</p>
5.2 Product names - Naming requirements for AQUA Products and Warrants	
<p>Question 5.2.1: Are there any other naming constraints or requirements, apart from those set out in the text, that should apply to AQUA Products or Warrants generally or to specific types of AQUA Products or Warrants? If so, what are they?</p>	<p>Answer: Morningstar has no additional constraints or requirements in terms of legal names of funds. We do, however, note that most systems used to process this data have character limits, and it would be beneficial to store both a full legal name as well as a “short” name that would be limited to 40 characters for ease of storing and display.</p> <p>Morningstar specifically removes any reference to the word “index” within the standard names of ETFs because it is not considered a valuable word for investors.</p> <p>Morningstar adds the acronym ETF when it is not found in the standard name.</p>

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Consultation Question	Our Response
5.3 Product names - Naming requirements for Listed Investment Products	
<p>Question 5.3.1: Do you support the introduction of a rule for Listed Investment Products that the name of the product must not, in ASX's opinion, be capable of misleading retail investors as to the nature, features or risks of the product? If not, why not?</p>	<p>Answer: Morningstar unequivocally agrees that the names of managed funds should not be allowed to mislead investors and that names should be strictly monitored by the ASX.</p>
<p>Question 5.3.2: Do you support the introduction of a rule for Listed Investment Products that if the issuer proposes to change the name of the product, it must first seek approval from ASX to the new name? If not, why not?</p>	<p>Answer: Morningstar unequivocally agrees that the names of managed funds should not be allowed to mislead investors and that names should be strictly monitored by the ASX. In practise, this means that the ASX should approve all changes at launch date, as well as any subsequent changes.</p>
<p>Question 5.3.3: Should issuers of Listed Investment Products be prohibited under the Listing Rules from describing themselves as an "Exchange Traded Fund" or "ETF"? If not, why not??</p>	<p>Answer: Morningstar agrees that the "ETF" tag should be saved for investment vehicles only and that issuers should be prohibited from describing themselves in that manner.</p> <p>A company itself is not an ETF; it is a company that makes available an ETF for investment.</p>
<p>Question 5.3.4: If your answer to question 5.3.3 is 'no', should LICs and LITs be subject to a Listing Rule requiring them to comply with similar naming requirements as those set out by ASIC in INFO 230? If not, why not?</p>	<p>Answer: N/A - we agree with 5.3.3.</p>

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Consultation Question	Our Response
<p>Question 5.3.5: Are there any other naming constraints or requirements that should apply to Listed Investment Products generally or to specific types of Listed Investment Products? If so, what are they?</p>	<p>Answer: Like our answer to 5.2.1.</p> <p>The Securities and Exchange Commission has some very detailed clear naming-convention restrictions, found here: https://www.sec.gov/rules/final/ic-24828.htm</p> <p>They are also proposing to add some more rules around these: https://www.sec.gov/files/ic-34593-fact-sheet.pdf</p>
<p>6.2 Investment mandates - Investment mandates for AQUA Products</p>	
<p>Question 6.2.1: For greater certainty, should the term “investment mandate” be defined in the AQUA Rules? If so, would you be happy with a definition that simply incorporates the two components mentioned in section 6.2 of the consultation paper (ie investment objective and investment strategy)? If not, how would you define the term “investment mandate”?</p>	<p>Answer: Morningstar believes in the power of well-defined, regular disclosure to benefit the investor. In principle, we believe that the investment mandate should be set out in the PDS, and we see no good reason that this should not also be approved by the ASX.</p> <p>We would also suggest that the term “investment mandate” is enhanced to cover a third component—The Asset Class benchmarks and ranges—to indicate what investments the fund is allowed to invest into and in what proportion. If indeed the rules are changed to bring more types of securities into the available investment universe for listed products/entities, then this requirement becomes even more important.</p>

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Consultation Question	Our Response
<p>Question 6.2.2: Should the AQUA Rules impose any constraints on an ETF, ETMF, or ETSP that takes the form of a Collective Investment Product from changing its investment mandate (such as a requirement for a certain period of notice before the change is made)? If so, what should those constraints be? If not, why not?</p>	<p>Answer: As long as the changes are disclosed, Morningstar does not see a good reason why there should be any constraints. If the data is clearly disclosed in the PDS, and the changes are not made prior to the PDS being issued, then this would follow practices of unlisted managed funds that regularly amend their investment mandate by issuing a PDS or supplementary document.</p> <p>A reasonableness guidance should be mentioned to allow the ASX to intervene, if necessary—certainly around frequency, but guidance about specific constraints are not needed at this time.</p>
<p>Question 6.2.3: Should the AQUA Rules require an ETF, ETMF, or ETSP that takes the form of a Collective Investment Product to advise the market immediately if it materially breaches its investment mandate? If not, why not?</p>	<p>Answer: Morningstar believes in the power of well-defined, regular disclosure to benefit the investor. A material breach of an investment mandate is information that should be known to investors of the fund to make informed decisions. A breach can be interpreted as an issuer having operational issues, such as lax oversight or suboptimal pre-trade/post-trade compliance systems. It could also point to more nefarious issues, such as rogue traders or outright fraudulent activity. These sorts of issues help to inform what Morningstar would term an issuer’s “stewardship” activities and capabilities, and it is something we believe should be required by regulation to be reported within a reasonable time frame. This will allow investors to assess whether that investment has the best chance of ensuring that it helps them meet their goals.</p>
<p>Question 6.2.4: Should the AQUA Rules require an ETF, ETMF, or ETSP that takes the form of a Collective Investment Product to confirm in its annual report whether it has materially complied with its investment mandate for the financial year and, if it hasn’t, to disclose any material departures from that mandate? If not, why not? If so, should that statement be audited or otherwise verified by an independent third party?</p>	<p>Answer: Yes, to all—for the same reasons as the previous answer. Morningstar does not see any valid reason this information should be withheld from investors, potential investors, or market observers.</p>

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Consultation Question	Our Response
6.3 Investment mandates - Investment mandates for Listed Investment Products	
<p>Question 6.3.1: Should the Listing Rules require an entity applying for admission as a LIC or LIT to satisfy an admission condition that it have an investment mandate which is acceptable to ASX and which is set out in its listing prospectus or PDS. If not, why not? If so, how should the term “investment mandate” be defined in the Listing Rules? Would the two-part definition mentioned in section 6.2 of this consultation paper incorporating investment objective and investment strategy be appropriate?</p>	<p>Answer: Morningstar believes in the power of well-defined, regular disclosure to benefit the investor. In principle, we believe that the investment mandate should be set out in the PDS, and we see no good reason that this should not also be approved by the ASX.</p> <p>We also would suggest that the term “investment mandate” is enhanced to cover a third component—The Asset Class benchmarks and ranges—to indicate what investments the fund is allowed to invest into and in what proportion. If indeed the rules are changed to bring more types of securities into the available investment universe for listed products, then this requirement becomes even more important.</p>
<p>Question 6.3.2: Should the Listing Rules impose any constraints on a LIC or LIT from changing its investment mandate (such as a requirement for a certain period of notice before the change is made or that the mandate can only be changed with the approval of its security holders)? If so, what should those constraints be? If not, why not?</p>	<p>Answer: If the changes are disclosed, Morningstar does not see a good reason why there should be any constraints. If the data is clearly disclosed in the announcements—and the changes are not made prior to the announcement being issued—then this would follow practices of unlisted managed funds that regularly amend their investment mandate by issuing a PDS or supplementary document.</p> <p>Without being prescriptive, the ASX should offer reasonableness guidance on frequency of mandate changes.</p>

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Consultation Question	Our Response
<p>Question 6.3.3: Should the Listing Rules require a LIC or LIT to advise the market immediately if it materially breaches its investment mandate? If not, why not?</p>	<p>Answer: Morningstar believes in the power of well-defined, regular disclosure to benefit investors. A material breach of an investment mandate is information that should be known to investors to make informed decisions. A breach can be interpreted as an issuer having operational issues, such as lax oversight or suboptimal pre-trade/post-trade compliance systems. It could also point to more nefarious issues, such as rogue traders or outright fraudulent activity. These sorts of issues help to inform what Morningstar would term an issuer’s “stewardship” activities and capabilities, and it is something we believe should be required by regulation to be reported within a reasonable time frame to allow investors to assess whether that investment has the best chance of ensuring that it helps them meet their goals.</p>
<p>Question 6.3.4: Should the Listing Rules require a LIC or LIT to confirm in its annual report whether it has materially complied with its investment mandate for the financial year and, if it hasn’t, to disclose any material departures from that mandate? If not, why not? If so, should that statement be audited or otherwise verified by an independent third party?</p>	<p>Answer: Yes, to all—for the same reasons as the previous answer. Morningstar does not see any valid reason this information should be withheld from investors, potential investors, or market observers.</p>
<p>Question 6.3.5: Should REITs and IFs also be subject to similar requirements regarding investment mandates as those suggested above for LICs and LITs? If not, why not? If so, why and do those requirements need any customisation to deal with the different attributes of REITs and IFs compared to LICs and LITs?</p>	<p>Answer: Morningstar believes in the power of well-defined, regular disclosure to benefit the investor. In principle, we believe that the investment mandate should be set out in the offer documents, and we see no good reason that this should not also be approved by the ASX and be something required by listed REITs/IFs.</p> <p>We do acknowledge that REITS adhere to the same requirements as listed (non-investment) companies. Requirements imposed by accounting regulations are already significant.</p>

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Consultation Question	Our Response
7.2 Permitted investments - Acceptable underlying instruments for AQUA Products	
Question 7.2.1: Do you support including in the list of acceptable underlying instruments for AQUA Products any financial product that, in ASX's opinion, is subject to a reliable and transparent pricing framework? If not, why not?	Answer: N/A
Question 7.2.2: Are there any other financial products or indices that you consider should be added to the list of acceptable underlying instruments for AQUA Products? If so, please provide details and explain the reasons why.	Answer: N/A
Question 7.2.3: Are there any products currently included in the list of acceptable underlying instruments for AQUA Products that you consider should be excluded? If so, please provide details and explain the reasons why.	Answer: N/A
7.3 Permitted investments - Acceptable underlying instruments for Warrants	
Question 7.3.1: Should the Warrant Rules be amended to limit the acceptable underlying instruments for Warrants to the same types of underlying instruments as are acceptable for AQUA Products? If not, why not?	Answer: N/A
Question 7.3.2: Are there any other types of products that should be added to the list of acceptable underlying instruments for Warrants?	Answer: N/A
7.4 Permitted investments - Acceptable underlying instruments for Listed Investment Products	
Question 7.4.1: Do you agree that it is not necessary to proscribe the types of underlying assets in which LICs, LITs, REITs and IFs can invest under the Listing Rules beyond what is inherent in the proposed definitions of "financial investment entity", "real estate investment entity" and "infrastructure investment entity" in sections 2.3 and 2.4 of this paper? If not, why not?	Answer: N/A

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Consultation Question	Our Response
7.5 Permitted investments - Feeder-fund structures	
Question 7.5.1: Do you support the rule changes being considered by ASX to deal with feeder funds? If not why not? Are there any other issues with feeder funds that you would like to see addressed in any re-write of the Listing Rules or AQUA Rules?	Answer: N/A
7.6 Permitted investments - The use of derivatives	
Question 7.6.1: Should the list of acceptable counterparties to an OTC derivative entered into by an AQUA Product issuer be extended to include other types of institutions apart from ADIs, or entities guaranteed by ADIs, in Australia, France, Germany, the Netherlands, Switzerland, the UK or the US? If so, what other types of institutions should be included? If not, why not?	Answer: N/A
Question 7.6.2: Should the list of acceptable assets that can be received by an AQUA Product issuer by way of collateral under an OTC derivative be extended to include other types of assets apart from securities that are constituents of the S&P/ASX 200 index, cash, Australian government debentures or bonds, or the underlying instrument for the AQUA Product? If so, what other types of assets should be included? If not, why not?	Answer: N/A
Question 7.6.3: Should there be similar constraints on the types of assets that can be received by an AQUA Product issuer by way of collateral under a securities lending arrangement or prime brokerage agreement? If so, why? If not, why not?	Answer: N/A
Question 7.6.4: Are there any other issues with the provisions in the AQUA Rules regulating the use of OTC derivatives that you would like to see addressed in any re-write of the AQUA Rules? If so, please provide details and explain the reasons why.	Answer: N/A

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Consultation Question	Our Response
7.7 Permitted investments - Ancillary liquid assets and incidental investments	
<p>Question 7.7.1: Do you support the introduction of provisions into the AQUA Rules to recognise that from time to time an AQUA Product issuer may hold ancillary liquid assets or incidental investments that are not directly related to achieving its investment objective? If so, how would you frame those rules? If not, why not?</p>	<p>Answer: N/A</p>
<p>Question 7.7.2: Do you think there should be a limit on the amount (eg a maximum percentage of the underlying fund) that an AQUA Product issuer can hold in the form of ancillary liquid assets? If so, what should that limit be? If not, why not?</p>	<p>Answer: N/A</p>
<p>Question 7.7.3: Do you think there should be a limit on the time that an AQUA Product issuer can hold incidental non-complying investments before they are replaced by investments consistent with its investment mandate? If so, what should that limit be? If not, why not?</p>	<p>Answer: N/A</p>
8.2 Portfolio disclosure - Listed Investment Product portfolio disclosure requirements	
<p>Question 8.2.1: Do you support replacing the requirement for LICs and LITs to disclose in their annual report a list of all of their investments, with a requirement that they instead disclose this information on a quarterly basis by no later than the end of the month after quarter end? If so, why? If not, why not?</p>	<p>Answer: Morningstar is a vocal proponent of enhanced portfolio transparency both in terms of frequency as well as breadth of data. LICs and LITs tend to be especially poor at transparency. Regarding Morningstar's full coverage universe of funds, nearly 60% provide up-to-date portfolio holdings data either monthly or quarterly. That number drops to 20% when looking at our LICs/LITs coverage. We strongly support requiring LICs and LITs to provide full portfolio holdings data at least quarterly (monthly would be our preference).</p>

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Consultation Question	Our Response
<p>Question 8.2.2: Do you have any thoughts on the guidance that ASX should give to the market on the level of detail that should be included in periodic disclosures by LICs and LITs of their investment portfolio? If so, please tell us.</p>	<p>Answer: Morningstar has a level of expertise in this area that we think could be beneficial. In order to be a useful dataset to not only the ASX but to investors and the industry as a whole, there needs to be a minimum set of detail provided. This would include the date of the portfolio, the identifier of the LIC/LIT (APIR, ISIN, Ticker, and so on), a public identifier for each individual holding, and the market value and number of units/shares/per value invested in the security. This would allow meaningful analysis of the risk/reward profile of the investment to be conducted and enhance the outcomes for investors. We have attached our existing data collection template.</p> <p>It is important that this information is disclosed in machine-readable formats, like Excel/CSV, and not simply a PDF.</p>
<p>Question 8.2.3: Do you agree with ASX's position that REITs and IFs should not be subject to any additional portfolio disclosure requirements and should be treated on the same footing as other (non-investment) listed entities in this regard? If not, why not?</p>	<p>Answer: Morningstar believes in the power of well-defined, regular disclosure to benefit the investor. Morningstar historically has not collected portfolios on either REITs or IFs due to the nature of the holdings, as they have largely been unavailable to investors.</p> <p>Our starting position is that any additional transparency in this space will enhance investor protections.</p>

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Consultation Question	Our Response
8.3 Portfolio disclosure - AQUA Product portfolio disclosure requirements	
<p>Question 8.3.1: Would you support shortening the period that an ETP with internal market making arrangements can delay disclosing its portfolio from up to 2 months after quarter end to one month after quarter end? If so, why? If not, why not?</p>	<p>Answer: Morningstar would agree with the shortening of the time period but would prefer it to be shortened even further. In an ideal state, all securities would be required to provide this information on a monthly basis with no longer than a 15-day lag.</p> <p>Australia currently sits at the very bottom of our Global Investor Experience study in terms of disclosures. Australia is currently:</p> <ol style="list-style-type: none"> 1) Last in terms of managed funds providing portfolios of any kind: 55% 2) Bottom quarter in terms of funds providing data monthly: 40% 3) Bottom half in terms of portfolio lag: 53 days <p>Enhancing the requirements on all products on the ASX will make a meaningful change to all of these metrics and would help investors in their decision-making.</p> <p>Please find attached to our submission our latest Global Investor Experience—Disclosure Study.</p>
<p>Question 8.3.2: Do you support the introduction of an AQUA Rule requiring an ETF, ETMF, or ETSP that takes the form of a Collective Investment Product to disclose the level 1, level 2 and level 3 inputs it uses to value its investments in accordance with Australian Accounting Standard AASB 13 <i>Fair Value Measurement</i> (or its equivalent overseas) in its annual financial statements. If not, why not?</p>	<p>Answer: Morningstar agrees that to the extent the portfolio holdings do not have active prices available (level 1), issuers should be required to disclose how they arrived at the relevant valuation. This will assist with making data comparable and will at least outline differences when that is not the case.</p>

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Consultation Question	Our Response
9.2 Management agreements - Listed Investment Product management agreements	
<p>Question 9.2.1: Should the Listing Rules require a listed entity (including, but not limited to, a LIC, LIT, REIT or IF) to immediately disclose to ASX the material terms of any new management agreement it enters into and also any material variation to an existing management agreement? If not, why not?</p>	<p>Answer: Morningstar agrees that these items should be disclosed to the ASX and should be immediately disclosed publicly as well. Any time there are material changes to the management arrangements—and a new person or firm managing the money of the entity certainly qualifies—we believe there should be disclosure to all investors and the industry as a whole.</p> <p>Additionally, we support the decision to allow the ASX the right to reject these agreements if they are not in the best interest of the investor.</p>
<p>Question 9.2.2: Should the requirement for LICs and LITs to include in their annual report a summary of any management agreement that they have entered into be extended to all listed entities, including REITs and IFs? If not, why not?</p>	<p>Answer: Similar to the above answer, we strongly support expanding these disclosure rules to all listed entities. These management agreements can materially change the intended outcome of a fund, and all investors should be informed of any changes to ensure that the new management team is still aligned with the goals of the investor. We see no difference in these effects for LICs and LITs versus all other listed entities and no reason why they should have different rules.</p>
<p>Question 9.2.3: Should the constraints imposed by Listing Rule 15.6 on the terms LICs and LITs must include in any management agreement they enter into be extended to all listed entities, including REITs and IFs? If not, why not?</p>	<p>Answer: Similar to the above, we see no difference in the impacts of management agreements between LITs/LICs and other listed entities, and we support the expansion of the rule set to all types.</p>

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Consultation Question	Our Response
9.3 Management agreements - AQUA Product management agreements	
<p>Question 9.3.1: Do you agree that the AQUA Rules should require an AQUA Product issuer to immediately disclose to ASX the material terms of any new management agreement it enters into and also any material variation to an existing management agreement? If not, why not?</p>	<p>Answer: Morningstar agrees that these items should be disclosed to the ASX and should be immediately disclosed publicly as well. Any time there are material changes to management arrangements—and a new person or firm managing the money of the entity certainly qualifies—we believe there should be disclosure to all investors and the industry as a whole.</p> <p>Additionally, we support the decision to allow the ASX the right to reject these agreements if they are not in the best interest of the investor.</p>
<p>Question 9.3.2: Do you agree that the AQUA Rules should require an AQUA Product issuer to include in its annual report a summary of any management agreement that it has entered into? If not, why not?</p>	<p>Answer: Similar to our answer to 9.2.2, we see no material difference to the impacts of management agreements and think that all issues (AQUA or otherwise) should be disclosed to investors.</p>

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Consultation Question	Our Response
10.2 Management fees and costs - LIC management fees and costs	
<p>Question 10.2.1: Since most LITs, REITs and IFs are already required to comply with the enhanced fees and costs disclosure requirements set out in Part 7.9 Division 4C and Schedule 10 of the Corporations Regulations, would there be benefits in requiring LICs to present the same information about management fees and costs (at a company level rather than an individual investor level) in their annual report? If not, why not?</p>	<p>Answer: Morningstar believes in the power of well-defined, regular disclosure to benefit the investor. We feel very strongly that LICs should disclose their fees in line with other managed securities that report under the Corporations Act and associated guidance RG 97.</p> <p>As we have previously outlined, LICs are commonly being used as substitutes for managed funds. There is a major gap in transparency right now for investors of LICs to truly assess value versus other competing managed fund products.</p> <p>In our experience, it is extremely hard to get LIC managers to proactively submit their fees to our data-collection teams. Even when these LICs are invested through superannuation wrap platforms that need to report this information to the regulator. Both Morningstar and the Responsible Superannuation Entities we represent have limited success acquiring the data needed to report.</p> <p>We believe LICs should be required to report their fees and costs in line with schedule 10 of the Corporations Act and made available publicly, like managed funds, and preferably centrally distributed via the ASX.</p>

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Consultation Question	Our Response
<p>Question 10.2.2: Are there any difficulties that you can foresee in applying the enhanced fees and costs disclosure requirements to LICs? If so, what are they and how could they be addressed?</p>	<p>Answer: Morningstar does not prescribe to the view that there would be any difficulties in reporting fees and costs that could not be easily overcome. These fees are the revenue of the LIC, so the information should be typically and easily accessible. All managed funds in Australia, except LICs, report fees in accordance with RG 97, and they have worked through any logistics around interposed vehicles.</p>
<p>Question 10.2.3: If you do not support the application of the enhanced fees and costs disclosure requirements to LICs, what information would you have them report about management fees and costs in their annual report?</p>	<p>Answer: N/A</p>

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Consultation Question	Our Response
11.2 Performance reporting - Listed Investment Product performance reporting requirements	

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Question 11.2.1: Do you support changing the requirement that LICs and LITs presently have under the Listing Rules to report their NTA backing on a monthly basis with requirements that:

- (a) regardless of when they do it, whenever they formally calculate an NTA backing, they must give the NTA backing and the “as at” date it was calculated to ASX for publication on the Listed Investment Products and AQUA Products information page on the ASX website and also publish it on the issuer’s own website, and
- (b) they publish on MAP their NTA backing on a quarterly basis, by no later than one month after quarter end?

If not, why not?

Answer: Morningstar calculates three types of returns for LICs in Australia. We calculate the market return—the return between the market prices on two dates, taking into consideration any dividends and corporate actions.

We also calculate both pretax NTA returns and post-tax NTA returns, which are the returns calculated by the movement between two NTAs and the dividends and corporate actions where applicable.

For performance reporting, monthly NTA reporting is a vital component to allow for views of return from month to month, and to allow for chain-linking of returns over multiple periods.

We believe that moving from a monthly requirement to disclose NTA to a “quarterly or as often as you make one available” risks certain LICs not disclosing one at month end, which would be a retrograde step for performance disclosure in Australia for these vehicle types.

We also know that some LICs calculate only a weekly net asset value, which causes challenges of comparability or availability. A user is forced to choose to either calculate an approximate monthly return between two dates (which may or may not be the actual month end) or not use it for the analysis.

It is better to regulate a minimum of one NTA backing at the end of the month, but more often if chosen to remove all issues associated with performance calculations.

In regard to timing, one month seems excessive for delays on the NTA backing to be supplied. Morningstar calculates performance for over 10,000 funds in Australia, and we are supplied the unit prices, which are analogous to NTA backing between one to five days post-month end for over 90% of all share classes. Considering the nature of the investments found within LICs, there should be little reason that NTAs should not be available sooner.

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Consultation Question	Our Response
<p>Question 11.2.2: Do you agree with the definition of “NTA backing” in the Listing Rules? If not, how would you amend it? In particular:</p> <p>(a) Do you see merit in including examples of the intangible assets captured by the variable “I” in the definition and, if so, what would you include in those examples (commenting specifically on whether you would, or would not, include deferred tax assets and prepayments as “intangible assets” for these purposes)?</p> <p>(b) In the case of lease right of use assets, do you agree with the policy position taken by ASX in other contexts that for the purposes of determining a Listed Investment Product’s NTA backing under the Listing Rules, the lease right of use asset should be treated as tangible if the underlying asset being leased is tangible and intangible if the underlying asset being leased is intangible?</p> <p>(c) Do you think the variable “L” in the definition adequately addresses taxation issues (including the different tax treatment of companies and trusts and how deferred tax liabilities should be accounted for)?</p> <p>(d) Do you think the variable “N” in the definition adequately deals with partly paid securities?</p> <p>Do you also have a view on whether options should be counted in “N” if they are in the money at the relevant calculation date?</p>	<p>Answer: N/A</p>
<p>Question 11.2.3: Do you support REITs and IFs being required to include in their annual report the NTA backing of their quoted securities at the beginning and end of the reporting period and an explanation of any change therein over that period, similar to what is currently required of LICs and LITs? If not, why not?</p>	<p>Answer: Morningstar has a positive view of any initiative to enhance transparency for investors.</p> <p>REITs should provide NTAs annually (ideally semi annually), and an explanation of any change over the period. Most REITs already do this.</p>

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Consultation Question	Our Response
<p>Question 11.2.4: Do you support LICs, LITs, REITs and IFs being required to include in their annual report their TSR for different nominated periods? If so, how would you define “TSR” and for what periods do you think they should report their TSR? If not, why not?</p>	<p>Answer: Morningstar believes in the power of well-defined, regular disclosure to benefit the investor. We feel very strongly that LIC returns should be made available in a verifiable manner that is calculated by a consistent methodology.</p> <p>We do not feel, however, that putting it in an annual report is enough. The reality is that the annual report does not reach enough people; there should be a central source, such as the ASX, maintained at a minimum in line with monthly NTA reporting.</p> <p>The returns available should be market returns, and NTA returns, plus the premium or discount over time.</p>
<p>Question 11.2.5: Should a LIC, LIT, REIT or IF that has as its investment objective replicating or exceeding the return on a particular index or benchmark be required to include in its annual report a comparison of its performance against that index or benchmark over the reporting period? If so, how should it go about making that comparison? If not, why not?</p>	<p>Answer: Yes, each LIC and LIT should be required to calculate their returns against a benchmark or peer group.</p>
<p>Question 11.2.6: Are there any other performance metrics that you think LICs, LITs, REITs and IFs should be required to report to their investors? If yes, what are those metrics and where and with what frequency should those metrics be published?</p>	<p>Answer: LICs should be publishing, at a minimum, the NTA backing returns and market returns, plus a benchmark comparison and premium/discounts.</p> <p>These should be displayed across time and at specific trailing time periods as mentioned in the consultation document text under question 11.2.3.</p>

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Consultation Question	Our Response
11.3 Performance reporting - AQUA Product performance reporting requirements	
<p>Question 11.3.1: Do you agree that ETSPs that take the form of a Collective Investment Product should be required to disclose their NAV on a daily basis? If not, why not?</p>	<p>Answer: Morningstar has a positive view of any initiative to enhance transparency for investors.</p>
<p>Question 11.3.2: Do you support the proposed amendment to the AQUA Rules requiring ETFs and ETMFs (and, if you have answered Question 11.3.1 in the affirmative, those ETSPs that take the form of Collective Investment Products) to give their NAV and the “as at” date it was calculated to ASX for publication on the Listed Investment Products and AQUA Products information page on the ASX website, as well as publish it on the issuer’s own website? If not, why not?</p>	<p>Answer: Yes, a central source of NAVs is vital for the industry to have a stable source for analysis for performance reporting.</p>
<p>Question 11.3.3: Do you think the term “NAV” should be defined in the AQUA Rules? If so, how would you define it? Are there any elements of the definition of “NTA backing” in the Listing Rules that you think ought to be incorporated in the definition of “NAV” in the AQUA Rules? If so, please explain.</p>	<p>Answer: Morningstar believes it is important to have a standard to calculate metrics used in any analysis.</p> <p>Ideally this work would look to standardise, where possible, the valuation approaches for unit prices, NAVs, and NTA backing into one regime used by valuation firms/issuers in Australia. On that basis, it would seem like a good solution to use any existing regimes like “RG 94 Unit Pricing: Guide to Good Practice.”</p>
<p>Question 11.3.4: Do you support ETFs, ETMFs, and ETSPs that take the form of Collective Investment Products being required to include in their annual report the NAV per share/unit of their quoted securities at the beginning and end of the reporting period and an explanation of any change therein over that period? If not, why not?</p>	<p>Answer: Any rules required for LIC/LIT should, at a minimum, be required for ETPs so Morningstar would support this—although that is caveated with the fact that the data available within the ETP securities today is already more transparent. However, this would serve to close any potential loopholes.</p>

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Consultation Question	Our Response
<p>Question 11.3.5: Do you support ETFs, ETMFs, and ETSPs that take the form of Collective Investment Products being required to include in their annual report their TSR for different nominated periods? If so, how would you define “TSR” and for what periods do you think they should report their TSR? If not, why not?</p>	<p>Answer: Any rules required for LIC/LIT should, at a minimum, be required for ETPs so we would support this—although that is caveated with the fact that the data available within the ETP securities today is already more transparent. However, this would serve to close any potential loopholes.</p> <p>Morningstar believes in the power of well-defined, regular disclosure to benefit the investor. We strongly believe that ETF returns should be made available in a verifiable manner that is calculated by a consistent methodology.</p> <p>However, we don’t believe that putting it in an annual report is enough. The reality is that the annual report does not reach enough people. A central source of these returns, being maintained at a minimum in line with monthly NAV reporting, should be made available.</p>
<p>Question 11.3.6: Should an ETF, ETMF, or ETSP that takes the form of a Collective Investment Product which has as its investment objective replicating or exceeding the return on a particular index or other benchmark be required to include in its annual report a comparison of its performance against that index or benchmark over the reporting period? If so, how should it go about making that comparison? If not, why not?</p>	<p>Answer: Yes, each ETP should be required to calculate their returns against a benchmark or peer group.</p>

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Consultation Question	Our Response
<p>Question 11.3.7: Are there any other performance metrics that you think ETFs, ETMFs, or ETSPs that take the form of a Collective Investment Product should be required to report to their investors? If yes, what are those metrics and where and with what frequency should those metrics be published?</p>	<p>Answer: ETFs should be publishing, at a minimum, the NAV returns and market returns, plus a benchmark comparison and tracking error.</p> <p>These should be displayed across time and at specific trailing time periods as mentioned above.</p>
<p>11.4 Performance reporting - A possible uniform reporting standard</p>	
<p>Question 11.4.1: Do you support ASX introducing a new Listing Rule and AQUA Rule mandating the use of FSC Standard 6 for all ASX listed or quoted Collective Investment Products to calculate their TSR? If not, why not?</p>	<p>Answer: Yes, Morningstar would strongly support this.</p>

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Consultation Question	Our Response
<p>Question 11.4.2: Are there any difficulties that you can foresee in applying FSC Standard 6 to LICs or ETFs? If so, what are they and how could they be addressed?</p>	<p>Answer: Morningstar believes in the power of well-defined, regular disclosure to benefit the investor. We believe if there are issues raised through the consultation, the FSC would be open to review and address them in the standard if changes were needed to accommodate listed securities. At the very least, Morningstar would be an advocate for the FSC opening up the standard for review, as we support the concept.</p> <p>Right now, LICs in particular report their returns in a way which is not deemed comparable by Morningstar. As discussed through this section, we find issues mainly relating to:</p> <ul style="list-style-type: none"> • dates misaligned with month-end dates; • treatment of dilutable securities, such as warrants; and • what type of level of return is chosen on issuer website. Some have market, some NTA, and some even have portfolio returns. Some will include fees, some will not; and some include taxes, while others do not. <p>To solve for this you need three things, which we believe are touched upon through this document:</p> <ol style="list-style-type: none"> 1) Consistent NAV valuation policies across legal types and issuers. 2) A standard calculation methodology like FSC Standard 6. 3) A presentation minimum to ensure everyone markets using the same returns, return type, and return periods.

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Consultation Question	Our Response
Question 11.4.3: If you don't support mandating the use of FSC Standard 6 for all ASX listed or quoted Collective Investment Products to calculate their TSR, what standard would you recommend?	Answer: N/A
12.2 Liquidity support - AQUA Product liquidity support requirements	
Question 12.2.1: Are there any issues with the existing liquidity support arrangements for AQUA Products that you would like to see addressed in any re-write of the AQUA Rules?	Answer: N/A
12.3 Liquidity support - Warrant liquidity support requirements	
Question 12.3.1: Are there any issues with the existing liquidity support arrangements for Warrants that you would like to see addressed in any re-write of the Warrant Rules?	Answer: N/A
12.4 Liquidity support - Listed Investment Product liquidity support requirements	
Question 12.4.1: Do you think that it might assist the share/unit price of a LIC/LIT to track its NTA backing more closely if the LIC/LIT were to publish an indicative NTA backing to the market during market hours that is independently calculated and frequently updated? If so, why? If not, why not?	Answer: N/A
Question 12.4.2: As a fall-back, do you think that it might assist the share/unit price of a LIC/LIT to track its NTA backing more closely if the LIC/LIT were to publish an independently calculated end-of-day indicative NTA backing to the market prior to the commencement of trading on the next trading day? If so, why? If not, why not?	Answer: N/A
Question 12.4.3: Noting that there will be some LICs/LITs with asset portfolios that are net readily valued on a frequent basis or for which an iNAV may not necessarily be all that accurate, if your answer to question 12.4.1 or 12.4.2 is "yes", how would you go about identifying those LICs/LITs that would benefit from publishing more frequent information about their iNAV and encouraging them to do so?	Answer: N/A

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Consultation Question	Our Response
<p>Question 12.4.4: Short of allowing LICs and LITs to have treasury stock, are there any changes that could be made to the laws in Australia regulating buy-backs that might assist LICs and LITs to better address the propensity for their securities to trade at a discount to the NTA backing? If so, what are they and how would they help?</p>	<p>Answer: N/A</p>
<p>Question 12.4.5: Are there any other measures that could be implemented to address the propensity for the securities of a LIC or LIT to trade at a discount to the NTA backing? What are they and how would they help?</p>	<p>Answer: N/A</p>
<p>12.5 Liquidity support - AQUA Products with dual on-market/off-market entry and exit mechanisms</p>	
<p>Question 12.5.1: Do you have any views about hybrid structures where an AQUA Product has dual on-market/off-market entry and exit mechanisms? What do you see as the advantages and disadvantages of these hybrid structures? Do you see any particular risks associated with, or have any other concerns about, these hybrid structures that you would like to see addressed in any re-write of the AQUA Rules?</p>	<p>Answer: N/A</p>

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Consultation Question	Our Response
13.2 The mFund Settlement Service - The funds that qualify for admission to the mFund Settlement Service	
<p>Question 13.2.1: Do you support amending the AQUA Rules to allow any Unlisted Managed Fund that is registered as a managed investment scheme in Australia to be admitted to settlement via the mFund Settlement Service? If not, why not?</p>	<p>Answer: Morningstar believes that Australia has some of the weakest investor protections globally when it comes to the availability of complex managed funds to retail investors. To be the equivalent of Australia unlisted managed funds in Europe, the fund is a UCITS fund, and in the U.S. it is a “40 Act” fund. These are well regulated, with retail investors’ best interests in mind. They have significant protections around liquidity and transparency. In Australia, none of this exists, and we see very complex funds akin to hedge fund strategies that are set up no differently than the plain-vanilla managed funds found regularly in client portfolios.</p> <p>Making these available to be traded through an additional avenue would be a retrograde step in our view, and we believe that having minimum standards, like those that exist with MFund today, curates a less-risky set of investments available for retail investors through this channel.</p>

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Consultation Question	Our Response
<p>Question 13.2.2: Do you support amending the AQUA Rules to allow any entity that qualifies to be an Approved Issuer of AQUA Products and can lawfully offer its shares or units to retail investors in Australia to be admitted to settlement via the mFund Settlement Service? If not, why not?</p>	<p>Answer: Same as above.</p> <p>Morningstar believes that Australia has some of the weakest investor protections globally when it comes to the availability of complex managed funds to retail investors. To be the equivalent of Australia unlisted managed funds in Europe, the fund is a UCITS fund, and in the U.S., it is a “40 Act” fund. These are well regulated, with retail investors’ best interests in mind. They have significant protections around liquidity and transparency. In Australia none of this exists, and we see very complex funds akin to hedge fund strategies that are set up no differently than the plain-vanilla managed funds found regularly in client portfolios.</p> <p>Making these available to be traded through an additional avenue would be a retrograde step in our view, and we believe that having minimum standards, like those that exist with MFund today, curates a less-risky set of investments available for retail investors through this channel.</p>
<p>Question 13.2.3: Are there additional things ASX could or should require of mFunds or brokers transacting in mFunds for their clients, over and above the protective measures mentioned in sections 13.3 and 13.4 of this consultation paper, to reduce the risk of retail clients not understanding that mFund units are not traded on ASX or the different settlement cycles that apply to mFunds compared to products that are traded on ASX?</p>	<p>Answer: N/A</p>

Response to ASX Consultation Paper
Enhancing the ASX Investment Products Offering (16 April 2022)

Consultation Question	Our Response
<p>Question 13.2.4: Are there additional things ASX could or should do itself (for example, with the disclosures and disclaimers on the ASX mFund website) to reduce the risk of retail clients not understanding that mFund units are not traded on ASX or the different settlement cycles that apply to mFunds compared to products that are traded on ASX?</p>	<p>Answer: N/A</p>
<p>13.3 The mFund Settlement Service - The obligations of mFunds</p>	
<p>Question 13.3.1: Are there any particular mFund obligations mentioned in section 13.3 of the consultation paper that you view as unnecessary or unduly onerous on mFunds? Please explain your view and put forward any suggestions you may have to reduce the burden of these requirements without compromising investor protections?</p>	<p>Answer: N/A</p>
<p>13.4 The mFund Settlement Service - The obligations of brokers transacting in mFunds</p>	
<p>Question 13.4.1: Are there any particular obligations imposed on ASX trading participants entering into transactions for their clients in mFunds mentioned in section 13.4 of this consultation paper that you view as unnecessary or unduly onerous on those participants? Please explain your view and put forward any suggestions you may have to reduce the burden of these requirements without compromising investor protections.</p>	<p>Answer: N/A</p>

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Consultation Question	Our Response
13.5 The mFund Settlement Service - mFund profiles	
<p>Question 13.5.1: Do you support the AQUA Rules being amended to require an mFund to provide a Fund Profile to ASX and to keep it up to date? If not, why not?</p>	<p>Answer: Yes, Morningstar believes in the power of well-defined, regular disclosure to benefit the investor.</p> <p>It's important that the data supplied to support the profiles you deliver is evergreen, so we would support making mandatory updates a requirement.</p> <p>The New Zealand regulations prescribe both a file and a PDF profile of a standardised set of information to be submitted on a quarterly basis. That information includes Returns, Fees, Asset Allocation, Holdings, People, and hedging strategies. The data is easily searchable via the website, or API, and it forms the upstream data source for a government investment education comparison website.</p> <p>We believe if the ASX had something similar, it would move the market forward regarding transparency and work to enhance investor trust.</p> <p>https://disclose-register.companiesoffice.govt.nz/</p> <p>https://sorted.org.nz/</p>
<p>Question 13.5.2: What additional information do you think could be usefully captured in an mFund's Fund Profile?</p>	<p>Answer: The ASX should look to prescribe a standard set of ESG characteristics in the absence of any formal standard governing the reporting of ESG today.</p>

Response to ASX Consultation Paper
Enhancing the ASX Investment Products Offering (16 April 2022)

Consultation Question	Our Response
13.6 The mFund Settlement Service - Information about an mFund's NAV	
<p>Question 13.6.1: Do you see benefit in an STP service for mFunds that would allow them to upload their NAV and the “as at” date at which it was calculated directly onto the mFund information page on the ASX mFund website and are you supportive of the proposed changes to the AQUA Rules to facilitate that service?</p>	<p>Answer: Yes, any service to electronically transmit data is supported by Morningstar, especially if you allow the same level of electronic exchange of the data back to interested parties.</p>
13.7 The mFund Settlement Service - Information about an mFund's issues and redemptions	
<p>Question 13.7.1: Do you support the proposed amendments to the AQUA Rules to require an mFund to publish on MAP and on the mFund issuer's website on a quarterly basis the amount and value of units it has issued or redeemed that quarter? If not, why not?</p>	<p>Answer: Yes, any service to electronically transmit data is supported by Morningstar, especially if you allow the same level of electronic exchange of the data back to interested parties.</p>
<p>Question 13.7.2: Do you see benefit in an STP service for mFunds that would allow them to upload their issue and redemption prices and the respective “as at” dates for which they were determined directly onto the mFund information page on the ASX mFund website and are you supportive of the proposed changes to the AQUA Rules to facilitate that service?</p>	<p>Answer: Yes, any service to electronically transmit data is supported by Morningstar, especially if you allow the same level of electronic exchange of the data back to interested parties.</p>
13.8 The mFund Settlement Service - Information about an mFund's total units on issue	
<p>Question 13.8.1: Do you see benefit in an STP service for mFunds that would allow them to upload the total number of units they have on issue directly onto the mFund information page on the ASX mFund website and are you supportive of the proposed changes to the AQUA Rules to facilitate that service?</p>	<p>Answer: Yes, any service to electronically transmit data is supported by Morningstar, especially if you allow the same level of electronic exchange of the data back to interested parties.</p>
<p>Question 13.8.2: How often do you think an mFund should be obliged to update information about the total number of units it has on issue: quarterly, monthly, weekly or daily?</p>	<p>Answer: Daily, or at least as often as they strike a unit price.</p>

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Consultation Question	Our Response
13.9 The mFund Settlement Service - Information about an mFund's distributions	
Question 13.9.1: Do you see benefit in an STP service for mFunds that would allow them to use a smart online form to provide and publish on MAP more comprehensive information about their dividends and distributions and are you supportive of the proposed changes to the AQUA Rules to facilitate that service?	Answer: Yes, any service to electronically transmit data is supported by Morningstar, especially if you allow the same level of electronic exchange of the data back to interested parties.
13.10 The mFund Settlement Service - DDO information	
Question 13.10.1: Are there any additional documents or information that could be published on the ASX mFund website that may assist mFunds in complying with their DDO? For example, would it be helpful to mFunds if their Target Market Determination could be published on that website? Should there be a rule making this mandatory?	Answer: Yes, all DDO documentation (both the TMD and any associated data standard) should be made mandatory on the MFund website. These are critical tools for investors to use to make informed decisions and should be available in as many ways as possible.
13.11 The mFund Settlement Service - Collection of additional investor information	
Question 13.11.1: Are there any additional data points about investors that could usefully be captured through the mFund Settlement Service that would help mFunds to better perform their back-office processes? If so, what are those data points and how do they assist mFunds in performing their back-office processes?	Answer: N/A
13.12 The mFund Settlement Service - Transfers of units in mFunds	
Question 13.12.1: Do you see benefit in the replacement CHESS settlement system having the functionality to process transfers of mFund units? How much use do you think this functionality would receive in practice?	Answer: N/A

Response to ASX Consultation Paper
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Consultation Question	Our Response
13.13 The mFund Settlement Service - A wholesale mFund service?	
Question 13.13.1: Do you see benefit in ASX developing a parallel settlement service to the mFund Settlement service designed specifically for wholesale investors? If so, what features do you think that parallel service should have to attract Unlisted Managed Funds and wholesale investors to the service?	Answer: N/A
13.14 The mFund Settlement Service - Extending mFund to a broader class of financial products?	
Question 13.14.1: Do you see benefit in ASX developing an mFund-style settlement service for other financial products that are traditionally provided on an OTC basis? What products do you think might usefully benefit from such a service? What features do you think that service should have to attract both product issuers and investors to the service?	Answer: N/A
14.2 Better information for investors about Investment Products - Information to be captured on Collective Investment Products	
Question 14.2.1: Do you support there being an information page on the ASX website for the Collective Investment Products traded on ASX and the Listing Rules and AQUA Rules being amended to facilitate the capture of the information needed to populate that page?	Answer: N/A
Question 14.2.2: How often do you think an ETF, ETMF, or ETSP that takes the form of a Collective Investment Product should be obliged to update information about the total number of shares/units it has on issue: quarterly, monthly, weekly or daily?	Answer: Daily, or at least as often as they strike a unit price.
Question 14.2.3: Are there any additional documents or information that could be published on the proposed information page on the ASX website for the Collective Investment Products traded on ASX that may assist issuers in complying with their DDO. For example, would it be helpful to issuers if their Target Market Determination could be published on that website? Should there be a rule making this mandatory?	Answer: Yes, all DDO documentation (both the TMD and any associated data standard) should be made mandatory on the information page. These are critical tools for investors to use to make informed decisions and should be available in as many ways as possible.

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Consultation Question	Our Response
14.3 Better information for investors about Investment Products - Information to be captured on Derivative Investment Products	
Question 14.3.1: Do you support there being an information page on the ASX website for the Derivative Investment Products traded on ASX and the AQUA Rules and the Warrant Rules being amended to facilitate the capture of the information needed to populate that page?	Answer: N/A
14.4 Better information for investors about Investment Products - Information about AQUA Product issues and redemptions	
Question 14.4.1: Do you support the AQUA Rules being amended to require ETFs, ETMFs, and ETSPs that take the form of Collective Investment Products to publish on MAP and on the issuer's website on a quarterly basis the amount and value of units they have issued and redeemed that quarter? If not, why not?	Answer: Ideally this is just a daily submission to the ASX.
14.5 Better information for investors about Investment Products - Information about AQUA Product dividends and distributions	
Question 14.5.1: Do you see benefit in an STP service for AQUA Product issuers that would allow them to use a smart online form to provide and publish on MAP more comprehensive information about their dividends and distributions and are you supportive of the proposed changes to the AQUA Rules to facilitate that service?	Answer: Yes, any service to electronically transmit data is supported by Morningstar, especially if you allow the same level of electronic exchange of the data back to interested parties.
14.6 Better information for investors about Investment Products - Collection of additional investor information	
Question 14.6.1: Are there any additional data points about investors that could usefully be captured through the CHESS settlement system that would help issuers of Listed Investment Products or AQUA Products to better perform their back-office processes? If so, what are those data points and how do they assist issuers in performing their back-office processes?	Answer: N/A
15.2 Miscellaneous issues - The AQUA Quote Display Board	
Question 15.2.1: Were you aware of the existence of the QDB?	Answer: N/A

Response to ASX Consultation Paper

Enhancing the ASX Investment Products Offering (16 April 2022)

Consultation Question	Our Response
Question 15.2.2: Do you consider that the QDB serves any useful purpose in relation to AQUA Products? Should ASX retain the current QDB service for AQUA Products or scrap it?	Answer: N/A
Question 15.2.3: Are there any improvements that ASX could make to the QDB that might make it more likely to be used by AQUA Product issuers?	Answer: N/A
Question 15.2.4: If the QDB could be extended to other financial products apart from AQUA Products and the capacity to quote prices could be made available to all participants and not just participants representing AQUA Product issuers, would the QDB be a service of interest to you? How might you see yourself using that service?	Answer: N/A
15.3 Miscellaneous issues - Admission application forms and processes	
Question 15.3.1: Have you had any recent experience of applying to be admitted to the ASX official list as a LIC, LIT, REIT or IF? If so, do you have any suggestions on how the application forms and processes for the admission of LICs, LITs, REITs and IFs to the official list could be improved?	Answer: N/A
Question 15.3.2: Have you had any recent experience for applying for the quotation of AQUA Products using the upgraded application forms and processes that ASX introduced in 2019? If so, do you have any suggestions on how the upgraded application forms and processes for AQUA Products could be improved?	Answer: N/A
Question 15.3.3: Have you had any recent experience of applying for the quotation of Warrants? If so, do you have any suggestions on how the application forms and processes for the admission of Warrants to quotation could be improved?	Answer: N/A
Question 15.3.4: Do you have any other suggestions on systems or process enhancements that ASX could make to assist Warrant issuers with the ongoing maintenance and refreshing of data related to Warrants?	Answer: N/A

Response to ASX Consultation Paper
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Consultation Question	Our Response
15.4 Miscellaneous issues - Any other issues with ASX's Investment Product rules	
Question 15.4.1: Are there any other issues that you would like to see addressed in any re-write of the Listing Rules applicable to LICs, LITs, REITs and IFs, or the AQUA Rules or Warrant Rules?	Answer: N/A

Global Investor Experience Study: Disclosure

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Introduction

Morningstar launched the Global Investor Experience study (GIE) in 2009 to encourage a dialogue about global best practices for mutual funds from the perspective of fund shareholders. We've produced the study every two years, with 2020 marking the sixth edition. We've structured previous editions of the GIE around four chapters:

- ▶ Fees and Expenses
- ▶ Regulation and Taxation
- ▶ Disclosure
- ▶ Sales

To provide greater focus, for this edition we have published the chapters of the study independently and have combined key components of the Sales chapter into this Disclosure chapter. Hence, this is the third and final chapter of the sixth edition of GIE. Regulation and Taxation was published in May 2020, and the Fees and Expenses chapter was published in September 2019.

For this sixth edition, we have introduced one new market to our study with the addition of Mexico. Mexico is a developing fund market with a good level of transparency. This addition brings the total number of markets under consideration to 26.

About This Study

The GIE study reflects Morningstar's views about what makes a good experience for fund investors. As a general rule, we favour low tax burdens on investors; effective regulation of funds that promotes transparency and limits misleading statements and conflicts of interest; a varied distribution system that gives investors multiple ways in which to purchase funds; policies that encourage individual investment, competitive fund fees, and most importantly for this chapter of our study, comprehensive and easy-to-understand disclosures. We are open to other views, including those that oppose ours, and have incorporated some of that feedback into the way we conduct the GIE study.

This study primarily considers publicly available open-ended funds that typically issue or redeem shares or units daily. We use the terms 'funds' or 'mutual funds' to refer to the various types of open-ended vehicles available globally, including investment companies, unit trusts, managed funds, UCITS¹, OEICs², and SICAVs³. It also includes exchange-traded funds, which are an increasingly important way for ordinary people to invest in pooled vehicles and which regulators are beginning to look at more closely as they gain in popularity. The study does not include other pooled investment vehicles, such as guaranteed funds, variable annuities, insurance-linked funds, private pension funds, closed-end funds, collective investment trusts, hedge funds, private equity funds, or venture capital funds.

¹ Undertakings for Collective Investment in Transferable Securities is a regulatory framework for the sale of funds across the European Union.

² An open-ended investment company is a corporate fund structure common in the United Kingdom and Ireland.

³ Société d'investissement à Capital Variable is a corporate fund structure common in continental Europe.

Within the commentary on individual markets, we discuss factors that, while not explicitly incorporated for scoring, are still important for understanding a given market.

Approach to Scoring and Changes From Previous Years' Reports

For this chapter of our study, we evaluated markets based on six key disclosure dimensions, with the addition of Sales Disclosure and ESG and Stewardship Disclosure. The dimensions and broad scoring weights are outlined below.

Exhibit 1 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.

Key Takeaways

Most markets around the world have incrementally improved the environment for mutual fund investors through better disclosure practices. There are some notable laggards, such as Australia, that have neither dealt with existing basic deficiencies in their markets' disclosure practices nor adapted to changing investor expectations around ESG and Stewardship disclosure.

- ▶ Despite the revamped scoring system via the addition of questions around Sales Disclosure and ESG and Stewardship Disclosure, four countries that performed poorly in previous iterations of the disclosure section of this study—Japan, Italy, Belgium, and Australia—continued to score poorly relative to other markets in this chapter. It may be that there has been no focusing event or crisis to spur an overhaul of the disclosure regime in these markets, or that there is simply a lack of industry pressure or political will to make corrective changes.
- ▶ The United States and India again earned Top grades. Since the inception of this study, the US has consistently led the pack in this chapter, while India has incrementally added global best practices to its disclosure framework.
- ▶ Ideally, complete portfolio holdings are publicly available from a central website (such as an industry association or a regulator). Pleasingly, nine markets in this study have this in place.
- ▶ Worldwide, much environmental, social, and governance regulation is in the pipeline that should provide more-standardised disclosure to inform investors' understanding and comparison of products. This should help prevent greenwashing—or using ESG claims in fund marketing without ESG principles truly guiding investment decisions—from being a significant issue for investors. In Europe, which is the region with the most ESG investment regulatory innovation, Sweden is the leader in ESG disclosures, given its granular regulatory requirements. Outside of Europe, the list of green funds disclosed on the Hong Kong regulator website is an example of a simple, yet immediate impact initiative that helps investors more easily identify funds that meet stated ESG requirements.
- ▶ From Morningstar's perspective, the best regulatory approach is rooted in greater transparency. In the long run, mutual fund industry stakeholders that fight transparency are likely to generate outcomes that are bad for investors and bad for the industry itself. Hence, we are pleased with the incremental improvements most markets have made in improving disclosure practices since our previous study.
- ▶ Transparency is important to investors as it helps them make better decisions and creates trust in the vehicles used for investment and the firms that manage client assets. Increasing technology uptake adds heightened investor expectations around the information that should be disclosed and at what frequency and in what formats.
- ▶ The most useful disclosure requirements insist on uniformity across submissions and presentations, enhancing investors' ability to collect information and compare products.

Disclosure: Final Grades by Market

The following grades are issued in this study:

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

This terminology should help readers better understand where a market sits relative to global peers. The mix of higher and lower grades around the Average grade helps identify markets that, in Morningstar's opinion, are adopting best practices and those that need to improve.

The inclusion of Sales Disclosure and ESG and Stewardship Disclosure has created a wider spread among countries in our study, specifically pushing Australia clearly into the Bottom grade. In general, we found incremental improvements in a number of markets.

The US and India earned Top grades, with six markets—Canada, Korea, Taiwan, Thailand, South Africa, and Sweden—getting Above Average grades. While most markets occupy roughly similar positions as in the 2017 survey, France and the Netherlands took jumps upward, benefiting from incremental improvements across EU markets, and South Africa's grade also improved.

Exhibit 2 Disclosure Scorecard

Top	Above Average	Average	Below Average	Bottom
India	Canada	China	Belgium	↓ Australia
United States	Korea	Denmark	Italy	
	↑ South Africa	Finland	Japan	
	Sweden	↑ France	↓ Singapore	
	Taiwan	Germany	↓ Switzerland	
	Thailand	Hong Kong		
		* Mexico		
		↑ Netherlands		
		New Zealand		
		Norway		
		Spain		
		United Kingdom		

Source: Morningstar, Inc. Grade change indicators: ↑ Improved since last study ↓ Declined since last study *New to study

Top Grades: Key Drivers

India and the US took the top spots this year, after also getting Top grades in our fifth edition. These countries earned their Top grades through robust disclosure across our six key disclosure dimensions. These markets feature global best practices for the disclosure of portfolio manager names, fund ownership, and compensation. India has set a high standard with monthly required portfolio holdings disclosure.

Among European markets, Sweden stood out for having an Above Average grade, scoring highly on most dimensions and being a front-runner in the disclosure of ESG and Stewardship.

For the first time in this study, South Africa earned an Above Average grade for disclosure. There's been noteworthy improvements from this market, given it landed an Average grade in 2017 and a Bottom grade, along with Australia, in 2015. South Africa has made several new incremental requirements since 2015 that have improved disclosure and introduced reforms to the regulatory framework for distributing retail financial products to customers in South Africa. South Africa's simplified prospectus, called the Minimum Disclosure Document, achieves the objective of fair treatment of investors, with the disclosure of all relevant information and risks, provided in language that is concise, clear, and not misleading.

Bottom Grades: Key Drivers

As in previous years, Australia landed with the lowest awarded grade. In this edition of the study, Australia stands alone as having clearly the feeblest disclosure regime among the 26 markets in this study. As an otherwise sophisticated market, it is remarkable that Australia remains the only market with no implemented portfolio holdings disclosure regime. Australian Corporations Act amendments that would force super trustees to publish portfolio holdings online were due to come into effect on 31 Dec 2019 before being postponed. The deadline had already been extended three times previously, in 2017, 2016, and 2015.

Singapore and Switzerland were downgraded to Below Average in this study, joining Belgium, Italy, and Japan. A common through line for these countries is that they do not disclose named portfolio manager ownership in the fund, do not provide a monetary illustration of fees in the simplified prospectus, and have less frequent required disclosure of full portfolio holdings than the global best practice. In addition, Italy, Japan, and Singapore have made little progress in introducing ESG and Stewardship Disclosure to their markets, which is now formally scored in this study. We acknowledge there are currently limited ESG investment options available in some markets but prefer regulators to be 'ahead of the game', particularly where a clear global trend is evident, as it is with ESG.

Many of the markets that perform poorly in disclosure are still OK markets for investors overall, though they could be better if regulators and lawmakers emulated best practices from other countries.

Importance of Disclosure and Best Practices

Transparency requires fund managers to remain open and informative about key points of information, including fees, portfolio holdings, performance history, fund manager names, and sales information. Transparency is important to investors as it helps them make better decisions and creates trust in the vehicles used for investment and the firms that manage client assets. Increasing technology uptake adds heightened investor expectations around information that should be disclosed and at what frequency and in what formats.

Simplified and Non-Simplified Prospectus

Disclosure begins with a fund's initial offering document—the prospectus. A prospectus or an offer document is a legal document that provides investors with material information about the fund—facts that investors need in order to make informed investment decisions such as investment objective, risks, performance, fees and expenses, and management information. They are traditionally long, detailed documents that use a lot of financial and legal jargon.

In recent years, the traditional long and complex prospectus generally has been supplemented with a shorter version, known as the short-form or simplified prospectus, or as the Key Investor Information Document, or KIID, in the EU. This has been a beneficial development for prospective retail investors in particular because—if best practices are followed—it allows them to see a fund's costs, risks, investment strategy, and other information written in plain language in an easily digested format. But practices vary from market to market. Ideally, the simplified prospectus will cover a single fund rather than a collection of funds—23 of 26 markets now meet this standard. The simplified prospectus should be no longer than four or five pages and avoid investment jargon and legalese as much as possible. We would prefer to see 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, or SRRI) and easily understood by end investors, but fewer than half of the markets in our study meet this standard.

Other features that should appear in a prospectus (or in another document if not in the prospectus) are standardised total returns for various time periods, the name and tenure of the fund's portfolio manager(s), summary information about portfolio holdings, and the portfolio management team's compensation structure and incentives.

Information about a fund's risks and investment strategy should be specific to the fund—rather than using generic, boilerplate language that could apply to any fund—to make it useful for investors.

In most markets, management discussion of fund performance in shareholder communications is typically either lacking entirely or is of a generic nature, not providing much truly useful information. Only in Canada, China, South Africa, and Thailand is it very common for these manager discussions to be insightful and helpful for investors.

Looking ahead, UCITS in the EU are scheduled to produce a new Key Information Document (KID) in 2022 that would align their disclosures with those of other retail investment products. The PRIIPs KID remains contentious owing to the inclusion of future performance scenarios and complex cost disclosures. In Morningstar's view, this would be a retrograde step for investors who currently receive a Key Investor Information Document.

Fee Disclosure

A critical item in both the simplified and long-form prospectus is the presentation of ongoing fees. In this study, we use the expense ratio as a general term to describe the ongoing fee measures used in the various markets covered in this chapter. Given the importance of fees to an investor's long-term success, these figures should be presented in a format that allows for easy comparisons. Ideally, the fund will show several years' worth of expense ratios so its own trends will be clear. In addition to costs expressed as percentages, also recommended is a table that lists the total cost on a hypothetical investment amount in currency terms, so investors can see an approximation of what the actual cost would be. In the current survey, only five of the 26 markets require monetary examples in the prospectus, while four others require them in other documents. Mexico and China are the only markets in our study that don't provide a simple, aggregated total cost metric.

Portfolio Holdings Disclosure

Ideally, complete portfolio holdings are publicly available from a central website (such as an industry association or a regulator), one that makes it easy for either a retail investor or an institution to quickly locate and gather the information. (Prospectuses and financial statements should also be centrally and electronically filed.) The statement of investments should include all long, short, and derivative positions, and best practice is to have them updated monthly with a short lag. Mexico is the only market in this study that requires weekly portfolio disclosure of material positions. Mexico and India set the bar for monthly disclosure of full portfolio holdings. Nine markets in this study have complete portfolio holdings publicly available from a central website, while 12 other markets have them available on the asset managers' websites.

The following table shows the required portfolio disclosure periods for the markets in this survey. The results are similar to those reported in the 2017 survey. Fifty-eight percent of the markets require portfolio holdings to be disclosed semiannually, while 23% require quarterly disclosure. Australia remains the only market in this survey that does not have any regulated requirement to disclose portfolio holdings, while Canada and Singapore mandate partial rather than full portfolio holdings disclosure.

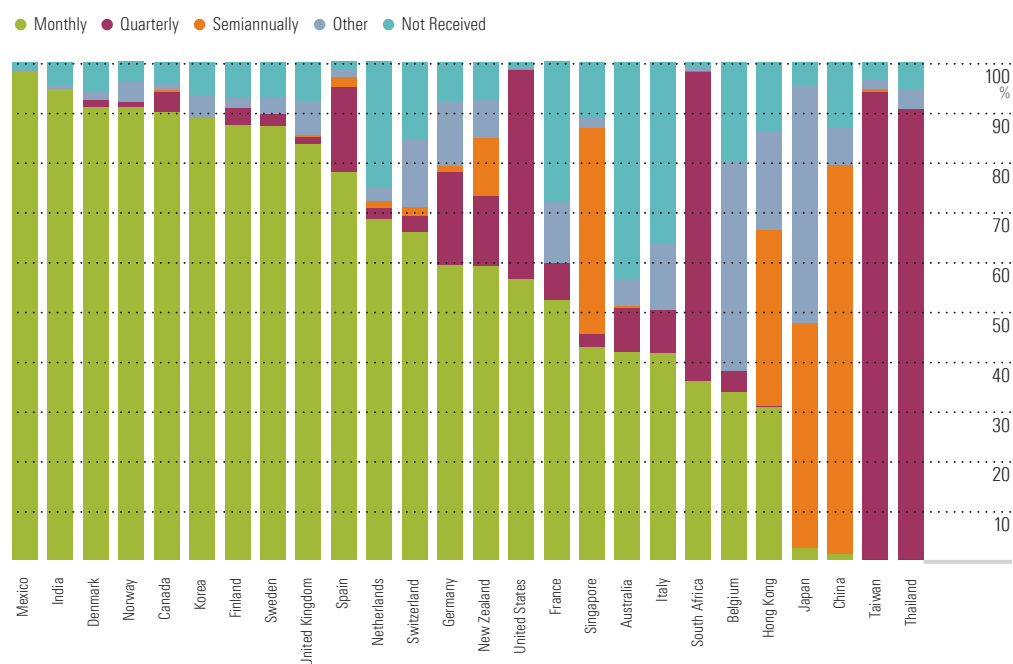
Exhibit 3 Disclosure Intervals for Markets With Regulated Full Holdings Disclosure

	Number of Countries	Portion of Sample %
Monthly	2	8
Quarterly	6	23
Semiannually	15	58
Annually	0	0
None	3	11

Source: Morningstar, Inc.

On the bright side, though, many funds report their portfolio holdings more frequently than required by the regulators, at least to Morningstar. In fact, in 12 of the markets in this survey, more than two thirds of mutual funds report their holdings to Morningstar monthly. This cohort is led by Mexico and India, the only countries for which monthly disclosure is required, but also includes Finland, Denmark, Norway, Sweden, Canada, and Korea where more than 85% of funds report portfolios to Morningstar monthly. And in 16 of the markets, at least half of funds do so.

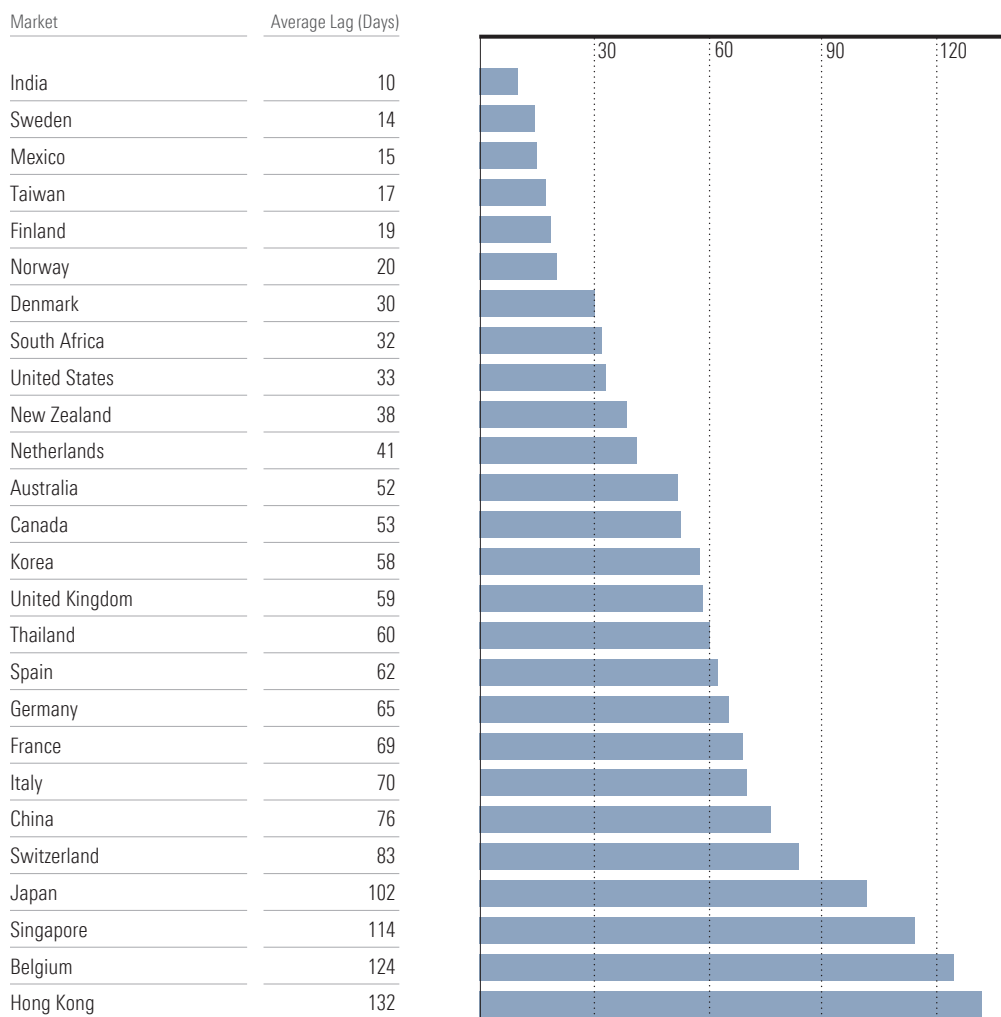
The graph below provides an indication of how often portfolios are provided to Morningstar in the markets included in this survey for open-ended funds domiciled in that market.

Exhibit 4 Monthly Provision of Portfolios Is Quickly Becoming the Standard

Source: Morningstar, Inc.

Also important is how long after the end of a quarter or other period that the portfolio holdings are disclosed. After all, while real-time portfolio disclosure is certainly not expected, the holdings disclosure becomes less relevant and less useful the longer the lag period. The most appropriate lag period is often debated, but regulators have now settled on 30 or 60 days as the most common time frame (down from 60 or 90 at our last study). In order to reflect actual practice, the following exhibit shows not this regulated maximum, but the number of days after a period's end that Morningstar typically releases a portfolio into its system for viewing and analytics. For example, if a fund delivers a portfolio to Morningstar on day 10 after period-end but requests that the portfolio be suppressed from general release until day 60, it is recorded as a 60-day lag period for this exhibit.

Exhibit 4 Average Portfolio Release Lag



Source: Morningstar, Inc.

The good news here is that funds in many markets are on average releasing portfolios earlier—in some cases much earlier—than required by regulators. As in the previous exhibit, India and the Nordic countries can be found at or near the top, which is similar to their places in the 2017 survey. Mexico, a market newly added in the sixth edition of the study, comes in ahead of all markets given its requirement to disclose holdings once per week and release immediately. One common theme in markets with longer lag periods is the failure for the local market to adopt electronic dissemination of data. Given the use of sophisticated data transfer technologies in other parts of the financial-services industry, we find it surprising that simple Excel spreadsheets remain a challenge in other parts.

With the issue of liquidity thrust back into the spotlight in recent times, coupled with the increasing number of funds highlighting their ESG credentials, regular and timely access to funds' individual securities is more important than ever for investors.

Portfolio Manager Name and Compensation Disclosure

It is important for investors to know who manages a fund and when their tenures began, in order to know who is responsible for a fund's strategy and performance during different periods and also to know if the managers at a fund are changing frequently or are in place for the long haul. Only 12 markets require fund manager names and tenures of, at a minimum, the lead portfolio manager(s) included in fund literature as a required piece of information to be disclosed.

But information about managers' investment in their own funds is less common, with only four markets requiring disclosure of this information. Six markets require disclosure of manager compensation structures. India goes the furthest in this regard; it is now the only country in the survey requiring funds to disclose managers' actual amounts of compensation. The number of markets requiring disclosure around manager compensation, while still small, represents a slight improvement from our 2017 survey. In our 2015 survey, only the US provided detailed information about portfolio managers' compensation structures and the amount of money (within a standardised range) they have invested in the funds they manage.

With increasing focus on governance practices, we find it inequitable that investors are not provided with information about the individuals managing their money on an equivalent basis to the information that is available about the individuals at the helms of the public and private companies in which fund managers invest.

Sales Disclosure

We believe investors are best served by sales practices that place their interests first. When we examined sales disclosures across the 26 fund markets in this study, we looked for markets where financial advisers are required to disclose conflicts of interest and provide appropriate supporting fund documentation. Funds should not be allowed to be sold without retail investors being provided at least a short-form prospectus. At the point of sale, in all markets but the US, funds are required to furnish a short-form pre-contractual document providing core information to investors in a standardised form.

Advisers should be required to disclose conflicts of interest (such as being tied to a specific provider) prior to a fund being sold, as well as any compensation received from the funds or owners of the funds they sell. Other conflicts of interest that should be disclosed include the receipt of bonuses for increasing the general level of sales over a particular time period (thereby encouraging the churning of accounts), bonuses for selling a particular fund, and the encouragement from management to sell funds that come from the company that employs the adviser. Only two markets in our study (China and India) do not require advisers to disclose conflicts of interest. From an investor's perspective, greater transparency allows them to better delineate between the fees they pay for investment products and advice.

ESG and Stewardship Disclosure

Best practice is for a market to have ESG-relevant regulation and a stewardship code that requires the disclosure of information to support a fund's claimed green credentials and stewardship activities. Worldwide, much regulation is in the pipeline to provide more standardised disclosure that should inform end investors' understanding and comparison of products. This ought to help prevent greenwashing—or using ESG claims in fund marketing without ESG principles truly guiding investment decisions—from being a significant issue for investors.

Over 170 ESG-related regulatory measures were proposed globally in 2018⁴—more than in the prior six years combined. And tellingly, more than 80% of the measures target institutional investors rather than companies or issuers.

The EU is the most advanced, with its wide-ranging Sustainable Finance Action Plan actively seeking to change investing behavior and direct more investment, including from retail investors, to long-term sustainable investment products.

Across the EU, the Shareholder Rights Directive II that was implemented in two phases, in June 2019 and September 2020, requires funds to publish more information about their engagement with, and voting of shares in, the companies in which they invest. Most markets also have stewardship codes that encourage asset managers to publicly disclose their engagement and voting policies.

Focusing on some key EU markets with superior practices, we note that in Sweden, since January 2018, locally domiciled funds must include a sustainability overview with six preset headings in both annual reports and information documents. This information is also collected and published on a separate website, managed by the sustainable investment association Swesif. In France, the two government-sponsored ESG labels ('Label ISR' and 'Greenfin') have stringent ESG disclosure obligations. For example, funds that have been deemed eligible for the Label ISR need to disclose the methods and indicators used to assess ESG performance, including their carbon impact. They also need to demonstrate that they score better than their benchmark index (or other suitable comparator) on a specific set of metrics. Also, there is an ESG code of transparency for open-ended funds made available by the Association

⁴ United Nations PRI ESG Regulations Database and MSCI.

Francaise de la Gestion Financiere, the professional body representing the asset-management industry in France, to its members. In July 2020, the French regulator introduced a new doctrine with the stated intention to prevent greenwashing. The regulator published requirements on how to disclose non-financial characteristics of products to retail investors. In Germany, the Federal Financial Supervisory Authority has issued high-level recommendations on how asset managers should deal with and disclose ESG risks. Also, in Belgium, funds are obliged by regulation to provide information in their financial reports on how ESG factors are accounted for. The Belgian Financial Sector Federation, an interest group for the financials sector, has introduced a label for sustainable funds that aims to serve as a quality standard for sustainable financial products, including investment funds.

Outside of Europe, some of the most specific practical guidelines were published by the Hong Kong Securities and Futures Commission in an April 2019 circular. Notably, funds promoting ESG-related mandates should be named accordingly and invest at least 70% of their assets in securities that meet at least one of the globally recognised ESG principles that are disclosed in their offering document and investment objective. At the end of the year, the Hong Kong SFC launched a website showing which funds satisfy the requirements. In contrast to Hong Kong, there are no specific regulated disclosure practices for ESG funds in Singapore, but the nature of the market is such that a fund marketing itself as an ESG offering would be required to disclose specific considerations as part of its standard investment objectives in the prospectus. In August 2020, the Monetary Authority of Singapore opened a consultation on environmental risks and disclosures.

Staying in Asia, Taiwan's financial regulator, the Financial Supervisory Commission, launched the 'Corporate Governance 3.0—Sustainable Development Roadmap' in August 2020 as part of its efforts to improve the sustainability aspects of Taiwan's capital markets. The Roadmap focuses on five action plans to be implemented over the next three years. As part of the plan to enhance information transparency, the regulator aims to improve the quality of sustainability-related information from Taiwan-listed companies. This is a positive development as this should allow funds to make more-informed ESG-related investment decisions and to potentially provide more relevant disclosure to fund investors.

Finally, the Canadian Investment Funds Standards Committee is working on a framework to identify 'responsible' mutual funds and ETFs. In early October 2020, this proposed framework was released for a 60-day public comment period. Although it won't be regulated, once the framework is implemented it will be publicly available and may serve as a standard much like the categorisation system for funds is currently. The framework will be unique in that it relies on analysis from three Canadian data providers (including Morningstar) in identifying a responsible fund. At present, the framework relies largely on analysis of funds' prospectuses. Separately, the Responsible Investment Association of Canada, whose members include fund companies, asset owners, and research providers, is also developing a framework to provide a list of responsible funds that will be verified through its own process.

Globally, the retirement sector (particularly asset owners) is most advanced in the incorporation of ESG investment and disclosure policies. The US is a notable exception, where current laws and guidance discourage plan sponsors from adopting sustainability factors as part of their investment strategies.

For its part, Morningstar has begun independently evaluating the asset managers and funds it rates qualitatively in its development of the ESG Commitment Level, a measure that considers ESG philosophy and process, firm- or strategy-level resources dedicated to ESG, and active ownership to help investors understand how ESG informs investment strategies.

Market Summaries

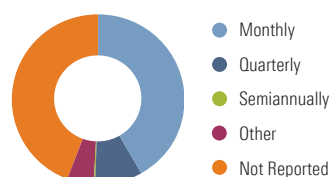
Australia

Disclosure Grade

Bottom

Disclosure

Portfolio Holdings Disclosure Frequency %



Average Portfolio Release Lag (Days) 52
GIE Market Rank 12/26

Manager Names

Funds Reporting Manager Names % 24
GIE Market Rank 24/26

Driven primarily by a lack of required holdings disclosure as well as poor disclosure standards around portfolio management, Australia receives a Disclosure grade of Bottom, a downgrade from our previous study. Australia does not have a code or regulation that would require fund disclosure of stewardship activities. As a bright spot, Australia does require a monetary illustration of fees in the simplified prospectus.

General Disclosure

Annual and semiannual reports are published by funds in Australia. These financial reports contain a prior-year comparison. Whilst not required, most funds typically publish monthly and/or quarterly fact sheets or reports. Management's discussion of performance, whilst not required, is typically provided with varying degrees of detail. Fund documents can be easily obtained from fund manager websites, but no centralised website exists where all disclosure documents for all funds are available.

Simplified Prospectus

Shorter-form prospectuses, known as Product Disclosure Statements, or PDS, are allowed for many savings and investment products in Australia. PDS have quite a few features that are intended to be investor friendly, including a limit of one fund per document; a limit of eight pages total; specific section headings in a specific order for ease of reading and comparison; and key content requirements. As a primary point-of-sale document, the PDS assists investors with standardised and simplified content. Key investment risks, both general and specific to the fund, are well explained. The investment strategy section is also generally clear, although some 'boilerplate' content does exist. Nevertheless, we do observe that it is not always specific enough to easily allow categorisation of the fund.

Fee Disclosure

The PDS provides for a uniform representation of fees and expenses and is designed to allow investors to easily compare funds. The implementation of Regulatory Guide 97: Disclosing Fees and Costs in PDS and Periodic Statements has been delayed, partly because of inconsistencies in interpretation by the industry. The new requirements will apply to PDS issued on or after 30 Sept 2022. RG 97 takes a prescriptive approach in defining the nature of fees and is primarily designed to provide better transparency of underlying costs that previously may not have been disclosed to investors. There has been a general trend of fee reductions undertaken by fund managers, but no regulatory requirement exists to assess the reasonableness of fees.

Australia (continued)

Disclosure Grade

Bottom

Portfolio Holdings Disclosure

Mutual funds in Australia are not required to publish full and complete disclosures of their portfolio holdings. As such, Australia continues to lag global best practices on disclosure. Numerous attempts by industry participants and bodies have been made over the years to develop policies for minimum levels of portfolio disclosure. Most of these efforts have been in vain. One area of possible improvement has been a requirement by superannuation funds to disclose portfolio holdings. Frustratingly, this initiative continues to be delayed at least until 2021 while regulations are finalised. It should be noted that even if the proposed regime is finally implemented, it will not bring Australia to anywhere near the global best practice. The proposed standard only calls for a semiannual disclosure, and it doesn't cover mutual funds themselves. Unless the mutual fund is a related party to an Australian registrable superannuation entity and managing superannuation fund assets, there will be no portfolio disclosure obligations. The regulatory impost is unfortunately on the superannuation trustee and not the responsible entities of managed investment schemes (mutual funds) in Australia.

Notwithstanding these points, there are a growing number of asset managers voluntarily moving toward greater portfolio disclosure in line with global best practices. Morningstar receives portfolios for 42% of Australian funds on a monthly basis, and another 9% quarterly, but for 44% of funds, Morningstar receives no portfolio at all. Reported portfolios are generally provided with a lag of less than two months. For a country that aspires to be considered a global financial centre, having weak regulation that endorses substandard portfolio disclosures should be a concern for all industry participants and is not in the best interests of retail investors.

Portfolio Management Disclosure

Although nearly 25% of funds voluntarily report manager names to Morningstar, this lags most other markets in this study, and no information is required to be provided on who manages the fund's underlying assets, their tenure, and any co-investment in the fund. This extends to the management company and the responsible entity. Managers' compensation is also not required to be disclosed. Investors and research firms can generally get access to this type of information upon request.

Sales Disclosure

Retail investors must receive a PDS prior to the purchase of a fund. Australia provides for an open-architecture system for investors to purchase funds. Open-ended mutual funds and superannuation funds are the most common vehicles for investors to own, although exchange-traded funds are growing in popularity. Advisers are required by legislation to act as fiduciaries and therefore in the best interests of clients. They must disclose any conflicts of interest and must disclose any compensation received from fund companies. Note that commissions and volume-based remuneration from fund managers to advisers have been banned in Australia.

Australia (continued)

Disclosure Grade

Bottom

ESG and Stewardship Disclosure

Demand for environmental, social, and governance funds, off a very low base, continues to grow. Nevertheless, no real disclosure requirements exist in Australia. Indeed, primary challenges for Australian investors are understanding, defining, and differentiating ESG, sustainable, and responsible investments. Regulators have yet to tackle this area, meaning that fund companies are relatively free to issue and define products as they see fit. Disclosure along ESG lines by fund companies is inconsistent but improving. No plans to improve ESG disclosure by regulators exist at this stage. Australia also lacks a universal code or regulation that would require fund disclosure of stewardship activities. The Australian Financial Services Council's Principles of Internal Governance and Asset Stewardship standard requires a non-prescriptive disclosure for best practice, utilising a 'comply or explain' rationale that only applies to asset managers that are FSC full members.

On a positive note, in November 2020, the Australian Sustainable Finance Initiative released its Australian Sustainable Finance Roadmap report. The roadmap makes 37 recommendations in relation to aligning Australia's financial system with a framework for delivering on long-term needs for a sustainable future. One of the report's recommendations is for Australia's financial system participants to develop stewardship codes to harmonise and enhance stewardship practices. This should support future disclosure of stewardship activities if effective regulation is ever introduced.

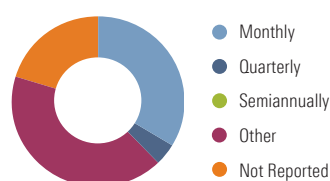
Belgium

Disclosure Grade

Below Average

Disclosure

Portfolio Holdings Disclosure Frequency %



Average Portfolio Release Lag (Days)	124
GIE Market Rank	25/26

Manager Names

Funds Reporting Manager Names %	35
GIE Market Rank	21/26

While aligned to European Union disclosure standards, Belgium trails most markets in the disclosure of manager names and the frequency of portfolio reporting for locally domiciled funds and receives a Disclosure grade of Below Average. Also, there is no central website for fund documents and no requirement for a monetary illustration of fees in fund literature. Belgium has, however, made some strides in regulation around the disclosure of environmental, social, and governance factors.

General Disclosure

In Belgium, funds are required to publish annual and semiannual reports, and the financial statements within these shareholder reports must contain a prior-year comparison. Fact sheets are not required but are typically provided on a monthly basis. Fact sheets are considered to be marketing material and must comply with the guidelines set out by the Financial Services and Markets Authority, which requires advertisements to be clear, correct, and not misleading. Similarly, management's discussion of performance in annual reports is not required but is typically provided. Although the quality of discussion can vary by fund company, a reasonable level of detail is generally provided. In Belgium, there is no central website containing fund documents, but they can be found on firms' websites.

Simplified Prospectus

In line with other European countries, funds sold in Belgium must provide a simplified prospectus called the Key Investor Information Document, or KIID, which forms part of the offering documents along with the prospectus. The KIID is required to pertain to only one fund share class at a time. Regulations require that the KIID should be written in plain language that is clear enough for the average investor to understand—though the strategy or objective section does not always provide enough information for an investor to determine the investment's strategy effectively, as 'boilerplate' wording can dominate the description. The document also contains a section that covers material risks specific to the fund, presenting risks clearly in a narrative form in addition to a quantitative risk indicator based on a standardised scale that allows for easy comparison across funds (that is, the Synthetic Risk and Reward Indicator, or SRRI). The most relevant risks are explained in a manner that can be understood by the average investor, but the possible negative outcome associated with each risk isn't as clearly stated. There is no monetary illustration of fees within the document. Instead, funds are required to disclose in the KIID an ongoing charge figure that is calculated and presented in accordance with the UCITS guidelines. The KIID also contains a bar chart of the share class' calendar-year performance over the past 10 years as compared with that of its benchmark, if present; this section of the KIID also complies with a set of UCITS guidelines.

Belgium (continued)

Disclosure Grade

Below Average

Fee Disclosure

Asset managers in Belgium provide a simple, aggregated total cost metric in the form of an ongoing charge published in the KIID. In addition, funds are required to individually report management fees, performance fees, and purchase and redemption fees in the annual report or KIID. Trailer fees are reported within the bundled ongoing charge. Funds that substantially invest in other funds must include the underlying funds' fees when calculating the ongoing charge. Unlike the UK's Assessment of Value Report, there are no requirements in Belgium for funds to regularly assess the reasonableness of their fees.

Portfolio Holdings Disclosure

Funds are required to disclose their portfolio holdings in their annual and semiannual reports, which are typically posted on the asset manager's website. Full disclosure of all positions is required, including long and short positions in exchange-traded equities, bonds, derivatives, and private investments. Under UCITS regulation, funds have four months following the end of the financial year to release the annual report, while semiannual reports must be released within two months. In terms of Morningstar's collection of portfolios for Belgium-domiciled funds, the lag in which portfolios are provided approaches the four-month deadline, on average. Only 34% of funds provide monthly portfolios, and the majority of portfolios are not even collected on a semiannual basis.

Portfolio Management Disclosure

Funds are not required to provide the name and tenure of the lead portfolio manager, although such information can sometimes be found in fund documents such as fact sheets. Around 35% of Belgium-domiciled funds report manager names to Morningstar. Fund companies don't provide managers' personal investments in their funds or managers' compensation, although fund companies are obliged by regulation to publish their general remuneration policies.

Sales Disclosure

In Belgium, retail investors must receive a fund's KIID at the point of sale. Advisers are required to disclose conflicts of interest. Specifically, following MiFID II, advisers must inform investors whether this advice is being provided on an independent or a non-independent basis. Furthermore, advisers must provide investors with an overview of all the costs involved with an investment, including the costs of the adviser's service and product costs.

Belgium (continued)

Disclosure Grade

Below Average

ESG and Stewardship Disclosure

In Belgium, funds are obliged by regulation to provide information in their annual and semiannual reports on how ESG factors are accounted for. Additionally, the Belgian Financial Sector Federation, an interest group for the financial industry, has introduced a sustainable label that aims to serve as a quality standard for sustainable financial products, including investment funds.

At the EU level, legislation is coming into effect in relation to sustainability-related disclosures in the financial-services sector. This legislation prescribes that disclosures be made by asset managers and investment funds relating to sustainable investments and sustainability risks from 10 March 2021. There are three key elements of the disclosure regulation that asset managers will need to consider. First, disclosures on the firm's website need to include how the firm integrates sustainability risk into the investment process, how it integrates sustainability risk into its remuneration policy, and, for any ESG-focused funds it manages, details on the ESG objectives of these funds and how they are measured. Second, pre-contractual disclosures must include how sustainability risks are factored into investment decisions, the adverse sustainability impact of the investment decisions, and, for any ESG-focused funds the firm manages, details on the ESG objectives of these funds and how they are measured. Finally, the annual report of an ESG-focused fund will need to provide details of how the relevant ESG objectives are being met.

Complementary legislative changes to the UCITS, AIFMD, and MiFID regimes are also in development. These measures are expected to help investors identify funds with certain ESG commitments and reduce the risk of greenwashing.

The Belgian Asset Managers Association introduced a stewardship code in 2009. This code contains principles and guidelines that are aligned with European and Belgian regulations and with the stewardship code of the European Fund and Asset Management Association.

In Belgium, asset managers are required to publish an engagement policy and disclose annually how the main elements of their investment strategy contribute to the medium- to long-term performance of their assets. This follows the introduction of the EU's Shareholder Rights Directive II, which sets out to strengthen the position of shareholders and to reduce short-termism and excessive risk-taking within companies traded on EU regulated markets. The directive was implemented in two phases, the first was June 2019 and the latter in September 2020.

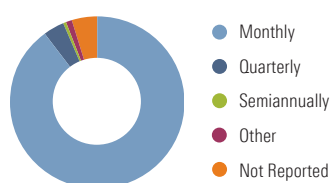
Canada

Disclosure Grade

Above Average

Disclosure

Portfolio Holdings Disclosure Frequency %



Average Portfolio Release Lag (Days) 53
GIE Market Rank 13/26

Manager Names

Funds Reporting Manager Names % 72
GIE Market Rank 12/26

Canada earns a Disclosure grade of Above Average owing to its focus on detail, language, and illustrations that are useful to end investors. In Canada, funds are required to publish a section on management's discussion of fund performance, and specific requirements make it useful for investors. Offering documents in Canada include portfolio manager names and a monetary illustration of fund fees. As one notable shortcoming, Canada does not require disclosure of full portfolio holdings.

General Disclosure

Canadian fund companies are required to publish annual and semiannual reports that include comparisons to the prior year's results within 90 and 60 days of the end of the fiscal period, respectively. Within the annual report, regulations require a section that includes the fund manager's discussion of factors that will have a material effect on the investment fund's performance, presented in a way that allows readers to assess the fund's prospects. These reports must be delivered directly to unitholders and must also be posted on the System for Electronic Document Analysis and Retrieval, or SEDAR. Monthly factsheets are not required but are typically provided. Additionally, a mandatory 'fund facts' document that includes long-term performance and up-to-date fee schedules is required at the point of sale.

Simplified Prospectus

Although multiple simplified prospectuses (those that cover more than one fund) are common in Canada, they must be structured in a format with two parts: a) general information on the family of funds and b) a section that talks about one fund specifically without any consolidation. This, in combination with the fund facts document, provides motivated readers with ample information to make an informed decision about a fund. Additionally, the simplified prospectus must be written in plain language and contain a detailed account of principal strategies, investment processes, holdings information, turnover, tax consequences, and descriptions of any leveraged exposure through derivatives or short-selling. Additionally, descriptions of all relevant and material risks for the family of funds are identified in part A, while each individual part B identifies the risks that are specific to the individual funds. Clear guidance is provided on how risks and negative outcomes should be written. A monetary illustration of fees based on a CAD 1,000 investment must be present and must show how much is paid in fees after one, three, five, and 10 years. This same illustration must also be written in the fund facts document provided to investors at point of sale along with performance metrics measuring total returns over the same time periods alongside an appropriate broad market benchmark index. Further guidance ensures that these figures are displayed in a bar chart format so that investors can compare fund performance easily. A table of best and worst three-month returns including specific dates must also be included in the fund facts document. All in all, an investor will be able to glean the relevant information for a particular fund from the simplified prospectus.

Canada (continued)

Disclosure Grade

Above Average

Fee Disclosure

A clear-cut display of the total cost metric is provided to Canadian fund investors in the fund facts document. The metric displayed as 'fund expenses' breaks down into two parts: management expense ratio and trading expense ratio. A detailed breakout of the management expense ratio must be included in the simplified prospectus and must break out management fees, trailers, performance fees (if any), purchase/redemption charges, and other ongoing charges separately. Clear guidance is given from the regulator on how this table is to be displayed, in addition to specific methodology on how fees for funds of funds should be calculated and incorporated into the management expense ratio. Unlike the UK's Assessment of Value Report or the US' 15(c) process, there are no requirements in Canada for funds to regularly assess the reasonableness of their fees.

Portfolio Holdings Disclosure

Fund managers in Canada must disclose on a quarterly basis a summary of the entire portfolio, including a breakout of appropriate subgroups with the percentage of total holdings that each subgroup represents. The subgroups are not prescribed, but suggestions for subgroups in the regulatory guidance include security type, industry, or geographical locations. This said, managers are only required to explicitly disclose the top 25 positions in the portfolio. Long, short, and derivative positions must be disclosed separately. These disclosures must be filed 60 days after an interim period or 90 days after an annual period. These filings are centrally located on SEDAR, and if the manager has a website, regulation requires that they are posted there as well. Managers are also required to send the disclosure document to shareholders without charge if requested. In practice, Canadian fund firms report monthly portfolios to Morningstar 90% of the time on around a 50-day lag, on average.

Portfolio Management Disclosure

Canadian fund companies are required to disclose the names of the portfolio managers of the fund, but tenure is optional. Morningstar collects manager names for around 70% of Canadian funds. Fund manager ownership in funds is not required to be disclosed, nor is manager compensation.

Sales Disclosure

At the point of sale, Canadian fund investors must be provided a standardised fund facts document that includes performance metrics and a transparent breakdown of fees. If purchased through a no-advice channel like a discount brokerage, the fund facts document must be provided immediately after the sale.

Canada (continued)

Disclosure Grade

Above Average

Registered advisers are required to disclose all conflicts of interest including ownership and monetary benefit. Monetary compensation in the form of bonuses and rewards from mutual fund organisations for having particular levels of securities in funds is prohibited. Non-monetary benefits of a promotional nature and of minimal value are allowed but should not improperly influence investment advice given by the adviser, per regulation.

ESG and Stewardship Disclosure

Although no formal regulation currently exists for required environmental, social, and governance disclosures, this continues to be a topic of interest for market participants in Canada, including regulators. The Ontario Ministry of Finance recently commissioned a consultation report from the Ontario Securities Commission recommending disclosure requirements, among several other topics. The report broadly pointed to the Sustainability Accounting Standards Board's framework and the Task Force on Climate-Related Financial Disclosures' recommendations for reporting requirements for issuers listing on the Toronto Stock Exchange.

Though the consultation paper only points to disclosure requirements for Toronto Stock Exchange issuers, separately the Canadian Investment Funds Standards Committee is also actively working on a framework to identify 'responsible' mutual funds and exchange-traded funds. In early October 2020, this proposed framework (which is somewhat similar Morningstar's intentionality framework for identifying sustainable investments) was released for a 60-day public comment period. Once the framework is implemented, although not regulated, it will be publicly available and will hopefully serve as a standard much like the categorisation system for funds is currently. The framework will be unique in that it relies on analysis from three Canadian data providers (Morningstar, Fundata, and Refinitiv) in identifying a responsible fund. At present, the framework relies largely on analysis of funds' prospectuses.

The Responsible Investment Association of Canada, whose members include fund companies, asset owners, and research providers (including Sustainalytics, a Morningstar company), is also developing a framework to provide a list of responsible funds that will be verified through its own process.

In the realm of stewardship, Canadian fund managers are required to maintain records of how proxies were voted (including if they chose not to vote) on any resolution (not just shareholder resolutions). Any shareholder is entitled to a copy of these records upon request. The consultation report from the Ontario Ministry of Finance also touched upon enhanced proxy voting rules.

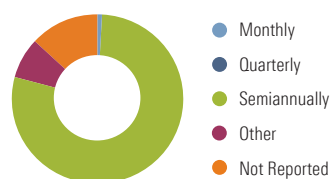
China

Disclosure Grade

Average

Disclosure

Portfolio Holdings Disclosure Frequency %



Average Portfolio Release Lag (Days)	76
GIE Market Rank	21/26

Manager Names

Funds Reporting Manager Names %	96
GIE Market Rank	7/26

China receives a Disclosure grade of Average. China requires quarterly shareholder reports, and there are specific requirements around management's discussion of performance that makes it useful for investors. Portfolio manager disclosure is also strong, requiring fund manager names, tenure, and ownership. However, there is no monetary illustration of fees in fund literature, and China is one of only two markets in this study to not publish a simple, aggregated total cost metric for investors.

There have been a number of improvements made on fund disclosure in China since our 2017 survey. In order to enhance fund disclosure practices, the China Securities Regulatory Commission, or CSRC, passed an amendment to the Measures for the Administration of Disclosure of Information on Publicly Offered Securities Investment Funds on 1 Sept 2019. Under the new rules, funds are required to publish a product fact statement as part of offering documents instead of the simplified prospectus to communicate key information such as objectives, fees, strategies, and risks to investors. The amendment also encourages asset managers to make additional disclosure such as monthly fact sheets on a voluntary basis, and such disclosure must be fair and not misleading. In addition, an enhanced regulation on fund distribution came into effect in October 2020 that requires intermediaries to disclose trailer fees to investors in writing.

General Disclosure

In China, all fund disclosure documents are required to pertain to only one fund at a time. Before a fund is launched, asset managers are required to publish offering documents including a full prospectus, a fund contract, a custodian agreement, and a product fact sheet statement three days in advance, and these offering documents need to be updated annually. If there are any significant changes, such as portfolio manager departures, funds need to publish a notification and update its offering documents within three business days. The CSRC requires that shareholder reports be published each quarter and include management's discussion of performance, with a specific requirement to explain how the market environment affects fund performance and strategy. That said, it is not a common market practice to provide monthly fact sheets in China. Investors can obtain all fund documents on asset managers' websites. They can also access all required fund literature on CSRC's centralised disclosure website.

Simplified Prospectus

Funds in China must distribute a simplified prospectus as part of the offering documents along with the prospectus. The simplified prospectus typically consists of more than 10 pages, though it is written in plain language. The document usually includes sufficient information for investors to understand the fund's objective and investment universe, but the description is generic, so an investor may struggle to identify the exact investment strategy. The disclosure of general risks and

China (continued)

Disclosure Grade

Average

product-specific risks is required, and these risks are well explained in the document, including possible negative outcomes associated with each stated risk. It is not common for funds in China to provide investors an aggregated total cost metric. Instead, funds are required to detail management fees, custodian fees, and sale charges separately. The document also contains a section on all share classes' calendar-year performance against the benchmark over the past 10 years.

To enhance disclosure practices in China, the CSRC proposed to replace the simplified prospectus with the product fact sheet statement in 2019. The new document has improved disclosure clarity and readability, in our view. First, the product fact sheet statement has eliminated less important information, such as the contact information for sales and distribution, leaving only key information about the investment product, including name and tenure of the portfolio manager, performance, portfolio, fees, and risks. Furthermore, the product fact sheet statement's greater use of bullet points, tables, and graphs makes it more concise and readable, and the document's length has also been reduced significantly to three to five pages. The CSRC has provided a transition period to 1 Sept 2021 before all funds must comply with the new product fact sheet statement.

Fee Disclosure

Within the annual and semiannual financial statements, the monetary costs are disclosed in total, with sufficient breakdowns so that investors can tell how much is being paid for management fees, performance fees, custodian and administration fees, trading costs, and trailer fees. Expenses are presented according to local accounting regulations, so they are calculated in a uniform manner. However, it is not a common practice for market participants to provide a simple, aggregated total cost metric. Investors could easily find funds' management fees, performance fees, custodian fees, and purchase/redemption fees as separate percentage figures in both the prospectus and simplified prospectus. On the other hand, retail investors may struggle to identify trailer fees and trading costs, which are only reported in the financial statements. Funds that invest in other funds must include the underlying funds' management fees, ongoing sales charges, and custodian fees in the total expenses. There are no requirements in China for asset managers to assess the reasonableness of fund fees on a regular basis.

Portfolio Holdings Disclosure

China has separate portfolio holdings disclosure regimes for equity and fixed-income funds. For equity funds, asset managers are required to publish full disclosure of the portfolio holdings in their annual and semiannual reports. This includes long positions in exchange-traded equities, bonds, derivatives, and private investments. Short positions in the form of stock index futures and treasury bond futures

China (continued)

Disclosure Grade

Average

are also disclosed. Top-10 equity holdings and top-five bond holdings are disclosed on a quarterly basis. However, in the case of fixed-income funds, asset managers only need to disclose their top-five bond holdings in semiannual and annual reports. Under existing regulations, funds have 15 working days after the end of each quarter to publish their portfolio holdings, while the semiannual report and annual report must be released within 60 and 90 working days, respectively. The requirements match up with Morningstar's collection of fund portfolios for China; nearly 80% of portfolios are collected on a semiannual basis (virtually none are collected monthly) with a 76-day lag, on average.

Portfolio Management Disclosure

The names, tenures, and industry experience of all portfolio managers can be found in funds' prospectuses and product fact sheet statements. Over 95% of Chinese funds report manager names to Morningstar. The managers' investments within the fund have been provided to investors since 2014, detailed by share class. However, the managers' compensation structure is not disclosed.

Sales Disclosure

In China, retail investors must receive fund-offering documents at the point of sale. Advisers are not required to disclose conflicts of interest, but the regulator has recently imposed a tighter rule on regulating fund sales agencies with the aim to mitigate conflicts of interest. Effective 1 Oct 2020, intermediaries are banned from engaging in any activities involving conflicts of interest. Furthermore, they need to inform investors in writing about the commissions receivable for a particular fund, in line with the distribution agreement with the asset manager. Yet, the CSRC has not published a guideline on the disclosure format and presentation.

ESG and Stewardship Disclosure

Environmental, social, and governance investing in China is still in its developing stage, and only a few asset managers have explicit ESG offerings. There is no standardised ESG disclosure requirement, and investors mainly rely on investment objectives and strategy descriptions in the offering documents to identify funds with certain ESG commitments. In 2018, the Asset Management Association of China, or AMAC, released a guideline that requires asset managers to file a self-assessment report on sustainable investments every year, but this information is not publicly available for investors. The regulatory requirements pertaining to the disclosure of investment objectives and strategy descriptions help reduce the risk of greenwashing to some extent, but for the most part, fund materials such

China (continued)

Disclosure Grade

Average

as prospectuses are somewhat vague on the particulars of ESG investing, in our view, making it hard for investors to identify how ESG applies to a fund's principal strategies.

The AMAC has required asset managers to file their voting records and engagement every year since 2012. However, it is not common practice for asset managers to publicly disclose their stewardship activities.

While recognising ESG as a potential growth area for the local market in the future, the Chinese regulator has not announced a plan on further improving ESG fund disclosure at the time of writing.

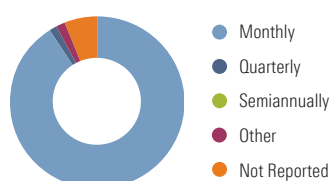
Denmark

Disclosure Grade

Average

Disclosure

Portfolio Holdings Disclosure Frequency %



Average Portfolio Release Lag (Days) 30
GIE Market Rank 7/26

Manager Names

Funds Reporting Manager Names % 81
GIE Market Rank 11/26

Complying with the European Union's disclosure standards, Denmark receives a Disclosure grade of Average. Denmark does not have a centralised website for fund documents and does not require a monetary illustration of fees in fund literature, but fund firms in Denmark regularly exceed the prescribed requirements for portfolio manager name disclosure and frequency of portfolio holdings disclosure.

General Disclosure

In Denmark, funds are required to publish annual and semiannual reports, and the financial statements within these shareholder reports must contain a prior-year comparison. Fact sheets are not required but are typically provided on a monthly basis. Fact sheets are considered marketing material and must comply with the guidelines as set out by the Danish Financial Supervisory Authority, which requires advertisements to be clear, fair, and not misleading. Similarly, management's discussion of performance is not required but is typically provided, but the quality of discussion varies by fund provider and can often be lacking in detail. There is no centralised location for fund documents. Instead, each company should provide the annual report on its open website and provide the annual and semiannual reports as well as the latest fund prospectus to clients upon request.

Simplified Prospectus

In line with other EU member countries, funds sold in Denmark must provide a simplified prospectus called the Key Investor Information Document, or KIID, which forms part of the offering documents along with the prospectus. The KIID is required to pertain to only one fund at a time. Regulations require that the KIID should be written in plain language that is understandable to non-professional investors. In general, the language in Danish KIIDs is clear enough for the average investor to understand—though the strategy or objective section does not always provide enough information for an investor to determine the investment's strategy effectively, as 'boilerplate' wording can dominate the description. The document also contains a section that covers material risks specific to the fund, presenting risks clearly in a narrative form in addition to a quantitative risk indicator based on a standardised scale that allows for easy comparison across funds (that is, the synthetic risk and reward indicator, or SRRI). The most relevant risks are explained in a manner that can be understood by the average investor, but the possible negative outcome associated with each risk isn't as clearly stated. There is no monetary illustration of fees within the document. Instead, funds are required to disclose in the KIID an ongoing charge figure that is calculated and presented in accordance with the UCITS guidelines as well as any performance fees. The KIID contains a bar chart of the share class' calendar-year performance over the past 10 years as compared with that of its benchmark, if present; this section of the KIID also complies with UCITS guidelines.

Denmark (continued)

Disclosure Grade

Average

Fee Disclosure

Asset managers in Denmark provide a simple, aggregated total cost metric in the form of an ongoing charge published in the KIID. In addition, funds also display a Denmark-specific data point called ÅOP (årlige omkostninger i procent), which displays the total costs of buying, holding, and selling a fund over a time period of seven years. In addition, funds are required to individually report any performance fees and purchase and redemption fees in the annual report or KIID. Trailer fees are reported within the bundled ongoing charge. Funds that substantially invest in other funds must include the underlying funds' fees when calculating the ongoing charge; however, this is not required to be included in the total cost metric in annual reports. Unlike the UK's Assessment of Value Report, there are no requirements in Denmark for funds to regularly assess the reasonableness of their fees.

Portfolio Holding Disclosure

While over 90% of Denmark-domiciled portfolios are reported to Morningstar on a monthly basis with just a one-month lag, regulation requires funds only to disclose their portfolio holdings semiannually in their annual and semiannual reports. These are typically posted on the asset manager's website. Full disclosure of all positions is required, including long and short positions in exchange-traded equities, bonds, derivatives, and private investments. Under UCITS, funds have four months following the end of the financial year to release the annual report, while semiannual reports must be released within two months.

Portfolio Management Disclosure

Funds are not required to provide the name and tenure of the lead portfolio manager, although such information can sometimes be found in fund documents such as fact sheets. Fund firms also report manager names more than 80% of the time for Denmark-domiciled funds. Fund companies don't provide managers' personal investments in their funds or managers' compensation, although they are obliged by regulation to publish their general remuneration policies.

Sales Disclosure

In Denmark, retail investors must receive fund-offering documents (KIID) at the point of sale. Advisers are required to disclose conflicts of interest. Specifically, following MiFID II, advisers must inform investors whether this advice is being provided on an independent or a non-independent basis. Furthermore, advisers must provide investors with an overview of all the costs involved with an investment, including the costs of the adviser's service and product costs.

Denmark (continued)

Disclosure Grade

Average

ESG and Stewardship Disclosure

In Denmark, funds are not obliged by regulation to provide information on how environmental, social, and governance factors are accounted for, but EU legislation is coming into effect in relation to sustainability-related disclosures in the financial-services sector. This prescribes that disclosures be made by asset managers and investment funds relating to sustainable investments and sustainability risks from 10 March 2021. There are three key elements of the disclosure regulation that asset managers will need to consider. First, disclosures on the firm's website need to include how the firm integrates sustainability risk into the investment process, how it integrates sustainability risk into its remuneration policy, and, for any ESG-focused funds it manages, details on the ESG objectives of these funds and how they are measured. Second, pre-contractual disclosures must include how sustainability risks are factored into investment decisions, the adverse sustainability impact of the investment decisions, and, for any ESG-focused funds the firm manages, details on the ESG objectives of these funds and how they are measured. Finally, the annual report of an ESG-focused fund will need to provide details of how the relevant ESG objectives are being met.

Complementary legislative changes to the UCITS, AIFMD, and MiFID regimes are also in development. It applies to EU asset managers but may also have implications for non-EU asset managers.

In Denmark, asset managers are required to disclose annually the key elements of their proxy voting activities. This follows the introduction of the EU's Shareholder Rights Directive II, which sets out to strengthen the position of shareholders and to reduce short-termism and excessive risk-taking within companies traded on EU-regulated markets. The directive was implemented in two phases, the first was June 2019 and the latter in September 2020.

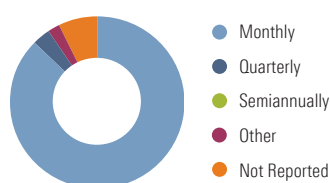
Finland

Disclosure Grade

Average

Disclosure

Portfolio Holdings Disclosure Frequency %



Average Portfolio Release Lag (Days)	19
GIE Market Rank	5/26

Manager Names

Funds Reporting Manager Names %	91
GIE Market Rank	9/26

Finland receives a Disclosure grade of Average. Like other European Union countries that comply with UCITS standards, Finland does not require a monetary illustration of fees in the simplified prospectus. Finland does require that the fees of underlying funds be included in the total fee measure by prospectus and within the annual report. Additionally, funds are required to release annual reports, which contain the required portfolio disclosure within three months (rather than four months per UCITS standards).

General Disclosure

In Finland, funds are required to publish both annual and semiannual reports, and the financial statements within these shareholder reports must contain a prior-year comparison. Fact sheets are not required but are typically provided on a monthly basis. Fact sheets are considered marketing material and must comply with the guidelines as set out by the Finnish Financial Supervisory Authority, which requires advertisements to be clear, fair, and not misleading. Similarly, management's discussion of performance is not required but is typically provided, but the quality of discussion varies by fund provider and can often be lacking in detail. There is no centralised location for fund documents. Instead, each company should provide the annual report on its open website and provide the annual and semiannual reports and the latest fund prospectus to clients upon request.

Simplified Prospectus

In line with other European countries, funds sold in Finland must provide a simplified prospectus called the Key Investor Information Document, or KIID, which forms part of the offering documents along with the prospectus. The KIID is required to pertain to only one fund at a time. Regulations require that the KIID should be written in plain language that is understandable to nonprofessional investors. In general, the language in Finnish KIIDs is clear enough for the average investor to understand—though the strategy or objective section does not always provide enough information for an investor to determine the investment's strategy effectively, as 'boilerplate' wording can dominate the description. The document also contains a section that covers material risks specific to the fund, presenting risks clearly in a narrative form in addition to a quantitative risk indicator based on a standardised scale that allows for easy comparison across funds (that is, the synthetic risk and reward indicator, or SRRI). The most relevant risks are explained in a manner that can be understood by the average investor, but the possible negative outcome associated with each risk isn't as clearly stated. There is no monetary illustration of fees within the document. Instead, funds are required to disclose in the KIID an ongoing charge figure that is calculated and presented in accordance with the UCITS guidelines as well as any performance fees. The KIID contains a bar chart of share class' calendar-year performance over the past 10 years as compared with that of the fund's benchmark, if present; this section of the KIID also complies with UCITS guidelines.

Finland (continued)

Disclosure Grade

Average

Fee Disclosure

Asset managers in Finland provide a simple, aggregated total cost metric in the form of an ongoing charge published in the KIID. In addition, funds are required to individually report any performance fees and purchase and redemption fees in the annual report or KIID. Trailer fees are reported within the bundled ongoing charge. Funds that substantially invest in other funds must include the underlying funds' fees when calculating the ongoing charge. Unlike the UK's Assessment of Value Report, there are no requirements in Finland for funds to regularly assess the reasonableness of their fees.

Portfolio Holdings Disclosure

Funds are required to disclose their portfolio holdings in their annual and semiannual reports, which are typically posted on the asset manager's website. Full disclosure of all positions is required, including long and short positions in exchange-traded equities, bonds, derivatives, and private investments. Under Finnish law, funds have three months following the end of the financial year to release the annual report, while semiannual reports must be released within two months. In practice, Finnish fund firms overwhelmingly report monthly portfolios to Morningstar on a lag of less than one month.

Portfolio Management Disclosure

Funds are not required to provide the name and tenure of the lead portfolio manager, although such information can often be found in marketing material such as fact sheets. Fund firms also report this information more than 90% of the time for Finland-domiciled funds. Managers' investments in their funds are not provided to investors, but in annual reports fund companies are obliged by regulation to publish their general remuneration policies and the amount paid in fixed and variable compensation to their personnel grouped by risk-taking responsibility.

Sales Disclosure

In Finland, retail investors must receive a fund's KIID at the point of sale. Advisers are required to disclose conflicts of interest. Specifically, following MiFID II, advisers must inform investors whether this advice is being provided on an independent or a non-independent basis. Furthermore, advisers must provide investors with an overview of all the costs involved with an investment, including the costs of the adviser's service and product costs.

ESG and Stewardship Disclosure

In Finland, funds are not obliged by regulation to provide information on how ESG factors are accounted for, but at the EU level, legislation is coming into effect in relation to sustainability-related disclosures in the financial-services sector. This prescribes that disclosures be made by asset managers and investment funds relating to sustainable investments and sustainability risks from 10 March 2021. There are three key elements of the disclosure regulation that asset managers will need

Finland (continued)

Disclosure Grade

Average

to consider. First, disclosures on the firm's website need to include how the firm integrates sustainability risk into the investment process, how it integrates sustainability risk into its remuneration policy, and, for any ESG-focused funds it manages, details on the ESG objectives of these funds and how they are measured. Second, pre-contractual disclosures must include how sustainability risks are factored into investment decisions, the adverse sustainability impact of the investment decisions, and, for any ESG-focused funds the firm manages, details on the ESG objectives of these funds and how they are measured. Finally, the annual report of an ESG-focused fund will need to provide details of how the relevant ESG objectives are being met.

Complementary legislative changes to the UCITS, AIFMD and MiFID regimes are also in development. These measures are expected to help investors identify funds with certain ESG commitments and reduce the risk of greenwashing.

Finance Finland introduced a stewardship code for asset managers in 2012. This code contains principles and guidelines that are aligned with European regulations and with the stewardship code of the European Fund and Asset Management Association.

In Finland, asset managers are required to disclose annually the key elements of their proxy voting activities. This follows the introduction of the EU's Shareholder Rights Directive II, which sets out to strengthen the position of shareholders and to reduce short-termism and excessive risk-taking within companies traded on EU regulated markets. The directive was implemented in two phases, the first was June 2019 and the latter in September 2020.

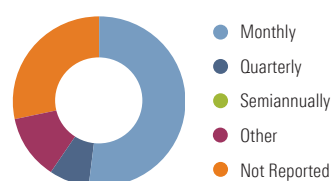
France

Disclosure Grade

Average

Disclosure

Portfolio Holdings Disclosure Frequency %



Average Portfolio Release Lag (Days)	69
GIE Market Rank	19/26

Manager Names

Funds Reporting Manager Names %	65
GIE Market Rank	13/26

France's grade for Disclosure is Average and marks an improvement from our 2017 study. France aligns with other European Union countries in following UCITS directives for disclosure. Regarding the frequency of portfolio holdings disclosure and lag in reporting, France-domiciled funds exceed the UCITS standard in practice but not by as much as some other EU countries. On the other hand, France has begun to regulate environmental, social, and governance disclosure at a high level ahead of pending regional initiatives.

General Disclosure

In France, funds are required to publish both annual and semiannual reports, and the financial statements within these shareholder reports must contain a prior-year comparison. Only the annual report must contain a section on management's discussion of fund positioning and performance. The quality of the comments varies by fund provider, but it is often generic. Fact sheets are not required but are typically provided on a monthly basis. The fact sheets' data content is not standardised, resulting in wide differences in quality and comprehensiveness among different fund companies. Management's discussion of performance is not required in the fact sheets but is typically provided. The quality of these comments is also variable; many managers stick to general comments about market moves and absolute performance, while others provide insightful comments on the individual securities that contributed to under- or outperformance. The simplified prospectus is available on the website of French regulator Autorité des marchés financiers, but only for funds domiciled in France, which is not comprehensive as French investors can also purchase funds domiciled elsewhere. Investors have to search for additional fund literature, such as the annual report, on the fund providers' websites.

Simplified Prospectus

As with other countries in the EU, France requires funds to provide a Key Investor Information Document, or KIID. The KIID does well in some areas, such as providing an explanation of fees, disclosing returns for standardised periods (typically the past 10 years), and adhering to the required maximum length of two pages. The KIID also contains a section describing the strategy and objective of the fund. However, the quality of the strategy description depends upon the fund sponsor; some are explicit, while others—possibly even the majority—are quite vague and allow a fund sponsor to alter the strategy with no amendment of the KIID. Similarly, the section covering risk in the KIID often does not contain enough information for an average investor to fully understand the risks. While risks are presented in a fairly straightforward narrative form, the possible negative outcome associated with each risk isn't clearly stated. The section includes a quantitative risk indicator based on a standardised scale that allows for easy comparison across funds (that is, the synthetic risk and reward indicator, or SRRI). The KIID often refers to the complete prospectus for more information on risk. Also, the KIID lacks potentially helpful information, such as a monetary illustration of fees and manager names and tenures.

France (continued)

Disclosure Grade

Average

Fee Disclosure

Fees are disclosed in the simplified prospectus. The KIID includes an ongoing cost figure, a prospective percentage that excludes performance fees but includes management fees, trailer fees, and other ongoing charges (custody, administrative, and so on). Trading costs are not reported. Regulation requires the KIID to include the performance fee charged over the past fiscal year as a separate percentage figure. In practice, investors must often search for details—the high-water mark calculation, for example—to get an idea of what they might pay in performance fees going forward. In conclusion, the KIID does not consistently help investors in determining the exact amount they should expect to spend on fees. Furthermore, the KIID does not contain an illustration of fees that would provide the investor with a clear picture of the amount paid based on a standard monetary value and return. Unlike the UK's Assessment of Value Report, there are no requirements in France for funds to regularly assess the reasonableness of their fees.

Portfolio Holdings Disclosure

Portfolio holdings are required to be disclosed in the semiannual and annual reports, which are often publicly available on the asset manager's website as well as on the local regulator's website. Full disclosure of all positions is required, including long and short positions in exchange-traded equities, bonds, derivatives, and private investments. Under the UCITS regulation, funds have 120 days following the end of the financial year to release the annual report, while semiannual reports must be released within 60 days. Morningstar collects monthly portfolios on around a two-month lag for just over 50% of France-domiciled funds. However, more than 25% of portfolios are not reported to Morningstar at all.

Portfolio Management Disclosure

Funds are not required to provide the names and tenures of their portfolio managers in the regulatory filings, though Morningstar collects manager names 65% of the time for locally domiciled funds. Manager names can sometimes be found in marketing materials such as fact sheets, but it's very rare for these to include the managers' tenures or start dates. Neither the managers' compensation structures nor their personal investments in the funds are provided in regulatory filings, and most asset managers are not proactive in disclosing this information.

Sales Disclosure

In France, retail investors must receive a simplified prospectus prior to the purchase of a fund. Investors must confirm that they have received and reviewed the KIID, but often this is a tick-box on the execution platform. Advisers are required to disclose conflicts of interest. Financial advisers who receive monetary benefits from selling investment products or have close links with product issuers, which may impair their financial advice, cannot represent themselves as independent.

France (continued)

Disclosure Grade

Average

ESG and Stewardship Disclosure

Asset-management companies domiciled in France are required by the Energy Transition for Green Growth Law to disclose the integration of ESG criteria (if any) in their investment policies, and companies that manage funds with over EUR 500 million in assets also need to disclose—in a dedicated report named 'Article 173'—the fund's individual exposure to climate risk and their contribution to meeting energy transition goals. In addition, as in other EU member states, asset managers are obligated by the revised Shareholders Rights Directive (which came into effect in 2019) to disclose their policy on exercising voting rights and engaging as shareholders in EU-listed companies.

These requirements dovetail with EU regulations that prescribe disclosures to be made by asset managers and investment funds relating to sustainable investments and sustainability risks from 10 March 2021. There are three key elements of the disclosure regulation that asset managers will need to consider. First, disclosures on the firm's website need to include how the firm integrates sustainability risk into the investment process, how it integrates sustainability risk into its remuneration policy, and, for any ESG-focused funds it manages, details on the ESG objectives of these funds and how they are measured. Second, pre-contractual disclosures must include how sustainability risks are factored into investment decisions, the adverse sustainability impact of the investment decisions, and, for any ESG-focused funds the firm manages, details on the ESG objectives of these funds and how they are measured. Finally, the annual report of an ESG-focused fund will need to provide details of how the relevant ESG objectives are being met.

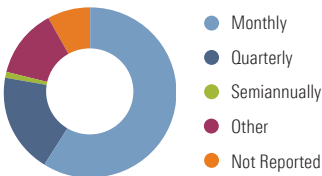
ESG data at the fund level is, however, not standardised. The only exception are mutual funds that have obtained one of the two government-sponsored ESG labels (Label ISR and Greenfin) and which have stringent ESG disclosure obligations. For example, funds that have been deemed eligible for the Label ISR need to disclose the methods and indicators used to assess environmental, social, and governance performance, including their carbon impact. They also need to demonstrate that they score better than their benchmark index (or other suitable comparator) on a specific set of metrics. Also, there is an ESG code of transparency for open-ended funds made available by the Association Francaise de la Gestion Financiere, the professional body representing the asset-management industry in France, to its members.

Germany

Disclosure Grade
Average

Disclosure

Portfolio Holdings Disclosure Frequency %



Average Portfolio Release Lag (Days)	65
GIE Market Rank	18/26

Manager Names

Funds Reporting Manager Names %	33
GIE Market Rank	22/26

Germany's grade of Average for Disclosure stems from its alignment to the standards of the European Union. There is no centralised website for fund documents, nor any requirement for a monetary illustration of fees in fund literature. The reporting of manager names is less common in Germany than in most markets in this study. On the plus side, Germany's regulatory authority has begun to press for the disclosure of environmental, social, and governance risks to help investors understand and compare products.

General Disclosure

In Germany, funds are required to publish annual and semiannual reports, and the financial statements within these shareholder reports must contain a prior-year comparison. Fact sheets are not required but are typically provided on a monthly basis. Fact sheets are considered marketing material and must comply with level II UCITS regulation, which requires advertisements to be clear, fair, and not misleading. Similarly, management's discussion of performance is not required but is typically provided, and the quality of discussion varies by fund provider and can often be lacking in detail. In Germany, there is no central website containing fund documents; however, these can be found on the asset managers' websites.

Simplified Prospectus

In line with other EU countries, funds sold in Germany must provide a simplified prospectus called the Key Investor Information Document, or KIID, which forms part of the offering documents along with the prospectus. The KIID is required to pertain to only one fund at a time. Regulations require that the KIID should be written in plain language that is clear enough for the average investor to understand — though the strategy or objective section does not always provide enough information for an investor to determine the investment's strategy effectively, as 'boilerplate' wording can dominate the description. The document also contains a section that covers material risks specific to the fund, presenting risks clearly in a narrative form in addition to a quantitative risk indicator based on a standardised scale that allows for easy comparison across funds (that is, the synthetic risk and reward indicator, or SRRI). The most relevant risks are explained in a manner that can be understood by the average investor, but the possible negative outcome associated with each risk isn't as clearly stated. There is no monetary illustration of fees within the document. Instead, funds are required to disclose in the KIID an ongoing charge figure that is calculated and presented in accordance with the UCITS guidelines. The KIID contains a bar chart of the share class' calendar-year performance over the past 10 years as compared with that of its benchmark, if present; this section of the KIID also complies with a set of UCITS guidelines.

Germany (continued)

Disclosure Grade

Average

Fee Disclosure

Asset managers in Germany provide a simple, aggregated total cost metric in the form of an ongoing charge published in the KIID. In addition, funds are required to individually report performance fees and purchase and redemption fees in the annual report or KIID. Trailer fees are reported within the bundled ongoing charge. Funds that substantially invest in other funds must include the underlying funds' fees when calculating the ongoing charge. Unlike the UK's Assessment of Value Report, there are no requirements in Germany for funds to regularly assess the reasonableness of their fees.

Portfolio Holdings Disclosure

Funds are required to disclose their portfolio holdings in their annual and semiannual reports, which are typically posted on the asset manager's website. Full disclosure of all positions is required, including long and short positions in exchange-traded equities, bonds, derivatives, and private investments. Under UCITS regulation, funds have four months following the end of the financial year to release the annual report, while semiannual reports must be released within two months. Morningstar finds that in practice, funds report portfolios on a monthly basis over half the time and on a quarterly basis nearly 20% of the time. The typical lag in portfolio reporting is around two months.

Portfolio Management Disclosure

Funds are not required to provide the name and tenure of the lead portfolio manager, and less than half of Germany-domiciled funds report manager names to Morningstar. Name and tenure information can sometimes be found in fund documents such as fact sheets. Fund companies don't provide managers' personal investments in their funds or managers' compensation, although they are obliged by regulation to publish their general remuneration policies.

Sales Disclosure

In Germany, retail investors must be offered access to a KIID at the point of sale. Advisers are required to disclose conflicts of interest. Specifically, MiFID II requires that advisers inform investors whether their advice is being provided on an independent or a non-independent basis. Independent advisers may not accept and retain fees, commissions, or any monetary or non-monetary benefits paid by the funds they recommend. In the case of non-independent advice, any such payments or benefits are only allowed if they are designed to enhance the quality of the advice and do not impair the adviser's duty to act in the best interests of the client. Furthermore, advisers must provide investors with an overview of all the costs involved with an investment, including the costs of the adviser's service and product costs.

Germany (continued)

Disclosure Grade

Average

ESG and Stewardship Disclosure

In Germany, there is no regulation governing ESG disclosures by funds. Neither is there an ecolabel for funds available. However, the Federal Financial Supervisory Authority has issued high-level recommendations on how asset managers should deal with and disclose ESG risks.

At the EU level, legislation is coming into effect in relation to sustainability-related disclosures in the financial-services sector. This prescribes that disclosures be made by asset managers and investment funds relating to sustainable investments and sustainability risks from 10 March 2021. There are three key elements of the disclosure regulation that asset managers will need to consider. First, disclosures on the firm's website need to include how the firm integrates sustainability risk into the investment process, how it integrates sustainability risk into its remuneration policy, and, for any ESG-focused funds it manages, and details on the ESG objectives of these funds and how they are measured. Second, pre-contractual disclosures must include how sustainability risks are factored into investment decisions, the adverse sustainability impact of the investment decisions, and, for any ESG-focused funds the firm manages, details on the ESG objectives of these funds and how they are measured. Finally, the annual report of an ESG-focused fund will need to provide details of how the relevant ESG objectives are being met.

Complementary legislative changes to the UCITS, AIFMD, and MiFID regimes are also in development. These measures are expected to help investors identify funds with certain ESG commitments and reduce the risk of greenwashing.

In Germany, asset managers are required to publish an engagement policy that describes how they integrate shareholder engagement in their investment strategy. They are also required to disclose annually their proxy voting activities. This follows the introduction of the EU's Shareholder Rights Directive II, which sets out to strengthen the position of shareholders and to reduce short-termism and excessive risk-taking within companies traded on EU regulated markets.

In the German Corporate Governance Code, the role of shareholders is limited. However, the German Investment Funds Association has adopted rules of conduct that detail a set of voluntary standards for its members. It recommends that asset managers exercise their shareholder rights in accordance with the European Fund and Asset Management Association's stewardship code.

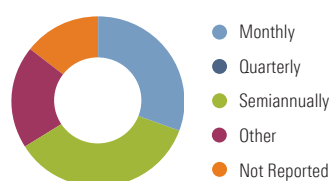
Hong Kong

Disclosure Grade

Average

Disclosure

Portfolio Holdings Disclosure Frequency %



Average Portfolio Release Lag (Days) 132
GIE Market Rank 26/26

Manager Names

Funds Reporting Manager Names % 33
GIE Market Rank 22/26

Hong Kong receives a Disclosure grade of Average. Hong Kong's simplified prospectus receives credit for clearly outlining a fund's strategy and investment risks and for requiring standardised returns, but it does not require the disclosure of manager names and lacks a monetary illustration of fees. Hong Kong requires semiannual portfolio disclosure, and in practice the disclosure of fund portfolios—which in other markets tends to exceed the statutory requirement—falls short relative to other markets in its frequency and timeliness.

Hong Kong has made positive strides in improving disclosure requirements since our 2017 study. Notably, distributors are now required to make a one-off disclosure to investors at the point of sale regarding the maximum percentage of management fees received from the product issuer as trailer fees, which helps investors better compare fees charged by different distributors. Elsewhere, Hong Kong is leading the way in Asia by introducing a standardised disclosure framework for green or environmental, social, and governance funds to enhance the comparability among such products, and further ESG-specific disclosure requirements are expected.

General Disclosure

In Hong Kong, funds are required to publish annual and semiannual reports, and the financial statements within these shareholder reports must contain a prior-year comparison. Fact sheets are not required but are typically provided on a monthly basis. Fact sheets are considered marketing material and must comply with the guidelines as set out by Hong Kong's Securities and Futures Commission, or SFC, which requires advertisements to be clear, fair, and not misleading. Similarly, management's discussion of performance is not required but is typically provided, and the quality of discussion varies by fund provider. Fund documents can be found on the SFC website, specifically the prospectus and the simplified prospectus.

Simplified Prospectus

Hong Kong has a simplified prospectus called the Products Key Facts Statement, or KFS, which forms part of the offering documents along with the prospectus. The KFS is required to pertain to only one fund at a time. The language in the document is deemed simple enough for the average investor to understand, and the strategy or objective section typically provides enough information for an investor to determine the investment's strategy effectively. The document also contains a section that covers material risks specific to the fund. The risks are explained in a manner that can easily be understood by the investor, with the possible negative outcome associated with each risk clearly stated. There is no monetary illustration of fees within the document. Instead, funds are required to

Hong Kong (continued)

Disclosure Grade

Average

disclose an ongoing charge that is calculated and presented in accordance with the SFC's ongoing charge guidelines. The KFS also contains a section of a representative share class' calendar-year performance over the past 10 years in the form of a bar chart, which complies with a set of relevant guidelines.

Fee Disclosure

Asset managers in Hong Kong provide a simple, aggregated total cost metric in the form of an ongoing charge published in the KFS. This ongoing charge needs to be updated if it varies by 5% or more compared with the last published figure. In addition, funds are required to individually report management fees, trading costs, performance fees, purchase and redemption fees, and other ongoing expenses such as custodian and administrative fees in the annual report or simplified prospectus. On the other hand, trailer fees as a maximum percentage of management fees are disclosed to the investor on a one-off basis at the point of sale. Funds that substantially invest in other funds must include the underlying funds' fees when calculating the ongoing charge. Unlike the UK's Assessment of Value Report, there are no requirements in Hong Kong for funds to regularly assess the reasonableness of their fees. Nonetheless, the SFC requires asset managers to manage funds in a cost-efficient manner, taking into account the size of the fund and the level of its fees and expenses.

Portfolio Holdings Disclosure

Funds are required to disclose their portfolio holdings in their annual and semiannual reports, which are typically posted on the asset manager's website. Full disclosure of all positions is required, including long and short positions in exchange-traded equities, bonds, derivatives, and private investments. Under regulation, funds have 120 days following the end of the financial year to release the annual report, while semiannual reports must be released within 60 days. In practice, funds domiciled in Hong Kong report portfolios to Morningstar on a monthly basis around 30% of the time and on a semiannual basis 35% of the time. The remainder are reported less frequently, and the lag in portfolio reporting is over four months, the worst among markets in this study.

Portfolio Management Disclosure

Funds are not required to provide the name and tenure of the lead portfolio manager, although such information can sometimes be found in marketing material such as fact sheets. Just over 30% of funds domiciled in Hong Kong report manager names to Morningstar. Neither the managers' investment in the fund nor their compensation is provided to investors.

Hong Kong (continued)

Disclosure Grade

Average

Sales Disclosure

In Hong Kong, retail investors must receive fund-offering documents at the point of sale. Advisers are required to disclose conflicts of interest. Specifically, advisers who receive monetary benefits from selling investment products or have close links with product issuers that may impair their financial advice cannot represent themselves as independent and are required to disclose the maximum trailer fee they may receive from the product issuer as an ongoing commission for selling a particular fund at the point of sale. Furthermore, advisers must disclose monetary benefits as a percentage ceiling of the investment amount or the dollar equivalent, as well as the nature of non-monetary benefits received, from distributing an investment product.

ESG and Stewardship Disclosure

Recognising the uneven disclosure practices from green or ESG funds in Hong Kong, the SFC issued a circular in April 2019 to standardise the disclosure requirements of and comparability among such products to help investors make informed decisions. Among other things, these funds are expected to provide a description of the key investment focus and the investment strategies adopted, such as the relevant green or ESG criteria considered, ESG analysis and evaluation methodology, and any references to an ESG benchmark. A description of exclusion policies and risks associated with the fund's investment theme are also required. Such information is disclosed in the funds' offering documents, including the KFS. The SFC hosts a dedicated webpage that lists the green or ESG funds that comply with the requirements set out in the circular. These measures help investors identify funds with certain ESG commitments and reduce the risk of greenwashing. In addition, funds that reference 'sustainability' or other relevant terms in their names but do not have an explicit incorporation of green or ESG factors in their investment objectives or strategies are required to display a prominent risk warning in their offering documents as well as marketing material that clearly states that they are not recognised as a green or ESG fund by the SFC in Hong Kong.

Hong Kong currently does not have any regulation that requires the disclosure of stewardship activities. The SFC issued the Principles of Responsible Ownership in 2016, which detail how asset managers can best meet their ownership responsibilities, including reporting to stakeholders. However, these principles are non-binding and voluntary.

The SFC plans to further enhance ESG disclosures in the coming two years. As one of the initiatives under the Strategic Framework for Green Finance, the SFC conducted a survey on integrating ESG factors and climate risks in asset management in 2019. On the back of the survey, the SFC aims to

Hong Kong (continued)

Disclosure Grade
Average

deliver a few outcomes in the near term, including setting expectations for asset managers in areas such as governance and oversight, investment management, risk management, and disclosure, while focusing on environmental risks with an emphasis on climate change. In addition, it aims to provide practical guidance, best practices and training in collaboration with the industry and relevant stakeholders to enhance asset managers' capacity to meet the SFC's expectations.

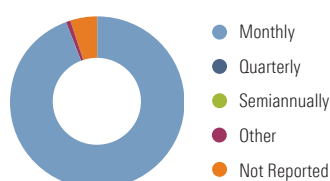
India

Disclosure Grade

Top

Disclosure

Portfolio Holdings Disclosure Frequency %



Average Portfolio Release Lag (Days)	10
GIE Market Rank	1/26

Manager Names

Funds Reporting Manager Names %	99
GIE Market Rank	4/26

India earns a Top grade for Disclosure given the strength of its requirements for monthly portfolio holdings disclosure, portfolio management disclosure, and specifications for the simplified prospectus. India could work to improve the level of detail provided by fund firms in discussions of performance and risk within fund literature.

General Disclosure

In India, funds are required to publish fact sheets on a monthly basis. Fact sheets must carry standard performance data points and comparisons with relevant benchmarks along with holdings information and other important data points like expense ratios, loads, fund size, and manager name and experience. Management's discussion of performance is not required but is typically provided. The quality of discussion varies by fund provider and often tends to be at an overall asset-class perspective. Funds are required to publish annual and semiannual reports, and the financial statements within these shareholder reports must contain a prior-year comparison. Key fund documents like the Key Information Memorandum, or KIM, Scheme Information Document, or SID, and Statement of Additional Information can be found on the Securities and Exchange Board of India, or SEBI, website. These and other fund documents like annual reports can also be found on the websites of individual asset-management companies.

Simplified Prospectus

India has a simplified prospectus called the KIM, which forms part of the offering documents along with the SID. The KIM is required to pertain to only one fund at a time. The language in the document is deemed simple enough for the average investor to understand, and the strategy or objective section typically provides enough information for an investor to determine the investment's strategy effectively. Additionally, SEBI mandated a uniform categorisation system, which came into effect in 2017-18. Since then, it has become easier for investors to discern the investment mandates of funds. The simplified document also contains a section that covers all material risks, but these risks often apply to all investment funds and are not specific to an individual fund. The risks are explained in a manner that can easily be understood by the investor, with potential risk mitigation techniques also stated. The KIM also contains a risk meter that grades each fund on a five-point risk scale currently. This is being enhanced to a granular portfolio scoring system-based risk-classification starting January 2021. There is no monetary illustration of fees within the document, although this is carried in the SID. The total expense ratio of the fund is disclosed in this document. The KIM also contains a representative share class' calendar-year performance over the past five years as compared with its benchmark's performance in the form of a bar chart. Trailing performance across various time periods is also mentioned in the same document.

India (continued)

Disclosure Grade

Top

Fee Disclosure

Asset managers in India provide a simple, aggregated total cost metric in the form of a total expense ratio that's published in the KIM as well as the monthly fact sheets. In addition, funds are required to individually report management fees, trading costs, commissions paid, and other ongoing expenses such as custodian and administrative fees in the annual report. Unlike the UK's Assessment of Value Report, there are no requirements in India for funds to regularly assess the reasonableness of their fees. Although, overall expense ratios are subject to caps by slab as defined by the regulator.

Portfolio Holdings Disclosure

Funds are required to disclose their portfolio holdings monthly in their fact sheets, as well as via downloadable excel spreadsheet, which are typically posted on the asset manager's website. Full disclosure of all positions is required, including long and short positions in exchange-traded equities, bonds, derivatives, and private investments. Under regulation, funds typically disclose their full portfolio holdings within 10 calendar days from each month end. This is reflected in Morningstar's portfolio collection metrics, which show that nearly 95% of Indian fund portfolios are reported to Morningstar monthly on a study-best 10-day lag. Regulation was updated in October 2020 to mandate that fixed income funds disclose full portfolio holdings fortnightly, via a downloadable excel spreadsheet, within five days of each fortnight. This creates a separate standard between fixed income and other asset classes.

Portfolio Management Disclosure

Funds are required to provide the names and tenures of the lead portfolio managers, and this information is available in the monthly fact sheets as well as other fund documents like the KIM. Morningstar successfully collects manager names for virtually all of India's funds. The regulator requires a manager's remuneration and investments in a fund to be disclosed. The remuneration and ownership are also to be disclosed for the board and senior management.

Sales Disclosure

In India, retail investors should receive fund-offering documents at the point of sale. Advisers are required to disclose conflicts of interest. Specifically, advisers who receive monetary benefits from selling investment products or have close links with product issuers which may impair their financial advice cannot represent themselves as independent and are termed as distributors. At the point of sale, advisers are required to disclose the maximum trailer fee they may receive from the product issuer as ongoing commission for selling a particular fund. Furthermore, the half-yearly client account statement will contain the amount of actual commissions paid by asset-management companies or

India (continued)

Disclosure Grade

Top

mutual funds to distributors (in absolute terms) during the half-year period against the concerned investor's total investments in each mutual fund scheme. The term 'commission' here refers to all direct monetary payments and other payments such as gifts, rewards, trips, event sponsorships, and so on made by asset-management companies or mutual funds to distributors.

ESG and Stewardship Disclosure

Currently there are no regulations/guidelines regarding environmental, social, and governance disclosure practices. Although a few asset managers have introduced ESG funds in the past couple of years, it's been an increasing trend. While there are no ESG-specific guidelines, these funds provide a description of the key investment focus and references to an ESG benchmark. Such information is disclosed in the funds' offering documents, including the KIM.

India has regulation that requires the disclosure of stewardship activities by the asset manager. Mutual funds are expected to play an active role in ensuring better corporate governance of listed companies. Asset managers are required to disclose, on their websites as well as their annual reports, their general policies and procedures for exercising the voting rights in respect of the shares held by them. They are also required to disclose on their websites and annual reports the actual exercise of their proxy votes in the annual general meetings/extraordinary general meetings of the investee companies.

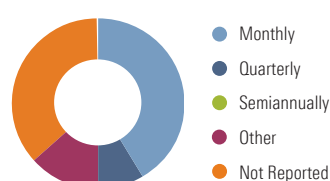
Italy

Disclosure Grade

Below Average

Disclosure

Portfolio Holdings Disclosure Frequency %



Average Portfolio Release Lag (Days) 70
GIE Market Rank 20/26

Manager Names

Funds Reporting Manager Names % 59
GIE Market Rank 16/26

Unlike most markets in this study, Italy does not require advisers to disclose any type of compensation received from the funds or owners of the funds that they sell, contributing to a Below Average grade for Disclosure. Italy also lacks a centralised web site for fund documents and does not require a monetary illustration of fees in the simplified prospectus.

General Disclosure

In Italy, funds are required to publish annual and semiannual reports, and the financial statements within these shareholder reports must contain a prior-year comparison. Fact sheets are not required but are often provided on a monthly basis, although the quality and transparency vary across firms. Fact sheets are considered marketing material and must comply with the advertising guidelines as outlined by the local market regulator (Consob), requiring advertisements to be clear, fair, and not misleading. Management's discussion of performance is required, but the quality of discussion varies by fund provider and can often be vague and lacking in detail. In Italy there is no central website containing fund documents, but they can typically be found on firms' websites.

Simplified Prospectus

In line with other European countries, funds sold in Italy must provide a simplified prospectus called the Key Investor Information Document, or KIID, which forms part of the offering documents along with the prospectus. The KIID is required to pertain to only one fund share class at a time and is two pages long. Regulations require that the KIID be written in plain language that is somewhat simple enough for the average investor to understand—though the strategy or objective section does not always provide enough information for an investor to determine the investment's strategy effectively, as 'boilerplate' wording can dominate the description. The document also contains a section that covers material risks specific to the fund, presenting risks clearly in narrative form and providing a risk score according to a standardised scale that allows for ease of comparison across funds (that is, the synthetic risk and reward indicator, or SRRI). The most relevant risks are explained in a manner that can be understood by the average investor, but the possible negative outcome associated with each risk isn't as clearly stated. There is no monetary illustration of fees within the document, although that is available in a separate document following the introduction of MiFID II. Instead, funds are required to disclose in the KIID an ongoing charge figure that is calculated and presented in accordance to the UCITS guidelines. The KIID also contains a bar chart of the share class' calendar-year performance over the past 10 years as compared with that of its benchmark, if present; this section of the KIID complies with a set of relevant guidelines.

Italy (continued)

Disclosure Grade

Below Average

Fee Disclosure

Asset managers in Italy provide a simple, aggregated total cost metric in the form of an ongoing charge published in the KIID (in addition to the previous year's performance fee charges, if present). In addition, funds are required to individually report management fees, performance fees, purchase and redemption fees, and other ongoing expenses such as custodian and administrative fees in the annual report—and some of these items are required in the prospectus as well. Following the introduction of MiFID II, estimated and actual trading costs are disclosed separately. Trailer fees are reported within the bundled ongoing charge, though by regulation, fund companies must also report in the prospectus the amount rebated to advisers. Funds that substantially invest in other funds must include the underlying funds' fees when calculating the ongoing charge. Unlike the UK's Assessment of Value Report, there are no requirements for funds to regularly assess the reasonableness of their fees.

Portfolio Holdings Disclosure

Funds are required to disclose their portfolio holdings in their annual and semiannual reports, which are typically posted on the asset manager's website. Regulation for Italy-domiciled mutual funds requires publication of the top 50 holdings or all holdings representing more than 0.5% of the portfolio, whichever is greater. In practice, and in line with UCITS requirements, a significant number of fund companies provide full and complete disclosure of portfolio holdings, including long and short positions in exchange-traded equities, bonds, derivatives, and private investments. Morningstar finds that Italian fund firms report monthly portfolios only around 40% of the time, and around 35% of the time Morningstar receives no portfolio at all. Under UCITS regulation, funds have four months following the end of the financial year to release the annual report, while semiannual reports must be released within two months. Italy goes a step further in requiring that portfolios be submitted to the regulator on the 25th business day following month-end, but it can take significantly longer for portfolios to reach end investors. On average, Morningstar publishes portfolios received for Italy-domiciled funds around 70 days after the portfolio date.

Portfolio Management Disclosure

Funds are not required to provide the name and tenure of the lead portfolio manager, although such information can sometimes be found in marketing material such as fact sheets. Morningstar collects manager names for more than 50% of Italy-domiciled funds. Fund companies don't provide managers' personal investments in their funds or managers' compensation, although they are obliged by regulation to publish their general remuneration policies.

Italy (continued)

Disclosure Grade

Below Average

Sales Disclosure

In Italy, retail investors must receive fund-offering documents at the point of sale. Advisers are required to disclose conflicts of interest but are not required to disclose any compensation received from the funds or owners of the funds that they sell. Following MiFID II, advisers must inform investors whether this advice is being provided on an independent or a non-independent basis.

ESG and Stewardship Disclosure

In Italy, there is currently no regulation governing environmental, social, and governance disclosures by funds, nor is there an officially recognised ecolabel for sustainable funds. As a result, the quality of ESG disclosure and compliance largely depends on the individual asset-management firm. At the EU level, legislation is coming into effect in relation to sustainability-related disclosures in the financial-services sector. This prescribes that disclosures be made by asset managers and investment funds relating to sustainable investments and sustainability risks from 10 March 2021. There are three key elements of the disclosure regulation that asset managers will need to consider. First, disclosures on the firm's website need to include how the firm integrates sustainability risk into the investment process, how it integrates sustainability risk into its remuneration policy, and, for any ESG-focused funds it manages, details on the ESG objectives of these funds and how they are measured. Second, pre-contractual disclosures must include how sustainability risks are factored into investment decisions, the adverse sustainability impact of the investment decisions, and, for any ESG-focused funds the firm manages, details on the ESG objectives of these funds and how they are measured. Finally, the annual report of an ESG-focused fund will need to provide details of how the relevant ESG objectives are being met.

Complementary legislative changes to the UCITS, AIFMD, and MiFID regimes are also in development. It applies to EU asset managers but may also have implications for non-EU asset managers.

The Italian association of fund and asset managers (Assogestioni) introduced a stewardship code in 2013. This code contains principles and guidelines for asset managers that were inspired by the European Fund and Asset Management Association's stewardship code regarding the monitoring of, voting in, and engagement with investee companies.

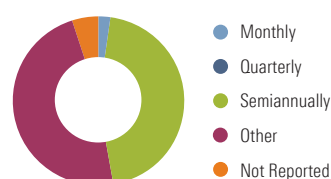
Japan

Disclosure Grade

Below Average

Disclosure

Portfolio Holdings Disclosure Frequency %



Average Portfolio Release Lag (Days) 102
GIE Market Rank 23/26

Manager Names

Funds Reporting Manager Names % 2
GIE Market Rank 26/26

Largely as a result of weak disclosure practices around portfolio holdings and fund managers, Japan receives a Disclosure grade of Below Average. The frequency of shareholder reporting and portfolio disclosure depends on the fund's settlement cycle, where annual settlement funds report only annually. Reports are captured on a centralised website but do not require prior-year comparisons.

General Disclosure

All retail investment products in Japan are subject to the same disclosure requirements. Investor reports are provided on a semiannual or annual basis depending on the fund's settlement frequency. Annual settlement funds are required to report annually. Funds with a shorter settlement frequency (monthly, bimonthly, quarterly, semiannually) are reported on a semiannual basis. The financial statements within fund literature do not contain a comparison to prior-year periods. Monthly shareholder reports that contain information about performance and top holdings are provided regardless of the settlement frequency, although it is not a requirement. The Investment Trusts Association, Japan provides a centralised website where all fund documents are concurrently available free of charge.

Simplified Prospectus

The publication of a simplified prospectus is required in Japan. The Japanese term for a simplified prospectus is Koufu Mokuromisho, or delivered prospectus. In most cases, these documents are produced for individual funds, but regulators allow certain series of funds to be filed in a combined document. For example, fund series with currency-hedged and unhedged courses, or fund series with different frequencies of settlement can be combined into one document. The simplified prospectus is written in plain language, and charts are often included to help investors better understand the strategy. The section on risk disclosure covers all possible risks that investors would be exposed to, although the text tends to be in a fixed phrase. Standardised returns are readily available to an investor at the point of sale. Five-year returns are illustrated within the simplified prospectus if the fund has a track record at least that long, including maximum, minimum, and average returns for 12-month periods over the previous five years compared with relevant benchmarks.

Fee Disclosure

When a fund invests in other funds, the total fee measure includes the fees of the underlying funds. In the fund report, total fees are illustrated in a standardised format containing the main expenses that compose the ongoing charges where investors can visually ascertain fee constituents. This illustration of total fees in a standardised format was introduced in 2019. Additionally, each fund is required to show the price of management, administration, and other major expenses as the number of yen and percentage paid per 10,000 units invested, so that investors can determine the costs of various fund services with a high level of specificity. Although, for the funds charging performance

Japan (continued)

Disclosure Grade

Below Average

fees, it is difficult for investors to check the amount of performance fees charged in the reporting period. Unlike the UK's Assessment of Value Report, there are no requirements in Japan for funds to regularly assess the reasonableness of their fees.

Portfolio Holdings Disclosure

Fund reports contains full portfolio holdings, including long and short positions in exchange-traded equities, bonds, derivatives, and private investments. Note that in case of funds of funds that invest in foreign-domiciled funds, the disclosure of all holdings in the underlying fund is not necessarily obligatory. The frequency of full portfolio holdings reporting depends on the fund's settlement cycle, where annual settlement funds report annually, and funds with more frequent settlement cycles report semi-annually. Funds are required to release full portfolios within 90 days beyond the end of the period. Although we note that when a fund invests in other fund, the settlement date of the underlying fund may not be the same, which may cause a lag longer than 90 days. In practice, Morningstar collects 45% of Japanese fund portfolios on a semiannual basis, with the nearly the full remainder collected at longer intervals. Fund portfolios are typically released over 100 days after the portfolio date.

Portfolio Management Disclosure

Fund literature seldom contains the name of the portfolio manager or information on tenure. We observe that most fund companies have been very cautious about disclosure related to the individual portfolio manager. Only 2% of Japan-domiciled funds report fund manager names to Morningstar. Instead, information about the division within a fund company or the name of the division head along with total years in the fund management industry is disclosed on fund company websites. Neither the portfolio manager's compensation structure nor the portfolio manager's investment in the fund is provided to investors.

Sales Disclosure

In Japan, retail investors must receive fund-offering documents at the point of sale. Banks and brokerage firms are the dominant retail fund distributors. Financial advisers belonging to banks and brokerage firms are only paid from their working entities and not allowed to receive compensation from fund assets.

ESG and Stewardship Disclosure

There are no specific regulations related to environmental, social, and governance disclosure, including ones aimed to prevent greenwashing. Market practice only provides for high-level generic information. There are no announced plans from the regulators to improve ESG disclosure. In Japan, there is a non-regulatory stewardship code that includes disclosure of voting policies, voting records, and engagement. Although this is not regulatory, the stewardship code is regarded as mandatory.

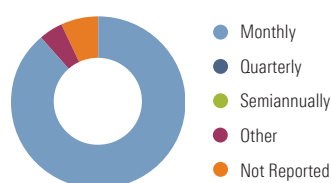
Korea

Disclosure Grade

Above Average

Disclosure

Portfolio Holdings Disclosure Frequency %



Average Portfolio Release Lag (Days) 58
GIE Market Rank 14/26

Manager Names

Funds Reporting Manager Names % 99
GIE Market Rank 4/26

Korea earns a Disclosure grade of Above Average. Korea requires quarterly shareholder reports that include full disclosure of holdings, and these documents are available via a centralised website. Fund manager names and tenures are disclosed in the simplified prospectus, and a monetary illustration of fees is available in the full prospectus.

There were no significant changes to Korea's disclosure requirements since our 2017 study. We highlight that Korean investors can easily compare fee levels as the category peer average fee is presented in the simplified prospectus, which is a unique feature in relation to other markets. The regulator has implemented measures to reduce conflicts of interest through limiting distributors' sale of products managed by their affiliates to a maximum of 25% of total sales by 2022. Furthermore, advisers are not allowed to receive any sales incentives from funds for their distributing efforts. On the environmental, social, and governance front, asset managers' adoption of the non-regulatory stewardship code is largely driven by the National Pension Service's emphasis on ESG as part of its manager selection process.

General Disclosure

In Korea, funds are required to publish a quarterly operational report (a component of the financial report) and an annual settlement report. The quarterly operational report is required to be published within 60 days from the end of the period. While the operational report follows a calendar quarter, the settlement report's cycle is based on the inception date of the fund. The settlement report includes the prospectus, simplified prospectus, annual accounting audit report (the annual report in Morningstar's terminology in this survey), trustee reports, liquidation reports, and the quarterly asset-management report. An annual accounting audit report provides the prior year's information for comparison. The asset-management report adheres to the format set by the Financial Supervisory Service and is provided to investors via an e-mail from the Korea Securities Depository. Fund performance commentaries are required in the asset-management report and should include past performance and future investment strategy, but they are not always detailed. All fund literature is published by the Korea Financial Investment Association, or KOFIA, on its centralised website and is publicly available for free. Monthly fact sheets are not a regulatory requirement but are generally provided to investors.

Simplified Prospectus

Each simplified prospectus relates to a single fund and contains the names and tenures of the portfolio managers. The language in the simplified prospectus is simple enough for an average investor to understand, but some parts are too vague to permit a detailed understanding of the fund's strategy

Korea (continued)

Disclosure Grade

Above Average

and objective. The simplified prospectus is required to contain a section that covers materially relevant risks to the fund, however, 'boilerplate' text is often used to cover all possible negative outcomes.

A monetary illustration of fees is not a requirement in the simplified prospectus but is provided in the full prospectus. The simplified prospectus is required to disclose the ratio illustration of all relevant fees in total terms and individually. Performance data is required in the simplified prospectus and the full prospectus, presented in the form of one-, two-, three-, five-year, and since-inception returns. However, investors may not be able to easily compare funds because returns are calculated based on the inception day and month of each respective fund. We note that investors can make better comparisons through the quarterly operational report, which presents standardised returns that are based on calendar month-end cycles.

Fee Disclosure

Asset managers in Korea provide a simple and aggregated total cost metric in the form of an ongoing charge, and they individually report management fees, trading costs, performance fees, purchase and redemption fees, loads, and other ongoing expenses such as custodian and administrative fees in the annual report, asset-management report, prospectus, and simplified prospectus. Funds that invest in other funds must include the underlying funds' fees when calculating the ongoing charge.

Asset managers provide the average fees of the category peer group (according to KOFIA's classification) in the simplified prospectus. Fee comparison tables are disclosed by asset managers and distributors on KOFIA's website. Funds are not required to regularly assess the reasonableness of fees, unlike the UK's Assessment of Value Report.

Portfolio Holding Disclosure

Funds are required to disclose their full portfolio holdings in the quarterly operational report and the annual accounting audit report. The quarterly operational report is the best document for Korean investors to obtain full portfolio holdings since KOFIA publishes this information on its central website.

Full disclosure of all positions is required, including long and short positions in exchange-traded equities, bonds, derivatives, and private investments. Under regulation, funds have 60 days following the end of the quarter to release the quarterly operational report. Despite the quarterly disclosure requirement, funds typically provide monthly portfolio holdings to Morningstar and other rating agencies either directly or through KOFIA within 60 days.

Korea (continued)

Disclosure Grade

Above Average

Portfolio Management Disclosure

The simplified prospectus is required to disclose the names and tenures of the lead portfolio managers, and this is reflected in the near-perfect rate of manager name collection by Morningstar. However, a portfolio manager's ownership in the fund and compensation are not required to be disclosed.

Sales Disclosure

Advisers must distribute a fund's full prospectus or simplified prospectus at the point of sale. Advisers must also obtain a signature from the investor to acknowledge that the explanation of the fund has been heard and understood.

Advisers and distributors are not allowed to receive any sales incentives from the funds they sell. Advisers are also required to disclose conflicts of interest at the point of sale if the product is related to an affiliate company. Furthermore, advisers such as bank and broker distributors need to limit sales of products managed by their affiliates to 25% of total sales by 2022 as stipulated by the Korean regulator to reduce conflicts of interest.

ESG and Stewardship Disclosure

There is no requirement for ESG disclosures in Korea currently and no announcement of any plans for the next two years. However, asset managers typically provide generic ESG information. The National Pension Service is leading ESG investment in the institutional investment space, and this move is expected to influence the direction of ESG disclosure within the local asset-management companies, given that the National Pension Service's manager selection criteria include an ESG component. As such, over two thirds of Korean asset-management companies are now participating in the non-regulatory stewardship code that includes disclosure of voting policies, voting records, and engagement.

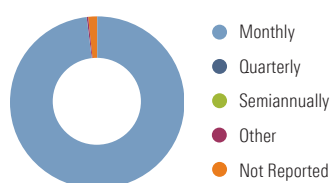
Mexico

Disclosure Grade

Average

Disclosure

Portfolio Holdings Disclosure Frequency %



Average Portfolio Release Lag (Days)	15
GIE Market Rank	3/26

Manager Names

Funds Reporting Manager Names %	57
GIE Market Rank	18/26

Mexico receives a Disclosure grade of Average. Mexico sets the standard for portfolio disclosure with required weekly, non-delayed reporting of material portfolio positions and monthly reporting of full portfolios. Quarterly shareholder reports and monthly fact sheets are required. Mexico requires a monetary illustration of fund fees in fund literature, and funds are required to regularly assess the reasonableness of fees, though that report is for internal use only. Mexico also has room for improvement: It is one of only two markets in this study to not publish a simple, aggregated total cost metric; there is no centralised website for fund documents; and management discussions of performance and potential risks are lacking.

General Disclosure

In Mexico, funds are required to publish annual, semiannual, and quarterly reports, and the financial statements within these shareholder reports must contain a prior-year comparison. In addition, fact sheets are required on a monthly basis, but management's discussion of performance isn't required, and it's typically not provided. Fund documents aren't available on a centralised website. Asset managers publish their funds' documentation on their websites.

Simplified Prospectus

Mexico has a simplified prospectus called the Documento con Informacion Clave para la Inversion, or DICI, which forms part of the offering documents along with the prospectus. The DICI is required to pertain to only one fund at a time. The language in the document is deemed simple enough for the average investor to understand, and the strategy or objective section typically provides enough information for an investor to determine the investment's strategy effectively. The document sometimes contains a section that covers material risks specific to the fund, but it isn't required. There is a monetary illustration of fees, based upon an assumption of a standard monetary investment.

Fee Disclosure

Asset managers in Mexico don't provide a simple, aggregated total cost metric. However, funds are required to individually report management fees, trading costs, performance fees, purchase and redemption fees, and other ongoing expenses such as custodian and administrative fees in both the annual report and prospectus. There is a monetary illustration of fees within the document. Funds are required to regularly assess the reasonableness of fees, but the report is for internal use only.

Portfolio Holdings Disclosure

Funds are required to disclose their portfolio holdings weekly, and they are typically posted on the websites of the asset manager and the regulator. Full disclosure of all material positions is required, including long and short positions in exchange-traded equities, bonds, derivatives, and private

Mexico (continued)

Disclosure Grade

Average

investments. Under regulation, funds must update holdings on the last working day of each week. While these portfolios only require reporting of position sizes that are 2% of total portfolio assets, fund firms typically report full holdings, which are also required monthly. The regulations and reporting systems reflect strongly in Morningstar's coverage statistics of Mexican fund portfolios; fully 98% of portfolios are successfully collected on a monthly basis, the best among markets in this study. The lag between the portfolio date and release at Morningstar is typically around two weeks.

Portfolio Management Disclosure

Funds are not required to provide the name and tenure of the lead portfolio manager, and such information is infrequently found in marketing material such as fact sheets. Still, Morningstar collects manager names for over half of Mexican funds. Neither the managers' investment in the fund nor their compensation is provided to investors.

Sales Disclosure

In Mexico, retail investors must receive a prospectus prior to buying a fund. Advisers are required to disclose conflicts of interest. Advisers can't receive monetary benefits from selling investment products or have close links with product issuers.

ESG and Stewardship Disclosure

In Mexico, funds don't provide environmental, social, and governance information, and no plan has been announced to provide ESG disclosures in the short term. Mexico has regulatory requirements about the disclosure of some useful information about engagement and voting policies and records, but overall, significant risk of greenwashing exists.

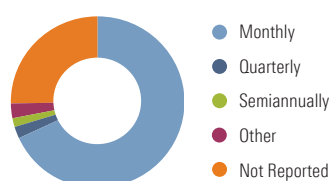
Netherlands

Disclosure Grade

Average

Disclosure

Portfolio Holdings Disclosure Frequency %



Average Portfolio Release Lag (Days)	41
GIE Market Rank	11/26

Manager Names

Funds Reporting Manager Names %	65
GIE Market Rank	13/26

The Netherlands receives a Disclosure grade of Average, marking an improvement from our 2017 study. There is no central website in the Netherlands for fund documents and no provision for a monetary illustration of fees within fund literature. But the Netherlands exceeds the European standard for sales disclosure with its ban on retrocessions and other types of compensation paid from funds to financial advisers. Such rebates are typically allowed, with varying levels of disclosure, elsewhere.

General Disclosure

In the Netherlands, funds are required to publish annual and semiannual reports, and the financial statements within these shareholder reports must contain a prior-year comparison. Fact sheets are not required but are typically provided on a monthly basis. Fact sheets are not considered marketing material, but still must comply with the guidelines set out by the Netherlands Authority for the Financial Markets, which requires advertisements to be clear, correct, and not misleading. Similarly, management's discussion of performance in annual reports is not required but is typically provided. Although the quality of discussion can vary by fund provider, in general it provides a reasonable level of detail. In the Netherlands, there is no central website containing fund documents, however they can be found on firms' websites.

Simplified Prospectus

In line with other European countries, funds sold in the Netherlands must provide a simplified prospectus called the Key Investor Information Document, or KIID, which forms part of the offering documents along with the prospectus. The KIID is required to pertain to only one fund share class at a time. Regulations require that the KIID should be written in plain language that is clear enough for the average investor to understand—though the strategy or objective section does not always provide enough information for an investor to determine the investment's strategy effectively, as 'boilerplate' wording can dominate the description. The document also contains a section that covers material risks specific to the fund, presenting risks clearly in a narrative form in addition to a quantitative risk indicator based on a standardised scale that allows for easy comparison across funds (that is, the synthetic risk and reward indicator, or SRRI). The most relevant risks are explained in a manner that can be understood by the average investor, but the possible negative outcome associated with each risk isn't as clearly stated. There is no monetary illustration of fees within the document. Instead, funds are required to disclose in the KIID an ongoing charge figure that is calculated and presented in accordance with the UCITS guidelines. The KIID contains a bar chart of the share class' calendar-year performance over the past 10 years as compared with that of its benchmark, if present; this section of the KIID also complies with a set of UCITS guidelines.

Netherlands (continued)

Disclosure Grade

Average

Fee Disclosure

Asset managers in the Netherlands provide a simple, aggregated total cost metric in the form of an ongoing charge published in the KIID. In addition, funds are required to individually report management fees, performance fees, and purchase and redemption fees in the annual report or KIID. On the other hand, trailer fees are reported within the bundled ongoing charge. However, following the ban on rebates in 2014, it is uncommon in the Netherlands that rebate-holding funds are sold to investors. Funds that substantially invest in other funds must include the underlying funds' fees when calculating the ongoing charge. Unlike the UK's Assessment of Value Report, there are no requirements in the Netherlands for funds to regularly assess the reasonableness of their fees.

Portfolio Holdings Disclosure

Funds are required to disclose their portfolio holdings in their annual and semiannual reports, which are typically posted on the asset manager's website. Full disclosure of all positions is required, including long and short positions in exchange-traded equities, bonds, derivatives, and private investments. Under UCITS regulation, funds have four months following the end of the financial year to release the annual report, while semiannual reports must be released within two months. In practice, Morningstar collects 68% of portfolios for Netherlands-domiciled funds monthly, with a typical lag of around 40 days. However, fully 25% of portfolios are not reported to Morningstar at all.

Portfolio Management Disclosure

Funds are not required to provide the name and tenure of the lead portfolio manager, although such information can sometimes be found in fund documents such as fact sheets. Morningstar shows manager names for 65% of Netherlands-domiciled funds. Fund companies don't provide managers' personal investments in their funds or managers' compensation, although they are obliged by regulation to publish their general remuneration policies.

Sales Disclosure

In the Netherlands, retail investors must receive a fund's KIID at the point of sale. Advisers are required to disclose conflicts of interest. MiFID II regulation on disclosure of whether an adviser is dependent or independent and which monetary compensation an adviser may receive are less relevant for the Netherlands. In the Netherlands, advisers are prohibited from receiving any monetary benefits following a ban on rebates imposed as of 1 Jan 2014. However, following the implementation of MiFID II, advisers must provide investors with an overview of all the costs involved with an investment, including the costs of the adviser's service and product costs.

Netherlands (continued)

Disclosure Grade

Average

ESG and Stewardship Disclosure

In the Netherlands, there is no regulation governing environmental, social, and governance disclosures by funds. Neither is there an ecolabel for funds available.

At the EU level, legislation is coming into effect in relation to sustainability-related disclosures in the financial-services sector. This prescribes that disclosures be made by asset managers and investment funds relating to sustainable investments and sustainability risks from 10 March 2021. There are three key elements of the disclosure regulation that asset managers will need to consider. First, disclosures on the firm's website need to include how the firm integrates sustainability risk into the investment process, how it integrates sustainability risk into its remuneration policy, and, for any ESG-focused funds it manages, details on the ESG objectives of these funds and how they are measured. Second, pre-contractual disclosures must include how sustainability risks are factored into investment decisions, the adverse sustainability impact of the investment decisions, and, for any ESG-focused funds the firm manages, details on the ESG objectives of these funds and how they are measured. Finally, the annual report of an ESG-focused fund will need to provide details of how the relevant ESG objectives are being met.

Complementary legislative changes to the UCITS, AIFMD, and MiFID regimes are also in development. These measures are expected to help investors identify funds with certain ESG commitments and reduce the risk of greenwashing. It applies to EU asset managers but may also have implications for non-EU asset managers.

The Dutch Fund and Asset Management Association has introduced a fund governance code for asset managers. This code contains principles and guidelines that are aligned with European and Dutch regulations. Additionally, firms adhere to standards and guidelines outlined in the stewardship code of the European Fund and Asset Management Association.

In the Netherlands, asset managers are required to publish an engagement policy and disclose annually how the main elements of their investment strategy contribute to the medium- and long-term performance of their assets. This follows the introduction of the EU's Shareholder Rights Directive II, which sets out to strengthen the position of shareholders and to reduce short-termism and excessive risk-taking within companies traded on EU regulated markets. The directive was implemented in two phases, the first was June 2019 and the latter in September 2020.

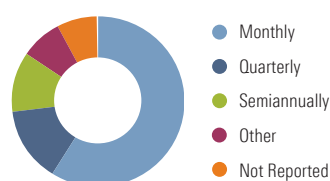
New Zealand

Disclosure Grade

Average

Disclosure

Portfolio Holdings Disclosure Frequency %



Average Portfolio Release Lag (Days) 38
GIE Market Rank 10/26

Manager Names

Funds Reporting Manager Names % 22
GIE Market Rank 25/26

New Zealand receives a Disclosure grade of Average. New Zealand requires quarterly shareholder reports to be posted to a centralised website, but portfolio holdings disclosure is required less frequently and does not always include position sizes. The simplified prospectus includes a monetary illustration of fees, but New Zealand does not have a regulation or code that requires funds to disclose stewardship activities.

General Disclosure

In New Zealand, funds are required to publish quarterly reports that are similar to UCITS' Key Investor Information Documents. While they are not typically read by consumers, they do contain useful comparative information that can be used to analyse the fund and the industry at large. On the other hand, fact sheets are not required but are typically provided on a monthly basis. These are more widely read, and fund companies spend time ensuring they contain what investors want to see. This has caused noted concern by the regulator because often the fact sheets are more prominent than the regulatory required documents, and this causes confusion in content and presentation. Fact sheets must comply with Part 2 Fair Dealing requirements of the Financial Markets Conduct Act (and advertising requirements, if applicable). Similarly, management's discussion of performance is not required but is typically provided for active funds or more-specialist fund managers, and the quality of discussion varies by fund provider and can often be lacking in detail. Fund documents can be found on a centralised website (the Disclose Register), along with the quarterly reports and extractable data such as holdings. You can also find financial statements, further information about the company such as constitutional documents and description of key contracts, and, where relevant, how the provider manages the investment (the Statement of Investment Performance and Objectives, or SIPO).

Simplified Prospectus

New Zealand has a simplified prospectus document called the Product Disclosure Statement, or PDS, which forms part of the offering documents along with the SIPO. The PDS may contain more than one fund; however, because it is limited to 12 pages or 6,000 words, it limits its application for more funds, especially if they vary significantly in nature. The language in the document is mostly deemed simple enough for the average investor to understand, and the strategy or objective section typically provides enough information for an investor to determine the investment's strategy effectively. The document also contains a section that covers material risks specific to the fund. The risks are explained in a manner that can mostly be understood by the investor, with generic negative outcomes associated with investing. There is a monetary illustration of fees within the document to illustrate the fee impost for an NZD 10,000 investor, including dollar-based fees.

New Zealand (continued)

Disclosure Grade

Average

Fee Disclosure

Asset managers in New Zealand must provide a simple, aggregated total cost metric in the form of an ongoing charge published in the PDS and ongoing quarterly reports. Funds are required to separate out management fees from performance fees and dollar-based charges. They are not required to disclose their trading costs, which deviates from best practices globally. Funds that invest in other funds must include the underlying funds' fees when calculating the ongoing charge. Other than in certain retirement products, there is no requirement in New Zealand for funds to regularly assess the reasonableness of their fees against any metrics.

Portfolio Holdings Disclosure

Funds are required to disclose their portfolio holdings semiannually by uploading a file to the disclose website. Full disclosure of all positions is required, including long and short positions in exchange-traded equities, bonds, derivatives, and private investments. Unfortunately, there is no enforcement of public identifiers, so often managers use identifiers that are not usable to identify the specific investment, nor are managers required to disclose the number of shares they own in the particular positions. Under regulation, funds have 60 days following the end of the reporting period to make their holdings data available. In practice, New Zealand fund firms exceed the statutory requirements by reporting 59% and 14% of portfolios to Morningstar on a monthly or quarterly basis, respectively. Portfolio reporting lags the portfolio date by around 38 days, on average.

Portfolio Management Disclosure

Funds are required to provide the name and tenure of the people who have the most influence over the fund, which is often the lead portfolio manager, although it sometimes will contain people from other functions like executive management employees or board members. Just over 20% of New Zealand funds have an associated manager name in Morningstar's database. Neither the managers' investment in the fund nor their compensation is provided to investors.

Sales Disclosure

In New Zealand, retail investors must receive fund-offering documents at the point of sale. Advisers are required to disclose conflicts of interest. Specifically, advisers who receive monetary benefits from selling investment products are required to generically disclose the arrangement from the product issuer as ongoing commission for selling a particular fund at the point of sale. Furthermore, in 2021, advisers will have to disclose monetary benefits as a percentage of the investment amount or the dollar equivalent as the sales process works though progressively and more information is known about the advice, as well as the nature of non-monetary benefits received, from distributing an investment product.

New Zealand (continued)

Disclosure Grade

Average

ESG and Stewardship Disclosure

There is currently no standard for comparing or reporting environmental, social, and governance funds on any metric. That includes exclusions, integration, or engagement. There is also no reporting of voting records for funds like we see in other markets. This does and has led to consistent calls and accusations of greenwashing. There are no public plans by the regulator or any industry body to do this for managed funds in New Zealand. In September 2020, there was a policy statement from the minister of climate change that would force large companies in New Zealand to disclose their climate change risk. Any bank, credit union, building society, investment scheme, insurer, or Crown financial institution with more than NZD 1 billion in assets will be required to either disclose this risk or explain why it has not. It is not yet a policy and will be voted on after the upcoming election. It's not clear to what extent this policy would help a move toward standardised ESG reporting, if at all.

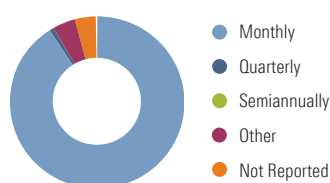
Norway

Disclosure Grade

Average

Disclosure

Portfolio Holdings Disclosure Frequency %



Average Portfolio Release Lag (Days) 20
GIE Market Rank 6/26

Manager Names

Funds Reporting Manager Names % 95
GIE Market Rank 8/26

Norway receives a Disclosure grade of Average. Norway has no centralised website for fund documents and does not require a monetary illustration of fees in fund literature. However, Norwegian fund firms exceed the European Union standard for portfolio holdings disclosure by providing monthly portfolios most the time on less than a one-month lag, and almost all funds domiciled in Norway report portfolio manager names to Morningstar.

General Disclosure

In Norway, funds are required to publish annual and semiannual reports, and the financial statements within these shareholder reports must contain a prior-year comparison. Fact sheets are not required but are typically provided on a monthly basis. Fact sheets are considered marketing material and must comply with the self-regulation set out by the Norwegian Fund and Asset Management Association, which requires advertisements to be clear, fair, and not misleading. Similarly, management's discussion of performance is not required but is typically provided, but the quality of discussion varies by fund provider and can often be lacking in detail. There is no centralised location for fund documents. Instead each company should provide its annual report on its open website and provide the annual and semiannual reports and the latest fund prospectus to clients upon request.

Simplified Prospectus

In line with other European countries, funds sold in Norway must provide a simplified prospectus called the Key Investor Information Document, or KIID (named Nøkkelinformasjonsdokument in local language), which forms part of the documents that should be available to the investor at the time of sale, along with the prospectus. The KIID is required to pertain to only one fund at a time. Regulations require that the KIID should be written in plain language that is understandable to non-professional investors. In general, the language in Norwegian KIIDs is clear enough for the average investor to understand—though the strategy or objective section does not always provide enough information for an investor to determine the investment's strategy effectively, as 'boilerplate' wording sometimes dominates the description. The document also contains a section covering material risks specific to the fund, presenting risks clearly in a narrative form in addition to a quantitative risk indicator based on a standardised scale that allows for easy comparison across funds (that is the synthetic risk and reward indicator, or SRRI). In addition, the most relevant risks are explained in a manner that can be understood by the average investor, but the possible negative outcome associated with each risk isn't as clearly stated. There is no monetary illustration of fees within the document. Instead, funds are required to disclose in the KIID an ongoing charge figure that is calculated and presented in accordance with the UCITS guidelines as well as any performance fees. The KIID contains a bar chart of the share class' calendar-year performance over the past 10 years as compared with that of its benchmark, if present; this section of the KIID also complies with UCITS guidelines.

Norway (continued)

Disclosure Grade

Average

Fee Disclosure

Asset managers in Norway provide a simple, aggregated total cost metric in the form of an ongoing charge published in the KIID. In addition, funds are required to individually report any performance fees and purchase and redemption fees in the annual report or KIID. Funds that substantially invest in other funds must include the underlying funds' fees when calculating the ongoing charge; however, this is not required to be included in the total cost metric provided in annual reports. Unlike the UK's Assessment of Value Report, there are no requirements in Norway for funds to regularly assess the reasonableness of their fees. But as a check on a fund's activeness, the Norwegian Fund and Asset Management Association recommends that funds disclose their portfolio's active share in their annual reports as a best practice.

Portfolio Holdings Disclosure

Norway-domiciled funds are required to disclose their full portfolio holdings in their annual and semi-annual reports. These are typically posted on the asset manager's website. Full disclosure of all positions is required, including long and short positions, bonds, derivatives, and private investments. Morningstar collects over 90% of Norway-domiciled portfolios on a monthly basis with less than a one-month reporting lag, on average.

Portfolio Management Disclosure

Funds are not required to provide the name and tenure of the lead portfolio manager, although such information can often be found in fund documents such as their monthly fact sheets. Morningstar collects manager name data for almost all Norway-domiciled funds. Fund companies don't provide managers' personal investments in their funds or managers' compensation, although they should publish their general remuneration policies.

Sales Disclosure

Retail investors in Norway must receive fund-offering documents (the KIID) at the point of sale, or at least they must be available. Advisers are required to disclose conflicts of interest. Specifically, following MiFID II, advisers must inform investors whether this advice is being provided on an independent or a non-independent basis. Furthermore, advisers must provide investors with an overview of all the costs involved with an investment, including the costs of the adviser's service and product costs.

Norway (continued)

Disclosure Grade

Average

ESG and Stewardship Disclosure

Funds in Norway are not currently obliged by regulation to provide information on how environmental, social, and governance factors are accounted for, but at the EU level, legislation is coming into effect in relation to sustainability-related disclosures in the financial-services sector. These new rules will also be incorporated into the Norwegian legislation. This prescribes that disclosures be made by asset managers and investment funds relating to sustainable investments and sustainability risks from 10 March 2021. There are three key elements of the disclosure regulation that asset managers will need to consider. First, disclosures on the firm's website need to include how the firm integrates sustainability risk into the investment process, how it integrates sustainability risk into its remuneration policy, and, for any ESG-focused funds it manages, details on the ESG objectives of these funds and how they are measured. Second, pre-contractual disclosures must include how sustainability risks are factored into investment decisions, the adverse sustainability impact of the investment decisions, and, for any ESG-focused funds the firm manages, details on the ESG objectives of these funds and how they are measured. Finally, the annual report of an ESG-focused fund will need to provide details of how the relevant ESG objectives are being met. It is expected that this EU legislation will be incorporated into Norwegian law.

In Norway, the ESG disclosures are typically described at the company level rather than at the individual fund level. Norges Bank Investment Management set the bar with its global exclusion list of stocks, and over the years, fund companies have developed their own screening processes and have started to widely disclose their selected ESG methodologies to investors.

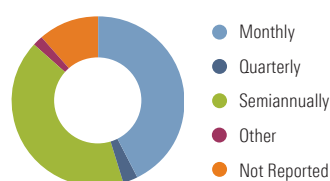
Singapore

Disclosure Grade

Below Average

Disclosure

Portfolio Holdings Disclosure Frequency %



Average Portfolio Release Lag (Days) 114
GIE Market Rank 24/26

Manager Names

Funds Reporting Manager Names % 40
GIE Market Rank 20/26

Driven by a lack of required full holdings disclosure, Singapore's Disclosure grade drops to Below Average. Singapore's simplified prospectus receives credit for clearly outlining a fund's strategy and investment risks and for requiring standardised returns, but it does not require the disclosure of manager names and lacks a monetary illustration of fees.

Even so, Singapore has made some improvements to its disclosure requirements since the 2017 study. The Monetary Authority of Singapore, or MAS, took steps to standardise the disclosure format of trailer fees, as financial advisers must now disclose the amount of trailer fees they receive from asset managers. Moreover, the MAS has highlighted good disclosure practices to help investors determine whether higher fees associated with actively managed funds are justified. Room for improvement remains in other areas, such as portfolio holdings disclosure, where only the top 10 holdings are required instead of all positions. While Singapore has plans to enhance its environmental, social, and governance disclosure practices in the next two years, its efforts to date lag other markets in Asia, namely Hong Kong.

General Disclosure

In Singapore, funds are required to publish annual and semiannual reports, and the financial statements within these shareholder reports must contain a prior-year comparison. On the other hand, fact sheets are not required but are typically provided on a monthly basis. Fact sheets are considered marketing material and must comply with the code of best practices in advertising as set out by the Investment Management Association of Singapore, or IMAS, which requires advertisements to be clear, fair, and not misleading. Similarly, management's discussion of performance is not required but is typically provided, and the quality of discussion varies by fund provider and can often be lacking in detail. Fund documents can be found on the MAS website. However, the website only posts the prospectus and the simplified prospectus, and investors must search for additional fund literature, such as the annual report, elsewhere.

Simplified Prospectus

Singapore has a simplified prospectus called the Product Highlights Sheet, or PHS, which forms part of the offering documents along with the prospectus. The PHS is required to pertain to only one fund at a time. The language in the document is deemed simple enough for the average investor to understand, and the strategy or objective section typically provides enough information for an investor to determine the investment's strategy effectively. The document also contains a section that covers material risks specific to the fund. The risks are explained in a manner that can easily be understood by the investor, with the possible negative outcome associated with each risk clearly stated. However, there is no monetary illustration of fees within the document. Instead, funds are required to disclose

Singapore (continued)

Disclosure Grade

Below Average

an expense ratio, which is calculated and presented in accordance with the IMAS' revised guidelines of expense ratios. The inclusion of historical performance in the PHS is not required, but such information is available in a standardised format in the prospectus.

Fee Disclosure

Asset managers in Singapore provide a simple, aggregated total cost metric in the form of an expense ratio published in the PHS. In addition, funds are required to individually report management fees, trailer fees, performance fees, purchase and redemption fees, and other ongoing expenses such as custodian and administrative fees in the annual report or simplified prospectus. On the other hand, trading fees are not reported. Funds that invest in other funds must include the underlying funds' fees when calculating the ongoing charge. Unlike the UK's Assessment of Value Report, there are no requirements in Singapore for funds to regularly assess the reasonableness of their fees. That said, the MAS published a circular in July 2020 highlighting good disclosure practices—such as stating the purpose of a fund's benchmark as well as the fund's degrees of freedom through regular measures of active share or tracking error—that help investors determine whether the higher management fees associated with actively managed funds are justified.

Portfolio Holdings Disclosure

Funds are required to disclose their top 10 holdings in their annual and semiannual reports, which are typically posted on the asset manager's website. However, full disclosure of all positions—such as exchange-traded equities, bonds, and derivatives—is not required in Singapore. Under regulation, funds have 90 days following the end of the financial year to release the annual report, while semiannual reports must be released within 60 days. In practice, over 40% of funds report monthly portfolio holdings to Morningstar, with most of the remainder reporting semiannually. Typically, funds release portfolio holdings data more than 100 days following the end of the period.

Portfolio Management Disclosure

Funds are not required to provide the name and tenure of the lead portfolio manager, although such information can sometimes be found in marketing material such as fact sheets. About 40% of domiciled funds voluntarily report manager names to Morningstar. Neither the managers' investment in the fund nor their compensation is provided to investors.

Sales Disclosure

In Singapore, retail investors must receive fund-offering documents at the point of sale. Advisers are required to disclose conflicts of interest. Specifically, advisers who receive monetary benefits from selling investment products or have close links with product issuers that may impair their financial

Singapore (continued)

Disclosure Grade

Below Average

advice cannot represent themselves as independent and are required to disclose the maximum trailer fee they may receive from the product issuer as an ongoing commission for selling a particular fund at the point of sale.

ESG and Stewardship Disclosure

While there are no specific regulated disclosure practices for ESG funds in Singapore, the nature of the market is such that a fund marketing itself as an ESG offering would be required to disclose specific considerations as part of its standard investment objectives in the prospectus.

Singapore currently does not have any regulation that requires the disclosure of stewardship activities. In November 2016, the Singapore Stewardship Principles Working Group, supported by the MAS and the Singapore Exchange, introduced the Singapore Stewardship Principles for Responsible Investors to promote active and responsible stewardship. However, these principles are non-binding and voluntary.

The MAS plans to enhance ESG disclosures in the coming two years. Indeed, it published a consultation paper in June 2020 requesting feedback on proposed environmental risk management guidelines for asset managers. Under the proposals, an asset manager would not only disclose its approach to managing environmental risk but also the potential impact—using quantitative metrics—of environmental risk on its assets under management, leveraging existing international reporting frameworks such as the Financial Stability Board's Task Force on Climate-Related Financial Disclosures. The MAS sought comments on the consultation paper until 7 Aug 2020 and has proposed a transition period of 12 months from when the guidelines are ultimately issued. Moreover, the MAS is working to formalise disclosure requirements for ESG funds.

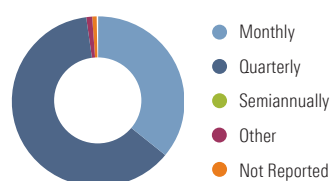
South Africa

Disclosure Grade

Above Average

Disclosure

Portfolio Holdings Disclosure Frequency %



Average Portfolio Release Lag (Days) 32
GIE Market Rank 8/26

Manager Names

Funds Reporting Manager Names % 85
GIE Market Rank 10/26

South Africa's strong disclosure requirements for its simplified prospectus, along with quarterly requirements for shareholder reports and portfolio holdings, contribute to a Disclosure grade of Above Average, an improvement from our 2017 study. Unfortunately, there is no centralised website where investors can access these fund documents and no monetary illustration of fees required.

General Disclosure

In South Africa, funds are required to publish both quarterly and annual reports, and the financial statements within these shareholder reports must contain a prior-year comparison. The general investor report, the Minimum Disclosure Document, or MDD, is considered marketing material and must comply with Board Notice 92, which details advertising, marketing, and information disclosure requirements for collective investment schemes and the manner in which managers must lodge advertising and marketing material with the registrar. Fact sheets are not required but are typically provided monthly. Historical fund performance is required to be disclosed in an MDD, however, the quality of information provided can vary quite significantly between different service providers. There is no centralised website containing fund documents, but information is usually easily accessible either directly from the asset managers' websites or from data providers such as Morningstar.

Simplified Prospectus

The MDD, South Africa's simplified prospectus, is required for each collective investment scheme portfolio. The MDD is required to pertain to only one fund at a time. Board Notice 92 prescribes that, to achieve the objective of fair treatment of investors, disclosure of any information must be provided in plain language that is concise, clear, and not misleading. In addition, Board Notice 92 requires that an MDD must not contain unnecessary technical jargon. The document also contains a section that covers material risks specific to the fund. The risks are explained in a manner that can easily be understood by the investor, with the possible negative outcome associated with each risk clearly stated. There is no monetary illustration of fees within the document; however, funds are required to disclose fees and charges associated with the most expensive share class of investment available directly to members of the public (total expense ratio, management fees, initial fees, performance fees, and any other applicable fees). This is shown as a percentage.

Fee Disclosure

Asset managers in South Africa provide a simple, aggregated total cost metric in the form of the total expense ratio, which is published in the MDD. In addition, funds are required to individually report management fees, trading costs, performance fees, as well as purchase and redemption fees in the annual report or simplified prospectus. On the other hand, custodian and administrative fees are reported within the bundled total expense ratio figure. Funds that substantially invest in other funds

South Africa (continued)

Disclosure Grade

Above Average

must include the underlying funds' fees when calculating the total expense ratio. While the MDD does not require a monetary illustration of fees, this is available elsewhere. Unlike the UK's Assessment of Value Report, there are no requirements in South Africa for funds to regularly assess the reasonableness of their fees.

Portfolio Holdings Disclosure

Funds are required to disclose their portfolio holdings as of the most recent calendar quarter-end so investors can make informed investment decisions, with the relevant MDD required to indicate where and how investors may obtain additional information on a collective investment scheme portfolio. Full disclosure of all positions is required, including long and short positions in exchange-traded equities, bonds, derivatives, and private investments. Under regulation, funds have three months following the end of the financial year to release the annual report, while quarterly reports must be released within 30 days. This correlates with Morningstar's collection of South African fund portfolios, the majority of which are reported on a quarterly basis with approximately a one-month lag. Morningstar captures around 35% of portfolios on a monthly basis.

Portfolio Management Disclosure

Funds are not required to provide the name and tenure of the lead portfolio manager, although such information can sometimes be found in marketing material such as fact sheets. In practice, 85% of South African funds report manager names to Morningstar. Neither the managers' investment in the fund nor their compensation is provided to investors.

Sales Disclosure

In South Africa, retail investors must receive an MDD prior to investing in a collective investment scheme portfolio. Advisers are required to disclose conflicts of interest. Specifically, advisers who receive monetary benefits from selling investment products or have close links with product issuers that may impair their financial advice cannot represent themselves as independent and are required to disclose the maximum trailer fee they may receive from the product issuer as ongoing commission for selling a particular fund at the point of sale. A financial services provider may not offer any financial interest to its agents/representatives (non-independent financial services providers) for giving preference to the quantity of business secured to the exclusion of the quality of the service rendered to clients or for giving preference to a specific product supplier or a specific product of a product supplier.

South Africa (continued)

Disclosure Grade

Above Average

ESG and Stewardship Disclosure

South Africa does not have regulated disclosures related to environmental, social, and governance practices and generally only provides high-level or generic information. The market has a non-regulatory stewardship code that includes the disclosure of voting policies, voting records, and engagement. The Code for Responsible Investing in South Africa gives guidance on how institutional investors should execute investment analysis and investment activities and exercise rights to promote sound governance.

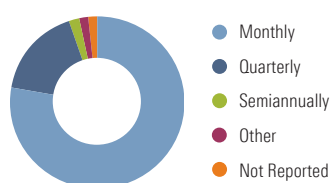
Spain

Disclosure Grade

Average

Disclosure

Portfolio Holdings Disclosure Frequency %



Average Portfolio Release Lag (Days)	62
GIE Market Rank	17/26

Manager Names

Funds Reporting Manager Names %	58
GIE Market Rank	17/26

Spain receives a Disclosure grade of Average. Unlike most peers in the European Union, Spain has not implemented regulation that requires disclosure of stewardship activities for fund firms. Nor does the country require a monetary illustration of fund fees. But in other areas, Spain matches most EU counterparts and even exceeds the standard semiannual reporting obligation by requiring quarterly reports that also include full holdings disclosure.

General Disclosure

All the legal information regarding Spanish funds (prospectus, annual and periodic reports, portfolio information, and so on) is available and centralised on the regulator's website (www.cnmv.es), which is a relatively easy to use.

For each of its funds, a fund company must publish for current and potential investors a prospectus, a document with the fundamental data for the investors, an annual report, a half-yearly report, as well as a quarterly report. The prospectus must contain a brief description of its investment objectives and investment policy, a presentation of historical performance (or, where appropriate, performance scenarios), the costs and associated charges, and the risk/reward profile of the investment, with appropriate guidance and warnings on risk.

Fund companies also usually publish a monthly report with information about the last month of returns, a summary of the portfolio information, and, in some cases, commentary from the management team.

The quarterly and half-yearly reports include an annex on how the fund has been managed during the period, where the management team comments on its market view and also sometimes explains the portfolio's changes (securities that have been bought and sold).

Simplified Prospectus

Fund distributors are required to provide investors with a copy of the Key Investor Information Document, or KIID, and the last published semiannual report before the fund is subscribed. The KIID is a maximum of two pages long and contains all the necessary and relevant information to enable the investor to decide whether to invest in the fund. This document is registered by the National Securities Market Commission, CNMV, at the time the fund is created. The KIID is an extract of the full prospectus, as the latter also includes an annex to the fund management regulations and the latest quarterly and annual reports.

Spain (continued)

Disclosure Grade

Average

Each fund must have its own prospectus. In recent years, we have witnessed in Spain the birth of different fund classes associated with the same fund (institutional classes vs. retail classes) so that it is easy to find a fund with more than two or three share classes. In this case, the fund has only one prospectus, but each class will have its own simplified document.

The KIID's language should be simple, clear, and concise, allowing investors to know the characteristics of the fund and enable them to compare it with other products. But in practice, the language used in the simplified prospectus is somewhat complex for the average investor.

The simplified prospectus includes the following information for all funds: investment objective, fund category, benchmark, risk/return profile, fees, and historical performance. This information is certainly easy to understand for a professional investor but not always for a retail investor (for example, we can find a reference to the average duration of the portfolio, but without explaining the meaning of this data). The section about risk is simply a mention of the score (from 1 to 7) obtained by the fund without really explaining the material risks facing an investor. More detailed information about the specific risks of an investment is included in the detailed prospectus.

Regarding return information, the prospectuses don't provide detailed data, and they usually redirect the investor to the quarterly or biannual reports that include quarterly or annual returns. For more detailed information on returns, the investor must go to the fund companies' websites, where monthly information is generally provided.

Fee Disclosure

The regulator and fund companies use the ongoing charge when referring to the total cost of a fund. The ongoing charge includes the direct costs incurred during a determined period: management fee, custodian fee, auditing fee, and other current management costs, and it is expressed as a percentage of the average assets for the period for which it is calculated. The regulator and fund companies also publish the management fee, the depositary fee, as well as the entry and redemption fees when they exist.

In general, transaction costs are not included in the annual reports; analysis service costs are usually included but without specifying if these costs will be paid by the investors or by the fund companies. Unlike the UK's Assessment of Value Report, Spanish fund companies are not required to assess the reasonableness of their fees.

Spain (continued)

Disclosure Grade

Average

Portfolio Holdings Disclosure

The law establishes the first three months of each fiscal year as the deadline for the preparation of funds' annual accounts. The annual accounts, together with the audit and management report, must be sent to the regulator within the first four months of each fiscal year, according to the law. The annual and quarterly reports must be published during the month following the end of the reference period. In practice, over 75% of Spanish portfolios collected by Morningstar are monthly portfolios; nearly the full remainder reflect quarterly reporting. The typical lag between portfolio date and receipt is around two months.

Portfolio Management Disclosure

The names and tenures of the lead portfolio managers are generally not included in the simplified document, but Morningstar collects manager names for over 50% of Spanish funds. For a small number of funds, the Spanish regulator obliges the fund company to publish the manager's name in the simplified prospectus. The law specifies that if the fund suffers a significant change (change of fees or a change in the investment policy, for example), the investor can sell or transfer his/her money to another fund without paying exit fees (if they exist). A few years ago, a well-known Spanish manager left his fund company, and this generated a lot of debate if this change justified not paying exit fees. Now the CNMV identifies what they call 'Fondo de autor,' that is an 'author's fund' with high ties to the fund company and whose replacement would mean a change in investment policy.

It is not a required or a common practice that funds disclose manager ownership in a fund. Nor do the fund companies disclose information on manager compensation. Sometimes, in the auditor's report, there is a mention about the remuneration of the managers and employees of the fund company, but it is very vague.

Sales Disclosure

In Spain, the law establishes that investors must receive a prospectus prior to the purchase of a fund. Advisers are required to disclose conflicts of interest. There are very few independent advisers in the country. According to the regulator, only 138 independent financial advisers are registered. Those advisers cannot receive any compensation fees from the fund companies. The other advisers (the tied advisers) must disclose that they receive compensation but not the amount.

Spain (continued)

Disclosure Grade

Average

ESG and Stewardship Disclosure

In Spain, there are almost 80 funds that have 'SRI' or 'Sustainable' in their names, representing less than 5% of Spain-domiciled funds. A distinction is made regarding the information provided by funds with a socially responsible investing policy. Through the KIID, those funds must include the following statement in the investment objective section: 'This fund applies SRI criteria in its investment policy.' Through the legal documents that must be delivered to the investor, the fund company must communicate the most relevant information on the SRI investment policy: that is, a mention to the environmental, social, and governance criteria applied, detailing how the analysis is going to be structured (tools and resources used; possible existence of external committees), and the information on the types of investable assets affected by the ESG analysis.

Funds applying ESG criteria must not be confused with the so called 'solidarity funds,' since in the latter case the fund assigns part of the management fee to certain charitable or non-governmental entities. However, funds applying ESG criteria must apply certain criteria set out in the prospectus in their investment policies for the selection of investments.

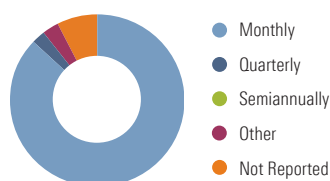
Sweden

Disclosure Grade

Above Average

Disclosure

Portfolio Holdings Disclosure Frequency %



Average Portfolio Release Lag (Days)

14

GIE Market Rank

2/26

Manager Names

Funds Reporting Manager Names %

98

GIE Market Rank

6/26

Sweden exceeds the European Union's standards for disclosure and earns a grade of Above Average. In addition to a quarterly portfolio holdings disclosure requirement (exceeded by most Swedish fund firms) and comprehensive reporting of portfolio manager names, Sweden has implemented a set of granular disclosure requirements for environmental, social, and governance criteria. While Sweden lacks a centralised website for fund documents, it is the only market in this study to require an extensive history of prior-year comparisons in financial statements, where a monetary illustration of fees is also provided.

In several ways, the Swedish fund market has stronger disclosure requirements—either through legislation, regulatory guidance, or self-regulation—than most of its EU peers. In particular, annual and semiannual reports are used more extensively to inform investors of funds' fees and investment risks, for example.

As a result of these national measures, funds domiciled in Sweden and foreign funds marketed in the country face different disclosure requirements. Foreign funds only need to follow their own country's rules, plus common EU regulation around disclosure, whereas Sweden-domiciled funds have separate rules, stemming both from Swedish legislation as well as self-regulation coordinated by the Swedish Investment Fund Association. Sweden's regulator, the Financial Supervisory Authority, has requested that Sweden-domiciled funds follow certain parts of the self-regulation while some parts of the self-regulation are binding for the few foreign asset managers that are association members, as well as funds domiciled abroad but managed by Swedish association members.

General Disclosure

Sweden's stronger focus on disclosure through annual reports dates to 1990, when the lawmaker demanded that all fund investors be sent annual and semiannual reports in the mail. The industry association also added requirements on data disclosure regarding performance and exposures as well as guidance on calculating key ratios. Furthermore, there was strong media interest, especially an annual competition for annual reports sponsored by a leading business magazine.

In 2004, the legislation changed after lobbying from the largest banks. Investors were only asked to opt in if they wanted to receive annual reports, and most fund companies stopped sending reports automatically. Still, despite the legislative changes, Sweden has maintained a focus on disclosure through annual and semiannual reports. While many other types of fund documents must follow strict EU rules—for example, limiting the information allowed in the Key Investor Information Document, or KIID—annual reports are not as strictly bound by EU regulation. The Swedish regulator has used this flexibility to command more transparency.

Sweden (continued)

Disclosure Grade

Above Average

Swedish fund marketing regulation still requires that annual and semiannual reports must be offered to investors at the point of sale. Also, the regulator has continued to add demands on information required in these reports.

Simplified Prospectus

In line with other EU member countries, funds sold in Sweden must provide a simplified prospectus, the KIID, which forms part of the offering documents along with the prospectus. The KIID is required to pertain to only one fund at a time. Regulations require that the KIID should be written in plain language that is understandable to non-professional investors. In general, the language in Swedish KIIDs is clear enough for the average investor to understand – though the strategy or objective section does not always provide enough information for an investor to determine the investment's strategy effectively, as 'boilerplate' wording can dominate the description. The document also contains a section that covers material risks specific to the fund, presenting risks clearly in a narrative form in addition to a quantitative risk indicator based on a standardised scale that allows for easy comparison across funds (that is, the synthetic risk and reward indicator, or SRRI).

Fee Disclosure

Swedish tax legislation in 1996 gave incentive to start reporting fund transaction costs in annual reports, and this gave birth to the total cost measure 'totalkostnadsandel,' or TKA, which includes transaction costs. In 1998, it was included in Swedish legislation. Since then, funds have had to report TKA in Swedish krona individually in year-end statements to fund investors.

In addition, asset managers must provide a simple, aggregated cost metric in the form of an ongoing charge, published in the KIID. Funds are also required to individually report any performance fees and purchase and redemption fees in the annual report or KIID. Trailer fees are reported within the bundled ongoing charge. Funds that substantially invest in other funds must include the underlying funds' fees when calculating the ongoing charge. Unlike the UK's Assessment of Value Report, there are no requirements in Sweden for funds to regularly assess the reasonableness of their fees.

Portfolio Holdings Disclosure

Funds are required to disclose their portfolio holdings quarterly, and most asset managers have holdings available on their websites. In practice, more than 85% of Swedish funds report monthly portfolios to Morningstar with a lag of just 14 days. In 2016, the Swedish fund company association demanded that annual reports should include active share (a measure of active risk) among the key ratios for equity funds. This self-regulatory stipulation was removed in 2019 ahead of new legislation from January 2020 requiring that tracking error be shown as a measure of a fund's activeness relative to its benchmark.

Sweden (continued)

Disclosure Grade

Above Average

Self-regulation regarding portfolio statistics has continued in other areas as well. Recently, the fund company association published new guidance on credit risk reporting. From January 2020, annual and semiannual reports must include spread duration, a measure of credit risk. The association has also published guidelines on reporting credit rating breakdowns.

Portfolio Management Disclosure

Funds domiciled in Sweden must provide the names of portfolio managers in the annual report, and consequently Morningstar shows manager name information for more than 95% of funds. The names and tenures are also often available on fund company websites. Neither the managers' personal investment in the fund nor their compensation is provided to investors, although fund companies are obliged by regulation to publish their general remuneration policy.

Sales Disclosure

In Sweden, retail investors must receive a simplified prospectus prior to the purchase of a fund. Investors must confirm that they have received and reviewed the KIID, but often this is a tick-box on the execution platform. Advisers are required to disclose conflicts of interest. Specifically, following MiFID II, advisers must inform investors whether this advice is being provided on an independent or a non-independent basis. Furthermore, advisers must provide investors with an overview of all the costs involved with an investment, including the costs of the adviser's service and product costs.

ESG and Stewardship Disclosure

Since January 2018, funds domiciled in Sweden must include a sustainability overview with six preset headings in annual reports and information documents. This information is also collected and published on a separate website, www.hallbarhetsprofilen.se, managed by the sustainable investment association Swesif.

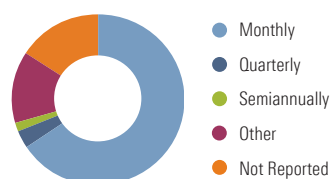
Switzerland

Disclosure Grade

Below Average

Disclosure

Portfolio Holdings Disclosure Frequency %



Average Portfolio Release Lag (Days) 83
GIE Market Rank 22/26

Manager Names

Funds Reporting Manager Names % 54
GIE Market Rank 19/26

Switzerland's lack of a regulation or code that requires the disclosure of stewardship activities for fund firms sets the market apart from European peers and drops the country's Disclosure grade to Below Average. Switzerland does not require a monetary illustration of fees, and Swiss fund firms lag most markets in timely reporting of portfolios. In other areas, disclosure standards in Switzerland align closely to those in the European Union.

Switzerland, with its mere 8.5 million inhabitants and its well-developed pension schemes, is highly reliant on doing business with the EU. According to industry estimates, the EU accounts for around 50% of sales for Switzerland's asset-management industry. One key growth driver for the Swiss asset-management industry is its ability to market products and services in the EU. This is the reason why Switzerland has been aligning its fund regulation with EU standards. For example, in 2013, the Collective Investment Schemes Act was amended to comply with the EU AIFMD Directive, while the EU MiFID II directive was translated into the Swiss Financial Services Act, or FinSA.

The EU applies an equivalence approach: If the EU recognises the regulatory regime of a non-EU country as equivalent, non-EU companies can operate in the EU by complying with their home country's regulatory standards. For Switzerland, such EU equivalence recognition is very important but not easily achieved: While the European Union Securities and Markets Authority has declared Swiss regulation to be equivalent to the EU UCITS directive, equivalence was not granted by the EU commission. This is worth noting also with regard to the upcoming EU regulation on sustainability-related disclosures that has not yet been reflected in Swiss fund legislation but which will be an important part of funds' disclosure and therefore highly relevant for the equivalence discussion going forward.

General Disclosure

In Switzerland, funds are required to publish both annual and semiannual reports, and the financial statements within these shareholder reports must contain a prior-year comparison. Marketing material such as monthly fact sheets play a more important role in delivering information on funds to investors than legal documents. Fact sheets must comply with Swiss fund regulation, which requires advertisements to be clear, fair, and not misleading. Similarly, management's discussion of performance is not required but is typically provided, and the quality of discussion varies by fund provider and can often be lacking in detail.

Swiss Fund Data, a joint venture between the Swiss Funds & Asset Management Association, or SFAMA, and SIX Swiss Exchange, hosts a centralised website that contains fund documents and information of funds registered for sale in Switzerland, but with a coverage ratio just north of 50% of

Switzerland (continued)

Disclosure Grade
Below Average

funds available for sale in Switzerland, it is far from complete. The website is in German, French, and English, but fund literature is only in the languages offered by the fund provider.

Simplified Prospectus

In Switzerland, the primary fund disclosure document at the point of sale is the Key Investor Information Document, or KIID. Around 30% of Swiss-domiciled funds do not publish KIIDs. The information provided in the simplified prospectus of these funds is, however, largely identical to that included in the KIID. This implies that, in practice, all retail investment products in Switzerland follow the same disclosure regulation. The simplified prospectus is required to pertain to only one fund share class at a time. Regulations require that it should be written in plain language. The language in the document may not always be clear enough for the average investor to understand—also the strategy or objective section does not always provide enough information for an investor to determine the investment's strategy effectively. The document also contains a section that covers material risks specific to the fund, presenting risks clearly in a narrative form in addition to a quantitative risk indicator based on a standardised scale that allows for easy comparison across funds (that is, the synthetic risk and reward indicator, or SRRI). The most relevant risks are explained in a manner that may be understood by the average investor, but the possible negative outcome associated with each risk isn't as clearly stated. There is no monetary illustration of fees within the document. Instead, funds are required to disclose in the legal documents an ongoing charge (total expense ratio), which is calculated and presented in accordance with the Swiss fund law. The KIID also contains a bar chart that displays the share class' calendar-year performance over the past 10 years as compared with that of its benchmark, if present; this section of the KIID complies with a set of fund guidelines. For Swiss-domiciled funds, the calendar-year performance may be reduced to the past five years. While industry practice is different from fund company to fund company, with some providing very clear and easy-to-understand wording, the legal documents of most companies tend to display 'boilerplate' wording; fund industry representatives argue that Swiss fund investors rely more on marketing material for information than on legal documents.

Fee Disclosure

Asset managers in Switzerland provide a simple, aggregated total cost metric in the form of an ongoing charge (or total expense ratio for Swiss-domiciled funds), which is published in the simplified prospectus. In addition, funds are required to individually report management fees, performance fees, and purchase and redemption fees in the annual report or simplified prospectus. Ongoing charges or total expense ratios for funds in Switzerland are calculated in a uniform manner and meet International Organization of Securities Commissions criteria for standardised expenses. The listed figures for both prospective and historical ongoing charges include acquired fund expenses for

Switzerland (continued)

Disclosure Grade

Below Average

fund-of-funds structures. For those funds which are not distributed outside Switzerland, a total expense ratio (Fondsbetriebsaufwandquote) is calculated by SFAMA and approved by the Swiss Financial Market Supervisory Authority (based on Swiss self-regulation principles).

Portfolio Holdings Disclosure

Funds are required to disclose their portfolio holdings in their annual and semiannual reports, which are typically posted on the asset manager's website. Full disclosure of all positions is required, including long and short positions in exchange-traded equities, bonds, derivatives, and private investments. However, it is difficult for investors to ascertain the economic exposure of derivative holdings. Funds have four months following the end of the financial year to release the annual report. In practice, Swiss fund firms disclose monthly portfolios to Morningstar 66% of the time, with a nearly three-month lag in reporting on average.

Portfolio Management Disclosure

There is no requirement to provide the name or tenure of the portfolio manager in any document, although names and tenure are sometimes available on firm websites and monthly fact sheets. Morningstar receives manager name information for around half of Switzerland-domiciled funds. There is no information provided on compensation or whether the managers or fund board members invest in their funds alongside shareholders.

Sales Disclosure

In Switzerland, retail investors must be offered access to a KIID at the point of sale. Advisers are required to disclose conflicts of interest. Specifically, FinSA requires that advisers inform investors whether their advice is being provided on an independent or a non-independent basis. Independent advisers may not accept and retain fees, commissions, or any monetary or non-monetary benefits paid by the funds they recommend. In the case of non-independent advice, any such payments or benefits are only allowed if they are designed to enhance the quality of the advice and do not impair the adviser's duty to act in the best interests of the client. Furthermore, advisers must provide investors with an overview of all the costs involved with an investment, including the costs of the adviser's service and product costs.

ESG and Stewardship Disclosure

Regarding environmental, social, and governance disclosures by funds, Switzerland is a laggard when compared with the EU, and there is no regulation governing ESG disclosures by funds. While asset managers have enhanced sustainability-related disclosures for institutional clients, ESG information for retail investors is limited and tends to be marketing-oriented. The open nature of the Swiss market for asset-management services implies that Swiss asset managers are pitted against international

Switzerland (continued)

Disclosure Grade

Below Average

asset managers operating in an environment which is embracing transparency on ESG matters in a breathtaking pace, as reflected in the upcoming EU disclosure regulation that prescribes disclosures to be made by asset managers and investment funds relating to sustainable investments and sustainability risks from March 2021. While Switzerland is expected to follow the EU in terms of ESG disclosures, this is unlikely to happen within the next two years. This makes it difficult for investors to identify and compare funds with certain ESG commitments and increases the risk of greenwashing.

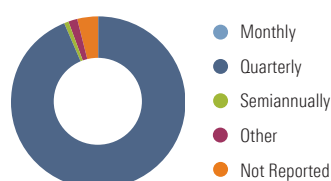
Taiwan

Disclosure Grade

Above Average

Disclosure

Portfolio Holdings Disclosure Frequency %



Average Portfolio Release Lag (Days)	17
GIE Market Rank	4/26

Manager Names

Funds Reporting Manager Names %	100
GIE Market Rank	1/26

Taiwan's strong point-of-sale disclosures contribute to its Disclosure grade of Above Average. Taiwan's simplified prospectus receives credit for clearly outlining a fund's strategy and investment risks and for requiring standardised returns, but it lacks a monetary illustration of fees. Fund manager names are not required in the simplified prospectus but are reported in the full prospectus. Portfolio holdings disclosure is required quarterly; but, unlike in many markets, funds do not exceed the statutory requirement in practice.

Taiwan's financial regulator, the Financial Supervisory Commission, or FSC, launched the Corporate Governance 3.0 — Sustainable Development Roadmap in August 2020 as part of its continued efforts to improve the sustainability aspects of Taiwan's capital markets. The Roadmap focuses on five action plans to be implemented over the next three years. As part of the plan to enhance information transparency, the FSC aims to improve the quality of sustainability-related information from Taiwan-listed companies, which should allow funds to make more informed environmental, social, and governance investment decisions and potentially provide more relevant disclosure to fund investors. Separately, regulation implemented in the beginning of 2020 prohibits fund companies from paying distributors for marketing and sales campaigns.

General Disclosure

In Taiwan, funds are required to prepare a prospectus and a simplified prospectus and must update them within one month after the end of each quarter. The prospectus should include the audited financial statements for each of the most recent two years. Fact sheets are not required but are typically provided on a monthly basis. Fact sheets are considered marketing material and must comply with the guidelines set out by the Securities Investment Trust & Consulting Association, or SITCA. Funds are not required to discuss fund performance, although some commentaries on performance or the market are often provided in the fund literature. Fund documents, specifically the prospectus and financial reports, are centralised on Fundclear, a website that is jointly operated by SITCA and the Taiwan Depository & Clearing Corporation.

Simplified Prospectus

The simplified prospectus contains the key information provided in the prospectus in summary form. It pertains to only one fund at a time, and the language is considered simple enough for an average investor to understand. The simplified prospectus must include a set of required information, including the investment scope and characteristics, as well as key investment risks of the fund. The investment scope section typically provides enough specific information to allow a clear understanding of the strategy. The risk section highlights the key risks relevant to the fund and their impact on fund performance and volatility, expressed in easily understandable language. The simplified

Taiwan (continued)

Disclosure Grade

Above Average

prospectus does not provide a monetary illustration of fees, although it is required to include, in a prescribed percentage format, the various fees and expenses payable by the investor. The simplified prospectus must also include, notably, a chart showing the fund's net asset value per share over the past 10 years, the annual rate of return for each of the past 10 years, as well as the fund's cumulative return for the most recent three months, six months, one year, three years, five years, 10 years, and since inception.

Fee Disclosure

Funds are required to provide an aggregated total expense ratio for each of the past five years in the prospectus. Funds are also required to individually report management fees, performance fees, purchase and redemption fees, and other ongoing expenses such as custodian and administrative fees in the prospectus and simplified prospectus. In addition, the SITCA website discloses the trading costs incurred by each fund on a monthly basis. A document disclosing trailer fees as a maximum percentage of management fees must be provided to and acknowledged by the investor at the point of sale. For funds that invest in other funds, the total expense ratio does not include the fees of underlying funds invested, but the management fee rate and custodian fee rate for each fund investment that accounts for 1% or more of the portfolio must be disclosed in the prospectus. Unlike the UK's Assessment of Value Report, there are no requirements in Taiwan for funds to regularly assess the reasonableness of their fees.

Portfolio Holdings Disclosure

Funds are required to submit their full portfolio holdings, including long and short positions in exchange-traded equities, bonds, and derivatives, to SITCA on a monthly basis. SITCA then discloses the top 10 positions of each fund on a monthly basis and all holdings with a position size of 1% or more of the portfolio on a quarterly basis. These are to appear on SITCA's website within 10 days following the end of the period. Funds are also required to disclose their full portfolio holdings in the annual and semiannual financial reports, which should be prepared, respectively, within two months after the end of the year and 45 days after the end of the second quarter. Furthermore, nearly 95% of funds typically release quarterly portfolio holdings data to Morningstar in well under 30 days, on average. This reflects high compliance with the statutory requirements but falls short of the monthly reporting prevalence exhibited by most other markets in this study.

Taiwan (continued)

Disclosure Grade

Above Average

Portfolio Management Disclosure

A fund is required to provide the names and tenures of the lead portfolio managers in the prospectus but not in the simplified prospectus. All funds voluntarily provide manager names to Morningstar. If the portfolio manager also manages other funds, the names of those other funds and the measures adopted to prevent conflicts of interest should be disclosed. Funds also need to disclose the portfolio managers' compensation policies and compensation structures. That said, neither the actual compensation amount nor the managers' investment in the fund is provided to investors.

Sales Disclosure

In Taiwan, fund companies and fund distributors are required to provide the simplified prospectus to investors before a subscription request is made, and to provide the full prospectus upon request. Fund distributors must disclose to investors any remuneration, fees, or other benefits received from the fund company before selling funds to investors. SITCA issued a circular in August 2018, which became effective starting from 2020, prohibiting fund companies from paying distributors for marketing and sales campaigns, therefore negating the need for disclosure of such sales incentives.

ESG and Stewardship Disclosure

In 2016, the Taiwan Stock Exchange put in place the Stewardship Principles for Institutional Investors. These principles are voluntary in nature, and about 150 fund companies and other financial institutions were signatories as of September 2020. Though not a regulatory requirement, the principles advise institutional investors to establish and disclose stewardship and voting policies and to provide annual disclosure on voting and engagement activities. While the principles also advise institutional investors to integrate ESG factors into their investment processes, there is currently no standardised ESG disclosure for funds.

The FSC launched the Corporate Governance 3.0—Sustainable Development Roadmap in August 2020 and set out five action plans for ESG-related enhancements over the next three years, including improving information transparency. Taiwan-listed companies with a paid-in capital above TWD 2 billion will be required to prepare and file sustainability reports starting from 2023. The FSC will also strengthen the disclosure rules for sustainability reporting based on international guidelines, such as those from the Task Force on Climate-related Financial Disclosures and the Sustainability Accounting Standards Board. Though not a regulatory requirement, funds would be better equipped to make ESG-related investment decisions and provide more-relevant disclosure to fund investors based on the greater level of sustainability information available.

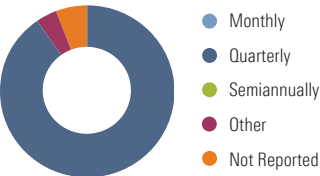
Thailand

Disclosure Grade

Above Average

Disclosure

Portfolio Holdings Disclosure Frequency %



Average Portfolio Release Lag (Days)60

GIE Market Rank16/26

Manager Names

Funds Reporting Manager Names %100

GIE Market Rank1/26

Thailand earns a Disclosure grade of Above Average. In Thailand, fund literature is available via a central website. Funds are required to publish a section on management's discussion of fund performance, and specific requirements make it useful for investors. Offering documents are investor-friendly, contain a section on risk that is tailored to the fund, and include portfolio manager names and tenures, but they do not provide a monetary illustration of fund fees. Portfolio holdings disclosure is required quarterly; but, unlike in many markets, funds do not exceed the statutory requirement in practice.

Thailand maintained its general level of required disclosure since our 2017 report. The Thai regulator has been focusing on stewardship enforcement and disclosure as asset managers are required to exercise their voting rights in material issues and to disclose voting records to investors.

General Disclosure

In Thailand, funds are required to publish semiannual and annual financial reports. The financial statement includes the latest period with the prior period for comparison. The reports must contain a performance commentary section specific to the reporting period, including any changes in investments compared with the prior period. If a fund contains a complex strategic investment, this section would include discussions on any differences between the average actual leverage versus the expected gross leverage. The simplified prospectus is a regulated document that must follow the format provided by Thailand's Securities and Exchange Commission, or SEC. Although the simplified prospectus is required to be updated semiannually, some funds provide monthly updated versions to the public. Investors can visit the SEC website to obtain important fund documents such as updated simplified prospectuses, full prospectuses, and semiannual or annual reports (historical versions are available).

Simplified Prospectus

The simplified prospectus is known as the fact sheet in Thailand. The document applies to one fund at a time. It includes funds' investment objectives, strategy description, portfolio holdings, and risks. Such information is written in plain language that enables the average investor to easily understand the fund's strategy. The risk section presents specific risks that are materially relevant to each fund such as the level of portfolio concentration, standard deviation, and exchange-rate risk (if any). The risk information is presented in a chart format that allows for comparison with similar funds. Although risk definitions exist, potential negative outcomes arising from these risks are not clearly explained. The simplified prospectus does not contain a monetary illustration of fees, but percentages are

Thailand (continued)

Disclosure Grade

Above Average

shown. The performance section shows the returns and standard deviation of the fund compared with its benchmark and peers in its local category. This is presented in a standardised format across short-to long-term periods (three-month, six-month, one-year, three-year, five-year, and 10-year).

Fee Disclosure

Thai investors can find fund fee information in the simplified prospectus or financial reports. The fees presented in the simplified prospectus are separated into two main sections: 1) fees charged to the fund (percentage of net asset value) and 2) fees charged to unitholders (percentage of the transaction amount). The first section, presented in a chart format, comprises management fees, trustee fees, registrar fees, and other expenses. The latter section, presented in a table format, shows front-end (back-end)/ switching in (out), spread, and transfer fees. The maximum and actual charges are presented for each respective fee. Financial reports contain similar information, which is also presented in monetary terms for the reporting period. Trailer fees are not reported.

In the case of feeder funds or funds of funds, underlying fund fees are not included in the total fee measure. However, the SEC requires adequate disclosure of the underlying fund fee. In practice, the management fee or total expense ratio of underlying funds can be found in the fund's simplified prospectus. Firms are not required to conduct regular fee assessments like the UK's Assessment of Value Report.

Portfolio Holdings Disclosure

Thai funds are required to disclose full portfolio holdings in the semiannual and annual financial reports, which can be found on the websites of the asset managers and SEC, while the simplified prospectus is required to show the fund's top five holdings only. Fixed-income funds also provide a portfolio breakdown by the credit ratings of securities. The holdings disclosure consists of all positions such as long positions in equities, exchange-traded funds, bonds, along with any derivatives and private investments. In addition, funds are required to disclose full portfolio holdings in the Details of Investment, Borrowing and Liabilities report on each asset manager's website on a quarterly basis, which is available within 60 days after the end of each period. Furthermore, 90% of Thai funds provide quarterly portfolio holdings data to Morningstar within 60 days. There is no monthly disclosure of portfolios in Thailand.

Portfolio Management Disclosure

The SEC requires disclosure of fund manager names and tenures in fund documents. The portfolio manager's compensation and ownership in the fund are not required, and this disclosure is not a common practice in this market.

Thailand (continued)

Disclosure Grade

Above Average

Sales Disclosure

The SEC requires asset managers or distributors to provide a fund's simplified prospectus to investors before they invest. Advisers are required to disclose any conflicts of interest. Compensation to advisers is allowed under strict regulations and must not affect their professionalism. Although disclosure of the exact amount of compensation is not a requirement, advisers are required to disclose the terms and conditions of the compensation, such as the sale-score point of advisers or the different compensation received from different funds. Compensation guidelines must be in place and available for the SEC's inspection.

ESG and Stewardship Disclosure

Currently, disclosure on environmental, social, and governance investment is not regulated in Thailand. However, given the very limited number of ESG funds, greenwashing risk in this market is not significant. ESG funds follow disclosure regulations applied to funds in general. ESG funds provide adequate information that allows investors to understand how the investment strategy incorporates ESG criteria. For example, Thai ESG funds may state that the investment universe follows an ESG index or ESG stock universe provided externally.

While improvements to mutual fund ESG disclosure are in the SEC's pipeline, there has been greater development on ESG disclosure for listed companies. The SEC recently enhanced the disclosure on corporate ESG policy through filing 56-1, which will be in effect from 31 Dec 2021 onward.

In terms of stewardship code, the SEC requires asset managers to exercise voting rights in material issues and to appropriately disclose information and records of voting to investors. In practice, asset managers can aggregate its voting actions in equity holdings across all of its funds under management. Asset managers may disclose the number of agendas that were voted as agree, disagree, or abstain, along with reasons (if needed).

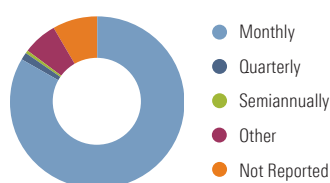
United Kingdom

Disclosure Grade

Average

Disclosure

Portfolio Holdings Disclosure Frequency %



Average Portfolio Release Lag (Days)	59
GIE Market Rank	15/26

Manager Names

Funds Reporting Manager Names %	64
GIE Market Rank	15/26

For Disclosure, the United Kingdom receives a grade of Average. Although there is no centralised website for fund documents or required monetary illustration of fees, the UK sets a new standard with its Assessment of Value Report, which requires fund firms to regularly assess and publicly disclose the reasonableness of their fees.

This key development came into force in September 2019, with the Financial Conduct Authority, or FCA, requiring fund groups to assess the overall value that their funds deliver to investors and provide their findings in a summary report published annually. This assessment of value report covers seven areas, including fees, performance, economies of scale, and differences between share classes.

General Disclosure

In the UK, funds are required to publish annual and semiannual reports, and the financial statements within these shareholder reports contain comparisons to the previous two or three years. Fact sheets are not required but are typically provided on a monthly basis. These are deemed as marketing material, so they must comply with FCA guidelines that require such communications to be clear, fair, and not misleading. When referring to a fund's past performance it must also be laid out against a target or comparator benchmark that is disclosed in the prospectus. The fund manager's commentary on performance is not required but is typically provided, and the quality of discussion varies by fund provider but in general does not tie portfolio actions to fund performance. The UK does not have a publicly sponsored website with an electronic repository of fund documents. However, links to fund literature are prominently shown on fund providers' websites.

Simplified Prospectus

For funds in the UK that are compliant with UCITS, the simplified prospectus, called a Key Investor Information Document, or KIID, is required to pertain to only one fund at a time and is typically two pages long. Regulations require that the KIID be written in plain language. The KIID also contains a section describing the strategy and objective of the fund. These descriptions are somewhat helpful for an experienced investor in comprehending the fund's strategy but can be vague. However, they have greatly improved recently for straightforward strategies. The KIID presents risks clearly in narrative form and provides a risk/reward score according to a standardised scale that allows for ease of comparison across funds.

The KIID contains past performance for standardised periods (typically the past 10 calendar years) to allow investors to see the performance of the fund over time. It does not include the manager's name or tenure, making it difficult for investors to determine the connection between the manager and fund returns. Across the European Union, all investment funds compliant with UCITS are subject to the

United Kingdom (continued)

Disclosure Grade

Average

same minimum disclosure requirements and operating regulations, although local regulators may impose additional requirements for funds sold in their markets. This includes open-ended and exchange-traded funds. Other products such as closed-end funds, insurance funds, pension funds, and non-UCITS retail schemes do not fall under the same regulation and therefore have different requirements.

Fee Disclosure

The KIID includes an ongoing charges figure, a prospective percentage that excludes performance fees. The KIID is required by regulation to include the performance fee as a separate percentage figure that is on equivalent terms with the ongoing charges percentage. In practice, this is not uniformly enforced, and investors must often search for details and calculate the amount they would spend on performance fees on their own. In conclusion, the KIID does not consistently help investors in determining the exact amount they should expect to spend on fees. Furthermore, the KIID does not contain a monetary illustration of fees that would provide the investor with a clear picture of the amount paid in fees based on an assumed standard monetary value and return. This was required for UK funds prior to the introduction of the KIID. It does not contain any disclosure of trading costs.

As part of the UK's Assessment of Value Report, there are now requirements for funds to regularly assess the reasonableness of their fees and to release this information publicly.

Portfolio Holdings Disclosure

Fund companies must publish shareholder reports semiannually, disclosing their portfolio holdings. This includes long and short positions in exchange-traded equities, bonds, derivatives, and private investments. The financial statements must be examined by an auditor that is not associated with the asset-management company and published within 120 days after the fiscal year ends. In practice, Morningstar receives monthly portfolios for over 80% of UK-domiciled funds on about a two-month lag.

Portfolio Management Disclosure

Funds are not required to provide the name and tenure of the lead portfolio manager, although such information can usually be found in marketing material such as fact sheets. Morningstar collects manager names for over 60% of UK-domiciled funds. No information on the compensation of individual managers or their investments alongside investors is available, although UCITS V implementation across Europe (introduced in the UK in March 2016) requires disclosure of compensation details and structure.

United Kingdom (continued)

Disclosure Grade

Average

Sales Disclosure

In the UK, retail investors must receive fund-offering documents at the point of sale. Advisers are required to disclose conflicts of interest. The Retail Distribution Review has strictly prohibited independent advisers from soliciting or accepting 'any commission, remuneration or benefit of any kind' for recommending funds. A subclass of restricted advisers offering basic advice can be compensated via commission, fee, or other benefit but must clearly disclose these arrangements to the client prior to providing services. The practice of using sales contests to motivate general sales of funds is prohibited.

ESG and Stewardship Disclosure

High-level and generic information is sometimes shown, but regulation and transparency in relation to environmental, social, and governance issues are derived from the EU level, including the European Securities and Markets Authority. With the end of the Brexit transition period approaching, EU rules that are not yet enshrined in UK regulation will not necessarily be fully adopted, notably those related to sustainability-related disclosures. That said, the government committed in its 2019 Green Finance Strategy to at least match the ambitions of EU work, and a regulatory consultation on disclosure principles for ESG products is expected. At the EU level, there are three key elements of the EU disclosure regulation that asset managers will need to consider. First, disclosures on the firm's website need to include how the firm integrates sustainability risk into the investment process, how it integrates sustainability risk into its remuneration policy, and, for any ESG-focused funds it manages, details on the ESG objectives of these funds and how they are measured. Second, pre-contractual disclosures must include disclosure on how sustainability risks are factored into investment decisions, the adverse sustainability impact of the investment decisions, and, for any ESG-focused funds the firm manages, details on the ESG objectives of these funds and how they are measured. Finally, the annual report of an ESG-focused fund will need to provide details of how the relevant ESG objectives are being met.

Complementary legislative changes to the UCITS, AIFMD, and MiFID regimes are also in development. It applies to EU asset managers but may also have implications for non-EU asset managers.

The UK's stewardship code was revamped on 1 Jan 2020 and rolled out by the Financial Reporting Council in conjunction with the FCA. There are higher expectations now in place around how investment and stewardship are integrated, including ESG issues. The code consists of 12 principles and asks allocators to explain how they have exercised stewardship across asset classes.

United Kingdom (continued)

Disclosure Grade
Average

Organisations wanting to become signatories to the code will be required to produce an annual stewardship report explaining how they have applied the code in the previous 12 months, and the Financial Reporting Council will evaluate the submissions.

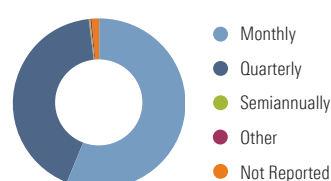
United States

Disclosure Grade

Top

Disclosure

Portfolio Holdings Disclosure Frequency %



Average Portfolio Release Lag (Days)	33
GIE Market Rank	9/26

Manager Names

Funds Reporting Manager Names %	100
GIE Market Rank	1/26

The United States earns a Disclosure grade of Top. The US requires disclosure of portfolio manager name, tenure, fund ownership, and compensation structure. A monetary illustration of fees is included in the simplified prospectus, and fund firms are required to annually assess the reasonableness of their fees, though the results are not made public. The US could improve point-of-sale disclosure requirements, as fund sales can technically be initiated before the prospectus and simplified prospectus are provided to the investor.

Several regulatory enhancements since the last version of the Global Investor Experience report have improved the already strong disclosure requirements in the US. The new N-PORT portfolio filing system, finalised in 2019, provides much improved detail on derivatives relative to the previous system, and in a standardised and structured data format. In addition, Regulation Best Interest and a new Form CRS relationship summary were also finalised in 2019. Although watered down from the initial proposal, these regulations, which went into effect for broker/dealers and investment advisers as of 30 June 2020, do require important conflict-of-interest disclosures.

Finally, note that the Securities and Exchange Commission has issued a fairly sweeping new disclosure proposal as of August 2020. The main intent of this proposal appears to be to streamline the amount of disclosure documents delivered to investors and to reorient key information within those documents to make it as relevant and comprehensible as possible, based on findings from extensive investor and industry surveys conducted by the SEC. However, this proposal is in preliminary stages and likely to change after the public comment period, so we will not be able to determine its efficacy and impact until the next edition of the GIE.

General Disclosure

Funds in the US are required to publish a prospectus and simplified prospectus, annual and semi-annual shareholder reports, as well as a Statement of Additional Information that includes detailed information on portfolio manager and board of director compensation structures, among other items. Fact sheets, although not required, are typically provided on a quarterly or monthly basis by most fund firms. A management discussion of fund performance is required in the annual report; the quality of those discussions can range from generic to detailed and high-quality. Many fund managers also provide supplementary performance discussions on at least a quarterly basis. All required disclosure documents are available to investors through a centralised SEC website known as EDGAR (Electronic Data Gathering, Analysis, and Retrieval). In addition, filings are generally available on fund provider websites.

United States (continued)

Disclosure Grade

Top

Simplified Prospectus

The US market uses a simplified prospectus known as the summary prospectus, which is commonly distributed to new and existing shareholders for the fund under consideration. For government filings and postings on websites a large number of simplified prospectuses are often consolidated into a single electronic document. The summary prospectus is required to be written in plain language and generally achieves this goal, though at times the language can still veer toward the legalistic. The document generally explains the fund's strategy in a clear way that investors can understand. However, the initial 'Investment Objective' portion of the summary prospectus is often general, whereas the 'Principal Investment Strategies' section provides the more detailed description of how the strategy operates. The summary prospectus also provides clear descriptions of risks that are material to a fund, including their potential negative outcomes, but these descriptions often extend beyond the specifically relevant risks to a broader list.

US funds are required in both the simplified and statutory prospectus to provide a monetary illustration of the fee impact for all share classes of a fund, based on a hypothetical investment, as well as actual fee breakdowns. The summary prospectus also contains standardised historical performance information covering up to 10 years, as well as the names and tenures of portfolio managers.

Fee Disclosure

US fund managers report a simple, aggregated total cost metric referred to as the annual operating expense. This expense figure does not include acquired fund expenses, but they are incorporated into the annual prospectus expense ratio. Fund companies in the US also break out management fees, sales charges, and trailing distribution/service (12b-1) fees within the simplified prospectus. Any expense that is more than 5% of total operating expenses must be itemised, but the grouping of expense categories is frequently at the discretion of the fund company and its auditors. Ongoing charges can be grouped as 'other expenses' in the prospectus but are broken out in the financial statements, making them less accessible to investors. Trading expenses are also broken out only in the financial statements and include only brokerage commissions paid, not implicit costs. As part of the required annual review of a fund's advisory agreement, mutual fund boards of directors are required in the US to assess the reasonableness of a fund's fees relative to peers, as well as whether fee levels appropriately reflect economies of scale. This process is known as a 15(c) process, owing to the relevant section of the code from the Investment Company Act of 1940.

United States (continued)

Disclosure Grade

Top

Portfolio Holdings Disclosure

Under the SEC's new N-PORT filing system, fund companies are required to report all holdings on a quarterly basis (by 60 days after the end of the fiscal quarter), including long and short positions in exchange-traded equities and bonds, derivatives, and private investments. They are also required to maintain interim monthly holdings reports, but firms are not required to disclose those publicly. These filings provide much improved detail on derivatives holdings compared with the previous system, including the notional value of the derivatives, detailed information about terms and conditions of the contracts, and more information about the underlying instruments. However, firms can include up to 5% of holdings under an aggregate 'miscellaneous securities' bucket if they meet certain criteria. Thus far, based on Morningstar's observations, few firms have elected to use the miscellaneous designation. Despite the benefits of additional holdings detail, the system hasn't spurred improvements in reporting frequency or lag. Morningstar records more than 50% of fund portfolios on a monthly basis but still collects more than 40% only quarterly. The typical lag between portfolio date and publication date remains at just over a month.

Portfolio Management Disclosure

US funds are required to list all portfolio managers' names and tenures in the summary and statutory prospectuses, and Morningstar collects and displays this information for all US funds. In addition to this information, the Statement of Additional Information includes the portfolio managers' level of investment in the fund, within a set of ranges prescribed by the SEC. The SAI also includes details on the structure of manager compensation, though not the actual amounts. Furthermore, the SAI is required to provide compensation information for the board of directors as well as their investment in the funds they oversee by ranges of amounts.

Sales Disclosure

US investors may purchase a fund without first receiving a prospectus; however, they must be supplied with a prospectus no later than the time a confirmation of initial purchase of fund shares is received. A number of regulations exist in the US that require certain categories of investment advisers to disclose conflicts of interest. Registered Investment Advisers are required to report in Form ADV any potential conflicts of interest in connection with the investments it recommends and related services it provides, including those generated from the receipt of certain types of compensation. In addition, the summary prospectus must include information on any payments made by the fund to financial intermediaries. The newly implemented Regulation Best Interest requires broker/dealers and RIAs to provide a Form CRS when initiating a client relationship with retail investors that includes disclosures of various conflicts of interest.

United States (continued)

Disclosure Grade

Top

ESG and Stewardship Disclosure

At present, there is little formal regulation in the US related to environmental, social, and governance disclosure. The likelihood of advances in ESG disclosure in the medium term is uncertain but may improve under a Biden-led administration in the wake of the 2020 presidential election. There are no specific labelling requirements or standards set by the government or related bodies.

That said, there are some existing features of fund regulation that do lend themselves to investors' understanding of funds' ESG practices. For instance, the SEC requires that a fund with a name suggesting it focuses on a particular investment type must invest at least 80% of its assets in that investment type and strategies must be described in the prospectus; thus, a fund that used an ESG-related name but did not follow an ESG practice would be afoul of the law. Such measures limit the risk of greenwashing with fund names, though it is possible for fund representatives to make misleading claims about ESG investment practices in a less formal setting. In addition, funds must disclose their proxy votes to the SEC annually.

Appendix

Fund Type	Portfolio Holdings Disclosure Frequency					Average Portfolio Release Lag	Funds Reporting Manager Names
	Monthly %	Quarterly %	Semiannually %	Other %	Not Received %	Days	%
Australia	42	9	0	5	44	52	24
Belgium	34	4	0	42	20	124	35
Canada	90	4	0	1	5	53	72
China	1	0	78	8	13	76	96
Denmark	91	1	0	2	6	30	81
Finland	87	3	0	2	7	19	91
France	52	7	0	12	28	69	65
Germany	59	19	1	13	8	65	33
Hong Kong	31	0	35	20	14	132	33
India	94	0	0	1	5	10	99
Italy	41	9	0	13	36	70	59
Japan	2	0	45	48	5	102	2
Korea	89	0	0	5	7	58	99
Mexico	98	0	0	0	2	15	57
Netherlands	68	2	2	3	25	41	65
New Zealand	59	14	11	8	8	38	22
Norway	91	1	0	4	4	20	95
Singapore	43	3	41	2	11	114	40
South Africa	36	62	0	1	1	32	85
Spain	78	17	2	2	1	62	58
Sweden	87	2	0	3	7	14	98
Switzerland	66	3	2	13	16	83	54
Taiwan	0	94	1	2	4	17	100
Thailand	0	90	0	4	6	60	100
United Kingdom	83	1	0	7	8	59	64
United States	56	42	0	0	1	33	100

Source: Morningstar, Inc.

Morningstar Standardized Global Portfolio File Template

Morningstar requires all funds to report complete holdings, including cash equivalents and short-term positions, on a monthly or quarterly schedule. Funds which do not provide this information may be removed from Morningstar products.

- > Portfolio holdings should be reported as of the last day of the month.
- > An initial portfolio should be sent immediately for new funds activation. Thereafter, if Morningstar already publishes some of your funds, please add the new funds to the existing portfolio file transmission.

Delivery Methods

- 1. FTP, File Transfer Protocol. Email to PortfolioQuestion@morningstar.com to obtain login and password.
- 2. E-mail to assigned email inbox.

Please provide the portfolio reporting schedule (eg. Please enter Monthly and 10 if the shcedule is monthly with 10 calendar days lag)	Frequency	Delay Days (calendar day)

Acceptable file types

- 1. Text
- 2. Excel files

Data Points		Required in all rows		Highly Suggested if available					
PORTFOLIO AS OF DATE	UNIQUE PORTFOLIO IDENTIFIER	FUND NAME	SECURITY IDENTIFIER	SECURITY DESCRIPTION	SHARES/ PAR VALUE	BASE MARKET VALUE	COUPON RATE	MATURITY DATE/ EXPIRATION DATE	PORTFOLIO BASE CURRENCY
(mm/dd/yyyy) or (yyyy-mm-dd)	Char(75)	Char(75)	Char(12)	Char(200)	Numeric (19.2)	Numeric (19.5)	Numeric(9.5)	(mm/dd/yyyy) or (yyyy-mm-dd)	Char(3)
The month end date on which the portfolio data was extracted. Must be the last day of the month (e.g. 09/30/2002 or 10/31/2002). All other dates will be rounded (rounded forward where dd =>16)	This can be an internal code unique to each fund, or it can be as simple as the fund name. Must be kept consistent per portfolio and from delivery to delivery.	Must be kept consistent per fund, per portfolio file. Can vary from delivery to delivery due to name changes.	This is a required field that can contain a maximum of 12 characters. Our system matches securities using any one of the following identifiers: 1) CUSIP / CINs 2) ISIN 3) Sedol 4) Valoren 5) Exchange Ticker 6) WPK 7) CFI 8) Bloomberg Ticker 9) Custom Identifier (see	Please include a full description. This would include descriptions such as ADR, 144A, CMO, REMIC, PFD, CV, FRN, etc.	Shares for equity holdings, par value for fixed-income holdings or number of contract for derivative holdings.		Only for fixed-income holdings. Expressed as a percentage (5.55), not as a number (.0555).	If maturity date falls before the date of the portfolio or not formatted as mm/dd/yyyy the values will be nulled.	Must contain 3 character ISO 4217 currency code corresponding to the currency in which all of the portfolio holding's market values are reported. Reporting currency must be consistent for every asset in a fund.

Example of portfolio data (please remove it when deliver files):

12/31/2016	460924301	FUND NAME AA	IBMIK	IBM opt(Call) (Sept '18 - Strike 155)	100.00	87,500.00		9/16/2018	USD
12/31/2016	460924301	FUND NAME AA	XS0236075908	Citigroup 30.11.2017 (Floating, Sub, Call)	2,000.00	2,002.00	0.09	11/30/2017	USD
12/31/2016	460924301	FUND NAME AA	00485YAA7	ACORNR FLT% 17Jul18 144A Sr	250,000.00	255,625.00	10.38	07/17/2018	USD
12/31/2016	460924301	FUND NAME AA	GB00BXRZ733	UK Treasury Gilt	52,847.00	100,000.00	0.00	09/11/2017	USD
12/31/2016	460924301	FUND NAME AA	CASH	Deposit	150,000.00	150,000.00			USD
12/31/2016	460924301	FUND NAME AA	ES0126775032CFD	DISTRIBUIDORA INTERNACIONAL(CFD CSF)	-257,972.00	100,906.36			USD
12/31/2016	460924301	FUND NAME AA	CASH	Repurchase Agreement	1,000,000.00	1,000,000.00	5.55	07/30/2017	USD
12/31/2016	460924301	FUND NAME AA	760975102	Research In Motion	82,100.00	1,457,275.00			USD
12/31/2016	460924301	FUND NAME AA	3615T2	GE CAP INTL FDG INC DISC COMPL PAPER	100,000.00	100,000.00	1.20	07/30/2017	USD
12/31/2016	460924301	FUND NAME AA	SPH7	S&P 500 Index (Fut)	22.00	2,435,483.46		03/20/2017	USD
12/31/2016	460924301	FUND NAME AA	Cash Offset	Cash offset for S&P 500 Index (Fut)	-2,459,820.00	-2,459,820.00		03/20/2017	USD
12/31/2016	460924301	FUND NAME AA	BRL	Currency Forward Brazilian Real	291,830.00	149,411.00			USD
12/31/2016	460924301	FUND NAME AA	MMKT	XYZ Money Market Fund	10,000.00	10,000.00			USD
12/31/2016	460924302	FUND NAME BB	17475104	ALLEGIANCE CORP-W/I	82,100.00	1,457,275.00			USD
12/31/2016	460924302	FUND NAME BB	*PTY*	4150 N. Sheridan Unit # 4N	354,100.00	329,000.00			USD