

## Morningstar's new Medalist Rating™ and increasing our coverage

Dear Valued Client,

We are delighted to update you on an important initiative regarding our Morningstar Research Service's ratings system that will materially increase forward-looking ratings coverage. The Morningstar Medalist Rating will increase access to our market-leading ratings whilst maintaining our independence and business model and leverage our valuable global analyst capability.

Morningstar Australasia is advising you of this initiative prior to the official launch, slated for 3 May 2023. From this time, the Morningstar Analyst Rating™ depicted by our Gold, Silver, Bronze medals will be known as the Morningstar Medalist Rating. The methodology that underpins the rating is not changing, and the three pillars—People, Process, and Parent—will continue to form the basis for the ratings.

Under the Medalist Rating, how these three pillars are supported will evolve. Currently, only an analyst may assign a pillar. In 2023, in order to scale our ratings universe, pillar assessments by analysts that may be assigned to related strategies will occur, and pillars not currently assessed by analysts will be assessed by our proprietary machine-learning algorithm. Morningstar will apply the superscript "Q" designation to pillar scores assigned by the algorithm to help investors distinguish between pillars assessed by analysts and those assessed by the algorithm.

The algorithm has been in operation since 2012, and Morningstar has used it successfully for five years to assess managed investments that analysts do not cover in the U.S. and Europe markets. The algorithm has also been operating in Australia and New Zealand for five years but has been suppressed from customer view. This algorithmic model has been designed to scale our analysts' insights and replicate analyst processes as faithfully as possible.

Morningstar does not expect any impact with the ratings it assigns to managed investments with this change, and analyst-assigned pillars and research work will take precedence over the algorithm.

Over time, we will see a scaling up of our forward-looking ratings coverage, including our research and rating capabilities.

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

The Medalist Rating will be reflected in all global Morningstar products and platforms where the Morningstar Analyst Ratings are currently available.

To get more information on the algorithm that works within the Medalist Rating system and its application globally, please see the below link:

[Efficacy of the Morningstar Quantitative Ratings](#)

In the coming months, you will receive communication with more detail on the Medalist Rating.

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

Kind regards,

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Director of Investment Products

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