
Medalist Rating Enhancements and Issuer Initiated Rating

Client information Session (Australia & New Zealand)

Matt Olsen
Director, Manager Research Ratings,
Australasia

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Managing Director, Direct Platform
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Agenda



Welcome

Peter Bryant, Managing Director, Direct Platform, AU & NZ



Global Methodology Changes

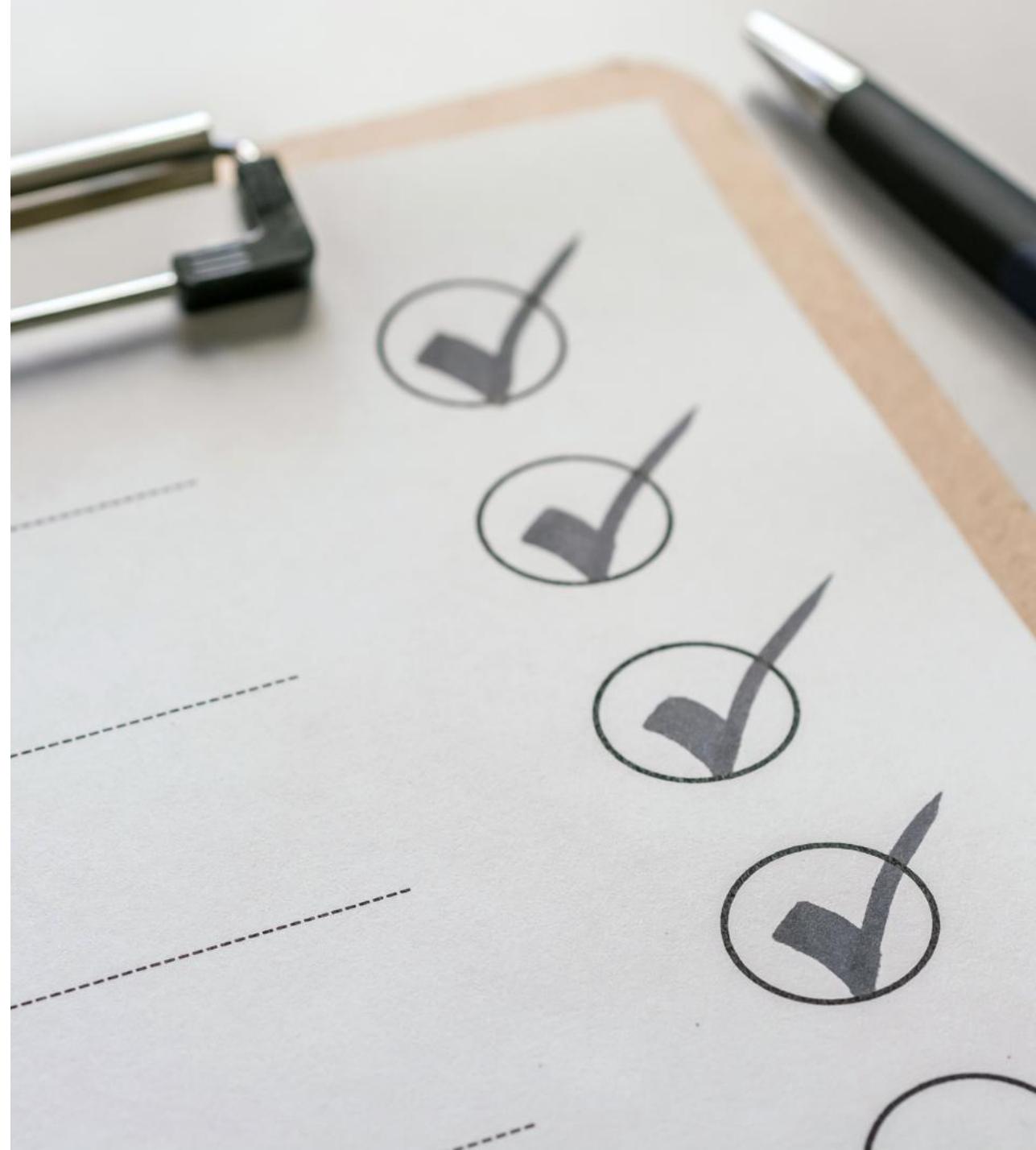
Matt Olsen, Director, Manager Research Ratings



Introduction of Issuer Initiated Rating Licence

Peter Bryant, Managing Director, Direct Platform, AU & NZ

This presentation reflects plans as of 11 February 2026 and is subject to change.





Medalist Rating Methodology Review

Matt Olsen

Director of Manager Research,
Morningstar Australasia

Agenda – Medalist Rating Methodology Review

- Team Update
- Overview of Changes
- Review of Current Methodology
- Why are We Making Changes
- Overall Medalist Rating Calculation
- Ratings Distribution and Efficacy
- Algorithmic Ratings



Team Update

Morningstar Manager Research Team (AU & NZ)



Laura Lutton
Head of Manager Research,
GLOBAL



Wing Chan
Head of Manager Research,
ASIA PACIFIC



Matt Olsen
Director Manager Research Ratings
AUSTRALASIA



Eva Cook
Senior Principal Manager
Research, Equities



Thomas Dutka
Senior Principal Manager Research
Fixed Interest, Superannuation,
Multi-Asset



Steven Le
Associate Director Manager Research
Equities, Real Assets, Alts



William Anglingdarma
Principal Manager Research
Superannuation, Multi-Asset



Zunjar Sanzgiri
Senior Manager Research Analyst
- ETFs, Generalist



Ibrahim Guled-Warfield
Senior Manager Research Analyst
Equities, Alternatives, ETFs



Shamir Popat
Senior Manager Research Analyst
Multi Asset, Equities, Real Assets



Subby Kim
Senior Manger Research Analyst
Fixed Interest, Multi-Asset



Liem Nguyen
Manager Research Analyst
Generalist



Cerise Bootsma
Senior Associate Research Analyst
Equities



Overview of Changes

Overview of Changes

What is Changing

- We are updating the overall Medalist Rating calculation
- Going forward funds will be evaluated against their Morningstar category average rather than the category benchmark

What is Staying the Same

- The Medalist Rating will continue to be expressed as Gold, Silver, Bronze, Neutral or Negative, with three fundamental pillar inputs: People, Process and Parent.
- Morningstar analysts' qualitative evaluations of People, Process and Parent are unchanged.



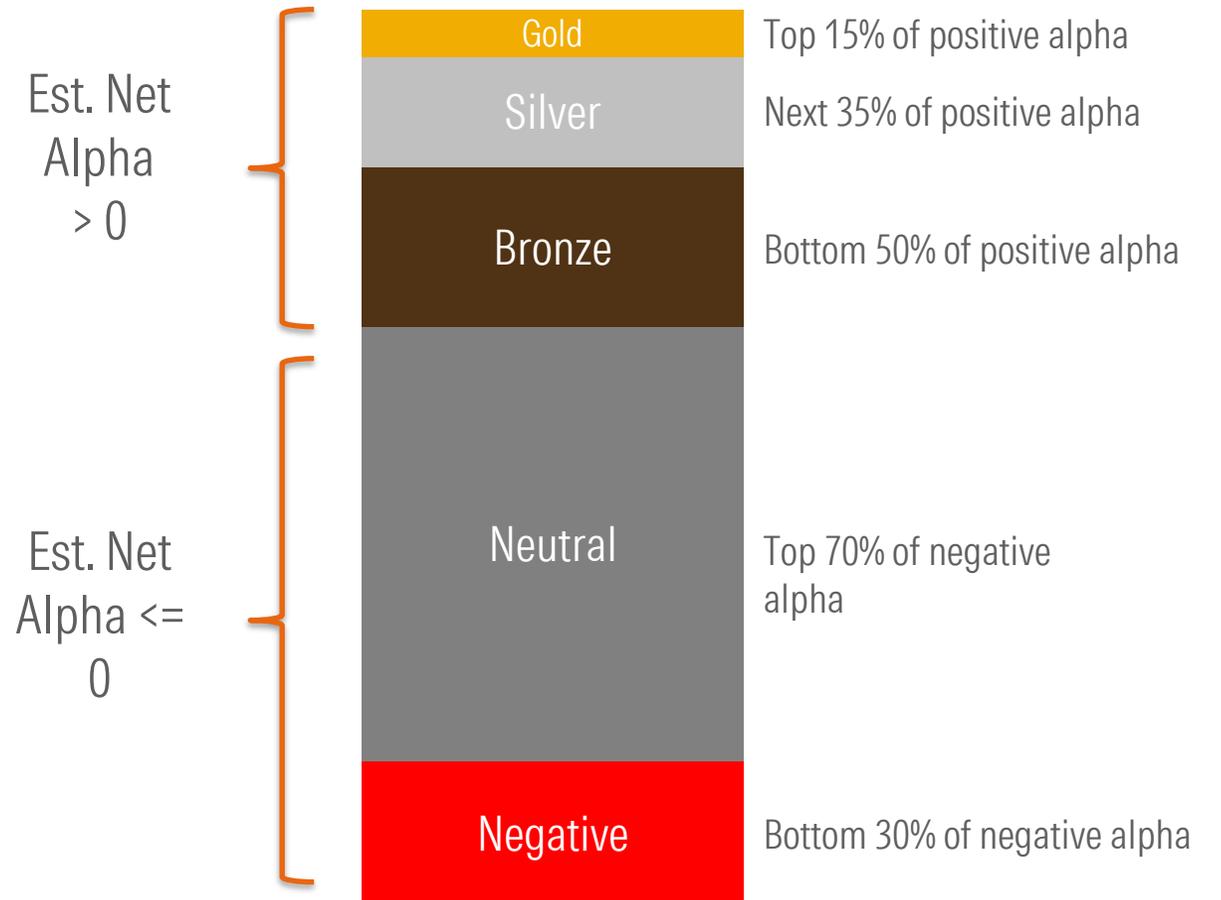
Review of Current Methodology

Current Medalist Rating Equation

To generate the predicted **net** alpha score for each fund, we employ these equations:

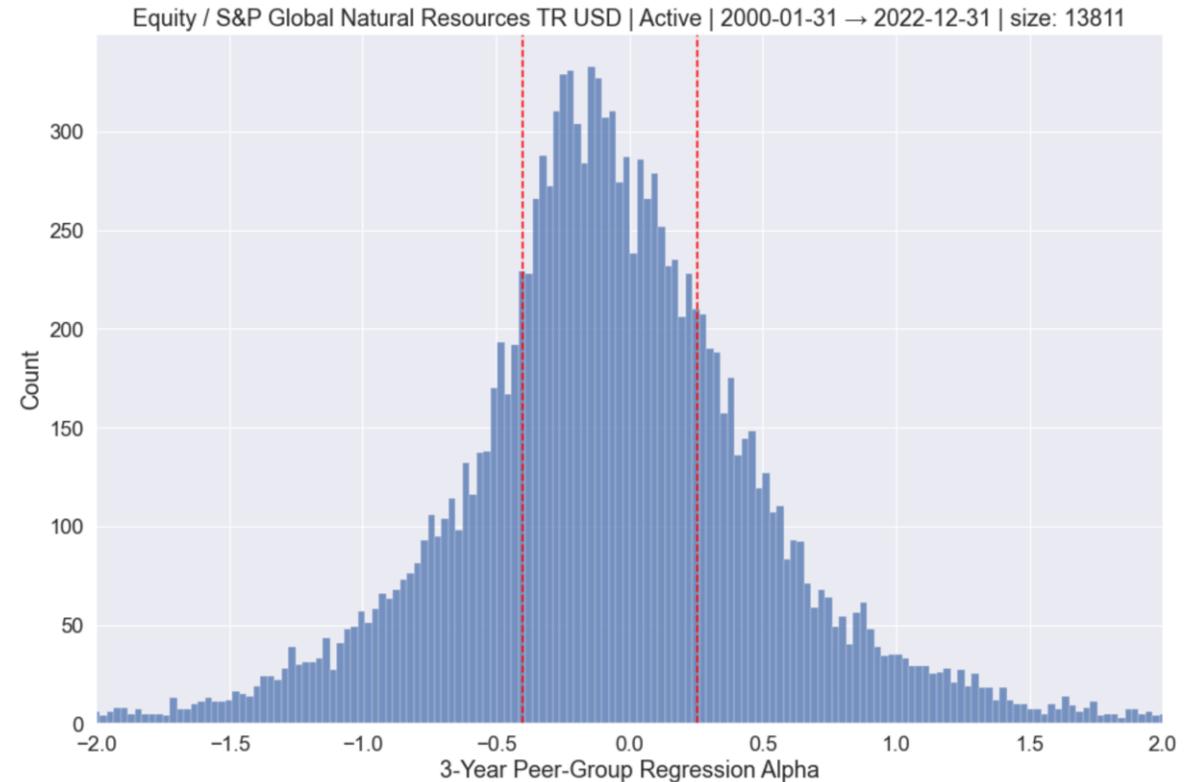
$$[(\text{People} * \mathbf{APE} * 45\%) + (\text{Process} * \mathbf{APE} * 45\%) + (\text{Parent} * \mathbf{APE} * 10\%)] = \text{Estimated Gross Alpha}$$

$$\text{Estimated Gross Alpha} - \text{Price} = \text{Estimated Net Alpha}$$



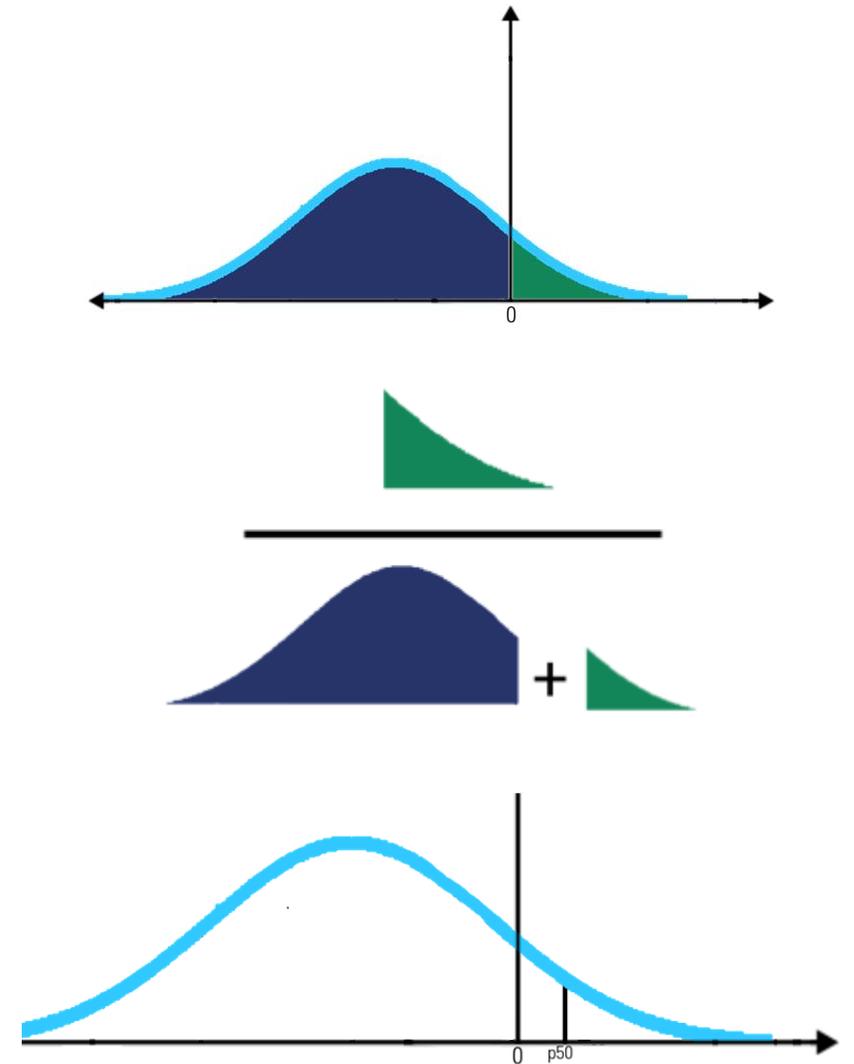
What is APE and How is it Calculated?

- **Alpha Potential Estimate** is an estimate of potential future alpha in a category.
- First, we define relevant global peer groups by aggregating local Morningstar Categories with the same or highly similar underlying category indexes.
- To assess the alpha opportunity set for the aggregated peer group, we run rolling three-year regressions using the gross-of-fee returns of constituent vehicles, regressed against the peer group index.



What is APE and How is it Calculated?

- First, identify the Number of Positive Alphas in the distribution (shown in green).
- Then divide it by the Total Count of Alphas in the distribution (green + blue).
- This gives us the Percent Positive, which is multiplied by the 50th Percentile of the Positive Alpha Distribution.

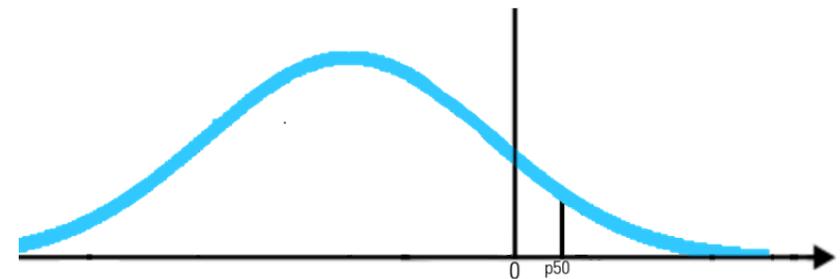
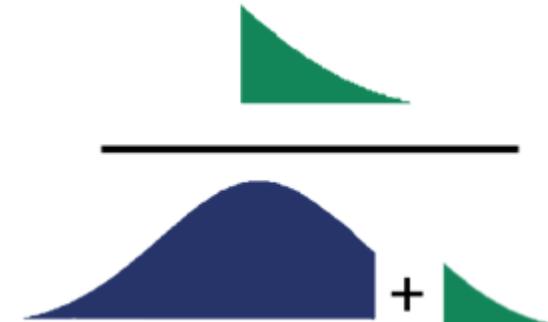
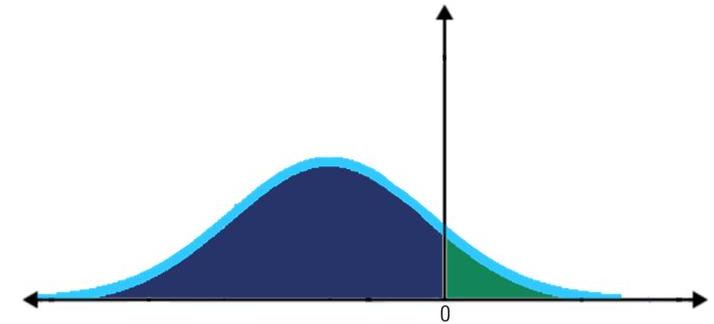


What is APE and How is it Calculated?

Every Morningstar Category is assigned an APE.

$$[(\text{People} * \mathbf{APE} * 45\%) + (\text{Process} * \mathbf{APE} * 45\%) + (\text{Parent} * \mathbf{APE} * 10\%)] = \text{Estimated Gross Alpha}$$

- A large APE will make it easier to get a higher estimated alpha.
- A high estimated alpha will make it easier to get a higher Medalist Rating.

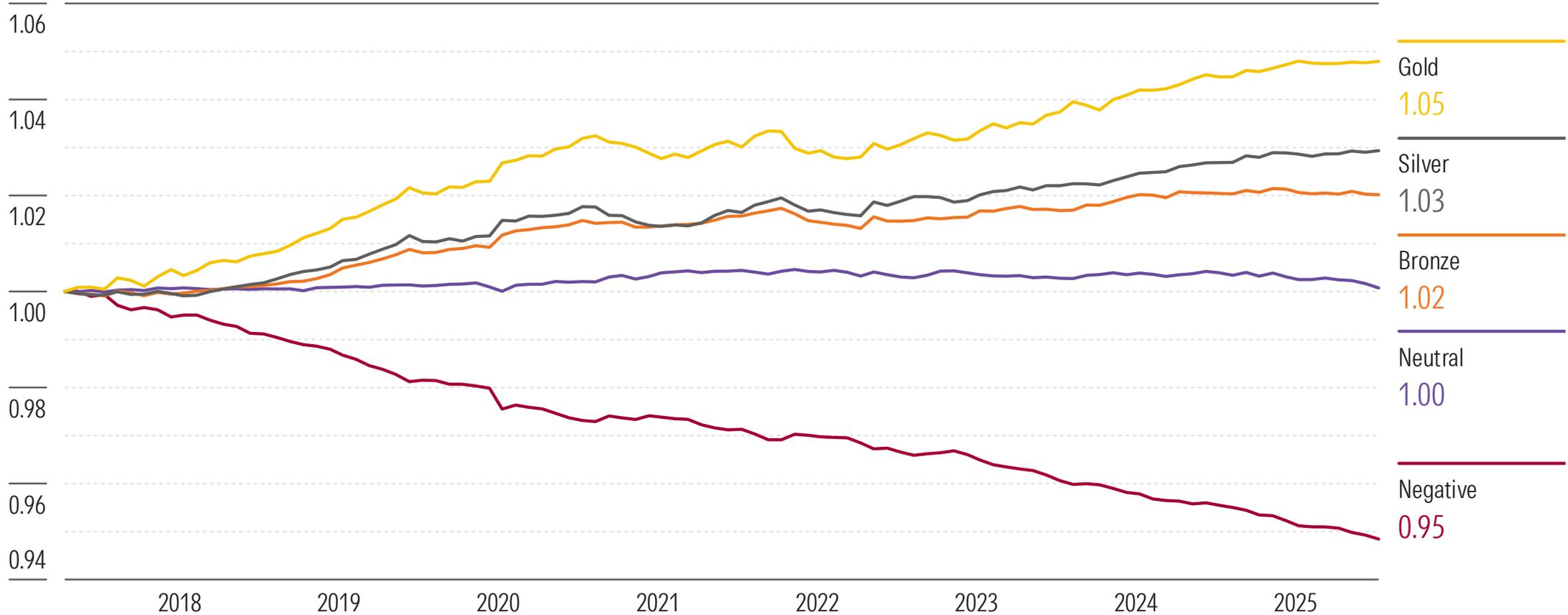




Why Are We Making These Changes?

Ratings Performance Has Been Strong

Current Methodology - Cumulative Excess Return vs Category Average - Global



Source: Morningstar. Data as of 08/31/2025.

Goals of the New Methodology

- Improvements are designed to simplify the rating structure
- Make the rating more transparent for investors
- Increase ratings stability
- Give investors more recommended options in each Morningstar Category
- Maintain strong ratings performance

This enhanced clarity provides greater confidence in the rating process and helps investors make informed decisions with further insight into our approach.

Overall Medalist Rating Calculation

Simplified Medalist Rating Calculation

	Active Vehicles	Passive Vehicles
Pillar Ratings Morningstar reviews three pillars to reinforce a consistent, long-term investment process.	70% 45% People Rating 45% Process Rating 10% Parent Rating	60% 10% People Rating 80% Process Rating 10% Parent Rating
	+	+
Price Score The Medalist Rating Price Score reflects an investment vehicle's fee in relation to its Morningstar Category peers.	30%	40%
	=	=
Medalist Rating	★ Gold 🥈 Silver 🥉 Bronze Neutral Negative	★ Gold 🥈 Silver 🥉 Bronze Neutral Negative

Medalist Rating Price Score (MPS)

- A continuous score running from negative 2.5 (most expensive) to positive 2.5 (cheapest) based on the percentile rank of a vehicle's expense ratio within its Morningstar Category.
- Because it progresses in decimalized increments, the score is able to appropriately reflect even fine distinctions in fees and also avoids the sharp changes between score levels associated with bucketing of fees into integer-value scores.
- MPS is assigned a 30% weight in the Medalist Rating for actively managed funds and a 40% weighting in the Medalist Rating for passively managed funds.

Rating Thresholds

Active Funds

Medalist Rating Score

 **Gold** ≥ 1.2

$0.8 \leq$  **Silver** < 1.2

$0.5 \leq$  **Bronze** < 0.8

$-0.5 \leq$ **Neutral** < 0.5

Negative < -0.5

Passive Funds

Medalist Rating Score

 **Gold** ≥ 1.4

$1.0 \leq$  **Silver** < 1.4

$0.7 \leq$  **Bronze** < 1.0

$-0.3 \leq$ **Neutral** < 0.7

Negative < -0.3

- The thresholds are set at levels designed to ensure efficacy of the ratings and deliver a rated universe that is sufficient for portfolio construction across investor types, asset classes, and markets.
- For consistency and alignment with these goals, Manager Research intends to review the rating thresholds at least annually.

Rating Examples

$$70\% * ((\text{People} * 45\%) + (\text{Process} * 45\%) + (\text{Parent} * 10\%)) + 30\% * \text{Price} = \text{Medalist Rating Score}$$



	Pillar Rating	Score	Pillar Weight
People	High	2.0	45%
Process	Above Average	1.0	45%
Parent	Average	0.0	10%
Price Score		1.70	

$$70\% * ((2.0 * 45\%) + (1.0 * 45\%) + (0.0 * 10\%)) + 30\% * 1.70 = \mathbf{1.455}$$

Neutral

	Pillar Rating	Score	Pillar Weight
People	Average	0.0	45%
Process	Below Average	-1.0	45%
Parent	Average	0.0	10%
Price Score		-0.21	

$$70\% * ((0.0 * 45\%) + (-1.0 * 45\%) + (0.0 * 10\%)) + 30\% * -0.21 = \mathbf{-0.378}$$

Rating Caps

Actively Managed and Passively Managed vehicles:

- Where the Parent Pillar is rated Low (-2), the Medalist Rating is capped at Neutral.

Actively Managed vehicles only:

- Where both the People and Process Pillars are rated Average (0), the Medalist Rating is capped at Bronze.
- Where the People or Process Pillar is rated Below Average (-1) or Low (-2), the Medalist Rating is capped at Neutral.

Passively Managed Vehicles only:

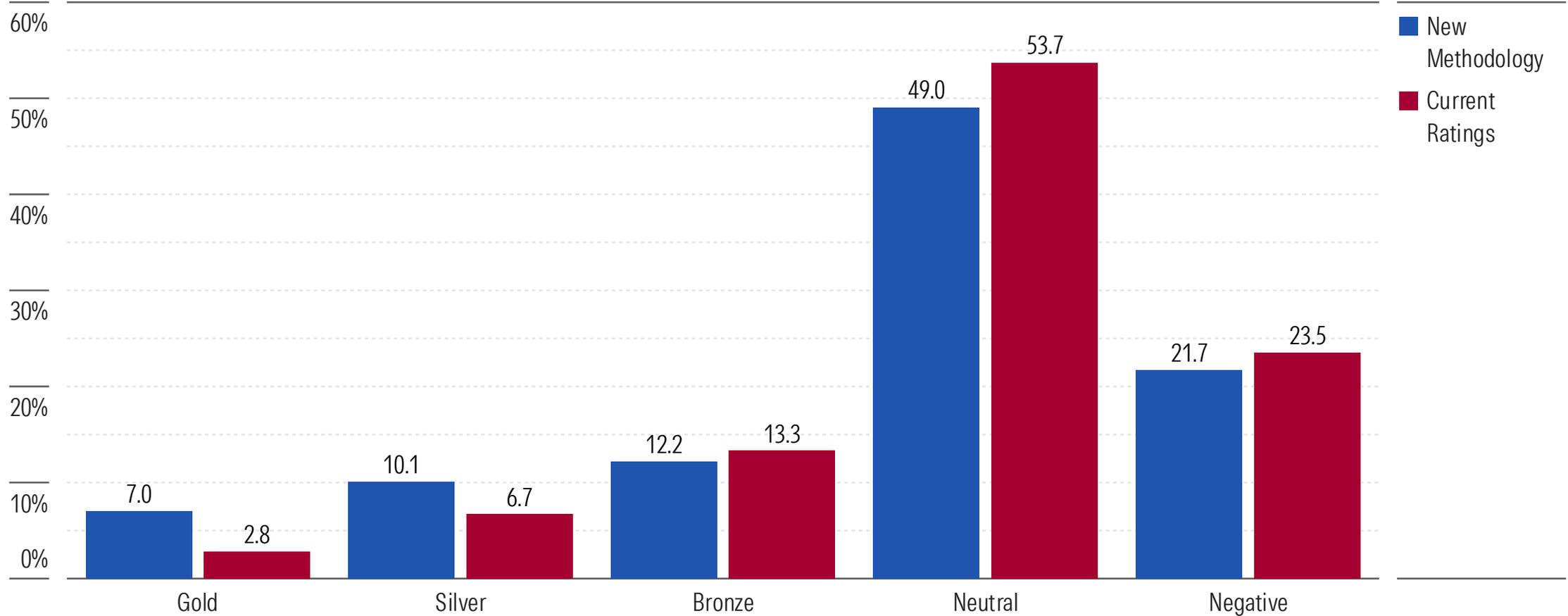
- Where the Process Pillar is rated Average (0), the Medalist Rating is capped at Bronze.
- Where the Process Pillar is rated Below Average (-1) or Low (-2), the Medalist Rating is capped at Neutral.



Ratings Distribution and Efficacy

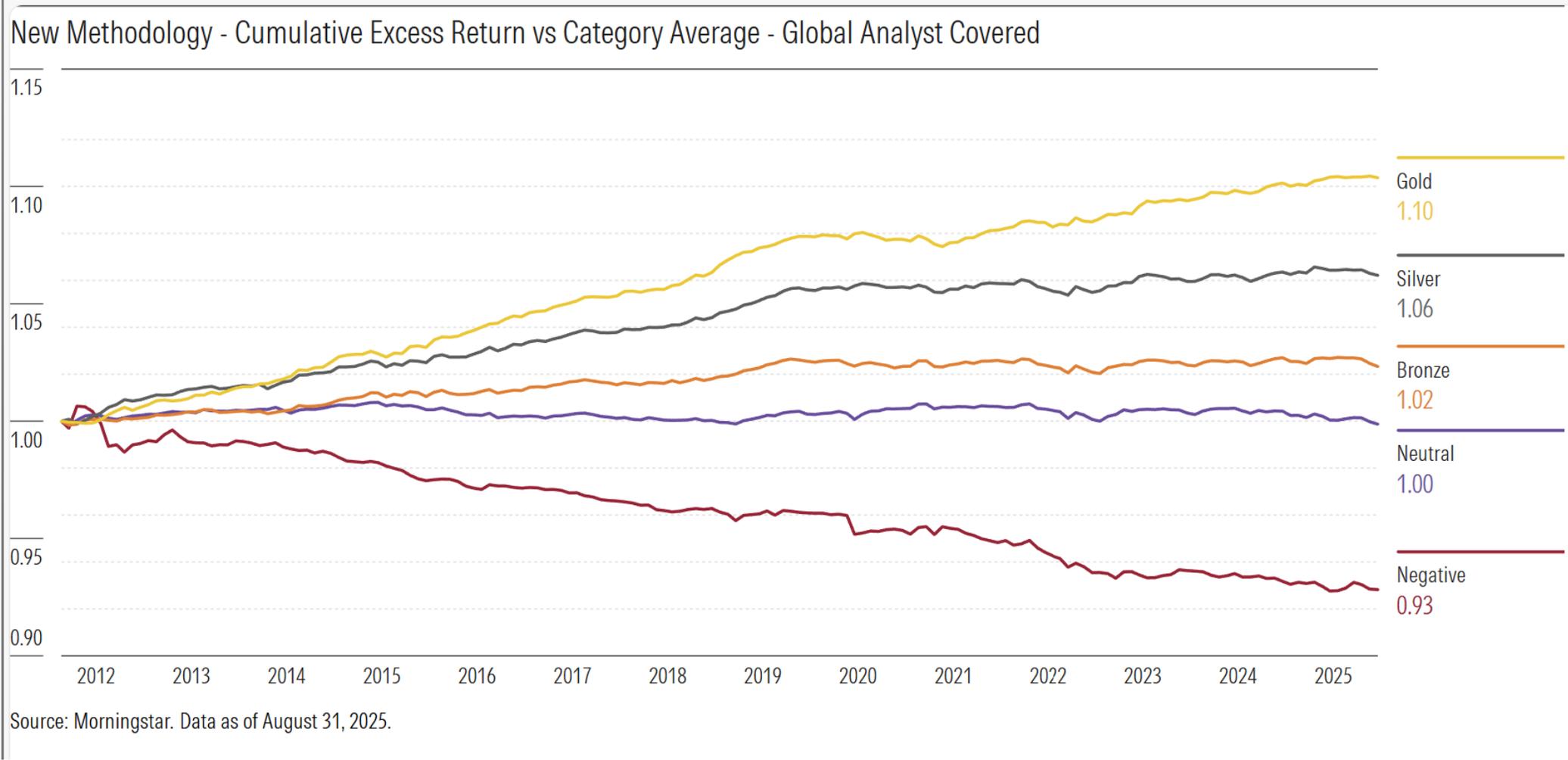
Ratings Distribution Comparison

Medalist Rating Global Distribution: New vs. Current Methodology



Source: Morningstar. Data as of Sept. 30, 2025.

Back-Tested Performance Since 2012





Algorithmic Ratings in Australia

Algorithmically generated ratings in Australia and New Zealand

- In Australia, starting from April 2026, ratings containing at least one algorithmically generated pillar will no longer be offered in Australia.
- **Australia will turn off quantitatively generated Medalist ratings on 31 March 2026.**



Introduction of Issuer Initiated Rating Licence

Peter Bryant

Managing Director, Direct
Platform

Manager Research is Integral to Morningstar's Mission

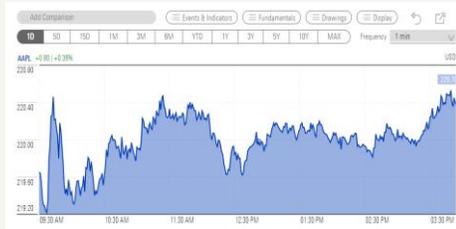


Manager Research is Integral to Morningstar's Mission



Morningstar Research Capabilities

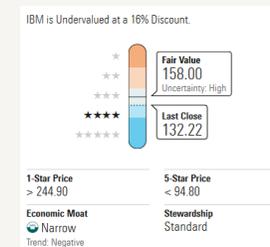
Market Insights Charts, Watchlist



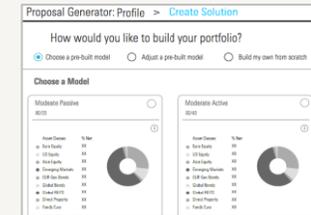
Research Quantitative & Qualitative Reports and Ratings



Investment Analysis Screening and Reporting for Stocks, ETFs and Funds



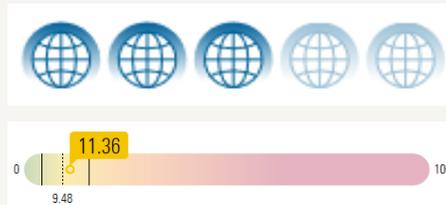
Support to build, assess & validate portfolios & APLs Insights into Models, Portfolios & Managed Accounts



Decision Support Screening, Comparisons, Reporting & Risk Scores



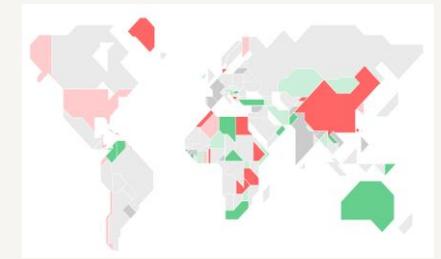
ESG Sustainability, Product Involvement & Carbon metrics



Portfolio Analytics Analyse & Compare



Markets & Thought Leadership



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Issuer Initiated Ratings in Australia and New Zealand

- Morningstar will offer 'Issuer Initiated Ratings', where we will receive a fee from an Australian or New Zealand fund manager or financial product issuer for the preparation of a Medalist Rating on their financial product(s).
- **We will conduct our analysis in a transparent manner and maintain the integrity and objectivity of our ratings** through governance and conflict-management frameworks. Issuer Initiated Ratings will be clearly disclosed.
- This model aligns with Australian industry norms whereby fund managers pay a fee to be assessed by research houses and reflects the investment we've made in expanding our local research capabilities and ensuring coverage meets the specific needs of Australian and New Zealand investors and distributors.
- Morningstar will work with Essentials Premium clients to transition their licence to the Issuer Initiated Rating licence.
- We expect Issuer Initiated Ratings to be available from June 2026.
- The research sequence will generally be based on the order by which an Issuer Initiated Rating licence was signed.

Issuer Initiated Ratings in Australia and New Zealand

- **Fees** for the Issuer Initiated Rating licence should be discussed with your Morningstar account manager however you can expect this **to be broadly consistent with the current market practice.**
- For funds already rated by Morningstar outside of Australia & New Zealand, going forward, funds that are offered in the Australian or New Zealand markets will require an Issuer Initiated Rating Licence for the promotion and marketing of Morningstar Medalist Ratings in the Australian or New Zealand markets.
- From an **asset class perspective**, Morningstar already researches and publishes Morningstar Medalist Ratings on alternative funds and will extend this coverage over time.
- For a period until further notice, we also intend to continue our coverage of Australia and New Zealand domiciled vehicles without charging the relevant fund managers or financial product issuers for the preparation of an associated Medalist Rating on their financial product(s). **To maintain ongoing coverage it will however be necessary for product issuers to obtain an Issuer Initiated Rating Licence.**

Morningstar Investment Research Reports

Morningstar Managed Investment Report | Report as of 21 Jan 2026 07:07, UTC Page 1 of 27

Fidelity Australian Equities Fund 12292

Morningstar Medalist Rating Bronze 24 Nov 2025 04:06 UTC Steven Le, Associate Director	Morningstar Rating™ ★★★ 31 Dec 2025 272 Inv. in Category	ESG Risk Rating ★★★★ 30 Nov 2025	Morningstar Category Australia Fund Equity A...ge Blend	Category Index S&P/ASX 200 TR AUD	Total Assets 3.9 AUD Bil	Inception Date 30 Jun 2003
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Steven Le
Associate Director

Analyst-Driven % 100.0
Data Coverage % 100.0

Morningstar Pillars

- Process (24 Nov 2025) Above Average
- People (24 Nov 2025) Above Average
- Parent (11 Jul 2025) Above Average

Historical Medalist Rating

Analyst Quantitative Medalist Start

Gold Silver Bronze Neutral Negative

2023 2024 2025 2026

Role in Portfolio: —

Morningstar Medalist Rating
Morningstar Medalist Ratings/Pillar Scores are assigned based on (1)

Morningstar Managed Investment Report | Report as of 21 Jan 2026 07:07, UTC Page 6 of 27

Fidelity Australian Equities Fund 12292

Process | Above Average

Morningstar Category Australia Fund Equity Australia Large Blend	Category Index S&P/ASX 200 TR AUD	Prospectus Benchmark S&P/ASX 200 TR AUD
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Asset Allocation 31 Dec 2025

Asset Class	Net	Short	Long	Cat Avg.	Cat Index
Fixed Income	0.00	—	0.00	0.00	0.00
Preferred	0.00	—	0.00	0.00	0.00
Convertible	0.00	—	0.00	0.00	0.00
Equity	99.65	—	99.65	97.29	100.00
Cash	0.32	—	0.32	1.30	0.00
Other	0.03	—	0.03	1.41	0.00
Total	100.00	—	100.00	100.00	100.00

Morningstar Style Trail 31 Dec 2025

Value Blend Growth

Current Portfolio
Earliest Portfolio

Investment 31 Dec 2025
Benchmark 31 Dec 2025

Market Capitalization Breakdown % 31 Dec 2025

Inv	Cat Avg.	Cat Index
Giant 45.11	37.92	44.26
Large 31.44	30.49	32.46
Mid 15.67	23.08	20.24
Small 6.55	4.92	2.36
Micro 0.88	0.42	0.16

World Regions % 31 Dec 2025

Americas Greater Europe Greater Asia

Sector Weightings % 31 Dec 2025

	Inv	Cat Avg.	Cat Index
Cyclical	74.93	66.07	71.01
Basic Materials	28.93	21.15	22.76
Consumer Cyclical	6.09	8.15	7.79
Financial Services	34.71	30.28	33.82
Real Estate	5.20	6.49	6.64
Sensitive	13.43	20.05	17.02
Communication Svcs.	5.16	4.61	3.73
Energy	1.95	3.95	3.86
Industrials	2.21	7.42	6.49
Technology	4.11	4.07	2.94

Value & Growth Measures 31 Dec 2025

	Inv	Cat Avg.	Cat Index
PIE	19.70	18.72	18.66
PIR	2.63	2.30	2.36

Remains investment grade, but our conviction in the team and process have been lowered.

Summary Steven Le, 24 Nov 2025 04:06 UTC
Our overall view of Fidelity Australian Equities' reselection missteps have reduced our confidence

Paul Taylor has led this strategy since its inception as a knowledgeable investor with broad and deep knowledge for investors versus the Morningstar process. Broader team stability has been an ongoing concern of multiple senior and junior analyst departures. In July 2025 has prompted us to temper our view on the analyst research quality. That said, his replacement in July 2025 has prompted us to temper our view on encouraging first impressions, although it remains encouraging analyst stability and quality moving forward. Elsewhere, Taylor has reaffirmed his commitment for the

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Morningstar Portfolio Sustainability Report | 22 Jan 2026, 23:32 UTC Page 1 of 9

Fidelity Australian Equities 12292

Morningstar Rating
★★★
31 Dec 2025
272 Funds in Category

Benchmark S&P/ASX 200 TR AUD	Morningstar Category Australia Fund Equity Australia Large Blend	Global Category Australia & New Zealand Equity	Total Cost Ratio % (TCR) 0.85%	Equity Style Box Large Blend	Total Assets 3,902 Mil AUD 31 Dec 2025, 00:00 UTC
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ESG Risk Rating

Corporate Sustainability Score Historical Current Global Category Average (Historical)

Low Risk 0 20.55 21.57 50 Severe Risk

Corporate Sustainability Contribution 100%

Sovereign Sustainability Contribution 0%

Number of Investments in Global Category 520

ESG Intentional Investment No

Sovereign Sustainability Score Historical Current Global Category Average (Historical)

Next steps

- Our account managers will continue to engage with Morningstar's Essentials Premium clients.
- Visit our microsite for more details: <https://go.morningstar.com.au/medalist-ratings>
- For any further queries – please reach out to Peter Bryant (peter.bryant@morningstar.com) or your Morningstar account manager.



Q & A

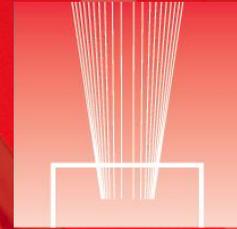
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