Changes to the Morningstar Analyst Rating™

Frequently Asked Questions

Morningstar Manager Research
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What Is Changing?

What changes are you making to the Morningstar Analyst Rating?

We are changing the framework analysts follow in assigning Morningstar Analyst Ratings to funds that they cover. In the past, we assessed five elements, or *pillars*—People, Process, Parent, Performance, and Price. Going forward, we'll continue to assess People, Process, and Parent. Performance will cease to be a stand-alone ratings pillar, and we'll re-express Price to put it on an even footing with the People, Process, and Parent Pillar assessments in our framework.

Are there other changes you are making to the Analyst Ratings?

Yes, we are also tailoring ratings to each individual fund share class and refining the pillar ratings scale. To this point, we have assigned one Analyst Rating per fund, meaning that we applied the same rating to each share class irrespective of fee differences. Going forward, we will tailor ratings to each share class to account for those fee differences. This means that ratings will potentially vary across a fund's different share classes. In addition, we are refining the pillar ratings, moving to a five-point High, Above Average, Average, Below Average, and Low pillar-ratings scale from a three-point Positive, Neutral, and Negative scale.

What are the biggest differences users will notice between old and new Analyst Ratings?

They will notice three main differences—we are tailoring ratings to individual fund share classes, we are using fewer pillars to evaluate funds, and we are setting a higher bar for active strategies. Currently, we assign the same Analyst Rating to every fund share class. Going forward, we will tailor Analyst Ratings to each share class by taking fee differences into account. This could mean that fee-laden share classes of higher-rated funds will see ratings downgrades. We will also be re-centering our assessment around three pillars—People, Process, and Parent. We will absorb the Performance Pillar assessment into the other three pillars and re-express our Price Pillar assessment in a different way. Finally, we will be setting a higher bar for active strategies. To earn a Gold, Silver, or Bronze rating, an active strategy must be expected to deliver positive net alpha versus both a relevant category index and a peer group average, not just one or the other.

Are you changing the Analyst Ratings scale—Gold, Silver, Bronze, Neutral, and Negative?

No, we are leaving the Analyst Ratings scale intact. The only change we are making is to remove Not Ratable—a rating that was seldom applied and prone to confusing users—from the scale. The other Analyst Ratings will remain as is.

Will the Global Fund Report change?

The Global Fund Report—which sets forth the Analyst Rating assigned to a fund as well as the supporting rationale for that rating—won't change much. Although we will no longer display pillar ratings for Performance and Price, we will continue to publish analyst commentary in all five sections of the report—People, Process, Parent, Performance, and Price. That said, we will present the pillar ratings slightly differently, moving from a three-point scale (Positive, Neutral, and Negative) to a more-refined five-point scale (High, Above Average, Average, Below Average, and Low).

How much will the Analyst Ratings change as a result of the changes you are making?

We cannot definitively say until we have re-rated each strategy, but we expect downgrades to outnumber upgrades. Fee-laden share classes of strategies we have rated highly are likely to see downgrades, as we will now be accounting for the incremental fees those share classes levy and adjusting our Analyst Ratings accordingly. In addition, because we are setting a higher bar for active strategies under the new assessment framework, it stands to reason that some strategies that do not clear this hurdle will see downgrades.

How Will It Work?

How will you assign Analyst Ratings to active strategies under the new assessment framework?

We'll assign Gold, Silver, and Bronze ratings to active strategies that can beat both a relevant peer-group average and category benchmark index net-of-fees and after adjusting for risk. We will assign Gold ratings to the top 15% of such strategies based on their expected net-of-fee alpha, Silver ratings to the next 35%, and Bronze ratings to the remaining 50%. Of those strategies that don't clear this high bar, we'll assign Negative ratings to the 30% of strategies with the lowest expected net-of-fee alphas and Neutral ratings to the remaining 70%. (Note that when forming these distributions in each Morningstar Category, we include all fund share classes, including those of funds we do not cover but that have been assigned People, Process, and Parent Pillar ratings by the Morningstar Quantitative Rating methodology. We use those quantitative pillar ratings to estimate each share class' alpha before fees, which we compare with that of all other funds—covered and not covered—in the category, sorting from highest to lowest. From there, we assign Analyst Ratings to share classes as described above.)

How will you assign Analyst Ratings to indexed strategies under the new assessment framework?

We will assign Gold, Silver, and Bronze ratings to indexed strategies whose estimated net-of-fee alpha is expected to exceed that of the median fund in its category or zero, whichever is lower. (Given the typical fund in each category cannot generate positive net-of-fee alpha, this means the cutoff will normally be the category median net alpha.) We will assign Gold ratings to the top 15% of indexed strategies based on their expected excess returns (that is, the difference between their expected alpha versus the category index and that of the median fund in the category), Silver ratings to the next 35%, and Bronze ratings to the remaining 50%. Of those that do not clear this bar, we will assign Negative ratings to the 30% of strategies with the lowest expected excess returns and Neutral ratings to the remaining 70%.

Will you follow the same process in assigning Analyst Ratings to strategic-beta strategies?

No, we will assign Analyst Ratings to strategic-beta strategies in the same way we assign Analyst Ratings to active strategies—we will assign Gold, Silver, and Bronze ratings to those strategic-beta strategies that can beat both a relevant peer group average and category benchmark index net-of-fees and after adjusting for risk, and Neutral and Negative ratings to strategic-beta strategies that cannot clear that bar. In order to determine which specific Analyst Rating to assign, we will place strategic-beta strategies alongside traditional active strategies, sorting the combined list by net-of-fee alpha. The top 15% of active strategies, including strategic beta, that are expected to generate the highest net-of-fee alpha will be eligible for Gold ratings, the next 35% for Silver ratings, and the remaining 50% for Bronze ratings. With respect to active strategies, including strategic beta, that aren't expected to produce positive net alphas, we will assign Negative ratings to the 30% of strategies that we expect to have the lowest alphas and Neutral ratings to the other 70% of such strategies.

Why do you assign Analyst Ratings differently to strategic-beta strategies compared with traditional indexed strategies?

We assign Analyst Ratings differently because strategic-beta strategies typically seek to beat a relevant benchmark index after fees and adjust for risk while traditional indexed strategies aim to mirror the market concerned. While it is true that strategic-beta strategies track an index, they more closely resemble active strategies than they do traditional indexed strategies.

How will you assign Analyst Ratings to active exchange-traded funds under the new Analyst Ratings framework?

We will assign Analyst Ratings to active ETFs using the same assessment framework we apply to traditional active strategies. Our assessment framework encompasses fees, so all things being equal, we would assign higher ratings to lower-cost ETF versions of active strategies than we would higher-cost non-ETF versions. But the framework is the same in either case.

You have said you are setting a higher bar for active strategies. How so?

To earn a Gold, Silver, or Bronze Analyst Rating, we will expect an active strategy to beat not only its average peer but also a relevant benchmark index net-of-fees and after adjusting for risk. Formerly, we might have awarded a Morningstar Medalist rating to active strategies that could clear one but not both of those hurdles. The new assessment framework enshrines this loftier standard.

Why does your updated framework penalize fund share classes that embed sales and advice fees?

Those share classes cost more, and those incremental fees reduce investors' returns basis point for basis point; this is a key difference our Analyst Ratings should convey. Our Analyst Ratings are meant to predict the future performance of the funds we cover, and it is inarguable that, all things being equal, pricier share classes will underperform cheaper share classes by the amount of the fee difference. Embedded fees raise a share class' price tag and drag on performance, so the updated framework penalizes these share classes.

You have removed the Performance and Price Pillars from the assessment framework. Why?

We have removed Performance because it is backward-looking and we want to focus on how a strategy will perform in the future. We are expressing price differently in our framework than before, explaining why we removed it as a separate pillar. We had considered leaving Performance as a separate pillar but opted not to for a few reasons. First, the performance assessment is most meaningful when it takes place within the context of a broader evaluation of the investment process, people, and parent firm backing each. This ensures performance is placed in that more-appropriate context. Second, with performance split out separately, we would continue to run the risk of double-counting it, as performance can seep into analysts' assessment of other pillars. This mitigates that risk.

You have said you are "re-expressing" the Price Pillar assessment in the ratings framework. How?

We are re-expressing Price by deducting each strategy's expenses from the analysts' estimate of the value it can generate before fees. Formerly, the Price Pillar rating fed into the strategy's overall score, which in turn drove the Analyst Rating. While this ensured price was considered as part of the overall assessment and Analyst Rating, it did not necessarily mean that a strategy's annual expenses were viewed in relation to what the strategy could produce before fees. The new approach sees to that, in effect ensuring that the price assessment is on the same footing as the analysts' assessment of people, process, and parent.

You will be using the People, Process, and Parent Pillar ratings to estimate the value a strategy can deliver before fees. How will you arrive at that estimate?

We will assume the starting point for every strategy is a zero alpha before fees—that is, no value-add—and then use the pillar ratings to boost (High, Above Average) or reduce (Below Average, Low) our estimate of how much value the strategy can add. The increments that we will add and decrements we will subtract depend on the historical dispersion of alpha in the category, the pillar's weight in our framework, and the pillar rating. We will multiply the pillar weight by the pillar score—+2 for High, +1 for Above Average, 0 for Average, -1 for Below Average, and -2 for Low—and then multiply that product by the alpha dispersion to determine the increment or decrement. We will sum these increments and decrements for the three pillars—People, Process, and Parent—to arrive at our estimate.

How much weight will you give to People, Process, and Parent, and is this the same for active and indexed strategies?

For active strategies, we will assign 45% weightings apiece to People and Process and a 10% weighting to Parent; for indexed strategies, including strategic-beta strategies, we will assign an 80% weighting to Process and 10% weightings apiece to People and Parent.

What is the rationale for assigning different pillar weights to active and indexed strategies?

We are assigning different pillar weights to active and indexed strategies because the success of these strategies hinges on different factors. An active strategy will attempt to beat a relevant benchmark index after adjusting for risk. As such, the strategy's prudence and repeatability and the depth, breadth, and continuity of the investment team are critically important factors to assess, explaining why we will assign large weightings to the Process and People Pillars, respectively. On the other hand, index fund's success largely depends on how well-constructed the underlying index is, whether the strategy can closely track that benchmark at scale, whether the underlying assets are sufficiently liquid, and so forth. This explains why the Process Pillar weighting will get the lion's share of the weight when we are assessing indexed strategies.

It seems like the Parent Pillar does not matter as much under the new framework. Is that true?

No, it is not true. The parent assessment will matter more than its assigned weight suggests. To put this in perspective: One of the things we are trying to do in making a parent assessment is understand a firm's makeup and priorities. This can yield insights into important questions like, How good a job does the firm do in recruiting and retaining investment talent? Has the firm been thoughtful in developing capabilities and strategies that leverage those skills? Will it stick with an underperforming strategy and manager when adversity sets in? The answers to these questions will, in turn, give us more or less confidence in the people and process assessment that we are making. For instance, if based on our parent assessment we think a firm will bail on a strategy once it underperforms, or compromise the integrity of the process in some manner, then naturally we will have misgivings about assigning a High Process Pillar rating to that strategy, and so forth for People. In this sense, Parent permeates the other assessments we make.

How will you estimate how much potential a type of active strategy has before fees?

We will do so by estimating the dispersion of alphas before fees for active strategies of that type (the proxy for each strategy type being the Morningstar Category in which the fund concerned is included); the wider the dispersion, the more potential we will assume that type of active strategy has and vice versa. We will start by measuring the difference between the 25th and 75th percentile alphas observed after compiling all active strategies' rolling 36-month pre-fee alphas from January 2000 forward. (This data set includes the pre-fee alphas of both live and dead funds, with those funds' returns regressed against the relevant category benchmark index.) Then we will divide that difference by two (IQR/2). The IQR/2 represents the potential pre-fee alpha for an above-average strategy before fees, -IQR/2 the potential pre-fee alpha for a below-average strategy, IQR the potential for a high-conviction strategy, and -IQR the potential for a low-conviction fund. Funds with average potential will be assumed to deliver zero alpha before fees.

How will you estimate how much potential a type of indexed strategy has before fees?

We will follow the same process described for active strategies but instead will measure the dispersion of indexed strategies' pre-fee alphas through time. We regress each indexed strategy's returns against the relevant category benchmark index. Note, however, that for strategic-beta strategies we use the estimated potential pre-fee alpha for active strategies (described earlier), not the estimated potential pre-fee alpha for traditional indexed strategies, as strategic-beta strategies are typically placing an "active" bet of some kind.

Once you have estimated how much potential a type of active strategy has before fees, how will you translate that into an estimate of how much alpha a particular active strategy of that type can add?

We will estimate how much alpha a particular active strategy can add before fees by assessing its people, process, and parent. The more conviction we have in a strategy, as denoted by the pillar ratings we assign, the more potential we will assume the strategy in question can capture. For example, if we were to assign High ratings to each of the three pillars we will assess—People, Process, and Parent—then it means we believe the strategy has the ability to capture all of the potential pre-fee alpha for a strategy of its type. Arithmetically, this would take the form [(+2) x (45%) x (IQR/2)] + [(+2) x (45%) x (IQR/2)] + [(+2) x (10%) x (IQR/2)] = IQR. On the other hand, if we were to have neither high nor low conviction in a strategy and assign Average pillar ratings across the board (0 score), then it would take the form of [(0) x (45%) x (IQR/2)] + [(0) x (45%) x (IQR/2)] + [(0) x (10%) x (IQR/2)] = 0, meaning we would expect that strategy to generate no alpha before fees. And if we had reason to seriously doubt the strategy's people, process, and parent, assigning Low ratings to each of those pillars, it would take the form of [(-2) x (45%) x (IQR/2)] + [(-2) x (45%) x (IQR/2)] + [(-2) x (10%) x (IQR/2)] = -IQR.

Once you have estimated how much potential a type of indexed strategy has before fees, how will you translate that into an estimate of how much alpha a particular indexed strategy of that type can add?

We will estimate how much alpha a particular active strategy can add before fees following the same process described for active strategies. The differences are the IQR/2—we calculate this specifically for indexed strategies in a category based specifically on the pre-fee performance of such strategies over time—and the pillar weights (80% weight to Process, 10% apiece to People and Parent). Otherwise, the process is the same. Note, however, that we apply the IQR/2 for active strategies to strategic-beta strategies, reflecting the fact that such strategies are typically placing an active "bet" of some kind.

Indexed strategies ordinarily are not expected to add alpha. Will they be penalized under the updated Analyst Ratings methodology because they do not add alpha?

No, indexed strategies won't be penalized under the updated methodology because we will hold them to a different, more appropriate standard than positive net alpha. Specifically, we will assign Gold, Silver, and Bronze Analyst Ratings to indexed strategies whose expected net-of-fee alpha is expected to exceed the median net-of-fee alpha for all funds in its category or zero, whichever is lower. What this will mean is that even if we expect an indexed strategy to deliver negative net-of-fee alpha (to be expected when regressed against a fitting category benchmark index), we will still assign it a Gold, Silver, or Bronze rating provided its expected net alpha exceeds that of the typical fund in the category (assuming it is negative, as is typically the case; if not, we will use zero).

Are there any exceptions where you will not apply this updated assessment framework?

There are a few exceptions. We will exclude alternative strategies, for example, where benchmarking has been a challenge. For those strategies, we will apply a variation of the assessment framework that is based only on the weighted pillars. In addition, for the time being we are excluding strategies registered in mainland China from the assessment framework.

Will you assign fewer Gold, Silver, and Bronze ratings in areas like U.S. large-cap equity where active management has struggled in recent years?

Yes, it is possible we will assign fewer Gold, Silver, and Bronze ratings in areas where active management's potential value-add has shrunk, though we are not going to comment on any specific areas at this point. Recall that the Analyst Rating turns on our estimate of what certain types of strategies can deliver to investors before fees (as indicated by the dispersion of alphas among strategies in a Morningstar Category over time) as well as our conviction in a particular strategy of that type to realize that potential. If the data suggests that the opportunities available to active investors in a particular area or style have become scarcer, then this will express itself in the Analyst Ratings we assign—we will start from the assumption that there is less payoff to active investing in that area, and that will generally translate to fewer Gold, Silver, and Bronze ratings.

The pillar ratings analysts assign correspond to numeric scores that aggregate to an overall score that drives the Analyst Rating. How does that scoring work, and will it change under the enhanced methodology?

Today, each pillar corresponds to a specified score that sums to an overall score that drives the Analyst Rating that is assigned. Going forward, we will retain scores that correspond to the People, Process, and Parent Pillar ratings we assign. Those scores will be +2 (High), +1 (Above Average), 0 (Average), -1 (Below Average), and -2 (Low). However, the scores themselves will not dictate a strategy's rating. Rather, we will translate those scores into an estimate of how much value a strategy can deliver before fees (by multiplying each score by the pillar's weighting and multiplying that product by the potential alpha available to strategies of that type, represented by IQR/2; we sum those products to arrive at our estimate of a strategy's pre-fee alpha).

How will you assign Analyst Ratings to separately managed accounts and collective investment trusts where in the past you have not assessed the strategy's price?

We will take a similar approach to rating separate accounts and CITs as we do for mutual funds and ETFs, with analysts recommending ratings based on expected pre-fee alpha, with those recommendations subject to ratings committee review and approval. Separate accounts and CITs have negotiable fees, and reliable representative cost data can be hard to come by. Given the potential variation in what investors pay to invest in these vehicles, we are opting to exclude price from our analysis. This means that the analysts' assessments of people, process, and parent will almost entirely drive the Analyst Rating, as that will dictate whether the strategy is expected to deliver positive or negative pre-fee alpha.

Will the Morningstar Quantitative Ratings play a role in the way you assign Morningstar Analyst Ratings to funds?

The Quantitative Ratings themselves will not play a role in the way we assign Analyst Ratings, but the Quantitative Pillar Ratings will. The Morningstar Quantitative Ratings use algorithmic techniques to emulate the way analysts assign ratings to funds. They do so by studying relationships between the pillar ratings that analysts assign and the attributes of the funds they assign them to, and then applying those learnings to the universe of funds that analysts don't cover to assign Quantitative Pillar Ratings. The updated assessment framework will incorporate these Quantitative Pillar Ratings by using them to estimate the pre-fee alpha of funds the analysts don't cover, from which we deduct expenses to form net-of-fee alpha estimates for each. We then include the net alpha estimates of those un-covered funds in the overall distribution that we form to determine how many funds are eligible for Gold, Silver, Bronze, Neutral, and Negative ratings. We do this primarily to round-out the distribution in each peer group and also to ensure that the Analyst Rating and Quantitative Rating form an even more cohesive whole.

Isn't it the case that some strategies could see their pillar ratings change because of the shift in pillar ratings terminology—from Positive, Neutral, and Negative to High, Above Average, Average, Below Average, and Low—even if the analysts don't fundamentally change their views?

Yes, in some cases the shift in pillar-ratings terminology will appear to signal an upgrade or downgrade even when there hasn't been a fundamental change. For instance, it is possible that a strategy with a Neutral pillar rating under our current three-point scale will see that rating shift to Below Average under the five-point scale we are adopting. Conversely, another strategy could see its Neutral pillar rating shift to Above Average depending on gradations in our assessment. We think this more-refined pillar-ratings scale helps investors by making it easier to tie the pillar ratings to the overall Analyst Rating we assign and to compare between funds. But the shift to the new five-tier scale will undoubtedly entail change.

If price isn't a pillar anymore, does it really figure into the Analyst Rating?

Yes, it is at least as important as our estimate of what value a fund can add before fees. It is true that we are not going to place a Price Pillar rating on funds like we did before. But that hardly means it is going away. Indeed, we will be deducting fees from our analysts' estimate of any alpha a fund can deliver to investors before fees. If an active fund's fees exceed the estimate, it is ineligible for a Gold, Silver, or Bronze rating. Given this, competitive fees will remain crucially important under the Analyst Ratings framework.

You are removing the Performance Pillar as well. So, does that mean analysts aren't going to consider past performance at all in their assessment?

No, it means that performance will be considered as part of the analysts' assessment of people, process, and parent. For instance, when determining if a fund's process is likely to add value over a future market cycle, analysts will incorporate an assessment of past performance into their evaluation. Does the track record corroborate the process the managers have articulated? Or does it suggest the process isn't as advertised? In assessing people, analysts might also ask whether a manager has a track record of achievement. In these ways, past performance remains part of the overall analysis, but not as its own stand-alone pillar or in a way that obscures.

With performance no longer a separate pillar, are the Analyst Ratings predicting future performance or do they now serve a different purpose?

The Analyst Ratings have the same goal as before—to predict the future performance of funds versus their category peers and a relevant benchmark index. Although performance isn't a separate pillar anymore, that does not mean it has disappeared altogether from our assessment. For instance, we will consider performance in making other assessments, like how prudent and exploitable a fund's strategy is, as evidenced by its track record. What we are trying to avoid is situations in which performance comes to crowd out other considerations. This ensures performance is rightsized in our framework.

Why Is It Changing?

Why are you making changes to the Morningstar Analyst Rating?

We are changing the Analyst Ratings to make them even more useful to investors. We think the changes will make the ratings easier for investors to understand, more relevant to key decisions they make, and more effective in improving the outcomes they achieve.

You say the changes will make the Analyst Rating easier to understand. How so?

We are simplifying the framework we follow, refining the ratings that we present, and more clearly delineating our expectations. We are re-focusing the assessment around its more-predictive elements—people, process, and parent. We are also refining our pillar ratings, moving to a five-point scale (High, Above Average, Average, Below Average, and Low) that should make it easier to tie a fund's pillar ratings to its overall Analyst Rating and compare between funds. And we are setting clearer expectations for Gold, Silver, and Bronze ratings—for an active strategy to earn these ratings, our research must convince us it can beat a relevant index and peer-group average after fees and accounting for risk.

How will the changes make the Analyst Rating more relevant to key decisions investors face?

The Analyst Rating will be a better roadmap for investors choosing between active and indexed strategies or deciding between different share classes. The updated assessment framework will consider how target-rich each type of strategy has been to active managers and that will inform the ratings analysts assign. We are likely to assign more Gold, Silver, and Bronze ratings to strategies in areas where active managers have enjoyed greater success, fewer in areas where they haven't. This should act as a clearer road map to investors who are trying to choose between active and indexed strategies in choosing portfolio building blocks. In addition, because we will be taking fee differences into account in assigning Analyst Ratings to individual fund share classes, the Analyst Ratings should be more useful to investors who are trying to choose between share classes.

Why do you think these changes will make the Analyst Rating more effective?

We are re-focusing around our framework's more-predictive elements, including our fee assessment, providing a clearer road map that should facilitate portfolio construction, and tailoring our ratings to individual fund share classes. Our research has found that the People, Process, and Parent Pillars do a better job of predicting a strategy's pre-fee performance than other variables. We have also found that fees do the best job of all in predicting strategies' future net-of-fee performance, explaining why we have put our fee analysis on the same footing as our assessment of people, process, and parent. By identifying which areas are more conducive to active investing, we can help investors choose between active and indexed strategies as they need to, facilitating portfolio construction. Finally, we are tailoring our ratings to fund share classes by taking fee differences into account. This should ensure that the rating we assign to each share class precisely conveys our views on its future prospects, aiding investors in the process.

Are you making this change in response to recent press scrutiny or at clients' behest?

No, we are making this enhancement in the spirit of continuously improving our ratings, based on testing we have conducted and observations made through the years in qualitatively assessing funds. We've been conducting research, testing, and validation for this rating enhancement for several years. The catalysts for this process were ongoing ratings-performance measurement and our reflections on strengths and weaknesses in our ratings-setting process that we had observed since launching the Analyst Ratings in 2011.

Did ratings performance influence your decision to make this methodology change?

Yes, we considered ratings performance, which informed some of the choices we made as part of the ratings enhancement. We have been encouraged by the way the Analyst Ratings have performed. However, there are opportunities to improve the ratings' predictiveness, especially when measured against a category benchmark index and before adjusting for risk. Some of the choices we made—to re-center the assessment framework around its most predictive elements, to redouble our focus on fees, to tailor ratings to fund share classes—spring from a desire to make the ratings perform even better when measured versus a category benchmark index, before and after adjusting for risk.

You are going from five pillars to three pillars, cutting out Price and Performance. But isn't price important?

Price is still important, and that is why we are going to ensure it still has plenty of weight in our updated assessment framework. Formerly, we assigned a Price Pillar rating to each fund and that rating fed into the fund's overall Analyst Rating. Going forward, we will deduct a fund's expenses from our estimate of what it can deliver to investors before fees (based on our assessment of people, process, and parent). This ensures that price, far from being cut out of the assessment, is at least as important as our estimate of what value a fund can add before fees.

I understand you are ensuring that price will continue to have a lot of weight in the assessment, even though you are removing the Price Pillar. But why couldn't you just leave the Price Pillar as is?

We are re-expressing price because it ensures that we are evaluating cost relative to whatever value a strategy can deliver before fees. Under the former approach, we arrived at a fund's Price Pillar rating by comparing its asset-weighted cost with that of other funds in its peer group. While that is useful, it does not necessarily indicate whether the fee has been set appropriately in relation to the strategy's potential value-add before fees, which is what really matters. Because the new approach weighs a strategy's fees against its potential before fees, it ensures that we are consistently making price an important input into the rating. Indeed, if an active fund cannot exceed its fee hurdle to beat its index and a relevant category average, then it is ineligible for a Gold, Silver, or Bronze Analyst Rating. This wasn't always true.

Today you assign the same rating to every share class of a fund. Going forward, you are going to vary the ratings by share class. Why?

We are going to tailor Analyst Ratings to each share class based on fee differences because those differences will translate to future differences in performance. Investors define "outcome" in a variety of ways, but one common standard they apply is returns. It is inarguable that costly fund share classes will underperform cheaper share classes, as the fees reduce returns basis point for basis point. Give that and our desire for the ratings to predict differences in future performance, it makes sense to take these fee differences into account.

Going forward, you will take fee differences into account when assigning Analyst Ratings to individual fund share classes. This will tend to penalize more-expensive share classes that bundle distribution and advice fees into the share class' expense ratio. Does this change represent an explicit criticism of share classes that bundle fees in this manner?

Our decision to assign Analyst Ratings at the individual share-class level isn't so much an explicit criticism of share classes that bundle distribution and advice fees as it is an acknowledgment that these share classes cost more and leave the investor with less. We recognize that bundled share classes are a legitimate option for investors and the advisors that represent them in certain circumstances. But it is inarguable that a bundled share class will underperform a "clean" share class by the amount of the fee difference. Our Analyst Ratings aim to predict future performance and therefore it behooves us to incorporate fee differences like these into the ratings decisions we make.

Even if you are not explicitly criticizing share classes that bundle advice and distribution fees, aren't you implicitly endorsing "clean" share classes that levy lower fees but are used in allocations or models that advisors or other providers wrap with their own fees? Given that the investor might end up paying the same total fee in either case, why should the Analyst Rating favor "clean" share classes over share classes that bundle fees?

The Analyst Rating distinguishes between share classes because it seeks to predict the future performance of funds over a market cycle and therefore must take fee differences into account. This means making distinctions between share classes that bundle advice and distribution fees and those that do not. While it is true that some advice and service fees are now levied outside of fund expense ratios, we cannot systematically track and compare these fees, let alone assess their impact on investment performance. As such, we focus our assessment on what is more directly observable and measurable.

You are de-emphasizing performance in the Analyst Rating and Quantitative Rating frameworks, but the Morningstar Rating for funds, or "star rating," is based entirely on past performance. Isn't that inconsistent?

No, it is not inconsistent when you consider that the Analyst Rating and Quantitative Rating seek to predict future performance while the star rating does not. The star rating is meant to serve as a transparent, reliable scorecard of funds. Its emphasis on reported past performance—which is clear, reliable, and comparable—well suits it to that task. Asking how funds will perform in the future is a different question from what the Analyst Rating and Quantitative Rating attempt to answer. Those ratings incorporate past performance but do so in a broader, forward-looking context.

What Are the Impacts?

Are you changing the Analyst Ratings scale—Gold, Silver, Bronze, Neutral, and Negative?

No, we are leaving the Analyst Ratings scale intact. The only change we are making is to remove Not Ratable—a rating that was seldom applied and prone to confusing users—from the scale. The other Analyst Ratings will remain as is.

Will the Global Fund Report change?

The Global Fund Report—which sets forth the Analyst Rating assigned to a fund as well as the supporting rationale for that rating—will not change much. Although we will no longer display pillar ratings for Performance and Price, we will continue to publish analyst commentary in all five sections of the report—People, Process, Parent, Performance, and Price. That said, we will present the pillar ratings slightly differently, moving from a three-point scale (Positive, Neutral, and Negative) to a more-refined five-point scale (High, Above Average, Average, Below Average, and Low).

How much will the Analyst Ratings change as a result of the changes you are making?

We cannot definitively say until we have re-rated each strategy, but we expect downgrades to outnumber upgrades. Fee-laden share classes of strategies we have rated highly are likely to see downgrades, as we will now be accounting for the incremental fees those share classes levy and adjusting our Analyst Ratings accordingly. In addition, because we are setting a higher bar for active strategies under the new assessment framework, it stands to reason that some strategies that do not clear this hurdle will see downgrades.

You say we will see more downgrades to the Analyst Ratings than upgrades because of these changes. Why?

This is because we will be tailoring ratings to individual fund share classes and setting a higher bar for active strategies to clear. In the past, analysts assessed a single representative share class of each fund and then applied the Analyst Rating to all share classes of that fund. In the future, we will tailor ratings to each individual share class, taking fee differences into account. This means fee-laden share classes of higher-rated funds could see downgrades. In addition, we are limiting Gold, Silver, and Bronze ratings to active strategies that can beat both a relevant peer group average and a category benchmark index net of fees and after adjusting for risk. Some higher-rated strategies won't be able to clear this raised bar.

Will the Analyst Ratings follow a distribution like the Morningstar Rating for funds, or "star rating"?

No, the Analyst Ratings will not follow a distribution. There is no limit to how many Morningstar Medalist (Gold, Silver, Bronze) or non-medalist (Neutral, Negative) ratings we will assign to strategies in a given Morningstar Category. However, we will apply new thresholds within a category's medalist and non-medalist cohorts. Among medalists, the top 15% will receive Gold ratings, the next 35% Silver ratings, and the remaining 50% Bronze ratings. Among non-medalists, the worst 30% will receive Negative ratings and the remaining 70% will get Neutral ratings.

I have previously screened on the Price and Performance Pillar ratings that you are removing. What am I supposed to do now?

We apologize for any inconvenience but would suggest using other data points in lieu of these pillar ratings. We are taking this step because we believe it will strengthen the framework overall, making the Analyst Ratings more useful and predictive. Morningstar offers a raft of data points that can be used as potential substitutes for the Price and Performance Pillars, which were the most quantifiable elements in our framework to begin with. For instance, in some markets we calculate Morningstar Fee Levels, which could stand in for the Price Pillar ranking. Alternatively, one could search for expense ratios at or below a certain specified threshold. With respect to performance, we provide performance rankings of various kinds over various trailing periods and calendar years. In addition, the Morningstar Rating for funds (better known as the "star rating") is an option for users who are seeking a useful starting point for assessing fund performance.

What types of strategies are likelier to see downgrades under the updated Analyst Rating methodology?

Fee-laden share classes of higher-rated funds are likelier to see downgrades under the updated Analyst Rating methodology. Formerly, these share classes received the same rating as the lower-cost primary fund share class that the analysts evaluated. Going forward, the analysts will tailor their Analyst Ratings to each share class, taking fee differences into account.

With the Price and Performance Pillars no longer a part of the assessment framework, how is a user supposed to know how a fund's price and performance stack up?

We will continue to address price and performance in the Global Fund Report. These will cease to be stand-alone pillar ratings, but the text of the report will address them both, yielding a sense of how the fund stacks up in those respects.

Do you plan to replace the Morningstar Rating for funds, or "star rating," with the Analyst Rating and Quantitative Rating?

No, we have no plans to do so. The star rating is a backward-looking, quantitative rating that is based on funds' trailing risk-adjusted returns versus their Morningstar Category peers. Although the star rating is not meant to be predictive, our research has found it can serve as a useful starting point for research. It responds to a different need—to reliably sort funds based on their past performance. By contrast, the Analyst Rating and Quantitative Rating are forward-looking ratings that seek to predict funds' future performance. They respond to a different need—to assess funds' fundamental investment merits and differentiate between them so as to capitalize on opportunities and build more-cohesive portfolios.

Timeline and Transition

When will these changes show up in the Analyst Ratings you assign?

The updated Analyst Ratings will start showing up on Oct. 31, 2019. We will not be launching updated Analyst Ratings for every strategy our analysts cover on that date. Rather, we will launch an initial batch, expected to number hundreds of unique strategies, and then update the rest over the subsequent 12 months. We are not updating the Analyst Ratings for every strategy all at once so as to allow the analysts an opportunity to re-assess the funds they cover under the new framework and publish an updated Global Fund Report that articulates their reasoning for the rating in the usual way.

How many strategies will you re-rate under the updated Analyst Ratings methodology at launch?

It is to be determined, but we anticipate we will re-rate hundreds of distinct funds on Oct. 31, 2019. We will re-rate the rest of our coverage universe under the updated framework over the subsequent 12 months as strategies come due for update or other circumstances warrant.

If you do not update all the Analyst Ratings on day one, doesn't that mean you will have two sets of ratings—one set under the old framework, another the new framework—out there for a time?

Yes, it means we will have two sets of Analyst Ratings for a time. But ratings yet to be updated under the new framework will still be applicable and in force. What's more, because we are not changing the Analyst Ratings spectrum—Gold, Silver, Bronze, Neutral, and Negative—it means that all ratings—whether re-rated under the new assessment framework or not—will be displayed consistently. Fund that are not immediately re-rated under the new assessment framework will continue to have the same Analyst Ratings assigned to each share class. Once those funds are re-rated, we will vary the Analyst Ratings by share class. We expect to complete the re-rating process by late-2020.

Why don't you just update every strategy to the new Analyst Rating framework at the same time?

We are updating the Analyst Ratings gradually because we would rather publish some ratings under the updated framework sooner than withhold all ratings until later. We think this helps users of our research. To update an Analyst Rating to the new framework, our analysts must not only reassess the strategy concerned but also document their research and reasoning in the Global Fund Report that sets forth the rating and the supporting rationale. It is not feasible to update and publish every strategy's Global Fund Report at once, as our analysts cover thousands of funds globally.

During the transition period, will a user be able to distinguish between Analyst Ratings that were set under the current framework and those to be assigned under the updated framework?

Yes, but the Analyst Ratings themselves will be indistinguishable. Because we are not changing the Analyst Ratings spectrum from Gold, Silver, Bronze, Neutral, and Negative, the updated ratings will take the same form as ratings set under the current framework. This is by design—users shouldn't have to work to determine whether an Analyst Rating is current or not, but rather should be able to assume that a presented rating is relevant and in force. That said, for a time we will continue to display the Performance and Price Pillar ratings of funds that we have yet to re-rate under the new framework. Once we re-rate those funds, we will null out those pillar ratings. Until that occurs, users of our products will be able to tell the difference between ratings set under the current framework and those still to be assigned under the updated framework based on whether we are displaying the Performance and Price Pillar ratings for that fund. If we are, then it means the fund hasn't yet been re-rated under the updated framework.

Share Classes, Fees, and the Analyst Rating

How are a mutual fund's total and net returns calculated?

A fund's total returns includes all elements of its return: dividends, capital gain distributions and changes in the fund's net asset value (NAV) The fund's ongoing fees are deducted from its total return to arrive at its net return.

What types of fees do mutual funds charge?

Funds charge fees for their portfolio-management services ("management" fee), for operating the fund ("other" fee or "operating expenses"), and for marketing, distribution, or shareholder servicing activities paid via the fund's 12b-1 plan ("distribution " fee or "distribution and service" fee). These fees are included in a fund's "expense ratio".

Do mutual funds charge fees for advice a registered representative might provide to a client?

No, any fee charged to the client that is related to a registered representative providing advice is done so outside the fund company's expense ratio. A mutual fund, through its 12b-1 plan, may compensate a registered representative's firm for marketing/distributing the mutual fund via a selling agreement between the firm and the mutual fund company.

Do Morningstar's manager-research analysts distinguish between different types of fees in making their assessments and assigning Morningstar Analyst Ratings?

No, the analysts don't distinguish between different types of fees when assigning Analyst Ratings. Rather, they evaluate a fund's potential before fees and then subtract whatever fees the fund charges to arrive at an estimate of its net performance. That estimate dictates the Analyst Rating the analysts assign to the fund.

A fund is available in a variety of different share classes. Some of these share classes have received a Bronze Analyst Rating from Morningstar's manager-research analysts, while others have received a Neutral rating. Why do these differences arise?

The Morningstar Analyst Ratings can vary across a fund's different share classes due to variations in the cost of those different share classes. The Analyst Rating seeks to predict a fund's future performance after fees and adjusting for risk. Given this, fee differences between share classes can affect the analysts' confidence in the share classes' likelihood of outperforming in the future. This explains why Analyst Ratings can differ between share classes of the same fund. Investors should be aware that they may not have access to every share class of a fund due to the account types they invest in and/or the amount they choose to invest.

A fund share class that has distribution/service fees levies a higher expense ratio compared to one that do not. Consequently, it may have received a Neutral Morningstar Analyst Rating. Does this make the fund share class a bad investment?

No, this doesn't make the fund a bad investment. The Neutral rating expresses the analysts' view that the fund isn't likely to be able to overcome its expenses to outperform a relevant benchmark index or peer group average after fees and adjusting for risk over a long-period of time (e.g., 5-years). Given this, the fund holder may want to consider not just the potential future performance of the fund—which the Analyst Rating denotes--but also the value of the distribution and shareholder servicing activities she is receiving from her registered representative.

Morningstar's manager-research analysts have assigned a Neutral Analyst Rating to a fund's share class which they don't believe will outperform after fees and adjusting for risk. Is it possible to ascertain Morningstar's view of this fund's share class didn't levy fees pertaining to distribution and/or shareholder servicing fees?

Yes, one can ascertain this by checking the Analyst Rating of another share class of the same fund that doesn't levy these fees. For instance, the expense ratio of a fund's "institutional" share class does not typically include fees for distribution and/or shareholder servicing.

A fund holder invests in a share class of a fund that Morningstar recently downgraded from a Bronze Analyst Rating to Neutral. The downgrade occurred as part of a change Morningstar made to how it assigns Analyst Ratings to funds. Why was the fund downgraded?

It's likely the fund was downgraded due to a change in the way we account for its fees. Previously, the manager-research analysts assigned the same Analyst Rating to all of a fund's share classes, irrespective of fee differences between them, which the fund's previous Bronze rating reflected. Under the updated approach, the analysts are taking those fee differences into account, likely explaining the downgrade to Neutral.

If Morningstar downgraded a fund's Analyst Rating because the analysts are more precisely accounting for the fees that fund levies, does it mean that fund ought to be replaced with another fund that's more highly rated?

No, it doesn't necessarily mean that fund should be replaced. While the Analyst Rating signals that the analysts are less confident in the fund's ability to outperform, it is not intended to be viewed as sole signal in determining what is in the best interest of the investor. In some circumstances, that share class will be the most appropriate choice based on a variety of factors including the fund holder's time horizon, investment balance, and tax status, among other variables.

Financial Advice, Personal Circumstances, and the Analyst Rating

Are there situations when an investor's personal circumstances might impact the way they use the Analyst Rating?

Yes, the Analyst Rating can be a valuable input into fund selection but should be used in the context of a broader plan that considers an investor's goals and circumstances. In some scenarios funds with higher Analyst Ratings might not be the most prudent choice while in others funds with lower Analyst Ratings might be appropriate. For example, it's possible that some will invest in fund share classes with higher fees, with a portion of those fees used to compensate registered representatives for advice they provide to investors in those share classes. Though higher-fee funds tend to receive lower Analyst Ratings, these fund share classes might be an appropriate choice for investors seeking advice under certain circumstances.

Can it make sense to invest in a fund if it receives a Morningstar Analyst Rating of Neutral or Negative?

A decision to invest in a fund is based on an investor's facts and circumstances including what role that fund is intended to play in the investor's overall investment strategy. Given the personalized nature of that decision making, process, it is hard for Morningstar to make a definitive statement, however, as noted above, there a various factors that go into an investor's decision to invest (or sell) a fund and therefore, a fund with a Neutral or Negative rating may still be a viable alternative for an investor.

Why doesn't the Morningstar Analyst Rating take a fund holder's circumstances—for instance, her time horizon, account size, tax status, or other factors—into consideration?

The Analyst Rating doesn't take circumstances like these into account because it aims to serve a broad array of investors whose circumstance and needs can vary widely. The Analyst Rating aims to signal how much confidence Morningstar's manager-research analysts have in a fund based on its investment merits. That, in turn, will depend on the analysts' evaluation of whether the fund can outperform in the future after fees and adjusting for risk.

A fund's "C" share class levies fees to pay for marketing, distribution, and shareholder servicing activities performed by a registered representative. Because that fund's "C" share class expense ratio is higher, this makes it less likely it will outperform in the future, explaining why it has received a Neutral or Negative Analyst Rating. Does this make "C" shares a bad choice?

No, this doesn't make "C" shares a bad choice. "C" shares can be an appropriate choice for investors under certain circumstances. The Analyst Rating doesn't take those circumstances into account, explaining why a "C" share of a fund could have a Neutral or Negative Analyst Rating despite it being an appropriate choice for an investor.

A fund holder is working with a registered representative and has invested in a fund share class which receives a Morningstar Analyst Rating of Bronze. However, there's another share class of the same fund which Morningstar rates Silver. Shouldn't the fund holder demand that her representative replace her current holding with the other share class which has a higher rating?

No, the fund holder shouldn't necessarily demand this. The ratings difference reflects the fact that the expense ratio of the share class the fund holder has invested in is higher than the expense ratio of the other share class. However, this expense difference likely reflects the nature of the relationship between the fund and the registered representative's firm. For instance, a registered representative firm may be receiving fees from the fund for marketing, distribution and shareholder servicing activities it is doing on behalf of the fund, whereas the share class rated Silver might not charge as much for those services, or nothing at all if they aren't provided in that scenario. The higher rated share class might also be limited to institutional buyers or qualified accounts such as 401(k) plans. That's why it's important for a fund holder to consider the totality of her circumstances and the nature of her relationship before concluding another share class is appropriate.

Isn't it the case that a cheaper fund share class is always a more appropriate choices for an investor than a more expensive fund share class and isn't that why all things being equal the cheaper share class will receive a higher Analyst Rating from Morningstar?

No, it isn't always the case that a cheaper share class is a more appropriate choice. Our research suggests that costs are a strong predictor of differences in funds' future relative performance. Given that the Analyst Rating aims to predict funds' future performance, this explains why lower-cost funds tend to receive higher Analyst Ratings than higher-cost funds. That said, it's important for fund holders to consider the totality of their circumstances, including the services they're receiving as part of a financial arrangement they enter into. For instance, it's possible that a fund's lower-cost, higher-rated share class is available only to those who are not receiving financial advice, or who are paying for financial advice outside of the fund's expense ratio in the form of an advisory fee. The Analyst Rating doesn't consider total cost of ownership, as it focuses on denoting the analysts' conviction in a fund's potential future performance net of fees, irrespective of what those fees pay for or other circumstances of fund holders.

Is a Neutral or Negative Analyst Rating the same as a "Sell" signal?

No, it's not the same, as there might be other considerations that are pertinent to an investor's circumstances that would not warrant it to "sell" that fund, such as the asset class that fund represents in a client's overall diversified portfolio, the weighting that fund has compared to the client's overall diversified portfolio, the lack of availability of other share classes of that fund, their tax circumstances, or other facts and circumstances the investor deems relevant and important.

General

What does the Morningstar Analyst Rating for Funds aim to do?

The Morningstar Analyst Rating for Funds aims to signal how much confidence Morningstar's manager-research analysts have in a fund based on its investment merits compared to a Morningstar Category index over a long period of time (e.g., five years). It is a forward-looking rating assigned by the manager-research analysts based on fundamental research they conduct.

What form does the Morningstar Analyst Rating for Funds take?

The Morningstar Analyst Rating takes the form of Gold, Silver, Bronze, Neutral, and Negative. Morningstar's manager-research analysts assign one of these ratings to each fund they analyze.

What do the Morningstar Analyst Ratings—Gold, Silver, Bronze, Neutral, and Negative--signify?

The Analyst Ratings signify the analysts' confidence in a fund based on its investment merits compared to a Morningstar Category index over a long period of time (e.g., five years). The more confidence Morningstar's manager-research analysts have in a fund, the higher the ratings they'll assign, and vice versa for funds they have less conviction in. Thus, the analysts assign Gold, Silver, and Bronze ratings to funds they have greater conviction in and Neutral and Negative ratings to those they have less confidence in.

When will Morningstar's manager-research analysts award a Gold, Silver, or Bronze Analyst Rating to a fund they analyze?

The manager-research analysts will assign Gold, Silver, or Bronze Analyst Ratings to actively-managed funds they believe can generate higher net returns than a relevant benchmark index and peer group average, after accounting for risk. For an active fund to receive a Gold, Silver, or Bronze Analyst Rating, the analysts' research must lead them to conclude the funds can outperform after fees and adjusting for risk. With respect to index funds, the analysts will award a Gold, Silver, or Bronze Analyst Rating to funds they believe are capable of outperforming the median fund in the category (net of fees and after accounting for risk).

When will Morningstar's manager-research analysts award a Neutral or Negative Analyst Rating to a fund they analyze?

The manager-research analysts will assign Neutral or Negative Analyst Ratings to actively managed funds they do not believe can generate higher net returns than a relevant benchmark index and peer group average, after accounting for risk. Put another way, the analysts will assign Neutral or Negative ratings when their research leads them to conclude the funds cannot outperform after fees and adjusting for risk. With respect to index funds, the analysts will award a Neutral or Negative Analyst Rating to funds they aren't confident can outperform the median fund in the category (net of fees and after accounting for risk).

What are the key improvements of the new methodology?

The new methodology should make the Analyst Ratings more effective and useful to investors. It builds on three pillars—people, process, and parent—that we've found do a good job of predicting funds' performance before fees. What's more, it further emphasizes fees, which evidence suggests are the best predictor of differences in funds' future relative performance. And with refinements to the pillar ratings the analysts will assign, it should be easier for users to determine the rationale for a fund's Analyst Rating and to compare Analyst Ratings between funds.

How should investors think about using the methodology in the context of selecting investments?
The Analyst Rating enhances investment selection. It assesses attributes like the prudence of a fund's investment process and the competitiveness of its fees, which are key traits to consider when choosing investments and building portfolios. That said, the Analyst Rating doesn't consider every factor that a comprehensive investment plan would, such as an investor's particular goals and circumstances. In that sense, it's a potential input to, not a substitute for, a broader investment and financial plan.

How many vehicles currently receive a Morningstar Analyst Rating?
We assign Analyst Ratings to nearly 25,000 different managed vehicles globally. This includes mutual funds, exchange-traded funds, and their equivalents abroad, as well as separately managed accounts.

How many vehicles will receive a Morningstar Analyst Rating under the new framework?
The same number of vehicles will receive a Morningstar Analyst Rating under the new framework as now—nearly 25,000. The methodology enhancement will have no impact on how many vehicles we cover. Initially, we will re-rate a subset of our coverage universe under the new assessment framework, with those updated Analyst Ratings slated to be released on Oct. 31, 2019. Then we will re-rate the rest of the universe over the subsequent 12 months, gradually releasing the updated Analyst Ratings for those vehicles through the rest of 2019 and 2020.

Where will the updated Morningstar Analyst Ratings be available?
The updated Analyst Ratings will be available in all Morningstar products that currently carry the Morningstar Analyst Rating. This includes Morningstar.com, Morningstar Direct℠, Morningstar Office℠, data feeds, as well as other products such as ARC.

Is the updated Morningstar Analyst Rating methodology global?
Yes, we will apply the updated Morningstar Analyst Rating methodology globally, wherever we cover managed investments. The lone exception is China, where, for the time being, we will continue to assess funds under our current ratings framework.

How often will you update the Morningstar Analyst Ratings?
Our normal practice, which we will continue, is to update each strategy's Analyst Rating annually. However, we will update ratings more often as developments warrant.

Will historical Morningstar Analyst Ratings be available?
Yes, we will continue to make the full Analyst Ratings history available in various products, including Morningstar Direct. We will not restate historical Analyst Ratings when we move to the new methodology.

Why aren't Analyst Ratings assigned to all managed investments?

We do not assign Analyst Ratings to all managed investments as there are limits to how many vehicles our analysts can cover while still upholding the analytical standard we aspire to. Mutual funds and exchange-traded funds not covered by our analysts are eligible for the Morningstar Quantitative Rating for funds.

About Morningstar Manager Research

Morningstar Manager Research provides independent, fundamental analysis on managed investment strategies. Analyst views are expressed in the form of Morningstar Analyst Ratings, which are derived through research of five key pillars—Process, Performance, Parent, People, and Price. A global research team issues detailed Analyst Reports on strategies that span vehicle, asset class, and geography. Analyst Ratings are subjective in nature and should not be used as the sole basis for investment decisions. An Analyst Rating is an opinion, not a statement of fact, and is not intended to be nor is a guarantee of future performance.

About Morningstar Manager Research Services

Morningstar Manager Research Services combines the firm's fund research reports, ratings, software, tools, and proprietary data with access to Morningstar's manager research analysts. It complements internal due-diligence functions for institutions such as banks, wealth managers, insurers, sovereign wealth funds, pensions, endowments, and foundations. Morningstar's manager research analysts are employed by various wholly owned subsidiaries of Morningstar, Inc. including but not limited to Morningstar Research Services LLC (USA), Morningstar UK Ltd, and Morningstar Australasia Pty Ltd.

For More Information

Michael Laske
Product Manager, Manager Research
+1 312 696-6394
michael.laske@morningstar.com

MORNINGSTAR®

22 West Washington Street
Chicago, IL 60602 USA