



## **Category Definitions**

Thailand

Morningstar Methodology Paper

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# Introduction

The Morningstar Categories for funds in the Thailand universe were first established in the year 2009 to help investors make meaningful comparisons between Investment funds. Morningstar regularly reviews the category structure and the funds within each category to ensure that the system meets the needs of investors and keeps pace with market developments.

The categories are based on the following principles:

- ▶ **Proper Evaluation:** Every rated category should form a benchmark against which a manager's ability to add value relative to peers with similar investment exposures can be meaningfully measured.
  
- ▶ **Transparency:** The rules defining each category should be clearly stated such that asset managers and investors can easily determine the rationale for a fund's classification.
  
- ▶ **Independence:** A fund's classification is based on Morningstar's independent analysis of its holdings, objective and performance.
  
- ▶ **Stability:** With the exception of a clear change to a fund's strategy which will be addressed at such time as the change is evident, a fund's categorisation is based on its positioning through time with the trailing three years the default period evaluated. This enhances the stability of the classifications and is aligned with the interests of fund investors, who generally use funds as longer-term investments.

The categories include funds domiciled in Thailand market where Morningstar believes it is of benefit to investors for the funds to be included in the Thailand classification system.

# Equity

## **ASEAN Equity**

ASEAN Equity funds invest principally in the equities of ASEAN member countries. These funds invest at least 75% of total assets in equities, and invest at least 75% of equity assets in ASEAN equities. Their exposure to a single ASEAN country is typically less than 75% of equities.

Morningstar Category Index: MSCI AC ASEAN NR

## **Asia Pacific ex-Japan Equity**

Asia-Pacific ex-Japan Equity funds invest throughout the Pacific Rim, excluding Japan, but including Australia and New Zealand. These funds invest at least 75% of total assets in equities, and invest at least 75% of equity assets in Asia-Pacific countries, with less than 10% in Japan.

Morningstar Category Index: MSCI AC Asia Pacific Ex JPN NR

## **China Equity**

China Equity funds invest principally in Chinese companies listed on the stock exchanges in China and Hong Kong, and companies that derive significant revenues from or have substantial business ties with the China market. These funds invest at least 75% of total assets in equities, and at least 75% of equity assets in Chinese or China-related companies defined as above.

Morningstar Category Index: MSCI China NR

## **Country Focus Equity**

Country Focus Equity funds invest in companies domiciled in a single country or narrowly-defined region. Funds in this category do not receive a Morningstar Rating, and a Category Average is not calculated for the category, due to the potentially diverse nature of the constituents.

## **Emerging Market Equity**

Emerging Markets Equity funds invest principally in the equities among several emerging markets in Asia, Latin America, Europe, Middle East and/or Africa. These funds invest at least 75% of their total assets in equities, and invest at least 75% of equity assets in global emerging markets.

Morningstar Category Index: MSCI Emerging Market NR

## **Equity Fix Term**

Funds with a specified maturity (liquidation) date, investing in excess of 75% of their portfolio in equity assets in Thailand.

[Funds in this category do not receive a Morningstar Rating™.]

## **Equity Large-Cap**

Equity Large Cap funds invest principally in the equities of large-cap Thailand companies. Equities in the top 70% of the capitalization of the Thailand equity market are defined as large-cap. These funds invest at least 75% of total assets in large-cap equities, and invest at least 75% of equity assets in Thailand.

Morningstar Category Index: SET 50 TR

## **Equity Small/Mid-Cap**

Equity Mid/Small Cap funds invest principally in the equities of small/mid-cap Thailand companies. Their holdings typically fall in the bottom 30% of the capitalization of the Thailand equity market. These funds invest at least 75% of total assets in either small and or mid cap equities, and invest at least 75% of equity assets in Thailand.

Morningstar Category Index: SET TR

### **Europe Equity**

Europe Equity funds invest principally in the equities of the companies in continental Europe. These funds invest at least 75% of total assets in equities and invest at least 75% of equity assets in European equities.

Morningstar Category Index: MSCI Europe NR

### **Foreign Investment Equity Fix Term**

Funds with a specified maturity (liquidation) date, investing in excess of 75% of their portfolio in foreign equity securities outside of Thailand.

[Funds in this category do not receive a Morningstar Rating™.]

### **Global Equity**

Global Equity funds invest principally in the equities of the companies from around the globe. Most of these funds invest in many developed markets such as Europe, U.S., Canada, Japan and Australia/New Zealand. These funds invest at least 75% of total assets in global equities, and invest at least 75% of equity assets outside of Thailand.

Morningstar Category Index: MSCI World NR

### **Global Healthcare**

Global Health Care funds invest principally in the equities of companies in the medical and healthcare industries. Most invest in a range of companies, buying everything from pharmaceutical and medical device makers to hospitals and nursing homes. A few funds concentrate on just one industry segment, such as medical devices. These funds invest at least 75% of total assets in equities, and invest at least 50% of equity assets in health care companies.

Morningstar Category Index: MSCI World/Health Care NR

### **Global Infrastructure**

Sector Equity Infrastructure funds invest principally in the equities of companies that are involved in the provision or maintenance of essential infrastructure. Such companies may include electric and gas utilities, water utilities, roads and railways, airports, and communication networks. Most funds invest in a range of companies, but a few funds concentrate on just one industry segment. These funds invest at least 75% of total assets in equities, and invest at least 50% of equity assets in infrastructure companies.

Morningstar Category Index: S&P Global Infrastructure TR

### **Global Sector Focus Equity**

Global Sector Focus Equity funds invest in global companies classified into a single industry or narrowly-defined sector. Funds in this category do not receive a Morningstar Rating, and a Category Average is not calculated for the category, due to the potentially diverse nature of the constituents.

### **Global Technology**

Sector Equity Technology funds invest principally in the equities of companies in technology related sectors. Most concentrate on computer, semiconductor, software, networking and internet-related equities. Some concentrate on a single technology industry. These funds invest at least 75% of total assets in equities, and invest at least 50% of equity assets in technology related companies.

Morningstar Category Index: MSCI World/Information Tech NR

### **India Equity**

India Equity funds invest principally in the equities of the companies in India. These funds invest at least 75% of total assets in equities and invest at least 75% of equity assets in India.

Morningstar Category Index: MSCI India NR

### **Japan Equity**

Japan Equity funds invest principally in the equities of Japanese companies. These funds invest at least 75% of total assets in equities, and invest at least 75% of equity assets in Japanese equities.

Morningstar Category Index: MSCI Japan NR

### **TH Sector Focus Equity**

Sector Focus Equity funds invest in domestic Thai companies classified into a single industry or narrowly-defined sector. Funds in this category do not receive a Morningstar Rating, and a Category Average is not calculated for the category, due to the potentially diverse nature of the constituents.

### **US Equity**

US Equity funds invest principally in the equities of US companies. These funds invest at least 75% of total assets in equities, and invest at least 75% of equity assets in US equities.

Morningstar Category Index: MSCI USA NR

### **Property - Indirect**

Property - Indirect funds invest principally in the securities of Thailand real-estate companies, including those of real-estate investment trusts (REITs). Funds in this category may hold a portion of their assets in direct “bricks and mortar property”, but this will typically not exceed 30% of the total. Some funds concentrate on a certain segment of the real estate market, such as companies or trusts that own office buildings or residential properties. These funds invest at least 75% of total assets in equities, and invest at least 50% of equity assets in real-estate securities, with at least 75% of equity assets invested in Thailand.

Morningstar Category Index: SET Property Fund & REITs TR

### **Property - Indirect Global**

Property - Indirect Global funds invest principally in the securities of real-estate companies, including those of real-estate investment trusts (REITs). Funds in this category may hold a portion of their assets in direct “bricks and mortar property”, but this will typically not exceed 30% of the total. Some funds concentrate on a certain segment of the real estate market, such as companies or trusts that own office buildings or residential properties. These funds invest at least 70% of total assets in equities, and invest at least 50% of equity assets in real-estate securities, with at least 75% of equity assets outside of Thailand

Morningstar Category Index: MSCI World/Real Estate NR USD

### **Property - Indirect Flexible**

Property - Indirect Flexible funds invest principally in the securities of real-estate companies, including those of real-estate investment trusts (REITs). Funds in this category may hold a portion of their assets in direct “bricks and mortar property”, but this will typically not exceed 30% of the total. Some funds concentrate on a certain segment of the real estate market, such as companies or trusts that own office buildings or residential properties. These funds invest at least 70% of total assets in equities and invest at least 50% of equity assets in real-estate securities. This category includes funds that invest in Thai equity asset between 25%-75%.

# Allocation

## **Aggressive Allocation**

Aggressive Allocation funds have a mandate to invest in a range of asset types i.e. equity, fixed income and cash. These portfolios can hold large position in equity assets between 0% & 100% of the assets in equities and the remainder in fixed income and cash. The equity component will usually exceed 65% in the normal running of the fund.

Morningstar Category Index: Cat 75%SET PR&25%ThaiBMA Gvt Bond TR

## **Conservative Allocation**

Conservative Allocation funds have a mandate to invest in a range of asset types i.e. equity, fixed income and cash. The equity component does not exceed 35% in the normal running of the fund.

Morningstar Category Index: Cat 25%SET PR&75%ThaiBMA Gvt Bond TR

## **Global Allocation**

Global Allocation funds have a mandate to invest in a range of asset types i.e. equity, fixed income and cash. The equity component does not exceed 65% in the normal running of the fund. These funds invest at least 75% of total assets in global assets outside of Thailand.

## **Moderate Allocation**

Moderate Allocation funds have a mandate to invest in a range of asset types i.e. equity, fixed income and cash. The equity component will usually be between 35% & 65% in the normal running of the fund.

Morningstar Category Index: Cat 50%SET PR&50%ThaiBMA Gvt Bond TR

# Fixed Income

## **Bond Fix Term**

Funds with a specified maturity (liquidation) date, investing in excess of 75% of their portfolio in fixed interest securities (corporate, government or index-linked but with a majority held in investment grade bonds or equivalent) in accordance with the rules determined by the office of the SEC.

[Funds in this category do not receive a Morningstar Rating™.]

## **Emerging Market Bond**

Emerging Market Bond funds are dedicated to fixed income securities of issuers in emerging market countries. They should invest across the global emerging markets universe without a single country or regional focus. These funds invest at least 75% of total assets in fixed-income instruments assets outside of Thailand.

Morningstar Category Index: JPM EMBI Global TR

## **Flexible Bond**

Flexible Bond funds have the flexibility to invest across different countries, with the allocation to Thai bonds ranging from 25% to 75%. The funds principally invest in investment-grade securities, including government and corporate bonds.

[Funds in this category do not receive a Morningstar Rating™.]

## **Foreign Investment Bond Fix Term**

Funds with a specified maturity (liquidation) date, investing in excess of 75% of their portfolio in foreign fixed interest securities (corporate, government or index-linked but with a majority held in investment grade bonds or equivalent). These funds may offer a guaranteed minimum return on investment if the investor remains invested for the fund's entire duration.

[Funds in this category do not receive a Morningstar Rating™.]

## **Global Bond**

Global Bond funds invest in a diversified portfolio of principally investment grade bonds denominated in a diverse range of currencies. These funds invest at least 75% of total assets in fixed-income instruments assets outside of Thailand.

Morningstar Category Index: Barclays Global Aggregate TR USD

## **Global High Yield Bond**

Global High Yield Bond funds invest principally in sub-investment grade (BB or lower) or unrated securities. They are focused on fixed income securities of issuers who have their main business activities outside of Thailand.

Morningstar Category Index: ICE BofAML Gbl HY Constnd TR USD

## **Global High Yield Bond Fix Term**

Global High Yield Bond Fix Term Funds invest principally in sub-investment grade or unrated securities. They are focused on fixed income securities of issuers who have their main business activities outside of Thailand.

[Funds in this category do not receive a Morningstar Rating™.]

### **High Yield Bond Fix Term**

High Yield Bond Fix Term Funds invest principally in sub-investment grade or unrated securities. They are focused on fixed income securities of issuers who have their main business activities in Thailand.

[Funds in this category do not receive a Morningstar Rating™.]

### **Mid/Long Term Bond**

Mid/Long Term Bond funds invest principally in government, corporate and other investment-grade Thai fixed-income issues and typically have durations more than 2.0 years. These funds invest at least 75% of total assets in fixed-income instruments assets in Thailand.

Morningstar Category Index: ThaiBMA Composite Bond TR

### **Roll Over Bond**

Roll Over funds principally invests in money market and debt instruments in accordance with the rules determined by the office of the SEC. The fund will specify the purchase and redemption date as a period stated in the fund prospectus which usually one time purchase and redemption during the IPO period and the end of the roll over period respectively or as an interval subscription and redemption cycle

Morningstar Category Index ThaiBMA Zero return 6 M TR.

[Funds in this category do not receive a Morningstar Rating™.]

### **Short Term Bond**

Short Term Bond funds invest principally in government, corporate and other investment-grade Thai fixed-income issues and typically have durations of 1.0 to 2.0 years. These funds invest at least 75% of total assets in fixed-income instruments assets in Thailand.

Morningstar Category Index: ThaiBMA Government 1-3 Yr TR

# Money Market

## **Money Market**

Money Market funds invest in money market instruments. The residual aggregate maturity does not exceed 12 months. Further, all invested securities must have time to maturity less than one year. These funds invest at least 75% of total assets in fixed-income instruments assets in Thailand.

Morningstar Category Index: ThaiBMA 91 day T-bill TR  
[Funds in this category do not receive a Morningstar Rating™.]

# Commodities

## **Commodities Energy**

Commodities Energy funds are primary invest in oil (crude, heating and gas), natural gas, coal, kerosene, diesel fuel and propane. Investment can be made directly in physical assets or commodity linked derivative instruments.

[Funds in this category do not receive a Morningstar Rating™.]

## **Commodities Precious Metals**

Commodities Precious Metals are funds invest in precious metals such as gold, silver, platinum and palladium. Investment can be made directly in physical assets or commodity linked derivative instruments.

[Funds in this category do not receive a Morningstar Rating™.]

## Miscellaneous

### **Capital Protected**

Capital Protected funds principally in debt instrument, as well as hybrid instrument, whether of the government, state enterprises or private sector in accordance with the rules determined by the office of the SEC. These funds offer full protection of the capital at maturity.

[Funds in this category do not receive a Morningstar Rating™.]

### **Capital Protected Fix Term**

Funds with a specified maturity (liquidation) date, investing in excess of 75% of their portfolio in fixed interest securities (corporate, government or index-linked but with a majority held in investment grade bonds or equivalent) in accordance with the rules determined by the office of the SEC. These funds offer full protection of the capital at maturity.

[Funds in this category do not receive a Morningstar Rating™.]

### **Foreign Investment Miscellaneous**

Foreign Investment Miscellaneous funds are all funds which invest in global asset classes and do not fit into any other categories.

[Funds in this category do not receive a Morningstar Rating™.]

### **Miscellaneous**

Miscellaneous funds are all funds which invest in local asset classes and do not fit into any other categories.

[Funds in this category do not receive a Morningstar Rating™.]