

Understanding Morningstar's Fund Ratings

Morningstar's ratings work together to provide investors with a powerful tool to assess funds.

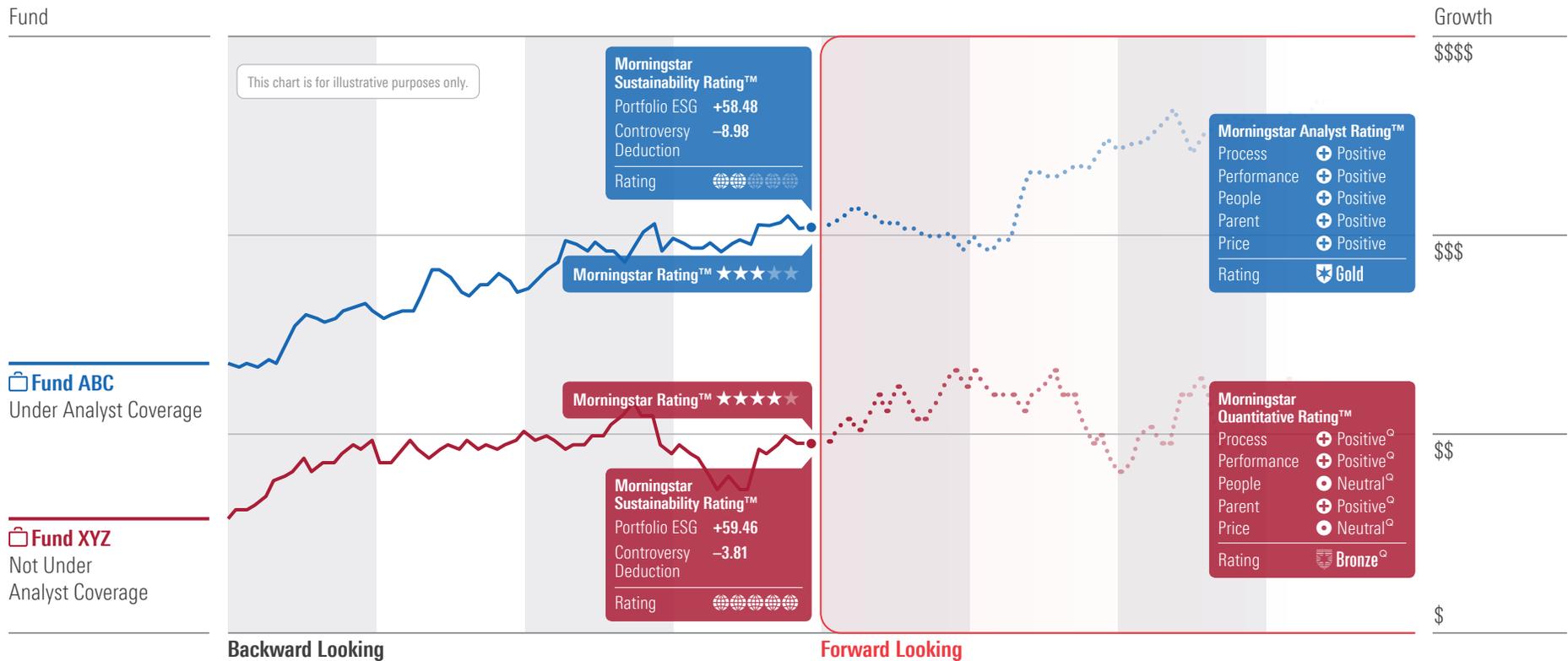
	Morningstar Rating™ for funds	Morningstar Analyst Rating™ for funds	Morningstar Quantitative Rating™ for funds	Morningstar Sustainability Rating™ for funds
Scale				
What is it?	The Morningstar Rating, or “star rating,” is a purely quantitative, backward-looking measure of a fund’s past performance, measured from one to five stars. Star ratings are calculated at the end of every month.	The Morningstar Analyst Rating provides an analyst’s forward-looking assessment of a fund’s ability to outperform its peer group or a relevant benchmark on a risk-adjusted basis over a full market cycle. A rating of Gold, Silver, or Bronze reflects an analyst’s conviction in a fund’s prospects for outperformance. Analyst Ratings are continuously monitored and reevaluated at least every 14 months.	The Morningstar Quantitative Rating is created by a machine-learning statistical model and analogous to the Analyst Rating a Morningstar analyst might assign to the fund if an analyst covered the fund. Gold, Silver, or Bronze ratings are considered positive. The Quantitative Ratings are calculated monthly.	The Morningstar Sustainability Rating is a measure of how well the holdings in a portfolio are managing their environmental, social, and governance, or ESG, risks and opportunities relative to their Morningstar Category peers. The Sustainability Rating is depicted by globe icons where High equals 5 globes and Low equals 1 globe. Sustainability Ratings are updated monthly.
How does it work?	The Morningstar Rating methodology rates funds within the same Morningstar Category based on an enhanced Morningstar Risk-Adjusted Return measure. To receive a Morningstar Rating, a fund must have a record of more than three years.	Morningstar fund analysts assign the Analyst Rating to funds that have garnered the most investor interest and assets. Analysts evaluate funds based on five key pillars—People, Parent, Process, Performance, and Price. Each analyst evaluation comes from face-to-face interviews with the fund management team, along with analysis of proprietary Morningstar data and fund documents.	U.S. open-end funds and ETFs that don’t have an Analyst Rating and are in a category Morningstar currently rates are eligible to receive a Quantitative Rating. The model uses Morningstar analysts’ current and historical ratings decisions as well as the data used to support these decisions.	Morningstar first calculates a fund’s Portfolio Sustainability Score, which is an asset-weighted average of the company ESG scores with deductions made for holdings involved in controversial incidents, or the Portfolio Controversy Score. Morningstar then assigns a Sustainability Rating, which is the Portfolio Sustainability Score relative to Morningstar Category peers.
How is it used?	The Morningstar Rating helps investors assess a fund’s track record relative to its peers. It’s intended for use as the first step in the fund evaluation process.	Investors can use the Analyst Rating to find funds that Morningstar analysts believe will perform better than similar investments over a full market cycle.	Investors can use the Quantitative and Analyst Ratings the same way. The quantitative approach provides a forward-looking assessment of a much broader group of funds than the Analyst Rating.	Investors can use the Sustainability Rating to learn whether the investments they own reflect the best sustainability practices.

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Understanding Morningstar's Fund Ratings

An illustrative example of the ratings for two hypothetical funds



Fund ABC
Under Analyst Coverage

Fund XYZ
Not Under Analyst Coverage

Fund ABC

This fund was inceptioned on June 1, 2001. In the top 50 U.S. mutual funds by AUM, it's covered by a Morningstar analyst. Its Morningstar Ratings have been 2 stars (3-year), 4 stars (5-year), and 3 stars (10-year), for an overall Morningstar Rating of 3 stars. The fund has an Analyst Rating of Gold, though, driven by positive scores for all five pillars and the Morningstar analyst's highest level of conviction. The fund's Sustainability Rating is below average (2 globes) within its category.

Fund XYZ

This fund was inceptioned on October 1, 2005. It's a niche fund with relatively low AUM, so it's not currently covered by a Morningstar analyst. Its Morningstar Ratings have been 3 stars (3-year), 3 stars (5-year), and 4 stars (10-year), for an overall Morningstar Rating of 4 stars. The fund has a Quantitative Rating of Bronze, which was generated by Morningstar's machine-learning statistical model and indicates that if a Morningstar analyst did rate the fund, she would find that the advantages outweigh the disadvantages across the five pillars. The fund's Sustainability Rating is high (5 globes) within its category.

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