

# Morningstar<sup>®</sup> NZ Category Definitions



Morningstar Australasia Pty Ltd

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# Introduction

The Morningstar<sup>®</sup> Category classification system for funds lets institutions, advisers and investors effectively compare like funds. We group funds which can be reasonably considered to be close investment alternatives, and for which performance and other statistical measures, such as fees, are comparable. The Morningstar Category classification system is a valuable referencing system to make fund selection efficient.

Where possible, the Morningstar Category classification is intended to be compatible with Morningstar's portfolio building philosophy, providing a fundamental structure for effective portfolio diversification across all asset classes.

Criteria for determining 'close investment alternatives' include (in order) whether:

- ▶ The tax treatment and legal characteristics of the funds is the same;
- ▶ Benchmarks, stated maximum and minimum exposures to asset classes, and possibly actual total exposures to various sectors, are similar and fall within the Morningstar definitions;
- ▶ The funds could be considered to be alternatives for performance comparisons and other statistical analysis and in constructing an investor's portfolio;
- ▶ The fund's investment style and market capitalisation constituency is considered to be highly consistent for portfolio construction purposes; and
- ▶ There are any other criteria that should be considered relevant by Morningstar. (For example, statements from the fund manager, where appropriate, may be considered when determining the classification of a fund.)

Morningstar's Category classification system, which has achieved widespread market acceptance, has been designed to ensure:

- ▶ Performance comparisons can be made within groupings where both volatility and return can be justifiably compared;
- ▶ Statistical analysis, including ratings, within groupings can be justifiably compared;
- ▶ Easy choice of competing funds and market analysis through a logical referencing scheme;
- ▶ Analysis does not suffer from inconsistency of taxation treatment; and
- ▶ A classification system which is easily-understood, user-friendly, technically-defensible, and able to be implemented within reasonable timeframes.

# Equity Funds

## **Equity Region Asia Pacific**

Equity Region Asia Pacific funds are PIE funds that focus on investing in securities originating from companies from the Asia Pacific region. Generally, stocks from these Asia Pacific countries account for at least 75% of the portfolio holdings and may include stocks emerging markets in the region.

*Morningstar Category Index: MSCI Pacific Ex Japan GR NZD*

## **Equity Region Asia Pacific Non-PIE**

Equity Region Asia Pacific Non-PIE category consists of non-PIE funds that focus on investing in securities originating from companies from the Asia Pacific region. Generally, stocks from these Asia Pacific countries account for at least 75% of the portfolio holdings and may include stocks emerging markets in the region.

*Morningstar Category Index: MSCI Pacific Ex Japan GR NZD NZ TA*

## **Equity Region Australasia**

Equity Region Australasia funds are PIE funds that focus on investing in securities originating from companies from the Australasia region. Generally, stocks from these Australasian countries account for at least 75% of the portfolio holdings and may include stocks emerging markets in the region.

*Morningstar Category Index: Cat 50% S&P/NZX 50 & 50% S&P/ASX 200*

## **Equity Region Australasia Non-PIE**

Equity Region Australasia Non-PIE category consists of non-PIE funds that focus on investing in securities originating from companies from the Australasia region. Generally, stocks from these Australasian countries account for at least 75% of the portfolio holdings and may include stocks emerging markets in the region.

*Morningstar Category Index: S&P/NZX 50 TR NZD NZ TA*

## **Equity Region Australia**

Equity Region Australia funds are PIE funds that focus on investing in securities originating from companies from Australia. Generally, stocks from Australia account for at least 75% of the portfolio holdings in the fund.

*Morningstar Category Index: S&P/ASX 300 TR NZD*

## **Equity Region Australia Non-PIE**

Equity Region Australia Non-PIE category consists of non-PIE funds that focus on investing in securities originating from companies from Australia. Generally, stocks from Australia account for at least 75% of the portfolio holdings in the fund.

*Morningstar Category Index: S&P/ASX All Ordinary TR NZD NZ TA*

### **Equity Region Emerging Markets**

Equity Region Emerging Markets funds are PIE funds that focus on investing in securities originating from companies from emerging markets around the globe. Emerging market exposures generally account for at least 75% of the portfolio holdings.

*Morningstar Category Index: MSCIEMGRNZD*

### **Equity Region Emerging Markets Non-PIE**

Equity Region Emerging Markets Non-PIE category consists of non-PIE funds that focus on investing in securities originating from companies from emerging markets around the globe. Emerging market exposures generally account for at least 75% of the portfolio holdings.

*Morningstar Category Index: MSCIEMGRNZD NZTA*

### **Equity Region Europe**

Equity Region Europe funds are PIE funds that focus on investing in securities originating from companies from the European region. Generally, stocks from Europe account for at least 75% of the portfolio holdings and may also include exposure to stocks from emerging markets in the region.

*Morningstar Category Index: MSCI Europe Ex UK GR NZD*

### **Equity Region Europe Non-PIE**

Equity Region Europe Non-PIE category consists of non-PIE funds that focus on investing in securities originating from companies from the European region. Generally, stocks from Europe account for at least 75% of the portfolio holdings and may also include exposure to stocks from emerging markets in the region.

*Morningstar Category Index: MSCI Europe Ex UK GR NZTA*

### **Equity Region New Zealand**

Equity Region New Zealand funds are PIE funds that focus on investing in securities of companies from New Zealand. Generally, stocks from New Zealand account for at least 75% of the portfolio holdings in the fund.

*Morningstar Category Index: S&P/NZX50 TR NZD*

### **Equity Region New Zealand Non-PIE**

Equity Region New Zealand Non-PIE category consists of non-PIE funds that focus on investing in securities of companies from New Zealand. Generally, stocks from New Zealand account for at least 75% of the portfolio holdings in the fund.

*Morningstar Category Index: S&P/NZX50 TR NZD NZTA*

### **Equity Region New Zealand – Passive Non-PIE**

Equity Region New Zealand – Passive Non-PIE category consists of passively managed non-PIE funds that focus on investing in securities of companies from New Zealand. Generally, stocks from New Zealand account for at least 75% of the portfolio holdings in the fund.

*Morningstar Category Index: S&P/NZX50 TR NZD NZTA*

### **Equity Sector New Zealand - Real Estate**

Equity Sector New Zealand - Real Estate funds are PIE funds that are exposed mainly to New Zealand listed property trusts. This may be either completely in their own right or through property syndicates. At least 75% exposure to listed property is expected with a smaller component in direct property and/or cash.

*Morningstar Category Index: S&P/NZX All Real Estate TR NZD*

### **Equity Sector New Zealand - Real Estate Non-PIE**

Equity Sector New Zealand - Real Estate Non-PIE category consists of non-PIE funds that are exposed mainly to New Zealand listed property trusts. This may be either completely in their own right or through property syndicates. At least 75% exposure to listed property is expected with a smaller component in direct property and/or cash.

*Morningstar Category Index: S&P/NZX All Real Estate TR NZD NZTA*

### **Equity Region North America**

Equity Region North America funds are PIE funds that focus their investment in the securities of companies from the United States of America and/or Canada. Generally, stocks from these countries account for at least 75% of the portfolio holdings in the fund.

*Morningstar Category Index: S&P500 TR NZD*

### **Equity Region North America Non-PIE**

Equity Region North America Non-PIE category consists of non-PIE funds that focus their investment in the securities of companies from the United States of America and/or Canada. Generally, stocks from these countries account for at least 75% of the portfolio holdings in the fund.

*Morningstar Category Index: S&P500 TR NZD NZTA*

### **Equity Region World**

Equity Region World funds are PIE funds with portfolios that are almost exclusively dedicated to international stocks (that is less than 20% of the portfolios is in assets other than equities).

*Morningstar Category Index: MSCI World GR NZD*

### **Equity Region World Non-PIE**

Equity Region World Non-PIE category consists of non-PIE funds with portfolios that are almost exclusively dedicated to international stocks (that is less than 20% of the portfolios is in assets other than equities).

*Morningstar Category Index: MSCI World GR NZD NZTA*

### **Equity Region World - Hedged**

Equity Region World funds are PIE funds with portfolios that are almost exclusively dedicated to international stocks (that is less than 20% of the portfolios is in assets other than equities) and are substantively hedged against movements in the New Zealand Dollar.

*Morningstar Category Index: Morningstar DMxAus Large-Mid NR Hdg NZD*

### **Equity Region World Passive Non-PIE**

Equity Region World Passive Non-PIE category consists of passively managed non-PIE funds with portfolios that are almost exclusively dedicated to international stocks (that is less than 20% of the portfolios is in assets other than equities).

*Morningstar Category Index: MSCI World GR NZD NZ TA*

### **Equity Sector Global - Real Estate**

Equity Sector Global - Real Estate funds are PIE funds that are mainly invested in to international listed property trusts. They may have direct real estate holdings or invest through property syndicates. We expect the fund to have at least a 75% exposure to listed property trusts (otherwise known as REITs), with a smaller component of the funds' investments held in direct property and/or cash.

*Morningstar Category Index: FTSEEPRA/NAREIT Developed NRAUD-Hdg NZD*

### **Equity Sector Global - Real Estate Non-PIE**

Equity Sector Global - Real Estate Non-PIE category consists of non-PIE funds that are mainly invested in to international listed property trusts. They may have direct real estate holdings or invest through property syndicates. We expect the fund to have at least a 75% exposure to listed property trusts (otherwise known as REITs), with a smaller component of the funds' investments held in direct property and/or cash.

*Morningstar Category Index: FTSEEPRA/NAREIT Developed NRAUD-Hdg NZD*

### **Equity Global Real Estate**

Equity Global Real Estate funds typically invest in listed property trusts from around the globe, without any specific regional bias in company selection. At least 75% of the portfolio is invested in listed property (or REITs), with a smaller component in direct property and/or cash.

*Morningstar Category Benchmark: FTSEEPRA/NAREIT Developed NRAUD-Hdg NZD*

### **Equity Global Resources**

Equity Global Resource funds invest principally in the equities of companies involved in the extraction or sale of resources. Most invest in a range of companies, including energy, mining, timber, and water issues. These funds invest at least 75% of total assets in equities, and invest at least 50% of equity assets in non-Australian resource companies. Funds investing primarily in commodities-linked derivatives or physical commodities are placed in the Morningstar Commodities category.

*Morningstar Category Benchmark: S&P Global Natural Resources TRAUD*

# Balanced Funds

## **Multisector - Conservative**

Multisector - Conservative funds are PIE funds that have portfolios that are invested in a number of sectors and have 20% or less of their investments in growth sectors (typically defined as equity and property asset classes).

*Morningstar Category Index: Morningstar NZMsec Conservative TR NZD*

## **Multisector – Conservative Non-PIE**

Multisector - Conservative Non-PIE category consists of non-PIE funds that have portfolios that are invested in a number of sectors and have 20% or less of their investments in growth sectors (typically defined as equity and property asset classes).

*Morningstar Category Index: S&P/ANZ NZ Govt Stock TR NZD NZ TA*

## **Multisector - Moderate**

The Multisector - Moderate Category funds are PIE funds that invest in a number of sectors and have between 21% and 40% of their investments exposed to the growth sectors (typically defined as equity and property asset classes).

*Morningstar Category Index: Morningstar NZMsec Moderate TR NZD*

## **Multisector - Moderate Non-PIE**

The Multisector - Moderate Category Non-PIE category consists of non-PIE funds that invest in a number of sectors and have between 21% and 40% of their investments exposed to the growth sectors (typically defined as equity and property asset classes).

*Morningstar Category Index: S&P/ANZ NZ Govt Stock TR NZD NZ TA*

## **Multisector - Balanced**

Multisector - Balanced funds are PIE funds that invest in a number of sectors and have 41% to 60% of their assets in growth sectors (typically defined as equity and property asset classes).

*Morningstar Category Index: Morningstar NZMsec Balanced TR NZD*

## **Multisector - Balanced Non-PIE**

Multisector - Balanced Non-PIE category consists of non-PIE funds that invest in a number of sectors and have 41% to 60% of their assets in growth sectors (typically defined as equity and property asset classes).

*Morningstar Category Index: S&P/NZX 50 TR NZD NZ TA*



### **Multisector - Growth**

Multisector - Growth funds are PIE funds that invest in a number of sectors and have between 61% and 80% of their assets in growth sectors (typically defined as equity and property asset classes).

*Morningstar Category Index: Morningstar NZMsec Growth TRNZD*

### **Multisector - Growth Non-PIE**

Multisector - Growth Non-PIE category consists of non-PIE funds that invest in a number of sectors and have between 61% and 80% of their assets in growth sectors (typically defined as equity and property asset classes).

*Morningstar Category Index: S&P/NZX50 TRNZDNZTA*

### **Multisector - Aggressive**

Multisector - Aggressive funds are PIE funds that invest in a number of sectors and have over 80% of their assets in growth sectors (typically defined as equity and property asset classes).

*Morningstar Category Index: Morningstar NZMsec Aggressive TRNZD*

### **Multisector – Aggressive Non-PIE**

Multisector - Aggressive Non-PIE category consists of non-PIE funds that invest in a number of sectors and have over 80% of their assets in growth sectors (typically defined as equity and property asset classes).

*Morningstar Category Index: S&P/NZX50 TRNZDNZTA*

# Fixed Income

## **Cash**

Cash funds are PIE funds that invest predominantly in highly liquid market type securities, such as bank deposits and bank bills. The overall maturity is expected to be less than twelve months. Exposures to cash/overnight accounts are also included. Funds in this category do not get star rated

*Morningstar Category Index: S&P/ANZ NZ Call Rate TR NZD*

## **Cash GIF**

Cash GIF comprises of Group Investment Funds that invest predominantly in highly liquid market type securities, such as bank deposits and bank bills. The overall maturity is expected to be less than twelve months. Exposures to cash/overnight accounts are also included. Funds in this category do not get star rated

*Morningstar Category Index: S&P/ANZ NZ Call Rate TR NZ GIF TA*

## **Cash Non-PIE**

Cash Non-PIE category consists of Non-PIE funds that invest predominantly in highly liquid market type securities, such as bank deposits and bank bills. The overall maturity is expected to be less than twelve months. Exposures to cash/overnight accounts are also included. Funds in this category do not get star rated

*Morningstar Category Index: S&P/ANZ NZ Call Rate TR NZD NZ TA*

## **Mortgages**

Mortgage funds are PIE funds that predominately have exposure to a diversified portfolio of registered first mortgages secured over New Zealand property. They may also invest in fixed interest, money market securities or cash. Funds in this category do not get star rated

*Morningstar Category Index: S&P/ANZ NZ 90D B-Bill TR NZD*

## **Mortgages GIF**

Mortgage GIF consists of Group Investment Funds that predominately have exposure to a diversified portfolio of registered first mortgages secured over New Zealand property. They may also invest in fixed interest, money market securities or cash. Funds in this category do not get star rated

*Morningstar Category Index: S&P/ANZ NZ 90D B-Bill TR NZ GIF TA*

## **Mortgages Non-PIE**

Mortgage Non-PIE category consists of Non-PIE funds that predominately have exposure to a diversified portfolio of registered first mortgages secured over New Zealand property. They may also invest in fixed interest, money market securities or cash. Funds in this category do not get star rated

*Morningstar Category Index: S&P/ANZ NZ 90D B-Bill TR NZ TA*

## **NZ Bonds**

NZ Bonds Funds are PIE funds that invest in traditional New Zealand fixed interest securities. These securities include government and corporate debt, with terms to maturity greater than 1 year.

*Morningstar Category Index: S&P/ANZ NZ Composite Invest Grade NZD*

## **NZ Bonds Non-PIE**

NZ Bonds Non-PIE category contains Non-PIE funds that invest in traditional New Zealand fixed interest securities. These securities include government and corporate debt, with terms to maturity greater than 1 year.

*Morningstar Category Index: S&P/ANZ NZ Govt Stock TR NZD NZ TA*

## **Global Bond**

The Global Bonds category consists of funds that are predominantly exposed to foreign government and corporate debt, with terms to maturity greater than 1 year.

*Morningstar Category Index: Barclays Global Aggregate TR Hdg NZD*

## **Global Bond GIF**

The Global Bonds GIF contains Group Investment Funds that are predominantly exposed to foreign government and corporate debt, with terms to maturity greater than 1 year.

*Morningstar Category Index: Barclays Global Agg Hdg NZD NZ GIF TA*

## **Global Bond Non-PIE**

The Global Bonds Non-PIE category consists of Non-PIE funds that are predominantly exposed to foreign government and corporate debt, with terms to maturity greater than 1 year.

*Morningstar Category Index: Barclays Global Aggregate Hdg NZD NZ TA*

# Other

## **Unlisted and Direct Property - Global**

Unlisted and Direct Property – Global funds are PIE funds that are almost completely invested in direct property (including syndicates) and unlisted property securities originated from around the world. A small portion of the fund’s investments may also be held in cash. Generally, no distinction is made between differing types of property holdings.

*Morningstar Category Index: UBS Global Real Estate Investors UH NZD*

## **Unlisted and Direct Property – New Zealand**

Unlisted and Direct Property – New Zealand funds are PIE funds that are almost completely invested in direct New Zealand property (including syndicates) and New Zealand unlisted property securities. A small portion of the fund’s investments may also be held in cash. Generally, no distinction is made between differing types of property holdings. Funds in this category do not get star rated

*Morningstar Category Index: S&P/NZX All Real Estate TR NZD*

## **Unlisted and Direct Property – New Zealand Non-PIE**

Unlisted and Direct Property – New Zealand Non-PIE category consists of non-PIE funds that are almost completely invested in direct New Zealand property (including syndicates) and New Zealand unlisted property securities. A small portion of the fund’s investments may also be held in cash. Generally, no distinction is made between differing types of property holdings. Funds in this category do not get star rated

*Morningstar Category Index: S&P/NZX All Real Estate TR NZD NZTA*

## **Miscellaneous**

The Miscellaneous category contains PIE funds that are not suited to and/or do not meet the criteria set for any of the other Morningstar categories. Funds in this category may also have returns that are not directly comparable to other funds of similar portfolios. The funds in this category are reassessed regularly and when there are sufficient like funds to create a meaningful peer group, a new category is created with the appropriate funds from this category. Funds in this category do not get star rated

*Morningstar Category Index: S&P/ANZ NZ Govt Stock GR NZD*

## **Miscellaneous Non-PIE**

The Miscellaneous Non-PIE category consists of non-PIE funds that are not suited to and/or do not meet the criteria set for any of the other Morningstar categories. Funds in this category may also have returns that are not directly comparable to other funds of similar portfolios. The funds in this category are reassessed regularly and when there are sufficient like funds to create a meaningful peer group, a new category is created with the appropriate funds from this category. Funds in this category do not get star rated

*Morningstar Category Index: S&P/ANZ Govt Stock TR NZD NZTA*

# Morningstar® Category Listing

Equity Region Asia Pacific	Multisector - Balanced Non-PIE
Equity Region Asia Pacific Non-PIE	Multisector - Balanced Non-PIE
Equity Region Australasia	Multisector - Conservative
Equity Region Australasia Non-PIE	Multisector - Conservative Non-PIE
Equity Region Australia	Multisector - Growth
Equity Region Australia Non-PIE	Multisector - Growth Non-PIE
Equity Region Emerging Markets	Multisector - Moderate
Equity Region Emerging Markets Non-PIE	Multisector - Moderate Non-PIE
Equity Region Europe	Cash
Equity Region Europe Non-PIE	Cash GIF
Equity Region North America	Cash Non-PIE
Equity Region North America Non-PIE	Global Bond
Equity Region NZ	Global Bond Non-PIE
Equity Region NZ Non-PIE	Global Bonds GIF
Equity Region World	Miscellaneous
Equity Region World Non-PIE	Miscellaneous Non-PIE
Equity Region World - Hedged	Mortgages
Equity Sector Global - Real Estate	Mortgages GIF
Equity Sector Global - Real Estate Non-PIE	Mortgages Non-PIE
Equity Sector NZ - Passive Non-PIE	NZ Bonds
Equity Sector NZ - Real Estate	NZ Bonds GIF
Equity Sector NZ - Real Estate Non-PIE	NZ Bonds Non-PIE
Equity Sector World Passive Non-PIE	Unlisted and Direct Property - Global
Multisector - Aggressive	Unlisted and Direct Property - NZ
Multisector - Aggressive Non-PIE	Unlisted and Direct Property - NZ Non-PIE