



# Morningstar Awards for Investing Excellence Methodology

Morningstar Methodology Paper  
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## Statement of Purpose

The objective of the Morningstar Awards for Investing Excellence program is to recognise those funds and asset managers that have served investors well over the long term and which Morningstar's Manager Research team believes will be able to deliver strong risk-adjusted returns in the longer term. As such, these awards are based on Morningstar's forward-looking rating for funds, the Morningstar Analyst Rating™, complemented by the Morningstar Quantitative Rating™ (MQR), when necessary. The MQR is a quantitative rating that seeks to emulate the Analyst Rating and uses the same Gold, Silver, Bronze, Neutral, Negative scale as the former.

This awards program also includes recognition of asset managers that have built strong ESG capabilities and have proven track records of integrating sustainability principles into their investment programs. As such, these awards are based on Morningstar's ESG Commitment Level. This qualitative measure expresses our analysts' assessments of asset managers' determination to incorporate ESG factors into their investment processes and organizations.

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## Types of Award

There are three types of Morningstar award in the scope of this methodology document: the Morningstar Category Awards, the Morningstar Asset Manager Awards, and the Morningstar Asset Manager Sustainable-Investing Awards.

### **Morningstar Category Awards:**

These awards are given by Morningstar analysts to the funds within their Morningstar Categories or groupings of Morningstar Categories that not only have achieved good risk-adjusted returns in the past but also should be able, in our opinion, to continue their good records on a risk-adjusted basis over time against their Morningstar Category index.

### **Morningstar Asset Manager Awards:**

These awards are given by Morningstar analysts to the asset managers that not only have strong-performing fund lineups on a risk-adjusted basis but also show a resolute focus on serving the best interests of investors. These asset managers tend to operate within their circle of competence, do a good job of aligning manager interests with those of investors in their funds, charge reasonable fees, communicate well with strategy investors, and treat investors' capital as if it were their own.

### **Morningstar Asset Manager Sustainable-Investing Awards:**

These awards are given by Morningstar analysts to the asset managers that not only have lineups that score well on Morningstar's sustainability metrics but also demonstrate strong commitment to integration of environmental, social, and governance factors. These asset managers typically have a clearly articulated ESG philosophy, strong ESG investment processes, and investment teams backed by appropriate ESG resources. These asset managers also have solid corporate engagement and proxy-voting programs.

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# Morningstar Category Awards Methodology

## Eligible Universe

Awards will be determined for each individual national fund market (see list in Appendix). The Morningstar Categories or groupings of Morningstar Categories eligible for the awards are listed in the Appendix for each market.

Only funds that are recorded in the Morningstar database as available for sale in a given market and carrying a positive Morningstar Analyst Rating (Bronze, Silver, or Gold) will be eligible to receive an award in that market. For Category Awards highlighted in the Appendix section, funds with a positive Morningstar Quantitative Rating (Bronze, Silver, or Gold) are also eligible.

## Awards Nomination and Selection

The methodology consists of two segments: (1) nomination and (2) selection of the award winner(s).

1) Nominations for a Category Award rely on:

- A screen based on a scoring system outlined in the Appendix applied to eligible funds.
- Nominations by Morningstar analysts. This is intended to ensure that our analysts' qualitative, forward-looking views have priority over the backward-looking screen process.

2) Selection of award winners is accomplished as follows:

- Morningstar analysts qualitatively review the list of nominees. The list must also be approved by the heads of Morningstar's Europe and Asia Manager Research teams.
- Morningstar analysts select the winner(s) by a majority vote. If the vote was not able to distinguish a winner, the highest scoring fund will be selected. The winner(s) for each market must be available for sale locally. Institutional share classes will be removed unless they are readily available to retail investors.

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# Morningstar Asset Manager Awards Methodology

## Eligible Universe

Asset Manager Awards will be determined for each individual national fund market (see list in Appendix).

Only asset-management firms that earn a positive Parent Pillar rating (Above Average or High), either analyst-assigned as part of the Morningstar Analyst Rating or quantitatively assigned by the Morningstar Quantitative Rating, are eligible.

## Awards Nomination and Selection

The methodology consists of two segments: (1) nomination and (2) selection of the award winner(s).

1) Nominations for an Asset Manager Award rely on:

- A screen based on a scoring system outlined in the Appendix. Only firms offering at least ten funds available for sale in the market to which the awards applies are scored.
- Nominations by Morningstar analysts. This is intended to ensure that our analysts' qualitative, forward-looking views have priority over the backward-looking screening process.

2) Selection of award winners is accomplished as follows:

- Morningstar analysts perform a qualitative review and vet the list of nominees. The list must also be approved by the heads of Morningstar's Europe and Asia Manager Research teams.
- Morningstar analysts select the winner(s) by a majority vote. The winner(s) for each market is chosen from those nominees that receive the highest number of votes. . If the vote was not able to distinguish a winner, the highest scoring firm will be selected.

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# Morningstar Asset Manager Sustainable-Investing Awards Methodology

## Eligible Universe

Asset Manager Sustainable-Investing Awards will be determined for each individual national fund market (see list in Appendix).

Only firms with an analyst-assigned Morningstar ESG Commitment Level Asset Manager of Leader or Advanced are eligible.

## Awards Nomination and Selection

The methodology consists of two segments: (1) nomination and (2) selection of the award winner(s).

1) Nominations for an Asset Manager Sustainable-Investing Award rely on:

- A screen based on a scoring system outlined in the Appendix. Only firms with at least five funds available for sale in the market to which the award applies are scored.
- Nominations by Morningstar analysts. This is intended to ensure that our analysts' qualitative, forward-looking views have priority over the quantitative screening process.

2) Selection of award winners is accomplished as follows:

- Morningstar analysts perform a qualitative evaluation and vet the list of nominees. The list must also be approved by the heads of Morningstar's Europe and Asia Manager Research teams as well as the director of sustainability research – manager research.
- Morningstar analysts select the winner(s) by a majority vote. The winner(s) for each market is chosen from those nominees that receive the highest number of votes. If the vote was not able to distinguish a winner, the highest scoring firm will be selected.

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## Appendix

### Category Awards Grouping

(funds with a positive Morningstar Quantitative Rating are eligible in the categories highlighted in blue) :

|                |   |
|----------------|---|
| EUR Allocation | EAA Fund EUR Aggressive Allocation          |
|                | EAA Fund EUR Aggressive Allocation - Global |
|                | EAA Fund EUR Cautious Allocation            |
|                | EAA Fund EUR Cautious Allocation - Global   |
|                | EAA Fund EUR Flexible Allocation            |
|                | EAA Fund EUR Flexible Allocation - Global   |
|                | EAA Fund EUR Moderate Allocation            |
|                | EAA Fund EUR Moderate Allocation - Global   |
| EUR Bond       | EAA Fund EUR Corporate Bond                 |
|                | EAA Fund EUR Diversified Bond               |
|                | EAA Fund EUR Government Bond                |
|                | EAA Fund EUR High Yield Bond                |
| Europe Equity  | EAA Fund Europe Equity Income               |
|                | EAA Fund Europe Flex-Cap Equity             |
|                | EAA Fund Europe Large-Cap Blend Equity      |
|                | EAA Fund Europe Large-Cap Growth Equity     |
|                | EAA Fund Europe Large-Cap Value Equity      |
| Global Equity  | EAA Fund Global Equity Income               |
|                | EAA Fund Global Flex-Cap Equity             |
|                | EAA Fund Global Large-Cap Blend Equity      |

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|                         |   |
|-------------------------|---|
|                         | EAA Fund Global Large-Cap Growth Equity     |
|                         | EAA Fund Global Large-Cap Value Equity      |
|                         | EAA Fund Global Emerging Markets Equity     |
| Italy Equity            | EAA Fund Italy Equity                       |
| Spain Equity            | EAA Fund Spain Equity                       |
| France Equity           | EAA Fund France Equity                      |
| France Small/Mid Equity | EAA Fund France Small/Mid-Cap Equity        |
| GBP Allocation          | EAA Fund GBP Allocation 0-20% Equity        |
|                         | EAA Fund GBP Allocation 20-40% Equity       |
|                         | EAA Fund GBP Allocation 40-60% Equity       |
|                         | EAA Fund GBP Allocation 60-80% Equity       |
|                         | EAA Fund GBP Allocation 80%+ Equity         |
| GBP Bond                | EAA Fund GBP Corporate Bond                 |
|                         | EAA Fund GBP Diversified Bond               |
|                         | EAA Fund GBP Government Bond                |
|                         | EAA Fund GBP High Yield Bond                |
| UK Equity               | EAA Fund UK Equity Income                   |
|                         | EAA Fund UK Flex-Cap Equity                 |
|                         | EAA Fund UK Large-Cap Equity                |
| Europe ex UK Equity     | EAA Fund Europe ex-UK Equity                |
| Global and Asian Bond   | EAA Fund Asia Bond                          |
|                         | EAA Fund Asia Bond - Local Currency         |
|                         | EAA Fund Asia High Yield Bond               |
|                         | EAA Fund Global Bond                        |
|                         | EAA Fund Global Bond - USD Hedged           |
|                         | EAA Fund Global Corporate Bond - USD Hedged |
|                         | EAA Fund Global Emerging Markets Bond       |

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|               |  |
|---------------|--|
|               | EAA Fund Global Flexible Bond                        |
|               | EAA Fund Global Flexible Bond - USD Hedged           |
|               | EAA Fund Global High Yield Bond                      |
|               | EAA Fund Global Inflation-Linked Bond - USD Hedged   |
|               | EAA Fund USD Diversified Bond                        |
|               | EAA Fund USD Flexible Bond                           |
|               | EAA Fund USD High Yield Bond                         |
|               | EAA Fund USD Inflation-Linked Bond                   |
| China Equity  | EAA Fund China Equity                                |
|               | EAA Fund China Equity - A Shares                     |
|               | EAA Fund Greater China Equity                        |
|               | EAA Fund Hong Kong Equity                            |
| Asian Equity  | EAA Fund Asia ex-Japan Equity                        |
|               | EAA Fund Asia-Pacific Equity                         |
|               | EAA Fund Asia-Pacific ex-Japan Equity                |
|               | EAA Fund Asia-Pacific ex-Japan Equity Income         |
|               | EAA Fund Pacific ex-Japan Equity                     |
| Taiwan Equity | <a href="#">EAA Fund Taiwan Large-Cap Equity</a>     |
|               | <a href="#">EAA Fund Taiwan Small/Mid-Cap Equity</a> |

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**Asset Manager Awards for each individual fund market:**

|             | Asset Manager Awards |                                     |
|-------------|----------------------|-------------------------------------|
| Belgium     | Asset Manager        | Asset Manager Sustainable-Investing |
| France      | Asset Manager        | Asset Manager Sustainable-Investing |
| Germany     | Asset Manager        | Asset Manager Sustainable-Investing |
| Hong Kong   | Asset Manager        | Asset Manager Sustainable-Investing |
| Italy       | Asset Manager        | Asset Manager Sustainable-Investing |
| Luxembourg  | Asset Manager        | Asset Manager Sustainable-Investing |
| Netherlands | Asset Manager        | Asset Manager Sustainable-Investing |
| Portugal    | Asset Manager        | Asset Manager Sustainable-Investing |
| Singapore   | Asset Manager        | Asset Manager Sustainable-Investing |
| Spain       | Asset Manager        | Asset Manager Sustainable-Investing |
| Switzerland | Asset Manager        | Asset Manager Sustainable-Investing |
| Taiwan      | Asset Manager        | Asset Manager Sustainable-Investing |
| UK          | Asset Manager        | Asset Manager Sustainable-Investing |

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**Category Awards for each individual fund market:**

|             | Category Awards |                     |                       |                         |                |                |
|-------------|-----------------|---------------------|-----------------------|-------------------------|----------------|----------------|
| Belgium     | Global Equity   | Europe Equity       | EUR Bond              | EUR Allocation          |                |                |
| France      | Global Equity   | Europe Equity       | France Equity         | France Small/Mid Equity | EUR Bond       | EUR Allocation |
| Germany     | Global Equity   | Europe Equity       | EUR Bond              | EUR Allocation          |                |                |
| Hong Kong   | Global Equity   | Asia Equity         | China Equity          | Global and Asian Bond   |                |                |
| Italy       | Global Equity   | Europe Equity       | Italy Equity          | EUR Bond                | EUR Allocation |                |
| Luxembourg  | Global Equity   | Europe Equity       | EUR Bond              | EUR Allocation          |                |                |
| Netherlands | Global Equity   | Europe Equity       | EUR Bond              | EUR Allocation          |                |                |
| Portugal    | Global Equity   | Europe Equity       | EUR Bond              | EUR Allocation          |                |                |
| Singapore   | Global Equity   | Asia Equity         | Global and Asian Bond |                         |                |                |
| Spain       | Global Equity   | Europe Equity       | Spain Equity          | EUR Bond                | EUR Allocation |                |
| Switzerland | Global Equity   | Europe Equity       |                       |                         |                |                |
| Taiwan      | Global Equity   | Asia Equity         | Taiwan Equity         | Global and Asian Bond   |                |                |
| UK          | Global Equity   | Europe ex UK Equity | UK Equity             | GBP Bond                | GBP Allocation |                |

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### Scoring System for Category Awards :

Each fund in a relevant grouping will be scored as follows:

Return Score = 80% of total score

Of the return score: 30% of total score, based on one-year return percentile rank in Morningstar Category

Three- and five-year: 50% of total score, of which

40% = three-year return percentile rank in Morningstar Category

60% = five-year return percentile rank in Morningstar Category

(Note: Three-year and five-year scores are scaled to represent 40% and 60% of the long-term portion of the return score, respectively. The three-year return score constitutes 20% of the total score, and the five-year return score constitutes 30% of the total score.)

Risk Score = 20% of total score

Of the risk score:

40% = three-year Morningstar Risk percentile rank in Morningstar Category

60% = five-year Morningstar Risk percentile rank in Morningstar Category

(Note: Three-year and five-year scores are scaled to represent 40% and 60% of the total risk score, respectively. The three-year risk score constitutes 8% of the total score, and the five-year risk score constitutes 12% of the total score.)

Based on above weights, the effective weight of each year in the calculation is as follows, including both risk and return (figures are rounded to nearest whole number):

|                 |     |
|-----------------|-----|
| Past one year   | 48% |
| Second year out | 18% |
| Third year out  | 18% |
| Fourth year out | 8%  |
| Fifth year out  | 8%  |

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### **Scoring System for Asset Manager Awards :**

Only those funds with five-year Morningstar Ratings are eligible for inclusion in the scoring (see below). Thus, funds without five-year records or funds in unrated Morningstar Categories are excluded from the scoring process.

For the Asset Manager Awards, we will calculate firm-level scores using the following methodology:

- Determine the five-year Morningstar Risk-Adjusted Return for each share class of each fund run by a given asset manager and the percentile rank of that return score within its Morningstar Category.
- Determine the average percentile rank of each fund's MRAR by taking the mean MRAR percentile rank of all its classes.
- Determine the mean percentile rank of each asset manager's MRAR by taking the mean of its funds' MRAR percentile ranks (the lower a group's mean percentile rank, the better its performance).

### **Scoring System for Asset Manager Sustainable-Investing Awards:**

Only those funds with a Morningstar Sustainability Rating are eligible for inclusion in the scoring (see below). Thus, funds without Sustainability Ratings are excluded from the scoring process.

For the Asset Manager Sustainable-Investing Awards, we will calculate firm-level scores using the following methodology:

- Determine the sustainability percent rank in global category for each fund run by a given asset manager.
- Determine the mean percentile rank of each asset manager's sustainability percent rank by taking the mean of its funds' sustainability percent ranks (the lower a group's mean percentile rank, the better its ESG scoring).

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