



Morningstar Awards for Investing Excellence Methodology

Morningstar Methodology Paper
January 2022

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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 for asset managers, complemented by Morningstar's sustainability metrics for funds and Manager Research analysts' knowledge of the fund groups they assess in the context of the Morningstar Analyst Rating for funds.

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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. If there are fewer than three nominated funds, no award will be made in that category.
- Morningstar analysts select the winner(s) by a majority vote. The winner(s) for each market is selected from those nominees that receive the highest number of votes and are available for sale locally.

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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. Eligible firms must also have at least five funds available for sale in the market to which the award applies.

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.
- 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. If there are fewer than three nominated firms in the applicable market, no award will be made.
- 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 and have at least five funds available for sale locally.

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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 Parent Pillar rating are eligible. Eligible firms must also have at least five funds available for sale in the market to which the award applies.

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.
- 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 (including reviewing the Morningstar ESG Commitment Level for asset managers when applicable) 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. If there are fewer than three nominated firms in the applicable market, no award will be made.
- 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 and have at least five funds available for sale locally.

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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 Adventurous Allocation
	EAA Fund GBP Cautious Allocation
	EAA Fund GBP Moderate Allocation
	EAA Fund GBP Moderately Adventurous Allocation
	EAA Fund GBP Moderately Cautious Allocation
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	EAA Fund Taiwan Large-Cap Equity
	EAA Fund Taiwan Small/Mid-Cap Equity

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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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