



# International Fund Awards Methodology, China

Morningstar Methodology Paper  
March 2023

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2023

## Morningstar International Fund Awards Methodology, China

### **Statement of Purpose**

The objective of the Morningstar Fund Awards is to recognize those funds that have added the most value within the context of a relevant peer group for investors over the past year and over the longer-term.

The awards are annual, so we believe it is appropriate to emphasize a fund's one-year performance. However, we do not believe that it serves investors well to give awards to funds that have posted a strong one-year return, but have otherwise not delivered good results for investors.

The awards methodology therefore emphasizes the one-year period, but funds must also have delivered strong three-year returns after adjusting for risk within the awards peer groups in order to obtain an award. We believe this will ensure that the awards are given to funds which have earned strong one-year results, and have also shown they have the ability to earn strong longer-term return without undue risk.

### **Eligible Universe**

Awards will be determined for each individual national fund market.

Only funds that are recorded in the Morningstar database as available for sale in a given market will be eligible to receive an award in that market.

The Morningstar (China) Annual Fund Awards selects the open-end funds established with the approval of the China Securities Regulatory Commission which have a performance history of more than three years by the end of 2022, whereas the number of funds in the same category is not less than 10. The selection criteria for fund awards include both quantitative screening and qualitative evaluation.

## Morningstar Category Awards Methodology

### Categories Eligible for Awards

- ▶ Equity Fund
- ▶ Allocation Fund
- ▶ Aggressive Bond Fund
- ▶ Normal Bond Fund
- ▶ Pure Bond Fund

### Quantitative Screen

Each fund in a relevant grouping will be subject to a quantitative screen as follows:

1. Annual return ranks in the first quartile among category peers (excluding index fund). Fixed Income fund is not constraint by this filter.
2. Superior Morningstar Risk Adjusted Returns (MRAR) compared to its peers. The effective weight of each calculation period is as follows:

Calculation Period	Weighted Percentage
1 Year	20%
2 Years	30%
3 Years	50%

3. Fund manager's tenure is more than one year and there is no material change to the fund's management team over the past year.

### Qualitative Review

Based on the above criteria, funds selected from each Morningstar Awards Category will be reviewed by Morningstar's qualitative research analysts in that market.

The analysts will complete the following checks:

4. Funds with less stable management team will be excluded. If the fund is a single manager fund, its portfolio manager should be at the helm for more than one year; the team managed fund should have at least one portfolio manager managing the fund for more than one year.
5. Any fund that is deemed to have more than 50% exposure in index-investing will be removed from the consideration. Morningstar Fund Awards only evaluates actively managed funds.
6. Volatility (as measured by standard deviation) and Morningstar Risk Coefficient (measurement of a fund's downside risk) are considered.

## **Award Selection**

Upon the completion of this review, the fund that demonstrates quantitative and qualitative merits in each eligible Morningstar Category thereof will receive the award for that Morningstar Category.