

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 Analyst Rating is Morningstar’s forward-looking, analyst-driven ratings system that takes the form of Gold, Silver, Bronze, Neutral, and Negative. The Analyst Rating denotes an analyst’s conviction in a fund’s investment merits. Analysts typically re-evaluate Analyst Ratings on an annual basis.	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 helps investors understand the vulnerability of their investment portfolios to environmental, social, and governance (ESG) factors. The Sustainability Rating is depicted by globe icons where a low ESG risk score equals 5 globes and a high ESG risk score 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 assigns the Analyst Rating to funds that analysts qualitatively assess, typically through manager interviews and other sources. That assessment turns on three key “pillars” — People, Process, and Parent — that yield an estimate of how well the analysts expect the fund to perform before fees but after adjusting for risk.	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.	The Morningstar Sustainability Rating uses an ESG Risk Rating, which is an absolute assessment of a company’s exposure to material ESG risk factors and can be used to compare across industries. The Sustainability Rating is a straightforward roll-up of the underlying ESG Risk Ratings of companies in the portfolio.
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 form expectations of how a fund will perform over a full market cycle when compared to a relevant benchmark index or similar funds.	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 understand and manage the ESG implications on their investments and compare ESG risk across industries.

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