

# Morningstar Manager Research Coverage Decision-Making

Morningstar Manager Research Analysts are the primary decision-makers in determining the strategies for which we will produce qualitative research ratings and reports.

## Philosophy

Morningstar operates an independent manager research model in which users of our research—not fund issuers—compensate us for our work. We determine our coverage universe to the benefit of investors. Through our global team, our independence and research breadth is key to ensuring that our coverage provides the necessary building blocks to construct client portfolios and achieve effective portfolio diversification. We aim to ensure there are sufficient high quality rated investment options across all asset classes and specialty sub-sectors. Globally we have coverage on approximately 4,000 funds, comprising mutual funds, ETFs, closed-ended funds and separate accounts (November 2019). Our analysts look for the best ideas based purely on investment merit, as assessed by our global research methodology; selection is not governed exclusively by the size of assets in a strategy, nor by track record length. Our analysts have full flexibility to cover a broad spectrum of both large and smaller strategies and we consider passive and active options across all asset classes. Client demand is also an important consideration when assessing a strategy for inclusion in our coverage.

## Determining Coverage

While our analysts are the primary decision-makers in determining the strategies for which we will produce qualitative research ratings and reports, we have in place formal Research Coverage Committees to provide oversight of our research coverage decision-making. These Coverage Committees consist of senior members of our Manager Research group and they provide experience and oversight, as well as a robust and transparent forum in which to determine the strategies to cover, based on the recommendations of our analysts and in consideration of client demand. As well as investment merit, in approving coverage, the Coverage Committees are looking for four ideals:

- **Balance.** Our clients require robust investment ideas across multiple asset classes. Our coverage universe must balance the requirements for breadth as well as depth.
- **Relevance.** Our coverage will favour the addition and coverage retention of strategies that have combined long-term investment merit and client demand.
- **Permanence.** Additions to coverage are only made with the expectation that strategies have long-term investment merit (at least five years).
- **Resources.** We want our analysts to spend their time focused on helping investors to find good investment ideas. The size of our coverage list must ensure this objective can be met to good effect.

## Contacts

Funds available for sale in North America: [sarah.bush@morningstar.com](mailto:sarah.bush@morningstar.com)

Funds available for sale in the U.K.: [jonathan.miller@morningstar.com](mailto:jonathan.miller@morningstar.com)

Funds available for sale in Europe/Asia: [wing.chan@morningstar.com](mailto:wing.chan@morningstar.com)

Funds available for sale in Australia/NZ: [aman.ramrakha@morningstar.com](mailto:aman.ramrakha@morningstar.com)