



Category Definitions

Malaysia Private Retirement Scheme (PRS)
Morningstar Methodology Paper
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Introduction

The Morningstar Categories for funds in the Malaysia Private Retirement Scheme universe were first established shortly after the establishment of the initiative by the Malaysian Government to help investors make meaningful comparisons between Investment funds. Morningstar regularly reviews the category structure and the funds within each category to ensure that the system meets the needs of investors and keeps pace with market developments.

The categories are based on the following principles:

- ▶ **Proper Evaluation:** Every category should form a benchmark against which a manager's ability to add value relative to peers with similar investment exposures can be meaningfully measured.
- ▶ **Transparency:** The rules defining each category should be clearly stated such the asset managers and investors can easily determine the rationale for a fund's classification.
- ▶ **Independence:** A funds classification is based on Morningstar's independent analysis of its holdings, objective and performance.
- ▶ **Stability:** With the exception of a clear change to a funds strategy, which will be addressed at such time as the change is evident, a funds categorization is based on its positioning through time with the trailing three years the default period evaluated. This enhances the stability of the classifications and is aligned with the interests of fund investors, who generally use funds as longer-term investments.

The categories include funds which are domiciled in Malaysia and registered as Private Retirement Scheme funds.

Allocation

Aggressive Allocation

Aggressive Allocation funds have a mandate to invest in a range of asset types. The majority of funds in the category will have a bias towards Malaysian equities and fixed income. The equity component will usually not exceed 70% in the normal running of the fund.

Cautious Allocation

Cautious Allocation funds have a mandate to invest only in Malaysian assets. Typically the majority of funds in the category will be invested in Malaysian fixed income assets with at least 20% of the fund invested in money market instruments. The equity component does not exceed 20% in the normal running of the fund.

Moderate Allocation

Moderate Allocation funds have a mandate to invest in a range of asset types. The majority of funds in the category will have a bias towards Malaysian equities and fixed income. The equity component will usually not exceed 60% in the normal running of the fund.

Equity

Other Equity

Other Equity funds invest over 70% of total assets in equities.

[Funds in this category do not receive a Morningstar Rating due to the diverse nature of the constituents.]

Bond

Other Bond

Other Bond funds invest predominantly in bonds and do not allow investment in equities.

[Funds in this category do not receive a Morningstar Rating due to the diverse nature of the constituents.]