

Morningstar Category™ Definitions



Morningstar Malaysia
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Introduction

The Morningstar Category™ classification system for funds lets institutions, advisers and investors effectively compare similar funds. We group funds which can be reasonably considered to be close investment alternatives, and for which performance and other statistical measures, such as fees, are comparable. The Morningstar Category classification system is a valuable referencing system to make fund selection efficient. Where possible, the Morningstar Category classification is intended to be compatible with Morningstar's portfolio building philosophy, providing a fundamental structure for effective portfolio diversification across all asset classes.

Criteria for determining 'close investment alternatives' include (in order) whether:

- ▶ The tax treatment and legal characteristics of the funds is the same;
- ▶ Benchmarks, stated maximum and minimum exposures to asset classes, and possibly actual total exposures to various sectors, are similar and fall within the Morningstar definitions;
- ▶ The funds could be considered to be alternatives for performance comparisons and other statistical analysis and in constructing an investor's portfolio;
- ▶ The fund's investment style and market capitalisation constituency is considered to be highly consistent for portfolio construction purposes; and
- ▶ There are any other criteria that should be considered relevant by Morningstar. (For example, statements from the fund manager, where appropriate, may be considered when determining the classification of a fund.)

Morningstar's Category classification system, constructed after consultation with local market participants, has been designed to ensure:

- ▶ Performance assessments can be made within groupings where both volatility and return can be justifiably compared;
- ▶ Statistical analysis, including ratings, within groupings can be justifiably compared;
- ▶ Easy choice of competing funds and market analysis through a logical referencing scheme;
- ▶ Analysis does not suffer from inconsistency of taxation treatment; and
- ▶ A classification system which is easily-understood, user-friendly, technically-defensible, and able to be implemented within reasonable timeframes.

Equity Funds

Equity - Malaysia Large-cap

Equity - Malaysia Large-cap funds invest primarily in large Malaysian companies. Stocks in the top 70% of the capitalisation of the broad Asia ex-Japan equity markets are defined as Large-cap. Funds in this category may invest a small amount (typically less than 20%, but periodically may be more) in Malaysian Mid/Small-caps. The primary exposure of a fund is determined using at least 36 months of portfolio holdings data supplied to Morningstar. Other manager disclosures may be used when the portfolio data is not disclosed. Sharia-compliant Malaysian Large-cap funds are included in Equity - Malaysia Large-cap (Sharia).

Morningstar Category Benchmark: FTSE Bursa Malaysia 100 TR MYR

Equity - Malaysia Large-cap (Sharia)

Equity - Malaysia Large-cap (Sharia) funds invest primarily in large Malaysian companies that meet the requirements of Sharia law and the principles of "Islamic finance". Stocks in the top 70% of the capitalisation of the broad Asia ex-Japan equity markets are defined as Large-cap. Funds in this category may invest a small amount (typically less than 20%, but periodically may be more) in Malaysian Mid/Small-caps. The primary exposure of a fund is determined using at least 36 months of portfolio holdings data supplied to Morningstar. Other manager disclosures may be used when the portfolio data is not disclosed.

Morningstar Category Benchmark: FTSE Bursa Malaysia EMAS Sharia TR MYR

Equity - Malaysia Mid/Small-cap

Equity – Malaysia Mid/Small-cap funds invest primarily in mid-sized and small Malaysian companies. Stocks in the bottom 30% of the capitalisation of the broad Asia ex-Japan equity markets are defined as Mid/Small-cap. Funds in this category may invest a small amount (typically less than 20%, but periodically may be more) in Malaysian Large-caps. The primary exposure of a fund is determined using at least 36 months of portfolio holdings data supplied to Morningstar. Other manager disclosures may be used when the portfolio data is not disclosed. Sharia-compliant Malaysian Mid/Small-cap funds are included in Equity - Malaysia Mid/Small-cap (Sharia).

Morningstar Category Benchmark: FTSE Bursa Malaysia Mid 70 TR MYR

Equity - Malaysia Mid/Small-cap (Sharia)

Equity – Malaysia Mid/Small-cap funds invest primarily in mid-sized and small Malaysian companies that meet the requirements of Sharia law and the principles of "Islamic finance". Stocks in the bottom 30% of the capitalisation of the broad Asia ex-Japan equity markets are defined as Mid/Small-cap. Funds in this category may invest a small amount (typically less than 20%, but periodically may be more) in Malaysian Large-caps. The primary exposure of a fund is determined using at least 36 months of portfolio holdings data supplied to Morningstar. Other manager disclosures may be used when the portfolio data is not disclosed.

Morningstar Category Benchmark: FTSE Bursa Malaysia Mid 70 TR MYR

Equity Funds

Equity - Malaysia Income

Equity - Malaysia Income funds invest primarily in Malaysian companies that have a history of providing a consistently dividend yield. Funds in this category may invest in Large-, Mid-, or Small-cap Malaysian companies. Funds in this category may augment their equity dividend earnings by investing a small amount (less than 10%) in other income generating securities such as money market instruments, bonds, or direct property. This category may contain Sharia-compliant funds.

Morningstar Category Benchmark: FTSE Bursa Malaysia 100 TR MYR

Equity – Asia Pacific ex-Japan

Equity – Asia Pacific ex-Japan funds invest primarily in companies that are domiciled in Asia Pacific countries, excluding Japan; Malaysia, Greater China, Singapore, South Korea, Taiwan, Thailand, Indonesia, the Philippines, Australia and New Zealand. Funds need not invest in all the countries listed and may also invest a small portion (less than 15%) in non-Asia-Pacific countries. The primary exposure of a fund is determined using at least 36 months of portfolio holdings data supplied to Morningstar. Other manager disclosures may be used when the portfolio data is not disclosed. Sharia-compliant are included in Equity - Asia Pacific ex-Japan (Sharia).

Morningstar Category Benchmark: MSCI AC Asia Pac Ex JPN NR USD

Equity – Asia Pacific ex-Japan (Sharia)

Equity – Asia Pacific ex-Japan funds invest primarily in companies that are domiciled in Asia Pacific countries (excluding Japan) that meet the requirements of Sharia law and the principles of “Islamic finance”. Asia Pacific ex-Japan countries include Malaysia, Greater China, Singapore, South Korea, Taiwan, Thailand, Indonesia, the Philippines, Australia and New Zealand. Funds need not invest in all the countries listed and may also invest a small portion (less than 15%) in non-Asia-Pacific countries. The primary exposure of a fund is determined using at least 36 months of portfolio holdings data supplied to Morningstar. Other manager disclosures may be used when the portfolio data is not disclosed.

Morningstar Category Benchmark: DJ Islamic Asia/Pacific TR USD

Equity – Asia Pacific

Equity – Asia Pacific funds invest primarily in companies that are domiciled in Asia Pacific countries; Japan, Malaysia, Greater China, Singapore, South Korea, Taiwan, Thailand, Indonesia, the Philippines, Australia and New Zealand. Funds need not invest in all the countries listed and may also invest a small portion (less than 15%) in non-Asia-Pacific countries. The primary exposure of a fund is determined using at least 36 months of portfolio holdings data supplied to Morningstar. Other manager disclosures may be used when the portfolio data is not disclosed. This category may contain Sharia-compliant funds.

Morningstar Category Benchmark: MSCI AC Asia Pac NR USD

Equity - ASEAN

Equity - ASEAN funds invest primarily in companies that are domiciled in ASEAN countries; Indonesia, Philippines, Vietnam, Thailand, Myanmar, Malaysia, Cambodia, Singapore, Laos, Brunei. Funds need not invest in all the countries listed and may also invest a very small portion (less than 5%) in non-ASEAN countries. The primary exposure of a fund is determined using at least 36 months of portfolio holdings data supplied to Morningstar. Other manager disclosures may be used when the portfolio data is not disclosed. This category may contain Sharia-compliant funds.

Morningstar Category Benchmark: FTSE AW ASEAN TR USD

Equity – Greater China

Equity – Greater China funds invest primarily in companies that are domiciled in China, Taiwan and Hong Kong. Funds may also invest a small portion (less than 10%) outside the region. The primary exposure of a fund is determined using at least 36 months of portfolio holdings data supplied to Morningstar. Other manager disclosures may be used when the portfolio data is not disclosed. This category may contain Sharia-compliant funds.

Morningstar Category Benchmark: MSCI Golden Dragon NR USD

Equity – Global

Equity – Global funds invest primarily in companies listed from around the globe. Funds in this category may have small biases to or concentrations in specific regions or countries, but the general region-level exposure will be similar to that of the benchmark. The primary exposure of a fund is determined using at least 36 months of portfolio holdings data supplied to Morningstar. Other manager disclosures may be used when the portfolio data is not disclosed. This category may contain Sharia-compliant funds.

Morningstar Category Benchmark: MSCI ACWI NR USD

Equity – Emerging Markets

Equity – Global funds invest primarily in companies domiciled in emerging market countries, such as China, India, Brazil, Mexico, Russia, Turkey, Indonesia, the Philippines and Peru. Funds may also invest a small portion (less than 10%) outside the region. The primary exposure of a fund is determined using at least 36 months of portfolio holdings data supplied to Morningstar. Other manager disclosures may be used when the portfolio data is not disclosed. This category may contain Sharia-compliant funds.

Morningstar Category Benchmark: MSCI EM NR USD

Equity – Country Focus

Equity –Country Focus funds invest in companies domiciled in a single country or narrowly-defined region. Funds in this category do not receive a Morningstar Rating, and a Category Average is not calculated for the category, due to the potentially diverse nature of the constituents. The primary exposure of a fund is determined using at least 36 months of portfolio holdings data supplied to Morningstar. Other manager disclosures may be used when the portfolio data is not disclosed. This category may contain Sharia-compliant funds.

Equity – Sector Focus

Equity –Sector Focus funds invest in companies classified into a single industry or narrowly-defined sector. Funds in this category do not receive a Morningstar Rating, and a Category Average is not calculated for the category, due to the potentially diverse nature of the constituents. The primary exposure of a fund is determined using at least 36 months of portfolio holdings data supplied to Morningstar. Other manager disclosures may be used when the portfolio data is not disclosed. This category may contain Sharia-compliant funds.

Equity – Other

Equity –Other funds invest in the shares of companies but otherwise do not meet the criteria for inclusion in any other Equity category. Funds in this category do not receive a Morningstar Rating, and a Category Average is not calculated for the category, due to the potentially diverse nature of the constituents. This category may contain Sharia-compliant funds.

Blended Funds

Blended - Conservative

Blended - Conservative funds have portfolios that are invested in a number of asset classes with a dominant exposure to cash and bonds. Funds in this category are expected to consistently have an average mid- to long-term allocation of 30% or less to equity, property and alternative asset classes. Classification is based upon the funds published strategic asset allocation, if available. Otherwise, a combination of historical asset class exposure, using a minimum of 36 months of portfolio holdings, and other manager disclosures are used to estimate the mid- to long-term average exposure of the fund to various asset classes. This category may contain Sharia-compliant funds.

Morningstar Category Benchmark: Markit iBoxx ABF MYS TR LCL

Blended – Balanced

Blended - Balanced funds have portfolios that are invested in a number of asset classes with a relatively even exposure to both lower risk asset classes (such as cash and bonds) and higher risk asset classes (equity, property and alternatives). Funds in this category are expected to consistently have an average mid- to long-term allocation of between 30% and 70% to equity, property and alternative asset classes. Classification is based upon the funds published strategic asset allocation, if available. Otherwise, a combination of historical asset class exposure, using a minimum of 36 months of portfolio holdings, and other manager disclosures are used to estimate the mid- to long-term average exposure of the fund to various asset classes. Sharia-compliant Blended - Balanced funds are included in Blended - Balanced (Sharia).

Morningstar Category Benchmark: MSCI ACWI NR USD

Blended – Balanced (Sharia)

Blended – Balanced (Sharia) funds have portfolios that are invested in a number of asset classes with a relatively even exposure to both lower risk asset classes (such as cash and bonds) and higher risk asset classes (equity, property and alternatives). Funds in this category are expected to consistently have an average mid- to long-term allocation of between 30% and 70% to equity, property and alternative asset classes and invest in securities that meet the requirements of Sharia law and the principles of “Islamic finance”. Classification is based upon the funds published strategic asset allocation, if available. Otherwise, a combination of historical asset class exposure, using a minimum of 36 months of portfolio holdings, and other manager disclosures are used to estimate the mid- to long-term average exposure of the fund to various asset classes.

Morningstar Category Benchmark: MSCI ACWI NR USD

Blended Funds

Blended - Aggressive

Blended - Aggressive funds have portfolios that are invested in a number of asset classes with a relatively small exposure to cash and bonds. Funds in this category are expected to consistently have an average mid- and long-term allocation of 70% or more to equity, property and alternative asset classes. Classification is based upon the funds published strategic asset allocation, if available. Otherwise, a combination of historical asset class exposure, using a minimum of 36 months of portfolio holdings, and other manager disclosures are used to estimate the mid- to long-term average exposure of the fund to various asset classes. This category may contain Sharia-compliant funds.

Morningstar Category Benchmark: MSCI ACWI NR USD

Blended - Flexible

Blended - Flexible funds have portfolios that are invested in a number of asset classes, but cannot be said to have a long-term dominant exposure to either low risk or higher risk asset class. The managers of funds in this category are expected to employ an active management style, making significant changes to asset class exposure over time to exploit perceived asset class pricing errors. Classification is based upon the funds published strategic asset allocation, if available, where the permissible allocation ranges to various asset classes is very wide. Otherwise, a combination of historical asset class exposure, using a minimum of 36 months of portfolio holdings, and other manager disclosures are used to estimate whether the range of short- to mid-term exposure of the fund to various asset classes is significantly wide. This category may contain Sharia-compliant funds.

Morningstar Category Benchmark: MSCI ACWI NR USD

Blended - Other

Blended - Other funds have portfolios that are invested in a number of asset classes but otherwise do not meet the criteria for inclusion in any other Blended category. Funds in this category do not receive a Morningstar Rating, and a Category Average is not calculated for the category, due to the potentially diverse nature of the constituents. This category may contain Sharia-compliant funds.

Money Market

Money Market - Malaysia

Money Market - Malaysia funds invest predominantly in highly-liquid securities, such as bank deposits and bank bills. The overall maturity is expected to be less than one year. Exposure to cash/overnight accounts are also included. Sharia-compliant Money Market - Malaysia funds are included in Money Market - Malaysia (Sharia).

Morningstar Category Benchmark: MYIBOR 3 Month MYR

Money Market – Malaysia (Sharia)

Money Market - Malaysia funds invest predominantly in highly-liquid securities, such as bank deposits and bank bills and that meet the requirements of Sharia law and the principles of “Islamic finance”. The overall average maturity is expected to be less than one year. Exposure to cash/overnight accounts are also included.

Morningstar Category Benchmark: MYIBOR 3 Month MYR

Bonds

Bonds – Malaysia

Bonds - Malaysia funds invest predominantly in bonds and similar fixed interest (fixed income) securities issued by the Malaysian government and Malaysian corporations. Funds in this category may invest in securities with a short- or long-term maturity, and of varying levels of credit quality. The overall average maturity is expected to be greater than one year. Sharia-compliant Bonds - Malaysia funds are included Bonds - Malaysia (Sharia).

Morningstar Category Benchmark: Markit iBoxx ABF MYS TR LCL

Bonds – Malaysia (Sharia)

Bonds - Malaysia funds invest predominantly in bonds and similar fixed interest (fixed income) securities issued by the Malaysian government and Malaysian corporations that meet the requirements of Sharia law and the principles of "Islamic finance". Funds in this category may invest in securities with a short- or long-term maturity, and of varying levels of credit quality. The overall average maturity is expected to be greater than one year.

Morningstar Category Benchmark: Markit iBoxx ABF MYS TR LCL

Bonds – Global Hedged

Bonds - Global Hedged funds invest predominantly in bonds and similar fixed interest (fixed income) securities issued by foreign governments and non-Malaysian corporations, and employ a hedging strategy to counteract the impact of exchange rate changes. Funds in this category may invest in securities with a short- or long-term maturity, and of varying levels of credit quality. The overall average maturity is expected to be greater than one year. This category may contain Sharia-compliant funds.

Morningstar Category Benchmark: Barclays Global Aggregate TR USD

Bonds – Global

Bonds - Global funds invest predominantly in bonds and similar fixed interest (fixed income) securities issued by foreign governments and non-Malaysian corporations, but do not employ a hedging strategy to counteract the impact of exchange rate changes. Funds in this category may invest in securities with a short- or long-term maturity, and of varying levels of credit quality. The overall average maturity is expected to be greater than one year. This category may contain Sharia-compliant funds.

Morningstar Category Benchmark: Barclays Global Aggregate TR USD

Bonds – Asia

Bonds - Asia funds invest predominantly in bonds and similar fixed interest (fixed income) securities issued by Asian governments and corporations. A small (less than 10 percent) allocation to equity is permitted. Funds in this category may invest in securities with a short- or long-term maturity, and of varying levels of credit quality. The overall average maturity is expected to be greater than one year. This category may contain Sharia-compliant funds.

Morningstar Category Benchmark: JPM GBI Asia Pacific Div 1-10Y TR USD

Bonds – Emerging Markets

Bonds – Emerging Markets funds invest predominantly in bonds and similar fixed interest (fixed income) securities issued by emerging markets governments and corporations. A small (less than 10 percent) allocation to equity is permitted. Funds in this category may invest in securities with a short- or long-term maturity, and of varying levels of credit quality. The overall average maturity is expected to be greater than one year. This category may contain Sharia-compliant funds.

Morningstar Category Benchmark: JPM EMBI Global TR USD

Bonds – Other

Bonds – Other funds invest predominantly in bonds and similar fixed interest (fixed income) securities but otherwise do not meet the criteria for inclusion in any other Bonds category. Funds in this category may invest in securities with a short- or long-term maturity, and of varying levels of credit quality. The overall average maturity is expected to be greater than one year. This category may contain Sharia-compliant funds.

Property

Property – Indirect Asia

Property – Indirect Asia funds invest predominantly in property assets, via instruments called Real Estate Investment Trusts, with a significant bias toward the Asian region. Funds in this category may have invest a small proportion (less than 15%) of their portfolio in non-Asian real estate assets. This category may contain Sharia-compliant funds.

Morningstar Category Benchmark: FTSE EPRA/NAREIT Developed Asia TR USD

Property – Indirect Non-Asia

Property – Indirect Non-Asia funds invest predominantly in property assets, via instruments called Real Estate Investment Trusts, from around the globe. Funds in this category may have invest a small proportion (less than 15%) of their portfolio in Asian real estate assets. This category may contain Sharia-compliant funds.

Morningstar Category Benchmark: FTSE EPRA/NAREIT Developed TR USD

Other

Other – Target Date

Other- Target Date funds are investment vehicles that are managed to a specific fixed maturity date, or that have conditions that, once triggered, would cause the fund to be automatically liquidated. Funds in this category may follow vastly different investment strategies. Funds in this category do not receive a Morningstar Rating, and a Category Average is not calculated for the category, due to the potentially diverse nature of the constituents. This category may contain Sharia-compliant funds.

Other – Protected or Guaranteed

Other- Protected or Guaranteed funds are investment vehicles that either provide significant protection against losses or are otherwise guaranteed. Funds in this category may follow vastly different investment strategies. Funds in this category do not receive a Morningstar Rating, and a Category Average is not calculated for the category, due to the potentially diverse nature of the constituents. This category may contain Sharia-compliant funds.

Other – Miscellaneous

Other- Miscellaneous funds do not conform to the criteria for inclusion in any other category. Funds in this category do not receive a Morningstar Rating, and a Category Average is not calculated for the category, due to the potentially diverse nature of the constituents. This category may contain Sharia-compliant funds.

Morningstar Category Listing

Money Market - Malaysia

Money Market - Malaysia (Sharia)

Bonds - Asia

Bonds - Emerging Markets

Bonds - Global

Bonds - Global Hedged

Bonds - Malaysia

Bonds - Malaysia (Sharia)

Bonds - Other

Equity - ASEAN

Equity - Asia Pacific

Equity - Asia Pacific ex-Japan

Equity - Asia Pacific ex-Japan (Sharia)

Equity - Country Focus

Equity - Emerging Markets

Equity - Global

Equity - Greater China

Equity - Malaysia Income

Equity - Malaysia Large-cap

Equity - Malaysia Large-cap (Sharia)

Equity - Malaysia Mid/Small-cap

Equity - Malaysia Mid/Small-cap (Sharia)

Equity - Other

Equity - Sector Focus

Blended - Aggressive

Blended - Balanced

Blended - Balanced (Sharia)

Blended - Conservative

Blended - Flexible

Blended - Other

Property - Indirect Asia

Property - Indirect Non-Asia

Other - Miscellaneous

Other - Protected or Guaranteed

Other - Target Date