Morningstar® Analyst Rating™ for Closed-End Funds

Overview
Given the level of uncertainty surrounding global financial markets, the need for investors and their intermediaries to have access to objective, unbiased, long-term focused research has never been greater. Morningstar analyst research provides insights into a fund’s sustainable advantages and forward-looking perspective into how it might behave in a variety of market environments, helping investors choose better-quality funds, maintain realistic performance expectations and manage their portfolios more wisely.

Long History. Morningstar has produced written, analyst-driven research on funds dating back to 1986.

Investors First. Morningstar always conducts its research with the end investor’s best interests in mind. The length and depth of research made available will adjust to meet the needs and sophistication level of intermediaries and institutional investors who advise investors.

Independence. Morningstar does not charge fund companies to be rated, nor do fund companies commission research or ratings. Morningstar commercializes its fund research by including ratings and reports in various products and through licensing its intellectual property after it conducts its research. Morningstar’s decision to report on a fund is determined solely by the analyst team.

Relevant Coverage. The analyst teams determine relevant coverage based on asset size, investment merit and market demand to ensure they cover funds that matter most to investors.

Balanced Ratings Scale. The Morningstar Analyst Rating™ for funds has been developed to not only identify good funds, but also mediocre and poor investments through neutral and negative ratings. The Analyst Rating is a qualitative, forward-looking measure based on analyst research, whereas the well-known Morningstar Rating™ for funds, or the “star rating,” is a purely quantitative, backward-looking measure that rates historical performance based on risk- and cost-adjusted returns without any input from Morningstar’s analysts.

Local and Global Expertise. Morningstar has a team of more than 90 analysts located in markets across the world. The largest concentration of analysts exists in Chicago, London, Sydney and Toronto.

Research Methodology: The Five Pillars
Morningstar evaluates funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

People
How talented are the fund’s managers and analysts? Do they have the experience and resources to execute the strategy?

Process
What is the fund’s strategy and does management have a competitive advantage enabling it to implement the strategy well over time?

Performance
Is the fund’s performance pattern logical given its strategy? Has the fund earned its keep with strong risk-adjusted returns over relevant time periods?

Parent
What priorities prevail at the firm? Stewardship or salesmanship?

Price
Is the fund’s price fair value given its performance and prospects compared with similar funds sold through similar channels?
Morningstar Analyst Rating for Funds
The Morningstar Analyst Rating for funds is the summary expression of Morningstar’s forward-looking analysis of a fund. Morningstar analysts assign the ratings on a five-tier scale: Elite, Superior, Standard, Inferior, and Impaired. The Analyst Rating is based on the analyst’s conviction in the fund’s ability to outperform its peer group and/or relevant benchmark on a risk-adjusted basis over the long term. If a fund receives a rating of Elite or Superior, it means Morningstar analysts think highly of the fund and expect it to outperform over the long term. The Analyst Rating does not express a view on a given asset class or peer group, but seeks to evaluate each fund within the context of an appropriate benchmark and peer group given what the fund is trying to achieve with its portfolio.

Morningstar Global Fund Research Reports
While the Analyst Rating offers a distillation of Morningstar’s view on a fund, the background for that rating is available in Morningstar’s Closed-End Fund Research Reports. Reports focus on the most relevant data surrounding the five pillars and also include a written analysis of the fund and support for the rating. In-depth reports include additional analysis about each pillar and a wealth of graphics, data, and other statistics that showcase the most important information about a fund over time and in the appropriate context.