Morningstar Medalist Ratings – Category Changes

The Morningstar Category™ classification system for funds enable institutions, advisers and investors to effectively compare like funds. The Morningstar Medalist Rating framework is underpinned by Morningstar's Category classification system. As such, any change to the category's constituents or category definitions can impact the Morningstar Medalist Ratings.

Effective 30 April 2024, Morningstar Australia will add two new categories and will retire one existing category. It is expected these changes will result in changes to some of the Morningstar Medalist Ratings from 29 May 2024.

What's changing?

The existing "Equity Australia Derivative Income" category will be retired and the "Australia Equity Income" category will be added. The "Alternative – Private Equity" category will also be added.

What's the impact to Morningstar Medalist Ratings?

The "Equity Australia Derivative Income" category was not eligible for algorithmically generated Medalist Ratings, however the "Australia Equity Income" will now be eligible. It is expected that relevant funds will be re-categorised from adjacent categories including "Australia Equity Large Value" to populate within the "Australia Equity Income" category. This may result in some changes to the Medalist Ratings in these adjacent categories as the distribution of ratings is re-established across a different number of category constituents. Medalist Ratings for funds moved into the "Australian Equity Income" category will also be re-calculated based on their relative positioning within the new category. These updated Medalist Ratings will be displayed from 29 May 2024.

Alternative categories are currently not eligible for algorithmically generated Medalist Ratings and no impact is expected from the creation of the "Alternative – Private Equity" category.

Category Definitions

The newly added Morningstar Category definitions are:

Equity Australia Equity Income
Australia Equity Income funds invest principally in Australian equities that seek to generate above-market levels of income. This may be achieved through investing in higher yielding stocks, or by using derivatives to complement the income generated from dividends. Funds in this category will typically exhibit a large-cap bias.

Morningstar Category Benchmark: S&P/ASX 200 TR

Alternative – Private Equity
Private equity funds primarily hold equity of non-publicly traded companies in the form of direct private equity. Private equity holdings may be in the form of primaries, secondaries, co-investments, or fund of fund structures. The portfolio may also contain holdings across the life cycle of a company including venture capital, growth and expansion companies, buyouts, and restructurings. There may be material private debt, listed private equity management companies, liquid private markets holdings or other liquid alternatives to provide liquidity. Liquidity for redemptions is generally offered monthly or quarterly and can be capped depending on the requirements of the fund.

Morningstar Category Benchmark: MSCI World GR AUD

What are the universes and categories covered by the Morningstar Medalist Ratings?

Analysts may cover and generate Medalist Ratings across most universes, including open-end funds, superannuation and pension funds, exchange-traded funds, and closed-end funds. Analysts may generate Medalist Ratings across most categories. However, funds in the Australian Cash category are generally not covered.

Algorithmically generated Medalist Ratings cover ETFs and open-end funds only; closed-end funds are excluded.

The superannuation, pension, and annuities universes and the managed account and managed portfolio universes do not receive algorithmically generated Medalist Ratings at this stage.

There are a number of categories that will not receive algorithmically generated Medalist Ratings including all the alternatives categories: macro trading, multistrategy, systematic trend, "other," private debt, and private equity. These categories are not eligible for algorithmic coverage because of limited peer-group size and limitations on available portfolio data. This also applies to the cash, geared, long-short, commodities and precious metals, global resources, mortgages, unlisted and direct property, equity "other," and miscellaneous categories.

At this stage, investments within the emerging-markets debt, inflation-linked bond, equity Europe, equity Japan, equity Greater China, global technology, and multisector life stages categories in Australia do not receive algorithmically generated Morningstar Medalist Ratings. Finally, New Zealand categories do not receive algorithmically generated Medalist Ratings.

If you have any questions or feedback, please contact our support team.
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Kind regards,

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