



# The New Morningstar Style Box™ and Morningstar Rating™

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# New Style Box Methodology

**The Horizontal Axis:  
Style**

**Value Score Components and Weights**

- Forward-looking measures 50.0%**
  - ▶ Price-to-projected earnings

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- Historical-based measures 50.0%**
  - ▶ Price-to-book 12.5%
  - ▶ Price-to-sales 12.5%
  - ▶ Price-to-cash flow 12.5%
  - ▶ Dividend yield 12.5%

**Growth Score Components and Weights**

- Forward-looking measures 50.0%**
  - ▶ Long-term projected earnings growth

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- Historical-based measures 50.0%**
  - ▶ Historical earnings growth 12.5%
  - ▶ Sales growth 12.5%
  - ▶ Cash flow growth 12.5%
  - ▶ Book value growth 12.5%

**The Vertical Axis:  
Market Capitalization**

Top 70% of the market: Large Cap  
 Next 20%: Mid Cap  
 Next 10%: Small and Micro Cap

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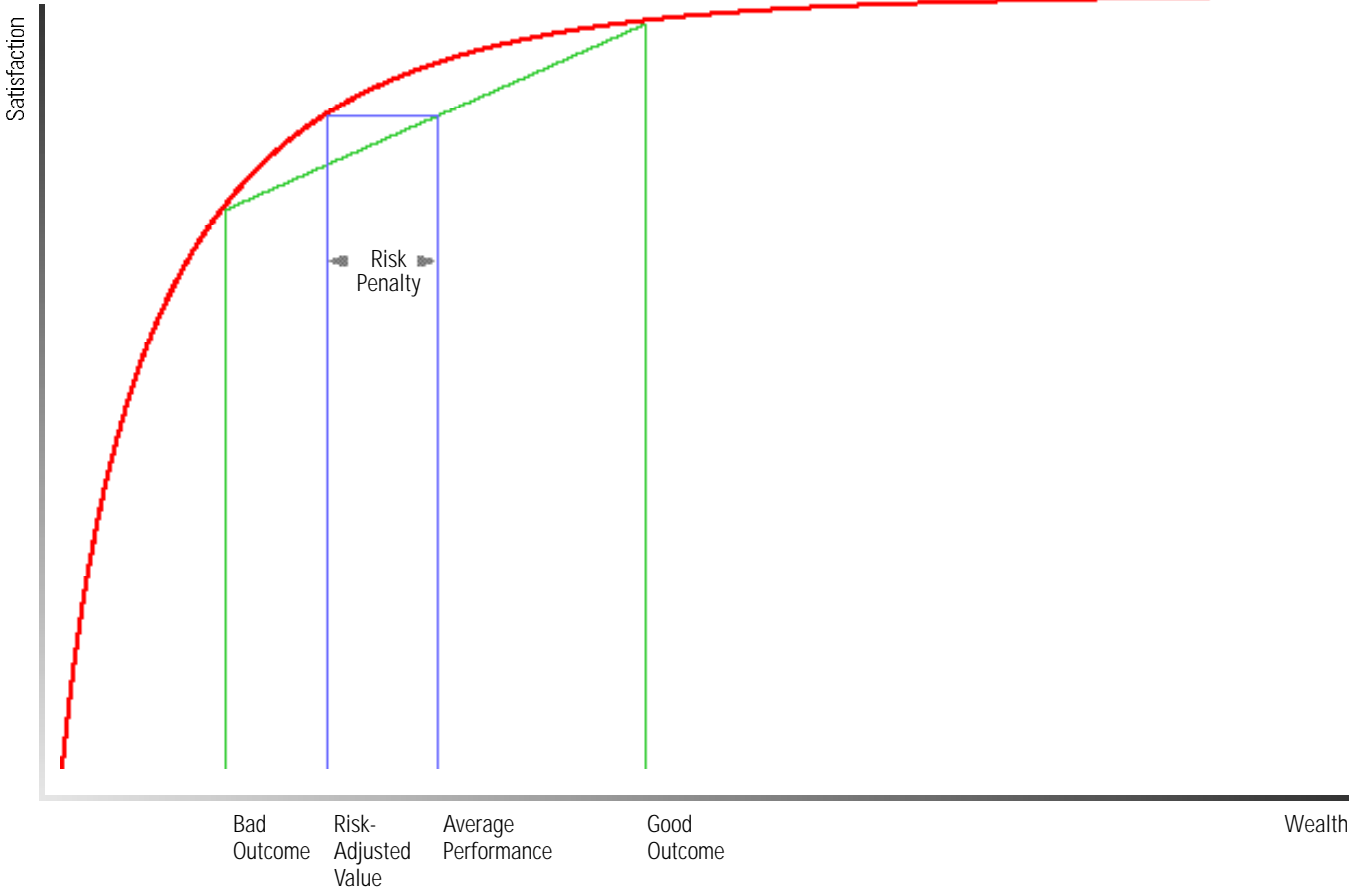
## Key Features of the New Rating

- ▶ Category based
  - “Buffering” safeguards to ensure fair comparisons
  - Portfolios, not funds
- ▶ Methodology improvements
  - Enhanced treatment of risk
  - Potential for mapping to individual risk levels to allow advisors to create client-specific ratings

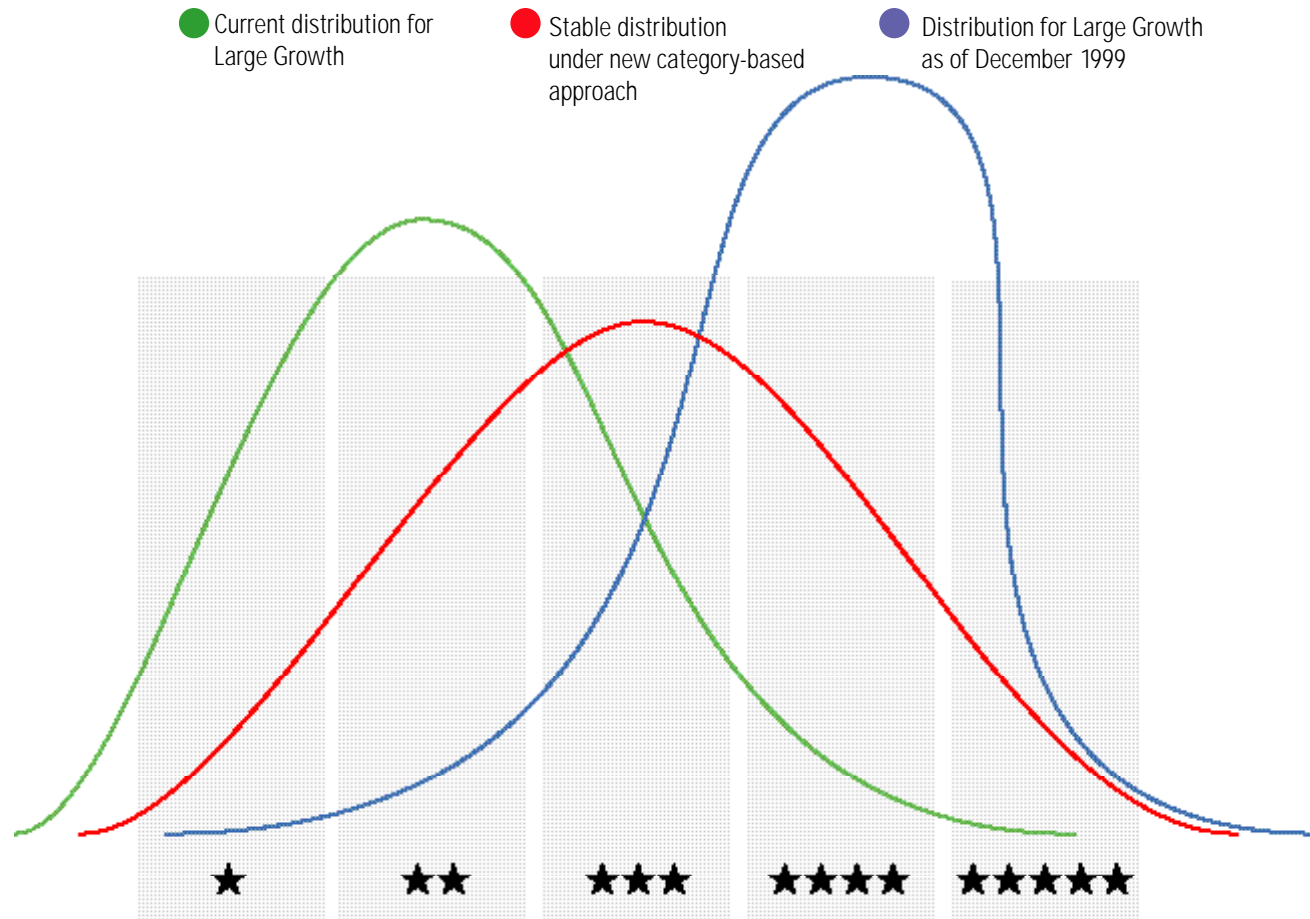
# Treatment of Mutiple Share Classes

	Old			New		
	Fund	Share Class		Fund	Share Class	
★★★★★	Fund One	A	●	Fund One	A	◐
		B	●		B	◐
					C	◐
					D	◐
	Fund Two	—	●	Fund Two	—	●
★★★★		C	●			
		D	●			
	Fund Two	—	●			

# Expected Utility Theory



# Practical Implications



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## Key Benefits

- ▶ Provides more focused comparison groups to help investors build better portfolios
- ▶ Is more sensitive to manager skill and fund quality and less sensitive to recent overall performance of the category
- ▶ Gives investors the ability to quickly and easily identify funds that are worthy of further research, those with superior risk-adjusted returns