Classification Policy

Australian Investments

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Contents

1 Objectives of this document

The objective of this document is to describe the Morningstar classification system for managed investments and to define the key components of the system. We outline the methodology used to determine the classifications for most managed investments so that everyone can have a clear understanding of the rationale behind the Morningstar fund peer groups.

This document has been compiled in conjunction with Morningstar's global offices to meet the requirements of our clients domestically and globally. This relates to a dynamic industry where change is constant. In such an environment it is sometimes necessary for Morningstar to make changes to the classification of certain funds so that they meet the dynamic needs and requirements of advisers and their investors.

2 Objectives of the Morningstar Classification System

The objective of the Morningstar classification system is to meet the needs of the majority of our clients by providing groupings of funds which can be reasonably considered to be close investment alternatives and for which performance and other statistics such as fees are comparable. The system has also been constructed to provide investors with a valuable referencing scheme to make fund selection much more efficient. Where possible, these classifications are intended to be compatible with Morningstar's portfolio building philosophy by 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

▶ Any other criteria 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 aim is to maintain a classification system which achieves widespread market acceptance in the following areas:

▶ performance comparisons 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 which does not suffer from inconsistency of taxation treatment; and

▶ a classification system which is easily-understood, user-friendly, technically-defensible, and implemented without great expense so that classifications can be produced in reasonable timeframes.

3 Application of the Classification System

This classification system applies to all publicly-available retail and wholesale funds in the Morningstar database.

We include here definitions related to the broad investment universe, offering, fund type, legal types, sectors, investment style, categories, and overall peer groups. We start by defining critical terms including terms related to the assets in which managed investments invest. The Morningstar classification system is flexible and transparent, making peer group comparability more effective for investors, advisers, and institutions.

4 Asset Classes and Investment Sectors

Asset classes are the broadest groupings of assets that are defined in a portfolio of managed investments. The next filter we use is sector definitions which relate the assets to a region and/or industry within an asset class. The asset classes and sectors that are used for the purpose of determining Morningstar categories are:

Asset Class	Sector
EQUITY	Equity Region Australia
	Equity World
	Equity World/Australia
	Equity Region North America
	Equity Region Europe
	Equity Region Asia/Pacific Diversified - w/o Japan
	Equity Region Japan
	Emerging Markets
	Equity Sector Australia - Real Estate
	Equity Sector Australia - Natural Resources
	Equity Sector Global - Technology
	Equity Sector Global - Real Estate
BALANCED*	Multisector - Conservative
	Multisector - Moderate
	Multisector - Balanced
	Multisector - Growth
	Multisector - Aggressive
FIXED INCOME	Australian Cash
	Australian Cash Enhanced
	Mortgages
	Mortgages - Aggressive
	Australian Bonds
	Global Bonds
	Global/Australian Bonds
	Diversified Credit
	High Yield
	Multi-Strategy Income
	Reserve-Backed
OTHER**	Alternative - Australia Hedge Funds
	Alternative - Australia Long/Short
	Alternative - Australia Agricultural
	Alternative - Australia Infrastructure
	Alternative - Australia Private Equity
	Alternative - Global Hedge Funds
	Alternative - Global Long/Short
	Alternative - Global Infrastructure
	Unlisted and Direct Property - Australia
	Unlisted and Direct Property - Global
	Miscellaneous

*'Balanced' does not constitute an asset class by definition, however it is a broad investment class which does form part of the Morningstar categories for Multisector funds.

** 'Other' does not constitute an asset class by definition, however it is a broad investment class which does form part of the Morningstar categories for various investment alternatives.

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5 Definition of Growth Sectors

Asset classes are then subdivided further into growth and income sectors, and then further within these two sectors. Where there are a number of sectors within the fund's investment universe, we may classify the fund as multisector. By defining the portion of growth sectors within a fund, peer groupings for multisector funds can be assigned based on the portion of assets within the growth and non-growth (income) sectors.

Growth Sectors	**Non-growth (Income) Sectors**
Domestic equities	Domestic cash
International equities	International cash
Domestic property	Domestic bonds
International property	International bonds
Alternative assets	

* Assigning alternative assets into a growth sector may be warranted, however this depends largely upon the strategies that are employed by the fund manager.

6 Fund Investment Style and Size

Morningstar has introduced a critical element into the fund classification system, an examination of the investment style and market capitalisation composition of a fund. Morningstar's investment style analysis assigns each equity fund into either value, blend, or growth investment style using Morningstar's proprietary '10 factor' style methodology to examine the style attributes of each fund. By assigning a fund into a style-based grouping, a more narrowly-defined analysis can be performed.

The depth of detail provided by Morningstar's investment style analysis of a fund in this classification structure enables advisers and their investors to diversify their portfolios more effectively. It also makes more effective peer group comparisons possible, given that there is consistency with the underlying style characteristics of a peer grouping, providing more refined comparative statistics. The risk composition of peer groups is narrowed further once the size/market-cap of the underlying securities has been considered in conjunction with the fund's investment style.

Equity Fund Style	**Equity Fund Size**
Value	Large
Blend	Mid/Small
Growth	General*
General*	

*'General' applies to sectors that do not have specific style and size characteristics to differentiate between funds.

Not all sectors are classified into specific style and size groupings, particularly since some

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sectors are already narrowly-defined with regard to their risk profile. In addition to this, the style and size analysis is more prominent with diversified equities funds that have exposure to a number of industries, both domestically and internationally. For this reason, style and size classifications are limited to domestic and international equities funds.

7   Assigning a Fund to a Category

A fund category is based on exposure to asset classes, investment sectors, the investment style and market-cap allocation, and the associated risk and return characteristics of funds. These factors are considered when constructing the Morningstar categories so that peer group comparisons can be performed reliably across the whole Morningstar fund universe.

In determining a fund's category classification, the fund is first allocated to an asset class, followed by an allocation to a sector. Once they have been determined, the size and style constituency of the fund is considered, with particular regard to equities-based assets, where applicable. The style and size allocation is combined with the asset class and sector to arrive at narrowly-defined classifications of risk exposure.

To determine classification in a Morningstar category, the steps taken by Morningstar are as follows:
Review the fund's benchmark asset allocation as provided by the fund manager, and interpret the benchmark figures as the exposure to a particular asset class and sector. Equities funds are required to provide a history of the fund's portfolio holdings data so that a fund can be incorporated into Morningstar's '10 factor' Style Box methodology. This holdings data must be updated at least quarterly. Once the Morningstar Style Box methodology is applied to a fund's complete portfolio holdings data, the fund style and market capitalisation constituency of a fund can be reliably determined and the appropriate category assigned to the fund.

If benchmark and asset allocation range information is not available to Morningstar, the objectives and actual asset allocation history of the fund will be considered. Additionally, if historical fund investment style data is not available, the appropriate categorisation for equities-based funds is made in conjunction with Morningstar's qualitative research team.

Finally, all available evidence will be reviewed to determine if discretion should be applied in classification.

"Available" here means that the data is already included in the Morningstar database. On an ongoing basis, Morningstar will continue to monitor benchmark and actual asset allocation data, together with fund investment style, to ensure that the fund's original classification remains appropriate.

Morningstar may also consult with fund managers on the classification(s) of their fund(s) in situations where there is not obvious clarity. Morningstar reserves the right to make the final decision on classification of any fund under its classification system and to apply its discretion at all times. The application of this discretion will ensure that funds can be compared fairly as stated in the objectives of this document. Where uncertainty or ambiguity exists, Morningstar will undertake the research necessary to ensure appropriate categorisation. Funds that do not fit

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into a well-populated category will be placed into a Miscellaneous category so that they have at least basic representation on the Morningstar database.

Once classified, it is expected that a fund's category will rarely change. Changes will usually only occur because of substantial changes to a fund's strategy or objectives.

Numbers of Funds Required to Create a Category

Given the diverse range of funds that are available to investors, the number and form of categories which could be created are almost limitless. In the interest of keeping the structure simple and accessible to investors, advisers, and fund managers, Morningstar uses its discretion to construct additional categories, ensuring that categories will be limited to peer groupings that are considered to be reasonably well-populated for any comparative analysis. Where a fund does not fall into a prescribed category, and the creation of a new category is not justified, then a fund may fall into a Miscellaneous category so that it can be included within the classification scheme. Funds that fall into Miscellaneous categories are not considered to be reasonable substitutes for each other, and as such should not form the basis of peer group comparisons.

Category Structure

Asset Class -----> Sector ------> Style ------> Size = Morningstar Category

Table of Australian Category List overleaf…

Australian Category List

Equity Region Australia Other	Multisector - Conservative
Equity Region Australia Large Value	Multisector - Moderate
Equity Region Australia Large Blend	Multisector - Balanced
Equity Region Australia Large Growth	Multisector - Growth
Equity Region Australia Large Geared*	Multisector - Aggressive
Equity Region Australia Mid/Small Value	World/Australian Bonds
Equity Region Australia Mid/Small Blend	Reserve Backed
Equity Region Australia Mid/Small Growth	Specialty Australian Bonds – Cash
Equity World / Australia	Specialty Australian Bonds – Cash Enhanced
Equity World Large Value	Australian Bonds – Diversified
Equity World Large Blend	Mortgages
Equity World Large Growth	Specialty Australian Bonds – High Yield
Equity World Mid/Small Value	Global Bond – Diversified
Equity World Mid/Small Blend	Hybrid Income
Equity World Mid/Small Growth	Alternative – Australia Hedge Funds
Equity World Other	Alternative – Australia Long/Short
Equity Region North America	Alternative – Australia Agricultural
Equity Region Europe	Alternative – Australia Private Equity
Equity Region Asia Pacific w/o Japan	Alternative – Global Hedge Funds
Equity Region Japan	Alternative – Global Long/Short
Equity Sector Australia Real Estate	Unlisted and Direct Property – Australia
Equity Sector Australia – Natural Resources	Unlisted and Direct Property – Global
Equity Sector Global – Technology	Miscellaneous
Equity Sector Global – Real Estate	

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8   Definition of Legal Types for Australia

Legal type is used as another tier in grouping managed funds in the peer group system. A separate legal type is created for funds which differ in terms of legal status and taxation treatment.

The purpose of defining legal type is to enable reporting by legal type where required by clients. There may not be a direct relationship between legal type and category, because we may combine more than one legal type in a particular category.

Australian Legal Types

Legal Type Name	Legal Structures Included	Description of Legal Structure	Taxation Structure
Unit Trusts (Investment Trusts)	Unit Trusts	Unit Trust	Distribute all income, therefore fund not taxed
Investment Bonds	Insurance Bonds	Insurance Policy	Assessable fund income taxed at maximum of 30%
Superannuation Funds	Superannuation Funds	Superannuation Entity	Assessable fund income taxed at 15%
Allocated Pensions	Allocated Pensions	Superannuation Income Stream	Income generated from segregated pension assets is free of income tax at the fund level
Allocated Annuities	Allocated Annuities	Insurance Policy Income Stream	Income generated from segregated pension assets is free of income tax at the fund level
Immediate Annuities	Immediate Annuities	Insurance Policy Income Stream	Income generated from segregated pension assets is free of income tax
Term Allocated Pension	Allocated Pensions	Superannuation Market-Linked Income Stream	Income generated from segregated pension assets is free of income tax
Term Allocated Annuity	Allocated Annuities	Insurance Policy Market-Linked Income Stream	Income generated from segregated pension assets is free of income tax

9   Fund Type

At this level of the categorisation exercise the focus is still on the different administrative and fund features that are offered to investors. It is important to segregate different fund structures further so that greater differentiation between funds is possible.

Retail

High-volume, low-value transactions, these funds are targeted toward many investors who are not deemed to be 'sophisticated' in the legal sense of the term. Due to the nature of the fund structure there are many associated fees, with noticeably higher ongoing management fees.

These funds will generally have the following characteristics:
- ▶ Low minimum investment - generally less than $50,000;
- ▶ Low minimum additional investment - generally less than $50,000;
- ▶ Higher up-front and ongoing fees; and
- ▶ Service tailored to general public.

Wholesale

Wholesale funds are generally aimed toward and offered to the professional/sophisticated investor markets, and therefore a high minimum investment will generally apply to such funds (most commonly above $50,000). Fund transactions are generally less frequent and on a much larger scale, resulting in lower associated fees and different fee structures. The administrative and reporting requirements of wholesale funds are also streamlined, therefore lowering further the associated fees for funds which have correspondingly high-volume, low-cost structures.

These funds will generally have the following characteristics:
- ▶ Higher minimum investment - generally greater than or equal to $50,000;
- ▶ Higher minimum additional investment - generally greater than or equal to $50,000;
- ▶ Lower up-front and ongoing fees;
- ▶ Service tailored to investor with higher demands; and
- ▶ Accessible only through other entities, for example superannuation funds and IDPS providers.

By creating peer groups within retail or wholesale classifications, greater comparability is realised, given the significant difference in the ongoing fees charged by the two structures and enabling more efficient referencing.

10   Peer Grouping

So far we have detailed the need to assign funds into categories, legal types, and fund types to create fund peer groups for referencing purposes, and to enable consistent fund comparability within narrowly-defined groupings.

Peer Group Structure

Morningstar Category -------> Legal Type --------> Fund Type = Peer Grouping

When the category, legal type, and fund type are considered for each fund, a refined peer group is created. All variables are considered when making peer group comparisons. A fund peer group is a group of funds with the following characteristics:

▶ Taxation treatment of funds within the peer group is the same;
▶ Benchmarks, stated maximum and minimum asset exposures, objectives or possibly actual asset exposures for funds within the peer grouping are comparable;
▶ The style and size constituency of the fund is reliably consistent;
▶ The funds could be considered to be alternatives from which to choose in constructing a client's portfolio;
▶ Performance data (both volatility and return) can be justifiably compared; and
▶ Other statistics such as ratings can be justifiably compared.

This peer group structure applies, in particular, to open-end unlisted managed investments on the Morningstar database.

11   Multisector Organisation

A fund belongs to a multisector category if the fund has exposure to an income or growth sector and at least one other growth sector, except where cash is involved. Where cash exposure is greater than 30.0 percent and the fund is exposed to one growth sector, then a multisector categorisation would be warranted. This definition is, like all other classification exercises, subject to the application of discretion by Morningstar.

There are a number of exceptions to classification of funds with one growth asset class and domestic cash as multisector, as follows:

Where there is exposure to equities (international and/or domestic) and domestic cash and the total exposure to equities exceeds 70.0 percent, then the fund will usually be classified into an Equity World / Australia category. (For example, 40.0 percent exposure to Australian resource shares and 50.0 percent exposure to international resource shares with the remainder in cash. This fund is classified into an Equity World / Australia Category (provided there are sufficient similar funds for the category to exist), not multisector, although the fund is exposed to two sectors apart from domestic cash.)

Note: where the exposure to Australian equities includes listed property trusts, then as long as this does not constitute an intended property exposure by the manager over and above the index allocation to this sector, the fund will be classified into an Equity World / Australia Category. However, if the listed property trust component is sufficiently greater than the listed property trust component representation in the benchmark index, the manager is considered to have intended the portfolio to have a property exposure in its own right. In these instances, the fund will be classified into a multisector category. Morningstar has created a separate category for international and Australian fixed interest, called the World/Australian Bonds Category, given that there are a sufficient number of such funds with more than one sector exposure apart from Australian cash and sufficiently high exposure to these two sectors.

▶   Managed investments engaging in direct property investment may have high cash levels and substantial exposure to listed property trusts. These funds are also treated as an exception to the rule that funds with exposure to two sectors apart from cash are multisector, as direct and listed property fall into two different sectors. A fund with investments in both listed property trusts and direct (unlisted) property (and possibly cash) only will be classified into an unlisted property category if the combined property exposure exceeds 60.0 percent of the fund's portfolio, and the direct property exposure exceeds 20.0 percent. If the direct property exposure is less than 10.0 percent, or there is a demonstrated intention to reduce direct property to a very low level, then discretion may be exercised, and the direct property exposure ignored in classifying a fund. This may mean that a fund with a low and declining level of direct property exposure and the remainder of its exposure to listed property and cash will be allocated to an Equity Sector Australia Real Estate Category, if the total property exceeds 60.0 percent. Morningstar discretion will also be applied in the situation where funds which include low domestic fixed interest exposure may also be included in property categories.

▶ Where a fund has 80.0 percent or more cash and up to 20.0 percent in one other sector, the fund should be classified as enhanced cash.

Where there is an unusual combination of assets within the growth or non-growth assets, Morningstar may use its discretion to classify such a fund to a more appropriate category.

Tests to Determine if a Fund Should be Within a Multisector Category

The tests to determine if a fund should be in a multisector category (with examples) are as follows (assuming the fund is not reserve-backed):

1   How many sectors is the fund exposed to apart from domestic cash?

    If the answer is two or more, the fund is classified as multisector, unless it is only exposed to listed and direct property and cash. If total property exposure exceeds 60.0 percent and there is no other exposure except possibly cash, the fund will not be classified multisector. Proceed to the next test if the fund has fewer than two asset classes apart from domestic cash.

2   What is the number of sectors to which the product is exposed apart from domestic cash?

    If the answer is two or more, the product is classified as multisector with some exceptions. If there are only two sectors apart from cash, the product is multisector provided the sectors are not within the same asset class and account for over 70.0 percent of the asset allocation, or there is over 60.0 percent exposure to property (either listed or direct) apart from cash. Proceed to the next test if the fund has fewer than two asset classes apart from domestic cash.

3   Is the fund exposed to only one growth sector, and is the only other sector domestic cash, which makes up 30.0 percent or more of the portfolio?

    If the answers are yes to both of these questions above, then the fund is classified as multisector, unless the single growth sector is direct property. (Proceed to the next test if there is only property and cash exposure.) If the fund is exposed to only one growth sector and Australian cash, and the cash exposure is less than 30.0 percent, then the fund is most likely to be classified into a sector-specialist category corresponding to the non-cash exposure.

4   Is the fund exposed to only cash and property, and does the property exposure exceed 60.0 percent of the portfolio?

    If the answers are yes to both of these questions, then the fund is not classified multisector, but will be classified into a property category. The fund may also be classified into a property category if its exposure includes a small amount of fixed interest in the portfolio (in addition to meeting the above conditions).

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12   Definitions of Multisector Categories for Australia

There are a number of multisector categories which are defined as follows:

▶   **Multisector Conservative**
Categories for multisector funds with exposure of up to and including 20.0 percent in growth sectors.

▶   **Multisector Moderate**
Categories for multisector funds with exposure over 20.0 percent and up to and including 40.0 percent in growth sectors.

▶   **Multisector Balanced**
Categories for multisector funds with exposure over 40.0 percent and up to and including 60.0 percent of their assets in growth sectors.

▶   **Multisector Growth**
Categories for multisector funds with exposure of over 60.0 percent and up to and including 80.0 percent of their assets in growth sectors (but if there are insufficient funds to create an Aggressive category then the definition of the Growth category is over 60.0 percent in growth sectors).

▶   **Multisector Aggressive**
Categories for multisector funds with exposure of over 80.0 percent of their assets in growth sectors.

13   Definitions of Sector Classifications

Generally, a fund is classified into a single sector-based category (provided the fund is not reserve-backed) in the following circumstances:

1.   The fund is exposed to only one sector and domestic cash, and its exposure to the non-cash sector exceeds 70.0 percent.
2.   It is exposed to over 60.0 percent property (listed and/or direct) and infrastructure debt or equity and with the remaining exposure only in domestic cash. (Usually such funds will be classified into a sector category - either the unlisted property or Australian equity property categories.)

A major exception to the above is Australian cash categories (other than Enhanced Cash categories), where there cannot be any exposure to any other asset class. (Exposure to cash-equivalent derivatives is acceptable in cash categories.)

If a fund is exposed to over 80.0 percent Australian cash, then the fund is classified as enhanced cash as follows:

a) If the non-cash component is a growth sector. (For example, a fund with 81.0 percent Australian cash and 19.0 percent international equities will be classified into an enhanced cash category.)

b) If the non-cash component is not a growth sector. (For example, a fund with 81.0 percent Australian cash and 19.0 percent international fixed interest will be classified into an enhanced cash category).

For example, the following funds would be classified as sector funds:

▶ 90.0 percent Australian equities and 10.0 percent Australian cash is classified in an equities sector category.
▶ 100.0 percent domestic equities is classified in a domestic equity category.
▶ 50.0 percent fixed interest and 50.0 percent Australian cash is classified in a fixed interest category.
▶ 19.0 percent fixed interest and 81.0 percent Australian cash is classified in an enhanced cash category.

There are numerous scenarios where a fund's exposure to cash and other growth and non-growth sectors may vary to some degree. It is necessary to create a manageable set of standard groupings of funds for assignment to particular sectors where the risk parameters ensure a reasonably well-populated peer group. Separate and highly-specialised categories will not be created unless there are sufficient like funds to justify the creation of a new peer group.

14 Style- and Size-based Categories for Equities Funds

Fund investment styles are determined for equities funds on the Morningstar database to facilitate more detailed categorisation of the fund universe, and to allow better peer comparisons. Morningstar generates fund style information on an array of equities funds so that advisers and investors are aware of the attributes of the underlying securities that make up the portfolio in a fund, therefore providing insight into the risk composition, security overlap, and market coverage of the funds in a portfolio, and helping ensure appropriate portfolio diversification.

Each equities category will have an assignment to a value, blend, or growth fund universe, except for the following circumstances:
▶ The equities funds are region-specific, in the sense that the portfolio is comprised of a narrowly-defined set of securities that are derived from a specific region or country;
▶ The equities funds are sector- or industry-specific, meaning that the equities funds invest into securities that are restricted to a certain industry or sector within the broader economy;
▶ The equities funds use a significant amount of derivative instruments in the portfolio; and
▶ The portfolio is geared by a substantial amount.

Should a fund fall outside these exceptions, it will be allocated into one of the appropriate style-based groupings prescribed by the Morningstar 10-factor Style Box Methodology. The Style Box methodology is constructed around the market capitalisation break points that are considered for each portfolio, enabling the style analysis to take place within an applicable grouping of securities that share the same size characteristics. The Style Box methodology also enables Morningstar to produce aggregate figures of the size composition of the underlying securities

within a portfolio. Both diversified domestic and international funds are assigned to each of the relevant style and size assignments defined here:

▶ **Large Value**
Large-value portfolios invest primarily in big companies that are less expensive or growing more slowly than other large-cap stocks. Stocks in the top 70.0 percent of the capitalisation of an equities market are defined as large-cap. Value is defined based on low valuations (low price ratios and high dividend yields) and slow growth (low growth rates for earnings, sales, book value, and cashflow).

▶ **Large Blend**
Large-blend portfolios are fairly representative of the overall stock market in size, growth rates, and price. Stocks in the top 70.0 percent of the capitalisation of an equities market are defined as large-cap. The blend style is assigned to portfolios where neither growth nor value characteristics predominate.

▶ **Large Growth**
Large-growth portfolios invest in big companies that are projected to grow faster than other large-cap stocks. Stocks in the top 70.0 percent of the capitalisation of the equities market are defined as large-cap. Growth is defined based on fast growth (high growth rates for earnings, sales, book value, and cashflow) and high valuations (high price ratios and low dividend yields). Most of these portfolios focus on companies in rapidly expanding industries.

▶ **Mid/Small Value**
Mid/Small-value portfolios invest primarily in small- to medium-sized companies that are less expensive or growing more slowly than other small- to medium-sized securities. Stocks in the Mid/Small range represent approximately 30.0 percent of the capitalisation of an equities market. Value is defined based on low valuations (low price ratios and high dividend yields) and slow growth (low growth rates for earnings, sales, book value, and cashflow).

▶ **Mid/Small Blend**
Mid/Small-value portfolios invest primarily in small- to medium-sized companies that represent approximately 30.0 percent of the capitalisation of an equities market. The blend style is assigned to portfolios where neither growth nor value characteristics predominate.

▶ **Mid/Small Growth**
Mid/Small-value portfolios invest primarily in small- to medium-sized companies that are projected to grow faster than other small- to medium-sized stocks. Stocks in the Mid/Small range represent approximately 30.0 percent of the capitalisation of an equities market. Growth is defined based on fast growth (high growth rates for earnings, sales, book value, and cashflow) and high valuations (high price ratios and low dividend yields). Most of these portfolios focus on companies in rapidly-expanding industries.

A fund's style may drift over a period of time. Furthermore, there are cases where a portfolio does not exhibit strong style characteristics, which is evident when a fund lies on the cusp of one of the three different style bands. Where such cases exist, Morningstar will observe closely the historical style and size characteristics of the fund, together with soliciting direct input from Morningstar's Research team. Where there is no distinct value or growth bias illustrated by a fund's portfolio, then it will be allocated in the Blend universe.

► **Geared Equity Funds**

A separate category is created for these funds under the relevant equity category.