



## News Release

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### FOR IMMEDIATE RELEASE

#### **Morningstar Introduces New Industry Sector Structure, Divides Economy into Three “Super Sectors”**

CHICAGO, June 25, 2002— Morningstar, Inc., a leading investment research firm, is introducing a new industry sector structure to help investors and investment professionals more easily compare and understand the sector exposures of funds and portfolios. The new sector structure is also designed to create a more useful way to evaluate common stocks and to address the limitations of conventional sector analysis.

“Portfolio diversification is often thought of in terms of market capitalization and investment style, yet sector diversification is just as essential,” said Don Phillips, Morningstar managing director. “The late-90s technology bubble is a perfect example. Investors who pursued growth via Internet stocks saw substantially different results than those who pursued growth via healthcare stocks.”

“Our new sector structure is designed to help investors get a quicker sense of any sector bets that may be embedded in their portfolios. Now, they can more readily see which funds would help diversify their positions and which would further overweight an existing concentration,” Phillips added.

#### **Key Changes:**

- Divides the economy into three new “Super Sectors”—the Information Economy, the Service Economy, and the Manufacturing Economy —each of which contains four sectors.
- Redefines some individual sectors to more closely reflect the changing structure of the global economy.
- Creates a consistent system that defines each sector based upon the type of business in which companies are engaged (e.g. media, healthcare, etc.). Older systems often define some sectors based on their businesses and others on the basis of expected behavior (e.g. consumer cyclical).
- Recognizes that cyclicality is not limited to one or two sectors, but is present in many different industries within multiple sectors.
- Breaks the catch-all “technology” sector into three separate sectors (software, hardware, and telecommunications); these sectors, along with media, now represent the Information Super Sector.

Morningstar’s new sector structure starts by dividing the stock universe of approximately 6,300 U.S. equities and 21,100 global equities into 128 industries ranging from semiconductors to medical equipment. These industries are classified into 40 industry groups, which are then used to construct 12 separate sectors. Finally, each of these 12 sectors is assigned to one of three Super Sector classifications.

## **Morningstar Sectors**

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### **New Morningstar Sectors:**

Information Economy  
Software  
Hardware  
Media  
Telecommunications

### **U.S. Market Weight as of May 31, 2002:**

21.3%  
3.8%  
9.3%  
4.5%  
3.7%

### Service Economy

Healthcare  
Consumer Services  
Business Services  
Financial Services

49.5%  
13.4%  
9.4%  
5.3%  
21.4%

### Manufacturing Economy

Consumer Goods  
Industrial Materials  
Energy  
Utilities

29.2%  
10.0%  
10.4%  
5.8%  
3.0%

### **Former Morningstar Sectors:**

Utilities  
Energy  
Financials  
Industrial Cyclical  
Consumer Durables  
Consumer Staples  
Service  
Retail  
Healthcare  
Technology

### **U.S. Market Weight as of May 31, 2002:**

3.0%  
5.7%  
21.4%  
10.4%  
2.2%  
8.2%  
13.2%  
7.1%  
13.4%  
15.4%

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## **Morningstar Sectors**

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“Comparing the Super Sector weightings of two funds in the same Morningstar Category can reveal how two large value managers, for example, may share a value orientation but, in practice, mine very different parts of the economy,” Phillips added.

The company’s sector structure changes are part of a series of enhancements being made to Morningstar’s research methodology. The company introduced a new investment Style Box™ methodology on May 31 and is launching the new Morningstar Rating™ for mutual funds on June 30. The new sector classification structure will be introduced in the third quarter of 2002, and all of Morningstar’s products will incorporate the new system by year-end. For more information about Morningstar’s new sector structure, please see the accompanying fact sheet or visit [www.morningstar.com](http://www.morningstar.com).

### **About Morningstar Inc.**

Chicago-based Morningstar, Inc. is a global investment research firm that provides financial data, research, online advice, consulting services, and investment solutions for individuals, financial advisors, institutions, and the media worldwide. Morningstar is a trusted source of investment information and analysis for stocks, mutual funds, exchange-traded funds, closed-end funds, and variable annuities. Morningstar tracks nearly 100,000 securities worldwide.

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