MORNINGSTAR®

News Release

225 West Wacker Drive
Chicago
Illinois 60606

Telephone: 1 312 696-6000
Facsimile: 1 312 696-6060

Contact: Margaret Kirch Cohen, 312-696-6383, margaret.cohen@morningstar.com

FOR IMMEDIATE RELEASE

Morningstar, Inc. to Change "Star Rating" for Funds

Moving to Category-Based Rating, Enhancing Risk-Adjusted Return Measure

CHICAGO, April 22, 2002 – Chicago-based Morningstar, Inc., a leading global investment research firm, today announced that it is making extensive enhancements to the Morningstar Rating™ for funds, commonly referred to as the "star rating." The new rating will appear in Morningstar products in the United States beginning in July, using performance data for the period ending June 30, 2002. Historical star ratings will not change.

Morningstar's new star rating uses the same scale of one to five stars, is load-adjusted, and grades on a bell curve so that similar numbers of portfolios receive one and five stars. The most significant change under the new methodology is that funds are ranked and rated within nearly 50 Morningstar Categories, rather than across four broad asset classes (U.S. stock, international stock, taxable bond, and municipal bond). In addition, the new star rating uses an enhanced risk-adjusted return measure and accounts for all variations in a fund's month-to-month performance, with more emphasis on downward risk.

"Our goal is to provide tools that help investors make better decisions. Too often, investors pick good funds but use them poorly. They buy after a hot streak and sell when things go bad. In effect, they are buying high and selling low," said Don Phillips, Morningstar managing director. "By better preventing the ratings from being inappropriately skewed toward some categories and away from others, we hope the new Morningstar Rating will help investors to focus on good planning, diversification, and fund selection."

"When we first introduced the Morningstar Rating, most investors owned one or two funds. Today, investors are searching for multiple funds that play specialized roles in an overall portfolio," Phillips said. "As such, a rating based on categories rather than broad asset classes is a more logical starting point for identifying funds that have potential merit. The new Morningstar Rating is an easy-to-use tool that guides investors to quality funds whose managers have added value over time. It also ensures that a high rating results from superior performance, not a 'tail wind' effect caused by the outperformance of a particular area of the market."

Phillips added, "Morningstar is in a unique position to administer a category-based rating system because of our unparalleled resources – our access to fund holdings information, our robust Style Box™ categorization methodology, and our team of more than 100 research analysts who ensure that funds are properly categorized. Today, some 94 percent of fund families provide us with portfolio holdings more frequently than the SEC's minimum semi-annual requirement."

Key Changes in the Morningstar Rating™ for Funds

• Funds will be ranked and rated within narrower Morningstar Categories, rather than within the four broad asset class-based fund categories (U.S. stock funds, international stock funds, taxable bond funds, and municipal bond funds) currently being used. The switch to smaller groups will more effectively measure whether a fund manager has added value, helping investors to better distinguish among funds that share a similar investment style. The Morningstar® Category Rating™, which was introduced in 1996, will be retired.

• Funds are still rated for up to three time periods (three, five, and 10 years). However, when a fund changes investment categories, its historical information is given less weight, depending on the magnitude of the category change. This ensures fair comparisons and it also minimizes any incentive for fund companies to change a fund's investment style in an attempt to receive a better rating.

• Share classes are still evaluated separately, but a fund with multiple share classes is counted only once within the rating distribution scale to prevent multi-share class funds from dominating the ratings within smaller categories.

• The new Morningstar Rating uses an enhanced risk-adjusted return measure based on "expected utility theory," which recognizes that investors are a) more concerned about a possible poor outcome than an unexpectedly good outcome and b) willing to give up some portion of their expected return in exchange for greater certainty of return. The new rating accounts for all variations in a fund's month-to-month performance, with more emphasis on downward risk. This improvement rewards consistent performance and reduces the possibility of strong short-term performance masking the inherent risk of a fund.

The Morningstar Rating™ for funds debuted in 1985 and was quickly embraced by investors and advisors. Until that time, mutual funds were generally ranked solely on the basis of total return, without regard to risk or the cost of sales charges. Using a scale of one to five stars, the Morningstar Rating allowed investors to easily interpret a fund's past performance and introduced the concept of risk-adjusted return to the average investor.

The Morningstar Rating is intended for use as a first step in evaluating an investment. A high rating alone is not sufficient reason for investing in a particular mutual fund.

For more details about the new Morningstar Rating™ for funds, please see the accompanying fact sheet at 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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