

Morningstar Research

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Morningstar Rating Analysis of European Investment Funds

31 December 2015

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Morningstar Rating™ European Rating Analysis of Investment Funds

31 December 2015

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Morningstar European Rating Analysis of Investment Funds

Introducing a new quarterly format which aggregates Morningstar Star Ratings by fund company and domicile.

The Morningstar Rating for funds often called the “Star rating,” debuted in 1985 and was embraced quickly by investors and advisors. The Morningstar rating is a quantitative assessment of a fund’s past performance—both return and risk—as measured from one to five stars. The Morningstar rating for funds methodology rates funds based on an enhanced Morningstar Risk-Adjusted Return measure, which also accounts for the effects of all sales charges, loads, or redemption fees.

The Morningstar European Rating Analysis of Investment Funds is designed to compare managed fund ranges across asset managers and domiciles in Europe by aggregating their Morningstar ratings. The new research format, which will be calculated on a quarterly basis, provides a quantitative assessment of the risk-adjusted return of all European-domiciled funds carrying a Morningstar rating. It aggregates the rankings by providers (by brand name) and domiciles. While the Morningstar European Rating Analysis of Investment Funds provides a useful insight into the strengths and weaknesses of fund ranges, it is not designed as a forward-looking tool and does not indicate the future positioning of asset managers or fund domiciles. This follows the line that the Morningstar rating is intended for use as the first step in the fund evaluation process; however, a high rating alone is not a sufficient basis for investment decisions.

The Morningstar Rating Analysis of European Investment Funds provides a twofold ranking of asset managers and domiciles in Europe. For one, it provides a ranking by arithmetic, averaging the overall Morningstar ratings of asset managers and domiciles. It also delivers an asset-weighted ranking of asset managers and European-domiciled funds. The arithmetic ranking sorts by average Overall Morningstar Rating, while the asset-weighted ranking also shows the percentage of assets sitting in 4- and 5-Star rated funds of all rated assets.

The ranking by average overall Morningstar rating and the asset-weighted ranking both have their merits. The ranking by average overall Morningstar rating is arguably more oriented on the average quality of the overall fund range, given that all funds are weighted equally. The asset-weighted ranking has a more top-down take and gives a realistic assessment of the fields of an asset manager’s weakness and strength, in light of how investors actually allocated assets between available investment options within the fund range.

The Morningstar European Rating Analysis of Investment Funds includes all European-domiciled open-ended funds with a Morningstar rating. This implies that funds belonging to several broad categories are excluded since they are not eligible for a Morningstar rating. This includes alternative funds, money market funds, directly invested property funds, and commodity funds.

Additionally, exchange-traded funds are not included in the Morningstar European Rating Analysis of Investment Funds, while open-end index funds are part of our new analysis. Given the fact that ETFs in Europe are



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institutional vehicles which tend to be held only for very short periods on average, we think they should not yet be seen as funds typically held by long-term investors.

The Morningstar European Rating Analysis of Investment Funds includes four tables updated quarterly.

Table 1 shows the top 50 asset managers in Europe, ranked by rated assets under management. Assets include rated European-domiciled funds. The column Equal-Weighted Rating shows the simple arithmetic mean of the overall Morningstar rating. The columns showing the Asset-Weighted Rating represent the asset-weighted average Morningstar rating overall, and by the broad categories of equity, fixed income, and allocation. Finally, the column at the far right shows the percentage of assets sitting in 4- and 5-Star rated funds as a percentage of total rated assets.

To enable peer group comparisons, we then group together large asset managers in **Table 2** and the smaller asset managers in Table 3. Table 2 ranks the largest asset managers in Europe based on rated assets under management. Only asset managers with more than EUR 5 billion and a minimum of 10 share classes/funds are included in the underlying universe. The table shows the top quartile of asset managers by rated assets under management. The column Equal-Weighted Rating shows the simple arithmetic mean of the overall Morningstar rating. The columns showing the Asset-Weighted Rating represent the asset-weighted average Morningstar rating overall, and by the broad categories of equity, fixed income, and allocation. Finally, the column to the far right shows the percentage of assets sitting in 4- and 5-Star rated funds as a percentage of total rated assets.

Table 3 ranks the largest 50 asset managers by rated assets which belong to the subsequent three quartiles. Only asset managers with more than EUR 5 billion and a minimum of 10 share classes/funds are included in the underlying universe. The column Equal-Weighted Rating shows the simple arithmetic mean of the overall Morningstar rating. The columns showing the Asset-Weighted Rating represent the asset-weighted average of the overall Morningstar rating, and by the broad categories of equity, fixed income, and allocation. Finally, the column to the far right shows the percentage of assets sitting in 4- and 5-Star rated funds as a percentage of total rated assets.

Table 4 shows the Morningstar ratings grouped by domicile ranked by Equal-Weighted ratings (the simple arithmetic mean of the overall Morningstar rating). The columns to the right show the Asset-Weighted Rating, which represents the asset-weighted average of the overall Morningstar rating, and by the broad categories of equity, fixed income, and allocation. Finally, the column to the far right shows the percentage of assets sitting in 4- and 5-Star rated funds as a percentage of total rated assets.

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Morningstar Rating™ European Rating Analysis of Investment Funds

31 December 2015

Table 1:

Top 50 Asset Managers in Europe; Sorted by AUM

Branding Name	Rated Assets Bn EUR	Equal Weighted Rating	Asset Weighted Rating					% Assets 4 & 5 star
			All	Equity	Fixed Income	Allocation		
BlackRock	208.3	3.30	3.59	3.76	3.54	3.21	53%	
UBS	143.6	3.19	3.65	3.98	3.45	3.29	54%	
Deutsche Asset & Wealt	119.2	3.17	3.59	3.79	3.10	3.56	56%	
Fidelity	117.0	3.64	3.91	3.95	3.86	3.73	70%	
Schroders	110.3	3.41	3.65	3.89	3.73	2.50	61%	
Franklin Templeton	106.8	3.06	3.44	3.21	3.62	3.26	51%	
Nordea	104.2	3.19	3.68	3.35	3.79	3.86	61%	
Invesco	101.1	3.62	4.25	4.37	3.55	4.51	78%	
JPMorgan	95.0	3.36	3.67	3.96	3.22	3.43	54%	
Amundi	92.2	3.14	3.25	3.23	3.30	3.22	34%	
Credit Suisse	90.9	2.95	3.19	3.21	3.25	2.74	29%	
Pioneer Investments	79.8	3.20	3.36	3.38	3.52	2.87	41%	
BNP Paribas	78.5	2.96	3.33	3.35	3.12	3.40	40%	
Allianz Global Investors	77.7	3.32	3.83	3.74	3.43	4.34	63%	
M&G	74.7	3.33	3.61	2.74	3.75	4.23	66%	
Swedbank	70.2	3.01	2.81	2.90	2.57	2.82	26%	
AXA	69.2	3.31	3.56	3.64	3.54	3.39	56%	
Union Investment	67.2	3.35	3.48	3.58	3.01	4.05	50%	
PIMCO	62.8	2.89	3.59	3.97	3.63	1.75	62%	
Standard Life	59.8	3.31	3.47	3.42	3.00	4.18	51%	
Natixis	58.8	3.14	3.78	3.39	3.73	4.28	56%	
Vanguard	55.9	3.87	3.93	4.02	3.57	4.43	68%	
Eurizon Capital	52.5	3.22	3.55	2.87	3.64	3.76	41%	
Pictet	49.7	2.78	3.28	3.34	3.10	4.16	54%	
Swisscanto	49.7	3.05	3.21	3.39	3.09	3.15	37%	
Columbia Threadneedle	48.2	3.54	3.98	4.07	3.35	4.22	74%	
Carmignac	47.4	2.99	3.56	2.50	4.07	3.68	70%	
HSBC	45.0	2.94	3.42	3.04	3.90	3.38	50%	
Deka	44.7	3.12	3.11	2.78	3.30	3.40	35%	
Danske Invest	44.2	3.21	3.35	3.52	3.15	3.55	54%	
Henderson	43.3	3.57	3.92	4.04	3.76	3.62	74%	
Aviva	42.0	3.47	3.72	3.47	3.75	3.94	64%	
Scottish Widows	41.8	2.63	2.58	2.57	2.04	2.81	14%	
Aberdeen	41.3	2.78	3.10	3.10	3.12	2.82	40%	
Handelsbanken	40.6	3.46	3.17	3.86	2.28	2.95	45%	

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Branding Name	Rated Assets (Bil. EUR)	Equal-Weighted Rating	Asset-Weighted Rating					Assets 4 & 5 star
			All	Equity	Fixed Income	Allocation		
Jupiter	39.5	3.65	4.03	3.92	4.66	3.84	69%	
Santander	38.1	2.97	3.01	3.06	3.47	2.79	21%	
KBC	37.7	3.19	3.29	3.32	2.84	3.52	30%	
GAM	37.0	2.78	3.26	3.25	3.55	3.00	43%	
Legal & General	36.6	3.13	3.28	3.40	3.10	2.70	36%	
AB (AllianceBernstein)	36.4	3.00	3.39	3.46	3.34	3.62	40%	
Robeco	34.7	3.64	4.06	4.13	4.02	3.45	78%	
NN IP	33.8	3.12	3.66	3.43	3.56	4.04	63%	
Fideuram	33.6	2.39	2.50	2.45	2.34	2.99	6%	
SEB	33.5	3.31	3.66	3.75	3.13	3.85	63%	
Candriam	32.6	3.20	3.27	3.18	3.49	3.19	33%	
BNY Mellon	32.5	3.32	3.89	4.11	3.46	3.61	68%	
Sjunde AP	30.9	3.00	3.84	4.00	2.00	-	92%	
Capfi Delen Asset Man.	30.8	3.38	4.13	3.55	2.00	4.16	90%	
MFS	27.7	3.67	4.47	4.59	3.77	4.78	88%	

Table 1: Assets include rated European-domiciled funds. Total Rated Asset bil. EUR included in the calculation. Equal-Weighted Rating: Simple arithmetic mean of Overall Morningstar Rating. Asset-Weighted Rating: Asset-weighted Overall Morningstar Rating, overall and on broad asset classes. Assets 4-5 Star: Percentage of assets invested in funds rated 4 & 5 stars.



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Morningstar Rating™ European Rating Analysis of Investment Funds

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Table 2:

Top-Quartile Asset Managers (One Quartile From Managers With EUR 5 Billion-Plus); Sorted by Average Overall Morningstar Rating

Branding Name	Rated Assets (Bil. EUR)	Equal-Weighted Rating	Asset-Weighted Rating					Assets 4 & 5 star
			All	Equity	Fixed Income	Allocation	Assets	
Vanguard	55.9	3.87	3.93	4.02	3.57	4.43	68%	
Jupiter	39.5	3.65	4.03	3.92	4.66	3.84	69%	
Fidelity	117.0	3.64	3.91	3.95	3.86	3.73	70%	
Invesco	101.1	3.62	4.25	4.37	3.55	4.51	78%	
Henderson	43.3	3.57	3.92	4.04	3.76	3.62	74%	
Columbia Threadneedle	48.2	3.54	3.98	4.07	3.35	4.22	74%	
Aviva	42.0	3.47	3.72	3.47	3.75	3.94	64%	
Handelsbanken	40.6	3.46	3.17	3.86	2.28	2.95	45%	
Schroders	110.3	3.41	3.65	3.89	3.73	2.50	61%	
JPMorgan	95.0	3.36	3.67	3.96	3.22	3.43	54%	
Union Investment	67.2	3.35	3.48	3.58	3.01	4.05	50%	
M&G	74.7	3.33	3.61	2.74	3.75	4.23	66%	
Allianz Global Investors	77.7	3.32	3.83	3.74	3.43	4.34	63%	
AXA	69.2	3.31	3.56	3.64	3.54	3.39	56%	
Standard Life	59.8	3.31	3.47	3.42	3.00	4.18	51%	
BlackRock	208.3	3.30	3.59	3.76	3.54	3.21	53%	
Eurizon Capital	52.5	3.22	3.55	2.87	3.64	3.76	41%	
Danske Invest	44.2	3.21	3.35	3.52	3.15	3.55	54%	
Pioneer Investments	79.8	3.20	3.36	3.38	3.52	2.87	41%	
Nordea	104.2	3.19	3.68	3.35	3.79	3.86	61%	
KBC	37.7	3.19	3.29	3.32	2.84	3.52	30%	
UBS	143.6	3.19	3.65	3.98	3.45	3.29	54%	
Deutsche AWM	119.2	3.17	3.59	3.79	3.10	3.56	56%	
Amundi	92.2	3.14	3.25	3.23	3.30	3.22	34%	
Natixis	58.8	3.14	3.78	3.39	3.73	4.28	56%	
Deka	44.7	3.12	3.11	2.78	3.30	3.40	35%	
Franklin Templeton	106.8	3.06	3.44	3.21	3.62	3.26	51%	
Swisscanto	49.7	3.05	3.21	3.39	3.09	3.15	37%	
Swedbank	70.2	3.01	2.81	2.90	2.57	2.82	26%	
Carmignac	47.4	2.99	3.56	2.50	4.07	3.68	70%	
Santander	38.1	2.97	3.01	3.06	3.47	2.79	21%	
BNP Paribas	78.5	2.96	3.33	3.35	3.12	3.40	40%	
Credit Suisse	90.9	2.95	3.19	3.21	3.25	2.74	29%	
HSBC	45.0	2.94	3.42	3.04	3.90	3.38	50%	
PIMCO	62.8	2.89	3.59	3.97	3.63	1.75	62%	
Pictet	49.7	2.78	3.28	3.34	3.10	4.16	54%	
Aberdeen	41.3	2.78	3.10	3.10	3.12	2.82	40%	
Scottish Widows	41.8	2.63	2.58	2.57	2.04	2.81	14%	

Table 2: Only asset managers with more than EUR 5 billion in AUM and a minimum of 10 share classes/funds are included in the table.

Assets include rated European-domiciled funds. Total Rated Asset bil. EUR included in the calculation. Equal-Weighted Rating: Simple arithmetic mean of Overall Morningstar Rating. Asset-Weighted Rating: Asset-weighted Overall Morningstar Rating, overall and on broad asset classes. Assets 4-5 Star: Percentage of assets invested in funds rated 4 & 5 stars.



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Morningstar Rating™ European Rating Analysis of Investment Funds

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Table 3:

Top 50 Smaller Asset Managers (Two to Four Quartiles From Managers With EUR 5 Billion-Plus); Sorted by Average Overall Morningstar Rating

Branding Name	Rated Assets (Bil. EUR)	Equal-Weighted Rating	Asset-Weighted Rating					Assets 4 & 5 star
			All	Equity	Fixed Income	Allocation	Assets	
Fundsmith	6.1	5.00	5.00	5.00	-	-	100%	
Majedie Asset Man.	6.7	4.37	4.23	4.23	-	-	92%	
Comgest	12.0	4.31	4.78	4.78	-	5.00	99%	
Wellington Man.	10.2	4.17	4.40	4.75	4.11	-	95%	
T. Rowe Price	7.2	4.13	4.30	4.41	3.92	-	90%	
First State	27.4	4.08	4.86	4.91	3.39	-	95%	
Carnegie Fonder	5.7	4.08	4.51	4.77	4.36	4.07	85%	
AMF Fonder	12.0	4.00	3.96	3.94	4.01	4.00	84%	
Troy Asset Man.	7.2	3.96	3.83	4.68	-	3.00	49%	
Insight	14.4	3.92	4.18	-	4.59	2.76	78%	
Nykredit	5.1	3.88	4.08	3.63	3.70	5.00	65%	
Royal London	23.3	3.87	3.63	3.45	4.36	-	50%	
ETHENEA	12.1	3.87	4.43	-	-	4.43	91%	
J O Hambro	10.0	3.84	3.80	3.80	-	-	72%	
Baillie Gifford	19.9	3.81	3.74	4.23	3.90	3.28	57%	
Flossbach von Storch	11.7	3.74	4.63	3.42	1.70	4.84	93%	
Covéa	5.7	3.71	3.68	3.59	3.37	4.30	63%	
Artemis	23.3	3.70	3.82	3.80	4.32	3.77	64%	
Carnegie	5.4	3.69	3.76	3.79	2.67	2.00	67%	
MFS	27.7	3.67	4.47	4.59	3.77	4.78	88%	
Robeco	34.7	3.64	4.06	4.13	4.02	3.45	78%	
Goldman Sachs	27.1	3.62	3.89	3.98	3.80	5.00	68%	
XACT	5.1	3.62	3.38	3.38	-	-	31%	
Ruffer	11.0	3.56	3.51	4.42	-	3.38	46%	
Kames Capital	9.9	3.55	4.21	4.08	4.25	4.30	79%	
Jyske Invest	7.5	3.53	3.90	3.80	3.74	4.07	88%	
BMO	12.6	3.49	3.60	3.58	3.62	3.61	49%	
Arca	16.9	3.44	3.40	3.18	3.90	3.17	44%	
Länsförsäkringar	9.9	3.43	3.24	3.28	2.22	3.50	49%	
Mercer Global Invest.	12.4	3.42	2.90	3.51	2.53	3.03	26%	
Delta Lloyd	14.5	3.41	3.92	3.77	4.04	4.00	67%	
Swiss Life	8.1	3.41	3.84	3.52	4.21	3.58	70%	
Capfi Delen Asset M.	30.8	3.38	4.13	3.55	2.00	4.16	90%	
AG2R La Mondiale	5.2	3.38	3.61	3.02	4.00	3.93	68%	
SPP	13.0	3.35	3.66	3.49	3.68	3.80	58%	

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Branding Name	Rated Assets (Bil. EUR)	Equal- Weighted Rating	Asset-Weighted Rating					Assets 4 & 5 star
			All	Equity	Fixed Income	Allocation	Assets	
Oddo Asset Man.	7.0	3.33	3.83	4.07	3.56	3.71	61%	
Russell	17.7	3.33	3.46	3.66	3.61	2.46	55%	
BNY Mellon	32.5	3.32	3.89	4.11	3.46	3.61	68%	
Vontobel	20.9	3.32	3.89	4.11	3.64	3.56	66%	
SEB	33.5	3.31	3.66	3.75	3.13	3.85	63%	
Feri	6.3	3.26	3.21	2.87	3.75	3.95	28%	
Ibercaja	6.3	3.25	3.76	3.07	4.23	2.87	63%	
Groupama	6.5	3.25	3.40	3.89	3.15	3.00	41%	
Marlborough	5.7	3.25	4.51	4.60	4.23	3.01	90%	
Allianz	6.2	3.24	3.88	3.48	3.44	4.73	70%	
La Caixa	26.5	3.24	3.58	2.85	3.66	3.68	62%	
GLG Partners	6.8	3.22	3.64	3.69	3.24	4.00	49%	
Muzinich	5.2	3.20	3.27	-	3.27	-	51%	
Candriam	32.6	3.20	3.27	3.18	3.49	3.19	33%	
KLP	12.9	3.19	3.35	3.64	3.01	2.59	35%	

Table 3: Only asset managers with more than EUR 5 billion in AUM and a minimum of 10 share classes/funds are included in the table. Asset managers from the top quartile are excluded. Assets include rated European-domiciled funds. Total Rated Asset bil. EUR included in the calculation. Equal-Weighted Rating: Simple arithmetic mean of Overall Morningstar Rating. Asset-Weighted Rating: Asset-weighted Overall Morningstar Rating, overall and on broad asset classes. Assets 4-5 Star: Percentage of assets invested in funds rated 4 & 5 stars.



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Morningstar Rating™ European Rating Analysis of Investment Funds

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Table 4:

Morningstar Ratings Grouped by Domicile; Sorted by Average Overall Morningstar Rating

Branding Name	Rated Assets (Bil. EUR)	Equal-Weighted Rating	Asset-Weighted Rating					Assets 4 & 5 star
			All	Equity	Fixed Income	Allocation	Assets	
Netherlands	46.2	3.55	3.87	3.68	4.04	4.18	69%	
Denmark	84.2	3.46	3.61	3.81	3.28	4.46	60%	
Finland	63.7	3.33	3.74	3.29	3.93	4.04	64%	
United Kingdom	979.5	3.30	3.63	3.71	3.48	3.53	55%	
Sweden	262.3	3.30	3.36	3.53	2.91	3.24	50%	
Belgium	77.0	3.22	3.55	3.23	2.90	3.73	43%	
Switzerland	250.9	3.16	3.49	3.57	3.46	3.35	47%	
Ireland	425.1	3.15	3.61	3.83	3.55	2.74	57%	
Spain	142.9	3.11	3.30	3.03	3.77	3.11	44%	
Norway	67.5	3.10	3.37	3.43	3.37	2.83	45%	
Luxembourg	1,720.5	3.07	3.55	3.68	3.38	3.61	54%	
Italy	117.7	3.05	3.35	3.07	3.34	3.48	39%	
France	388.4	3.02	3.39	3.26	3.36	3.56	45%	
Poland	14.0	2.94	3.03	3.23	2.93	3.02	35%	
Jersey	8.3	2.93	3.33	3.57	3.04	2.97	44%	
Germany	224.1	2.85	3.42	3.46	3.21	3.49	50%	
Austria	64.6	2.74	3.03	2.62	3.01	3.49	31%	
Guernsey	6.7	2.66	3.05	3.16	2.54	3.27	34%	
Portugal	6.3	2.63	2.85	2.03	3.25	2.70	19%	
Liechtenstein	18.4	2.56	3.03	3.41	2.76	2.72	38%	

Table 4: Assets include rated European-domiciled funds. Total Rated Asset bil. EUR included in the calculation. Equal-Weighted Rating: Simple arithmetic mean of Overall Morningstar Rating. Asset-Weighted Rating: Asset-weighted Overall Morningstar Rating, overall and on broad asset classes. Assets 4-5 Star: Percentage of assets invested in funds rated 4 & 5 stars.



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Methodology

The Morningstar Rating is a global comparison of funds with similar investment exposure taking into account funds' risk-adjusted return. Morningstar assigns ratings based on comparisons of all funds within a specific Morningstar Category. The Morningstar Category system for funds is designed to help investors make meaningful comparisons between Investment funds. Morningstar regularly reviews the category structure and the funds within each category to ensure that the system meets the needs of investors and keeps pace with market developments.

This Morningstar analysis is a comparison of Overall Morningstar Ratings across branding names, domiciles, and so on. All rated European-domiciled funds/share classes are included in this report. Funds or share classes with share class total net assets older than four months are excluded. For share classes with updated fund size but no share class size, we assume assets are divided equally among such share classes in a given fund.

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