

Adviser Research Centre™

Product Feature Release Note 1H 2020

The first half of 2020 is now past us and it has certainly been an interesting and trying time for all. During this time Morningstar has stuck to its moto of 'Empowering Investor Success' by providing Advisers with all the supporting material and information relating to COVID-19 and how to ensure Investors stay focused and stick to the plan.

There have been many articles and support material posted to ARC which can be quickly and easily accessed by clicking the bubbles at the top of the home page or use search for [Coronavirus](#) or [Investing](#) to access these documents.

On the product enhancement front so far this year we have made some fantastic improvements to the Adviser Research Centre. A primary focus for us has been on ESG. In a recent UK IFA study, it showed "85 per cent of Advisers had seen a rise in client requests to allocate capital to environmental, social and governance-integrated funds since the start of the COVID-19 outbreak". Closer to home a recent study we ran locally with AU Advisers.

- ▶ 60% said they only had a basic understanding of Sustainable/responsible Investing
- ▶ 50% said they are not monitoring ESG Risk in client portfolios but are thinking about it
- ▶ 40% are saying that the reason for wanting to monitor ESG Risk in Portfolios is through client demand.

So what is ESG or Sustainable investing. To put it simply, its looking to build long term wealth by investing in Ethical or Sustainable Investment options. Looking for Funds, ETFs or Companies that demonstrate positive environmental and social impact. To find these Investments one can do Negative or Positive screening, eg omitting Tobacco companies or including renewal Energy companies. Or looking for companies that are socially responsible ie ones that ensure there is employee wellbeing, ensuring data privacy, or diversity in the workplace.

At Morningstar we support all levels of knowledge or usage in this space:

If you are an ESG "Learner", the data, tools and reports provide clear visuals and context to help Advisers and Adviser clients who are newer to ESG data and analysis. They convey how the data is related, and how it can be used to understand the ESG differences between Funds/ETFs.

If you are an ESG "Leader", if you're already using our ESG Ratings & Sustainability tools in our software, this new information and functionality provides an additional lens for evaluation.

For Advisers building out ESG capabilities on their own proprietary platforms, this information can be a helpful addition to provide context for key metrics and how they should be used.

If you would like to learn more about how Morningstar can help you understand and better prepare you for these types of conversations please reach out to us. Helpdesk.au@morningstar.com

ESG

We have enhanced our ESG offerings in ARC by including carbon metric scores for Funds and ETFs with a Morningstar sustainability rating. This enhancement has been applied across the product including the Fund screener, ETF screener, profile pages and Fund Compare tool.

Fund Compare – Added new data points

Since the addition of the Fund Compare tool in Q4 2019 we have been working to improve the value that our users can get out of this tool by adding requested data points like the Carbon Risk score and Low Carbon Designation flag. These two data points empower Advisers and Investors in helping identifying Carbon Risks within Investments. These data points can be used in conjunction with the Morningstar Sustainability rating to further assist advisers when comparing funds for client portfolios.

Funds / Fund Compare

+
Add holding

Magellan Global ×
 15699
 MGE0001AU

Zurich Investments
Aus Property Secs ×
 5396
 ZUR0064AU

Vanguard Australian
Property Secs Idx ×
 4744
 VAN0004AU

Generation Wholesale
Global Share ×
 15813
 FSF0908AU

Key Information				
Analyst Rating	 Gold	 Gold	 Gold	 Silver
Flagship Fund Analyst Rating	–	–	–	–
Sustainability Rating				
Sustainability Rating Date	30 Apr 2020	30 Apr 2020	30 Apr 2020	30 Apr 2020
Carbon Risk Score	4.35 (31 Mar 2020) 	8.81 (31 Mar 2020) 	9.13 (31 Mar 2020) 	5.66 (31 Mar 2020) 
Inception Date	29 Jun 2007	28 Feb 2000	27 Mar 1998	3 Sep 2007
Category	Equity World Large Blend	Equity Australia Real Estate	Equity Australia Real Estate	Equity World Large Growth
Total Assets	11,872.08m	220.18m	3,191.71m	553.73m
Fees	1.49% (30 Jun 2019)	0.81% (30 Jun 2019)	0.23% (30 Jun 2019)	2.62% (18 Nov 2019)
Domicile	Australia	Australia	Australia	Australia

ETF Screener – Added new data points

The ETF screener has been enhanced to include an entirely new section dedicated to Sustainability to help Advisers easily view all available ESG data in one place. This new tab can be used to scan and compare ETF investments that have a Morningstar Sustainability rating, a Low Carbon designation or Percentage of Fossil fuel involvement. Empowering Advisers when searching for Sustainable investments for clients. This data can be exported for further analysis.

Review and Analyze Your Search Results

Overview **Sustainability** Short Term Performance Long Term Performance Portfolio Risk

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<input type="checkbox"/> Name	Morningstar Sustainability Rating™	Morningstar Sustainability Rating™ Date	Low Carbon Designation	Carbon Risk Score	Fossil Fuel Involvement %	Carbon Metrics Date
<input type="checkbox"/> Smartshares Aus Property	⊕⊕⊕⊕⊕⊕	30 Apr 2020	No	11.32	0.00	31 Mar 2020
<input type="checkbox"/> ETF5 S&P/ASX 300 High Yield Plus ETF	⊕⊕⊕⊕⊕⊕	30 Apr 2020	No	11.92	16.24	31 Mar 2020
<input type="checkbox"/> VanEck Vectors MSCI Australian Sustainable Equity ETF	⊕⊕⊕⊕⊕⊕	30 Apr 2020	✓	8.99	4.18	31 Mar 2020
<input type="checkbox"/> SPDR® S&P/ASX 200 Listed Property Fund	⊕⊕⊕⊕⊕⊕	30 Apr 2020	✓	9.13	0.04	31 Mar 2020
<input type="checkbox"/> Vanguard Australian Property Securities Index ETF	⊕⊕⊕⊕⊕⊕	30 Apr 2020	✓	9.13	0.00	31 Mar 2020
<input type="checkbox"/> VanEck Vectors Australian Property ETF	⊕⊕⊕⊕⊕⊕	30 Apr 2020	✓	8.98	0.00	31 Mar 2020
<input type="checkbox"/> BetaShares Global Sustainability Leaders ETF	⊕⊕⊕⊕⊕⊕	30 Apr 2020	✓	3.02	0.00	31 Mar 2020
<input type="checkbox"/> BetaShares Australian Sustainability Leaders ETF	⊕⊕⊕⊕⊕⊕	30 Apr 2020	✓	6.59	0.00	31 Mar 2020
<input type="checkbox"/> VanEck Vectors MSCI International Sustainable Equity ETF	⊕⊕⊕⊕⊕⊕	30 Apr 2020	✓	4.01	0.00	31 Mar 2020
<input type="checkbox"/> InvestSMART Australian Equity Income ETF	⊕⊕⊕⊕⊕⊕	31 Mar 2020	✓	8.51	6.64	31 Mar 2020
<input type="checkbox"/> BetaShares Global Quality Leaders ETF	⊕⊕⊕⊕⊕⊕	30 Apr 2020	✓	3.91	0.30	31 Mar 2020

We have added the Low Carbon Designation, Carbon Risk, and Fossil Fuel Involvement scores to the fund screener to better assist users that want to surface managed funds with those scores. Much like the ETF screener the user can use the results to better understand a Funds ESG foothold in its portfolio. This data is also available using the export feature of the screener for further analysis.

ETFs / ETF Screener

Search or Filter Investments

Search by Name or ISIN or Ticker

Exchange All	ETF Provider All	Morningstar Analyst Rating™ Select one or more items	Management Fee(%) All
Index fund All	Net Assets(mil) All	Largest Geographical Regions Select one or more items	Morningstar Sustainability Rating™ Select one or more items
Replication Method Select one or more items	Sector Select one or more items	Morningstar Category Select one or more items	Low Carbon Designation All
Carbon Risk Score All	Fossil Fuel Involvement % All		

To further assist users of ARC screening with these new datapoints, we have included tool tips that outline what these datapoints represent and what requirements need to be met to receive a Low Carbon Designation score. Morningstar carbon metrics are asset-weighted portfolio calculations based on Sustainability company carbon-risk research. Based on two of these metrics—Carbon Risk Score and Fossil Fuel Involvement %—funds may receive the Low Carbon designation, which allows investors to easily identify low-carbon funds within the global universe.

To receive the Low Carbon designation, a fund must have a 12-month average Portfolio Carbon Risk Score below 10 and a 12-month average Fossil Fuel Involvement % of less than 7% of assets. For these metrics to be calculated, at least 67% of a portfolio’s assets must be covered by Sustainalytics company carbon-risk research. All Morningstar carbon metrics are calculated quarterly.

Fund Screener – Added new datapoints

We have added the Low Carbon Designation, Carbon Risk, and Fossil Fuel Involvement scores to the fund screener to better assist users that want to surface managed funds with those scores.

The screenshot shows the 'Funds / Fund Screener' interface with various filter categories. A red box highlights the following filters:

- Carbon Risk Score: Any
- Fossil Fuel Involvement %: Any
- Low Carbon Designation: Any

Other visible filters include Morningstar Analyst Rating (Gold, Silver, Bronze, Neutral, Negative, Under Review, Not Ratable, Not Covered), Flagship Fund Analyst Rating (Gold, Silver, Bronze, Neutral, Negative, Under Review, Not Ratable, Not Covered), Management Fee (%pa), ICR (%pa), Minimum Investment (\$), Net Assets (\$M), Role in Portfolio (Core, Satellite, Supporting Player), Performance Fee (Applicable), Morningstar Equity Style Box (Large, Medium, Small; Value, Blend, Growth), Morningstar Rating (5 stars to Unrated), Domicile (Both), Platform Availability (Any), Morningstar Category (Any), Wrap Availability (Any), Responsible Entity (Any), and Fund Attributes (Any).

ETF & Fund Profiles

We have enhanced the Fund and ETF profile pages to include sustainable Carbon metrics, allowing users to quickly view a Funds or ETFs Carbon and Fossil Fuel Score.

The screenshot shows the profile page for 'Lazard Global Listed Infrastructure LAZ0014AU'. Key details include:

- Entry/Exit Price: \$1.32 | \$1.31 (30-Jun-2020)
- Morningstar Analyst Rating: Gold (07-Jul-2020)
- Role: Supporting Player
- Product Type: Retail
- Fund Status: Open
- ICR %: 0.98%
- Net Assets Mil AUD: \$1,479.80
- Morningstar Pillars: Process (Above Average), People (High), Parent (Above Average)
- Equity Style Box: [Grid]
- Morningstar Category: Infrastructure - Global
- Legal Type: Investment Trusts
- Morningstar Rating: ★★★★★ (Quantitative)

The 'Morningstar Carbon Metrics' section is highlighted, showing:

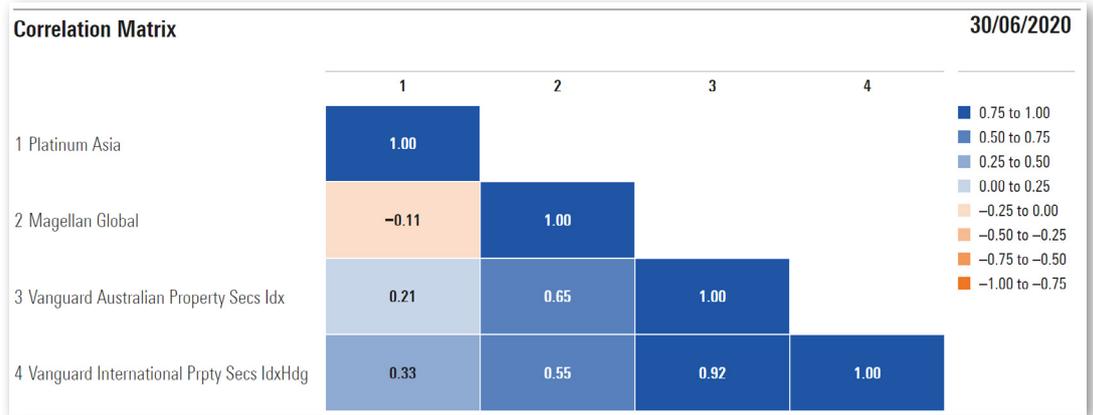
- Carbon Risk Score: 8.44 (Target: 13.60)
- Fossil Fuel Involvement %: 26.79 (Target: 42.10)

Category Best (Low) and Worst (High) and Category Average are also indicated for both metrics.

Carbon metrics as of 31 Mar 2020 | Category: Infrastructure - Global as of 31 Mar 2020 | Based on 91% of AUM | Data is based on long positions only.

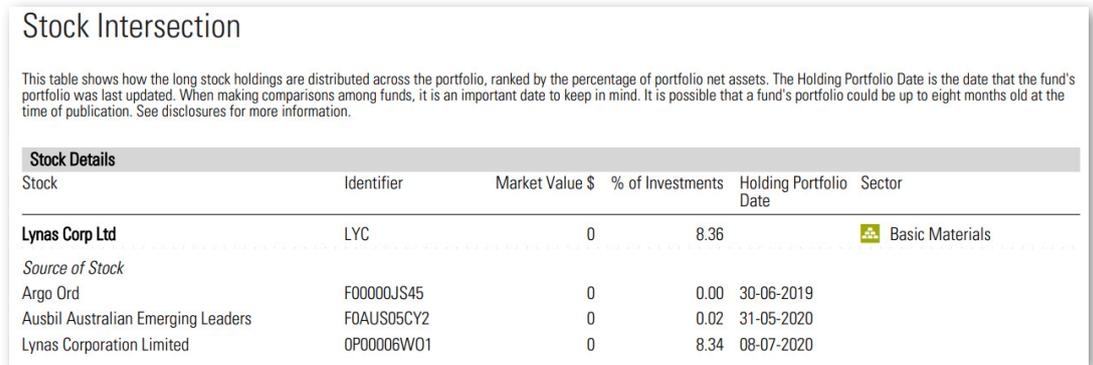
Portfolio X-Ray - Correlation matrix

Correlation matrix has been added to the tool to further help analyse a portfolios diversification. For example a portfolio that’s highly correlated is less diversified. The correlation matrix highlights the historical performance of all holdings over a 3 year period relative to each other. The matrix is colour coded according to the degree of correlation: dark blue represents high correlation, light blue is moderate, grey is neutral, light orange is moderately negative and orange represents highly negative correlation. A correlation matrix of no more than 30 percent of the boxes dark blue or highly correlated would be considered ideal. If your portfolio is highly correlated (mostly dark blues) then the portfolio is prone to volatility as the underlying investments performance are highly corelated and as a result lacking diversification.

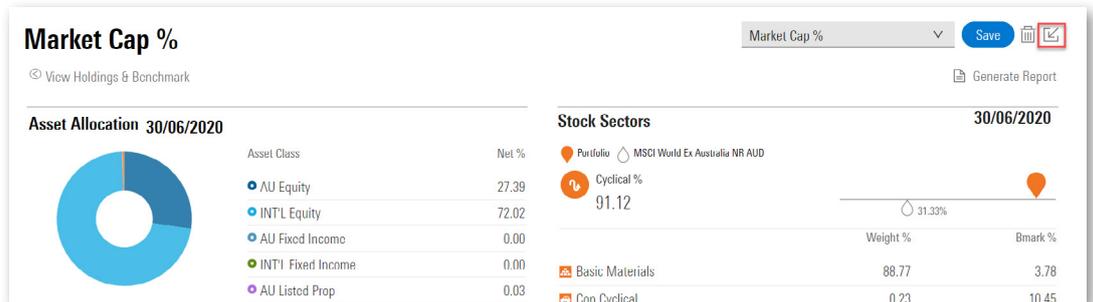


Portfolio X-Ray – Stock Intersection

The Stock Intersection section of the X-Ray has been made available in the PDF report so Advisers and clients can easily see where their portfolio may be overweighted.



Further to the portfolio X-Ray tool we have added the option to import cash using the import feature of the tool. To import a portfolio the imported file must be in CSV Format. The first column supports APIR or Ticker codes while the second column must use either Units, Weights or Amounts. Use “Cash” as a entry in the first column to include a cash holding. Up to 100 Investments are supported. If no headings are present in the first row then the portfolio weight is assumed and aggregated across all holdings.



As with all of our new features, we would love to hear your feedback so that we can continue to refine and improve Morningstar Adviser Research Centre.

Feedback can be provided directly to the team via the 'feedback' link at the top right corner of the home page. Or feel free to email me directly.

You can also get in contact with **Mark McPhee**, Customer success manager for Adviser software. He can assist on any of your support or training needs. Feel free to join him on one of his upcoming session. Keep an eye out for more exciting sessions or if you have something specific in mind please let him know. To join please [click here](#)

Looking forward to the remainder of 2020 we will be doing some more work in the ESG space, in particular product inclusion/exclusion filtering, adding a new section under funds showcasing Managed Portfolios.

Since 2018 Morningstar has been collecting managed portfolio data from professional model managers – this includes managers offering their models through managed account structures such as SMAs & MDAs but may also include other types of managed account including robo advisers. We currently have 94 models available with more being added on an ongoing basis.

Accessing the Managed Portfolios tool will provide you with a list of Managed Portfolios including hypothetical performance data sourced directly from the model managers, to enable more effective comparison, benchmarking and reporting.

Also keep an eye out for the new improved ARC screens, we are planning a product refresh of the user experience.

Funds / Managed Portfolios

Search or Filter Investments

Morningstar Category ⓘ

Global Category

Morningstar Sustainability Rating™ ⓘ

Firm Name

Strategic Assets(Mil)

Review and Analyze Your Search Results

0/94

<input type="checkbox"/>	Name	Firm Name	Ticker	Morningstar Category	Strategic Assets(Mil)	Strategic Assets Date	Base Currency	Inception Date
<input type="checkbox"/>	Infinitas Allcap Aus Shares Model	Infinitas Asset Management Limited	24401	Equity Australia Large Blend	9.39	31 Mar 2020	AUD	24 Jan 2013
<input type="checkbox"/>	Elston Conservative Portfolio Model	Elston Asset Management Pty Ltd	24357	Multisector Moderate	18.85	31 Dec 2019	AUD	2 Oct 2012
<input type="checkbox"/>	Infinitas Income Model	Infinitas Asset Management Limited	24402	Multisector Flexible	19.31	31 Mar 2020	AUD	28 Nov 2012
<input type="checkbox"/>	Ethical Investment Mid-Cap Model	Ethical Investment Advisers Pty Ltd	24443	Equity Australia Mid/Small Blend	20.27	31 Mar 2020	AUD	20 Jan 2014

If you have any questions or would like any further information on any these product enhancements, please contact me or our Client Services Help Desk (1800 348 628) or helpdesk.au@morningstar.com.

Regards,

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