

REPRINT of an article with some editing. Original article:

http://awgmain.morningstar.com/webhelp/glossary_definitions/mutual_fund/glossary_mf_ce_Morningstar_Category.html?print111.x=29&print111.y=7



WHAT IS A MORNINGSTAR CATEGORY?

Morningstar Category™ classifications were introduced in 1996 to help investors make meaningful comparisons between mutual funds.

Morningstar found that the investment objective listed in a fund’s prospectus often was different than the reality of how fund managers made decisions and invested.

The Morningstar Category classifications worked to solve this problem by breaking portfolios into peer groups based on their holdings. The categories help investors compare funds with similar holdings (apples to apples) and identify the top-performing funds, assess potential risk, and build well-diversified portfolios.

In the United States, Morningstar divides funds into 9 Primary Categories and then further sub divides so there are 64 secondary categories.

PRIMARY CATEGORY	NUMBER OF SECONDARY CATEGORIES
US Stocks	10
Sector Stocks	14
Balanced	15
International Stocks	15
Alternatives	14
Commodities	6
Bonds – Taxable	14
Bonds – Tax Exempt	17
Money Market	2

Morningstar then reports on how a particular fund is doing compared to the average performance of the other funds in the same secondary category – called a “Benchmark.” In essence, Morningstar is reporting how a particular fund does when stacked up against the competition.

Morningstar also assigns a star rating to each fund. However the star rating is always based on comparing the fund performance to others in the same subcategory. Learn more about the [Morningstar Rating](#).

See below for the list of 64 secondary categories.

CATEGORY - U.S. Stock

U.S. stock funds are placed in a category based on the style and size of the stocks they typically own. The style and size parameters are based on the divisions used in the investment style box: Value, Blend, or Growth style and Small, Medium, or Large geometric average capitalization (see [Equity Style Box](#) for more details on style methodology). By reviewing their investment style over the past three years, we place U.S. stock funds in one of the following nine categories:

[Large Value](#)

[Large Blend](#)

[Large Growth](#)

[Mid-Cap Value](#)

[Mid-Cap Blend](#)

[Mid-Cap Growth](#)

[Small Value](#)

[Small Blend](#)

[Small Growth](#)

[Leveraged Net Long](#)

CATEGORY - Sector Stock

[Communications](#)

[Consumer Cyclical](#)

[Consumer Defensive](#)

[Equity Energy](#)

[Equity Precious Metals](#)

[Financial](#)

[Global Real Estate](#)

[Health](#)

[Industrials](#)

[Natural Resources](#)

[Real Estate](#)

[Technology](#)

[Utilities](#)

[Miscellaneous Sector](#)

CATEGORY - Balanced

The primary index for this broad asset class is the Dow Jones Moderate Portfolio Index. This index has exposure to equities (generally around 60%), bonds (generally around 30%), and cash (generally around 10%). It also has exposure to both U.S. and international markets. This new broad asset class will contain the following seven categories:

[Convertibles](#)

[Conservative Allocation](#)

[Moderate Allocation](#)

[Aggressive Allocation](#)

[Target Date 2000-2010](#)

[Target Date 2011-2015](#)

[Target Date 2016-2020](#)

[Target Date 2021-2025](#)

[Target Date 2026-2030](#)

[Target Date 2031-2035](#)

[Target Date 2036-2040](#)

[Target Date 2041-2045](#)

[Target Date 2046-2050](#)

[Target Date 2051+](#)

[Retirement Income](#)

CATEGORY - International Stock

Equity funds with 40% or more of their equity holdings in foreign stocks (on average over three years) are placed in the international stock class. These categories include:

[Foreign Large Value](#)

[Foreign Large Blend](#)

[Foreign Large Growth](#)

[Foreign Small/Mid Value](#)

[Foreign Small/Mid Blend](#)

[Foreign Small/Mid Growth](#)

[World Stock](#)

[Diversified Emerging Markets](#)

[Diversified Pacific/Asia](#)

[Europe Stock](#)

[Latin America Stock](#)

[Pacific/Asia ex. Japan Stock](#)

[China Region](#)

[India Equity](#)

[Japan Stock](#)

CATEGORY of Alternatives

[Bear Market](#)

[Currency](#)

[Long/Short Equity](#)

[Market Neutral](#)

[Multialternative](#)

[Managed Futures](#)

[Volatility](#)

[Trading==Leveraged Commodities](#)

[Trading==Inverse Commodities](#)

[Trading==Leveraged Debt](#)

[Trading==Inverse Debt](#)

[Trading==Leveraged Equity](#)

[Trading==Inverse Equity](#)

[Trading==Miscellaneous](#)

CATEGORY - Commodities

[Commodities Agriculture](#)

[Commodities Broad Basket](#)

[Commodities Energy](#)

[Commodities Industrial Metals](#)

[Commodities Miscellaneous](#)

[Commodities Precious Metals](#)

CATEGORY - Bonds

Bond funds are classified as funds with 70% or more of their assets invested in bonds. Bond funds are divided into two main groups: Taxable Bonds and Municipal Bonds.

Taxable Bond categories include the following:

[Long Government](#)

[Intermediate Government](#)

[Short Government](#)

[Long-Term Bond](#)

[Intermediate-Term Bond](#)

[Short-Term Bond](#)

[Ultrashort Bond](#)

[Bank Loan](#)

[High-Yield Bond](#)

[Multisector Bond](#)

[World Bond](#)

[Emerging-Markets Bond](#)

[Nontraditional Bond](#)

[Inflation-Protected Bond](#)

CATEGORY - Municipal-Bond (some portion tax exempt)

[Muni National Long](#)

[Muni National Intermediate](#)

[Muni National Short](#)

[High-Yield Muni](#)

[Muni Single State Long](#)

[Muni Single State Intermediate](#)

[Muni Single State Short](#)

[Muni California Long](#)

MONEY 101 EDUCATION

12.44 – What is a Morningstar “Category?”

[Muni California Intermediate/Short](#)

[Muni Florida](#)

[Muni Massachusetts](#)

[Muni Minnesota](#)

[Muni New Jersey](#)

[Muni New York Long](#)

[Muni New York Intermediate/Short](#)

[Muni Ohio](#)

[Muni Pennsylvania](#)

Money Market

[Taxable Money Market](#)

[Tax-Free Money Market](#)
