April 2008

Software
Tutorial

Morningstar Direct℠

Quick Start Guide

MORNINGSTAR®

Quick Start Guide

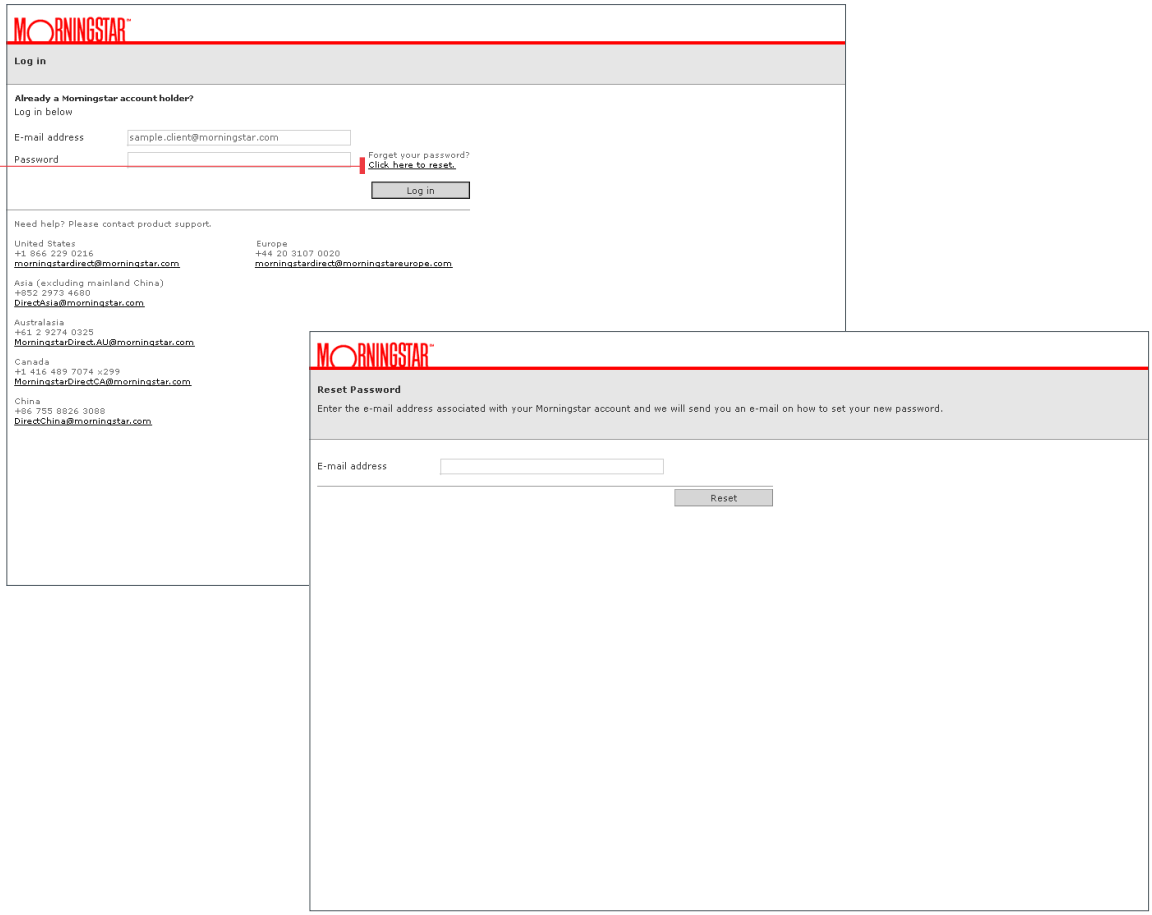
Getting Started with Morningstar Direct

Changing your Password

Many new users lose track of the system assigned password, or the password they are using for other Morningstar Websites. It is easy to reset this password from the initial login screen.

Click above the Log in button and you will be asked to enter the e-mail address associated with your Morningstar account. Specific instructions on how to set your new password will be emailed to you.

Click above the *Log in* button to reset your password



Main Menu

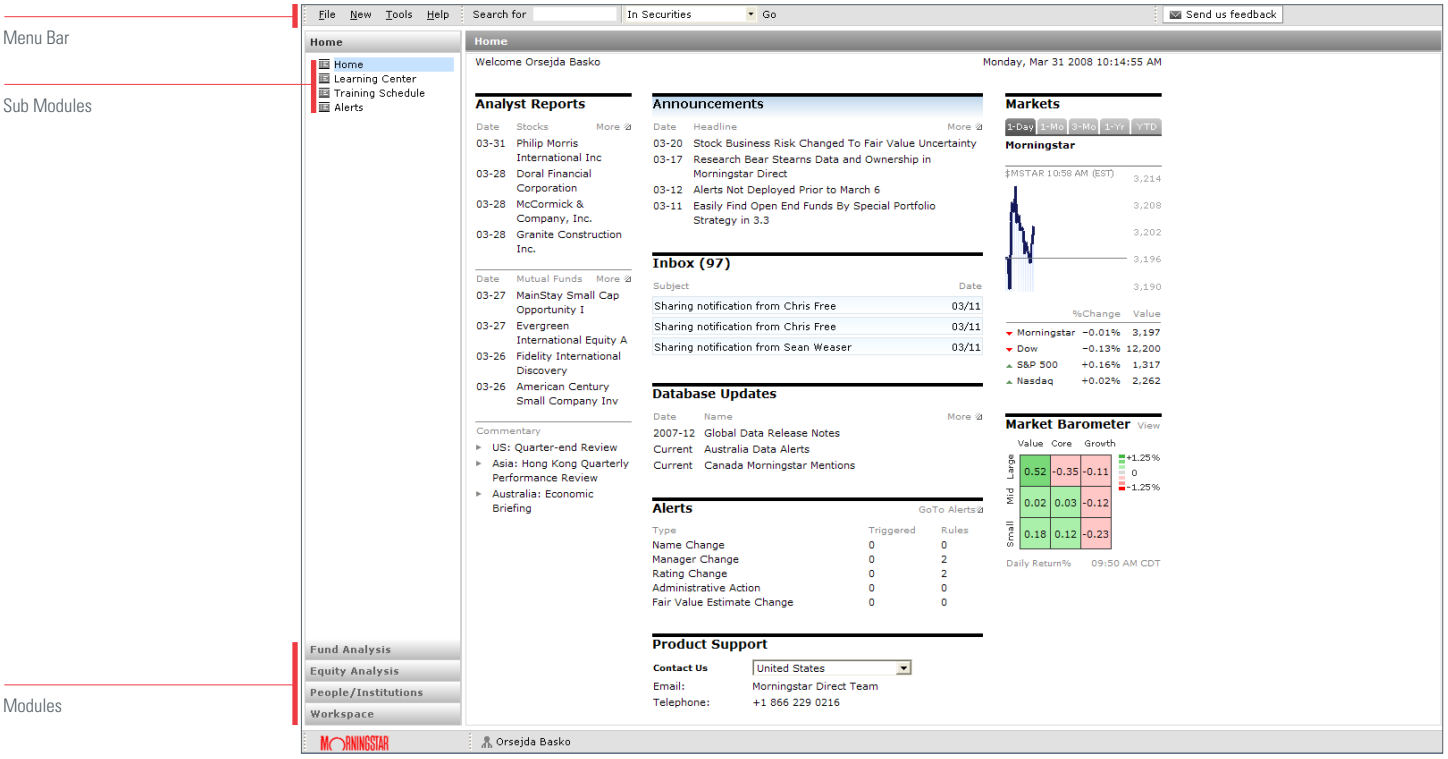
The main Menu Bar at the very top allows you to perform tasks such as changing user preferences, creating new files, launching new tools, and accessing the Help Menu. You can use the 'Search for' bar to quickly locate information on a specific investment. You will also see the "send us feedback" button here; use this button to send us your comments, ideas and suggestions for future development.

Product Layout and Navigation

Morningstar Direct is organized in five main areas called modules, shown in the left navigation panel: Home, Fund Analysis, Equity Analysis, People/Institutions, and Workspace. When logging in, you start in the Home module. To go to another module, click on *Fund Analysis*, *Equity Analysis*, *People/Institutions*, or *Workspace*.

Home

The Home module consists of four sub modules: Home, Learning Center, Training Schedule, and Alerts. Home provides quick access to announcements, analyst reports, market performance, support information, and database updates. The Learning Center provides training Webcasts, a reference library that includes product documents, release notes, as well as methodology papers. The Training Schedule allows clients to register for global Webcasts. With Alerts, you can receive notification of changes to any/all of the following: Morningstar Rating, fund manager, analyst report date, portfolio date, name change, fund open/close status, split, fair value estimate.



Fund Analysis

Fund Analysis provides access to the Morningstar Direct funds database. It contains managed product universes, including mutual funds, separate accounts, insurance products and hedge funds. Use Fund Analysis to create searches and view data. Any items that you save from the Fund Analysis module are saved under Workspace.

Equity Analysis

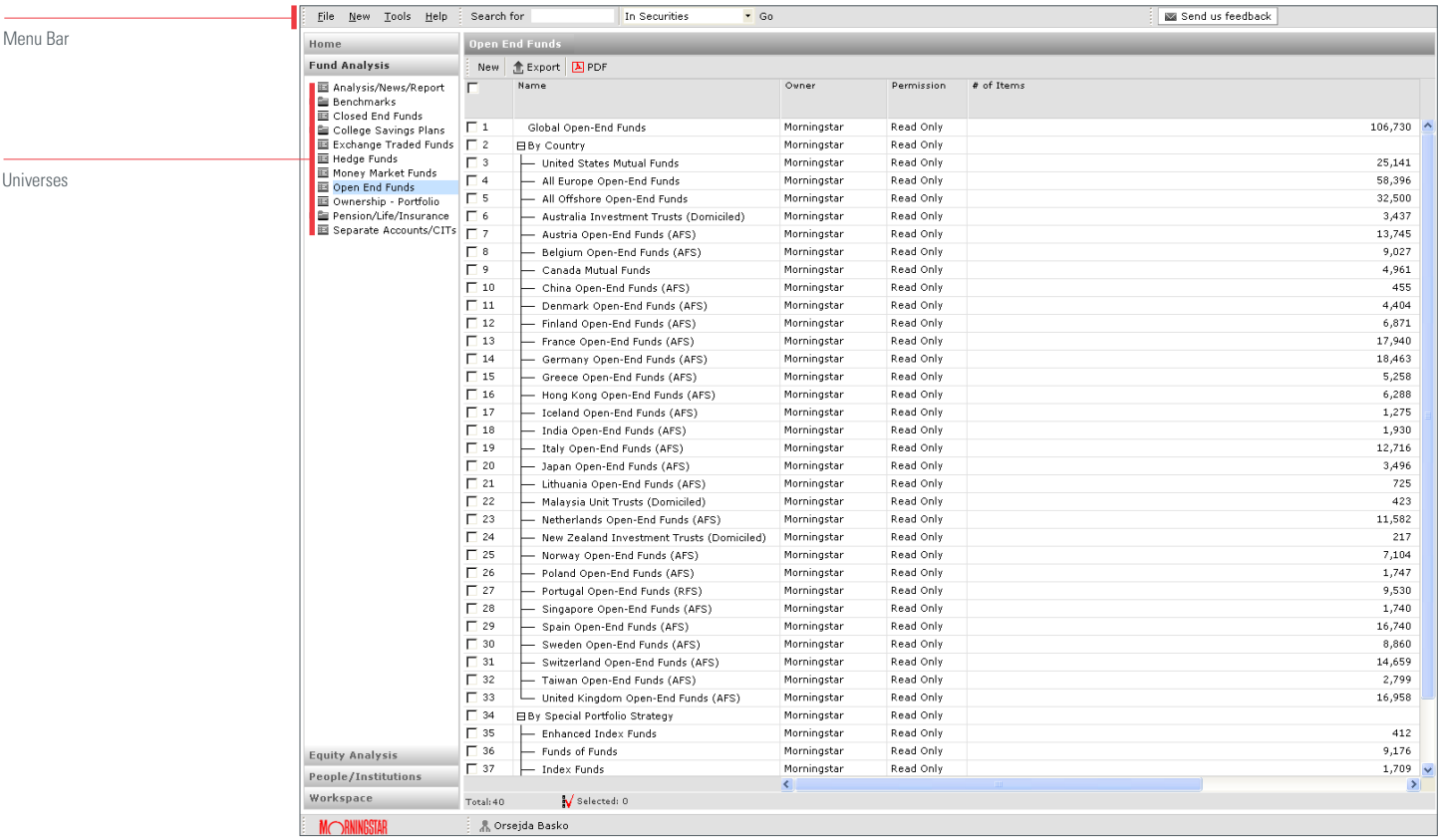
Equity analysis allows you to analyze stocks and ADRs, either on their own merits or as portfolio holdings. Search for stocks based on valuation, financial statement data, performance, and other aspects. Use Ownership–Security to identify the mutual fund, separate account, or institutional portfolios that contain a particular stock.

People/Institutions

The People/Institutions module looks at the individuals and firms behind investment products. Our first universe is a listing of registered investment advisors.

Workspace

Workspace is the electronic file cabinet for Morningstar Direct. If you save an investment list, search criteria, or aggregate while in the Fund Analysis or Equity Analysis, it will be stored in the Workspace. The Workspace allows you to create different files as well as share them with other users in the company.



Navigating Fund Analysis, Equity Analysis and Workspace

The left navigation for each module works in a similar fashion. For example, under Fund Analysis, select a specific universe. Within each universe, various databases will appear in the grid view. Choose databases within the universe by double clicking their name in the grid view.

You'll follow the same process to see stocks and stock ownership data in Equity Analysis, and for searches and investment lists saved under the Workspace.

The universe, search, or investment list with which you are working will be displayed across the top of the grid view.

Defining an Investment Lineup or Watch List

Investment Lists

An Investment List is a saved set of investments whose members do not change unless you edit the list. Investment Lists are used for performance reporting, peer analysis, and other tasks requiring repeated analysis of the same investments.

You can define membership in the list in one of four ways: by specifying name/ticker; by executing a search and saving the results; by importing your list from Excel; or by building on a previously created list (this can be your list, a list shared by a colleague, or a template created by Morningstar).

This document will address creating an Investment List using name/ticker or other identifier: SecID, CUSIP, or ISIN. See the document on Creating a Peer Group for details on creating an investment list using the results of a search.

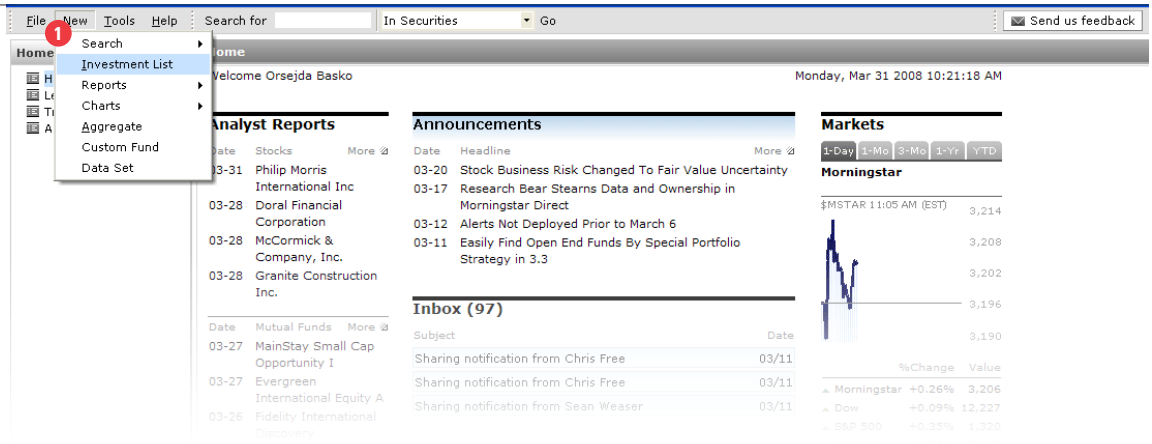
The data points associated with a new Investment List default to those in the "snapshot" view, but can easily be changed to another pre-defined view or customized by using the Edit Data button.

1 Creating a List Using Name/Ticker

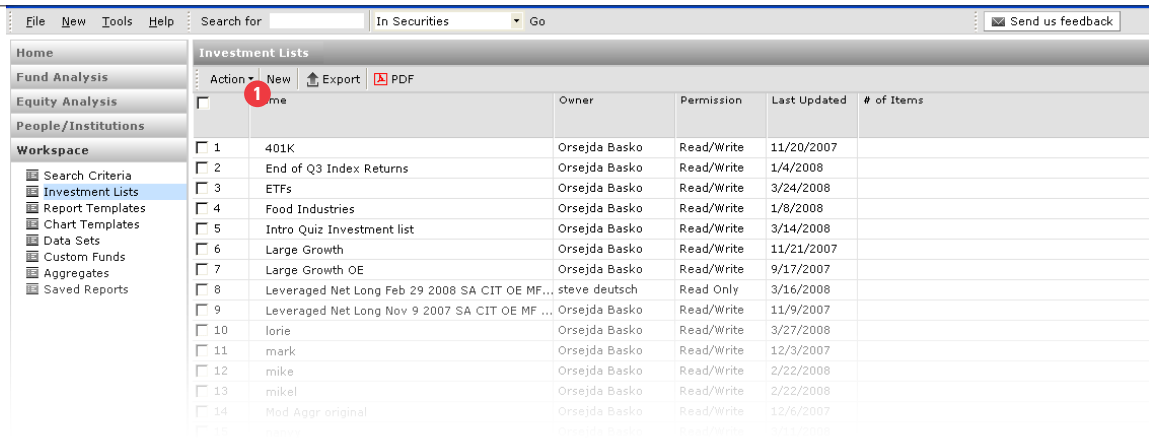
Begin by pressing *New* as described in the options above.

Creating a List Using Name/Ticker

Select *New* on the main menu bar, and choose Investment List from the drop down



From Workspace, Investment Lists, choose *New* on the action bar

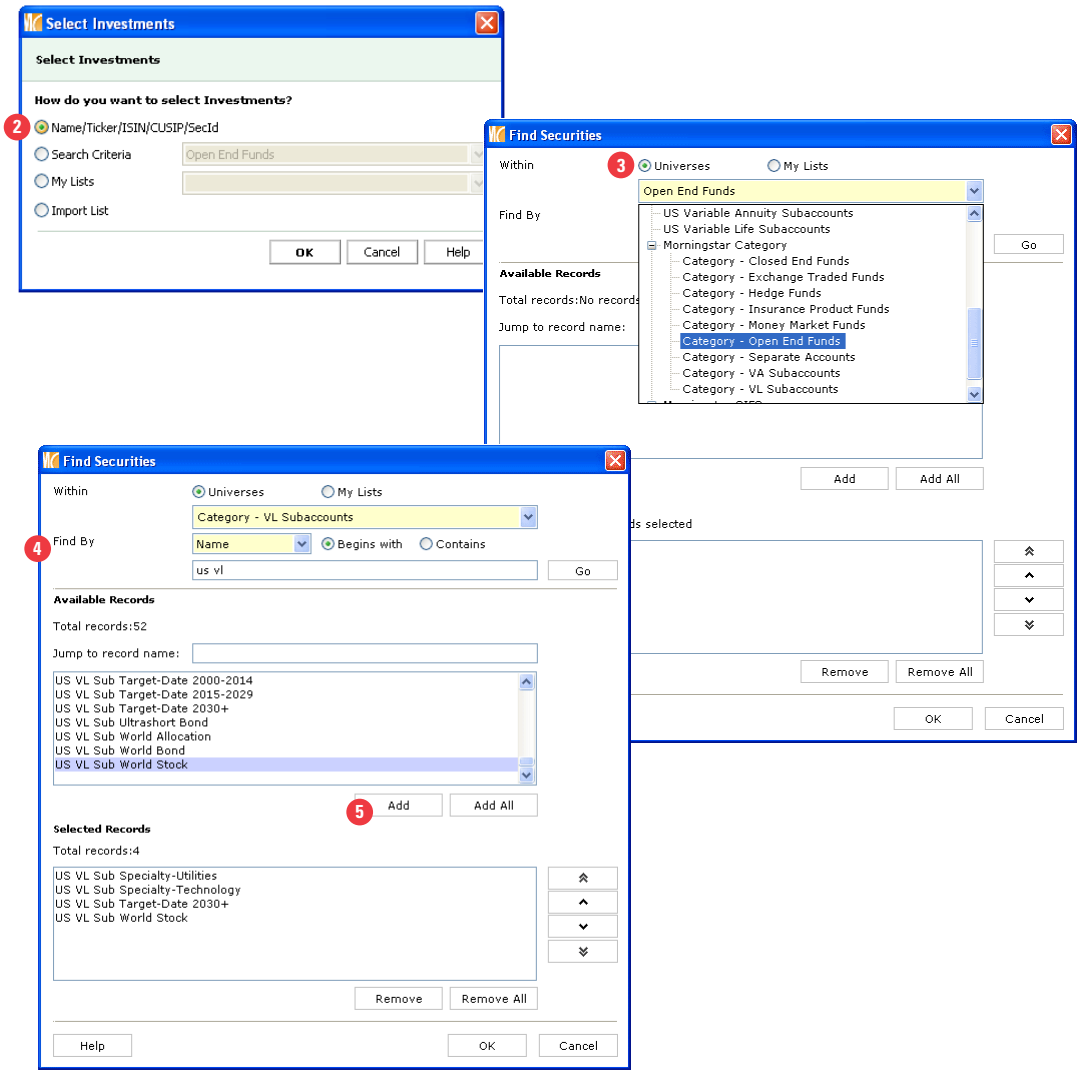


2 In the dialog box that opens, select *Name/Ticker* and click *OK*.

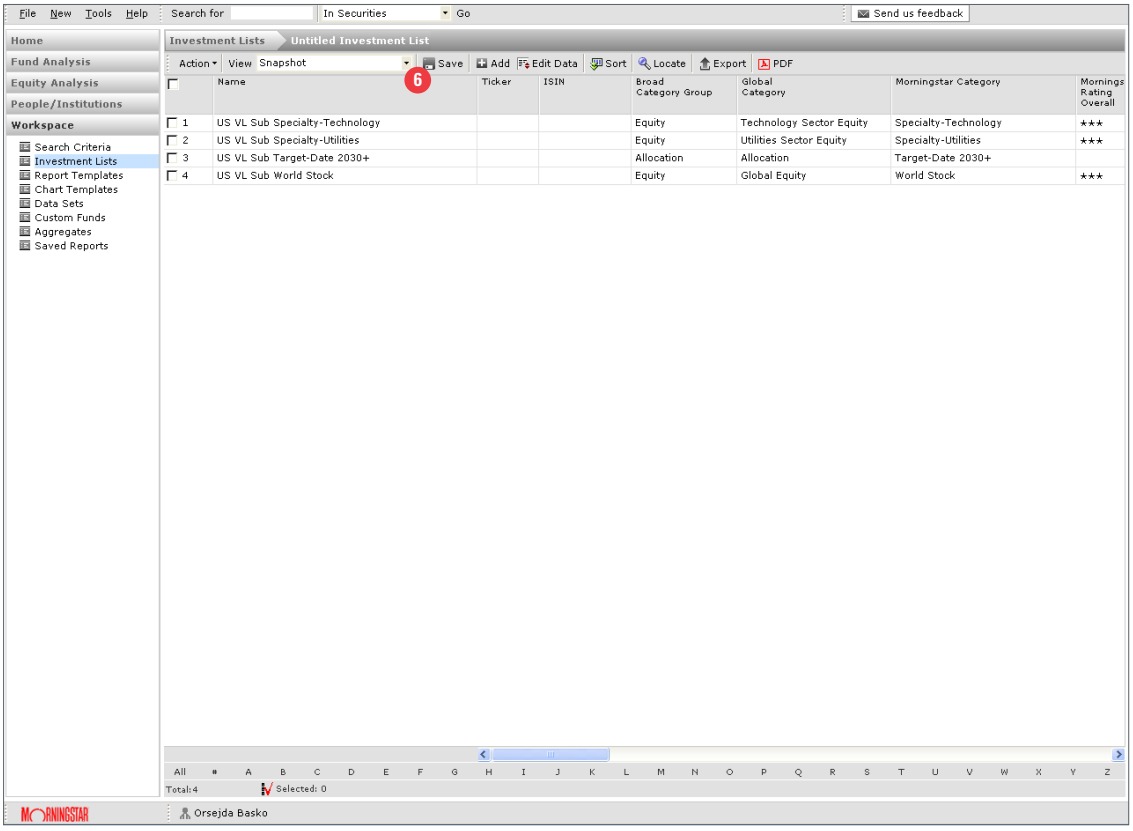
3 Select *Universes* to choose investments from a specific data universe, or *My lists* to add investments from a pre-saved investment list.

4 In the *Find by* drop down menu, select from the options listed (begins with or contains: name, ticker SecID CUSIP or ISIN). In the search bar, enter your search term and click *Go*. You can search for multiple identifiers by separating them with commas. If you leave the search bar blank, you will see an alphabetical list of all the items in the universe or list. To combine investments from different universes, simply repeat steps 3 and 4.

5 The results of your search will appear in the Available Records pane; select the subject investment(s) you wish, and click *Add*. To reorder the investments, select the item(s) you wish to move and use the arrow keys.



6 Click *OK* and a new window opens displaying your investments. Click *Save* and enter the name of the investment list in the bar. Your saved investment lists will reside in the Workspace tab under Investment Lists.



Generating a Peer Group Using Search Criteria

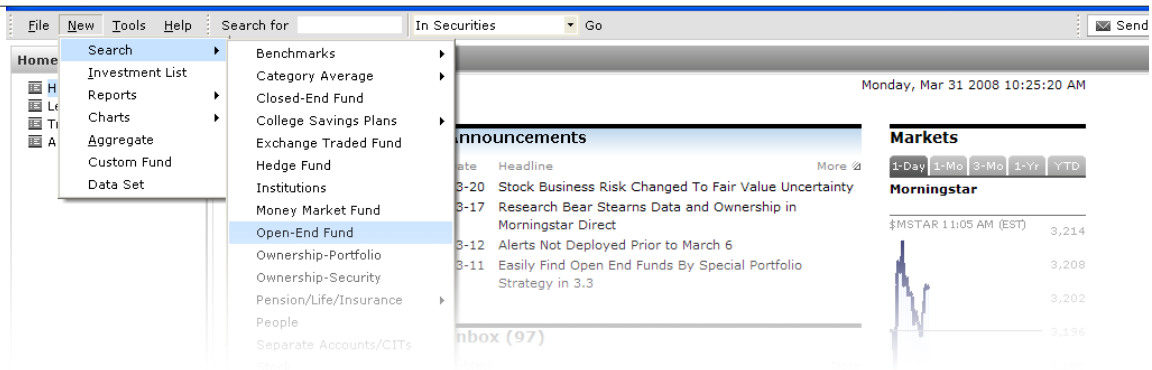
Dynamic Search Criteria

Defining and running search criteria generates a set of investments that currently match the set of criteria you have defined. Each time the search criteria file is retrieved, the members are redefined using current data. You can also save the members generated as an Investment List for future analysis.

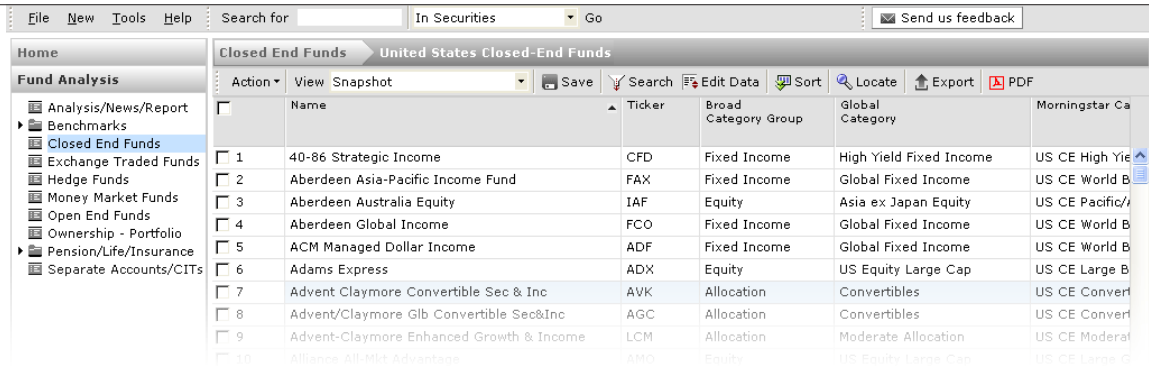
After you have run the search, you can specify the data you wish to see by selecting from the data lists in the View dropdown menu, or by using the Edit Data button to create a custom data set. After saving, the search criteria and associated data will reside in the Workspace tab under search criteria; any custom data sets can also be saved and will reside in Workspace under data sets.

To create a new search

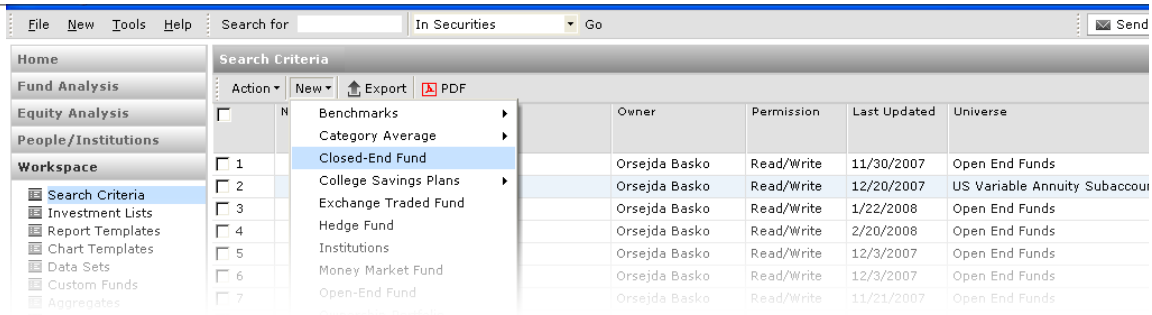
Press the *New* button in the Main Menu bar, and select *Search*, then choose your data universe. You will be searching through global investments (all geographic regions) in that universe.



If you prefer to begin your search within a specific geographic region, start in the *Fund Analysis* tab along the left navigation pane. After selecting *Fund Analysis*, choose your universe such as Separate Accounts, then click on one of the pre-defined searches for that universe, such as U.S. closed-end funds. From there you can press the *Search* button and begin to define your criteria.



You can also define search criteria beginning in Workspace. Workspace is the file cabinet where all your saved work is stored. From Workspace, select *search criteria* and *New*, then choose your data universe. You will be searching through global investments (all geographic regions) in that universe.



Defining Criteria

Once you have begun your search using any of these paths, you will see the same search dialog box. Click the first line to begin using the data universe you have chosen. Scroll through the drop down, expanding trees as needed, until you locate the data on which you plan to search. Following are the steps needed to create a list of open-end funds in the Small Growth Morningstar Category with a trailing 3-year total return in the top quartile of that category.

1 Press *New* in the top menu bar, select *Search*, and choose open-end fund.

2 Expand the Snapshot tree, and click *Morningstar Category*. Verify that the "operator" column shows an "=" sign.

3 Click in the Value column, expand the U.S. tree, and scroll down and click on *Small Growth*.

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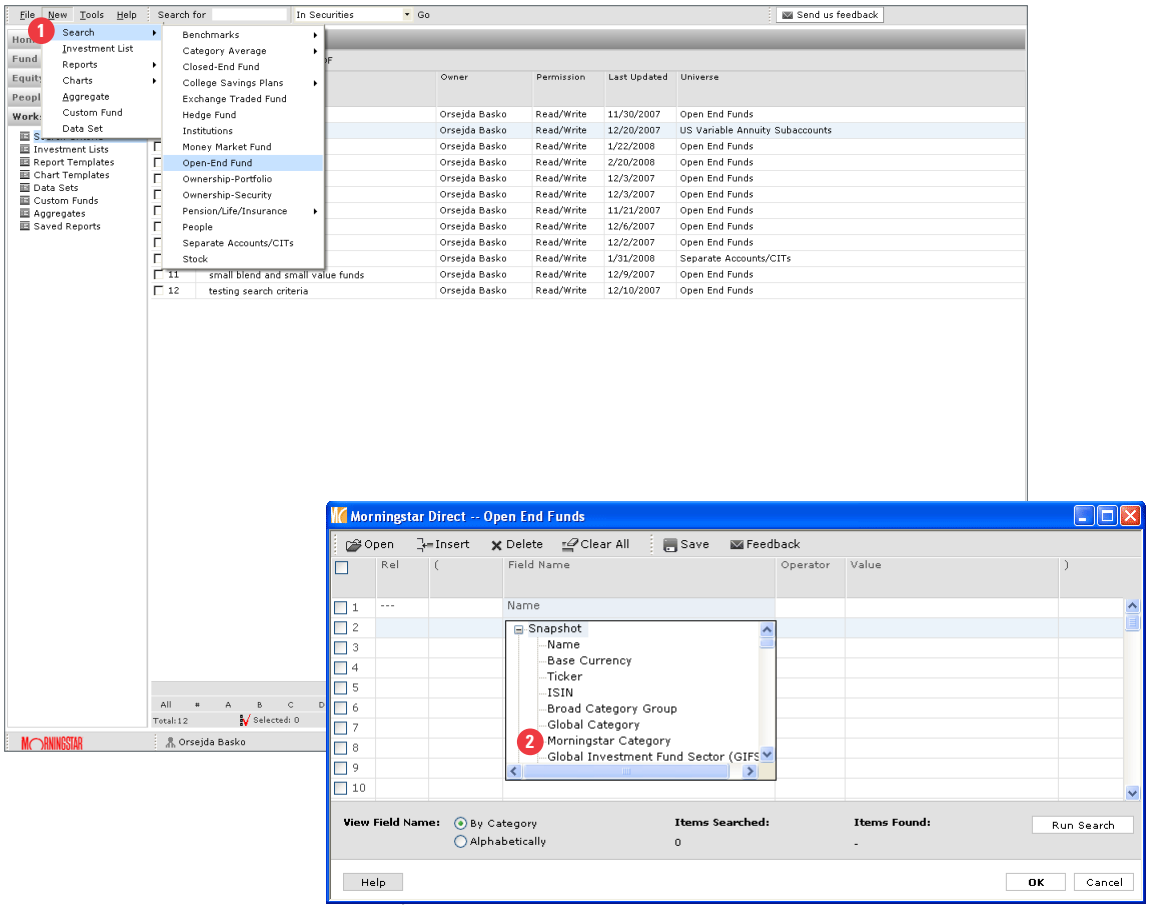


Defining Criteria (continued)

4 Move to the second row to add an additional criterion. In the Field Name column, locate and expand the Returns (month-end) tree, and select Total Ret % Rank Cat 3 Mo (Mo-end). This abbreviation means: three-month total return percentile rank in category using month-end data.

5 In the operator column, choose "=<" and set the Value column to "25." This will return funds whose percentile rank is between 1 and 25, or funds in the top quartile.

6 Press *Save*, and choose a name. Your saved criteria will reside in workspace.

7 Press *Run Search* to execute; you can verify the search criteria are valid if you see results as an invalid search will return 0 items found.

8 Press *OK* to see the results.

9 To save the results as a static (unchanging) investment list, select all members, press the *Action* bar, choose *Save as Investment List*.

Tips

Follow Boolean logic for relationships between criteria, including OR in appropriate instances instead of AND. You can use Repeat if appropriate.

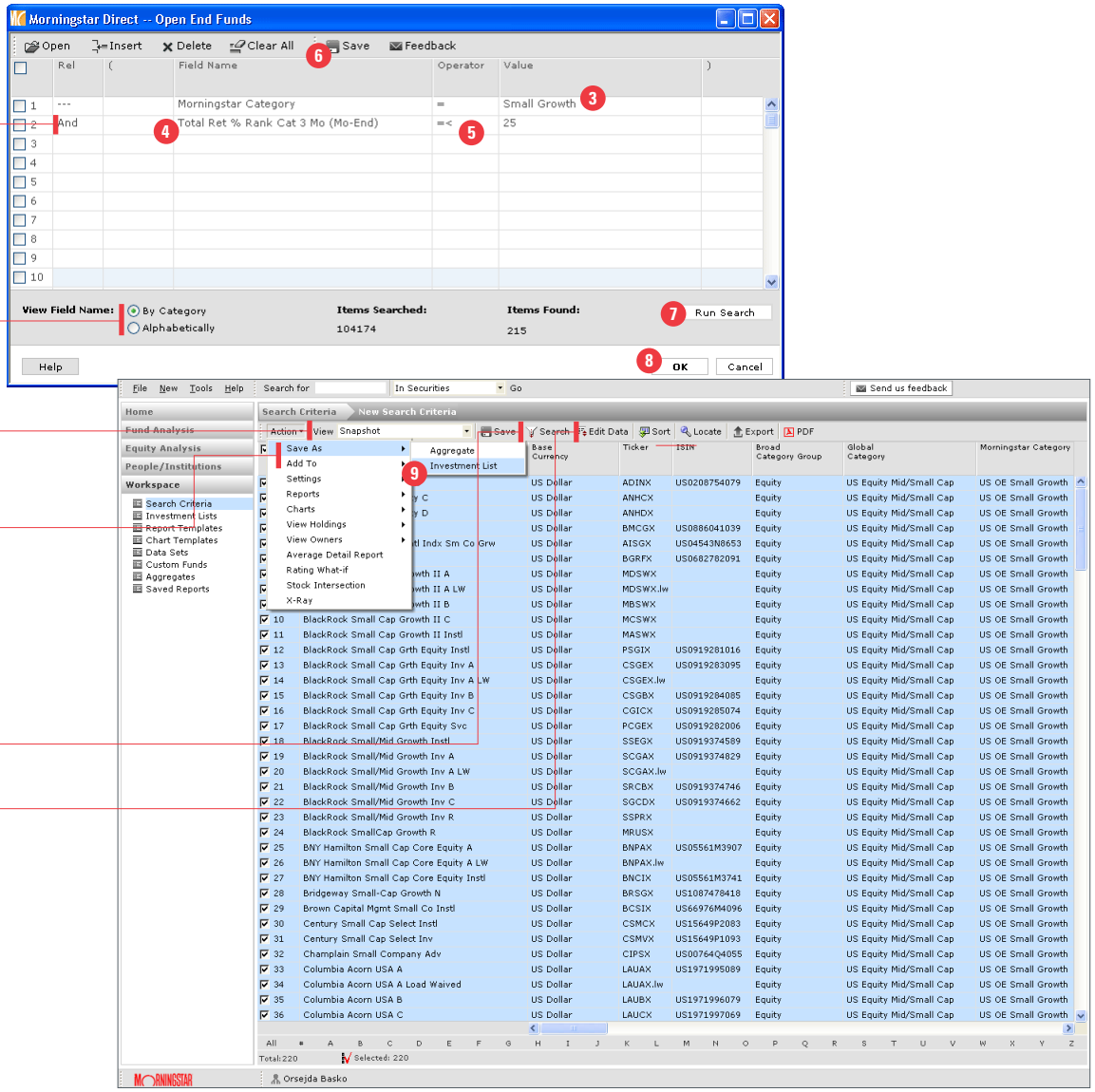
Search data tree alphabetically or by category, i.e. Returns.

Select a pre-defined or previously created data view.

Save as and Add allow you to save investments to an aggregate or investment list. This is particularly useful when you need to combine search results across investment universes.

Edit/Access Search Criteria

Customize data view. See Customizing Data/Statistics for information.



Customizing Data and Statistics

Data Sets

A data set lets you assemble only those data points of relevance to your analysis and set the order for their display. Data sets can be married to search results and investment lists. Once saved, they reside in the Workspace tab under Data Sets, and can also be accessed from the Edit Data drop down menu.

Creating a Data Set

Press the *New* button in the Main Menu bar, and select *Data Set*. Or, you can create a Data Set from within an Investment List or Search Criteria by selecting *Edit Data*. In each case you will see the Select Data Points dialog box.

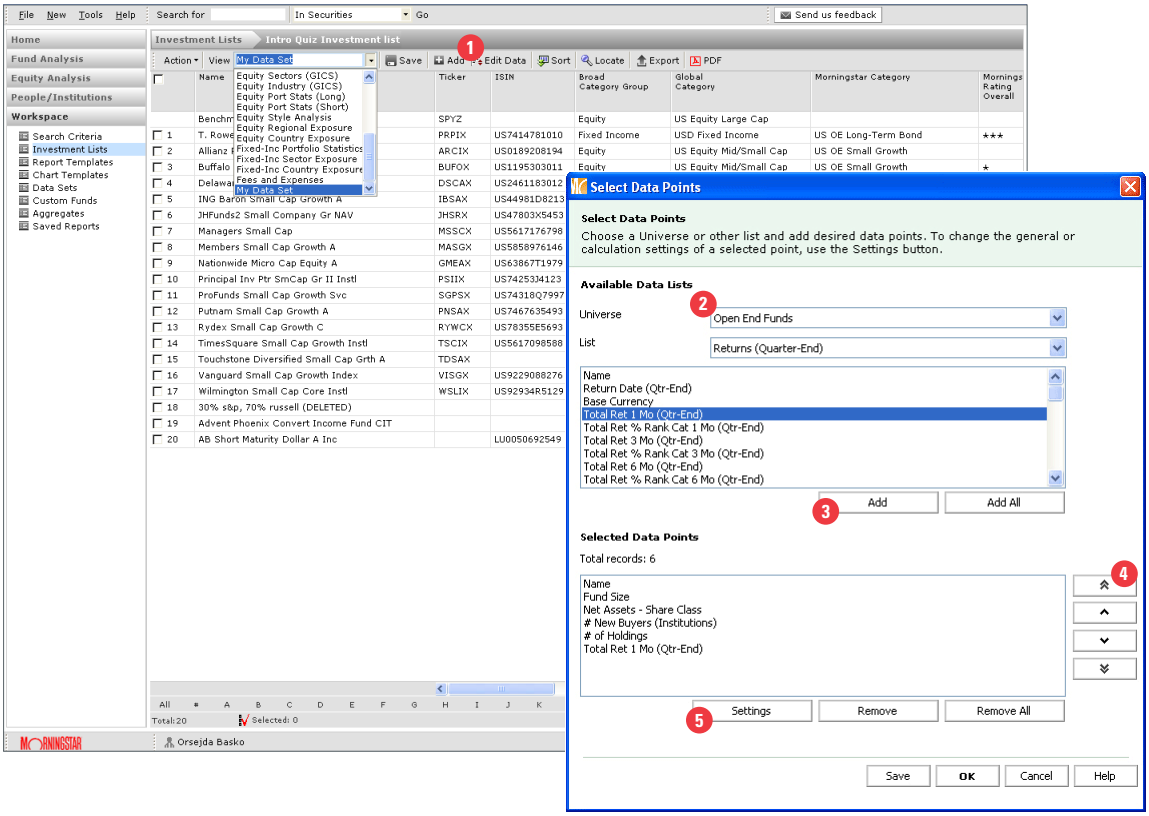
1 For this example, let's start with an Investment List. Click *Edit Data*.

2 Select a data universe. Universes include investment types, categories, indexes, stocks, custom funds, and user defined data sets.

3 Use the drop down to choose from the groups of data points. You can Add All data points in that group, or choose among them individually. Select the data and click *Add*, or simply double click on a single data point.

4 To change the display order, use the arrow buttons.

5 To change the options, click on the data point and choose *Settings*. In the general settings, you can modify the decimal places, display raw options or ranks, currencies, etc. When the data point you select can be customized (see details below), the calculation tab is active. Here you can change start and end dates, choose whether or not to float the data so that it refreshes each time, set rolling time periods, or choose benchmarks.



Customizing Data Points

Customizing data allows you to add greater precision to your analysis. In this example, we will create 1-, 2-, 3-, 4-, and 5-year trailing Treynor Ratios as of 12-31-2005 and display results as a percentile rank.

1 From an Investment List or Search Criteria, click *Edit Data*.

2 From any data universe displayed, select *Custom Calculations* (last item in list).

3 Choose *Treynor Ratio (geometric)* by highlighting it and pressing *Add*, or double clicking.

4 Highlight the data point, then choose *Settings*, which will open the options dialog box.

5 In the general tab under display options, choose *Percentile (descending)*. This will assign the largest value to the lowest percentile. The options under the general tab are available for any numerical data point regardless of the data list chosen.

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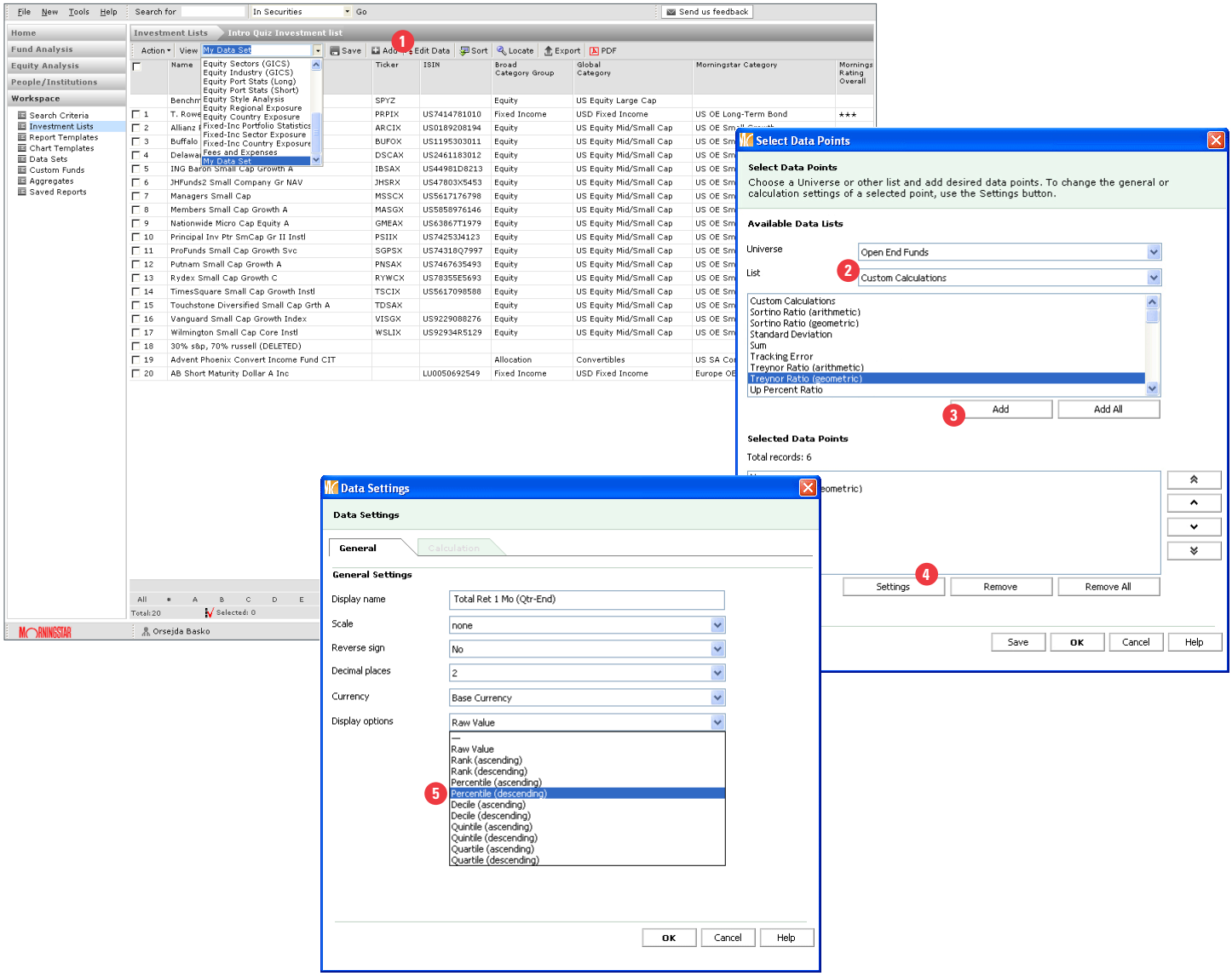


Customizing Data Points (continued)

6 Click on the *Calculation* tab.

7 Type in 01-01-2000 in the Start Date box and 12-31-205 in the End Date box. Or you can use the calendar to choose dates graphically.

8 Click *Find* next to the Benchmark box. Type Russell Midcap Value (or Russ for a list) and press *Go*. When you've located your benchmark, highlight it and press *OK*.

9 Select *Backward Extending Window* (see below for descriptions of all four Calculation Window options)

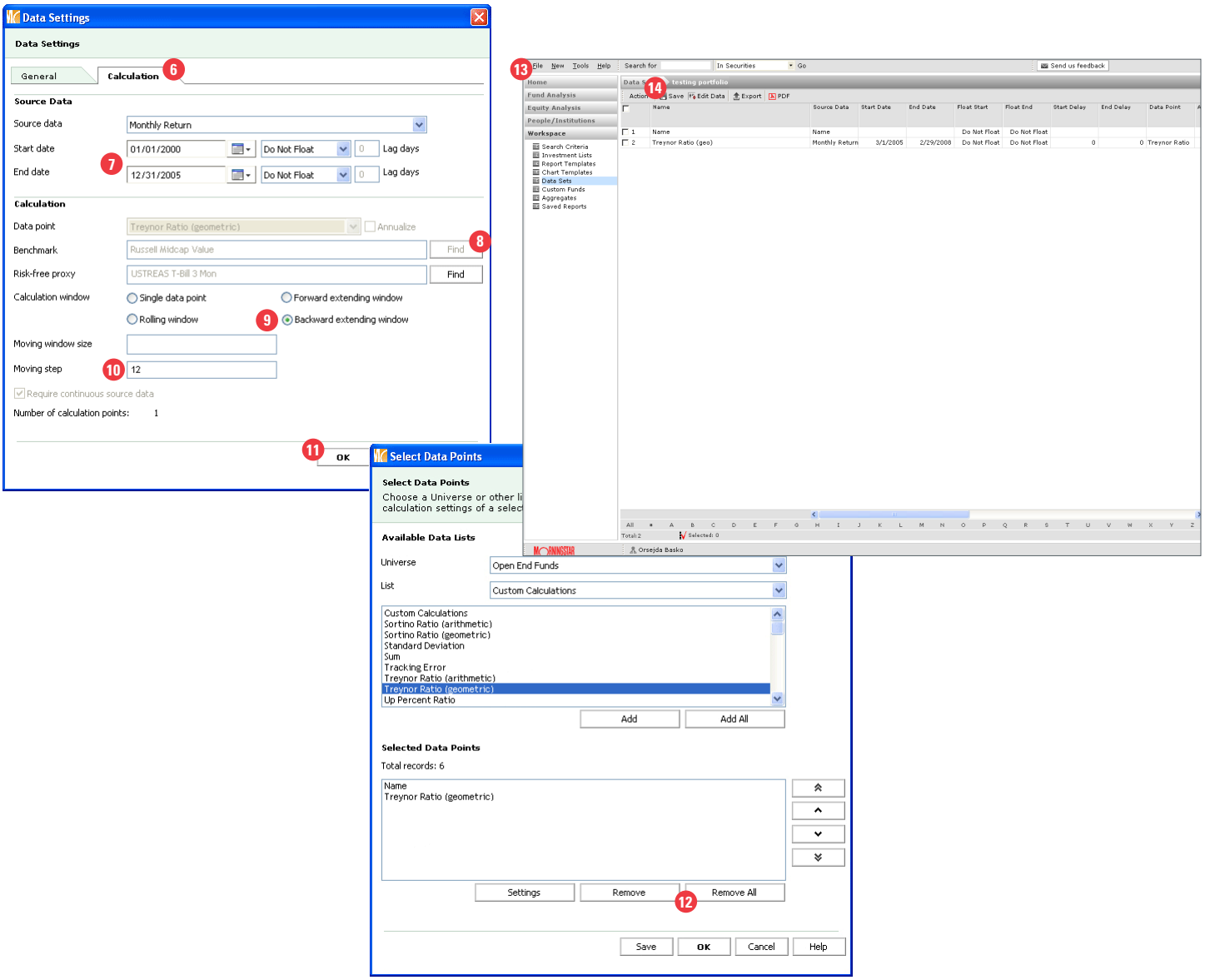
10 Type "12" in the Moving Step box.

11 Click *OK* in the Settings dialog box.

12 Click *OK* in the Select Data Points dialog box.

13 A new window will open with your trailing time series defined.

14 Click *Save*.

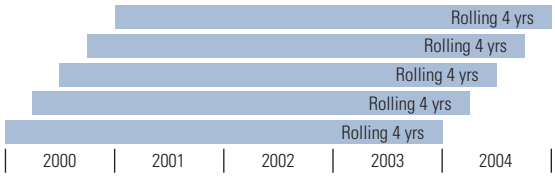


How Does the Calculation Window Work?

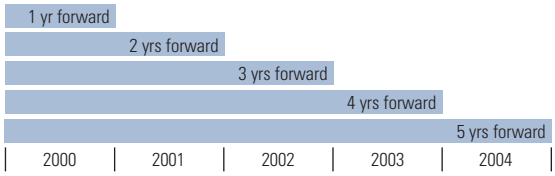
For all examples the start date is 1 January 2000, and the end date is 31 December 2004.

Single Data Point gives you one data point as output based on your start and end date. The following illustration is a single trailing 5 year calculation.

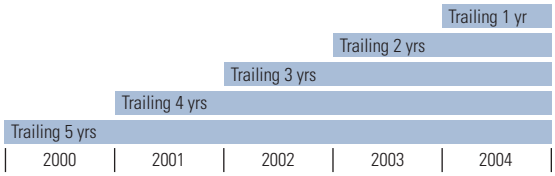
Rolling Window allows you to calculate rolling statistics, where the start date and end date both move forward together. Rolling windows are typically used to measure consistency of data. Use Moving Window Size to set the time period for each calculation and Moving Step to set how often each calculation is performed. The following illustration has a moving window size of 4 years and a moving step of three months, so you would get five data points as output.



Forward Extending Window allows you to fix the start date for each calculation. One application of this calculation would be to calculate cumulative performance (data point is total return and annualized is not checked). The following illustration has a moving step of 12 months, so you would get five data points as output.



Backward Extending Window calculation fixes the end date for the calculation. It is typically used to calculate trailing statistics. The following illustration has a moving step of 12 months, so you would get five data points as output.



Introduction to Reports and Charts

Reports and Charts

Morningstar Direct offers an extensive library of pre-formatted reports and charts that you can customize in various ways to communicate your research findings. Clients can also create fully customized reports using the Report Builder.

Pre-Formatted Reports

Reports can be executed from anywhere in the platform. For example, you can select an investment, or investment list first, then use the Action bar to select Report. Or you can begin from the top navigation bar by selecting *New*, then *Report*. A Quicktake report can be executed by simply double clicking the investment; a Quicktake is a comprehensive quantitative overview that also contains Morningstar Analysts' qualitative commentary.

1. For this example, we'll begin with an investment. From the *Fund Analysis* tab, use the left navigation to select your investment universe, and click on the sub-universe you require. To navigate to your specific investment, you can use the letters at the bottom to move through the alphabet, or use the Locate button in the Action bar.
2. Select the investment by clicking the box to its left, then press the *Action* bar, select *Report*, and choose the report you need.
3. A dialog box may open, offering customization options. These options vary according to the report you select, but include items such as time periods, benchmarks, and peer groups. You can also opt to include disclosure pages. When you are satisfied with your selections, click *OK*. You will be asked if you wish to save your changes in your report templates for later use. Name the template and click *OK*.

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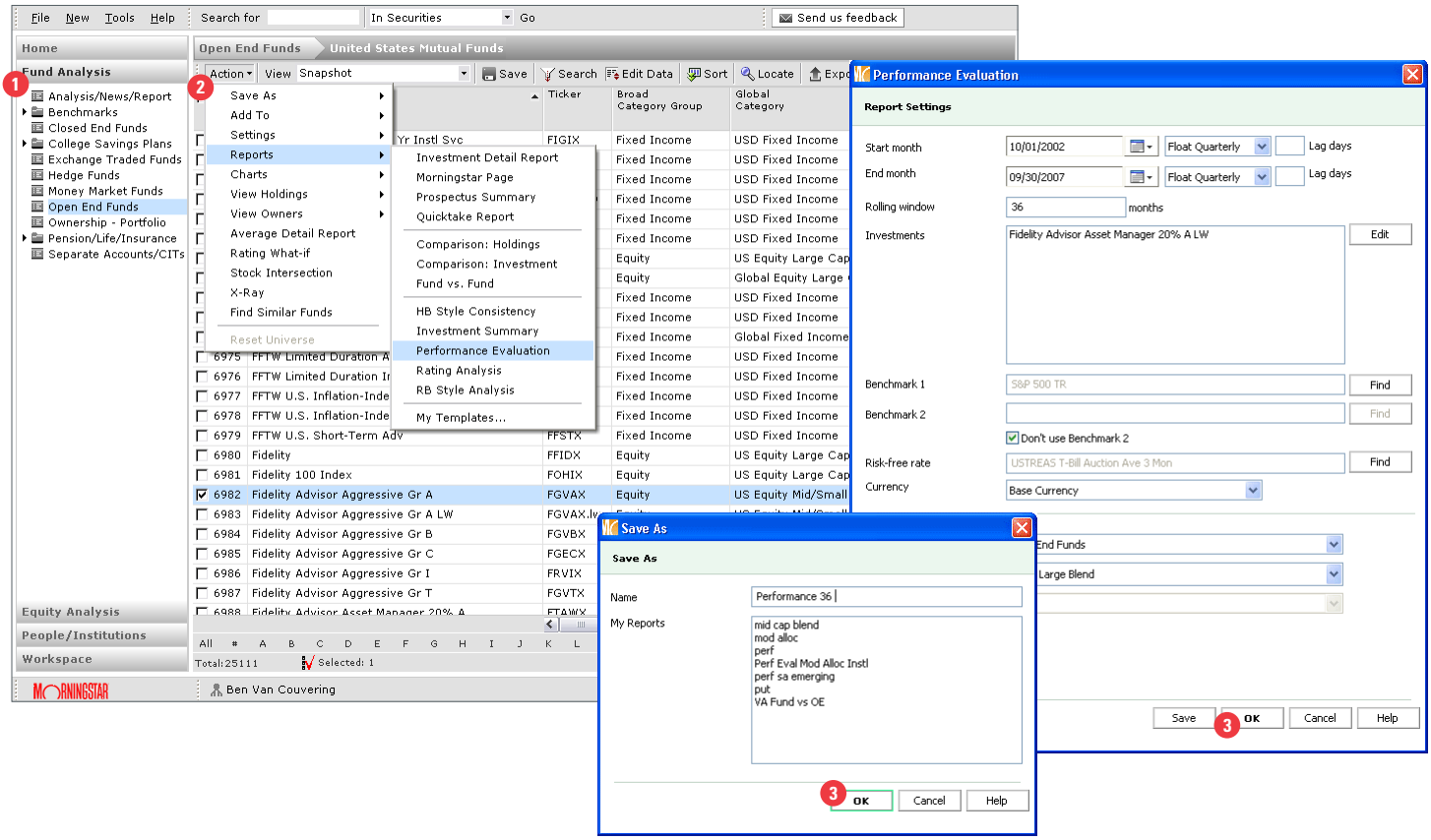
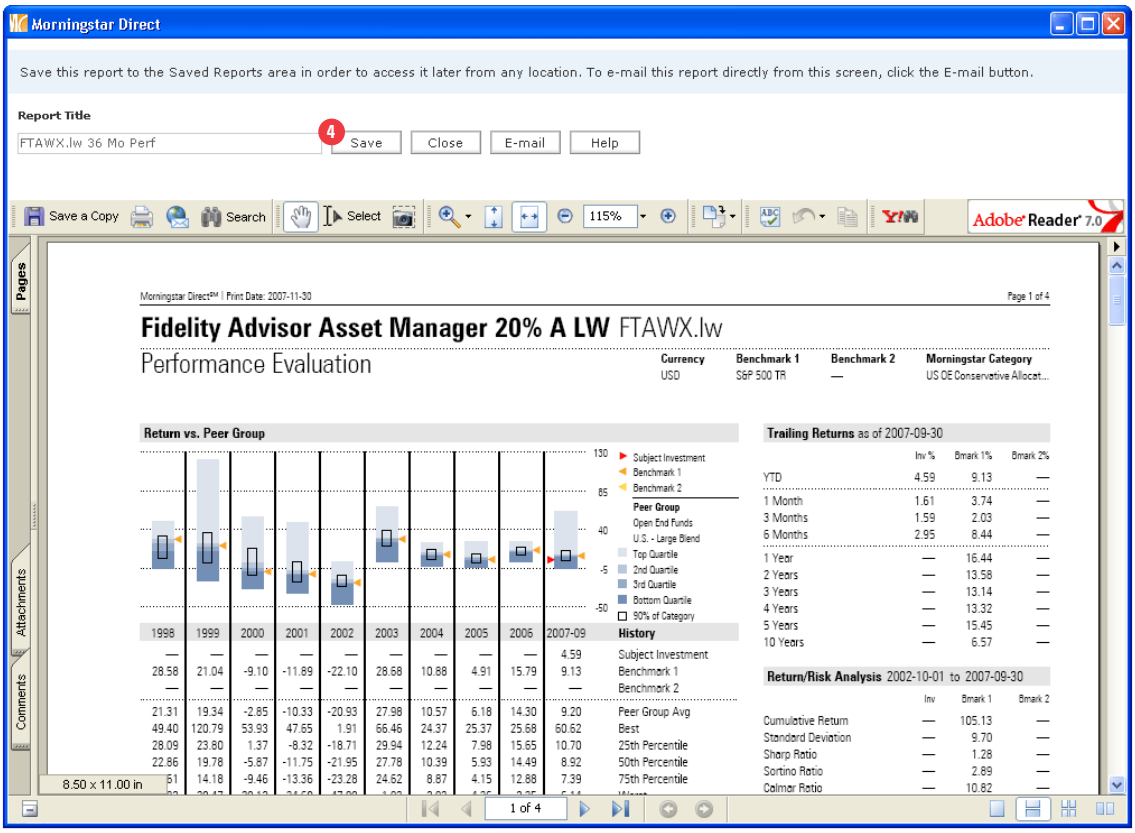


Pre-Formatted Reports (continued)

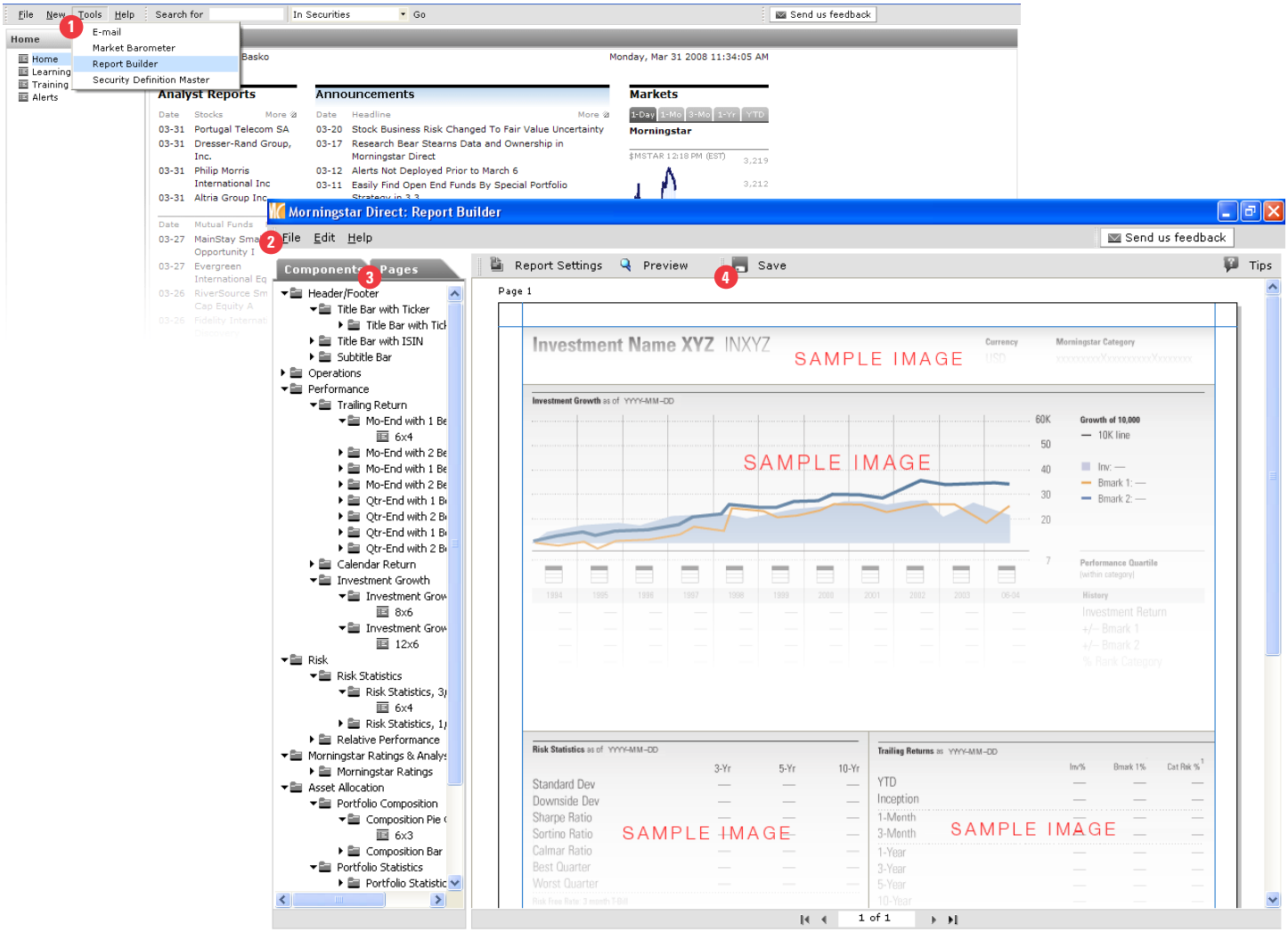
4 Your report will open in a new window. From here you can save the report to your Saved Reports or e-mail it using Morningstar Direct's email program.



The Report Builder

Many clients elect to create fully customized reports showing only those elements germane to their analysis, and to personalize them with a company logo and text box for individual disclosure language. To do this, you will first create and save the template, then execute the report. Report components include performance, ratings and risk, portfolio, operations, and style components. The templates you design can have multiple pages and be used for any investment.

1. From the top navigation anywhere in the product, click *Tools*, *Report Builder*.
2. The Report Builder dialog box displays report components and a mock-up of the report on a grid. Expand the trees, and simply drag and drop the components onto the grid.
3. Navigate between pages using the *Pages* tab on the upper left, and add new pages by selecting *Edit/Add Page*.
4. Save your report template.



Running Your Custom Report

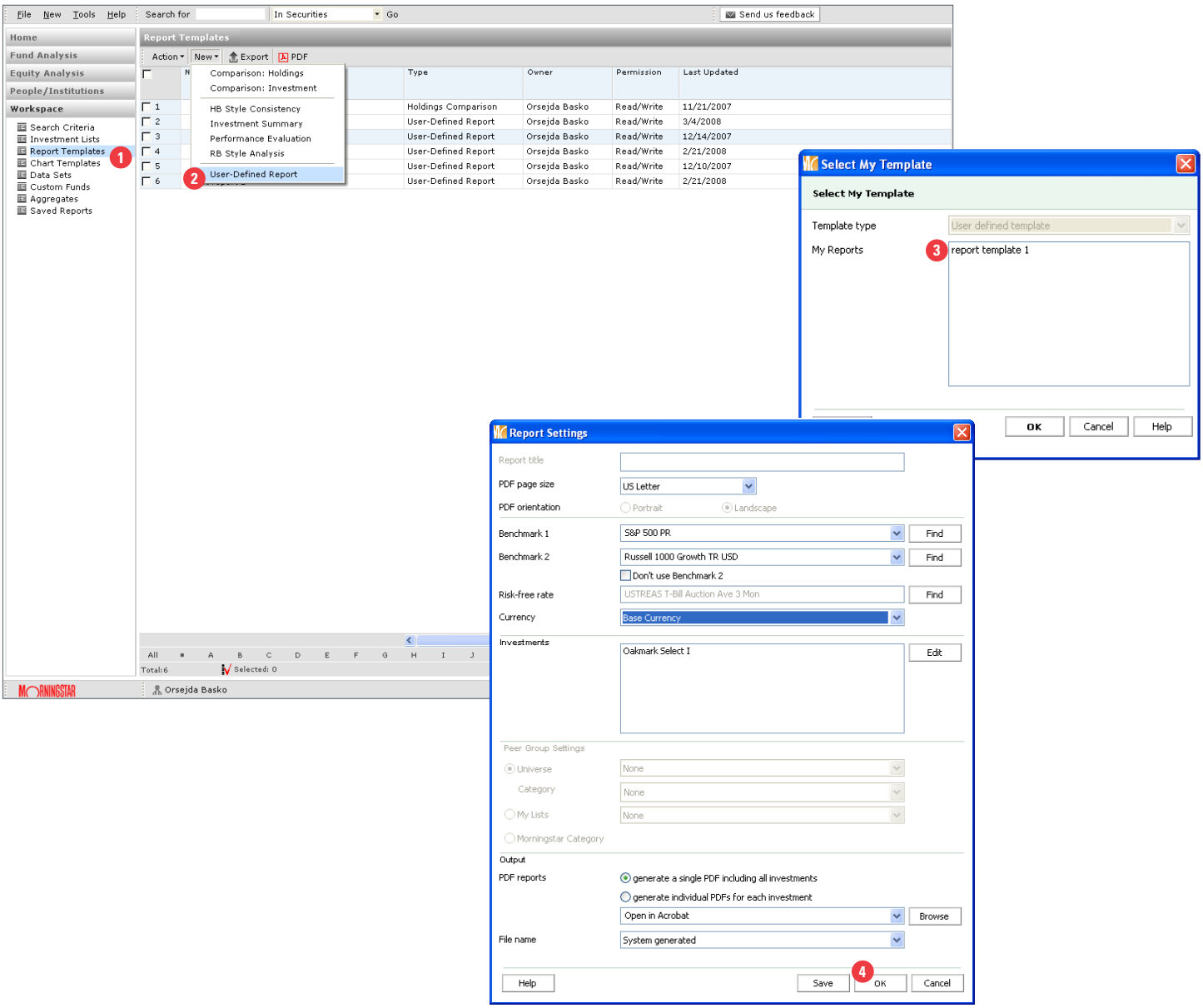
Your custom report templates are accessible in all action bars that contain reports, including the main menu and Workspace.

1 For this example, we will begin in Workspace. In the *Workspace* tab, click *Report Templates*.

2 Click *New* in the Action bar and choose *User Defined Report*.

3 Choose your report template.
A dialog box appears where you can select your investment.

4 Report settings allows you to choose Benchmarks, set the currency, and select output options. Press *OK* to generate the report.



Charts

Relationships and trends are often best examined graphically. Morningstar Direct has many chart options to support your research. Charts can be exported into PowerPoint, saved as PDF files for easy printing and emailing, and copied to the clipboard for insertion into other reports and documents.

Creating Charts

As with reports above, charts can be executed from anywhere in the platform. You can begin with an investment or investment list, or you can begin from the top navigation bar by selecting *New*, then *Chart*.

1 For this example, we will begin from the top main menu. Select *New*, *Chart*, and choose the chart you wish to run.

2 A dialog box will open so you can select your investment.

3 Click *OK* to generate the chart. Please note that charts are limited to 15 investments.

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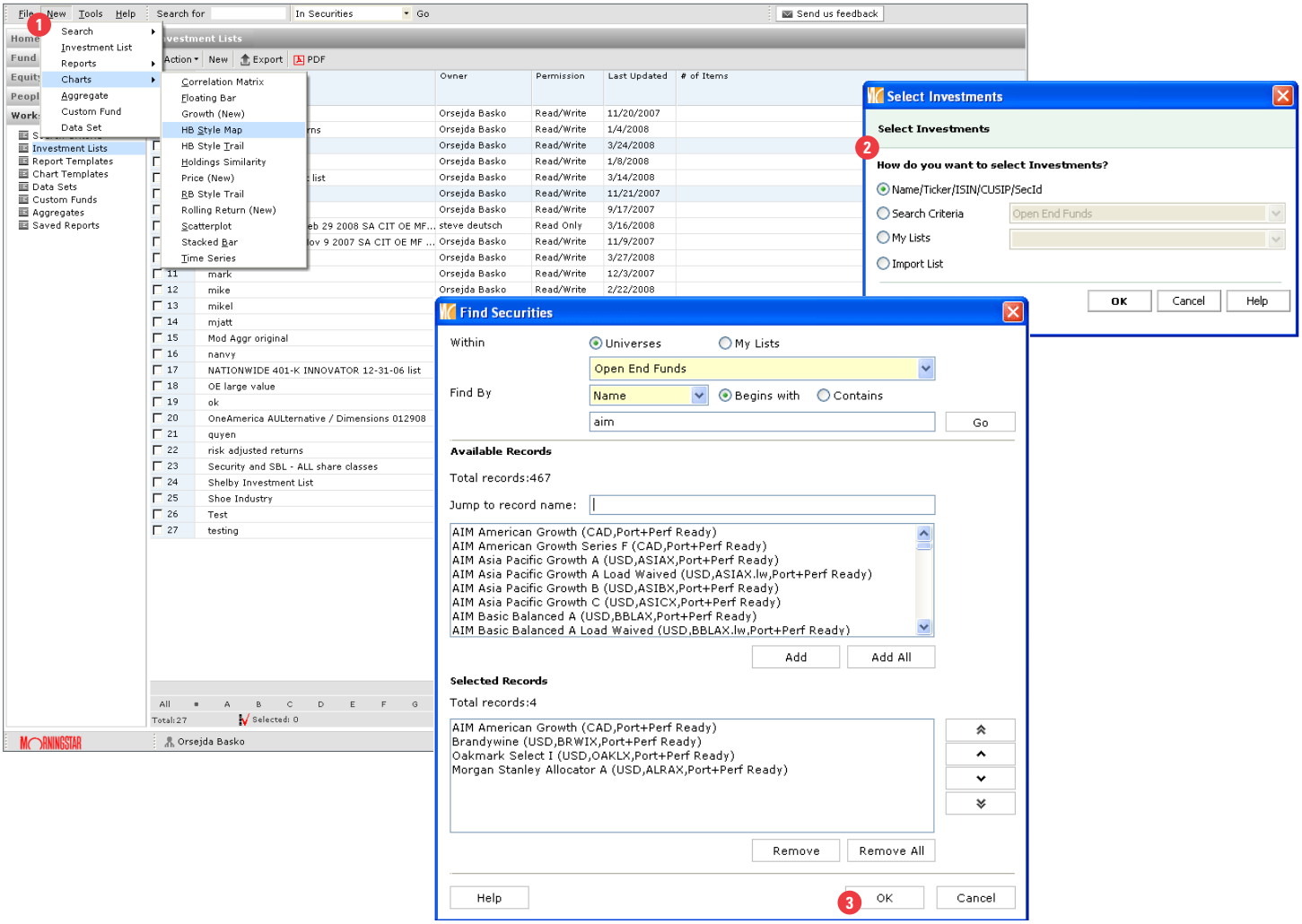
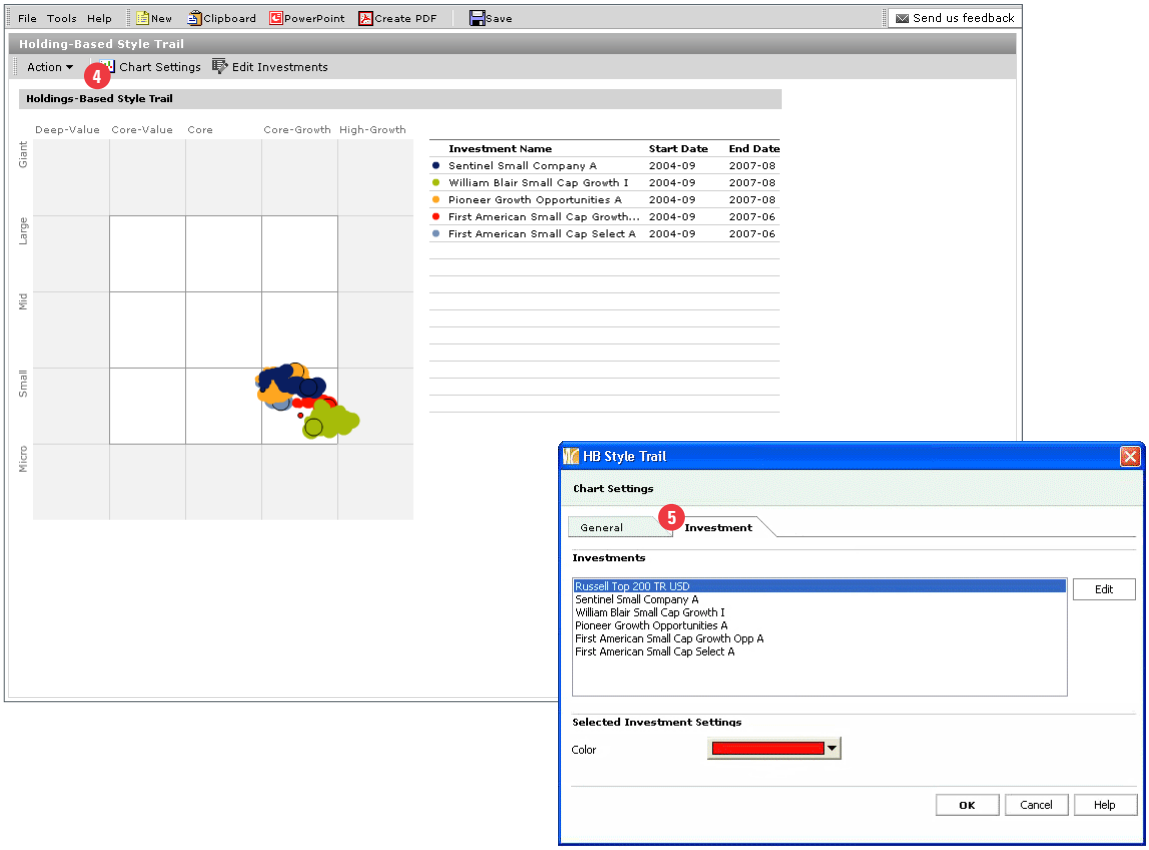


Charts (continued)

4 To edit investments on the chart that appears, click *Chart Settings*.

5 Select the *Investments* tab. Highlight the investment you wish to edit, and make the desired changes. The options vary by chart, and include options to display n-tiles, benchmarks and peer groups, to place emphasis with color and line type, move an investment to the foreground or background, etc.

There are several Sample charts available with Morningstar Direct to get you started quickly. You will find them in the Chart Templates, and they are named Sample: (chart type). Double click the name to run the chart. Change the investments and explore the settings for a quick look at the many options available to you.



Building Portfolios, Aggregates, and Custom Funds

Creating and Editing Aggregates

This functionality is used to create an aggregate, or blend, of investments. Examples include a fund lineup, peer group, or custom fund you wish to analyze as a single investment; a blended benchmark, or a model fund-of-funds.

You can begin from the main menu or from the Workspace.

1 To create an aggregate, go to *Workspace*, and then click *Aggregates*.
2 On the Action bar, click *New*, select a name, currency, rebalance frequency, performance calculation, and click *Save*.
3 Choose the inception date for the aggregate and click *OK*.

Enter investments by clicking *Add* on the Action bar and searching for the investments by name, ticker, CUSIP, ISIN, or SecID. Click *OK* once you have chosen all the investments.

To add new investments, click the *Action* button, and choose *Add Rows/Delete Rows*.

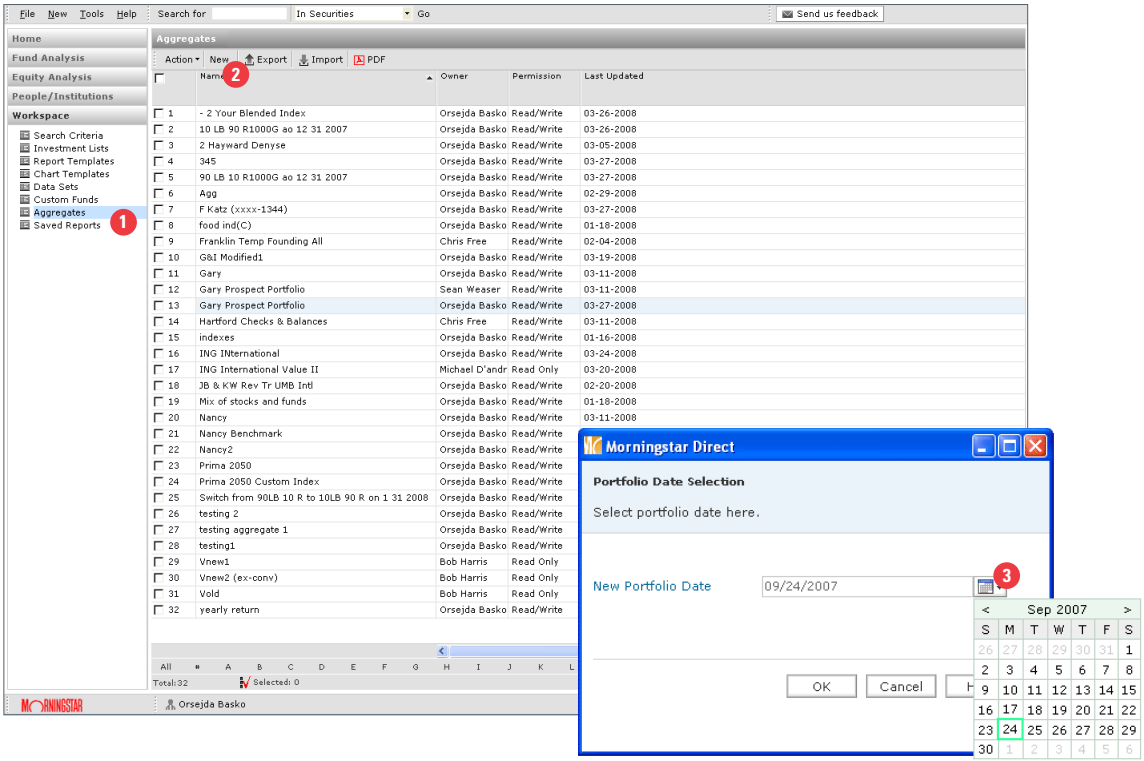
Once the investments appear on the aggregate grid, you can allocate the number of shares, market value, or percentage of net assets by clicking *Enter By*. You can also give equal weighting to the funds by clicking on *Apply All* and choosing *Equal Weighting*.

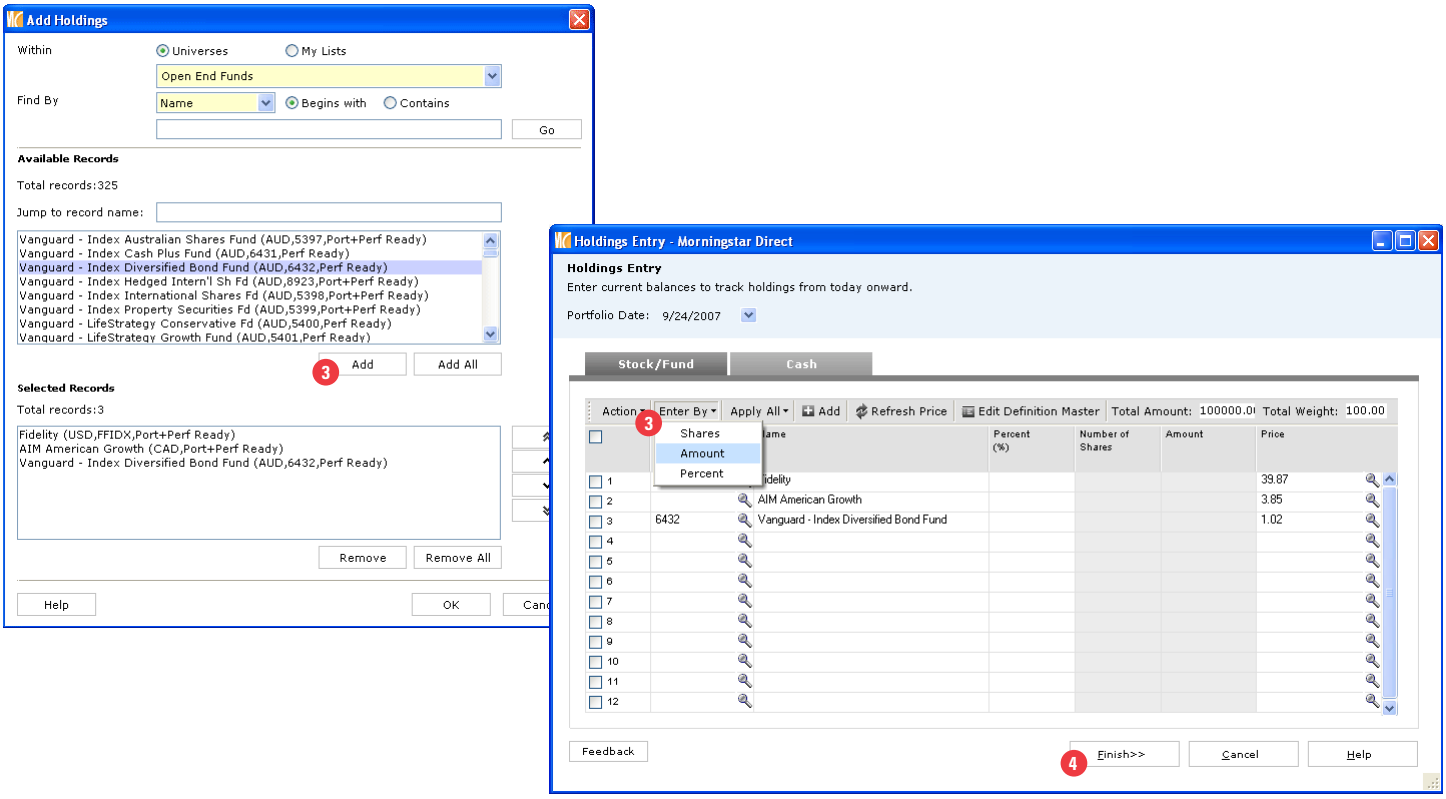
4 Click *Finish* to complete.

To edit an existing portfolio click *Edit*, then *Edit Portfolio* and select a new portfolio date.

To remove a portfolio, click *Edit*, then *Remove Portfolio*.

To create a new portfolio, click *Edit* and *New Portfolio*.





Custom Funds

Use custom funds to import a private strategy, an incubator portfolio—any portfolio that is not in the Morningstar databases. You can access and analyze your custom funds throughout the platform, just like any other investment. If imported, the holdings data can be analyzed using the style tools within Morningstar Direct. Custom funds are available only to you and those with whom you chose to share them.

Multiple portfolios and portfolio dates can be imported in the same file. Import files must contain the following columns, in this order: Portfolio Date, Portfolio Identifier, Portfolio Name, Holding Identifier, Security Description, Shares/Par Value, Market Value, Coupon Rate (if applicable), and Maturity Date. The Holding Identifier must be a CUSIP, Ticker, ISIN, or SEDOL. Because ticker symbols are duplicated across global markets, we highly suggest that you use an alternative identifier.

Supported file types are Excel, or comma-, tab-, pipe, or semicolon-delimited text.

A portfolio must meet these two business rules in order to pass Morningstar's security identification process:

A All of the top 25 holdings must have an asset type assigned

B At least 90% of the total market value must be identified

Importing Portfolio Details

1 To begin the import process, go to the *Workspace* tab and then click *Custom Funds*.

2 On the action bar, click *New*.

3 Double click on Morningstar Template (Portfolio Holdings or Return Series).

4 Browse to the file, select the appropriate date format, and click *OK*.

5 Once the file has uploaded, switch to *Securities* to verify that the securities were correctly matched.

6 The holdings that display a red icon have not been matched to securities in our database. For such holdings, you are able to map them to a security in the database by clicking on *Definition Master*.

7 Click *OK* when all of the contents of the portfolio have been mapped to securities in the Morningstar database.

8 Click *Save*.