

# Fact Sheet: Morningstar Stock Sector Structure

## Key Benefits

- ▶ Provides an accessible and directly comparable way of classifying Australian stocks
- ▶ Enables more robust portfolio construction and management by identifying sector exposures and concentrations of funds and overall portfolios
- ▶ Makes it easier to see and understand investment choices being made by portfolio managers

## Background

Fund and portfolio diversification is generally taken to mean investment style, market capitalisation, and fund manager identity. But stock sector diversification is equally important. When building portfolios for investors, advisers need robust, accessible tools they can use to ensure they're not involuntarily 'doubling up' an investor's exposure to a particular sector of the economy.

## Morningstar's Sectors for Australian Stocks

Morningstar has introduced a sector classification structure for Australian managed funds' stockholdings. The structure is modelled on our established, well-regarded global stock sector classifications, customised to take account of Australian investment market conditions.

The classification structure divides companies listed on the Australian sharemarket into three 'Super Sectors': the **Service Economy**, the **Information Economy**, and the **Manufacturing Economy**.

- ▶ The **Service Economy** sector has four industry subsectors: Healthcare Services, Consumer Services, Business Services, and Financial Services.
- ▶ The **Information Economy** sector has four industry subsectors: Software, Hardware, Media, and Telecommunications.
- ▶ The **Manufacturing Economy** sector also has four industry subsectors: Consumer Goods, Industrial Materials, Energy, and Utilities.

## Key Benefits for Advisers and Investors

Our Australian stock sector classification structure provides a graphically accessible way of identifying and understanding different funds' sector exposures, and fund portfolio managers' investment choices.

Advisers and investors can use this to identify quickly and easily similarities and differences between funds' sector allocations, and take steps to diversify away concentrated exposures.

At the overall portfolio level, the stock sector classification structure also enables identification of multiple exposures in both fund stockholdings and investors' direct holdings of stocks. The result is a unified system which applies to both individual funds, and to overall portfolios.

## When and Where

Morningstar's stock sector classifications – updated each time portfolio holdings data is received from fund managers – are live in Morningstar products including Fund Profiles, Adviser Workstation™, and Morningstar Direct<sup>SM</sup>.

## How to Find Out More

To find out more about how to access Morningstar's stock sector classifications, just contact your Morningstar account manager direct or contact our Sales team on +61 2 9276 4445 or [helpdesk.au@morningstar.com](mailto:helpdesk.au@morningstar.com)

### The Morningstar Stock Sector Structure

#### Service Economy

- Healthcare Services
- Consumer Services
- Business Services
- Financial Services

#### Information Economy

- Software
- Hardware
- Media
- Telecommunications

#### Manufacturing Economy

- Consumer Goods
- Industrial Materials
- Energy
- Utilities

Each company within Morningstar's Australian and international stock universes is assigned a sector, which are reviewed continually.



### Service Economy

#### *Healthcare Services*

This subsector includes medical services, biotechnology, pharmaceuticals, and home help companies. Examples include Novogen, Sirtex, and Johnson & Johnson.

#### *Consumer Services*

This subsector includes retail outlets, home suppliers, travel, and entertainment companies. Examples include Freedom, Reebok International, and Rebel Sport.

#### *Business Services*

This subsector includes engineering and construction, infrastructure, distribution, and transport companies. Examples include Macquarie Infrastructure Group, Patrick Corporation, and Qantas.

#### *Financial Services*

This subsector includes banks, insurance companies, fund managers, listed property trusts, and financial services companies generally. Examples include AMP, Commonwealth Bank, and IOOF.



### Information Economy

#### *Software*

This subsector includes companies which design and market computer software and applications. Examples include Microsoft, Adobe Systems, and Computershare.

#### *Hardware*

This subsector includes companies which manufacture computer equipment and components. Examples include HarTec, Intel, Keycorp, and Silex Systems.

#### *Media*

This subsector includes companies which own and operate newspapers, magazines and broadcast networks. Examples include News Corporation, Publishing & Broadcasting, and Seven Network.

#### *Telecommunications*

This subsector includes companies which provide telecommunications and wireless services. Examples include SingTel, Telstra, and Vodafone.



### Manufacturing Economy

#### *Consumer Goods*

This subsector includes companies which manufacture or provide food, household and personal products, apparel, textiles, luxury goods, and packaging. Examples include Billabong, Fisher & Paykel, and Sony.

#### *Industrial Materials*

This subsector includes companies which manufacture or provide chemicals, machinery, building materials, and commodities resources. Examples include Amcor, Timbercorp, and Wesfarmers.

#### *Energy*

This subsector includes companies which produce or refine natural resources such as oil and gas. Examples include BP, Caltex, and Woodside.

#### *Utilities*

This subsector includes electricity, water, and gas utilities. Examples include AGL, and Pacific Energy.