

## September Star Ratings Update

### Investor Insight

by Morningstar Canada | 14 Oct 04

A general decline in the number of five-star funds among the major investment fund companies opened the door for Acuity Funds Ltd. to claim the top spot among firms with the most funds rated five stars by Morningstar. Acuity, a Toronto-based firm with approximately \$3 billion in total assets under management, has nine funds rated five stars at Sept. 30, one more than at the end of August. Last month's leader, CI Mutual Funds Inc., fell into a tie for second spot with AIM Trimark Investments and TD Mutual Funds, with eight each. The totals exclude clone funds, which are multiple versions (or share classes) of the same fund.

CI had taken over the No. 1 position a month ago from Mackenzie, which as of the Aug. 31 data ended a 14-month reign as the five-star leader. But CI saw its total slip by three from 11 five-star funds a month ago, while the totals for AIM and TD are unchanged. Mackenzie slipped to fifth place with seven five-star funds, down from August's No. 2 ranking (10 funds).

CI's industry-leading total of funds rated by Morningstar, excluding clones, now stands at 128 (down from 138 a month earlier), of which 6% have five stars. Nearly 41% of Acuity's 22 rated funds have a five-star rating.

Including clone funds, CI has eight fewer five-star funds than a month ago, but has hung on to top spot with 18, tied with TD, which saw its total increase by four. Mackenzie is third with 16, a drop of seven from Aug. 31. AIM Trimark is fourth with 12, followed by clone-free Acuity with nine.

In terms of the highest percentage of five-star funds among the top 20 companies with the most funds rated by Morningstar (excluding clones), the top three are AIM Trimark at 21.6% (eight of its 37 rated funds), TD at 12.7% (eight of 63) and AGF Funds Inc. at 12.5% (four of 32).

Among all fund companies with at least three five-star funds (excluding clones), I.A. Michael Investment Counsel Ltd. continues to have 100% of its three ABC funds rated five stars, followed by Howson Tattersall Investment Counsel at 75% (three of its four Saxon funds), and Concordia Life Insurance Co. at 67% (four of five funds). These rankings are unchanged from a month ago.

The total number of funds in the Morningstar Canada database rated five stars is 249, down from 258 at the end of August, while the total number of one-star funds rose by one to 272. About 56% of the nearly 5,000 funds in our database received Morningstar Ratings, which are an objective, quantitative measure of a fund's historical risk-adjusted performance relative to other funds in its category. Only funds with at least a three-year track record are considered. Funds are rated on the basis of three-, five- and 10-year track records, as available, which are then combined for an overall rating. A fund can only be rated if there are a sufficient number of funds in its peer group to allow comparison for at least three years.

Morningstar Canada calculates Star Ratings within separate universes for mutual funds and segregated funds. This enables investors to make more relevant comparisons within the two groups of funds. Seg funds include a life-insurance component, which adds to their costs. That translates into higher management expense ratios, which reduce investment returns.

Among seg funds only (and including clones), CI continues to have the most five star funds with 10 (two fewer than a month ago), followed by Manufacturers Life Insurance Co. and Transamerica Life Canada, each with seven.

### Natural Resources fund index is September's top performer

Surging oil prices propelled the Morningstar Canada Natural Resources Fund Index to an 8.9% gain during September, as 21 of the 32 Morningstar Canada Fund Indices posted gains, according to final performance data released by Morningstar. The Precious Metals fund index was September's second best performer, gaining 7.5% on the back of rising gold prices. That followed a 5.9% industry-leading performance in August. Latin American Equity funds had another strong month with a third-place 3.8% showing, bettering its August performance by 70 basis points. The month's worst performer was the Morningstar Canada Japanese Equity Fund Index, which tumbled 6.2%, followed by the Asia-Pacific Rim Equity fund index, which lost 2.7%.

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Among the more heavily invested categories, Canadian Equity gained 2.4% and Canadian Equity (Pure) fared even better, rising 3.4%. Canadian Bond was nearly flat at 0.8%, while Canadian Balanced was up 1%. The major foreign equity fund indices had another losing month, as U.S. Equity lost 1.9%, Global Equity fell 1.5% and International Equity slipped 1.2%.

Natural Resources also was the top performer during the third quarter, gaining 9.7%, followed by Latin American Equity at 8.9% and Precious Metals at 8.1%. At the end of the pack for the quarter were Science & Technology and Japanese Equity, which cascaded 14.5% and 13.4% respectively.

Morningstar releases preliminary data on the Morningstar Canada Fund Indices a few days following each month end, including analysis of market factors behind various indices' performance during the month.

See below for a table of final data on September performance.

Fund Indices	1 month	3 month	1 year	ytd
<u>Natural Resources</u>	8.9	9.7	34.6	13.3
<u>Precious Metals</u>	7.5	8.1	7.5	-13.2
<u>Latin American Equity</u>	3.8	8.9	27.3	11.5
<u>Canadian Small Cap Equity</u>	3.8	-0.5	19.1	5.7
<u>Canadian Income Trusts</u>	3.6	6.9	22.1	11.4
<u>Canadian Equity (Pure)</u>	3.4	1.8	17.7	6.3
<u>Canadian Equity</u>	2.4	0.4	16.1	4.8
<u>Canadian Asset Allocation</u>	1.8	0.8	10.4	3.7
<u>Canadian Dividend</u>	1.6	3.0	14.4	5.2
<u>U.S. Small &amp; Mid Cap Equity</u>	1.1	-7.6	9.1	0.7
<u>Emerging Markets Equity</u>	1.0	1.0	16.3	2.4
<u>Canadian Balanced</u>	1.0	0.6	10.0	3.3
<u>Real Estate</u>	0.5	1.1	6.0	4.4
<u>Asia ex-Japan Equity</u>	0.2	-0.2	6.3	-0.7
<u>Canadian Mortgage</u>	0.1	1.2	2.4	2.0
<u>Canadian Money Market</u>	0.1	0.3	1.6	1.1
<u>Canadian Bond</u>	0.1	2.4	4.3	3.3
<u>U.S. Money Market</u>	0.0	0.1	0.2	0.2
<u>High Yield Bond</u>	-0.0	1.7	7.5	4.1
<u>Canadian Short Term Bond</u>	-0.0	1.2	2.5	2.0
<u>Science and Technology</u>	-0.0	-14.5	-2.8	-10.4
<u>Global Bal &amp; Asset Alloc</u>	-0.1	-2.7	8.1	1.1
<u>European Equity</u>	-0.2	-4.7	15.9	2.4
<u>North American Equity</u>	-0.3	-4.2	6.4	-0.7
<u>Financial Services</u>	-1.0	-3.3	10.3	0.9
<u>International Equity</u>	-1.2	-5.7	12.2	0.9
<u>Global Equity</u>	-1.5	-7.1	8.1	-0.5
<u>Healthcare</u>	-1.5	-8.9	5.1	0.1
<u>Foreign Bond</u>	-1.9	-1.5	-0.6	-0.9
<u>U.S. Equity</u>	-1.9	-7.2	4.4	-2.6
<u>Asia/Pacific Rim Equity</u>	-2.7	-6.8	4.6	-5.1
<u>Japanese Equity</u>	-6.2	-13.4	3.4	0.3

Data as of 9-30-2004

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