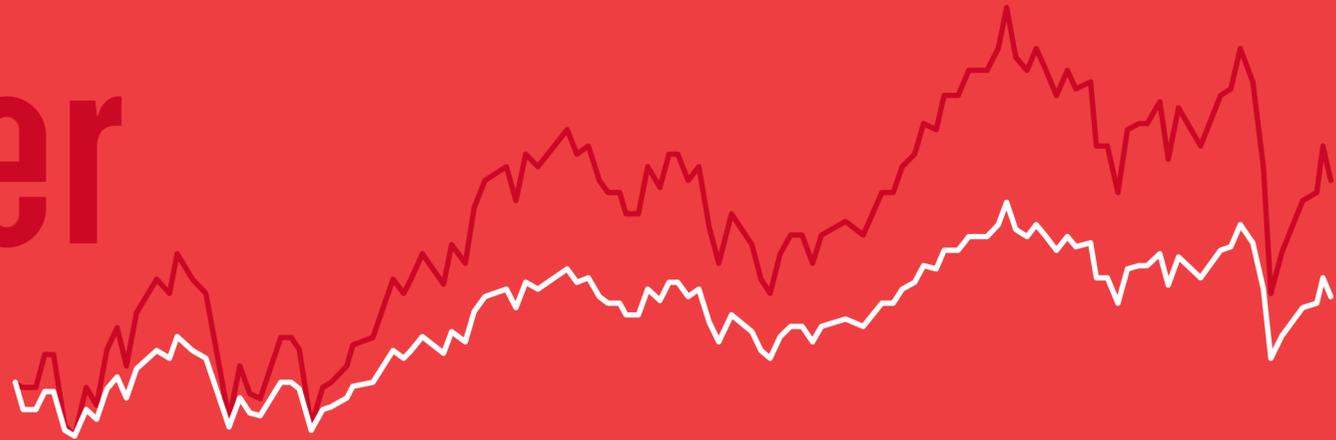




Silver



The Morningstar Parent Rating Report

Putting fundholders first drives success.



Gold



Bronze



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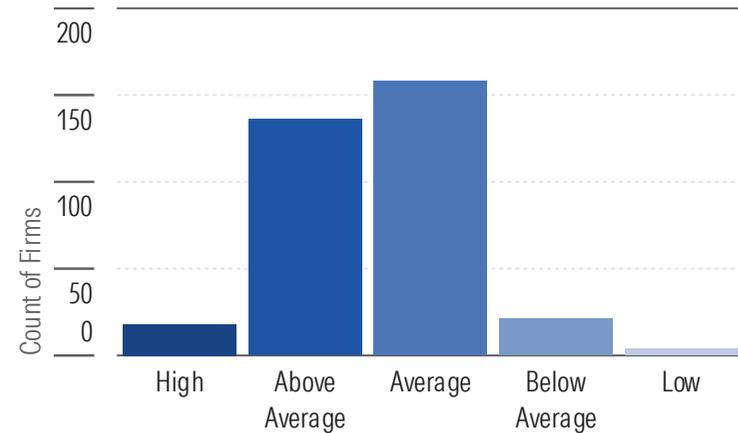
Important Disclosure

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Key Takeaways

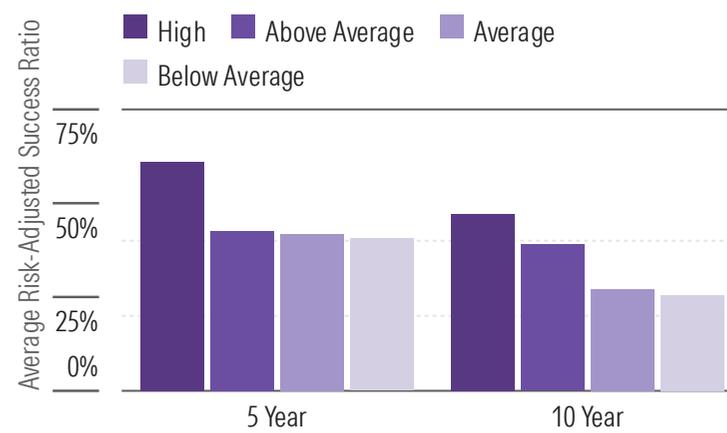
- Among firms covered by Morningstar analysts, the distribution of Parent ratings skews higher. This is in part attributable to Morningstar's effort to cover the strongest asset managers and results in positive selection bias.
- High and Above Average parents have more stable and longer-tenured investment teams and higher rates of portfolio manager ownership.
- High-rated parents tend to be large in terms of fund assets under management, and there is a positive relationship between firm size and future success.

Morningstar Parent Ratings, Analyst-Assigned



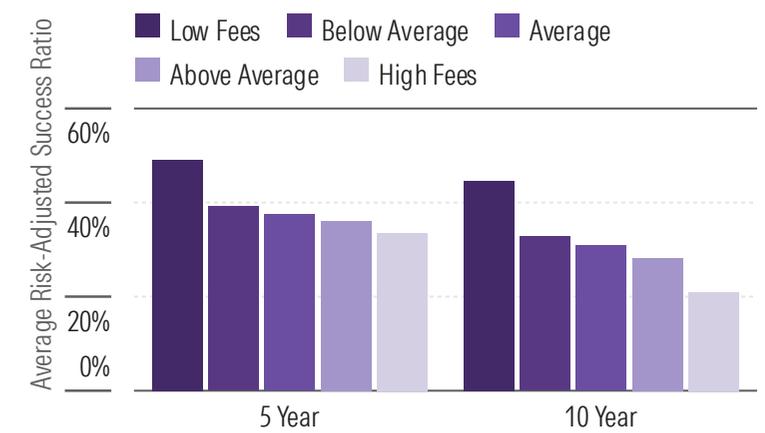
- Morningstar's Parent ratings do a good job of picking parents that succeed in the future, especially over longer periods.
- High and Above Average parents tend to charge lower fees and make fewer changes to their fund lineups, which both correlate with future success.
- High and Above Average parents' fund lineups have strong performance histories, and that success often continues.

Average Risk-Adjusted Success Ratio by Parent Rating



- Fees remain one of the biggest predictors of future success.
- Data is not enough. Correlations between available datapoints are limited, and no one datapoint or set of them can predict which firms will prove to be good stewards. Qualitative analysis remains important.

Average Risk-Adjusted Success Ratio by Fees



Parent Rating Framework

Morningstar's Parent rating keys in on an asset manager's investment culture and commercial practices.

Morningstar's Parent Rating Framework

Morningstar's Parent rating takes a holistic and global view of how a firm cultivates, maintains, and advances two distinct but overlapping elements: investment culture and commercial practice.

A firm's investment culture includes its ability to attract, develop, and retain talent. While a small to moderate amount of investment personnel turnover is natural, the best firms nurture and keep talented portfolio managers and analysts for most of their careers and plan manager and executive successions well before the events. Good parents pay their investment personnel in ways that align their interests with fundholders and clients—they compensate managers for delivering returns, not gathering assets—and encourage managers to invest their own money in the strategies they run. Top firms also have appropriate risk-management personnel and tools.

Commercial practice, on the other hand, includes the less flashy elements of running an asset management business, such as product development, capacity management, distribution, fees, and day-to-day operations. These functions are easy to overlook but critically important to investors' experiences. Good parents keep a close eye on fees, don't launch new strategies unless they have enduring investment merit, and ensure all areas of the firm are well-staffed.

Senior leadership sets the tone from the top by presenting a clear vision for the firm. This includes daily operations, resource allocation, strategic overhauls, mergers and acquisitions, and brand management. One size doesn't fit all. A boutique with a small staff can be as well-run as a global leviathan that employs thousands. The key is not letting operational issues or poor management keep investors from achieving their investment goals.

How a firm's investment and commercial cultures mesh determines most of the Parent rating, but regulatory issues can ding a firm's score. In some cases, firms that are part of large banks or conglomerates see infractions that are isolated to other segments and thus not as concerning from an asset management perspective. However, if the violations are severe enough to cast doubt on whether a firm is acting in the best interest of clients, these issues can affect a parent's rating.

Parent ratings, like the other pillars of the Morningstar Medalist Rating, fall on a five-point scale: High, Above Average, Average, Below Average, and Low. Before fee adjustments, this pillar accounts for 10% of the Morningstar Medalist Rating for most investment vehicles, including open-end funds, exchange-traded funds, separately managed accounts, models, and collective investment trusts. For Australia's superannuation funds, US 529 plans, and semiliquid funds, it makes up 25% of the overall rating.

Parent Pillar Ratings

Among firms covered by Morningstar analysts, the distribution of Parent ratings skews higher, but sorts well.

Parent Pillar Rating Distribution

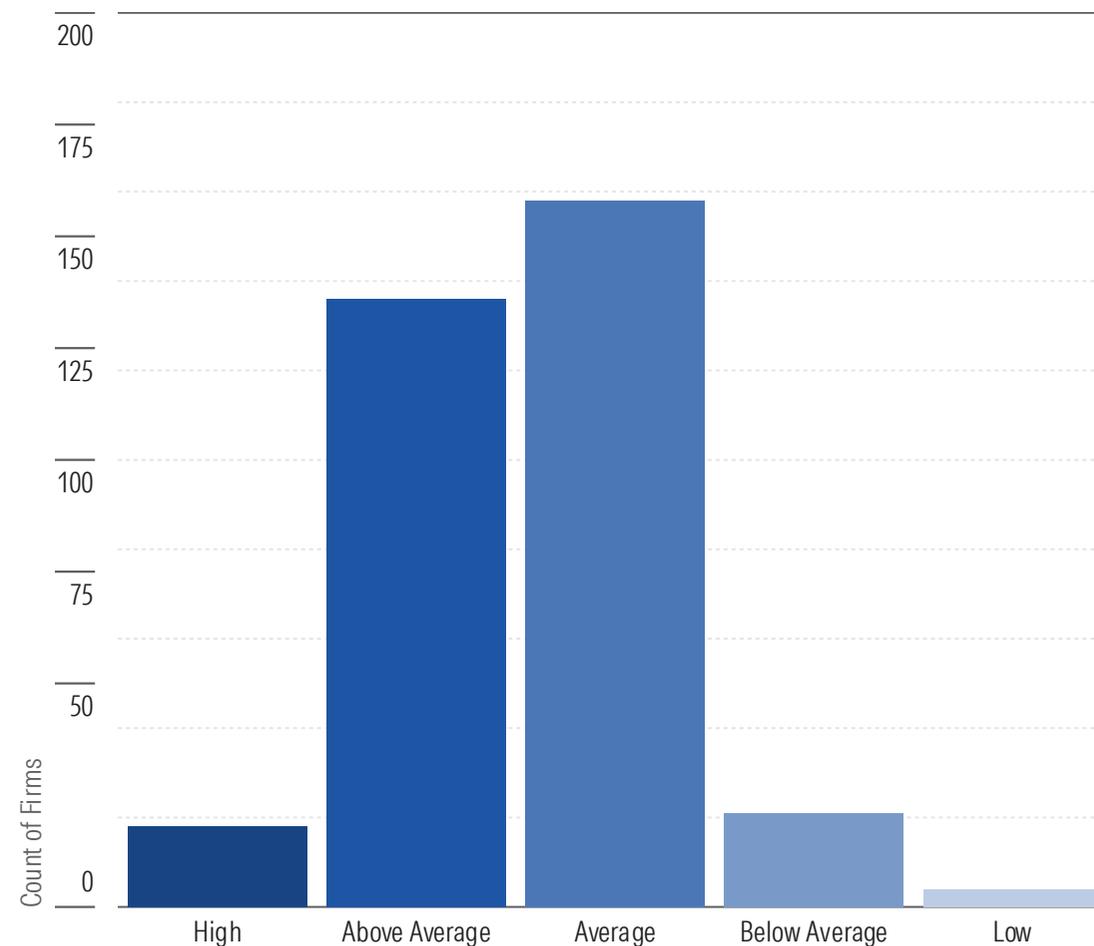
Just over half the firms Morningstar analysts cover earn Average Parent ratings. These firms tend to be industry standard. The overall quality of these firms' offerings can be inconsistent or may lack a strong competitive edge, but they may still offer strategies that earn higher Medalist Ratings.

Morningstar aims to cover those firms and strategies that represent best-in-class approaches within their respective areas of expertise. As such, Parent ratings issued by Morningstar analysts do not follow a normal distribution; many more parents earn Above Average ratings than Below Average. While Above Average parents may have some flaws, they typically offer strong strategies and take sensible approaches to succession planning, fees, and product development. Below Average parents may have a few compelling strategies but tend to muddy their lineups with gimmicky or expensive choices or struggle with succession planning.

There are more High Parent ratings than Low Parent ratings, though both are rare. High rated parents, while not perfect, set standards for other firms to emulate, be it by consistently cultivating strong investment teams, being more affordable than the competition, or developing a lineup of sound building blocks for well-balanced portfolios. These firms foster more investor-friendly practices in the industry.

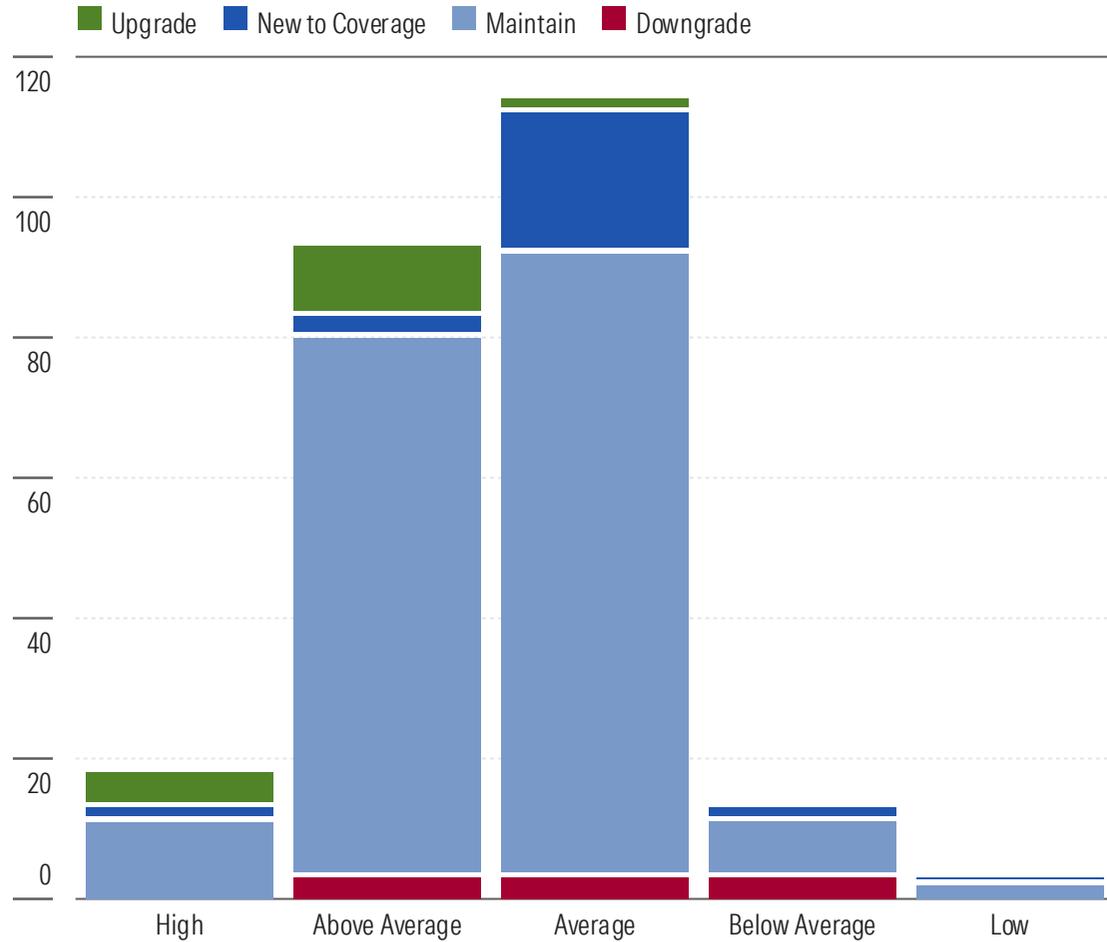
Low parents have such severe operational issues or poor fund management approaches that it's difficult to muster the conviction they will last for the long term—and they often don't. As of December 2025, only four firms received Low Parent ratings. Because the sample size is so small, most of the following exhibits exclude Low-rated firms.

Morningstar Parent Ratings, Analyst-Assigned



Upgrades, Downgrades, and New Coverage

Morningstar Parent Ratings, 2025 in Review



Morningstar published 241 Parent ratings in 2025. Most parents kept their existing ratings, including those that had High Parent ratings, such as the US' Vanguard and Capital Group and French investment boutique Moneta Asset Management.

Morningstar added 28 parent firms to coverage, with ratings spanning from High to Low. Australian superannuation fund Aware Super and Japanese investment boutique Sparx earned inaugural High Parent ratings, while two US firms, Fundstrat and Zacks Investment Management, received Below Average Parent ratings.

Of particular note were three new ratings on private-markets firms. Bow River Capital, Carlyle, and Cliffwater earned Average Parent ratings as part of Morningstar's new coverage of semiliquid funds.

Another private-markets firm, Blackstone, was among a handful of asset managers that were upgraded to Above Average from Average. Five firms moved to High from Above Average, including Alphinity, Hyperion, and Unisuper of Australia, and the UK's Colchester and Independent Franchise Partners.

Three firms moved to Below Average from Average: South Korea's Mirae Asset (which includes Global X ETFs), the US' Matthews, and Australia's Platinum Asset Management.

Key Attributes by Parent Rating

Firms that earn higher Parent ratings tend to share a few positive attributes. They create stable, inexpensive fund lineups that garner higher Medalist Ratings. They also have more-experienced portfolio managers and higher rates of manager retention.

On average, nearly three-fourths of share classes offered by our High-rated parent firms earn Gold, Silver, or Bronze Medalist Ratings, including those assigned by analysts and those awarded fully or partially by Morningstar's quantitative algorithm. These firms also have stronger average Morningstar ratings (commonly known as star ratings), which measure risk-adjusted past performance, than those of lower-rated parents.

High and Above Average parents tend to have managers with higher average tenure at their funds, firms, and in the industry. These firms also tend to have higher manager retention rates, which measure investment team stability, than Average parents.

Higher-rated parents also have lower lineup turnover, which combines fund launches and obsoletions. Like personnel turnover, some lineup turnover is natural, especially for growing or restructuring firms. But too much lineup turnover can be a red flag, indicating a firm is casting about for strategies that will gather assets rather than serve fundholders' interests.

Finally, higher-rated firms charge lower fees (one of the most reliable predictors of investors' future results). The Average Global Fee Level—Peer Group compares each share class' expenses with its Morningstar Category, management approach (active or passive), and distribution channel peers. It averages each share class' rank to the firm level, and lower averages indicate less expensive funds overall.

Parent Data by Analyst-Assigned Parent Rating

Parent Rating	Count of Firms	Average Percentage of Medalists (%)	Average Morningstar Rating	Average Fund Tenure (Years)	Average Firm Tenure (Years)	Average Industry Tenure (Years)	5-Year Manager Retention (%)	10-Year Lineup Turnover (%)	Average Global Fee Level - Peer Group
High	18	74	3.4	12.3	11.2	15.0	82	6	27
Above Average	136	52	3.0	10.3	9.7	14.9	80	10	34
Average	158	23	3.1	8.9	9.2	14.3	74	12	41
Below Average	21	18	2.6	7.3	8.2	13.9	72	14	51

Firms With High Parent Ratings Tend to Offer Stability and a Good Deal

Across the board, 96-year-old Dodge & Cox, home to just seven funds, and Vanguard, a much larger and more-diversified firm, boast some of the strongest numbers.

Firms That Earn High Parent Pillar Ratings

Firm	Fund AUM (USD Bil)	Equity AUM (%)	Medalist Share Classes (%)	Average Fund Tenure	5-Year Manager Retention (%)	10-Yr Success Ratio (%)	10-Yr Risk-Adj. Success Ratio (%)	Average Global Fee Level - Peer Group
Vanguard	10,590	78	96	7.8	63	65	68	14
Capital Group	2,849	67	65	9.4	78	57	57	11
T. Rowe Price	812	75	45	7.0	74	49	50	13
Dimensional	794	84	88	12.4	84	62	61	4
MFS	408	79	44	12.7	86	34	38	32
Dodge & Cox	329	62	100	16.9	74	90	90	5
Baird	149	2	79	11.4	85	50	58	24
Wellington Mgmt.	46	53	60	6.7	70	51	46	21
Primecap	16	100	100	21.2	100	67	33	8
Colchester	7	0	75	9.9	100	100	100	45
Hyperion	5	100	100	19.4	100	67	33	28
Sparx	5	100	32	9.2	50	36	39	52
Moneta	4	100	36	15.8	100	100	100	73
Boston Trust Walden	4	83	60	9.0	80	36	46	69
Greencape Capital	2	100	100	13.0	75	100	100	16
Ind. Franchise Ptnrs.	2	100	100	14.0	80	100	100	19
Alphinity Inv. Mgmt.	2	100	83	12.8	86	100	100	15

Parent Pillar Ratings Have Proved a Good Guide to Future Success

Morningstar's Parent ratings do a good job of pointing to future success, especially over longer periods.

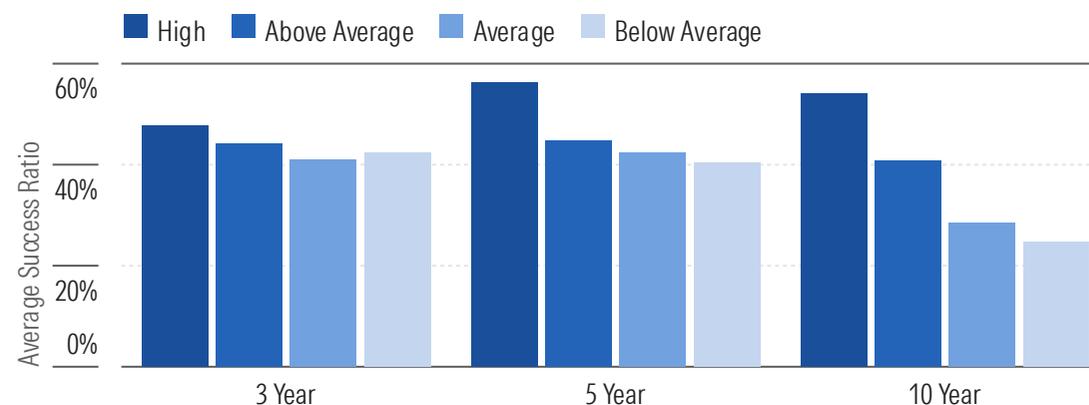
The exhibits to the right group firms according to their Parent ratings as of three points in history—December 2022, December 2020, and December 2015—before averaging their success ratios over the following three-, five-, and 10-year periods.

In December 2015, nearly 30 firms earned High Parent ratings. Over the following 10 years, more than half of those firms' funds survived and beat peers, on average. One example is Dodge & Cox, which has nearly a century-long track record running a compact lineup of valuation-conscious strategies. It has also held the highest Parent rating since the previously named Stewardship Grade methodology rolled up to the parent level in 2007. Over the 10 years ended December 2025, 90% of its funds survived and outperformed relevant peers.

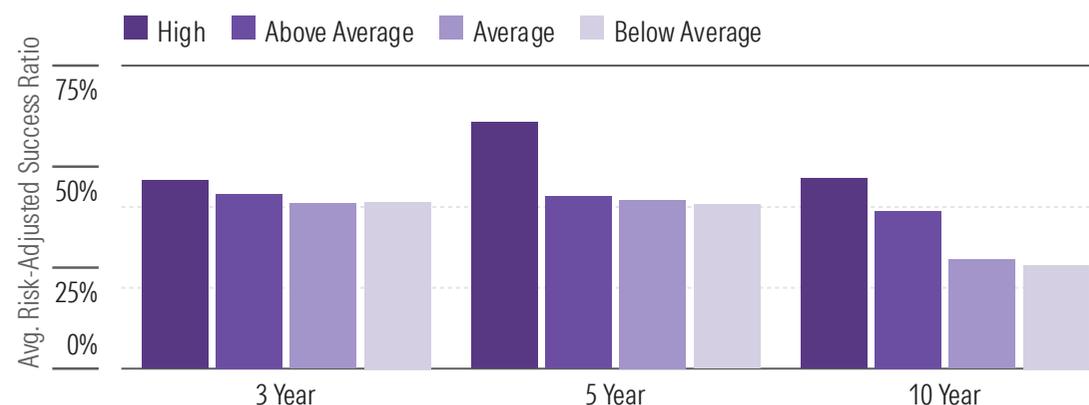
Average success ratios generally declined in line with ratings, and only one-fourth of the lineups of the roughly 200 firms with Average Parent ratings in 2015 met the same definition of success.

Absolute success ratios may seem somewhat low across all groups because they average all the strategies offered by all rated parents, and because some level of lineup turnover is to be expected as markets evolve. This study also looks at all funds offered globally, which increases the likelihood of lineup changes as firms navigate local market norms and different competitive environments. Because of these dynamics, this report focuses mostly on how well various factors sort for future success.

Average Success Ratio by Analyst-Assigned Parent Rating



Average Risk-Adjusted Success Ratio by Analyst-Assigned Parent Rating



Source: Morningstar Manager Research. Data as of Dec. 31, 2025. The Success Ratio reflects the percentage of a firm's funds that both survived and outperformed over a given period. Funds that were live at the beginning of the period but obsoleted before its end are counted as unsuccessful. Funds that survived but underperformed the median peer in their respective categories after fees are counted as unsuccessful. Funds that launched after the beginning of the period are not included in the calculation.

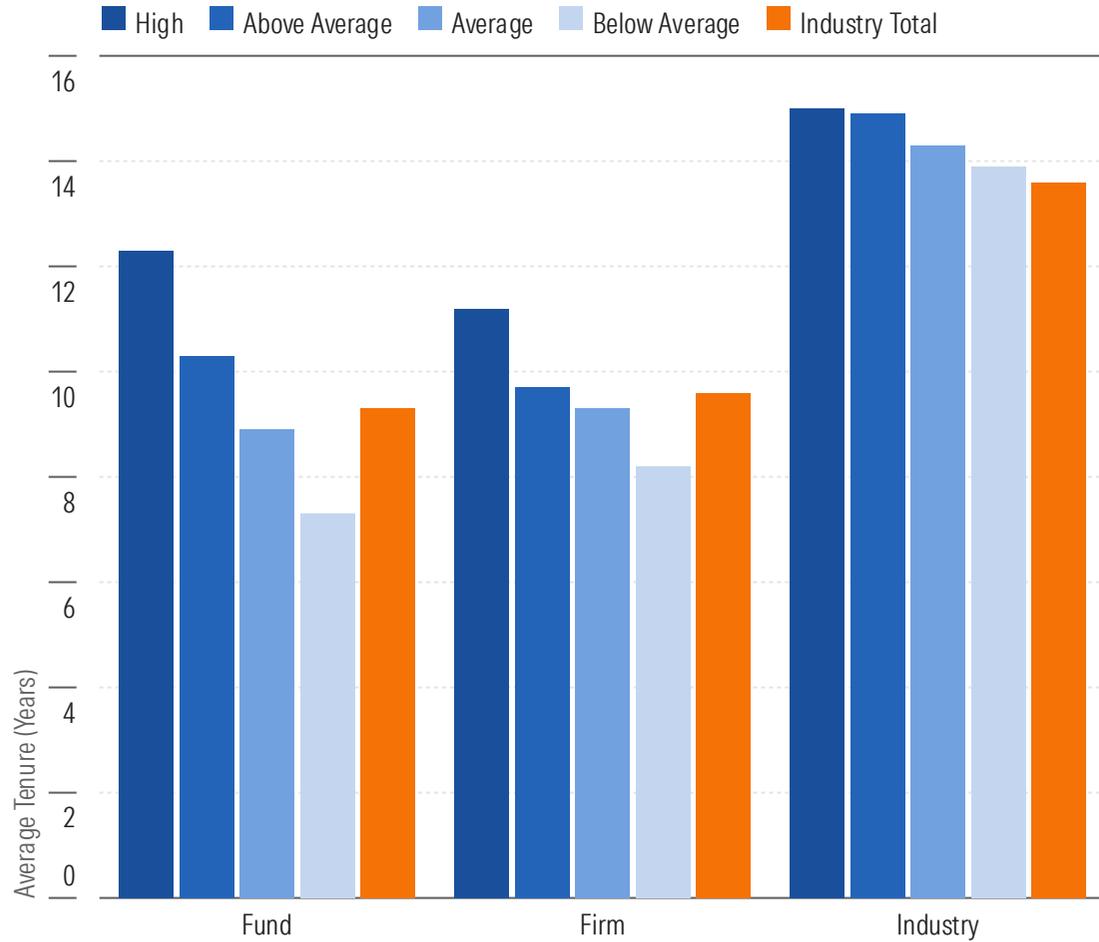
See Important Disclosures at the end of this report.

Portfolio Management Teams

Stable and invested teams do better.

Highly Rated Parent Firms Boast Experienced Managers

Average Tenure by Analyst-Assigned Parent Rating and Overall Industry



A firm's ability to attract, develop, and retain investment talent is key to its Morningstar's Parent rating. Asset managers are competitive and often go to great lengths to poach portfolio managers and even analysts, traders, and operational teams from each other. Many firms, especially the largest, can expect some annual turnover, which can present opportunities for younger employees to advance. That said, firms with persistent and high personnel turnover can struggle to cultivate and pass on institutional knowledge and culture, making it difficult to generate attractive results.

To evaluate a firm's ability to attract and develop talented portfolio managers, Morningstar analysts examine its managers' fund, firm, and career tenures. Among firms under analyst coverage, those with higher Parent ratings boast more-experienced portfolio managers. High and Above Average firms, whether boutiques or conglomerates, offer financial incentives and cultural benefits that attract and retain talent.

Long tenures don't always indicate excellence; some firms allow chronic underperformers to scrape by for years. Still, portfolio managers who have invested through full market cycles often offer insights, wisdom, and mastery that less-experienced managers have yet to acquire.

Manager tenure data comes with caveats. Although US open-end funds and ETFs must disclose portfolio manager names, such disclosures are voluntary or less accurate in other markets. Even the US disclosures don't reflect an individual's firm or industry tenure. More transparency would help, but the available data is still useful.

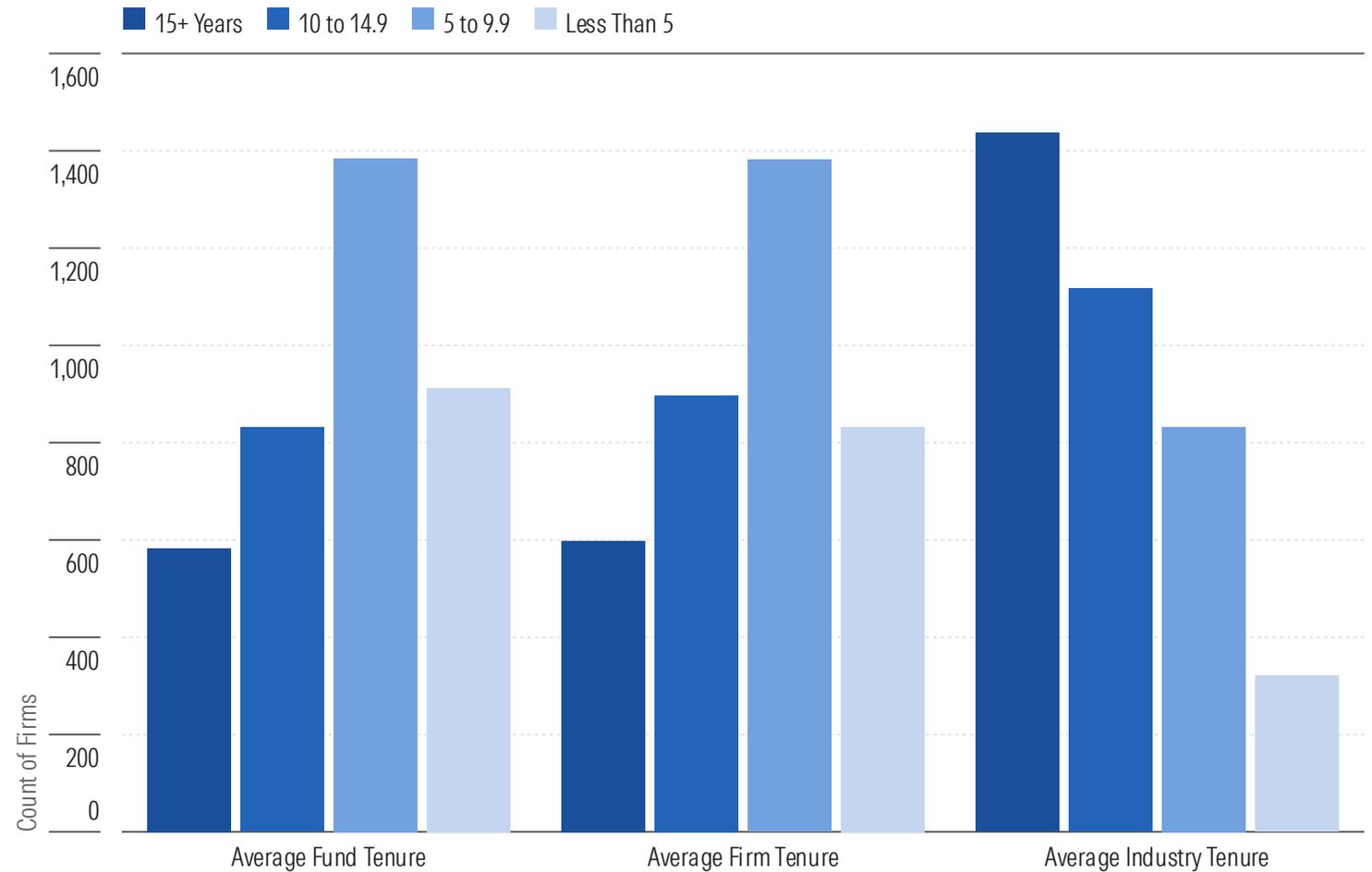
Asset Management Is an Experienced Industry

Average manager tenure data for more than 3,500 asset managers (excluding more than 2,000 firms missing manager data) reveals that most parents employ long-tenured portfolio managers, even firms that are newer to the industry.

The exhibit shows the distribution of firms according to their named portfolio managers' average fund, firm, and industry tenures. Nearly 40% have portfolio managers who average more than 15 years of experience in the industry, while less than 20% have managers with 15 years of service at those shops. Sometimes new firms recruit experienced investors or teams from other firms, and some seasoned investors start their own firms.

One example is Above-Average-rated GQG Partners, where the average industry tenure is just over 13 years and the average firm tenure is six years. Founder and portfolio manager Rajiv Jain had worked as a portfolio manager for Vontobel Asset Management for more than 20 years before starting his own firm in 2016.

All Firms by Average Portfolio Manager Tenure



Does Manager Tenure Predict Success?

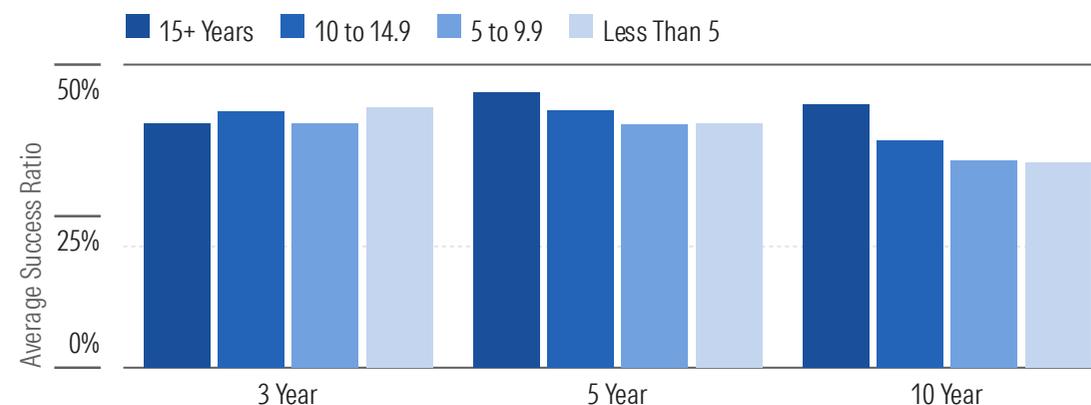
These exhibits show the relationship between a firm's average fund manager tenure and its subsequent success ratio. Some tenure is advantageous, particularly over longer time periods, but long fund tenures don't necessarily lead to future success.

Small firms with longer average tenures and small lineups can produce extreme absolute and risk-adjusted results. Above Average-rated Sound Shore, for example, launched its only fund in 1985, and the two original portfolio managers Harry Burn and T. Gibbs Kane remained on the fund 30 years later. That fund beat peers on an absolute, but not risk-adjusted, basis over the subsequent 10 years ended 2025, producing a 100% absolute success ratio but a 0% risk-adjusted one.

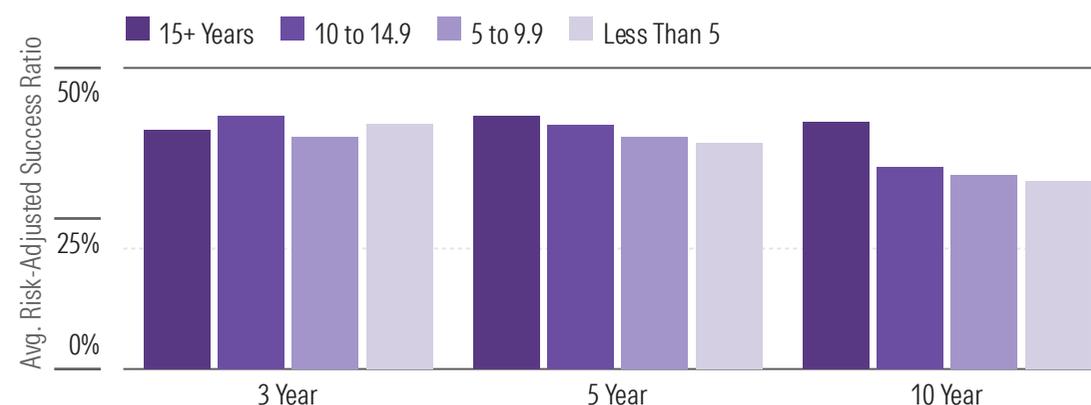
Sound Shore's lone fund also underwent a manager change during the performance period in question. Indeed, many funds run by managers with tenures greater than 15 years would have been close to losing managers to retirement in 2015. Some of those funds would have managed the transition well, and others poorly.

Compared with firm and industry tenure, a firm's average fund tenure is more influenced by new funds. For instance, Harbor Capital Advisors selects experienced managers to run its subadvised offerings, as evidenced by the firm's average industry tenure of 18 years. Its newer ETFs, however, have shorter track records and weigh on the firm's average fund tenure.

Average Success Ratio by Average Longest Fund Manager Tenure



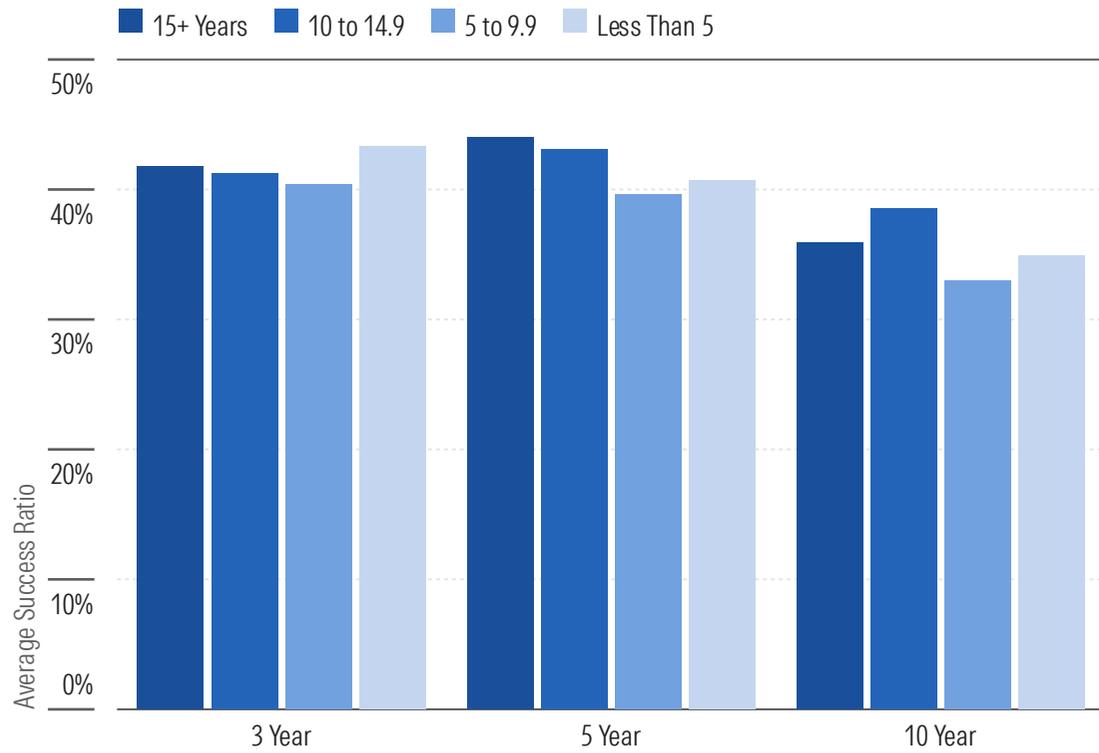
Average Risk-Adjusted Success Ratio by Average Longest Fund Manager Tenure



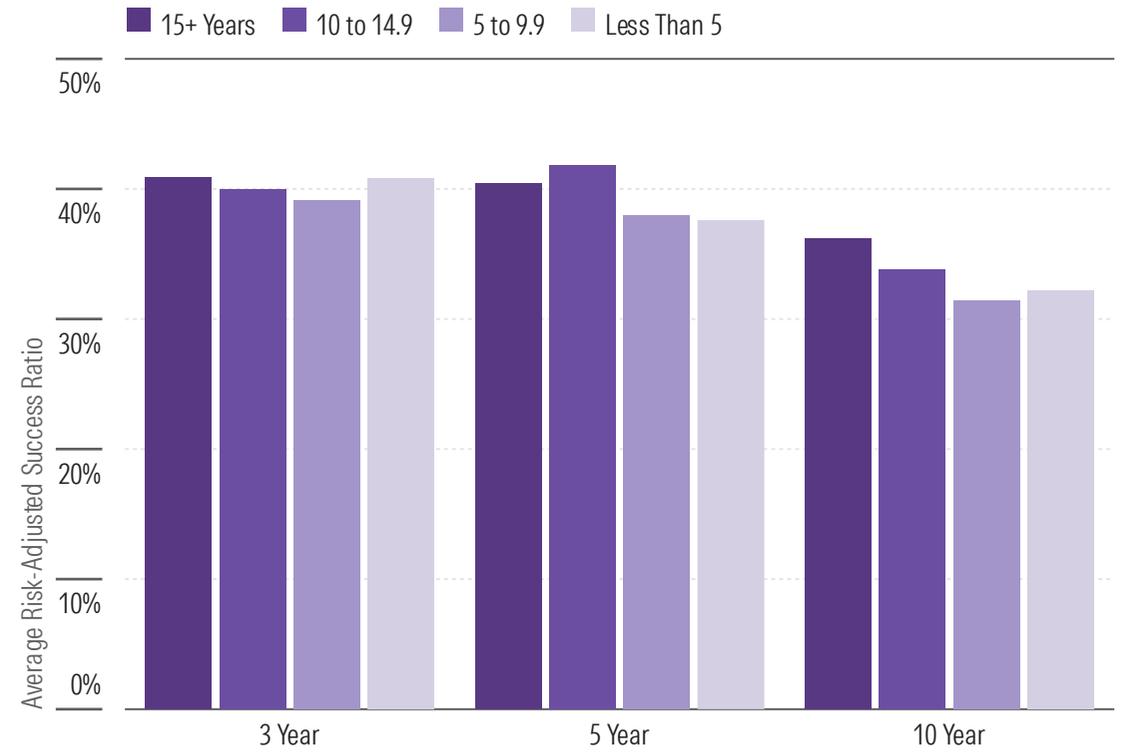
Firm Tenure Conveys a Slight Advantage Over Longer Periods

As with fund experience, there is little relationship between average firm tenures and subsequent performance. Firms with the most-experienced managers led their less-experienced competitors over the trailing 10 years on a risk-adjusted basis, but the margin of outperformance was small, and the relationship was flatter in other periods.

Average Success Ratio by Average Firm Tenure

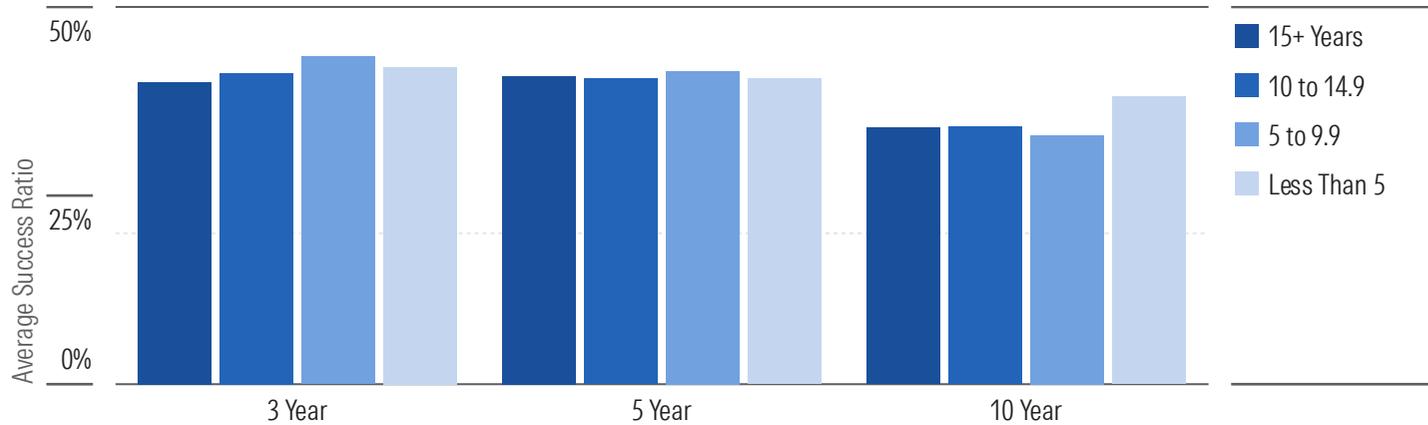


Average Risk-Adjusted Success Ratio by Average Firm Tenure

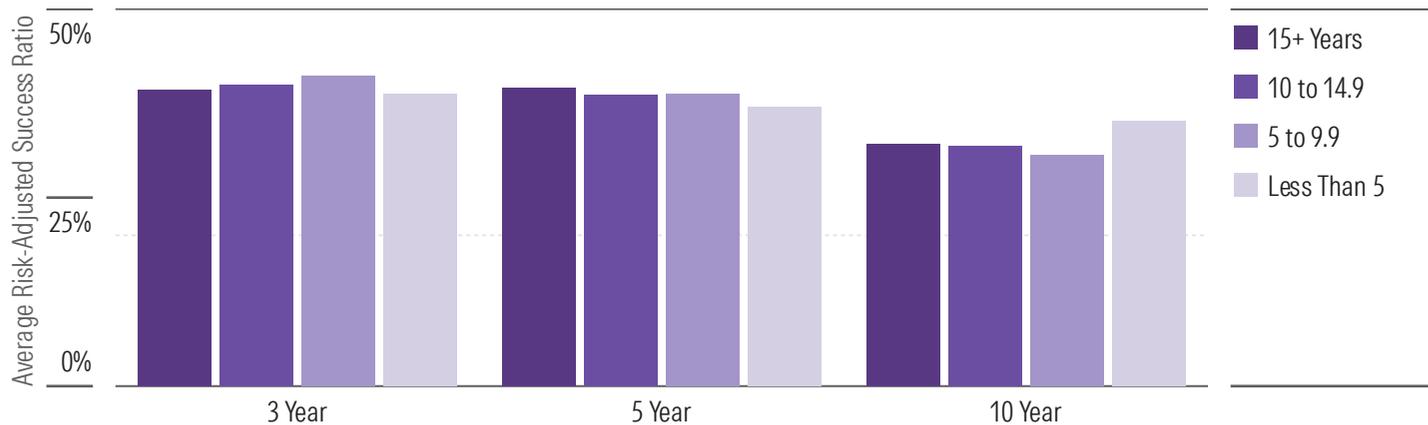


The Relationship of Industry Tenure to Subsequent Results Is Less Clear

Average Success Ratio by Average Industry Tenure



Average Risk-Adjusted Success Ratio by Average Industry Tenure



The link between a firm's average manager industry tenure and its subsequent success ratio is even more mixed than that for average fund or firm tenure. The distribution was much different, too, with roughly one-fourth of firms having very experienced managers at the helm (shown on slide 14).

Over the trailing 10-year period, firms with less-experienced managers as of 2015 delivered stronger results than more-experienced managers on an absolute and risk-adjusted basis.

Again, generational transitions could play a role here. After all, if a firm's average industry tenure is greater than 15 years, many of its managers are likely approaching retirement, and it may have trouble recruiting and retaining managers earlier in their careers to carry the torch.

It could also be that longer tenures correlate with asset growth, which can be deleterious to outperformance.

What's clear from this data is that choosing a winning firm or strategy is not as simple as looking for the most-tenured managers; other factors remain worthy of consideration.

Manager Retention Varies Across the Industry

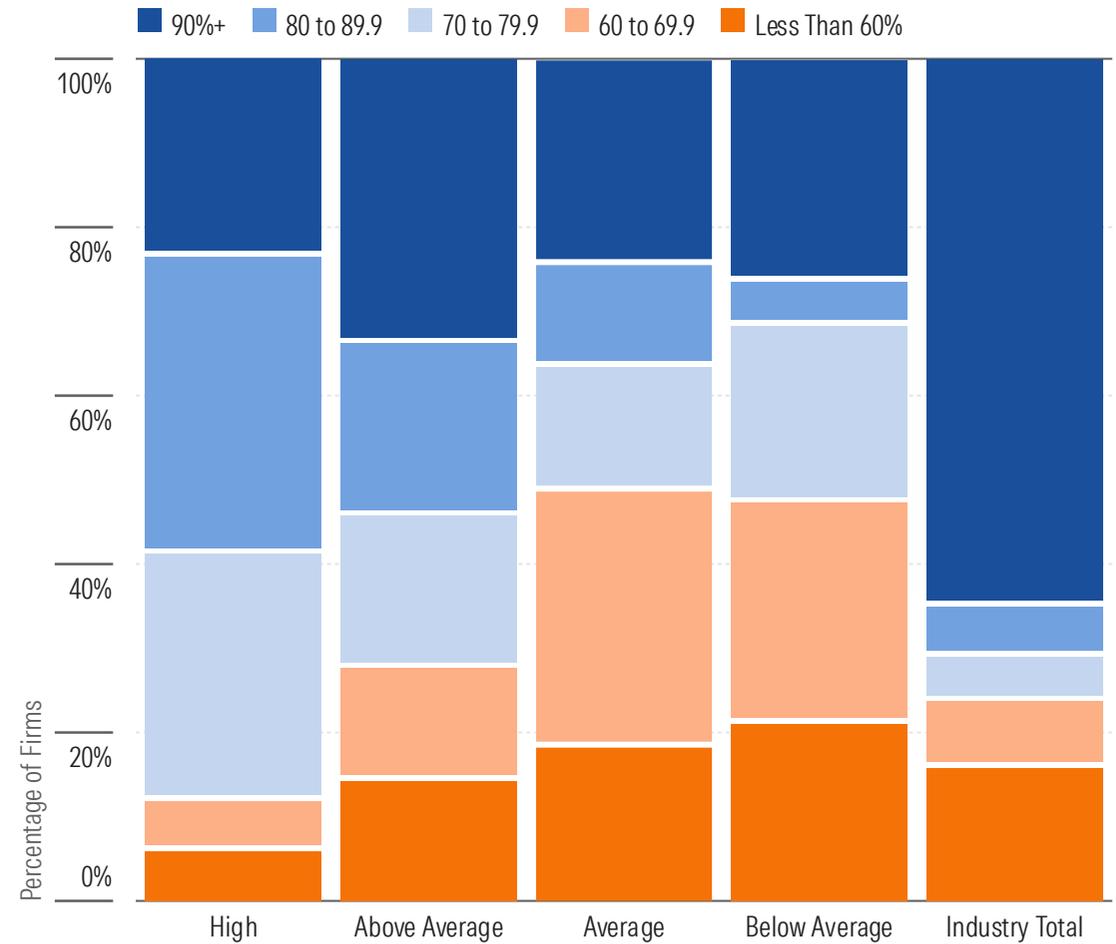
Manager retention helps evaluate a firm's ability to keep investment talent. The five-year retention rate measures the percentage of portfolio managers who remain at the firm running funds over that period. Portfolio manager retirements, departures, or moves to other, non-portfolio manager roles at the firm reduce the measure.

Most parents had high five-year retention rates through December 2025. Although some of these are larger parents that can pay managers to stick around, more than half are small, founder-led boutiques where the same management team tends to remain in place for most of the firm's life.

Small firms often have stable management teams but extreme retention rates because even one departure can have a significant impact on firm-level measures.

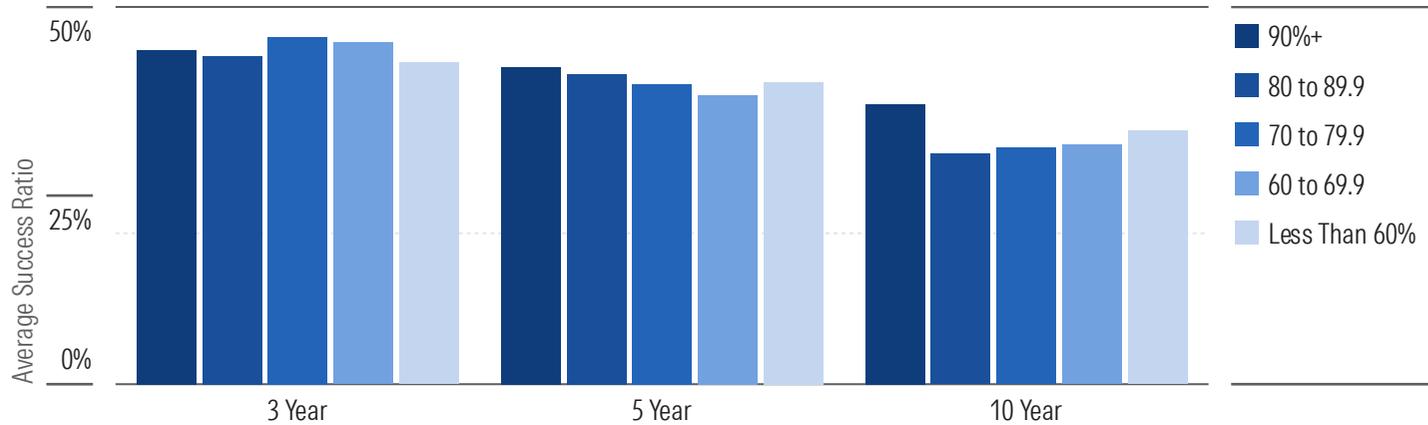
Paris's High-rated Moneta Asset Management, for example, had a 100% retention rate over the past five years because both of the managers who were on the fund in January 2021 remained in December 2025. Last year, however, the firm had a 50% retention rate because one of its two co-founders, who were both named managers as of January 2020, left in December 2024. It is important to look at retention rates' context.

Five-Year Retention Rate by Analyst-Assigned Parent Rating and Overall Industry



Strong Retention Supports Long-Term Success

Average Success Ratio by Retention Rate

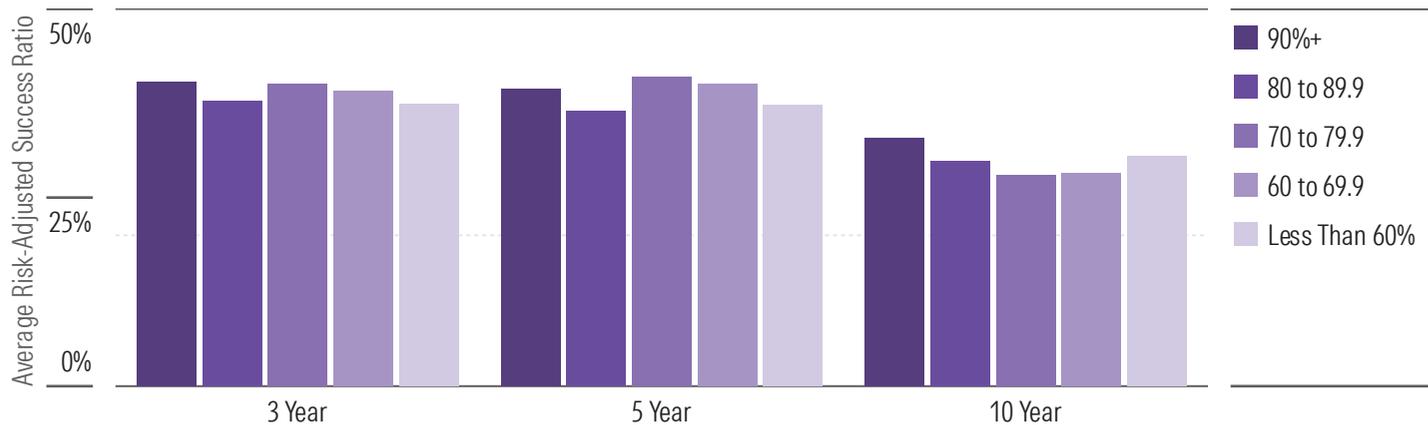


Retention signals stability, and those firms with the ability to keep managers around for the long haul typically perform better for investors. These exhibits show the relationship between five-year retention rates and subsequent average success ratios.

The effects of strong retention appear to compound over time, and its relationship to long-term success is mostly positive.

Australia’s High-rated Greencape Capital had a 100% retention rate at the end of 2015, and both of its funds survived and outperformed peers over the following 10 years. The seven-person investment team is tight-knit, and six members have equity ownership in the firm, which tends to support strong retention. The mid-2025 retirement of co-founder David Pace reduced the firm’s five-year retention rate, but its succession planning was proactive.

Average Risk-Adjusted Success Ratio by Retention Rate



Manager Ownership at the Highest Level Remains Uncommon

When portfolio managers own the funds they run, they show conviction in the strategies, demonstrate confidence in the firms that support them, and align their interests with fundholders. Yet high levels of manager ownership remain uncommon.

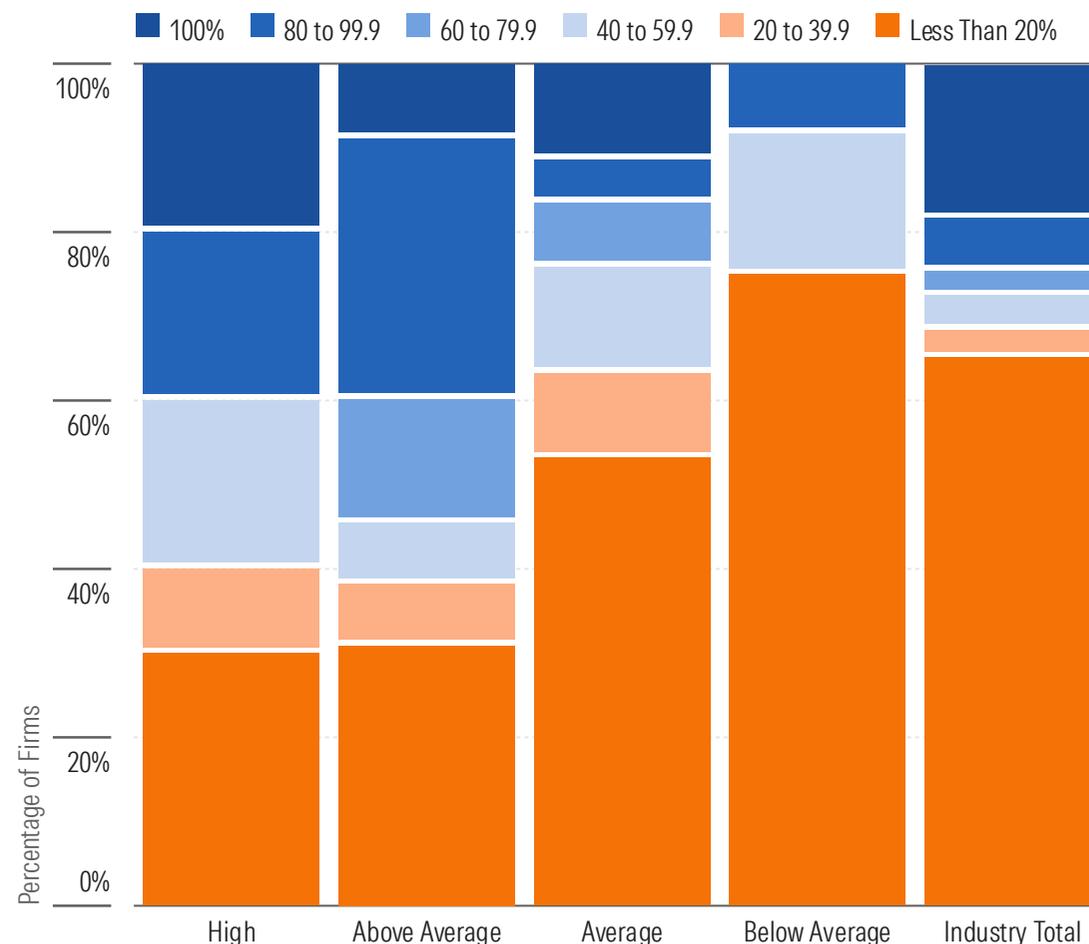
Fund-ownership disclosure is limited outside the US, so this section focuses on manager ownership data for US-domiciled funds. It's still informative for non-US investors because US firms include the world's largest.

Some managers have valid reasons for not investing in the funds they run. It can be harder for managers who are based outside the US to invest in US-domiciled funds, and it could be poor financial planning for managers of municipal bond funds or certain target-date strategies to put a lot of money in those charges, depending on their age or home state. Still, asset management is a remunerative industry, and high manager ownership at the fund and firm level should be the rule rather than the exception.

Fewer than 20% of firms that disclose this data have high levels of manager ownership across all their mutual funds and ETFs. On the other hand, two-thirds of firms had limited to no ownership across their lineups. This compares with 60% of firms as of the end of 2022 and 50% as of 2015. Although some of this could be explained by some large firms moving their employee retirement plans to include CITs, which aren't included in the SEC's disclosure requirements, instead of mutual funds, this number has moved in the wrong direction.

Parent ratings correlate with manager co-investment, and High and Above Average-rated parents typically show strong ownership in their funds.

Manager Ownership by Analyst-Assigned Parent Rating and Overall Industry



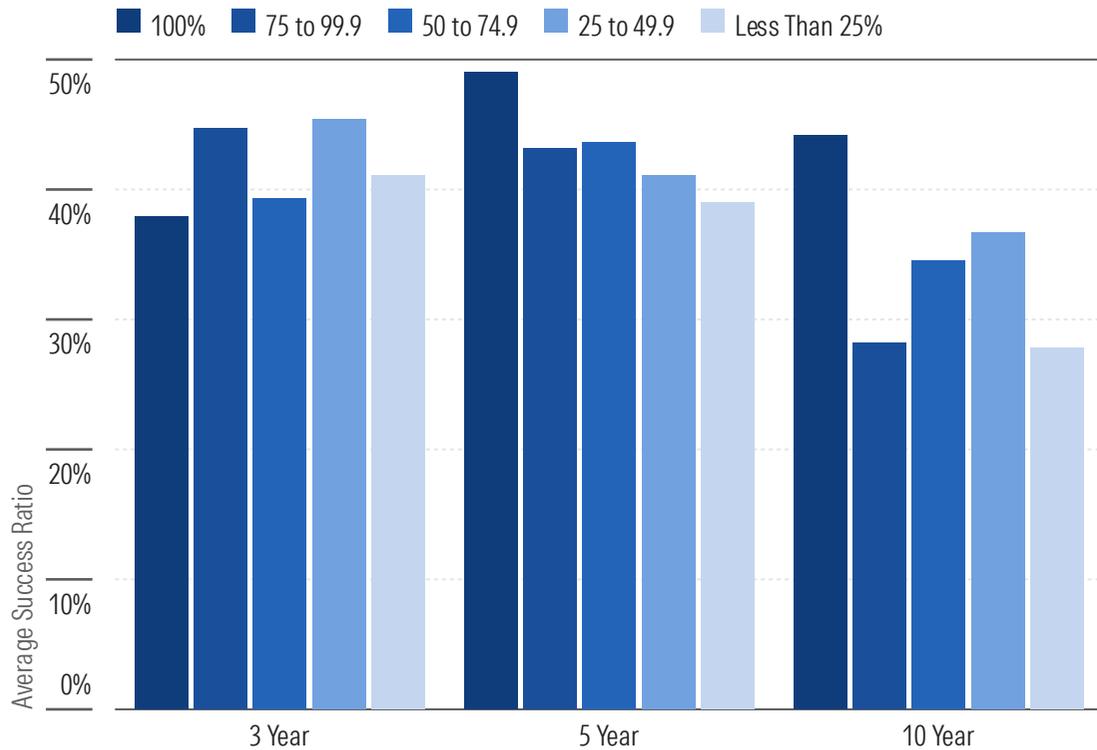
Source: Morningstar Research. Data as of Dec. 31, 2025. Includes only US-domiciled open-end funds and ETFs. The US SEC requires managers to reveal how much money they have in the open-end funds and ETFs they manage, but regulations do not cover other investment vehicles like CITs or SMAs. US managers also only disclose their co-investments in bands, the top of which is "more than USD 1 million," so it's difficult to discern how much managers really have on the line with investors as a percentage of their overall net worth.

See Important Disclosures at the end of this report.

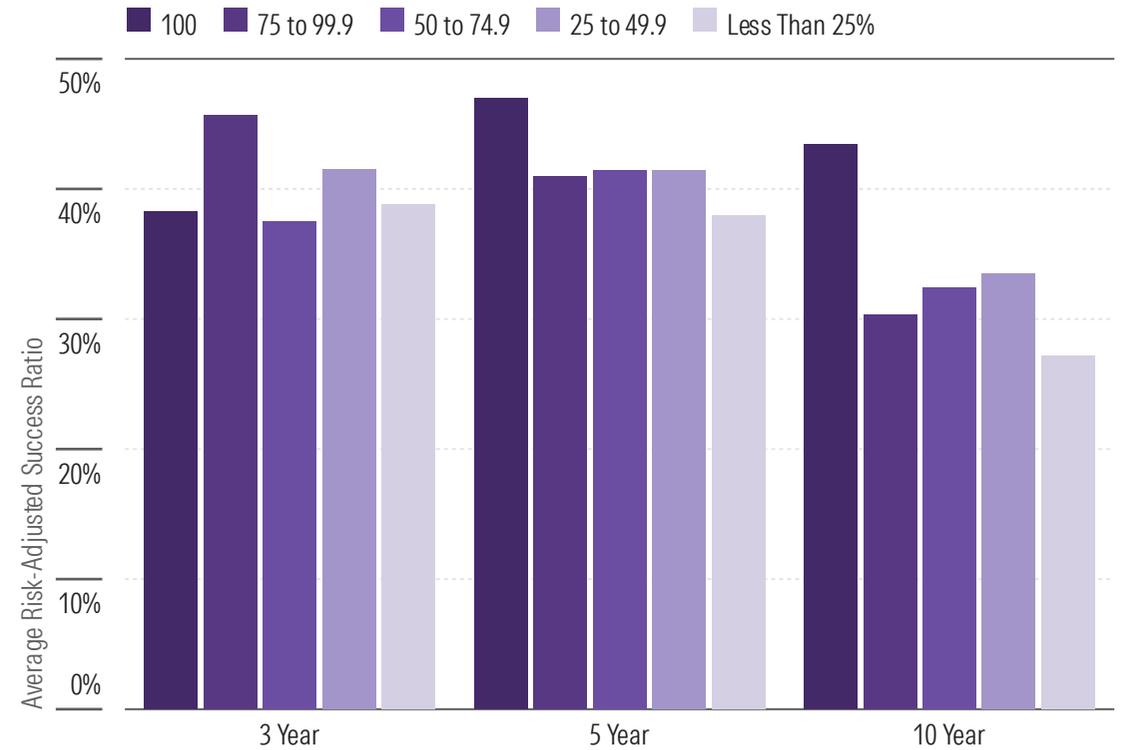
High Levels of Manager Ownership Correlate with Strong Success Ratios

Manager ownership counts. Firms with strong manager ownership tend to have higher subsequent absolute and risk-adjusted success ratios. Over the trailing five- and 10-year periods, firms with strong manager ownership across 100% of their assets had higher subsequent success ratios than those with slim to no ownership. This relationship strengthens over time; firms with strong ownership bested those firms with low ownership by a margin of more than 15 percentage points over the 10-year period.

Average Success Ratio by Manager Ownership Rate



Average Risk-Adjusted Success Ratio by Manager Ownership Rate



Source: Morningstar Research. Data as of Dec. 31, 2025. Includes only US-domiciled open-end funds and ETFs.

See Important Disclosures at the end of this report.

Lineup Management

Highly rated parents charge low fees and have stable offerings.

Highly Rated Parents Charge Low Fees

Strong stewards keep fund fees competitive.

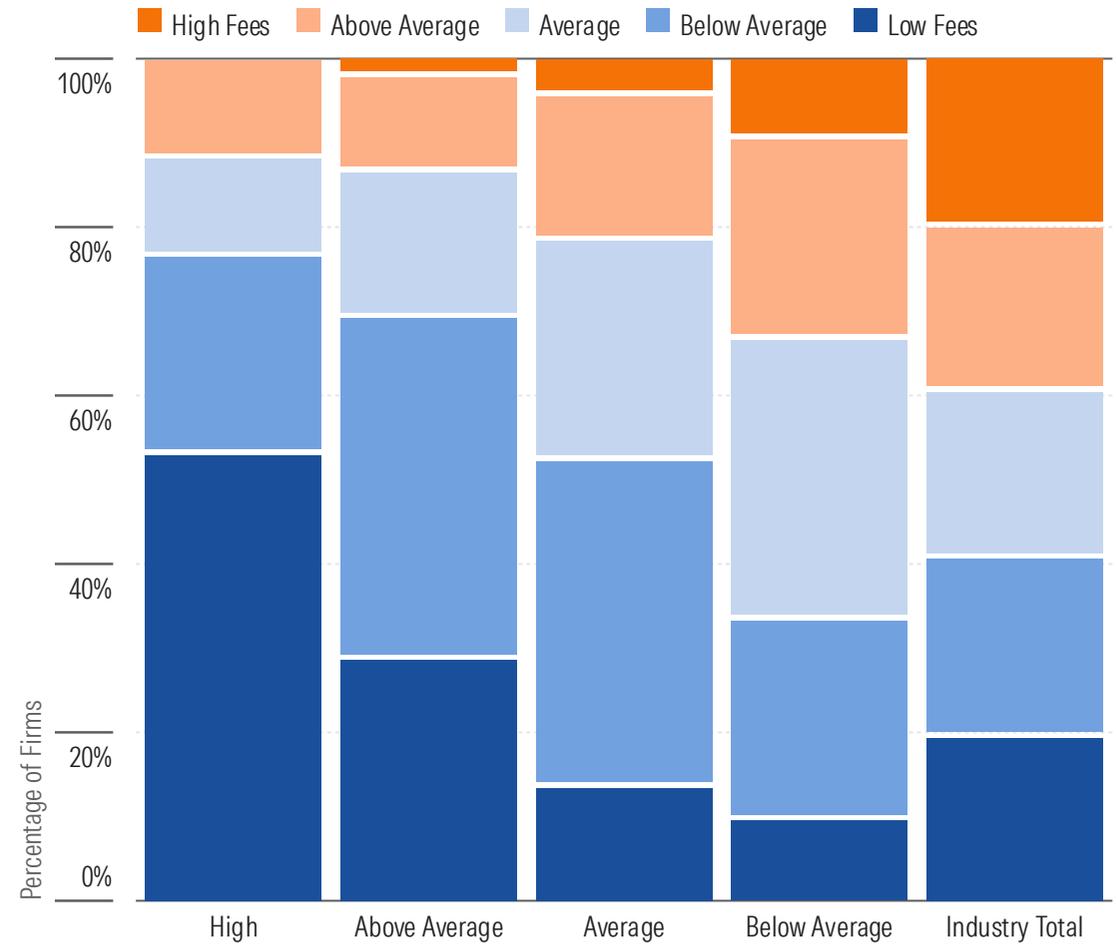
One of the ways Morningstar analysts gauge funds' costs is by comparing each share class's expenses with its Morningstar Category, management approach (active or passive), and distribution channel peers.

This exhibit shows the distribution of Average Global Fee Level—Peer Group according to analyst-assigned Parent ratings and across all firms in the industry. Morningstar's Parent ratings often follow the fees: Higher-rated firms offer better deals.

There are exceptions. Many of High-rated Boston Trust Walden's fund share classes have above-average expenses, in part because its funds tend to target smaller stocks and are capacity-constrained, which often prompts the firm to limit their asset growth and its ability to pass economies of scale to investors. The less than USD 5 billion in assets firm (as of December 2025) is smaller than most High-rated parents. Meanwhile, Vanguard's enormous size and unique mutual ownership structure help it offer rock-bottom fees. Capital Group's large asset base also keeps it among the cheapest active managers.

Most firms under coverage, even those with Average or Below Average ratings, offer better deals than the industry average. Many Below Average parents provide inexpensive passive and systematic strategies, but their ratings suffer on account of poor governance or a preponderance of gimmicky funds.

Average Peer Group Fee Levels by Analyst-Assigned Parent Rating and Overall Industry



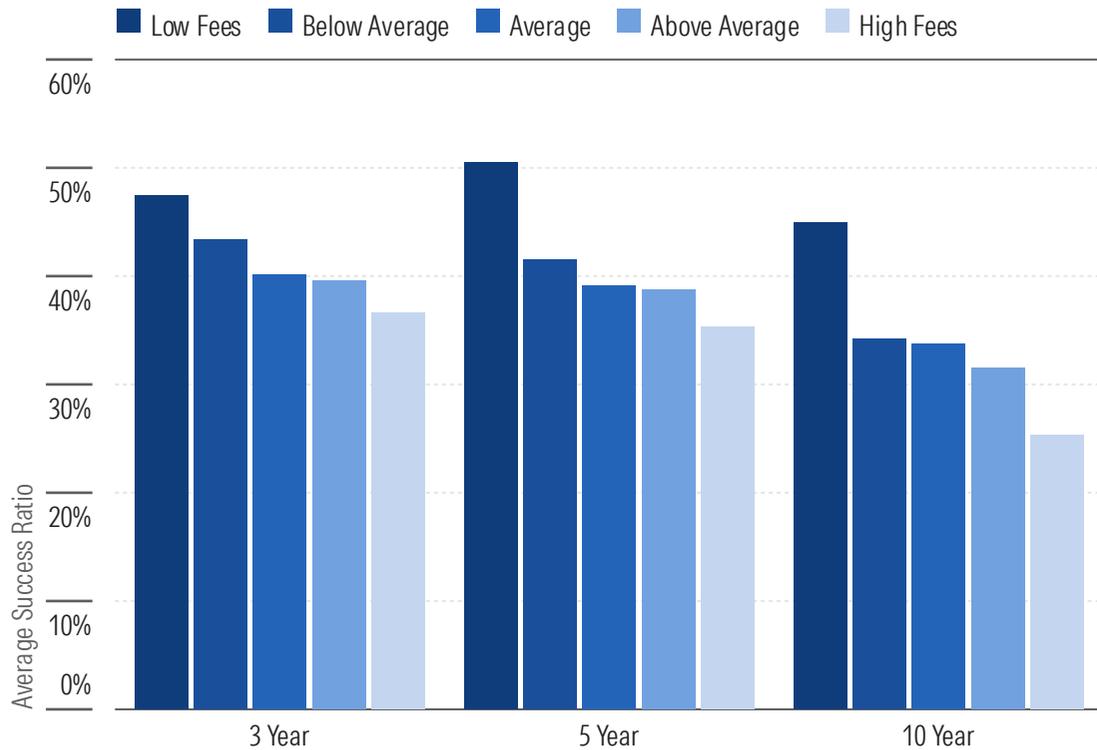
Source: Morningstar Manager Research. Data as of Dec. 31, 2025. To determine an individual share class' cost, Morningstar uses the prospectus adjusted expense ratio or—where expense ratios are unavailable—the Representative Cost ex-Transaction Fee. Each share class' cost is percentile-ranked within the custom peer group, and these percentile ranks are averaged to the firm level.

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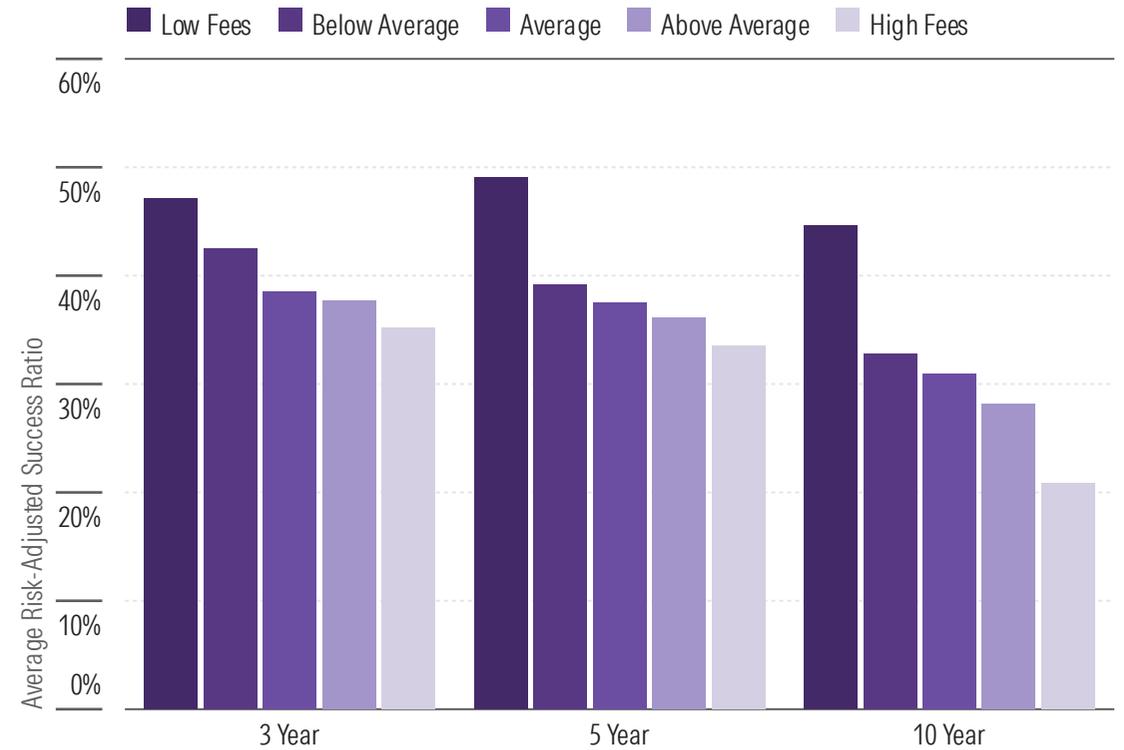
Low Fees' Advantage Compounds Over Time

Low fund expenses lead to peer-beating returns. It makes sense because fees come out of a portfolio's returns, but it is worth reiterating given the magnitude of the effect. Over each of the periods measured, firms that charged the lowest fees achieved the strongest absolute and risk-adjusted success ratios on average. Over the 10-year period ended December 2025, the most affordable firms posted a risk-adjusted success ratio of 45% on average, while the most expensive firms' risk-adjusted success ratio was just 21% on average.

Average Success Ratio by Average Global Fee Levels—Peer Group



Average Risk-Adjusted Success Ratio by Average Global Fee Levels—Peer Group

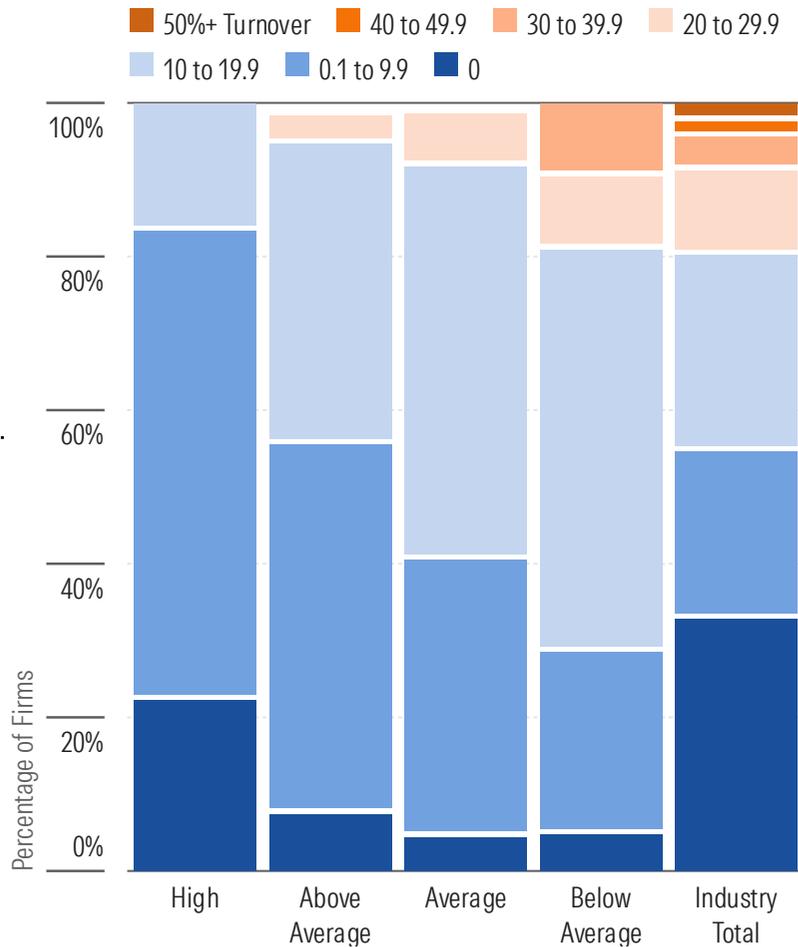


Source: Morningstar Manager Research. Data as of Dec. 31, 2025. To determine an individual share class' cost, Morningstar uses the prospectus adjusted expense ratio or—where expense ratios are unavailable—the Representative Cost ex-Transaction Fee. Each share class' cost is percentile-ranked within the custom peer group, and these percentile ranks are averaged to the firm level.

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Lineup Turnover Is Limited, Particularly Among Highly Rated Parents

Average Annual Lineup Turnover by Analyst-Assigned Parent Rating and Overall Industry



As investor preferences and the asset management industry evolve, so do asset managers' fund offerings. The number of funds and ETFs has increased over time, but not all funds make it. Some struggle to perform, and others never grow large enough to be economically viable. Still, firms with thoughtful, rigorous, and long-term-oriented product development approaches should yield new funds with enduring investment merit and commercial viability, thus reducing the need for subsequent fund closures.

Lineup turnover measures the stability of a firm's fund lineup over time by combining new launches and closures. Although some lineup turnover can be healthy, high levels of product proliferation and rationalization can be disruptive. This exhibit shows the distribution of 10-year average lineup turnover rates according to Parent ratings for nearly 6,000 firms across the industry.

Morningstar analysts believe that stronger firms have lower lineup turnover, and it shows in the Parent ratings. Many parents made no changes to their fund lineups over the 10-year period ended December 2025. Virtually all of these were boutiques, such as High-rated Primecap, which has long offered just three growth-oriented strategies. A more diverse group of firms had lineup turnover rates between 0.1% and 9.9%; it included boutiques like High-rated Boston Trust Walden as well as behemoths like High-rated Vanguard.

The largest group of firms under qualitative coverage had lineup turnover rates between 10% and 19%, including fixed-income boutique Colchester, which earned an upgrade to High from Above Average in 2025. The firm plies one proven approach to global sovereign bond investing and has grown its lineup through adjacent offerings focused on green bonds and emerging markets. Liquidations and mergers, however, represented less than 1% of its funds annually over the past 10 years, well below the industry average.

Source: Morningstar Manager Research. Data as of Dec. 31, 2025. To evaluate a parent firm's product development and governance efforts, Morningstar calculates each asset manager's annual inception rate, obsolescence rate, and lineup turnover. Inception and obsolescence rates divide the number of funds a firm introduced or closed over a 12-month period by the number of funds that existed at the beginning of the period. Inception and obsolescence rates are summed to arrive at a firm's lineup turnover figure. For longer time periods, the annual rates are averaged.

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High Historical Levels of Lineup Turnover Weigh on the Investor Experience

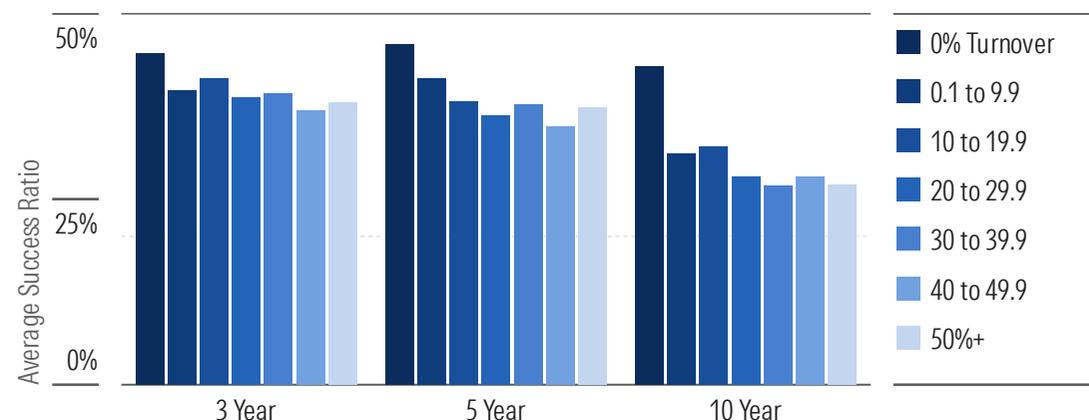
Lineup turnover includes fund launches as well as obsoletions. A firm's obsoletion rate also factors into its success ratio, so firms with high levels of merger and liquidation activity will have lower success ratios over the same period. The exhibits measure whether high levels of lineup turnover persist and drag on subsequent average success ratios. Firms are first grouped according to their 10-year lineup turnover rates as of December 2022, 2020, and 2015 before being compared based on their average success ratios over the subsequent three-, five-, and 10-year periods.

Asset managers merge or liquidate funds for one primary reason: They don't attract enough assets to be viable. Viability can be considered in terms of cost as well as investment team capacity; small, underperforming strategies may not merit the level of attention investment professionals require.

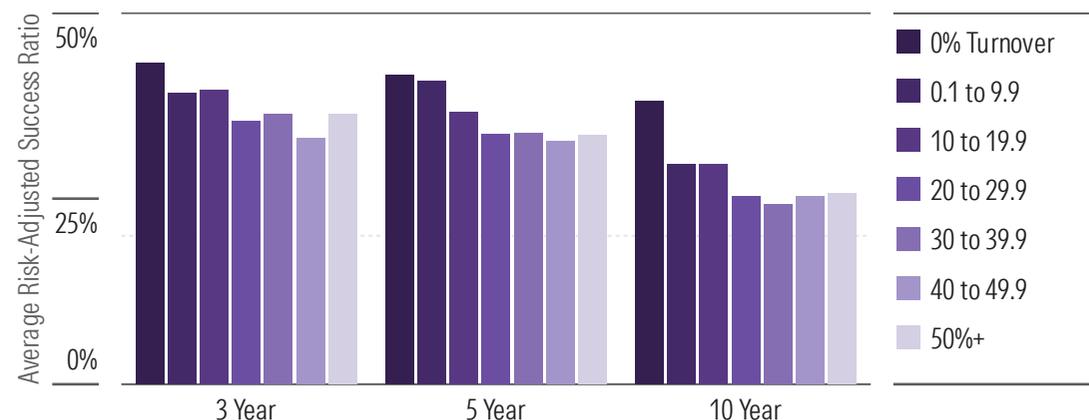
When firms merge funds and promise lower fees for the surviving fund or when firms shut down the poorest performers, the effect should promote success. However, the results don't show that. The firms that experienced high historical levels of lineup turnover continued to struggle in the years that followed. On the other hand, the asset managers that made no changes to their lineups enjoyed the strongest performance in subsequent years.

For instance, Dodge & Cox has nearly a century-long record running a compact lineup of valuation-conscious strategies. It gradually expanded its lineup in the decade ended in 2015 by adding fixed-income capabilities and offerings for European investors, but it didn't stray from its circle of competence. Over the subsequent 10 years, 90% of its funds survived and outperformed relevant peers.

Average Success Ratio by Lineup Turnover Rate



Average Risk-Adjusted Success Ratio by Lineup Turnover Rate



Source: Morningstar Manager Research. Data as of Dec. 31, 2025. To evaluate a parent firm's product development and governance efforts, Morningstar calculates each asset manager's annual inception rate, obsoletion rate, and lineup turnover. Inception and obsoletion rates divide the number of funds a firm introduced or closed over a 12-month period by the number of funds that existed at the beginning of the period. Inception and obsoletion rates are summed to arrive at a firm's lineup turnover figure. For longer time periods, the annual rates are averaged.

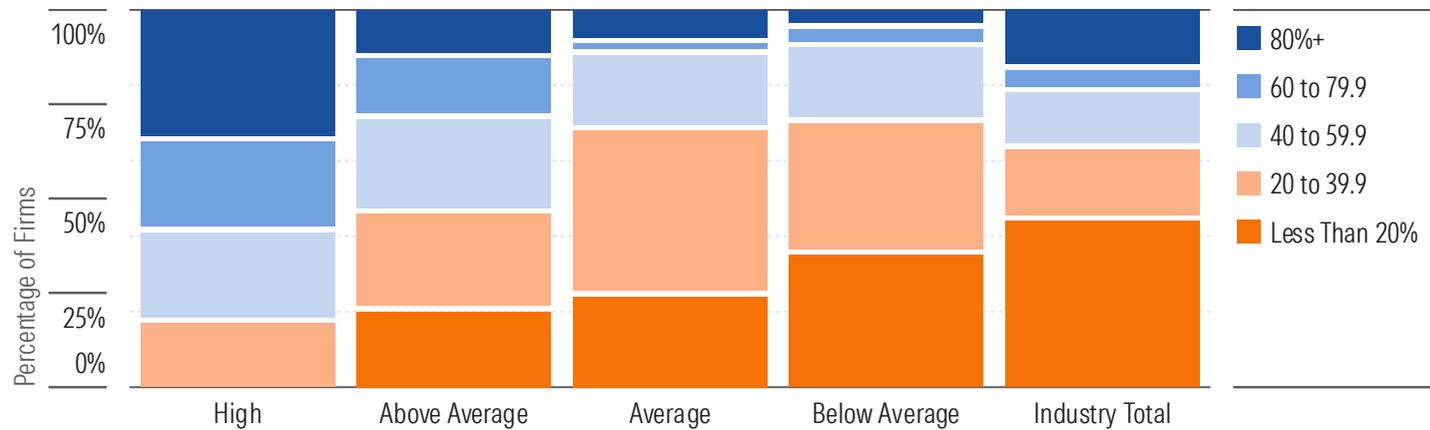
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Past Performance

Highly rated parents have delivered strong risk-adjusted results.

Firms With High Parent Ratings Have Strong Track Records

Average 10-Year Success Ratio by Analyst-Assigned Parent Rating and Overall Industry

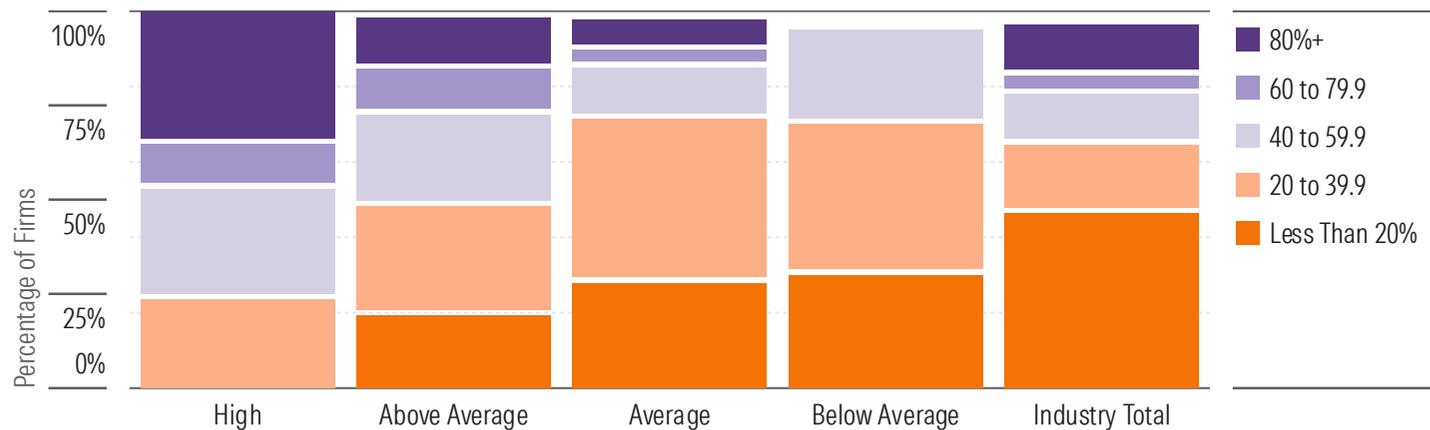


While previous sections of this report compared historical Parent ratings with subsequent success ratios, these exhibits compare current qualitative ratings with firms' past performance.

Success is rare in the industry. Just 30% of firms have winning lineups, or those in which more than half of funds survived and outperformed peers over the past 10 years.

Many of the winners are under Morningstar analyst coverage, and the High and Above Average parents of 2025 have performed well. The few covered firms that struggled are fundamental equity boutiques that have struggled in the momentum-led markets of recent years.

Average 10-Year Risk-Adjusted Success Ratio by Analyst-Assigned Parent Rating and Overall Industry



Average success ratios tend to decline in line with Parent ratings, with relatively few Average parents delivering risk-adjusted success ratios greater than 60% over the past 10 years, and no Below Average parents claiming that record.

Past Success Ratios Persist

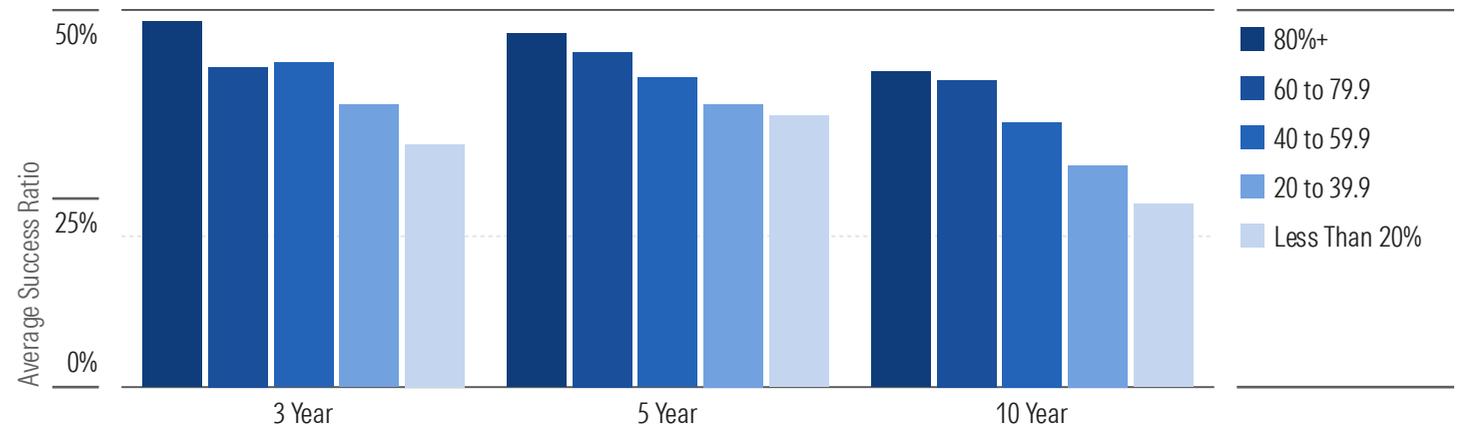
Overall, firms that had strong performance in the past continued to perform well in subsequent years.

This doesn't fit with traditional wisdom—that past performance doesn't persist for long—but the strength of the relationship increases with time.

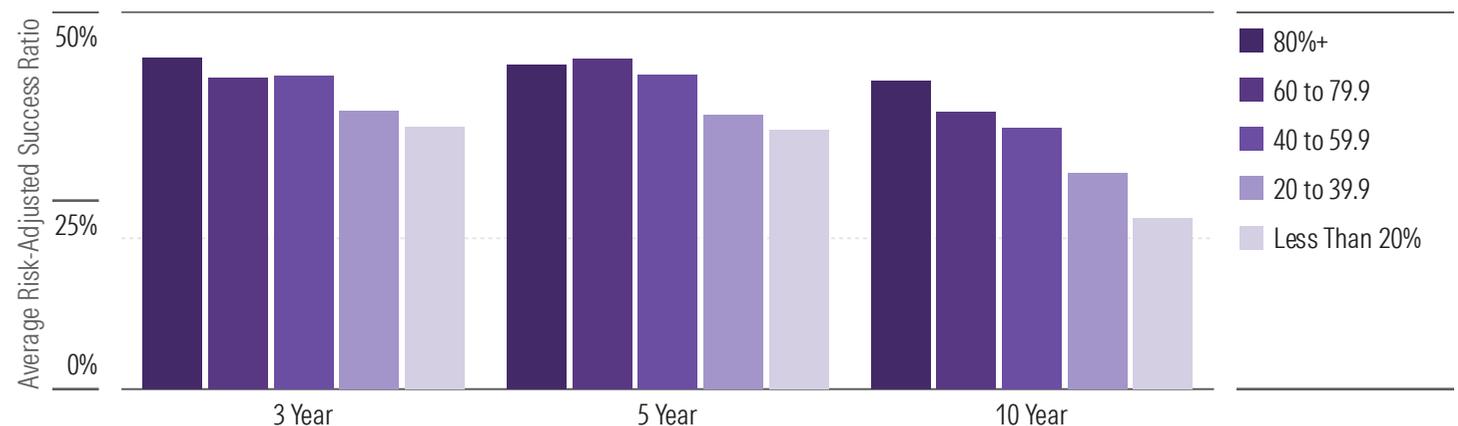
The exhibits here examine the relationship between past and future success. They group asset managers according to their average absolute and risk-adjusted success ratios over trailing three-, five-, and 10-year periods, then average those same firms' success ratios over the following three-, five-, and 10-year periods, respectively.

Firms with strong average past success ratios typically went on to deliver strong average success ratios over the following years.

Average Success Ratio by Past Success

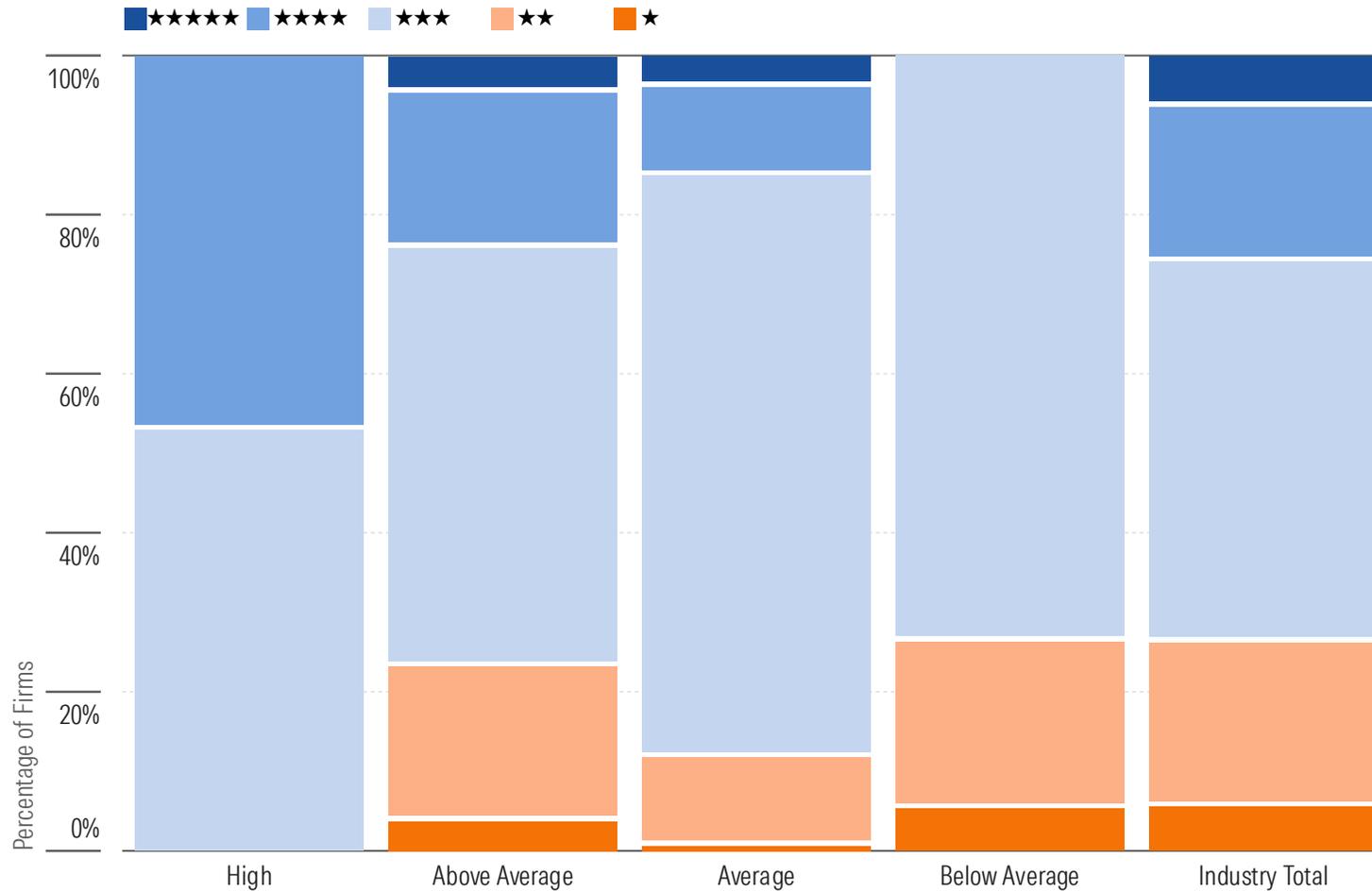


Average Risk-Adjusted Success Ratio by Past Risk-Adjusted Success



Highly Rated Parents Have Delivered Strong Risk-Adjusted Results

Morningstar Rating by Analyst-Assigned Parent Rating and Overall Industry



The Morningstar Rating for funds is a quantitative, backward-looking measure of a fund's past risk-adjusted performance relative to its respective category peers. This exhibit averages all funds' Morningstar Ratings to their respective parent firms and then shows the distribution of those average Morningstar Ratings according to analyst-assigned Parent ratings, as well as across the industry.

In general, the distribution of average Morningstar ratings makes sense. More firms earn Average Parent ratings than any other rating, and this group's distribution is proportional to that of the overall industry. Aside from Average-rated firms, and except for firms earning an average of 5-stars (a very difficult measure to reach), higher-rated parents delivered stronger performance than their lower-rated peers.

Stars Bode Well for Success

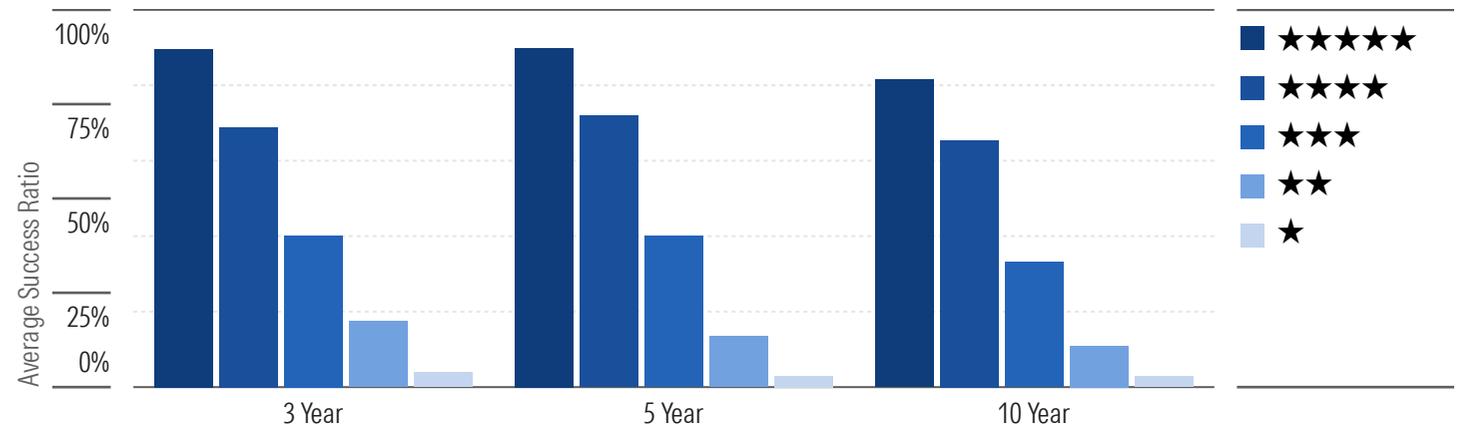
These exhibits examine the relationship between a firm's average Morningstar Rating and its subsequent success ratio. The relationship is impressive: Of all the measures evaluated in this paper, a firm's average Morningstar Rating has the strongest relationship to its future average success ratio.

Past studies have shown that the Morningstar Rating does a good job of finding funds that continue to outperform, but this paper examines the relationship at the asset manager level.

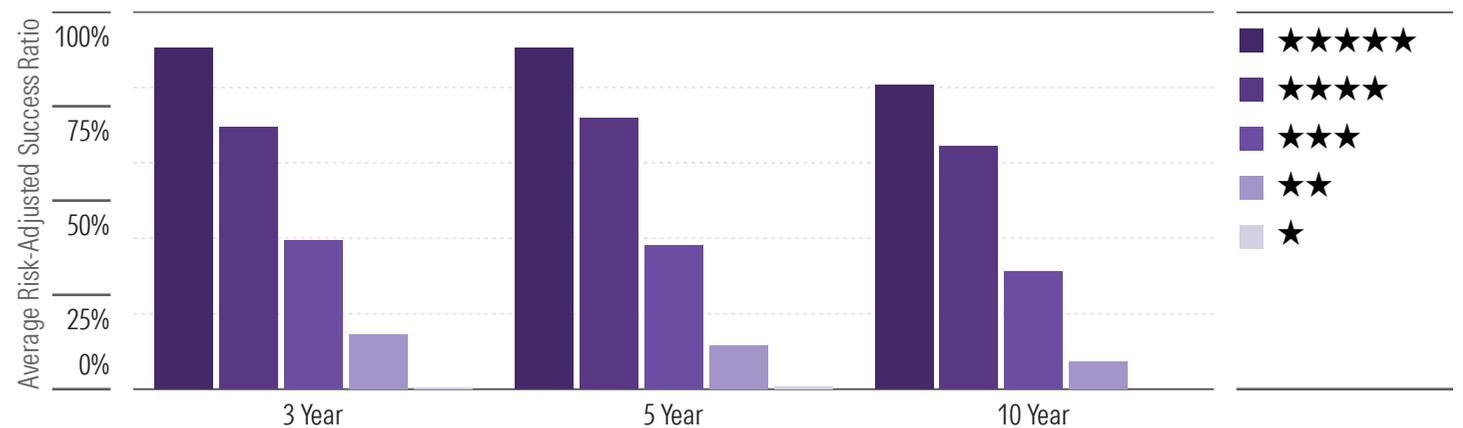
There are caveats. These results exclude funds that have been merged or liquidated, often firms' worst performers. The sample sizes are also irregular because the Morningstar Rating follows a normal distribution: As of 2015, more than 1,300 firms had a 3-star rating, compared with fewer than 200 firms with a 5-star rating. Nonetheless, the strength of this relationship suggests that firms that provide solid risk-adjusted performance enjoy outperformance in the future.

Above Average-rated FPA, for example, boasted an average Morningstar Rating of 4.8-stars in 2015, and it maintained strong performance over subsequent years. As of December 2025, this value-oriented multi-asset investment shop's average rating was 4.5-stars.

Average Success Ratio by Morningstar Ratings



Average Risk-Adjusted Success Ratio by Morningstar Ratings

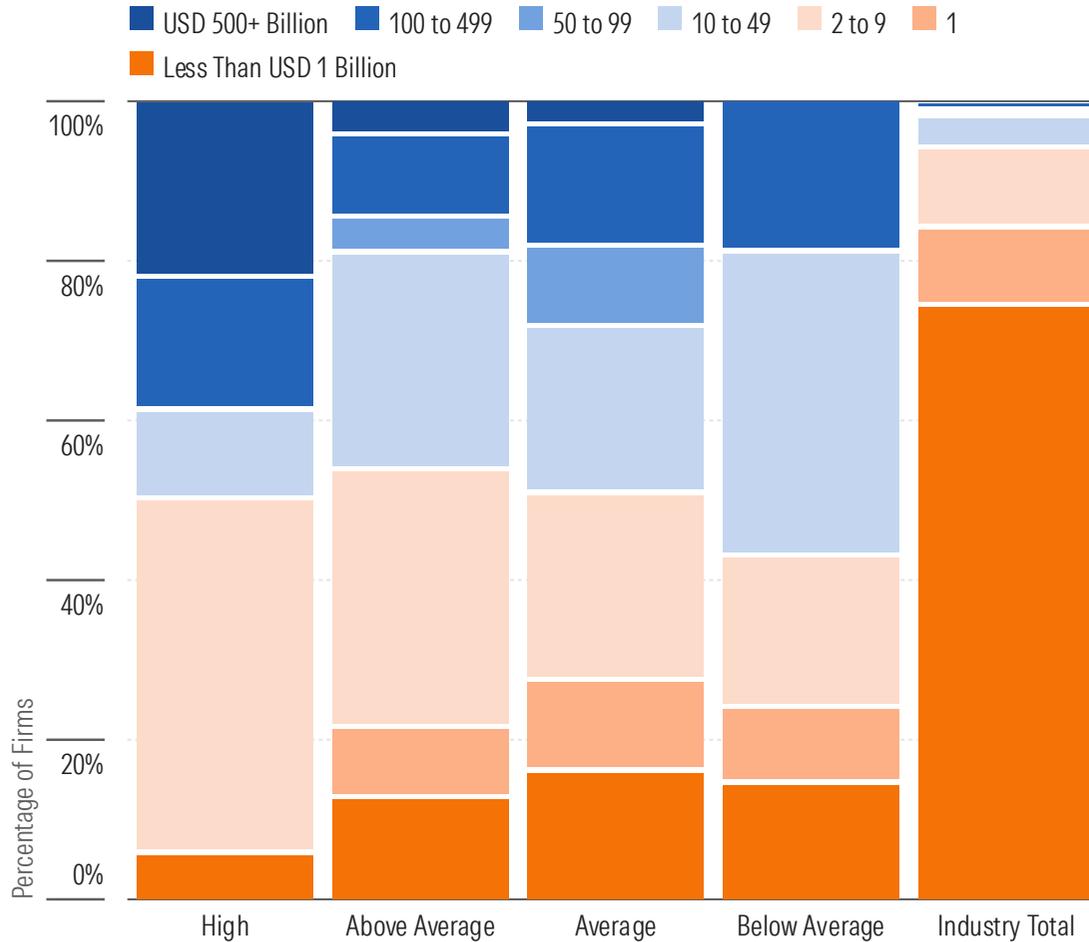


Firm Size

The asset management industry is full of small firms.

The Asset Management Industry Is Full of Small Firms

Firm Size by Analyst-Assigned Parent Rating and Overall Industry



Small firms abound in the asset management industry. Three-fourths of the nearly 6,000 firms in this study had less than USD 1 billion in assets under management as of December 2025. This exhibit shows the distribution of firms according to fund assets (excluding funds of funds) across analyst-assigned Parent ratings and the overall industry.

Morningstar analysts cover large diversified financial institutions as well as smaller boutiques, and there isn't much difference in firm size across Morningstar's Parent ratings except for the High-rated parents, which tend to omit very small firms. The exception in this exhibit—High-rated Aware Super—appears smaller than it is because this report excludes insurance products, which represent the overwhelming majority of Aware Super's business.

Small and large firms both have their share of strengths and challenges. Firms that are just starting out or that are content with sticking to their knitting with a small lineup can have small asset bases. Low assets, however, can also indicate firms that are struggling to reach viability. On the other hand, the largest firms may have ample resources, but they still might struggle to maintain topnotch standards across their offerings and face more headline and reputational risk.

The Largest Asset Managers Delivered Strong Results

The largest asset managers outperformed their smaller peers, but it's hard to say whether it was their size or the qualities that helped them achieve such scale that drove their success.

These exhibits group firms by their fund assets (excluding funds of funds) at three points in history and measure their average absolute and risk-adjusted success ratios over the subsequent three-, five-, and 10-year periods.

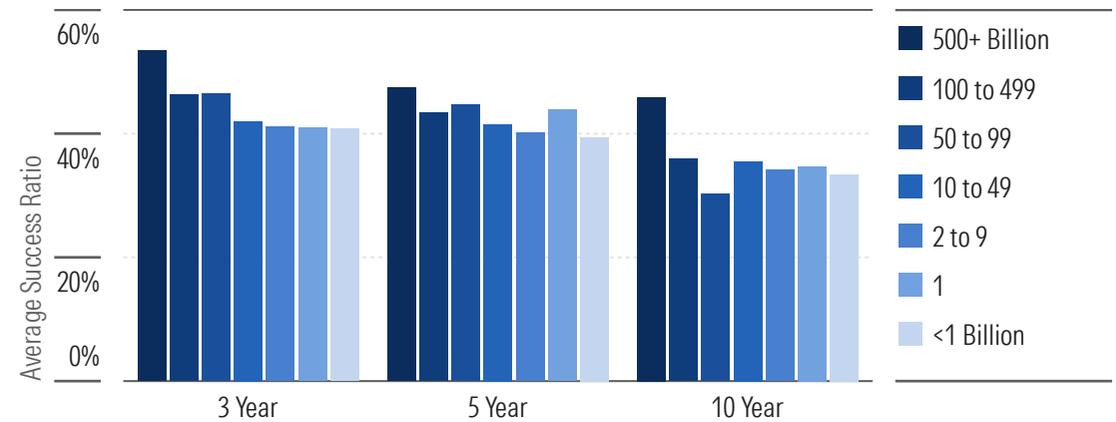
Around 50% of the biggest firms' funds survived and outperformed on an absolute and risk-adjusted basis over the trailing three- and five-year periods, versus roughly 40% for all other size cohorts, and that advantage persisted over longer periods.

Still, firms of this size are rare. Just six parents had fund assets (excluding funds of funds) greater than USD 500 billion in 2015: BlackRock/iShares, Capital Group/American Funds, Fidelity, Franklin Templeton, Invesco, and Vanguard. Among this group, Vanguard posted the strongest performance, with two-thirds of its funds surviving and outperforming peers over the 10 years ended in 2025.

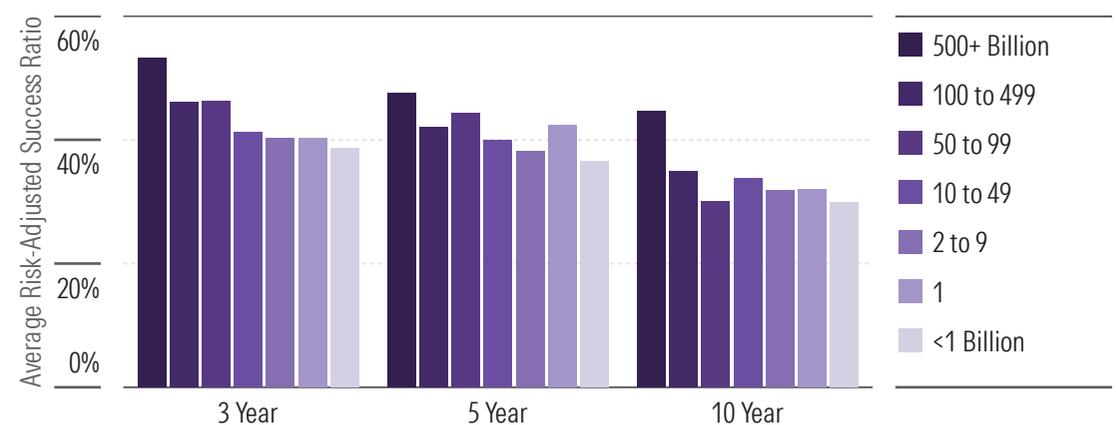
Each of the largest firms managed to stay at that level over the next 10 years thanks to a variety of factors. For example, BlackRock and Vanguard benefited from the continued rise and resilience of index funds and ETFs. Indeed, the growth of ETFs helped boost firms like Schwab and DWS/Xtrackers to land among the largest by the end of 2025.

Beyond the largest firms, size didn't guarantee an advantage, which could indicate that small and medium-sized firms can still be competitive.

Average Success Ratio by Firm Size



Average Risk-Adjusted Success Ratio by Firm Size



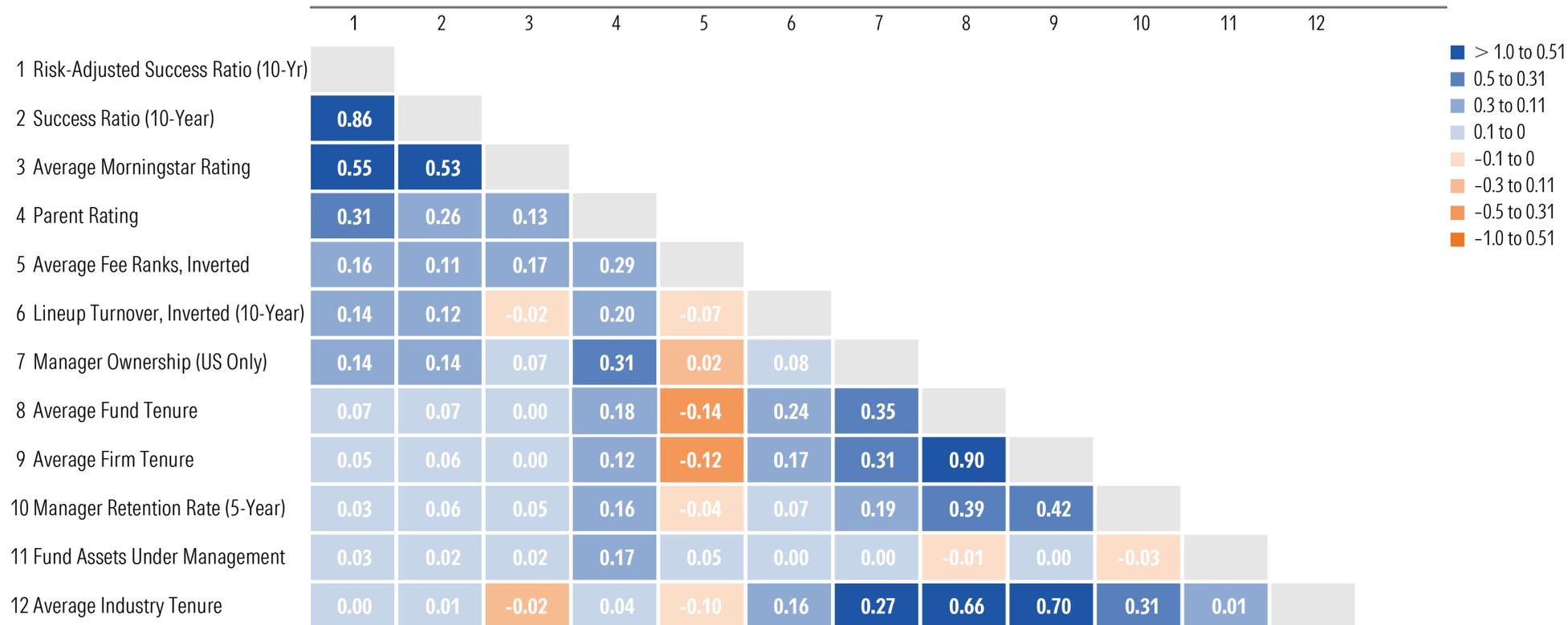
Correlations of Firm-Level Data

Limited correlation exists among parent traits.

Limited Correlation Exists Among Parent Traits

Overall, most data correlations are weak or nonexistent, reflecting the diversity of firms in terms of geography, size, scope, age, and investment style. While some of the correlations seem unintuitive—you might think low fees, for example, would be highly correlated with performance at the firm level—the fact that they are weakly correlated suggests each factor gives distinct information about the parent. Morningstar analysts use data to support Parent rating proposals, building a mosaic that balances judgment and recognizes trade-offs.

Correlation of Key Metrics



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