



News Release

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FOR IMMEDIATE RELEASE

Morningstar Reports Hedge Fund Performance for the First Quarter of 2009; Hedge Fund Flows Through February

CHICAGO, April 21, 2009—Morningstar, Inc. (NASDAQ: MORN), a leading provider of independent investment research, today reported a summary of hedge fund performance for the first quarter of 2009 and flows through February. Hedge funds took modest advantage of March's upswings in the global equity and credit markets. Preliminary results show the Morningstar 1000 Hedge Fund Index rose 2.1% in March, while the currency-hedged Morningstar MSCI Asset-Weighted Hedge Fund Composite Index increased 0.1%. Year to date these indexes ended almost flat. The Morningstar 1000 Hedge Fund Index dropped 0.1% for the quarter while the Morningstar MSCI Asset-Weighted Hedge Fund Composite Index rose 0.5%.

Equity markets around the world significantly rebounded in March as appetite for risk returned, especially in emerging markets. Positive lending and manufacturing news in China coupled with higher commodity prices, which helped stocks in other emerging economies such as Russia, drove the Morningstar MSCI Emerging Markets and Morningstar Emerging Markets Hedge Fund Indexes to increase 4.2% and 6.2%, respectively.

"In March we saw a recovery in equity and some credit markets, which helped hedge funds post small gains. But many hedge fund managers, believing that the economy is not yet out of hot water, continued to remain cautious, and were not strongly positioned to participate in the market rally," said Nadia Papagiannis, Morningstar hedge fund analyst. The Morningstar MSCI Developed Markets Hedge Fund Index rose only 1.1% in March compared to the MSCI World Index, which climbed 7.2%.

The Treasury EuroDollar (TED) spread—the difference between interest rates on inter-bank loans and T-bills—narrowed slightly during the month indicating an increase in market liquidity. The number of new investment-grade corporate bonds doubled in the first quarter over the first quarter of 2008, bolstered by government-guaranteed debt of financial institutions. High-yield bonds fared particularly well, although the lowest-rated debt instruments suffered some from illiquidity. The Morningstar Distressed Securities Hedge Fund Index rose 1.2% in March, but declined 1.7% over the quarter, while the Morningstar Global Debt Hedge Fund Index rose 2.4% in March and 0.4% for the quarter.

Convertible bonds rallied in March, as the extremely wide spreads caused by a forced sell off late last year made these bonds cheap for investors to purchase. The Morningstar Convertible Arbitrage Hedge Fund Index rose 3.9% in March and 7.0% over the quarter, making it the best-performing hedge fund category index. Convertible arbitrage and short equity hedge funds in Morningstar's database were the only categories to receive inflows in March—these funds saw inflows of \$45 million and \$42 million, respectively. In aggregate, hedge funds in the database, excluding hedge funds of funds, experienced net outflows of \$4.2 billion in February and \$31.1 billion year to date.

The Morningstar Corporate Actions Hedge Fund Index, which includes funds that attempt to profit from mergers and acquisitions, IPOs, spin-offs, and capital restructuring, increased 2.2% in March and 3.4% for the quarter. Mergers and acquisitions in the first quarter fell to levels not seen since 2004, according to Dealogic, but deals from bankruptcies jumped in March, especially in the United States and Japan. Deal volume from private-equity leveraged buyouts hit its lowest point since 1996. Global IPOs also fell by almost half in the first quarter compared to the first quarter of 2008.

Global trend-following hedge funds, which profit from sustained upward or downward price trends in financial and commodity futures, saw a difficult month, as many contracts—most notably oil and gold—whipsawed during March. The Morningstar Global Trends Hedge Fund Index dropped 2.0% in March and 4.1% over the quarter. On the bright side, fund managers in the Morningstar Global Non-Trend Index who tactically bet on fundamental macro-economic moves in the market benefited from a rally in government bonds and stocks after the Federal Reserve and Bank of England implemented quantitative easing. This index rose 0.5% in March, but declined 0.1% over the quarter.

March returns and February asset flows for the Morningstar Hedge Fund Indexes are based on funds that reported as of April 14, 2009. Returns for the Morningstar MSCI Hedge Fund Indexes are based on funds that reported March performance as of April 15, 2009.

As announced in September 2008, Morningstar is also now calculating hedge fund indexes by applying the MSCI Hedge Fund Index Methodology and Hedge Fund Classification Standard to Morningstar's hedge fund database. These indexes demonstrate the performance of hedge funds to investors who have hedged their currency exposure back into U.S. dollars. The MSCI Hedge Fund Index Methodology classifies hedge funds by investment process, geography, and asset class.

Morningstar has approximately 8,000 hedge funds and funds of hedge funds in its database. The Morningstar 1000 Hedge Fund Index, a global, broadly representative benchmark for hedge fund performance, has return history from January 2003. The index is composed of the top 90% of eligible assets in Morningstar's hedge fund database. For the purposes of the index, Morningstar counts funds with shared portfolios as a single hedge fund; funds of hedge funds are excluded from consideration. The index is updated daily for the previous month-end, rebalanced monthly, and reconstituted semi-annually. In addition, Morningstar has 17 category indexes and four broad category indexes based on Morningstar's strategy-specific classification system for hedge funds. Morningstar's hedge fund indexes are not investable.

This release is not intended to be an offer or solicitation for the sale of hedge funds. The information is not warranted to be accurate, complete, or timely. When considering hedge funds, investors should consider various risks, including the fact that some products engage in leveraging and other speculative investment practices that may increase the risk of investment loss, can be illiquid, are not required to provide periodic pricing or valuation information to investors, may involve complex tax structures and delays in distributing important tax information, are not subject to the same regulatory requirements as mutual funds, often charge high fees, and in many cases the underlying investments are not transparent and are known only to the investment manager. The high degree of leverage that is often obtainable in trading can lead to large losses as well as gains. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

About Morningstar, Inc.

Morningstar, Inc. is a leading provider of independent investment research in North America, Europe, Australia, and Asia. The company offers an extensive line of Internet, software, and print-based products

and services for individuals, financial advisors, and institutions. Morningstar provides data on more than 300,000 investment offerings, including stocks, mutual funds, and similar vehicles, along with real-time global market data on more than 4 million equities, indexes, futures, options, commodities, and precious metals, in addition to foreign exchange and Treasury markets. The company has operations in 19 countries and minority ownership positions in companies based in three other countries.

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| <u>Morningstar Hedge Fund Index Performance Q1 2009</u> | <u>Jan.</u> | <u>Feb.</u> | <u>Mar.</u> | <u>YTD</u> |
|--|--------------------|--------------------|--------------------|-------------------|
| Morningstar 1000 HF PR USD | -1.01 | -1.20 | 2.15 | -0.10 |
| Morningstar Hedge Fund of Funds | -1.27 | -0.58 | 1.41 | -0.45 |
| <i><u>Morningstar Hedge Fund Category Indexes</u></i> | | | | |
| Morningstar Convtbl Arbitrage HF PR USD | 2.40 | 0.62 | 3.85 | 7.00 |
| Morningstar Corporate Actions HF PR USD | 0.85 | 0.28 | 2.19 | 3.35 |
| Morningstar Debt Arbitrage HF PR USD | 0.99 | -0.81 | 0.29 | 0.47 |
| Morningstar Distressed Sec HF PR USD | 0.17 | -2.99 | 1.16 | -1.71 |
| Morningstar Dvlp Asia Equity HF PR USD | -1.96 | -2.75 | 2.36 | -2.40 |
| Morningstar EM Equity HF PR USD | -4.81 | -0.50 | 6.24 | 0.63 |
| Morningstar Equity Arbitrage HF PR USD | -0.79 | -0.98 | 1.31 | -0.48 |
| Morningstar Europe Equity HF PR USD | -3.62 | -0.79 | 3.95 | -0.60 |
| Morningstar Global Debt HF PR USD | -0.50 | -1.38 | 2.35 | 0.44 |
| Morningstar Global Equity HF PR USD | -1.95 | -2.26 | 3.86 | -0.47 |
| Morningstar Global Non Trend HF PR USD | 0.11 | -0.72 | 0.49 | -0.12 |
| Morningstar Global Trend HF PR USD | -1.70 | -0.38 | -2.05 | -4.08 |
| Morningstar Multi-Strategy HF PR USD | 0.97 | -1.04 | 1.46 | 1.38 |
| Morningstar Short Equity HF PR USD | 1.73 | -0.53 | 2.42 | 3.64 |
| Morningstar US Equity HF PR USD | 0.62 | -2.52 | 3.78 | 1.79 |
| Morningstar US Small Cap Eqty HF PR USD | -1.27 | -5.02 | 4.23 | -2.26 |
| <u>Morningstar Hedge Fund Indexes with MSCI</u> | | | | |
| Morningstar MSCI Composite AW | 0.74 | -0.41 | 0.14 | 0.47 |
| Morningstar MSCI Composite EW | 0.12 | -0.93 | 1.35 | 0.52 |
| Morningstar MSCI Composite Core Funds | 0.59 | -0.32 | -0.08 | 0.19 |
| Morningstar MSCI Composite Small Fund | -0.18 | -1.27 | 2.08 | 0.60 |
| Morningstar MSCI Developed Markets | 0.59 | -0.99 | 1.12 | 0.71 |
| Morningstar MSCI Directional Trading | -0.27 | -0.29 | -0.42 | -0.98 |
| Morningstar MSCI Emerging Markets | -1.63 | -0.73 | 4.17 | 1.73 |
| Morningstar MSCI Europe | 0.36 | -0.61 | 0.04 | -0.21 |

| | | | | |
|--------------------------------------|-------|-------|------|-------|
| Morningstar MSCI Global Markets | -0.33 | -0.83 | 0.64 | -0.52 |
| Morningstar MSCI Multi-Process Group | -0.43 | -1.54 | 1.22 | -0.77 |
| Morningstar MSCI North America | 1.37 | -0.35 | 2.26 | 3.30 |
| Morningstar MSCI Relative Value | 1.05 | -1.24 | 2.39 | 2.18 |
| Morningstar MSCI Security Selection | 2.27 | -0.16 | 0.35 | 2.46 |
| Morningstar MSCI Specialist Credit | -0.72 | -1.79 | 2.75 | 0.19 |

Market Indexes

| | | | | |
|------------------|--------|--------|-------|--------|
| MSCI World USD | -8.85 | -10.49 | 7.24 | -12.50 |
| S&P 500 TR | -8.43 | -10.65 | 8.76 | -11.01 |
| MSCI Europe USD | -11.16 | -10.48 | 6.65 | -15.17 |
| MSCI AC Asia USD | -6.34 | -10.18 | 6.25 | -10.63 |
| MSCI EM USD | -6.62 | -5.71 | 14.15 | 0.52 |

Hedge Fund Flows By Morningstar Category

| | <u>Feb. 2009 Flows</u> | <u>YTD Thru Feb.</u> |
|------------------------|-------------------------------|-----------------------------|
| Convertible Arbitrage | \$ 44,717,533 | \$ (314,902,651) |
| Corporate Actions | \$ (276,648,029) | \$ (1,002,726,141) |
| Debt Arbitrage | \$ (119,241,429) | \$ (772,649,818) |
| Developed Asia Equity | \$ (168,329,364) | \$ (4,166,726,533) |
| Distressed Securities | \$ (191,927,780) | \$ (615,071,189) |
| Emerging Market Equity | \$ (418,008,997) | \$ (2,042,886,534) |
| Equity Arbitrage | \$ (276,981,313) | \$ (1,415,433,194) |
| Europe Equity | \$ (357,272,997) | \$ (2,023,518,340) |
| Global Debt | \$ (217,673,611) | \$ (262,237,466) |
| Global Equity | \$ (861,567,518) | \$ (3,859,865,429) |
| Global Non-Trend | \$ (390,793,881) | \$ (1,665,257,887) |
| Global Trend | \$ (437,255,768) | \$ (2,730,231,970) |
| Multi-strategy | \$ (331,095,546) | \$ (5,578,657,216) |
| Short Equity | \$ 41,993,089 | \$ 22,580,749 |
| U.S. Equity | \$ (202,701,562) | \$ (4,346,716,520) |
| U.S. Small Cap Equity | \$ (61,845,106) | \$ (318,636,134) |
| <i>Total</i> | \$ (4,224,632,279) | \$ (31,092,936,273) |

Hedge Fund of Fund Flows

| | | |
|--------------------------------|-------------------------|---------------------------|
| Fund of Funds - Debt | \$ (142,067,229) | \$ (380,740,398) |
| Fund of Funds - Derivatives | \$ (43,960,750) | \$ (72,687,038) |
| Fund of Funds - Equity | \$ 104,708,702 | \$ (362,426,702) |
| Fund of Funds - Event | \$ 1,918,121 | \$ (9,372,061) |
| Fund of Funds - Multistrategy | \$ (73,761,812) | \$ (777,286,569) |
| Fund of Funds - Nondirectional | \$ 758,890 | \$ (2,475) |
| <i>Total</i> | \$ (152,404,078) | \$ (1,602,515,243) |

Hedge Fund Flows By Morningstar Rating

| | <u>Feb. 2009 Flows</u> | <u>YTD Thru Feb.</u> |
|--------|-------------------------------|-----------------------------|
| 5-star | \$ (778,965,543) | \$ (6,167,605,642) |
| 4-star | \$ (1,804,010,791) | \$ (8,510,398,383) |

| | | |
|--------------|---------------------------|----------------------------|
| 3-star | \$ (1,080,310,876) | \$ (7,060,272,408) |
| 2-star | \$ (429,681,360) | \$ (5,225,339,307) |
| 1-star | \$ (214,215,030) | \$ (654,619,935) |
| Not-Rated | \$ (70,177,468) | \$ (5,126,693,917) |
| Total | \$ (4,377,361,068) | \$ (32,744,929,592) |

- All assets are in U.S. dollar terms

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