



Letter to the Editor – Morningstar Ratings

December 29, 2009

The following letter is in response to our article, [Morningstar Ratings Fail over a Full Market Cycle](#), which appeared on December 8, and to Morningstar's response from John Rekenhaller, [Letters to the Editor – Morningstar Responds](#), which appeared December 15:

Dear Editor,

It is interesting that so much energy is used discussing the predictive value of the Morningstar ratings. I am not aware of anywhere Morningstar has stated that the star ratings have some type of predictive ability. In the article, *Morningstar Ratings Fail over a Full Market Cycle*, the use of randomly selected funds was a plus. The time period dependency of the analysis is always suspect because any study can look positive or negative when using selected time periods. It is extremely hard to predict the future and I see no indication that Morningstar purports that they can do so. There are many elements that can affect the probabilities in favor of the fund/manager selection process including, but not limited to, the managers' and funds' process, philosophy and people. Even with the best research, ratings and due diligence, it is hard to predict the future of a fund/manager. Morningstar is another tool that advisors can use in their decision process, but should not be used in isolation.

I commend Robert Huebscher and John Rekenhaller for their spirited and valuable discussion of the Morningstar ratings.

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