Morningstar:

Easy Screening for Beginners

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Tutorials on the Morningstar Investment Research Center

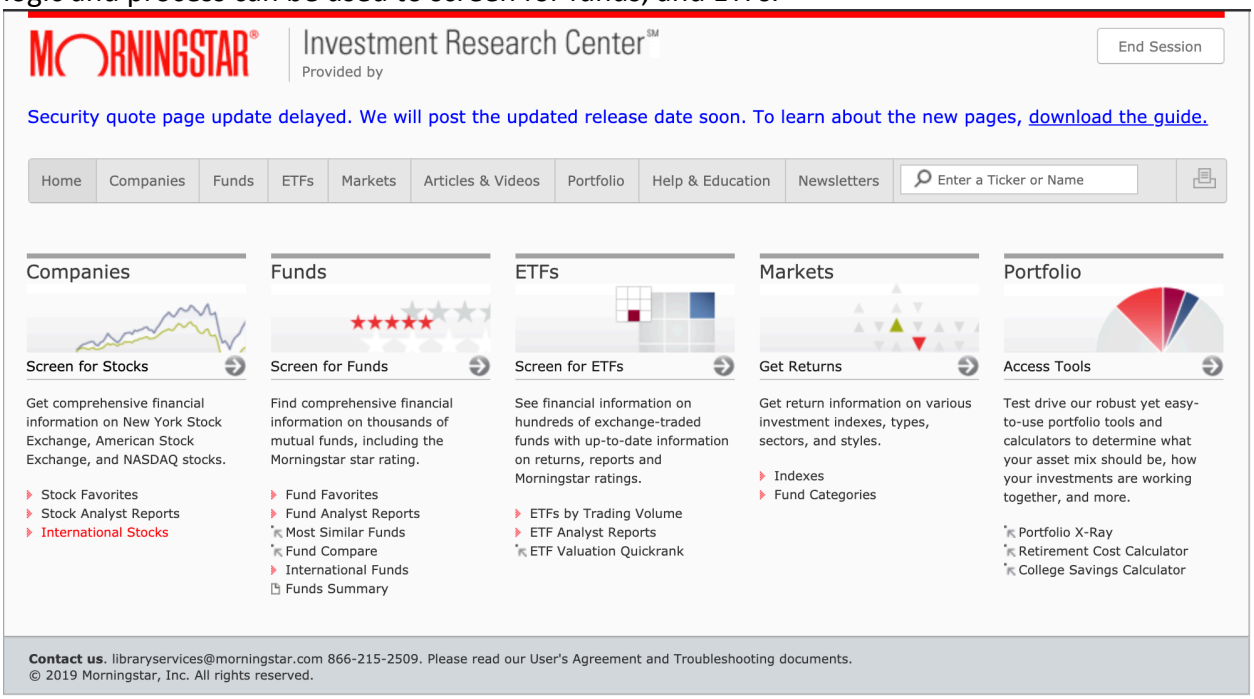
Overview:

Morningstar offers public, corporate, and academic libraries real-time access to comprehensive data and independent analysis on thousands of **investments**, spanning mutual funds, stocks, exchange-traded funds, and closed-end funds. As a Babson student, you have access to Morningstar from the library database: https://libguides.babson.edu/az.php?a=m. You can get mobile access on your laptops and phones.

Compared to the other great finance tools, Morningstar is particularly useful for research on mutual funds and ETFs, and for screening stocks.

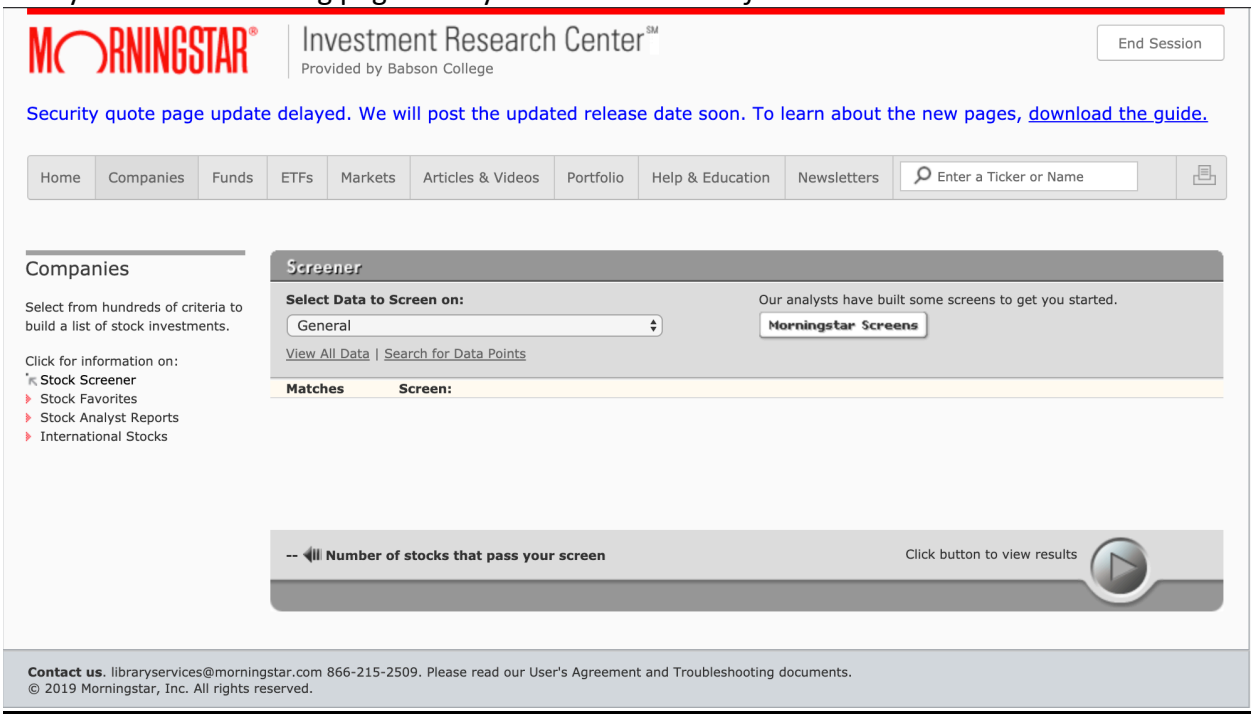
How to start:

This is the homepage you will get after clicking on the link in the library database. From the toolbar, you can see the research categories offered by morning star. We will first go over how to screen for stocks. The same logic and process can be used to screen for funds, and ETFs.



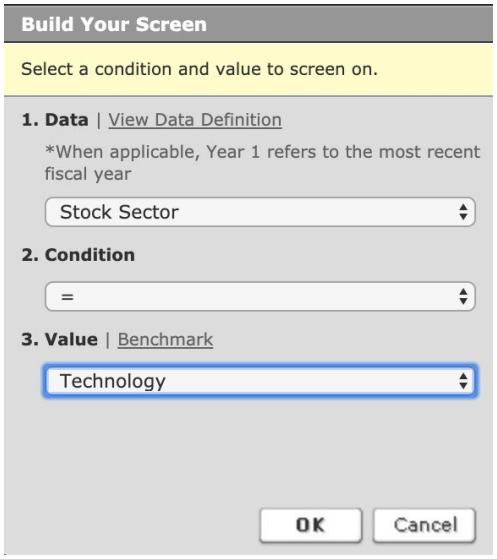
Screening:

Screening is a great way to translate your investment style and philosophy into stock names. Morningstar will take you to the screening page after you click on "*Screen for Stock".*

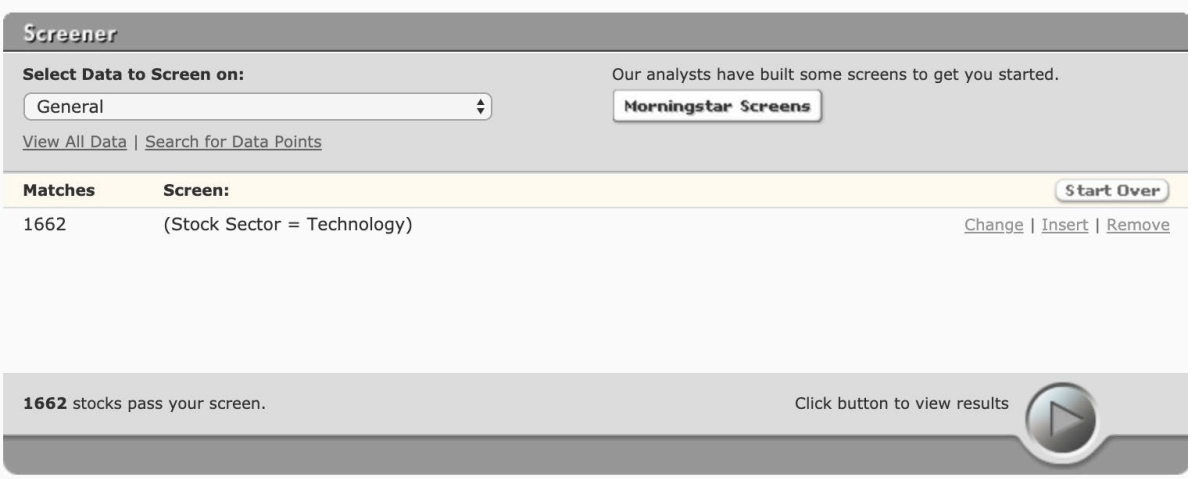


Under the *Screener,* you can pick the screening criteria from the drop-down menu. A common approach is to first put in a geographical and an industry screen to reduce the number of results. Once you click on an element in the drop-down menu, a separate window will pop-up.

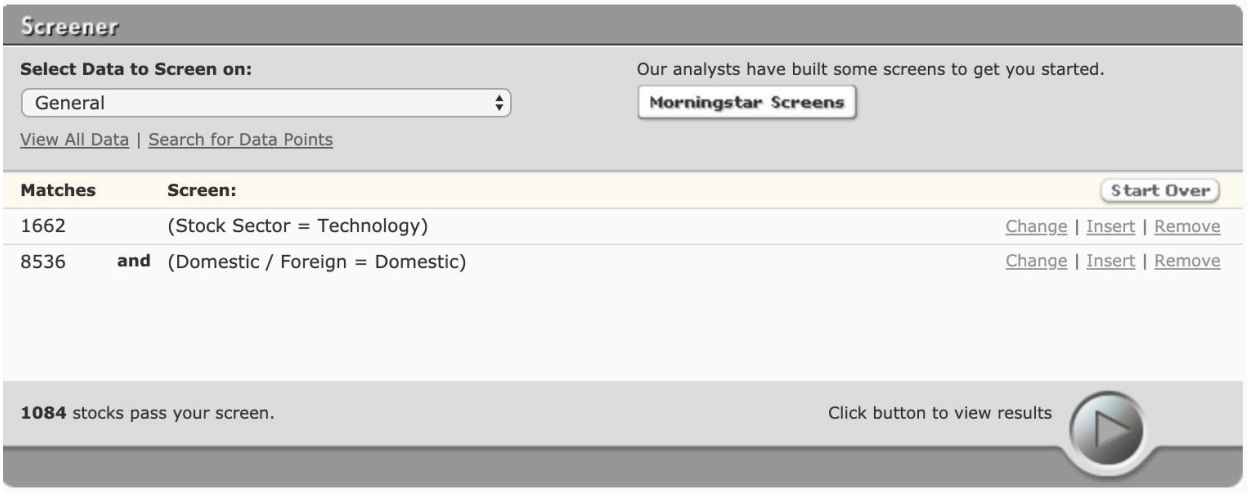
For example, I am only interested in public companies that are in the *"Technology"* sector. It is important to note that there isn't a uniform or best way to classify industries. Different platforms may have a different classification method. They may have different names, or that one may be more detailed than the other. Morningstar offers a few of those options, *Stock Industry, Stock Sector, and Stock Industry Group.* Generally, Stock Sector is used but if you know exactly the industry you are interested in, you can either add another screen or simply use the industry name as the screen, for example, instead of Technology, you would use *Computer Systems.* Being specific is important as you wish to eliminate the number of results to a comfortable amount, however, you also do not want to eliminate any potential opportunities you may be interested in.



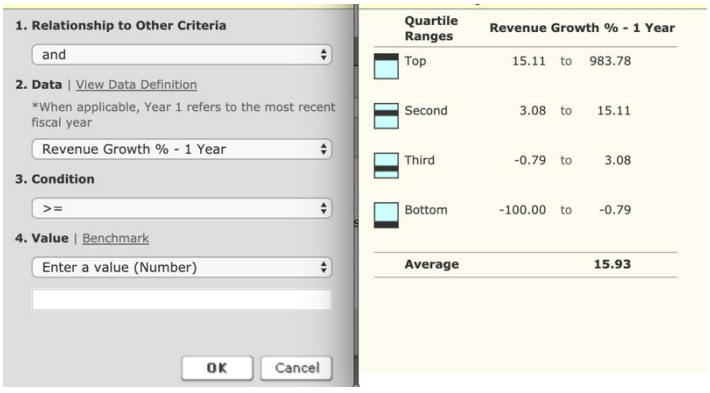
Click *OK* when you are finished adding this screen. The pop-up window will close itself and return back to the Screener page. You will see your screen being added to the list. On the bottom left, you can see there are 1662 stocks that passed the screen. Now we add a geographical screen.



After adding a geographical constraint, we eliminated about 600 stocks. Note that the total number of Domestic is 8536, on the left of the Screens. But with both the screens, sector, and geographic, the results come down to 1084. As of geographical screens, you can be more detailed by selecting which state the company operates in. Again, being specific can be good or bad depending on the situation.



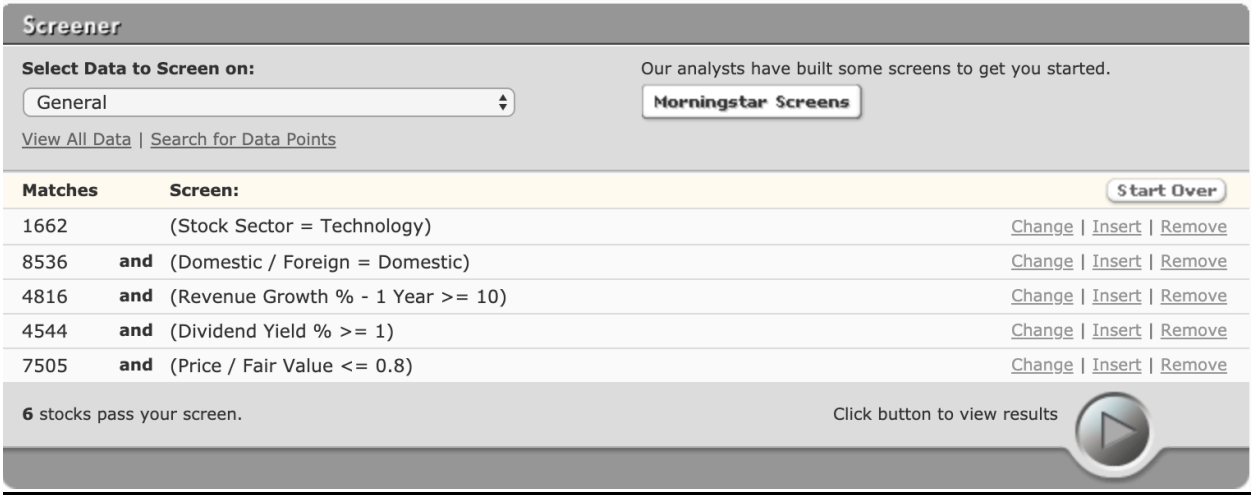
Starting from here, an investor has to use their unique investment philosophy in the selection process. I am only going to give a few more screens that are commonly used but the numbers are completely arbitrary. First, we want to add a screen for growth rate, revenue growth%.



You noticed the input box just got a little more complicated. If you are confused about how a metric is calculate, you can also click on the ***View Data Definition*** next to Data. Then, you input the condition, usually, there are 6 options, >, >=, <, <=, =, and not. Lastly, note that if you are inputting a value yourself, Morningstar very thoughtfully provides you with Quartile Ranges so that you have a better idea what Revenue Growth% you should be looking for. When you are entering a percentage, the % sign is not needed.

Adding a few more screens results in only 6 companies passing the screen. There are so many metrics can you add constraints for, and it is easy to get 0 stocks pass your screen. If that's the case, you may want to review the numbers you are inputting and the metrics you selected. For example, if you have a high EPS growth and a

low P/E constraint, it may not give you any results. Because it is very hard for a company to be both growing really fast and be really cheap at the same time.



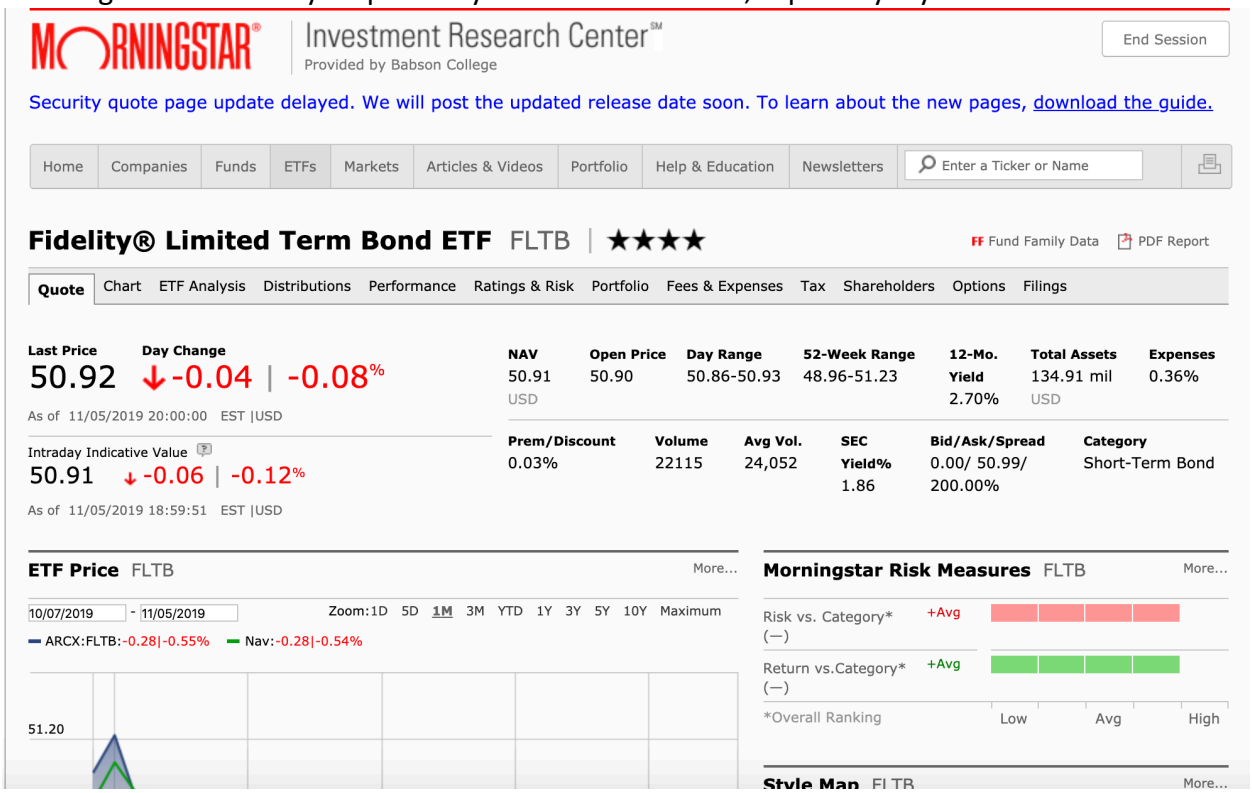
When you have finished with your screens, click the button on the bottom right to see your results. This is the end of the screening process, there are couple things to note:

1. Morningstar rating is the fastest way to get a first opinion on a stock. However, it is only useful if you spend the time to understand how they come up with the ratings and be in agreement. Otherwise, do not let the ratings influence your judgment.
2. Morningstar has built-in screens that you can grab by clicking on "*Morningstar Screens*".
3. Click on each metric and understand how they are calculated because sometimes it is different from how we learned it in class. Make sure you are not missing opportunities due to miscalculation.
4. I find it most helpful to start top-down instead of bottom-up in screening. Start with industry, geography, exchange. Then, get to the firm specific things.
5. Screening only allows you to find companies with good historical performance. Will that trend continue into the future is key and is up to your judgment.

Screening for Funds and ETFs work in very similar ways.

Research:

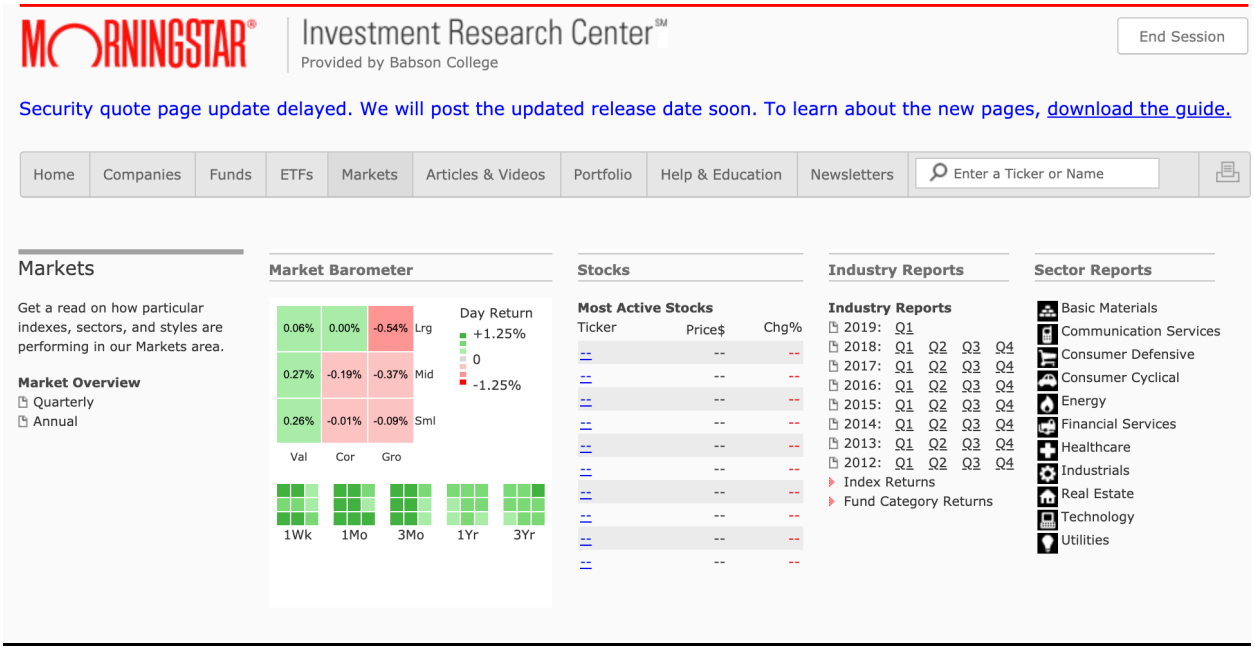
Morningstar can be very helpful for your research as well, especially if you are interested in funds or ETFs.



This is the classic overview page Morningstar offers. There are a lot of Morningstar-generated measures on the page so make sure to understand how these are calculated before taking into consideration. You can easily find Analyst report and analysis under the ETF analysis page. Under the *Portfolio* page, you can see how the fund is allocated, and how does it compare to the benchmark.

Market Research:

This is the Markets research page on Morningstar when you want to get a quick update on the market. The Market Overview are commentaries generated by Morningstar. The Industry/Sector Reports are helpful learning materials as well.



Morningstar offers newsletters that gives you multiple daily updates. You can subscribe to those and get them delivered to you via email.

Overall, Morningstar is a great tool for researching funds and stocks. It has a sufficient amount of self-generated reported and analyst reports. And the screener is very user-friendly and helps you make better decisions by offering a peer analysis.