Since 2011, Morningstar has issued Morningstar Analyst Ratings on many of the largest mutual funds in the USA. In June 2017, Morningstar launched the Morningstar Quantitative Rating™ to provide a forward-looking rating on all mutual funds. Morningstar uses a “robo-rater” machine-learning model to assign Morningstar Quantitative Ratings. However, the “robo-rater” cannot utilize the complete set of information available to Morningstar’s analyst as it cannot process “soft information”. The purpose of this study is to evaluate if and how this “robo-rater” is conducive to mutual fund selection. I find that the only value of the “robo-rater” is in its assessment of mutual fund expenses and that its inability to process “soft information” makes the Morningstar Quantitative Rating™ much less useful than the Morningstar Analyst Rating™.

About the speaker

David Nanigian, Ph.D., CFP®, is an Associate Professor of Finance in the Mihaylo School of Business at California State University, Fullerton and the director of the school’s CFP Board-Registered Professional Certificate in Personal Financial Planning Program. His research focuses on investment vehicles and is frequently cited in global media outlets such as The Wall Street Journal, The New York Times, and Associated Press. Nanigian earned CFP® certification in 2016 and received his Ph.D. from Texas Tech University in 2010.