

#### \*Two New Fixed-Income Categories

Morningstar will be adding two new categories, Muni Single State Short (SS) and Stable Value (VL), on May 31, 2004. We will also rename one category: Muni Single State Int/Sh (SI) will become Muni Single State Interm (SI).

#### Muni Single State Short (SS)

Currently, both short-duration and intermediate-duration single state municipal-bond funds are combined together in the category Muni Single State Int/Sh. Morningstar is creating the new short category (and changing the existing category to "...Interm") so that short- and intermediate-duration funds can be in different peer groups. Duration measures a fund's interest rate sensitivity and often drives fund performance, so these two types of funds often have different risk and return characteristics. The category placement will not change for muni single state short funds that invest in CA, FL, MA, MN, NJ, NY, OH, PA, because those funds are placed in state-specific categories.

#### Stable Value (VL)

Morningstar will also create a new category, Stable Value (VL). Stable value funds seek to provide income while preventing price fluctuations. The most common stable value funds invest in a diversified portfolio of bonds and enter into wrapper agreements with financial companies to guarantee against fluctuations in their share prices. These wrapper agreements typically provide price stability on a day-to-day basis, thereby insulating each fund's net asset value from interest-rate volatility. Therefore, their true overall durations are effectively zero. As such, Morningstar currently places most stable value funds in the Ultrashort Bond category. Funds that offer principal protection but do not guarantee a stable price will not be included in the Stable Value category.