TORONTO, Oct. 2, 2013 /CNW/ - The third quarter was a positive one for mutual funds in Can ada
with all but one of the 22 Morningstar Canada Fund Indices that measure the performance of equity fund categories posting increases, according to preliminary performance numbers today released by Morningstar Research Inc. (Morningstar Canada), a subsidiary of independent investment research provider Morningstar, Inc.

Foreign equity funds were among the top performers. Morningstar Canada Greater China Equity Fund Index was up 2.6% in September, and increased 9% for the best performance among regional indices for the quarter.

Also in the Asia-Pacific area, funds that invest in Japanese equities increased 4.7% in the quarter, as measured by the Morningstar Canada Japanese Equity Fund Index. The index led in September with a one-month increase of 7.6% and is up 29% so far this year.

"Japanese equities have benefitted from Bank of Japan's stimulus policies," Morningstar Fund Analyst Joanne Xiao said. "In particular, the move to devalue the yen has helped the country's export economy."

Ranking second for quarterly performance among regional fund indices was the Morningstar European Equity Fund Index, which increased 8.5% for the three-month period. That result was slightly better than the 8.3% increase posted by the more diversified funds in the International Equity category.

The best results for the third quarter of 2013, however, came from sector funds. The Health Care Equity category increased 9.9%, underlining a continuing rally for the sector that has seen the Morningstar Canada Health Care Equity Fund Index increase 34.2% for the top year-to-date rank.

For funds that invest in precious metals, the rally in gold that saw a double-digit increase by the Morningstar Canada Precious Metals Equity Fund Index in August came to an abrupt end. Despite a three-month increase of 9.3% and a second-place ranking for the quarter, sliding gold prices led the index to declines of 10.9% in September and 41% for the year to date, which were the worst performances by any Morningstar fund index for both periods.

Meanwhile, two other sector-specific fund indices, Financial Services and Natural Resources, posted increases of 8.3% and 8.2%, respectively, to rank among the top 10 performers for the quarter.

With these sectors holding significant weights in the Canadian economy, mutual funds in Canada that invest in domestic equities also posted solid third-quarter results. The Morningstar Canadian Small/Mid Cap Equity Fund Index was up 7.9%, while the Canadian Focused Small/Mid Cap Equity Fund Index rose 6.8%.

Investments in larger Canadian companies were similarly positive, as the Canadian Equity Fund Index increased 5.9%, for a slightly better performance than the 5.8% posted by the Canadian Equity Focused Equity Fund Index.

In the United States, even with the deadlock on spending and the dramatic shutdown of the government weighing on markets towards the end of the month, U.S. stocks ended September and the third quarter in positive territory.

"The Fed's surprise announcement of delayed tapering of economic stimulus provided support to U.S. equities," Xiao said.

Among all Morningstar Canada Fund Indices, the biggest quarterly decline—and the only negative result for an equity category—in the third quarter of 2013 was a decline of 2.3% posted by the Morningstar Canada Real Estate Equity Fund Index.

For more about September 2013 fund performance, go to www.morningstar.ca .

Morningstar Canada's preliminary fund performance figures are based on change in funds' net asset values per share during the month, and do not necessarily include end-of-month income distributions. Final performance figures will be published on www.morningstar.ca next week.

About Morningstar Research Inc. and Morningstar, Inc. Morningstar Research Inc. is a Canadian subsidiary of Chicago-based Morningstar, Inc., a leading provider of independent investment research in North America, Europe, Australia, and Asia. The company offers an extensive line of products for individuals, financial advisors, and institutions. Morningstar provides data on approximately 433,000 investment offerings, including stocks, mutual funds, and similar vehicles, along with real-time global data on more than 10 million equities, indexes, futures, options, commodities, and precious metals, in addition to foreign exchange and Treasury markets. Morningstar also offers investment management services through its registered investment advisor subsidiaries and has approximately US$166 billion in assets under advisement or management as of June 30, 2013. The company has operations in 27 countries.

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