

# Large Cap Global Core Pick List

## April 2019

**Editor's Note:** We are revamping our pick lists to create a more user-friendly resource for investment ideas. We welcome any thoughts you have on aspects of our pick lists you find most useful and what you'd like to see. Ultimately, we want to know how you use our lists so that we can better serve your needs. Please submit feedback to [arc@morningstar.com](mailto:arc@morningstar.com).

### Sector Valuations

The market appears fairly valued, with the market-capitalization-weighted average, uncertainty-adjusted price/fair value ratio for S&P 500 Index constituents that are under active Morningstar research coverage at 100% as of March 29, just higher than last month's ratio of 99%.

The S&P 500 rose by 1.79% in March, closing at 2,834.40 at the end of the month. On a relative basis, the utilities sector was the most expensive, trading near 109% of fair value. Energy was the cheapest, trading near 94% of fair value. Please refer to the table later in the report for more details on sector valuation.

As of March 29, the Global Large Cap Pick List was priced at 81% of fair value. Consumer defensive constituents presented the greatest opportunity with a market-capitalization-weighted average price/fair value at 77%.

### Portfolio Commentary: Changes

We made numerous changes to the list this month. Beginning in the communication services sector, we added shares of **KDDI KDDIY** (\$15 fair value estimate). Correspondingly, we removed **CenturyLink CTL** (\$20 fair value estimate, down from \$22 after taking a more pessimistic view of long-term sales). Analyst Dan Baker notes:

"KDDI is Japan's second-largest telephone company, and Japan is one of our favorite wireless markets. In addition, the firm is now addressing most of our concerns about its long-term wireless strategy. Japan has only three wireless operators, all of which have traditionally competed more on service and handset features than on price. Industry regulation in the country has been benign, and the industry has successfully weathered threats to this competitive balance."

In the consumer cyclical sector, we added **Mattel MAT** (\$21 fair value estimate) as we removed **WRKCo WRK** (\$53 fair value estimate). Analyst Jaime Katz details:

"We assign a narrow economic moat to Mattel, which has historically captured more than 15% of sales in the domestic toy industry (a share that declined to around 10% between 2014-18, which should remain stable in 2019 as the company continues its turnaround). Combined, three of the biggest constituents of the toy market—Mattel, Hasbro, and Lego—control less than 30% of the very fragmented U.S. toy space, which constitutes around 30% of the global market. The significant market share represented by these companies, along with the licensing and entertainment relationships already contracted by these industry incumbents, is enough to make most would-be competitors skeptical about entering the marketplace and directly competing for new licensing contracts, as Mattel, Hasbro, and Lego have more advertising dollars to offer."

In the consumer defensive sector, we omitted **Conagra Brands CAG** (\$34.50 fair value estimate), while adding **Ambev ABEV** (\$5.50 fair value estimate). Analyst Phillip Gorham comments:

"In part because of the favourable industry structures, and in part because of its 3G heritage, Ambev is a highly profitable business. The company has a well-entrenched cultural focus on cost management, and implemented zero-based budgeting over a decade ago. Ambev's largest market is Brazil, which represented 53% of both total beverage net revenue and EBIT in 2018. Until the current severe recession caused a large contraction in profitability, EBIT margins in Brazil had been at or above 45% since 2010, among the highest in the global beer industry, and while the entry of Heineken to Brazil may limit margin potential, we expect margins to rebound to 38% when the macro-economic picture improves."

Turning to the energy sector, we added shares of **Marathon Petroleum MPC** (\$89 fair value estimate). We dropped **Royal Dutch Shell RDS** (\$83 fair value estimate). Analyst

### Elizabeth Collins, CFA

Global Head of Equity and Corporate Credit Research

### Daniel Rohr, CFA,

Director of Equity Research, North America

### Lorraine Tan, CFA

Director of Equity Research, Asia-Pacific

### Alex Morozov, CFA

Director of Equity Research, Europe

### Patrick Dunn

Director of Global Research Operations

This list surfaces large-cap global stocks within each sector that we believe warrants consideration. Selection criteria are based on uncertainty-adjusted price/fair value ratios. The above-mentioned selection criteria are applied against all constituents of the Morningstar rated universe.

### Important Disclosure

The conduct of Morningstar's analysts is governed by Code of Ethics/Code of Conduct Policy, Personal Security Trading Policy (or an equivalent of), and Investment Research Policy. For information regarding conflicts of interest, please visit: <http://global.morningstar.com/equitydisclosures>

Allen Good notes:

“Marathon Petroleum’s high-complexity facilities in the midcontinent, West Coast, and Gulf Coast leave it well-positioned to capitalize on a variety of discount crude streams, endowing it with a feedstock cost advantage. As a result of this advantage, we see higher midcycle margins and returns compared with historical averages. Given the sustainability of the feedstock advantage and the firm’s ability to deliver excess midcycle returns, we think Marathon earns a narrow economic moat rating. We estimate Marathon’s overall complexity stands at 11.0, including Andeavor’s assets, on par with peers.”

In the financial services sector, **Alliance Data Systems ADS** (\$220 fair value estimate) was removed from the list. We replaced it with **KeyCorp KEY** (\$22 fair value estimate). Analyst Eric Compton details:

“KeyCorp has an odd geographic mix, with Ohio, New York, and Washington its three largest deposit markets. While this provides protection from a localized downturn, it has also made hitting ideal branch and deposit concentrations more difficult. The First Niagara acquisition has improved many of these metrics for KeyCorp, such as deposits per branch and average metropolitan statistical area market share. KeyCorp also has an opportunity to cross-sell new products into this previously underoptimized branch footprint. Further, we like the bank’s latest investments into more technologically forward endeavours, including the acquisitions of HelloWallet and the pending acquisition of Laurel Road.

“KeyCorp’s noninterest income comes primarily from investment banking and asset and trust management services. While noninterest income has not grown substantially for the past decade, we like that KeyCorp is expanding its relatively new credit card income base as well as beginning its own mortgage operations.”

In the healthcare sector, we removed shares of **Allergan AGN** (currently under review) and **Gilead Sciences GILD** (\$78 fair value estimate). We added **Cigna CI** (\$231 fair value estimate) and **Biogen BIB** (\$327 fair value estimate) in their place. Analyst Karen Andersen explains:

“Biogen has achieved strong profitability on the

success of three marketed products in the fields of oncology and neuroimmunology, and the introduction of Tecfidera secures the firm’s dominant share of the MS market. We think barriers to entry are high for potential biosimilars to Biogen’s products, and Biogen has a strong R&D strategy for maintaining its leadership in MS, where pricing power is strong, patient need for novel therapies is high, and the pipeline has been particularly productive. These factors contribute to the firm’s wide moat. Returns on invested capital, which we think will average in the mid-teens during our 10-year explicit forecast period, easily exceed our 7.2% estimate of Biogen’s cost of capital.”

In the industrials sector, we added shares of **Rolls-Royce Holdings RYCEY** (\$15 fair value estimate). We dropped **Canon CAJ** (\$34 fair value estimate). Analyst Denise Molina notes:

“Rolls-Royce, like other companies, has been stockpiling inventories in the event of a hard Brexit. As a backup, the company is also transferring design approvals for large aero engines to Germany, working with the European Aviation Safety Agency, similar to the process it carried out for business jets. The transfer is not necessarily permanent and is reversible. In its trading update, management said it is making progress on its restructuring, which was announced in July and included, among other measures, a 14% head count reduction with cuts primarily in nonmanufacturing roles.”

In the technology sector, **Applied Materials AMAT** (\$49 fair value estimate) and **Qualcomm QCOM** (\$72 fair value estimate) were removed from the list. We replaced them with **NXP Semiconductors NXPI** (\$115 fair value estimate) and **Sony SNE** (\$55 fair value estimate). Analyst Kazunori Ito details:

“We believe Sony and Nintendo can leverage their own game titles to differentiate themselves. From this point of view, while both have attractive first-party titles, we consider Nintendo is less affected by Stadia, as more than 70% of its software revenue is from the first-party games, while Sony is depending more on third-party titles and add-on contents. On the other hand, Sony’s monthly subscription service, PS Plus, has 36.3 million users, which is larger than 8 million of Nintendo Switch

Online. We believe that both companies will continue to focus establishing their own ecosystem, in order to prevent users switching to other platforms.”

### Fair Value Changes

We made two significant fair value changes this month among the list’s remaining constituents. In the consumer cyclical sector, we lowered the fair value estimate for **LKQ LKQ** to \$38 per share from \$47. Analyst Scott Pope comments:

“After taking a fresh look at LKQ, we are lowering our fair value estimate to \$38 from \$47 and maintaining our narrow-moat rating. The change is primarily due to a reduction in our stage II EBI growth estimate to 8% from 10% and a modest change in its revenue growth profile during our explicit five-year forecast. LKQ’s fourth-quarter earnings were in line with Street expectations with revenue matching consensus of \$11.9 billion while adjusted EPS of \$2.19 was \$0.01 below consensus. These results didn’t alter our opinion of LKQ’s prospects. Despite our more modest growth assumptions and fair value estimate reduction, we feel the shares of LKQ are undervalued.

“Our recent research has supported our view that usage of alternative automobile parts in repair shops continues to grow. Moreover, we feel that LKQ has the best platform to distribute alternative parts in North America and is making significant progress in Europe. However, there is evidence that North American OEM parts suppliers have ramped up their discounting efforts in recent years to mitigate market share loss, especially for collision parts. We believe this approach will not reverse the trend of alternative parts adoption but rather slow adoption growth.”

Also in the consumer cyclical sector, we raised the fair value estimate for **Fiat Chrysler Automobiles FCAU** to \$32 per share from \$29. Analyst Richard Hilgert comments:

“We have raised our fair value estimate to \$32 per share from \$29, translated at a spot rate of \$1.1349 to 1 EUR, after rolling our model to the next fiscal year. Our revenue and margin assumptions reflect higher premium brand volume and cost reduction on greater common-platform use improves operating leverage. Despite losing approximately EUR 5.0 billion in revenue

from the divestiture of Magneti Marelli, we estimate average annual revenue growth of 2.3% as Maserati, Alfa Romeo, Jeep, and Ram brand volumes become a larger part of the mix. We forecast peak adjusted EBIT margin of 7.0% in 2021, contracting to a 5.8% normalized sustainable midcycle margin in the final year of our Stage I forecast. We estimate profitability below management’s five-year plan targets, which include adjusted EBIT margins of 7.5%-8.5% in 2020 and 9%-11% in 2022.”

## Adjusted Price/Fair Value Ratio

Attractiveness	Lower Bound	Upper Bound	Notes
Cheap	0.000	0.800	Assets are trading at or below Morningstar's "Consider Buying" price.
Undervalued	0.801	0.900	Assets are trading above Morningstar's "Consider Buying" price, but are still at a discount to our fair value estimate.
Fully Valued	0.901	1.100	Assets are trading within a band that is not materially different from Morningstar's fair value estimate.
Overvalued	1.101	1.250	Assets are trading above Morningstar's fair value estimate, but are still below our "Consider Selling" price.
Expensive	1.251	—	Assets are trading at or above Morningstar's "Consider Selling" price.

## Fair Value Per Sector

Sector	S&P Sector Weight (%)	Sector P/V (%)	Pick List P/V (%)
Basic Materials	2.26	99.79	81.73
Communication Services	3.29	98.32	85.40
Consumer Cyclical	11.58	100.27	80.77
Consumer Defensive	7.66	101.86	77.48
Energy	5.32	93.96	85.78
Financial Services	14.34	97.00	84.64
Healthcare	14.17	101.18	82.83
Industrials	9.57	103.56	86.89
Real Estate	2.32	103.16	91.53
Technology	22.32	98.91	87.30
Utilities	3.31	108.67	93.73

## Largest Negative and Positive Price Movements During March

Company	Ticker	Beg. Price Per Share (USD)	End Price Per Share (USD)	Return (%)
Bayer ADR	BAYRY	20.09	16.11	-19.84
Cardinal Health	CAH	54.34	48.15	-11.39
Albemarle	ALB	91.29	81.98	-10.20
CenturyLink	CTL	13.19	11.99	-9.10
Bayerische Motoren Werke ADR	BMWYY	28.16	25.71	-8.70
Volkswagen ADR	VWAPY	17.15	15.73	-8.28
ING Groep ADR	ING	13.22	12.14	-8.17
McKesson	MCK	127.16	117.06	-7.94
Volkswagen ADR	VWAGY	17.61	16.24	-7.78
Bristol-Myers Squibb	BMJ	51.66	47.71	-7.65
L Brands	LB	26.14	27.58	5.51
Allergan	AGN	137.71	146.41	6.32
Qualcomm	QCOM	53.39	57.03	6.82
Tencent Holdings ADR	TCEHY	42.81	45.98	7.40
Anheuser-Busch InBev ADR	BUD	78.16	83.97	7.43
Activision Blizzard	ATVI	42.14	45.53	8.04
Celgene	CELG	83.12	94.34	13.50
British American Tobacco ADR	BTI	36.74	41.72	13.55
Conagra Brands	CAG	23.37	27.74	18.70
Stericycle	SRCL	44.58	54.42	22.07

## Large Cap Global Core Picks (Data as of March 29, 2019)

Company	Ticker	Economic Moat™	Uncertainty Rating	Current Price (USD)	Fair Value (USD)	Adj. Price/Fair Value	Morningstar Rating	Market Cap (USD Mil)	Industry	Relative Attractiveness
<b>Basic Materials—Undervalued</b>										
Albemarle	ALB	Narrow	High	81.98	130	0.82	★★★★	8,660.53	Specialty Chemicals	Undervalued
<b>Communication Services—Undervalued</b>										
Vodafone Group ADR	VOD	Narrow	High	18.18	33	0.78	★★★★★	49,663.76	Telecom Services	Cheap
Telefonica ADR	TEF	Narrow	High	8.36	15	0.79	★★★★★	43,538.34	Telecom Services	Cheap
KDDI ADR	KDDIY	Narrow	Medium	10.72	15	0.81	★★★★	50,727.49	Telecom Services	Undervalued
BT Group ADR	BT	Narrow	High	14.79	23	0.82	★★★★	28,877.05	Telecom Services	Undervalued
<b>Consumer Cyclical—Undervalued</b>										
Hanesbrands	HBI	Narrow	Medium	17.88	27	0.77	★★★★★	6,463.10	Apparel Manufacturing	Cheap
Fiat Chrysler Automobiles	FCAU	None	Very High	14.85	32	0.79	★★★★★	29,421.52	Auto Manufacturers	Cheap
Bayerische Motoren Werke ADR	BMWYY	Narrow	High	25.71	44	0.79	★★★★	50,157.97	Auto Manufacturers	Cheap
Volkswagen ADR	VWAPY	None	High	15.73	27	0.80	★★★★	80,556.28	Auto Manufacturers	Cheap
Daimler	DDAIF	None	High	58.57	96	0.81	★★★★★	62,757.81	Auto Manufacturers	Undervalued
Volkswagen ADR	VWAGY	None	High	16.24	27	0.81	★★★★	80,556.28	Auto Manufacturers	Undervalued
Mattel	MAT	Narrow	High	13.00	21	0.81	★★★★	4,490.15	Leisure	Undervalued
Nissan Motor ADR	NSANY	None	High	16.42	26	0.82	★★★★	32,136.25	Auto Manufacturers	Undervalued
Expedia Group	EXPE	Narrow	High	119.00	183	0.83	★★★★	17,515.65	Leisure	Undervalued
L Brands	LB	Narrow	High	27.58	42	0.83	★★★★	7,589.93	Apparel Stores	Undervalued
LKQ	LKQ	Narrow	Medium	28.38	38	0.83	★★★★	8,926.45	Auto Parts	Undervalued
<b>Consumer Defensive—Cheap</b>										
Kraft Heinz	KHC	None	Medium	32.65	60	0.70	★★★★★	39,814.55	Packaged Foods	Cheap
British American Tobacco ADR	BTI	Wide	Low	41.72	59	0.71	★★★★★	95,630.30	Tobacco	Cheap
Anheuser-Busch InBev ADR	BUD	Wide	Low	83.97	118	0.71	★★★★★	164,215.00	Beverages - Brewers	Cheap
Imperial Brands ADR	IMBBY	Wide	Low	34.57	48	0.72	★★★★★	32,775.53	Tobacco	Cheap
Kellogg	K	Wide	Medium	57.38	78	0.82	★★★★	19,722.59	Packaged Foods	Undervalued
Ambev ADR	ABEV	Wide	Medium	4.30	6	0.85	★★★★	67,434.67	Beverages - Brewers	Undervalued

## Large Cap Global Core Picks (Data as of March 29, 2019)

Company	Ticker	52 Week High	52 Week Low	Total Return YTD (Daily)	Total Return 1-Yr (Daily)	Div. Per Share TTM	Div. Yield % Current	Div. Yield % Forward	EPS Est. Growth % Mean 5-Yr	Forward EPS Est.
<b>Basic Materials</b>										
Albemarle	ALB	108.74	71.89	6.85	-10.12	1.34	1.67	1.79	12.87	6.56
<b>Communication Services</b>										
Vodafone Group ADR	VOD	30.20	17.05	-5.71	-28.40	1.85	9.57	6.00	14.67	1.30
Telefonica ADR	TEF	10.22	7.70	-1.18	-10.56	0.46	5.59	5.45	17.74	0.88
KDDI ADR	KDDIY	14.19	10.47	-9.58	-14.60	0.44	3.96	4.11	1.18	1.18
BT Group ADR	BT	17.51	13.53	-2.70	-2.47	1.06	6.56	6.56	4.63	1.87
<b>Consumer Cyclical</b>										
Hanesbrands	HBI	22.57	11.57	43.89	0.33	0.60	3.36	3.36	8.46	1.86
Fiat Chrysler Automobiles	FCAU	24.41	14.01	2.70	-27.63	—	—	4.97	2.74	4.09
Bayerische Motoren Werke ADR	BMWYY	37.73	25.33	-4.67	-24.65	1.54	6.10	6.10	-0.19	4.14
Volkswagen ADR	VWAPY	43.75	14.97	0.06	-58.21	0.88	5.96	3.50	-4.75	3.49
Daimler	DDAIF	85.43	50.64	10.99	-25.68	4.17	7.68	7.68	2.22	9.43
Volkswagen ADR	VWAGY	21.57	14.70	4.10	-16.58	0.44	2.84	3.39	-4.75	3.49
Mattel	MAT	17.98	9.09	30.13	-1.14	0.00	—	—	10.00	0.26
Nissan Motor ADR	NSANY	21.26	15.28	3.01	-18.16	1.02	6.00	6.09	0.80	2.67
Expedia Group	EXPE	139.77	105.12	5.92	8.92	1.24	1.06	1.08	14.61	7.68
L Brands	LB	38.94	23.71	8.61	-22.32	2.40	7.61	4.35	7.55	2.65
LKQ	LKQ	39.51	22.74	19.60	-25.22	—	—	—	12.54	2.74
<b>Consumer Defensive</b>										
Kraft Heinz	KHC	64.99	31.53	-23.21	-43.93	2.50	6.97	4.90	3.39	2.94
British American Tobacco ADR	BTI	60.81	30.67	33.06	-23.08	2.57	6.36	6.47	-16.00	4.28
Anheuser-Busch InBev ADR	BUD	110.98	64.55	27.59	-20.62	3.30	3.93	3.93	14.37	4.90
Imperial Brands ADR	IMBBY	38.87	28.70	16.08	6.81	2.30	7.06	9.94	7.92	3.50
Kellogg	K	74.98	53.14	1.63	-8.32	2.20	3.87	3.90	6.02	4.22
Ambev ADR	ABEV	7.35	3.77	9.69	-39.14	0.14	2.90	5.57	10.51	0.23

**Large Cap Global Core Picks** (Data as of March 29, 2019)

Company	Ticker	Economic Moat™	Uncertainty Rating	Current Price (USD)	Fair Value (USD)	Adj. Price/Fair Value	Morningstar Rating	Market Cap (USD Mil)	Industry	Relative Attractiveness
<b>Energy—Undervalued</b>										
Energy Transfer	ET	None	Medium	15.37	22	0.80	★★★★★	40,260.05	Oil & Gas Midstream	Cheap
Total ADR	TOT	None	Medium	55.65	77	0.82	★★★★	144,587.58	Oil & Gas Integrated	Undervalued
Enterprise Products Partners	EPD	Wide	Low	29.10	36	0.82	★★★★★	63,579.83	Oil & Gas Midstream	Undervalued
MPLX Partnership Units	MPLX	Narrow	Medium	32.89	44	0.83	★★★★	26,119.88	Oil & Gas Midstream	Undervalued
Marathon Petroleum	MPC	Narrow	High	59.85	89	0.84	★★★★	40,258.17	Oil & Gas Refining & Marketing	Undervalued
<b>Financial Services—Undervalued</b>										
American International Group	AIG	None	Medium	43.06	76	0.71	★★★★★	37,440.08	Insurance - Diversified	Cheap
UBS Group	UBS	Narrow	High	12.11	21	0.79	★★★★★	46,882.29	Banks - Global	Cheap
Capital One Financial	COF	Narrow	Medium	81.69	119	0.79	★★★★★	38,340.74	Credit Services	Cheap
Credit Suisse Group ADR	CS	Narrow	High	11.65	20	0.79	★★★★★	29,741.60	Banks - Global	Cheap
Mitsubishi UFJ Financial Group ADR	MUFG	None	Medium	4.95	7	0.80	★★★★	64,315.71	Banks - Global	Cheap
ING Groep ADR	ING	None	Medium	12.14	17	0.81	★★★★	47,111.30	Banks - Global	Undervalued
KeyCorp	KEY	None	Medium	15.75	22	0.81	★★★★	15,888.41	Banks - Regional - US	Undervalued
Wells Fargo	WFC	Wide	Medium	48.32	65	0.83	★★★★	219,467.11	Banks - Global	Undervalued
<b>Healthcare—Undervalued</b>										
McKesson	MCK	Wide	Medium	117.06	210	0.70	★★★★★	22,455.07	Medical Distribution	Cheap
CVS Health	CVS	Narrow	Medium	53.93	92	0.72	★★★★★	69,951.64	Health Care Plans	Cheap
Cardinal Health	CAH	Wide	Medium	48.15	82	0.72	★★★★★	14,349.50	Medical Distribution	Cheap
Bayer ADR	BAYRY	Wide	High	16.11	31	0.76	★★★★★	60,305.82	Drug Manufacturers - Major	Cheap
DaVita	DVA	Narrow	Medium	54.29	79	0.79	★★★★★	9,033.86	Medical Care	Cheap
Roche Holding ADR	RHHBY	Wide	Low	34.39	42	0.82	★★★★★	234,037.74	Drug Manufacturers - Major	Undervalued
Bristol-Myers Squibb	BMJ	Wide	Medium	47.71	65	0.82	★★★★	77,894.97	Drug Manufacturers - Major	Undervalued
AmerisourceBergen	ABC	Wide	Medium	79.52	106	0.83	★★★★	16,785.87	Medical Distribution	Undervalued
Cigna	CI	Narrow	High	160.82	231	0.85	★★★★	61,121.08	Health Care Plans	Undervalued
Celgene	CELG	Narrow	Medium	94.34	120	0.86	★★★★	66,260.23	Drug Manufacturers - Major	Undervalued
AbbVie	ABBV	Narrow	Medium	80.59	102	0.86	★★★★	119,125.29	Drug Manufacturers - Major	Undervalued
Biogen	BIIB	Wide	High	236.38	327	0.86	★★★★	46,498.02	Drug Manufacturers - Major	Undervalued

## Large Cap Global Core Picks (Data as of March 29, 2019)

Company	Ticker	52 Week High	52 Week Low	Total Return YTD (Daily)	Total Return 1-Yr (Daily)	Div. Per Share TTM	Div. Yield % Current	Div. Yield % Forward	EPS Est. Growth % Mean 5-Yr	Forward EPS Est.
<b>Energy</b>										
Energy Transfer	ET	19.19	11.68	18.66	16.75	1.22	7.94	7.94	-15.04	1.57
Total ADR	TOT	65.69	49.70	8.04	1.50	2.95	5.22	5.20	14.41	6.24
Enterprise Products Partners	EPD	30.05	23.33	20.11	25.92	1.72	5.93	5.98	7.49	2.07
MPLX Partnership Units	MPLX	39.01	28.32	10.68	7.20	2.49	7.69	7.87	12.07	2.81
Marathon Petroleum	MPC	88.45	54.29	2.32	-15.52	1.84	3.19	3.54	13.06	9.26
<b>Financial Services</b>										
American International Group	AIG	56.79	36.16	10.07	-18.52	1.28	2.97	2.97	12.33	5.27
UBS Group	UBS	17.75	11.61	-2.18	-27.76	0.66	5.36	5.79	13.90	1.27
Capital One Financial	COF	101.26	69.90	8.60	-13.08	1.60	1.96	1.96	0.20	12.00
Credit Suisse Group ADR	CS	17.23	10.23	7.27	-29.07	0.26	2.23	2.23	20.60	1.52
Mitsubishi UFJ Financial Group ADR	MUFG	6.87	4.64	1.64	-23.99	0.19	3.79	3.79	3.40	0.70
ING Groep ADR	ING	17.73	10.21	13.88	-24.12	0.68	5.82	5.82	3.40	1.62
KeyCorp	KEY	21.91	13.66	7.71	-16.21	0.57	4.00	4.32	8.95	2.02
Wells Fargo	WFC	59.53	43.02	5.84	-4.56	1.64	3.52	3.73	9.10	5.67
AbbVie	ABBV	121.45	75.77	-12.89	-28.18	3.59	4.98	5.40	14.59	8.66
<b>Healthcare</b>										
McKesson	MCK	160.84	106.11	6.32	-15.83	1.46	1.29	1.33	7.64	14.17
CVS Health	CVS	82.15	51.93	-16.93	-10.09	2.00	3.71	3.71	6.73	7.42
Cardinal Health	CAH	66.45	42.17	9.03	-20.14	1.89	3.96	3.96	59.29	5.38
Bayer ADR	BAYRY	32.80	15.67	-8.34	-40.12	0.80	5.05	5.05	7.65	2.19
DaVita	DVA	79.11	48.25	5.50	-17.67	—	—	—	15.67	4.86
Roche Holding ADR	RHHBY	34.98	26.30	14.11	23.89	1.05	3.12	3.12	4.19	2.48
Bristol-Myers Squibb	BMY	63.75	44.30	-7.43	-22.02	1.61	3.37	3.44	11.82	4.64
AmerisourceBergen	ABC	95.00	69.36	7.42	-5.95	1.54	1.96	2.01	7.56	7.47
Cigna	CI	226.61	158.58	-15.30	-4.10	0.04	0.02	0.02	10.21	16.44
Celgene	CELG	95.30	58.59	47.20	5.75	—	—	—	9.53	14.22
AbbVie	ABBV	107.25	75.77	-11.42	-10.68	3.59	4.90	5.31	3.80	9.49
Biogen	BIIB	388.67	216.12	-21.45	-13.67	—	—	—	0.50	28.52



## Large Cap Global Core Picks (Data as of March 29, 2019)

Company	Ticker	Economic Moat™	Uncertainty Rating	Current Price (USD)	Fair Value (USD)	Adj. Price/Fair Value	Morningstar Rating	Market Cap (USD Mil)	Industry	Relative Attractiveness
<b>Industrials—Undervalued</b>										
Siemens ADR	SIEGY	Narrow	Medium	53.75	78	0.80	★★★★★	87,251.81	Diversified Industrials	Cheap
ADR	ABB	Wide	Medium	18.87	25	0.83	★★★★	40,209.01	Diversified Industrials	Undervalued
Stericycle	SRCL	Narrow	High	54.42	77	0.85	★★★★	4,936.07	Waste Management	Undervalued
Rolls-Royce Holdings ADR	RYCEY	Narrow	Medium	11.83	15	0.86	★★★★	22,453.17	Aerospace & Defense	Undervalued
Fluor	FLR	Narrow	High	36.80	50	0.87	★★★★	5,137.58	Engineering & Construction	Undervalued
General Dynamics	GD	Wide	Medium	169.28	207	0.88	★★★★	48,882.97	Aerospace & Defense	Undervalued
Emerson Electric	EMR	Wide	Medium	68.47	83	0.88	★★★★	42,083.02	Diversified Industrials	Undervalued
Fanuc ADR	FANUY	Wide	High	17.04	22	0.89	★★★★	33,065.71	Diversified Industrials	Undervalued
<b>Real Estate—Fully Valued</b>										
Macerich	MAC	Narrow	High	43.35	57	0.88	★★★★	6,119.34	REIT - Retail	Undervalued
Vornado Realty Trust	VNO	None	High	67.44	76	0.94	★★★	12,849.71	REIT - Office	Fully Valued
<b>Technology—Undervalued</b>										
Baidu ADR	BIDU	Wide	High	164.85	262	0.81	★★★★	57,590.26	Internet Content & Information	Undervalued
Microchip Technology	MCHP	Wide	Medium	82.96	112	0.83	★★★★	19,658.94	Semiconductors	Undervalued
NXP Semiconductors	NXPI	Narrow	Medium	88.39	115	0.85	★★★★	25,879.68	Semiconductors	Undervalued
DXC Technology	DXC	None	High	64.31	91	0.85	★★★★	17,252.52	Information Technology Services	Undervalued
Nokia Oyj ADR	NOK	None	High	5.72	8	0.86	★★★★	31,855.45	Communication Equipment	Undervalued
Tencent Holdings ADR	TCEHY	Wide	High	45.98	64	0.86	★★★★	437,814.40	Internet Content & Information	Undervalued
Activision Blizzard	ATVI	Narrow	High	45.53	62	0.87	★★★★	34,777.36	Electronic Gaming & Multimedia	Undervalued
Sony ADR	SNE	None	High	42.24	55	0.88	★★★★	52,977.24	Consumer Electronics	Undervalued
Intel	INTC	Wide	Medium	53.70	65	0.88	★★★★	241,488.90	Semiconductors	Undervalued
Skyworks Solutions	SWKS	Narrow	High	82.48	105	0.89	★★★★	14,269.17	Semiconductors	Undervalued
<b>Utilities—Fully Valued</b>										
Dominion Energy	D	Wide	Low	76.66	84	0.91	★★★★	61,281.87	Utilities - Diversified	Fully Valued

## Large Cap Global Core Picks (Data as of March 29, 2019)

Company	Ticker	52 Week High	52 Week Low	Total Return YTD (Daily)	Total Return 1-Yr (Daily)	Div. Per Share TTM	Div. Yield % Current	Div. Yield % Forward	EPS Est. Growth % Mean 5-Yr	Forward EPS Est.
<b>Industrials</b>										
Siemens ADR	SIEGY	70.90	51.51	-0.28	-12.51	2.15	4.05	4.05	3.89	4.61
ADR	ABB	24.72	18.05	-0.74	-17.03	0.83	4.38	4.38	11.19	1.43
Stericycle	SRCL	71.43	34.36	48.32	-7.02	—	—	—	7.60	3.85
Rolls-Royce Holdings ADR	RYCEY	14.55	9.50	13.15	-2.97	0.15	1.29	1.58	-21.00	0.46
Fluor	FLR	62.08	29.78	14.94	-34.22	0.84	2.28	2.28	16.86	3.67
General Dynamics	GD	229.74	143.87	8.27	-21.68	3.63	2.20	2.41	7.57	12.72
Emerson Electric	EMR	79.70	55.39	15.41	3.10	1.95	2.85	2.86	9.14	4.07
Fanuc ADR	FANUY	25.56	14.10	13.15	-30.92	0.83	4.67	6.18	-1.82	0.52
<b>Real Estate</b>										
Macerich	MAC	60.95	40.90	1.89	-17.30	2.97	6.87	6.92	-7.52	0.36
Vornado Realty Trust	VNO	77.59	59.48	9.79	4.00	2.52	3.78	3.91	-5.50	1.67
<b>Technology</b>										
Baidu ADR	BIDU	284.22	153.78	3.94	-26.14	—	—	—	21.33	10.13
Microchip Technology	MCHP	104.20	60.70	15.86	-7.60	1.46	1.76	1.76	11.44	6.86
NXP Semiconductors	NXPI	122.24	67.62	20.96	-23.81	0.50	0.85	1.13	3.43	9.05
DXC Technology	DXC	96.75	49.19	21.31	-26.61	0.75	1.18	1.18	6.11	8.73
Nokia Oyj ADR	NOK	6.65	5.07	-1.72	8.89	0.23	4.13	4.13	18.20	0.45
Tencent Holdings ADR	TCEHY	54.84	31.54	16.49	-13.51	0.10	0.24	0.28	16.00	1.79
Activision Blizzard	ATVI	84.68	39.85	-1.44	-31.96	0.34	0.81	0.81	7.58	2.35
Sony ADR	SNE	61.02	41.91	-12.51	-12.35	0.28	0.64	0.62	5.29	3.96
Intel	INTC	57.60	42.36	15.10	5.44	1.20	2.26	2.35	6.56	4.91
Skyworks Solutions	SWKS	104.20	60.12	23.63	-16.28	1.40	1.77	1.84	11.23	7.47
<b>Utilities</b>										
Dominion Energy	D	77.22	61.53	8.56	18.76	3.34	4.46	4.46	5.87	4.43

## Fair Value Changes

Company	Ticker	Old Fair Value (USD)	New Fair Value (USD)	Change (%)
LKQ	LKQ	47	38	-19.15
CenturyLink	CTL	22	20	-9.09
Stericycle	SRCL	83	77	-7.23
Gilead Sciences	GILD	83	78	-6.02
CVS Health	CVS	96	92	-4.17
Kellogg	K	81	78	-3.70
L Brands	LB	43.5	42	-3.45
Bayer ADR	BAYRY	32	31	-3.13
Daimler	DDAIF	97	96	-1.03
General Dynamics	GD	209	207	-0.96
Fiat Chrysler Automobiles	FCAU	29	32	10.34

# Research Methodology for Valuing Companies

## Overview

At the heart of our valuation system is a detailed projection of a company’s future cash flows, resulting from our analysts’ research. Analysts create custom industry and company assumptions to feed income statement, balance sheet, and capital investment assumptions into our globally standardized, proprietary discounted cash flow, or DCF, modeling templates. We use scenario analysis, in-depth competitive advantage analysis, and a variety of other analytical tools to augment this process. Moreover, we think analyzing valuation through discounted cash flows presents a better lens for viewing cyclical companies, high-growth firms, businesses with finite lives (e.g., mines), or companies expected to generate negative earnings over the next few years. That said, we don’t dismiss multiples altogether but rather use them as supporting cross-checks for our DCF-based fair value estimates. We also acknowledge that DCF models offer their own challenges (including a potential proliferation of estimated inputs and the possibility that the method may miss short-term market-price movements), but we believe these negatives are mitigated by deep analysis and our long-term approach.

Morningstar’s equity research group (we”, “our”) believes that a company’s intrinsic worth results from the future cash flows it can generate. The Morningstar Rating for stocks identifies stocks trading at a discount or premium to their intrinsic worth—or fair value estimate, in Morningstar terminology. Five-star stocks sell for the biggest risk-adjusted discount to their fair values, whereas 1-star stocks trade at premiums to their intrinsic worth.

Four key components drive the Morningstar rating: (1) our assessment of the firm’s economic moat, (2) our estimate of the stock’s fair value, (3) our uncertainty around that fair value estimate and (4) the current market price. This process ultimately culminates in our single-point star rating.

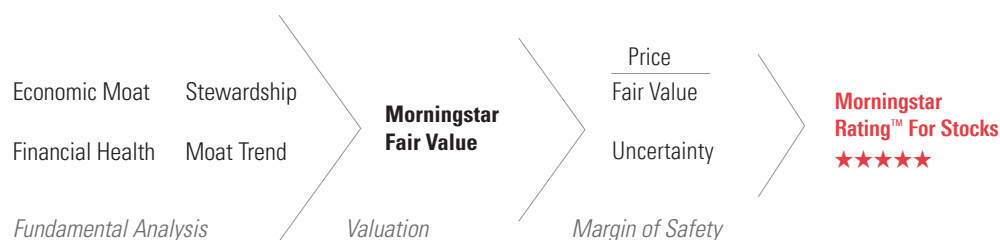
## Economic Moat

The concept of an economic moat plays a vital role not only in our qualitative assessment of a firm’s long-term investment potential, but also in the actual calculation of our fair value estimates. An economic moat is a structural feature that allows a firm to sustain excess profits over a long period of time. We define economic profits as returns on invested capital (or ROIC) over and above our estimate of a firm’s cost of capital, or weighted average cost of capital (or WACC). Without a moat, profits are more susceptible to competition. We have identified five sources of economic moats: intangible assets, switching costs, network effect, cost advantage, and efficient scale.

Companies with a narrow moat are those we believe are more likely than not to achieve normalized excess returns for at least the next 10 years. Wide-moat companies are those in which we have very high confidence that excess returns will remain for 10 years, with excess returns more likely than not to remain for at least 20 years. The longer a firm generates economic profits, the higher its intrinsic value. We believe low-quality, no-moat companies will see their normalized returns gravitate toward the firm’s cost of capital more quickly than companies with moats.

To assess the sustainability of excess profits, analysts perform ongoing assessments of the moat trend. A firm’s moat trend is positive in cases where we think its sources of competitive advantage are growing stronger; stable where we don’t anticipate changes to competitive advantages over the next several years; or negative when we see signs of deterioration.

## Morningstar Equity Research Star Rating Methodology



**Estimated Fair Value**

Combining our analysts' financial forecasts with the firm's economic moat helps us assess how long returns on invested capital are likely to exceed the firm's cost of capital. Returns of firms with a wide economic moat rating are assumed to fade to the perpetuity period over a longer period of time than the returns of narrow-moat firms, and both will fade slower than no-moat firms, increasing our estimate of their intrinsic value.

Our model is divided into three distinct stages:

**Stage I: Explicit Forecast**

In this stage, which can last five to 10 years, analysts make full financial statement forecasts, including items such as revenue, profit margins, tax rates, changes in working-capital accounts, and capital spending. Based on these projections, we calculate earnings before interest, after taxes (EBI) and the net new investment (NNI) to derive our annual free cash flow forecast.

**Stage II: Fade**

The second stage of our model is the period it will take the company's return on new invested capital—the return on capital of the next dollar invested ("RONIC")—to decline (or rise) to its cost of capital. During the Stage II period, we use a formula to approximate cash flows in lieu of explicitly modeling the income statement, balance sheet, and cash flow statement as we do in Stage I. The length of the second stage depends on the strength of the company's economic moat. We forecast this period to last anywhere from one year (for companies with no economic moat) to 10–15 years or more (for wide-moat companies). During this period, cash flows are forecast using four assumptions: an average growth rate for EBI over the period, a normalized investment rate, average return on new invested capital (RONIC), and the number of years until perpetuity, when excess returns cease. The investment rate and return on new invested capital decline until a perpetuity value is calculated. In the case of firms that do not earn their cost of capital, we assume marginal ROICs rise to the firm's cost of capital (usually attributable to less reinvestment), and we may truncate the second stage.

**Stage III: Perpetuity**

Once a company's marginal ROIC hits its cost of capital, we calculate a continuing value, using a standard perpetuity formula. At perpetuity, we assume that any growth or decline or investment in the business neither creates nor destroys

value and that any new investment provides a return in line with estimated WACC.

Because a dollar earned today is worth more than a dollar earned tomorrow, we discount our projections of cash flows in stages I, II, and III to arrive at a total present value of expected future cash flows. Because we are modeling free cash flow to the firm—representing cash available to provide a return to all capital providers—we discount future cash flows using the WACC, which is a weighted average of the costs of equity, debt, and preferred stock (and any other funding sources), using expected future proportionate long-term, market-value weights.

**Uncertainty around that fair value estimate**

Morningstar's Uncertainty Rating captures a range of likely potential intrinsic values for a company and uses it to assign the margin of safety required before investing, which in turn explicitly drives our stock star rating system. The Uncertainty Rating represents the analysts' ability to bound the estimated value of the shares in a company around the Fair Value Estimate, based on the characteristics of the business underlying the stock, including operating and financial leverage, sales sensitivity to the overall economy, product concentration, pricing power, and other company-specific factors.

Analysts consider at least two scenarios in addition to their base case: a bull case and a bear case. Assumptions are chosen such that the analyst believes there is a 25% probability that the company will perform better than the bull case, and a 25% probability that the company will perform worse than the bear case. The distance between the bull and bear cases is an important indicator of the uncertainty underlying the fair value estimate.

Our recommended margin of safety widens as our uncertainty of the estimated value of the equity increases. The more uncertain we are about the estimated value of the equity, the greater the discount we require relative to our estimate of the value of the firm before we would recommend the purchase of the shares. In addition, the uncertainty rating provides guidance in portfolio construction based on risk tolerance.

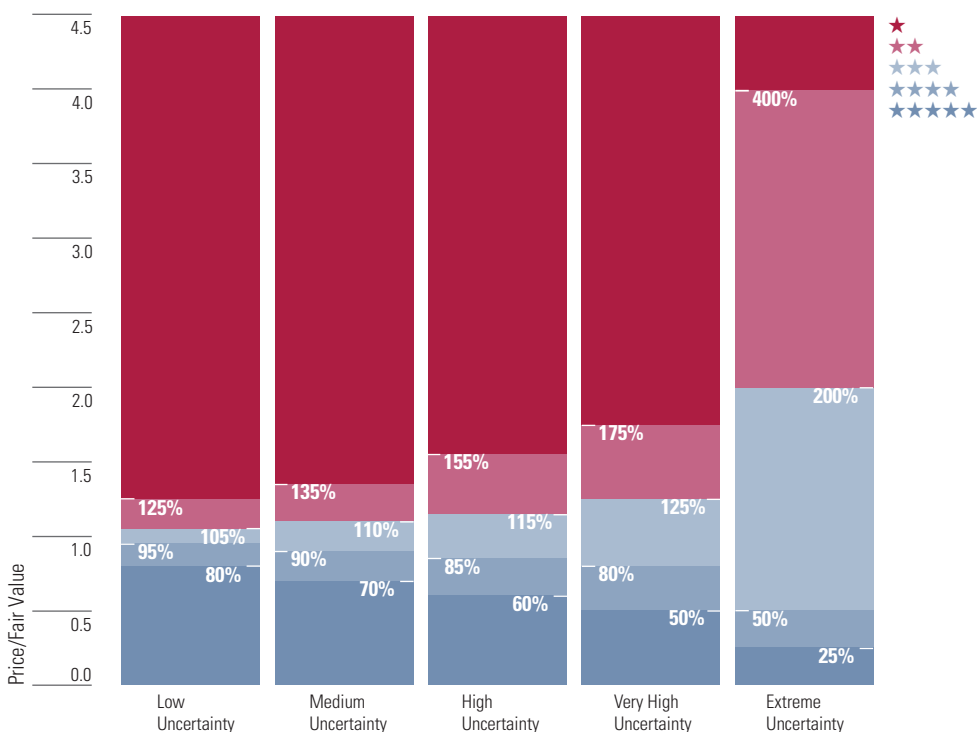
Our uncertainty ratings for our qualitative analysis are low, medium, high, very high, and extreme.

- ▶ Low—margin of safety for 5-star rating is a 20% discount and for 1-star rating is 25% premium.
- ▶ Medium—margin of safety for 5-star rating is a 30% discount and for 1-star rating is 35% premium.
- ▶ High—margin of safety for 5-star rating is a 40% discount and for 1-star rating is 55% premium.
- ▶ Very High—margin of safety for 5-star rating is a 50% discount and for 1-star rating is 75% premium.
- ▶ Extreme—margin of safety for 5-star rating is a 75% discount and for 1-star rating is 300% premium.

basis, and the star rating is automatically re-calculated at the market close on every day the market on which the stock is listed is open. Our analysts keep close tabs on the companies they follow, and, based on thorough and ongoing analysis, raise or lower their fair value estimates as warranted.

Please note, there is no predefined distribution of stars. That is, the percentage of stocks that earn 5 stars can fluctuate daily, so the star ratings, in the aggregate, can serve as a gauge of the broader market’s valuation. When there are many 5-star stocks, the stock market as a whole is more undervalued, in our opinion, than when very few companies garner our highest rating.

### Morningstar Equity Research Star Rating Methodology



### Market Price

The market prices used in this analysis and noted in the report come from exchange on which the stock is listed which we believe is a reliable source.

For more details about our methodology, please go to [www.global.morningstar.com/equitydisclosures](http://www.global.morningstar.com/equitydisclosures).

### Morningstar Star Rating for Stocks

Once we determine the fair value estimate of a stock, we compare it with the stock’s current market price on a daily

We expect that if our base-case assumptions are true the market price will converge on our fair value estimate over time, generally within three years (although it is impossible to predict the exact time frame in which market prices may adjust).

Our star ratings are guideposts to a broad audience and individuals must consider their own specific investment goals, risk tolerance, tax situation, time horizon, income needs, and complete investment portfolio, among other factors.

The Morningstar Star Ratings for stocks are defined below:

★★★★★ We believe appreciation beyond a fair risk-adjusted return is highly likely over a multiyear time frame. Scenario analysis developed by our analysts indicates that the current market price represents an excessively pessimistic outlook, limiting downside risk and maximizing upside potential.

★★★★ We believe appreciation beyond a fair risk-adjusted return is likely.

★★★ Indicates our belief that investors are likely to receive a fair risk-adjusted return (approximately cost of equity).

★★ We believe investors are likely to receive a less than fair risk-adjusted return.

★ Indicates a high probability of undesirable risk-adjusted returns from the current market price over a multiyear time frame, based on our analysis. Scenario analysis by our analysts indicates that the market is pricing in an excessively optimistic outlook, limiting upside potential and leaving the investor exposed to Capital loss.

#### Risk Warning

Please note that investments in securities are subject to market and other risks and there is no assurance or guarantee that the intended investment objectives will be achieved. Past performance of a security may or may not be sustained in future and is no indication of future performance. A security investment return and an investor's principal value will fluctuate so that, when redeemed, an investor's shares may be worth more or less than their original cost. A security's current investment performance may be lower or higher than the investment performance noted within the report. Morningstar's Uncertainty Rating serves as a useful data point with respect to sensitivity analysis of the assumptions used in our determining a fair value price.

#### General Disclosure

Unless otherwise provided in a separate agreement, recipients accessing this report may only use it in the country in which the Morningstar distributor is based. Unless stated otherwise, the original distributor of the report is Morningstar Research Services LLC, a U.S.A. domiciled financial institution.

This report is for informational purposes only and has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. This publication is intended to provide information to assist institutional investors in making their own investment decisions, not to provide investment advice to any specific investor. Therefore, investments discussed and recommendations made herein may not be suitable for all investors: recipients must exercise their own independent judgment as to the suitability of such investments and recommendations in the light of their own investment objectives, experience, taxation status and financial position.

The information, data, analyses and opinions presented herein are not warranted to be accurate, correct, complete or timely. Unless otherwise provided in a separate agreement, neither Morningstar, Inc. or the Equity Research Group represents that the report contents meet all of the presentation and/or disclosure standards applicable in the jurisdiction the recipient is located.

Except as otherwise required by law or provided for in a separate agreement, the analyst, Morningstar, Inc. and the Equity Research Group and their officers, directors and employees shall not be responsible or liable for any trading decisions, damages or other losses resulting from, or related to, the information, data, analyses or opinions within the report. The Equity Research Group encourages recipients of this report to read all relevant issue documents (e.g., prospectus) pertaining to the security concerned, including without limitation, information relevant to its investment objectives, risks, and costs before making an investment decision and when deemed necessary, to seek the advice of a legal, tax, and/or accounting professional.

The Report and its contents are not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject Morningstar, Inc. or its affiliates to any registration or licensing requirements in such jurisdiction.

Where this report is made available in a language other than English and in the case of inconsistencies between the English and translated versions of the report, the English version will control and supersede any ambiguities associated with any part or section of a report that has been issued in a foreign language. Neither the analyst,

Morningstar, Inc., or the Equity Research Group guarantees the accuracy of the translations.

This report may be distributed in certain localities, countries and/or jurisdictions ("Territories") by independent third parties or independent intermediaries and/or distributors ("Distributors"). Such Distributors are not acting as agents or representatives of the analyst, Morningstar, Inc. or the Equity Research Group. In Territories where a Distributor distributes our report, the Distributor is solely responsible for complying with all applicable regulations, laws, rules, circulars, codes and guidelines established by local and/or regional regulatory bodies, including laws in connection with the distribution third-party research reports.

#### Conflicts of Interest

- ▶ No interests are held by the analyst with respect to the security subject of this investment research report.
  - ▶ Morningstar, Inc. may hold a long position in the security subject of this investment research report that exceeds 0.5% of the total issued share capital of the security. To determine if such is the case, please click <http://msi.morningstar.com> and <http://mdi.morningstar.com>.
- ▶ Analysts' compensation is derived from Morningstar, Inc.'s overall earnings and consists of salary, bonus and in some cases restricted stock.
- ▶ Neither Morningstar, Inc. or the Equity Research Group receives commissions for providing research nor do they charge companies to be rated.
- ▶ Neither Morningstar, Inc. or the Equity Research Group is a market maker or a liquidity provider of the security noted within this report.
- ▶ Neither Morningstar, Inc. or the Equity Research Group has been a lead manager or co-lead manager over the previous 12-months of any publicly disclosed offer of financial instruments of the issuer.
- ▶ Morningstar, Inc.'s investment management group does have arrangements with financial institutions to provide portfolio management/investment advice some of which an analyst may issue investment research reports on. However, analysts do not have authority over Morningstar's investment management group's business arrangements nor allow employees from the investment management group to participate or influence the analysis or opinion prepared by them.

- ▶ Morningstar, Inc. is a publicly traded company (Ticker Symbol: MORN) and thus a financial institution the security of which is the subject of this report may own more than 5% of Morningstar, Inc.'s total outstanding shares. Please access Morningstar, Inc.'s proxy statement, "Security Ownership of Certain Beneficial Owners and Management" section <http://investorrelations.morningstar.com/sec.cfm?doctype=Proxy&year=&x=12>
- ▶ Morningstar, Inc. may provide the product issuer or its related entities with services or products for a fee and on an arms' length basis including software products and licenses, research and consulting services, data services, licenses to republish our ratings and research in their promotional material, event sponsorship and website advertising.

Further information on Morningstar, Inc.'s conflict of interest policies is available from <http://global.morningstar.com/equitydisclosures>. Also, please note analysts are subject to the CFA Institute's Code of Ethics and Standards of Professional Conduct.

For a list of securities which the Equity Research Group currently covers and provides written analysis on please contact your local Morningstar office. In addition, for historical analysis of securities covered, including their fair value estimate, please contact your local office.

For Recipients in Australia: This Report has been issued and distributed in Australia by Morningstar Australasia Pty Ltd (ABN: 95 090 665 544; ASFL: 240892). Morningstar Australasia Pty Ltd is the provider of the general advice ('the Service') and takes responsibility for the production of this report. The Service is provided through the research of investment products. To the extent the Report contains general advice it has been prepared without reference to an investor's objectives, financial situation or needs. Investors should consider the advice in light of these matters and, if applicable, the relevant Product Disclosure Statement before making any decision to invest. Refer to our Financial Services Guide (FSG) for more information at <http://www.morningstar.com.au/fsg.pdf>.



For recipients in Canada: This research is not prepared subject to Canadian disclosure requirements.

For Recipients in Hong Kong: The Report is distributed by Morningstar Investment Management Asia Limited, which is regulated by the Hong Kong Securities and Futures Commission to provide services to professional investors only. Neither Morningstar Investment Management Asia Limited, nor its representatives, are acting or will be deemed to be acting as an investment advisor to any recipients of this information unless expressly agreed to by Morningstar Investment Management Asia Limited. For enquiries regarding this research, please contact a Morningstar Investment Management Asia Limited Licensed Representative at <http://global.morningstar.com/equitydisclosures>.

For Recipients in India: This Investment Research is issued by Morningstar Investment Adviser India Private Limited. Morningstar Investment Adviser India Private Limited is registered with the Securities and Exchange Board of India (Registration number INA00001357) and provides investment advice and research. Morningstar Investment Adviser India Private Limited has not been the subject of any disciplinary action by SEBI or any other legal/regulatory body. Morningstar Investment Adviser India Private Limited is a wholly owned subsidiary of Morningstar Investment Management LLC. In India, Morningstar Investment Adviser India Private Limited has one associate, Morningstar India Private Limited, which provides data related services, financial data analysis and software development. The Research Analyst has not served as an officer, director or employee of the fund company within the last 12 months, nor has it or its associates engaged in market making activity for the fund company.

\*The Conflicts of Interest disclosure above also applies to relatives and associates of Manager Research Analysts in India # The Conflicts of Interest disclosure above also applies to associates of Manager Research Analysts in India. The terms and conditions on which Morningstar Investment Adviser India Private Limited offers Investment Research to clients, varies from client to client, and are detailed in the respective client agreement.

For recipients in Japan: The Report is distributed by Ibbotson Associates Japan, Inc., which is regulated by Financial Services Agency. Neither Ibbotson Associates Japan, Inc., nor its representatives, are acting or will be deemed to be acting as an investment advisor to any recipients of this information.

For recipients in Singapore: For Institutional Investor audiences only. Recipients of this report should contact their financial adviser in Singapore in relation to this report. Morningstar, Inc., and its affiliates, relies on certain exemptions (Financial Advisers Regulations, Section 32B and 32C) to provide its investment research to recipients in Singapore.

---

©2019 Morningstar. All Rights Reserved. Unless otherwise provided in a separate agreement, you may use this report only in the country in which its original distributor is based. The information, data, analyses, and opinions presented herein do not constitute investment advice; are provided solely for informational purposes and therefore are not an offer to buy or sell a security; and are not warranted to be correct, complete, or accurate. The opinions expressed are as of the date written and are subject to change without notice. Except as otherwise required by law, Morningstar shall not be responsible for any trading decisions, damages, or other losses resulting from, or related to, the information, data, analyses, or opinions or their use. References to "Morningstar Credit Ratings" refer to ratings issued by Morningstar Credit Ratings, LLC, a credit rating agency registered with the Securities and Exchange Commission as a nationally recognized statistical rating organization ("NRSRO"). Under its NRSRO registration, Morningstar Credit Ratings issues credit ratings on financial institutions (e.g., banks), corporate issuers, and asset-backed securities. While Morningstar Credit Ratings issues credit ratings on insurance companies, those ratings are not issued under its NRSRO registration. All Morningstar credit ratings and related analysis are solely statements of opinion and not statements of fact or recommendations to purchase, hold, or sell any securities or make any other investment decisions. Morningstar credit ratings and related analysis should not be considered without an understanding and review of our methodologies, disclaimers, disclosures, and other important information found at <https://ratingagency.morningstar.com>. Investment research is produced and issued by subsidiaries of Morningstar, Inc. including, but not limited to, Morningstar Research Services LLC, registered with and governed by the U.S. Securities and Exchange Commission. The information contained herein is the proprietary property of Morningstar and may not be reproduced, in whole or in part, or used in any manner, without the prior written consent of Morningstar. To license the research, call +1 312 696-6869.

## MEDIRECT DISCLAIMERS:

This information has been accurately reproduced, as received from Morningstar. No information has been omitted which would render the reproduced information inaccurate or misleading. This information is being distributed by MeDirect Bank (Malta) plc to its customers.

The information contained in this document is for general information purposes only and is not intended to provide legal or other professional advice nor does it commit MeDirect Bank (Malta) plc to any obligation whatsoever. The information available in this document is not intended to be a suggestion, recommendation or solicitation to buy, hold or sell, any securities and is not guaranteed as to accuracy or completeness.

The financial instruments discussed in the document may not be suitable for all investors and investors must make their own informed decisions and seek their own advice regarding the appropriateness of investing in financial instruments or implementing strategies discussed herein.

If you invest in financial instruments you may lose some or all of the money you invest. The value of your investment may go down as well as up. Any income you get from any such investment may also go down as well as up. The performance figures quoted refer to the past and past performance is not a guarantee of future performance or a reliable guide to future performance.

MeDirect Bank (Malta) plc. Company Registration number C34125, is licensed by the Malta Financial Services Authority under the Banking Act (Cap. 371) and the Investment Services Act (Cap. 370).