

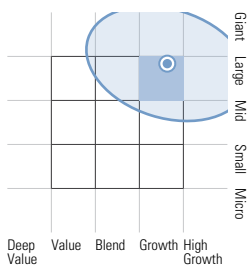
Fundsmith Equity I Acc

GB00B41YBW71

Morningstar Analyst Rating
 Gold
 25 Apr 2017
 19:00, UTC-0500

Morningstar Category Global Large-Cap Blend Equity	Category Index MSCI World NR USD	Total Assets 10,453.57 Mil GBP	Current Yield % —	Inception Date 01/11/10	Domicile/Currency GBR/GBP	Morningstar Rating ★★★★★
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Equity Style Map

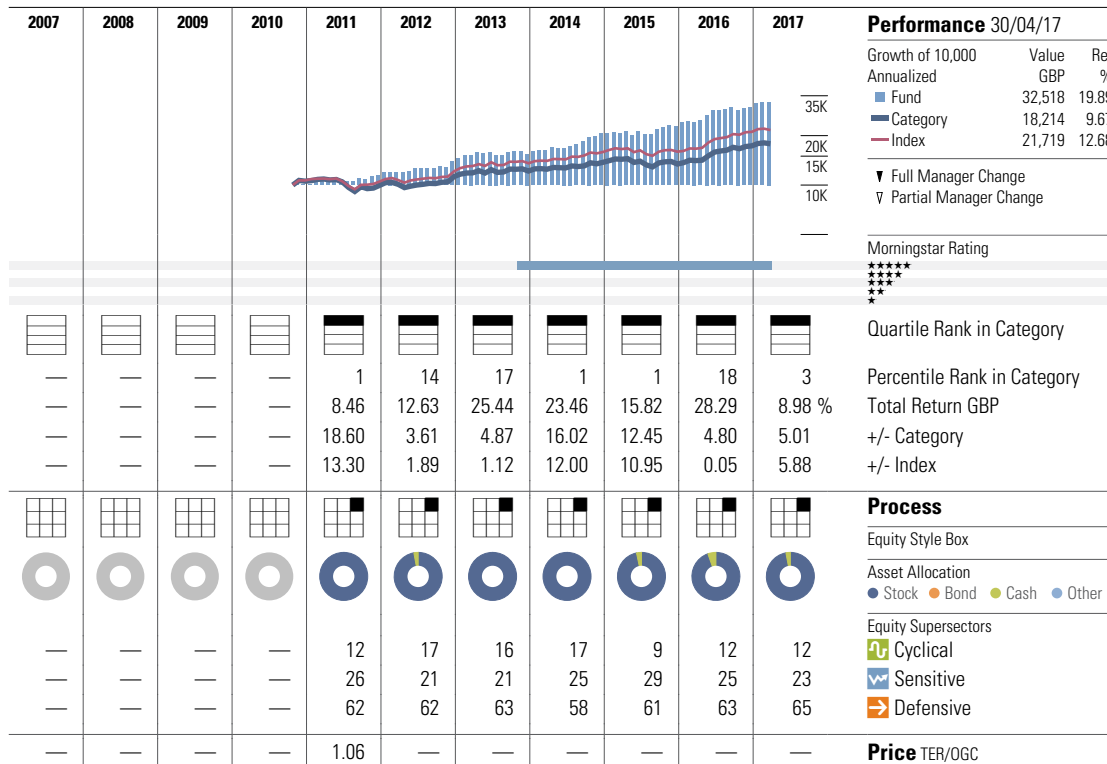


People

Terry Smith	11/10
Total Named Managers	1

Morningstar Pillars

Process p. 2-3	Positive
Performance p. 4	Positive
People p. 5	Positive
Parent p. 6	Positive
Price p. 7	Neutral



Analyst View

Peter Brunt, CFA, Senior Analyst

This is one of the strongest options for investors seeking exposure to high-quality global equities.

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Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum



The Morningstar Analyst Rating for Funds is a forward-looking analysis of a fund. Morningstar has identified five key areas crucial to predicting the future success of a fund: People, Parent, Process, Performance, and Price. The pillars are used in determining the Morningstar Analyst Rating for a fund. Morningstar Analyst Ratings are assigned on a five-tier scale running from Gold to Negative. The top three ratings, Gold, Silver, and Bronze, all indicate that our analysts think highly of a fund; the difference between them corresponds to differences in the level of analyst conviction in a fund's ability to outperform its benchmark and peers through time, within the context of the level of risk taken over the long term (defined as a full market cycle or at least five years). Neutral represents funds in which our analysts don't have a strong positive or negative conviction over the long term (defined as a full market cycle or at least five years) and Negative represents funds that possess at least one flaw that our analysts believe is likely to significantly hamper future performance over the long term (defined as a full market cycle or at least five years). Past performance of a security may or may not be sustained in future and is no indication of future performance. For detailed information about the Morningstar Analyst Rating for Funds, please visit <http://global.morningstar.com/managerdisclosures>

25 Apr, 2017 | This is one of the strongest options for investors seeking exposure to high quality global equities.

Terry Smith co-founded Fundsmith LLP and launched this fund in 2010 on the back of the success he achieved as investment advisor to the Tullett Prebon pension fund. His experience in the industry dates back to 1974 and has included time in research and in senior management positions at FTSE companies. He is an original thinker and has often demonstrated his willingness to bet against the crowd.

Smith's investment philosophy is to buy and hold, ideally forever, high-quality businesses that will continually compound in value. High-quality companies are defined as having little need for leverage, an above-average cash return on operating capital employed, and an ability to sustainably grow at this rate of return. When considering these criteria, and a minimum USD 2 billion market cap to keep the strategy scalable, the investable universe is significantly reduced to a shortlist of around 65 names for deep-dive analysis. Smith is supported here by Julian Robins and Daniel Washburn. Robins is a co-founder and has worked with Smith for over two decades, Washburn's experience is limited to Fundsmith,

which he joined in 2011. We consider the analytical resources appropriate given the limited opportunity set and extremely long-term investment horizon (portfolio turnover is <5% per year).

Investors should be aware that this is a very high-conviction and long-term approach. There are elements of sector concentration (the approach excludes large parts of the market) and valuation risk in the portfolio, and returns may look at odds with the broad MSCI World Index over the short term. We believe Smith has a good handle on the risks, however, and over the long term will serve investors well.

He has developed a very strong track record on this fund. While returns have benefited from style tailwinds since launch, we believe Smith has added significant value above and beyond the fund's style bias. His track record on the Tullett Prebon pension fund also highlights his ability to add value over a market cycle.

In light of the above, our conviction has grown considerably in the fund. It is therefore raised to a Morningstar Analyst Rating of Gold.

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Process: Approach

Morningstar Category
 Global Large-Cap Blend
 Equity

Category Index
 MSCI World NR USD

Index Proxy
 iShares MSCI World

Terry Smith aims to invest in high-quality, cash-generative businesses that will compound in value over the years.

Process Pillar + Positive

25 Apr, 2017 | We like the clear investment approach, which we believe is implemented in a highly disciplined and effective manner.

The manager aims to buy and hold, ideally forever, high-quality businesses that will continually compound in value. High-quality companies are considered those that have an above-average

cash return on operating capital employed, and an ability to sustainably grow at this rate of return. In order to achieve these two criteria, companies with a strong competitive advantage (typically based on significant intangible assets) and with little need for financial leverage are targeted. The manager will also only consider companies capitalised above USD 2 billion and that are headquartered in developed markets.

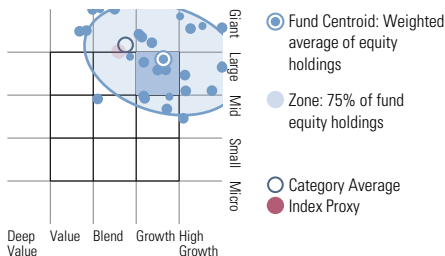
Based on the above criteria, the starting universe is limited to around 470 companies, which is reduced to 300 when screened for an op-

erating return of more than 3% above their cost of capital. Further screens aim to identify consistent growth, looking for steady top-line growth, operating margins greater than 10% (and that are also sustainable), companies that convert most of their net income into free cash, and companies that have the opportunity to reinvest this free cash back into their own business for growth.

The above results in an ultimate investable universe of around 65 names, on which the team undertakes fundamental analysis and builds discounted cash flow models.

Equity Style 31/03/17

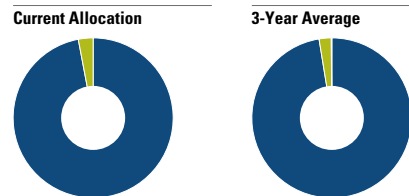
Holdings-Based Style Map



Equity Style Box Factors

	Fund	3-Yr Avg	Category	Proxy
Market Cap				
Giant/Large	75.4	80.6	83.3	87.5
Mid	24.6	18.5	15.2	12.4
Small/Micro	0.0	0.9	1.5	0.1
Avg Market Cap Bil GBP	41.4	33.8	64.5	56.0
Value Measures				
Price/Prospect. Earnings	23.3	21.5	17.3	17.9
Price/Book	6.3	5.5	2.3	2.2
Price/Sales	3.6	3.1	1.6	1.6
Price/Cash Flow	17.2	15.3	6.9	7.6
Dividend Yield	2.1	2.3	2.7	2.6
Growth Measures				
Long-Term Earnings %	9.0	8.9	5.5	9.3
Historical Earnings %	7.6	4.8	-12.0	1.3
Sales %	5.0	4.0	-10.6	-1.0
Cash Flow %	8.5	6.7	-18.2	0.4
Book-Value %	2.3	2.7	-5.8	2.9

Asset Allocation 31/03/17



Net Assets %	Fund	3-Yr Avg	Category	Proxy
Equity	97.0	97.4	95.3	99.6
Fixed Income	0.0	0.0	0.2	0.0
Cash	3.0	2.4	3.0	0.3
Other	0.0	0.1	1.4	0.0

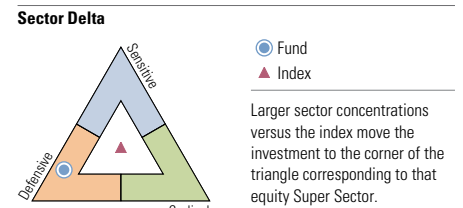
Regional Exposure 31/03/17

Market Type Equity %	Fund	3-Yr Avg	Category	Proxy
Developed	100.0	100.0	97.0	99.5
Emerging	0.0	0.0	3.0	0.5
Top 5 Countries Equity %				
United States	65.9	61.2	53.5	59.5
United Kingdom	19.8	25.5	10.4	6.5
Spain	5.0	4.2	1.0	1.3
Finland	2.6	4.1	0.4	0.4
Denmark	2.5	0.3	0.9	0.7

Key Ratios 31/03/17

	Fund	3-Yr Avg	Category	Proxy
Net Margin %	16.0	15.3	13.1	13.3
ROA %	10.7	10.3	5.9	6.1
Debt/Total Capital %	45.5	39.4	37.1	39.1
ROE %	28.8	26.5	17.3	18.1

Sectors 31/03/17



Equity Sectors	Fund	3-Yr Avg	Category	Proxy
Defensive	64.7	61.2	25.7	25.4
Consumer Defensive	35.5	39.6	10.5	9.8
Healthcare	29.2	21.5	12.8	12.4
Utilities	0.0	0.0	2.4	3.2
Sensitive	23.2	25.8	36.1	36.4
Communication Serv.	0.0	0.0	4.3	4.3
Energy	0.0	0.0	5.6	6.3
Industrials	10.3	12.1	11.0	11.3
Technology	13.0	13.7	15.3	14.6
Cyclical	12.1	13.1	38.2	38.2
Basic Materials	0.0	0.0	5.1	5.2
Consumer Cyclical	4.3	8.0	12.3	11.5
Financial Services	7.8	5.1	18.7	18.4
Real Estate	0.0	0.0	2.1	3.0

Economic Moat 31/03/17


	Fund	3-Yr Avg	Category	Proxy
Wide Moat	63.0	62.5	40.1	38.7
Narrow Moat	37.0	37.5	41.1	40.7
No Moat	0.0	0.0	18.9	20.6
Coverage Ratio	92.8	87.1	82.0	88.1

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Process: Portfolio

Morningstar Category
Global Large-Cap Blend
Equity

Category Index
MSCI World NR USD

Index Proxy
iShares MSCI World

A concentrated portfolio with a distinct bias to consumer staples and healthcare.

Process Pillar Positive

25 Apr, 2017 | The manager constructs a focused portfolio of 20-30 names, paying no attention to the MSCI World benchmark (used for performance reference only). Investments are based on fundamental conviction and valuation. For the latter, free cash flow yield is key, and must be higher than alternative investment candidates and

high relative to long-term interest rates. Position sizes will reflect the best combination of current value and future growth prospects.

Given the interpretation of quality, there are structural biases to the portfolio--it will not hold firms that require leverage, are cyclical or fashionable, or have a high degree of obsolescence. His preferred areas of the market tend to be consumer staples and healthcare (but not biotech or drug companies), which have collectively accounted for roughly 60% of the portfolio in recent years. This carries an element of sector-con-

centration risk, although we note that he does look to maintain balance here--outside of consumer staples (mainly fast-moving consumer goods names), subsector exposures are more diversified and stocks more idiosyncratic in nature.

The manager tends to find most of his best ideas among large caps, keeping the strategy scalable (ensured by the minimum market cap requirement) despite its considerable assets under management. His long-term approach is aptly demonstrated by the fund's low turnover ratio, which is typically below 5%.

Similarity to Index Proxy 30/04/16

Index Proxy Overlap	Number of Equity Holdings	Largest Common Holdings	Fund %	Proxy %	Largest Distinct Holdings	Fund %
	Fund 29 Index Proxy 1,166 Fund Overlap With Index Proxy 26 Holdings Overlap 26 Asset Overlap 6.5%	Amadeus IT Holding SA A C.R. Bard Inc Stryker Corp Imperial Brands PLC Microsoft Corp	5.13 5.13 4.75 4.74 4.67	0.07 0.05 0.11 0.16 1.18	IDEXX Laboratories Inc	4.02

Portfolio Holdings 30/04/16

Previous Portfolio Date	Equity Holdings	Bond Holdings	Other Holdings	Assets in Top 10 Holdings	Turnover Ratio (Reported)
31/03/16	29	0	1	46%	0%


Top 10 Equity Holdings	Country	Assets % 30/04/16	Assets % 31/03/16	Proxy % 30/04/16	First Bought	Days Trading	Economic Moat	Sector	1-Yr Total Ret %
⊕ Amadeus IT Holding SA A	ESP	5.13	4.67	0.07	06/13	9	Narrow	Technology	36.36
⊕ C.R. Bard Inc	USA	5.13	4.40	0.05	05/13	1	Narrow	Healthcare	64.65
⊕ Stryker Corp	USA	4.75	4.78	0.11	04/11	4	Wide	Healthcare	43.32
⊕ Imperial Brands PLC	GBR	4.74	4.70	0.16	04/11	4	Wide	Consumer Defensive	5.88
⊕ Microsoft Corp	USA	4.67	5.36	1.18	02/13	<1	Wide	Technology	58.84
⊕ Philip Morris International Inc	USA	4.60	4.84	0.45	04/11	<1	Wide	Consumer Defensive	32.69
⊕ Johnson & Johnson	USA	4.27	4.02	0.94	05/14	<1	Wide	Healthcare	27.97
⊕ Sage Group (The) PLC	GBR	4.18	4.67	0.04	08/14	15	Narrow	Technology	15.57
⊕ JM Smucker Co	USA	4.14	3.31	0.06	12/15	3	Narrow	Consumer Defensive	15.60
⊕ IDEXX Laboratories Inc	USA	4.02	4.04	—	07/15	7	Narrow	Healthcare	125.16

Change since previous portfolio: ⊕ Increase ⊖ Decrease ✨ New

New Holdings Largest Purchases	% Assets	Sector	Eliminated Holdings Largest Sales	% Assets	Sector	Largest Position Changes	Current %	Prior %
InterContinental Hotels Group PLC	3.84	Travel	Intercontl Hotels	3.63	Travel	⊕ JM Smucker Co	4.14	3.31
Diageo PLC	2.58	Beverages	DIAGEO PLC	2.58	Beverages	✨ InterContinental Hotels Group PLC	3.84	0.00
						✨ Diageo PLC	2.58	0.00
						⊖ Intercontl Hotels	0.00	3.63
						⊖ DIAGEO PLC	0.00	2.58

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Performance

Morningstar Category
Global Large-Cap Blend Equity

Category Index
MSCI World NR USD

Fund performance since launch has been extremely strong, driven primarily by strong stock selection.

Performance Pillar  Positive

25 Apr, 2017 | Terry Smith has developed an incredibly strong track record on this fund. It has comfortably outperformed the MSCI World benchmark and is the top-performing fund within the Morningstar Category over three and five years, and since launch to the end of Mar 2017. It has also always been ahead of both measures on

a rolling three-year basis to the same date.

While returns have benefited from style tailwinds since launch, we believe Smith has added significant value above and beyond the fund's investment style bias. Performance has held up even through less favourable market conditions, notably in 2016, when there was a strong rotation to value; strong stock selection saw the fund keep pace with the benchmark and rank still within the top quintile of the category. Looking at performance attribution on a style/market-cap basis over the fund's life, stock selection has produced

over 75% of excess returns against the benchmark. Furthermore, relative to a subset of funds with similar portfolio characteristics, returns have proved far superior since launch, including on a risk-adjusted basis.

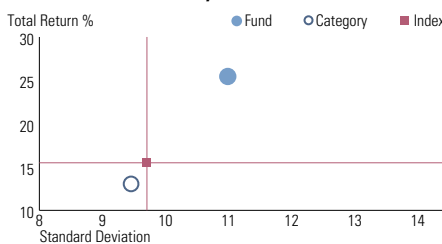
Smith was also meaningfully involved in managing the Tullett Liberty pension fund, following an almost identical investment philosophy and process, from Dec 2003 until August 2014. Returns during this time also showed sizable and consistent outperformance, highlighting Smith's ability to add value over a market cycle.

Morningstar Rating and Risk 30/04/17

Period	Morningstar Ret vs Cat	Morningstar Risk vs Cat	Morningstar Rating
3 Years	High	Avg	★★★★★
5 Years	High	Low	★★★★★
10 Years	—	—	—
Overall Rating	★★★★★		

Risk Analysis 30/04/17

3-Year Return and Risk Analysis



3-Year Risk Measures

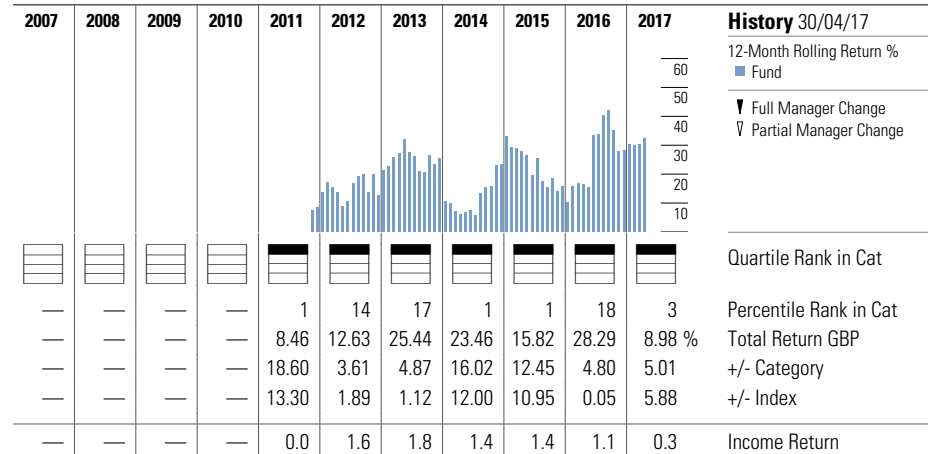
	Fund	Category	Index
Standard Deviation	10.99	9.45	9.71
Sharpe Ratio	1.28	0.26	0.51
R-Squared	73.51	—	—
Beta	0.88	—	—
Alpha	9.15	—	—

Maximum Drawdown

	Fund	Category	Index
Max Drawdown (%)	-6.34	-16.06	-14.06
Peak Date	06/15	05/11	07/11
Valley Date	06/15	09/11	09/11
Max Drawdown (Months)	1	5	3

Upside/Downside

	Fund	Category	Index
Upside Capture Ratio	119.9	—	—
Downside Capture Ratio	56.9	—	—



Returns 30/04/17

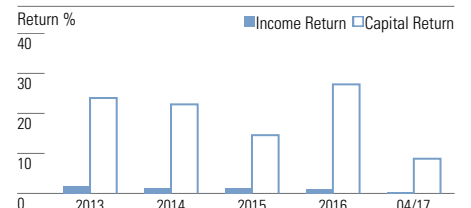
	Total Ret %	Investor Ret %	Rank in Cat	Cat Ret %	Index Ret %
1 Year	32.45	30.33	11	27.09	29.82
3 Years	25.44	25.68	1	13.05	15.49
5 Years	21.66	24.47	1	12.46	15.05
10 Years	—	—	—	6.59	8.54
Tenure 11/10	19.89	—	—	9.67	12.68
Inception 11/10	19.89	—	—	9.67	12.68

Rolling-Returns Summary

Rolling Period	Return %
36-Month Rolling Periods	100%
42 Observations, 3 Years	0
	0
	0

The shading and percentages correspond to how often the fund returns landed in each category quartile.

Income and Capital Returns




Year	Income Ret %	Income % Rank in Cat	Capital Ret %	Capital % Rank in Cat
2013	1.79	47	23.85	30
2014	1.36	33	22.26	1
2015	1.41	40	14.56	2
2016	1.09	94	27.25	23
04/17	0.31	9	8.67	3

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People

Morningstar Category
Global Large-Cap Blend Equity

Category Index
MSCI World NR USD

Terry Smith is an original thinker and often demonstrates his willingness to bet against the crowd.

People Pillar  Positive

25 Apr, 2017 | While not the biggest team, we consider the personnel involved in the management of this fund to be of a high calibre.

Fundsmith co-founder Terry Smith's experience in the industry dates back to 1974 and has included time in research and in senior management positions at FTSE companies. He is an

original thinker and has often demonstrated his willingness to bet against the crowd. He was the CEO of Collins Stewart and led the management buyout of the company, which was floated on the London Stock Exchange five months later. While CEO of Tullett Prebon, he was the investment advisor to the Tullett Liberty pension fund, following the same investment principles that form the bedrock of Fundsmith.

Smith is supported by Julian Robins and Daniel Washburn. Robins joined the industry in 1984 and was an analyst in London for nine years

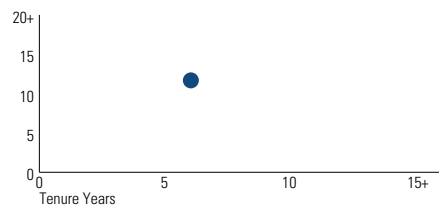
covering banks, before moving to BZW in New York in 1993. In 1999 he set up an office in New York for Collins Stewart, then left in 2009 to set up Fundsmith with Smith in 2010. He continues to live in the US and works closely with Smith in the management of the fund. Washburn joined Fundsmith in 2011 as an analyst.

Further support is provided by four other analysts, although their main focus is on research for the Fundsmith Emerging Equities Trust so the overlap of coverage is more at the periphery.

Management Team

Experience and Asset Load

Total AUM Bil GBP in Funds Managed



Number of Managers	Longest Tenure	Manager Retention Rate	Average Manager Tenure
1	6.50 Years	5-Year —%	6.50 Years
Advisor Fundsmith LLP		Subadvisor —	


● Terry Smith 11/10 to Present

Years on Managed Funds	Years on Fund
6	6
Fund AUM	Current Funds Managed
11,678.50 Mil GBP	3

Largest Funds Managed	Tenure Dates	Role	Fund Size Bil GBP	Investment Mil GBP	Tenure Ret %	Index Ret %
Fundsmith Equity	11/10 to Present	Lead	10.45	—	19.89	9.07
Fundsmith Equity Fund Feeder	11/11 to Present	Lead	0.96	—	21.99	11.17
Fundsmith Emerging Equities Trust	06/14 to Present	Lead	0.26	—	3.98	-0.14

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Parent

Morningstar Category
 Global Large-Cap Blend Equity

Category Index
 MSCI World NR USD

A specialised investment boutique that is client-focused with a long-term investment approach.

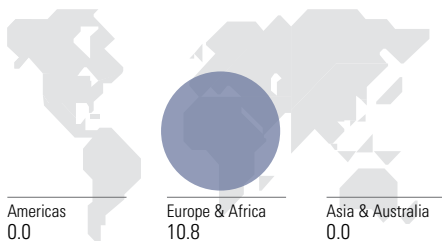
Parent Pillar  Positive

21 Apr, 2017 | While still a relatively young firm, we believe that Fundsmith stands as an example of an investment boutique that is well-placed for investment excellence. It was established by Terry Smith in April 2010 as a limited liability partnership of which he owns the largest stake. The business is 100% owned and controlled by its

partners, who have worked closely together over many years, and is headquartered in London with offices in Mauritius and the United States. The group has just two strategies that follow the same investment philosophy and process but with a different opportunity set--global developed equities and global emerging equities. The aim is to provide investors with the best long-term returns on a risk-adjusted basis by investing in quality businesses that in an ideal world they could hold indefinitely. Unlike most traditional fund managers, Fundsmith pays little regard to in-

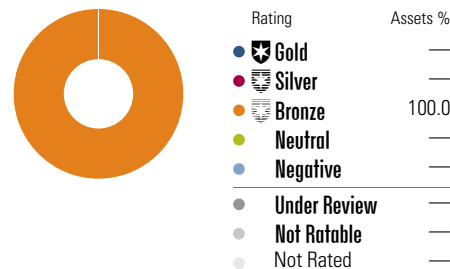
dexes/benchmarks or tracking error. We consider communication with clients to be of the highest standard; it is frequent and offers complete transparency in the firm's philosophy, investment thesis, and approach. The group has a reasonable fee structure, and the low-turnover approach ensures that trading costs are kept to a minimum (it also clearly articulates the total cost of investment to investors). Smith and key personnel are heavily invested in the group's strategies, making them well-aligned with investors' interests.

Assets By Region, By Domicile Bil GBP



Fund Family Details Europe (*)

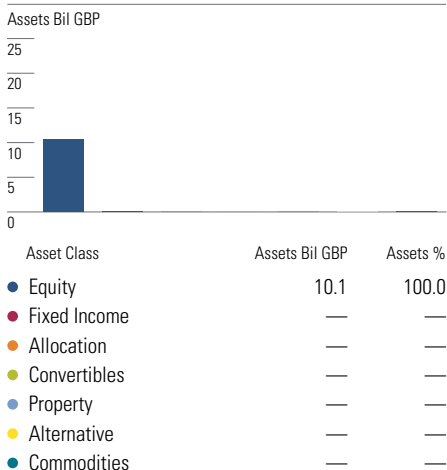
Morningstar Analyst Rating Breakdown



Morningstar Rating Breakdown



Asset Class Breakdown Europe (ex Money Mkt)



Fund Family Details Europe

Top Performing Funds	Category Name	Fund Size Mil GBP	Return % 3-Year	Rank in Cat 3-Year
Fundsmith Equity I Acc	Global Large-Cap Blend Equity	10,086.6	25.44	1

Largest Funds	Category Name	Fund Size Mil GBP	Return % 3-Year	Rank in Cat 3-Year
Fundsmith Equity I Acc	Global Large-Cap Blend Equity	10,086.6	25.44	1

Recent Fund Launches	Category Name	Fund Size Mil GBP	Return % Inception	Inception Date
Fundsmith Equity I Acc	Global Large-Cap Blend Equity	10,086.6	19.89	01/11/10

(*) All data is based on Branding name and refers to funds domiciled in Europe.

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Price

Morningstar Category
 Global Large-Cap Blend
 Equity

Category Index
 MSCI World NR USD

We consider the ongoing charge for the fund's post-RDR retail share class to be reasonably priced.

Price Pillar ● Neutral

25 Apr, 2017 | The pre-RDR retail share class ongoing charge is 1.57%, which is cheaper than that median ongoing charge for the category.

The post-RDR I retail share class has an ongoing charge of 0.96%, which we consider fairly priced against the median ongoing charge of clean share classes of global equity funds.

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Expense History
—	—	—	—	1.06	—	—	—	—	—	—	TER/OGC
—	—	—	—	0.2	0.8	1.6	3.0	4.6	9.1	10.5	TER/OGC
—	—	—	—	0.2	0.6	0.5	0.9	1.0	2.9	0.5	Net Assets Bil GBP
											Net Flows Bil GBP

Expense Breakdown

Ongoing charge	
Ongoing charge 31/01/16	0.97

Selected Components

Max Management Fee	0.90
Performance Fee	—

Fee Level

Fee Level	Peer Group
—	—

Fee Level Breakpoints

High	>0.00
Above Average	0.00-0.00
Average	0.00-0.00
Below Average	0.00-0.00
Low	<0.00
◀ Fund	0.97
◀ Peer Median	—

Share Class Information

Share Class	Identifier	Morningstar Category	TER/OGC	Max Mgmt Fee	Performance Fee	Maximum Initial Charge	Minimum Initial Inv	Assets Bil GBP
Fundsmith Equity I Acc	GB00B41YBW71	Global Large-Cap Blend Equity	0.97	0.90	—	0.00	0	4.81
Fundsmith Equity I Inc	GB00B4MR8G82	Global Large-Cap Blend Equity	0.97	0.90	—	0.00	0	3.67
Fundsmith Equity T Acc	GB00B4Q5X527	Global Large-Cap Blend Equity	1.07	1.00	—	0.00	0	1.75
Fundsmith Equity R Acc	GB00B4LPDJ14	Global Large-Cap Blend Equity	1.57	1.50	—	0.00	0	0.18
Fundsmith Equity T Inc	GB00B4M93C53	Global Large-Cap Blend Equity	1.07	1.00	—	0.00	0	0.16
Fundsmith Equity R Inc	GB00B4QBRK32	Global Large-Cap Blend Equity	1.57	1.50	—	0.00	0	0.02

Morningstar Global Fund Report

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


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Morningstar Analyst Rating

	2015	2016	2017
Gold			
Silver			
Bronze			
Neutral			
Negative			
Under Review			
Not Ratable			

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The date shown next to the Morningstar Analyst Rating is the date on which Morningstar Manager Research Analyst assigned or reaffirmed the current rating for the fund based on the analyst's latest review and research report for the fund.

The Five (5) Pillars

Morningstar has identified five key areas that we believe are crucial to predicting the future success of funds: People, Parent, Process, Performance, and Price. Each pillar is evaluated when assessing a fund as well as the interaction between the pillars, which we believe is crucial to understanding a fund's overall merit.

People

The overall quality of a fund's investment team is a significant key to its ability to deliver superior performance relative to its benchmark and/or peers. Evaluating a fund's investment team requires that analysts assess several relevant items including how key decisions are made.

Parent

We believe the parent organization is of utmost importance in evaluating funds. The fund's management set the tone for key elements of our evaluation, including capacity management, risk management, recruitment and retention of talent, and incentive pay. Beyond these operational areas, we prefer firms that have a culture of stewardship and put investors first to those that are too heavily weighted to salesmanship.

Process

We look for funds with a performance objective and investment process (for both security selection and portfolio construction) that is sensible, clearly defined, and repeatable. In addition, the portfolio should be constructed in a manner that is consistent with the investment process and performance objective.

Performance

We do not believe past performance is necessarily predictive of future results, and this factor accordingly receives a relatively small weighting in our evaluation process. In particular, we strive not to anchor on short-term performance. However, we do believe that the evaluation of long-term return and risk patterns is vital to determining if a fund is delivering to our expectations.

Price

To reflect actual investor experience, price is evaluated within the context of the relevant market or cross-border region—for example, the United States, Australia, Canada, or Europe. In recognition of differences in scale and distribution costs in various markets, the level at which a fund is penalised for high fees or rewarded for low fees can vary with region. In Europe, for example, funds are penalised if they land in the most expensive quintile of their Morningstar category and are rewarded if they land in the cheapest quintile. The assessment is made using annual expense ratios, but in the case of funds with performance fees, expenses are evaluated excluding any performance fees and then the structure of the performance fee is evaluated separately.

Morningstar Analyst Ratings

Morningstar Analyst Ratings are assigned on a five-tier scale running from Gold to Negative. The top three ratings, Gold, Silver, and Bronze, all indicate that our analysts think highly of a fund; the difference between them corresponds to differences in the level of analyst conviction in a fund's ability to outperform its benchmark and peers through time, within the context of the level of risk taken.

Gold

Represents funds that our analyst has the highest-conviction in for that given investment mandate. By giving a fund a Gold rating, we are expressing an expectation that it will outperform its relevant performance benchmark and/or peer group within the context of the level of risk taken over the long term (defined as a full market cycle or at least five years). To earn a Gold rating, a fund must distinguish itself across the five pillars that are the basis for our analysis.

Silver

Represents funds our analyst has high-conviction in, but not in all of the five pillars. With those fundamental strengths, we expect these funds will outperform their relevant performance benchmark and/or peer group within the context of the level of risk taken over the long term (defined as a full market cycle or at least five years).

Bronze

Represents funds that have advantages that clearly outweigh any disadvantages across the pillars, giving analyst the conviction to award them a positive rating. We expect these funds to beat their relevant performance benchmark and/or peer group within the context of the level of risk taken over a full market cycle (or at least five years).

Neutral

Represents funds in which our analysts don't have a strong positive or negative conviction. In our judgment, these funds are not likely to deliver standout returns, but they aren't likely to seriously underperform their relevant performance benchmark and/or peer group either.

Negative

Represents funds that possess at least one flaw that our analysts believe is likely to significantly hamper future performance, such as high fees or an unstable management team. Because of these faults, we believe these funds are inferior to most competitors and will likely underperform their relevant performance benchmark and/or peer group, within the context of the level of risk taken, over a full market cycle.

Morningstar may also use two other designations in place of a rating:

Under Review

This designation means that a change that occurred with the fund or at the fund company requires further review to determine the impact on the rating.

Not Ratable

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Equity-Related Data Points

The Report lists the fund's top ten holdings as of the dated noted. For each underlying holding, a series of data points is provided including, where applicable, that security's Economic Moat as of the date noted.

Economic Moat

The concept of an economic moat plays a vital role in our equity analyst's qualitative assessment of a firm's long-term investment potential, but also in the actual calculation of its fair value estimate. 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.

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