

JULY 2024

Morningstar[®] Wide Moat Focus IndexSM

Holdings Summary: 2Q-2024

Morningstar Indexes

Andrew Lane

Director of Equity Research – Index Strategies

Third-Party Distribution

Morningstar has agreed to allow VanEck to distribute this report to citizens of the United States or its territories, Australia, and Europe, the Middle East and Asia via email and through its website. VanEck is not acting as an agent or representative of the analyst, Morningstar, Inc. or the Equity Research Group. Morningstar is not affiliated with VanEck.

VanEck Disclosures

The information herein represents the opinion of the author(s), but not necessarily those of VanEck. The mention of a specific security is not a recommendation to buy, or solicitation to sell such security. Index returns are not Fund returns and do not reflect any management fees or brokerage expenses. Certain indices may take into account withholding taxes. Investors can not invest directly in the Index. Returns for actual Fund investors may differ from what is shown because of differences in timing, the amount invested and fees and expenses. Index returns assume that dividends have been reinvested. See last page for continued disclosures.

Important Disclosure

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



Index Holdings

Name	Ticker	Sector	Weight %	Name	Ticker	Sector	Weight %
Adobe Inc	ADBE	Technology	2.79	Tyler Technologies Inc	TYL	Technology	1.50
International Flavors & Fragrances Inc	IFF	Basic Materials	2.77	Philip Morris International Inc	PM	Consumer Defensive	1.40
Campbell Soup Co	CPB	Consumer Defensive	2.63	Amazon.com Inc	AMZN	Consumer Cyclical	1.39
Altria Group Inc	MO	Consumer Defensive	2.62	Microsoft Corp	MSFT	Technology	1.36
Pfizer Inc	PFE	Healthcare	2.56	Salesforce Inc	CRM	Technology	1.36
RTX Corp	RTX	Industrials	2.56	Lockheed Martin Corp	LMT	Industrials	1.35
Autodesk Inc	ADSK	Technology	2.55	Charles Schwab Corp	SCHW	Financial Services	1.35
Corteva Inc	CTVA	Basic Materials	2.53	Honeywell International Inc	HON	Industrials	1.33
Gilead Sciences Inc	GILD	Healthcare	2.52	Workday Inc	WDAY	Technology	1.32
Comcast Corp	CMCSA	Communication Services	2.46	Rockwell Automation Inc	ROK	Industrials	1.31
Kenvue Inc	KVUE	Consumer Defensive	2.45	Biogen Inc	BIIB	Healthcare	1.30
MarketAxess Holdings Inc	MKTX	Financial Services	2.41	Clorox Co	CLX	Consumer Defensive	1.30
U.S. Bancorp	USB	Financial Services	2.38	Roper Technologies Inc	ROP	Technology	1.29
Zimmer Biomet Holdings Inc	ZBH	Healthcare	2.35	Microchip Technology Inc	MCHP	Technology	1.29
Allegion PLC	ALLE	Industrials	2.35	Northrop Grumman Corp	NOC	Industrials	1.27
TransUnion	TRU	Industrials	2.33	PepsiCo Inc	PEP	Consumer Defensive	1.27
Equifax Inc	EFX	Industrials	2.32	Emerson Electric Co	EMR	Industrials	1.27
Agilent Technologies Inc	A	Healthcare	2.31	Huntington Ingalls Industries Inc	HII	Industrials	1.26
Starbucks Corp	SBUX	Consumer Cyclical	2.29	Brown-Forman Corp	BF.B	Consumer Defensive	1.25
Fortinet Inc	FTNT	Technology	2.28	Boeing Co	BA	Industrials	1.24
Etsy Inc	ETSY	Consumer Cyclical	2.27	Keysight Technologies Inc	KEYS	Technology	1.23
Veeva Systems Inc	VEEV	Healthcare	2.22	The Walt Disney Co	DIS	Communication Services	1.23
Bristol-Myers Squibb Co	BMJ	Healthcare	2.20	Masco Corp	MAS	Industrials	1.20
The Estee Lauder Companies Inc	EL	Consumer Defensive	2.10	Bio-Rad Laboratories Inc	BIO	Healthcare	1.20
Nike Inc	NKE	Consumer Cyclical	1.99	Waters Corp	WAT	Healthcare	1.20
Alphabet Inc	GOOGL	Communication Services	1.72	Thermo Fisher Scientific Inc	TMO	Healthcare	1.20
Teradyne Inc	TER	Technology	1.68	Medtronic PLC	MDT	Healthcare	1.14
C.H. Robinson Worldwide Inc	CHRW	Industrials	1.52				

Data as of: 6/30/2024

Source: Morningstar Direct

Indexes are unmanaged and not available for direct investment

of Holdings: 55

Holdings at a Full Weighting

Adobe (ADBE)

Analyst: Dan Romanoff, CPA**Sector:** Technology**Industry:** Software – Infrastructure**Market Cap (\$bil):** \$252.8**Price/Fair Value:** 0.90**Economic Moat:** Wide**Economic Moat Sources:**

Cost Advantage

Efficient Scale

Intangible Assets

Network Effect

*Switching Costs***Data as of:** 7/5/2024**Source:** Morningstar Direct

Indexes are unmanaged and not available for direct investment

Commentary is excerpted from more comprehensive company reports

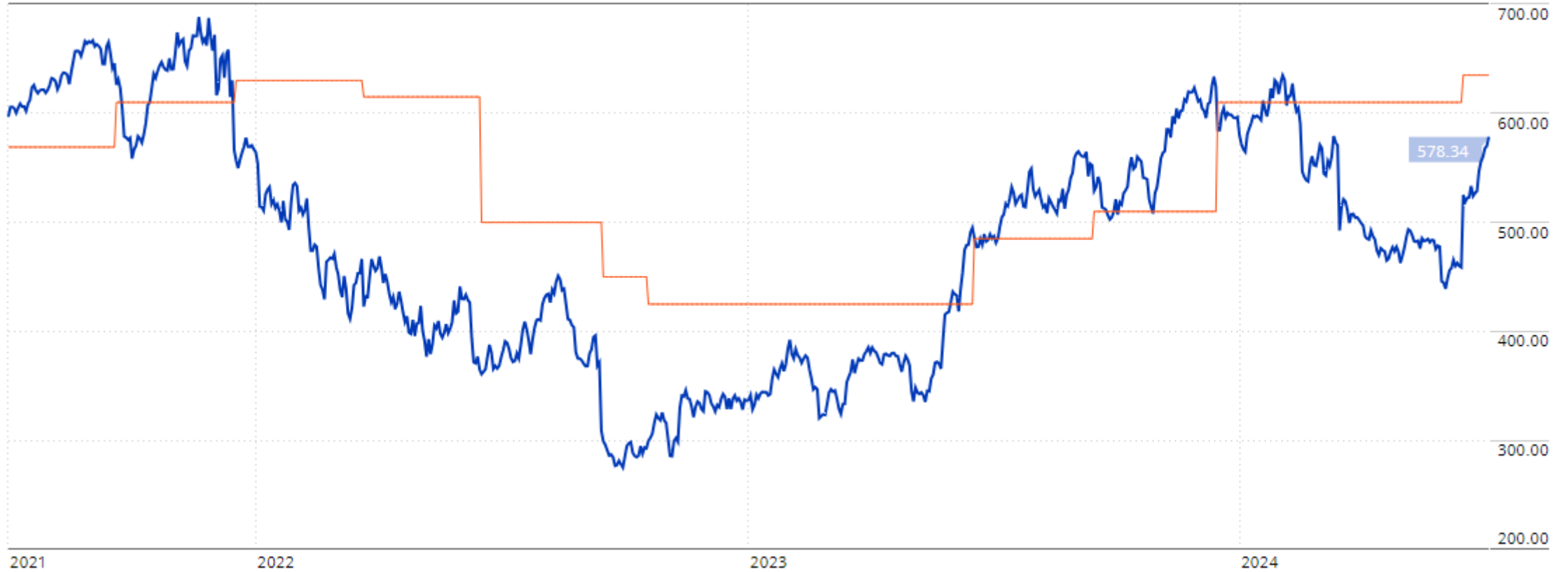
Business Strategy & Outlook:

Adobe has come to dominate in content creation software with its iconic Photoshop and Illustrator solutions, both now part of the broader Creative Cloud. The company has added new products and features to the suite through organic development and bolt-on acquisitions to drive the most comprehensive portfolio of tools used in print, digital, and video content creation. The December 2021 launch of Adobe Express helped further broaden the company's funnel, as it incorporates popular features of the full Creative Cloud but comes in lower cost and free versions. The 2023 introduction of Firefly marked an important artificial intelligence solution that should also attract new users. We think Adobe is properly focusing on bringing new users under its umbrella and converting these users will become more important over time.

Economic Moat Analysis:

For Adobe overall, we assign a wide economic moat rating arising from switching costs. Switching costs for software are often driven by several factors, in our view. The more critical the function and the more touch points across an organization a software vendor has, the higher the switching costs. We believe Creative Cloud enjoys the widest moat under the Adobe umbrella. Like most software solutions, once Creative Cloud or any of the individual applications contained therein is inserted into the workflow of creative professionals, it becomes very difficult to change solutions. Further, while there is no shortage of competitive point solutions, Adobe Creative Cloud is so pervasive in the creative world that replacing it would be an insurmountable barrier, in our view. Because nearly all creative professionals rely on the Creative Cloud, all other creative professionals must also use it. While the Creative Cloud has its issues, particularly premium pricing, and any one organization or freelance professional might be willing to switch, they would find it difficult to work in an industry that has generally standardized around it. Similarly, Adobe's large installed base helps ensure that when the company releases or acquires a related new solution, it immediately faces a substantial and welcoming audience.

Adobe (ADBE)



Time Period: 7/6/2021 – 7/5/2024

Source: PitchBook

Indexes are unmanaged and not available for direct investment

International Flavors & Fragrances (IFF)

Analyst: Seth Goldstein, CFA**Sector:** Basic Materials**Industry:** Specialty Chemicals**Market Cap (\$bil):** \$24.3**Price/Fair Value:** 0.73**Economic Moat:** Wide**Economic Moat Sources:**

Cost Advantage

Efficient Scale

Intangible Assets

Network Effect

*Switching Costs***Data as of:** 7/5/2024**Source:** Morningstar Direct

Indexes are unmanaged and not available for direct investment

Commentary is excerpted from more comprehensive company reports

Business Strategy & Outlook:

International Flavors & Fragrances is a global leader in the specialty ingredients space. IFF holds an enviable portfolio focused on value-added products used in food and beverages, fragrances, personal care, enzymes, probiotics, and pharmaceuticals. Proprietary formulations are critical drivers of revenue growth. For example, rather than supplying simple flavor solutions, IFF can deliver innovative solutions that influence a consumer's experience with a food or beverage. These "fine-tuning" solutions can reduce costs for customers, allowing for the use of cheaper ingredients, extend a product's shelf life, or add probiotic nutrition. Additionally, the company's offerings help customers remove undesirable content (fat, sugar, and sodium) from a product without sacrificing the consumer experience.

Economic Moat Analysis:

We assign a wide moat rating to International Flavors & Fragrances via intangible assets and switching costs. Intangible assets stem from the R&D spending required for the development of highly engineered, proprietary formulations that can't be precisely replicated. Although customers outline the specific flavor, texture, and fragrance profiles they are looking to achieve, the resulting intellectual property is developed by and stays with International Flavors & Fragrances. This establishes valuable intangible assets that allow IFF to generate economic profit over the lifecycle of the products in which the proprietary formulations are used. The evidence for switching costs is supported by the fact that IFF's volume represents specialty solutions rather than commoditized ingredients. International Flavors & Fragrances manufactures customized solutions for the food, beverage, personal care, and household products industries, providing specialized taste, texture, and aroma profiles for a wide variety of consumer products. Other ingredient blends such as emulsifiers and plant-based protein mixtures are also custom-made. If a customer were to switch suppliers, it would risk losing the highly specific characteristics provided by IFF's products, potentially impairing its own brand equity.

International Flavors & Fragrances (IFF)



Time Period: 7/6/2021 – 7/5/2024

Source: PitchBook

Indexes are unmanaged and not available for direct investment

Campbell Soup (CPB)

Analyst: Erin Lash, CFA**Sector:** Consumer Defensive**Industry:** Packaged Foods**Market Cap (\$bil):** \$13.4**Price/Fair Value:** 0.74**Economic Moat:** Wide**Economic Moat Sources:***Cost Advantage*

Efficient Scale

Intangible Assets

Network Effect

Switching Costs

Data as of: 7/5/2024**Source:** Morningstar Direct

Indexes are unmanaged and not available for direct investment

Commentary is excerpted from more comprehensive company reports

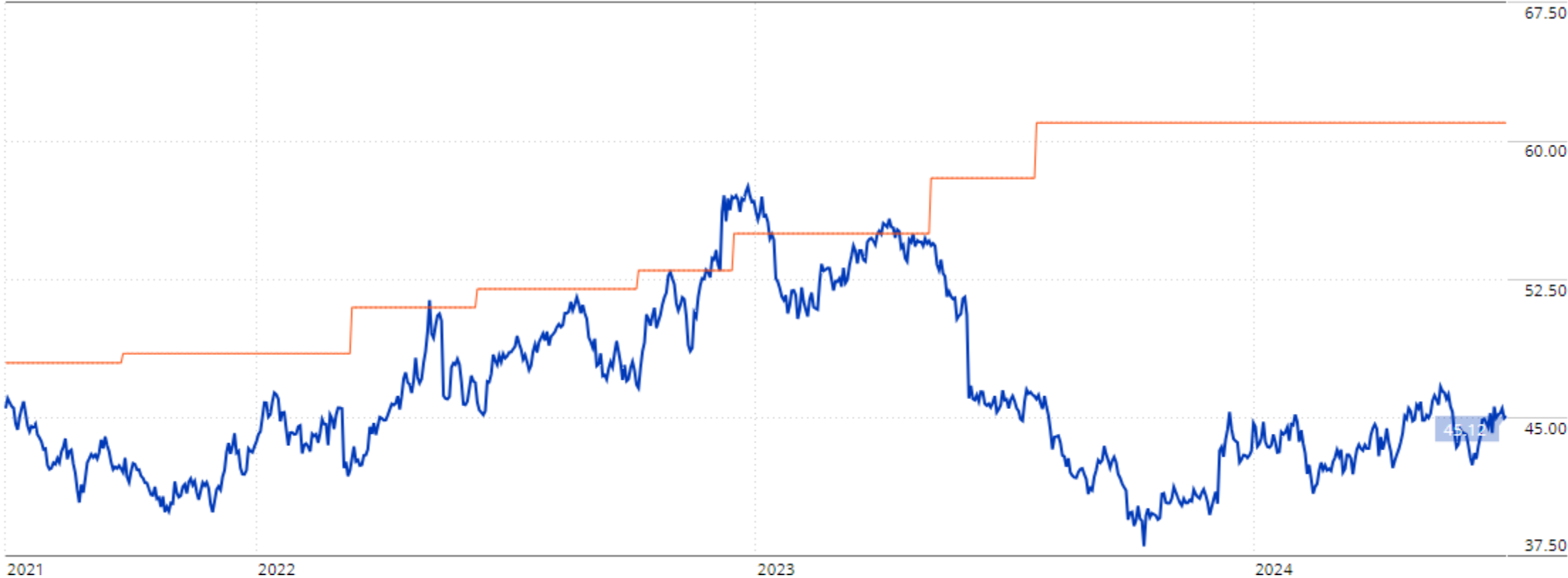
Business Strategy & Outlook:

The firm's product assortment includes well-known brands like Campbell's, Pace, Prego, Swanson, V8, and Pepperidge Farm. Following the sale of its international snacking operations in calendar 2019, the firm derives nearly all its sales from the United States. Campbell's strategic focus has set it on a sound course, leveraging technology, data insights, and artificial intelligence to bring consumer-valued products to market in a timely fashion while reducing complexity, investing in automation, and optimizing its supply chain and manufacturing network. In addition, we expect Campbell will continue to pursue inorganic opportunities within its core strengths to unlock fresh consumer insights and complement its mix. When input costs increase, Campbell employs multiple levers to counteract profit pressures by surgically increasing prices, extracting inefficiencies, and capping discretionary spending.

Economic Moat Analysis:

We assign a wide economic moat rating to Campbell Soup. We believe the firm has amassed a durable competitive edge through its strong brands, entrenched retailer relationships, and a cost advantage, creating meaningful barriers to successful entry in the categories in which it plays. Campbell boasts category leadership in US shelf-stable soup. Beyond its namesake, Campbell also ranks within the top three share position in several adjacent categories, such as sauces, broth, shelf-stable ready meals, and shelf-stable juice, rendering the firm a valued partner for retailers that strive to stock their shelves with leading brands. Apart from brand intangible assets, we believe Campbell possesses a cost advantage as a secondary moat source. With a broad domestic manufacturing and distribution network, we contend Campbell operates with lower unit and distribution costs and greater supply chain efficiency than smaller peers. This is a critical advantage for Campbell as it affords consistent access to inputs that others may not be able to amass, allowing the firm to consistently fulfill its orders in a timely manner and serve as a reliable vendor for retailers wary of costly out of stocks.

Campbell Soup (CPB)



Time Period: 7/6/2021 – 7/5/2024

Source: PitchBook

Indexes are unmanaged and not available for direct investment

Altria Group (MO)

Analyst: Kristoffer Inton**Sector:** Consumer Defensive**Industry:** Tobacco**Market Cap (\$bil):** \$78.9**Price/Fair Value:** 0.79**Economic Moat:** Wide**Economic Moat Sources:**

Cost Advantage

Efficient Scale

Intangible Assets

Network Effect

Switching Costs

Data as of: 7/5/2024**Source:** Morningstar Direct

Indexes are unmanaged and not available for direct investment

Commentary is excerpted from more comprehensive company reports

Business Strategy & Outlook:

Altria is the leading tobacco manufacturer in the United States. Although it is in secular contraction, the U.S. cigarette market is a relatively attractive one. We forecast the medium-term volume decline rate of the U.S. cigarette to be around 5% per year, which implies a recovery from the high-single-digit declines of recent years, due to the receding of the competitive threat from vaping. However, the ability to consistently price above the rate of volume declines should ensure that Altria can continue to increase its revenue, earnings, and dividend. Altria is attempting to pivot toward a portfolio of tobacco and nicotine products to mitigate the decline of cigarettes.

Economic Moat Analysis:

An addictive product and almost insurmountable barriers to entry in the tobacco industry form strong intangible assets and give Altria a wide economic moat. Tobacco contains nicotine, an addictive substance that suppresses the cessation rate. The addictive nature of the product forms a powerful competitive advantage when combined with very tight government regulation that over the years has served to damp market share volatility and competition on price. In the U.S., the Food and Drug Administration has imposed restrictions on marketing new or modified products that essentially keep new entrants out of the market. Even if new entrants were to receive FDA approval for a new product, other regulations make it difficult to build market share. Tobacco advertising is severely restricted in the U.S., with bans on most forms of mass marketing. This not only makes it very difficult for hypothetical new entrants to gain the attention of smokers, but it also damps competition among incumbent manufacturers. Volume shares at the manufacturer level have been very stable for decades, primarily because the lack of marketing communication has discouraged brand switching. Though it may seem counterintuitive in a declining industry, we have conviction in our wide moat rating because Altria is very likely to continue generating excess returns on invested capital for the next 20 years.

Altria Group (MO)



Time Period: 7/6/2021 – 7/5/2024

Source: PitchBook

Indexes are unmanaged and not available for direct investment

Pfizer (PFE)

Analyst: Damien Conover, CFA**Sector:** Healthcare**Industry:** Drug Manufacturers – General**Market Cap (\$bil):** \$157.0**Price/Fair Value:** 0.66**Economic Moat:** Wide**Economic Moat Sources:**

Cost Advantage

Efficient Scale

Intangible Assets

Network Effect

Switching Costs

Business Strategy & Outlook:

Pfizer is one of the world's largest pharmaceutical firms. While it historically sold many types of healthcare products and chemicals, prescription drugs and vaccines now account for the majority of sales. Top sellers include pneumococcal vaccine Prevnar 13, cancer drug Ibrance, and cardiovascular treatment Eliquis. Pfizer's foundation remains solid, based on strong cash flows generated from a basket of diverse drugs. The company's large size confers significant competitive advantages in developing new drugs. In a business where drug development needs a lot of shots on goal to be successful, Pfizer has the financial resources and the established research power to support the development of more new drugs. Also, after many years of struggling to bring out important new drugs, Pfizer is now launching several potential blockbusters in cancer and immunology.

Economic Moat Analysis:

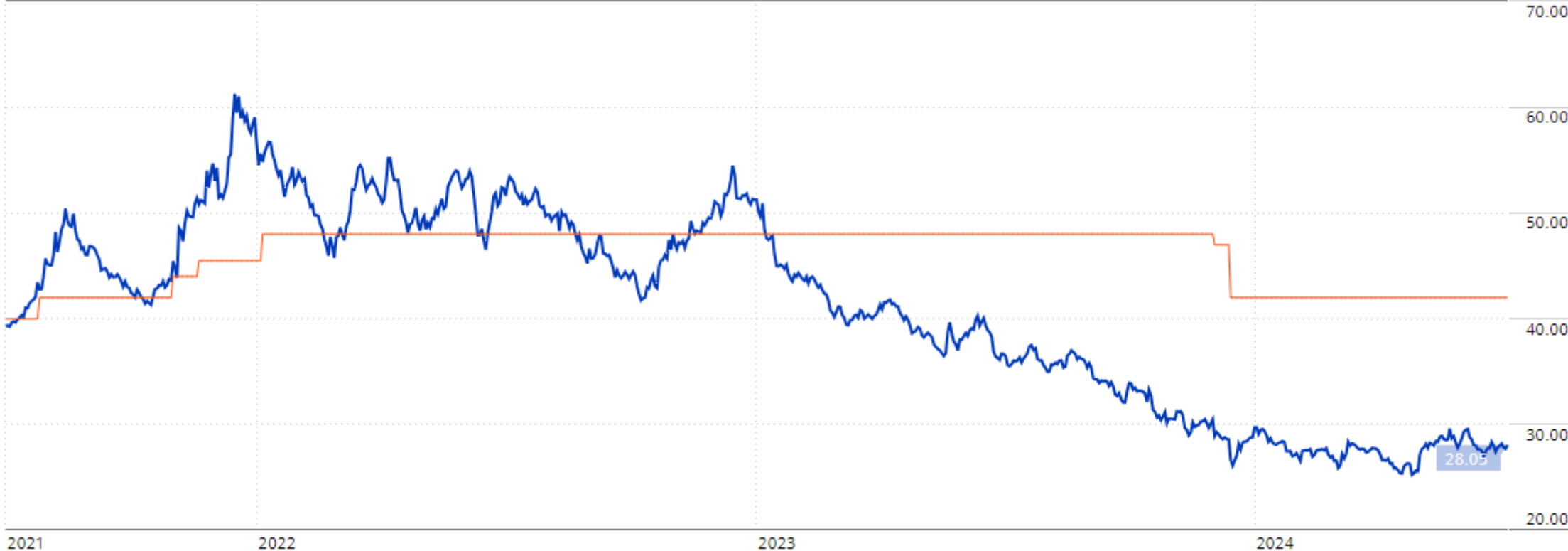
Patents, economies of scale, and a powerful distribution network support Pfizer's wide moat. Pfizer's patent-protected drugs carry strong pricing power that enables the firm to generate returns on invested capital above its cost of capital. The patents give the company time to develop the next generation of drugs before generic competition arises. We expect new products will mitigate the eventual generic competition of key drugs over the long term. Pfizer's operating structure allows for cost-cutting following patent losses to reduce the margin pressure from lost high-margin drug sales. Overall, Pfizer's established product line creates the enormous cash flows needed to fund the average \$800 million in development costs per new drug. A powerful distribution network sets up the company as a strong partner for smaller drug firms that lack Pfizer's resources.

Data as of: 7/5/2024**Source:** Morningstar Direct

Indexes are unmanaged and not available for direct investment

Commentary is excerpted from more comprehensive company reports

Pfizer (PFE)



Time Period: 7/6/2021 – 7/5/2024

Source: PitchBook

Indexes are unmanaged and not available for direct investment

RTX (RTX)

Analyst: Nicolas Owens**Sector:** Industrials**Industry:** Aerospace & Defense**Market Cap (\$bil):** \$133.9**Price/Fair Value:** 0.88**Economic Moat:** Wide**Economic Moat Sources:***Cost Advantage*

Efficient Scale

Intangible Assets

Network Effect

*Switching Costs***Data as of:** 7/5/2024**Source:** Morningstar Direct

Indexes are unmanaged and not available for direct investment

Commentary is excerpted from more comprehensive company reports

Business Strategy & Outlook:

RTX is a diversified aerospace and defense industrial company formed from the merger of United Technologies and Raytheon. RTX's businesses include Collins' aerospace componentry and subassemblies, Pratt & Whitney's engines, and Raytheon's missiles, sensors, and communications offerings. The combined entity unites powerhouses in the commercial aerospace and defense contracting industries and is unique in its relatively even split between commercial and defense revenue; most other firms in the industry are heavily skewed one way or the other.

Economic Moat Analysis:

Each of RTX's three segments—Collins Aerospace, Pratt & Whitney, and Raytheon—deserves its own wide moat. Broadly speaking, the aerospace and defense industry is characterized by substantial up-front development costs to create a net present value positive program that usually pays out over decades. Suppliers of aerospace systems tend to recoup the development cost of their products over many years of servicing them with specialized parts and engineering to meet their originally certified specifications. Defense contractors often share the up-front development costs with the government, and once awarded the contract to produce a given item, also share some ongoing costs such as pension provisions with the customer. RTX's business portfolio, the result of a bold series of corporate mergers and spinoffs in 2018 and 2019, fits well into these frameworks. The relevant moat sources for each of these segments are intangible assets stemming from the substantial accumulated engineering know-how required to enter the market, creating a stiff barrier to entry for external firms as well as deeply entrenched customer relationships and switching costs originating from a razor-and-blade business model in its aerospace segments, component placement in products with decades-long cycles in all segments, and switching costs stemming from mission criticality and lack of viable alternatives.

RTX (RTX)



Time Period: 7/6/2021 – 7/5/2024

Source: PitchBook

Indexes are unmanaged and not available for direct investment

Autodesk (ADSK)

Analyst: Julie Bhusal Sharma**Sector:** Technology**Industry:** Software – Application**Market Cap (\$bil):** \$53.1**Price/Fair Value:** 0.90**Economic Moat:** Wide**Economic Moat Sources:**

Cost Advantage

Efficient Scale

Intangible Assets

*Network Effect**Switching Costs***Business Strategy & Outlook:**

We view Autodesk as the global industry standard computer-aided design (CAD) software. Millions of industry professionals rely on Autodesk software to design and model buildings, manufactured products, animated films, and video games. Rather than resting on its laurels and counting on its network effect to do all the work in protecting its incumbency, Autodesk has continued to innovate. Autodesk has disrupted itself with its Revit 3D modeling software, which has served as a replacement for many AutoCAD users because of its use of parametric modeling to predict unknown variables. While Revit was acquired in 2002, its innovation since has us confident in Autodesk's eye to the future.

Economic Moat Analysis:

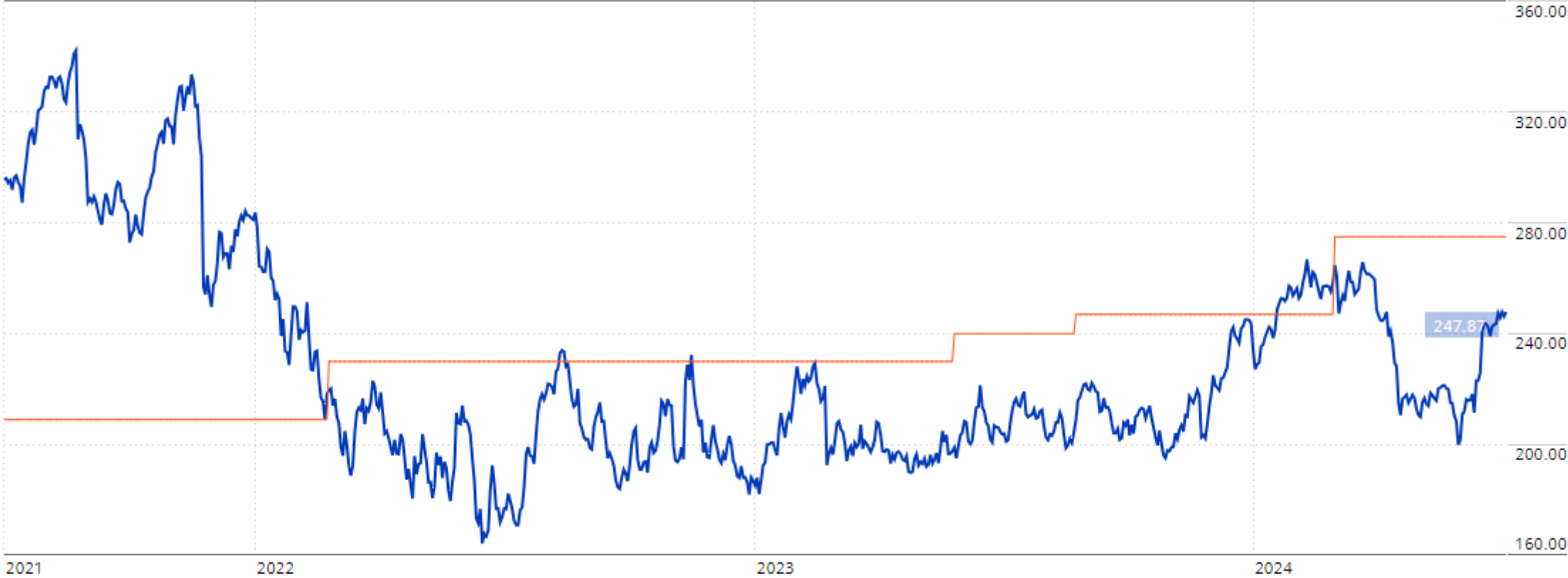
We believe Autodesk merits a wide moat rating built on switching costs and network effect. The company's offerings exhibit switching costs across all its industry exposures due to the complexity of its products. We consider switching costs to be significant across all these software offerings given the length of time required to master Autodesk software. In AutoCAD, we estimate that learning the basics takes roughly three to six months, with several years required for one to become fully adept. Autodesk's network effect is responsible for its breadth of use. Autodesk nurtures its network effect through its educational programs. The company offers free educational licenses to secondary and postsecondary educational institutions and has also given grants to institutions for centers of design. This propels a flywheel effect. The adoption of Autodesk within universities makes it more attractive to employers, and as more employers deploy Autodesk, it becomes more attractive to more students and universities thereafter. With Autodesk software considered the industry standard for many of its solutions, universities are convinced to continue teaching the software in its programs, which drives AEC, manufacturing, and M&E firms to continue using it, causing universities to continue teaching it.

Data as of: 7/5/2024**Source:** Morningstar Direct

Indexes are unmanaged and not available for direct investment

Commentary is excerpted from more comprehensive company reports

Autodesk (ADSK)



Time Period: 7/6/2021 – 7/5/2024

Source: PitchBook

Indexes are unmanaged and not available for direct investment

Corteva (CTVA)

Analyst: Seth Goldstein, CFA**Sector:** Basic Materials**Industry:** Agricultural Inputs**Market Cap (\$bil):** \$36.6**Price/Fair Value:** 0.75**Economic Moat:** Wide**Economic Moat Sources:**

Cost Advantage

Efficient Scale

Intangible Assets

Network Effect

Switching Costs

Data as of: 7/5/2024**Source:** Morningstar Direct

Indexes are unmanaged and not available for direct investment

Commentary is excerpted from more comprehensive company reports

Business Strategy & Outlook:

Corteva is an agriculture pure play that was formed in 2019 when it was spun out of DowDuPont. The company is a global leader in seeds and crop protection products. Corteva's seed portfolio skews toward corn and soybeans. Although Corteva's market share in seeds is second to Bayer (via Monsanto), the firm holds a solid portfolio of proprietary genetically modified seed platforms. GMO seeds make crops resistant to damaging insects while also allowing farmers to spray more-effective crop chemicals to control weeds. In the coming years, Corteva plans to launch multiple new corn and soybean seed products. While anti-GMO consumer sentiment may limit Corteva's growth in developed markets such as Europe, the need to improve crop yields globally should lead to eventual GMO adoption in emerging markets. In Corteva's crop protection segment, herbicides, which complement GMO seeds, should see increased demand.

Economic Moat Analysis:

We award Corteva a wide economic moat rating based on its portfolio of patented biotech seeds and crop chemicals. The company's patented products command pricing power as they protect farmer yields and reduce other expenses such as insecticides. Corteva's intangible assets stem from the research and development spending required for the continual development of proprietary seed and crop chemical formulations. As patents expire and bugs develop resistance to current products, seeds with new traits and new chemical formulations must be developed. Before the merger between Dow and DuPont, DuPont's agriculture business was second to wide-moat Bayer in biotech seeds and had built a solid position in the market, controlling a strong germplasm, or seed bank, and a capable distribution and marketing operation. DuPont had even bested Bayer in recent years on the marketing front with its more regional strategy. Additionally, Corteva's Enlist (soybean) and Qrome (corn) genetically modified platforms set the company up for long-term success as GMO seeds are adopted in emerging markets.

Corteva (CTVA)



Time Period: 7/6/2021 – 7/5/2024

Source: PitchBook

Indexes are unmanaged and not available for direct investment

Gilead Sciences (GILD)

Analyst: Karen Andersen, CFA

Sector: Healthcare

Industry: Drug Manufacturers – General

Market Cap (\$bil): \$83.0

Price/Fair Value: 0.69

Economic Moat: Wide

Economic Moat Sources:

Cost Advantage

Efficient Scale

Intangible Assets

Network Effect

Switching Costs

Business Strategy & Outlook:

Gilead Sciences develops and markets therapies to treat life-threatening infectious diseases, with the core of its portfolio focused on HIV and hepatitis B and C. Gilead Sciences generates stellar profit margins with its HIV and hepatitis C virus, or HCV, portfolio, which requires only a small salesforce and inexpensive manufacturing. Gilead is building a pipeline outside of HIV and HCV through acquisitions. The acquisition of Kite (CAR-T therapy Yescarta) is beginning to generate significant sales growth as the drug is used in earlier-stage patients, and the 2020 acquisitions of Forty Seven (CD47 antibody magrolimab) and Immunomedics (breast cancer drug Trodelvy), as well as a collaboration with Arcus, add to the oncology pipeline.

Economic Moat Analysis:

We assign Gilead a wide economic moat rating. We think patent protection on newer HIV regimens and Gilead's continued dominance in the hepatitis C market will be enough to ensure strong returns for the next couple of decades. Gilead's expertise in infectious diseases and single-pill formulations is a part of its research and development strategy, which we see as one of the strongest intangible assets supporting the firm's wide moat. Progress expanding the firm's oncology franchise could also add another pillar of support. Gilead's moat was formed by its leadership position in the treatment of HIV, with patented products that form the backbone of today's treatment regimens. Despite numerous competitors, the company has established leading market share and spectacular profitability with its convenient, effective, and safe treatments. Gilead has also shown that it can translate its extensive understanding of the drug discovery and development process in HIV into new therapeutic areas. For example, Gilead's oncology pipeline is also growing and advancing.

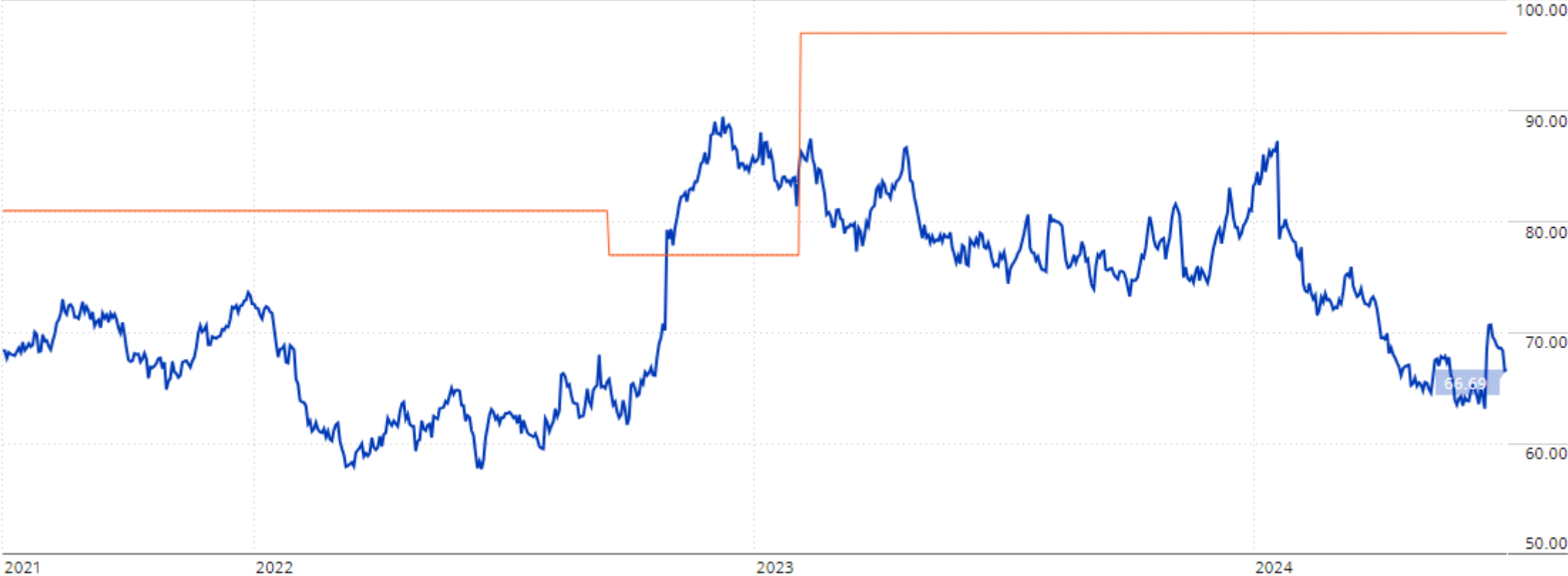
Data as of: 7/5/2024

Source: Morningstar Direct

Indexes are unmanaged and not available for direct investment

Commentary is excerpted from more comprehensive company reports

Gilead Sciences (GILD)



Time Period: 7/6/2021 – 7/5/2024

Source: PitchBook

Indexes are unmanaged and not available for direct investment

Comcast (CMCSA)

Analyst: Michael Hodel, CFA**Sector:** Communication Services**Industry:** Telecom Services**Market Cap (\$bil):** \$149.3**Price/Fair Value:** 0.68**Economic Moat:** Wide**Economic Moat Sources:***Cost Advantage**Efficient Scale*

Intangible Assets

Network Effect

Switching Costs

Business Strategy & Outlook:

Comcast's core cable business enjoys significant competitive advantages but has seen growth slow as fixed-wireless offerings have provided a viable option for a subset of customers. NBCUniversal isn't as well positioned but holds unique assets, including core content franchises and theme parks. We don't love the firm's strategy around Peacock, but we expect NBCU's assets will play a significant role in the media landscape of the future. Overall, we expect Comcast will deliver only modest growth but with strong cash flow for the foreseeable future. Comcast's cable business has steadily gained broadband market share over its primary competitors, phone companies like AT&T and Verizon, as high-quality internet access has become a staple utility.

Economic Moat Analysis:

We believe Comcast possesses a wide moat, resulting from the strength of its core cable business. Today, most U.S. homes can receive fixed-line internet access service from only two providers: the traditional cable or phone company. Across nearly half of the U.S., that cable company is Comcast. The cost to enter this market is enormous. While technological developments have made it possible to build more efficient and reliable networks, deploying these technologies still requires heavy construction spending, while also overcoming the regulatory hurdles that municipalities often impose. Assuming successful network construction, entrants then face steep customer acquisition costs and startup losses as they attempt to gain share, typically with a modestly differentiated product in a rapidly maturing market.

Data as of: 7/5/2024**Source:** Morningstar Direct

Indexes are unmanaged and not available for direct investment

Commentary is excerpted from more comprehensive company reports

Comcast (CMCSA)



Time Period: 7/6/2021 – 7/5/2024

Source: PitchBook

Indexes are unmanaged and not available for direct investment

Kenvue (KVUE)

Analyst: Keonhee Kim**Sector:** Consumer Defensive**Industry:** Household & Personal Products**Market Cap (\$bil):** \$18.3**Price/Fair Value:** 0.72**Economic Moat:** Wide**Economic Moat Sources:***Cost Advantage*

Efficient Scale

Intangible Assets

Network Effect

Switching Costs

Business Strategy & Outlook:

Kenvue is the world's largest pure-play consumer health company by revenue. Formerly known as Johnson & Johnson's consumer segment, Kenvue spun off and went public in May 2023. With the freedom to allocate capital and invest as a standalone entity, we expect the company to focus on growing its 15 priority brands (including Tylenol, Nicorette, Listerine, and Zyrtec) to drive future growth. The company has been rationalizing its portfolio by reducing its product count and divesting non-core businesses. With most of this optimization completed, the company will enjoy a more agile portfolio. Macro factors such as an aging population, premiumization of consumer health care products, and emerging market growth should provide tailwinds for Kenvue's wide array of brands.

Economic Moat Analysis:

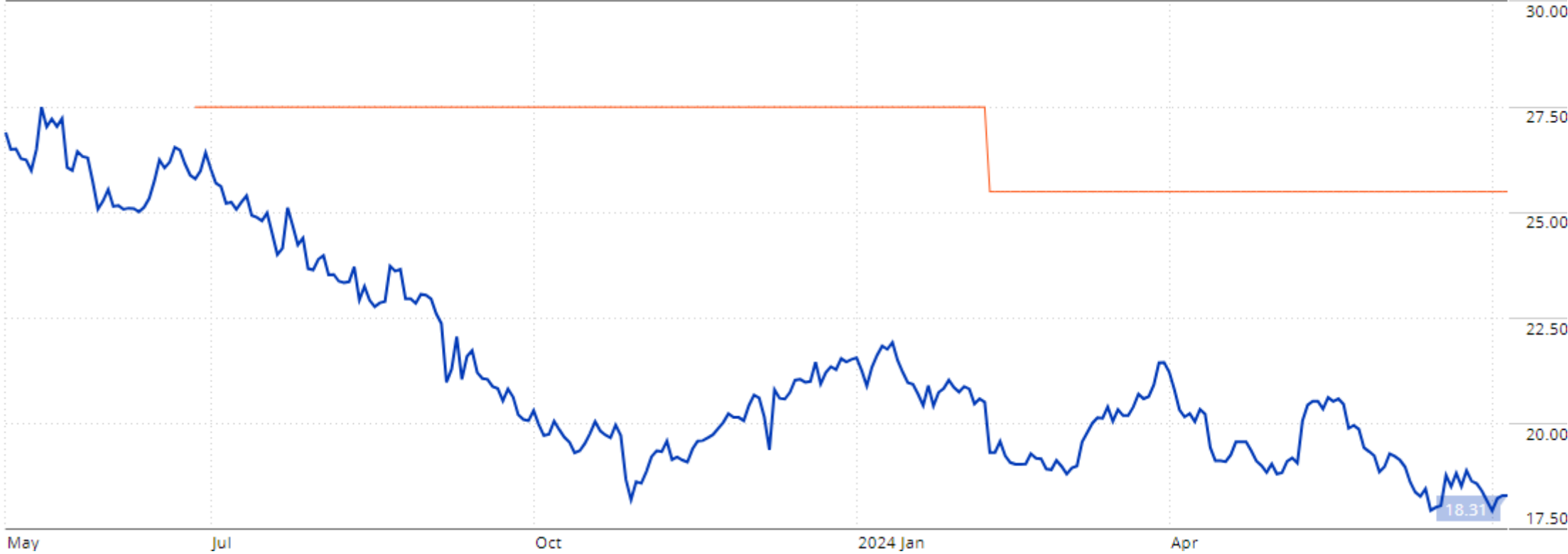
We assign a wide moat rating to Kenvue, as the company's strong brand reputation and customer loyalty (intangible assets) as well as significant economies of scale (cost advantage) should continue to support economic profits for at least the next 20 years. Some of the company's brands have such strong brand recognition that they are synonymous with their generic names. Notable examples include Tylenol (generic name: acetaminophen) and Band-Aid (generic name: adhesive bandage). All Kenvue's top brands are market leaders in their respective categories in North America. The company enjoys significant brand power and customer loyalty, with decades of history on the shelf and inside people's homes. For example, Listerine first became commercially available in 1914, Band-Aid in 1921, and Tylenol in 1955. The reputation of Kenvue's brands, which is underpinned by their long-standing history, is difficult to replicate. Many of these brands (Tylenol, Motrin, Zyrtec, Band-Aid, and Benadryl) are sought out in times of poor health, so the importance of brand familiarity and trust is heightened. Furthermore, Kenvue has been able to stay ahead of the industry in terms of pricing, having consistently raised prices higher than a brand's group average.

Data as of: 7/5/2024**Source:** Morningstar Direct

Indexes are unmanaged and not available for direct investment

Commentary is excerpted from more comprehensive company reports

Kenvue (KVUE)



Time Period: 5/4/2023 – 7/5/2024

Source: Pitchbook

Indexes are unmanaged and not available for direct investment

MarketAxess Holdings (MKTX)

Analyst: Michael Miller**Sector:** Financial Services**Industry:** Capital Markets**Market Cap (\$bil):** \$7.6**Price/Fair Value:** 0.67**Economic Moat:** Wide**Economic Moat Sources:**

Cost Advantage

Efficient Scale

Intangible Assets

Network Effect

Switching Costs

Data as of: 7/5/2024**Source:** Morningstar Direct

Indexes are unmanaged and not available for direct investment

Commentary is excerpted from more comprehensive company reports

Business Strategy & Outlook:

MarketAxess operates the leading platform for the electronic trading of corporate bonds. While the company is primarily focused on U.S. securities, some of its corporate bond trading volume comes from emerging market debt and Eurobonds, giving the company a strong international presence. MarketAxess also offers trading in U.S. Treasuries and municipal bonds. Fixed-income markets globally are increasingly moving away from voice-negotiated trading toward electronic trading platforms as the liquidity and workflow enhancement of these electronic networks promises to lower implicit and explicit trading costs for increasingly expense conscious firms. As MarketAxess rolls out new features such as automated trade execution and expands its Open Trading all-to-all network, the cost and liquidity advantages of electronic trading networks over traditional methods continues to increase.

Economic Moat Analysis:

We assign a wide economic moat rating to MarketAxess thanks to its position as the leading platform for electronic trading of U.S. corporate bonds as well as its strong position in Eurobonds and emerging market corporate debt. MarketAxess and its closest competitor, Tradeweb, have dominant positions in the section of the bond market that is electronically traded, and the firm has benefited significantly from the ongoing transition in fixed-income markets toward electronic trading and away from voice negotiated trades. This secular trend has provided the company with steady growth as the implicit and explicit cost reductions offered through its trading protocols pull more trading volume to its platform. MarketAxess' competitive moat primarily stems from powerful network effects as the company has built an impressive network of dealers and clients on its platform. As more buyers and sellers utilize a trading system, liquidity improves, making the platform a more effective trading tool for traders. More liquidity allows buyers and sellers to enter and exit their positions with less impact on the price of the asset and to find better bids and offers for their trades, reducing their implicit trading costs and making a trading network more attractive to new clients.

MarketAxess Holdings (MKTX)



Time Period: 7/6/2021 – 7/5/2024

Source: PitchBook

Indexes are unmanaged and not available for direct investment

U.S. Bancorp (USB)

Analyst: Michael Wong, CFA, CPA**Sector:** Financial Services**Industry:** Banks – Regional**Market Cap (\$bil):** \$61.7**Price/Fair Value:** 0.75**Economic Moat:** Wide**Economic Moat Sources:***Cost Advantage*

Efficient Scale

Intangible Assets

Network Effect

*Switching Costs***Data as of:** 7/5/2024**Source:** Morningstar Direct

Indexes are unmanaged and not available for direct investment

Commentary is excerpted from more comprehensive company reports

Business Strategy & Outlook:

U.S. Bancorp is the largest non-GSIB in the U.S. and has been one of the most profitable regional banks we cover. Few domestic competitors can match its operating efficiency and returns on equity. The bank has national scale and a unique mix of fee-generating businesses, including payments, corporate trust, wealth management, and mortgage banking, all while avoiding investment banking. The payments business consists of merchant acquiring, corporate payments, and the more typical retail credit cards and debit cards. The trust businesses involves being an admin and custodian for different investment vehicles. Most regional peers don't have these in their business mix.

Economic Moat Analysis:

We believe U.S. Bancorp has a wide Morningstar economic moat rating as it possesses cost advantages and switching costs that are consistent with our bank moat framework. In our view, this has been demonstrated by the bank's returns on tangible equity, which have consistently been superior to peers and in excess of an estimated cost of equity of 9% since 2001. We believe each of U.S. Bancorp's business units is a strong performer. The core retail and wholesale banking segments by themselves would be some of the strongest core banking operations under our coverage (by operating efficiency, through-the-cycle credit costs, and the resulting returns on equity). Payments services and corporate trust/fund services add to the core strength we see for U.S. Bancorp. We argue that bank moats are derived primarily from two sources: cost advantages and switching costs. We see cost advantages as stemming from three primary factors: a low-cost deposit base, excellent operating efficiency, and conservative underwriting, with regulatory costs being a final factor that must also be considered. U.S. Bancorp is particularly strong in operating efficiency and also demonstrated superior underwriting during the last downturn. Thanks to its switching costs, the firm has enjoyed a steady market share, thereby maintaining favorable returns on equity.

U.S. Bancorp (USB)



Time Period: 7/6/2021 – 7/5/2024

Source: PitchBook

Indexes are unmanaged and not available for direct investment

Zimmer Biomet Holdings (ZBH)

Analyst: Debbie Wang**Sector:** Healthcare**Industry:** Medical Devices**Market Cap (\$bil):** \$21.9**Price/Fair Value:** 0.61**Economic Moat:** Wide**Economic Moat Sources:**

Cost Advantage

Efficient Scale

Intangible Assets

Network Effect

*Switching Costs***Business Strategy & Outlook:**

Zimmer Biomet is the undisputed king of large joint reconstruction, and we expect aging baby boomers and improving technology suitable for younger patients to fuel solid demand for large-joint replacement that should offset price declines. Zimmer's strategy is two-pronged. First, it is focused on cultivating close relationships with orthopedic surgeons who make the brand choice. High switching costs and high-touch service keep the surgeons closely tied to their primary vendor. This close relationship and vendor loyalty also help explain why market share shifts in orthopedic implants are glacial, at best. Second, the firm aims to accelerate growth through innovative products and improved execution. The latter is critical, in our view, to realizing the firm's potential.

Economic Moat Analysis:

Zimmer's wide economic moat stems from two major sources. First, there are substantial switching costs for orthopedic surgeons. The extensive instrumentation, or tool sets, used to prepare bones and install implants are specific to each company. The learning curve to become proficient in using one company's instrumentation is significant. This leaves surgeons reluctant to train and master multiple instrumentation systems. Research has found surgeons stick with their preferred vendor and sales rep for 5-15 years and use that vendor for approximately 95% of their orthopedic procedures during that time. Switching to another instrumentation system would require taking time out for training, developing a relationship with new sales rep, and working less efficiently during the early period of mastering another vendor's tools, possibly raising risks for the patient and reducing the number of procedures (and income for the surgeon). This dynamic explains why market share among the four top orthopedic implant makers has remained remarkably steady. Zimmer's moat also involves intangible assets, including intellectual property that protects the product portfolio.

Data as of: 7/5/2024**Source:** Morningstar Direct

Indexes are unmanaged and not available for direct investment

Commentary is excerpted from more comprehensive company reports

Zimmer Biomet Holdings (ZBH)



Time Period: 7/6/2021 – 7/5/2024

Source: PitchBook

Indexes are unmanaged and not available for direct investment

Allegion (ALLE)

Analyst: Brian Bernard, CFA, CPA**Sector:** Industrials**Industry:** Security & Protection Services**Market Cap (\$bil):** \$10.1**Price/Fair Value:** 0.78**Economic Moat:** Wide**Economic Moat Sources:**

Cost Advantage

Efficient Scale

Intangible Assets

Network Effect

*Switching Costs***Data as of:** 7/5/2024**Source:** Morningstar Direct

Indexes are unmanaged and not available for direct investment

Commentary is excerpted from more comprehensive company reports

Business Strategy & Outlook:

Allegion is a global security products company with a portfolio of leading brands such as Schlage, Von Duprin, and LCN, which spun off from Ingersoll-Rand in December 2013. No longer forced to compete for capital from a conglomerate parent, Allegion has employed a more robust acquisition strategy to expand its scale, technological capabilities, and product portfolio. At roughly 80% of sales and 90% of segment profitability, the Americas segment is Allegion's largest and strongest business, with a leading position in locks, exit devices, and door controls. The Americas business has been the key driver of Allegion's stable, industry-leading profitability, which is a testament to the firm's market position and pricing power.

Economic Moat Analysis:

Despite competition from formidable competitors, Allegion has consistently capitalized on its brand equity, strong distribution network, and large installed base to drive excess returns. We award Allegion a wide economic moat, supported by the firm's intangible assets and customer switching costs. Allegion has a portfolio of well-recognized and long-established brands associated with superior quality and durability in both residential and commercial markets. Perceived quality and durability are critical considerations, given that the cost of failure can be very high. We believe Allegion benefits from customer switching costs, primarily in its commercial installed base. To earn the right to compete in the commercial security market, security product manufacturers must have a proven ability to meet or exceed stringent building code standards and manage the complexities of large-scale projects. With a deep expertise in building code standards, wide product breadth, a proven ability to design custom-configured solutions, and a long list of successful commercial projects, Allegion has earned that right. Allegion's commercial record is one factor that allows the firm to capture incremental sales as its commercial customers expand or retrofit existing security solutions. The desire for continuity is another factor that drives high retention rates on add-on spending. When commercial customers expand or renovate their facilities, they generally look to preserve the existing aesthetics and maintain harmonious security functionality.

Allegion (ALLE)



Time Period: 7/6/2021 – 7/5/2024

Source: PitchBook

Indexes are unmanaged and not available for direct investment

TransUnion (TRU)

Analyst: Rajiv Bhatia, CFA**Sector:** Industrials**Industry:** Consulting Services**Market Cap (\$bil):** \$14.7**Price/Fair Value:** 0.76**Economic Moat:** Wide**Economic Moat Sources:**

Cost Advantage

Efficient Scale

Intangible Assets

Network Effect

Switching Costs

Business Strategy & Outlook:

TransUnion is one of the leading credit bureaus in the United States, providing the consumer information that is the basis for granting credit. The company also provides fraud detection, marketing, and analytical services. TransUnion's core business is selling credit reports to U.S. lenders, but as this business is the most mature, the company has sought other avenues of growth. One avenue has been expanding beyond financial institutions into verticals such as insurance, rental screening, collections, and other sectors.

Economic Moat Analysis:

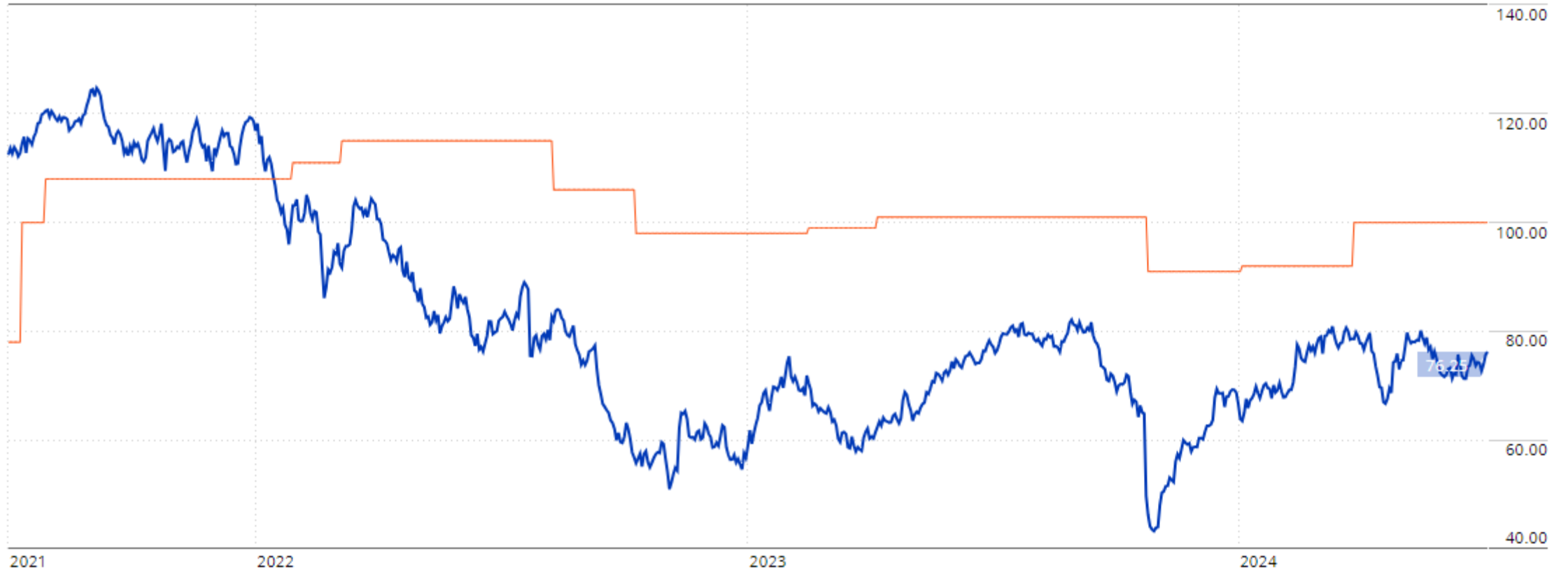
TransUnion's data is critical to the underwriting decisions of its customers (often banks), and the price of its services is negligible relative to the loan amounts at risk. We estimate that North American credit bureaus' revenue represents about 1-2 basis points of total household debt. Because the accuracy and completeness of data is critical to credit decisions, lenders often pull from more than one credit bureau and we do not believe pricing is the primary factor for choosing a credit bureau. We believe the barriers to entering the credit bureau business are high, as replicating a database of millions of customers would be incredibly difficult. As the credit bureaus' data is based on the voluntary reporting of thousands of financial institutions, it's unlikely that a startup credit bureau, particularly with heightened data security concerns, could convince banks to share consumer information. Outside of mortgage, TransUnion's credit reports are deeply entrenched in auto lenders' and credit card issuers' workflows.

Data as of: 7/5/2024**Source:** Morningstar Direct

Indexes are unmanaged and not available for direct investment

Commentary is excerpted from more comprehensive company reports

TransUnion (TRU)



Time Period: 7/6/2021 – 7/5/2024

Source: PitchBook

Indexes are unmanaged and not available for direct investment

Equifax (EFX)

Analyst: Rajiv Bhatia, CFA**Sector:** Industrials**Industry:** Consulting Services**Market Cap (\$bil):** \$29.7**Price/Fair Value:** 0.91**Economic Moat:** Wide**Economic Moat Sources:**

Cost Advantage

Efficient Scale

Intangible Assets

Network Effect

Switching Costs

Data as of: 7/5/2024**Source:** Morningstar Direct

Indexes are unmanaged and not available for direct investment

Commentary is excerpted from more comprehensive company reports

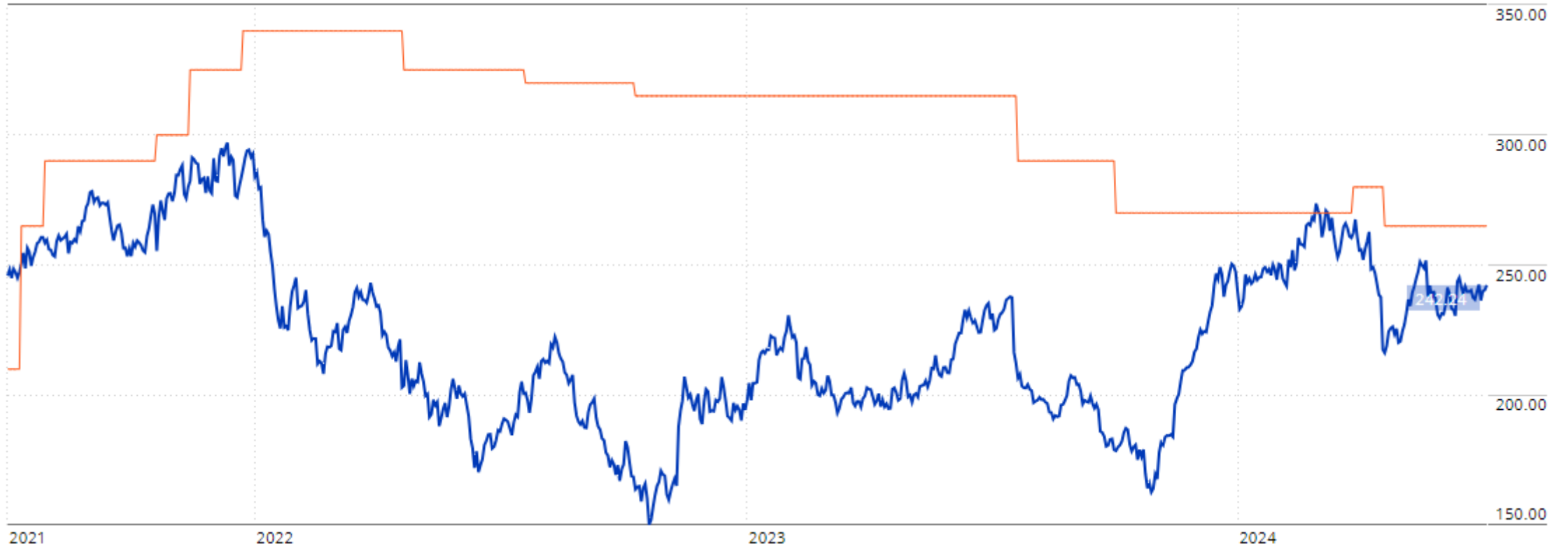
Business Strategy & Outlook:

Along with TransUnion and Experian, Equifax is one of the big three credit bureaus. Given the fixed costs inherent in a data-intensive business, Equifax has been able to enjoy strong operating leverage from incremental revenue. As the U.S. credit bureau market is relatively mature, the company has been adding new capabilities and expanding its geographic footprint, both organically and through acquisitions. Equifax's star in recent years has been its workforce solutions segment, which is now its largest segment. Workforce solutions includes income verification (primarily for mortgages), and we don't believe Equifax has meaningful direct competition for this service. We expect Equifax's competitive position to persist as the large amount of existing records and the difficulty of convincing employers to share employee information would be too tough for new entrants to overcome. In the years ahead, we expect Equifax to focus on expanding use cases of income verification beyond mortgage to auto, card, government services, and employment screening. Workforce solutions also includes employers' services, which consist of employee onboarding solutions, I-9 management, tax form services, and unemployment claims processing.

Economic Moat Analysis:

Overall, we believe Equifax merits a wide moat rating based on intangible assets. Equifax's data is critical to its customers' (often banks) underwriting decisions, and the price of its services is negligible relative to the loan amounts at risk. We estimate that North American credit bureaus' revenue represents about 1-2 basis points of total household debt. Because the accuracy and completeness of data is critical to credit decision-making, lenders often pull from more than one credit bureau, and we do not believe pricing is the primary factor for choosing a credit bureau. We believe the barriers to entering the credit bureau business are high, as replicating a database of millions of customers would be incredibly difficult. Because the credit bureaus' data is based on the voluntary reporting of thousands of financial institutions, it's unlikely that a startup, particularly with heightened data security concerns, could convince banks to share consumer information.

Equifax (EFX)



Time Period: 7/6/2021 – 7/5/2024

Source: PitchBook

Indexes are unmanaged and not available for direct investment

Agilent Technologies (A)

Analyst: Julie Utterback, CFA**Sector:** Healthcare**Industry:** Diagnostics & Research**Market Cap (\$bil):** \$36.8**Price/Fair Value:** 0.84**Economic Moat:** Wide**Economic Moat Sources:**

Cost Advantage

Efficient Scale

Intangible Assets

Network Effect

*Switching Costs***Data as of:** 7/5/2024**Source:** Morningstar Direct

Indexes are unmanaged and not available for direct investment

Commentary is excerpted from more comprehensive company reports

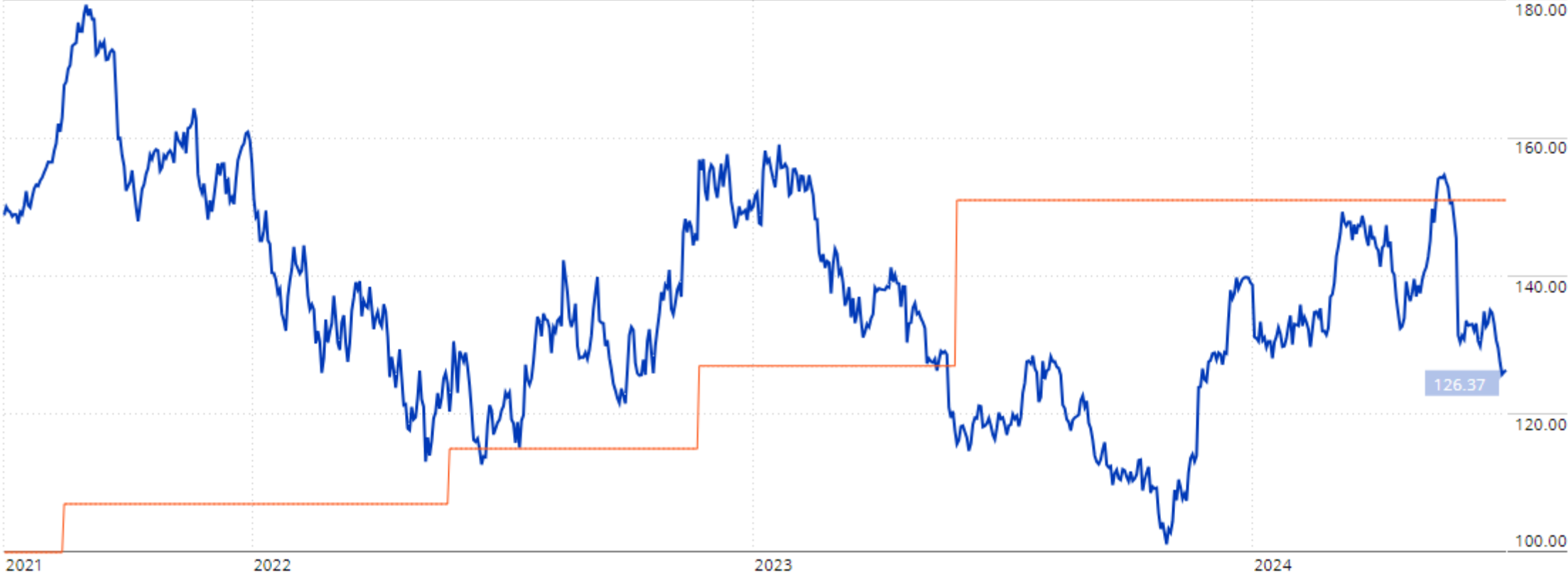
Business Strategy & Outlook:

Agilent focuses on providing tools to analyze the structural properties of various chemicals, molecules, and cells. Agilent is one of the leading providers of chromatography and mass spectrometry tools, which have applications in a variety of end markets, including the healthcare, chemical, food, and environmental fields. top-tier positions in most end markets, innovation, marketing operations, and ongoing cost controls should help Agilent grow revenue and expand margins in the coming years.

Economic Moat Analysis:

We believe a wide moat surrounds Agilent's analytical instrument business, consisting primarily of chromatography (gas and liquid), mass spectrometry, and other testing tools. Intellectual property and ongoing innovation create an intangible asset moat source while regulatory and reproducibility factors contribute to switching costs for end users. Both moat sources are crucial to Agilent's ongoing advantages in its target markets, and with these advantages, Agilent enjoys strong returns on invested capital including goodwill of more than double its capital costs, by our calculations. Agilent offers differentiated technology that is protected by various intangible assets, including patents, copyrights, and trademarks. This portfolio of intellectual property and its innovation prowess in chosen fields keep competitors from directly copying its technology. After the initial choice of tools based primarily on intangible assets, Agilent benefits from substantial switching costs in most of its end markets. Agilent's analytical tools are critical components of the production methods for various drugs, which are specified directly in each molecule's regulatory approval application. Regulators require the same production method throughout a drug's lifecycle, and any changes to the manufacturing process, including the quality assurance and quality control tests often performed on Agilent's tools, would require approval from regulators.

Agilent Technologies (A)



Time Period: 7/6/2021 – 7/5/2024

Source: PitchBook

Indexes are unmanaged and not available for direct investment

Starbucks (SBUX)

Analyst: Sean Dunlop, CFA**Sector:** Consumer Cyclical**Industry:** Restaurants**Market Cap (\$bil):** \$86.4**Price/Fair Value:** 0.79**Economic Moat:** Wide**Economic Moat Sources:***Cost Advantage*

Efficient Scale

Intangible Assets

Network Effect

Switching Costs

Business Strategy & Outlook:

Starbucks is the largest specialty coffee chain in the world. The firm's attention to premium-quality coffee distinguishes it from chained competitors, alleviating pressure from quick-service peers and at-home consumption while underpinning substantially higher pricing for what has historically been a commoditized product. This positioning looks increasingly important to us moving forward, as vending, single-serve coffee machines, and quick-service restaurants continue to improve at the lower end of the market, and as China approaches a similarly tiered competitive equilibrium. Starbucks' near-term priorities, as outlined in its reinvention plan, strike us as prudent: investing in the in-store partner experience, recalibrating stores to better meet the needs of an increasingly off-premise consumer, and emphasizing consistent guest experience across omnichannel touch points. We continue to believe that Starbucks remains a compelling long-term "growth at scale" story.

Economic Moat Analysis:

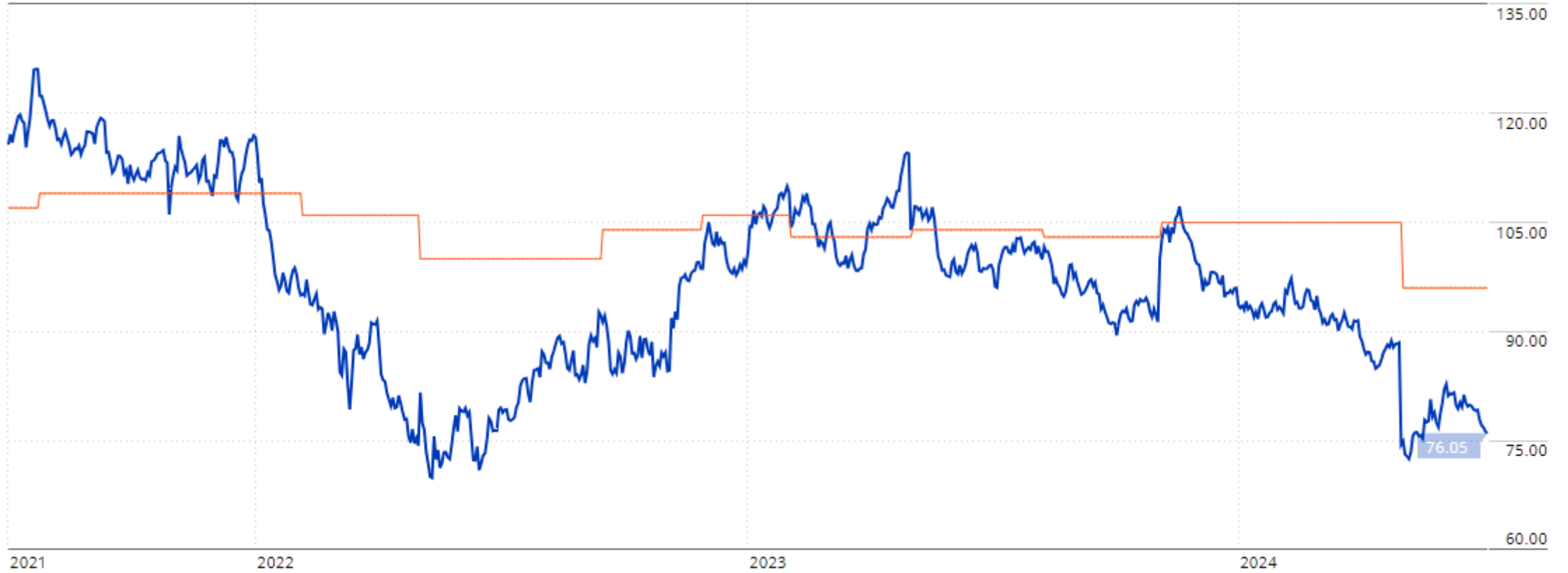
Starbucks is one of the few operators in our coverage that boasts a wide economic moat, with brand strength, evidenced by pricing power, attractive unit-level economics, successful international replication, and strong results in the retail channel underpinning a durable brand intangible asset. The firm's ability to generate excitement and traffic, evidenced by impressive comparable sales growth in the core U.S. market, while spending less on marketing than category peers, reinforces the importance of the brand and its impact on results. Moreover, though we view it as a secondary moat source, we also believe that Starbucks benefits from a durable cost advantage, with its global scale allowing it to procure commoditized food and paper items at favorable prices. The firm's scale allows it to leverage technology spending across a larger store base, generating efficiency improvements and cost savings through automated inventory management, scheduling, and a robust omnichannel ordering platform, while a strong loyalty program increases its affinity with core customers.

Data as of: 7/5/2024**Source:** Morningstar Direct

Indexes are unmanaged and not available for direct investment

Commentary is excerpted from more comprehensive company reports

Starbucks (SBUX)



Time Period: 7/6/2021 – 7/5/2024

Source: PitchBook

Indexes are unmanaged and not available for direct investment

Fortinet (FTNT)

Analyst: Malik Ahmed Khan, CFA**Sector:** Technology**Industry:** Software - Infrastructure**Market Cap (\$bil):** \$46.4**Price/Fair Value:** 0.79**Economic Moat:** Wide**Economic Moat Sources:**

Cost Advantage

Efficient Scale

Intangible Assets

*Network Effect**Switching Costs***Data as of:** 7/5/2024**Source:** Morningstar Direct

Indexes are unmanaged and not available for direct investment

Commentary is excerpted from more comprehensive company reports

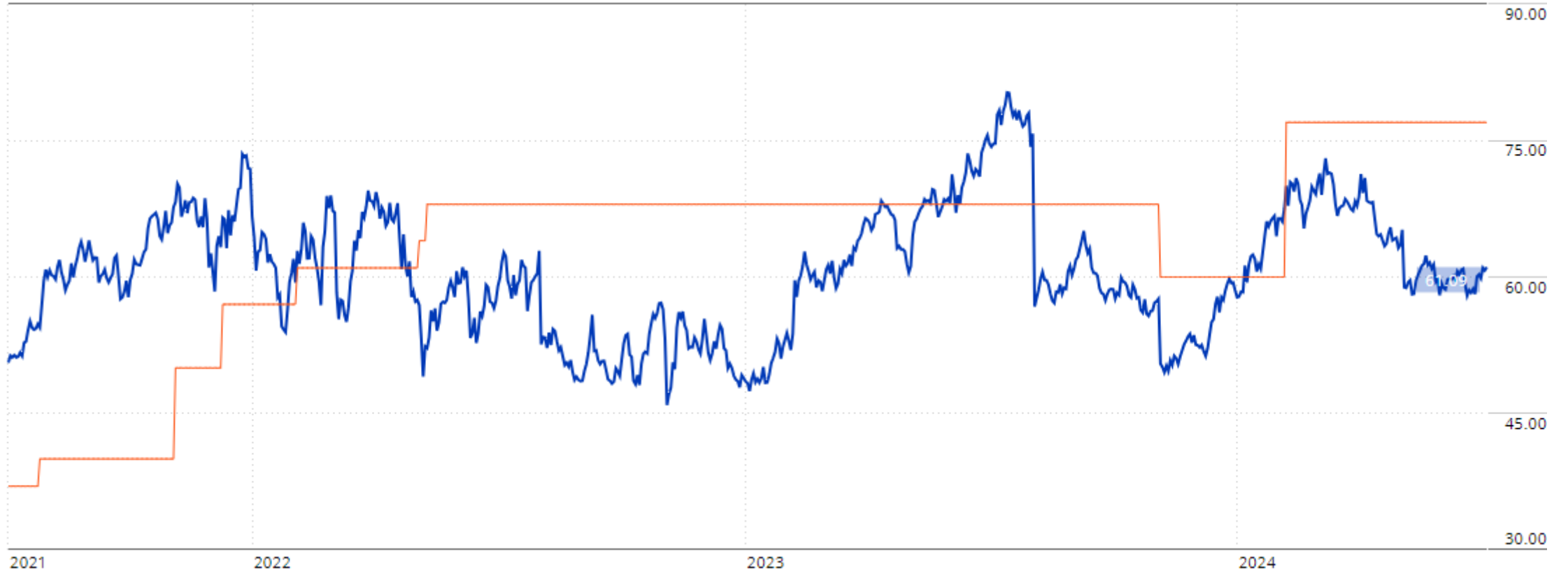
Business Strategy & Outlook:

We see Fortinet as a leader in the security space with solutions ranging from network security firewalls to security operations. As we look at the firm's market opportunity, we believe Fortinet stands to materially benefit as secular tailwinds in security and vendor consolidation increase its value proposition to its clients. The cybersecurity segment continues to increase in threat complexity and intensity. A typical enterprise's digital footprint has exponentially increased over the years, leading to the creation of new attack vectors that nefarious players can exploit. While the number of attack vectors has increased, so has the damage from cybersecurity lapses with companies facing punitive regulatory fines along with reputational and commercial damage. In this evolving landscape, we see IT security teams looking for platforms that offer more holistic security coverage versus point solutions that can inadvertently create data silos. This shift toward consolidation is an opportunity for platform cybersecurity vendors such as Fortinet.

Economic Moat Analysis:

We assign a wide moat rating to Fortinet owing primarily to strong customer switching costs, and second due to a network effect associated with its offerings. Across our coverage, we see high switching costs for enterprise-focused cybersecurity vendors, such as Fortinet, that often have an expansive footprint across an enterprise. To uproot such a vendor requires not only a competitive offering from another vendor, but often retraining staff to use the new platform, a period of increased vulnerability. Additionally, we believe security-related IT decisions are driven by security analysts and engineers that focus on performance rather than price, so enterprises are less likely to rip out cybersecurity solutions as a source of potential cost-savings. Along with high switching costs, we believe a network effect reinforces Fortinet's economic moat. Vendors have developed AI solutions to automate processes and pick up threats (especially zero-day attacks that have never been seen before). However, artificial intelligence and ML solutions are only as good as the data that is fed to them. This need for good-quality data is where we see entrenched platform vendors, such as Fortinet, having an edge as they have data streaming in their security solutions from across the enterprise.

Fortinet (FTNT)



Time Period: 7/6/2021 – 7/5/2024

Source: PitchBook

Indexes are unmanaged and not available for direct investment

Etsy (ETSY)

Analyst: Sean Dunlop, CFA**Sector:** Consumer Cyclical**Industry:** Internet Retail**Market Cap (\$bil):** \$6.8**Price/Fair Value:** 0.58**Economic Moat:** Wide**Economic Moat Sources:**

Cost Advantage

Efficient Scale

*Intangible Assets**Network Effect*

Switching Costs

Data as of: 7/5/2024**Source:** Morningstar Direct

Indexes are unmanaged and not available for direct investment

Commentary is excerpted from more comprehensive company reports

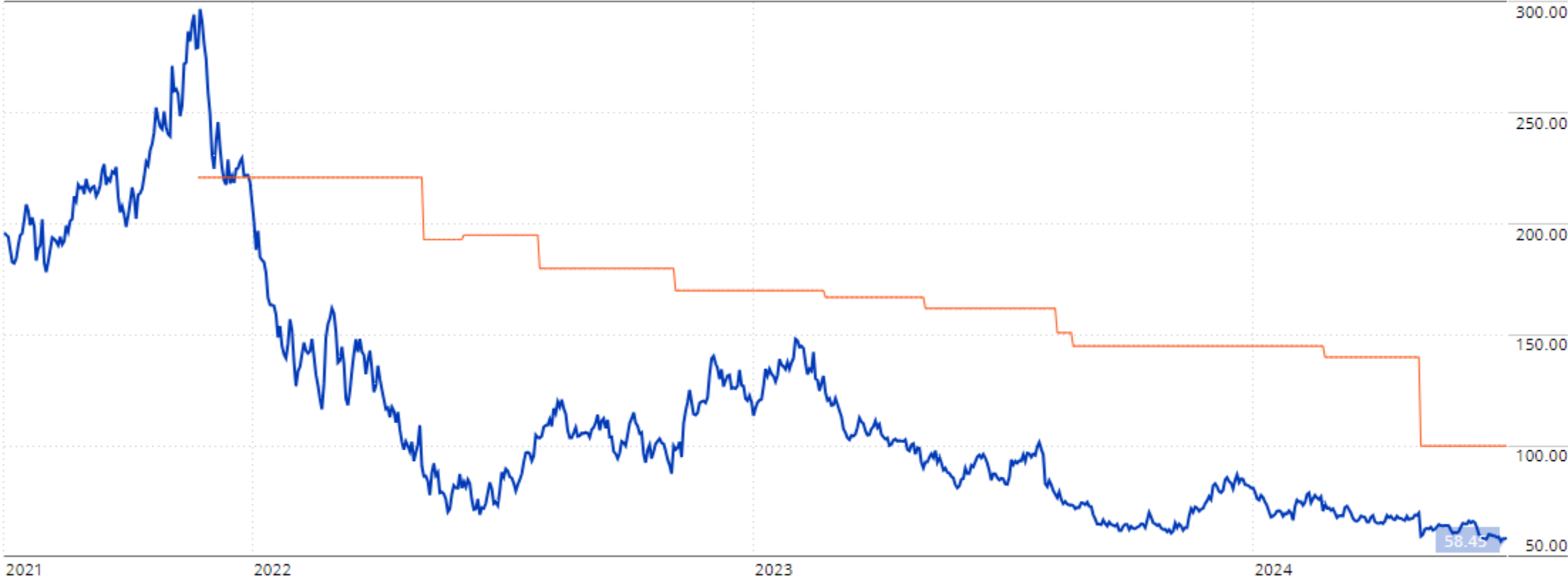
Business Strategy & Outlook:

Etsy operates a top-10 e-commerce marketplace in the U.S. and the U.K., with sizable operations in Germany, France, Australia, and Canada. Etsy has carved out an interesting competitive niche, jockeying for e-commerce wallet share across a variety of heterogeneous verticals in the long tail of unbranded products. The firm's marketplace properties — Etsy, Reverb, and Depop — all target non-commoditized inventories (artisanal crafts, used musical instruments, and vintage clothing resale), generate commissions on third-party, peer to peer sales, and strive to create a "treasure hunt" experience around a unique, customizable, and consequently less price elastic product suite. The firm's core "Etsy" marketplace accounts for roughly 90% of consolidated gross merchandise volume, or GMV.

Economic Moat Analysis:

The e-commerce industry is extremely competitive, featuring almost perfect price transparency, fostering little customer loyalty, and engendering relentless competition to shave a few basis points from costs, or to improve fulfillment speed by a couple of minutes on the margin. Operators positioned to emerge from the maelstrom, in our view, are those that dig moats around enduring competitive advantages: durable marketplace network effects, access to unique customer data or inventory, or scale-driven cost advantages. We believe Etsy is poised to emerge as a long-term winner in e-commerce, eschewing competition in commoditized categories like fast-moving consumer goods as the firm has recognized its inability to effectively compete for sales that are driven principally by price and fulfillment speed considerations. Instead, Etsy has built a competitively advantaged marketplace around a catalog of non-traditional, unique, customizable, and artisanal inventory, deriving a competitive edge from a network that grows more valuable as additional buyers and sellers join the platform. Further, Etsy benefits from access to an almost entirely non-standardized suite of more than 100 million products, with those items mapping to neither stock-keeping units nor universal product codes, allowing the firm to develop search algorithms that would effectively be impossible for peers to emulate.

Etsy (ETSY)



Time Period: 7/6/2021 – 7/5/2024

Source: PitchBook

Indexes are unmanaged and not available for direct investment

Veeva Systems (VEEV)

Analyst: Keonhee Kim**Sector:** Healthcare**Industry:** Health Information Services**Market Cap (\$bil):** \$29.3**Price/Fair Value:** 0.67**Economic Moat:** Wide**Economic Moat Sources:**

Cost Advantage

Efficient Scale

Intangible Assets

Network Effect

*Switching Costs***Data as of:** 7/5/2024**Source:** Morningstar Direct

Indexes are unmanaged and not available for direct investment

Commentary is excerpted from more comprehensive company reports

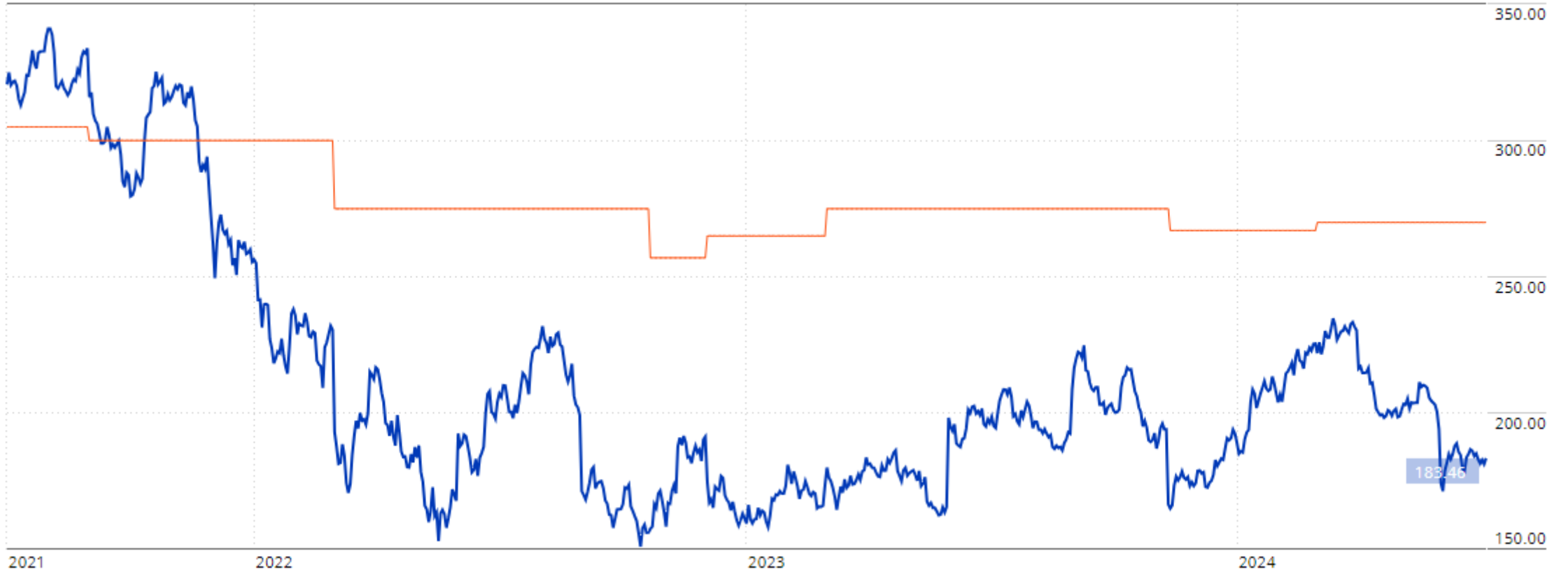
Business Strategy & Outlook:

Veeva is the leading provider of cloud-based software solutions tailored to the life sciences industry. It provides an ecosystem of products to address the operating challenges and regulatory requirements that companies in the space face. Instead of focusing on a general, one-size-fits-all system, Veeva has created platforms that are purely designed to serve one industry. And this vertical focus has allowed the company to shape its products for its specific customers to fit their specific needs. Veeva is deeply penetrated in its addressable market, and its continued expanding portfolio of applications presents itself as one of the most attractive offerings in the space.

Economic Moat Analysis:

We a wide moat rating to Veeva. We believe the firm's high retention rate and its customers' unwillingness to move to a different product, indicative of switching costs, should continue to support economic profits for at least the next 20 years. Veeva is the leading provider of cloud-based software solutions specific to the life sciences industry. As a first mover in a niche space, Veeva faces little competition, and has already established itself as the global standard for life sciences CRM. Also, since Veeva is vertically focused in one specific industry, its depth of knowledge and experience in the space is very difficult to replicate for any generic CRM provider. This is supported by the lion's share of the CRM market that Veeva has attained over the years. Once users are fully acclimated to Veeva's CRM and the system is fully integrated into a company's operating activities, the direct time and expense of switching to a competing software solution is high and comes with substantial operating risks. The downside risk of switching is expansive and could result in loss of data in the migration process, temporary disruption to sales activities, or even ultimately delay product launches. This is especially damaging for life sciences industry where time to market is more important than other industries because it is very time-intensive to develop drugs and patent duration is limited.

Veeva Systems (VEEV)



Time Period: 7/6/2021 – 7/5/2024

Source: PitchBook

Indexes are unmanaged and not available for direct investment

Bristol-Myers Squibb (BMY)

Analyst: Damien Conover, CFA**Sector:** Healthcare**Industry:** Drug Manufacturers - General**Market Cap (\$bil):** \$81.2**Price/Fair Value:** 0.64**Economic Moat:** Wide**Economic Moat Sources:**

Cost Advantage

Efficient Scale

Intangible Assets

Network Effect

Switching Costs

Business Strategy & Outlook:

Bristol-Myers Squibb discovers, develops, and markets drugs for various therapeutic areas, such as cardiovascular, cancer, and immune disorders. A key focus for Bristol is immuno-oncology, where the firm is a leader in drug development. Adept at partnerships and acquisitions, Bristol-Myers Squibb has built a strong portfolio of drugs and a robust pipeline. Within the pipeline, the astute acquisition of Medarex helps secure Bristol's strong first-mover advantage in cancer immunotherapy, which should yield several major blockbuster compounds. Bristol is aggressively repositioning itself to expand through challenging patent losses. The company has shed its diabetes business, medical imaging group, woundcare division, and nutritional business to focus on the high-margin specialty drug group.

Economic Moat Analysis:

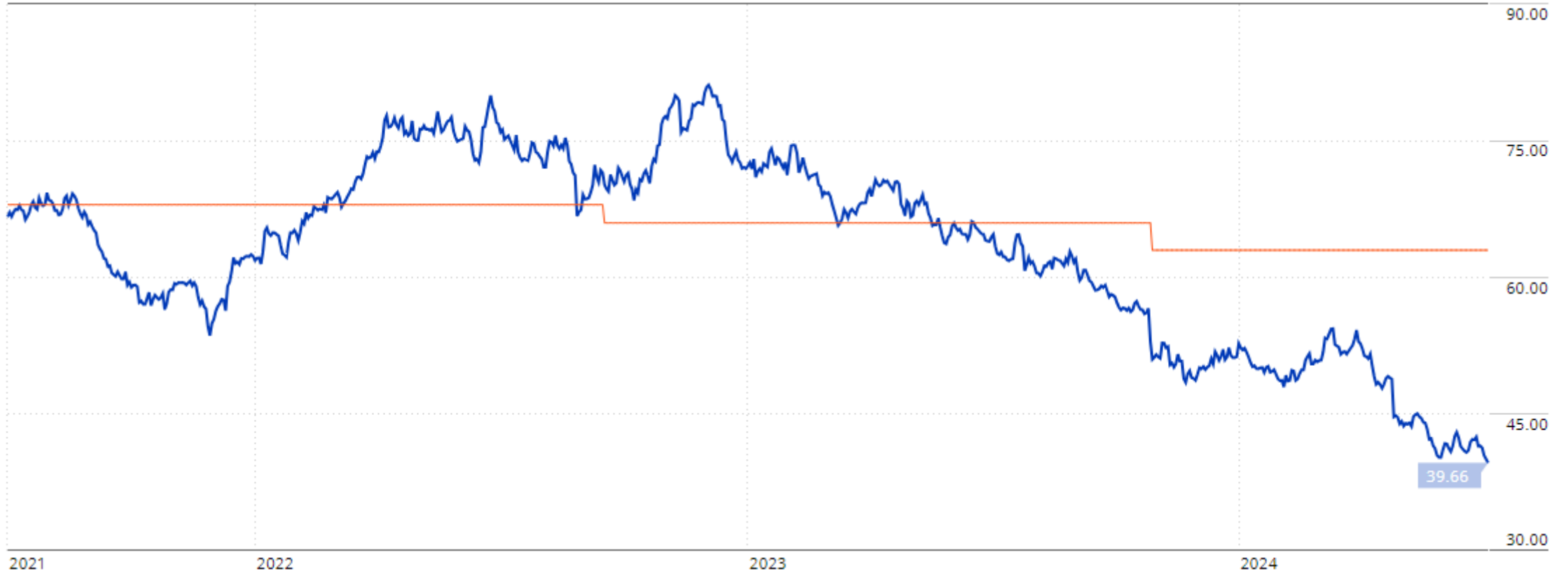
Based on a wide lineup of patent-protected drugs, an entrenched salesforce, and economies of scale, Bristol holds a wide economic moat. The patent protection allows the firm to price its drugs at levels that translate into superior returns on invested capital compared with its cost, particularly in cancer drugs, a key area of focus for Bristol. These patents also provide Bristol with ample time to bring forward the next generation of new drugs. Several of Bristol's currently marketed drugs are biologics, which create additional hurdles for competition from generic firms, as the cost of developing and marketing biosimilars is much higher than for typical generic small molecules. Further, because many small drug firms lack a distribution channel, Bristol's entrenched salesforce enables the company to partner with these smaller drug companies to gain access to externally created drugs, augmenting its internal drug-development efforts. Additionally, Bristol's sheer size generates the strong and stable cash flows required to fund the approximately \$800 million needed, on average, to bring each new drug to the market.

Data as of: 7/5/2024**Source:** Morningstar Direct

Indexes are unmanaged and not available for direct investment

Commentary is excerpted from more comprehensive company reports

Bristol-Myers Squibb (BMY)



Time Period: 7/6/2021 – 7/5/2024

Source: PitchBook

Indexes are unmanaged and not available for direct investment

The Estée Lauder Companies (EL)

Analyst: Dan Su, CFA**Sector:** Consumer Defensive**Industry:** Household & Personal Products**Market Cap (\$bil):** \$38.2**Price/Fair Value:** 0.51**Economic Moat:** Wide**Economic Moat Sources:***Cost Advantage*

Efficient Scale

Intangible Assets

Network Effect

Switching Costs

Data as of: 7/5/2024**Source:** Morningstar Direct

Indexes are unmanaged and not available for direct investment

Commentary is excerpted from more comprehensive company reports

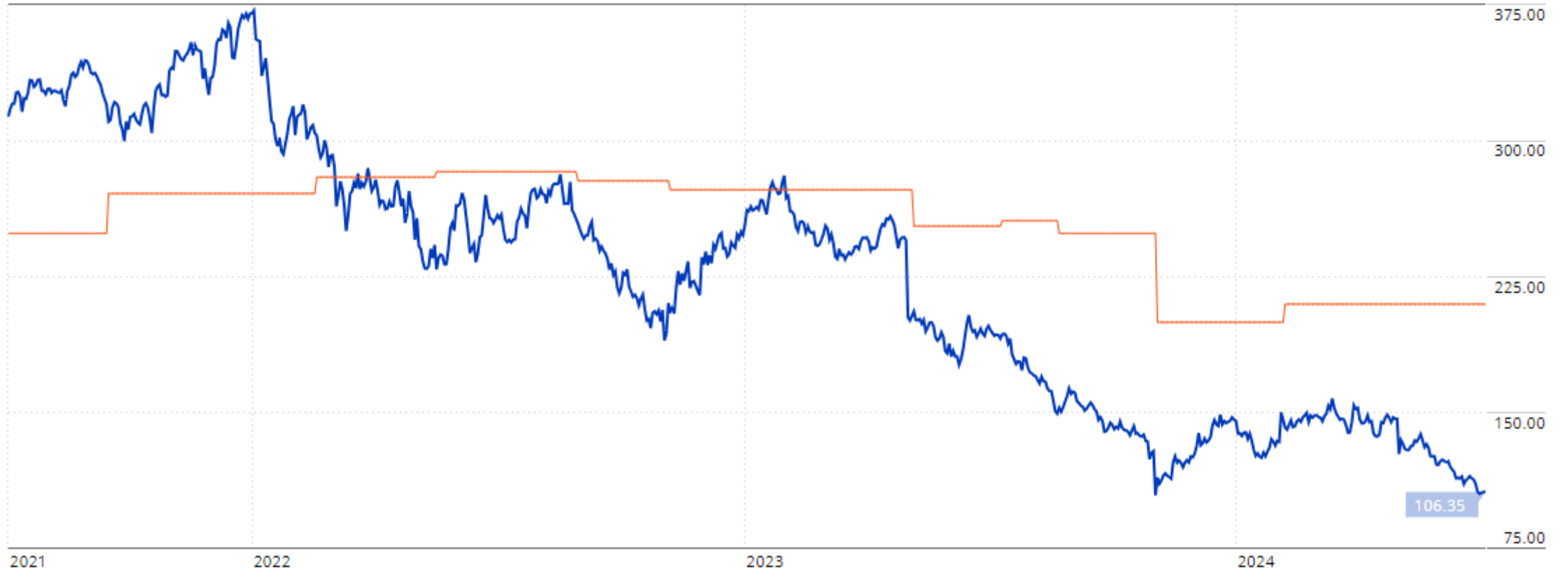
Business Strategy & Outlook:

As a leading provider of premium beauty products, Estee Lauder has reinforced its competitive standing with category-leading brands in skin care, cosmetics, and fragrances, in addition to retaining a preferred vendor status across brick-and-mortar and digital channels. We see Estee as poised to benefit from premiumization trends, as beauty consumers in developed and emerging markets alike upgrade for perceived better-quality ingredients, efficacy, and service. Outside its North America home market, we view Estee as particularly well positioned in Asia (where skin care makes up 50% of premium beauty spending), thanks to highly regarded skin care brands (La Mer and Estee Lauder) and a newly opened innovation center and factory in the region that should enable it to deliver locally relevant products in a timely fashion. Further, we think its strategy to extend its brand reach is strong, given only half of Estee's 20-plus brands are currently available in China, India, and Brazil. In addition, we expect Estee to dial up investments in digital channels and travel retail to complement its strong ties with brick-and-mortar retailers. This should keep Estee's brands top of mind for consumers and ensure its products are easily accessible as beauty users shop across channels.

Economic Moat Analysis:

We believe Estee Lauder has carved out a wide economic moat, thanks to the strong brand equity and entrenched retail relations associated with its premium beauty products, in addition to cost advantages stemming from procurement, manufacturing, and marketing scale efficiencies. Estee Lauder's intangible asset-driven moat is premised on the brand prowess the firm has cultivated around an impressive stable of top-selling prestige brands spanning skin care, color cosmetics, fragrance, and hair care categories. A steady stream of new products built on innovative and consumer-oriented components has enabled Estee to uphold its premium perception, generate buzz among its loyalty customers, and create opportunities to engage and introduce new users to the community.

The Estée Lauder Companies (EL)



Time Period: 7/6/2021 – 7/5/2024

Source: PitchBook

Indexes are unmanaged and not available for direct investment

Nike (NKE)

Analyst: David Swartz**Sector:** Consumer Cyclical**Industry:** Footwear & Accessories**Market Cap (\$bil):** \$113.6**Price/Fair Value:** 0.61**Economic Moat:** Wide**Economic Moat Sources:**

Cost Advantage

Efficient Scale

Intangible Assets

Network Effect

Switching Costs

Business Strategy & Outlook:

Nike is the largest athletic footwear and apparel brand in the world. We think Nike's strategies allow it to maintain its leadership position. Over the past few years, it has invested in its direct-to-consumer network while cutting many wholesale accounts. In North America and elsewhere, the firm has reduced its exposure to undifferentiated retailers while increasing its connections with a small number of retailers that bring the Nike brand closer to consumers, carry a full range of products, and allow it to control the brand message. Nike's consumer plan is led by its Triple Double strategy to double innovation, speed, and direct connections to consumers. The plan includes cutting product creation times in half, increasing membership in Nike's mobile apps, and improving the selection of key franchises while reducing its styles by 25%.

Economic Moat Analysis:

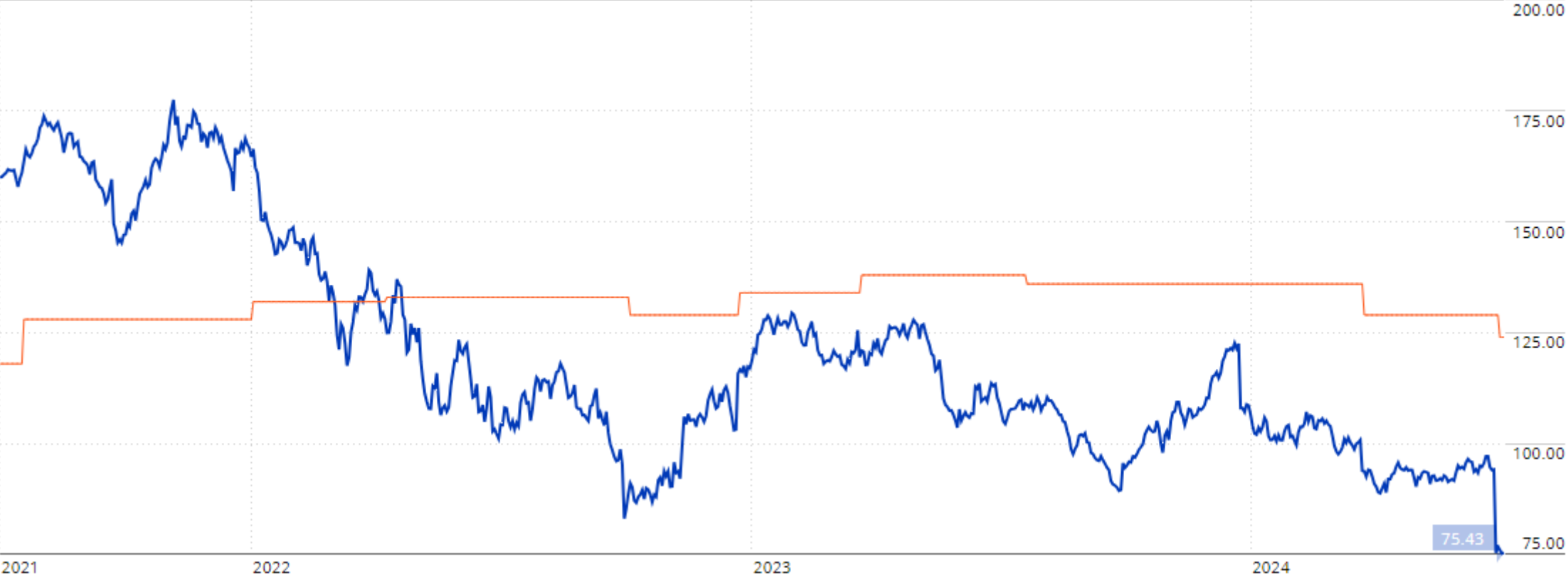
We assign a wide moat rating to Nike based on its intangible brand asset. Nike achieves premium pricing on many products, supporting our view of its brand power. Its performance athletic shoes are the most expensive on the market. The company's wide moat is supported by its worldwide reach. Nike's brands have proven staying power, supporting our favorable view of the company's moat. Michael Jordan signed with Nike in 1984 and retired from basketball in 2003. Many millennials are not even old enough to have seen him play. Yet, Nike's upscale Jordan brand produced \$6.6 billion in (wholesale-equivalent) sales in fiscal 2023. We believe Nike's innovations contribute to its brand and support our wide-moat view. Nike has been known for its innovative products ever since it introduced running shoes with pressurized air in their soles in the 1980s. We forecast that the company's average annual adjusted ROICs, including goodwill, will exceed its weighted average cost of capital over the next 20 years, as required for our wide moat rating.

Data as of: 7/5/2024**Source:** Morningstar Direct

Indexes are unmanaged and not available for direct investment

Commentary is excerpted from more comprehensive company reports

Nike (NKE)



Time Period: 7/6/2021 – 7/5/2024

Source: PitchBook

Indexes are unmanaged and not available for direct investment

Holdings at a Half Weighting

Alphabet (GOOGL)

Analyst: Michael Hodel, CFA**Sector:** Communication Services**Industry:** Internet Content & Information**Market Cap (\$bil):** \$2,305.2**Price/Fair Value:** 1.04**Economic Moat:** Wide**Economic Moat Sources:**

Cost Advantage

Efficient Scale

*Intangible Assets**Network Effect*

Switching Costs

Data as of: 7/5/2024**Source:** Morningstar Direct

Indexes are unmanaged and not available for direct investment

Commentary is excerpted from more comprehensive company reports

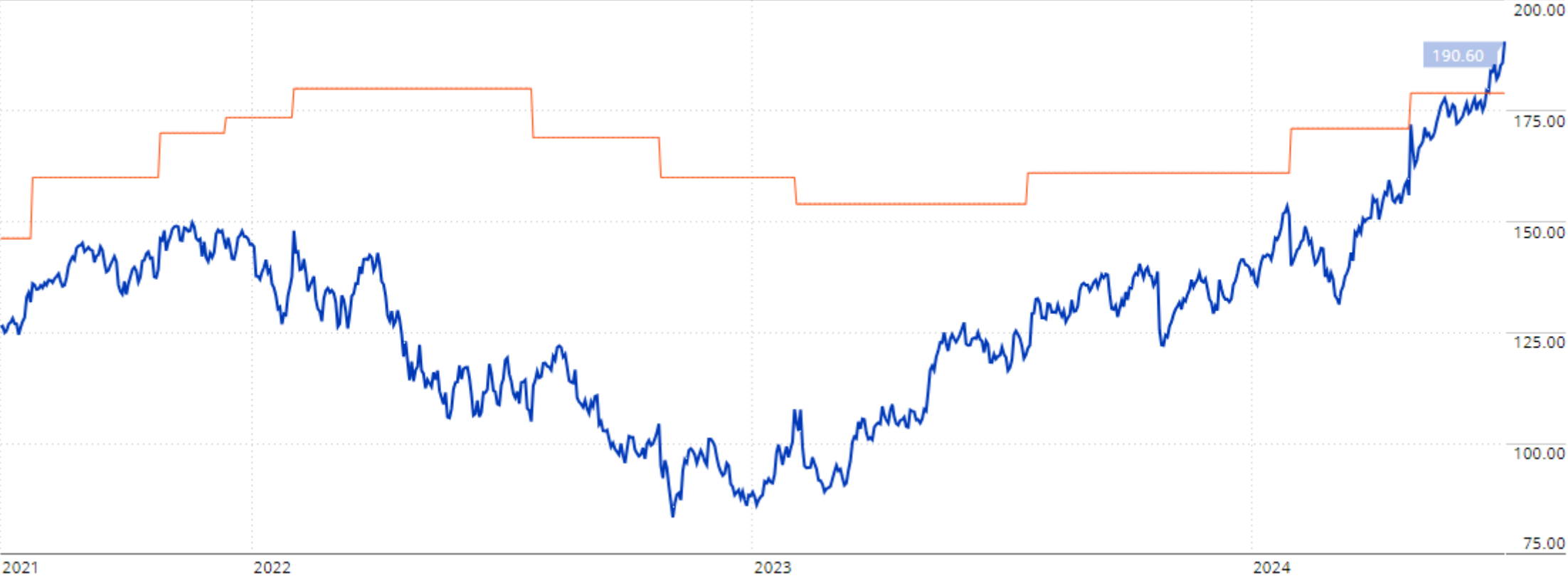
Business Strategy & Outlook:

Alphabet dominates the online search market and the business generates very strong cash flow. We expect continuing search growth as we remain confident that Google will maintain its leadership despite Microsoft moving first to include generative artificial intelligence in Bing search. We also foresee YouTube and cloud contributing more to the firm's top and bottom lines. Finally, we view investments in "moonshots" as attractive, with significant uncertainty but also substantial upside.

Economic Moat Analysis:

We assign Alphabet a wide moat rating, thanks to durable competitive advantages derived from the company's intangible assets, as well as the network effect. We believe Alphabet holds significant intangible assets related to overall technological expertise in search algorithms and artificial intelligence (machine learning and deep learning), as well as access to and accumulation of data that is deemed valuable to advertisers. We also believe that Google's brand is a significant asset; "Google it" has become eponymous with searching, and regardless of actual technological competency, the firm's search engine is perceived as being the most advanced in the industry. While with Microsoft's Bing is attempting to dethrone Google with AI technology from OpenAI, we think the firm can defend its dominance in search with its own AI technology, some of which OpenAI's products are based on. In our opinion, Alphabet's network effects are derived mainly through its Google products such as Search, Android, Maps, Gmail, YouTube, and more. Ultimately, we view Google's network as heterogeneous. On the one side, all the products Google offers have provided it with a massive consumer base that allows the company to collect data. On the other side, via its rich collection of data and large user base, Google can offer the best return on investment for advertisers and build a growing network of advertising customers. The addition of each new ad and advertiser improves the efficiency of Google's programmatic advertising offerings, allowing the firm to better monetize the network.

Alphabet (GOOGL)



Time Period: 7/6/2021 – 7/5/2024

Source: PitchBook

Indexes are unmanaged and not available for direct investment

Teradyne (TER)

Analyst: William Kerwin, CFA**Sector:** Technology**Industry:** Semiconductor Equip. & Materials**Market Cap (\$bil):** \$23.7**Price/Fair Value:** 1.12**Economic Moat:** Wide**Economic Moat Sources:**

Cost Advantage

Efficient Scale

Intangible Assets

Network Effect

*Switching Costs***Data as of:** 7/5/2024**Source:** Morningstar Direct

Indexes are unmanaged and not available for direct investment

Commentary is excerpted from more comprehensive company reports

Business Strategy & Outlook:

Teradyne is a heavyweight supplier of automated test equipment for semiconductors, boasting market-leading capabilities that run the gamut of chips. It is one of two companies worldwide that can produce testers for the most cutting-edge semiconductors, thanks to robust engineering talent across hardware and software and a structural lead in organic investment. The firm is a vital partner to chipmakers across the industry and has an impressively strong relationship with Apple and Taiwan Semiconductor. Teradyne's market leadership exhibits itself in industry-leading margins, strong returns on invested capital, and a top market share. Beyond its top-tier capabilities, Teradyne appears to have found a good balance between organic investment in development and profitability, and it is a good generator of free cash flow despite its capital intensity.

Economic Moat Analysis:

We assign a wide economic moat to Teradyne based on a combination of intangible assets in semiconductor automated test equipment and switching costs created at chipmaking customers. Teradyne's ability to design testing equipment for bleeding-edge chips is the biggest driver of its competitive advantage, representing intangible assets that we don't think are easily replicable. Teradyne provides testing solutions for nearly every semiconductor on the planet during production, both at the wafer level and final device package level. Teradyne's equipment also elicits switching costs at customers. We view Teradyne's installed base of expensive equipment across customers as sticky, especially given the software the firm layers on top of its hardware; customers become accustomed to its Teradyne machine interface and integrate it into their workflows. In our opinion, a customer would be averse to switching to a new brand of tester due to the cost and integration time required for the transition. Teradyne and its largest competitor, Advantest, are the only suppliers able to service the latest process technologies across such a wide breadth of products and the best at reducing customers' time to market. The ATE market is a practical duopoly between Teradyne and Advantest, which together hold more than 80% of the market, by our estimation.

Teradyne (TER)



Time Period: 7/6/2021 – 7/5/2024

Source: PitchBook

Indexes are unmanaged and not available for direct investment

C.H. Robinson Worldwide (CHRW)

Analyst: Matthew Young, CFA**Sector:** Industrials**Industry:** Integrated Freight & Logistics**Market Cap (\$bil):** \$10.2**Price/Fair Value:** 1.03**Economic Moat:** Wide**Economic Moat Sources:**

Cost Advantage

Efficient Scale

Intangible Assets

Network Effect

Switching Costs

Business Strategy & Outlook:

C.H. Robinson dominates the asset-light truck brokerage market. The company isn't immune to freight pullbacks but, during periods of lackluster volume, its variable-cost model helps shield profitability and pricing, as evidenced by a long history of above-average profitability. The firm's ownership of transportation equipment is minimal, and a large swath of operating expenses are tied to performance-based variable compensation, which moves with net revenue. We think the company remains well positioned to capitalize on gradual truck brokerage industry consolidation (including market share gains) despite intensifying competition. Beyond underlying demand trends, we expect share gains to remain a key growth driver for Robinson long term. The truck brokerage business is still highly fragmented. Small, less sophisticated providers are finding it increasingly difficult to keep up with rising demand for efficient capacity access and the need to automate back office and carrier-facing processes.

Economic Moat Analysis:

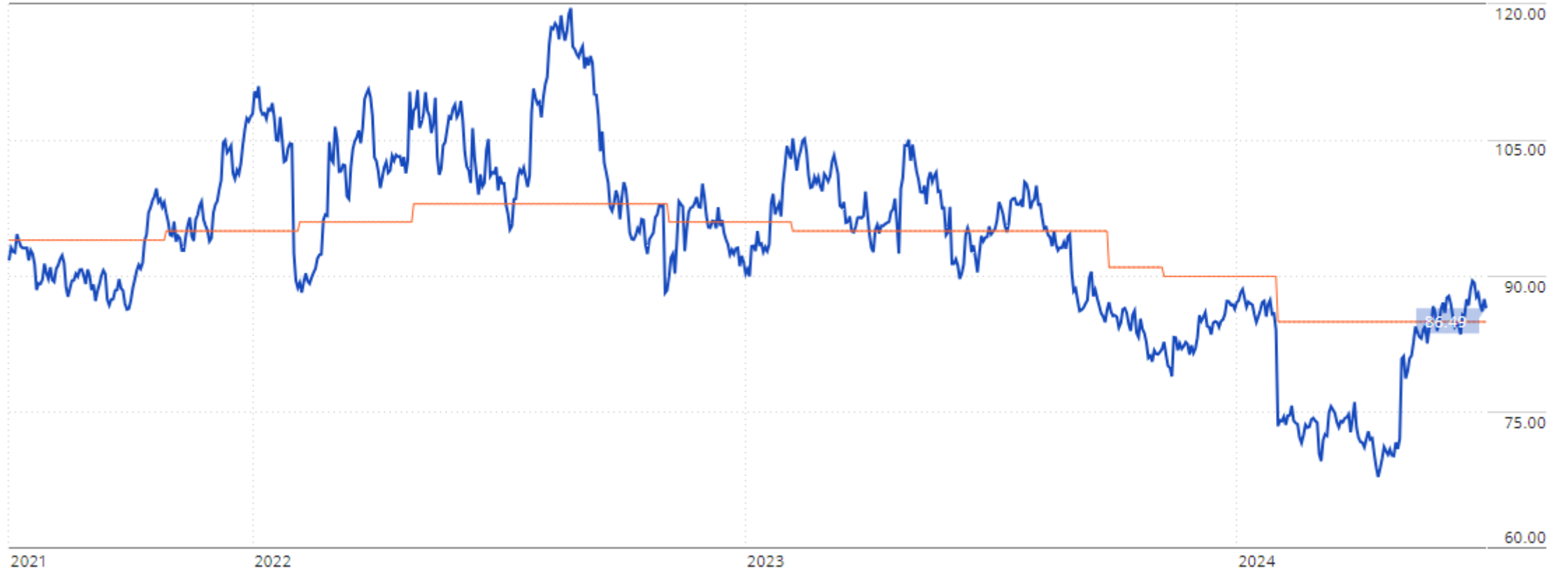
C.H. Robinson maintains a wide economic moat thanks to the network effect. Its industry-leading network of shippers and carriers reinforces a strong value proposition, and duplication by small providers with fewer resources would be a formidable task. In its core North American Surface Transportation segment, which largely reflects highway brokerage operations, C.H. Robinson's substantial customer base affords significant buying power. As a result, the company can usually procure capacity at lower rates than shippers could generally obtain directly with carriers, thereby providing customers with opportunities for material cost savings. Shippers also enjoy the added benefit of converting fixed transportation costs (such as a large traffic management department) into variable costs when outsourcing logistics management functions. Furthermore, C.H. Robinson's vast network of asset-based carriers across most transportation modes acts as a valuable source of capacity for shippers.

Data as of: 7/5/2024**Source:** Morningstar Direct

Indexes are unmanaged and not available for direct investment

Commentary is excerpted from more comprehensive company reports

C.H. Robinson Worldwide (CHRW)



Time Period: 7/6/2021 – 7/5/2024

Source: PitchBook

Indexes are unmanaged and not available for direct investment

Tyler Technologies (TYL)

Analyst: Daniel Romanoff, CPA**Sector:** Technology**Industry:** Software – Application**Market Cap (\$bil):** \$21.6**Price/Fair Value:** 1.02**Economic Moat:** Wide**Economic Moat Sources:**

Cost Advantage

Efficient Scale

Intangible Assets

Network Effect

*Switching Costs***Data as of:** 7/5/2024**Source:** Morningstar Direct

Indexes are unmanaged and not available for direct investment

Commentary is excerpted from more comprehensive company reports

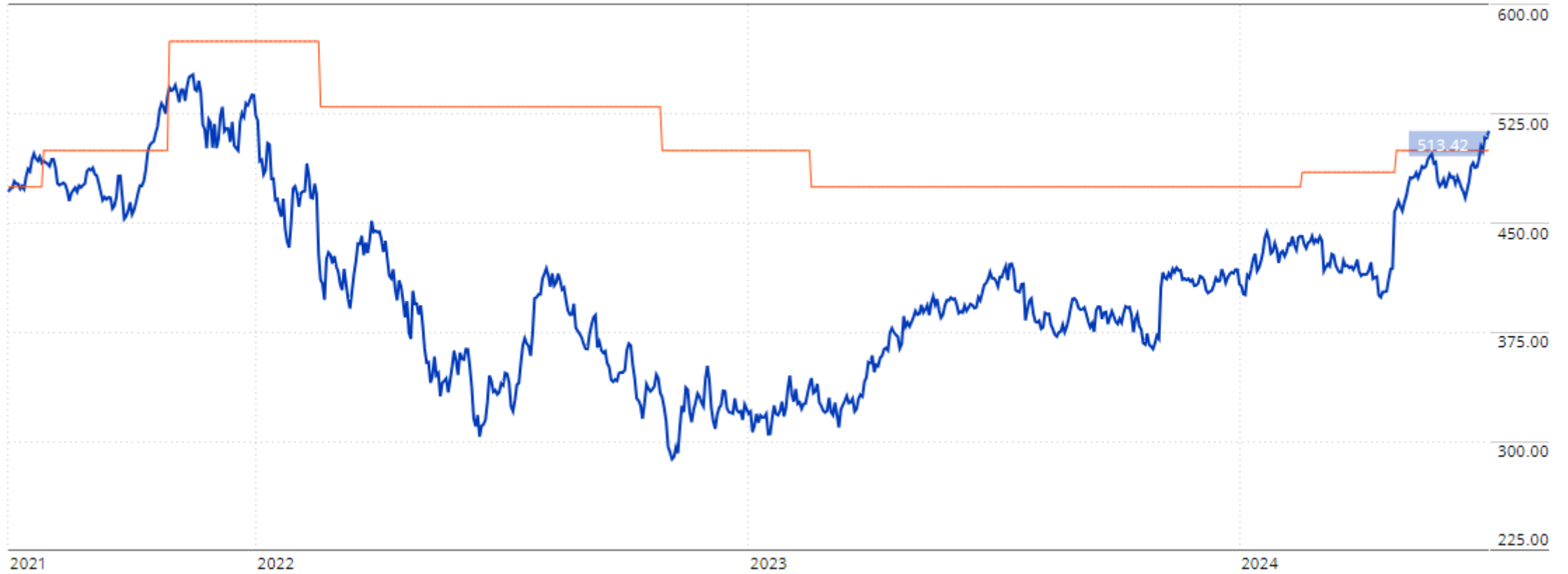
Business Strategy & Outlook:

Tyler Technologies provides a full suite of software solutions and services that address the needs of cities, counties, schools, courts and other local government entities. The company is the clear leader in a sleepy and underserved public service software niche market. Lastly, we see Tyler's expanding portfolio as driving larger deals that encompass more solutions. While the company used to fight for every \$100,000 deal, it now has established enough of a reputation in the governmental market that it is called upon in most relevant government system searches. The potential clients have certainly grown larger, as evidenced by a variety of state-wide e-filing, transactional, and court system deals that are worth tens of millions of dollars annually. Further, Tyler benefits from a fragmented market that includes no companies at anywhere near its size or scale that are focused on the local public institution market.

Economic Moat Analysis:

We assign a wide moat rating to Tyler Technologies, driven by higher customer switching costs and, to a lesser extent, intangible assets. Our position is that switching costs for software are driven by several factors. The most obvious of these is the direct time and expense of implementing a new software package while maintaining the existing platform. There are indirect costs along those same lines, mainly lost productivity as employees move up a learning curve on the new system and the distraction of employees involved in the function where the change is occurring. Perhaps most important, there is the operational risk, including loss of data during the changeover, project execution, and potential operational disruption. The more critical the function and the more touch points across an organization a software vendor has, the higher the switching costs will be. As it relates to intangible assets, we posit that Tyler benefits from building up a portfolio of software that would be difficult for a startup, or even an established software vendor without government expertise, to replicate.

Tyler Technologies (TYL)



Time Period: 7/6/2021 – 7/5/2024

Source: PitchBook

Indexes are unmanaged and not available for direct investment

Philip Morris International (PM)

Analyst: Kristoffer Inton**Sector:** Consumer Defensive**Industry:** Tobacco**Market Cap (\$bil):** \$157.7**Price/Fair Value:** 0.96**Economic Moat:** Wide**Economic Moat Sources:***Cost Advantage*

Efficient Scale

Intangible Assets

Network Effect

Switching Costs

Business Strategy & Outlook:

Philip Morris International's statement of purpose is to completely replace cigarettes with less harmful alternatives as soon as possible. The latest medium-term targets from management imply strong growth over the next three years, and the company aims to generate over half of its revenue from non-combustibles by 2025. While this is an ambitious timeline, PMI is still likely to ultimately be the first Big Tobacco firm since the 1990s to diversify half of its cash flow away from cigarettes. We regard this as a sound strategy from an environmental, social, and governance, or ESG, perspective, and because it will likely accelerate profitable medium-term growth.

Economic Moat Analysis:

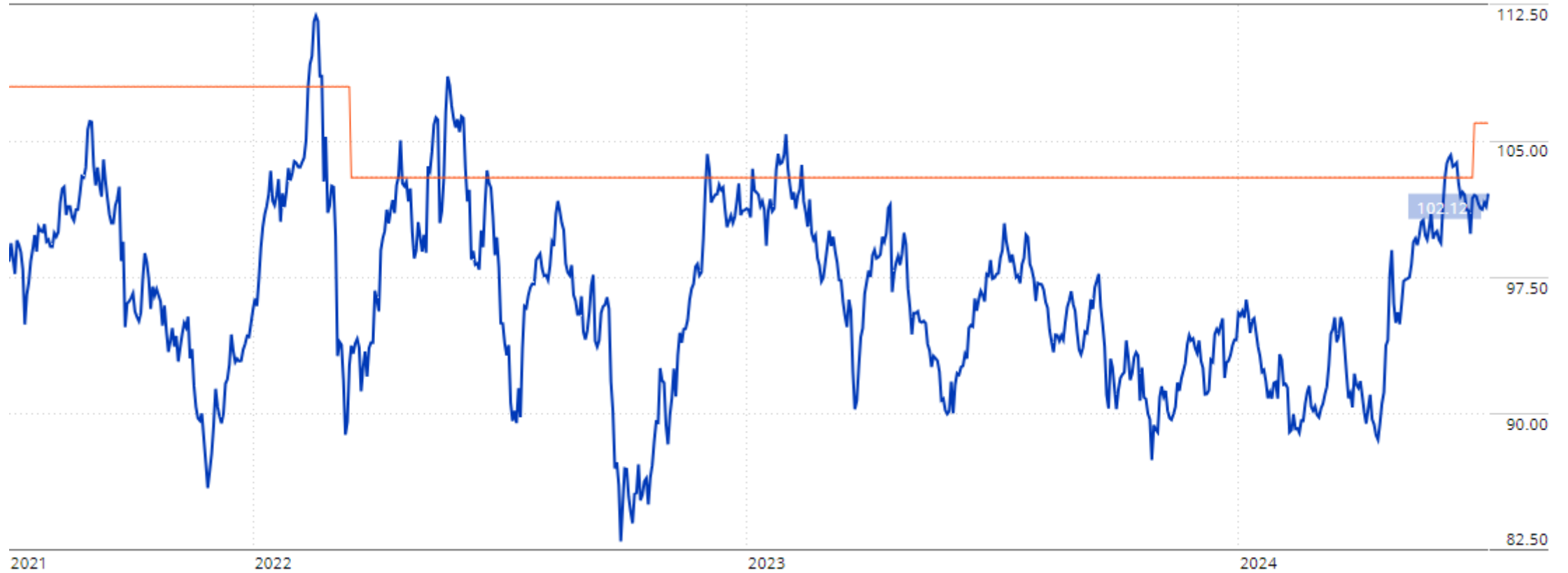
Philip Morris International possesses a formidable franchise in the tobacco industry, formed by the aggregation of intangible assets and a cost advantage. Tight government regulations have made barriers to entry almost insurmountable and have kept market shares stable. Consumers are quite brand-loyal, particularly in premium price segments, to which PMI's portfolio skews, creating another intangible asset that is no longer as prevalent as it once was in other consumer categories. The addictive nature of the product forms a powerful competitive advantage when combined with very tight government regulation that over the years has dampened market share volatility and competition on price. Tobacco advertising is severely restricted in most markets, with bans on most forms of mass marketing. This not only makes it very difficult for hypothetical new entrants to gain the attention of smokers, but it also dampens competition between incumbent manufacturers. Additionally, economies of scale give the large-cap manufacturers an advantage in tobacco leaf procurement and distribution. Cigarette manufacturing is a scalable business model because of the homogeneity of the product, and there is an inverse correlation between volume and average operating cost per unit.

Data as of: 7/5/2024**Source:** Morningstar Direct

Indexes are unmanaged and not available for direct investment

Commentary is excerpted from more comprehensive company reports

Philip Morris International (PM)



Time Period: 7/6/2021 – 7/5/2024

Source: PitchBook

Indexes are unmanaged and not available for direct investment

Amazon.com (AMZN)

Analyst: Daniel Romanoff, CPA**Sector:** Consumer Cyclical**Industry:** Internet Retail**Market Cap (\$bil):** \$2,056.2**Price/Fair Value:** 1.02**Economic Moat:** Wide**Economic Moat Sources:***Cost Advantage*

Efficient Scale

*Intangible Assets**Network Effect**Switching Costs***Data as of:** 7/5/2024**Source:** Morningstar Direct

Indexes are unmanaged and not available for direct investment

Commentary is excerpted from more comprehensive company reports

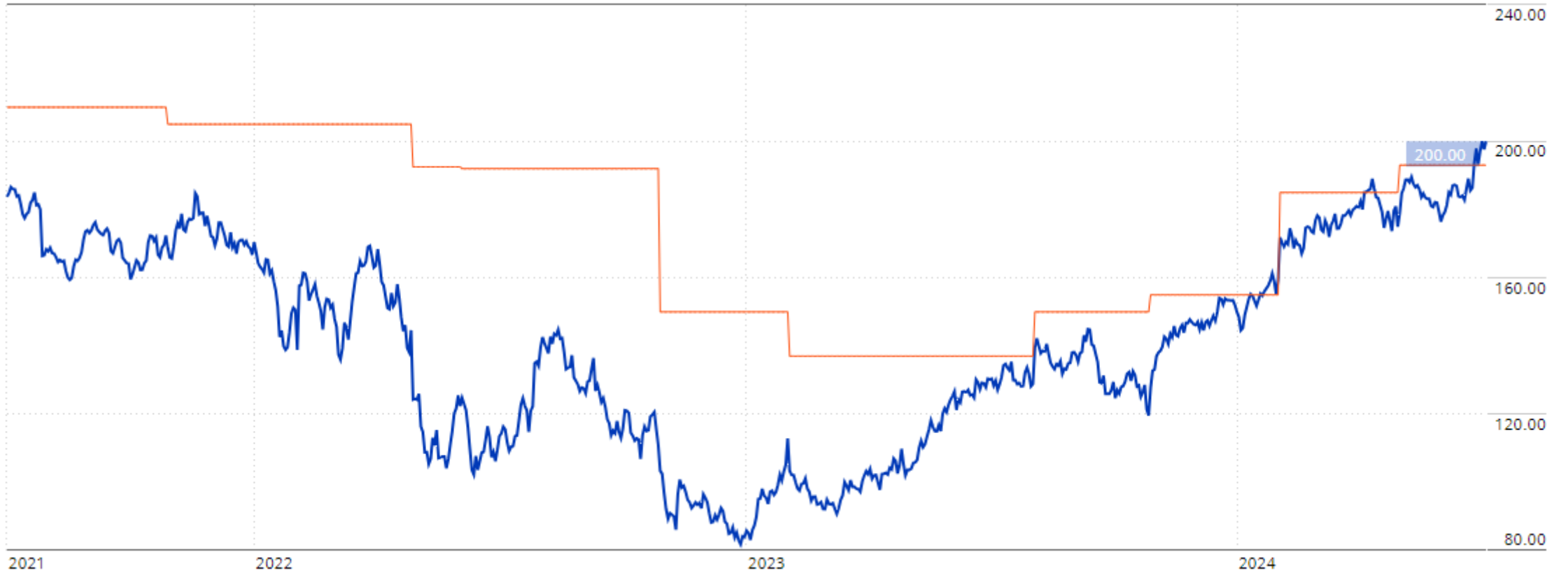
Business Strategy & Outlook:

Amazon dominates the markets it serves, most notably for e-commerce and cloud services. It benefits from numerous competitive advantages and has emerged as the clear e-commerce leader given its size and scale, which yield an unmatched selection of low-priced goods for consumers. The secular drift toward e-commerce continues unabated with the firm continuing to grind out market share gains despite its size. Prime ties Amazon's ecommerce efforts together and provides a steady stream of high-margin recurring revenue from customers who purchase more frequently from Amazon's properties. In return, consumers get one-day shipping on millions of items, exclusive video content, and other services, which result in a powerful virtuous circle where customers and sellers attract one another. The Kindle and other devices bolster the ecosystem by helping attract new customers, while making the value proposition irresistible in retaining existing users.

Economic Moat Analysis:

We assign a wide moat rating to Amazon based on network effects, cost advantages, intangible assets, and switching costs. Amazon has been disrupting the traditional retail industry for more than two decades while also emerging as the leading infrastructure-as-a-service provider via Amazon Web Services. This disruption has been embraced by consumers and has driven change across the entire industry as traditional retailers have invested heavily in technology to keep pace. We believe Amazon's retail business has a wide moat stemming from network effects associated with its marketplace, where more buyers and sellers continually attract more buyers and sellers; a cost advantage tied to purchasing power, logistics, vertical integration (proprietary brands, owned delivery, and so on), and a negative cash conversion cycle; and intangible assets associated with technology and branding. We also believe AWS is a wide-moat business, thanks to high customer switching costs; a cost advantage associated with economies of scale where few competitors can keep up with Amazon's investment pace; intangible assets arising from semiconductor and facility development; and a network effect associated with a marketplace for software created to make AWS work better.

Amazon.com (AMZN)



Time Period: 7/6/2021 – 7/5/2024

Source: PitchBook

Indexes are unmanaged and not available for direct investment

Microsoft (MSFT)

Analyst: Daniel Romanoff, CPA**Sector:** Technology**Industry:** Software – Infrastructure**Market Cap (\$bil):** \$3,424.6**Price/Fair Value:** 1.06**Economic Moat:** Wide**Economic Moat Sources:***Cost Advantage*

Efficient Scale

Intangible Assets

*Network Effect**Switching Costs***Data as of:** 7/5/2024**Source:** Morningstar Direct

Indexes are unmanaged and not available for direct investment

Commentary is excerpted from more comprehensive company reports

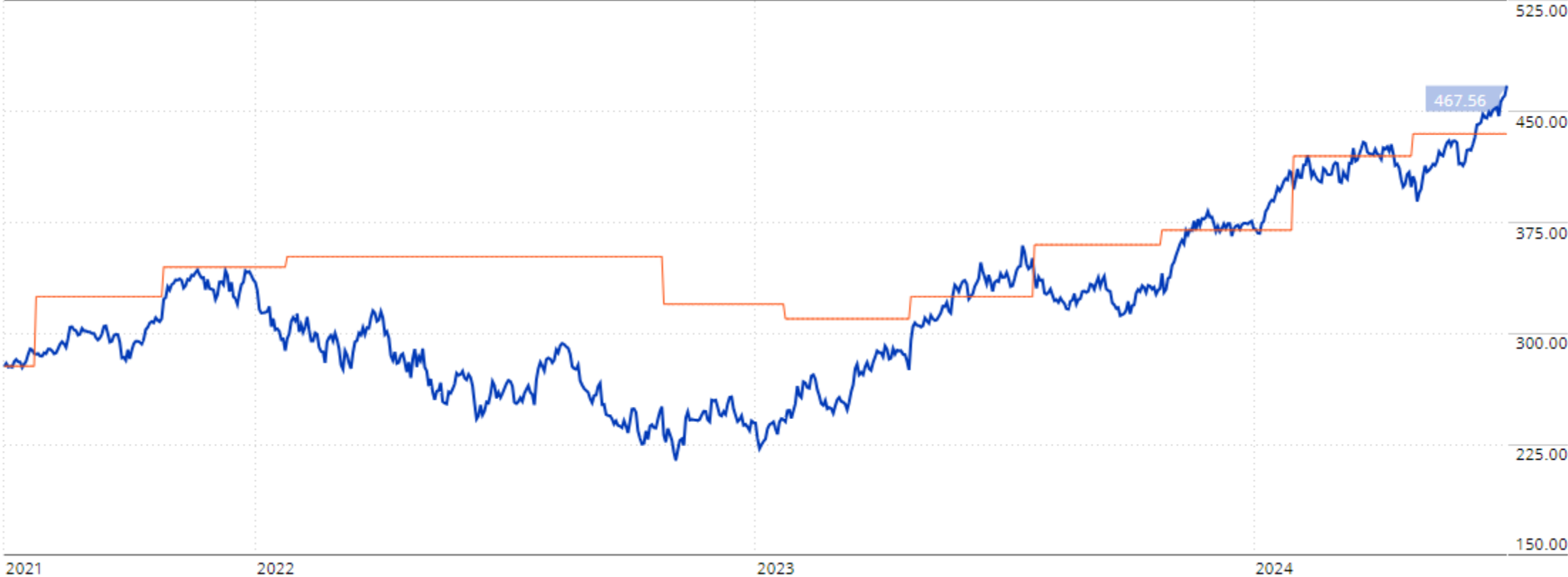
Business Strategy & Outlook:

Microsoft is one of two public cloud providers that can deliver a wide variety of PaaS/IaaS solutions at scale. Based on its investment in OpenAI, the company has also emerged as a leader in artificial intelligence. The company has also enjoyed great success in upselling users on higher priced Office 365 versions, notably to include advanced telephony features. These factors have combined to drive a more focused company that offers impressive revenue growth with high and expanding margins. We believe that Azure is the centerpiece of the new Microsoft. Azure has several distinct advantages, including that it offers customers a painless way to experiment and move select workloads to the cloud creating seamless hybrid cloud environments. Since existing customers remain in the same Microsoft environment, applications and data are easily moved from on-premises to the cloud. Microsoft can also leverage its massive installed base of all Microsoft solutions as a touch point for an Azure move. Azure also is an excellent launching point for secular trends in AI.

Economic Moat Analysis:

For Microsoft overall we assign a wide moat rating arising from switching costs, network effects, and cost advantages. We believe it is a leader across a variety of key technology areas, which should result in economic returns well in excess of its cost of capital for years to come. We believe that Microsoft Office, including both 365 and the perpetual license version, is protected by a wide moat driven by high switching costs and network effects. Office 365 is the cloud-based version of the traditional perpetual license Microsoft Office productivity suite. Microsoft Dynamics, including both Dynamics 365 and traditional license versions, has a narrow moat, in our view, that is supported primarily by high switching costs. We believe LinkedIn's narrow moat is supported by network effects. We believe high switching costs and cost advantages drive a wide moat for Azure. Azure is clearly the growth engine for the Intelligent Cloud segment, and one of the critical products the "new" Microsoft will be built around. Azure is a next-generation service offering that builds upon the Dynamics 365 and Office 365 SaaS business to offer Infrastructure as a Service (IaaS) and Platform as a Service (PaaS).

Microsoft (MSFT)



Time Period: 7/6/2021 – 7/5/2024

Source: PitchBook

Indexes are unmanaged and not available for direct investment

Salesforce (CRM)

Analyst: Daniel Romanoff, CPA**Sector:** Technology**Industry:** Software - Application**Market Cap (\$bil):** \$252.9**Price/Fair Value:** 0.92**Economic Moat:** Wide**Economic Moat Sources:**

Cost Advantage

Efficient Scale

Intangible Assets

*Network Effect**Switching Costs***Data as of:** 7/5/2024**Source:** Morningstar Direct

Indexes are unmanaged and not available for direct investment

Commentary is excerpted from more comprehensive company reports

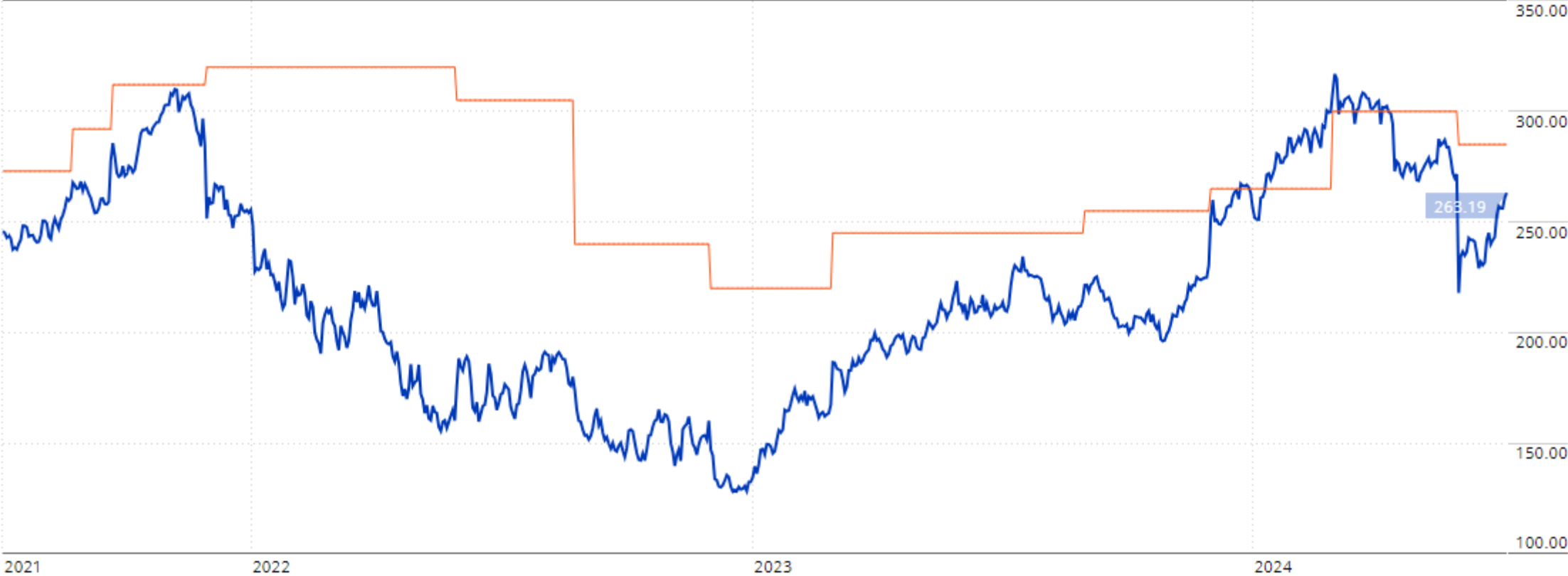
Business Strategy & Outlook:

Salesforce Inc provides enterprise cloud computing solutions. After introducing the software-as-a-service model to the world, Salesforce has assembled a front-office empire that it can build on for years to come. Sales Cloud represents the original salesforce automation product, which streamlined process management for sales leads and opportunities, contact and account data, process tracking, approvals, and territory tracking. Initially, Salesforce's critical differentiator was that the software could be accessed through a web browser and delivered over the internet, thus inventing the SaaS software delivery model. Service Cloud brought in customer service applications, and Marketing Cloud delivers marketing automation solutions. Data Cloud helps ties the offerings together. These solutions encompass nearly all aspects of customer acquisition and retention and fulfill mission critical functions.

Economic Moat Analysis:

For Salesforce, we assign a wide moat rating primarily from switching costs, with support from a network effect as well. The company remains the clear leader in salesforce automation. Customers and industry observers alike view Salesforce as the clear front-runner in a category that increases the productivity of sales representatives. We believe this segment enjoys a wide moat-- indeed the widest moat as a stand-alone product among Salesforce's four cloud solutions. A variety of industry data points clearly indicate the Sales Cloud SFA solution is a best-of-breed solution, which by itself creates a certain amount of organizational inertia, as IT managers and executives engage in self-serving behavior. That is, they can jeopardize their own careers by pushing to switch from a leading solution that is functioning well and meeting their corporate needs. We believe customers are also reluctant to switch away from Sales Cloud because of the time, expense, and risk of implementing new applications and migrating data and the time, expense, and lost productivity of retraining the workforce on a new platform. SFA is a revenue-driving initiative and therefore is critical to users. The organizational risk of making a change is high, in our view.

Salesforce (CRM)



Time Period: 7/6/2021 – 7/5/2024

Source: PitchBook

Indexes are unmanaged and not available for direct investment

Lockheed Martin (LMT)

Analyst: Nicolas Owens**Sector:** Industrials**Industry:** Aerospace & Defense**Market Cap (\$bil):** \$110.9**Price/Fair Value:** 0.96**Economic Moat:** Wide**Economic Moat Sources:**

Cost Advantage

Efficient Scale

Intangible Assets

Network Effect

*Switching Costs***Data as of:** 7/5/2024**Source:** Morningstar Direct

Indexes are unmanaged and not available for direct investment

Commentary is excerpted from more comprehensive company reports

Business Strategy & Outlook:

Lockheed derives most of its revenue from servicing U.S. Department of Defense contracts, with the U.S. military budget being the largest on Earth. In the form of the F-35 program, it stands to operate the largest defense procurement program ever awarded through the 2060s. Thus, as a bet on the defense industry, Lockheed is hard to beat. Biggest isn't always best, but Lockheed benefits from the sheer scale of its tens of billions of dollars of contracts that provide defined decades-long revenue and profit streams. Lockheed is exposed to recent and foreseeable increases in U.S. defense spending. Longer term, the Pentagon has prioritized modernization of the military's ability to counter aggression from multiple so-called great power rivals, namely China and Russia, while also managing threats from terrorism and hot spots like Iran and North Korea. Defense budgets usually ebb and flow with a nation's wealth and its perception of danger. In the U.S., both have been on the rise, and among many allies, notably Germany and Japan, geopolitics is leading to larger military budgets than we've seen for decades.

Economic Moat Analysis:

Intangible assets in the defense industry ensure that incumbent firms are the only companies capable of servicing the military's large need to purchase arms, which manifests as a material barrier to entry. In terms of keeping competitors out, we believe the primary source of intangible assets is product complexity. The second major intangible asset in the defense industry is the contract structure that allows excess return generation. Generally, defense contractors compete fiercely within initial bidding rounds to win a contract for a new program. After research, development, testing, and evaluation rounds, in which more than one competing contractor will deliver working prototypes to the customer, it is quite rare in the later development and delivery phase to see the government switch suppliers. Switching costs for the military customer are generally predicated on the mission-criticality of the product, extended product cycles, a lack of viable alternative products or suppliers, and the substantial time investment or risk involved in switching suppliers.

Lockheed Martin (LMT)



Time Period: 7/6/2021 – 7/5/2024

Source: PitchBook

Indexes are unmanaged and not available for direct investment

Charles Schwab (SCHW)

Analyst: Michael Wong, CFA, CPA**Sector:** Financial Services**Industry:** Capital Markets**Market Cap (\$bil):** \$135.5**Price/Fair Value:** 0.98**Economic Moat:** Wide**Economic Moat Sources:***Cost Advantage*

Efficient Scale

Intangible Assets

Network Effect

*Switching Costs***Business Strategy & Outlook:**

Charles Schwab operates in brokerage, wealth management, banking, and asset management businesses. The company runs a large network of brick-and-mortar brokerage branch offices, a well-established online investing website, and has mobile trading capabilities. It also operates a bank and a proprietary asset management business and offers services to independent investment advisors. We assess that Charles Schwab has enough access to cash and capital that it can weather the storm in the financial sector that was unleashed after the collapse of Silicon Valley Bank. On the regulatory capital front, Charles Schwab had a very healthy common equity Tier 1 capital ratio.

Economic Moat Analysis:

Our Morningstar Economic Moat Rating for Charles Schwab is Wide. Given its massive scale and industry-leading cost efficiency, we believe the company can maintain severe competitive pressures, such as trading revenue dropping to \$0, and still earn above its cost of capital. Retail brokerages' moats are primarily built on cost advantages. Their scalable infrastructure allows them to process additional trades at low costs, which produces high incremental operating margins. Many retail brokerages also have banking subsidiaries that rank well compared with traditional banks in terms of low funding costs, credit costs, and operating expenses. We think the company's massive scale gives it a cost advantage that few can match. Its cost advantage can easily be seen with its industry-leading ratio of expenses per dollar of client assets. Switching costs may be developing at Charles Schwab from the increasing usage of proprietary products and advice solutions among its clients

Data as of: 7/5/2024**Source:** Morningstar Direct

Indexes are unmanaged and not available for direct investment

Commentary is excerpted from more comprehensive company reports

Charles Schwab (SCHW)



Time Period: 7/6/2021 – 7/5/2024

Source: PitchBook

Indexes are unmanaged and not available for direct investment

Honeywell International (HON)

Analyst: Nicholas Lieb, CFA**Sector:** Industrials**Industry:** Conglomerates**Market Cap (\$bil):** \$138.4**Price/Fair Value:** 0.89**Economic Moat:** Wide**Economic Moat Sources:***Cost Advantage*

Efficient Scale

Intangible Assets

Network Effect

*Switching Costs***Business Strategy & Outlook:**

Honeywell is one of the strongest multi-industry firms in operation today. We think the company has successfully pivoted to capture multiple ESG trends, including energy efficiency, emissions reduction, and ecommerce. We predicate our long-term thesis on increased demand for warehouse automation solutions, new digital offerings that promote data analytics in powerplants, remote security management, energy savings in building solutions, and attractive long-term demand growth in commercial aerospace.

Economic Moat Analysis:

We view Honeywell as one of the highest-quality companies in the diversified industrials space and assign the firm a wide economic moat. We attribute this rating primarily to intangible assets and switching costs. Key to Honeywell carving a wide moat, in our view, is the firm's increasing ability to leverage its software technology across its massive industrial installed base. This software technology is integrated into mission-critical operations, as in cockpit control during commercial aircraft flights, and in customer operations, through diverse offerings like warehouse automation in factories or connected solutions in buildings. In our opinion, aerospace is Honeywell's widest-moat business, both from a qualitative installed base perspective, and from a quantitative returns-based perspective. The segment has maintained outperformance even through periods of top-line contraction, which increases the confidence in our rating. Relatedly, switching costs are strongly associated with higher-margin aftermarket sales. We think performance materials and technologies, or PMT, is another wide-moat segment. We think this segment benefits both from intangible assets thanks to superior technology, regulatory barriers, and intellectual property, as well as switching costs from recurring revenue in aftermarket services.

Data as of: 7/5/2024**Source:** Morningstar Direct

Indexes are unmanaged and not available for direct investment

Commentary is excerpted from more comprehensive company reports

Honeywell International (HON)



Time Period: 7/6/2021 – 7/5/2024

Source: PitchBook

Indexes are unmanaged and not available for direct investment

Workday (WDAY)

Analyst: Julie Bhusal Sharma**Sector:** Technology**Industry:** Software – Application**Market Cap (\$bil):** \$59.9**Price/Fair Value:** 0.84**Economic Moat:** Wide**Economic Moat Sources:**

Cost Advantage

Efficient Scale

Intangible Assets

Network Effect

*Switching Costs***Data as of:** 7/5/2024**Source:** Morningstar Direct

Indexes are unmanaged and not available for direct investment

Commentary is excerpted from more comprehensive company reports

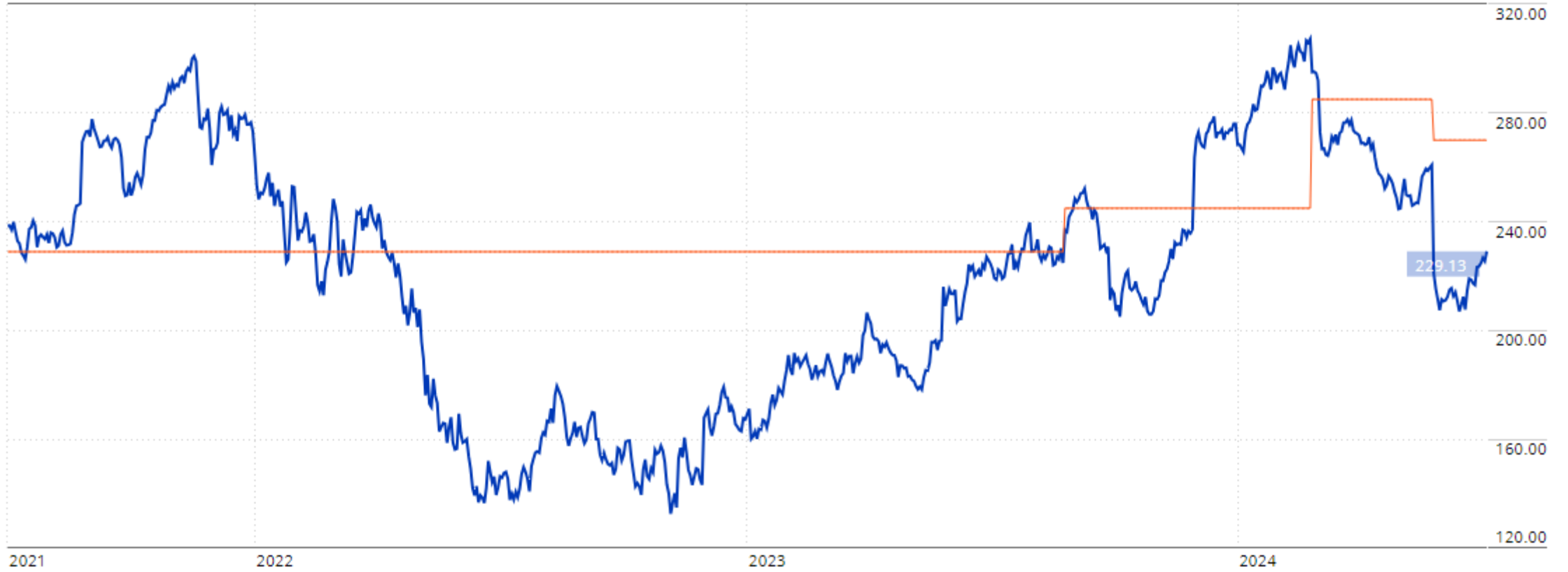
Business Strategy & Outlook:

We consider Workday to be a best-of-breed cloud-only platform for human capital management, or HCM, software. After debuting in 2005 as a first mover in the cloud HCM space at an ideal time, when enterprises were looking to make the move from on-premises to cloud software solutions, Workday has benefited from its timeliness as well as its high-quality product and reputation for smooth implementations. Now that customers have transitioned to a cloud solution with Workday, we think the possibility of another vulnerable event like the cloud migration that would leave Workday susceptible to customers switching, is unlikely. Workday has entered its next chapter of development by allowing the option to “rebundle” HCM with other ERP solutions, as the company now offers a financial management, or FMS, suite and planning suite. As Workday’s core addressable market continues to expand and Workday finds adoption of its new products to be strong, the company is poised for continued robust top-line growth.

Economic Moat Analysis:

We assign Workday a wide moat, stemming from the company’s customer switching costs. While we think switching costs are a commonality amid HCM software companies, as well as for enterprise software in general, we think Workday’s stickiness stands out in contrast with its legacy competitors, like SAP and Oracle. Switching costs for software are driven by several factors. The most obvious is the direct time and expense of implementing a new software package for a customer while maintaining an existing platform. There are indirect costs along those same lines, mainly lost productivity as customers move up a learning curve on the new system along with the distraction of users involved in the function where the change is occurring. Lastly, and perhaps most importantly, there is the operational risk, including loss of data during the changeover, project execution, and potential operational disruption. The more critical the function and the more touch points across an organization a software vendor has, the higher the switching costs will be.

Workday (WDAY)



Time Period: 7/6/2021 – 7/5/2024

Source: PitchBook

Indexes are unmanaged and not available for direct investment

Rockwell Automation (ROK)

Analyst: Brian Bernard, CFA, CPA**Sector:** Industrials**Industry:** Specialty Industrial Machinery**Market Cap (\$bil):** \$30.4**Price/Fair Value:** 0.85**Economic Moat:** Wide**Economic Moat Sources:**

Cost Advantage

Efficient Scale

Intangible Assets

Network Effect

*Switching Costs***Data as of:** 7/5/2024**Source:** Morningstar Direct

Indexes are unmanaged and not available for direct investment

Commentary is excerpted from more comprehensive company reports

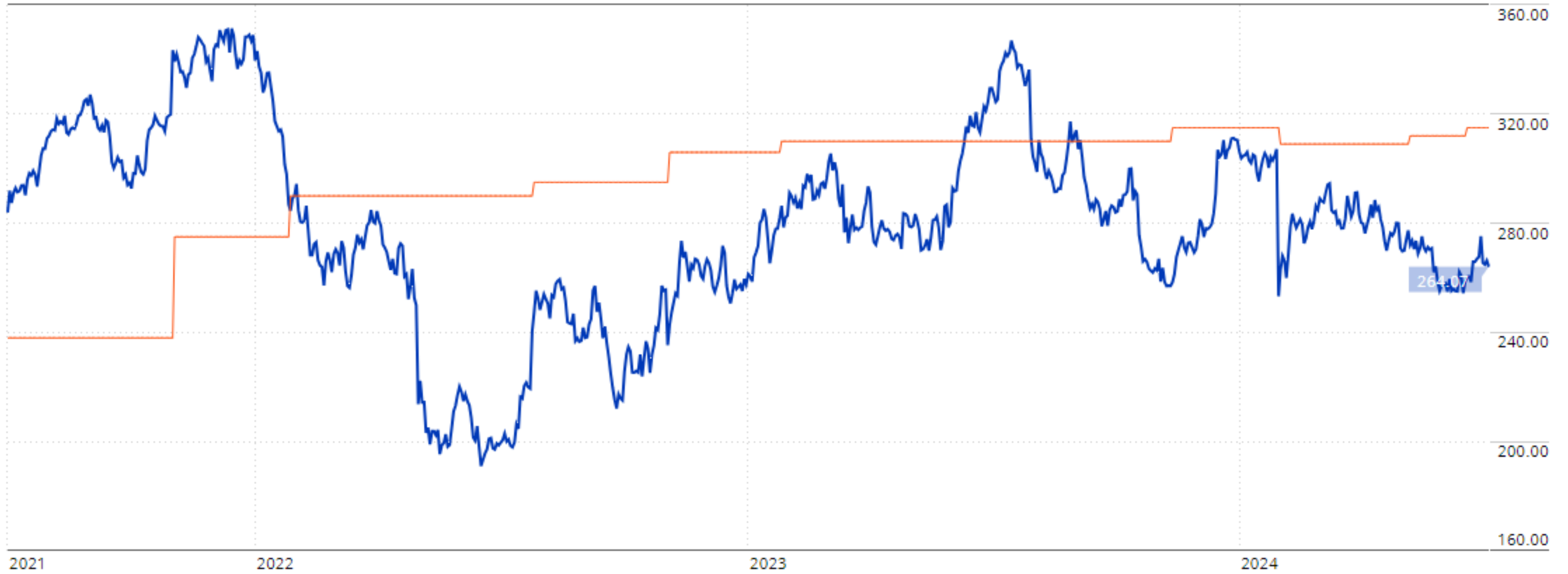
Business Strategy & Outlook:

We view Rockwell as the highest quality automation player on the west side of the Atlantic thank to the quality and breadth of its offerings, in addition to its shrewd strategic partnerships. Today, it is one of the best-in-breed competitors seeking to gain a stronger foothold where technology meets traditional manufacturing. Over the long run, we think Rockwell's future is bright, particularly in the area of analytics closer to the plant floor where it's more likely to see recurring, subscription-type revenue. We expect Rockwell will continue as a leader in the convergence of IT and OT. Most factories are still not fully connected, based on industry reports. In our view, the global automation market will grow based on customer need to drive productivity and efficiency gains. Furthermore, we think Rockwell will continue to benefit from technologies like independent cart technology, digital twin, augmented reality, and cybersecurity, among others. Rockwell's automation equipment can improve a customer's asset utilization and total cost of ownership. Once in a factory, Rockwell stands to benefit from decades of higher-margin aftermarket revenue.

Economic Moat Analysis:

We believe Rockwell Automation benefits from a wide economic moat thanks to intangible assets and switching costs. Rockwell has a large installed base of highly engineered, mission-critical equipment deeply integrated into complex customer processes. In our view, customers can't overhaul the equipment sold by wide-moat firms for long periods of time without incurring prohibitively expensive downtime. In Rockwell's case, certain pieces of customer equipment have been installed for over 30 years. Rockwell is one of a few industrial players and one of the only remaining pure-play automation competitors focusing on creating a single, common software platform that combines a customer's traditional manufacturing plant floor operations with its information technology functions. By integrating both plant assets with the rest of the enterprise value chain, customers can reduce their time to market, lower their total cost of ownership, improve their asset utilization, and better manage their enterprise risks.

Rockwell Automation (ROK)



Time Period: 7/6/2021 – 7/5/2024

Source: PitchBook

Indexes are unmanaged and not available for direct investment

Biogen (BIIB)

Analyst: Karen Andersen, CFA**Sector:** Healthcare**Industry:** Drug Manufacturers – General**Market Cap (\$bil):** \$32.7**Price/Fair Value:** 0.74**Economic Moat:** Narrow**Economic Moat Sources:**

Cost Advantage

Efficient Scale

Intangible Assets

Network Effect

Switching Costs

Business Strategy & Outlook:

We think Biogen's neurology, immunology, and focus on rare diseases support a narrow moat. Biogen's strategy has its roots in the 2003 merger of Biogen (multiple sclerosis drug Avonex) and Idec (cancer drug Rituxan). The firm expanded its neurology portfolio beyond MS, including the blockbuster rare neuromuscular disease drug Spinraza. We see Biogen as a firm in transition, as MS revenue fades and launches of several new drugs for Alzheimer's, depression, and rare diseases begin to ramp up. Biogen generated nearly \$6 billion in MS revenue in 2023, although we see these sales declining nearly 10% annually as the firm faces branded competition, generic pressure on Tecfidera, and biosimilar Tysabri launches. While pricing power and demand for Biogen's injectable MS portfolio are eroding in the face of new competition, Biogen receives substantial royalties on Roche's popular drug Ocrevus, which helps offset pressure on older MS drugs. Outside of MS, we think Biogen's growth potential looks solid, although Alzheimer's market evolution is highly uncertain.

Economic Moat Analysis:

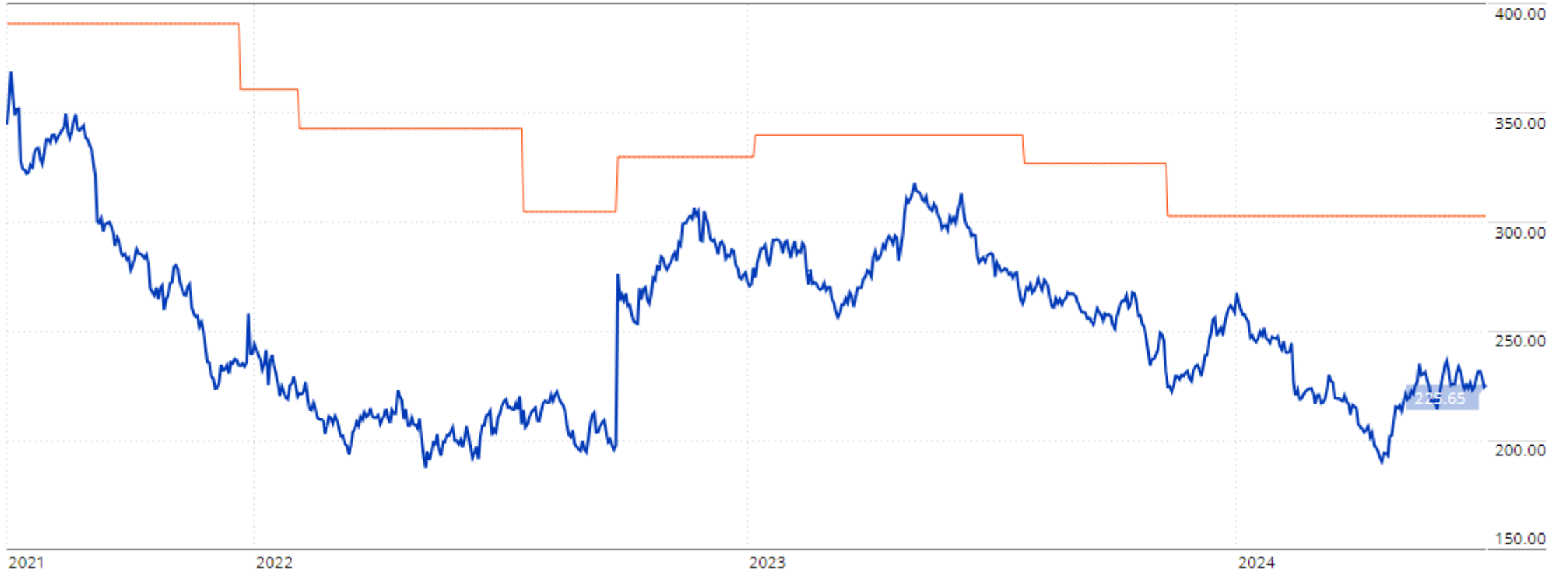
Biogen has achieved strong profitability based on its diversified MS portfolio and a long-standing Roche collaboration for CD20-based drugs in MS and oncology. However, we think the firm's wide moat has eroded into a narrow one as branded and generic drugs are pressuring MS sales and as the launch of new Alzheimer's disease drug Leqembi is slow to gain traction. Biogen's emerging portfolio does appear to have intangible assets covering markets outside of MS across a range of indications in immunology, neurology, and rare diseases. Returns on invested capital, historically north of 20%, are likely to bottom out over the next couple of years due to generic pressure on Tecfidera and biosimilar pressure on Rituxan and Tysabri. Biogen's profit share with Roche is poised to see growth again after significant Rituxan biosimilar headwinds in 2021-23. In Biogen's MS portfolio, we expect sales to decline due to both branded and generic competition.

Data as of: 7/5/2024**Source:** Morningstar Direct

Indexes are unmanaged and not available for direct investment

Commentary is excerpted from more comprehensive company reports

Biogen (BIIB)



Time Period: 7/6/2021 – 7/5/2024

Source: PitchBook

Indexes are unmanaged and not available for direct investment

Clorox (CLX)

Analyst: Erin Lash, CFA**Sector:** Consumer Defensive**Industry:** Household & Personal Products**Market Cap (\$bil):** \$16.4**Price/Fair Value:** 0.78**Economic Moat:** Wide**Economic Moat Sources:***Cost Advantage*

Efficient Scale

Intangible Assets

Network Effect

Switching Costs

Business Strategy & Outlook:

Since its inception more than 100 years ago, Clorox has grown to play in a variety of categories across the consumer products space, including cleaning supplies, laundry care, trash bags, cat litter, charcoal, food dressings, water-filtration products, and natural personal-care products. Beyond its namesake brand, the firm's portfolio includes Liquid-Plumr, Pine-Sol, S.O.S, Tilex, Kingsford, Fresh Step, Glad, Hidden Valley, KC Masterpiece, Brita, and Burt's Bees. We're encouraged Clorox's strategic playbook remains tethered to bringing consumer-valued innovation to market and touting its fare in front of consumers. Clorox goes to bat against lower-priced private-label fare in most of the categories in which it plays, but we think investments in innovation and marketing should help its products stand out on the shelf and stifle trade down. We expect Clorox to pursue surgical price increases while keeping an intense focus on its cost structure.

Economic Moat Analysis:

We assign Clorox a wide economic moat based on the strength of its eclectic brand mix, entrenched retail positioning, and cost advantage. The benefits from its commanding market positions also buoy Clorox's standing with leading retailers, lending additional credence to its intangible asset moat source. However, we don't believe that its competitive edge is merely a byproduct of its intangible assets. Rather, we also posit the company has a cost edge over its smaller competitors. In addition to scale benefits relative to these niche operators, Clorox garners cost advantages through its sourcing and logistics. It co-owns mines to obtain specific clay for its cat litter products, and it procures charred wood, the main raw material for charcoal, from mills located in close proximity to Clorox's manufacturing facilities. When considering its stout brand mix, unwavering retail partnerships, and cost edge, we expect Clorox will continue to outearn our estimate of its cost of capital for the 20-year horizon required to assign the firm a wide economic moat rating.

Data as of: 7/5/2024**Source:** Morningstar Direct

Indexes are unmanaged and not available for direct investment

Commentary is excerpted from more comprehensive company reports

Clorox (CLX)



Time Period: 7/6/2021 – 7/5/2024

Source: PitchBook

Indexes are unmanaged and not available for direct investment

Roper Technologies (ROP)

Analyst: Emma Williams**Sector:** Technology**Industry:** Software – Application**Market Cap (\$bil):** \$60.0**Price/Fair Value:** 1.17**Economic Moat:** Wide**Economic Moat Sources:**

Cost Advantage

Efficient Scale

*Intangible Assets**Network Effect**Switching Costs***Data as of:** 7/5/2024**Source:** Morningstar Direct

Indexes are unmanaged and not available for direct investment

Commentary is excerpted from more comprehensive company reports

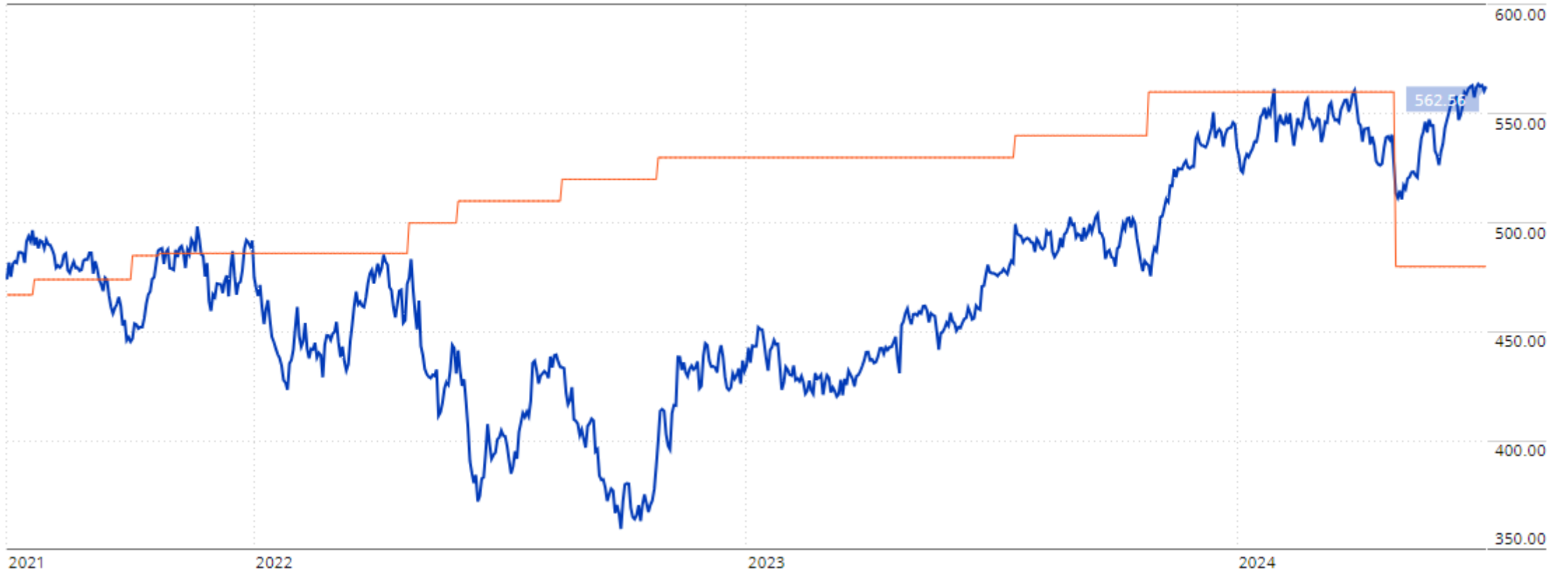
Business Strategy & Outlook:

Roper is a diversified technology company that focuses on acquiring asset-light, cash-generative businesses. Roper acquires software companies with large amounts of deferred revenue. Large quantities of deferred revenue exist because many software businesses receive cash in advance of when services are rendered. Roper uses this cash to invest in businesses at incrementally higher rates of return. Its targets have large bases of recurring revenue in oligopolistic, niche markets with small total addressable markets. That revenue base is protected by strong moats that frequently post gross retention rates greater than 95%. Roper's businesses typically don't own their own infrastructure, which further contributes to its asset-light business model.

Economic Moat Analysis:

We award Roper Technologies a wide economic moat rating. Even though we think its economic moat is more than just the sum of its parts, we still believe Roper's individual constituents have strong and durable competitive advantages. In its application software segment, which we assign with a wide moat, we think the firm benefits primarily from switching costs. Application software refers to enterprise software intended for a specific application. In our view, switching costs are very strong in enterprise software. We also award Roper's network software and systems segment with a wide moat, which we attribute primarily to a network effect. We also believe the firm's technology enabled products segment merits a wide moat rating. This portfolio represents what remains of Roper's legacy portfolio following its announced industrial asset sales, and we think this portfolio benefits mostly from switching costs, and to a lesser extent, intangible assets. Because of its acquisition-heavy model, Roper uses nearly all its available free cash flow to purchase businesses, which keeps ROICs, including goodwill artificially low, despite the underlying improvement in the firm's cash returns. In our view, if management were to hypothetically to turn off the acquisition spigot, we believe the firm's reported ROICs would likely rise.

Roper Technologies (ROP)



Time Period: 7/6/2021 – 7/5/2024

Source: PitchBook

Indexes are unmanaged and not available for direct investment

Microchip Technology (MCHP)

Analyst: Brian Colello, CPA**Sector:** Technology**Industry:** Semiconductors**Market Cap (\$bil):** \$50.2**Price/Fair Value:** 1.04**Economic Moat:** Wide**Economic Moat Sources:**

Cost Advantage

Efficient Scale

Intangible Assets

Network Effect

*Switching Costs***Data as of:** 7/5/2024**Source:** Morningstar Direct

Indexes are unmanaged and not available for direct investment

Commentary is excerpted from more comprehensive company reports

Business Strategy & Outlook:

Microchip Technology is a leading supplier of microcontrollers, or MCUs, which are semiconductors that act as the brains in a wide variety of common electronic devices, from garage door openers to thermostats to home appliances like dishwashers and all types of products in between. We view Microchip as one of the best-run firms within the chip space and like the firm's ability to generate free cash flow under virtually any economic scenario.

Economic Moat Analysis:

We believe that Microchip has a wide economic moat. Moats for analog and microcontroller chipmakers, such as Microchip, tend to come from intangible assets around proprietary chip designs and manufacturing expertise, as well as switching costs that make it difficult to swap out analog and MCU chips for competing offerings once they are designed into a given electronic device. Given Microchip's record of stellar profitability in recent years and ability to retain its leadership position in MCUs while expanding its analog business, we think it is more likely than not that the company will earn on excess capital over the next 20 years. Looking at intangible assets, leading analog and MCU chipmakers face stringent quality requirements in some end markets, such as the automotive space, for example, where defects can only be tolerated as infrequently as one part per million. Although the analog and MCU chip industries are quite fragmented, it would be difficult for any new entrant to achieve this level of quality while still satisfying high-volume production. Regarding switching costs, analog and MCUs tend to make up only a small portion of a product's bill of materials, so purchasing decisions tend to be based on performance rather than price, helping Microchip retain pricing power. Once electronics manufacturers select an analog chip or MCU, they tend to stick with the chip for the life of the device because it is costly to redesign a device in order to swap in a competing chip that might not necessarily be compatible with the rest of the product.

Microchip Technology (MCHP)



Time Period: 7/6/2021 – 7/5/2024

Source: PitchBook

Indexes are unmanaged and not available for direct investment

Northrop Grumman (NOC)

Analyst: Nicolas Owens**Sector:** Industrials**Industry:** Aerospace & Defense**Market Cap (\$bil):** \$64.7**Price/Fair Value:** 0.79**Economic Moat:** Wide**Economic Moat Sources:**

Cost Advantage

Efficient Scale

Intangible Assets

Network Effect

*Switching Costs***Data as of:** 7/5/2024**Source:** Morningstar Direct

Indexes are unmanaged and not available for direct investment

Commentary is excerpted from more comprehensive company reports

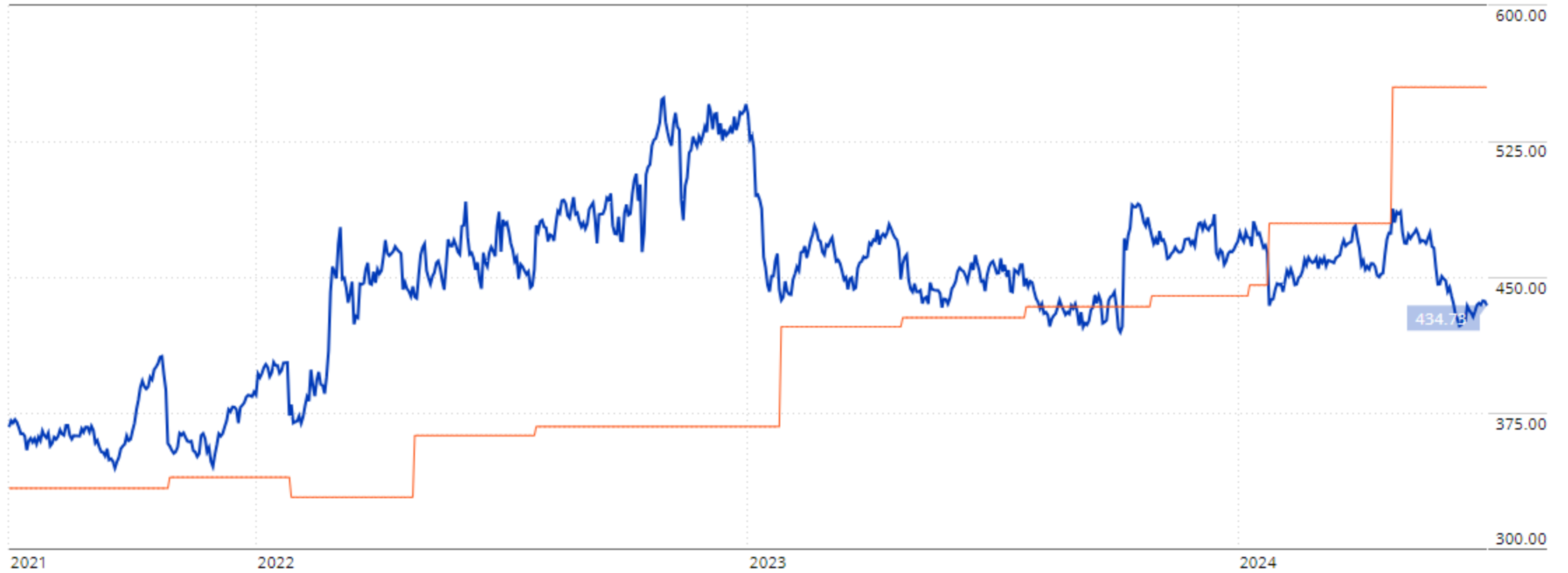
Business Strategy & Outlook:

Northrop Grumman produces hardware for classified programs and enjoys exposure to some hefty military development programs that are early in their life cycle. The defense budget allocation is a political process, which is inherently difficult to predict. As such, we favor companies with tangible growth profiles through a steady stream of contract wins, ideally to contracts that are fulfilled over decades. Regulated margins, mature markets, customer-paid research and development, and long-term revenue visibility allow defense contractors to deliver a lot of cash to shareholders. This is key, as we don't see substantial growth prospects for this industry. Indeed, defense budgets tend to ebb and flow with a nation's wealth and its perception of danger. These have been on the rise in the U.S. and among many allies, notably Germany and Japan, as geopolitics are leading to larger military budgets than we've seen for decades. The three biggest stock-specific growth opportunities we see for Northrop are the Ground Based Strategic Deterrent, the further militarization of space, and the continued development and eventual manufacture of the B-21 bomber.

Economic Moat Analysis:

We believe that intangible assets in the defense industry ensure that incumbent firms are the only companies capable of servicing the military's large need to purchase arms (broadly defined), which manifests as a material barrier to entry. Switching costs for the military customer are generally predicated upon the mission-criticality of the product, extended product cycles, a lack of viable alternative products, and the substantial time investment or risk involved in switching suppliers. The major products for U.S.-based defense contractors include military vehicles (including land, air, and sea-based vehicles), intelligence-gathering and communication systems, radars and sensors, and munitions. The ability for a military to succeed at its strategic objectives and defeat an adversary, as well as protecting the lives of soldiers and civilians, are contingent on these products working as intended, which we think protects the proven suppliers from upstart competition.

Northrop Grumman (NOC)



Time Period: 7/6/2021 – 7/5/2024

Source: PitchBook

Indexes are unmanaged and not available for direct investment

PepsiCo (PEP)

Analyst: Dan Su, CFA**Sector:** Consumer Defensive**Industry:** Beverages – Non-Alcoholic**Market Cap (\$bil):** \$223.5**Price/Fair Value:** 0.92**Economic Moat:** Wide**Economic Moat Sources:***Cost Advantage*

Efficient Scale

Intangible Assets

Network Effect

Switching Costs

Business Strategy & Outlook:

PepsiCo is a global leader in snacks and beverages, owning well-known household brands including Pepsi, Mountain Dew, Gatorade, Lay's, Cheetos, and Doritos, among others. The company dominates the global savory snacks market and ranks as the second-largest beverage provider in the world (behind Coca-Cola) with diversified exposure to carbonated soft drinks, or CSD, as well as water, sports, and energy offerings. Following years of anemic growth due to operational missteps and underinvestment, management has made great strides in righting the ship. The firm benefits from secular tailwinds in the snack business as well as growth initiatives in select attractive beverage subcategories, such as energy drinks, and regional markets, such as Latin America, Africa, and Asia Pacific.

Economic Moat Analysis:

PepsiCo has built a wide economic moat around its global snacks and beverage operations, thanks to an impressive ensemble of household brands underpinning consumer loyalty and close retailer relationships, as well as significant scale benefits that drive bargaining power and lower operational costs. The company's brand equity has allowed it to fetch pricing gains above inflation while maintaining healthy volume growth. We expect its snack brands will remain top of mind for a wide variety of consumer occasions and maintain pricing power. We think PepsiCo's well-known CSD brands are poised to continue to extract strong investment returns through its pricing power. Additionally, a strong portfolio of top-selling brands that drives traffic and purchases in both the snack and beverage aisles makes PepsiCo an indispensable partner to most retailers from grocers to gas station stores. We see cost advantage as a second pillar to our wide economic moat rating on PepsiCo. The company enjoys a massive distribution scale, allowing the firm to reach more retailers and consumers faster and at a lower cost.

Data as of: 7/5/2024**Source:** Morningstar Direct

Indexes are unmanaged and not available for direct investment

Commentary is excerpted from more comprehensive company reports

PepsiCo (PEP)



Time Period: 7/6/2021 – 7/5/2024

Source: PitchBook

Indexes are unmanaged and not available for direct investment

Emerson Electric (EMR)

Analyst: Krzysztof Smalec, CFA**Sector:** Industrials**Industry:** Specialty Industrial Machinery**Market Cap (\$bil):** \$62.7**Price/Fair Value:** 0.95**Economic Moat:** Wide**Economic Moat Sources:**

Cost Advantage

Efficient Scale

Intangible Assets

Network Effect

*Switching Costs***Data as of:** 7/5/2024**Source:** Morningstar Direct

Indexes are unmanaged and not available for direct investment

Commentary is excerpted from more comprehensive company reports

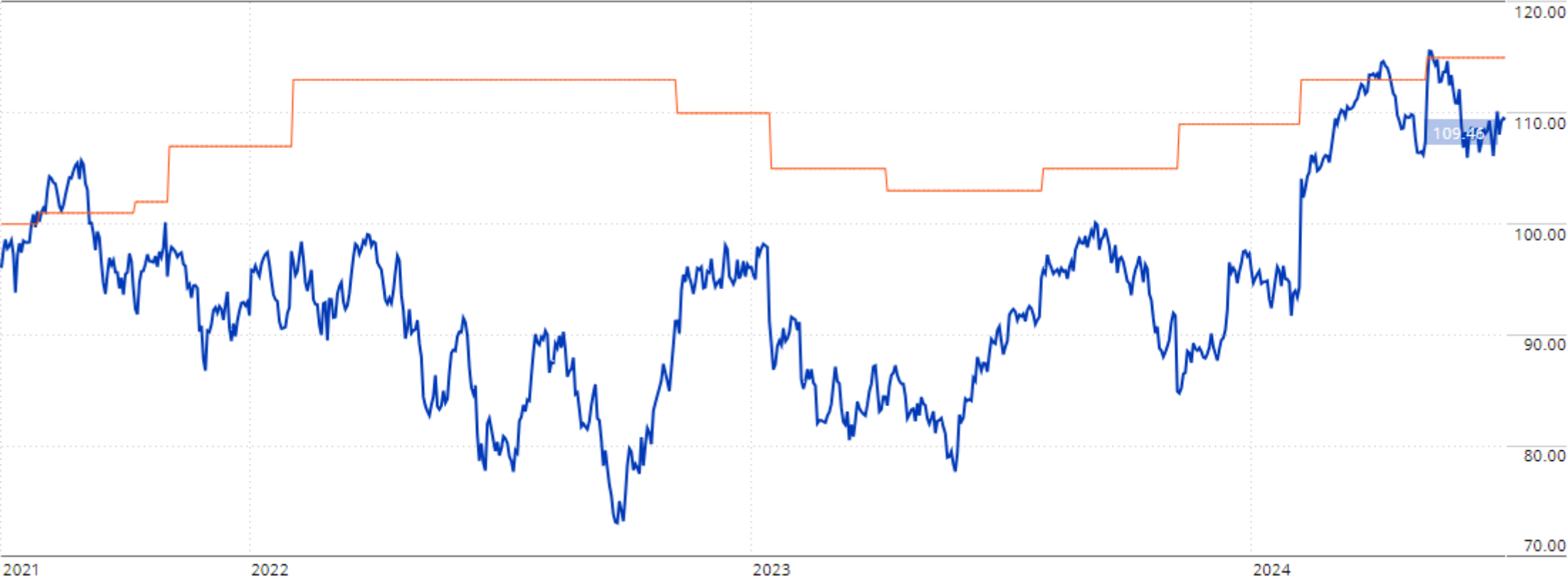
Business Strategy & Outlook:

Emerson Electric is the undisputed powerhouse in process manufacturing on the west side of the Atlantic. Despite near-term headwinds, we believe the firm is poised for several years of positive organic growth. Automation can add more to manufacturing firms' bottom lines than many other investments. We think predictive analytics will augment these results, given the mission-critical nature of Emerson's products and services. Emerson should benefit from fewer available experts than can adequately address in-demand automation services; industrywide share of mind as evidenced by a multitude of awards from various trade publications; and most importantly, its large installed base, which allows the company to benefit from decades of higher-margin aftermarket revenue.

Economic Moat Analysis:

We a wide economic moat rating to Emerson Electric, based primarily on switching costs and secondarily on intangible assets. Process manufacturing infrastructure, what Emerson is most known for, has a 20- to 50-year life span. Switching costs are strong because most companies can't afford a wholesale replacement of their existing control systems. Switches to lesser-known competitors are uncommon from a risk management standpoint, given the catastrophic cost of failure. Shutting down a continuous process is risky. Many operators and maintenance technicians often get a chance to stop, service, and restart a continuous process only once every seven years. Regulation reinforces these switching costs. The U.S. Occupational Safety and Health Administration places increasing emphasis on recognized and generally accepted good engineering practices. As such, it's no longer acceptable to assign blame for catastrophic incidents on prior plant owners. Equipment and service providers like Emerson can implement systems that lead to meaningful reductions in the number of alarms triggered by machine failures, allowing operators and technicians to focus on the root causes of machine failure.

Emerson Electric (EMR)



Time Period: 7/6/2021 – 7/5/2024

Source: PitchBook

Indexes are unmanaged and not available for direct investment

Huntington Ingalls Industries (HII)

Analyst: Nicolas Owens**Sector:** Industrials**Industry:** Aerospace & Defense**Market Cap (\$bil):** \$9.7**Price/Fair Value:** 0.78**Economic Moat:** Wide**Economic Moat Sources:**

Cost Advantage

Efficient Scale

Intangible Assets

Network Effect

*Switching Costs***Data as of:** 7/5/2024**Source:** Morningstar Direct

Indexes are unmanaged and not available for direct investment

Commentary is excerpted from more comprehensive company reports

Business Strategy & Outlook:

Huntington Ingalls Industries is the largest independent military shipbuilder in the U.S., spun off from Northrop Grumman in 2011. The company generates revenue on almost every significant military shipbuilding contract, in some cases as the only supplier, as with aircraft carriers. Huntington Ingalls derives four fifths of its revenue and practically all its profits from building ships for the U.S. Navy. Ships are the longest-cycle defense product, as each vessel takes years to manufacture, remains in service for decades, and is typically purchased in blocks to reduce unit costs. These long lead times mean that funding for a project, once awarded, is difficult to cut and block-sized purchases give the builder visibility into long-term revenue. Huntington Ingalls' top line is, therefore, less sensitive to changes in the defense budget than peers, making it a defensive play even among defense contractors. Regulated margins, mature markets, customer-paid research and development, and long-term revenue visibility typically allow defense contractors to deliver lots of cash to shareholders, which makes up for slow growth in this industry.

Economic Moat Analysis:

We ascribe a wide economic moat rating to Huntington Ingalls. The company's moat is supported by significant intangible assets. First among these is the extreme product complexity that thwarts new entrants, bolstered by decades-long product cycles, contract structures that reduce risk for incumbents and lock out alternative suppliers. We also see the switching costs of a risk-averse customer facing significant time and risk to potentially switch products or suppliers as a competitive advantage for some defense contractors. Huntington Ingalls' core shipbuilding businesses, Ingalls and Newport News, represent more than 75% of companywide revenue and profits, and the company presides over unique and nearly-unique assets with extraordinarily long useful lives and visibility into that use.

Huntington Ingalls Industries (HII)



Time Period: 7/6/2021 – 7/5/2024

Source: PitchBook

Indexes are unmanaged and not available for direct investment

Brown-Forman (BF.B)

Analyst: Dan Su, CFA**Sector:** Consumer Defensive**Industry:** Beverages – Wineries/Distilleries**Market Cap (\$bil):** \$19.9**Price/Fair Value:** 0.76**Economic Moat:** Wide**Economic Moat Sources:***Cost Advantage*

Efficient Scale

Intangible Assets

Network Effect

Switching Costs

Data as of: 7/5/2024**Source:** Morningstar Direct

Indexes are unmanaged and not available for direct investment

Commentary is excerpted from more comprehensive company reports

Business Strategy & Outlook:

We award a wide economic moat rating to Brown-Forman. This is based on strong brand intangible assets and cost advantages associated with the spirits maker's premium American whiskey portfolio, which makes up two thirds of its overall sales. With over 150 years of distilling experience specializing in Tennessee whiskey and Kentucky bourbon, Brown-Forman has earned accolades and loyalty from drinkers for distinct flavors and consistent quality, building strong brand equity for its core Jack Daniel's trademark in the US and globally. We are constructive on the growth prospects of the premium spirits maker, as its high-end positioning in the structurally attractive whiskey category (where a lengthy maturation process creates significant entry barriers) aligns well with the industry's premiumization trend. Beyond this, we believe the firm is poised for volume expansion, thanks to a strong innovation pipeline promising new releases not only in whiskeys and tequilas, but also in the attractive fast-growing ready-to-drink category.

Economic Moat Analysis:

We believe Brown-Forman has carved out a wide economic moat, thanks to strong brand loyalty and the tight client relationships that the spirits maker has cultivated and maintained for many decades in its core whiskey business. To a lesser extent, the company also benefits from cost advantages by leveraging its scale in raw material procurement, advertising, and distribution. Brown-Forman's intangible assets moat source is evidenced by the brand prowess and entrenched client partners in its whiskey business. This is particularly whetted to the brand collection under the iconic, 150-year-old Tennessee whiskey brand Jack Daniel's. We'd also point to Brown-Forman's success in rolling out new products and adding pricing ladders in the premium and super-premium segments under the Jack Daniel's trademark as a testament of its brand power in engaging and maintaining its loyal customer base. Beyond brand intangibles, cost advantages are the second pillar in our wide economic moat rating for Brown-Forman, as the distiller reaps scale benefits in raw materials procurement, advertising, and distribution.

Brown-Forman (BF.B)



Time Period: 7/6/2021 – 7/5/2024

Source: PitchBook

Indexes are unmanaged and not available for direct investment

Boeing (BA)

Analyst: Nicolas Owens**Sector:** Industrials**Industry:** Aerospace & Defense**Market Cap (\$bil):** \$113.1**Price/Fair Value:** 0.83**Economic Moat:** Wide**Economic Moat Sources:**

Cost Advantage

Efficient Scale

Intangible Assets

Network Effect

*Switching Costs***Data as of:** 7/5/2024**Source:** Morningstar Direct

Indexes are unmanaged and not available for direct investment

Commentary is excerpted from more comprehensive company reports

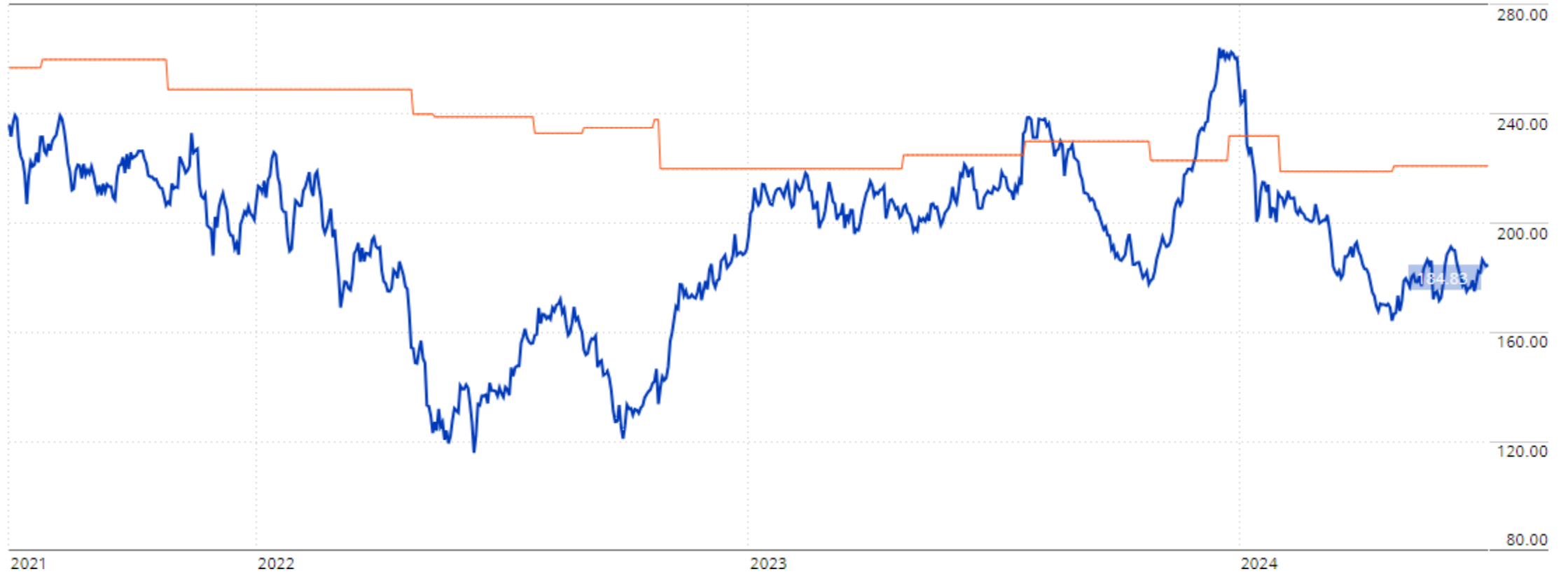
Business Strategy & Outlook:

Boeing specializes in the manufacture of large commercial aircraft. Its narrow-bodied planes are ideal for high-frequency, short-haul routes, and its wide-bodied planes are used for long-haul and transcontinental flights. Worldwide sales of narrow-bodies have increased over the past 20 years with the rise of low-cost carriers and middle-class consumers in emerging markets. Boeing's narrow-body business was battered by the extended grounding of its 737 MAX due to two fatal crashes of the plane before the COVID-19 pandemic. Looking forward, however, we see long-term air travel demand increases in emerging-market economies. Boeing aims to expand 737 MAX production to meet that demand, once the safety standards of its manufacturing process have again been approved by the Federal Aviation Administration.

Economic Moat Analysis:

Boeing merits a wide moat rating because it benefits from durable intangible assets and switching costs. Although Boeing has taken some competitive hits in the commercial aerospace duopoly, the commercial airplane market is large enough but has sufficiently high barriers to entry that it supports two wide-moat aircraft manufacturers. In the commercial aircraft manufacturing segment, the technical complexity of aircraft manufacturing and the extensive regulatory barriers to entering the market constitute wide-moat-caliber intangible assets. Boeing and Airbus benefit from these barriers to entry and operate in a duopoly in the global large-frame jet aircraft market. We expect virtually all global revenue associated with air travel growth will continue to flow through these two incumbent manufacturers' top lines. What's more, we estimate demand from airlines for their products will remain high enough for long enough that both firms should generate economic profits for many decades to come. Further, powerful switching costs are supported by the lack of alternative aircraft suppliers, the criticality of their products to the customer, and very long product cycles.

Boeing (BA)



Time Period: 7/6/2021 – 7/5/2024

Source: PitchBook

Indexes are unmanaged and not available for direct investment

Keysight Technologies (KEYS)

Analyst: William Kerwin, CFA**Sector:** Technology**Industry:** Scientific & Technical Instruments**Market Cap (\$bil):** \$23.6**Price/Fair Value:** 0.86**Economic Moat:** Wide**Economic Moat Sources:**

Cost Advantage

Efficient Scale

Intangible Assets

Network Effect

*Switching Costs***Data as of:** 7/5/2024**Source:** Morningstar Direct

Indexes are unmanaged and not available for direct investment

Commentary is excerpted from more comprehensive company reports

Business Strategy & Outlook:

Keysight Technologies is the leader in communications testing and measurement solutions. The company offers a vendor-agnostic avenue for investing in the rapidly growing 5G and high-speed networking markets. In our view, Keysight has the strongest and broadest communications testing capabilities in the market, inclusive of hardware, software, and services. Keysight should continue to dominate the communications market, especially as it pivots toward more complex 5G testing in which it is already demonstrating proficiency. We forecast market share gains for Keysight and think greater complexity in 5G networks will expand its wallet share at customers—both of which would result in continued outperformance of the underlying testing market.

Economic Moat Analysis:

Keysight Technologies possesses a wide economic moat owing to intangible assets in the design of test and measurement equipment and software and switching costs for its portfolio of solutions. An unmatched portfolio breadth and leading capabilities have led to Keysight holding one of the top market shares overall in testing and measurement. We don't expect any competitor to encroach on Keysight's leadership—especially in communications—and expect the firm to earn economic profits over the next 20 years as a result of its comprehensive portfolio that layers software and services over hardware. Having the most comprehensive communications testing portfolio in the marketplace makes Keysight a more efficient solution and gives it a leg up in acquiring new customers. Testing is an integral part of the development process, with engineers iterating designs in simulation software, testing different prototypes, and then implementing quality control in manufacturing. Keysight's moat is also bolstered by switching costs, stemming from an end-to-end solution set combining hardware, software, and services. Keysight's solutions service the entire design cycle, from design and simulation all the way through to volume manufacturing and operation.

Keysight Technologies (KEYS)



Time Period: 7/6/2021 – 7/5/2024

Source: PitchBook

Indexes are unmanaged and not available for direct investment

Walt Disney (DIS)

Analyst: Matthew Dolgin, CFA**Sector:** Communication Services**Industry:** Entertainment**Market Cap (\$bil):** \$179.8**Price/Fair Value:** 0.86**Economic Moat:** Wide**Economic Moat Sources:**

Cost Advantage

Efficient Scale

Intangible Assets

Network Effect

Switching Costs

Data as of: 7/5/2024**Source:** Morningstar Direct

Indexes are unmanaged and not available for direct investment

Commentary is excerpted from more comprehensive company reports

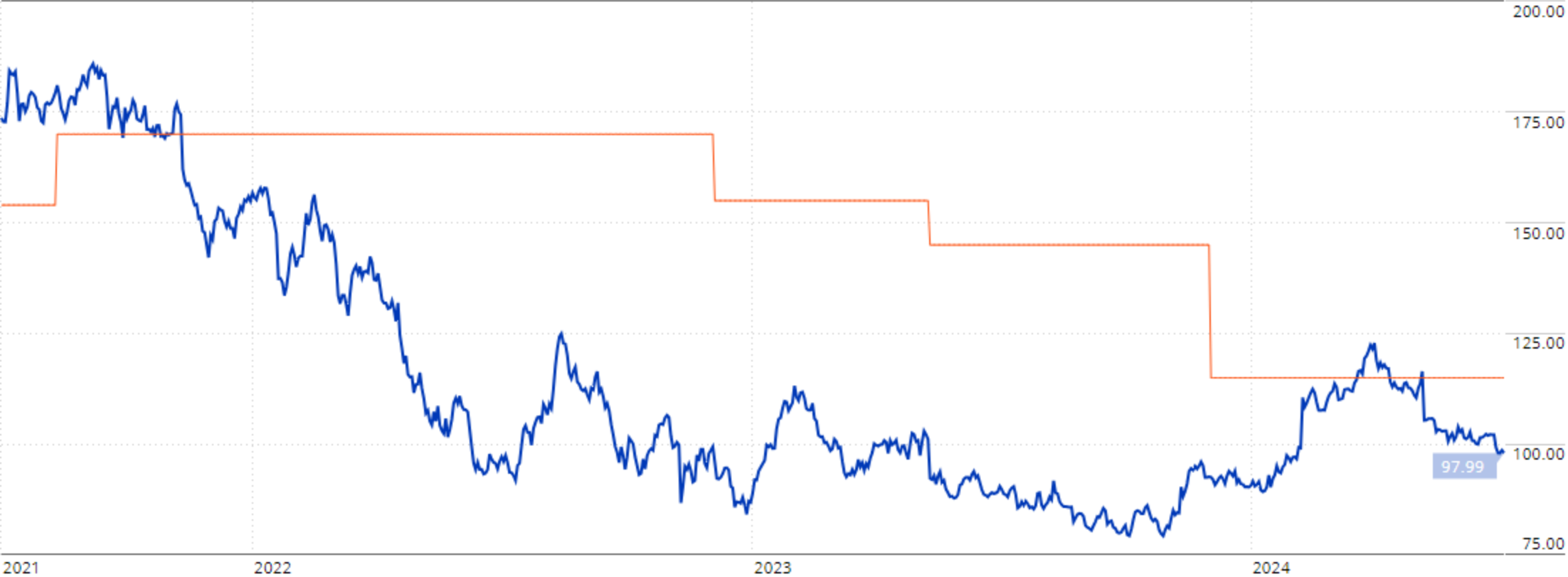
Business Strategy & Outlook:

Disney is managing the evolution of the media industry, most notably the shift from linear television viewing to on-demand, direct-to-consumer, or DTC, streaming services. As its DTC offerings mature, we expect recent rockiness, reflected by declining linear revenue and cash burn in the DTC businesses, to stabilize. A wealth of content and the financial capacity to continue creating more should keep Disney+ and Hulu among the more attractive streaming services for consumers. Other critical parts of Disney should continue to thrive. Although we don't expect attendance at movie theaters to be as high as it once was, the firm's franchises and top production studios should ensure that the content Disney produces and licenses will be in demand. More importantly, we expect continuing strength in the experiences business, which consists primarily of Disney's many theme parks. The ability to marry iconic franchises with vacation destinations gives the firm unique properties that have enduring popularity.

Economic Moat Analysis:

We are maintaining our wide moat on Disney. Ultimately, we believe the firm's ownership of timeless characters and franchises and its ability to continue creating and attracting top-tier content outweigh the near-term challenges it faces related to an evolving media industry. Although we think it's likely that a media industry not built upon the traditional cable television bundle will keep Disney from returning to the level of economic profitability it routinely achieved in years past, we still expect the firm's returns on invested capital to comfortably exceed its cost of capital over the next 20 years. The intangible assets that underpin Disney's moat include the intellectual property behind franchises and characters that have proved enduring across generations, ESPN's position in the sporting world, and the multiple television and movie production studios Disney has. The interaction among these assets benefits all of the firm's business lines and makes the whole stronger than the individual parts. Not only would new competitors find it nearly impossible to offer competing entertainment experiences, but we see few — if any — existing companies that can offer anything like what Disney can.

Walt Disney (DIS)



Time Period: 7/6/2021 – 7/5/2024

Source: PitchBook

Indexes are unmanaged and not available for direct investment

Masco (MAS)

Analyst: Brian Bernard, CFA, CPA**Sector:** Industrials**Industry:** Building Products & Equipment**Market Cap (\$bil):** \$14.3**Price/Fair Value:** 0.79**Economic Moat:** Wide**Economic Moat Sources:***Cost Advantage*

Efficient Scale

Intangible Assets

Network Effect

Switching Costs

Business Strategy & Outlook:

Masco manufactures a variety of home improvement and building products. The company's plumbing segment, led by the Delta and Hansgrohe brands, sells faucets, showerheads, and other related plumbing fixtures and components. Its decorative architectural segment primarily sells paints and other coatings under the Behr and Kilz brands, but it also sells builder hardware and lighting products. Repair and remodel spending and, to a much lesser extent, new residential construction are major drivers of Masco's financial performance. We expect the repair and remodel market to benefit from several long-term secular tailwinds relating to aging housing stock, favorable demographics, and increased acceptance of smart home and energy-efficient products and solutions.

Economic Moat Analysis:

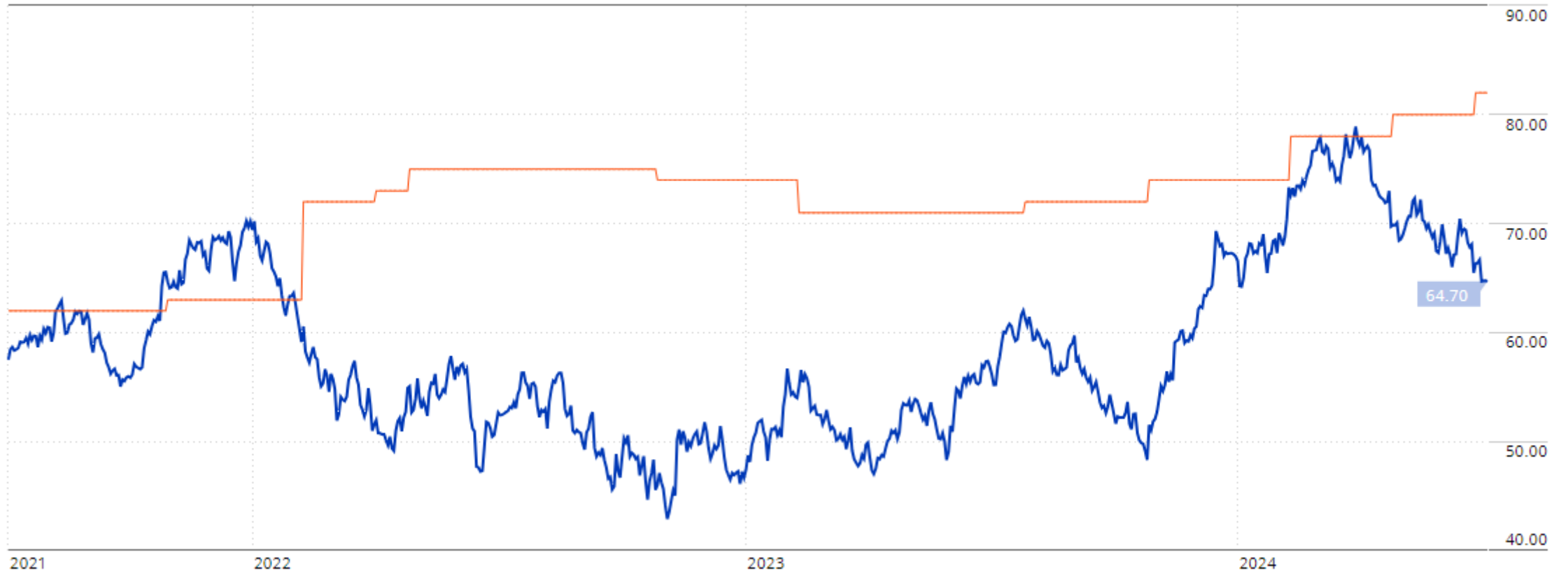
Over the past two decades, Masco's plumbing and decorative architectural segments have comfortably outearned the firm's cost of capital and have each generated most of the firm's economic profits. We believe Masco's plumbing and architectural coatings-related intangible assets and the firm's relatively low-cost Behr distribution and sales platform will support excess returns for at least the next 20 years, supporting a wide moat. While there are examples of foreign competition taking share from incumbent plumbing fixture manufacturers in our coverage (new entrants such as Spain's Roca brand are taking market share from Australia-based GWA Group), we don't see increased imports as a material threat to Masco's core plumbing brands. There has been established foreign competition in the U.S. plumbing fixtures market for some time, and Masco has clearly held its own. Since the U.S. housing recovery began in earnest in 2010, Masco's organic plumbing sales have grown faster than the U.S. repair and remodel market.

Data as of: 7/5/2024**Source:** Morningstar Direct

Indexes are unmanaged and not available for direct investment

Commentary is excerpted from more comprehensive company reports

Masco (MAS)



Time Period: 7/6/2021 – 7/5/2024

Source: PitchBook

Indexes are unmanaged and not available for direct investment

Bio-Rad Laboratories (BIO)

Analyst: Jay Lee

Sector: Healthcare

Industry: Medical Devices

Market Cap (\$bil): \$7.8

Price/Fair Value: 0.63

Economic Moat: Wide

Economic Moat Sources:

Cost Advantage

Efficient Scale

Intangible Assets

Network Effect

Switching Costs

Business Strategy & Outlook:

Bio-Rad develops products and solutions for the life sciences research and clinical diagnostic markets. The company enjoys niche market leadership in diagnostic quality controls, antigens, and digital polymerase chain reaction, or dPCR, molecular testing. Bio-Rad's business relies on the razor-and-blade model typically seen in the diagnostic market. Consumable reagents account for the majority of total sales, with these reagents often sold at a higher margin than their associated equipment and instruments. Bio-Rad's strategy involves maintaining its current positioning in key markets such as blood typing and quality controls while capitalizing on strong demand for molecular diagnostics. It is also focused on improving operational efficiency, which has long lagged peers. Over the long-term, Bio-Rad's success will depend on whether the firm can successfully invest in research and development to maintain diagnostic specializations.

Economic Moat Analysis:

Bio-Rad has a wide economic moat supported by switching costs from an equipment installed base in clinical diagnostics, involving closed-loop systems that generate recurring consumables revenue. Intangible assets represent a secondary moat source from the company's strong market position in niche clinical diagnostic markets. Bio-Rad is a leader across many of its product lines. While high market share does not guarantee high shareholder returns, the diagnostic and life sciences markets tend to favor strong incumbents, as the complexity of instruments and analysis creates lasting system familiarity benefits for practitioners. Bio-Rad also holds a sizable but non-controlling stake in wide moat-rated Sartorius, which enhances the company's overall economic moat.

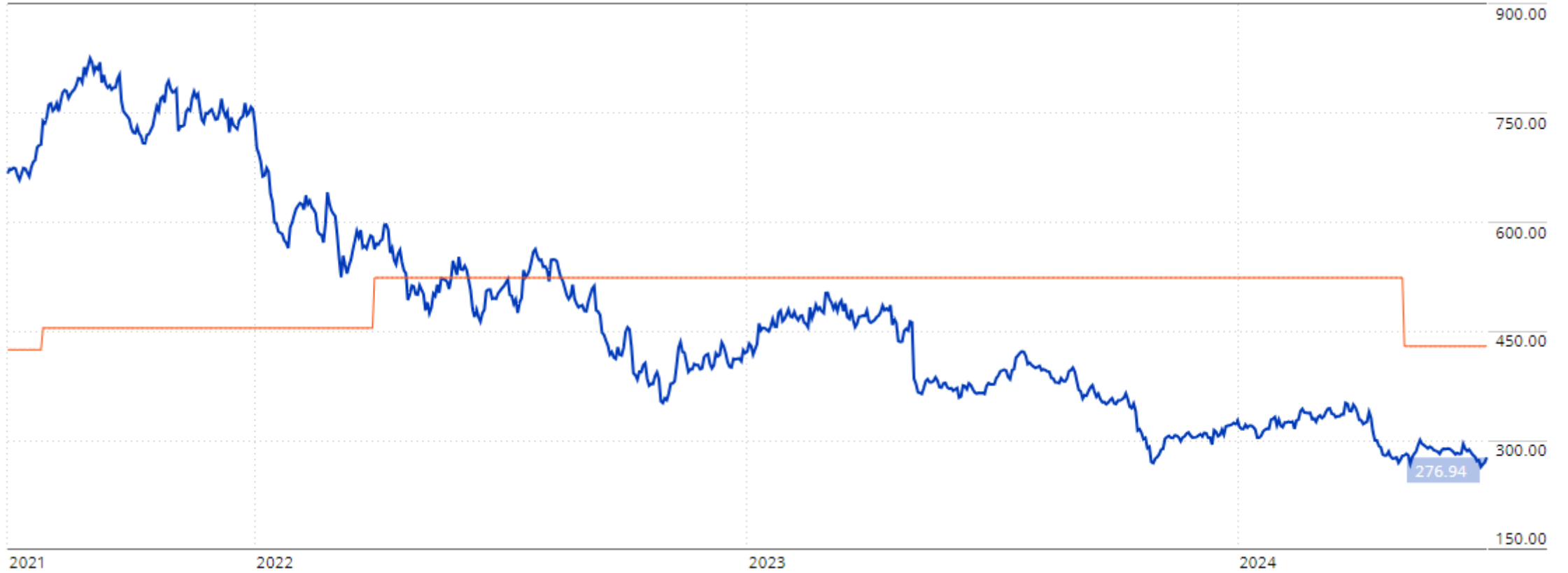
Data as of: 7/5/2024

Source: Morningstar Direct

Indexes are unmanaged and not available for direct investment

Commentary is excerpted from more comprehensive company reports

Bio-Rad Laboratories (BIO)



Time Period: 7/6/2021 – 7/5/2024

Source: PitchBook

Indexes are unmanaged and not available for direct investment

Waters (WAT)

Analyst: Julie Utterback, CFA**Sector:** Healthcare**Industry:** Diagnostics & Research**Market Cap (\$bil):** \$17.1**Price/Fair Value:** 0.89**Economic Moat:** Wide**Economic Moat Sources:**

Cost Advantage

Efficient Scale

Intangible Assets

Network Effect

*Switching Costs***Data as of:** 7/5/2024**Source:** Morningstar Direct

Indexes are unmanaged and not available for direct investment

Commentary is excerpted from more comprehensive company reports

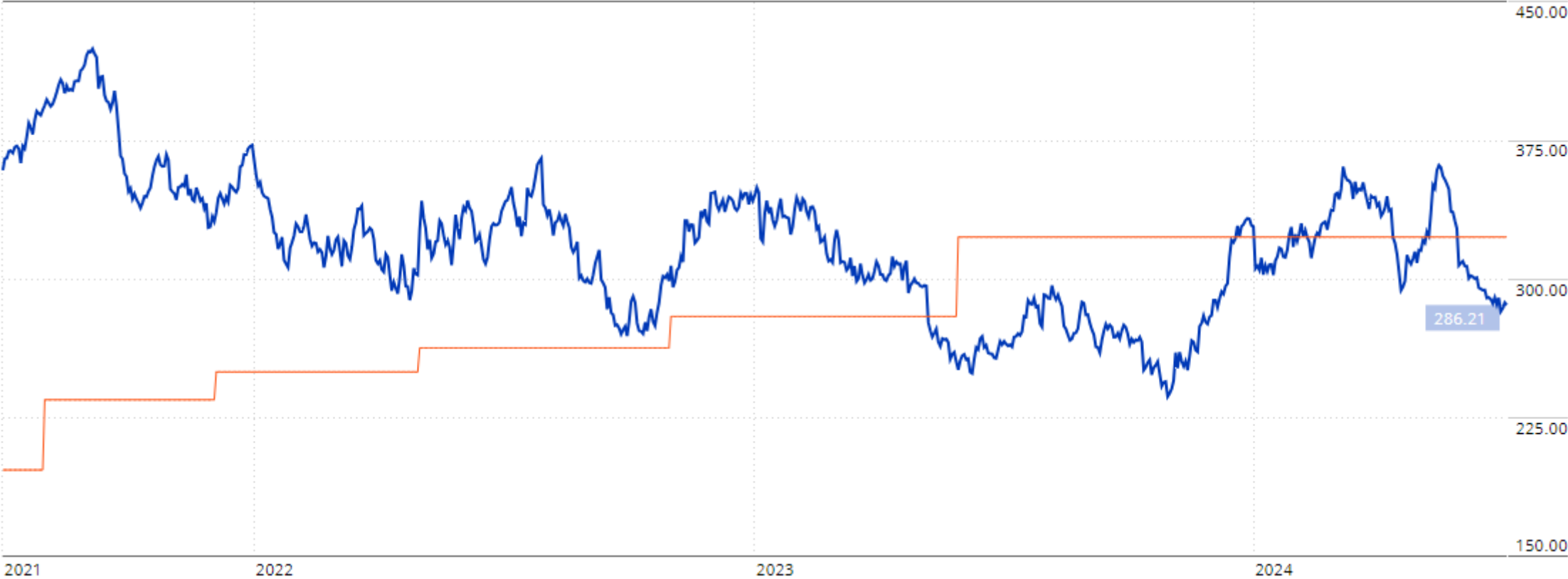
Business Strategy & Outlook:

Waters' tools help clients perform scientific research by providing analytical instruments, services, and supplies. The company specializes in liquid chromatography and mass spectrometry products, which are used primarily by pharmaceutical firms to analyze a molecule's structure during the drug discovery, development, and production processes. These tools can also be used in food and environmental quality testing as well as other industrial applications. Additionally, Waters helps scientists examine the physical properties of various materials through its thermal analysis tools. The firm's strategy revolves around placing instruments, including preinstalled software, providing various services throughout each system's useful life, and selling related consumables, such as chromatography columns and sample preparation kits and tools.

Economic Moat Analysis:

We believe a wide moat surrounds Waters' analytical instrument business, consisting of liquid chromatography, mass spectrometry, and thermal analysis tools. Intellectual property and ongoing innovation create an intangible asset moat source, while regulatory and reproducibility factors contribute to switching costs for end users. Both moat sources are crucial to Waters' advantages in its target markets, and with these advantages, Waters enjoys profitability near the top of the life science market. Waters offers differentiated technology that is protected by various intangible assets, including patents, copyrights, and trademarks. This portfolio of intellectual property and its innovation prowess keep competitors from directly copying its technology. After the initial choice of its tools based on intangible assets, Waters benefits from substantial switching costs in most of its end markets, particularly in pharmaceuticals. In this end market, Waters' analytical tools are critical components of the production methods for various drugs, which are specified directly in each molecule's regulatory approval application. Regulators require the same production method for each drug, unless updated with regulators, which would add time, money, and regulatory scrutiny to the production process that most end users (drugmakers) do not want.

Waters (WAT)



Time Period: 7/6/2021 – 7/5/2024

Source: PitchBook

Indexes are unmanaged and not available for direct investment

Thermo Fisher Scientific (TMO)

Analyst: Alex Morozov, CFA**Sector:** Healthcare**Industry:** Diagnostics & Research**Market Cap (\$bil):** \$204.5**Price/Fair Value:** 0.85**Economic Moat:** Wide**Economic Moat Sources:**

Cost Advantage

Efficient Scale

Intangible Assets

Network Effect

*Switching Costs***Business Strategy & Outlook:**

Thermo Fisher Scientific sells scientific instruments and laboratory equipment, diagnostics consumables, and life science reagents. Being the premier life science supplier and having an unmatched portfolio of products, resources, and manufacturing capabilities allowed the firm to be among the first to market with a reliable COVID-19 test at the requisite capacity to meet massive demand. The COVID-19 pandemic reaffirmed the company's entrenched and dominant positioning with the supply chain. Even as pandemic-related revenue fades, the company remains in a great position to leverage its share gains in the biopharma channel to capitalize on strong long-term demand. We anticipate the firm's penetration across all its customer channels to grow, even as pandemic activities wane. We also think the company's global reach will continue to resonate, and its already strong presence within rapidly growing emerging markets will expand further.

Economic Moat Analysis:

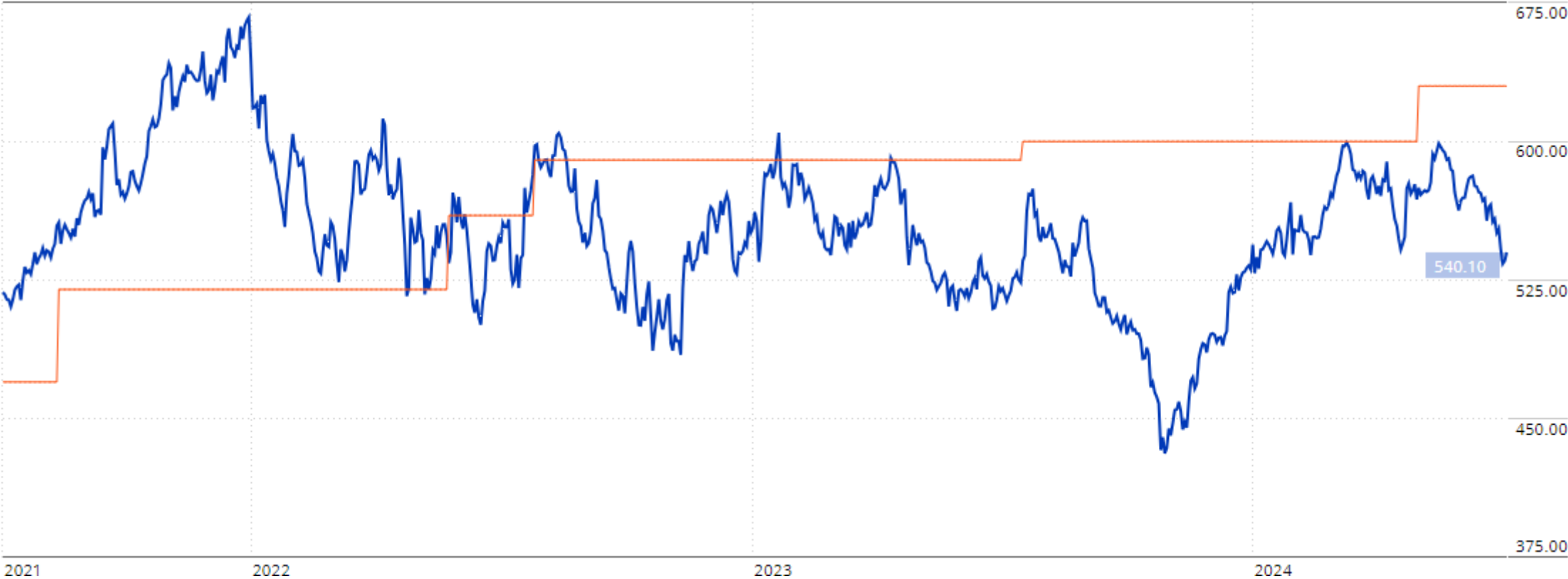
Thermo Fisher has a wide economic moat. Intangible assets stem from the firm's differentiated technology and its leadership positions within tools such as mass spectrometry, chromatography, microscopy and others. Instrumentation is a high-ticket item, and typically comes with a recurring revenue stream attached. Customer relationships are quite sticky, particularly within the biopharma end market, where the regulatory process assures high switching costs. Production methods have to stay uniform throughout the life cycle of a drug, which often extends beyond the life cycle of a typical mass spectrometer. Any changes to the production method automatically triggers approval from a regulator, rendering such changes highly uncommon. Market share among the big three in instrumentation hasn't materially changed over the past few decades, suggesting rational competition.

Data as of: 7/5/2024**Source:** Morningstar Direct

Indexes are unmanaged and not available for direct investment

Commentary is excerpted from more comprehensive company reports

Thermo Fisher Scientific (TMO)



Time Period: 7/6/2021 – 7/5/2024

Source: PitchBook

Indexes are unmanaged and not available for direct investment

Medtronic (MDT)

Analyst: Debbie Wang**Sector:** Healthcare**Industry:** Medical Devices**Market Cap (\$bil):** \$99.0**Price/Fair Value:** 0.69**Economic Moat:** Narrow**Economic Moat Sources:**

Cost Advantage

Efficient Scale

Intangible Assets

Network Effect

*Switching Costs***Business Strategy & Outlook:**

Medtronic's standing as the largest pure-play medical-device maker remains a force to be reckoned with in the med-tech landscape. Pairing Medtronic's diversified product portfolio aimed at a wide range of chronic diseases with its expansive selection of products for acute care in hospitals has bolstered Medtronic's position as a key partner for its hospital customers. Medtronic has historically focused on innovation, designing and manufacturing devices to address cardiac care, neurological and spinal conditions, and diabetes. All along, the firm has remained focused on its fundamental strategy of innovation. It is often first to market with new products and has invested heavily in internal research and development efforts as well as acquiring emerging technologies.

Economic Moat Analysis:

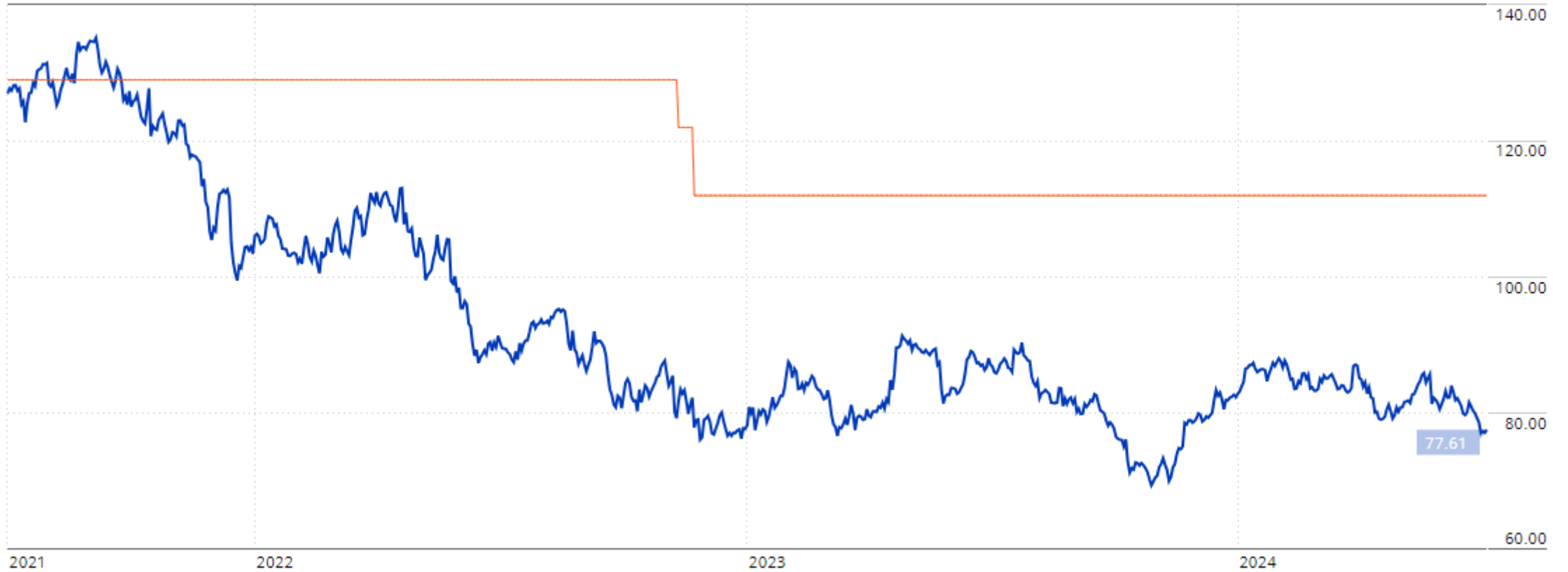
We have downgraded Medtronic to a narrow moat to reflect the risk of material value destruction, though our view of the firm's moat sources and its moaty underlying business is largely unchanged. Like most other medical devicemakers, Medtronic engages in M&A to augment internally developed innovation. The smaller, tuck-in acquisitions have generally not destroyed shareholder value. However, unlike most rivals, Medtronic's purchase of Covidien-depressed returns on invested capital for a prolonged period of time. While most sizable targets have been snapped up as the industry has consolidated, Medtronic remains one of the few firms large enough to potentially acquire some of the remaining sizable targets. These two factors, on balance, leave us wary of this risk of material value destruction, which is another factor we consider when assessing a company's moat.

Data as of: 7/5/2024**Source:** Morningstar Direct

Indexes are unmanaged and not available for direct investment

Commentary is excerpted from more comprehensive company reports

Medtronic (MDT)

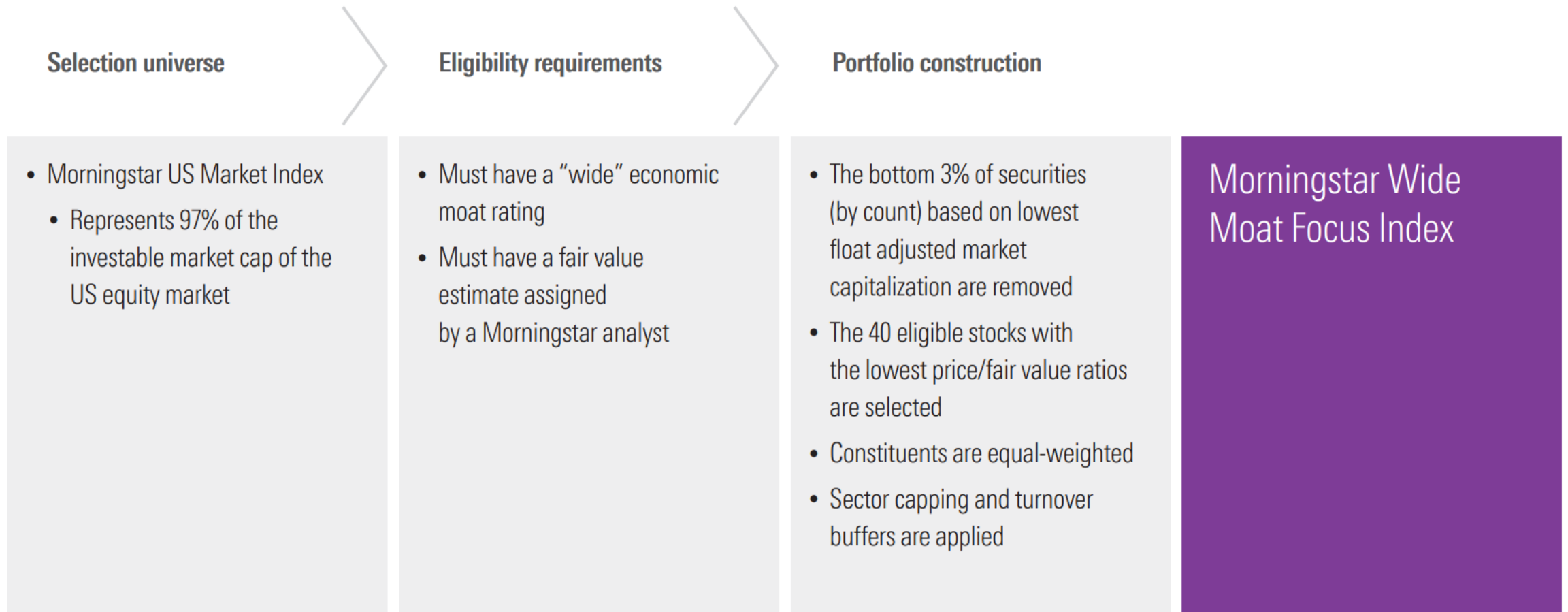


Time Period: 7/6/2021 – 7/5/2024

Source: PitchBook

Indexes are unmanaged and not available for direct investment

Appendix: Portfolio Construction Process



Source: Morningstar



22 West Washington Street
Chicago, IL 60602 USA

MORNINGSTAR, INC., DOES NOT GUARANTEE THE ACCURACY AND/OR THE COMPLETENESS OF THE MORNINGSTAR WIDE MOAT FOCUS INDEX OR ANY DATA INCLUDED THEREIN AND MORNINGSTAR, INC. SHALL HAVE NO LIABILITY FOR ANY ERRORS, OMISSIONS, OR INTERRUPTIONS THEREIN. MORNINGSTAR, INC. MAKES NO WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY VANECK, OWNERS OR USERS OF THE FUNDS, OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE MORNINGSTAR WIDE MOAT FOCUS INDEX OR ANY DATA INCLUDED THEREIN. MORNINGSTAR, INC. MAKES NO EXPRESS OR IMPLIED WARRANTIES, AND EXPRESSLY DISCLAIMS ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE FUNDS OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL MORNINGSTAR, INC. HAVE ANY LIABILITY FOR ANY SPECIAL, PUNITIVE, INDIRECT, OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

See Important Disclosures at the end of this report.

VanEck Disclosures

All investing is subject to risk, including the possible loss of the money you invest. As with any investment strategy, there is no guarantee that investment objectives will be met and investors may lose money. Diversification does not ensure a profit or protect against a loss in a declining market. Past performance is no guarantee of future results.

Morningstar® Wide Moat Focus Index Disclosures

The Morningstar® Wide Moat Focus Index is a trademark of Morningstar, Inc. and has been licensed for use for certain purposes by VanEck. The Morningstar Economic Moat Rating is subjective in nature and should not be used as the sole basis for investment decisions. Moat Ratings are based on Morningstar analysts' current expectations about future events and therefore involve unknown risks and uncertainties that may cause Morningstar's expectations not to occur or to differ significantly from what was expected. Morningstar does not represent the Morningstar Economic Moat Rating to be a guarantee, nor should it be viewed as an assessment of a security's creditworthiness. 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 Morningstar Wide Moat Focus Index consists of at least 40 securities in the Morningstar US Market Index with the highest ratios of fair value, as determined by Morningstar, to their stock price, and which have a sustainable competitive advantage (i.e. wide moat). Securities in the Wide Moat Focus index are assigned equal weights. These securities and weightings are subject to change. VanEck Vectors Morningstar Wide Moat ETF and VanEck Vectors Morningstar US Wide Moat UCITS ETF are not sponsored, endorsed, sold or promoted by Morningstar and Morningstar makes no representation regarding the advisability of investing in VanEck Vectors Morningstar Wide Moat ETF or VanEck Vectors Morningstar US Wide Moat UCITS ETF. VanEck's funds ("Funds") are not sponsored, endorsed, sold or promoted by Morningstar, Inc. Morningstar, Inc. makes no representation or warranty, express or implied, to the owners of the Funds or any member of the public regarding the advisability of investing in securities generally or in the Funds in particular or the ability of the Funds to track index performance. Morningstar, Inc.'s only direct relationship to VanEck is the licensing of (i) certain service marks and service names of Morningstar, Inc. and (ii) the Morningstar Wide Moat Focus Index which is determined, composed and calculated by Morningstar, Inc. without regard to VanEck or its Funds. Morningstar, Inc. has no obligation to take the needs of VanEck or the owners of the Funds into consideration in determining, composing or calculating the Morningstar Wide Moat Focus Index. Morningstar, Inc. is not responsible for and has not participated in the determination or calculation of the equation by which the Funds are converted into cash. Morningstar, Inc. has no obligation or liability in connection with the administration, marketing or trading of the Funds.

About Morningstar® Equity Research™

Morningstar Equity Research provides independent, fundamental equity research differentiated by a consistent focus on sustainable competitive advantages, or Economic Moats.

©2024 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 "DBRS Morningstar credit ratings" refer to credit ratings issued by one of the DBRS group of companies or Morningstar Credit Ratings, LLC. The DBRS group of companies consists of DBRS, Inc. (Delaware, U.S.) (NRSRO, DRO affiliate); DBRS Limited (Ontario, Canada)(DRO, NRSRO affiliate); DBRS Ratings GmbH (Frankfurt, Germany)(CRA, NRSRO affiliate, DRO affiliate); and DBRS Ratings Limited (England and Wales)(CRA, NRSRO affiliate, DRO affiliate). Morningstar Credit Ratings, LLC is a NRSRO affiliate of DBRS, Inc. For more information on regulatory registrations, recognitions and approvals of DBRS group of companies and Morningstar Credit Ratings, LLC, please see: <http://www.dbrsmorningstar.com/research/highlights.pdf>.

The DBRS group and Morningstar Credit Ratings, LLC are wholly-owned subsidiaries of Morningstar, Inc.

All DBRS Morningstar credit ratings and other types of credit opinions are subject to disclaimers and certain limitations. Please read these disclaimers and limitations at <http://www.dbrsmorningstar.com/about/disclaimer> and <https://ratingagency.morningstar.com/mcr>. Additional information regarding DBRS Morningstar ratings and other types of credit opinions, including definitions, policies and methodologies, are available on <http://www.dbrsmorningstar.com> and <https://ratingagency.morningstar.com/mcr>.

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.

Information on Morningstar's Equity Research methodology is available from <https://www.morningstar.com/research/signature>.

About Morningstar® Indexes

Morningstar Indexes was built to keep up with the evolving needs of investors—and to be a leading-edge advocate for them. Our rich heritage as a transparent, investor-focused leader in data and research uniquely equips us to support individuals, institutions, wealth managers and advisors in navigating investment opportunities across major asset classes, styles and strategies. From traditional benchmarks and unique IP-driven indexes, to index design, calculation and distribution services, our solutions span an investment landscape as diverse as investors themselves.

Please visit indexes.morningstar.com for more information.