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Australia & New Zealand

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# Morningstar Equity Research

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# Introduction to Morningstar and Our Equity Research

Morningstar is one of the most recognised and trusted names in the global investment industry, serving approximately 255,000 financial advisors, 1,500 asset management firms, 30 retirement plan providers, 248,000 retirement plans, and 10 million individual investors around the world. Our investors first approach has led to a strong reputation for independence and objectivity, as our interests are well aligned with those of our clients.

In Australia and New Zealand, Morningstar helps individual, advisor, and institutional investors achieve their long-term investment goals by providing insightful, differentiated, independent, and actionable equity research, as well as portfolio management services.

Morningstar has more than 100 equity analysts globally, covering approximately 1,500 stocks, making us one of the largest independent research teams in the world. A team of 17 analysts and strategists based in Australia cover nearly 200 Australian and New Zealand stocks.

Morningstar's analysts apply a consistent, rigorous, and proven global methodology which focuses on long-term fundamental valuation, competitive advantages (economic moats), risk, financial health, and stewardship. Each equity research analyst covers 15 to 20 companies and research is reviewed on an ongoing basis (and at least quarterly) to ensure our investment ideas are always relevant. Local analysts exchange insights with global sector teams in the United States, Europe, and Asia resulting in an enriched product and ensuring global consistency. Site visits and frequent interaction with company management and other industry participants foster deeper analytical insight.

Morningstar's equity research independence means we do not offer issuer-paid coverage. In other words, we do not receive commissions for providing research in Australasia and we do not charge companies to be covered; instead our investor clients pay a subscription fee for ongoing service. We take an investors first approach to choosing coverage companies which is detailed later in this report.

**Exhibit 1** Morningstar Global Equity Research



# Equity Research Coverage

Documentation detailing Morningstar's coverage and coverage changes is reviewed and updated monthly then published on our corporate and product websites. Morningstar's equity coverage universe is based on our assessment of a security's investment attractiveness, including a strong bias to companies with economic moats. This approach aligns with our position of independence and, we believe, puts investors first.

## Australian Equity Coverage Guidelines

- ▶ Nearly all companies in the S&P/ASX 100 Index.
- ▶ Companies in the S&P/ASX 200 Index which are deemed to have an economic moat and/or cash flow which is at least mildly predictable (generally not possessing "extreme" uncertainty in our framework). As a rough guide, Morningstar aims to cover at least 80% of S&P/ASX 200 Index companies (equating to approximately 95% of the index by market capitalisation). Companies in this index which are not covered by Morningstar are usually unattractive for most portfolios, in our opinion.
- ▶ About 30 ex-S&P/ASX 200 stocks are selected on Morningstar's judgment of the security's investment merit – with a very strong bias toward high-quality companies (those with moats).

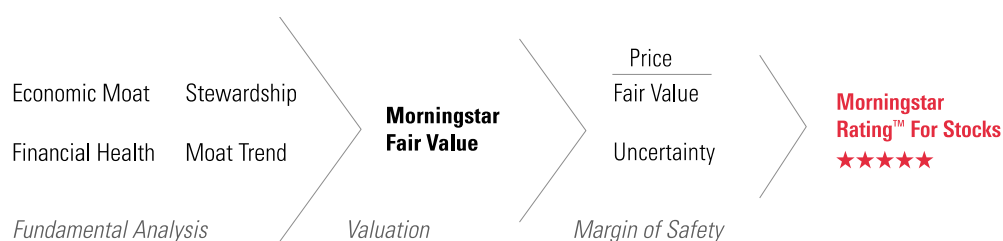
## New Zealand Equity Coverage Guidelines

- ▶ The majority of the NZX20 Index.
- ▶ Up to 10 ex-NZX20 Index stocks selected on our judgment of the security's investment merit.

# Equity Research Methodology

We believe that a company’s intrinsic worth results from the future cash flows it can generate. The Morningstar Rating for stocks identifies stocks trading at a discount or premium to their intrinsic worth—or fair value estimate, in Morningstar terminology. Five-star, or Buy-rated, stocks sell for the biggest risk-adjusted discount to their fair values, whereas 1-star, or Sell-rated, stocks trade at premiums to their intrinsic worth. Four key components drive the Morningstar rating: our assessment of the firm’s economic moat; our estimate of the stock’s fair value; our uncertainty around that fair value estimate; and the current market price. This process ultimately culminates in our single-point recommendation, or star rating. Underlying this rating is a fundamentally focused methodology and a robust, standardised set of procedures and core valuation tools used by Morningstar’s equity analysts. In this document, we provide a detailed overview of how the Morningstar Rating for stocks is derived, and also outline the analytical work that feeds into our coverage of stocks.

## Exhibit 2 Morningstar Research Methodology



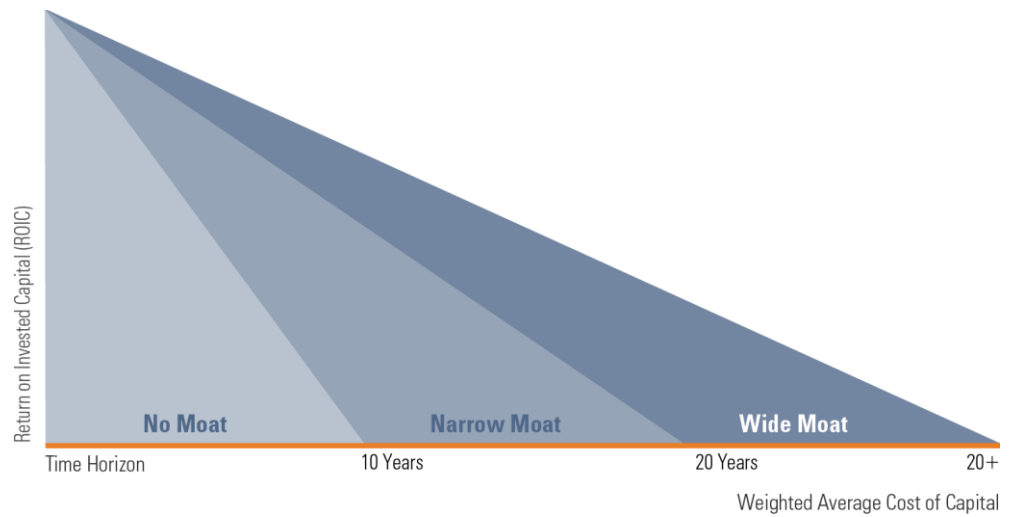
Source: Morningstar.

## Morningstar’s Economic Moat™ Rating

The concept of an economic moat plays a vital role not only in our qualitative assessment of a firm’s long-term investment potential, but also in the actual calculation of our fair value estimates. An economic moat is a structural feature that allows a firm to sustain excess profits over a long period of time. We define excess profits as returns on invested capital, or ROIC, above our estimate of a firm’s cost of capital, or weighted average cost of capital, or WACC. Without a moat, profits are more susceptible to competition. Companies with a narrow moat are those we believe are more likely than not to achieve normalised excess returns for at least the next 10 years. Wide-moat companies are those in which we have very high confidence that excess returns will remain for 10 years, with excess returns more likely than not to remain for at least 20 years. The longer a firm generates economic profits, the higher its intrinsic value. We believe low-quality, no-moat companies will see their normalised returns gravitate toward the firm’s cost of capital more quickly than companies with moats. We have identified five sources of economic moats: intangible assets, switching costs, network effect, cost advantage, and efficient scale.

Because of the global nature of the equities market and business competition, and its importance to our valuation process and its use in many of the products and services that Morningstar provides, analysts must vet proposed changes to the economic moat ratings with senior members in Morningstar’s equity research department.

**Exhibit 3** Measuring a Moat



Source: Morningstar.

## Determining Fair Value

At the heart of our valuation system is a detailed projection of a company's future cash flows, resulting from our analysts' independent primary research. Analysts create custom industry and company assumptions to feed income statement, balance sheet, and capital investment assumptions into our globally standardised, proprietary discounted cash flow, or DCF, modeling templates. We use scenario analysis, in-depth competitive advantage analysis, and a variety of other analytical tools to augment this process.

We believe this bottom-up, long-term, fundamentally based approach offers several advantages over other valuation techniques. The granularity in a multiyear, cash-flow forecast with many key inputs allows for more-detailed scenario analysis. It also helps us to identify potential future trends, and presents an opportunity to closely analyse returns on invested capital—all critical tenets to our economic moat framework and uncertainty ratings. Furthermore, it focuses analyst efforts on long-term business drivers, which have the greatest valuation impact, rather than short-term market noise that has little impact on intrinsic value.

Moreover, we think analysing valuation through discounted cash flows presents a better lens for viewing cyclical companies, high-growth firms, businesses with finite lives (such as mines), or companies expected to generate negative earnings over the next few years. That said, we don't dismiss multiples altogether but rather use them as supporting cross-checks for our DCF-based fair value estimates. We also acknowledge that DCF models offer their own challenges (including a potential proliferation of estimated inputs and the possibility that the method may miss short-term market-price movements), but we believe these negatives are mitigated by deep analysis and our long-term approach.

By applying the same valuation framework across our entire global coverage universe in a consistent manner, we are able to compare investment opportunities across industries and around the globe on an apples-to-apples basis. Combining our analysts' financial forecasts with the moat rating helps us determine how long returns on invested capital are likely to exceed the firm's cost of capital. Returns of firms with a wide economic moat rating are assumed to fade to the perpetuity period over a longer period of time than the returns of narrow-moat firms, and both will fade slower than no-moat firms, increasing our estimate of their intrinsic value.

As a result of this methodology, our model is divided into three distinct stages. Here is how the system works in practice for operating companies:

### Stage I: Explicit Forecast

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



### Stage II: Fade

We define the second stage of our model as the period it will take the company's return on new invested capital—the return on capital of the next dollar invested ("RONIC")—to decline (or rise) to its cost of capital. During the Stage II period, we use a formula to approximate cash flows in lieu of explicitly modeling the income statement, balance sheet, and cash flow statement as we do in Stage I.

The length of the second stage depends on the strength of the company's economic moat. We forecast this period to last anywhere from one year (for companies with no economic moat) to 10–15 years or more (for wide-moat companies). During this period, cash flows are forecast using four assumptions: an average growth rate for EBI over the period, a normalised investment rate, average return on new invested capital (RONIC), and the number of years until perpetuity, when excess returns cease. The investment rate and return on new invested capital decline until a perpetuity value is calculated. In the case of firms that do not earn their cost of capital, we assume marginal ROICs rise to the firm's cost of capital (usually attributable to less reinvestment), and we may truncate the second stage.

### Stage III: Perpetuity

Once a company's marginal ROIC hits its cost of capital, we calculate a continuing value, using a standard perpetuity formula. At perpetuity, we assume that any growth or decline in revenue is an NPV = 0 proposition. Stated differently, in the perpetuity period, we assume that any growth or decline or investment in the business neither creates nor destroys value and that any new investment provides a return in line with estimated WACC.

### Discount Rates

Because a dollar earned today is worth more than a dollar earned tomorrow, we discount our projections of cash flows in stages I, II, and III to arrive at a total present value of expected future cash flows.

Because we are modeling free cash flow to the firm—representing cash available to provide a return to all capital providers—we discount future cash flows using the WACC, which is a weighted average of the costs of equity, debt, and preferred stock (and any other funding sources), using expected future proportionate long-term, market-value weights. For mainly financial companies, we use a fee cash flow to equity model and discount free cash flows by the company's cost of equity.

### Cost of Equity

A company's cost of equity (COE) represents the average, annualised, nominal total return expected by shareholders. For most companies, COE is the dominant factor in the company's WACC and therefore holds sizable influence in the valuation process. However, in contrast to fixed-rate forms of capital, the COE is not a contractual return. It cannot be observed directly, and considerable controversy persists in theoretical finance as to how the COE is best estimated.

Morningstar's process for estimating COE is inspired and informed by the logic of the capital asset pricing model (CAPM) even as we take a largely qualitative and forward-looking approach. Our goal is to provide reasonable distinctions between the risk characteristics and expected returns of different companies while minimising the effects of recency bias, false precision, and market noise.

We use a building block approach to derive COE estimates for individual companies:

Cost of Equity = Market Average Real Return Expectation  
(6.5%–7.0% based on what we observe as a mean-reverting  
real return of the S&P 500 over long rolling time horizons—  
this is not a forecast, but rather what we believe shapes  
investor expectations)

+ Inflation Expectation (2.0%–2.5% based principally on stable  
10- to 30-year inflation expectations derived from TIPS spreads  
as well as actual CPI over the last decade)

+/- Country Risk Premium (for non-USD reporting firms; this  
will reflect differentials in inflation and real risk-free rate  
expectations outside the U.S. as well as political risks)

+/- Systematic Risk Premium (four categories; ranges from  
-1.5% to +4.5%)

#### Exhibit 4 Systematic Risk Premium Categories

Category	Equity Risk Premium (%)	X Implied Beta	Risk-Free + Rate (%)	= Total COE (%)	- Average COE	Systematic Risk = Premium (%)
Below Average	4.50	0.67	4.50	7.50	9.00	-1.50
Average	4.50	1.00	4.50	9.00	9.00	—
Above Average	4.50	1.44	4.50	11.00	9.00	2.00
Very High	4.50	2.00	4.50	13.50	9.00	4.50

Source: Morningstar.

Importantly, because the fair value estimate reflects the present value of expected future cash flows, it should rise by the company's estimated cost of equity (net of the shareholder return allocated to dividends) over time, all else equal.

### Cost of Debt

In estimating the cost of debt, we use a similar building-block approach as our cost of equity. We use the same assumed risk-free rate and level of inflation, while layering on a corporate credit spread, which varies according to the company's credit risk. We also adjust for the tax benefit of the deductibility of interest expenses.

Once we have these inputs, we weight them in terms of the implied value of each as a proportion of total estimated enterprise value to come up with our overall WACC estimate.

A significant percentage of our coverage includes firms domiciled outside the United States, and there are those that call the U.S. home but have considerable non-U.S. operations. Depending on the systematic risk of a country relative to the U.S., we may incorporate a country risk premium into our discount rate. Some characteristics that we consider are differences in local real risk free rate, expected inflation, financial disclosure, and other specific operating-market differences that could cause equivalent businesses to be more or less risky in one national economy versus another. In assigning country risk premia, we have developed a set of country-specific standardised scores that are reviewed at least once annually.

### Hidden Assets/Liabilities

Once we have an estimated present value of expected future cash flows, we must also consider any other items that affect value not specifically included within our cash-flow projections. We refer to these special items as hidden assets and hidden liabilities, and they might include items that occur frequently across our coverage universe, such as the estimated value of outstanding option grants or underfunded/overfunded pensions, or items that tend to be very company-specific in nature, such as minority ownership positions in other companies, underutilised land or other balance sheet assets that could be sold without changing the cash-flow prospects of the business, or an expected future litigation settlement. It is impractical to list all the possible hidden assets and liabilities we find across our coverage, but we think about these hidden assets and liabilities as anything that affects value that is handled outside of our cash-flow forecasts.

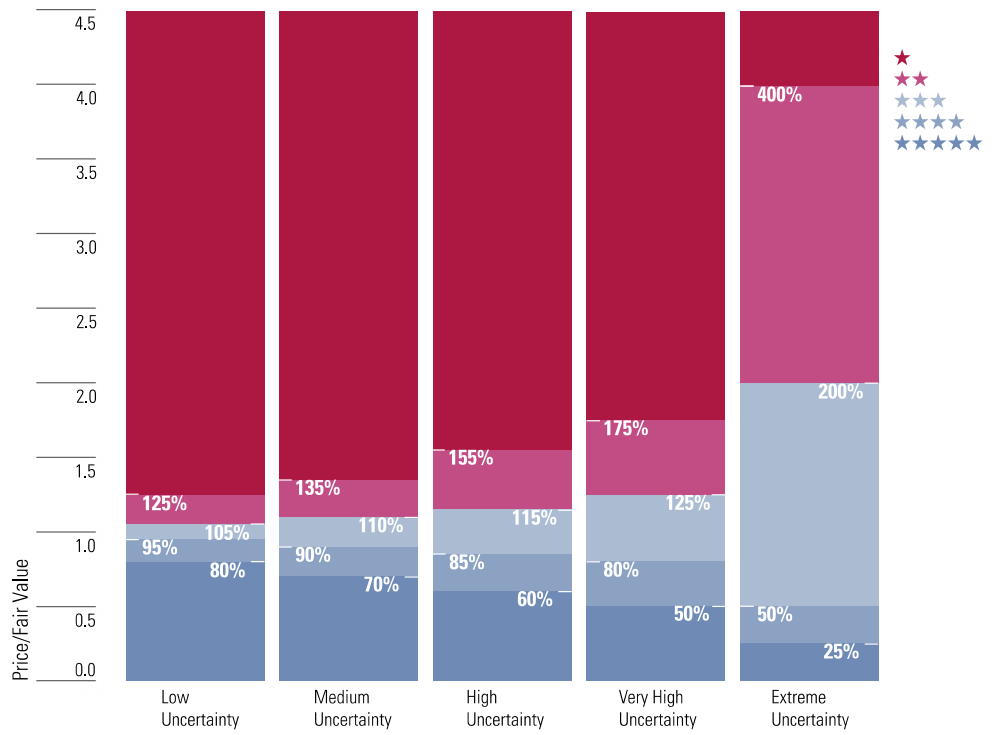
	PV of Stage I Estimated Cash Flows
+	PV of Stage II Estimated Cash Flows
+	PV of Stage III Estimated Cash Flows (i.e., Residual Value)
+	Estimated Value of Excess Balance Sheet Cash Average
<hr/>	
	Enterprise Value
–	Estimated Value of Debt, Preferred, and Any Other Funding Sources
+ / –	Estimated Value of Hidden Assets/Liabilities
<hr/>	
	Estimated Value of Equity
	Divided by # of shares
<hr/>	
	Estimated Equity Value per Share or Fair Value Estimate

### The Uncertainty Rating

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

Analysts consider at least two scenarios in addition to their base case: a bull case and a bear case. Assumptions are chosen such that the analyst believes there is a 25% probability that the company will perform better than the bull case, and a 25% probability that the company will perform worse than the bear case. The distance between the bull and bear cases is an important indicator of the uncertainty underlying the fair value estimate. Our recommended margin of safety — the discount to fair value demanded before we’d recommend buying or selling the stock — widens as our uncertainty of the estimated value of the equity increases. The more uncertain we are about the estimated value of the equity, the greater the discount we require relative to our estimate of the value of the firm before we would recommend the purchase of the shares. In addition, the uncertainty rating provides guidance in portfolio construction based on risk tolerance.

**Exhibit 5** Morningstar Equity Research Star Rating Methodology



Our uncertainty ratings are low, medium, high, very high, and extreme. With each uncertainty rating is a corresponding set of price/fair value ratios that we use to assign star ratings, as shown in the graph.

The actual price/fair value cutoffs are determined using a combination of a) empirical data from the historical performance of our uncertainty rating, and b) option pricing theory based on the implied volatility of stocks with commonly agreed-upon uncertainty characteristics. Our empirical data show that appropriate Sell/1-star and Buy/5-star prices fall approximately at the midpoint between a log-normal relationship and a symmetrical relationship. A log-normal relationship would mean that a stock would post the same return between the Buy/5-star price and the fair value as it would between the fair value and the Sell/1-star price, while a symmetrical relationship would mean that the same percentage discount to a stock price for a Buy/5-star rating would be assigned as a premium to the stock price for a Sell/1-star rating. For low-, medium-, high-, and very-high-uncertainty stocks we formally assign our Sell/1-star prices as the midpoint between the symmetrical and the log-normal relationship. We then round these prices to fair value relationships to the nearest 5 percentage points for simplicity. For extreme uncertainty stocks we assign the Sell/1-star price using the log-normal relationship only. Typically, a significant portion of an extreme uncertainty company's capital structure is composed of debt. Using the lognormal relationship to set the Sell/1-star price accounts for the fact that a small improvement in the forecast for free cash flows will have an outsize upside impact to the equity value for any highly-indebted company.

### **Generating the Morningstar Recommendation/Star Rating**

Once we determine the fair value estimate of a stock, we compare it with the stock's current market price on a daily basis, and the recommendation, or star rating, is automatically re-calculated at the market close on every day the market is open.

Our analysts keep close tabs on the companies they follow, and, based on thorough and ongoing analysis, raise or lower their fair value estimates as warranted. Furthermore, as mentioned earlier, we would expect our fair value estimates to generally rise over time, due to the time value of money. Specifically, over the course of a year, barring major changes to analyst assumptions, we would expect our fair value estimates to increase at the level of our estimate of a firm's cost of equity (net of shareholder returns attributed to dividends). So, for a stock that pays no dividends with a \$100 fair value estimate today and an estimated 10% cost of equity, we would expect our fair value estimate to rise to \$110 in 12 months, all else equal.

It is also worth noting that there is no predefined distribution of our recommendations. That is, the percentage of stocks that earn a Buy rating can fluctuate daily, so the recommendations, in the aggregate, can serve as a gauge of the broader market's valuation. When there are many Buy-rated stocks, the stock market as a whole is more undervalued, in our opinion, than when very few companies garner our highest rating.

We expect that if our base-case assumptions are true the market price will converge on our fair value estimate over time, generally within three years (although it is impossible to predict the exact time frame in which market prices may adjust). If you bought a company's stock at exactly our fair value estimate today, we would expect that you should achieve total returns in line with our assumed cost of equity for the next three years, absent a change in business prospects relative to our base-case expectations. A stock price lower than our fair value estimate suggests that there is a higher probability than not that investors should expect returns at a greater rate than COE over a three-year period (i.e., we would expect the investment to produce abnormal returns or alpha). Conversely, a price above our fair value estimate implies lower-than-COE expected returns (or negative alpha). In some cases, we believe investors should expect negative absolute returns, if the price/fair value estimate ratio is sufficiently high.

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

★★★★★: We believe appreciation beyond a fair risk-adjusted return is highly likely over a multiyear time frame. Scenario analysis developed by our analysts indicates that the current market price represents an excessively pessimistic outlook, limiting downside risk and maximising upside potential. This rating encourages investors to consider an overweight position in the security relative to the appropriate benchmark.

★★★★: Appreciation beyond a fair risk-adjusted return is likely, in our opinion. This rating encourages investors to own the firm's shares, possibly overweight relative to the appropriate benchmark after fully considering more attractively priced alternatives, such as our Buy recommendations.

★★★: Indicates that we believe investors are likely to receive a fair risk-adjusted return (approximately cost of equity). Concentrated portfolios might consider exiting these positions if more attractively priced alternatives are available.

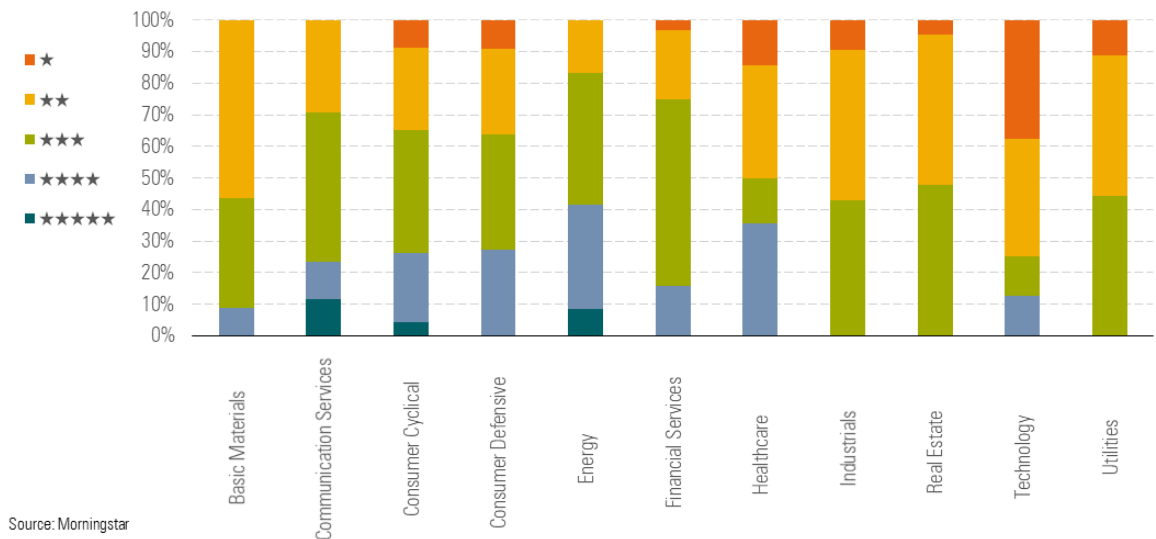
★★: We believe investors are likely to receive a less than fair risk-adjusted return and should consider directing their capital elsewhere. Securities with this recommendation should generally be underweight, assuming less expensive alternatives are available for the portfolio strategy being employed.

★: Indicates a high probability of undesirable risk-adjusted returns from the current market price over a multiyear time frame, based on our analysis. Scenario analysis by our analysts indicates that the market is pricing in an excessively optimistic outlook, limiting upside potential and leaving the investor exposed to Capital loss. This rating encourages investors to strongly consider exiting portfolio positions in the security in nearly all strategies.

### Distribution of Recommendations

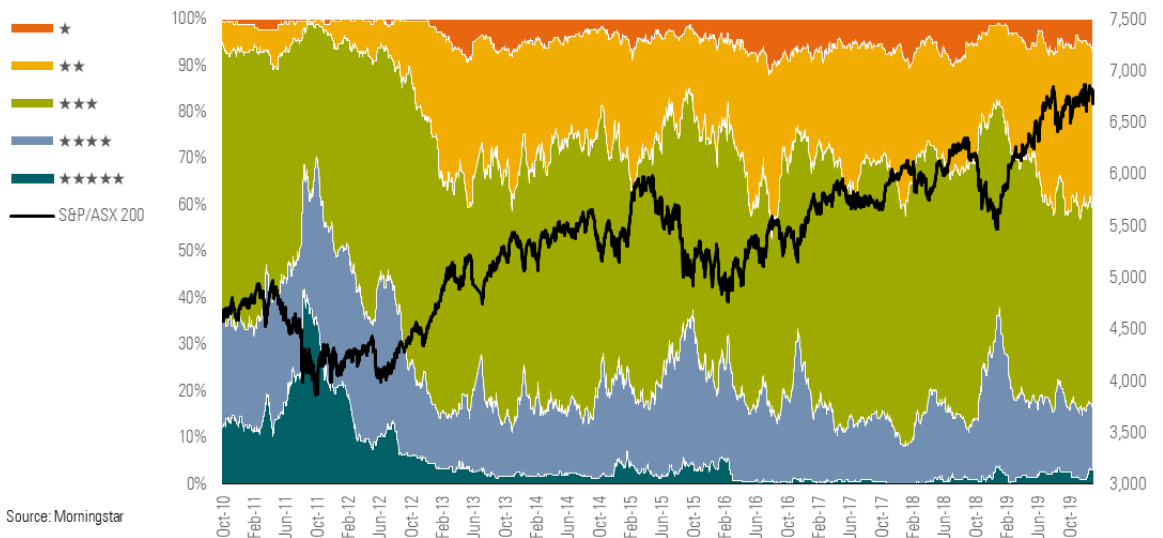
Our spread of recommendations is displayed in Exhibit 6. Our recommendations are based on a long-term fundamental view and rigorous, consistently-applied methodology, so the proportion of positive relative to negative recommendations will often ebb and flow in negative correlation to moves in the market. Exhibit 7 demonstrates how our recommendations have helped clients generate wealth in the past few years. We had many ★★★★★ (formerly Buy) and ★★★★ (formerly Accumulate) recommendations as the market declined through 2011. Many of these recommendations became ★★★ (formerly Hold), ★★ (formerly Reduce), and then ★ (formerly Sell) as the market has rallied into late 2018, when the number of ★★★★★ and ★★★★ ratings again increased as the S&P/ASX 200 declined.

**Exhibit 6** Morningstar Australian/New Zealand Recommendation Dispersion (as at 15 January 2020)



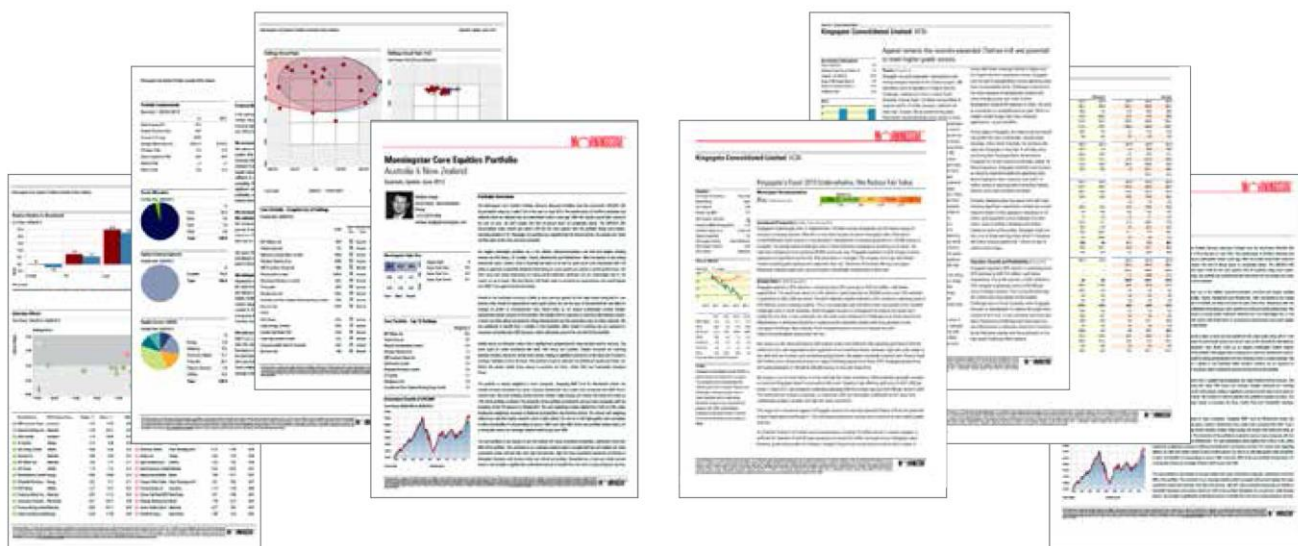
Source: Morningstar

**Exhibit 7** Morningstar Australian/New Zealand Recommendation Distribution Over Time (as at 31 December 2019)



Source: Morningstar

# Research Publications



Morningstar publishes a range of exceptional research material to support advisor and investor conversations and decisions, including:

► **Comprehensive Company Reports**

Includes a summary of our in-depth analysis on the company's strategic positioning and competitive advantages, risks, financial health, proprietary Morningstar datapoints (fair value estimate, fair value uncertainty, moat, and stewardship) and financial forecasts. These also include analyst notes containing analysis of key corporate events and changes to key assumptions and/or datapoints.

► **Timely Corporate Event Analysis**

Analysis of, and advice on, events that require shareholder action such as capital raisings, mergers, takeovers, demergers, off-market buybacks, spin-offs.

► **Equity Pre-IPO Reports**

A detailed report on companies due to list on the ASX for which a prospectus has been released to the market and which we intend to initiate full coverage on.

► **Thematic Reports**

Special reports containing in-depth analysis on a company, sector, or industry where we have identified an actionable investment opportunity.

**Best Stock Ideas**

A monthly publication containing our highest conviction equity investment opportunities currently trading at attractive prices.



# Morningstar Australia/New Zealand Equity Research Team

## Team Qualifications, Tenure, Industry Experience

The average industry experience of the Australian and New Zealand analyst team is more than 16 years and about 8 years' average tenure with Morningstar. Staff turnover is relatively low, reflecting Morningstar's status as an employer of choice where quality research is awarded above all else. Profiles of the Australian and New Zealand analyst team members are provided in the Appendix.

### Exhibit 8 Morningstar Australian/New Zealand Equity Research Team Coverage, Tenure, and Industry Experience

Name	Title	Sector(s)	Industries	Tenure with Morningstar (years)	Industry Experience (years)
Adam Fleck	Regional Director of Equity Research	Consumer, Industrials	Consumer, Infrastructure	14	14
Peter Warnes	Head of Australasia Equity Research			28	52
Johannes Faul	Director of Equity Research, ANZ	Consumer	Consumer Retail	4	17
Mathew Hodge	Director of Equity Research, ANZ	Basic Materials	Metals, Mining	19	19
Adrian Atkins	Senior Analyst	Industrials	Utilities	16	16
Brian Han	Senior Analyst	Media & Telecom	Telecommunications, Media, Leisure	6	23
Gareth James	Senior Analyst	Technology, Financials	Technology, Professional Services	10	17
Mark Taylor	Senior Analyst	Energy	Oil & Gas, Mining Services	17	31
Alex Prineas	Analyst	Financials	Property, REITs	8	20
Angus Hewit	Analyst	Consumer	Gaming, Consumer	5	6
Chanaka Gunasekera	Analyst	Financials	Insurance, Diversified Financials, REITs	2	6
Grant Slade	Analyst	Industrials	Industrials	2	14
Nathan Zaia	Analyst	Financials	Banks, Insurance, Diversified Financials	10*	13
Nicolette Quinn	Analyst	Healthcare	Devices	<1	10
Emma Williams	Associate Analyst		Consumer, Infrastructure, Oil & Gas, Technology	<1	2
Shane Ponraj	Associate Analyst		Consumer, Industrials, Media, Telecom, Healthcare	<1	6
Shaun Ler	Associate Analyst		Diversified Financials, Hybrids, Metals & Mining, REIT	1	6
<b>Average</b>				<b>8</b>	<b>16</b>

\*Nathan Zaia rejoined Morningstar in August 2019.

## Profiles of Australian and New Zealand Equity Analyst Team



**Adrian Atkins**  
Senior Equity Analyst  
Utilities, Transport (ex Airlines)

Adrian Atkins is a senior equity analyst in the equity research team at Morningstar, a leading global provider of independent investment research. He covers the utilities and transport (excluding airlines) sectors across Australia and New Zealand. Adrian joined Aspect Huntley, subsequently acquired by Morningstar, in 2004. He has a Bachelor's degree in Engineering and a Master's degree in commerce (Hons) majoring in finance and economics, both from the University of Sydney.



**Johannes Faul, CFA**  
Director  
REITs, Retail

Johannes Faul is a director in the equity research team at Morningstar, a leading global provider of independent investment research. He covers the retail and real estate investment trust sectors across Australia and New Zealand. Johannes joined Morningstar in April 2016 and has over 10 years' experience as a sell-side analyst, including at the Commonwealth Bank of Australia, the Bank of Montreal, and the Royal Bank of Scotland. Prior to that, he worked in corporate finance at PricewaterhouseCoopers.

Johannes has a Master's degree in business administration from the University of Cologne and holds the Chartered Financial Analyst® designation.



**Adam Fleck, CFA**  
Director of Equity Research  
Australia & New Zealand

Adam Fleck is the regional director of equity research for Australia and New Zealand at Morningstar, a leading global provider of independent investment research. He leads the firm's Sydney-based team of analysts focused on providing in-depth, fundamental equity research on Australian and New Zealand stocks based on sustainable competitive advantages and long-term valuation analysis. Before assuming his current role, Adam was director of North American consumer equity research for Morningstar, covering beverage and tobacco companies, and associate director of equity analysis, covering heavy equipment and other industrial companies. He joined Morningstar in 2006.

Adam holds a Bachelor's degree in business administration from the University of Notre Dame, where he graduated cum laude. He also holds the Chartered Financial Analyst® designation.



**Chanaka Gunasekera**, CFA  
Equity Analyst  
Diversified Financials, REITs

Chanaka Gunasekera is an equity analyst in the equity research team at Morningstar, a leading global provider of independent investment research. He covers Australian and New Zealand financial-services companies, including wealth managers and REITs. Before joining Morningstar in 2017, Chanaka worked for a Sydney-based wealth manager, providing investment advice to high-net-worth clients. He also was employed at a large global sell-side research house, providing advice to institutional shareholders, and at one of the big four Australian banks as an operational risk and compliance manager.

Chanaka holds Bachelor degrees in economics and law from the Australian National University and Bond University, respectively. He also holds a Master's degree in law, specialising in corporate and commercial law, from the University of New South Wales and a Master's degree in business, specialising in accounting and finance, from the University of Technology. He has the Chartered Financial Analyst® designation.



**Brian Han**  
Senior Equity Analyst  
Telecommunications, Media

Brian Han is a senior equity analyst in the equity research team at Morningstar, a leading global provider of independent investment research. He covers the telecommunications and media sectors across Australia and New Zealand. Brian joined Morningstar in 2014 and previously worked as a senior research analyst at Fat Prophets, a fund manager at Constellation Capital Management, and an analyst at Citigroup.

Brian has a Bachelor's degree in commerce (finance) and a Bachelor's degree in law, both from the University of New South Wales, and also has a Post Graduate Diploma in applied finance and investment from FINSIA.



**Angus Hewitt**, CFA  
Equity Analyst  
Gaming, Consumer

Angus Hewitt is an equity analyst in the equity research team at Morningstar, a leading global provider of independent investment research. He covers gaming and consumer sectors across Australia and New Zealand.

Before joining Morningstar in 2015, Angus worked as an equity associate at Commonwealth Securities.

Angus holds a Bachelor's degree in finance from Australian National University and holds the Chartered Financial Analyst® designation.



**Mathew Hodge, CFA**  
Director  
Metals and Mining

Mathew Hodge is a director in the equity research team at Morningstar, a leading global provider of independent investment research. He covers the metals and mining resources sector across Australia and New Zealand. Mathew joined Aspect Huntley, subsequently acquired by Morningstar, in 2001, and worked previously in the mining industry in both underground coal and metalliferous mining in various mining engineering roles. He holds the Chartered Financial Analyst® designation.



**Gareth James, CFA**  
Senior Equity Analyst  
Technology and Professional  
Services

Gareth James is a senior equity analyst in the equity research team at Morningstar, a leading global provider of independent investment research. He covers the technology and professional services sectors across Australia and New Zealand. Gareth joined Aegis, subsequently acquired by Morningstar, in 2010. He has 12 years' equity markets experience encompassing research, trading, and equity capital raisings. Before joining Aegis, Gareth worked in Deloitte's Sydney Mergers and Acquisitions team, advising ASX-listed companies. In Ord Minnett's Equity Capital Markets team, he specialised in initial public offerings. He also spent four years within Rabobank's equity derivatives team.

Gareth has a Bachelor's degree in physics from the University of London and valuation qualifications from Macquarie University and FINSIA.

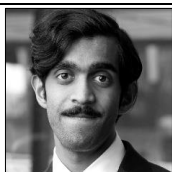


**Shaun Ler, CPA**  
Senior Associate Equity  
Analyst

Shaun Ler is a senior associate equity analyst in the equity research team at Morningstar, a leading global provider of independent investment research. He is responsible for researching, analysing, and developing investment recommendations on Australian and New Zealand listed equities.

Prior to joining Morningstar in 2018, Shaun was an investment analyst for Canaccord Genuity's asset-management division, where he was responsible for company research and analysis on the Canaccord Australian Equities Portfolios before transitioning to the firm's research division as an equity research analyst.

Shaun holds a Bachelor's degree in commerce from the University of Melbourne and is a Certified Practising Accountant (CPA).



**Shane Ponraj, CFA**  
Associate Equity Analyst

Shane Ponraj is an associate equity analyst in the equity research team at Morningstar, a leading global provider of independent investment research. He assists senior analysts in researching, developing, and producing written investment recommendations on Australian and New Zealand listed equities.

Before joining Morningstar in 2019, Shane spent more than four years working for a boutique Australian fund manager, conducting equity research to help support portfolio managers in making investment decisions.

Shane holds a Bachelor's degree in engineering (mechatronic) and a Bachelor of commerce in finance from the University of Sydney. He also holds the Chartered Financial Analyst® designation.



**Alex Prineas**  
Equity Analyst  
Property and REITs

Alex Prineas is an equity analyst in the equity research team at Morningstar, a leading global provider of independent investment research. He covers real estate companies and developers in Australia and New Zealand. Before joining Morningstar's equity research team in 2019, Alex was an associate director in Morningstar's manager research division, leading Morningstar's research on Australian and global property funds and on passive and exchange-traded funds. He spent a decade in manager research and investment consulting in Australia and the United Kingdom with Morningstar and Old Broad Street Research (now a Morningstar company). Before that, Alex spent six years with Mercantile Mutual in client and advisor services, marketing, product development, and advice research.

Alex holds a Bachelor of commerce with a double-major in accounting and finance from the University of New South Wales. He also holds a graduate diploma in applied finance and investments from FINSIA.



**Nicolette Quinn, CFA, CPA**  
Equity Analyst  
Healthcare

Nicolette Quinn is an equity analyst in the equity research team at Morningstar, a leading global provider of independent investment research. She covers the Australian healthcare sector. Before joining Morningstar in 2019, Nicolette worked as an equity analyst in South Africa, and prior to that in finance and strategy at a listed apparel and food retailer.

Nicolette holds a Bachelor of business science degree in finance and accounting from the University of Cape Town. She also holds the Chartered Financial Analyst® and Chartered Accountant designations.



**Grant Slade, CFA**  
Equity Analyst  
Industrials

Grant Slade is an equity analyst in the equity research team at Morningstar, a leading global provider of independent investment research. He covers the building materials and construction, packaging, and other industrials sectors. Before joining Morningstar in 2018, Grant was an equity research analyst with Capital Dynamics, a global fund manager based across the Asia-Pacific region.

Grant holds a Bachelor of business in economics and financial economics and a Bachelor of applied science in biotechnology from the Queensland University of Technology. He also holds the Chartered Financial Analyst® designation.



**Mark Taylor**  
Senior Equity Analyst  
Oil & Gas and Mining Services

Mark Taylor is a senior equity analyst in the equity research team at Morningstar, a leading global provider of independent investment research. He covers the oil and gas and mining services sector across Australia and New Zealand. Mark joined Aspect Huntley, subsequently acquired by Morningstar, in 2003, and worked previously for Shaw Stockbroking as a Research Analyst and Corporate Finance Executive.

Mark has a Bachelor's degree in science and a Post Graduate Diploma in mineral economics from Macquarie University.



**Peter Warnes**  
Head of Australia Equity  
Research

Peter Warnes is head of equity research at Morningstar, a leading global provider of independent investment research. Peter is an experienced leader in our equity research group and regularly contributes thought-provoking research in several client channels, meets with investors to share our views, and represents Morningstar equity research in the media. He is also a member of Morningstar's Investment Committee in Australasia. Peter joined Aspect Huntley, subsequently acquired by Morningstar, in 1992. His investment career started in 1968 in the Investment Research Department of the Bank of New South Wales (now Westpac). He continued in industrial research and institutional stockbroking, working for Hattersley Maxwell and Bain & Company over a period of 15 years.

Peter has a Bachelor's degree in commerce (accounting) from the University of New South Wales.



**Emma Williams**  
Associate Equity Analyst

Emma Williams is an associate equity analyst in the equity research team at Morningstar, a leading global provider of independent investment research. She assists senior analysts in researching, developing, and producing written investment recommendations on Australian and New Zealand listed equities.

Before joining Morningstar in 2019, Emma completed a rotational graduate program at Colonial First State, where she gained experience in portfolio construction, asset allocation, equity research and valuation, investment research, and sales.

Emma holds a Bachelor of commerce majoring in finance and accounting from the University of Sydney and is a Level II candidate in the Chartered Financial Analyst® program.



**Nathan Zaia**  
Equity Analyst  
Banks, Insurance and  
Diversified Financials

Nathan Zaia is an equity analyst in the equity research team at Morningstar, a leading global provider of independent investment research. He covers the Australian banking and insurance sectors.

Before joining Morningstar in 2019, Nathan spent almost three years as an investment analyst with Commonwealth Bank of Australia and Sequoia Financial Group, where he was responsible for Australian equity research and portfolio management. Prior to 2016, Nathan spent more than nine years in equity research at Morningstar where he covered a range of companies across industrials and diversified financials.

Nathan holds a Bachelor of business from the University of Western Sydney.

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## About Morningstar

Morningstar, Inc. is a leading provider of independent investment research in North America, Europe, Australia, and Asia. The company offers an extensive line of products and services for individual investors, financial advisors, asset managers, retirement plan providers and sponsors, and institutional investors in the debt and private capital markets.

Morningstar provides data and research insights on a wide range of investment offerings, including managed investment products, publicly listed companies, private capital markets, debt securities, and real-time global market data. Morningstar also offers investment management services through its investment advisory subsidiaries, with more than USD 217 billion in assets under advisement and management as of 30 September 2019. The company has operations in 27 countries. 