

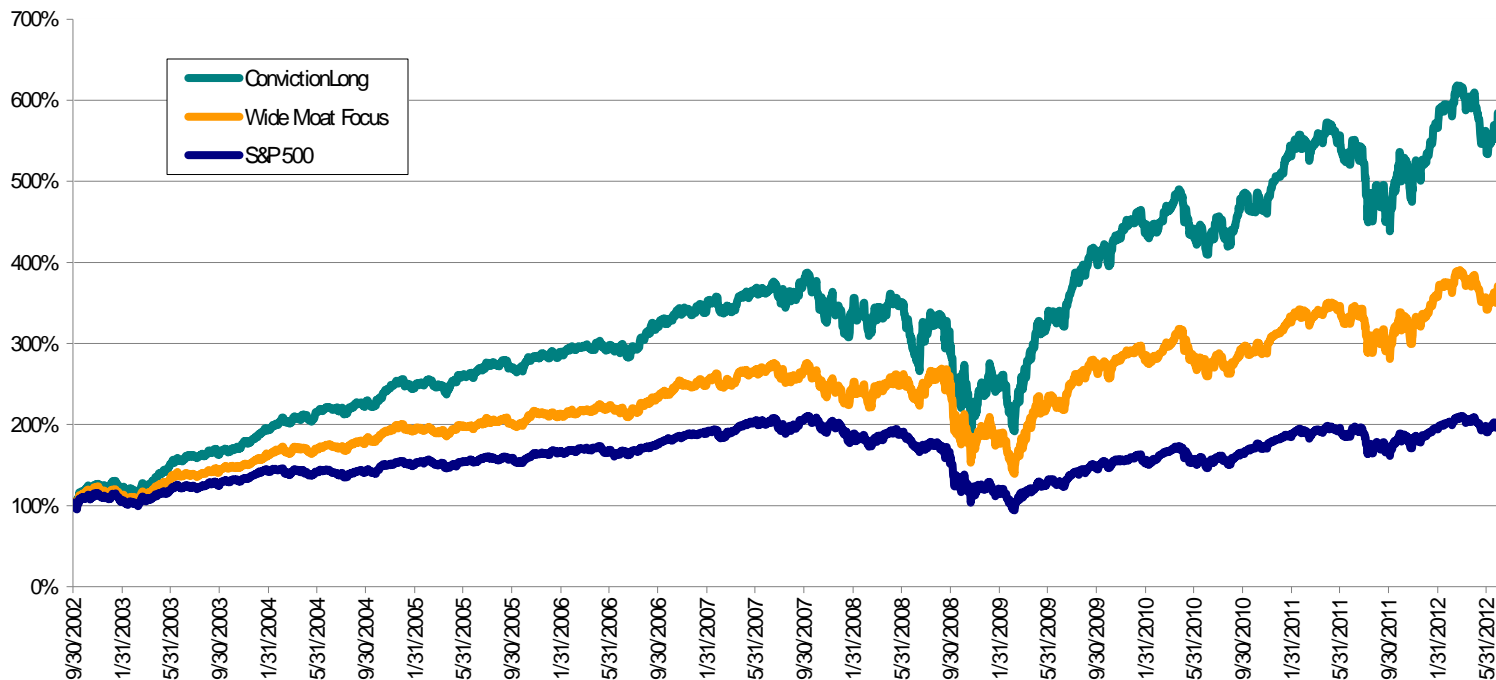
# Improving Financial Reporting Financial Analyst Perspective

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# Snapshot of Morningstar Equity Research

- × Broad coverage: 120 equity and credit analysts & strategists covering 1,800 companies across the globe.
- × Consistent, disciplined research approach focused on intrinsic values and economic moats. We evaluate stocks as small pieces of a business.
- × We believe that competitive advantages—“economic moats”—add intrinsic value, and we rigorously assess the competitive position of the companies we cover.
- × We believe that the ability of a business to generate ROIC above cost of capital is the primary test of shareholder value creation.
- × Why have a long-term perspective?
  - × Consistent with a business-centered approach.
  - × Opportunities for time-horizon arbitrage.
  - × Intrinsic values require thinking about *what the business is worth*, rather than *what other investors might pay*.

# The Morningstar Wide-Moat Focus Index and Conviction Long Strategy Demonstrate the Effectiveness of Our Ratings Over Time



	Trailing 1-Year	Trailing 3-Year*	Trailing 5-Year*	Since Inception* (9/30/2002)
Morningstar Wide Moat Focus Index (Ticker: WMW)	9.36%	17.68%	6.71%	14.38%
Morningstar Conviction Long Strategy	7.52%	20.16%	9.99%	19.83%
S&P 500 Index (cap-weighted)	5.45%	16.40%	0.22%	7.54%

Time-weighted returns through 6/29/2012.

# Initial Views on Standards for Brand Valuations Reported in Financial Statements

- × In general, equity analysts want more disclosure and information
- × The power of brands is often under and over-rated by investors
- × For now, evaluating brands is done as part of qualitative analysis of competitive advantage
- × Comparable and credible brand valuations across industries would add a metric for equity analysts to assess on a periodic basis
- × Forecasting the long-term brand power (or lack thereof) for a business creates investment opportunities
- × Having a metric in the financial statements could lead to more informative discussions with management teams about how they are investing and supporting brands

# Q&A

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**Thank You**