First Impressions: US Tariffs on Australian Equities

Direct impact modest but global growth and inflation are wildcards.

Morningstar Equity Research
April 4, 2025

Contents

2 Macroeconomic Overview
4 Basic Materials
4 Communication Services
5 Consumer Cyclical
5 Consumer Defensive
5 Energy
5 Financial Services
6 Healthcare
7 Industrials
7 Real Estate
7 Technology
8 Utilities

Lochlan Halloway
Equity Market Strategist, Australia
+61 2 9276 4486
lochlan.halloway@morningstar.com

Mathew Hodge
Director of Equity Research, Australia
+61 2 9276 4459
mathew.hodge@morningstar.com

Executive Summary

US President Donald Trump's "liberation day" tariffs have rattled global markets. Since the pronouncement, the Australia Market Index is down almost 3%. The US Market Index has sold off more, down 5%. The scope and magnitude of the tariffs are more severe than we, and the market, expected.

In this report, we share our initial impressions on how tariffs may affect our Australian equity research coverage. We provide a sector-by-sector analysis and highlight the businesses we think are most and least exposed to this global trade upheaval.

Key Takeaways

- The US accounts for a small share of Australia's total goods exports, so the direct economic impact of tariffs is limited. However, the indirect effects—how tariffs affect global growth, consumer and business confidence, and demand for Australia's commodity exports—could be much more severe.
- Many ASX-listed companies own US businesses, so the equity market is more exposed to tariffs than the broader economy. Australia's 20 largest public companies generate approximately 10% of their revenue in North America, despite the region accounting for only 6% of Australia's total exports.
- Cyclical, globally oriented sectors, including basic materials, consumer cyclical, and industrials, look most vulnerable. Some healthcare companies also manufacture in tariff-affected jurisdictions.
- Defensive, domestically focused sectors – utilities, consumer defensive, and real estate – look most protected.

Companies Mentioned

Name/Ticker	Economic Moat	Currency	Fair Value Estimate	Current Price	Uncertainty Rating	Morningstar Rating	Market Cap (Bil)
BHP Group BHP	None	AUD	40.00	37.01	Medium	★★★	186.5
Rio Tinto RIO	None	AUD	116.00	111.94	Medium	★★★	182.8
Fortescue FMG	None	AUD	15.70	14.94	High	★★★	45.7
CSL CSL	Narrow	AUD	325.00	257.68	Medium	★★★★	124.2
Woodside Energy WDS	None	AUD	41.50	22.48	Medium	★★★★★	38.9

Macroeconomic Overview

Tariffs can affect Australia's economy in two ways. First, directly—Australia's exports to the US are now less competitive relative to domestic alternatives, which has implications for US demand for Australian goods and services. The second is the indirect effect. Australia is a small, open economy. If the global economy slows, it could reduce demand for our exports across the board, not just in the US. Consumer confidence and business investment may also fall, weighing on domestic activity.

The direct effect of tariffs on our economy should be limited. In 2023, the United States was Australia's sixth-largest goods export market, accounting for AUD 22 billion, approximately 4% of total goods exports (Exhibit 1). Beef is the largest category, at just under AUD 3 billion. Gold and pharmaceuticals were next, at roughly AUD 1.5 billion, though both appear to be exempt from tariffs. Although localized pain may be present, the direct impact on GDP is expected to be modest in relation to the overall economy.

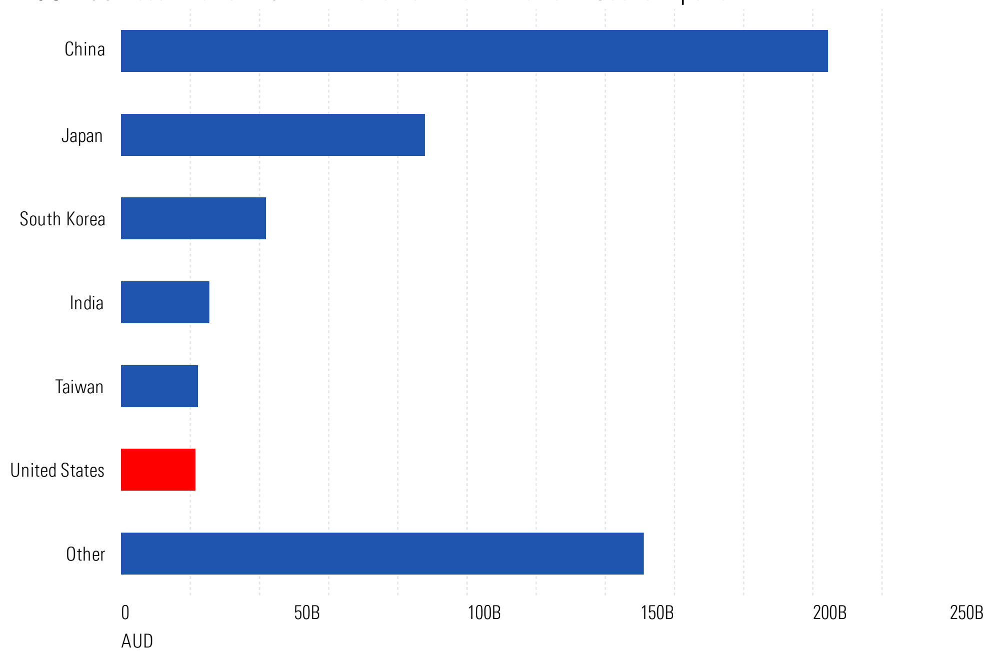
However, many ASX-listed companies own US businesses, so the equity market is more exposed to tariffs than the broader economy. Australia's 20 largest public companies generate approximately 10% of revenue in North America, even though the region only accounts for 6% of Australia's total exports (Exhibit 2).

The indirect effect of tariffs looks more serious. Although the US is not a big trading partner for Australia, it is the world's largest economy, accounting for about 25% of global GDP. If maintained, we think these tariffs could cause serious damage to the US economy. We haven't finalised our estimate of the drag on GDP, but we expect to reduce our US real GDP growth forecasts for 2025 and 2026. The upward impact on inflation is likely to be of a similar magnitude.

The big wildcard is how China responds. China is Australia's largest trading partner by a wide margin—importing over AUD 200 billion worth of goods in 2023, nearly 10 times the value of our exports to the US. The bulk of these exports consists of resources, particularly iron ore and coal. We think vastly higher tariffs imposed on China increases the chance of China stimulus, and this could insulate Australia from some of the economic shock.

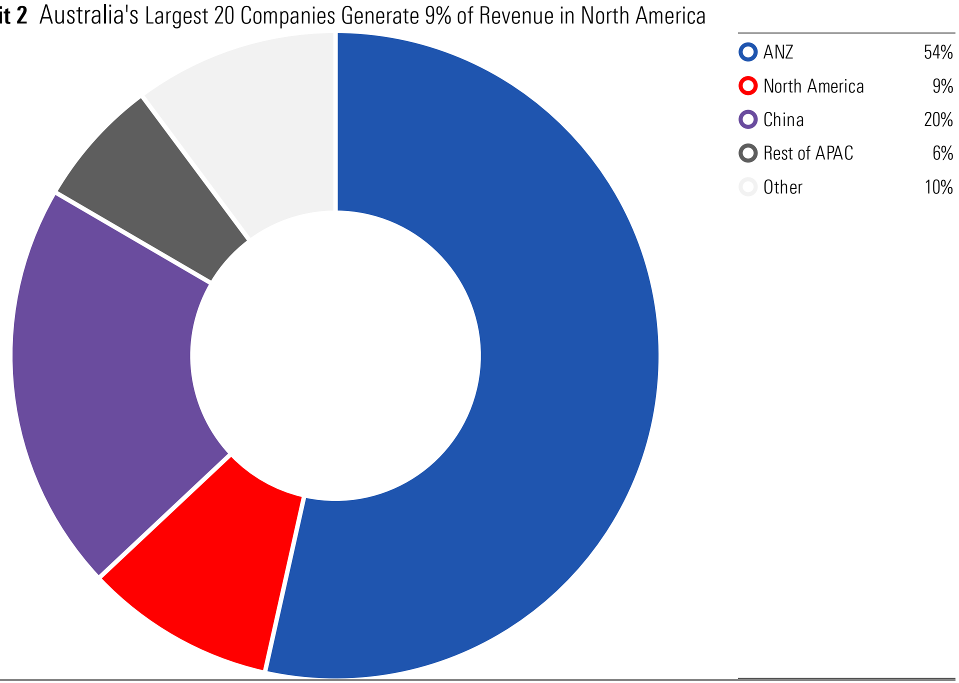
Let's walk through the impact, sector by sector.

Exhibit 1 US Accounts For a Small Fraction of Australia's Total Goods Exports



Source: Australian Department of Foreign Affairs & Trade, Morningstar. Data as of Dec 31, 2023.
Note: Annual Goods Exports to the US from Australia in 2023.

Exhibit 2 Australia's Largest 20 Companies Generate 9% of Revenue in North America



Source: PitchBook, company filings. Data as of June 30, 2024.
Note: This chart is indicative only. Companies use different conventions when segmenting revenue. Some will report revenue in the country where goods and services are made, others will report revenue in the country where those goods and services are sold. Geographical segments also vary. If it is unclear where revenue was earned, it is allocated to the 'Other' category. For example, if a company reports revenue from 'Asia Pacific,' we classify this as 'Other' because it is not clear how much is earned in Australia, China, or other jurisdictions. Data correspond to latest reporting period.

Basic Materials

Gold is likely to benefit from the increased uncertainty and market volatility and the ensuing flight to safety on worries over reduced trade flows and a potential recession. There are no direct tariffs on US imports of bullion. Northern Star, Evolution, and Perseus are well-placed to benefit.

As for other commodities such as iron ore, base metals (copper, aluminum, nickel, and so on), and coal, the potential impact is more indirect, via potentially slower economic growth, especially in China, and hence demand for commodities. BHP, Rio Tinto, and Fortescue are likely affected. Although we think vastly higher tariffs imposed on China increase the chance of a China stimulus and, in particular, a commodity-intensive stimulus such as increased infrastructure spending along with more support for the country's struggling residential real estate sector.

For Australian explosives companies Orica and Dyno Nobel (formerly known as Incitec Pivot), the US accounts for approximately 20% and 45% of their earnings, respectively. The majority of their US product is locally sourced, meaning limited direct implication from tariffs. These companies have few competitors in the US, and customer alternatives are limited. They could certainly feel the impact if Trump's heavy 54% tariff on China dampens demand for bulk commodities.

US earnings for crop protection company Nufarm comprise around 30% of the total. Some crop chemicals and chemical inputs are made in China and will be subject to a 54% tariff. But we see limited impact as costs are likely to be largely passed on to farmers.

Alcoa Corp has Canadian aluminium production, which goes into the US and is now subject to a 25% tariff. Canada comprises around a third of Alcoa's global aluminium smelting capacity. Alcoa is a global business, and product flows can, in part, be redirected to best suit the prevailing cost circumstances. Tariffs may also be passed on to US customers, which risks shut-downs and layoffs given the lack of domestic production.

Communication Services

Telecom Services

The telecommunications sector is relatively unaffected, with almost all revenue generated within Australia (Telstra, Macquarie Technology, TPG Telecom) or New Zealand (Chorus, Spark NZ). Furthermore, it is largely shielded from the tariff's negative first-order impact on the US or the domestic economies as revenue drivers are mostly staple services. We view Spark NZ and TPG Telecom as the most undervalued names.

Media

The media sector is relatively unaffected at face value from tariffs. But advertising, subscription, circulation, and consumer spending activities in media and entertainment are all hostage to corporate confidence and consumer sentiment, factors that may weaken as the tariffs ripple through the US and Australian economies. There are downside risks to all media names with News Corp shares particularly vulnerable, as it's overvalued and almost half of group revenue is from the US.

Consumer Cyclical

US tariffs on Chinese-manufactured goods can go elsewhere, including to Australia. An increased supply of Chinese goods should deflate prices for consumer goods globally, outside the US. In this scenario, Australian consumers would benefit from lower prices in the short term. We don't expect earnings to be materially affected for retailers, with increased buying power and demand offsetting some of the headwinds.

Breville is a clear loser. US tariffs on Chinese-manufactured goods affect about 40% of Breville's revenue. But Breville has been here before. Tariffs of up to 25% in fiscal 2019, affecting about 10% of Breville's goods, were largely offset by price increases. In the short term, Breville has pulled forward inventory and can increase prices. Longer term, it is diversifying manufacturing to countries like Mexico. In our cyclical retailer coverage, jewellery retailer Lovisa is exposed, but gross margins of 80% soften the blow of increases in the cost of sales in the US, even absent price rises or supplier assistance.

Consumer Defensive

Consumer defensives are a safe haven from first-order effects, and we see earnings as largely unimpacted. Liquor retailer Endeavour, while suffering from a weak domestic consumer, doesn't export into the US. Shares screen as attractive. Similarly, earnings at supermarkets and supermarket suppliers are virtually all generated in Australia. On valuation grounds, we prefer Woolworths to Coles for exposure to the Australian supermarket sector.

Treasury Wine Estates is somewhat exposed. The Americas division is about a third of earnings, with 15% imported from Australia and New Zealand—subject to 10% tariffs. Conversely, 85% of US-produced wine, notably luxury brands like DAOU and Frank Family Vineyards, is now better-positioned against competing luxury imports.

Energy

Markets for energy are deep and global, and Australian hydrocarbon producers and explorers like Woodside and Santos don't export materially to the US. Barring an adverse impact on the global economy overall and indirectly energy prices, we see limited tariff consequences for Australian energy names. The same applies to sellers of refined fuel products, such as Ampol and Viva Energy.

Financial Services

Banks and Insurance

Australian banks won't take any direct hit but are leveraged to Australian economic growth, which could slow. Ignoring the potential for fiscal and monetary stimulus to counter this headwind, lower economic growth generally dampens demand for new loans. Slower credit growth could also heighten price competition for a smaller pool of new loans. Margins could also be affected in the short term if the Reserve Bank of Australia cuts rates materially to stimulate growth, as rates on transaction account balances, which pay little to no interest, can't be cut. But, provided rates don't go back to zero, which seems highly unlikely, we expect banks to adjust loan and deposit pricing to generate adequate profits.

The impact on insurers is unlikely material, with any short-term impact likely to be countered by changes to premiums over time. For example, if auto part suppliers are looking for markets outside the US, it could get cheaper for Australian insurers to repair cars. This would lift profits across the industry, and its likely competition would drive down premium rates over time. Central banks lowering rates in response to slower economic growth would hit returns insurers make on large investment pools of policyholder and shareholder funds, but only possible if inflation is not running too high.

Diversified Financials

Asset managers and wealth platforms are affected by tariff-induced volatility. Share prices fell ahead of the trade tariffs, as uncertainty around Trump and weakening US consumer sentiment dampened investor risk appetite, reducing portfolio returns and potentially slowing future fund flows globally. The impact on asset managers and wealth platforms is broadly negative, although firms with greater exposure to overseas investors, such as Pinnacle, are more vulnerable to tariff-induced flow setbacks. Firms trading at higher valuation multiples, such as Netwealth and Hub24, face derating risks given lofty expectations for future flows and margins. Payments that companies tied to consumer spending may also struggle if the consumer takes a hit, with Humm and Tyro positioned negatively.

We see moats as offering some offsetting benefit. We expect wide-moat Fineos to grow with insurers, which can offset short-term tariff pressures through premium adjustments. Another moatworthy firm, Iress, should see resilient earnings as it recovers from prior disruptions and benefits from organic adviser growth and new product cross-sells.

Healthcare

Out of 12 names in our Australian healthcare coverage with revenue exposure to the US, we see reciprocal tariffs directly affecting five. We estimate Ansell will bear the brunt and total operating costs to go up roughly 10%, while Resmed’s, Polynovo’s, Nanosonics’, and Fisher & Paykel’s, to go up more modestly between 1% and 3%.

While medical devices are affected by reciprocal tariffs, pharmaceuticals are exempt, and software and pathology are unaffected. As such, CSL, Telix, Pro Medicus, and Sonic should not suffer. All Clinuvel’s and Avita’s US volumes are manufactured in the US and are unaffected. Almost all Cochlear’s US volumes are sourced from Australia, subject to a 10% tariff, but are imported under a chapter of the Harmonized Tariff Schedule that provides duty-free importation from Australia for hearing implants, assuming this is honoured.

We anticipate Resmed, Polynovo, Nanosonics, and Fisher & Paykel Healthcare to mitigate the modest tariff impact on its cost of production through price increases and adjusting supply chains. Since Ansell manufactures most of its US volumes in the heavily affected region of Southeast Asia, we estimate that 43% of its costs of goods sold go up by an average tariff rate of 34%. While Ansell is not alone, with most manufacturing in the industry sourced from Southeast Asia and the industry likely to raise prices, price increases that fully offset tariffs will likely dampen demand.

Industrials

Many industrial stocks are manufactured in the US, but inputs may be sourced globally. We expect companies to switch to domestically sourced inputs where possible. The secondary effect of a weaker economy due to tariffs may reduce discretionary spending. This mostly affects our construction and packaging-exposed stocks. Aside from our steel-exposed stocks, BlueScope Steel and Sims Group, where we think US operations are likely to benefit from a move to local production, we do not anticipate other benefits to our Australian industrial coverage.

We expect the tariff impact on Brambles to be neutral as the main lumber importer, Canada, is exempt from additional tariffs. Additionally, overall timber spending is down on greater efficiency of usage and longer pallet life. Brambles' pallets mostly carry consumer goods where volumes are relatively stable, even if a trading down trend emerges.

We think packaging companies Orora and Amcor are likely to be negatively affected by tariffs. Orora is a global producer of beverage containers, with its main US sales being premium alcoholic spirit bottles, which are discretionary. Amcor has suffered downturns, particularly in its US beverage sales, mostly soft drinks and plastic packaging. Here, we expect a weaker economy to result in customers reducing their consumption of higher-end products in favor of cheaper items with lower-cost packaging, which will weigh on Amcor's margins.

As local urban services providers, Ventia and Downer are likely to be well-insulated from tariffs, particularly given their preponderance of CPI-linked government contracts. Engineering contractor Monadelphous provides vital maintenance to resource infrastructure and is well-placed. Seven Group's heavy equipment sales and servicing could feel some impact if Trump's heavy 54% tariff on China dampens ore demand. But otherwise, it is a diversified conglomerate with exposure to building materials, energy, and public infrastructure, in addition to mining.

For Worley, a more recent targeted focus on the energy transition maybe somewhat stymied given Trump's predilection for oil and gas, though not materially. ALS' materials testing labs are located in the markets they serve and are not directly tariff-exposed.

Real Estate

We think the real estate sector is relatively unscathed. While tariffs could impair business confidence and thus weigh on leasing decisions for office, retail, and industrial space, most property portfolios have lease expiries of at least three years to ride out transitory volatility. Australia's consumer confidence and inflation could also play a role in the Reserve Bank of Australia's rate-cut decisions in the near term, but our long-term cost of debt assumptions are unchanged.

Technology

Audinate is most affected by first-order consequences, as the US audio-visual sector will likely slow, given most of the equipment is produced in highly tariffed countries. Over the long term though, we don’t see Audinate’s competitive position affected, and we see it with the resources to withstand a downturn.

Online marketplaces REA Group, CAR Group, Seek, and Domain are cyclically sensitive and could be affected if tariffs drive an economic downturn. However, for most of them, the long-term effects are likely limited, given their competitive position isn’t affected. The exception is Seek, which could suffer in Southeast Asia if a slowdown in Australia reduces available cash flows to invest overseas versus competitor Indeed with cash flows from geographies that appear less affected.

Most Australian software companies won’t take a direct hit. They typically have high-quality customers and recurring revenue. Exceptions include Xero and SiteMinder, which have more economic sensitivity.

Utilities

US tariffs have no material impact on Australian utilities. If the economy weakens, electricity demand and wholesale prices could soften to the detriment of profits. In this scenario, interest rates would also likely fall, a partial offset. Additionally, cheaper imports from China as it looks for new markets could reduce the cost of planned wind farms, solar farms, and large-scale batteries.

Research Methodology for Valuing Companies

Overview

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

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

Four key components drive the Morningstar rating:

- our assessment of the firm's economic moat.
- our estimate of the stock's fair value.
- our uncertainty around that fair value estimate.
- the current market price.

This process ultimately culminates in our single-point star rating.

Economic Moat

The Morningstar Economic Moat Rating is a structural feature that Morningstar believes positions a firm to earn durable excess profits over a long period of time, with excess profits defined as returns on invested capital above our estimate of a firm’s cost of capital. The economic moat rating is not an indicator of the investment performance of the investment highlighted in this report. Narrow-moat companies are those that Morningstar believes are more likely than not to achieve normalized excess returns for at least the next 10 years. Wide-moat companies are those that Morningstar believes will earn excess returns for 10 years, with excess returns more likely than not to remain for at least 20 years. Firms without a moat, including those that have a substantial threat of value destruction-related risks related to environmental, social, and governance; industry disruption; financial health; or other idiosyncratic issues, are more susceptible to competition. Morningstar has identified five sources of economic moats: intangible assets, switching costs, network effect, cost advantage, and efficient scale.

Fair Value Estimate

Each stock's fair value is estimated by using a proprietary discounted cash flow model, which assumes that the stock's value is equal to the total of the free cash flows of the company is expected to generate in the future, discounted back to the present at the rate commensurate with the riskiness of the cash flows. As with any DCF model, the ending value is highly sensitive to Morningstar's projections of future growth.

Fair Value Uncertainty

The Morningstar 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, exposure to material ESG risks, and other company-specific factors. Based on these factors, analysts classify the stock into one of several uncertainty levels: Low, Medium, High, Very High, or Extreme. 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.

Market Price

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

Morningstar Rating for Stocks

The Morningstar Rating for Stocks is a forward-looking, analyst-driven measure of a stock's current price relative to the analyst's estimate of what the shares are worth. Stock star ratings indicate whether a stock, in the equity analyst's educated opinion, is cheap, expensive, or fairly priced. To rate a stock, analysts estimate what they think it is worth (its "fair value"), using a detailed, long-term cash flow forecast for the company. A stock's star rating depends on whether its current market price is above or below the fair value estimate. Those stocks trading at large discounts to their fair values receive the highest ratings (4 or 5 stars). Stocks trading at large premiums to their fair values receive lower ratings (1 or 2 stars). A 3-star rating means the current stock price is close to the analyst's fair value estimate.

Risk Warning

Please note that investments in securities are subject to market and other risks, and there is no assurance or guarantee that the intended investment objectives will be achieved. Past performance of a security may or may not continue in the future and is no indication of future performance. A security investment's return and an investor's principal value will fluctuate so that, when redeemed, an investor's shares may be worth more or less than their original cost.

A security's current investment performance may be lower or higher than the investment performance noted within the report. Morningstar's Uncertainty Rating is a useful data point with respect to sensitivity analysis of the assumptions used in our determining a fair value price.

General Disclosure

"Morningstar" is used throughout this section to refer to Morningstar, Inc., and/or its affiliates, as applicable. Unless otherwise provided in a separate agreement, recipients of this report may only use it in the country in which the Morningstar distributor is based. Unless stated otherwise, the original distributor of the report is Morningstar Research Services LLC, a USA-domiciled financial institution.

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

The information, data, analyses, and opinions presented herein are not warranted to be accurate, correct, complete, or timely. Unless otherwise provided in a separate agreement, neither Morningstar, Inc., nor the Equity Research Group represents that the report contents meet all of the presentation and/or disclosure standards applicable in the jurisdiction the recipient is located.

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

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

Where this report is made available in a language other than English and in the case of inconsistencies between the English and translated versions of the report, the English version will control and supersede any ambiguities associated with any part or section of a report that has been issued in a foreign language. Neither the analyst, Morningstar, Inc., nor the Equity Research Group guarantees the accuracy of the translations.

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

Conflicts of Interest

- No material interests are held by the analyst or their immediatel family with respect to the securities subject of this investment research report.
- Morningstar, Inc., may hold a long position in the securities subject of this investment research report that exceeds 0.5% of the total issued share capital of the security. To determine if such is the case, please click https://www.morningstar.com/company/disclosures/holdings.
- Analysts' compensation is derived from Morningstar, Inc.'s overall earnings and consists of salary, bonus, and in some cases restricted stock.
- Morningstar's overall earnings are generated in part by the activities of the Investment Management and Research groups, and other affiliates, that provide services to product issuers.
- Neither Morningstar, Inc., nor the Equity Research Group receives commissions, compensation, or other material benefits in connection with providing research, nor do they charge companies to be rated.
- Morningstar employees may not pursue business or employment opportunities outside Morningstar within the investment industry (including, but not limited to, working as a financial planner, an investment professional or investment professional representative, a broker/dealer or broker/dealer agent, a financial writer, reporter, or analyst) without the approval of Morningstar's Legal and if applicable, Compliance teams.
- Neither Morningstar, Inc., nor the Equity Research Group is a market maker or a liquidity provider of the securities noted within this report.
- Neither Morningstar, Inc., nor the Equity Research Group has been a lead manager or co-lead manager over the previous 12 months of any publicly disclosed offer of financial instruments of the issuer.
- Morningstar, Inc.'s Investment Management group has arrangements with financial institutions to provide portfolio management/investment advice, some of which an analyst may issue investment research reports on. In addition, the Investment Management group creates and maintains model portfolios whose underlying holdings can include financial products, including securities that may be the subject of this report. However, analysts do not have authority over Morningstar's Investment Management group's business arrangements or allow employees from the Investment Management group to participate or influence the analysis or opinion prepared by them.
- Morningstar, Inc., is a publicly traded company (ticker: MORN) and thus a financial institution the security of which is the subject of this report may own more than 5% of Morningstar, Inc.'s total outstanding shares. Please access Morningstar, Inc.'s proxy statement, "Security Ownership of Certain Beneficial Owners and Management" section at https://shareholders.morningstar.com/investor-relations/financials/sec-filings/default.aspx.

Morningstar may provide the product issuer or its related entities with services or products for a fee and on an arm's-length basis, including software products and licenses, research and consulting services, data services, licenses to republish our ratings and research in their promotional material, event sponsorship, and website advertising.

Further information on Morningstar's conflict-of-interest policies is available at http://global.morningstar.com/equitydisclosures. Please note analysts are subject to the CFA Institute's Code of Ethics and Standards of Professional Conduct.
For a list of securities the Equity Research Group currently covers and provides written analysis on, or for historical analysis of covered securities, including fair value estimates, please contact your local Morningstar office. Morningstar Equity Research methodologies can be found at Investor Relations | Morningstar, Inc.

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

For Recipients in New Zealand: This report has been issued and distributed by Morningstar Australasia Pty Ltd and/or Morningstar Research Ltd (together 'Morningstar'). This report has been prepared and is intended for distribution in New Zealand to wholesale clients only and has not been prepared for use by New Zealand retail clients (as those terms are defined in the Financial Markets Conduct Act 2013).

The information, views and any recommendations in this material are provided for general information purposes only, and solely relate to the companies and investment opportunities specified within. Our reports do not take into account any particular investor's financial situation, objectives or appetite for risk, meaning no representation may be implied as to the suitability of any financial product mentioned for any particular investor. We recommend seeking financial advice before making any investment decision.

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

For recipients in Europe: This report is distributed by Morningstar Holland B.V., a wholly-owned subsidiary of Morningstar, Inc. Morningstar Holland B.V. is not required to be regulatory by the European Securities and Markets Authority for the provision of investment research data. The analyst/s involved in the creation of the report do not take into account any particular investor's financial situation, objectives or appetite for risk, meaning no representation may be implied as to the suitability of any financial product mentioned for any particular investor. Registered address: Haaksbergweg 58, 9th Floor, 1101 BZ Amsterdam, North Holland, Netherlands.

For recipients in Hong Kong: The report is distributed by Morningstar Investment Management Asia Limited, which is regulated by the Hong Kong Securities and Futures Commission to provide investment research and investment advisory services to professional investors only. Neither Morningstar Investment Management Asia Limited nor its representatives are acting or will be deemed to be acting as an investment advisor to any recipients of this information unless expressly agreed to by Morningstar Investment Management Asia Limited.

For recipients in India: Morningstar Investment Research India Private Limited (registered with SEBI as a research analyst, registration number INH000008686) does not engage in research services on securities listed or proposed to be listed on stock exchanges in India.

For recipients in Japan: The report is distributed by Morningstar Japan, Inc. for informational purposes only. Neither Morningstar Japan, Inc. nor its representatives are acting or will be deemed to be acting as an investment advisor to any recipients of this information.

For recipients in Korea: This report is distributed by Morningstar Korea Ltd., which has filed to the Financial Services Committee, for informational purposes only. Neither Morningstar Korea Ltd. nor its representatives are acting or will be deemed to be acting as an investment advisor to any recipients of this information.

For recipients in Singapore: This report is distributed by Morningstar Investment Adviser Singapore Pte Limited, which is licensed and regulated by the Monetary Authority of Singapore to provide financial advisory services in Singapore. Recipients of this report should contact their financial advisor in Singapore in relation to this report. Morningstar, Inc. and its affiliates rely on certain exemptions (Financial Advisers Regulations, Section 27(1)(e), Section 32B and 32C) to provide its investment research to recipients in Singapore.

For recipients in the United Kingdom: This report is distributed by Morningstar UK Ltd, a wholly-owned subsidiary of Morningstar, Inc. Morningstar UK Ltd. is not required to be registered nor authorized by the Financial Conduct Authority for the distribution of investment research data. The analyst/s involved in the creation of the report do not take into account any particular investor's financial situation, objectives or appetite for risk, meaning no representation may be implied as to the suitability of any financial product mentioned for any particular investor. There are information barriers in place between Morningstar UK Ltd and Morningstar regulated entities based in the UK. Registered address: 1 Oliver's Yard 55-71 City Road London EC1Y 1HQ

About Morningstar® Equity Research™

Morningstar Equity Research provides independent, fundamental equity research differentiated by a consistent focus on durable competitive advantages, or economic moats.

For More Information

+1 312 696-6869
equitysupport@morningstar.com

MORNINGSTAR®

22 West Washington Street
Chicago, IL 60602 USA