

## Best Ideas

Company and Industry	Morningstar Rating	Fair Value Estimate	Current Price	Uncertainty Rating	Moat Rating	Price / Fair Value	Market Cap (B)	Analyst
<b>Basic Materials</b>								
Cameco (CCJ)	★★★★	\$19.5	\$11.88	High	Narrow	0.61	4.49	Inton
Compass Minerals International (CMP)	★★★★	\$81	\$51.59	High	Wide	0.64	1.75	Goldstein
Martin Marietta Materials (MLM)	★★★★	\$250	\$188.72	High	Narrow	0.75	11.84	Inton
<b>Communication Services</b>								
BT Group (BT.A)	★★★★	GBX 360	GBX 254.9	High	Narrow	0.71	25.60	C. Nichols
China Mobile (941)	★★★★	HKD 97	HKD 76.85	Medium	Narrow	0.79	1573.54	Baker
Comcast (CMCSA)	★★★★	\$42	\$38.49	Medium	Wide	0.92	174.20	Macker
Telefonica (TEF)	★★★★★	\$13	\$7.49	High	Narrow	0.58	38.93	C. Nichols
Telstra (TLS)	★★★★	AUD 4.4	AUD 3.04	Medium	Narrow	0.69	36.16	Han
Vodafone Group (VOD)	★★★★	\$250	\$155.4	High	Narrow	0.62	42.10	C. Nichols
<b>Consumer Cyclical</b>								
Alibaba Group Holding (BABA)	★★★★	\$240	\$156.22	High	Wide	0.65	386.92	Hottovy
Bayerische Motoren Werke (BMW)	★★★★	EUR 117	EUR 74.2	High	Narrow	0.63	48.32	Hilgert
Expedia Group (EXPE)	★★★★	\$180	\$119.75	High	Narrow	0.67	18.16	Wasiolek
General Motors (GM)	★★★★	\$45	\$35.55	High	None	0.79	49.72	Whiston
Hanesbrands (HBI)	★★★★★	\$27	\$15.67	Medium	Narrow	0.58	5.65	Swartz
InvoCare (IVC)	★★★★	AUD 16	AUD 12.07	Medium	Wide	0.75	1.33	Ragonese
Mattel (MAT)	★★★★	\$21	\$13.65	High	Narrow	0.65	4.58	Katz
Norwegian Cruise Line Holdings (NCLH)	★★★★	\$69	\$50.44	High	Narrow	0.73	11.02	Katz
Walt Disney (DIS)	★★★★	\$130	\$117.11	Medium	Wide	0.90	174.19	Macker
WPP (WPP)	★★★★★	GBX 1450	GBX 865.4	Medium	Narrow	0.60	10.87	Mogharabi
<b>Consumer Defensive</b>								
A2 Milk (ATM)	★★★★	AUD 14.6	AUD 10.17	High	Narrow	0.70	7.47	Fleck
Anheuser-Busch InBev (BUD)	★★★★★	\$118	\$77.23	Low	Wide	0.65	146.89	Gorham
G8 Education (GEM)	★★★★	AUD 3.5	AUD 2.84	High	None	0.81	1.29	James
General Mills (GIS)	★★★★★	\$58	\$45.23	Low	Wide	0.78	26.97	Vora
Imperial Brands (IMB)	★★★★★	GBX 3700	GBX 2603.5	Low	Wide	0.70	24.86	Gorham
Kao (4452)	★★★★	JPY 8800	JPY 8015	Low	Wide	0.91	3856.18	Wei
Mondelez International (MDLZ)	★★★★	\$52	\$43.94	Medium	Wide	0.85	63.62	Lash
PepsiCo (PEP)	★★★★	\$122	\$116.8	Low	Wide	0.96	164.87	Vora
Procter & Gamble (PG)	★★★★	\$97	\$93.83	Low	Wide	0.97	232.92	Lash
<b>Energy</b>								
Cenovus Energy (CVE)	★★★★	\$21	\$10.94	Very High	None	0.52	13.25	Gemino
Enbridge (ENB)	★★★★★	\$62	\$42.55	Medium	Wide	0.69	77.91	Gemino
Enterprise Products Partners (EPD)	★★★★★	\$35.5	\$26.65	Low	Wide	0.75	58.17	Ellis
Royal Dutch Shell (RDS.B)	★★★★	\$83	\$63.78	Medium	Narrow	0.77	256.27	Good
Total (TOT)	★★★★	\$77	\$57.13	Medium	None	0.74	148.84	Good
Woodside Petroleum (WPL)	★★★★	AUD 46.5	AUD 33.02	High	None	0.71	30.91	Taylor
<b>Financial Services</b>								
Agricultural Bank of China (601288)	★★★	CNY 4.2	CNY 3.6	High	Narrow	0.86	1248.24	Tan
Altaba (AABA)	★★★★	\$98	\$64.39	High	None	0.66	37.53	Mogharabi
American International Group (AIG)	★★★★★	\$76	\$42.69	Medium	None	0.56	37.10	Horn
BlackRock (BLK)	★★★★	\$540	\$406.88	Medium	Wide	0.75	63.79	Warren

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<b>Financial Services, Continued</b>								
Capital One Financial (COF)	★★★★	\$127	\$89.16	Medium	Narrow	0.70	42.23	Plunkett
Credit Suisse Group (CSGN)	★★★★★	CHF 22	CHF 12.38	High	Narrow	0.56	31.60	Scholtz
Link Administration Holdings (LNK)	★★★★	AUD 8.5	AUD 7.52	Medium	Narrow	0.88	3.98	James
Macquarie Group (MQG)	★★★	AUD 135	AUD 119	Medium	Narrow	0.88	40.85	Ellis
Pendal Group (PDL)	★★★★	AUD 11	AUD 8.2	Medium	Narrow	0.75	2.61	Likos
Westpac Banking (WBC)	★★★★	AUD 33	AUD 25.27	Medium	Wide	0.77	86.65	Ellis
<b>Healthcare</b>								
Allergan (AGN)	★★★★★	\$245	\$159.37	Medium	Wide	0.65	53.75	Waterhouse
McKesson (MCK)	★★★★★	\$210	\$127.47	Medium	Wide	0.61	24.90	Lekraj
Medtronic (MDT)	★★★★	\$110	\$92.77	Medium	Wide	0.84	125.53	Wang
Roche Holding (ROG)	★★★★★	CHF 333	CHF 250.3	Low	Wide	0.75	213.75	Andersen
<b>Industrials</b>								
Anixter International (AXE)	★★★★★	\$107	\$69.16	Medium	Narrow	0.65	2.32	Bernard
Beijing Enterprises Holdings (392)	★★★★	HKD 58	HKD 44	Medium	Narrow	0.76	55.53	Song
CK Hutchison Holdings (1)	★★★★★	HKD 118	HKD 81.5	Medium	None	0.69	314.28	Tan
G4S (GFS)	★★★★★	GBX 337	GBX 183.45	Medium	None	0.54	2.86	Field
GEA Group (G1A)	★★★★★	EUR 45	EUR 26.01	Medium	Wide	0.58	4.73	Molina
General Dynamics (GD)	★★★★	\$216	\$182.34	Medium	Wide	0.84	54.00	Higgins
Grupo Aeroportuario del Pacifico (GAP B)	★★★★	MXN 210	MXN 144.01	High	Wide	0.69	82.43	Higgins
Guangshen Railway (525)	★★★★★	HKD 6.3	HKD 3.04	High	None	0.48	25.05	Song
Johnson Controls International (JCI)	★★★★	\$46	\$33.52	High	Narrow	0.73	31.00	Bernard
Kion Group (KGX)	★★★★★	EUR 90	EUR 51.26	Medium	Narrow	0.57	6.12	Molina
Sodexo (SW)	★★★★	EUR 110	EUR 93.06	Medium	Narrow	NA	13.55	Field
Stericycle (SRCL)	★★★★★	\$83	\$46.06	High	Narrow	0.55	4.17	Young
<b>Real Estate</b>								
Aveo Group (AOG)	★★★★	AUD 2.3	AUD 1.62	Medium	None	0.70	0.94	Sherlock
Sun Hung Kai Properties (16)	★★★★★	HKD 153	HKD 106.6	Medium	Narrow	0.70	308.82	Zhong
Welltower (WELL)	★★★	\$72	\$69.49	Medium	None	0.97	26.10	Brown
<b>Technology</b>								
Applied Materials (AMAT)	★★★★	\$49	\$35.02	High	Wide	0.71	34.42	Davuluri
Intel (INTC)	★★★★	\$65	\$48.11	Medium	Wide	0.74	214.92	Davuluri
KLATencor (KLAC)	★★★★	\$128	\$94.44	High	Wide	0.74	14.13	Davuluri
Lam Research (LRCX)	★★★★	\$185	\$146.4	High	Narrow	0.79	22.15	Davuluri
Microchip Technology (MCHP)	★★★★★	\$112	\$75.35	Medium	Wide	0.67	17.03	Colello
Murata Manufacturing (6981)	★★★★	JPY 24000	JPY 16075	High	Narrow	0.67	3589.12	Ito
Tencent Holdings (700)	★★★★★	HKD 499	HKD 290.4	High	Wide	0.58	2764.68	Tam
<b>Utilities</b>								
Dominion Energy (D)	★★★★	\$84	\$73.45	Low	Wide	0.87	48.12	Fishman
Enel (ENEL)	★★★★	EUR 5.7	EUR 4.45	Medium	None	0.78	45.69	Fulop
FirstEnergy (FE)	★★★★	\$41	\$38.82	Low	Narrow	0.95	19.85	Fishman
Orsted (ORSTED)	★★★	DKK 450	DKK 454.2	Low	Narrow	1.01	190.78	Fulop
Scana (SCG)	★★★★	\$56	\$42.28	Medium	Narrow	0.76	6.03	Miller

## Highlighted Stocks

### Orsted ORSTED:DK

Morningstar Rating	Sector	Moat Trend	Currency	Fair Value Estimate	Current Price	Uncertainty Rating	Moat Rating	Price/Fair Value	Market Cap (Bil)
★★★	Utilities	Stable	DKK	450	451	Low	Narrow	1.00	190.78

Source: Morningstar. As of Nov. 16, 2018

*We have raised our stewardship rating from Standard to Exemplary because of Orsted's best-in-class capital allocation and its excellent track record of delivering incremental value from projects.*

### Select Report, Nov. 12, 2018

The market seems a bit skeptical of Orsted's ability to continue creating significant value from future offshore wind projects because of concerns of declining subsidies and a lack of visibility on new projects' economics, especially in Taiwan and on the U.S. East Coast. We anticipate that the company will increasingly emphasize these projects, possibly as soon as its Nov. 28 capital market day, and that detailed information and the attractive economics of these projects will help alleviate the market's concerns. Based on our market analysis, we've built a net present value for every new project and estimate that Orsted will achieve a weighted average internal rate of return of 12% on these projects, creating significant value.

In June, Orsted initiated the divestment process of its Danish distribution and retail businesses. In line with recent comparable transactions, we believe the selling price will imply a significant premium to the implicit value of this business. Accordingly, we incorporate this premium into our fair value estimate.

Last but not least, management hints that this premium will be returned to shareholders.

- ▶ Future projects' value and premium of the sale of Danish and distribution activities have led us to increase our fair value estimate to DKK 450 from DKK 430 per share.
- ▶ We have raised our stewardship rating from Standard to Exemplary because of Orsted's best-in-class capital allocation and its excellent track record of delivering incremental value from projects, as shown by the recent farm-down of Hornsea 1.
- ▶ In addition to its Exemplary stewardship rating and appealing risk/reward, Orsted has a narrow moat and boasts one of the highest returns on capital under our coverage, which has led us to add Orsted to our Best Ideas list.

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