


# American Funds New Perspective A

## ANWPX

Morningstar Analyst Rating  
 Gold  
 25 Oct 2019  
 16:00, UTC-0500

## Analyst Notes

### A Reaffirmation of Capital Group's Positive Parent Rating

#### Maintain Rating

Oct 25, 2019 | A BBC News story posted online on Oct. 21, 2019 (<https://www.bbc.com/news/business-50089887>) has dispelled much, though not all, of the mystery surrounding Mark Denning's departure from Capital Group. The veteran American Funds investor had left parent company Capital Group about six weeks prior on Sept. 9 for what the firm would only describe at the time as a "personnel decision." As it turns out, conflicts of interest were at the heart of the matter.

The BBC discovered that Denning, while a portfolio manager on American Funds SMALLCAP World, had invested that strategy's money for years into Hummingbird Resources HUM, even as his adult daughter became engaged and married to Hummingbird Resources' CEO Daniel Betts. The portion of SMALLCAP World's assets invested in Hummingbird Resources was relatively tiny; it peaked at less than 4 basis points in September 2017. It did, however, represent a significant stake in the company, more than 7% of shares outstanding as early as Jan. 27, 2011, per regulatory filings.

The BBC also discovered the existence since Aug. 31, 2017, of a private third-party family trust called "IPF Investment Fund -- Global Opportunities" (formerly Morebath Fund -- Global Opportunities), which it alleges is connected to Denning, at least indirectly. The trust holds or has held, several stocks in common with two of Denning's American Funds strategies, SMALLCAP World and American Funds New Economy. One of those stocks is Hummingbird Resources, for example. Like the Hummingbird Resources position in SMALLCAP World, these other stocks--seven in total and not just the three mentioned by the BBC--represented relatively tiny stakes within their respective American Funds' portfolios, even if those funds' ownership of the companies' shares outstanding was significant.

Capital Group was not aware of any of this

until the BBC contacted the firm for comment during the week of Sept. 2-6. Once informed, Capital Group acted swiftly. Despite Denning's 35-year-plus tenure and his reputation as one of the firm's savviest investors, he was gone within a matter of days.

Since this news first broke, Morningstar Manager Research analysts have spent many hours assessing as far as possible what happened. That's included conversations with senior Capital Group personnel, such as chairman Timothy Armour; detailed analysis of the ownership of the stocks in question within SMALLCAP World and New Economy; and considerable internal dialogue.


Morningstar has concluded that Capital Group's Code of Ethics should be strengthened. In its current form, the Code only requires disclosure of investments involving family members living in one's household and does not directly address investments like Hummingbird Resources, which involved a family member not living in one's household at the time. The Code does, however, forbid investment personnel from involvement in family trusts that hold the same securities as their American Funds' strategies. Despite the existence of such a trust, it does not appear that Denning's actions harmed fundholders and it's unclear there was something reasonable Capital Group could have done to flag the ethically questionable behavior that went unreported in this case until the BBC revealed it. Based on what Morningstar has seen thus far, this very unfortunate situation should not detract from Capital Group's stature as an industry standard-bearer in many respects, a position it has secured by serving investors well for nearly 90 years. Capital Group retains its Positive Parent Pillar rating.

Morningstar will have more to say on the details surrounding Denning's departure and the lessons to be learned from it, as they touch on many issues. In the end, though, investors in Capital Group's American Funds should rest assured that their assets are still in good hands.



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## Process: Approach

**Morningstar Category**  
US Fund World Large Stock

**Category Index**  
MSCI ACWI NR USD

**Index Proxy**  
iShares MSCI ACWI ETF

### A mandate that has grown with the market.

**Process Pillar**  Positive

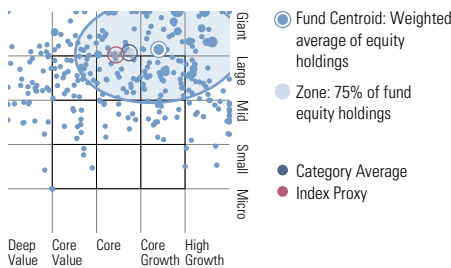
Sep 26, 2019 | The fund's growth-oriented focus combined with its willingness to adapt merit a Positive Process Pillar rating. Since its March 1973 inception, the fund has sought to invest in firms poised to benefit from changing global trade patterns. While that mission has endured, the fund's methods have evolved with the market. In its early

days, the investable universe consisted largely of the constituents of the MSCI World Index, the fund's longtime benchmark. As the global opportunity set broadened to include developing markets, the fund began investing there, too, and in October 2011 changed its benchmark to the MSCI All-Country World Index. The fund can now invest in firms located anywhere in the world if they receive at least 25% of their revenues from outside their home region and have at least a \$3 billion market-cap float at time of purchase. Although those requirements still incline the fund toward

developed-markets blue chips, its emerging-markets stake hit the low teens in late 2017, versus its mid- to upper-single-digit historical norm.

American's multimanager approach lets the managers play to their strengths. Unlike at sibling strategies, they face no income requirement in running separate sleeves of this portfolio. With distinct styles, they can invest in their best ideas or hold cash and wait for opportunities. Meanwhile, the combination of sleeves mutes the overall fund's volatility.

### Equity Style Box 06/30/2020



### Style Box Factors 06/30/2020

Market Cap	Fund	3-Yr Avg	Category	Proxy
Giant/Large	89.9	90.2	80.0	85.2
Mid	9.4	9.2	16.8	14.7
Small/Micro	0.6	0.6	3.2	0.1
Avg Market Cap Bil USD	93.0	73.3	84.3	73.4

Value Measures	Fund	3-Yr Avg	Category	Proxy
Price/Prospect. Earnings	29.8	20.8	22.8	20.5
Price/Book	3.3	3.1	2.3	2.0
Price/Sales	2.9	2.6	1.8	1.5
Price/Cash Flow	14.5	10.2	10.8	8.4
Dividend Yield	1.5	1.7	2.3	2.7

Growth Measures	Fund	3-Yr Avg	Category	Proxy
Long-Term Earnings %	11.0	12.4	9.8	9.1
Historical Earnings %	7.3	13.7	3.6	5.3
Sales %	6.2	4.3	4.2	4.9
Cash Flow %	6.7	9.2	5.8	6.2
Book-Value %	7.6	7.1	4.7	-0.2

### Income

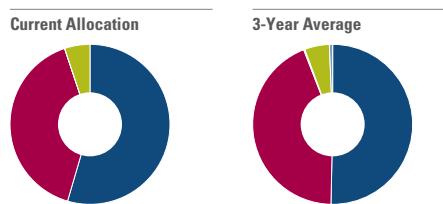
	Fund	3-Yr Avg	Category	Proxy
SEC Yield	-0.1	0.7	—	—

SEC Yield surveyed 08/31/20

	Fund	3-Yr Avg	Category	Proxy
30-day Unsubsidized Yield	0.4	—	—	—

30-day Yield surveyed —

### Asset Allocation 06/30/2020



### Regional Exposure 06/30/2020

Market Type	Equity %	Fund	3-Yr Avg	Category	Proxy
Developed		95.2	93.7	93.3	90.8
Emerging		4.8	6.3	6.7	9.2

Top 5 Countries	Equity %	Fund	3-Yr Avg	Category	Proxy
United States		57.5	53.5	56.4	56.9
Netherlands		5.0	4.0	2.6	1.2
United Kingdom		4.9	5.8	5.9	4.3
France		4.9	5.8	3.7	2.8
Japan		4.6	5.8	6.3	7.0

### Economic Moat 06/30/2020

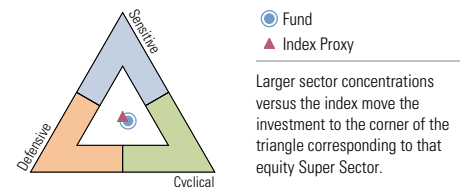
Moat Rating	Fund	3-Yr Avg	Category	Proxy
Wide Moat	50.4	46.1	54.6	45.2
Narrow Moat	37.0	39.5	34.4	38.8
No Moat	12.7	14.4	11.1	16.0
Coverage Ratio	82.6	80.7	80.4	84.1

### Key Ratios 06/30/2020

	Fund	3-Yr Avg	Category	Proxy
Net Margin %	16.2	17.2	15.9	15.7
ROA %	7.4	8.2	7.9	7.5
Debt/Total Capital %	36.2	35.9	39.2	39.7
ROE %	18.5	20.1	22.1	21.1

Assets %	Fund	3-Yr Avg	Category	Proxy
U.S. Equities	54.5	50.3	53.7	56.6
Non-U.S. Equities	40.3	43.8	41.6	42.9
Bonds	0.0	0.2	0.5	0.0
Cash	5.1	5.0	3.0	0.4
Other	0.0	0.7	1.2	0.0

### Sector Delta 06/30/2020



### Equity Sector Breakdown 06/30/2020

Sectors	Fund	3-Yr Avg	Category	Proxy
<b>Defensive</b>	<b>22.3</b>	<b>21.2</b>	<b>26.1</b>	<b>24.7</b>
Consumer Defensive	5.8	8.6	8.4	8.4
Healthcare	15.0	11.4	14.9	13.1
Utilities	1.5	1.1	2.8	3.2
<b>Sensitive</b>	<b>40.6</b>	<b>41.0</b>	<b>42.5</b>	<b>41.9</b>
Communication Serv.	11.4	4.0	9.9	9.9
Energy	2.3	3.9	2.1	3.6
Industrials	7.0	8.7	11.2	9.4
Technology	19.8	24.4	19.3	18.9
<b>Cyclical</b>	<b>37.1</b>	<b>37.8</b>	<b>31.4</b>	<b>33.4</b>
Basic Materials	5.0	5.8	4.1	4.4
Consumer Cyclical	15.9	16.5	11.5	10.9
Financial Services	15.1	15.0	14.1	15.1
Real Estate	1.1	0.5	1.7	3.0

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## Process: Portfolio

Morningstar Category  
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Category Index  
MSCI ACWI NR USD

Index Proxy  
iShares MSCI ACWI ETF

### Trying to focus on long-term winners, especially in tech.

**Process Pillar** + Positive

Sep 26, 2019 | Sector and geographic allocations in the fund's roughly 300-stock portfolio are largely a byproduct of its managers' bottom-up analysis. The fund's balance of domestic and foreign stocks also shifts based on where the managers see the best opportunities. Its helping of U.S. stocks has ranged from more than half to less than a fourth of

assets during the past three decades and stood at 52.7% in August 2019, up from less than 30% near the U.S. market's 2007 peak.

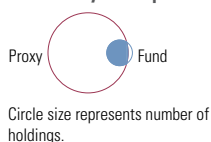
The fund's managers seek growth across the globe but buy when it is mispriced or misunderstood, often hanging on through subsequent rough patches. For example, they first bought shares of current top-five holding Facebook FB in late 2015 because of swift adoption of its social-network platform and the firm's greater-than-anticipated growth potential in non-U.S. markets, especially India. As shares of Facebook sub-

sequently plunged in price over concerns about privacy and misuse of data in 2018, the managers held on and even added more.

Tech stocks have comprised about one fifth to one fourth of the portfolio since mid-2016. Semiconductor names have been a favorite, with the fund's 6%-8% stake staying well above the world large-stock category norm. Current top-10 positions Taiwan Semiconductor Manufacturing and ASML Holding ASML both stand to profit from increasing demand for chips and components used in Internet-connected devices.

### Similarity to Index Proxy 06/30/2020

#### Index Proxy Overlap



Number of Equity Holdings	
Fund	305
Index Proxy	2,982
Fund Overlap With Index Proxy	
Holdings Overlap	266
Asset Overlap	32.2%

#### Largest Common Holdings

	Fund %	Proxy %
Amazon.com Inc	4.50	2.44
Microsoft Corp	3.30	3.07
Facebook Inc A	3.20	1.14
Alphabet Inc Class C	1.08	0.91
Alphabet Inc A	0.91	0.88

#### Largest Distinct Holdings

	Fund %
Capital Group Central Cash Fund	5.06
ASML Holding NV ADR	0.68
Vale SA ADR	0.48
America Movil SAB de CV ADR	0.39
Smartsheet Inc Class A	0.36

### Portfolio Holdings 06/30/20

Current Portfolio Date	Previous Portfolio Date	Equity Holdings	Bond Holdings	Assets in Top 10 Holdings	Turnover Ratio (Reported)
06/30/20	03/31/20	305	1	24%	20%

Top 10 Holdings	Country	Assets % 06/30/20	Assets % 03/31/20	Proxy % 06/30/20	First Bought	Days Trading	Morningstar Rating for Stocks	Economic Moat	Sector	1-Yr Total Ret %
⊕ Capital Group Central Cash Fund	USA	5.06	5.77	—	—	—	—	—	—	—
⊕ Amazon.com Inc	USA	4.50	3.97	2.44	12/08	<1	★★★	Wide	🚗 Consumer Cyclical	94.28
⊕ Tesla Inc	USA	3.65	2.22	0.33	03/15	<1	★	None	🚗 Consumer Cyclical	1,004.38
⊖ Microsoft Corp	USA	3.30	3.29	3.07	09/97	<1	★★★	Wide	💻 Technology	65.07
⊖ Facebook Inc A	USA	3.20	2.95	1.14	12/15	<1	★★★	Wide	📠 Communication Serv.	57.91
⊕ Taiwan Semiconductor Manufacturing Co Ltd	TWN	2.20	2.31	0.55	06/03	5	★★	Narrow	💻 Technology	68.34
⊖ Mastercard Inc A	USA	1.75	1.81	0.55	09/12	2	★★	Wide	🏦 Financial Services	27.85
⊖ Netflix Inc	USA	1.56	1.65	0.42	06/15	<1	★	Narrow	📠 Communication Serv.	80.28
ASML Holding NV	NLD	1.42	1.29	0.33	03/13	5	★★	Wide	💻 Technology	56.59
⊕ PayPal Holdings Inc	USA	1.40	0.91	0.41	09/16	1	★	Narrow	🏦 Financial Services	87.20

Change since last portfolio: ⊕ Increase ⊖ Decrease ✨ New

#### New Holdings Largest Purchases

	% Assets	Sector
Komatsu Ltd	0.25	🏭
Volvo AB B	0.19	🚗
UBS Group AG	0.18	🏦
Flutter Entertainment PLC	0.18	🎮
Colgate-Palmolive Co	0.15	🍷

#### Eliminated Holdings Largest Sales

	% Assets	Sector
Coca-Cola European Partners PLC	0.21	🍷
Rheinmetall AG	0.13	🏭
Berkshire Hathaway Inc A	0.10	🏦
Svenska Handelsbanken A	0.09	🏦
MGM Resorts International	0.07	🎰

#### Largest Position Changes

	Current %	Prior %
⊕ Capital Group Central Cash Fund	5.06	5.77
⊕ Linde PLC	0.44	0.24
⊖ Edwards Lifesciences Corp	0.29	0.33
✨ Komatsu Ltd	0.25	0.00
⊖ Unicharm Corp	0.07	0.46

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## Performance

**Morningstar Category**  
US Fund World Large Stock  
**Category Index**  
MSCI ACWI NR USD

**Very good for a very long time.**

**Performance Pillar** + Positive

Sep 26, 2019 | Consistent outperformance earns the fund a Positive Performance Pillar rating. Its trailing returns for the three- to 15-year periods through August 2019 all rank in the world-stock category's top quintile or better. Although the fund struggled in 2016, placing near the category's bottom quintile, it has finished in the top half of the

peer group in every other calendar year in the past decade. Since its 1973 inception and during longest-tenured manager Robert Lovelace's nearly 20 years, it has trounced the category norm, the MSCI All-Country World Index, and its former benchmark, the MSCI World Index.

The fund has amassed this record without incurring more volatility than its typical peer or index. Its Morningstar Risk rating for the trailing 10-year period through August 2019 is average. It also has captured 104% of the MSCI All-Country World Gross Return Index's upside and 93.9% of its

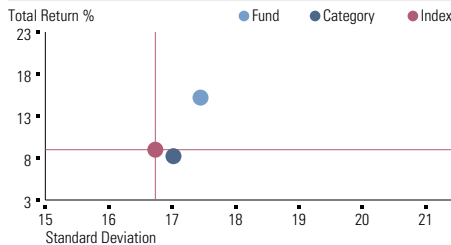
downside since Lovelace joined the fund in December 2000.

The fund's focus on multinational blue chips has seldom hurt shareholders. In its 45-plus calendar years, the fund has lost money in only eight (1974, 1990, 2000-02, 2008, 2011, 2018). In each of those years, the fund lost significantly less than the benchmark, except for 2011. Even then, the fund held its own during 2011's peak-to-trough plunge but lagged in the subsequent rebound and lost 7.6% for the year, versus the index's 5.5% drop.

### Morningstar Rating and Risk 08/31/2020

Period	Load-Adj Return %	Morningstar Ret vs Cat	Morningstar Risk vs Cat	Morningstar Rating
3 Years	12.94	Above Avg	Above Avg	★★★★★
5 Years	13.17	Above Avg	Avg	★★★★★
10 Years	12.66	Above Avg	Avg	★★★★★
Overall Rating				★★★★★

### 3-Year Return and Risk Analysis 08/31/20

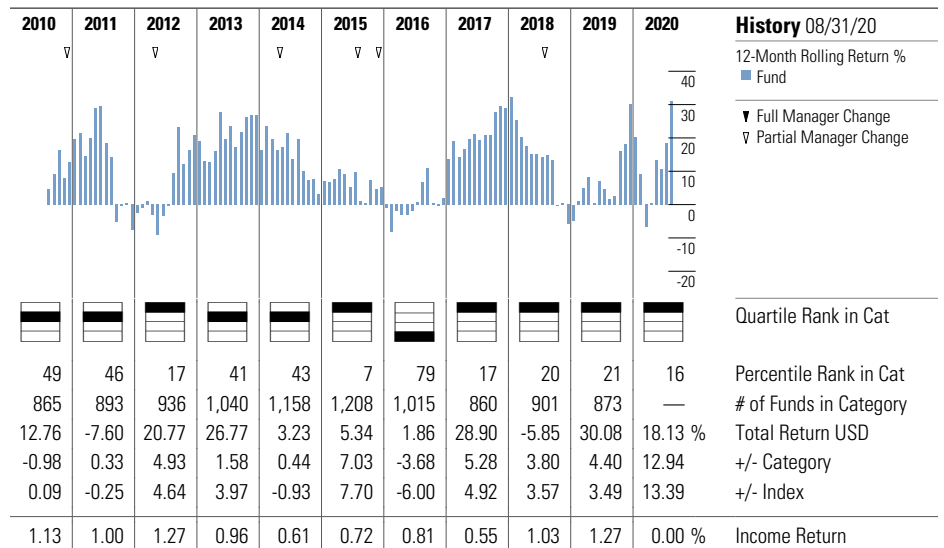


### Return/Risk Analysis 08/31/2020

	Fund	Category	Index
Standard Deviation	17.45	17.02	16.74
Sharpe Ratio	0.80	0.45	0.50
R-Squared	88.92	87.31	—
Beta	1.02	0.98	—
Alpha	11.76	5.36	—

### Maximum Drawdown

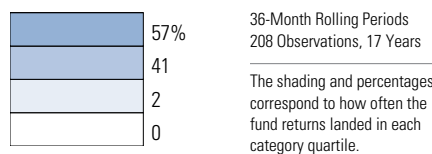
	Fund	Category	Index
Max Drawdown (%)	-19.74	-20.76	-20.47
Peak Date	05/11	05/11	05/11
Valley Date	09/11	09/11	09/11
Max Drawdown (Months)	5	5	5



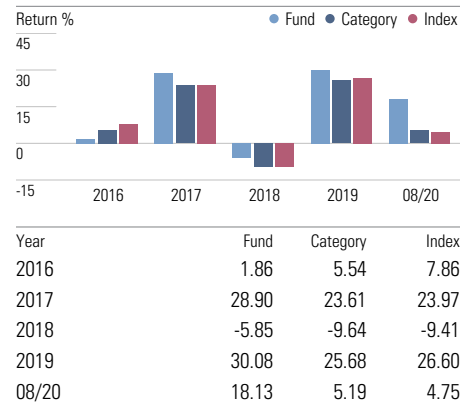
### Trailing Returns (Annualized) 08/31/2020

	Total Ret %	Investor Ret %	% Rank in Cat	Cat Ret %	Index Ret %
1 Year	31.12	30.16	12	15.20	16.52
3 Years	15.19	14.16	14	8.22	8.99
5 Years	14.52	—	12	9.43	10.21
10 Years	13.33	—	11	9.60	9.90
Tenure 12/00	8.86	—	—	5.50	—
Inception 03/73	12.46	—	—	9.54	—

### Rolling-Returns Summary 08/31/2020



### Calendar Year Returns



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## People

**Morningstar Category**  
US Fund World Large Stock

**Category Index**  
MSCI ACWI NR USD

### A divide-and-conquer approach.

**People Pillar** + Positive

Sep 26, 2019 | American Funds' multimanager approach helps to handle this fund's \$90 billion asset base, the world-stock category's second largest. The fund's Positive People rating reflects its systemic strengths as well as the managers' experience, ability, and fund ownership.

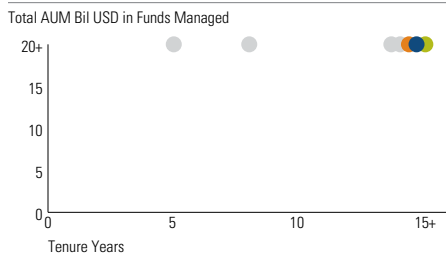
Capital Group, the parent of American

Funds, divides these assets between management teams from subsidiaries Capital International Investors and Capital World Investors. Longest-tenured manager Robert Lovelace, who started here in 2000, heads up the whole fund and CII's team, composed of Noriko Chen and Steven Watson. Joanna Jonsson oversees CWI's team of Jonathan Knowles, Brady Enright, and Andraz Razen, whom the firm publicly named in July 2018. Each of the managers, based in the United States, England, and Asia, oversees a separate sleeve of the portfolio, with Lovelace and Jonsson helping

to ensure that their investing styles complement one another. For example, Knowles runs a top-heavy portfolio of about 30 stocks with high returns on equity, while Watson sticks largely to value names in a portfolio of 50-60 stocks. They're a veteran group. Each manager has been in the industry for at least 20 years. The CII and CWI teams both draw on 50- to 60-person analyst teams, with each analyst group also responsible for its own slice of the portfolio.

Each manager has at least \$100,000 in the fund, with four investing more than \$1 million.

### Experience and Asset Load



### Management Team

Number of Managers	Longest Tenure	5-Year Manager-Retention Rate (Firm-wide)	Largest Manager Investment in Fund
7	19.75 Years	96%	More than 1 Mil USD
Advisor		Subadvisor	
Capital Research and Management Company		—	

#### ● Robert W. Lovelace 12/00 to Present

<b>Years of Experience</b> 26	<b>Investment in Fund</b> More than 1 Mil USD
<b>Fund AUM</b> 176,592 Mil USD	<b>Current Funds Managed</b> 11

Largest Funds Managed	Tenure Dates	Role	Fund Size Bil USD	Investment Mil USD	Turnover Ratio Avg	Tenure Ret %	Index Ret %
American Funds New Perspective Fund	12/00to Present	1 of 7	116.01	>1	26	8.86	—
American Funds New World Fund	06/99to Present	1 of 11	46.70	>1	32	8.23	—
Capital Group New Perspective Fund (LUX)	10/15to Present	Lead	8.30	—	—	13.57	14.94
American Funds IS® New World Fund	05/20to Present	1 of 10	3.73	None	—	27.14	21.52
JNL/American Funds New World Fund	04/20to Present	1 of 11	1.46	None	—	27.40	24.45

#### ● Jonathan Knowles 12/04 to Present

<b>Years of Experience</b> 20	<b>Investment in Fund</b> 100,001 to 500,000 USD
<b>Fund AUM</b> 409,071 Mil USD	<b>Current Funds Managed</b> 17

Largest Funds Managed	Tenure Dates	Role	Fund Size Bil USD	Investment Mil USD	Turnover Ratio Avg	Tenure Ret %	Index Ret %
American Funds Europacific Growth Fd	06/06to Present	1 of 11	167.90	—	31	5.68	5.17
American Funds New Perspective Fund	12/04to Present	1 of 7	116.01	<0.5	27	9.94	7.02
American Funds SMALLCAP World Fund	12/99to Present	1 of 16	54.99	<0.5	44	7.64	7.01
American Funds New World Fund	01/16to Present	1 of 11	46.70	<0.5	35	11.43	9.87
Capital Group New Perspective Fund (LUX)	10/15to Present	1 of 7	8.30	—	—	13.57	14.94

#### ● Brady L. Enright 12/05 to Present

<b>Years of Experience</b> 15	<b>Investment in Fund</b> More than 1 Mil USD
<b>Fund AUM</b> 413,487 Mil USD	<b>Current Funds Managed</b> 7

Largest Funds Managed	Tenure Dates	Role	Fund Size Bil USD	Investment Mil USD	Turnover Ratio Avg	Tenure Ret %	Index Ret %
American Funds Washington Mutual Fund	07/16to Present	1 of 9	126.97	>1	25	11.18	15.33
American Funds New Perspective Fund	12/05to Present	1 of 7	116.01	>1	27	9.83	6.67
American Funds Fundamental Invs	03/06to Present	1 of 7	107.21	>1	29	8.90	9.45
American Funds SMALLCAP World Fund	11/04to Present	1 of 16	54.99	>1	40	9.70	7.37
Capital Group New Perspective Fund (LUX)	10/15to Present	1 of 7	8.30	—	—	13.57	14.94

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## Rounding out its competitive advantages.

**Parent Pillar** + Positive

Sep 08, 2020 | Capital Group's efforts to round out its competitive advantages reinforce its High Parent rating. More widely known in the United States for its American Funds lineup than in the rest of the world, this active manager's prowess in equities has long been evident, thanks to its signature multiple-manager system. Its fixed-income

operations had taken a back seat, but that started to change after flagship American Funds Bond Fund of America's credit-heavy focus led to poor results in 2008. Fostering greater coordination of fixed-income managers' views while adding investment talent and tools paid off in early 2020's tumult as its bond strategies largely fared much better than their respective peer norms.

The firm has also sought to strengthen its fund-of-funds offerings, including its dominant target-date series. In January 2020, it created Capital Solutions Group as a distinct investment unit to

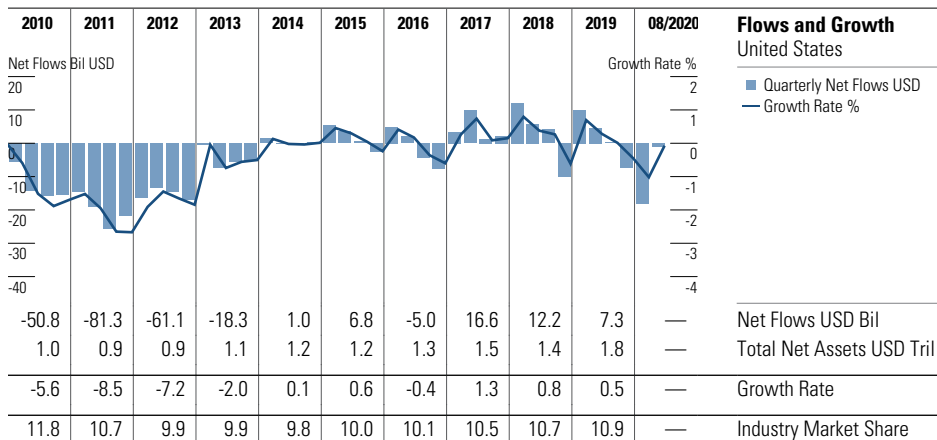
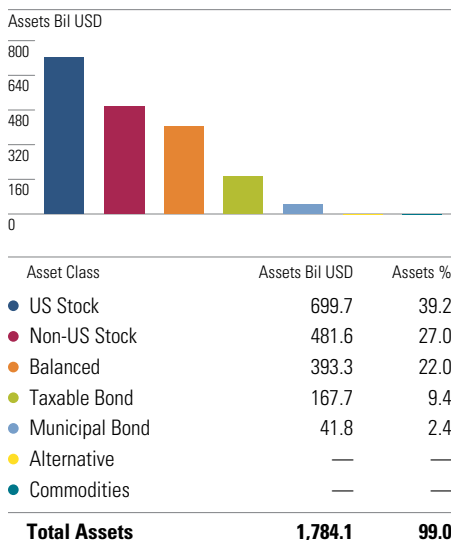
house new personnel with asset-allocation and quantitative research backgrounds and to procure additional resources.

Capital hasn't lost sight of equities. It still holds managers to lofty standards while showing patience with those whose styles are out favor. Still, the equity lineup didn't fare as well over the past decade as it had in previous ones. For the firm to maintain its historic edge, it must address any issues that might give it an advantage, including clarifying strategies' capacity limits.

## Assets By Region, By Domicile Bil USD

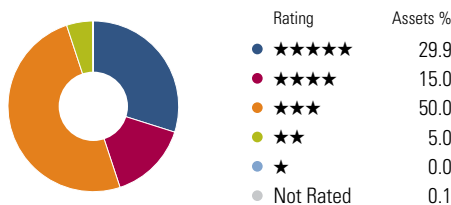


## Asset Class Breakdown United States

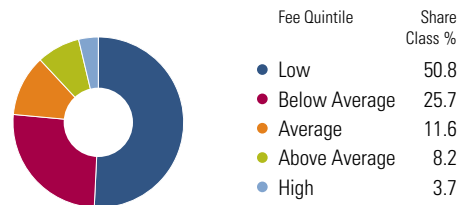


## Fund Family Details United States

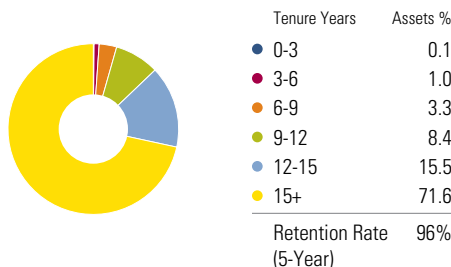
### Morningstar Rating Breakdown



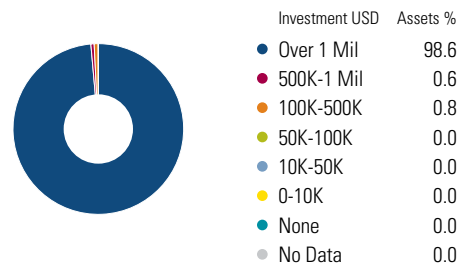
### Fee Quintile Breakdown



### Manager Tenure



### Manager Ownership



# American Funds New Perspective A

## ANWPX

Morningstar Analyst Rating



25 Oct 2019  
16:00, UTC-0500

### Price

Morningstar Category  
US Fund World Large Stock

Category Index  
MSCI ACWI NR USD

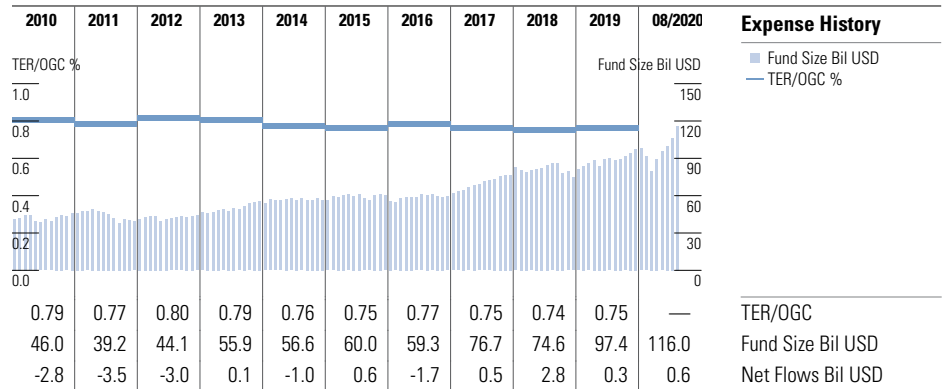
**A bargain for active management, but mind the capital gains.**

#### Price Pillar

+ Positive

Sep 26, 2019 | Modest fees earn the fund a Positive Price Pillar rating. The A shares' 0.75% expense ratio, which applies to about half of the fund's assets, is 47 basis points below the world-stock, front-load peer median and cheaper than 98% of those peers. It is competitive with the category's better priced no-load options. Plus, 13 of the fund's 16 other share classes sport bottom-quintile expense ratios versus similarly distributed rivals. Trading costs are competitive, too. Brokerage fees of 0.02% of average net assets in fiscal 2018 fell below the 0.06% category median.

Capital gains distributions each year since 2013 have hurt investors in taxable accounts. These distributions peaked at 6.2% of net asset value for the A shares in December 2018 while troughing at 2.9% in December 2016.



#### Expense History

Fund Size Bil USD  
TER/OGC %

TER/OGC  
Fund Size Bil USD  
Net Flows Bil USD

#### Expense Breakdown

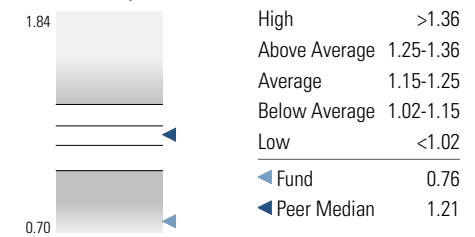
Net Expense Ratio	%
Annual Report 09/30/19	0.75
Prospectus 12/01/19	0.76

Selected Components	%
Management Actual	0.37
12b-1 Fee	0.25
Brokerage Commission (% of Avg Net Assets)	0.02
Category Average	0.07
Tax Cost Ratio (3-Year)	1.28
Potential Capital Gains Exposure	0

#### Fee Level

Fee Level	Peer Group
Low	World Stock Front Load

#### Fee Level Breakpoints



#### Share Class Information

Share Class	Identifier	Status	Expense Ratio	Fee Level	Peer Group	12b-1 Fee	Front Load	Deferred Load	Minimum Initial Inv	Assets Bil USD	1-Yr Flow Mil USD
<b>A</b>	<b>ANWPX</b>	<b>Open</b>	<b>0.76</b>	<b>Low</b>	<b>World Stock Front Load</b>	<b>0.25</b>	<b>5.75</b>	<b>—</b>	<b>250</b>	<b>49.54</b>	<b>-1,954.62</b>
Retirement	RNPGX	Open	0.42	Low	World Stock Retirement, Large	—	—	—	250	25.47	1,411.52
Other	ANWFX	Open	0.52	Low	World Stock No Load	—	—	—	250	13.53	1,082.37
Other	FNPFX	Open	0.42	Low	World Stock Institutional	—	—	—	1,000,000	7.48	940.27
A	CNPAX	Open	0.80	Low	World Stock Front Load	0.23	3.50	—	250	2.62	-3.35
Retirement	RNPEX	Open	0.77	Low	World Stock Retirement, Medium	0.25	—	—	250	2.11	-273.92



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	2018	2019	2020
 Gold			
 Silver			
 Bronze			
Neutral			
Negative			
Under Review			
Not Ratable			

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## The Five (5) Pillars

Morningstar has identified five key areas that we believe are crucial to predicting the future success of funds: People, Parent, Process, Performance, and Price. Each pillar is evaluated when assessing a fund as well as the interaction between the pillars, which we believe is crucial to understanding a fund's overall merit.

### People

The overall quality of a fund's investment team is a significant key to its ability to deliver superior performance relative to its benchmark and/or peers. Evaluating a fund's investment team requires that analysts assess several relevant items including how key decisions are made.

### Parent

We believe the parent organization is of utmost importance in evaluating funds. The fund's management set the tone for key elements of our evaluation, including capacity management, risk management, recruitment and retention of talent, and incentive pay. Beyond these operational areas, we prefer firms that have a culture of stewardship and put investors first to those that are too heavily weighted to salesmanship.

### Process

We look for funds with a performance objective and investment process (for both security selection and portfolio construction) that is sensible, clearly defined, and repeatable. In addition, the portfolio should be constructed in a manner that is consistent with the investment process and performance objective.

### Performance

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We do not believe past performance is necessarily predictive of future results, and this factor accordingly receives a relatively small weighting in our evaluation process. In particular, we strive not to anchor on short-term performance. However, we do believe that the evaluation of long-term return and risk patterns is vital to determining if a fund is delivering to our expectations.

#### Price

To reflect actual investor experience, price is evaluated within the context of the relevant market or cross-border region—for example, the United States, Australia, Canada, or Europe. In recognition of differences in scale and distribution costs in various markets, the level at which a fund is penalised for high fees or rewarded for low fees can vary with region. In Europe, for example, funds are penalised if they land in the most expensive quintile of their Morningstar category and are rewarded if they land in the cheapest quintile. The assessment is made using annual expense ratios, but in the case of funds with performance fees, expenses are evaluated excluding any performance fees and then the structure of the performance fee is evaluated separately.

#### Morningstar Analyst Ratings

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#### Gold

Represents funds that our analyst has the highest-conviction in for that given investment mandate. By giving a fund a Gold rating, we are expressing an expectation that it will outperform its relevant performance benchmark and/or peer group within the context of the level of risk taken over the long term (defined as a full market cycle or at least five years). To earn a Gold rating, a fund must distinguish itself across the five pillars that are the basis for our analysis.

#### Silver

Represents funds our analyst has high-conviction in, but not in all of the five pillars. With those fundamental strengths, we expect these funds will outperform their relevant performance benchmark and/or peer group within the context of the level of risk taken over the long term (defined as a full market cycle or at least five years).

#### Bronze

Represents funds that have advantages that clearly outweigh any disadvantages across the pillars, giving analyst the conviction to award them a positive rating. We expect these funds to beat their relevant performance benchmark and/or peer group within the context of the level of risk taken over a full market cycle (or at least five years).

#### Neutral

Represents funds in which our analysts don't have a strong positive or negative conviction. In our judgment, these funds are not likely to deliver standout returns, but they aren't likely to seriously underperform their relevant performance benchmark and/or peer group either.

#### Negative

Represents funds that possess at least one flaw that our analysts believe is likely to significantly hamper future performance, such as high fees or an unstable management team. Because of these faults, we believe these funds are inferior to most competitors and will likely underperform their relevant performance benchmark and/or peer group, within the context of the level of risk taken, over a full market cycle.

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#### Not Ratable

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The Report lists the fund's top ten holdings as of the dated noted. For each underlying holding, a series of data points is provided including, where applicable, that security's Economic Moat as of the date noted.

##### Economic Moat

The concept of an economic moat plays a vital role in our equity analyst's qualitative assessment of a firm's long-term investment potential, but also in the actual calculation of its fair value estimate. An economic moat is a structural feature that allows a firm to sustain excess profits over a long period of time. We define economic profits as returns on invested capital (or ROIC) over and 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. We have identified five sources of economic moats: intangible assets, switching costs, network effect, cost advantage, and efficient scale.

Companies with a *narrow moat* are those we believe are more likely than not to achieve normalized 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 normalized returns gravitate toward the firm's cost of capital more quickly than companies with moats.

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