Morningstar
2014
Shareholders’ Meeting
Business of Annual Meeting
Management Presentations
Break
Questions and Answers
To send in a question for the Q&A session, please visit:

http://morningstar.socialqa.com
Today’s presentations contain forward-looking statements. All statements made that are not historical facts are subject to a number of risks and uncertainties, and actual results may differ materially. Please refer to our most recent earnings release and our most recent Form 10-Q or 10-K for more information on the factors that could cause actual results to differ.

Today’s presentations also contain non-GAAP financial measures. Please refer to the slides at the end of the presentations for a reconciliation to the applicable GAAP measures.
Morningstar Update

Joe Mansueto
Chairman and Chief Executive Officer
Mission & Strategy
Industry Landscape
2013 Highlights
2014 Update
Mission & Strategy
Our mission is to create great products that help investors reach their financial goals.
Widening the Moat

Moat Sources

Brand/Intangible Assets  Switching Costs  Network Effect
Key Objectives

- Develop the next-generation software for our investment research platforms with an elegant and intuitive user experience for our customers.
- Deliver the most effective investment data, research, and ratings to help investors reach their financial goals.
- Be a world-class investment management organization based on our proprietary research.
Our Strategy

Goal: Widen Economic Moat

Key Objectives

Major Customer Groups

Brand/Intangible Assets
Switching Costs
Network Effect

Advisor
Asset Management
Retirement
Individual Investor
Four Major Customer Groups

- Advisor
- Asset Management
- Retirement
- Individual Investor
Four Major Customer Groups

Advisor
Asset Management
Retirement
Individual Investor

260,000 financial advisors
Four Major Customer Groups

- Advisor
- Asset Management
- Retirement
- Individual Investor

260,000 financial advisors
1,500 asset management firms
Four Major Customer Groups

- **Advisor:** 260,000 financial advisors
- **Asset Management:** 1,500 asset management firms
- **Retirement:** 26 plan providers, 237,000 plan sponsors, 24 million plan participants
- **Individual Investor:**
# Four Major Customer Groups

<table>
<thead>
<tr>
<th>Advisor</th>
<th>Asset Management</th>
<th>Retirement</th>
<th>Individual Investor</th>
</tr>
</thead>
<tbody>
<tr>
<td>260,000 financial advisors</td>
<td>1,500 asset management firms</td>
<td>26 plan providers</td>
<td>9.3 million individual investors</td>
</tr>
<tr>
<td>237,000 plan sponsors</td>
<td>24 million plan participants</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Morningstar’s Business Model

Information

- Data
- Software and Analytics
- Research and Ratings
- Analyst Access
- Investment Strategies
- Model Portfolios
- Portfolio Management

Advice
# Top Five Products 2013

<table>
<thead>
<tr>
<th>Product</th>
<th>% of Consolidated Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Morningstar Data</td>
<td>18.5%</td>
</tr>
<tr>
<td>Morningstar Advisor workstation</td>
<td>13.3%</td>
</tr>
<tr>
<td>Morningstar Direct</td>
<td>11.3%</td>
</tr>
<tr>
<td>Investment Advisory Services</td>
<td>8.5%</td>
</tr>
<tr>
<td>Morningstar.com</td>
<td>8.0%</td>
</tr>
</tbody>
</table>
Countries

27
Industry Landscape
Generally Strong Equity Markets

Total Returns %

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Returns %</th>
</tr>
</thead>
<tbody>
<tr>
<td>09</td>
<td>28.5</td>
</tr>
<tr>
<td>10</td>
<td>16.8</td>
</tr>
<tr>
<td>11</td>
<td>1.6</td>
</tr>
<tr>
<td>12</td>
<td>16.3</td>
</tr>
<tr>
<td>13</td>
<td>33.3</td>
</tr>
<tr>
<td>14 YTD April 30</td>
<td>2.2</td>
</tr>
</tbody>
</table>

Source: Morningstar U.S. Market Index
Estimated Net Flows ($bil)

Source: Morningstar Direct
Estimated Net Flows ($bil)

Open End Funds and ETFs

<table>
<thead>
<tr>
<th>Year</th>
<th>Actively managed</th>
<th>Passively managed</th>
</tr>
</thead>
<tbody>
<tr>
<td>09</td>
<td>331.5</td>
<td>172.1</td>
</tr>
<tr>
<td>10</td>
<td>224.7</td>
<td>190.6</td>
</tr>
<tr>
<td>11</td>
<td>186.8</td>
<td>41.0</td>
</tr>
<tr>
<td>12</td>
<td>200.2</td>
<td>274.8</td>
</tr>
<tr>
<td>13</td>
<td>160.0</td>
<td>317.7</td>
</tr>
</tbody>
</table>

Source: Morningstar Direct
Passive Management Continues Gaining Share

% of Total Net Assets
Open End Funds and ETFs

Source: Morningstar Direct
<table>
<thead>
<tr>
<th>Country</th>
<th>Regulation</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>Dodd-Frank</td>
</tr>
<tr>
<td>European Union</td>
<td>Solvency II</td>
</tr>
<tr>
<td>European Union</td>
<td>UCITS IV</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>Future of Financial Advice</td>
</tr>
<tr>
<td>European Union</td>
<td>MiFID II</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>Retail Distribution Review</td>
</tr>
</tbody>
</table>
Increasing Investor Engagement

Aggregate data for finance/investment sites in 2013

+9%  +11%  +17%  +21%
Page views  Unique users  Average pages viewed per visit  Average time spent per visit

Source: ComScore MediaMetrix
2013 Highlights: Accomplishments
Morningstar Managed Portfolios

+55.3% in 2013

Assets ($bil)

<table>
<thead>
<tr>
<th>Year</th>
<th>Assets ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>04</td>
<td>$0.94</td>
</tr>
<tr>
<td>05</td>
<td>$1.4</td>
</tr>
<tr>
<td>06</td>
<td>$1.8</td>
</tr>
<tr>
<td>07</td>
<td>$2.2</td>
</tr>
<tr>
<td>08</td>
<td>$1.6</td>
</tr>
<tr>
<td>09</td>
<td>$2.1</td>
</tr>
<tr>
<td>10</td>
<td>$2.7</td>
</tr>
<tr>
<td>11</td>
<td>$3.1</td>
</tr>
<tr>
<td>12</td>
<td>$4.7</td>
</tr>
<tr>
<td>13</td>
<td>$7.3</td>
</tr>
</tbody>
</table>
Managed Retirement Accounts

Number of Participants (000)

Assets ($bil)

<table>
<thead>
<tr>
<th>Year</th>
<th>Participants (000)</th>
<th>Assets ($bil)</th>
</tr>
</thead>
<tbody>
<tr>
<td>04</td>
<td>475.5</td>
<td>$0.12</td>
</tr>
<tr>
<td>05</td>
<td>612.2</td>
<td>$8.6</td>
</tr>
<tr>
<td>06</td>
<td>627.2</td>
<td>$13.7</td>
</tr>
<tr>
<td>07</td>
<td></td>
<td>$11.0</td>
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<tr>
<td>08</td>
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<td>$15.7</td>
</tr>
<tr>
<td>09</td>
<td></td>
<td>$19.6</td>
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<tr>
<td>10</td>
<td></td>
<td>$25.1</td>
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<tr>
<td>11</td>
<td></td>
<td>$27.8</td>
</tr>
<tr>
<td>12</td>
<td></td>
<td>$31.7</td>
</tr>
<tr>
<td>13</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Morningstar Direct Licenses

+15.2% in 2013
New iPad App
Research Innovation

Quantitative Ratings

Target-Date Report

Global Fund Investor Experience

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**General Electric Co**

**Quantitative Scores**

<table>
<thead>
<tr>
<th>Scores</th>
<th>All Sector</th>
<th>All Country</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quantitative Moat</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Valuation</td>
<td>83</td>
<td>84</td>
</tr>
<tr>
<td>Quantitative Uncertainty</td>
<td>91</td>
<td>83</td>
</tr>
<tr>
<td>Financial Health</td>
<td>62</td>
<td>58</td>
</tr>
</tbody>
</table>

**Executive Summary**

As the target-date industry continues to evolve, it is displaying both predictable and surprising attributes. Periodically, its organic growth rate is slowing as more target-date money is荷花 allocations from large-cap stock funds. This Morningstar analysis focuses on the historical contribution rates of 2008-2012, and post-2008 returns have been strong, reflecting broad market indices.

**Research & Innovation**

The United States is one of the few countries where regulations are minimal, but this has not prevented large companies from dominating the industry. The three still control about three fourths of the industry's assets, despite impressive growth rates.

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**Global Fund Investor Experience**

**Executive Summary**

The Global Fund Investor Experience report was designed to encourage a dialogue about global fund investing, focusing on the key characteristics of mutual funds. This Morningstar report examines the experiences of mutual fund investors in 25 countries in North America, Europe, Asia, and Oceania. The report analyzes the performance of mutual funds in four categories—Regulation & Taxation, Enforcement, Risk & Return, and Sales & Marketing—with greater weight given to factors that improve investor outcomes and the high-priority issues of fees, taxes, and transparency.
The Secret Behind Morningstar's Success

By RUSSELL ADAMS
May 8, 2013 3:54 p.m. ET

In the world of stock picking, Morningstar Inc. stands alone.

Analysts at the Chicago-based firm received 13 top-three finishes in their sectors in The Wall Street Journal's latest Best on the Street survey. That means nearly one out of every 10 finalists in the survey is employed by Morningstar, about as many as are at Morningstar, about as many as are named Morningstar.

The firm's success is not just due to its research and analysis, but also to its ability to keep up with the ever-changing market trends. Morningstar's analysts are constantly on the lookout for new opportunities and are quick to react to changes in the market.

In addition to its research, Morningstar also offers a variety of tools and resources to help investors make informed decisions. Its Morningstar Direct platform, for example, allows investors to access real-time market data and analytics, as well as access to Morningstar's research reports.

Morningstar's focus on quality and accuracy has helped it to stand out in a crowded market, and its dedication to providing investors with the tools and resources they need to succeed is a key factor in its continued success.
2013 Challenges
Next-Generation Software
New Organizational Structure

Multiple points of contact for multiple capabilities

All of our capabilities represented in one point of contact
New Organizational Structure

Sales

Jim Tanner
Business Dev. & Sales

Solutions

Kunal Kapoor
Client Solutions

Products & Services

Kunal Kapoor
Information Products

Research

Tom Idzorek
Investment Management

Haywood Kelly
Research
Investment Advisory

↓ $7.2 mil  
-10.8%

↓ $10.8 bil  
-11.5%

Revenue 2013 vs. 2012  
AUA 2013 vs. 2012
Operating Expense Growth ($mil)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 2013</td>
<td>$128.3</td>
</tr>
<tr>
<td>Q2 2013</td>
<td>$131.8</td>
</tr>
<tr>
<td>Q3 2013</td>
<td>$128.9</td>
</tr>
<tr>
<td>Q4 2013</td>
<td>$138.6</td>
</tr>
</tbody>
</table>
Clients Remain Cautious on Spending

↑1.1%

$25.9 bil

2013 global spend on market data/analysis in 2013

Source: Burton-Taylor International Consulting LLC
2014 Update
Investing for the Future

3,645
+5.8%

Morningstar Employees
Investing for the Future / Recent Hiring Activity*

<table>
<thead>
<tr>
<th>Job Function</th>
<th>Net New Hires</th>
</tr>
</thead>
<tbody>
<tr>
<td>Data Manufacturing</td>
<td>45</td>
</tr>
<tr>
<td>Technology</td>
<td>36</td>
</tr>
<tr>
<td>Operations</td>
<td>20</td>
</tr>
<tr>
<td>Product Management</td>
<td>17</td>
</tr>
<tr>
<td>Research Analysts</td>
<td>11</td>
</tr>
</tbody>
</table>

*Graph shows net new hires by job function for six months ended March 31, 2014*
Investing for the Future / Major Initiative Themes

Re-platforming major software products
Investing for the Future / Major Initiative Themes
Investing for the Future / Major Initiative Themes

Data aggregation/integration
Investing for the Future / Major Initiative Themes

Database and platform infrastructure
Investing for the Future / Major Initiative Themes

- Rules-Based (Passive)
- Bet Against Market Portfolio (Active)

Strategic beta
Strategies:
Investment Research

Wide-Moat Deals Down Under

By David Ellis

Strong earnings and improving balance sheets make these Australian banks attractive.

Financial-services firms have been a hard sell since they found themselves at the center of the 2008 downturn and embroiled in other messes, such as Europe’s sovereign debt crisis. Slowly, though, the world’s banks have been improving their balance sheets and getting control of troubled loans. Investors have noticed the progress. Shares of J.P. Morgan Chase JPM, Bank of America BAC, and Citigroup C have doubled the past 18 months. We prefer Australia and New Zealand Banking Group ASX:ANZ, National Australia Bank ASX:WBC. These banks are well managed, highly profitable, and diverse businesses, with strong competitive advantages. Asset quality continues to improve, and bad debt forecasts are not under any pressure. We anticipate major Australian banks’ earnings per share growth will be between 5.5% and 7.5% ahead of repayment schedules. Recent increases in share growth will be between 5.5% and 7.5%.

Near-Term Earnings Not Under Threat

Exhibit 12

The results in Exhibit 12 largely mirror the industry glide-path results: More equities generally correspond with a lower probability of outliving savings, particularly in the more advanced years. T. Rowe Price, for instance, has a notably higher allocation to equities compared with Fidelity. Similar to results for the industry glide paths, the relationship widens over time. At age 95, investors in the former have a 22.7% chance of depleting their savings, while the industry average is 23.9%. The Vanguard, Fidelity and T. Rowe Price series have market shares that represent the largest target-date series with “to” glide paths. Exhibit 11 graphically depicts each of these series’ glide paths, along with the industry average of all glide paths for comparison.

How Specific Series Fare

Selected Target-Date Series Glide Paths

<table>
<thead>
<tr>
<th>Year</th>
<th>Equity Allocation Probability of $0 Balance at Age 85 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2055</td>
<td>0%</td>
</tr>
<tr>
<td>2060</td>
<td>25%</td>
</tr>
<tr>
<td>2065</td>
<td>50%</td>
</tr>
<tr>
<td>2070</td>
<td>75%</td>
</tr>
<tr>
<td>2075</td>
<td>100%</td>
</tr>
</tbody>
</table>

Data as of 12/31/2012.

Morningstar shall not be responsible for any trading decisions, damages, or other losses resulting from, or related to, this information, data, analyses or opinions or their use. Past performance is no guarantee of future results.

(1) do not constitute investment advice offered by Morningstar
(2) do not constitute investment advice offered by Morningstar
(3) do not constitute investment advice offered by Morningstar
(4) are provided solely for informational purposes and therefore are not an offer to buy or sell a security, and
(5) are not warranted to be accurate, complete, or timely.

Investing for the Future / Major Initiative Themes
Illuminating Investing Worldwide
2014 Initiatives

Kunal Kapoor
Head of Information Products and Client Solutions
Major Customer Groups

- Advisor
- Asset Management
- Retirement
- Individual Investor
Advisor: Key Initiatives

Advisor

Asset Management

Retirement

Individual Investor
Integrate client data, products, third-party apps
Incorporate aggregation capabilities from ByAllAccounts
Advisor: Key Initiatives

1. Monitor the markets
2. Check the pulse on the practice
3. Review clients
4. Review portfolios
5. Access reports
6. Present reports

Launch iPad app for advisors
Asset Management: Key Initiatives

- Advisor
- Asset Management
- Retirement
- Individual Investor
Launch Direct 4.0 and map out user workflows
Asset Management: Key Initiatives

Portfolio Analysis

Launch Direct 4.0 and map out user workflows
Being Smart About Strategic Beta

By Alex Bryan

Even if a strategy is theoretically sound, not all funds that purport to harness it are.

Disenchanted with high fees and unreliable performance from professional security selectors, investors have increasingly adopted index funds over the years. But because most assets in the investing world are still actively managed, it is clear that many researchers may also include a small-cap strategy in this group, the small-cap premium has diminished in recent decades and is unreliable at best. However, a small-cap tilt may still be useful when combined with another strategy.

PowerShares S&P 500 High Quality SPHQ. The exchange-traded fund targets stocks in the S&P 500 Index with above-average growth and stability of earnings and dividends per share over the most recent trailing 10 years. It assigns its holdings one of three quality grades. Those
Asset Management: Key Initiatives

UBS AND MORNINGSTAR OFFER SOLVENCY II SERVICE FOR FUNDS
22 APRIL 2014

A unit of UBS is collaborating with research firm Morningstar to help asset managers calculate solvency capital requirements (SCRs) under the Solvency II regime at the fund level.

UBS Delta, part of the investor client services division at UBS Investment Bank, will provide SCR calculations based on risk analytics and Morningstar data.

"By including the SCR calculation in their client reporting, asset managers can communicate the indicative risk breakdown of their funds' portfolios," says Connor Slimnair, head of asset management solutions, Europe, Middle East and Africa, Morningstar.

"As a result, asset managers will be better able to support their insurance clients by providing an additional level of transparency on their funds' portfolios."

From January 2016, the Solvency II regime will require insurance companies to calculate a market risk SCR for their...
Asset Management: Key Initiatives

Analysts per region

183 | 32 | 59

Expand equity and credit research business
Asset Management: Key Initiatives

Fund results are hard to predict, but fund fees are not.

Christopher Traulsen
Fund Analyst since 1997

Morningstar wants investors to pay fair prices.

Of all the factors that determine a fund's performance, its cost is the only one that's certain. This is why "price" is the most measurable of Morningstar's five pillars of fund analysis. Expense ratios shouldn't be an adviser's sole focus, but they are a strong predictor of fund performance, and poor fee structures can negate any benefits that active fund management can provide.

Understanding price gives advisers a measure of control over their outcomes.

Morningstar analysts dig into the fee structure of every fund they rate to identify which are significantly cheaper or more expensive than their peers. If performance fees are charged, we investigate whether these charges support the investment process or if they enrich the management team at investors' expense.

This research combines with four other pillars to form the comprehensive framework of the Morningstar Analyst Rating™ and Report. Advisers use this report to see the true cost of investing and find funds that are truly suitable for a client's objectives.

Build awareness of manager research globally.
Asset Management: Key Initiatives

We like fund managers who never forget that their fund’s money comes from investors.

Jackie Beard
Fund Analyst since 1999

Morningstar knows the people behind every fund we rate.

In order to have conviction in a fund’s future performance, you have to be confident in the fund management team running the money. That is why “people” is one of the five pillars of Morningstar’s approach to fund analysis. It is at the core of a consistent process which leads to clear opinions on the funds we cover.

Morningstar has one of the largest, most experienced fund analyst teams in the industry. Our analysts get to know the people behind the funds through regular face-to-face meetings. When managers move firms, our analysts’ deep knowledge of the managers and team members involved lends insight into how they might thrive or struggle within the new environment.

This research into the people running a fund combines with four other pillars to form the comprehensive framework of the Morningstar® Analyst Rating™ and report. Advisors use this report to look at what’s behind our analyst ratings and really understand why a fund may be more or less suitable for a client.

Hear more from our analysts and download a research report

global.morningstar.com/UKPeople

Build awareness of manager research globally
Asset Management: Key Initiatives

If you have a great fund offered by a bad fund house, the fund will ultimately suffer.

Oliver Kettlewell
Fund Analyst since 2008

Morningstar believes investors deserve funds with good parents. A fund can have the best managers and researchers but still suffer if the firm offering the fund doesn’t properly support it. That’s why “parent” is one of the five pillars of Morningstar’s approach to fund analysis. Good corporate parents know that successful funds can flourish when corporate interests are aligned with those of end investors.

It is easy for investors to overlook neglectful parent firms if a fund is doing well, but good short-term performance can conceal deep structural problems. Morningstar’s global team of fund analysts examine whether a firm’s corporate culture is conducive to long-term success, and if succession plans are in place when managers move firms.

This research into a fund’s parent firm combines with four other pillars to form the comprehensive framework of the Morningstar Analyst Rating™ and Report. Advisors use this report to look at how a fund’s parent firm may change whether a fund may be more or less suitable for a client.

Advice from our analysts and download a research report at global.morningstar.com/UKParent

Build awareness of manager research globally
A fund’s outperformance can be just as concerning as its underperformance.

Muna Abu-Habsa
Fund Analyst since 2006

Morningstar investigates the ‘why’ behind performance.

Short-term bursts of fund outperformance may look good, but numbers are ultimately meaningless if investors can’t rely upon them. That is, why ‘performance’ is one of the five pillars of Morningstar’s approach to fund analysis. We believe a fund’s gains and losses should predict how market conditions will affect its returns in the future.

Morningstar analysts examine a fund’s performance through the lens of its investment process to provide clear, forward-looking guidance. They sift through the numbers to help investors understand whether a fund’s past performance aligns with a repeatable strategy, if market conditions hide the fund’s true volatility, or if its size has hindered or helped long-term returns.

Our research into a fund’s performance combines with four other pillars to form the comprehensive framework of the Morningstar® Analyst Rating™ and Report. Advisers use this report to look past the performance numbers to find a fund that’s truly suitable to meet a client’s objectives.

Hear more from our analysts and download a research report global.morningstar.com/UKPerformance

Build awareness of manager research globally
Asset Management: Key Initiatives

Morningstar favours a clear process over fickle profits.

If a fund’s holdings don’t match its strategy, then it’s nearly impossible to have reasonable expectations for long-term performance. That’s why "process" is one of the five pillars of Morningstar’s approach to fund analysis. Investors deserve to know how a fund fits within a diversified investment portfolio.

Morningstar’s global analyst team scrutinises the processes behind every fund viewed. We want to know what managers are trying to accomplish, why they hold investments and how much risk is involved. Through this analysis we gain a clear understanding of whether a strategy is repeatable and how it might perform in a variety of market conditions.

This research into a fund’s investment process combines with four other pillars to form the comprehensive framework of the Morningstar Analyst Rating™ and Report. Advisers use this report to look at how a portfolio manager’s process may make a fund suitable for a client.

Learn more from our analysts and download a research report:
global.morningstar.com/UKProcess

Build awareness of manager research globally
Asset Management: Key Initiatives

Deepen data set on top global equities
Retirement: Key Initiatives

- Advisor
- Asset Management
- Retirement
- Individual Investor
Individual Investor: Key Initiatives

- Advisor
- Asset Management
- Retirement

Individual Investor
Individual Investor: Key Initiatives

1. Evaluate Investments
2. Discover new investments
3. Build / upgrade a portfolio
4. Monitor Investments
5. Monitor the markets

Build next-generation version of Morningstar.com
Individual Investor: Key Initiatives

Build next-generation version of Morningstar.com
### Apple Inc. (AAPL)

#### Morningstar Analysis

Apple (AAPL) is a leading technology company with a strong brand and a diverse product portfolio. The company is known for its innovative products, including smartphones, tablets, and computer hardware, as well as digital content and services. Apple has a strong history of financial stability, with consistent growth in revenue and earnings. The company also has a significant amount of cash and short-term investments, which provides a buffer against short-term market volatility.

#### Valuation

*Price to Earnings (P/E)*

Apple's P/E ratio is currently 14.50, which is lower than the industry average of 17.90. This suggests that Apple's stock may be relatively cheap compared to its peers.

*Price to Book (P/B)*

Apple's P/B ratio is 2.8, which is higher than the industry average of 2.27. This indicates that Apple's stock may be relatively expensive compared to its peers.

*Price to Sales (P/S)*

Apple's P/S ratio is 5.25, which is lower than the industry average of 5.60. This suggests that Apple's stock may be relatively cheap compared to its peers.

#### Key Stats

- **Revenue (TTM)**: $153.84 billion
- **Net Income (TTM)**: $39.75 billion
- **Operating Income (TTM)**: $41.73 billion
- **Cash Flow (TTM)**: $33.79 billion
- **Shares Outstanding**: 2.27 billion
- **Earnings Per Share (EPS)**: $44.15
- **Price/Earnings (P/E)**: 14.50
- **Price/Book (P/B)**: 2.8
- **Price/Sales (P/S)**: 5.25

#### Key Ratios

- **ROE TTM**: 28.8%
- **Debt/Equity**: 0.2
- **Operating Margin %TTM**: 28.3%
- **Price/Book**: 3.7
- **Price/Earnings TTM**: 13.3
- **Net Income Growth (3yr avg)**: 38.3%
- **Revenue Growth (3yr avg)**: 37.9%
- **Latest Indicated Dividend Amount**: $3.05
- **Ex-Dividend Date**: 02/06/2014
- **Declared Date**: 01/27/2014

#### Dividends

- **Cash Dividends**: $3.0500
- **Dividend Reinvestment Plan**: No
- **Projected Yield**: 2.27%

#### Valuation Uncertainty

Apple has a Morningstar Valuation Uncertainty rating of Low, indicating that the analysts are confident in their fair value estimate. The analysts estimate that Apple's stock price will range between $40.00 and $70.00.

#### Fair Value

Apple's fair value is $570.00, which is based on a discounted cash flow model that considers the company's future earnings, growth, and cash flows. The analysts estimate that Apple's stock price will range between $40.00 and $70.00.

#### Moat Trend

Apple's Moat Trend is Stable, indicating that the company's competitive position is relatively strong and stable over time. The analysts estimate that Apple's stock price will range between $40.00 and $70.00.

#### Strong and Stable

Apple has a Morningstar Moat Rating of Strong and Stable, indicating that the company has a strong and stable competitive position. The analysts estimate that Apple's stock price will range between $40.00 and $70.00.

#### Build next-generation version of Morningstar.com
2014 Initiatives

Tom Idzorek
President, Morningstar Investment Management
Advisor: Key Initiatives

Advisor

Asset Management

Retirement

Individual Investor
Advisor: Key Initiatives

Enhance Morningstar Managed Portfolios platform
Advisor: Key Initiatives

One proposal  Multiple strategies  One account  One report

Enhance Morningstar Managed Portfolios platform
Asset Management: Key Initiatives
Asset Management: Key Initiatives

Now

Global Markets
Analyst Advantage
Factor-Based
Multi-Asset

Expand Index business
Asset Management: Key Initiatives

Future

- Global Markets
- Analyst Advantage
- Volatility
- Factor-Based
- Multi-Asset

Expand Index business
Retirement: Key Initiatives

Advisor  Asset Management  Retirement  Individual Investor
Retirement: Key Initiatives

Update Managed Accounts platform
Retirement: Key Initiatives

- User interface
- Advice engine
- Portfolio construction

Update Managed Accounts platform
Financial Highlights

Stéphane Biehler
Chief Financial Officer
2013 Highlights
First-Quarter 2014
Capital Allocation
2013 Highlights
2013 Key Metrics ($mil)

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>$658.3</td>
<td>$698.3</td>
<td>+6.1%</td>
</tr>
<tr>
<td>Operating Income</td>
<td>$150.7</td>
<td>$170.7</td>
<td>+13.3%</td>
</tr>
<tr>
<td>Free Cash Flow</td>
<td>$116.0</td>
<td>$153.1</td>
<td>+32.0%</td>
</tr>
</tbody>
</table>

*Free Cash Flow is considered a non-GAAP financial measure under SEC regulations.
Morningstar Revenue

5-YR Compound Annual Growth Rate

6.8%
Morningstar Revenue

10-YR Compound Annual Growth Rate

17.5%
<table>
<thead>
<tr>
<th>Product</th>
<th>2013 Revenue ($000)</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Morningstar Data</td>
<td>$ 129,262</td>
<td>12.1%</td>
</tr>
<tr>
<td>Morningstar Advisor Workstation</td>
<td>$ 93,059</td>
<td>8.1%</td>
</tr>
<tr>
<td>Morningstar Direct</td>
<td>$ 79,358</td>
<td>21.6%</td>
</tr>
<tr>
<td>Investment Advisory</td>
<td>$ 59,187</td>
<td>(10.8%)</td>
</tr>
<tr>
<td>Morningstar.com</td>
<td>$ 55,637</td>
<td>3.7%</td>
</tr>
</tbody>
</table>
Revenue by Region

76% | 17% | 7%
Operating Margin

<table>
<thead>
<tr>
<th>Year</th>
<th>Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>09</td>
<td>26.0%</td>
</tr>
<tr>
<td>10</td>
<td>21.8%</td>
</tr>
<tr>
<td>11</td>
<td>21.9%</td>
</tr>
<tr>
<td>12</td>
<td>22.9%</td>
</tr>
<tr>
<td>13</td>
<td>24.4%</td>
</tr>
</tbody>
</table>
First-Quarter 2014
First Quarter 2014 Key Metrics ($mil)

<table>
<thead>
<tr>
<th></th>
<th>Revenue</th>
<th>Operating Income</th>
<th>Free Cash Flow*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>13</td>
<td>14</td>
<td>13</td>
</tr>
<tr>
<td><strong>Revenue</strong></td>
<td>$168.9</td>
<td>$181.2</td>
<td></td>
</tr>
<tr>
<td><strong>Operating Income</strong></td>
<td>$40.6</td>
<td>$38.5</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>$17.6</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>($8.9)</td>
</tr>
</tbody>
</table>

*Free Cash Flow is considered a non-GAAP financial measure under SEC regulations.*
## First-Quarter 2014 Balance Sheet

<table>
<thead>
<tr>
<th>($mil)</th>
<th>March 31 2014</th>
<th>December 31 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash, cash equivalents, and investments</td>
<td>$ 264.0</td>
<td>$ 298.6</td>
</tr>
<tr>
<td>Working capital</td>
<td>$ 177.1</td>
<td>$ 177.3</td>
</tr>
<tr>
<td>Total assets</td>
<td>$ 1,007.4</td>
<td>$ 1,030.7</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>$ 159.6</td>
<td>$ 149.2</td>
</tr>
<tr>
<td>Long-term liabilities</td>
<td>$ 62.8</td>
<td>$ 69.8</td>
</tr>
<tr>
<td>Total equity</td>
<td>$ 696.7</td>
<td>$ 691.3</td>
</tr>
</tbody>
</table>
Capital Allocation
Free Cash Flow* and Acquisitions

Acquisition spending as a % of FCF ($mil)

<table>
<thead>
<tr>
<th>Year</th>
<th>FCF</th>
<th>Acq.</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>09</td>
<td>$88.9</td>
<td>$74.2</td>
<td>83.5%</td>
</tr>
<tr>
<td>10</td>
<td>$108.6</td>
<td>$102.3</td>
<td>94.2%</td>
</tr>
<tr>
<td>11</td>
<td>$141.7</td>
<td>—</td>
<td>N/A</td>
</tr>
<tr>
<td>12</td>
<td>$116.0</td>
<td>—</td>
<td>N/A</td>
</tr>
<tr>
<td>13</td>
<td>$153.1</td>
<td>$11.1</td>
<td>7.2%</td>
</tr>
</tbody>
</table>

*Free Cash Flow is considered a non-GAAP financial measure under SEC regulations.
Potential Uses of Cash

- Balance sheet strength
- Organic expansion
- Acquisitions
- Stock buyback
- Dividend
Dividends and Share Repurchases ($mil)

- Share repurchases: $40.7 in 11, $251.8 in 12, $153.5 in 13, $21.7 in Q1 14
- Dividends paid: $10.0 in 11, $25.5 in 12, $17.4 in 13, $7.6 in Q1 14
## Share Repurchases

<table>
<thead>
<tr>
<th>Period</th>
<th>Total amount purchased</th>
<th>Average price per share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Through Dec. 31, 2013</td>
<td>$ 449.8 mil</td>
<td>$ 63.64</td>
</tr>
<tr>
<td>Year to date through April 30, 2014</td>
<td>$ 21.7 mil</td>
<td>$ 76.85</td>
</tr>
</tbody>
</table>
Shares Outstanding (mil)

<table>
<thead>
<tr>
<th>Year</th>
<th>11</th>
<th>12</th>
<th>13</th>
<th>Q1 14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>50.0</td>
<td>46.5</td>
<td>45.0</td>
<td>44.7</td>
</tr>
<tr>
<td>Change</td>
<td>+0.4%</td>
<td>-7.1%</td>
<td>-3.4%</td>
<td>-0.5%</td>
</tr>
</tbody>
</table>
### Reconciliation of Non-GAAP Measure with the Nearest Comparable GAAP Measure

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>March 31 2014</th>
<th>March 31 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash provided by operating activities</td>
<td>$186.7</td>
<td>$146.0</td>
<td>$11.9</td>
<td>$26.7</td>
</tr>
<tr>
<td>Less: capital expenditures</td>
<td>($33.6)</td>
<td>($30.0)</td>
<td>($20.8)</td>
<td>($9.1)</td>
</tr>
<tr>
<td>Free cash flow*</td>
<td>$153.1</td>
<td>$116.0</td>
<td>($8.9)</td>
<td>$17.6</td>
</tr>
</tbody>
</table>

*Free Cash Flow is considered a non-GAAP financial measure under SEC regulations.*
To send in a question for the Q&A session, please visit:
http://morningstar.socialqa.com