

BlackRock National Municipal Instl

MANLX

Morningstar Analyst Rating
Silver

Morningstar Category
US Fund Muni National Interm

Category Index
BBgBarc Municipal 1-15 Yr TR
USD

Total Assets
10,629
Mil USD

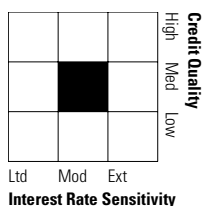
Current Yield %
2.9

Inception Date
11/02/79

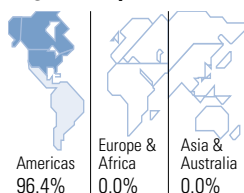
**Domicile/
Currency**
USA/USD

Morningstar Rating
★★★★★

Fixed Income Style

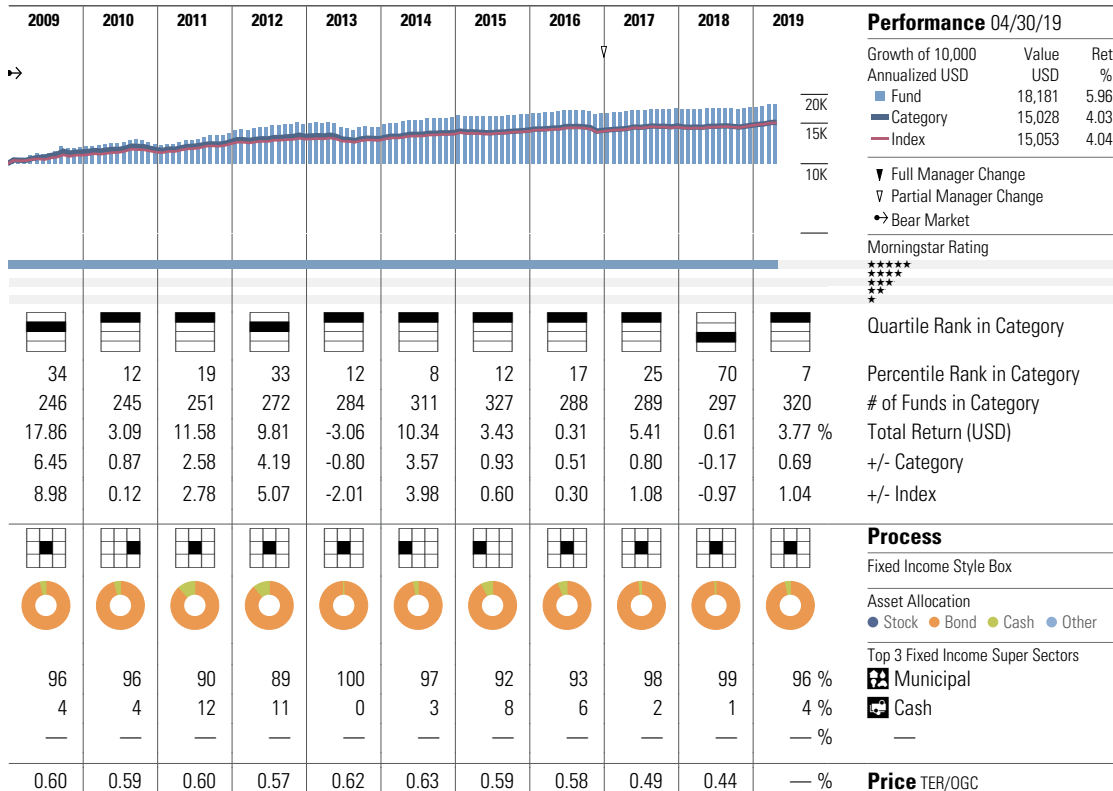


Regional Exposure



People

Walter O'Connor 12/96
Michael Kalinoski 12/16
Total Named Managers 2



A strong, credit-focused muni effort.

Analyst View

Kenneth Oshodi
Analyst

Morningstar Analyst Rating

Silver

Morningstar Pillars

Process | Page 2-3 **Positive**
Performance | Page 4 **Positive**
People | Page 5 **Positive**
Parent | Page 6 **Positive**
Price | Page 7 **Positive**

Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

Gold Silver Bronze Neutral Negative

Feb 12, 2019 | BlackRock National Municipal is backed by a well-resourced and experienced team that employs an effective process. That combined with a cheap fee profile merits a Morningstar Analyst Rating of Silver.

Lead manager Walter O'Connor has managed this portfolio for two decades. His co-manager Michael Kalinoski replaced former co-manager Ted Jaeckel here in December 2016, though Jaeckel still manages the strategy's high-yield sleeve. The managers team up with a large muni staff that includes 17 dedicated credit analysts and three risk and quantitative specialists, one of the industry's most extensive muni teams. The group combines top-down themes and bottom-up insights when making investment decisions.

On the surface, it appears that the team has taken a fairly straightforward approach to managing the strategy in recent years. It has run the portfolio with a credit profile that stacks up near the median entrant in its muni national intermediate Morningstar Category peer group. The managers' preference for revenue-backed bonds

in essential-service sectors--such as transportation, utilities, and healthcare--is a common trait among its peers.

However, this strategy has several distinguishing characteristics. The fund's strong credit selection has proved to be a reliable long-term edge for the strategy, and its fundamental and quantitative research teams have also shown a knack for boosting returns by identifying short- and long-term tactical investments in credit research-intensive sectors, including corporate municipals, tobacco, and troubled states.

Its preference for longer-maturity munis and its up to 10% leverage position via tender-option bonds has given the fund a yield advantage that has aided long-term returns, but it has also hurt the fund more than most when interest rates have spiked in the past. The portfolio's hiccups haven't hindered long-term performance, though. Its 4.4% annualized return during the 15-year period ended December 2018 was best among its peer group. Patient investors should continue to be rewarded here.

Morningstar Analyst Rating
 Silver

Index Proxy

BlackRock National Municipal Instl

MANLX

Morningstar Analyst Rating
Silver

Process: Portfolio

Morningstar Category
US Fund Muni National
Interm

Category Index
BBgBarc Municipal 1-15
Yr TR USD

Index Proxy
—

A credit- and duration-focused approach.

Process Pillar + Positive

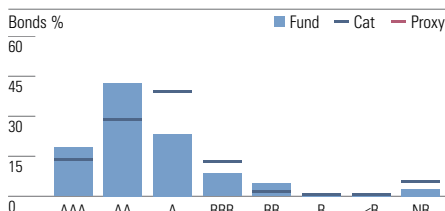
Feb 12, 2019 | The team's continued high-quality focus (87% of the portfolio was rated AAA to A as of December 2018) led it to increase the portfolio's AA and A rated issues in 2018. Its S&P Municipal Bond Index benchmark's allocation similarly changed, although the category median decreased exposure to AA and A rated tiers by a

few percentage points. The managers may increase the strategy's lower-quality stake when they feel that valuations warrant it. For instance, the portfolio held 20% to 24% in bonds rated BBB and below in 2008 and 2009 (though its below-investment-grade holdings were still minimal) given the extreme market dislocation. However, that allocation stood at 9% as of December 2018. They've also still favored revenue over GO debt, preferring essential services such as transportation, utilities, and healthcare.

The team moved away from its typical

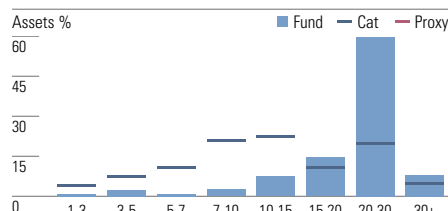
barbell approach to managing the strategy's yield-curve exposure as it found prices on longer-dated debt more attractive in 2018. The portfolio's stakes in cash, prerefunded bonds, and short-term securities maturing in three years or less decreased to 19% of assets from 32% during the year. Its allocation to bonds maturing in 20 to 25 years increased to 41% from 32% of assets. For this reason, its already longer-than-average effective duration increased to 6.8 years from 5.6 years, which measured 1.7 years longer than its peer group median at year-end.

Credit Quality 03/31/19



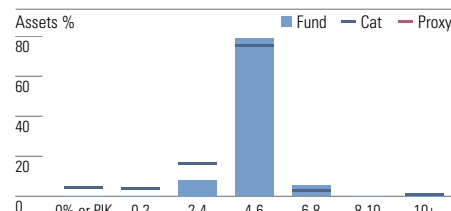
Credit Quality	Fund	3-Yr Avg	Category	Proxy
AAA	18.4	23.3	13.5	—
AA	42.4	38.1	28.4	—
A	23.3	24.7	38.8	—
BBB	8.5	7.8	12.6	—
BB	4.8	4.7	1.2	—
B	0.0	0.0	0.3	—
Below B	0.0	0.0	0.1	—
Not Rated	2.6	1.3	5.1	—

Maturity Schedule 03/31/19












Maturity (Years)	Fund	3-Yr Avg	Category	Proxy
1 to 3	0.9	0.2	3.6	—
3 to 5	2.3	0.3	6.9	—
5 to 7	0.9	1.4	10.3	—
7 to 10	2.5	2.0	20.5	—
10 to 15	7.3	8.1	22.0	—
15 to 20	14.5	15.9	10.3	—
20 to 30	59.7	59.2	19.1	—
Over 30	7.9	7.3	4.3	—

Coupon Range 03/31/19



Coupon Range	Fund	3-Yr Avg	Category	Proxy
0% or Paid In Kind	0.1	0.0	3.7	—
0 to 2	0.2	0.7	3.1	—
2 to 4	8.0	4.3	15.5	—
4 to 6	78.9	80.8	74.9	—
6 to 8	5.4	8.7	2.0	—
8 to 10	0.0	0.2	0.0	—
More than 10	0.0	0.0	0.1	—

Portfolio Holdings 03/31/19

Bond Holdings	Equity Holdings	Other Holdings			Assets in Top 10 Holdings	Turnover Ratio (Reported)	Current Yield
455	0	9			15%	51%	2.9%
Top 10 Holdings		Country	Currency	Assets %	Super Sector	Primary Sector	Secondary Sector
BlackRock Liquidity MuniCash Instl		USA	USD	5.34	 Cash	Cash & Equivalents	Money Market
iShares National Muni Bond ETF		USA	USD	2.96	—	—	—
SOUTHEAST ALA GAS SUPPLY DIST GAS SUPPLY REV 4%		USA	—	2.43	 Municipal	US Municipal/Tax Advantaged	Utilities
PATRIOTS ENERGY GROUP FING AGY S C GAS SUPPLY REV 4%		USA	—	1.64	 Municipal	US Municipal/Tax Advantaged	Utilities
FLORIDA ST BRD ED PUB ED 5%		USA	—	1.45	 Municipal	US Municipal/Tax Advantaged	—
MIAMI-DADE CNTY FLA AVIATION REV 5%		USA	—	1.33	 Municipal	US Municipal/Tax Advantaged	—
ILLINOIS ST 5%		USA	—	1.31	 Municipal	US Municipal/Tax Advantaged	General Obligation State & Local
LOS ANGELES CALIF UNI SCH DIST 5.25%		USA	—	1.13	 Municipal	US Municipal/Tax Advantaged	General Obligation State & Local
MASSACHUSETTS ST 5.25%		USA	—	1.06	 Municipal	US Municipal/Tax Advantaged	General Obligation State & Local
KENTUCKY INC KY PUB ENERGY AUTH GAS SUPPLY REV 4%		USA	—	1.06	 Municipal	US Municipal/Tax Advantaged	Utilities

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Silver

Performance

Morningstar Category
US Fund Muni National
Interm

Category Index
BBgBarc Municipal 1-15
Yr TR USD

Strong over the long term, despite the occasional hiccup.

Performance Pillar + Positive

Feb 12, 2019 | It has produced impressive results over the long term relative to its muni national intermediate Morningstar Category peers and its S&P Municipal Bond Index benchmark, supporting a Positive Performance Pillar rating.

The team's emphasis on revenue-backed, longer-maturity bonds, and its moderate use of

leverage via tender-option bonds has helped the strategy outperform over the long term. Its 4.4% annualized return during the 15-year period ended December 2018 topped all of its distinct peers in the muni-national intermediate Morningstar Category and landed in the top quintile of distinct strategies in the muni-national long peer group, to which it belonged until 2014.

That said, the strategy has hit a few rough patches along the way. For example, the portfolio lost more than two thirds of peers during most periods of volatility caused by rising

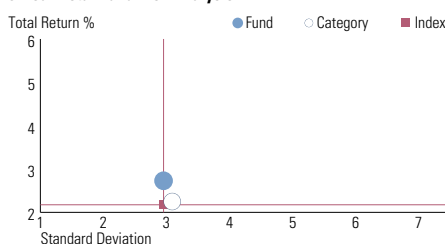
rates starting with the October 2010 through January 2011 Meredith Whitney scare. Most recently, the portfolio's reduction in prerefunded bonds, increased allocation in bonds maturing in 20 to 25 years, and longer-than-average duration led it to trail nearly 70% of peers during the January to October 2018 rate spike. The strategy's Treasury futures short helped temper some of its losses, but it also limited the portfolio's upside when longer-dated munis rebounded at the end of the year. As a result, its 0.6% return in 2018 trailed 80% of peers.

Morningstar Rating and Risk 04/30/19

Period	Load-Adj Return %	Morningstar Ret vs Cat	Morningstar Risk vs Cat	Morningstar Rating
3 Years	2.73	Above Avg	Avg	★★★★
5 Years	3.55	High	Below Avg	★★★★★
10 Years	5.29	High	Above Avg	★★★★★
Overall Morningstar Rating				★★★★★

Risk Analysis 04/30/19

3-Year Return and Risk Analysis



3-Year Risk Measures

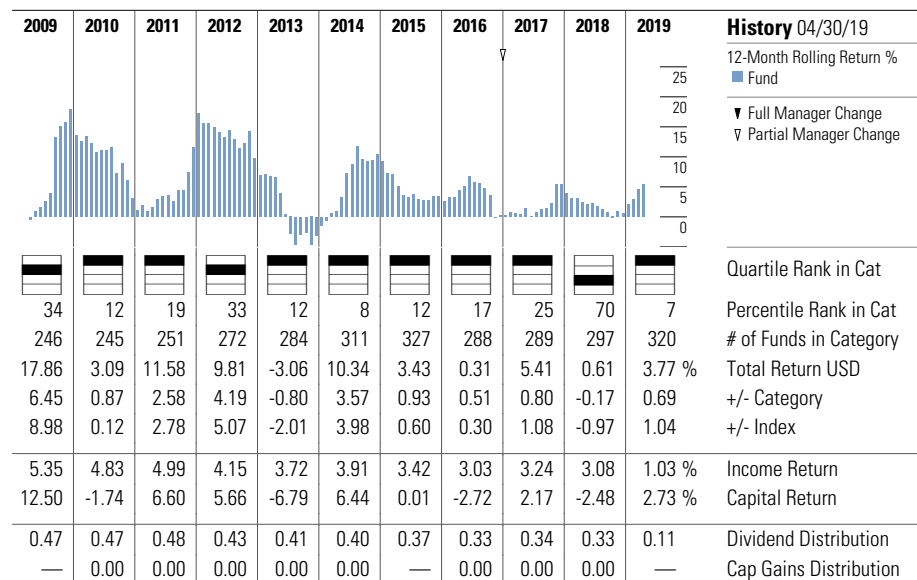
	Fund	Category	Index
Standard Deviation	2.95	3.09	2.95
Sharpe Ratio	0.48	0.22	0.29
R-Squared	95.45	94.62	—
Beta	0.83	0.87	—
Alpha	0.33	-0.43	—

Maximum Drawdown

	Fund	Category	Index
Max Drawdown (%)	-7.48	-5.42	-4.36
Peak Date	12/12	12/12	09/16
Valley Date	08/13	08/13	11/16
Max Drawdown (Months)	9	9	3

Upside/Downside

	Fund	Category	Index
Upside Capture Ratio	87.9	82.6	—
Downside Capture Ratio	74.4	87.2	—



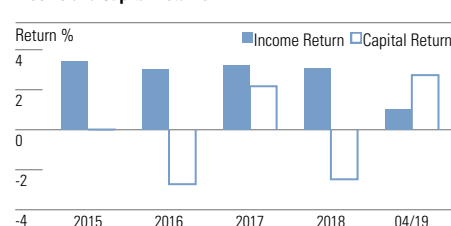
Returns 04/30/19

Trailing Returns	Total Ret %	Investor Ret %	% Rank in Cat	Cat Ret %	Index Ret %
1 Year	5.46	4.66	41	5.23	5.58
3 Years	2.73	1.70	14	2.01	2.17
5 Years	3.55	2.32	16	2.84	2.89
10 Years	5.29	—	8	3.94	3.72
Tenure 12/96	4.94	—	—	3.86	—
Inception 11/79	6.84	—	—	5.20	—

Rolling Return Summary

85%	36-Month Rolling Periods
15	191 Observations, 15 Years
0	The shading and percentages correspond to how often the fund returns landed in each category quartile.
0	

Income and Capital Returns



Year	Income Ret %	Income % Rank in Cat	Capital Ret %	Capital % Rank in Cat
2015	3.42	7	0.01	48
2016	3.03	15	-2.72	61
2017	3.24	10	2.17	50
2018	3.08	14	-2.48	87
04/19	1.03	14	2.73	16

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Silver

People

Morningstar Category
US Fund Muni National
Interm

Category Index
BBgBarc Municipal 1-15
Yr TR USD

An experienced team with a deep bench.

People Pillar + Positive

Feb 12, 2019 | This large, stable team and BlackRock's robust quantitative analytics capabilities support a Positive People Pillar rating.

Walter O'Connor and Ted Jaeckel head BlackRock's municipal bond effort, which oversaw more than \$125 billion in assets as of December 2018. O'Connor focuses on open-end

vehicles and California strategies, while Jaeckel manages closed-end and high-yield muni strategies. O'Connor comanages this portfolio with Mike Kalinoski, who replaced Jaeckel as a comanager here when he stepped down in December 2016 to focus his attention on the firm's high-yield municipal effort. Kalinoski has been with the municipal team since 1999 and previously spent several years managing single-state portfolios and closed-end funds. Jaeckel has continued lending his expertise to the portfolio's high-yield allocation (bonds rated BBB and below

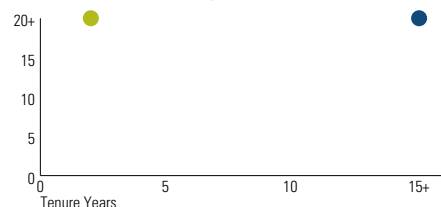
and nonrated issues), which represented a 16% stake as of December 2018.

The managers are supported by an expansive muni credit analyst staff led by Jim Schwartz that has experienced minimal turnover. Its 17 sector- and region-focused analysts average 21 years of industry experience. One credit analyst departed in mid-2018, and the team plans to hire a replacement in early 2019. The three-person risk and quantitative team also lost one analyst in 2018, but it subsequently hired a replacement.

Management Team

Experience and Asset Load

Total AUM Bil USD in Funds Managed



Number of Managers

2

Longest Tenure

22.42 Years

Manager Retention Rate

5-Year
90%

Largest Manager Investment in Fund

100,001 to 500,000 USD

Advisor

BlackRock Advisors LLC

Subadvisor

—

● Walter O'Connor 12/96 to Present

Years of Experience	Investment in Fund
27	100,001 to 500,000 USD
Fund AUM	Current Funds Managed
33,889 Mil USD	48

Largest Funds Managed	Tenure Dates	Role	Fund Size Bil USD	Investment Mil USD	Turnover Ratio Avg	Tenure Ret %	Index Ret %
BlackRock National Municipal Fund	12/96to Present	Lead	10.63	<0.5	64	4.94	—
Bridge Builder Municipal Bond Fund	10/18to Present	1 of 13	5.06	None	—	4.60	4.48
BlackRock California Municipal Opps Fd	12/93to Present	1 of 5	3.15	<0.05	63	4.97	4.79
BlackRock High Yield Municipal Fund	12/06to Present	1 of 2	1.12	None	27	4.58	4.44
BlackRock Muniyield	10/06to Present	Lead	0.68	—	16	6.23	4.26

● Michael Kalinoski 12/16 to Present

Years of Experience	Investment in Fund
19	10,001 to 50,000 USD
Fund AUM	Current Funds Managed
38,592 Mil USD	23

Largest Funds Managed	Tenure Dates	Role	Fund Size Bil USD	Investment Mil USD	Turnover Ratio Avg	Tenure Ret %	Index Ret %
BlackRock National Municipal Fund	12/16to Present	1 of 2	10.63	<0.05	67	4.66	4.12
BlackRock Strategic Municipal Opps Fund	01/14to Present	1 of 4	10.50	<0.01	175	4.66	3.07
Bridge Builder Municipal Bond Fund	10/18to Present	1 of 13	5.06	None	—	4.60	4.48
BlackRock California Municipal Opps Fd	01/15to Present	1 of 5	3.15	None	115	3.76	2.29
BlackRock Municipal 2030 Target Term	08/12to Present	1 of 3	1.74	—	26	4.87	3.16

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MANLX

Morningstar Analyst Rating
Silver

Parent

Morningstar Category
US Fund Muni National
Interm

Category Index
BBgBarc Municipal 1-15
Yr TR USD

Acting in enlightened self-interest.

Parent Pillar + Positive

Nov 01, 2018 | BlackRock's successful balancing act retains a positive Parent rating.

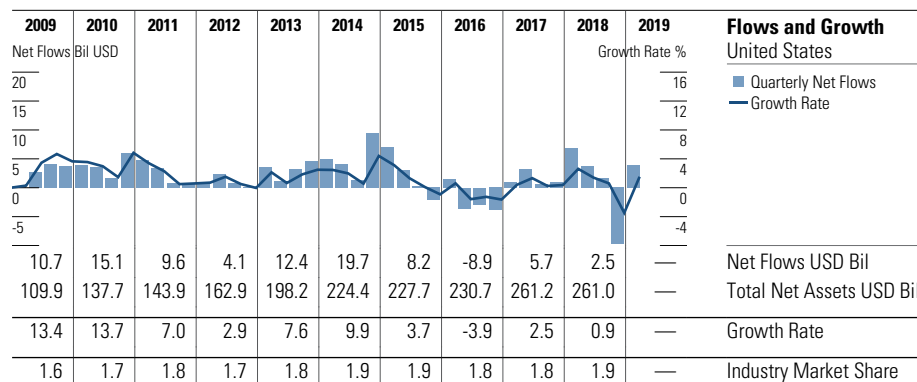
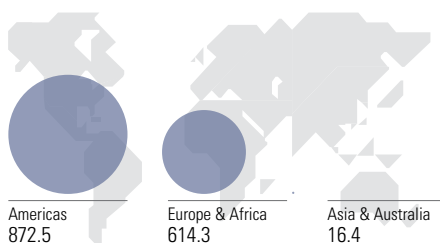
The \$6.3 trillion colossus' institutional and retail clients span the globe, and its publicly traded shares have beaten virtually all industry peers and most fellow S&P 500 denizens since the company's 1999 IPO. Both its clients and pub-

lic shareholders have high expectations, but BlackRock has shown it understands it must be a capable fiduciary to keep delivering enviable long-term stock returns. Its investment fees continue to fall and managers invest more in their strategies. The firm invests heavily in technology and people and makes versions of its institutional risk and portfolio analysis tools available to advisors. Its iShares unit's efforts to defend its leading exchange-traded fund market position has helped drive asset-management costs down. The firm has expanded into alternatives and private equity.

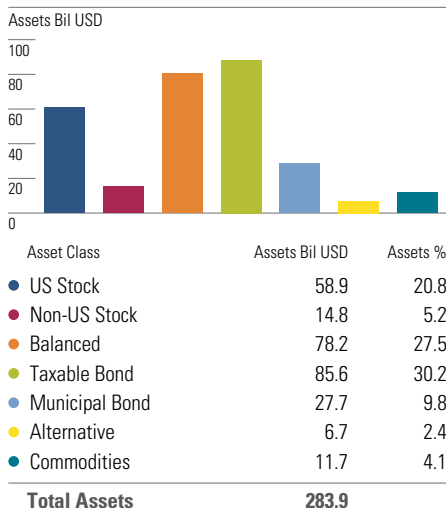
Biggest is not always best, though. BlackRock has turned around its fixed-income platform since the global financial crisis, but its active equity lineup has sputtered and been through two major restructurings in six years. Its manager retention and tenure rates for U.S. mutual funds are lower than most other top 20 fund families. While it has shown more fund launch discipline, it has its share of niche vehicles, such as the iShares Robotics and Artificial Intelligence ETF.

Still, BlackRock has used its size and operational savvy to clients' benefit.

Assets By Region, By Domicile Bil USD

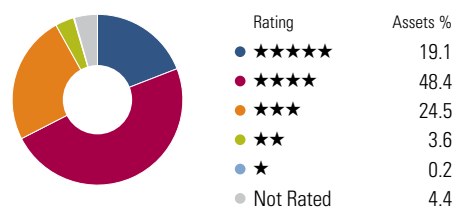


Asset Class Breakdown United States

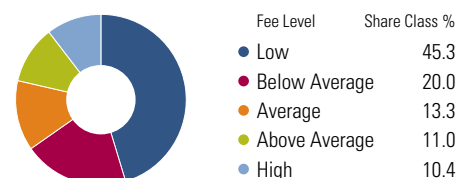


Fund Family Details United States

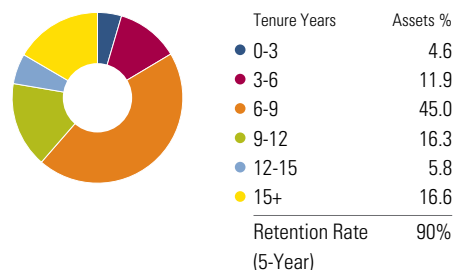
Morningstar Rating



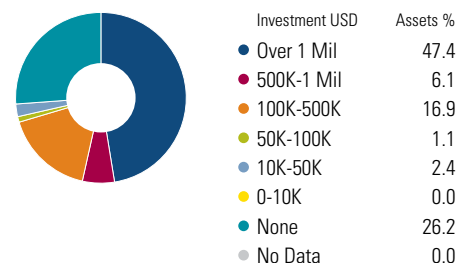
Morningstar Fee Level



Manager Tenure



Manager Investment



BlackRock National Municipal Instl

MANLX

Morningstar Analyst Rating
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Price

Morningstar Category
US Fund Muni National
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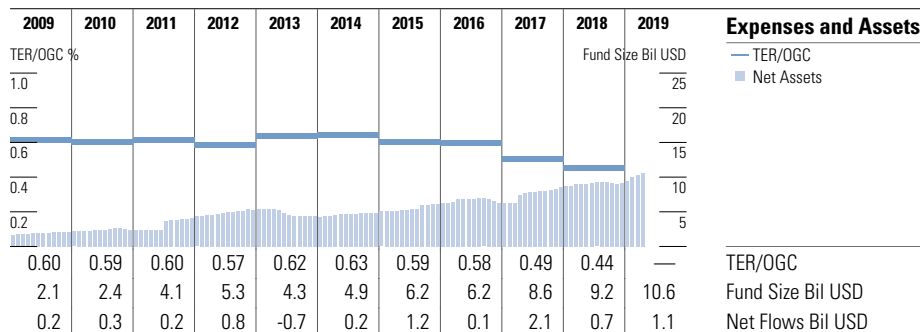
Category Index
BBgBarc Municipal 1-15
Yr TR USD

Relatively recent fee reductions make this an attractive option.

Price Pillar + Positive

Feb 12, 2019 | All of the fund's share classes charge fees that are cheaper than peers', excluding certain investment-related expenses. The fund retains its Positive Price Pillar rating.

This fund is among the cheaper options in its muni national intermediate Morningstar Category peer group. The expense ratio of its Institutional share class, where 36% of its assets resided as of November 2018, decreased to 0.43% in late 2018 from 0.69% in 2014. Its expense ratio was 10 basis points less than the median levy charged by other muni national intermediate institutional shares, excluding certain investment-related expenses. Similarly, the fund's institutional K share class, which held one third of assets, levied an even cheaper 0.39% charge.



Expense Breakdown

Net Expense Ratio	%
Annual Report 06/30/18	0.44
Prospectus 10/26/18	0.44

Selected Components	%
Management Actual	0.39
12b-1 Fee	—
Brokerage Commission (% of Avg Net Assets)	0.00
Category Average	0.00
Tax Cost Ratio (3-Year)	0.00
Potential Capital Gains Exposure	2

Fee Level

Fee Level	Peer Group
Low	Municipal Intermediate Institutional

Fee Level Breakpoints

0.95	High	>0.64
	Above Average	0.56-0.64
	Average	0.50-0.56
	Below Average	0.44-0.50
	Low	<0.44
0.20	Fund	0.44
	Peer Median	0.55

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
Inst	MANLX	Open	0.44	Low	Municipal Intermediate Institutional	—	—	—	2,000,000	3.95	688.33
Other	BNMLX	Open	0.39	Low	Municipal Intermediate Institutional	—	—	—	5,000,000	3.65	523.94
A	MDNLX	Open	0.69	Low	Municipal Intermediate Front Load	0.25	4.25	—	1,000	2.99	163.64
C	MFNLX	Open	1.44	Below Avg	Municipal Intermediate Level Load	1.00	—	1.00	1,000	0.27	-75.07
S	BNMSX	Open	0.69	Above Avg	Municipal Intermediate No Load	0.25	—	—	5,000	0.00	0.69
C	MCNLX	Open	1.24	Low	Municipal Intermediate Level Load	0.80	—	—	1,000	0.00	-9.74

Morningstar Global Fund Report

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Morningstar Analyst Rating

	2017	2018	2019
 Gold			
 Silver			
 Bronze			
Neutral			
Negative			
Under Review			
Not Ratable			

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The Morningstar Analyst Rating™ for Funds

The Morningstar Analyst Rating™ for Funds is a forward-looking analysis of a fund. The Analyst Rating does not express a view on a given asset class or peer group; rather, it seeks to evaluate each fund within the context of its objective, an appropriate benchmark, and peer group.

The date shown next to the Morningstar Analyst Rating is the date on which Morningstar Manager Research Analyst assigned or reaffirmed the current rating for the fund based on the analyst's latest review and research report for the fund.

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

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

Morningstar Analyst Ratings are assigned on a five-tier scale running from Gold to Negative. The top three ratings, Gold, Silver, and Bronze, all indicate that our analysts think highly of a fund; the difference between them corresponds to differences in the level of analyst conviction in a fund's ability to outperform its benchmark and peers through time, within the context of the level of risk taken.

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.

Morningstar may also use two other designations in place of a rating:

Under Review

This designation means that a change that occurred with the fund or at the fund company requires further review to determine the impact on the rating.

Not Ratable

This designation is used only where we are providing a report on a new strategy or on a strategy where there are no relevant comparators, but where investors require information as to suitability.

For more information about our Analyst Rating methodology please go to

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The Morningstar Star Rating is a proprietary data point that is quantitatively driven. Funds are rated from one to five stars based on how well the fund performed (after adjusting for risk and accounting for sales charges) in comparison to similar funds. Within each Morningstar Category, the top 10% of funds receive five-stars and the bottom 10% receives one-star. Funds are rated for up to three time periods—three-, five-, and ten-years—and these ratings are combined to produce an overall star rating, which is noted within the Report. Funds with less than three years of history are not rated. Morningstar Star Ratings are based entirely on a mathematical evaluation of past performance. Morningstar Star Ratings are in no way to be considered a buy or sell signal nor should be viewed as a statement of fact.

Equity-Related Data Points

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.

For more information about methodology in analysing stocks, please go to

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