



# Moneta Multi Caps C

FR0010298596

**Morningstar Analyst Rating**  
 Silver  
 23 Dec 2020  
 15:23, UTC-0600

## Process: Approach

**Morningstar Category**  
France Equity

**Category Index**  
Euronext Paris CAC 40  
NR EUR

**Index Proxy**  
—

### A time-tested and effective stock-picking approach.

**Process Pillar** High

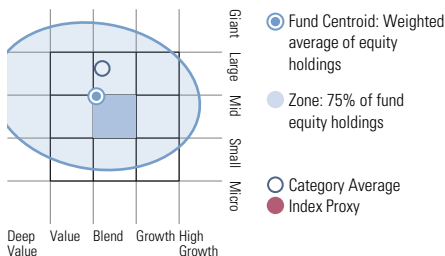
Dec 23, 2020 | Portfolio construction is based on bottom-up stock-picking. The investment universe contains around 400 listed stocks, mostly French equities, of which half are actively followed by the team. Fundamental research is focused on companies considered well-managed, transparent, and having strong business models (growth

prospects, low net debt). Cyclical nonfinancial companies, whose activity is highly dependent on external factors, are generally excluded. However, the manager is pragmatic and may invest in some cyclical stocks if they have attractive valuations. Since the introduction of a new green innovative portfolio sleeve in 2018, he can also invest in clean energy and ecological transition leaders with a high societal impact or cutting-edge technology. For the latter as well, the team pays great attention to valuation, which is a key feature of the manager's approach. Under Romain Burnand's

leadership, the team has developed extremely detailed valuation models that govern entry and exit points for each position in the portfolio. In the end, it contains 60-90 stocks whose weights depend on risk, upside potential, and liquidity. The manager invests in all market caps (except those below EUR 100 million) and mainly French equities, although Burnand has expanded the non-French sleeve in recent years (up to 25%-30% of the portfolio). All of the above merits a High Process Pillar rating.

### Equity Style 31/10/20

#### Holdings-Based Style Map



#### Equity Style Box Factors

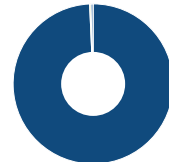
Market Cap	Fund	3-Yr Avg	Category	Proxy
Giant/Large	46.6	54.4	83.2	—
Mid	37.9	29.8	13.7	—
Small/Micro	15.5	15.9	3.1	—
Avg Market Cap Bil EUR	8.3	11.9	34.2	—

Value Measures	Fund	3-Yr Avg	Category	Proxy
Price/Prospect. Earnings	12.4	14.2	17.1	—
Price/Book	0.9	1.3	1.6	—
Price/Sales	0.6	0.8	1.2	—
Price/Cash Flow	5.1	4.8	9.7	—
Dividend Yield	1.5	3.0	1.7	—

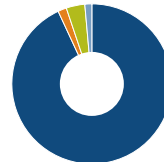
Growth Measures	Fund	3-Yr Avg	Category	Proxy
Long-Term Earnings %	10.6	10.6	6.3	—
Historical Earnings %	5.8	6.1	-24.5	—
Sales %	-0.2	-3.9	-24.8	—
Cash Flow %	8.2	1.6	2.8	—
Book-Value %	2.4	1.6	3.9	—

### Asset Allocation 31/10/20

#### Current Allocation



#### 3-Year Average



Net Assets %	Fund	3-Yr Avg	Category	Proxy
Equity	99.3	93.1	97.3	—
Fixed Income	0.0	1.7	0.1	—
Cash	0.3	3.8	2.0	—
Other	0.4	1.4	0.5	—

### Regional Exposure 31/10/20

Market Type Equity %	Fund	3-Yr Avg	Category	Proxy
Developed	99.3	99.3	100.0	—
Emerging	0.7	0.7	0.0	—

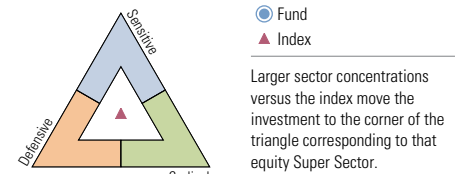
Top 5 Countries Equity %	Fund	3-Yr Avg	Category	Proxy
France	77.1	82.5	88.8	—
Spain	5.4	2.5	0.7	—
Italy	4.9	1.9	1.1	—
Germany	3.9	5.2	2.1	—
Portugal	3.4	1.4	0.4	—

### Key Ratios 31/10/20

	Fund	3-Yr Avg	Category	Proxy
Net Margin %	8.7	11.8	8.5	—
ROA %	2.7	3.6	3.5	—
Debt/Total Capital %	43.4	38.9	40.9	—
ROE %	7.6	10.6	9.3	—

### Sectors 31/10/20

#### Sector Delta




Equity Sectors	Fund	3-Yr Avg	Category	Proxy
<b>Defensive</b>	<b>22.3</b>	<b>16.9</b>	<b>24.5</b>	—
Consumer Defensive	1.0	3.2	9.0	—
Healthcare	7.7	6.9	12.1	—
Utilities	13.6	6.8	3.4	—
<b>Sensitive</b>	<b>46.6</b>	<b>44.2</b>	<b>42.6</b>	—
Communication Serv.	8.3	3.2	5.0	—
Energy	1.5	5.0	5.3	—
Industrials	22.4	22.5	22.1	—
Technology	14.4	13.5	10.2	—
<b>Cyclical</b>	<b>31.1</b>	<b>38.9</b>	<b>32.9</b>	—
Basic Materials	2.0	4.9	5.4	—
Consumer Cyclical	10.5	11.3	16.7	—
Financial Services	15.2	17.8	9.7	—
Real Estate	3.4	5.0	1.2	—

### Economic Moat 31/10/20

	Fund	3-Yr Avg	Category	Proxy
Wide Moat	18.0	18.6	42.2	—
Narrow Moat	20.5	26.4	25.4	—
No Moat	61.5	55.0	32.4	—
Coverage Ratio	56.6	51.9	80.6	—

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### Process: Portfolio

**Morningstar Category**  
France Equity

**Category Index**  
Euronext Paris CAC 40  
NR EUR

**Index Proxy**  
—

#### A portfolio of high convictions and opportunistic bets.

##### Process Pillar

 High

Dec 23, 2020 | The portfolio's core positioning results from Romain Burnand's strong convictions at the stock level, which tend to cluster around specific themes. Over the past 12 months, these were concentrated in the innovative green sleeve, which reached 26% of net assets as of September 2020, up from 18% in December 2019 (it ac-

counted for only about 10% of net assets when it was introduced in early 2018). Renewable energy stocks (mainly EDP, EDPR) and payment services firms like Ingenico, Pax Global Technology, and Evo Payments accounted for most of that sleeve, representing respectively 13.8% and 7.4% of the portfolio's market value. This sleeve continues to drive most of the fund's overweighting in the utilities and tech sectors relative to peers. It also contributed to the rise in non-French equity exposure to 25% as of September 2020 from 19% in November 2019, as many of the innovative stocks

held were investments outside of France. In the financials sector, where the fund sports another structural overweighting compared with peers, exposure was diverse through stocks like banks (BNP Paribas, Unicredit) and holding companies (FFP and Altamir). The team also added risk tactically amid market dislocations, buying attractively valued cyclical stocks (Publicis, Christian Dior) and companies in negatively affected sectors but with a compelling investment thesis and good fundamentals like Peugeot and Benetau.

#### Similarity to Index Proxy 31/10/20

Index Proxy Overlap	Number of Equity Holdings	Largest Common Holdings	Fund %	Proxy %	Largest Distinct Holdings	Fund %
	Fund					
	Index Proxy					
	Fund Overlap With Index Proxy					
	Holdings Overlap					
	Asset Overlap					

#### Portfolio Holdings 31/10/20

Previous Portfolio Date	Equity Holdings	Bond Holdings	Other Holdings	Assets in Top 10 Holdings	Turnover Ratio (Reported)
31/07/20	98	0	2	37%	69%


Top 10 Equity Holdings	Country	Assets % 31/10/20	Assets % 31/07/20	Proxy % 31/10/20	First Bought	Days Trading	Economic Moat	Sector	1-Yr Total Ret %
⊖ Sanofi Sa	FRA	6.26	7.04	—	06/09	<1	Wide	🏥 Healthcare	-8.67
⊖ Edp Renovaveis Sa	ESP	4.84	4.85	—	12/14	10		💡 Utilities	117.90
⊖ Vivendi Sa	FRA	4.51	5.60	—	03/20	2	No	📞 Communication Serv.	4.49
⊕ Peugeot Sa	FRA	4.33	2.19	—	02/20	2	No	🚗 Consumer Cyclical	5.02
⊕ Alstom Sa	FRA	3.59	3.66	—	01/16	2	Narrow	⚙️ Industrials	19.03
⊖ Edp - Energias De Portugal Sa	PRT	3.34	4.02	—	08/19	3	No	💡 Utilities	41.45
⊕ Nexi Spa	ITA	2.73	2.03	—	04/19	2	Narrow	💻 Technology	31.99
✳️ Ingenico Group Sa	FRA	2.58	—	—	04/18	<1		💻 Technology	-10.80
⊖ Soitec Sa	FRA	2.46	2.10	—	04/17	6		💻 Technology	70.01
⊕ Ffp Sa	FRA	2.42	2.18	—	06/09	83		🏦 Financial Services	-6.97

Change since previous portfolio: ⊕ Increase ⊖ Decrease ✳️ New

New Holdings Largest Purchases	% Assets	Sector	Eliminated Holdings Largest Sales	% Assets	Sector	Largest Position Changes	Current %	Prior %
Ingenico Group Sa	2.58	💻	Ingenico Group SA	2.69	💻	⊖ Vivendi Sa	4.51	5.60
Solaria Energia Y Medio Ambiente Sa	0.51	💡	Danone SA	1.08	🍷	⊕ Peugeot Sa	4.33	2.19
Network International Holdings Plc	0.49	💻	Credit Suisse Group AG	0.58	🏦	⊕ Christian Dior Se	2.15	0.66
Ignitis Gamyba Ab	0.37	💡	Eiffage	0.48		⊖ Deutsche Wohnen Se	0.68	2.56
Big Yellow Group Plc	0.28	🏠	FR0126375692	0.48		⊖ Ingenico Group SA	0.00	2.69

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## Performance

**Morningstar Category**  
France Equity

**Category Index**  
Euronext Paris CAC 40 NR EUR

### Boosted by alpha generation from its innovative green sleeve.

#### Performance Pillar

Dec 23, 2020 | This strategy boasts a compelling track record under Romain Burnand's tenure since it was launched in March 2006: based on its C shares, the fund outperforms both its France equity Morningstar Category average and the Euronext Paris CAC 40 Index by roughly 4.5% annualized through November 2020. The manager

built that record with moderate volatility despite the portfolio's bias towards small- and mid-caps, leading to a Sharpe ratio (a volatility-adjusted return metric) that beats 86% of its peers over the same period. Driven by strong stock-picking across sectors, the fund has bettered its average category peers in seven of the past 10 calendar years; occasional stumbles--mainly caused by market headwinds--have been well-contained. That was the case in 2018, for instance, when performance suffered from a severe correction in French small- and mid-caps, resulting in the fund

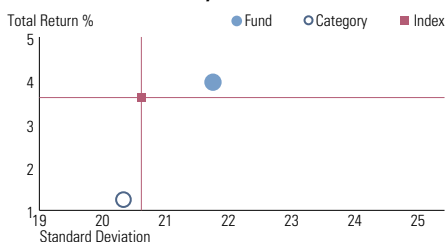
lagging 71% of its peers. For the year to date through November 2020, the fund outperformed 76% of its peers. Despite feeling pain at the height of the coronavirus crisis (39% loss between 20 Feb and 23 March 2020), returns bounced back nicely in the subsequent recovery, benefitting from additive contribution from renewable energy and payment firms (EDPR, EDP, Soitec, and Ingenico). The team's ability to pounce on opportunistic bets in hard-hit cyclical stocks that rallied later in the year, such as Spie, Eiffage, and Airbus, also helped.

#### Morningstar Rating and Risk 31/12/20

Period	Morningstar Ret vs Cat	Morningstar Risk vs Cat	Morningstar Rating
3 Years	Avg	Above Avg	★★★
5 Years	Above Avg	Above Avg	★★★★
10 Years	High	Above Avg	★★★★★
Overall Rating			★★★★

#### Risk Analysis 31/12/20

##### 3-Year Return and Risk Analysis



#### 3-Year Risk Measures

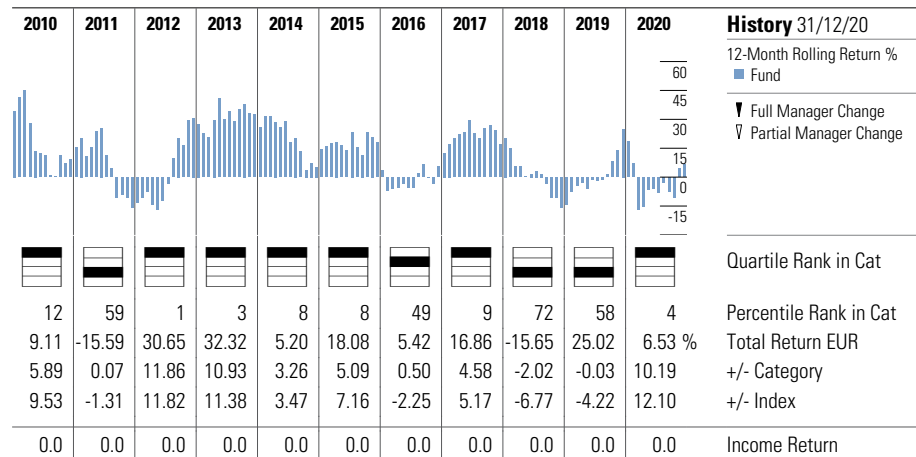
	Fund	Category	Index
Standard Deviation	21.75	20.33	20.62
Sharpe Ratio	0.31	0.15	0.29
R-Squared	91.04	95.44	—
Beta	1.01	0.96	—
Alpha	0.61	-2.36	—

#### Maximum Drawdown

	Fund	Category	Index
Max Drawdown (%)	-26.94	-25.64	-26.24
Peak Date	01/20	01/20	01/20
Valley Date	03/20	03/20	03/20
Max Drawdown (Months)	3	3	3

#### Upside/Downside

	Fund	Category	Index
Upside Capture Ratio	97.6	90.3	—
Downside Capture Ratio	96.0	99.8	—

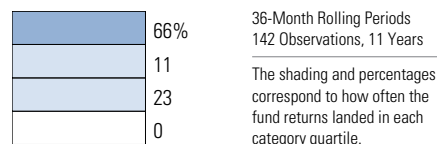


#### Returns 31/12/20

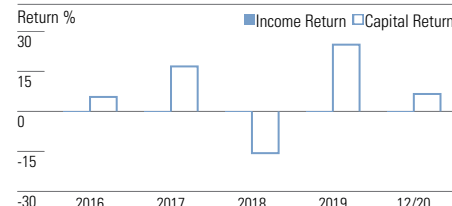
##### Trailing Returns

	Total Ret %	Investor Ret %	Rank in Cat	Cat Ret %	Index Ret %
1 Year	6.53	4.81	4	-3.66	-5.57
3 Years	3.96	2.24	16	1.25	3.60
5 Years	6.72	5.84	12	4.19	5.98
10 Years	9.63	8.31	1	5.59	6.40
Tenure 03/06	8.00	—	—	3.22	3.28
Inception 03/06	8.00	—	—	3.22	3.28

##### Rolling-Returns Summary




#### Income and Capital Returns



Year	Income Ret %	Income % Rank in Cat	Capital Ret %	Capital % Rank in Cat
2016	0.00	100	5.42	40
2017	0.00	21	16.86	8
2018	0.00	100	-15.65	67
2019	0.00	100	25.02	54
12/20	0.00	16	6.53	4

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## People

**Morningstar Category**  
France Equity

**Category Index**  
Euronext Paris CAC 40  
NR EUR

### Same strengths despite a new setup.

**People Pillar**  High

Dec 23, 2020 | Despite an increased workload for some team members following Patrice Courty's departure, the team's seamless reorganization and additional hiring plans should ensure ongoing strength in supporting Romain Burnand here, supporting a High People rating. Burnand has been managing this strategy since its 2006 incep-

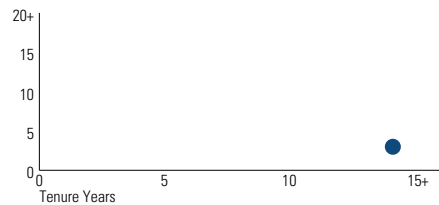
tion. He is a seasoned and astute investor who fosters a culture of analytical excellence and meritocracy at Moneta. A recent example is the promotion of senior analysts Andrzej Kawalec and Gregoire Uettwiller to head of operations and portfolio manager roles, respectively, after Courty left the firm in December 2020. While Uettwiller should progressively step down from his analyst duties, Kawalec is expected to partially maintain his analytical coverage within the recently formed central research team of 10 people. This team has brought together all the equity analysts after

Courty's departure: A standardized in-depth research framework should support idea generation in the European stock universe for all three strategies managed at Moneta going forward. While their workload has overall increased, the transition towards the new setup was somewhat smooth: analyst coverage (30-50 stocks per analyst) remained reasonable and the analytical framework and coverage hasn't changed much. We will pay close attention to the team's turnover and quality of input as it settles in these new work conditions.

### Management Team

#### Experience and Asset Load

Total AUM Bil in Funds Managed



#### Number of Managers

1

#### Longest Tenure

14.83 Years

#### Manager Retention Rate

5-Year  
—%

#### Average Manager Tenure

14.83 Years

#### Advisor

Moneta Asset Management

#### Subadvisor

—

### ● Romain Burnand 03/06 to Present

#### Years of Experience

17

#### Years on Fund

14

#### Fund AUM

2,986.15 Mil EUR

#### Current Funds Managed

2

#### Largest Funds Managed

Moneta Multi Caps  
Moneta Micro Entreprises

#### Tenure Dates

03/06 to Present  
06/03 to Present

#### Role

Lead  
Lead

#### Fund Size

Bil EUR  
2.58  
0.41

#### Investment

Mil EUR  
—  
—

#### Tenure

Ret %  
8.00  
16.51

#### Index

Ret %  
3.28  
10.66

# Moneta Multi Caps C

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## Parent

**Morningstar Category**  
France Equity

**Category Index**  
Euronext Paris CAC 40  
NR EUR

### Maintaining excellent investment and stewardship culture despite changes at the helm.

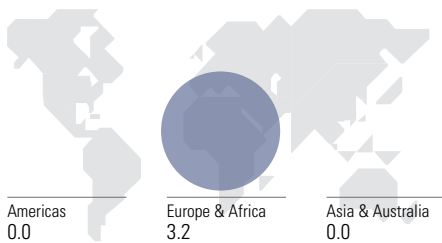
**Parent Pillar** High

Dec 22, 2020 | The departure of co-founder Patrice Courty in early December 2020 has propelled Moneta Asset Management in a new era: It brought fresh blood at key managerial positions, resulted in a firmwide reorganisation and the definition of new strategic objectives, all without compromising neither Moneta's full employee

ownership nor its compelling investment and stewardship culture. These positive changes not only implement adequate checks and balances to remain Burnand's leadership after Courty left but also to ensure that Moneta continues to move in the right direction in the future. Therefore, we remain confident that a High Parent rating is warranted here, although we would like to have more clarity on Burnand's succession planning when the dust settles, given the elevated key-person risk associated with his star manager status, CEO role, and level of firm's ownership: Burnand now

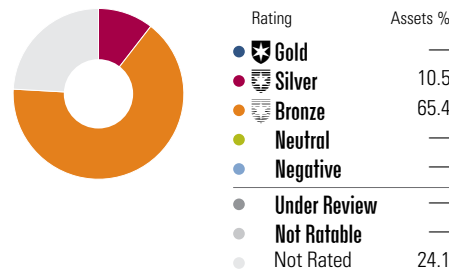
dominates Moneta's equity with a 90% ownership stake in the company. When Courty left, senior analyst Andrzej Kawalec became responsible for the firm's day-to-day operations. He also supports Burnand and a newly created executive committee to implement key strategic decisions, such as firmwide ESG integration and new product development. Also, Gregoire Uettwiller was promoted to lead manager on Moneta Long/Short, with Burnand serving as his co-manager. Both rely on the research efforts of a centralised team of 10 equity analysts.

### Assets By Region, By Domicile Bil EUR

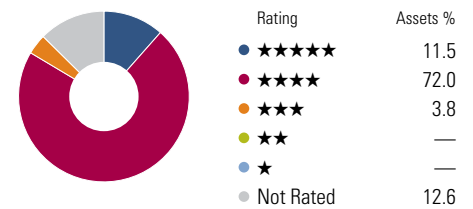


### Fund Family Details Europe (\*)

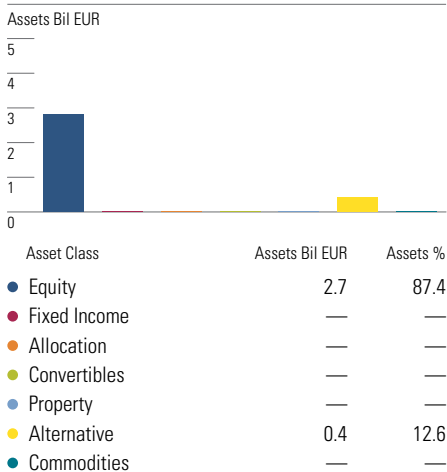
#### Morningstar Analyst Rating Breakdown



#### Morningstar Rating Breakdown



### Asset Class Breakdown Europe (ex Money Mkt)



### Fund Family Details Europe

Top Performing Funds		Fund Size Mil EUR	Return % 3-Year	Rank in Cat % 3-Year
Moneta Micro Entreprises C	France Small/Mid-Cap Equity	360.8	7.92	2
Moneta Multi Caps C	France Equity	2,376.3	3.96	16

Largest Funds		Fund Size Mil EUR	Return % 3-Year	Rank in Cat % 3-Year
Moneta Multi Caps C	France Equity	2,376.3	3.96	16
Moneta Long Short A	Alt - Long/Short Equity - Europe	394.4	1.07	—
Moneta Micro Entreprises C	France Small/Mid-Cap Equity	360.8	7.92	2


Recent Fund Launches		Fund Size Mil EUR	Return % Inception	Inception Date
Moneta Long Short A	Alt - Long/Short Equity - Europe	394.4	3.78	21/12/06
Moneta Multi Caps C	France Equity	2,376.3	9.63	24/03/06
Moneta Micro Entreprises C	France Small/Mid-Cap Equity	360.8	14.01	20/06/03

(\*) All data is based on Branding name and refers to funds domiciled in Europe.

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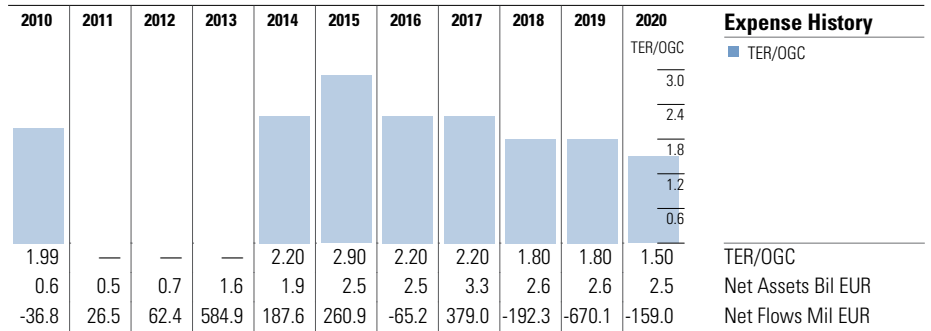
### Price

**Morningstar Category**  
France Equity

**Category Index**  
Euronext Paris CAC 40  
NR EUR

#### Price Pillar

Dec 23, 2020 | It's critical to evaluate expenses, as they come directly out of returns. The share class on this report levies a fee that ranks in its Morningstar category's second-costliest quintile. That's poor, but based on our assessment of the fund's People, Process and Parent pillars in the context of these fees, we still think this share class will be able to overcome its high fees and deliver positive alpha relative to the category benchmark index, explaining its Morningstar Analyst Rating of Silver.



#### Expense Breakdown

Ongoing charge	
Ongoing charge 11/12/20	1.50

#### Selected Components

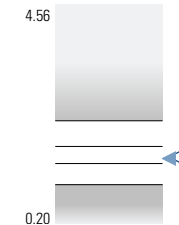
Max Management Fee	1.50
Performance Fee	15.00

#### Fee Level

**Fee Level**  
Above Avg

**Peer Group**  
France Large-Cap Equity  
Retail Broad

#### Fee Level Breakpoints



High	>2.25
Above Average	1.74-2.25
Average	1.40-1.74
Below Average	0.98-1.40
Low	<0.98
◀ Fund	1.50
◀ Peer Median	1.53

#### Share Class Information

Share Class	Identifier	Morningstar Category	TER/OGC	Max Mgmt Fee	Performance Fee	Maximum Initial Charge	Minimum Initial Inv	Assets Bil EUR
<b>Moneta Multi Caps C</b>	<b>FR0010298596</b>	<b>France Equity</b>	<b>1.50</b>	<b>1.50</b>	<b>15.00</b>	<b>1.00</b>	<b>1</b>	<b>2.17</b>
Moneta Multi Caps D	FR0011495951	France Equity	1.50	1.50	15.00	1.00	1	0.22
Moneta Multi Caps RD	FR0013179603	France Equity	1.30	1.30	15.00	5.00	1	0.13

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	2019	2020	2021
Gold			
Silver			
Bronze			
Neutral			
Negative			
Under Review			
Not Notable			

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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.

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**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.

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