

Morningstar  
Stock Investor

May 2016

### Consumer Staples Packaged Food/Beverages, Household/Personal Care, Tobacco, Retailers

Boston Beer is a new addition to our watchlist this month. Its Samuel Adams brand was a pioneer in craft beer, but lately the company has become a victim of the trend it helped create. Consumers are getting more adventurous in their beer tastes and are increasingly favoring even smaller, regional brewers. Sam Adams' past success has made the brand almost mainstream compared with the dozens of local craft breweries that are popping up every year. From the 20%-plus revenue

growth enjoyed a couple years ago, Boston Beer's volumes and sales have suddenly started to decline. The key question is whether Boston Beer can regain its leadership position in craft beer through product innovation, or if the beer category is destined to become as fragmented as wine. On the plus side, the stock looks somewhat cheaper than other consumer staples names, and management has a few levers it can pull such as cutting costs and taking on some debt.

Company	Star Rating	Moat	Moat Trend	Stewardship	Uncertainty	P/FV	Current Price	Fair Value	Yield	Portfolio
★ Boston Beer SAM	★★★★	Narrow	Stable	Standard	Medium	0.87	156.08	180 ↓	0.0	T
Mondelez International MDLZ	★★★	Wide	Stable	Standard	Medium	0.89	42.96	48	1.6	T
Nestle NSRGY	★★★★	Wide	Stable	Standard	Low	0.89	74.57	84	3.2	T
Procter & Gamble PG	★★★★	Wide	Stable	Standard	Low	0.89	80.12	90	3.3	T
Wal-Mart Stores WMT	★★★★	Wide	Negative	Standard	Low	0.89	66.87	75	3.0	T
Hershey HSY	★★★★	Wide	Negative	Standard	Medium	0.90	93.11	103	2.5	T
Diageo DEO	★★★	Wide	Stable	Standard	Medium	0.92	108.33	118	3.1	T
Mead Johnson Nutrition MJN	★★★	Wide	Stable	Standard	High	0.98	87.15	89	1.9	T
Anheuser-Busch Inbev BUD	★★★	Wide	Stable	Exemplary	Medium	0.99	124.18	126	3.3	T
Colgate-Palmolive CL	★★★	Wide	Stable	Exemplary	Low	1.00	70.92	71	2.2	T
Coca-Cola KO	★★★	Wide	Stable	Exemplary	Low	1.02	44.80	44 ↑	3.1	T
SABMiller SBMRY	★★★	Wide	Stable	Exemplary	Medium	1.02	61.34	60	1.8	T
Unilever UL	★★★	Wide	Stable	Standard	Low	1.02	44.86	44	3.2	T
PepsiCo PEP	★★★	Wide	Stable	Standard	Low	1.03	102.96	100 ↑	2.9	T
Reynolds American RAI	★★★	Wide	Negative	Standard	Medium	1.03	49.60	48 ↑	3.4	T
McCormick MKC	★★★	Wide	Stable	Standard	Low	1.05	93.78	89 ↑	1.8	T
Altria Group MO	★★	Wide	Negative	Standard	Low	1.06	62.71	59	3.6	T
British American Tobacco BTI	★★	Wide	Stable	Standard	Low	1.06	122.15	115 ↑	3.7	T
Costco Wholesale COST	★★	Wide	Stable	Exemplary	Low	1.06	148.13	140	1.2	T
Philip Morris International PM	★★	Wide	Stable	Standard	Low	1.07	98.12	92	4.2	T
Clorox CLX	★★	Wide	Stable	Exemplary	Low	1.10	125.23	114	2.5	T
Ambev ABEV	★★	Wide	Positive	Exemplary	Medium	1.12	5.59	5	—	H
Imperial Brands IMBBY	★★	Wide	Stable	Standard	Low	1.12	108.60	97	3.9	H
Kraft Heinz KHC	★★	Narrow	Stable	Standard	Medium	1.13	78.07	69	2.9	T
Brown-Forman BF.B	★★	Wide	Stable	Exemplary	Low	1.15	96.32	84	1.4	T
Kimberly-Clark KMB	★★	Narrow	Stable	Exemplary	Medium	1.15	125.19	109	2.9	T
Molson Coors Brewing TAP	★★	Narrow	Stable	Standard	Medium	1.17	95.63	82	1.7	T

Data as of April 29, 2016. Fair value based on Morningstar analyst estimates.

↑ = Rating Increase ↓ = Rating Decrease T = Tortoise Holding H = Potential Tortoise Holding H = Hare Holding T = Potential Hare Holding ★ = New Addition UI = Under Review

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