

4-Gate Moat + Valuation Discipline Diagnostic Worksheet

INSTRUCTIONS: Run a candidate through all 4 gates. ALL must PASS before allocation. Any FAIL → add to watchlist; do not buy.

CANDIDATE: _____ **DATE:** _____ **REVIEWER:** _____
(Ticker / Company)

GATE

1

DURABILITY CLASSIFICATION**Is the Morningstar Economic Moat Rating set to Wide?**PASS THRESHOLD: **WIDE only**

On Morningstar Premium, locate the Economic Moat Rating column. The Wide tier represents ~200 of ~1,700 covered stocks at any given time. Skip Narrow and None ratings entirely. Wide implies 20+ years of

~5 MIN

 PASS FAIL

Evidence / value found: _____

GATE

2

VALUATION GATE**Is Price-to-Fair-Value at or below 0.95?**PASS THRESHOLD: **P/FV ≤ 0.95**

The 0.95 threshold provides a 5% margin of safety against analyst-judgment error. Wide-moat names trading at 1.10x or 1.20x fair value still earn the rating — but the rating measures durability, not entry

~5 MIN

 PASS FAIL

Evidence / value found: _____

GATE

3

MOAT TREND CHECK**Is the Moat Trend column showing Stable or Positive?**PASS THRESHOLD: **Stable or Positive**

A Wide rating with a Negative trend signals competitive erosion that durability cannot offset. The trend column reflects rate-of-change; the rating reflects current state. Pat Dorsey's framework treats trend

~10 MIN

 PASS FAIL

Evidence / value found: _____

GATE

4

CONCENTRATION LIMITS**Does the proposed position size respect sleeve caps?**PASS THRESHOLD: **≤ 5% per name · ≤ 25% moat block**

Single-name cap: 5% of equity sleeve. Moat-tilted block cap: 25% of total equity. With fewer than 200 wide-moat names, the temptation to oversize is structural. Position sizing rules apply on top of (not

~5 MIN

 PASS FAIL

Evidence / value found: _____

FINAL DECISION**All 4 gates PASS:** → **Allocate per Gate 4 sizing****Any 1+ FAIL:** → **Watchlist; do not buy**

Total review time per candidate: ~25 minutes

Re-run quarterly on each held position.**WHY THESE 4 GATES:**

Per Haggard et al. (2024) Table 4, the moat-only Wide Moat PR USD index returned 13.55% over 10 years vs 14.82% for the S&P 500 TR USD — a -1.27pp annual gap. The valuation-screened Wide Moat Focus Index returned 11.50% since Oct 2007 inception vs 8.99% market — a +2.51pp edge. Same wide-moat universe, opposite outcomes. The 4-gate test recovers the 3.78-point swing for disciplined buyers.

Source: Haggard 2024 · Morningstar Indexes May 2025 · Morningstar moat methodology

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