

Firm Brochure Summary of Material Changes

Ibbotson Associates, Inc.

Third-Party Advisory Programs

22 West Washington Street
Chicago, IL 60602
312.696.6700

www.ibbotson.com

March 26, 2014

We are required to provide you annually with a summary of material changes to our qualifications or business practices that have occurred since our last annual update. The following is a summary of the material changes to the Form ADV Part 2A and Part 2B for Ibbotson Associates, Inc. ("Ibbotson") since our last update, dated March 28, 2013.

Updates to the ADV Part 2A:

- The fourth paragraph of the **Advisory Business** section was revised to provide clarification on our services, and has been amended to read as follows:

We act as an investment strategist to a third-party advisory program ("Program") offered by our affiliate, Morningstar Investment Services, Inc. ("Program Sponsor"). As investment strategist, we create security-specific portfolios that are made available through the Program to various unaffiliated registered investment advisers ("Advisory Firms"). The investment adviser representatives of the Advisory Firms, if they deem appropriate, may make these security-specific portfolios available to their clients. Generally, the security-specific models include open-end mutual funds and exchange-traded funds ("ETFs"). The universe of open-end mutual funds available to us for use in the portfolios is determined by the custodian of the client accounts, which is typically selected by the Advisory Firms or the investment adviser representatives of the Advisory Firms. In most cases, we are responsible for ongoing monitoring of our portfolios, making changes to asset-class allocation percentages and/or the underlying investments of the portfolios when deemed necessary.

- As of December 31, 2013, our assets under management shown in the **Advisory Business** section (rounded to the nearest \$100,000) are as follows:

Discretionary Assets: \$35,701,400,000

- Investment Consulting/Sub-Advising: \$3,640,500,000
- Retirement Solutions: \$32,060,900,000

Non-Discretionary Assets: \$0

- The **Fees and Compensation** section was amended to read as follows:

As investment strategist in the Program, we receive a fee that is equivalent to fifty percent (50%) of the net fee the Program Sponsor collects with respect to our security-specific portfolios. The Program Sponsor's net fee is detailed in the Program Sponsor's firm brochure, delivered concurrently with this brochure. The Program Sponsor's current maximum fee charged for mutual fund and ETF strategies (including our security-specific portfolios) in the Program is 40 basis points (0.40%), and our current maximum fee for our services as investment strategist is 20 basis points (0.20%). The Program Sponsor is responsible for collecting such fees and remitting to us our portion of the fees.

The Program Sponsor's net fee is charged to your account quarterly either in advance based on the prior period's ending balance or in arrears based on the average daily balance for the applicable period. In the event that the Program fee is charged in advance, and the Investment Management Agreement is terminated, by either you, your Advisor, or Program Sponsor,

you will be rebated a portion of the Program fee based on the number of days in the final quarter in which your account was closed.

Please note that our fees noted above do not include all fees, such as the fees and expenses charged by the securities included in our security-specific portfolios (e.g., mutual fund expenses or redemption fees), and the fees and expenses charged by the Program Sponsor for the third-party advisory program.

- The following paragraph was added to the **Client Referrals and Other Compensation** section:

We currently do not have arrangements in which others receive compensation for client referrals. However, the Program Sponsor may enter into solicitation arrangements in which others are compensated for referring clients to the Program. In these situations, the solicitation arrangements are described in the Program Sponsor's firm brochure.

- The **Custody** section was amended to read as follows:

We do not serve as a custodian of client assets. Your Advisory Firm or its designee is responsible for selecting the custodian for client assets. Account statements, if applicable, are sent by the qualified custodian.

- The **Voting Client Securities** section was amended to read as follows:

Proxy Voting Policy and Procedures. Rule 206(4)-6 of the Investment Advisers Act of 1940, as amended, places a number of requirements on those investment advisers who have voting authority with respect to securities held in their clients' accounts. These requirements are to:

- adopt proxy voting policies and procedures designed to ensure that the adviser votes proxies in the best interests of its clients;
- disclose to clients how they may obtain information about how proxies were voted; and
- describe to clients the firm's proxy voting policies and procedures and how to obtain them.

The Program Sponsor engages the services of a third-party vendor which provides proxy statement notifications, provides corporate governance voting recommendations, submits votes on behalf of the Program Sponsor, and provides access to e-ballot and meeting information. Please refer to the Program Sponsor's firm brochure for details on its proxy voting process.

In instances in which the Program Sponsor does not rely on the third-party vendor, we are responsible for making proxy voting recommendations with respect to the holdings within our security-specific portfolios. In such cases, we use the following process.

Proxy Voting Committee. In efforts to mitigate conflicts of interest, we have established a Proxy Voting Committee ("Proxy Committee"). The Proxy Committee includes the chief compliance officer, as well as other members of our operations staff and our investment team. The Proxy Committee is responsible for tasks such as:

- developing, implementing and updating policy and procedures to ensure voting of proxies is conducted in a manner that is in the best interests of its clients;
- making voting decisions and ensuring votes are cast on time; and
- maintaining documents material to the voting decision.

Proxy Voting Process. Upon receiving a proxy statement, an investment team member will review the proxy and make a recommendation to the Proxy Committee. The recommendation will primarily be based on pre-

determined factors identified by the Proxy Committee for that particular type of proxy proposal.

The Proxy Committee members will review the proxy issue and the recommendation and will cast their vote as to whether they agree or disagree with the recommendation. If the other Proxy Committee members agree with the recommendation, the proxy will be voted in that manner. If there is not a consensus, the Proxy Committee will hold a meeting to resolve the issue.

Please note that we will not act on or advise clients regarding legal proceedings, including bankruptcies or class actions, involving securities held in client accounts. The Advisory Firms or their investment adviser representatives are responsible for advising their clients regarding participation in any class action suits regarding holdings in the security-specific portfolios.

Obtaining Proxy Voting Information. At any time you may request information on how we have voted proxies and/or request a copy of our proxy voting policies and procedures. Requests can be submitted by sending a written request to our Compliance Department at the address or email address shown on Page 2 of this brochure.

Updates to the ADV Part 2B

- The following paragraph was added to the introduction:

Please note that the individuals below are responsible for the construction of the security-specific portfolios, and do not provide investment advice to individual investors who may use these portfolios. The members of the investment team are unable to answer specific questions regarding your account. Please contact your investment adviser for assistance with any questions regarding your account or your particular financial situation.

- Jared Watts was promoted from senior consultant to portfolio manager.

- The **Supervision** section was amended to read as follows:

Thomas Idzorek, President of the Morningstar Investment Management unit ("MIM"), is responsible for oversight of all aspects of MIM, including investing, sales, and operations. He supervises, either directly or indirectly, all members of the investment team. MIM is a unit of Morningstar, Inc. that includes all of Morningstar's investment advisory subsidiaries, including Ibbotson Associates, Inc., Morningstar Associates, LLC, and Morningstar Investment Services, Inc.

The activities of the investment team are guided by the Global Investment Policy Committee. The Global Investment Policy Committee and its working sub-committees are responsible for oversight of the investment methodologies. The sub-committees focus on specific investment areas such as capital market assumptions, asset allocation, manager selection, portfolio construction, advice methodologies, fundamental dynamic asset allocation and quantitative tactical asset allocation. Please refer to Ibbotson's Form ADV Part 2A for a description of the Global Investment Policy Committee.

We may have made other edits to our Form ADV Part 2A and Part 2B where necessary to correct grammar or punctuation, to provide clarification or further information, for consistency in terminology or content, or to improve the readability of the brochure. We do not deem these edits to be material in nature. You may obtain a current copy of our brochure at any time as described below.

Our brochures provide information about our qualifications and business practices to help you determine whether to hire or retain us as your investment adviser. If you have any questions about the contents of this brochure, please contact us at 312.696.6700.

The information in our brochures has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Ibbotson is a registered investment adviser and wholly owned subsidiary of Morningstar, Inc. Registration does not imply a certain level of skill or training.

Additional information about Ibbotson is also available on the SEC's website at www.adviserinfo.sec.gov. Select Investment Adviser Search in the main menu, then perform a Firm Search to locate the record for Ibbotson Associates, Inc., CRD No. 111057. All current versions of our Firm Brochures are available in the Part 2 Brochures section of this record. You may also request a copy of our current Firm Brochure free of charge by contacting our Compliance Department at 312.696.6000, or by email to complianceemail@morningstar.com.

Form ADV Part 2A: Firm Brochure

Ibbotson Associates, Inc.

Third-Party Advisory Programs

March 26, 2014

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Form ADV Part 2A: Firm Brochure

Ibbotson Associates, Inc. Third-Party Advisory Programs

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Chicago, IL 60602
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March 26, 2014

This brochure provides information about the qualifications and business practices of Ibbotson Associates, Inc. to help you determine whether to hire or retain us as your investment adviser. If you have any questions about the contents of this brochure, please contact us at 312.696.6700.

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Advisory Business

Ibbotson Associates, Inc. ("Ibbotson") is a registered investment adviser and wholly owned subsidiary of Morningstar, Inc. ("Morningstar"), a publicly-traded company (Nasdaq Ticker: MORN). Because we are required to inform you of any individual who holds more than 25% of our company, please be advised that Joseph Mansueto, CEO of Morningstar, individually holds more than 50% of Morningstar's outstanding shares of stock, and is therefore an indirect owner of more than 50% of Ibbotson.

Ibbotson has been registered with the SEC since 2000. In addition, we have filed the appropriate notices to conduct business in all 50 states, the District of Columbia, and Puerto Rico. Ibbotson was founded in 1977 and was acquired by Morningstar in 2006.

This brochure focuses on the services we provide through Third-Party Advisory Programs. If you would like a copy of our brochures describing our services to providers of retirement plan services or our investment consulting services to institutional clients, please contact our Compliance Department at the phone number, address, or email address listed on this page. These brochures are also available on the SEC's website at www.adviserinfo.sec.gov.

We act as an investment strategist to a third-party advisory program ("Program") offered by our affiliate, Morningstar Investment Services, Inc. ("Program Sponsor"). As investment strategist, we create security-specific portfolios that are made available through the Program to various unaffiliated registered investment advisers ("Advisory Firms"). The investment adviser representatives of the Advisory Firms, if they deem appropriate, may make these security-specific portfolios available to their clients. Generally, the security-specific models include open-end mutual funds and exchange-traded funds ("ETFs"). The universe of open-end mutual funds available to us for use in the portfolios is determined by the custodian of the client accounts, which is typically selected by the Advisory Firms or the investment adviser representatives of the Advisory Firms. In most cases, we are responsible for ongoing monitoring of our portfolios, making changes to asset-class allocation percentages and/or the underlying investments of the portfolios when deemed necessary.

Regulatory Assets Under Management. As of 12/31/2013, our assets under management (rounded to the nearest \$100,000) were as follows:

Discretionary Assets: \$35,701,400,000

- Investment Consulting/Sub-Advising: \$3,640,500,000
- Retirement Solutions: \$32,060,900,000

Non-Discretionary Assets: \$0

Fees and Compensation

As investment strategist in the Program, we receive a fee that is equivalent to fifty percent (50%) of the net fee the Program Sponsor collects with respect to our security-specific portfolios. The Program Sponsor's net fee is detailed in the Program Sponsor's firm brochure, delivered concurrently with this brochure. The Program Sponsor's current maximum fee charged for mutual fund and ETF strategies (including our security-specific portfolios) in the Program is 40 basis points (0.40%), and our current maximum fee for our services as investment strategist is 20 basis points (0.20%). The Program Sponsor is responsible for collecting such fees and remitting to us our portion of the fees.

The Program Sponsor's net fee is charged to your account quarterly either in advance based on the prior period's ending balance or in arrears based on the average daily balance for the applicable period. In the event that the Program fee is charged in advance, and the Investment Management Agreement is terminated, by either you, your Advisor, or Program Sponsor, you will be rebated a portion of the Program fee based on the number of days in the final quarter in which your account was closed.

Please note that our fees noted above do not include all fees, such as the fees and expenses charged by the securities included in our security-specific portfolios (e.g., mutual fund expenses or redemption fees), and the fees and expenses charged by the Program Sponsor for the third-party advisory program.

Performance-Based Fees and Side-by-Side Management

We do not charge any performance-based fees (fees based on a share of capital gains or on capital appreciation of the assets in your account). Therefore, we do not manage any performance-based fee accounts side-by-side with non-performance based fee accounts.

Types of Clients

We provide services to the Program Sponsor of a third-party advisory program. We do not require a minimum account size, and we generally do not impose other conditions for using our services within the third-party advisory program. In addition to the services to the third-party advisory program described in this brochure, we also provide services to institutional clients and to providers of retirement plan services. If you would like a copy of our brochures describing these services, please contact our Compliance Department at the phone number, address, or email address listed on Page 2. These brochures are also available on the SEC's website at www.adviserinfo.sec.gov.

Methods of Analysis, Investment Strategies and Risk of Loss

In making our investment recommendations, we typically employ a five-step process. The steps of this process include:

1. Develop Asset Class Inputs. We develop capital market forecasts for every asset class by using a combination of relative historical return data and current market information. Specifically, three components of current market information are incorporated into our capital market expectations: (1) the current U.S. government bond yield curve (identifies the current risk-free rate); (2) historical valuation changes (neutralizes the current effect of the historical valuation change); and (3) current equilibrium valuation data (moves the premium estimate toward the long-run equilibrium valuation level).

Correlations and asset class standard deviations are estimated using a variety of techniques on both relevant historical returns as well as market implied volatility information. When estimating correlations we over-weight more recent observations and under-weight more distant history based on our belief that the more recent observations are more indicative of the future relationship of asset classes with one another. When estimating standard deviations, we use the longest applicable time periods. For most fixed income asset classes this is 1973 and for many equity asset classes this is 1926. For asset classes with short histories we construct backfilled asset class proxy histories that estimate the returns of an asset class, had it existed over the longer time period. This technique enables us to have a more complete picture of the risk characteristics of asset classes with short histories.

In some projects we also look at the non-normal return properties, such as skewness (non-symmetry) and kurtosis (thickness of the tails of the distribution).

2. Create Asset Class Models. When developing strategic asset allocation models, we employ a variety of advanced techniques, including traditional mean-variance optimization, higher moment optimization (mean-conditional value-at-risk), surplus optimization (liability-driven investing), resampling techniques, simulation analysis, and sensitivity analysis.

Traditional mean-variance optimization leads to an efficient frontier that maximizes return per unit of variance, or equivalently, minimizes variance for a given level of return. While we are heavy users of mean-variance optimization, we believe it is important to also go beyond traditional mean-variance optimization and use higher moment optimization techniques that recognize that asset class returns are not normally distributed. Our preferred approach is mean-conditional value-at-risk where our definition of risk expressly accounts for non-normal returns.

After establishing several potential policy portfolios, we often conduct forward-looking Monte Carlo simulations that attempt to incorporate variable factors (e.g., cash flow) and forward-looking capital market assumptions. The goal of the simulations is to provide a reasonably accurate picture of the distribution of potential outcomes associated with different policy portfolios to better determine risk profiles.

Our simulation process combines a sophisticated econometric term structure model with a Truncated Lévy Flight simulation procedure. The econometric models work to preserve serial correlations and mean reversion characteristics of asset class returns while the Truncated Lévy Flight simulation procedure helps preserve the forecasted cross-correlation structure of the different asset classes as well as the non-normal characteristics of returns, namely skewness and kurtosis. The end result is simulated asset class returns based on forward-looking capital market assumptions, with appropriate serial correlation, mean-reversion, and cross-correlation characteristics, coupled with fat tails that recognize that bad events happen far more often than the normal distribution would predict.

After establishing the relevant opportunity set, we conduct a series of optimizations based on both historical and forward-looking capital market assumptions. When conducting forward-looking optimization we use a resampling technique that recognizes that forward-looking capital market assumptions are not known with certainty. The optimizations will be based on two different definitions of risk – standard deviation and conditional value-at-risk. Standard deviation is a sufficient definition of risk when returns are normally distributed, while conditional value-at-risk is more appropriate when returns are not normally distributed. To address this issue, we will conduct both mean-variance optimization and mean-conditional value-at-risk optimizations. The result of this exercise will be a set of efficient frontiers built under the opportunity-set constraints determined in the simulation phase. The final policy portfolio will be determined based on the assessment of this information.

Sensitivity analysis is a technique under which we vary the inputs based on specific scenarios and then evaluate their impact. Probability distributions are used to evaluate whether a portfolio is appropriate for a particular investor type. The result of this analysis is a set of strategic asset class model portfolios that provide consistent risk and return characteristics under a variety of capital markets scenarios.

Optional Step: Product Type Optimization. When developing asset allocation models or security-specific portfolios to be used for individual investors, we may use a Product Type Optimizer to help determine either a life insurance recommendation for an asset accumulator or an annuity recommendation for a retiree.

Step 3: Fund/Manager Selection. The goal of analyzing funds or managers is to determine their true investment style, identify managers we believe are superior, forecast the alpha of the managers, and identify the idiosyncratic risk (manager-specific tracking error) of the managers. To accomplish these goals, we start with a proprietary peer grouping analysis. Within each peer group, we separate index funds and active funds into two sub-peer groups. For active funds, we conduct both holdings-based and returns-based style analysis to determine the manager's investment style over time. We examine a manager's long-term and short-term alpha, tracking error, and information ratio. After an extensive quantitative review, we review an investment option's qualitative factors—such as manager investment philosophy or investment process—to form the final selection of active funds within each peer group. For portfolios in which the implementation is based on ETFs, the fund selection process focuses on fees, liquidity, and tracking measurements versus the desired asset class or index.

Step 4: Construct the Portfolio. Once the asset class model portfolios are determined and the investment managers are selected for inclusion in the security-specific portfolios, we determine the appropriate combination of the investment managers using an alpha-tracking error optimization. Alpha is a measure of excess return provided by the investment manager. Manager-specific tracking error is a measure of the variability of the alpha. In addition to alpha and tracking error, the styles of the investment options are used to determine the optimal mix of investment options to implement the target asset allocations. When working with alternative investment vehicles with non-normal returns, such as hedge funds or commodity trading advisers ("CTAs"), we also consider skewness and kurtosis. Within our risk management framework, we not only control for the tracking error of the managers, but also the correlation among the manager active returns, and more importantly the underlying asset class

exposures. The underlying asset class exposures are measured using both holdings-based and returns-based style analysis.

Evaluating Manager Combinations. Our top-down process starts by setting asset class targets for each model. When selecting managers, our primary focus is hitting the exposure targets that were set for each model. Another goal of our process is to select managers that have the potential to add alpha, while maintaining a level of risk we believe to be reasonable. Our primary portfolio construction tool includes our forward-looking alpha, tracking error, and alpha correlations to recommend an initial combination of managers that maximizes alpha while minimizing tracking error. Although two managers may have high-expected alphas, if their alphas are highly correlated, we may consider using alternative or additional uncorrelated managers in the portfolio. Qualitative characteristics are also considered for portfolios.

Step 5: Monitor the Portfolio. An asset allocation model portfolio or a security-specific portfolio may drift from its stated objective and may need to be changed over time for various reasons (e.g., varying market conditions, manager changes, fund style drift). Therefore, we review each portfolio regularly to ensure that it stays in line with its stated strategic asset allocation target.

On a periodic basis, we calculate and analyze attribution for each portfolio at the asset class and security-specific levels. At the asset class level, attribution helps identify the primary drivers of return. It also identifies sources of relative performance and helps gauge the impacts of style drift and implementation error. At the security-specific level, we blend a customized benchmark for each manager based on returns-based style analysis, holdings-based style analysis, and manager conversations, and compare each manager's performance to the custom benchmark. This alpha relative to the custom benchmark identifies sources of true alpha better than basic methodologies that compare fund returns to a single benchmark or peer group.

The portfolio manager will apply our proprietary methodology listed above to create the security-specific portfolios. All asset allocation and security-specific portfolios are reviewed by an officer, a senior investment consultant, or a senior portfolio manager before they are implemented in the Program.

For manager selection services, we use a number of qualitative and quantitative techniques to evaluate and select investment managers, and evaluate how the inclusion or exclusion of a manager influences the total portfolio. These techniques may include returns-based style analysis, cluster analysis, performance attribution, performance evaluation, manager interviews, holdings-based analysis, review of portfolio risk and return characteristics, and situation analysis.

We offer a number of tactical or dynamic asset allocation programs that adjust the model portfolio weights on a short-term or intermediate-term basis relative to the strategic asset allocation policy. These programs can rely on a selection of fundamental and quantitative factors to aid in decision-making. Fundamental factors include asset class relative valuations, potential capital loss, sentiment, and other macro-economic data. Quantitative factors include momentum, volatility, and mean reversion indicators.

Our Global Investment Policy Committee ("GIPC") and its working sub-committees are responsible for oversight of the investment methodologies, including the tactical and dynamic asset allocation programs. Members of the GIPC may include officers, chief investment officers, managing directors, or managers of Ibbotson or its affiliates. The sub-committees focus on specific investment areas such as capital market assumptions, asset allocation, manager selection, portfolio construction, advice methodologies, fundamental dynamic asset allocation, and quantitative tactical asset allocation.

An investment team provides the investment advice used in the products and services referenced in this brochure. Information on the key members of this investment team is included in Part 2B attached.

Risk of Loss and Strategy Risk. You should remember that all investments involve risk and will not always be profitable. We do not guarantee that our recommendations will result in profits or avoid negative returns. An investment's

future performance may differ substantially from its historical performance and as a result, may incur a loss. Past performance is no guarantee of future results.

Asset allocation and diversification are investment strategies which spread assets across various investment types for long-term investing. However, as with all investment strategies, these strategies do not assure a profit and do not guarantee against losses.

Tax Considerations. Potential tax consequences may exist. We do not provide tax advice. We encourage you to consult with a tax professional about these and other tax consequences.

Disciplinary Information

We are required to disclose all material facts regarding any legal or disciplinary events that would influence your decision to hire or retain us as your investment adviser. We do not have any material legal or disciplinary events to report.

Other Financial Industry Activities and Affiliations

This section provides information on other business activities we may conduct in addition to the services described above. In addition, it describes any potential conflicts of interest we may have, and how we mitigate those potential conflicts.

Our parent company, Morningstar, offers various products and services to the public. Some of its clients are service providers (e.g., portfolio managers, advisors, or distributors affiliated with a mutual fund or other investment option (collectively "Service Providers"). We may have a contractual relationship to provide consulting or advisory services to these same Service Providers. In some cases, we may recommend the products of these Service Providers to our advisory clients. To mitigate any actual or potential conflicts of interest, we do not consider Morningstar's relationship with these Service Providers when making investment option recommendations. We are not paid to recommend one investment option over another, including products of Service Providers with which Morningstar has a relationship.

Morningstar provides information to the public about various investment products, including open-end mutual funds and ETFs. In some cases, this information includes written analyses of these investment options. Although we may use certain products, services, or databases of Morningstar, we do not participate in or have any input in the written analyses that Morningstar provides its subscribers. Our investment recommendations are based on our separate and independent research and analysis of the available investment options.

In some situations, we may recommend an investment option that holds a position in publicly-traded shares of Morningstar. Such an investment in Morningstar is solely the decision of the investment option's portfolio manager. We have no input into a portfolio manager's investment decision nor do we require that the investment options we recommend own shares of Morningstar. An investment option's position in Morningstar has no direct bearing on our investment selection process.

In certain situations, we may recommend an ETF that tracks an index created and maintained by Morningstar, and the ETF sponsor has entered into a licensing agreement with Morningstar to use such index. To mitigate any conflicts of interest arising from our selection of such ETFs, we may use solely quantitative criteria established by our advisory client to make such selection, or, in the alternative, Morningstar's compensation from the ETF sponsor will not be based on nor will it include assets that are a result of our recommendation to our advisory client to invest in those ETFs. In addition, Morningstar does not and will not have any input into our investment decisions, including what ETFs will be recommended for our recommended portfolios.

In some instances, we may use the employees or resources of Morningstar or its affiliates to provide certain support services in conjunction with our advisory services. In addition, Morningstar or its affiliates may also use our employees and resources to provide certain support services in conjunction with the services offered by Morningstar or its affiliates. These affiliates may include Morningstar Associates, LLC ("Morningstar Associates"), a registered investment adviser, and Morningstar Investment Services, Inc. ("MIS"), a dually registered investment adviser and limited broker-dealer. Both Morningstar

Associates and MIS are wholly owned subsidiaries of Morningstar. If an additional fee for such services by affiliates is required, it will be set forth in the client advisory agreement. In these situations, clients may pay a fee directly to each such affiliate for its services, or as part of a joint fee schedule which encompasses all services.

Our officers may have responsibilities to Morningstar or other affiliated entities. Although their responsibilities to these other entities may occupy a portion of their time, our officers devote a substantial amount of time to developing and maintaining our advisory services.

Morningstar is a non-controlling member of HelloWallet, LLC ("HelloWallet"), a company that offers online tools to individuals for an annual subscription fee, to provide education and guidance on personal finance, budgeting, and saving. Brock Johnson, president of our Retirement Solutions group, serves on the board of HelloWallet. In some cases, HelloWallet may offer its services to clients with whom we have a relationship, or we may make our clients aware of the services offered by HelloWallet. Morningstar receives indirect benefit from subscription fees due to its ownership interest in HelloWallet. However, subscribing to HelloWallet services is entirely voluntary, and no fees are shared between HelloWallet and Ibbotson.

We may make our clients aware of various products and services offered by Morningstar, Morningstar Associates and MIS. We do not receive compensation from our affiliates in presenting these potential opportunities.

In certain circumstances, we may use the middle-office and back-office capabilities of MIS. When we do, we compensate MIS for use of those services. In addition, MIS may provide sales support by educating investment adviser representatives about third-party advisory programs for which Ibbotson and MIS act as investment strategists. For this sales support, the third-party investment adviser will pay a specific agreed-upon fee to Ibbotson and MIS.

The universe of investment options from which we make our investment selections is typically defined by the institutional client for which we are providing services or by the plan provider client through which our retirement plan services are delivered. In some cases, this universe of investment options may include proprietary investment options of the institutional client or plan provider client. To mitigate the conflict of interest presented by this situation, we subject all investment options to the same quantitative and qualitative investment selection methodology, based on several factors, including performance, risk, and expenses, and the proprietary nature of the investment options does not influence our selection.

We may provide consulting or advisory services to institutional clients that offer investment products, such as mutual funds, variable annuities, or model portfolios. Because of our role in these investment products, recommending these products to other advisory clients presents a conflict of interest. To mitigate this potential conflict of interest, we exclude these investment products from the universe of investment options from which we make our recommendations.

We may also receive compensation for our research and analysis activities (e.g., research papers) from a variety of financial institutions including large banks, brokerage firms, insurance companies, and mutual fund companies.

Ibbotson is a majority shareholder of Ibbotson Associates Japan, K.K. ("IAJ"). IAJ, headquartered in Tokyo, is registered as an investment adviser and investment manager with the Japanese Financial Services Agency. IAJ's major business consists of providing asset allocation software, presentation materials and consulting services to financial institutions and institutional investors, and institutional discretionary asset management.

Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading

Code of Ethics. We have adopted a Code of Ethics that strives to uphold the highest standards of moral and ethical conduct, including placing our clients' interest ahead of our own. Our Code of Ethics addresses such topics as our fiduciary duty, our professional responsibilities, protecting our clients' non-public

personal information, our gifts and entertainment policies, and the personal trading practices of our employees. A copy of our Code of Ethics is available to existing and prospective clients by sending a written request to our Compliance Department at the address or email address shown on Page 2 of this brochure.

Participation or Interest in Client Transactions. Our employees may maintain personal investment accounts, and may purchase or sell investments in those accounts that are the same as or different from the investments we recommend to clients. Because we primarily recommend mutual funds and ETFs, our employees' personal investing activities should not conflict with our advisory activities or the timing of our recommendations. In addition, our Code of Ethics is designed to ensure that employees' personal trading activities will not interfere with our clients' interests, while allowing our employees to invest in their own accounts.

We do not engage in principal transactions (transactions where we, acting in our own account or in an affiliated account, buy a security from or sell a security to a client's account). In addition, we do not engage in agency cross transactions (transactions where we or our affiliate executes a transaction while acting as a broker for both our client and the other party in the transaction).

Personal Trading. Our Code of Ethics also includes policies designed to prevent employees from trading on the basis of material non-public information. Employees in possession of material non-public information may not trade in securities which are the subject of such information, and may not tip such information to others. In certain instances, we employ information blocking devices such as restricted lists to prevent illegal insider trading. All employees who could potentially access non-public information are required to report their personal securities transactions to the Compliance Department on a quarterly basis.

Brokerage Practices

Where we exercise investment discretion over our security-specific portfolios, we will generate trade instructions and forward those instructions to the Program Sponsor or a third party as designated by the Program Sponsor. As a result, we do not have the ability to make decisions regarding which broker is used to execute the transactions.

Review of Accounts

We do not review the accounts of the individual clients of the investment adviser representatives who use the third-party advisory program; those reviews are typically performed by the individual's investment adviser representative.

We perform a review of each of the security-specific portfolios we deliver to the Program Sponsor on a periodic basis and, if we deem necessary, we may make changes to the asset allocation weightings or to the specific securities included in the portfolios. In addition, we may provide periodic reports to the Program Sponsor on the security-specific portfolios. The content and frequency of these reports are governed by our contract with the Program Sponsor.

Client Referrals and Other Compensation

We currently do not have arrangements in which others receive compensation for client referrals. However, the Program Sponsor may enter into solicitation arrangements in which others are compensated for referring clients to the Program. In these situations, the solicitation arrangements are described in the Program Sponsor's firm brochure.

Although no arrangements exist currently, situations may arise in which others introduce potential clients to us or solicit clients on our behalf. If such a situation occurs, we will enter into a written agreement with the solicitor that complies with Rule 206(4)-3 under the Investment Advisers Act of 1940, as amended. Such agreement would require the third-party solicitor provide each prospective client with a copy of our brochure and a disclosure document that sets forth the terms of the arrangement (including the nature of the relationship and the fees to be paid).

Custody

We do not serve as a custodian of client assets. Selection of the custodian for client assets is the responsibility of your Advisory Firm or your investment adviser representative. Account statements, if applicable, are sent by the qualified custodian.

Investment Discretion

For third-party advisory programs, the extent of our investment discretion is set forth in our contract with the Program Sponsor; however, we typically have discretion with respect to our portfolios.

Voting Client Securities

Proxy Voting Policy and Procedures. Rule 206(4)-6 of the Investment Advisers Act of 1940, as amended, places a number of requirements on those investment advisers who have voting authority with respect to securities held in their clients' accounts. These requirements are to:

- adopt proxy voting policies and procedures designed to ensure that the adviser votes proxies in the best interests of its clients;
- disclose to clients how they may obtain information about how proxies were voted; and
- describe to clients the firm's proxy voting policies and procedures and how to obtain them.

The Program Sponsor engages the services of a third-party vendor which provides proxy statement notifications, provides corporate governance voting recommendations, submits votes on behalf of the Program Sponsor, and provides access to e-ballot and meeting information. Please refer to the Program Sponsor's firm brochure for details on its proxy voting process.

In instances in which the Program Sponsor does not rely on the third-party vendor, we are responsible for making proxy voting recommendations with respect to the holdings within our security-specific portfolios. In such cases, we use the following process.

Proxy Voting Committee. In efforts to mitigate conflicts of interest, we have established a Proxy Voting Committee ("Proxy Committee"). The Proxy Committee includes the chief compliance officer, as well as other members of our operations staff and our investment team. The Proxy Committee is responsible for tasks such as:

- developing, implementing and updating policy and procedures to ensure voting of proxies is conducted in a manner that is in the best interests of its clients;
- making voting decisions and ensuring votes are cast on time; and
- maintaining documents material to the voting decision.

Proxy Voting Process. Upon receiving a proxy statement, an investment team member will review the proxy and make a recommendation to the Proxy Committee. The recommendation will primarily be based on pre-determined factors identified by the Proxy Committee for that particular type of proxy proposal.

The Proxy Committee members will review the proxy issue and the recommendation and will cast their vote as to whether they agree or disagree with the recommendation. If the other Proxy Committee members agree with the recommendation, the proxy will be voted in that manner. If there is not a consensus, the Proxy Committee will hold a meeting to resolve the issue.

Please note that we will not act on or advise clients regarding legal proceedings, including bankruptcies or class actions, involving securities held in client accounts. The Advisory Firms or their investment adviser representatives are responsible for advising their clients regarding participation in any class action suits regarding holdings in the security-specific portfolios.

Obtaining Proxy Voting Information. At any time you may request information on how we have voted proxies and/or request a copy of our proxy voting policies and procedures. Requests can be submitted by sending a written request to our Compliance Department at the address or email address shown on Page 2 of this brochure.

Financial Information

We are required to provide you with certain financial information or disclosures about our financial condition. We do not have any financial commitment that impairs our ability to meet our contractual and fiduciary commitments to clients, and we have not been the subject of any bankruptcy proceeding.

Form ADV Part 2B: Brochure Supplement

Ibbotson Associates, Inc.

Investment Team for Third-Party Advisory Programs

22 West Washington Street
Chicago, IL 60602
312.696.6700

www.ibbotson.com

March 26, 2014

This brochure supplement provides information about Ibbotson Associates, Inc.'s investment team for Third Party Advisory Programs. This supplement provides information on the members of the investment team with the most significant responsibility for our services to the Third Party Advisory Programs and is not a complete list of all the members of the investment team. You should have received a copy of our firm brochure. Please contact the Compliance Department at 312.696.6000 or compliance@morningstar.com if you did not receive our brochure, if you have questions about the content of this supplement, or if you would like information about other members of our investment team.

Please note that the individuals below are responsible for the construction of the security-specific portfolios, and do not provide investment advice to individual investors who may use these portfolios. The members of the investment team are unable to answer specific questions regarding your account. Please contact your investment adviser for assistance with any questions regarding your account or your particular financial situation.

Scott Wentzel, CFA, CFP®

Email: scott.wentzel@morningstar.com

Phone: 312.696.6700

Educational Background and Business Experience: Scott joined Ibbotson in 2005, and is currently the chief investment officer, Americas, for the Morningstar Investment Management division. He has served as a senior portfolio manager and Vice President. Scott is responsible for the oversight of the investment management group. Born in 1961, Scott has a BA from the University of Illinois and an MBA from the University of Chicago Booth School of Business. Scott is also a CFA* charterholder and a CFP.**

Disciplinary Information: None.

Other Business Activities: None.

Additional Compensation: None.

Brian Huckstep, CFA

Email: brian.huckstep@morningstar.com

Phone: 312.696.6700

Educational Background and Business Experience: Brian joined Ibbotson in 2005 as a portfolio manager. Prior to joining Ibbotson, Brian served as director of data acquisition for Morningstar, Inc. beginning in 2003. Born in 1970, Brian has a BA in economics from the University of Michigan and an MBA from the University of Chicago Booth School of Business. Brian is also a CFA* charterholder.

Disciplinary Information: None.

Other Business Activities: None.

Additional Compensation: None.

Lucian Marinescu, CFA

Email: lucian.marinescu@morningstar.com

Phone: 312.696.6700

Educational Background and Business Experience: Lucian joined Ibbotson in 2007 as a senior investment consultant. Prior to joining Ibbotson, he served as a project manager for Morningstar, Inc. beginning in 2002. Born in 1979, Lucian has an AB in economics and business administration from Monmouth College and an MBA from University of Chicago Booth School of Business. Lucian is also a CFA* charterholder.

Disciplinary Information: None.

Other Business Activities: None.

Additional Compensation: None.

Paul Arnold, CFA

Email: paul.arnold@morningstar.com

Phone: 312.696.6700

Educational Background and Business Experience: Paul joined Ibbotson in 2007 and is a senior investment consultant. Paul manages fund-of-fund portfolios and assists in developing and implementing asset class models. Born in 1983, Paul has a BS in finance and international business from Indiana University and an MBA, with honors, from the University of Chicago Booth School of Business. Paul is also a CFA* charterholder.

Disciplinary Information: None.

Other Business Activities: None.

Additional Compensation: None.

Jared Watts

Email: jared.watts@morningstar.com

Phone: 312.696.6700

Educational Background and Business Experience: Jared joined Ibbotson in 2006 and is a senior consultant. Jared works with clients to construct and implement asset allocation solutions and services. Born in 1975, Jared has a BS in finance from Southern Illinois University and an MBA from Saint Xavier University Graham School of Management.

Disciplinary Information: None.

Other Business Activities: None.

Additional Compensation: None.

Supervision

Thomas Idzorek, President of the Morningstar Investment Management unit ("MIM"), is responsible for oversight of all aspects of MIM, including investing, sales, and operations. He supervises, either directly or indirectly, all members of the investment team. MIM is a unit of Morningstar, Inc. that includes all of Morningstar's investment advisory subsidiaries, including Ibbotson Associates, Inc., Morningstar Associates, LLC, and Morningstar Investment Services, Inc.

The activities of the investment team are guided by the Global Investment Policy Committee. The Global Investment Policy Committee and its working sub-committees are responsible for oversight of the investment methodologies. The sub-committees focus on specific investment areas such as capital market assumptions, asset allocation, manager selection, portfolio construction, advice methodologies, fundamental dynamic asset allocation and quantitative tactical asset allocation. Please refer to Ibbotson's Form ADV Part 2A for a description of the Global Investment Policy Committee.

**The Chartered Financial Analyst (CFA) designation is an international professional certification offered by the CFA Institute. To become a CFA charterholder, candidates must pass three six-hour exams, possess a bachelor's degree, and have 48 months of qualified, professional work experience. CFA charterholders are also obligated to adhere to a strict Code of Ethics and Standards governing their professional conduct. The CFA is a qualification for finance and investment professionals, particularly in the fields of investment management and financial analysis of stocks, bonds and their derivative assets. The program focuses on portfolio management and financial analysis, and provides a general knowledge of other areas of finance.*

***The Certified Financial Professional (CFP®) designation is a professional certification offered by the Certified Financial Planner Board of Standards, Inc. (CFP Board). To become a CFP, candidates must complete an advanced college-level course of study, pass a comprehensive 10-hour exam administered over two days, complete at least three years of full-time financial planning related experience; and agree to be bound by the CFP Board's Standards of Professional Conduct. The program focuses on insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning.*