

## Form ADV Part 2A: Firm Brochure

### Morningstar Investment Services LLC

#### Third-Party Advisory Programs

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## Form ADV Part 2A: Firm Brochure

### Morningstar Investment Services LLC

#### Third-Party Advisory Programs

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*The appropriate audience for delivery of this firm brochure depends on the services we provide to the third-party advisory program as outlined below.*

#### **Morningstar Investment Services as Strategist**

*This firm brochure is meant for delivery to the third-party advisory firm only.*

#### **Morningstar Investment Services as Investment Manager**

*This firm brochure is meant for delivery to the third-party advisory firm and clients of the advisory firm's program.*

This brochure provide information about the qualifications and business practices of Morningstar Investment Services LLC 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 312-696-6000.

The information in our brochures has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Morningstar Investment Services LLC is a registered investment adviser. Registration does not imply a certain level of skill or training.

Additional information about Morningstar Investment Services LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Select Investment Adviser Search in the main menu, and then perform a Firm Search to locate the record for Morningstar Investment Services LLC, CRD No. 112525. All current versions of our brochures are available in the Part 2 Brochures section of this record.

You may also request a copy of our current brochure free of charge by contracting our Compliance Department at 312.696.6000, or by email to [compliance@morningstar.com](mailto:compliance@morningstar.com). In your request, please indicate the name of the company (Morningstar Investment Services LLC) and the service brochure(s) (Morningstar® Managed Portfolios<sup>SM</sup>, Morningstar® Managed Plan Solutions<sup>SM</sup>, Third Party Advisory Programs, and/or Non-ERISA Retirement Plan Services) you are requesting.

#### **Advisory Business**

Morningstar Investment Services LLC ("Morningstar Investment Services", "we", "us" or "our". Where applicable, the terms "we", "us" and "our" also includes "Dual-Hatted Persons" (as defined below)) is a federally registered investment adviser providing investment advisory services since 2001. Morningstar Investment Services is a wholly owned subsidiary of Morningstar Investment Management LLC ("Morningstar Investment Management"). Morningstar Investment Management is a federally 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 Morningstar Investment Services.

Morningstar Investment Services operated under the name Morningstar Investment Services, Inc. and was a wholly owned subsidiary of Morningstar through December 31, 2015. At the close of business on December 31, 2015, Morningstar Investment Services became Morningstar Investment Services LLC and a wholly owned subsidiary of Morningstar Investment Management LLC.

Morningstar Investment Services has filed the appropriate notices to conduct business in all states, the District of Columbia, Puerto Rico and the Virgin Islands. The primary purpose of Morningstar Investment Services' investment adviser operations is to provide discretionary investment advice on portfolios consisting of securities such as open-end mutual funds, exchange-traded funds or equity securities.

As of September 30, 2015, Morningstar Investment Services' assets under management for discretionary accounts totaled \$6, 491,400,000 and for non-discretionary accounts, assets under advisement totaled \$1, 779,100,000.

#### **Third-Party Advisory Programs**

We offer services to advisory programs of third-party financial institutions. The core services of these institutions consist of Morningstar Investment Services offering model portfolios to be used in conjunction with each institution's proprietary advisory program. In most cases, these advisory services involve risk based asset-class and/or investment-specific strategies and the on-going monitoring of such strategies. Model portfolio construction and ongoing monitoring of the model portfolio(s) is provided by investment professional representatives of Morningstar Investment Management that are acting on our behalf ("Dual-Hatted Persons").

We may be an Investment Manager or Strategist to the proprietary advisory program platform (collectively, "Product Sponsor"). In which, we offer portfolio strategies and the identification and selection of the underlying securities based on a universe of investments as defined by the Product Sponsor ("Portfolios"). We may also provide Product Sponsors with rebalancing and reallocating recommendations at the time the asset class and/or the underlying securities should be revisited or adjusted.

We provide both discretionary and non-discretionary services related to the Portfolios. Under discretionary arrangements, we are responsible for selecting and monitoring the asset allocations and underlying holdings of the Portfolios; we may also submit trade instructions to the clearing firm selected by the Product Sponsor for those clients in the Portfolios ("Investment Manager"). Under non-discretionary arrangements, we provide Portfolios as models to the Product Sponsor, in which the third-party advisory firm has discretion over the clients' accounts and may deviate away from our model recommendations ("Strategist"). In both scenarios, we may provide wholesaling and marketing support to the Product Sponsor.

## Fees and Compensation

The current fees charged for these services range from 15–55 basis points (0.15% to 0.55%) and will depend on the complexity involved in providing the Portfolios and additional services (e.g. trading instructions, wholesaling, and marketing support) and is based on the client assets in the selected Portfolio. The proprietary advisory program is responsible for collecting such fees and paying to us a portion of fees. Payment schedules and terms are subject to negotiation.

Please note that our fees noted above do not include the underlying fees and expenses charged by the underlying holdings (e.g., mutual funds) including redemption fees and the fees and expenses charged by the proprietary advisory program or clearing firm (if applicable).

Termination of services and refunds of fees, if any, are governed by the contractual agreement between the parties, which is negotiated on a case-by-case basis.

## 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 the account).

## Types of Clients

We offer services as an Investment Manager or Strategist to advisory programs of third-party financial institutions. The Portfolios are made available to retail investors through their proprietary advisory program.

## Methods of Analysis, Investment Strategies, and Risk of Loss

### *Portfolio Strategies*

Please note that the strategies listed below may not be available under all Product Sponsors.

#### *Mutual Fund Strategies*

**Asset Allocation Series**—A range of Portfolios consisting of mutual funds strategically built to meet different investment time horizons and risk levels (e.g. Conservative to Aggressive Growth).

**Retirement Income Series**—A range of Portfolios consisting of mutual funds that are designed to address different distribution needs and risk tolerances during retirement.

**Focused Allocation Series**—A range of Portfolios consisting of mutual funds that are aligned with a particular investment objective or are concentrated in a certain asset class.

#### *Active/Passive Strategies*

**Active/Passive Series** – A range of asset allocation Portfolios consisting primarily of actively managed mutual funds and index-based exchange-traded funds (“ETFs”) designed to meet given risk levels.

#### *ETF Strategies*

**Asset Allocation Series**—A range of asset allocation Portfolios consisting of ETFs targeting specified risk/reward profiles.

**Dynamic Series**—A range of Portfolios consisting of ETFs, designed to take advantage of market opportunities as they arise.

**Momentum Series** – A range of Portfolios consisting primarily of ETFs with a broad set of asset classes created using research of the effects of investors’ responses to market events.

**Strategic Series** – A range of asset allocation Portfolios consisting primarily of ETFs targeting specified risk/reward profiles.

#### *Select Stock Basket Strategies*

This line-up includes certain Portfolios aligned with a particular investment objective and other Portfolios following a series of quality-centric investing approaches based on Morningstar’s equity research, all consisting primarily of common stocks listed on U.S. stock exchanges.

Asset Allocation Series and Retirement Income Series are designed to achieve diversification across many asset classes to produce the long-term risk and return characteristics that are intended to be appropriate based on the stated goals, risk tolerance and time horizon. This is done by combining quantitative analysis and screening methods with fundamental and qualitative evaluations of investment portfolios and individual investments. Additionally, it is done by evaluating various combinations of securities seeking characteristics that interact in an optimal way with the goal of developing diversified portfolios that offer a long-term stable performance solution within a controlled level of risk.

Portfolios within the Focused Allocation Series are constructed to invest in securities in a narrow capital market segment, such as value, growth, real estate, natural resources or foreign equity segments, or securities which, when combined, are designed to accomplish a specific narrow investment strategy.

Select Stock Basket Strategies are based on Morningstar’s proprietary equity research. This equity research forms the basis of the equity securities underlying the portfolio.

## Security Selection Process/ Due Diligence

Investment methodologies and process used in constructing and maintaining the portfolios, including the tactical and dynamic asset allocation programs are overseen by the Global Investment Policy Committee (“GIPC”) and its working sub-committees. Members of GIPC include investment professionals of Morningstar’s investment management group including certain Dual-Hatted Persons. 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.

In selecting the underlying holdings of a portfolio available, Morningstar databases, subscriptions to a number of outside sources of information and portfolio management tools are used during the process. Other sources are various investment-related periodicals, newsletters, and websites as well as information provided by mutual fund companies and regularly conducted interviews and on-site visits with investment professionals at fund companies.

## Mutual Funds

The mutual fund evaluation process is guided by its proprietary fund rating system, which combines quantitative analysis with a qualitative assessment of a fund’s management team and investment process. The rating represents the overall level of conviction in a fund based on various factors that are deemed important in determining which funds have the best chance of delivering above average risk-adjusted performance in the future. These factors include the following:

**Process** – we strive to identify portfolio managers of asset management firms who employ a disciplined and prudent investment process that has proven to be successful in the past and have executed in a consistent fashion. We favor attributes such as insightful security analysis, a robust valuation discipline, and sound risk management and portfolio construction.

**Parent** – The culture and structure of an asset management firm can have a significant impact on its ability to attract and retain talent and its penchant for serving in the best interests of fund shareholders. Ownership structure of the firm, its organizational stability and financial strength are also taken into consideration as well as asset management portfolio management teams that have shown the tendency to act in the best interests of fund shareholders and where the portfolio managers have made a personal investment in the mutual fund they manage.

**People** – We judge the depth and capabilities of members of the portfolio management team of an asset management firm and the overall stability of the firm.

**Performance** – We strive to identify mutual funds that have shown the ability to deliver solid risk-adjusted performance over time by evaluating performance from several angles and over various time periods including those portfolio managers that have added value over an appropriate benchmark or peer group in a consistent manner.

**Price** – Research indicates that expenses are one of the most important factors in predicting mutual fund performance. While a lower expense ratio is typically better, Morningstar Investment Management puts expenses into the proper context including factors such as the size of the fund, trend in expenses, and investment strategy.

Once the mutual funds we have a high level of conviction in are identified, we then determine what Program portfolio each mutual fund is best suited for and the appropriate allocation. In doing this, we consider how various funds interact with each other in a given portfolio by examining their investment strategies, risk profiles, and holdings overlap. The goal is to construct portfolios that are well-diversified across asset classes, investment styles, and strategies.

### **Exchange-Traded Funds (ETFs)**

Our evaluation of ETFs typically involves four steps. First, evaluate the index that a given ETF tracks, its diversification, and its relevance to the Portfolio's objective. Second, evaluate the ETF's expense ratio and trading costs, typically favoring very low-cost ETFs (in attempt to mitigate the 'drag' such expenses can have on its investment returns). Third, consider the track record of the ETF sponsor concerned as well as the reported performance of the ETF, typically opting for ETF sponsors that have an established track record in the business and a reputation for capably managing the strategies in their line-up. To that end, we will consider how long a sponsor has been operating, as well as salient factors like their success in tracking the benchmark. Fourth and finally, consider the fundamental attractiveness of an ETF's underlying holdings.

The tactical ETF investments can follow several approaches. For ETFs that invest primarily in U.S. stocks, we employ a proprietary valuation approach, whereby the fair value estimates that Morningstar's ETF analysts have placed on ETFs constituent stock holdings are rolled-up. By comparing that aggregate fair value estimate to an ETF's price (similar to the approach we employ when assessing individual stocks), we strive to gauge its fundamental attractiveness. We are typically most bullish on U.S. stock ETFs that are trading at marked discounts to fair value. (This is not to be confused with premiums or discounts to an ETF's net asset value; those premiums and discounts simply reflect the divergence of a stock's market price from the sum-of-the-parts prices of its underlying holdings.)

In addition to this proprietary valuation approach, we will typically compare the aggregate price multiples and growth rates of a stock ETF's holdings with those of other ETFs. We score ETFs based on this research and then rank them on that basis.

Our strategic recommendations in bond and foreign stock ETFs take a different tack, more closely resembling that described above for our mutual fund strategies. Generally speaking, in these cases, we strive to recommend judicious investments in areas that look mispriced based on macroeconomic analysis or other fundamental factors.

### **Stocks**

With respect to Select Stock Basket Strategies, we strive to identify stocks that we believe are most compelling on a risk-adjusted basis. These stocks are derived from approximately 1,400 stocks under coverage by Morningstar.

We focus on stocks that the Morningstar's stock analysts ("Analysts") have identified as trading at marked discounts to the Analysts' estimate of the firm's intrinsic worth. In estimating a firm's intrinsic worth per share, Analysts forecast the cash flows that they believe a business is likely to generate over a multi-year time horizon and discount those cash flows back to the present. The size and durability of those cash flows depends largely on the Analysts' assessment of a firm's competitive standing. The more dominant a firm, the more durably profitable it is likely to remain, and vice versa. Thus, the Analysts tend to place greater worth on

more-entrenched firms that routinely throw-off cash flows and lesser worth on those in commoditized industries that fail to earn back their cost of capital.

The decision to purchase is influenced both by a stock's valuation as well as its risk. Generally speaking, the cheaper a stock's price relative to the Analyst's estimate of its fair value, the more interested we are likely to recommend it. However, we also consider a stock's risk before making a recommendation. Specifically, we look for a steeper discount to the Analyst's fair value estimate for riskier stocks and a smaller discount for less-risky names. In that way, we afford ourselves a margin for error in the event that Analysts' estimate proves too optimistic.

Stocks are generally suggested to be sold in three situations. First, when the stock is no longer attractively valued. This can occur, for instance, when a stock appreciates to a level that approximates the Analysts' fair value estimate. Second, when a company's fundamentals change; for instance, if new information emerges that may negatively impact the firm's fundamentals. Third, when other opportunities emerge such as when another stock whose fundamental merit surpasses that of an existing holding.

### **Investment Risk and Disclosure**

It is important to note that investments in securities (e.g., mutual funds, exchange-traded funds, equity securities) involve risk and will not always be profitable. We cannot guarantee that the results of our recommendations or the objectives of the Portfolio will be achieved. We do not guarantee that negative returns can or will be avoided in our Portfolios. An investment made in a security may differ substantially from its historical performance and as a result, you may incur a loss. Past performance is no guarantee of future results.

Portfolios whose strategies invest in a narrow capital market segment, such as natural resources or foreign equity segments or fixed income segments such as municipal bonds, are designed to accomplish a specific narrow investment strategy and will typically be more sensitive to the volatility of those market segments than an account investing in accordance with a broader asset allocation approach. In addition, investing in a narrow market segment and/or in accordance with a narrow investment strategy typically will mean that the Portfolio pursuant to such a strategy will hold fewer and potentially more concentrated investments than a Portfolio more broadly diversified.

Select Stock Basket Strategy Portfolios will consist primarily of common stocks listed on U.S. stock exchanges, which are a type of equity security that represents an ownership interest in a corporation. Please be aware that common stocks are typically subject to greater fluctuations in market value than other asset classes as a result of such factors as a company's business performance, investor perceptions, stock market trends and general economic conditions.

In addition, Select Stock Basket Strategy recommendations may include American Depositary Receipts ("ADRs") or foreign stocks listed on an U.S. exchange. An ADR is typically created by a U.S. bank and allows U.S. investors to have a position in the foreign company in the form of an ADR. Each ADR represents one or more shares of a foreign stock or a fraction of a share (often referred as the 'ratio'). The certificate, transfer, and settlement practices for ADRs are identical to those for U.S. securities. Generally, the price of the ADR corresponds to the price of the foreign stock in its home market, adjusted for the ratio of ADRs to foreign company shares. There are investment risks associated with ADRs and foreign stocks including, but not limited to, currency exchange-rate, inflationary, and liquidity risks as well as the risk of adverse political, economic and social developments taking place within the underlying issuer's home country. In addition, the underlying issuers of certain ADRs are under no obligation to distribute shareholder communications to ADR holders, or to pass through to them any voting rights with respect to the deposited securities.

ETF Strategy Portfolios will consist primarily of exchange-traded funds ("ETFs") whose investment objective is to track that sector. ETFs are traded on national exchanges and therefore are subject to similar investment risks as common stocks. Additionally, exchange traded funds are subject to such things as:

- The market price of an ETF may be at, above or below its net asset value ("NAV"). The ETF's NAV will fluctuate as a result of changes in the market value of its underlying holdings whereas the market price will fluctuate in accordance with changes in the NAV plus the ETF's market supply and demand.
- An ETF's performance may not be exactly that of its underlying index. This may be due to imperfect matches between the ETF's underlying investments and those of the underlying index. In addition, differences also arise due to the fact that an ETF incurs fees and expenses while its underlying index does not.

### 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 primary business is offering the Morningstar® Managed Portfolios<sup>SM</sup> program ("MMP"). It is an investment advisory program available to individuals and institutions primarily through arrangements we have with various unaffiliated registered investment advisers. MMP includes various strategies consisting of primarily mutual funds, exchange-traded funds, and equity securities. Within MMP, we provide discretionary investment advisory services such as: investing portfolios in a universe of available investments (e.g., mutual funds, exchange-traded funds, equity securities) and rebalancing and/or reallocating the portfolios when deemed necessary. Portfolio construction and ongoing monitoring and maintenance of the portfolios within MMP are provided by Dual-Hatted Persons. The maximum MMP fee typically ranges from 140-165 basis points (1.40% to 1.65%) and is based on assets in our strategies.

As part of the Morningstar Managed Portfolios Program, we also offer Morningstar® Managed Plan Solutions<sup>SM</sup> ("MPS"), a service intended for employers responsible for establishing a participant-directed defined contribution plan and employees of an employer who participate in such a plan. Features within MPS may include providing model asset allocation portfolios, a risk tolerance questionnaire, an investment policy statement, and assistance with the plan's underlying security lineup. The plan, employer, or employee will pay to us an annual basis point fee depending on the services chosen and the complexity involved in providing those services. The fee typically ranges from 12-35 basis points (0.12% to 0.35%) and is based on the services provided and the plan's assets.

We also assist a financial institution with the portfolio composition and relative weight recommendations of a registered security's underlying holdings. The current fee for this service is approximately 20 basis points (0.20%) based on assets of the registered security.

If you would like a copy of our brochures describing Morningstar Investment Services' other services as described above, please follow the instructions on Page 2.

Morningstar Investment Services is also registered as a broker-dealer with the SEC and is a member of the Financial Industry Regulatory Authority ("FINRA"). Our broker registration gives us the ability to receive fees directly or indirectly from those mutual funds whose 12b-1 plans are for distribution only. Therefore, some Morningstar Investment Services' employees maintain the FINRA security licenses required with our broker dealer registration and associated with their current job responsibilities.

Morningstar Investment Services' ultimate parent company, Morningstar, offers various products and services to the public. Some of its clients are service providers (e.g., portfolio managers, advisers, 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 products. 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 product.

In some situations, we may recommend an investment product that holds a position in publicly-traded shares of Morningstar. Such an investment in Morningstar is solely the decision of the investment product's portfolio manager. We have no input into a portfolio manager's investment decision nor do we require that the investment products we recommend own shares of Morningstar. An investment product'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. If an additional fee for such products or services by Morningstar or its affiliates is required, it will be set forth in the client advisory agreement. In these situations, clients may pay a fee directly to Morningstar or each such affiliate for its products or services, or as part of a joint fee schedule which encompasses all 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 Investment Investment LLC, a registered investment adviser and our parent company, HelloWallet, LLC, an employee financial wellness program and subsidiary of Morningstar, and ByAllAccounts, an account and data aggregation service and subsidiary of Morningstar. In these arrangements, we may be compensated by our affiliate or the affiliate's client.

In addition to the U.S.-based affiliates described above, Morningstar is a direct or indirect owner of a number of other investment adviser entities located in other countries. In some cases, members of our senior management may have some management responsibilities to these other affiliated entities. We do not believe that these management responsibilities create any material conflicts of interests for our clients. A current list of all of our investment adviser affiliates can be found in our Form ADV Part 1, which can be obtained at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov), as described on Page 2 of this Brochure.



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

Morningstar offer equity research services to institutional investors (e.g., portfolio managers). The goal of the service is to provide the institutional investor with insightful equity research services. Through a contractual arrangement with Morningstar, we intend to use this research service as a basis for making recommendations for certain Portfolios. The services provided to us are based on Morningstar's documented methodology and/or standard process for researching, analyzing, and ranking common stocks. To mitigate conflicts this arrangement may present, we do not allow Morningstar to have direct involvement in our recommendations, and we pay Morningstar, Inc. for this equity research service.

Morningstar Investment Management is a sub-advisor to certain registered fund-of-funds. To mitigate any conflicts of interest, those registered fund-of-funds will not be recommended for inclusion in any of the portfolios available.

From time to time, Advisory Firms may request that we pay to sponsor a marketing event or provide marketing support as it relates to our services. These requests are reviewed on a case-by-case basis. For marketing events, such monetary support will typically be provided if one or more individuals will be attending on our behalf, including being a speaker, and/or is provided booth space.

Periodically, we will host regional meetings for Financial Advisors with the main purpose of providing education. There may be situations in which we will ask a person representing a fund company, that one or more of their funds are included or recommended in our portfolios, to speak on various topics unrelated to specific securities.

#### **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. All access persons are subject to this Code of Ethics. "Access persons" includes our officers and employees, and any officer or employee of our affiliates who makes or participates in investment recommendations to clients; or who has the ability to access a client's nonpublic information, including a client's security holdings or investment recommendations a client has received or will receive. 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 all access persons. A copy of our Code of Ethics is available to existing and prospective clients by sending 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 access persons 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 access persons' 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 access persons' personal trading activities will not interfere with our clients' interests, while allowing our access persons 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 access persons from trading on the basis of material non-public information. Access persons 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. Our Compliance Department monitors the activities in their personal accounts on an ongoing basis.

#### **Brokerage Practices**

Our trade instructions and/or recommendations are communicated to the Product Sponsor or the clearing firm designated by the Product Sponsor in a reasonable time frame following when the final trade instructions and/or recommendations are made by us.

We do not receive compensation, research, or soft dollar benefits from the clearing firm selected by the Product Sponsor nor are we and the clearing firm affiliated.

*Arrangements where we act as an Investment Manager* — We, at our discretion, may aggregate purchase or sale orders for your account with purchase and sale orders for the same security for other clients' accounts we have been granted discretionary authority over. This aggregation is intended to facilitate the trade execution process and is designed so that no one client or group of clients is favored over another. Clients will receive the security's average share price for that order in accordance with the clearing and custody firm's policy. When faced with a security with limited supply or demand, we intend to allocate among clients on a pro-rata basis. We may, depending on the circumstances, increase or decrease the amount of securities allotted to each client by applying de minimis standards (e.g., avoid odd-lot or small number of securities for a client), or some other equitable manner. Allocations generally are made prior to or at the time of execution. Subsequent allocations may be made in unusual circumstances such as, but not limited to, recognition of new account restrictions or availability of cash.

#### **Review of Accounts**

In most cases, the third-party financial institution is responsible for periodically reviewing client accounts including suitability.

#### **Client Referrals and Other Compensation**

Situations may arise in which others may introduce accounts to us or solicit clients for us. In those cases, we will enter into a written agreement with the solicitor that complies with the "Cash Solicitation Rule" (Rule 206(4)-3) under the Investment Advisers Act of 1940, as amended. The agreement will identify the specific percentage of the annual fee to be shared with the solicitor commensurate with the degree of effort and assistance provided. Our fee charged to clients will not be affected if they were introduced or referred by a solicitor.

#### **Custody**

We do not maintain custody for client funds or securities. Statements regarding client accounts are sent by the qualified custodian.

#### **Investment Discretion**

In the course of its business relationships with financial institutions; we may maintain investment discretion.

#### **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 advisors who have proxy voting authority with respect to securities held in their clients' accounts. These requirements are:

- Adopt and implement written policies and procedures that are reasonably designed to ensure that we vote in the best interest of their clients which procedures must include how to address material conflicts that may arise between our interests and those of our clients;
- Disclose to clients how they may obtain information about how proxies were voted with respect to their securities; and
- Describe to clients our proxy voting policies and procedures and, upon request, furnish a copy of the policies and procedures.

If applicable, we will vote proxies on those securities underlying your Portfolio unless you elect otherwise, as indicated in your client agreement with the third-party advisor firm.

*Proxy Voting Committee*—In efforts to mitigate conflicts of interest, we have in place a Proxy Voting Committee (“Committee”). This Committee consists of both non-voting and voting members (collectively, “Committee Members”). Committee Members include the Compliance Officer (or appointed designee), Director of Operations (or its equivalent) and members of the investment team. The Committee is responsible for tasks such as:

- Developing, implementing and updating policy and procedures intended to ensure voting of proxies is conducted in a manner that is in the best interests of its clients;
- Assessing whether proxy voting should be internally, externally by a third-party vendor, or a combination of the two;
- Overseeing the third-party vendor, when applicable;
- Making voting decisions and ensuring votes are cast on time, when applicable;
- Maintaining documents material to the voting decision; and
- Implementing appropriate proxy voting disclosures and maintaining records of all communications received from clients requesting information on how proxies were voted and our responses.

*Proxy Voting Process*—A Committee Member receives proxy statement notifications from an independent third-party vendor when a proxy statement has been issued on a security that currently underlies a Program portfolio. This third party vendor may provide additional services such as providing us with the corporate governance voting recommendations, vote submission on our behalf, and access to e-ballot and meeting information.

In instances in which we do not rely on a third party vendor, the vote will be determined on a case-by-case basis. Upon receiving a proxy statement the investment team member with the primary oversight responsibility for the security will review the proxy statement and make a recommendation to the Committee.

The voting 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 voting Committee Members agree with the recommendation, the proxy will be voted in that manner. If there is not a super-majority, the Committee will hold a meeting to discuss the proxy and reach a resolution.

#### *How you can Obtain Proxy Voting Information*

At anytime you may request information on how we voted proxies and/or request a copy of our proxy voting policies and procedures. Requests can be submitted by:

- Calling 877-626-3227
- Sending an e-mail to [mis@morningstar.com](mailto:mis@morningstar.com), Subject Line: Proxy Voting Information
- Writing: Morningstar Investment Services LLC at 22 West Washington Street, Chicago, IL 60602 ATTN: Chief Compliance Officer

#### **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.