



## Morningstar Investment Management LLC Form ADV Part 2A: Firm Brochure

### Retirement Plan Services for Individuals

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March 28, 2017

**This brochure provides information about the qualifications and business practices of Morningstar Investment Management LLC. If you have any questions about the contents of this brochure, please contact us at 312.696.6000 or send an email to [compliance@morningstar.com](mailto:compliance@morningstar.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.**

**Additional information about Morningstar Investment Management LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Morningstar Investment Management LLC is registered with the SEC as a Registered Investment Adviser. Registration with the SEC does not imply a certain level of skill or training.**

All current versions of our firm brochures are available in the Part 2 Brochures section of this record on the SEC's website. You may also request a copy of our current brochure free of charge by contacting 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 Management) and the service brochure(s) (Retirement Plan Services for Individuals or Institutional Advisory Services) you are requesting.

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### Item 4. Advisory Business

#### Firm Information

Morningstar Investment Management LLC ("Morningstar Investment Management", "we", "our" or "us") is a Delaware limited liability company that was incorporated in 1999. Morningstar Investment Management is a wholly owned subsidiary of Morningstar, Inc. ("Morningstar"). Morningstar is a publicly traded company (Nasdaq Ticker: MORN) with Mr. Joseph Mansueto, Executive Chairman of Morningstar, holding more than 50% of Morningstar's outstanding shares. Because of that ownership, Mr. Mansueto is an indirect owner of Morningstar Investment Management.

Morningstar Investment Management is registered with the SEC under Section 203(c) of the Investment Advisers Act of 1940, as amended ("Advisers Act").

Morningstar Investment Management has filed the appropriate notices to conduct business in all 50 states, the District of Columbia, and the Commonwealth of Puerto Rico.

Morningstar Investment Management is part of Morningstar's Investment Management group, a global investment team composed of more than 100 investment analysts, portfolio managers, and other professionals. The Investment Management group consists of Morningstar's subsidiaries that are authorized in the appropriate jurisdiction to provide investment management and advisory services. The Investment Management group's investment and operations teams span the globe, with 10 country offices and primary offices in Chicago, London, and Sydney.

This brochure focuses on the services we provide to individual participants invested in employer-sponsored retirement plans. You may obtain a copy of our brochure describing our products and services in our core capabilities of asset allocation, investment selection, and portfolio construction that we offer to institutions such as asset management firms, insurance companies, investment companies, investment fiduciaries, plan sponsors of retirement plans, plan providers of retirement plan services, and other business entities by following the instructions above.

#### Advisory Services We Offer – Morningstar® Retirement Manager<sup>SM</sup>

Morningstar Investment Management offers Morningstar® Retirement Manager<sup>SM</sup>, an advice and managed accounts program designed to help retirement plan participants make better decisions about investing in their employer-sponsored retirement accounts. This service is intended for citizens or legal residents of the United States or its territories and is offered through a retirement plan's sponsor. Plan sponsors can choose to offer their participants one service option or bundle them together.

Our advisory services are built on several fundamental principles:

***Personalized.*** Our primary objective is to help you achieve a sustainable retirement income by furnishing you with a personalized strategy on asset allocation and investments. We tailor our strategy to your specific circumstances, including financial situation, future retirement goals, and risk capacity (the amount of risk you may want to take to help reach your goals).

***Goals-Based.*** We recognize that a prudent strategy must be built in relation to specific goals, and we help you define those goals and develop a strategy aimed at reaching them.

***Diversified.*** While no investment strategy can ensure a profit or protect against a loss, diversifying your investments is a bedrock principle to help ensure the long-term safety of capital. Our proprietary approach diversifies you across asset classes, as well as investment sectors and styles.

***Conservative.*** Our risk-based approach is designed to reduce the likelihood of significant losses in volatile markets. The assumptions we make about portfolio returns in our projections emphasize disciplined saving and investing rather than outsized capital market returns.

***Forward-Looking.*** Rather than relying only on historical data (which may not have any relevance to future conditions), we incorporate forward-looking estimates for assumptions about investment returns and performance behavior.

***Institutional-Quality.*** All components of Morningstar Retirement Manager are based on factors generally used by professional money managers and adapted to the needs of the individual investor.

### Managed Accounts

Under our Managed Accounts service, you give us responsibility for managing your employer-sponsored retirement account. You may enroll in the Managed by Morningstar service online, by completing a paper enrollment form, or by telephone. After creating your personal investment strategy, we then select investment options appropriate for your strategy using the investment options that are available within your plan, as defined by your plan provider or plan sponsor. We send transaction instructions to your plan provider or plan administrator to implement our recommended retirement strategy in your plan account. You may terminate the Managed Accounts service at any time without penalty.

### Advice/Guidance

Under our Advice and Guidance service, we provide information designed to help you make your own investment choices regarding your retirement account assets. Your plan sponsor or plan provider selects whether Advice or Guidance is available to you. You may obtain the Advice or Guidance service online or by telephone.

After creating your personal investment strategy, we will recommend investments appropriate for you using the investment options available within your plan, as defined by your plan provider or plan sponsor. With the Guidance service, we do not provide specific investment recommendations.

The Advice service is a point-in-time recommendation and our advisory relationship with you ends once we provide you with our recommendations. You may return to the Advice service to receive new recommendations at any time.

### Data and Related Assumptions

While Morningstar Retirement Manager is a powerful program for evaluating your goals, the appropriateness of our advice is dependent on the personal information we receive from you, your employer, and your account administrator. While we strive to provide the most accurate and timely economic forecast and financial information, we depend on you to provide the most accurate assessment of your financial status and goals. We will collect relevant personal and financial data about you (and, if applicable, your spouse or partner) that may include your age, retirement income goal, state of residence, retirement account balance, projected or actual social security amount, any outstanding loans from your retirement plan, balances of any other investment accounts intended for retirement, expected pensions, and balances in company stock. This information is collected in order to personalize the advice you receive.

Morningstar Investment Management makes assumptions about certain pieces of information that have a significant impact on the strategy we will create for you. In particular, these assumptions relate to inflation rates, retirement income goals, federal/state/capital gains/others taxes and your risk capacity, social security amounts (if you are not yet retired), and salary growth.

### Your Strategy

Once we've received your relevant data, we will propose an investment strategy based on your personal and financial situation, using the information you and/or your plan sponsor provided to us. This strategy may include a retirement income goal, a recommended saving level and retirement age designed to help you meet that goal, and recommend asset allocation targets.

Morningstar investment Management uses a concept called human capital to determine your risk capacity. This helps us determine an appropriate target risk level for your retirement portfolio by considering your risk exposure in the retirement accounts you've told us about. Our human capital methodology accounts for your financial capital (total saved assets and tradeable assets such as stocks and bonds) as well as your human capital (future earnings and savings potential). Using this methodology, we assign a target risk level based on your total economic worth.

Your strategy considers the following items when building a target equity allocation for your employer-sponsored retirement account, but they are restricted from our investment selection process: outside investment accounts you own, assets

designated as "restricted" or "frozen" by your employer, assets you have chosen to retain in company stock, funds affiliated with Morningstar or its subsidiaries, or custom funds created specifically for your plan.

### Investment Restrictions

If you choose, you may ask us to exclude specific investment options from our recommendations. However, if your requested restrictions prevent us from building an adequately diversified portfolio, you will need to remove some restrictions or you may be prevented from using the Managed Accounts or Advice service.

### In-Retirement

Some plan providers may also extend the Managed Accounts or Advice service to plan participants who are approaching retirement or are in retirement. If your plan provider offers this service and you meet the retirement criteria established by your plan provider, your investment strategy may include a suggested amount that you can withdraw while striving to maintain income throughout retirement. It may also include information about allocating a portion of your account balance for the purchase of an annuity or other guaranteed income product.

### Company Stock Strategy

We believe that holding the stock of your employer greatly increases your portfolio risk, particularly in large concentrations. Prudent financial planning principles hold that any significant investment in a single stock creates a non-diversified situation in your portfolio with greater risk of investment losses. If your defined contribution plan includes your company's stock as an investment option, and if you have a portion of your retirement account allocated to your company's stock upon enrolling in the Managed Accounts or Advice service, we will recommend that you do not make additional investments in the company stock. Unless your company stock holdings are restricted due to a plan provision or a restriction imposed by your plan sponsor, at your direction we will decrease your allocation in your company's stock down to zero, using the strategy outlined in your advisory agreement. You have the option to retain all or a portion of the company stock. If you choose to retain your investment in the company stock, we will not be responsible for that portion of your retirement plan account, although we take it into consideration when creating your investment strategy.

### Brokerage Account

Some plans may allow participants to maintain a brokerage account within the plan. If your plan allows this option, you will be responsible for managing and monitoring those assets. We do not manage brokerage account assets; however, if you provide us with detailed information on the holdings within the brokerage account, our methodology will consider these holdings in developing an appropriate investment strategy for your retirement plan account assets. If you do not provide detailed information, our methodology will assume that the balance in the brokerage account is 45% stocks and 55% fixed income.

### Account Review

Under our Managed Accounts service, the holdings in your plan account are typically reviewed on a quarterly basis. If necessary, we will send transaction instructions to your plan provider or plan administrator to rebalance or reallocate your account. However, please note that your plan provider or plan administrator may not be able to process rebalancing transactions if any investment option in your plan account has any restriction (e.g., equity wash restriction) at the time the rebalancing transaction instruction is received by the plan provider or plan administrator. In addition, rebalancing transaction instructions may be rejected if any data validation error exists on your account. In these instances, we will work with your plan provider or plan administrator to resolve any issues and to rebalance your account as quickly as possible. In some cases, your account may not be rebalanced until the next quarterly review period when all restrictions have been lifted and/or data validation errors have been corrected.

Under the Advice and Guidance services, we do not monitor, review or update our recommendations or projections on an ongoing basis. In addition, the Advice and

Guidance services do not monitor or review the actual investment decisions that you make.

#### *Account Reports*

If you are enrolled in the Managed Accounts service, periodically you will receive progress reports reflecting your progress toward your retirement goals and other information regarding your investments. Typically, these reports are available electronically through our website on a quarterly basis, and are mailed in paper form to your address on record on an annual basis. We do not provide progress reports for Advice or Guidance users.

#### *Personalized Strategy Report*

On an annual basis, plan participants eligible for but not currently enrolled in the Managed Accounts service may receive a Personalized Strategy Report. Using data provided by your plan sponsor or plan administrator, we outline a retirement strategy that may be appropriate for you. If your plan sponsor or plan administrator provides your salary and contribution rate information to us, your Personalized Strategy Report may also include an analysis of your retirement income outlook. If you wish to use the Managed Accounts service, this report provides you with instructions on how to enroll.

#### **Customized Services**

We provide advice based on the investment options (e.g. mutual funds, including money market funds and stable value funds, variable annuities, and/or exchange-traded funds) available in your plan, as defined by your plan provider or plan sponsor. Our selections are based on qualitative factors and quantitative analysis in addition to the judgment of our analysts.

#### **Wrap Fee Programs**

We do not sponsor a wrap fee program, but we do provide portfolio management services to a wrap fee program offered by our subsidiary, Morningstar Investment Services LLC.

#### **Assets Under Management**

As of December 31, 2016, the discretionary assets under management for Morningstar Investment Management (rounded to the nearest \$100,000) were:

Retirement Services to Individuals:	\$46,888,500,000
Investment Management Services to Institutional Clients:	\$17,976,700,000

The non-discretionary assets under advisement for Morningstar Investment Management (rounded to the nearest \$100,000) were \$110,814,100,000.

## **Item 5. Fees and Compensation**

### **Fees and Compensation**

Our Morningstar<sup>SM</sup> Retirement Manager fees are generally negotiated by your plan provider or plan sponsor. The actual fees depend on a range of variables including the service used and plan asset amount. In some cases, your fees may be paid by your plan sponsor or plan provider. To view your specific fee schedule and method of paying those fees, you can access your account through our website or consult with your plan sponsor, recordkeeper, or service provider for more information or if you have questions. You may terminate your advisory relationship with us at any time without penalty.

#### *Managed Accounts*

For our Managed Accounts service, your account will be charged a fee based on the assets in your retirement plan account that we manage. This fee is expressed in "basis points." A basis point is equivalent to 0.01%; 100 basis points is equivalent to 1%. Our fee is generally less than 100 basis points of your account, and typically ranges from 5 to 50 basis points annually. For example, if your account balance is around \$50,000, your annual fee would be less than \$500. This fee is typically charged quarterly in arrears by applying the basis point rate to the average assets in

your retirement plan account during the quarter. In some cases, your plan provider may charge an annual administrative user fee. Please check with your plan sponsor or plan provider for specific fee information for your plan.

#### *Advice/Guidance*

We do not charge you a fee to use our Advice or Guidance service. However, in some cases, your plan provider may charge an annual administrative user fee. Please check with your plan sponsor or plan provider for specific fee information for your plan.

#### **Payment**

For our Managed Account service, your plan provider will debit our fee from your plan account and remit that fee to us.

#### **Other Costs in Connection with Our Advisory Services**

Our fees are separate from fees and expenses charged by the investment options or fees that may be charged by a third party, such as your plan provider or recordkeeper. The investment options' fees and expenses are described in the prospectus or equivalent. These fees will generally include a management fee, other investment expenses, and possibly a distribution fee (e.g. 12b-1). In some cases, an investment option may also charge an initial or deferred sales charge. Neither Morningstar Investment Management nor any of our employees receive transaction-based compensation for the investment recommendations we make. You may incur custodian, brokerage, and other transaction costs from third parties. Your plan provider or recordkeeper can provide you with specific fee information for your plan.

You may have the option to purchase investment products we recommend or similar services through other investment advisers or financial professionals not affiliated with us.

#### **Fees Charged in Advance**

Our services may be terminated without penalty at any time as outlined in the contractual agreement between Morningstar Investment Management and you. Upon termination, any earned, unpaid fees by you are due and payable. If, in accordance with contractual terms, you terminate your contract prior to the end of the billing period, we may refund any unearned fees on a pro rata basis after the termination of the contract.

#### **Compensation from Sales of Securities**

We do not expect, accept or receive compensation for the sales of securities, including asset-based sales charges or service fees from the sale of open-end mutual funds.

#### **Revenue Sharing Arrangements**

We do not have any revenue sharing arrangements with any registered investment advisers or mutual funds.

## **Item 6. Performance Based Fees and Side-by-Side Management**

We do not have performance-based fee arrangements (fees based on a share of capital gains or on capital appreciation of the assets in your account) with any qualified client pursuant to Rule 205-3 under the Advisers Act. Therefore, we do not manage any performance-based fee accounts side-by-side with non-performance based fee accounts.

## **Item 7. Types of Clients**

In addition to the retirement plan services for individuals described in this brochure, we also provide investment advisory services to institutional clients such as banking institutions, financial institutions, investment companies, pension or profit sharing plans, third-party advisory programs or other business entities. If you would like a

copy of our brochure describing these services, please follow the instructions on page 1 of this brochure to access the SEC website.

The Managed Account, Advice and Guidance services are only available to individuals with retirement accounts, such as an account within a defined contribution plan or an IRA. We do not require a minimum account balance to use our services, and we generally do not impose any other conditions on your use of our services.

## Item 8. Methods of Analysis, Investment Strategies, and Risk of Loss

### Investment Philosophy

Morningstar Investment Management group's investment philosophy is driven by the investment principles that are promoted throughout our organization. The principles are intended to guide our thinking, behavior and decision making. These principles have been inspired by a number of the most experienced and successful investors in the last century. These principles also reflect and align with the history and foundation of Morningstar. The investment principles are:

- We put investors first
- We're independent-minded
- We invest for the long term
- We're valuation-driven investors
- We take a fundamental approach
- We strive to minimize costs
- We build portfolios holistically

### Global Investment Policy Committee

The Investment Management group's Global Investment Policy Committee and its regional governance bodies are responsible for oversight of the investment methodologies across all our products and services. Members of the Investment Policy Committee may include officers, chief investment officers, managing directors, or managers of Morningstar Investment Management or its affiliates. The regional governance bodies include regional investment policy committees, asset allocation committees, manager selection committees and portfolio construction (peer review) committees. Global best practice working groups also exist with the goal of sharing methodologies and research across regions. These groups focus on specific investment areas such as valuation models driven by our capital markets research and methodologies used for asset allocation, manager selection, portfolio construction for different investment strategies and advice.

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

### Analysis Methods

In providing our advisory services, we review available quantitative data to analyze and screen the investment options within a plan. For our Managed Accounts service, we also apply qualitative analysis by our investment professionals, such as evaluations of investment managers, portfolios and individual investments. We combine this information with other factors—including actuarial data, stock market exposure, probability analysis, and mean-variance optimization—into a proprietary software program to analyze a complex set of market data and variables. The result is an advanced model that can provide investment recommendations and a projection of different outcomes. Using this model, we develop an investment strategy tailored to your investment goals, as described below.

In creating your strategy, the more information you provide to us, the better the investment solution we are able to deliver. We collect information your plan provider is able to provide to us and ask you to provide any additional data that wasn't available from your plan provider. Through our website or over the phone,

you will be presented with an initial strategy as a starting point. You can model many scenarios by changing your retirement age, desired retirement income, and savings rate. We will update your retirement strategy in real time to reflect any change you make. We also encourage you to provide additional retirement account information such as assets you hold outside your retirement plan account or benefits for you or your spouse/partner in order to further personalize the recommendations. We do not provide advice or guidance on outside assets, but will take those into consideration when determining the investment strategy for your retirement plan account assets.

We start with all of the available information we receive from your plan provider and/or you and then make assumptions about certain pieces of information. You have the ability to review and refine some of these assumed data points through our website or over the phone. These assumptions can have a significant impact on the strategies we create for you and are related to social security income, salary growth, inflation rates, retirement income goal, and risk capacity. We combine this information with other factors into a proprietary software program that can provide investment recommendations and a projection of different outcomes. Using this model, we develop an investment strategy tailored to your investment goals.

*Investment Strategy.* If you are accumulating for retirement savings, our investment strategy is generally based on information such as your retirement account balance, expected retirement age, contribution rate and other preferences you may have. If you have already retired, and if your plan provider offers the In-Retirement services described above, our strategy is based on information such as your current account balance, additional cash flows and life expectancy. This retirement strategy may include some or all of the following:

#### *Retirement Income Goal (accumulation phase)*

We define your retirement income goal as the projected amount of money that you will need during retirement to live comfortably throughout retirement. We calculate this amount based on your current income, adjusted to reflect the estimated dollar value at your retirement age. Typically, we use an amount equal to 100% of your take-home pay (although some plan providers may request a different rate, e.g., 80% of your gross pay), and then project the value of that amount at your retirement age to determine your retirement income goal. You have the option to change this projected retirement income amount.

#### *Income Outlook (accumulation phase)*

We define the income outlook as a projection of the annual income that you may receive during retirement. We base this on an annualized view of the investment wealth you accumulate, combined with social security benefits and any pension or other income you might receive.

#### *Total Retirement Income (in-retirement phase)*

If your plan provider offers the In-Retirement services described above, we define your total retirement income as the projected amount of money, typically at some level of probability that you can expect to receive on an annual basis in order to maintain income throughout retirement.

**IMPORTANT:** When we determine the income projections described above, these projections are based on hypothetical performance data and do not represent actual or guaranteed results. Your projections may vary over time with each additional use of our service.

We believe in creating a customized long-term asset allocation based on your risk capacity. Changes in your financial situation, such as the addition of outside retirement accounts, pension benefits, or contribution rates, may result in a change to your asset allocation. In addition, changes to your personal situation, such as the addition of a spouse or partner or a different retirement age, could also impact your asset allocation. We encourage you to update the information you have on file with us in such events, so that we can update your asset allocation accordingly. If you use our Managed Account service, we will typically review portfolios on a quarterly

basis to determine if market shifts require us to rebalance your account. On an annual basis, we will re-run our analysis of your future wealth forecast. If you use our Advice service, we encourage you to re-enter our website on a periodic or as-needed basis, in order to review your information and receive an updated strategy. At a minimum, we recommend that you receive an updated strategy on an annual basis.

## Key Assumptions

### *Social Security*

We can incorporate Social Security for you and if applicable, your spouse/partner, using an estimate based on your current salary or a number you input from your Social Security statement. Social Security payments are inflated using a simulated cost-of-living allowance designed to replicate the actual Social Security Administration ("SSA") formulas and are applied at the maximum benefit age as defined by the SSA. We account for reduction in payments while working in retirement, increases in benefits for the spouse 50% rule and increased benefits for the surviving spouse 100% rule. The program assumes you complete all applications required to collect the maximum benefit. We also take Social Security into consideration while analyzing income replacement. We default to the age at which you will receive full benefits from the SSA, but you can adjust the benefit amount and start age if desired, however, the start age must be between 62 and 70.

### *Salary Growth*

To estimate future salary, we use a salary growth curve based on academic research rather than assuming a single, fixed growth rate. This curve takes into account the fact that salaries tend to grow most rapidly for young employees, peak around age 51, and then slightly decline later in life.

### *Retirement Age*

We assume a default retirement age of 67, or your current age plus one year if you are older than 67. You have the option to change this to a different retirement age.

### *Estimated Tax*

We estimate federal and state income, and capital gains taxes based on marginal tax rate calculations. Tax data is updated annually based on U.S. Internal Revenue Code (IRC) and similar state tax data. We use income data for you, as well as for your spouse/partner, if applicable, to estimate federal and state tax exposure. Tax exposure is appropriately reduced for pretax deferrals, tax-deferred capital gains, and yield and distribution of Roth proceeds. Based on the information we know about you, we provide an estimate of tax exposure, but may not include all tax considerations. Our recommendations are made without taking into consideration potential tax consequences and we do not provide tax advice. Potential tax consequences may exist. We encourage you to consult with a tax professional about these and other tax consequences.

### *Inflation Assumptions*

When projecting the growth of various income sources and expenses, we use a variety of different inflation rates. These rates are reviewed and updated annually by our research team. Different inflation rates are used for different projections and major expenses. We believe that our multifaceted approach to calculating inflation results in more realistic and more accurate projections compared with using one set rate.

### *IRS Limitations and Application of Penalties*

We incorporate all IRS contribution limits, eligibility requirements, and withdrawal penalties into the retirement strategies.

## Risk of Loss and Strategy Risk

We determine a risk strategy for you based on several factors, such as your current age and time until retirement, gender, salary, total current wealth, deferral rate, and retirement goals. If you have retired or are approaching retirement, and if you have the opportunity to purchase an annuity, the risk strategy also considers your longevity and liquidity needs. Your risk level corresponds to an asset mix, or the

combination of stocks, bonds and cash, that will serve as the basis for our recommendations of specific funds appropriate for you.

You should remember that investments in securities involve market risk, risk of loss, and other risks, and will not always be profitable. We do not guarantee that the intended objectives of our recommendations will result in achieving your retirement income goal. We cannot guarantee that negative returns can or will be avoided in any of our recommendations. We do not represent or guarantee that our investment recommendations can or will predict future results, will successfully identify market highs or lows, or will result in a profit or protect clients from loss. An investment's future performance may differ substantially from its historical performance and is no indication of future performance. A security's investment return and an investor's principal value will fluctuate so that, when redeemed, an investor's shares may be worth more or less than their original cost. We are unable to predict or forecast market fluctuations or other uncertainties that may affect the value of any investment.

Our investment strategy is intended to provide you with an investment portfolio that is diversified across various asset classes and appropriate based on your facts and circumstances. 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 ensure a profit and do not guarantee against losses.

Capital market assumptions are forecasts which involve known and unknown risks, uncertainties, and other factors which may cause the actual results to differ materially and/or substantially from any future results, performance, or achievements expressed or implied by those projections for any reason. Past performance does not guarantee future results.

Income projections used in our Advices and Morningstar Retirement Manager services are based on hypothetical performance data and do not represent actual or guaranteed results. Projections may vary over time and with each use of our service.

## Information Sources

Our global resources used in the formulation of our advisory services go down to our roots—the data and analysis from Morningstar, Inc. that form the base of our investment process. This expansive, in-house network of global data and investment analysis spans asset classes and regions to help drive timely new ideas. More than 300-plus analysts of Morningstar or its affiliates cover more than 500,000 investment options. The extensive data, analysis, and methodologies from these resources, along with external research reports, data, and interviews with investment managers are combined with financial publications, annual reports, prospectuses, press releases, and SEC filings to serve as the basis of our primary sources of information.

For some of our services, we combine this information with other factors—including actuarial data, stock market exposure, probability analysis, and mean-variance optimization—into a proprietary software program to analyze a complex set of market data and variables that results in an advanced model that can provide investment recommendations and a projection of different outcomes.

## Security Type Risks

### *Mutual Funds*

Investments in mutual funds involve risk, including loss of principal as a result of changing market and economic conditions and will not always be profitable.

### *Money Market Funds*

A money market fund may impose a fee upon the sale of shares or may temporarily suspend your ability to sell shares if the fund's liquidity falls below required minimum because of market conditions or other factors. An investment in a money-market vehicle is not insured or guaranteed by the Federal Deposit Insurance

Corporation ("FDIC") or any other government agency. For most money market funds, their sponsor has no legal obligation to provide financial support to the fund, and you should not expect that the sponsor will provide financial support to the fund at any time. Although some money market funds seek to preserve the value of your investment at \$1.00 per share, it cannot guarantee it will do so. It is possible to lose money by investing in money market funds.

#### *Stable Value Funds and Guaranteed Investment Contracts ("GICs")*

The interest rate on a stable value fund or GIC is typically only guaranteed for a certain amount of time and may vary with changing market conditions. Withdrawal fees or penalties, sometimes substantial, may be charged if you decided to move money out of a stable value fund or GIC. Stable value funds and GICs are less likely to provide long-term protection against inflation, as compared to other options.

#### *Exchange-traded Funds*

ETFs, like all investments, carry certain risks that may adversely affect their net asset value, market price, and/or performance. An ETF's net asset value (NAV) will fluctuate in response to market activity. Because ETFs are traded throughout the day and the price is determined by market forces, the market price you pay for an ETF may be more or less than the NAV. Because ETFs are not actively managed, their value may be affected by a general decline in the U.S. market segments relating to their underlying indexes. Similarly, an imperfect match between an ETF's holdings and those of its underlying index may cause its performance to not match the performance of its underlying index. Like other concentrated investments, an ETF with concentrated holdings may be more vulnerable to specific economic, political, or regulatory events than an ETF that mirrors the general U.S. market.

**Annuities.** An annuity is a tax-deferred investment structured to convert a sum of money into a series of payments over time. Annuity contracts have limitations and are not viewed as short-term liquid investments. An insurance company's fulfillment of a commitment to pay a death or living benefit, a schedule of payments, a fixed investment amount guaranteed by the insurance company, or another form of guarantee depends on the claims-paying ability of the issuing insurance company. Any such guarantee does not affect or apply to the investment return or principal value of the separate account and its subaccount. Annuities often have surrender charges, which can be substantial, in the event you need to withdraw your investment early. Annuities can be complicated and an investor should carefully read the insurance company's offering material to understand how a specific annuity's return will be determined. Variable Annuities have a rate of return that varies with underlying investment options in the market, and do not include a guarantee from the insurance company that you will earn a return. Variable annuities typically have high fees and expenses, sales charges, surrender charges, and early withdrawal penalties.

#### **Methodology Updates**

Our capital market assumptions, asset allocation, and advice methodology committees all meet monthly. These committees have oversight for their respective areas of expertise. If any of these committees makes an adjustment, the changes are thoroughly reviewed and tested before being implemented. These changes are manifested in participant portfolios through expected future returns, and asset allocations. Capital market assumptions are updated on an annual basis. We also update our methodologies with updated tax limits on an annual basis. Asset allocation and advice methodologies are updated when there is a regulatory change that requires an update or when research we have completed warrants enhancing our asset allocation process or advice methodology.

### **Item 9. Disciplinary Information**

We are required to disclose all material facts regarding any legal or disciplinary events that would influence a potential client to engage us. We do not have any material legal or disciplinary events to disclose.

### **Item 10. Other Financial Industry Activities and Affiliations**

Morningstar Investment Management is a wholly-owned subsidiary of Morningstar. Our offerings center around advisory services in our core capabilities of asset allocation, investment selection, and portfolio construction that we offer to individual investors (advice and managed accounts services to retirement plan participants) and institutions (including the services described in this brochure.)

Our portfolio managers and their team members who are responsible for the day-to-day management of our portfolios are paid a base salary plus a discretionary bonus. The discretionary bonus is based in part on the investment performance of select portfolios over three-, five-, and seven-year time periods, and in part on Morningstar's overall annual revenue and profitability, and the individual's contribution to the business unit. Benchmarks are used as a measure of investment performance, and are chosen by senior personnel and approved by the Global Investment Policy Committee's Regional Investment Policy Committee. To mitigate the conflict of interest that could arise from partially basing an employee's bonus on performance of a select portfolio or portfolios, all investment decisions made within a portfolio must be peer reviewed by a regional governance body within the Regional Investment Policy Committee, which includes asset allocation committees, manager selection committees, and portfolio construction (peer review) committees.

For many of our advisory services, the universe of investment options from which we make our investment selections is defined by our Institutional Client. In some cases, this universe of investment options may include proprietary investment options of the Institutional Client. To mitigate any actual or potential conflict of interests 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 expense so that the proprietary nature of an investment option does not influence our selection.

We may provide consulting or advisory services to Institutional Clients that offer registered or pooled investment products, such as mutual funds, variable annuities, collective investment trusts, or model portfolios. To mitigate the conflict of interest presented by our role in these investment products, we exclude such investment products from the universe of investment options from which we make our recommendations to other clients.

We 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. In order to mitigate any actual or potential conflicts of interest that may arise from this service, we ensure that our research and analytical activities are non-biased and objective given our business relationships. Employees who provide research and analysis for clients are separate from our sales and relationship manager staff in order to mitigate the conflict of interest that an employee may feel pressure to present results in such a way as to maintain existing or gain new business. In addition, as noted above, all investment decisions must be peer reviewed by a regional governance body within the Regional Investment Policy Committee, which mitigates the conflict of interest by providing checks and balances so that no employee can act unilaterally in making recommendation decisions.

Our investment professionals provide portfolio construction and ongoing monitoring and maintenance for the portfolios within Morningstar Investment Services' Morningstar® Managed Portfolios<sup>SM</sup> program on Morningstar Investment Services' behalf. While the same or similar portfolios are offered by us to our Institutional Clients under the Morningstar Managed Portfolios program, we do not believe these responsibilities create any material conflicts of interest for our clients. In order to mitigate any perceived conflict of interest, when we offer discretionary services under the Morningstar Managed Portfolios program, transactions for our clients are placed at the same time as transactions for Morningstar Investment Services' discretionary clients as part of block trades. We have procedures in place to ensure

that trades are allocated in such a manner as to not favor one client over another. When we offer non-discretionary services under the Morningstar Managed Portfolios program, our Institutional Clients receive trade recommendations just after trades are placed for discretionary clients, due to our heightened fiduciary responsibilities to our discretionary clients. In addition, all non-discretionary clients are notified of transaction recommendations after the close of the trading day, so that no one such client has an advantage over another.

When we, along with Morningstar and/or our other affiliates offer services to the same client, we may enter into a bundled agreement with the client that encompasses all or part of those services. Additional fee(s) for such product(s) or service(s), if required, will be set forth in our agreement with the client. In these situations, clients may pay a fee directly to us and each such affiliate for its products or services, or as part of a joint fee schedule which encompasses all services.

#### *Affiliations – Investment Management Group Registered Entities*

Morningstar has an Investment Management group that consists of various subsidiaries across the globe that are each registered with and governed by the applicable regulatory body or bodies in that country. We are part of this group and share resources, as described earlier in this brochure. One member of this group, Morningstar Investment Services LLC, is our subsidiary and is also an investment adviser registered under the Advisers Act. Morningstar Investment Services is additionally registered with the Securities and Exchange Commissions as a broker-dealer and a member of the Financial Industry Regulatory Authority (FINRA). Morningstar Investment Services' offerings include discretionary managed portfolios and model manager services under the Morningstar Managed Portfolios brand name, plan sponsor services, and retirement plan services for institutional and retail clients.

In some cases, our senior management members have management responsibilities to these other affiliated entities. We do not believe that these management responsibilities create any material conflicts of interests for our clients.

The Investment Management group has set up a shared services team, composed of employees of our affiliate and located at our affiliate's office in Mumbai, India. We compensate our affiliate for services rendered via an intercompany charge. The services and compensation will be governed by an intercompany agreement. This compensation will likely be lower than compensation negotiated with non-affiliated firms for the same or similar services. To mitigate any conflict of interest between us and our affiliate we have established dual reporting lines for employees on the shared services team so that such employees report up to our Director of Operations. We've also established information security boundaries and technology separation to protect our non-public information and Morningstar's compliance department monitors the personal trading activity of these employees.

#### *Affiliations – Other Registered Entities*

Morningstar Research Services LLC is not part of the Investment Management group, but is also a wholly-owned subsidiary of Morningstar and an investment adviser registered under the Advisers Act. Morningstar Research Services' offerings center around the production of investment research reports and investment consulting services to financial institutions/institutional investors who themselves are registered with and governed by a regulatory body. Conflicts of interests between us and Morningstar Research Services are mitigated by such things as the maintenance of separate legal entities and reporting/organization lines, and the utilization of physical (i.e. separate floors) and technological separation. Morningstar Research Services also maintains a committee structure so as to limit any unilateral decisions. Morningstar's compliance department monitors the personal trading activities of Morningstar Research Services' employees.

We may engage Morningstar Research Services to perform investment manager due diligence and/or fund selection services on our behalf as a sub-adviser. The notification to and authorization by the Institutional Client to our engaging

Morningstar Research Services is addressed in our agreement with the Institutional Client. On such occasions, we compensate Morningstar Research Services for services rendered via an intercompany charge. The services and compensation will be governed by an intercompany agreement. This compensation will likely be lower than compensation negotiated with non-affiliated financial institutions/ institutional investors for same or similar services. Morningstar Research Services' employees who are engaged to provide manager due diligence and/or fund selection service are prohibited from using non-public/confidential information obtained because of their engagement in its investment research reports and/or investment consulting services to clients, including us.

Morningstar Research Services provides information to the public about various securities, including open-end mutual funds and ETFs, which may include written analyses of these investment products. Although we use certain products, services, or databases that contain this information, we do not participate in or have any input in the written analyses that Morningstar Research Services produces. While we consider the analyses of Morningstar Research Services, our investment recommendations are typically based on our separate and independent research and analysis of the available investment product.

Morningstar Research Services may issue investment research reports on securities we may hold in our portfolios or recommend to our clients, but they do not share any yet-to-be published views and analysis and/or changes in estimates (i.e., their confidential information) with us on these securities. Other than the use of their publicly available analysis as part of our review process, we do not solicit the input of Morningstar Research Services prior to making investment decisions or recommendations (unless we engage them as a sub-adviser as noted under the 2<sup>nd</sup> paragraph of the *Affiliations – Other Registered Entities* section), nor do we have access to their analysis prior to its public dissemination. We mitigate any actual or potential conflicts of interest that could arise from the access of their analysis prior to publication through measures such as informational barriers (both physical and technological), maintaining separate organizational reporting lines, and monitoring by the compliance department.

Some of Morningstar Research Services' clients may be sponsors of funds or associated with other securities that we may recommend to our Institutional Clients. We mitigate any actual or potential conflicts of interests resulting from this fact through such measures as informational barriers (both physical and technological), maintaining separate organizational reporting lines, and monitoring by the compliance department. In addition, we do not factor in the relationship between Morningstar Research Services when analyzing investments or making recommendations.

Morningstar Investment Management serves as an investment adviser to investment companies registered under the Investment Company Act of 1940, as amended, and to other pooled investment products. To mitigate conflicts of interest, Morningstar Research Services does not prepare qualitative analysis or nor recommend as part of their investment consulting services any investment company we are an investment adviser to.

#### *Affiliations – Morningstar, Inc.*

Our parent company, Morningstar, Inc., is publicly traded (Ticker Symbol: MORN). We may recommend an investment product that holds a position in publicly-traded shares of Morningstar's stock. Such an investment in Morningstar's stock 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. We mitigate any actual or potential conflicts of interest by not factoring Morningstar's publicly traded stock into our qualitative or quantitative analysis nor in our recommendations.

Morningstar offers various products and services to the public. Some of Morningstar's clients are service providers (e.g., portfolio managers, advisers, or distributors affiliated with a mutual fund or other investment option). We may have a contractual relationship to provide consulting or advisory services to these same service providers or 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 the relationship between Morningstar and these service providers when making 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 licensees. While we consider the analyses of Morningstar, our investment recommendations are typically based on our separate and independent research and analysis of the available investment product.

Morningstar offers various products and services to retail and institutional investors. In certain situations, we may recommend an investment product that tracks an index created and maintained by Morningstar. In such cases, the investment product 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 investment products, we may use solely quantitative criteria established by our advisory client to make such selection, or, in the alternative, Morningstar's compensation from the investment product 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 investment products. In other cases, some of Morningstar's clients may be sponsors of funds that we may recommend to our clients. Morningstar does not and will not have any input into our investment decisions, including what investment products will be recommended for our recommended portfolios. We mitigate any actual or potential conflicts of interest by imposing informational barriers (both physical and technological), maintaining separate organizational reporting lines, and monitoring by the compliance department. In addition, we do not factor in the relationship between Morningstar when analyzing investments or making recommendations. We mitigate any actual or potential conflicts of interests resulting from that by not producing qualitative analysis on any such exchange-traded fund as well as imposing informational barriers (both physical and technological), maintaining separate organizational reporting lines between, and monitoring by the compliance department.

Morningstar has and maintains accounts which they invest in accordance with investment strategies created and maintained by us. Those investment strategies are deployed using equity securities. As we have discretion over these accounts, Morningstar's accounts are traded at the same time as our and Morningstar Investment Services' other discretionary client accounts in order to ensure that Morningstar's accounts are not treated more favorably than our client accounts. Some of Morningstar's accounts are used as the subject of newsletters offered by Morningstar. In order to ensure that Morningstar's newsletter subscribers are not treated more favorably than our clients, which would result in a breach of our fiduciary duty, we do not report trades in Morningstar's accounts invested in our strategies to newsletter subscribers until after our client accounts have been traded or our non-discretionary clients have been notified.

As a wholly-owned subsidiary, we use the resources, infrastructure, and employees Morningstar and its affiliates to provide certain support services in such areas as technology, procurement, human resources, account, legal, compliance, information security, and marketing. We do not believe this arrangement presents a conflict of interests to us in terms of our advisory services. Employees of Morningstar that provide support services to us may maintain their Financial Industry Regulatory Authority ("FINRA") security licenses under Morningstar Investment Services'

limited broker/dealer registration, if appropriate for their current job responsibilities. Morningstar Investment Services utilizes its broker/dealer registration solely for the receipt of 12b-1 fees, therefore, we believe no conflict of interest exists due to the maintenance of these security licenses.

We may make our clients aware of various products and services offered by Morningstar or its affiliates. We do not receive compensation for that introduction. Morningstar and its affiliates, in turn, may make their clients aware of various products and services offered by us. Morningstar and its affiliates do not receive any compensation from us for that introduction.

#### *Affiliations – Morningstar, Inc.'s Subsidiaries*

Equity and manager research analysts based outside the United States are employed by various wholly-owned subsidiaries of Morningstar. These analysts follow the same investment methodologies and process as Morningstar Research Services, as well as being held to the same conduct standards. As a result, we do not believe this structure causes actual or a potential for a conflict of interest.

#### *Affiliations – Credit Rating Agency*

One of Morningstar's subsidiaries, Morningstar Credit Ratings LLC, is a credit rating agency registered with the Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (NRSRO). In our analysis of certain securities, we may use the publicly available credit rating and analysis issued by Morningstar Credit Ratings. Because of our use of Morningstar Credit Ratings' ratings and analysis is limited to that which is publicly available, we do not believe there is an actual or potential conflict of interest that arises from such use.

## **Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **Code of Ethics**

We have in place a Code of Ethics pursuant to Rule 204A-1 under the Advisers Act ("Code of Ethics"). Our Code of Ethics strives to uphold the highest standards of moral and ethical conduct, including placing our clients' interest ahead of our own. Our Code of Ethics covers all our officers and employees as well as other persons who have access to our non-public information (collectively "Access Persons"). Our Code of Ethics addresses such topics as professional and ethical responsibilities, compliance with securities laws, our fiduciary duty, and personal trading practices. Our Code of Ethics also addresses receipt and/or permissible use of material non-public information and other confidential information our Access Persons may be exposed and/or have access to given their position. The Code of Ethics is provided upon hire and at least annually thereafter and at each time, the Access Person must certify in writing that she or he has received, read, and understands the Code of Ethics and that they agree to or have complied with its contents. A copy of our Code of Ethics is available to existing and prospective clients by sending written request to [complianceemail@morningstar.com](mailto:complianceemail@morningstar.com).

### **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 generally 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) nor do we 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).



### Interest in Securities That We May Recommend

Morningstar Investment Management has and maintains a number of seed accounts (accounts used to establish a strategy we may wish to offer), many of which follow strategies we offer to clients. We place block trades for our accounts, therefore trade requests for our seed accounts are placed at the same time as trades are placed for those client accounts invested in the same strategy and for which we have discretion. Block trades are allocated in such a manner as to ensure that our seed accounts do not receive more favorable trades than our clients' accounts. Client accounts that we manage on a discretionary basis and thus, our seed accounts, are traded just before we provide model portfolio trade recommendations to other clients using our U.S. managed portfolios. However, our model portfolio clients receive trade recommendation after the close of the trading day, so that no one model portfolio client is favored over another.

### Personal Trading By Access Persons

Our Code of Ethics is designed to ensure that Access Persons' personal trading activities do not interfere with our clients' interests. While our Access Persons may maintain personal investment accounts, they are subject to certain restrictions. Our Code of Ethics includes policies designed to prevent Access Persons from trading based on 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. Morningstar's compliance department monitors the activities in the personal accounts of our Access Persons (and any accounts in which they have beneficial ownership) upon hire and thereafter. Access Persons are required to pre-clear IPO and private placement transactions with Morningstar's compliance department.

### Item 12. Brokerage Practices

Where we exercise investment discretion, we will generate trade instructions for each portfolio that requires investment, reallocation, or rebalancing and forward those instructions to the appropriate institution as designated by the plan provider. As a result, we do not have the ability to make decisions regarding which broker is used to execute the transactions. We do not participate in any soft dollar practices.

### Item 13. Review of Accounts

#### *Managed Accounts*

Retirement accounts enrolled the Managed Accounts service are typically rebalanced to your account's asset allocation target or reallocated on a quarterly basis as necessary, and receive quantitative and/or qualitative reviews performed by our investment team on an annual or as-needed basis to account for changes in your age and any other significant personal or financial changes to your situation that you have informed us about. You are responsible for notifying us of changes in your personal and financial information, investment objectives, and investment restrictions so that we can make the necessary adjustments to your investment strategy. Periodically, you will receive a written progress report with information about your account, either in an electronic format (e.g., by email or through Internet account access) or by U.S. mail to your address of record. This progress report may include such things as your progress toward your retirement goal, investment performance information, and an analysis of your retirement account.

#### *Advice/Guidance*

We do not provide ongoing account reviews as part of our Advice and Guidance services. You should review your retirement plan and retirement account asset allocation recommendations on a regular basis. You may use the Managed Accounts or Advice service at any time to update your personal information and review your retirement plan strategy, which may have changed as the result of the updated information. In addition, we do not prepare periodic reports as part of the Advice or Guidance services. You may use the Advice service to review your retirement accounts as frequently as you wish.

### Item 14. Client Referrals and Other Compensation

We may make direct or indirect cash payments to our affiliates or to unaffiliated third parties for recommending our services as described in Item 4 above. If such payments occur, they will be done pursuant to Rule 206(4)-3(a)(2)(ii) of the Advisers Act. Clients referred by third party solicitors may in some cases pay a higher fee than clients who contract with us directly. Solicited Clients referred by a third-party solicitor should refer to the disclosure document for information on the effect of the fees paid to third-party solicitors.

### Item 15. Custody

We do not serve as a custodian of client assets. However, in cases where we have the ability to debit fees directly from client accounts, we may be deemed to have custody of client assets under Rule 206(4)-2 of the Advisers Act, even if we do not act as a custodian. Your plan provider or its designee is responsible for selecting the custodian for your plan assets and you should receive statements from the qualified custodian that holds your assets at least quarterly. You should carefully review such statements and compare them to the written progress reports we provide to you. Our progress reports may vary from custodial statements because of differences in accounting procedures (e.g., trade-date versus settlement-date accounting) or reporting dates. If you note any discrepancies on your account statements, please promptly contact your plan administrator.

### Item 16. Investment Discretion

When you accept the advisory agreement for our Managed Accounts service, you assign to us full discretion to manage the investments of your retirement account on your behalf and to monitor it on an ongoing basis. Based on information provided by you, we provide you with an individualized asset allocation strategy and select investment options appropriate for that strategy based on the options available in your account. As described above, you have the right to impose reasonable restrictions on your retirement account. We will exercise our discretion in managing your account consistent with your individualized strategy and within the account restrictions, if any.

If you elect our Advice or Guidance service, you retain the investment discretion and control of your retirement account. We provide you with information designed to help you make investment choices regarding your retirement account assets, but you are responsible for managing the investments in your account. We do not monitor, review or update our recommendations or projections on an ongoing basis.

### Item 17. Voting Client Securities

You are responsible for receiving and voting proxies for all investments held in your account. You may receive proxies or other solicitations directly from your plan account's custodian. We do not have the authority to and will not vote proxies. We cannot provide information or advice in regard to questions you have about a particular solicitation.

### Item 18. 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, nor have we been the subject of any bankruptcy proceeding.



## **Morningstar Investment Management LLC Form ADV Part 2 Summary of Material Changes**

### ***Retirement Plan Services for Individuals***

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Phone: 312.696.6000  
[www.corporate.morningstar.com](http://www.corporate.morningstar.com)

March 28, 2017

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 Form ADV Part 2 annual update, dated March 30, 2016. The Form ADV Part 2A brochure and Part 2B brochure supplement provides information about our qualifications and business practices.

This information has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Morningstar Investment Management LLC is registered with the SEC as a Registered Investment Adviser. Registration with the SEC does not imply a certain level of skill or training.

#### **Updates to the Form ADV Part 2A Brochure**

We re-wrote large portions of our *Retirement Plan Services for Individuals* Firm Brochure in order to clarify and provide additional details about our advisory business, fees and compensation, and methods of analysis, strategies, and risks. We did not change the spirit of the information available under these sections, however, we urge you to request a copy of our current Firm Brochure using the information below to view these changes.

We updated the "Advisory Business" section to show our discretionary assets under management (rounded to the nearest \$100,000) as of December 31, 2016 are:

- Retirement Services to Individuals: \$46,888,500,000
- Investment Management Services to Institutional Clients: \$17,976,700,000.

Our non-discretionary assets under advisement (rounded to the nearest \$100,000) as of December 31, 2016 are \$110,814,100,000.

The *Other Financial Industry Activities and Affiliations* section of our brochure was updated to reflect a new affiliated firm. Morningstar Research Services LLC is registered with and governed by the United States Securities and Exchange Commission as an investment adviser, and is a wholly owned subsidiary of our parent company, Morningstar, Inc. Morningstar's equity and manager research analysts were moved into this entity as of January 1, 2017, but continue to provide the services they offered under Morningstar. We updated this section to disclose any actual or potential conflicts of interest that arise between us and Morningstar Research Services (most of which were previously disclosed as being actual or potential conflicts of interest between us and Morningstar), and explain how we mitigate those conflicts.

In addition, we re-wrote the *Other Financial Industry Activities and Affiliations* section in order to clarify and provide additional details about our activities, actual or potential conflicts of interest we have with our affiliates, and how we mitigate any conflicts of interest. We did not change the spirit of the information available under these sections; however, we urge you to request a copy of our current Firm Brochure as described below and review this section carefully.

The Brochure Supplement includes the key members of Morningstar Investment Management's investment team that have the most responsibility for providing day-to-day investment advice on behalf of Morningstar Investment Management through Morningstar® Retirement Manager<sup>SM</sup>. The Brochure Supplement was updated to:

- Add Thomas Idzorek, head of investment research and development for the Investment Management Group at Morningstar and chief investment officer for Morningstar Investment Management's retirement business;
- Add Daniel Needham, head of Investment Management and chief investment officer for Morningstar Investment Management, as Supervisor of the Investment Team; and
- Remove individuals that are no longer with Morningstar Investment Management.

We have made other edits to our Firm Brochure and Brochure Supplement 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.

#### **Obtain a copy of Morningstar Investment Management's Firm Brochure and Brochure Supplement**

If you have any questions, or would like to request a copy of our Firm Brochure and Brochure Supplement free of charge, please contact us at 312.696.6000, by sending an email to [compliance@morningstar.com](mailto:compliance@morningstar.com), or by going to [adviserinfo.sec.gov](http://adviserinfo.sec.gov) (search by Firm for "Morningstar Investment Management LLC" and click on the "Part 2 Brochures" button.)