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## Form ADV Part 2A Appendix 1: Wrap Fee Program Brochure

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Morningstar Investment Services LLC

**This packet contains the Morningstar Investment Services Firm Brochure and the  
Appendix Wrap Fee Program Brochure**

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*This Appendix Portion Applies to You Only if:*

You and/or Your Financial Advisor have chosen to utilize the Asset Based Clearing Fees negotiated by Morningstar Investment Services as your Clearing Fees.

*This Appendix Portion Does Not Apply to You if:*

You and/or Your Financial Advisor have separately negotiated the Clearing Fees charged to your Account and/or if the Clearing Fees charged to your Account are on a "per transaction basis."



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

### *Morningstar® Managed Portfolios<sup>SM</sup>*

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March 29, 2017

**This brochure provides information about the qualifications and business practices of Morningstar Investment Services LLC. If you have any questions about the contents of this brochure, please contact us at 312-696-6000 or send an email to [complianceemail@morningstar.com](mailto:complianceemail@morningstar.com). The information in our 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 Services LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Morningstar Investment Services 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.**

**Please retain this brochure for future reference.**

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 [complianceemail@morningstar.com](mailto:complianceemail@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>, Plan Sponsor Services and/or Retirement Plan Services) you are requesting.

### Item 3. Table of Contents

Advisory Business .....	1
Fees and Compensation .....	4
Performance-Based Fees and Side-by-Side Management .....	6
Types of Clients .....	6
Methods of Analysis, Investment Strategies and Risk of Loss .....	6
Disciplinary Information .....	9
Other Financial Industry Activities and Affiliations .....	9
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	12
Brokerage Practices .....	13
Review of Accounts .....	13
Client Referrals and Other Compensation .....	13
Custody .....	14
Investment Discretion .....	14
Voting Client Securities .....	14
Financial Information .....	15

### Item 4. Advisory Business

#### Firm

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 Delaware limited liability company that was incorporated in 2000. Morningstar Investment Services is a wholly

owned subsidiary of Morningstar Investment Management LLC ("Morningstar Investment Management"). Morningstar Investment Management is a Delaware limited liability company that was incorporated in 1999, an investment adviser registered with the SEC, and 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 Services.

Morningstar Investment Services is registered with the SEC under Section 203(c) of the Investment Advisers Act of 1940, as amended ("Advisors Act"). Morningstar Investment Services has filed the appropriate notices to conduct business in all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, and the Virgin Islands.

Morningstar Investment Services 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 primary purpose of Morningstar Investment Services' investment adviser operations, which is to provide discretionary investment advice or non-discretionary model management on portfolios consisting of securities such as open-end mutual funds, exchange-traded funds or equity securities. You may obtain a copy of our brochure(s) describing our other services by following the instructions above.

**The appropriate audience for delivery of this firm brochure depends on the services we provide:**

***Morningstar Investment Services as Model Manager*** - This firm brochure is meant for delivery to our Institutional Clients only. This firm brochure should not be provided to an Institutional Client's Third-Party Program's or Platform's underlying clients unless we have discretion over the clients' accounts (see next paragraph).

***Morningstar Investment Services as Investment Manager*** - This firm brochure is meant for delivery to Our Program's clients, to our Institutional Clients that sponsor a Third-Party Program, and to clients of the Third-Party Program that we have discretion over.

Please see the Advisory Services section for definitions of these terms.

#### Advisory Services - Overview

Morningstar Investment Services offers various investment advisory services that focus on our core capacities in asset allocation, investment selection, and portfolio construction to retail investors and to institutions including, but not limited to, asset management firms, advisory platform providers, banks, broker/dealers, endowments, foundations, insurance companies, investment advisers, investment fiduciaries, plan sponsors of retirement plans, providers of retirement plan services, trusts, and other business entities (collectively "Institutional Clients").

We offer risk-based or investment- or strategy-specific portfolios ("Portfolios") for individual or non-individual (e.g. trusts, corporations or other business entities, etc.) investors ("Clients") under the service name Morningstar® Managed Portfolios<sup>SM</sup>. As described in more detail below, our Portfolios are offered through:

- an investment advisory program we sponsor (the “Morningstar Managed Portfolios Program” or “Our Program”) whereas we provide advisory services to clients through portfolios we manage on a discretionary basis;
- investment advisory programs sponsored by Institutional Clients who are investment advisers (“Third-Party Programs”); and
- investment advisory platforms offered by Institutional Clients for use by other investment advisers with their clients (“Platforms”).

We act as an “Investment Manager” for Our Program and Third-Party Programs where we have discretion over Client accounts managed in accordance with our Portfolios.

We act as a “Model Provider” to Third-Party Programs where we don’t have discretion over accounts managed in accordance with our Portfolios and to Platforms. The Institutional Client sponsoring the Third-Party Program or the advisory firms using a Platform maintains discretion over these accounts and they may deviate from the underlying holdings we recommend for use with our Portfolios.

Portfolio construction and ongoing monitoring and maintenance of the Portfolios is provided by investment professional representatives of Morningstar Investment Management that are acting on our behalf (“Dual-Hatted Persons”). Typically, Morningstar Managed Portfolios are provided in connection with various unaffiliated registered investment advisers (“Advisory Firm”), with an investment adviser representative of the Advisory Firm (“Financial Advisor”) typically carrying out some or all of the responsibilities on behalf of the Advisory Firm.

### **Morningstar® Managed Portfolios<sup>SM</sup> Program**

Our Program is made available to Clients primarily through arrangements we have with Advisory Firms. The Financial Advisor typically carries out some or all of the responsibilities (described below) on behalf of the Advisory Firm.

The Program includes various strategies consisting of mutual funds, exchange-traded funds, and equity securities. Within the Program, we offer discretionary investment advisory services as an Investment Manager.

We delegate certain services to Advisory Firms\* such as:

- assisting Clients in completing a profile and/or other applicable account opening forms;
- determining suitability of the program and/or investment strategy and selected portfolio for each Client
- meeting at least annually with each Client to review any changes in their financial situation; and
- acting as liaison between us and Clients.

\*In certain circumstances, a Client’s Financial Advisor may be our employee (“Our Advisor”) and therefore the Client’s relationship is directly with us and not through an unaffiliated, independent Advisory Firm. Under this arrangement, Our Advisor will provide the applicable services of Financial Advisor noted within this brochure.

For these services, Morningstar Investment Services and Client’s Advisory Firm will each receive a portion of the total fee paid by Client for use of Our Program. Please see the Fees and Compensation section below for more information. In certain situations, Our Program is a “wrap fee program” in which we are the sponsor of Our Program and provide Our Program’s portfolio management services. More information about the wrap fee program can be found in the Brokerage Practices section and within the Form ADV Part 2A Appendix 1: Wrap Fee Program Brochure.

### **Morningstar® Managed Portfolios<sup>SM</sup> for Third-Party Advisory Programs or Platforms**

We offer model Portfolios to Institutional Clients designed for use with their Third-Party Program or Platform and provide on-going monitoring and maintenance of the Portfolios. The identification and selection of underlying asset classes and/or securities for each Portfolio is typically based on a universe of investments as defined by the Institutional Client. We may also provide Institutional Clients with rebalancing and reallocating recommendations at the time the asset class and/or the underlying securities should be revisited or adjusted. We may provide wholesaling and marketing support to the Institutional Client.

In addition, when acting as an Investment Manager to Third-Party Programs, we are responsible for selecting and monitoring the asset allocations and underlying holdings of Clients invested in accordance with the Portfolios; we have discretion and will submit trade instructions to the qualified custodian selected by the Third-Party Program to place trades for Clients. We delegate certain services to the Advisory Firm (and/or Financial Advisor) such as:

- assisting Clients in completing profile and/or other applicable account opening forms;
- determining suitability of the program and/or investment strategy and selected portfolio for each Client;
- meeting at least annually with each Client to review any changes in their financial situation; and
- acting as liaison between us and Clients.

### **Morningstar® Managed Portfolios<sup>SM</sup> Strategies**

The investment strategies available within Morningstar Managed Portfolios are shown below. Please note that strategies may not be available through all Third-Party Programs or Platforms.

#### *Asset Allocation Series Strategies*

Spanning the risk spectrum and available in five core choices, the Morningstar Asset Allocation Series Portfolios are supported by a valuation-driven asset allocation process and independent approach to security selection. For taxable accounts, tax-aware portfolios constructed with an after-tax return objective are available.

*Mutual Fund Asset Allocation Portfolios* — A range of asset allocation portfolios consisting primarily of what we believe are best-in-class active managers. (Please note, these portfolios may contain ETFs; please refer to the Sections titled “Investment Risk and Disclosure” and “Brokerage Practices” for important information related to ETFs.)

*Active/Passive Asset Allocation Portfolios* — Tapping into the strengths of both mutual funds and exchange-traded funds, each portfolio uses active investments to help increase the potential for returns, and passive investments to help remain diversified, low-cost, and tax-efficient. (Please note, these portfolios contain ETFs; please refer to the Sections titled “Investment Risk and Disclosure” and “Brokerage Practices” for important information related to ETFs.)

*Exchange-Traded Fund (“ETF”) Asset Allocation Portfolios* — A range of asset allocation portfolios consisting primarily of ETFs targeting specified risk/reward profiles.

*WealthBuilder Portfolios – Streamlined, diversified ETF portfolios that offer professional active management for small-balance accounts.*

Other ETF asset allocation strategies include the following rules-based series:

*Contrarian Series*—Portfolios consisting primarily of ETFs designed to take advantage of opportunities in areas of the market that are out of favor with investors.

*Momentum Series*—A range of portfolios consisting primarily of ETFs with a broad set of asset classes designed to capitalize on market trends.

### *Outcome-Based/Focused Series*

The Outcome-Based/Focused Series consist of a variety of outcome-oriented portfolios made up primarily of mutual funds and, in some cases, a combination of mutual funds and ETFs and/or common stocks that are aligned with a particular investment objective or outcome, or are concentrated in a certain asset class. Some examples include:

*Absolute Return Portfolio* —A portfolio designed to deliver moderate and consistent returns over time that are not overly dependent on the direction of the broad equity market or as susceptible to downside risk.

*Real Return Portfolios* — A range of portfolios that target a range of risk tolerances, return goals over inflation, and investment time horizons. These portfolios can invest in passive and active ETFs and mutual funds, and may include common stocks.

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

*Target-Date Portfolios* — A range of portfolios consisting of mutual funds and ETFs that take a holistic view of an investor's total wealth. These portfolios are offered in three unique glide paths — aggressive, moderate, and conservative — and consists of multiple target-date vintages, ranging from a 2060 retirement target date to a 2005 target date (e.g. someone already in retirement), as well as a final Income portfolio representing the landing point for a given glide path.

*Global Opportunities Portfolio* — A portfolio that seeks long-term capital appreciation by investing in globally diversified equity mutual funds.

*Multi-Asset Income Portfolio* — A portfolio designed for long-term income generation and capital preservation. It invests in mutual funds and ETFs representing a diversified range of fixed-income, equity and alternative strategies.

### *Select Equity Portfolios Series Strategies*

The Select Equity Portfolios (Strategist and Custom Series) combine the advantages of separately management accounts with our active portfolio management. Grounded in trusted research and professionally managed, each portfolio is relatively focused, with 20 to 30 holdings being the norm. This series of customizable portfolios spans the stock market spectrum and consists primarily of common stocks listed on U.S. stock exchanges. Certain Select Equity Portfolios (Custom Series) offer a sophisticated level of customization features such as the ability to incorporate existing stock holdings into the portfolio. Restrictions apply. Additionally, certain Select Equity Portfolios strategies may also have a fixed-income version in which a portion of the portfolio is allocation to fixed-income using mutual funds or ETFs.

Certain Select Equity Portfolios Strategies may also have a fixed-income version in which a portion of the portfolio is allocated to fixed-income using mutual funds and/or ETFs. In determining whether to select one of these strategies, Client and Client's Financial Advisor should carefully consider the particular risks associated with each strategy as more fully explained in the Investment Risk section. In addition, the following products may be available in Our Program in conjunction with the Strategies described above:

### *Enhanced Cash Option*

The Enhanced Cash Option ("ECO") will typically consist of money market and/or short-term fixed income mutual funds. Please note: money in the ECO is not a bank deposit and therefore is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. We are only responsible for the selection of the funds underlying the ECO and may replace the funds at

any time without prior approval from Client or Client's Financial Advisor. The ECO is typically used by those who desire to systematically invest\*\* (e.g., dollar cost averaging) into Our Program.

Decisions relating to ECO, such as if or when to invest, withdraw, hold or transfer to a portfolio are the sole responsibility of Client and/or Client's Financial Advisor. All or a portion of Our Program's minimum account size may be placed in ECO. See the Fees and Compensation section for additional information on the Our Net fees assessed for ECO.

\*\* Systematic investing does not ensure a profit, nor does it protect you against a loss. Also, systematic investing will not keep you from losing money if you decide to sell your shares when the market is down. You should evaluate your financial ability to continue purchases through periods of volatile price levels before deciding to invest this way.

### *Enhanced Portfolio Service—This service is no longer offered to new Clients.*

If a Client's initial account size was at least \$1 million, Client may have elected the Enhanced Portfolio Service ("EPS"). EPS is part of the Program but is separate from the above-mentioned strategies. EPS is intended for those that are seeking a portfolio strategy that is tailored around their total current holdings, not just the holdings in their account under Our Program. The portfolio strategy will be designed specifically with a view towards each Client's investment objectives, limitations, and/or guidelines and may consist of a variety of mutual funds, ETFs, and equity securities.

### *Individual 401(K) Account*

If Client is establishing an individual defined contribution plan and wishes to use Our Program, Client will be presented for review various items, including a defined contribution plan custodial agreement. The plan custodial agreement, among other things, appoints a custodian for the 401(k) plan. That agreement is necessary to meet applicable tax requirements and will disclose fees charged by the custodian for setting-up and administering the plan which are in addition to Our Program fee. The plan's custodian is not affiliated with us and the custodian takes full responsibility for administering the plan in accordance with the plan custodial agreement

The Portfolios for each the above investment strategies are model portfolios and are not themselves a mutual fund registered under the Investment Company Act of 1940, as amended.

### **Morningstar® Managed Portfolios<sup>SM</sup> Program Process**

#### *Pre-Account Opening*

Before opening an account under Our Program, Client's Financial Advisor will assist Client in completing a client profile ("Profile"). This Profile help Client and Client's Financial Advisor determine such things as Client's risk tolerance, investment objectives, and financial goals as well as identifying any reasonable restrictions Client wish to place on the management of Client's account assets. Client's Financial Advisor will review Client's Profile responses and assist Client in determining an appropriate strategy and Portfolio from those offered under Our Program.

If a Select Equity Portfolio Strategy is selected, Client's Financial Advisor will assist Client in completing a Select Equity Portfolios "Specification Sheet". The Specification Sheet allows Client to indicate exclusions, subject to limitations, for individual stocks, sectors, industries, master limited partnerships, and foreign companies. The Specification Sheet allows Client to indicate any stocks transferred-in-kind that Client would like to retain in their Portfolio. For taxable accounts, Client may also indicate the number of calendar years (ranging from 2 to 3) over which Client would like to realize an existing portfolio's net capital gain. We will then construct a portfolio that is aligned with Client's Profile and Specification Sheet.

As a reminder, Client may impose reasonable restrictions on the investments made in their account as well as retain the right to withdraw securities or cash from the account, the right to vote or delegate the authority to vote proxies, and the right to be provided with written trade confirmations for all securities transactions made within their account.

If applicable, Client's Financial Advisor will also assist Client with the choice of a qualified custodian for their account. In Our Program, the selection of qualified custodian is limited to those service providers and clearing firms that we have chosen as options for Our Program, and those options may be further limited by Client's Advisory Firm. Similar restrictions may apply in Third-Party Programs and Platforms.

#### *Account Set-Up*

Once an appropriate strategy, portfolio, and qualified custodian have been selected, Client and Client's Financial Advisor must review the disclosure documents and complete applicable account set-up documents. Account set-up documents will include an Investment Management Agreement (as explained below) and an account application for the selected qualified custodian. Please note, the selected qualified custodian is unaffiliated with us and may charge additional fees for transactions made in Client accounts ("Clearing Fees") as a result of investment decisions made by us for Client accounts and/or other account administrative fees that are in addition to the Program fees described in greater detail below. Please refer to the Brokerage Practices section below for important information regarding qualified custodians and Clearing Fees. Client can always request Clearing Fee and administrative fee details from their qualified custodian.

#### *Investment Management Agreement*

The Investment Management Agreement is an agreement between Client, Client's Advisory Firm and Morningstar Investment Services (in some cases the agreement may be between Client and Morningstar Investment Services only; please see the section titled "Client Referrals and Other Compensation" for more information about these and other arrangements) and is presented to Client during the account opening process. The agreement may be terminated at any time without the imposition of any penalty upon written notice by Client, Client's Advisory Firm, or Morningstar Investment Services to the other(s) and termination will become effective upon receipt of such notice unless otherwise noted. Any termination by us, Client's Advisory Firm, or Client will not, however, affect the liabilities or obligations of the parties incurred or arising from transactions initiated under the Agreement before such termination. Upon receipt of Client notice of termination, we will have no obligation to continue to provide the agreed upon services to Client account.

Pursuant to the discretionary authority granted within the Investment Management Agreement, we rebalance and/or reallocate Client account assets to be consistent with the selected portfolio(s) and reasonable restrictions, if any. These activities will occur as frequently as we deem necessary. Please note, in certain situations, our decision to rebalance and/or reallocate an account may result in Client incurring a redemption fee imposed by one or more of the mutual funds underlying Our Program's portfolios or other fees/commissions charged to Client by the qualified custodian.

#### **Morningstar® Managed Portfolios<sup>SM</sup> Third-Party Advisory Programs or Platforms Process**

Each Third-Party Program and Platform has their own unique pre-account opening, account set-up, and investment management agreement process. Please consult the Institutional Client and/or account opening documents for more information about each Third-Party Program or Platform's methods.

#### **Customized Services**

For Our Program and where we act as an Investment Manager for a Third-Party Program, we provide advice based on the strategy Client and Client's Financial Advisor chose, and take into account any reasonable restrictions requested. For Clients investing in a Select Equity Portfolios strategy under the Custom Series, we are able to provide additional customizations.

#### **Wrap Fee Programs**

When an asset-based pricing structure is chosen by Client and Client's Financial Advisor, Our Program is a "wrap fee program." For Our Program, we are the sponsor of the wrap fee program and provide the wrap fee program's portfolio management services. More information about the wrap fee program can be found in the Brokerage Practices section and within the Form ADV Part 2A Appendix 1: Wrap Fee Program Brochure.

#### **Assets Under Management**

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

Discretionary Assets: \$8,489,500,000

Non-Discretionary Assets: \$2,340,900,000

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

##### **Fees and Compensation**

##### **Morningstar® Managed Portfolios<sup>SM</sup> Program**

Each Client account in Our Program is charged an annual fee for Our Program. A portion of Our Program fee is charged to Client's account quarterly either in advance based on the prior period's ending balance or in arrears based on the average daily balance for the applicable period, depending on the selected qualified custodian.

Our Program fee consists of two parts (collectively "Annual Program Fee"):

- **Our Fee**—A fee relating to services performed or provided by us, including discretionary investment management services, communications to Client and Client's Financial Advisor and/or Advisory Firm, marketing activities, and services provided by our back-office service provider ("Provider") such as a trading infrastructure and client accounting and reporting services; and
- **Advisory Firm Fee**—A fee covering the services performed by Client's Advisory Firm. This fee may include an administrative fee assessed by the Advisory Firm. The Advisory Firm Fee is solely determined by the Advisory Firm and/or Financial Advisor. We do not determine the fee that the Advisory Firm will charge, other than setting a maximum Advisory Firm Fee they can charge. Their determination of what the Advisory Firm Fee will be for each Client will be noted within the Program Fee Schedule presented to Client as part of Client's account opening documents. (Please note, if Client's Financial Advisor is Our Advisor, no Advisory Firm Fee is charged.)

In certain situations, Morningstar Investment Services and the Advisory Firm negotiate Our Fee and/or breakpoints applicable to a Client's account.

For a more detailed explanation of the Annual Program Fee applicable to Client's account, please review the account opening documents. We encourage Clients to review the Annual Program Fee, as well as other account opening documents, carefully.

#### *Our Fee*

The standard fee schedule for the **Mutual Fund Asset Allocation, Active/Passive Asset Allocation, Retirement Income and Outcome-Based/Focused Strategies** is:

	First \$500K	Next \$500K	Next \$1MM	Over \$2MM
Our Net Fee <sup>1, 2</sup>	0.40%	0.35%	0.30%	0.20%

The standard fee schedule for the **ETF Asset Allocation Strategies** is:

	First \$1MM	Next \$4MM	Thereafter <sup>3</sup>
Our Fee	0.30%	0.25%	0.20%

The standard fee schedule for the **Select Equity Portfolio Strategies** is:

	First \$1MM	Next \$4MM	Thereafter <sup>3</sup>
Our Fee	0.55%	0.50%	0.45%

Please see the *Other Costs in Connection with Our Advisory Services* section below for additional fees you will incur in connection with an account in Our Program.

*1 The portfolios' underlying mutual funds incur their own internal expenses such as management, transfer agent, shareholding servicing, and 12b-1 fees. In certain situations, we receive an indirect benefit from those mutual funds that pay our Provider shareholding servicing fees directly. The Provider, in turn, reduces the monthly fee payable by Morningstar Investment Services to it (in accordance with the agreement between the Provider and us) by the amount of shareholding servicing fees it receives relating to the clients' assets in the Program.) To mitigate the conflict of interest this may present (e.g., incentive to select mutual funds with shareholder servicing fees), we deduct from the gross advisory fee at each tier a flat credit amount that is an amount equal to the greater of 25 basis points (i.e., 0.25%) or the aggregate fees received by our Provider from the mutual funds. The result—gross advisory fee minus the credit amount—is the Our Net Fee.*

Example	First 500K	Next 500K
Our Gross Fee	0.65%	0.60%
Credit Amount	(0.25%)	(0.25%)
Our Net Fee	0.40%	0.35%

*2 The Our Net Fee for ECO will be assessed a fee of 0.20% across all break points.*

*3 For clients with account assets of \$5 million or above, Our Fee is negotiable.*

Please note that in certain situations, the Annual Program Fee may be based on a Client's account's asset value as well as the value of any related accounts Client has in Our Program. Such aggregation of accounts may result in a lower Annual Program Fee compared to an Annual Program Fee calculated on each account separately.

### **Morningstar® Managed Portfolios<sup>SM</sup> for Third-Party Advisory Programs and Platforms**

The current fees charged for these services ("Our Fee") 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.

### **Payment**

#### **Morningstar® Managed Portfolios<sup>SM</sup> Programs**

As noted above, a portion of the Annual Program Fee is charged to Client's account on a quarterly basis either in advance based on the prior period's ending balance or in arrears based on the average daily balance for the applicable period, depending on the qualified custodian selected.

In the event that the Annual Program Fee is charged in advance, the initial portion of this fee will be charged to Client's account on the 15th business day of the first full month after the account is opened and funded with the minimum account size ("Funded Date"). This initial portion of the Annual Program Fee will cover the period from the Funded Date through the last business day of the current calendar quarter end and be based on Client's account balance as of the date the account was opened.

### **Morningstar® Managed Portfolios<sup>SM</sup> for Third-Party Advisory Programs and Platforms**

The Institutional Client is typically responsible for collecting Our Fee and paying it to us. Our Fee is typically charged to Client's account on a quarterly basis either in advance based on the prior period's ending balance or in arrears based on the average daily balance for the applicable period. Please refer to the investment management agreement for an account's specific details.

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

Our Fee and Our Net Fee are separate from the fees and expenses charged by an account's underlying holdings (e.g., mutual funds, ETFs, common stocks, American Depositary Receipts ("ADRs"), and/or foreign stocks listed on a U.S. exchange). It does not include fees or commission associated with executing transactions including redemption fees or asset- or transaction-based trading fees. It does not include Client's Advisory Firm Fee or fees and expenses charged by any third party such as a proprietary advisory program or platform, plan provider, recordkeeper, and/or clearing firm, if applicable.

The fees and expenses charged by a Client account's underlying holdings are described in the security's prospectus or an equivalent document. These fees will generally include a management fee, transfer agent fee, shareholder servicing fee, other investment expenses, and possibly a distribution fee (e.g., 12b-1). In some cases, a security may also charge an initial or deferred sales charge. Neither Morningstar Investment Services nor anyone affiliated with us receive transaction-based compensation for the investment recommendations we make.

Advisory and other fund-related expenses in mutual funds in which Client's account assets are invested not included in Our Fee/Our Net Fee includes redemption fees that an open-end mutual fund underlying the account or qualified custodian may impose as a result of a transaction-related request Client initiated (i.e., partial or complete liquidation of your account). In addition, in certain situations, our decision to rebalance and/or reallocate a Client account may result in Client incurring a redemption fee imposed by one or more of the open-end mutual funds underlying their account. In both such cases, any such redemption fee charged to Client's account by the underlying mutual fund or qualified custodian will be reflected on the account's quarterly account statement.

As the result of our discretionary authority (if applicable), investment decisions made for accounts set-up through a qualified custodian will result in Client incurring a Clearing Fee imposed by the account's qualified custodian. Clients should ask their Financial Advisor for information about the Clearing Fee applicable to their account. The payment of the Clearing Fee to the qualified custodian is solely Client's responsibility. Typically, the qualified custodian will charge Client account directly for any applicable Clearing Fee. The Clearing Fee is in addition to the above-mentioned Annual Program Fee. When securities can be traded in more than one marketplace, the qualified custodian will use its discretion in selecting the market in which such orders are entered. Please be aware that the qualified custodian may receive remuneration, compensation or other consideration for directing orders to particular broker/dealers or market centers for execution (i.e., payment for order flow) and that we do not participate in such arrangements.

A Client may also incur certain charges by their account's qualified custodian or its affiliates related to retirement plan accounts such as IRAs. These charges are in addition to the above-mentioned Annual Program Fee and Clearing Fees.

Exchange-traded funds have their own internal fees and expenses such as investment advisory, administration, and other fund-level expenses; by investing in them Clients incur a proportionate share of those fees and expenses. Those fees and expenses are in addition to the above-mentioned Annual Program Fee and Clearing Fee.

ADRs are typically created, organized and administered by a U.S. bank. Generally, these banks charge a fee for their services (e.g., custody) and may deduct these fees from the dividends and other distributions generated from the ADR shares. In addition, banks

incur expenses, such as converting foreign currency into U.S. dollars, and as a result may pass those expenses on to the ADR shareholder. These fees and expenses are in addition to the above-mentioned Annual Program Fee and Clearing Fees.

### 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.

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. Because our Portfolios and services are not exclusive to your Advisory Firm and/or Financial Advisor, the fee for the services described in this brochure may be higher than fees charged by other financial advisors who sponsor similar programs or platforms or if you paid separately for investment advice and other services. In addition, because the underlying holdings of the Portfolios are not exclusive to our Portfolios, you may buy securities (e.g., mutual funds, exchange-traded funds, equity securities, etc.) outside of Our Program, the Third-Party Program, or Platform without incurring the Annual Program Fee and/or Our Fee/Our Net Fee.

### 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 with any qualified client pursuant to Rule 205-3 under the Advisers Act.

## Item 7. Types of Clients

### Morningstar® Managed Portfolios<sup>SM</sup> Programs

Our Program is an investment advisory program available to individuals and institutions, whose initial investment meets the minimum account size noted below. Our Program is primarily offered through arrangements we have with various unaffiliated registered investment advisers and is intended for citizens or legal residents of the United States or its territories. Our Program can only be offered by a registered investment adviser or investment adviser representative or those exempt from any such registration.

### Morningstar® Managed Portfolios<sup>SM</sup> for Third-Party Advisory Programs and Platforms

For Third-Party Programs or Platforms, we offer services to advisory programs sponsored by third-party financial institutions or platforms offered by other Institutional Clients. The Portfolios are made available to retail investors through the proprietary advisory program or platform.

### Minimum Account Size

#### Morningstar® Managed Portfolios<sup>SM</sup> Program

The minimum initial account size for each strategy is as follows:

Mutual Fund Strategies (including Mutual Fund Asset Allocation, Active/Passive Asset Allocation, and Outcome-Based/Focused Series)	\$50,000
Individual 401(k) Account	\$40,000
Enhanced Portfolio Service	\$1,000,000

For Each of the Above

Minimum subsequent investment	\$500
Minimum subsequent investment—IRA Accounts	\$250

ETF Strategies (including ETF Asset Allocation, Contrarian and Momentum)	\$25,000
Select Equity Portfolios—Strategist Series	\$100,000
Select Equity Portfolios—Custom Series	\$250,000
Select Equity Portfolios with Fixed Income	\$250,000

At our sole discretion, an initial or subsequent funding of less than the above stated minimums may be allowed. This may include a lower minimum relating to multiple Program accounts or a Financial Advisor's own personal account in Our Program.

### Morningstar® Managed Portfolios<sup>SM</sup> for Third-Party Advisory Programs and Platforms

Third-Party Programs and Platforms may establish minimum account sizes for the program or platform they offer. Please refer to the account opening documents provided by the Institutional Client and/or your Financial Advisor for more details.

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

Portfolio construction and ongoing monitoring and maintenance of the portfolios with Our Program are provided on our behalf by Dual-Hatted Persons, who are investment professionals of Morningstar Investment Management.

### 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

Building upon our investment principles, the Investment Management group's investment philosophy is built on the belief that portfolios should maintain a risk profile commensurate with the desired long-term asset allocation guidelines we provide to the client. We focus extensively on the portfolio structure to maintain a careful balance between being allocated similarly to the portfolio benchmarks and one that reflects our assessment of the value available in the current market environment. We select managers that we believe manage fund assets with a consistent and disciplined process that provides for sustainable long-term results. We prefer managers with a prudent, logical, and repeatable process and remain keenly focused on the consistency of the implementation of their investment disciplines.

Regardless of whether we are working with discretionary or non-discretionary clients, we build portfolios with the same research- and valuation-driven approach for all clients. We build portfolios holistically, so the asset allocation process begins with idea generation and continues through portfolio construction, where allocation tweaks can be made. For example, we may choose to increase an allocation if it's being run by a skilled active manager who may be able to add better risk control or offer more opportunistic return potential.

### Investment Process

Our investment process for our Morningstar Managed Portfolios starts with scouring the globe for opportunities. Instead of hewing closely to an index-defined universe, we look broadly, investigating asset classes, sub-asset classes, sectors, and securities in

markets around the world. Our capital markets research extends to more than 200 equity markets, regions, or sectors, as well as to more than 100 fixed-income sectors. We also track 37 world currencies.

We apply valuation analysis supported by in-depth fundamental research to find opportunities. We seek to buy overlooked investments, especially those that offer sound fundamentals at what we believe to be an attractive price. To do this, we need a deeper understanding of the drivers of return and risk for these investments—primarily in the context of valuation.

Our valuation analysis tells us how attractively priced an asset class is, while insight of the fundamental drivers of asset prices increases the probability that we will get more than we pay for. For us, valuations and fundamentals are joined at the hip.

But we aren't content to look only at valuation; studying investor sentiment and positioning adds contrarian elements to our process and tells us how the market consensus views an investment class we're considering. We prefer to invest in ideas that go against the market consensus because the only way to outperform is to be different from what the market has already included in the stock price.

We also look closely at each asset class' risk, which can be complex, multifaceted, and vary over time. We believe that one of the best ways to control for risk is to buy fundamentally strong assets that seem underpriced.

Our in-depth valuation analysis and contrarian indicators, when brought together, are the key ways we generate investment ideas. These ideas might be names to include in a stock portfolio or our best thinking on reward for risk at the asset class-level.

#### *Investment Selection*

Finding investment opportunities isn't just about great ideas; it's also about selecting great investments for our clients. Investments may be securities in a stock portfolio, or active managers and/or passive exchange-traded products in a multi-asset portfolio. Our research-driven approach to selecting investments is designed to help investors reach their goals and objectives.

When building multi-asset portfolios, we need to evaluate the active investment managers and/or passive funds we use to implement our investment strategies. Our investment selection process begins with analysis from Morningstar and its affiliates, which covers hundreds of thousands of investment offerings globally, including mutual funds, closed-end funds, separate accounts, exchange-traded products, individual stocks, and hedge funds.

We build on Morningstar's quantitative and qualitative fundamental analyses by refining the investment universe and hand-selecting investments we determine are right for our portfolios. Our investment team has years of experience evaluating active investment managers, comparing managerial track records, and determining how an investment may fit into a portfolio.

We know the active managers we use in our portfolios. They haven't just been screened; we have met each one in person and subjected them to our rigorous review process. We assess whether their investment team is qualified, experienced, and talented; that they follow a consistent and disciplined investment process; that their organization is strong and stable; and that they operate professionally and ethically.

We study managers' holdings using our proprietary tools and analytics to assess how well their strategy may work in combination with those of other managers. And we consider managers' ability to outperform in different market environments. Rather than following simple style analytics or style neutrality blends, we seek process diversification and try to avoid the pitfalls of over-diversification often found in fund-of-fund investment strategies.

Our own assessments lead us to managers we believe are well suited to our multimanager portfolios. That usually means a team of career portfolio managers who oversee a focused and consistent strategy, and that their investment shop is independent so that investment decisions are not constrained by other parts of the business. We aren't just looking for the best managers but those that we feel fit best into our portfolios.

Once we have selected active managers, we tend to keep them in place for the long haul. High turnover and crowded portfolios destroy investor value by creating an overpriced index fund. We believe hiring independent managers to run high-conviction strategies is a far better approach to multimanager portfolios.

As for passive vehicles, our selection process begins with the thousands of exchange-traded products in the Morningstar database and includes the work of Morningstar and its affiliates' ETF analyst team. Our own analysts perform qualitative work that can't be found in an automated solution.

ETFs are often less expensive than their open-end mutual fund counterparts, but assessing them has to go beyond this fact. We closely examine the risk characteristics that define ETFs—including tracking to the index, trading volume, bid/ask spread, and premium/discount—to help ensure the goals are realistic and the liquidity is what we expect. As with other funds, we assess ETFs within a portfolio context to achieve access to a particular market segment or sub-asset class.

#### *Building Portfolios*

Armed with investment ideas, our global team works together to holistically build portfolios suited to each strategy we offer. Portfolio construction is about ranking and risk management. We seek to gain the largest exposure to our best ideas that are the most underpriced (that is, have the largest difference between price and fair value), while building robust portfolios designed to stand up to challenging investment environments or investment errors.

In many cases, it is not determining the fair value itself that is challenging, but rather what you do when the price is very different from fair value. We believe a willingness to be different and act on large differences between price and fair value is essential for meeting our strategies' long-term objectives. Often, when prices are very different to fair value, the consensus is positioned in a procyclical direction—hot on overpriced markets or shunning underpriced ones.

As our investment ideas are implemented, they are crafted for use in each portfolio, a process in which we apply disciplined judgment to a multitude of dimensions that aims to maximize reward for risk in asset allocation and investment selection across all investments. In this way, our choices come from people, not a machine.

This judgment-driven approach helps us to maximize our exposure to our best investment ideas and accounts for the complexity and multifaceted nature of investment risk. We view risk as the permanent loss of capital. Our valuation-based approach (that is, seeking underpriced assets and avoiding overpriced assets), fundamental diversification, and forward-looking approach to viewing asset class co-movements (that is, those that buffer gains and losses), all help mitigate risk in our portfolios.

It is important to understand risk looking ahead into the future, not looking at the past, just like it would not be safe to drive a car by looking in the rear-view mirror. Our research produces insight into not only future investment opportunities but also their attendant fundamental drivers of risk. By better understanding these forward-looking risk drivers, we can diversify portfolios for the future rather than basing these decisions on the past.

To prepare investors for the future, we seek to construct robust portfolios designed to perform well in different environments rather than being considered "optimal" based on expected results or a specific environment. We avoid forecasts and building strategies based on our ability to predict specific environments. Instead, we aim to prepare for



different environments through constructing portfolios that will hold up under many possible environments—even ones that we haven't seen before. In effect, this involves trade-offs of aggregate reward for risk and a calibration of the probability and impact of negative outcomes.

### *Managing Portfolios*

Once we've holistically built portfolios, we manage them. This part of the process is simply continuing to find opportunities, thinking through ways those opportunities might be included in our portfolios, and watching markets closely for any signs that would call for adjustments within the portfolio.

Portfolio management is not a stop/start process. We constantly review our positions, seeking to maximize reward for risk. Each strategy has a set of investment guidelines that outline the investment objectives, risk levels, and investment constraints. These are monitored to stay within the defined ranges.

As valuation-driven investors, we primarily focus on price changes relative to fair value through time. Given that markets are dynamic, we reassess the portfolio given the changes in investment ideas, aggregate risks, and portfolio exposures. This iterative process reconsiders the opportunity set, with a constant eye on fundamental diversification and portfolio allocations.

Turnover and trading reduce returns for investors and therefore any changes should be expected to add value by a comfortable margin. Investment decisions happen in the real world rather than on paper—transaction costs and taxes are real. This means being biased toward inaction and long-term holdings, keeping turnover and transaction costs as low as possible.

Our global investment team works around the clock to understand markets and opportunities, monitor risk in existing portfolios, and vet ideas to make investment changes. This ongoing investment process powers every portfolio managed by the entities within Morningstar's Investment Management group.

### **Global Investment Policy Committee**

Our global Investment Policy Committee and its regional governance bodies are responsible for oversight of the investment methodologies across all products and services. Members of the 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.

### **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, and 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.

### **Material Risks**

Investments in securities are subject to market risk, risk of loss, and other risks and will not always be profitable. There is no assurance or guarantee that the intended investment objectives of our recommendations will be received. 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. Past performance of a security may or may not be sustained in the future 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. We cannot guarantee that the results of our advice, recommendations, or the objectives of your portfolio will be achieved. This includes the Absolute Return portfolio whose goal is to seek modest positive returns with an emphasis on limiting volatility in various market environments. We do not guarantee that negative returns can or will be avoided in this portfolio or any of its portfolios.

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.

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. It is important that Client and Client's Financial Advisor discuss these and other risks associated with a focused investment approach and determine whether it is appropriate and consistent with Client's risk tolerance, investment objectives and overall financial situation.

### **Security Type Risks**

#### *Common Stocks*

Select Equity Portfolios will be invested primarily in 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. Stocks of small-cap and mid-cap companies tend to be more volatile and less liquid than stocks of large companies. Small-cap and mid-cap companies, as compared to larger companies, may have a shorter history of operations, may not have as great an ability to raise additional capital, may have a less diversified product line making them susceptible to market pressure, and may have a smaller public market for their shares.

#### *ADRs and Foreign Stocks*

In addition, Select Equity Portfolio assets may also be invested in 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.

#### *Exchange-Traded Funds*

Portfolios may be invested in exchange-traded funds 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. 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 net asset value. 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.

#### *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.

### **Additional Risks and Disclosure**

As with any investment decision, Clients should consider the impact it may have on their tax situation. Please note, unless an investment is in a tax-deferred account, there are possible tax consequences when a mutual fund makes a distribution or fund shares are sold as a result of withdrawing or liquidating your investment. We encourage Clients to consult with their tax professional about these and other tax consequences.

If you are redeeming, surrendering or otherwise selling an existing security position to fund an account's initial investment, Clients should fully understand the ramifications of such a redemption, surrender or sale including, but not limited to, potential tax liabilities and fees/charges that may be incurred such as redemption fees, contingent deferred sales charge(s), and/or brokerage commissions.

If you fund a Select Equity Portfolio account with existing security positions, Client understands we may sell most, if not all, of those positions and invest the proceeds in securities that are consistent with the Specification Sheet. In this case, Client will incur tax consequences as a result of us selling these positions. Client may also fund an account with a stock that has a low tax basis (so called "legacy stock") and, as an accommodation (as described on your Specification Sheet), we will sell the legacy stock positions for Client over Client's designated Phase-In Period and reinvest the proceeds in accordance with Client's Specification Sheet. In this case as well, (1) Client will experience a tax consequence as a result and (2) we will not be liable to Client if the ultimate proceeds from its sale of part or all of the legacy stock positions is not as profitable to Client as might have been the case had the legacy stock been sold at

any other time from the date of deposit of the legacy stock in Client's Select Equity Portfolio account.

Additionally, if on Client's Specification Sheet Client allows us to include Master Limited Partnerships ("MLPs") in the universe of investments available for Client's Select Equity portfolio account, there are advantages and disadvantages associated with MLPs including, but not limited to, MLPs' net income being passed through to the investor, which is then taxed at the investor's individual tax rate and certain distributions being deemed as return of capital. We do not provide tax advice and therefore we strongly encourage Clients to consult with their Financial Advisor and/or tax accountant about this and other tax issues relating to their account.

We, as owner-of-record, maintain various portfolios containing the same holdings as those available to Clients. However, any potential conflict arising from this is mitigated by the fact that any rebalancing and/or reallocating instruction sent to the qualified custodian is executed for all eligible accounts (i.e., both Clients and our accounts).

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 Clients to consult with a tax professional about these and other tax consequences.

### **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 Services is a wholly-owned subsidiary of Morningstar Investment Management. Our offerings center around advisory services in our core capabilities of asset allocation, investment selection, and portfolio construction that we offer to individual investors and institutions.

Dual-Hatted Persons 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 Morningstar's Investment Management group's 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.

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 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 offer advisory services to third-party advisory programs of financial institutions. These services may be provided on a discretionary or non-discretionary basis. The core services of these institutions consist of us 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 on our behalf by Morningstar Investment Management. We may also provide sales support by educating investment adviser representatives about the strategies available under the third-party advisory program. Fees charged for these advisory services will depend on assets in the selected strategies and the complexity involved in providing additional services (if any); the fee ranges from 15–55 basis points (0.15% to 0.55%).

We offer various services intended for certain non-ERISA retirement plans (e.g., 403(b), payroll IRA) through an arrangement we have a recordkeeping service provider. These services may include selecting an investment line-up, offering model asset allocation portfolios and providing a risk tolerance questionnaire. Model portfolio construction and on-going monitoring of the model asset allocation portfolios is provided on our behalf by Morningstar Investment Management. The annual fee is 25 basis points (0.25%).

We offer advisory services to plan sponsors as a 3(38) investment manager through a service support platform provider. These services include offering portfolios consisting of mutual funds and exchange-traded funds in which we select the underlying securities, rebalance the security weightings, and remove and replace securities as we deem necessary. Portfolio construction and on-going monitoring of the portfolios is provided on our behalf by Morningstar Investment Management. The annual fee is 30 basis points (0.30%).

If you would like a copy of our brochures describing Morningstar Investment Services' other services as described above, please follow the instructions on Page 1 of this Firm Brochure.

From time to time, Advisory Firms may request that we pay to sponsor a marketing event or provide marketing support as it relates to the Program. 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 in our portfolios to speak on various topics unrelated to specific securities.

On occasion, our representatives may visit the offices of the custodians offered on Program to receive training. In these instances the custodian may pay for the travel and lodging associated with this training.

Financial Advisors of Advisory Firms are eligible to participate in our Managed Portfolio Loyalty Program in which qualifying Financial Advisors receive a one-year license for a Morningstar software product at no cost to the Financial Advisor. Financial Advisors that meet certain account thresholds each year are eligible for the following:

- Financial Advisors with more than 50 accounts on our Platform are eligible for a one-year, no cost subscription for Morningstar® Advisor Workstation<sup>SM</sup>.
- Financial Advisors with more than 100 accounts on our Platform are eligible for a one-year, no cost subscription for either Morningstar® Advisor Workstation<sup>SM</sup> or Morningstar Direct<sup>SM</sup>.

Upon expiration of the subscription, if the Financial Advisor continues to meet the account minimum, the subscription subsidiary will be renewed for an additional year. Morningstar Advisor Workstation and Morningstar Direct were chosen for the Loyalty Program as we believe they offer Financial Advisors data, tools, and/or reports that can support them in their role as investment advisor. Pricing for Advisor Workstation and Morningstar Direct varies depending on such items as

functionality level, but is estimated to be valued at \$2000 and \$9000 respectively for the Loyalty Program.

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 underlying a Program portfolio whose 12b-1 plans are for distribution only. Therefore, individuals involved in the day-to-day operations of Morningstar Investment Services may maintain FINRA security licenses required by our broker dealer registration and associated with their current job responsibilities.

For some of our advisory services, the universe of investment options from which we make our investment selections is defined by our client. In some cases, this universe of investment options may include proprietary investment options of our 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.

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 Management LLC, is our parent company and is also an investment adviser registered under the Advisers Act.

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.

Morningstar Investment Management provides consulting or advisory services to 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 clients.

Morningstar Investment Management receives compensation for its 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.

Dual-Hatted Persons provide portfolio construction and ongoing monitoring and maintenance for the portfolios offered by Morningstar Investment Management through Morningstar® Managed Portfolios<sup>SM</sup>. While the same or similar portfolios are

offered by us to 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 Management's 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 clients and Morningstar Investment Management's non-discretionary 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.

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 our clients to our engaging Morningstar Research Services is addressed in our agreement with the 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), 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 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 on 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 our 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 [compliance@morningstar.com](mailto:compliance@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

For Our Program, or where we act as an Investment Manager, the Advisory Firm and/or Financial Advisor and, in some specific cases Morningstar Investment Services under a Solicitation Arrangement, must select a qualified custodian. This qualified custodian must have the appropriate technical and operational connections with our Provider or the Third-Party Program or Platform's service providers, and will effect, clear, and settle transactions we place on behalf of Client accounts and will act as the account's qualified custodian.

As part of Our Program, if Advisory Firm does not have an existing relationship with a qualified custodian, we will provide a list of those that have the appropriate technical and operational connections with our Provider. From that list, Client and Client's Advisory Firm, and in some specific cases Morningstar Investment Services under a Solicitation Arrangement, will be responsible for selecting a qualified custodian.

Please note, we do not receive compensation, research, or soft dollar benefits from the qualified custodian selected nor are Morningstar Investment Services and the qualified custodian affiliated.

Advisory Firm is solely responsible for deciding whether to negotiate with its selected qualified custodian the clearing/custody fees to be charged to their Client Accounts or where applicable, to use the clearing/custody fee schedule we have in place with that qualified custodian ("Clearing Fee"). Please note, for Our Program, if Advisory Firm chooses to use the clearing/custody fee schedule we have secured with the qualified custodian, it may be higher than a clearing/custody fee schedule Client and/or Client's Advisory Firm may be able to negotiate.

Client's Financial Advisor is solely responsible for determining whether the Clearing Fee is charged to Client's account on an "asset" or "per transaction" basis (in some cases, under a Solicitation Arrangement, we will be responsible for determining if the Clearing Fee charged to a Client's account is on an "asset" or "per transaction" basis; please see the section titled Client Referrals and Other Compensation for more information on Solicitation Arrangements). If 'asset' basis is selected, the account will be charged a fee every month or quarter ("Period"), depending on the qualified custodian, based on the average daily balance of Client's account ("Asset Based Clearing Fee"). Clients should refer to their account opening documents for details regarding their Asset Based Clearing Fee Period. There is also additional information about the Asset Based Clearing Fee in the Form ADV Part 2A Appendix 1: Wrap Fee Program Brochure. If 'per transaction' basis is selected, Clients understands your Account will be charged a transaction fee in the calendar quarter the transactions are made based on a specific rate per trade ("Transaction Based Clearing Fee").

Clients should consult with their Financial Advisor on the advantages/disadvantages of each method and the Clearing Fee associated with each. Asset Based Clearing Fee may not be appropriate for everyone and should be based on individual's particular circumstances and any other relevant factors. Clients should note that if the number of transactions in their account is low enough or if they have no transactions in any given Period, the Asset Based Clearing Fee they pay the qualified custodian may/will exceed the transaction costs that would otherwise be charged for transactions effected in that period. The qualified custodian will deduct Clearing Fees from Client accounts in accordance with the Clearing Fee schedule (i.e., Asset Based or Transaction

Based Clearing Fee) presented to Client during the account-opening application. As a result of the Clearing Fee being pre-determined, neither Morningstar Investment Services nor Client's Advisory Firm will negotiate trading fees (e.g., brokerage commissions) each and every time a transaction is placed with the qualified custodian. The Clearing Fee imposed by the qualified custodian may be different, including higher, than those of other available brokerage firms.

The payment of the Clearing Fee is solely Client's responsibility; we will not be obligated to pay the Clearing Fees incurred by Client's Account. These Clearing Fees are in addition to the Annual Program Fee or Our Fee/Our Net Fee described in the Fees and Compensation section.

Additionally, the qualified custodian may impose a fee based on their short-term trading policies. If these fees are imposed, the appropriate amount will be charged to Client's Account, which is separate and distinct from the Annual Program Fee, Our Fee/Our Net Fee, and Clearing Fees.

In setting up a brokerage account with a qualified custodian Client may be required to produce a government-issued identification number (e.g., U.S. driver's license number) and other personal, non-public information. Our discretionary authority will not become active until all necessary agreements have been executed and accounts established.

### *Program Trade Aggregation and Allocation*

We, at our discretion, typically aggregate purchase or sale order instructions for Program accounts with purchase and sale orders for the same security for other clients' accounts we have been granted discretionary authority over ("Participating Clients"). 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. Participating Clients will receive the security's average share price for that order in accordance with the qualified custodian's policy. When faced with a security with limited supply or demand ("Partial Fill"), we intend to allocate that Partial Fill among Participating Clients on a pro-rata basis. We may, depending on the circumstances, increase or decrease the amount of securities allotted to each Participating Client by applying de minimis standards (e.g., avoid odd-lot or small number of securities for a client). Additionally, if we deem it impractical or inappropriate to allocate securities among the Participating Clients on a pro-rata basis, it may allocate such securities in 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.

## Item 13. Review of Accounts

In most cases, Client's Financial Advisor will review Client responses to a risk tolerance questionnaire or similar information and assist Client in determining if a strategy is appropriate for Client and, if it is, making a final determination as to the most appropriate portfolio for Client from among the portfolios available within Our Program, the Third-Party Program, or Platform. In addition, Client's Financial Advisor agrees to meet with Client at least annually to discuss and review any changes in your financial situation.

## Item 14. Client Referrals and Other Compensation

In addition to our typical arrangements, we may offer Our Program under the following arrangements and may receive compensation and/or economic benefit for providing services under the Program:

### *Solicitation Arrangements*

Situations may arise in which others, including affiliates, may introduce accounts to us or solicit clients for us that they deem appropriate. 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. Where applicable, the agreement will identify the roles and responsibilities of the solicitor and Morningstar Investment Services and the specific amount of the annual or other referral fee to be shared with the solicitor commensurate with the degree of effort and

assistance provided. The fee charged to a Client under this arrangement will not be affected if Client were introduced or referred by a solicitor.

Through a Solicitor Disclosure Statement, which is given to Client prior to or upon receiving the Investment Management Agreement, Client is made aware of the arrangement between the solicitor and us (and thus it has a financial interest in recommending us to Client) and the specific referral fee paid to the solicitor.

The referral fee will be paid quarterly for so long as Client maintains an Investment Management Agreement with us and the solicitor's agreement with us remains in-force. If at any time either agreement is terminated, the referral fee payments to the solicitor will cease.

#### *Additional Compensation*

We utilize the services of unaffiliated providers, to provide, among other things, a platform that includes trade entry, trade allocation/portfolio management, rebalancing, trade clearing, fee processing, individual client accounting, and tax reporting. As a result of this relationship, we receive benefits, such as the ability to aggregate securities transactions and the ability to deduct program fees directly from accounts (in accordance with federal and state requirements).

We benefit from the fact that for strategies consisting of open-end mutual funds and where our Provider is the qualified custodian of an account, our Provider receives shareholding servicing fees directly from the mutual funds used within Our Program. The Provider, in turn, reduces the monthly fee and expenses payable by us to it (in accordance with the agreement between the parties) by the amount of shareholding servicing fees it receives relating to the clients of Our Program. Such arrangement could create a conflict of interest; however, in an effort to reduce such conflict, we offset the Our Fee charged to the client with an amount reflective of the reduction we receive as noted in the Fee and Compensation section.

In addition, Morningstar, as noted previously, offers various products and services to the public. In some cases, Morningstar may refer clients of its products and services to Morningstar Investment Services for a referral fee as noted within the solicitation arrangement between Morningstar and Morningstar Investment Services. In those situations, Morningstar will disclose to the clients that they are affiliated with Morningstar Investment Services and that Morningstar Investment Services may pay Morningstar a referral fee.

### **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. In most cases, Client's Advisory Firm is responsible for selecting the custodian for assets.

For Our Program and where we act as an Investment Manager, generally, on a quarterly basis, we will provide each Client with a report detailing the performance of Client's account and holdings analysis as well as an overview and commentary of the selected portfolio. The report will also include a reminder that Client should inform their Financial Advisor promptly of any changes in their financial situation or investment objectives or if they wish to modify or impose any restrictions on their account. Clients should also inform their Financial Advisor promptly of any changes to their Specification Sheet, if applicable, that they wish to make.

Additionally, Client will be provided trade confirmations or transaction statements from the qualified custodian pertaining to their account. If at any time, Client does not receive a statement on at least a quarterly basis from your qualified custodian, we encourage Client to contact their Financial Advisor immediately. In addition, we encourage Client to compare their Clearing Firm statements with

reports or information provided by us and to contact your Financial Advisor immediately if Client finds any discrepancies between the two.

### **Item 16. Investment Discretion**

For Our Program and where we act as an Investment Manager, in order to provide the discretionary authority to invest and reinvest in securities for Client's account, Client grants us authority to make investment decisions and initiate transactions on Clients' behalf without seeking approval or discussing these investment decisions first with Client, the Advisory Firm or Client's Financial Advisor. As a result, Client, Client's Advisory Firm and Client's Financial Advisor are not authorized to make any security-related investment decisions (e.g., rebalance, reallocation, buy/ sells) pertaining to Client account assets nor is Client's Advisory Firm or Financial Advisor authorized to independently debit from Client account their portion of the Annual Program Fee (as explained in the Fees and Compensation section). If any of the activities described in the previous sentence do occur we may recover costs, expenses and/or losses associated with correcting such unauthorized activities from Client, Client's Advisory Firm or Client's Financial Advisor. The portfolio construction and on-going portfolio monitoring will be performed on our behalf by Morningstar Investment Management, a registered investment adviser and the direct parent company of us. Our investment decision making authority as described above does not include us or Morningstar Investment Management having direct access to or the authority to obtain possession of Client account assets.

We do not have investment discretion in situations where we act as a Model Manager.

### **Item 17. 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.

As indicated in the Investment Management Agreement (presented with the account opening documents), we will vote proxies on those securities underlying Client's account in Our Program unless Client elects otherwise. We may also vote proxies in some cases where we act as an Investment Manager. Please refer to your account opening documents for more information.

#### *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 any time, 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

Please note, we will not act on or advise Clients regarding legal proceedings, including bankruptcies or class actions, involving securities held in an account. Client and Client's Financial Advisor are responsible for determining whether or Client wants to participate in any class action suits filed against companies in which Client is invested.

#### **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 Services LLC Form ADV Part 2 Summary of Material Changes

### *Morningstar® Managed Portfolios<sup>SM</sup>*

22 West Washington Street, Chicago, IL 60602

Phone: 312.696.6000

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

March 29, 2017

We are required to provide you annually with a summary of material changes to 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 Services 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**

Previously we had two versions of our Firm Brochure that covered the Morningstar® Managed Portfolios<sup>SM</sup> program (an investment advisory program we sponsor in which we provide discretionary account management services) and our Third-Party Advisory Program service where we create model portfolios for use with third-party advisory programs and platforms. We have re-branded to include both services under Morningstar® Managed Portfolios<sup>SM</sup>. Therefore, we combined the two Firm Brochures and re-wrote large portions of our *Morningstar® Managed Portfolios<sup>SM</sup>* Firm Brochure in order to clarify and provide additional details about our advisory business, fees and compensation, and methods of analysis, strategies, and risks. There were no changes we deemed material under these sections and nor did the spirit of the information change, however, we urge you review the changes noted below and request a copy of our current Firm Brochure from your Financial Advisor.

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

- Discretionary Assets: \$8,489,500,000
- Non-Discretionary Assets: \$2,340,900,000

We also updated the *Advisory Business* section to remove Our Fee's minimum fee. As of April 1, 2017, this fee will be waived for both new and existing Clients of Our Program. We updated the *Minimum Account Size* section to reflect that we lowered the account size minimum for our ETF Asset Allocation Portfolios from \$50,000 to \$25,000.

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 ultimate 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. We also updated this section to

disclose a new Loyalty Program we offer to Financial Advisors using Morningstar Managed Portfolios and explain the software subsidiaries some Financial Advisors may be eligible for.

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 review this section carefully and request a copy of our current Firm Brochure from your Financial Advisor. We also disclosed that we now utilize a team of individuals that are located outside of the United States for certain Morningstar Managed Portfolios-related services, and discussed how we mitigate any related conflicts of interest.

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 Services. The Brochure Supplement was updated to:

- Add Michael Hodel, portfolio manager for the Dividend portfolio and
- Remove individuals no longer involved with the day-to-day investment advice and/or part of the investment team.

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 Services' 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 Services LLC" and click on the "Part 2 Brochures" button.)



## Morningstar Investment Services LLC Form ADV Part 2A Appendix 1: Wrap fee Program Brochure *Morningstar® Managed Portfolios<sup>SM</sup>*

22 West Washington Street  
Chicago, IL 60602  
Phone: 877.626.3227  
<https://advisor.mp.morningstar.com>  
[mis@morningstar.com](mailto:mis@morningstar.com)

April 24, 2017

In addition to the Firm Brochure, this Wrap Fee Program Brochure is provided you with additional disclosures related to your account. Based on the Annual Program Fee and Clearing Firm fees charged to your account, you are participating in what is typically referred to as a “wrap fee program.” A wrap fee program is a program under which you are charged a specific fee based on the market value of your account, and not on a ‘per transaction’ basis. All terms noted throughout the Appendix will have the same meanings as those set forth in the Brochure.

This wrap fee program brochure provides information about the qualifications and business practices of Morningstar Investment Services LLC. If you have any questions about the contents of this brochure, please contact us at 312-696-6000 or by email at [compliance@morningstar.com](mailto:compliance@morningstar.com). The information in our 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 Services LLC is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Morningstar Investment Services 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.

Please retain this brochure for future reference.

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 us as noted above. 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>, Plan Sponsor Services and/or Retirement Plan Services) you are requesting.

### Item 3. Table of Contents

Table of Contents .....	1
Services, Fees and Compensation.....	1
Account Requirements and Types of Clients.....	2
Portfolio Manager Selection and Evaluation .....	3
Client Information Provided to Portfolios Managers.....	3
Client Contact with Portfolio Managers.....	3
Additional Information .....	3

### Item 4. Services, Fees and Compensation

#### Morningstar® Managed Portfolios<sup>SM</sup> Program

Our Program is made available to individuals and institutions (collectively “you” or “your”) primarily through arrangements we have with Advisory Firms. The Financial Advisor typically carries out some or all of the responsibilities (described below) on behalf of the Advisory Firm.

The Program includes various strategies consisting of mutual funds, exchange-traded funds, and equity securities. Within Our Program, we offer discretionary investment advisory services. Portfolio construction and ongoing monitoring and maintenance of the portfolios within the program are provided by investment professional representatives of Morningstar Investment Management LLC that are acting on our behalf (“Dual-Hatted Persons”).

We delegate certain services to Advisory Firms\* such as:

- assisting you in completing your profile and/or other applicable account opening forms;
- determining suitability of the Program and your investment strategy and selected portfolio;
- meeting at least annually with you to review any changes in your financial situation; and
- acting as liaison between us and you.

\*In certain circumstances, your Financial Advisor may be our employee (“Our Advisor”) and therefore your relationship is directly with us and not through an unaffiliated, independent Advisory Firm. Under this arrangement, Our Advisor will provide the applicable services of Financial Advisor noted within this brochure.

For these services, Morningstar Investment Services and your Advisory Firm will each receive a portion of the total Program fee paid by you.

For additional information on the fees please refer to our ADV Part 2A: Firm Brochure.

#### Maximum Annual Program Fee Schedule

Mutual Fund Asset Allocation and Outcome-Based/Focused Portfolios fees:

	First \$500K	Next \$500K	Next \$1MM	Over \$2MM
Our Net Fee	0.40%	0.35%	0.30%	0.20%
Advisory Firm Fee <sup>1</sup>	1.10%	1.05%	1.00%	0.90%
Total Program Fee	1.50%	1.40%	1.30%	1.10%

ETF Asset Allocation Portfolios fees:

	First \$1MM	Next \$4MM	Thereafter <sup>2</sup>
Our Fee	0.30%	0.25%	0.20%
Advisory Firm Fee <sup>1</sup>	1.10%	1.10%	1.10%
Total Program Fee	1.40%	1.35%	1.30%

## Select Equity Portfolios fees:

	First \$1MM	Next \$4MM	Thereafter <sup>2</sup>
Our Fee	0.55%	0.50%	0.45%
Advisory Firm Fee <sup>1</sup>	1.10%	1.10%	1.10%
Total Program Fee	1.65%	1.60%	1.55%

<sup>1</sup> The Advisory Firm Fee portion of your Annual Program Fee is solely determined by your Advisory Firm and/or Financial Advisor. Their determination of what the Advisory Firm Fee will be for you will be noted within the program fee schedule presented to you as part of your account opening documents. As always, we encourage you to review the program fee schedule as well as all of your account opening documents carefully. Please note, we are not involved in determining what your Advisory Firm will charge you.

<sup>2</sup> For clients with account assets of \$5 million or above, Our Fee is negotiable.

**Fee Schedule for the Asset Based Clearing Fee Negotiated by Us**

Fidelity	
Asset Range	Asset Based Clearing Fee
\$0 to \$999,999	0.04%
\$1,000,000 and above	0.03%
Annual Minimum Fidelity Asset Based Clearing Fee	\$30

Schwab	
Asset Range	Asset Based Clearing Fee
\$0 to \$1,000,000	0.04%
\$1,000,001 and above	0.02%
Annual Minimum Schwab Asset Based Clearing Fee	\$50

TD Ameritrade**	
Asset Range	Asset Based Clearing Fee
\$0 to \$249,999	0.20%
\$250,000 to \$499,999	0.18%
\$500,000 to \$999,999	0.16%
\$1,000,000 and above	0.12%

\*\*The asset range is determined by the eligible assets which are all assets in your account except for assets held in money market funds and non-transaction fee mutual funds.

The payment of the Asset Based Clearing Fee to your qualified custodian is solely your responsibility. Typically, your qualified custodian will charge your account directly for any applicable clearing fees. When securities can be traded in more than one marketplace, your qualified custodian will use its discretion in selecting the market in which such orders are entered. Please be aware that your qualified custodian may receive remuneration, compensation or other consideration for directing orders to particular broker/dealers or market centers for execution (i.e., payment for order flow) and that we do not participate in such arrangements.

Because Our Program is not exclusive to your Advisory Firm and/or Financial Advisor, the fee for the services provided may be higher than fees charged by other financial advisors who sponsor programs similar to ours or if you paid separately for investment advice and other services. In addition, because the underlying holdings of Our Program's portfolios are not exclusive to Our Program, you may buy securities (e.g., mutual funds, exchange-traded funds, common stock, etc.) outside of Our Program without incurring the Annual Program Fee.

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

Our Fee and Our Net Fee are separate from the fees and expenses charged by your portfolio's underlying holdings (e.g., mutual funds, ETFs, common stocks, American Depositary Receipts ("ADRs"), and/or foreign stocks listed on a U.S. exchange). It does not include fees or commission associated with executing transactions including redemption fees or asset- or transaction-based trading fees. It does not include your Advisory Firm's fee or fees and expenses charged by any third party such as a proprietary advisory program or platform, plan provider, recordkeeper, and/or clearing firm, if applicable.

The fees and expenses charged by your portfolio's underlying holdings are described in the security's prospectus or an equivalent document. These fees will generally include a management fee, transfer agent fee, shareholder servicing fee, other investment expenses, and possibly a distribution fee (e.g., 12b-1). In some cases, a security may also charge an initial or deferred sales charge. Neither Morningstar Investment Services nor anyone affiliated with us receive transaction-based compensation for the investment recommendations we make.

Advisory and other fund-related expenses in mutual funds in which your account assets are invested not included in Our Fee/Our Net Fee includes redemption fees that an open-end mutual fund underlying your account or qualified custodian may impose as a result of a transaction-related request you initiated (i.e., partial or complete liquidation of your account). In addition, in certain situations, our decision to rebalance and/or reallocate your account may result in you incurring a redemption fee imposed by one or more of the open-end mutual funds underlying your account. In both such cases, any such redemption fee charged to your account by the underlying mutual fund or qualified custodian will be reflected on your quarterly account statement.

As the result of our discretionary authority (if applicable), investment decisions made for your account set-up through a qualified custodian will result in you incurring a Clearing Fee imposed by your qualified custodian. Please ask your Financial Advisor for information about the Clearing Fee applicable to your account. The payment of the Clearing Fee to your qualified custodian is solely your responsibility. Typically, your qualified custodian will charge your account directly for any applicable Clearing Fee. The Clearing Fee is in addition to the above-mentioned Annual Program Fee. When securities can be traded in more than one marketplace, your qualified custodian will use its discretion in selecting the market in which such orders are entered. Please be aware that your qualified custodian may receive remuneration, compensation or other consideration for directing orders to particular broker/dealers or market centers for execution (i.e., payment for order flow) and that we do not participate in such arrangements.

You may also incur certain charges by your qualified custodian or its affiliates related to retirement plan accounts such as IRAs. These charges are in addition to the above-mentioned Annual Program Fee and Clearing Fees.

Exchange-traded funds have their own internal fees and expenses such as investment advisory, administration, and other fund-level expenses; by investing in them you incur a proportionate share of those fees and expenses. Those fees and expenses are in addition to the above-mentioned Annual Program Fee and Clearing Fee.

ADRs are typically created, organized and administered by a U.S. bank. Generally, these banks charge a fee for their services (e.g., custody) and may deduct these fees from the dividends and other distributions generated from the ADR shares. In addition, banks incur expenses, such as converting foreign currency into U.S. dollars, and as a result may pass those expenses on to the ADR shareholder. These fees and expenses are in addition to the above-mentioned Annual Program Fee and Clearing Fees.

**Item 5. Account Requirements and Types of Clients**

Our Program is an investment advisory program available to individuals and institutions, whose initial investment meets the minimum account size noted within. Our Program is primarily offered through arrangements we have with various unaffiliated registered investment advisers and is intended for citizens or legal residents of the United States

or its territories. Our Program can only be offered by a registered investment adviser or investment adviser representative, unless otherwise exempt from registration.

**The minimum initial account size for each strategy is as follows:**

Mutual Fund Strategies (including Mutual Fund Asset Allocation and Outcome-Based/Focused Portfolios)	\$50,000
Enhanced Portfolio Service***	\$1,000,000
Individual 401(k) Account	\$40,000
For Each of the Above:	
Minimum subsequent investment	\$500
Minimum subsequent investment- IRA Accounts	\$250
ETF Strategies (including ETF Asset Allocation, Contrarian and Momentum)	\$25,000
Select Equity Portfolios—Strategist Series	\$100,000
Select Equity Portfolios—Custom Series	\$250,000
Select Equity Portfolios with Fixed Income	\$250,000

\*\*\* This service is no longer offered to new clients.

At Morningstar Investment Services' sole discretion, an initial or subsequent funding of less than the above stated minimums may be allowed. This may include a lower minimum relating to multiple Program accounts or a Financial Advisor's own personal program account.

## Item 6. Portfolio Manager Selection and Evaluation

We offer discretionary investment advisory services. Portfolio construction and ongoing monitoring and maintenance of the portfolios with Our Program are provided on our behalf by Dual-Hatted Persons.

Our investment process starts with scouring the globe for opportunities. Instead of hewing closely to an index-defined universe, we look broadly, investigating asset classes, sub-asset classes, sectors, and securities in markets around the world. Our capital markets research extends to more than 200 equity markets, regions, or sectors, as well as to more than 100 fixed-income sectors. We also track 37 world currencies.

We apply valuation analysis supported by in-depth fundamental research to find opportunities. We seek to buy overlooked investments, especially those that offer sound fundamentals at what we believe to be an attractive price. To do this, we need a deeper understanding of the drivers of return and risk for these investments—primarily in the context of valuation.

Our valuation analysis tells us how attractively priced an asset class is, while insight of the fundamental drivers of asset prices increases the probability that we will get more than we pay for. For us, valuations and fundamentals are joined at the hip.

But we aren't content to look only at valuation; studying investor sentiment and positioning adds contrarian elements to our process and tells us how the market consensus views an investment class we're considering. We prefer to invest in ideas that go against the market consensus because the only way to outperform is to be different from what the market has already included in the stock price.

We also look closely at each asset class' risk, which can be complex, multifaceted, and vary over time. We believe that one of the best ways to control for risk is to buy fundamentally strong assets that seem underpriced.

Our in-depth valuation analysis and contrarian indicators, when brought together, are the key ways we generate investment ideas. These ideas might be names to include in a stock portfolio or our best thinking on reward for risk at the asset class-level.

Additional information on this process can be found in the Methods of Analysis, Investment Strategies, and Risk of Loss section of our Form ADV Part 2A: Firm Brochure.

## Item 7. Client Information Provided to Portfolios Managers

Since we will invest your account assets on the basis of your responses to the risk tolerance questionnaire, or equivalent, and information given to your Financial Advisor, you understand and acknowledge the importance of responding accurately to these questions and for ensuring all information within your questionnaire is complete and accurate. You understand and acknowledge that we will rely on the information it is provided in managing your account and that we will not independently verify any information you have given in response to the questionnaire.

On at least an annual basis, your Financial Advisor will typically meet with you to discuss any changes to your personal/financial situation that may affect your account. In addition, contact your Financial Advisor promptly when any changes occur in your financial circumstances that may have a bearing on the manner in which your account assets are invested; which may include but are not limited to changes in your financial circumstances, risk tolerance, investment objectives, or reasonable restrictions you wish to place on your account.

## Item 8. Client Contact with Portfolio Managers

Appropriate personnel will be made available during normal business hours to consult with you upon reasonable request.

## Item 9. Additional Information

Please refer to the Form ADV Part 2A: Firm Brochure, for additional information regarding Disciplinary Information and Other Financial Industry Activities and Affiliations, as well as information about our Code of Ethics, Participation or Interest in Client Transactions and Personal Trading, Review of Accounts, Client Referrals and Other Compensation, and Financial Information.