



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

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

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

**Morningstar Investment Management LLC is registered with the SEC as a registered investment adviser. Registration with the SEC does not imply a certain level of skill or training. 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 can also request a copy of our current brochure free of charge by contacting our Compliance Department at 312.696.6000, or by email to [compliance@morningstar.com](mailto:compliance@morningstar.com). In your request, please indicate the name of the company (Morningstar Investment Management) and the service brochure(s) (Morningstar Wealth Advisory Services, Morningstar Retirement Advisory Services for Individuals, Morningstar Retirement Institutional Advisory Services, or Advisory Services to MetLife ExpertSelect Program) you are requesting.

### Item 2. Material Changes

This *Morningstar Wealth Advisory Services* Firm Brochure dated March 2026 contains the following changes since our last annual update dated March 27, 2025. Throughout the Firm Brochure, we removed references to Morningstar Investment Services’ discretionary advisory services and instances where Morningstar Investment Services offered strategies to third-party financial institution clients as these services have since ceased.

*Item 4. Advisory Business, Item 5. Fees and Compensation, and Item 8. Methods of Analysis, Investment Strategies, and Risk of Loss* were updated to include Morningstar Managed Plan Solutions, an offering that provides proprietary model investment strategies, risk tolerance questionnaire, investment policy statement, and/or investment lineup assistance for plan sponsors and their plan participants.

*Item 10. Other Financial Industry Activities and Affiliations and Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading* were updated to include the mitigation of any perceived conflict of interest associated with seed and Morningstar-affiliated accounts by communicating our multi-asset Strategy recommendations after the close of the trading day and equity Strategy recommendations based off a trade rotation.

*Item 4. Advisory Business* was updated to reflect our assets under management and advisement as of December 31, 2025.

*Item 10. Other Financial Activities and Affiliations* was updated to clarify how we mitigate conflicts of interest related to recommendations to investment products that we provide with consulting or investment management services, and to remove references to Morningstar Research Services LLC as an investment adviser, as it closed its investment adviser registration.

We made other edits 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.

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### Item 4. Advisory Business

#### Firm Information

Morningstar Investment Management LLC is a Delaware limited liability company that was incorporated in 1999. Morningstar Investment Management is a wholly owned subsidiary of Morningstar, Inc. (“Morningstar”). Morningstar is a publicly traded company (Nasdaq Ticker: MORN) with Mr. Joseph Mansueto, Executive Chairman of Morningstar, holding more than 35% of Morningstar’s outstanding shares. Because of that ownership, Mr. Mansueto is an indirect owner of Morningstar Investment Management.

Morningstar Investment Management is registered with the SEC under Section 203(c) of the Investment Advisers Act of 1940, as amended (“Advisers Act”). Morningstar Investment Management has filed the appropriate notices to conduct business in all 50 states, the District of Columbia, Guam, the Virgin Islands, and the Commonwealth of Puerto Rico. Morningstar Investment Management is registered with the U.S. Commodity Futures Trading Commission as a Commodity Pool Operator (“CPO”) and is a member of the U.S. National Futures Association.

Morningstar Investment Management, along with other Morningstar subsidiaries authorized in appropriate jurisdictions to provide investment

management and advisory services, is part of a global investment team composed of investment analysts, portfolio managers, and other investment professionals. These investment and operations teams span the globe, with primary offices in Chicago, London, and Sydney.

Morningstar Investment Management is composed of two units that are organizationally and functionally segregated from each other – Morningstar Wealth and Morningstar Retirement. Each unit retains discretion over the assets it manages, has a separate and distinct investment process, and is held out to the public as separate from the other.

This brochure focuses on the products and services we provide to retail and institutional Morningstar Wealth clients. You can obtain a copy of our Morningstar Retirement brochure describing our products and services for individuals (managed accounts, advice, and personal target-date fund services for retirement investors, “Morningstar Retirement Advisory Services for Individuals”) or products and services in our core capabilities of asset allocation, investment selection, and portfolio construction that we offer to institutions such as asset management firms, banks, broker/dealers, consultants, insurance companies, investment advisers, investment fiduciaries, plan sponsors of retirement plans, plan providers of retirement plan services, trusts, and other business entities (“Morningstar Retirement Institutional Advisory Services”) by following the instructions above.

#### **Advisory Services We Offer – Overview**

Morningstar Wealth and Morningstar Retirement are groups within Morningstar Investment Management that independently offer certain advisory products and services. These investment advisory services focus on our core capabilities in asset allocation, investment selection, and portfolio construction to retail or institutional clients. Our “Institutional Clients” include, but are not limited to, asset management firms, banks, broker/dealers, consultants, endowments, foundations, insurance companies, investment advisers, investment fiduciaries, plan sponsors of retirement plans, providers of retirement plan services, trusts, and other business entities.

The Morningstar Wealth unit within Morningstar Investment Management offers:

- Institutional asset management,
- Proprietary model investment strategies to third-party institutional clients on a non-discretionary basis as a strategist,
- Proprietary model investment strategies, risk tolerance questionnaire, investment policy statement, and/or investment lineup assistance for plan sponsors and their plan participants,
- Recommendations of other investment advisers or platforms that offer our model investment strategies to retail investors, and
- Asset allocation, capital market assumptions, and other advisory services to institutional clients.

#### *Institutional Asset Management*

For Institutional Clients who sponsor registered or pooled investment products, we serve as a portfolio manager (with discretionary authority), portfolio construction adviser (providing non-discretionary recommendations), or sub-adviser. We provide recommendations for asset class allocation targets and/or selection of underlying holdings to fulfill each asset class allocation target. Underlying holdings may include, but are not limited to, open-end mutual funds, exchange-traded funds (“ETFs”), and collective investment trusts. The universe of underlying holdings is generally

defined by the Institutional Client and may include investment products that are affiliated with that Institutional Client. As a result, our recommendations may be limited to the investment options available within that universe. This service typically includes ongoing responsibilities such as monitoring the underlying holdings and reviewing and updating asset allocation percentages and/or underlying holdings as necessary.

We are an investment adviser to Morningstar Funds Trust, registered with the SEC as an open-end management investment company under the Investment Company Act of 1940, as amended. We have overall supervisory responsibility for the general management and investment of the fund portfolios within the Morningstar Funds Trust (“Morningstar Funds”), which are managed in a combination of multimanager structure and internal proprietary strategies. Subject to the review and approval by the Morningstar Funds Trust’s board, we set each Morningstar Fund’s overall investment strategy. We are also responsible for the oversight and evaluation of each Morningstar Fund’s sub-advisers. The Morningstar Funds will be used as the underlying holdings for certain model portfolios, most notably mutual fund model portfolios, offered by Morningstar Investment Management. The Morningstar Funds include the Morningstar Alternatives Fund, Morningstar Defensive Bond Fund, Morningstar Global Income Fund, Morningstar International Equity Fund, Morningstar Multisector Bond Fund, Morningstar Municipal Bond Fund, Morningstar Total Return Bond Fund, Morningstar U.S. Equity Fund, and the Morningstar Global Opportunistic Equity Fund. More information about the Morningstar Funds is at <http://connect.rightprospectus.com/Morningstar>.

#### *Model Investment Strategies*

For Institutional Clients who offer a proprietary advisory program, or a platform that makes investment strategies available for use by other financial institutions, we create model investment strategies (collectively, “Strategies”) for use through such programs or platforms. The Strategies are typically designed for use by a financial professional with their retail investor clients, and can include risk- or target date-based asset allocation portfolios, portfolios designed to address a certain financial planning need or goal, or relatively focused stock or bond portfolios. We provide educational materials and information regarding the Strategies to financial professionals using the program or platform.

In providing this service, we act as a non-discretionary model manager. We select and monitor the asset allocation and underlying holdings of each Strategy based on a universe of investments typically defined by the institutional client. In general, we provide ongoing monitoring of the Strategies, along with rebalancing and reallocating recommendations. The investor’s financial professional or the investor is responsible for suitability, choice of custodian, and other services related to investing in a Strategy. The institutional client or the financial professional using the advisory program or platform has the full and sole discretion over their client accounts invested in a Strategy and has the ability to deviate from our Strategy by including all or a portion of our recommendations and/or supplement or modify our investment recommendations.

We also maintain seed and other Morningstar-affiliated accounts of our Strategies in which we act as a discretionary investment manager. The seed accounts are maintained to provide an indication of the performance of each Strategy while the Morningstar-affiliated accounts are used with the Morningstar Newsletters product.

We offer a broad array of multi-asset and equity Strategies designed to play varying roles for investors. Our multi-asset Strategies range from conservative to aggressive, and are comprised of mutual funds, ETFs, or a combination of the two. In addition to broad, widely diversified Strategies that can function as the “core” portion of an investor’s financial strategy, we also manage more targeted Strategy options. Our equity Strategies are generally concentrated portfolios of stocks chosen based upon their valuation and fundamental characteristics. We also have a lineup of index-based portfolios which can incorporate individual needs and preferences.

The Strategies, most notably those utilizing mutual funds, may have underlying holdings that include one or more of the Morningstar Funds. Each Morningstar Funds’ summary prospectus, prospectus, statement of additional information (“SAI”), and other regulatory filings are available at <http://connect.rightprospectus.com/Morningstar>.

#### *Morningstar Managed Plan Solutions*

The Morningstar Managed Plan Solutions services are designed to help employers who are responsible for establishing and maintaining their company’s defined contribution or other retirement plan (the “Plan Sponsor”) and the participants enrolled in the plan (“Participants”).

Features within Morningstar Managed Plan Solutions services are as follows:

**Model Portfolios:** We offer model portfolios covering various risk levels (e.g., conservative, aggressive, etc.) designed to provide broad diversification across asset classes and risk levels. This strategy invests primarily in diversified investments in domestic and international equity mutual funds and/or exchange-traded funds (ETFs) available through the plan or the plan’s recordkeeping provider. The goal of model portfolios is to provide the Participant with the ability to invest their plan account assets in a diversified manner.

**Risk Tolerance Questionnaire:** Through some recordkeepers, we provide a risk tolerance questionnaire. The questionnaire’s sole purpose is to provide Participants with general assistance in terms of identifying their risk tolerance and investment objectives and, based on this, which model portfolio is most aligned with that risk tolerance/investment objective.

**Investment Policy Statement:** We provide Plan Sponsors with tools to help them develop an Investment Policy Statement (“IPS”). The purpose of the IPS is to provide guidelines for the investment and management of assets held for the benefit of Participants and beneficiaries of the plan. The primary intent of the IPS is to:

- Establish a framework for structuring a retirement savings program for plan Participants by making available diversified investment options that support a range of long-term needs, goals and risk tolerances.
- Provide Participants with investment options which, when prudently used, will diversify portfolio risks and better accommodate the range of risk/return preferences they may have.
- Establish careful procedures for monitoring and evaluating the performance of the investment options within the plan.
- Describe the investment process used to select the plan’s investment options and the asset allocation portfolios available in the plan.
- Describe the roles and responsibilities of the various parties that may be involved in the oversight of plan investment activities.

**Plan’s Investment Lineup:** Additionally, we assist Plan Sponsors in determining the mutual funds and/or ETFs available under a plan. When engaged to do so, we act as a 3(38) “investment manager” (as defined under the Employee Retirement Income Security Act of 1974, as amended) through a platform provider. These services include the selection of securities which are then used to create the model portfolios. We rebalance the security weightings in the model portfolios and remove and replace securities as we deem necessary. We determine appropriate funds primarily through the use of a proprietary fund rating system that is based on key factors. Such key factors are defined in the Methods of Analysis, Investment Strategies and Risk of Loss section of this brochure.

#### *Select Lists*

We work with institutional clients to analyze an investment universe they define and create a subset or “select list” of investments that meet specific criteria, including the institutional client’s proprietary requirements. A select list is typically used by the institutional client’s financial professionals when working with their clients to put together an investment strategy. Each select list is derived through a combination of quantitative screens and qualitative analysis, resulting in a menu of investments under various asset categories. Typically, we provide ongoing monitoring of those investments within the select list to help ensure that the investment options initially selected for the select list continue to satisfy the criteria that led to their initial selection.

#### *Recommendations of Other Investment Advisers or Platforms*

As noted above, we provide our Strategies to institutional clients who offer a proprietary advisory program or a platform that makes investment strategies available for use by other financial institutions. For institutional clients who have entered into a promoter agreement with us, we will recommend to certain retail investors or financial advisors that they access our Strategies through these institutional clients. The financial advisor is responsible for determining the suitability of a Strategy for the investor. We may provide tools and information to assist in that determination, choice of custodian, and other services related to investing in a Strategy. The institutional client has discretion over client accounts invested in a Strategy and has the ability to deviate from our Strategy. We are incentivized to recommend institutional clients that offer our Strategies as the institutional client pays us a licensing fee for use of our Strategies based on assets invested in the Strategies.

#### *Asset Allocation Services*

We provide Institutional Clients and their financial representatives tools for identifying their clients’ investment goals and risk tolerance (such as risk tolerance questionnaires), and a mechanism to match those goals and risks with an appropriate asset allocation strategy. Asset allocation services are typically used by our Institutional Clients in their investment products, wrap programs, variable annuity asset allocation programs, or similar programs. If included in an agreement with an Institutional Client, asset allocation models are periodically reviewed and adjusted as needed. We may provide Institutional Clients with rebalancing triggers and recommendations on when the allocations for asset classes should be revisited or adjusted.

#### **Customized Services**

Upon request, we will take under consideration the provision of a customized version of the above services or a different type of advisory services that would utilize our core capabilities in asset allocation, investment selection, or portfolio construction. Given the customized nature, the client can impose constraints/restrictions on such things as security types, asset classes, or

proprietary security requirements and/or wish to collaborate with us on such things as investment methodology and screening criteria.

### Wrap Fee Programs

We do not sponsor a wrap fee program.

### Assets Under Management

As of December 31, 2025, the discretionary regulatory assets under management for Morningstar Investment Management (rounded to the nearest \$100,000) were:

Retirement Services to Individuals: \$40,274,500,000  
Investment Management Services to Institutional Clients:  
\$42,014,300,000

Total Regulatory Asset Under Management: \$82,288,800,000

The non-discretionary assets under advisement for Morningstar Investment Management (rounded to the nearest \$100,000) were \$266,475,500,000.

## Item 5. Fees and Compensation

### Fees and Compensation – Overview

We typically negotiate our fees, payment terms, and payment schedules on an individual basis with each institutional client. We utilize a standard fee schedule for recommendations of other investment advisers or platforms. The services we provide, the specific fees for such services, and the contract term are governed by the contractual agreement between us and our client. Clients may not receive all of the services listed above. Our fees vary depending on the services selected and could include a fixed fee, a basis-point fee, and/or a technology licensing fee. Fees for some services take into consideration such factors as the number of services being provided and service specific variables such as the universe of investments, variables in monitoring frequency, delivery type, investment types, and frequency of written analysis.

#### *Institutional Asset Management*

Our Institutional Asset Management fees are negotiable but generally include an asset-based fee and can include a minimum annual fee. The asset-based fee typically ranges from 2 to 15 basis points of the assets being managed or consulted upon while the minimum annual fee is \$100,000 - \$200,000. The actual fee depends on a range of variables including our role in providing the services, the type of security we are providing services for, and the amount of assets involved. The fee is typically charged monthly in arrears.

As the investment adviser to the Morningstar Funds Trust ("Trust"), we are compensated by the Trust based on assets within the Morningstar Funds for our investment management activities in accordance with the Investment Management Agreement between the Trust and us. We are entitled to receive an annual management fee calculated daily and payable monthly equal to the following percentage of a Morningstar Fund's average daily net assets:

Morningstar Fund	Management Fee
Morningstar U.S. Equity Fund	0.67%
Morningstar International Equity Fund	0.83%
Morningstar Global Income Fund	0.35%
Morningstar Total Return Bond Fund	0.44%
Morningstar Municipal Bond Fund	0.44%
Morningstar Defensive Bond Fund	0.36%

Morningstar Multisector Bond Fund	0.61%
Morningstar Global Opportunistic Equity Fund	0.47%
Morningstar Alternatives Fund	0.85%

More information about the Morningstar Funds' fees and expenses can be found in the prospectus at <http://connect.rightprospectus.com/Morningstar>.

#### *Model Investment Strategies*

Strategy fees are typically negotiable and range from 0 – 40 basis points. The actual fee depends on our role in offering the service including asset size, the complexity involved, whether Morningstar Funds are included in the Strategies, and any other services we provide to the institutional client. Some institutional clients charge a fee for including our Strategies on their program or platform. Clients of those programs and platforms will be charged a higher fee than that noted above. Strategy fees are typically charged quarterly and may be charged in advance based on the prior period's ending balance or arrears based on the average daily balance for the applicable period. If, in accordance with the contractual terms, the institutional client terminates the agreement they have with us prior to the end of the billing period, we will refund any unearned fees on a pro rata basis after the termination of the contract.

For any Strategy in which one or more of the underlying holdings is a Morningstar Fund, no investment management fee is charged with respect to the Morningstar Funds. As disclosed above, in accordance with the Investment Management Agreement between us and Morningstar Funds Trust, we receive compensation from Morningstar Funds Trust based on the assets invested in the Morningstar Funds for the investment management activities we perform for the Morningstar Funds. Since we receive compensation for this activity, we don't charge a separate investment management fee with respect to the Morningstar Funds in a Strategy.

#### *Morningstar Managed Plan Solutions*

When the underlying funds in an investment lineup and model portfolios are third-party funds, the Morningstar Managed Plan Solutions fees are paid by the Plan Sponsor, Plan, or Participant. This fee typically ranges from 20–30 basis points and is based on the Plan's assets and the complexity involved in providing the services. The fee is typically remitted quarterly to us by the Plan's recordkeeper.

When a model portfolio's underlying holdings include Morningstar Funds, no investment management fee is charged for the model portfolios. As disclosed above, in accordance with the Investment Management Agreement between us and Morningstar Funds Trust, we receive compensation from Morningstar Funds Trust based on the assets invested in the Morningstar Funds for the investment management activities we perform for the Morningstar Funds. Since we receive compensation for this activity, we don't charge a separate investment management fee with respect to the Morningstar Funds in a model portfolio.

For Plans that only receive an investment lineup, the fee is typically 3 basis points on Plan assets. The fee is typically remitted quarterly to us by the Plan's recordkeeper or Plan Sponsor.

#### *Select Lists*

Select list fees are negotiable but generally range from \$50,000 to \$400,000 annually. The actual amount charged depends on a range of variables

including the intended use of the select list, the number of type of securities included, the type of reporting the institutional client wishes to receive from us, the degree of customizations or constraints placed on us, and whether the service includes on-going monitoring of the select list. The fee is typically charged quarterly in advance. If, in accordance with the contractual terms, the institutional client terminates the agreement they have with us prior to the end of the billing period, we may refund any unearned fees on a pro rata basis after the termination of the contract. In addition to the fee, payment terms and payment schedules are negotiable.

#### *Recommendations of Other Investment Advisers or Platforms*

When recommending another institutional client who offers our Strategies, we receive a portion of the fees the institutional client charges the investor. We negotiate this fee with each institutional client, but they generally are paid to us for the period of time the investor remains invested in one or more of our Strategies through the institutional client. The fee may be paid in advance or in arrears.

Investors can find the institutional client's fees applicable to their account in their proposal and/or account opening documents.

#### *Asset Allocation Services*

Our Asset Allocation Services fees are negotiable but generally range from \$50,000 to \$500,000 annually. The actual amount charged depends on a range of variables including the terms of distribution, number of sets, type and scope of the models requested (including the number of asset classes used in the asset allocation models), and whether the client receives other advisory services from us. The fee is typically charged annually in arrears. In addition to the fee, payment terms and schedules are negotiable.

#### **Payment**

Payments, payment terms and payment schedules are negotiated and governed by the contractual agreement we enter into with each client. For institutional clients, we typically send an invoice on a periodic basis (e.g., monthly or quarterly), although in some instances, we bill annually. Fixed and licensing fees are typically paid in advance of services being provided, and basis-point fees are typically charged in arrears.

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

Our fees are separate from fees and expenses charged by the investment products (including redemption fees or asset- or transaction-based trading fees), fees and expenses charged by the institutional client or platform for their products (including any revenue sharing arrangements that they have with the investment option's investment adviser and/or distributor), or fees that are charged by a third party, such as a proprietary advisory program, financial advisor, platform, custodian, transfer agent, plan provider, or recordkeeper.

Under Morningstar Managed Plan Solutions, we are limited to choosing funds and fund shares classes from those made available to us through each recordkeeper's platform, which can result in us choosing funds that charge other fees outside of our control. There may be cheaper share classes available for a fund on other recordkeeper platforms. While we typically seek to use the cheapest share class available to us, you should not assume we have access to the share class with the lowest possible expense ratio for a specific fund through your recordkeeper. More expensive share classes reduce the performance of an account. We periodically review the universe

of funds the recordkeeper makes available to us and update your share class as more attractive options become available.

For funds, the fees and expenses are described in the prospectus or an equivalent document. These fees will generally include a management fee, other investment expenses, and possibly a distribution fee (e.g., 12b-1). In some cases, an investment option may also charge an initial or deferred sales charge. Neither Morningstar Investment Management nor any of our employees receive transaction-based compensation for the investment recommendations we make. The fees and expenses charged by Morningstar Funds are described in the prospectus at <http://connect.rightprospectus.com/Morningstar>.

Exchange-traded funds have their own internal fees and expenses such as investment advisory, administration, and other fund-level expenses; by investing in them, the investor incurs a proportionate share of those fees and expenses.

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 typically 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 can choose to pass those expenses on to the ADR shareholder.

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

Our services can be terminated as outlined in the contractual agreement between Morningstar Investment Management and the client. Termination of services and refunds of fees, if any, are governed by the contractual agreement between the parties, which is negotiated on an individual basis. Upon termination, any earned, unpaid fees by the client are due and payable. If, in accordance with contractual terms, the client terminates their contract prior to the end of the billing period, we will refund any unearned fees on a pro rata basis after the termination of the contract.

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

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

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 services are not exclusive, the fee for our services may be higher than fees charged by other financial firms who provide services similar to ours or if you paid separately for investment advice and other services. In addition, because the underlying holdings of our portfolios are not exclusive to the services described herein, you may buy securities (e.g., mutual funds, exchange-traded funds, equity securities, etc.) outside of this service without incurring our fees.

#### **Revenue Sharing Arrangements**

We do not have any revenue sharing arrangements with any mutual funds.

#### **Third-Party Compensation**

We receive direct or indirect cash payments from unaffiliated third parties for referring their services to other advisory firms or investors. This creates a conflict of interest as we have an incentive to recommend these third parties in order to receive the cash payment.

### **Marketing, Distribution, and Educational Support Arrangements**

We enter into agreements with certain institutional clients whereby we provide compensation to the institutional client in exchange for access to their financial advisers to educate them about our Strategies, having our Strategies listed or highlighted in the marketing materials, attendance or booth space at conferences, and/or similar marketing, distribution, and educational activities. We also provide compensation to institutional client or advisory firms to sponsor financial adviser or retail client meetings and events.

### **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**

Our clients include advisory programs or platforms of third-party advisory or platform providers, entities such as financial institutions, third-party investment advisers, broker/dealers, investment companies (including the Morningstar Funds Trust), and other business entities, consultants, plan providers, product providers, and sponsors who offer investment advice programs to individual retirement investors in defined contribution plans such as 401(k), 457, and 403(b) retirement plans, individual retirement plan participants, health savings accounts, individuals who are in retirement, and other investors. Please see our Morningstar Retirement Advisory Services for Individuals and Morningstar Retirement Institutional Advisory Services brochures, available on the SEC website, for further information about the advisory services offered through Morningstar Retirement.

We do not require a minimum account size for our institutional investment advisory services, and we generally do not impose other conditions for using our institutional advisory services.

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

#### **Investment Philosophy**

Our 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, our 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 can provide 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.

To align with our business structure, we have two Investment Policy Committees. The investment advice used in the products and services referenced in this brochure from Morningstar Investment Management is provided by investment teams. Information on key members of these investment teams is included in our Form ADV Part 2B Brochure Supplement for Morningstar Wealth Advisory Services.

#### **Global Investment Committee**

Morningstar Wealth's Global Investment Committee and its regional governance bodies, in addition to the Americas Investment Product Committee, are responsible for oversight of the investment methodologies across some of our Institutional Asset Management, Model Investment Strategies and Seed Accounts, Select Lists, and Asset Allocation Services. Members of the Global Investment Committee include chief investment officers and the president of Morningstar Investment Management or its affiliates. The regional governance bodies meet quarterly to review guideline changes and performance across portfolios. Formal and informal 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, investment selection, portfolio construction for different investment strategies and advice. In addition to governance bodies, the investment team has regional research and portfolio construction workflows that surface best thinking across investment opportunities and guide portfolio construction.

#### **Institutional Asset Management, Model Investment Strategies, Morningstar Managed Plan Solutions and Asset Allocation Services**

##### *Investment Process*

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 and 150 fixed-income asset classes. We also track around 30 world currencies.

We apply deep valuation analysis supported by in-depth fundamental research to find opportunities around the globe.

Alongside this analysis, which looks at both absolute and relative valuation, we also consider investor sentiment and positioning, which adds contrarian elements to our process and tells us how the market consensus views an investment idea we're considering. We prefer to invest in ideas contrary to the market consensus because one needs to be different to be able to outperform.

We also look closely at each asset class's 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. In addition, our valuation-driven asset allocation process paired with our in-house investment selection skill allows us to holistically build portfolios for our clients for the long term. The Investment Management group, as a global team, works to understand markets and opportunities, monitor risk in existing portfolios, and vet ideas to make investment changes. We use this ongoing investment process to manage a variety of equity and multi-asset portfolios for our Institutional Clients.

#### *Investment Selection*

Finding investment opportunities isn't just about great ideas; it's also about selecting great investments for our clients. Investments may be individual stocks, 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 then build upon that analysis with reviews by our internal investment team, which includes not only quantitative screens and assessments, but also one-on-one conversations with portfolio managers as part of our fundamental due diligence.

In our due diligence, 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.

Once we have selected active managers, we tend to keep them in place for the long haul. 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 service. 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.

Individual stock selection relies heavily on our asset class research to identify attractive segments of the market (sectors, countries, or factors like quality) and a review of the valuations and fundamentals of the underlying stocks. We rely heavily upon Morningstar's Equity Research group in addition to our own proprietary insights.

Specific to our Institutional Asset Management and Asset Allocation Model Portfolio services, the portfolios we build for an Institutional Client are typically constrained to a universe of investment options defined by our client, which include their affiliated investment products in some instances. Our analysis will still include quantitative analytics and fundamental research on the investment options available. We draw on Morningstar's comprehensive database of fund and security analytics as well as utilizing portfolios information provided by our Institutional Client, if applicable. In some instances, we work closely with our Institutional Client to identify and evaluate manager candidates for possible addition to or removal from the available investment universe.

#### *Building Portfolios*

Armed with investment ideas, our global team works together to holistically build portfolios suited to each strategy we offer or the objectives of our clients. Portfolio construction is about ranking and risk management. We seek to gain the largest exposure to our best ideas, while building robust portfolios designed to stand up to challenging investment environments or investment errors.

This judgment-driven approach also allows us to evaluate 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 the portfolios we build.

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.

Asset allocation guidelines for multi-asset portfolios are developed by our Asset Allocation Committee, which comprises most of the investment professionals in Morningstar's Investment Management group. Our investment professionals serve in different asset-class specialties on the committee. The committee jointly decides on organization-wide portfolio positioning policy, and strategy teams and portfolio managers adapt the positioning decision, as applicable, to their particular strategies and client portfolios. Teams of our portfolio managers are supported by the broad array of investment professionals within the Investment Management group, who contribute to manager research, asset-class research, investment-process enhancement, and the development and maintenance of portfolio management tools used in providing this service. All portfolios are reviewed by a team of peers before we deliver them to our Institutional Client.

#### *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 we manage 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.

We have processes and risk controls in place at multiple levels of the investment process to ensure that our portfolios are created in a manner consistent with their risk and return objectives. We evaluate risk at both the asset class model level and the portfolio level. At the asset class level, we monitor easily observable metrics such as standard deviation, skew, kurtosis, historical beta and overall tracking error relative to our stated benchmark. Our standard deviation and covariance matrix figures are estimated by a proprietary factor analysis system that ensures consistency across multiple asset classes and time periods. We delve deeper by examining conditional value-at-risk and conducting scenario analysis testing under different market conditions.

At the portfolio level, we conduct a detailed style analysis of our underlying funds using holdings information, quantitative regressions, and manager meetings. The underlying styles allow us to determine the effective rolled up portfolio asset class exposures and compare them to our asset allocation targets. Further, we analyze each manager's style consistency to make sure we monitor and adjust for huge swings in our effective asset class exposures. This analysis ensures that we are aware of, and comfortable with, our effective asset class exposures. Additional analysis is done routinely to measure our fund portfolio duration, tracking error, sector exposures and betas.

While actively managed portfolios will exhibit certain biases in terms of asset class weightings or security characteristics relative to their blended benchmarks at times (based on our intended investment decisions and the actions of the underlying managers), they are constrained by setting minimum and maximum allocations to different asset classes, as stated in our investment policy guidelines. Establishing allowable ranges for asset

classes helps enable the strategy to take advantage of opportunities and avoid risks at the asset class level, but also keeps the portfolios tethered to their blended benchmarks.

Ongoing monitoring of the underlying position weights is critical to keeping the portfolio exposures as intended. Each fund is assigned a target position and a "deviation threshold," which governs the degree to which a fund may sway from its target. Each fund has a different degree of latitude, based on both its weight in the portfolio and the volatility of the assets in which it typically invests. If a fund deviates from its target weight, we evaluate whether the accounts that contain the fund need to be adjusted (i.e., rebalanced) to bring the alignment back in order.

For registered or collective investment products we manage on behalf of an Institutional Client, we review and revise portfolio allocation targets on a continuous basis to ensure that asset class targets outlined in the prospectus are maintained. Reviews are implemented to ensure that the underlying investments in the portfolio don't exceed allocations noted in the product's prospectus or breach other restrictions.

#### *Morningstar Funds Trust Valuation*

The Morningstar Funds Trust's Board of Directors has oversight responsibility for the Morningstar Funds Trust' portfolio valuation and pricing practices but has the discretion to delegate authority to the adviser or sub-adviser of the funds. Fair valuation matters are also addressed within the Morningstar Funds Trust's valuation policies and procedures.

#### *Morningstar Funds Trust Subadvisor Oversight and Multi-Style Management*

We are responsible for hiring, terminating, and replacing sub-advisers to the Morningstar Funds, subject to board approval. Before hiring a sub-adviser, we perform due diligence on them including, but not limited to, quantitative and qualitative analysis of their investment process, risk management, and historical performance. We are responsible for the general supervision of the sub-advisers as well as allocating each Morningstar Fund's assets among the sub-advisers and rebalancing the portfolio as necessary, the timing and degree of which will be determined by us.

At times, allocation adjustments among sub-advisers may be considered tactical with over- or under-allocations to certain sub-advisers based on our assessment of the risk and return potential of each sub-adviser's strategy. Sub-adviser allocations are also influenced by each sub-adviser's historical returns and volatility, which are assessed by examining the performance of strategies managed by the sub-advisers in other accounts that we believe to be similar to those that will be used for a Morningstar Fund.

We have retained the following investment advisers to act as a sub-adviser for the listed Morningstar Fund Trust fund pursuant to a sub-advisory agreement:

<b>Sub-adviser</b>	<b>Portfolio Sub-advised</b>
ClearBridge Investments, LLC	Morningstar U.S. Equity Fund
Massachusetts Financial Services Company, d/b/a MFS Investment Management	Morningstar U.S. Equity Fund
Wasatch Advisors, LP d/b/a Wasatch Global Investors	Morningstar U.S. Equity Fund
Harding Loevner LP	Morningstar International Equity Fund

Harris Associates L.P.	Morningstar International Equity Fund
Lazard Asset Management LLC	Morningstar International Equity Fund
Cullen Capital Management, LLC	Morningstar Global Income Fund
Western Asset Management Company, LLC	Morningstar Global Income Fund
Guggenheim Partners Investment Management, LLC	Morningstar Total Return Bond Fund
BlackRock Financial Management, Inc.	Morningstar Total Return Bond Fund
Allspring Global Investments, LLC	Morningstar Municipal Bond Fund
T. Rowe Price Associates, Inc.	Morningstar Municipal Bond Fund
First Pacific Advisors, LP	Morningstar Defensive Bond Fund
Loomis, Sayles & Company, L.P.	Morningstar Multisector Bond Fund
TCW Investment Management Company LLC	Morningstar Multisector Bond Fund
Voya Investment Management Company, LLC	Morningstar Multisector Bond Fund
Lazard Asset Management LLC	Morningstar Global Opportunistic Equity Fund
SSI Investment Management LLC	Morningstar Alternatives Fund
Water Island Capital, LLC	Morningstar Alternatives Fund
BlackRock Financial Management, Inc.	Morningstar Alternatives Fund

Sub-advisers have discretionary authority to determine, subject to each portfolio's investment policies and restrictions, the securities in which the portfolios advised by them will invest, which may include domestic and foreign equity securities, warrants, derivatives, delayed settlement securities, commercial paper, certificates of deposit, investment company securities, United States government securities, and options, futures, and forward contracts. The sub-advisers employ proprietary methods of securities analysis in making investment decisions for the portfolios and may rely upon a variety of sources for information, including internally generated research. In making investments on behalf of the portfolios, the sub-advisers may employ investment strategies and techniques which include long and short-term purchases, short-term trading, short sales, derivatives, and options writing. Potential investors in the Morningstar Funds Trust should carefully read the prospectus, statement of additional information and/or portfolio's offering documents for additional information on each portfolio's investment objectives, risks and restrictions.

#### **Asset Allocation Services – Capital Market Assumptions and Risk Tolerance Questionnaires**

As part of our Asset Allocation Services, we typically offer a combination of Asset Class Model Portfolio(s), Risk Tolerance Questionnaire(s) ("RTQ"), and our Capital Market Assumptions ("CMAs"). Our construction method for Asset Class Model Portfolios is described above. This section will focus on our CMA and RTQ methods.

##### *Capital Market Assumptions*

We provide forward-looking CMAs for both taxable and tax-deferred account types. Our CMAs consist of expected return, standard deviation and correlation among asset classes based on our proprietary equity, fixed income, currency and risk models. In our CMAs, we use valuation-implied returns, which are based on the idea that asset class returns can be decomposed into underlying corporate and economic fundamentals and the valuations impact near-term returns. Our research team develops and enhances our capital market models on an ongoing basis to reflect the latest best practices and innovations. We analyze the available opportunity set of asset classes and constructs long-term expected returns, standard deviations, and correlation coefficients for each.

For equity valuation-implied returns, we use a supply-side approach to forecast equity returns. The supply-side model is based on the idea that equity returns can be decomposed into underlying economic and corporate fundamentals. Our approach separates the expected return of each equity asset class into four key return drivers:

- 1) **Inflation:** We determine long-term inflation expectations using a structured framework that integrates quantitative historical evidence, central bank capability, and fiscal and institutional constraints, supplemented by country-specific structural factors.
- 2) **Total Yield:** We base our estimates of future total yield on an analysis of the historical payout rates and total payout yields for a given asset class. We estimate total yield for each equity asset class at both the country and sector level.
- 3) **Growth:** The growth term measures the change in corporate cash flows per share excluding the impact of repurchases. Our long-run growth expectations are based on expected growth of the asset class based on underlying fundamentals.
- 4) **Change in Valuation:** We use several valuation models to estimate the fair value of equity asset classes and assumes reversion to fair value over a 10-year period. Specifically, our valuation models rely on several forward-looking measures of normalized earnings such as profit margin, return on book-equity, and inflation-adjusted average earnings over the business cycle.

For fixed-income valuation-implied returns, we use a building-block approach to forecast returns of fixed-income asset classes. The key inputs into our fixed-income model are:

- 1) **Inflation:** The inflation forecast is the same as the one used in our equity model.
- 2) **Real Rate:** The real rate of return is the expected return of cash after inflation. We forecast real rates based on an examination of long-run historical real-rate data and consideration of the macroeconomic environment for each fixed-income asset class.
- 3) **Term Spread:** We base our forecast of the term spread on the long-run shape of the yield curve, current market data, and surveys. The expected shape of the yield curve also determines our forecast of the roll return of a fixed-income asset class.

- 4) **Credit Spread:** We forecast default and recovery rates across credit ratings and industries. Our model takes into account the impact of rating upgrades and downgrades (credit migration) on credit bond prices.

For currency valuation-implied returns, the currency return is our forecast of the change in the spot exchange rate. In general, for any asset not denominated in the reference currency, the valuation-implied return of the asset is based on the expected return in local currency plus the expected currency return. The currency valuation-implied return has two main components: 1) the inflation differential between the local currency and the reference currency, and 2) the reversion of real exchange rate to its fair value. The inflation differential is the difference between the expected inflation rate of the local and reference currencies, where the inflation forecast is based on the same methodology as the one discussed in the equity section above. In the very long run (i.e., at the unconditional horizon), we expect the inflation differential to be the sole driver of changes in the spot rate. The change in the real exchange rate is estimated based on multiple deflators (including CPI and PPI) to account for potential differences in the importance of the tradable versus non-tradable sector in a given economy. These price-based measures of real exchange rates are adjusted for differences in export quality and productivity differentials, accounting for potential differences in the value of goods not reflected in the price indexes. The expected change in the real exchange rate is generally based on the assumption that the real exchange rate will revert to a long-run average.

#### *Risk Tolerance Questionnaire*

A risk tolerance questionnaire is a tool designed to measure an investor's self-reported perceptions of their general willingness and ability to withstand the volatility inherent in investing in capital markets. Our measure is based on three self-reported factors: (1) time horizon, (2) feelings about the trade-offs between expected returns and expected volatility, and (3) beliefs about the investor's anticipated emotional reactions to changes in their portfolio's value, in particular drawdowns. Using a unit weighted sum of the responses to the questions within this questionnaire, two overall scores are generated. The first is a score in regard to the investor's time horizon, which serves as a proxy for the investor's ability or capacity to take on risk. The second score reflects an investor's overall risk preferences. These two scores can be used independently, and/or they can be systematically mapped to a spectrum of risk tolerance profiles ranging from conservative to aggressive. The spectrum of risk tolerance profiles and scores can be represented as distinct profiles, such as Very Conservative, Conservative, Moderately Conservative, Moderate, Moderately Aggressive, and Very Aggressive.

Ultimately, the investor and/or their financial professional has the final decision in determining the investor's portfolio, which may differ from the risk tolerance profile or scores and be based on additional information not captured by the risk tolerance questionnaire. Our risk tolerance questionnaire is a measurement tool for helping a financial professional discover information about the investor's time horizon, risk and return preferences, and their anticipated responses to volatility. This information can—and should—help initiate and facilitate conversations that assist the financial professional in gaining a broader understanding of the investor's financial situation, including additional information about an investor's assets, anticipated cash-flows, needs, goals, and other relevant information. Based on this more complete understanding of the investor, financial professional should be able to develop a suitable investment strategy. Risk

tolerance questionnaire scores alone should not be the predominant indicator used to match an investor to a portfolio or investment products.

Although the risk tolerance questionnaire scoring process is objective, subjectivity cannot be completely eliminated when using such measurement tools. For example, some investors may struggle to understand the questions or may not have clearly defined risk preferences. There is no guarantee that this risk tolerance assessment tool or its scoring method perfectly assesses a person's tolerance to risk or attitudes about gains and losses. In addition, although the financial professional may have directly or indirectly used the results of a risk tolerance questionnaire to inform a suggested asset allocation, there is no guarantee that the resulting asset mix appropriately reflects an investor's ability to withstand investment risk.

#### **Select Lists and Investment Lineups**

For our Select List and Investment Lineups services, our analysis is typically constrained to a universe of investment options defined by our institutional client, which may include their affiliated investment products. Our analysis will still include quantitative analytics and fundamental research on the investment options available. We draw on Morningstar's comprehensive database of fund and security analytics as well as utilizing portfolio information provided by our institutional client, if applicable. Select Lists are fully customized around a firm's asset allocation, portfolio construction, and investment objective needs. We work with our institutional client to determine the universe of investment options from which we are to choose from, the asset classes to be addressed, the number of investment selections per asset class, the intended users of the list, and the intended account type (e.g., taxable or tax-deferred). We typically update select lists and investment lineups quarterly, or on another basis as defined by our client.

To build the select list or investment lineup, we employ a disciplined process incorporating quantitative screens (e.g., manager tenure, portfolio exposure, and risk and return characteristics) to the available investment universe to narrow the list. Investment options passing those initial quantitative screens are then subject to a qualitative analysis. During that analysis, we are assessing each security on its own merits. During the qualitative analysis phases, we are also assessing how the investment options compares to others in its asset class as well among all the asset classes, paying attention to diversification of investment approach within each asset class and overall.

The investment selection process is guided by a proprietary due diligence process, which combines quantitative analysis with qualitative assessment of an investment's management team and investment process. The assessment we make represents our overall level of conviction in an investment based on various factors that we believe are important in determining which investments have the best chance of delivering above-average risk-adjusted performance in the future. These factors include the following:

**Process** – We strive to identify managers who employ a disciplined and prudent investment process that has been executed in a consistent fashion. We favor attributes such as insightful security analysis, a robust valuation discipline, and sound risk management and portfolio construction.

**Parent** – The culture and structure of a firm can have a significant impact on its ability to attract and retain talent and its penchant for serving in the best interests of shareholders. We look at ownership

structure of the firm, its organizational stability and financial strength. We also place considerable emphasis on stewardship by favoring investments where the firm has shown a tendency to act in the best interests of shareholders and where the portfolio managers eat their own cooking, so to speak, and have their incentives aligned with shareholders.

**People** – We judge the depth and capabilities of members of the investment team and the stability of the organization. We look beyond the lead portfolio manager to assess the quality of research analysts. **Performance** – We strive to identify investments that have shown the ability to deliver solid risk-adjusted performance over time. We evaluate performance from several angles and over various time periods. We favor managers that have added value over an appropriate benchmark or peer group in a consistent manager.

**Price** – Research indicates that expenses are one of the most important factors in predicting mutual fund performance. While a lower expense ratio is always better, we put expenses into the proper context and consider factors such as the size of the fund, trend in expenses, and investment strategy.

Our access to fund managers allows us to conduct constant research, and meetings with those managers are an important part of our process. This deepens our understanding of the processes these managers use and gives us valuable perspective on the state of the economy and capital markets.

After creating a new Select List or Investment Lineup, we will conduct monitoring, typically on a quarterly basis, following the same process used for the initial selection. For Select Lists, we also maintain a watch list, which includes investment options that have undergone changes we believe may negatively affect its long-term prospects. The intent of the watch process is to ensure that the investments initially selected continue to satisfy the criteria that led to their initial selection. Generally, an investment option's watch period is two to four quarters, at which point, we will make a recommendation to remove the option from the Select List or take it off watch. In addition, if any investments experience significant change prior to the quarterly update, such as a manager change, we will notify the client as the case arises.

### **Risk of Loss and Strategy Risk**

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.

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

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

Our recommendations are made without taking into consideration potential tax consequences and we do not provide tax advice. Potential tax consequences may exist. We encourage you to consult with a tax professional about these and other tax consequences.

The Morningstar Funds Trust principal risks include multimanager and sub-adviser selection risk, active management risk, asset allocation risk, market risk, investment company/ETF risk, REITS and other real estate companies risk, master limited partnership risk, smaller company risk, sector focus risk, foreign security risk, currency risk, derivative risk, quantitative models risk, cybersecurity risk, European market risk, Asian market risk, China market risk, Japan market risk, emerging-markets risk, geographic concentration risk, cash/cash equivalents risk, private placements risk, interest-rate risk, call risk, credit risk, high-yield risk, convertible securities risk, preferred stock risk, contingent capital securities risk, US government securities risk, sovereign debt securities risk, mortgage-related and other asset-backed securities risk, floating-rate notes risk, loan risk, CDO risk, reverse repurchase agreement risk, dollar rolls risk, portfolio turnover risk, municipal securities risk, municipal focus risk, Latin America issuer risk, absolute return risk strategy, long/short strategy risk, short sales risk, supranational entities risk, indexed and inverse securities risk, and merger arbitrage risk. More information about the Morningstar Funds Trust's risks can be found in the prospectus at <http://connect.rightprospectus.com/Morningstar>.

### **Information Sources**

Our global resources used in the formulation of our advisory services go down to our roots—the data and analysis from Morningstar 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. Morningstar or its affiliates have more than 900 analysts and make data available on more than 600,000 investment options and 4.75 million privately-held companies. The extensive data, analysis, and methodologies from these resources, along with external research reports, data, and interviews with investment managers are combined with financial publications, annual reports, prospectuses, press releases, and SEC filings to serve as the basis of our primary sources of information.

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

### **Security Type Risks**

#### *Commons Stocks*

Certain Portfolios are 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*

Certain Portfolios are invested in ADRs or foreign stocks listed on a 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.

#### *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 a 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.

#### *Mutual Funds and Collective Investment Trusts*

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

A collective investment trust may also be called a commingled or collective fund. CITs are tax-exempt, pooled investment vehicles maintained by a bank or trust company exclusively for qualified plans, including 401(k)s, and certain types of government plans. CITs are unregistered investment vehicles subject to banking regulations of the Office of the Comptroller of the Currency (OCC), which means they are typically less expensive than other investment options due to lower marketing, overhead, and compliance-related costs. CITs are not available to the general public but are managed only for specific retirement plans.

#### *Real Estate Investment Trusts*

Publicly-traded Real Estate Investment Trusts (REITs) may be included in certain Portfolios. REITs are traded like common stocks and invest in real estate either through properties or mortgages. REITs are focused securities and may exhibit higher volatility than securities with broader investment objectives. Principal risks associated with REITs include market risk, issuer risk, economic risk, mortgage rate risk, diversification risk, and sector/concentration risk.

#### *Target-Date Funds*

An investment in a target date fund is not guaranteed, and investors may experience losses, including losses near, at, or after the target date. There is no guarantee that a target-date fund will provide adequate income at and through an individual's retirement.

#### **Methodology Updates**

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

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

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

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

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

Our portfolio managers and their team members who are responsible for the day-to-day management of our strategies are paid a base salary plus a discretionary bonus. The bonus is fully or partially determined by a combination of the employee's business unit's overall revenue and

profitability, Morningstar's overall annual revenue and profitability, and the individual's contribution to the business unit. For most portfolio managers and their team members that work on Morningstar Wealth's Strategies, part of their bonus is also based on select Strategy investment performance and risk metrics versus both a corresponding benchmark over specified three-, five-, and/or seven-year periods and appropriate peer groups. Benchmarks are used as a measure of investment performance and are chosen by senior personnel and approved by the Regional Investment Committee, which is chaired by the regional Chief Investment Officer. To mitigate the conflict of interest that could arise from partially basing an employee's bonus on performance of a select Strategy or Strategies, all investment decisions made within a Strategy by an individual portfolio manager must be peer reviewed by the broader regional team of portfolio managers. In addition, the Regional Investment Committee reviews strategy performance on a quarterly basis.

For many of our institutional 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 includes proprietary investment options of that client. To mitigate any actual or potential conflict of interests presented by this situation, we subject all investment options to the same quantitative and qualitative investment selection methodology, based on several factors, including performance, risk, and expense so that the proprietary nature of an investment option does not influence our selection.

We provide consulting or investment management services to institutional clients that offer registered or pooled investment products, such as mutual funds, variable annuities, collective investment trusts, or model portfolios. To mitigate the conflict of interest presented by our role in these investment products, we generally exclude such investment products from the universe of investment options from which we make our recommendations to other clients. If an investment product that we provide consulting or investment management services to is included in a recommendation from us, we disclose our conflict of interest and take steps in regard to our advisory fees so that our recommendation does not result in the use of our fiduciary role to direct additional compensation to us.

We receive compensation for our research and analysis activities (e.g., research papers) from a variety of financial institutions including large banks, brokerage firms, insurance companies, and mutual fund companies. In order to mitigate any actual or potential conflicts of interest that may arise from this service, we ensure that our research and analytical activities are non-biased and objective given our business relationships. Employees who provide research and analysis for clients are separate from our sales and relationship manager staff in order to mitigate the conflict of interest that an employee may feel pressure to present results in such a way as to maintain existing or gain new business. In addition, as noted above, all investment decisions for Morningstar Wealth's Strategies must be peer reviewed by fellow portfolio managers, which mitigates the conflict of interest by providing checks and balances so that no employee can act unilaterally in making recommendation decisions.

Morningstar Investment Management is registered as a Commodity Pool Operator with the Commodity Futures Trading Commission. Some of Morningstar Investment Management's employees are registered with the National Futures Association as principals or associated persons.

We have procedures in place to ensure that trades are allocated in such a manner as to not favor one person over another. We maintain seed accounts for certain Morningstar Wealth Strategies in order to provide an indication of each Strategy's performance. While the same or similar Strategies are offered by us to our institutional clients, we do not believe this creates any material conflicts of interest for our clients. In order to mitigate any perceived conflict of interest, our multi-asset Strategy recommendations are communicated to institutional clients after the close of the trading day. Seed and Morningstar-affiliated accounts in those Strategies are traded after all institutional clients have received the Strategy updates so that no one person has an advantage over another. Equity Strategy recommendations are communicated based off a trade rotation schedule designed to ensure equitable and systematic distribution. The trade rotation process includes our seed accounts.

We invested in the Series D funding round of SMARtX Advisory Solutions, a managed account technology provider and architect of the SMARtX turnkey asset management platform. This investment will assist in the build out of SMARtX's development capabilities, which could benefit us or our parent company. Daniel Needham, our co-president serves on the board of SMARtX.

When we, along with Morningstar and/or our other affiliates offer services to the same client, we have the option to 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 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 – Registered Entities*

Morningstar has various subsidiaries across the globe that are each registered with the applicable regulatory body or bodies in that country to provide investment management or other advisory services. As described earlier in this brochure, we share resources with these various subsidiaries.

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 Wealth has set up service teams composed of employees of our affiliate and located at our affiliate's office in Mumbai, India. We compensate our affiliates for services rendered via intercompany charges. The services and compensation will be governed by intercompany agreements. 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 affiliates we have established dual reporting lines for employees on these teams so that such employees report up to employees of Morningstar Investment Management. 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 – 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 managed investments like open-end mutual funds and ETFs. In some cases, this information includes written analyses of these investment products. Although we use certain products, services, or databases of Morningstar, we do not have any decision-making input in the written analyses that Morningstar provides its licensees. While we consider the analyses of Morningstar, our investment recommendations are oriented to the mandates of the investment products in question.

Morningstar hosts educational events and conferences and, in some instances, provides us with the opportunity to suggest invitees or offer (proactively or upon request) discounted or waived registration fees. We mitigate any actual or potential conflicts of interest this introduces by using pre-defined criteria to select Institutional Clients for these opportunities.

Morningstar offers various products and services to retail and institutional investors. In certain situations, we 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 use solely quantitative criteria established by our advisory client to make such selection, or when Morningstar's compensation is based on assets invested in the product, it'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 are sponsors of funds that we 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.

In some instances, we create portfolios that track an index created and maintained by Morningstar. Morningstar does not and will not have any input into our investment decisions, including what investment products will be included in our 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.

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. 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, trade recommendations are communicated based off of a trade rotation schedule.

As a wholly owned subsidiary, we use the resources, infrastructure, and employees of Morningstar and its affiliates to provide certain support services in such areas as technology, procurement, human resources, accounting, 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.

We have the option to 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 also have the option to 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, unless it falls under a solicitation arrangement, as described in Item 14 below.

Morningstar Wealth, through Morningstar and its subsidiaries, make available products such as: (i) investment product ; (ii) Morningstar Funds Trust, (iii) Morningstar ByAllAccounts, Morningstar's investment data aggregation service; and (iv) Morningstar.com, Morningstar's individual investor site offering. Daniel Needham, our co-president, has management responsibilities for Morningstar Wealth. We do not believe that these management responsibilities create any material conflicts of interests for our clients, but we mitigate any actual or potential conflicts of interests resulting from that by imposing informational barriers where appropriate and undertaking compliance monitoring.

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

Morningstar Research Services LLC is a wholly owned subsidiary of Morningstar, Inc. 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 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 dual reporting/organization lines, and the utilization of physical (i.e., separate office "neighborhoods") 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.

Morningstar Research Services provides information to the public about various securities, including managed investments like open-end mutual funds and ETFs, which include written analyses of these investment products in some situations. 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 based on our decisions in regard to the investment product.

Morningstar Research Services issues investment research reports on securities we 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. In making investment decisions or recommendations, we use Morningstar Research Services' publicly available analysis as part of our review process, and do not 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 or dual organizational reporting lines, and monitoring by the compliance department.

Morningstar Research Services prepares qualitative analysis on separately managed accounts and model portfolios. To mitigate conflicts of interest, Morningstar Research Services does not prepare qualitative analysis for any Morningstar separately managed account or model portfolio we create and manage.

Some of Morningstar Research Services' clients are sponsors of funds or associated with other securities that we recommend to our institutional clients. We mitigate any actual or potential conflicts of interests resulting from this fact through such measures as informational barriers (both physical and technological), maintaining separate or dual organizational reporting lines, and monitoring by the compliance department. In addition, we do not factor in the relationship between Morningstar Research Services and their clients 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 any investment company to whom we serve as investment adviser or sub-adviser.

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*

We are affiliated with the Morningstar DBRS group of companies, which include DBRS, Inc., DBRS Limited, DBRS Ratings GmbH, and DBRS Ratings Limited. DBRS, Inc. is registered with the Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization

(NRSRO). Morningstar DBRS' companies are also registered with and governed by applicable regulatory body or bodies in other countries around the globe. In our analysis of certain securities, we use the publicly available credit rating and analysis issued by Morningstar DBRS. Because of our use of Morningstar DBRS' 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 [compliancemail@morningstar.com](mailto:compliancemail@morningstar.com).

### **Interest In Client Transactions**

Our Access Persons have the option to maintain personal investment accounts and purchase or sell investments in those accounts that are the same as or different from the investments we recommend to clients. Our Code of Ethics is designed to ensure that Access Persons' personal trading activities should not conflict with our advisory activities or the timing of our recommendations and 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 offer or track), many of which follow strategies we offer to clients. In order to ensure that our seed accounts or any one client does not receive favorable treatment, our multi-asset Strategy recommendations are communicated after the close of the trading day and seed accounts in those Strategies. Equity Strategy recommendations are communicated based off a trade rotation schedule designed to ensure equitable and systematic distribution.

### **Personal Trading By Access Persons**

Our Code of Ethics is designed to ensure that Access Persons' personal trading activities does not interfere with our clients' interests. While our Access Persons have the option to 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 are prohibited from trading in securities which are the subject of such information and tipping 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, initial digital coin offerings, and private placement transactions with Morningstar's compliance department.

### **Item 12. Brokerage Practices**

Where we exercise investment discretion, we will generate trade instructions for each portfolio that requires investment, reallocation or rebalancing and forward those instructions to the appropriate institution as designated by the client. As a result, we do not have the ability to make decisions regarding which broker is used to execute the transactions nor the timing of when the trade is executed. This could result in different pricing of client trades. We do not participate in any soft dollar practices.

To generate additional income or to earn credits that offset expenses, the Morningstar Funds reserves the right to lend its portfolio securities to unaffiliated broker/dealers, financial institutions or other institutional investors pursuant to agreements requiring that the loans be secured continuously by collateral, marked-to-market daily and maintained in an amount at least equal in value to the current market value of the securities loaned. The aggregate market value of securities lent by a Morningstar Fund will not at any time exceed 33 1/3% of the total assets of the Morningstar Fund. All relevant facts and circumstances, including the creditworthiness of the broker-dealer or institution, will be considered in making decisions with respect to the lending of securities subject to review by the Morningstar Funds Trust's Board of Trustees. Currently, six of the nine Morningstar Funds participate in a securities lending program.

The cash collateral received from a borrower as a result of a Morningstar Fund's securities lending activities will be invested in cash or high quality, short-term debt obligations, such as securities of the U.S. government, its agencies or instrumentalities, irrevocable letters of credit issued by a bank that meets the Morningstar Fund's investment standards, bank guarantees or money market mutual funds or any combination thereof.

Securities lending involves two primary risks: "investment risk" and "borrower default risk." Investment risk is the risk that a fund will lose money from the investment of the cash collateral received from the borrower. Borrower default risk is the risk that a fund will lose money due to the failure of a borrower to return a borrowed security in a timely manner. There also may be risks of delay in receiving additional collateral, in recovering the securities loaned, or a loss of rights in the collateral should the borrower of the securities fail financially. In the event a Morningstar Fund is unsuccessful in seeking to enforce the contractual obligation to deliver additional collateral, then the Morningstar Fund could suffer a loss.

### **Item 13. Review of Accounts**

If included in our contract with an institutional client, we will provide ongoing monitoring of the underlying holdings in investment portfolios and reallocation or rebalancing of investment portfolios. The frequency and nature of our reviews and rebalancing is governed by our contract with each such client.

In instances where we recommend an institutional client that offers our Strategies, our financial advisor is responsible for periodically reviewing those client accounts. In most cases, the investor's financial advisor will review the investor's responses to a risk tolerance questionnaire or similar information and assist the investor in determining if a Strategy is appropriate for the investor. If it is, the financial advisor will assist the investor in making a final determination as to the most appropriate Strategy for the investor from those available through the institutional client. The investor's financial advisor will contact the investor at least annually to discuss and review any changes in their financial situation.

We provide ongoing monitoring of the Strategies we offer to seek to ensure each Strategy remains aligned with factors such as its objective, guidelines, and restrictions. Our model portfolios and valuation models are reviewed on at least an annual basis. Investment-specific model portfolios for a retirement plan or product are reviewed on at least an annual basis.

We may provide periodic reports to our institutional clients on the investment portfolios and the underlying holdings or retirement plan or product lineup if included in our contract with such client.

### **Item 14. Client Referrals and Other Compensation**

We may make direct or indirect cash or non-cash payments to our affiliates or to unaffiliated third parties for recommending our services. We may also receive direct or indirect cash or non-cash payments from an institutional client if we recommend investors use their services. If such payments occur, they will be done pursuant to Rule 206(4)-1 of the Advisers Act. Those referred by third party solicitors may in some cases pay a higher fee than those who contract with a firm directly. Through disclosures, which are spoken or given in writing to clients at the time of the solicitation, clients or investors solicited by an unaffiliated person or recommended to use our institutional client are made aware of the arrangement between the us and solicitor or us and our institutional client (and therefore that the solicitor has a financial interest in making the recommendation), any other material conflicts of interest, and the terms of any compensation paid directly or indirectly to the solicitor as a result of their referral.

Referral fees are typically paid quarterly for so long as the client or investor maintains an applicable agreement for advisory services and the solicitor's agreement between us and the other firm remains in-force. If at any time either agreement is terminated, the referral fee payments to the solicitor will cease.

We receive direct or indirect cash payments from unaffiliated third parties for referring their services to other advisory firms or investors. This creates a conflict of interest as we have an incentive to recommend these third parties in order to receive the cash payment.

We enter into agreements with certain Institutional Clients whereby we provide compensation to Institutional Clients in exchange for access to their financial professionals to educate them about our advisory products and

services, having our name, products, or services listed or highlighted in Institutional Client materials, attendance or booth space at Institutional Client conferences, and/or similar marketing, distribution, and educational activities. We also provide compensation to Institutional Clients to sponsor meetings and events for their financial professionals and/or clients.

### 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 are 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. The client is typically responsible for selecting the custodian for its assets.

### Item 16. Investment Discretion

In some cases, we have complete investment discretion in managing investment portfolios or registered funds for our institutional clients and Morningstar Funds Trust. In other cases, we provide information or make investment recommendations to an investment adviser, broker/dealer, investment committee, board, plan sponsor, financial professional, or other person(s) to help them make investment choices, but the institution or person has the discretion to accept, reject, or modify our recommendations. The extent of our investment discretion is set forth in our contract with our institutional client.

When recommending investors to an institutional client that offers our Strategies, we do not have discretion over the investor's account.

### Item 17. Voting Client Securities

For the majority of our institutional advisory service arrangements, we do not have the authority to and will not vote proxies. In such situations, proxies or other solicitations will be sent directly to the client and we will not provide information or advice in regard to questions a client has about a particular solicitation.

We do not vote proxies in instances where we provide our Strategies to institutional clients.

We do not advise or act for clients in legal proceedings, including class actions or bankruptcies, involving recommended securities.

The Morningstar Funds have authorized us to vote proxies on their behalf. In turn, in accordance with the sub-advisory agreement entered into between us and each sub-adviser, we have delegated proxy voting authority to the sub-adviser. We have implemented policies and procedures with respect to the portion of the Morningstar Funds that are not managed by a sub-adviser.

#### *Proxy Voting Policy and Procedures*

Rule 206(4)-6 of the Investment Advisers Act of 1940, as amended, places a number of requirements on investment advisers with proxy voting authority. These requirements are:

- Adopt and implement written policies and procedures that are reasonably designed to ensure that proxies are voted in the best interest of clients. Such procedures must include how to address material conflicts that may arise between our interests and those of our clients;
- Disclose how clients 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.

#### *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 members of the investment team serving in a voting role and member(s) of compliance and operations team serving in non-voting roles. 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 Morningstar Funds investors;
- Assessing whether proxy voting should be done internally, externally by a third-party vendor, or a combination of the two;
- Oversight of a third-party vendor, when applicable;
- Making voting decisions (including whether or not to abstain from voting) and ensuring votes are cast on time;
- Maintaining documents material to the voting decision; and
- Implementing appropriate proxy voting disclosures and maintaining records of communications received from Morningstar Funds investors requesting information on how proxies were voted and our responses.

#### *Proxy Voting Process*

Proxy statement notifications are received by an independent third-party vendor when a proxy statement has been issued on a security that currently underlies a portion of a Morningstar Fund managed by us. This third-party vendor provides additional services such as facilitating vote submissions on our behalf and provides access to e-ballot and meeting information.

We identify, on an annual basis, certain categories of proxy votes to be reviewed by our proxy committee. In these instances, the vote will be determined on a case-by-case basis based on the Investment Management group's global proxy voting principles. Upon receipt of a proxy statement, the investment team member with the primary oversight responsibility for the security will review the proxy statement and any additional soliciting materials it is aware of that the issuer has filed and will communicate their recommendation, support for the recommendation, and other pertinent information 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.

There may be instances where we will refrain from voting a specific proxy when we believe it is in the best interests of our Morningstar Fund investors.

#### **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 [compliancemail@morningstar.com](mailto:compliancemail@morningstar.com), or writing to Morningstar Investment Management LLC at 22 West Washington Street, Chicago, IL 60602 ATTN: Compliance.

**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, have we been the subject of any bankruptcy proceeding.