

## Morningstar Investment Services LLC Form ADV Part 3: Relationship Summary Responses to Conversation Starters

Morningstar Investment Services LLC is registered with the Securities and Exchange Commission (SEC) as an investment adviser. You receive a copy of our Form ADV Part 3: Relationship Summary before or at the time you enter into an advisory agreement with us. The Relationship Summary provides you with information about (1) the types of services we offer to retail investors, (2) the fees, costs, conflicts of interest, and standard of conduct associated with those services, (3) any reportable legal or disciplinary history for our firm or financial professionals, and (4) how to obtain additional information about us.

Free and simple tools are available to research firms and financial professionals at the SEC’s investor education website, [Investor.gov/CRS](http://Investor.gov/CRS), which also provides educational materials about broker-dealers, investment advisers, and investing.

Our Relationship Summary contains “Conversation Starters.” These questions are meant to help you guide conversations with us as you evaluate our products and services. Since our services are often facilitated by a third party, such as your financial professional who is affiliated with another investment adviser (“Advisory Firm”), we have provided our responses to those Conversation Starters here.

If you have additional questions about us or our services, you can call our client service team at 877-626-3227. If you would like to request a copy of our Form ADV documents free of charge, please contact us at 312.696.6000 or send an email to [compliance@morningstar.com](mailto:compliance@morningstar.com) and specify that you are requesting a copy of the “Form ADV Morningstar® Managed Portfolios<sup>SM</sup> program” or “Form ADV Morningstar® Managed Plan Solutions<sup>SM</sup>” documents.

***Given my financial situation, should I choose an investment advisory service? Why or why not?***

We know your financial professional or retirement plan sponsor plays a vital role in helping you plan for your financial goals. Together, we’re dedicated to connecting you to investment choices designed to help you every step of the way. Our Morningstar® Managed Portfolios<sup>SM</sup> (“Portfolios”) are model portfolios of investments that have been designed to help meet specific objectives at targeted levels of risk. They’re built by our team of investment professionals, who monitor them carefully and decide what to buy and sell. Morningstar Managed Portfolios are created to give people like you access to the best ideas of our research teams, coupled with the know-how of professional portfolio managers.

Our parent company, Morningstar, Inc., has one of the largest, most experienced analyst teams in the industry<sup>1</sup>. Our investment management group can use their insights, coupled with

Morningstar’s high-quality data, to uncover investments for our portfolios. We use their deep pool of analysis to determine the best-fit investment choices for our Portfolios, keeping each grounded in professional research. If you don’t have the time or interest in researching investments yourself, or want the help of a professional, our Morningstar Managed Portfolios are designed with you in mind.

If you have a financial professional, they work with us to create a plan that’s built around you. We monitor each Portfolio carefully to make sure it stays on track to help meet its objectives, keeping you and your financial professional up to date along the way. Our portfolio management frees your financial professional up to focus on you so that they can help you determine what you want your financial future to look like, how much risk you’re comfortable taking, what strategies support your goals, and how you’re progressing towards those goals.

If you are using Morningstar Managed Portfolios with your retirement plan account, our goal is to provide you with the ability to invest your retirement plan account assets in a diversified manner.

***How will you choose investments to recommend to me?***

Our investment process starts with looking broadly, investigating asset classes, sub-asset classes, sectors, and securities in markets around the world. We seek to buy overlooked investments, especially those that offer sound fundamentals at what we believe to be an attractive price. We study investor sentiment and positioning in order to tell us how the market views an investment class we’re considering. We also look closely at each asset class’ risk. We believe that one of the best ways to control for risk is to buy fundamentally strong assets that seem underpriced.

Our research-driven approach to selecting investments is designed to help you reach your goals and objectives. When building multi-asset portfolios, we evaluate the active investment managers and/or passive funds we use to implement our strategies. Our investment selection process begins with analysis from Morningstar and its affiliates, which covers hundreds of thousands of investment offerings globally, including mutual funds, closed-end funds, separate accounts, exchange-traded products, individual stocks, and hedge funds. We build on Morningstar’s analyses by refining the investment universe and hand-selecting investments we determine are right for our portfolios. Our investment team has years of experience evaluating active investment managers, comparing managerial track records, and determining how an investment may fit into a portfolio.

We know the active managers we use in our Portfolios. They haven’t just been screened; we meet each active manager we use in our

<sup>1</sup> Investment research is provided by Morningstar, Inc. or its subsidiaries. In the United States, that subsidiary is Morningstar Research Services LLC, registered with and governed by the U.S. Securities and Exchange Commission.

Portfolios and 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 to assess how well their strategy may work in combination with those of other managers and we consider their ability to outperform in different market environments. Once we have selected active managers, we tend to keep them in place for the long haul.

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

Armed with investment ideas, our global team works together to holistically build portfolios suited to each strategy we offer. We seek to gain the largest exposure to our ideas that are the most underpriced (that is, have the largest difference between a security's price and fair value), while building robust portfolios designed to stand up to challenging investment environments. As our investment ideas are implemented, they are crafted for use in each portfolio, a process in which we apply disciplined judgment to a multitude of dimensions that aims to maximize reward for risk in asset allocation and investment selection across all investments.

To prepare you for the future, we seek to construct robust portfolios designed to perform well in different environments. 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.

***What is your relevant experience, including your licenses, education, and other qualifications? What do these qualifications mean to you?***

Morningstar Investment Services LLC is registered with the United States Securities and Exchange Commission (SEC) as an investment adviser and has filed the appropriate notices to conduct business in all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, and the Virgin Islands. (Registration with the SEC does not imply a certain level of skill or training.) We have been registered to provide advisory services since 2000.

We are a subsidiary of Morningstar Investment Management LLC, who is also registered with the United States Securities and Exchange Commission (SEC) as an investment adviser and has filed the appropriate notices to conduct business in all 50 states, the District of Columbia, and the Commonwealth of Puerto Rico.

Morningstar Investment Management is also registered with the U.S. Commodity Futures Trading Commission as a Commodity Pool Operator and is a member of the United States National Futures Association. They have been registered to provide advisory services since 1999.

Our ultimate parent company is Morningstar, Inc., a provider of independent investment research in North America, Europe, Australia, and Asia. Morningstar provides data and research insights on a wide range of investment offerings, including funds, publicly listed companies, private capital markets, debt securities, and real-time global market data.

We feel the breadth of our resources and experience allows us to focus on our core capabilities in asset allocation, investment selection, and portfolio construction, which positions us to offer portfolios designed to help you meet your financial goals at each stage of your life.

***Help me understand how these fees and costs might affect my investments. If I give you \$10,000 to invest, how much will go to fees and costs, and how much will be invested for me?***

Under the **Morningstar® Managed Portfolios<sup>SM</sup>** program, your account is charged an annual Total Fee. A portion of the Total Fee goes to us and a portion goes to your Advisory Firm. Our fee covers non-investment management activities associated with running an advisory program, such as the maintenance of our platform and administrative services ("Administration Fee"), and the investment management activities for our model portfolios ("Investment Management Fee"). Our portion of the fee varies depending on the Portfolio(s) you choose and the amount of assets you have invested in each, and is negotiable if you have \$5 million or more invested in our Portfolios:

	<b>First \$500k</b>	<b>Next \$500k</b>	<b>Next \$1MM</b>	<b>Over \$2MM</b>
Administration Fee for all Portfolios	0.20%	0.15%	0.10%	0.05%
Investment Management Fee for Portfolios whose underlying holdings are solely Morningstar Funds	0.20%	0.15%	0.10%	0.05%
Investment Management Fee for Portfolios whose underlying holdings are: • solely third-party (i.e. non-Morningstar Fund) mutual funds	0.40%	0.35%	0.30%	0.20%

• third-party mutual funds and ETFs				
Investment Management Fee for Portfolios whose underlying holdings are: • solely ETFs • Morningstar Funds and third-party mutual funds and/or ETFs	0.30%	0.25%	0.20%	0.15%
Investment Management Fee for assets in the Dollar Cost Averaging Option's money market fund	0.20%	0.20%	0.20%	0.20%
Investment Management Fee for Enhanced Cash Option	0.20%	0.20%	0.20%	0.20%
Investment Management Fee for Select Equity Portfolios	0.55%	0.50%	0.45%	0.40%

The fee charged by your Advisory Firm covers activities related to the set-up and ongoing monitoring of your account by your financial professional. Your Advisory Firm may also charge an administrative fee. Both of these fees are solely determined by your Advisory Firm or financial professional – we do not determine these fees, other than to set a maximum of what they can charge. The maximum your Advisory Firm can charge you varies from 0.90% - 1.10%, depending on the Portfolio(s) you choose, and the amount of assets invested in each.

Our fee is separate from other fees and expenses your Account may incur:

- Investment options typically charge fees and expenses to their shareholders. These fees and expenses can include, but are not limited to, management fees (ongoing fees for managing the assets in a fund), administrative fees, initial or deferred sales charges, distribution fees, shareholder servicing fees, sub-transfer agency fees, redemption fees, exchange fees, surrender charges, contract maintenance fees, or mortality and expense charges. These fees are generally based on the amount of assets you have invested in the fund and are deducted directly from the balance, reducing your investment returns. These fees and expenses are explained in the investment option's prospectus or equivalent document.
- Your custodian or other service provider can also charge you fees and expenses for administrative or custodial costs related to the services they provide to your plan. These

could include recordkeeping, accounting, trustee, custodial, brokerage, or legal fees.

- You may also be charged individual services fees, related to transactions you direct or optional services you choose, such as buying or selling certain investment options.

As an example, say you have \$10,000 in your account and invest in accordance with a Select Equity Portfolio. We charge you 0.55% on the \$10,000 you have invested in this Portfolio and your Advisory Firm could charge a maximum of 1.10%. You choose to pay your custodian a percentage of your account assets to cover transaction related fees, which is 0.05%, as opposed to a per trade fee. The total fees you are charged over the course of one year would be:

**Beginning Account Value:** \$10,000

**Our Fee:**  $\$10,000 \times 0.0055 = \$55$

**Your Advisory Firm's Fee:**  $\$10,000 \times 0.011 = \$110$

**Custodian Transaction Fee:**  $\$10,000 \times 0.0005 = \$5$

**Total Annual Fees:** \$170

**Account Value after Annual Fees:** \$9,830

Or if you invested your \$10,000 in a portfolio that uses third-party mutual funds and ETFs, we'd charge you 0.40% and your Advisory Firm could charge you a maximum of 1.10%. The underlying investments in your Portfolio have a 0.50% expense ratio. (Investment expense ratios can vary quite a bit depending on the type of fund, its objective, and its share class.) You choose to pay your custodian a per trade fee which is \$25/mutual fund trade and \$0/ETF trade, and there were 5 mutual fund trades and 5 ETF trades made in your account during the year. The total fees you are charged over the course of one year would be:

**Beginning Account Value:** \$10,000

**Our Fee:**  $\$10,000 \times 0.004 = \$40$

**Your Advisory Firm's Fee:**  $\$10,000 \times 0.011 = \$110$

**Investment Fees (0.50%):**  $\$10,000 \times 0.005 = \$50$

**Custodian Transaction Fees:** (5 mutual fund trades \* \$25/trade) + (5 ETF Trades \* \$0/trade) = \$125

**Total Annual Fees:** \$325

**Account Value after Annual Fees:** \$9,675

In you invest in one of our Portfolios through a **Third-Party Program**, we charge the sponsor of the program an annual fee based on the amount of assets their clients have invested in each of our Portfolios. They will likely pass this fee on to you. In addition, you will typically be charged a fee by the program's sponsor, fees and expenses from the underlying investment options in your Portfolio, fees and expenses from your custodian, and individual service fees. Your annual fee will look similar to the examples shown above, with some

variation based on the fees we and the other parties involved in the management of your account charge. Our standard fee schedule for Third-Party Programs is:

Third Party Program's Assets invested in a Portfolio	Portfolios whose underlying holdings are:			Select Equity Portfolios
	Solely Morningstar Funds	Solely third-party mutual funds or third-party mutual funds and ETFs	Solely ETFs or Morningstar Funds and third-party mutual funds and/or ETFs	
Under \$25 million	0.10%	0.30%	0.25%	0.50%
Next \$25 million	0.085%	0.26%	0.21%	0.43%
Next \$25 million	0.08%	0.24%	0.20%	0.40%
Next \$25 million	0.075%	0.23%	0.19%	0.38%
Next \$50 million	0.07%	0.21%	0.18%	0.35%
Next \$50 million	0.065%	0.20%	0.16%	0.33%
Next \$100 million	0.06%	0.18%	0.15%	0.30%
Above \$300 million	0.055%	0.17%	0.14%	0.28%

Your Third-Party Program sponsor can provide you with more information about the fees and expenses charged to you as part of their advisory program.

Under the **Morningstar® Managed Plan Solutions<sup>SM</sup>** program, your Account is charged an annual fee, which ranges from 0.20 – 0.30% depending on the services your plan sponsor chose, the assets in your retirement plan ("Plan"), and the complexity involved in providing the service.

Our fee is separate from other fees and expenses your Account may incur:

- Investment options typically charge fees and expenses to their shareholders, which are described above. Your plan sponsor should provide you with information about the investment options available through your plan, which will include information about investment fees and expenses.
- Your plan provider can also charge you fees and expenses for administrative or custodial costs related to the services they provide to your plan. These could include

recordkeeping, accounting, trustee, custodial, brokerage, or legal fees.

- You may also be charged individual services fees, related to transactions you direct or optional plan services you choose, such as taking a loan from your Account or buying or selling certain investment options. Your plan provider or sponsor can provide you with information on the fees and expenses for these items as they are specific to your Plan.

As an example, say you have \$10,000 in your Account and enroll in our service with an annual fee of 30 basis points. After studying the Plan documents your plan sponsor provided to you, you determine that your plan provider charges \$50/year for administrative services and \$40/year for recordkeeping fees, and your investments have a 0.3% expense ratio. (Investment expense ratios can vary quite a bit depending on the type of fund, its objective, and its share class.) The total fees you are charged over the course of one year would be:

**Beginning Account Value:** \$10,000

**Managed Accounts Fee:** \$10,000 x .003 = \$30

**Investment Fees (0.30%):** \$10,000 \* .003 = \$30

**Administrative Fees:** \$50

**Recordkeeping Fees:** \$40

**Total Annual Fees: \$150**

**Account Value after Annual Fees: \$9,850**

The Department of Labor has a brochure titled "[A Look at 401\(k\) Plan Fees](https://www.dol.gov/sites/dolgov/files/ebsa/about-ebsa/our-activities/resource-center/publications/a-look-at-401k-plan-fees.pdf)" at <https://www.dol.gov/sites/dolgov/files/ebsa/about-ebsa/our-activities/resource-center/publications/a-look-at-401k-plan-fees.pdf> that contains more detailed information about common fees and how to read your Plan's fee documents.

***How might your conflicts of interest affect me, and how will you address them?***

On at least an annual basis, we undertake a review to identify new and assess existing conflicts of interest. When we change or launch new advisory services or products, we first try to avoid any conflicts of interest. If avoiding a conflict is not possible, we disclose it to you through our agreements and/or Form ADV Part 2A: Firm Brochure and put policies and procedures in place to mitigate the conflict to ensure we are acting in your best interest.

***As a financial professional, do you have any disciplinary history? For what type of conduct?***

We are required to disclose all material facts in regard to any legal or disciplinary events that would influence a potential client to engage us or a client to continue using our services. We do not have any material legal or disciplinary events to disclose.

***Who is my primary contact person? Is he or she a representative of an investment adviser or broker-dealer? Who can I talk to if I have concerns about how this person is treating me?***

Morningstar Managed Portfolios are typically offered through our Morningstar Managed Portfolios Program, a Third-Party Program, or our Morningstar Managed Plan Solutions program as part of an existing relationship you have with a representative of an investment adviser who is not affiliated with us. That financial professional is your primary contact person, as they know the most about your personal and financial situation. You can obtain more information about your financial professional by requesting his or her firm's Form ADV documents or by going to [Investor.gov/CRS](https://www.investor.gov/crs). These documents contain instructions on how you can obtain additional information about your financial professional and their firm, and who to contact if you have concerns about how this person is treating you.

While we have a customer support team that can answer general questions about your Account, those individuals are not representatives of an investment adviser or broker/dealer. If you did not obtain access to Morningstar Managed Portfolios through a financial professional, or if you have general questions, you can contact this team at 877-626-3227. If you have concerns about how you are being treated by one of our employees, please contact our Compliance Department at [compliance@morningstar.com](mailto:compliance@morningstar.com) or at 312-696-6000.