

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](https://www.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 complianceemail@morningstar.com and specify that you are requesting a copy of the "Form ADV Morningstar Wealth Platform", "Form ADV Model Provider" or "Form ADV Morningstar® Managed Plan SolutionsSM" documents.

Morningstar Investment Services is winding down the Morningstar Wealth Platform ("Wealth Platform") and has entered into an agreement with AssetMark, Inc. ("AssetMark") in which certain investment management agreements (including the IMA) were or will be assigned to AssetMark and will be transitioned to AssetMark's platform, which is anticipated to take place in mid-2025 ("Transition").

For accounts that remain under Morningstar Investment Services' management and will not Transition to AssetMark, Morningstar Investment Services has, or will be, communicating with you regarding the termination of the investment management agreement. In the meantime, this is being provided as it includes information on Morningstar Investment Services' investment advisory program, the Wealth Platform and when we offer Portfolios on a discretionary basis through third-party financial institutions.

For accounts that are under AssetMark's management, this includes activities you can expect until Transition. Morningstar Investment Services will service your account(s) as a service provider to AssetMark until Transition at which time AssetMark will service your account(s).

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. The portfolios we offer ("Portfolios") are designed to help meet specific objectives at targeted levels of risk. They're built by our team of investment professionals ("Morningstar Portfolios"), a third-party advisory firm ("Sub-Adviser") who monitors them to decide what to buy and sell, or a third-party advisory firm who provides recommendations to us on what to buy or sell ("Model Provider"). Portfolios are created to give people like you access to what we believe are some of the best ideas, 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 industry¹. Our team of investment professionals can use their insights, coupled with Morningstar's high-quality data, to uncover investments for Morningstar Portfolios. We use their deep pool of analysis to determine the best-fit investment choices for Morningstar 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, the Morningstar Portfolios we offer are designed with you in mind.

Similarly, we leverage the broad and experienced research analyst team and high-quality data of our parent company, Morningstar, Inc., to complete a thorough quantitative and qualitative investment review process of all third-party advisory firms and their portfolios prior to offering on the Wealth Platform. Once added to our Wealth Platform, we also conduct ongoing due diligence. By offering a thoughtfully curated list of third-party investment solutions, we're able to provide you with flexibility and choice to help you achieve financial success.

If you have a financial professional, they work with us to create a plan that's built around you. We monitor each Portfolio to make sure it stays on track to help meet its objectives, keeping you and your financial professional up to date along the way. We offer Portfolios to free your financial professional up to focus on you so that they can help you determine what you want your financial future to look like,

¹ 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.

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 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 for many of the Morningstar Portfolios 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 Morningstar Portfolios. They haven't just been screened; we meet each active manager we use in our 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.

For most of Morningstar Portfolios, our global team, armed with investment ideas, 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.

For Morningstar Direct Indexing Portfolios, our process leverages a rebalancing system to construct a basket of stocks that tracks a client's chosen benchmark index and preferences. When a client desires to closely track the benchmark index, our rebalancing system may choose substantially all underlying holdings of the benchmark index at their corresponding index weights for their Morningstar Portfolio; however, the Morningstar Portfolio will generally not hold every underlying holding of the index. Instead, the Morningstar Portfolio is designed so that, it holds 50-90% of the underlying holdings of the benchmark index and in aggregate, possesses similar characteristics as the chosen benchmark index but still allows for active tax management practices and investment preferences. We seek to keep the cash and tracking error levels low and control for individual position level mis-weights relative to the benchmark.

In addition to offering you Morningstar Portfolios, we have thoughtfully added a curated list of third-party portfolios to meet a wide range of investment needs with the objective to provide you with a variety of asset allocation methods to help meet your investment objectives. Third-party portfolios are vetted and monitored through our ongoing due diligence and governance process. Third-party portfolios can be paired with Morningstar portfolios and with other third-party portfolios to create a well diversified portfolio.

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, Guam, the Virgin Islands, 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 Wealth Platform**, your account is charged an annual Total Fee. A portion of the Total Fee goes to us, a portion goes to your Advisory Firm and if applicable a portion goes to the Model Provider or Sub-Adviser. 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"). Depending on the chosen Portfolio and features, our fee, Model Provider fee and/or Sub-Adviser fee covers portfolio investment management activities, including tax transition management ("Investment Management Fee"). These fees vary depending on the Portfolio(s) and features you choose and the amount of assets you have invested in each, and is negotiable if you have \$5 million or more invested in the Portfolios. Additional information on our fees can be found in our Form ADV Part 2A under Item 5. Fees and Compensation.

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 Total Fee. The Advisory Firm fee varies depending on the Advisory Firm, 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 Morningstar Select Equity Portfolio. We charge you 0.55% on the \$10,000 you have invested in this Morningstar 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 Morningstar Portfolio that uses third-party mutual funds and ETFs, we'd charge you 0.40% and your Advisory Firm charges you 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 the Morningstar 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. Additional information on our standard fee schedules can be found in our Form ADV Part 2A under Item 5. Fees and Compensation.

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 SolutionsSM** 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?

Portfolios are typically offered through the Morningstar Wealth Platform, 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, those individuals are not representatives of an investment adviser or broker/dealer. If you did not obtain access to 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 or at 312-696-6000.