Morningstar® Managed Portfolios℠

U.S. Real Return Portfolios
Outcome-Based Series

Diversified, multi-asset portfolios aligning our best-ideas and valuation-driven investment approach with investors' financial planning needs and goals

MORNINGSTAR®

A goals-based strategy designed to fit with your financial plan

Our Real Return portfolio series employs a sensible, long-held view of investing: Pick only the most attractive investments across asset classes, aiming to grow wealth over time to meet a stated return goal. Risks and opportunities—not benchmarks—drive this approach.

Managing Investments to Goals, Not Benchmarks

Today, the industry standard is to manage most investments to relative benchmarks that stand in for market returns. This approach was born in academia and serves one major goal: Comparing investment performance relative to a benchmark or peer strategies. But the comparison game often distracts investors from what really matters — reaching their financial goals. Real return investing gets back to basics — aiming to grow investors' buying power over time. Our four Real Return portfolios seek to outpace inflation over various periods by a range of outcomes (1% to 5%), depending on an investor's goal, whether it's a long-term goal of saving for retirement or a more immediate concern like buying a house.

Rule Number One: Preserving Your Clients' Capital

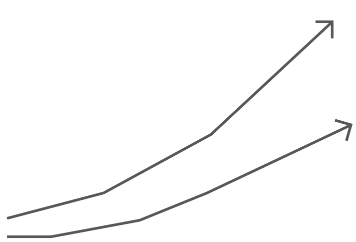
Legendary investor Warren Buffett likes to say that his first rule is to never lose money, and that his second rule is to never forget rule number one. We share this goal in all our portfolios, but none more so than in our Real Return portfolios (noting, of course, that investing involves risk and we cannot guarantee against a loss). Rather than a benchmark- or peer-relative focus, we take the long view and define risk as losing money we can't make back.

Flexible Asset Allocation

Our investment team casts its net across a wide set of asset classes to find value — that is, greater return potential with less risk. Investment strategies that invest in stocks, bonds, and alternatives are all available to our portfolio team, giving them considerable flexibility. And we set allocations based on how convinced we are that each investment can deliver a solid inflation-adjusted return for the risk. To help reduce potential loss, we calibrate exposure to asset classes prone to larger sell-offs, such as stocks and credit-sensitive securities.

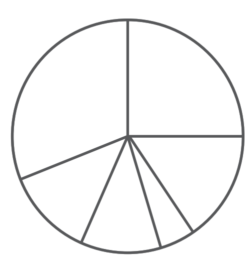
Goals: Inflation-Beating Returns, Flexible Asset Allocation, Capital Preservation

Outcome-based portfolios designed for multi-goal financial planning



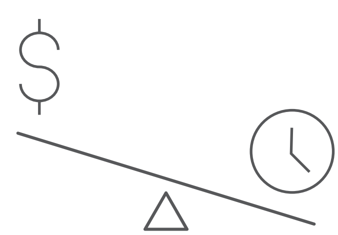
Inflation-Beating Returns

- Explicit focus on aligning portfolios' objectives with your risk profile and financial goals
- Returns seek to meet defined objective
- Address two main risks: loss of capital, and loss of spending power from inflation



Flexible Asset Allocation

- Valuation-driven asset allocation approach
- Minimizing drawdown can help allow for more consistent performance and make it easier for investors to stay the course



Capital Preservation

- Allocations to riskier assets are calibrated to the portfolio's stated return goal
- When markets appear risky, we focus on seeking to protect principal
- We aim to protect capital over the designated time horizon; the principal balance may fluctuate in the short term

Responding to Risk...
Risk matters. We define risk as a permanent loss of savings, not a temporary dip. That's why we think it's important to balance real return with longer-term capital preservation. This leads to risk-aware fluctuations in the performance of our Real Return portfolios: When markets are overpriced and risk is high, we dial down risk and temper our return expectations while we wait for more favorable asset prices. We're typically willing to be more aggressive when prices are low (and value is high) because we believe underpricing gives us somewhat of a cushion—that, after having fallen, prices have less room to fall further.

When valuations are high, we can dial down risk in two ways: adding cash and avoiding overpriced assets. Our unconstrained approach allows us to view cash as a baseline and buy only investments we believe will add value. This flexibility also means we aren't stuck holding assets we believe to be too risky or overpriced. For example, if we think international equity is overpriced, we don't have to hold any.

...While Seeking to Outpace Inflation
Meanwhile, we also seek inflation-beating returns because we see reduced spending power as another form of risk. Over a defined investment period, each Real Return portfolio aims to protect against risks by delivering returns that outpace inflation by a stated goal.

Who is Real Return Designed for?

Our Real Return portfolios are designed as core investments for goal-oriented investors. Once a financial plan has been set, these portfolios can offer clients a clear connection to their goals. For more on goal types, see "A Closer Look."

To select a portfolio, talk to your financial advisor, who can help you build a wealth strategy focused on your long-term goals.

A Closer Look at the U.S. Real Return Series	Real Return **Conservative**	Real Return **Moderate**	Real Return **Growth**	Real Return **Flexible**
Investor Goal*	Essential **(Near-Term)**	Essential **(Intermediate-Term)**	Essential **(Long-Term)**	**Aspirational**
Return Goal	Inflation **+1%** Over **3 Years**	Inflation **+3%** Over **5 Years**	Inflation **+5%** Over **10 Years**	Inflation **+4%** Over **7 Years**
Risk—Estimated Max Drawdown	**15%**	**30%**	**50%**	**40%**
Risk—Equity Range	**0% – 30%**	**30% – 60%**	**60% – 100%**	**0% – 100%**

*Investor goals have priority and time components. Essential goals represent investor needs, like housing, education, and retirement. Aspirational goals are wants, such as vacations or a second home. The investment horizon of each strategy is listed in its Return Goal. Owning a second home may begin as a distant, aspirational goal but become Essential and Near-Term when the investor is closer to being ready to house shop. An individual or couple might invest in multiple Real Return portfolios to meet their goals.

22 West Washington Street
Chicago
Illinois 60602 USA

+1 877 626–3227
mp.morningstar.com
mp@morningstar.com

About Morningstar's Investment Management group

Drawing on our core capabilities in asset allocation, investment selection, and portfolio construction, Morningstar's Investment Management group provides a global point of view and local market experience. Our investment professionals, located around the world, are guided by core principles focused on long-term investment results and helping end investors reach their financial goals. Built around world-class investment strategies and harnessing the global resources of Morningstar, Inc., our investment offerings support financial advisors, institutions, and the investors they serve.

Morningstar® Managed Portfolios℠ provides professional guidance and access to strategies that can help investors reach their financial goals.

Important Information

It is important to note that investments in securities (e.g., mutual funds, exchange-traded funds, common stocks) involve risk and will not always be profitable. 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.

Neither diversification nor asset allocation ensure a profit or guarantee against a loss.

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