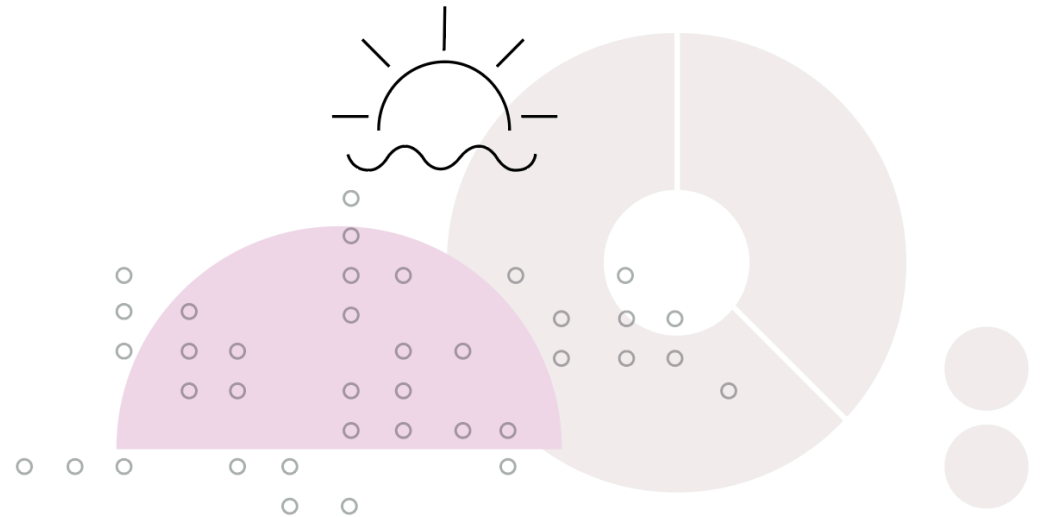




Managed Accounts Presentation

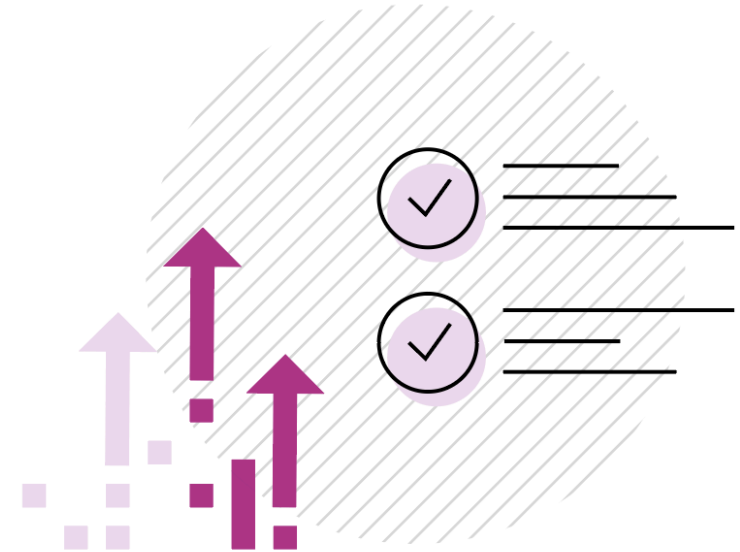
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Agenda

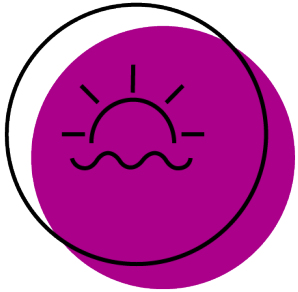
- About Us
- Managed Accounts Overview
 - What Are Managed Accounts?
 - How Does It Work?
 - The Importance of Data
 - Managed Accounts vs. Target-Date Funds
- How Can Managed Accounts Help My Participants?
- How Can I Implement Managed Accounts?



About Us

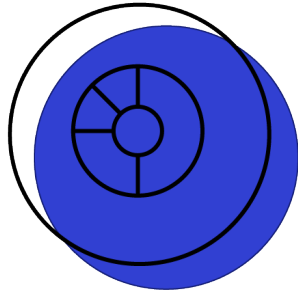
Morningstar Investment Management LLC

Morningstar Investment Management LLC has been providing managed accounts and point-in-time advice for more than 15 years and are a leader in the industry in terms of the number of participants they serve.



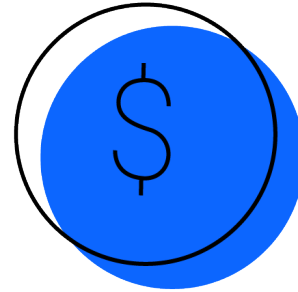
106K+

Plan sponsors offer their managed accounts.



19M

Participants with access to managed accounts—the highest among all managed accounts providers.



\$65.1B

Assets under management and advisement in their managed accounts service.



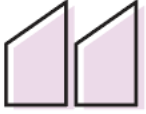
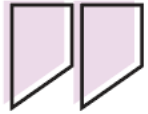
1.5M+

Participants using our managed accounts.

Data as of March 31, 2020. Morningstar Investment Management's total AUM and AUA was \$168.6 billion.

Managed Accounts Overview

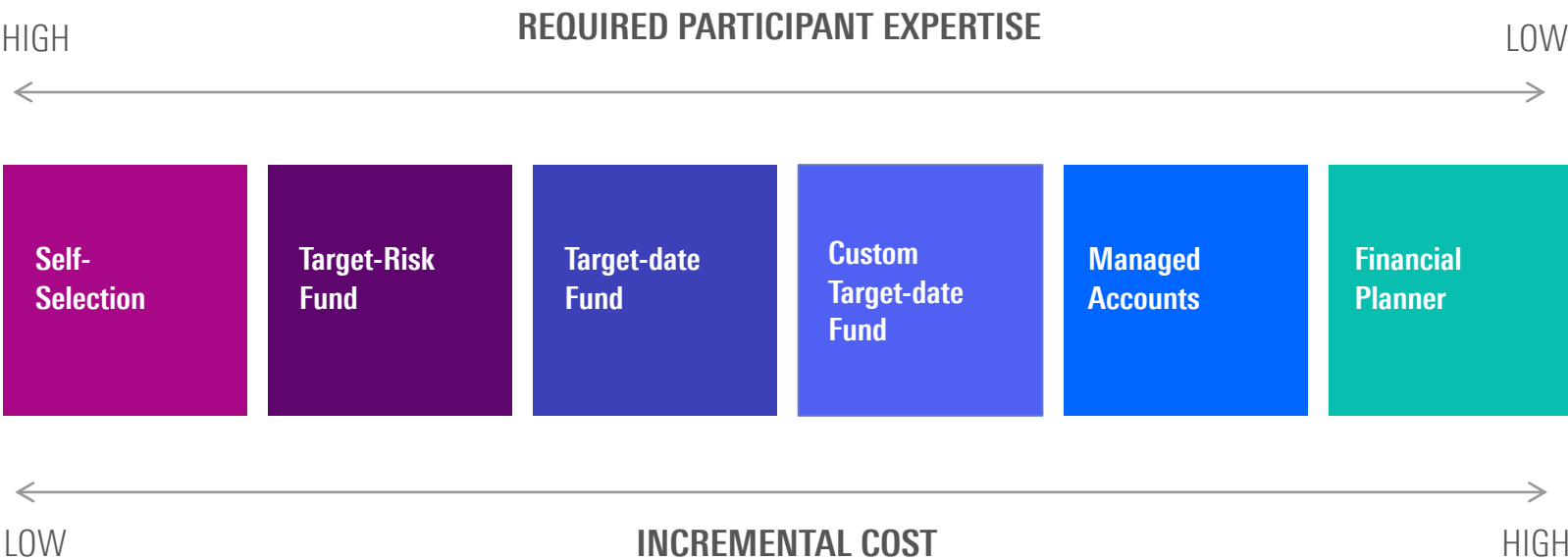
What are Managed Accounts?

 The best way to measure your investing success is not by whether you're beating the market but by whether you've put in place a financial plan and a behavioral discipline that are likely to get you where you want to go. 

— Benjamin Graham, *The Intelligent Investor*

The Advice Continuum

Default investing has evolved over the past 20 years. The trend: more customized product and services applying what we have learned in behavioral finance plus increased individual participant data availability without participant engagement.



For illustrative purposes only.

Make Retirement Personal With Managed Accounts

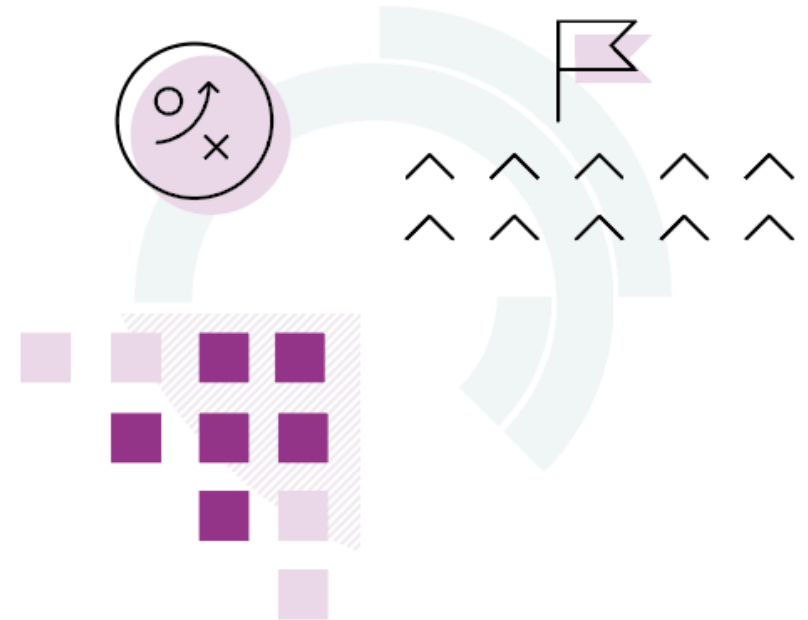


Although investment strategy is important, helping employees meet their retirement goals could require a more complete service — one that provides holistic advice for retirement planning.

What Is Managed Accounts?

It's an online retirement planning service that can provide employees with personalized advice on how to reach their retirement goals. This advice can help employees answer questions like:

- How much should I save?
- How should I invest my savings?
- When should I retire?



How Does it Work?

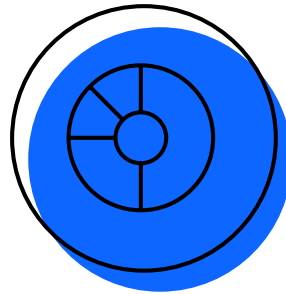
Evolving Components of Total Economic Worth

We take a holistic approach to building an asset allocation for a person's in-plan assets that considers both their human capital and financial capital. This approach is designed to ensure their total wealth is aligned with a target reference portfolio.



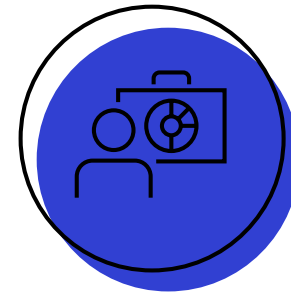
Human Capital

An employee's ability to earn and save.



Financial Capital

The total value of an employee's assets (for example, plan balance, real estate, financial accounts).



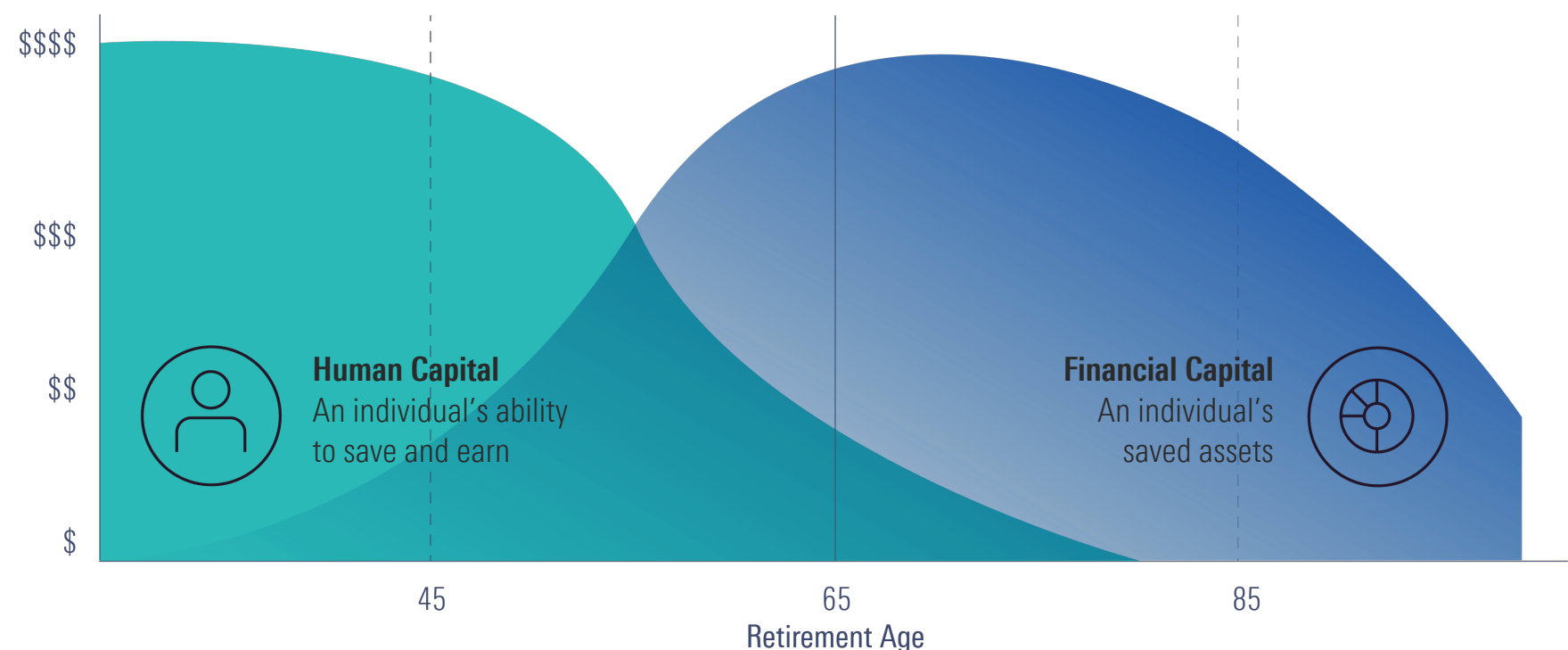
Total Wealth

We aim to balance human and financial capital to achieve the optimal reference portfolio for the average employee.

For illustrative purposes only.

Components of Total Wealth

Investment professionals have traditionally used stocks, bonds, and other tradable assets when constructing an asset allocation, but we aim to consider a far more complete picture of an investor's total worth and earning potential.



For illustrative purposes only.

The Importance of Data

The Data Behind the Most Popular Offerings

Target-Date Funds



Age

Custom Target-Date Products



Age



Plan
Specific
Factors



Industry
Specific
Factors

Managed Accounts



Location

+



Account Balance

+



Social Security



Age

+



Pension and Other Plans

+



Savings Rate



Gender

+



Salary

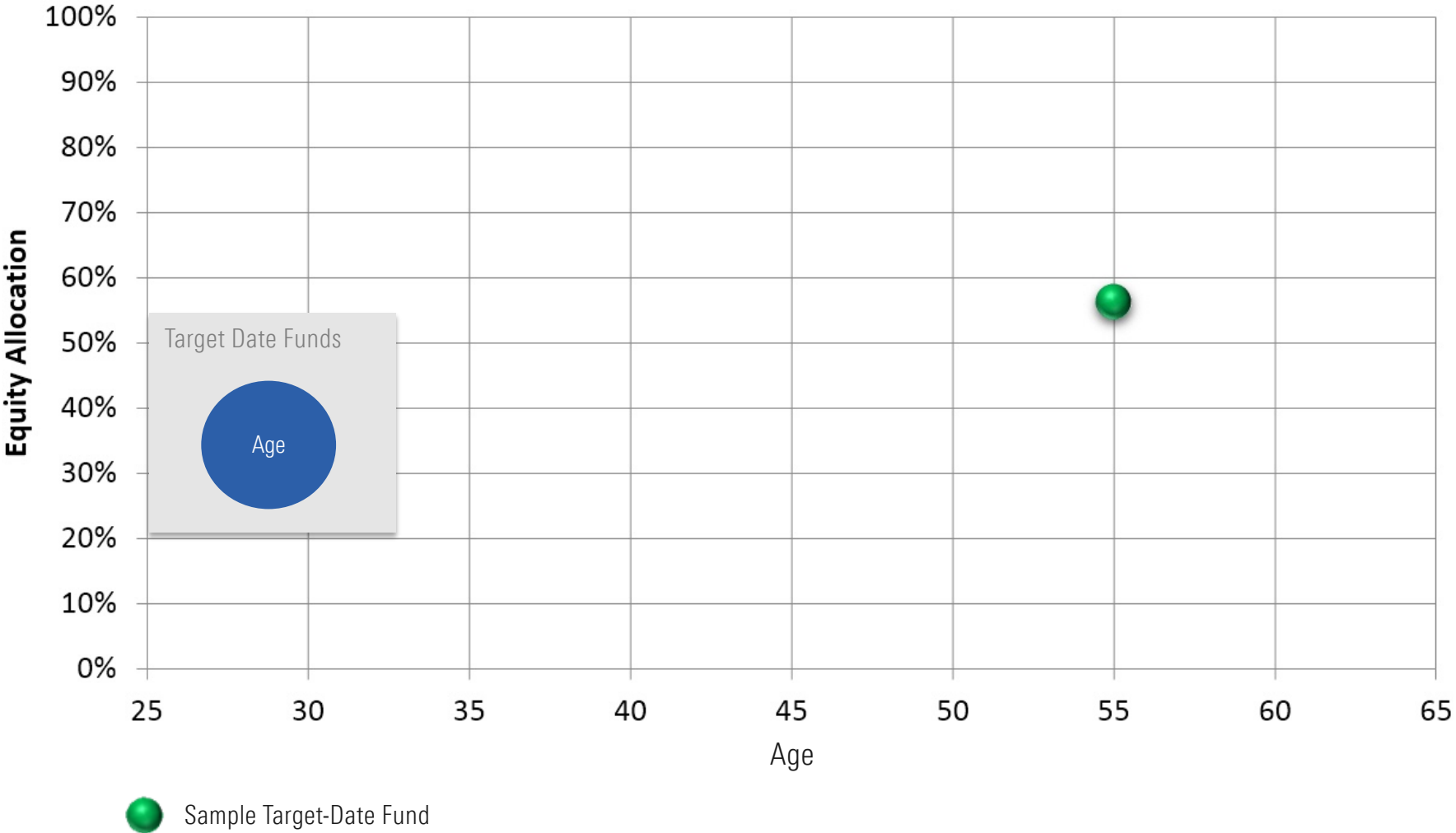
+



Sponsor Match

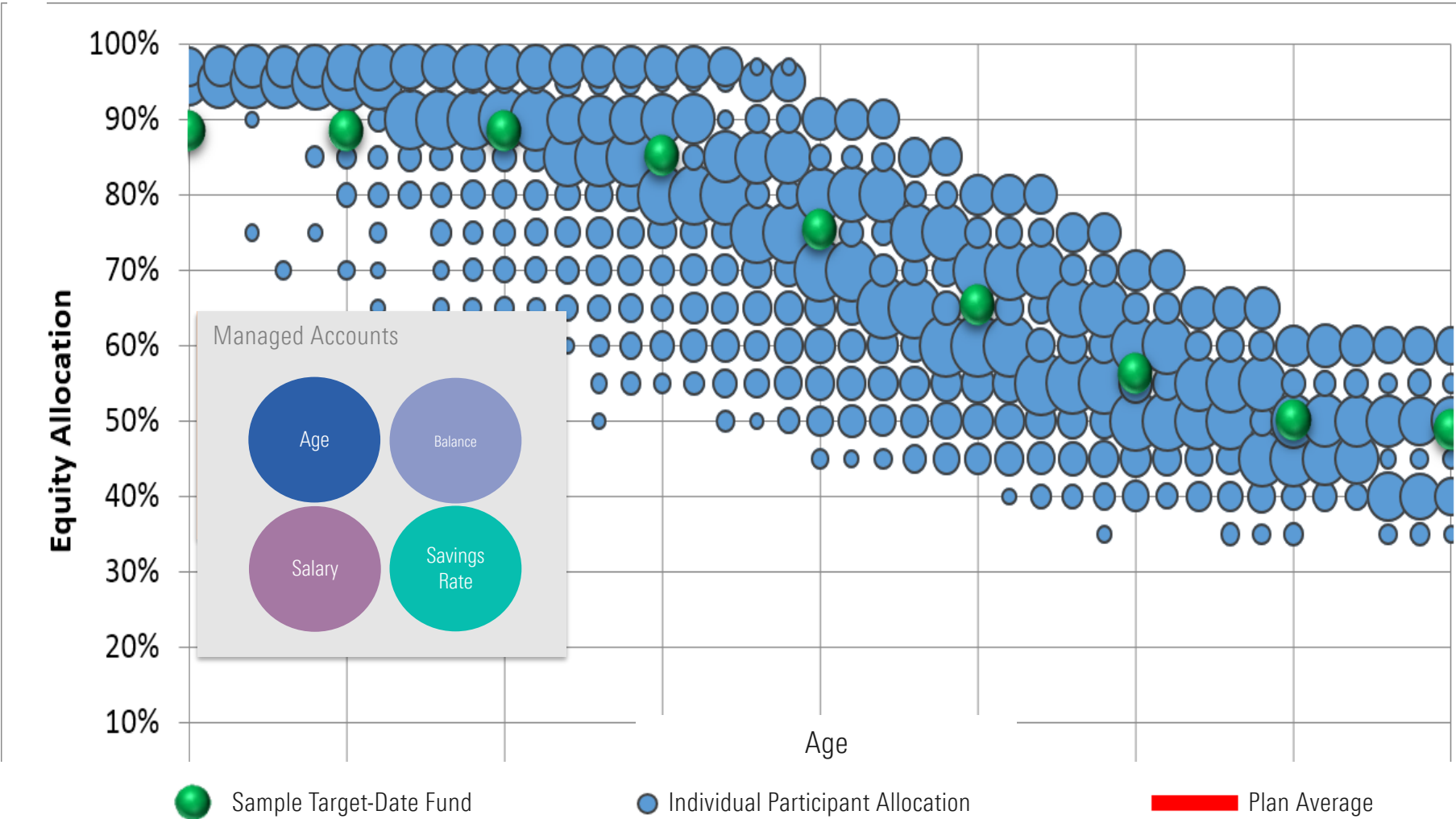
For illustrative purposes only.

Target-Date Funds



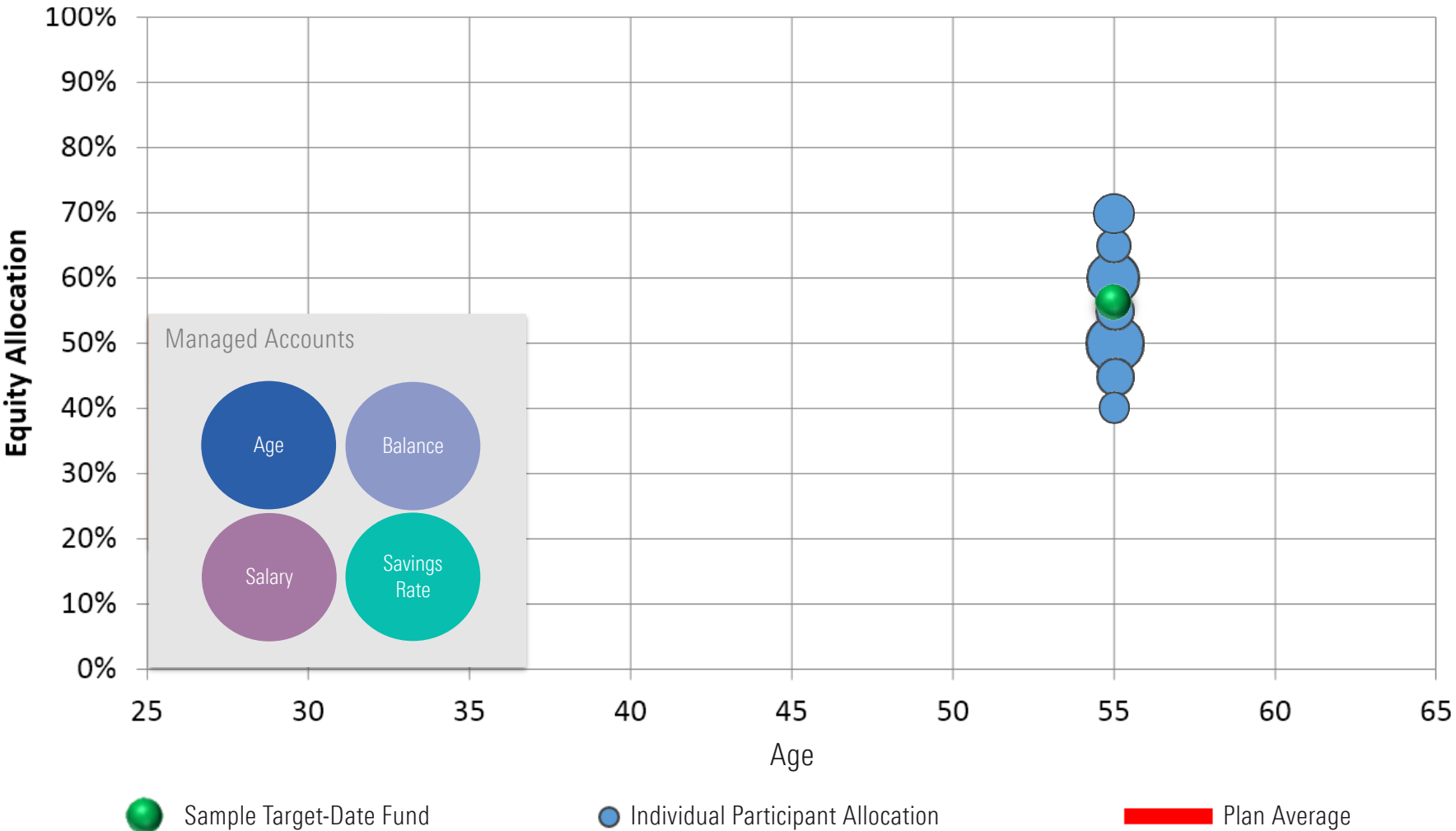
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Data Direct from Recordkeepers – Allows for More Purposeful Allocations



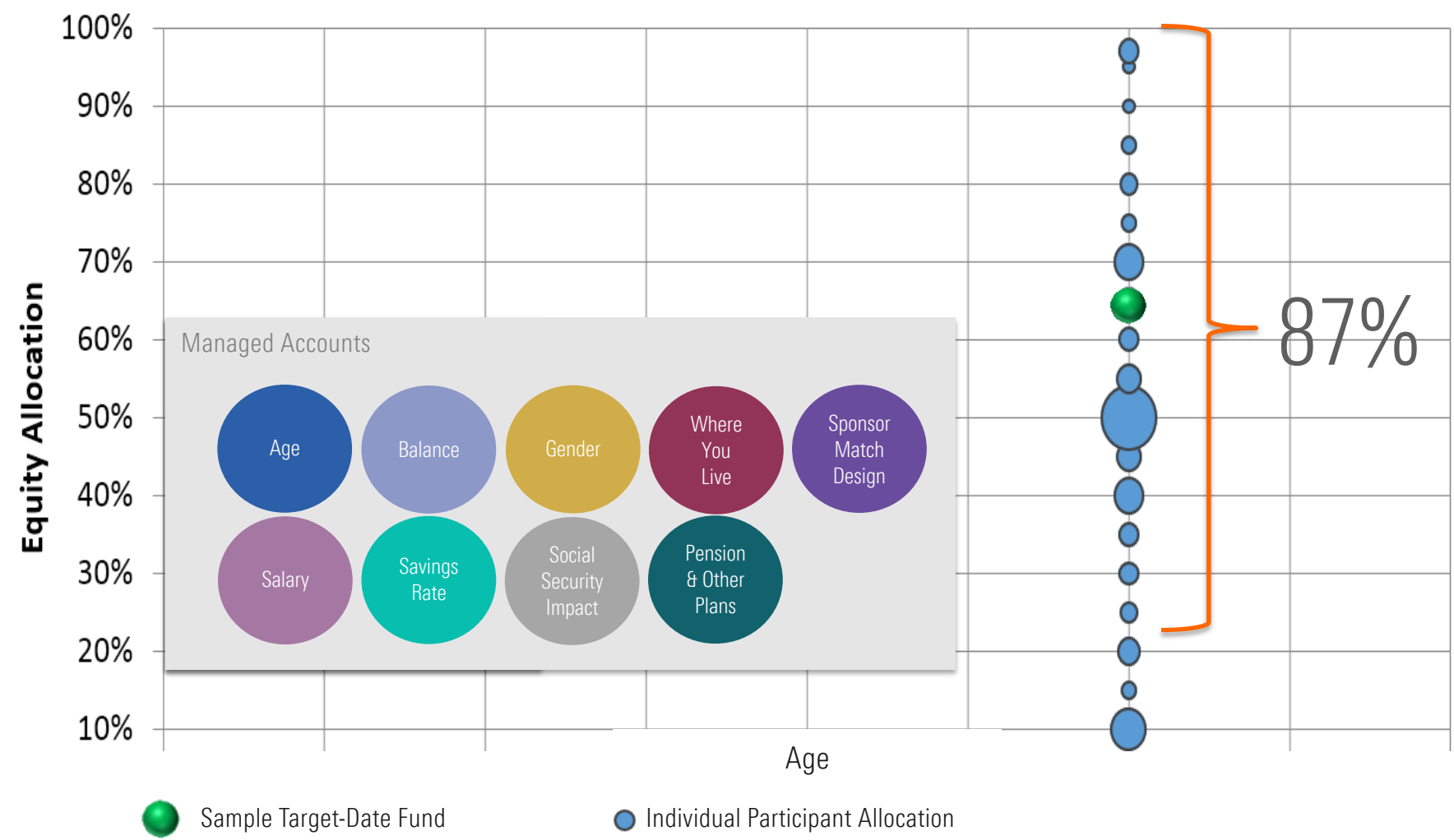
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Managed Accounts – Basic Data from Recordkeeper



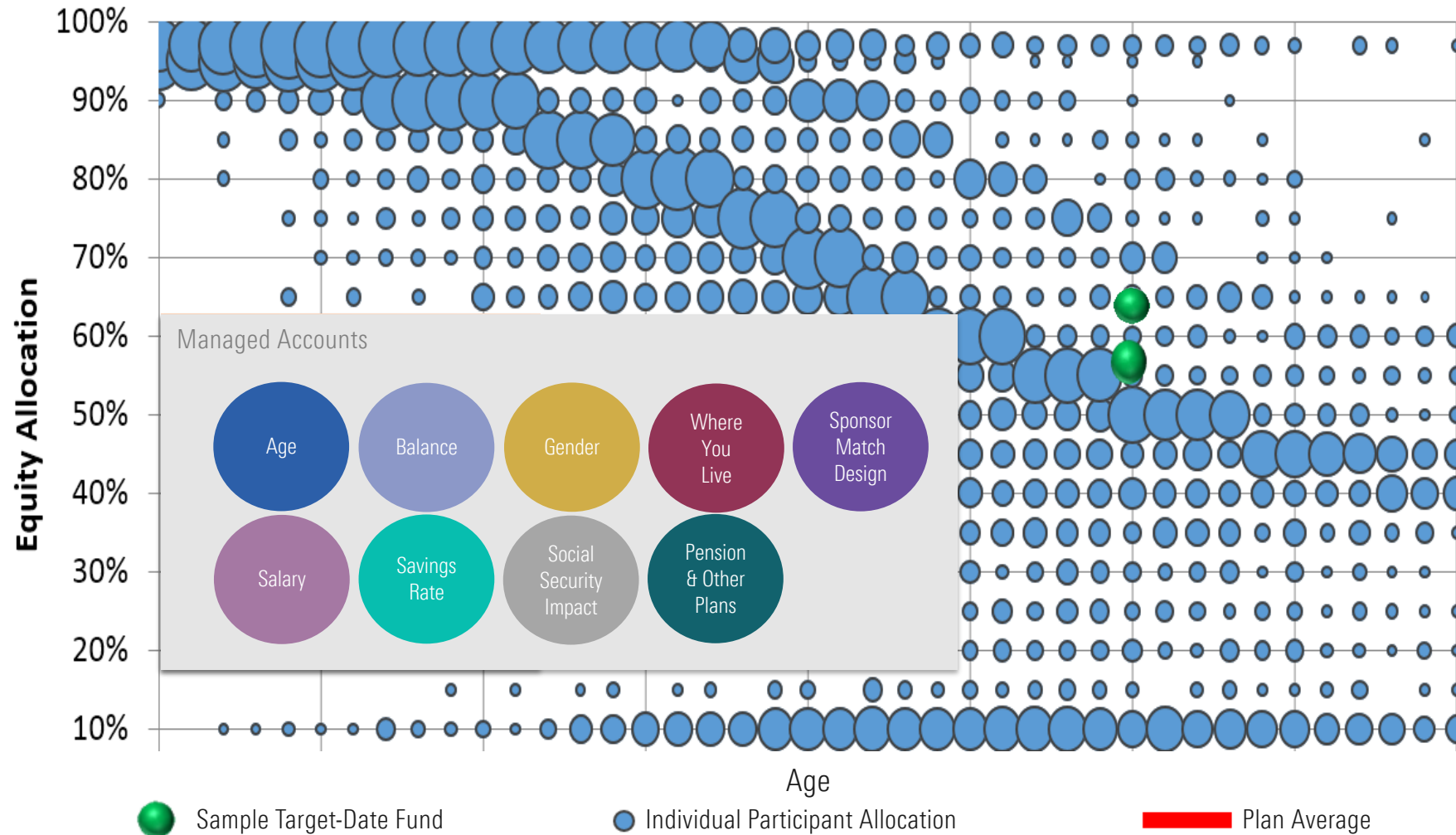
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Managed Accounts – Greater Breadth of Data



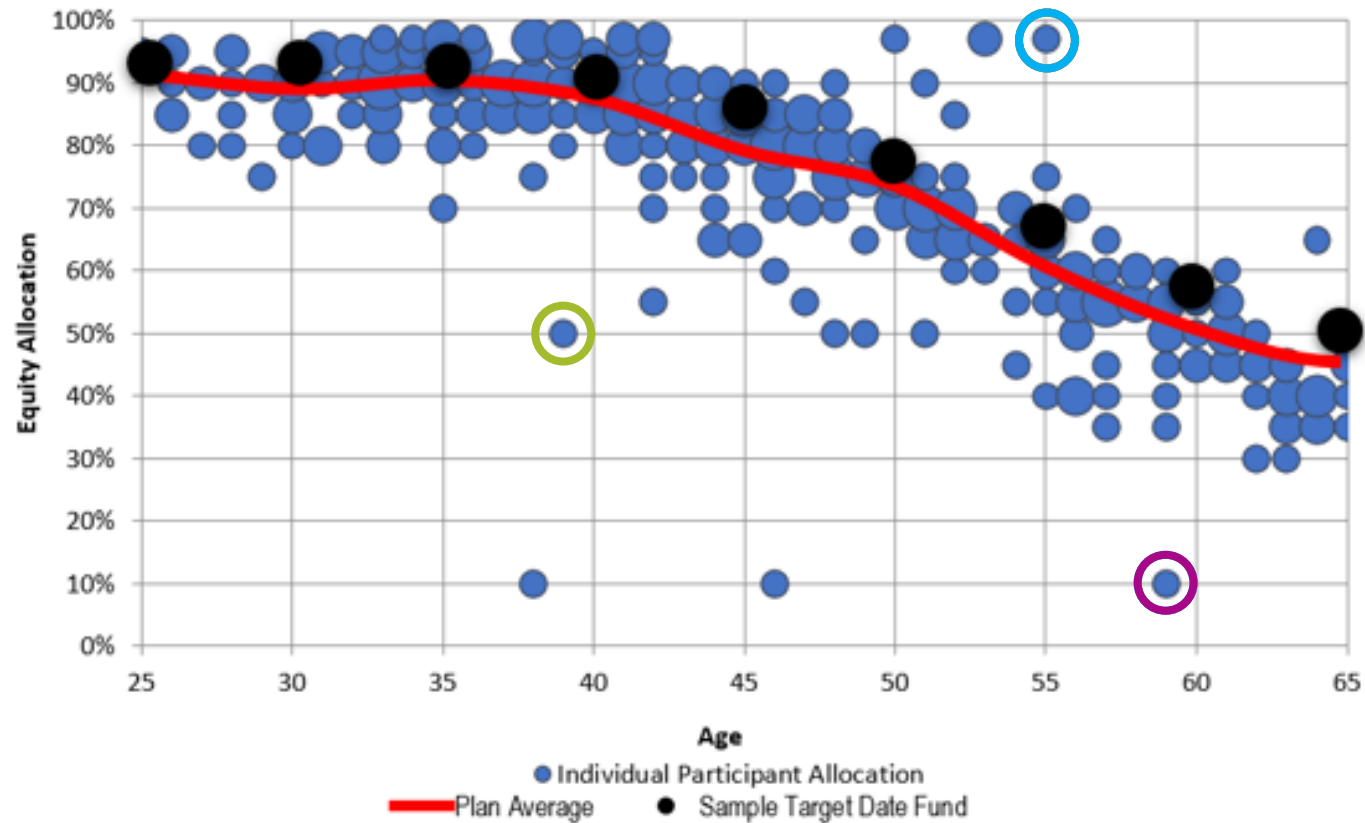
For illustrative purposes only.

Managed Accounts – Full Plan with Greater Breadth of Data



For illustrative purposes only.

Managed Accounts Considers the Outliers



Age: 37
Salary: \$90,000
Contribution: 14%
Balance: \$112,000
Outside Balance: \$115,000
Outside Balance Equity: 80%

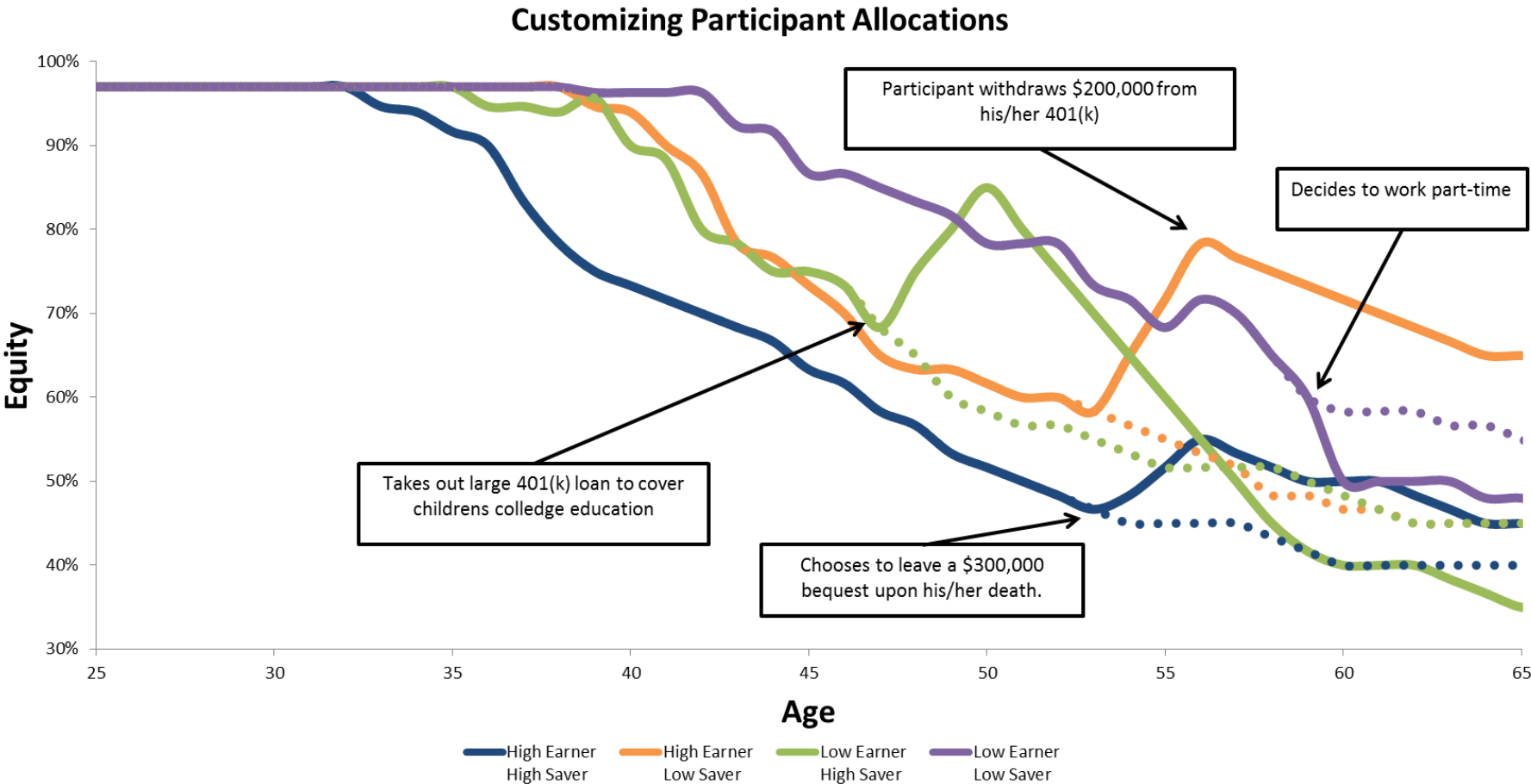
Age: 58
Salary: \$45,000
Contribution: 20%
Balance: \$5,000
Outside Balance: \$75,000
Outside Balance Equity: 86%

Age: 55
Salary: \$50,000
Contribution: 4%
Balance: \$5,000
Outside Balance: \$300,000
Outside Balance Equity: 15%
Partner Salary: \$52,000
Partner Balance: \$43,000

For illustrative purposes only.

Leveraging Available Data: Custom Service

What caused the allocations to shift?



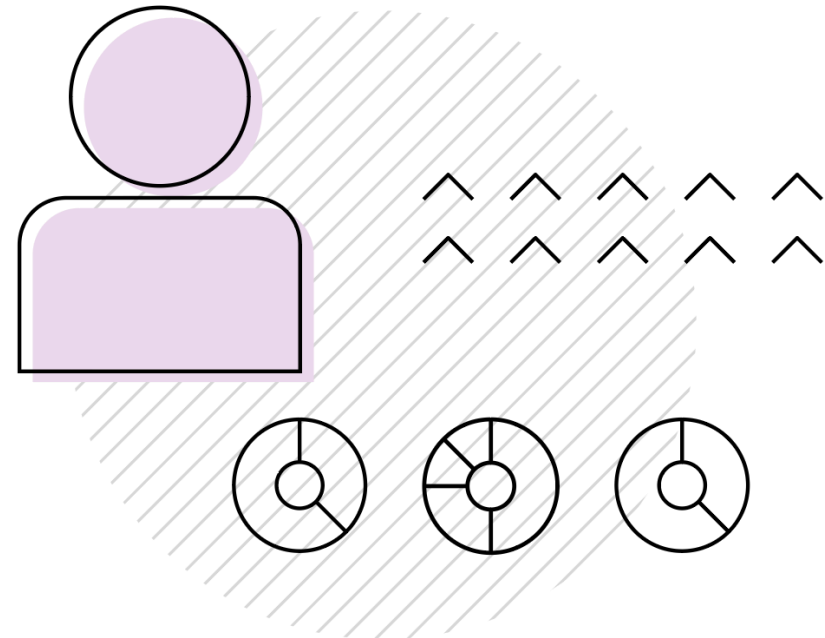
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Managed Accounts vs. Target-Date Funds

Go Beyond Average

People don't walk into their doctor's office and expect their doctor to give them the same treatment as everyone else their age. They probably don't expect that from their retirement plan either.

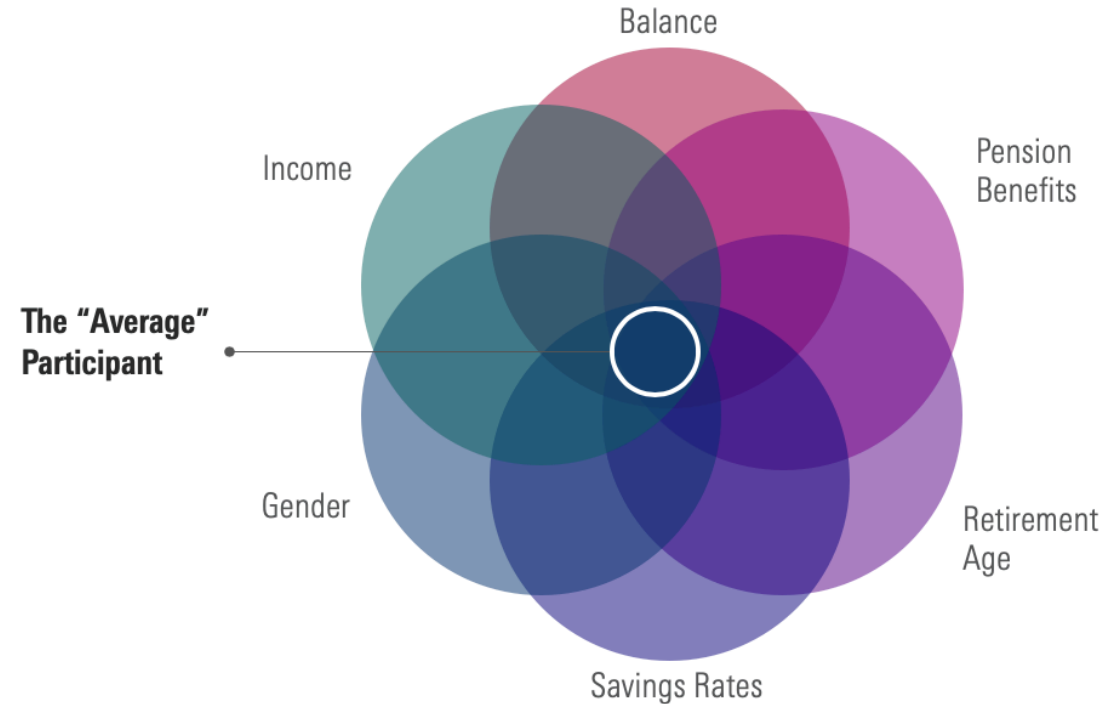
Off-the-shelf target-date funds are built with the average participant of a certain age in mind. But who is the average participant?



Who Is the Average Participant?

In short, no one. This means off-the-shelf target-date funds probably don't work for the majority of participants in your plan.

It's important to know that age shouldn't be the only factor in determining your employees' retirement investments.



Robust Level of Personalization and Management

	Managed Accounts	Target-Date Funds
Customized at a Participant Level	✓	
Age-Based/Retirement Horizon	✓	✓
Risk-based/Preference	✓	
Fund Preferences	✓	
Household Assets	✓	
Outside Assets	✓	
Retirement Goals	✓	
Ongoing Management	✓	
Fiduciary Support	✓	

Questions People Nearing Retirement Typically Have

	Managed Accounts	Target-Date Funds
How do I develop monthly income from my investments?	✓	
Am I saving enough?	✓	
Impact of social security	✓	
Will I outlive my money?	✓	
Can I guarantee a portion of my retirement income?*	✓	
Leaving a legacy to a future generation	✓	

*Guaranteed income is based on the claims-paying ability of an annuity's issuing company.

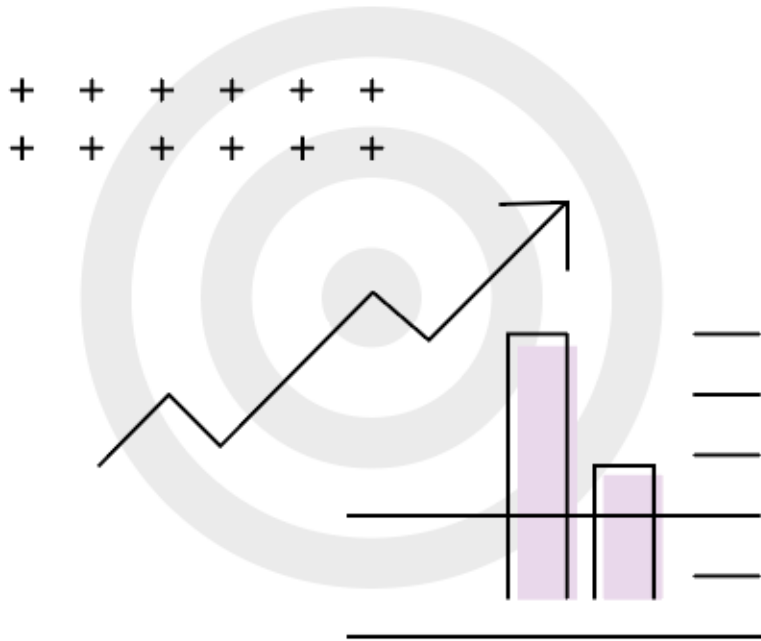
How Managed Accounts Can Help Your Participants

Increased Savings Rate

Of those participants who were not on track to meet their retirement goals, 71% increased their savings rate after entering a managed accounts service.



Source: Blanchett (2019). See disclosures for important information on this slide.



Maximizing Employer Match

The percentage of off-track participants maximizing employer match increased by 12% after entering a managed accounts service.

Source: Blanchett (2019). See disclosures for important information on this slide.

Potential for More Wealth at Retirement

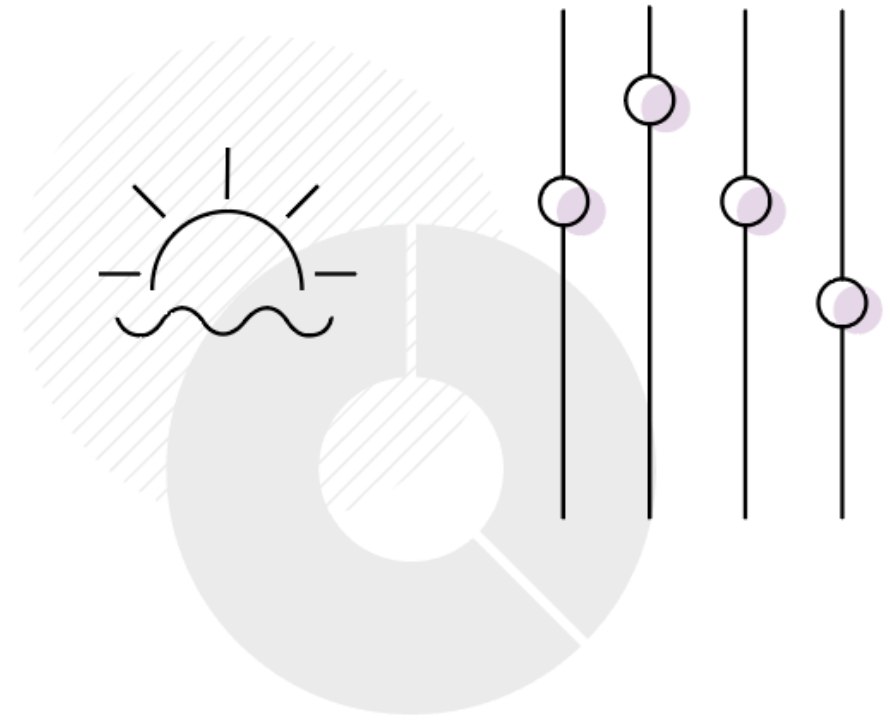
Assuming an annual fee of 0.40%, a 30-year-old participant could have almost 56% more annual retirement income from a managed accounts service.



Source: Blanchett (2019). See disclosures for important information on this slide.

More-Appropriate Portfolios

Participating in a managed accounts service helped them become more appropriately invested, meaning their portfolios had higher-quality funds* and risk levels that we believe made sense for their needs and situation.



Higher quality was defined using Morningstar® Quantitative Rating™
Source: Blanchett (2019). See disclosures for important information on this slide.

How Can I Implement
Managed Accounts?

How Managed Accounts Can Be Offered

As a QDIA

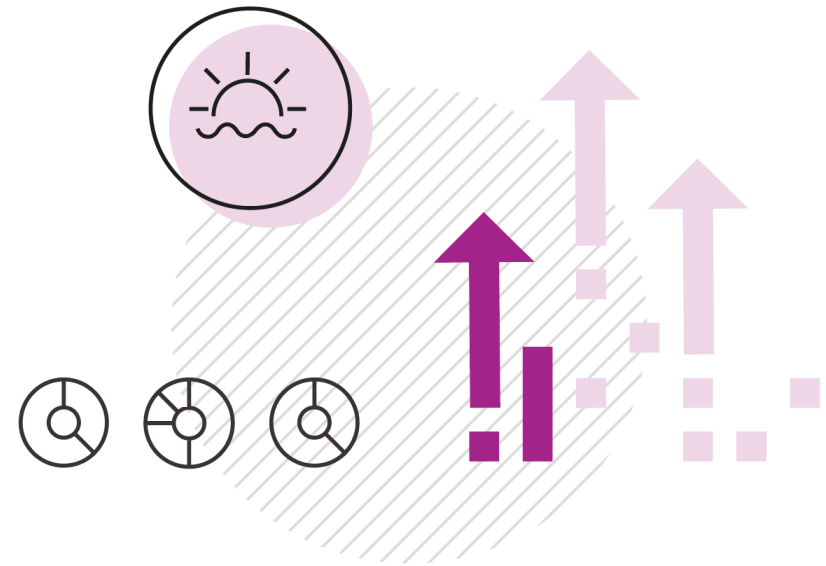
A small but growing percentage of plans use managed accounts as their qualified default investment alternative (QDIA)—meaning individuals who don't make an investment election are automatically placed into the service upon enrollment.

As an Opt-In

Some plans offer target-date funds as their QDIA, but provide managed accounts as an alternative that participants can choose to use.

As Part of a Hybrid/Dynamic QDIA

Some plans are experimenting with defaulting participants into a target-date fund or managed accounts based on a certain criteria, such as a particular age or account balance. This setup also means the plan sponsor can direct a change from one investment service to the other once the employee meets the change criteria.



Next Generation: Dynamic QDIA

Life complexities can be more common as participants get older. For this reason, we believe that most participants could benefit from a managed accounts service because it takes more data into consideration when allocating their retirement savings.

Younger Participants	Older Participants
Most likely basing their allocations off their age	More likely to have outside accounts
	More likely to have spouse
	More likely to have kids
	More likely to have larger expenses to account for
	More likely earning more than they did earlier in their career
	More likely saving more than they did earlier in their career

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Important Disclosures

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All investments involve risk, including the loss of principal. There can be no assurance that any financial strategy will be successful. Morningstar Investment Management does not guarantee that the results of their advice, recommendations or objectives of a strategy will be achieved.

Research on The Impact of Managed Accounts on Participant Savings and Investment Decisions

A total of 60,825 retirement plan participants were included in Morningstar Investment Management's study, "The Impact of Managed Accounts on Participant Savings and Investment Decisions." Participants were selected for use based on available information and various filters and include those participants that used the Morningstar Retirement Manager managed accounts service between the dates of January 5, 2007 and June 4, 2018.

In no way should any performance shown be considered indicative or a guarantee of the future performance of an actual defined-contribution plan participant's portfolio with the same investment option or viewed as a substitute for an investment option recommended to an individual participant. Actual results of an individual participant may differ substantially from the historical performance shown for an investment option and may include an individual participant incurring a loss. Past performance is no guarantee of future results.

Performance returns were calculated using a time-weighted, geometrically-linked rate of return formula. Returns for periods over one year are annualized.

Morningstar Investment Management does not guarantee that the results of their advice, recommendations, or the objectives of an investment option will be achieved.

Important Disclosures

In no way should the results of this analysis be considered indicative or a guarantee of the future performance of an actual participant using Morningstar Retirement Manager or considered indicative of the actual performance achieved by an individual participant using Morningstar Retirement Manager.

To download the full research paper, please go to: <https://www.morningstar.com/lp/impact-of-managed-accounts>.

Slide 29 This figure quantifies the change in savings rates for participants prior to and after using the Morningstar Retirement Manager managed accounts service. (Total savings rates include employee deferrals and employer matching contributions. If an employer matching contribution rate was not available for a plan, an assumed match rate of 50% on the first 6% of deferrals was assumed.) The majority of participants who were not on track increased their savings rate (71.5%) while the majority of participant who were on track did not change their savings rates (64.8%). Changes in savings rates were not constant across age ranges, with younger participants having larger average changes than older participants. Total savings rates increased more than employee deferral rates because Morningstar Retirement Manager considers whether a participant is achieving the maximum employer match and recommends a deferral rate increase up to the employer match amount regardless of whether the participant is on track or not on track to meet their retirement goals.

Slide 30: This figure quantifies the percentage of participants who received the maximum employer match prior to and after using the Morningstar Retirement Manager managed accounts service. Only plans that offered an employer match were included in this analysis. On average, 12% more not-on-track participants received the maximum employer match, when a match was available, versus 1% of on-track participants

Slide 31: The amount of annual income a participant could receive in retirement was determined by calculating the expected geometric return for each participant's portfolio prior to and after using the Morningstar Retirement Manager managed accounts service using the portfolio's asset class exposures. The difference between these results was then projected forward to the participant's assumed retirement at age 65. Participants are grouped by (i) age, (ii) self-directors versus allocation-fund users, (iii) whether they are "on track" or "off track" for meeting the retirement goal, and (iv) annual managed account investment management fee. Each portfolio's fund allocation and the participant's savings rate are assumed to remain constant over time and a retirement age of 65 is assumed. In reality, these would likely change over time and would differ by individual participants.

For this calculation, forty (40) basis points was used as a proxy for the average fee assessed by a managed account provider. This analysis does not account for all portfolio costs such as fees, taxes, or expenses other than the annual investment management fee. If included, these fees would lower the potential amount of additional wealth at retirement shown in this analysis.

Overall, an average 25- to 34-year-old participant in this scenario could potentially realize an additional \$5,548 in annual retirement income. (In this age group, not-on-track self-directors could realize an additional \$8,212 by enrolling in managed accounts; Not-on-track allocation-fund users could realize an additional \$3,279, and on-track self-directors could realize an additional \$3,418. On-track allocation-fund users were found to potentially realize \$496 less by using managed accounts than by using an allocation fund).

Important Disclosures

The average amount a participant could realize in annual retirement income by enrolling in managed accounts with an annual 40 basis-point investment management fee varies across age groups, with an average 35- to 44-year-old having the potential to realize an additional \$2,566 and an average 45- to 54-year-old has the potential to realize an additional \$690. A 55- to 65-year-old could potentially realize \$66 less by using managed accounts

Slide 32: Equity allocations for portfolios before and after a participant enrolled in the Morningstar Retirement Manager managed accounts service were estimated. After using managed accounts, there were considerable changes in risk levels for some participants, in particular a subset of self-director users who were invested primarily or entirely in fixed income prior to enrolling in managed accounts. Such participants were generally invested too conservatively and had a significant increase in their equity allocations after enrolling in managed accounts. In addition, a significant number of participants, especially older participants, ended up in more conservative portfolios after enrolling in managed accounts.

Morningstar Quantitative Ratings™ are used as a proxy for fund quality for this analysis. Morningstar Quantitative Ratings are statistical ratings that range from Gold, Silver, Bronze, Neutral, or Negative. Higher ratings reflect Morningstar's conviction in a fund's ability to outperform its peer group and/or benchmark on a risk-adjusted basis over a full market cycle of at least 5 years. Using these ratings, the weighted average "quality" of a portfolio was estimated. Prior to enrolling in the Morningstar Retirement Manager managed account service, Allocation-fund users had an average fund quality score of 3.8 while self-director users had an average fund quality score of 3.7. After enrolling in managed accounts, the average fund quality score for users was 3.9.

Morningstar Quantitative Rating™

Morningstar's quantitative fund ratings consist of: (i) Morningstar Quantitative Rating (overall score), (ii) Quantitative Parent Pillar, (iii) Quantitative People Pillar, (iv) Quantitative Performance Pillar, (v) Quantitative Price Pillar, and (v) Quantitative Process Pillar (collectively the "Quantitative Fund Ratings").

The Quantitative Fund Ratings are calculated monthly and derived from the analyst-driven ratings of a fund's peers as determined by statistical algorithms. Morningstar, Inc. calculates Quantitative Fund Ratings for funds when an analyst rating does not exist as part of its qualitative coverage.

- Morningstar Quantitative Rating: Intended to be comparable to Morningstar's Analyst Ratings for open-end funds and ETFs, which is the summary expression of Morningstar's forward-looking analysis of a fund. The Morningstar Analyst Rating is based on the analyst's conviction in the fund's ability to outperform its peer group and/or relevant benchmark on a risk adjusted basis over a full market cycle of at least 5 years. Ratings are assigned on a five-tier scale with three positive ratings of Gold, Silver, and Bronze, a Neutral rating, and a Negative rating. Morningstar calculates the Morningstar Quantitative Rating using a statistical model derived from the Morningstar Analyst Rating our fund analysts assign to open-end funds. For information about Morningstar Analyst Rating Morningstar's fund analysts assign to funds, please go to: https://www.morningstar.com/content/dam/marketing/shared/research/methodology/778136_Morningstar_Analyst_Rating_for_Funds_Methodology.pdf for information about Morningstar Analyst Rating that Morningstar's fund analysts assign to funds. 19 Important Disclosures

- Quantitative Parent Pillar: Intended to be comparable to Morningstar's Parent Pillar scores, which provides Morningstar's analyst opinion on the stewardship quality of a firm. Morningstar calculates the Quantitative Parent Pillar using an algorithm designed to predict the Parent Pillar score our fund analysts would assign to the fund. The quantitative rating is expressed as Positive, Neutral, or Negative.

Important Disclosures

- Quantitative People Pillar: Intended to be comparable to Morningstar's People Pillar scores, which provides Morningstar's analyst opinion on the fund manager's talent, tenure, and resources. Morningstar calculates the Quantitative People Pillar using an algorithm designed to predict the People Pillar score our fund analysts would assign to the fund. The quantitative rating is expressed as Positive, Neutral, or Negative.
- Quantitative Performance Pillar: Intended to be comparable to Morningstar's Performance Pillar scores, which provides Morningstar's analyst opinion on the fund's performance pattern of risk-adjusted returns. Morningstar calculates the Quantitative Performance Pillar using an algorithm designed to predict the Performance Pillar score our fund analysts would assign to the fund. The quantitative rating is expressed as Positive, Neutral, or Negative.
- Quantitative Price Pillar: Intended to be comparable to Morningstar's Price Pillar scores, which provides Morningstar's analyst opinion on the fund's value proposition compared to similar funds sold through similar channels. Morningstar calculates the Quantitative Price Pillar using an algorithm designed to predict the Price Pillar score our fund analysts would assign to the fund. The quantitative rating is expressed as Positive, Neutral, or Negative.
- Quantitative Process Pillar: Intended to be comparable to Morningstar's Process Pillar scores, which provides Morningstar's analyst opinion on the fund's strategy and whether the management has a competitive advantage enabling it to execute the process and consistently over time. Morningstar calculates the Quantitative Process Pillar using an algorithm designed to predict the Process Pillar score our fund analysts would assign to the fund. The quantitative rating is expressed as Positive, Neutral, or Negative. Morningstar Quantitative Ratings have not been made available to the issuer of the security prior to publication.

Risk Warning

The quantitative fund ratings are not statements of fact. Morningstar does not guarantee the completeness or accuracy of the assumptions or models used in determining the quantitative fund ratings. In addition, there is the risk that the return target will not be met due to such things as unforeseen changes in changes in management, technology, economic development, interest rate development, operating and/or material costs, competitive pressure, supervisory law, exchange rate, and tax rate. For investments in foreign markets there are further risks, generally based on exchange rate changes or changes in political and social conditions. A change in the fundamental factors underlying the quantitative fund ratings can mean that the recommendation is subsequently no longer accurate.

For more information about Morningstar's quantitative methodology, please visit <https://www.morningstar.com/research/signature>.