

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

Morningstar Investment Management 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, 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 typically provided through an online platform, or are often facilitated by a third party, such as the plan provider for your employer-sponsored retirement plan or another investment adviser, we have provided our responses to those Key Questions here.

Managed Accounts, Advice, and Guidance

If you have additional questions about us or our services, you can email us at MorningstarRetirement@morningstar.com or call us at 312.696.6000 and ask for Trevor Santoro. 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 and specify that you are requesting a copy of the "Form ADV Retirement Plan Services for Individuals" documents.

Fiduciary Services or Custom Models

If you have additional questions about us or our services, you can email us at MorningstarRetirement@morningstar.com or call us at 312.696.6000 and ask for Trevor Santoro. 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 and specify that you are requesting a copy of "Form ADV Institutional Advisory Services" documents.

Morningstar[®] Managed PortfoliosSM

If you have additional questions about us or our services, you can call our customer support 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 and specify that you are requesting a copy of the "Form ADV Institutional Advisory Services" documents.

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

Saving and investing for retirement is something we all know we should do, but it can be difficult to find the time and motivation. Whether or not to use an investment advisory service or manage your retirement plan or plan account on your own is a personal decision.

Managed Accounts, Advice, and Guidance

Managed Accounts, Advice, and Guidance can help by providing you with a personalized plan to help you figure out how much you need to save for retirement and how to invest your savings. If your plan sponsor makes our Managed Accounts, Advice, and/or Guidance services available to you, you can decide how involved you want to be in managing your retirement plan account ("Account"). You can either manage your Account yourself (Advice or Guidance) or have us manage it for you (Managed Accounts). Next to hiring a personal financial planner, a managed accounts service is the only option that offers a full retirement strategy, including a recommended savings rate, a target retirement date, and a retirement income projection and goal, and ongoing management of your Account.

Fiduciary Services or Custom Models

If you are an employer, Fiduciary Services lets you focus on your business by helping mitigate the risk and responsibility that comes with building retirement plan lineups. We'll conduct a comprehensive quantitative and qualitative analysis of the funds available through your plan provider in order to select investment options for your retirement plan, and then we'll continue to monitor those investment options for any changes in investment style, management, fees, performance, and risk in order to make any necessary changes. Custom Models lets you provide additional support to your plan participants, by offering pre-built portfolios to those that don't have the time or interest in building their own portfolio.

Morningstar[®] Managed PortfoliosSM

Our Morningstar Managed Portfolios ("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 investors access to the best ideas of our research teams, coupled with the know-how of professional portfolio managers. Morningstar Managed Portfolios are offered through several channels, including to participants of employer-sponsored retirement plans.

Our parent company, Morningstar, Inc., has one of the largest, most experienced analyst teams in the industry¹. Our investment management group can use their insights, coupled with 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. 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 your retirement plan participants don't have the time or interest in researching investments themselves, or want the help of a professional, our Morningstar Managed Portfolios are designed with you in mind. We monitor each Portfolio carefully to make sure it stays on track to help meet its objectives. If you are using Morningstar Managed Portfolios with your retirement plan, our goal is to provide your participants with the ability to invest their retirement plan account assets in a diversified manner. The model Portfolios available to your plan are typically intended for use through financial professionals who provide educational or advisory retirement plan services to you. Once you choose to offer our model Portfolios as investment options through your retirement plan, we will enter into an agreement with you through which we are appointed as an investment manager to the plan as defined in Section 3(38) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). As investment manager, we have the discretionary power and authority to select and update the underlying investment options in the model Portfolios. In addition, we have the power and authority to instruct your recordkeeper or service provider to implement any transactions with respect to the plan and its assets as necessary.

The Portfolios consist of underlying holdings that include one or more of the funds within the Morningstar Funds Trust, registered with the SEC as an open-end management investment company under the Investment Company Act of 1940 as amended. We are the investment adviser to the Morningstar Funds Trust 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 multimanager structure. 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 became accessible through Morningstar Managed Portfolios in November 2018. Each Morningstar Funds' prospectus, statement of additional information, and other regulatory filings are available at <http://connect.rightprospectus.com/Morningstar>.

How will you choose investments to recommend to me?

Managed Accounts, Advice, and Guidance

We recommend investments to you if you use Managed Accounts or Advice. We do not recommend specific investments for your account under Guidance.

We use available data, like your age and salary, to help determine an appropriate mix of assets (for example, stocks, bonds, and cash) for you. We then assign you a portfolio that aligns with that asset mix. In some instances, we build these portfolios. In other instances, they are built by another investment adviser chosen by your retirement plan sponsor.

When we are responsible for building portfolios for your Plan, we choose from the investment options available through your Plan. These investment options were chosen by your plan sponsor or someone hired by your plan sponsor to make those decisions. We review available quantitative data to analyze and screen the investment options within your plan. We also apply qualitative analysis by our investment professionals, such as evaluations of investment managers, portfolios and individual investments. We combine this information with other factors — including statistical data, stock market exposure, probability analysis, and mathematical tools — into a proprietary software program to analyze a complex set of market data and variables. The result is an advanced model that can provide investment recommendations and a projection of different outcomes. Using this model, we develop an investment strategy tailored to your investment goals.

If you choose Managed Accounts, we will review and if needed, rebalance or reallocate your account on a quarterly basis, when we receive updated information about your personal or financial situation, or when the investment options in your retirement plan's lineup change. If you choose Advice or Guidance, you can come back to our service at any time to receive updated recommendations and projections, but you are ultimately responsible for choosing whether and when to implement them.

When another investment adviser is responsible for building portfolios for your Plan, they may use an alternate method to choose investments. You should refer to their Relationship Summary for more information.

Fiduciary Services or Custom Models

For Fiduciary Services, we start with the universe of investment options made available by your plan provider and use quantitative analytics and fundamental research to help us choose investment options for your retirement plan.

We apply screens to filter out investment options that don't meet our criteria and then use other statistics to begin to assess the overall quality of an investment option. We gather current and historical data points to evaluate investment style, structure, and performance and consider key factors that include fees, management tenure, style consistency, alpha, volatility, fund size, asset class exposure, and holdings concentration. We then conduct further analyses on the investment options that pass our initial screens to help determine their style positioning. We want each investment option to fill a distinct role within a plan lineup, and to complement the other investment options in the lineup.

After an extensive quantitative review, we review the investment options from a qualitative standpoint to allow our investment professionals to develop a firm fundamental understanding of the investment's strategy. We review a number of characteristics including the investment manager's performance and risk record against his or her peers, the manager's investment process, and the types of markets the investment option fares best in.

Our process includes generating an investment thesis for each investment option, which spells out the reason for its selection, the guideposts by which we'll measure its performance, and the specific factors we'll watch to ensure it continues to fill the role for which it was chosen.

To build Custom Models, we first develop forecasts about how we expect different asset classes like stocks, bonds, and cash to behave, and use that information to create a roadmap of how each portfolio should be allocated amongst those asset classes. We analyze the investment options in the retirement plan's lineup to identify those that fit each asset class and we feel work well together, and build the final portfolios using that information.

Morningstar® Managed PortfoliosSM

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 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 Management 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, and the Commonwealth of Puerto Rico. (Registration with the SEC does not imply a certain level of skill or training.) We are also registered with the U.S. Commodity Futures Trading Commission as a Commodity Pool Operator and are a member of the United States National Futures Association. We have been registered to provide advisory services since 1999.

We are a subsidiary of 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 use Morningstar's data and insights in combination with our research and investment management expertise to provide retirement services to hundreds of thousands of employers and their employees on retirement planning and investing — with the aim of helping individuals achieve their financial goals.

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?

Managed Accounts, Advice, and Guidance

If you choose to use Managed Accounts, we charge an annual account management fee on your Account. Our annual fee typically ranges from 10 to 50 “basis points” on the assets we manage. (One basis point is equivalent to 0.01%; 100 basis points is equivalent to 1%.) We do not charge you for the information and support you receive if you choose to manage your account yourself using Advice or Guidance.

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. In addition, 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, or legal fees. It also could include fees for items like access to customer service representatives, the maintenance of a website through which you can access your Account and Plan information, online transactions, and educational materials. These fees can be paid directly by your employer or charged against the Plan’s assets. If they are charged against the Plan’s assets, each participant is typically charged a flat fee or the fee is allocated amongst Plan participants based on each participant’s account balance.
- You may also be charged individual service 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 Managed Account service with an annual fee of 50 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 .005 = \$50

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

Administrative Fees: \$50

Recordkeeping Fees: \$40

Total Annual Fees: \$170

Account Value after Annual Fees: \$9,830

The Department of Labor has a brochure titled “[A Look at 401\(k\) Plan Fees](https://www.dol.gov/sites/dolgov/files/ebsa/aboutebsa/our-activities/resource-center/publications/a-look-at-401k-plan-fees.pdf)” at <https://www.dol.gov/sites/dolgov/files/ebsa/aboutebsa/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.

Fiduciary Services or Custom Models

If you enroll in our Fiduciary Services and Custom Models services, we charge an annual fee to your plan that usually ranges from 2 – 8 basis points on the assets in your plan. We also charge your plan provider a minimum fee, ranging from \$100,000 - \$450,000, which may be offset by the annual fee you pay us.

As an example, say you will use our Fiduciary Services and Custom Models with \$1 million of your retirement plan’s assets, for a fee of 8 basis points. The total fee we would charge your plan over the course of the year is:

$$\$1,000,000 \text{ (beginning plan value)} * 0.0008 \text{ (annual fee of 8 basis points)} = \$800$$

Please note, this fee only covers the advisory services we offer to you. Our fee is separate from other fees and expenses your retirement plan account may incur, which will be similar to those investment option, plan provider, and individual service fees described above.

Morningstar® Managed PortfoliosSM

For Portfolios whose underlying holdings are Morningstar Funds, which includes the Morningstar Managed Portfolios offered through employer-sponsored retirement plans, we do not charge an investment management fee.

As investment adviser to the Morningstar Funds, we receive compensation from Morningstar Funds Trust based on the assets invested in the Morningstar Funds for the investment management activities we perform on their behalf. Since we receive compensation for this activity, we don’t charge employer-sponsored retirement plans or their participants a separate investment management fee.

However, participants who utilize our Portfolios will be charged other fees and expenses:

- 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 plan provider 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 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 employer-sponsored retirement plan account and you invested in accordance with one of our Portfolios. After studying the plan documents your plan provider gave 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
Portfolio Investment Management Fee: \$0
Investment Fees (0.30%): $\$10,000 * 0.003 = \30
Administrative Fees: \$50
Recordkeeping Fees: \$40

Total Annual Fees: \$120

Account Value after Annual Fees: \$9,880

The Department of Labor has a brochure titled "A Look at 401(k) Plan Fees" at <https://www.dol.gov/sites/dolgov/files/ebsa/about-ebsa/our-activities/resource-center/publications/a-look-at-401k-planfees.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?

We value our independence. We are not paid to recommend one investment option over another, including products of service providers with which we or our affiliates has a relationship.

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?

While we have a call center that can answer questions about the Managed Accounts, Advice, and Guidance platform, those individuals are not representatives of an investment adviser or broker/dealer. As those services are offered through an online platform, we do not have individuals that can provide you advice over the phone.

Morningstar Managed Portfolios are typically offered through 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. 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 have concerns about how you are being treated by one of our employees, please contact our Compliance Department at compliance@morningstar.com. If you have general questions about our Managed Account, Advice, Guidance, Fiduciary Services, or Custom Models services, you can contact us at MorningstarRetirement@morningstar.com or at 312.696.6000. If you have general questions about our Morningstar Managed Portfolios services, you can contact us at 877-626-8227.