Why Managed Money

Morningstar Investment Services

- Peter Dugery, SVP, National Sales and Distribution
Agenda

- Industry Landscape – Your Environment
- Why Managed Money?
- Your Practice and Morningstar Managed Portfolios
Advisor Challenges and Your Environment Now

- Client *needs* are changing
- Client *attitudes* are adjusting
- Client *challenges* are growing
Advisor Strategies to Address and Capitalize

- Incorporate a holistic financial planning approach
  - Client education at the core
  - Service and systematization as a focus
  - Leverage dedicated, independent, professional asset management
- Provide “Advisor Alpha”
Reap the benefits for You and Your Clients

- Doing more of what you do best
- Professional investment management
- Scalability – room to grow
Why Managed Money for your Clients?

- Third-party managers are independent, bringing objectivity and investment discipline to the table
  - They remove as much emotion as possible from the process
  - They can bring greater transparency and contribute positively to a client/advisor relationship built on trust
- Economies of scale can reduce costs of portfolio management, and help improve access to investments
- They can utilize institutional-level risk and volatility management controls
Why Managed Money for your Practice?

- Third-party managers can:
  - Save you time and worry by allowing you to focus more time on planning for clients
  - Help you build a repeatable investment experience for your clients
  - Help you to differentiate yourself in a more meaningful way
  - Enable you to focus on your biggest revenue-generating activities
  - Deliver a smoother, higher-value succession plan
Morningstar Investment Services

Since 2001, we have created high-conviction investment portfolios…
Morningstar Investment Services was formed in response to feedback from advisors seeking an objective, independent investment approach.

…designed exclusively for fee-based, independent financial advisors
We work with more than 3,000 financial advisors across the country.

…to deliver investment choices to the clients that they serve.
Our team of investment professionals create, build, and monitor a diverse lineup of managed portfolios.
About Morningstar Investment Services

- Objective, independent approach
- Actively managed mutual fund, stock, and ETF portfolios
- Online platform including: profiling tools, proposals, modeling tools and performance statements

80+ years investment experience
Why Morningstar Investment Services?

- Our focus
  - Help fee-based, independent advisors grow their practices
- Our experience
  - 10-plus years
  - We work with thousands of advisors like you
- Our reputation
  - Clients first
  - Independence, objectivity
- Our commitment to investment excellence
  - Knowing who we are (and aren’t)
  - Having a well-defined philosophy
The Insight of an Advisor, The Strength of Morningstar

- Holistic financial planning meets professional portfolio management
- We team up to deliver a tailored investment plan designed to help investors reach their long term goals
Our Commitment to Investment Excellence
Our Investment Team

- Dedicated to Morningstar Investment Services
  - Combined 90+ years of investment experience; average of 15 years of experience, all members carry the CFA designation
- Many have risen through Morningstar, Inc.’s analyst ranks; share the same philosophy
- Leverage the Morningstar Investment Management research team: approximately 20 analysts

Jeffrey Ptak, CFA
President & Chief Investment Officer

John Owens, CFA
Investment Manager

Marta Norton, CFA
Investment Manager

Venus Phillips, CFA
Investment Manager

Paul Gozali, CFA
Director of Quantitative Analysis

Sam Yan, CFA
Quantitative Analyst
Our Philosophy

- We invest for the long term
- We are independent thinkers
- We employ a disciplined, consistent investment process
- We actively manage portfolios
- We are sensitive to costs and taxes
- We invest clients’ money as if it were our own
- We communicate in a timely and candid fashion
Our Mutual Fund Portfolios
What Sets Us Apart From Our Competitors?

- Portfolio construction
  - Ibbotson Associates
  - Incorporating alternatives
  - Tactical overlay
- Research
  - “GPA”
  - Boutique managers
- Risk-management
  - Stressing risk-adjusted returns
  - Using flexible managers
  - “Absolute return”
- Experience
  - Decade-plus track record
Portfolio Construction: Ibbotson Associates

- Founded in 1977; acquired by Morningstar, Inc. in 2006
- Leading source of independent academic research
  - Capital markets, asset allocation expertise
- Ibbotson Associates sets the strategic asset allocation for our diversified portfolios
  - Goal: maximize return for a given level of risk
  - Recommendations form the basis for each portfolio
  - Use alternatives across portfolios

Ibbotson Associates is a registered investment advisor and wholly-owned subsidiary of Morningstar, Inc. Each portfolio has a set of target allocations which serve as guidelines in managing the portfolio. The asset class forecasts set forth in the presentation may not develop as predicted and there can be no guarantee that these ideas will be successful. Diversification nor asset allocation ensure a profit or protect against a loss.
Research: Rigorous, Independent

- Leverage proprietary data, analytics, grading system
  - Look beyond stars, style-box
- Draw on decades of experience research managers
  - Before investing in a fund, we meet face-to-face with each manager
- The world is our oyster
  - We don’t play favorites
Research: Proprietary Fund Selection

- 25% Process
- 25% Performance
- 20% People
- 15% Price
- 15% Parent

Cumulative GPA
- 3.4 - 4.0 = Strong Buy
- 2.7 - 3.3 = Buy
- 2.0 - 2.6 = Watch List
- < 2.0 = Sell

For illustrative purposes only; information subject to change.
Research: GPA Report

- Examines five critical factors:
  - Process
  - Performance
  - People
  - Price
  - Parent
- Performance and price grades updated monthly
- Qualitative factors monitored, adjusted on an ongoing basis
- React to events, not calendar

GPA Report Excerpt

Source: Morningstar Investment Services, Inc.; as of May 4, 2012. For illustrative purposes only; past performance is not a guarantee of future results. Should not be viewed as a recommendation buy or sell the mentioned securities.
Research: Using Boutique Managers

Why We Use Boutique Managers
When selecting managers, a firm's culture matters

At Morningstar Investment Services, we search far and wide for the fund managers that we think bring talent and perspective to bear on the investing process, even if they're not household names. This often lands us at "boutique" investment firms. We believe that boutique firms, which tend to be smaller and, in some cases, off the beaten path, have a number of appealing attributes, not least their investor-centric culture. These are firms that aim to manage capital and deliver good investment outcomes for clients.

Putting Investors Front and Center

Boutique managers tend to treat investor-friendly cultures. Because they define their success based on how well they're doing for their clients, they place research and portfolio management front and center, where it belongs. For these managers, successful investment management is what helps to put food on the table, so to speak. That's a far cry from the bigger-is-better ethic that prevails among many larger managers, who may have high-flying or potentially even to manage numerous strategies in their asset mix to maximize profits.

Because boutique firms are typically privately owned, often by the same individuals who make investment decisions, they also tend to be very responsible stewards of capital. For instance, many boutique managers "test their own cooking" by investing in the same

For illustrative purposes only.
Risk Management: Built Into Our Process

- Established, repeatable, continual four-step process
- Designed to help portfolios stay well-positioned through the market’s up and downs

There is no assurance that the techniques and strategies discussed are suitable for all investors or will yield positive outcomes. The purchase of certain securities may be required to effect some of the strategies. Investing involves risks including possible loss of principal.
IVA Worldwide: Flexible world-allocation fund that seeks capital appreciation by investing across various asset classes around the globe

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Weighting</th>
</tr>
</thead>
<tbody>
<tr>
<td>US Equity</td>
<td>27.6%</td>
</tr>
<tr>
<td>International Equity</td>
<td>29.7%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>12.3%</td>
</tr>
<tr>
<td>Gold</td>
<td>4.9%</td>
</tr>
<tr>
<td>Cash</td>
<td>24.8%</td>
</tr>
<tr>
<td>Other</td>
<td>0.77%</td>
</tr>
</tbody>
</table>

Source: Morningstar Direct. As of 03/31/2013. References to securities should not be viewed as a recommendation to buy or sell those securities. Weightings subject to change without notice. For illustrative purposes only.
Risk-Management: “Absolute Return” Approach

- We use an “absolute return” approach across our strategies to help deliver steadier, more consistent returns.
- Add value by using funds that invest in alternatives, or non-traditional asset classes where appropriate.

Source: Absolute Investment Advisers. As of 12/31/2012. References to securities should not be viewed as a recommendation to buy or sell those securities. Weightings subject to change without notice. For illustrative purposes only.
Example: Moderate Growth Portfolio

- **Boutique Managers**
  - Astor/River Road Independent Value (4%)
    - US Stocks-Small-Cap
  - Champlain (3%)
    - US Stocks-Mid-Cap

- **Flexible Managers**
  - Dodge & Cox Global Stock (7%)
    - US Stock & International Stocks
  - IVA Worldwide (13%)
    - US Stock, International Stocks, Taxable Bonds, and Alternatives

- **Alternatives Managers**
  - Third Avenue Real Estate Value (3%)
    - Real Estate REITs
  - PIMCO Commodity Real Return (4%)
    - Commodities

- **Absolute Return Managers**
  - Absolute Strategies (7%)
    - Absolute Return

Weightings subject to change without notice. For illustrative purposes only.
Our Asset Allocation Portfolios

- Broad diversification, open architecture, sophisticated risk management
- Good complement to niche/specialized strategies
- Taxable and tax-deferred versions of mutual fund portfolios available

Figures are based on a recent allocation, and are subject to change. Asset classes shown are Morningstar category groups. Allocation of portfolios at the individual account level may vary.
Our Retirement Income Portfolios

- Four distinct managed portfolios diversified across asset classes
- Targeted payouts ranging from 4–7%
- Time horizons from 1 to 20+ years
- Endowment-like approach
- Payouts derived from total return, not reliant solely on yield

<table>
<thead>
<tr>
<th></th>
<th>Ultra Short</th>
<th>Short-Range</th>
<th>Mid-Range</th>
<th>Long-Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Targeted Payout</td>
<td>7%</td>
<td>6%</td>
<td>5%</td>
<td>4%</td>
</tr>
<tr>
<td>Time Horizon</td>
<td>1–5 years</td>
<td>2–10 years</td>
<td>10–20 years</td>
<td>20+ years</td>
</tr>
<tr>
<td>Probability of Principal Preservation</td>
<td>2.1%</td>
<td>9.9%</td>
<td>17.3%</td>
<td>36%</td>
</tr>
<tr>
<td>Probability of Principal Depletion</td>
<td>0.1%</td>
<td>0.1%</td>
<td>0.4%</td>
<td>0.8%</td>
</tr>
</tbody>
</table>

Monte Carlo Analysis, 95% confidence. Monte Carlo adjusts for inflation. Figures are based on a recent allocation, and are subject to change. Asset classes shown are Morningstar category groups. Allocation of portfolios at the individual account level may vary.
Our Focused Portfolios

- Allow for tactical approach; further diversification
- Global Allocation: seeks long-term capital appreciation and income; invests in go-anywhere equity and bond funds
- Absolute Return: seeks to provide modest, equity-like returns, minimize volatility and downside protection in poor market environments

Figures are based on a recent allocation, and are subject to change. Asset classes shown are Morningstar category groups. Allocation of portfolios at the individual account level may vary.
Absolute Return Portfolio: Goals

- Deliver moderate returns over time with lower volatility
  - Target Beta: 0.30 – 0.40
  - Upside Capture: 40-45%
  - Downside Capture: 30-35%
- Provide downside protection relative to equity markets
- Provide low correlation to the traditional broad market indexes

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>US Stocks</td>
<td>11</td>
</tr>
<tr>
<td>International Stocks</td>
<td>8</td>
</tr>
<tr>
<td>Taxable Bonds</td>
<td>Investment-Grade 27</td>
</tr>
<tr>
<td>Alternatives</td>
<td>Multi-Strategy 12</td>
</tr>
<tr>
<td></td>
<td>Long-Short Equity 13</td>
</tr>
<tr>
<td></td>
<td>Convertible Arbitrage 5</td>
</tr>
<tr>
<td></td>
<td>Merger Arbitrage 9</td>
</tr>
<tr>
<td></td>
<td>Global Macro 13</td>
</tr>
<tr>
<td>Cash</td>
<td>Short Term Reserves 2</td>
</tr>
</tbody>
</table>

Portfolio percentages are based on a recent allocation, and are subject to change. Asset classes shown are Morningstar category groups. Allocation of portfolios at the individual account level may vary. Portfolio availability may vary according to business relationships.
Asset Allocation: Ibbotson Active/Passive Portfolios

- Leverages the strength of both approaches
- Enhances portfolio risk-adjusted returns by finding most efficient way to invest in asset classes and markets
- Tends to reduce overall portfolio expenses

<table>
<thead>
<tr>
<th></th>
<th>20/80</th>
<th>40/60</th>
<th>60/40</th>
<th>80/20</th>
<th>95/5</th>
</tr>
</thead>
<tbody>
<tr>
<td>US Stocks</td>
<td>14</td>
<td>27</td>
<td>37</td>
<td>44</td>
<td>52</td>
</tr>
<tr>
<td>Non-US</td>
<td>5</td>
<td>10</td>
<td>16</td>
<td>24</td>
<td>29</td>
</tr>
<tr>
<td>Real Estate</td>
<td>0</td>
<td>2</td>
<td>3</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Bonds</td>
<td>71</td>
<td>56</td>
<td>36</td>
<td>17</td>
<td>2</td>
</tr>
<tr>
<td>Alternatives</td>
<td>2</td>
<td>2</td>
<td>6</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>Cash</td>
<td>8</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
</tbody>
</table>

Figures are based on a recent allocation, and are subject to change. Allocation of portfolios at the individual account level may vary.
Competitive Fee Structure – Mutual Fund Portfolios

<table>
<thead>
<tr>
<th>Mutual Fund Portfolios</th>
<th>Up to $500,000</th>
<th>Next $500,000</th>
<th>Next $1MM</th>
<th>Over $2MM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Morningstar Investment Services*</td>
<td>0.40%</td>
<td>0.35%</td>
<td>0.30%</td>
<td>0.20%</td>
</tr>
<tr>
<td>Advisory Firm**</td>
<td>1.10%</td>
<td>1.05%</td>
<td>1.00%</td>
<td>0.90%</td>
</tr>
<tr>
<td><strong>Total Annual Fee</strong></td>
<td>1.50%</td>
<td>1.40%</td>
<td>1.30%</td>
<td>1.10%</td>
</tr>
</tbody>
</table>

- Account Minimum: $50,000 (lower in family plan)
- Client fee does not include the mutual funds’ expenses
- Advisor fee can be discounted in 5 bps increments

*MIS Minimum Annual Fee is $200 for those accounts not held at BNY.
**Please note that fees may vary based on business relationships.
Our ETF Portfolios
About Our ETF Portfolios

- Broad diversification
  - Ibbotson Associates asset allocation
- Low cost
  - Internal expenses: 0.21% - 0.25%
- Benefits of active, passive management
  - Core-and-explore format
- Disciplined, methodical approach
  - Leverage Morningstar’s research

Internal expenses as of January 2013.
Core and Explore Approach

**Core**
- Broadly diversified ETFs
- Passive and low cost
- Track asset classes in strategic asset allocation

**Explore**
- ETFs that track narrower segments (style, sector, region, etc.)
- Selection based on proprietary rating methodology
- Aim to add value over index
Core and Explore Approach

Tactical View
- Companies are flush; Treasuries are rich
- Stocks look cheap, especially after quake
- Fears over patent “cliff” overdone
- Dividends prized in a lower-growth climate
- High-quality, global firms to pace recovery

Potential ETF
- Investment-Grade Corp. Bond ETF
- High-Yield Bond ETF
- Japan Small-Cap ETF
- Health Care Stock ETF
- Dividend Appreciation ETF
- Technology Stock ETF
## Our ETF Grading Methodology

<table>
<thead>
<tr>
<th>Category</th>
<th>Elements</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Valuation</strong></td>
<td>Morningstar Price to Fair Value</td>
</tr>
<tr>
<td></td>
<td>Price multiples: P/E, P/B, P/CF, P/S, Forward P/E</td>
</tr>
<tr>
<td><strong>Fundamentals</strong></td>
<td>Morningstar growth, profitability, business risk scores</td>
</tr>
<tr>
<td><strong>Costs</strong></td>
<td>Expense ratio</td>
</tr>
<tr>
<td></td>
<td>Bid/ask spread</td>
</tr>
<tr>
<td><strong>Index Construction Methodology</strong></td>
<td>Diversification</td>
</tr>
<tr>
<td></td>
<td>Weighting methodology</td>
</tr>
</tbody>
</table>
## Sample Growth ETF Strategy

<table>
<thead>
<tr>
<th>Ticker</th>
<th>Weighting</th>
<th>EXP Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Core</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vanguard Total Stock Market</td>
<td>VTI</td>
<td>31.6%</td>
</tr>
<tr>
<td>Vanguard Developed Markets</td>
<td>VEA</td>
<td>10.96%</td>
</tr>
<tr>
<td>Vanguard Total Bond Market</td>
<td>BND</td>
<td>7.86%</td>
</tr>
<tr>
<td>First Trust ISE-Rever Natural Gas IDX</td>
<td>FCG</td>
<td>6.61%</td>
</tr>
<tr>
<td>Vanguard Small Cap</td>
<td>VB</td>
<td>6.56%</td>
</tr>
<tr>
<td>Vanguard Emerging Markets</td>
<td>VWO</td>
<td>6.43%</td>
</tr>
<tr>
<td>Money Market</td>
<td></td>
<td>5.41%</td>
</tr>
<tr>
<td><strong>Explore</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wisdom Tree Japan SmallCap Dividend</td>
<td>DFJ</td>
<td>7.84%</td>
</tr>
<tr>
<td>SPDR S&amp;P International Dividend</td>
<td>DWX</td>
<td>6.08%</td>
</tr>
<tr>
<td>Health Care Select Sector SPDR</td>
<td>XLV</td>
<td>4.42%</td>
</tr>
<tr>
<td>PowerShares Senior Loan Port</td>
<td>BLKN</td>
<td>3.68%</td>
</tr>
<tr>
<td>PIMCO Total Return</td>
<td>BOND</td>
<td>2.56%</td>
</tr>
</tbody>
</table>

**Portfolio Blended Expense Ratio**: 0.22

For illustrative purposes only; not intended to be an offer or recommendation to buy/sell the above securities. Allocations subject to change without notice; Weighting and expense ratio as of 01/22/2013.
Our ETF Asset Allocation Portfolios

- Core-and-Explore format leverages Morningstar’s strengths
  - Asset allocation research
  - Strategic asset allocations set by Ibbotson Associates
  - Security research, portfolio construction
  - Morningstar, Inc.’s deep ETF analytics, data
  - MIS’ extensive experience managing client capital, making tactical decisions
- Low-cost portfolios offer specific risk/return profiles for investors at all stages

Conservative | Income & Growth | Moderate Growth | Growth | Aggressive Growth

Figures are based on a recent allocation, and are subject to change. Asset classes shown are Morningstar category groups. Allocation of portfolios at the individual account level may vary.
Our Contrarian ETF Portfolios

- Invest in market’s “unloved” areas
  - Based on mutual fund outflows
- Transparent, cheap to implement
  - Use ETFs that mirror unloved areas
- Potential core holding, or supporting player
- Focus on the areas where selling has been most pronounced.

Figures are based on a recent allocation, and are subject to change. Asset classes shown are Morningstar category groups. Allocation of portfolios at the individual account level may vary.
Ibbotson Momentum Portfolios

- Managed by Ibbotson Associates
- Low-cost, active portfolios designed to capitalize on the tendency of investments to gather momentum over a period of time
- Supported by nearly two decades of academic research
- Ibbotson: strategies buying recent winners, selling recent underperformers can generate significant positive returns over 6- to 12-month holding periods\(^1\).

## Competitive Fee Structure – ETF Portfolios

<table>
<thead>
<tr>
<th>ETF Portfolios</th>
<th>Up to $1MM</th>
<th>Next $4MM</th>
<th>Thereafter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Morningstar Investment Services*</td>
<td>0.30%</td>
<td>0.25%</td>
<td>0.20%</td>
</tr>
<tr>
<td>Advisory Firm**</td>
<td>1.10%</td>
<td>1.10%</td>
<td>1.10%</td>
</tr>
<tr>
<td>Total Annual Fee</td>
<td>1.40%</td>
<td>1.35%</td>
<td>1.30%</td>
</tr>
</tbody>
</table>

- $50,000 account minimum
- Client fee does not include the underlying ETF’s expenses
- Client fee does not include costs associated with custody/clearing/execution
- Advisor fee can be discounted in 5 bps increments

*MIS Minimum Annual Fee is $150.
**Please note that fees may vary based on business relationships.
Our Select Stock Basket Portfolios
Leveraging Morningstar, Inc.’s Equity Research

- Independent analysis from over 100 analysts, covering around 1,800 stocks
- Actionable investment ideas
  - Economic Moat ratings
  - Fair Value estimates
- Coverage Snapshot

<table>
<thead>
<tr>
<th>Cyclical</th>
<th>Sensitive</th>
<th>Defensive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic Materials</td>
<td>Communication Services</td>
<td>Consumer Defensive</td>
</tr>
<tr>
<td>Consumer Cyclical</td>
<td>Energy</td>
<td>Health Care</td>
</tr>
<tr>
<td>Financial Services</td>
<td>Industrials</td>
<td>Utilities</td>
</tr>
<tr>
<td>Real Estate</td>
<td>Technology</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Large-cap stocks</th>
<th>Mid-cap stocks</th>
<th>Small-cap stocks</th>
</tr>
</thead>
<tbody>
<tr>
<td>802</td>
<td>577</td>
<td>158</td>
</tr>
</tbody>
</table>

As of June 2013
## Equity Coverage by Region and Global Indices

### Regional Coverage

<table>
<thead>
<tr>
<th>Region</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asia</td>
<td>69</td>
</tr>
<tr>
<td>Australia/New Zealand</td>
<td>120</td>
</tr>
<tr>
<td>Europe</td>
<td>355</td>
</tr>
<tr>
<td>Latin America</td>
<td>49</td>
</tr>
<tr>
<td>Middle East/Africa</td>
<td>47</td>
</tr>
<tr>
<td>North America</td>
<td>897</td>
</tr>
<tr>
<td><strong>Total Global Coverage</strong></td>
<td><strong>1,537</strong></td>
</tr>
</tbody>
</table>

### Market Cap Coverage (%)

<table>
<thead>
<tr>
<th>Index</th>
<th>Coverage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>S&amp;P 500</td>
<td>99</td>
</tr>
<tr>
<td>Europe 350</td>
<td>79</td>
</tr>
<tr>
<td>DAX 30</td>
<td>94</td>
</tr>
<tr>
<td>ASX 50</td>
<td>100</td>
</tr>
<tr>
<td>TSX 60</td>
<td>98</td>
</tr>
<tr>
<td>Stoxx 50</td>
<td>99</td>
</tr>
<tr>
<td>FTSE 100</td>
<td>70</td>
</tr>
<tr>
<td>CAC 40</td>
<td>95</td>
</tr>
<tr>
<td>AEX 25</td>
<td>90</td>
</tr>
</tbody>
</table>

As of June 2013
Our Select Stock Baskets Custom Series at a Glance

- Customized portfolio of individual equities
  - 25 to 35 of our highest conviction stock ideas
- Tailored to a client’s needs
  - Restrict sector, industry, or individual stock exposures
  - Combine with a portfolio of fixed-income mutual funds or ETFs (80/20, 65/35, 50/50)
- Accommodate current client holdings*
  - Transfer existing holdings
  - Portfolio can be built around client’s other holdings
- Actively managed to help achieve added value
  - Buy and sell discipline
  - Optimal balance of risk and reward
  - Mindful of tax and cost implications

*Initial and subsequent funding in the client’s account may be in cash, and/or transfer of positions currently held including common stocks, ETFs and mutual funds; due to liquidity restrictions and trading constraints, any position that is transferred in may be rejected and required to be remove from the account. For Illustrative Purposes only. Data and information is subject to change at anytime without notice.
Select Stock Baskets Custom Series

<table>
<thead>
<tr>
<th>Broad Market</th>
<th>Global Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Composite Style</td>
<td>Equity Income</td>
</tr>
<tr>
<td></td>
<td>Capital Appreciation</td>
</tr>
<tr>
<td>Foreign</td>
<td>Foreign Equity</td>
</tr>
<tr>
<td>Market Capitalization</td>
<td>Small + Mid-Cap Equity</td>
</tr>
</tbody>
</table>

- You can elect further customization
- $250,000 account minimum
Select Stock Basket Strategist Series

- Select Stock Basket strategies to choose from
  - The Tortoise Portfolio
  - The Hare Portfolio
  - The Dividend Portfolio

- These three are patterned after Morningstar, Inc.’s popular monthly newsletters
  - Morningstar StockInvestor
  - Morningstar DividendInvestor

- Account minimums
  - All Equity - $100,000
  - With Fixed Income (80/20, 65/35, 50/50) - $250,000

For illustrative purposes only. There is no guarantee that the Select Stock Basket Strategist Series will perform as the portfolios after which they were patterned. *Please note that portfolio availability may vary based on business relationships
The U.S. Wide Moat Focus Portfolio

Morningstar Wide Moat Focus Index Performance

- Invests equally in the 20 cheapest “wide moat” stocks
- Designed to track the Morningstar Wide Moat Focus Index
- Morningstar Wide Moat Focus Index has an outstanding long-term record

For illustrative purposes only; does not represent actual client experience. The indices noted are unmanaged and can't be invested in directly. Past performance is not a guarantee of future results. Data as of 08/30/2013.
## Competitive Fee Structure – Select Stock Baskets

<table>
<thead>
<tr>
<th>Select Stock Baskets</th>
<th>Up to $1MM</th>
<th>Next $4MM</th>
<th>Thereafter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Morningstar Investment Services*</td>
<td>0.55%</td>
<td>0.50%</td>
<td>0.45%</td>
</tr>
<tr>
<td>Advisory Firm**</td>
<td>1.10%</td>
<td>1.10%</td>
<td>1.10%</td>
</tr>
<tr>
<td><strong>Total Annual Fee</strong></td>
<td>1.65%</td>
<td>1.60%</td>
<td>1.55%</td>
</tr>
</tbody>
</table>

- Account minimums: Custom Series $250,000, Strategist Series all-equity $100,000, Strategist with fixed-income allocation (80/20, 65/35, 50/50) $250,000
- Client fee does not include costs associated with custody/clearing/execution
- Advisor fee can be discounted in 5 bps increments

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*MIS Minimum Annual Fee is $550 for Strategist Series and $1375 for Custom Series.
**Please note that fees may vary based on business relationships.
Upcoming Webinars

- **November 12 at 3 pm CT: Managed Portfolios 102**
  Create a Client Proposal in Under 30 Minutes
  - Find the essentials on the MIS web site
  - Learn the step-by-step proposal process

- **November 19 at 3 pm CT: Managed Portfolios 103**
  Opening Accounts/Two-Step Prep for Client Meetings
  - Master the account opening process
  - Create client-ready materials—and quickly prepare for client meetings
  - Ideal for assistants
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10. **Andy Justice**  Ext. 10  andy.justice@morningstar.com
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Past performance is no guarantee of future results.

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