Morningstar Investment Services
Select Stock Baskets—Strategist Series

The four portfolios in the Strategist Series combine the active portfolio management of Morningstar Investment Services with the extensive equity research of Morningstar, Inc. The first three portfolios in the series, the Tortoise, Hare, and Dividend, are patterned after successful portfolios of the same name featured in Morningstar, Inc.’s popular Morningstar® StockInvestorSM and Morningstar® DividendInvestorSM newsletters. The fourth portfolio, the U.S. Wide Moat Focus, is designed to track the Morningstar® Wide Moat Focus® Index—which boasts an outstanding long-term track record.

A Prudent Approach
Our Tortoise, Hare, and Dividend strategies share a common approach—investing in higher-quality firms at sharp discounts to what Morningstar Inc.’s analysts believe they’re worth. Popularized by famed investor Warren Buffett, this approach assumes that a stock investment represents an ownership interest in a business. Accordingly, when selecting stocks for the newsletter portfolios (upon which the Strategist Series is based), Paul Larson and Josh Peters operate from the mindset of a business-owner, asking questions like “what gives this firm an edge over competitors?” and “how durable are those advantages?” or “does this business create value for shareholders?”

Our U.S. Wide Moat Focus portfolio is based on the concept of an economic moat—a cornerstone of the Morningstar, Inc. investment philosophy. Just as a moat around a medieval castle kept the opposition at bay, an economic moat is a structural competitive advantage that allows a firm to earn above-average returns on capital over a long period of time.

Grounded in Rigorous Analysis
As with all our Select Stock Baskets portfolios, the portfolios in the Strategist Series harness Morningstar Inc.’s comprehensive, in-depth research. The nearly 100 equity analysts at Morningstar, Inc., conduct extensive research on industry dynamics, a firm’s competitive position, and the defensibility of any advantages that the business might boast, all in an effort to estimate a firm’s intrinsic worth per share.

A Strategy That Suits Individual Needs
Each of our portfolios in the Strategist Series put a slightly different twist on quality-centric, value-conscious investing.

Tortoise—Invests in the stocks of relatively stable, high-quality businesses that are well-entrenched in the various markets in which they operate. Though these firms aren’t typically growing at a furious pace, they are normally very profitable, reflecting their dominance.

Based on the popular Morningstar, Inc.
Newsletter portfolios

The Morningstar, Inc. newsletter portfolios demonstrate a proven record and strong reputation. Morningstar Investment Services offers similar versions of these portfolios—the Tortoise, Hare, and Dividend—for direct investment.

T Tortoise
H Hare
+ Dividend

For illustrative purposes only; the newsletters do not report on the Morningstar Investment Services Strategist Series portfolios. Past performance is no guarantee of future results.
**Economic Moat**
The Four Sources of Sustainable Competitive Advantage

**Hare**—Invests in the stocks of firms that are experiencing rapid growth, emphasizing those that have carved out a defensible niche of some kind. Importantly, they’re selling at reasonable prices, not nosebleed price multiples.

**Dividend**—Invests in high-yielding stocks with the potential for dividend-growth and capital appreciation. Though “dividend-investing” often brings to mind stodgy utilities or banks, the Dividend portfolio is composed of stocks from a variety of industries. The common-thread is that the typical name is significantly undervalued, financially strong, and founded on a durable business model.

**U.S. Wide Moat Focus**—Invests equally in the twenty cheapest “wide-moat” stocks in Morningstar, Inc.’s coverage universe. The portfolio identifies stocks that can generate high returns on invested capital by tracking the Morningstar® Wide-Moat Focus Index, which is reviewed and rebalanced on a quarterly basis.

**A Flexible Solution**
Investors can modify their Select Stock Baskets accounts to exclude individual stocks. Since all customization takes place at the individual account level, rather than in an all-encompassing model portfolio, Select Stock Baskets represents a personalized investment approach.

The Morningstar, Inc. U.S. Wide Moat Focus Index is comprised of the twenty most undervalued Wide Moat stocks.

**Two Sets of Expertise, One Goal**
Morningstar Investment Services pairs with financial advisors to deliver portfolios designed for individual investors. We construct and manage every Select Stock Baskets account to achieve the desired balance of risk and reward, while remaining mindful of the tax and cost implications of trades. We also account for any investment strategy changes, monitor cash balances and funding activity, and rebalance positions to ensure ongoing compliance with investors’ objectives and other criteria. A financial advisor will assess suitability and consistency of the investment process, evaluate progress, and communicate to us any changes in individual goals or circumstances that may affect the particular investment objectives and risk tolerance.

The Select Stock Baskets portfolios invest in common stocks of U.S. companies and American Depositary Receipts (ADRs), which are a type of equity security that represents an ownership interest in a corporation. Common stocks are subject to greater fluctuations in market value than other asset classes as a result of such factors as a company’s business performance, investor perceptions, stock market trends, and general economic conditions. Please note that portfolio availability may vary by business relationship. Contact your financial advisor for details.