

The Morningstar Investment Approach

We Are Principled Investors

Morningstar's Investment Management group grows out of the three-decade investor-focused mission of Morningstar, Inc. Our heritage, ownership structure, and principled approach is designed to lead us to behave rationally in an irrational world. Global investment teams work together to capture our best investment ideas. In these ways and others, who we are affects how we manage money.

Our approach to managing money starts with research, and our tradition of researching the fundamental drivers of asset class returns stretches back 40 years.¹ For us, fundamentals are the key driver of returns for long-term investors.

Today, our capital markets views are informed by the extensive research conducted by the investment professionals in Morningstar's Investment Management group and the equity and credit analysts from Morningstar, Inc. and its affiliates.*² We look broadly, investigating asset classes, sub-asset classes, sectors, and securities in markets around the world. Our capital markets research extends to more than 200 equity markets, regions, or sectors, while our fixed-income research covers more than 100 sectors. We also track 37 world currencies.

A Valuation Lens on Markets

But it's not enough to look at past returns; investors need a framework to help them understand how investments look for the future. Prices can lag fundamentals, giving investors potentially attractive opportunities. Our framework for seeking to understand these dynamics applies not only to securities but to sectors and asset classes, too enabling us to take a valuation-driven approach to asset allocation.

This valuation-driven approach is designed to integrate our high-conviction investment ideas into portfolios that seek greater reward for a given amount of risk. We hunt the globe for mispricing opportunities. We aim to buy overlooked investments, especially those indicated by our research to offer sound fundamentals at an attractive price. Similarly, we look to trim positions as valuations become rich or we find more attractive options.

But we aren't content to look only at valuation; studying investor sentiment and positioning adds contrarian elements to our process and tells us how the market consensus views an investment idea we're considering. We prefer to invest in ideas contrary to the market consensus.

Investment Selection

Our portfolio managers look for industries and parts of the market that are underappreciated and fit our vision for long-term success.

Manager Selection

We believe that an investment's performance is heavily influenced by its manager. We use our extensive data, global research and face-to-face interviews to find fund managers who are able to contribute to the goals of each portfolio.

Investment Monitoring

If an investment doesn't meet our expectations, our specialists move quickly to find out why. If necessary, we replace it with an alternative we believe is better suited to the portfolio based on our ongoing research.

Ongoing Review

Our investment committee meets regularly to review the portfolios and make sure every Morningstar portfolio manager is performing to our high standards.

Valuation and Risk Management

We also look closely at each investment's risk, which can be complex, multifaceted, and vary over time. We see risk not as market volatility but as the permanent loss of capital. So, a powerful way to help control risk is to focus on buying fundamentally strong assets that are underpriced. Diversification is a great tool, but overdiversification can erode value. When seeking to manage risk and diversification, valuation again is key.

Our valuation-driven asset allocation process paired with our in-house investment selection experience allows us to holistically build portfolios for clients for the long term.

This document is for information purposes only and does not constitute investment advice.

¹ Ibbotson Associates, Inc., a former subsidiary of Morningstar, Inc., was founded in 1977, acquired by Morningstar, Inc. in 2006, and merged into Morningstar Investment Management LLC in 2016. Ibbotson Associates was a leader in asset class research.

² On Jan. 1, 2017, Morningstar, Inc.'s U.S.-based equity and manager research analysts moved into Morningstar Research Services LLC, a registered investment advisor and subsidiary of Morningstar, Inc. Credit research is provided by analysts of Morningstar Credit Ratings, LLC, a nationally recognized statistical rating organization (NRSRO) registered with the Securities and Exchange Commission, and a subsidiary of Morningstar, Inc.

The Morningstar Investment Approach

The Investment Management group works around the clock and around the globe to understand markets and opportunities, monitor risk in existing portfolios, and vet ideas to make investment changes.

We use this ongoing investment process to manage a variety of equity and multi-asset portfolios at Morningstar Investment Management.

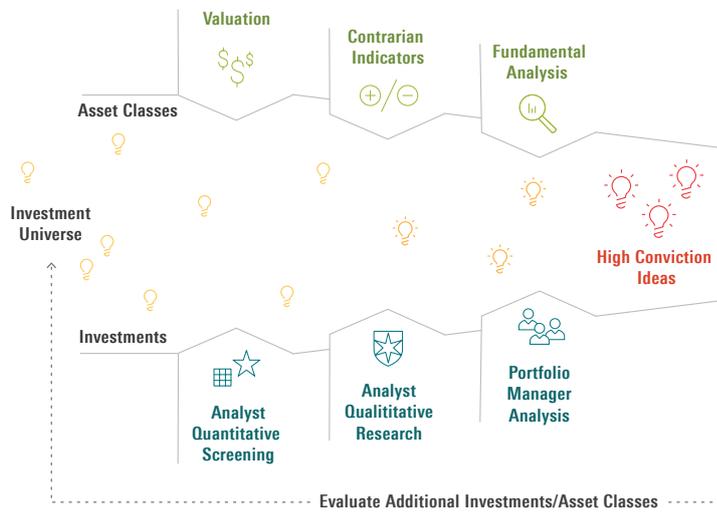
About Morningstar

Morningstar's Investment Management group comprises Morningstar Inc.'s registered entities worldwide, including the United Kingdom, where Morningstar Investment Management Europe Limited ("Morningstar") is authorised and regulated by the UK Financial Conduct Authority to provide services to professional clients. All investments involve risk and the value of investments may go down as well as up and an investor may not get back the amount invested.

Holistic Portfolio Management Process

Our investment process can be grouped into three main categories: We find investment opportunities; We build portfolios in a risk-aware way; and we continue to manage portfolios to uncover the greatest reward for risk for our investors.

Find Opportunities



Build Portfolios



* Investment research is produced and issued by Morningstar, Inc. or subsidiaries of Morningstar, Inc. including, but not limited to, Morningstar Research Services LLC, registered with and governed by the U.S. Securities and Exchange Commission.

Morningstar's Investment Management group includes Morningstar Investment Management LLC and Morningstar Investment Services LLC, both U.S. registered investment advisers and subsidiaries of Morningstar, Inc. Globally, other affiliates or subsidiaries of Morningstar, Inc. can provide consulting or investment advisory services in Europe, Africa, Asia, and Australia.