

Global Convictions & Outlook

Asset Allocation Perspectives

Morningstar Investment Management LLC

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Philip Straehl

Global Head of Research, Investment Management
philip.straehl@morningstar.com

Tyler Dann

Head of Research, Americas
tyler.dann@morningstar.com

Ed Fane

Head of Research, Europe, the Middle East, and Africa
Morningstar Investment Management Europe, Ltd.

James Foot

Head of Research, Asia-Pacific
Morningstar Investment Management Asia, Ltd.

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Asset Class Convictions

The goal of assigning a conviction level to an asset class is to distill the attractiveness of an investment opportunity into a single rank. The term “conviction” derives from the Latin verb “convincere,” which means to argue.

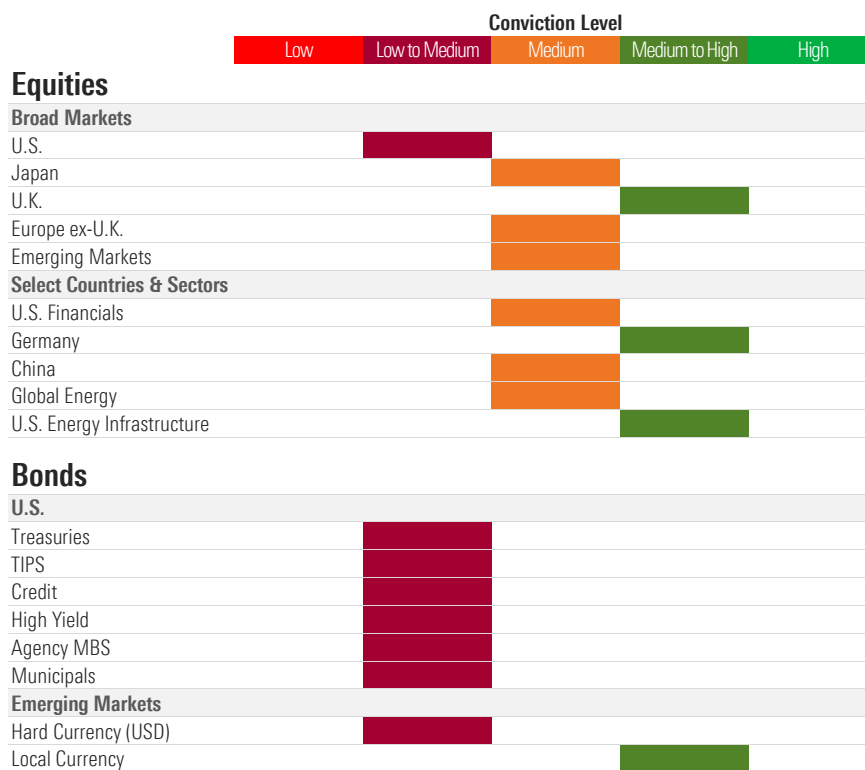
In assigning an asset class conviction, an analyst trades off the aspects of an investment opportunity that argue for and against it, culminating in the expression of a conviction level. The conviction level is expressed on a five-point scale (Low, Low to Medium, Medium, Medium to High, and High), and serves as a key input into our asset-allocation process.

Our conviction scoring system is based on four criteria: absolute valuation; relative valuation; contrarian indicators; and fundamental risk.

Important Developments

Investors are being asked to weigh stern challenges at present, with circa 5-15% declines in global stocks in early 2022. Perspective is important here, as it follows 100%+ returns in some markets since the onset of the pandemic. Inflation, higher interest rates, and Ukraine tensions top the current list of investor concerns. In this regard, our convictions are fluid and will adapt to the prevailing environment, although remain grounded by our principled long-term approach to managing money.

Exhibit 1 Our Convictions Continue to Evolve, With Selected Opportunities Evident¹



¹ Source: Morningstar Investment Management LLC. Views as of January 31st, 2022 and subject to change. For illustrative purposes only.

What are the Key Positions in Our Portfolios, Utilizing Our Convictions?

As you'll note throughout this report, our convictions demonstrate a general preference towards assets that help us achieve portfolio robustness, including many that could benefit from a rising rate environment. We also show a preference towards assets with defensive characteristics, creating a ballast against the stretched valuations we see in several key markets.

It isn't all about defense though, as our research also points to cyclical parts of the market, which we believe offer a good reward-for-risk tradeoff. This requires an investor to accept some volatility but should hold investors in good stead over longer holding periods¹. In our view, the current market environment is a complex one, necessitating us to target the best assets for wealth creation and preservation, with careful sizing and smart diversification. This is reflected in the positioning of our multi-asset portfolios, with some key positioning points highlighted below.

- Overall, we remain slightly cautious in our **broader risk assessment**, taking a modestly protective stance, acknowledging the strong run up in markets and some fundamental risks ahead. That said, our portfolios maintain adequate equity exposure (a minor underweight overall), selectively favoring cyclical areas of the market and offsetting risk via exposure to defensive sectors.
- **In equities**, our exposure to value stocks remains among the largest relative driver of our portfolios at the current time. We maintain key positions in energy and financial companies, which have turned the corner and make sense to us for most economic pathways, especially in a rising rate environment. In our multi-asset portfolios, we carry a non-U.S. equity overweight, too, although have softened this view reflecting valuation changes.
- For portfolios with **fixed income exposure**, we favor emerging-market debt in local currency and retain some inflation protected securities, although we have trimmed the latter position as inflation expectations have meaningfully increased. Generally, our analysis still shows that many fixed income markets are expensive, especially so in higher risk corporate bonds. To achieve smart diversification, we are balancing defensive characteristics against low absolute yields, using **alternative assets** as another lever to deal with risks in this space.
- Our underlying **currency positioning** depends on the portfolio in question. For more conservative portfolios, being overweight the US dollar makes sense. As we get into portfolios with higher equity exposure, we carry less US dollar exposure (partially explained by our preference for non-US equities) alongside a range of currency exposures, including the Japanese Yen, which tends to behave as a safe haven currency in periods of broad market stress. Broadly though, we continue to lean on the protective characteristics of the US dollar where it makes sense to do so.
- For **ESG portfolios**, our capital market assumptions differ modestly from conventional portfolios, creating necessary portfolio adjustments. The portfolios continue to score well for ESG risk, with low carbon intensity and less energy exposure.

¹ Accepting volatility is a pre-requisite for good returns in any market, but today's market arguably requires greater care than usual.

Our Valuation-Driven Asset-Allocation Views (as of February 1st, 2022)

EQUITY MARKETS

Asset Class	Conviction	Rationale
U.S. Equities <ul style="list-style-type: none"> • Consumer Staples • Healthcare • Energy Infrastructure • Financials 	Low to Medium Low to Medium Low to Medium Medium to High Medium	<p>Backdrop</p> <p>U.S. stocks have had a challenging start to 2022, following an extended period of impressive strength. The most recent setback has been provoked by fears of inflation and rising interest rates, along with Russian tensions, creating particular vulnerabilities for growth stocks with high embedded profit growth expectations. The FAANGM stocks—Facebook, Amazon, Apple, Netflix, Google (Alphabet) and Microsoft—epitomize this development, worsened by disappointing earnings growth announcements.</p> <p>Perspective is key, as those wobbles came off the back of an incredible recovery story. On this, we've seen the U.S. market set numerous new record highs through 2020 and 2021—to the delight of risk-taking investors but creating challenges for future return generation.</p> <p>Outlook</p> <p>Looking ahead, we see two offsetting developments. On one hand, the strength of the recovery is leading to fundamental improvements with corporate profits continuing to rise in most sectors. On the other hand, we must recognize that much of the recent rally was sentimental optimism, with valuations stretching, creating potential vulnerabilities amid higher interest rates.</p> <p>Taken together, at current prices, U.S. equities still look expensive overall, according to our analysis, both in absolute terms and relative to international markets. However, this view has moderated following recent market moves.</p> <p>Moreover, there are pockets where we continue to see opportunity. One issue we face is that these opportunities tend to cluster in more cyclical (or economically sensitive) areas of the market—including energy and financials, which have both done exceptionally well recently. Despite recent strength, we continue to believe integrated energy companies with diversified business models and strong balance sheets provide potential upside for investors. Our research also leads us to believe that large U.S. banks are still relatively attractive, even as we've downgraded the sector to Medium. Lower-than-expected loan losses and a potential acceleration of loan growth as we enter 2022 provide a favorable medium-term backdrop for the sector.</p> <p>Outside of these sector opportunities, we continue to share concern regarding the overconcentration to “new economy” stocks in the broad index. We don't assess these stocks with a broad brush, but the extreme popularity of technology stocks has created valuation challenges that persist beyond the recent declines.</p>
Europe ex-U.K. Equities <ul style="list-style-type: none"> • European Communications • European Energy • European Financials • European Healthcare • Germany 	Medium Medium Medium to High Medium Low to Medium Medium to High	<p>Backdrop</p> <p>European stocks continue to do well and have enjoyed a strong period. Inflation concerns are less of an issue here, supporting asset prices, although dispersion does exist depending on the country in question.</p> <p>Outlook</p> <p>While we generally like European stocks, we find attractive opportunities when we dig into country and sector differentials. For example, German stocks remain an appealing area in our analysis, offering solid balance sheets and upside to earnings—without the eye-watering valuations in some other markets.</p> <p>At a sector level, our positive view on European integrated energy companies has moderated following exceptional performance, although it continues to rank well on a relative basis.</p>

Asset Class	Conviction	Rationale
U.K. Equities	Medium to High	<p>Backdrop</p> <p>The United Kingdom has a relatively large exposure to energy and financial stocks, which has supported the market in recent times. This follows an extended period of underperformance, as the economy slowly turns the corner from the issues it faced during Brexit.</p> <p>Outlook</p> <p>On a contrarian basis, we have long believed investors were being well compensated for the risk of investing in U.K. stocks. This thesis has started to play out, but we believe further upside remains.</p> <p>Granted, certain scenarios continue to pose risks to corporate profitability, but U.K. corporates remain high-quality businesses with diverse revenue sources in aggregate (the majority of revenue is derived elsewhere, diversifying the revenue drivers).</p>

Asset Class	Conviction	Rationale
Japan Equities <ul style="list-style-type: none"> Japan Financials 	Medium Medium to High	<p>Backdrop</p> <p>Japanese stocks offer a diversified revenue source, often moving out of lockstep with the rest of the global equity market.</p> <p>However, like much of the world, it is financial companies that have held up the market, with the ex-financials market generally struggling.</p> <p>Outlook</p> <p>We continue to see merit in Japanese holdings. For the most part, our conviction in Japanese stocks was built on some major structural change taking place at a corporate level. While some of this structural tailwind is now behind us, we still see scope for a continuation of improving shareholder interests, rising dividend payouts, and board independence. Japanese stocks also carry some diversifying properties that can help in market downturns.</p> <p>Therefore, Japanese equities are still among our preferred major equity markets. With this in mind, we maintain a preference for domestic-facing companies, most notably financials. Sentiment toward Japanese financials had been hindered by the Bank of Japan's prolonged quantitative-easing program, making it difficult for banks to make money (and lowering investment income for insurers). While this is likely to remain a challenge, the upside is significant if we see an eventual normalization.</p>

Asset Class	Conviction	Rationale
Emerging-Markets Equities <ul style="list-style-type: none"> EM-Asia EM-Europe EM-Latin America China Equities Russia Equities South Korea South Africa Mexico EM Info Tech EM Value 	Medium Medium Medium to High Medium Medium Medium Medium Medium Medium Medium to High	<p>Backdrop</p> <p>Emerging-markets stocks are a collective of very diverse markets, with commodity-sensitive markets in Latin America and Africa often performing very differently from those in Asia or even Eastern Europe.</p> <p>This is important perspective, as the headline underperformance in emerging markets has been heavily influenced by meaningful losses in China, and more recently Russia.</p> <p>As usual, investors in emerging markets must price in regulatory and geopolitical risk, with some of the largest companies in China and Russia impacted. This is especially true among the Chinese technology giants, which have meaningfully underperformed the market, while Russia's recent setback is primarily due to the prospect of significant sanctions related to the Ukraine tensions.</p> <p>Inflation is also a major challenge across the board, triggering a general rate hiking cycle in many emerging markets and causing nervousness among emerging market investors.</p> <p>Outlook</p> <p>We consider emerging-markets equities to be among our preferred equity regions (alongside U.K., European, and Japanese equities).</p> <p>China now offers better absolute and relative value than before the sell-off, even with allowance for the impact of announcements and potential further shocks. Therefore, the case for adding exposure to China is building, albeit from a low base. We also have an ear to the ground in Russia, although risks remain elevated. Sector opportunities also exist, with EM technology offering a reasonable reward for risk—especially relative to U.S. peers.</p> <p>As part of this, we need to remember that emerging markets are heterogeneous. Investors tend to bucket emerging markets as one, but often the real opportunities present themselves at a country, sector, or regional level.</p>

Asset Class	Conviction	Rationale
Global Sectors <ul style="list-style-type: none"> Energy Financials 	Medium Medium	<p>Backdrop</p> <p>At a sector level, we've seen a significant shift in the leaderboard as inflation and the prospect of higher interest rates take hold. Perhaps the most notable are energy stocks, which are significantly outpacing other sectors, albeit from a low base following a decade of underperformance. At the other end, utilities have underperformed, which is perhaps not surprising given the "bond proxy" nature and the potential unwinding of monetary stimulus.</p> <p>Outlook</p> <p>The opportunity to add value via sector positioning has narrowed, with the dispersion in 2020 and 2021 unwinding. That said, we continue to see opportunities for portfolio exposure.</p> <p>Let's start with energy stocks, given their extraordinary run. First, the bad news. The sector obviously faces some long-term structural questions as the world moves away from fossil fuels, meaning returns are unlikely to come in a straight line. The good news? The global energy sector has survived its darkest days, which saw a negative oil price at one point and is currently enjoying a period of elevated commodity prices. Additionally, the longer-term transition towards cleaner energy remains broadly on track despite some concerns about the profitability of clean energy. This development is particularly interesting when we consider climate change risk, with European energy companies making a meaningful pivot towards renewables.</p> <p>Elsewhere, our analysis suggests that financial companies offer attractive relative valuations versus the broader equity market, particularly in the U.S. market. For banks, we believe risks are skewed to the upside in the next year or two, driven by fundamental improvements that include solid economic growth, low loan losses, and a higher capital return.</p>

FIXED INCOME

Asset Class	Conviction	Rationale
Developed-Markets Sovereign <ul style="list-style-type: none"> U.S. Treasuries Europe ex-U.K. U.K. Gilts Japan Australia 	Low to Medium Low Low Medium Low to Medium	<p>Backdrop</p> <p>A major point of contention among bond investors is whether inflation is transitory or structural.</p> <p>More recently, we've seen inflation concerns persist. This has led to central-bank discussions around rate hikes and/or unwinding stimulus, with knock-on effects to bond yields. Taken together, this has resulted in further modest losses for developed-market treasuries.</p> <p>Outlook</p> <p>Locally and globally, this remains an uninspiring space, although government bonds have seen yields rise and continue to play a role in a total portfolio context.</p> <p>We acknowledge that central-bank intervention is always an issue for this asset class, as central banks have the power to manipulate government-bond yields to entice spending and reduce the interest burden of governments.</p> <p>Of note, we still assign U.S. Treasuries with a Low to Medium conviction level. This acknowledges the Federal Reserve's commitment to supporting and steadying the bond market, with a slow and measured tapering of the unprecedented amounts of Treasury bond purchases planned and a keen eye on inflation developments.</p>
Investment-Grade Credit <ul style="list-style-type: none"> U.S. European Corporates U.K. Corporates Australian Corporates 	Low to Medium Low to Medium Low to Medium Low to Medium	<p>Backdrop</p> <p>Corporate bonds have also reacted to the shift in central bank tone. Longer-dated corporate bonds have underperformed in this environment, while shorter-dated bonds have relatively held up. Bond investors also still seem relatively unfazed by corporate vulnerabilities, with borrowing costs remaining quite low relative to government bonds (credit spreads remain tight, despite a small unwinding).</p> <p>Outlook</p> <p>Both locally and globally, we still expect low returns over the long run. A key element to our conviction is that corporate spreads (the difference between corporate-bond yields and government-bond yields) remain below fair value in our analysis, despite a modest unwinding in recent times. This provides less margin for error and opens the door to a greater permanent loss of capital if credit downgrades were to occur.</p> <p>In this regard, one should be aware of the historically high percentage of BBB-rated issuers (the lowest level still considered investment-grade) in this space. This credit quality development needs to be monitored carefully, as a heightened default cycle can't be ruled out, either.</p> <p>From a fundamental standpoint, the Federal Reserve's increased involvement in this asset class has provided a backstop, although withdrawal of that support, increasing leverage ratios, and the possibility of higher yields are a cause for concern over the medium to long term.</p> <p>In summary, we don't see strong inherent appeal for investors in the investment grade space. We see some remaining attraction as a middle ground—providing some extra yield versus government bonds and a duration profile that could help in portfolio construction.</p>

Asset Class	Conviction	Rationale
High-Yield Credit	Low to Medium	<p>Backdrop</p> <p>High-yield credit has offered a tempestuous ride in recent years, with another recent shock amidst the COVID downturn. That said, with the spate of emergency measures, confidence was restored and with it liquidity - and defaults have actually fallen to historically low levels. Unfortunately prices have tightened accordingly, leaving an ungenerous reward-for-risk environment overall.</p> <p>We note this type of volatility isn't unusual for high-yield bonds, which sit at the riskier end of the bond market—often moving more with equity markets than with other bonds. This was certainly the case during the height of the COVID-19 crisis, with high-yield-bond prices seesawing in line with broader equity market sentiment.</p> <p>Outlook</p> <p>The case for investing in this asset class remains broadly unattractive. While headline default risks are currently low, this could change with the Federal Reserve tightening conditions. Valuations remain tight, and our conviction reflects this meagre reward for risk. The shorter duration profile relative to other bonds is a potential positive in a rising rate environment, but we maintain a preference for a more cautious bond positioning at present.</p>

Asset Class	Conviction	Rationale
Emerging-Markets Bonds <ul style="list-style-type: none"> Local Currency Hard Currency 	Medium to High Low to Medium	<p>Backdrop</p> <p>Emerging-market bonds have experienced dispersion, with challenging fundamentals amidst the COVID shutdowns, and currency moves a major component of weaker performance for local currency debt. Even in local terms, we've seen losses in both local-currency debt and hard-currency debt, where many emerging market central banks have raised interest rates to combat inflation pressures and to bolster currencies.</p> <p>In an historical context, nominal yield levels remain low, but they are significantly higher than developed-world peers.</p> <p>Outlook</p> <p>Emerging-market debt in local currency (which we prefer over hard currency, although this view is moderating) continues to offer healthy relative yields, even accounting for risk. Our view remains that many (though with notable exceptions) emerging-market sovereigns have improved their fundamental strength compared to history (improved current account balances, enhanced reserves, movement to orthodox monetary policy, build-out of local investor base allowing for a shift to local currency funding). In addition, the aggregation of emerging market currencies also look undervalued overall and could offer a tailwind over time.</p> <p>The area can be volatile, yet even allowing for some pessimistic assumptions, our research suggests that investors could earn a decent premium over similar-duration U.S. Treasuries if they're willing to risk short-term loss. In other words, we think investors can expect to be compensated for this risk over time, especially for local-currency bonds.</p>

Asset Class	Conviction	Rationale
U.S. Agency MBS	Low to Medium	<p>Backdrop</p> <p>The mortgage market has recovered strongly following the sharp dislocations as market liquidity dried up in the COVID-19 pandemic. The Federal Reserve acted swiftly to ensure proper functioning of the mortgage securities market, and this backing helped drive the spread between U.S. Treasury and mortgage-backed securities (MBS) yields to very tight levels.</p> <p>Outlook</p> <p>Like most fixed-income asset classes, mortgage-backed securities have low nominal yields by historical standards, posing a challenge to future returns. In addition, the nature of the asset class means they could underperform comparable Treasuries in a rising-rate environment, as borrowers stop refinancing and take longer to pay off their mortgages.</p> <p>We also expect a tapering of the Federal Reserve's ongoing purchases in the space as part of the journey through economic recovery towards higher rates. This tapering should happen simultaneously for both their MBS and Treasury purchases, but it has the potential to see spreads increase from very tight levels. Overall, this has somewhat reduced our conviction.</p>

Asset Class	Conviction	Rationale
Global Inflation-Linked Bonds <ul style="list-style-type: none"> U.S. TIPS 	Low to Medium	<p>Backdrop</p> <p>As near-term inflation rises beyond central-bank long-term targets and previous expectations, it is unsurprising that inflation-linked bonds have done well. This is exacerbated by continuing supply bottlenecks and an economic recovery as we emerge in a stop-start fashion from COVID lockdowns under the umbrella of huge fiscal and monetary support.</p> <p>Outlook</p> <p>A key consideration in a multi-asset context is whether inflation-linked bonds can help us diversify our risk drivers. Keep in mind that with inflation-linked bonds, the value of the principal rises (or falls) with changes in inflation expectations. Inflation expectations are notoriously difficult to forecast, so this is a key benefit.</p> <p>With that, inflation-linked bonds can behave differently though the cycle, offering diversification in risk drivers in certain scenarios. One important consideration is duration risk, where inflation-linked bonds are often longer-dated securities, with meaningful interest-rate sensitivity. Interest rates can often move higher (meaning bond prices fall) at the same time as inflation, and this can at times undermine the benefits from the inflation protection.</p> <p>The market is starting to price in meaningfully higher inflation rates over the next five to 10 years. U.S. Treasury Inflation-Protected Securities continue to offer protection against an inflation shock, but increasingly at prices that have already adjusted with the recent pressures we have seen.</p>

OTHER ASSETS

Asset Class	Conviction	Rationale
U.S. Municipal Bonds	Low to Medium	<p>Backdrop</p> <p>Municipal bonds have also experienced recent setbacks, against a backdrop of rich valuations, as well as low absolute yields.</p> <p>Municipal-bond investors have sought liquidity, and the early forced selling in the pandemic has largely been reversed by generous support from the US government and Federal Reserve. High-yield municipal bonds were the most volatile during this environment, posting the biggest losses in the first few months of 2021 but since recovering to be one of the best performers of the year. The asset class has experienced meaningful improvement as investors poured a record amount of cash into the asset class, to surpass 2019's inflow record.</p> <p>Outlook</p> <p>Yields on high-quality municipal bonds remain low. On this basis, we continue to expect municipal bonds' absolute after-tax returns to be subdued but perhaps higher than the after-tax returns from other U.S. fixed-income investment-grade bonds.</p> <p>Although fundamentals of state and local governments held up better than expected in the wake of the pandemic, uncertainty around additional fiscal aid leaves room for volatility. It's also worth noting that a sharp rise in rates could cause an outflow cycle, which could hinder the asset class's performance.</p>

Asset Class	Conviction	Rationale
Global Infrastructure <ul style="list-style-type: none"> U.S. Energy Infra & MLPs 	Low to Medium Medium to High	<p>Backdrop</p> <p>Energy-related investments were under pressure prior to the COVID-19 pandemic, and that pressure increased dramatically when the pandemic sapped demand and caused oil prices to crumble. While the path to demand recovery was uncertain, valuations became very attractive under most scenarios.</p> <p>Since those lows, energy has made a strong recovery, supported by a higher oil price.</p> <p>Outlook</p> <p>While oil prices are significantly higher than the 2020 lows and energy infrastructure equity prices have rebounded strongly, we continue to believe the sector trades at a discount to the overall U.S. equity market.</p> <p>We believe high dividends will entice investors back into the sector as U.S. production stabilizes and demand continues to recover. We also cite further governance and capital-allocation discipline. Specifically, our expectation is for a meaningful reduction in capital expenditures by energy infrastructure companies on growth projects, with overall spend being reduced towards maintenance, or “steady-state” levels. Headwinds remain amid the Biden administration’s push to address climate change, but the transition to renewable energy is likely to be a long path, potentially allowing for an extended period of robust free-cash-flow generation for the industry—which we anticipate will be used to strengthen balance sheets and return cash to shareholders.</p>

Asset Class	Conviction	Rationale
Listed Property <ul style="list-style-type: none"> U.S. REITs Global REITs 	Low to Medium Low to Medium	<p>Backdrop</p> <p>Global real estate investment trusts (GREITs) have had a unique run since the COVID crisis started, with solid gains before the recent setback.</p> <p>Asia Pacific ex Japan remains among the worst performing region, due to Hong Kong property stocks falling sharply. Hong Kong property developers have fared more poorly than their REIT counterparts thanks to two concerns: 1) the Chinese government looking at regulatory measures to address housing affordability issues, which is expected to hurt profits of residential property developers; and 2) contagion fears associated with potential bankruptcy of Chinese real estate developers including Evergrande.</p> <p>Outlook</p> <p>While moves to reopen global economies are progressing, we believe that earnings risks remain elevated in the short term. Elsewhere, investors in office REITs face a more depressed rental-growth outlook over the short term and an uncertain outlook over the medium to long term. Time will tell if the trends toward accelerating online sales and working-from-home persists. However, from a valuation perspective, global listed property assets remain relatively expensive. We continue to see superior opportunities elsewhere.</p>

Alternatives

Alternatives have delivered mixed results since the pandemic, although continue to warrant investor attention given the stretched valuations in stocks and bonds.

More specifically, with low bond yields and a difficult forward-looking landscape for equities, alternative assets can appeal, given that returns from this asset class have a lower direct relationship with the performance of traditional asset classes such as equities and bonds. Investment selection remains critical, however, with our preference for genuinely diversifying assets with a focus on reasonable cost and liquidity.

Currency

While currencies are notoriously volatile, we tend to think of currency positioning via the lens of portfolio robustness (targeting defensive characteristics where sensible) but also as a potential source of return at extremes.

At this level, we aren’t seeing any extreme currency moves in the major markets, although some emerging markets have seen significant moves. More broadly, exposure to the Japanese yen and the British pound continues to appeal, although our conviction to the latter has diminished in more recent times. In aggregate, we maintain select exposure to foreign currencies, all things being equal, and subject to individual portfolio objectives, with the Japanese yen in particular expected to provide diversification qualities and help preserve capital in times of market stress.

Cash

We currently have a balanced view regarding cash levels. On one hand, the market vulnerabilities are worth protecting against, but our research points to some meaningful dispersion across asset classes, which presents an opportunity for investors. The key is to selectively allocate to the most attractive asset classes rather than take widespread market-cap exposure.

More pointedly, we see our cash reserves serving three purposes. First, cash helps reduce the sensitivity to interest-rate rises, especially relative to long-dated bonds, which we believe is an important risk to manage. Second, cash should help buffer the portfolio from any future volatility resulting from a fall in equity markets. And third, cash provides us with ample liquidity to take advantage of investment opportunities as they arise.

A Reminder of Morningstar's Investment Principles

These principles are the back-bone of the organization and are intended to guide our thinking, behavior and decision making. The process has been inspired by a number of the most experienced and successful investors in the last century and also aligns with the history and founding purpose of Morningstar. The investment principles that guide our way of thinking are listed below:

01



We put investors first. We believe the firms that put investors first win in the long term because their investors win. Since 1984, Morningstar, Inc. has been helping investors reach their financial goals. Our fiduciary duty to our principals is paramount.

02



We're independent-minded. To deliver results, we think it's necessary to invest with conviction, even when it means standing apart from the crowd. Our research shows that making decisions based on fundamental analysis, rather than short-term factors and sentiment, delivers better long-term investment results.

03



We invest for the long term. Taking a patient, long-term view helps people ride out the market's ups and downs and take advantage of opportunities when they arise. Investing with a multi decade horizon aligns with investors focus on increasing their purchasing power over their lifetimes. The long term is the only period where fundamental, valuation driven investing works.

04



We're valuation-driven investors. Anchoring decisions to an investment's fair value—or what it's really worth—can lead to greater potential for returns. Valuation-driven investing through a long-term focus on the difference between price and intrinsic value enables investors to get more than they're paying for.

05



We take a fundamental approach. Powerful research is behind each decision we hold, and we understand what drives each investment we analyze. Fundamental investing incorporates a focus on the future earnings of an investment and not its prospective price change.

06



We strive to minimize costs. Controlling costs helps investors build wealth by keeping more of what they earn. Investment returns are uncertain, but costs are not. Lower costs allow investors to keep more of their returns.

07



We build portfolios holistically. To help manage risk and deliver better returns, truly diversified portfolios combine investments with different underlying drivers. Portfolios should be more than the sum of their parts. True diversification can have a powerful impact on a portfolio's risk-adjusted returns – but simply holding more investments isn't the same as true diversification.

Disclosures

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About Indexes

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MORNINGSTAR Managed Portfolios **MORNINGSTAR**

22 West Washington Street
Chicago, IL 60602 USA

+ 1 877 626-3227

ManagedPortfolios.US@morningstar.com

www.mp.morningstar.com