

# Investment Philosophy

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## Sub-adviser: Morningstar Investment Services



With Lifetime Wealth Portfolios<sup>SM</sup> you have a choice of sub-advisers to help manage your investment portfolio. Each sub-adviser offers a distinct investment philosophy to help meet your financial goals. Morningstar Investment Services is one possible sub-adviser option whose deep capabilities are integrated into the platform.

Morningstar Investment Services uses an objective, independent research process to construct diversified portfolios designed to meet your unique needs and objectives. Each portfolio built uses actively managed "best-in-class" mutual funds identified through qualitative and quantitative evaluation. In addition, strategic asset allocation strategies are employed to create efficient portfolios based on long-term market expectations.

## The Investment Process

### Asset Allocation

Morningstar Investment Services leverages Ibbotson Associates' pioneering asset allocation models to create diversified portfolios by considering long-term historical performance and the relationships between asset classes. This ensures that your asset allocations will conform to your risk/reward profile and helps you avoid the excessive transaction costs normally associated with frequent trading.

### Fund Selection

Morningstar Investment Services searches a broad universe of mutual funds to populate the various sleeves of your recommended asset allocation. Its research is based on rigorous review of various quantitative data such as risk-adjusted performance metrics and holdings-based portfolio statistics, as well as an exhaustive qualitative due diligence process that consists of interviews with portfolio managers and on-site visits. Based on the research gathered, the investment team evaluates a fund's merits on the following key factors:

- *Investment Process* - Only consider fund managers who employ a disciplined, proven process, exemplified by insightful security and valuation analysis, active risk management, and strong idea generation.
- *People* - Judge the depth and capabilities of the investment team and stability of the organization, as well as management's tendency to act in the best interests of shareholders.
- *Performance* - Only consider funds that have the potential to deliver solid, risk-adjusted performance in a consistent manner over time.
- *Capacity* - Evaluate if the investment strategy is constrained by assets under management and what steps management has taken to address capacity.
- *Expenses* - Review the fund's expenses from multiple angles and within the proper context to understand future performance activity.
- *Other Factors* - Consider the fund's fit within a portfolio, attractiveness within a given market environment, access to fund management and information, and other subtle yet important factors.

### Portfolio Construction

Once Morningstar Investment Services identifies the funds it considers "best-in-class", it constructs portfolios that are cohesive, well-diversified, and consistent with your investment objectives. As part of this process, it carefully considers the nature of each fund's strategy and how the fund is likely to perform in a variety of market climates, factoring in the incremental diversification benefits the fund may provide to the overall portfolio. The goal is to construct your portfolio to span a diverse yet highly cohesive set of funds that remain aligned with your financial goals.

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## **Risk Management**

Morningstar Investment Services believes in maintaining portfolios with the highest quality of funds and continuously monitors your portfolio to ensure that it remains in line with your risk and return objectives. It will make changes to the portfolio if its confidence decreases for fundamental reasons, such as management turnover, or if performance falls short of expectations. Your account is also evaluated to determine if adjustments are needed to bring position sizes back into alignment.

### *Rebalancing and Reallocating*

Morningstar Investment Services regularly evaluates the target position and rebalancing threshold for every mutual fund in your portfolio. When a fund reaches its predetermined deviation threshold, Morningstar Investment Services immediately evaluates your account to determine if it needs to make adjustments to bring your portfolio back into alignment.

Morningstar Investment Services follows Ibbotson Associates' asset allocation models to explicitly manage your portfolio, factoring in your insurance allocations as applicable. For instance, Morningstar Investment Services will consider the cash value of your life insurance in ensuring that your portfolio's asset allocation remains consistent with your objectives and risk parameters, adjusting the portfolio's financial assets as necessary.

## **Get Started**

Lifetime Wealth Portfolios<sup>SM</sup> is a proprietary managed account platform offered exclusively through Eagle Strategies LLC.

For more information on Lifetime Wealth Portfolios<sup>SM</sup> and how Morningstar Investment Services can help manage your investments, please contact your financial adviser.

Past performance is no guarantee of future results. There is no guarantee that an investment objective will be met. All investments involve risk, including loss of principal.