



# Compliance Policy Manual for Morningstar Research Services LLC

July 2020

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## Introduction

### Supervised Rules and Regulations:

#### **Investment Advisers Act of 1940**

- Rule 206(4)-7

Morningstar Research Services LLC (“Research Group”) is an investment adviser registered with the United States Securities and Exchange Commission (“SEC”) pursuant to Section 203 of the Investment Advisers Act of 1940, as amended (“Advisers Act”). As a registered investment adviser, the Research Group must comply with the Advisers Act and its rules and regulations.

This Compliance Policy Manual (“Manual”) sets forth the Research Group’s policies and responsibilities with respect to the Advisers Act.

The U.S.-based registered investment advisory compliance staff (the “Compliance team”) is responsible for implementing and overseeing the compliance program, including the policies set forth in this Manual. In instances where an issue or situation is not covered within the Manual, please contact a Compliance team member. General compliance requests can also be sent to [compliancemail@morningstar.com](mailto:compliancemail@morningstar.com). In addition, the Chief Compliance Officer may, at his/her discretion, grant exceptions to the policies and responsibilities noted herein.

### **Responsibility**

All persons associated with the Research Group are responsible for taking steps necessary to support a “culture of compliance”. This “culture” can be created by having an environment that recognizes and supports the role of strong compliance and ethical practices. Such persons can show their support by attending compliance meetings and completing any related requirements, timely completion of compliance reporting responsibilities, and bringing matters to the attention of the Compliance team that may directly or indirectly impact the Research Group’s ability to comply with its regulatory requirements or its fiduciary responsibility to its clients.

The Research Group is responsible for overseeing activities being performed by its employees. As part of that oversight, such employees will be subject to this Manual.

The Research Group’s employees will be provided a copy of this Manual upon employment/engagement, and whenever material updates are made. Each employee is to sign an acknowledgement of their receipt of the Manual and understanding of its contents within ten calendar days of hire/engagement and within 30 calendar days after the annual delivery of the Manual.

The Research Group is responsible for overseeing activities being performed by Outsourced Persons on behalf of the Research Group. As part of that oversight, the Research Group will require that Outsourced Persons be subject to all or certain sections of this Compliance Manual. Outsourced Persons will be informed of that expectation and be provided the necessary training to fulfill the responsibilities noted within any section that applies to them. Outsourced Persons periodically will be asked to certify to the Compliance Department that they are performing their activities or reporting information in a manner consistent with the applicable section or sections of the Compliance Manual.

### **Terms of this Manual**

This section provides clarity on terms that are used throughout the Manual.

#### **Advisory Clients**

- The term “Advisory Client” refers to a financial institution who engages Morningstar Research Services to provide investment advice based on the financial institution’s facts and circumstances (i.e., providing *personalized* investment advice).
  - For purposes of this Manual, a financial institution who engages Morningstar Research Services directly or through one or more Morningstar, Inc.’s software products to obtain access to Morningstar Research Services’ generic/impersonal investment research **is not** considered an Advisory Client.

#### **Chief Compliance Officer**

- The term “Chief Compliance Officer” refers to Lori Loftus.

#### **Client**

- The term “Client” refers to Advisory Clients and Investment Research Clients collectively.

#### **Investment Research Clients**

- The term “Investment Research Client” refers to a financial institution which has access to Morningstar Research Services’ investment research either through an agreement with Morningstar Research Services’ directly or through one or more Morningstar, Inc.’s software products.

#### **Outsourced Persons**

- The term “Outsourced Persons” are those persons who are employed by a Morningstar entity other than Morningstar Research Services LLC that support the services provided by Morningstar Research Services.

### **Senior Management**

- The term “Senior Management” includes the President of Morningstar Research Services LLC and her/his direct reports.

### **Supervised Persons**

- The term “Supervised Persons” includes Senior Management, persons employed by Morningstar Research Services LLC and persons who support Morningstar Research Services LLC’s services in some capacity (e.g., technology, marketing, operations), but are employed by a Morningstar entity other than Morningstar Research Services LLC.

# Code of Ethics

## Supervised Rules and Regulations:

### Investment Advisers Act of 1940

- Section 206
- Rule 204A-1

### Securities Exchange Act of 1934

- Section 21F

## General Statement

The Research Group intends for Supervised Persons to subscribe to the highest standards of ethical and professional conduct. The highest duty of care with respect to our advisory services and loyalty to all clients are to be observed. What is in the best interests of users of our investment research and clients of our advisory services is paramount, and any issue that arises must be resolved in a manner that is in their best interests.

In addition to the more detailed and specific regulatory requirements outlined in this Manual, general anti-fraud provisions apply to our activities. As the phrase implies, the anti-fraud provisions within the law are general in nature. As a general matter, if an activity seems untold, extraordinary or unusual, Supervised Person should consult with the Compliance team.

The purpose of the Code of Ethics is to (1) educate Supervised Persons as to the laws governing their conduct; (2) protect the Research Group's reputation; (3) mitigate securities law violations; and (4) to protect Clients by deterring Supervised Persons misconduct.

This Code of Ethics is expected to be complied with both in word and in spirit. Failure to comply with this Code of Ethics in whole or in part is a serious matter that may result in disciplinary action; action that could include termination of employment.

## Fiduciary Duty to Clients

### Background

An investment adviser's fiduciary obligations are not contained within the Advisers Act but come from views expressed by the Supreme Court in *SEC v. Capital Gains Research*. Those views are that a registered investment adviser has the:

- Duty to Disclose
- Duty to Put Clients' Interests First
- Duty to be Fair
- Duty of Care

### Policy

It is the Research Group's policy that Supervised Persons conduct themselves and perform

their assigned duties in a manner consistent with the following fiduciary duties.

- **Duty to Put Clients' Interests First**

- It is Research Group's policy that the interests of the firm or the Supervised Persons do not come before the best interests of the Clients.

- **Duty to be Fair**

- It is the Research Group's policy to treat each similar situated Client and prospective Client fairly.
  - *Equity Investment Research*: Please refer to the "Publishing and Distributing Investment Research" section of the Investment Research Integrity Policy – Equity Research Group for specific details.
  - *Manager Investment Research*: Please refer to the "When providing Manager Research Services, Morningstar analysts must deal fairly and objectively with all clients" section of the Morningstar Manager Research Integrity Policy for specific details.

- **Duty of Care**

- It is the Research Group's policy to perform its duties in a prudent manner and consistent with the following:
  - Recommendations/opinions have a reasonable and adequate basis; supported by thorough, diligent and appropriate research and investigation;
  - Recommendations/opinions are based solely on the merits of the security or securities being recommended or written about; they are not biased by outside pressures such as the relationship the Research Group, Morningstar, Inc., or any of the Research Group's affiliates have or wish to have with the issuer/sponsor of the security; and
  - Facts are clearly distinguished from opinions and output provided to a Client (e.g., investment research report) is clear and complete.

## **Responsibility**

Supervised Persons are responsible for performing their duties in a manner consistent with the above.

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## Professional Responsibilities

### **Background**

Employees of a registered investment adviser are to have qualifications that are commensurate with the duties they perform, and to conduct themselves in an

ethical manner, such as with honesty and integrity.

### **Policy**

It is the Research Group's policy for its Supervised Persons to have the appropriate skills and experience that are commensurate to their assigned duties.

It is the Research Group's policy that Supervised Persons exhibit high moral standards, professionalism, and ethical conduct.

### **Responsibility**

Senior Management is responsible for ensuring Supervised Persons have the appropriate skills and experience to fulfill their assigned duties.

All Supervised Persons are responsible for performing their duties in a manner that exhibits high moral standard and ethical conduct and avoids prohibited activities.

- To that end, Supervised Persons are *prohibited* from:
  - Guaranteeing the investment performance of their recommendations/opinions.
  - Falsely stating or misrepresenting her/his credentials (e.g., professional designation or education).
  - Selling services in a manipulative, deceptive or fraudulent manner.
  - Stating or implying that the SEC or any other federal or state regulatory body endorses or approves the Research Group's services or its investment process/methodologies.
  - Rendering legal or tax advice to Clients.
  - Communicating confidential, non-public information about the Research Group or its Clients to persons outside of the Research Group.
  - Communicating confidential, non-public information about Morningstar, Inc. or its affiliates to anyone outside of Morningstar.
  - Communicating information to Clients that is based solely on rumor or speculation.
  - Buying or selling a publicly-traded security while in possession of inside information or tipping such inside information to others.
  - Signing a Client's name to any document, even if the Client gives permission to do so.
  - Instructing the Client to pay them (the Supervised Person) directly for services rendered by the Research Group.

- Accepting cash or checks payment made payable to the Supervised Person from a Client.
- Lending money to a Client.
- Borrowing money or securities from a Client.
- Settling a Client complaint without following the process described in the Client Complaints section of this Manual.
- Becoming an employee of or serving as a director of an unaffiliated company without the approval of the compliance team and Morningstar, Inc.'s general counsel (if applicable).
- Acquiring or deriving personal gain or profit from a business or investment opportunity that comes to her/his attention as a result of the Supervised Persons' assigned duties.
  - For avoidance of doubt, Supervised Persons can acquire a security as a result of reviewing an investment research report produced by the Research Group provided it is done in accordance with the conditions laid out in the "Personal Security Transactions and Holdings" section below.

## Public Speaking Engagements

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### Background

A public speaking engagement includes participation in a seminar, conference, webinar, videos and any other public forum (including an interactive electronic forum) in which a firm's employee offers an opinion or opinions on one or more securities (e.g., stocks, mutual funds, ETFs).

### Policy

While public speaking engagements are acceptable, it is the Research Group's policy that:

- Supervised Persons adhere to the guidelines set forth in the Professional Responsibilities section above;
- If speaking about a specific stock, ETF or mutual fund, Supervised Persons inform the audience:
  - Of conflicts of interests, either their own or the Research Group that they are aware of (e.g., they own the fund they are speaking about, the company they are speaking about is a Client).
  - Where/how the audience can gain access to our published research on

the security or securities being spoken about (e.g., available at [www.morningstar.com](http://www.morningstar.com)).

- o That their presentation should not be used as a basis for making investment decisions.
- Supervised Persons are not to communicate ratings and opinions that are different from the current published rating or opinion on the security being talked about.
- Supervised Persons are not to accept individual compensation for participating in a speaking engagement where the Supervised Person's participant is sought out because of his or her association with Morningstar.

### **Responsibility**

In addition to adhering to the guidelines set forth in the Professional

Responsibilities above, Supervised Persons are responsible for ensuring:

- If speaking about a specific stock, ETF or mutual fund, to inform the audience of:
  - o conflicts of interests, either their own or the Research Group that they are aware of (e.g., they own the fund they are speaking about, the company they are speaking about is a client of Morningstar Research Services).
  - o Where/how the audience can gain access to our published research on the security or securities being spoken about.
  - o their presentation should not be used as a basis for making investment decisions.
- That they do not communicate a rating or opinion that is different from the current published rating or opinion on the security being talked about.

Supervised Persons are responsible for ensuring:

- Prepared scripts/talking points to be used during the public appearance have been reviewed and approved by the Compliance team.
- The Compliance team is provided final versions of any recorded engagements or transcripts, prior to or at its release to attendees of the event or the public in general.
- For videos that are produced in Morningstar's in-house studio, the Compliance team is given the opportunity to be present during the recording.
- Presentations, handouts, or other materials provided to outside parties in relation to such public statements have been submitted to the Compliance team for review prior to dissemination.

## Clients' Non-Public Information

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### **Background**

Given its relationship with clients (as well as possible contractual provisions), a registered investment adviser is to ensure client's non-public, confidential information is not provided or made accessible to unauthorized persons.

### **Policy**

It is the Research Group's policy to protect Client's non-public, confidential information from being given or made accessible to persons who do not need to know or need access to such information to perform their assigned duties.

### **Responsibility**

If a Supervised Person has or has the ability to access a Client's non-public, confidential information, that Supervised Person is responsible for maintaining its confidentiality including not sharing or providing access to any person who does not need to have such information to perform their assigned duties.

In addition, to mitigate confidential information from being made available to persons who do not need to know such information to perform their assigned tasks, a Supervised Person is responsible for:

- Not discussing confidential information in public places, such as elevators, hallways, or at social gatherings.
- Avoiding use of speaker phones in areas where unauthorized persons may overhear conversations.
- Avoiding exposing documents containing confidential information to areas where they may be read by unauthorized persons (e.g., copy machine).
- Storing documents containing confidential information in a secure location when they are not in use.
- Refraining from using unsecured wireless networks when accessing or using confidential information.

Although maintaining the confidentiality of non-public, confidential information is of utmost importance, it does not preclude a Supervised Person from their duty to report any actual or suspected illegal activities by Clients to the Compliance team.

## Gifts and Entertainment

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### **Background**

A conflict of interest occurs when the personal interests of a person interferes or could potentially interfere with their responsibilities to the firm and its clients.

The overriding principle is that persons should not accept inappropriate gifts, favors, entertainment, special accommodations, or other things of material value that could influence their analysis, opinions, or decision-making or make them feel beholden to a person or firm.

Similarly, persons should not offer gifts, favors, entertainment or other things of value that could be viewed as overly generous or aimed at influencing decision-making or making a client feel beholden to the firm or the supervised person.

Also, there are special rules that govern gifts to elected officials, union official, and labor unions. For example, the Department of Labor requires an “employer,” which includes investment advisers, to file a report each time a gift or business entertainment of the sort described herein is given to a union official or labor organization.

### **Definitions**

For purpose of this Manual, a gift includes:

- Meals;
- Entertainment;
- Travel/lodging;
- Gift baskets or perishable items; and
- Logo-stamped promotional items valued **at more than** \$30 in total.

For purpose of this Manual, gifts ***do not*** include:

- Personal gifts such as a wedding gift, retirement gift or a congratulatory gift for the birth of a child provided it is not in relation to the business of the employer of the recipient.
  - o In determining whether a gift is “in relation to the business of the employer of the recipient,” the Compliance team will consider several factors, including the nature of any pre-existing personal or family relationship

between the person giving the gift and the recipient, and whether the Supervised Person personally paid for the gift. If the Research Group bears the cost of a gift, either directly or by reimbursing the Supervised Person, the gift will be counted towards the \$100 gift limit.

- A gift sent to the Research Group in general or to a specific department within the Research Group where it is shared (e.g., a fruit basket received during the holidays that is left in the tea-point).
- A meal or business entertainment that is not frequent or so excessive as to raise any question of impropriety.
  - o For example, a Supervised Person may accept an occasional dinner invitation if the person who extended the invitation attends the dinner and the purpose of the meeting are to discuss legitimate business or establish a business relationship.

## Policy

It is the Research Group's policy:

- **Gifts**

- o No Supervised Person may receive gift(s) of more than \$100 in total per calendar year from any person or entity that relates to the Research Group's business (e.g., client, prospect, vendor).
    - If, unbeknownst to the Supervised Person, a gift is sent to them and the value of that gift is \$100 or more, the Supervised Person, along with their direct manager, must decide to either make the gift available to other Supervised Persons or to donate the gift to a charity.
  - o No Supervised Person may accept a meal where the person/firm paying for the meal is not present/represented.
  - o No Supervised Person may accept entertainment where the person/firm paying for the entertainment is not present/represented.
  - o No Supervised Person may give or offer to give any gift(s) of more than \$100 per person or entity per calendar year to Clients, prospective Clients, or any entity that relates to the Research Group's business (and includes representatives of such Clients, prospects and other entities).
    - In determining the value of a gift, the higher of the cost or market value is to be used.
- The \$100 gift limit is exclusive of sales tax, shipping and

delivery fees.

- For a gift sent to multiple recipients, the value of the gift is to be pro-rated.
  - For example, if a gift basket valued at \$250 is sent to a Client's marketing department that consists of five employees, for purposes of the \$100 gift limit, each person will be reflected as receiving a \$50 gift.

- **Cash**

- o No Supervised Person may give or accept cash or cash gifts (e.g., gift card) from a Client, prospective Client, or any entity that does business with the Research Group.

- **Entertainment**

- o No Supervised Person may provide or accept extravagant or excessive entertainment to or from a Client, prospective Client, or any person or entity that does or seeks to do business with the Research Group.

- **Solicited Gifts**

- o No Supervised Person may use her/his position to obtain or seek a gift for themselves or for the Research Group.

- **Gift to Elected Officials, Union Official and Labor Unions**

- o Because of the intricacies involved, no Supervised Person may give a gift to an elected official, union official or a labor union without prior approval from the Chief Compliance Officer.

### **Exceptions to the Gift Policy**

- The Research Group may offer a client a registration fee waiver to a Morningstar-related conference in the following instances:
  - o The Research Group must maintain a documented process for determining which clients are offered registration waivers (i.e., all "Tier 1" clients, as defined by Salesforce sales procedures, are offered a waiver.)
  - o Clients are only offered one type of registration waiver (i.e., if a free registration, 50% off waiver, or \$100 off waiver is available, the Research Group must determine one of those types for all clients who are offered a pass.)
  - o Compliance must approve the client determination process, list of clients being offered the waiver, and the waiver type prior to a waiver being offered to a client.
  - o Clients who are offered a registration waiver whose market value is higher than \$100 may not receive any other gift during the year in which the conference took place.

## **Responsibility**

It is the responsibility of the Supervised Person to report gifts they have received via StarCompliance (compliance software). This documentation, at a minimum, should include:

- Name(s) and employer name
- A description of the gift given
- The higher of cost or market value
- Date the gift was given

It is the responsibility of the Supervised Person to report gifts they have given to Clients or potential Clients via Concur (accounting software used by corporate accounting). This documentation, at a minimum, should include:

- Recipient name(s) and employer name
- A description of the gift given
- The higher of cost or market value
- Date the gift was given

It is the responsibility of the Supervised Person not to use her/his position to obtain or seek to obtain a gift for either themselves or for the Research Group.

It is the responsibility of the Supervised Person to consult with her/his direct manager or the Compliance team if there is any doubt as to whether a gift is appropriate to receive or give.

It is the responsibility of the Supervised Person to obtain approval from the Chief Compliance Officer before giving a gift to an elected official, union official or a labor union.

## Conflicts of Interest

### **Background**

A registered investment adviser has a duty to its clients; duty of care, loyalty, honesty and good faith. Compliance with these duties can be supported by avoiding conflicts of interests and, if can't be avoided, fully disclosing material facts concerning the conflict to clients.

In general, conflicts of interests are those situations when the interests of the Supervised

Person or the Research Group differs from the interests of the Client. An activity or situation may be found to involve a conflict of interest even though it does not result in any financial loss to a Client(s).

Conflicts of interests may also arise where the Research Group or a Supervised Person have reason to favor the interests of one Client over another (e.g., Clients in which a Supervised Person has a material personal investment in, persons employed by a Client where a Supervised Person is close friends with or they are relatives).

## **Policy**

It is the Research Group's policy that Supervised Persons ***may not***:

- favor one Client over another similarly situated Client.
- use the knowledge of an unpublished change (e.g., change in a fair value estimate, qualitative rating, or analyst's opinions or an investment recommendation(s) yet to be given to a Client) to profit personally, directly or indirectly, because of such knowledge, including by purchasing or selling such securities.
- Recommend a security without disclosing to an appropriate designated person (e.g., Senior Management) and Client that they have a material beneficial ownership, business or personal relationship, or other material interest in the issuer or its affiliates.
- Negotiate or make decisions regarding the Research Group's use of a vendor or supplier without disclosing to an appropriate designated person (e.g., Senior Management) that they have a material beneficial ownership, business or personal relationship, or other material interest in such vendor or supplier.

It is the Research Group's policy to disclose its conflicts of interests in Form ADV Part 2 and 3.

## **Responsibility**

All Supervised Persons are responsible for complying with the above policies and to perform their assigned duties consistent with the duty of care, loyalty, honesty and good faith.

The Compliance Department is responsible for ensuring conflicts of interests are disclosed in Form ADV Part 2 and 3.

## Personal Security Transactions and Holdings

### **Background**

The personal security records required under Rule 204A-1 are intended as a means of bringing inappropriate trading practices to light. It requires, among other things, an *access person* to report to the Compliance team a list of *reportable securities* in which he or she has a *beneficial ownership* and report transactions in *reportable securities* to the Compliance team. (*Italicized terms* are defined below.)

### **Definitions**

The definitions noted below are specific to this section of the Manual.

- *Access person* is (i) an officer of the Research Group, (ii) a person who makes or participates making an investment recommendation, and (iii) a person who has access to the Research Group's recommendations prior to dissemination to the public and/or Clients.
  - o In addition to written analysis where a reasonable person would view as a 'call to action' (buy, sell, hold), Research Group's investment recommendations include fair value estimate, Analyst Rating for Stocks, Analyst Rating for Funds, Analyst Rating for ETFs, and usage of terms such as 'undervalued/overvalued' or consider buy/sell/hold.
  - o At the discretion of the Compliance team, consultants, independent contractors, or interns used by the Research Group and whose duties may expose them to above information may be considered *access persons*.
- *Reportable securities* are:
  - o Stocks
  - o Municipal or corporate bonds
  - o Derivatives (e.g., options, futures)
  - o Closed-ends funds
  - o Exchanged Traded Products (e.g., ETFs, ETNs)
  - o Hedge funds
  - o REITs
  - o Morningstar restricted stock units (at the time the units vest)
  - o Private placements
  - o Open-end mutual funds (**only** if the Research Group is the fund's investment adviser or sub-adviser)

- o Collective investment trusts (**only** if the Research Group is the CIT's investment adviser or sub-adviser)
- *Beneficial ownership* is where an *access person* has the opportunity, directly or indirectly, to profit or share in any profit derived from a transaction.
  - o Generally, this includes *reportable securities* owned by immediate family members residing in your home (e.g., a *reportable security* held in an account that is under your spouse or partner's name), investment club accounts, or other accounts where you can influence trading decisions.
- This section of the Code of Ethics applies to *access persons* and her/his immediate family.
  - o An *access person's* immediate family consists of her/his spouse or live-in partner, each member of the *access person's* household, and any other person or entity whose investment activity could reasonably be attributed to the *access person*.

## Policy

It is the policy of the Research Group that all Supervised Persons are considered *access persons*.

It is the policy of the Research Group for *access persons* to report to the Compliance team holdings and security transactions in reportable securities.

It is the policy of the Research Group that *access persons* obtain written approval from the Chief Compliance Officer *prior to* participating in an initial public offering ("IPO") or investing in a private placement (which includes hedge funds).

- Electronic requests to the Chief Compliance Officer for IPO or private placement transactions are to be made through the compliance reporting system.

It is the policy of the Research Group that *access person* who report up through the Head of Equity Research and their immediate family are:

- prohibited from owning a security that the research analyst covers and the close competitors of the security they cover.
- prohibited from directing or influencing any transaction in a security that is on the *Restricted Stocks For Analysts* (that List is available on the Pond) ("Restricted List").

It is the policy of the Research Group that *access person* who report up through the Head of

Manager Research and their immediate family are prohibited from holding/transacting in a publicly traded company that derives a significant portion of their revenue from managing mutual funds.

- Such publicly traded companies will be identified on the Restricted List for Manager Research Analysts.

## Responsibility

*Access persons* (i.e., all Supervised Persons) are responsible for complying with following reporting requirements:

- **Initial Report**—Within ten calendar days of becoming an *access person* (e.g., ten calendar days from hire date), she/he is responsible for providing Compliance (via the compliance trade reporting system) with an accurate and complete list of all *reportable securities* that she/he has a *beneficial ownership* in.
- **Quarterly Report** — Within 30 calendar days after a calendar quarter end, or such earlier date as may be specified by the Compliance team, each *access person* is responsible for ensuring all transactions in *reportable securities* made during the prior calendar quarter are reflected in the compliance reporting system.
- **Annual Report**—Within 30 calendar days after the calendar year-end, or such earlier date as may be specified by the Compliance team, each Supervised Person is responsible for ensuring holdings reflected within the compliance reporting system is an accurate and complete listing of all *reportable securities* in which she or he has a *beneficial ownership* as of the calendar year-end.

It is the responsibility of *access persons* to obtain written approval from the Chief Compliance Officer prior to participating in an initial public offering (“IPO”) or investing in a private placement (which includes hedge funds).

- Such pre-approval can be sought by providing the Compliance team via StarCompliance certain information including, but not limited to:
  - o Name of the issuer/security.
  - o Amount intended to be invested.
  - o Brief explanation of how you came about this opportunity.

It is the responsibility of *access persons* who report up through the ***Head of Equity Research (“Equity Analysts”)*** and their immediate family not hold or transact in a security that they cover or the close competitors of the security they cover.

- In this context, ‘hold or transact in a security’ includes equity or debt securities and applies to each security that derives its value from a security issued by the company,

such as puts, calls, or other derivatives (without regard to the issuer of the put, call, or other derivative).

- While the restriction applies to the individual Equity Analyst, her/his direct manager, their managers and Senior Management must be mindful that if they own a security and seek to influence the covering analyst's work with respect to the issuer, their motivation may be called into question and they may need to demonstrate that they were not promoting personal interests at the expense of the integrity of the analysis.
- Except in situations where the security invests in a sector that the Equity Analyst covers, an Equity Analyst can invest in a mutual fund, closed-end fund or ETF that has a position in one or more of the stocks an Equity Analyst covers or its close competitors.
- For Equity Analysts covering sectors, the Equity Analyst or a member of his or her immediate family may only transact in securities whose investment objective is to track a sector or industry that the Equity Analyst covers if the trade is consistent with the opinion the Equity Analyst has published. A transaction contrary to this rule may only be executed with the advance approval of the Chief Compliance Officer.
- If an Equity Analyst is assigned a company that he or she previously did not cover, and that Equity Analyst owns any security issued by that company or any close competitor, the analyst must sell the security before initiating coverage.
  - o In this context, "initiating coverage" is when the analysis process begins.
    - At the discretion of the Compliance team, exceptions to the above can be made.
  - o If any member of the Equity Analyst's immediate family own any security issued by the company or any close competitor, the immediate family member *will have six months* from the date the company was assigned to the Equity Analyst in which to sell that security.
  - o Notwithstanding anything else contained in this policy to the contrary, the requirements of this provision applies to securities in a "blind" trust, separately managed account, wrap account or similar arrangement and also to the purchase or sale of securities made through an automatic investment plan.

It is the responsibility of Equity Analysts and their immediate family not to execute transactions in any security contained on the Restricted List.

- Equity Analysts are responsible for checking the Restricted List prior to making a transaction and are also responsible for checking the Restricted List on behalf of their immediate family members.

It is the responsibility of *access persons* who report up through the Head of Manager Research (“Manager Research Analysts”) and their immediate family not to own a security of a publicly traded company contained within the Restricted List for Manager Research Analysts located on the Pond.

It is the responsibility of Manager Research Analysts and their immediate family not to execute transactions in any security contained on the Restricted List for Manager Research Analysts.

- Manager Research Analysts are responsible for checking the Restricted List for Manager Research prior to making a transaction and are also responsible for checking the Restricted List for Manager Research on behalf of their immediate family members.

### **Violations**

Violations of this section are handled by Senior Management with input from the Compliance team on a case-by-case basis. The type, severity, and frequency of violations are considered when determining a proper course of action.

In general,

- the first violation will include a written notification to the Supervised Person and a requirement that they re-read the Code of Ethics.
- A second violation will include written notification to the Supervised, a requirement to re-read the Code of, and any additional requirements or conditions deemed appropriate on the Supervised Person’s personal trading.
- Any subsequent violations by the Supervised Person will be handled in accordance with the severity of the violations as determined by Senior Management and may include preclearance of any personal trade by the Supervised Person including their immediate family going forward, disgorgement of profits, recording of the violations in the Supervised Persons employment records (e.g., performance evaluations) and/or outright prohibition of personal investing by that Supervised Person.

## Insider Trading

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### Background

Investment advisers may have access to material information that has not been publicly disseminated. To combat misuse of this information by advisers, their employees, or affiliates, through insider trading or otherwise, Congress added Section 204A to the Advisers Act, requiring an investment adviser to adopt policies and procedures to preserve the confidentiality of information and prevent possible insider trading.

The term “insider trading” is generally considered to include both the use of *material, nonpublic information* to trade securities and the communication of material, nonpublic information to others.

Also,

- information is *material* if there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision or public dissemination of such information will likely affect the market price of the security.
- positive or negative information may be *material*.
- *material* information is not limited to historical facts, may also include future events, projections and forecasts.
- information is *nonpublic* if it has not been disseminated in a manner making it available to investors generally and investors have had an opportunity to absorb the information.
- as a rule, information is not considered public until it is considered absorbed and evaluated by the investment market after completion of the second trading day after the information is released to the public.
- SEC’s historical position is that the term *material nonpublic information* relates not only to issuers but also to the adviser’s investment recommendations and client securities holdings and transactions.

### Policy

It is the policy of the Research Group to strictly prohibit Supervised Persons from trading securities while in possession of *material, nonpublic information*.

It is the policy of the Research Group to strictly prohibit Supervised Persons from communicating (i.e., tipping) *material nonpublic information* to persons who are not Supervised Persons.

- Exception includes communication with the Chief Compliance Officer, Compliance team, and/or Morningstar, Inc.'s Legal team.

### **Responsibility**

It is the responsibility of Supervised Persons to not trade in a security of a company while in possession of *material, nonpublic information* about that company.

It is the responsibility of Supervised Persons to not communicate *material, nonpublic information* to persons who are not a Supervised Person.

- Exception includes communication with the Chief Compliance Officer, Compliance team, and/or Morningstar, Inc.'s Legal team.

It is the responsibility of Supervised Persons to immediately notify her/his manager and the Compliance team that they are in receipt of non- Research Group *material, nonpublic information*.

## Outside Activities

### **Policy**

It is the Research Group's policy for its Supervised Persons not to engage in outside activities that presents a real or perceived conflict of interest.

### **Responsibility**

It is the responsibility of the Supervised Person to obtain written approval from the Compliance team before engaging in any *outside activity* that involves (i) a Client or (ii) having discretion to invest and/or participate in investment decisions, or related investment matters whether compensated for the activity or not.

- For avoidance of doubt,
  - o *Outside activity* is any activity that is not part of a Supervised Person's assigned duties or a Morningstar sponsored activity.
  - o Involvement in social, religious, educational, charitable, civic, or fraternal organization that does not involve the Supervised Person being involved the organization's investment matters does not require written approval from the Compliance team.

- o Obtaining general counsel’s approval under the Morningstar, Inc. Code of Ethics for an outside activity does not take the place of obtaining compliance’s approval under this Compliance Manual’s policies and procedures, and vice versa.

## Confidential Information

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### **Policy**

It is the policy of the Research Group for Supervised Persons not to disclose confidential information concerning the Research Group’s, Morningstar, Inc. or Morningstar, Inc.’s affiliates (“Morningstar’s Family of Companies”) to anyone outside of Morningstar, Inc. and its subsidiaries without the prior approval of the Compliance team.

### **Responsibility**

Supervised Persons are responsible for protecting the confidential information of Morningstar’s Family of Companies.

- Supervised Persons may disclose, after publication, information contained within Morningstar, Inc.’s 10-Q, 10-K, or 8-K.
- Any request for information that is not generally released in the normal course of business, should be referred to the Chief Compliance Officer for determination as to whether such request will be fulfilled.

## Requests from or Visits by Regulatory Authorities

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### **Policy**

It is the Research Group’s policy that all contacts, inquiries, or requests— written or oral— for information or documents by a governmental or self- regulatory authority (e.g., FINRA), are to be reported immediately to the Chief Compliance Officer.

- In the case of telephone requests, the Supervised Person receiving the request should obtain the name, agency, address, and telephone number of the representative making such request.

### **Responsibility**

All Supervised Persons are responsible for reporting any regulatory inquiries to the Chief Compliance Officer.

## Subpoenas or Other Legal Process

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### **Policy**

It is the Research Group's policy that only Senior Management may accept a subpoena or other legal process related to the Research Group.

- If service is attempted upon a person who is not Senior Management, she/he must immediately contact the Chief Compliance Officer.

### **Responsibility**

All Supervised Persons are responsible for adhering to the policy described above.

## Reporting Violations

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### **Background**

Rule 204a-1 of the Advisers Act requires all employees of an investment adviser to report promptly any violations of the firm's Code of Ethics that occurred or are about to occur to either to the compliance department or to a third party designated by the firm.

In addition, the Dodd-Frank Act contains provisions with respect to whistleblowers who report fraudulent activities at financial services firms. Section 922 of the Dodd-Frank Act provides that the SEC will pay awards to eligible whistleblowers that voluntarily provide the SEC with original information that leads to a successful enforcement action yielding monetary sanctions of over \$1 million. An "eligible whistleblower" is someone who possesses a reasonable belief that the information he or she is providing relates to a securities law violation that has occurred, is ongoing, or is about to occur, and who provides that information in the manner as required under Section 21F(h)(1)(A) of the Securities Exchange Act of 1934. The Dodd-Frank Act also expressly prohibits retaliation by employers against whistleblowers and provides them with a private cause of action if they are discharged or discriminated against by their employers in violation of the Dodd-Frank Act.

### **Policy**

It is the policy of the Research Group for Supervised Persons to alert the Chief Compliance Officer immediately of any actual or suspected violations of applicable securities laws, Code of Ethics, or any other suspected wrongdoings.

- The Compliance team will, to the extent reasonably possible, keep confidential (i) the identity of the reporting employee, (ii) the information provided, and (iii) any

subsequent discussions or actions in response to the reporting employee's notification. During any investigation, however, the Chief Compliance Officer and Compliance team may find it necessary to share information with others on a "need to know" basis.

It is the policy of the Research Group to prohibit any form of intimidation or retaliation against any Supervised Person that brings any actual or potential violations of Supervised securities laws, Code of Ethics, or suspected wrongdoings to the attention of a Compliance team member or to the SEC directly under its whistleblowing program.

### **Responsibility**

All Supervised Persons are responsible for alerting the Chief Compliance Officer and/or Compliance team immediately upon becoming aware that the Research Group or any of its Supervised Persons has committed or is about to commit a:

- violation of any securities laws;
- violation of any federal or state law (other than securities laws);
- breach in the Research Group's fiduciary duty arising under any federal or state laws;
- Code of Ethics violation; or
- An act of wrongdoing such as, but not limited to, bribery, theft, falsifying documents, destroying/deleting documents or lying to regulators.
  - o Such notification should be in writing and include documentation supporting the evidence of the violation.
  - o In lieu of notifying the Chief Compliance Officer directly, notifications can be sent using the Global Compliance website ([www.integrity-helpline.com/morn.jsp](http://www.integrity-helpline.com/morn.jsp)) or by calling 1-800-555-8316.
  - o Although Supervised Persons are encouraged to report violations as outlined above, Dodd Frank does not require that violations be reported internally prior to reporting such violations to the SEC.

Supervised Persons are not to intimidate or retaliate against a fellow employee who has reported to the Chief Compliance Officer or the SEC evidence of a material violation or any other suspected wrongdoing that occurred or is about to occur.

- o The manager of the Supervised Person who reported the improper activities is to monitor to ensure that the employee is not retaliated against due to his or her reporting of the improper activities.
- o Managers are responsible for periodically communicating to their direct

reports the firm's prohibition from intimidating or retaliating against an employee who alerted the Chief Compliance Officer or the SEC regarding potential violations.