



# **Morningstar Research Services LLC Code of Ethics**

March 2017

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## Introduction

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.

In instances where an issue or situation is not covered within the Manual, please contact the Chief Compliance Officer. In addition, the Chief Compliance Officer may, at her/his 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, timely completion of compliance reporting responsibilities, and bringing matters to the attention of the Chief Compliance Officer 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 or persons acting on their behalf. As part of that oversight, such employees/persons will be subject to of this Manual.

The Research Group’s employees and those persons acting on behalf of the Research Group will be provided a copy of this Manual upon employment/engagement, and whenever material updates are made. Each person 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.

### **Terms of this Manual**

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

## **Client**

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

## **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 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

### **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 Chief Compliance Officer.

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 above duties.

- **Duty to Disclose**
  - It is the Research Group's policy to include information on the Research Group's services, its investment process/methodology and conflicts of interests in its Form ADV Part 2, which is publicly available on the SEC website.
  
- **Duty to Put Clients' Interests First**
  - It is Research Group's policy that the interests of the firm or the Supervised Persons does 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.

## Professional Responsibilities

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### **Background**

Employees 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.

- 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.
  - 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.
- 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)).
  - 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.

## Clients' Non-Public Information

### **Background**

Given its relationship with clients (as well as possible contractual provisions), a firm 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.

- If a Supervised Person has or can access 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 Chief Compliance Officer.

## 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.

### **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**.

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.
- 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 nor excessive as to raise any question of impropriety.
  - 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 is to discuss legitimate business or establish a business relationship.

## **Policy**

It is the Research Group's policy:

- **Gifts**
  - No Supervised Person may receive any gift of more than \$100 from any person or entity that relates to the Research Group's business (e.g., client, prospect, vendor).
  - No Supervised Person may give or offer to give any gift of more than \$100 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).
- **Cash**
  - 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**
  - 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**
  - 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**
  - 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.

## **Conflicts of Interest**

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### **Background**

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.

## **Personal Security Transactions and Holdings**

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### **Background**

The personal security records are intended as a means of bringing inappropriate trading practices to light. It requires, among other things, an *access person* to report to the Chief Compliance Officer (or her/his designee) a list of *reportable securities* in which he or she has a *beneficial ownership* and report transactions in *reportable securities* to the Chief Compliance Officer (or her/his designee). (*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.

- 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.
- At the discretion of the Chief Compliance Officer, 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:
  - Stocks
  - Municipal or corporate bonds
  - Derivatives (e.g., options, futures)
  - Closed-ends funds
  - Exchanged Traded Products (e.g., ETFs, ETNs)
  - Hedge funds
  - REITs
  - Morningstar restricted stock units (at the time the units vest)
  - Private placements
  - Open-end mutual funds (**only** if the Research Group is the fund's investment adviser or sub-adviser)
  - 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.
  - 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.
  - 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 Chief Compliance Officer (or her/his designee) 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).

### **Equity Analysts**

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 transacting in a security that is on the *Restricted List for Analysts* (that List is available on the Pond) (“Restricted List”).
- prohibited from transacting in a security that is currently on the Research Group’s 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.

## **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 and/or Morningstar, Inc.'s General Counsel.

## **Outside Activities**

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### **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 Chief Compliance Officer (or her/his designee) 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,
  - *Outside activity* is any activity that is not part of a Supervised Person's assigned duties or a Morningstar sponsored activity.
  - 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 Chief Compliance Officer.

## Confidential Information

### **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 Chief Compliance Officer (or her/his designee).

- 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.

## Reporting Violations

### **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 including.

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