

Morningstar  
2018  
Shareholders'  
Meeting

Welcome

Joe Mansueto  
Executive Chairman

Business of Annual Meeting

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Management Presentations

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Break

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Questions and Answers

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To send in a question for the Q&A session, please visit:

<http://morningstar.socialqa.com>



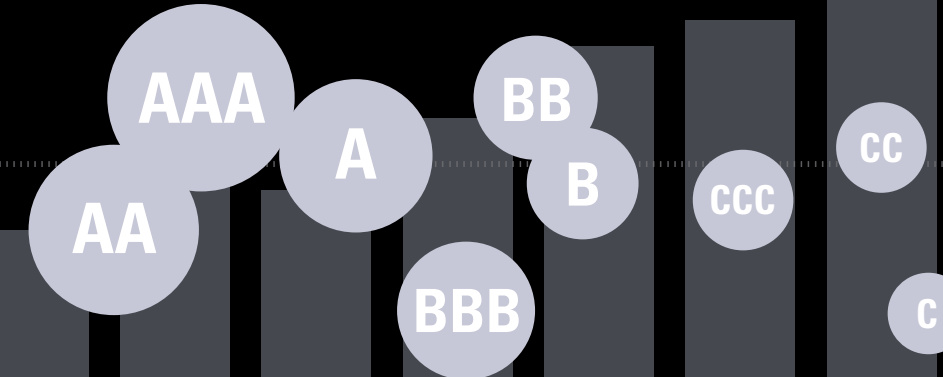
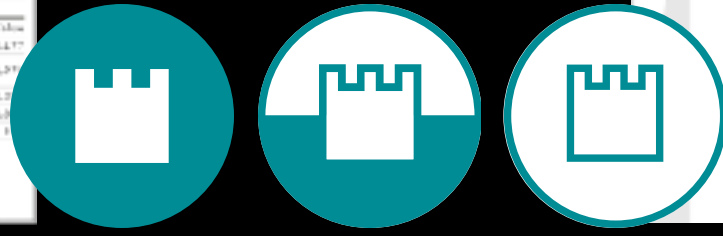
Morningstar Update

Kunal Kapoor  
Chief Executive Officer

**Today's presentations contain forward-looking statements. All statements made that are not historical facts are subject to a number of risks and uncertainties, and actual results may differ materially. Please refer to our most recent earnings release and our most recent Form 10-Q or 10-K for more information on the factors that could cause actual results to differ.**

**Today's presentations also contain non-GAAP financial measures. Please refer to the slides at the end of the presentations for a reconciliation to the applicable GAAP measures.**

Our mission is to create  
great products that  
help investors reach their  
financial goals.



\$911.7

84 85

91 92

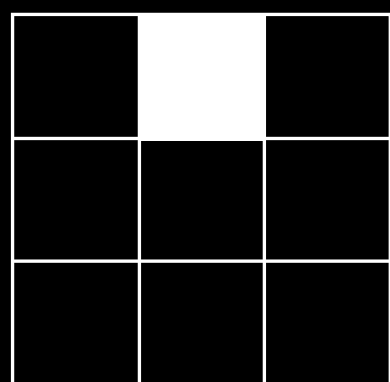
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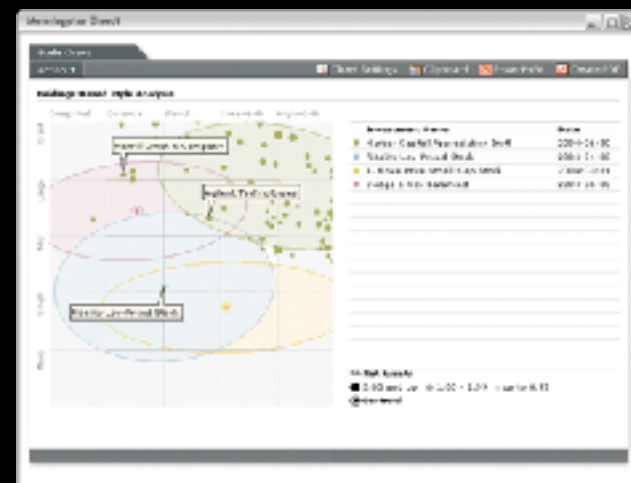


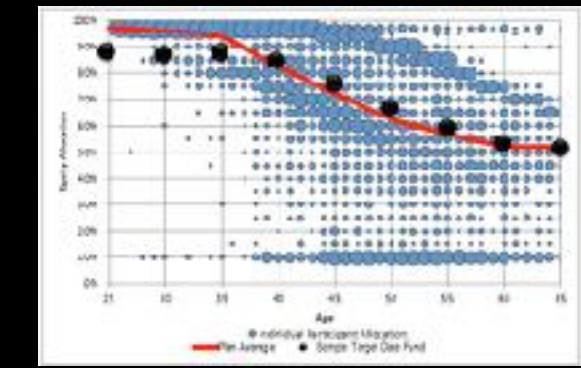
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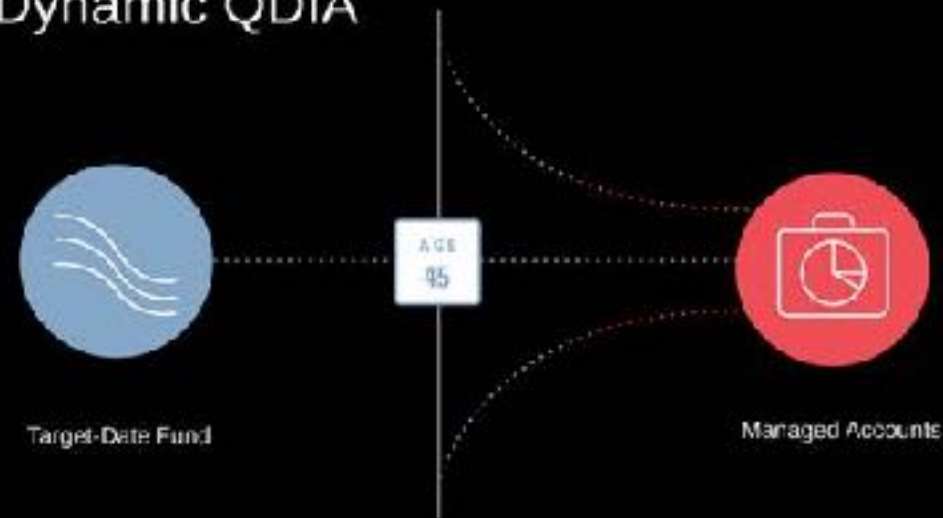
Neutral  
Negative

PitchBook





Empower Launches Dynamic Retirement Manager  
Dynamic QDIA



Private + Public Equity Data



Best Interest Scorecard

	Current	Optimized	Proposed	
Investment Quality	Green	Green	Green	Excellent
Client Fit	Red	Yellow	Green	Above Average
Service Value	Green	Green	Green	Average
Client's Benefit of Rollover from Current	-	Average	Above Average	Below Average
				Poor

HSA Report



Credit Rating REITs

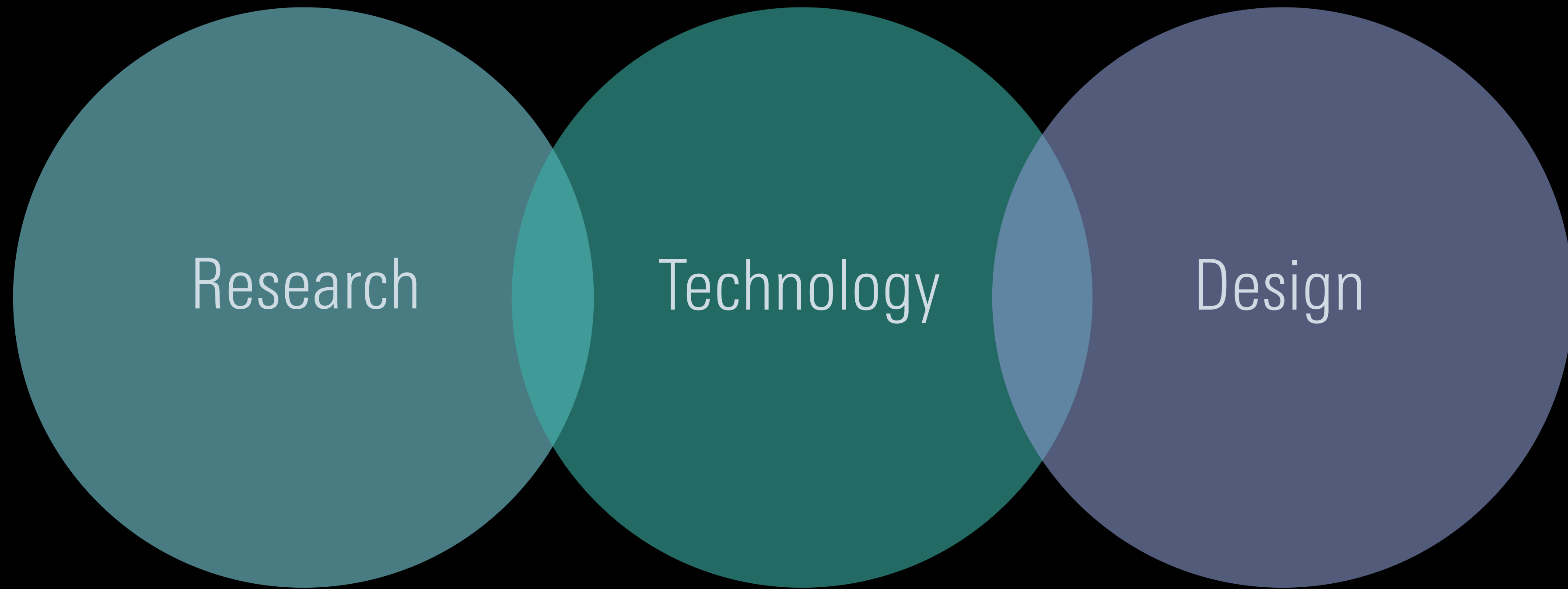


Jan Feb Mar Apr May Jun Jul Aug Sept Oct Nov Dec

2017

# Three Core Capabilities

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# Research Offerings

24 mil  
retirement plan  
participants



The Investor

12 mil  
individuals

255,000  
financial advisors

1,500  
asset management  
firms

300,000  
retirement plans  
through 31 plan providers

2,900  
institutional  
clients

233,200  
open-end  
mutual funds

15,030  
exchange traded  
products

44,290  
stocks

900,000  
private companies

11,135  
closed-end funds

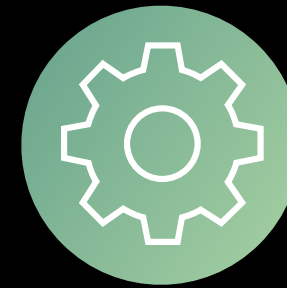
12,000  
mutual funds with  
calculated credit statistics

9,050  
separate accounts

5,540  
collective investment  
trusts

68,750  
insurance, pension, &  
life funds

# Technology Coverage



**200,000**

research inquiries per month  
through Office

**3gb/s**

volume of data processed  
real-time

**~286,000**

portfolio-level reports generated  
per month

**38M+**

transactions imported in  
Q1 2018, ~12.7M/mo,  
424,000/day

**24,000**

number of messages  
sent every minute on our  
data backend



Gold



High



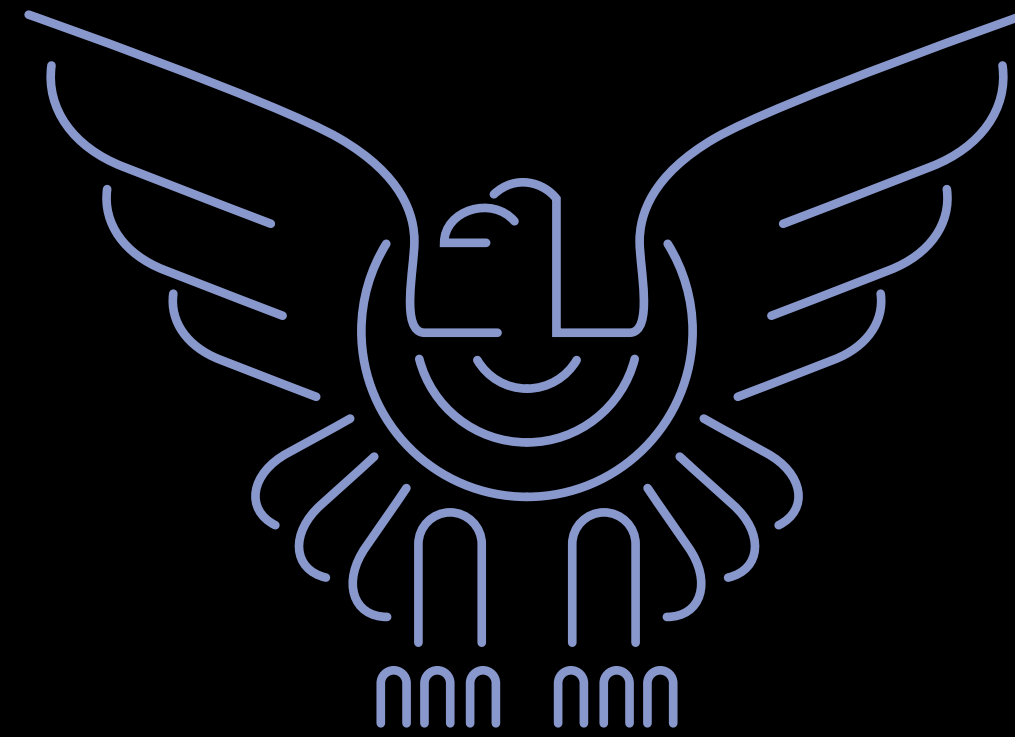


# Industry Landscape

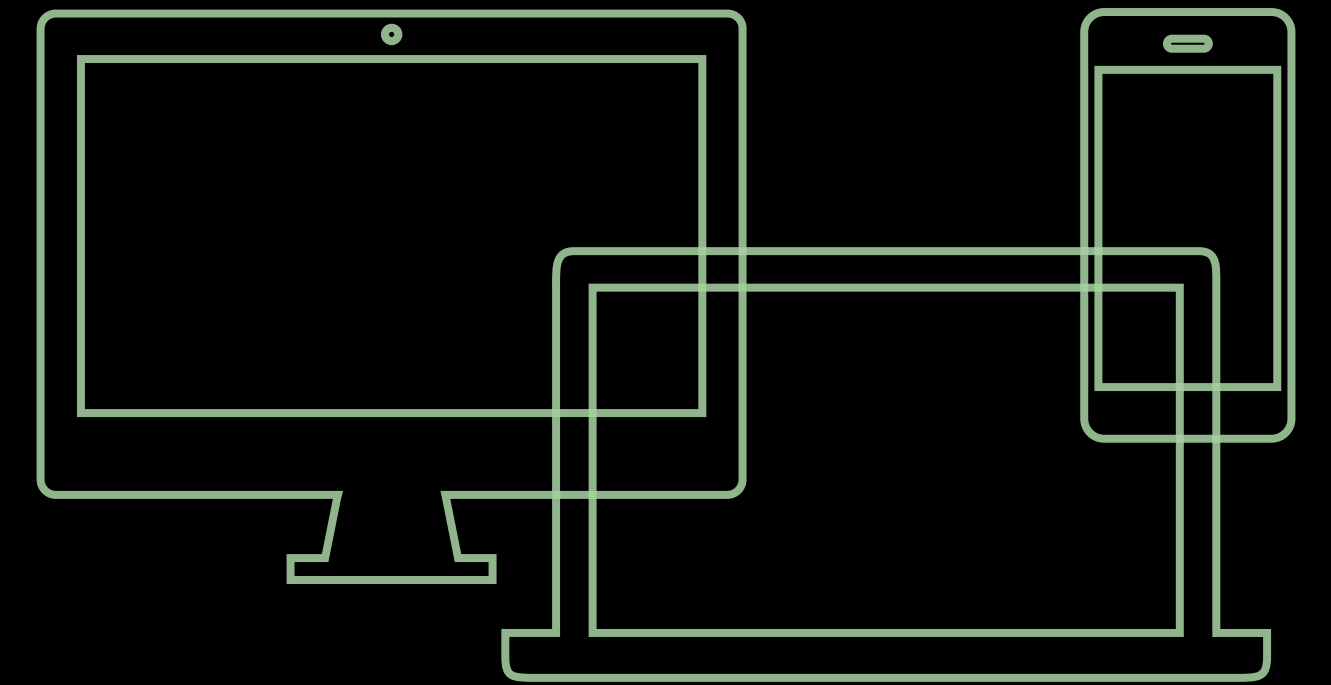
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Declining Fees



Best Interest Advice



Digitization

# Industry Landscape

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## Decision Support

↑ 3.6%  
\$28.5 bil

Global spend on market data/analysis in 2017

## Outsourced Investment Management

↑ 10.3%  
~\$7.4 tril AUM

Morningstar's total addressable market in retirement  
and managed portfolios assets in 2017

# Strategy



Develop Morningstar Direct and PitchBook as our key decision support platforms



Produce the most effective investment data, research, and ratings



Build world-class investment management solutions based on our proprietary research

Advisor

255,000

Asset Management

1,500+

Workplace/  
Retirement

31 plan providers  
285,000 plan sponsors

Individual Investor

11.9 million

Institutional Investor

2,900

# Key Investment Areas

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Morningstar Data

Morningstar Direct

PitchBook

Morningstar Managed Portfolios

Workplace Solutions

Morningstar Credit Ratings

# Morningstar Data

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Managed Products	Fundamental Equity	Retirement Plan	Real-Time
Private Equity/ Venture Capital	Fixed-Income	Indexes	ESG

# Morningstar Data

Indexes

Disruptor

Innovator

JPMORGAN CHASE & CO.



Open Indexes / Ultra Low Cost Indexes

Strategic Beta / ESG / Multi-Asset  
Premium Products

ESG



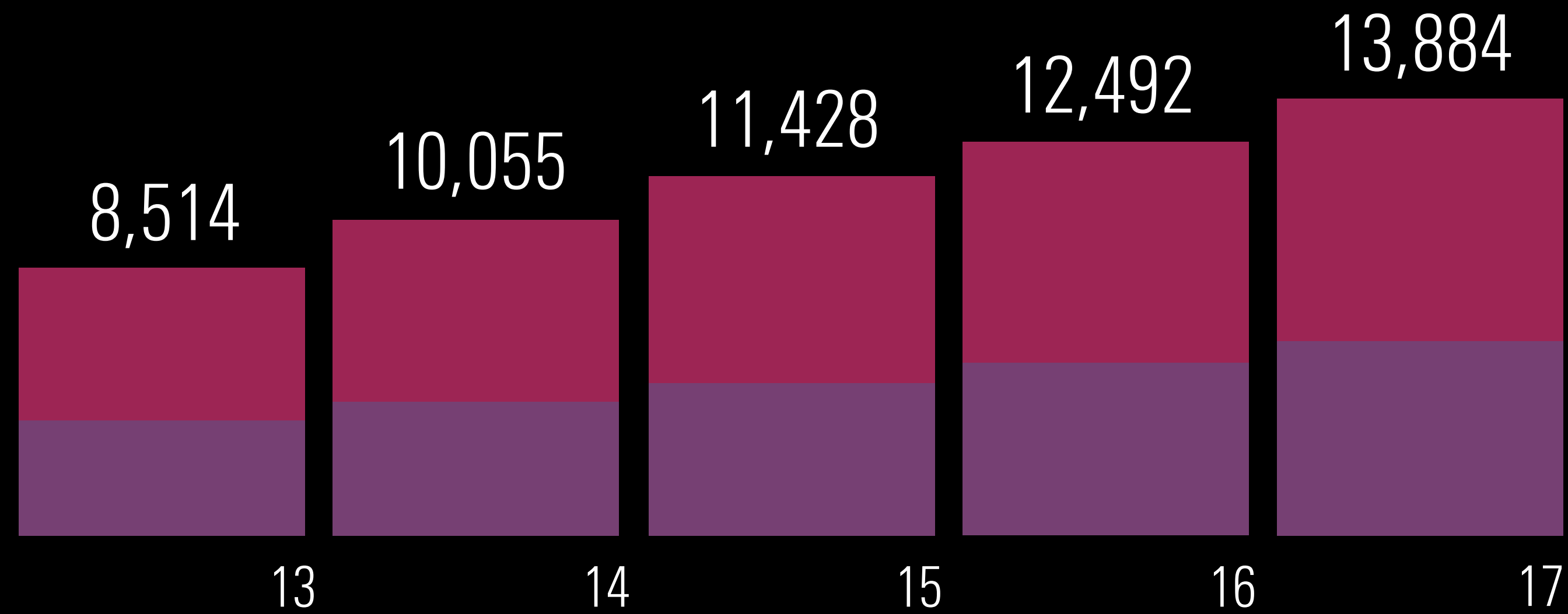
## Low Carbon

**366%**  
Increase in screening and usages  
of ESG data in Morningstar  
Cloud. Usage has risen by 25%  
in Q1 2018



# Morningstar Direct

## Morningstar Direct Licenses



● U.S.	4,830	5,782	6,527	6,972	7,678
● Non-U.S.	3,684	4,273	4,901	5,520	6,206

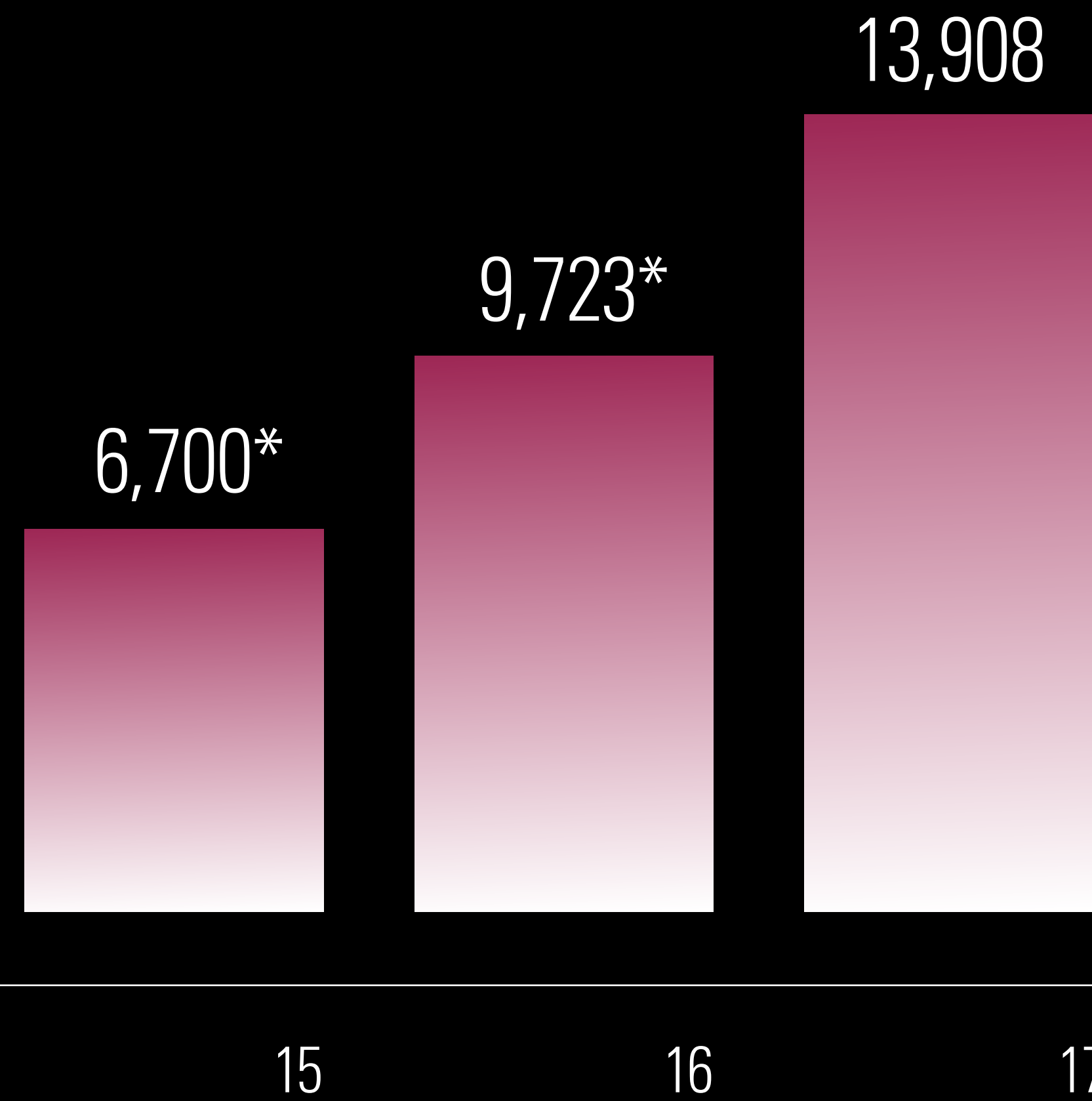
## Your Intelligent Engine

Transform your investment analysis with Morningstar Direct<sup>SM</sup> for Wealth Management.



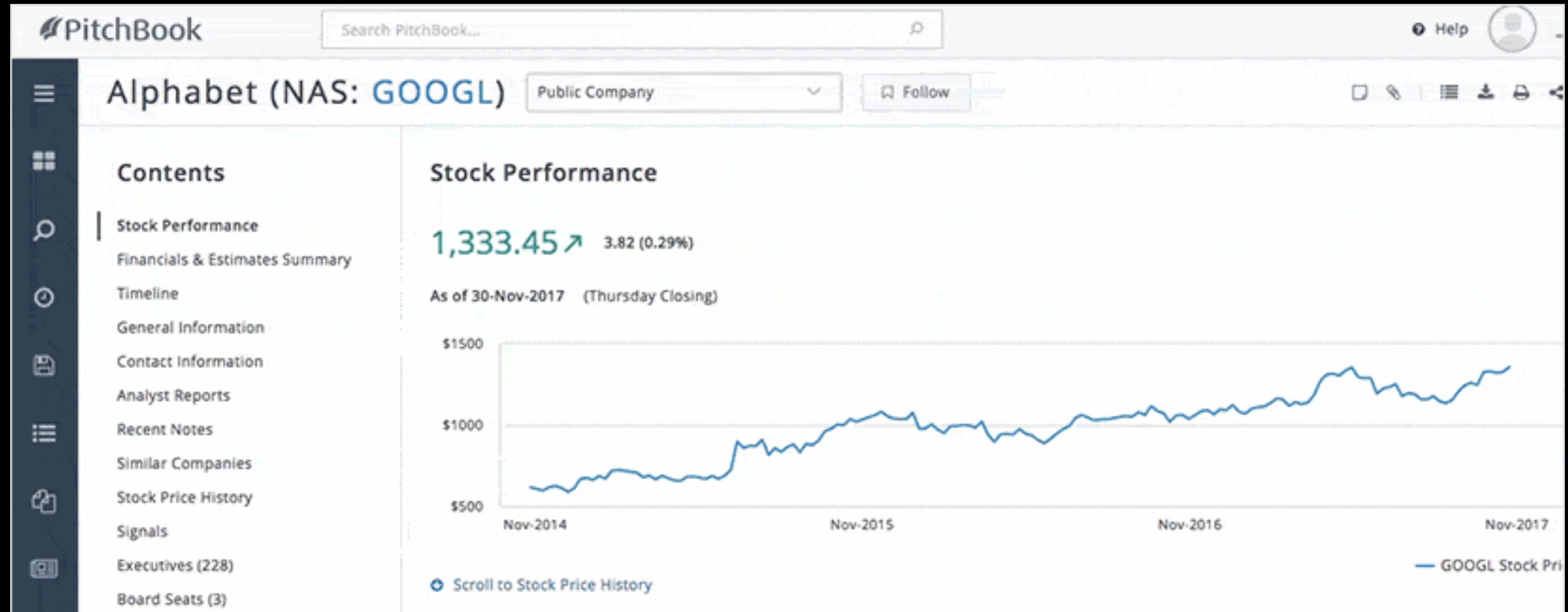
# PitchBook

## PitchBook Licenses



\*Included for informational purposes only; Morningstar did not acquire full ownership of PitchBook until December 2016.

# PitchBook



# Morningstar Managed Portfolios

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↑ 31.8%

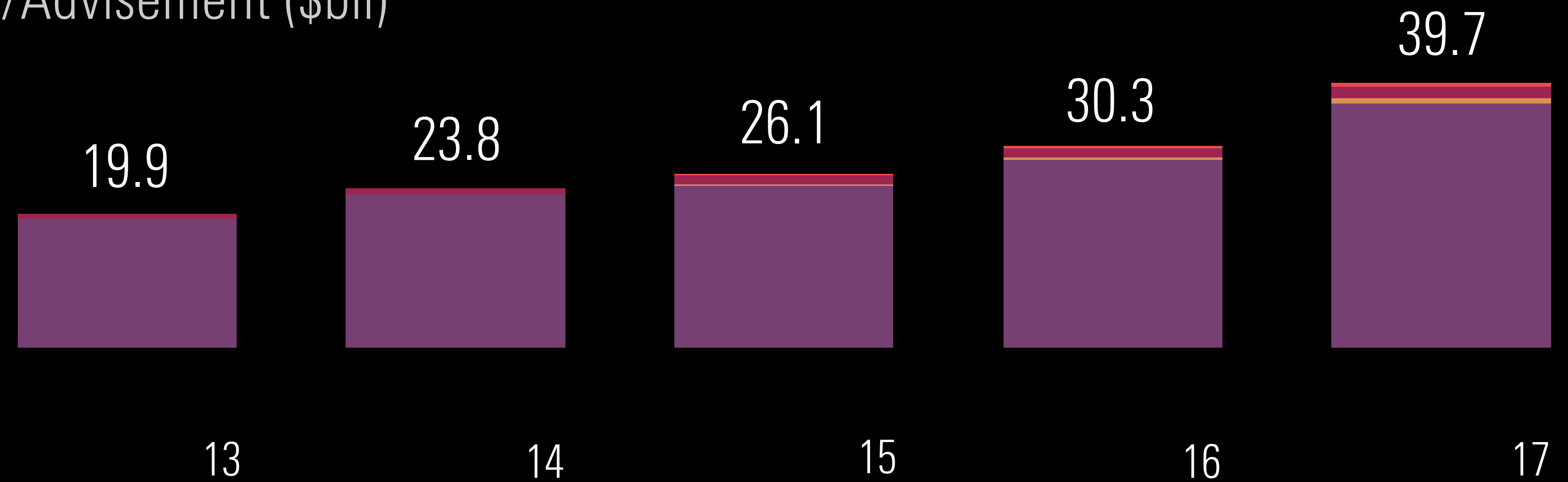
Asset growth in 2017

\$39.8 bil

Assets as of Dec. 31, 2017

# Morningstar Managed Portfolios

Assets Under Management/Advisement (\$bil)



United States	19.3	22.9	24.4	28.1	36.6
United Kingdom	—	0.1	0.2	0.5	0.9
Australia	0.7	0.9	1.2	1.3	1.7
South Africa	—	—	0.3	0.4	0.5

Assets reported in constant currency with the USD as of Dec. 31, 2017.

↑ 22.7%

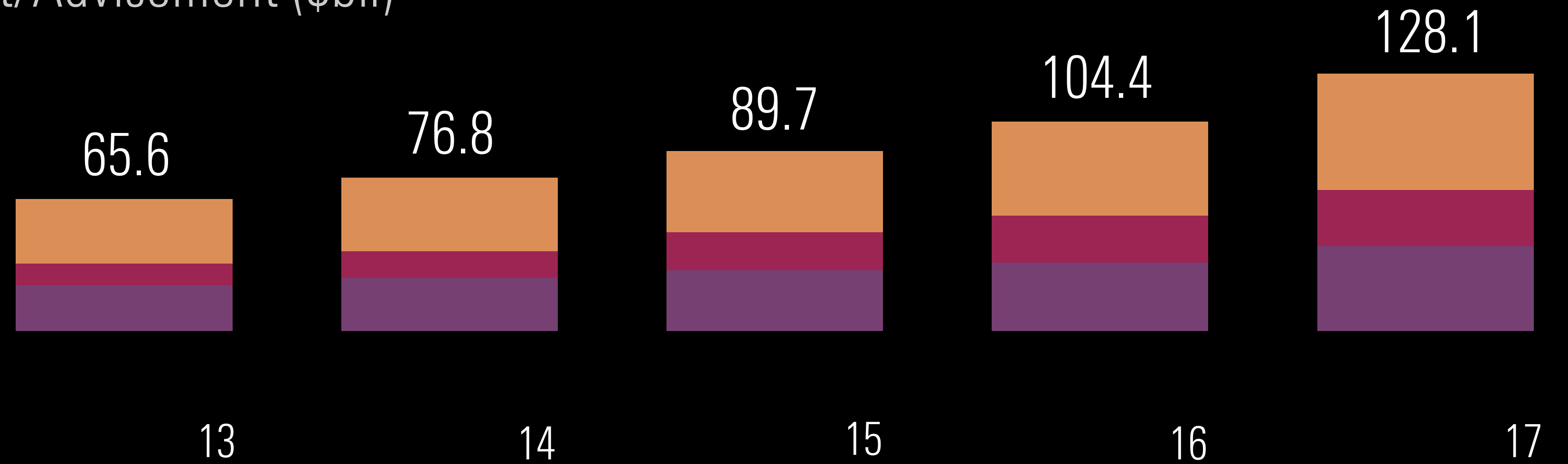
Asset growth in 2017

\$128.1 bil

Assets as of Dec. 31, 2017

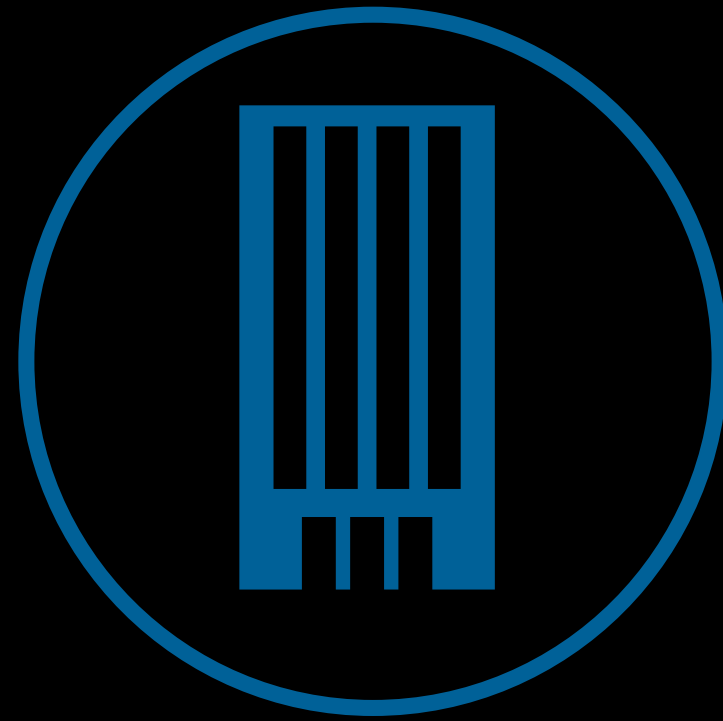
# Workplace Solutions/Retirement

Assets Under Management/Advisement (\$bil)



● Managed retirement accounts	31.7	36.8	40.3	46.9	57.6
● Custom models	11.0	13.3	18.7	23.2	28.0
● Fiduciary services	22.9	26.7	30.7	34.3	42.5

# Morningstar Credit Ratings



Commercial mortgage-backed securities



Residential mortgage-backed securities



Single-family rental securities



Asset-backed securities



Financial institution ratings



Corporate credit ratings



Operational risk assessments

# Morningstar Credit Ratings

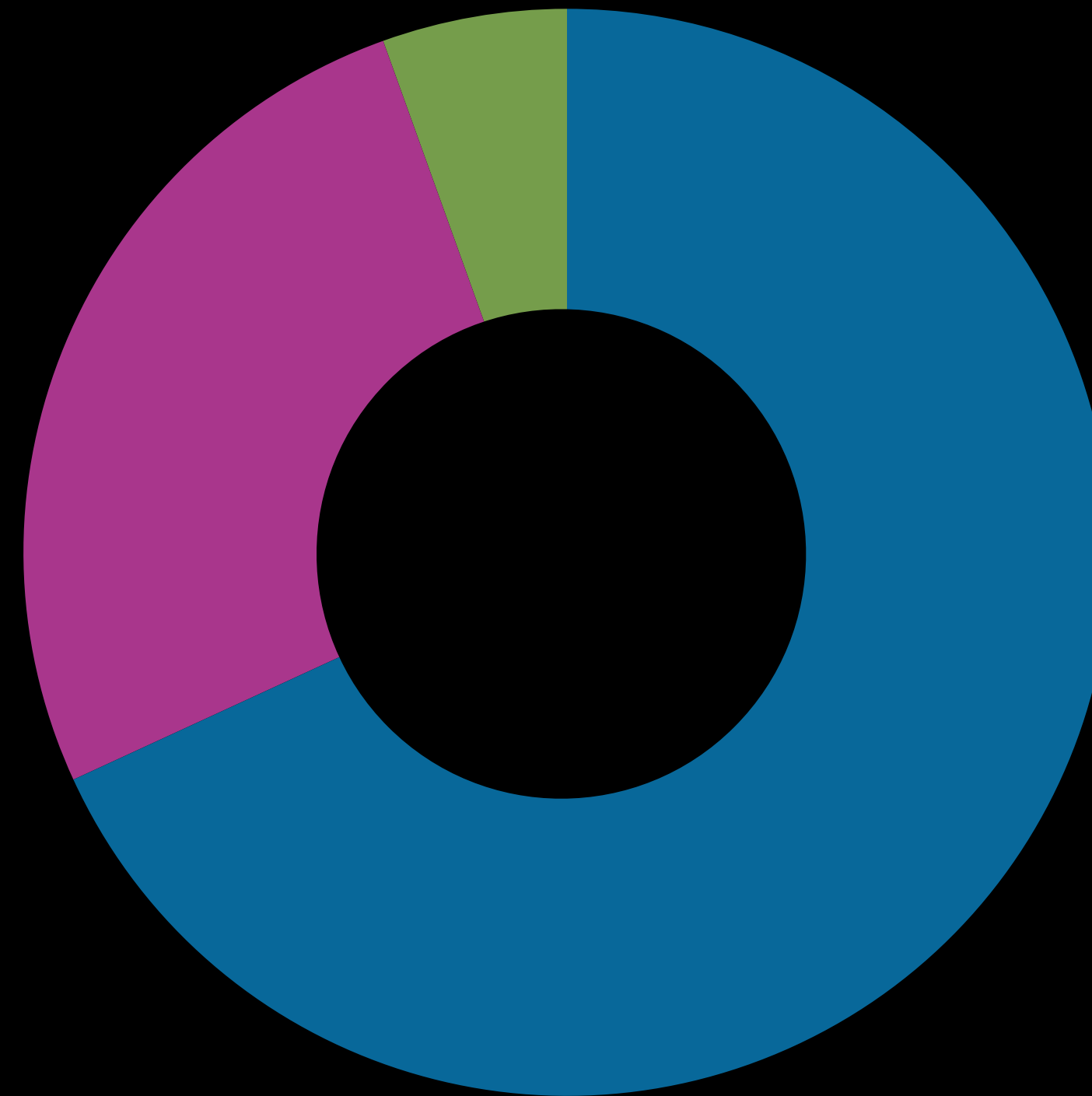
## New Issue Deals by Asset Class

 Commercial mortgage-backed securities

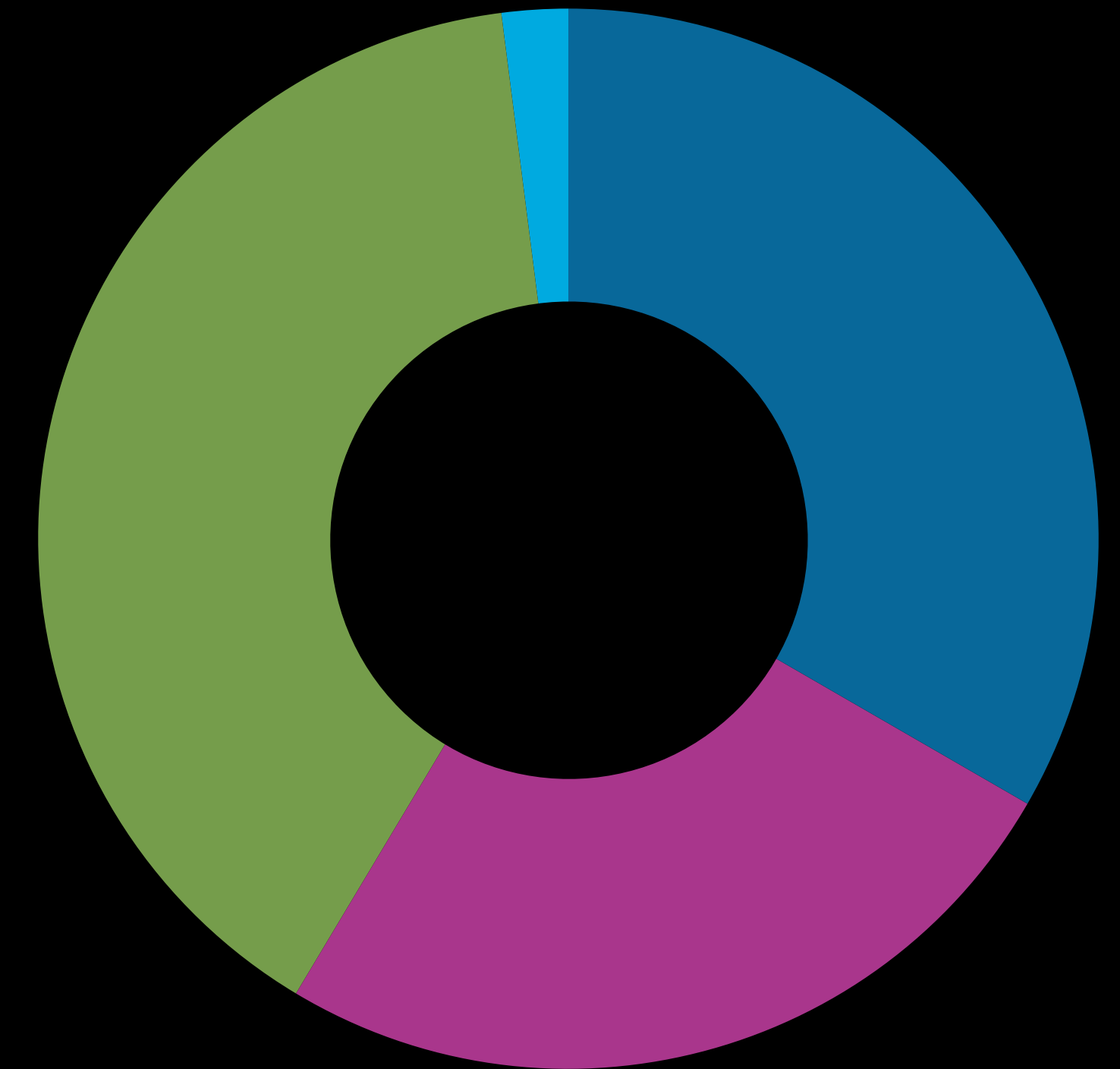
 Residential mortgage-backed securities

 Asset-backed securities

 Corporate credit ratings



2015



2017

# Talent & Culture



# Talent & Culture



Chicago's top 100 tech companies by # of employees



# Financial Highlights

Jason Dubinsky  
Chief Financial Officer

Financial Results

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Capital Allocation

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Value Creation

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# Financial Results

Investors First

Great Products

Great People

Uncompromising Ethics

Entrepreneurial Spirit

Financial Success

## Financial Success

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We believe that when we pursue our mission of creating great products that help investors, financial success will follow. This allows us to reinvest in our business, build long-term shareholder value, and further our work of helping investors.

# Foundation for Financial Success

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Strategy and  
Economic Moat



Unique Culture  
& Global Talent



Brand and Mission



Products & IP

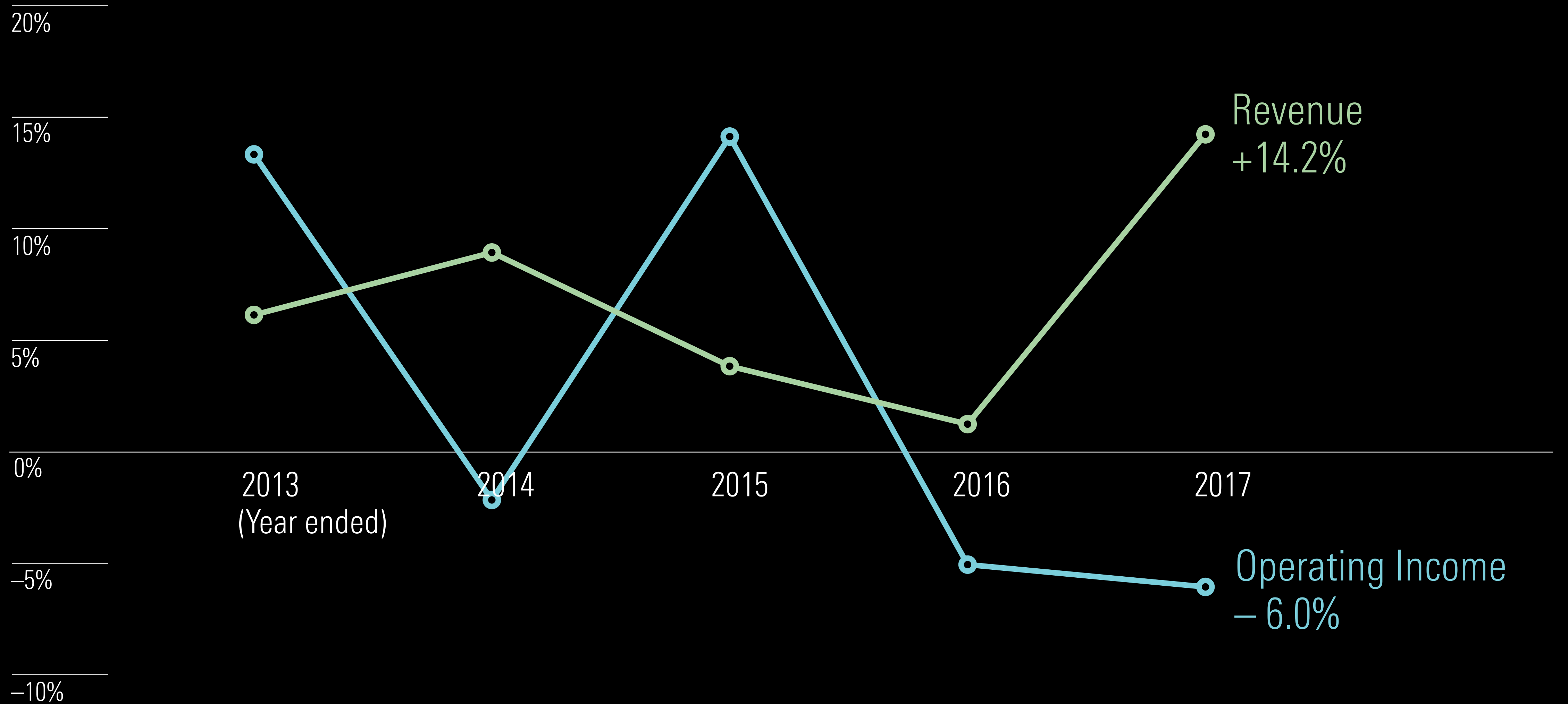


Scalable &  
Diverse Business

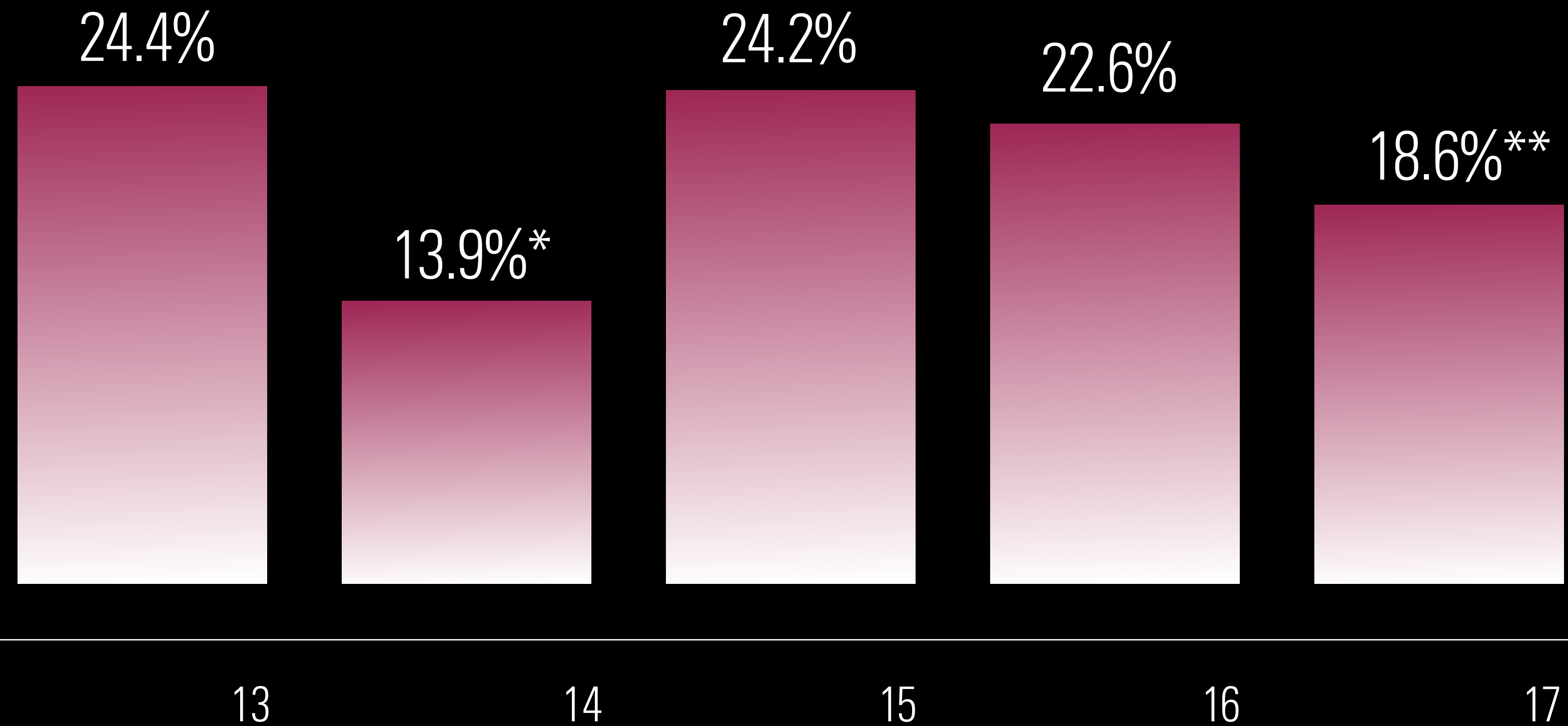


Strong Balance Sheet  
and Cash Flow

# Historical Performance: Revenue vs. Operating Income Growth



# Historical Performance: Operating Margin



\*Includes a \$61.0 million litigation settlement which adversely impacted operating margin by 8.1 percentage points

\*\*Includes a \$4.1 million impairment charge which adversely impacted operating margin by 0.5 percentage points

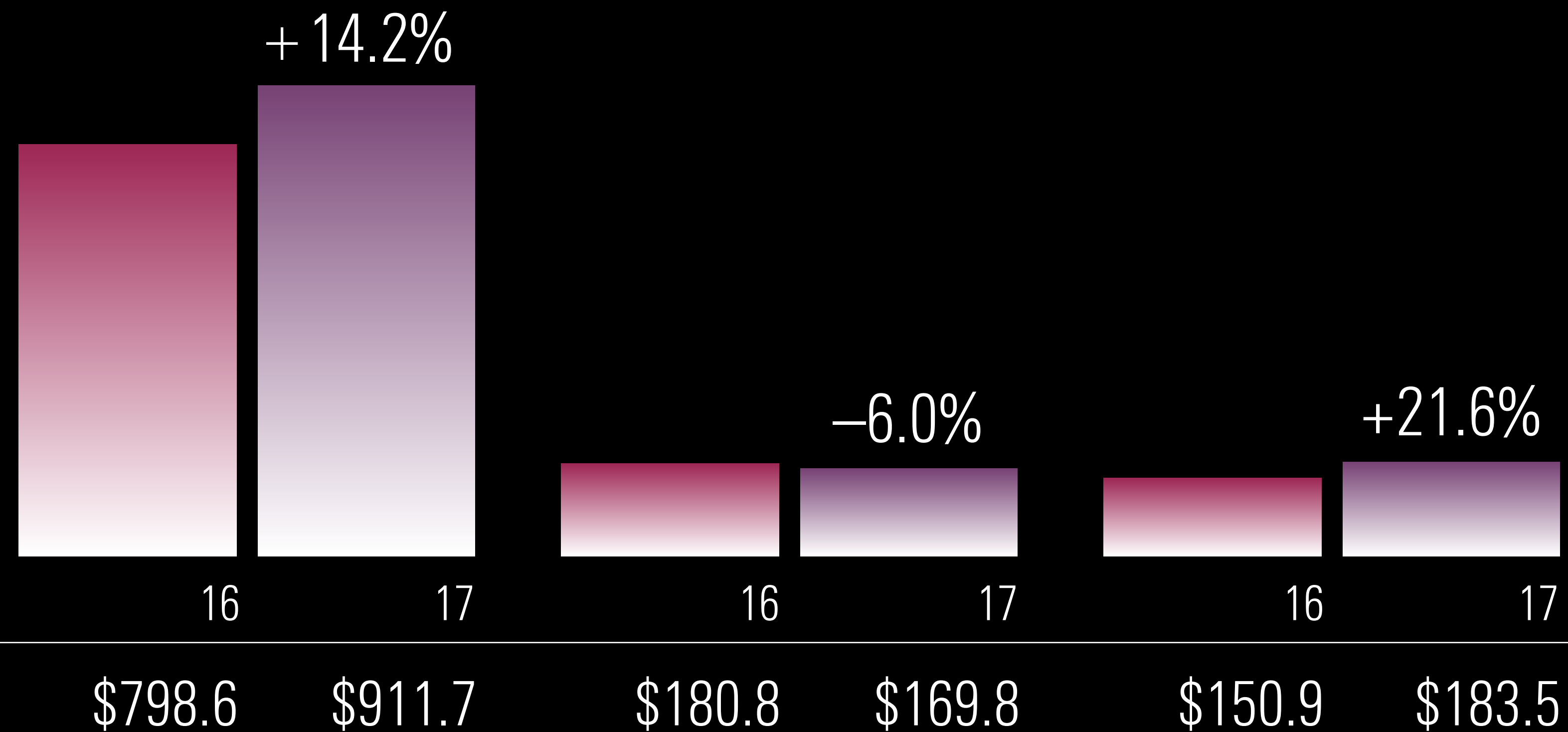
# 2017 Reported Performance

(\$mil)

Revenue

Operating Income

Free Cash Flow<sup>\*</sup>



\*Free cash flow is a non-GAAP financial measure.

# 2017 Organic and Adjusted Performance

(\$mil)

Organic Revenue\*

Adjusted  
Operating Income\*

+7.6%

-1.1%\*\*

16

17

16

17

\$794.2

\$854.2

\$184.1

\$182.2

\*Organic revenue and adjusted operating income are non-GAAP measures

\*\*Includes a \$4.1 million impairment charge which adversely impacted adjusted operating income growth by 2.2 percentage points

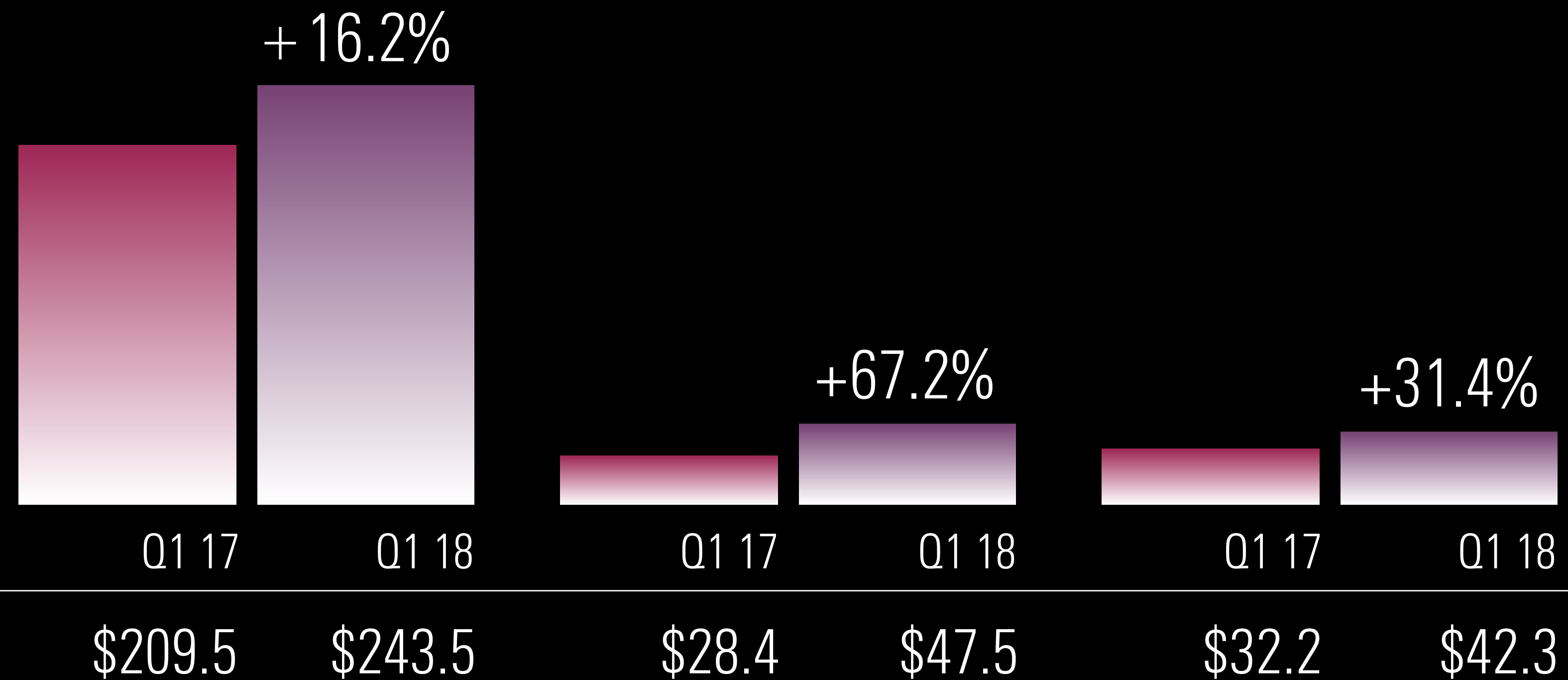
# First Quarter 2018 Performance

(\$mil)

Revenue

Operating Income

Free Cash Flow\*



\*Free cash flow is a non-GAAP financial measure.

# Drivers of Growth: Key Investment Areas

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	3 Year Revenue CAGR* 2014—2017	
	Excluding PitchBook	Including PitchBook
Total Morningstar Growth	5.3%	7.9%
Key Investment Areas**	8.1%	12.6%

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\*Growth calculated at constant currency.

\*\*Key investment areas include Data, Direct, Investment Management (Managed Portfolios in organic calculation), Workplace, and Credit Ratings

# Drivers of Growth: Key Investment Areas

	3 Year Revenue CAGR* 2014—2017		2017 Organic Revenue Growth
	Excluding PitchBook	Including PitchBook	
Total Morningstar Growth	5.3%	7.9%	7.6%
Key Investment Areas**	8.1%	12.6%	11.7%

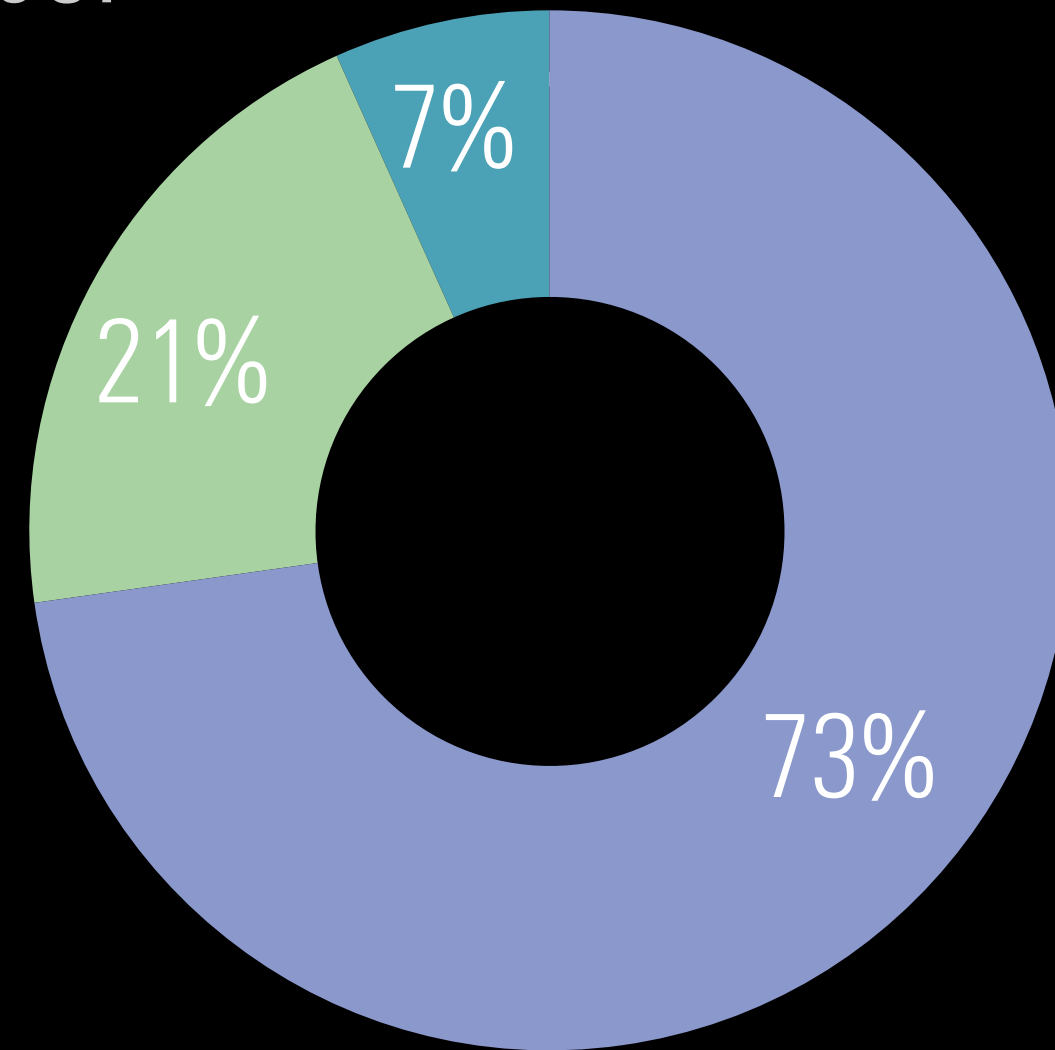
\*Growth calculated at constant currency.

\*\*Key investment areas include Data, Direct, Investment Management (Managed Portfolios in organic calculation), Workplace, and Credit Ratings

# Drivers of Growth: Diversification

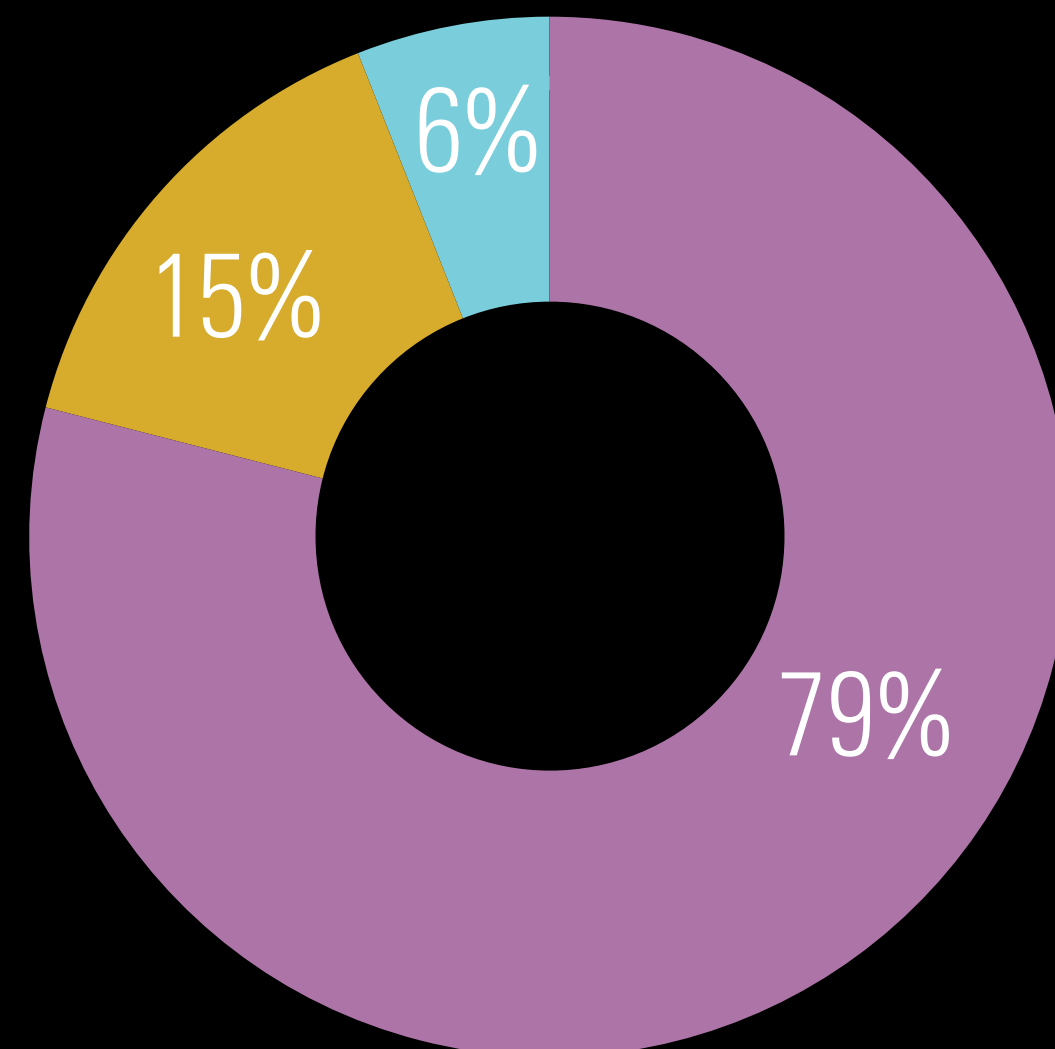
Revenue by Type:

Product



	2017 Growth
License	15.6%
AUM	10.3%
Transaction	11.1%

Geography

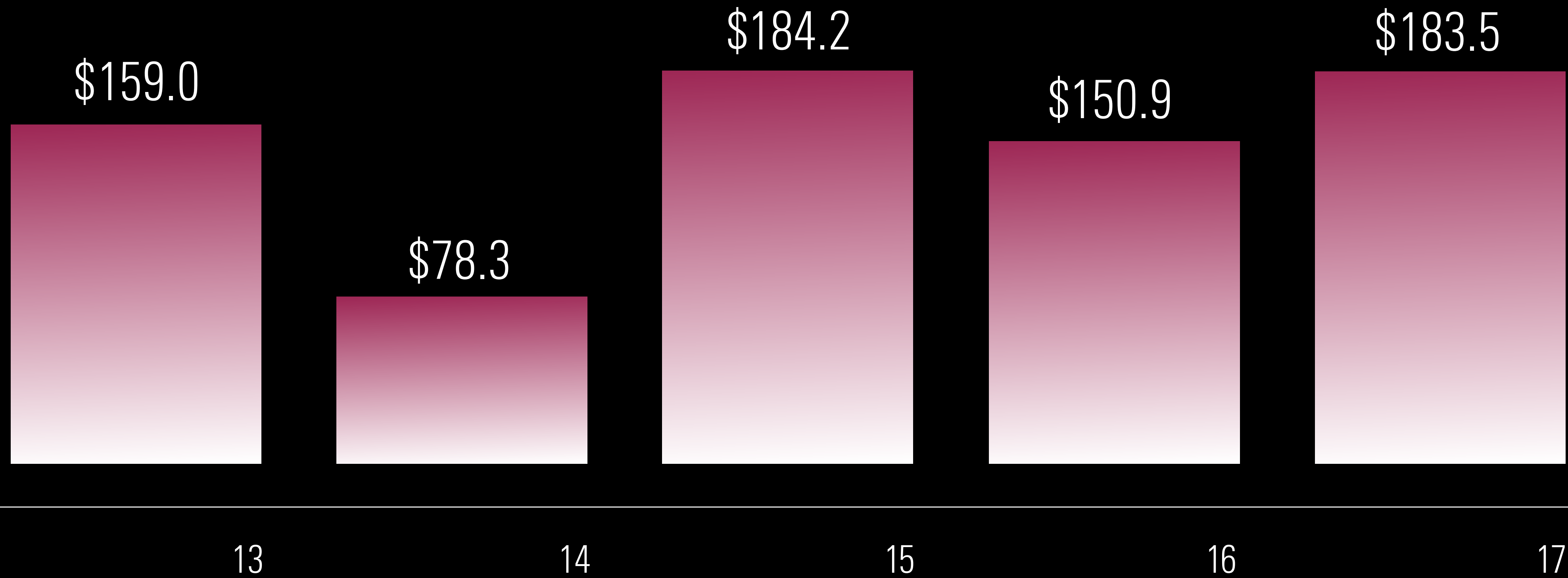


	2017 Growth
Americas	15.8%
EMEA	8.8%
APAC	6.9%

# Capital Allocation

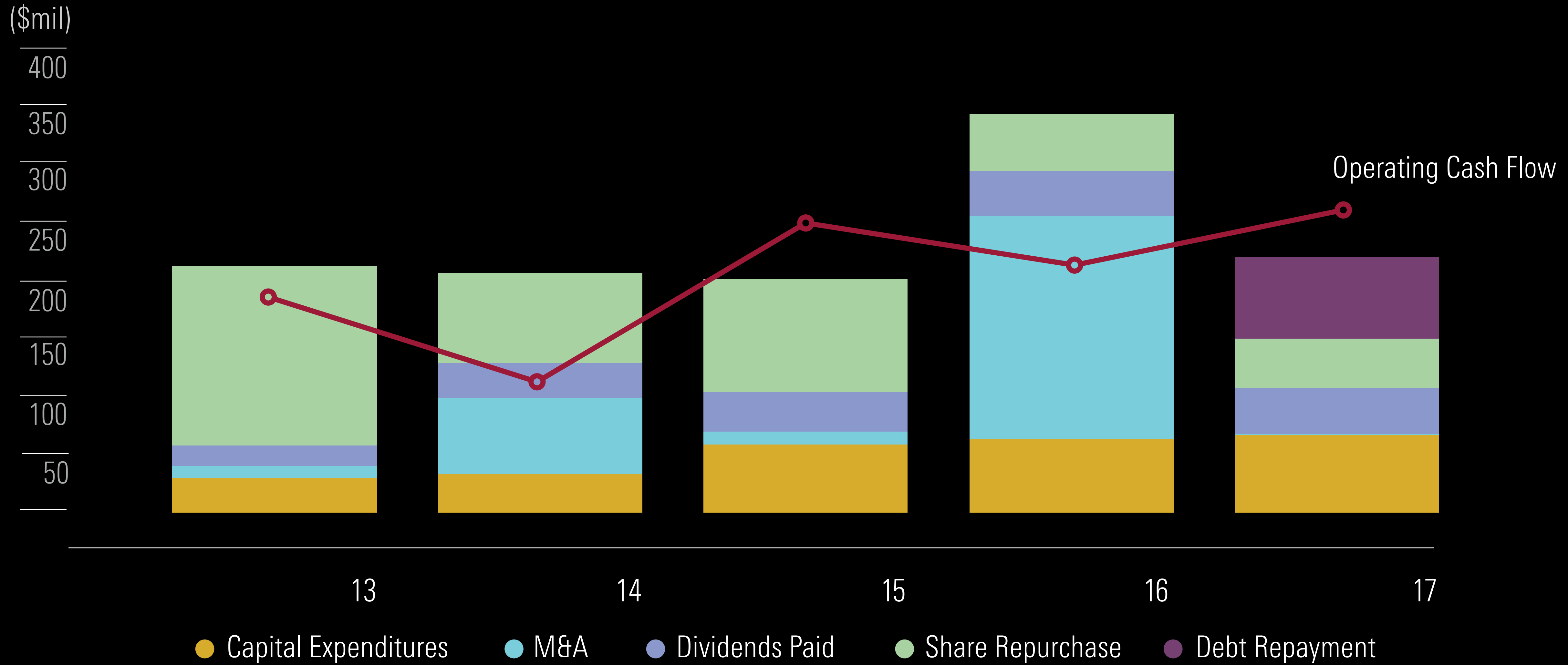
# Cash Flow Generation

Free Cash Flow\* (\$mil)



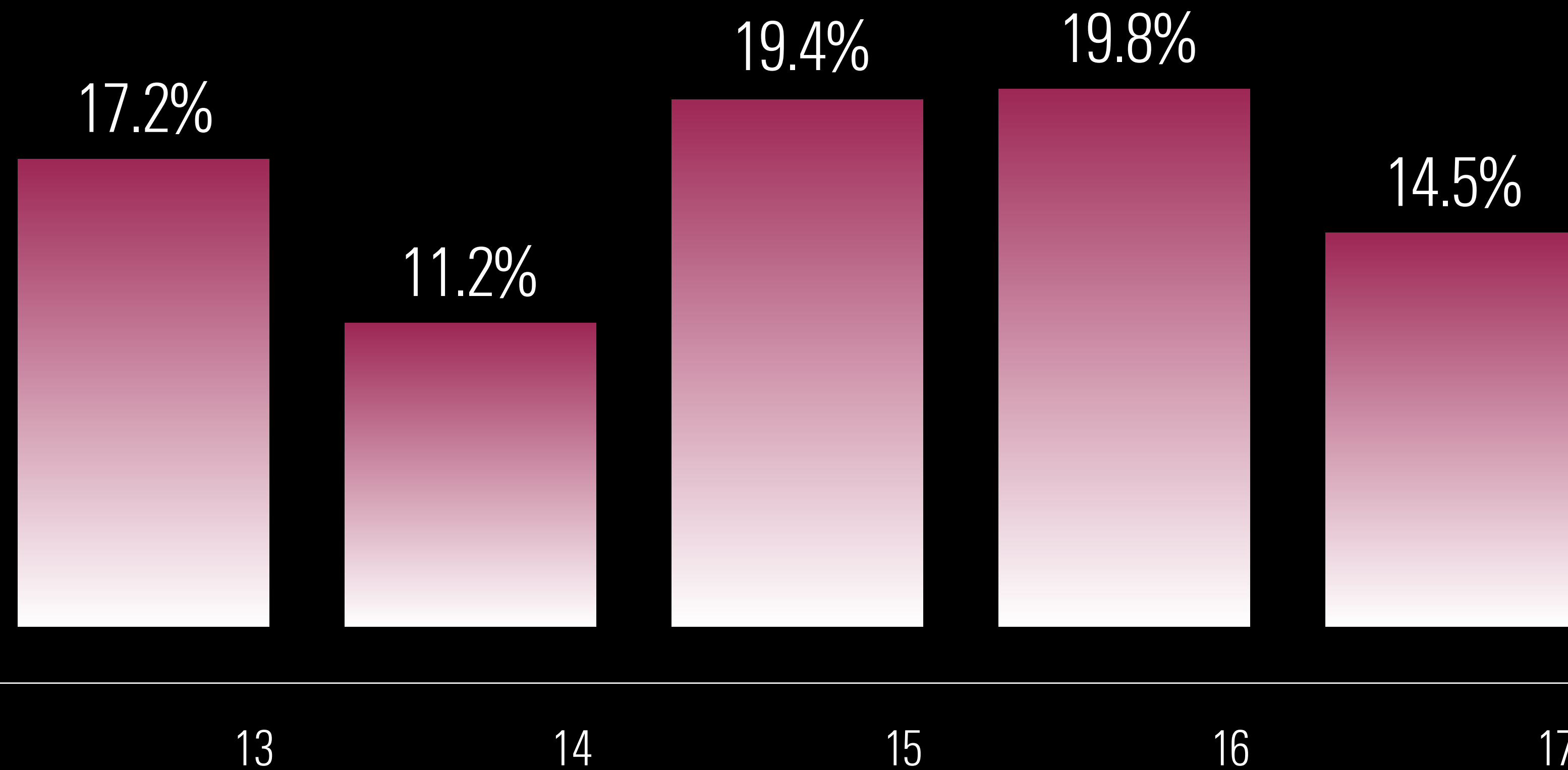
\*Free cash flow is a non-GAAP financial measure.

# Capital Allocation & Deployment



# Value Creation

# ROIC: Return On Invested Capital\*



\*Return on invested capital is considered a non-GAAP measure. We calculate this measure based on return divided by invested capital. Please refer to the reconciliation at the end of the section.

# MORN Total Return

	MORN	Cumulative Morningstar US Market Total Return	MORN	Annualized Morningstar US Market Total Return
Since IPO (05/03/2005)	477.6%	211.7%	14.5%	9.1%
10-year	95.6%	141.6%	6.9%	9.2%
5-year	70.5%	82.4%	11.3%	12.8%
3-year	46.6%	34.0%	13.6%	10.3%
1-year	49.8%	13.2%	49.8%	13.2%

Date as of April 30, 2018

Investors First

Great Products

Great People

Uncompromising Ethics

Entrepreneurial Spirit

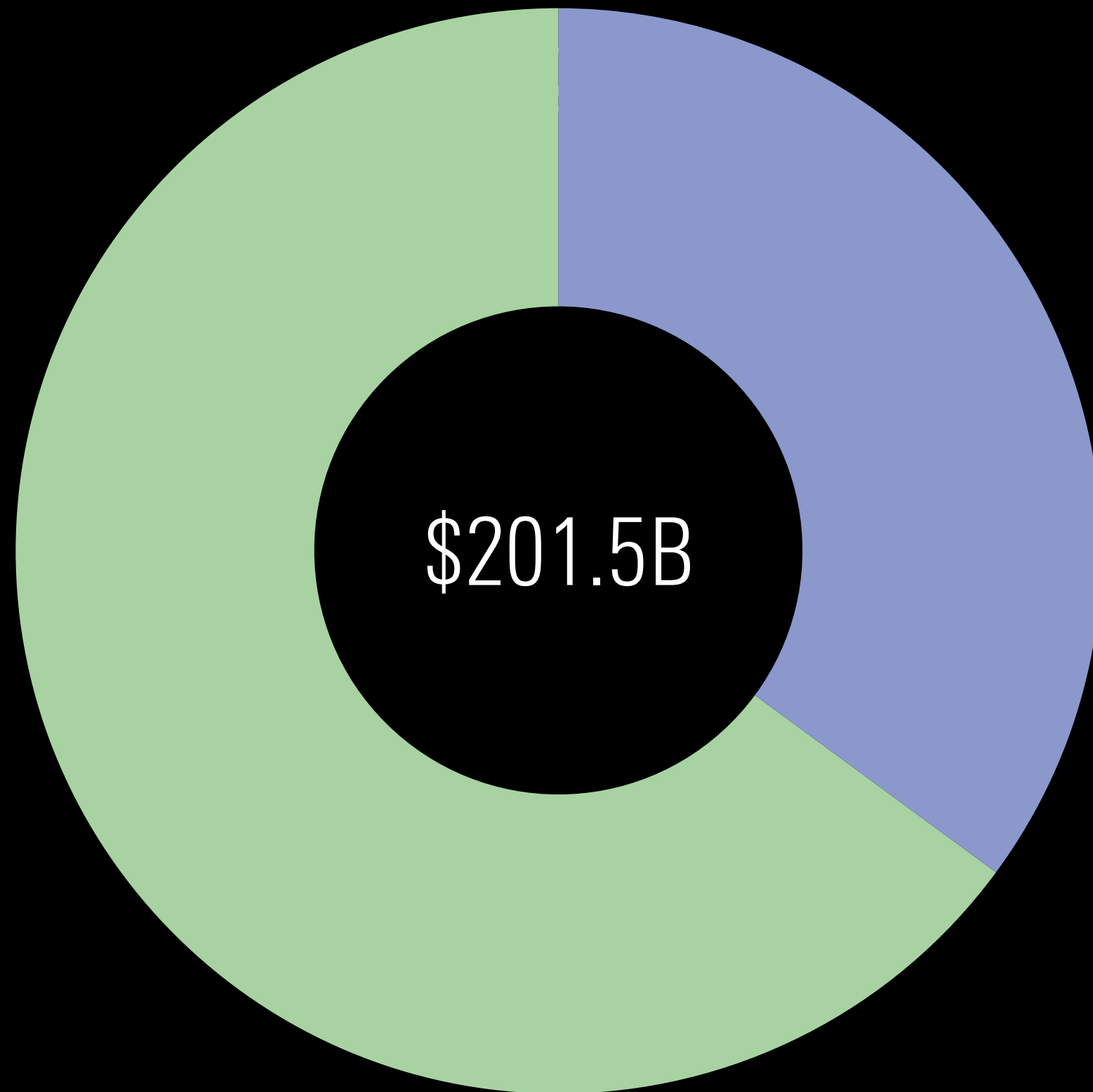
Financial Success

# Investment Management Strategy and Business Update

Daniel Needham  
President and Chief Investment Officer  
Investment Management Group

# Global Assets Under Management and Advisement Decomposition

## Global Morningstar Investment Management

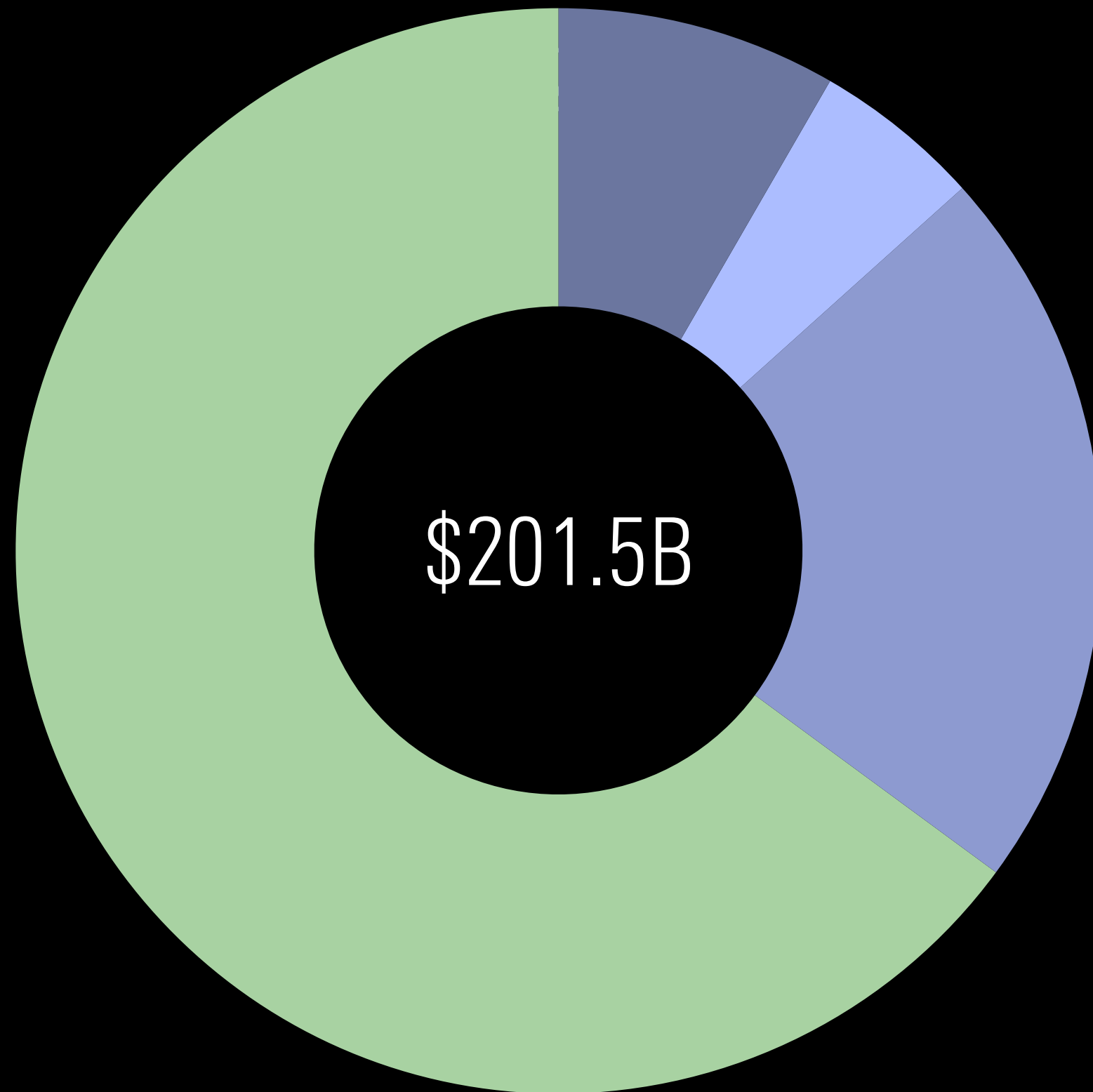


	AUM/AUA
Workplace	\$130.8B
Investment Management	\$70.7B

As of March 31, 2018

# Global Assets Under Management and Advisement Decomposition

## Global Morningstar Investment Management

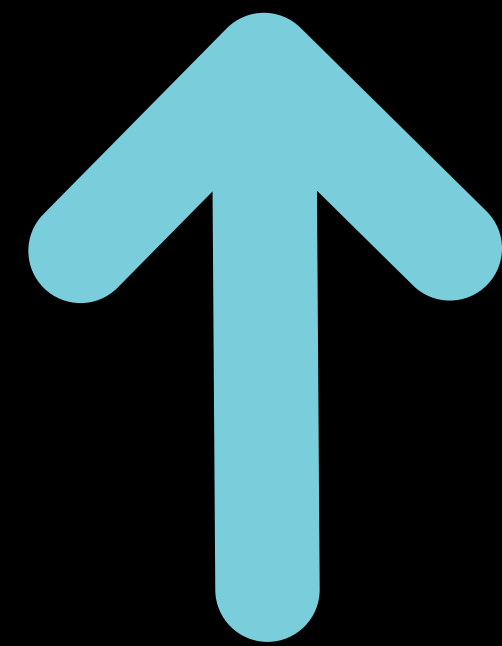


	AUM/AUA
Workplace	\$130.8B
Investment Management	\$70.7B
Institutional Asset Mgmt	\$16.8B
Asset Allocation Services	\$10.1B
Managed Portfolios	\$43.8B

As of March 31, 2018

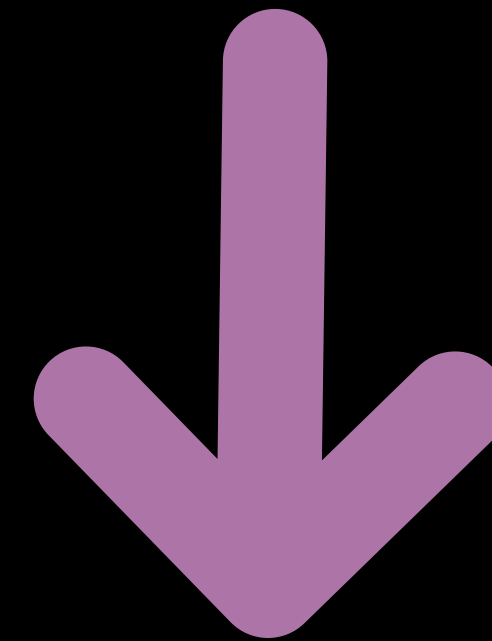
# Continued Transition from Customized Advisory to Managed Portfolios

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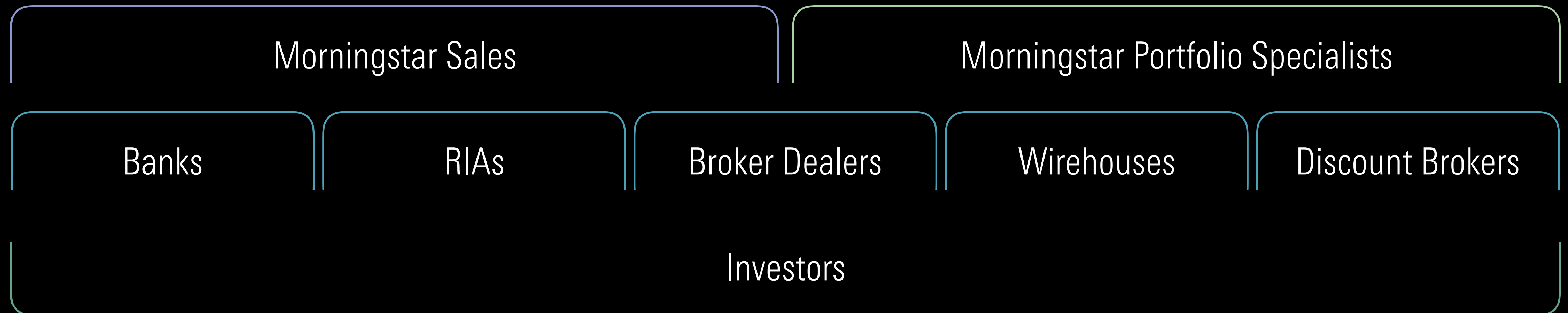
Morningstar Managed Portfolios

Customized Advisory



# Focus on Advisors and Managed Portfolios

## Morningstar Managed Portfolios



# Drivers of Organic Growth

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Investor Outcomes

Market Positioning

Sales Effectiveness

# Drivers of Organic Growth

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## Investor Outcomes

- ▶ Investment results
- ▶ Investment capability
- ▶ Trust
- ▶ Price
- ▶ Ease of use
- ▶ Quality of service

## Market Positioning

## Sales Effectiveness

# Drivers of Organic Growth

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## Investor Outcomes

- ▶ Investment results
- ▶ Investment capability
- ▶ Trust
- ▶ Price
- ▶ Ease of use
- ▶ Quality of service

## Market Positioning

- ▶ Product line-up
- ▶ Advisor segments
- ▶ Product development
- ▶ Marketing and brand
- ▶ Geographies

## Sales Effectiveness

# Drivers of Organic Growth

---

## Investor Outcomes

- ▶ Investment results
- ▶ Investment capability
- ▶ Trust
- ▶ Price
- ▶ Ease of use
- ▶ Quality of service

## Market Positioning

- ▶ Product line-up
- ▶ Advisor segments
- ▶ Product development
- ▶ Marketing and brand
- ▶ Geographies

## Sales Effectiveness

- ▶ Quality of sales team
- ▶ Incentives and alignment
- ▶ Lead generation
- ▶ Structure and geographic location
- ▶ Data, tools and systems
- ▶ Training and development

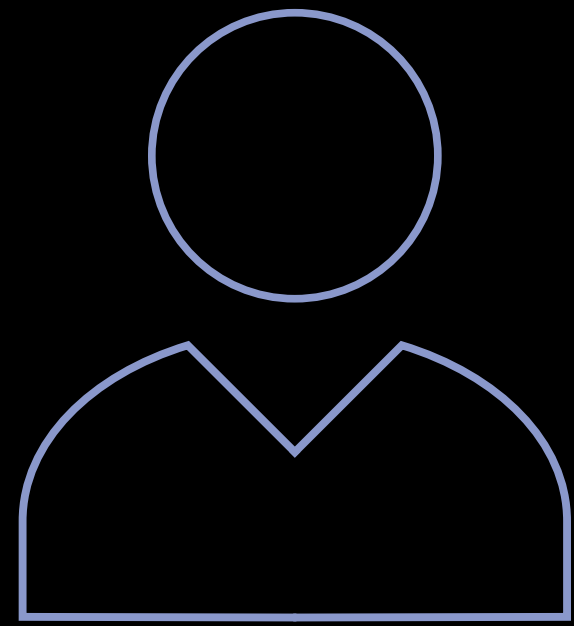
# Investment Management Vision

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A global Investment Management group focused on delivering great long-term investment results to help investors reach their financial goals.

# Investment Principles

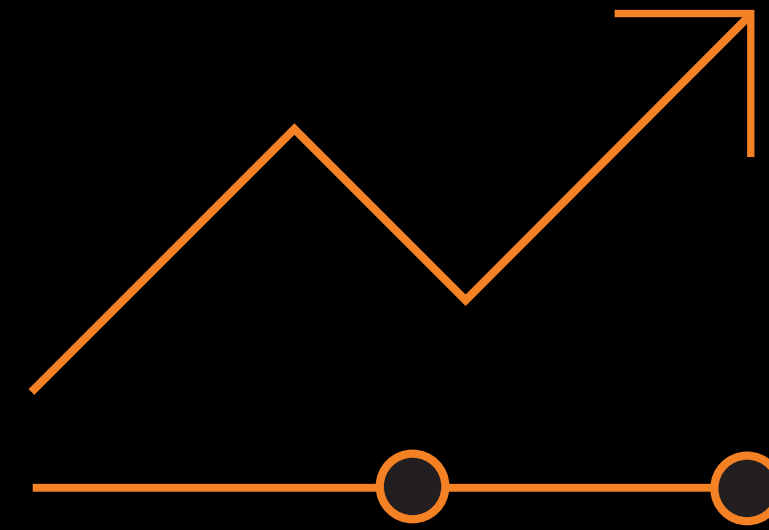
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We put investors first



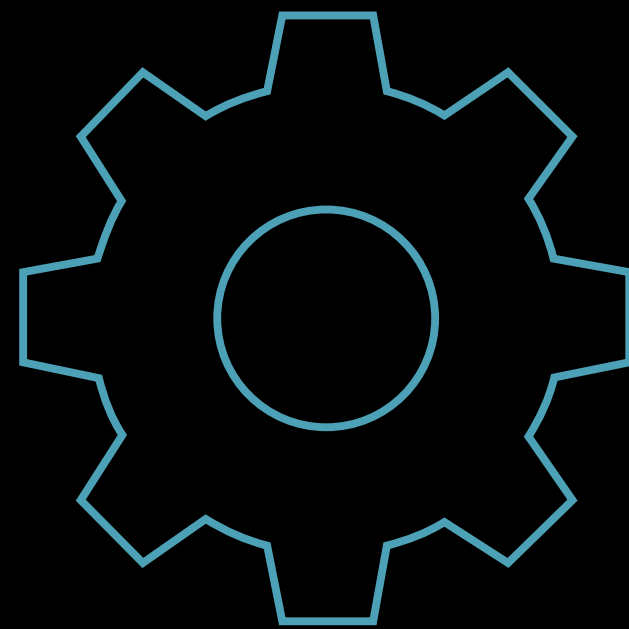
We're independent-minded



We invest for the long term



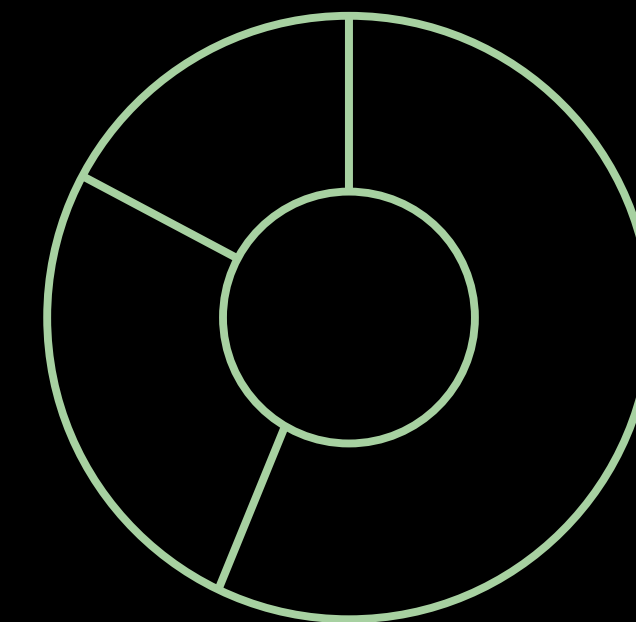
We're valuation-driven investors



We take a fundamental approach

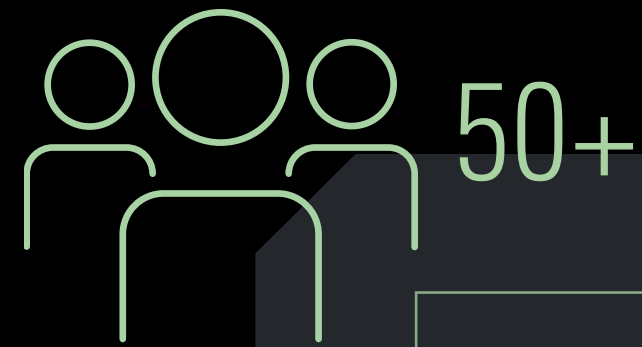


We strive to minimize costs



We build portfolios holistically

# Global Asset Class Teams



Equity, Americas

Fixed Income, Americas

Global Sectors

G5/Global Credit

Equity, EMEA

Fixed Income, EMEA

Emerging Markets Equities

Emerging Market Debt

Equity, APAC

Fixed Income, APAC

REITS/Infrastructure

Currency

## Defining Goals-Based

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The best way to measure your investing success is not by whether you're beating the market but by whether you've put in place a financial plan and a behavioural discipline that are likely to get you where you want to go.

Benjamin Graham, *The Intelligent Investor*

# Taxonomy of Multi-Asset Strategies



Goals-based



Outcome-based



Benchmark-based

# Morningstar's Outcome-Based Offerings

Real Return



Real Return  
Conservative



Real Return  
Moderate

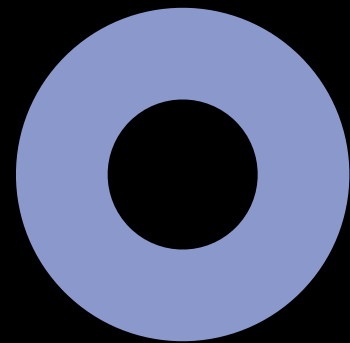


Real Return  
Flexible

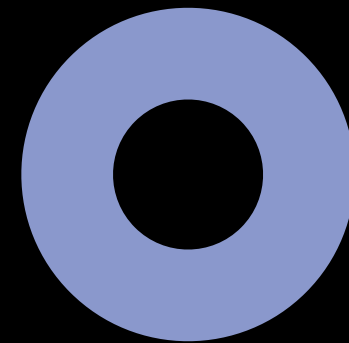


Real Return  
Growth

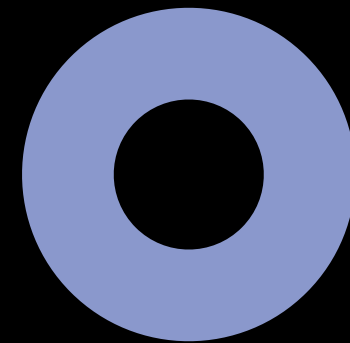
Income



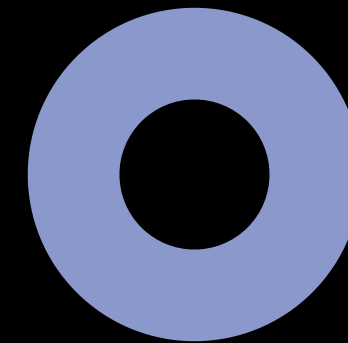
Retirement Income  
Ultra Short Range



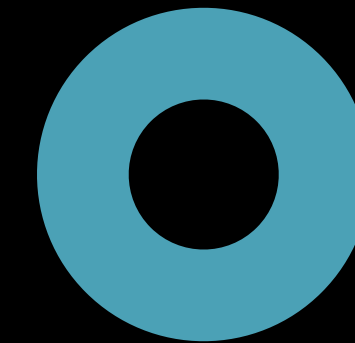
Retirement Income  
Short Range



Retirement  
Income Mid Range

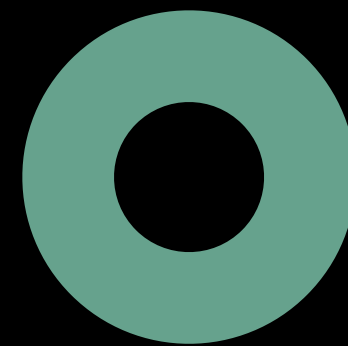


Retirement  
Income Long Range



Multi-Asset  
Income

Cash Plus



Absolute Return

Low

Risk / Return

High

# Morningstar Funds Trust



## Morningstar Funds Trust Documents

Funds available exclusively through [Morningstar® Managed Portfolios<sup>SM</sup>](#)

**Summary Prospectus**   **Prospectus**   **SAI**   **Annual Report**   **Semiannual Report**   **XBRL**

[Morningstar Alternatives Fund](#)

[Morningstar Defensive Bond Fund](#)

[Morningstar Global Income Fund](#)

[Morningstar International Equity Fund](#)

[Morningstar Multisector Bond Fund](#)

[Morningstar Municipal Bond Fund](#)

[Morningstar Total Return Bond Fund](#)

[Morningstar U.S. Equity Fund](#)

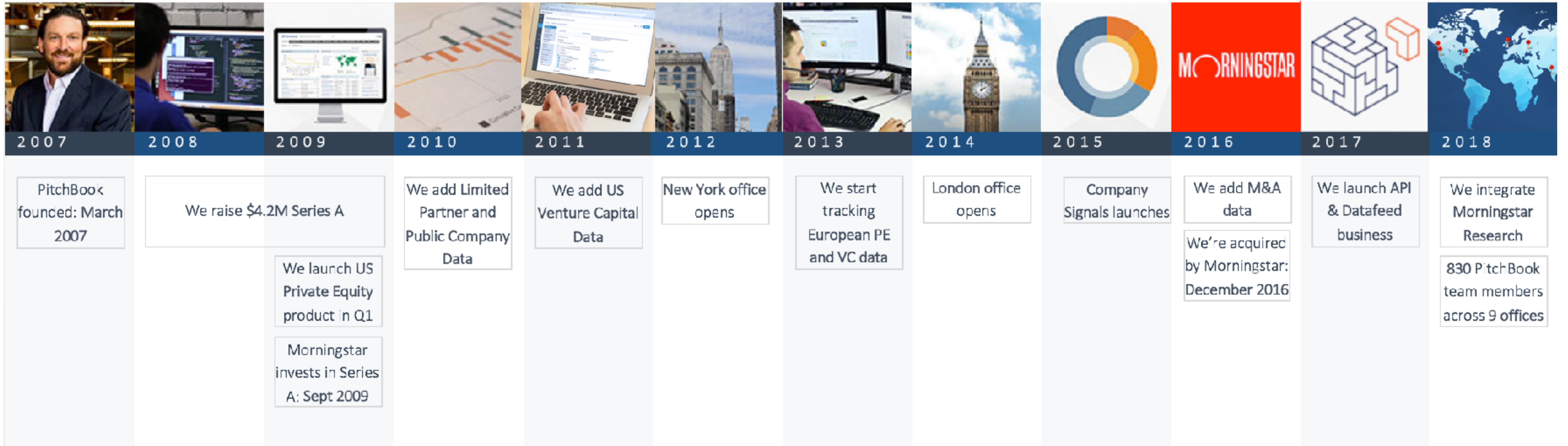
[Morningstar Unconstrained Allocation Fund](#)

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# Overview

# Our Story



# What we track

## Limited Partners

**27,481**

Corp. Pensions	4,679
Foundations	4,432
Family Offices	4,086
Insurance Co.	2,493
Endowments	1,457
Public Pension	1,324

## Funds

**41,000**

Open	8,462
Closed & evergreen	32,593

## Investors

**244,000**

Angels	28,873
Incubators & accelerators	5,140
Venture capital firms	20,236
Private equity firms	13,807
Strategic acquirers	163,186

## Companies

**978,000**

Pre-venture	51,679
Venture capital-backed	107,266
Private equity-backed	119,931
Merged & acquired	220,110
Public	78,722
Other private	471,110

## Investments

**878,000**

Angel & seed	130,323
Venture capital	220,988
Private equity	157,456
Strategic M&A	239,313
IPOs & PIPEs	52,418

## Service Providers

**44,361**

## Professionals 1,710,248

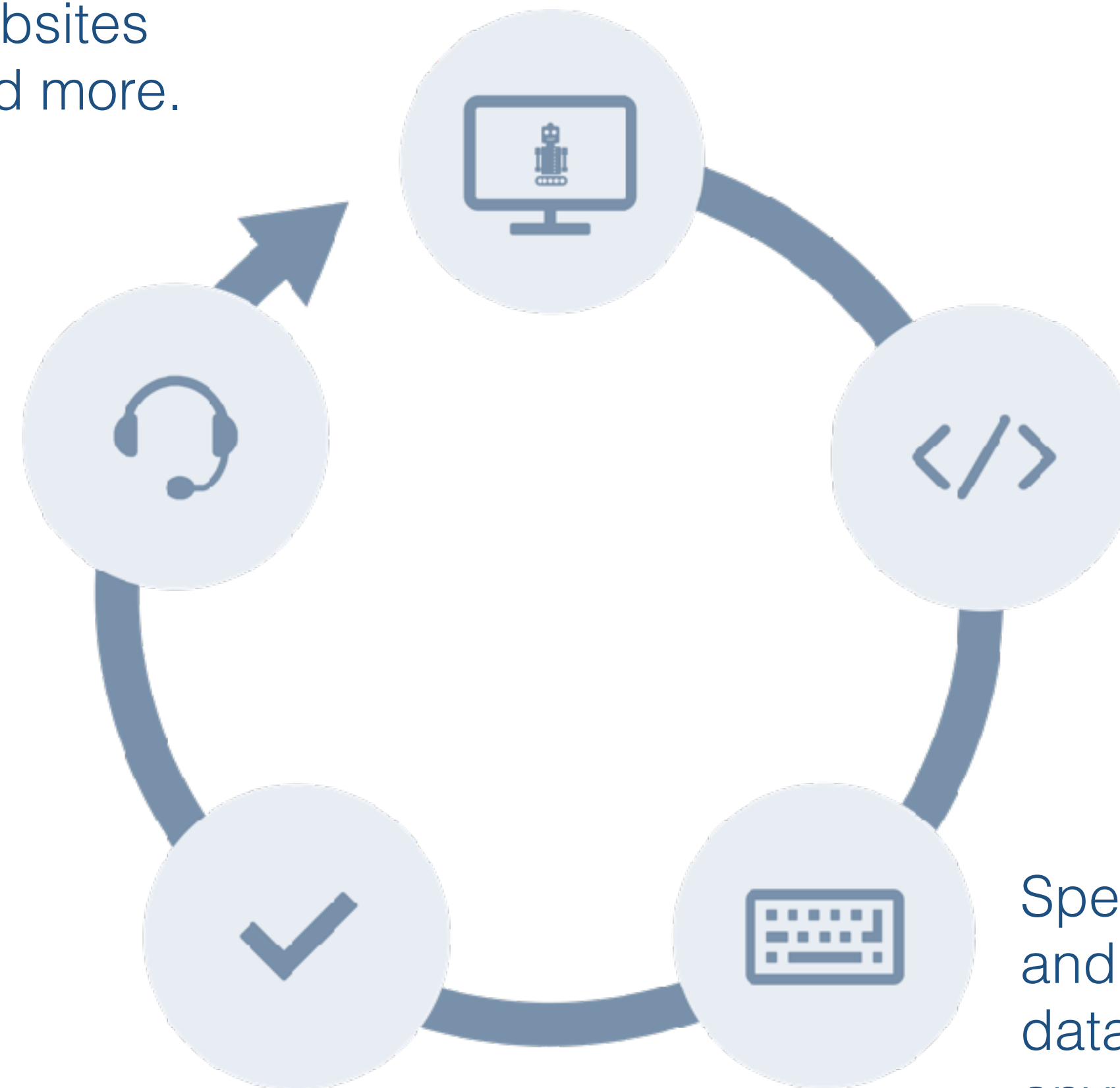
# Rigorous research makes our data superior

Since 2007, hundreds of PitchBook researchers have spent 3.25M hours collecting data for PitchBook.

Web crawlers scan the internet—capturing relevant financial information from articles, filings, websites and more.

A primary research team communicates directly with people involved in deals to validate information and gather hard-to-find details.

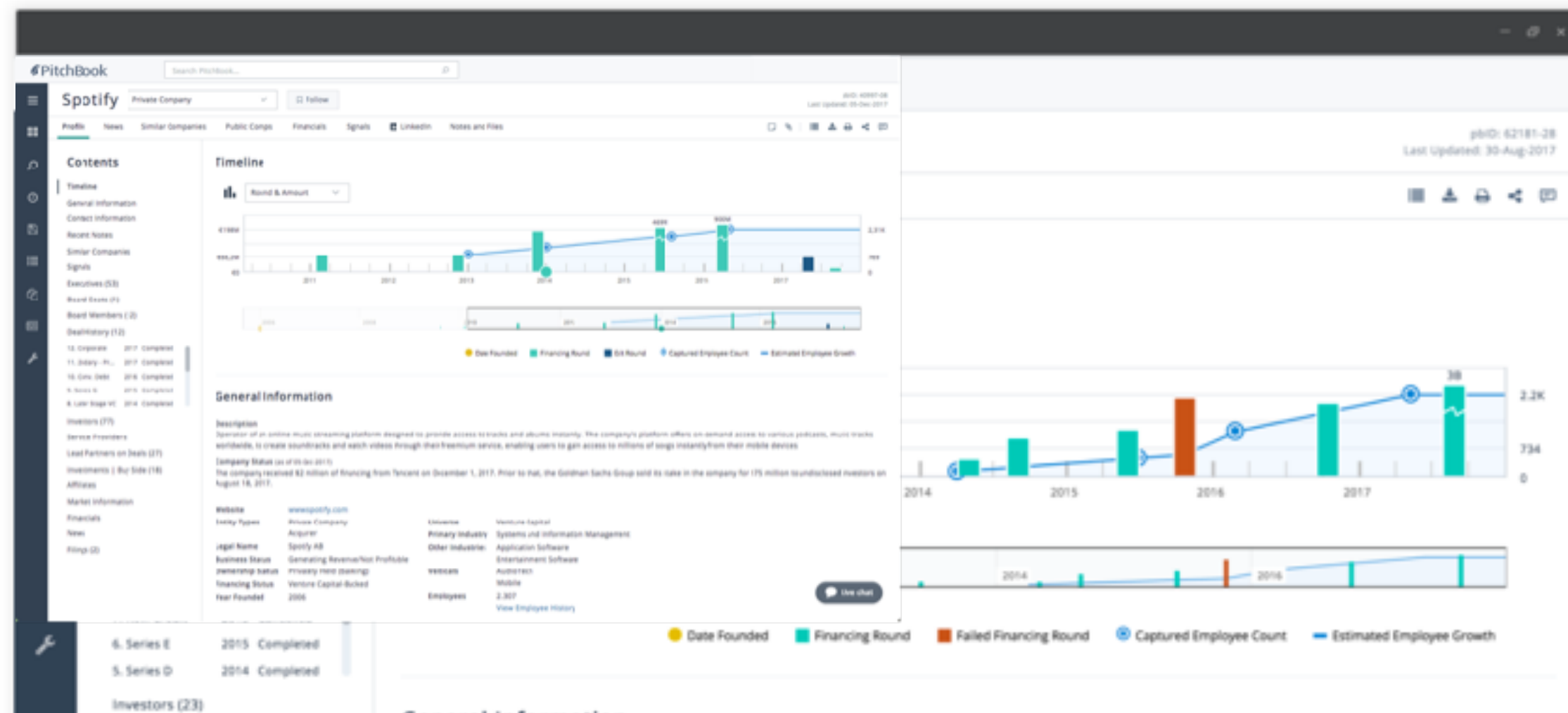
A quality assurance team uses preventative validations, corrective validations and manual reviews to relentlessly vet every piece of data.



Natural language processing and machine learning technology organizes data and filters out anything irrelevant.

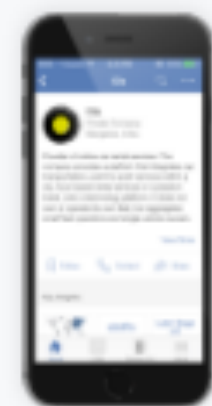
Specialized data teams collect, calculate and verify key figures to build in-depth datasets with information you can't find anywhere else.

# Accessing data where and when you need it



## PitchBook Desktop

Our award-winning software gives you access to our data and the analytical tools you need to find the right data points, discover opportunities and more.



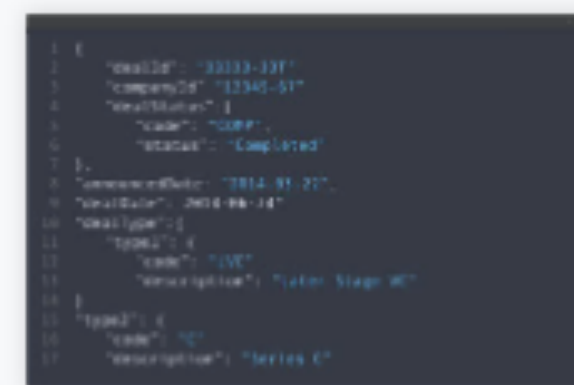
## PitchBook Mobile

Get the information you need about companies, funds or investors—wherever you are.



## Excel Plugin

Access our data directly from Excel and update your models with one click.



## Direct Data Access

Integrate our data with your existing systems through an à la carte solution or pre-defined supply of data points.



## CRM Integration

Bring our data into your CRM to create new leads and enhance your existing accounts.



## Chrome Extension

Access our data directly from your browser while you're visiting a website, reading the news or researching online.

# Who we serve

At PitchBook our mission is to be the premier data provider for the private and public equity markets.

Our data spans the entire venture capital, private equity and M&A lifecycle - along with the LPs, funds, firms, companies and people involved.



ANDREESSEN  
HOROWITZ



KKR

SAMSUNG



Source Investments

Build Comparables

Fundraising  
& Benchmarking

Private Market Intel

Business  
Development

# Client and User Growth

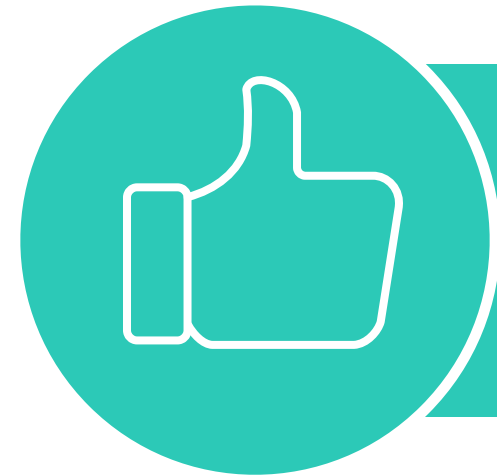
Number of  
**Clients**  
2,884



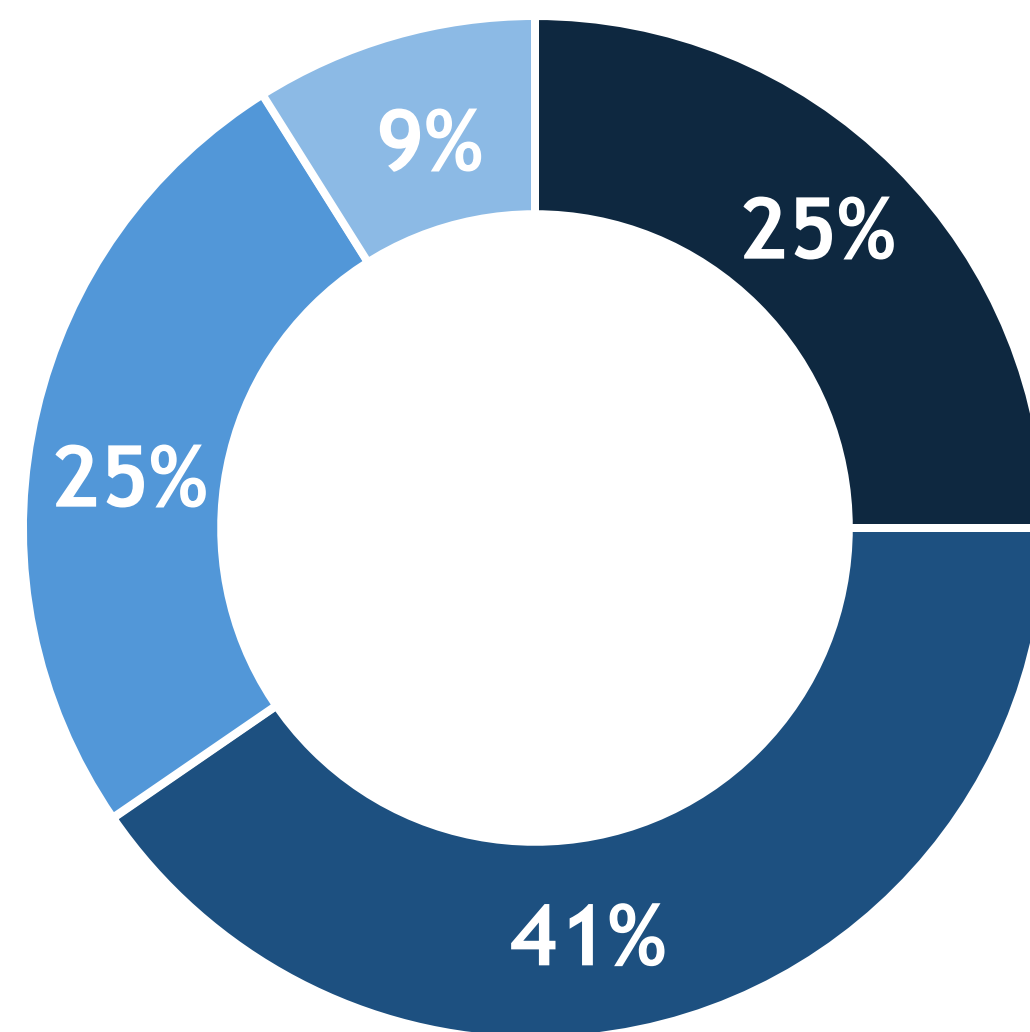
Number of  
**Users**  
15,488



# From Our Customers



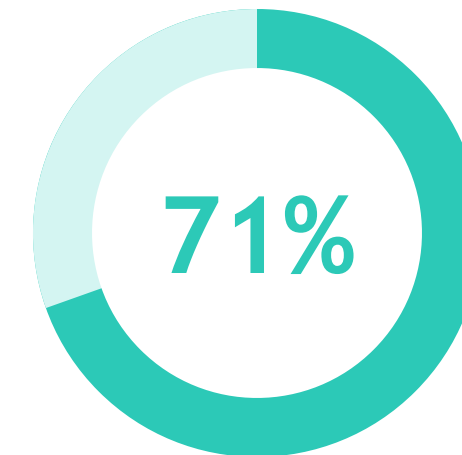
Maintain NPS in excess of 50 / Currently 58



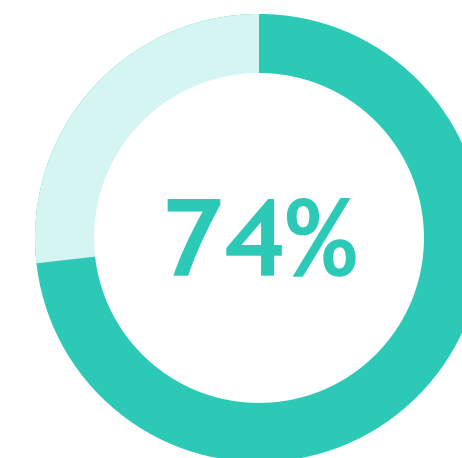
Reported return on PitchBook investment

- First month
- First 6 months
- First year
- First 1-2 years

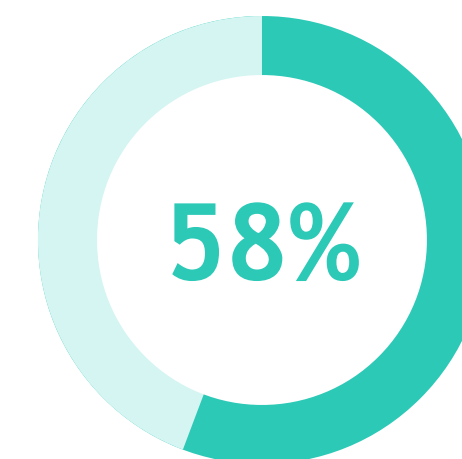
*Over 91% of clients report a return on investment within one year*



71% of clients rate PitchBook's private companies and transactions "significantly better" compared to other data providers



74% of clients who have used or currently use Cap IQ rate PitchBook's private company data "significantly better" in comparison



58% of clients rate PitchBook's fund performance and management "significantly better" compared to other data providers

# Positive Feedback

“ Just phenomenal info that’s shared via PitchBook; and the ability to access via the iPhone PitchBook app is outstanding

“ It's an awesome platform, the customer service Team is super responsive, and the info/data is exactly what I look for

“ Best known private market data provider available

“ Amazing customer service. High quality product. Great content and functionality

**J.P. Morgan**



# Innovation & Initiatives

# PitchBook Product Vision and Themes

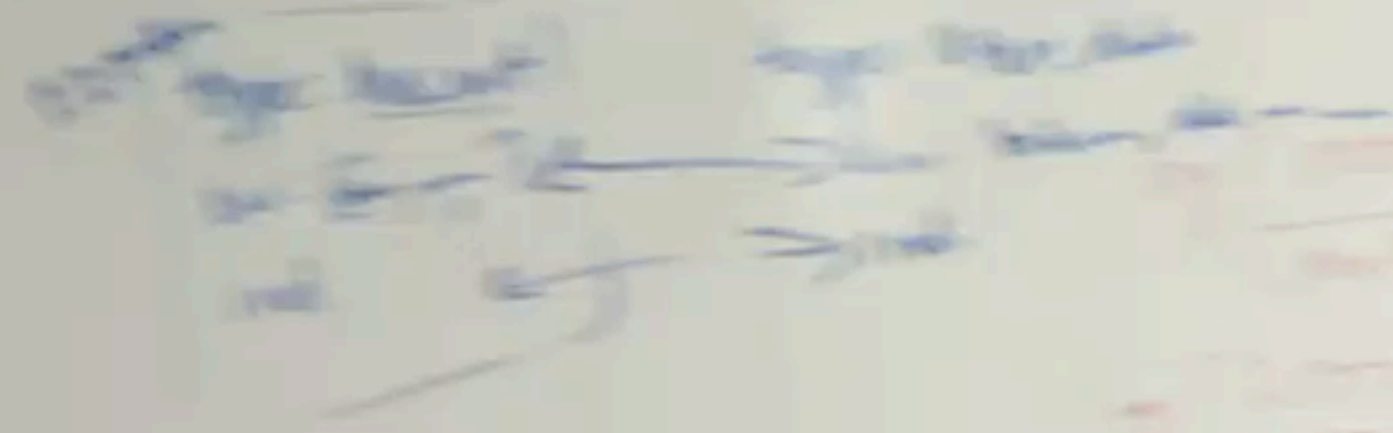
Build PitchBook Next - principal resource of private and public information

<b>Private Data</b>	<b>Search &amp; Discovery</b>	<b>Workflow</b>	<b>Speed &amp; Scale</b>
Expanding the depth and breadth of our private data with more companies, more deals, more debt and more financials	Building tools to surface trends and insights for opportunity discovery and market analysis	Improving the search experience (M&A, Keywords, Debt, etc.) and provide integrated workflow and collaboration tools	Investing in infrastructure to scale to more users, more datasets all while keeping the Platform fast
<b>Public Data</b>	<b>Valuation &amp; Modeling</b>	<b>Buy-side</b>	<b>Real Time &amp; Scale</b>
Expanding our public datasets in terms of fundamental data, market data and equity research	Building tools in the platform and Excel plugins to allow better modeling and valuation analysis	Penetrating a new market for us--Buy-side--with new tools and strong Equity Research	Scaling our technology to allow Real Time pricing data and intra day reports and alerts



# PitchBook Next Video

# pb\_labs



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الهيكل التنظيمي

مخطط تدفق العمل

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To send in a question for the Q&A session, please visit:

<http://morningstar.socialqa.com>

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# Appendix

# Reconciliation of Non-GAAP Measure with the Nearest Comparable GAAP Measure

(\$mil)	Twelve Months Ended December 31						
	2013	2014	2015	2016	2017	Q1 2017	Q1 2018
Cash provided by operating activities	\$192.6	\$136.6 <sup>1</sup>	\$241.5	\$213.7	\$250.1	\$46.5	\$59.9
Capital expenditures	-\$33.6	-\$58.3	-\$57.3	-\$62.8	-\$66.6	-\$14.3	-\$17.6
Free cash flow <sup>3</sup>	\$159.0	\$78.3 <sup>2</sup>	\$184.2	\$150.9	\$183.5	\$32.2	\$42.3

(1. Operating income and free cash flow for 2014 included a \$61.0 million litigation settlement expense and corresponding cash outflow. 2. Non-operating income in 2016 included a \$37.1 million holding gain related to the purchase of the remaining ownership interest in PitchBook, which was previously a minority investment. Non-operating income in 2017 includes a \$16.7 million gain related to the sale of HelloWallet. 3. Free cash flow is considered a non-GAAP financial measure under SEC regulations.

# Reconciliation of Non-GAAP Measure with the Nearest Comparable GAAP Measure

(\$mil)	Twelve Months Ended December 31		
	2017	2016	Change
Consolidated revenue	\$911.7	\$798.6	14.2%
Less: acquisitions	-57.5	—	NMF
Less: divestitures	—	-4.4	NMF
Effect of foreign currency translations	—	—	—
Organic revenue	\$854.2	\$794.2	7.6%

## Reconciliation of Non-GAAP Measure with the Nearest Comparable GAAP Measure

	Twelve Months Ended December 31		
	2017	2016	Change
Operating income	\$169.8	\$180.8	-6%
Add back: management bonus plan expense	\$7.9	\$0.6	NMF
Add back: intangible amortization expense	\$10.6	\$0.9	NMF
Deduct: capitalized labor benefit	-\$4.6	—	NMF
Add back (deduct): other operating (income) loss, net for PitchBook	-\$1.5	\$1.8	NMF
Adjusted operating income	\$182.2	\$184.1	-1.1%

# Reconciliation of Non-GAAP Measure with the Nearest Comparable GAAP Measure

(\$mil)	2013	2014	2015	2016	2017
Net income	\$123.5	\$78.3 <sup>1</sup>	\$132.6	\$161.0 <sup>2</sup>	\$136.9 <sup>3</sup>
Net interest expense (after tax)	-\$1.9	-\$1.4	-\$0.9	-\$0.2	\$2.7
Return	\$121.6	\$76.9	\$131.7	\$160.8	\$139.6
Shareholders' equity	\$709.1	\$672.9	\$647.5	\$668.7	\$750.9
Long-term debt	\$0.0	\$0.0	\$0.0	\$125.0	\$215.0
Short-term debt	\$0.0	\$15.0	32.5	\$17.5	\$0.0
Invested Capital <sup>4</sup>	\$709.1	\$687.9	\$680.0	\$811.2	\$965.9
ROIC <sup>5</sup>	17.2%	11.2%	19.4%	19.8%	14.5%

1. Includes after-tax expense of approximately \$38.2 million for litigation settlement. 2. Includes after tax holding gain of \$37.1 million upon acquisition of additional ownership of equity method investments. 3. Includes after tax gain of \$17.8 million on sale of business. 4. All items included in invested capital reflect average of 12/31 balance for current and previous year. 5. We calculate this measure based on return divided by invested capital.







