Morningstar® Hypothetical Illustrator℠ Quick Start Guide

Morningstar Hypothetical Illustrator helps advisors support a recommended investment or portfolio strategy to clients and prospects. It allows users to:

- Analyze past performance in relation to a benchmark or competing investment to accurately depict the investor experience.
- Illustrate a portfolio with multiple investment types, a reinvestment or withdrawal strategy, and a customized rebalancing schedule.
- Depict performance during the last market downturn and highlight benefits of one investment strategy over another.

This Quick Start Guide is designed to get users up and running quickly, walking through each step in the Hypothetical Illustrator workflow process. Take advantage of additional training resources under the Help menu located on the top tool bar.

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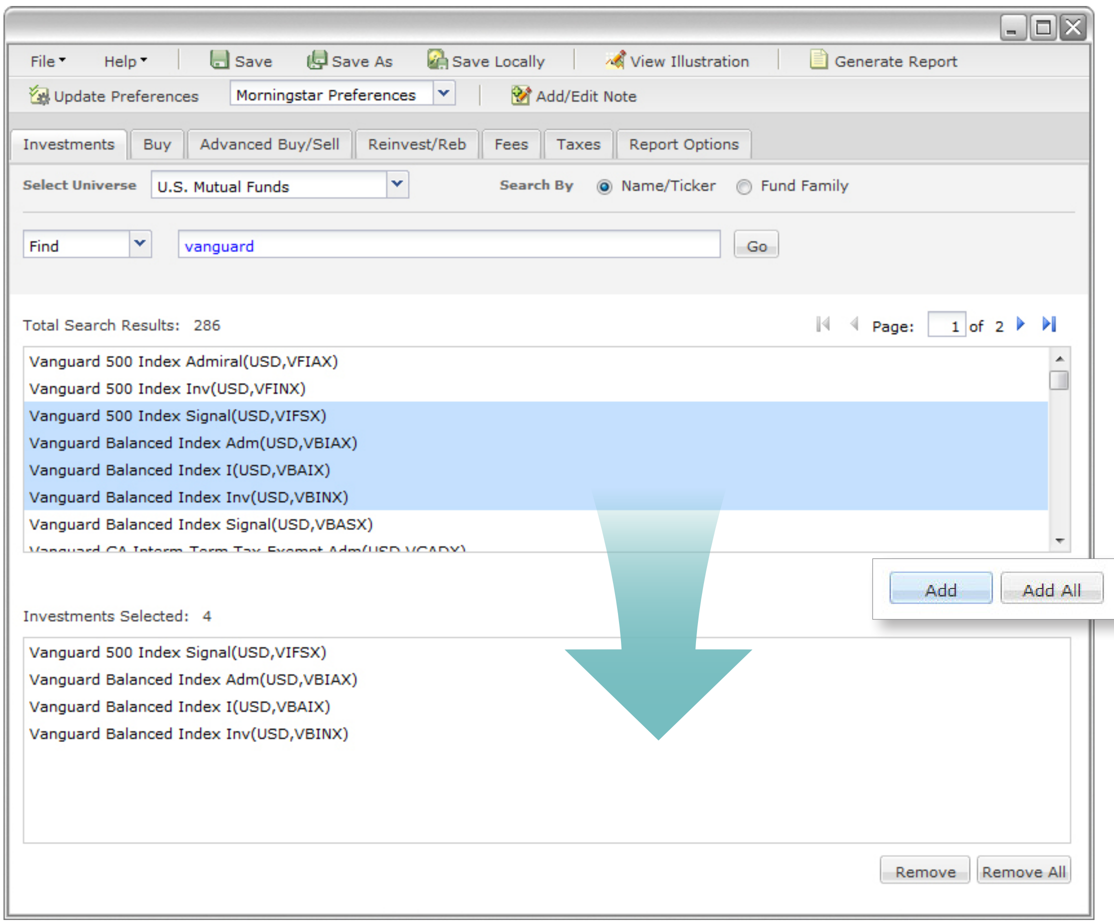
Selecting Securities

Hypothetical Illustrator contains a tabbed navigation to guide users through a simple workflow. The first step in creating a hypothetical illustration begins with the Investments tab. Here, you choose the investments for the illustration and can include up to 40 securities. You can select different types of securities, such as mutual funds, exchange-traded funds, stocks, etc. and can find investments by name or ticker symbol.

To select investments, double-click or highlight the security or securities, and click the **Add** or **Add All** button so the security appears in the Investments Selected field.

Investments Tab

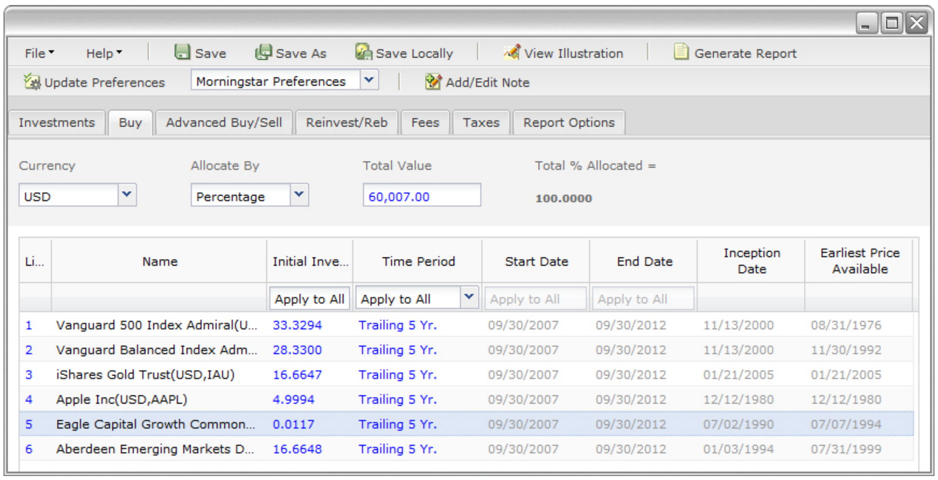


Quantify Investments and Scenario Timeframe

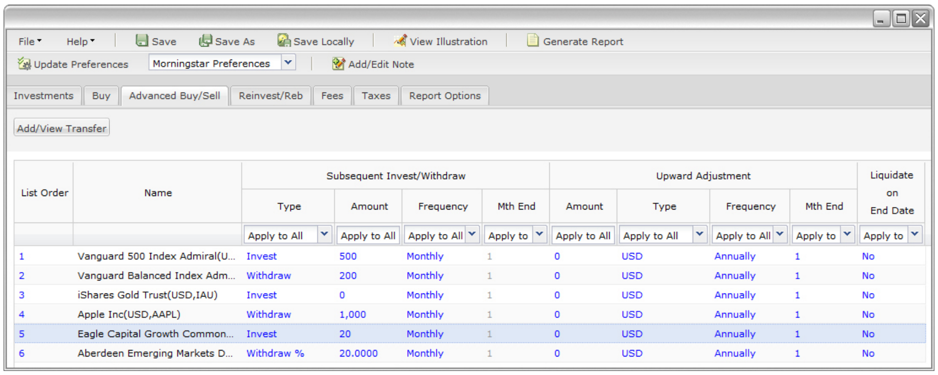
The Buy tab allows you to quantify the initial investment amounts and choose the scenario analysis timeframe. The default value for each fund's Initial Investment is $10,000. All defaults can be updated by clicking on the **Update Preferences** button. Use the **Time Period** drop-down field at the top of this step to choose the time period for the hypothetical illustration.

In the **Advanced Buy/Sell** tab, you can also adjust the illustration for subsequent investments to or withdrawals from each security, build in annual upwards adjustments, or factor in onetime or systematic transfers between investments.

Buy Tab



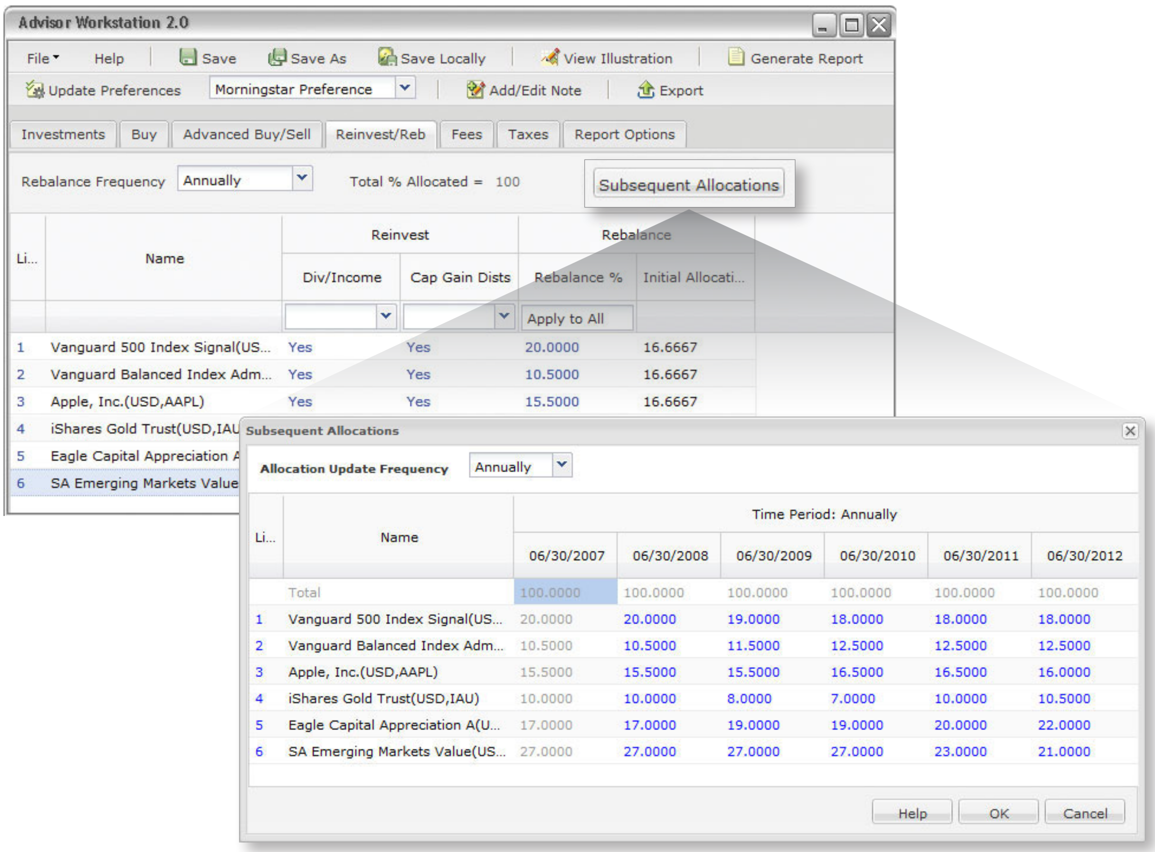
Advanced Buy/Sell Tab



Choose Reinvesting or Rebalancing Options

The Reinvest/Rebalance tab allows you to choose a dividend and capital gain reinvestment option and specify a rebalancing schedule for your hypothetical scenario. Use the **Rebalance Frequency** drop-down field at the top of this tab to choose the frequency with which the assets will be rebalanced. You can rebalance to the initial allocation or set up to five subsequent allocations. Note: The total must always equal exactly 100%.

Reinvest/Rebalance Tab

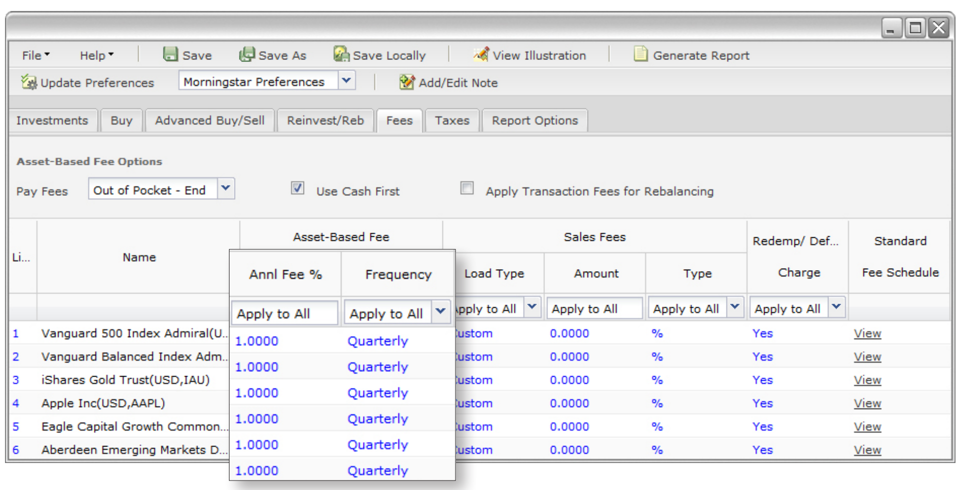


Assigning Fees and Taxes

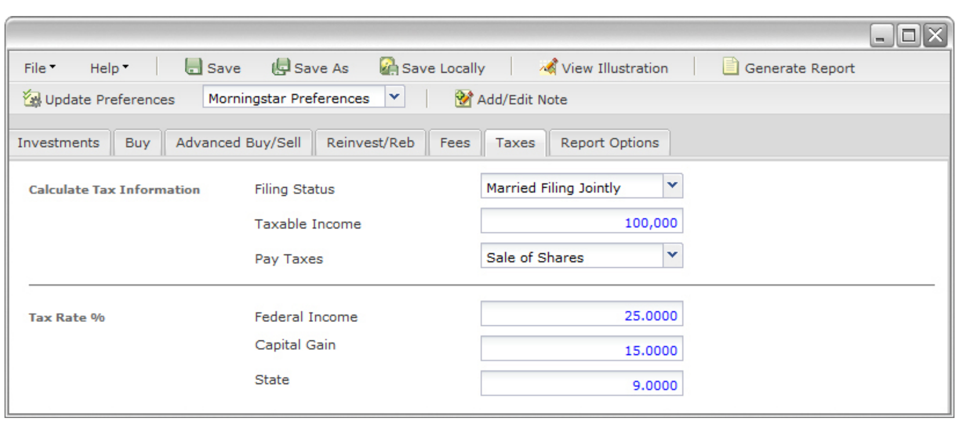
The Fees and Taxes Tabs allow you to assign fees and taxes to the investment scenario. In the **Annl Fee %** column, type the annual fee percentage that will be charged, if applicable, in the Apply to All field. Select the **Frequency** with which the security should be assessed the fee. (For instance, selecting Quarterly for a 1% Annual fee means that each quarter, 25 basis points will be applied to the portfolio to determine what fees will be charged). Select the standard sales fees or apply a custom load or letter of intent. You can also determine how the fees will be paid—either Out of Pocket, or by Sale of Shares, and you can decide whether the payment should be made at the beginning or end of each period.

Click the Taxes tab to specify the tax rate, if any, to be applied to the hypothetical portfolio. Choose the Filing Status for the client(s). Fill in the Taxable Income field. Click anywhere on the screen, and the Federal Income field automatically updates with the correct value. You can overwrite this, or any of the other tax fields, if necessary.

Fees Tab



Taxes Tab



Create a Customized Report

In the Report Options area, you can choose the type of Hypothetical Illustration and which Morningstar reports will accompany your report output.

1 Click the **Report Options** tab at the top of the window.
2 In the **Report Type** area, choose the option button for the type of illustration you want to produce.
3 Make a selection from the **Display Return on Report** area.
4 You can check the box for **Include Benchmark**, and select from a variety of benchmarks to bring into the illustration including a custom benchmark.
5 In the cover page area, fill in the fields for **Client Name** and **Prepared By**.
6 Click the **check box** for each report you would like to include along with the hypothetical illustration.

Click **Generate Report** at the top tool bar to produce a PDF version of your Hypothetical Illustration.

Report Options Tab