



Annual Due Diligence Questionnaire Blueprint Managed Advice

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CAPTRUST has proactively answered the questions below to make it easier for plan sponsors and investment committees to monitor CAPTRUST's managed account program, Blueprint Managed Advice, and CAPTRUST's role as a 3(38) fiduciary to plan participants.

Firm

Have there been any changes to the management or ownership of the firm? If yes, please describe.

We do not anticipate major changes in our ownership, management, restructuring, personnel reorganization, or philosophy in the coming years. In June 2020, we announced an agreement with private equity firm GTCR for a long-term minority investment in CAPTRUST that provides capital to grow the business through mergers and acquisitions and build out infrastructure and capabilities. We chose GTCR as our capital partner because of their similar culture, ability to be a long-term partner and desire to have only a minority interest in CAPTRUST. CAPTRUST employees own the majority of equity in the firm..

Have there been any organizational changes to the firm that may impact the management of the managed account program? If yes, please describe.

No. From a growth standpoint, over the past five years, CAPTRUST has expanded its client base and increased the number of office locations, growing opportunistically. We are growing at a pace consistent with maintaining high levels of stewardship and client service.

Has there been a change to the firm's status as an investment adviser registered under The Investment Advisers Act of 1940?

☐ Yes ☒ No

Has the firm been the subject of an investigation by any regulatory and/or government agency? If so, please describe and send a copy of any documentation regarding the disposition of such investigation.

☐ Yes ☒ No

Has the firm been the subject of any routine examination by regulatory authorities or independent auditors? If so, please provide a summary of the circumstances and outcome of such examination and/or audits.

Yes. The U.S. Securities & Exchange Commission (SEC) District Office in Atlanta announced a routine SEC exam on Wednesday, 2.21.18. The examiners were onsite for the week of March 12, 2018. While onsite the examiners conducted interviews with senior and executive level managers and directors, and the exam was comprehensive. We were pleased because the examiners wanted to understand the institutional book of business (representing 97 percent of assets under advisement). The exam covered many areas, including requests for proposal (RFPs), fund changes, share class analysis (institutional and wealth), investment research, and custody. They were particularly interested in our acquisition strategy, due diligence around acquisitions, any conflicts associated with that business, as well



as integration of acquisitions and solicitor relationships. We addressed any deficiencies noted. At CAPTRUST, we foster a culture of compliance and we expect that was apparent to examiners..

Prior to the exam mentioned above, in Summer 2014, CAPTRUST was the subject of a routine examination by the SEC. The exam was focused entirely on the firm's wealth management business (as opposed to its retirement plan or institutional advisory business). Specifically, the SEC examined the firm's (wealth) wrap fee programs. Deficiencies noted by examiners were mitigated and addressed with revised disclosures in the wrap and non-wrap (wealth) brochures (no material changes to the institutional/retirement plan advisory services brochure). All clients received revised disclosure brochures. During the 2014 exam, the SEC examiners did not inquire or review any of the firm's institutional business.

Additionally, each year we undergo several audits by independent third parties. We have our financial statements audited by an independent CPA firm; we are also subject to a custodial "surprise audit" and a review of our internal control procedures by an independent CPA; as well as an annual AML audit by an independent consulting firm.

Has the firm been the subject of any litigation (settled, pending, or threatened)? If yes, please describe.

In 2015, a plan participant in a 401(k) Plan (which is sponsored by a client of CAPTRUST's) filed a legal action against Prudential Retirement Insurance alleging that Prudential had charged excessive fees to the Plan (*Rosen v. Prudential Retirement Insurance and Annuity Company, et. al.*). In April 2016, CAPTRUST and the Plan Sponsor were joined as additional defendants in that action. CAPTRUST felt that the claims were totally baseless and retained a nationally recognized law firm with expertise in this type of litigation to represent its interests in the litigation. On December 30, 2016, the presiding judge dismissed all claims against all defendants with prejudice. The plaintiff appealed that dismissal; but subsequently withdrew its appeal as to CAPTRUST and its client. On March 22, 2017, the Second Circuit Court of Appeals issued an Order dismissing all claims against CAPTRUST and its client, with prejudice; i.e., the case ended in CAPTRUST's favor.

In August 2016, a plan participant in a 403(b) Plan (which is sponsored by a private university client of CAPTRUST's (the "University") filed a class action lawsuit action against the University and The Retirement Plan Oversight Committee of the University in the United States District Court for the Southern District of New York (Civil Action No. 16-cv-6525) alleging that the Defendants had breached various fiduciary duties owed to the participants in two of the University's retirement plans. In December 2016, the Plaintiff amended his complaint: (i) naming three more plan participants as additional Plaintiffs; (ii) naming the head of the Oversight Committee and CAPTRUST as additional Defendants; and (iii) revising its allegations with respect to the types of fiduciary breaches allegedly committed. The Complaint does not specifically allege any wrongdoing by CAPTRUST; but merely lumps it together with the University and the Oversight Committee. CAPTRUST unequivocally maintains that it properly fulfilled all of its fiduciary duties to its client, the retirement plans, and the plans' participants. CAPTRUST has retained a nationally recognized law firm with expertise in this type of litigation to represent it and has directed those attorneys to aggressively defend CAPTRUST against all of the alleged claims filed against it. Both the University and CAPTRUST filed motions to dismiss all Counts alleged in the Complaint with the



Court. Pursuant to motions filed by CAPTRUST, the Court agreed and has either dismissed, with prejudice, or entered summary judgment in favor of CAPTRUST on all claims filed by Plaintiff. The time in which Plaintiff may appeal the Court's order has not yet expired.

In December 2019, a former client of CAPTRUST filed a lawsuit against CAPTRUST in the United States District Court for the Northern District of Alabama, Southern Division (Civil Action No. 2:19-cv-2082-GMB). The lawsuit alleged that the client's assets were not appropriately invested by CAPTRUST and sought damages related to additional returns that could have been made if the assets had been invested differently. On February 4, 2020, the Court dismissed the lawsuit based on the parties' joint stipulation. The plaintiff subsequently filed an arbitration proceeding with FINRA. CAPTRUST believes the claims are baseless and maintains that it properly fulfilled all of its fiduciary duties to its client. **CAPTRUST has retained an Alabama law firm to defend this matter.**

Have there been any material changes to the firm's fidelity bond insurance or error and omission insurance? If yes, please explain.

☐ Yes ☒ No

Have there been any changes to the firm's written fiduciary status as it relates to the plan participants? If yes, please explain.

☐ Yes ☒ No

Have there been any changes to the firm's roles and responsibilities as it relates specifically to the managed account program? If yes, please explain.

☐ Yes ☒ No

Have all sources of compensation been clearly disclosed?

☒ Yes ☐ No

Does the firm have any conflicts of interest with any of the plan's underlying investment managers or providers pertaining to our managed account solution? If yes, please explain.

No, the firm does not have any conflicts of interest with the plan, the underlying investment managers or providers to the plan. The firm's Form ADV Part 2 (disclosure brochure) has a detailed disclosure of all real and potential conflicts of interest, but none that have an impact on the plan.



Does the firm have information security measures in place to protect sensitive data? If so, what information security measures has the firm implemented?

Yes, the firm has information security strategies in place. For more information, please reference the Information Security Brief by following the web address below:

https://file-us.clickdimensions.com/captrustadvisorscom-a7r8p/files/captrust-information-security-brief-for-rfp_35157.pdf?1626098963005

What are the investment manager's discretionary assets under advisement? What is the total number of plans/assets in Blueprint Managed Advice?

As of 12.31.2020, CAPTRUST provided holistic discretionary investment manager services to approximately 990 accounts/plans representing over \$41.9 billion in assets under management. As of the same period, Blueprint Managed Advice was utilized by 12 plans totaling approximately \$137 million.

Personnel

Have there been any personnel changes to the Investment Committee that makes investment decisions impacting the managed account program? If so, please list names, title, and a brief description of the person's role.

☒ Yes ☐ No

The below employees left the firm and the CAPTRUST Investment Committee.

- Kevin Barry
- Ryan Hill

The below employee were added to the CAPTRUST Investment Committee.

- Jim Underwood, CFA, Portfolio Strategist

Jim is a member of the Investment Committee and is based out of our Birmingham, Alabama, office. Jim joined CAPTRUST in 2020 from Welch Hornsby, an independent, fee-only investment advisory firm, where he served as chief portfolio strategist for more than 13 years. At CAPTRUST, he leads the Portfolio Management Team concentrating on the discretionary investment model strategies that encompass both wealth and institutional models. His professional focus is on investment model construction, risk, and performance attribution. He is a spokesperson for the firm both internally and externally on models and managers. He also leads the team that implements the decisions of the Investment Committee into the model strategies. He is a Chartered Financial Analyst (CFA) and has been in the industry since 1999. In 2012, Jim was awarded a prestigious Top 40 under 40 award by the Birmingham Business Journal.



Have there been any personnel additions or departures that directly affect the management of the managed account program?

☒ Yes ☐ No

Michael J. Vogelzang, CFA has been promoted to chief investment officer (CIO), leading CAPTRUST's Investment Group, Investment Committee, and overseeing the investment process. Vogelzang is a 38-year veteran of the investment industry and has been with the firm since October 2019. As CAPTRUST's CIO, Vogelzang will lead the Investment Committee and oversee the 34-person Investment Group, which includes our manager research team, portfolio management team, investment strategists, and individual securities portfolio managers. Our investment philosophy remains the same, based on our time-tested investment process, guided by a singular investment focus on client outcomes, and is not impacted by the change in CIO. Vogelzang is an extremely talented industry leader who embodies CAPTRUST's values and has a clear track record of delivering value to clients.

Managed Account Program

What is Blueprint Managed Advice?

Blueprint Managed Advice is an integrated managed account program that leverages Morningstar's technology platform, participant data from the recordkeeper, and CAPTRUST's independent investment advice. The solution, managed by CAPTRUST, was launched in February 2020, and is CAPTRUST's response to the growing demand for individual advice within the retirement industry.

Please define the roles and responsibilities of the parties involved with the set up and maintenance of Blueprint Managed Advice.

CAPTRUST:

- Serves as a 3(38) fiduciary to plan participants
- Populates allocation models using a plan's unique investment menu
- Reviews and monitors Morningstar's participant assignment methodology, capital market assumptions, and security

Morningstar:

- Provides the technology integration with recordkeepers
- Provides the participant portfolio assignment methodology
- Provides a user-friendly participant interface

Recordkeeper:

- Manages plan and participant data exchanges with Morningstar
- Implements participant portfolio assignment and rebalance transactions



What is the primary objective of Blueprint Managed Advice? How is this objective achieved?

Blueprint Managed Advice is a subset of CAPTRUST's larger, holistic participant advice service offering. The primary objective is to provide customized advice and asset allocation to participants through their retirement plan to help each individual be better prepared for retirement. It does so through a partnership across three groups – CAPTRUST, Morningstar, and the plan's recordkeeper. CAPTRUST serves as the 3(38) fiduciary to the program and creates model investment allocations that are used to power the managed account platform. In addition to creating the underlying investment allocation, CAPTRUST also monitors the allocation process at the participant level to ensure all individuals are invested properly.

Morningstar provides the technology that powers the managed account program. Morningstar's engine takes in participant data from the plan's recordkeeper to analyze each individual's current financial situation. Data may include age, gender, salary, account balance, contribution rate, and plan design features – such as company match. Morningstar can also factor in outside investment accounts, spousal income, and investment accounts, as well as retirement goals, objectives, and expenses –such as travel budget or healthcare costs. Items such as outside accounts and retirement goals would need to be entered by the individual through Morningstar's online interface.

The goal is to get a sense for an individual's full financial picture and be able to provide advice based on that information. Once all available data has been gathered Blueprint Managed Advice will give each participant participating in the program a custom asset allocation as well as provide advice on retirement age, contribution rate, and social security. It will give the individual the option to take the advice or they can also customize it based on any changes they would like to make.

Another way Blueprint Managed Advice works towards retirement readiness is a participant's portfolio will evolve as they do in their career. Because data from the plan's recordkeeper is constantly feeding the Morningstar model, Blueprint Managed Advice will proactively rebalance an individual's asset allocation and advice as they get older or their retirement needs change on a regular basis.

How are asset allocation models determined and incorporated within Blueprint Managed Advice? Please provide a breakdown of asset allocation models.

All asset allocation decisions for Blueprint Managed Advice are made by CAPTRUST's investment committee, led by CAPTRUST's Chief Investment Officer, Michael Vogelzang. The committee also features other senior members within CAPTRUST's investment group. As it relates specifically to Blueprint Managed Advice, the investment committee is primarily responsible for creating the investment allocations that sit underneath the managed account program.

The first step in creating the underlying asset allocations is to determine forward looking market expectations. To do so, the CAPTRUST investment committee leverages internal economic research and analysis to develop return and risk projections for a seven to ten-year forward-looking period for each asset class. Seven to ten years is not too long where the investment committee cannot react to changing economic and market conditions but long enough to capture a typical market cycle. The committee then



takes these risk/return expectations and builds portfolios to optimize the return for the amount of risk taken.

Morningstar's model requires six base portfolios at varying levels of fixed income and equity, while also factoring in the participant's retirement goal being either accumulation or decumulation to power the managed account tool. A participant in the accumulation phase is focused on saving toward retirement some years to retirement. A participant in the decumulation phase is also focused on savings, but retirement is much closer and the opportunity to leverage the savings is also important. Understanding the participant's retirement goals helps to determine the appropriate model while taking into consideration the participant's retirement goal.

The first model has 90% of the portfolio in fixed income and a 10% position in equities. The middle portfolio has an even 50% split between fixed income and equities. Finally, the third base portfolio has 3% in fixed income and 97% in equities. Each phase contains these three base portfolios for a total of six base portfolios being established. With these six portfolios as a base, Morningstar is then able to create up to 589 different asset allocations that can fit the unique needs of a participant. They do so by weighting assets differently across the base portfolios to create a targeted level of equities for an individual participant. CAPTRUST serves as a 3(38) fiduciary on the asset allocations and how individuals in the plan are assigned.

Below is an example of the three base portfolios that are used in both the accumulation and decumulation phases. The funds that will populate each asset class are the funds made available in the plan's underlying investment menu. Since the managed account allocations are created using the funds made available in the plan's investment menu and taking into consideration any direction given to CAPTRUST by the plan sponsor, actual model portfolios are unique to each client.

Asset Class	Sample Portfolios		
	10% Equity	50% Equity	97% Equity
Stable	28%	14%	-
US Fixed	31%	18%	2%
US Fixed Passive	31%	18%	1%
Large Cap Value	1%	6%	12%
Large Cap Growth	1%	6%	12%
US Large Cap Passive	4%	14%	25%
Mid Cap Value	1%	2%	4%
Mid Cap Growth	1%	2%	3%
US Mid Cap Passive	-	4%	7%
International	1%	6%	12%
International Passive	1%	6%	12%
Small Cap Value		1%	3%
Small Cap Growth		1%	2%
US Small Cap Passive		2%	5%



Have there been any changes to the firm's capital market assumptions or tactical views? If yes, please list each change and a brief description.

Our Capital Market Assumptions (CMAs) are generally reviewed and/or updated every 12-18 months, or when warranted by changes in market conditions. Our review of CMAs includes assessments of the valuations and return drivers of asset classes, e.g. price multiples for equities, levels of yields for fixed income, and an evaluation of asset classes relative to one another (equity risk premium).

In early 2020, as the severity and impact of the COVID-19 pandemic became apparent, we revisited our CMAs to understand what (if any) adjustments to forward-looking assumptions may be appropriate. Our assumption for GDP growth is fundamental to this process, and we applied a modelling approach based upon a near-term recessionary period, followed by a return to long-term trend. Although our process is designed to incorporate changes within the contemporary environment, our CMAs are intended to be long term assumptions, and as a result, changes tend to be incremental in nature.

As a result of this exercise, some of the changes to the May 2020 assumptions (relative to the prior, September 2019 CMAs) were as follows:

- A slight reduction in U.S. economic growth (-0.5%) and inflation (-0.5%) expectations
- No changes occurred within expectations for U.S. equities; we expect continued relative strength for the U.S. economy relative to other international developed markets.
- Return expectations for international equities (developed and emerging markets) remained the same.
- A reduction in return expectations for most fixed income categories, ranging from -0.35% to -0.90%, following a continued decline in the level of interest rates. Forward returns for fixed income are generally highly correlated to the level of current yield. Our municipal bond expectation increased slightly by 0.30%.
- Real asset categories, including real estate and commodities, were revised slightly lower by -0.25%, while core private real assets expectations rose by 0.50%.
- Within alternatives, our return expectations for core private equity and core private credit rose by 0.25% and 1.00% respectively, while hedged strategies were lowered by -0.25%.
- Risk/volatility assumptions were adjusted as follows:
 - Equities
 - Slight increase in volatility expectation for U.S. and emerging market equities
 - Slight decrease for international developed equities
 - Fixed Income
 - A small increase in volatility expectation for T-bills, core fixed income, long-term U.S. treasury bonds, investment grade corporate bonds, and municipal bonds
 - A small decrease in volatility expectations for intermediate-term U.S. treasury bonds, long-term corporate bonds, high-yield bonds, global bonds, and TIPS
 - Real Assets
 - An increase in volatility expectation for U.S. core private real estate, and core private assets, and a slight increase in U.S. public real estate
 - A small decrease in volatility expectations for commodities.

Alternatives – an increase in volatility expectations for core private equity, hedged strategies, and core private credit.



Please describe the participant assignment methodology used for Blueprint Managed Advice.

Please see CAPTRUST's BMA Methodology paper for a detailed description of the participant assignment methodology used.

Please describe the measures taken to provide a secure account for participants using Blueprint Managed Advice.

CAPTRUST conducts due diligence on Morningstar as the technology provider for Blueprint Managed Advice through SOC 2 Type 2 reviews in addition to formal assessments (such as SIGLite) and continued monitoring through Panorays. Due diligence is completed annually and evaluated by a review panel with final sign-off (approval or rejection) by senior management, including CAPTRUST's Chief Technology Officer and Chief Compliance Officer. All due diligence is performed following the process below:

- CAPTRUST will request SOC 2 Type 2 documentation and other documentation deemed pertinent to the relationship
- Parallel to the SOC inquiry and review, CAPTRUST will initiate the Panorays assessment process
 - Formal Inquiry & Risk Posture Report
 - Formal Inquiry of Morningstar
 - Risk Posture Report listing the vulnerabilities discovered by Panorays
 - Review Both Reports:
 - Review and follow-up with Morningstar with any additional questions resulting from their formal inquiry submission
 - Follow-up with Morningstar on "High" and "Critical" vulnerabilities found in Risk Posture Report
 - Request context of vulnerability and request remediation as deemed prudent/necessary
 - If CAPTRUST deems the SOC and Panorays reports as acceptable and remediation plans / results as acceptable, a final Approval report will be created, covering:
 - SOC 2 Type II Review/Approval
 - Panorays Risk Posture Review
 - Panorays Formal Inquiry Review
 - Appropriate Signatures
 - If CAPTRUST otherwise deems the findings of the due diligence process as unacceptable, the service may be rejected

Based on a review using the above process CAPTRUST approved the continued use of Morningstar as the technology provider for Blueprint Managed Advice.

How can a participant access Blueprint Managed Advice?



Blueprint Managed Advice is accessible online through the respective recordkeeper's participant website. Each recordkeeper's participant website has been designed to provide information about Blueprint Managed Advice and give participants the ability to enroll into the service.

Please describe any additional service enhancements pertaining to Blueprint Managed Advice.

CAPTRUST will continue to actively explore service enhancements to Blueprint Managed Advice over time in conjunction with Morningstar. The goal of any service enhancements will be to better equip participants to meet their retirement savings goals and/or provide an enhanced level of support for plan sponsors offering the service to their employees. As the service was launched in February 2020, there are no current service enhancements to mention at this time.

Please provide the fee structure for Blueprint Managed Advice.

CAPTRUST receives a fee for providing Blueprint Managed Advice services. Fees may be paid by the plan sponsor, from plan assets, or by the plan participants. How fees are paid is determined by the plan sponsor. The fee structure for Blueprint Managed Advice is based upon the plan having PAS services, the size of the plan, if the service will be used as a participant opt-in or opt-out service, and the recordkeeper.

There are generally three parties receiving fees from participants using the Blueprint Managed Advice service – CAPTRUST, Morningstar, and the plan's recordkeeper. Each party is paid independently and sets their own pricing schedule for the service. If the plan sponsor has engaged CAPTRUST to provide PAS, there is no additional CAPTRUST fee charged directly to participants that use the Blueprint Managed Advice service (although fees for Morningstar and/or the recordkeeper may still be assessed). In those situations, CAPTRUST may be compensated through a flat fee charged to either the plan or the plan sponsor. Participant level fees for Blueprint Managed Advice are negotiated at the plan sponsor level and can range from .05% to .60% all-in, excluding underlying investment management fees.

Applicable Blueprint Managed Advice fees are specific to each individual retirement plan and separately disclosed to plan participants upon enrollment and on an annual basis thereafter.

What plan reporting features are available with Blueprint Managed Advice?

Morningstar and the respective recordkeepers have partnered with CAPTRUST to ensure reporting functionality is readily accessible. Reporting includes providing Blueprint Managed Advice enrollment and utilization details to help highlight the success rate of the managed advice service in the plan.