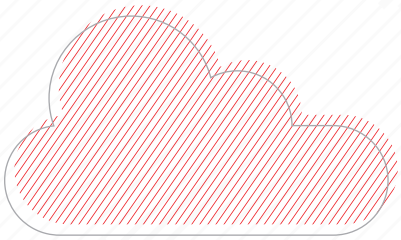
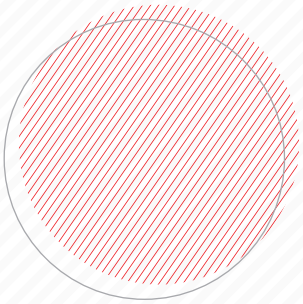
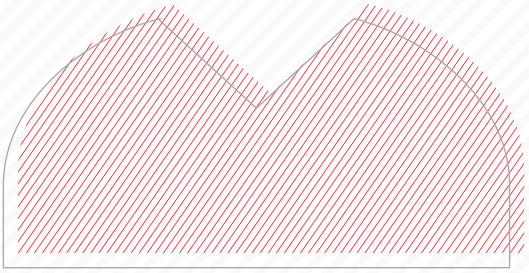
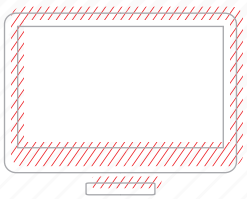
Working with Client Accounts

Morningstar Direct℠ for Wealth Management

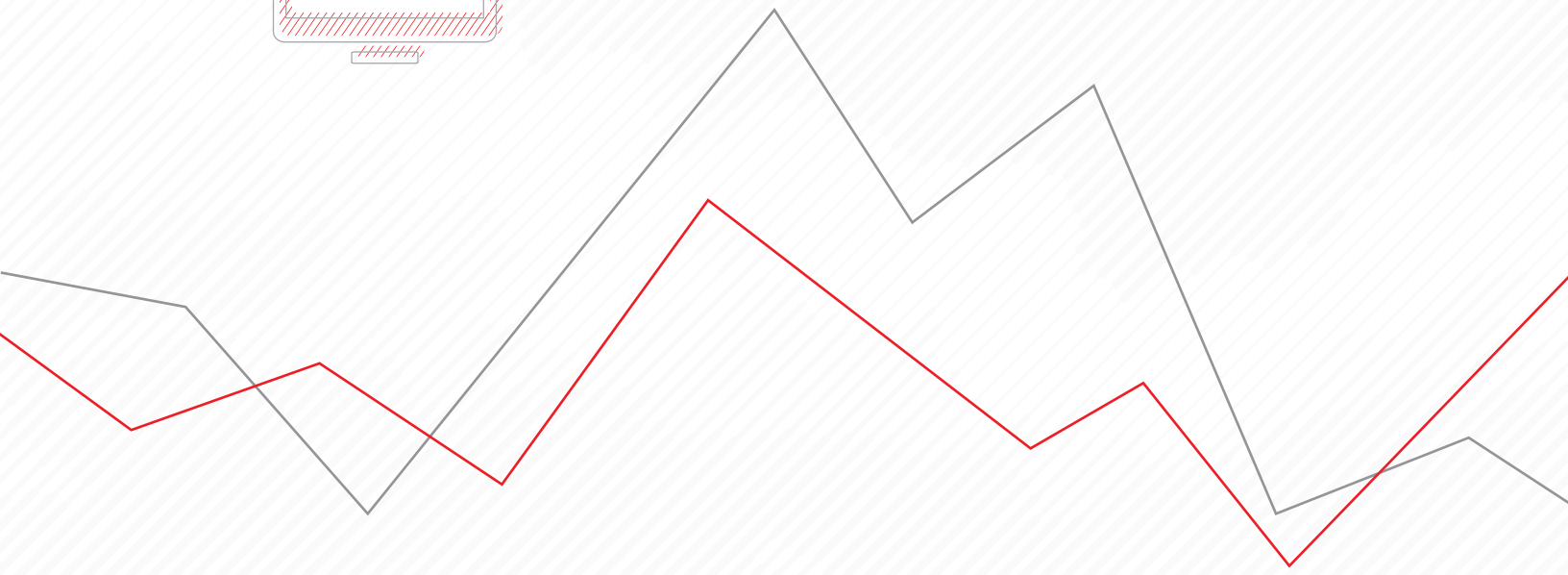








MORNINGSTAR Direct



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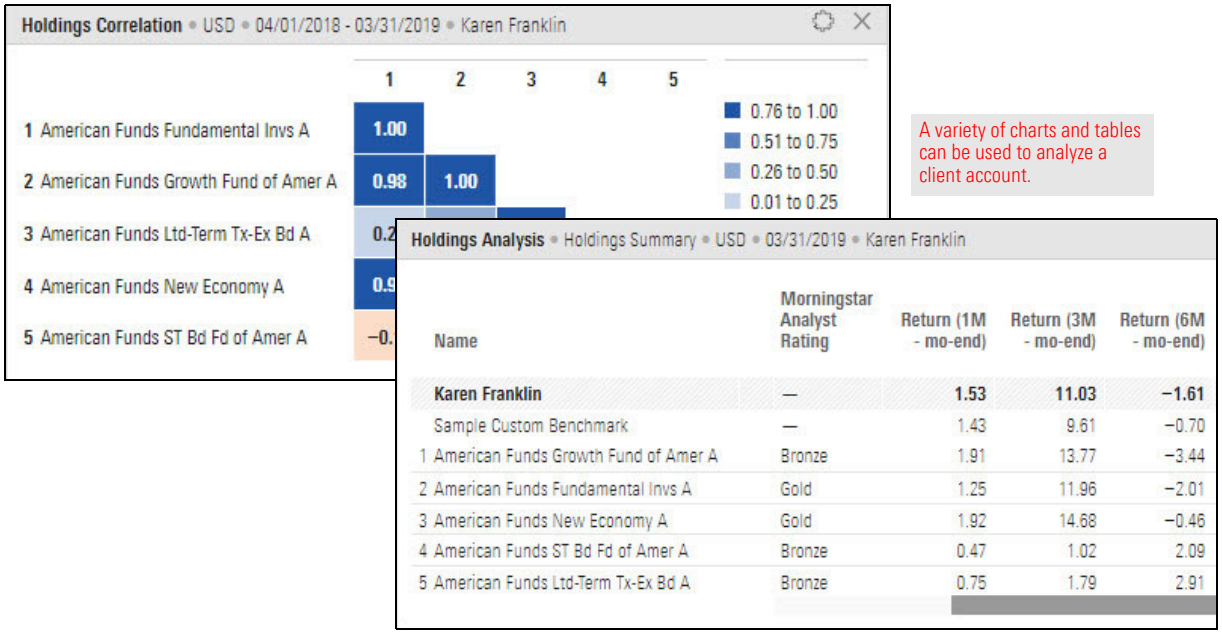
Working with Client Accounts

Overview

In Morningstar Direct℠ for Wealth Management, client accounts allow you to enter and analyze actual client holdings. Further, you can assign custom benchmarks and an investment policy to the accounts to aid in that analysis. This guide provides instructions on how to create and use these related items, as well as how to connect them to accounts.

In this manual, the following topics are covered:

- Creating a Client Account (page 17)
- Working with Custom Benchmarks (page 17)
- Using an Investment Policy (page 42)
- Assessing the Impact of Fees on Client Accounts (page 63), and
- Editing a Client Account (page 70).



A variety of charts and tables can be used to analyze a client account.

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Creating a Client Account

Overview

Client accounts allow you to easily track and analyze a client's investments. You can also compare the account to a custom benchmark or investment policy.

In this section, you will learn how to do the following:

- Exercise 1: Create a client account from scratch (page 6)
- Exercise 2: Create a client account by importing (page 11)

Exercise 1: Create a client account from scratch

You might need to manually create a client account in the following circumstances:

- You want to mock up an account based on a model portfolio (to represent a client's held-away assets).
- You want to create an account for a prospect who is not yet a client, or
- You are a potential user on a trial license and your client holdings are not automatically recreated in Morningstar Direct for Asset Management.

In this exercise, you will create a client account to represent the holdings of a prospect, Karen Franklin. She needs assistance in diversifying in her traditional IRA. Karen is 63 and plans to retire next year. She has given you a printout of the current holdings in the IRA. You will input the investments, set weights for them, and so on. This client account will be used in exercises throughout this guide.

To create a client account, do the following:

1. On the header, click the **Create** icon and select **Client Account**. The Creating Accounts window opens.

   ☞ Note: If the Create menu doesn't show an option for Client Account, contact your CSM.

Note the highlighted selections.

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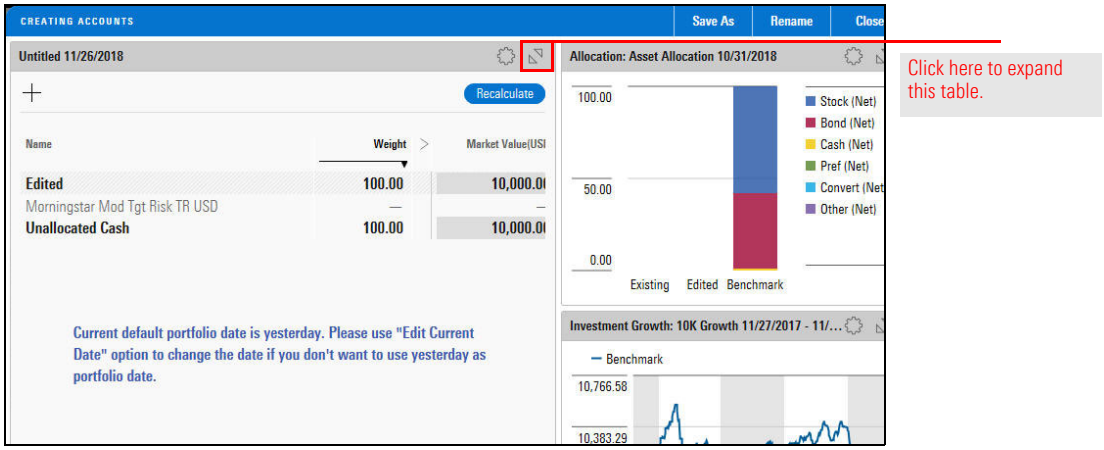
2. (Optional) In the upper-right corner of the Untitled area, click the **Expand** icon. The Untitled area expands to the full size of the window, making it easier to read.



3. To select the investments for the account, in the upper-left corner of the Creating Accounts window, click the **Add** icon. The Add menu opens.

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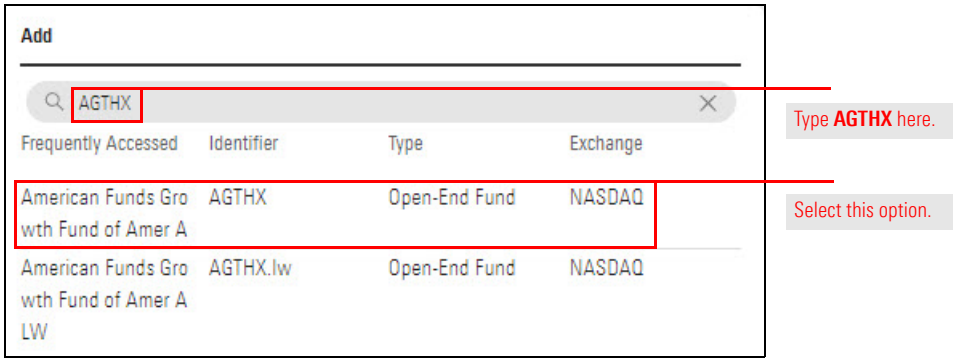
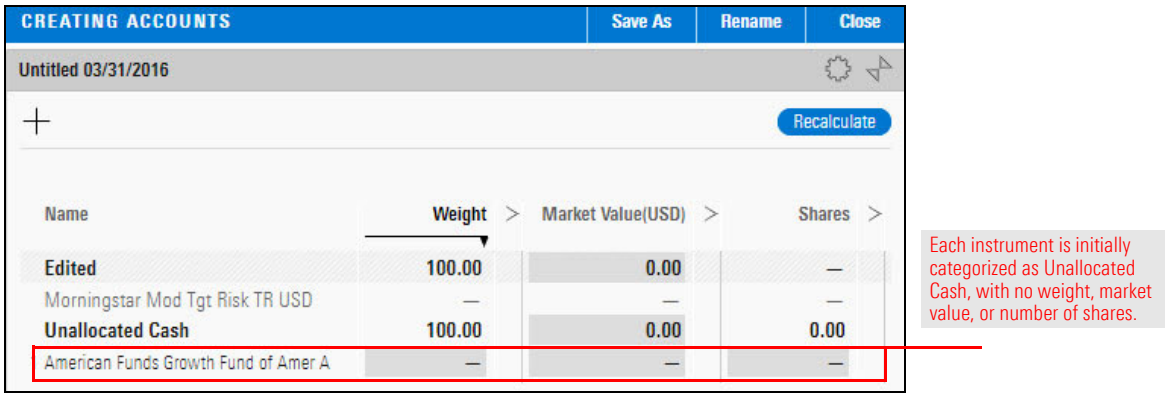
4. In the **Search** field, enter **AGTHX**. The results list displays more than one selection. Select **American Funds Growth Fund of Amer A**.



American Funds Growth Fund of Amer A is displayed in the Creating Accounts window, under Unallocated Cash.



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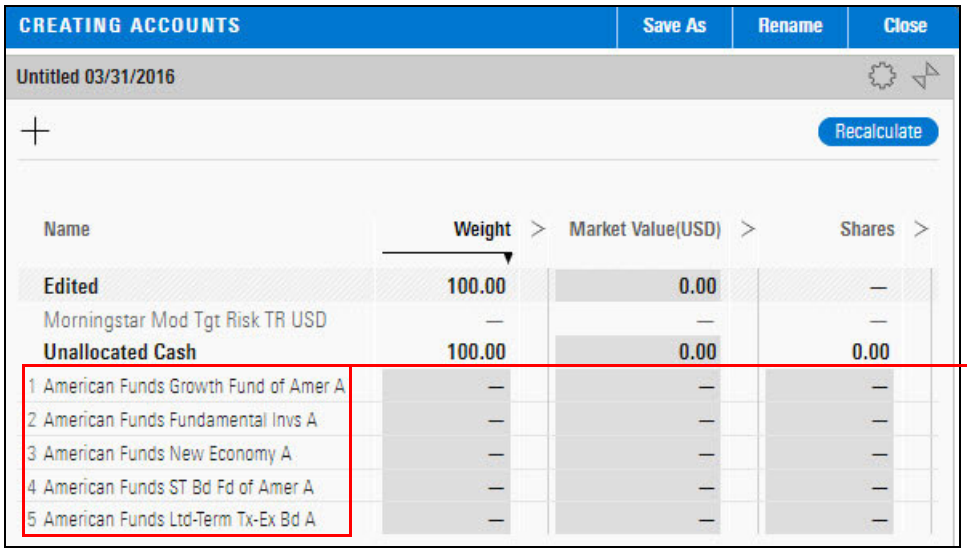
5. Use these tickers to **add** the following funds:
   - **ANCFX** (American Funds Fundamental Investments A)
   - **ANEFX** (American Funds New Economy A)
   - **ASBAX** (American Funds ST Bd Fund of Amer A), and
   - **LTEBX** (American Funds Ltd-Term Tx-Ex Bd A).



6. Change the **Weight** of each fund according to this table:

   ☞ Note: Press **Enter** after each entry to move to the next one.

Fund	Weight
American Funds Growth Fund of Amer A	40
American Funds Fundamental Investments A	20
American Funds New Economy A	15
American Funds St Bd Fund of Amer A	15
American Funds Ltd-Term Tx-Ex Bd A	10

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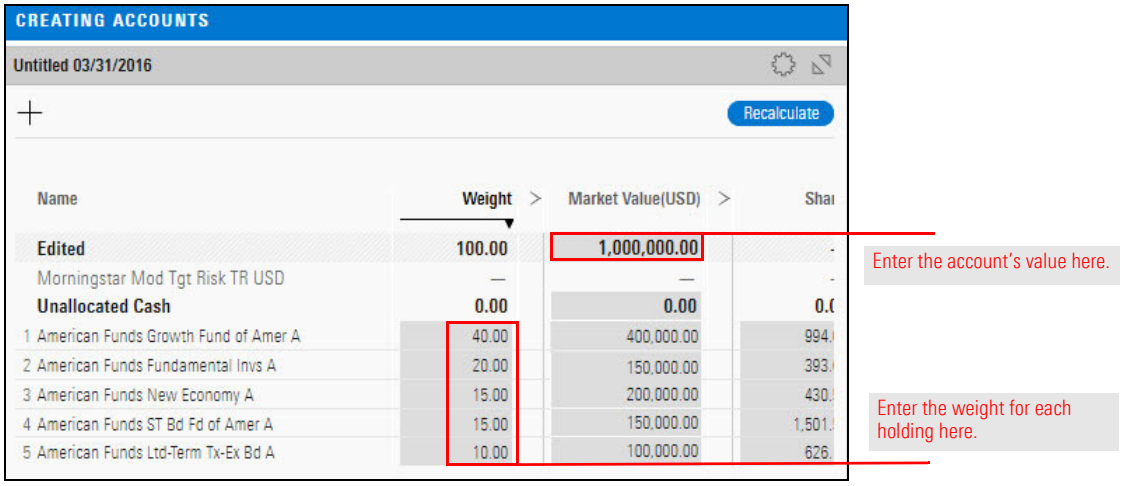
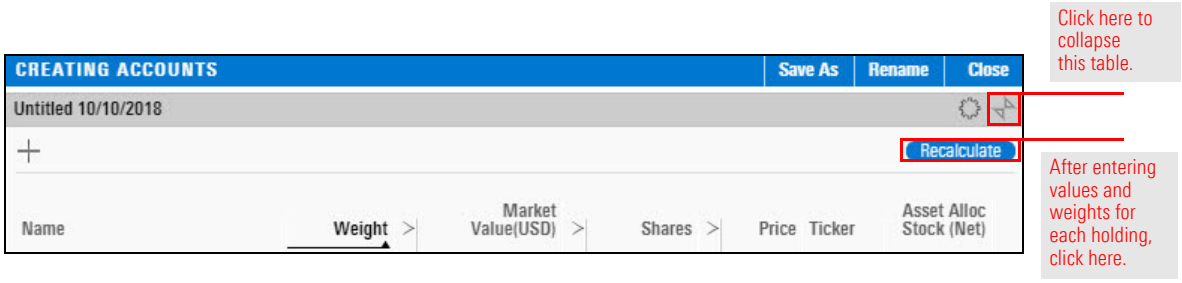
7. At the top of the **Market Value** column, enter **1000000**.

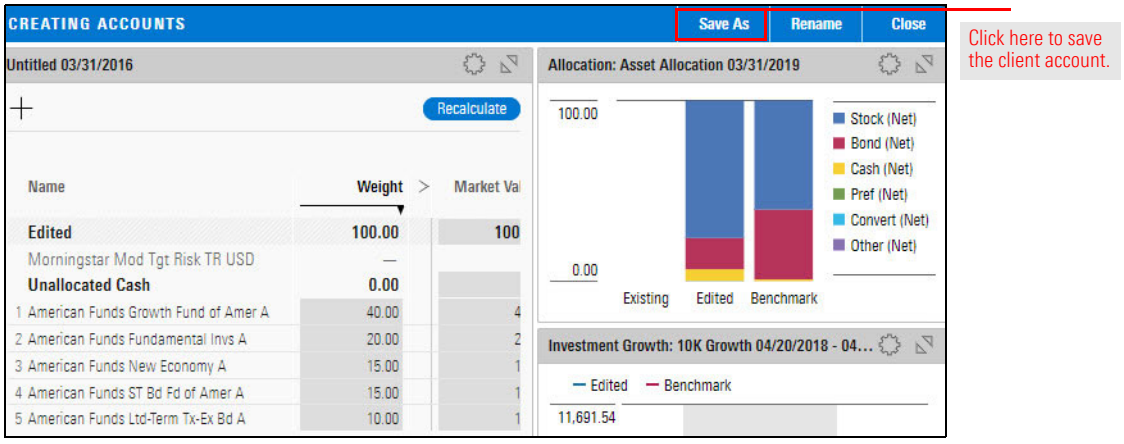


8. If you expanded the list of holdings in step 2 on page 7, click the **Collapse** icon so you can see how the other charts are affected when you recalculate.

9. Click **Recalculate**.



10. In the upper-right corner of the window, click **Save As**.



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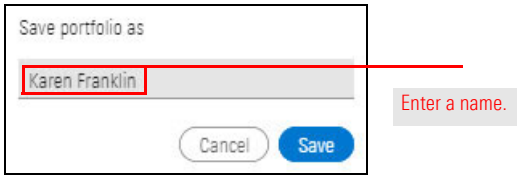
11. In the "Save portfolio as" dialog box, enter **Karen Franklin**, then click **Save**. In the upper-left corner of the Creating Accounts window, "Untitled" is replaced with "Karen Franklin."



12. In the upper-right corner of the window, click **Close**. The dialog box closes.

Exercise 2: Create a client account by importing

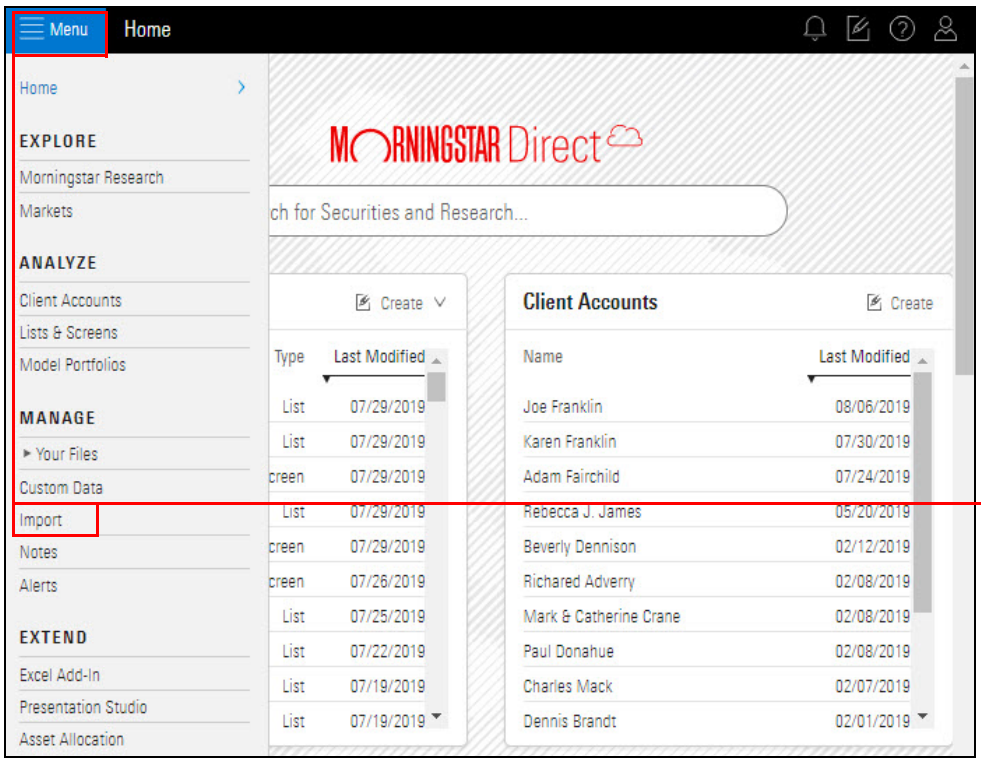
Karen Franklin is also interested in improving the performance of her husband's IRA. In this case, she has provided a Microsoft® Excel® spreadsheet, listing his investments. You can import it directly into a client account, instead of manually entering the investments and weights (as you did in Exercise 1 on page 6).

In this exercise, you will import an Excel file to create a client account for Joe Franklin.

☞ Note: When using an Excel file on your own, be sure to first check the requirements for importing an Excel file, found in Data Import Specifications.

To import an Excel file, do the following:

1. Download the Excel file for this exercise.
2. In the upper-left corner of the Home page, **hover the cursor** over and select **Import**. The Import page opens.



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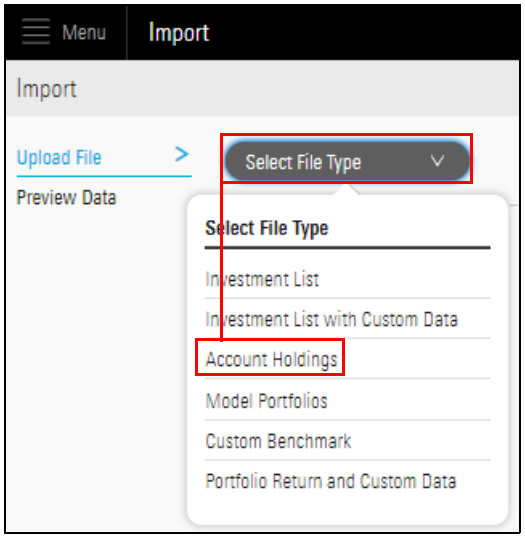
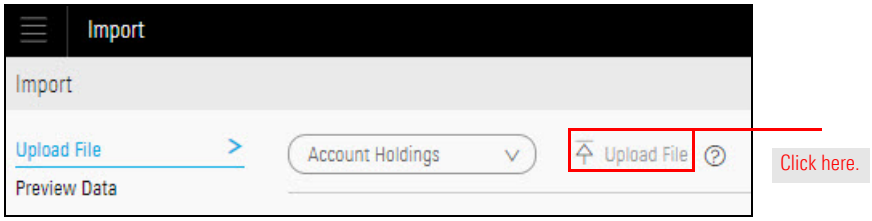
3. At the left side of the Import window, the Upload File option is selected. Click **Select File Type**, then select **Account Holdings**. To the right of the Select File Type button, the Upload File icon appears.



4. Click **Upload File**. A navigation window opens.



5. On your computer system, **locate** and **double-click JoeFranklin.xls** (the file you just downloaded). The Import page opens, displaying mapping options.

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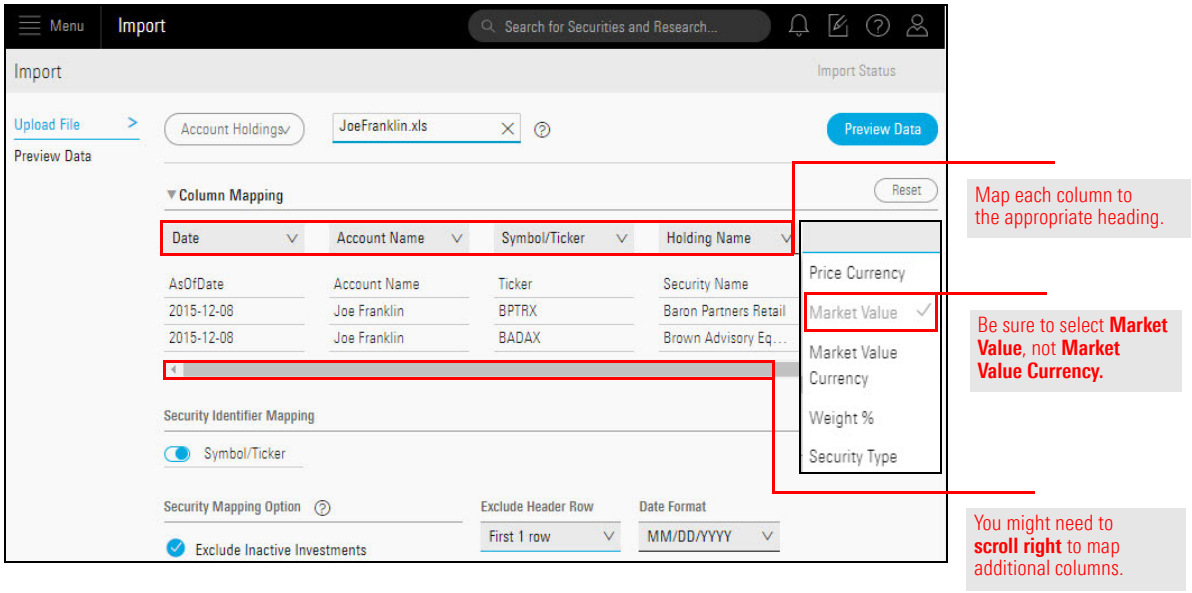
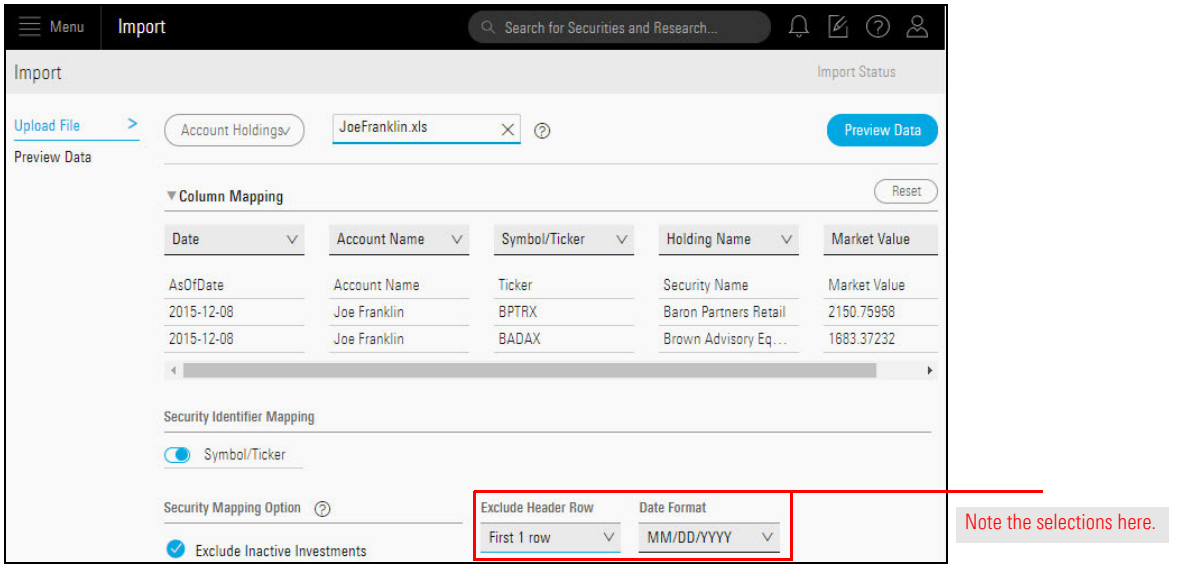
6. In the Column Mapping area, use the pull-down menus to make a **selection** from each **Unmapped** field. Each unmapped column must correspond to a column in the Excel spreadsheet. A selection for each column is required.



7. In the **Exclude Header Row** field, make sure **First 1 row** is selected.
8. From the **Date Format** menu, select **MM/DD/YYYY** (or the date format you want to use).
9. In the upper-right corner of the window, click **Preview Data**. The Import Status window opens.



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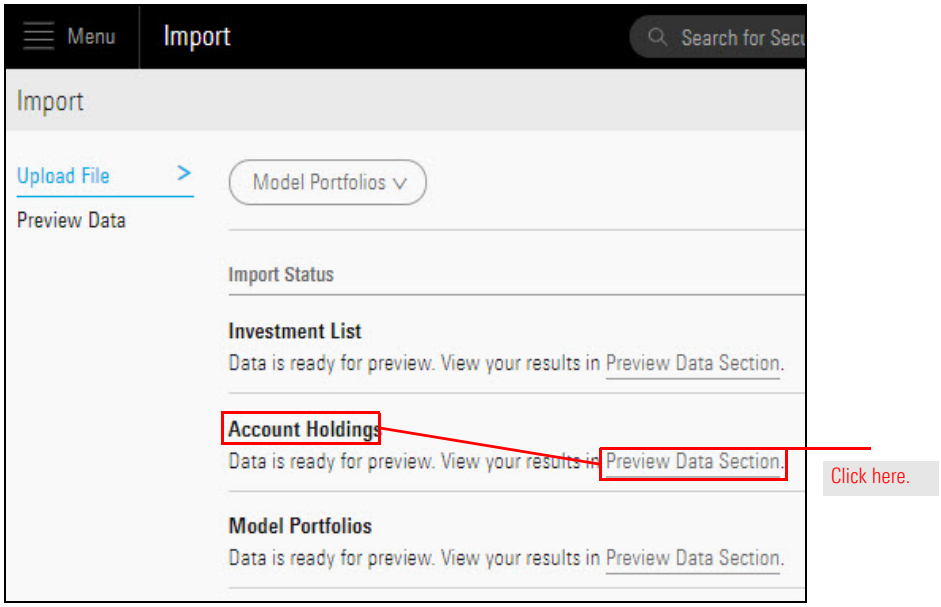
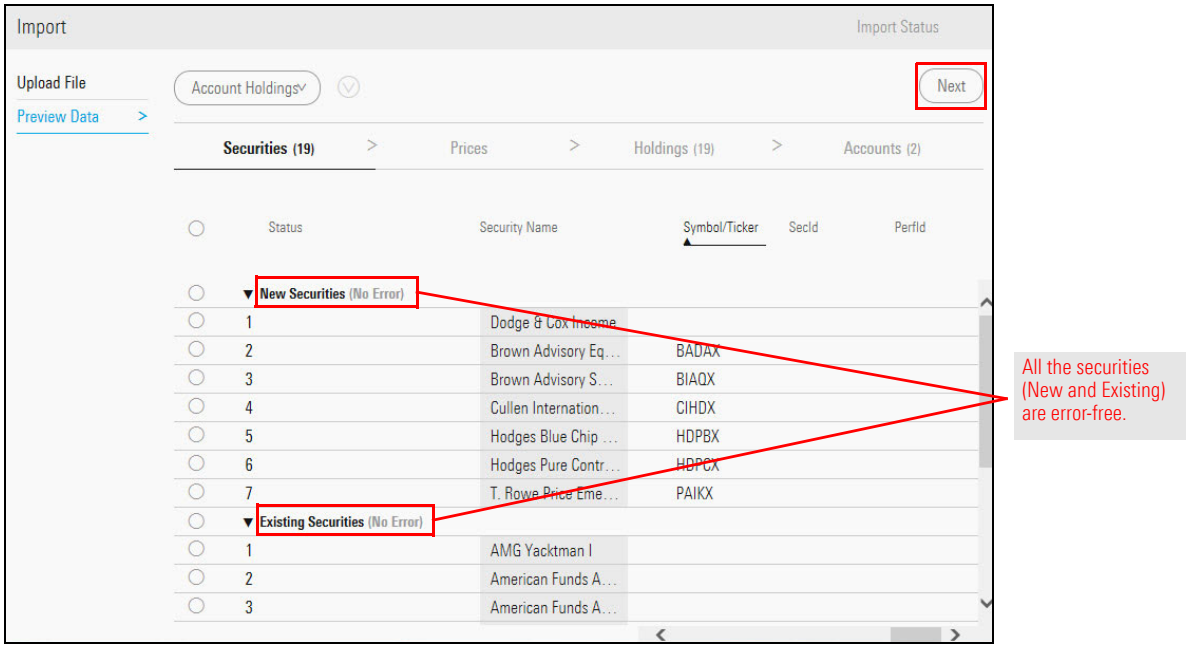
10. Under **Account Holdings**, click **Preview Data Section**.



☞ Note: In the Preview Data window, securities listed as "New" have not been imported before. Existing Securities have been previously imported. Some securities in the spreadsheet being imported might be listed under Existing Securities.



11. Click **Next**.

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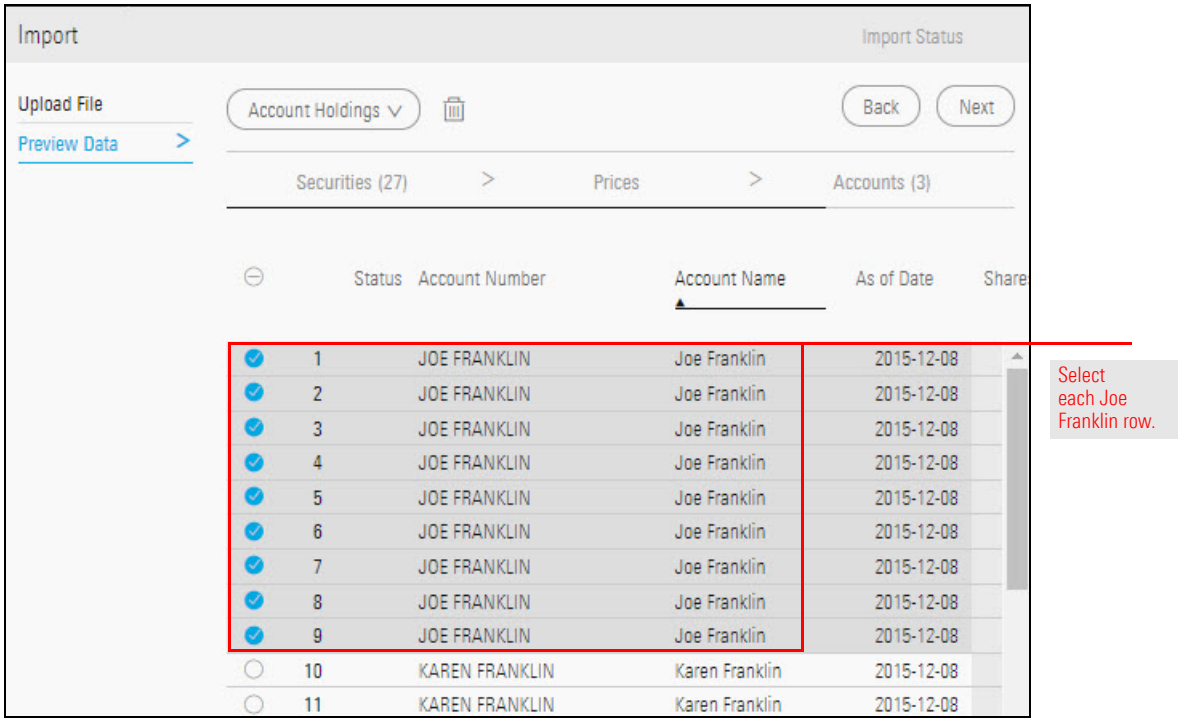
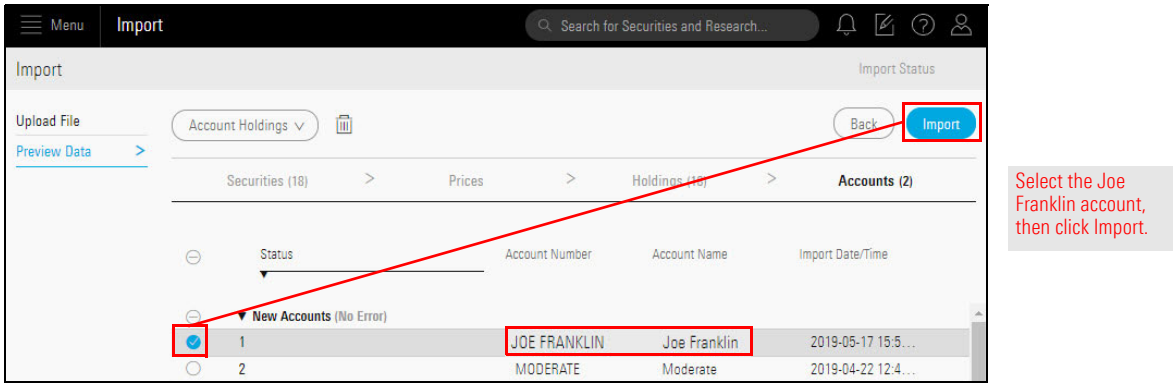
12. If you have imported files before, the holdings for Joe Franklin might not be together on the list. In that case, do the following:
    A. **Sort** the **Account Name** column by **clicking** the column heading.
    B. **Scroll up or down** to find the listings (which will now be together on the list).
13. **Click** the **circle** next to each **Joe Franklin** row, then in the upper-right corner, click **Next**.



14. The final Preview page shows accounts, not individual securities. Click the **circle** at the left of the row for **Joe Franklin**, then in the upper-right corner of the window, click **Import**.



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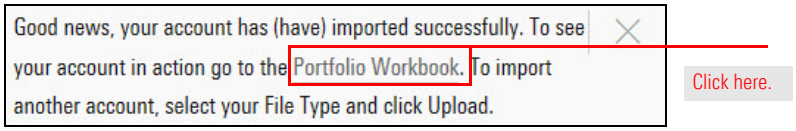
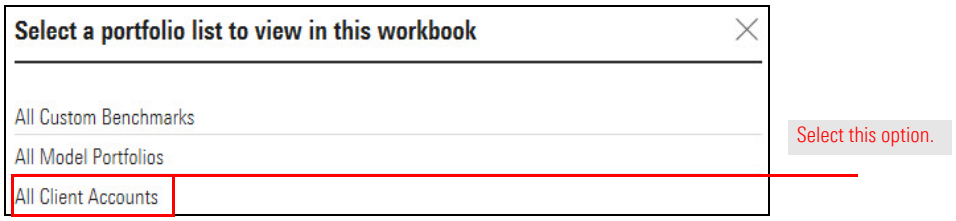
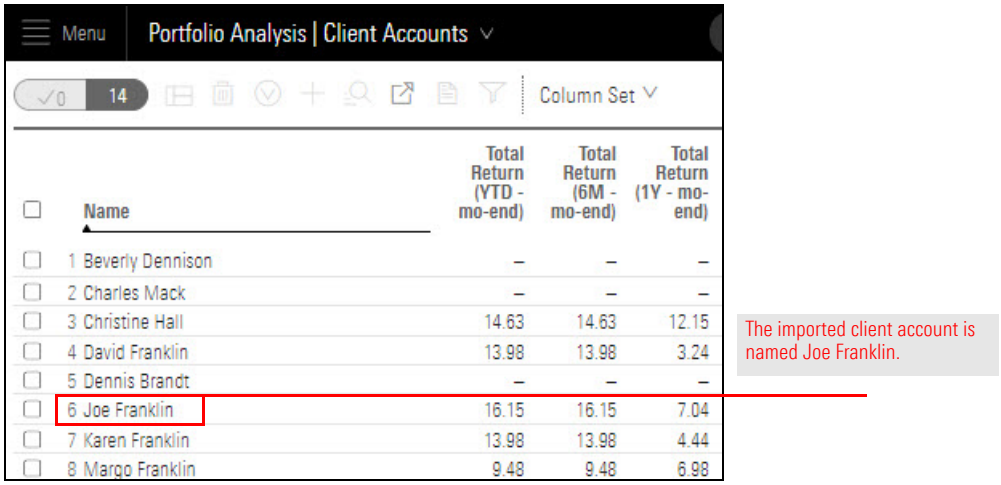
15. A message opens, announcing the account was imported successfully. Click **Portfolio Workbook**. The "Select a portfolio list to view in this workbook" dialog box opens.



16. In the "Select a portfolio list to view in this workbook" dialog box, select **All Client Accounts**.



In the workbook, the Joe Franklin account is displayed in the Grid.



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Working with Custom Benchmarks

Overview

A custom benchmark is created by manually adding indexes or investments and allocating weights to them, or by importing a file. The blended benchmark can then be used in the following ways:

- Assigned to client accounts
- Displayed in various charts and tables, and
- Used as a reference point when analyzing client accounts.

This section covers the following topics and exercises:

- Why should I use a custom benchmark? (page 17)
- Exercise 3: Create a custom benchmark (page 18)
- Exercise 4: Create a custom benchmark of Morningstar indexes (page 21)
- Exercise 5: Import a set of custom benchmarks (page 24)
- Exercise 6: Apply custom benchmarks to a client account (page 29)
- What are the options for displaying benchmarks? (page 32)
- Exercise 7: Compare the Morningstar Sector allocations of a client account and a benchmark (page 32)
- Exercise 8: Compare the historical returns of an account and both of its benchmarks (page 36)
- Exercise 9: Hide a benchmark (page 37)
- Exercise 10: Compare the Sustainability Ratings Analysis of a client account and both of its benchmarks (page 38)

Why should I use a custom benchmark?

When comparing a client account to a common yardstick of market performance, such as the S&P 500 or the Bloomberg Barclays U.S. Aggregate Bond Index, the results might not always be helpful, unless the client is fully invested in that asset class—all stocks or all bonds. Very few investors hold just those positions.

A custom benchmark can help you discover if the investment selections in a client account are helping or hurting the returns. A benchmark is also a view into whether the account could benefit from a simpler and less expensive mix of holdings.

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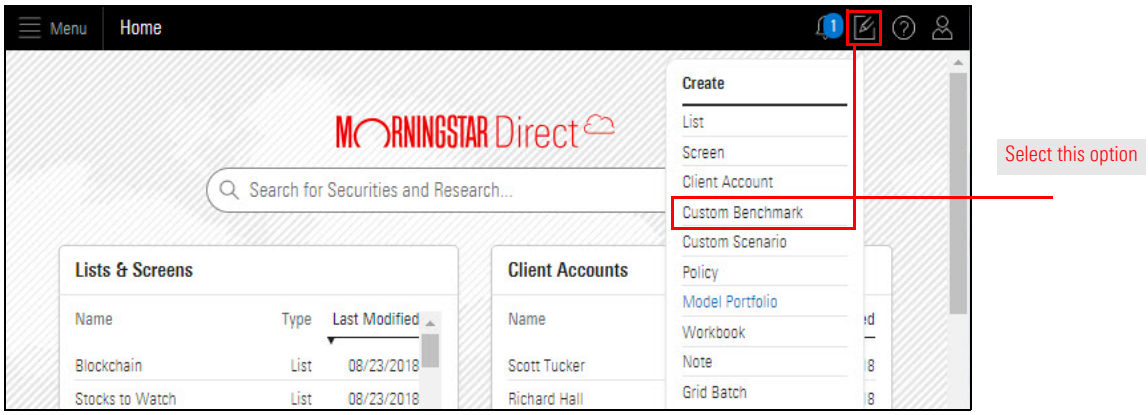
Exercise 3: Create a custom benchmark

In this exercise, you will create a custom benchmark composed of indexes. When the goal is moderate risk and returns, this benchmark can be a measuring and comparison tool. Is the client's account too conservative to meet his or her investment goals? Too risky for his or her comfort level? Which current holdings are contributing to the conservative or risky nature of the account?

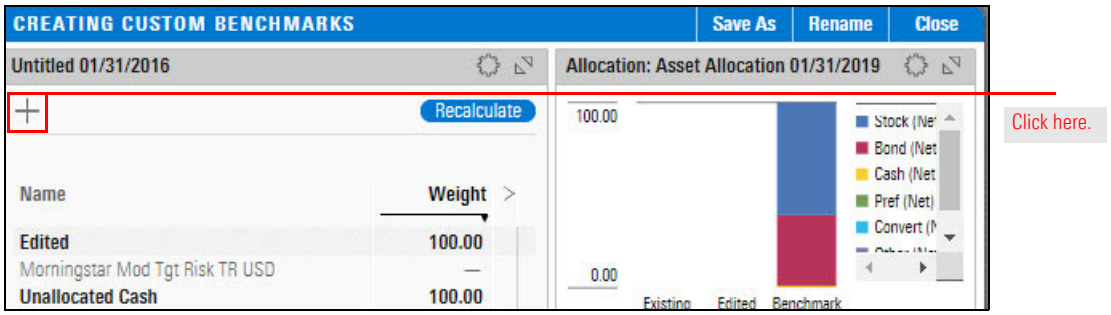
The indexes in the custom benchmark have been selected to reflect the asset allocation of the client account, rather than what the wealth manager would necessarily recommend for the client.

Do the following:

1. On the header, click the **Create** icon, then select **Custom Benchmark**. The Creating Custom Benchmarks window opens.



2. In the upper-left corner of the Untitled area, click the **Add** icon. The Search dialog box opens.



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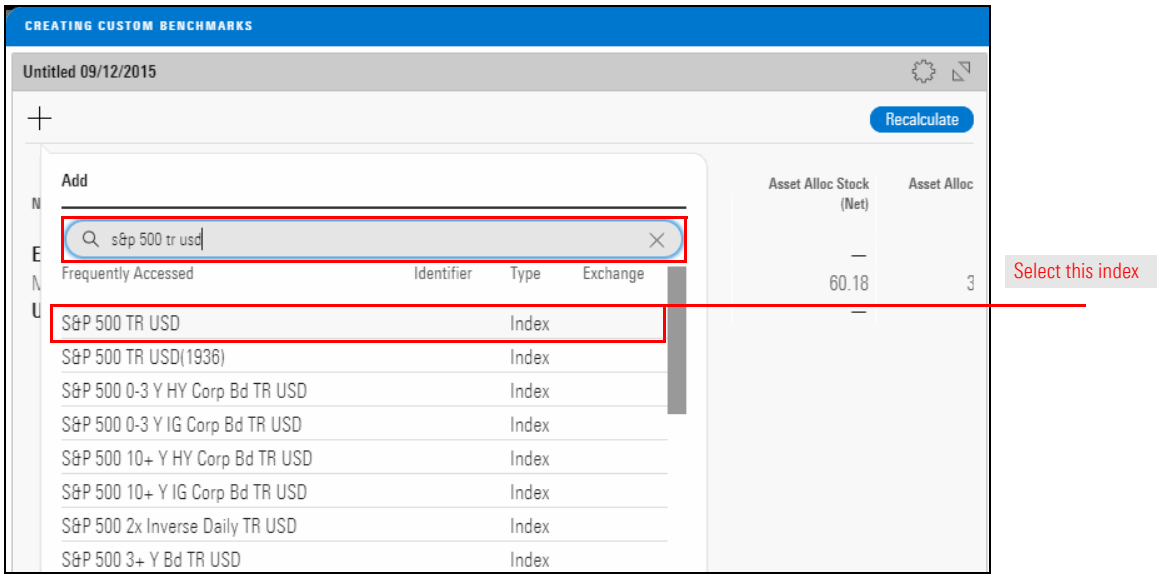
3. In the **Search** field, type **S&P 500 TR USD**.
4. In the search results, **click** that index. The Search dialog box closes and the S&P 500 TR USD index is added to the list in the Untitled area.



5. Repeat step 2 through step 4 to **add** each of the following indexes:
   - Russell 2000 Growth TR USD
   - Russell 2000 Value TR USD
   - BBgBarc US Agg Bond TR USD
   - MSCI ACWI Ex US (EAFE Prior to 07/01/13), and
   - BBgBarc US Treasury Bill 1-3 Mon TR USD.

   ☞ Note: Allow time for each index to load before adding the next.

6. In the Weight column, change the **weight** of each index as shown in the following table:

   ☞ Note: Press **Enter** after each entry to move to the next row.

Index Name	Weight
S&P 500 TR USD	40
BBgBarc US Agg Bond TR USD	25
MSCI ACWI Ex US (EAFE Prior to 07/01/13)	20
Russell 2000 Growth TR USD	5
Russell 2000 Value TR USD	5
BBgBarc US Treasury Bill 1-3 Mon TR USD	5

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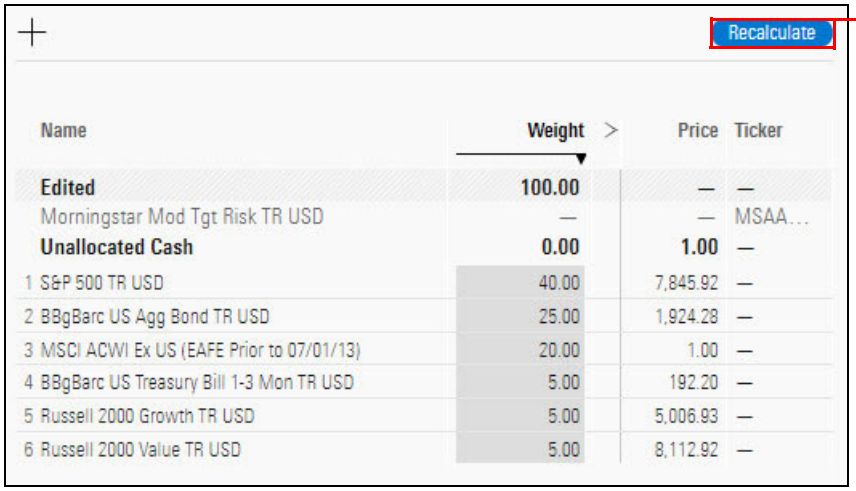
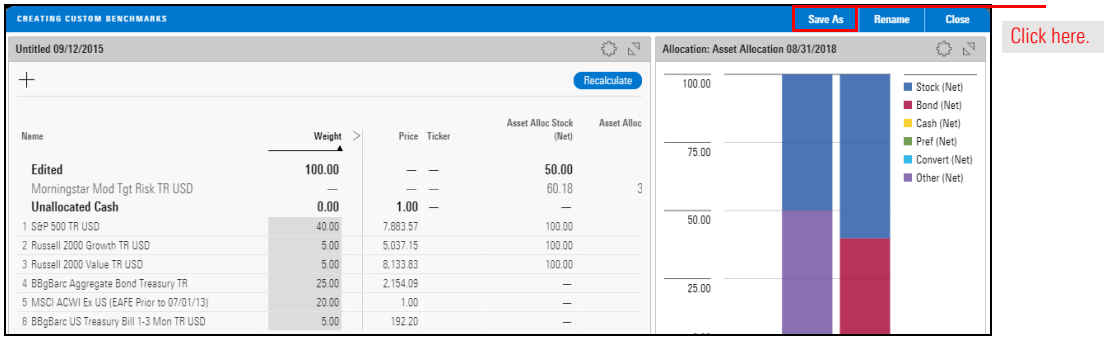
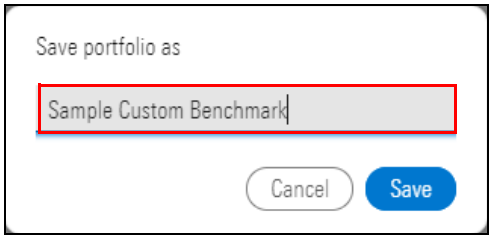
7. In the upper-right corner of the Untitled area, click **Recalculate**.



8. In the upper-right corner of the window, click **Save As**. The Save As dialog box opens.



9. In the Save As dialog box, enter **Sample Custom Benchmark**, then click **Save**.



10. In the upper-right corner of the Creating Custom Benchmarks window, click **Close**.

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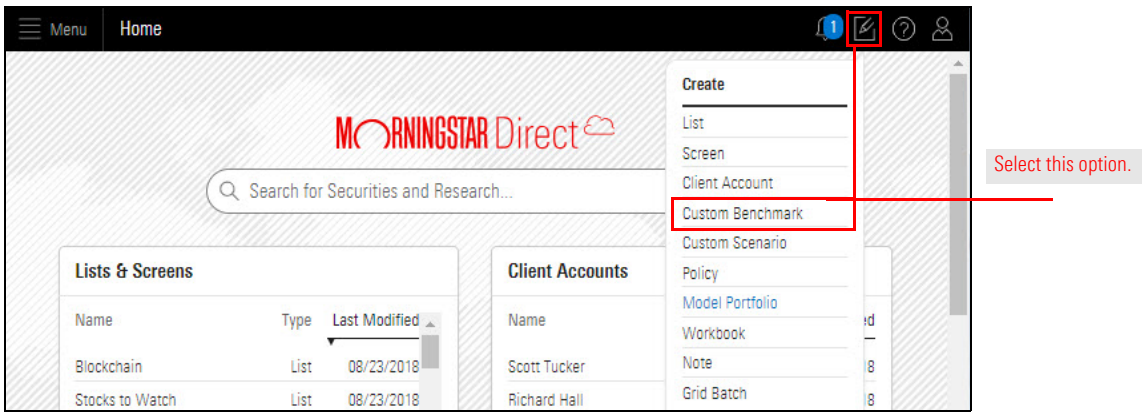
Exercise 4: Create a custom benchmark of Morningstar indexes

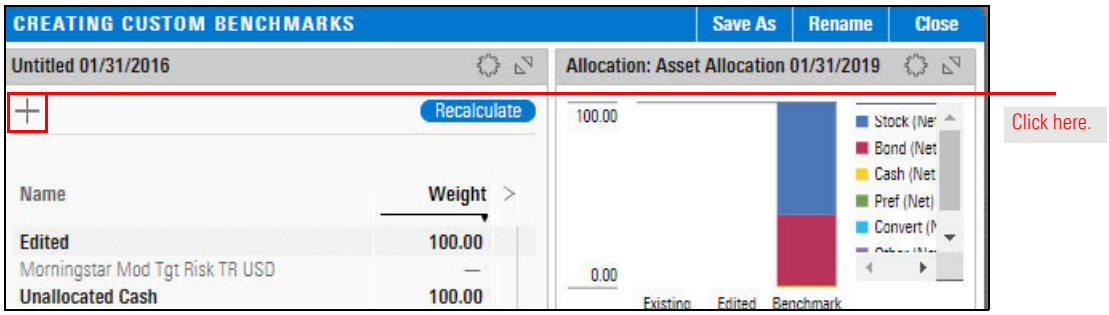
In Exercise 3 on page 18, you created a custom benchmark composed of several commonly used indexes. In this exercise, you'll create a benchmark composed of similar Morningstar indexes with the same weights. The benefit of using Morningstar indexes is that all users have constituent rights to these indexes. Also, having a second benchmark can offer a unique perspective on a client account.

Do the following:

1. On the header, click the **Create** icon, then select **Custom Benchmark**. The Creating Custom Benchmarks window opens.



2. In the upper-left corner of the Untitled area, click the **Add** icon. The Search dialog box opens.



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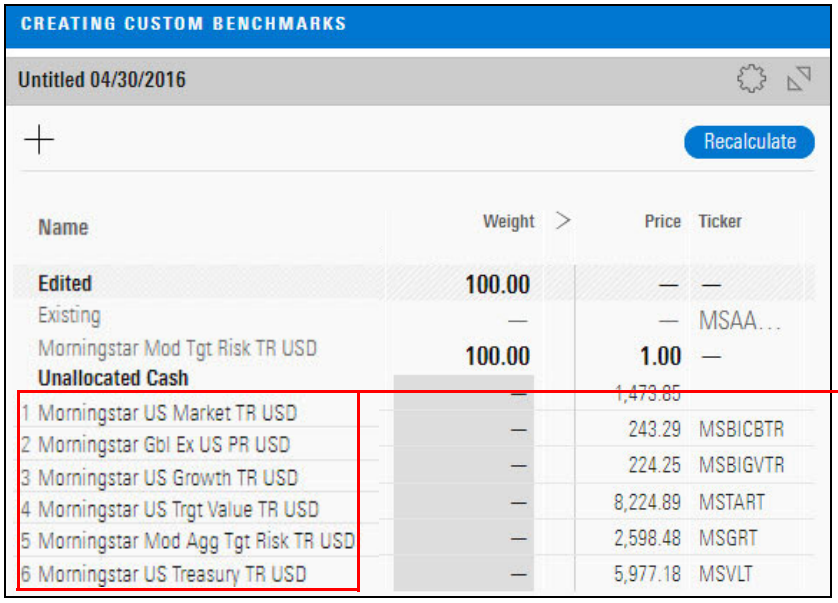
3. In the **Search** field, type **Morningstar US Market TR USD**.
4. In the search results, **click** that index. The Search dialog box closes and Morningstar US Market TR USD is added to the list in the Untitled area.
5. Repeat step 2 through step 4 to **add** each of the following indexes:
   - Morningstar Gbl Ex US PR USD, and
   - Morningstar US Growth TR USD
   - Morningstar US Trgt Value TR USD
   - Morningstar Mod Agg Tgt Risk TR USD
   - Morningstar US Treasury TR USD.

   ☞ Note: Allow time for each index to load before adding the next.



Note the highlighted selections.

6. In the Weight column, change the **weight** of each index as shown in the following table:

   ☞ Note: Press **Enter** after each entry to move to the next row.

Index Name	Weight
Morningstar US Market TR USD	40
Morningstar Gbl Ex US PR USD	20
Morningstar US Growth TR USD	5
Morningstar US Trgt Value TR USD	5
Morningstar Mod Agg Tgt Risk TR USD	25
Morningstar US Treasury TR USD	5

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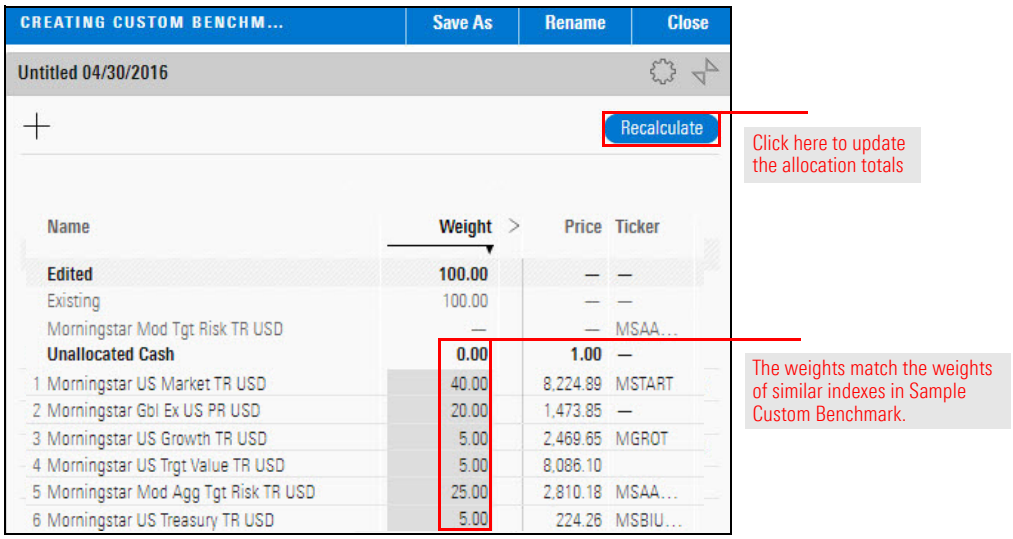
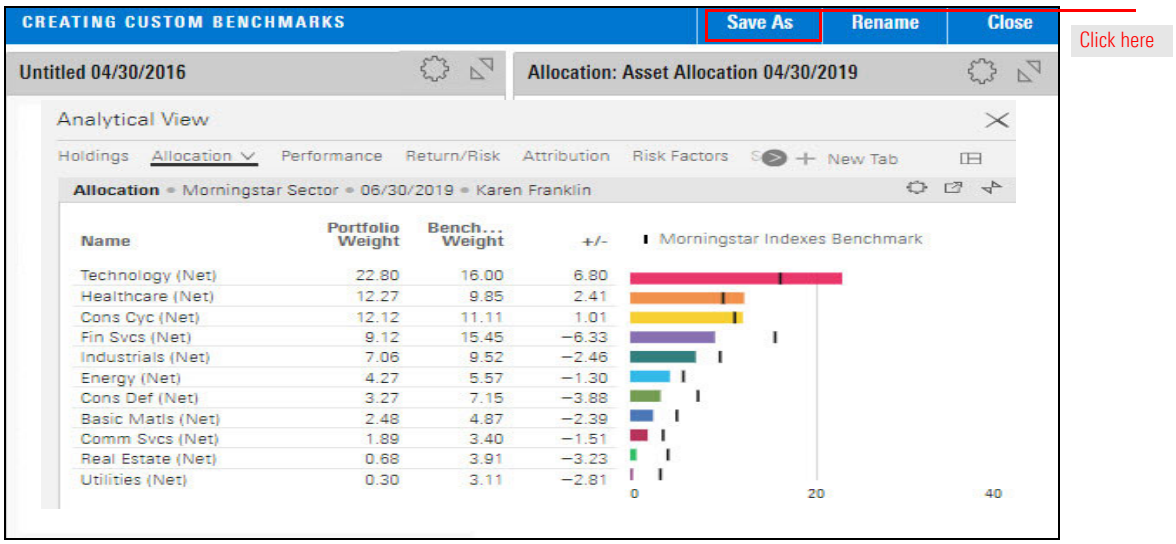
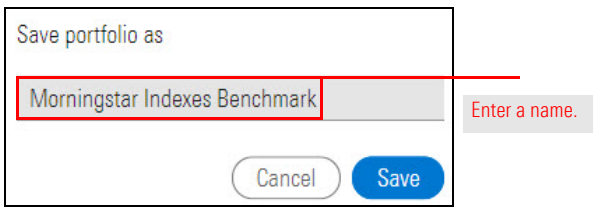
7. In the upper-right corner of the Untitled area, click **Recalculate**.



8. In the upper-right corner of the window, click **Save As**. The Save As dialog box opens.



9. In the Save As dialog box, enter **Morningstar Indexes Benchmark**, then click **Save**.



10. In the upper-right corner of the window, click **Close**.

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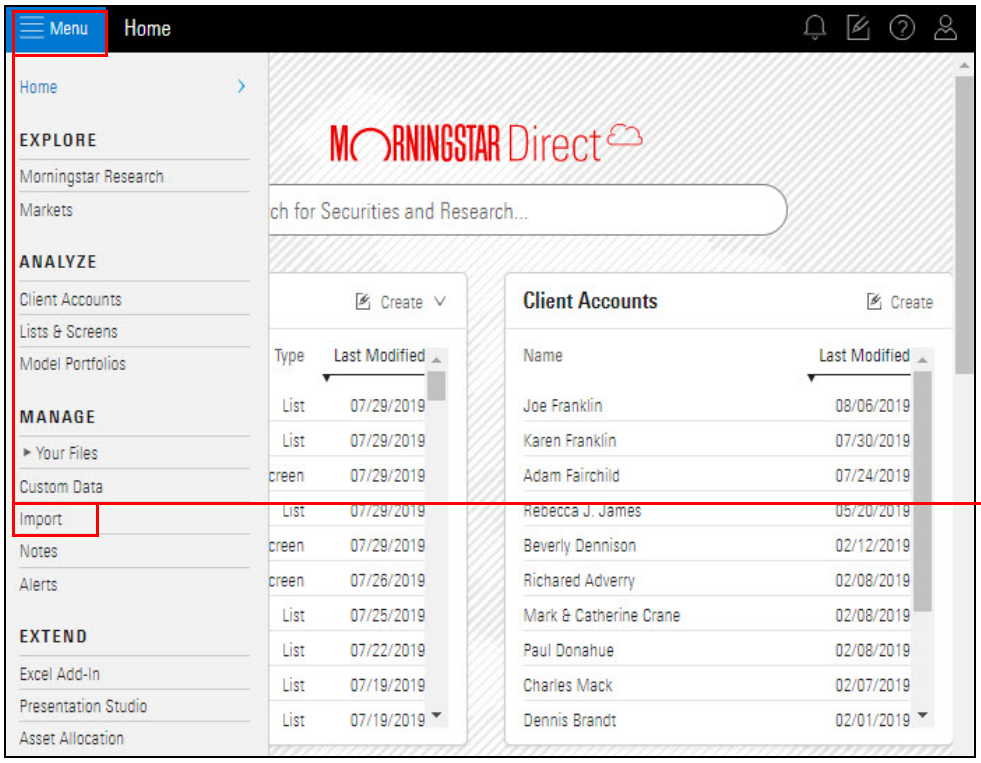
Exercise 5: Import a set of custom benchmarks

Another way to create a custom benchmark is to import a set of custom benchmarks. In this exercise, you will import the following custom benchmarks from Microsoft Excel:

- Moderate Custom Benchmark,
- Aggressive Custom Benchmark, and
- Conservative Custom Benchmark.

Do the following:

1. **Download** the Excel file for this exercise.
2. **Hover the cursor** over the **Menu**, then select **Import**. The Import page opens.



Note the highlighted selections.

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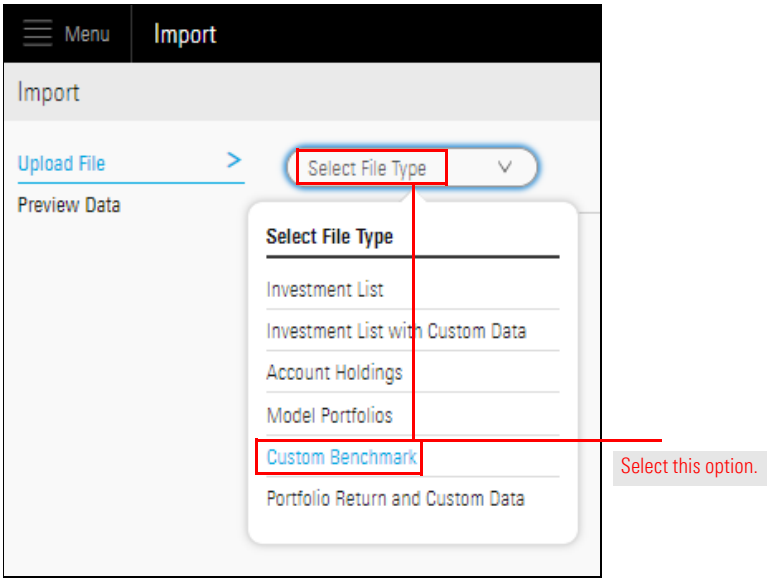
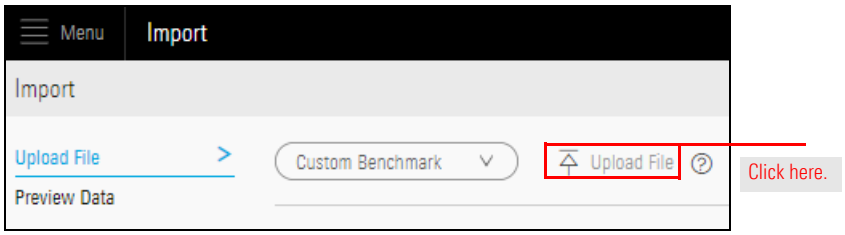
3. From the **Select File Type** menu, select **Custom Benchmark**.



4. Click **Upload File**.



5. On your computer system, **locate** and **double-click CustomBenchmarks.xlsx** (the file you just downloaded). The Import page opens, displaying mapping options.

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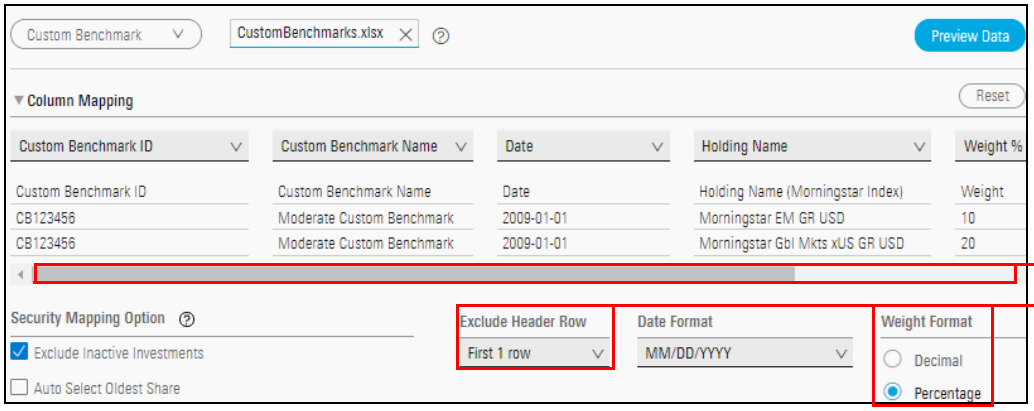
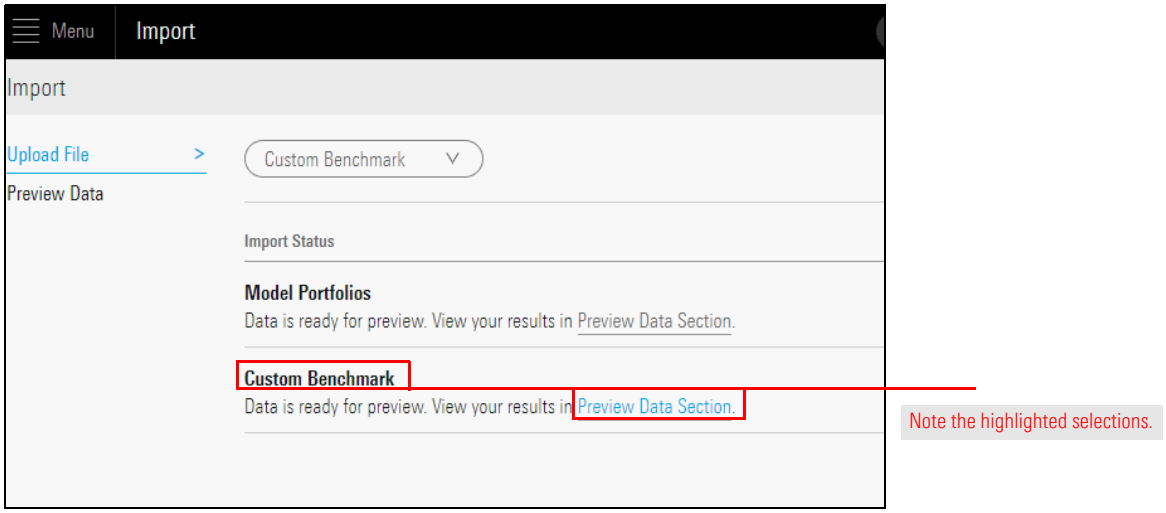
6. In the Column Mapping area, use the pull-down menus to make a **selection** for each **Unmapped** column. Each unmapped column must correspond to a column in the Excel spreadsheet. A selection for each column is required.
7. In the **Exclude Header Row** field, select **First 1 row**.
8. In the **Weight Format** area, select the option for **Percentage**.



9. Click **Preview Data**.
10. From the Preview page, click **Preview Data Section** under the Custom Benchmark section.



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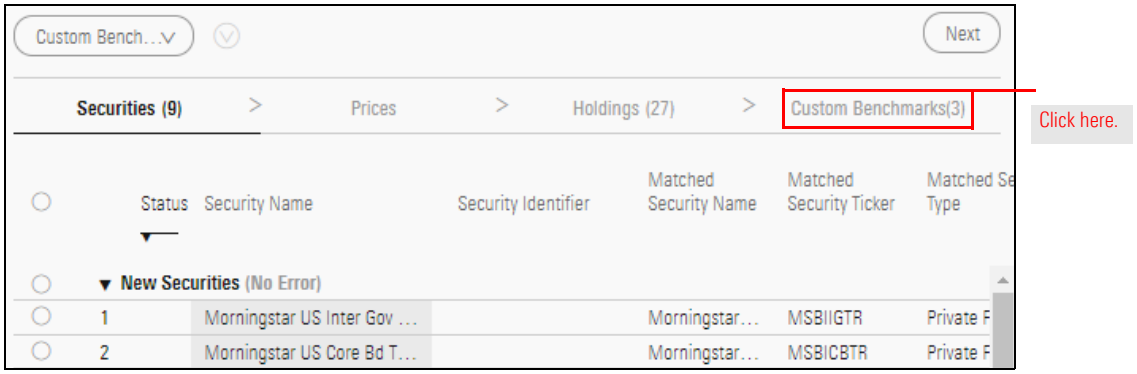
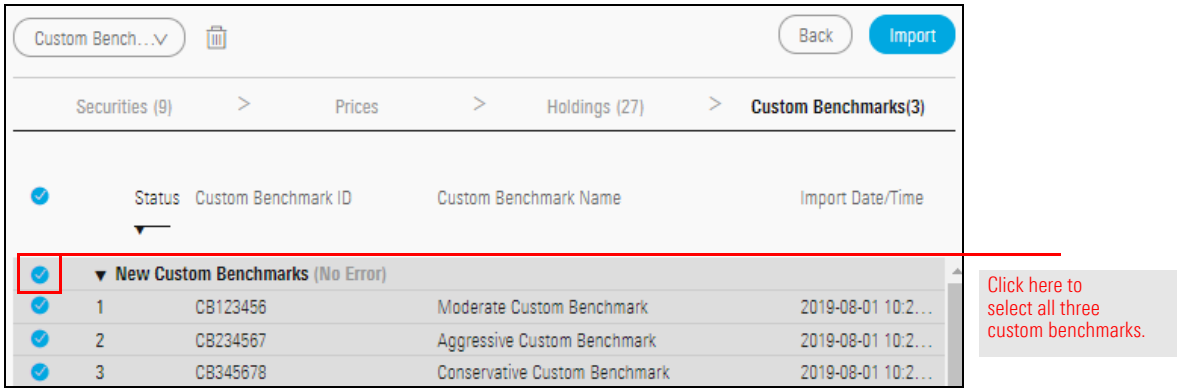
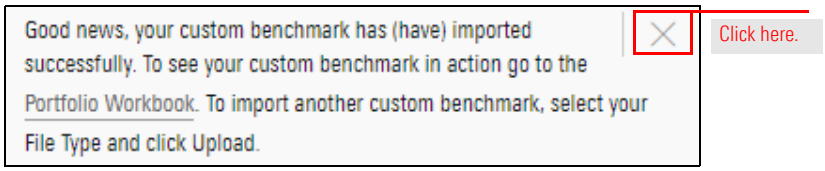
11. Select the **Custom Benchmarks** tab.



12. To select all three custom benchmarks, click the **circle** to the left of **New Custom Benchmarks**.



13. Click **Import**. A notification dialog box opens.
14. In the upper-right corner, click the **X** to close the dialog box.



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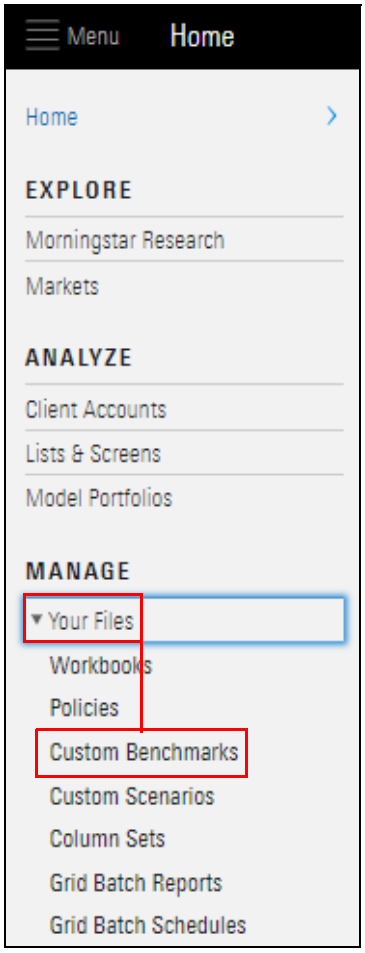
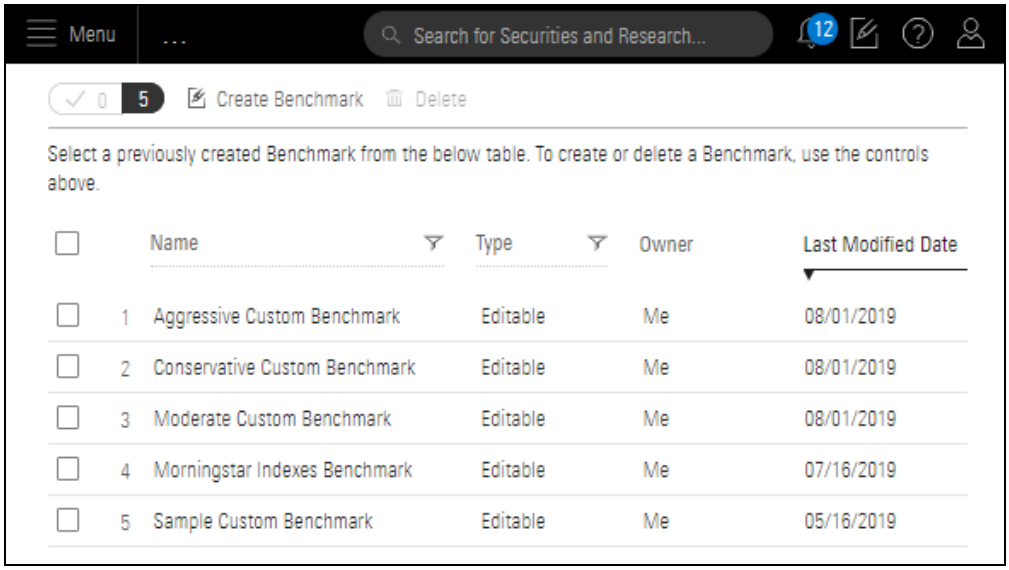
15. **Hover the cursor** over **Menu**, then select **Your Files** > **Custom Benchmarks**. The Custom Benchmarks page opens.



Note the highlighted selections.



All your custom benchmarks are listed on this page.

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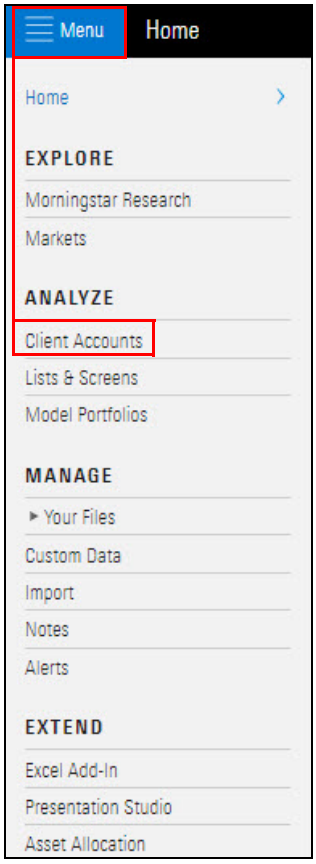
Exercise 6: Apply custom benchmarks to a client account

In this exercise, you will apply two custom benchmarks to the Karen Franklin account. They will then be available to use for comparison when analyzing the account.

> ☞ Note: In this exercise, you will assign benchmarks from the Client Accounts page; however, it can also be done from the Grid in the Client Accounts workbook.

Do the following:

1. On the header, **hover the cursor** over **Menu**, then select **Client Accounts**. The Client Accounts page opens.



Note the highlighted selections.

2. On the Client Accounts page, **hover the curso**r over the **Karen Franklin** row. The Actions icon appears to the right.

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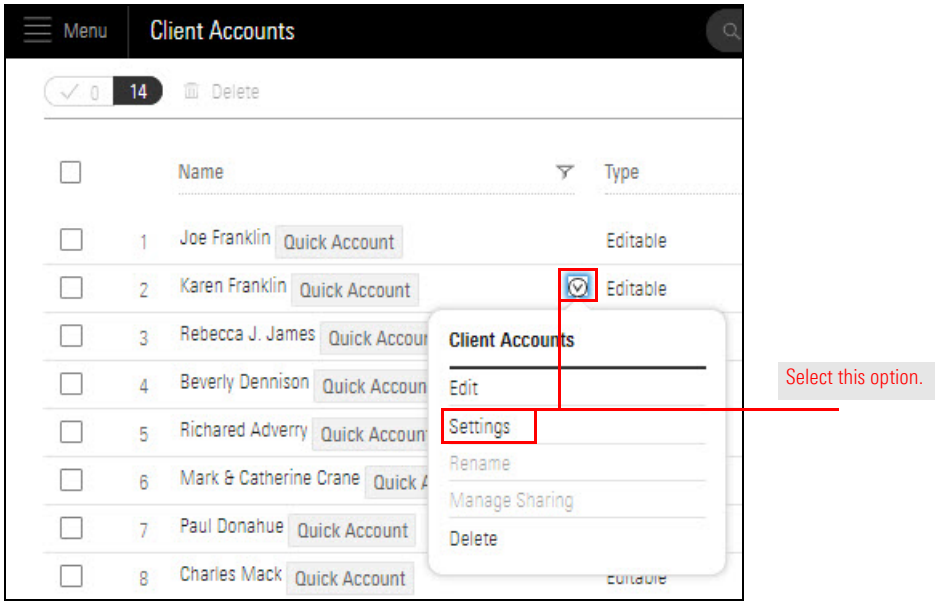
3. From the **Actions** menu, select **Settings**. The Account Settings window opens.



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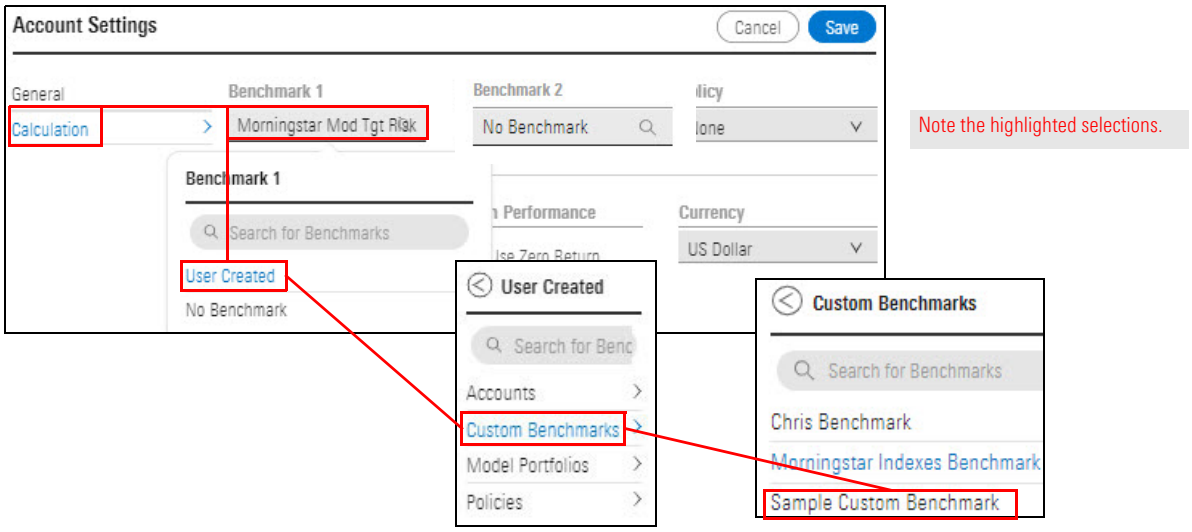
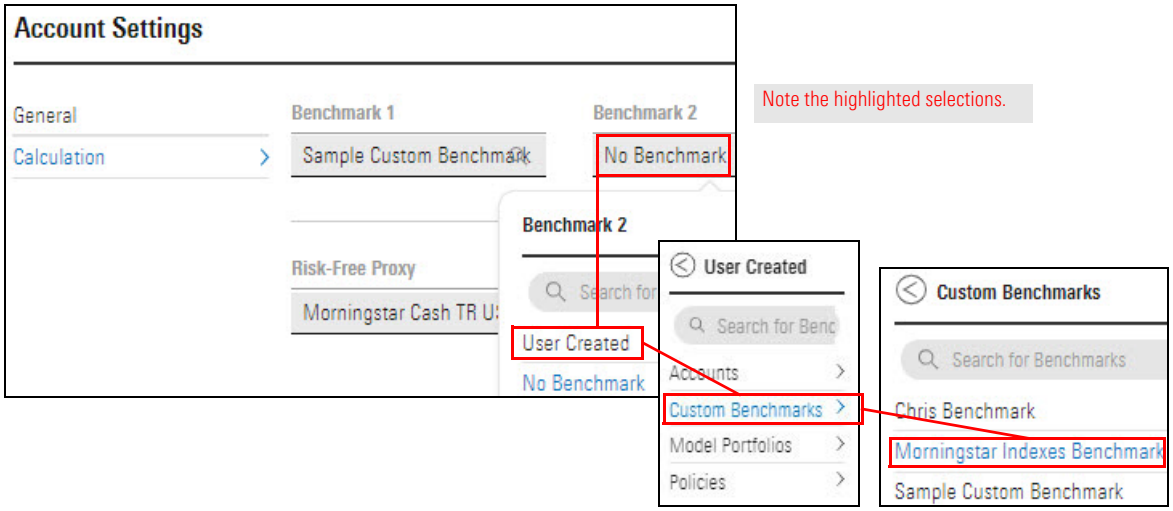
4. On the left side of the window, select **Calculation**. The Calculation fields appear in the empty area.
5. Click the **Benchmark 1** field. The Benchmark 1 menu opens.
6. Select **User Created** > **Custom Benchmarks** > **Sample Custom Benchmark**.



7. Click the **Benchmark 2** field. The Benchmark 2 menu opens.
8. Select **User Created** > **Custom Benchmarks** > **Morningstar Indexes Benchmark**.



9. In the upper-right corner of the window, click **Save**. The window closes.

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What are the options for displaying benchmarks?

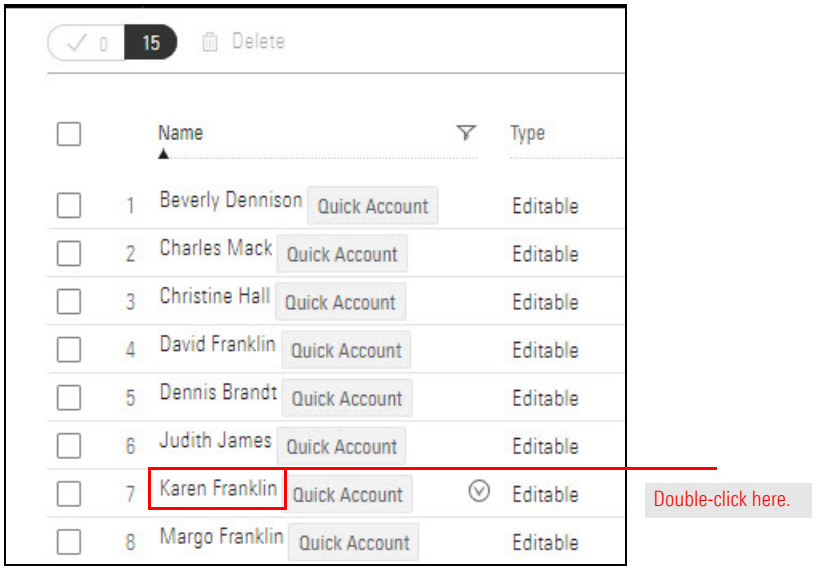
Not every chart and table support the display of benchmarks. Of the charts and tables that can display benchmarks, some can display only one at a time, while others can display both simultaneously. To learn which charts and tables are capable of displaying benchmark(s) and which benchmark(s) are displayed by default, please read Displaying Benchmarks in Client Accounts.

Exercise 7: Compare the Morningstar Sector allocations of a client account and a benchmark

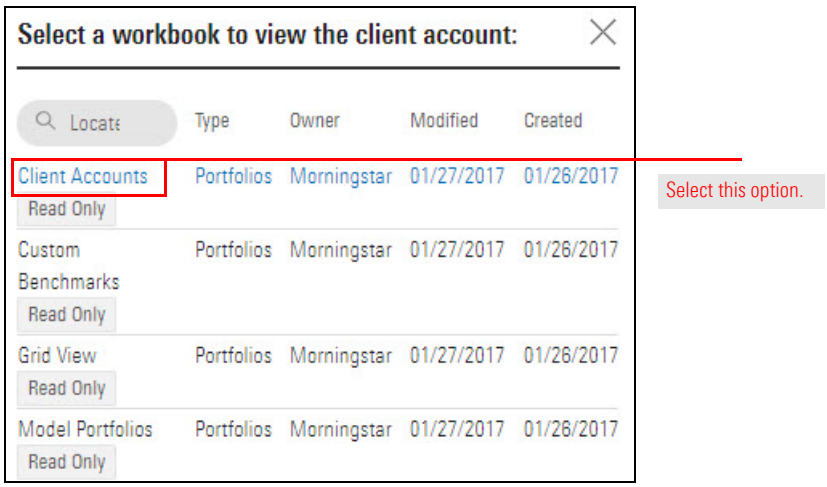
In this exercise, the Morningstar Sector allocation of the Karen Franklin account will be compared to the Morningstar Indexes Benchmark.

Do the following:

1. On the Client Accounts page, **double-click Karen Franklin**. The "Select a workbook to view the client account:" window opens.



2. Select **Client Accounts**. The Client Accounts workbook opens and displays the Karen Franklin account on the Grid.



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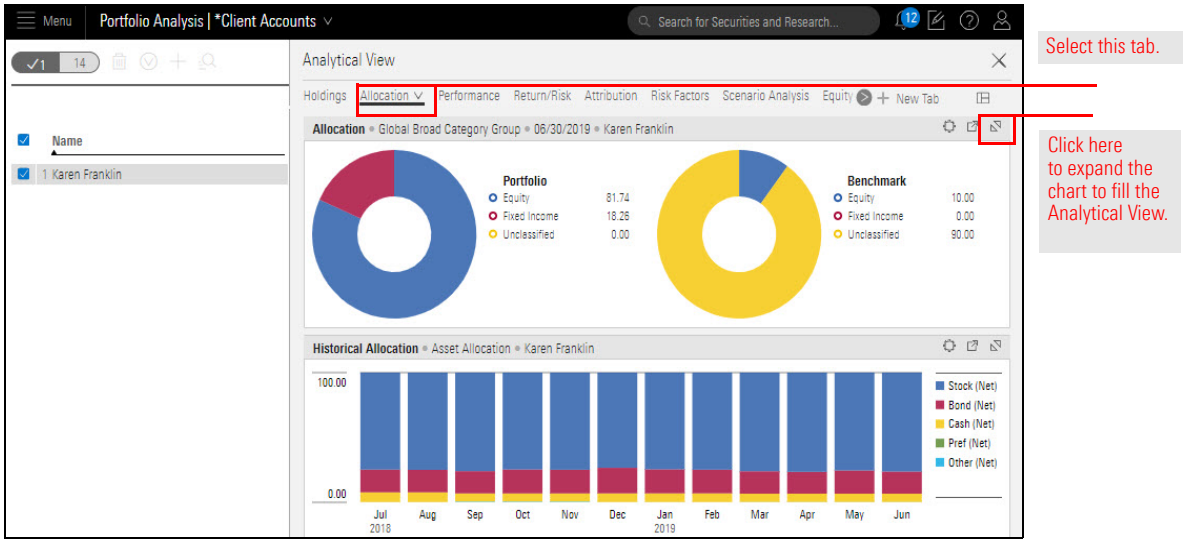
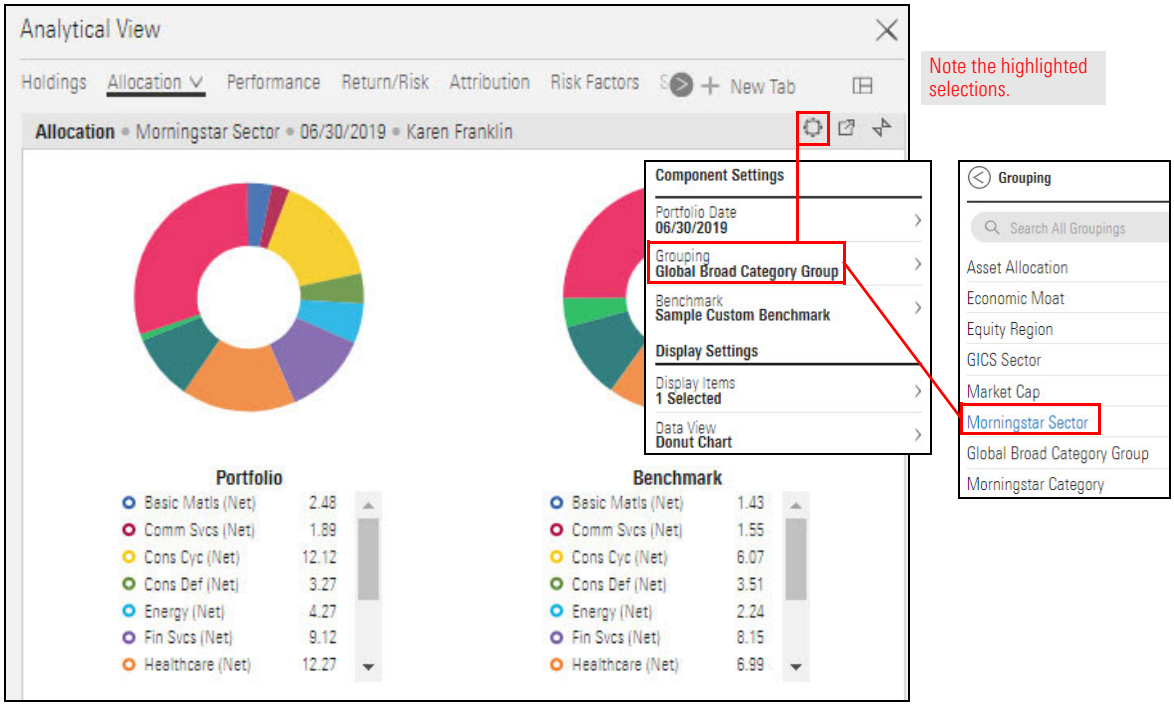
3. In the **Client Accounts** workbook, click the **Karen Franklin**. The Analytical View opens from the right.
4. Select the **Allocation** tab. In the Allocation chart, both the client account and Benchmark 1 allocation data is displayed by default. The Historical Allocation chart displays data for only the client account.

   ☞ Note: To see the donut charts for both the account and its benchmark, you might need to **expand** the Holdings Analysis chart or **widen** the browser window.



5. By default, the Allocation chart shows the broad asset class allocation as a donut chart or charts. To display Morningstar Sectors as a horizontal bar chart, do the following:

   A. Click the **Component Settings** icon, then select **Grouping** > **Morningstar Sector**. The Component Settings menu is displayed again.



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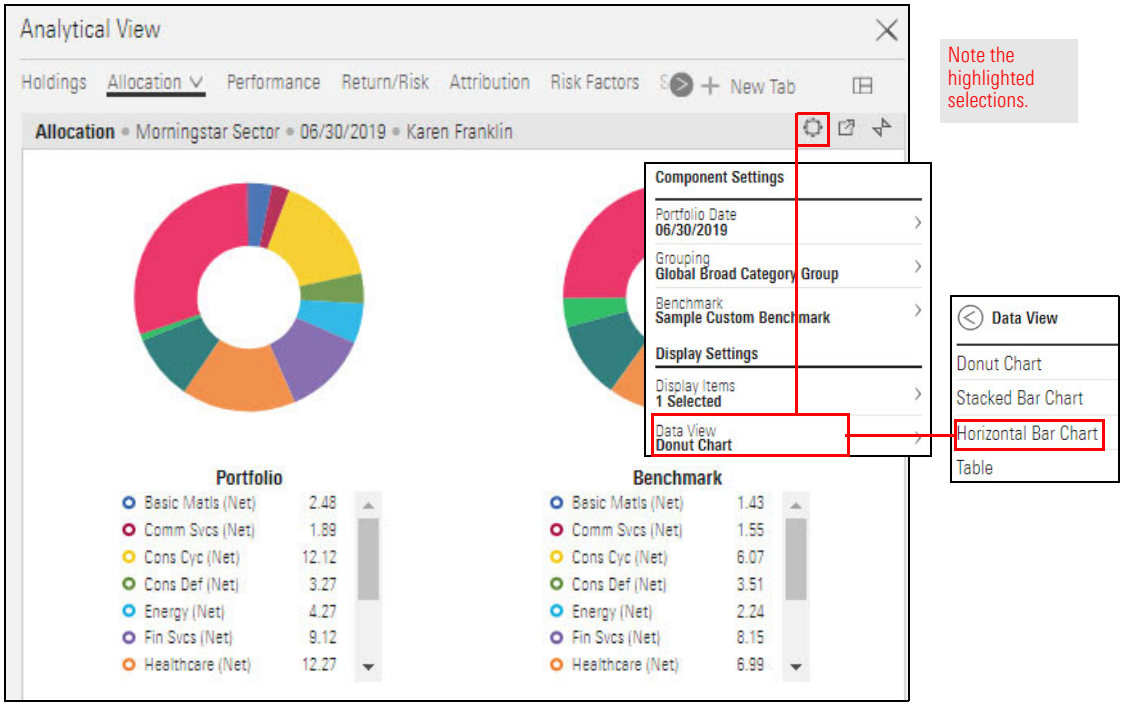
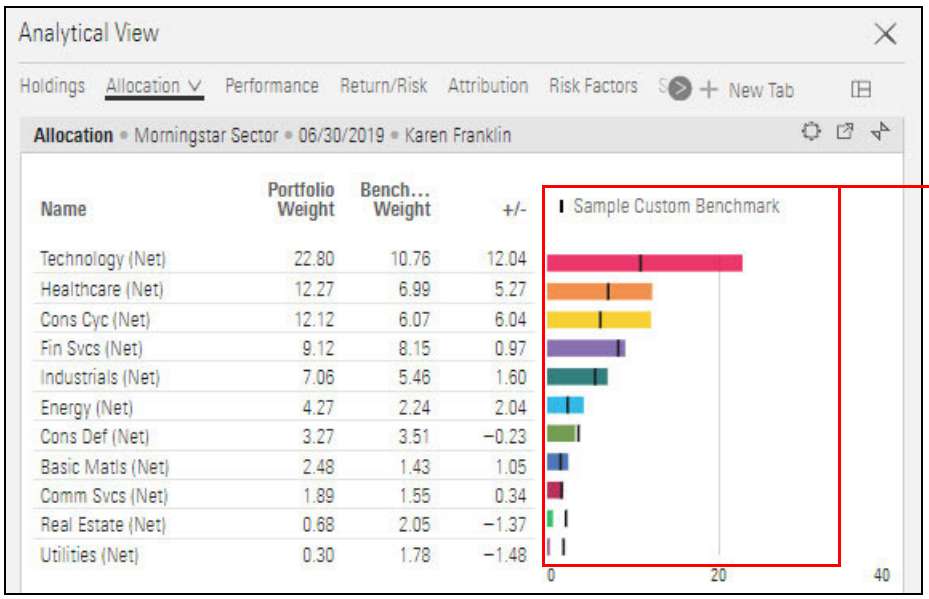
B. Select **Data View** > **Horizontal Bar Chart**.



Note the highlighted selections.

C. **Click away** from the Component Settings menu to close it.



The benchmark is represented by a vertical line superimposed on the bars which represent the Morningstar Sectors.

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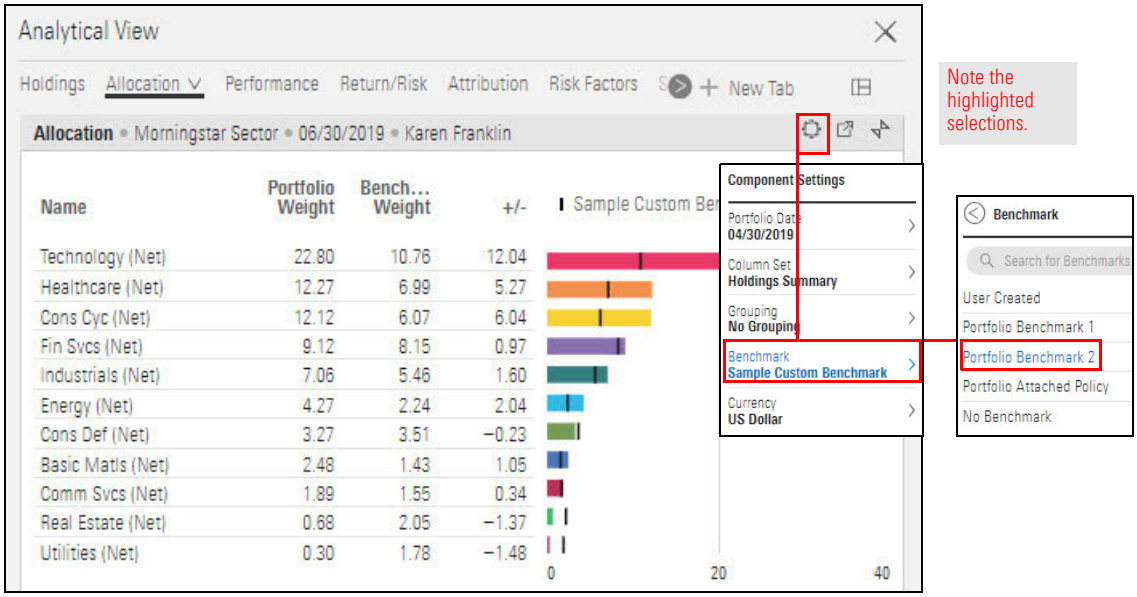
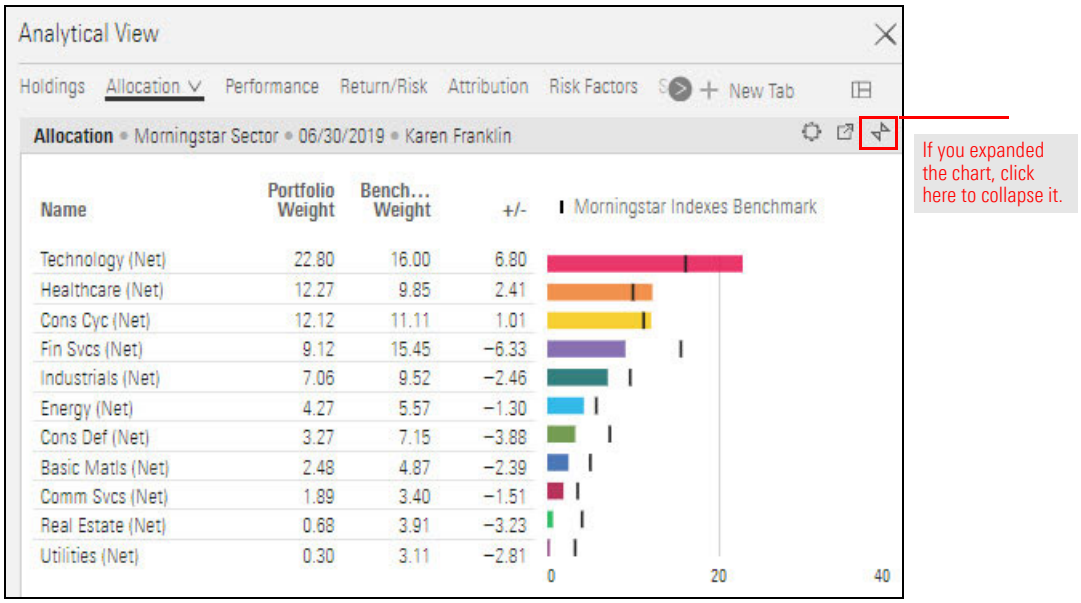
6. To display Benchmark 2 (Morningstar Indexes Benchmark), click the **Component Settings** icon, then select **Benchmark** > **Portfolio Benchmark 2**.

   Note that you can select Portfolio Benchmark 1 or Portfolio Benchmark 2, but not both.



7. **Click away** from the Component Settings menu to close it. Note the Benchmark 2 sector allocations and **compare** them to the client account.



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Exercise 8: Compare the historical returns of an account and both of its benchmarks

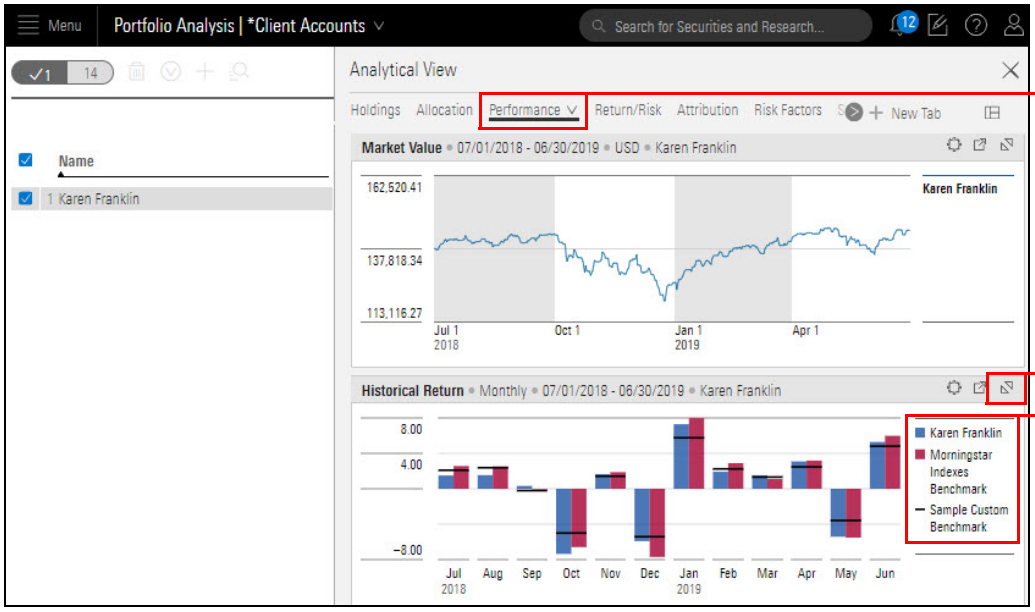
Some charts and tables can display two benchmarks at the same time. In this exercise, you will do that in the Historical Return chart.

Do the following

1. Select the **Performance** tab and make sure the **Karen Franklin** account is still selected.
2. In the Historical Return chart, **note** that both benchmark names are displayed in the legend and in the chart.

   ☞ Note: The legend can be displayed at the top of the chart or on the right, depending on the width of your screen and/or the Morningstar Direct window.

3. To better focus on the Historical Return chart, **expand** it.



Select this tab.

Click here to expand the chart to fill the Analytical View.

The account and both its benchmarks are identified in the legend and illustrated in the bar chart.

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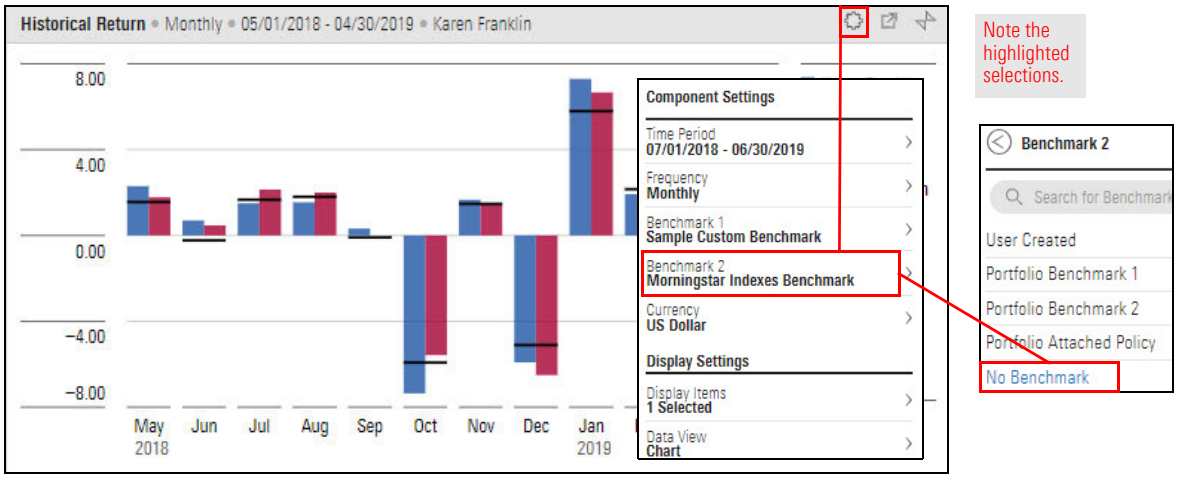
Exercise 9: Hide a benchmark

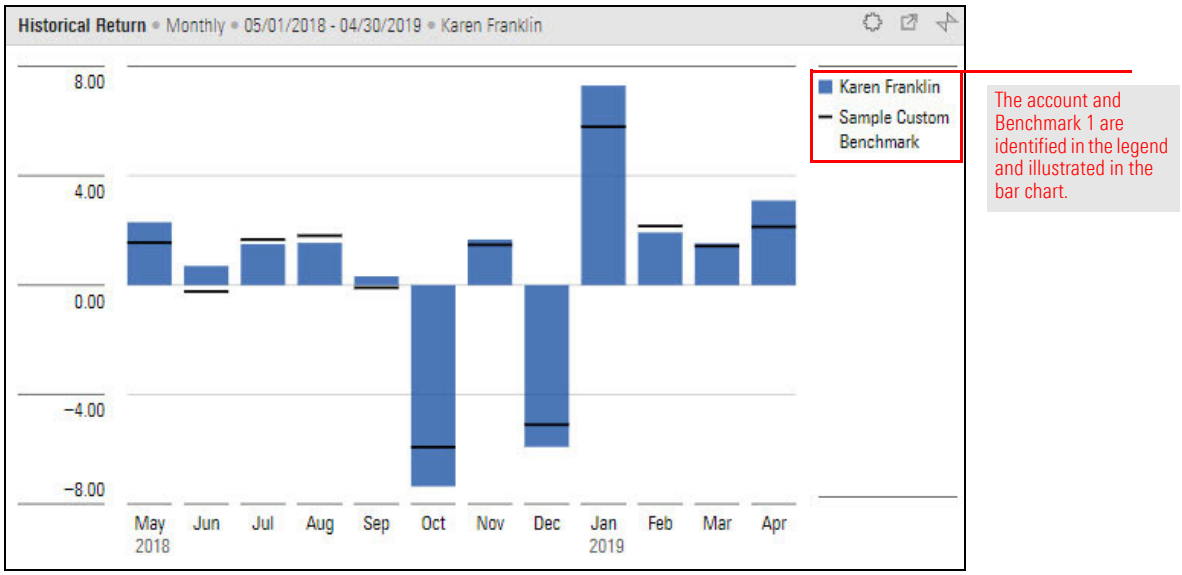
A chart capable of displaying both benchmarks also includes an option to hide one or both.

Do the following:

1. The Historical Return chart displays both benchmarks by default, but one or both can be hidden. To display only Benchmark 1 (Sample Custom Benchmark), click the **Component Settings** icon, then select **Benchmark 2** > **No Benchmark**.



2. **Click away** from the Component Settings menu to close it. Now the Morningstar Indexes Benchmark is hidden.



In what months (if any) did the account outperform the benchmark?

Did the benchmark experience a significant downturn at any time in the past year? If so, how did the account perform during that time?

What is your overall assessment of the account's returns over the past year, compared to Sample Custom Benchmark?

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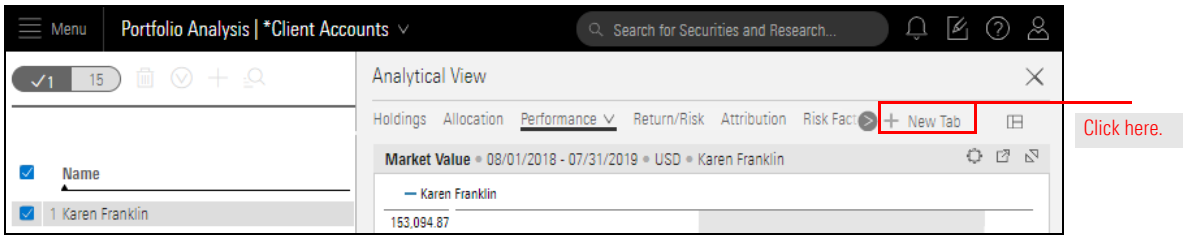
Exercise 10: Compare the Sustainability Ratings Analysis of a client account and both of its benchmarks

Suppose you want to use the Sustainability Ratings Analysis chart to compare the Karen Franklin account to both benchmarks simultaneously. Unfortunately, the Sustainability Ratings Analysis chart can display only one benchmark at a time, and by default, it displays Benchmark 1 (in this case, Sample Custom Benchmark).

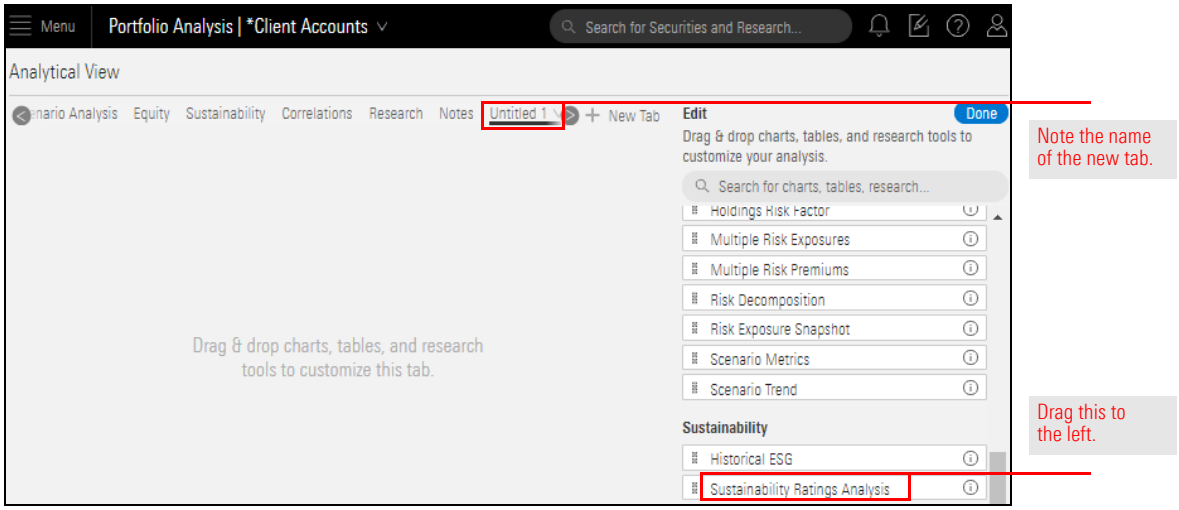
However, when a second instance of the Sustainability Ratings Analysis chart is created, each instance can display a different benchmark.

Do the following:

1. In the Analytical View of the **Karen Franklin** account, on the Tabs bar, select **New Tab**. A new tab opens. It is named Untitled 1 and displays no charts, tables, or research tools. Also, the Edit panel automatically opens.



2. In the Edit panel, **scroll down** to the **Sustainability** area. Drag **Sustainability Ratings Analysis** from the Edit panel and **place it in the empty area** of the Analytical View.



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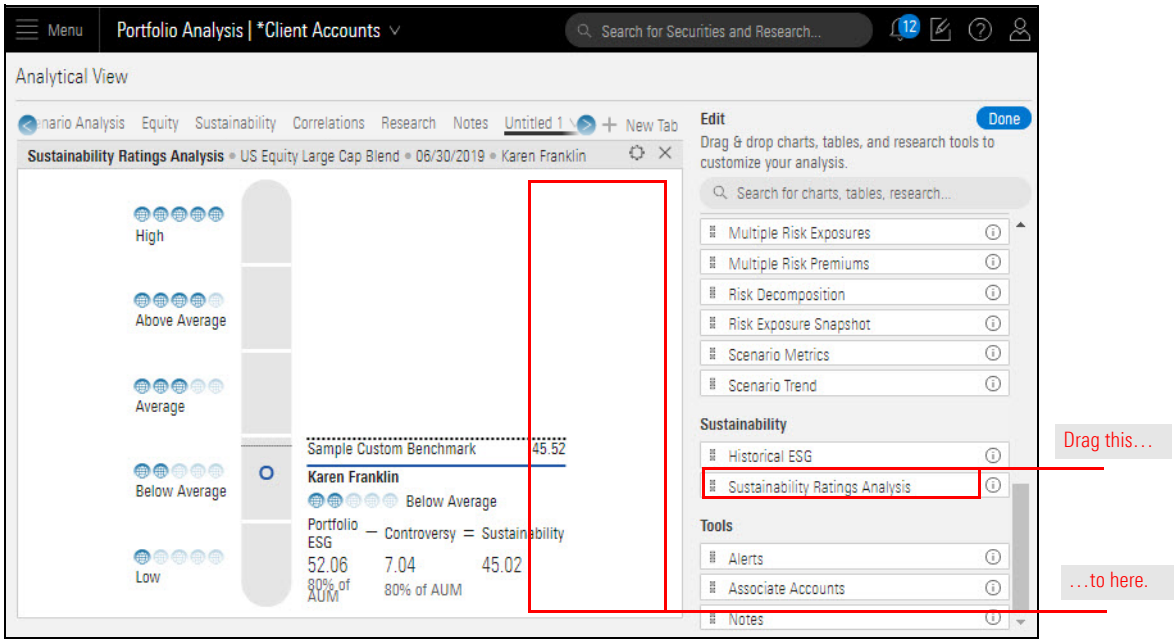
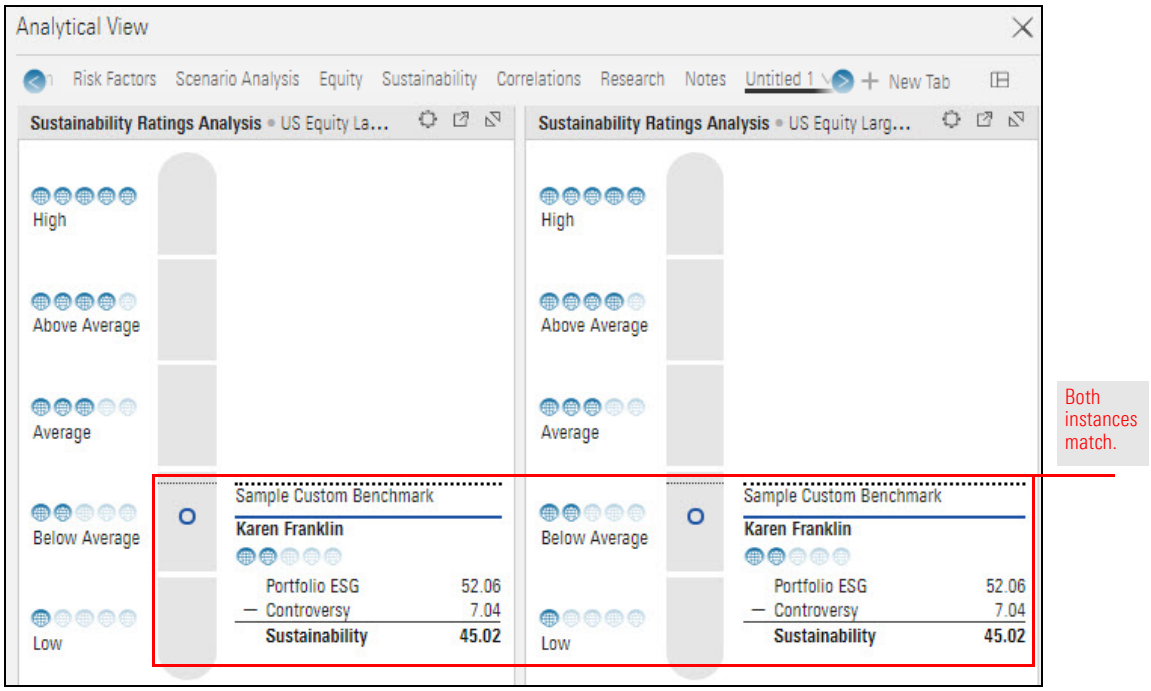
3. To create a second instance of the chart, drag **Sustainability Ratings Analysis** from the Edit panel and **place it to the right** of the existing chart.



4. At the top of the Edit panel, click **Done** to close it.

   Two instances of the Sustainability Ratings Analysis chart are displayed. Note that each instance displays the same data—Karen Franklin and Sample Custom Benchmark.

   ☞ Note: To see both charts in full, you might need to widen your browser window.



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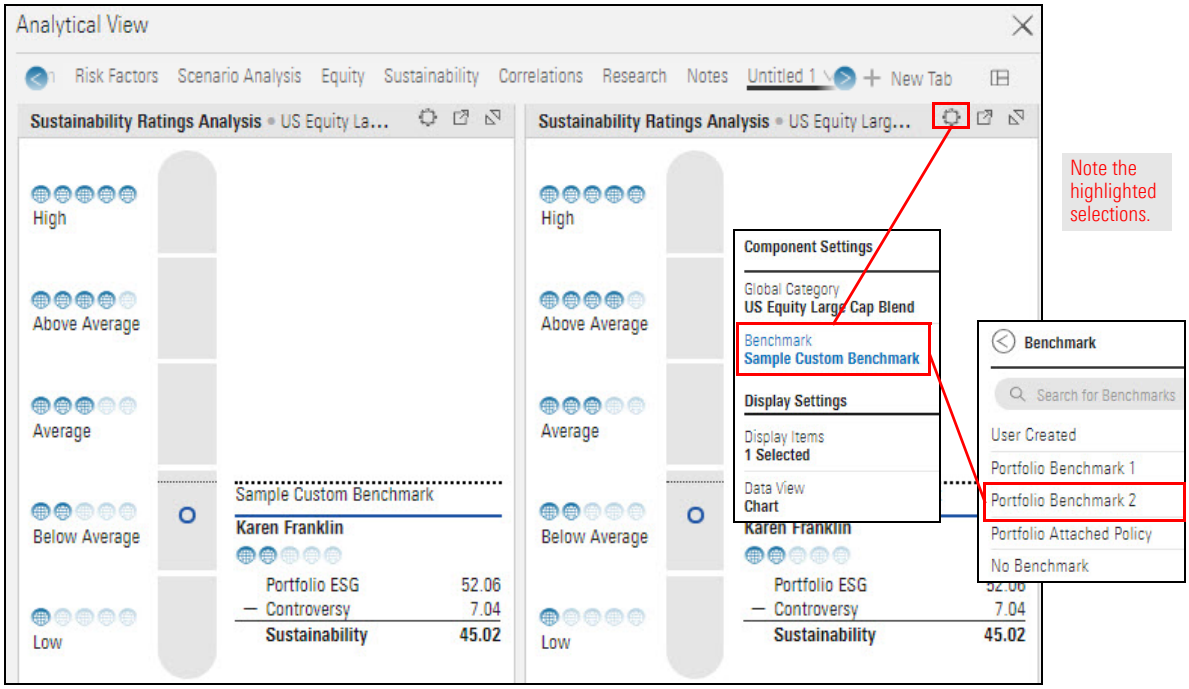
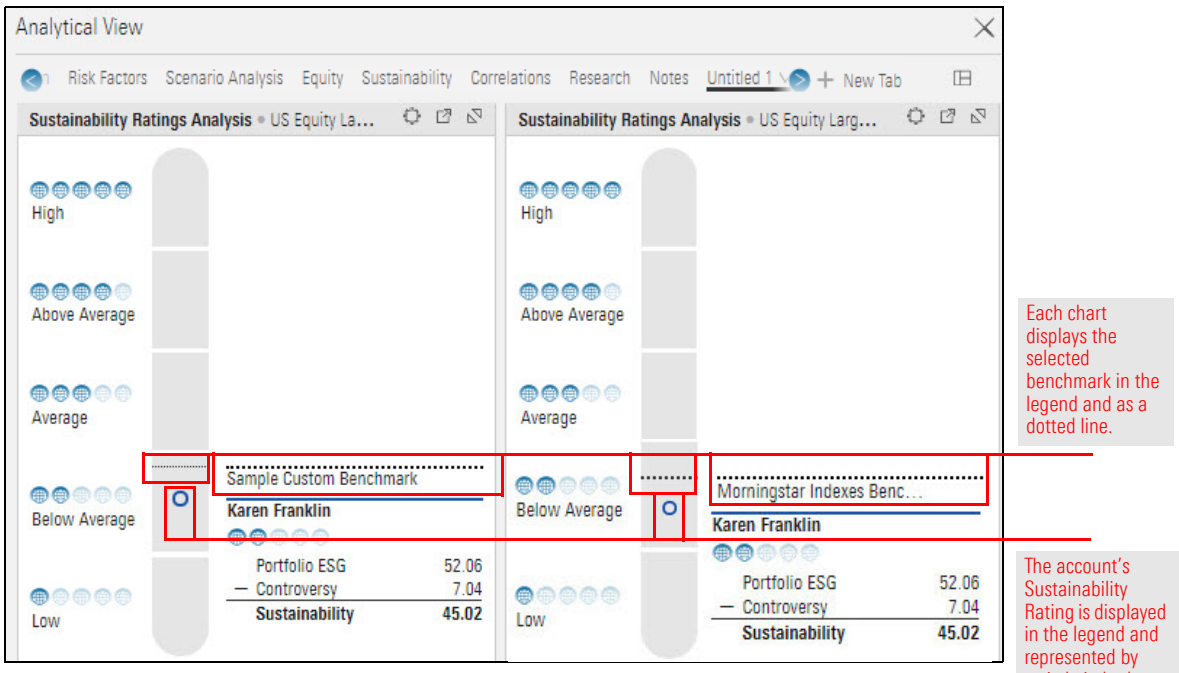
5. In the right chart, click the **Component Settings** icon, then select **Benchmark** > **Portfolio Benchmark 2**.



6. **Click away** from the Component Settings menu to close it.

   Note the benchmark and account information in the legend.



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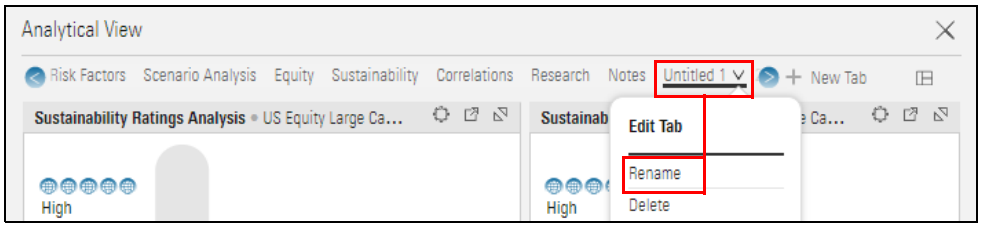
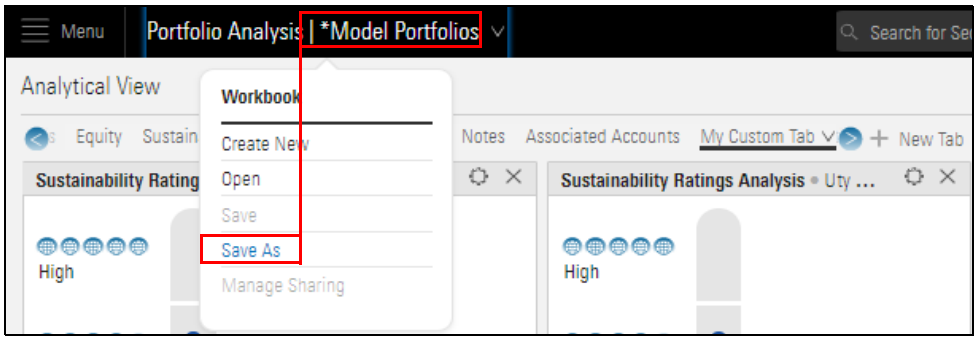
7. (Optional) If you want to save the new tab (Untitled 1), you must save the tab and then use Save As to save the workbook. Do the following:

   A. On the Tabs bar, **hover the cursor** over **Untitled 1**.
   B. From the menu, select **Rename**.

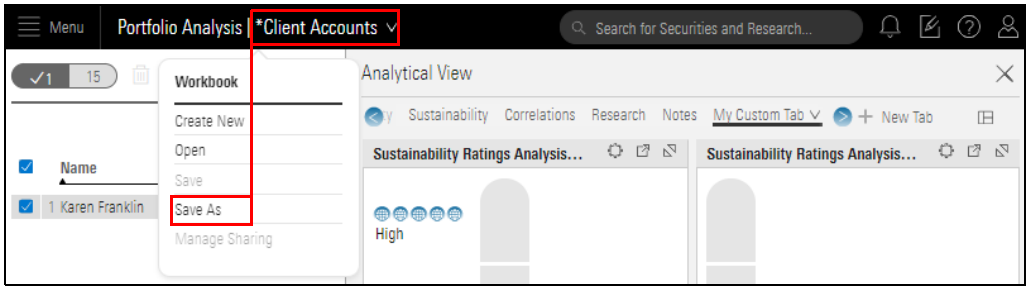


Note the highlighted selections.

   C. Name the tab **My Custom Tab**.
   D. To save the workbook, **hover the cursor** over the workbook name (**Client Accounts**).
   E. From the menu, select **Save As**. Note that Save cannot be selected.



Note the highlighted selections.



Note the highlighted selections.

8. Name the workbook **My Custom Workbook** and click **Save**

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Using an Investment Policy

Overview

An investment policy serves as a blueprint for investment plans. How much should a client invest in equities versus fixed income versus commodities versus cash, or other asset classes? For the equity portion, how much will be in US stocks versus international stocks? Small/Mid-Cap versus Large Cap holdings? Value versus growth? An investment policy is designed to communicate this path.

Morningstar Direct for Wealth Management allows you to create custom policies to document your firm's various investment strategies. Not only can an investment policy be used to compare a client account's alignment to asset allocation lineups and performance outcomes, but also to conduct total portfolio attribution for a client account to determine if adjustments should be made, either to asset classes or the managers selected.

This section covers the following topics and exercises:

- What is involved in creating an investment policy? (page 43)
- Exercise 11: Create an investment policy and its Level 1 asset classes and proxies (page 44)
- Exercise 12: Add a level for Morningstar Category (page 46)
- Exercise 13: Create the Level 2 asset classes and proxies (page 47)
- Exercise 14: Assign weights to the Level 2 asset classes (page 51)
- Exercise 15: Save an investment policy (page 52)
- Exercise 16: Create an investment policy from a custom benchmark (page 53)
- Exercise 17: Attach an investment policy to a client account (page 56)
- Exercise 18: Compare the allocations of the client account and the policy (page 58)
- Exercise 19: Use groupings to replicate a policy's asset classes (page 61)

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What is involved in creating an investment policy?

In this section, you will create an investment policy and apply it to a client account. Global Broad Category, Morningstar Category, and Morningstar Institutional Category are the levels initially available for a policy, but custom data points can be used to build policies instead of (or in addition to) these.

> ☞ Note: To create a policy based on custom data points (such as your firm's own asset class lineups), the custom data point(s) must first be created from the Custom Data Management page. The investments used in client accounts should also be mapped to these custom data points.

For example, a policy could be created only at the Morningstar Category level. If you don't intend to conduct total portfolio attribution at the Global Broad Category Group level or otherwise use that asset classification for comparison purposes, then this asset class grouping does not need to be created as a policy level.

The overall steps to creating an investment policy are as follows:

1. Create an investment policy and select the Level 1 (in this case, Global Category) asset classes and proxies.

   > ☞ Note: When creating a policy with only one level, go to step 4.

2. Add the Level 2 (in this case, Morningstar Category) asset class.
3. Select the Level 2 sub-asset classes and proxies.
4. Set the weights for the Level 2 asset classes. (These will automatically roll up to the Level 1 grouping.)
5. Save the investment policy.

   > ☞ Note: You can also create a third level in an investment policy.

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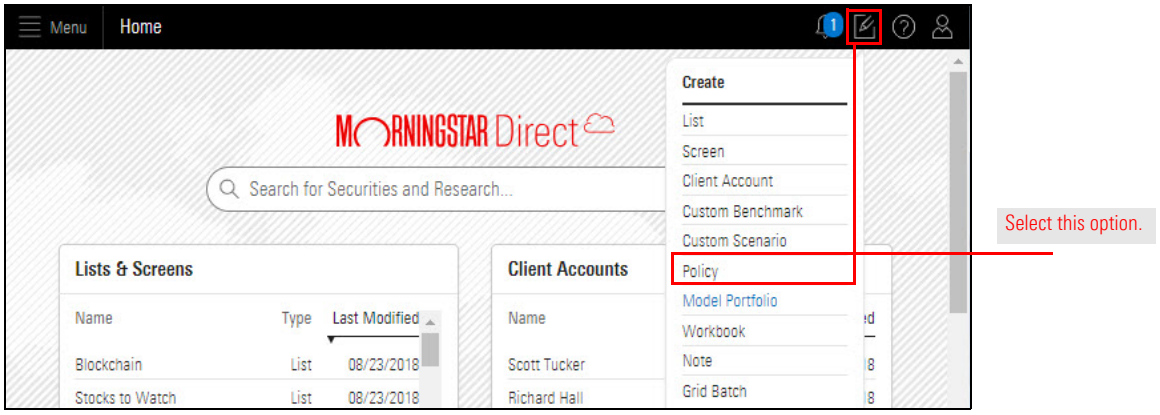
Exercise 11: Create an investment policy and its Level 1 asset classes and proxies

In this exercise, you will create an investment policy with four Level 1 asset classes and their proxies, as shown in the following table:

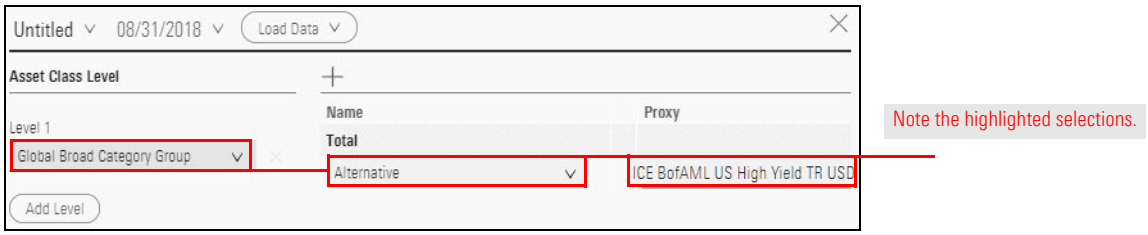
Level 1 Asset Class: Global Broad Category Group	Proxy
Alternative	ICE BofAML US High Yield TR USD
Equity	S&P 500 TR USD
Fixed Income	BBgBarc Aggregate Bond Treasury TR
Money Market	BBgBarc US Treasury Bill 1-3 Mon TR USD

Do the following:

1. In the header, click the **Create** icon, then select **Policy**. The Policy Editor window opens.



2. In the Asset Class Level area, from the **Level 1** drop-down field, select **Global Broad Category Group**.
3. From the **Name** drop-down field, select **Alternative**.
4. In the Proxy column **Search** field, enter **ICE BofAML US High Yield TR USD** and select it from the search results.



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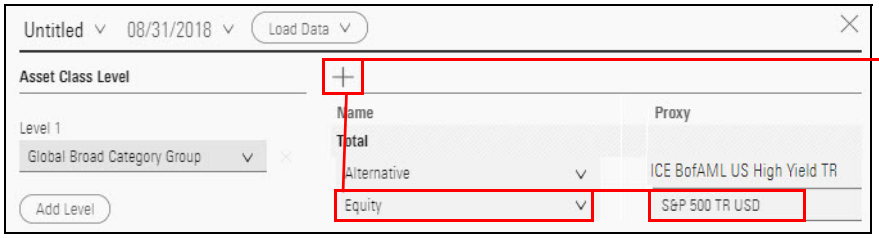
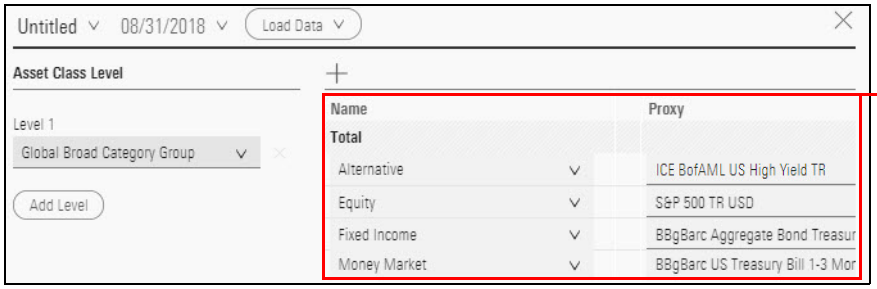
5. Click the **Add Asset Class** icon. A new row appears.
6. From the **Name** drop-down field, select **Equity**.
7. In the Proxy column **Search** field, enter **S&P 500 TR USD** and select it from the search results.



8. **Continue adding asset classes and their proxies**, as described in this table:

Asset Class	Proxy
Fixed Income	BBgBarc Aggregate Bond Treasury TR
Money Market	BBgBarc US Treasury Bill 1-3 Mon TR USD



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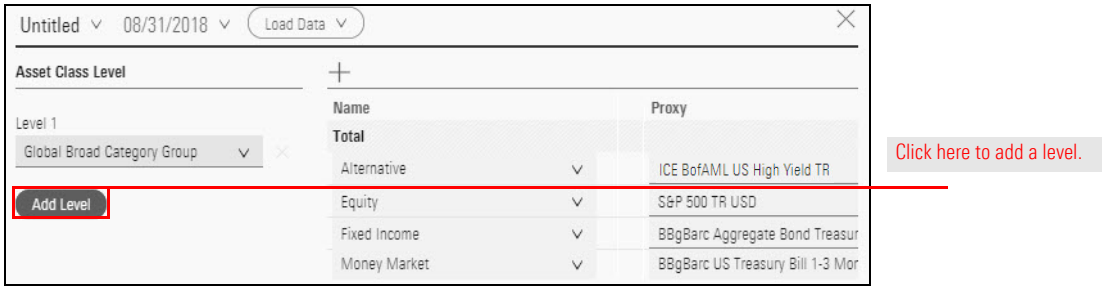
Exercise 12: Add a level for Morningstar Category

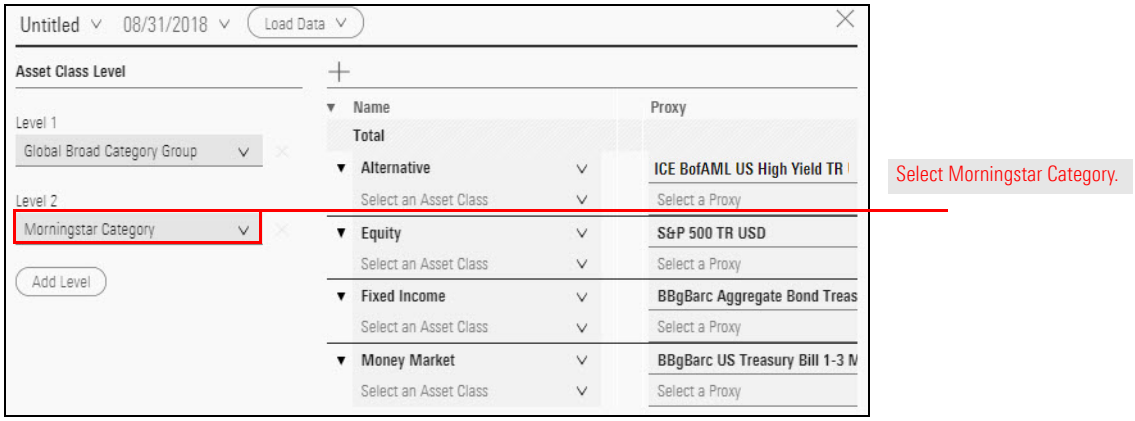
Now that you have created the Level 1 asset classes and their proxies, you can create the Level 2 asset classes. Do the following:

1. In the Asset Class Level area, click **Add Level**. The Level 2 drop-down field appears.



2. From the **Level 2** drop-down field, select **Morningstar Category**.

   In the list to the right, the Level 1 asset classes (Name column) and proxies (Proxy column) are displayed. Each Level 1 shows a row in which you will create its Level 2 asset classes (sub-asset classes).



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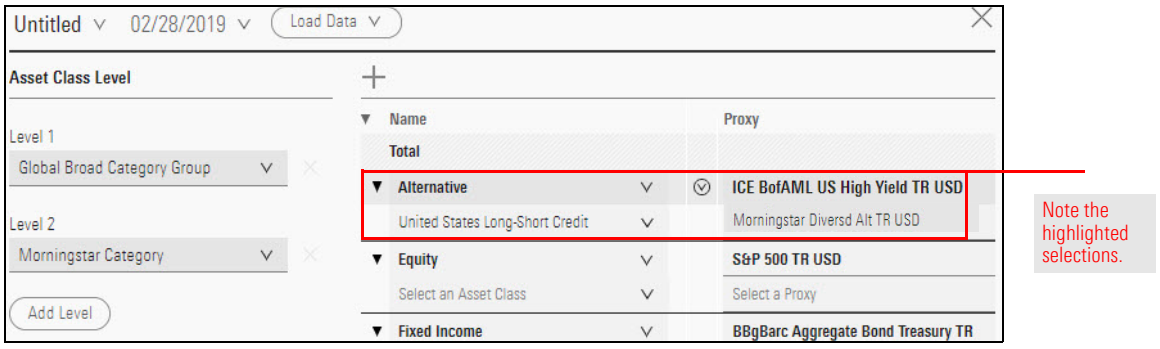
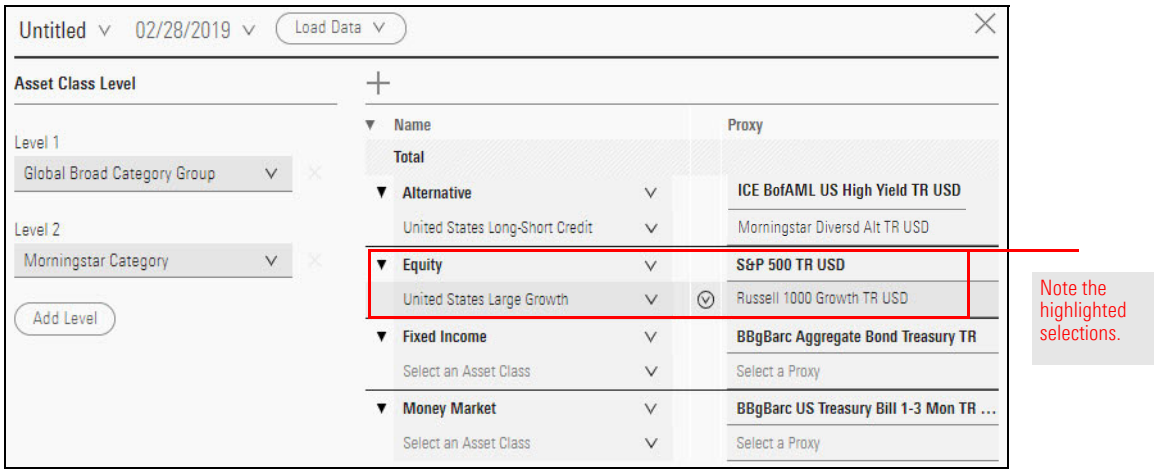
Exercise 13: Create the Level 2 asset classes and proxies

To create the Level 2 asset classes and proxies, do the following:

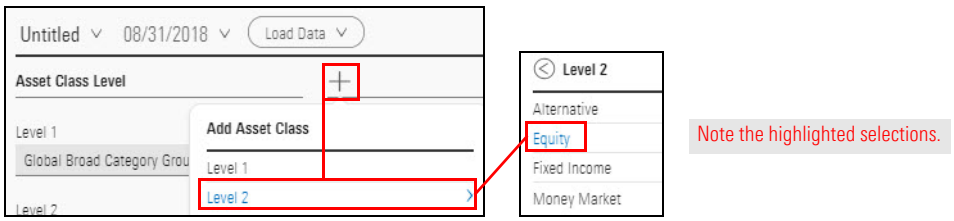
1. In the new row beneath Alternative, the empty field can be used as a Search field. **Click** the empty **Select an Asset Class** field and type **United States Long-Short Credit**. **Select** it from the search results.
2. In the **Select a Proxy** field, search for and select **Morningstar Diversd Alt TR USD**.



3. Under Equity, in the **Select an Asset Class** field, search for and select **United States Large Growth**.
4. In the **Select a Proxy** field, search for and select **Russell 1000 Growth TR USD**.



5. To add another asset class under Equity, click the **Add Asset Class** icon, then from the **Add Asset Class** menu, select **Level 2 > Equity**. A new row appears under Equity.



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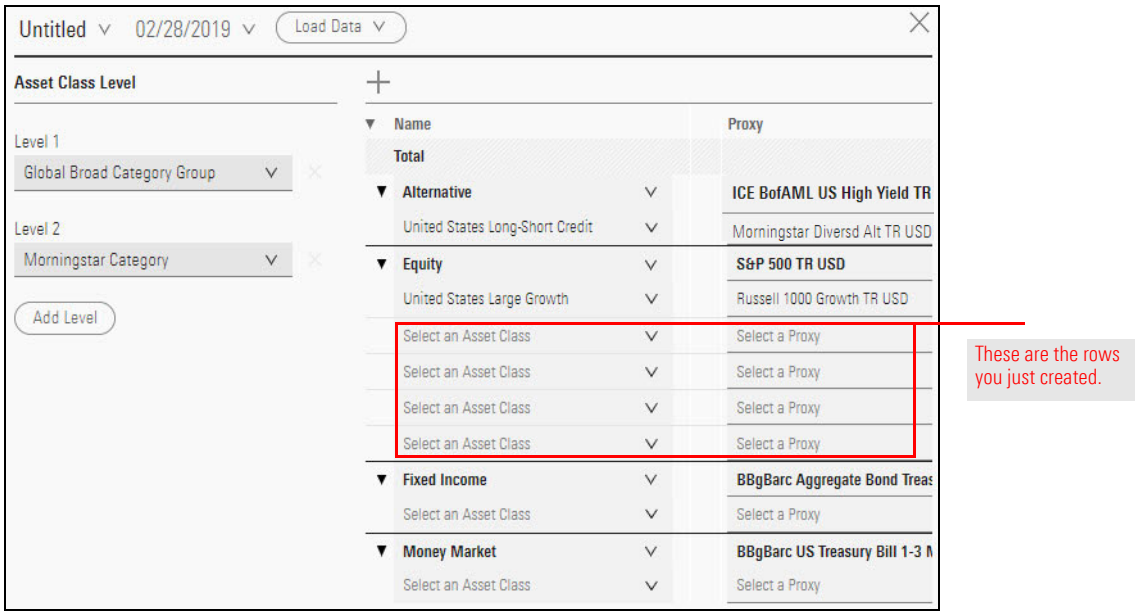
6. In the new row, search for and select **United States Large Growth**.
7. **Repeat** step 6 **four times** so Equity shows four rows to be filled in under United States Large Growth.



8. In the new rows, search for and select **asset classes** and their **proxies**, as shown in this table:

Asset Class	Proxy
United States Large Value	Russell 1000 Value TR USD
United States Small Growth	Russell 2000 Growth TR USD
United States Small Value	Russell 2000 Value TR USD
United States Foreign Large Blend	MSCI ACWI ex US Momentum NR USD

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9. In the Fixed Income column **Search** field, search for and select **United States High Yield Bond**.
10. In the **Select a Proxy** field, search for and select **BBgBarc Aggregate Bond Treasury TR**.

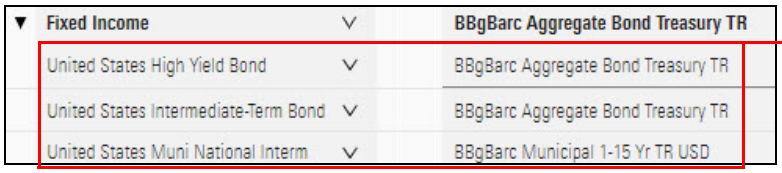
Note the highlighted selections.

11. To add another sub-asset class under Fixed Income, click the **Add Asset Class** icon, then from the **Add Asset Class** menu, select **Level 2** > **Fixed Income**.

Note the highlighted selections.

12. Under Fixed Income, **repeat** step 11 to add **one more asset class** (row).
13. In the unassigned Fixed Income rows, search for and select **asset classes** and their **proxies**, as shown in this table:

Asset Class	Proxy
United States Intermediate-Term Bond	BBgBarc Aggregate Bond Treasury TR
United States Muni National Interm	BBgBarc US Municipal 1-15 Yr TR USD



The Fixed Income Name and Proxy columns should look like this.

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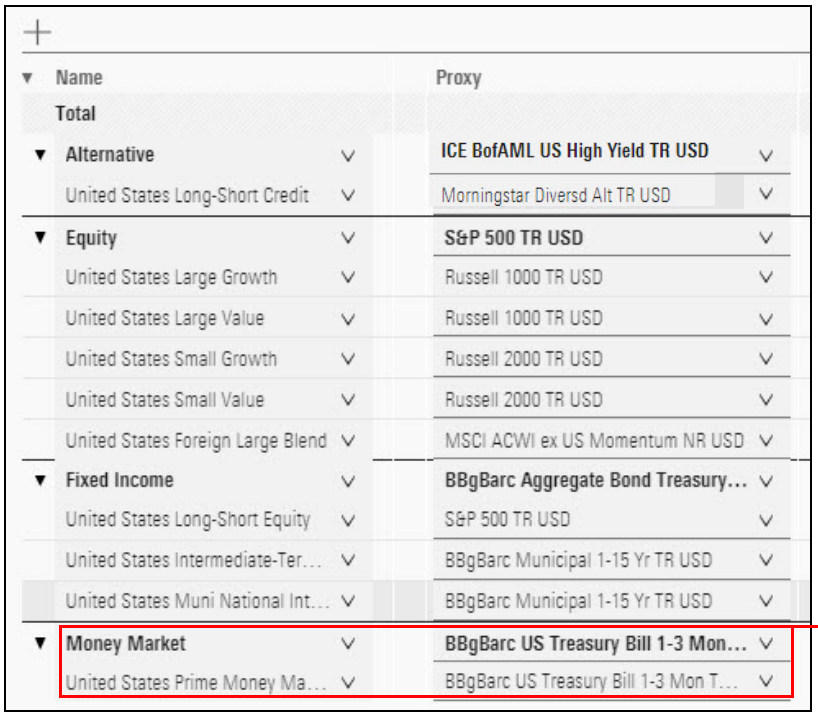
14. In the Money Market column **Select an Asset Class** field, search for and select **United States Prime Money Market**.
15. In the Proxy column **Select a Proxy** field, search for and select **BBgBarc US Treasury Bill 1-3 Mon TR USD**.



The Money Market Name and Proxy columns should look like this.

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Exercise 14: Assign weights to the Level 2 asset classes

Finally, assign a weight to each of the Level 2 asset classes. The weights must total 100.

☞ Note: You don't need to enter weights for Level 1 because it automatically equals the sum of its Level 2 asset classes.

To assign the weights, do the following:

1. If the Weight % column is not visible at the right side of the window, do one of the following:
   - **zoom out**

   ☞ Note: In Chrome or Internet Explorer, zoom out by pressing <**CTRL**>+<-> one or more times until you can see the Weight % column at the right.

   - **widen** your **browser window**, or
   - **scroll right**.
2. In the **Weight %** column (to the right of the Proxy column), enter the **weight** of each Morningstar Category level (Level 2) as shown in the following table:

   ☞ Note: The broad category weights update as you add weights to the Level 2 asset classes.

Level 1 Asset Class: Global Broad Category Group	Level 2 Asset Class: Morningstar Category	Proxy	Weight
Alternative	United States Long-Short Credit	Morningstar Diversd Alt TR USD	10
Equity	United States Large Growth	Russell 1000 Growth TR USD	17.5
	United States Large Value	Russell 1000 Value TR USD	17.5
	United States Small Growth	Russell 2000 Growth TR USD	5
	United States Small Value	Russell 2000 Value TR USD	5
	United States Foreign Large Blend	MSCI ACWI ex US Momentum NR USD	20
Fixed Income	United States High-Yield Bond	BBgBarc Aggregate Bond Treasury TR USD	10
	United States Intermediate-Term Bond	BBgBarc Aggregate Bond Treasury TR USD	5
	United States Muni National Interm	BBgBarc Municipal 1-15 Yr TR USD	5
Money Market	United States Prime Money Market	BBgBarc US Treasury Bill 1-3 Mon TR USD	5

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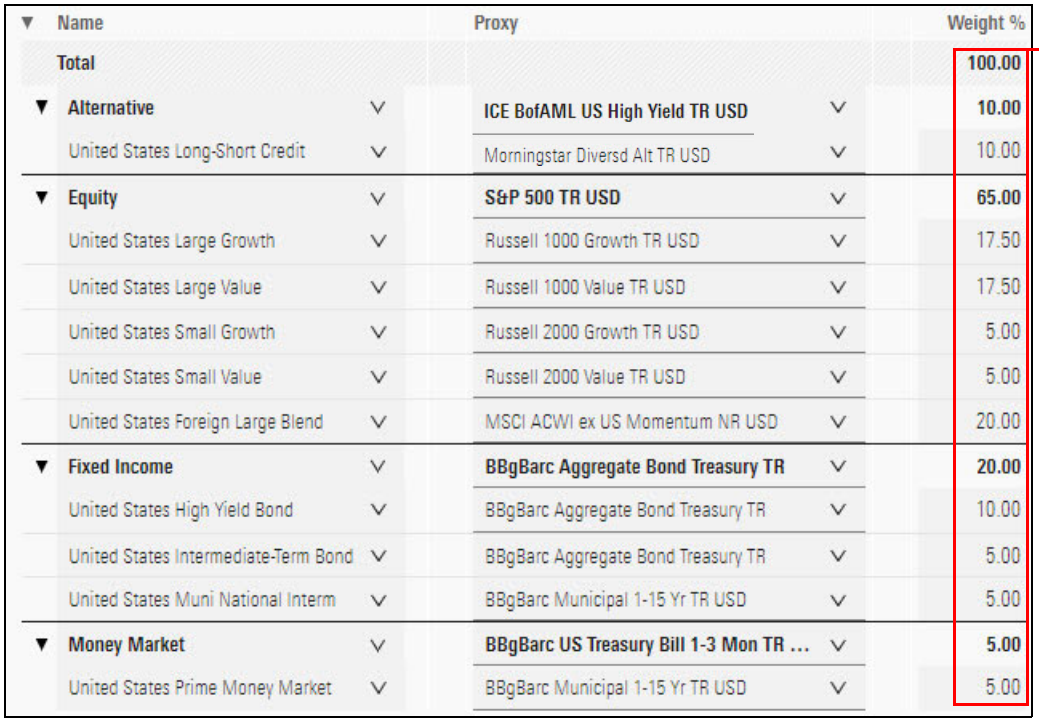


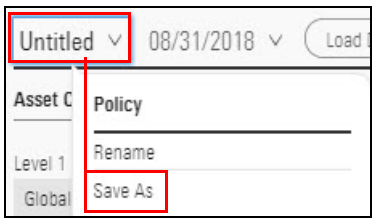
Name	Proxy	Weight %
Total		**100.00**
Alternative	**ICE BofAML US High Yield TR USD**	**10.00**
United States Long-Short Credit	Morningstar Diversd Alt TR USD	10.00
Equity	**S&P 500 TR USD**	**65.00**
United States Large Growth	Russell 1000 Growth TR USD	17.50
United States Large Value	Russell 1000 Value TR USD	17.50
United States Small Growth	Russell 2000 Growth TR USD	5.00
United States Small Value	Russell 2000 Value TR USD	5.00
United States Foreign Large Blend	MSCI ACWI ex US Momentum NR USD	20.00
Fixed Income	**BBgBarc Aggregate Bond Treasury TR**	**20.00**
United States High Yield Bond	BBgBarc Aggregate Bond Treasury TR	10.00
United States Intermediate-Term Bond	BBgBarc Aggregate Bond Treasury TR	5.00
United States Muni National Interm	BBgBarc Municipal 1-15 Yr TR USD	5.00
Money Market	**BBgBarc US Treasury Bill 1-3 Mon TR ...**	**5.00**
United States Prime Money Market	BBgBarc Municipal 1-15 Yr TR USD	5.00

The Weight % column should look like this.

Exercise 15: Save an investment policy

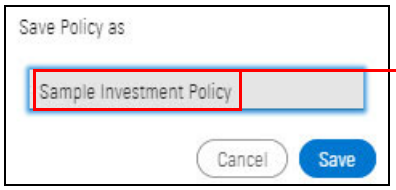
To save your policy, do the following:

1. From the top-left corner of the window, click the **Untitled** drop-down field, then select **Save As**.



Note the highlighted selections.

2. In the text field, type **Sample Investment Policy**, then click **Save**.



Name the policy.

3. An alert opens to tell you that the policy has been saved successfully. Click **Close**.
4. In the upper-right corner of the Policy Editor window, click the **X** to close it.

   ☞ Note: Now that this policy is saved, you can easily create other policies by using the Save As command to give this policy a new name, then change the weights, proxies, categories, or a combination of all three.

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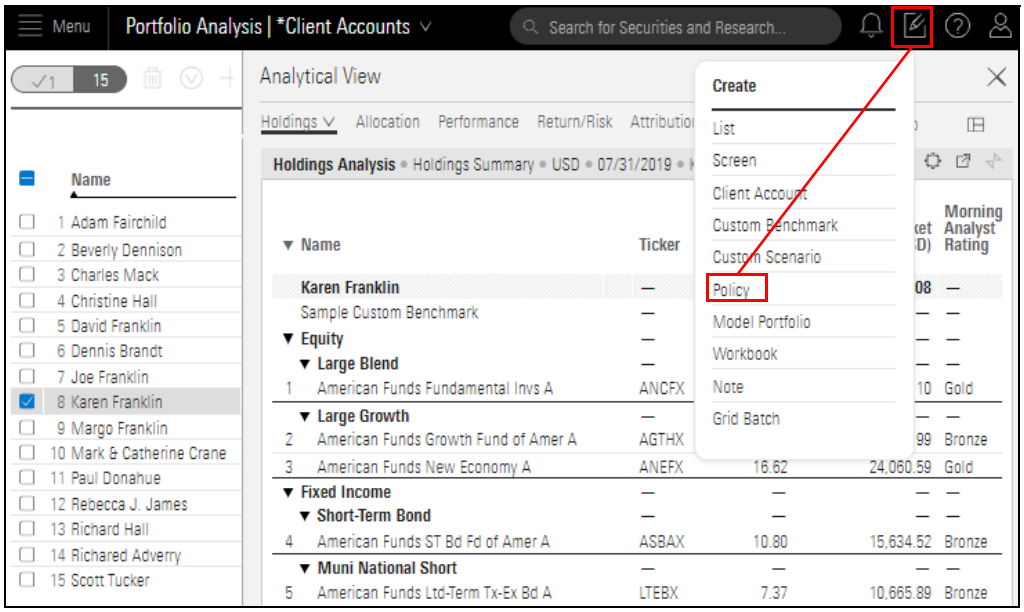
Exercise 16: Create an investment policy from a custom benchmark

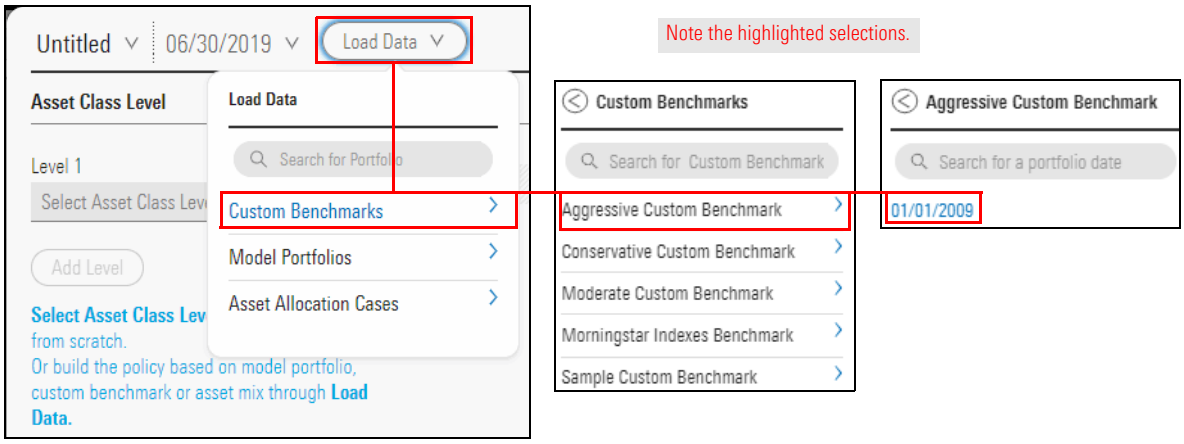
Another way to create an investment policy is to create it from a custom benchmark. In this exercise, you will use the Aggressive custom benchmark, which you created in Exercise 5 on page 24.

Do the following:

1. From the header, select **Create** > **Policy**. The policy window opens.



2. Click **Load Data**, then select **Custom Benchmarks** > **Aggressive Custom Benchmark** > **01/01/2009**.



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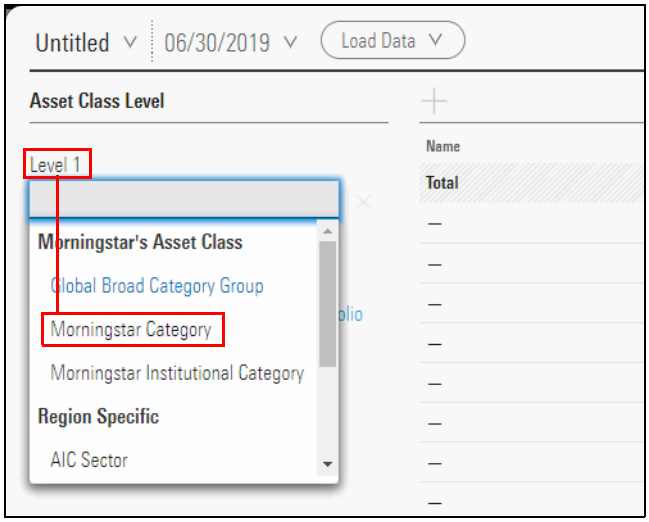
3. Click **Level 1**, then from the menu, select **Morningstar Category**.



Note the highlighted selections.

4. In the **Name** column, from the **Select an Asset Class** menus, make a **selection** according to the following table:

   ☞ Note: As you make each selection, that row moves into place in the list, so the next Select an Asset Class menu is at the top of the list.

For this Proxy...	Select this Morningstar Category...
Morningstar US Core Bd TR USD	United States Intermediate Core Bond
Morningstar US Corp Bd TR USD	United States Corporate Bond
Morningstar US Treasury TR USD	United States Money Market-Taxable
Morningstar US Inter Gov Bd TR USD	United States Intermediate Government
Morningstar US Mid Val TR USD	United States Mid-Cap Value
Morningstar Gbl Mkts xUS GR USD	United States Foreign Large Blend
Morningstar US Small Cap TR USD	United States Small Blend
Morningstar US Large Cap TR USD	United States Large Blend
Morningstar EM GR USD	United States Diversified Emerging Mkts

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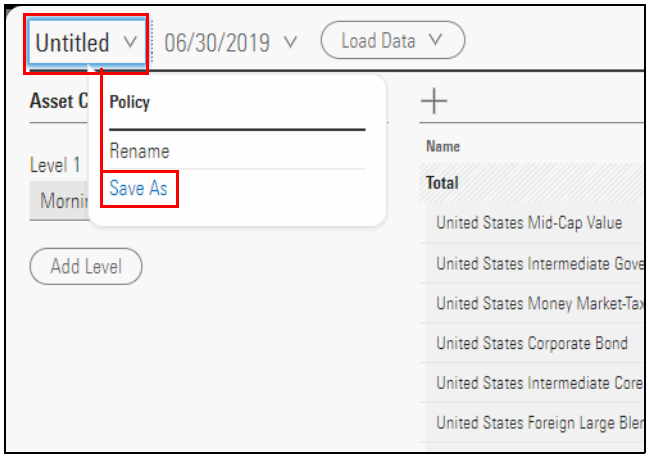
5. In the upper-left corner of the window, click **Untitled**. From the **Policy** menu, select **Save As**.



Note the highlighted selections.

6. Name the policy **Aggressive Policy**, then click **Save**.
7. When the notification opens, click **Close**.
8. In the upper-right corner of the window, click to **X** to close it.

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Exercise 17: Attach an investment policy to a client account

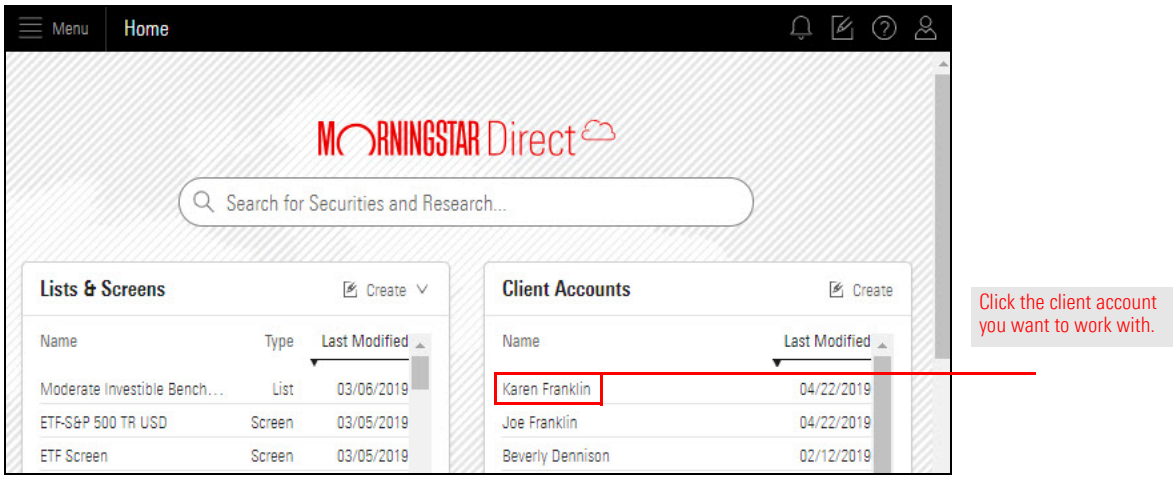
As you know, an investment policy describes the process to be used by a financial advisor in making investment decisions. The financial advisor follows the terms of the policy as part of effectively supervising, monitoring, and evaluating the investment objectives of the client. The advisor should periodically review a client account's policy and monitor how well the account is meeting its objectives. Applying a policy to a client account makes it easy to use in such a review.

In this exercise, you will attach the Sample Investment Policy to the Karen Franklin account.

☞ Note: A policy can be attached to multiple client accounts.

To attach an investment policy to a client account, do the following:

1. On the Morningstar Direct Home Page, in the Client Accounts area, click **Karen Franklin**. The "Select a workbook" dialog box opens.



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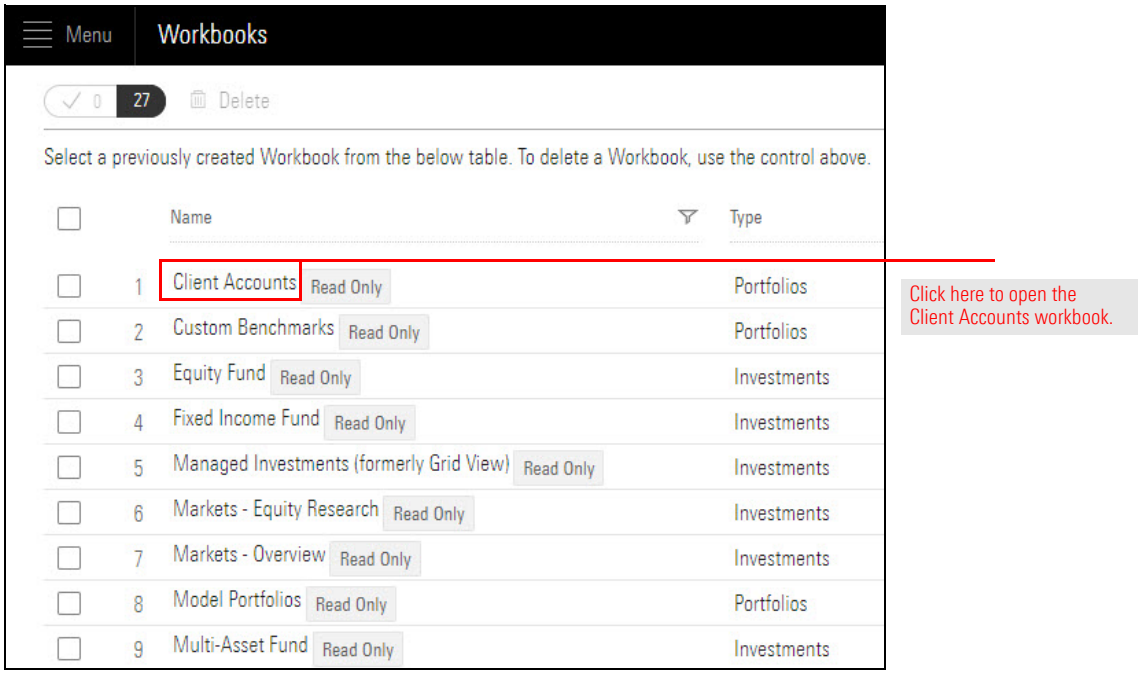
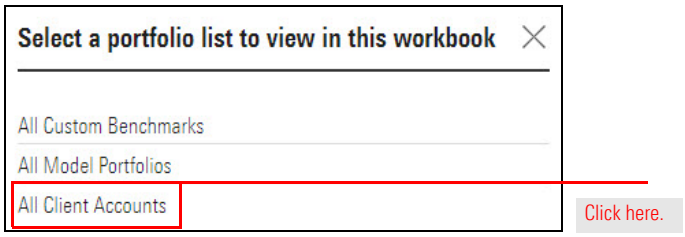
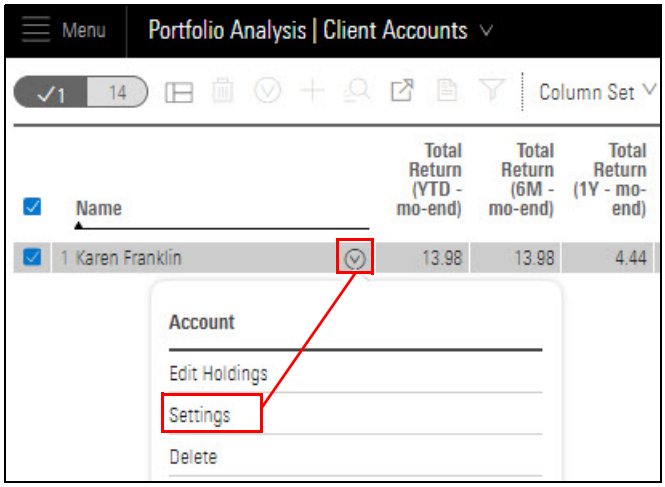
2. Click **Client Accounts**. The "Select a portfolio list to view in this workbook" dialog box opens.



3. Select All **Client Accounts**. The Client Accounts opens.



4. **Hover the cursor** over the **Karen Franklin** row. The Actions icon appears. Click the **Actions** icon and select **Settings**. The Account Settings window opens.



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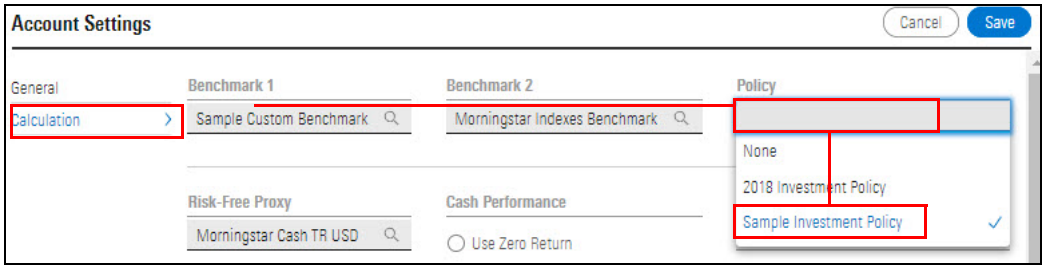
5. On the left side of the window, select **Calculation**.
6. On the right side of the window, from the **Policy** menu, select **Sample Investment Policy**.

   ☞ Note: A policy can also be used as a benchmark. This saves the time of creating a new benchmark with the same holdings as the policy. If a policy is used as Benchmark 1, when the client account is edited, the Editor window reflects data from the investment policy.



7. In the upper-right corner of the window, click **Save**. The window closes.

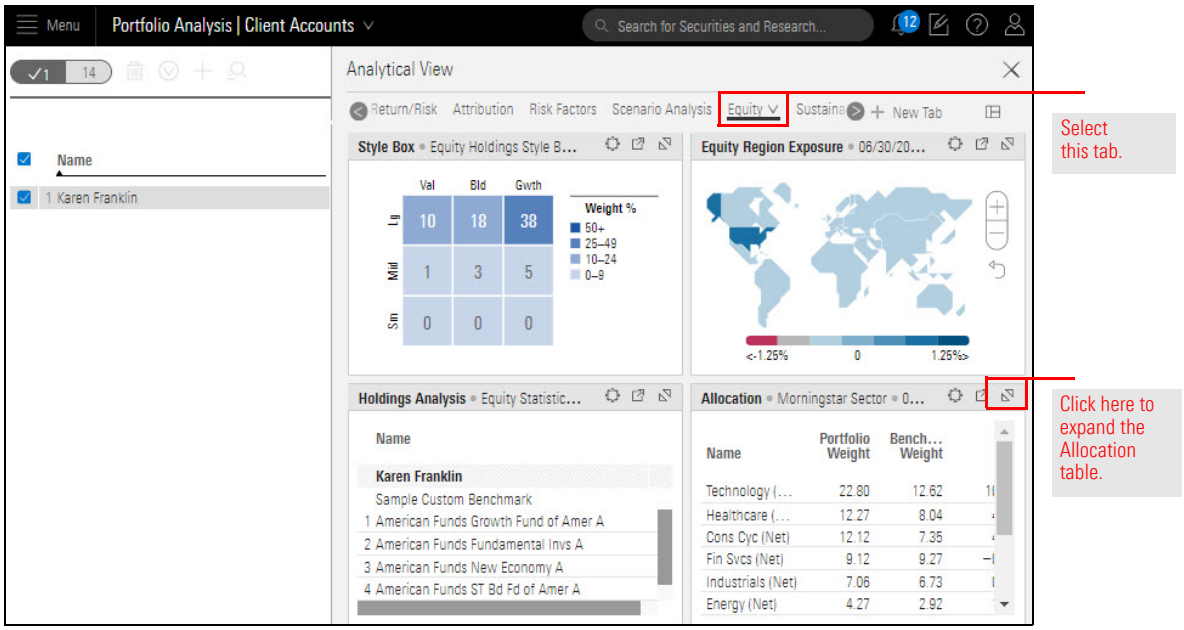
Exercise 18: Compare the allocations of the client account and the policy

If a client account is edited, the account's correlation to the policy could change. Comparing the account to the policy might reveal disparities to be addressed.

In this exercise, you will examine the allocations of the account against those of the policy.

Do the following:

1. In the workbook, click the name **Karen Franklin**, select the **Equity** tab.
2. **Expand** the Allocation chart.



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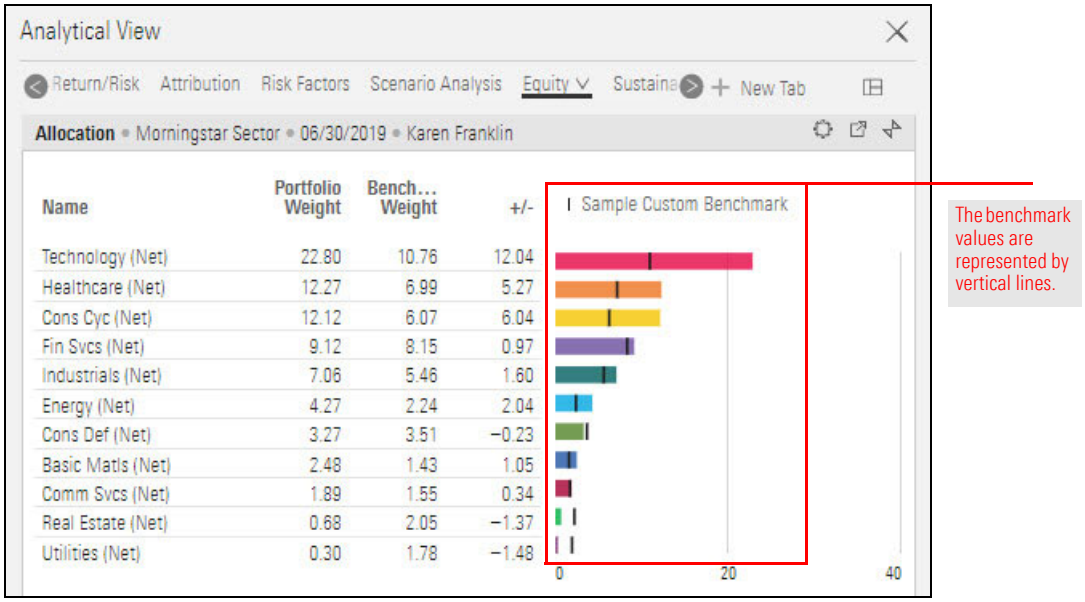
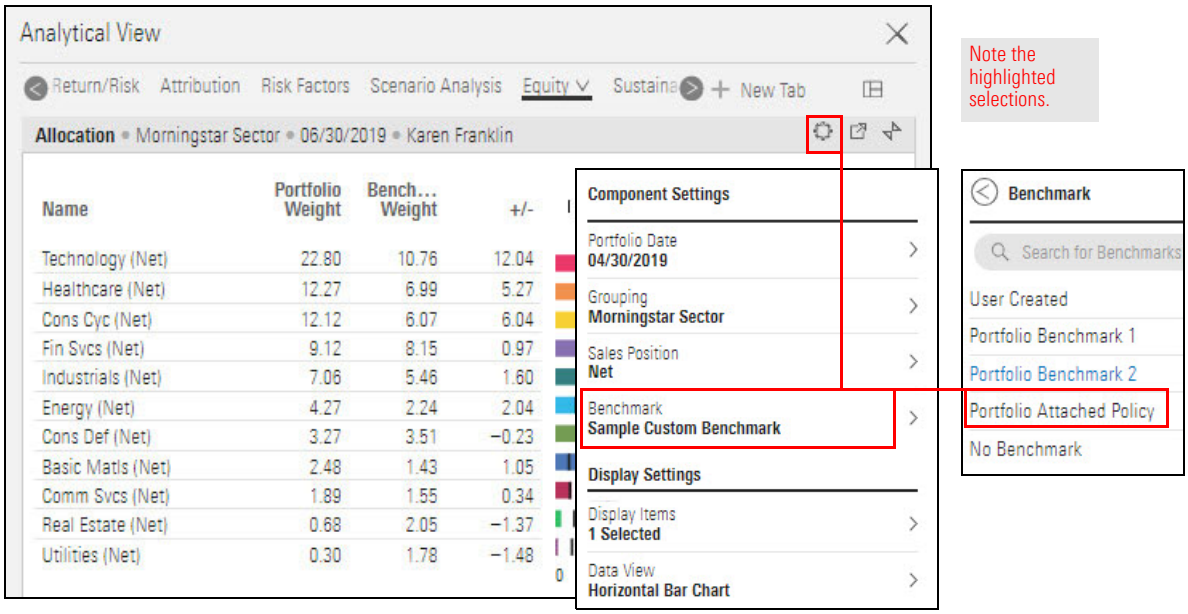
By default, this chart shows the Morningstar Sector allocations of the account (Karen Franklin) and Benchmark 1 (Sample Custom Benchmark).



3. To display the policy, click the **Component Settings** icon, then select **Benchmark** > **Portfolio Attached Policy**.



4. **Click away** from the Component Settings menu to close it.

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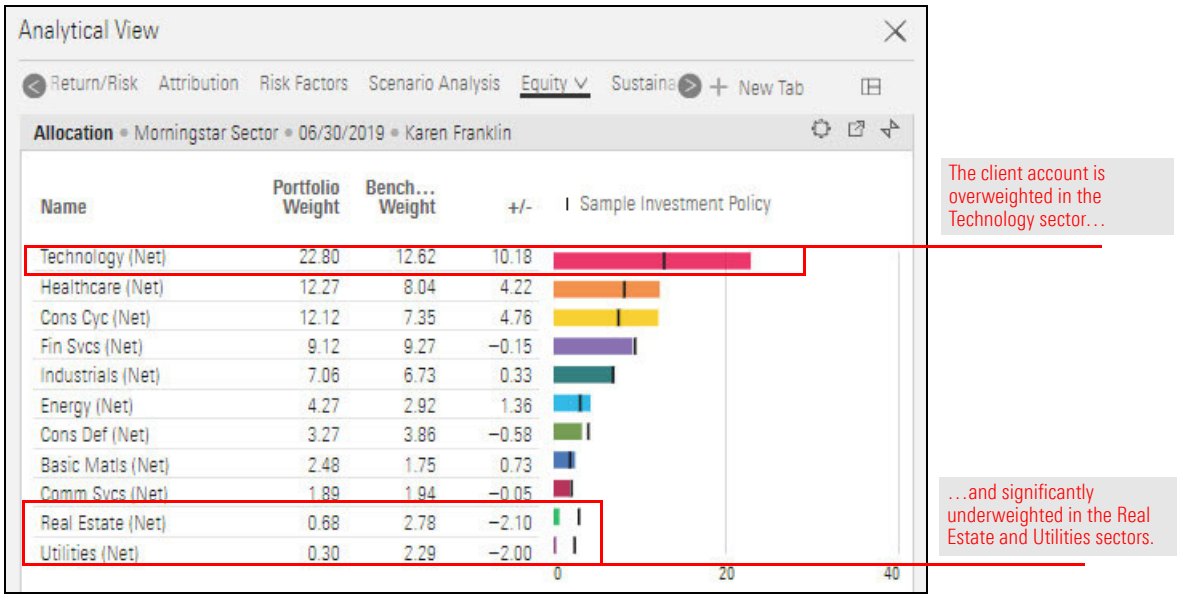
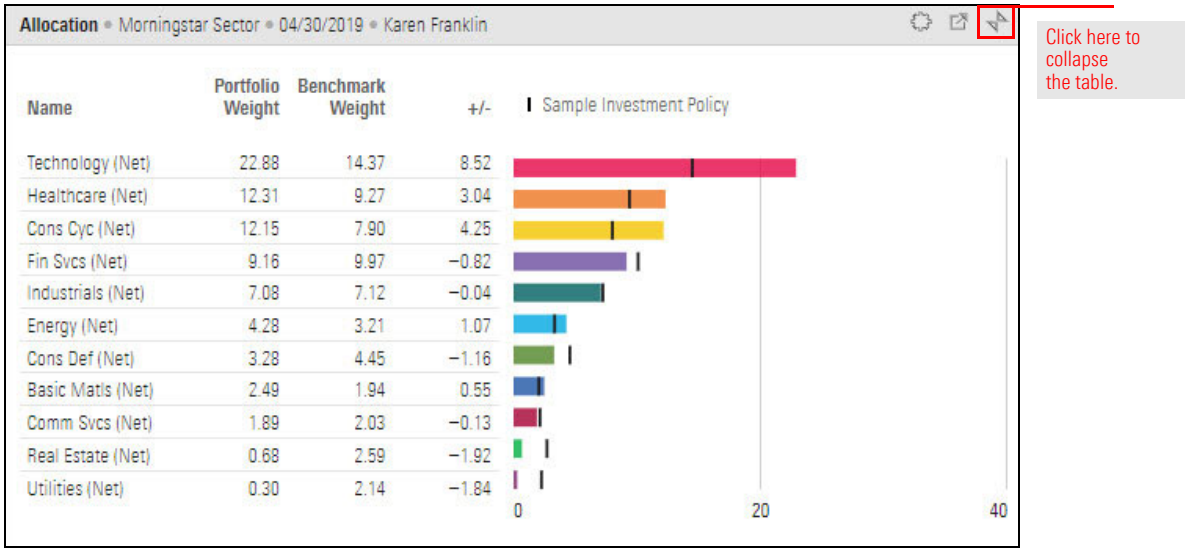
5. **Examine** the results.

   ☞ Note: Your results will differ from those shown in the screenshot.

   In your results, when comparing the client account and the policy, in which sector(s) is the account overweighted? In which is it underweighted?



6. **Collapse** the chart.



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Exercise 19: Use groupings to replicate a policy's asset classes

The policy's groupings (or asset classes) provide additional lenses to examine a client account. In the Holdings Analysis table, you cannot directly group holdings to match the policy's groupings, but you can recreate them.

The supported groupings in the Holdings Analysis table are as follows:

- Global Broad Category
- Morningstar Category, and
- Morningstar Institutional Category.

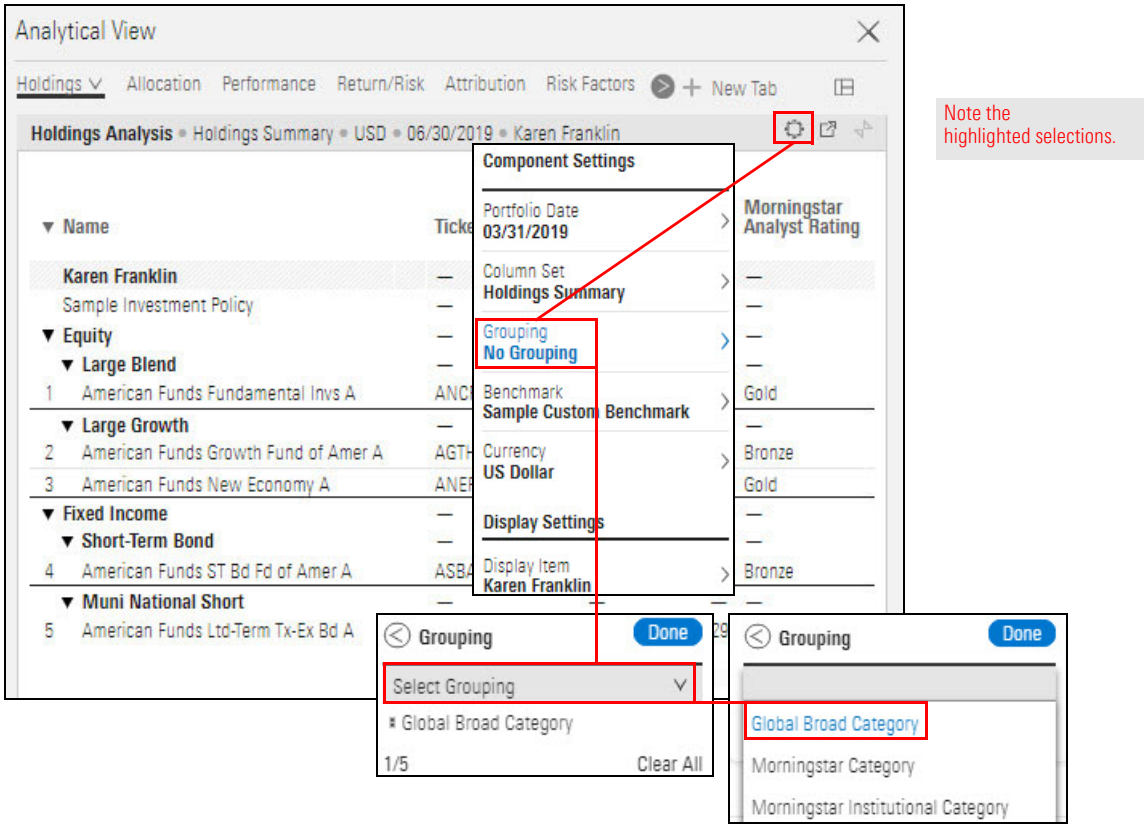
The Holdings Analysis table can also reflect groupings based on custom data points created by you or your firm. The table supports up to five levels of grouping.

In this exercise, you will recreate an investment policy's groupings in the Holdings Analysis table.

> ☞ Note: To refresh your memory of the structure of the investment policy, review Exercise 14 on page 51.

Do the following:

1. In the **Client Accounts** workbook, make sure the **Karen Franklin** account is selected.
2. Select the **Holdings** tab.Click the **Component Settings** icon, then select **Grouping** > **Select Grouping** > **Global Broad Category**. The Grouping menu reappears.



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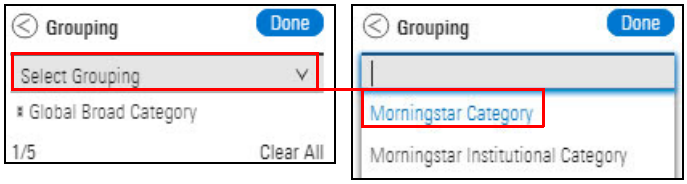
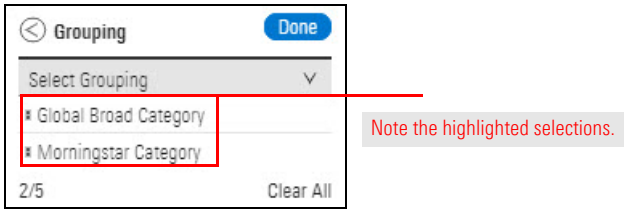
3. Click **Select Grouping** again, then select **Morningstar Category** (the policy's Level 2 Asset Class).



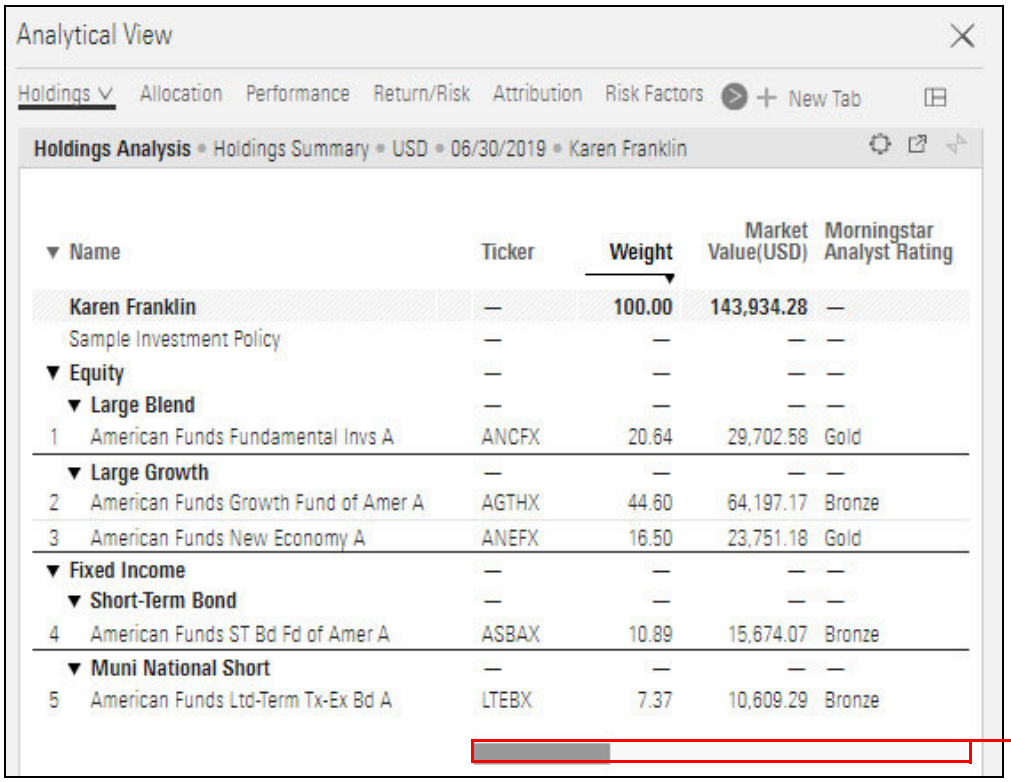
The Grouping menu reopens. The selected groupings are listed in the order in which you selected them.



4. Click **Done**.
5. Click the **Component Settings** icon to close the menu.

   The client's holdings are now displayed according to the assigned groupings (matching the groupings in the policy).

6. **Scroll right** to see more of the Holdings Analysis table.



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Assessing the Impact of Fees on a Client Account

Overview

Clients naturally wish to increase the value of their investments as much as possible, while paying the lowest possible fees. Morningstar Direct for Wealth Management helps you calculate and project the following fees:

- Platform Fee %
- Holdings Fees %, and
- Total Portfolio Fee %

Including these fees in projections and proposals shows the full impact of changes to a client account.

This section covers the following topics and exercises:

- What fees are charged to a client account? (page 63)
- Exercise 20: Add a platform fee to a client account or proposal (page 64)
- How can I view a client account's fees? (page 65)
- Exercise 21: Display the fees in the Holdings Analysis table (page 66)
- Exercise 22: Change the expected one-year growth (page 68)

What fees are charged to a client account?

Clients are concerned about fees and expect transparency about the cost of owning an account. Fees and how they are calculated can be one of prospect's biggest concerns when comparing wealth management firms.

> ☞ Note: In Morningstar Direct for Wealth Management, fees are expressed as a percentage of the value of the account.

The client account fees are defined as follows:

Fee	Definition
Platform Fee	Annual ongoing fee charged at the portfolio level by the wealth management firm. It is a forward-looking fee, which projects the fee for the portfolio object over the next 12 months.
Holdings Fee	Most recent portfolio holdings annual fee (which is also the Prospectus Net Expense Ratio). This value cannot be changed.
Total Portfolio Fee	The sum of the platform fee percentage and the holdings fees percentages, assuming a certain return for the portfolio over the next 12 months. (A return of 5% is the default value, but you can change this. See Exercise 22 on page 68.)

To learn more about how fees are calculated, please read How Are Client Account Fees Calculated? in the Morningstar Knowledge Base.

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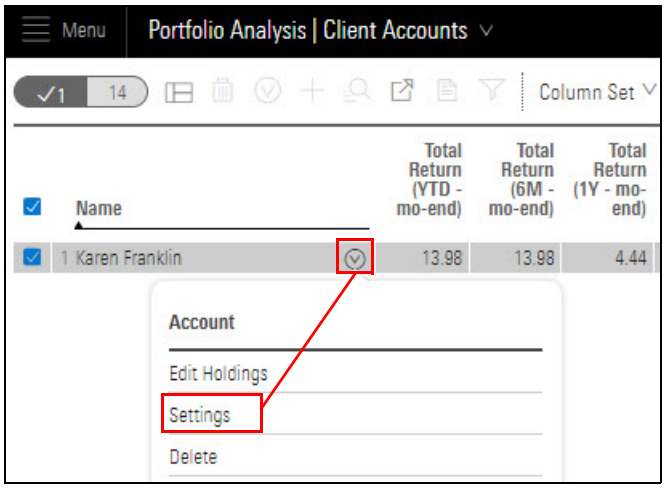
Exercise 20: Add a platform fee to a client account or proposal

Because the platform fee is preset and holdings fees cannot be changed, the platform fee is the only one to be added to the account.

To add a platform fee, do the following:

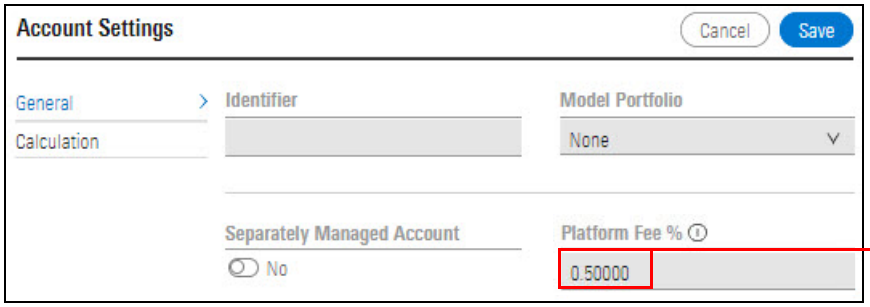
1. In a Client Accounts workbook, **hover the cursor** over the **Actions** icon in the **Karen Franklin** row. From the **Account** menu, select **Settings**. The Account Settings window opens.



Note the highlighted selections.

2. In the Account Settings window, note that the Platform Fee % defaults to 0.00000. In the **Platform Fee %** field, enter **5**.

   ☞ Note: This value must be between **0 and 100**.



The value in this field is a percentage.

3. Click **Save**.

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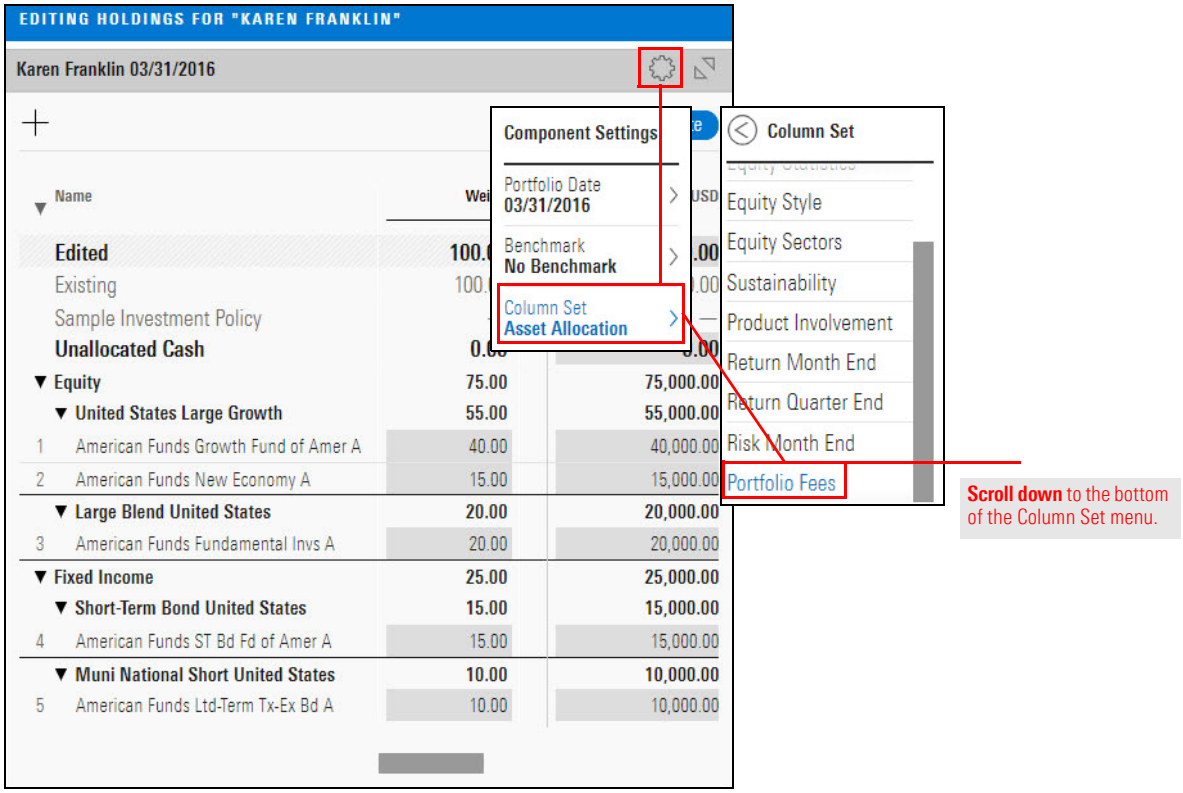
How can I view a client account's fees?

When the platform fee has been added to the account, the information you need can be easily displayed in the Portfolio Fees column set, which is available in the following areas:

- the Holdings Analysis table, and
- the Portfolio Editor window.

In Exercise 21 on page 66, you will display the Portfolio Fees column set in the Holdings Analysis table. It is also available in the Portfolio Editor window, as seen in the following screenshot:



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Exercise 21: Display the fees in the Holdings Analysis table

Suppose a client wants to understand the cost of his or her investment decisions and asks about the total portfolio fee associated with his or her account.

Or perhaps you're a strategist and you want to know an account's total portfolio fee so you can discuss it with the portfolio manager to fully understand the manager's strategy.

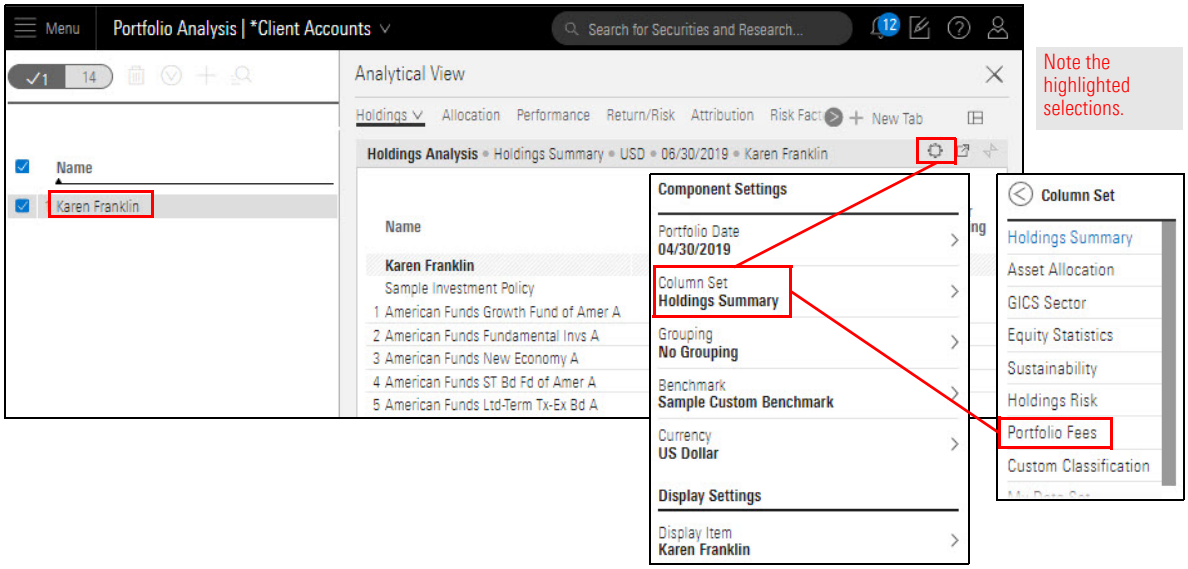
In both cases, the information you need can be easily displayed in the Holdings Analysis table in a Client Accounts workbook, by using the column set Portfolio Fees.

The fees in the column set are as follows:

- Total Portfolio Fee % (the sum of the Platform Fee % and the Holdings Fees %)
- Platform Fee %, and
- Holdings Fee %.

Do the following:

1. In the Client Accounts workbook, make sure the **Karen Francis** account is highlighted, then select the **Holdings** worksheet.
2. In the Holdings Analysis table, click the **Component Settings** icon.
3. From the Component Settings menu, select **Column Set** > **Portfolio Fees**.



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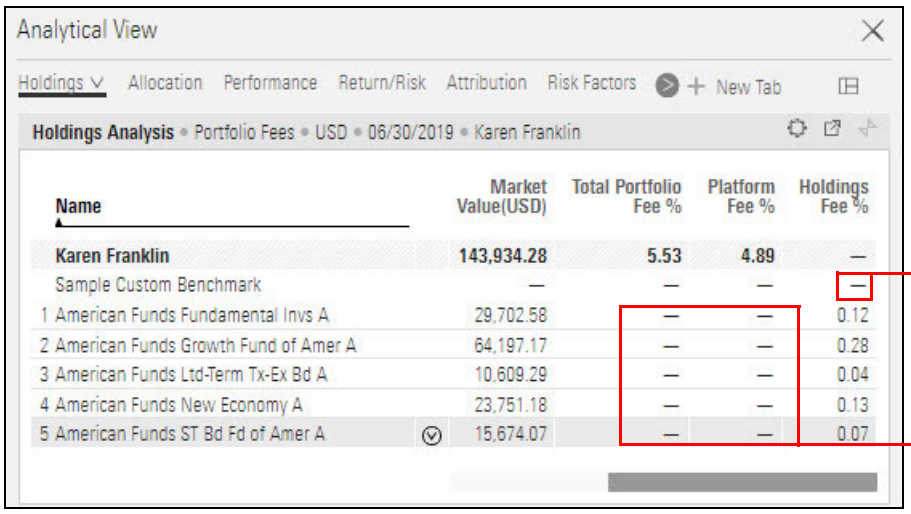
4. **Click away** from the menu to close it. The Total Portfolio Fee %, Platform Fee %, and Holdings Fee % columns are displayed at the far right of the table.

   ☞ Note: You might need to **scroll right** or **widen your browser window** to see all three fees.

5. **Note** that the Sample Custom Benchmark row shows no values because it is not a holding in the account.



This cell is blank because the Holdings Fee % applies to holdings, but not to the account as a whole.

These cells are blank because the Total Portfolio Fee % and Platform Fee % apply to the account, but not to individual holdings or the benchmark.

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Exercise 22: Change the expected one-year growth

In Exercise 21 on page 66, you chose to display the Portfolio Fees column set. That selection added a new option—1 Year Expected Return %—to the Component Settings menu for the Holdings Analysis table. With this option, the projected return can be changed. This can illustrate to the client that as returns increase, fees also increase (even at a fixed percentage). The cost of the account goes up.

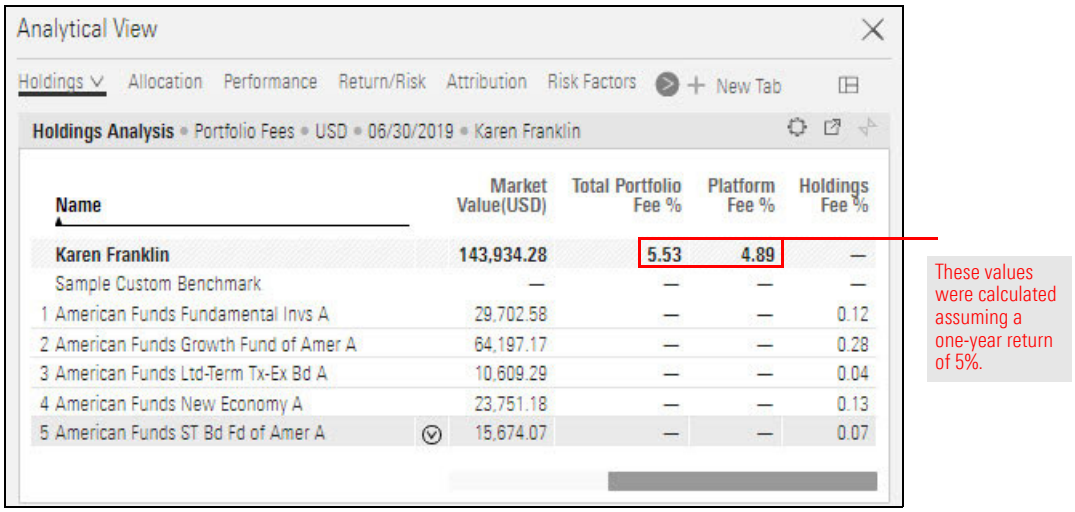
Initially, the Total Portfolio Fee % is calculated assuming a one-year return of 5%.

Do the following:

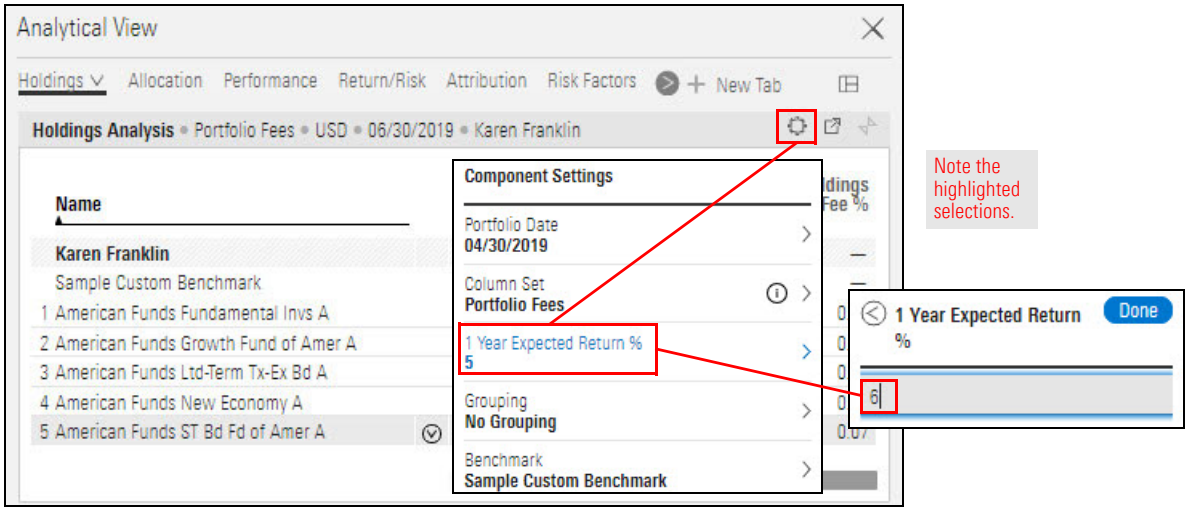
1. In the Client Accounts workbook, make sure the **Karen Francis** account is selected and the **Holdings** worksheet is displayed.

   In the Holdings Analysis table, Total Portfolio Fee %, Platform Fee %, and Holdings Fee % are displayed at the far right.

   ☞ Note: You might need to **scroll right** or **widen your browser window** to see all three fees.



2. Click the **Component Settings** icon, then from the **Component Settings** menu, select **1 Year Expected Return %**. Note that the default value is 5.
3. In the **1 Year Expected Return %** field, enter **6**.



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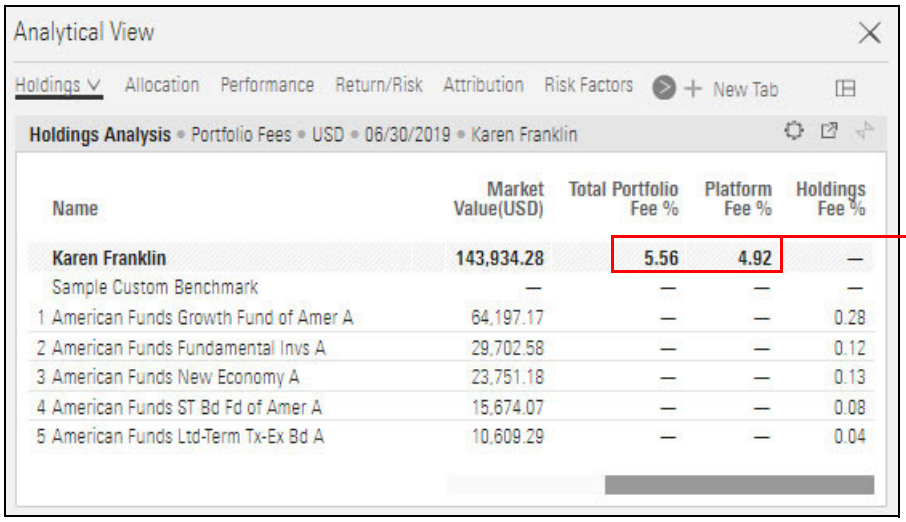
4. Click **Done**.
5. Click the **Component Settings** icon to close the menu.

   Because the fees are expressed as percentages (rather than currency), you may not see a change or the change may appear insignificant. However, when the those percentages are expressed as dollars or another currency, the difference between 5% and 6% can be substantial, especially when working with an account valued in millions of dollars.



To see an example of how the percentages translate to currency, please read How Are Client Account Fees Calculated? in the Morningstar Knowledge Base.

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Editing a Client Account

Overview

A client account might require modifications to its holdings and/or weights due to changes such as the following:

- the client's investment goals
- market conditions,
- job change or retirement.

To respond to these and other developments, holdings can be added and removed from the client account.

This section covers the following:

- Exercise 23: Create a new portfolio date (page 71)
- Exercise 24: Remove a holding from a client account (page 73)
- Exercise 25: Add a holding to a client account (page 75)
- How can I add multiple holdings to a client account? (page 78)
- Exercise 26: Create a model portfolio by importing (page 78)
- Exercise 27: Import a model portfolio's holdings into a client account (page 82)
- How can I compare a client account to other portfolio objects? (page 87)
- Exercise 28: Associate a model portfolio with a client account (page 87)
- What charts and tables can display a client account and an associated model portfolio? (page 89)
- Exercise 29: Compare the Global Broad Category allocations of a client account and its associated model portfolio (page 90)
- Exercise 30: Compare the Morningstar Sector allocations of a client account and its associated model portfolio (page 92)
- Exercise 31: Delete a client account (page 94)

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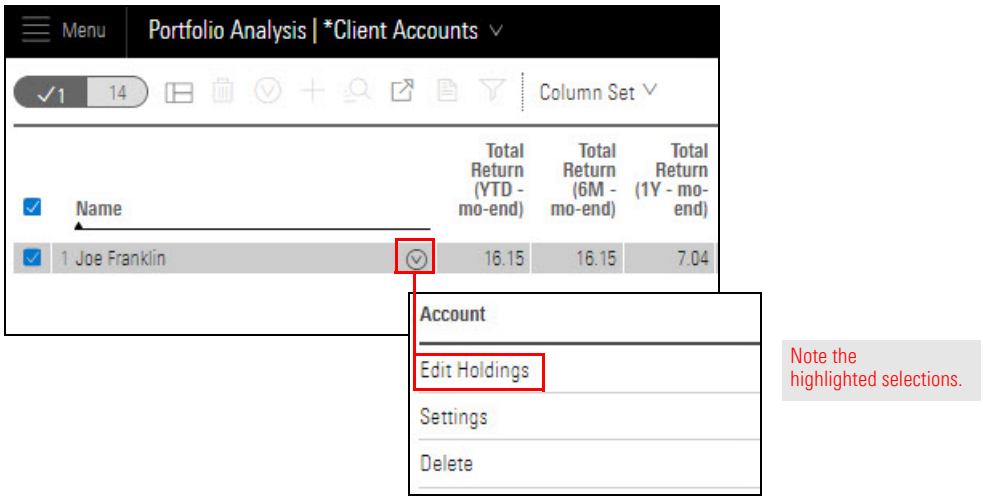
Exercise 23: Create a new portfolio date

Suppose Joe Franklin (who was a prospect at the beginning of this guide) has become a client. Your analysis shows that the account could gain larger returns by replacing one of the holdings. You create a proposal showing this and present to Mr. Franklin, who agrees to the change.

Before making such a change to the account, be sure to create a new portfolio date. This ensures that you can look back at the previous date's holdings and weights.

Do the following:

1. In the **Client Accounts** workbook Grid, **hover the cursor** over **Joe Franklin**. The Actions icon appears.
2. Click the **Actions** icon and from the menu, select **Edit Holdings**. The Editing Holdings window opens.



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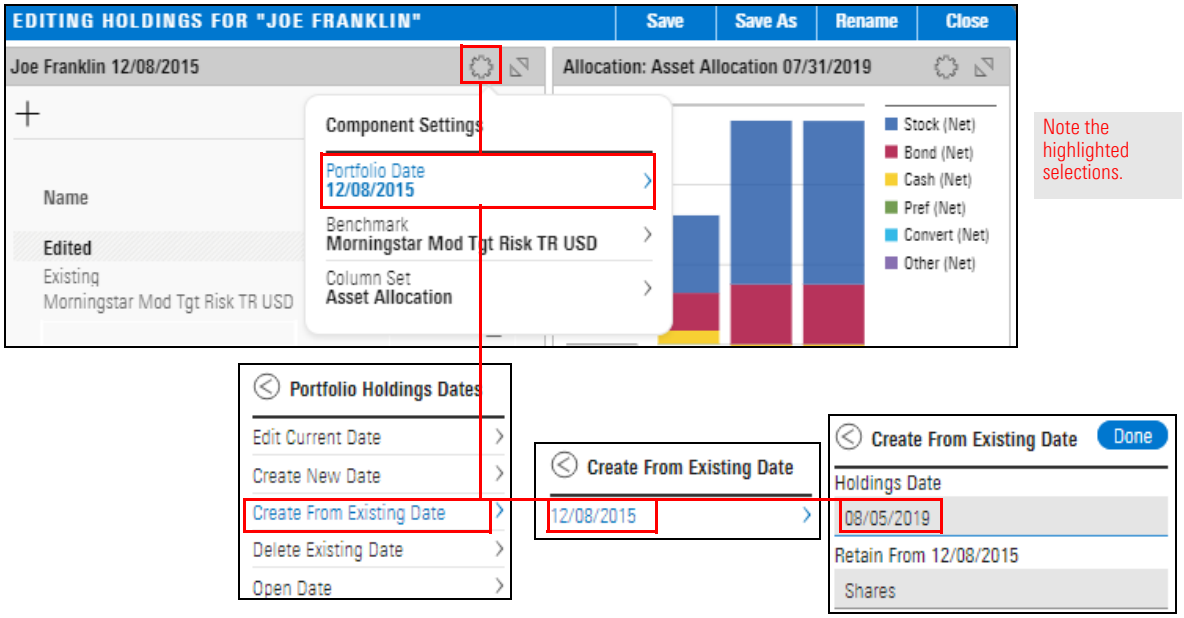
3. In the list of holdings, click the **Component Settings** icon, then select **Portfolio Date** > **Create From Existing Date**. A new menu opens.
4. **Select the date** you want to use as the basis of the new date. In this case, only one date is available (12/08/15). A new menu opens.
5. In the **Holdings Date** field, **type yesterday's date**.

   ☞ Note: In the Retain From 12/08/1205 field, leave Shares selected. The other option for this field is Weights.[



Note the highlighted selections.

6. Click **Done**.
7. In the upper-right corner of the Editing Holdings window, click **Save**. Don't close the Editing Holdings window.

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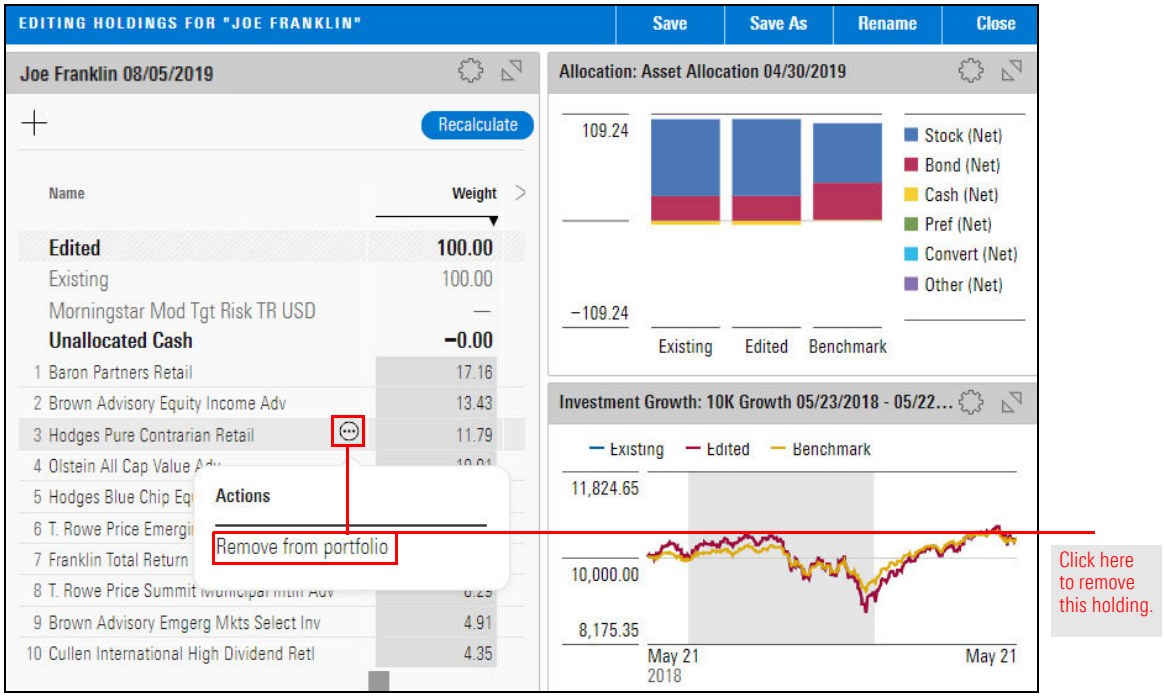
Exercise 24: Remove a holding from a client account

In this exercise, you will remove a holding from the account.

The Editing Holdings window should still be open.

1. **Hover the cursor** over **Hodges Pure Contrarian Retail**. The Actions icon appears to the right of the name.Click the **Actions** icon and select **Remove from portfolio**. The holding is removed from the client account.



2. In the upper-right corner of the Editing Holdings window, click **Save**. Don't close the Editing Holdings window.

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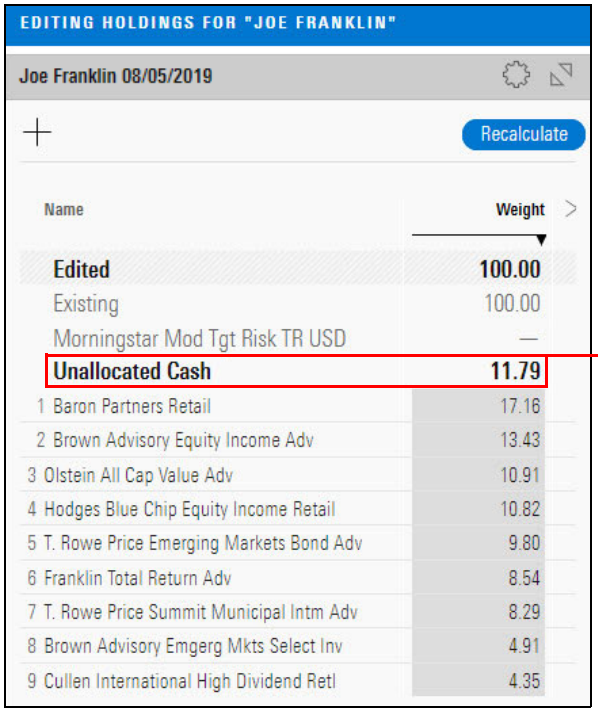
Note that the weight of Hodges Pure Contrarian Retail (11.79) has been assigned to Unallocated Cash.



Note this value.

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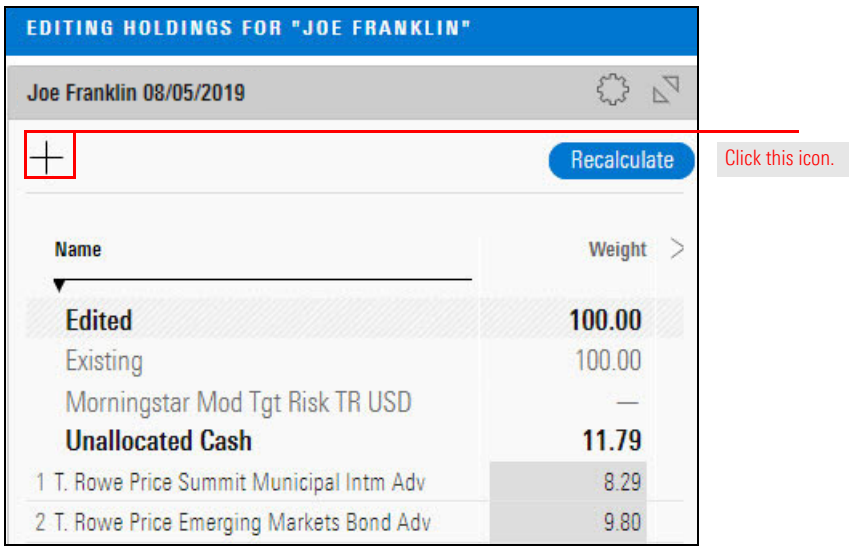
Exercise 25: Add a holding to a client account

In Exercise 24 on page 73, you removed Hodges Pure Contrarian Retail from Joe Franklin account. In this exercise, you will add iShares Core S&P 500 ETF to take its place.

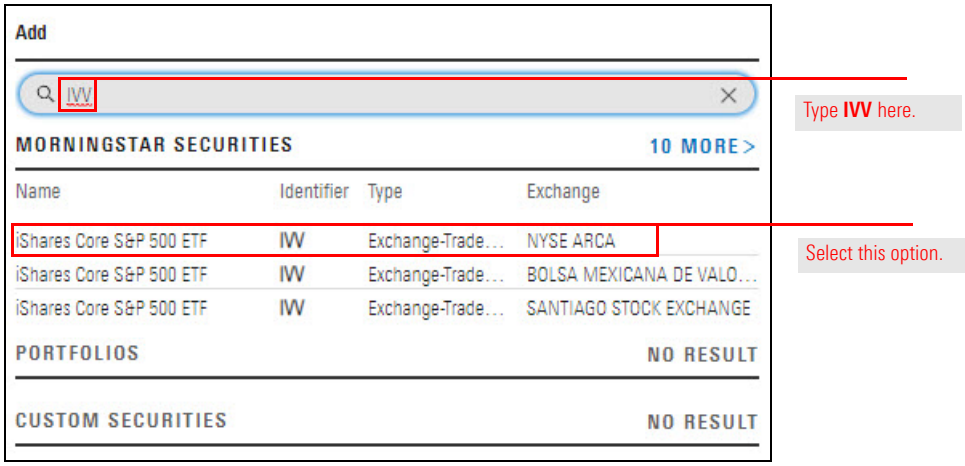
The Editing Holdings window should still be open.

Do the following:

1. In the upper-left corner of the Editing Holdings window, click the **Add** icon. The Add dialog box opens.



2. In the **Add** field, enter **IVV**. The results list displays more than one selection for iShares Core S&P 500 ETF. Select the one **traded on NYSE ARCA**. The Add dialog box opens.



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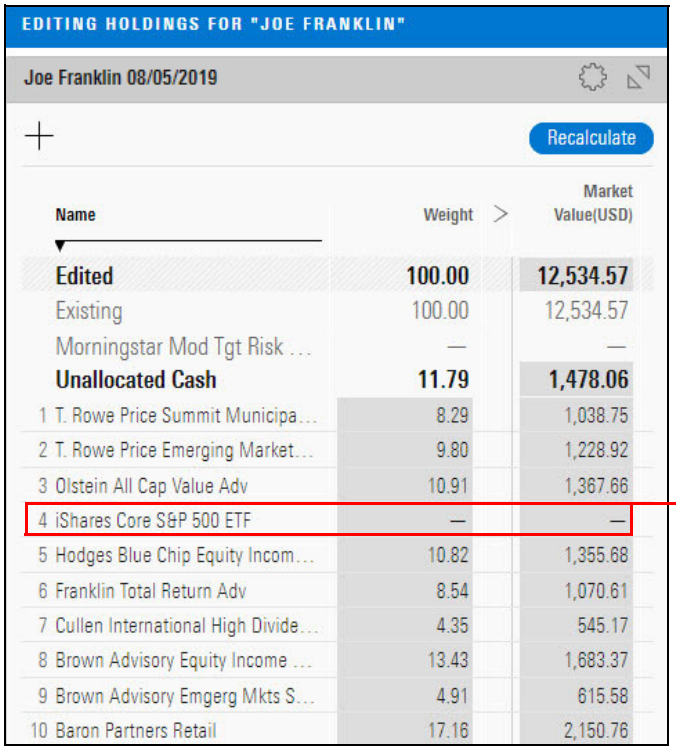
iShares Core S&P 500 ETF is now listed as a holding. Its weight and market value display a dash (—).



The dashes indicate the holding has no weight or market value.

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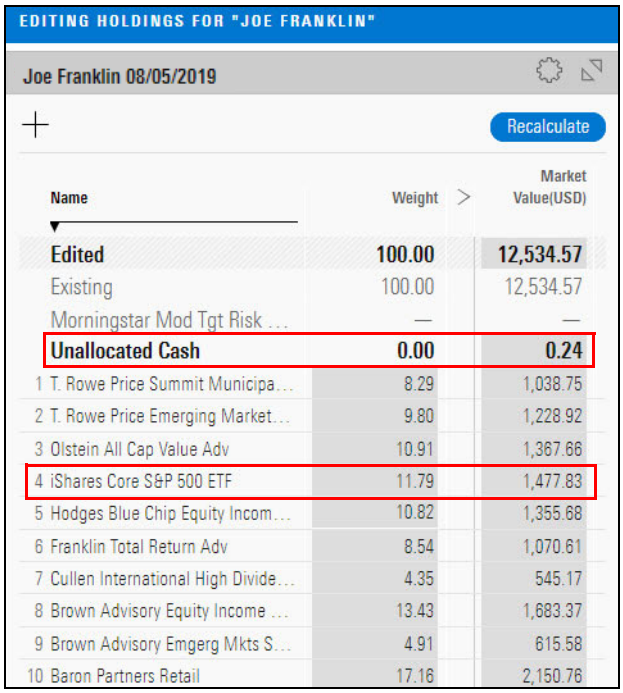
3. In the iShares Core S&P 500 ETF row, click the **dash** in the Weight column.
4. Enter **11.79** (the weight currently assigned to Unallocated Cash and previously assigned to Hodges Pure Contrarian Retail).



Note the weights and market values for Unallocated Cash and iShares Core S&P 500 ETF.

5. In the upper-right corner of the window, click **Save**. Then click **Close**.

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How can I add multiple holdings to a client account?

In Exercise 25 on page 75, you added a holding to the Joe Franklin account. What can you do if you're in the following situation:

- You need to add multiple holdings to an account, and
- The holdings aren't available as a list but they are in a model portfolio.

Adding the holdings individually would be time-consuming, but if you have access to the model portfolio, you can add its holdings to the client account.

In Exercise 26 on page 78, you will import a Microsoft Excel file as a model portfolio, then in Exercise 27 on page 82, you will import the model portfolio's holdings into the Joe Franklin account.

Exercise 26: Create a model portfolio by importing

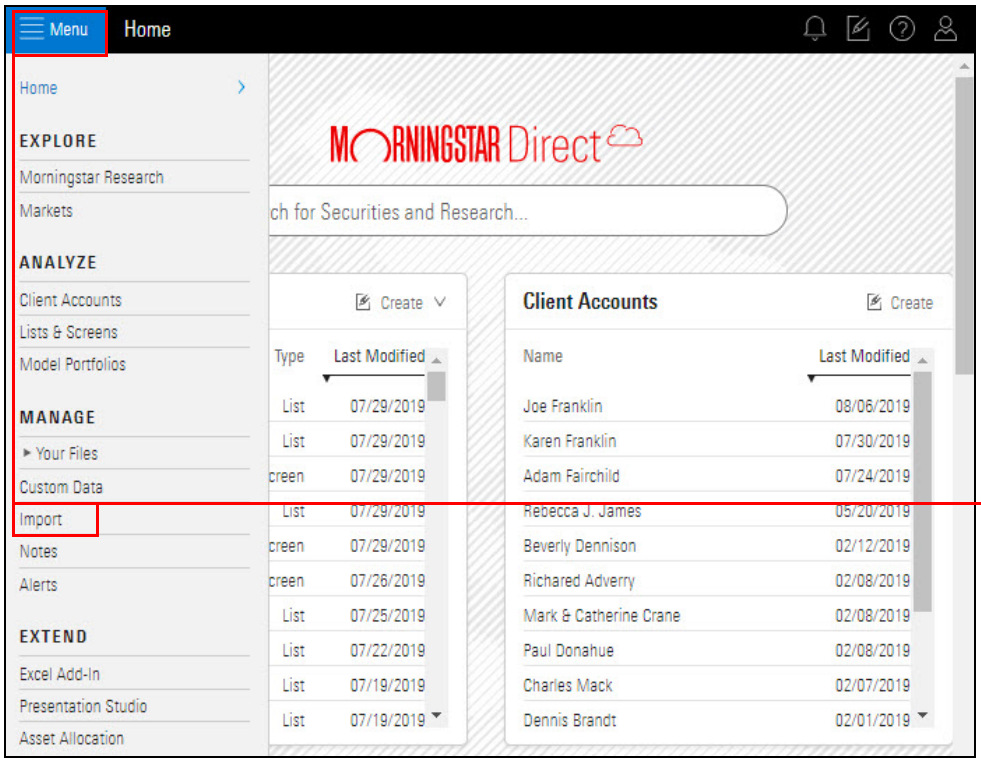
In this exercise, you will create a model portfolio by importing a Microsoft Excel file. You will later import this model portfolio's holdings into the Joe Franklin account.

Do the following:

> ☞ Note: When using an Excel file on your own, be sure to first check the requirements for importing an Excel file, found in Data Import Specifications.

To import an Excel file, do the following:

1. **Download** the **Excel file** for this exercise.
2. In the upper-left corner of the Home page, **hover the cursor** over **Menu** and select **Import**. The Import page opens.



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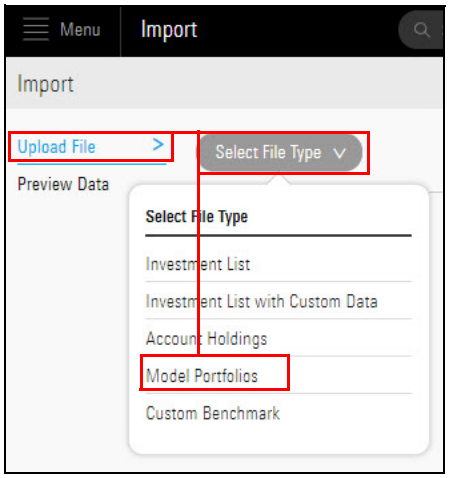
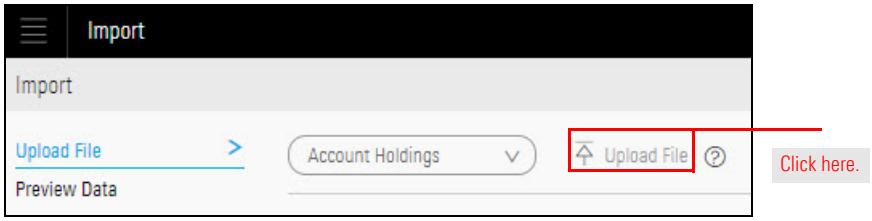
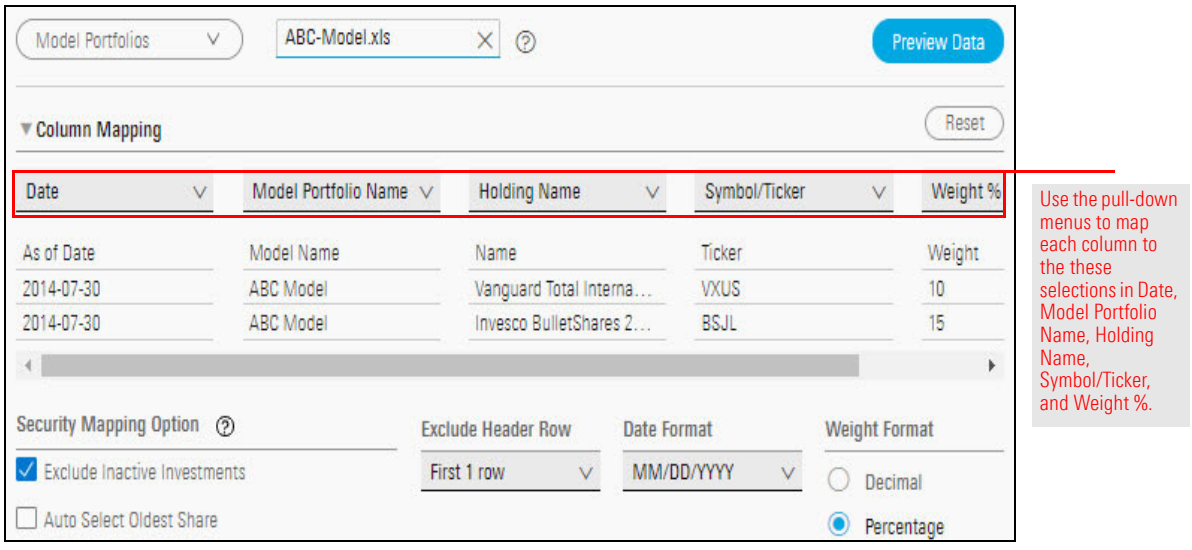
3. At the left side of the Import window, the Upload File option is selected. Click **Select File Type** and select **Model Portfolios**. To the right of the Select File Type button, the Upload File icon appears.



4. Click **Upload File**. A navigation window opens.



5. On your computer system, **locate** and **double-click ABC-Model.xls** (the file you downloaded). The Import page opens, displaying mapping options.
6. In the Column Mapping area, use the pull-down menus to make a **selection** from each **Unmapped** field. Each unmapped column must correspond to a column in the Excel spreadsheet. A selection for each column is required.



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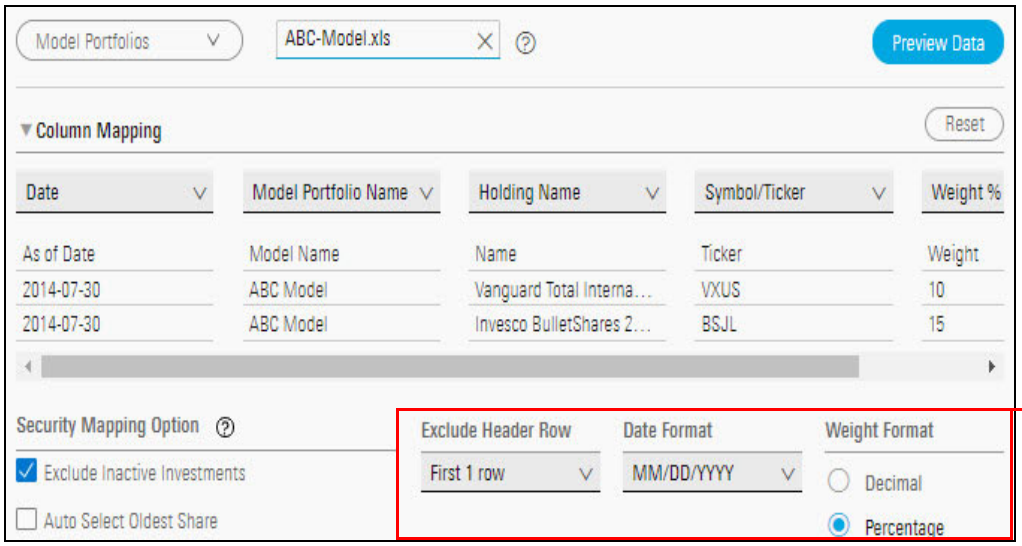
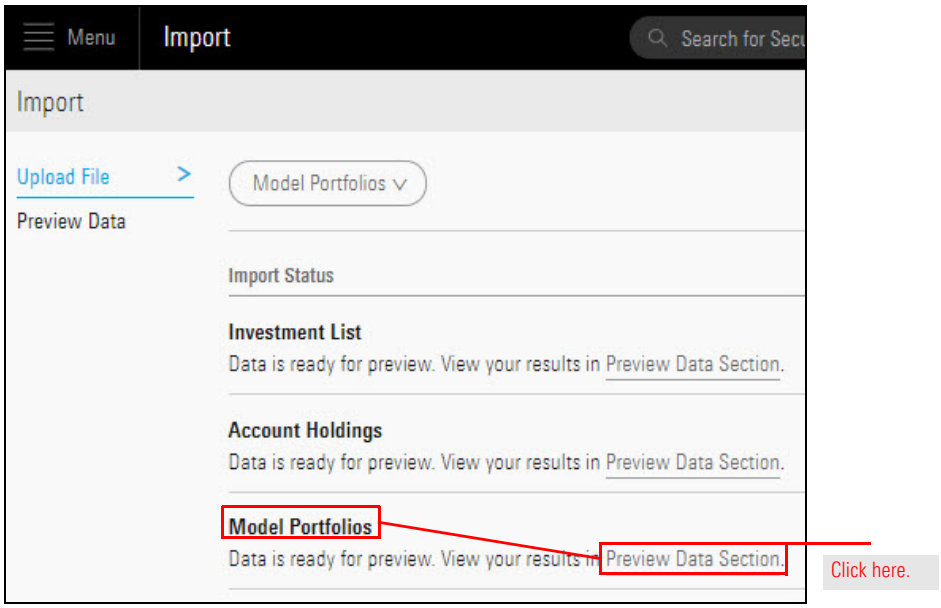
7. In the **Exclude Header Row** field, make sure **First 1 row** is selected.
8. From the **Date Format** menu, select **MM/DD/YYYY** (or the date format you want to use).
9. In the **Weight Format** area, select **Percentage**.



10. In the upper-right corner of the window, click **Preview Data**. The Import Status window opens.
11. Under **Model Portfolios**, click **Preview Data Section**.



In the Preview Data window, the holdings are listed as individual securities. Those listed in the New Securities section have not been imported before. Those listed in the Existing Securities section have been previously imported.

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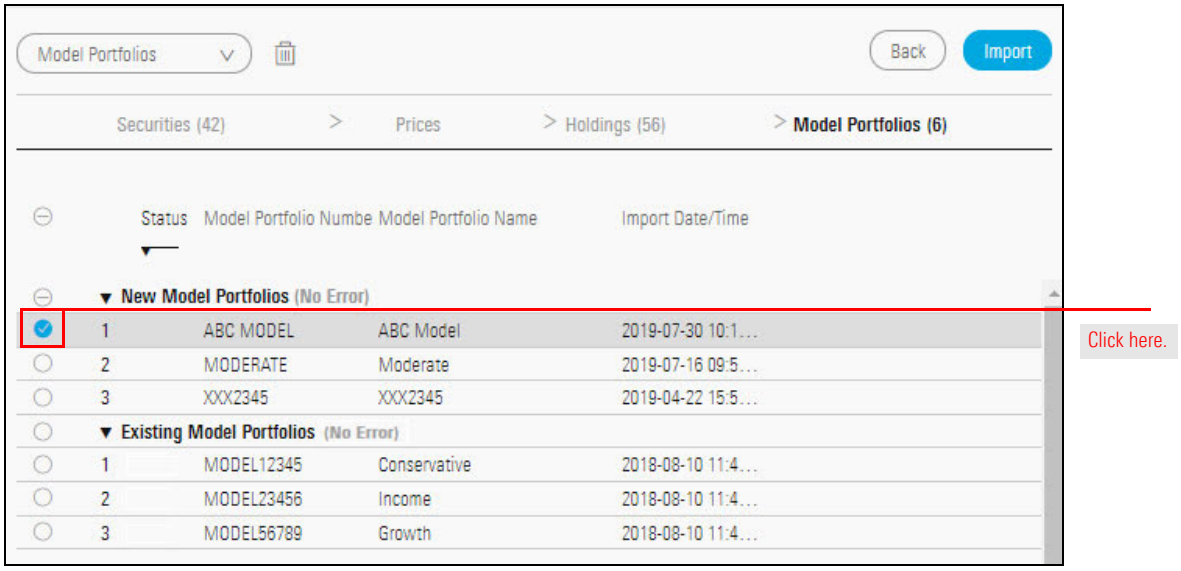
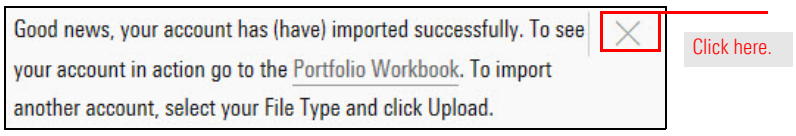
Some of the securities from the Excel file might be listed under Existing Securities. One solution is to compare the new securities against the Excel file to make sure they're all listed. However, that can be time-consuming, especially if a large number of securities is being imported. It's quicker to view the import as a model portfolio.

12. Near the top of the window, select the **Model Portfolios** tab. On this tab, model portfolios are shown, rather than individual securities.

13. Select **ABC Model** by clicking the **circle** at the left of its row, then in the upper-right corner of the window, click **Import**.



14. A message opens, announcing the account was imported successfully. In the upper-right corner of the message, click the **X** to close it.



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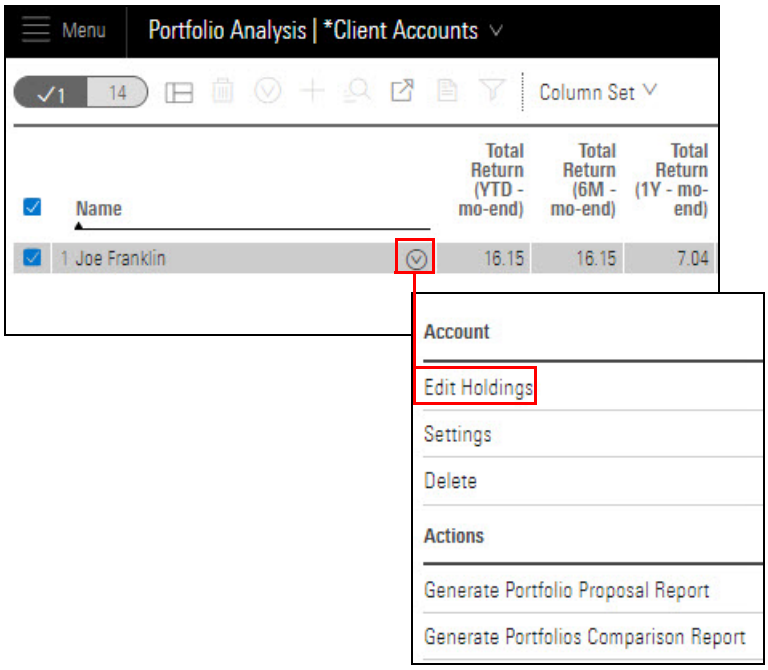
Exercise 27: Import a model portfolio's holdings into a client account

Now that the ABC Model is available to you, you can add its holdings to the Joe Franklin account.

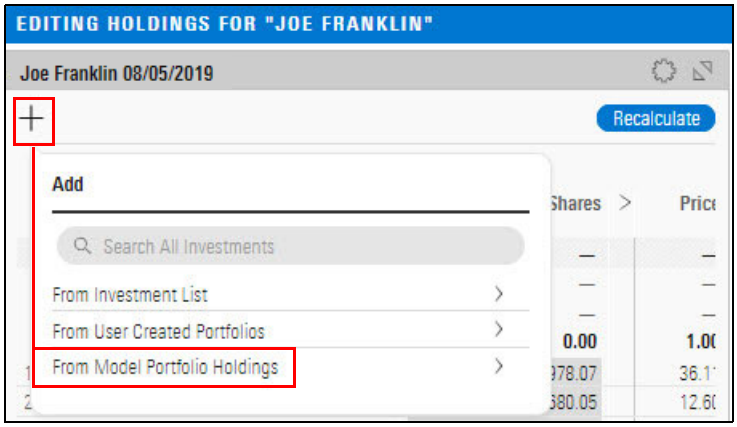
Do the following:

1. In the Grid, **hover the cursor** over the **Joe Franklin** account and from its Action menu, select **Edit Holdings**. The Edit Holdings window opens.



Note the highlighted selections.

2. In the upper-left corner of the Editing Holdings window, click the **Add** icon. The Add dialog box opens.
3. Select **From Model Portfolio Holdings**. The Model Portfolio List opens.



Make sure you select this option.

4. Select **ABC Model**. A new menu opens.

   The date or dates of the model portfolio's most recent update(s) are shown below the Search field. Keep in mind that the holdings might change from update to update.

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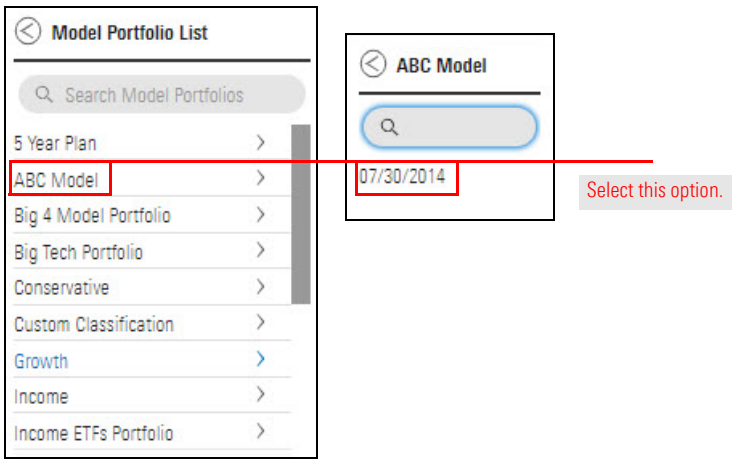
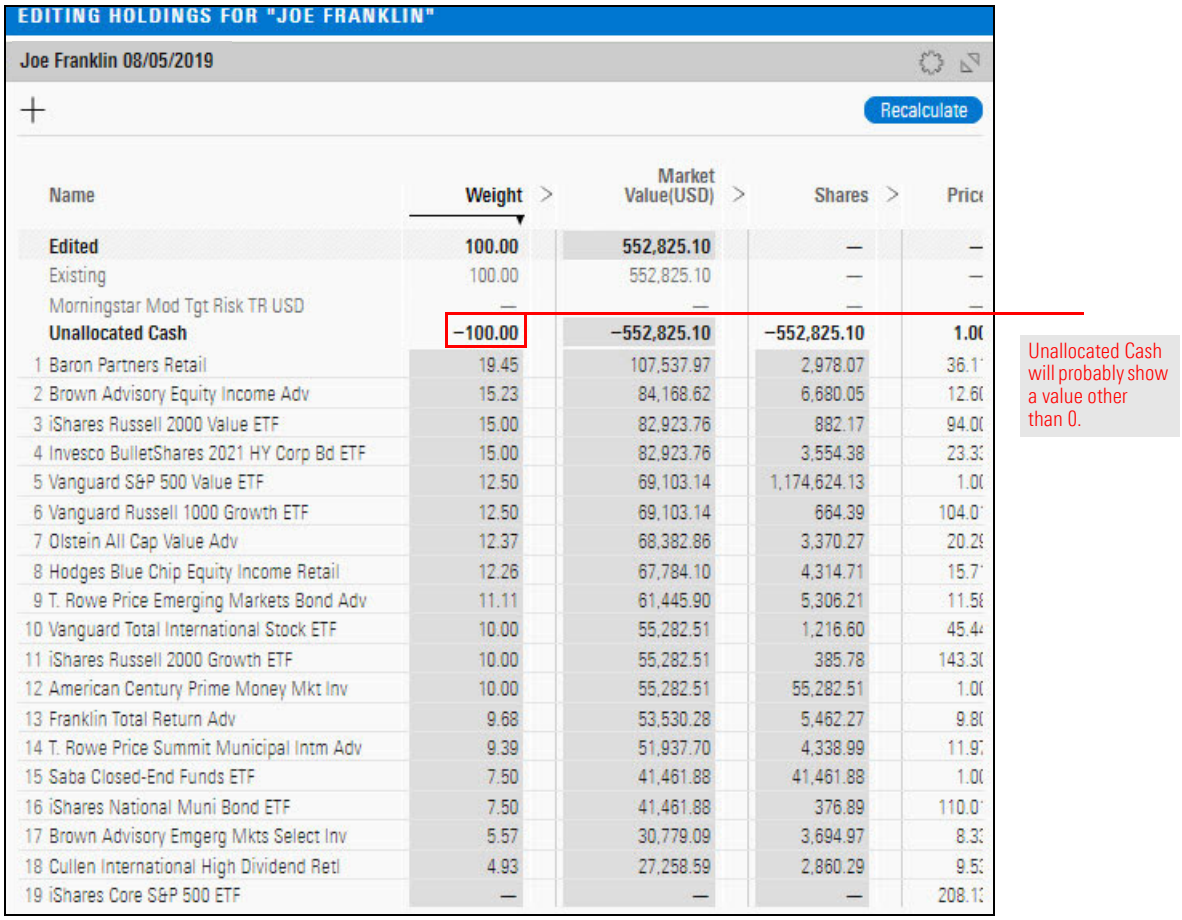
5. Click the **date** when the portfolio contained the holdings you want.



When the menu closes, the holdings from ABC Model have been added to the Editing Holdings window. However, they have retained their weight percentages from the ABC Model, which means the weight percentages of the Joe Franklin account no longer add up to 100.



Name	Weight	Market Value(USD)	Shares	Price
Edited	**100.00**	**552,825.10**	—	—
Existing	100.00	552,825.10	—	—
Morningstar Mod Tgt Risk TR USD	—	—	—	—
Unallocated Cash	**−100.00**	**−552,825.10**	**−552,825.10**	**1.0(**
1 Baron Partners Retail	19.45	107,537.97	2,978.07	36.1
2 Brown Advisory Equity Income Adv	15.23	84,168.62	6,680.05	12.6(
3 iShares Russell 2000 Value ETF	15.00	82,923.76	882.17	94.0(
4 Invesco BulletShares 2021 HY Corp Bd ETF	15.00	82,923.76	3,554.38	23.3
5 Vanguard S&P 500 Value ETF	12.50	69,103.14	1,174,624.13	1.0(
6 Vanguard Russell 1000 Growth ETF	12.50	69,103.14	664.39	104.0
7 Olstein All Cap Value Adv	12.37	68,382.86	3,370.27	20.2
8 Hodges Blue Chip Equity Income Retail	12.26	67,784.10	4,314.71	15.7
9 T. Rowe Price Emerging Markets Bond Adv	11.11	61,445.90	5,306.21	11.5(
10 Vanguard Total International Stock ETF	10.00	55,282.51	1,216.60	45.4
11 iShares Russell 2000 Growth ETF	10.00	55,282.51	385.78	143.3(
12 American Century Prime Money Mkt Inv	10.00	55,282.51	55,282.51	1.0(
13 Franklin Total Return Adv	9.68	53,530.28	5,462.27	9.8(
14 T. Rowe Price Summit Municipal Intm Adv	9.39	51,937.70	4,338.99	11.9
15 Saba Closed-End Funds ETF	7.50	41,461.88	41,461.88	1.0(
16 iShares National Muni Bond ETF	7.50	41,461.88	376.89	110.0
17 Brown Advisory Emgerg Mkts Select Inv	5.57	30,779.09	3,694.97	8.3
18 Cullen International High Dividend Retl	4.93	27,258.59	2,860.29	9.5
19 iShares Core S&P 500 ETF	—	—	—	208.1

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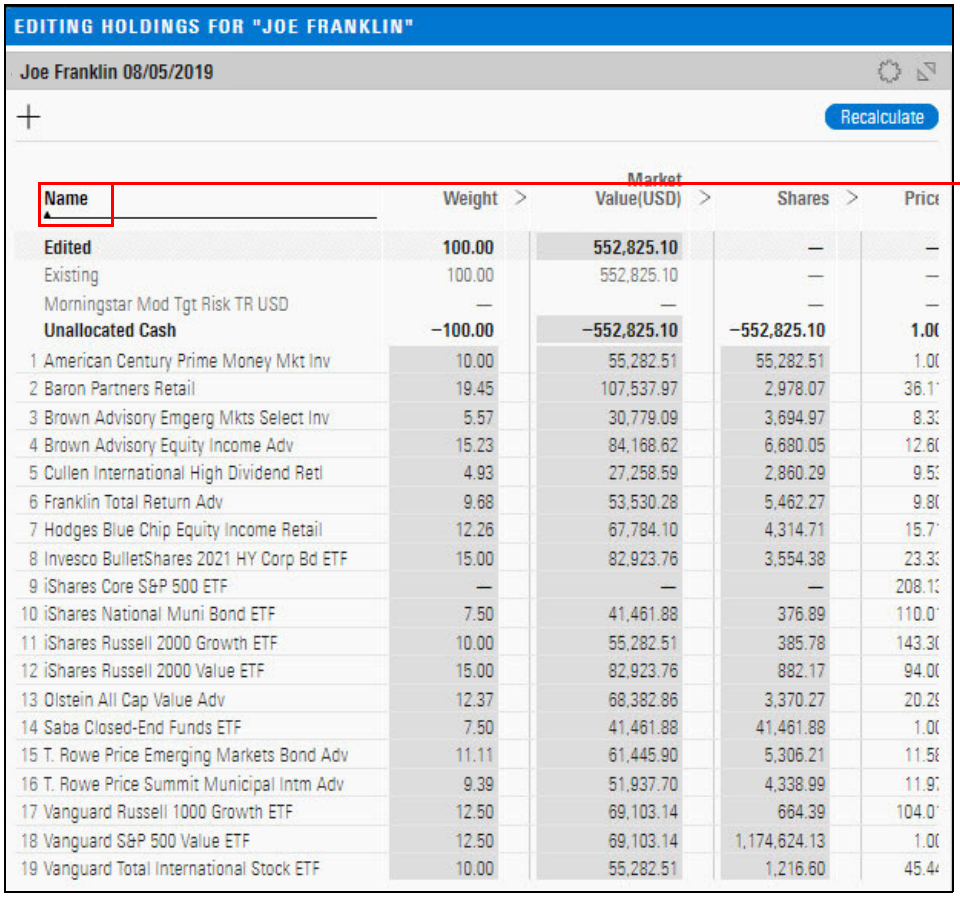
6. **Double-click** the **Name** column header to **sort** the column alphabetically.



	Name	Weight	Market Value(USD)	Shares	Price
	Edited	**100.00**	**552,825.10**	—	—
	Existing	100.00	552,825.10	—	—
	Morningstar Mod Tgt Risk TR USD	—	—	—	—
	Unallocated Cash	**−100.00**	**−552,825.10**	**−552,825.10**	**1.0(**
1	American Century Prime Money Mkt Inv	10.00	55,282.51	55,282.51	1.0(
2	Baron Partners Retail	19.45	107,537.97	2,978.07	36.1
3	Brown Advisory Emgerg Mkts Select Inv	5.57	30,779.09	3,694.97	8.3
4	Brown Advisory Equity Income Adv	15.23	84,168.62	6,680.05	12.6(
5	Cullen International High Dividend Retl	4.93	27,258.59	2,860.29	9.5
6	Franklin Total Return Adv	9.68	53,530.28	5,462.27	9.8(
7	Hodges Blue Chip Equity Income Retail	12.26	67,784.10	4,314.71	15.7
8	Invesco BulletShares 2021 HY Corp Bd ETF	15.00	82,923.76	3,554.38	23.3
9	iShares Core S&P 500 ETF	—	—	—	208.1
10	iShares National Muni Bond ETF	7.50	41,461.88	376.89	110.0
11	iShares Russell 2000 Growth ETF	10.00	55,282.51	385.78	143.3(
12	iShares Russell 2000 Value ETF	15.00	82,923.76	882.17	94.0(
13	Olstein All Cap Value Adv	12.37	68,382.86	3,370.27	20.2
14	Saba Closed-End Funds ETF	7.50	41,461.88	41,461.88	1.0(
15	T. Rowe Price Emerging Markets Bond Adv	11.11	61,445.90	5,306.21	11.5
16	T. Rowe Price Summit Municipal Intm Adv	9.39	51,937.70	4,338.99	11.9
17	Vanguard Russell 1000 Growth ETF	12.50	69,103.14	664.39	104.0
18	Vanguard S&P 500 Value ETF	12.50	69,103.14	1,174,624.13	1.0(
19	Vanguard Total International Stock ETF	10.00	55,282.51	1,216.60	45.4

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7. **Re-weight** the holdings as shown in the following table:

Investment	Weight
American Century Prime Money Mkt Inv	10
Baron Partners Retail	10
Brown Advisory Emgerg Mkts Select Inv	10
Brown Advisory Equity Income Adv	5
Cullen International High Dividend Retl	5
Franklin Total Return Adv	5
Hodges Blue Chip Equity Income Retail	5
Invesco BulletShares 2021 HY Corp Bd ETF	5
iShares Core S&P 500 ETF	5
iShares National Muni Bond ETF	5
iShares Russell 2000 Growth ETF	4
iShares Russell 2000 Value ETF	4
Olstein All Cap Value Adv	4
Saba Close-End Funds ETF	4
T. Rowe Price Emerging Markets Bond Adv	4
T. Rowe Price Summit Municipal Intm Adv	4
Vanguard Russell 1000 Growth ETF	4
Vanguard S&P 500 Value ETF	3
Vanguard Total International Stock ETF	5

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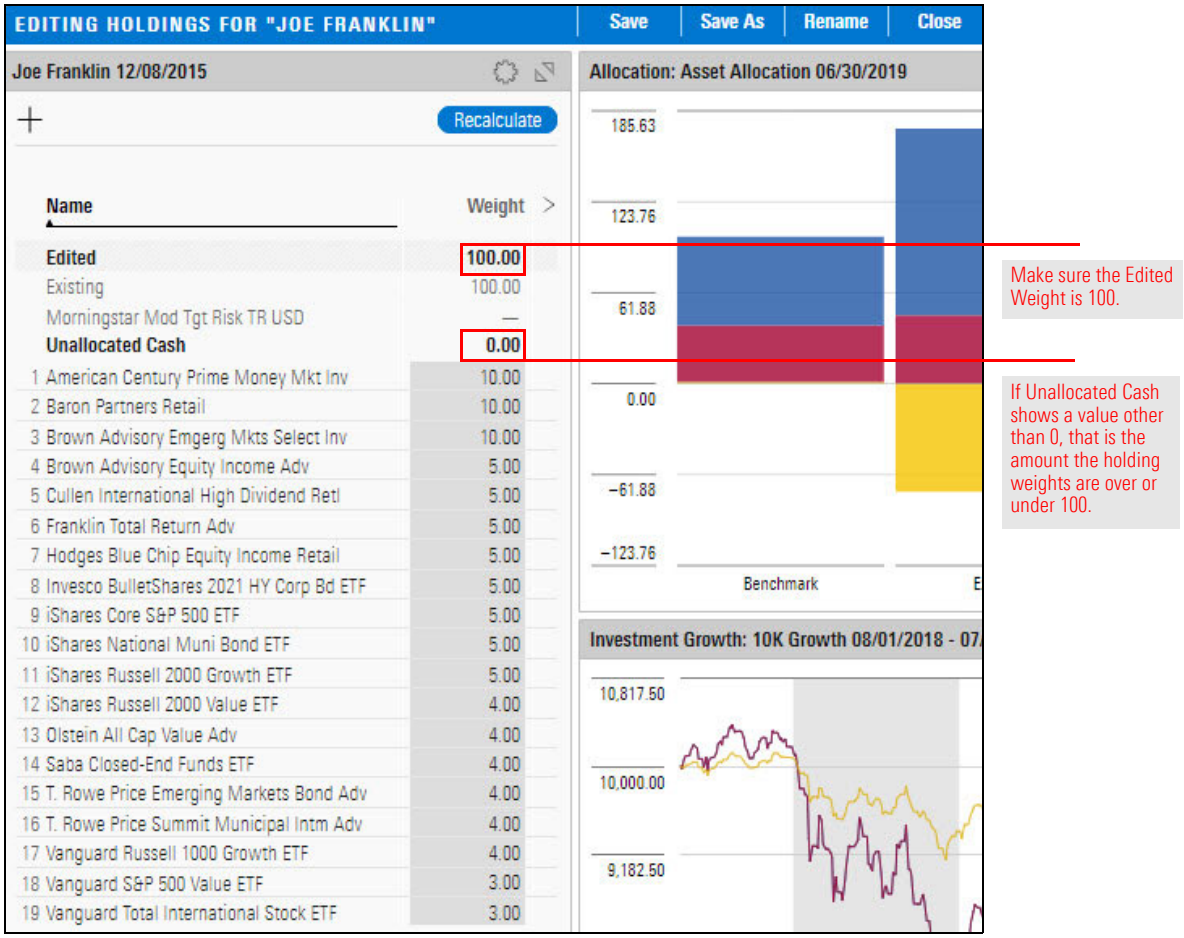

8. Click **Recalculate**.
9. Click **Save**, then click **Close**.

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How can I compare a client account to other portfolio objects?

In Working with Custom Benchmarks on page 17, you did the following:

- created two custom benchmarks
- applied them to a client account, and
- compared them to the client account in various components.

In Using an Investment Policy on page 42, you did the following:

- created an investment policy,
- applied it to a client account, and
- compared it to the client account.

In this section, you will compare a client account to other portfolio objects. Such comparisons can help you do the following:

- evaluate an account's performance when measured against a model portfolio
- consider the volatility of a client account with objective measures, and
- determine investment gaps to fill.

Comparisons can also be a preliminary step in creating a proposal. When making a comparison, you might find that an existing portfolio object could be the basis of an attractive proposal for a client account.

Exercise 28: Associate a model portfolio with a client account

In Exercise 26 on page 78, you created the ABC Model portfolio, and in Exercise 27 on page 82, you imported its holdings to the Joe Franklin account.

Suppose you want to record which model portfolio was the source of many of the holdings. Associating the model portfolio with the client account is the solution.

Associating a model portfolio with a client account has another use. It allows one more comparison option (in addition to benchmarks and an investment policy).

In this exercise, you will associate the ABC Model portfolio with the Joe Franklin account.

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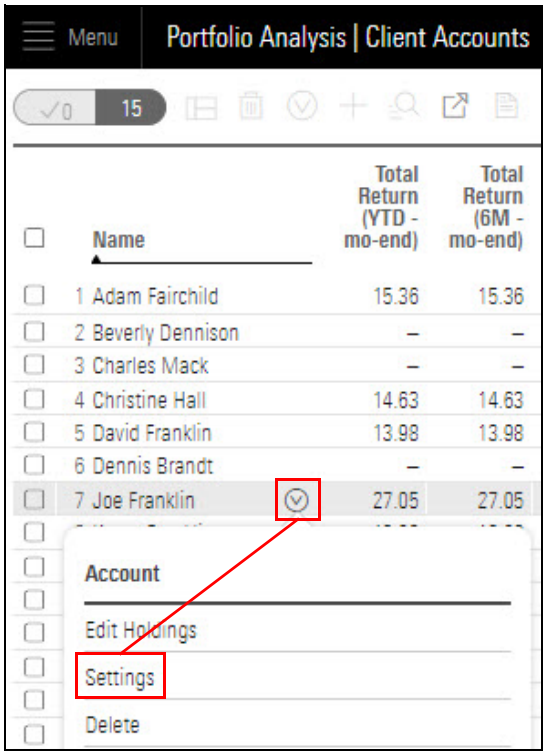
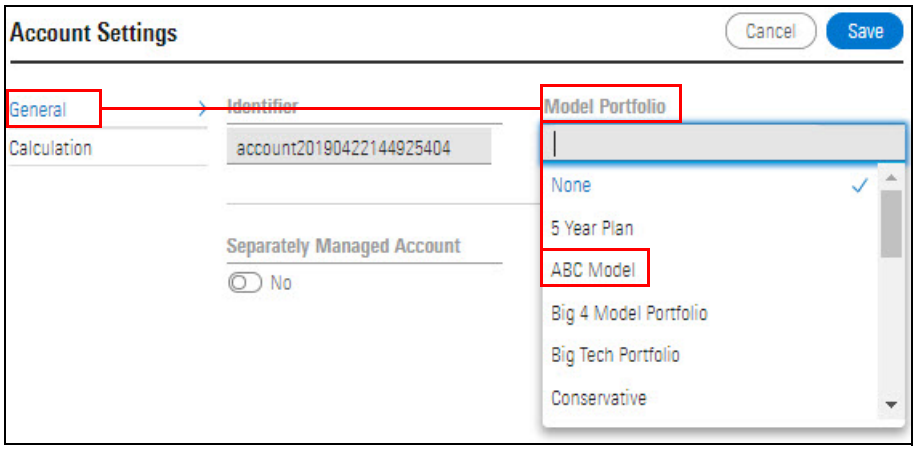
Do the following:

1. In the Grid, **hover the cursor** over the **Joe Franklin** account.
2. Click the **Actions** icon and from the menu, select **Settings**. The Account Settings window opens.



Note the highlighted selections.

3. On the **General** tab, from the **Model Portfolio** menu, select **ABC Model**.



Note the highlighted selections.

4. Click **Save**.

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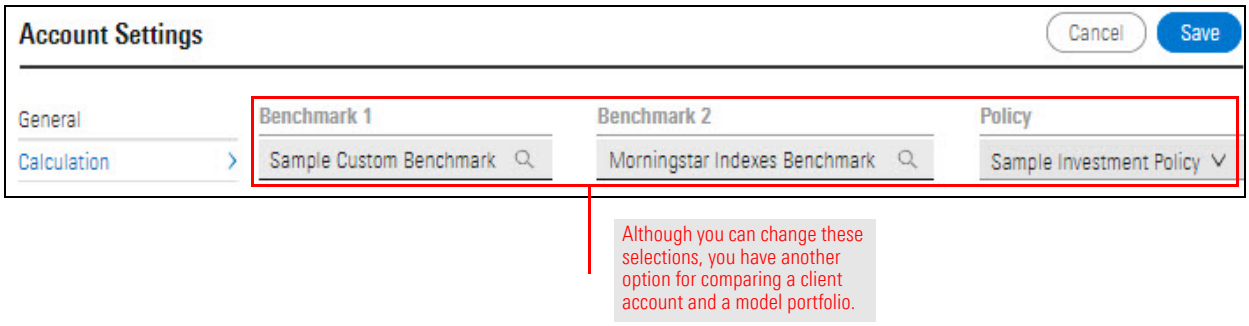
What charts and tables can display a client account and an associated model portfolio?

Suppose you want to compare the Karen Franklin account to a model portfolio to assess the model's usefulness as a benchmark or the basis for a proposal.

In Karen Franklin's Account Settings window, both benchmark options and the policy option are in use. In this set of exercises, you will associate the ABC Model with the Karen Franklin account and compare the model and the account.



The following charts and tables can display both the account and an associated model portfolio:

- Allocation
- Equity Style Box
- Historical Return
- Historical Risk Exposure
- Holdings Plot
- Investment Growth
- Scatter Plot
- Scenario Metrics
- Scenario Trend
- Sustainability Ratings Analysis

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Exercise 29: Compare the Global Broad Category allocations of a client account and its associated model portfolio

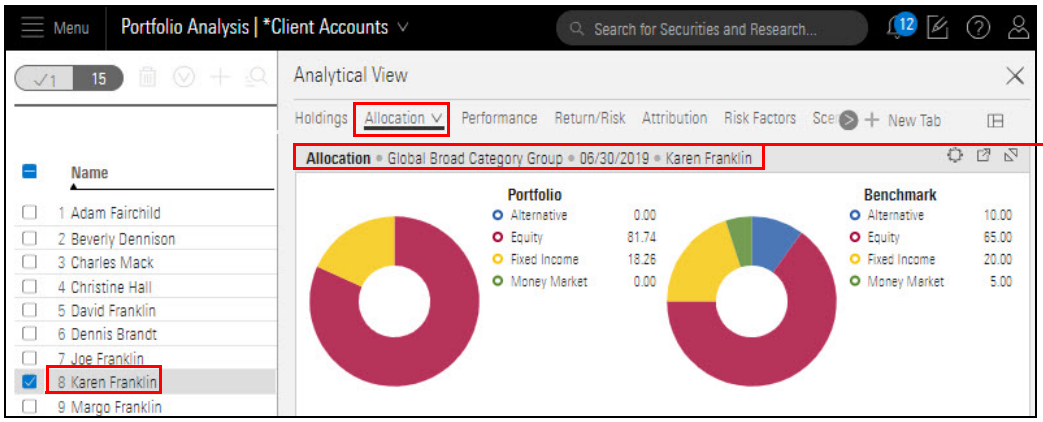
In this exercise, you will compare the Global Broad Category allocations of the Karen Franklin account to the ABC Model portfolio.

Do the following:

1. Associate the **ABC Model** with the **Karen Franklin** account.

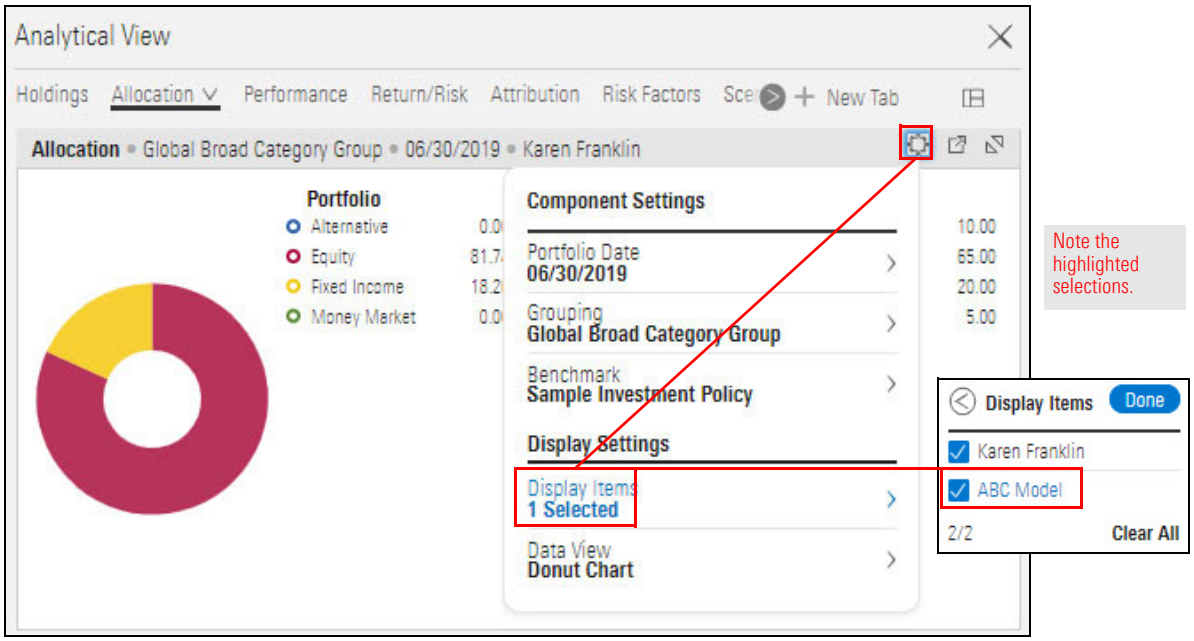
   ☞ Note: See Exercise 28 on page 87 if you need help with this step.

2. In the Grid, click the **Karen Franklin** account. The Analytical View opens.
3. Select the **Allocation** tab.
4. In the **Allocation** chart, **note** that the following are displayed:
   - a donut chart representing the Karen Franklin account
   - a donut chart representing the default benchmark of the Karen Franklin account, and
   - the Global Broad Category allocations of the account and the benchmark.



The chart header identifies the Group, today's date, and the client account.

5. From the **Component Settings** menu, select **Display Items**, then select **ABC Model**.



Note the highlighted selections.

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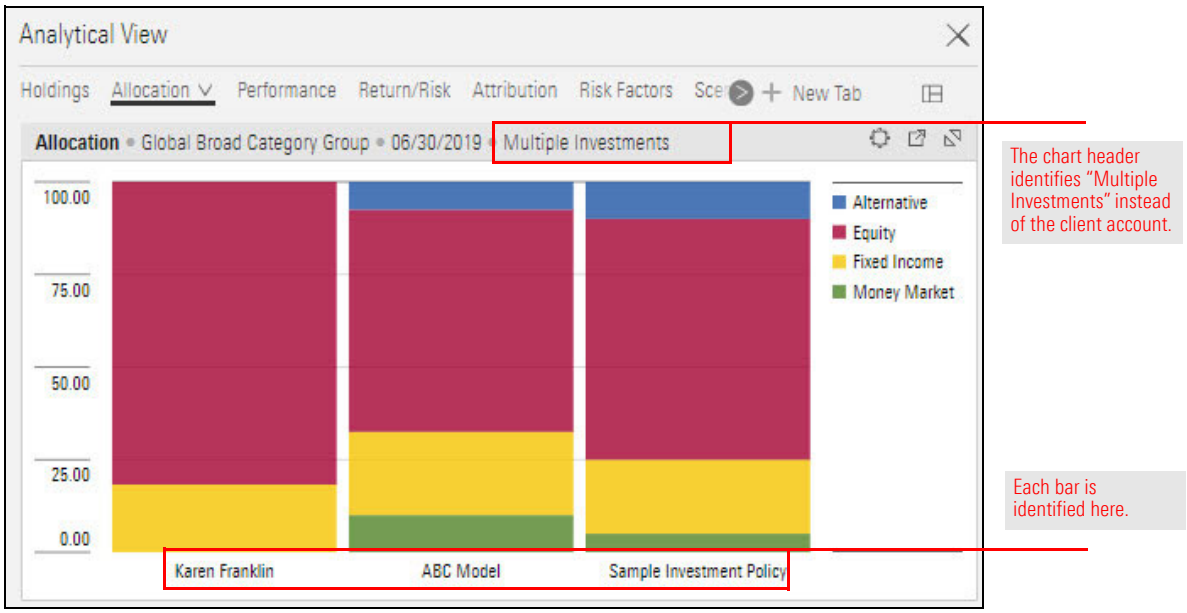
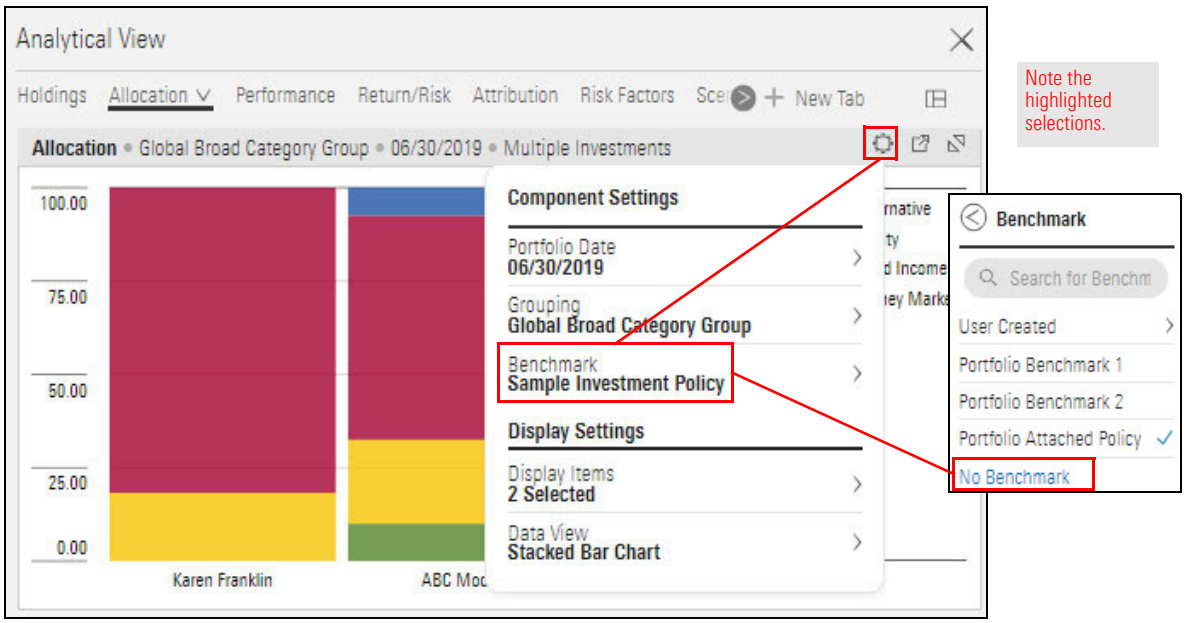
6. **Click away** from the **Component Settings** menu to close it.

   The Allocation chart can display only two donut charts at the same time. When you added the ABC Model as a display item, the donut chart automatically changed to a stacked bar chart.



7. To display only the Karen Franklin account and the ABC Model, from the **Component Settings** menu, select **Benchmark**, then select **No Benchmark**.



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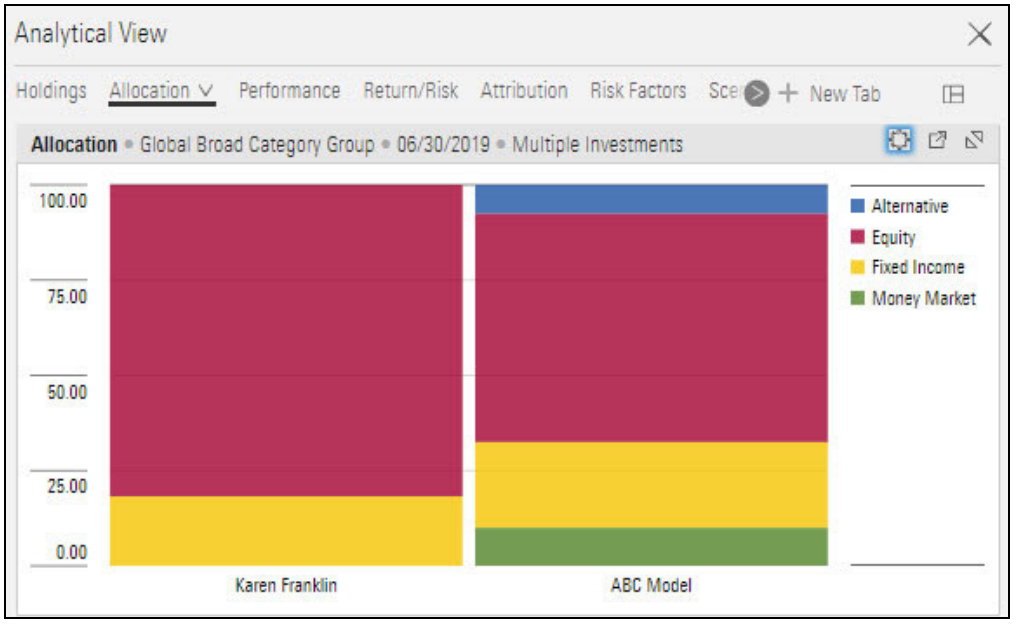
8. **Click away** from the **Component Settings** menu to close it.

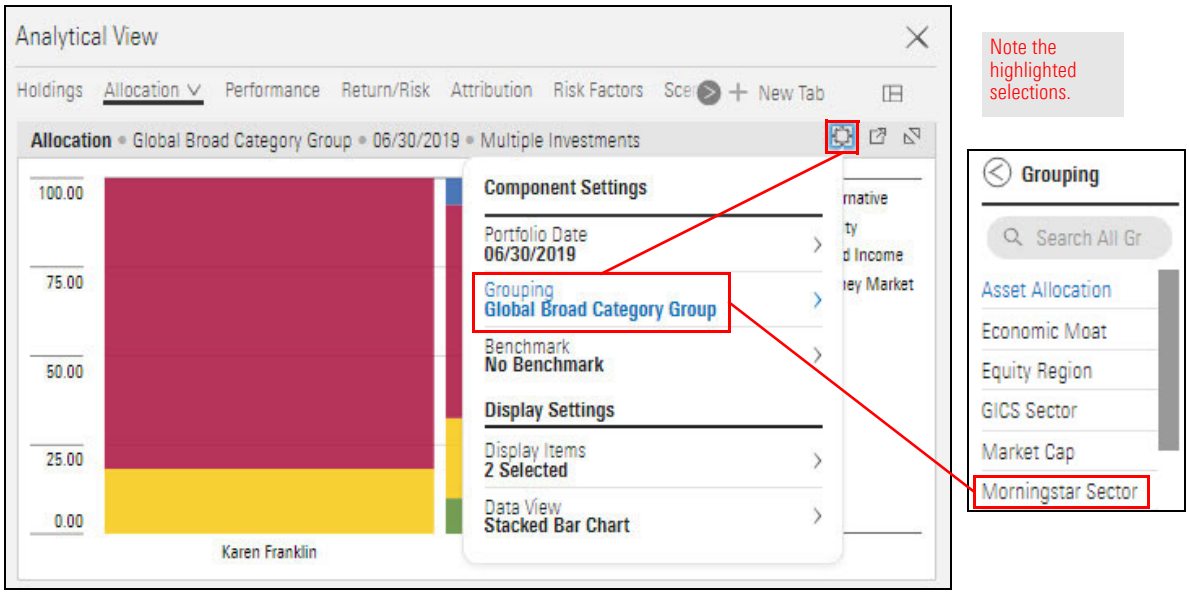


Exercise 30: Compare the Morningstar Sector allocations of a client account and its associated model portfolio

In this exercise, you will display the asset allocations of the Karen Franklin account and the ABC Model portfolio.

Do the following:

1. In the Allocation chart, click the **Component Settings** menu.
2. From the **Component Settings** menu, select **Grouping**, then select **Morningstar Sector**.



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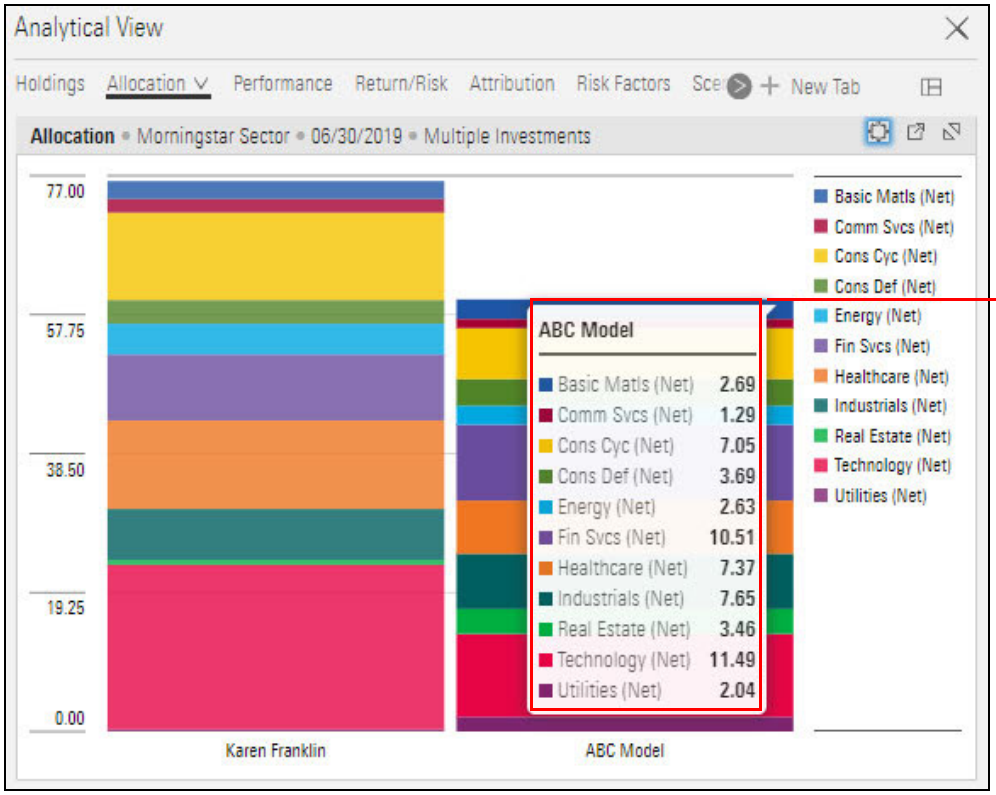
3. **Click away** from the **Component Settings** menu to close it.



Hover the cursor over either bar to display the numeric data of the Morningstar Sectors.

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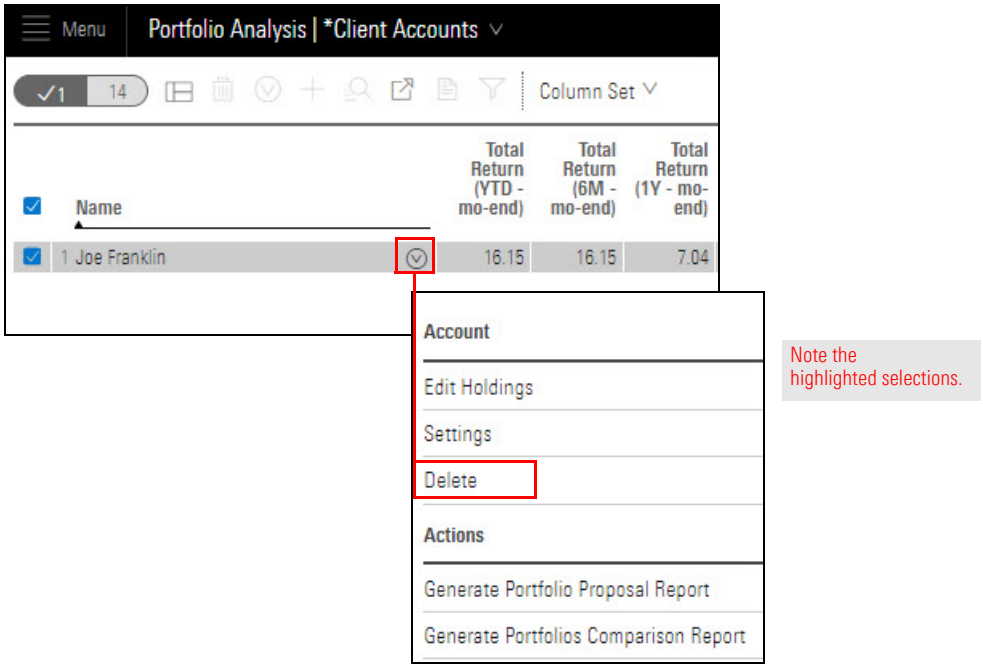
Exercise 31: Delete a client account

At some point in time, Joe Franklin might decide to close his account. In this exercise, you will delete that account.

Do the following:

1. In the Client Accounts workbook Grid, **hover the cursor** over **Joe Franklin**. The Actions icon appears.
2. Click the **Actions** icon and select **Delete**. An alert dialog box opens, where you can cancel or continue with the deletion.



Note the highlighted selections.

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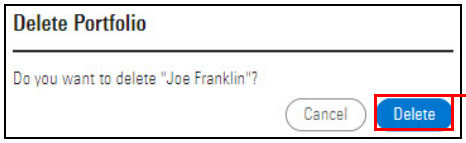
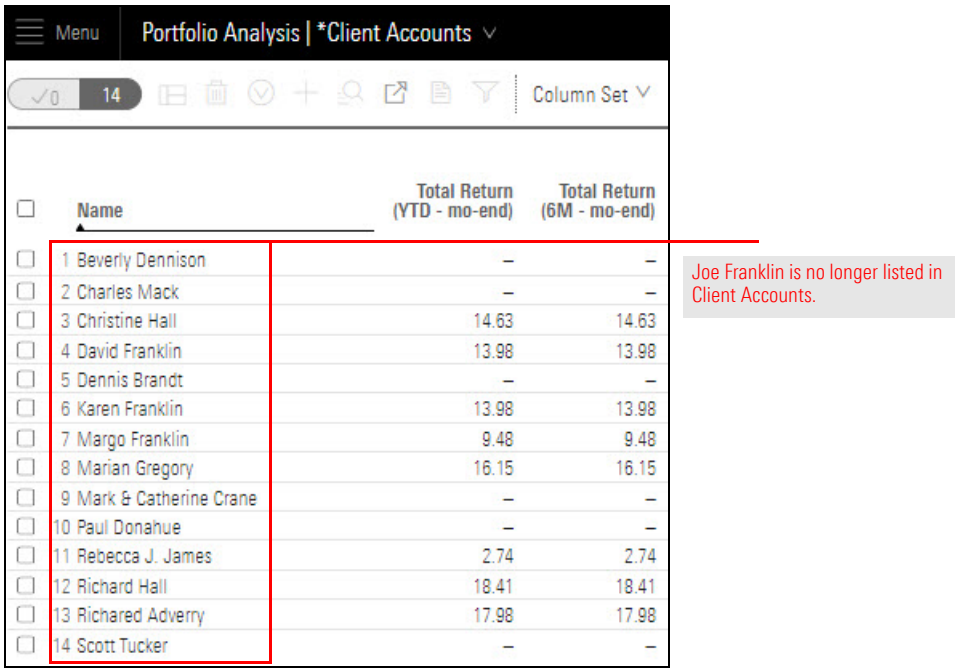
3. Click **Delete**. The dialog box closes.





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