

Morningstar® Office Tip Sheet:

Creating Custom Benchmarks

for Reports in Morningstar Office

Now that you've created and assigned your default settings, think about how you want to measure your clients' performance on the reports you share with them from Morningstar Office. Benchmarks are a powerful way to illustrate how a portfolio is performing in relation to the market. While you can choose from many different standard indexes, Morningstar Office allows you to create custom (or blended) benchmarks to more accurately reflect the holdings within a client's portfolio.

Overview

Custom benchmarks allow you to include multiple indexes and combine them into a single benchmark. Common situations where you may want to use a custom benchmark include the following scenarios:

When should I create a custom benchmark?

- ▶ When you want to mirror your client's portfolio allocation. The portfolio could include bonds and stocks in the same portfolio, so you may want to include a stock index and a bond index in the same benchmark.
- ▶ When you need to mix different types of the same asset class. A client's portfolio could include both small-cap and large-cap stock funds. Therefore, you may want to blend an index for small-cap funds with one for large-cap funds.
- ▶ When you need to reflect the cash position in a portfolio. Most standard indexes do not include cash as a holding. Combining a standard index with a cash holding allows you to represent this asset class in a custom benchmark.

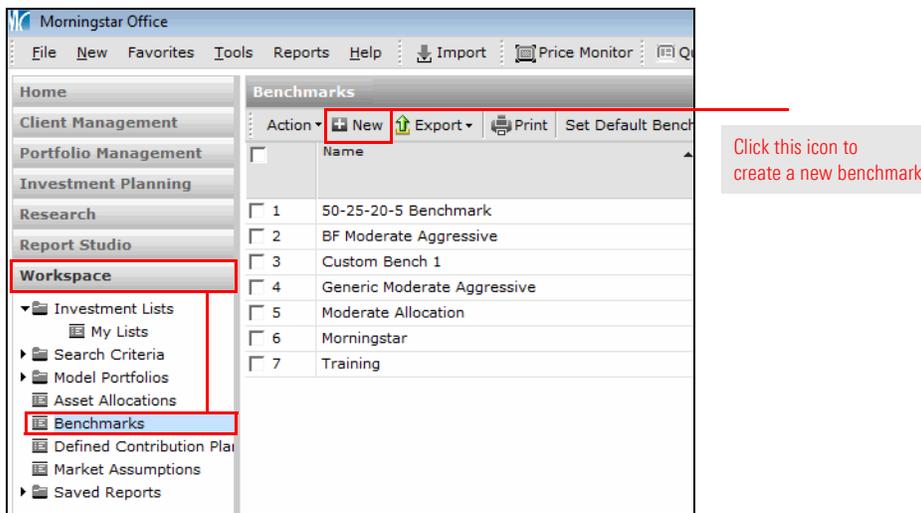
When creating a custom benchmark for reporting purposes, it's best to create a Simple blended benchmark. A simple blended benchmark allows you to combine multiple indices or other investment types and represents a single moment in time. In other words it's static, like a snapshot.

How do I create a custom benchmark?

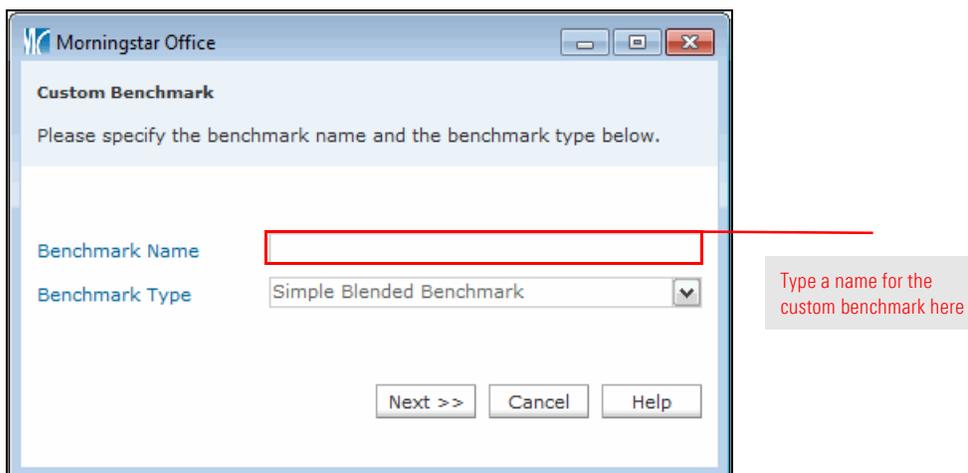
Note: To review the differences between a simple custom benchmark and a staged custom benchmark, click [here](#).

To create a simple blended benchmark, complete the following steps:

1. From the **Workspace** tab select the **Benchmarks** page.
2. From the toolbar, click the **New** icon. The Custom Benchmark dialog box opens.



3. In the **Benchmark Name** field, type a **name** for your benchmark



4. Click **Next >>**. The Holdings Entry dialog box opens.

- In the first cell within the holding entry table, click the **magnifying glass** (under the Symbol column). The Add Holdings dialog box opens.

Holdings Entry - Morningstar Office

Holdings Entry
Create/Edit a model portfolio by adding holdings below. You may map this portfolio to a m

Asset Allocation

Asset	%
Cash	0.00
US Stock	0.00
Non US Stock	0.00
Bond	0.00
Other	0.00
Not Classified	0.00
Total	

Equity Style (%)

	Value	Core	Growth
Large	-	-	-
Mid	-	-	-
Small	-	-	-

Not Classified

Table with columns: Action, Enter By, Apply All, + Add, Edit Definition Master

	Symbol	Name
<input type="checkbox"/>		
<input type="checkbox"/>	1	
<input type="checkbox"/>	2	
<input type="checkbox"/>	3	
<input type="checkbox"/>	4	
<input type="checkbox"/>	5	
<input type="checkbox"/>	6	
<input type="checkbox"/>	7	
<input type="checkbox"/>	8	
<input type="checkbox"/>	9	

Click here to launch the Add Holdings dialog box

6. From the drop-down field at the top of the dialog box, select a **Universe** (e.g., Popular Indexes in USD) in which to search for indexes (or another investment type).
7. Type a keyword (e.g., S&P 500) to search for an index (or other investment type) you want to include in the benchmark.
8. Click **Go** to run the search.
9. Click **Add** to select an item when you find it.

Add Holdings

Within: Universes My Lists My Searches

Popular Indexes in USD

Find By: Name Begins with Contains

S&P 500

Available records

Total records: 15

Jump to record name: S&P 500

- S&P 500 Growth TR USD (USD,Port+Perf,RepPerf)
- S&P 500 Industrials TR (USD,Perf,RepPerf)
- S&P 500 PR (USD,,SPX,Port+Perf,RepPerf)
- S&P 500 Sec/Cons Disc TR USD (USD,Port+Perf,RepPerf)
- S&P 500 Sec/Cons Staples TR USD (USD,Port+Perf,RepPerf)
- S&P 500 Sec/Energy TR USD (USD,Port+Perf,RepPerf)

Selected Records

Total records: No records selected

Be sure to select in the correct universe

Select the name of an index to include, then click this button

10. Repeat steps 7-9 until all items for your custom benchmark have been selected.
11. Click **OK**. You are now back on the Holdings Entry dialog box.

12. From the grid view tool bar, select **Enter By...Weight/Amount**.
13. Type the **weight** (percentage) or **dollar amount** that most accurately reflects your client's portfolio.

Select an option here

Action	Enter By	Apply All	+ Add	Edit Definition Master	Total Amount: 10,000.00	Total Weight: 100.00
	Weight/Amount					
1	IMSTART			Morningstar US Market TR USD	0.00	0.00
2				Morningstar US Core Bd TR USD	0.00	0.00
3						
4						
5						
6						
7						
8						
9						

Enter a value for the weight here

14. To analyze your blended benchmark, click **Recalculate**.

Holdings Entry - Morningstar Office

Holdings Entry
Create/Edit a model portfolio by adding holdings below. You may map this portfolio to a model asset mix to be used in the planning module.

Asset Allocation

- Cash: 0.00%
- US Stock: 59.55%
- Non US Stock: 0.44%
- Bond: 40.00%
- Other: 0.01%
- Not Classified: 0.00%

Equity Style (%)			Fixed Inc Style (%)			Stock Sectors			% Stocks
%	Value	Core	Growth	Short	Intrm	Long			
0.00	24	25	25	0	100	0	Defen Econ	26.20	
59.55	6	6	7	0	0	0	Sens Econ	40.09	
0.44	2	2	2	0	0	0	Cycl Econ	33.71	
40.00									
0.01									
0.00									

After you click Recalculate, analyze the results here

Action	Enter By	Apply All	+ Add	Edit Definition Master	Total Amount: 10,000.00	Total Weight: 100.00
	Symbol			Name	Weight (%)	USD Equivalent Amount
1	IMSTART			Morningstar US Market TR USD	60.00	6,000.00
2				Morningstar US Core Bd TR USD	40.00	4,000.00
3						
4						
5						
6						
7						
8						
9						

Click here to update the results at the top of the dialog box

15. Click **OK**. Now that your custom benchmark has been created, you can apply it at the practice, client, or account level. To read those instructions, click [here](#).

► Click [here](#) to view the companion video to this document.