Peer Analytics: Conducting Advanced Investment Analysis and Comparisons

Morningstar Direct Cloud Editions

MORNINGSTAR Direct

Contents

Peer Analytics: Conducting Advanced Investment Analysis and Comparisons

Overview

This document provides a series of exercises to help familiarize you with the Peer Analytics capabilities in the Grid View component of the Morningstar Direct℠ Cloud editions. The Peer Analytics tools allow you to conduct advanced investment analysis and comparison.

> ☞ Note: In the desktop version of Morningstar Direct, these capabilities were found in the Performance Reporting module.

Note the following steps for leveraging the Peer Analytics tools:

1. Select investments to analyze (via a list or screen).
2. Choose the data columns to appear in the Grid View component.
3. Use the Peer Analytics tools to do the following:
    - group investments together (for example, by Morningstar Category)
    - display group-specific benchmarks, dynamic rank values, and summary statistics
    - apply conditional formatting to numeric data columns, and
    - create a scorecard to evaluate the data points you have displayed.

Once the presentation of the Grid View component meets your satisfaction, you can save the workbook and create a grid batch report to automatically generate the report as a Microsoft® Excel® file, saving you the trouble in the future of having to open the workbook and export it yourself.

The following scenarios are covered in this guide:

What do I need to know before using the Peer Analytics tools?

Before using the Peer Analytics capabilities in a Grid View component, note the following important points:

- The list or screen you are viewing must have no more than 2,000 items, as this is the limit when using the Peer Analytics capabilities.
- The Peer Analytics panel is available on the Grid View component in any worksheet, but the component must be expanded in order for the Show Peer Analytics button to be seen.

Using Dynamic Ranking

Overview

In this section, you will use dynamic ranking for selected data points to rank funds against their peer group by doing the following:

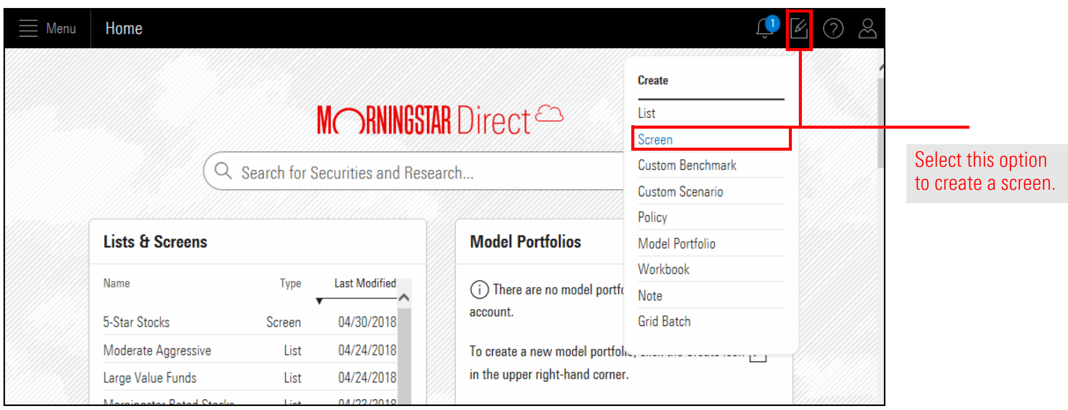
1. Screen for emerging markets funds
2. Select columns to display
3. Rank selected columns within their peer group, and
4. Apply conditional formatting to the dynamically ranked values.

Exercise 1: Screen for funds in emerging markets

In this exercise, you will screen for exchange-traded and open-end funds in the Diversified Emerging Markets Morningstar Category.

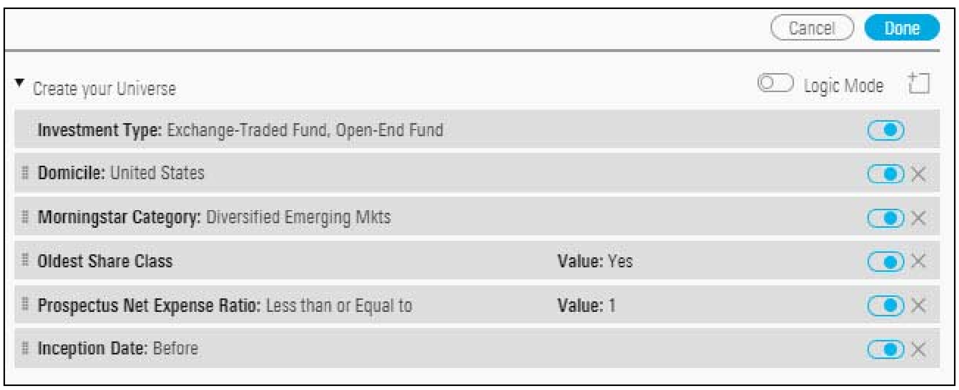
Do the following:

1. On the header, click **Create** > **Screen**. The Screener window opens.



2. Create a **screen** to include the following criteria:

Field	**Value**
Universe	▸ Exchange-Traded Fund ▸ Open End Fund
Domicile	United States
Morningstar Category	Diversified Emerging Markets
Oldest Share Class	Yes
Prospectus Net Expense Ratio	<=1
Inception Date	Before the first day of the current month from five years ago. (For example, 10/01/2013)



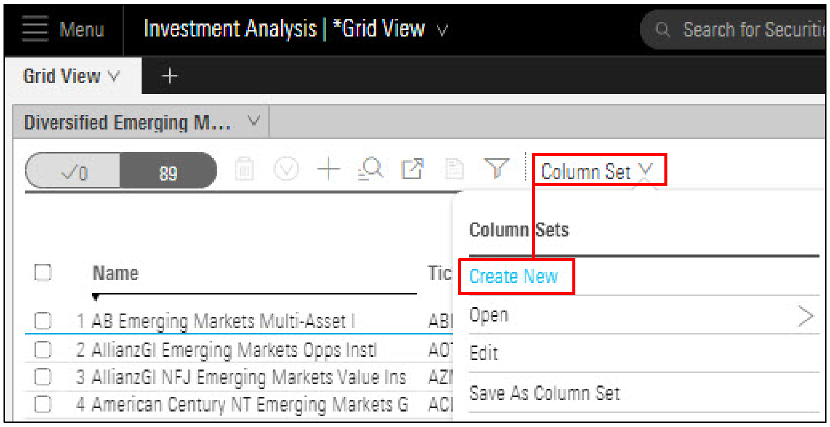
The final screen should look like this.

3. Click **Done**.
4. **Save** the screen as **Diversified Emerging Markets**.

Exercise 2: Select data columns to display

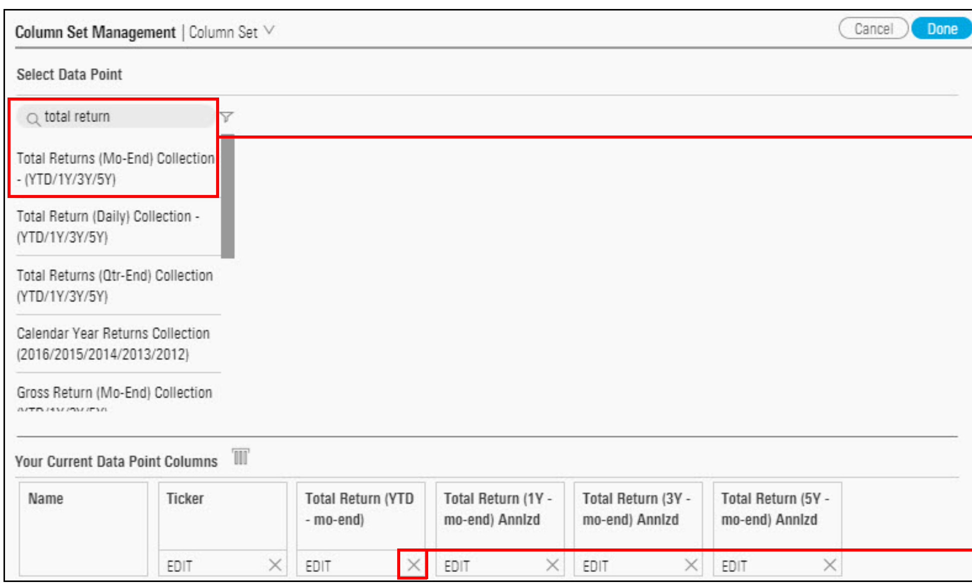
To properly rank the funds, you need to ensure the appropriate data columns are displayed. You could open an existing column set, but in this exercise you will create a new column set to simplify the data display. Do the following:

1. From the **Column Set** menu, select **Create New**. The Column Set Management window opens.



Note the highlighted selections.

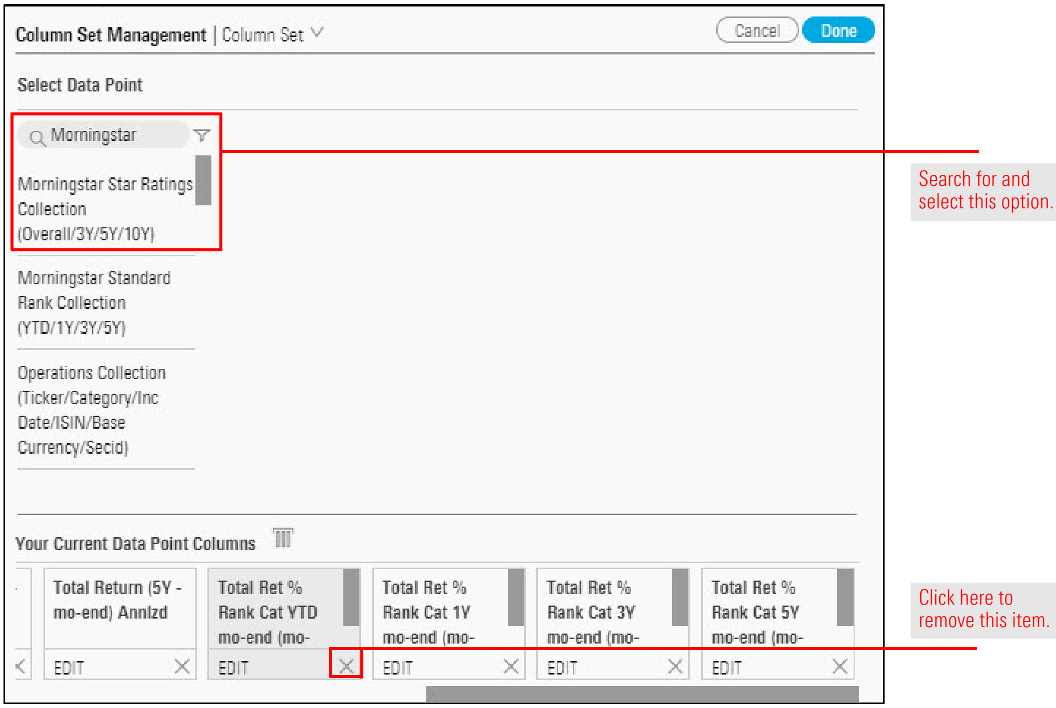
2. Search for and select **Ticker**.
3. Search for and select **Total Return (Mo-End) Collection - (YTD/1Y/3Y/5Y)**. Four data points are added to Your Current Data Point Columns.
4. Click the **X** to remove **Total Ret (YTD - mo-end)**.



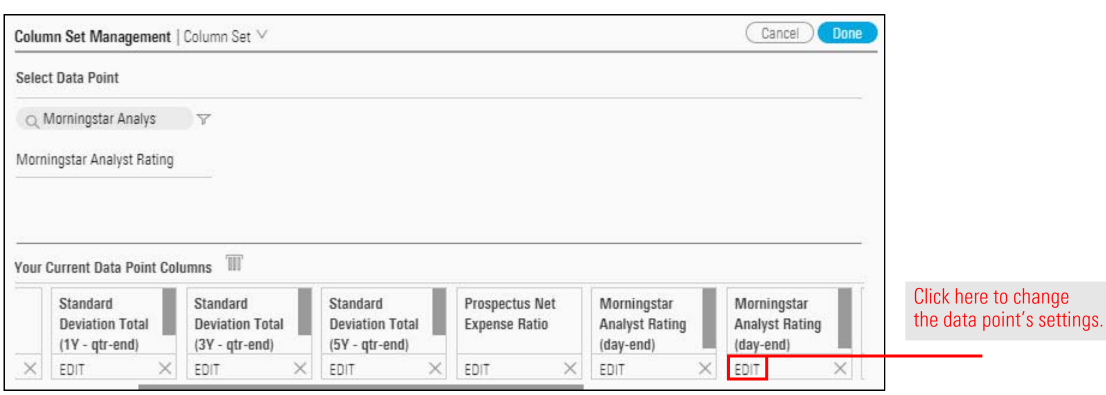
Search for and select this option.

Click here to remove this item.

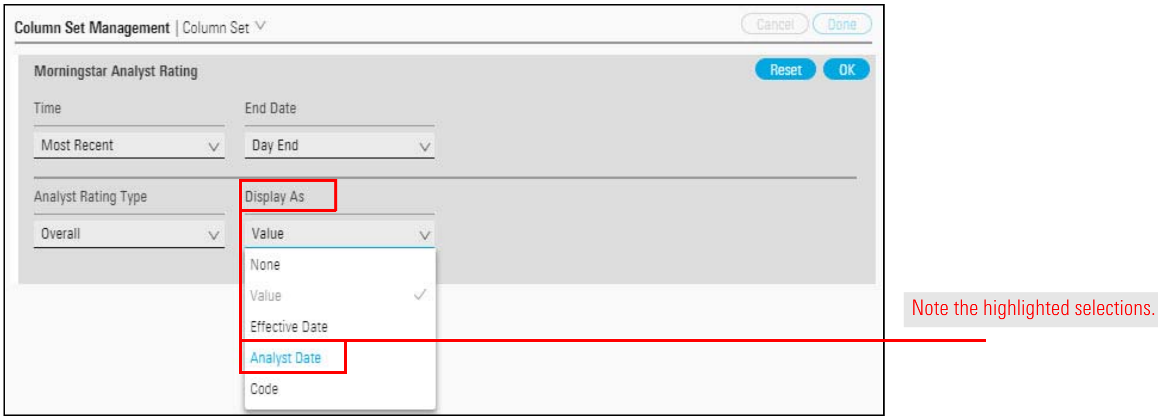
5. Search for and select **Morningstar Standard Rank Collection (YTD/1Y/3Y/5Y)**. Four data points are created.
6. Click the **X** to remove **Total Ret % Rank Cat YTD mo-end (mo-end)**.



7. Search for and select the following data points:
   - **Standard Deviation (Mo-End) Collection (1/3/5 Years)**
   - **Prospectus Net Expense Ratio**, and
   - **Morningstar Analyst Rating**.
8. To create a data point to display the Analyst Date, you will add a second instance of Morningstar Analyst Rating and modify its display setting. Do the following:
   A. Search for and select **Morningstar Analyst Rating**. Now you have two Morningstar Analyst Rating data points.
   B. In the second Morningstar Analyst Rating data point, click **Edit**. A window opens, where you can edit the data point's settings.



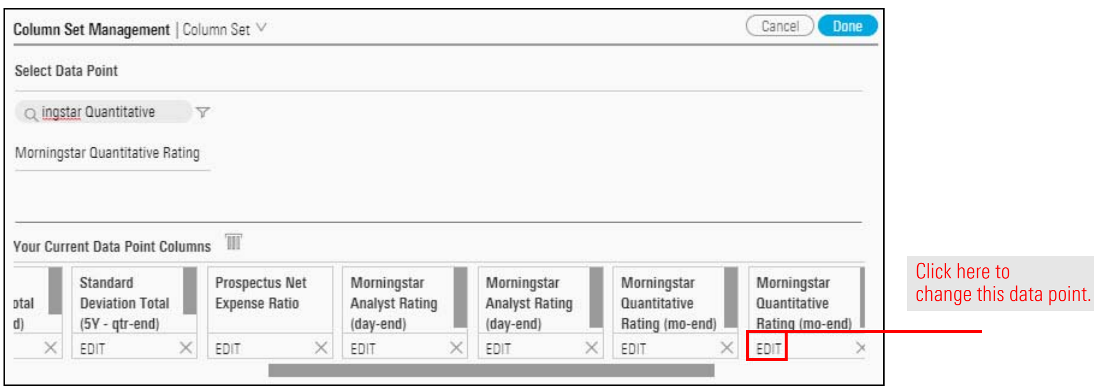
C. From the **Display As** menu, select **Analyst Date**.



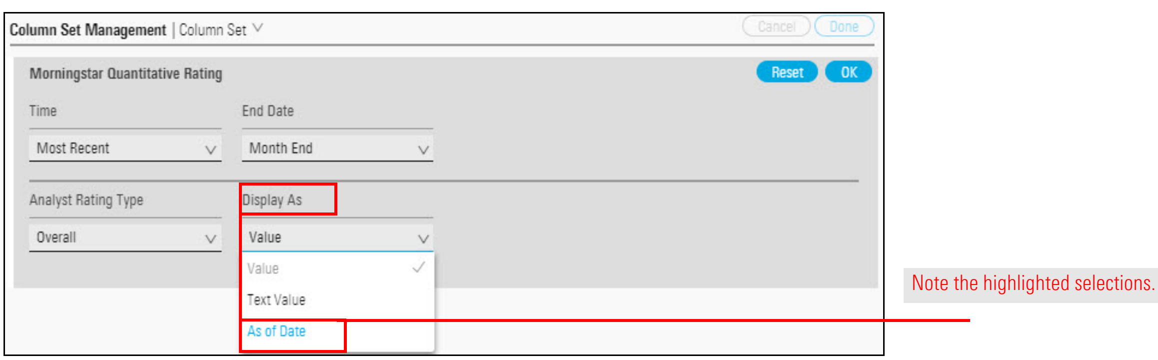
D. Click **OK**.

9. Search for and add two instances of the **Morningstar Quantitative Rating** data point.

A. In the second Morningstar Quantitative Rating data point, click **Edit**.

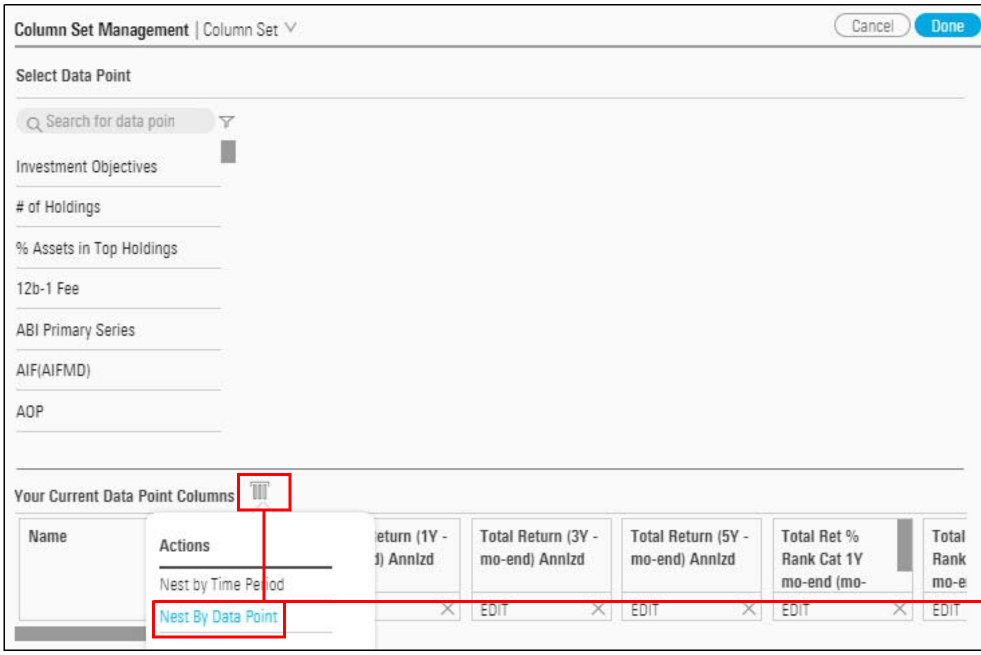


B. From the **Display As** menu, select **As of Date**.



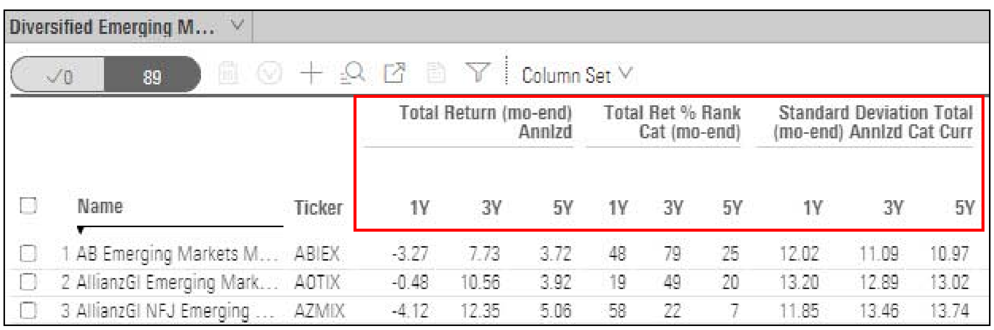
C. Click **OK**.

10. Search for and select **Manager Tenure**.
11. From the **Actions** menu, select **Nest by Data Point**.



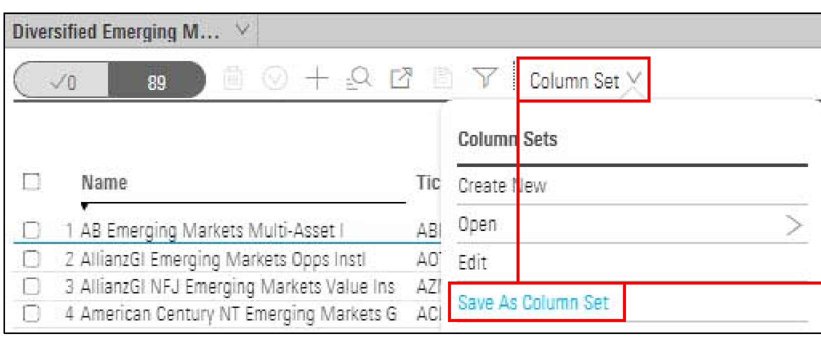
Select this option from the Nested icon.

12. Click **Done**.



Note the new column layout with nested headers.

13. From the **Column Set** menu, select **Save As Column Set**.



Select this option from the Column Set menu to save the changes.

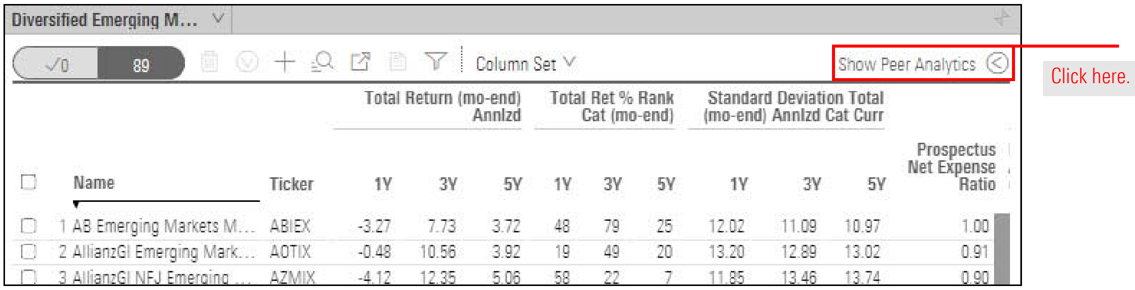
14. Name the column set **Volatility and Expense**.

Exercise 3: Rank the funds within their peer group

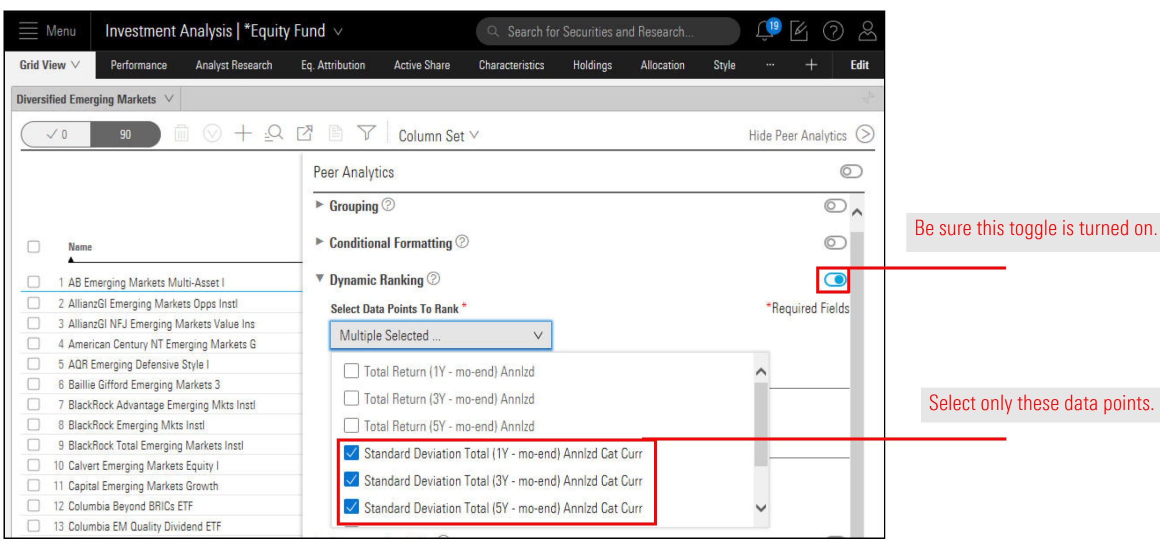
Initially, dynamic ranking selects the first rankable data point in the column set. You can select more than one data point to rank on; however, not all data points are rankable, as you will see.

Do the following:

1. At the top-right corner of the Grid View component, click **Show Peer Analytics**. The Peer Analytics panel opens.

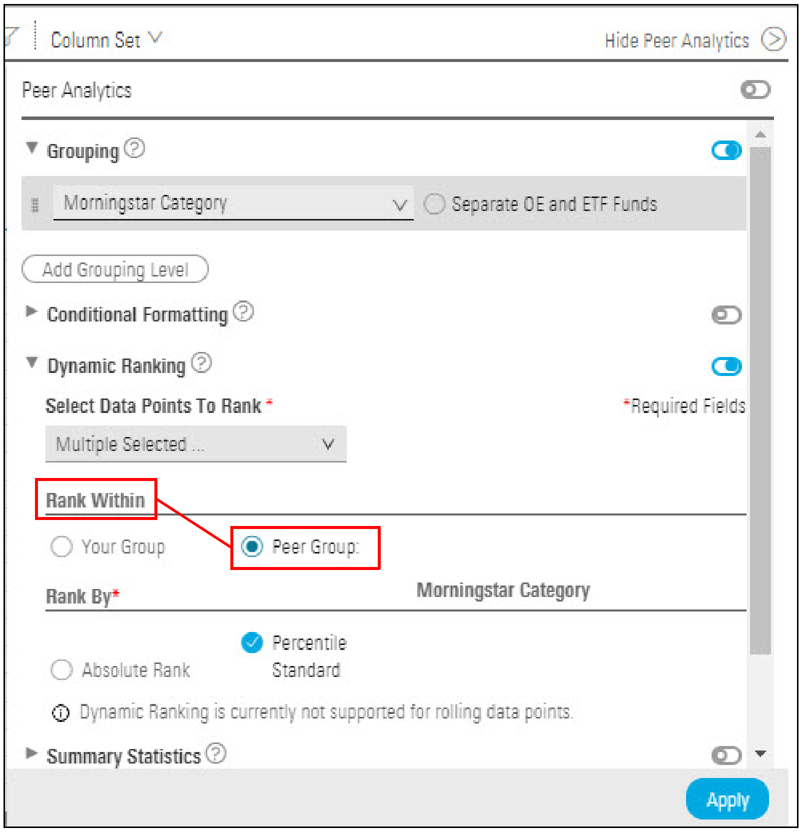


2. Click the **Dynamic Ranking** toggle to enable it.
3. Click the **Select Data Points to Rank** field. In the menu, the first rankable data point (1Y in Total Returns Mo-End)) is selected. Note that only rankable data points from the column set are listed.
4. At the top of the menu, **uncheck** the box for **Total Return (1Y - mo-end) Annlzd**.
5. **Scroll down** and near the bottom of the menu, check the box for the following data points:
   - **Standard Deviation Total (1Y - mo-end) Annlzd Cat Curr**
   - **Standard Deviation Total (3Y - mo-end) Annlzd Cat Curr**
   - **Standard Deviation Total (5Y - mo-end) Annlzd Cat Curr**, and
   - **Prospectus Net Expense Ratio.**



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

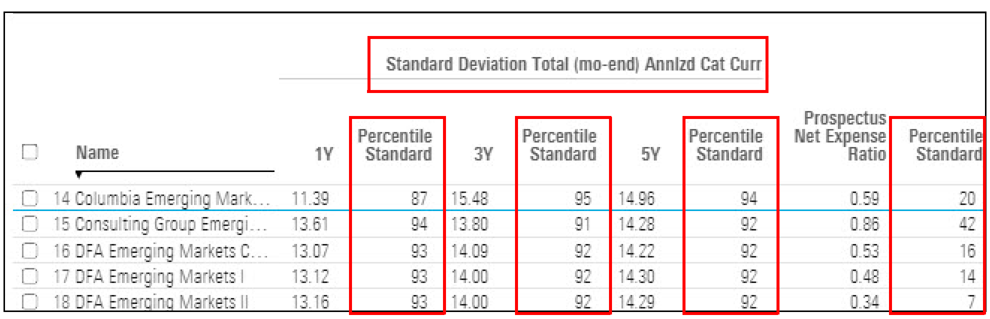
7. In the **Rank Within** area, select **Peer Group**.



Note the highlighted selections.

8. Click **Apply**.
9. Click **Hide Peer Analytics**.

New columns for percentile data have been created under Standard Deviation Total (mo-end) Annlzd Cat Corr and to the right of Prospectus Net Expense Ratio.



	Standard Deviation Total (mo-end) Annlzd Cat Curr							
Name	1Y	Percentile Standard	3Y	Percentile Standard	5Y	Percentile Standard	Prospectus Net Expense Ratio	Percentile Standard
14 Columbia Emerging Mark...	11.39	87	15.48	95	14.96	94	0.59	20
15 Consulting Group Emergi...	13.61	94	13.80	91	14.28	92	0.86	42
16 DFA Emerging Markets C...	13.07	93	14.09	92	14.22	92	0.53	16
17 DFA Emerging Markets I	13.12	93	14.00	92	14.30	92	0.48	14
18 DFA Emerging Markets II	13.16	93	14.00	92	14.29	92	0.34	7

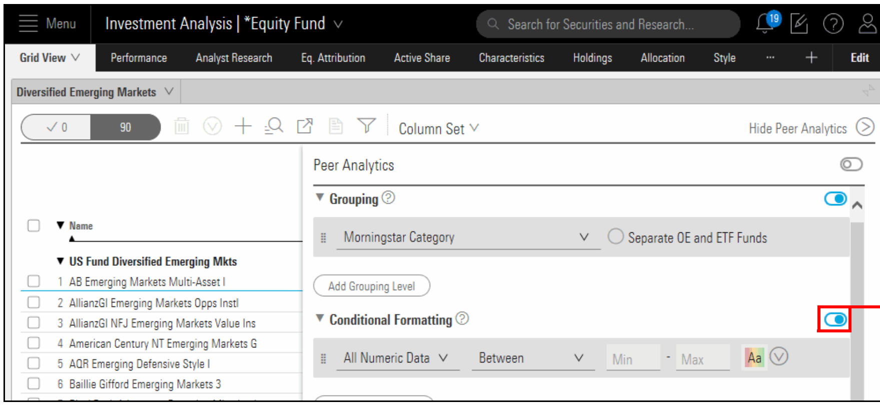
Note the highlighted selections.

Exercise 4: Apply conditional formatting

In this exercise, you will apply conditional formatting to the dynamically ranked columns, so values less than or equal to 25 will have a green background, making them easier to focus on.

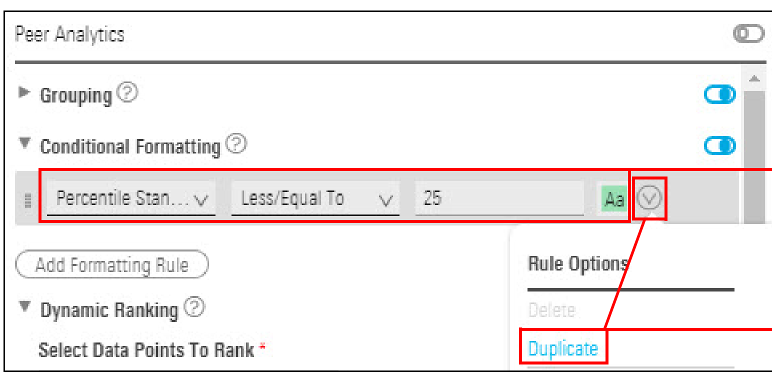
Do the following:

1. Click **Show Peer Analytics**.
2. Click the toggle to enable **Conditional Formatting**.



Be sure this toggle is turned on.

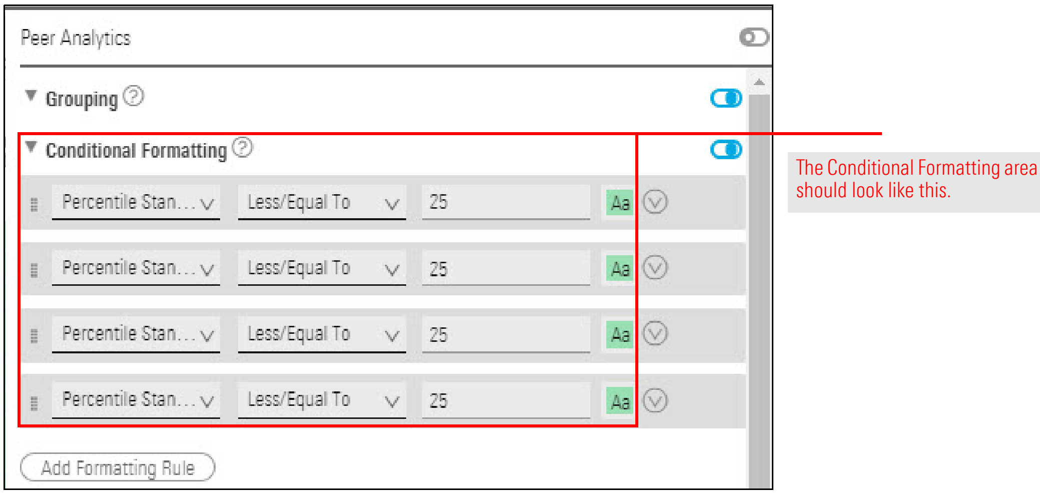
3. Do the following:
   A. In the **All Numeric Data** drop-down field, **scroll down** and select the first **Percentile Standard**.
   B. From the next drop-down field, select **Less/Equal To**.
   C. In the text field, type **25**.
   D. From the **Formatting Style** drop-down field, select **Green**.
4. To the right of Formatting Style, click the **Rule Options** icon, then select **Duplicate**. A duplicate of the first row is created.



Note the selections and values for these fields

Note the highlighted selections.

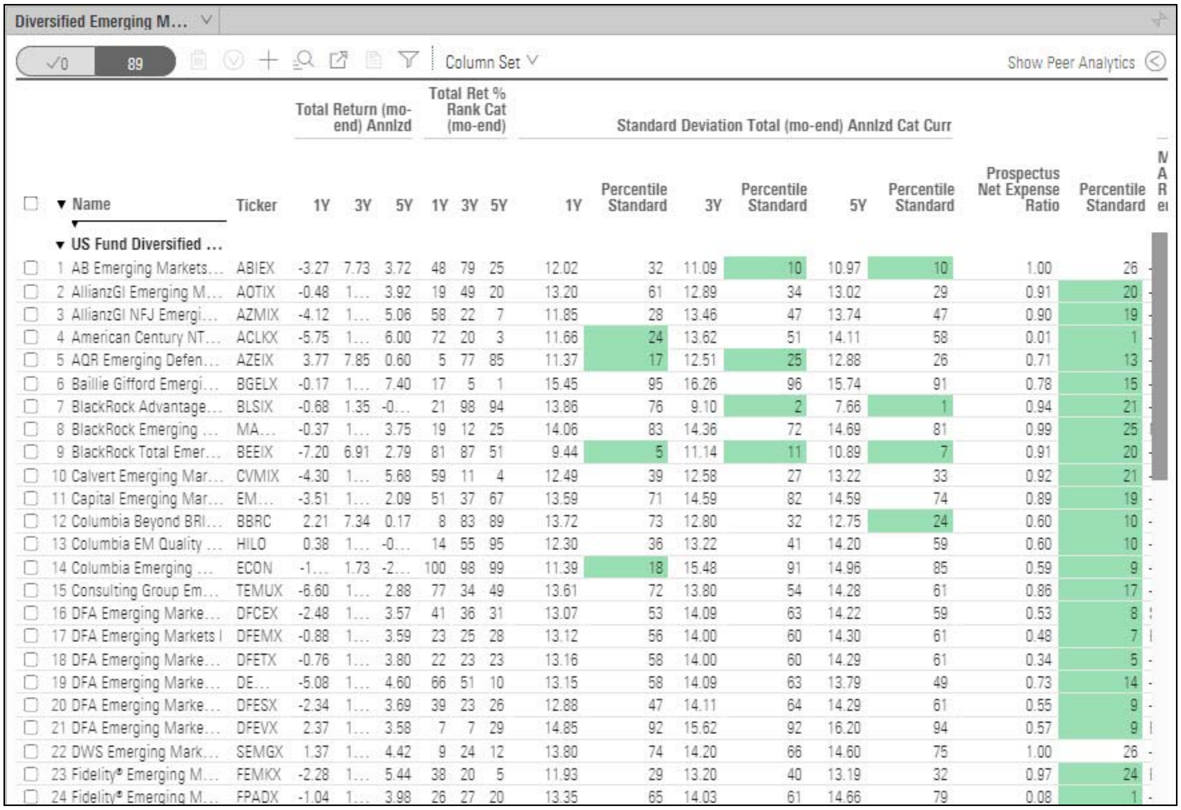
5. In the new row, from the **All Numeric Data** drop-down field, select the second **Percentile Standard**.
6. From the **Rule Options** menu, select **Duplicate**. A third row is created.
7. In the new row, from the **All Numeric Data** drop-down field, select the third **Percentile Standard**.
8. From the **Rule Options** menu, select **Duplicate**. A fourth row is created.
9. In the fourth row, from the **All Numeric Data** drop-down field, select the fourth **Percentile Standard**.



10. Click **Apply**.
11. Click **Hide Peer Analytics**.

12. **Scroll right** to see the columns with conditional formatting applied.

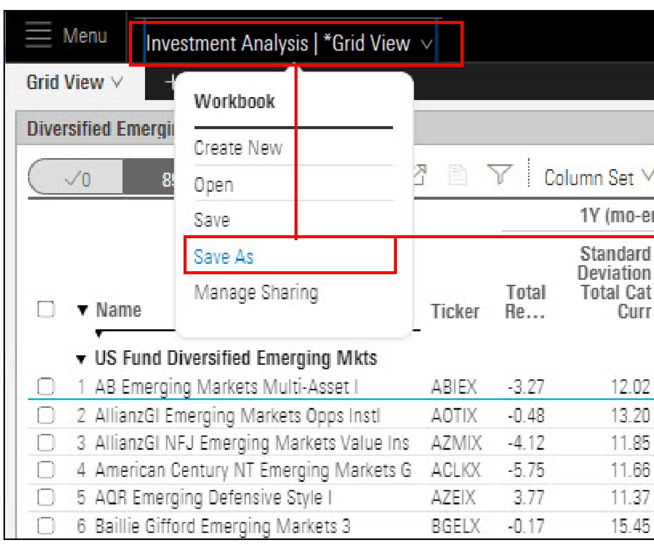
Now you can easily identify the funds with data in the 0–25 quartile.



Diversified Emerging M...

Name	Ticker	Total Return (mo-end) Annlzd 1Y	3Y	5Y	Total Ret % Rank Cat (mo-end) 1Y	3Y	5Y	Standard Deviation Total (mo-end) Annlzd Cat Curr 1Y	Percentile Standard	3Y	Percentile Standard	5Y	Percentile Standard	Prospectus Net Expense Ratio	Percentile Standard
US Fund Diversified ...															
1 AB Emerging Markets...	ABIEX	-3.27	7.73	3.72	48	79	25	12.02	32	11.09	10	10.97	10	1.00	26
2 AllianzGI Emerging M...	AOTIX	-0.48	1...	3.92	19	49	20	13.20	61	12.89	34	13.02	29	0.91	20
3 AllianzGI NFJ Emergi...	AZMIX	-4.12	1...	5.06	58	22	7	11.85	28	13.46	47	13.74	47	0.90	19
4 American Century NT...	ACLKX	-5.75	1...	6.00	72	20	3	11.66	24	13.62	51	14.11	58	0.01	1
5 AQR Emerging Defen...	AZEIX	3.77	7.85	0.60	5	77	85	11.37	17	12.51	25	12.88	26	0.71	13
6 Baillie Gifford Emergi...	BGELX	-0.17	1...	7.40	17	5	1	15.45	95	16.26	96	15.74	91	0.78	15
7 BlackRock Advantage...	BLSIX	-0.68	1.35	-0...	21	98	94	13.86	76	9.10	2	7.66	1	0.94	21
8 BlackRock Emerging ...	MA...	-0.37	1...	3.75	19	12	25	14.06	83	14.36	72	14.69	81	0.99	25
9 BlackRock Total Emer...	BEEIX	-7.20	6.91	2.79	81	87	51	9.44	5	11.14	11	10.89	7	0.91	20
10 Calvert Emerging Mar...	CVMIX	-4.30	1...	5.68	59	11	4	12.49	39	12.58	27	13.22	33	0.92	21
11 Capital Emerging Mar...	EM...	-3.51	1...	2.09	51	37	67	13.59	71	14.59	82	14.59	74	0.89	19
12 Columbia Beyond BRI...	BBRC	2.21	7.34	0.17	8	83	89	13.72	73	12.80	32	12.75	24	0.60	10
13 Columbia EM Quality ...	HILO	0.38	1...	-0...	14	55	95	12.30	36	13.22	41	14.20	59	0.60	10
14 Columbia Emerging ...	ECON	-1...	1.73	-2...	100	98	99	11.39	18	15.48	91	14.96	85	0.59	9
15 Consulting Group Em...	TEMUX	-6.60	1...	2.88	77	34	49	13.61	72	13.80	54	14.28	61	0.86	17
16 DFA Emerging Marke...	DFCEX	-2.48	1...	3.57	41	36	31	13.07	53	14.09	63	14.22	59	0.53	8
17 DFA Emerging Markets I	DFEMX	-0.88	1...	3.59	23	25	28	13.12	56	14.00	60	14.30	61	0.48	7
18 DFA Emerging Marke...	DFETX	-0.76	1...	3.80	22	23	23	13.16	58	14.00	60	14.29	61	0.34	5
19 DFA Emerging Marke...	DE...	-5.08	1...	4.60	66	51	10	13.15	58	14.09	63	13.79	49	0.73	14
20 DFA Emerging Marke...	DFESX	-2.34	1...	3.69	39	23	26	12.88	47	14.11	64	14.29	61	0.55	9
21 DFA Emerging Marke...	DFEVX	2.37	1...	3.58	7	7	29	14.85	92	15.62	92	16.20	94	0.57	9
22 DWS Emerging Mark...	SEMGX	1.37	1...	4.42	9	24	12	13.80	74	14.20	66	14.60	75	1.00	26
23 Fidelity® Emerging M...	FEMKX	-2.28	1...	5.44	38	20	5	11.93	29	13.20	40	13.19	32	0.97	24
24 Fidelity® Emerging M...	FPADX	-1.04	1...	3.98	26	27	20	13.35	65	14.03	61	14.66	79	0.08	1

13. **Save** the workbook as **Emerging Markets Volatility and Expense**.



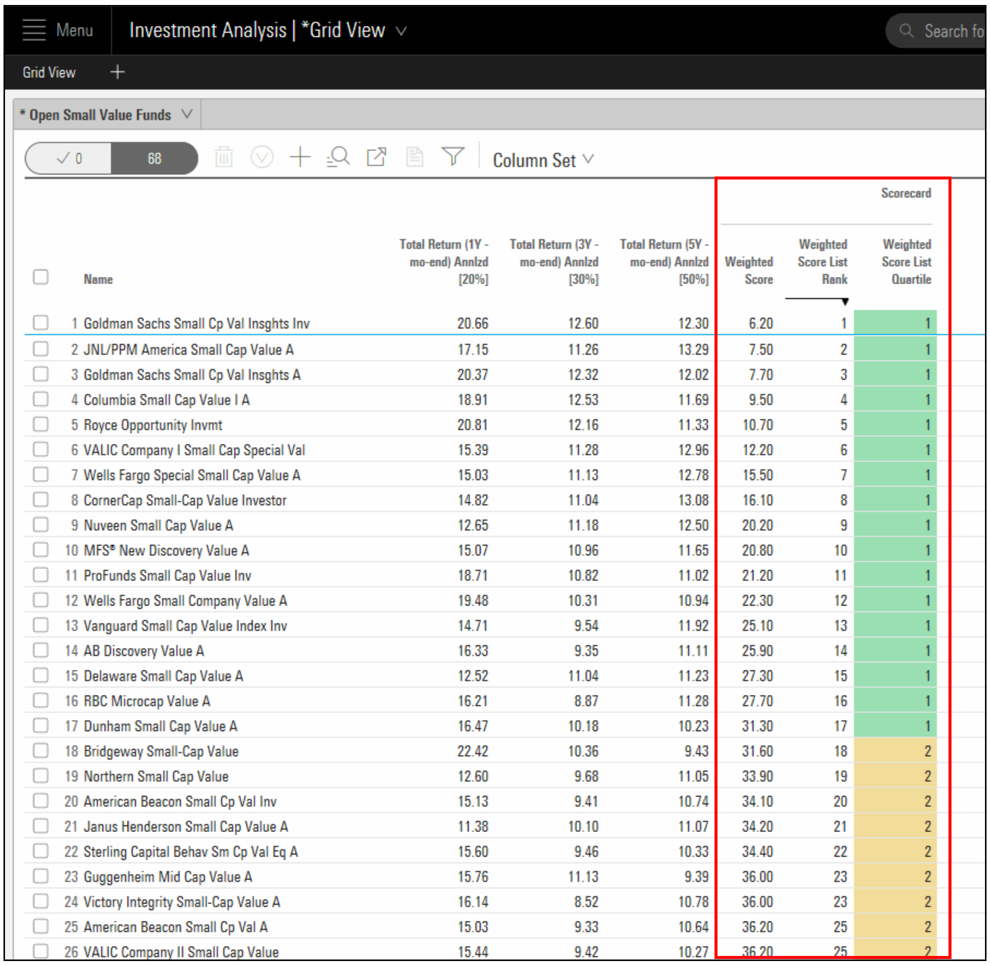
Use the workbook menu to select this option

Assessing the Performance of Small Cap Value Funds

Overview

Your manager has asked you to evaluate the performance of funds in the Small Cap Value category over the past one-, three-, and five-year time periods, provided the funds are at least five years, and are still open to new investors. Your manager needs to see only certain share classes of these funds.

You will create a screen to find these funds, then use the Scorecard capability to evaluate their performance. In addition to seeing the overall score for the funds, you will also display the absolute rank and the percentile rank for each fund.



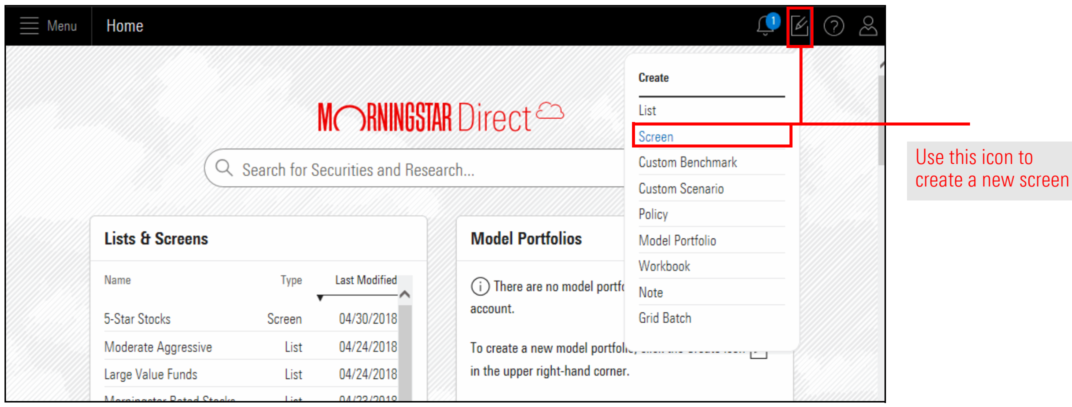
	Name	Total Return (1Y - mo-end) Annlzd [20%]	Total Return (3Y - mo-end) Annlzd [30%]	Total Return (5Y - mo-end) Annlzd [50%]	Weighted Score	Weighted Score List Rank	Weighted Score List Quartile
1	Goldman Sachs Small Cp Val Insghts Inv	20.66	12.60	12.30	6.20	1	1
2	JNL/PPM America Small Cap Value A	17.15	11.26	13.29	7.50	2	1
3	Goldman Sachs Small Cp Val Insghts A	20.37	12.32	12.02	7.70	3	1
4	Columbia Small Cap Value I A	18.91	12.53	11.69	9.50	4	1
5	Royce Opportunity Invmt	20.81	12.16	11.33	10.70	5	1
6	VALIC Company I Small Cap Special Val	15.39	11.28	12.96	12.20	6	1
7	Wells Fargo Special Small Cap Value A	15.03	11.13	12.78	15.50	7	1
8	CornerCap Small-Cap Value Investor	14.82	11.04	13.08	16.10	8	1
9	Nuveen Small Cap Value A	12.65	11.18	12.50	20.20	9	1
10	MFS® New Discovery Value A	15.07	10.96	11.65	20.80	10	1
11	ProFunds Small Cap Value Inv	18.71	10.82	11.02	21.20	11	1
12	Wells Fargo Small Company Value A	19.48	10.31	10.94	22.30	12	1
13	Vanguard Small Cap Value Index Inv	14.71	9.54	11.92	25.10	13	1
14	AB Discovery Value A	16.33	9.35	11.11	25.90	14	1
15	Delaware Small Cap Value A	12.52	11.04	11.23	27.30	15	1
16	RBC Microcap Value A	16.21	8.87	11.28	27.70	16	1
17	Dunham Small Cap Value A	16.47	10.18	10.23	31.30	17	1
18	Bridgeway Small-Cap Value	22.42	10.36	9.43	31.60	18	2
19	Northern Small Cap Value	12.60	9.68	11.05	33.90	19	2
20	American Beacon Small Cp Val Inv	15.13	9.41	10.74	34.10	20	2
21	Janus Henderson Small Cap Value A	11.38	10.10	11.07	34.20	21	2
22	Sterling Capital Behav Sm Cp Val Eq A	15.60	9.46	10.33	34.40	22	2
23	Guggenheim Mid Cap Value A	15.76	11.13	9.39	36.00	23	2
24	Victory Integrity Small-Cap Value A	16.14	8.52	10.78	36.00	23	2
25	American Beacon Small Cp Val A	15.03	9.33	10.64	36.20	25	2
26	VALIC Company II Small Cap Value	15.44	9.42	10.27	36.20	25	2

Various options exist for reporting scores.

Exercise 5: Screen for funds in the Small Cap Value Morningstar Category

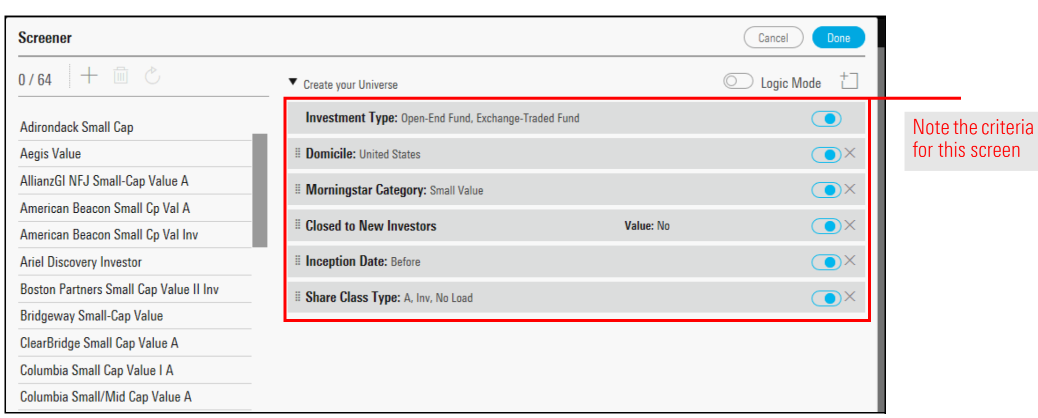
To find small-cap value funds still open to new investors (and that have been open for at least five years), do the following:

1. On the header, click **Create** > **Screen**. The Screener window opens.



2. Create a screen to include the following criteria:

Field	Value
Investment Type	▸ Exchange-Traded Fund ▸ Open-End Fund
Domicile	United States
Morningstar Category	Small Value
Closed to New Investors	No
Inception Date	Before [Choose the first date of the current month from five years ago]
Share Class Type	▸ A ▸ Inv ▸ No Load

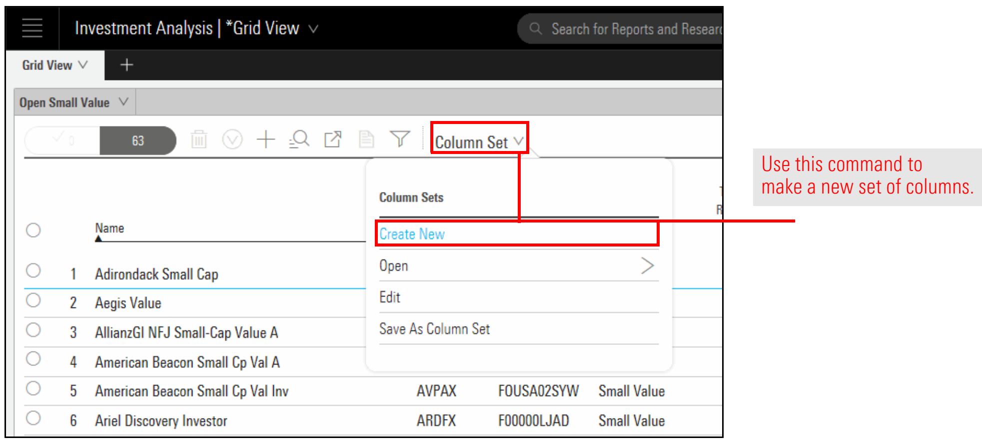


3. Click **Done**.
4. **Save** the search as **Open Small Value Funds**.

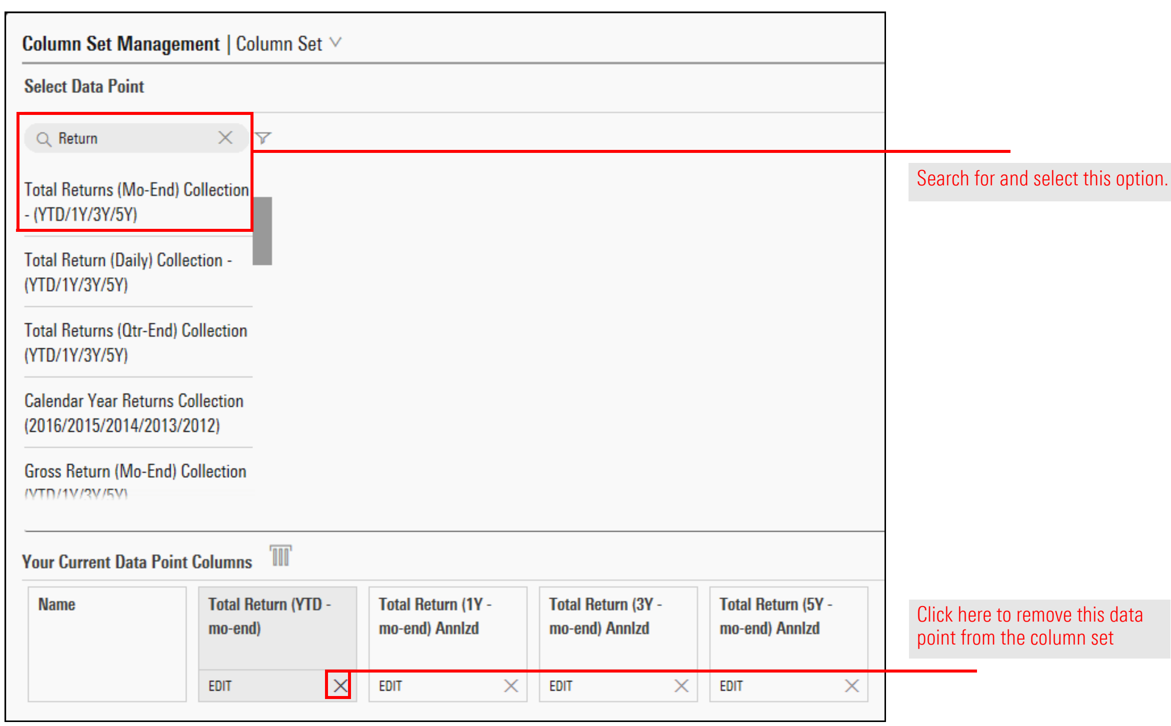
Exercise 6: Select data columns to display

To properly calculate the scores for the funds' performance, you need to ensure the correct data columns are being shown. You could open an existing column set to do this, but in this exercise, you will create one from scratch to simplify the data being shown and see how it ties to the scorecard. Do the following:

1. From the **Column Set** menu, select **Create New**. The Column Set Management window opens.



2. Search for **Return**, then select **Total Returns (Mo-End) Collection - (YTD/1Y/3Y/5Y)**.
3. **Remove** the **Total Return (YTD - mo-end)** data point.



4. To close the Column Set Management window, click **Done**.
5. From the **Column Set** menu, choose **Save As Column Set** and name it **Basic Returns**.

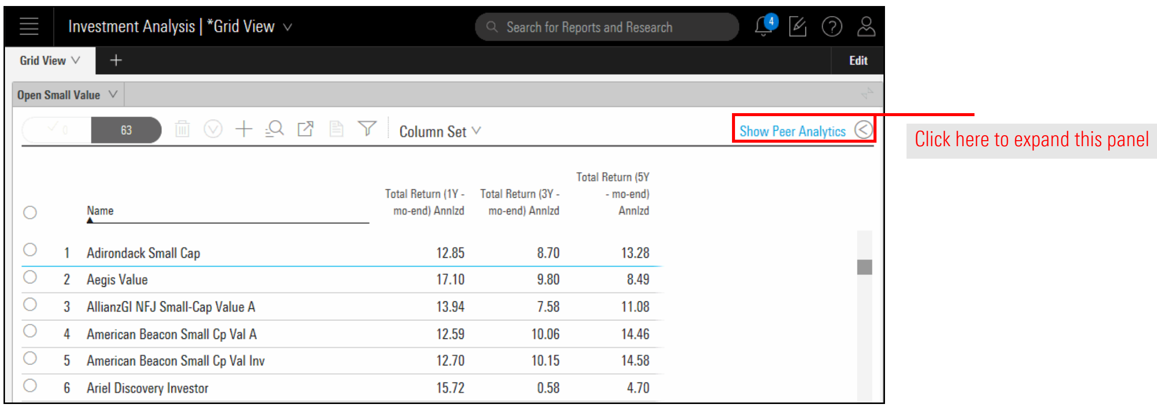
Exercise 7: Score funds on their performance

A scorecard allows you to evaluate the numeric values in the Grid View component, to determine which investments meet a rule or series of rules you define. Scorecards are of two varieties:

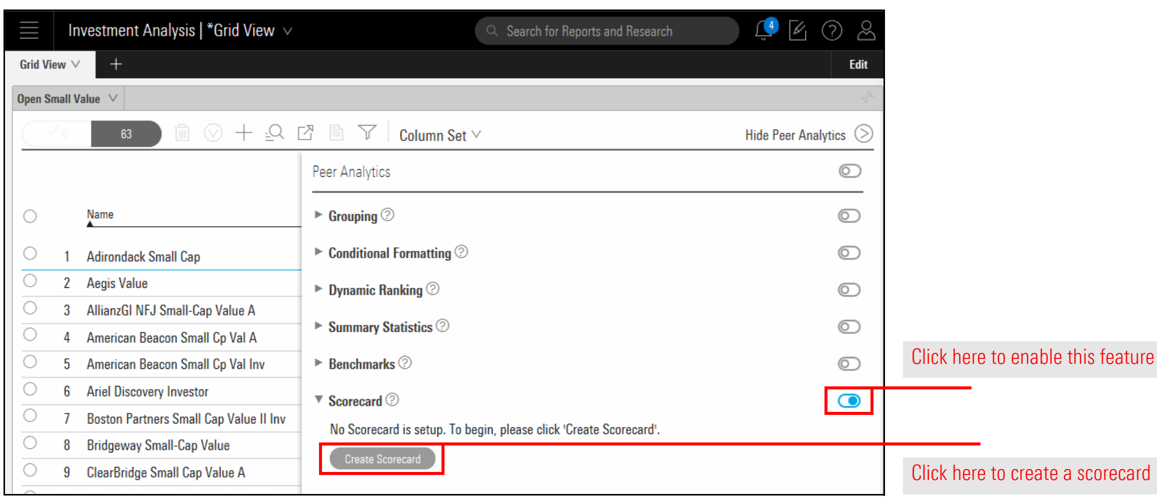
- The Standard Scoring method converts raw data points to percentile ranks, and applies user-selected weights to those percentile ranks. These weighted percentile ranks are then aggregated to create the score for an investment.
- The Custom Scoring method applies user-defined rules for data points and assigns numeric grades based on those rules.

In this example, a standard scorecard will be applied. Do the following:

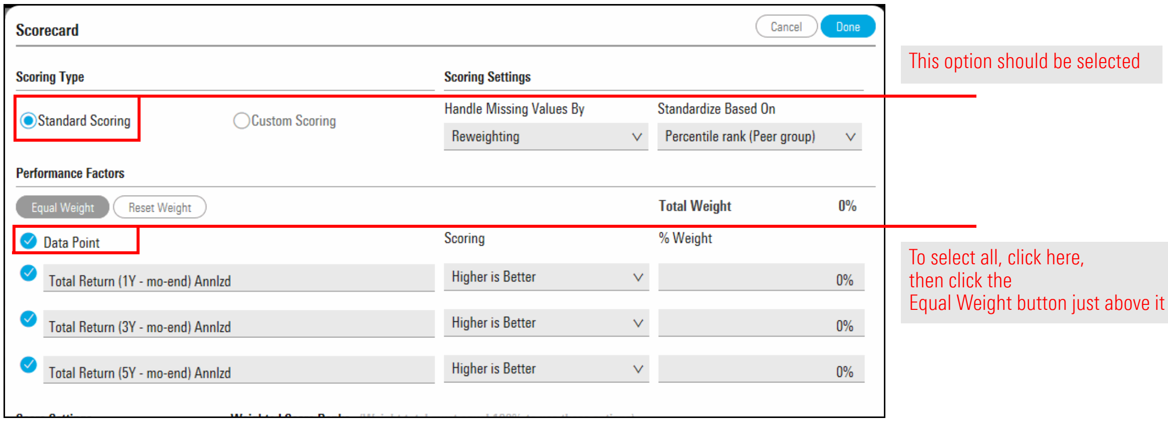
1. Click **Show Peer Analytics**. The Peer Analytics panel opens.



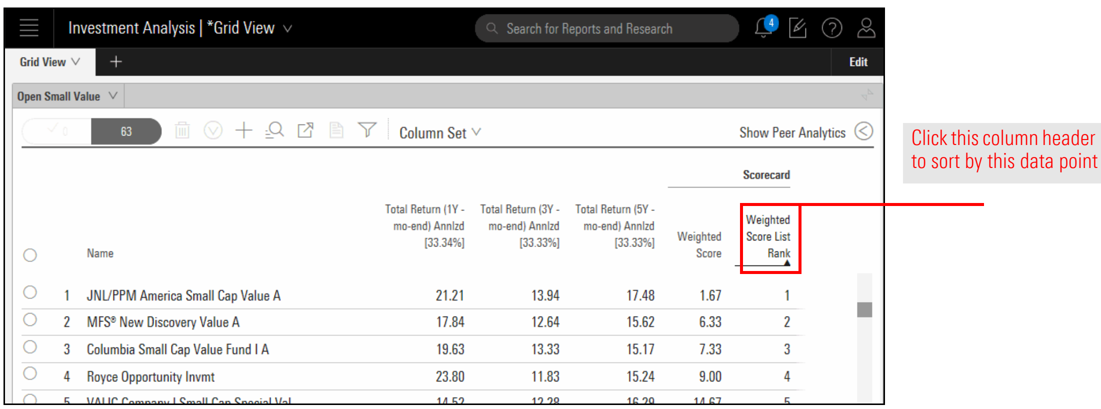
2. Click the **Scorecard** toggle to turn it on, then click **Create Scorecard**. The Scorecard window opens.



3. The option for Standard Scoring should be selected. Click the **select all** button next to Data Point, then click **Equal Weight**. The values in the % Weight column update.



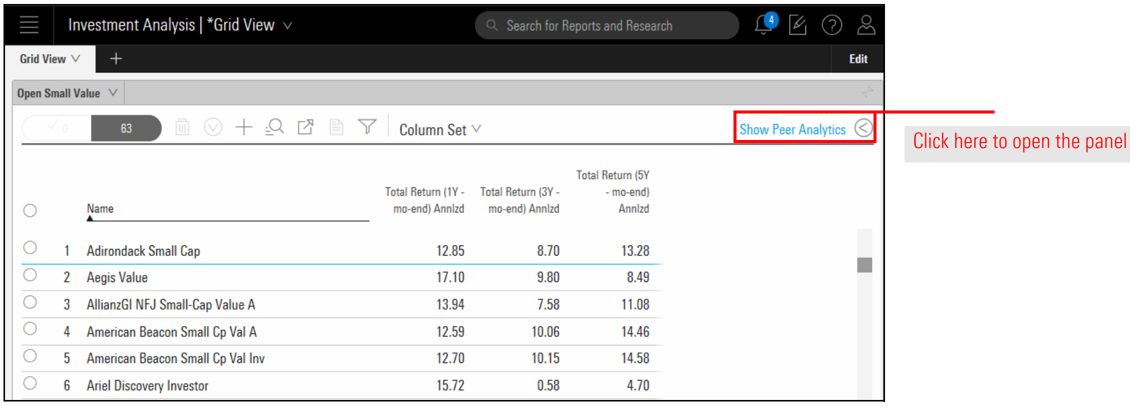
4. Click **Done**. The Scorecard window closes.
5. Click **Hide Peer Analytics**. Note the two new scorecard columns added to the Grid View component.
6. Click the **Weighted Score List Rank** column to sort by that value. The best-performing funds appear at the top.



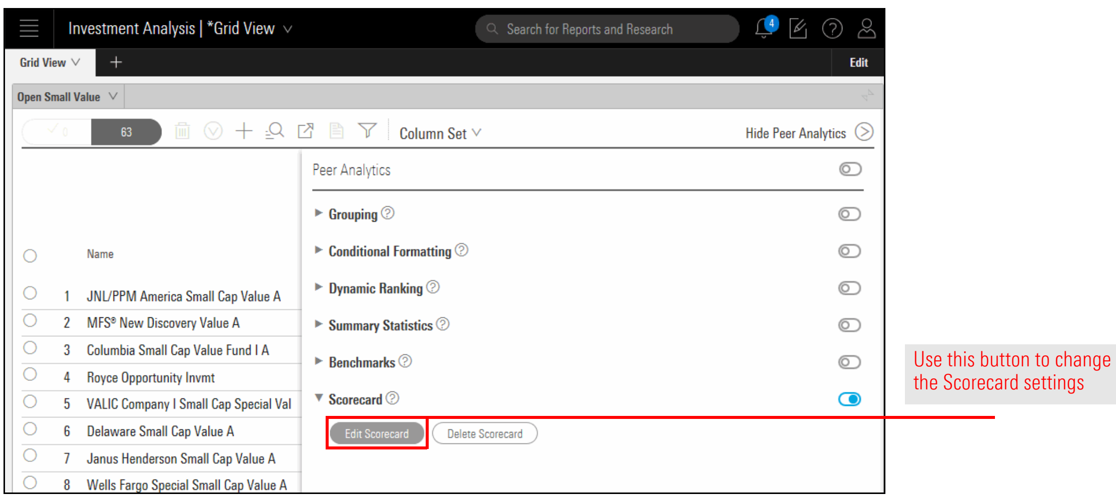
Exercise 8: Adjust the weightings for the scorecard

After seeing the results, you realize the return values should be weighted so that the longer time periods are weighted more heavily than the earlier ones. Do the following:

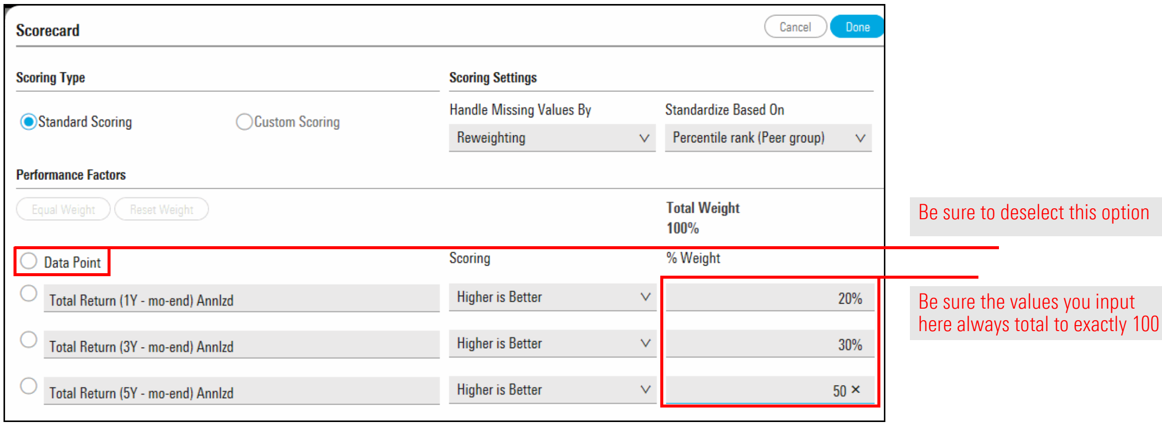
1. Click **Show Peer Analytics**. The Peer Analytics panel opens.



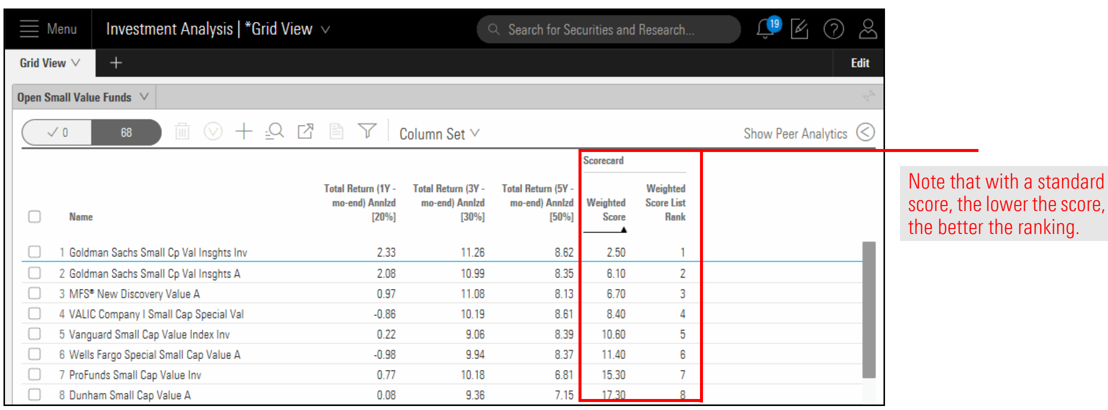
2. Click **Edit Scorecard**. The Scorecard window opens.



3. Uncheck the **select all** button.
4. Under the % Weight column, enter the following values:
   - 1Y = **20**
   - 3Y = **30**
   - 5Y = **50**



5. Click **Done**. The Scorecard window closes.
6. Click **Hide Peer Analytics**. Note the updated values in the two Scorecard columns.

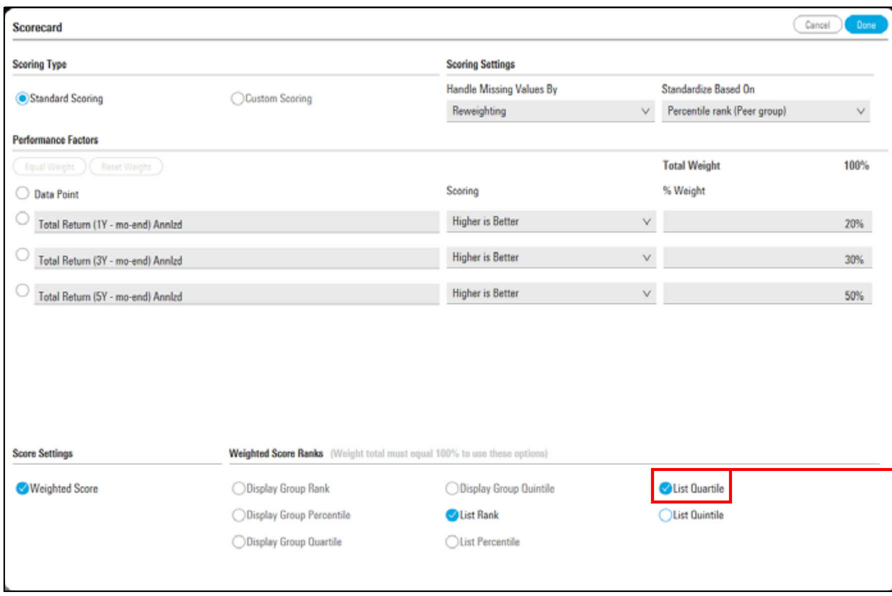


Exercise 9: Show the percentile rank for the funds' scores

Seeing both the weighted score and the weighted score list rank for the funds is useful, but remember that the set of funds you're seeing is based on a screen and the results of a screen are dynamic. Therefore, the number of items returned each time you open the screen could change, and this in turn would change the meaning of the score rank.

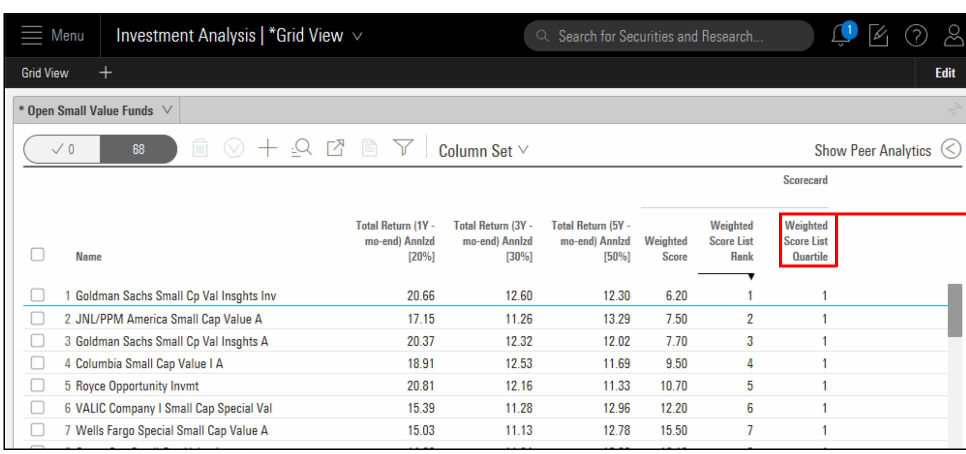
In addition to the score columns already showing, you can also choose to display the weighted score list quartile. Seeing the quartile ranking for a fund's score provides a relative value for its absolute rank value. For example, a fund whose rank is10 out of 18 funds would be in just the third quartile, but a fund whose rank is 10 out of 48 funds would be in the top quartile. Do the following:

1. Click **Show Peer Analytics**. The Peer Analytics panel opens.
2. Click **Edit Scorecard**. The Scorecard window opens.
3. Under the Weighted Score Ranks area, select the option for **List Quartile**.



Click this button to see which quartile a fund appears in based on its score.

4. Click **Done**. The Scorecard window closes.
5. Click **Hide Peer Analytics**. Note the new Weighted Score List Quartile column.



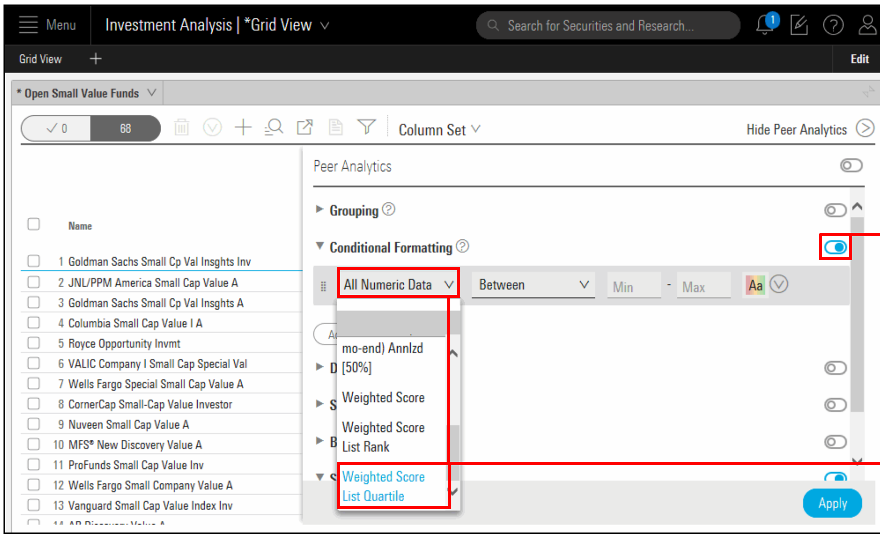
This column has been added to the component.

Exercise 10: Use conditional formatting to highlight the results

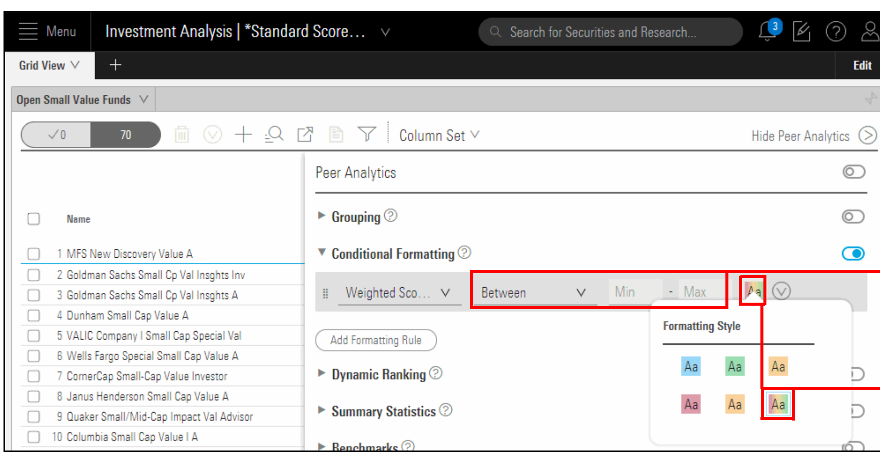
To illustrate where the list quartile breakpoints occur, you can use the Conditional Formatting tool to add color to the Weighted Score List Quartile column. Using the Conditional Formatting tool requires you to create a series of rules to define how to apply color to cells. Once you create the first rule, it's easy to duplicate it and change just a couple of values, rather than creating an entirely new rule from scratch.

Do the following:

1. Click **Show Peer Analytics**. The Peer Analytics panel opens.
2. Click the **Conditional Formatting** switch to enable it.
3. Click the **first drop-down field**, then scroll down to select **Weighted Score List Quartile**.

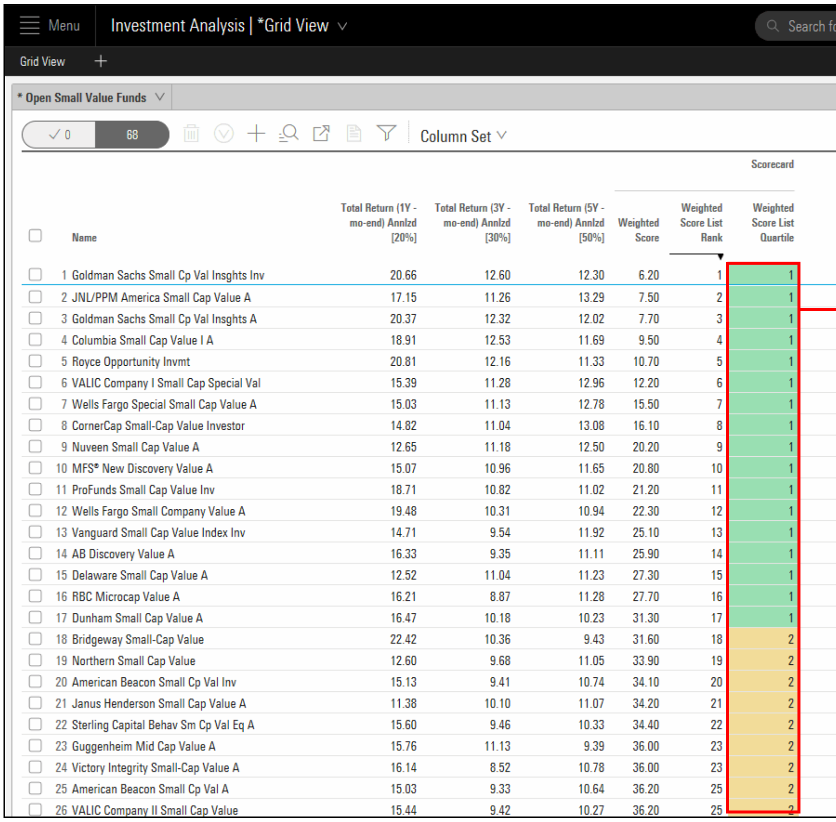


4. From the next drop-down field, leave **Between** selected. The next two fields to the right should read Min and Max, respectively.
5. Click the **Color** icon, and be sure the **multi-color** option is selected.



6. Click **Apply**.

7. Click **Hide Peer Analytics**. Note the conditional formatting applied to the last column.



	Name	Total Return (1Y - mo-end) Annlzd [20%]	Total Return (3Y - mo-end) Annlzd [30%]	Total Return (5Y - mo-end) Annlzd [50%]	Weighted Score	Weighted Score List Rank	Weighted Score List Quartile
1	Goldman Sachs Small Cp Val Insghts Inv	20.66	12.60	12.30	6.20	1	1
2	JNL/PPM America Small Cap Value A	17.15	11.26	13.29	7.50	2	1
3	Goldman Sachs Small Cp Val Insghts A	20.37	12.32	12.02	7.70	3	1
4	Columbia Small Cap Value I A	18.91	12.53	11.69	9.50	4	1
5	Royce Opportunity Invmt	20.81	12.16	11.33	10.70	5	1
6	VALIC Company I Small Cap Special Val	15.39	11.28	12.96	12.20	6	1
7	Wells Fargo Special Small Cap Value A	15.03	11.13	12.78	15.50	7	1
8	CornerCap Small-Cap Value Investor	14.82	11.04	13.08	16.10	8	1
9	Nuveen Small Cap Value A	12.65	11.18	12.50	20.20	9	1
10	MFS® New Discovery Value A	15.07	10.96	11.65	20.80	10	1
11	ProFunds Small Cap Value Inv	18.71	10.82	11.02	21.20	11	1
12	Wells Fargo Small Company Value A	19.48	10.31	10.94	22.30	12	1
13	Vanguard Small Cap Value Index Inv	14.71	9.54	11.92	25.10	13	1
14	AB Discovery Value A	16.33	9.35	11.11	25.90	14	1
15	Delaware Small Cap Value A	12.52	11.04	11.23	27.30	15	1
16	RBC Microcap Value A	16.21	8.87	11.28	27.70	16	1
17	Dunham Small Cap Value A	16.47	10.18	10.23	31.30	17	1
18	Bridgeway Small-Cap Value	22.42	10.36	9.43	31.60	18	2
19	Northern Small Cap Value	12.60	9.68	11.05	33.90	19	2
20	American Beacon Small Cp Val Inv	15.13	9.41	10.74	34.10	20	2
21	Janus Henderson Small Cap Value A	11.38	10.10	11.07	34.20	21	2
22	Sterling Capital Behav Sm Cp Val Eq A	15.60	9.46	10.33	34.40	22	2
23	Guggenheim Mid Cap Value A	15.76	11.13	9.39	36.00	23	2
24	Victory Integrity Small-Cap Value A	16.14	8.52	10.78	36.00	23	2
25	American Beacon Small Cp Val A	15.03	9.33	10.64	36.20	25	2
26	VALIC Company II Small Cap Value	15.44	9.42	10.27	36.20	25	2

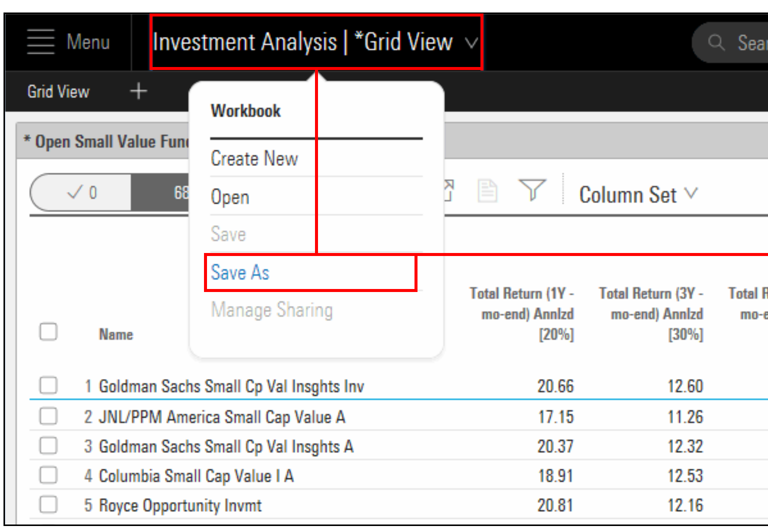
Conditional formatting can be applied to any numerical field

Exercise 11: Save the changes to the workbook

In addition to wanting to see the latest results of the screen each time you open it, you also want to ensure the custom column set, scorecard columns, and conditional formatting elements are seen along with it. To do this, you need to save the workbook.

To save the workbook, do the following:

1. At the top of the window, click the **Workbook** menu, then select **Save As**.

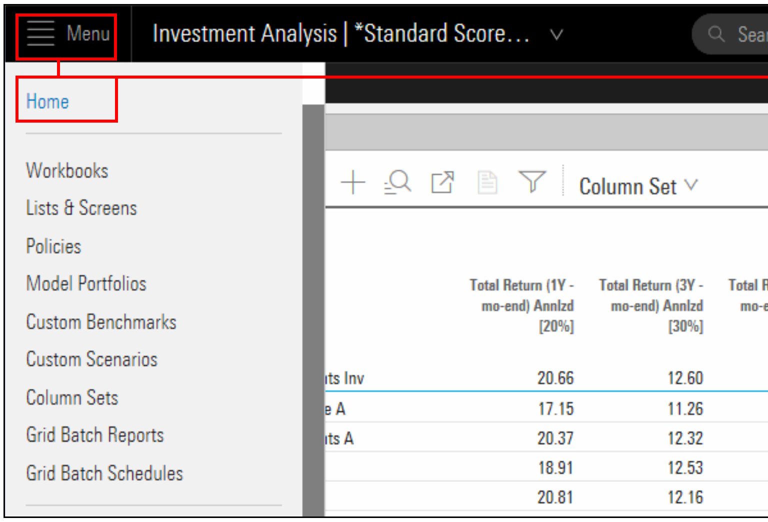


Use the workbook menu to select this option

2. Name the workbook **Standard Scorecard**, then click **Save**.

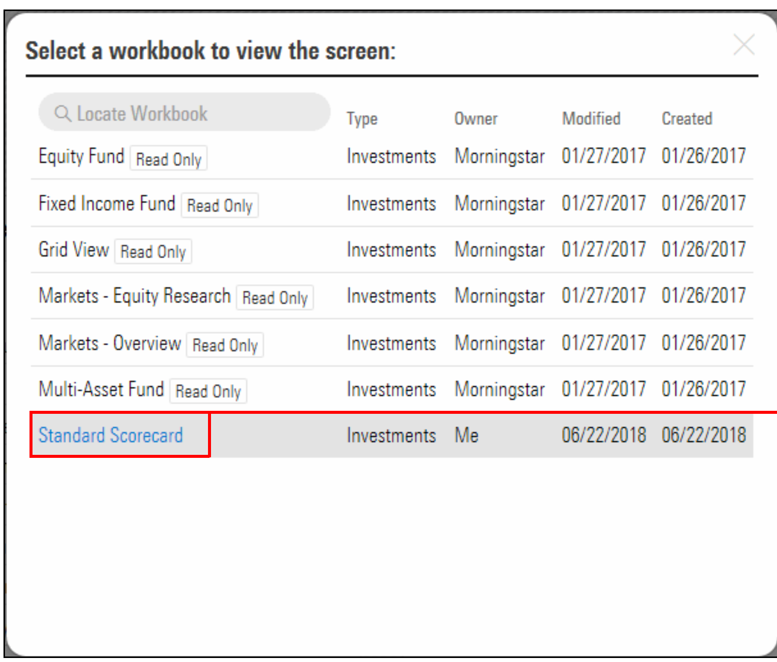
To practice opening this workbook, do the following:

1. From the **Menu** icon, select **Home**. The name of the screen you saved in Screen for funds in the Small Cap Value Morningstar Category on page 18 appears at the top of the Lists & Screens tile.



Use this command to return to the Home page

2. Click **Open Small Value Funds**. The Select a workbook to view the screen: dialog box opens.
3. Click **Standard Scorecard**. The workbook opens. Note that the custom column set loads automatically, and the Peer Analytics settings are applied as well.



Selecting a workbook when opening a list or screen automatically associates it with that workbook in the future, too

Identifying Top Actively Managed Funds

Overview

The first set of exercises you completed allowed you to practice using the Scorecard and Conditional Formatting capabilities in the Peer Analytics panel. This section introduces even more features of the Peer Analytics panel by showing you how to do the following:

- group funds by Morningstar Category
- apply conditional formatting with multiple rules (for different columns)
- view summary statistics for each group, and
- apply a scorecard to a list using only some of the data points in the column set.

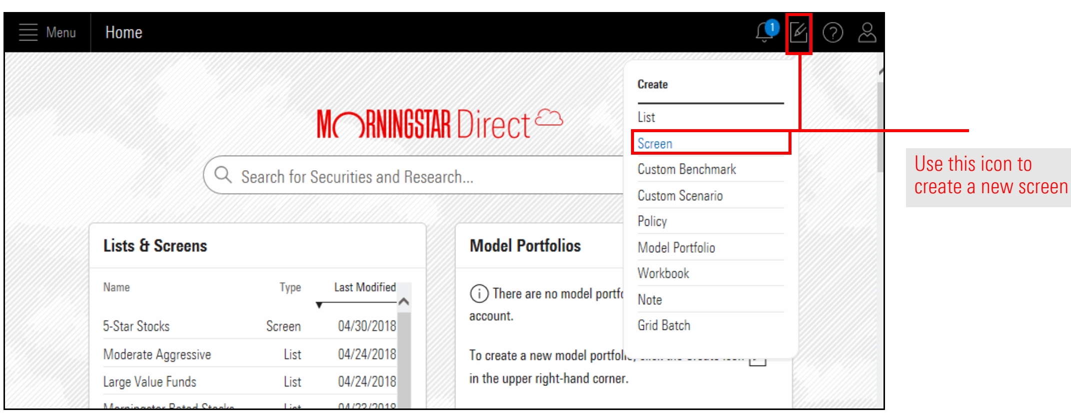
Exercise 12: Create a screen to find actively managed funds

You can use almost any list or screen of funds (or other investments) for the exercises that follow, but this exercise allows you to create a screen to find funds you can re-use for the subsequent exercises in this book.

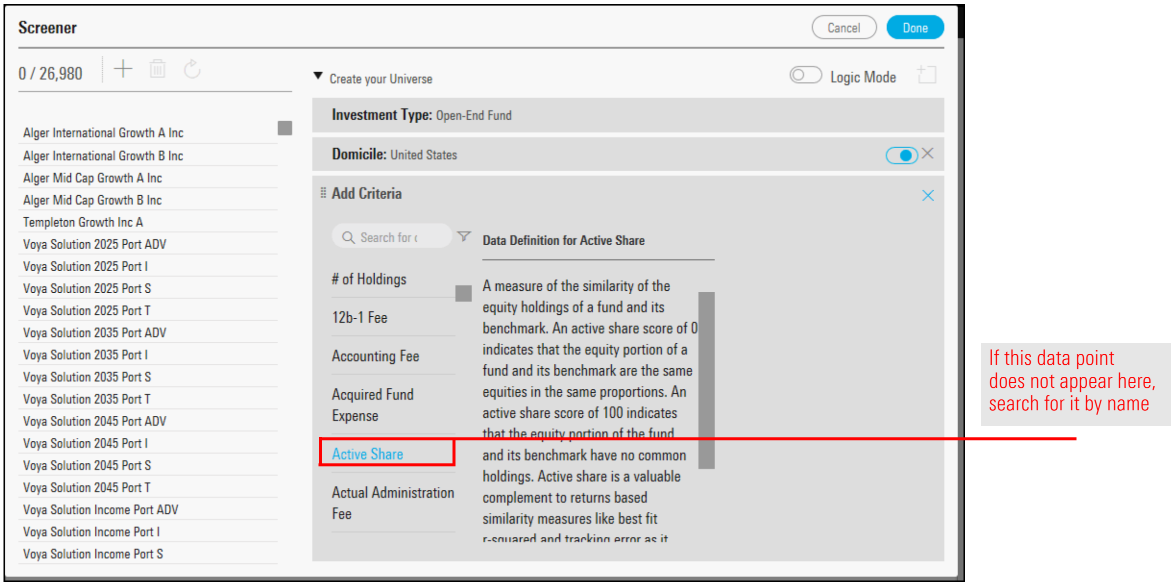
To see the Active Share Score for a fund and the benchmark used for the calculation, first create a screen to ensure the funds you are viewing actually have an Active Share Score value. Additionally, while a high Active Share Score is admirable for actively managed funds, you will also look for funds that have a positive 3-year Sharpe Ratio (to demonstrate the risk-adjusted return value the manager is adding), and a positive 3-year Information Ratio (to see that the manager has also added excess return over the Morningstar Category Primary index).

Do the following:

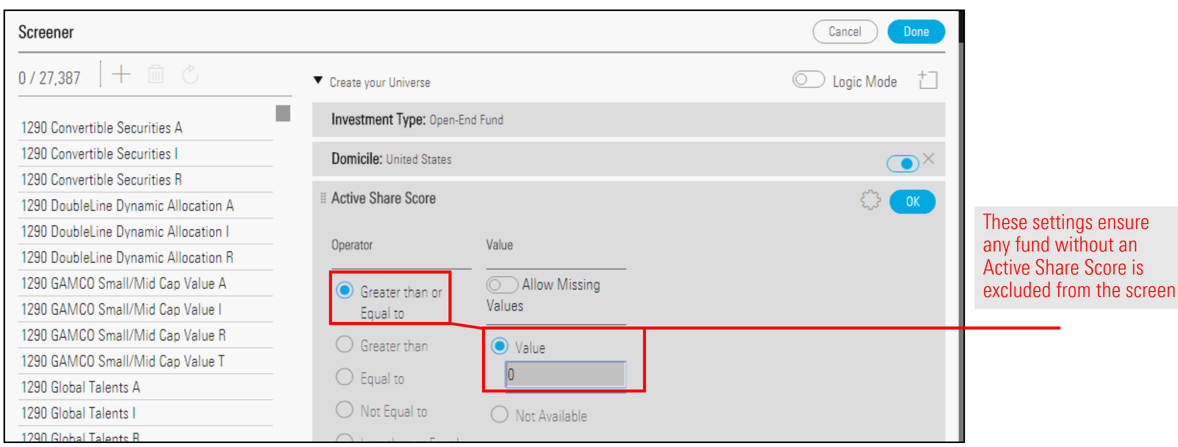
1. From the header, select **Create** > **Screen**. The Screener window opens.



2. For Investment Type, select the option for **Open-End Fund**.
3. Click **OK**.
4. In the Add Criteria area, click **Active Share**.

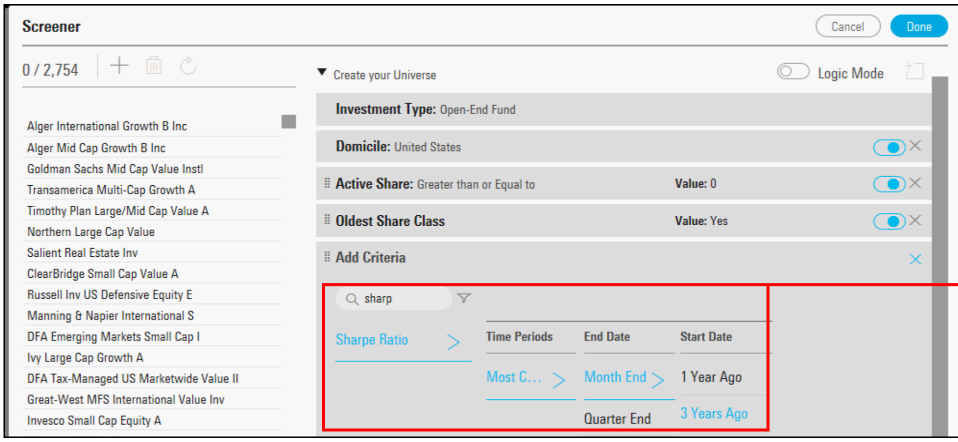


5. The Operator should be Greater than or Equal to. In the **Value** field, type **0**, then click **OK**.



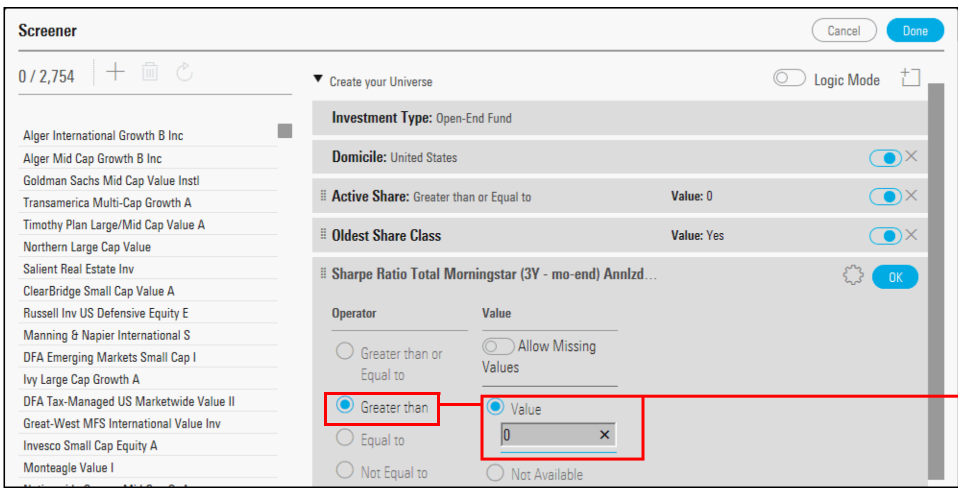
6. In the Add Criteria area, in the **Search for** field, type **old**, then select **Oldest Share Class**.
7. The option for Yes should be selected. Click **OK**.

8. In the Add Criteria area, in the **Search for** field, type **sharp**, then select **Sharpe Ratio** > **Most Common** > **Month End** > **3 Years Ago**.



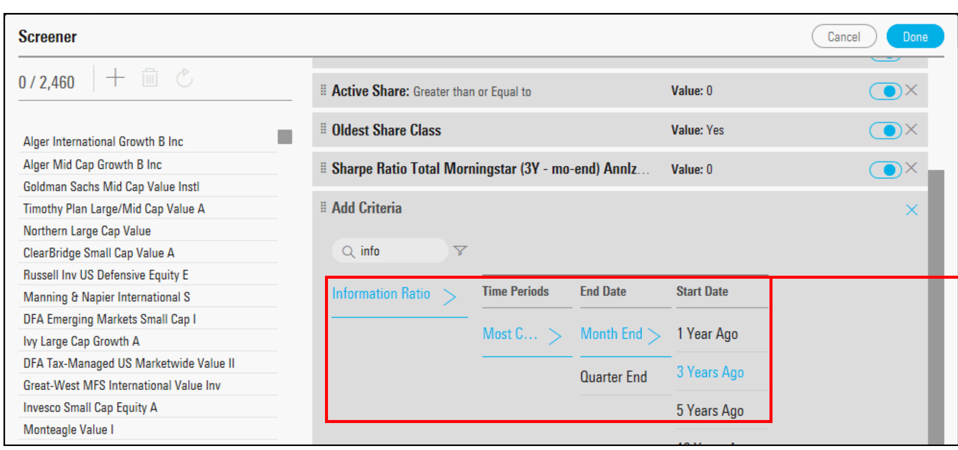
Note the data point and options selected here

9. Set the Operator to **Greater than**.
10. In the **Value** field, type **0**, then click **OK**.



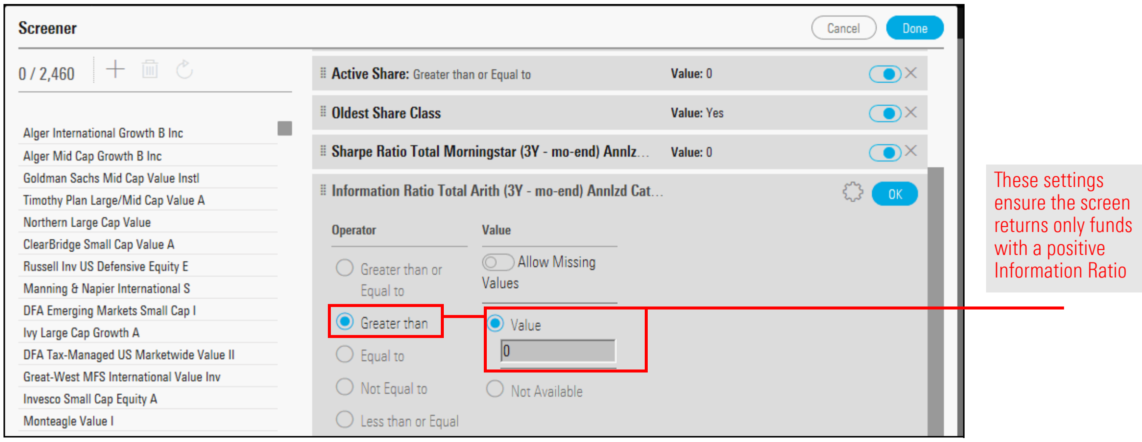
These settings ensure the screen returns only funds with a positive Sharpe Ratio.

11. In the Add Criteria area, in the **Search for** field, type **info**, then select **Information Ratio** > **Most Common** > **Month End** > **3 Years Ago**.

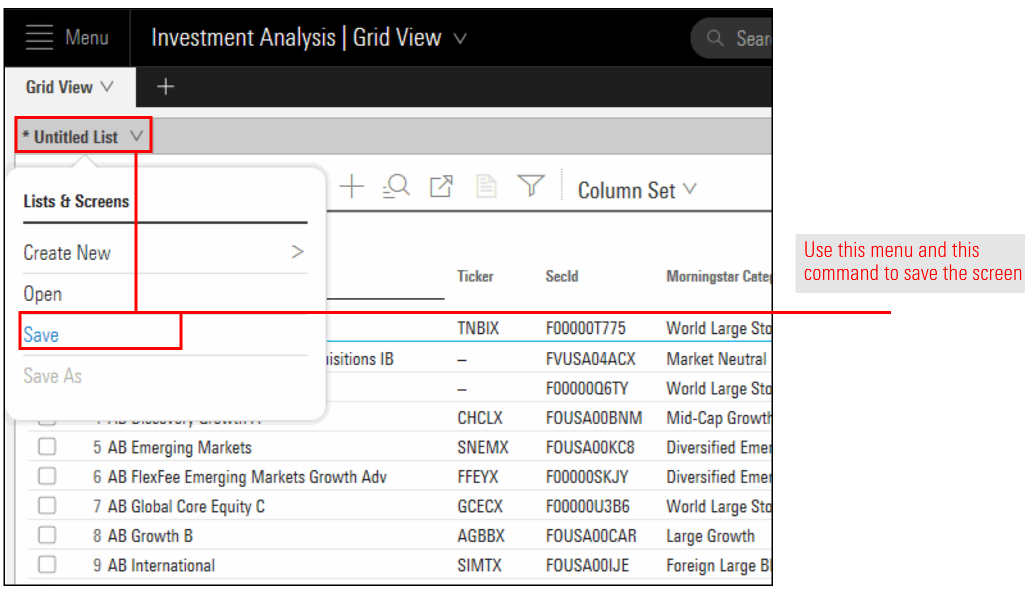


Note the data point and options selected here

12. Set the Operator to **Greater than**.
13. In the **Value** field, type **0**, then click **OK**.



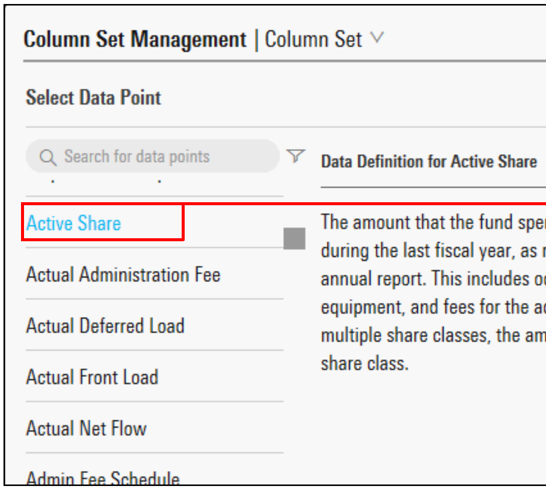
14. Click **Done**.
15. Save the screen as **Active Share Funds**.



Exercise 13: Add the Active Share Score data point and benchmark

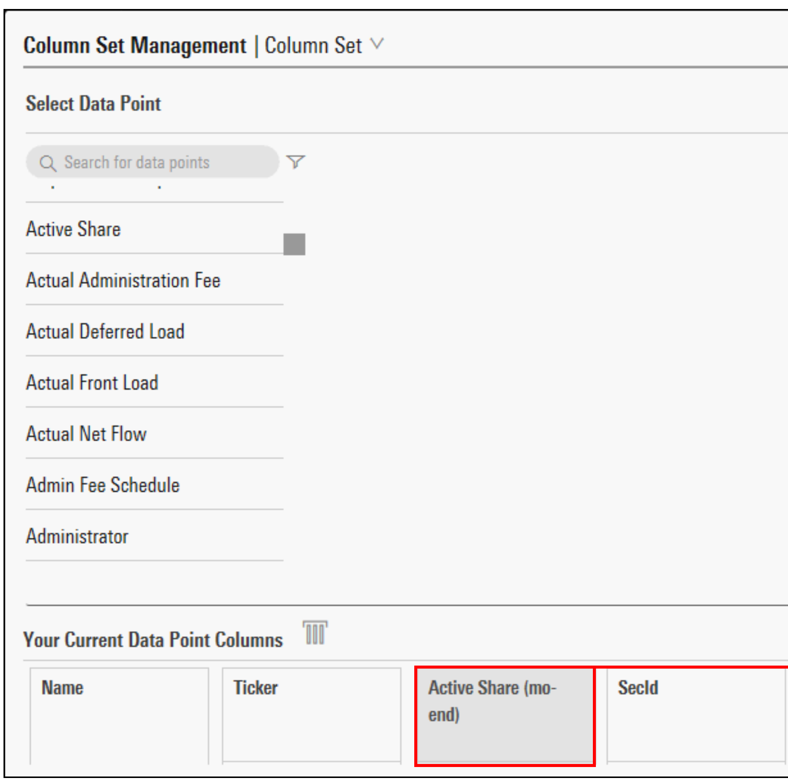
To add the Active Share Score data point and benchmark for the active share calculation to the column set, do the following:

1. The default Summary column set is displayed. From the **Column Set** menu, select **Edit**. The Column Set Management window opens.
2. In the Column Set Management window, under the Search for data points field, click **Active Share**.



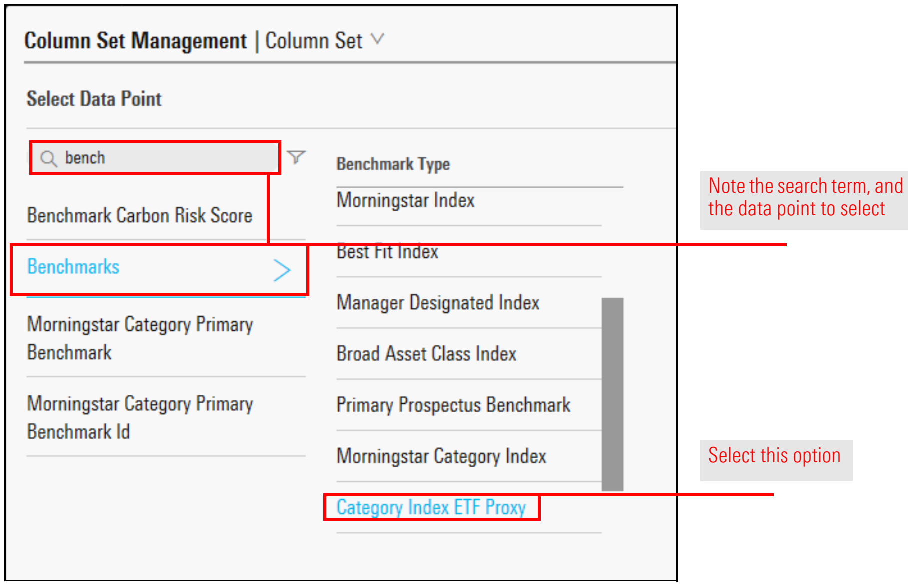
Scroll down a little to see this data point, or search for it by name

3. **Drag-and-drop** the **Active Share** data point to the left, until it is just to the right of Ticker.

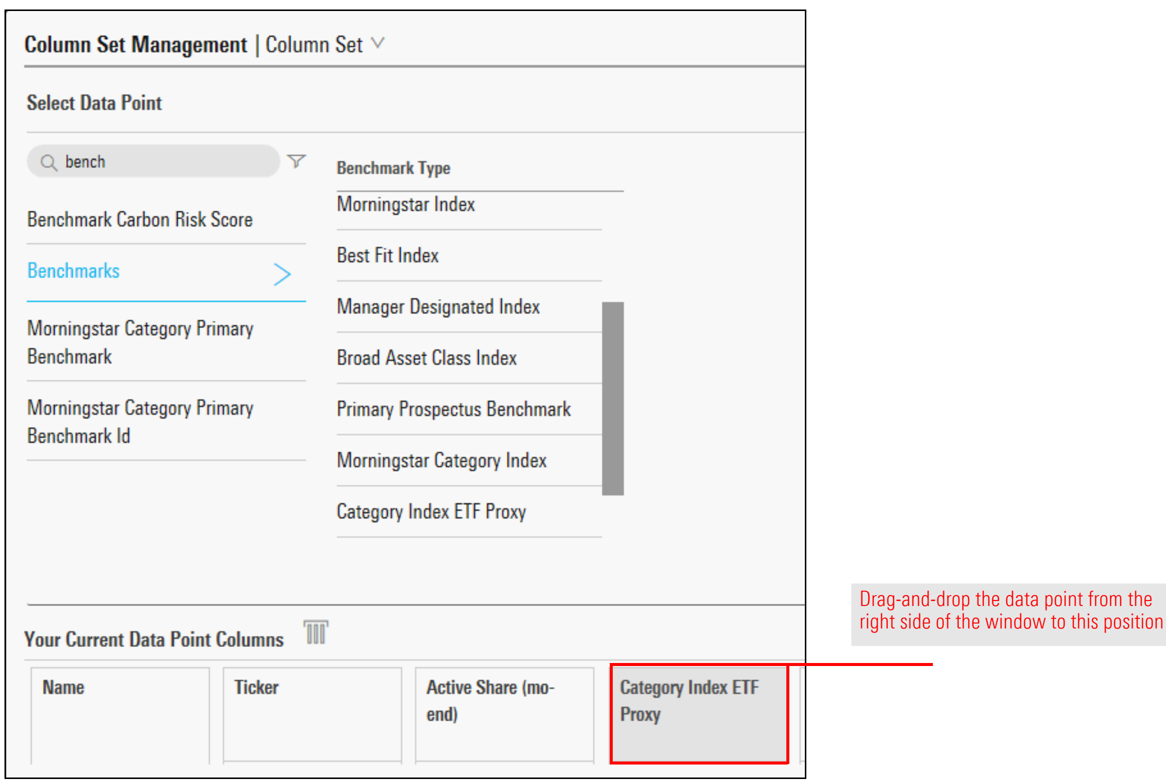


Drag-and-drop the data point from the right side of the window to this position

4. In the **Search for data points** field, type **bench**, then click **Benchmarks**.
5. Under the Benchmark Type heading, select **Category Index ETF Proxy**.

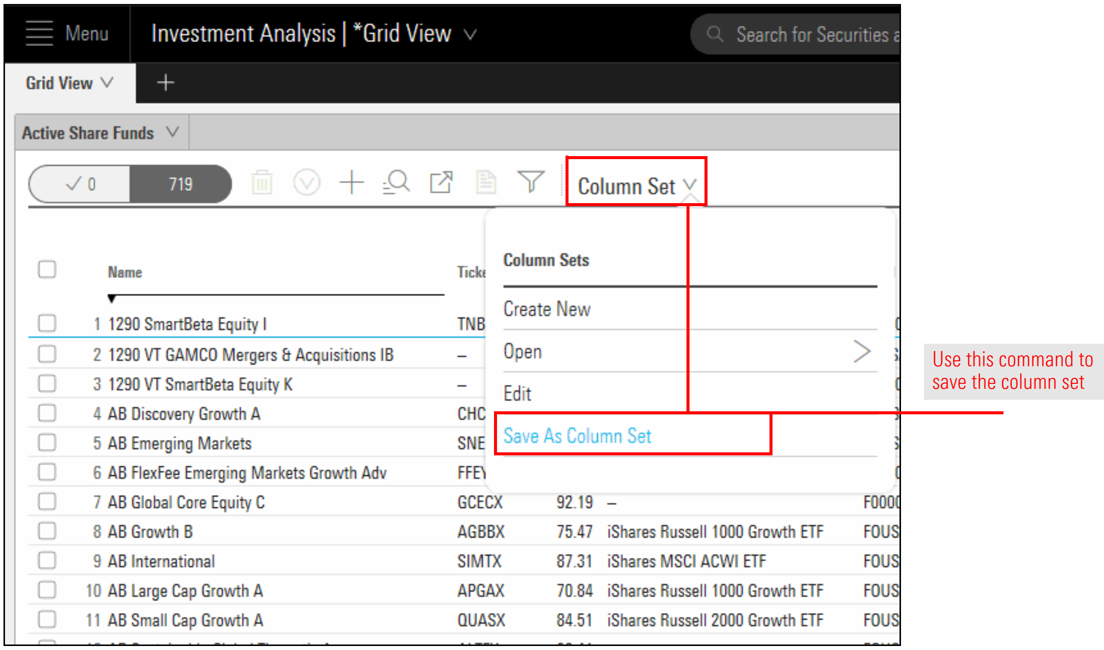


6. **Drag-and-drop** the **Category Index ETF Proxy** data point until it is just to the right of the Active Share data point.

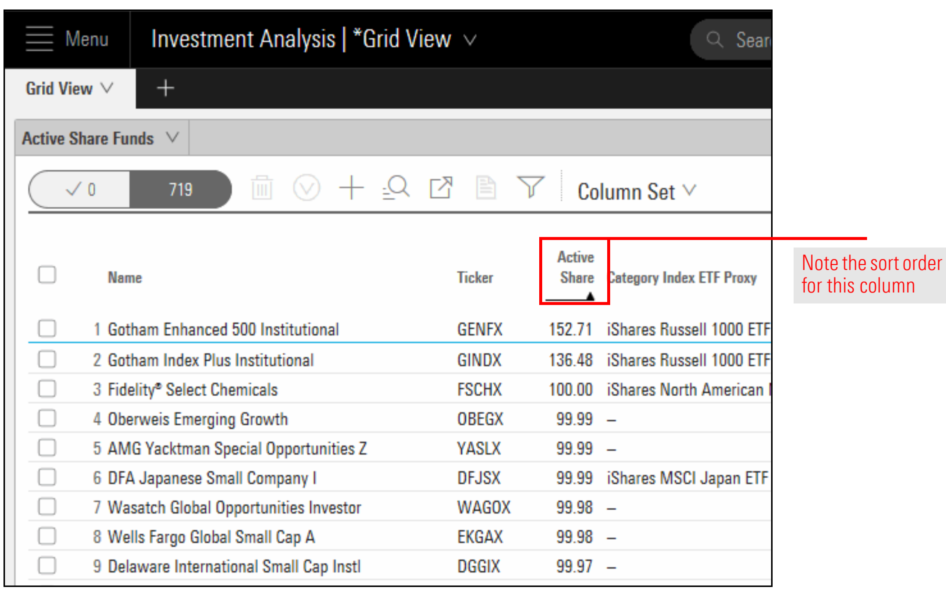


7. Click **Done**.

8. **Save** the column set as **My Active Share Score**.



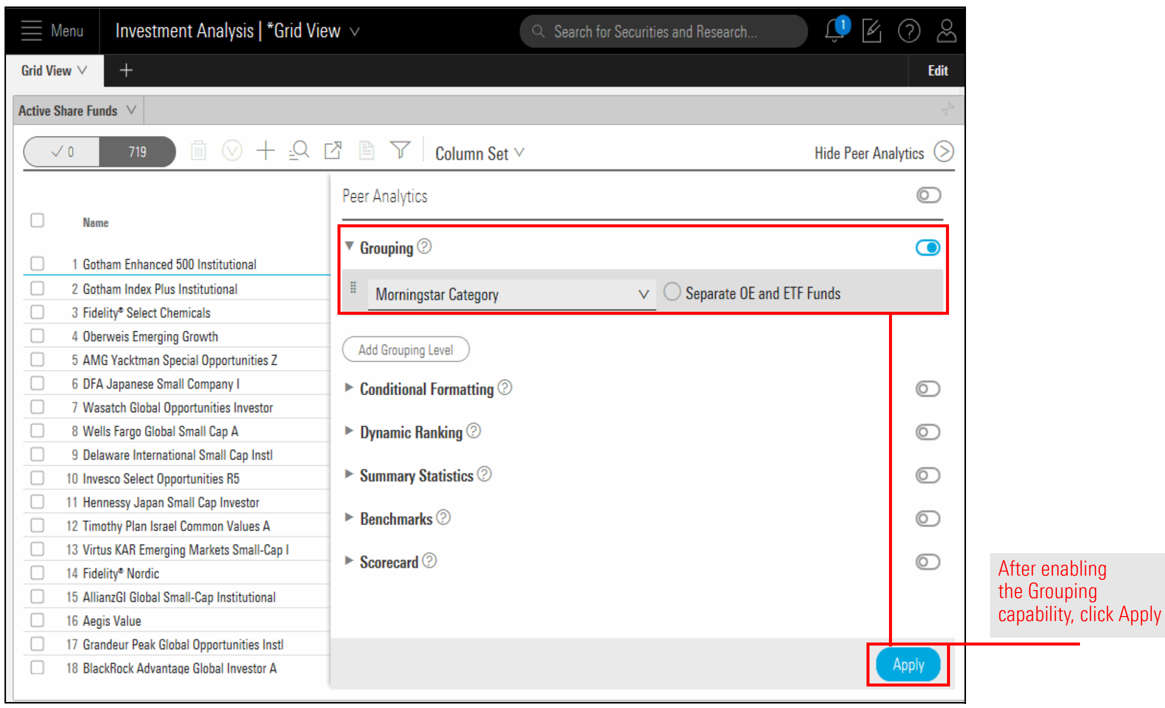
9. Click the **Active Share** column header to sort in ascending order.
10. Click the **Active Share** column header again to sort in descending order.



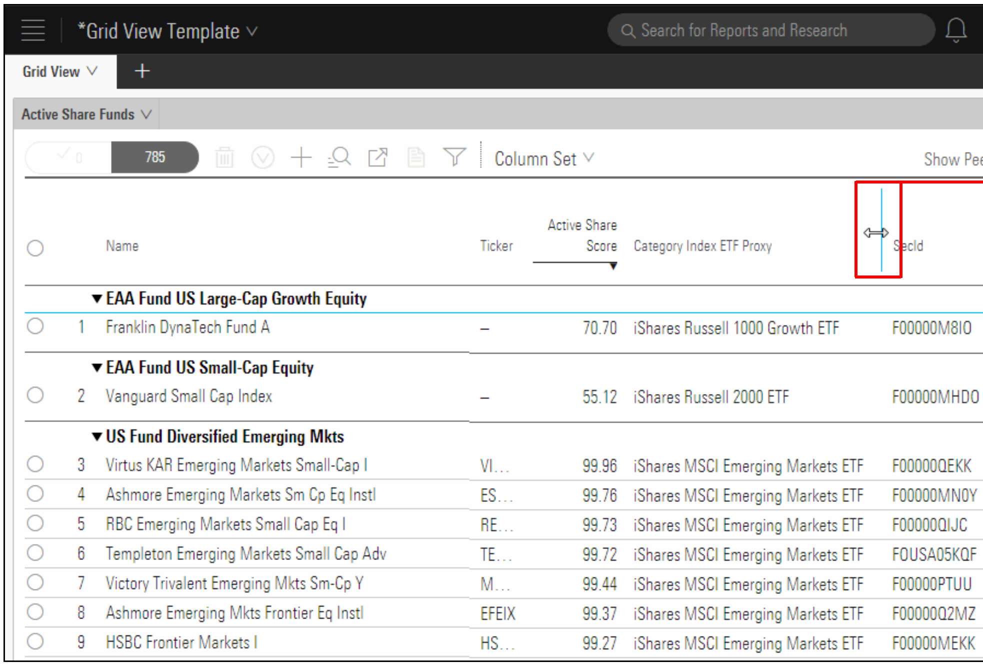
Exercise 14: Group funds by Morningstar Category

To group funds by Morningstar Category, do the following:

1. On the right side of the grid header, click **Show Peer Analytics**. The Peer Analytics panel opens.
2. Click the **Grouping** switch to activate it. In the drop-down field, Morningstar Category should already be selected.
3. Click **Apply**.



4. In the upper-right corner of the Peer Analytics panel, click **Hide Peer Analytics**. You can now see the funds with the highest Active Share Score at the top of each category.



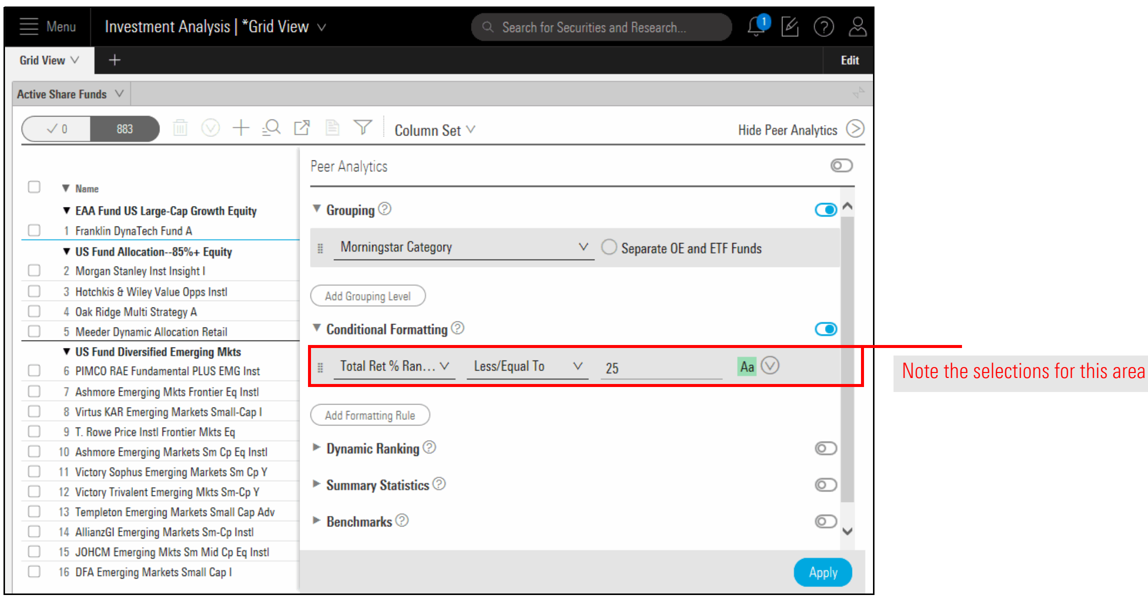
You may need to widen this column to make it easier to read the full name of the ETF proxy.

Exercise 15: Apply conditional formatting to a column

One way to clarify information in the Grid View component is to apply conditional formatting to numerical values. In this exercise, you will add color to the funds appearing in the top quartile of their category for the trailing 3-year period.

Do the following:

1. Click **Show Peer Analytics**.
2. Click the switch for **Conditional Formatting**.
3. From the **first drop-down field**, select **Total Ret % Rank Cat 3Y mo-end**.
4. Change the next drop-down field to **Less/Equal To**.
5. In the **Numeric Value** field, type **25**
6. Click the **Formatting Style** icon, and select **green**.

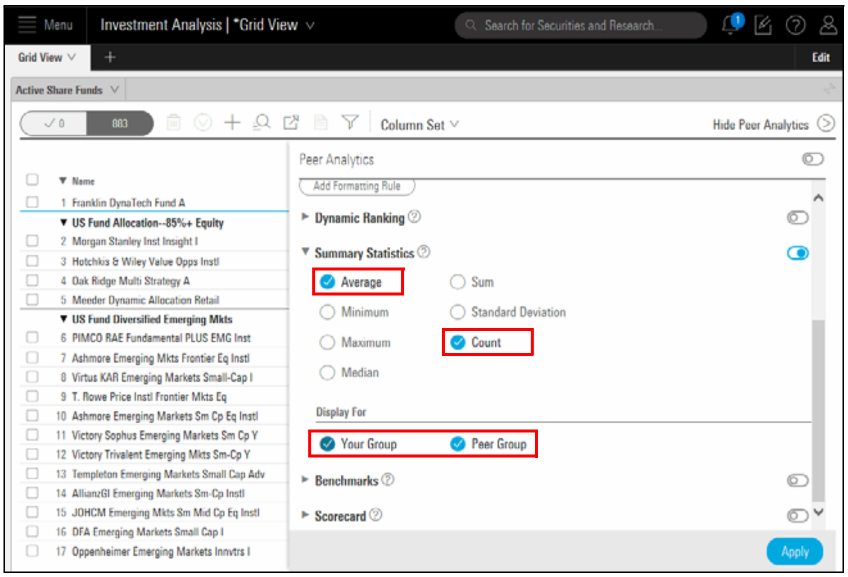


7. Click **Apply**.
8. Click **Hide Peer Analytics**.

Exercise 16: View the average and count values for each category group

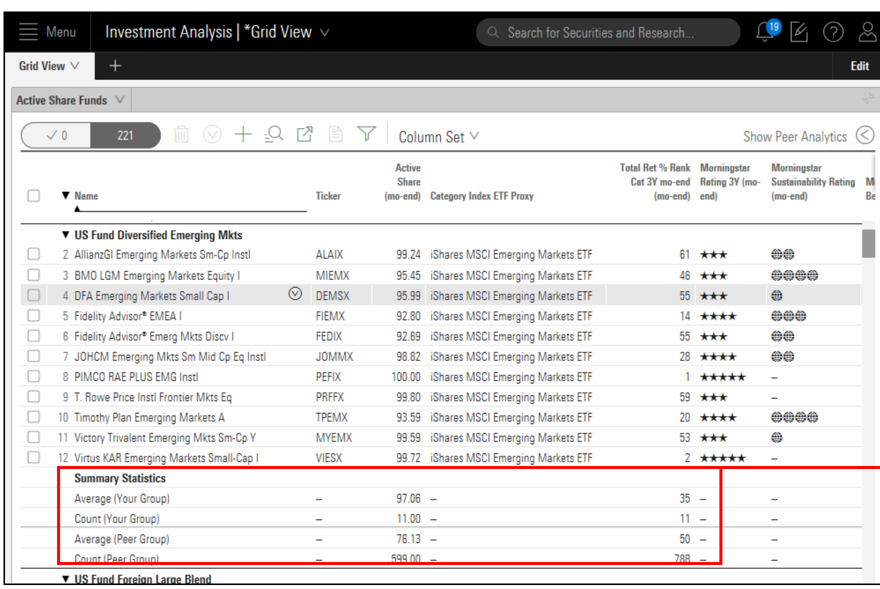
Looking at the category performance for the funds is helpful, but it's also useful to see values for each category itself. To see summary statistics for each category, do the following:

1. Click **Show Peer Analytics**.
2. Click the switch for **Summary Statistics**. The Average option is selected by default.
3. Select the option for **Count**. (The Average option should remain selected.)
4. Under the Display For section, the option for Peer Group is selected by default. Select the option for **Your Group**. (The Peer Group option should remain selected)



Be sure to select only the highlighted items in this area

5. Click **Apply**.
6. Click **Hide Peer Analytics**. Note the rows added at the bottom of each group, and the values calculated (where possible).

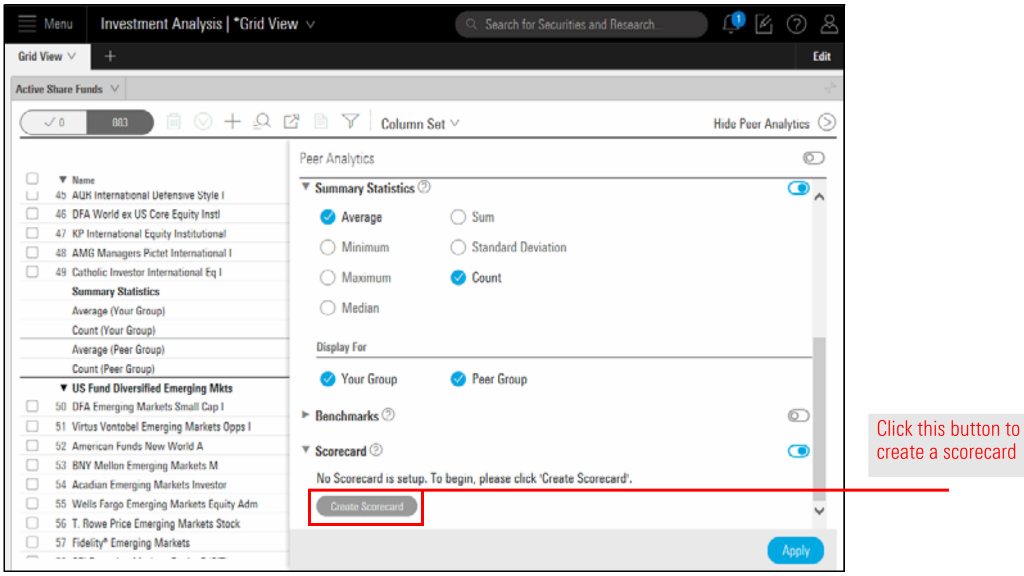


These rows were added by virtue of enabling the Summary Statistics options.

Exercise 17: Apply a standard scorecard to the list

To create a scorecard using the data columns being shown, do the following:

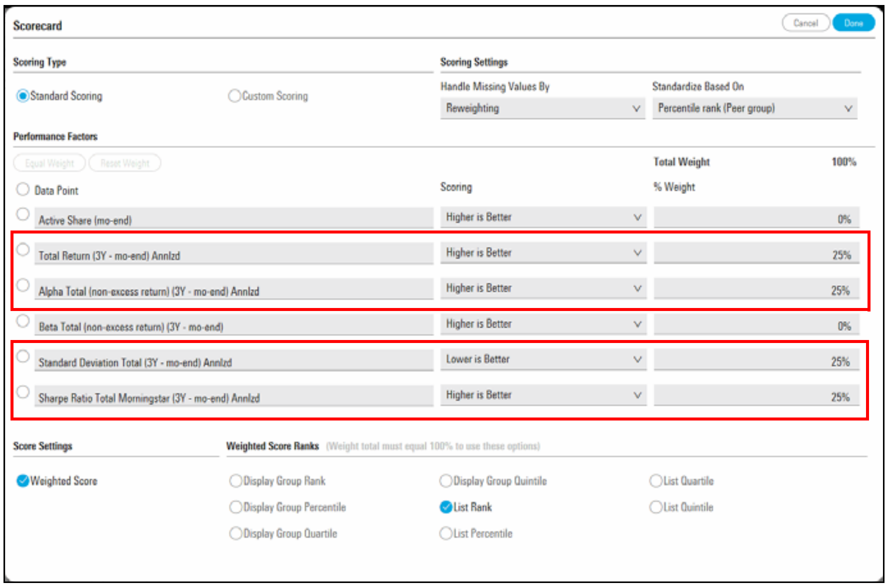
1. Click **Show Peer Analytics**.
2. Click the switch for **Scorecard**.
3. Click **Create Scorecard**. The Scorecard window opens.



4. Enter the following values in the **Total Weight** column:

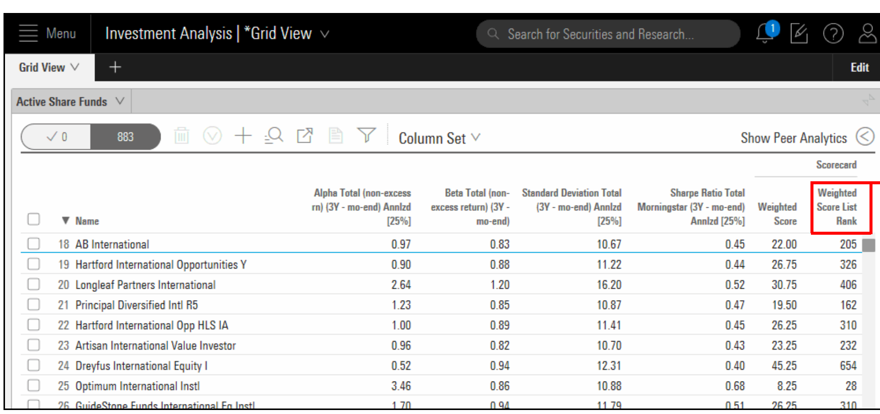
Data Point	% Weight
Total Return (3Y - mo-end) Annlzd	25
Alpha Total (non-excess return) (3Y - mo-end) Annlzd	25
Standard Deviation Total (3Y - mo-end) Annlzd	25
Sharpe Ratio Total Morningstar (3Y - mo-end) Annlzd	25

☞ Note: The Scoring value for Standard Deviation is automatically set to Lower is Better. No weight should be entered for the Active Share or Beta Total rows.



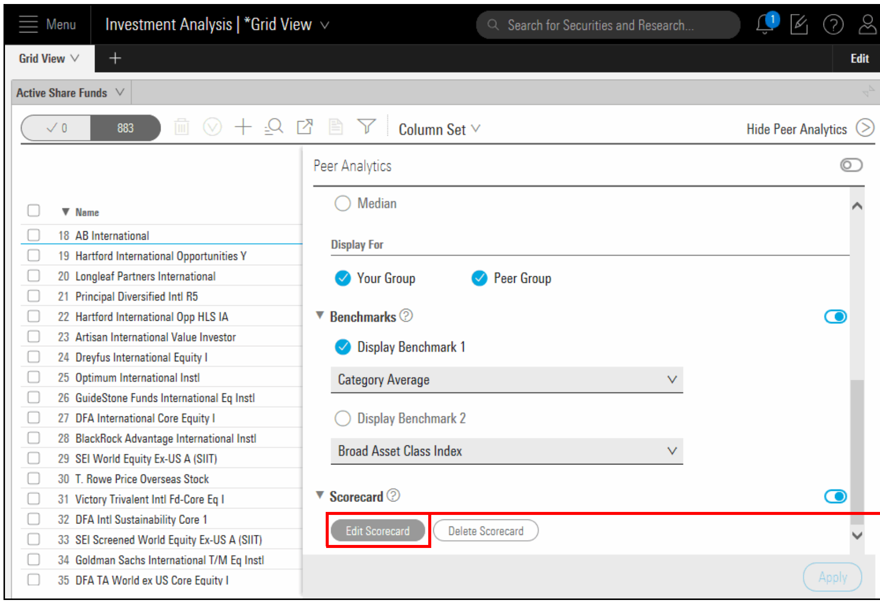
Note that only certain columns are being used in the scorecard

5. Click **Done**.
6. Click **Hide Peer Analytics**.
7. **Scroll right** to see the Scorecard columns. Note that because standard scoring is being used, a lower score is better than a high score.



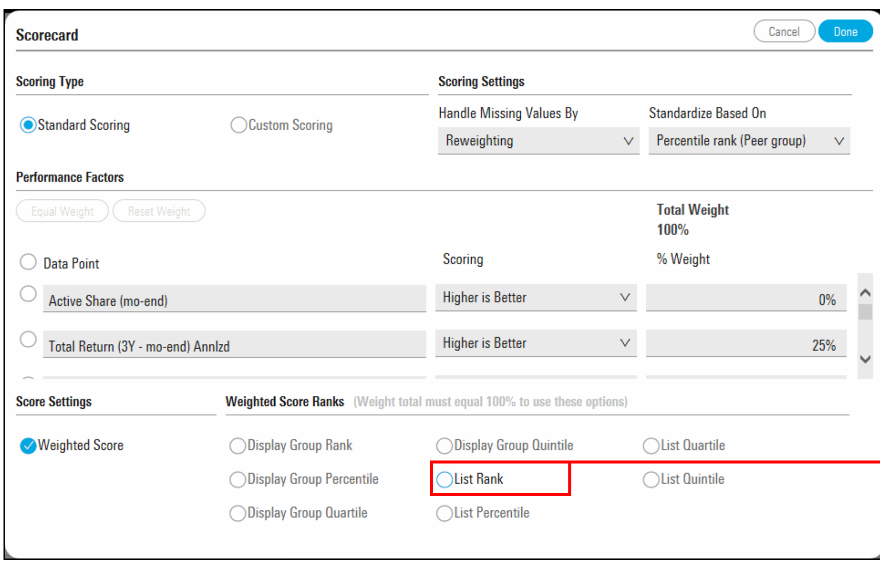
This column can be removed from the component.

8. Click **Show Peer Analytics**.
9. Click **Edit Scorecard**. The Scorecard window opens.



Click this button to edit the scorecard

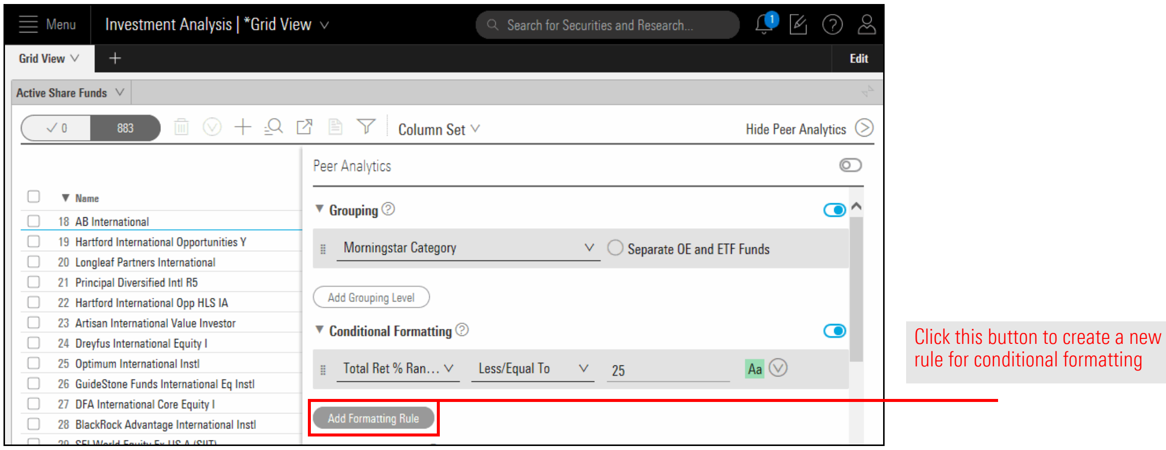
10. Deselect the option for **List Rank**.



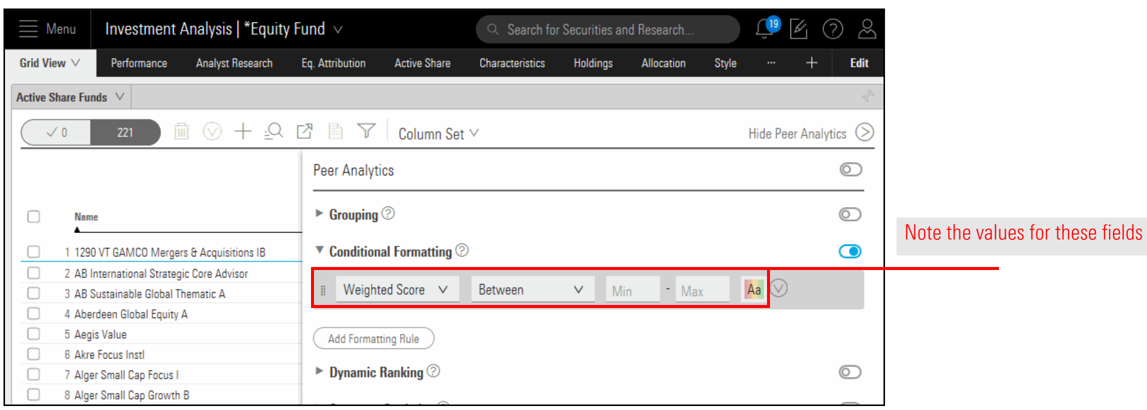
This option can be deselected

11. Click **Done**.
12. Click **Hide Peer Analytics**.
13. **Scroll right** to see the Scorecard column. How do the range of values in the Weighted Score column compare to one another? It can be difficult to say just by scrolling up and down. It would be easier to distinguish them if they could be viewed as a heat map, where the values are automatically assigned a corresponding color.
14. Click **Show Peer Analytics**.

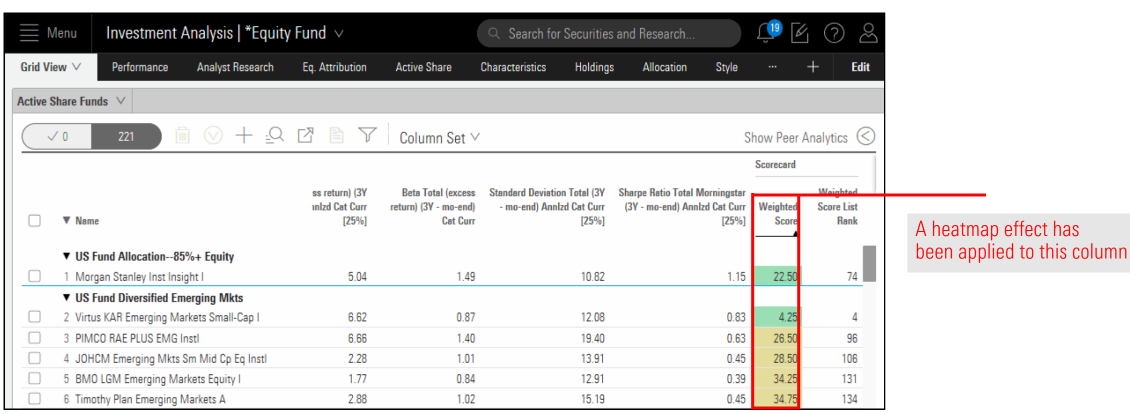
15. Under the Conditional Formatting area, click **Add Formatting Rule**.



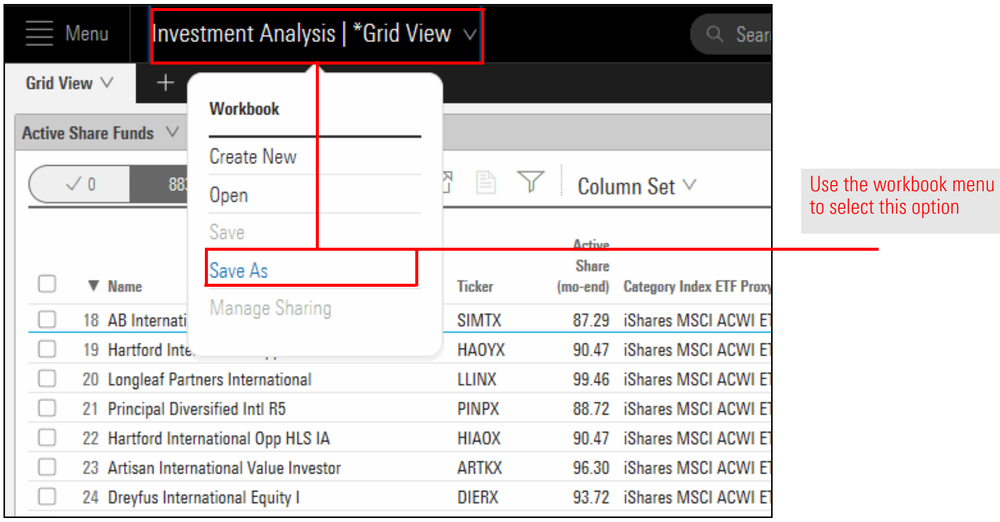
16. From the **first drop-down field**, select **Weighted Score**.
17. From the **Choose Operator** field, select **Between**.
18. The Value fields should read Min - Max.
19. Be sure the **Formatting Style** icon reflects the **multi-color** option.



20. Click **Apply**.
21. Click **Hide Peer Analytics**.
22. **Scroll right** to see the Weighted Score column.



23. **Save** the workbook with the name **Active Share Performance Report**.



Creating a Custom Scorecard

Overview

In this example, you will create a custom scorecard based on the category rank value for a series of periods. Specifically, the custom scorecard will evaluate how frequently a fund appeared in the top quartile of its category in each period.

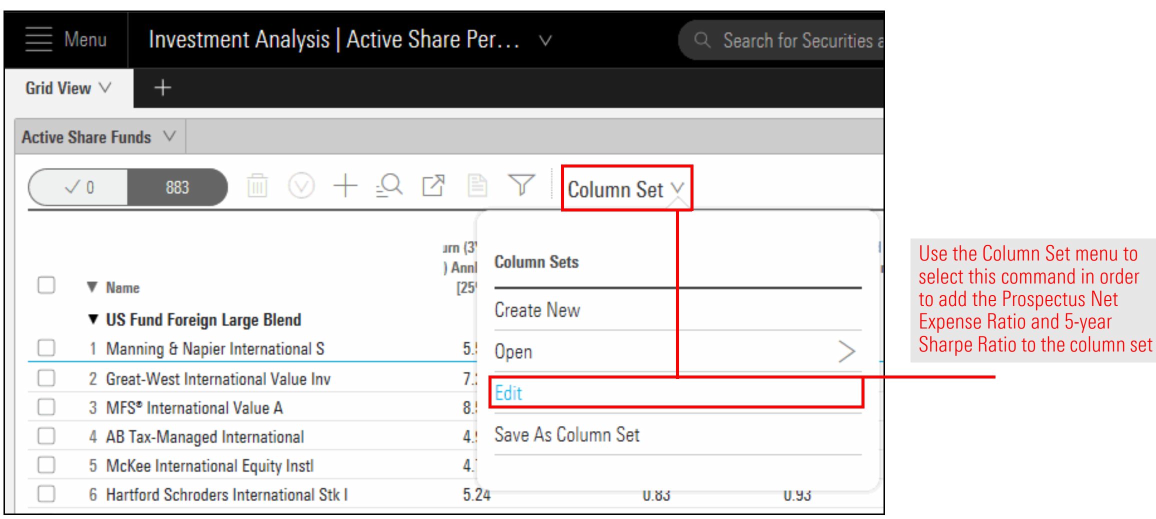
Exercise 18: Find the average value for a data point

When creating a screen, no option exists to see if a value such as Return or Expense Ratio is above or below the category average. Instead, you must first find the numeric value for the category average, then use that number when creating a screen. In this exercise, you will locate the category average for Prospectus Net Expense Ratio and the 5-year Sharpe Ratio in the Large Blend category. In the next exercise, you will use this value to create a screen for Large Blend funds.

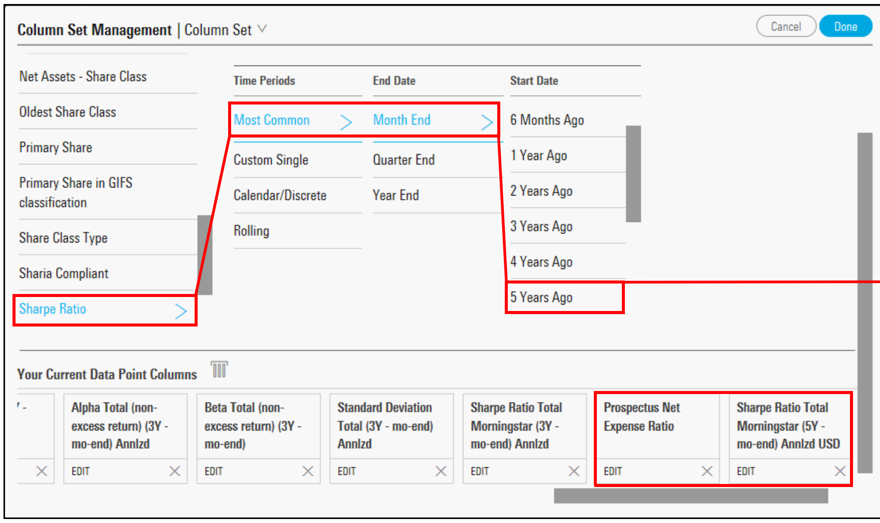
One way to find the Large Blend category average for Prospectus Net Expense Ratio and 5-year Sharpe Ratio would be to create a new screen where you look in the Category universe to find the value for that data point. The Active Share Performance Report workbook you have open, however, probably contains that category, and the Peer Analytics panel allows you to display Summary Statistics for it, too. In fact, in Exercise 16 on page 38 you enabled the Average values in the Peer Analytics panel. Therefore, all you need to do is ensure the correct data points are showing in the column set, then find the correct category to locate the average value for the Prospectus Net Expense Ratio and 5-year Sharpe Ratio.

Do the following:

1. The Active Share Performance Report workbook should be open. From the **Column Set** menu, select **Edit**. The Column Set Management window opens.

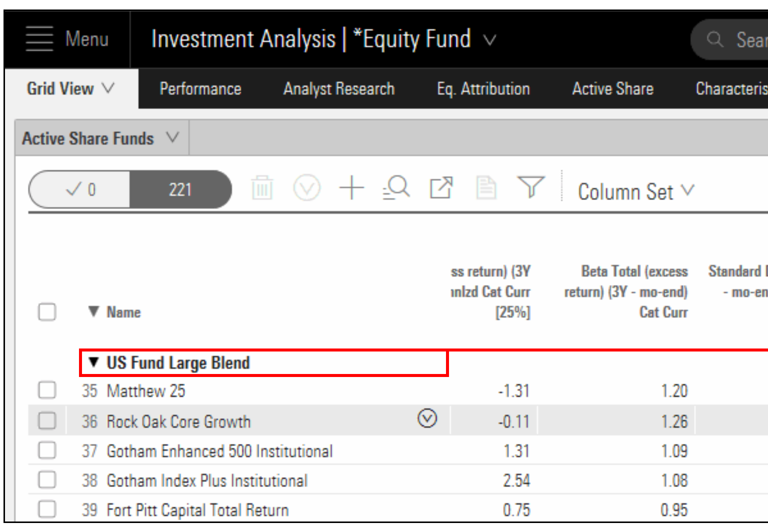


2. Add the following data points to the column set:
   - **Prospectus Net Expense Ratio**, and
   - **Sharpe Ratio 5Y (mo-end)**.



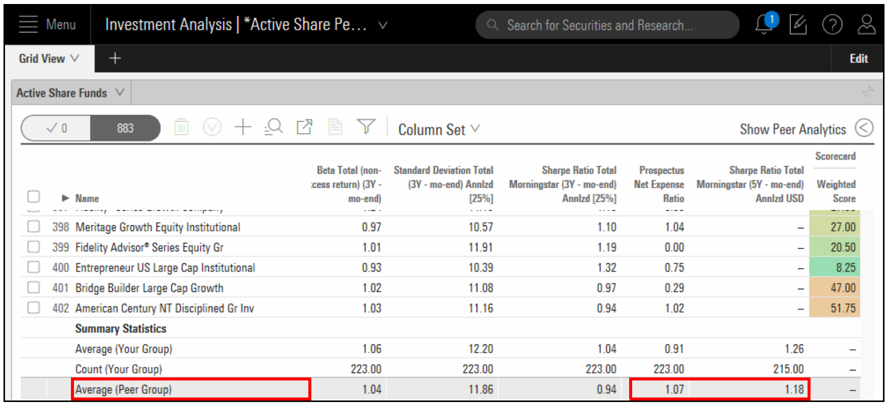
Be sure to add the correct two data points to the column set

3. Click **Done**.
4. Locate the **US Fund Large Blend** category.



Be careful; note that the categories are not listed in alphabetical order

5. **Scroll down** to the bottom of the category until you see the Summary Statistics area, then **scroll right** to see the values for the Prospectus Net Expense Ratio and 5-Year Sharpe Ratio columns you added.



Be sure to take note of the Peer Group values, not the values for Your Group

6. In the following table, record the **Average (Peer Group)** value for the category and each data point:

Category	Prospectus Net Expense Ratio	5-Year Sharpe Ratio (mo-end)
Large Blend		

Exercise 19: Create a screen to find funds in the Large Blend Morningstar Category

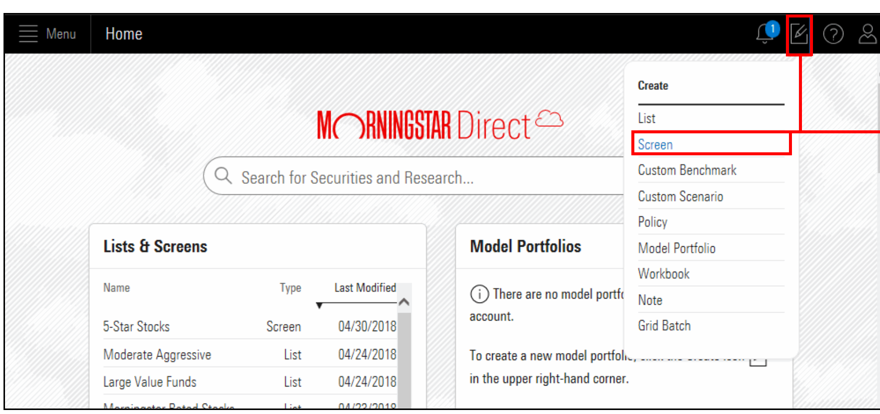
The screen for this example considers funds only in the US Fund Large Blend category. The funds must also meet the following criteria:

- at least five years old
- below-average expense ratio
- above-average 5-year Sharpe Ratio
- Downside Capture Ratio 5-year of less than 100, and
- open to new investors.

To find these funds, do the following:

1. From the **Create** icon, select **Screen**. The Screener window opens.

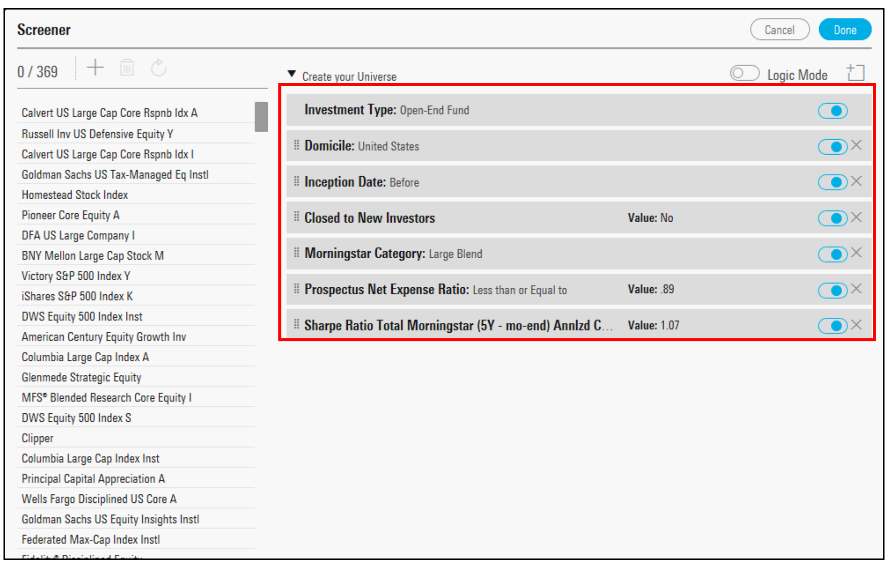
   ☞ Note: When prompted to save the workbook, click **Don't Save**.



Use this icon to create a new screen

2. Create a screen with the following criteria:

Field	Value(s)
Investment Type	Open-End Fund
Domicile	United States
Inception Date	Before [mm/dd/yyyy] (use the first day of the current month from five years ago)
Closed to New Investors	No
Morningstar Category	Large Blend
Prospectus Net Expense Ratio	Less than or equal to [enter value from step 6 on page 46]
Sharpe Ratio Total Morningstar (5Y - mo-end) Annlzd Cat Curr:	Greater than or equal to [enter value from step 6 on page 46]



Carefully note the construction of this screen

3. Click **Done**.
4. **Save** the screen with the name **Large Blend Funds**.

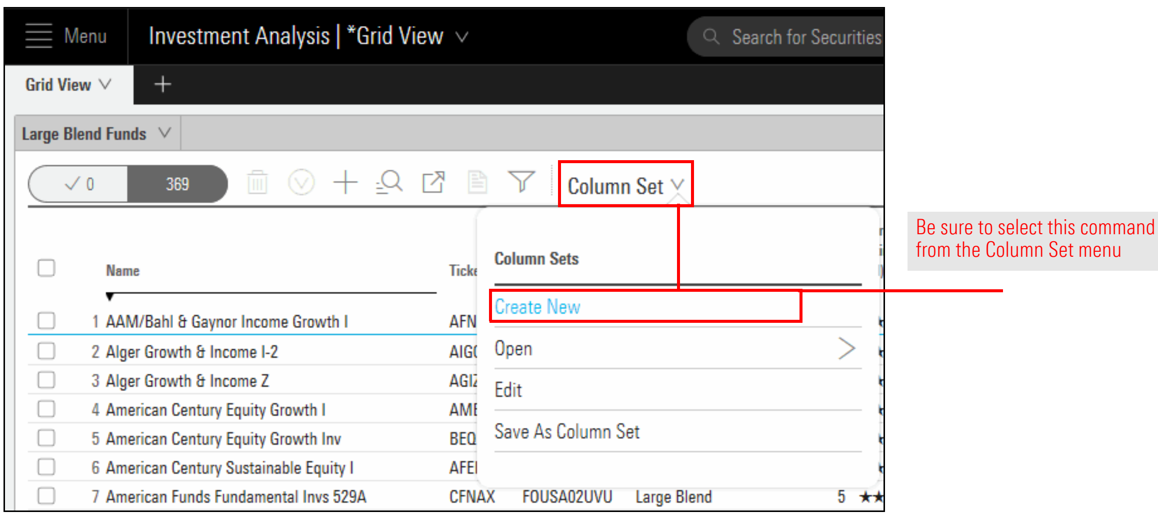
Exercise 20: Create a custom column set

Before the scorecard can be created, the correct columns must be displayed in the Grid View component. In this exercise, you will create a custom column set to include the following data points:

- Name
- Ticker
- Morningstar Analyst Rating
- Morningstar Quantitative Rating
- Prospectus Net Expense Ratio
- Sharpe Ratio 5Y mo-end
- 3Y Rolling Returns, and
- % Rank in Category for 1Y, 3Y, and 5Y periods.

Do the following:

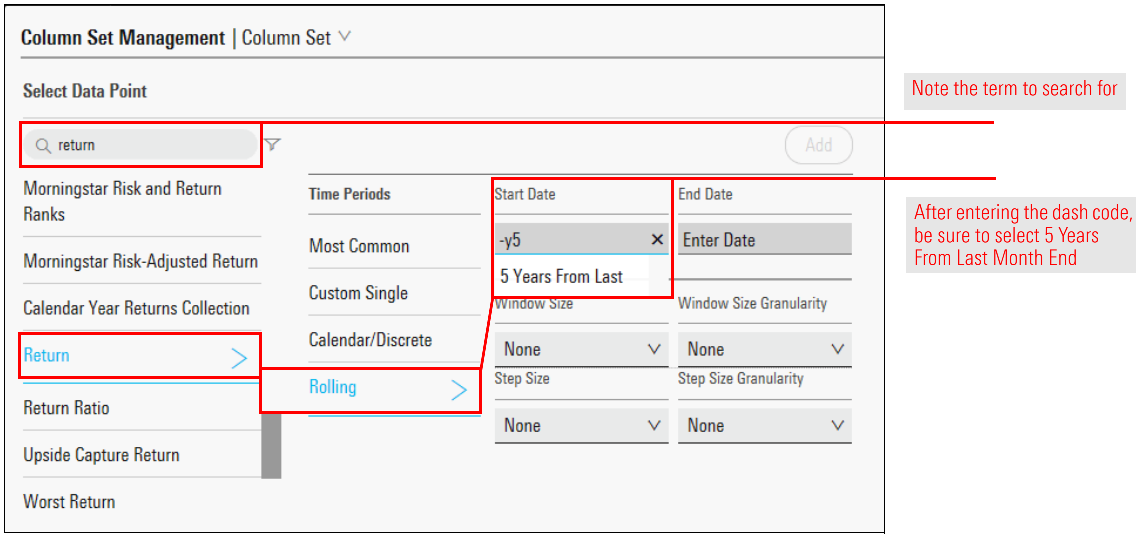
1. From the **Column Set** menu, select **Create New**. The Column Set Management window opens.



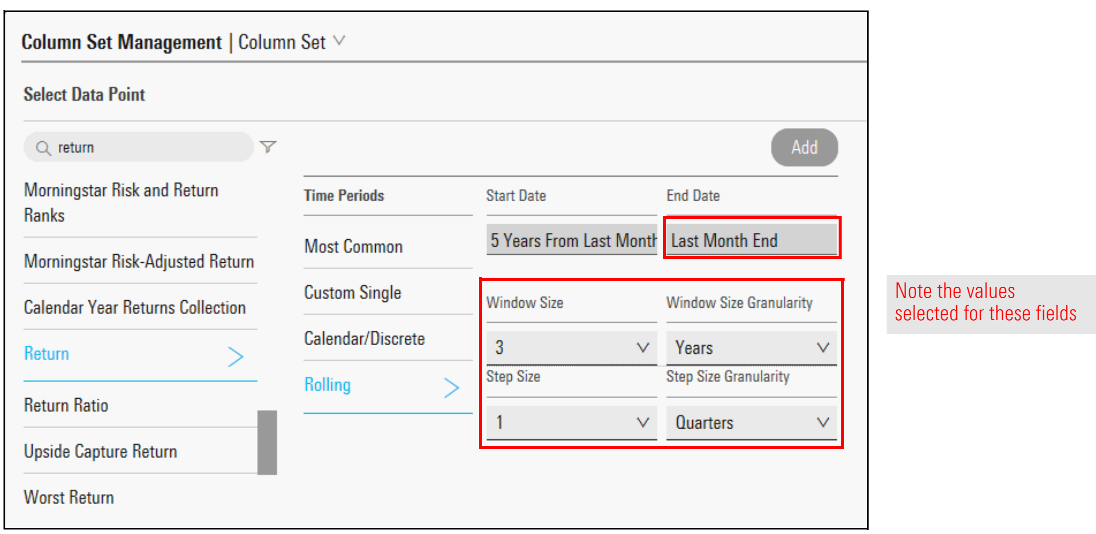
2. Include the following data points:
    - **Ticker**
    - **Morningstar Analyst Rating**
    - **Morningstar Quantitative Rating**
    - **Prospectus Net Expense Ratio**
    - **Sharpe Ratio 5Y mo-end**

3. To create the rolling return (three-year windows over the past five years, moving forward one quarter at a time), do the following:

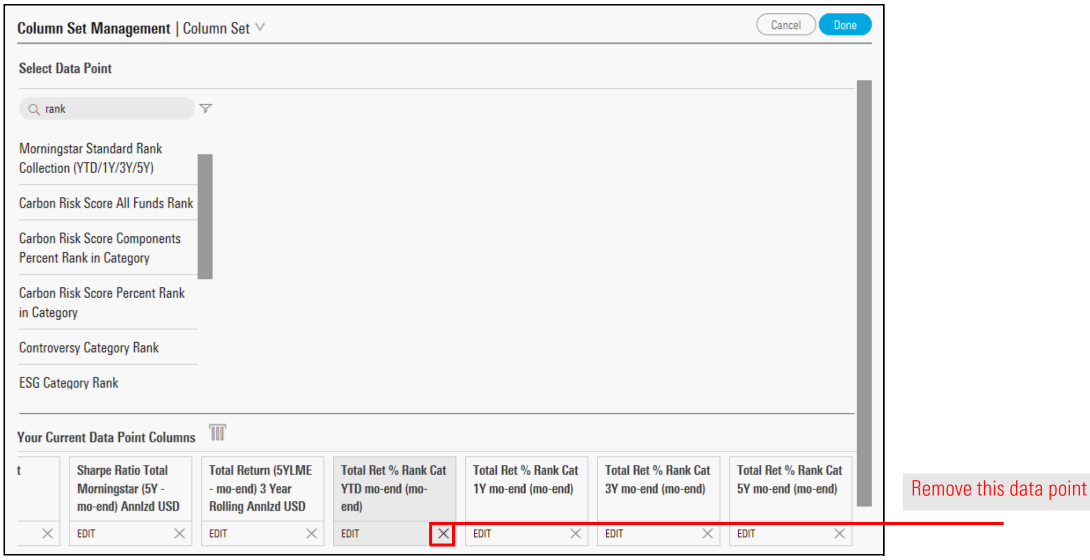
   A. **Search** for **Return**
   B. Under Time Periods, select **Rolling**
   C. In the **Start Date** field, type **-y5**, then select **5 Years From Last Month End**



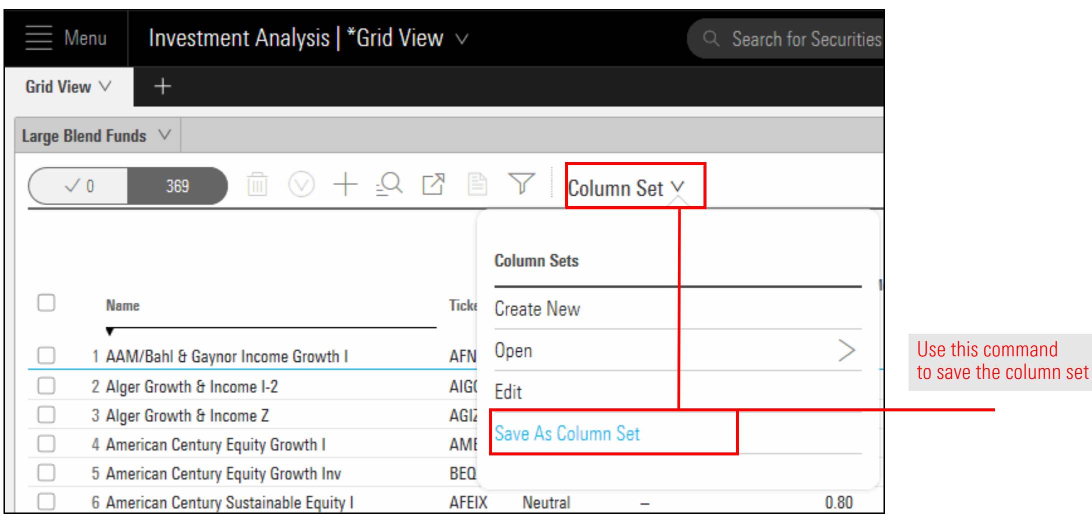
   D. In the **End Date** field, type **-m0**, then select **Last Month End**
   E. From the **Window Size** drop-down field, select **3**
   F. From the **Window Size Granularity** drop-down field, select **Years**
   G. From the **Step Size** drop-down field, select **1**
   H. From the **Step Size Granularity** drop-down field, select **Quarters**
   I. Click **Add**



4. Search for **Rank**, then select **Morningstar Standard Rank Collection (YTD/1Y/3Y/5Y)**.
5. Click the **X** to remove **Total Ret % Rank Cat YTD (mo-end)**.



6. Click **Done**.
7. From the **Column Set** menu, select **Save As Column Set**, and name the column set **Rolling Returns**. You now have the columns you need to create the scorecard.



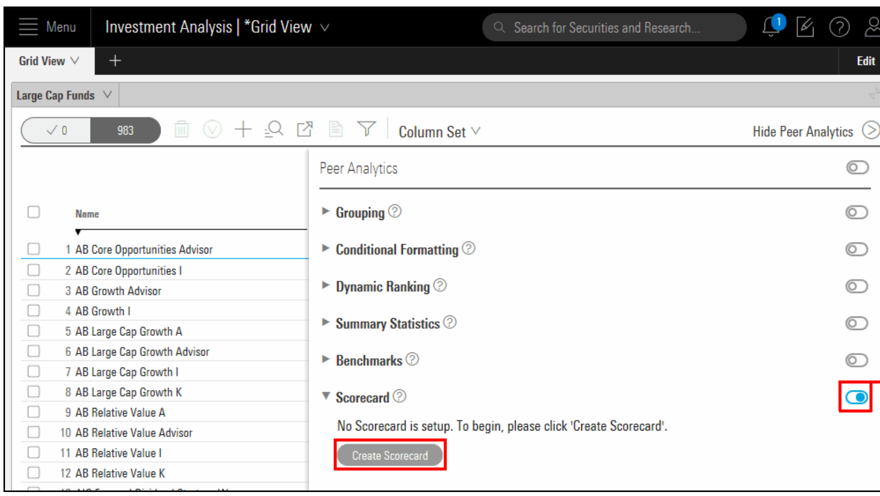
Exercise 21: Create a custom scorecard

A custom scorecard allows you to choose which data points (from the column set you have displayed in the Grid View component) will be used to calculate the score, and assign a weighting to them as well. This way, rather than simply stating that a higher or lower value for a data point should contribute to a better score (as is the case with standard scoring), you can target specific values for a data point.

In this example, you will target the Total Ret % Rank Cat columns in the Rolling Returns column set you created in Exercise 20 on page 48. Each time a fund appears in the top quartile (a value of 25 or less), it will be awarded one point. Further, the longer time period will be weighted more heavily than the shorter time periods.

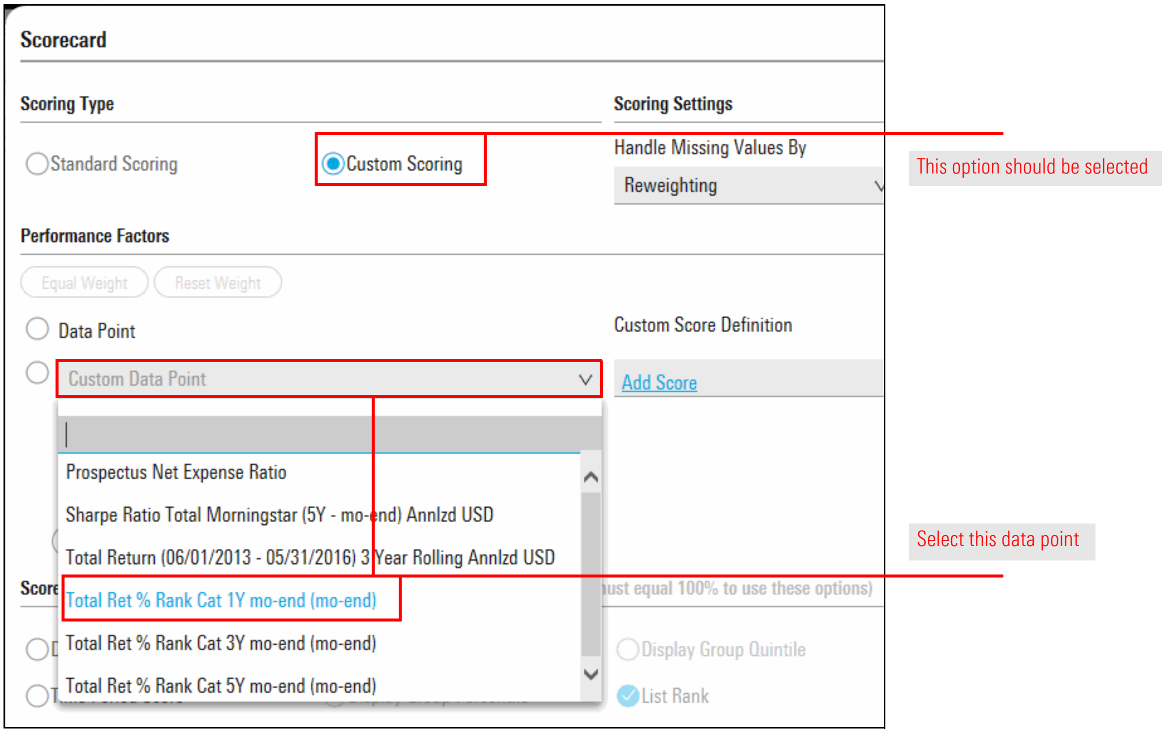
To create a custom scorecard, do the following:

1. The Large Cap Funds screen should be open, with the Rolling Returns column set displayed. Click **Show Peer Analytics**.
2. Click the **Scorecard** switch, then click **Create Scorecard**.

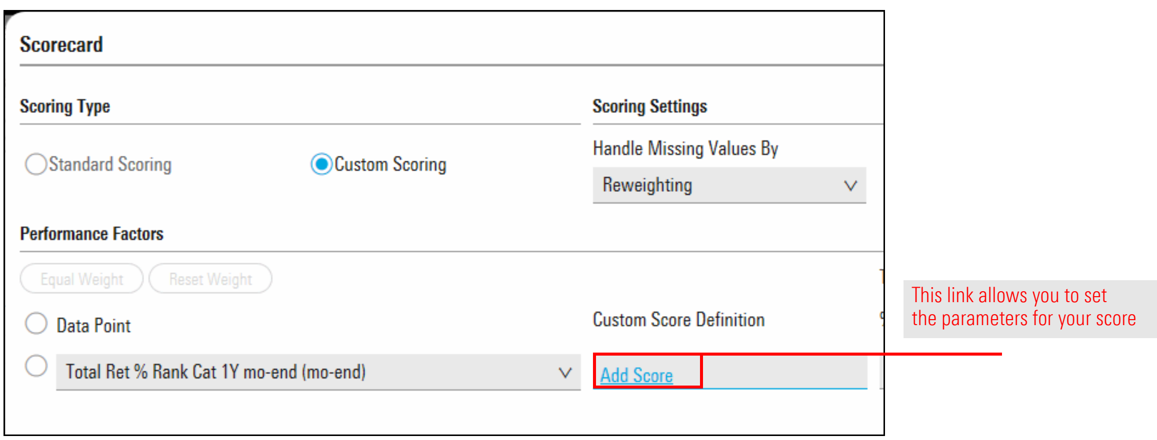


Be sure this switch is activated, then click Create Scorecard

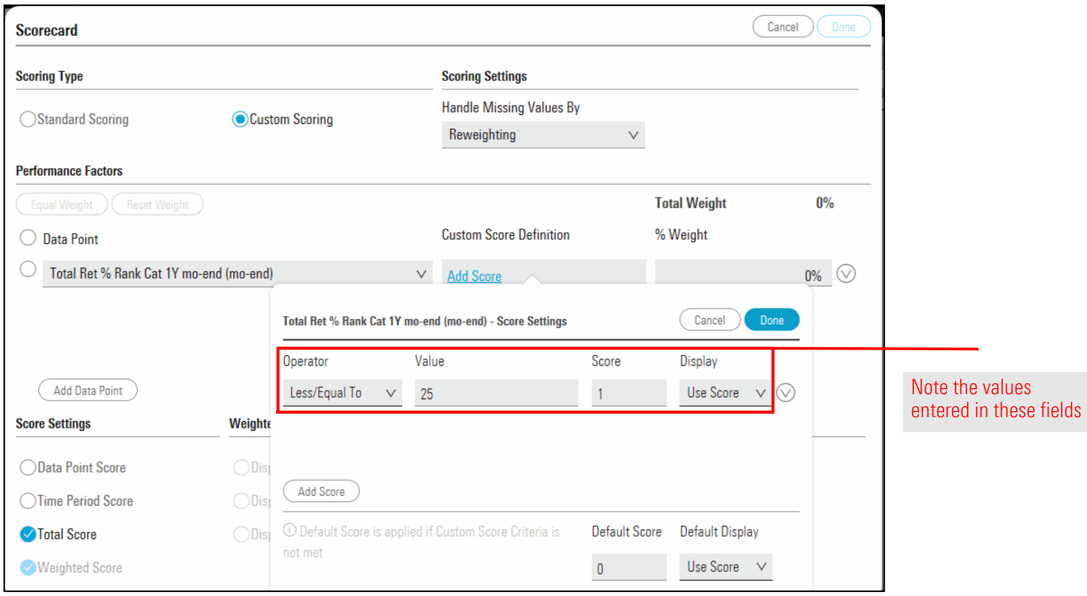
3. Select the option for **Custom Scoring**.
4. From the **Custom Data Point** drop-down field, select **Total Ret % Rank Cat 1Y mo-end (mo-end)**.



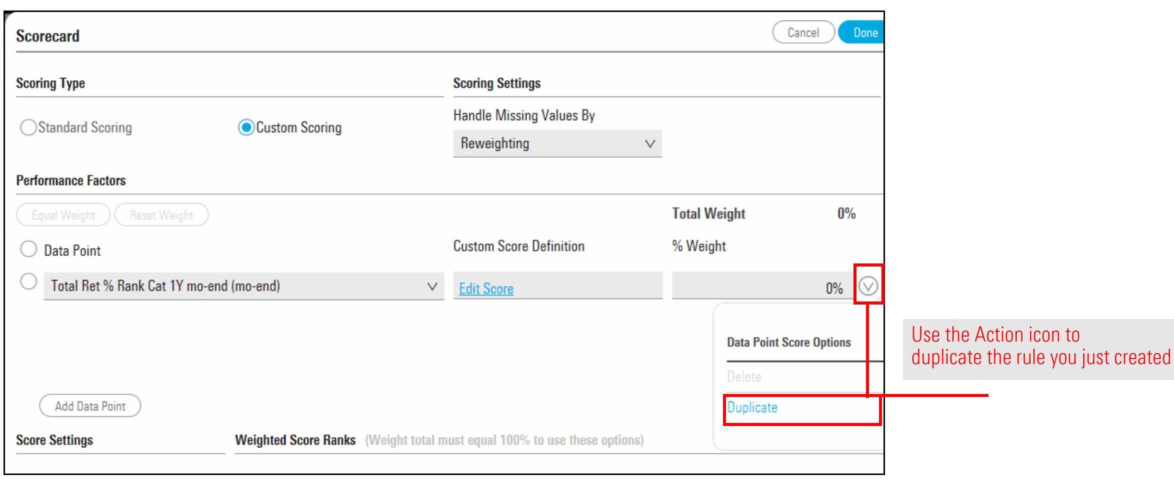
5. From the Custom Score Definition field to the right, click **Add Score**. The Score Settings pop-up window opens.



6. From the **Operator** drop-down field, select **Less/Equal To**.
7. In the **Value** field, enter **25**.
8. In the **Score** field, enter **1**. Leave the Display drop-down field as Use Score.
9. Click **Done**.



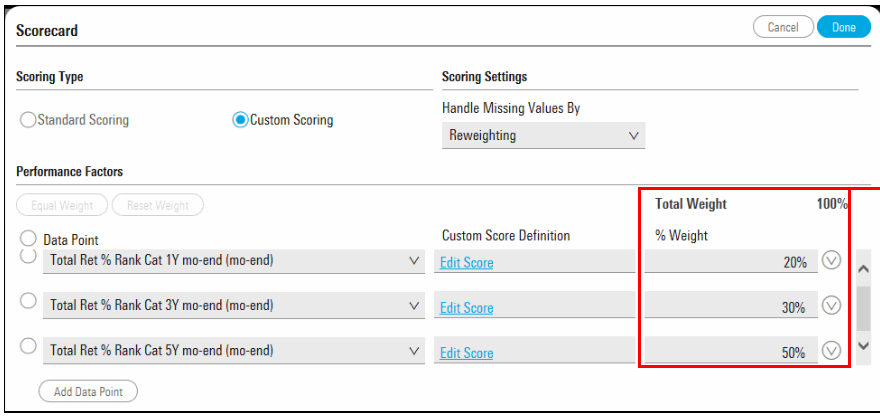
10. Now that this rule is established, you can easily duplicate it for the other two % Rank in Cat data points. To the far right of the first rule you created, click the **Actions** icon, then select **Duplicate**.



11. From the **Custom Data Point** drop-down field, select **Total Ret % Rank Cat 3Y mo-end (mo-end)**.
12. The score settings from the first rule automatically apply to this row; funds in the top quartile of their category will be awarded one point. To the far right of the second rule, click the **Actions** icon, then select **Duplicate**.
13. From the **Custom Data Point** drop-down field, select **Total Ret % Rank Cat 5Y mo-end (mo-end)**.

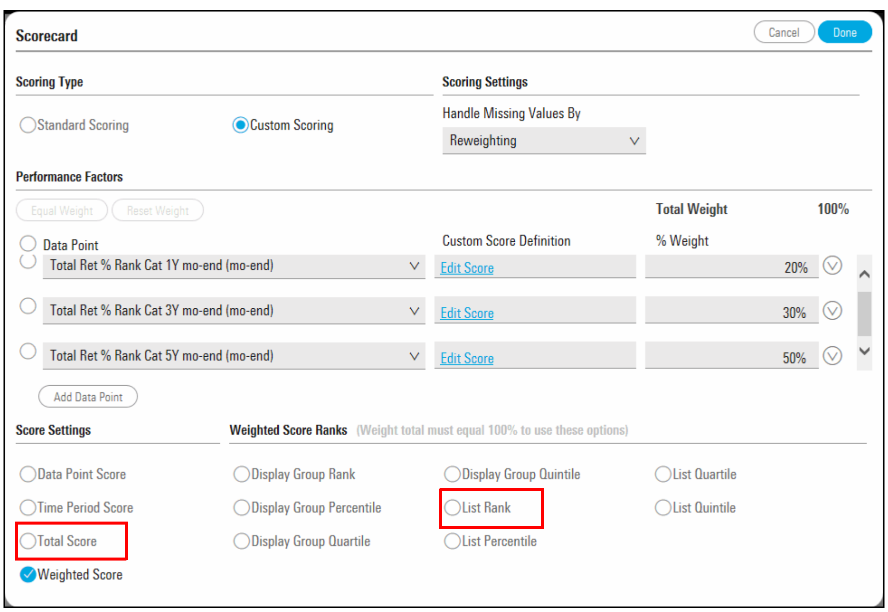
14. You can now enter the weightings for each performance factor. In the % Weight column, enter the values in the following table:

Data Point	% Weight
Total Ret % Rank Cat 1Y mo-end (mo-end)	20
Total Ret % Rank Cat 3Y mo-end (mo-end)	30
Total Ret % Rank Cat 5Y mo-end (mo-end)	50



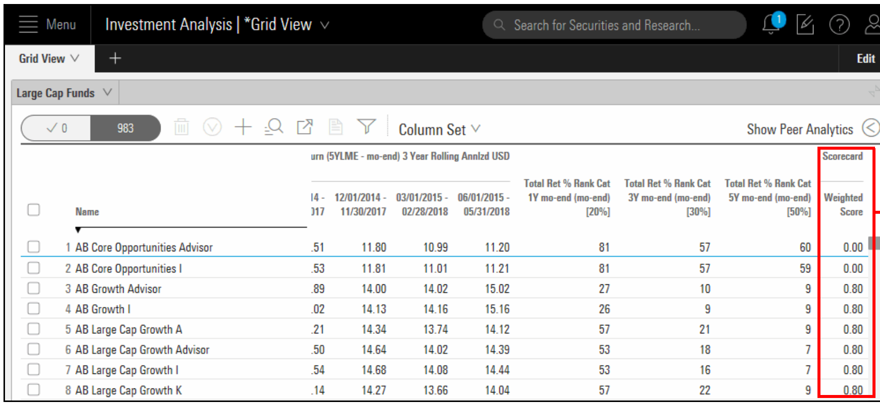
Be sure the weightings for your score always equal exactly 100%

15. In the Score Settings section, **uncheck** the options for **Total Score** and **List Rank**.
16. Click **Done** to close the Scorecard window.



Both of the highlighted options should be deselected

17. Click **Apply**.
18. Click **Hide Peer Analytics**.
19. **Scroll right** to see the Scorecard column.

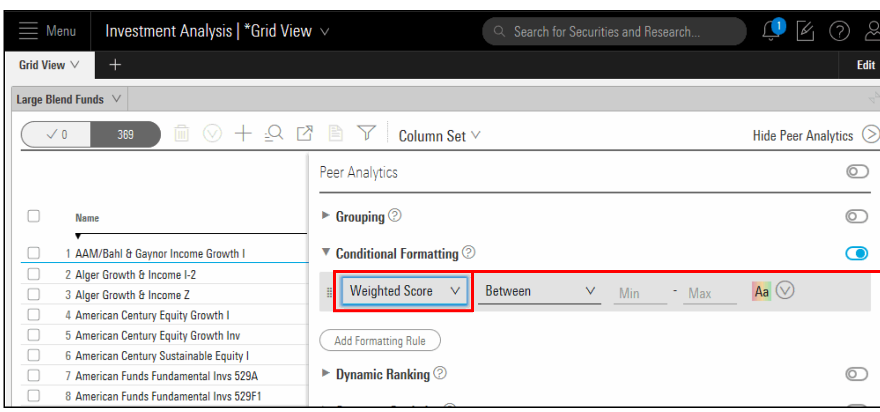


The values in this column range from 0.00 to 1.00; note the possible values as you scroll down

Exercise 22: Apply conditional formatting to the report

The final step is to apply conditional formatting to the Weighted Score column to make the scores easier to read. Once that is complete, you can save the workbook to preserve the changes and additions you have made. Do the following:

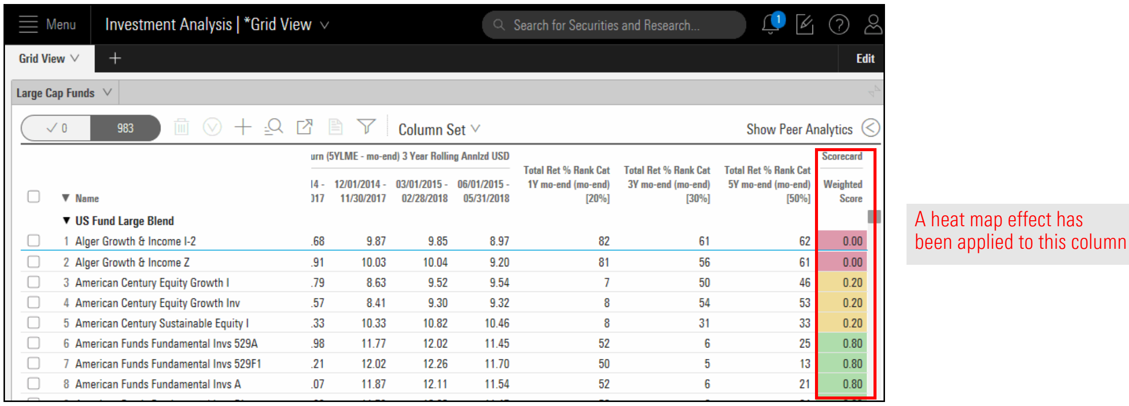
1. Click **Show Peer Analytics**.
2. Click the switch to turn on **Conditional Formatting**.
3. From the **All Numeric Data** drop-down field, select **Weighted Score**.



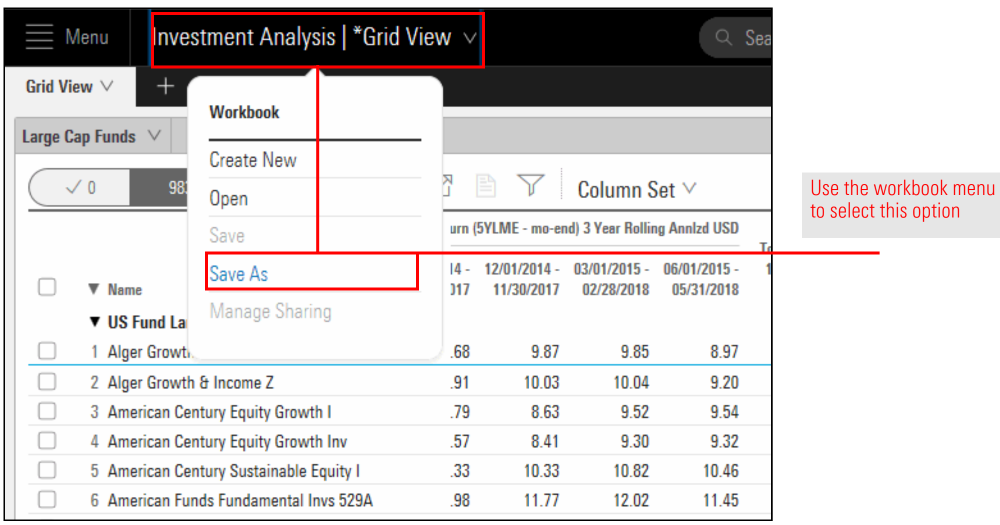
This is the only field you need to change for this option

4. Click **Apply**.
5. Click **Hide Peer Analytics**.

6. **Scroll right** to see the Weighted Score column with the conditional formatting applied.



7. **Save** the workbook as **Large Cap Performance Report**.



Setting Up a Grid Batch Report

Overview

Now that the workbook is saved, you can create a grid batch report for it. Creating a grid batch report means that the values in the Grid View component will be calculated on a schedule and frequency you choose, and a Microsoft® Excel® file will be prepared, which you can easily share with others at your firm. This way, you do not have to remember to do this work manually. Each grid batch report supports only one workbook.

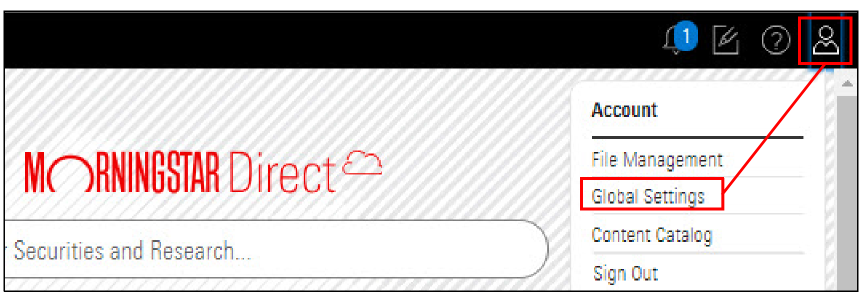
Taking advantage of grid batch reports involves the following basic steps:

1. Save a workbook with the list or screen to be calculated as part of the grid batch report.
2. Create a grid batch schedule (via the Create icon) to tell the system when the grid batch report should be created.
3. Visit the Grid Batch Reports page (via the Menu icon) to open or save a grid batch report.

Exercise 23: Set your time zone

When creating a grid batch, you set the time for the batch to run (such as 6:00). The batch will run when it's 6:00 a.m. in your time zone. The time zone setting is found in Global Settings. To set it, do the following:

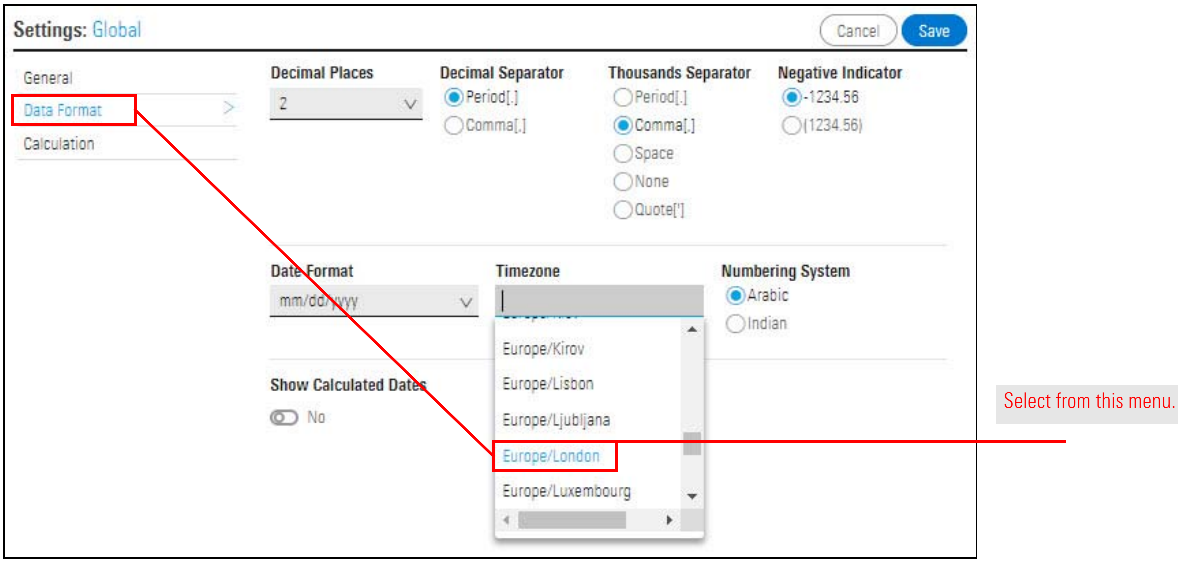
1. At the far right side of the header, click the **Account** icon.
2. From the Account menu, select **Global Settings**. The Global Settings window opens.



Note the highlighted selections.

3. Select the **Data Format** tab.
4. From the **Timezone** menu, select a **time zone**.

☞ Note: **Scroll down** to see more time zone selections, or type a **keyword** (such as London) in the **Search** field at the top of the Timezone menu.

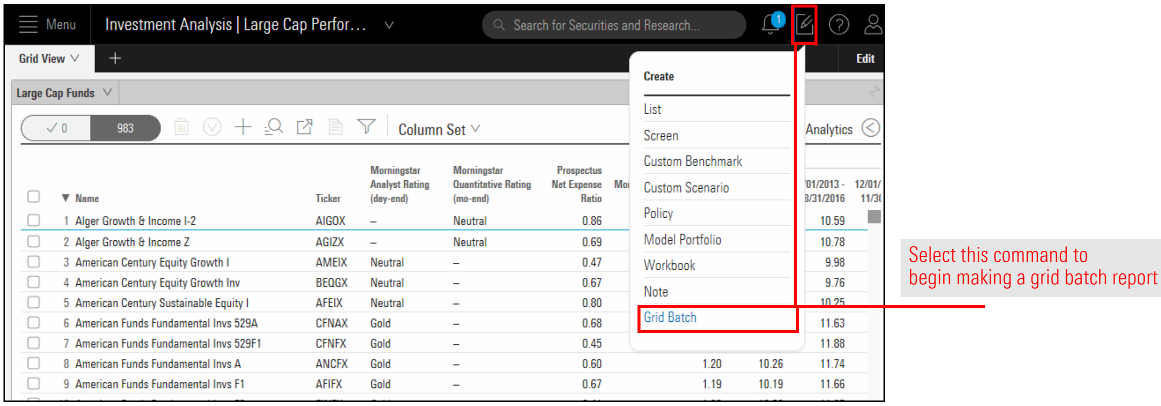


5. Click **Save**.

Exercise 24: Creating a grid batch report

To create a monthly grid batch report, do the following:

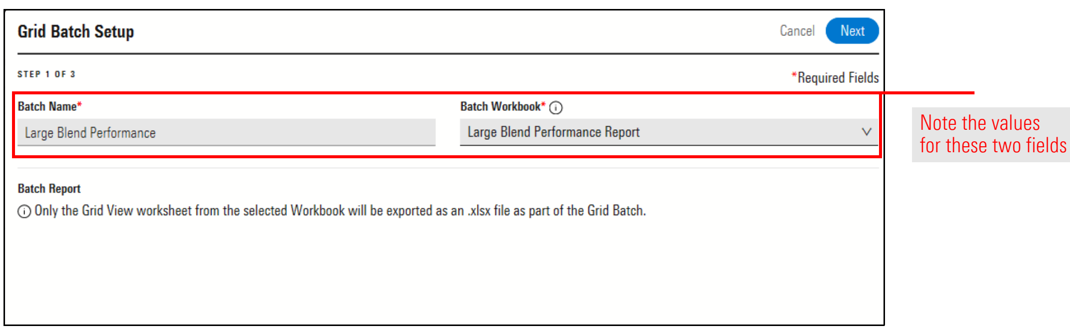
1. On the header, click **Create**, then select **Grid Batch**. The Grid Batch Setup window opens.



2. In the **Batch Name** field, type **Large Blend Performance**.

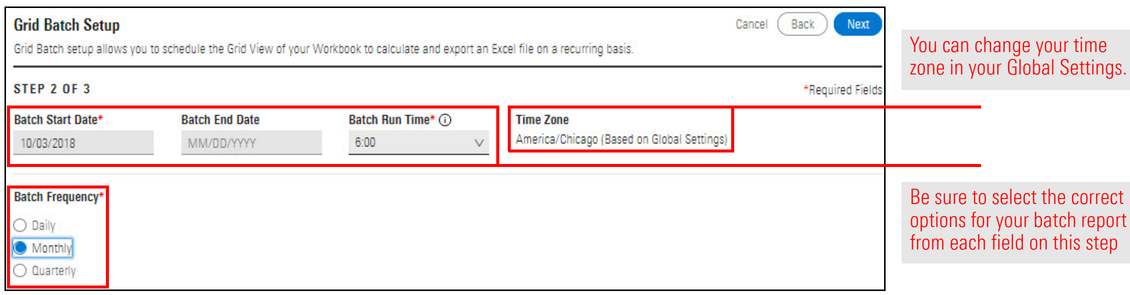
   Note: The name for a batch report is limited to 28 characters.

3. From the **Batch Workbook** drop-down field, select the **Large Blend Performance Report** workbook you saved in the previous exercise.



4. Click **Next**.

5. From the **Batch Start Date**, enter the date of the **third business day in the next month**. Leave the Batch End Date as MM/DD/YYYY. This way, the report will re-run each month with no end date.
6. From the **Batch Run Time** drop-down field, select **6:00**. To the right of the Batch Run Time field, the Time Zone (from your Global Settings) is displayed. Together, these two fields indicate the report will run when it is 6 a.m. in the America/Chicago time zone.
7. In the Batch Frequency area, select the option for **Monthly**.



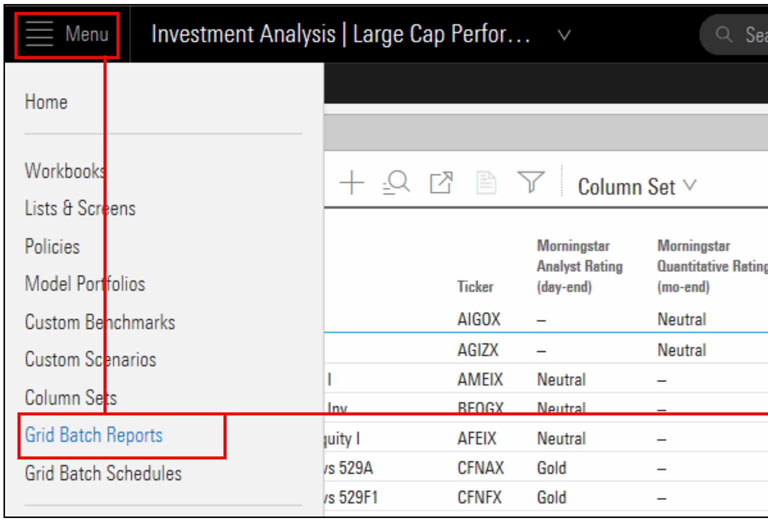
8. Click **Next**.
9. Click **Save**. The first report will generate at the time you selected from the Batch Run Time field on the Batch Start Date you entered.

☞ Note: If you ever need to edit or delete a grid batch schedule, you can do so by using the **Menu** to access the **Grid Batch Schedules** page. Hover the cursor over the schedule you need to edit or delete, then click the **Actions** icon to select the appropriate command.

Exercise 25: Opening a grid batch report

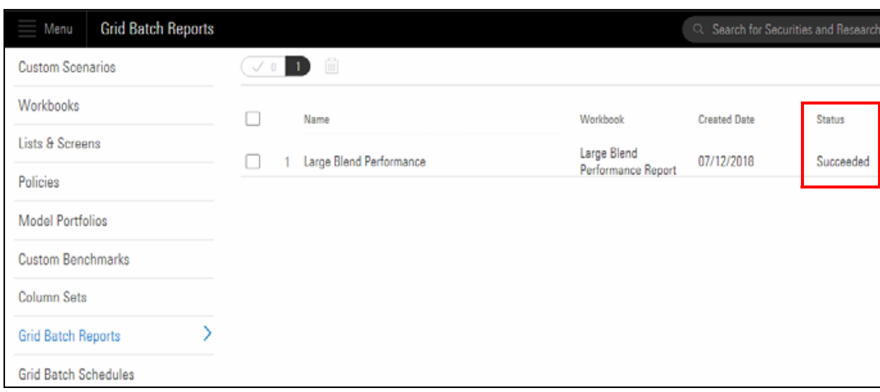
When a batch report is available, you can open (or save) it from the Grid Batch Reports page. To open a grid batch report, do the following:

1. **Hover the cursor** over the **Menu** icon, then select **Grid Batch Reports**.



Select this option to see the grid batch reports you have created

2. Check the Status column, to ensure the batch report completed successfully. If a report's Status is Failed, click the **Information** icon to find out what happened.
3. Click the **name** of a grid batch report to either open it in Microsoft® Excel® or save it.



Ensure the word "Succeeded" appears before opening or saving the Microsoft Excel file