

Morningstar Office Academy Day 4: Research and Workspace

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Morningstar Office Academy Day 4: Research and Workspace

Welcome to Day 4 of Morningstar Office Academy. The lessons in this document mirror the lessons demonstrated in the Research lesson. You will see screenshots of Morningstar and in some cases, text is included; you can use this supplement during the session to make notes and refer back to it as a training resource.

Overview

The last section of this document lists the practical application exercises designed to help you put into practice key actions demonstrated in this session.

The morning session focuses on inputting client and account data. The following topics are covered:

- understanding Research Settings on the Home tab
- identifying components of the Research tab
- customizing data points on the Research tab
- searching for securities, and
- generating investment graphs.

The afternoon session focuses on the Workspace tab. The following topics are covered:


- identifying pages within the Workspace tab
- creating an investment list
- creating a custom benchmark
- creating a model portfolio, and
- reviewing other tools in the Workspace tab.

Lesson 1: Modifying Research Settings

In this lesson, you will learn about modifying the Research Setting options available from the Home tab.

Changing the default settings you use in the Research tab allows you to control such functions as:

- the number of decimal places shown for prices
- default settings for currency, data universe (that is, which security type do you want to see when you go to the Research tab) and benchmark, and
- whether extended performance is shown.

 Note: For some mutual funds, Morningstar provides adjusted historical returns and an Extended Performance Rating. This means any share class lacking a 1-, 3-, 5-, or 10-year performance history may receive a hypothetical Morningstar Rating based on the oldest surviving share class of the fund. First, Morningstar computes the funds' new return stream by appending an adjusted return history of the oldest share class. Next, the Extended Performance Rating is determined by comparing the adjusted-historical returns to the current open-end mutual fund universe to identify placement in the bell curve used to assign the Morningstar Rating.

Numerical Extended Performance data appears in italics, and Morningstar Ratings based on extended performance returns appear as hollow stars. Data points that may be calculated with extended performance data include trailing returns, annual returns, Morningstar Ratings, standard deviation, mean, and Sharpe Ratio.

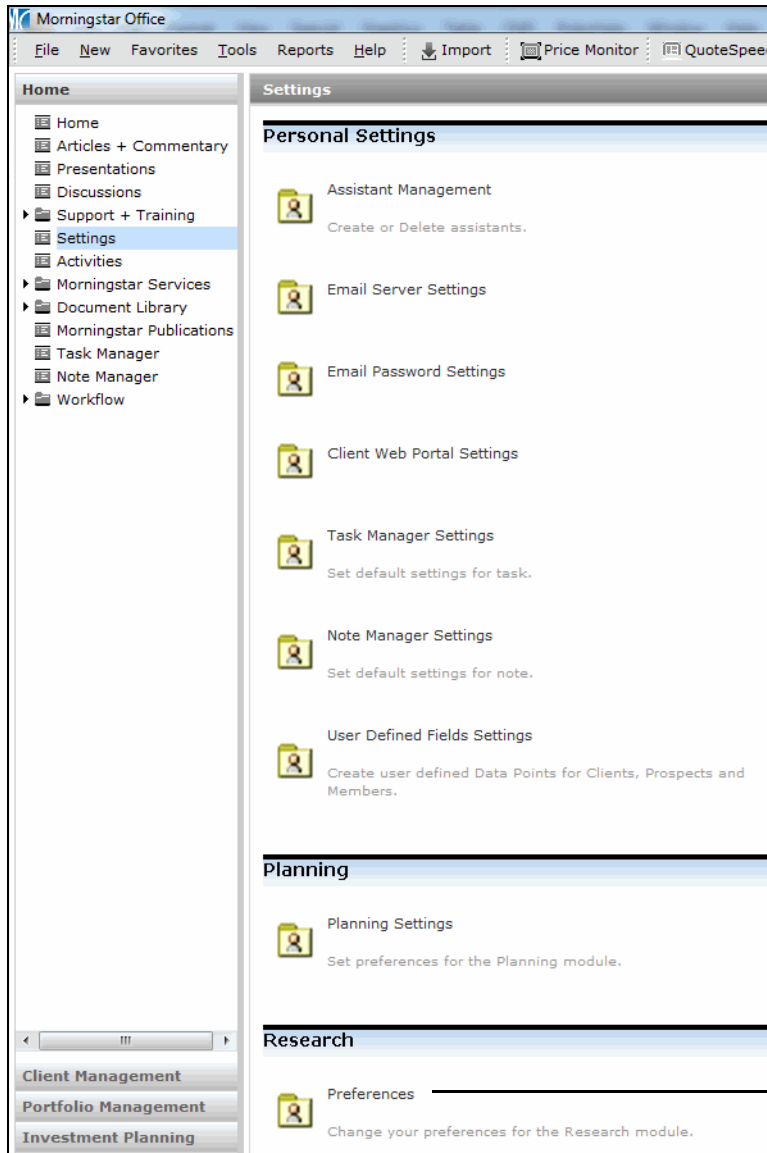
On the Export tab of the Research Settings dialog box, you can elect to export the Morningstar Rating and Morningstar Style Box as symbols, rather than a number or words.

Overview

What Research Settings are available?

You can see (and change) the Research Settings by doing the following:

1. Go to the **Home** tab.
2. Select the **Settings** page.
3. Click once on **Research Preferences**. The Set User Preferences dialog box opens.



From the **Settings** page on the **Home** tab, click once on this option to see the settings for the Research tab

4. Make any changes you like, then click **OK**.

Lesson 2: Identifying Components of the Research Tab

In this lesson, you will learn about the following topics:

- how to navigate the Research tab, and
- recognizing standard data point views.

When you first click on the Research tab in the left-hand navigation pane, you are brought to the default universe page. If you haven't made any changes in the Settings area on the Home tab, this will be the Open End Funds universe.

You can always click on another data universe to see those records. Note that you might need to select a sub-universe before proceeding. For instance, in the Open End Funds universe, you need to double-click the United States Mutual Funds row to access that universe.

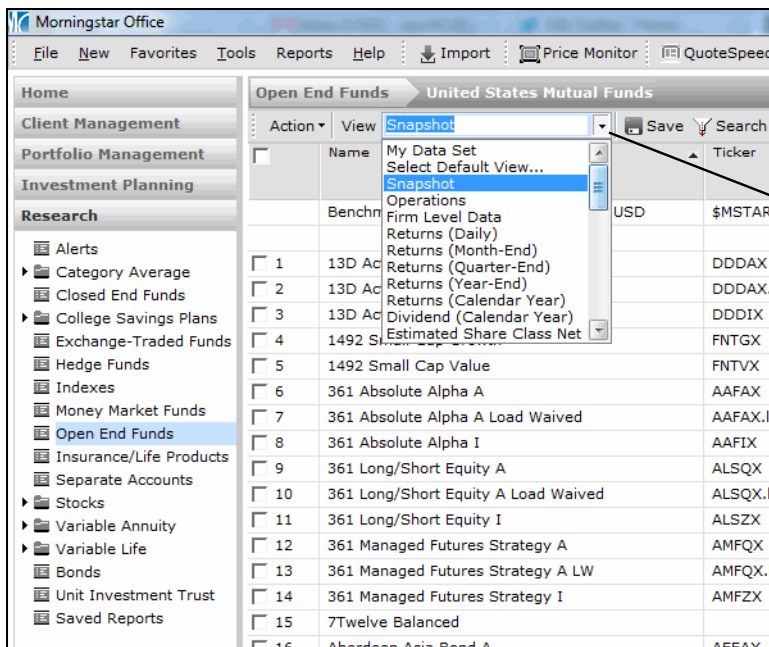
Note: In order to see the Hedge Fund universe, you must first go to the menu bar at the top of the screen and select **File...Hedge Fund Agreement**. After filling out the survey and relaunching Morningstar Office, you will be able to see the Hedge Fund universe in the Research tab.

In each data universe, a series of views with selected data points are available.

Overview

How do I navigate the Research tab?

What are the standard data point views?



Click here to see the list of views available

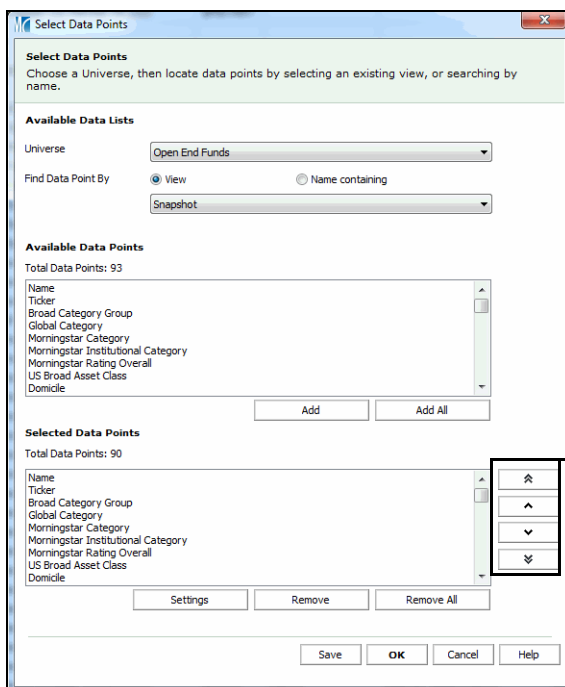
Lesson 3: Customizing the Data Point Views

In this lesson, you will learn about the following topics:

- adding data points to a standard view
- remove data points from a view
- rearranging a custom view
- saving a custom view
- changing your custom default view

In addition to providing a wide range of standard views, Office allows you customize your own view. Once saved, this can become your default view.

To add, remove or rearrange the data points for a view in the Research tab, click the **Edit View** icon above the grid view. The Select Data Points dialog box opens. From here, you can use the navigation controls to change the lineup of data points, as well as their order.



Use these controls to change the order of data points in a view

Overview

How do I add, remove or rearrange the data points for a standard view?

Once you have selected the columns you want to see, and set their order, click the **Save** button on the Select Data Points dialog box. You will be prompted to give the view a name.

How do I save a custom view?

To change the default view you see when going to a Research universe, click the **View** drop-down field and choose **Select Default View....** You can use either another system view, or a custom view you have created.

How do I change my custom default view?

Lesson 4: Searching for Securities

In this lesson, you will learn about the following topics:

- using Search For to find securities
- using Locate to find securities, and
- using the Find tool.

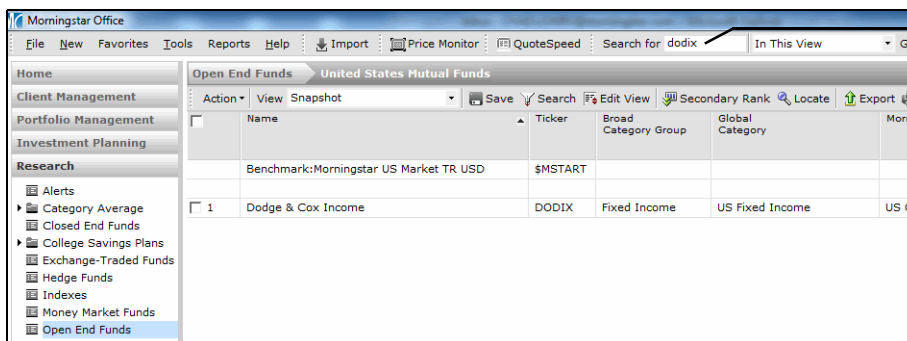
Overview

The Search For tool is located in the toolbar adjacent to the menu bar. It is used to find securities when you know the name or ticker of the item(s) you are looking for.

How do I use the Search For tool?

Note the following important points about using this tool:

- You can enter only one ticker or name at a time. You cannot separate items with a comma or the word “or.”
- If you enter a name (such as Vanguard), multiple items will be returned. The system will look for any items that contain the search term in the security’s name.
- The Search For tool will return only those items that match your name or ticker search, so the Search For tool is a good option when you are confident in what you are looking for, and want to isolate specific items in the grid view.



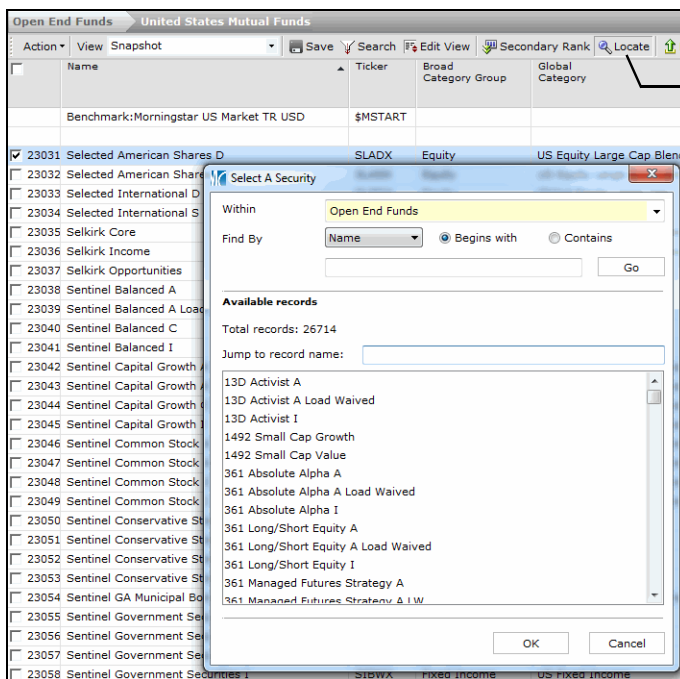
When you search in this field, the system isolates the security you are looking for

The Locate tool is on the toolbar above the grid view. It is used to highlight a security within the grid view.

How do I use the Locate tool?

Note the following important points about using this tool:

- Clicking the Locate icon opens the Select a Security dialog box. From here, you can choose whether to look for an item by name or ticker, ISIN or Sec ID.
- If looking for an item by name, you can specify whether the search should look for items beginning with the search term you enter, or simply contain the search term somewhere in the name.
- When you locate an item, the system moves to that record in the grid view and selects it. Therefore, the Locate tool is a good option to use when you want to select multiple securities without having to scroll up and down to find them.
- After locating the items you want, you can click the **Selected** icon below the grid view to show only those items.



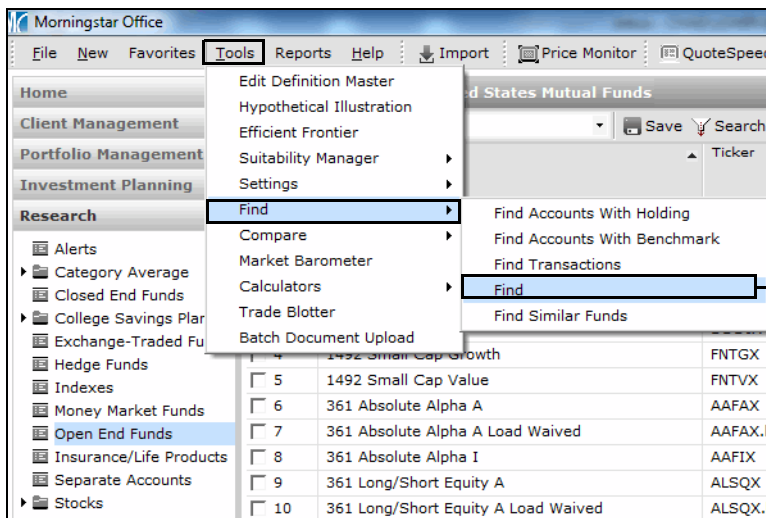
The Locate tool allows you to both find and select items at once

If you want to find multiple items by name or ticker at once, you can go to the menu bar at the top of the screen and select **Tools...Find...Find**.

How do I find multiple securities at once?

Note the following important points about using this tool:

- Selecting this option opens the Find Securities dialog box. From here, you can choose whether to look for an item by name or ticker, ISIN or Sec ID.
- You can look for multiple tickers at once by separating them with a comma.
- When you find an item, you can click Add or Add All to include them in the Selected Records area.
- When you click OK to close the dialog box, the system will isolate the securities you chose, but the records will not be selected.
- The Find Securities dialog box is good option to use when you have a long list of specific securities to find.



Lesson 5: Search by Criteria and Find Similar Funds

In this lesson, you will learn about the following topics:

- create a list of securities using the Search by Criteria tool, and
- create a list of similar funds using the Find Similar Funds tool.

The Search by Criteria tool is used when you know some aspect(s) of the securities you are looking for, but not the exact security. For example, you might want to see all large-cap funds in the top 33% of their Morningstar Category, or all five-star stocks in the Health Care sector. You can search from hundreds of data points available for each universe.

When searching for multiple criteria, you need to determine which relationship (REL) to use among them as follows:

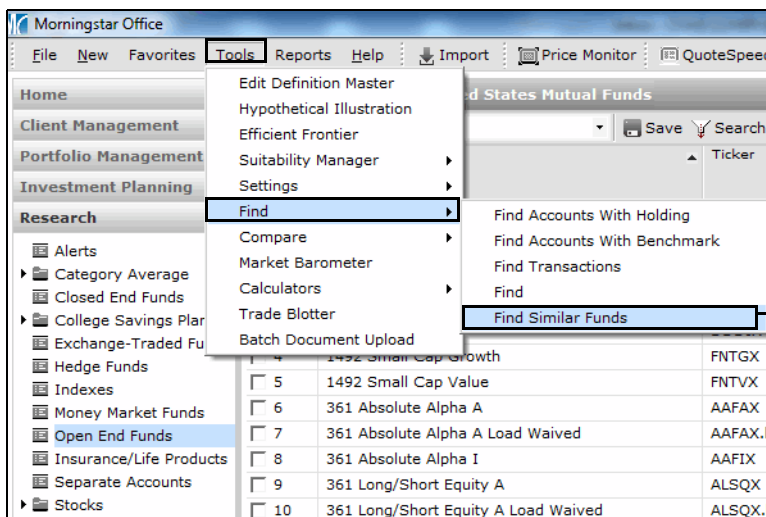
- choose **And** when you are looking to connect two pieces of information; or narrow your search
- choose **Or** when you want the system to read each line of criteria separately, or expand your search.
- choose **Repeat** to copy the row above and set the relationship value to OR

The Find Similar Funds tool is used to filter funds with a similar performance, portfolio or both. This tool might be used when you are looking for a substitute fund for one that is closed to new investors. You can access it from the menu bar at the top of the Morningstar Office window by selecting **Tools... Find... Find Similar Funds**.

Overview

How do I use the Search by Criteria tool?

How do I use the Find Similar Funds tool?



Follow this path to launch the Find Similar Funds tool

Lesson 6: Investment Charts

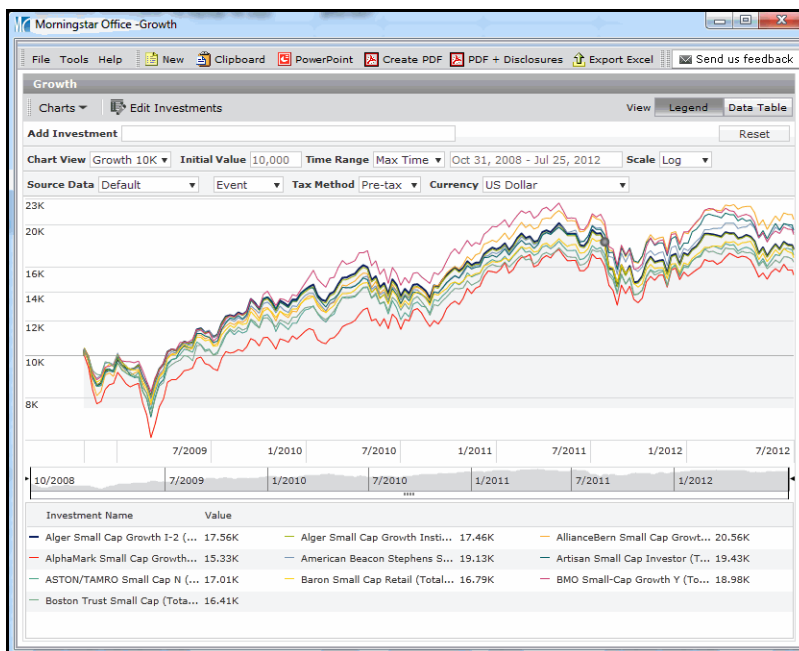
In this lesson, you will learn about the following topics:

- the Growth Chart
- the Risk/Reward Scatterplot
- the Correlation Matrix, and
- output options for charts.

This chart shows whether the investment outperformed its category average and the default benchmark you choose in your settings. You can add up to 15 investments to the chart.

Overview

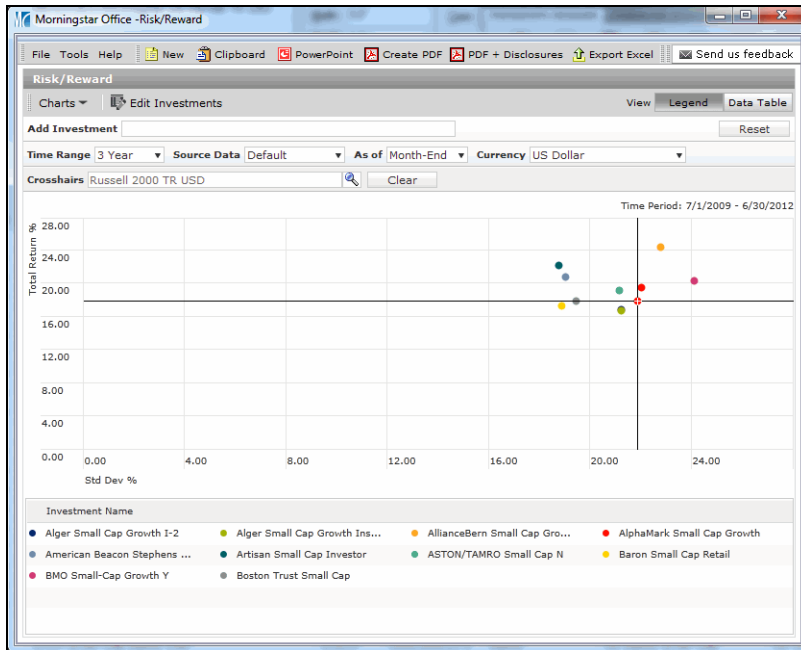
What does the Growth Chart show?



This is an example of the Growth chart

The Risk/Reward Scatterplot shows where the investment falls in regard to risk and reward in relation to your default benchmark. You can add up to 99 investments to this chart.

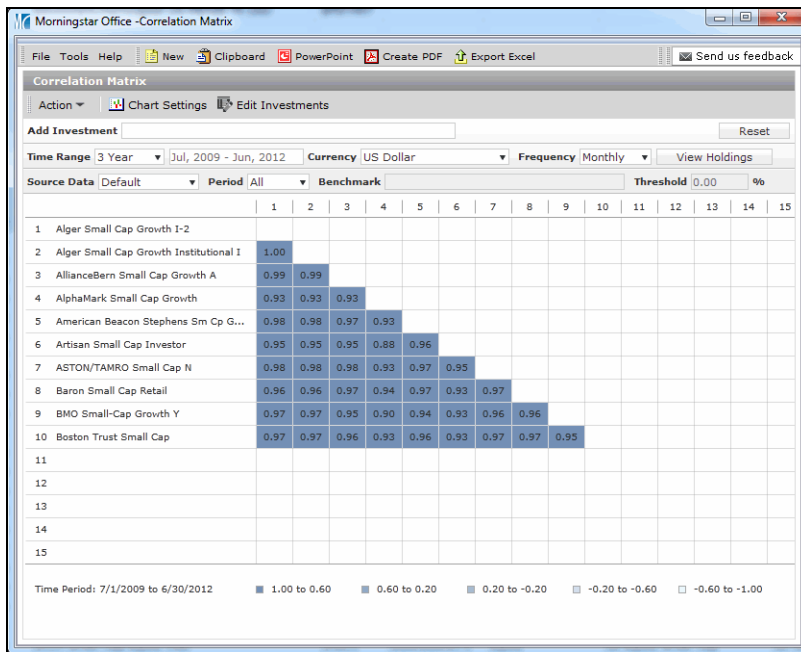
What does the Risk/Reward Scatterplot show?



This is an example of the Risk/Reward Scatterplot

The Correlation Matrix shows the positive or negative correlation of the returns of a group of investments. You can add up to 15 investments to the Correlation Matrix.

What does the Correlation Matrix show?



This is an example of the Correlation Matrix

After generating a chart, you can use one of the following output methods:

- Copy the chart image to your clipboard, to paste the chart directly into a Word document.
- Add the chart to a PowerPoint presentation.
- Use Create PDF or Create PDF with Disclosures to give a copy to your clients. A PDF with Disclosures will provide raw data.
- Export to Excel.

What can I do with the chart images in Morningstar Office?

Lesson 7: Identifying Tools within Workspace

In this lesson, you will learn about the pages and tools available to you in the Workspace tab.

The table below lists the tools (and a description of each) available from the Workspace tab.

Item	Description
Investment Lists	An investment list is a static set of securities you save. This saves you time from having to search for the same items over and over again in the Research tab.
Search by Criteria	If you save a Search by Criteria you create in the Research tab, you can access it here for the latest set of securities matching the criteria. Note that these are not static, as the investment lists are.
Model Portfolios	Model portfolios can save you time when it comes to creating a proposed lineup of securities for a client. You can also use them to compare existing client accounts to a recommended portfolio.
Asset Allocations	Asset Allocation sets allow you to target an optimal strategy for a client, or to show them how their current holdings are out of step compared to your recommendations.
Benchmarks	The Benchmarks page allows you to create custom, blended benchmarks comprised of multiple indexes, categories or securities.
Defined Contribution Plans	In addition to creating the lineup of securities for a Defined Contribution plan, you can also set the fees and define other parameters. The Plan Status and Plan Comparison reports can be generated as well.
Market Assumptions	Market Assumptions are used in creating Investment Plans. You can customize the returns and risk metrics for your own set of Market Assumptions, or explore the default versions available here.

Overview

What tools are available from the Workspace tab?

Lesson 8: Investment Lists

In this lesson, you will learn about the following topics:

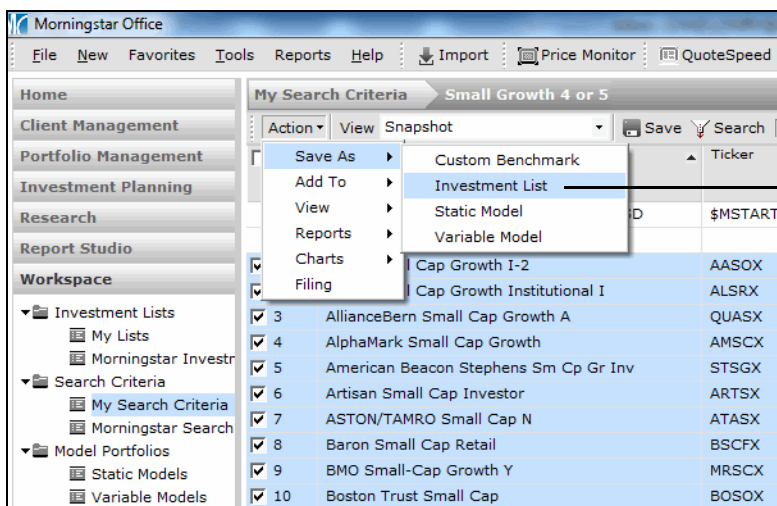
- creating an Investment List from scratch
- creating an Investment List from a saved Search by Criteria, and
- creating an Investment List from an existing list.

Overview

You can create an Investment List by selecting securities in the Research tab (or from the result set of a Search by Criteria in the Workspace tab), then clicking

Action... Save as... Investment List.

How do I create an investment list?



After selecting the items you want to include in a list, you can create it from the Action menu by following this path

Lesson 9: Custom Benchmarks

In this lesson, you will learn about the following topics:

- what kind of custom benchmarks you can create, and
- where you can apply a custom benchmark in Morningstar Office.

Benchmarks are used as a comparison mechanism. Two types of custom benchmarks can be used in Morningstar Office: Simple Blended and Staged Blended.

- Simple Blended Benchmarks allow you to select securities, and assign weights for one period of time.
- Staged Blended Benchmarks allow you to change your allocation over a specific period of time. For example, you could use the same set of indexes but change from a more aggressive allocation to a more conservative approach.

You can set a custom benchmark as a default benchmark in the following areas:

- Investment Plans
- client accounts (for running reports)
- Research, when generating charts and reports, and
- individual accounts, to more accurately compare the benchmark to the actual composition of the account.

Overview

What kind of custom benchmarks can I use in Morningstar Office?

Where can I use custom benchmarks in Morningstar Office?

Lesson 10: Model Portfolios

In this lesson, you will learn about the following topics:

- the kinds of model portfolios you can create
- how to generate a Snapshot Report for a model portfolio
- how to create an account from a model portfolio, and
- how to create a model portfolio from an account.

Two types of model portfolios can be created in Morningstar Office:

- **Static Models**, which represent an investment strategy for one period of time. Static Models allow you to rebalance monthly.
- **Variable Models**, which represent an investment strategy at multiple periods of time, by creating multiple versions of your model at different time periods. Variable models allow you to select a buy-and-hold strategy, or several different rebalancing options. You would rebalance using the most current version of the model.

Running a Snapshot Report for a model portfolio helps determine whether the model matches the benchmark. To generate the Snapshot Report for a model portfolio, do the following:

1. From the **Static Models** or **Variable Models** page under the Benchmark tab, select the **model** you want to use.
2. From the **Action** menu, select **Reports... Analytical... Snapshot**.
3. Complete the settings you want in the Snapshot Report Options dialog box, then click **OK**.

You can save a model portfolio as a client account. To do this, do the following:

1. From the **Static Models** or **Variable Models** page under the Benchmark tab, select the **model** you want to use.
2. From the **Action** menu, select **Utilities... Save As... Accountpf**.
3. Select the **client** you want to save the portfolio to, then click **OK**.
4. Decide whether this will be a **Quick Account** or **Transactional Account**, then click **OK**.
5. Fill out the Account Profile dialog box, then click **Next**.
6. Make any changes you want to the holdings or allocation, then click **Finish**.

You can also use a client's account as the basis for a model portfolio. To do this, do the following:

1. From the Accounts page on the Portfolio Management tab, select the **account** you want to use for the model.
2. From the **Action** menu, select **Utilities... Create model from account**.
3. Click **OK** when the confirmation message appears. The account is now available on the Static Models page on the Workspace tab.

Overview

What kind of model portfolios can I create in Morningstar Office?

How do I generate a Portfolio Snapshot report for a model portfolio?

How do I create an account from a model portfolio?

How do I create a model portfolio from an account?

Practical Application Exercises

These exercises put into practice topics learned during Search Session. Please take the time to complete each exercise.

You can create a custom data view in the Research tab, where you choose both the columns for the view, and the order in which they appear. This allows you to mix and match data points from various views for a universe.

1. Go to the **Research** tab, and go to the **United States Mutual Fund** universe.
2. From the View drop-down field, select **Returns (Year-End)**.
3. Click the **Edit View** icon.
4. Make sure Find Data Point by **View** is selected, and be sure **Snapshot** is the view.
5. From the Available Data Points area, select **Ticker**, then click **Add**.
6. From the Available Data Points area, select **Morningstar Category**, then click **Add**.
7. In the Selected Data Points area, select **Ticker**, then use the arrow buttons to move it after Name.
8. From the Available Data Lists area at the top of the dialog box, select the **Name Containing** option button for the Find Data Point by area.
9. In the search field, type **Socially**, then click **Go**.
10. Select the **data point** that appears, then click **Add**.
11. Click **Save** at the bottom of the dialog box. The Save As dialog box opens.
12. In the name field, type **Socially conscience and Year End**, then click **OK**.

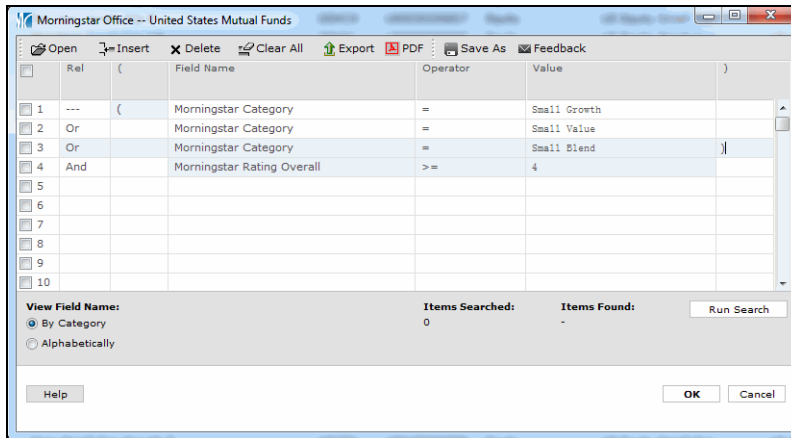
This search will look for four- and five-star rated small-cap funds. Do the following:

1. Go to the **Research** tab, and go to the **United States Mutual Fund** universe.
2. Click the **Search** icon on the toolbar above the grid view.
3. Click on the Field Name for the first row and select **Morningstar Category**.
4. The Operator should be **=**.
5. From the Value field, select **Small Growth**.
6. Click **Run Search**.
7. For the second row, set the following parameters:
 - the Rel column should be **Or**
 - the Field Name should be **Morningstar Category**
 - the Operator should be **=**
 - the Value should be **Small Value**
8. Click **Run Search**.
9. For the third row, set the following parameters:
 - the Rel column should be **Or**
 - the Field Name should be **Morningstar Category**
 - the Operator should be **=**
 - the Value should be **Small Blend**
10. Place an **open parenthesis** before Small Value and a **closed parenthesis** after Small Blend.
11. For the fourth row, set the following parameters:
 - the Rel column should be **And**
 - the Field Name should be **Morningstar Rating Overall**
 - the Operator should be **>=**
 - the Value should be **4**

Overview

Exercise 1: Customize a Data View

Exercise 2: Create a Search by Criteria

12. Click **Run Search**.

This is what the Search Criteria dialog box should look like

13. Click the **Save As** icon at the top of the Search Criteria dialog box.
14. In the Name field, type **Small Cap and 4 Stars**.
15. Click **OK**.

1. Go to the **Research** tab, and go to the **United States Mutual Fund** universe.
2. Select up to **15 securities**.
3. From the **Action** menu, select **Charts...Growth**.
4. Click the **Clipboard** icon above the chart, and paste the image into a Word document.

Exercise 3: Generate the Growth Chart

1. Go to the **Research** tab, and go to the **United States Mutual Fund** universe.
2. Select up to **99 securities**.
3. From the **Action** menu, select **Charts...Risk/Reward**.
4. Click the **PowerPoint** icon above the chart, and paste the image into a presentation.

Exercise 4: Generate the Risk/ Reward Scatterplot

1. Go to the **Research** tab, and go to the **United States Mutual Fund** universe.
2. Select up to **15 securities**.
3. From the **Action** menu, select **Charts...Correlation Matrix**.
4. Click the **Create PDF** icon.

Exercise 5: Generate the Correlation Matrix

After viewing the results of a Search by Criteria you saved, you can select items and save them to a static investment list. Do the following:

1. Go to the **Workspace** tab.
2. Expand the **Search Criteria** folder and select **My Search Criteria**.
3. Double-click on **Small Cap and 4 Stars**. (The one you saved from Exercise 2.)
4. Click the **checkbox** in the header row above the grid area; this will select all items.
5. From the Action menu, select **Save As...Investment List**.
6. In the Name field, type **Small Cap and 4 Stars**.
7. Click **OK**.

Exercise 6: Create an investment list from a Search by Criteria

To create a simple blended benchmark, do the following:

1. Go to the **Workspace** tab.
2. Select the **Benchmarks** page.
3. Click the **New** icon above the grid view. The Custom Benchmark dialog box opens.
4. In the Benchmark Name field, type **Moderate Allocation**.
5. In the Benchmark Type field, be sure **Simple Blended Benchmark** is selected.
6. Click **Next**.
7. To add holdings, click the **+ Add** icon. The Add Holdings dialog box opens.
8. From the Universes field, select **Popular Indexes in USD**.
9. Click **Go**.
10. Select the following indexes:
 - **Morningstar Core Bond MCBI TR**
 - **Russell 2000 TR USD**, and
 - **S&P 500 Growth TR**.
11. From the Universes field, expand the **Morningstar Category** option and select **Open-End Categories**.
12. Click **Go**.
13. Select **US OE Foreign Large Growth**.
14. Click **OK**.
15. Back in the Holdings Entry window, choose **Enter By...Weight**.
16. Set the Weights% as:
 - **Morningstar Core Bond MCBI TR = 30**
 - **Russell 2000 TR USD = 10**
 - **S&P 500 Growth TR = 40**
 - **US OE Foreign Large Growth = 20**
17. Click the **Recalculate** button at the bottom of the window.
18. Click **Finish**.

Exercise 7: Create a simple blended benchmark

To set a custom benchmark as a default benchmark for investment plans, do the following:

1. From the menu bar at the top of the Morningstar Office window, select **Tools...Settings...Set Default Planning Benchmark**.
2. Click **Magnifying glass** icon.
3. From the Within drop-down field, select **Custom Benchmark**.
4. Click **Go**.
5. Choose the **Moderate Allocation** benchmark you created in Exercise 7.
6. Click **OK**.
7. Click **OK** on the Set Default planning Benchmark dialog box.

Exercise 8: Additional Benchmark Activities

To apply a benchmark to a specific account, do the following:

1. Go to the **Client Management** tab.
2. Double-click a **client record**.
3. Right-click on an **account**.
4. Select **Edit Account Settings**.
5. In the **Primary Benchmark** field, click the drop-down field and choose **Select Benchmark**.
6. From the Within drop-down field, select **Custom Benchmark**.
7. Click **Go**.
8. Choose the **Moderate Allocation** benchmark you created in Exercise 7.
9. Click **OK**.
10. Click **Save**.

To create a static model portfolio, do the following:

1. Go to the **Workspace** tab.
2. Expand the **Model Portfolios** folder and select **Static Models**.
3. Click the **New** icon above the grid view.
4. In the Model Name field, type **Moderate Allocation Strategy**.
5. Click the magnifying glass icon in the Attached Asset Allocation field.
6. Click **Go**.
7. Select the **Moderate (M*C)** allocation.
8. Click **OK**.
9. From the Benchmark drop-down field, choose **Select Benchmark**.
10. From the Within drop-down field, select **Custom Benchmark**.
11. Click **Go**.
12. Choose the **Moderate Allocation** benchmark you created in Exercise 7.
13. Click **OK**.
14. Click **Next**.
15. Click the **+ Add** icon.
16. Enter the following tickers directly into Symbol field:
 - **GIGIX**
 - **FRDPX**
 - **HHBUX, and**
 - **MFGSX.lw.**
17. Click the **Enter By** drop-down field and select **Weight**.
18. Enter the following weights:
 - **GIGIX = 20**
 - **FRDPX = 45**
 - **HHBUX = 10**
 - **MFGSX.lw = 25**
19. Click **Recalculate** at the bottom of the Holdings Entry window.
20. Click **Finish**.

Exercise 9: Create a Static Model Portfolio

To compare a benchmark to a model portfolio, do the following:

1. Go to the **Workspace** tab.
2. Expand the **Model Portfolios** folder and select **Static Models**.
3. Double-click the **Moderate Allocation Strategy** model.
4. From the menu bar at the top of the model window, select **Reports... Analytical Reports... Snapshot**.
5. Click **OK** on the Snapshot Report Options dialog box.

Exercise 10: Create a Portfolio Snapshot report to compare a benchmark to a model portfolio