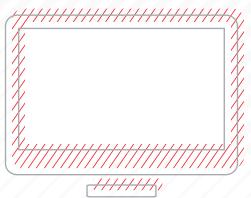
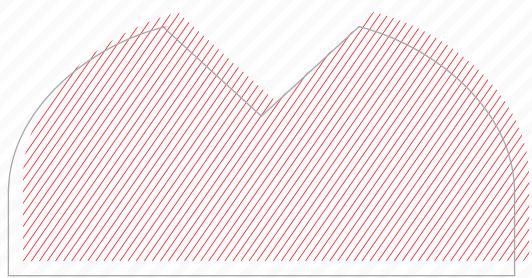
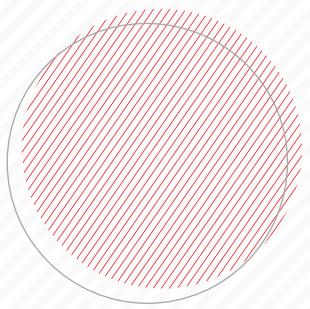


Working with Client Accounts



Morningstar DirectSM Cloud Editions



MORNINGSTAR Direct



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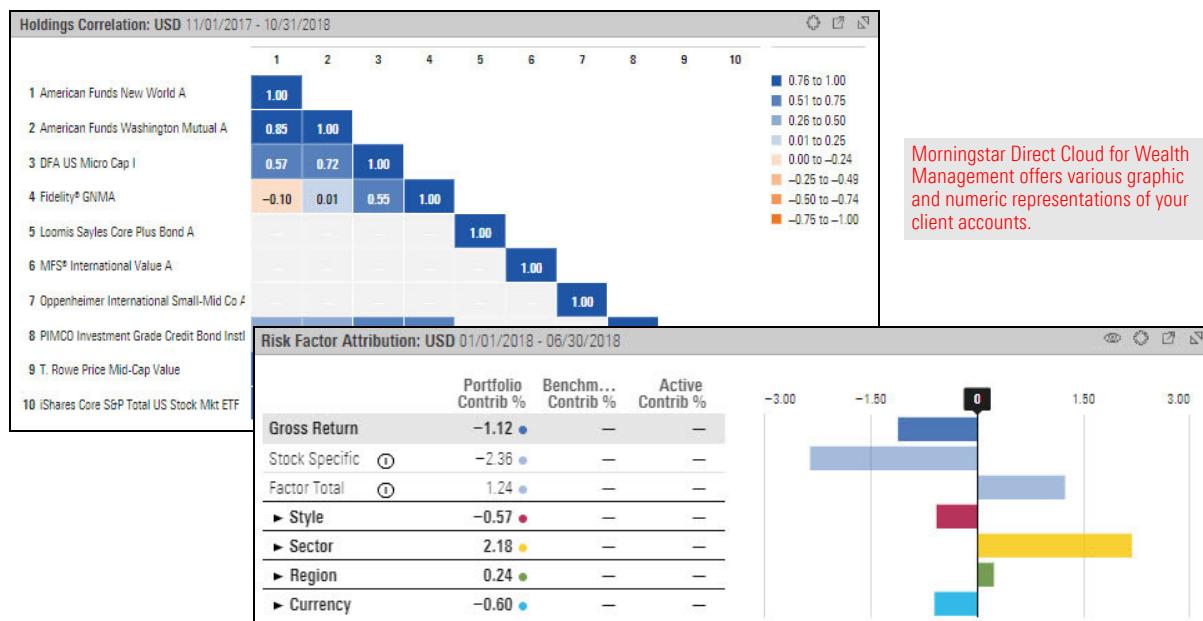
Working with Client Accounts

How do I create client accounts and household them together? Once available, how can I analyze them for performance, ESG statistics, exposure to various stock sectors or regions, and more? How do I create a custom benchmark in order to compare it to a client account? How can I compare my manager selections to an investment policy for a client account? How can I propose changes to a client account?

This manual answers these questions by guiding you through a series of exercises covering the following topics:

- ▶ [Working with Client Accounts \(page 5\)](#)
- ▶ [Householding Clients \(page 24\)](#)
- ▶ [Creating an Investment Policy \(page 32\)](#)
- ▶ [Using Portfolio Analysis Tools \(page 33\)](#)
- ▶ [Proposing Changes to a Client Account \(page 38\)](#)
- ▶ [Working with Custom Benchmarks \(page 53\)](#)

Overview



Working with Client Accounts

With a client account, you can easily track and analyze a client's investments, as well as compare the account to a custom benchmark, investment policy, or proposal.

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

- ▶ Meet the prerequisites for working with client accounts ([page 6](#))
- ▶ Create a client account from scratch ([page 7](#))
- ▶ Create a client account by importing ([page 12](#))
- ▶ Add holdings from a different portfolio object to an account ([page 17](#))

☞ Note: The phrase "portfolio object" is used throughout this guide to refer to a model portfolio, client account, custom benchmark, or investment policy.

- ▶ Change an account's performance calculation start date ([page 18](#))
- ▶ Understand how fees are calculated ([page 18](#))
- ▶ Add a platform fee to a client account ([page 19](#))
- ▶ Display portfolio fees in the Holdings Analysis component ([page 20](#))
- ▶ Display portfolio fees in the Portfolio Editor ([page 21](#)), and
- ▶ Evaluate an existing account's company-level ESG data ([page 23](#))

Before engaging with the client account exercises in this guide, you will want to ensure you have already created the related custom benchmarks, investment policy, and model portfolios in a related manual. This guide also shows you how to create a report template in the standalone Presentation Studio tool, and how to access that template in Morningstar Direct Cloud for Wealth Management. Therefore, you will want to be sure that application is available to you.

To have the proper files and application available for the exercises in this manual, do the following:

- ▶ Complete the exercises in [Creating Model Portfolios, Custom Benchmarks, and Investment Policies](#), and
 - ☞ Note: If you have created model portfolios, custom benchmarks, and investment policies on your own, then you may be able to use those in conjunction with the client accounts you create here, in lieu of the content you would create in the manual linked to above.
- ▶ [Download and install](#) the standalone version of Presentation Studio.

Overview

What are the prerequisites to working with client accounts?

Usually, a firm's existing client accounts are automatically recreated in Morningstar Direct Cloud for Wealth Management. However, you might need to manually create an account in the following circumstances:

- ▶ you want to mock up an account based on a model portfolio (perhaps for held-away assets)
- ▶ you want to create an account for a prospect who is not yet a client, or
- ▶ you are a potential user on a trial license and your client holdings are not being brought in to Morningstar Direct Cloud.

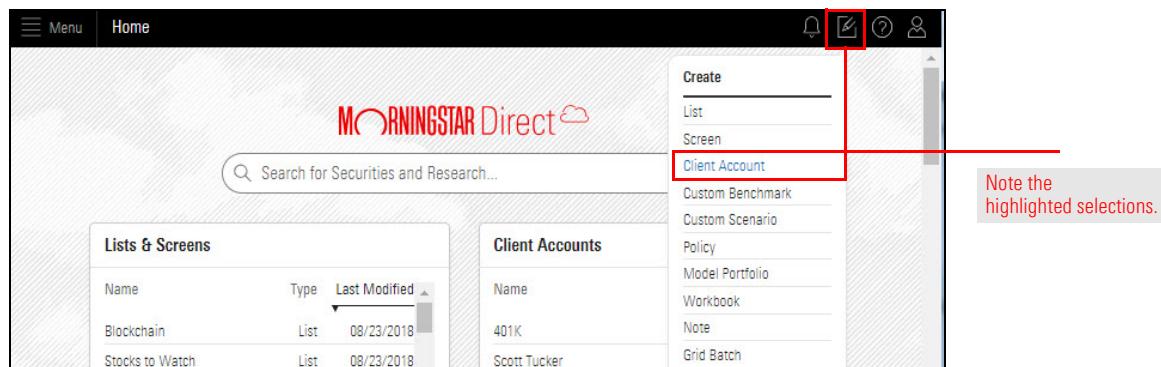
In this exercise, you will create a client account to represent the holdings of a prospect who needs assistance in diversifying and improving performance. You will input the investments, set weights for them, select a start date for the account, and so on.

You will be offered the option to view the company-level ESG data for the client account. You can also view this data when editing holdings, which is covered in [Exercise 7 on page 23](#).

To learn more about ESG data and how a Morningstar ESG Score is computed, please read [Leveraging Morningstar Sustainability Data](#).

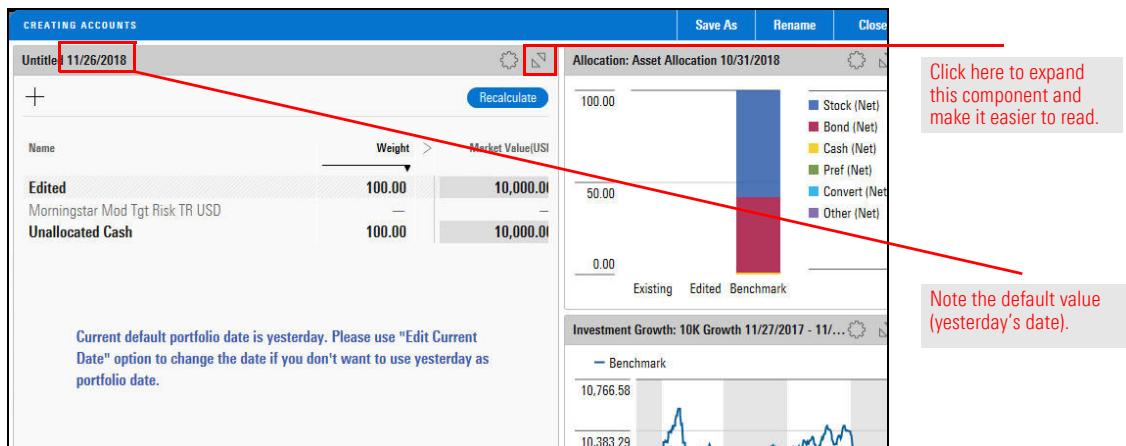
To create a client account, do the following:

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



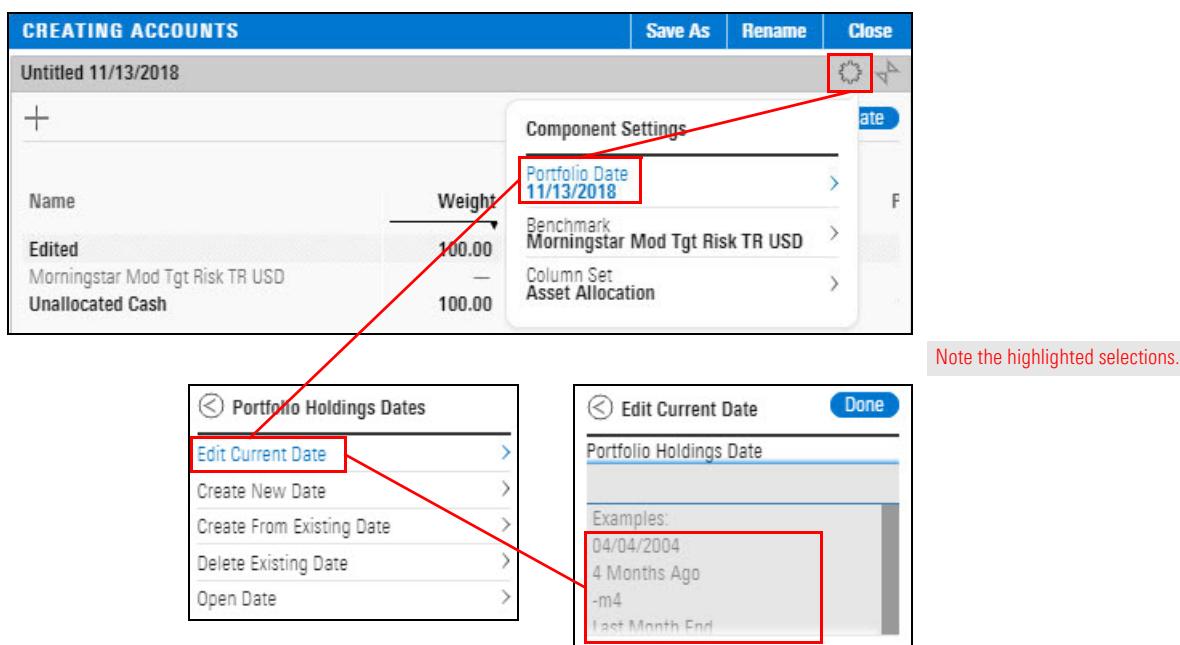
2. (Optional) In the upper-right corner of the Untitled area, click the **Expand** icon. The Untitled area expands to the full size of the window, making it easier to read.

In the upper-left corner of the Untitled area, note that the account date defaults to yesterday's date.

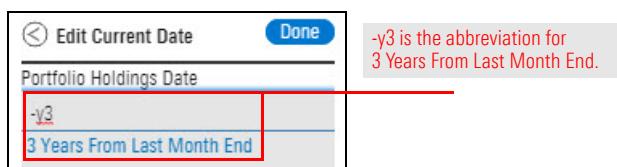


3. To enter the account's origination date, click the **Component Settings** icon and from the menu, select **Portfolio Date > Edit Current Date**.

Note the sample entries in the Edit Current Date menu.



4. Click the blank field and enter **-y3**. The words "3 Years From Last Month End" are displayed.



- Click **3 Years From Last Month End**, then click **Done**.
- Now, you will select the investments for the account. In the upper-left corner of the Creating Accounts window, click the **Add** icon. The Add menu opens.

Name	Weight	Market Value(USD)	Shares	Price	Ticker	Asset Alloc Stock (Net)
Edited	100.00	10,000.00	—	—	—	—
Morningstar Mod Tgt Risk TR USD	—	—	—	—	—	59.72
Unallocated Cash	100.00	10,000.00	10,000.00	1.00	—	0.00

- In the **Search** field, enter **Real Estate Select**. From the results list, select **Real Estate Select Sector SPDR®**.

Frequently Accessed	Identifier	Type	Exchange
Real Estate Select Sector SPDR®	XLRE	Exchange-Traded Fund	NYSE ARCA
S&P Real Estate Select Sector NR USD		Index	
S&P Real Estate Select Sector PR USD		Index	
S&P Real Estate Select Sector TR USD		Index	

Real Estate Select Sector SPDR® is displayed in the Creating Account window, under Unallocated Cash.

Name	Weight	Market Value(USD)	Shares
Edited	100.00	10,000.00	—
Morningstar Mod Tgt Risk TR U...	—	—	—
Unallocated Cash	100.00	10,000.00	10,000.00
Real Estate Select Sector SPDR®	—	—	—

Each instrument will initially be categorized as Unallocated Cash, with no weight, market value, or number of shares.

8. Click the **Add** icon, and in the **Search** field, enter **VFIIX** (the ticker symbol for JPMorgan Federal Money Market Agency). From the results list, select **JPMorgan Federal Money Market Agency**. JPMorgan Federal Money Market Agency is displayed under Unallocated Cash.

Name	Identifier	Type	Exchange	Shares	Price	Ticker	Asset Alloc Stock (Net)
JPMorgan Federal Money Market Agency	VFIIX	Money Market Fund	NASDAQ	1,000.00	1.00	XLRE	99.95

9. Add **Diamond Hill Large Cap A (DHLAX)**.
 10. Change the **Weight** of each fund according to this table:
 ☞ Note: Press **Enter** after each entry to move to the next one.

Fund	Weight
Real Estate Select Sector SPDR	40
JPMorgan Federal Money Market Agency	35
Diamond Hill Large Cap A	25

11. In the **Market Value** field at the top, enter **1,000,000**.
 12. Click **Recalculate**.

Name	Weight	Market Value(USD)	Shares	Price	Ticker
Edited	100.00	1,000,000.00	—	—	—
Morningstar Mod Tgt Risk TR USD	—	—	—	—	—
Unallocated Cash	0.00	0.00	0.00	1.00	—
1 Real Estate Select Sector SPDR*	40.00	400,000.00	12,924.07	30.95	XLRE
2 JPMorgan Federal Money Market Agency	35.00	350,000.00	350,000.00	1.00	VFIIX
3 Diamond Hill Large Cap A	25.00	250,000.00	10,822.51	23.10	DHLAX

13. If you expanded the component in [step 2 on page 8](#), click the **Collapse** icon so you can see how the other components are affected when you recalculate.

The screenshot shows the 'Creating Accounts' window with the 'Untitled 10/10/2018' tab selected. The main table lists assets with their weights and market values. To the right, two components are visible: 'Allocation: Asset Allocation 10/31/2018' (a bar chart showing the distribution of assets like Stock, Bond, Cash, etc.) and 'Investment Growth: 10K Growth 11/14/2017 - 11/13/2018' (a line chart showing the performance of the portfolio over time). A red box highlights the 'Collapse' icon in the top right corner of the window.

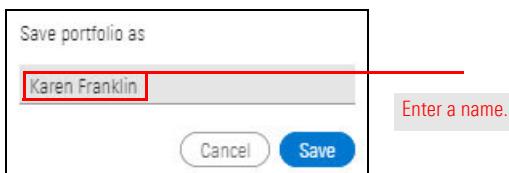
Note the appearance of the Asset Allocation and Investment Growth components.

14. In the upper-right corner of the Creating Accounts window, click **Save As**.

The screenshot shows the 'Creating Accounts' window with the 'Untitled 10/31/2015' tab selected. The main table lists assets with their weights and market values. To the right, the 'Allocation' and 'Investment Growth' components are expanded, showing detailed data. A red box highlights the 'Save As' button in the top right corner of the window.

Click here to save the client account.

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



16. In the upper-right corner of the Creating Accounts window, click **Close**. The window closes.

A potential client might send you a list of his or her current investments as a Microsoft® Excel spreadsheet. Instead of manually entering those investments (as you did in [Exercise 1 on page 7](#)), you can import the spreadsheet directly into a client account.

In this exercise, you will download an Excel file to use.

- ☞ Note: When using an Excel file of your own, be sure to first check the requirements for importing an Excel file, found in [Data Import Specifications](#).

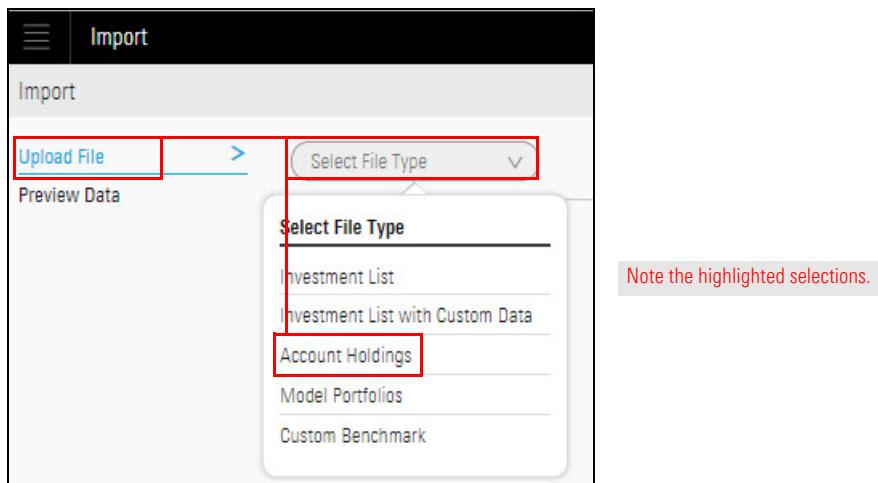
To import an Excel file, do the following:

1. [Download the Excel file](#) for this exercise.
2. In the upper-right corner of the Morningstar Direct Cloud for Wealth Management window, **hover the cursor** over **Menu** and select **Import**. The Import page opens.
 - ☞ Note: At the left side of the page, the Upload File option is selected.

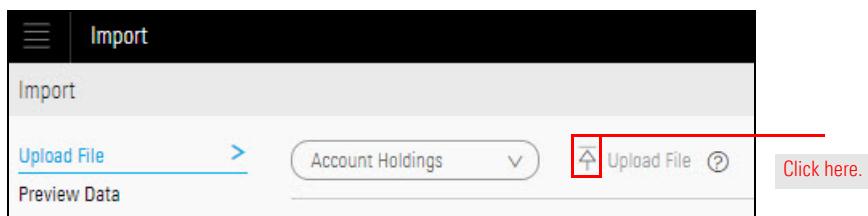
The screenshot shows the Morningstar Direct Cloud for Wealth Management interface. The left sidebar is highlighted with a red box, and the 'Import' option is selected. The main area shows a 'Client Accounts' table with several entries. A callout box on the right says 'Note the highlighted selections.'

Type	Last Modified
List	08/23/2018
List	08/23/2018
List	08/16/2018
List	07/12/2018
List	07/09/2018
List	06/06/2018
List	05/23/2018
List	05/23/2018
List	05/02/2018

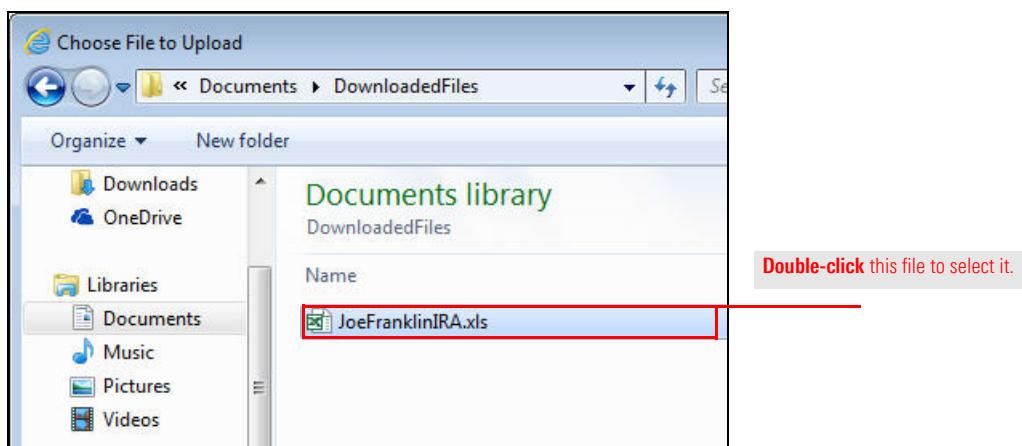
3. From the **Select File Type** menu, select **Account Holdings**. To the right of the Select File Type menu, the Upload File icon appears.



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



5. Locate and **double-click JoeFranklinIRA.xls**. On the Import page, the import options are displayed.



6. In the Column Mapping area, make a **selection** from each **Unmapped** menu. Each unmapped menu corresponds to a column in the Excel spreadsheet. A selection for each column is required.
7. In the Exclude Header Row field, make sure **First 1 row** is selected.

☞ Note: Not all options are shown in the illustration.

Map each column to the appropriate heading.

Scroll right, if needed, to see more Unmapped columns.

Note the selection here.

Column Mapping

	Account Name	SecID	Holding Name
Unmapped	Account Name	SecID	Security Name
Date	IRA	FOUSA00G4M	Nuveen Large-Cap V...
Account Number	IRA	FOUSA00G46	Oppenheimer Equity...
Account Name			
Holding Name			
Identifier			

Security Mapping Option

Exclude Inactive Investments

First 1 row

Auto Select Oldest Share

Auto Select Virtual Class

Date Format

YYYY-MM-DD

8. When you have finished selecting options, in the upper-right corner of the window, click **Preview Data**.
9. In the Import Status list, under Account Holdings, click **Preview Data Section**.

Click here.

Import Status

Account Holdings

Data is ready for preview. View your results in [Preview Data Section](#).

10. **Review** the displayed data and make any necessary corrections. Then in the upper-right corner of the window, click **Next**. Another preview page of data is displayed.

Import

Upload File > Preview Data > Security (5) > Prices (5) > Holdings (5) > Accounts (1)

Existing Securities (No Error)

	Status	Security Name	Identifier	Security Type	Imported Security Type Code	Currency
1	1290 SmartBeta ...	Unidentifi...				
2	1290 GAMCO S...	Unidentifi...				
3	1290 Convertible...	Unidentifi...	MF			
4	1290 Convertible...	Unidentifi...				
5	1290 GAMCO S...	Unidentifi...	MF			

11. **Continue** reviewing and correcting, and click **Next** as you finish each page.

12. On the final Preview page, select the **account** and click **Import**. When the data has been imported, an alert opens.

Import

Upload File > Preview Data > Security (5) > Prices (5) > Holdings (5) > Accounts (1)

Existing Accounts (No Error)

	Status	Account Number	Account Name	Import Date/Time
1	401K	401K	2018-11-15 11:...	

13. In the alert, click **Portfolios Workbook**.

Good news, your account has (have) imported successfully. To see your account in action go to the [Portfolio Workbook](#). To import another account, select your File Type and click [Upload](#).

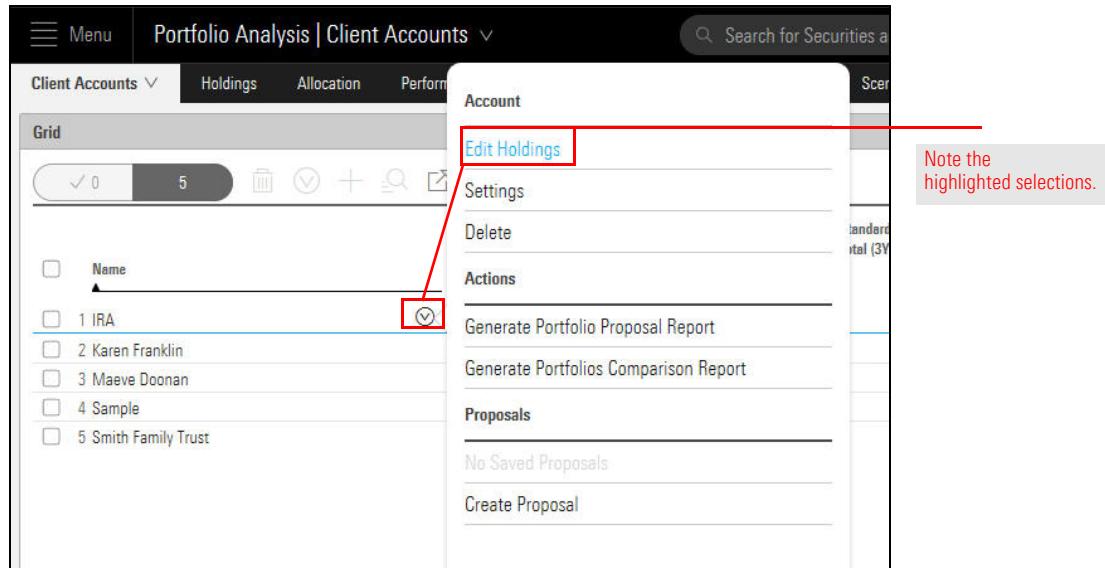
Click here.

14. In the Select a portfolio list to view in this workbook dialog box, click **All Client Accounts**. In the workbook, the imported account is displayed in the top row of the Grid component.

After you imported the Joe Franklin IRA file, the prospect notified you that one of the holdings is no longer owned. In this exercise, you will remove a holding from an account. The Client Accounts workbook should be open, with the Client Accounts worksheet selected.

Do the following:

1. In the Grid component, **hover the cursor** over **IRA** (the account you imported in [Exercise 2 on page 12](#)). The Actions icon appears to the right of the account name.
2. Click the **Actions** icon and from the menu, select **Edit Holdings**. The Editing Holdings window opens.



Exercise 3: Edit a client account

3. **Hover the cursor** over **MainStay MacKay International Opports I**. The Actions icon appears to the right of the name.
4. Click the **Actions** icon and select **Remove from portfolio**. The holding is removed from the account.
 - ☞ Note: You can also add holdings and change market values in the Edit Holdings window.

Name	Weight	Market Value(US\$)
Edited Existing	100.00	205,000.00
Morningstar Mod Tgt Risk TR USD	—	—
Unallocated Cash	0.00	0.00
1 Oppenheimer Rochester® LtdTerm NY MunisA	36.59	75,000.00
2 Nuveen Large-Cap Value I	24.39	50,000.00
3 Oppenheimer Equity Income A	21.95	45,000.00
4 Pioneer Equity Income A	12.20	25,000.00
5 MainStay MacKay International Opports I	4.88	10,000.00

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

In [Exercise 1 on page 7](#), you created a client account with funds as its holdings. You can also add the following portfolio objects:

- ▶ model portfolios
- ▶ custom benchmarks, and
- ▶ proposals.

The client account containing other portfolio objects is called a nested account. The account calculations support up to five levels of nesting.

To learn how to add portfolio objects as holdings to a client account, please refer to Exercise 3 in [Creating Model Portfolios, Custom Benchmarks, and Investment Policies](#).

How can I add a portfolio object as holdings to a client account?

When you first create a client account, its default performance calculation start date is the first portfolio date, but you can change it to one of the following:

- ▶ earliest common, or
- ▶ earliest available.

Components using historical performance data are affected by the performance calculation start date. The components are as follows:

- ▶ Investment Growth
- ▶ Historical Return
- ▶ Scatter Plot, and
- ▶ Rolling Line.

Changing a client account's performance calculation start date is the same as changing it in a model portfolio. To learn how to change a performance calculation start date, please refer to Exercise 4 in [Creating Model Portfolios, Custom Benchmarks, and Investment Policies](#).

How can I change the performance calculation start date?

The Portfolio Fee is a forward-looking fee analysis tool. It projects the fees occurring in your portfolio for the next year. It also decomposes the total portfolio fee to the portfolio level and holding level.

The Portfolio Fee is calculated with annual platform fee % and most recent portfolio holdings' annual fee %, assuming a 5% return for the next year. You can customize the platform fee %, holdings' fee %, and expected return, and then calculate the one-year expected Portfolio Fee.

The Total Portfolio Fee % is a sum of the Platform Fee % and the Holdings Fee %.

☞ Note: The the default value for the Holdings Fee % is Prospectus Net Expense Ratio.

How are portfolio fees calculated?

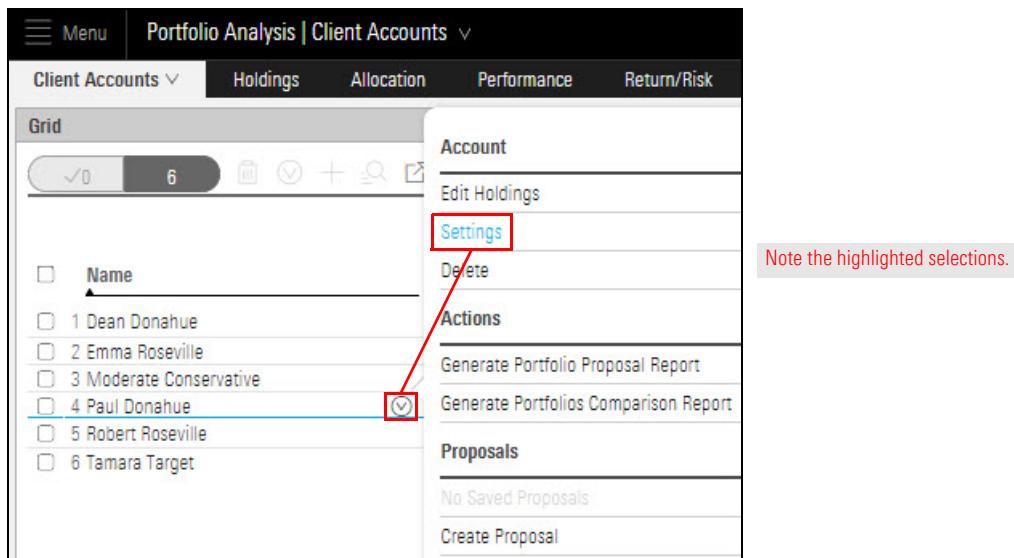
You can add a platform fee to a client account or proposal. The fee (along with the holding fee) is then included in the total portfolio fee calculation.

A platform fee is an annual ongoing charge at the portfolio level.

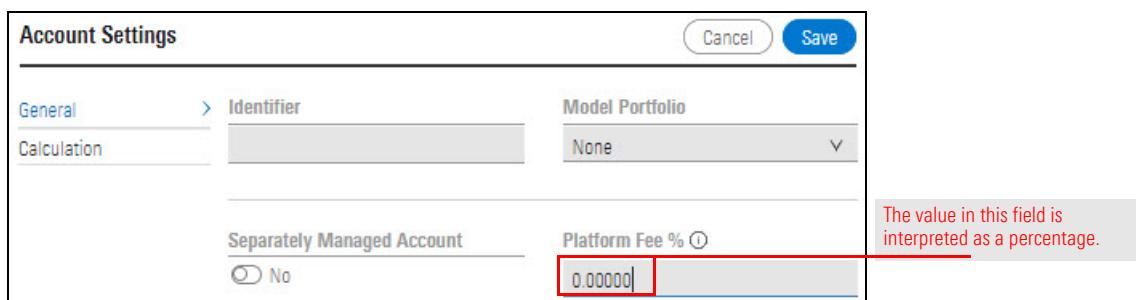
To add a platform fee, do the following:

1. In a Client Accounts workbook, select the **Client Accounts** worksheet.
2. **Hover the cursor** over a client account, then select **Action > Settings**. The Account Settings window opens.

Exercise 4: Add a platform fee to a client account or portfolio



3. In the Account Settings window, in the **Platform Fee %** field, enter a value between **0 and 100**.



4. Click **Save**.

In a Client Accounts workbook, the Holdings Analysis component has a column set (Portfolio Fees) to display fees for a client account or proposal. The fees are as follows:

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

☞ Note: The default value for the Holdings Fee % is Prospectus Net Expense Ratio.

Do the following:

1. In a Client Accounts workbook, select the **Holdings** worksheet.
2. In the **Grid**, select a **client account or proposal**.
3. In the Holdings Analysis component, click the **Component Settings** icon.
4. From the Component Settings menu, select **Column Set > Portfolio Fees**.

Note the highlighted selections.

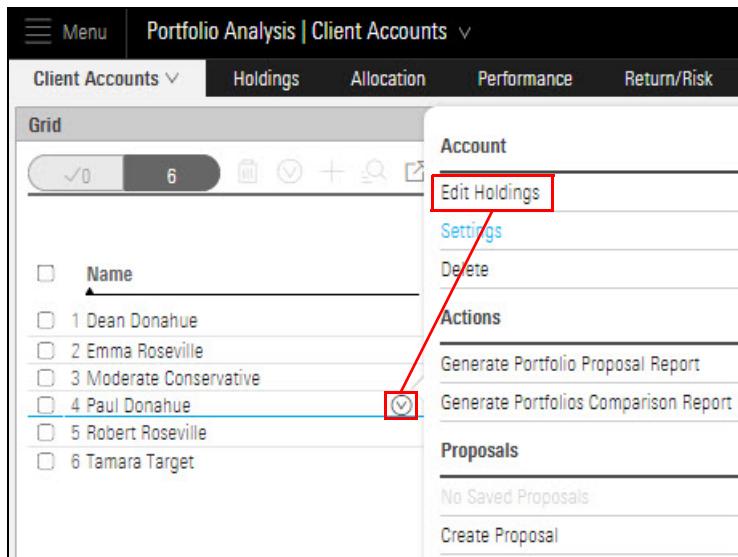
5. **Click away** from the menu to close it.

The column set displays Total Portfolio Fee %, Platform Fee %, and Holdings Fee %.

The Portfolio Fees column set (used in [Exercise 5 on page 20](#)) is also available in the Portfolio Editor window.

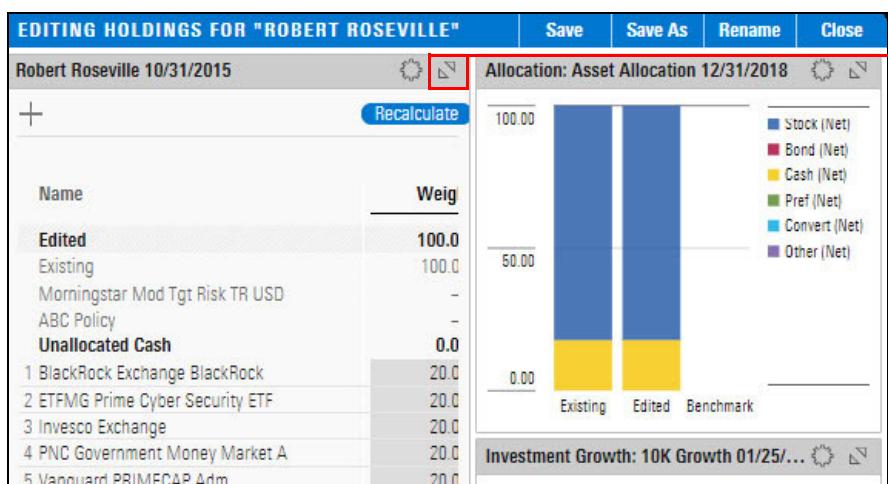
Do the following:

1. In a Client Accounts workbook, in the **Grid**, **hover the cursor** over a client account, then select **Action > Edit Holdings**. The Portfolio Editor window opens.



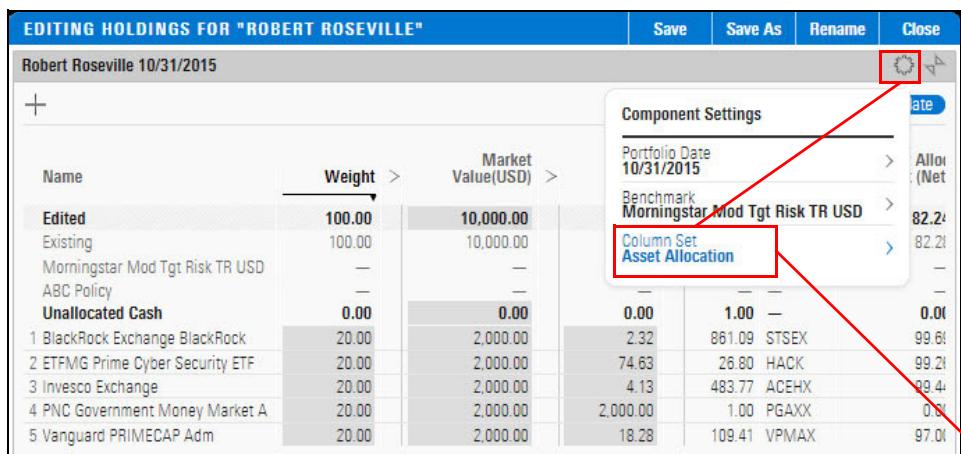
The screenshot shows the 'Portfolio Analysis | Client Accounts' window. In the 'Grid' section, a list of client accounts is displayed. The account '4 Paul Donahue' is selected, indicated by a blue border and a checked checkbox in the 'Edit Holdings' context menu. The context menu also includes options for 'Settings', 'Delete', 'Actions', 'Proposals', and 'Create Proposal'. A red arrow points from the 'Edit Holdings' option in the menu to the selected account in the grid. A callout box on the right says 'Note the highlighted selections.'

2. In the Editing Holdings window, you might want to **expand** the Grid.

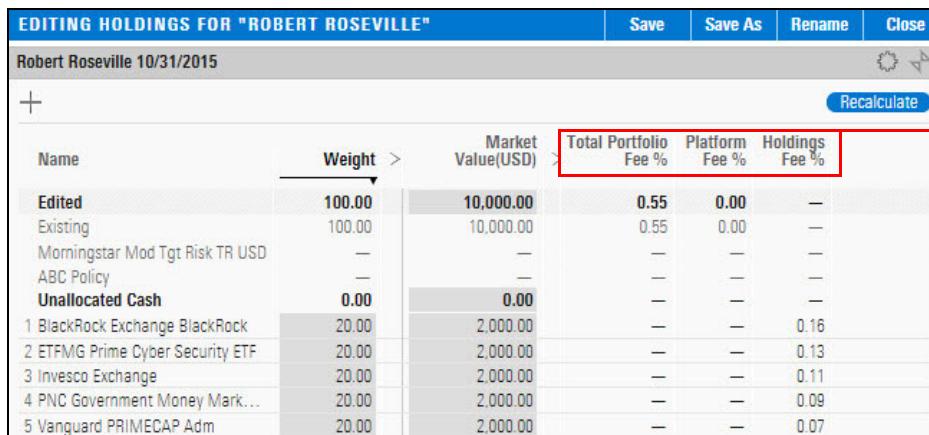


The screenshot shows the 'EDITING HOLDINGS FOR "ROBERT ROSEVILLE"' window. The top bar includes buttons for 'Save', 'Save As', 'Rename', and 'Close'. The main area is divided into two sections: a grid on the left and a chart on the right. The grid lists various investment holdings with their names and weights. The chart, titled 'Allocation: Asset Allocation 12/31/2018', shows the asset allocation across categories: Stock (Net), Bond (Net), Cash (Net), Pref (Net), Convert (Net), and Other (Net). A red box highlights the 'Recalculate' button in the top right of the grid area. A red arrow points from a callout box on the right to the top right corner of the grid area, with the text 'Click here to expand the Grid.'

3. Click the **Component Settings** icon, then select **Column Set > Portfolio Fees**.



Note the highlighted selections.



The column set displays Total Portfolio Fee %, Platform Fee %, and Holdings Fee %.

Many clients are concerned about the impact of their investment on the world around them and want to know more about environmental, social, and governance (ESG) factors. If you are licensed to access Sustainalytic's company-level ESG data, the data points Company Normalized ESG Score and Company Highest Controversy Level are available as follows:

- ▶ when creating a new client account (optional in [Exercise 1 on page 7](#))
- ▶ when editing holdings for an existing client account, and
- ▶ In the Holdings Analysis component.

To learn more about ESG data and how a Morningstar ESG Score is computed, please read [Leveraging Morningstar Sustainability Data](#).

To display the company-level ESG data points editing holdings for an existing client account, do the following:

1. Open the **Client Accounts** workbook.
2. **Hover the cursor** over **the empty area** to the right of a portfolio's name.
3. Click the **Actions** icon and select **Settings**. The Model Portfolio Settings window opens.
4. In the Editing Holdings window, click the **Component Settings** icon, then select **Column Set < Sustainability**.

☞ Note: For display clarity, the main component of the Editing Holdings window has been expanded.

EDITING HOLDINGS

Component Settings

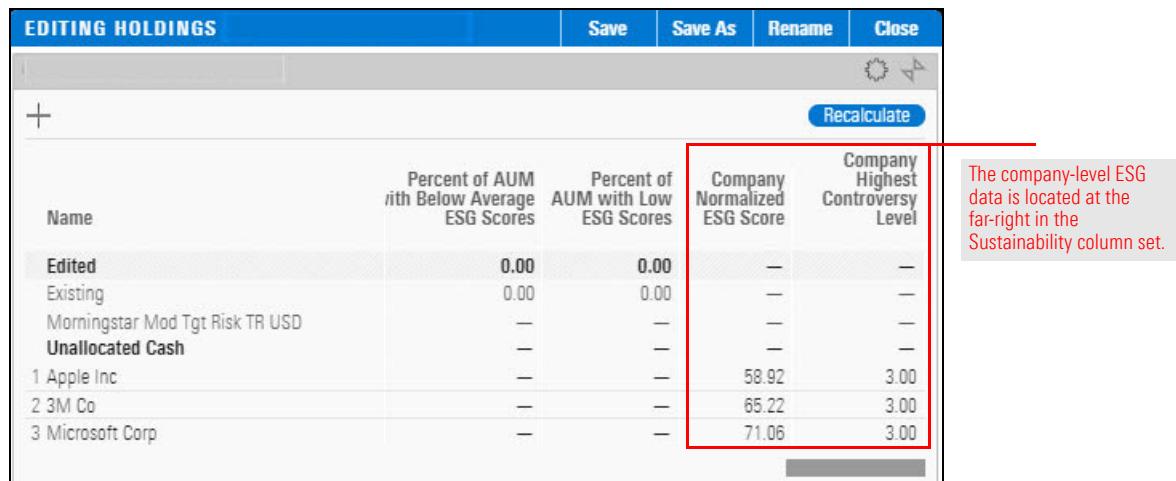
- Portfolio Date: 11/30/2015
- Benchmark: Morningstar Mod Tgt Risk TR USD
- Column Set: Asset Allocation**

Note the highlighted selections.

Column Set

- Asset Allocation
- Equity Statistics
- Equity Style
- Equity Sectors
- Sustainability** (highlighted with a red box)
- Product Involvement
- Return Month End
- Return Quarter End

5. **Scroll right** to see the Company Normalized ESG Score and Company Highest Controversy Level columns.



The screenshot shows a software interface titled 'EDITING HOLDINGS'. At the top, there are buttons for 'Save', 'Save As', 'Rename', and 'Close'. Below the buttons is a toolbar with a 'Recalculate' button. The main area is a table with the following columns: 'Name', 'Percent of AUM with Below Average ESG Scores', 'Percent of AUM with Low ESG Scores', 'Company Normalized ESG Score', and 'Company Highest Controversy Level'. The last two columns are highlighted with a red box. A red callout box to the right of the table states: 'The company-level ESG data is located at the far-right in the Sustainability column set.' The table data is as follows:

Name	Percent of AUM with Below Average ESG Scores	Percent of AUM with Low ESG Scores	Company Normalized ESG Score	Company Highest Controversy Level
Edited	0.00	0.00	—	—
Existing	0.00	0.00	—	—
Morningstar Mod Tgt Risk TR USD	—	—	—	—
Unallocated Cash	—	—	—	—
1 Apple Inc	—	—	58.92	3.00
2 3M Co	—	—	65.22	3.00
3 Microsoft Corp	—	—	71.06	3.00

6. Click **Save** and **Close**.

Householding Clients

You might have several clients from a single family or household. By creating a custom data point with which you can classify the client accounts, you gain access to data for the household as a whole.

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

- ▶ Create a Household data point ([page 25](#))
- ▶ Assign values to the Household data point ([page 27](#)), and
- ▶ Display the Household data in the Client Accounts workbook ([page 29](#)), and
- ▶ Group your client accounts by household ([page 31](#)).

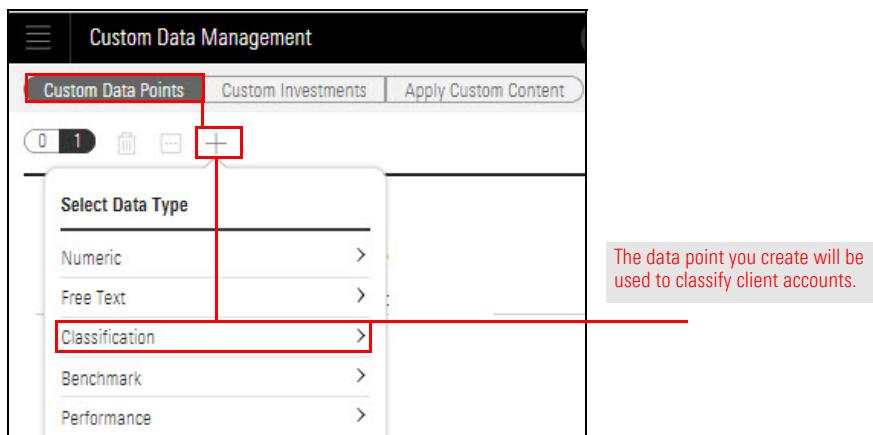
In this exercise, you will create a custom data point named Household. You can use it to classify your client accounts.

Do the following:

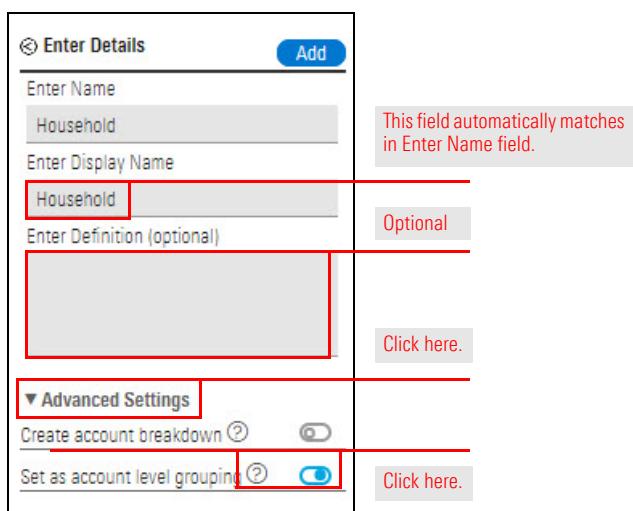
1. On the Home page, from the upper-left **Menu**, select **Custom Data Management**. The Custom Data Management page opens.

Note the highlighted selections.

2. At the top of the page, select **Custom Data Points**.
3. Click the **Add** icon. From the Select Data Type menu, select **Classification**. The Enter Details dialog box opens.



4. In the **Enter Name** field, type **Household**.
5. Press **Tab** to move the cursor to the next field. The **Enter Display Name** field is automatically filled in, but you can change it if you want.
 - ☞ Note: The **Enter Definition** field is optional. If you are creating a more complex data point, you should consider writing a brief definition.
6. Click **Advanced Settings** to expand the options.
7. Click the **slider** next to **Set as account level grouping** to move it to the on position.



8. Click **Add**. Household is displayed at the top of the Custom Data Points List.

Name	Display Name	Type
<input type="radio"/> Name		
<input checked="" type="radio"/> Household	Household	Classification

Now you can add a value to the Household data point for each client account. These values will become menu selections in [Exercise 11 on page 31](#).

Exercise 9: Assign values to the custom data point

☞ Note: The Custom Data Management window should still be open.

Do the following:

1. At the top of the Custom Data Management window, select **Apply Custom Content**.
2. Optional: If your client accounts are not displayed, click the **down arrow** and from the menu, select **All Client Accounts**.

02 2017 Gold-Rated Large Cap Funds

List & Screens

All Client Accounts

3. In the client account's row for Karen Franklin, in the Household column, **double-click** the **dash** character. The dash character is removed.

Custom Data Management

Client Accounts ▾ Column Set ▾

0 7

	Name	Custom Benchmark	Household
1	Christine Hall	—	— ▾
2	Scott Tucker	—	— ▾
3	Richard Hall	—	— ▾
4	Karen Franklin	—	— ▾
5	Franklin Children	—	— ▾
6	David Franklin	—	— ▾

4. In the blank space, type **Franklin Household**; then press **Enter**.

Client Accounts ▾ Column Set ▾

0 6

	Name	Custom Benchmark	Household
1	Christine Hall	—	Franklin ▾
2	Scott Tucker	—	— ▾
3	Richard Hall	—	— ▾
4	Karen Franklin	—	— ▾
5	Franklin Children	—	— ▾
6	David Franklin	—	— ▾

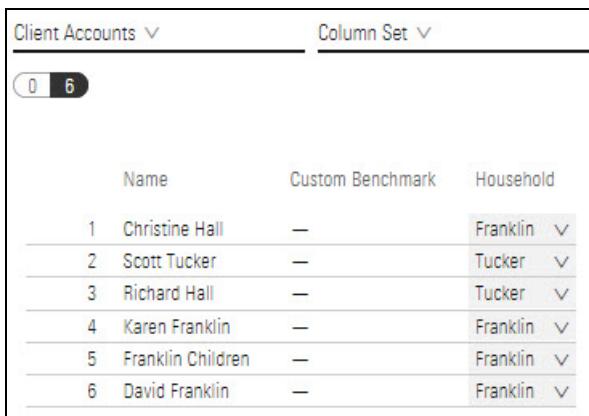
5. In client account row for IRA, in the Household column, **double-click** the **drop-down arrow** and select **Franklin Household**.

Client Accounts ▾ Column Set ▾

0 5

	Name	Custom Classification	Economic Moat	Fund Type	Household
1	Smith Family Trust	— ▾	— ▾	— ▾	— ▾
2	Sample	— ▾	— ▾	— ▾	— ▾
3	Maeve Doonan	— ▾	— ▾	— ▾	— ▾
4	Karen Franklin	— ▾	— ▾	— ▾	Franklin ... ▾
5	IRA	— ▾	— ▾	— ▾	Franklin... ▾

6. Continue **assigning** and/or **creating values** until you have classified all your client accounts by household.

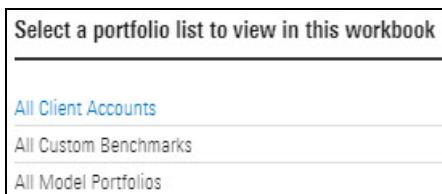


A screenshot of a client account grid. The grid has columns for Name, Custom Benchmark, and Household. The Household column contains dropdown menus for each account. The data is as follows:

	Name	Custom Benchmark	Household
1	Christine Hall	—	Franklin ▾
2	Scott Tucker	—	Tucker ▾
3	Richard Hall	—	Tucker ▾
4	Karen Franklin	—	Franklin ▾
5	Franklin Children	—	Franklin ▾
6	David Franklin	—	Franklin ▾

SKIP THIS? In this exercise, you will display the Household data point in the Grid by adding it to the default column set (Account Summary) and saving that as a new column set. Do the following:

1. **Hover the cursor** over the Menu in the upper-left corner of the window and select **Workbooks**.
2. Select the **Model Portfolios** workbook. The Select a portfolio list dialog box opens.
3. Select **All Client Accounts**. Your client accounts are displayed in the workbook.



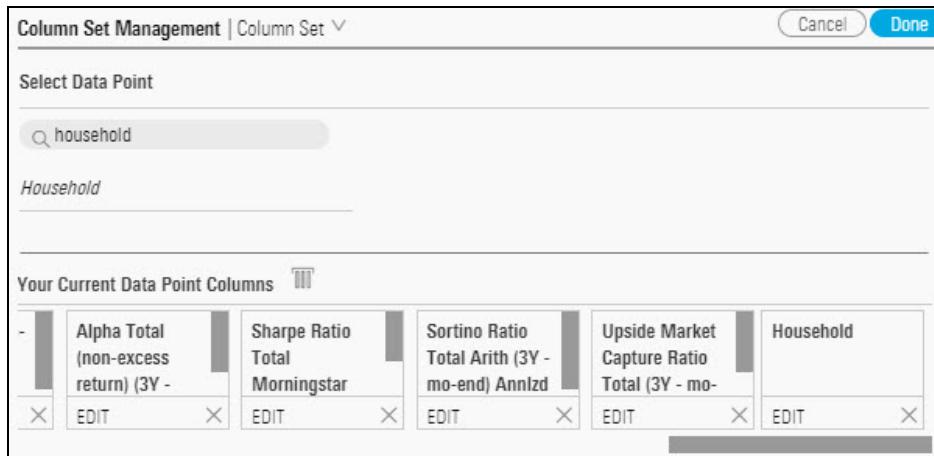
A screenshot of a dialog box titled "Select a portfolio list to view in this workbook". It contains three options: "All Client Accounts", "All Custom Benchmarks", and "All Model Portfolios".

1. From the **Column Set** menu, select **Edit**. The Column Set Management window opens.
2. In the **Select Data Point** search field, type **household**. The Household data point appears below the search field.

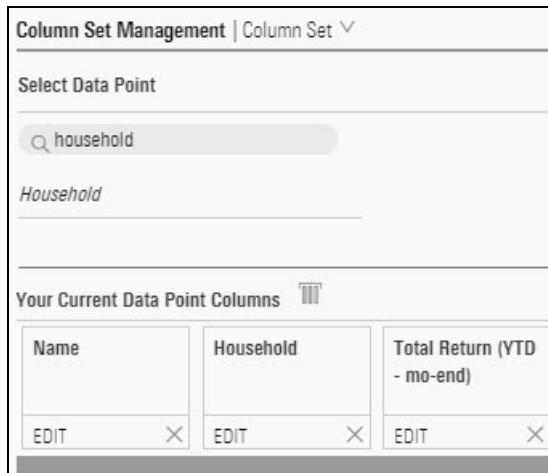
☞ Note. Custom data points are displayed in italics.

Exercise 10: Display the custom data point in the Model Portfolios workbook

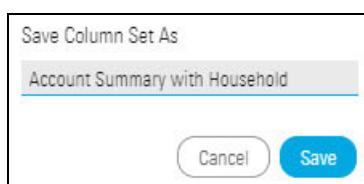
3. Click **Household**. The Household data point appears at the far right of the bottom of the window.



4. Drag **Household** to the left and drop it at the **right of Name**.



5. In the upper-right corner of the window, click **Done**. In the Grid, Household is the column to the right of Name and the values are displayed.
6. From the **Column Set** menu, select **Save Column Set As**.
7. In the Save Column Set As dialog box, type **Account Summary with Household**.



8. Click **Save**.

Now that you have assigned a Household value to each client account, you can group them by household in the Grid component of the Client Accounts workbook.

Exercise 11: Group client accounts by household

Do the following:

1. From the **Menu**, open the **Client Accounts** workbook and display **All Client Accounts**.
2. In the upper-right corner of the Grid, click **Show Peer Analytics**. The Peer Analytics panel opens

Name	Total Return (YTD - mo-end)	Total Return (6M - mo-end)	Total Return (1Y - mo-end)	Total Return (3Y - mo-end)	Standard Deviation Total (3Y - mo-end) Annlzd	Beta Total (non-excess return) (3Y - mo-end)
1 Christine Hall	7.41	8.12	13.13	50.04	8.43	1.47
2 David Franklin	4.75	5.62	—	—	—	—
3 Franklin Children	0.28	0.68	0.77	4.51	1.42	0.02
4 Karen Franklin	2.83	4.69	5.82	22.87	4.69	0.74
5 Richard Hall	11.73	12.29	19.05	—	—	—
6 Scott Tucker	11.62	12.23	18.95	—	—	—

3. To the left of **Grouping**, click the **down arrow** to expand the Grouping menu, displaying all your custom data points.
 - ☞ Note: When you display the Grouping menu, the slider at the right moves into the on position.
4. From the Grouping menu, Household should already be selected. If not, select it now.

Note the highlighted selections.

5. At the bottom of the Peer Analytics panel, click **Apply**.

6. In the upper-right corner of the Grid, click **Hide Peer Analytics**.

Grid

Peer Analytics

Grouping

Household

Conditional Formatting

Hide Peer Analytics

Click here.

In the Grid, the client accounts are now grouped by Household. Note the following:

- At the top of each group, the group name is displayed.
- In the group name rows, the group-level data (such as Total Return) are displayed in bold-italic type, and
- The groups can be expanded or collapsed.

☞ Note: If you select a different worksheet in the Client Accounts workbook, you will need to expand the Grid component and re-enable the Peer Analytics settings on that worksheet to see client accounts as a household. You can also click the household row there to broadcast that information to the components on a worksheet.

Portfolio Analysis | *Client Ac...

Client Accounts Holdings Allocation Performance Return/Risk Attribution Edit

Grid

Group name and group-level data

	Total Return (YTD - mo-end)	Total Return (6M - mo-end)	Total Return (1Y - mo-end)	Total Return (3Y - mo-end)	Standard Deviation Total (3Y - mo-end) Annlzd	Beta Total (non-excess return) (3Y - mo-end)
Franklin	-	-	-	-	-	-
1 Christine Hall	7.41	8.12	13.13	50.04	8.43	1.47
2 David Franklin	4.75	5.62	-	-	-	-
3 Franklin Children	0.28	0.68	0.77	4.51	1.42	0.02
4 Karen Franklin	2.83	4.69	5.82	22.87	4.69	0.74
Tucker	11.68	12.26	19.00	-	-	-
5 Richard Hall	11.73	12.29	19.05	-	-	-
6 Scott Tucker	11.62	12.23	18.95	-	-	-

Creating an Investment Policy

Investment policies serve as blueprints for investment plans. Morningstar Direct Cloud for Wealth Management allows you to create an investment policy as documentation of your investment strategy. You can then use it as a benchmark to see how well a client account conforms to the policy.

To learn how to create and use an investment policy, please refer to the following exercises in [Creating Model Portfolios, Benchmarks, and Investment Policies](#):

- ▶ Exercise 14: [Create an investment policy](#)
- ▶ Exercise 15: [Add another level](#)
- ▶ Exercise 16: [Add sub-asset classes and proxies](#)
- ▶ Exercise 17: [Assign weights to the sub-asset classes](#)
- ▶ Exercise 18: [Save an investment policy](#)
- ▶ Exercise 19: [Use an investment policy as a benchmark](#)
- ▶ Exercise 20: [Apply an investment policy to a portfolio object](#), and
- ▶ Exercise 21: [Use groupings to replicate a policy's asset classes](#)

Overview

Using Portfolio Analysis Tools

The Morningstar portfolio analysis tools reveal information about specific aspects of a client account, such as total portfolio attribution (TPA), sustainable investing, and risk exposure, and probable response to changing conditions.

The tools are as follows:

- ▶ the Attribution worksheet
- ▶ Morningstar Sustainability Rating
- ▶ Morningstar Global Risk Model, and
- ▶ the Scenario Analysis worksheet.

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

- ▶ conduct total portfolio attribution ([page 34](#))
- ▶ Create a total portfolio attribution report in Presentation Studio
In Client Accts guide, get started, then link to PS Guide (Portfolio template, Attribution component category, (Total Portfolio Attribution needs full page), TPA Bar Chart, TPA Summary), then back to Client Accts
- ▶ calculate a Morningstar Sustainability Rating for a client account ([page 35](#))
- ▶ use the Morningstar Global Risk Model to analyze a client's exposure to risk ([page 35](#)), and
- ▶ use the Scenario Worksheet to discover how an account, fund, or portfolio would perform if conditions from a past market event were to recur ([page 38](#)).

The Total Portfolio Attribution (TPA) capability allows you to measure the impact of asset allocation and manager selection on a client account.

To learn how to contact TPA attribution, please refer to the following topics and exercises in [Creating Model Portfolios, Benchmarks, and Investment Policies](#):

- ▶ [understand how TPA is calculated](#)
- ▶ [understand which asset classes are used for the investments in a model portfolio](#)
- ▶ [understand what policies are used in weighting assets](#)
- ▶ [Exercise 22: View a model portfolio's TPA](#)
- ▶ [Exercise 23: Include portfolio fees in the Total Portfolio Attribution component](#)
- ▶ [Exercise 24: Change TPA settings](#)
- ▶ [Exercise 25: Add a holding fee to TPA](#)
- ▶ [Exercise 26: Save TPA settings, and](#)
- ▶ [Exercise 27: Reuse saved TPA settings.](#)

Overview

How can I conduct Total Portfolio Attribution?

Your clients might express an interest in environmentally and/or socially responsible investing. By examining a client account in the Sustainability Ratings Analysis component, you can calculate the account's ESG statistics at both the account and the holding levels.

Calculating a client account's Morningstar Sustainability Rating is the same as calculating it for a model portfolio. To learn how to calculate the Morningstar Sustainability Rating, please refer to the following exercises in [Leveraging Sustainability Data](#):

- ▶ Exercise 11: [View ESG statistics for a client account and its holdings](#)
- ▶ Exercise 12: [View the Morningstar Sustainability Rating for a client account](#), and
- ▶ Exercise 13: [View the holdings' exposures to product involvement areas](#).

A risk model is a forecast of the joint distribution of returns for a set of assets. Using the Morningstar Global Risk Model, you can do the following:

- ▶ Make more informed account construction decisions
- ▶ Understand future return behavior, and
- ▶ Understand the impact of adding or subtracting a particular security.

The Morningstar Global Risk Model provides information about an account's exposure to risk factors. The 36 risk factors are grouped as follows:

- ▶ Style
- ▶ Region
- ▶ Sector, and
- ▶ Currency.

How can I calculate a Morningstar Sustainability Rating for a client account?

How can I use the Morningstar Global Risk Model to analyze a client's exposure to risk?

The risk factors are described in this table:

	Risk Factor	Description
Style	Valuation	The ratio of Morningstar's quantitative fair value estimate for a company to its current market price
	Economic Moat	A quantitative measure of the strength and sustainability of a firm's competitive advantages
	Valuation Uncertainty	The level of uncertainty embedded in the quantitative fair value estimate for a company
	Financial Health	A quantitative measure of the strength of a firm's financial position
	Ownership Risk	A measure of the risk exhibited by the fund managers who own a company
	Ownership Popularity	A measure of recent accumulation of shares by fund managers.
	Liquidity	Share turnover of a company.
	Size	Market capitalization of a company.
	Value-Growth	Value-Growth, where a value stock has a low price relative to its book value, earnings and yield
	Momentum	How much a stock has risen in price over the past year relative to other stocks.
	Volatility	Total return volatility as measured by largest minus smallest 1month returns in a trailing 12 month horizon

	Risk Factor	Description
Sector	Basic Materials	Measure the economic exposure of a company to the 11 Morningstar sectors. Must sum to 1 and must individually be between 0 and 1.
	Energy	
	Financial Services	
	Consumer Defensive	
	Consumer Cyclical	
	Technology	
	Industrials	
	Healthcare	
	Communication Services	
	Real Estate	
	Utilities	
Region	Developed North America	Measure the partial economic exposure of a company or portfolio to seven geographic regions (Better approach than measuring geographic measuring risk according to where the stock is listed, incorporated, or headquartered).
	Developed Europe	
	Developed Asia Pacific	
	Emerging Latin America	
	Emerging Europe	
	Emerging Asia Pacific	
	Emerging Middle East & Africa	
Currency	Euro	Measure the partial economic exposure of a company or portfolio to seven exchange rates. we estimate partial economic exposure of each company to all 7 exchange rates. To capture these partial exposures, we perform a time-series quantile regression over the past 5 years on a rolling, weekly frequency. These exposures generally fall between -1 and 1.
	Japanese Yen	
	British Pound	
	Swiss Franc	
	Canadian Dollar	
	Australian Dollar	
	New Zealand Dollar	

To learn how to analyze risk exposure, please read [Using the Morningstar Global Risk Model Components](#).

The Scenario Analysis worksheet shows how an account, fund, or portfolio would perform if conditions from a past market event were to recur. For example, in mid-2011, the U.S. Congress and the President faced off in a showdown over whether to increase the debt ceiling to continue borrowing to fund the government. The issue was resolved four months later, but the intervening dispute took a toll on equity and fixed income investments alike.

What would happen if the same risk premia were applied to a portfolio today, given its exposure to the 36 factors in Morningstar's Global Risk Model?

Please read [Working with the Scenario Analysis Worksheet](#) to learn how to do the following:

- ▶ Understand what scenarios are shown on the Scenario Analysis worksheet
- ▶ Understand how the scenario analysis values are calculated
- ▶ Display just one scenario at a time
- ▶ Apply a benchmark to the Scenario Trends component
- ▶ Add a fund for comparison
- ▶ Convert the chart to a table
- ▶ Find the draw-down for a fund during a scenario
- ▶ Find the day the maximum draw-down would be reached in a scenario
- ▶ Create a screen to find emerging markets funds, and
- ▶ Create a custom worksheet.

What can I discover using the Scenario Analysis Worksheet?

Proposing Changes to a Client Account

In analyzing a client account, you might discover that certain changes could strengthen the account's return, or lower the risk associated with it. In another case, the client might indicate an interest in rebalancing his or her portfolio, focusing on sustainable investing, or other such changes. All these situations can lead to creating a proposal for the client.

Overview

The overall steps to creating a proposal are as follows:

1. Generate a proposal from an existing client account.
2. Compare it to the current client account and/or benchmark.
 - ☞ Note: You can compare not only the account and proposal at a high level, but at the holdings level, too.
3. If necessary, in the proposal, continue changing investments and weights.
4. When you are satisfied the proposal meets the client's requirements, generate a proposal report or a proposal comparison report.
 - ☞ Note: To generate a report, you need a report template, [created in Presentation Studio and published for your use](#).

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

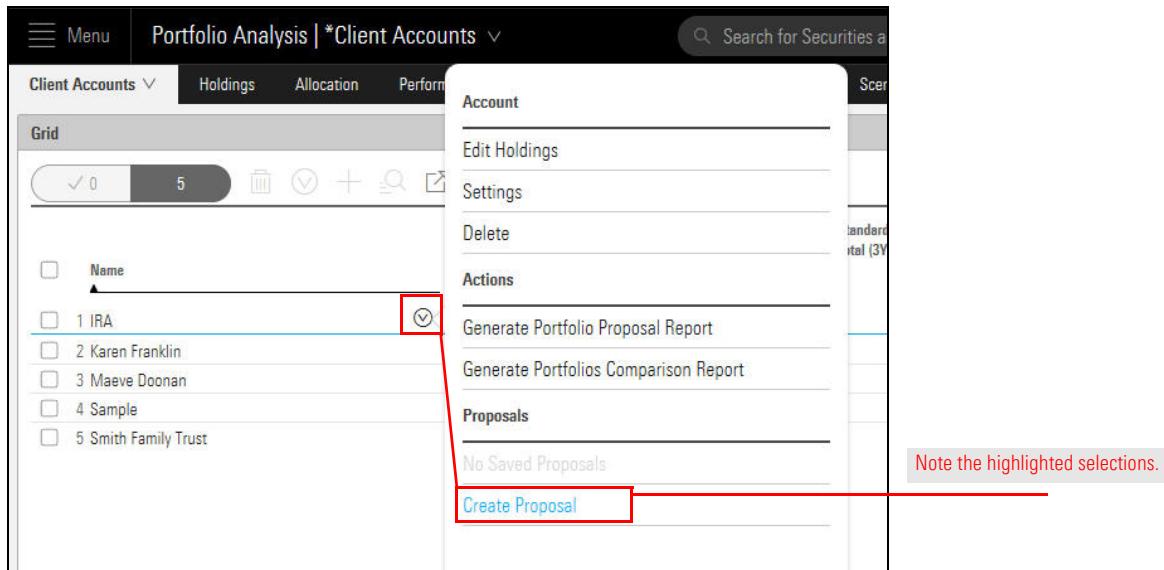
- ▶ Create a proposal ([page 40](#))
- ▶ Learn which components can be used to compare a client account and a proposal ([page 45](#))
- ▶ Compare the proposal to a client account in a single component ([page 46](#))
- ▶ Compare the proposal to a client account in separate components ([page 46](#)), and
- ▶ Generate a proposal report ([page 53](#)).

A proposal allows you to present an alternative investment approach for a client's account, either by changing investments, allocations to existing investments, or both. A proposal is always created from a client account; therefore, be sure a client account exists before beginning this exercise.

☞ Note: A client account can have more than one associated proposal.

To create a proposal, do the following:

1. In the Client Accounts workbook, **hover the cursor** over **IRA**, then from the **Action** menu, select **Create Proposal**. The Creating Proposal window opens.



2. Initially, the Creating Proposal window displays a copy of the account's holdings. Except for the header, this window is the same as the Edit Client Account window and offers the same options. **Remove** the existing holdings from the portfolio.

Exercise 12: Create a proposal

3. Add these investments and weightings for the client account proposal:

Investment Name	Ticker	Weighting %
iShares Core S&P 500 ETF	IVV	15
Vanguard Total Bond Market ETF	BND	12
Oakmark International Investor	OAKIX	12
Oppenheimer Developing Markets I	ODVIX	10
Wasatch Core Growth	WGROX	10
Columbia Disciplined Growth A	RDLAX	10
Metropolitan West Total Return Bd M	MWTRX	10
Oakmark Select Investor	OAKLX	8
Vanguard Mid-Cap ETF	VO	8
Vanguard FTSE Developed Markets ETF	VEA	5

CREATING PROPOSAL FOR "IRA"

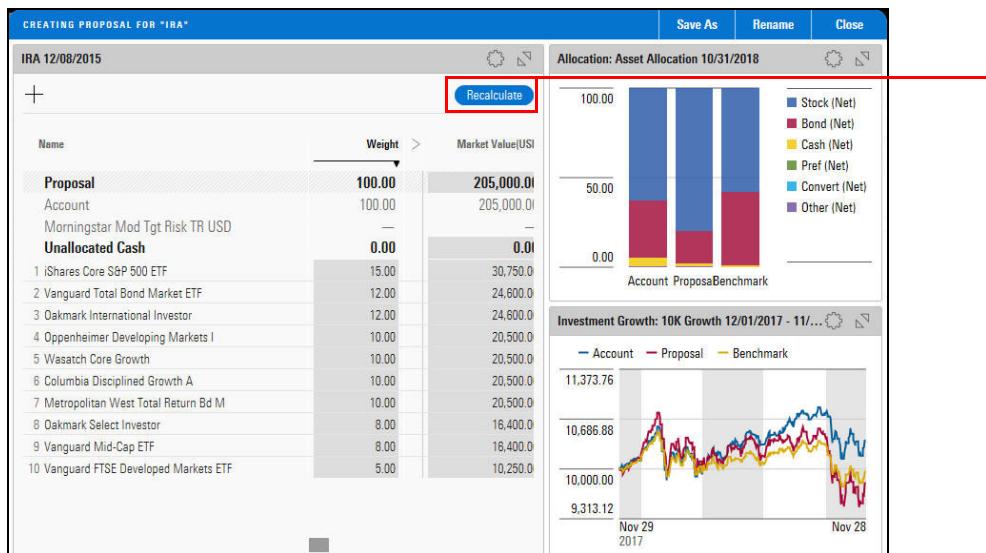
IRA 12/08/2015

[+ Click here to add investments.](#)

[Recalculate](#)

Name	Weight	Market Value(US\$)
Proposal	100.00	205,000.01
Account	100.00	205,000.01
Morningstar Mod Tgt Risk TR USD	—	—
Unallocated Cash	0.00	0.01
1 iShares Core S&P 500 ETF	15.00	30,750.0
2 Vanguard Total Bond Market ETF	12.00	24,600.0
3 Oakmark International Investor	12.00	24,600.0
4 Oppenheimer Developing Markets I	10.00	20,500.0
5 Wasatch Core Growth	10.00	20,500.0
6 Columbia Disciplined Growth A	10.00	20,500.0
7 Metropolitan West Total Return Bd M	10.00	20,500.0
8 Oakmark Select Investor	8.00	16,400.0
9 Vanguard Mid-Cap ETF	8.00	16,400.0
10 Vanguard FTSE Developed Markets ETF	5.00	10,250.0

[Enter weights in each row.](#)

4. Click **Recalculate**.5. Click **Save As**.

- Click **Save As**.
- Click **Save As**, name the proposal **Joe Franklin IRA Proposal 11/2018**, then click **Save**.
- In the Creating Proposal window, click **Close**.

After creating a proposal for a client account, you can specify or update the calculation settings, just as you would for a client account itself.

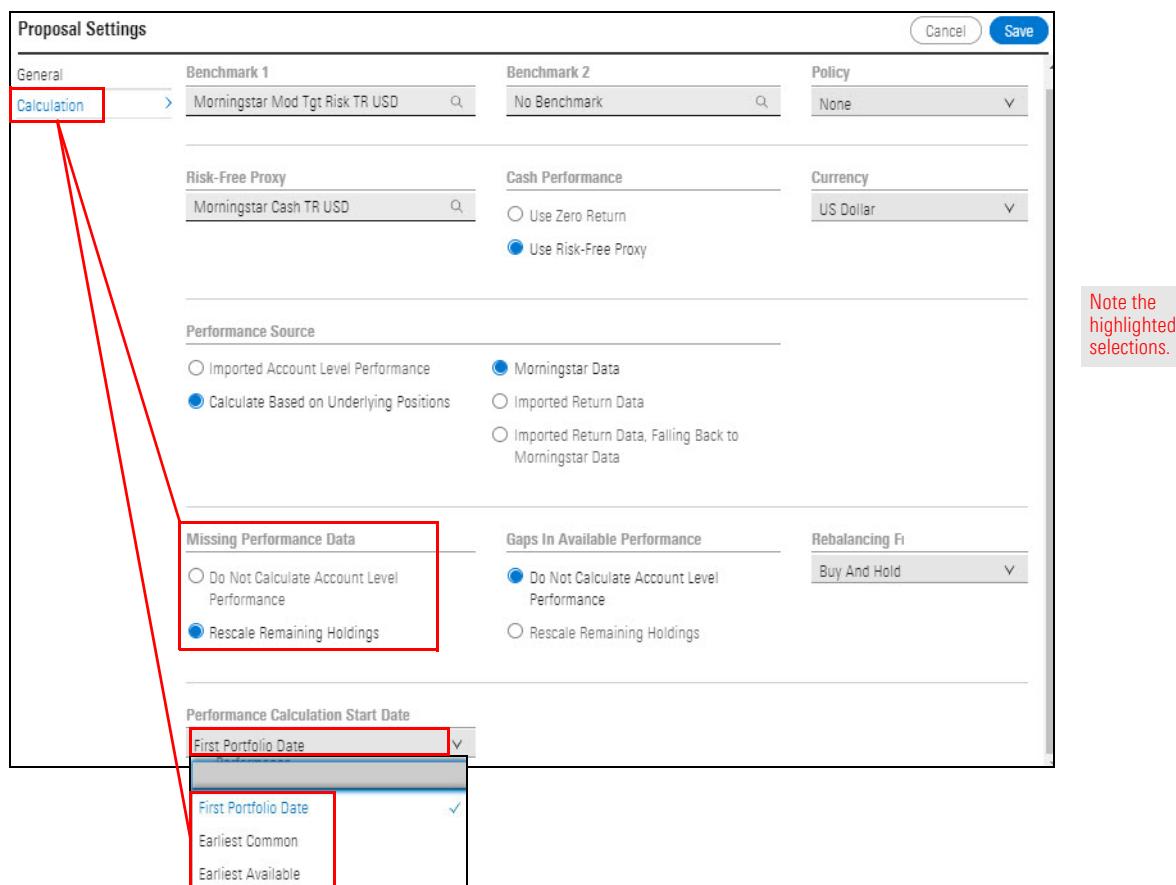
Do the following:

1. **Hover the cursor** over **IRA**. The Actions icon appears to the right of the account name.

The screenshot shows the 'Portfolio Analysis | Client Accounts' interface. The 'Client Accounts' tab is selected. There are two accounts listed: '1 Current IRA' and '2 Existing IRA'. The '1 Current IRA' row has an 'Actions' menu open, showing options like 'Edit Holdings', 'Settings', and 'Delete'. The 'Actions' section also lists 'Generate Portfolio Proposal Report' and 'Generate Portfolios Comparison Report'. Below this, there is a 'Proposals' section with 'Current IRA Proposal' highlighted and a 'Create Proposal' button. A red box highlights the 'Current IRA Proposal' item. A callout box with the text 'The Action icon for an account allows you update the settings for a proposal.' points to this item. A second callout box points to the 'Settings' item in the 'Current IRA Proposal' menu, which is also highlighted with a red box.

2. From the Actions menu, select **Joe Franklin IRA Proposal 11/2018 > Settings**. The Settings window opens.

3. Select the **Calculation** tab.
4. Near the bottom of the window, in the Missing Performance Data area, select one of the following options:
 - **Do Not Calculate Account Level Performance**, or
 - **Rescale Remaining Holdings** (default).
5. At the bottom of the window, from the **Performance Calculation Start Date** menu, select one of these options:
 - **First Portfolio Date** (default)
 - **Earliest Common**, or
 - **Earliest available**.



6. Click **Save**.

Once you have created a proposal, you can compare it to the associated client account and assess its relative strengths.

The following components can present a client account and a proposal in the same component:

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

**What components
can I use to compare
the client account
and the proposal?**

Some components are limited to presenting information on only one portfolio object (in this case, the client account or the proposal). That doesn't mean you can't use them for comparison; simply create a second instance of the same component.

The following components can display information on only one portfolio object:

- ▶ Equity Attribution
- ▶ Market Value
- ▶ Equity Region Exposure
- ▶ Multiple Risk Exposures
- ▶ Historical Allocation
- ▶ Risk Exposure Snapshot
- ▶ Holdings Analysis
- ▶ Risk Factor Attribution
- ▶ Holdings Correlation
- ▶ Rolling Time Series
- ▶ Holdings Plot
- ▶ Total Portfolio Attribution

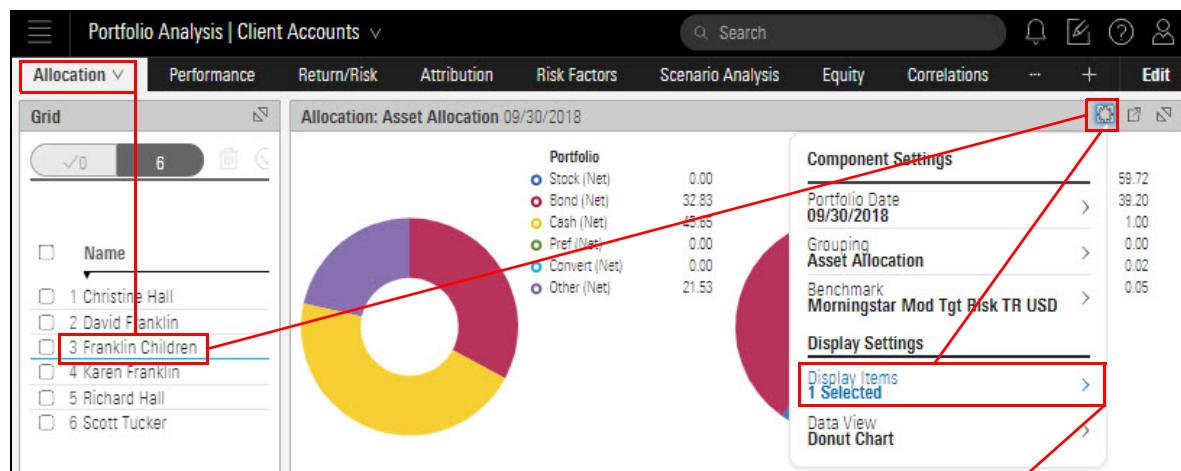
In this exercise, you will compare allocations of the Franklin Children account and the Franklin Children Proposal 10/2018 proposal in the Allocation component.

The Client Account workbook should still be open with the Franklin Children account selected.

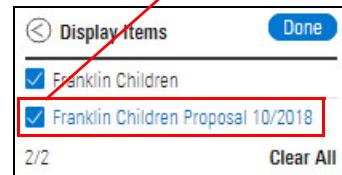
 Note: The selected client must have an associated proposal.

Do the following:

1. In the Client Accounts workbook, select the **Allocation** worksheet. Note that a Donut Chart is the default data view in the Allocation component.
2. In the Allocation component, click the **Component Settings** icon.
3. From the Component Settings menu, select **Display Items**, then click the **Franklin Children Proposal 10/2018** checkbox.



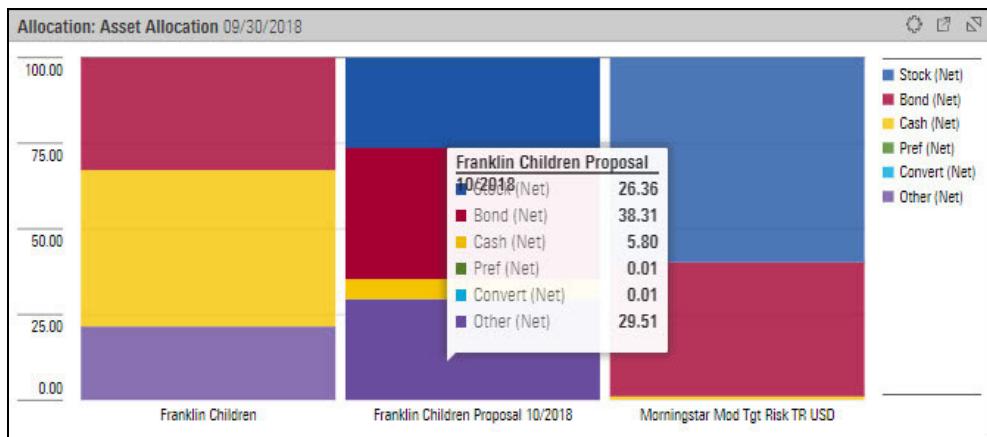
Note the highlighted selections.



4. Click **Done**, then **click away** from the Component Settings menu to close it.

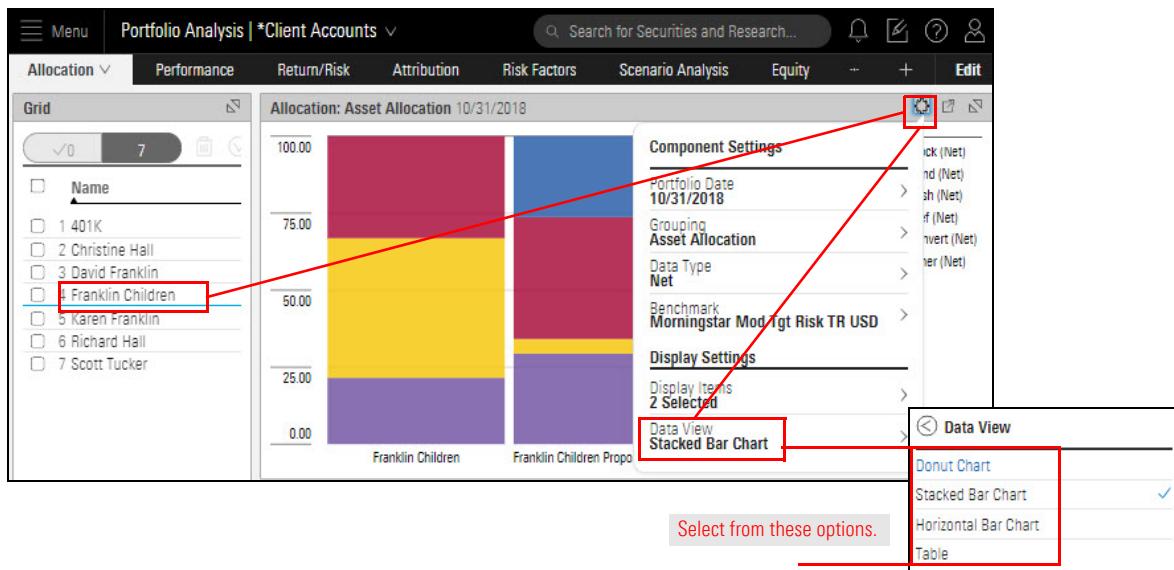
The Allocation component now displays a stacked bar chart, showing the account (Franklin Children), the proposal (Franklin Children Proposal 10/2018), and the benchmark (Morningstar Mod Tgt Risk TR USD).

5. Hover the cursor over a bar and a popup displays the breakdown.

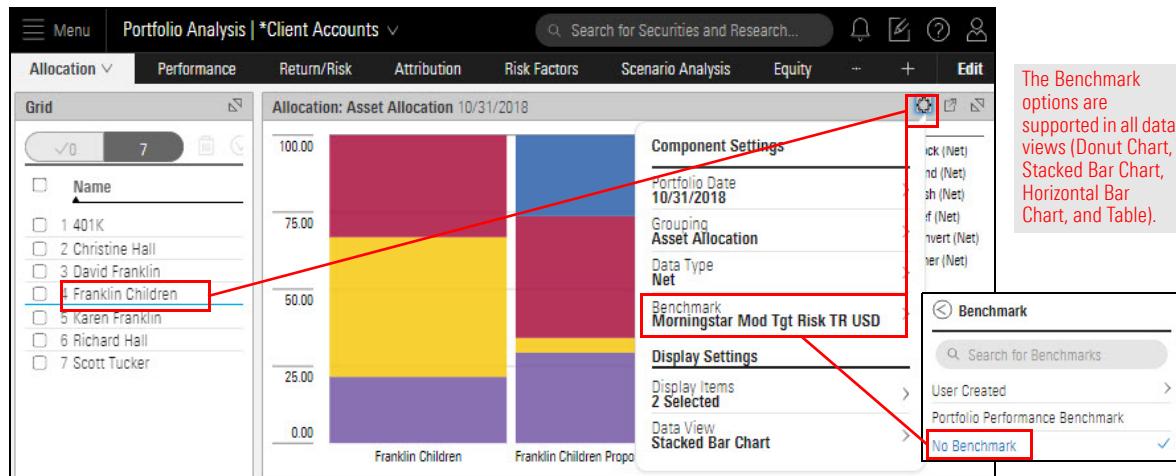


6. The Allocation component can also display the data in a horizontal bar chart or a table. To change to a different display, from the **Component Settings** menu, select **Data View** > select a **display**.

☞ Note: The Donut Chart cannot display proposal data.



7. To focus on the client account and the proposal, without displaying the benchmark, turn off the benchmark display. From the **Component Settings** menu, select **Benchmark > No Benchmark**.



To compare the client account and the proposal in separate components, place two instances of the same component in the component area, then display the client account in one and the proposal in the other.

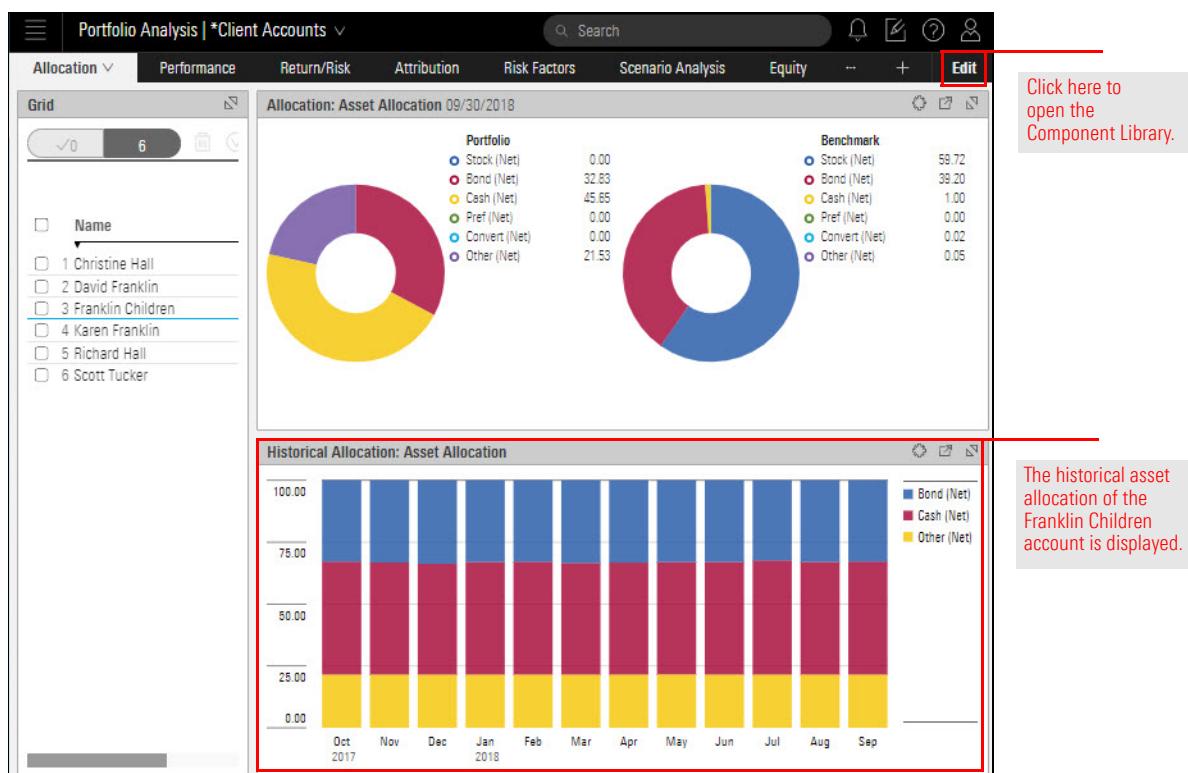
In this exercise, you will create two instances of the Historical Allocation component to compare the Franklin Children account and its proposal.

The Client Account workbook should still be open as follows:

- The Franklin Children account is selected in the Grid component, and
- The Allocation worksheet is selected.

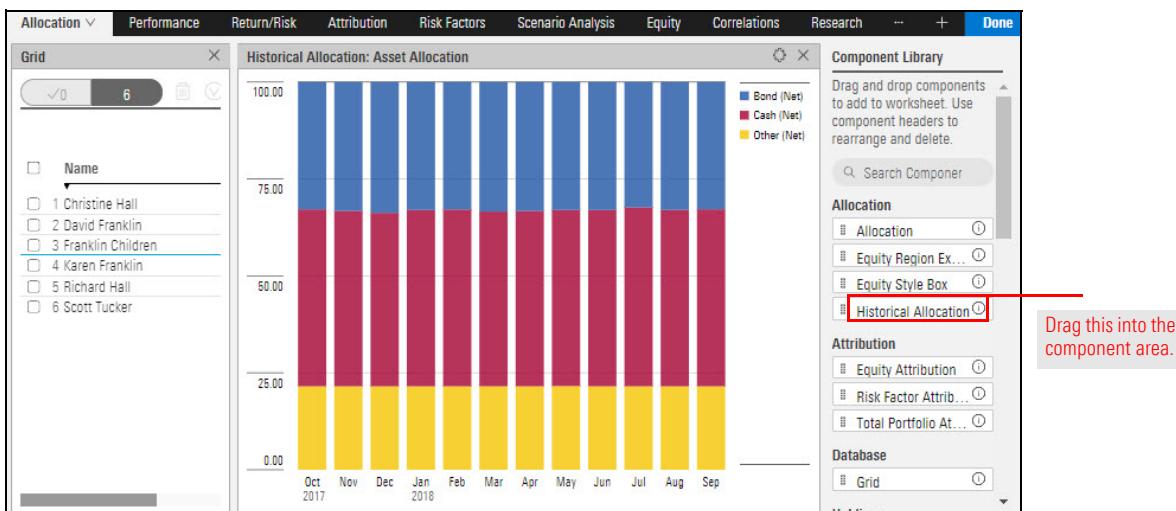
Do the following:

1. At the bottom of the Allocation worksheet, the Historical Allocation component is displayed. At the far-right side of the Worksheet tabs, click **Edit**. The Component Library opens on the right.



☞ Note: In subsequent screenshots in this exercise, the Allocation component (at the top of the component area) has been deleted so you can focus on the Historical Allocation component.

2. In the Component Library, **drag-and-drop** the **Historical Allocation** component into the component area, placing it to the right of the existing Historical Allocation component.



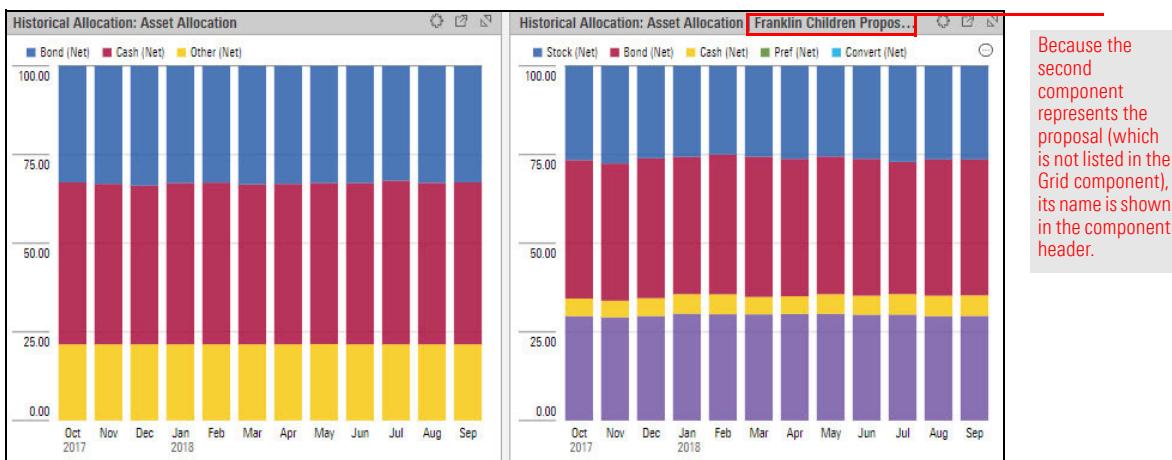
3. At the top of the Component Library, click **Done** to close the Component Library.

4. Note that both components display the same data (the Franklin Children account). In the right-hand component, click the **Component Settings** icon and from the Component Settings menu, select **Display Item > Franklin Children Proposal 10/2018**.



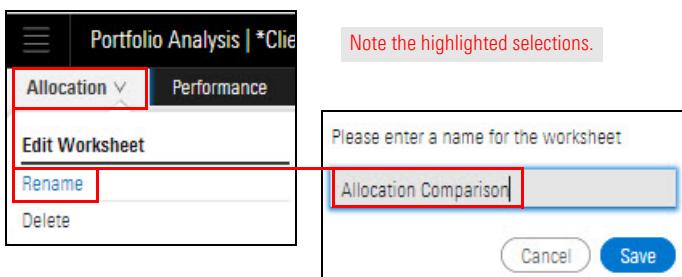
5. Click **Done**, then **click away** from the Component Settings menu to close it.

You now have visual representations of the historical asset allocations of the Franklin Children account and the Franklin Children Proposal 10/2018.

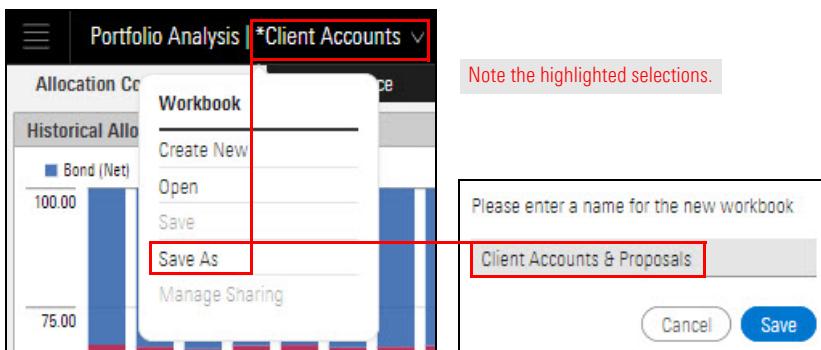


6. (Optional) You might want to save your changes to re-use with other client accounts and proposals:

A. **Rename** the worksheet **Allocation Comparison**.



B. Use **Save As** to save the workbook as a custom workbook, with the name **Client Accounts & Proposals**.



In a Client Accounts workbook, you can also compare a client account with any or all of the following:

- ▶ its proposal(s)
- ▶ other client accounts, and
- ▶ model portfolios used as benchmarks in the client account.

Exercise 16: Compare a client account with its proposal and benchmark

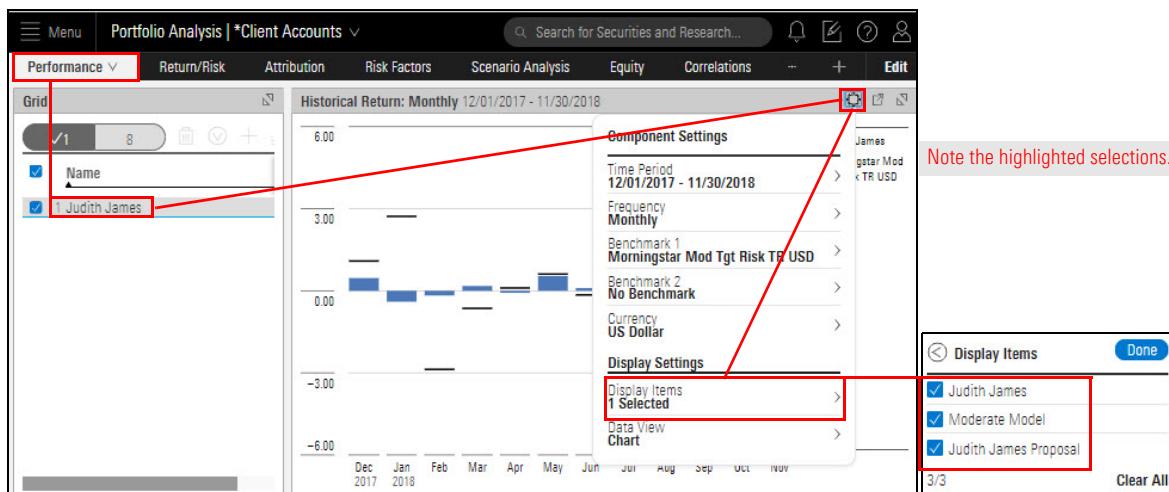
See [What components can I use to compare the client account and the proposal? on page 45](#) for a list of components capable of using this feature.

In this example, you will compare a client account, its proposal, and benchmark in a Historical Return component.

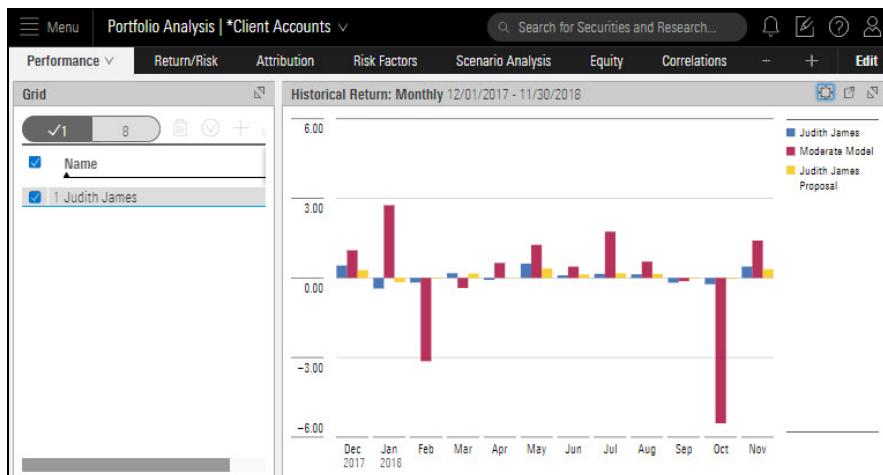
☞ Note: The client account does not have to have a proposal to compare it with other client accounts and model portfolios.

Do the following:

1. In a **Client Accounts** workbook, select a **client account with a proposal**.
2. Select the **Performance** worksheet.
3. In the **Historical Return** component, from the Component Settings menu, select **Display Settings > Display Items**.
4. Select the **items to display** (in this case, the client account, its proposal, and its benchmark).



5. Click **Done**, then click the **Component Settings** icon to close the Component Settings window.



Once you're satisfied with the proposal, you can share it with your client. Naturally, you want the proposal to look as polished and professional as possible. To do that, you need a template.

How can I generate a proposal report?

In Morningstar Presentation Studio, you can create the following proposal templates:

- Portfolio Proposal Report, and
- Portfolios Comparison Report.

To learn how to create a proposal report, click the link in each of the following steps:

1. In Presentation Studio, [create a proposal report template](#).
2. [Publish the proposal report template](#) from Presentation Studio.
3. In Morningstar Direct Cloud for Wealth Management, use the template to [generate a proposal report](#).

Working with Custom Benchmarks

A benchmark index gives an investor a point of reference for evaluating a fund's performance. When such comparisons are made in Morningstar Direct Cloud for Wealth Management, the S&P 500 Index is the basic benchmark for stock-oriented funds, including domestic-hybrid, international-hybrid, and convertible-bond funds.

Overview

In Morningstar Direct Cloud for Wealth Management, you can create custom benchmarks for your client accounts.

Working with a custom benchmark in a client account is the same as working with it in a model portfolio. To learn how to create and manage custom benchmarks, please refer to the following exercises in [Creating Model Portfolios](#), [Custom Benchmarks](#), and [Investment Policies](#):

- ▶ Exercise 10: [Create a custom benchmark](#)
- ▶ Exercise 11: [Save a custom benchmark](#)
- ▶ Exercise 12: [Apply a custom benchmark to a client account](#)
- ▶ Exercise 13: [Create a second benchmark](#), and
- ▶ Exercise 14: [Display and hide a benchmark](#).