Morningstar Advisor Workstation Training Guide

Overview to Morningstar Advisor Workstation℠

Contents

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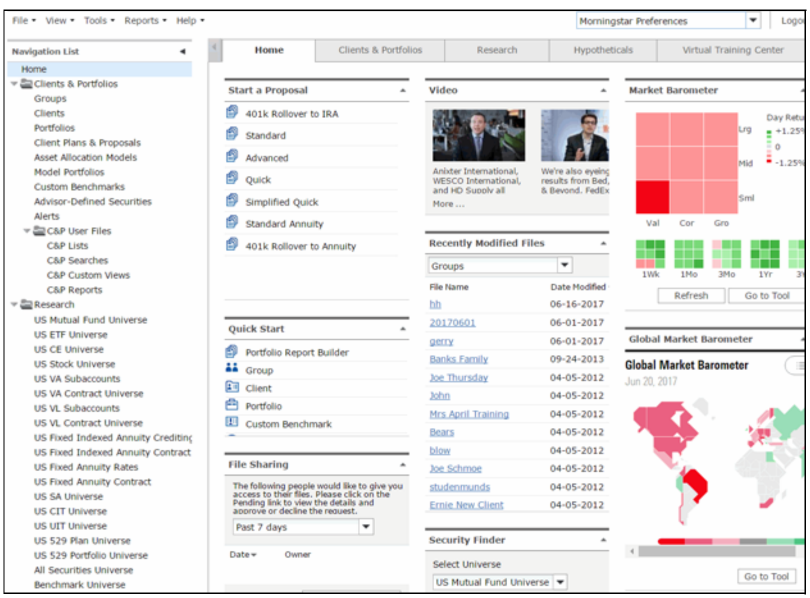
Overview

Morningstar Advisor Workstation℠ provides financial advisors with tools for investment planning, portfolio analysis, security research, and sales presentations.

This Quick Start Guide is designed to get you up and running quickly, taking you through the basics of researching investments, building sales illustrations, and generating some of our most popular reports.

Use this guide to familiarize yourself with Advisor Workstation and then take advantage of additional training resources provided on the last page of this guide. Morningstar offers a variety of training opportunities to make your experience with Advisor Workstation as productive as possible.



Morningstar Advisor Workstation offers a wealth of research and presentation capabilities

☞ Note: Not all features and functions shown in this guide are available to all Morningstar Advisor Workstation users.

Understanding the Home Page

Overview

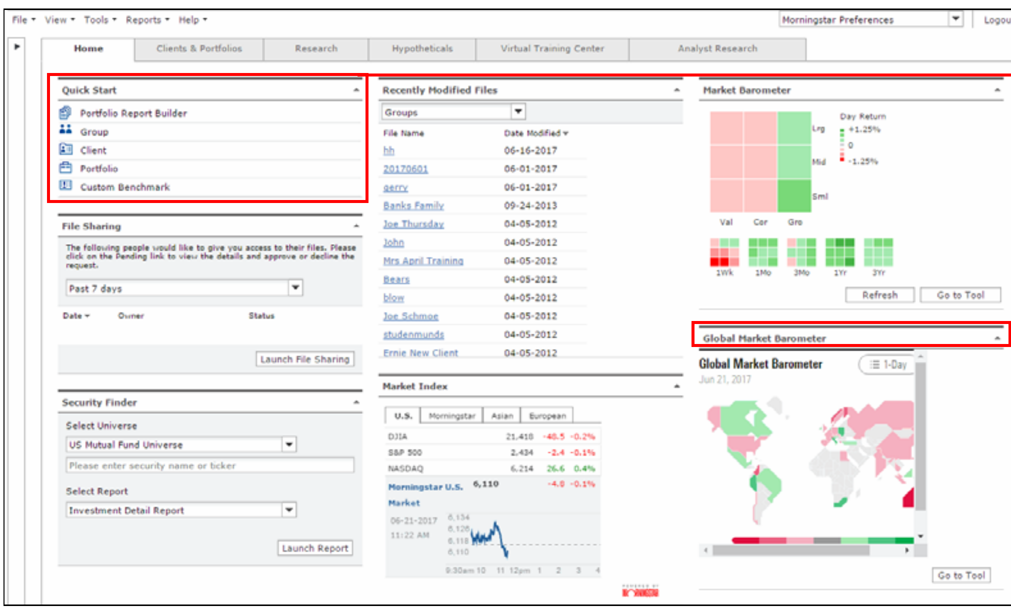
The Home Page of Morningstar Advisor Workstation provides a landing page for users upon logging into the application, as well as shortcuts to several different functions. This section details some of the most important features of the Home Page.

Why would I use the Home Page?

The Home Page consists of widgets offering direct access to many areas of Advisor Workstation. They can also tell you about your practice and the market. You can rearrange the position of each widget on the Home Page, and you can click the arrow in the upper-right corner of each widget to collapse (or expand) it.

The Quick Start widget gives you one-click access to some of the more frequently used functions in Advisor Workstation, such as creating client records or generating a security report.

The Recently Modified Files widget gives you convenient access to the last 25 saved files you accessed.



Use the Quick Start widget to create new files

Use the menu bar to collapse the widget or drag and drop to reposition the widget

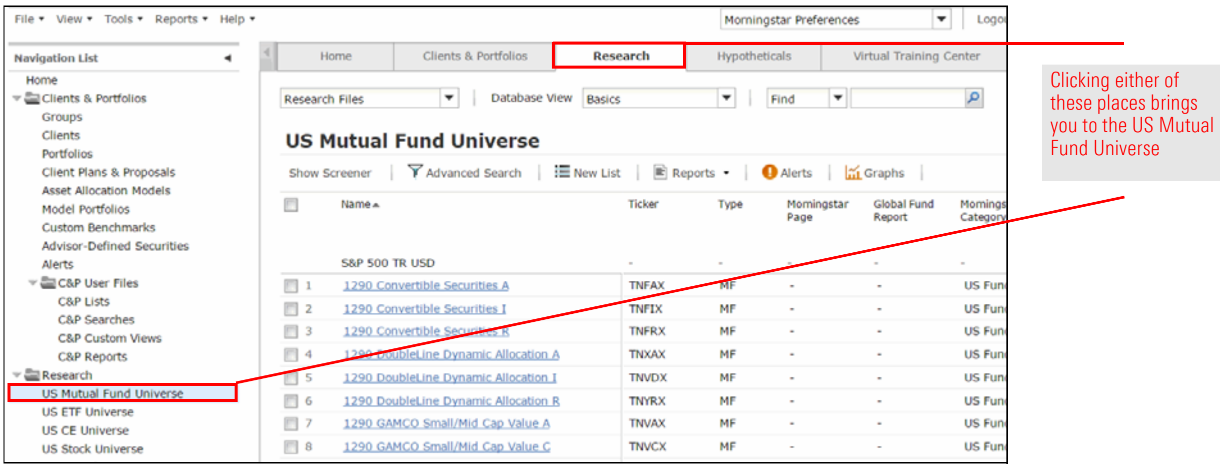
Navigating in Advisor Workstation

Overview

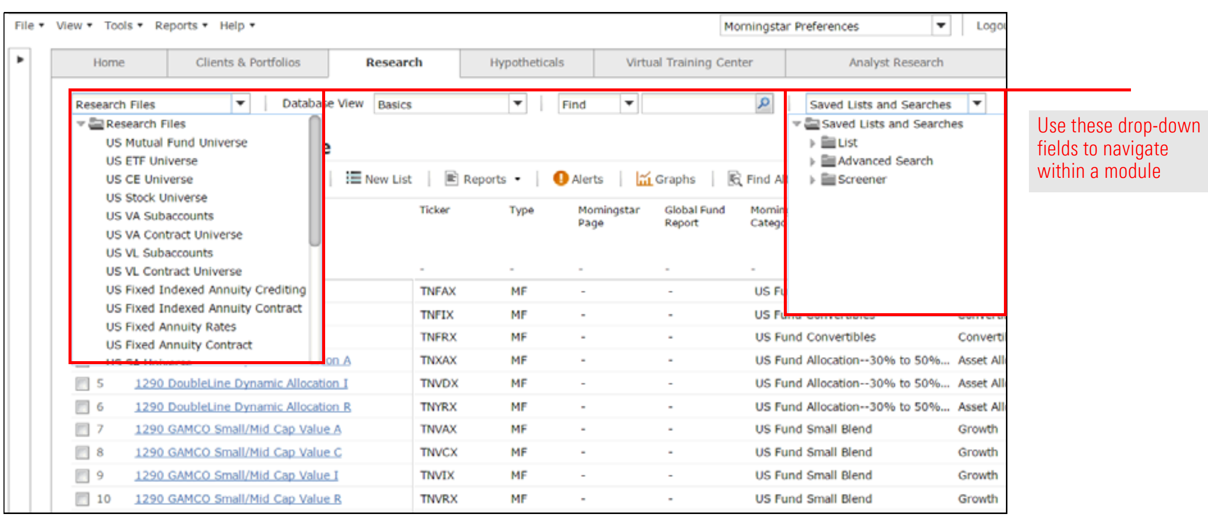
This section explains how Advisor Workstation is organized as an application, and how you can find your way in it.

How is Morningstar Advisor Workstation designed to be used?

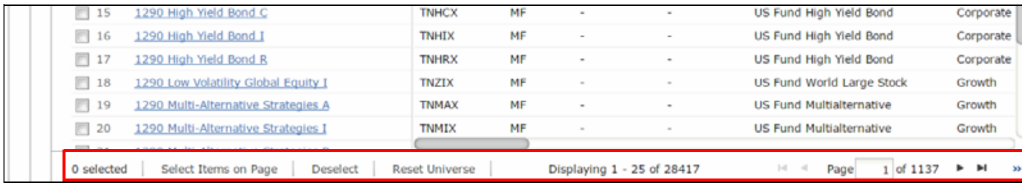
Advisor Workstation is organized by modules that contain unique functionality to assist with various aspects of your practice. You can access these modules using the left-hand navigation pane, or the tabs across the top of the window.



While working in a particular module, the drop-down field on the left side of the toolbar above the grid view gives you access to the other pages available in that module. The drop-down field to the far right of the toolbar gives you access to saved lists and searches pertinent to the area (Clients, Portfolios, Mutual Funds, Stocks, etc.) you are viewing.



The icons below the grid view allow you to manage the items displayed in the grid view. You can navigate to different pages, reset a universe after a search, select or deselect items, and view the number of results in the universe you are viewing.



These icons allow you to select and deselect items on the page, exit a list or search, and move through pages

Many pages in Advisor Workstation are depicted as a grid view, with rows of investments (or other items, such as portfolios or saved lists) and columns of data. Above the grid view is a toolbar with several icons. The menu options and icons vary from module to module.

Understanding the Research Module

Overview

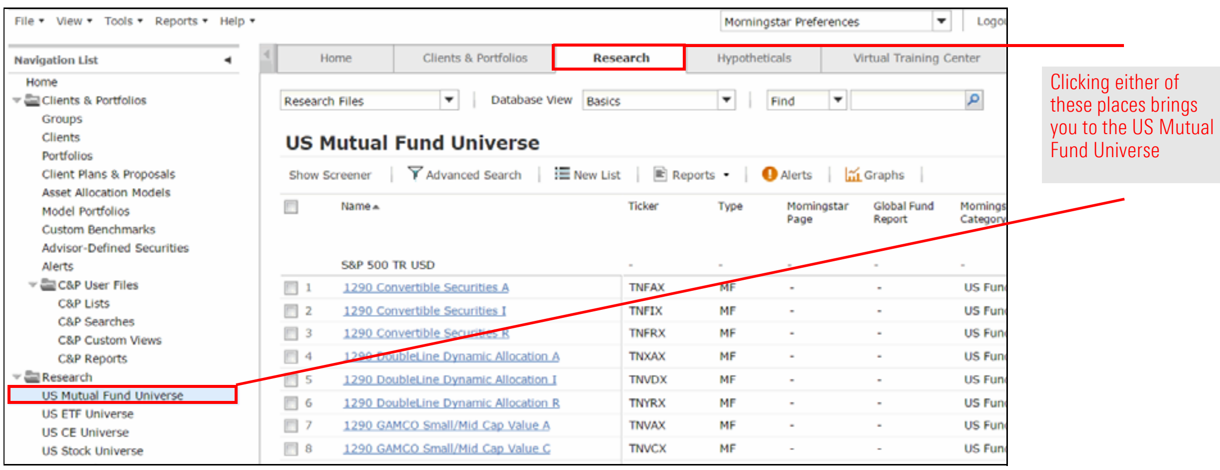
The Research Module allow you to conduct research on a variety of investments, indexes, category averages, and more.

Why would I use the Research Module?

The Research Module can be used to quickly look up a piece of information (e.g., P/E Ratio, Annual Net Expense Ratio, 3 Yr % Rank in Category) about an investment. You can use the Research Module to find specific investments by name or ticker, or create a search to find securities matching criteria you specify. You can also generate security-level reports, analyze investments using graphs and create custom views in order to quickly access the data you want in grid views.

How do I access the Research Module?

To access the Research Module, either click on the **Research** tab at the top of the screen, or use the left-hand navigation pane to select a **universe**.



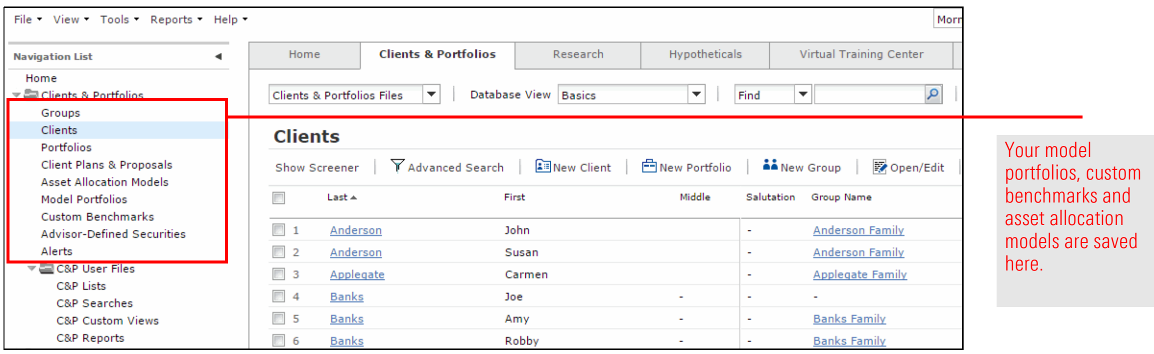
Understanding the Clients & Portfolios Module

Overview

The Clients & Portfolios Module allows you to manage your clients and their holdings, and to perform analysis with portfolio-level reports.

Why would I use this module?

The Clients & Portoflios Module allows you to see not only a list of all clients at once, but also all of their portfolios. You can combine clients into groups for householding. You can also create model portfolios, asset allocation models and custom benchmarks to use when making recommendations to your clients.



How do I quickly create a portfolio and generate a PDF report?

To create a portfolio, take the following basic steps:

1. At the top of the Advisor Workstation screen, click **File**…**New**…**Portfolio**. The Quick Portfolio window opens.
1. In the Investments tab, search for your **investments**.
2. Click the **Allocate** tab, and input the **allocation**.
3. Click **Save**. The Save dialog box appears.
4. Assign the portfolio as a **Model**, to a **Group**, or **Client**.
5. Type a **name** for the portfolio.
6. Click **OK** to close the Save dialog box.

   ☞ Note: You do not need to complete all tabs in the Quick Portfolio window, since default values are entered for you on the Annual Fees, Attributes and Report Options tabs. You can create your own pre-populated values by clicking the Update Preferences icon in the upper-right corner of the Quick Portfolio window.

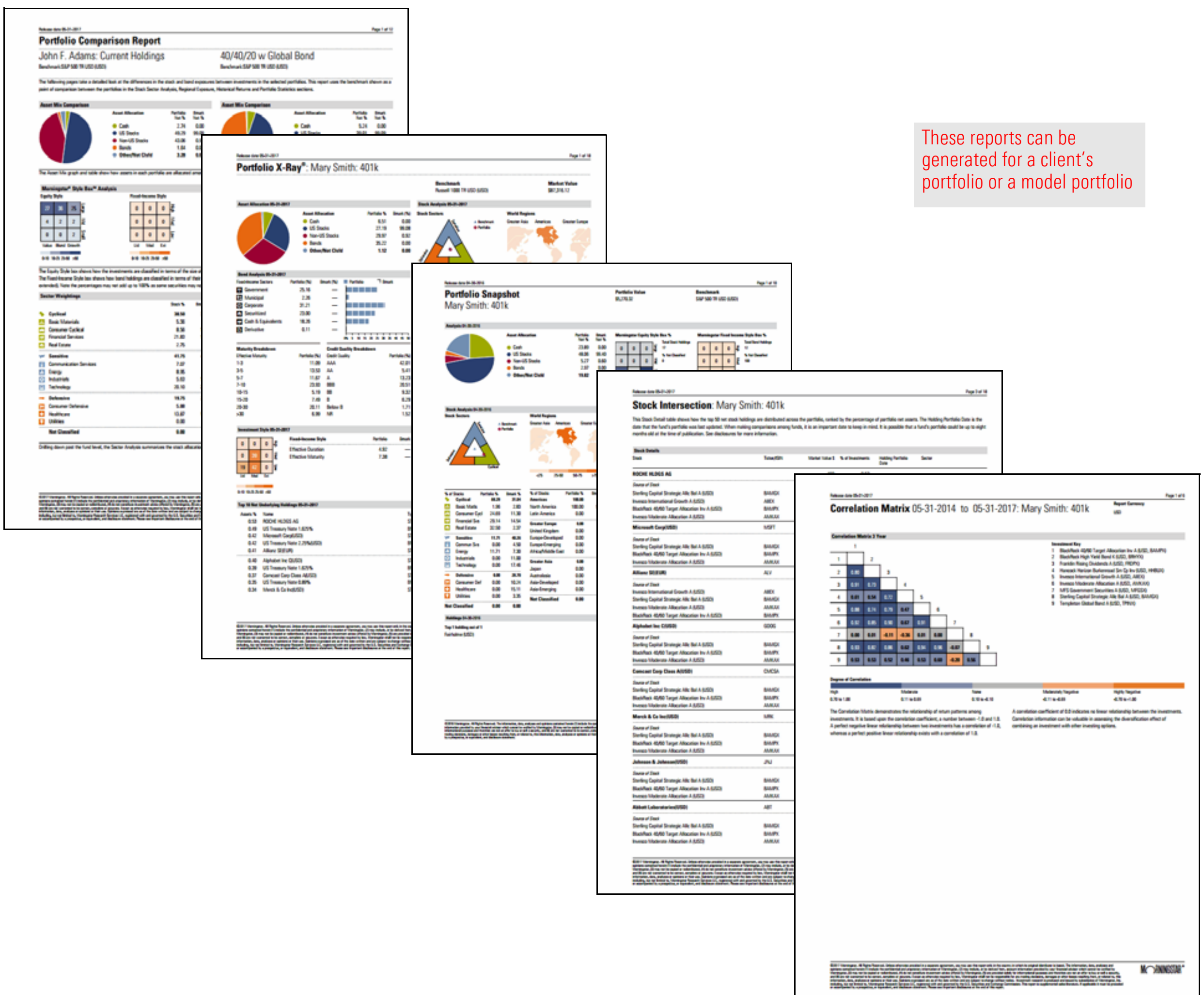
7. Click the **Report Options** tab to select which reports to include in the output PDF.
8. From the toolbar, click the **Generate Report** icon to create the PDF.

What types of reports are available in the Clients & Portfolios Module?

Advisor Workstation allows you to select which reports you want to generate at the portfolio level. The options available include the following:

- The **Portfolio Comparison Report** shows a side-by-side comparison of two portfolios in terms of asset allocation, performance and volatility.
- The **Portfolio X-Ray Report** is the most straightforward way to communicate a portfolio's overall investment strategy to your clients. It condenses vast amounts of investment information into a clear, concise summary that can be grasped at a glance.
- The **Portfolio Snapshot Report** contains three pages of in-depth portfolio analysis, such as portfolio composition, investment style, sector weightings, regional exposure, performance numbers, market maturity, stock type weightings, and MPT statistics.
- The **Stock Intersection Report** shows the 50 largest individual stock holdings in a portfolio, displaying overlap between the same holdings in multiple funds.
- The **Correlation Matrix** displays how similar portfolio holdings are to one another in terms of return patterns. Advisors can use this report to determine if a portfolio's holdings are too similar in this manner, and thus would not offer protection against downside volatility.

These reports can be generated for a client's portfolio or a model portfolio



Understanding the Hypotheticals Module

Overview

Unlike the Portfolio Snapshot and Portfolio Comparison Reports, which show only three-, five- and 10-year returns, hypothetical illustrations can be customized to show the past performance of a group of securities over a time period you specify.

Why would I create a hypothetical illustration?

Hypothetical Illustrations help support a recommended investment or portfolio strategy to clients and prospects. It allows you to:

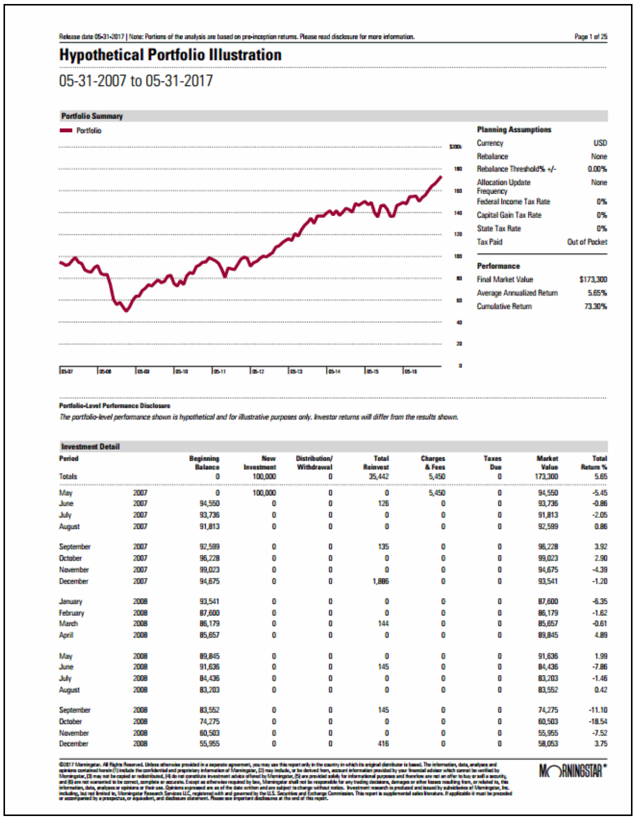
- Analyze past performance in relation to a benchmark or competing investments to accurately depict the investor experience
- Illustrate a portfolio with multiple investment types, a reinvestment or withdrawal strategy, and a customized rebalancing schedule, and
- Depict performance during a market downturn and highlight benefits of one investment strategy over another.

What are the basic steps for creating a hypothetical illustration?

To create a hypothetical illustration, do the following:

1. From the **Tools** menu at the top of the Advisor Workstation window, select **Hypothetical**. The Hypothetical window opens.
2. On the Investments tab, use the **Select Universe** drop-down field to choose the type of security you want to find, then enter the **names** or **ticker** symbols for the investments.
3. Click **Find**. Matching securities will appear in the Total Search Results area.
4. To include a security in the Illustration, click once to select it, then click **Add**.
5. Repeat steps 2–4 until all securities for the portfolio appear in the Investments Selected for Illustration area.
6. Select the **Buy/Sell** tab to enter the Initial Investment, Time Period, Subsequent Investments or Withdrawals, Upward Adjustments, and any Transfers from one security to another you want to illustrate.
7. The **Reinvest/Rebalance** tab allows you to edit those two attributes.
8. The **Fees** tab allows you to enter standard, custom, or asset-based fees for the illustration.
9. The **Taxes** tab allows you to factor in taxes, where appropriate.

10. The **Report Options** tab allows you to choose the Report Type (either Portfolio, Individual Holdings, or Comparison) and to pick the reports you want to include in the illustration.
11. At the top of the window, click the **Generate Report** icon to create the hypothetical illustration.


Release date 05-31-2017 | Note: Portions of the analysis are based on pre-inception returns. Please read disclosure for more information. Page 1 of 25

Hypothetical Portfolio Illustration

05-31-2007 to 05-31-2017

Portfolio Summary

Planning Assumptions

Currency	USD
Rebalance	None
Rebalance Threshold% +/-	0.00%
Allocation Update Frequency	None
Federal Income Tax Rate	0%
Capital Gain Tax Rate	0%
State Tax Rate	0%
Tax Paid	Out of Pocket

Performance

Final Market Value	$173,300
Average Annualized Return	5.65%
Cumulative Return	73.30%

Portfolio-Level Performance Disclosure

The portfolio-level performance shown is hypothetical and for illustrative purposes only. Investor returns will differ from the results shown.

Investment Detail

Period		Beginning Balance	New Investment	Distribution/ Withdrawal	Total Reinvest	Charges & Fees	Taxes Due	Market Value	Total Return %
Totals		0	100,000	0	35,442	5,450	0	173,300	5.65
May	2007	0	100,000	0	0	5,450	0	94,550	-5.45
June	2007	94,550	0	0	126	0	0	93,736	-0.86
July	2007	93,736	0	0	0	0	0	91,813	-2.05
August	2007	91,813	0	0	0	0	0	92,599	0.86
September	2007	92,599	0	0	135	0	0	96,228	3.92
October	2007	96,228	0	0	0	0	0	99,023	2.90
November	2007	99,023	0	0	0	0	0	94,675	-4.39
December	2007	94,675	0	0	1,886	0	0	93,541	-1.20
January	2008	93,541	0	0	0	0	0	87,600	-6.35
February	2008	87,600	0	0	0	0	0	86,179	-1.62
March	2008	86,179	0	0	144	0	0	85,657	-0.61
April	2008	85,657	0	0	0	0	0	89,845	4.89
May	2008	89,845	0	0	0	0	0	91,636	1.99
June	2008	91,636	0	0	145	0	0	84,436	-7.86
July	2008	84,436	0	0	0	0	0	83,203	-1.46
August	2008	83,203	0	0	0	0	0	83,552	0.42
September	2008	83,552	0	0	145	0	0	74,275	-11.10
October	2008	74,275	0	0	0	0	0	60,503	-18.54
November	2008	60,503	0	0	0	0	0	55,955	-7.52
December	2008	55,955	0	0	416	0	0	58,053	3.75

The Hypothetical Portfolio Report shows performance for the time period you select

Understanding Investment Proposals

Overview

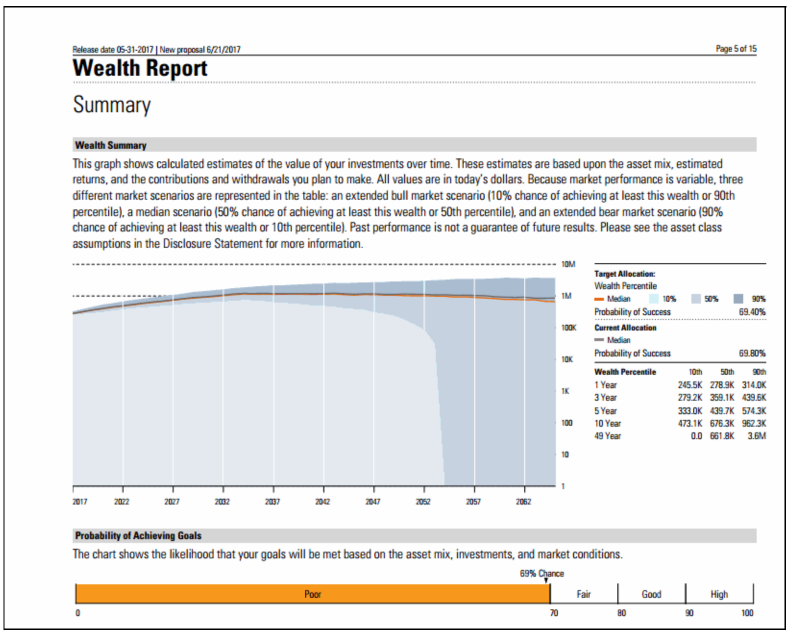
Investment Proposals are a feature of the Planning Module in Advisor Workstation. The Investment Proposal tool helps you analyze a client's current holdings and evaluate their suitability, taking into account the client's risk tolerance.

☞ Note: The Planning Module might not be available in your configuration of Advisor Workstation.

Why would I create an Investment Proposal?

Creating an investment proposal helps advisors tailor and present individualized investment strategies for each client. Proposals allow you to evaluate the asset allocation of a client's current investments, determine an appropriate asset allocation based on the client's risk tolerance level, and present a recommended portfolio.

Wealth Forecasting proposals allow you to include a client's retirement needs and sources of income in order to determine whether they are saving enough to meet their long-term goals.


Release date 05-31-2017 | New proposal 6/21/2017 Page 5 of 15

Wealth Report

Summary

Wealth Summary

This graph shows calculated estimates of the value of your investments over time. These estimates are based upon the asset mix, estimated returns, and the contributions and withdrawals you plan to make. All values are in today's dollars. Because market performance is variable, three different market scenarios are represented in the table: an extended bull market scenario (10% chance of achieving at least this wealth or 90th percentile), a median scenario (50% chance of achieving at least this wealth or 50th percentile), and an extended bear market scenario (90% chance of achieving at least this wealth or 10th percentile). Past performance is not a guarantee of future results. Please see the asset class assumptions in the Disclosure Statement for more information.

Target Allocation:
Wealth Percentile
Median 10% 50% 90%
Probability of Success 69.40%

Current Allocation
Median
Probability of Success 69.80%

Wealth Percentile	10th	50th	90th
1 Year	245.5K	278.9K	314.0K
3 Year	279.2K	359.1K	439.6K
5 Year	333.0K	439.7K	574.3K
10 Year	473.1K	676.3K	962.3K
49 Year	0.0	661.8K	3.6M

Probability of Achieving Goals

The chart shows the likelihood that your goals will be met based on the asset mix, investments, and market conditions.

The Wealth Report evaluates a client's chance of meeting their retirement goals

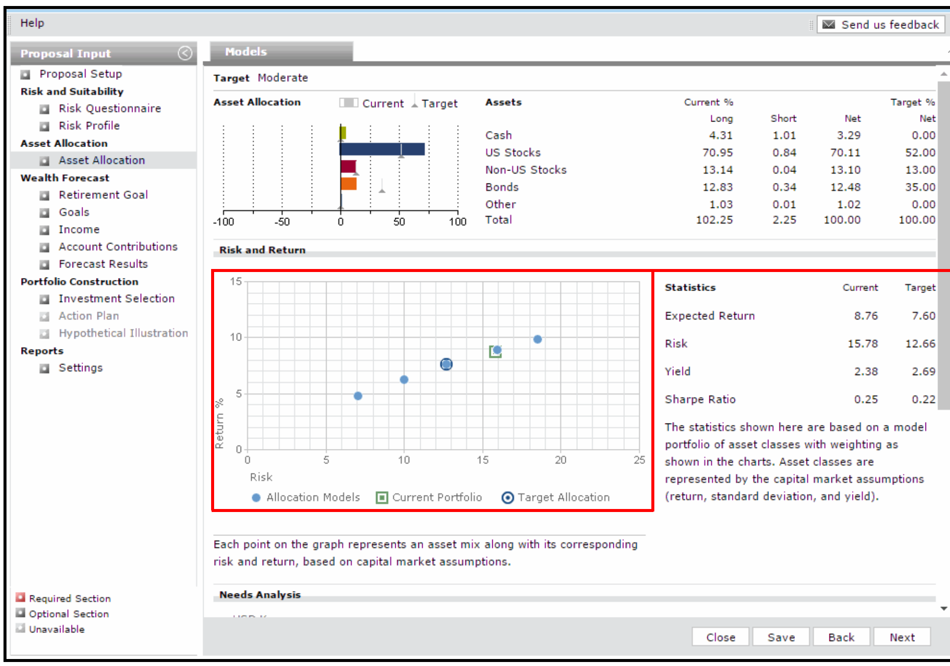
What are the basic steps for creating an Investment Proposal?

To create an investment proposal, do the following:

1. From the **Tools** menu at the top of the Advisor Workstation window, select **Investment Proposal**. The Client/Group dialog box opens.

   ☞ Note: If you do not see this option, it means you do not have access to the Planning Module.

2. In the Client/Group selection dialog box, search for the **client** or **group** you want to create a proposal for.
3. Click **OK**. The Proposal window opens.
4. Complete the data fields in each section, using the **Next** buttons in the bottom-right corner to move through the tool.
5. A variety of Proposal Types are available. Proposals can be created using client portfolios or a specific dollar amount.
6. In the Risk and Suitability section, the Risk Questionnaire identifies the client's Risk Profile and is used to determine an asset allocation in the next section.
7. The Asset Allocation section allows you to view the Asset Allocation Model.



This graphic shows how a client's current asset allocation compares to their risk profile

8. Next is the Portfolio Construction section, which allows you to create a proposed portfolio by using a saved model, incorporating securities from the current portfolio, or creating one from scratch.
9. In the Reports section, select the reports to include in the output PDF.

How to Begin Learning Morningstar Advisor Workstation

Overview

Now that you have read a bit about each part of Advisor Workstation, you can begin practicing with it. Learning Advisor Workstation consists of the following two elements:

1. Learn about and practice creating lists, searches, and custom views. You will need these skills in different modules throughout the application.

   ☞ Note: It is recommended you complete these training guides in the order listed, and complete all exercises in each one, as the exercises build on one another, and the work you complete in one guide could be referenced in another.

2. Use a workbook guide covering a set of workflows to learn how different parts of Advisor Workstation work together.