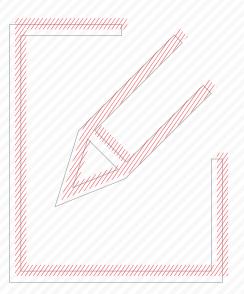


Morningstar® Advisor WorkstationSM Handson Workshop



M RNINGSTAR Advisor Workstation

Morningstar[®] Advisor WorkstationSM Hands-on Workshop

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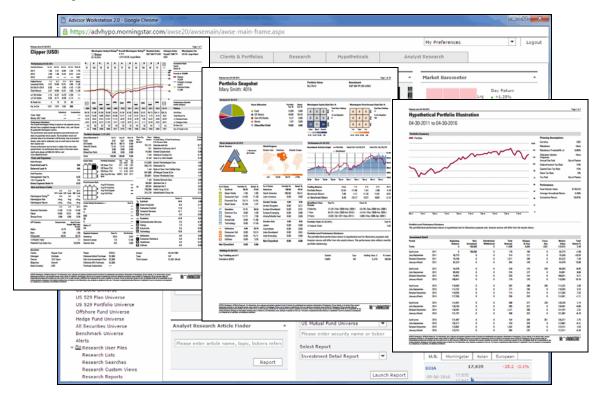
Morningstar[®]Advisor Workstation[™] Hands-on Workshop

Welcome to the Morningstar[®] Advisor WorkstationSM hands-on workshop. Today you will learn how to use the tools in Advisor Workstation to work more efficiently, analyze investments and portfolios, and deepen relationships with your clients.

Overview

The following topics are covered in this manual:

- Importing lists of investments
- Working with lists of saved securities
- ► Importing clients and groups into Advisor Workstation
- Building portfolios in Advisor Workstation
- Working with benchmarks
- Generating portfolio reports
- Creating hypothetical illustrations
- ► Generating graphs, and
- ► Customizing views.



About This Workshop

Overview

One of the most frequent comments Advisor Workstation users make about the application is, "I am using only 5% of what this application can do." By the end of today's workshop, you will have a better grasp of the tools available to you in Advisor Workstation and how you can put them to use in your practice. This book is not intended to be an exhaustive guide to all Advisor Workstation functionality; rather, it will walk you through a series of scenarios to highlight just a few of the Advisor Workstation features you can use to better serve your clients.

Meet the Albertsons

Ron and Sheila Albertson are a young married couple referred to you by one of your existing clients. Let's imagine you've already met with them to learn more about their financial goals and what they want from you as a financial advisor. Here are a few of the things you learn:

Overview

- ► Ron has a brokerage account
- ► Sheila has a 401k she wants to roll over
- Ron does not like to see short-term losses in his portfolio
- Sheila considers herself socially conscious and doesn't want to invest in companies that don't meet her ethical standards, and
- Ron sees a socially conscious fund as nice to have, but it's more important to him that the fund performs well.



Using the information they gave you, we will prepare for your next meeting with them by doing the following:

Preparing to Meet with the Albertsons

7

- ► Import a list of your recommended funds
- ► Build a model portfolio
- Create a hypothetical illustration to demonstrate how the model portfolio has performed in the past
- ► Create client records
- ► Create a group
- ► Build Ron and Sheila's respective portfolios, and
- ► Generate portfolio reports.

Working with Research Lists

| Overview | The first thing we will do today is import a list of tickers from a Microsoft Excel spreadsheet and save them as a list in the Research module. By saving these investments to a list, you can pull them up quickly from the Research Lists page in the Research module, rather than having to search for them each time you want to analyze them. You can also access your saved lists when creating portfolios, as we will see later. | | | | | | | |
|--|--|--|--|--|--|--|--|--|
| | You can save up to 150 lists in Advisor Workstation. Each list is limited to 500 items | | | | | | | |
| Scenario: You want to create a list of your favorite funds | You have a list of funds you use frequently. Rather than having to look up these same funds every time you log in to Advisor Workstation, you would like to save them so you can quickly pull them up the next time you want to view them. | | | | | | | |
| Solution: Import a research list from Excel | You can import up to 2,500 tickers saved to a Microsoft Excel spreadsheet in .xls or .xlsx format. All tickers should be in column A of the spreadsheet, with no header row. | | | | | | | |
| Exercise 1: Import a research list | To import a list of securities from Excel, do the following: 1. From the menu bar, select FileImportFrom File. The Import from File dialog box opens. | | | | | | | |
| | File View Tools Reports Help Walk Me Through | | | | | | | |
| | Fà New | | | | | | | |
| | Add To Saved | | | | | | | |
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➡ From File

User Profile

1

Select this option

2. Click the Import Type drop-down field and select Research List.

| | × | 1 |
|------------|---|--------------------|
| • • | 0 | l |
| | | Select this option |
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| h List | _ | |
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| , | | ■ List |

- 3. Click the **Browse...** button. The Choose File to Upload dialog box opens.
- 4. Navigate to the desktop, then **double-click** the **List.xlsx** file. You are returned to the Import from File dialog box.

| Choose File to Upload | and the second states of the second spinst |) (| | | | | × | |
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5. Click the **Import** button to import the securities. The Import Research File dialog box appears.

Import Type: Research List Select File: Browse. Excel Mapping Results Select All/Deselect All Research List(s) ✓ cfimx ✓ abndx Enter the name ✓ awshx ✓ dodfx Import Research File here, then click OK A hainx List Name: My Funds × ✓ brhyx ✓ frdpx ок ✓ mfgsx ✓ tpinx

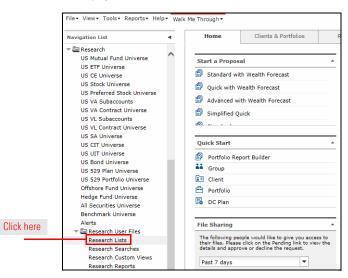
6. Click in the List Name field and type My Funds, then click OK.

- 7. A message appears, confirming you have imported a list. Click **OK**.
- 8. Click the **Close** button to exit the Import from File dialog box.

How do I view my imported list?

Once the import is completed, you can access the list by doing the following:

1. In the left-hand navigation pane under Research User Files, click the **Research** Lists page.



2. On the Research Lists page, click **My Funds**. The items in the list are displayed.

| [| Hom | e Clients & Portfolios | Research | Hypotheticals |
|------------|----------|--------------------------------|--------------------|--------------------|
| | Researc | h Files 🔻 Databas | e View Basics | ▼ Fir |
| | Res | earch Lists | | |
| | Show S | Screener 🔚 New List 📝 Op | en/Edit 🕴 📶 Graphs | |
| | | List Name 🔺 | Univers | e |
| | 1 | INST Morningstar Mutual Fund S | Select List US Mu | tual Fund Universe |
| Click here | 2 | INST My List 1 | US Mu | tual Fund Universe |
| UNEX HELE | 3 | INST Vanguard | US Mu | tual Fund Universe |
| | 4 | My Funds | US Mu | tual Fund Universe |

You are done analyzing the items on your list. Now you want to reset the universe to see all investments.

Use the breadcrumb trail at the top of the screen or the Reset Universe button at the bottom of the screen.

In this exercise, you will reset the US Mutual Fund Universe.

After running a search or viewing a list, you can reset the spreadsheet area to show all items by doing one of the following:

- ► In the breadcrumb trail above the spreadsheet area, click **US Mutual Fund Universe**, or
- ► At the bottom of the screen, click the **Reset Universe** button.



Scenario: You need to reset to see all securities

Solution: Back out of a search or a list

Exercise 2: Exit a list

| Scenario: You want to add an item to a previously saved Research List | A colleague mentions a mutual fund with a five-star Morningstar Rating and a Morningstar Analyst Rating of Gold. You want to add the fund to your list of funds so you can do more research on it later and see what Morningstar likes about it. |
|--|---|
| Solution: Use right-click to add securities to an existing Research List | The right-click menu offers the ability to add items to an existing list. |
| Exercise 3: Add an item to a saved Research List | To add an item to an existing list, do the following: Click in the Find field and enter poskx, then click the magnifying glass icon. Only the fund you searched for now appears in the spreadsheet area. Pight click the fund, and from the right click many collect Add To Sound List. The |

2. **Right-click** the fund, and from the right-click menu, select **Add To Saved...List**. The Lists dialog box opens.

| | | US Mutual Fund Universe > Find "poskx" Show Screener ▼ Advanced Search I II New List II Reports ● Alerts II Graphs | | | | | | | |
|--------------------------|-----|--|----------|-----------------|------|---------------------|--------------------|--|--|
| | | Name 🔺 | | Ticker | Туре | Morningstar Page | Global F Report | | |
| Right-click the item and | | S&P 500 TR USD | | - | | - | | | |
| select this option | V 1 | PRIMECAP Odyssey Stock | 📑 New | | • | 2016-09-30 | 2016-0 | | |
| | | | 📑 Add To | o Saved | | List | | | |
| | | | 1 Export | t | | 🚆 Hypotheticals | | | |
| | | | 1 Export | Rolling Returns | 1 | 劉 Quick Hypothet | ical | | |
| | | | 🛐 Find A | lternate | E | Portfolio | | | |
| | | | 👑 Hypoth | hetical | 0 | DC Plan | | | |
| | | | 🕎 Quick | Hypothetical | 1 | 🗓 Custom Benchr | nark | | |
| | | | Graph: | s | ۲ T | | | | |

3. In the Lists dialog box, select **My Funds**, then click **Select**. The List window opens.

| | Lists | X |
|--|-------------------------------------|---|
| | Lists Found: 3 Anderson Funds | |
| Click once to choose the name of the list you want to add the item(s) to, then click Select | My Funds Sustainable Large Blend | |
| | Help Select Cancel | |

4. In the List window, the item you selected in the spreadsheet area is added to the list. At the top of the List window, click **Save**.

| https://awrd.morningstar.com/globalhypo/ | /listtool.aspx?rnd=0.02437 | 9288825029155 | | |
|--|----------------------------|---------------|---|---------------------------------|
| File 🔹 Help 📳 Save 🕞 Save As | 🕋 Save Locally 🛃 Add/ | /Edit Note | | |
| Select Module Research | * | | | |
| Select Universe US Mutual Fund Universe | ▼ Search By | Name/Ticker | | Click here to s your updated |
| Find | | Q | | |
| Total Search Results: 1 | | | 4 | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | Add All | |
| Items selected for List: 12 | | | Add All | |
| BlackRock High Yield Bond K(USD,BRHYX) | | | Add | |
| BlackRock High Yield Bond K(USD,BRHYX) Clipper(USD,CFIMX) | | | Add Add All | • |
| BlackRock High Yield Bond K(USD,BRHYX) Clipper(USD,CFIMX) Dodge & Cox International Stock(USD,DODFX) | | | Add Ail | • |
| BlackKock High Yield Bond K(USD,BKHYX) Clipper(USD,CFIMX) Dodge & Cox International Stock(USD,DODFX) Franklin Rising Dividends A(USD,FRDPX) | | | Add All | |
| BlackRock High Yield Bond K(USD,BKHYX) Clipper(USD,CFIMX) Dodge & Cox International Stock(USD,DODFX) Franklin Rising Dividends A(USD,FRDPX) Harbor International Institutional(USD,HAINX) | | | Add All | |
| BlackKock High Yield Bond K(USD,BKHYX) Clipper(USD,CFIMX) Dodge & Cox International Stock(USD,DODFX) Franklin Rising Dividends A(USD,FRDPX) | | | Add All | |
| BlackRock High Yield Bond K(USD,BKHYX) Clipper(USD,CFIMX) Dodge & Cox International Stock(USD,DODFX) Franklin Rising Dividends A(USD,FRDPX) Harbor International Institutional(USD,HINX) Invesco International Growth A(USD,AIIEX) | | | Add | |
| BlackRock High Yield Bond K(USD,BRHYX) Clipper(USD,CFIMX) Dodge & Cox International Stock(USD,DODFX) Franklin Rising Dividends A(USD,FRDFX) Harbor International Institutional(USD,HAINX) Invesco International Growth A(USD,AIIEX) MF5 Government Securities A(USD,MFGSX) | | | Add All | |

5. Click the \boldsymbol{X} in the upper-right corner of the window to close it.

| Scenario: You want to present recommended investments | You want to create a package of FINRA-reviewed reports showing the asset allocation and performance of your recommended funds. | | | | | | |
|---|---|--------------------|------|--|--|--|--|
| Solution: Create a model portfolio | Using the list you just created, you can easily create a model portfolio and generate PDF reports. | | | | | | |
| Exercise 4: Create a model portfolio | https://advhypo.momingstar.com//s File View < Tools < Reports < Hell New Add To Saved Open/Edit Open/Edit in Standard Hypo Rename Delete Selected Item(s) Import Import Import Mapping Client Group Mapping Export Export Rolling Returns Portfolio Export (XML) File Sharing User Profile Preferences | elect FileNewPortf | | | | | |
| | US 529 Plan Universe US 529 Portfolio Universe | 10 <u>Cooney</u> | Aaro | | | | |

- 2. On the Investments tab, click the Select Universe field and select List.
- 3. Click the magnifying glass icon. The Select List dialog box opens.
- 4. Click on **My Funds**, then click **OK**. The contents of the list are displayed in the Total Search Results area.
- 5. **Double-click** the following funds to add them to the Investments Selected area:
 - ► BlackRock High Yield Bond K,
 - Harbor International Institutional,
 - MFS Government Securities A
 - ► PRIMECAP Odyssey Stock, and
 - ► Templeton Global Bond A.
- 6. Five funds appear in the Search Results box.
- 7. Click the **Add All** button to add the items to the Investments Selected box.
- 8. Click the **Allocate** tab.
- 9. Click the Allocate By drop-down field and select Percentage.
- 10. In the Total Value field, enter 100,000.

11. In the % field, enter the following percentages:

| BlackRock High Yield Bond K | 10 |
|------------------------------------|----|
| Harbor International Institutional | 15 |
| MFS Government Securities A | 20 |
| PRIMECAP Odyssey Stock | 30 |
| Templeton Global Bond A | 25 |

12. At the top of the window, click **Save**. The Save dialog box opens.

13. From the available options, select **As Model**.

| Save As | | | | × | |
|--|-----------------|------|------------------------|------|--------------------|
| As Model To Group | Select a Group | ~ | | | Select this option |
| To Client | Select a Client | * | Optional: Select anoth | ne 🕶 | |
| Portfolio Name | | | | | |
| Albertson Propos | sal | | | | |
| | | Help | OK Car | ncel | |

- 14. In the Portfolio Name field, type Albertson Proposal, then click OK.
- 15. Click the red **X** to close the Quick Portfolio window.
- 16. In the left-hand navigation pane under Clients & Portfolios, click **Model Portfolios**. The Model Portfolios page opens, showing the model you just created.

| File ▼ View ▼ Tools ▼ Reports | ▪ Help ▪ | Walk Me Throu | ugh ▼ | | | My Preference | 5 |
|--|----------|---------------|---------------------------|-----------------|-----------------|--------------------------------|---|
| Navigation List | • | Home | Clients & Portfolios | Research | Hypotheticals | Virtual Training Center | |
| Home Clients & Portfolios Groups | | Clients & Po | ortfolios Files 🔻 Databas | e View Basics | ▼ Fin | d 🔻 👂 | |
| Clients Portfolios | | Model | Portfolios | | | | Click here to see |
| Client Plans & Proposals | | Show Scre | ener 🛛 🚔 New Portfolio 🗍 | 💽 Open/Edit 📔 R | leports 🔹 📔 Ale | rts 🛛 🛗 Graphs | the model portfolio you just created |
| DC Plans Asset Allocation Models | | Pr Pr | ortfolio Name 🔺 | Sou | irce Editable | Benchmark Name | you just created |
| Model Portfolios | | | | | | | |
| Model DC Plans Custom Benchmarks | | 1 2 | 2/7/12 model | Ma | nual Yes | S&P 500 TR USD | |
| Advisor-Defined Securities | | 2 4 | 40/30/30 | Ma | nual Yes | Auto Bench by Asset Allocation | |
| Alerts | | 3 4 | 40/40/20 w Global Bond | Ma | nual Yes | Auto Bench by Asset Allocation | |
| 🕆 🔤 C&P User Files | | <u> </u> | 529 Allocation | - | Yes | Auto Bench by Asset Allocation | |
| C&P Lists C&P Searches | | 5 6 | 50/30/10 | Ма | nual Yes | Auto Bench by Asset Allocation | |

Choosing the Right Benchmark for Portfolio Reporting

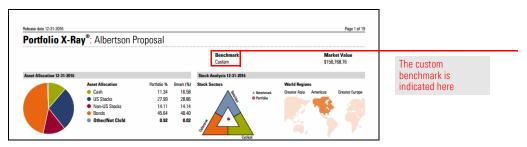
| Overview | This section shows you how to work with benchmarks in Advisor Workstation. You will learn the following: how to select a different standard index as a benchmark |
|---|--|
| | how to use the AutoBench feature, and how to create a custom benchmark. |
| Scenario: You want to use a different benchmark for reports | By default, Advisor Workstation uses the S&P 500 index as the benchmark for all portfolios. Of course, this isn't always the best yardstick by which to measure a portfolio's performance. You want to use an index representing a larger portion of US equities, as well as non-US equities, fixed income and cash. |
| Solution: Use the AutoBench feature | You can select one of the AutoBench options on the Report Options tab. This will automatically create a blended benchmark of several indexes based on either the broad asset allocation of the portfolio, or the Morningstar Category classifications of the securities in the portfolio. |
| Exercise 5: Choose AutoBench to create a blended benchmark | To automatically assign a custom, blended benchmark to a portfolio using the AutoBench feature, do the following: 1. On the Model Portfolios page, double-click the Albertson Proposal portfolio. The Quick Portfolio window opens. |
| | Note: Be careful to double-click on the model portfolio's row, but not directly on the hyperlinked name, as this drills down on the portfolio, rather than opening it in a new window. |
| | In the Quick Portfolio window, click the Report Options tab. In the Select Benchmark area, click the Custom Benchmark Tied to Library option button. |
| | File • Help Bave Save As Save Locally E Generate Report # Update Preferences My Preferences V My Add/Edit Note |
| | View Illustration/Graph Current Portfolio Benchmark • • Cash US Stocks 92.09 92.09 99.26 Non-US Stocks 4.13 0.74 0.00 Other/Not Clsfd 0.00 2.16 0.00 |
| Select this option | Investments Allocate Annual Fees Attributes Report Options Select Benchmark |

- 4. AutoBench by Asset Allocation is listed by default. Click the **view** link.
 - Note: Only four indexes are listed. These indexes are used each time, regardless of the securities in the portfolio.

- 5. Click **OK** to close the window.
- 6. Click the drop-down field and select AutoBench by Category.

| | ave 📑 Save As 📾 Save Locally 📄 y Preferences 🗸 😽 Add/Edit N | È Generate Report lote | | |
|---|---|---|--|-------------------|
| >>>>>>>>>>>>>>>>>>>>>>>>>>>>>>>>>>>>>> | | | | |
| Asset Allocation View Cash US Stocks Non-US Stocks Bonds Other/Not Clafd | Current Portfolio | Benchmark 11.34 27.99 14.11 45.64 0.92 -100 -50 | 16.57 28.86 14.15 40.40 0.02 | |
| Investments Allocate | Annual Fees Attributes Report Options | | | |
| Select Benchmark | Standard Benchmarks AutoBench by Asset Allocation AutoBench by Asset Allocation AutoBench by Category | ✓ ✓ P view Ø view/edit | * | Select this optic |

- 7. Click the **view** link to the right of the Custom Benchmark Tied to Library field. The components of the benchmark are displayed in a new window.
 - Note: Managed product securities in the Morningstar database are all mapped to a "Primary" benchmark and a "Secondary" benchmark for their category. When AutoBench by Category is selected, the program will look up the secondary benchmark for each security and apply the percentage allocation to each security to the corresponding secondary index.
- 8. Click **OK** to close the window.
- 9. At the top of the Quick Portfolio window, click the **Generate Report** button. A PDF report opens in a new window.
- 10. In the PDF, scroll to the second page. Note the word "Custom" at the top of the page.



11. Scroll to the last page of disclosures. Note the Benchmark Disclosure.

| Release date 12-31-2016 | | | Page 19 of 19 | |
|---|---|----------------------------------|--------------------------|--|
| These securities are also relatively illiquid. Managed products that invest in bank loans/senior debt are often highly leveraged, producing a high risk of return volatility. | Benchmark Disclosure | | | |
| Exchange Traded Notes (ETNs): ETNs are unsecured debt obligations. Any repayment of notes is subject to the issuer's ability to repay its obligations. ETNs do not typically pay interest. | Custom Benchmark: Albertson Proposal | Allocation % | Туре | |
| Leveraged ETFs: Leveraged investments are designed to meet multiples of the return performance of the index they track and seek to meet their fund objectives on a daily basis (or other time period stated within the prospectus objective). The leverage/searing ratio is the amount of excess return that a | BofAML US Treasury Bill 3 Mon Yid USD S&P 500 TR USD MSCI EAFE NR USD B8gBarc US Agg Bond TR USD | 11.34 28.91 14.11 45.64 | IDX IDX IDX IDX | |

The benchmark disclosure appears on the last page of the report

Working with Asset Allocation Models

Overview

Unlike model portfolios, asset allocation models are not made up of actual investments. To create an asset allocation model, you simply specify the percentage of assets you would like to allocate to various asset classes. You can then generate the Target Asset Allocation report to present your recommendation and the Historical Asset Allocation report to show how a similar asset mix has performed in the past.

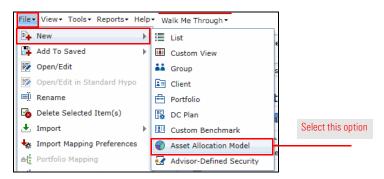
| Target Asset Allocatio | n | | | | | |
|--|--|----------------------|-----------------|---|---|-------------|
| Albertson Proposed | | | | | | |
| The set of the local se | in the state of the later in the | (| | | | |
| Determining an appropriate mix of | securities often reflects the behavior o of asset classes is essential in creating n for your portfolio at a broad asset cla | a well-balanced inve | estment strateg | y. This report | | |
| Broad Asset Allocation | | | | | | |
| This graph and table highlight the proposed allocation to broadly-defined | Asset Allocat | ion | | % 11.00 | | |
| asset classes. | US Stock Non-US S | | | 30.00 | | |
| | Beds | | | 44.00 | | |
| | • Obec No. | (Cield | | 0.00 100.00 | | |
| Detailed Azzet Allocation | | | | | 1 | |
| This graph and table more precisely define the proposed ellocation to esset classes. The esset classes in this section | Historical Asset Alloc | ation Perform | ance | | | Page 2 d |
| are a subset of those broadly-defined in the graph and table. | Albertson Proposed | | | | | |
| | | | | | | |
| | This report demonstrates how m have performed over a long inve | | | | | |
| | Please read the disclosures for i | | - | | | ance. |
| | Long-Term Performance | | | | | |
| | This graph shows how \$100,000 invested | | | | 270 December 31, 2001 - Decemb | er 31, 29 |
| | would have performed over the past 15 years. The return and risk for the portfolio are also | | | - w | 720 Asset Mix S&P 500 TR USD | |
| | gives. | | | | BBgBarc US Agg Bond TR L | 50 |
| | | | and the | V1 | Asset Mix Return % | 5 |
| | | Want | | | 120 Asset Mix Risk (Stnd Dev) Start Balance \$ | 8. 100,0 |
| | | 2001 2003 2005 | 2007 2008 0 | 011 2013 2015 | End Balance \$ | 209,4 |
| | Dear Market Performance | | | | | |
| | This graph shows how \$100,000 invested would have performed during two years of a | | | | 130 August 31, 2008 - August 31, 2 | 919 |
| | relatively recent, longer-term market downturn. | | | | S&P 500 TR USD | |
| | | \sim | | \sim | 90 BBgBarc US Agg Bond TR L | |
| | | | | | 70 Asset Mix Return % Start Balance \$ | 100,00 |
| | | as-as 02-as | 05-09 | 02-10 | 52k End Balance \$ | 101,13 |
| | This graph shows how \$100,000 invested | | | + | August 31, 2008 - November | 0.208 |
| | would have performed over a brief three- month market downturn. | | | | 25 Acast Mix — S&P 500 TR USD | |
| | | | | | ms - BBgBarc US Agg Bond TB L | 50 |
| | | | | | Asset Mix Return % | -183 |
| | | | | | Start Balance \$ | 100,00 |
| | | as-an | 10-08 | 11-00 | | |
| | | | | | | |
| | | | | | | |
| | Amet Class Mapping Disclorure | Acust Class | | Index | | |
| | To generate the performance of the extent mix, an appropriate index was used to represent the | Cash | | | Men Yid USD | |
| | To generate the performance of the esset mix, an | | | BolAML US Treesury Bill 3 S&P 500 TR USD | Mon Yili USD | |

You want to demonstrate to the Albertsons the strong past performance of the portfolio you are recommending.

By creating an Asset Allocation Model, you can generate a report showing how a similar asset mix performed over the last 15 years, as well as in bear market periods.

To create an asset allocation model, do the following:

1. From the menu bar, select **File...New...Asset Allocation Model**. The Asset Allocation Model window opens on the Asset Allocation tab.



2. Enter the following percentages in the **Weight** column:

| Cash | 11 |
|---------------------------|----|
| US Large-Cap Value Stocks | 7 |
| US Large-Core Stocks | 9 |
| US Mid-Cap Stocks | 3 |
| US Small-Cap Stocks | 1 |
| Non-US Developed Stocks | 15 |
| US Investment Grade Bonds | 44 |

- 3. At the top of the Asset Allocation Model window, click Save. The Save dialog box opens.
- 4. Enter the name Albertson, then click OK.
- At the top of the window, click the Generate Report button. A PDF opens in a new window.

Scenario: You want to show some past performance for your target allocation

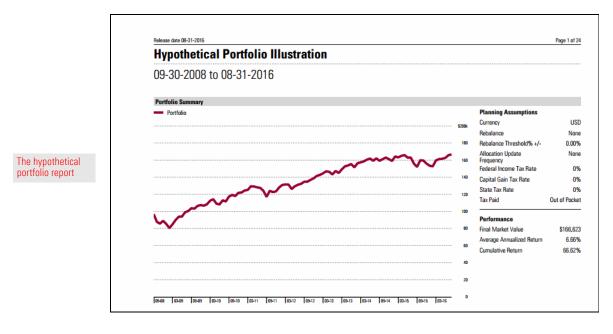
Solution: Use an Asset Allocation Model

Exercise 6: Create an asset allocation model

Using Hypothetical Illustrations to Show Past Performance

Overview

In this section, we will create a hypothetical illustration from a portfolio in Advisor Workstation. A hypothetical illustration shows the past performance of either a portfolio or individual securities, and can be inclusive of fees, taxes, and expenses, as well as show the impact of reinvestment and rebalancing decisions. Many advisors use hypothetical illustrations to strengthen their recommendation when presenting a proposed portfolio.



Scenario: You want to strengthen your recommendation

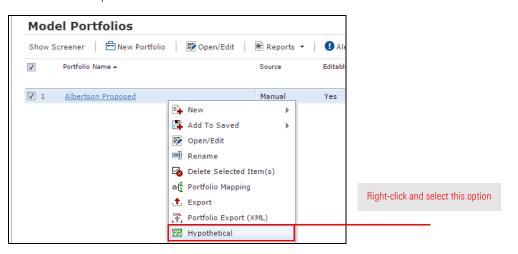
You would like to show Ron Albertson how the funds you are recommending have performed in the past. If he had invested in your portfolio several years ago, what would the investment be worth today?

Solution: Use the Hypothetical Illustrator Advisor Workstation allows you to select a portfolio and launch the Hypothetical Illustrator. By doing this, you bring in not only the investments, but also the amounts assigned to each security.

To create a hypothetical illustration using a portfolio, do the following:

- 1. In the left-hand navigation pane under Clients & Portfolios, click the **Model Portfolios** page.
- 2. Right-click the Albertson Proposal portfolio you created earlier.
- From the right-click menu, select Hypothetical. The Hypothetical Illustrator opens in a new windw on the Investments tab. The holdings in the model portfolio are added automatically.

Exercise 7: Create a hypothetical illustration based on a model portfolio



4. Click the **Buy** tab. The dollar amounts for each security appear in the Initial Investment column.

| File | | Help Save Save | e As 💼 S | ave Locally 🔒 | View Illustration | n Ē Gen dd/Edit Note | erate Report | | |
|------|------|----------------------------------|-----------------------|-------------------------------|--------------------------|---------------------------|----------------|-----|--|
| | Inve | stments Buy Advanced Buy/s | Sell Reinve | st/Reb Fees Ta Total Value | xes Report Op Total % | tions Allocated = | | | |
| | USD | USD | • | 100000.00 | | | | | |
| | Li | Name | Initial Investment | Time Period | Start Date | End Date | Inception Date | Ei | The allocation is brough over from the portfolio |
| | | | Apply to All | Apply to All | Apply to All | Apply to All | | | |
| | 1 | BlackRock High Yield Bond K(U | 10,000.00 | Customized | 09/30/2008 | 08/31/2016 | 11/19/1998 | 11/ | |
| | 2 | Franklin Rising Dividends A(US | 30,000.00 | Customized | 09/30/2008 | 08/31/2016 | 01/14/1987 | 01/ | |
| | 3 | Harbor International Institution | 15,000.00 | Customized | 09/30/2008 | 08/31/2016 | 12/29/1987 | 12/ | |
| | 4 | MFS Government Securities A(| 20,000.00 | Customized | 09/30/2008 | 08/31/2016 | 07/25/1984 | 07/ | |
| | 5 | Templeton Global Bond A(USD, | 25,000.00 | Customized | 09/30/2008 | 08/31/2016 | 09/18/1986 | 09/ | |

| | File | | Help 🔄 Save 💽 Save | As 📾 Sa | ave Locally 🔒 | 🕤 View Illustratio port 🔰 🔂 A | n 📄 Ger .dd/Edit Note | erate Report | |
|--------------------|------|-----------------------|----------------------------------|-----------------------|---|----------------------------------|--------------------------|----------------|-----|
| | > | Inves Curre USD | | ell Reinves | t/Reb Fees Ta Total Value 150000.00 | | otions Allocated = | | |
| | | Li | Name | Initial Investment | Time Period | Start Date | End Date | Inception Date | Ea |
| | | | | Apply to All | ~ | Apply to All | Apply to All | | |
| | | 1 | BlackRock High Yield Bond K(U | 15,000.00 | Trailing 1 Yr. | 09/30/2015 | 09/30/2016 | 11/19/1998 | 11/ |
| | | 2 | Harbor International Institution | 22,500.00 | Trailing 3 Yr. | 09/30/2015 | 09/30/2016 | 12/29/1987 | 12/ |
| | | 3 | MFS Government Securities A(| 30.000.00 | Trailing 5 Yr. | 09/30/2015 | 09/30/2016 | 07/25/1984 | 07/ |
| | | 4 | PRIMECAP Odyssey Stock(USD, | 45,000.00 | Trailing 10 Yr. Since Inception | 09/30/2015 | 09/30/2016 | 11/01/2004 | 10/ |
| Select this option | | 5 | Templeton Global Bond A(USD, | 37,500.00 | Earliest Available | 09/30/2015 | 09/30/2016 | 09/18/1986 | 09/ |
| | | | | | Earliest Common Customized | | | | |

5. Click the Time Period drop-down field in the Apply to All row and select Trailing 10 Yr.

| Scenario: You want to account for advisory fees | Although you will not be deducting from this portfolio to pay your fee, you would still like the output report to show the amount of your fee. |
|---|--|
| Solution: Use the | The Fees tab allows you to specify a standard fee or an asset-based fee. |
| Fees tab | Here are some factors to consider when determining the fees for a hypothetical illustration: |
| | Will the fees be paid by selling off shares from the portfolio, or will the client pay the fees our of their own pocket? Will the fees be paid at the beginning of a time period, or at the end of one? If the fees are to be paid by selling off shares of the portfolio, should the cash position be used before equity or fixed-income holdings are used? If you elected to rebalance the portfolio, are you going to apply transaction fees for the rebalancing? Are you going to use the Standard front-end loads for the funds, or enter a custom charge? Is there a Letter of Intent for future purchases to consider? To see the front-end sales charges and LOI period for a fund, scroll to the right on the Fees tab and click the View link in the Standard Fee Schedule column. |

To set an asset-based fee for the portfolio, do the following:

Exercise 8: Assign fees

- 1. Click the **Fees** tab at the top of the window. Since we'll be using the same rate for each fund, you can enter all of the following values in the Apply to All row.
- 2. In the **AnnI Fee %** field, type **1.00**.

| opda | ate Preferences My Preferences | × | Archive R | eport 🔤 | Add/Edit Note | | | |
|--------------|---|--|--------------------------------------|--------------------------------------|------------------------------|------------------------------|-----------------------------|---------------------------|
| Inv | vestments Buy Advanced Buy | /Sell Reinvest | Reb Fees | Taxes Report C | Options | | | |
| | y Fees Out of Pocket - End 💙 | 🕑 Use (| Cash First | Apply Transa | action Fees for Re | balancing | | |
| | | Asset-B | ased Fee | | Sales Fees | | Rec | Enter the fee information |
| | | | | | | | Rec Def Ch | |
| Li | Name | Annl Fee % | Frequency | Load Type | Amount | Туре | | in the Apply to All row. |
| Li | Name | Anni Fee % | Frequency | Load Type | Amount Apply to All | Type | | in the Apply to All row. |
| Li | Name BlackRock High Yield Bond K(U | | | | | | Ch | in the Apply to All row |
| Li 1 2 | | Apply to All | Apply to All | Apply to All | Apply to All | Apply to All | Ch Apply 1 | in the Apply to All row |
| 1 | BlackRock High Yield Bond K(U | Apply to All | Apply to All V Monthly | Apply to All | Apply to All | Apply to All | Ch Apply 1 Yes | in the Apply to All row |
| 1 2 | BlackRock High Yield Bond K(U Franklin Rising Dividends A(US | Apply to All 0.0000 0.0000 0.0000 | Apply to All V Monthly Monthly | Apply to All Standard Standard | Apply to All 0.00 0.00 | Apply to All Y USD USD | Ch Apply 1 Yes Yes | in the Apply to All row |

- 3. From the **Frequency** field, click the drop-down arrow and select **Quarterly**. (This means that each quarter, 25 basis points is applied to the portfolio to determine what fees are charged for managing the portfolio.).
- 4. To avoid charging both an annual fee and the load for a fund, click the **Load Type** drop-down field, select **Custom** and ensure the Amount field is **0**.
- 5. At the top of the Hypothetical window, click **Save**. The Save dialog box opens.
- 6. In the Save dialog box, type Albertson Proposal Hypo, then click OK.

| Now that you have set up the hypothetical illustration, you want to have something you can show your client when you sit down to discuss the research you did on his portfolio. | Scenario: Presenting your findings |
|---|--|
| The final step of the hypothetical illustration process is to set up and generate a PDF report. | Solution: Generate a hypothetical report |

| Exercise 9: Select | The final tab in the hypothetical illustration tool requires the following decisions: |
|--------------------|---|
| report options | What type of hypothetical illustration are you going to run: Individual Holdings, Portfolio or Comparison? |
| | |

- What reports will you include along with the hypothetical illustration?
- ► How frequently will returns be displayed for the hypothetical illustration?

To set the report options, do the following:

- 1. Click the **Report Options** tab at the top of the window.
- 2. From the Report Type area, make sure the **Portfolio** option button is selected.
- 3. From the Display Return on Report field, select Quarterly. This will allow us to see portfolio returns for every quarter.

| | | e▼ Help | | Save 🕞 Save As 📾 Save Locally | View Illustration 📄 Generate Report |
|--------------------|----|-----------------|-----|---|-------------------------------------|
| | ** | Update Preferen | ces | INST Morningstar Prefer 🗸 🏦 Archiv | e Report Add/Edit Note |
| | >> | Investments | Buy | Advanced Buy/Sell Reinvest/Reb Fees | Taxes Report Options |
| | | Report Type | | Portfolio | Individual Holdings |
| | | | | Holdings Comparison | O Portfolio Comparison |
| | | | | Display Return on Report | Quarterly |
| ew all of the | | | | Include Net Amount Invested | |
| ons here before | | | | Include Benchmark in Illustration | |
| erating the report | | | | Select Benchmark | ● S&P 500 TR USD ▼ |
| | | | | | AutoBench by Asset Allocation |
| | | | | Graphic Display | Cline Mountain |
| | | | | | Stacked Bar |
| | | | | Scale | Linear Logarithmic |
| | | Page Included | | Cover Page | ♀ view sample report |
| | | | | Report Title | Hypothetical Illustration |
| | | | | Client Name: | 100 Character Maximum |
| | | | | Prepared By: | 100 Character Maximum |
| | | | | Firm Name | 100 Character Maximum 🥕 |
| | | | | Date | 01/18/2017 |
| | | | | Additional Information | |

- 4. Check the Include Benchmark in Illustration box.
- 5. In the Select Benchmark area, click the Custom Benchmark Tied to Library option button to use the AutoBench by Asset Allocation.
- 6. In the **Scale** area, select the **Linear** option button.
- 7. Now that all of the variables for the illustration have been entered, click the Generate Report button at the top of the window. The reports will appear as a PDF in a separate window.

| | File 🕶 Help 🔚 Save | e 🕼 Save As 🛛 🖓 Save Locally | 🔏 View Illustration | 📄 Generate Report |
|---|-------------------------|--|----------------------|-------------------|
| Official also have a se | Update Preferences Morr | ningstar Preferences 💌 🥸 Add/ | /Edit Note 🏦 Export | |
| Click this button to generate the report | >> Investments Buy Adv | anced Buy/Sell Reinvest/Reb Fees | Taxes Report Options | |
| 5 | Report Type | Portfolio | Portfolio Comparison | <u>^</u> |
| | | Individual Holdings Moldings Compared | | |
| | | Display Return on Report Semi-Annually | | v |
| | | ☑ Include Net Amount Invested | | |
| | | Include Benchmark in Illustration | | E |

Importing Clients and Portfolios into Advisor Workstation

To review, you have built a proposed portfolio and a proposed asset allocation. You also generated a hypothetical illustration for the model portfolio. Next, you want to analyze your prospects' current holdings in Advisor Workstation. To accomplish this, you will do the following:

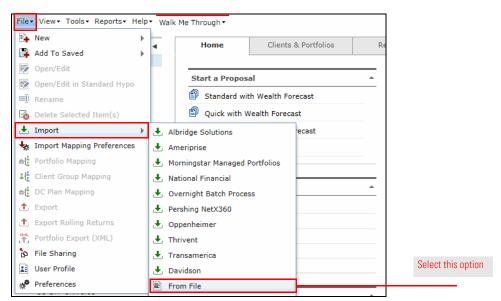
- ► Import the Albertsons' portfolios from Excel
- ► Create a custom benchmark for the portfolio, and
- Generate a hypothetical illustration for the current portfolio.

Now that the proposed portfolio is built, you would like to see what their current holdings look like in terms of asset allocation, risk, expenses, etc.

Rather than having to create client records and portfolios manually, you can import them from an .xls or .xlsx spreadsheet if you have the required data.

To import client holdings from Excel, do the following:

1. From the menu bar, select **File...Import...From File**. The Import from File dialog box opens.



- 2. Confirm the Import Type drop-down field is set to Portfolio.
- 3. Click the **Browse...** button. The Choose File to Upload dialog box opens.

Scenario: You want to analyze the Albertsons' current holdings

Solution: Import their portfolios from an Excel spreadsheet

Exercise 10: Import client holdings from Excel

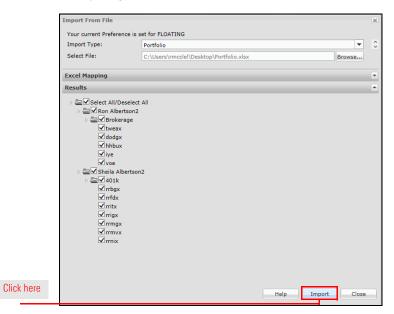
4. Navigate to the desktop, then double-click the Portfolio.xlsx file.

| | Choose File to Upload | - Carlos - Carlos - I | | | | | | × |
|------------------------|--|----------------------------------|-------|-------------------|--------------------|---------------------|--------|---|
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| | | List.xlsx | 9 KB | Microsoft Excel W | 1/27/2017 1:33 PM | 1 | | |
| | | Portfolio.xlsx | 10 KB | Microsoft Excel W | 1/31/2017 11:03 AM | м | | |
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| | E Computer Coal Disk (C:) C MSMEVOL2 (\\M MSMEVOL2 (\\M MSMEVOL3 (\\M MSMEVOL3 (\\M | | | | | | | |
| | File name: | | | | - Ali | Files (*.*) Open | Cancel | |

- 5. A message appears, prompting you to select values for all required fields. Click **OK**.
- 6. In the Excel Mapping area of the Import from File dialog box, make the following selections:

| First Name | А |
|----------------|---|
| Last Name | В |
| Portfolio Name | С |
| ldentifier | D |
| Shares/Units | E |

7. Click **OK** to import the holdings. The Results area populates, confirming the data you are importing.



- 8. Click the **Import** button.
- 9. A confirmation message appears. Click **OK**.
- 10. Click **Close** to exit the Import from File dialog box.
- 11. Under Clients & Portfolios in the left-hand navigation, click the **Clients** page. Ron and Sheila Albertson appear.
- 12. Scroll to the right until you see the Source column. The letters "XLS" appear, indicating the clients were imported from Excel.

| Clients & Portfolios Files Database View Basics Find Image: Clients Clients Show Screener Advanced Search Image: Client Image: Client <th>Home</th> <th>Clients & Portfolios</th> <th>Research</th> <th>Hypotheticals</th> <th>Virtual 1</th> <th></th> | Home | Clients & Portfolios | Research | Hypotheticals | Virtual 1 | |
|---|----------------|------------------------|----------------|---------------|-----------|--|
| Show Screener Y Advanced Search Image: New Client Image: New Portfolio Image: New Group Image: The Source column indicates Image: Last A First Middle Source Image: Source Image: Source Image: Last A First Middle Source Image: Source Image: Source Image: Last A Sheila - XLS | Clients & Port | folios Files 🔻 Databa | se View Basics | ▼ Fin | id 🔻 | |
| Show Screener Y Advanced Search Image: Show Client Image: Show Portfolio Last A First Middle Source 1 Albertson Sheila - | Clients | | | | | |
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| 2 <u>Albertson</u> Ron - XLS | 1 <u>Alt</u> | pertson | Sheila | - | XLS | |
| | 2 <u>Alt</u> | pertson | Ron | - | XLS | |

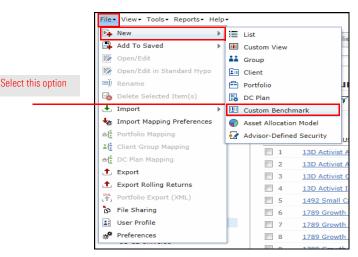
Scenario: You want to
build a benchmarkYou want to see how Ron's current portfolio compares to a blended benchmark in
terms of risk and reward.

Solution: Create a
custom benchmarkAlthough the AutoBench feature is great when creating reports for a portfolio or
hypothetical on the fly, it doesn't allow you to reuse that custom benchmark elsewhere
in the application. Therefore, value still exists in manually creating a custom
benchmark. In the next exercise, you will create a custom benchmark to represent your
model portfolio, then plot the portfolio and custom benchmark on the Risk/Reward
Scatterplot in the Graphs tool.

Exercise 11: Create a custom benchmark How do we go about building a custom benchmark to use with Ron's brokerage account? One thing we can do is mimic the AutoBench by Asset Allocation.

To create a custom benchmark in Advisor Workstation, do the following:

1. From the menu bar, select **File...New...Custom Benchmark**. The Custom Benchmark window opens.



- 2. Click in the **Find** field and type **bbgbarc us agg bond tr**. Suggestions appear below your entry.
- From the list of suggestions, select BBgBarc US Agg Bond TR USD to add it to the Investments Selected box.

| | File - Help 🔛 S | ave 🖙 Save As 🕋 Save Locally | Note Add/Edit Note | |
|----------------------|-----------------------|---|---|-------------------------|
| | Broad Asset Allocati | on | | |
| | | Asset Class | Weight | |
| | | Cash | 0.00 | |
| | | US Stocks | 0.00 | |
| | | Non-US Stocks | 0.00 | |
| | | Bonds | 0.00 | |
| | | Other/Not Clsfd | 0.00 | |
| | | Total | 0.00 | |
| | Select Universe | J.S. Indexes | Search By 🛞 Namé | |
| | | babacc us agg bond tr | | ۹ . |
| | 1 | BBgBarc US Agg Bond TR AUD(AUD,F000 BBgBarc US Agg Bond TR CHF(CHF,F000 | 00VBLD) | |
| elect the USD option | Total Search Results: | BBgBarc US Agg Bond TR EUR(EUR,FOOD BbgBarc US Agg Bond TR GBP(GBP,FOOD BbgBarc US Agg Bond TR Hdg CAD(CAD, BBgBarc US Agg Bond TR Hdg JPY(JPY,FO BBgBarc US Agg Bond TR Hdg JPY(JPY,FO | 00Q7XP) 00VBLE) F00000VZNL) 00000WSHZ) | ii4 4 Page: 0 of ▷ ▷i ^ |
| | | BBgBarc US Agg Bond TR USD(USD,XIU BBgBarc US Agg Bond Hdg TR EUR(EUR, BBgBarc US Agg Bond Hdg TR GBP(GBP, | F00000Q7XQ) | 4 |

4. In the Find field, type **bofaml us treasury bill 3 mon**. Suggestions appear below your entry.

S

- 5. From the list of suggestions, select **BofAML US Treasury Bill 3 Mon TR USD** to add it to the Investments Selected box.
- 6. In the Find field, type type **msci eafe nr**. Suggestions appear below your entry.
- 7. From the list of suggestions, select **MSCI EAFE NR USD** to add it to the Investments Selected box.
- 8. In the Find field, type **s&p 500 tr usd**. Suggestions appear as you type.
- 9. From the list of suggestions, select **S&P 500 TR USD** to add it to the Investments Selected box.
- 10. Click the **Allocate** tab.
- 11. Click in the % column and enter the following percentages:

| BBgBarc US Agg Bond TR USD | 43 |
|--------------------------------------|----|
| BofAML US Treasury Bill 3 Mon Yld US | 13 |
| MSCI EAFE NR USD | 16 |
| S&P 500 TR USD | 28 |

| File 👻 🛛 H | Help 📓 Save 🛛 🛃 Save As | 📾 Save Locally | 🛃 Add/Edit Note | | | | | |
|------------|-------------------------------|------------------|-----------------|-------------|-----|----------------------|---|---|
| Broad Ass | et Allocation | | | | | | | |
| | | et Class | Weigh | it | | | | |
| | • Cas | h | 28.2 | 0 | | | | |
| | • US : | Stocks | 25.0 | 7 | | | | |
| | • Non | -US Stocks | 24.7 | 6 | | | | |
| | • Bon | ids | 21.8 | 0 | | | | |
| | • Oth | er/Not Clsfd | 0.1 | 6 | | | | |
| | Tota | al | 100.0 | 0 | | | | |
| Benchmark | | Name | | % | | Ret Date (mo-end) | | |
| | Total | % Allocated | | 100.0 | 000 | | | Click in this column to change the percentages |
| | | | | Apply to Al | 1 | | | <u> </u> |
| 1 | BBgBarc US Agg Bond TR USD | (USD,XIUSA000MC) | | 25.0000 | 0 | 9/30/2016 | | |
| 2 | BofAML US Treasury Bill 3 Mon | TR USD(USD,XIUSA | 4CX8) | 25.0000 | 0 | 9/30/2016 | | |
| 3 | MSCI EAFE NR USD(USD,XIUS) | A000PK) | | 25.0000 | 0 | 9/30/2016 | | |
| 4 | S&P 500 TR USD(USD,XIUSA04 | 4G92) | | 25.0000 | 0 | 9/30/2016 | | |
| | | | | | | | 1 | |

- 12. Click Save. The Save dialog box opens.
- 13. In the Save dialog box, enter the name **Balanced**, then click **Save**.
- 14. Click the X icon to close the dialog box.
- 15. Click the **X** icon to close the Quick Portfolio window.

Exercise 12: Compare a portfolio and a custom benchmark on the Risk/ Reward Scatterplot

To compare Ron's portfolio to the model asset allocation benchmark, do the following:

- 1. In the left-hand navigation pane, click the **Clients** page.
- 2. Click on **Ron Albertson**. Ron's portfolio is displayed on screen.
- Right-click the Brokerage portfolio and select Graphs. A dialog box opens, asking if you
 want to view the underlying holdings, the portfolio, or both the portfolio and its
 underlying holdings.

| | Home | Clients & Portfolios | Research | Hypotheticals | Vi |
|--------------------|------------------|---|---|-----------------------|----|
| | Clients & Portfo | olios Files 🔻 Databas | se View Basics | ▼ Find | - |
| | <u>Clients</u> > | Ron - Albertsor | n Portfolios | | |
| | Show Screene | r 👿 Open/Edit 🖹 | Reports 👻 📔 Aler | rts 🚔 New Portfolio |) |
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| | | Add To Saved | 4 | | |
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| | | at Portfolio Mappi | | | |
| | | t, Export | ing in the second se | | |
| Right-click and | | Portfolio Expor | t (XML) | | |
| select this option | | Hypothetical | | | |
| officer and option | | Quick Hypothe | tical | | |
| | | Graphs | | | |
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4. Select the **Portfolio(s)** option button, then click **OK**. The Graphs window opens on the Investment Growth graph.

| | Please select graphing option | × |
|--------------------|---|---|
| | Below options will only apply to the "Risk/Reward Scatterplot" and "Investmen Growth" Graphs | t |
| Select this option | Underlying holdings Portfolio(s) Portfolio(s) and Underlying Holdings | |
| | OK Cancel | |

- 5. At the top of the Graphs window, click the **Risk/Reward Scatterplot** tab.
- 6. In the Securities panel on the left, click the **Find/Add Portfolios/Custom Bmarks** button. A dialog box opens.

| | Graphs - Google Chron | ne | | | |
|-------------------|--------------------------|----------------|---------------------------|------------------------|---------------------|
| | 🔒 Secure https://av | vrd.morningsta | ar.com/globalhypo/gra | ph.aspx?rnd=0.50967627 | 78440158 |
| | Help 🖹 Generate | Report | | | |
| | Rolling Return Corre | lation Matrix | Risk/Reward Scatterplo | Investment Growth | Total Annual Return |
| | Time Period | Start Date | End Date | Initial Value | Currency |
| | Earliest commor 💌 | 12/2006 | 12/2016 | 10,000 | USD 🗸 |
| Click this button | Securities | ~ | | | |
| GIEK THIS DUITON | Find/Add Securities | | Market Value (\$ k) 50 | | |
| | Find/Add Portfolios/C | ustom Bmarks | 50 | | |
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| | Please enter security na | me or ticker | | | |
| | 🗹 🕕 🗵 Brokerage | | 40 | | |
| | | | | | |

- 7. In the graphing option dialog box, select the **Portfolio(s)** option, then click **OK**. The Find/ Add Portfolios/Custom Benchmarks window opens.
- 8. At the top of the window, click the **Select Universe** drop-down field and select **Custom Benchmarks**.

| ind/Add Portfolios/C | Custom Benchmarks Include benchmark | | × |
|----------------------|-------------------------------------|--|--------------------|
| Select Universe | Portfolios | Search By 💿 Client 💿 Group 💿 Portfolio | |
| Find | Portfolios Model Portfolios | Ω | |
| | Custom Benchmarks | | Select this option |
| Total Search Result | ts: 0 4 4 Page: 1 of ▶ | ▷ Investments Selected: 1 | coloct and option |
| | | Brokerage | |

- 9. Click the **magnifying glass** icon.
- 10. In the Total Search Results box on the left, **double-click** the **Balanced** custom benchmark to add it to the Investments Selected box on the right.
- 11. Click **OK** to close the Find/Add Portfolios/Custom Benchmarks window.
- At the top of the Graphs window, click the **Time Period** drop-down field and select **10 Years**. The graph updates. Move your mouse over the points on the scatterplot to view security/index names and values.

| | Help 📄 🖹 Genera | te Report | |
|---|---------------------|---|--------------------|
| 1 | Rolling Return Cor | relation Matrix Risk/Reward Scatterplot Investment Growth Total Annual Return Premium | |
| | Time Period | Currency | |
| 5 | 3 years | Current selected benchmark: S&P 500 TR USD (USD) | Choose this option |
| | 5 years 10 years | Mean % | |

13. At the top of the Graphs window, click **Generate Report**. A PDF version of the scatterplot opens in a new browser tab.

As stated earlier, Ron told you he is not comfortable with losses in his portfolio. How well have his current investments performed in bear markets? You would like to show Ron Albertson how the funds he holds now performed during the economic downturn of 2008.

Scenario: You want to show Ron how his portfolio has performed in the past

Just as we created a hypothetical illustration for our model portfolio earlier, we can do the same with Ron's brokerage account.

Solution: Use the Hypothetical Illustrator

Exercise 13: Create a hypothetical illustration based on a client's portfolio

To create a hypothetical illustration using a portfolio, do the following:

- 1. In the left-hand navigation under Clients & Portfolios, click the **Clients** page.
- 2. On the Clients page, click on **Ron Albertson**.
- 3. Right-click the Brokerage portfolio.
- From the right-click menu, select Hypothetical. The Hypothetical Illustrator opens in a new windw on the Investments tab. The holdings Ron's portfolio are added automatically.

| | | | Albertson Portfoli | | | - |
|------------------------------------|--------|-------------------------------------|---|---|----------------------------------|------------|
| | Show S | Screener 👿 Oj Portfolio Name 🔺 | pen/Edit 📔 Reports 🔻 🗌 | Ð | Alerts Include in Client | Group Name |
| | - | Aggregate | New | • | Totals | - |
| | 1 | Brokerage | Add To Saved | Þ | Yes | - |
| | | | Open/Edit Rename | | | |
| | | | Delete Selected Item(s) | | | |
| Right-click and select this option | | | el Portfolio Mapping | | | |
| | | | Portfolio Export (XML) | _ | | |
| | | | 🕎 Hypothetical | | | |

Exercise 14: Set a custom time period

Se

To set a custom time period, do the following:

- 1. Click the **Buy** tab.
- 2. Click the **Time Period** drop-down field in the Apply to All row and select **Customized**.

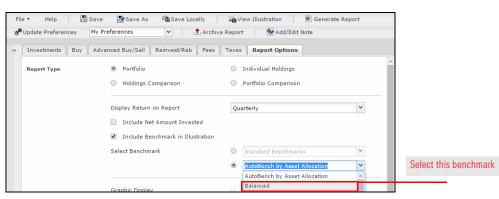
| | *° (| Update | Preferences | My Preferences | * | 1 Archive Re | eport 🛛 🐄 / | Add/Edit Note | | |
|------------|------|--------|-----------------|-------------------|-----------------------|---------------------------------------|---------------|---------------|----------------|---|
| | » | Inves | tments Buy | Advanced Buy/S | Sell Reinve | st/Reb Fees Ta | axes Report O | ptions | | |
| | | Curre | ncy | Allocate By | | Total Value | Total % | Allocated = | | |
| | | USD | ~ | USD | * | 150000.00 | | | | |
| | | Li | N | ame | Initial Investment | Time Period | Start Date | End Date | Inception Date | |
| | | | | | Apply to All | Y | Apply to All | Apply to All | | |
| | | 1 | BlackRock High | Yield Bond K(U | 15,000.00 | Trailing 1 Yr. | 09/30/2015 | 09/30/2016 | 11/19/1998 | 1 |
| | | 2 | Harbor Internat | ional Institution | 22,500.00 | Trailing 3 Yr. | 09/30/2015 | 09/30/2016 | 12/29/1987 | 1 |
| | | 3 | MFS Governme | nt Securities A(| 30,000.00 | Trailing 5 Yr. | 09/30/2015 | 09/30/2016 | 07/25/1984 | 0 |
| | | 4 | PRIMECAP Odys | ssey Stock(USD, | 45,000.00 | Trailing 10 Yr. | 09/30/2015 | 09/30/2016 | 11/01/2004 | 1 |
| his option | | 5 | Templeton Glob | al Bond A(USD, | 37,500.00 | Since Inception Earliest Available | 09/30/2015 | 09/30/2016 | 09/18/1986 | 0 |

3. Click in the **Start Date** field in the Apply to All row and enter **09/30/2007**.

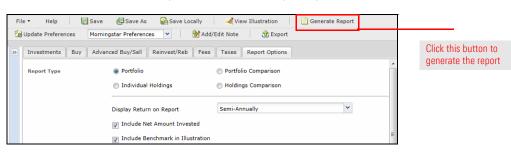
4. Click in the End Date field in the Apply to All row and enter 03/30/2009.

| * Upda | ate Prefer | ences INST Mornings | star Prefer 👻 | Archive Re | eport 🛛 🛃 A | dd/Edit Note | | | |
|--------|------------|--------------------------|-----------------------|----------------|----------------|--------------|----------------|-----|----------------------|
| Inv | vestments | Buy Advanced Buy/ | Sell Reinve | st/Reb Fees Ta | axes Report Op | tions | | | |
| Cu | rrency | Allocate By | | Total Value | Total % | Allocated = | | | |
| US | SD | ▼ USD | ~ | 158711.00 | | | | | |
| | | | | | | | | | Enter the start and |
| Li | | Name | Initial Investment | Time Period | Start Date | End Date | Inception Date | Ea | end dates on this ro |
| | | | Apply to All | Apply to All | Apply to All | Apply to All | | | |
| 1 | Ameri | can Century Equity Incom | 14,683.00 | Customized | 09/30/2007 | 03/30/2009 | 03/07/1997 | 08/ | |
| 2 | Dodge | & Cox Stock(USD,DODGX) | 48,025.00 | Customized | 09/30/2007 | 03/30/2009 | 01/04/1965 | 01/ | |
| 3 | Hanco | ck Horizon Burkenroad S | 25,098.00 | Customized | 09/30/2007 | 03/30/2009 | 12/31/2001 | 12/ | |
| 4 | iShare | s US Energy(USD,IYE) | 31,954.00 | Customized | 09/30/2007 | 03/30/2009 | 06/12/2000 | 06/ | |
| 5 | Vangu | ard Mid-Cap Value ETF(U | 38,951.00 | Customized | 09/30/2007 | 03/30/2009 | 08/17/2006 | 08/ | |

- 5. At the top of the window, click **Save**. The Save dialog box opens.
- 6. In the Save dialog box, type Albertson Current Hypo, then click OK.
- 7. Click the **Report Options** tab at the top of the window.
- 8. From the Report Type area, make sure the **Portfolio** option button is selected.
- 9. From the **Display Return on Report** field, select **Quarterly**. This will allow us to see portfolio returns for every quarter.
- 10. Check the Include Benchmark in Illustration box.
- 11. In the **Select Benchmark** area, click the **Custom Benchmark Tied to Library** option button.
- 12. Click the **Custom Benchmark Tied to Library** drop-down field and select **Balanced**.



- 13. In the Scale area, select the Linear option button.
- 14. Now that all of the variables for the illustration have been entered, click the **Generate Report** button at the top of the window. The reports open in a new tab.



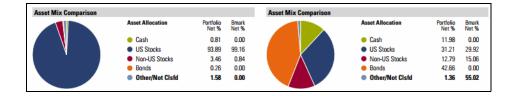
Make Your Case with the Portfolio Comparison Report

Overview

The Portfolio Report Builder allows you to compare two portfolios with a side-by-side report. This can be a great tool for evaluating a client's current holdings and recommending changes. Before generating the report, you can apply the dollar value of the client's portfolio to the model portfolio.

Scenario: You want to compare client holdings to a proposed portfolio

In your conversations with prospect Ron Albertson, you have learned he is very riskaverse. Knowing this, you are surprised he has a brokerage account so heavily weighted in equity funds. You want to show him what a more conservative allocation would look like and compare it to his current holdings.



| Solution: Generate a | |
|----------------------|--|
| Portfolio Comparison | |

Exercise 15: Create

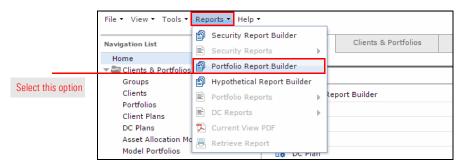
Comparison Report

a Portfolio

You can build a model portfolio and create a side-by-side comparison with Ron's portfolio using the Portfolio Comparison Report in the Portfolio Report Builder tool.

To generate a side-by-side Portfolio Comparison Report, do the following:

1. From the **Reports** menu at the top of the window, select **Portfolio Report Builder**.



- 2. On the Portfolios tab, click in the text field and type **ron**.
- 3. Click the **suggestion** that appears.

4. **Double-click** the **Brokerage** portfolio to add it to the Selected box.

| Portfolio Report Builder - Google Chrome | | | |
|--|-------------------------|-----------------------------|-------------------|
| https://awrd.morningstar.com/globalhypo/reportbuilder.aspx? | ProductID=AWSE&PDVersio | n=20&fromdocumentwindow=0&c | |
| File 🔹 Help 🖹 Generate Report 🎇 Update Preferences 🛛 🕅 | y Preferences 💌 | 1 Archive Report | |
| Portfolios Report Options | | | |
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| | Q | | |
| Total Search Results: 1 | | 4 4 Page: 1 of 1 ▶ ▶ | Double-click here |
| Ron Albertson / Brokerage | | Page: 1 of 1 P P | |
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| | | | |
| | | Add Add All | |

- 5. Click the **Select Universe** drop-down field and select **Model Portfolios**.
- 6. Click the **magnifying glass** icon to display all your saved model portfolios.
- 7. **Double-click** the **Albertson Proposal** portfolio to add it to the Investments Selected box.

| File 🕶 🛛 Help 📄 Generate Report 🛛 🛔 | Update Preferences | My Preferences | ✓ Archive Report | |
|-------------------------------------|--------------------|----------------|------------------|--------------------------------|
| Portfolios Report Options | | | | |
| Select Universe Model Portfolios | ~ | | | |
| | | ٩ | | Double-click this portfolio |
| Total Search Results: 101 | | | | to add it |
| Albertson Proposed | | | | |
| | | | Add All | |

- 8. Click the Report Options tab.
- 9. In the Select Benchmark section, click the **Custom Benchmark Tied to Library** option button.
- 10. Click the drop-down field and select Balanced.
- 11. Check the **Portfolio Comparison** box.

| Page Included | 1 | Cover Page | 𝒫 view sample report | |
|---------------|---|------------------------|---------------------------|----------------|
| | | Report Title | Portfolio Illustration | |
| | | Client Name: | Ron Albertson | |
| | | Prepared By: | 100 Character Maximum | |
| | | Firm Name | 100 Character Maximum 🗡 | |
| | | Date | 08/31/2016 | |
| | ± | Additional Information | | |
| | | Portfolio Comparison | | Check this box |
| | | Portfolio 1 | Ron Albertson / Brokerage | |
| | | Portfolio 2 | Albertson Proposed | |

- 12. In the Aggregation & Grouping section, click the Individual Portfolios option button.
- 13. In the Settings section, click the **Apply Current Value to Proposed** box.

The Portfolio Comparison report Г

- Note: If the model portfolio is not designated as the proposed portfolio, you can use the dropdown fields to change the selections.
- 14. Click the **Generate Report** button at the top of the window. A PDF report opens in a new window.

| POR | tfolio Comp | arison Report | | | | | | | |
|---|--|--|---|--|--|--|--|---|---|
| Ron | Albertson: B | rokerage | | | Alb | ertson Propos | al | | |
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| point of | | A look at the differences in th portfolios in the Stock Sector / Asset Allocation Cash US Stocks | | | Historic: | | d portfolios. This report uses th istics sections. Asset Allocation Cash US Stocks | Portfolio Net % 13.27 26.80 | Bmark Net % 18.50 27.93 |
| | | Non-US Stocks | 3.46 | 15.90 | | K | Non-US Stocks | 15.86 | 15.90 |
| | | Bonds | 0.26 | 37.50 | | | Bonds | 42.57 | 37.50 |
| | | Other/Not Clsfd | 1.58 | 0.17 | | | Other/Not Clsfd | 1.50 | 0.17 |
| | | ow how assets in each portfol | io are allocate | 1 among asse | | | | | |
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| | 25 25-50 >60 | 0-10 10-25 25-50 | >50 | | | 10-25 25-50 >50 | 0-10 10-25 25-50 | >50 | |
| | | | | | | | | | |
| | | | | | | | and their style characteristics (nterest rate sensitivity (limited | | |
| The Fixe extende | d-Income Style box shows d). Note the percentages in | | ified in terms a | f their credit (| quality (h issified. | igh, medium, and low) and i | and their style characteristics (nterest rate sensitivity (limited | | |
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Combining Multiple Portfolios on Reports

| Now that we've done some research on Ron's portfolio, let's turn our attention to Sheila's investments. We will now take a look at what the Albertsons' portfolios look like when we combine them. | Overview |
|---|---|
| In your next meeting with the Albertsons, you would like to give them a holistic view of their investments across their multiple accounts. You want to generate a single packet of reports for their combined holdings. | Scenario: Meeting with prospects |
| You can create an aggregate portfolio report in Advisor Workstation by creating a client record for Sheila Albertson, building her portfolio and using the Portfolio Report Builder tool to create a set of reports for the Albertson household. | Solution: Create an aggregate portfolio report |
| At this point we have created client records for Ron and Sheila Albertson, added them to the Albertson Household group, and saved a portfolio to each client. The next step is to generate a report for their household. | Exercise 16: Generate an aggregate report |
| The Portfolio Report Builder tool allows you to select multiple portfolios and generate reports on the aggregate. For this example, we will select the portfolios belonging to the members of the Albertson Household group. To generate an aggregate report, do the following: | |

1. From the menu bar, select Reports...Portfolio Report Builder. The Portfolio Report Builder window opens.

| File - View - Tools - | Rep | orts 🔹 Help 👻 | | | |
|--------------------------|-----|-----------------------------|---|----------------------|----------------------|
| Navigation List Home | ð | second reperts , | • | Clients & Portfolios | |
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| Model Portfolios | | | ┙ | | |

- 2. Click in the search field and begin typing **albertson**.
- 3. Click on Ron Albertson's name when it appears. His portfolio is added to the Total Search Results box.

| File - Help 🖹 Generate Report 🚀 Update Preferences My Preferences2 💌 🏦 | Archive Report |
|--|----------------------|
| Portfolios Report Options | |
| Select Universe Client/Portfolio Y Search By O Client O Group | O Portfolio |
| albert X | Click the suggestion |
| Albertson Shella Albertson | |
| Total Search Results: 0 | I |
| | |
| | |

- 4. Double-click on Ron's portfolio to add it to the Investments Selected box.
- 5. Click in the search field and begin typing **albertson** again.
- 6. This time, click on Sheila's **name** when it appears. Her portfolio is added to the Total Search Results box.
- 7. Double-click on Sheila's portfolio to add it to the Investments Selected box.
- 8. Select the **Report Options** tab.
- 9. Scroll down to the Aggregation & Grouping section and select the **Aggregated Portfolio** option button.
- 10. In the Aggregate Title box, enter **Albertson Holdings**.

| | File 🕶 Help 🖹 Generat | te Report 🛛 🚀 Update Preferences | Search \ | within Search 🔹 🏚 Archive Repo | t | |
|--------------------------------|---------------------------|--|----------|--------------------------------------|------------|---|
| | Portfolios Report Options | | | | | |
| | | Historical Asset Allocation | ρ | view sample report | ☆ ↓ | * |
| | | Disclosure Materials | ρ | view sample report | | |
| | | Action Plan (not FINRA-reviewed) | ρ | view sample report | | |
| Fatan alternative task for the | Aggregation & Grouping | Aggregation | 0 | Individual Portfolios | | |
| Enter alternate text for the | | | ۲ | Aggregated Portfolio | | |
| report header here | | | | Aggregate Title | | |
| | | | | Albertson Holdings | | |
| | | | ۲ | Aggregated and Individual Portfolios | | |

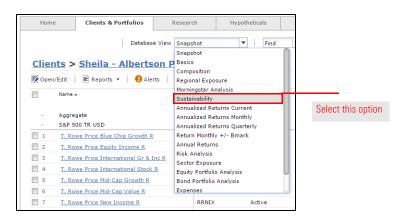
11. At the top of the Portfolio Report Builder window, click Generate Report.

Accessing Sustainability Data in Advisor Workstation

| In 2016, Morningstar rolled out a new Sustainability Rating for funds. The Sustainability Rating allows you to see how a fund's overall portfolio rates when it comes to environmental, social and governance issues, even if the fund does not have a sustainability mandate or classify itself as a socially conscious fund. Research shows ESG factors are increasingly important to investors, particularly millennials and women. Sheila Albertson is a perfect example of an investor who cares about more than just the bottom line. | Overview |
|---|---|
| The Sustainability view in Advisor Workstation lets you see the Sustainability Rating and the underlying scores used to calculate it. | |
| Sheila recently left her job, so you would like to recommend an IRA rollover. Because you know sustainability is important to Sheila, you want to recommend funds with good ratings in environmental, social and governance issues. You're also curious how her old 401k looks in terms of ESG issues. | Scenario: Sheila needs to roll over her 401k |
| In order to help you conduct analysis on a fund's ESG credentials, you can open Sheila's 401k and switch the data view from Basics to Sustainability. Furthermore, you can create a custom view and export the data to a PDF or to Excel. | Solution: Access the Sustainability View |
| To analyza Chaila's augrant partialia, do the following: | Eversion 17: Access a list |

To analyze Sheila's current portfolio, do the following:

- 1. In the left-hand navigation pane, click the **Clients** page.
- 2. Click on Sheila Albertson to view her portfolio in the grid view.
- 3. Click the **401k** portfolio. The funds in the portfolio now appear in the grid view.
- 4. Click the Database View drop-down field and select Sustainability.



5. Click in the header of the **Morningstar Sustainability Rating** column to rank the list.

You can see the majority of these funds have a Mornningstar Sustainability Rating of Below Average (two globes). Let's look for funds with higher ratings for Sheila's IRA.

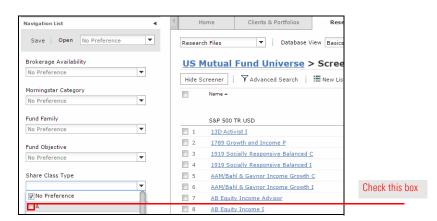
Exercise 17: Access a list and switch the view

Screening for Investments in Advisor Workstation

| Overview | The Screener tool is available from the Research module for all security types (mutual funds, stocks, etc.). The Screener is a modified search by criteria tool. In the Screener panel, you have access to some of the most popular search criteria for a particular universe. If you can't find a criterion you are looking for in the Screener tool, you can use the Advanced Search tool. |
|---|--|
| | Working with the Screener tool saves you the time of having to define criteria yourself. You simply need to choose the value(s) for each one. These searches can be saved and later retrieved from either the Screener tool, or the Advanced Search tool (in case you want to add more criteria there, which are not available in the Screener tool). |
| | Note: A search you save in the Advanced Search tool cannot be opened in the Screener tool. |
| Scenario: You are looking for large blend funds with a Sustainability Rating of High | You want to view funds with the high Sustainability Rating and strong returns. |
| Solution: Use the Screener tool | Use the Screener tool to filter the mutual fund universe by Morningstar Category and Morningstar Sustainability Rating. |
| Exercise 18: Use the Screener to narrow a research universe | To use the Screener tool, do the following: In the left-hand navigation pane, click US Mutual Fund Universe. Click the Show Screener button above the grid area. The Screener panel appears on the left. |

| | Navigation List | |
|---------------------------------------|---|---|
| Click here to show the Screener panel | Alerts C&P User Files C&P Lists C&P Searches | Research Files View Basics US Mutual Fund Universe |
| | C&P Custom Views | Show Screener Y Advanced Search 🚍 New List |
| | US Mutual Fund Universe | |
| | US ETF Universe | Name 🔺 |
| | US CE Universe | |
| | US Stock Universe US VA Subaccounts | 1 S&P 500 TR USD |
| | US VA Subaccounts | 1 13D Activist A |
| | US VL Subaccounts | 2 13D Activist A Load Waived |
| | US VL Contract Universe | 3 13D Activist C |
| | US SA Universe | 4 13D Activist I |
| | US CIT Universe US Bond Universe | 5 1492 Small Cap Growth |

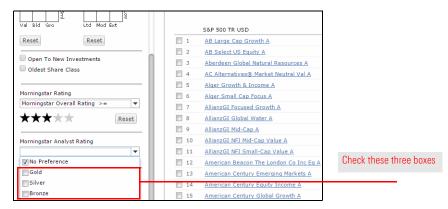
- 3. Click the Share Class drop-down field and check the A box.
 - ☞ Note: Each time you make a selection, the spreadsheet area updates in real time.



- 4. Scroll down to the Morningstar Rating area and click the **third star**.
- 5. In the Morningstar Sustainability Rating area and click the fourth globe.

| Val Bld Gro Ltd Mod Ext Reset Reset | US Mutual Fund Universe > Sc Hide Screener ↓ ▼ Advanced Search ↓ ■ Ne Name ▲ | |
|---|--|---|
| Open To New Investments | | |
| Oldest Share Class | S&P 500 TR USD | |
| | 1 AB Large Cap Growth A | |
| Morningstar Rating | 2 AB Select US Equity A | Selecting this option ensures all |
| Morningstar Overall Rating >= 🔻 | 3 Aberdeen Global Natural Resources A | of the funds returned have earned at least three stars |
| ★★★★★ Reset | 4 AC Alternatives® Market Neutral Val A | |
| | 5 Alger Growth & Income A | |
| Morningstar Analyst Rating | 6 Alger Small Cap Focus A | |
| No Preference 🔻 | 7 AllianzGI Focused Growth A | |
| | 8 AllianzGI Global Water A | Selecting this option ensures all of |
| Morningstar Sustainability Rating | 9 AllianzGI Mid-Cap A | the funds returned have a |
| Morningstar Sustainability Rating >= 💌 | 10 AllianzGI NFJ Mid-Cap Value A | Morningstar Sustainability Rating |
| | 11 AllianzGI NFJ Small-Cap Value A | of Above Average or High |
| Reset | 12 American Beacon The London Co Inc Eq A | |

6. Click the Morningstar Analyst Rating drop-down field and check the **Gold**, **Silver** and **Bronze** boxes.



How many funds did you find? ____

| | 7. Check the Open to New Investments box. |
|--|--|
| | How many funds are now displayed? |
| | At the top of the Screener panel, click Save. The Existing Searches dialog box opens. Click in the Search Name field, type Sustainability, then click OK. You are returned to the Screener panel. |
| Scenario: You are looking for a data point not available in the Screener | You are now viewing A share funds with a Morningstar Sustainability Rating of Above Average or better, a Morningstar Rating of three stars or better, and Morningstar Analyst Rating of Bronze or better. Because expenses eat away at returns, you want to go a step further and eliminate funds with high expenses. |
| Solution: Use Advanced Search | You can open your Screener search in the Advanced Search tool to add an expese ratio data point to your search. |
| Exercise 19: Build an Advanced Search | In this exercise, you will use the Advanced Search to build on the search you started in the Screener tool. Do the following: |
| | 1. Click the Advanced Search icon. |
| | Note: The Advanced Search dialog box should display the selections you made in the Screener |
| | tool. If it does not, click the Open icon, click the name of your saved search, then click OK . |
| | In the View Field Name area, click the Alphabetically option button. In the first empty row, click in the Field Name column. |
| | A Press <p> on your keyboard to jump down in the list.</p> |
| | 5. Scroll down the alphabetical list and select Prospectus Net Expense Ratio. |
| | 6. Click in the Operator column and select <. 7. Click in the Value column and type 1.25. |
| | |
| | Advanced Search - Untitled X Select Universe: US Mutual Fund Universe ▼ |
| | Dopen ≣•Insert Row × Delete Row → Clear All B Print View Field Name: © By View • Alphabetically |
| | Relati Field Name Operator Value) 1 Share Class Type = A |
| | 2 AND Morningstar Rating >= 3 3 AND (Analyst Rating = Gold |
| Your search sho | 4 OR Analyst Rating = Silver 1011/d 5 OR Analyst Rating = Bronze) |
| look like this | 6 AND Morningstar Sustainability Rating >= Above Average 7 AND Prospectus Net Expense Ratio < 1.25 |
| | |
| | 10 |
| | Items Searched: Items Found: Run Search |
| | Help Save Save As) OK Cancel |
| | |
| | 8. Click Run Search to preview the number of results. |

Now how many results do you have?____

- 9. Click Save.
- 10. In the Existing Searches dialog box, enter Sustainable Low Expense, then click OK.

- Note: You can access this saved search later from the Advanced Search dialog box, the Research Searches page or the Saved Lists and Searches drop-down field.
- 11. Click **OK** to view the results.

Let's select a few funds from our list and add them to a proposed portfolio for Sheila. Do the following:

- 1. Viewing the Sheila IRA list, check the boxes for the following funds:
 - American Beacon Small Cp Val A
 - American Funds American Mutual A
 - American Funds Invmnt Co of Amer A
 - ► Janus Enterprise A
 - MFS Massachusetts Inv Gr Stk A
 - Oppenheimer International Growth A.
- 2. Right-click and select New...Portfolio. The Quick Portfolio window opens.

| | creener Advanced Search ENev | | | Graph | |
|----|-------------------------------------|--------------|------------------------------------|-----------------------------------|------------------|
| | Name 🔺 | Ticker | Prospectus Net Expense Ratio | Prospe Net Expense F % Rank | |
| | S&P 500 TR USD | - | - | | |
| 18 | Franklin Income A | FKINX | 0.610 | | |
| 19 | Franklin Mutual Beacon A | TEBIX | 1.090 | | |
| 20 | Hartford Dividend and Growth A | IHGIX | 1.020 | | |
| 21 | Hartford Equity Income A | HQIAX | 1.020 | | |
| 22 | Invesco Diversified Dividend A | LCEAX | 0.830 | | |
| 23 | Invesco Small Cap Growth A | GTSAX | 1.200 | | |
| 24 | Ivy Large Cap Growth A | WLGAX | 1.150 | | |
| 25 | Janus Enterprise A | JDMAX | 1.140 | | |
| 26 | Janus Triton A | JGMAX | 1.100 | | |
| 27 | Janus Venture A | JVTAX | 1.040 | | |
| 28 | JHancock US Global Leaders Growth A | USGLX | 1.180 | | |
| 29 | JPMorgan Equity Income A | OIEIX | 1.040 | | Right-click, the |
| 30 | JPMorgan Income Builder A | JNBAX | 0.750 | | select this opti |
| 31 | JPMorgan Mid Cap Value A | New | ▶ := | List | select this opti |
| 32 | MFS Global Equity A | Add To Saved | | Portfolio | |
| 33 | | Export | | | |
| | | export | 69 | DC Plan | |

- 3. Click in the Find field and enter nefrx.
- 4. Click the suggestion that appears.

| e • Help 🗒 Save 🔄 Save As 🖚 Save Locally 🖹 Generate Repo Update Preferences My Preferences 💌 💥 Add/Edit Note | Walk Me Through • | | |
|--|-------------------------|---|---------------------|
| - View Illustration/Graph | | | |
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| Cash 3.00 UIS Strucks 71.46 Bonds 2.271 Other/Not Clafd 2.30 -180 -50 50 Investments Allocate Annual Fees Attributes | -100 -50 0 | 0.00 99.23 0.77 6.05 0.00 50 100 | |
| Select Universe U.S. Mutual Funds Search By ® Name | /Ticker 🕕 Fund Family 🌘 | • | Click the suggestic |
| Find Image: second | P | | |
| | | i4 4 Page: 1 of 1 ⊨ ⊨ | |

- 5. At the top of the window, click Save. The Save dialog box opens.
- 6. Select the **To Client** option button.
- 7. Click the Select a Client drop-down field and select Sheila Albertson.
- 8. Click in the Portfolio Name field and type Proposed IRA.

Exercise 20: Add items from a search to a new portfolio

| Scenario: Your client wants you to exclude a specific stock | In your initial meeting, Sheila Albertson made it clear she does not want any funds holding Nestle stock; she objects to the company's lack of sustainable practices. You want to make sure none of the funds you just selected for her hold Nestle stock. |
|---|--|
| Solution: Use the Reverse Stock Lookup tool | The Reverse Stock Lookup tool allows you to search for funds that hold a specific stock. You can generate a list of funds holding Nestle and search within it for your funds. |
| Exercise 21: Edit Your Preferences | Before using the Reverse Stock Lookup tool, we need to change the system preferences to allow you to search within a search. To edit your preferences, do the following: |

1. From the menu bar, select File...Preferences. The Preferences window opens.

| | Attps://advhypo.morningsta | r.com/awse20/awsem | nain/awse-main-frame.asp | ĸ |
|------------------------|-----------------------------------|--|---|---------|
| | File - View - Tools - Reports - F | Help ▼ | | |
| | 🕒 New 🕨 | Home | Clients & Portfolios | |
| | 📑 Add To Saved 🕨 🕨 | | cilcina di fordonos | |
| | 🕎 Open/Edit | | | _ |
| | 🔯 Open/Edit in Standard Hypo | Quick Start | | <u></u> |
| | 🗐 Rename | 🗊 Portfolio Rej | port Builder | |
| | Delete Selected Item(s) | Group | | |
| | 🛃 Import | Client | | |
| | 🔩 Import Mapping Preferences | Portfolio | | |
| | ≜l≛ Portfolio Mapping | DC Plan | | |
| | Client Group Mapping | | | _ |
| | 🚓 🔁 DC Plan Mapping | File Sharing | | 1 |
| | 1 Export | The following peo their files. Please | ople would like to give you access to a click on the Pending link to view th | - |
| | ♠ Export Rolling Returns | | ove or decline the request. | - |
| Click here to create a | Portfolio Export (XML) | Past 7 days | | |
| set of preferences | 🖧 File Sharing | Date 🔻 Own | er Status | |
| | 💵 User Profile | Date + OWN | el Status | |
| | Preferences | | Launch File Sharing | 1 |

2. At the top of the Preferences window, click **New**. The Save dialog box opens.

3. In the Name field, type My Preferences, then click OK. The dialog box closes.

| Preferences - Google Chrome | | | |
|---|---------------------------------|--|---------------------|
| 🔒 https://awrd.morningstar.co | om/globalhypo/Preference | aspx?ProductID=AWSE&PDVersion=20&rr. | nd=0.1797 |
| Help 📴 New 🗙 Delete 📺 Rer | name 🛛 📰 Save 🔛 Save As | | |
| My Preferences | | | |
| General Preferences | General Preferences | | |
| Spreadsheets | Interface Language | English (US) | |
| Spreadsheet Views | Interface Font | Standard | |
| Hypothetical Illustrations Buy | Interface Date Format | mm/dd/yyyy | |
| Advanced Buy/Sell | | 🔘 dd/mm/yyyy | |
| Reinvest/Rebalance Fees Save | | × | Click here and type |
| Taxes Report Options Hypo Report Builder My Pref | erences | | My Preferences |
| Report Options Quick Portfolios | | Help OK Cancel 🗸 | |
| Allocate Annual Fees Attributes Report Options | Report Date Format | mm/dd/yyyy dd/mm/yyyy | |
| Portfolio Report Builder Report Options Security Report Builder | Release Date | Month-end Quarter-end | |
| Report Options Asset Allocation Model | Page Orientation | Portrait | |
| Report Options Defined Contribution Plan | Default Module | Portrait Y | |
| https://awrd.morningstar.com/globalhyp | o/Preference.aspx?ProductID=AWS | © Home SE&PDVersion=20&rnd=0.17971853935159743# | v |

- 4. In the left-hand navigation pane of the Preferences window, click Spreadsheet Views.
- 5. Confirm that the Results Per Page field is set to 100. The limit is increased from 25 to 100 automatically when you create custom preferences.
- 6. Click the Search Auto Reset drop-down field and select No.

| Help 📴 New 🗙 Delete 📺 Re | name 📄 Save 💽 Save As | | |
|--------------------------------|-----------------------|-------|----------------|
| My Preferences | | | |
| General Preferences | Spreadsheet Views | | Click here and |
| Spreadsheets | Results per Page: | 100 👻 | select No |
| Spreadsheet Views | Search Auto Reset: | Yes | |
| Hypothetical Illustrations | Time Zone: | Yes | |
| Buy Advanced Buy/Sell | Enhanced Current View | No | |

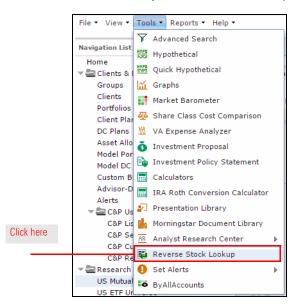
- Note: Making this change means we will be able to run a search from within the Reverse Stock Lookup results.
- 7. At the top of the window, click Save.
- 8. Click the red **X** to close the Preferences window.

Select

Exercise 22: Run a Reverse Stock Lookup

To perform a search for mutual funds holding Nestle, do the following:

1. From the **Tools** menu at the top of the Advisor Workstation window, select **Reverse Stock Lookup**. The Reverse Stock Lookup window opens.

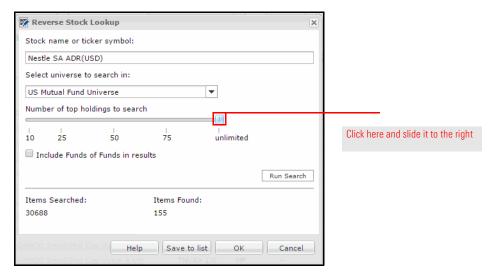


- 2. In the **Stock name or ticker symbol** field, type **Nestle**. Suggestions appear below your entry.
- 3. Select Nestle SA ADR(USD).

| | 115 | Reverse Stock Lookup | | | | | × |
|-------------|-------|----------------------------|-------|--------------|-------|------------|---|
| | | Stock name or ticker symbo | l: | | | | |
| | 1 | Nestle | | | | | 5 |
| | | Nestle India Ltd(INR) | | 500790 | | | |
| | | Nestle India Ltd(INR) | | NESTLEIND | | | |
| | | Nestle India Ltd ADR(USD) | | NSZTY | | | |
| this option | 6 | Nestle Malaysia Bhd(USD) | | NSLYF | | | |
| | 2 | Nestle SA(USD) | | NSRGF = | | | |
| | 2 | Nestle SA ADR(USD) | | NSRGY | mited | | |
| | 011 | Include Funds of Funds in | resul | ts | | | |
| | coll. | | | | | Run Search | |
| | 0.11 | Items Searched: | | Items Found: | | | |
| | | 30701 | | 232 | | | |
| | 29 | | | | | | |
| | 29 | 0 GAMCO Small/Mid Ca | Help | Save to list | ок | Cancel | |

- 4. Un-check the Include Funds of Funds in results box.
- 5. Click **Run Search** to preview the results. The Items Found area updates, showing you the number of funds with Nestle in their top 25 holdings.

6. Move the **slider** all the way to the right, to **unlimited**.



- Click **Run Search** again. Note how the number in the Items Found area changes. You are now seeing the number of funds holding any amount of Nestle shares, no matter how small.
- 8. Click OK to view the results.

We have a list of mutual funds holding Nestle. The next step is to search within these results for your recommended funds. To search within the Reverse Stock Lookup results, do the following:

Exercise 23: Search within the Reverse Stock Lookup results

- 1. At the top of the window, click in the **Find** field.
- 2. Type in the following, separated by commas without spaces:
 - absax,
 - ► amrmx,
 - ► aivsx,
 - ► jdmax,
 - ► migfx,
 - oigax, and
 - nefrx.
- 3. Click the magnifying glass icon. Of the funds we searched for, which one holds Nestle?

We have identified one fund from our recommended list we know Sheila would not want. Let's remove the fund holding Nestle from her proposed portfolio. Do the following:

Exercise 24: Edit a portfolio to remove a fund

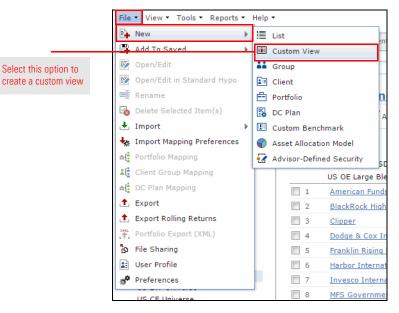
- 1. In the left-hand navigation under Clients & Portfolios, click the **Clients** page.
- 2. Click Sheila's row, click Albertson.
- 3. Double-click on the Proposed IRA portfolio. The Quick Portfolio window opens.
- 4. In the Investments Selected box, **double-click American Funds Washington Mutual A**. It is removed from the portfolio.
- 5. At the top of the window, click the Save.
- 6. Click the **X** icon to close the Quick Portfolio window.

Now let's look at a way to present these funds to Sheila, showing her the ratings you considered when choosing them.

Exercise 25: Create a Custom View

To create a new Custom View in Advisor Workstation, do the following:

1. From the File menu, select New...Custom View. The Custom View window opens.

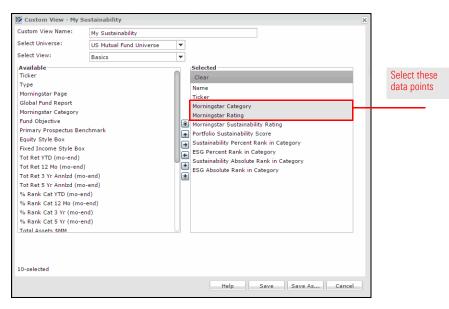


- 2. In the Custom View Name field, type My Sustainability.
- 3. Click the Select Universe drop-down field and select Portfolio Holdings.
- 4. Click the Select View drop-down field and select Sustainability.

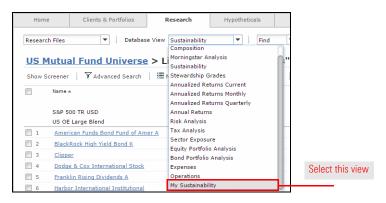
| | 🕎 Custom View - Untitle | ed | ~ | — — — — — — — — — — — — — — — — — — — | c |
|--------------------|--------------------------|---------------------------|---|---------------------------------------|---|
| | Custom View Name: | 50 Characters Maximum | | | |
| | Select Universe: | Portfolio Holdings | - | | |
| | Select View: | All Data Points | - | | |
| | Available | All Data Points | | Selected | |
| | % Africa/ Middle East | Snapshot | | Clear | |
| | % Americas | Basics | | Name | |
| Select this option | % Asia - Developed | Composition | | | 2 |
| ociect this option | % Asia - Emerging | Regional Exposure | | | |
| | % Assets in Top 10 Holdi | Morningstar Analysis | | | |
| | % Australasia | Sustainability | | ¥ | |
| | % Rondo Long | Annualized Debunce Coment | - | | |

- 5. In the Available box, **double-click** the following data points to add them to your custom view:
 - Identifier
 - Morningstar Sustainability Rating
 - Portfolio Sustainability Score
 - Sustainability Percent Rank in Category
 - ESG Percent Rank in Category
 - Sustainability Absolute Rank in Category
 - ESG Absolute Rank in Category
- 6. Click the Select View drop-down field and select Basics.
- 7. In the Available box, double-click **Morningstar Category** to add it to the view.
- 8. Double-click Morningstar Rating to add it to the view.

 In the Selected box, <SHIFT>+click Morningstar Category and Morningstar Rating and click the up arrow until they appear between Ticker and Morningstar Sustainability Rating.



- 10. Click Save.
- 11. Click the ${\boldsymbol X}$ icon to exit the Custom View window.
- 12. Viewing the holdings of the Proposed IRA portfolio, click the **Database View** drop-down menu and scroll down to select **My Sustainability**.



13. Click the **Morningstar Category** column header to sort the list alphabetically by category.

Exporting Data to Excel or PDF

| Scenario: You want to export data from Advisor Workstation | You'd like to show Sheila a few of the data points you considered when selecting these funds for her IRA. |
|--|--|
| Solution: Export a custom view | Earlier today we created a custom view in the Research module. Now we will create a custom view at the portfolio level and export the data. |
| | From any spreadsheet view in Advisor Workstation, you can export up to 100 rows in one of two ways: |
| | Create an .xls spreadsheet, or Generate a Current View PDF. |
| What information is exported? | Whether you export to Excel or a Current View PDF, the following information is included: |
| | Client/Portfolio/Search/List Name View/Custom View Name Column Rank(s) Benchmark(s) Average (if displayed) |
| Exercise 26: Apply a | To apply a complex sort to the view before exporting, do the following: |
| custom column sort | From the menu bar, select ViewCustom Column Sort. The Custom Column Sort dialog box opens. |



- 2. Click the Primary Sort drop-down field and select Morningstar Sustainability Rating.
- 3. Select the **Descending** option button.
- 4. Click the Secondary Sort drop-down field and select Morningstar Rating.
- 5. Select the **Descending** option button.
- 6. Check the **Save these settings** box.
- 7. Click the **Save** button that appears.

8. A message appears, asking if you want to replace the custom view. Click Yes.

| Custom Column Sort | |
|--|-----------------------|
| Select up to 3 columns by which to sort the grid | |
| V Primary Sort | |
| Morningstar Sustainability Rating | |
| O Ascending | |
| ▼ Secondary Sort | |
| Morningstar Rating | |
| O Ascending | Make these selections |
| ∆ Tertiary Sort | |
| Choose a column | |
| Ascending Opescending | |
| - ✓ Save these settings | |
| My Sustainability | |
| Save | |
| | |
| Help OK Cancel | |
| | |

9. Click **OK**. You are returned to the portfolio view with the holdings reordered.

To export items to a Microsoft Excel spreadsheet, do the following:

1. With the My Sustainability database view selected, check the **box** at the top of the spreadsheet to highlight all the rows.

Exercise 27: Export to Excel

- Note: Rows must be highlighted in order to be included in the spreadsheet.
- 2. Right-click anywhere in the spreadsheet and select Export.

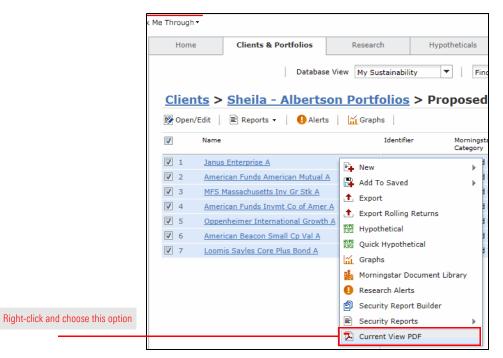
| Clien | rts > Sheila - Albertson /Edit È Reports - Ⅰ Alerts | Portf | | opose | d IRA Portfolios | |
|------------|--|--------------|-------------------|----------------------|--------------------------|------------------------------------|
| V | Name | | Identifier | Morning: Category | | |
| ▼ 1 | Janus Enterprise A | | JDMAX | US Fun | d Mid-Cap Growth | |
| 2 | American Funds American Mutual A | D | | UC Fue | d Large Value | |
| √ 3 | MFS Massachusetts Inv Gr Stk A | New | | | d Large Growth | |
| ☑ 4 | American Funds Invmt Co of Amer A | 📄 Add T | o Saved | • | d Large Blend | Right-click and choose this option |
| ▼ 5 | Oppenheimer International Growth A | 1 Expor | t | | Foreign Large Growth | |
| ▼ 6 | American Beacon Small Cp Val A | 1 Expor | t Rolling Returns | | d Small Value | |
| 7 | Loomis Sayles Core Plus Bond A | Hypot | hetical | | d Intermediate-Term Bond | |

3. A message opens. Click **Save** to save the .xls file to your computer or **Open** to open the spreadsheet in Microsoft Excel.

Exercise 28: Exporting columns to a PDF

To create a Current View PDF, do the following:

1. With the rows still highlighted, right-click anywhere in the spreadsheet and select **Current View PDF**.



- 2. The Current View PDF dialog box opens. Here, you can change the order in which securities appear on the report, insert line breaks, remove securities and include Investment Detail reports in the PDF.
- 3. To view the PDF, from the toolbar at the top of the window, click the **Generate Report** icon.

| | Current V | iew PDF | | scentine) | Sustain | ability Pating | Category | × |
|--|---|--|-------------------|-----------------------------|---------|----------------|-----------|----|
| Click here to create the PDF report | File • BlackRoc Franklin F Harbor Ir MFS Gove | Save Locally k High Yield Bond K Rising Dividends A Iternational Institution ernment Securities A n Global Bond A | E Generate Report | ☐ Include Investment Detail | Report | Include Ber | nchmark | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | Section Bre | ak | Up | Down Remo | /e |

Note: The Current View PDF has not been reviewed by FINRA for client use, so you cannot leave it with the client to take home.

Using the Quick Hypothetical Tool

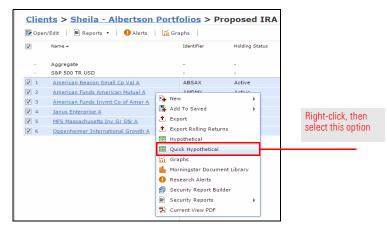
The Quick Hypothetical tool allows you to generate all the same reports as the full Hypothetical Illustrator, but it has a more streamlined interface. In addition, you have the option to set up investments or withdrawals to be made proportionately across the portfolio, according to its allocation.

You want to show Sheila why she should be contributing more to her retirement account.

In order to drive home the impact of making additional contributions, you can create illustrations for two scenarios: one in which Sheila contributes and one in which she does not. Then, you can generate a hypothetical comparison report to show how the effect of the additional investments on the ending balance.

To create a hypothetical illustration using Quick Hypothetical, do the following:

- 1. Viewing Sheila's Proposed IRA portfolio, check the **box** at the top of the grid view to select all the holdings.
- 2. **Right-click** anywhere in the grid view and select **Quick Hypothetical**. The Quick Hypothetical window opens.



3. Click the Allocate By drop-down field and select Percentage.

Overview

Scenario: You want to demonstrate the value of monthly contributions

Solution: Use Quick Hypothetical to create a hypothetical comparison

Exercise 29: Create a hypothetical illustration with Quick Hypothetical

4. Enter the following percentages:

| American Beacon Small Cp Val A | 10 |
|------------------------------------|----|
| American Funds Invmt Co of Amer A | 30 |
| Janus Enterprise A | 10 |
| MFS Massachusetts Inv Gr Stk A | 20 |
| Oppenheimer International Growth A | 30 |

- 5. Click in the Initial Investment Amount field and enter 100,000.
- 6. Click the **Settings** tab.
- 7. Click the Time Period drop-down field and select Trailing 10 Yr.
- 8. At the top of the window, click Save. The Save dialog box opens.
- 9. In the Name field, type Sheila without Contributions, then click OK.

By using the Save As function, we can create another hypothetical illustration based on what we have already entered. Do the following:

- 1. At the top of the Quick Hypothetical window, click **Save As**. The Save As dialog box opens.
- 2. In the Name field, type Sheila with Contributions, then click OK.
- 3. In the **Subsequent Invest/Withdrawal** area of the Settings tab, click the **Type** dropdown field and select **Invest - Proportionately**.

| File - Help 🔄 S | ave 📑 Save As 📾 Sav | re Locally 🌀 View Illustration | 🖹 Generate Rep | port |
|------------------------|---------------------|--------------------------------|----------------|--------------------|
| » Investments Settings | Report Options | | | |
| Dates/Duration | Time Period | Trailing 10 Yr. | ¥ | |
| | | Start Date End | Date | |
| | | 12/31/2006 12 | 31/2016 | |
| Subsequent | Туре | Invest - Equally | ~ | Select this option |
| Invest/Withdrawal | Amount | Invest - Equally | | |
| | Frequency | Invest - Proportionately | | |
| | requercy | Withdraw - Equally | | |
| | | Withdraw – Proportional | ely | |
| | | Withdraw % | | |

- 4. Click in the Amount field and enter 450.
 - Note: The Frequency field should be set to Monthly by default.
- 5. Click the **Report Options** tab.
- 6. In the **Report Type** section, select the **Portfolio Comparison** option button.
 - @ Note: The Compare to field should be set to Sheila without Contribution by default.
- 7. In the **Scale** section, click the **Linear** option button.
- 8. At the top of the window, click the **Generate PDF** button. A PDF report opens in a new tab.

Exercise 30: Create a second hypothetical illustration