
Morningstar[®] Hypothetical IllustratorSM Quick Start Guide

Morningstar Hypothetical Illustrator helps advisors support a recommended investment or portfolio strategy to clients and prospects. It allows users to:

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

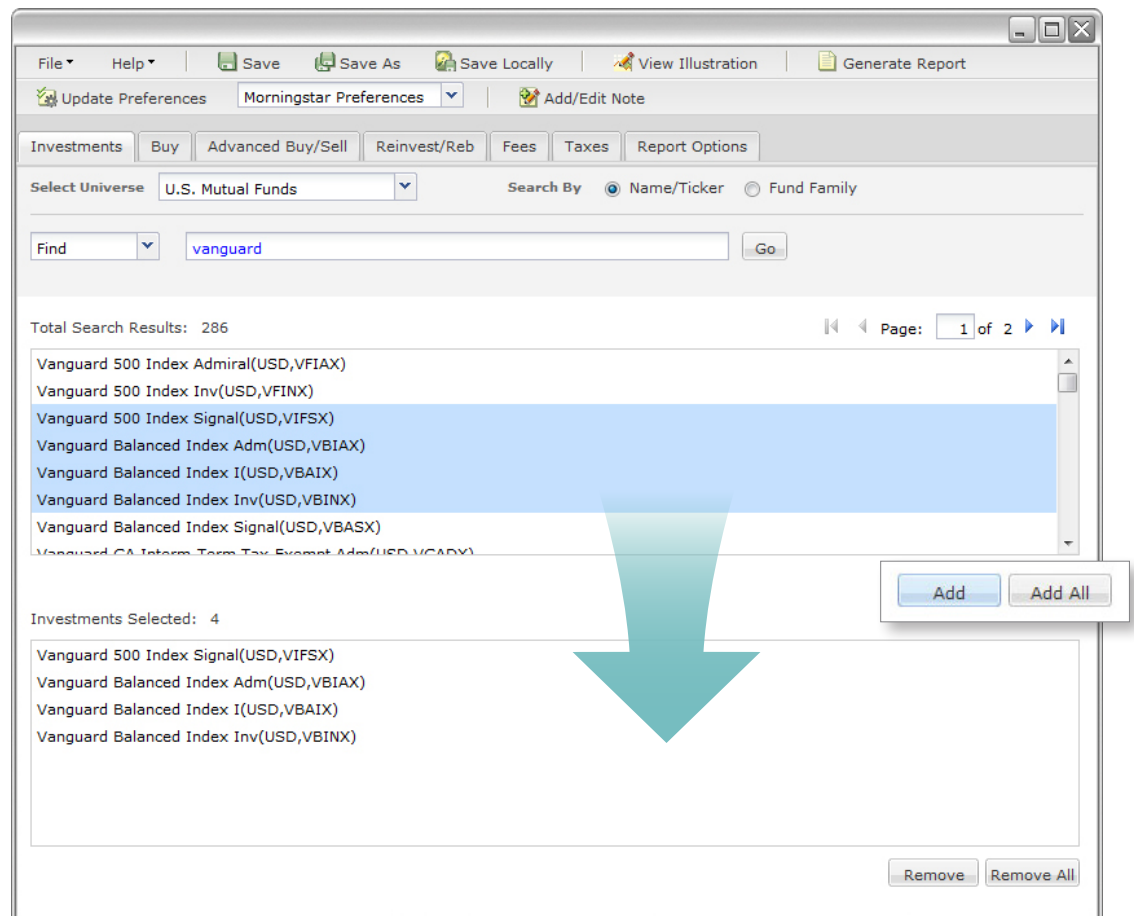
This Quick Start Guide is designed to get users up and running quickly, walking through each step in the Hypothetical Illustrator workflow process. Take advantage of additional training resources under the Help menu located on the top tool bar.

Selecting Securities

Hypothetical Illustrator contains a tabbed navigation to guide users through a simple workflow. The first step in creating a hypothetical illustration begins with the Investments tab. Here, you choose the investments for the illustration and can include up to 40 securities. You can select different types of securities, such as mutual funds, exchange-traded funds, stocks, etc. and can find investments by name or ticker symbol.

To select investments, double-click or highlight the security or securities, and click the **Add** or **Add All** button so the security appears in the Investments Selected field.

Investments Tab



Quantify Investments and Scenario Timeframe

The Buy tab allows you to quantify the initial investment amounts and choose the scenario analysis timeframe. The default value for each fund's Initial Investment is \$10,000. All defaults can be updated by clicking on the **Update Preferences** button. Use the **Time Period** drop-down field at the top of this step to choose the time period for the hypothetical illustration.

In the **Advanced Buy/Sell** tab, you can also adjust the illustration for subsequent investments to or withdrawals from each security, build in annual upwards adjustments, or factor in onetime or systematic transfers between investments.

Buy Tab

Li...	Name	Initial Inve...	Time Period	Start Date	End Date	Inception Date	Earliest Price Available
1	Vanguard 500 Index Admiral(U...	33.3294	Trailing 5 Yr.	09/30/2007	09/30/2012	11/13/2000	08/31/1976
2	Vanguard Balanced Index Adm...	28.3300	Trailing 5 Yr.	09/30/2007	09/30/2012	11/13/2000	11/30/1992
3	iShares Gold Trust(USD,IAU)	16.6647	Trailing 5 Yr.	09/30/2007	09/30/2012	01/21/2005	01/21/2005
4	Apple Inc(USD,AAPL)	4.9994	Trailing 5 Yr.	09/30/2007	09/30/2012	12/12/1980	12/12/1980
5	Eagle Capital Growth Common...	0.0117	Trailing 5 Yr.	09/30/2007	09/30/2012	07/02/1990	07/07/1994
6	Aberdeen Emerging Markets D...	16.6648	Trailing 5 Yr.	09/30/2007	09/30/2012	01/03/1994	07/31/1999

Advanced Buy/Sell Tab

List Order	Name	Subsequent Invest/Withdraw				Upward Adjustment				Liquidate on End Date
		Type	Amount	Frequency	Mth End	Amount	Type	Frequency	Mth End	
1	Vanguard 500 Index Admiral(U...	Invest	500	Monthly	1	0	USD	Annually	1	No
2	Vanguard Balanced Index Adm...	Withdraw	200	Monthly	1	0	USD	Annually	1	No
3	iShares Gold Trust(USD,IAU)	Invest	0	Monthly	1	0	USD	Annually	1	No
4	Apple Inc(USD,AAPL)	Withdraw	1,000	Monthly	1	0	USD	Annually	1	No
5	Eagle Capital Growth Common...	Invest	20	Monthly	1	0	USD	Annually	1	No
6	Aberdeen Emerging Markets D...	Withdraw %	20.0000	Monthly	1	0	USD	Annually	1	No

Choose Reinvesting or Rebalancing Options

The Reinvest/Rebalance tab allows you to choose a dividend and capital gain reinvestment option and specify a rebalancing schedule for your hypothetical scenario. Use the **Rebalance Frequency** drop-down field at the top of this tab to choose the

frequency with which the assets will be rebalanced. You can rebalance to the initial allocation or set up to five subsequent allocations. Note: The total must always equal exactly 100%.

Reinvest/Rebalance Tab

Advisor Workstation 2.0

File Help Save Save As Save Locally View Illustration Generate Report

Update Preferences Morningstar Preference Add/Edit Note Export

Investments Buy Advanced Buy/Sell Reinvest/Reb Fees Taxes Report Options

Rebalance Frequency: **Annually** Total % Allocated = 100

Subsequent Allocations

Li...	Name	Reinvest		Rebalance	
		Div/Income	Cap Gain Dists	Rebalance %	Initial Allocati...
				Apply to All	
1	Vanguard 500 Index Signal(US...	Yes	Yes	20.0000	16.6667
2	Vanguard Balanced Index Adm...	Yes	Yes	10.5000	16.6667
3	Apple, Inc.(USD,AAPL)	Yes	Yes	15.5000	16.6667
4	iShares Gold Trust(USD,IAU)				
5	Eagle Capital Appreciation A...				
6	SA Emerging Markets Value...				

Subsequent Allocations

Allocation Update Frequency: **Annually**

Time Period: Annually

Li...	Name	06/30/2007	06/30/2008	06/30/2009	06/30/2010	06/30/2011	06/30/2012
Total		100.0000	100.0000	100.0000	100.0000	100.0000	100.0000
1	Vanguard 500 Index Signal(US...	20.0000	20.0000	19.0000	18.0000	18.0000	18.0000
2	Vanguard Balanced Index Adm...	10.5000	10.5000	11.5000	12.5000	12.5000	12.5000
3	Apple, Inc.(USD,AAPL)	15.5000	15.5000	15.5000	16.5000	16.5000	16.0000
4	iShares Gold Trust(USD,IAU)	10.0000	10.0000	8.0000	7.0000	10.0000	10.5000
5	Eagle Capital Appreciation A(U...	17.0000	17.0000	19.0000	19.0000	20.0000	22.0000
6	SA Emerging Markets Value(US...	27.0000	27.0000	27.0000	27.0000	23.0000	21.0000

Help OK Cancel

Assigning Fees and Taxes

The Fees and Taxes Tabs allow you to assign fees and taxes to the investment scenario. In the **Annl Fee %** column, type the annual fee percentage that will be charged, if applicable, in the Apply to All field. Select the **Frequency** with which the security should be assessed the fee. (For instance, selecting Quarterly for a 1% Annual fee means that each quarter, 25 basis points will be applied to the portfolio to determine what fees will be charged). Select the standard sales fees or apply a custom load or letter of intent. You can also determine how the fees will be paid—either Out of Pocket, or by Sale of Shares, and you can decide whether the payment should be made at the beginning or end of each period.

Click the Taxes tab to specify the tax rate, if any, to be applied to the hypothetical portfolio. Choose the Filing Status for the client(s). Fill in the Taxable Income field. Click anywhere on the screen, and the Federal Income field automatically updates with the correct value. You can overwrite this, or any of the other tax fields, if necessary.

Fees Tab

File ▾Help ▾SaveSave AsSave LocallyView IllustrationGenerate Report

Update PreferencesMorningstar Preferences ▾Add/Edit Note

InvestmentsBuyAdvanced Buy/SellReinvest/RebFeesTaxesReport Options

Asset-Based Fee Options

Pay FeesOut of Pocket - End ▾☒ Use Cash First☐ Apply Transaction Fees for Rebalancing

Li...	Name	Asset-Based Fee		Sales Fees			Redemp/ Def...	Standard
		Annl Fee %	Frequency	Load Type	Amount	Type	Charge	Fee Schedule
		Apply to All ▾	Apply to All ▾	Apply to All ▾	Apply to All ▾	Apply to All ▾	Apply to All ▾	
1	Vanguard 500 Index Admiral(U...	1.0000	Quarterly	custom	0.0000	%	Yes	View
2	Vanguard Balanced Index Adm...	1.0000	Quarterly	custom	0.0000	%	Yes	View
3	iShares Gold Trust(USD,IAU)	1.0000	Quarterly	custom	0.0000	%	Yes	View
4	Apple Inc(USD,AAPL)	1.0000	Quarterly	custom	0.0000	%	Yes	View
5	Eagle Capital Growth Common...	1.0000	Quarterly	custom	0.0000	%	Yes	View
6	Aberdeen Emerging Markets D...	1.0000	Quarterly	custom	0.0000	%	Yes	View

Taxes Tab

File ▾Help ▾SaveSave AsSave LocallyView IllustrationGenerate Report

Update PreferencesMorningstar Preferences ▾Add/Edit Note

InvestmentsBuyAdvanced Buy/SellReinvest/RebFeesTaxesReport Options

Calculate Tax Information

Filing StatusMarried Filing Jointly ▾

Taxable Income100,000

Pay TaxesSale of Shares ▾

Tax Rate %

Federal Income25.0000

Capital Gain15.0000

State9.0000

Create a Customized Report

In the Report Options area, you can choose the type of Hypothetical Illustration and which Morningstar reports will accompany your report output.

- 1 Click the **Report Options** tab at the top of the window.
- 2 In the **Report Type** area, choose the option button for the type of illustration you want to produce.
- 3 Make a selection from the **Display Return on Report** area.

- 4 You can check the box for **Include Benchmark**, and select from a variety of benchmarks to bring into the illustration including a custom benchmark.
- 5 In the cover page area, fill in the fields for **Client Name** and **Prepared By**.
- 6 Click the **check box** for each report you would like to include along with the hypothetical illustration.

Click **Generate Report** at the top tool bar to produce a PDF version of your Hypothetical Illustration.

Report Options Tab

Page Included

☒ **Cover Page**

Report Title:

Client Name:

Prepared By:

Firm Name:

Date:

☒ **Additional Information**

☐ Marketing Page

☐ Distribution and Withdrawal Summary

☒ Portfolio X-Ray

☒ Portfolio Snapshot

☒ Stock Intersection

☐ Risk/Reward Scatterplot

☐ Correlation Matrix

☐ Rolling Returns

☐ Total Annual Return

☐ Investment Growth

☐ Investment Details

☒ Underlying Holdings Report

☐ Price and Distribution Report

