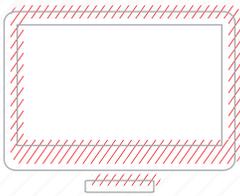
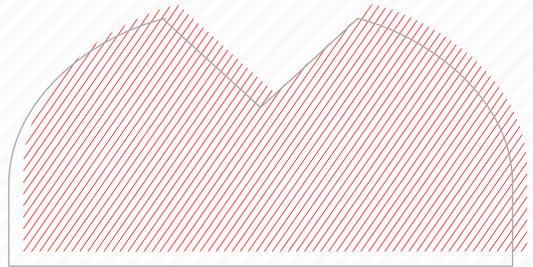
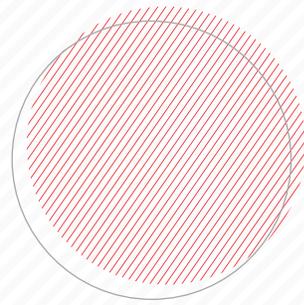
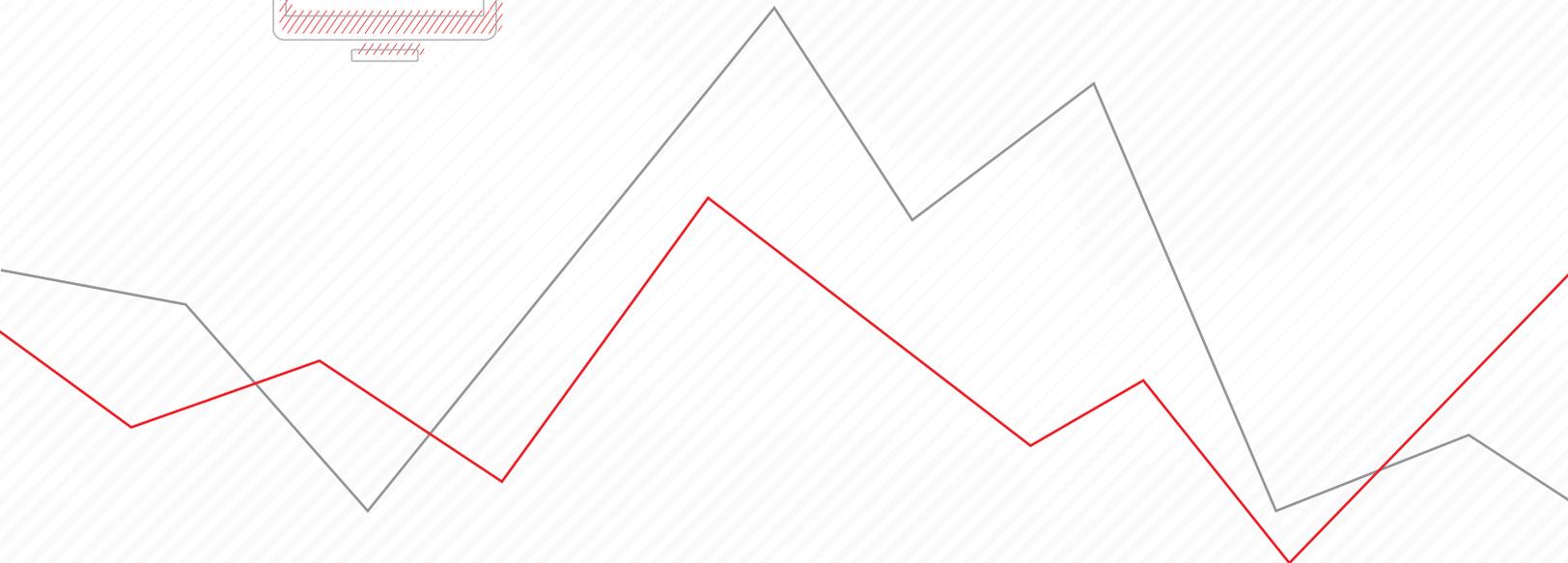


Working with Client Accounts

Morningstar DirectSM for Wealth Management



MORNINGSTAR Direct



Copyright © 2019 Morningstar, Inc. All rights reserved.

The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; (3) is not warranted to be accurate, complete or timely; and (4) does not constitute advice of any kind. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Any statements that are nonfactual in nature constitute opinions only, are subject to change without notice, and may not be consistent across Morningstar. Past performance is no guarantee of future results.

Contents

Overview	5
Creating a Client Account	6
Overview	6
Exercise 1: Create a client account from scratch	6
Exercise 2: Create a client account by importing	11
Working with Custom Benchmarks	17
Overview	17
Why should I use a custom benchmark?	17
Exercise 3: Create a custom benchmark	18
Exercise 4: Create a custom benchmark of Morningstar indexes	21
Exercise 5: Import a set of custom benchmarks	24
Exercise 6: Apply custom benchmarks to a client account	29
What are the options for displaying benchmarks?	32
Exercise 7: Compare the Morningstar Sector allocations of a client account and a benchmark	32
Exercise 8: Compare the historical returns of an account and both of its benchmarks	36
Exercise 9: Hide a benchmark	37
Exercise 10: Compare the Sustainability Ratings Analysis of a client account and both of its benchmarks	38
Using an Investment Policy	42
Overview	42
What is involved in creating an investment policy?	43
Exercise 11: Create an investment policy and its Level 1 asset classes and proxies	44
Exercise 12: Add a level for Morningstar Category	46
Exercise 13: Create the Level 2 asset classes and proxies	47
Exercise 14: Assign weights to the Level 2 asset classes	51
Exercise 15: Save an investment policy	52
Exercise 16: Create an investment policy from a custom benchmark	53
Exercise 17: Attach an investment policy to a client account	56
Exercise 18: Compare the allocations of the client account and the policy	58
Exercise 19: Use groupings to replicate a policy's asset classes	61
Assessing the Impact of Fees on a Client Account	63
Overview	63
What fees are charged to a client account?	63
Exercise 20: Add a platform fee to a client account or proposal	64
How can I view a client account's fees?	65
Exercise 21: Display the fees in the Holdings Analysis table	66
Exercise 22: Change the expected one-year growth	68

Editing a Client Account	70
Overview	70
Exercise 23: Create a new portfolio date	71
Exercise 24: Remove a holding from a client account	73
Exercise 25: Add a holding to a client account	75
How can I add multiple holdings to a client account?	78
Exercise 26: Create a model portfolio by importing	78
Exercise 27: Import a model portfolio's holdings into a client account.	82
How can I compare a client account to other portfolio objects?	87
Exercise 28: Associate a model portfolio with a client account.	87
What charts and tables can display a client account and an associated model portfolio?	89
Exercise 29: Compare the Global Broad Category allocations of a client account and its associated model portfolio	90
Exercise 30: Compare the Morningstar Sector allocations of a client account and its associated model portfolio	92
Exercise 31: Delete a client account	94

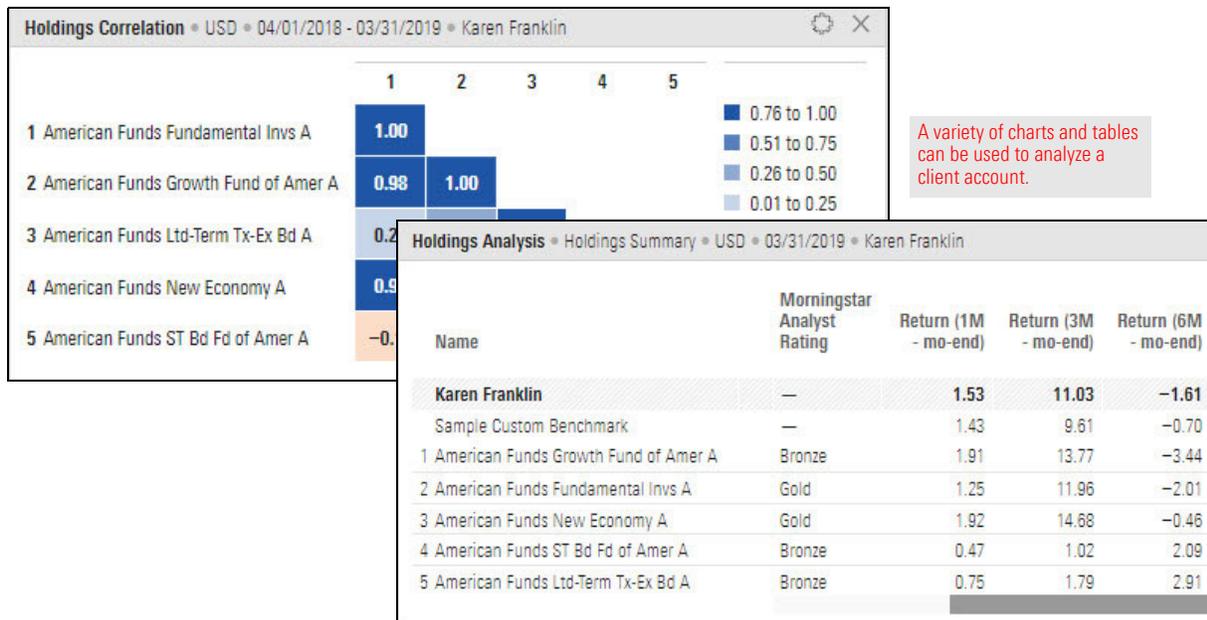
Working with Client Accounts

In Morningstar DirectSM for Wealth Management, client accounts allow you to enter and analyze actual client holdings. Further, you can assign custom benchmarks and an investment policy to the accounts to aid in that analysis. This guide provides instructions on how to create and use these related items, as well as how to connect them to accounts.

Overview

In this manual, the following topics are covered:

- ▶ Creating a Client Account ([page 17](#))
- ▶ Working with Custom Benchmarks ([page 17](#))
- ▶ Using an Investment Policy ([page 42](#))
- ▶ Assessing the Impact of Fees on Client Accounts ([page 63](#)), and
- ▶ Editing a Client Account ([page 70](#)).



A variety of charts and tables can be used to analyze a client account.

Creating a Client Account

Client accounts allow you to easily track and analyze a client's investments. You can also compare the account to a custom benchmark or investment policy.

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

- ▶ [Exercise 1: Create a client account from scratch \(page 6\)](#)
- ▶ [Exercise 2: Create a client account by importing \(page 11\)](#)

Overview

You might need to manually create a client account in the following circumstances:

- ▶ You want to mock up an account based on a model portfolio (to represent a client's held-away assets).
- ▶ You want to create an account for a prospect who is not yet a client, or
- ▶ You are a potential user on a trial license and your client holdings are not automatically recreated in Morningstar Direct for Asset Management.

Exercise 1: Create a client account from scratch

In this exercise, you will create a client account to represent the holdings of a prospect, Karen Franklin. She needs assistance in diversifying in her traditional IRA. Karen is 63 and plans to retire next year. She has given you a printout of the current holdings in the IRA. You will input the investments, set weights for them, and so on. This client account will be used in exercises throughout this guide.

To create a client account, do the following:

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

🔗 Note: If the Create menu doesn't show an option for Client Account, contact your CSM.



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

The screenshot shows the 'CREATING ACCOUNTS' window with the 'Untitled 11/26/2018' area expanded. The table below shows the asset allocation details:

Name	Weight	Market Value(USD)
Edited	100.00	10,000.00
Morningstar Mod Tgt Risk TR USD	—	—
Unallocated Cash	100.00	10,000.00

Current default portfolio date is yesterday. Please use "Edit Current Date" option to change the date if you don't want to use yesterday as portfolio date.

- To select the investments for the account, in the upper-left corner of the Creating Accounts window, click the **Add** icon. The Add menu opens.

The screenshot shows the 'CREATING ACCOUNTS' window with the 'Untitled 10/10/2018' area. The 'Add' icon (+) in the top left corner is highlighted with a red box. A callout box points to this icon with the text 'Click here.'

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

- In the **Search** field, enter **AGTHX**. The results list displays more than one selection. Select **American Funds Growth Fund of Amer A**.

Add

AGTHX

Frequently Accessed	Identifier	Type	Exchange
American Funds Gro wth Fund of Amer A	AGTHX	Open-End Fund	NASDAQ
American Funds Gro wth Fund of Amer A LW	AGTHX.lw	Open-End Fund	NASDAQ

Type **AGTHX** here.

Select this option.

American Funds Growth Fund of Amer A is displayed in the Creating Accounts window, under Unallocated Cash.

CREATING ACCOUNTS Save As Rename Close

Untitled 03/31/2016 ⚙️ ↶

Recalculate

Name	Weight >	Market Value(USD) >	Shares >
Edited	100.00	0.00	—
Morningstar Mod Tgt Risk TR USD	—	—	—
Unallocated Cash	100.00	0.00	0.00
American Funds Growth Fund of Amer A	—	—	—

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

5. Use these tickers to **add** the following funds:
 - ▶ **ANCFX** (American Funds Fundamental Investments A)
 - ▶ **ANEFX** (American Funds New Economy A)
 - ▶ **ASBAX** (American Funds ST Bd Fund of Amer A), and
 - ▶ **LTEBX** (American Funds Ltd-Term Tx-Ex Bd A).

Name	Weight	Market Value(USD)	Shares
Edited	100.00	0.00	—
Morningstar Mod Tgt Risk TR USD	—	—	—
Unallocated Cash	100.00	0.00	0.00
1 American Funds Growth Fund of Amer A	—	—	—
2 American Funds Fundamental Invs A	—	—	—
3 American Funds New Economy A	—	—	—
4 American Funds ST Bd Fd of Amer A	—	—	—
5 American Funds Ltd-Term Tx-Ex Bd A	—	—	—

The list of investments should look like this.

6. Change the **Weight** of each fund according to this table:

Note: Press **Enter** after each entry to move to the next one.

Fund	Weight
American Funds Growth Fund of Amer A	40
American Funds Fundamental Investments A	20
American Funds New Economy A	15
American Funds St Bd Fund of Amer A	15
American Funds Ltd-Term Tx-Ex Bd A	10

- At the top of the **Market Value** column, enter **1000000**.

CREATING ACCOUNTS
Untitled 03/31/2016

Name	Weight	Market Value(USD)	Shares
Edited	100.00	1,000,000.00	-
Morningstar Mod Tgt Risk TR USD	-	-	-
Unallocated Cash	0.00	0.00	0.00
1 American Funds Growth Fund of Amer A	40.00	400,000.00	994.00
2 American Funds Fundamental Invs A	20.00	150,000.00	393.00
3 American Funds New Economy A	15.00	200,000.00	430.00
4 American Funds ST Bd Fd of Amer A	15.00	150,000.00	1,501.00
5 American Funds Ltd-Term Tx-Ex Bd A	10.00	100,000.00	626.00

Enter the account's value here.

Enter the weight for each holding here.

- If you expanded the list of holdings in [step 2 on page 7](#), click the **Collapse** icon so you can see how the other charts are affected when you recalculate.
- Click **Recalculate**.

CREATING ACCOUNTS
Untitled 10/10/2018

Save As Rename Close

Recalculate

Name Weight Market Value(USD) Shares Price Ticker Asset Alloc Stock (Net)

Click here to collapse this table.

After entering values and weights for each holding, click here.

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

CREATING ACCOUNTS
Untitled 03/31/2016

Save As Rename Close

Recalculate

Name	Weight	Market Value
Edited	100.00	100
Morningstar Mod Tgt Risk TR USD	-	-
Unallocated Cash	0.00	-
1 American Funds Growth Fund of Amer A	40.00	40
2 American Funds Fundamental Invs A	20.00	20
3 American Funds New Economy A	15.00	15
4 American Funds ST Bd Fd of Amer A	15.00	15
5 American Funds Ltd-Term Tx-Ex Bd A	10.00	10

Allocation: Asset Allocation 03/31/2019

Existing Edited Benchmark

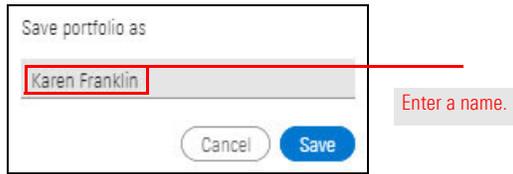
Investment Growth: 10K Growth 04/20/2018 - 04...

Edited Benchmark

11,691.54

Click here to save the client account.

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



- In the upper-right corner of the window, click **Close**. The dialog box closes.

Karen Franklin is also interested in improving the performance of her husband’s IRA. In this case, she has provided a Microsoft® Excel® spreadsheet, listing his investments. You can import it directly into a client account, instead of manually entering the investments and weights (as you did in [Exercise 1 on page 6](#)).

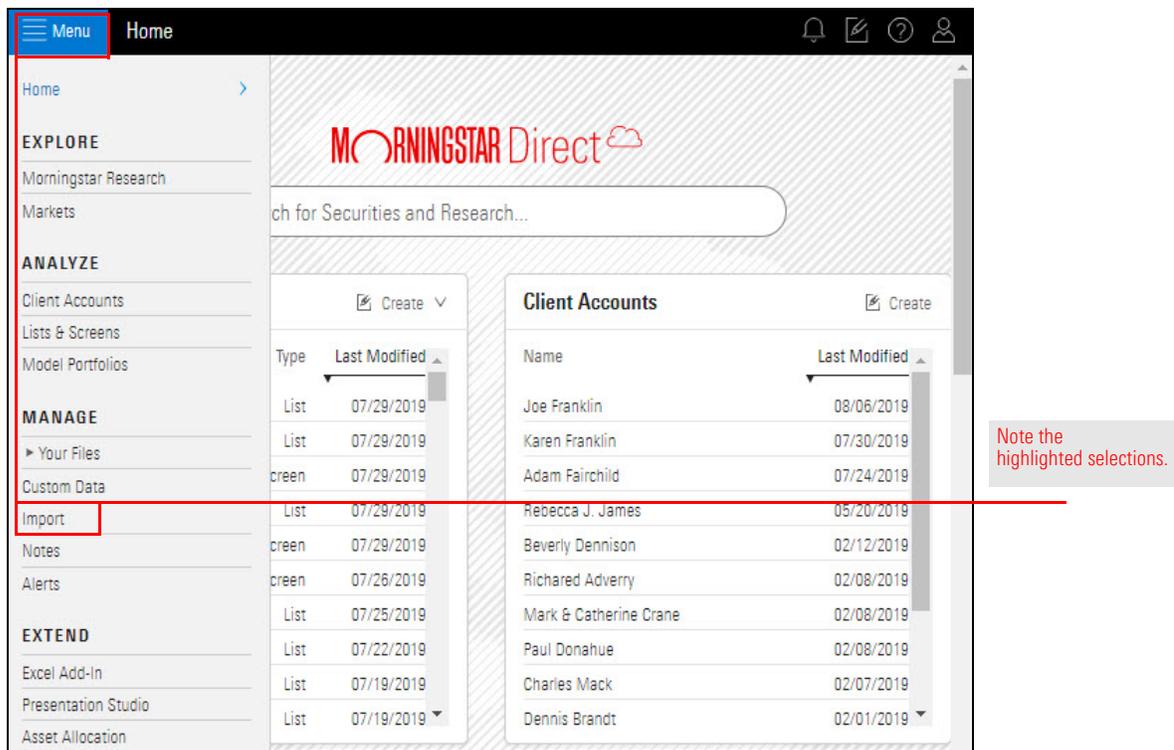
Exercise 2: Create a client account by importing

In this exercise, you will import an Excel file to create a client account for Joe Franklin.

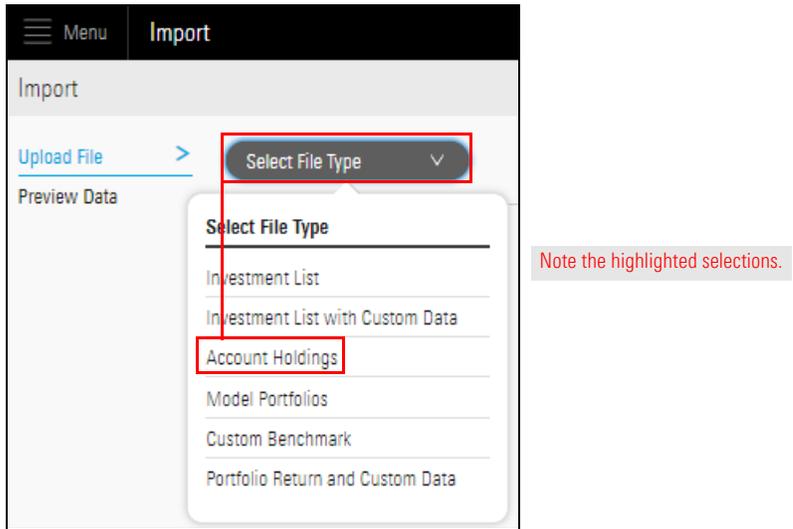
Note: When using an Excel file on your own, be sure to first check the requirements for importing an Excel file, found in [Data Import Specifications](#).

To import an Excel file, do the following:

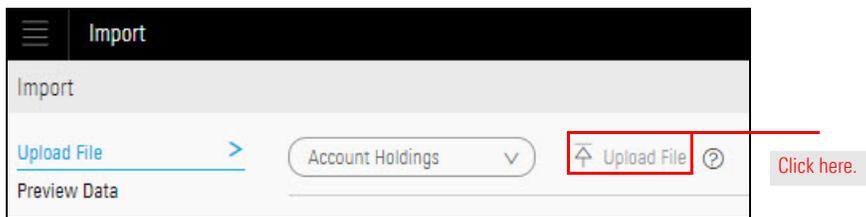
- Download the [Excel file](#) for this exercise.
- In the upper-left corner of the Home page, **hover the cursor** over and select **Import**. The Import page opens.



- At the left side of the Import window, the Upload File option is selected. Click **Select File Type**, then select **Account Holdings**. To the right of the Select File Type button, the Upload File icon appears.



- Click **Upload File**. A navigation window opens.



- On your computer system, **locate** and **double-click JoeFranklin.xls** (the file you just downloaded). The Import page opens, displaying mapping options.

- In the Column Mapping area, use the pull-down menus to make a **selection** from each **Unmapped** field. Each unmapped column must correspond to a column in the Excel spreadsheet. A selection for each column is required.

Map each column to the appropriate heading.

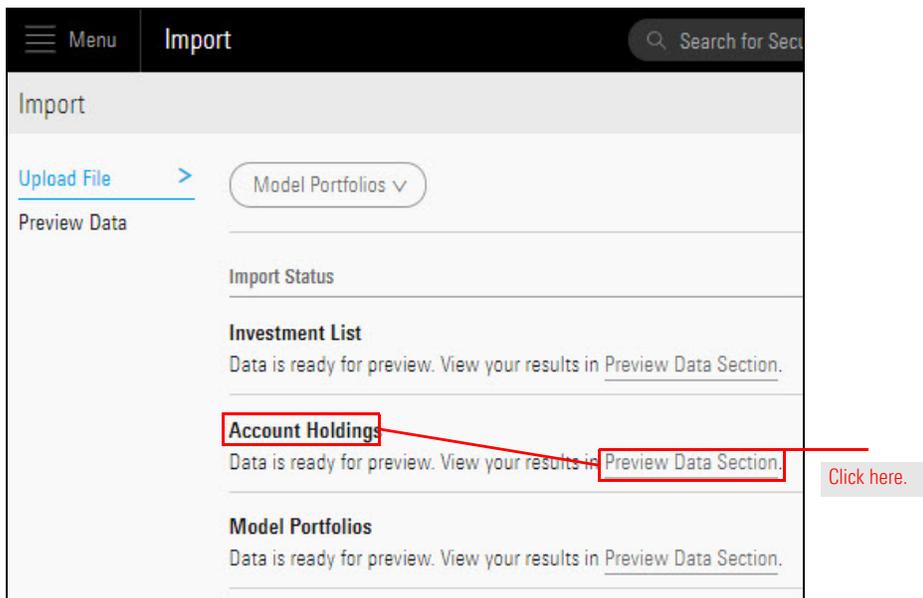
Be sure to select **Market Value**, not **Market Value Currency**.

You might need to scroll right to map additional columns.

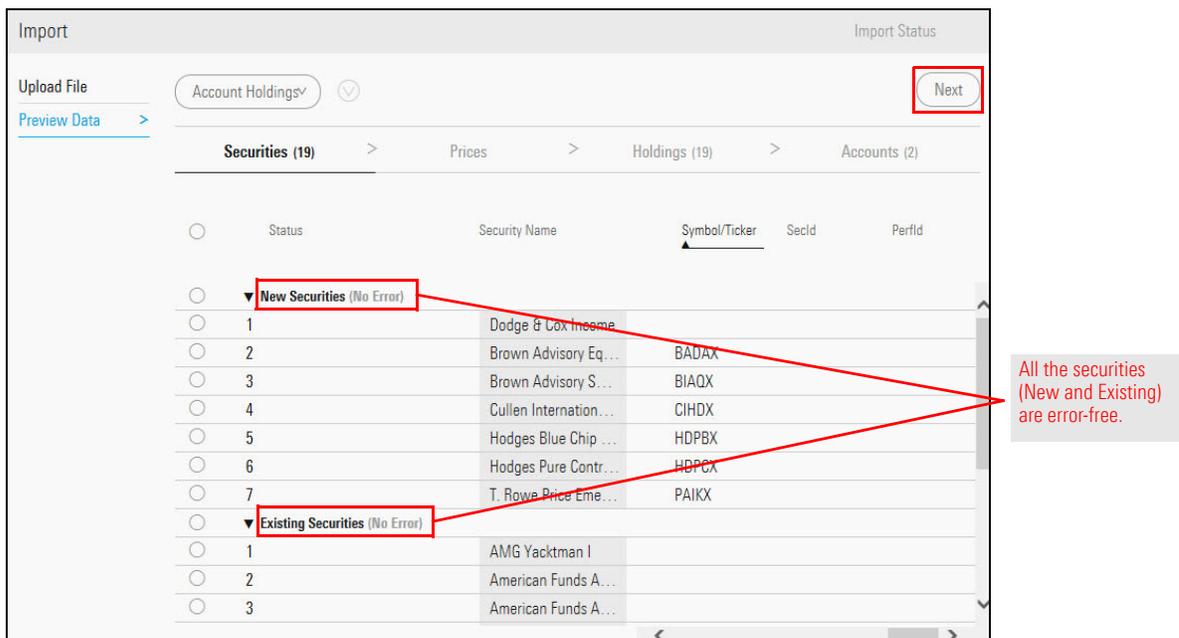
- In the **Exclude Header Row** field, make sure **First 1 row** is selected.
- From the **Date Format** menu, select **MM/DD/YYYY** (or the date format you want to use).
- In the upper-right corner of the window, click **Preview Data**. The Import Status window opens.

Note the selections here.

10. Under **Account Holdings**, click **Preview Data Section**.



Note: In the Preview Data window, securities listed as "New" have not been imported before. Existing Securities have been previously imported. Some securities in the spreadsheet being imported might be listed under Existing Securities.



11. Click **Next**.

12. If you have imported files before, the holdings for Joe Franklin might not be together on the list. In that case, do the following:
 - A. **Sort** the **Account Name** column by **clicking** the column heading.
 - B. **Scroll up or down** to find the listings (which will now be together on the list).
13. **Click** the **circle** next to each **Joe Franklin** row, then in the upper-right corner, click **Next**.

Import Status

Upload File Account Holdings [trash icon] [Back] [Next]

Preview Data >

Securities (27) > Prices > Accounts (3)

	Status	Account Number	Account Name	As of Date	Share
<input checked="" type="checkbox"/>	1	JOE FRANKLIN	Joe Franklin	2015-12-08	
<input checked="" type="checkbox"/>	2	JOE FRANKLIN	Joe Franklin	2015-12-08	
<input checked="" type="checkbox"/>	3	JOE FRANKLIN	Joe Franklin	2015-12-08	
<input checked="" type="checkbox"/>	4	JOE FRANKLIN	Joe Franklin	2015-12-08	
<input checked="" type="checkbox"/>	5	JOE FRANKLIN	Joe Franklin	2015-12-08	
<input checked="" type="checkbox"/>	6	JOE FRANKLIN	Joe Franklin	2015-12-08	
<input checked="" type="checkbox"/>	7	JOE FRANKLIN	Joe Franklin	2015-12-08	
<input checked="" type="checkbox"/>	8	JOE FRANKLIN	Joe Franklin	2015-12-08	
<input checked="" type="checkbox"/>	9	JOE FRANKLIN	Joe Franklin	2015-12-08	
<input type="checkbox"/>	10	KAREN FRANKLIN	Karen Franklin	2015-12-08	
<input type="checkbox"/>	11	KAREN FRANKLIN	Karen Franklin	2015-12-08	

Select each Joe Franklin row.

14. The final Preview page shows accounts, not individual securities. Click the **circle** at the left of the row for **Joe Franklin**, then in the upper-right corner of the window, click **Import**.

Import Status

Upload File Account Holdings [trash icon] [Back] [Import]

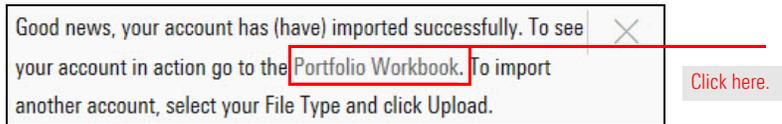
Preview Data >

Securities (18) > Prices > Holdings (18) > Accounts (2)

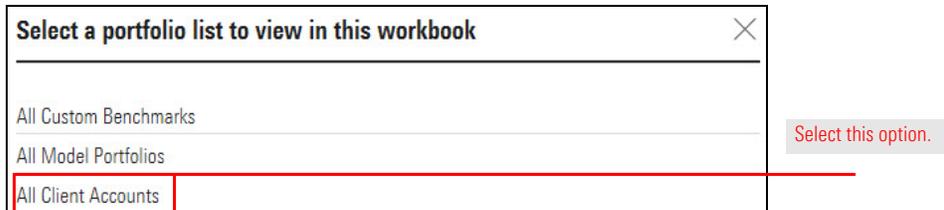
	Status	Account Number	Account Name	Import Date/Time
<input checked="" type="checkbox"/>	1	JOE FRANKLIN	Joe Franklin	2019-05-17 15:5...
<input type="checkbox"/>	2	MODERATE	Moderate	2019-04-22 12:4...

Select the Joe Franklin account, then click Import.

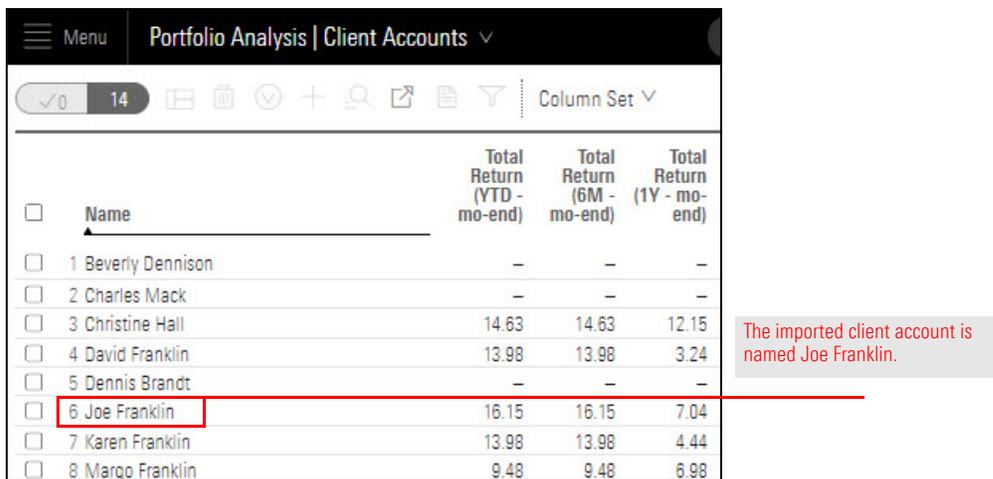
15. A message opens, announcing the account was imported successfully. Click **Portfolio Workbook**. The "Select a portfolio list to view in this workbook" dialog box opens.



16. In the "Select a portfolio list to view in this workbook" dialog box, select **All Client Accounts**.



In the workbook, the Joe Franklin account is displayed in the Grid.



Working with Custom Benchmarks

A custom benchmark is created by manually adding indexes or investments and allocating weights to them, or by importing a file. The blended benchmark can then be used in the following ways:

- ▶ Assigned to client accounts
- ▶ Displayed in various charts and tables, and
- ▶ Used as a reference point when analyzing client accounts.

This section covers the following topics and exercises:

- ▶ [Why should I use a custom benchmark? \(page 17\)](#)
- ▶ [Exercise 3: Create a custom benchmark \(page 18\)](#)
- ▶ [Exercise 4: Create a custom benchmark of Morningstar indexes \(page 21\)](#)
- ▶ [Exercise 5: Import a set of custom benchmarks \(page 24\)](#)
- ▶ [Exercise 6: Apply custom benchmarks to a client account \(page 29\)](#)
- ▶ [What are the options for displaying benchmarks? \(page 32\)](#)
- ▶ [Exercise 7: Compare the Morningstar Sector allocations of a client account and a benchmark \(page 32\)](#)
- ▶ [Exercise 8: Compare the historical returns of an account and both of its benchmarks \(page 36\)](#)
- ▶ [Exercise 9: Hide a benchmark \(page 37\)](#)
- ▶ [Exercise 10: Compare the Sustainability Ratings Analysis of a client account and both of its benchmarks \(page 38\)](#)

When comparing a client account to a common yardstick of market performance, such as the S&P 500 or the Bloomberg Barclays U.S. Aggregate Bond Index, the results might not always be helpful, unless the client is fully invested in that asset class—all stocks or all bonds. Very few investors hold just those positions.

A custom benchmark can help you discover if the investment selections in a client account are helping or hurting the returns. A benchmark is also a view into whether the account could benefit from a simpler and less expensive mix of holdings.

Overview

Why should I use a custom benchmark?

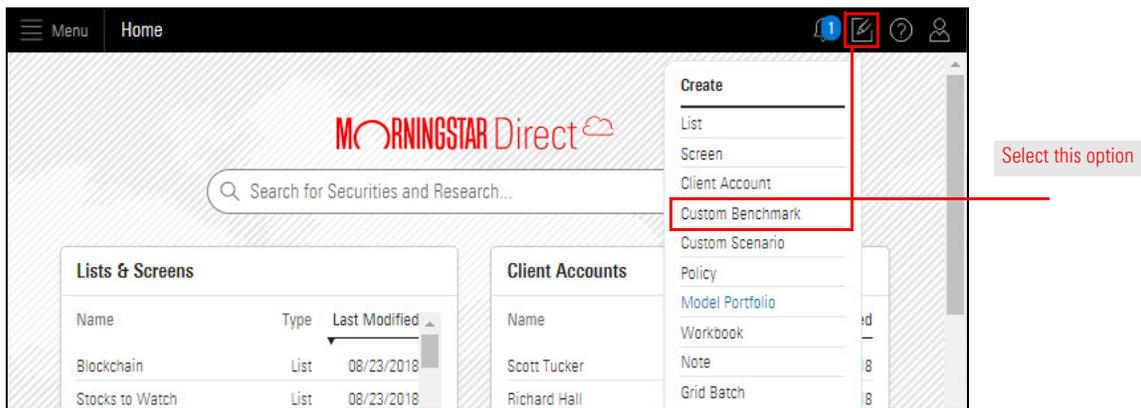
In this exercise, you will create a custom benchmark composed of indexes. When the goal is moderate risk and returns, this benchmark can be a measuring and comparison tool. Is the client’s account too conservative to meet his or her investment goals? Too risky for his or her comfort level? Which current holdings are contributing to the conservative or risky nature of the account?

Exercise 3: Create a custom benchmark

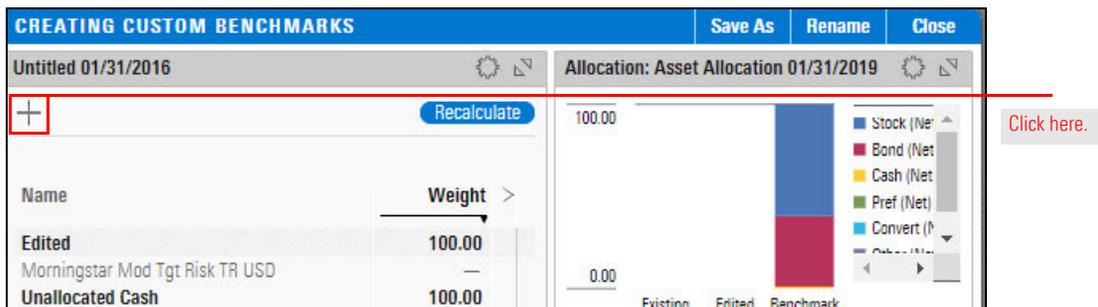
The indexes in the custom benchmark have been selected to reflect the asset allocation of the client account, rather than what the wealth manager would necessarily recommend for the client.

Do the following:

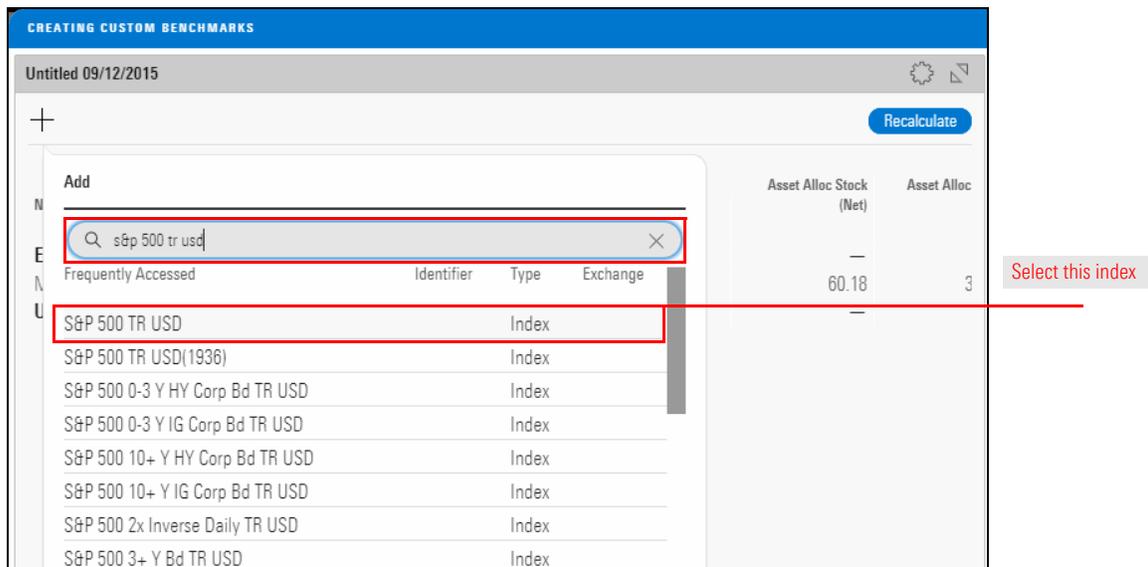
1. On the header, click the **Create** icon, then select **Custom Benchmark**. The Creating Custom Benchmarks window opens.



2. In the upper-left corner of the Untitled area, click the **Add** icon. The Search dialog box opens.



3. In the **Search** field, type **S&P 500 TR USD**.
4. In the search results, **click** that index. The Search dialog box closes and the S&P 500 TR USD index is added to the list in the Untitled area.



5. Repeat [step 2](#) through [step 4](#) to **add** each of the following indexes:

- ▶ Russell 2000 Growth TR USD
- ▶ Russell 2000 Value TR USD
- ▶ BBgBarc US Agg Bond TR USD
- ▶ MSCI ACWI Ex US (EAFE Prior to 07/01/13), and
- ▶ BBgBarc US Treasury Bill 1-3 Mon TR USD.

☞ Note: Allow time for each index to load before adding the next.

6. In the Weight column, change the **weight** of each index as shown in the following table:

☞ Note: Press **Enter** after each entry to move to the next row.

Index Name	Weight
S&P 500 TR USD	40
BBgBarc US Agg Bond TR USD	25
MSCI ACWI Ex US (EAFE Prior to 07/01/13)	20
Russell 2000 Growth TR USD	5
Russell 2000 Value TR USD	5
BBgBarc US Treasury Bill 1-3 Mon TR USD	5

- In the upper-right corner of the Untitled area, click **Recalculate**.

Name	Weight	Price	Ticker
Edited	100.00	—	—
Morningstar Mod Tgt Risk TR USD	—	—	MSAA...
Unallocated Cash	0.00	1.00	—
1 S&P 500 TR USD	40.00	7,845.92	—
2 BBgBarc US Agg Bond TR USD	25.00	1,924.28	—
3 MSCI ACWI Ex US (EAFE Prior to 07/01/13)	20.00	1.00	—
4 BBgBarc US Treasury Bill 1-3 Mon TR USD	5.00	192.20	—
5 Russell 2000 Growth TR USD	5.00	5,006.93	—
6 Russell 2000 Value TR USD	5.00	8,112.92	—

Click here to update the allocation totals.

- In the upper-right corner of the window, click **Save As**. The Save As dialog box opens.

The screenshot shows the 'CREATING CUSTOM BENCHMARKS' window with the 'Save As' button highlighted. On the right, there is an 'Allocation: Asset Allocation 08/31/2018' chart. The chart is a stacked bar chart showing the following asset classes and their approximate percentages: Stock (Net) at 50%, Bond (Net) at 25%, Cash (Net) at 10%, Pref (Net) at 5%, Convert (Net) at 5%, and Other (Net) at 5%.

Click here.

- In the Save As dialog box, enter **Sample Custom Benchmark**, then click **Save**.

Save portfolio as

Sample Custom Benchmark

Cancel Save

Enter a name here.

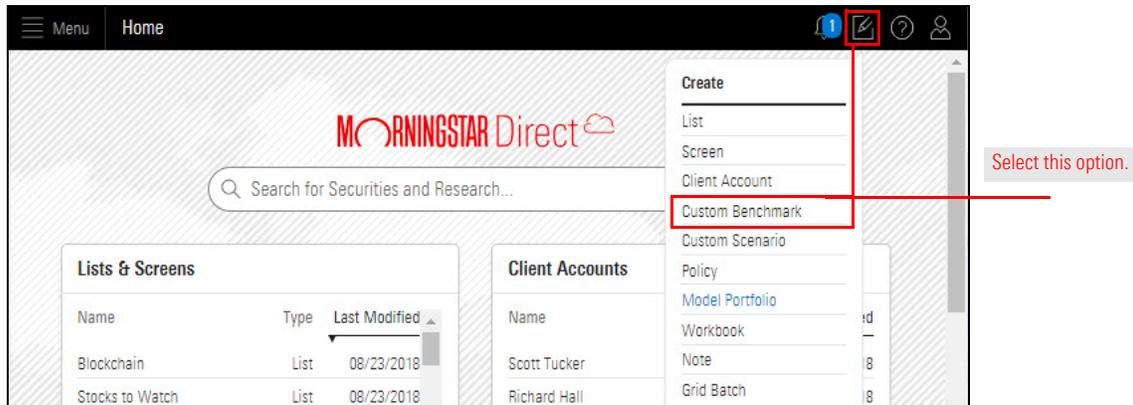
- In the upper-right corner of the Creating Custom Benchmarks window, click **Close**.

In [Exercise 3 on page 18](#), you created a custom benchmark composed of several commonly used indexes. In this exercise, you'll create a benchmark composed of similar Morningstar indexes with the same weights. The benefit of using Morningstar indexes is that all users have constituent rights to these indexes. Also, having a second benchmark can offer a unique perspective on a client account.

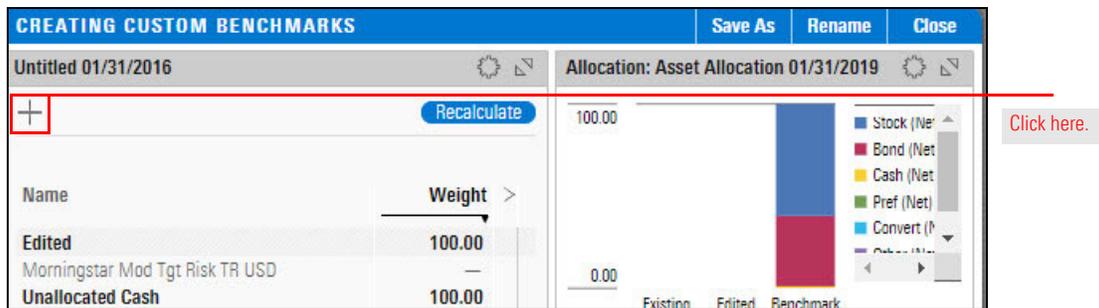
Exercise 4: Create a custom benchmark of Morningstar indexes

Do the following:

1. On the header, click the **Create** icon, then select **Custom Benchmark**. The Creating Custom Benchmarks window opens.



2. In the upper-left corner of the Untitled area, click the **Add** icon. The Search dialog box opens.



3. In the **Search** field, type **Morningstar US Market TR USD**.
4. In the search results, **click** that index. The Search dialog box closes and Morningstar US Market TR USD is added to the list in the Untitled area.
5. Repeat **step 2** through **step 4** to **add** each of the following indexes:
 - ▶ Morningstar Gbl Ex US PR USD, and
 - ▶ Morningstar US Growth TR USD
 - ▶ Morningstar US Trgt Value TR USD
 - ▶ Morningstar Mod Agg Tgt Risk TR USD
 - ▶ Morningstar US Treasury TR USD.

☞ Note: Allow time for each index to load before adding the next.

Name	Weight	Price	Ticker
Edited	100.00	—	—
Existing	—	—	MSAA...
Morningstar Mod Tgt Risk TR USD	100.00	1.00	—
Unallocated Cash	—	1,473.85	—
1 Morningstar US Market TR USD	—	243.29	MSBICBTR
2 Morningstar Gbl Ex US PR USD	—	224.25	MSBIGVTR
3 Morningstar US Growth TR USD	—	8,224.89	MSTART
4 Morningstar US Trgt Value TR USD	—	2,598.48	MSGRT
5 Morningstar Mod Agg Tgt Risk TR USD	—	5,977.18	MSVLT
6 Morningstar US Treasury TR USD	—		

Note the highlighted selections.

6. In the Weight column, change the **weight** of each index as shown in the following table:

☞ Note: Press **Enter** after each entry to move to the next row.

Index Name	Weight
Morningstar US Market TR USD	40
Morningstar Gbl Ex US PR USD	20
Morningstar US Growth TR USD	5
Morningstar US Trgt Value TR USD	5
Morningstar Mod Agg Tgt Risk TR USD	25
Morningstar US Treasury TR USD	5

7. In the upper-right corner of the Untitled area, click **Recalculate**.

Name	Weight	Price	Ticker
Edited	100.00	--	--
Existing	100.00	--	--
Morningstar Mod Tgt Risk TR USD	--	--	MSAA...
Unallocated Cash	0.00	1.00	--
1 Morningstar US Market TR USD	40.00	8,224.89	MSTART
2 Morningstar Gbl Ex US PR USD	20.00	1,473.85	--
3 Morningstar US Growth TR USD	5.00	2,469.65	MGROT
4 Morningstar US Trgt Value TR USD	5.00	8,086.10	--
5 Morningstar Mod Agg Tgt Risk TR USD	25.00	2,810.18	MSAA...
6 Morningstar US Treasury TR USD	5.00	224.26	MSBIU...

8. In the upper-right corner of the window, click **Save As**. The Save As dialog box opens.

Name	Portfolio Weight	Bench... Weight	+/-
Technology (Net)	22.80	16.00	6.80
Healthcare (Net)	12.27	9.85	2.41
Cons Cyc (Net)	12.12	11.11	1.01
Fin Svcs (Net)	9.12	15.45	-6.33
Industrials (Net)	7.06	9.52	-2.46
Energy (Net)	4.27	5.57	-1.30
Cons Def (Net)	3.27	7.15	-3.88
Basic Matls (Net)	2.48	4.87	-2.39
Comm Svcs (Net)	1.89	3.40	-1.51
Real Estate (Net)	0.68	3.91	-3.23
Utilities (Net)	0.30	3.11	-2.81

9. In the Save As dialog box, enter **Morningstar Indexes Benchmark**, then click **Save**.

Save portfolio as

Morningstar Indexes Benchmark

Cancel Save

10. In the upper-right corner of the window, click **Close**.

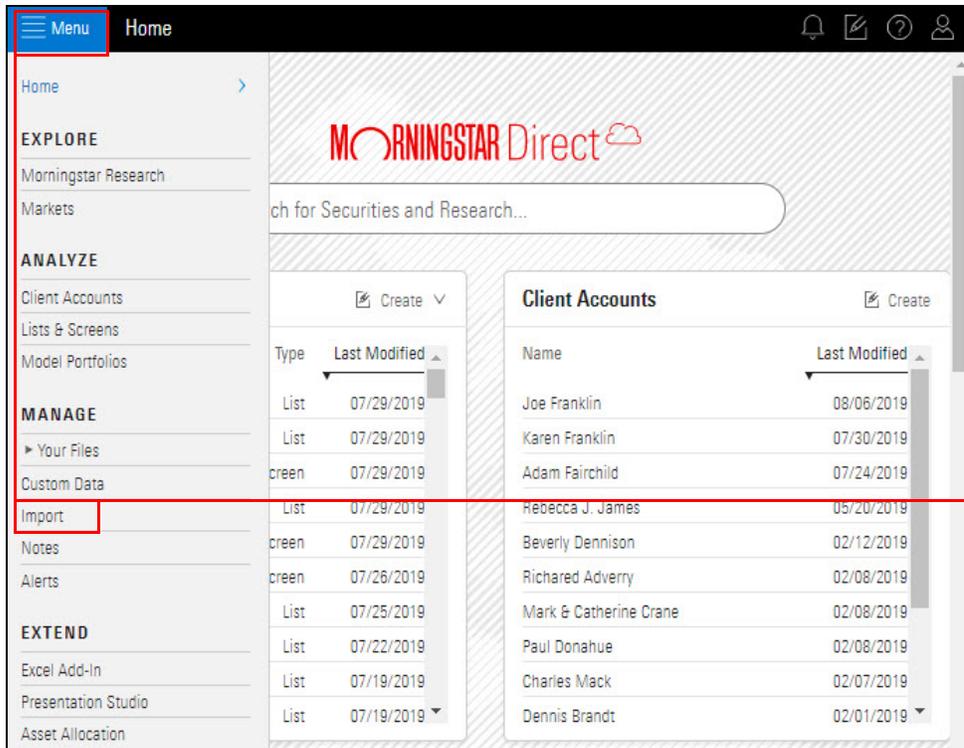
Another way to create a custom benchmark is to import a set of custom benchmarks. In this exercise, you will import the following custom benchmarks from Microsoft Excel:

Exercise 5: Import a set of custom benchmarks

- ▶ Moderate Custom Benchmark,
- ▶ Aggressive Custom Benchmark, and
- ▶ Conservative Custom Benchmark.

Do the following:

1. **Download** the [Excel file](#) for this exercise.
2. **Hover the cursor** over the **Menu**, then select **Import**. The Import page opens.

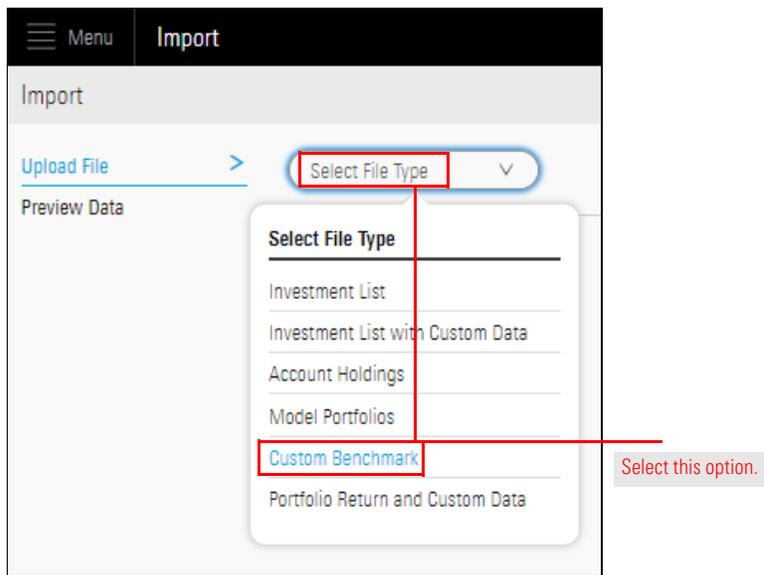


The screenshot shows the Morningstar Direct interface. The 'Menu' is highlighted in the top left corner. The 'Import' option is highlighted in the 'MANAGE' section of the menu. A red box highlights the 'Import' option. A red line points from the 'Import' option to a callout box that says 'Note the highlighted selections.'

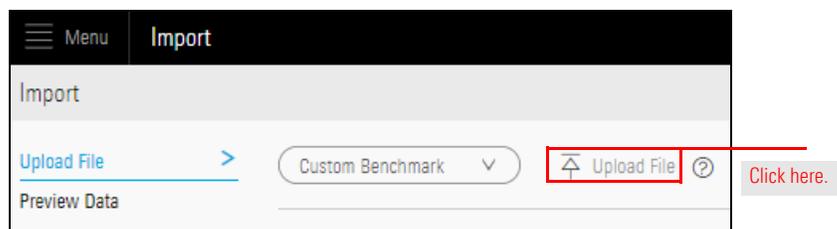
Type	Last Modified
List	07/29/2019
List	07/29/2019
screen	07/29/2019
List	07/29/2019
screen	07/29/2019
screen	07/26/2019
List	07/25/2019
List	07/22/2019
List	07/19/2019
List	07/19/2019

Name	Last Modified
Joe Franklin	08/06/2019
Karen Franklin	07/30/2019
Adam Fairchild	07/24/2019
Rebecca J. James	05/20/2019
Beverly Dennison	02/12/2019
Richard Adverry	02/08/2019
Mark & Catherine Crane	02/08/2019
Paul Donahue	02/08/2019
Charles Mack	02/07/2019
Dennis Brandt	02/01/2019

- From the **Select File Type** menu, select **Custom Benchmark**.



- Click **Upload File**.



- On your computer system, **locate** and **double-click CustomBenchmarks.xlsx** (the file you just downloaded). The Import page opens, displaying mapping options.

- In the Column Mapping area, use the pull-down menus to make a **selection** for each **Unmapped** column. Each unmapped column must correspond to a column in the Excel spreadsheet. A selection for each column is required.
- In the **Exclude Header Row** field, select **First 1 row**.
- In the **Weight Format** area, select the option for **Percentage**.

Custom Benchmark ▼ CustomBenchmarks.xlsx ✕ ? Preview Data

Column Mapping Reset

Custom Benchmark ID	Custom Benchmark Name	Date	Holding Name	Weight %
Custom Benchmark ID	Custom Benchmark Name	Date	Holding Name (Morningstar Index)	Weight
CB123456	Moderate Custom Benchmark	2009-01-01	Morningstar EM GR USD	10
CB123456	Moderate Custom Benchmark	2009-01-01	Morningstar Gbl Mkts xUS GR USD	20

Security Mapping Option ?

Exclude Inactive Investments

Auto Select Oldest Share

Exclude Header Row: First 1 row ▼

Date Format: MM/DD/YYYY ▼

Weight Format: Decimal Percentage

Scroll right to see more Mapping Columns.

Make sure to select these options.

- Click **Preview Data**.
- From the Preview page, click **Preview Data Section** under the Custom Benchmark section.

Menu Import

Import

Upload File > Custom Benchmark ▼

Preview Data

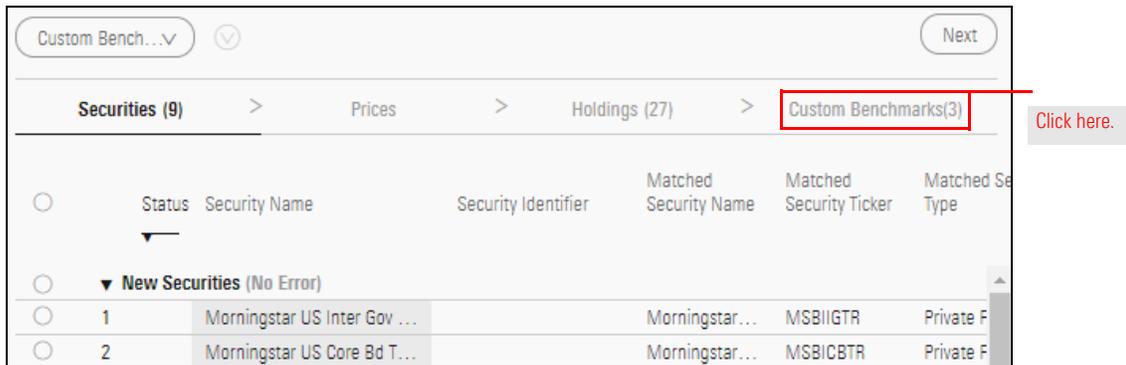
Import Status

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

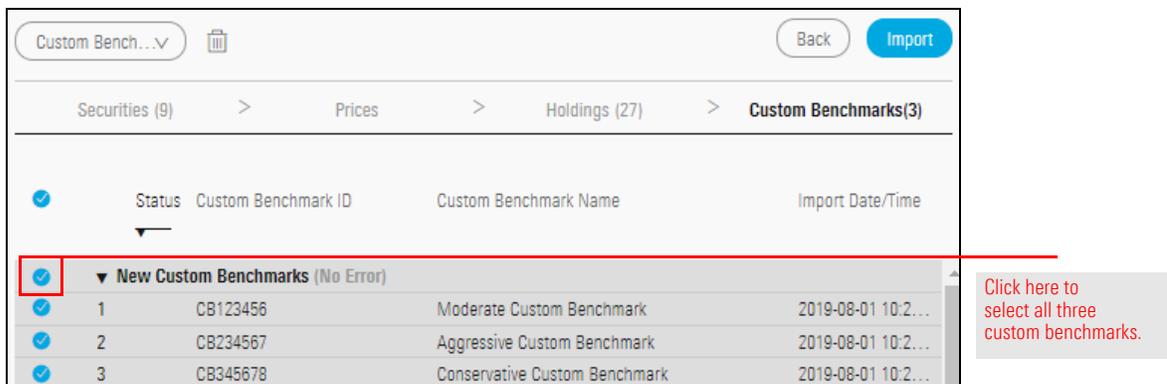
Custom Benchmark
Data is ready for preview. View your results in [Preview Data Section](#).

Note the highlighted selections.

11. Select the **Custom Benchmarks** tab.

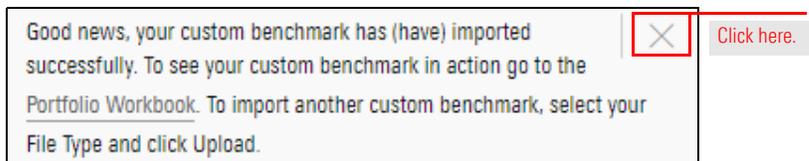


12. To select all three custom benchmarks, click the **circle** to the left of **New Custom Benchmarks**.

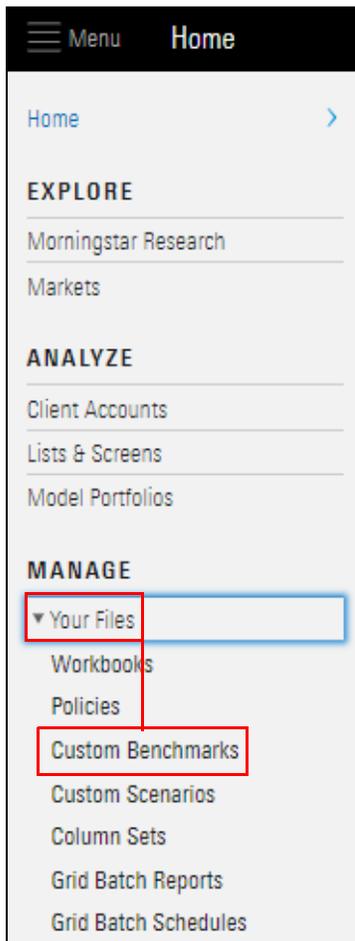


13. Click **Import**. A notification dialog box opens.

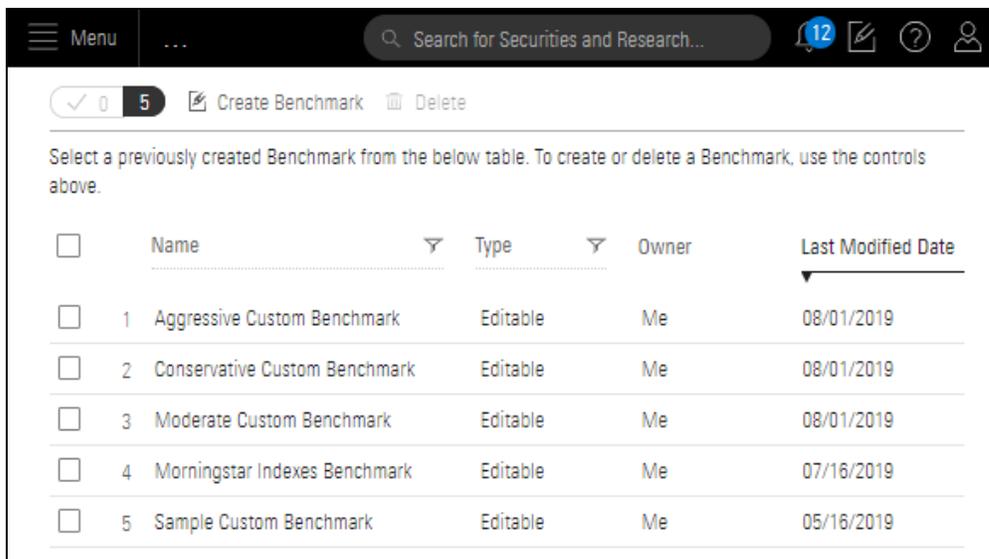
14. In the upper-right corner, click the **X** to close the dialog box.



15. **Hover the cursor** over **Menu**, then select **Your Files > Custom Benchmarks**. The Custom Benchmarks page opens.



Note the highlighted selections.



All your custom benchmarks are listed on this page.

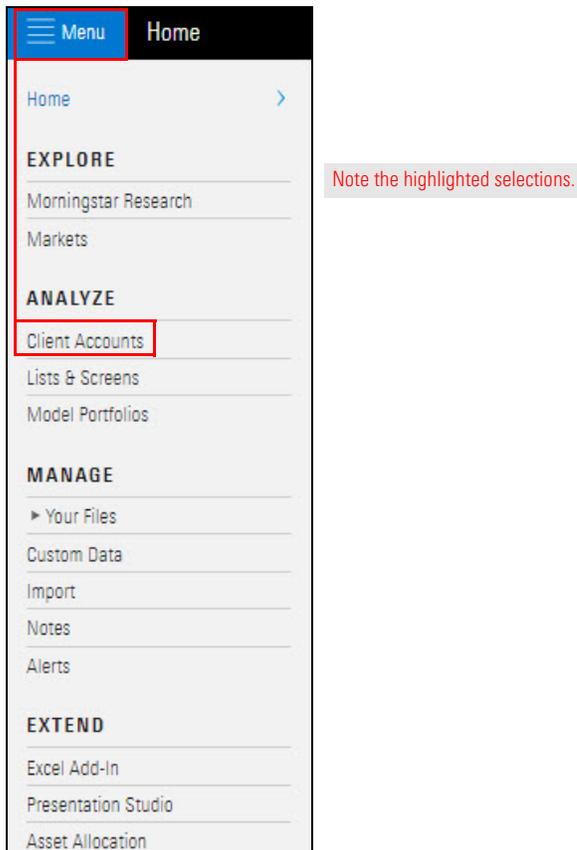
In this exercise, you will apply two custom benchmarks to the Karen Franklin account. They will then be available to use for comparison when analyzing the account.

Exercise 6: Apply custom benchmarks to a client account

Note: In this exercise, you will assign benchmarks from the Client Accounts page; however, it can also be done from the Grid in the Client Accounts workbook.

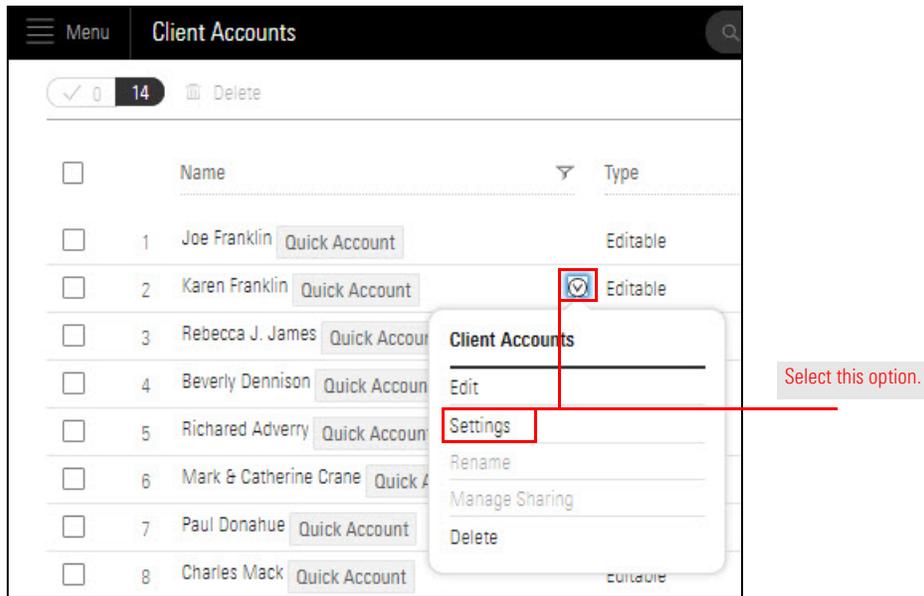
Do the following:

1. On the header, **hover the cursor** over **Menu**, then select **Client Accounts**. The Client Accounts page opens.

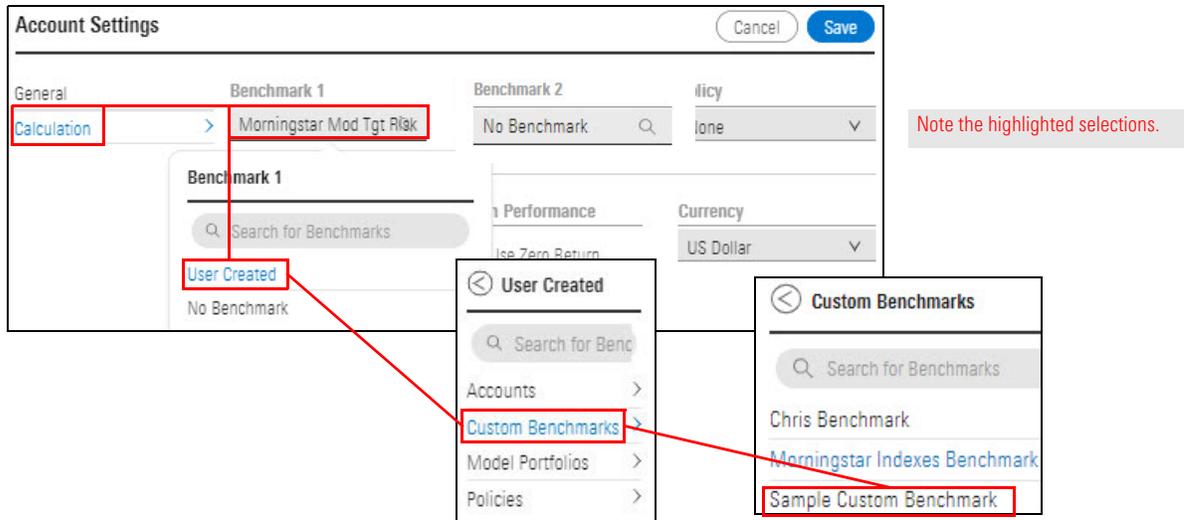


2. On the Client Accounts page, **hover the cursor** over the **Karen Franklin** row. The Actions icon appears to the right.

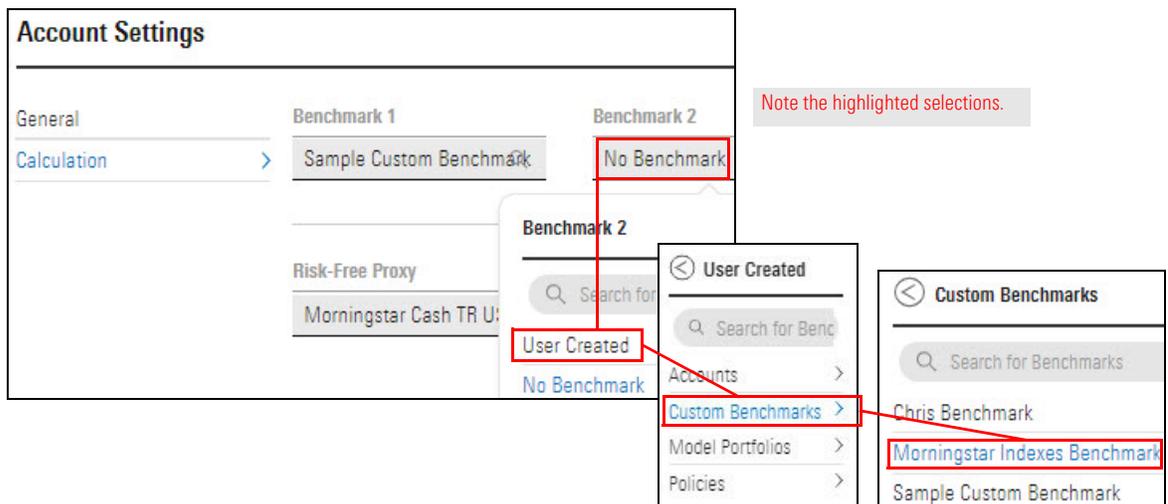
- From the **Actions** menu, select **Settings**. The Account Settings window opens.



4. On the left side of the window, select **Calculation**. The Calculation fields appear in the empty area.
5. Click the **Benchmark 1** field. The Benchmark 1 menu opens.
6. Select **User Created > Custom Benchmarks > Sample Custom Benchmark**.



7. Click the **Benchmark 2** field. The Benchmark 2 menu opens.
8. Select **User Created > Custom Benchmarks > Morningstar Indexes Benchmark**.



9. In the upper-right corner of the window, click **Save**. The window closes.

Not every chart and table support the display of benchmarks. Of the charts and tables that can display benchmarks, some can display only one at a time, while others can display both simultaneously. To learn which charts and tables are capable of displaying benchmark(s) and which benchmark(s) are displayed by default, please read [Displaying Benchmarks in Client Accounts](#).

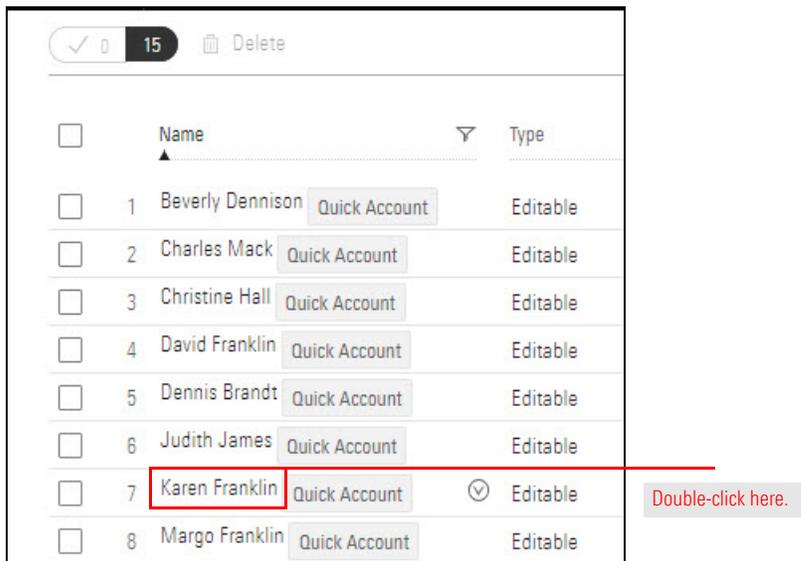
What are the options for displaying benchmarks?

In this exercise, the Morningstar Sector allocation of the Karen Franklin account will be compared to the Morningstar Indexes Benchmark.

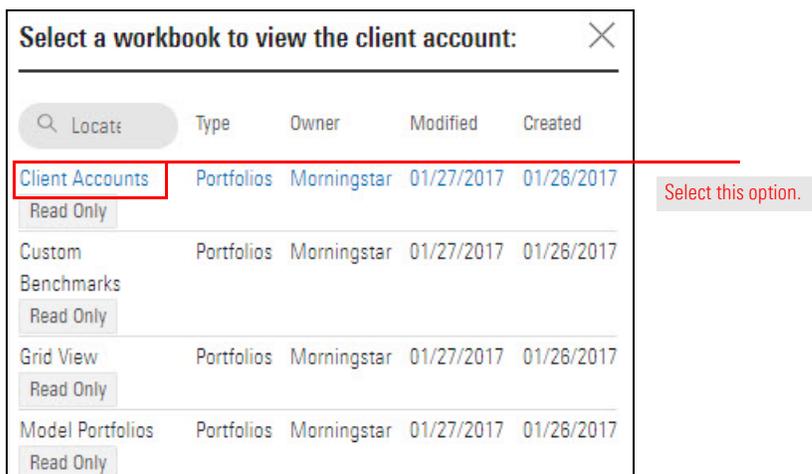
Exercise 7: Compare the Morningstar Sector allocations of a client account and a benchmark

Do the following:

1. On the Client Accounts page, **double-click Karen Franklin**. The “Select a workbook to view the client account:” window opens.

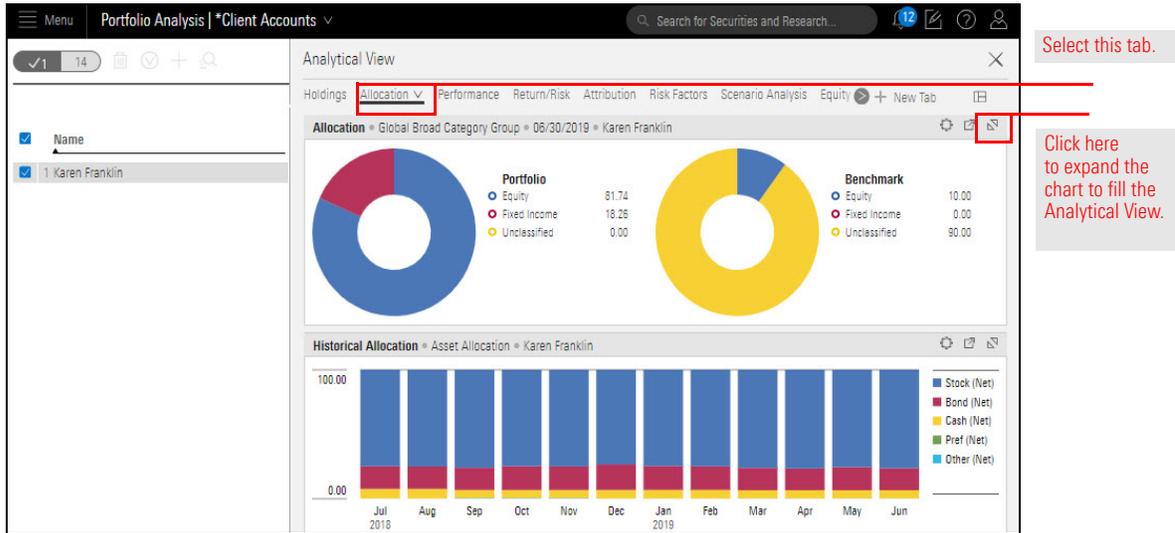


2. Select **Client Accounts**. The Client Accounts workbook opens and displays the Karen Franklin account on the Grid.

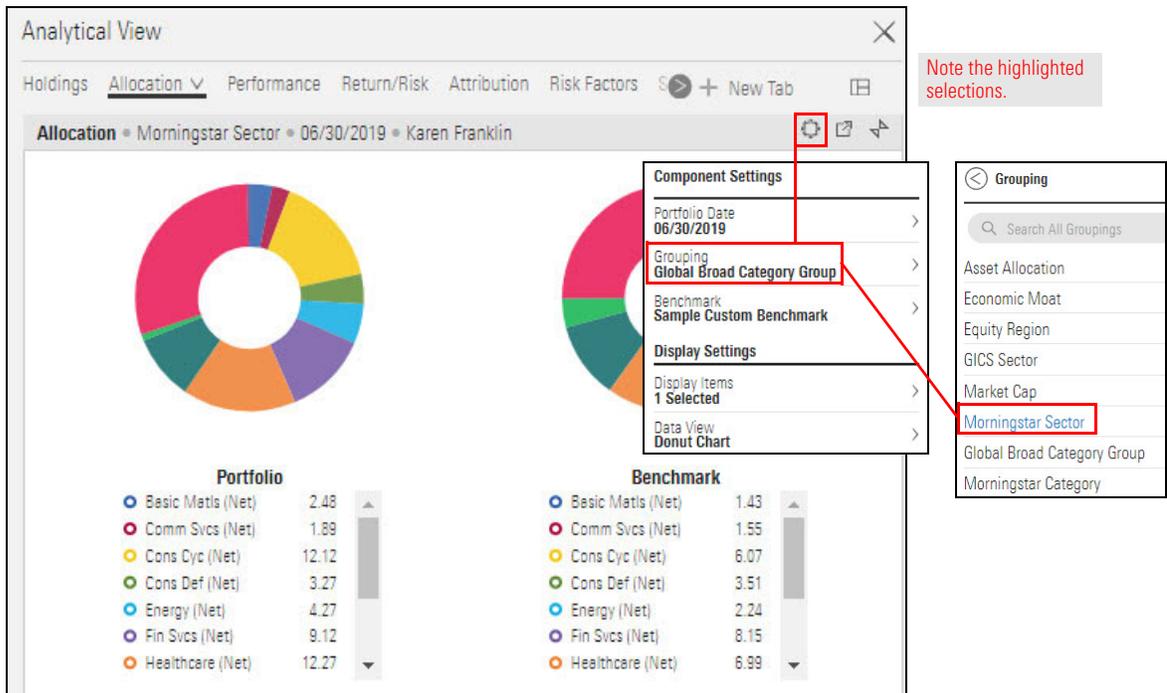


- In the **Client Accounts** workbook, click the **Karen Franklin**. The Analytical View opens from the right.
- Select the **Allocation** tab. In the Allocation chart, both the client account and Benchmark 1 allocation data is displayed by default. The Historical Allocation chart displays data for only the client account.

Note: To see the donut charts for both the account and its benchmark, you might need to **expand** the Holdings Analysis chart or **widen** the browser window.



- By default, the Allocation chart shows the broad asset class allocation as a donut chart or charts. To display Morningstar Sectors as a horizontal bar chart, do the following:
 - Click the **Component Settings** icon, then select **Grouping > Morningstar Sector**. The Component Settings menu is displayed again.



B. Select **Data View > Horizontal Bar Chart**.

Note the highlighted selections.

Portfolio		Benchmark	
Category	Weight	Category	Weight
Basic Matis (Net)	2.48	Basic Matis (Net)	1.43
Comm Svcs (Net)	1.89	Comm Svcs (Net)	1.55
Cons Cyc (Net)	12.12	Cons Cyc (Net)	6.07
Cons Def (Net)	3.27	Cons Def (Net)	3.51
Energy (Net)	4.27	Energy (Net)	2.24
Fin Svcs (Net)	9.12	Fin Svcs (Net)	8.15
Healthcare (Net)	12.27	Healthcare (Net)	6.99

C. **Click away** from the Component Settings menu to close it.

The benchmark is represented by a vertical line superimposed on the bars which represent the Morningstar Sectors.

Name	Portfolio Weight	Bench... Weight	+/-
Technology (Net)	22.80	10.76	12.04
Healthcare (Net)	12.27	6.99	5.27
Cons Cyc (Net)	12.12	6.07	6.04
Fin Svcs (Net)	9.12	8.15	0.97
Industrials (Net)	7.06	5.46	1.60
Energy (Net)	4.27	2.24	2.04
Cons Def (Net)	3.27	3.51	-0.23
Basic Matis (Net)	2.48	1.43	1.05
Comm Svcs (Net)	1.89	1.55	0.34
Real Estate (Net)	0.68	2.05	-1.37
Utilities (Net)	0.30	1.78	-1.48

- To display Benchmark 2 (Morningstar Indexes Benchmark), click the **Component Settings** icon, then select **Benchmark > Portfolio Benchmark 2**.

Note that you can select Portfolio Benchmark 1 or Portfolio Benchmark 2, but not both.

Component Settings

- Portfolio Date: 04/30/2019
- Column Set: Holdings Summary
- Grouping: No Grouping
- Benchmark: **Sample Custom Benchmark**
- Currency: US Dollar

Benchmark

- User Created
- Portfolio Benchmark 1
- Portfolio Benchmark 2**
- Portfolio Attached Policy
- No Benchmark

Name	Portfolio Weight	Bench... Weight	+/-
Technology (Net)	22.80	10.76	12.04
Healthcare (Net)	12.27	6.99	5.27
Cons Cyc (Net)	12.12	6.07	6.04
Fin Svcs (Net)	9.12	8.15	0.97
Industrials (Net)	7.06	5.46	1.60
Energy (Net)	4.27	2.24	2.04
Cons Def (Net)	3.27	3.51	-0.23
Basic Matls (Net)	2.48	1.43	1.05
Comm Svcs (Net)	1.89	1.55	0.34
Real Estate (Net)	0.68	2.05	-1.37
Utilities (Net)	0.30	1.78	-1.48

- Click away** from the Component Settings menu to close it. Note the Benchmark 2 sector allocations and **compare** them to the client account.

Allocation • Morningstar Sector • 06/30/2019 • Karen Franklin

Morningstar Indexes Benchmark

Name	Portfolio Weight	Bench... Weight	+/-
Technology (Net)	22.80	16.00	6.80
Healthcare (Net)	12.27	9.85	2.41
Cons Cyc (Net)	12.12	11.11	1.01
Fin Svcs (Net)	9.12	15.45	-6.33
Industrials (Net)	7.06	9.52	-2.46
Energy (Net)	4.27	5.57	-1.30
Cons Def (Net)	3.27	7.15	-3.88
Basic Matls (Net)	2.48	4.87	-2.39
Comm Svcs (Net)	1.89	3.40	-1.51
Real Estate (Net)	0.68	3.91	-3.23
Utilities (Net)	0.30	3.11	-2.81

Some charts and tables can display two benchmarks at the same time. In this exercise, you will do that in the Historical Return chart.

Exercise 8: Compare the historical returns of an account and both of its benchmarks

Do the following

1. Select the **Performance** tab and make sure the **Karen Franklin** account is still selected.
2. In the Historical Return chart, **note** that both benchmark names are displayed in the legend and in the chart.
 - Note: The legend can be displayed at the top of the chart or on the right, depending on the width of your screen and/or the Morningstar Direct window.
3. To better focus on the Historical Return chart, **expand** it.

The screenshot displays the Morningstar Direct interface for a client account named 'Karen Franklin'. The 'Performance' tab is selected, showing a line chart of market value from July 2018 to June 2019. Below this is the 'Historical Return' chart, which is expanded to show monthly returns for the account and its benchmarks. The legend identifies three series: 'Karen Franklin' (blue bars), 'Morningstar Indexes Benchmark' (red bars), and 'Sample Custom Benchmark' (black line). The chart shows that the account's returns are generally higher than the benchmarks, particularly in January 2019.

Annotations on the right side of the screenshot provide instructions:

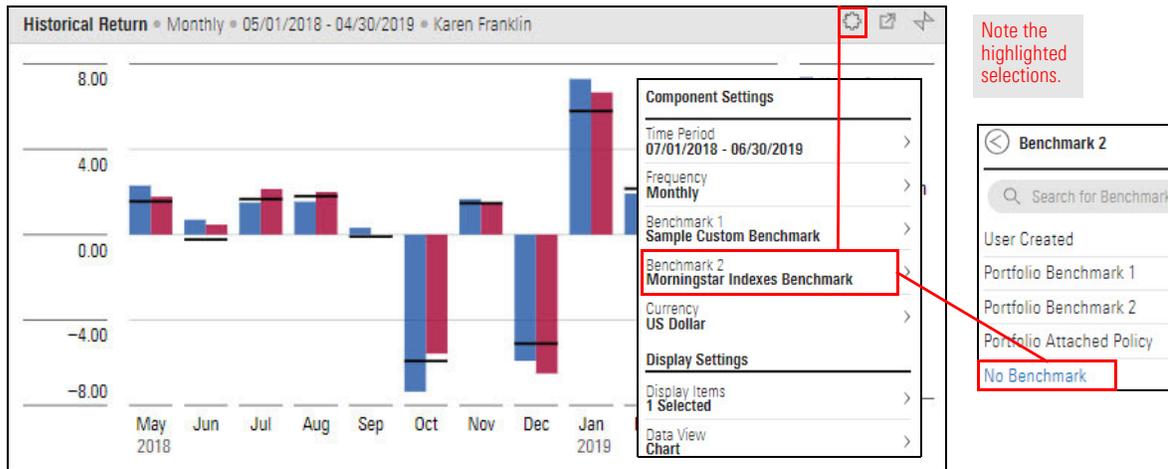
- Select this tab.** (Points to the Performance tab)
- Click here to expand the chart to fill the Analytical View.** (Points to the expand icon on the Historical Return chart)
- The account and both its benchmarks are identified in the legend and illustrated in the bar chart.** (Points to the legend in the Historical Return chart)

A chart capable of displaying both benchmarks also includes an option to hide one or both.

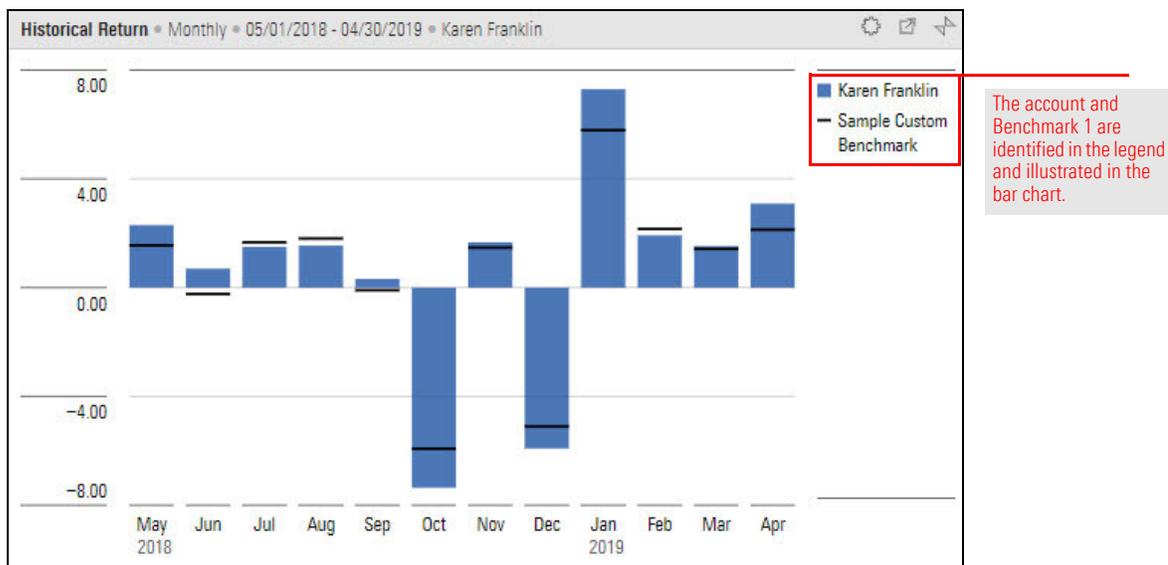
Exercise 9: Hide a benchmark

Do the following:

1. The Historical Return chart displays both benchmarks by default, but one or both can be hidden. To display only Benchmark 1 (Sample Custom Benchmark), click the **Component Settings** icon, then select **Benchmark 2 > No Benchmark**.



2. **Click away** from the Component Settings menu to close it. Now the Morningstar Indexes Benchmark is hidden.



In what months (if any) did the account outperform the benchmark?

Did the benchmark experience a significant downturn at any time in the past year? If so, how did the account perform during that time?

What is your overall assessment of the account's returns over the past year, compared to Sample Custom Benchmark?

Suppose you want to use the Sustainability Ratings Analysis chart to compare the Karen Franklin account to both benchmarks simultaneously. Unfortunately, the Sustainability Ratings Analysis chart can display only one benchmark at a time, and by default, it displays Benchmark 1 (in this case, Sample Custom Benchmark).

Exercise 10: Compare the Sustainability Ratings Analysis of a client account and both of its benchmarks

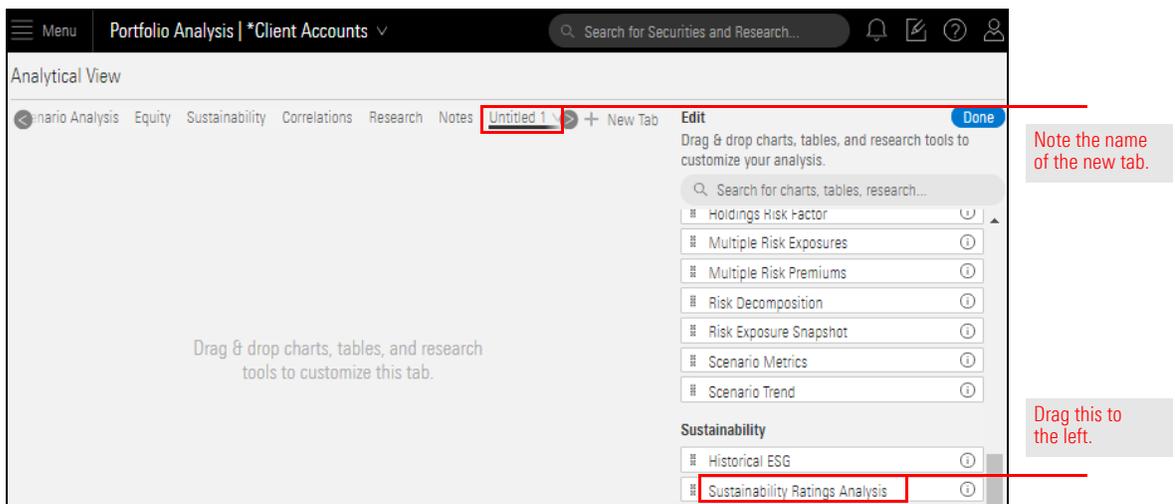
However, when a second instance of the Sustainability Ratings Analysis chart is created, each instance can display a different benchmark.

Do the following:

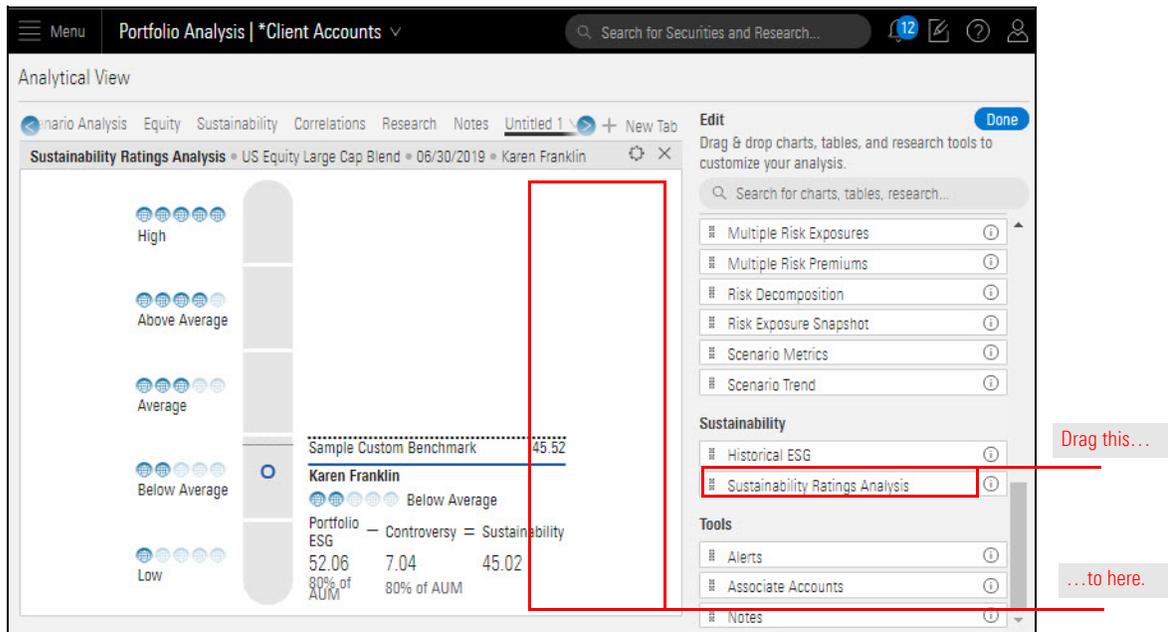
1. In the Analytical View of the **Karen Franklin** account, on the Tabs bar, select **New Tab**. A new tab opens. It is named Untitled 1 and displays no charts, tables, or research tools. Also, the Edit panel automatically opens.



2. In the Edit panel, **scroll down** to the **Sustainability** area. Drag **Sustainability Ratings Analysis** from the Edit panel and **place it in the empty area** of the Analytical View.



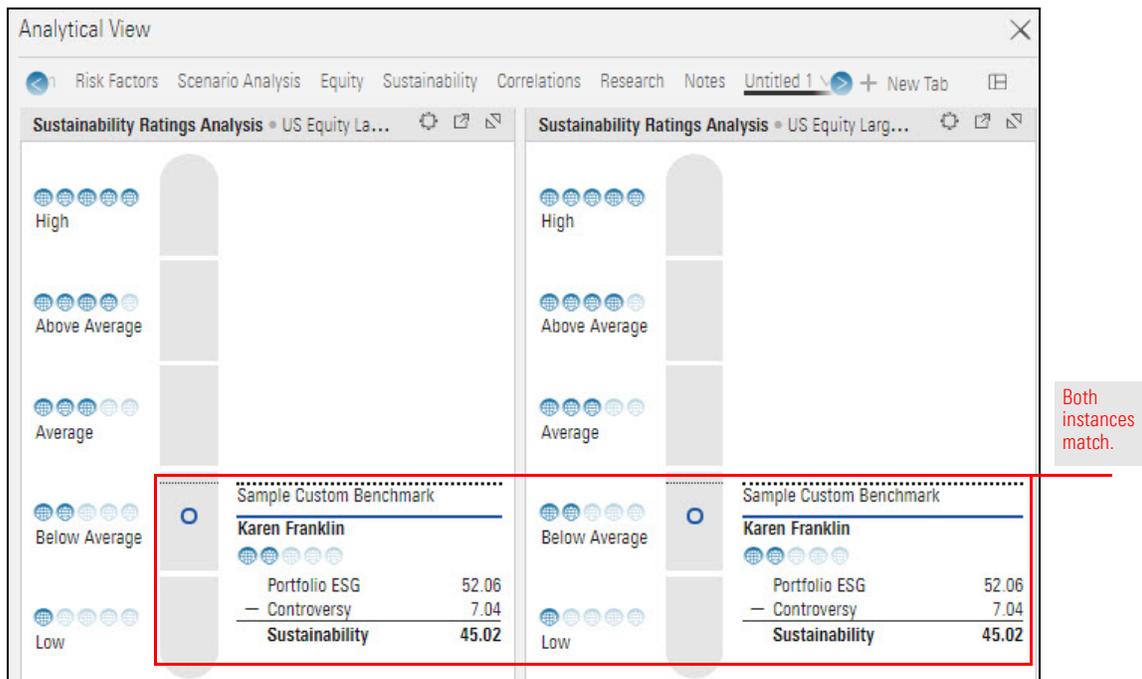
- To create a second instance of the chart, drag **Sustainability Ratings Analysis** from the Edit panel and **place it to the right** of the existing chart.



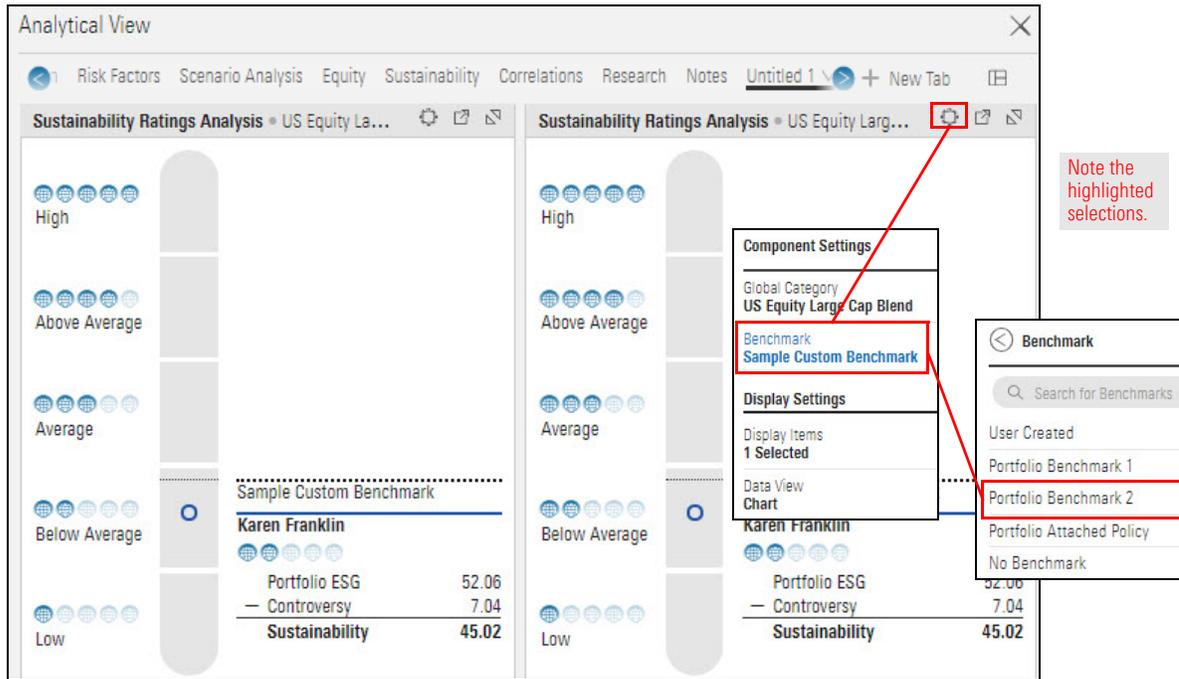
- At the top of the Edit panel, click **Done** to close it.

Two instances of the Sustainability Ratings Analysis chart are displayed. Note that each instance displays the same data—Karen Franklin and Sample Custom Benchmark.

Note: To see both charts in full, you might need to widen your browser window.

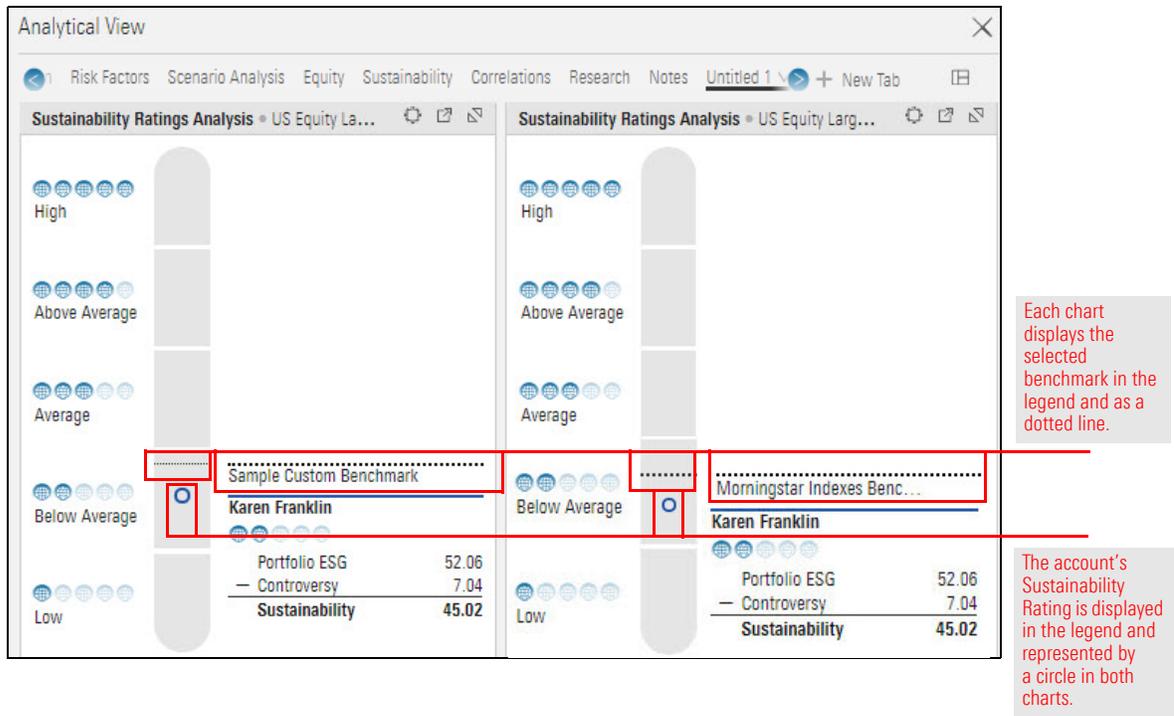


- In the right chart, click the **Component Settings** icon, then select **Benchmark > Portfolio Benchmark 2**.

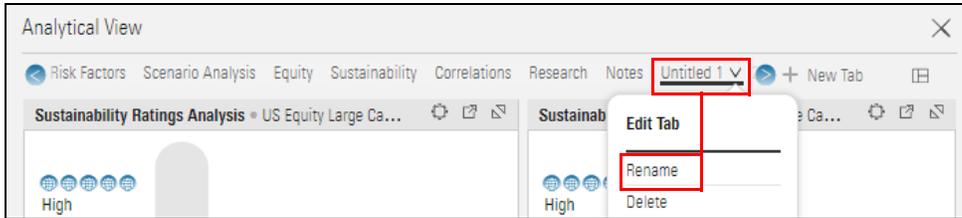


- Click away from the Component Settings menu to close it.

Note the benchmark and account information in the legend.

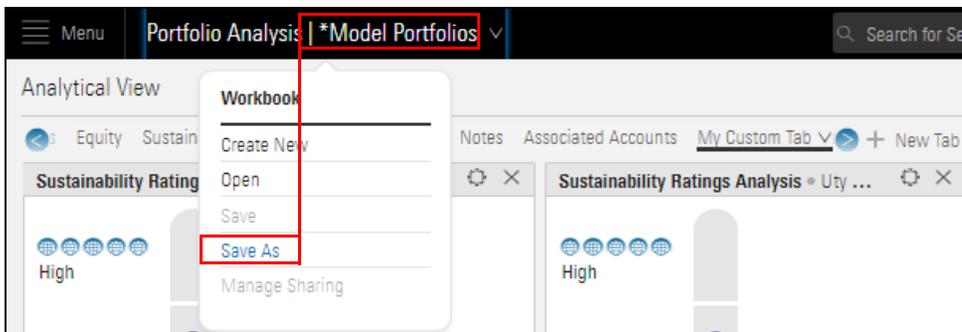


7. (Optional) If you want to save the new tab (Untitled 1), you must save the tab and then use Save As to save the workbook. Do the following:
 - A. On the Tabs bar, **hover the cursor** over **Untitled 1**.
 - B. From the menu, select **Rename**.

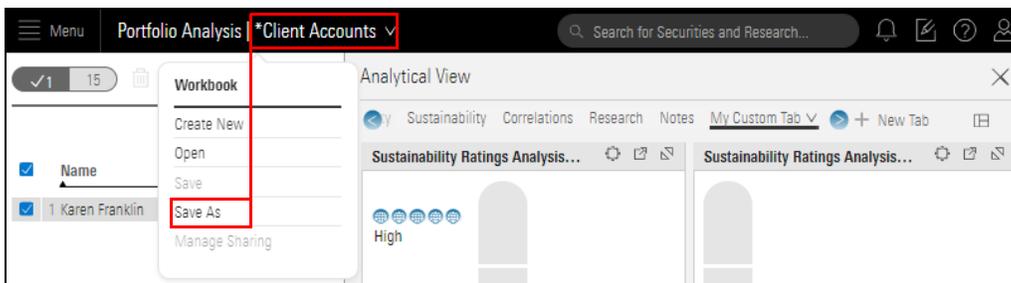


Note the highlighted selections.

- C. Name the tab **My Custom Tab**.
- D. To save the workbook, **hover the cursor** over the workbook name (**Client Accounts**).
- E. From the menu, select **Save As**. Note that Save cannot be selected.



Note the highlighted selections.



Note the highlighted selections.

8. Name the workbook **My Custom Workbook** and click **Save**

Using an Investment Policy

An investment policy serves as a blueprint for investment plans. How much should a client invest in equities versus fixed income versus commodities versus cash, or other asset classes? For the equity portion, how much will be in US stocks versus international stocks? Small/Mid-Cap versus Large Cap holdings? Value versus growth? An investment policy is designed to communicate this path.

Morningstar Direct for Wealth Management allows you to create custom policies to document your firm's various investment strategies. Not only can an investment policy be used to compare a client account's alignment to asset allocation lineups and performance outcomes, but also to conduct total portfolio attribution for a client account to determine if adjustments should be made, either to asset classes or the managers selected.

This section covers the following topics and exercises:

- ▶ [What is involved in creating an investment policy? \(page 43\)](#)
- ▶ [Exercise 11: Create an investment policy and its Level 1 asset classes and proxies \(page 44\)](#)
- ▶ [Exercise 12: Add a level for Morningstar Category \(page 46\)](#)
- ▶ [Exercise 13: Create the Level 2 asset classes and proxies \(page 47\)](#)
- ▶ [Exercise 14: Assign weights to the Level 2 asset classes \(page 51\)](#)
- ▶ [Exercise 15: Save an investment policy \(page 52\)](#)
- ▶ [Exercise 16: Create an investment policy from a custom benchmark \(page 53\)](#)
- ▶ [Exercise 17: Attach an investment policy to a client account \(page 56\)](#)
- ▶ [Exercise 18: Compare the allocations of the client account and the policy \(page 58\)](#)
- ▶ [Exercise 19: Use groupings to replicate a policy's asset classes \(page 61\)](#)

Overview

In this section, you will create an investment policy and apply it to a client account. Global Broad Category, Morningstar Category, and Morningstar Institutional Category are the levels initially available for a policy, but custom data points can be used to build policies instead of (or in addition to) these.

What is involved in creating an investment policy?

- ☞ Note: To create a policy based on custom data points (such as your firm's own asset class lineups), the custom data point(s) must first be created from the Custom Data Management page. The investments used in client accounts should also be mapped to these custom data points.

For example, a policy could be created only at the Morningstar Category level. If you don't intend to conduct total portfolio attribution at the Global Broad Category Group level or otherwise use that asset classification for comparison purposes, then this asset class grouping does not need to be created as a policy level.

The overall steps to creating an investment policy are as follows:

1. Create an investment policy and select the Level 1 (in this case, Global Category) asset classes and proxies.
 - ☞ Note: When creating a policy with only one level, go to [step 4](#).
2. Add the Level 2 (in this case, Morningstar Category) asset class.
3. Select the Level 2 sub-asset classes and proxies.
4. Set the weights for the Level 2 asset classes. (These will automatically roll up to the Level 1 grouping.)
5. Save the investment policy.

- ☞ Note: You can also create a third level in an investment policy.

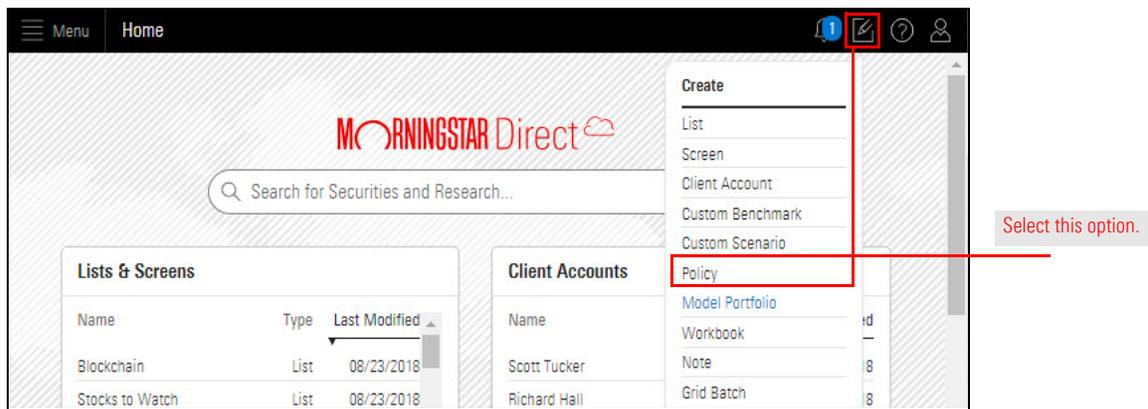
In this exercise, you will create an investment policy with four Level 1 asset classes and their proxies, as shown in the following table:

Exercise 11: Create an investment policy and its Level 1 asset classes and proxies

Level 1 Asset Class: Global Broad Category Group	Proxy
Alternative	ICE BofAML US High Yield TR USD
Equity	S&P 500 TR USD
Fixed Income	BBgBarc Aggregate Bond Treasury TR
Money Market	BBgBarc US Treasury Bill 1-3 Mon TR USD

Do the following:

1. In the header, click the **Create** icon, then select **Policy**. The Policy Editor window opens.



2. In the Asset Class Level area, from the **Level 1** drop-down field, select **Global Broad Category Group**.
3. From the **Name** drop-down field, select **Alternative**.
4. In the Proxy column **Search** field, enter **ICE BofAML US High Yield TR USD** and select it from the search results.



5. Click the **Add Asset Class** icon. A new row appears.
6. From the **Name** drop-down field, select **Equity**.
7. In the Proxy column **Search** field, enter **S&P 500 TR USD** and select it from the search results.

Click here to add an asset class.

Asset Class Level	
Name	Proxy
Total	
Alternative	ICE BofAML US High Yield TR
Equity	S&P 500 TR USD

8. Continue adding asset classes and their proxies, as described in this table:

Asset Class	Proxy
Fixed Income	BBgBarc Aggregate Bond Treasury TR
Money Market	BBgBarc US Treasury Bill 1-3 Mon TR USD

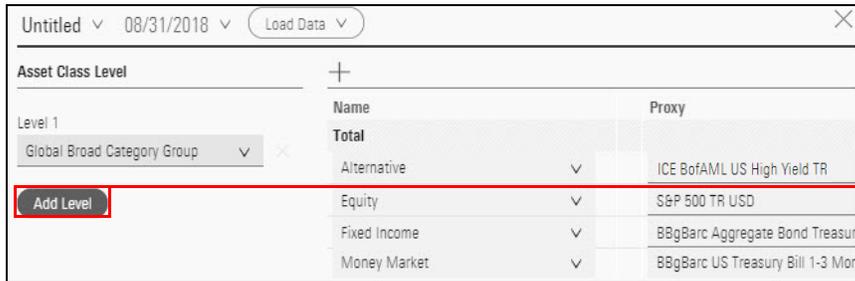
The Name and Proxy columns should look like this.

Asset Class Level	
Name	Proxy
Total	
Alternative	ICE BofAML US High Yield TR
Equity	S&P 500 TR USD
Fixed Income	BBgBarc Aggregate Bond Treasur
Money Market	BBgBarc US Treasury Bill 1-3 Mor

Now that you have created the Level 1 asset classes and their proxies, you can create the Level 2 asset classes. Do the following:

Exercise 12: Add a level for Morningstar Category

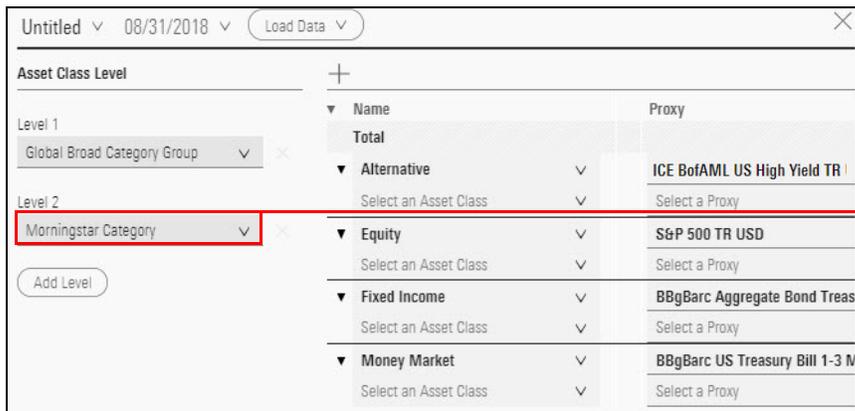
1. In the Asset Class Level area, click **Add Level**. The Level 2 drop-down field appears.



Click here to add a level.

2. From the **Level 2** drop-down field, select **Morningstar Category**.

In the list to the right, the Level 1 asset classes (Name column) and proxies (Proxy column) are displayed. Each Level 1 shows a row in which you will create its Level 2 asset classes (sub-asset classes).

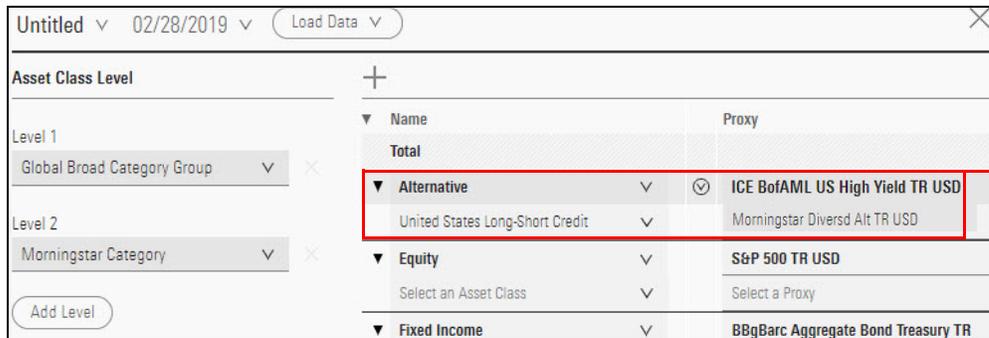


Select Morningstar Category.

To create the Level 2 asset classes and proxies, do the following:

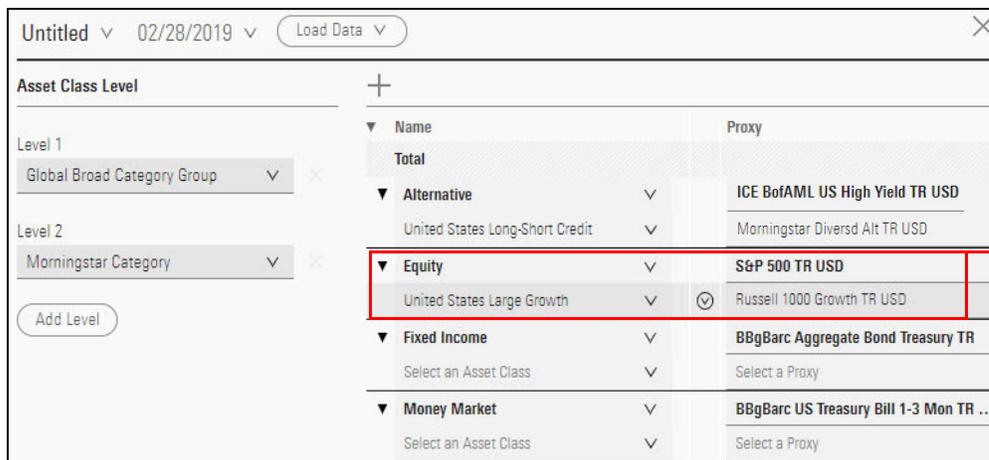
Exercise 13: Create the Level 2 asset classes and proxies

1. In the new row beneath Alternative, the empty field can be used as a Search field. Click the empty **Select an Asset Class** field and type **United States Long-Short Credit**. Select it from the search results.
2. In the **Select a Proxy** field, search for and select **Morningstar Diversd Alt TR USD**.



Note the highlighted selections.

3. Under Equity, in the **Select an Asset Class** field, search for and select **United States Large Growth**.
4. In the **Select a Proxy** field, search for and select **Russell 1000 Growth TR USD**.



Note the highlighted selections.

5. To add another asset class under Equity, click the **Add Asset Class** icon, then from the **Add Asset Class** menu, select **Level 2 > Equity**. A new row appears under Equity.



Note the highlighted selections.

6. In the new row, search for and select **United States Large Growth**.
7. **Repeat step 6 four times** so Equity shows four rows to be filled in under United States Large Growth.

8. In the new rows, search for and select **asset classes** and their **proxies**, as shown in this table:

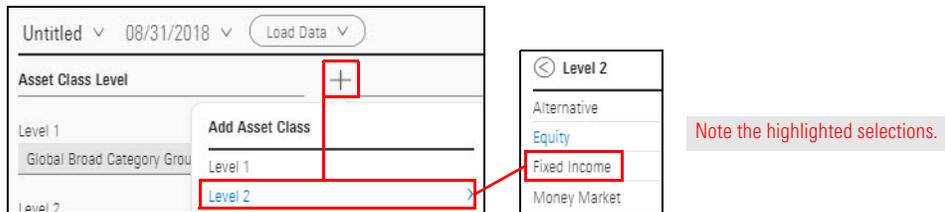
Asset Class	Proxy
United States Large Value	Russell 1000 Value TR USD
United States Small Growth	Russell 2000 Growth TR USD
United States Small Value	Russell 2000 Value TR USD
United States Foreign Large Blend	MSCI ACWI ex US Momentum NR USD

Equity	Proxy
United States Large Growth	Russell 1000 Growth TR USD
United States Large Value	Russell 1000 Value TR USD
United States Small Growth	Russell 2000 Growth TR USD
United States Small Value	Russell 2000 Value TR USD
United States Foreign Large Blend	MSCI ACWI ex US Momentum NR USD

9. In the Fixed Income column **Search** field, search for and select **United States High Yield Bond**.
10. In the **Select a Proxy** field, search for and select **BBgBarc Aggregate Bond Treasury TR**.



11. To add another sub-asset class under Fixed Income, click the **Add Asset Class** icon, then from the **Add Asset Class** menu, select **Level 2 > Fixed Income**.



12. Under Fixed Income, **repeat step 11** to add **one more asset class** (row).
13. In the unassigned Fixed Income rows, search for and select **asset classes** and their **proxies**, as shown in this table:

Asset Class	Proxy
United States Intermediate-Term Bond	BBgBarc Aggregate Bond Treasury TR
United States Muni National Interm	BBgBarc US Municipal 1-15 Yr TR USD



14. In the Money Market column **Select an Asset Class** field, search for and select **United States Prime Money Market**.
15. In the Proxy column **Select a Proxy** field, search for and select **BBgBarc US Treasury Bill 1-3 Mon TR USD**.

+	
Name	Proxy
Total	
▼ Alternative ▼	ICE BofAML US High Yield TR USD ▼
United States Long-Short Credit ▼	Morningstar Diversd Alt TR USD ▼
▼ Equity ▼	S&P 500 TR USD ▼
United States Large Growth ▼	Russell 1000 TR USD ▼
United States Large Value ▼	Russell 1000 TR USD ▼
United States Small Growth ▼	Russell 2000 TR USD ▼
United States Small Value ▼	Russell 2000 TR USD ▼
United States Foreign Large Blend ▼	MSCI ACWI ex US Momentum NR USD ▼
▼ Fixed Income ▼	BBgBarc Aggregate Bond Treasury... ▼
United States Long-Short Equity ▼	S&P 500 TR USD ▼
United States Intermediate-Ter... ▼	BBgBarc Municipal 1-15 Yr TR USD ▼
United States Muni National Int... ▼	BBgBarc Municipal 1-15 Yr TR USD ▼
▼ Money Market ▼	BBgBarc US Treasury Bill 1-3 Mon... ▼
United States Prime Money Ma... ▼	BBgBarc US Treasury Bill 1-3 Mon T... ▼

The Money Market Name and Proxy columns should look like this.

Finally, assign a weight to each of the Level 2 asset classes. The weights must total 100.

- ☞ Note: You don't need to enter weights for Level 1 because it automatically equals the sum of its Level 2 asset classes.

Exercise 14: Assign weights to the Level 2 asset classes

To assign the weights, do the following:

1. If the Weight % column is not visible at the right side of the window, do one of the following:
 - ▶ **zoom out**
 - ☞ Note: In Chrome or Internet Explorer, zoom out by pressing <CTRL>+<-> one or more times until you can see the Weight % column at the right.
 - ▶ **widen your browser window**, or
 - ▶ **scroll right**.
2. In the **Weight %** column (to the right of the Proxy column), enter the **weight** of each Morningstar Category level (Level 2) as shown in the following table:
 - ☞ Note: The broad category weights update as you add weights to the Level 2 asset classes.

Level 1 Asset Class: Global Broad Category Group	Level 2 Asset Class: Morningstar Category	Proxy	Weight
Alternative	United States Long-Short Credit	Morningstar Diversd Alt TR USD	10
Equity	United States Large Growth	Russell 1000 Growth TR USD	17.5
	United States Large Value	Russell 1000 Value TR USD	17.5
	United States Small Growth	Russell 2000 Growth TR USD	5
	United States Small Value	Russell 2000 Value TR USD	5
	United States Foreign Large Blend	MSCI ACWI ex US Momentum NR USD	20
Fixed Income	United States High-Yield Bond	BBgBarc Aggregate Bond Treasury TR USD	10
	United States Intermediate-Term Bond	BBgBarc Aggregate Bond Treasury TR USD	5
	United States Muni National Interm	BBgBarc Municipal 1-15 Yr TR USD	5
Money Market	United States Prime Money Market	BBgBarc US Treasury Bill 1-3 Mon TR USD	5

Name	Proxy	Weight %
Total		100.00
▼ Alternative	ICE BofAML US High Yield TR USD	10.00
United States Long-Short Credit	Morningstar Diversd Alt TR USD	10.00
▼ Equity	S&P 500 TR USD	65.00
United States Large Growth	Russell 1000 Growth TR USD	17.50
United States Large Value	Russell 1000 Value TR USD	17.50
United States Small Growth	Russell 2000 Growth TR USD	5.00
United States Small Value	Russell 2000 Value TR USD	5.00
United States Foreign Large Blend	MSCI ACWI ex US Momentum NR USD	20.00
▼ Fixed Income	BBgBarc Aggregate Bond Treasury TR	20.00
United States High Yield Bond	BBgBarc Aggregate Bond Treasury TR	10.00
United States Intermediate-Term Bond	BBgBarc Aggregate Bond Treasury TR	5.00
United States Muni National Interm	BBgBarc Municipal 1-15 Yr TR USD	5.00
▼ Money Market	BBgBarc US Treasury Bill 1-3 Mon TR ...	5.00
United States Prime Money Market	BBgBarc Municipal 1-15 Yr TR USD	5.00

The Weight % column should look like this.

To save your policy, do the following:

Exercise 15: Save an investment policy

- From the top-left corner of the window, click the **Untitled** drop-down field, then select **Save As**.



Note the highlighted selections.

- In the text field, type **Sample Investment Policy**, then click **Save**.



Name the policy.

- An alert opens to tell you that the policy has been saved successfully. Click **Close**.
- In the upper-right corner of the Policy Editor window, click the **X** to close it.

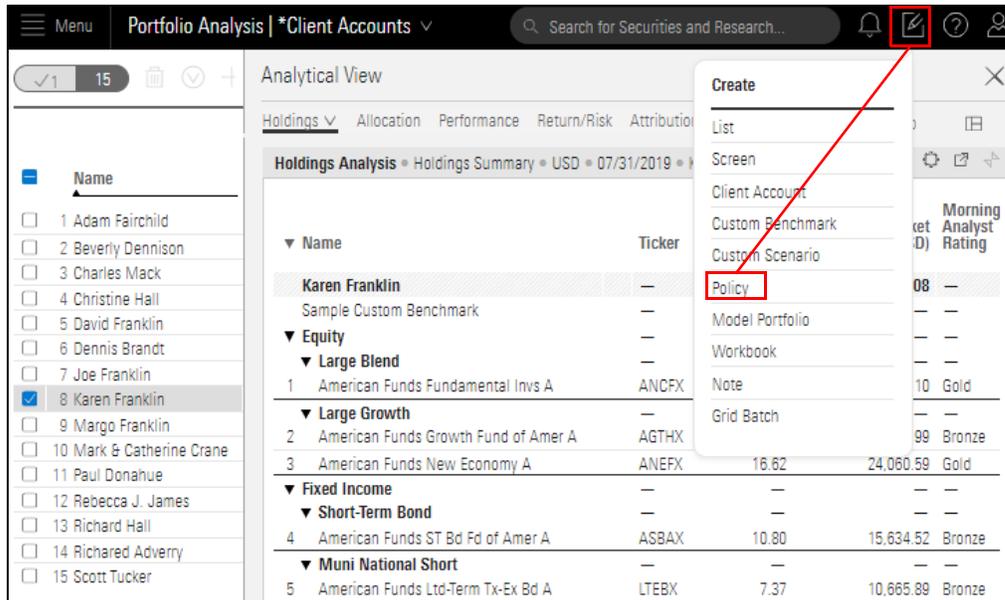
Note: Now that this policy is saved, you can easily create other policies by using the Save As command to give this policy a new name, then change the weights, proxies, categories, or a combination of all three.

Another way to create an investment policy is to create it from a custom benchmark. In this exercise, you will use the Aggressive custom benchmark, which you created in [Exercise 5 on page 24](#).

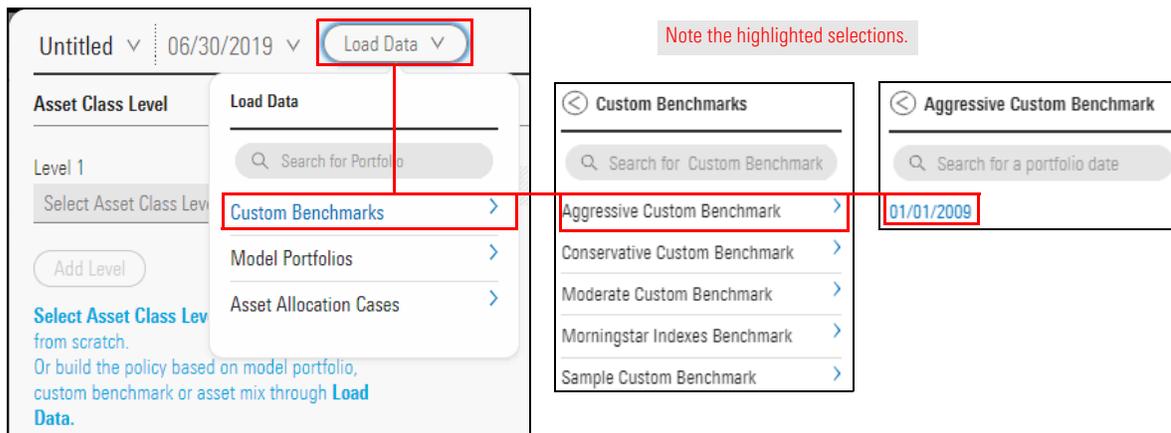
Exercise 16: Create an investment policy from a custom benchmark

Do the following:

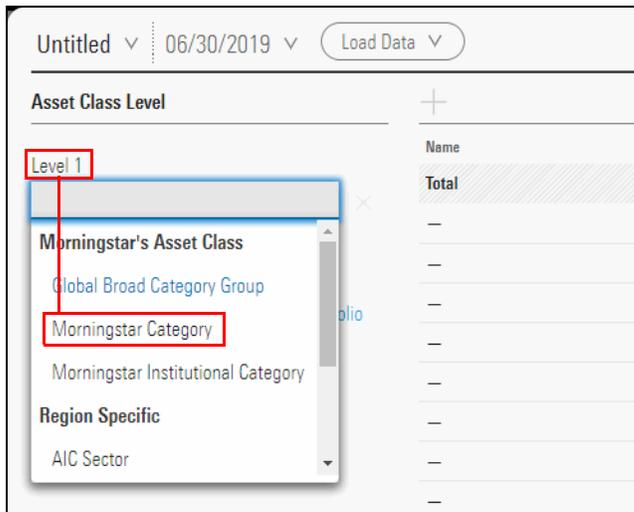
1. From the header, select **Create > Policy**. The policy window opens.



2. Click **Load Data**, then select **Custom Benchmarks > Aggressive Custom Benchmark > 01/01/2009**.



- Click **Level 1**, then from the menu, select **Morningstar Category**.



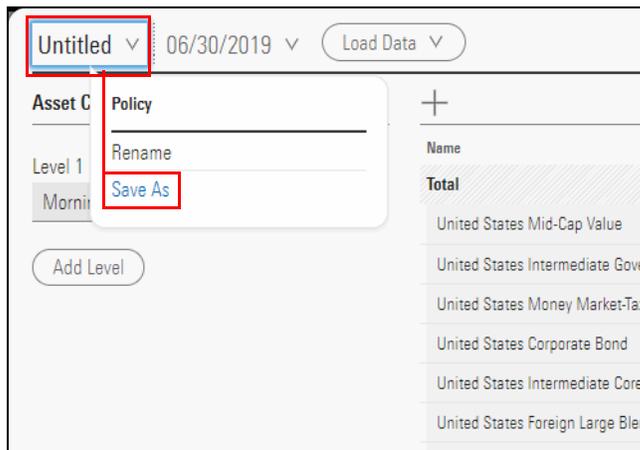
Note the highlighted selections.

- In the **Name** column, from the **Select an Asset Class** menus, make a **selection** according to the following table:

Note: As you make each selection, that row moves into place in the list, so the next Select an Asset Class menu is at the top of the list.

For this Proxy...	Select this Morningstar Category...
Morningstar US Core Bd TR USD	United States Intermediate Core Bond
Morningstar US Corp Bd TR USD	United States Corporate Bond
Morningstar US Treasury TR USD	United States Money Market-Taxable
Morningstar US Inter Gov Bd TR USD	United States Intermediate Government
Morningstar US Mid Val TR USD	United States Mid-Cap Value
Morningstar Gbl Mkts xUS GR USD	United States Foreign Large Blend
Morningstar US Small Cap TR USD	United States Small Blend
Morningstar US Large Cap TR USD	United States Large Blend
Morningstar EM GR USD	United States Diversified Emerging Mkts

- In the upper-left corner of the window, click **Untitled**. From the **Policy** menu, select **Save As**.



- Name the policy **Aggressive Policy**, then click **Save**.
- When the notification opens, click **Close**.
- In the upper-right corner of the window, click to **X** to close it.

As you know, an investment policy describes the process to be used by a financial advisor in making investment decisions. The financial advisor follows the terms of the policy as part of effectively supervising, monitoring, and evaluating the investment objectives of the client. The advisor should periodically review a client account's policy and monitor how well the account is meeting its objectives. Applying a policy to a client account makes it easy to use in such a review.

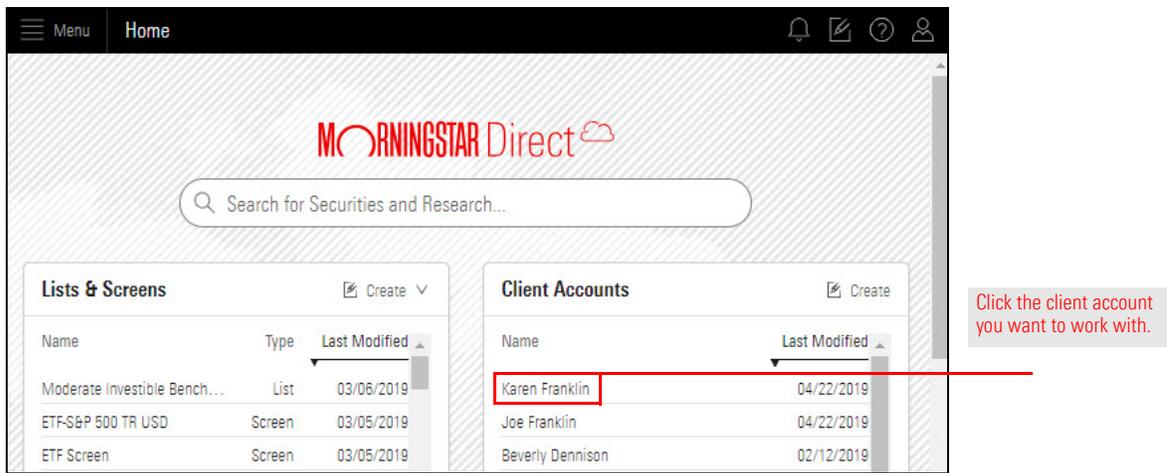
Exercise 17: Attach an investment policy to a client account

In this exercise, you will attach the Sample Investment Policy to the Karen Franklin account.

 Note: A policy can be attached to multiple client accounts.

To attach an investment policy to a client account, do the following:

1. On the Morningstar Direct Home Page, in the Client Accounts area, click **Karen Franklin**. The "Select a workbook" dialog box opens.

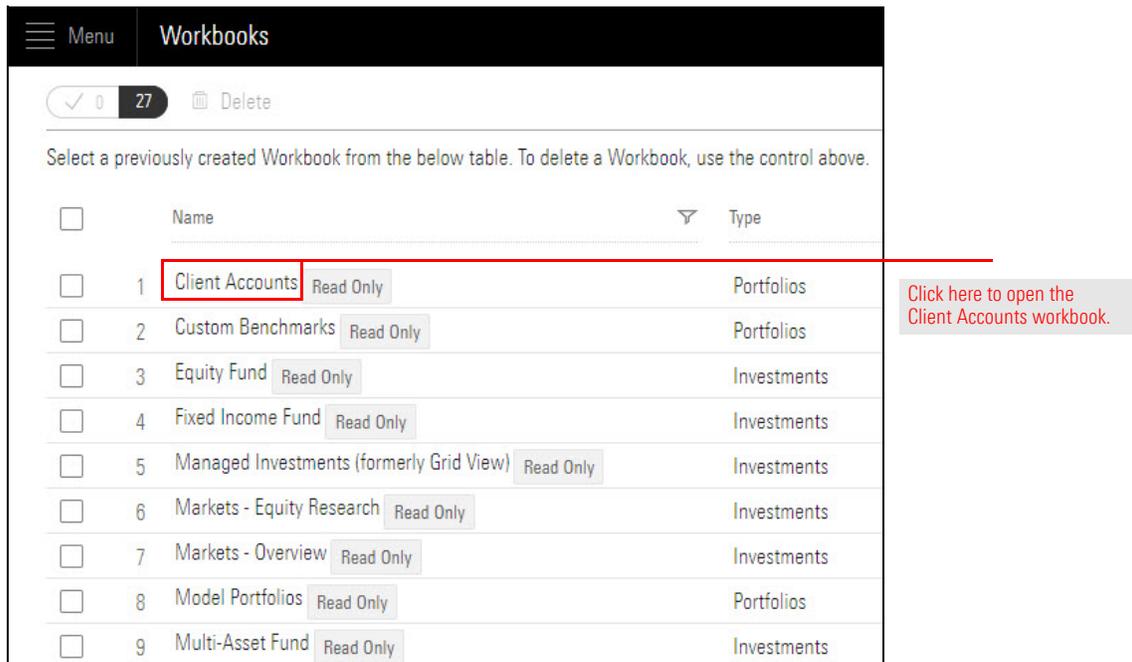


The screenshot shows the Morningstar Direct Home Page. The top navigation bar includes a 'Menu' icon, the word 'Home', and icons for notifications, a document, a question mark, and a user profile. The main content area features the Morningstar Direct logo and a search bar. Below the search bar are two panels: 'Lists & Screens' and 'Client Accounts'. The 'Client Accounts' panel contains a table with the following data:

Name	Last Modified
Karen Franklin	04/22/2019
Joe Franklin	04/22/2019
Beverly Dennison	02/12/2019

A red box highlights the 'Karen Franklin' row, and a red arrow points from a callout box to this row. The callout box contains the text: 'Click the client account you want to work with.'

- Click **Client Accounts**. The “Select a portfolio list to view in this workbook” dialog box opens.



Workbooks

Select a previously created Workbook from the below table. To delete a Workbook, use the control above.

<input type="checkbox"/>	Name	Type
<input type="checkbox"/>	1 Client Accounts Read Only	Portfolios
<input type="checkbox"/>	2 Custom Benchmarks Read Only	Portfolios
<input type="checkbox"/>	3 Equity Fund Read Only	Investments
<input type="checkbox"/>	4 Fixed Income Fund Read Only	Investments
<input type="checkbox"/>	5 Managed Investments (formerly Grid View) Read Only	Investments
<input type="checkbox"/>	6 Markets - Equity Research Read Only	Investments
<input type="checkbox"/>	7 Markets - Overview Read Only	Investments
<input type="checkbox"/>	8 Model Portfolios Read Only	Portfolios
<input type="checkbox"/>	9 Multi-Asset Fund Read Only	Investments

Click here to open the Client Accounts workbook.

- Select All **Client Accounts**. The Client Accounts opens.



Select a portfolio list to view in this workbook

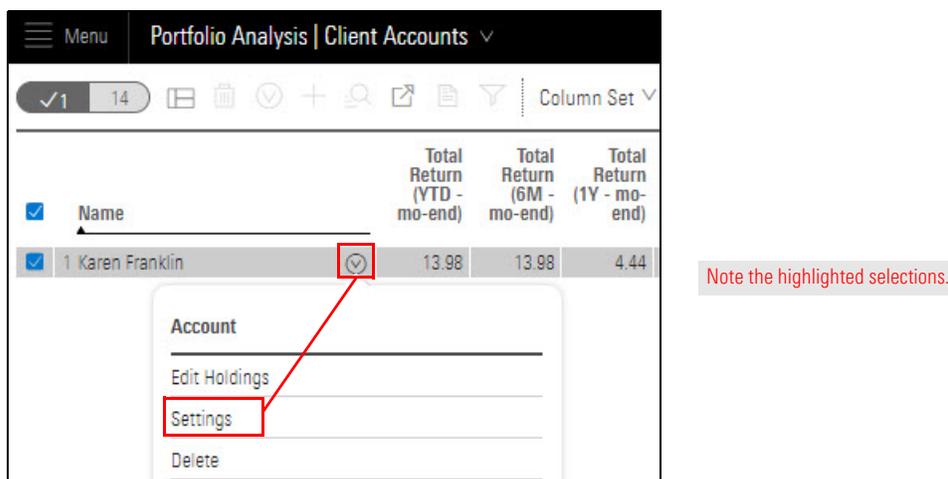
All Custom Benchmarks

All Model Portfolios

All Client Accounts

Click here.

- Hover the cursor over the **Karen Franklin** row. The Actions icon appears. Click the **Actions** icon and select **Settings**. The Account Settings window opens.



Portfolio Analysis | Client Accounts

<input checked="" type="checkbox"/>	Name	Total Return (YTD - mo-end)	Total Return (6M - mo-end)	Total Return (1Y - mo-end)
<input checked="" type="checkbox"/>	1 Karen Franklin	13.98	13.98	4.44

Account

Edit Holdings

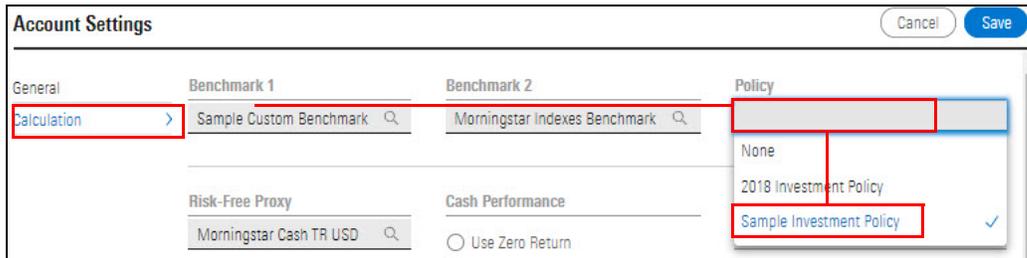
Settings

Delete

Note the highlighted selections.

- On the left side of the window, select **Calculation**.
- On the right side of the window, from the **Policy** menu, select **Sample Investment Policy**.

Note: A policy can also be used as a benchmark. This saves the time of creating a new benchmark with the same holdings as the policy. If a policy is used as Benchmark 1, when the client account is edited, the Editor window reflects data from the investment policy.



Note the highlighted selections.

- In the upper-right corner of the window, click **Save**. The window closes.

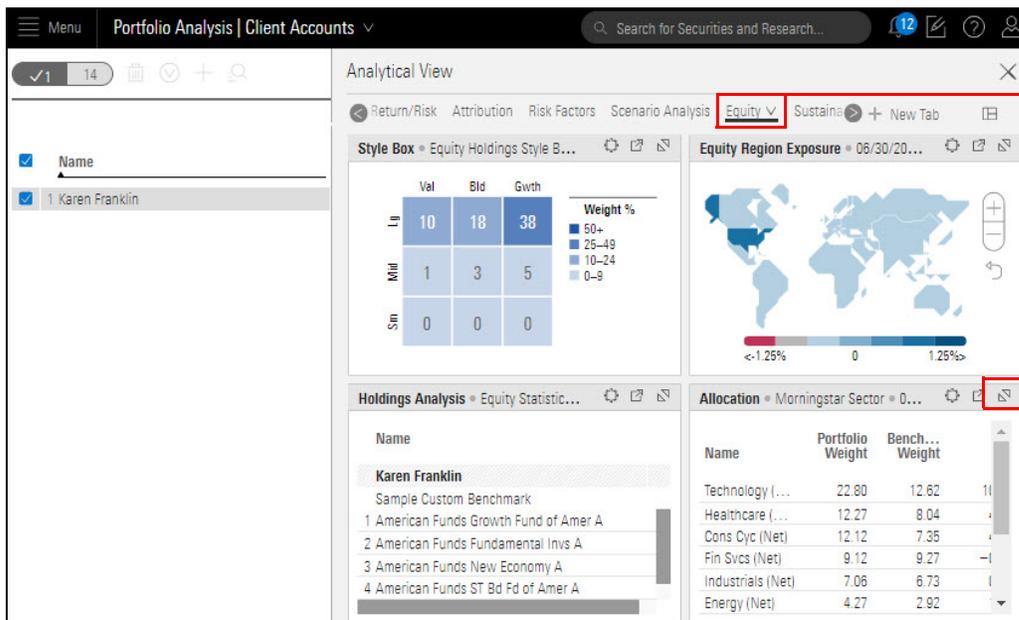
If a client account is edited, the account’s correlation to the policy could change. Comparing the account to the policy might reveal disparities to be addressed.

In this exercise, you will examine the allocations of the account against those of the policy.

Do the following:

- In the workbook, click the name **Karen Franklin**, select the **Equity** tab.
- Expand** the Allocation chart.

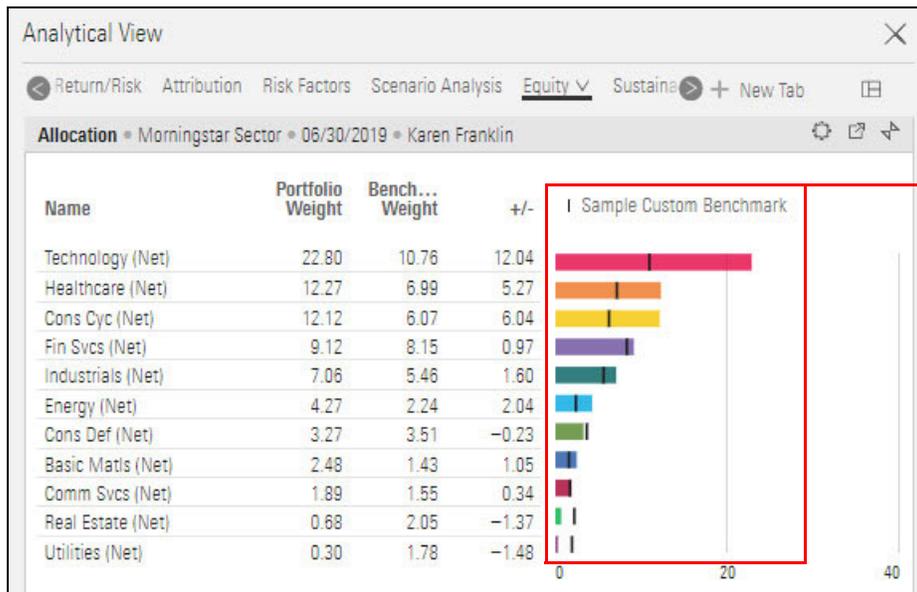
Exercise 18: Compare the allocations of the client account and the policy



Select this tab.

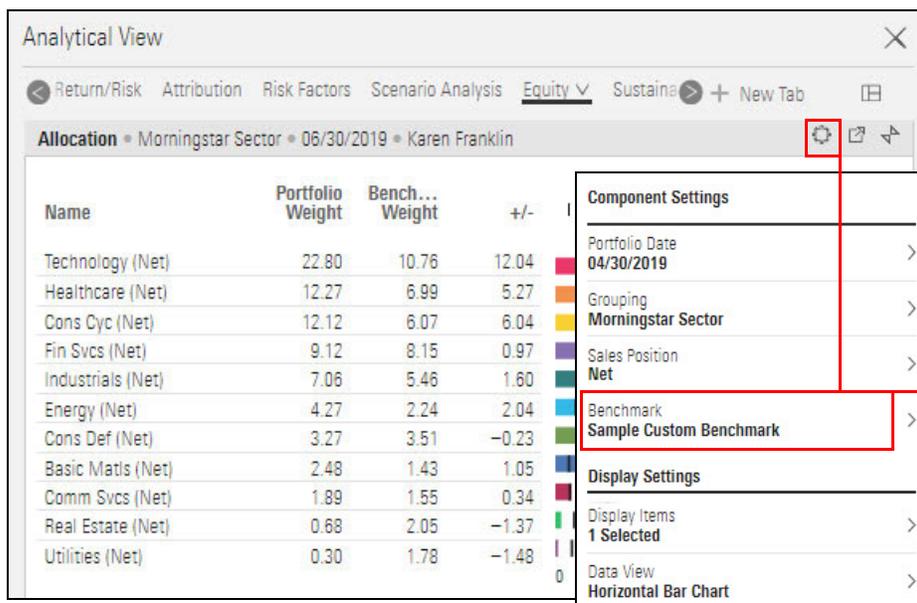
Click here to expand the Allocation table.

By default, this chart shows the Morningstar Sector allocations of the account (Karen Franklin) and Benchmark 1 (Sample Custom Benchmark).



The benchmark values are represented by vertical lines.

- To display the policy, click the **Component Settings** icon, then select **Benchmark > Portfolio Attached Policy**.



Note the highlighted selections.

Benchmark

Search for Benchmarks

User Created

Portfolio Benchmark 1

Portfolio Benchmark 2

Portfolio Attached Policy

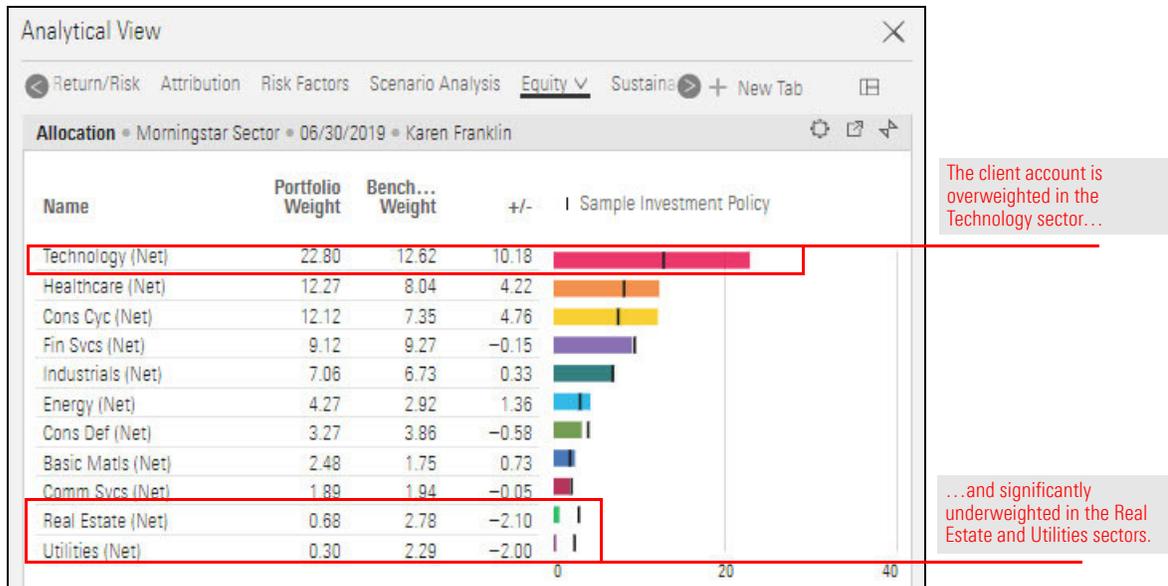
No Benchmark

- Click away from the Component Settings menu to close it.

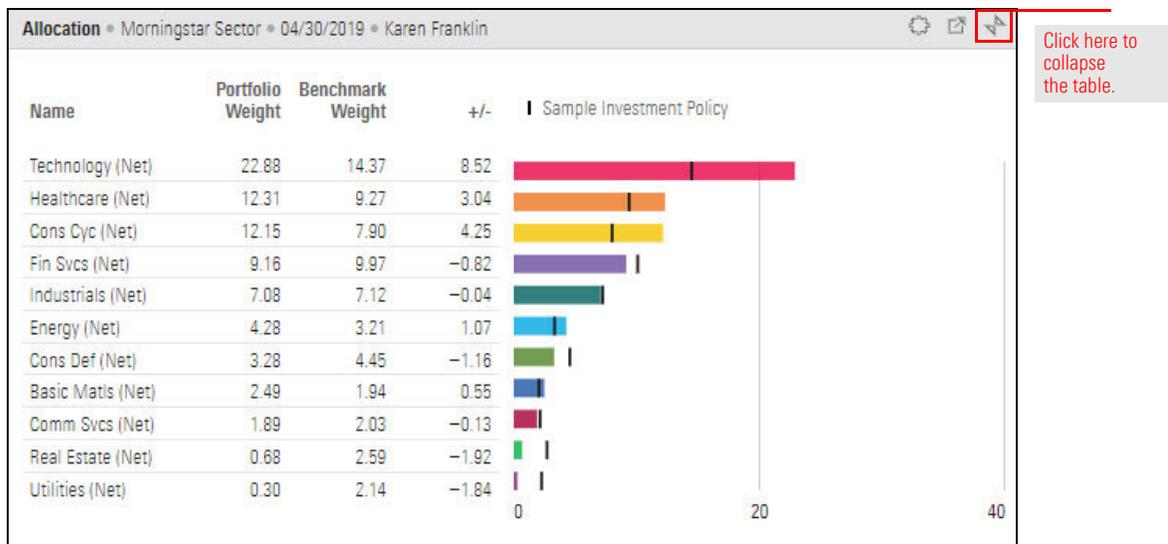
5. **Examine** the results.

Note: Your results will differ from those shown in the screenshot.

In your results, when comparing the client account and the policy, in which sector(s) is the account overweighted? In which is it underweighted?



6. **Collapse** the chart.



The policy's groupings (or asset classes) provide additional lenses to examine a client account. In the Holdings Analysis table, you cannot directly group holdings to match the policy's groupings, but you can recreate them.

Exercise 19: Use groupings to replicate a policy's asset classes

The supported groupings in the Holdings Analysis table are as follows:

- ▶ Global Broad Category
- ▶ Morningstar Category, and
- ▶ Morningstar Institutional Category.

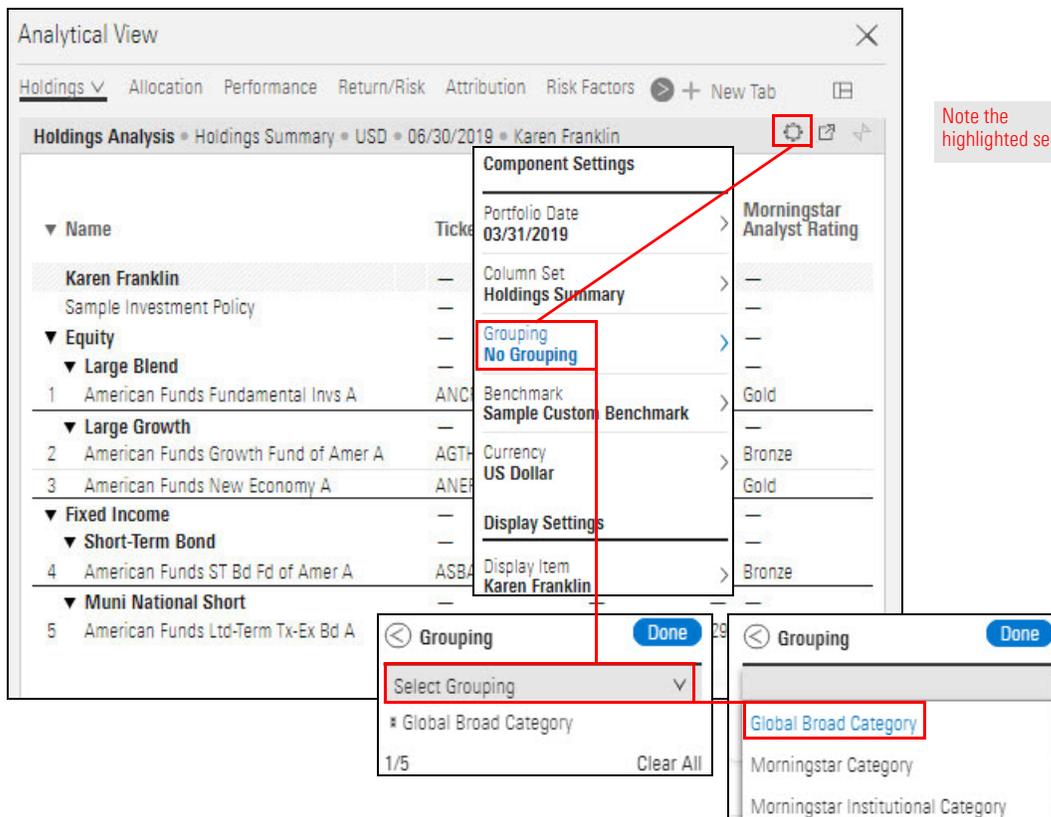
The Holdings Analysis table can also reflect groupings based on custom data points created by you or your firm. The table supports up to five levels of grouping.

In this exercise, you will recreate an investment policy's groupings in the Holdings Analysis table.

Note: To refresh your memory of the structure of the investment policy, review [Exercise 14 on page 51](#).

Do the following:

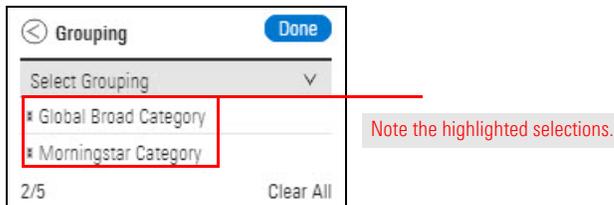
1. In the **Client Accounts** workbook, make sure the **Karen Franklin** account is selected.
2. Select the **Holdings** tab. Click the **Component Settings** icon, then select **Grouping > Select Grouping > Global Broad Category**. The Grouping menu reappears.



- Click **Select Grouping** again, then select **Morningstar Category** (the policy's Level 2 Asset Class).



The Grouping menu reopens. The selected groupings are listed in the order in which you selected them.



- Click **Done**.
- Click the **Component Settings** icon to close the menu.

The client's holdings are now displayed according to the assigned groupings (matching the groupings in the policy).

- Scroll right** to see more of the Holdings Analysis table.

Analytical View

Holdings ▾ Allocation Performance Return/Risk Attribution Risk Factors ▶ + New Tab

Holdings Analysis • Holdings Summary • USD • 06/30/2019 • Karen Franklin

▼ Name	Ticker	Weight	Market Value(USD)	Morningstar Analyst Rating
Karen Franklin	—	100.00	143,934.28	—
Sample Investment Policy	—	—	—	—
▼ Equity	—	—	—	—
▼ Large Blend	—	—	—	—
1 American Funds Fundamental Invs A	ANCFX	20.64	29,702.58	Gold
▼ Large Growth	—	—	—	—
2 American Funds Growth Fund of Amer A	AGTHX	44.60	64,197.17	Bronze
3 American Funds New Economy A	ANEFX	16.50	23,751.18	Gold
▼ Fixed Income	—	—	—	—
▼ Short-Term Bond	—	—	—	—
4 American Funds ST Bd Fd of Amer A	ASBAX	10.89	15,674.07	Bronze
▼ Muni National Short	—	—	—	—
5 American Funds Ltd-Term Tx-Ex Bd A	LTEBX	7.37	10,609.29	Bronze

In Equity (the Global Broad Category), the account has one fund in the Morningstar Category Large Blend and two in Large Growth. In Fixed Income, it has one fund each in Short-Term Bond and Muni National Short.

Scroll here.

Assessing the Impact of Fees on a Client Account

Clients naturally wish to increase the value of their investments as much as possible, while paying the lowest possible fees. Morningstar Direct for Wealth Management helps you calculate and project the following fees:

- ▶ Platform Fee %
- ▶ Holdings Fees %, and
- ▶ Total Portfolio Fee %

Including these fees in projections and proposals shows the full impact of changes to a client account.

This section covers the following topics and exercises:

- ▶ [What fees are charged to a client account? \(page 63\)](#)
- ▶ [Exercise 20: Add a platform fee to a client account or proposal \(page 64\)](#)
- ▶ [How can I view a client account's fees? \(page 65\)](#)
- ▶ [Exercise 21: Display the fees in the Holdings Analysis table \(page 66\)](#)
- ▶ [Exercise 22: Change the expected one-year growth \(page 68\)](#)

Clients are concerned about fees and expect transparency about the cost of owning an account. Fees and how they are calculated can be one of prospect's biggest concerns when comparing wealth management firms.

 Note: In Morningstar Direct for Wealth Management, fees are expressed as a percentage of the value of the account.

The client account fees are defined as follows:

Fee	Definition
Platform Fee	Annual ongoing fee charged at the portfolio level by the wealth management firm. It is a forward-looking fee, which projects the fee for the portfolio object over the next 12 months.
Holdings Fee	Most recent portfolio holdings annual fee (which is also the Prospectus Net Expense Ratio). This value cannot be changed.
Total Portfolio Fee	The sum of the platform fee percentage and the holdings fees percentages, assuming a certain return for the portfolio over the next 12 months. (A return of 5% is the default value, but you can change this. See Exercise 22 on page 68.)

To learn more about how fees are calculated, please read [How Are Client Account Fees Calculated?](#) in the Morningstar Knowledge Base.

Overview

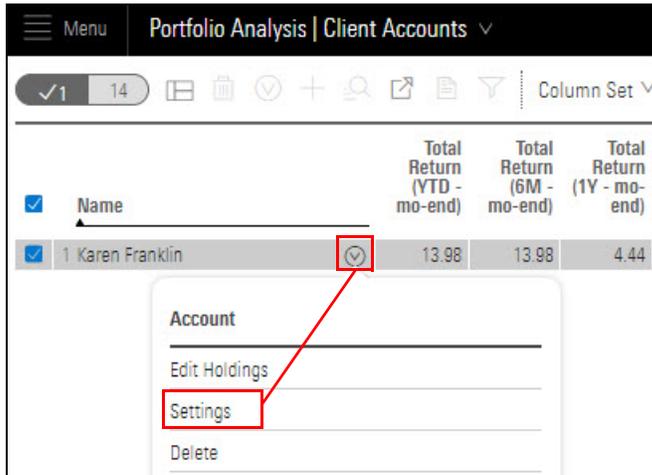
What fees are charged to a client account?

Because the platform fee is preset and holdings fees cannot be changed, the platform fee is the only one to be added to the account.

Exercise 20: Add a platform fee to a client account or proposal

To add a platform fee, do the following:

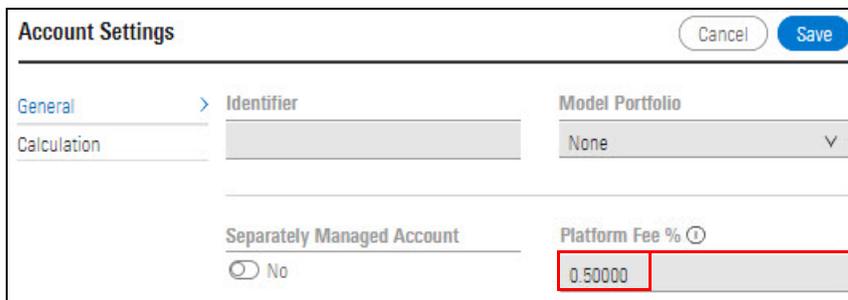
1. In a Client Accounts workbook, **hover the cursor** over the **Actions** icon in the **Karen Franklin** row. From the **Account** menu, select **Settings**. The Account Settings window opens.



Note the highlighted selections.

2. In the Account Settings window, note that the Platform Fee % defaults to 0.00000. In the **Platform Fee %** field, enter **5**.

Note: This value must be between **0 and 100**.



The value in this field is a percentage.

3. Click **Save**.

When the platform fee has been added to the account, the information you need can be easily displayed in the Portfolio Fees column set, which is available in the following areas:

How can I view a client account's fees?

- ▶ the Holdings Analysis table, and
- ▶ the Portfolio Editor window.

In [Exercise 21 on page 66](#), you will display the Portfolio Fees column set in the Holdings Analysis table. It is also available in the Portfolio Editor window, as seen in the following screenshot:

The screenshot shows the 'EDITING HOLDINGS FOR "KAREN FRANKLIN"' window. The main table lists various fund holdings with columns for Name, Weight, and Value. Overlaid on this is the 'Component Settings' menu, which includes options for Portfolio Date (03/31/2016), Benchmark (No Benchmark), and Column Set (Asset Allocation). The 'Column Set' menu is also open, showing a list of options including Equity Statistics, Equity Style, Equity Sectors, Sustainability, Product Involvement, Return Month End, Return Quarter End, and Risk Month End. 'Portfolio Fees' is highlighted at the bottom of this menu. A red box around 'Portfolio Fees' has a callout box that says 'Scroll down to the bottom of the Column Set menu.'

Name	Weight	Value
Edited	100.00	
Existing	100.00	
Sample Investment Policy		
Unallocated Cash	0.00	0.00
▼ Equity	75.00	75,000.00
▼ United States Large Growth	55.00	55,000.00
1 American Funds Growth Fund of Amer A	40.00	40,000.00
2 American Funds New Economy A	15.00	15,000.00
▼ Large Blend United States	20.00	20,000.00
3 American Funds Fundamental Invs A	20.00	20,000.00
▼ Fixed Income	25.00	25,000.00
▼ Short-Term Bond United States	15.00	15,000.00
4 American Funds ST Bd Fd of Amer A	15.00	15,000.00
▼ Muni National Short United States	10.00	10,000.00
5 American Funds Ltd-Term Tx-Ex Bd A	10.00	10,000.00

Suppose a client wants to understand the cost of his or her investment decisions and asks about the total portfolio fee associated with his or her account.

Exercise 21: Display the fees in the Holdings Analysis table

Or perhaps you're a strategist and you want to know an account's total portfolio fee so you can discuss it with the portfolio manager to fully understand the manager's strategy.

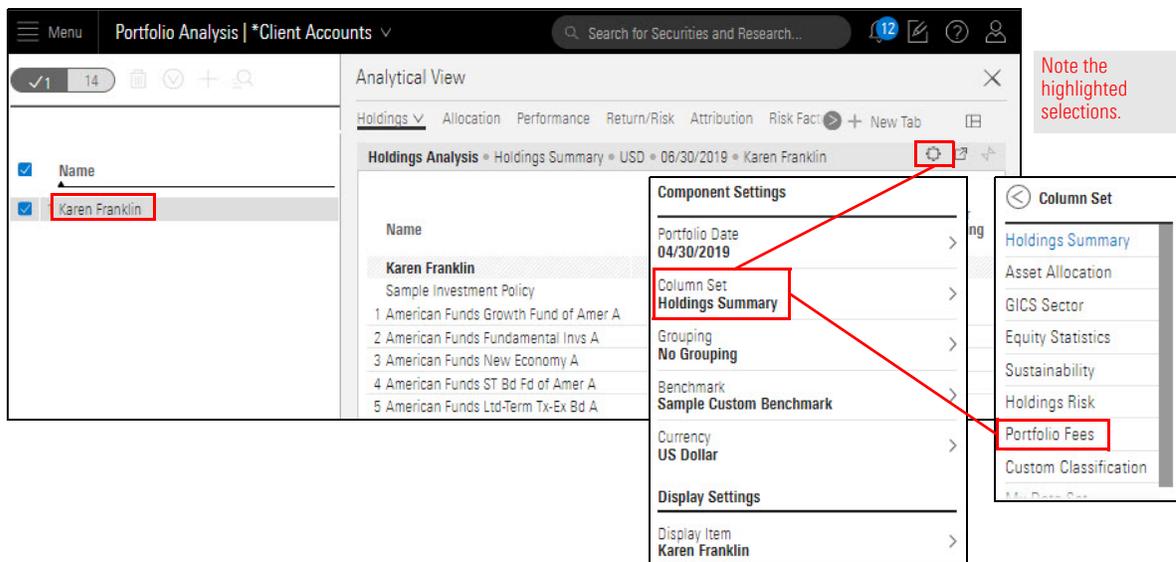
In both cases, the information you need can be easily displayed in the Holdings Analysis table in a Client Accounts workbook, by using the column set Portfolio Fees.

The fees in the column set are as follows:

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

Do the following:

1. In the Client Accounts workbook, make sure the **Karen Francis** account is highlighted, then select the **Holdings** worksheet.
2. In the Holdings Analysis table, click the **Component Settings** icon.
3. From the Component Settings menu, select **Column Set > Portfolio Fees**.



4. **Click away** from the menu to close it. The Total Portfolio Fee %, Platform Fee %, and Holdings Fee % columns are displayed at the far right of the table.

☞ Note: You might need to **scroll right** or **widen your browser window** to see all three fees.

5. **Note** that the Sample Custom Benchmark row shows no values because it is not a holding in the account.

Analytical View

Holdings ▾ Allocation Performance Return/Risk Attribution Risk Factors ▶ + New Tab

Holdings Analysis • Portfolio Fees • USD • 06/30/2019 • Karen Franklin

Name	Market Value(USD)	Total Portfolio Fee %	Platform Fee %	Holdings Fee %
Karen Franklin	143,934.28	5.53	4.89	—
Sample Custom Benchmark	—	—	—	—
1 American Funds Fundamental Invs A	29,702.58	—	—	0.12
2 American Funds Growth Fund of Amer A	64,197.17	—	—	0.28
3 American Funds Ltd-Term Tx-Ex Bd A	10,609.29	—	—	0.04
4 American Funds New Economy A	23,751.18	—	—	0.13
5 American Funds ST Bd Fd of Amer A	15,674.07	—	—	0.07

This cell is blank because the Holdings Fee % applies to holdings, but not to the account as a whole.

These cells are blank because the Total Portfolio Fee % and Platform Fee % apply to the account, but not to individual holdings or the benchmark.

In Exercise 21 on page 66, you chose to display the Portfolio Fees column set. That selection added a new option—1 Year Expected Return %—to the Component Settings menu for the Holdings Analysis table. With this option, the projected return can be changed. This can illustrate to the client that as returns increase, fees also increase (even at a fixed percentage). The cost of the account goes up.

Exercise 22: Change the expected one-year growth

Initially, the Total Portfolio Fee % is calculated assuming a one-year return of 5%.

Do the following:

1. In the Client Accounts workbook, make sure the **Karen Francis** account is selected and the **Holdings** worksheet is displayed.

In the Holdings Analysis table, Total Portfolio Fee %, Platform Fee %, and Holdings Fee % are displayed at the far right.

Note: You might need to **scroll right** or **widen your browser window** to see all three fees.

Name	Market Value(USD)	Total Portfolio Fee %	Platform Fee %	Holdings Fee %
Karen Franklin	143,934.28	5.53	4.89	—
Sample Custom Benchmark	—	—	—	—
1 American Funds Fundamental Invs A	29,702.58	—	—	0.12
2 American Funds Growth Fund of Amer A	64,197.17	—	—	0.28
3 American Funds Ltd-Term Tx-Ex Bd A	10,609.29	—	—	0.04
4 American Funds New Economy A	23,751.18	—	—	0.13
5 American Funds ST Bd Fd of Amer A	15,674.07	—	—	0.07

These values were calculated assuming a one-year return of 5%.

2. Click the **Component Settings** icon, then from the **Component Settings** menu, select **1 Year Expected Return %**. Note that the default value is 5.
3. In the **1 Year Expected Return %** field, enter **6**.

Note the highlighted selections.

4. Click **Done**.
5. Click the **Component Settings** icon to close the menu.

Because the fees are expressed as percentages (rather than currency), you may not see a change or the change may appear insignificant. However, when the those percentages are expressed as dollars or another currency, the difference between 5% and 6% can be substantial, especially when working with an account valued in millions of dollars.

Name	Market Value(USD)	Total Portfolio Fee %	Platform Fee %	Holdings Fee %
Karen Franklin	143,934.28	5.56	4.92	—
Sample Custom Benchmark	—	—	—	—
1 American Funds Growth Fund of Amer A	64,197.17	—	—	0.28
2 American Funds Fundamental Invs A	29,702.68	—	—	0.12
3 American Funds New Economy A	23,751.18	—	—	0.13
4 American Funds ST Bd Fd of Amer A	15,674.07	—	—	0.08
5 American Funds Ltd-Term Tx-Ex Bd A	10,609.29	—	—	0.04

These values were calculated based on a one-year return of 6%.

To see an example of how the percentages translate to currency, please read [How Are Client Account Fees Calculated?](#) in the Morningstar Knowledge Base.

Editing a Client Account

A client account might require modifications to its holdings and/or weights due to changes such as the following:

- ▶ the client's investment goals
- ▶ market conditions,
- ▶ job change or retirement.

To respond to these and other developments, holdings can be added and removed from the client account.

This section covers the following:

- ▶ [Exercise 23: Create a new portfolio date \(page 71\)](#)
- ▶ [Exercise 24: Remove a holding from a client account \(page 73\)](#)
- ▶ [Exercise 25: Add a holding to a client account \(page 75\)](#)
- ▶ [How can I add multiple holdings to a client account? \(page 78\)](#)
- ▶ [Exercise 26: Create a model portfolio by importing \(page 78\)](#)
- ▶ [Exercise 27: Import a model portfolio's holdings into a client account \(page 82\)](#)
- ▶ [How can I compare a client account to other portfolio objects? \(page 87\)](#)
- ▶ [Exercise 28: Associate a model portfolio with a client account \(page 87\)](#)
- ▶ [What charts and tables can display a client account and an associated model portfolio? \(page 89\)](#)
- ▶ [Exercise 29: Compare the Global Broad Category allocations of a client account and its associated model portfolio \(page 90\)](#)
- ▶ [Exercise 30: Compare the Morningstar Sector allocations of a client account and its associated model portfolio \(page 92\)](#)
- ▶ [Exercise 31: Delete a client account \(page 94\)](#)

Overview

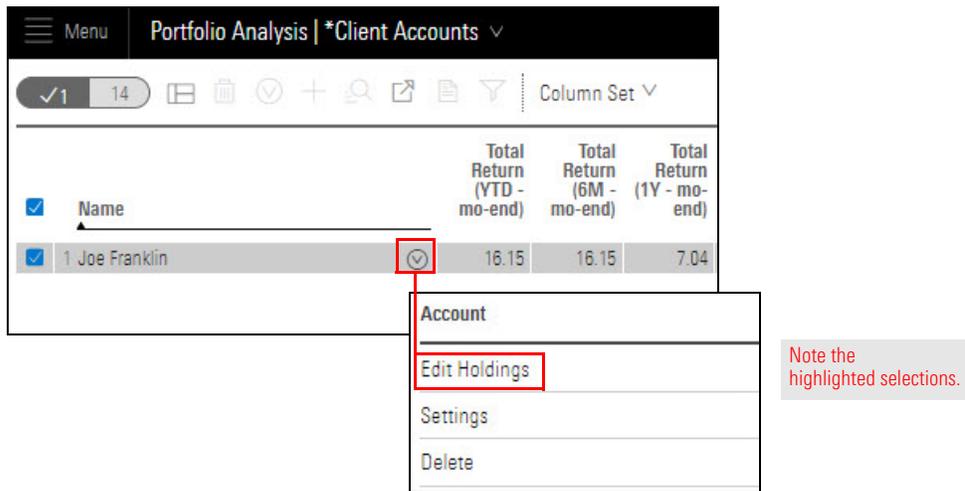
Suppose Joe Franklin (who was a prospect at the beginning of this guide) has become a client. Your analysis shows that the account could gain larger returns by replacing one of the holdings. You create a proposal showing this and present to Mr. Franklin, who agrees to the change.

Exercise 23: Create a new portfolio date

Before making such a change to the account, be sure to create a new portfolio date. This ensures that you can look back at the previous date’s holdings and weights.

Do the following:

1. In the **Client Accounts** workbook Grid, **hover the cursor** over **Joe Franklin**. The Actions icon appears.
2. Click the **Actions** icon and from the menu, select **Edit Holdings**. The Editing Holdings window opens.



3. In the list of holdings, click the **Component Settings** icon, then select **Portfolio Date** > **Create From Existing Date**. A new menu opens.
4. **Select the date** you want to use as the basis of the new date. In this case, only one date is available (12/08/15). A new menu opens.
5. In the **Holdings Date** field, **type yesterday's date**.

Note: In the Retain From 12/08/1205 field, leave Shares selected. The other option for this field is Weights.[]

The screenshot shows the 'EDITING HOLDINGS FOR "JOE FRANKLIN"' window. At the top, there are buttons for 'Save', 'Save As', 'Rename', and 'Close'. Below the title bar, the portfolio name 'Joe Franklin 12/08/2015' and allocation 'Allocation: Asset Allocation 07/31/2019' are displayed. A 'Component Settings' menu is open, showing 'Portfolio Date' set to '12/08/2015'. A secondary menu 'Create From Existing Date' is open, showing '12/08/2015' as the selected date. A third menu 'Create From Existing Date' is open, showing '08/05/2019' as the selected date. A red box highlights the '08/05/2019' date. A note on the right says 'Note the highlighted selections.'

6. Click **Done**.
7. In the upper-right corner of the Editing Holdings window, click **Save**. Don't close the Editing Holdings window.

In this exercise, you will remove a holding from the account.

The Editing Holdings window should still be open.

Exercise 24: Remove a holding from a client account

1. **Hover the cursor** over **Hodges Pure Contrarian Retail**. The Actions icon appears to the right of the name. Click the **Actions** icon and select **Remove from portfolio**. The holding is removed from the client account.

The screenshot displays the 'EDITING HOLDINGS FOR "JOE FRANKLIN"' interface. The top navigation bar includes 'Save', 'Save As', 'Rename', and 'Close' buttons. The main area is divided into several sections:

- Client Information:** 'Joe Franklin 08/05/2019' with a 'Recalculate' button.
- Asset Allocation:** A bar chart titled 'Allocation: Asset Allocation 04/30/2019' showing 'Existing', 'Edited', and 'Benchmark' allocations across categories like Stock (Net), Bond (Net), Cash (Net), Pref (Net), Convert (Net), and Other (Net).
- Holdings List:** A table with columns for Name and Weight. The 'Hodges Pure Contrarian Retail' holding is highlighted, and its 'Actions' menu is open, showing 'Remove from portfolio' as the selected option.
- Investment Growth:** A line chart titled 'Investment Growth: 10K Growth 05/23/2018 - 05/22/2019' comparing 'Existing', 'Edited', and 'Benchmark' performance over time.

A red callout box on the right side of the chart area contains the text: 'Click here to remove this holding.'

2. In the upper-right corner of the Editing Holdings window, click **Save**. Don't close the Editing Holdings window.

Note that the weight of Hodges Pure Contrarian Retail (11.79) has been assigned to Unallocated Cash.

EDITING HOLDINGS FOR "JOE FRANKLIN"	
Joe Franklin 08/05/2019 ⚙️ ↗️	
+	Recalculate
Name	Weight >
Edited	100.00
Existing	100.00
Morningstar Mod Tgt Risk TR USD	—
Unallocated Cash	11.79
1 Baron Partners Retail	17.16
2 Brown Advisory Equity Income Adv	13.43
3 Olstein All Cap Value Adv	10.91
4 Hodges Blue Chip Equity Income Retail	10.82
5 T. Rowe Price Emerging Markets Bond Adv	9.80
6 Franklin Total Return Adv	8.54
7 T. Rowe Price Summit Municipal Intm Adv	8.29
8 Brown Advisory Emgerg Mkts Select Inv	4.91
9 Cullen International High Dividend Retl	4.35

Note this value.

In Exercise 24 on page 73, you removed Hodges Pure Contrarian Retail from Joe Franklin account. In this exercise, you will add iShares Core S&P 500 ETF to take its place.

Exercise 25: Add a holding to a client account

The Editing Holdings window should still be open.

Do the following:

1. In the upper-left corner of the Editing Holdings window, click the **Add** icon. The Add dialog box opens.

2. In the **Add** field, enter **IVV**. The results list displays more than one selection for iShares Core S&P 500 ETF. Select the one **traded on NYSE ARCA**. The Add dialog box opens.

iShares Core S&P 500 ETF is now listed as a holding. Its weight and market value display a dash (—).

EDITING HOLDINGS FOR "JOE FRANKLIN"		
Joe Franklin 08/05/2019		
Name	Weight	Market Value(USD)
Edited	100.00	12,534.57
Existing	100.00	12,534.57
Morningstar Mod Tgt Risk ...	—	—
Unallocated Cash	11.79	1,478.06
1 T. Rowe Price Summit Municipa...	8.29	1,038.75
2 T. Rowe Price Emerging Market...	9.80	1,228.92
3 Olstein All Cap Value Adv	10.91	1,367.66
4 iShares Core S&P 500 ETF	—	—
5 Hodges Blue Chip Equity Incom...	10.82	1,355.68
6 Franklin Total Return Adv	8.54	1,070.61
7 Cullen International High Divide...	4.35	545.17
8 Brown Advisory Equity Income ...	13.43	1,683.37
9 Brown Advisory Emverg Mkts S...	4.91	615.58
10 Baron Partners Retail	17.16	2,150.76

The dashes indicate the holding has no weight or market value.

3. In the iShares Core S&P 500 ETF row, click the **dash** in the Weight column.
4. Enter **11.79** (the weight currently assigned to Unallocated Cash and previously assigned to Hodges Pure Contrarian Retail).

EDITING HOLDINGS FOR "JOE FRANKLIN"

Joe Franklin 08/05/2019 ⚙️ ↗️

Recalculate

Name	Weight >	Market Value(USD)
Edited	100.00	12,534.57
Existing	100.00	12,534.57
Morningstar Mod Tgt Risk ...	—	—
Unallocated Cash	0.00	0.24
1 T. Rowe Price Summit Municipa...	8.29	1,038.75
2 T. Rowe Price Emerging Market...	9.80	1,228.92
3 Olstein All Cap Value Adv	10.91	1,387.66
4 iShares Core S&P 500 ETF	11.79	1,477.83
5 Hodges Blue Chip Equity Incom...	10.82	1,355.68
6 Franklin Total Return Adv	8.54	1,070.61
7 Cullen International High Divide...	4.35	545.17
8 Brown Advisory Equity Income ...	13.43	1,683.37
9 Brown Advisory Emgerg Mkts S...	4.91	615.58
10 Baron Partners Retail	17.16	2,150.76

Note the weights and market values for Unallocated Cash and iShares Core S&P 500 ETF.

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

In [Exercise 25 on page 75](#), you added a holding to the Joe Franklin account. What can you do if you're in the following situation:

- ▶ You need to add multiple holdings to an account, and
- ▶ The holdings aren't available as a list but they are in a model portfolio.

Adding the holdings individually would be time-consuming, but if you have access to the model portfolio, you can add its holdings to the client account.

In [Exercise 26 on page 78](#), you will import a Microsoft Excel file as a model portfolio, then in [Exercise 27 on page 82](#), you will import the model portfolio's holdings into the Joe Franklin account.

How can I add multiple holdings to a client account?

In this exercise, you will create a model portfolio by importing a Microsoft Excel file. You will later import this model portfolio's holdings into the Joe Franklin account.

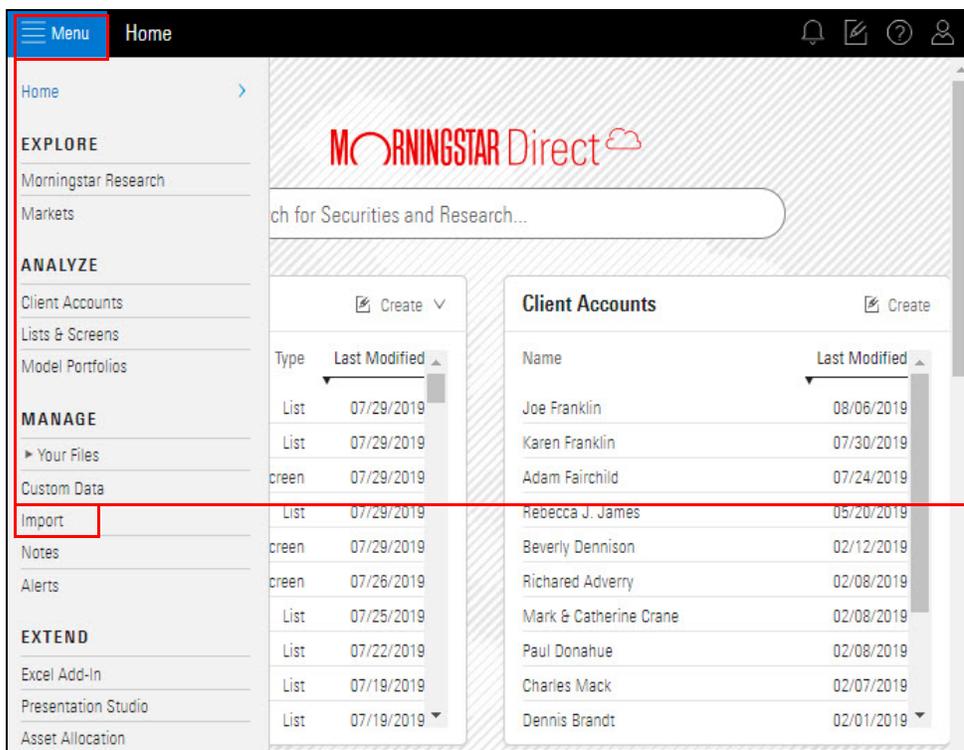
Exercise 26: Create a model portfolio by importing

Do the following:

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

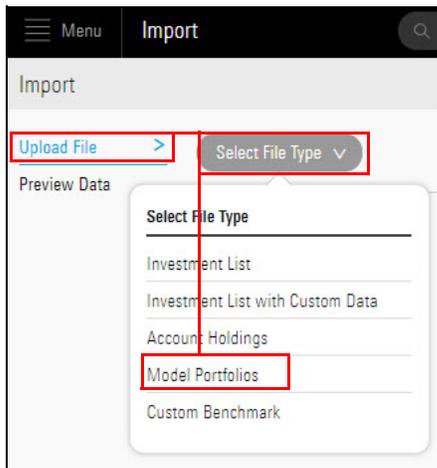
To import an Excel file, do the following:

1. **Download** the [Excel file](#) for this exercise.
2. In the upper-left corner of the Home page, **hover the cursor** over **Menu** and select **Import**. The Import page opens.



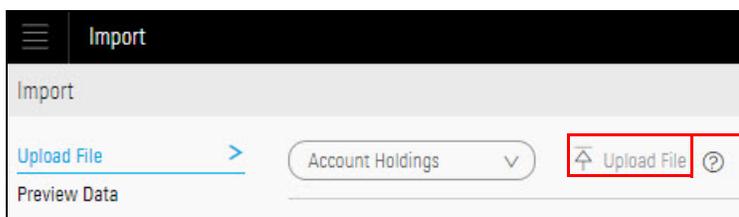
Note the highlighted selections.

- At the left side of the Import window, the Upload File option is selected. Click **Select File Type** and select **Model Portfolios**. To the right of the Select File Type button, the Upload File icon appears.



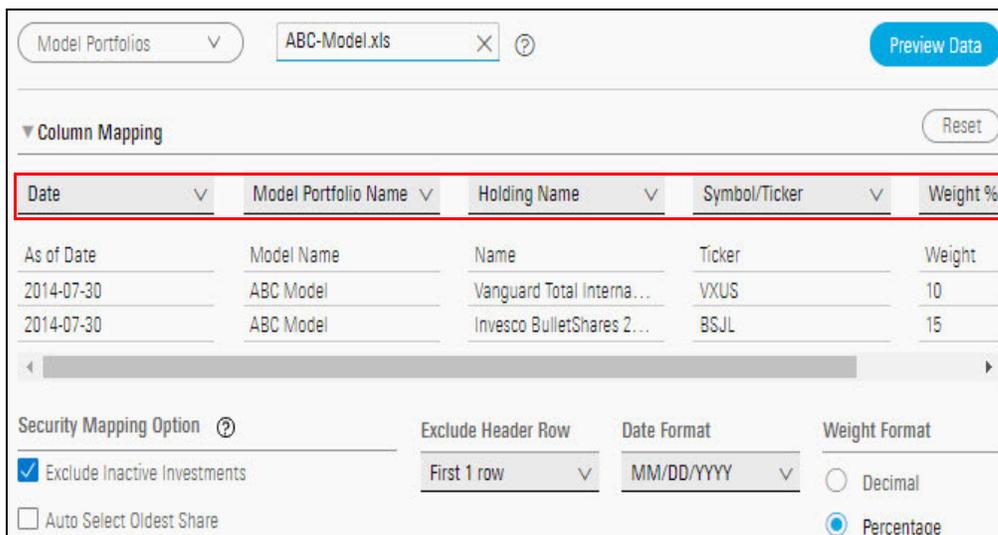
Note the highlighted selections.

- Click **Upload File**. A navigation window opens.



Click here.

- On your computer system, **locate** and **double-click ABC-Model.xls** (the file you downloaded). The Import page opens, displaying mapping options.
- In the Column Mapping area, use the pull-down menus to make a **selection** from each **Unmapped** field. Each unmapped column must correspond to a column in the Excel spreadsheet. A selection for each column is required.



Use the pull-down menus to map each column to the these selections in Date, Model Portfolio Name, Holding Name, Symbol/Ticker, and Weight %.

7. In the **Exclude Header Row** field, make sure **First 1 row** is selected.
8. From the **Date Format** menu, select **MM/DD/YYYY** (or the date format you want to use).
9. In the **Weight Format** area, select **Percentage**.

Date	Model Portfolio Name	Holding Name	Symbol/Ticker	Weight %
As of Date	Model Name	Name	Ticker	Weight
2014-07-30	ABC Model	Vanguard Total Interna...	VXUS	10
2014-07-30	ABC Model	Invesco BulletShares 2...	BSJL	15

Match these selections in Exclude Header Row, Date Format, and Weight Format.

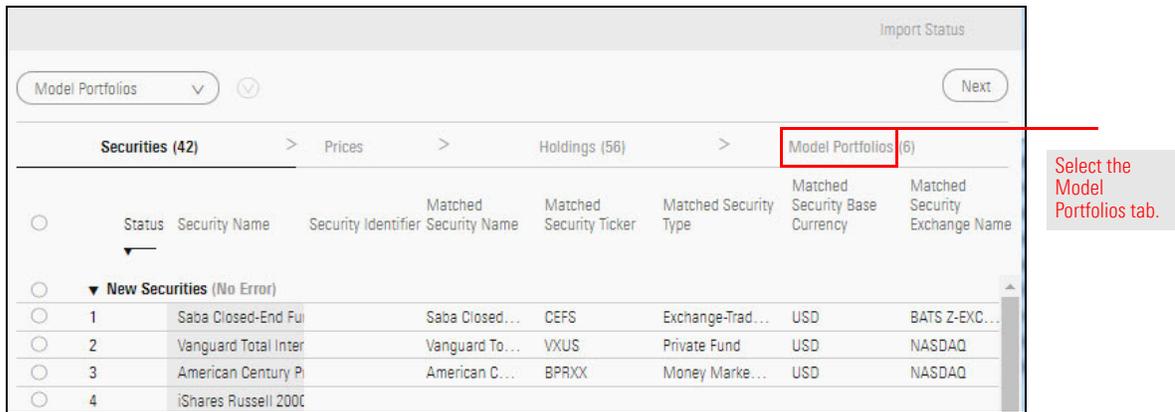
10. In the upper-right corner of the window, click **Preview Data**. The Import Status window opens.
11. Under **Model Portfolios**, click **Preview Data Section**.

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

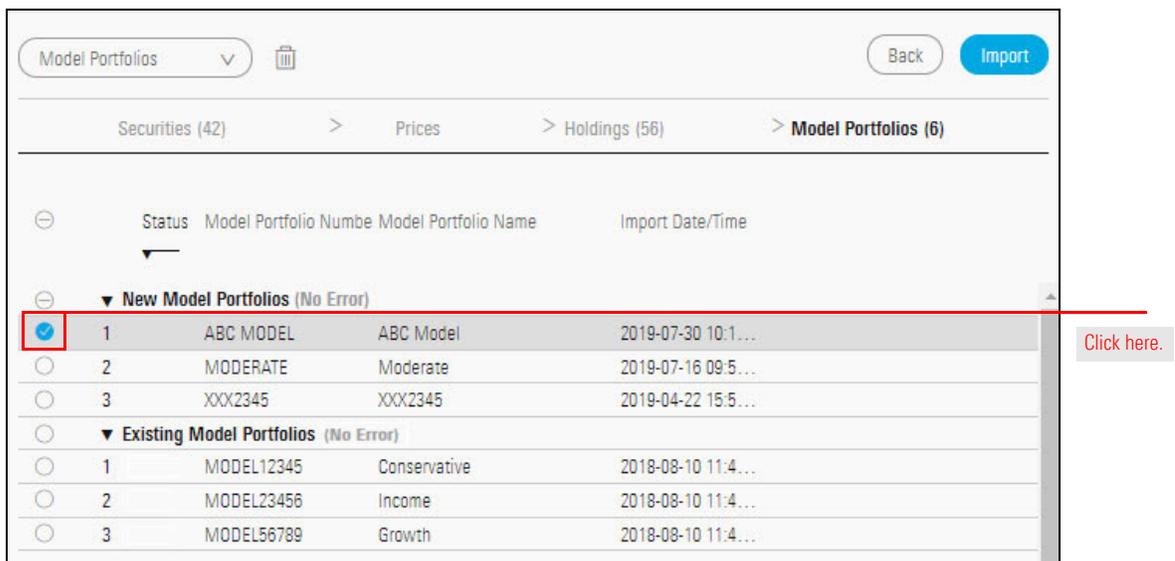
In the Preview Data window, the holdings are listed as individual securities. Those listed in the New Securities section have not been imported before. Those listed in the Existing Securities section have been previously imported.

Some of the securities from the Excel file might be listed under Existing Securities. One solution is to compare the new securities against the Excel file to make sure they're all listed. However, that can be time-consuming, especially if a large number of securities is being imported. It's quicker to view the import as a model portfolio.

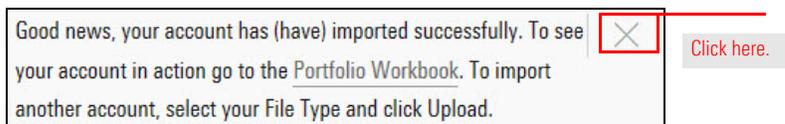
- Near the top of the window, select the **Model Portfolios** tab. On this tab, model portfolios are shown, rather than individual securities.



- Select **ABC Model** by clicking the **circle** at the left of its row, then in the upper-right corner of the window, click **Import**.



- A message opens, announcing the account was imported successfully. In the upper-right corner of the message, click the **X** to close it.

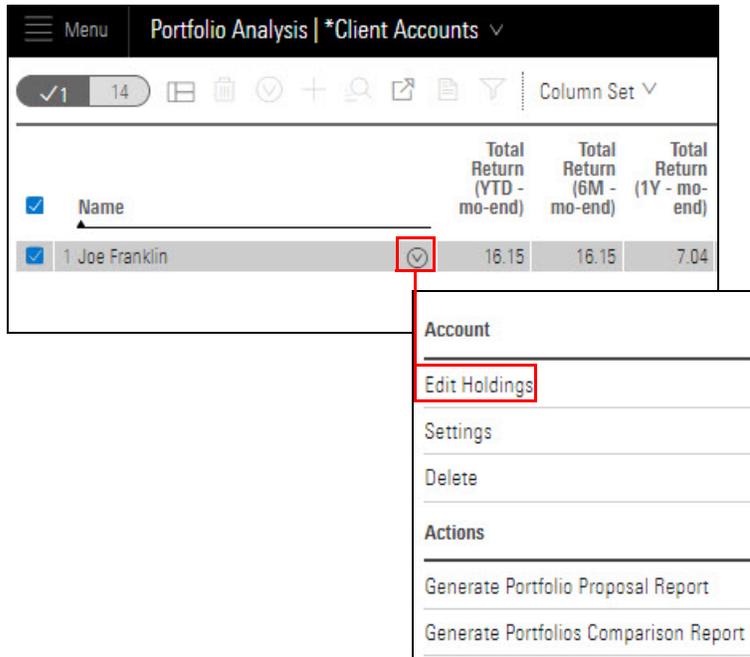


Now that the ABC Model is available to you, you can add its holdings to the Joe Franklin account.

Do the following:

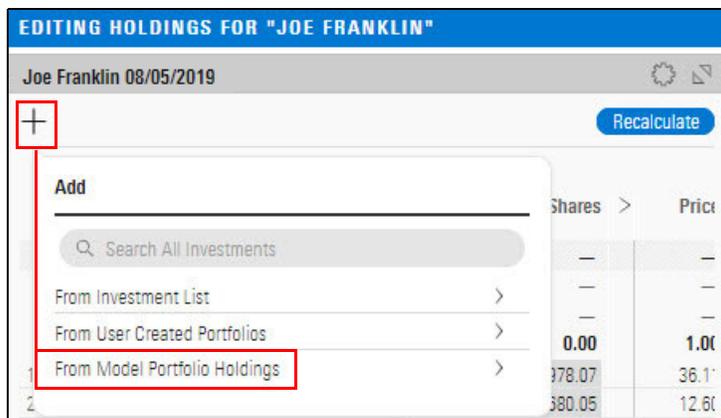
1. In the Grid, **hover the cursor** over the **Joe Franklin** account and from its Action menu, select **Edit Holdings**. The Edit Holdings window opens.

Exercise 27: Import a model portfolio's holdings into a client account



Note the highlighted selections.

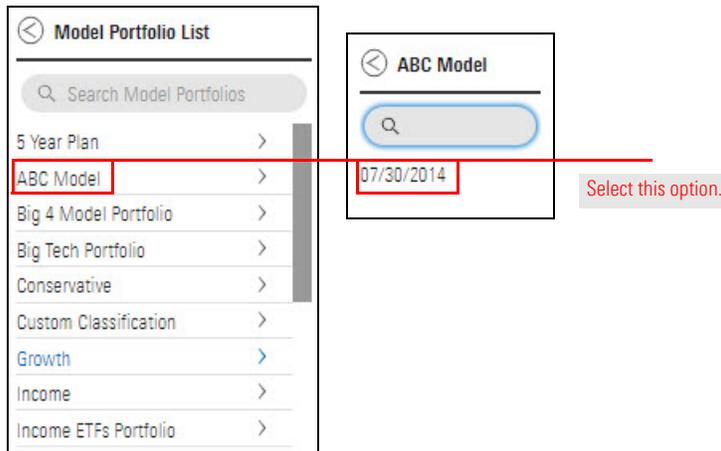
2. In the upper-left corner of the Editing Holdings window, click the **Add** icon. The Add dialog box opens.
3. Select **From Model Portfolio Holdings**. The Model Portfolio List opens.



Make sure you select this option.

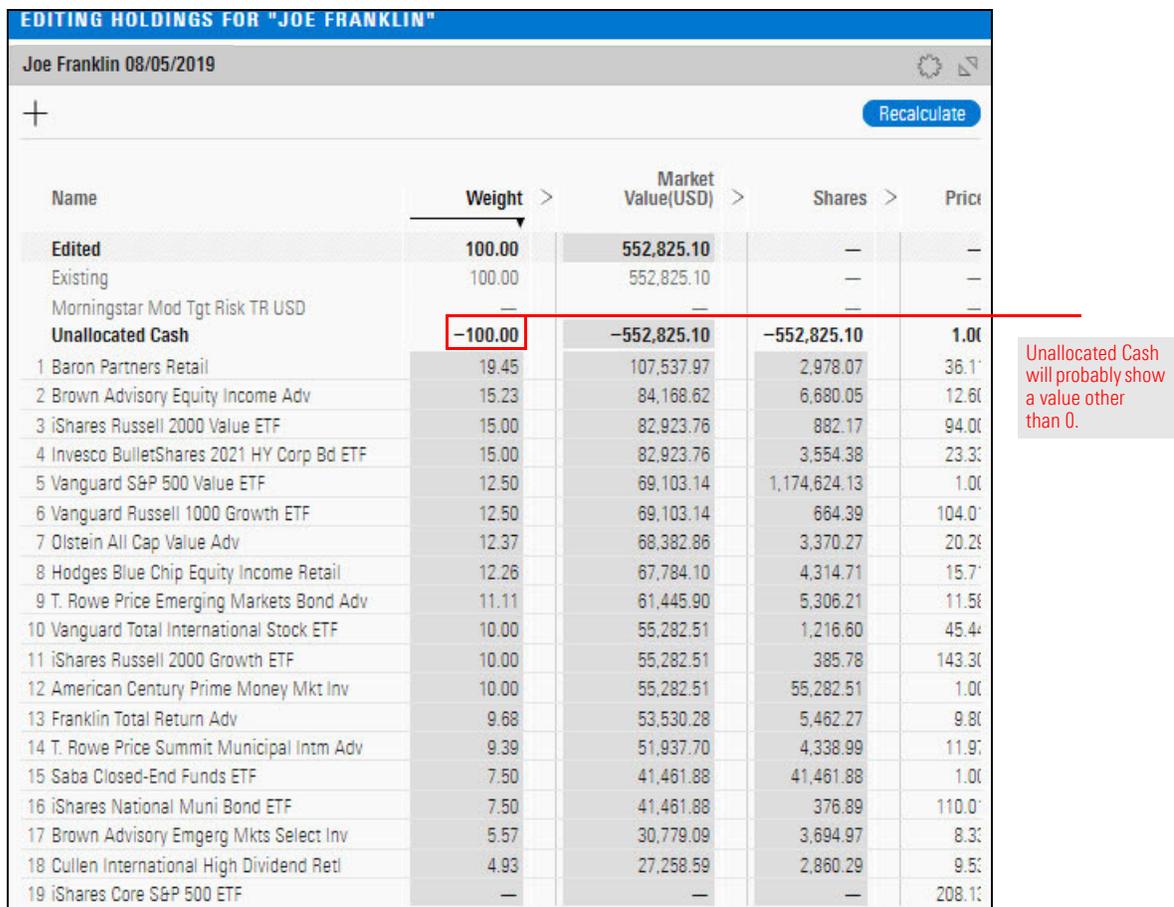
4. Select **ABC Model**. A new menu opens.
The date or dates of the model portfolio's most recent update(s) are shown below the Search field. Keep in mind that the holdings might change from update to update.

- Click the **date** when the portfolio contained the holdings you want.



The screenshot shows two windows. The left window, titled 'Model Portfolio List', contains a search bar and a list of portfolios. 'ABC Model' is highlighted with a red box. The right window, titled 'ABC Model', shows a search bar and a date picker with '07/30/2014' selected and highlighted with a red box. A red line connects the 'ABC Model' text in the first window to the date in the second window. A grey callout box with the text 'Select this option.' points to the date.

When the menu closes, the holdings from ABC Model have been added to the Editing Holdings window. However, they have retained their weight percentages from the ABC Model, which means the weight percentages of the Joe Franklin account no longer add up to 100.



The screenshot shows the 'EDITING HOLDINGS FOR JOE FRANKLIN' window. At the top, it says 'Joe Franklin 08/05/2019' and has a 'Recalculate' button. Below is a table with columns: Name, Weight, Market Value(USD), Shares, and Price. The 'Unallocated Cash' row is highlighted with a red box and a red line. A grey callout box with the text 'Unallocated Cash will probably show a value other than 0.' points to the 'Unallocated Cash' row.

Name	Weight	Market Value(USD)	Shares	Price
Edited	100.00	552,825.10	—	—
Existing	100.00	552,825.10	—	—
Morningstar Mod Tgt Risk TR USD	—	—	—	—
Unallocated Cash	-100.00	-552,825.10	-552,825.10	1.00
1 Baron Partners Retail	19.45	107,537.97	2,978.07	36.11
2 Brown Advisory Equity Income Adv	15.23	84,168.62	6,680.05	12.60
3 iShares Russell 2000 Value ETF	15.00	82,923.76	882.17	94.00
4 Invesco BulletShares 2021 HY Corp Bd ETF	15.00	82,923.76	3,554.38	23.33
5 Vanguard S&P 500 Value ETF	12.50	69,103.14	1,174,624.13	1.00
6 Vanguard Russell 1000 Growth ETF	12.50	69,103.14	664.39	104.00
7 Olstein All Cap Value Adv	12.37	68,382.86	3,370.27	20.28
8 Hodges Blue Chip Equity Income Retail	12.26	67,784.10	4,314.71	15.71
9 T. Rowe Price Emerging Markets Bond Adv	11.11	61,445.90	5,306.21	11.58
10 Vanguard Total International Stock ETF	10.00	55,282.51	1,216.60	45.44
11 iShares Russell 2000 Growth ETF	10.00	55,282.51	385.78	143.30
12 American Century Prime Money Mkt Inv	10.00	55,282.51	55,282.51	1.00
13 Franklin Total Return Adv	9.68	53,530.28	5,462.27	9.80
14 T. Rowe Price Summit Municipal Intm Adv	9.39	51,937.70	4,338.99	11.96
15 Saba Closed-End Funds ETF	7.50	41,461.88	41,461.88	1.00
16 iShares National Muni Bond ETF	7.50	41,461.88	376.89	110.00
17 Brown Advisory Emgerg Mkts Select Inv	5.57	30,779.09	3,694.97	8.33
18 Cullen International High Dividend Retl	4.93	27,258.59	2,860.29	9.53
19 iShares Core S&P 500 ETF	—	—	—	208.11

6. **Double-click** the **Name** column header to **sort** the column alphabetically.

EDITING HOLDINGS FOR "JOE FRANKLIN"				
Joe Franklin 08/05/2019 ⚙️ ↗️				
Recalculate				
Name	Weight >	Market Value(USD) >	Shares >	Price
Edited	100.00	552,825.10	—	—
Existing	100.00	552,825.10	—	—
Morningstar Mod Tgt Risk TR USD	—	—	—	—
Unallocated Cash	-100.00	-552,825.10	-552,825.10	1.00
1 American Century Prime Money Mkt Inv	10.00	55,282.51	55,282.51	1.00
2 Baron Partners Retail	19.45	107,537.97	2,978.07	36.11
3 Brown Advisory Emrgng Mkts Select Inv	5.57	30,779.09	3,694.97	8.33
4 Brown Advisory Equity Income Adv	15.23	84,168.62	6,680.05	12.60
5 Cullen International High Dividend Retl	4.93	27,258.59	2,860.29	9.53
6 Franklin Total Return Adv	9.68	53,530.28	5,462.27	9.80
7 Hodges Blue Chip Equity Income Retail	12.26	67,784.10	4,314.71	15.71
8 Invesco BulletShares 2021 HY Corp Bd ETF	15.00	82,923.76	3,554.38	23.33
9 iShares Core S&P 500 ETF	—	—	—	208.11
10 iShares National Muni Bond ETF	7.50	41,461.88	376.89	110.00
11 iShares Russell 2000 Growth ETF	10.00	55,282.51	385.78	143.30
12 iShares Russell 2000 Value ETF	15.00	82,923.76	882.17	94.00
13 Olstein All Cap Value Adv	12.37	68,382.86	3,370.27	20.25
14 Saba Closed-End Funds ETF	7.50	41,461.88	41,461.88	1.00
15 T. Rowe Price Emerging Markets Bond Adv	11.11	61,445.90	5,306.21	11.56
16 T. Rowe Price Summit Municipal Intm Adv	9.39	51,937.70	4,338.99	11.95
17 Vanguard Russell 1000 Growth ETF	12.50	69,103.14	664.39	104.00
18 Vanguard S&P 500 Value ETF	12.50	69,103.14	1,174,624.13	1.00
19 Vanguard Total International Stock ETF	10.00	55,282.51	1,216.60	45.44

Double-click here.

7. **Re-weight** the holdings as shown in the following table:

Investment	Weight
American Century Prime Money Mkt Inv	10
Baron Partners Retail	10
Brown Advisory Emerg Mkts Select Inv	10
Brown Advisory Equity Income Adv	5
Cullen International High Dividend Retl	5
Franklin Total Return Adv	5
Hodges Blue Chip Equity Income Retail	5
Invesco BulletShares 2021 HY Corp Bd ETF	5
iShares Core S&P 500 ETF	5
iShares National Muni Bond ETF	5
iShares Russell 2000 Growth ETF	4
iShares Russell 2000 Value ETF	4
Olstein All Cap Value Adv	4
Saba Close-End Funds ETF	4
T. Rowe Price Emerging Markets Bond Adv	4
T. Rowe Price Summit Municipal Intm Adv	4
Vanguard Russell 1000 Growth ETF	4
Vanguard S&P 500 Value ETF	3
Vanguard Total International Stock ETF	5

EDITING HOLDINGS FOR "JOE FRANKLIN"
Save Save As Rename Close

Joe Franklin 12/08/2015 Recalculate

Name	Weight >
Edited	100.00
Existing	100.00
Morningstar Mod Tgt Risk TR USD	—
Unallocated Cash	0.00
1 American Century Prime Money Mkt Inv	10.00
2 Baron Partners Retail	10.00
3 Brown Advisory Emgerg Mkts Select Inv	10.00
4 Brown Advisory Equity Income Adv	5.00
5 Cullen International High Dividend Retl	5.00
6 Franklin Total Return Adv	5.00
7 Hodges Blue Chip Equity Income Retail	5.00
8 Invesco BulletShares 2021 HY Corp Bd ETF	5.00
9 iShares Core S&P 500 ETF	5.00
10 iShares National Muni Bond ETF	5.00
11 iShares Russell 2000 Growth ETF	5.00
12 iShares Russell 2000 Value ETF	4.00
13 Olstein All Cap Value Adv	4.00
14 Saba Closed-End Funds ETF	4.00
15 T. Rowe Price Emerging Markets Bond Adv	4.00
16 T. Rowe Price Summit Municipal Intm Adv	4.00
17 Vanguard Russell 1000 Growth ETF	4.00
18 Vanguard S&P 500 Value ETF	3.00
19 Vanguard Total International Stock ETF	3.00

Allocation: Asset Allocation 06/30/2019

Investment Growth: 10K Growth 08/01/2018 - 07/31/2019

Make sure the Edited Weight is 100.

If Unallocated Cash shows a value other than 0, that is the amount the holding weights are over or under 100.

8. Click **Recalculate**.
9. Click **Save**, then click **Close**.

In [Working with Custom Benchmarks on page 17](#), you did the following:

- ▶ created two custom benchmarks
- ▶ applied them to a client account, and
- ▶ compared them to the client account in various components.

In [Using an Investment Policy on page 42](#), you did the following:

- ▶ created an investment policy,
- ▶ applied it to a client account, and
- ▶ compared it to the client account.

In this section, you will compare a client account to other portfolio objects. Such comparisons can help you do the following:

- ▶ evaluate an account's performance when measured against a model portfolio
- ▶ consider the volatility of a client account with objective measures, and
- ▶ determine investment gaps to fill.

Comparisons can also be a preliminary step in creating a proposal. When making a comparison, you might find that an existing portfolio object could be the basis of an attractive proposal for a client account.

In [Exercise 26 on page 78](#), you created the ABC Model portfolio, and in [Exercise 27 on page 82](#), you imported its holdings to the Joe Franklin account.

Suppose you want to record which model portfolio was the source of many of the holdings. Associating the model portfolio with the client account is the solution.

Associating a model portfolio with a client account has another use. It allows one more comparison option (in addition to benchmarks and an investment policy).

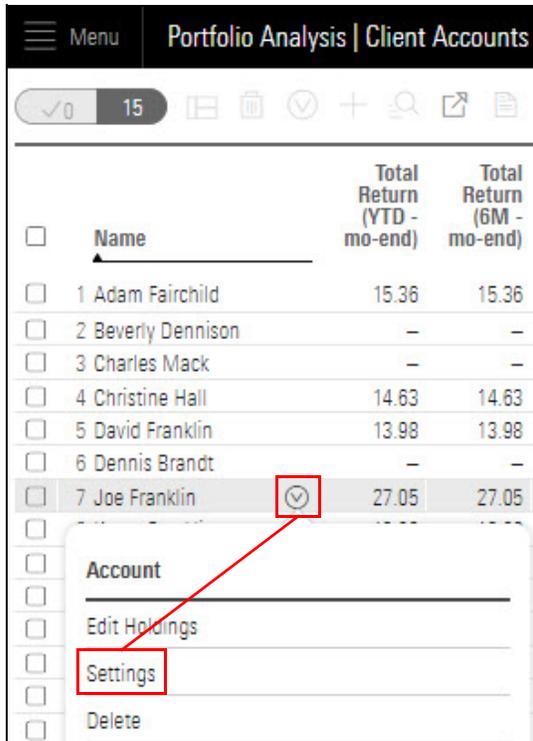
In this exercise, you will associate the ABC Model portfolio with the Joe Franklin account.

How can I compare a client account to other portfolio objects?

Exercise 28: Associate a model portfolio with a client account

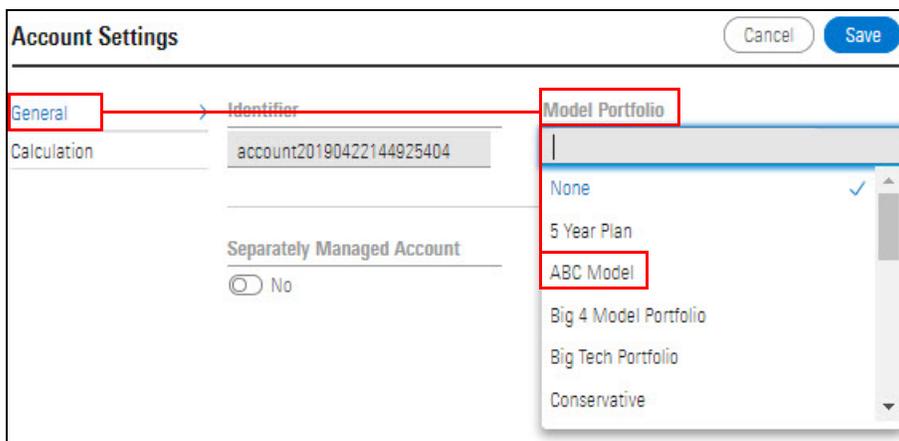
Do the following:

1. In the Grid, **hover the cursor** over the **Joe Franklin** account.
2. Click the **Actions** icon and from the menu, select **Settings**. The Account Settings window opens.



Note the highlighted selections.

3. On the **General** tab, from the **Model Portfolio** menu, select **ABC Model**.



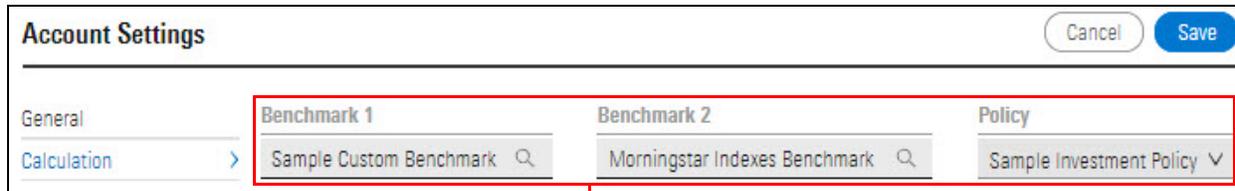
Note the highlighted selections.

4. Click **Save**.

Suppose you want to compare the Karen Franklin account to a model portfolio to assess the model’s usefulness as a benchmark or the basis for a proposal.

In Karen Franklin’s Account Settings window, both benchmark options and the policy option are in use. In this set of exercises, you will associate the ABC Model with the Karen Franklin account and compare the model and the account.

What charts and tables can display a client account and an associated model portfolio?



Although you can change these selections, you have another option for comparing a client account and a model portfolio.

The following charts and tables can display both the account and an associated model portfolio:

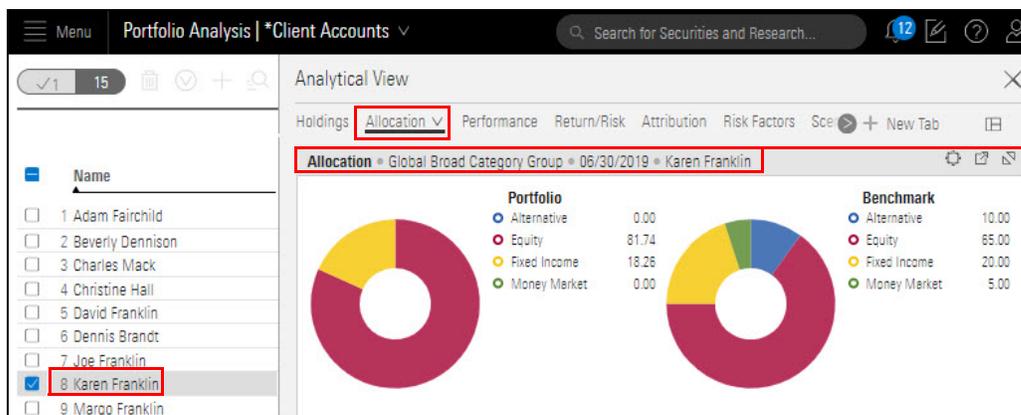
- ▶ Allocation
- ▶ Equity Style Box
- ▶ Historical Return
- ▶ Historical Risk Exposure
- ▶ Holdings Plot
- ▶ Investment Growth
- ▶ Scatter Plot
- ▶ Scenario Metrics
- ▶ Scenario Trend
- ▶ Sustainability Ratings Analysis

In this exercise, you will compare the Global Broad Category allocations of the Karen Franklin account to the ABC Model portfolio.

Exercise 29: Compare the Global Broad Category allocations of a client account and its associated model portfolio

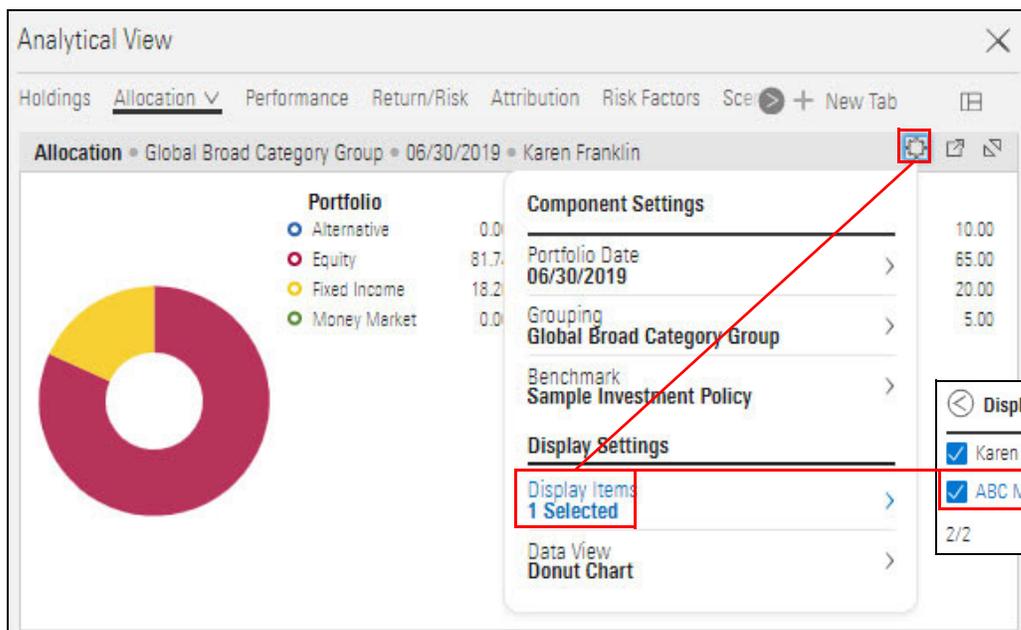
Do the following:

1. Associate the **ABC Model** with the **Karen Franklin** account.
 - ☞ Note: See [Exercise 28 on page 87](#) if you need help with this step.
2. In the Grid, click the **Karen Franklin** account. The Analytical View opens.
3. Select the **Allocation** tab.
4. In the **Allocation** chart, **note** that the following are displayed:
 - ▶ a donut chart representing the Karen Franklin account
 - ▶ a donut chart representing the default benchmark of the Karen Franklin account, and
 - ▶ the Global Broad Category allocations of the account and the benchmark.



The chart header identifies the Group, today's date, and the client account.

5. From the **Component Settings** menu, select **Display Items**, then select **ABC Model**.



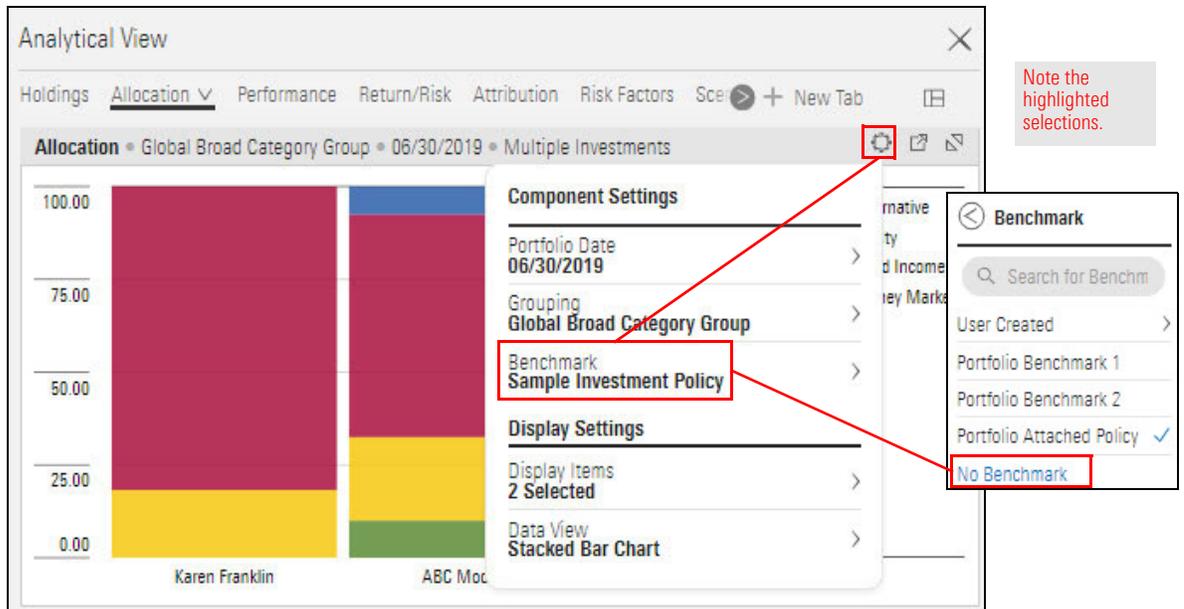
Note the highlighted selections.

6. **Click away** from the **Component Settings** menu to close it.

The Allocation chart can display only two donut charts at the same time. When you added the ABC Model as a display item, the donut chart automatically changed to a stacked bar chart.



7. To display only the Karen Franklin account and the ABC Model, from the **Component Settings** menu, select **Benchmark**, then select **No Benchmark**.



8. Click away from the **Component Settings** menu to close it.

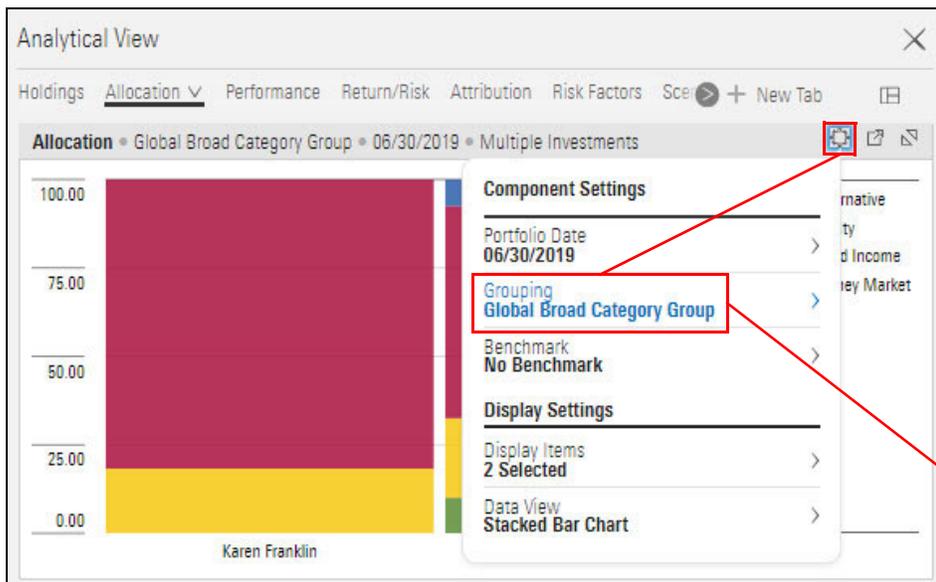


In this exercise, you will display the asset allocations of the Karen Franklin account and the ABC Model portfolio.

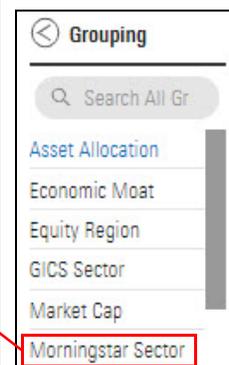
Do the following:

1. In the Allocation chart, click the **Component Settings** menu.
2. From the **Component Settings** menu, select **Grouping**, then select **Morningstar Sector**.

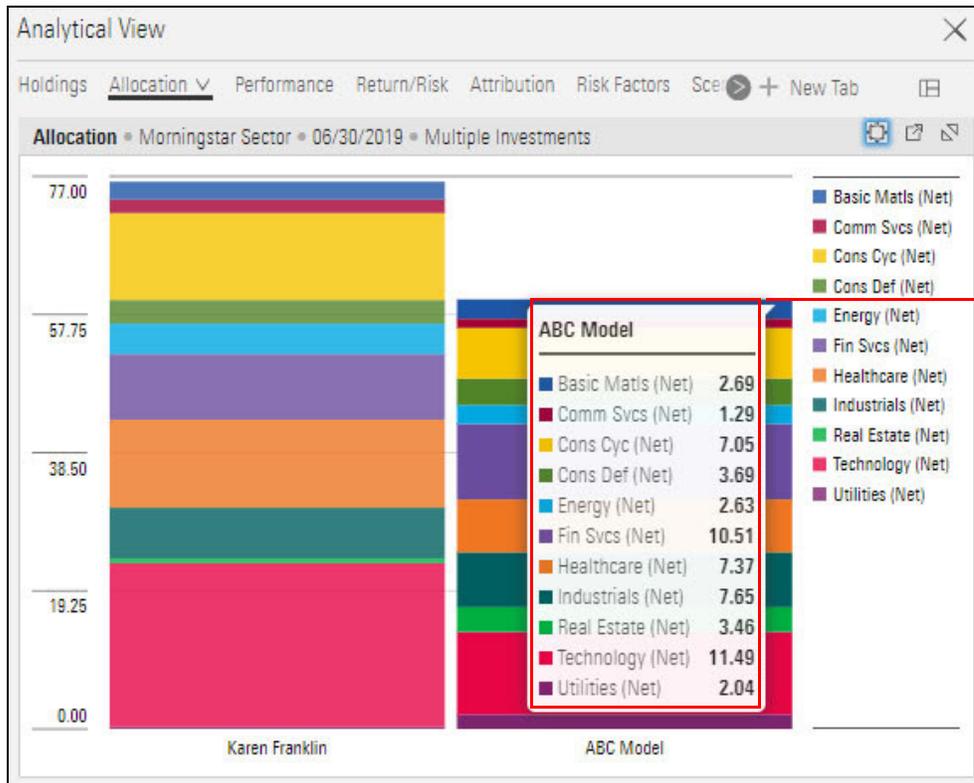
Exercise 30: Compare the Morningstar Sector allocations of a client account and its associated model portfolio



Note the highlighted selections.



3. Click away from the **Component Settings** menu to close it.



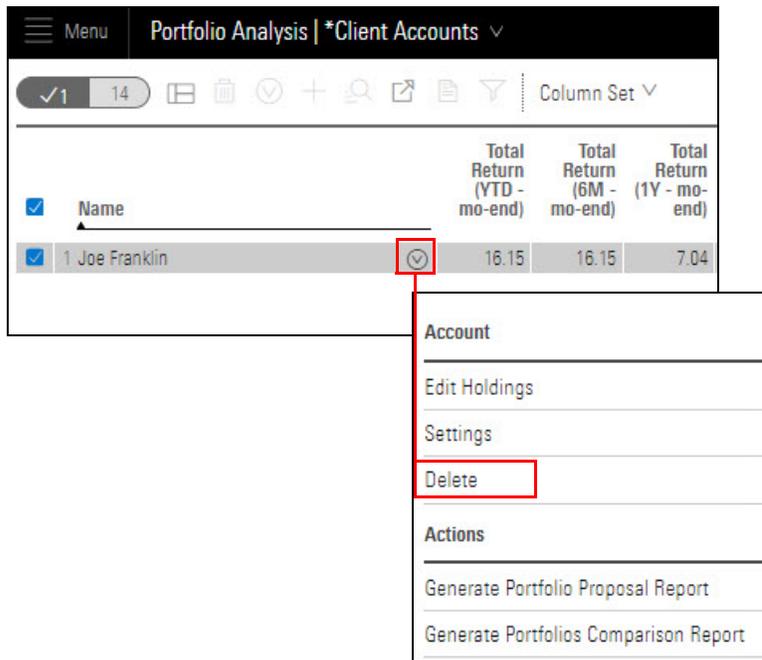
Hover the cursor over either bar to display the numeric data of the Morningstar Sectors.

At some point in time, Joe Franklin might decide to close his account. In this exercise, you will delete that account.

Exercise 31: Delete a client account

Do the following:

1. In the Client Accounts workbook Grid, **hover the cursor** over **Joe Franklin**. The Actions icon appears.
2. Click the **Actions** icon and select **Delete**. An alert dialog box opens, where you can cancel or continue with the deletion.



Note the highlighted selections.

3. Click **Delete**. The dialog box closes.

