Working with Model Portfolios

Morningstar Direct℠ for Asset Management

Contents

Working with Model Portfolios

Overview

A model portfolio is a mock-up of an actual portfolio. In Morningstar Direct[SM] for Asset Management, a model portfolio can be used to do the following:

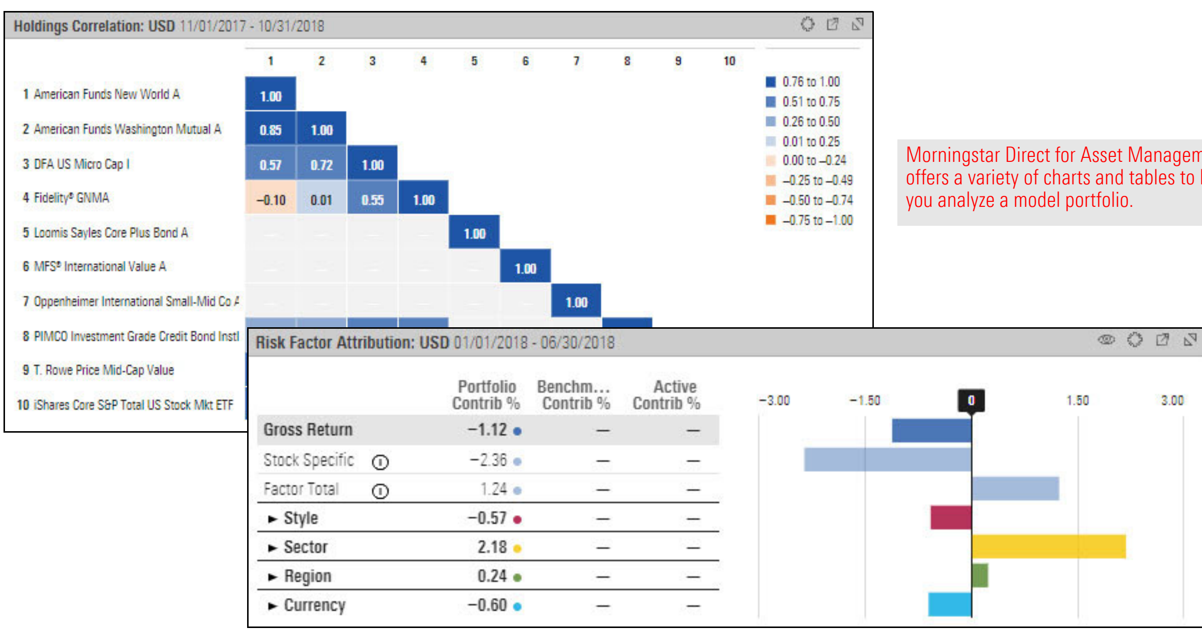
- analyze a group of investments
- assign custom benchmarks, and
- add an investment policy to aid in that analysis.

By now, you should have completed the Creating Lists & Workbooks, Creating Screens, and Creating Column Sets guides, where you learned how to create and leverage those tools.

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

This manual covers the following topics:

- Creating a Model Portfolio (page 5)
- Using Custom Benchmarks (page 15)
- Using an Investment Policy (page 41), and
- Editing a Model Portfolio (page 62).



Morningstar Direct for Asset Management offers a variety of charts and tables to help you analyze a model portfolio.

Creating a Model Portfolio

Overview

A model portfolio allows you to analyze a set of investments and determine the set's suitability as a recommended investment. A model portfolio can be created either by manually entering information, or by importing data from Microsoft® Excel®.

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

- Exercise 1: Create a model portfolio from an investment list (page 5)
- Exercise 2: Create a model portfolio by importing (page 10)

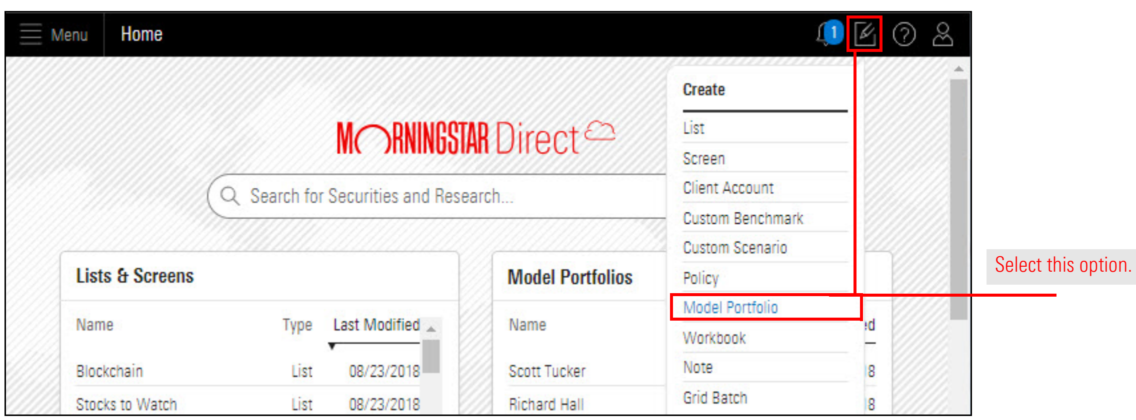
Exercise 1: Create a model portfolio from an investment list

If you have an list of investments you want to examine as a single investment (or portfolio), you can use the list as the basis of a model portfolio.

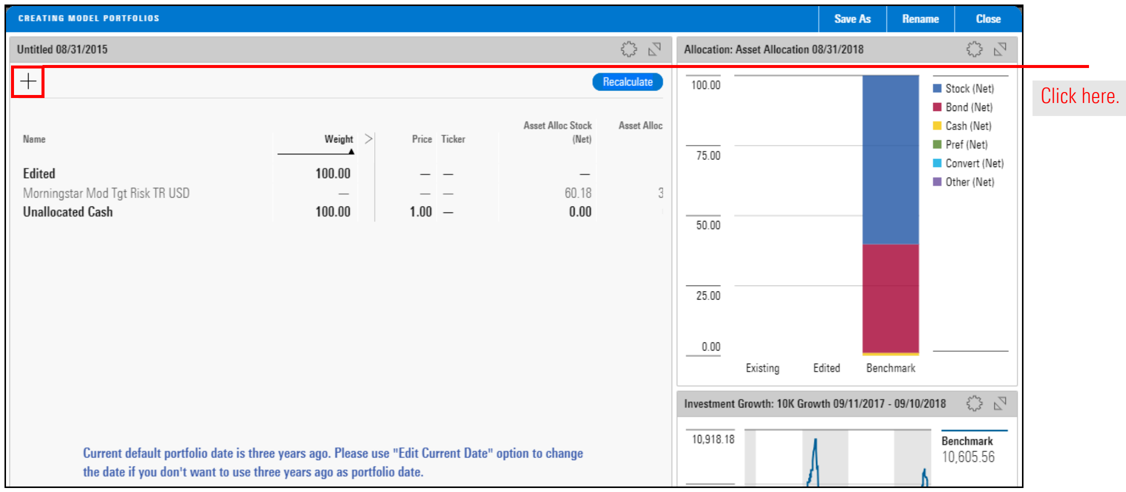
In this exercise, you will create a model portfolio from an investment list, using the Income ETFs list you created in the Creating Lists and Workbooks guide. (If you do not already have this list, you can create it now.)

To create a model portfolio from an investment list, do the following:

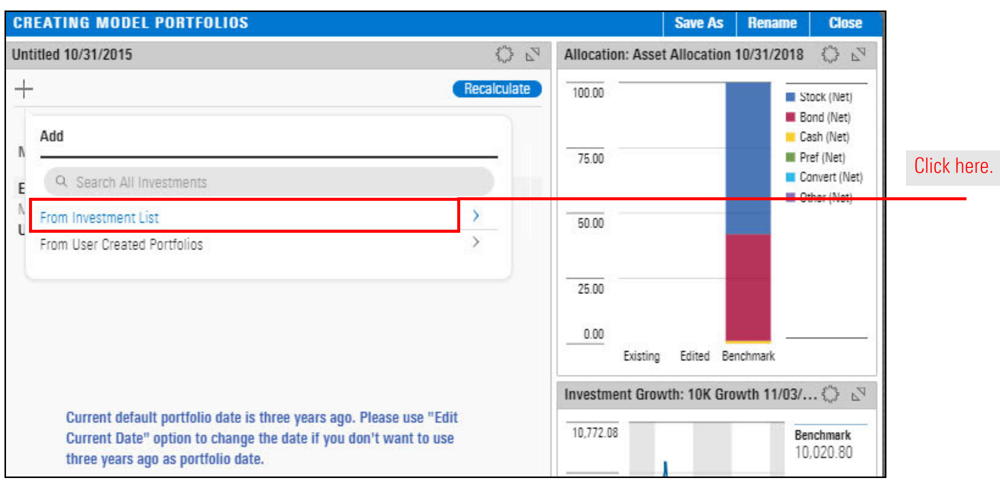
1. On the header, click the **Create** icon and select **Model Portfolio**. The Creating Model Portfolios window opens.



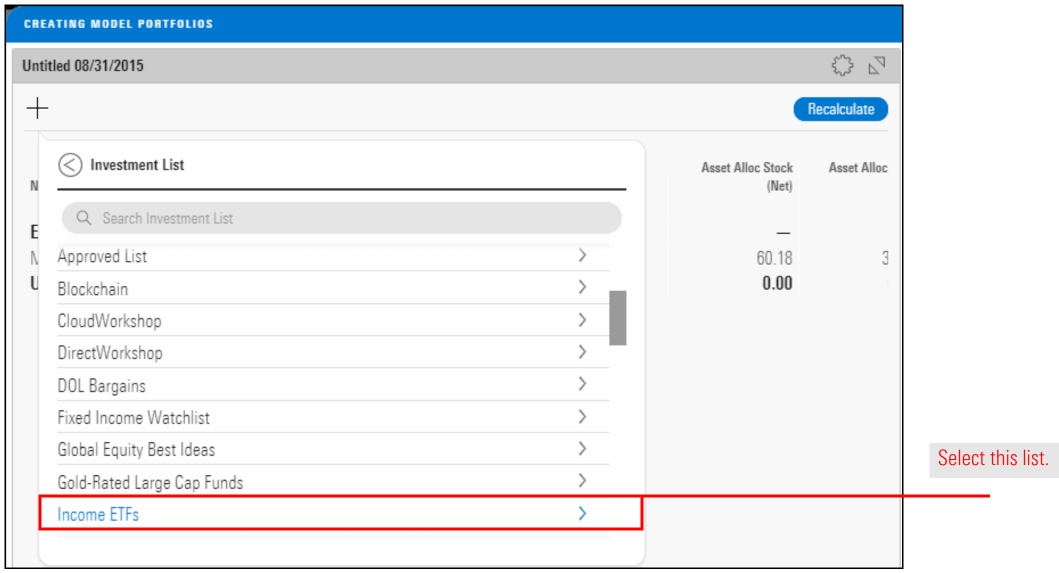
2. In the upper-left corner, click the **Add** icon. The Add dialog box opens.



3. In the Add dialog box, select **From Investment List**. The Investment List dialog box opens.



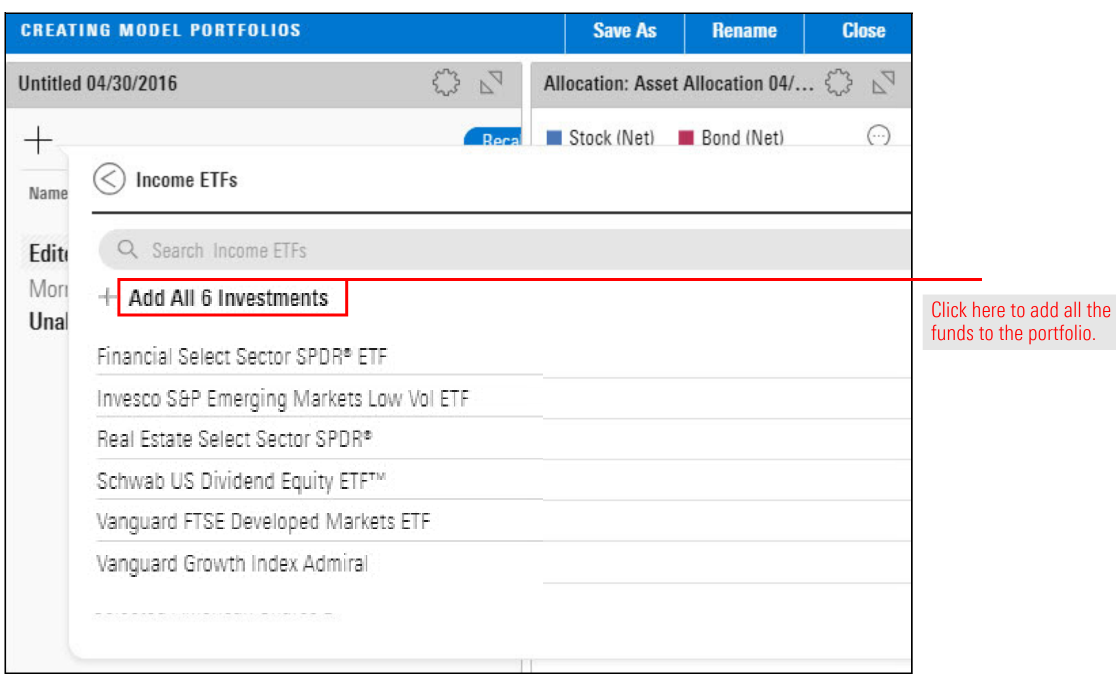
4. From the investment lists, select **Income ETFs**.



The funds in that list are displayed as follows:

- Financial Select Sector SPDR ETF
- Invesco S&P Emerging Markets Low Vol ETF
- Real Estate Select Sector SPDF
- Schwab US Dividend Equity ETF
- Vanguard FTSE Developed Markets ETF, and
- Vanguard Growth Index Admiral.

5. Click **Add All 6 Investments**. The investments are listed in the Creating Model Portfolios window.

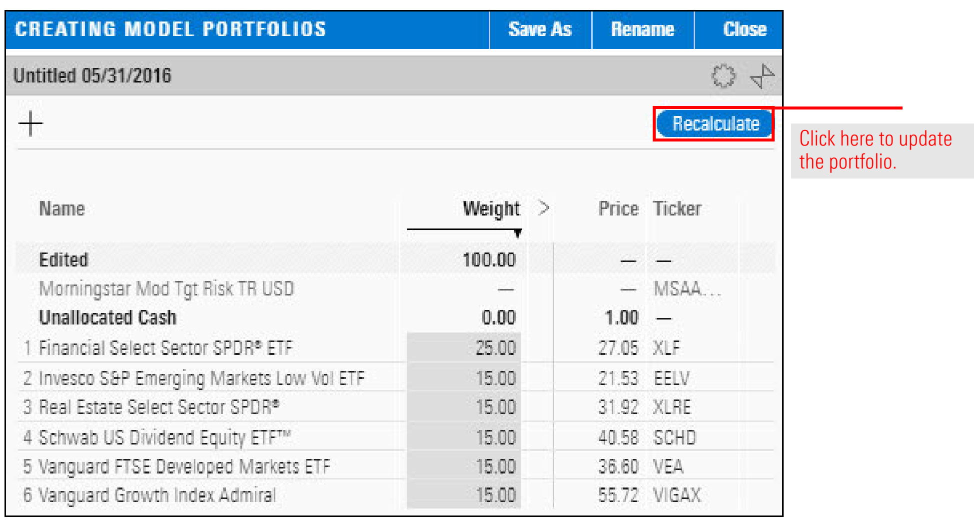


6. Click **Close**.
7. Change the **Weight** of each fund according to this table:

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

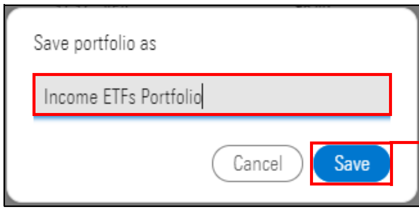
Fund Name	Weight
Financial Select Sector SPDR ETF	25
Invesco S&P Emerging Markets Low Vol ETF	15
Real Estate Select Sector SPDF	15
Schwab US Dividend Equity ETF	15
Vanguard FTSE Developed Markets ETF	15
Vanguard Growth Index Admiral	15

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



9. In the upper-right corner of the Creating Model Portfolios window, click **Save As**. The "Save portfolio as" dialog box opens.

10. Enter **Income ETFs Portfolio**, then click **Save**. In the upper-left corner of the window, "Untitled" is replaced with the name of the model.



Enter a name, then click here

11. In the upper-right corner of the Creating Model Portfolios window, click **Close**. An alert opens, giving you the opportunity to save. Click **Don't Save**.

    The Income ETFs Portfolio is displayed in the list of Model Portfolios on the Home page.

    ☞ Note: You might have to refresh your browser to see this.

Exercise 2: Create a model portfolio by importing

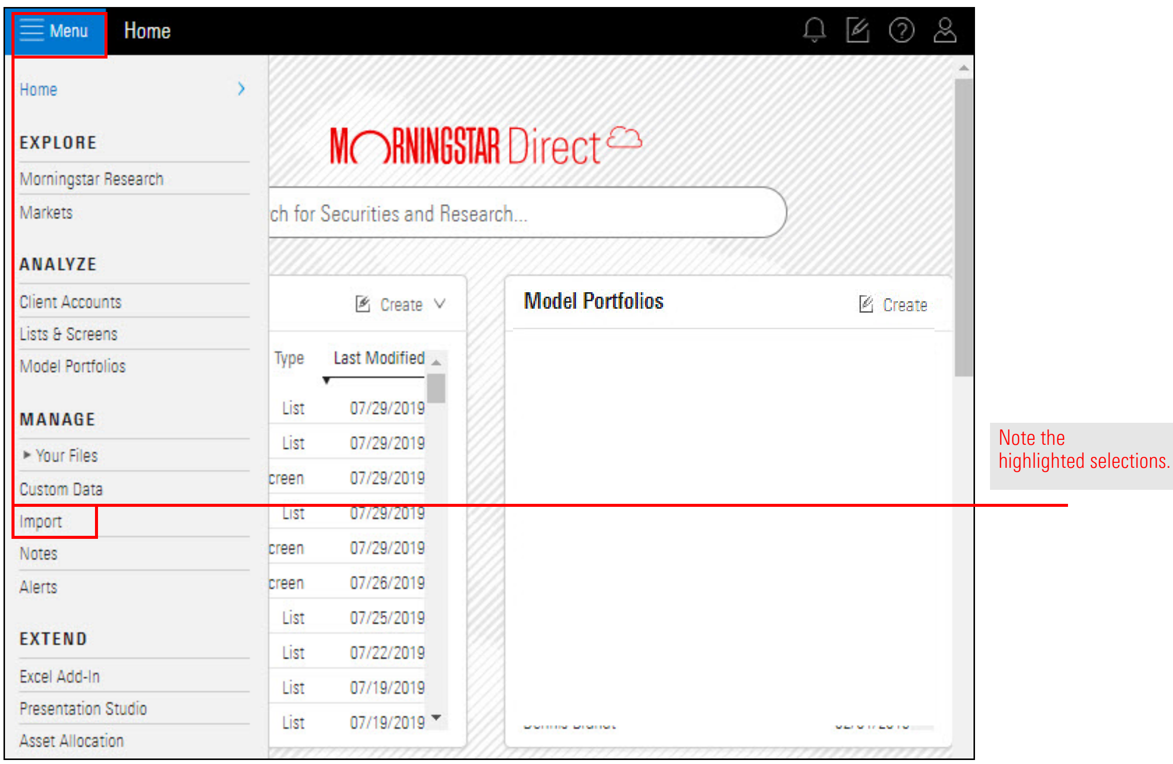
A colleague has asked you to analyze a model portfolio. She provides the model as an Excel spreadsheet. You can import it directly into a model portfolio, instead of manually entering the investments and weights (as you did in Exercise 1 on page 5).

In this exercise, you will import an Excel file to create a model portfolio.

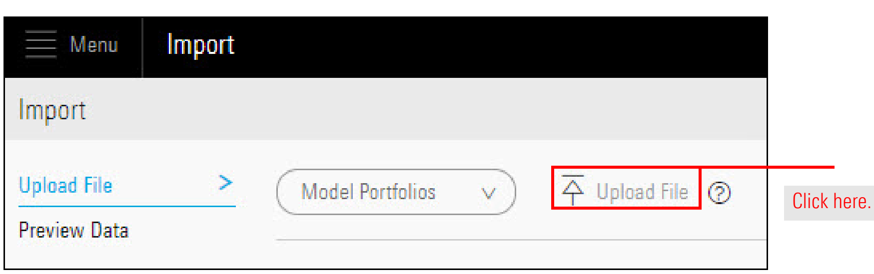
> Note: When using an Excel file on your own, be sure to first check the requirements for importing an Excel file, found in Data Import Specifications.

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 and select **Import**. The Import page opens.

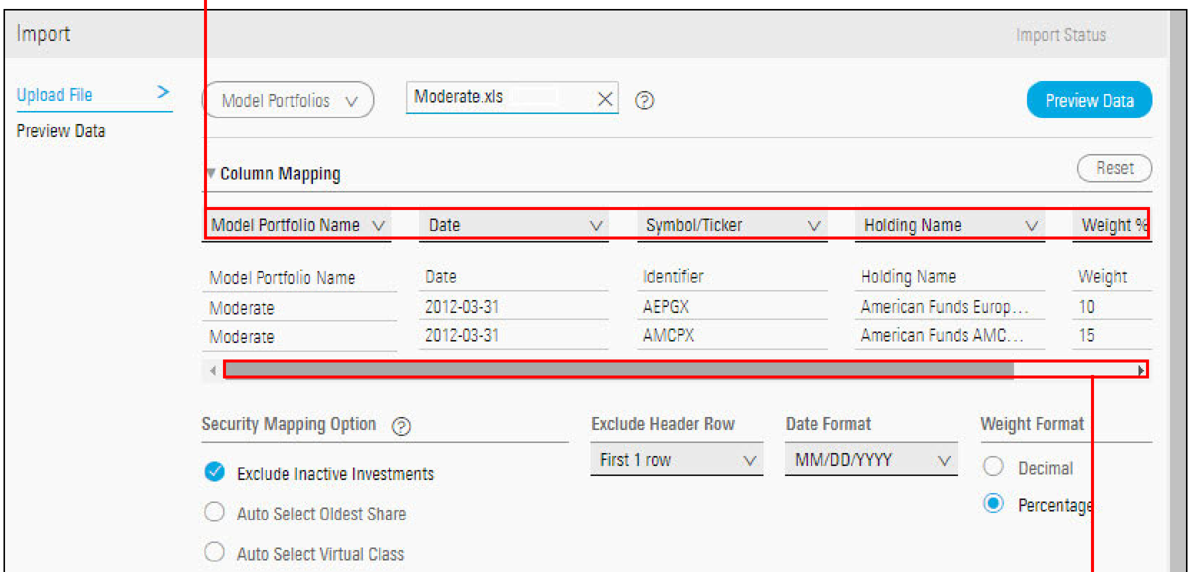


3. At the left side of the Import window, the Upload File option is selected. Click **Select File Type**, then select **Model Portfolios**. To the right of the Select File Type button, the Upload File icon appears.
4. Click **Upload File**. A navigation window opens.



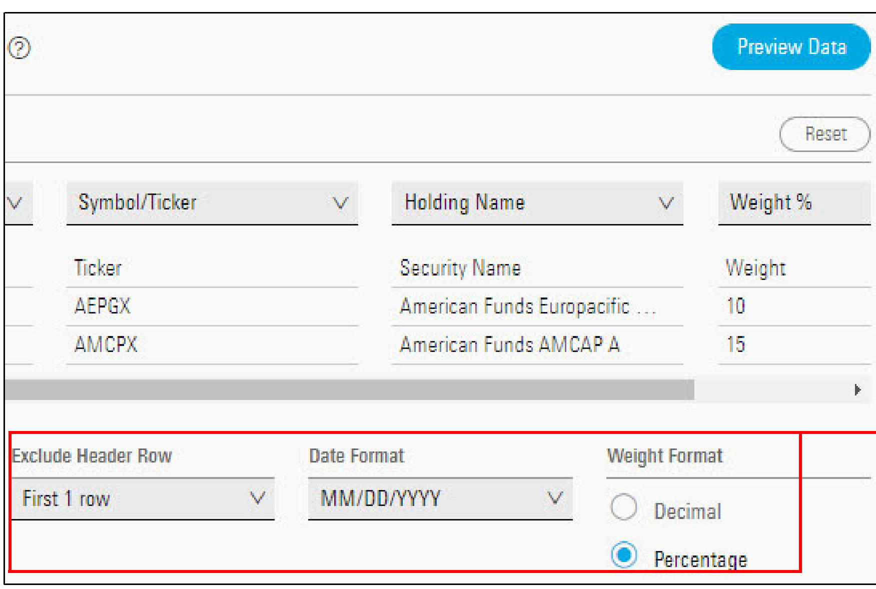
5. On your computer system, **locate** and **double-click Moderate.xls** (the file you just downloaded). The Import page opens, displaying mapping options.
6. In the Column Mapping area, use the pull-down menus to make a **selection** from each **Unmapped** field. Each unmapped column must correspond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

Map each column to the appropriate heading (as shown here).



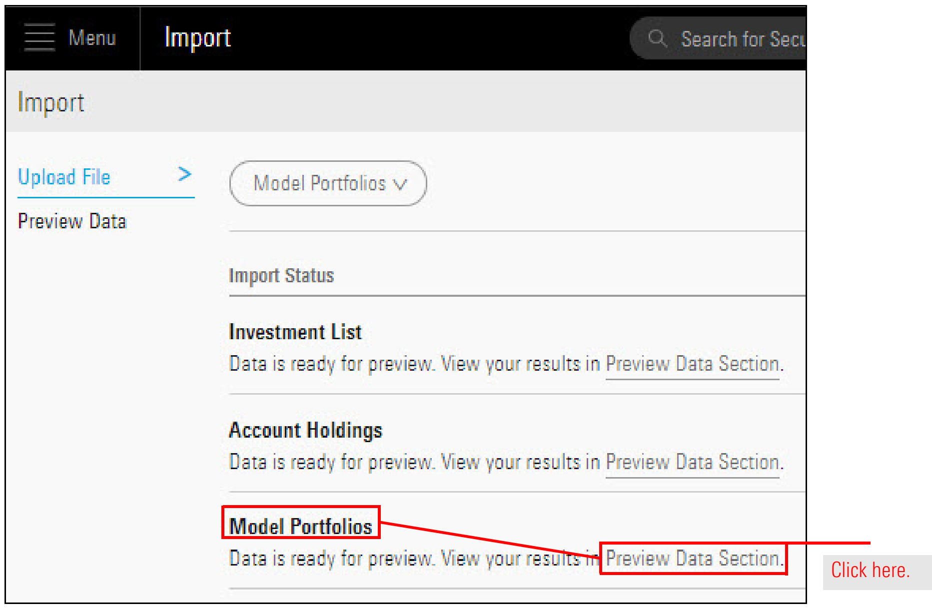
Scroll right, if needed, to see more Unmapped columns.

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**.



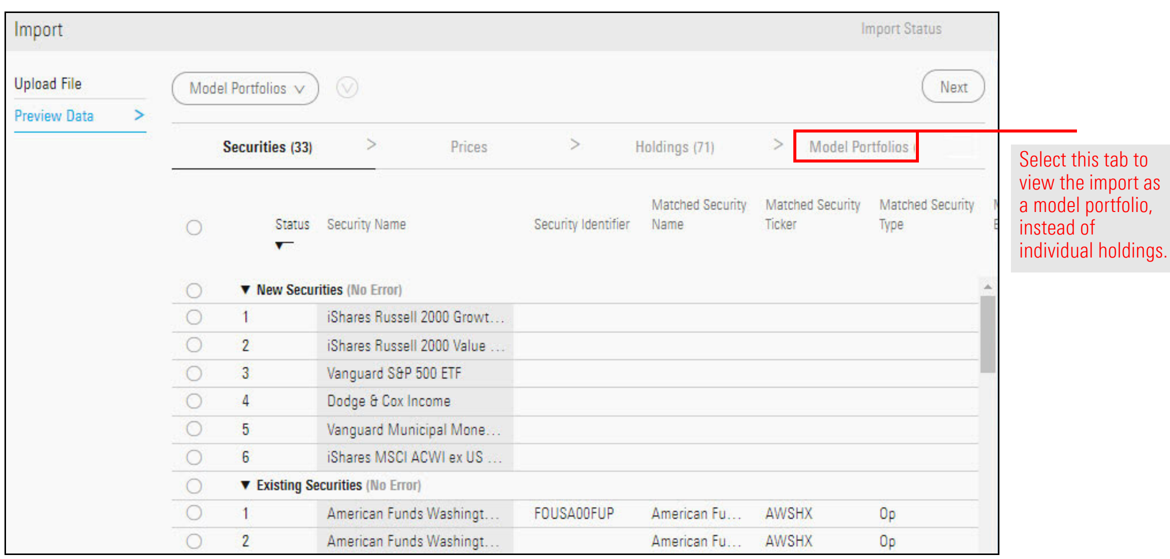
Note the selections in Exclude Header Row, Date Format, and Weight Format.

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**.

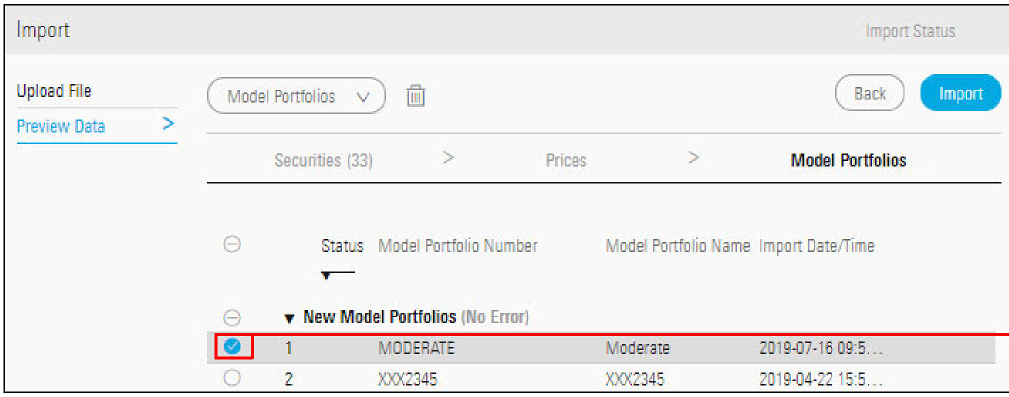


☞ Note: In the Preview Data window, securities listed as "New" have not been imported before. Existing Securities have been previously imported. Some securities in the spreadsheet being imported might be listed under Existing Securities.

12. On the right side of the window, select the **Model Portfolios tab**.

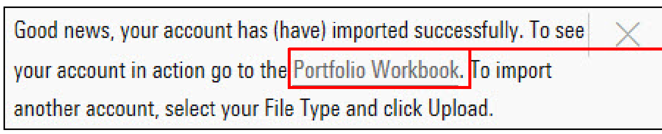


13. Click the **circle** next to **Moderate**, then select **Import**.



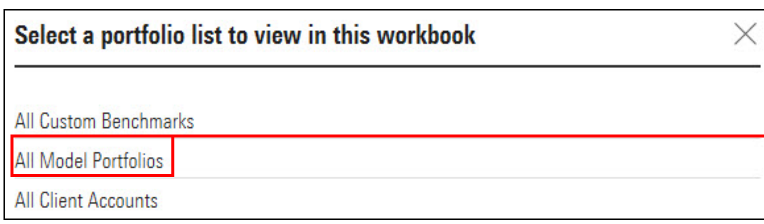
Click this button.

14. 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.



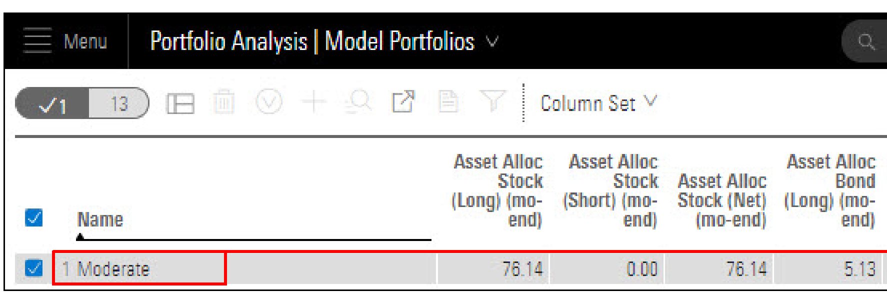
Click here.

15. In the "Select a portfolio list to view in this workbook" dialog box, select **All Model Portfolios**.



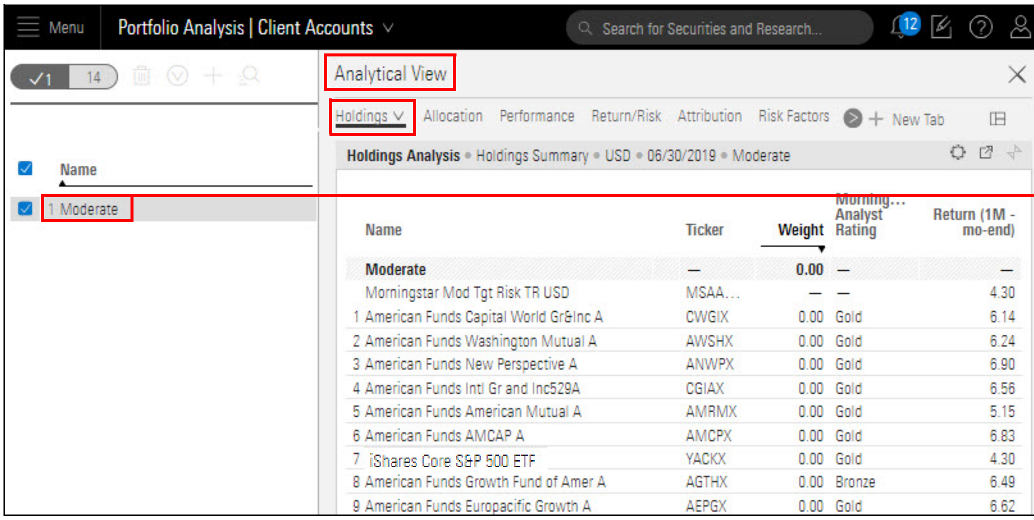
Select this option.

In the workbook, the Moderate model portfolio is displayed in the Grid.



The imported portfolio is selected.

16. To see the holdings in the model portfolio, in the Grid, click **Moderate**. The Analytical View opens from the right. The Holdings tab is selected.



Click the model portfolio's name to open the Analytical View.

Working with Custom Benchmarks

Overview

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 model portfolios
- Displayed in various charts and tables, and
- Used as a reference point when analyzing model portfolios.

This section covers the following topics and exercises:

Why should I use a custom benchmark?

When comparing a model portfolio 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 you want to compare a portfolio's Beta to a single index.

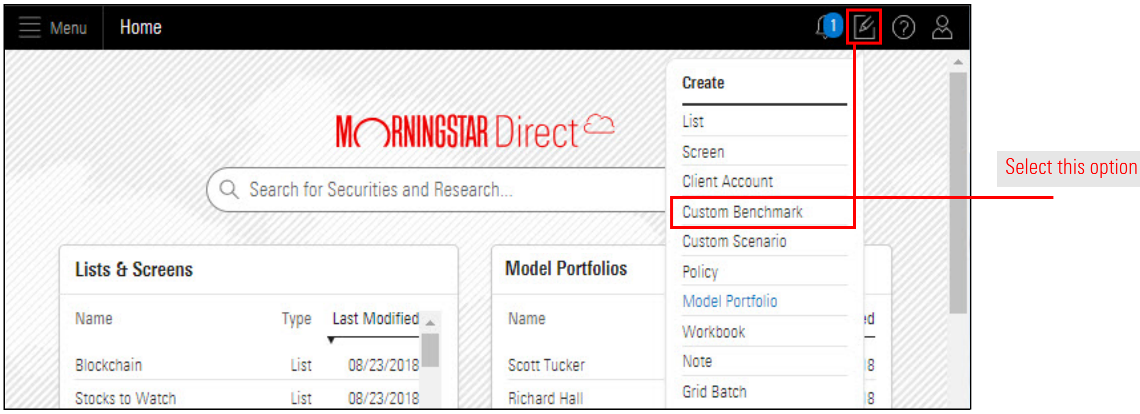
A custom benchmark can help you discover if the investment selections in a model portfolio are helping or hurting the returns. A benchmark is also a view into whether the model portfolio could benefit from a simpler and less expensive mix of holdings.

Exercise 3: Create a custom benchmark

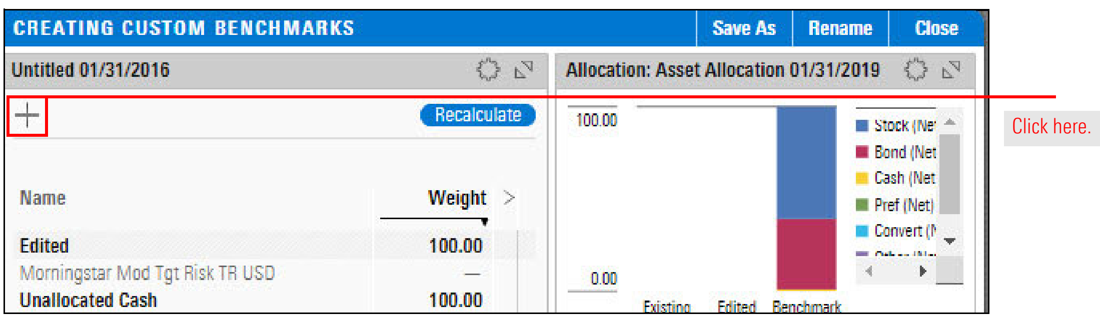
In this exercise, you will create a custom benchmark composed of indexes. When the goal is moderate risk and returns, this benchmark can be a measuring and comparison tool. Is the model portfolio too conservative to meet the investment goals? Riskier than intended? Which current holdings are contributing to the conservative or risky nature of the portfolio?

Do the following:

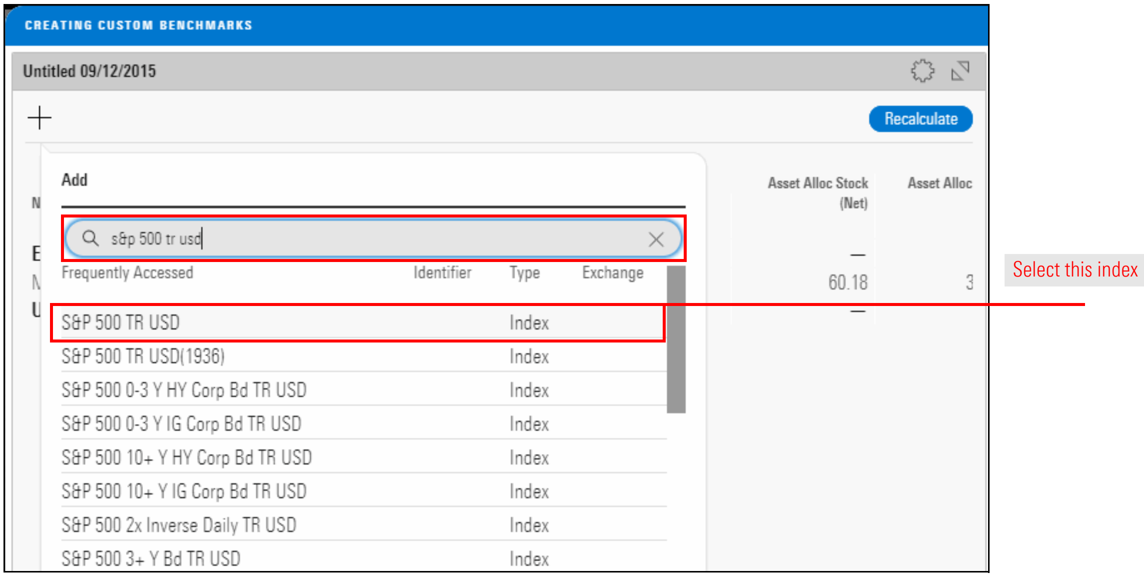
1. On the header, click the **Create** icon, then select **Custom Benchmark**. The Creating Custom Benchmarks window opens.



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.

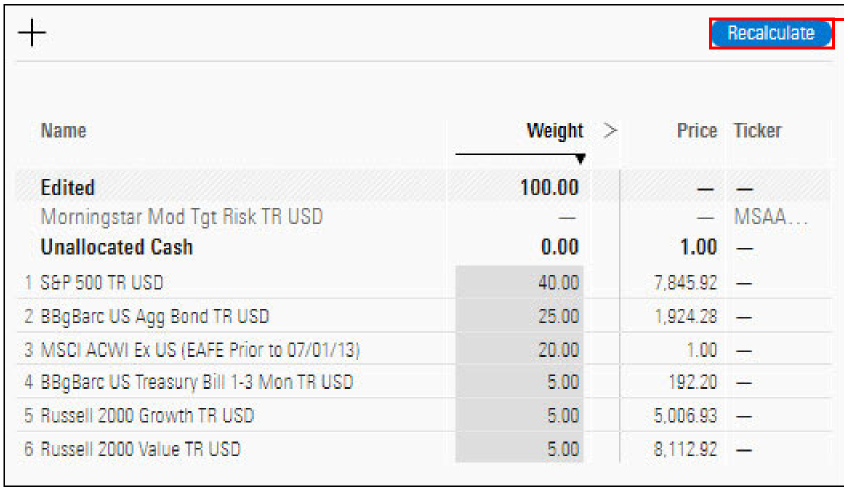
   ☞ Note: Allow time for each index to load before adding the next.

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.

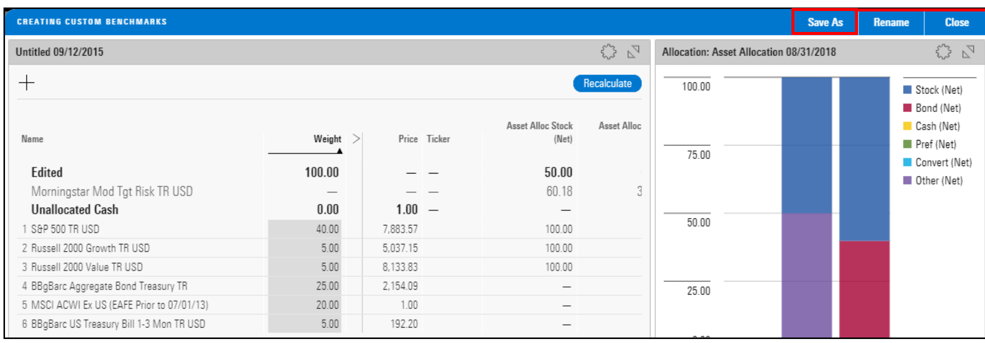
Index Name	Weight
S&P 500 TR USD	40
BBgBarc US Agg Bond TR USD	25
MSCI ACWI Ex US (EAFE Prior to 07/01/13)	20
Russell 2000 Growth TR USD	5
Russell 2000 Value TR USD	5
BBgBarc US Treasury Bill 1-3 Mon TR USD	5

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



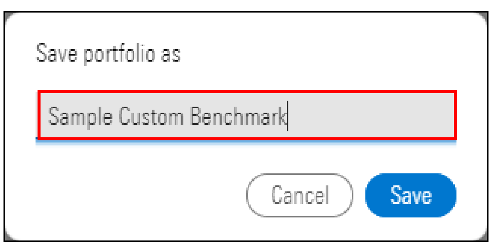
Click here to update the allocation totals.

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



Click here.

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



Enter a name here.

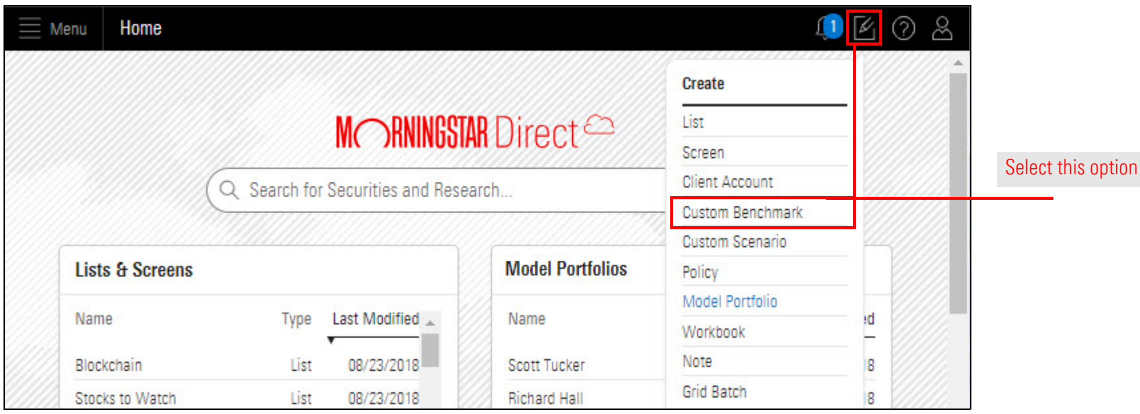
10. In the upper-right corner of the Creating Custom Benchmarks window, click **Close**.

Exercise 4: Create a custom benchmark of Morningstar indexes

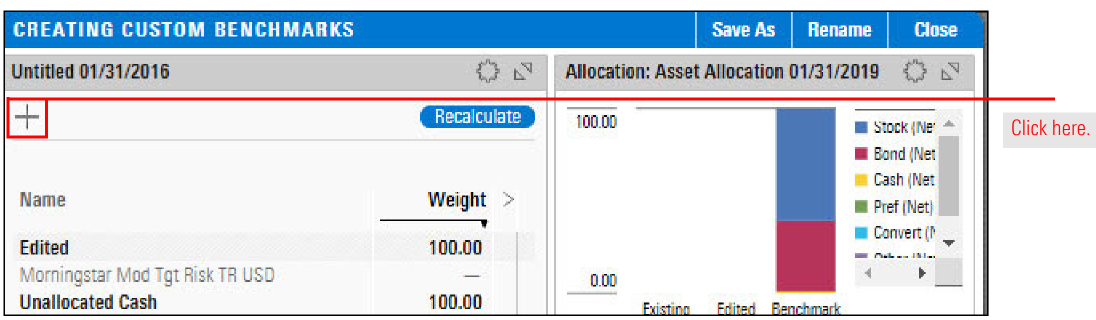
In Exercise 3 on page 16, you created a custom benchmark composed of several commonly used indexes. In this exercise, you'll create a benchmark composed of similar Morningstar indexes with the same weights. The benefit of using Morningstar indexes is that all users have constituent rights to these indexes. Also, having a second benchmark can offer a unique perspective on a model portfolio.

Do the following:

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

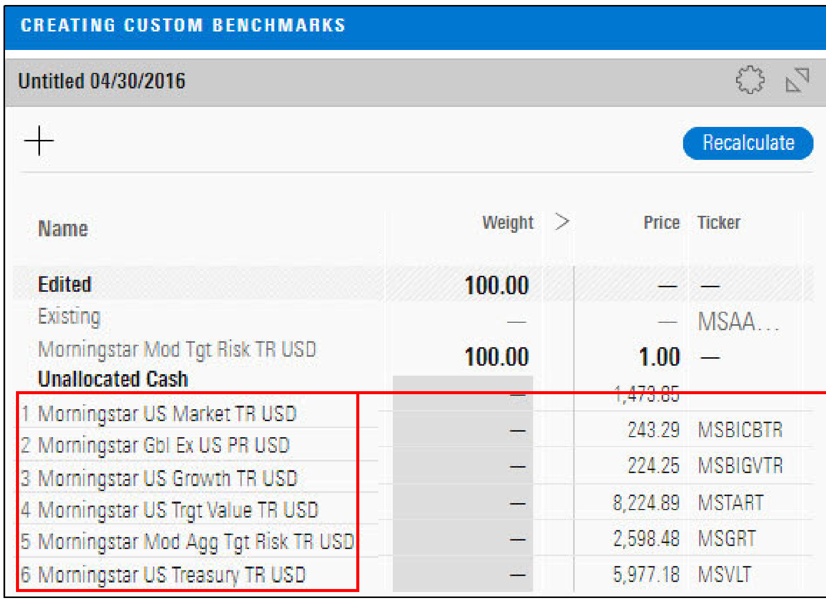


2. In the upper-left corner of the Untitled area, click the **Add** icon. The Search dialog box opens.



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.



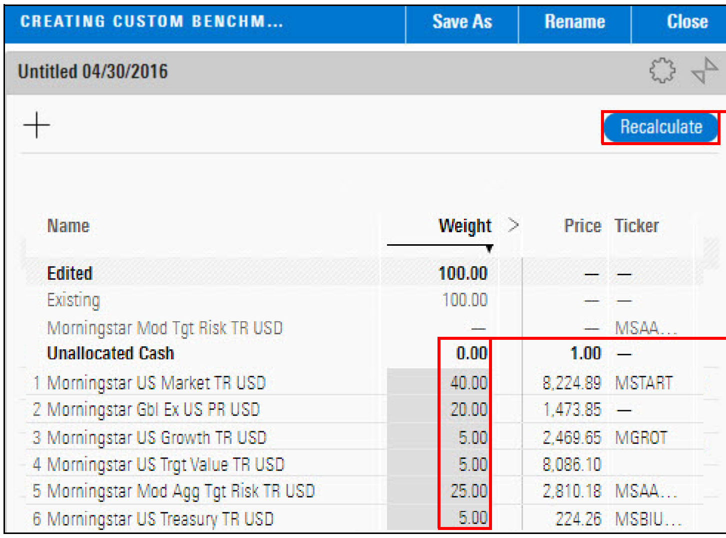
Note the highlighted selections.

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

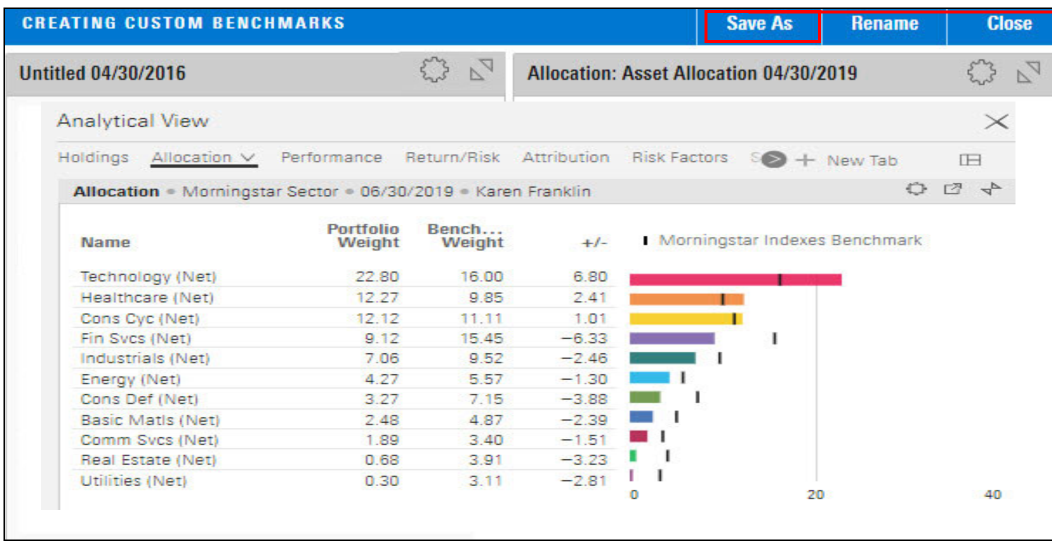
7. In the upper-right corner of the Untitled area, click **Recalculate**.



Click here to update the allocation totals

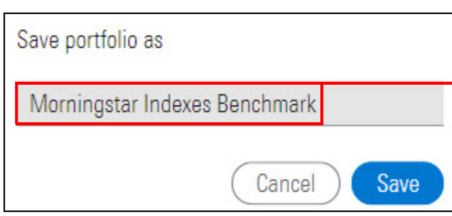
The weights match the weights of similar indexes in Sample Custom Benchmark.

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



Click here

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



Enter a name.

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

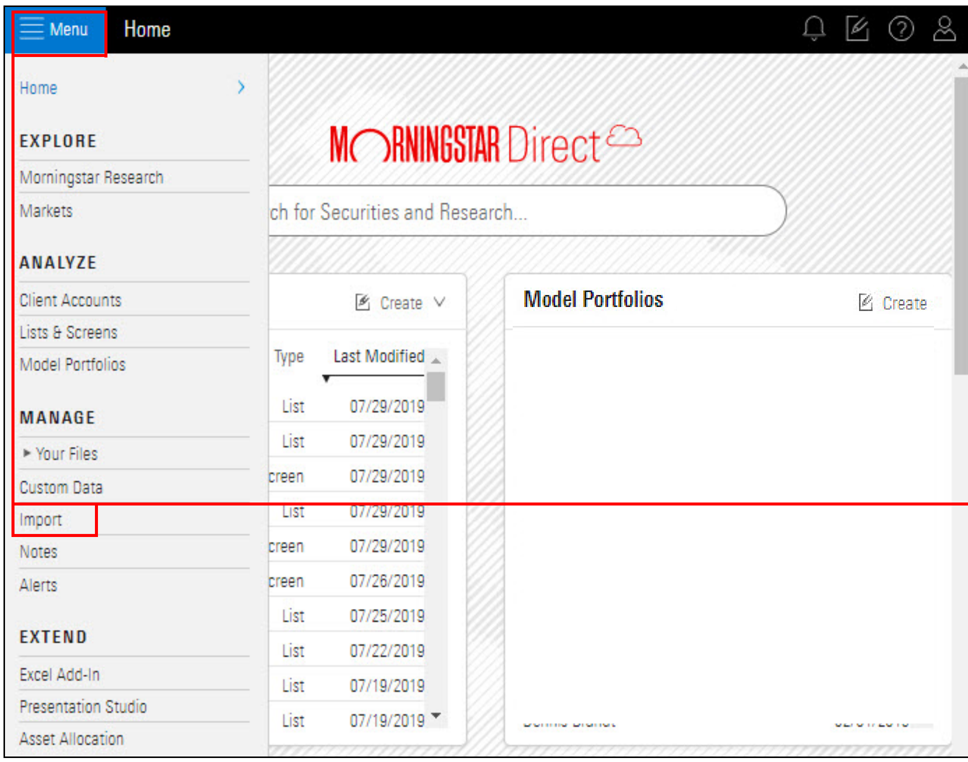
Exercise 5: Import a set of custom benchmarks

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:

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

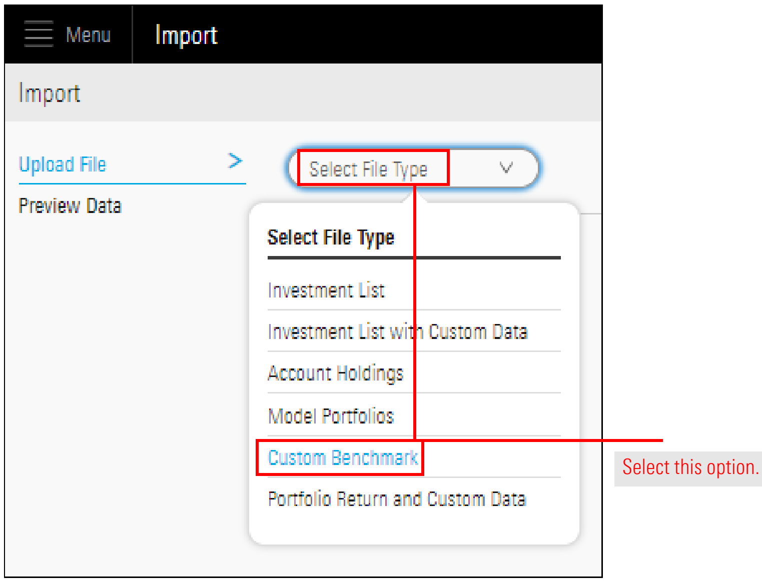
Do the following:

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

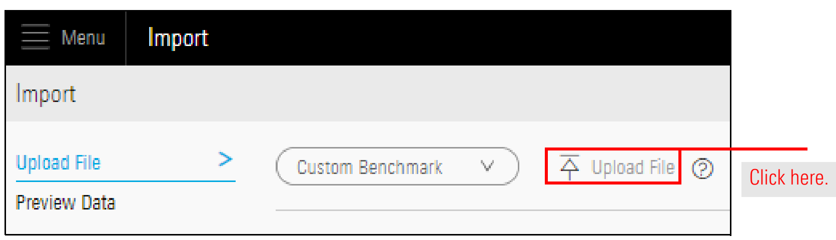


Note the highlighted selections.

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

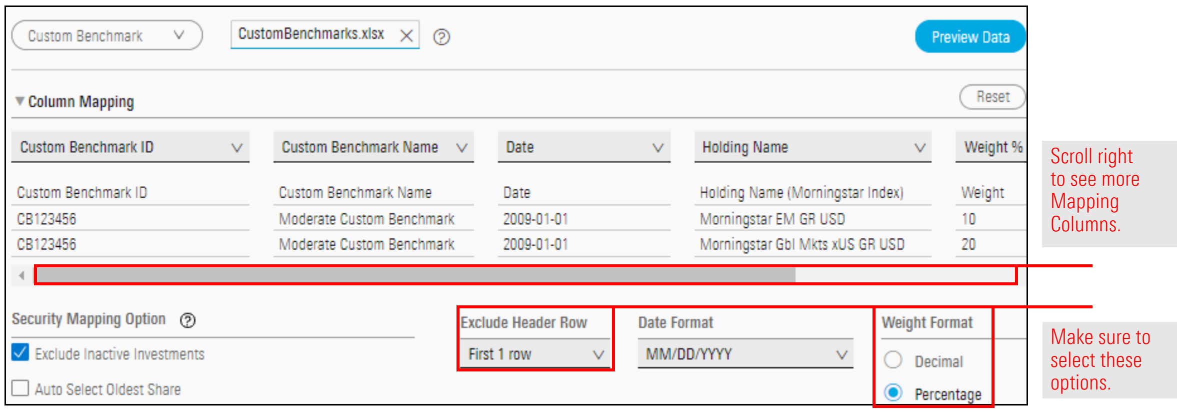


4. Click **Upload File**.

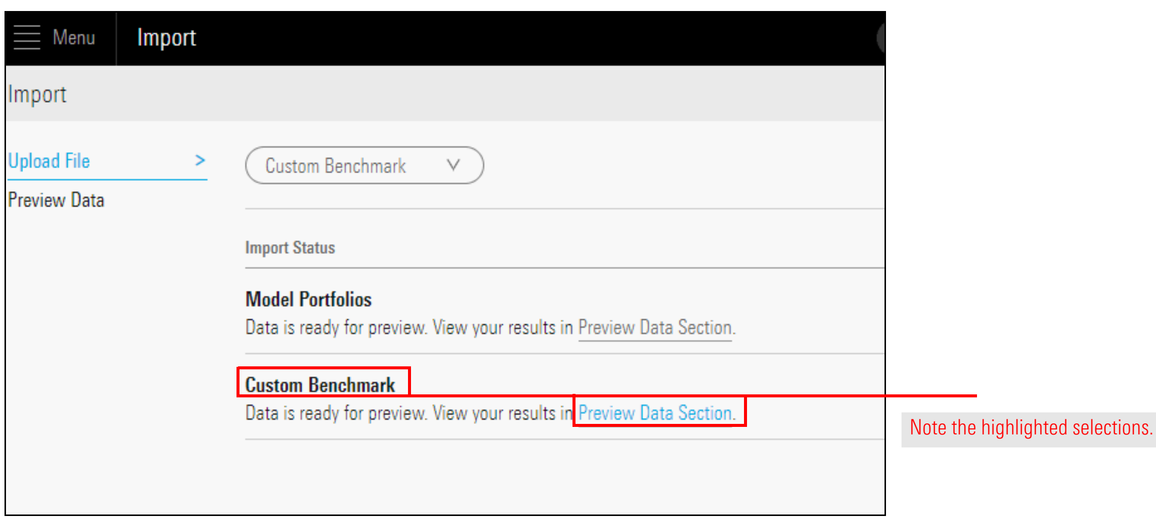


5. On your computer system, **locate** and **double-click CustomBenchmarks.xlsx** (the file you just downloaded). The Import page opens, displaying mapping options.

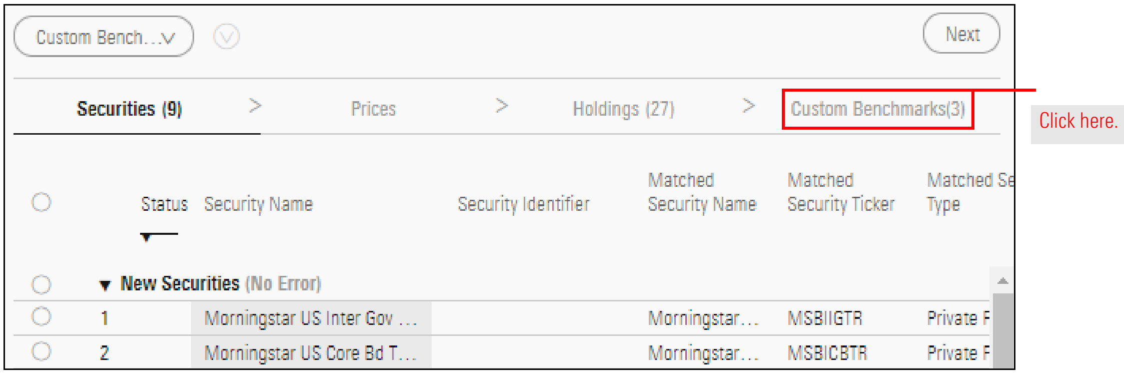
6. In the Column Mapping area, use the pull-down menus to make a **selection** for each **Unmapped** column. Each unmapped column must correspond to a column in the Excel spreadsheet. A selection for each column is required.
7. In the **Exclude Header Row** field, select **First 1 row**.
8. In the **Weight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



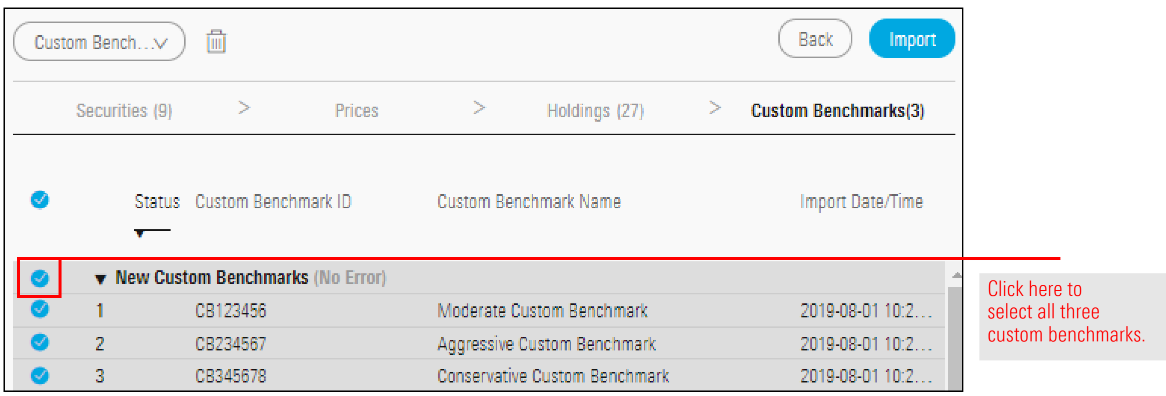
9. Click **Preview Data**.
10. From the Preview page, click **Preview Data Section** under the Custom Benchmark section.



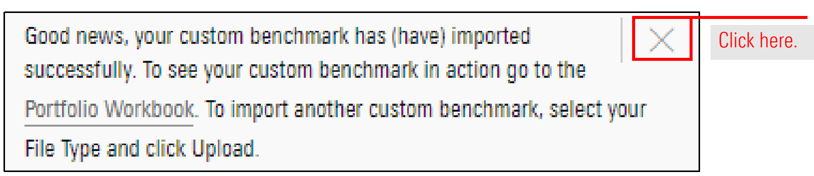
11. Select the **Custom Benchmarks** tab.



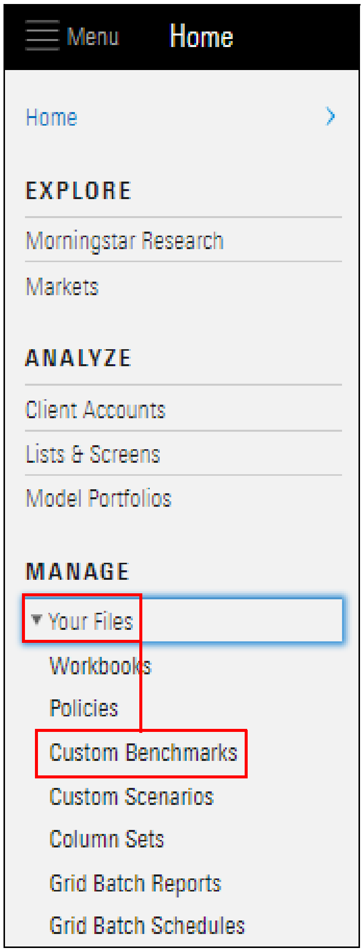
12. To select all three custom benchmarks, click the **circle** to the left of **New Custom Benchmarks**.



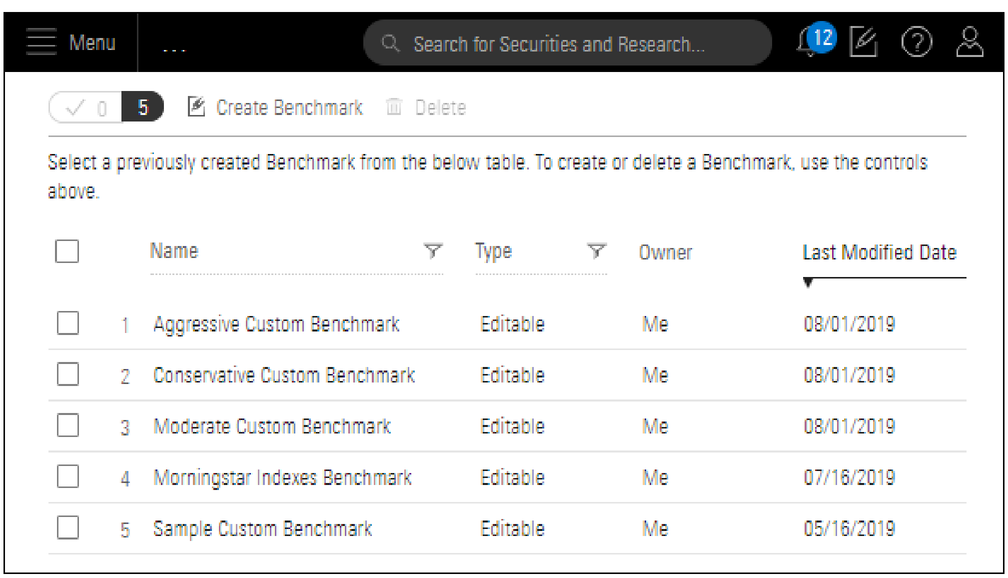
13. Click **Import**. A notification dialog box opens.
14. In the upper-right corner, click the **X** to close the dialog box.



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.

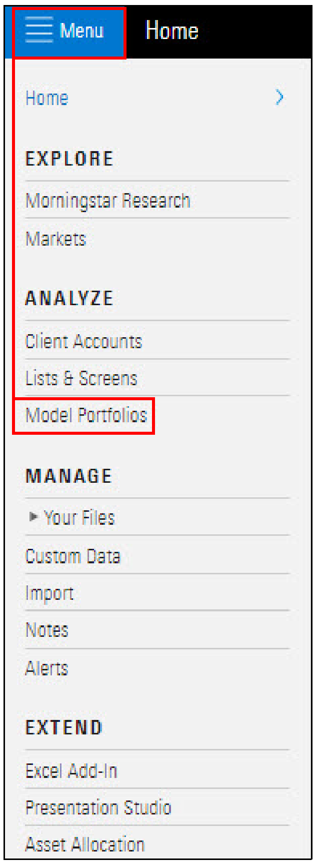
Exercise 6: Apply custom benchmarks to a model portfolio

In this exercise, you will apply two custom benchmarks to the Income ETFs Portfolio. They will then be available to use for comparison when analyzing the model portfolio.

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

Do the following:

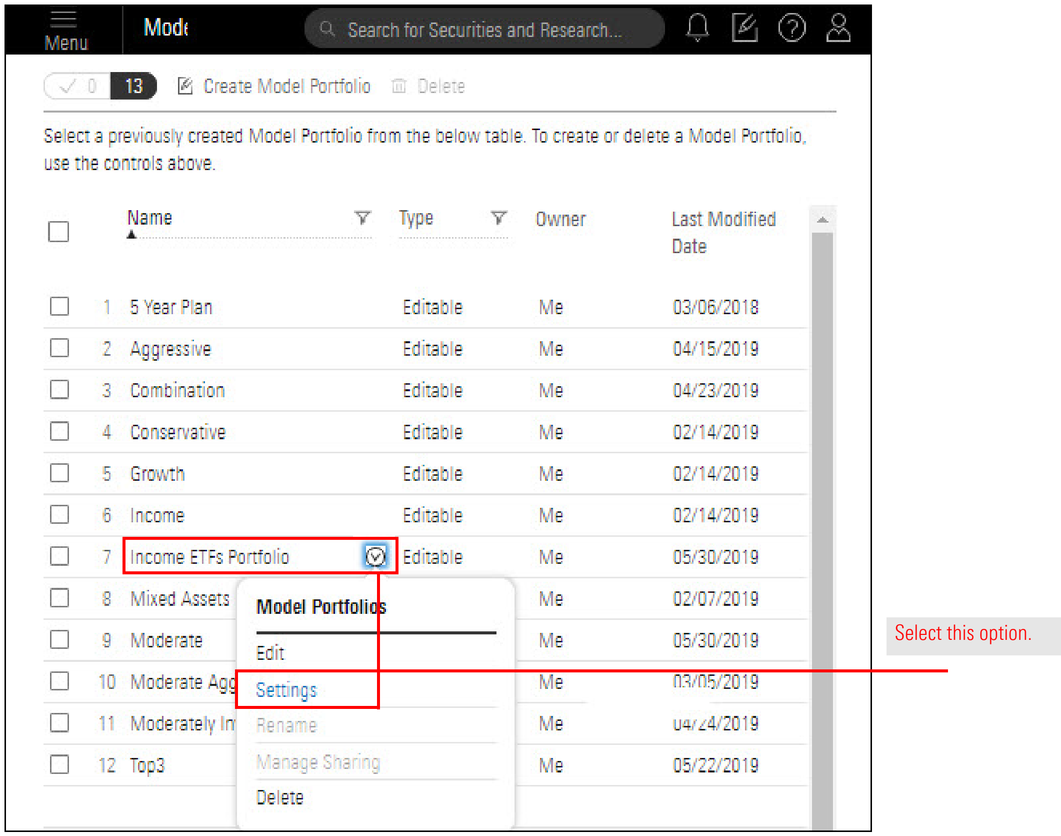
1. On the header, **hover the cursor** over **Menu**, then select **Model Portfolios**. The Model Portfolios page opens.



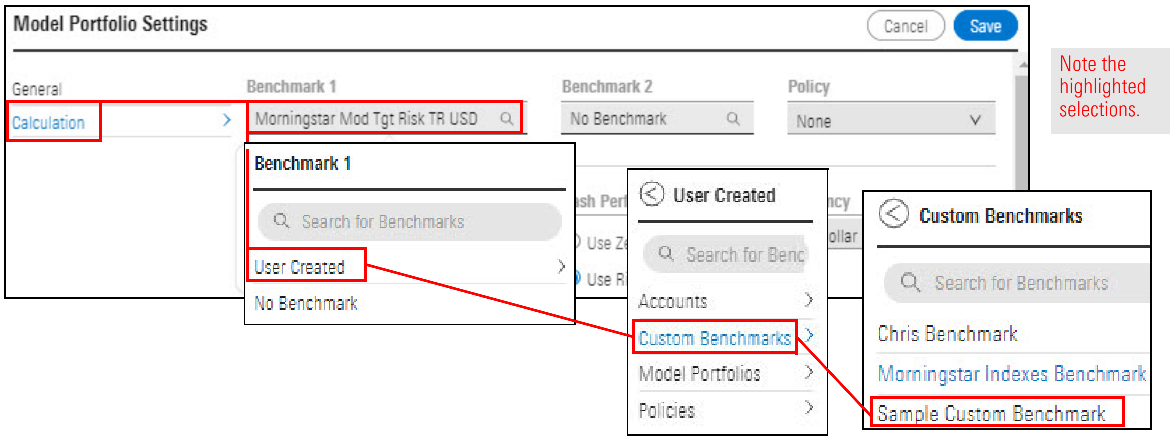
Note the highlighted selections.

2. On the Model Portfolios page, **hover the cursor** over the **Income ETFs Portfolio** row. The Actions icon appears to the right.

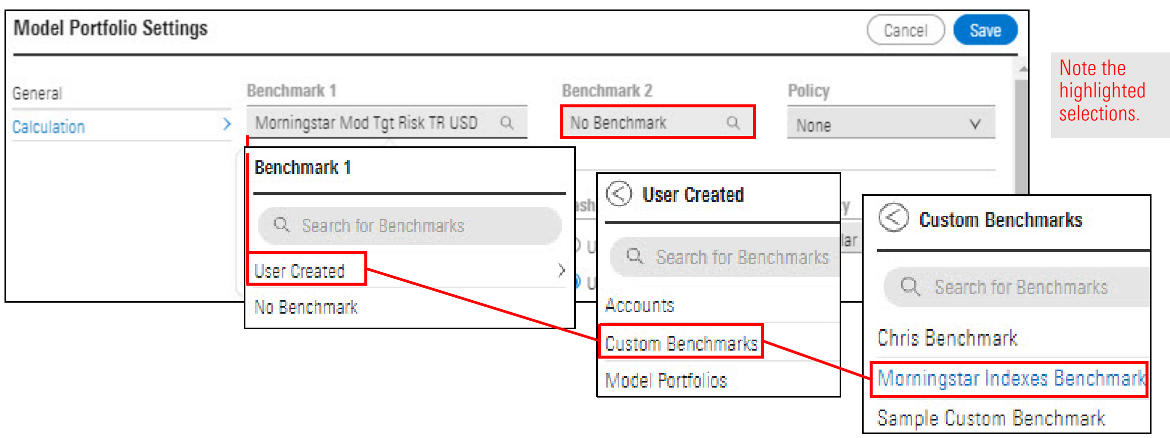
3. From the **Actions** menu, select **Settings**. The Model Portfolio Settings window opens.



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.

What are the options for displaying benchmarks?

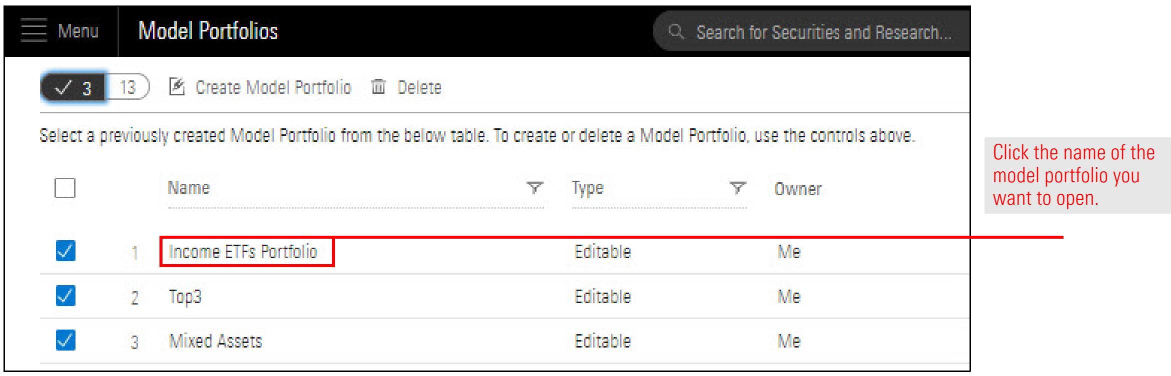
Not every chart and table support the display of benchmarks. Of the charts and tables that can display benchmarks, some can display only one at a time, while others can display both simultaneously. To learn which charts and tables are capable of displaying benchmark(s) and which benchmark(s) are displayed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

Exercise 7: Compare the Morningstar Sector allocations of a model portfolio and a benchmark

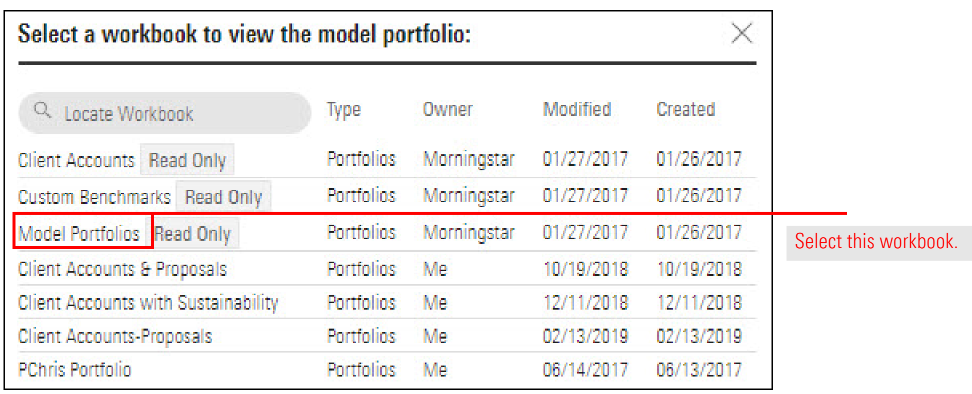
In this exercise, the Morningstar Sector allocation of the Income ETFs Portfolio will be compared to the Morningstar Indexes Benchmark.

Do the following:

1. The Model Portfolios page should still be open. Click **Income ETFs Portfolio**. The "Select a workbook to view the model portfolio" dialog box opens.

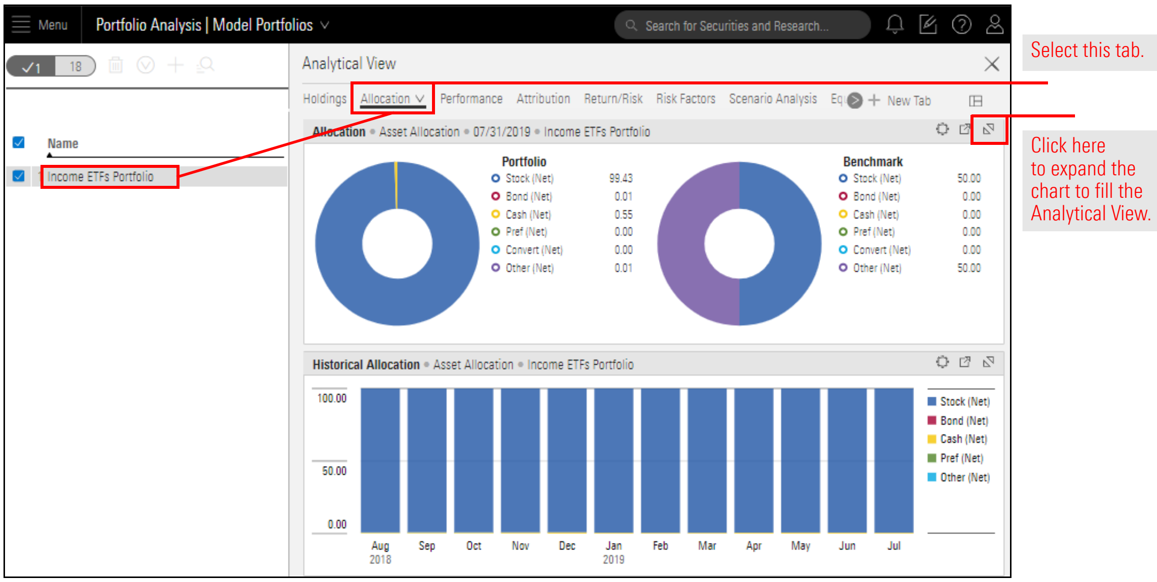


2. Click **Model Portfolios**. The Model Portfolios workbook opens, displaying Income ETFs Portfolio in the Grid.



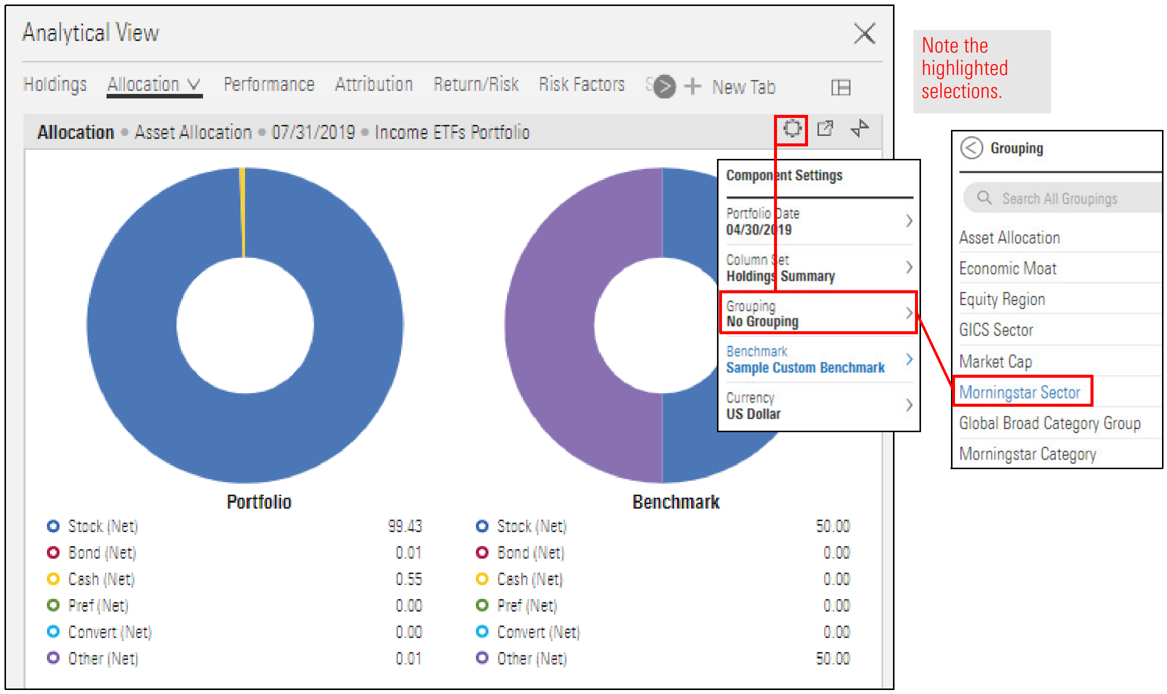
3. In the **Model Portfolios** workbook, click **Income ETFs Portfolio**. The Analytical View opens from the right.
4. Select the **Allocation** tab. In the Allocation chart, both the model portfolio and Benchmark 1 allocation data is displayed by default. The Historical Allocation chart displays data for only the model portfolio.

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

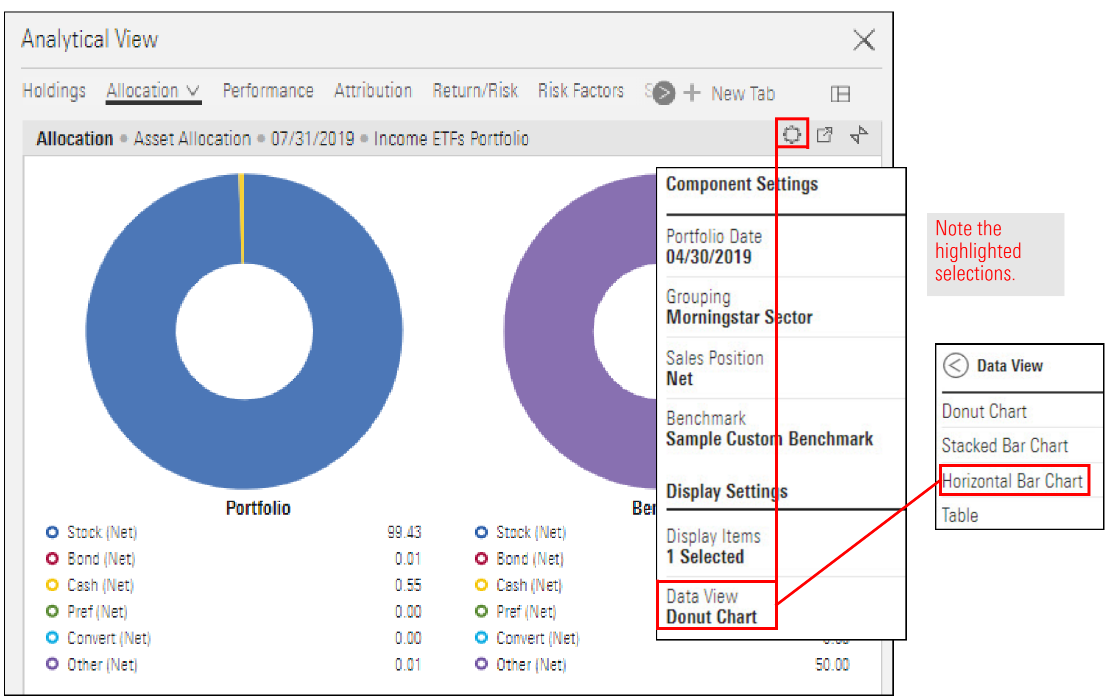


5. By default, the Allocation chart shows the asset class allocation of the Income ETFs Portfolio and its assigned Benchmark 1 as a donut chart or charts. To display Morningstar Sectors as a horizontal bar chart, do the following:

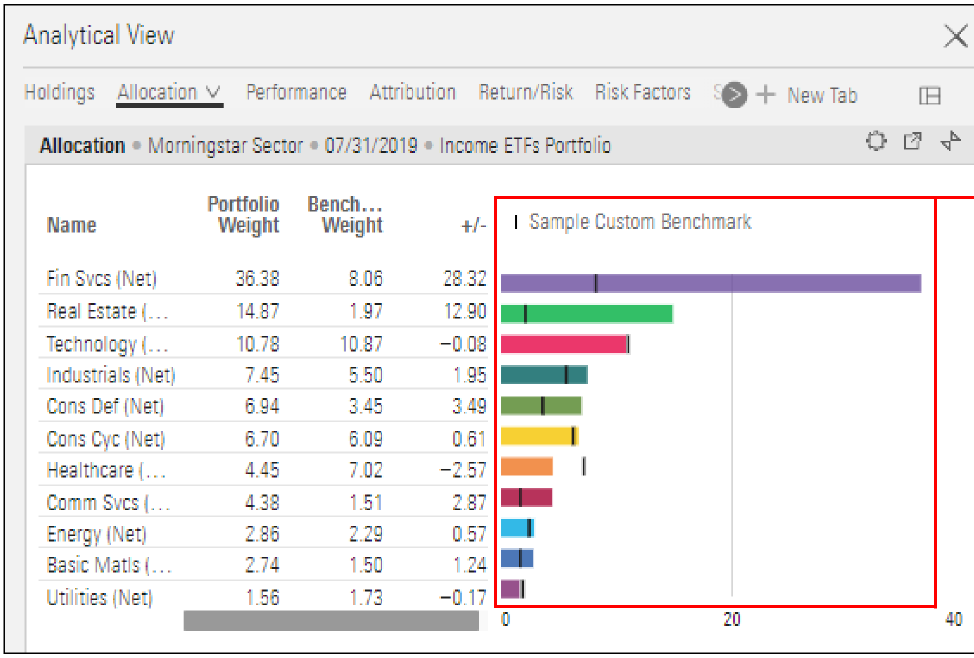
   A. Click the **Component Settings** icon, then select **Grouping** > **Morningstar Sector**. The Component Settings menu is displayed again.



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



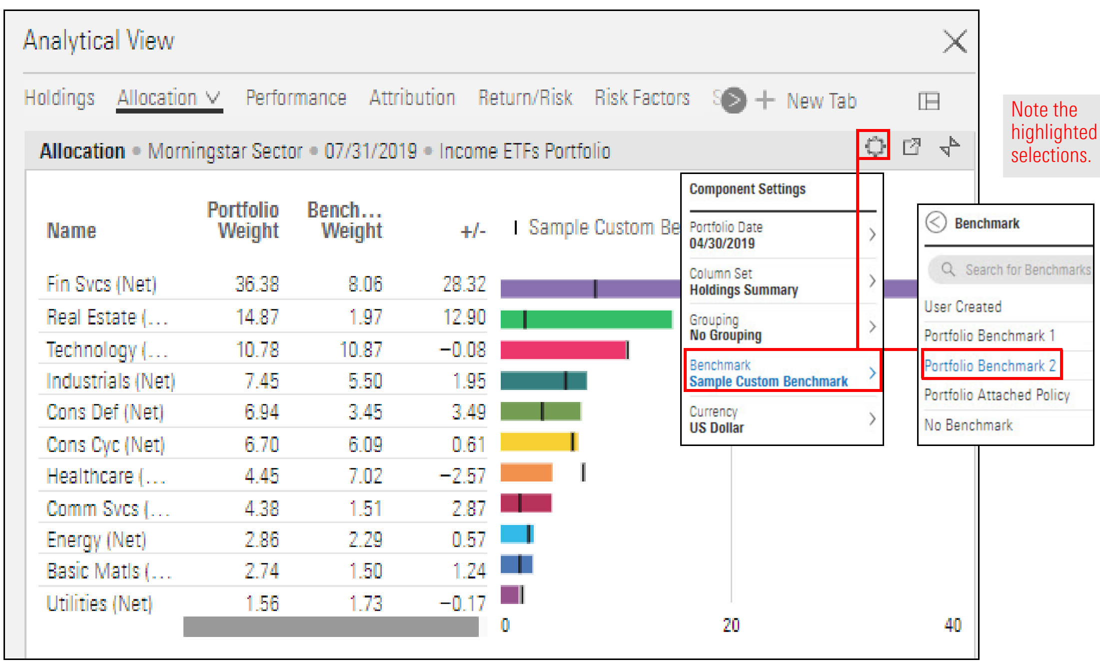
C. **Click away** from the Component Settings menu to close it.



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

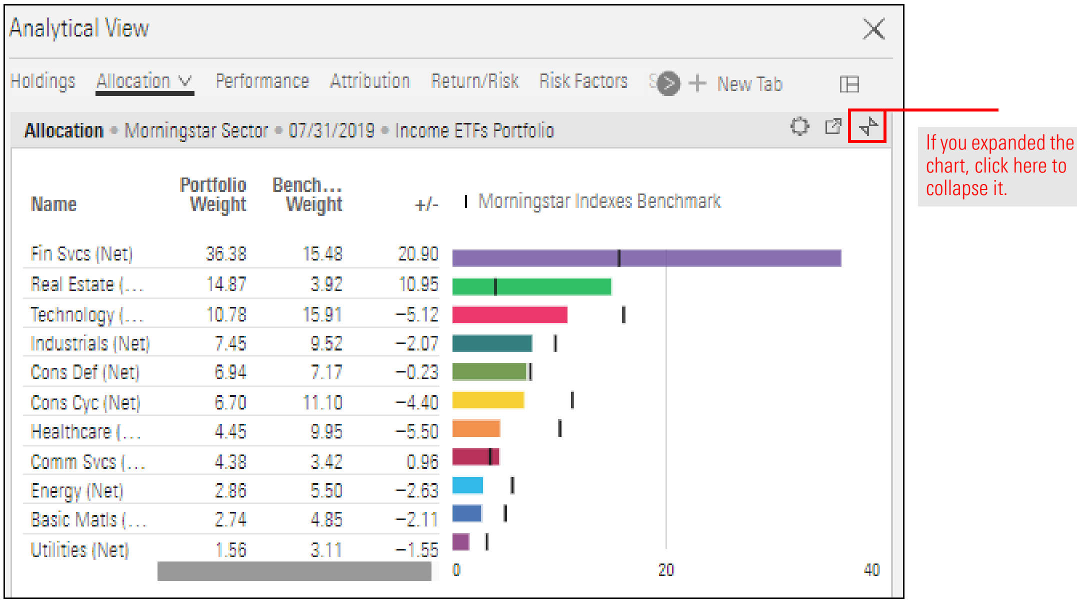
6. To display Benchmark 2 (Morningstar Indexes Benchmark), click the **Component Settings** icon, then select **Benchmark** > **Portfolio Benchmark 2**.

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



Note the highlighted selections.

7. **Click away** from the Component Settings menu to close it. Note the Benchmark 2 sector allocations and **compare** them to the model portfolio.



Exercise 8: Compare the historical returns of a model portfolio and both of its benchmarks

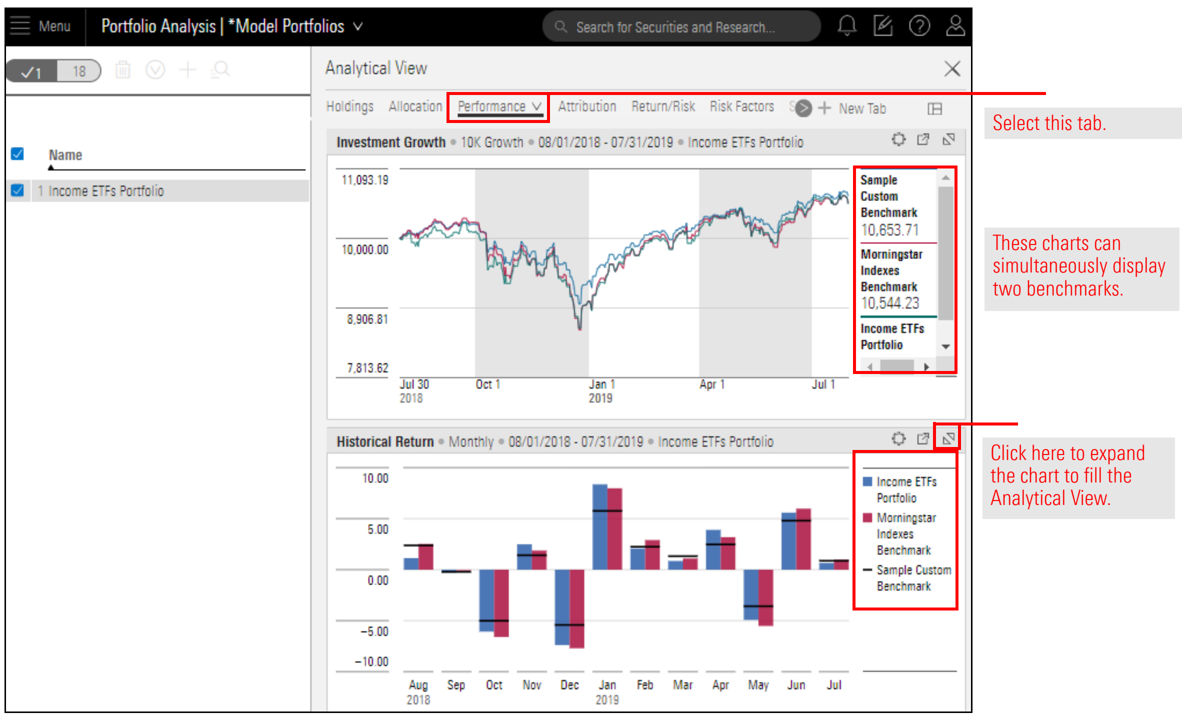
Some charts and tables can display two benchmarks at the same time. In this exercise, you will do that in the Historical Return chart.

Do the following

1. Select the **Performance** tab and make sure **Income ETFs Portfolio** is still selected.
2. In both Performance charts (Investment Growth and Historical Return), **note** that 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.

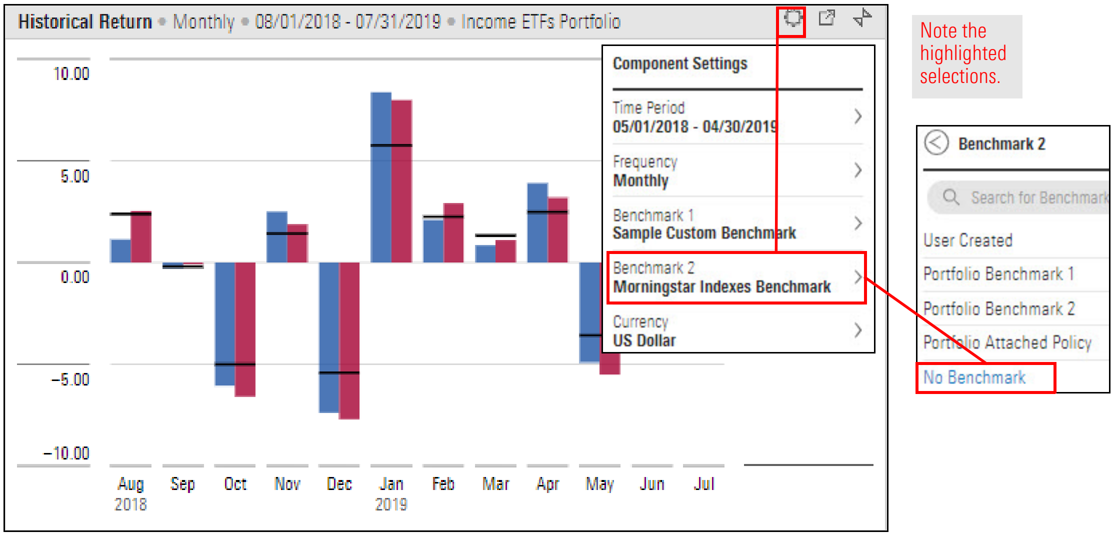


Exercise 9: Hide a benchmark

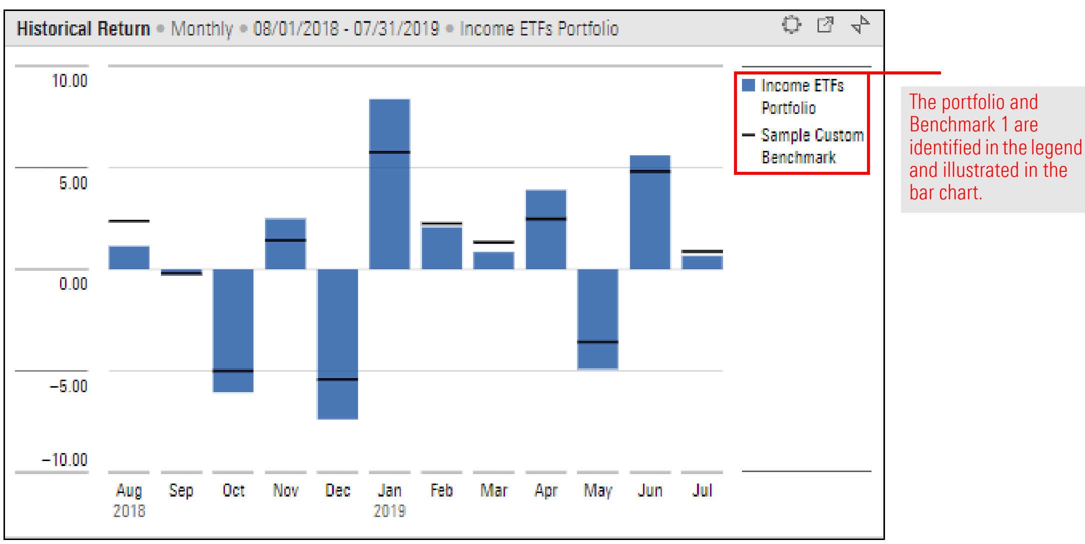
A chart capable of displaying both benchmarks also includes an option to hide one or both.

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 model portfolio outperform the benchmark?

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

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

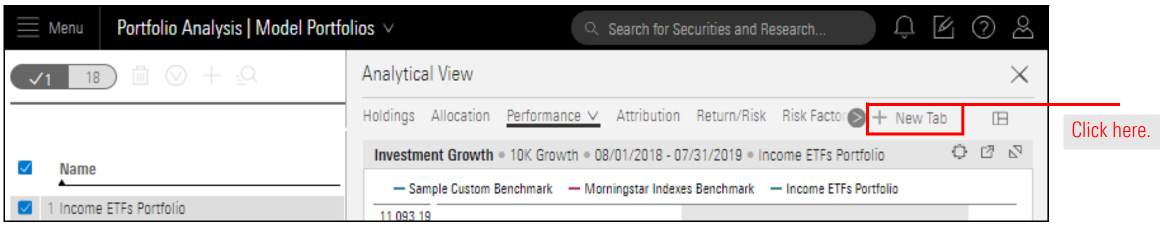
Exercise 10: Compare the Sustainability Ratings Analysis of a model portfolio and both of its benchmarks

Suppose you want to use the Sustainability Ratings Analysis chart to compare Income ETFs Portfolio 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).

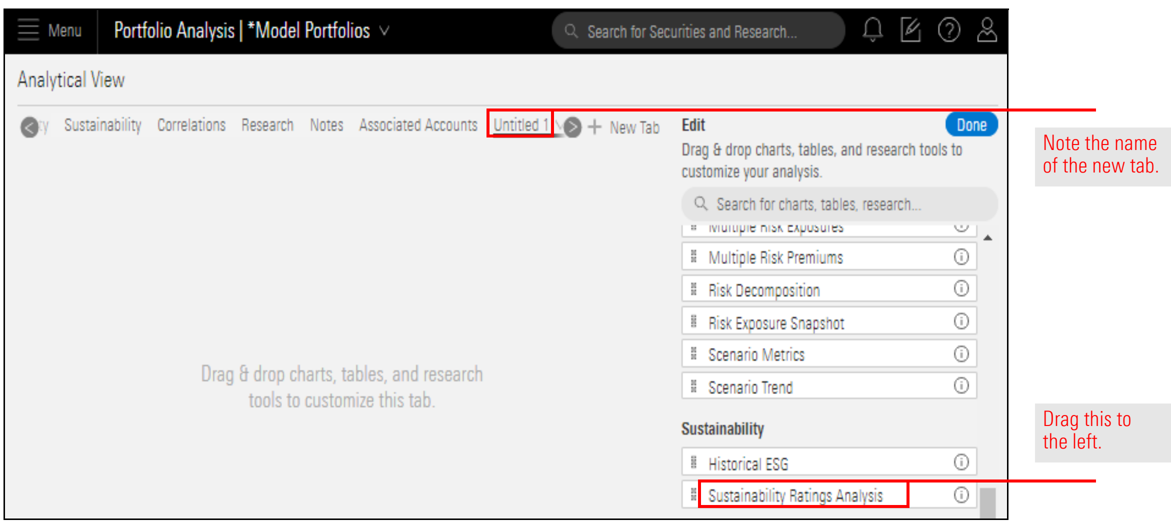
However, when a second instance of the Sustainability Ratings Analysis chart is created, each instance can display a different benchmark.

Do the following:

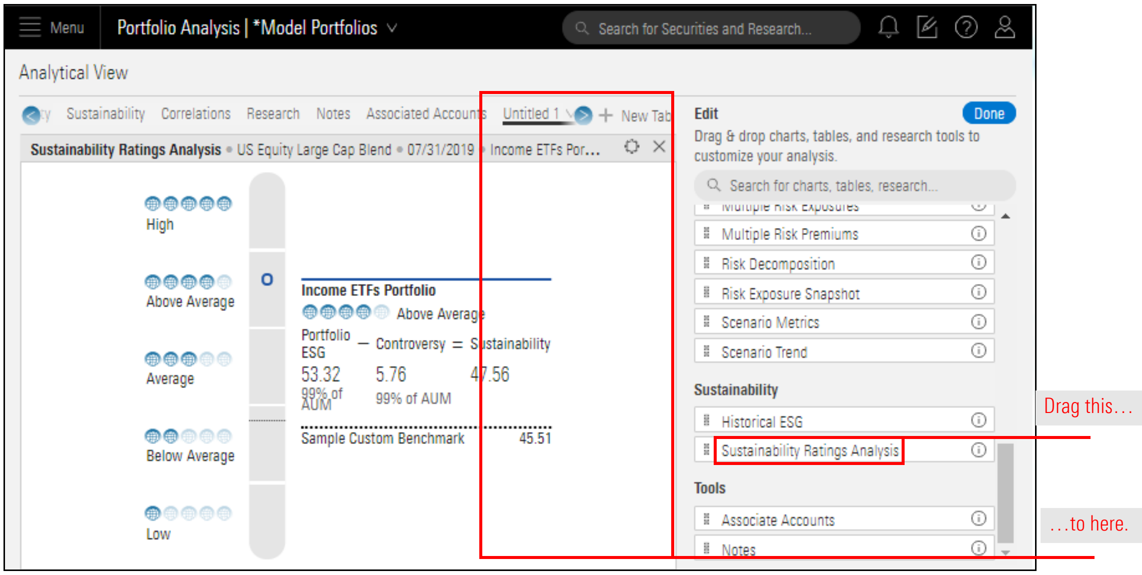
1. In the Analytical View of **Income ETFs Portfolio**, on the Tabs bar, select **New Tab**. A new tab opens. It is named Untitled 1 and displays no charts, tables, or research tools. Also, the Edit panel automatically opens.



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.



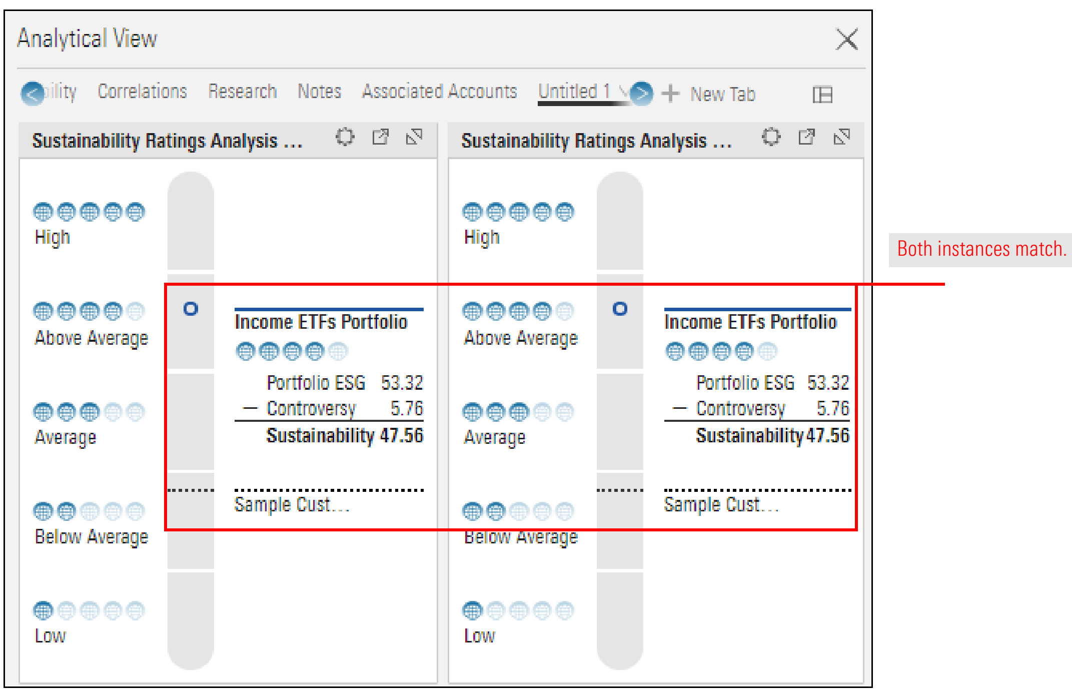
3. To create a second instance of the chart, drag **Sustainability Ratings Analysis** from the Edit panel and **place it to the right** of the existing chart.



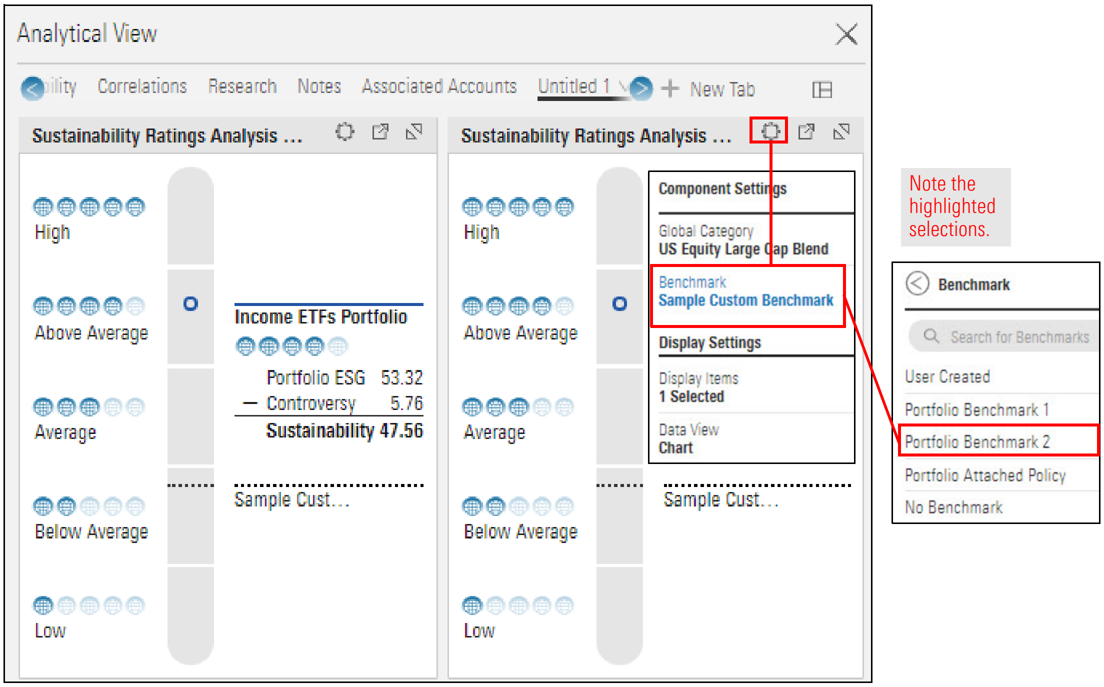
4. At the top of the Edit panel, click **Done** to close it.

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

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

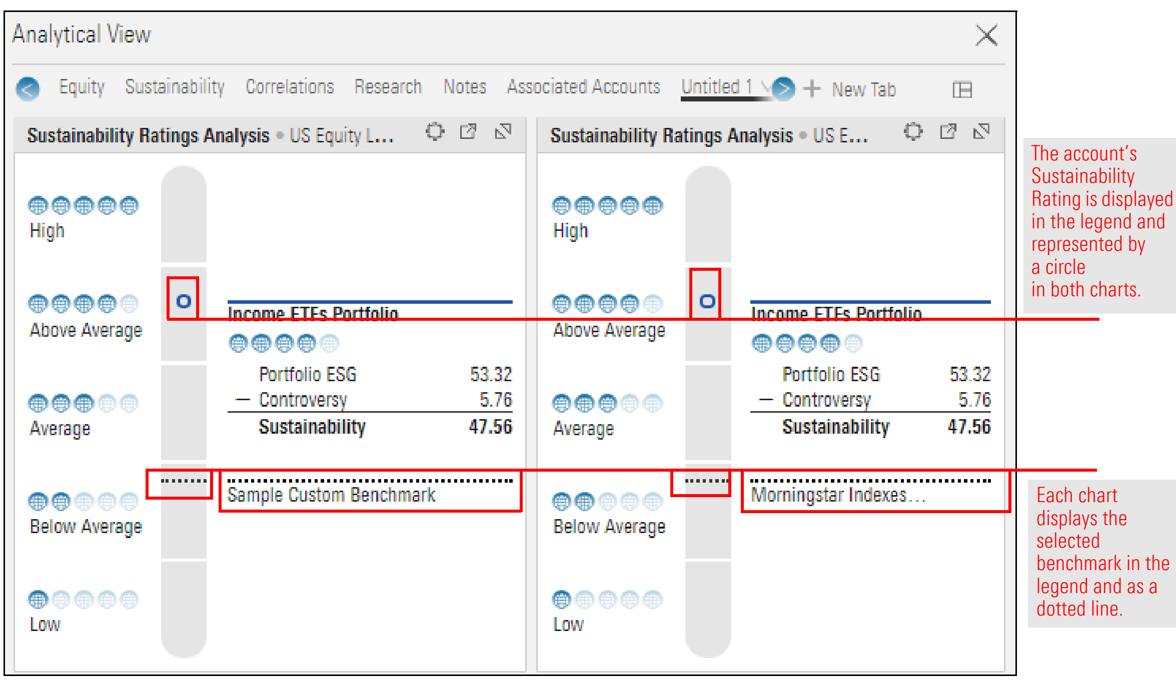


5. In the right chart, click the **Component Settings** icon, then select **Benchmark** > **Portfolio Benchmark 2**.



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

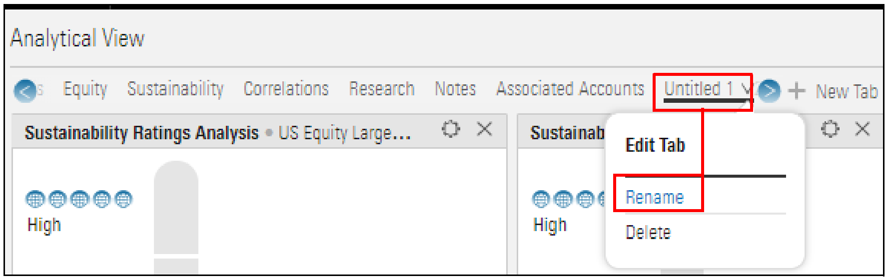
Note the benchmark and account information in the legend.



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**.

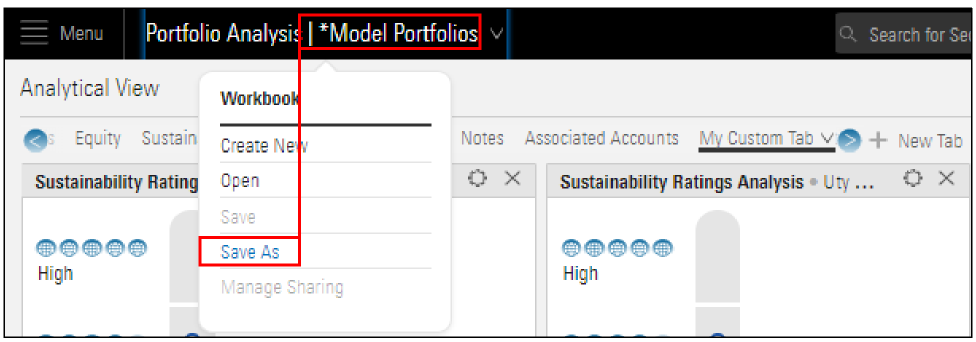


Note the highlighted selections.

   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.

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

Using an Investment Policy

Overview

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 Asset 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 model portfolio's alignment to asset allocation lineups and performance outcomes, but also to conduct total portfolio attribution for a model portfolio 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?

In this section, you will create an investment policy and apply it to a model portfolio. 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.

☞ 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 model portfolios 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.

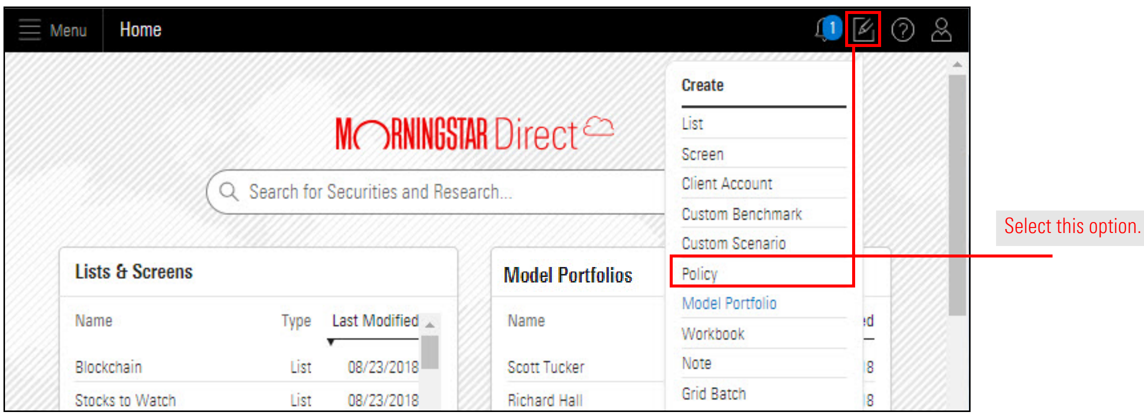
Exercise 11: Create an investment policy and its Level 1 asset classes and proxies

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

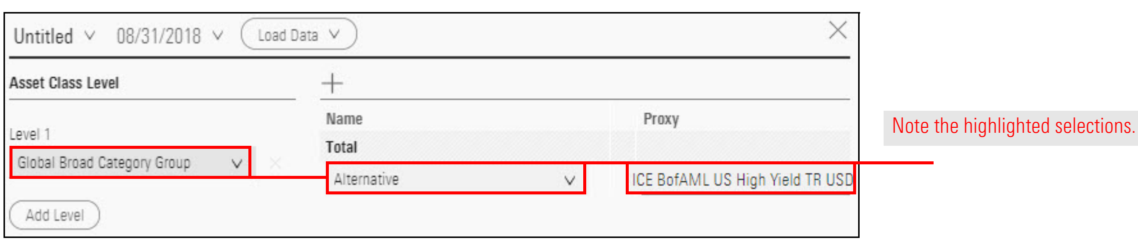
Level 1 Asset Class: Global Broad Category Group	Proxy
Alternative	ICE BofAML US High Yield TR USD
Equity	S&P 500 TR USD
Fixed Income	BBgBarc Aggregate Bond Treasury TR
Money Market	BBgBarc US Treasury Bill 1-3 Mon TR USD

Do the following:

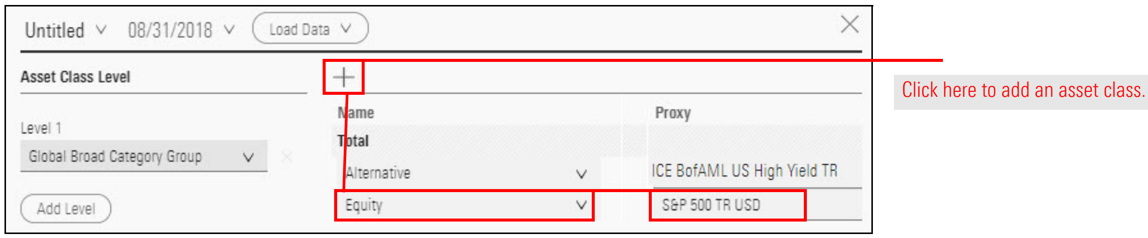
1. In the header, click the **Create** icon, then select **Policy**. The Policy Editor window opens.



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.



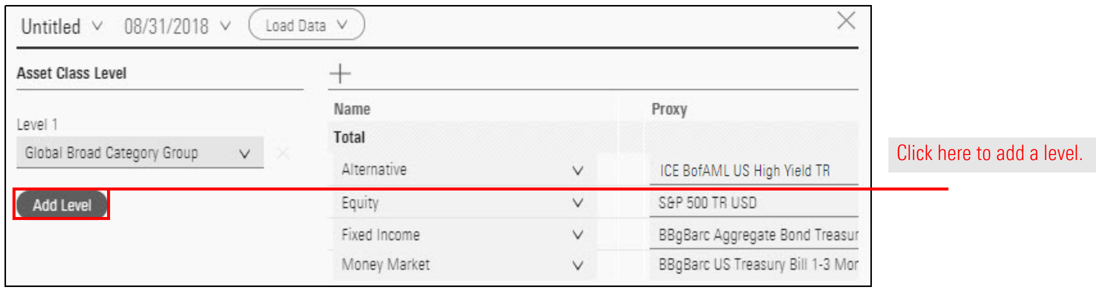
8. **Continue adding asset classes and their proxies**, as described in this table:

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

Exercise 12: Add a level for Morningstar Category

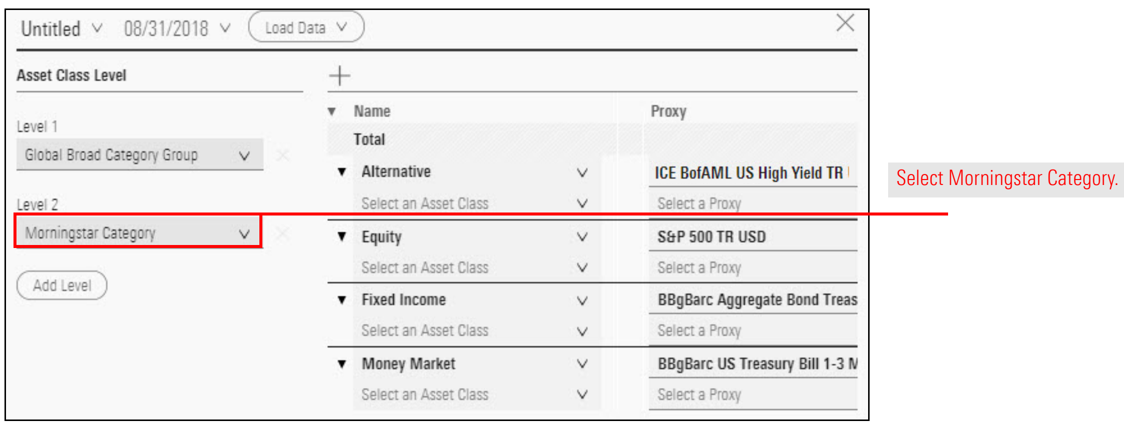
Now that you have created the Level 1 asset classes and their proxies, you can create the Level 2 asset classes. Do the following:

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



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

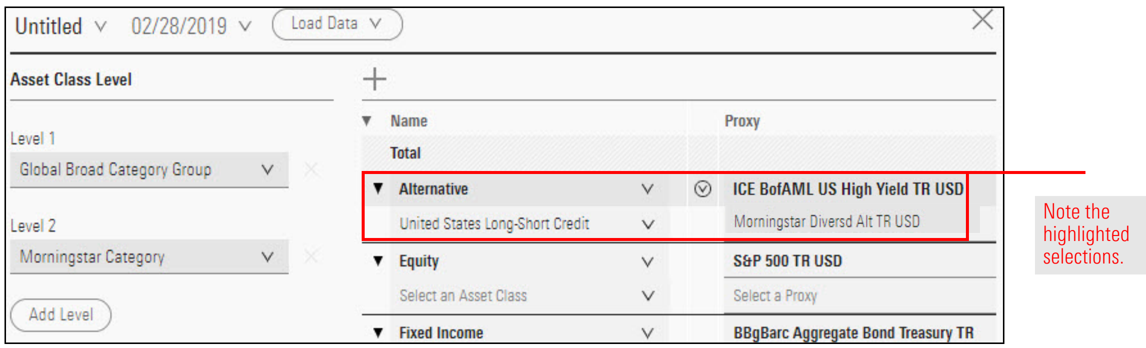
   In the list to the right, the Level 1 asset classes (Name column) and proxies (Proxy column) are displayed. Each Level 1 shows a row in which you will create its Level 2 asset classes (sub-asset classes).



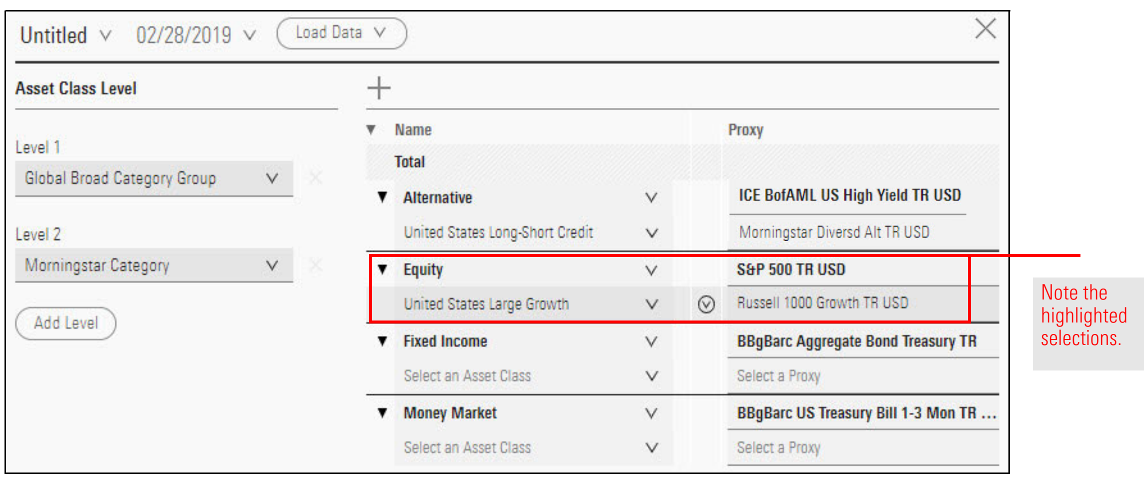
Exercise 13: Create the Level 2 asset classes and proxies

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

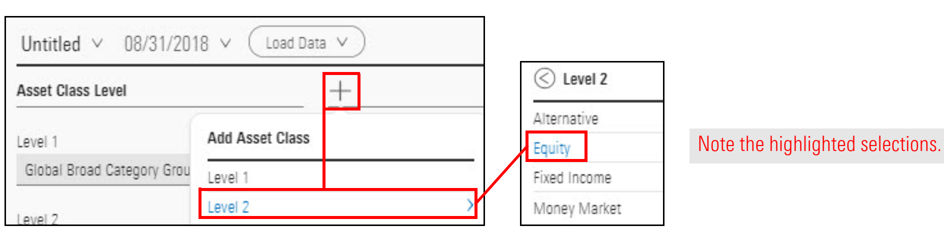
1. In the new row beneath Alternative, the empty field can be used as a Search field. **Click** the empty **Select an Asset Class** field and type **United States Long-Short Credit**. **Select** it from the search results.
2. In the **Select a Proxy** field, search for and select **Morningstar Diversd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



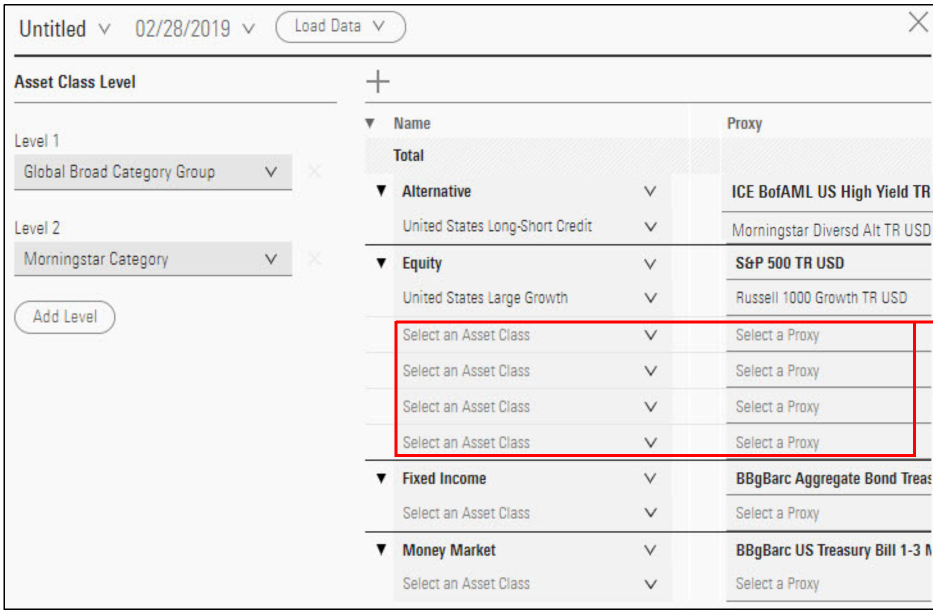
3. Under Equity, in the **Select an Asset Class** field, search for and select **United States Large Growth**.
4. In the **Select a Proxy** field, search for and select **Russell 1000 Growth TR USD**.



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.



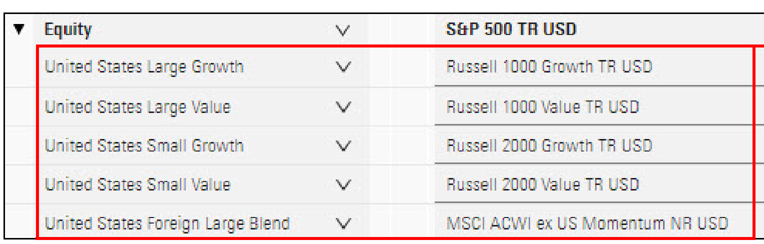
6. In the new row, search for and select **United States Large Growth**.
7. **Repeat** step 6 **four times** so Equity shows four rows to be filled in under United States Large Growth.



These are the rows you just created.

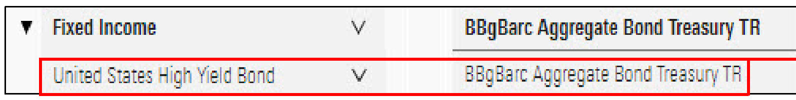
8. In the new rows, search for and select **asset classes** and their **proxies**, as shown in this table:

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



The Equity Name and Proxy columns should look like this.

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**.



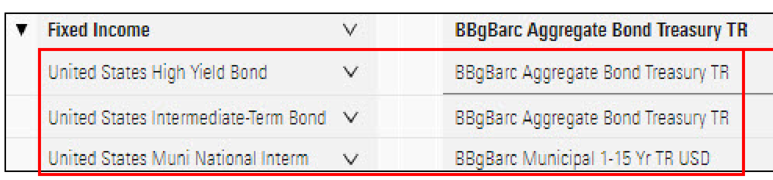
Note the highlighted selections.

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**.

Note the highlighted selections.

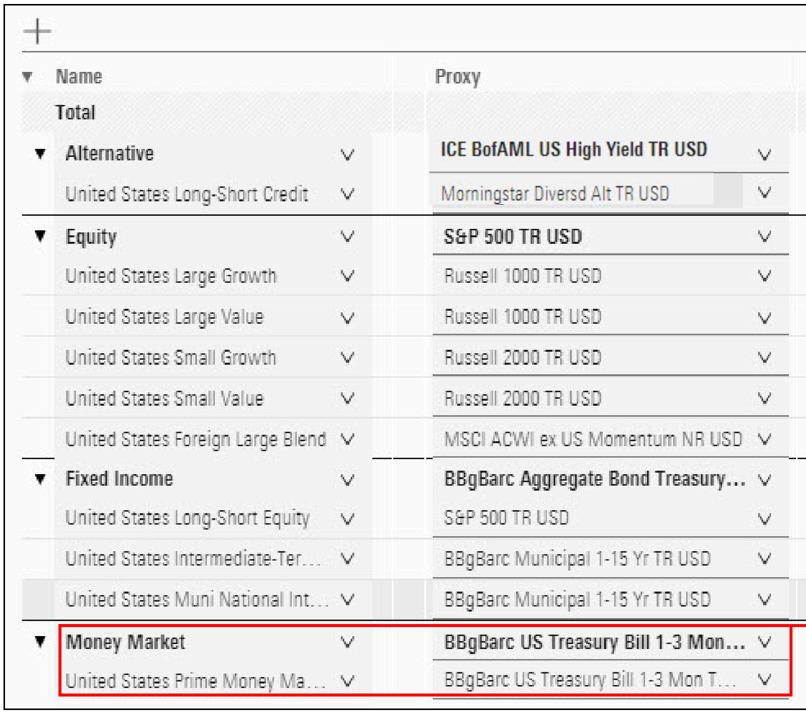
12. Under Fixed Income, **repeat** step 11 to add **one more asset class** (row).
13. In the unassigned Fixed Income rows, search for and select **asset classes** and their **proxies**, as shown in this table:

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



The Fixed Income Name and Proxy columns should look like this.

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**.



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

Exercise 14: Assign weights to the Level 2 asset classes

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.

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

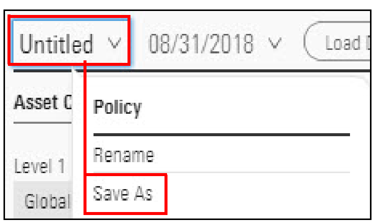
Name	Proxy	Weight %
Total		100.00
▼ Alternative	ICE BofAML US High Yield TR USD	10.00
United States Long-Short Credit	Morningstar Diversd Alt TR USD	10.00
▼ Equity	S&P 500 TR USD	65.00
United States Large Growth	Russell 1000 Growth TR USD	17.50
United States Large Value	Russell 1000 Value TR USD	17.50
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.

Exercise 15: Save an investment policy

To save your policy, do the following:

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



Note the highlighted selections.

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

Name the policy.

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

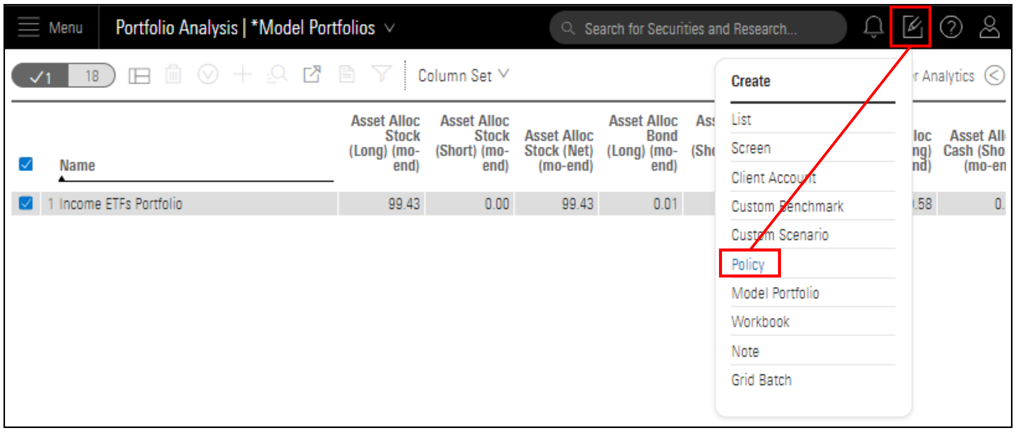
☞ Note: Now that this policy is saved, you can easily create other policies by using the Save As command to give this policy a new name, then change the weights, proxies, categories, or a combination of all three.

Exercise 16: Create an investment policy from a custom benchmark

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 22.

Do the following:

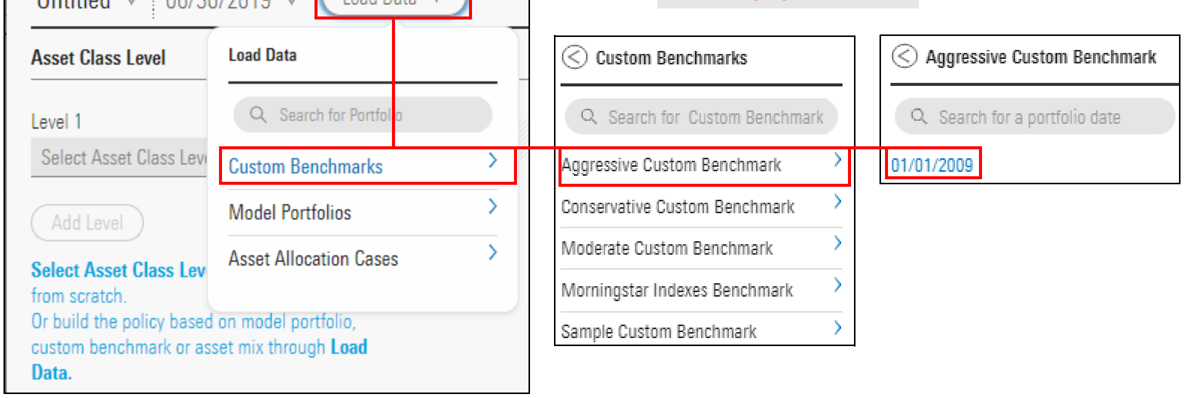
1. From the header, select **Create** > **Policy**. The policy window opens.



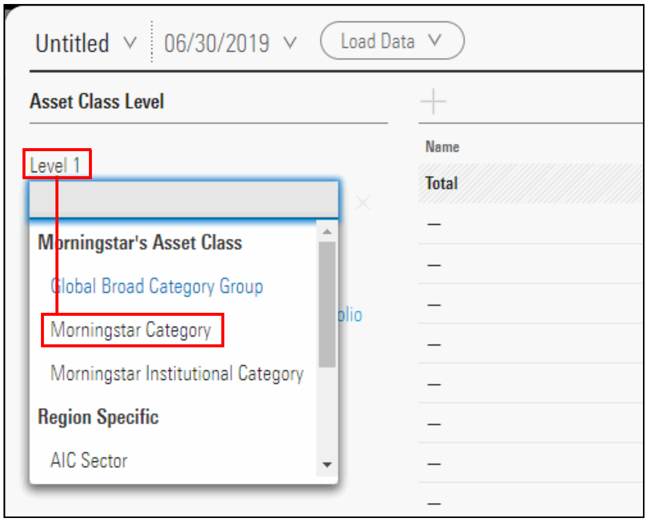
Note the highlighted selections.

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

Note the highlighted selections.



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



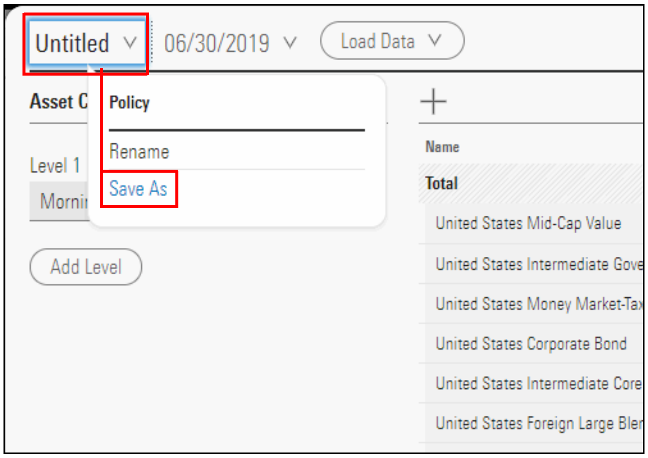
Note the highlighted selections.

4. 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

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



Note the highlighted selections.

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

Exercise 17: Attach an investment policy to a model portfolio

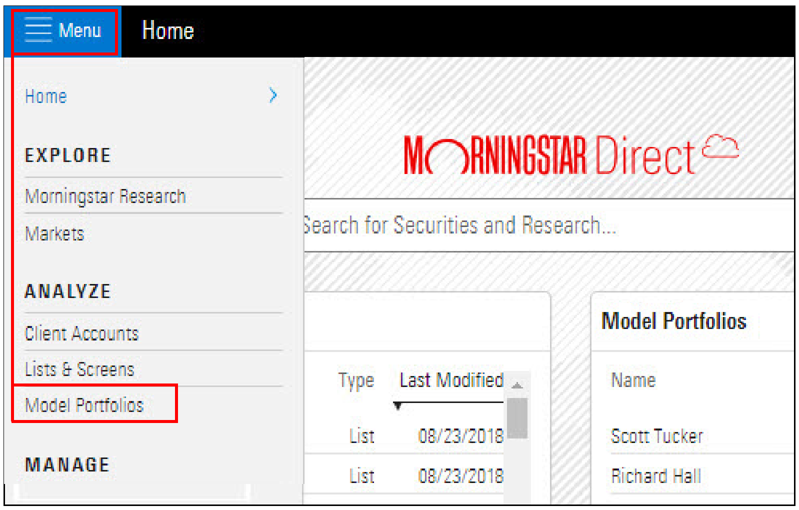
As you know, an investment policy describes the process to be used by a wealth manager in making investment decisions. The wealth manager should periodically review a model portfolio's policy and monitor how well the portfolio is meeting its objectives. Applying a policy to a model portfolio makes it easy to use in such a review.

In this exercise, you will attach the Sample Investment Policy to the Income ETFs Portfolio.

> Note: A policy can be attached to multiple model portfolios.

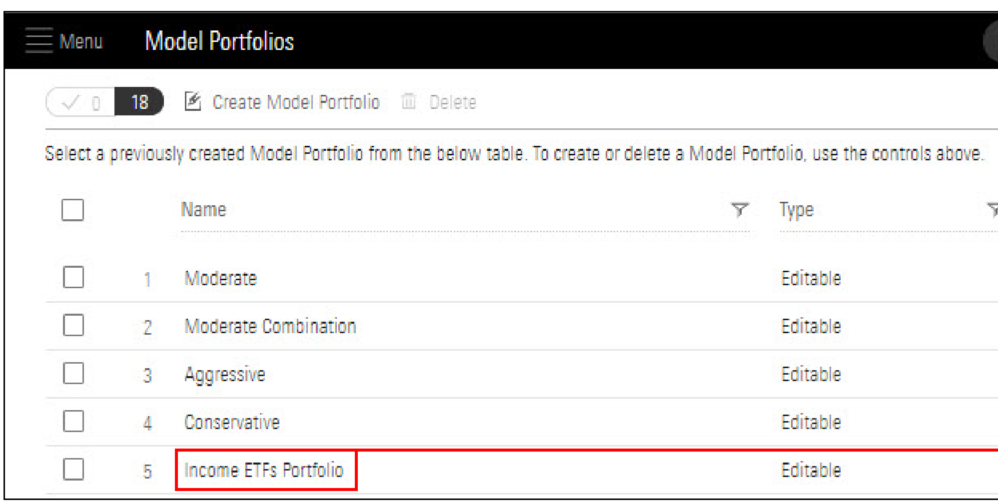
To attach an investment policy to a model portfolio, do the following:

1. From the **Menu**, select **Model Portfolios**. The Model Portfolios page opens.



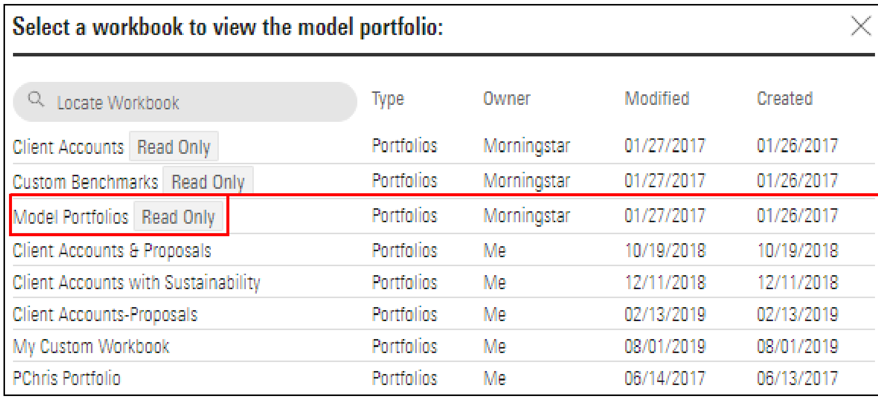
Note the highlighted selections.

2. On the Model Portfolios page, **double-click Income ETFs Portfolio**.



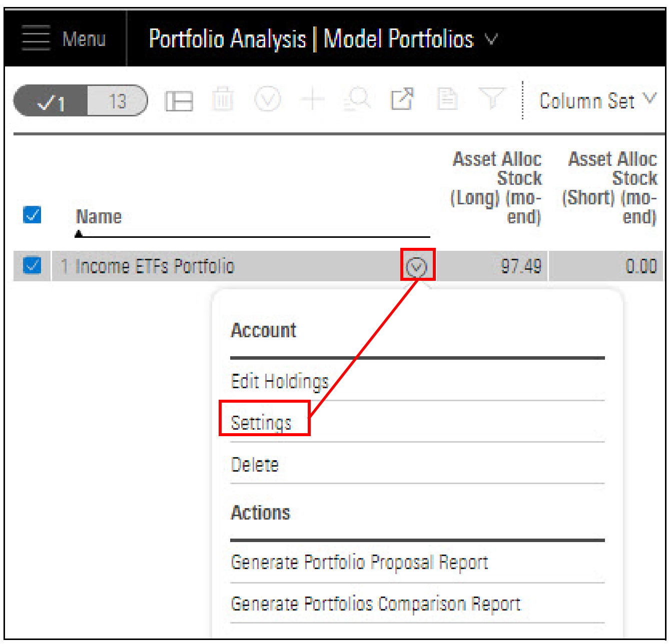
Double-click this model portfolio.

3. In the “Select a workbook to view the model portfolio” dialog box, select **Model Portfolios**. The Model Portfolios workbook opens, displaying the Grid.



Select this option.

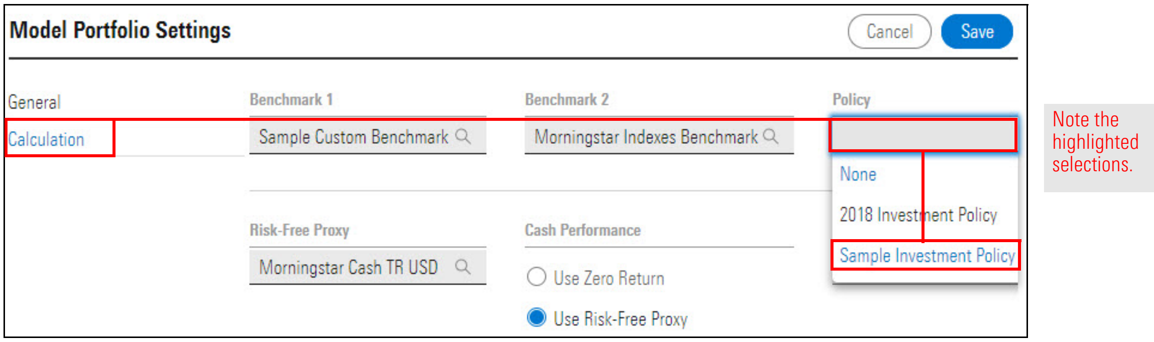
4. **Hover the cursor** over the **Income ETFs Portfolio** row. The Actions icon appears. Click the **Actions** icon and select **Settings**. The Model Portfolio Settings window opens.



Note the highlighted selections.

5. On the left side of the window, select **Calculation**.
6. 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 model portfolio is edited, the Editor window reflects data from the investment policy.



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

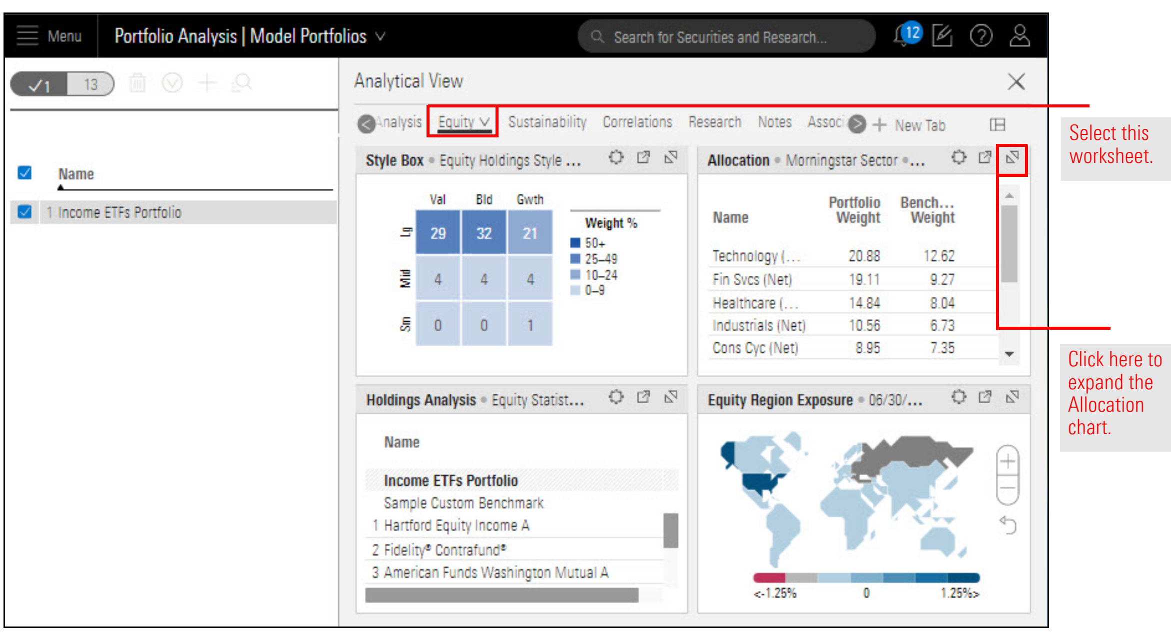
Exercise 18: Compare the allocations of the model portfolio and the policy

If a model portfolio is edited, the portfolio's correlation to the policy could change. Comparing the portfolio to the policy might reveal disparities to be addressed.

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

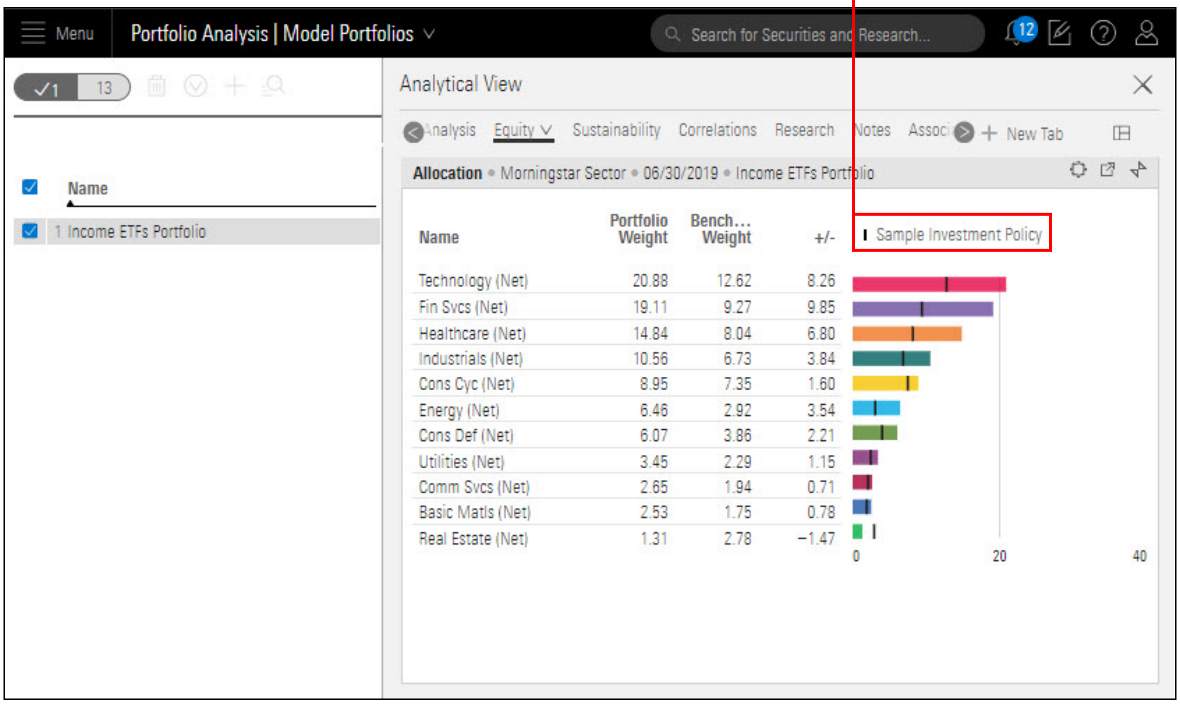
Do the following:

1. In the Model Portfolios workbook, click the name **Income ETFs Portfolio**, select the **Equity** tab.
2. **Expand** the Allocation chart.



By default, the chart shows the Level 1 asset class allocations of the policy attached to the portfolio.

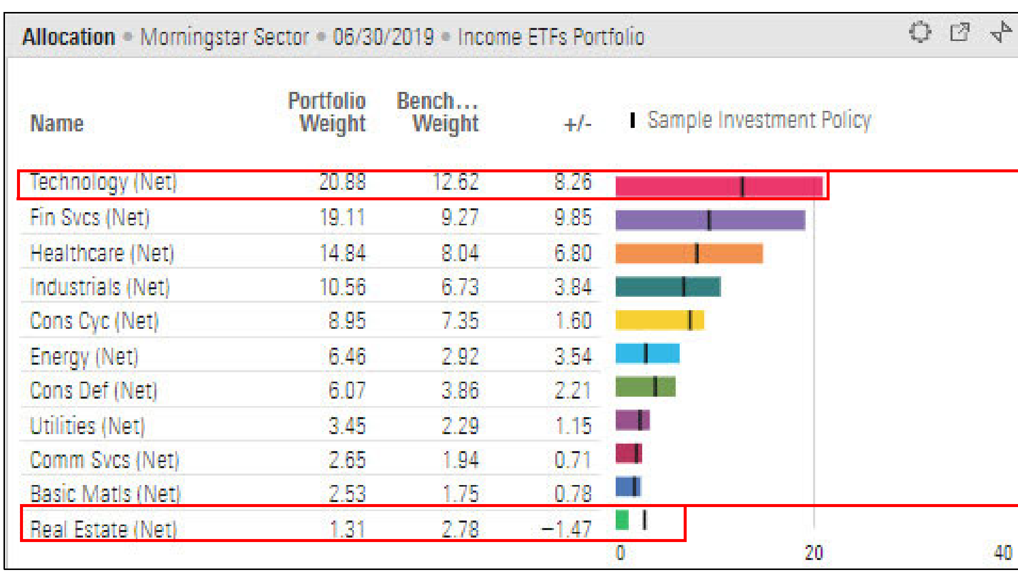
The policy values are represented by vertical lines.



3. **Examine** the results.

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

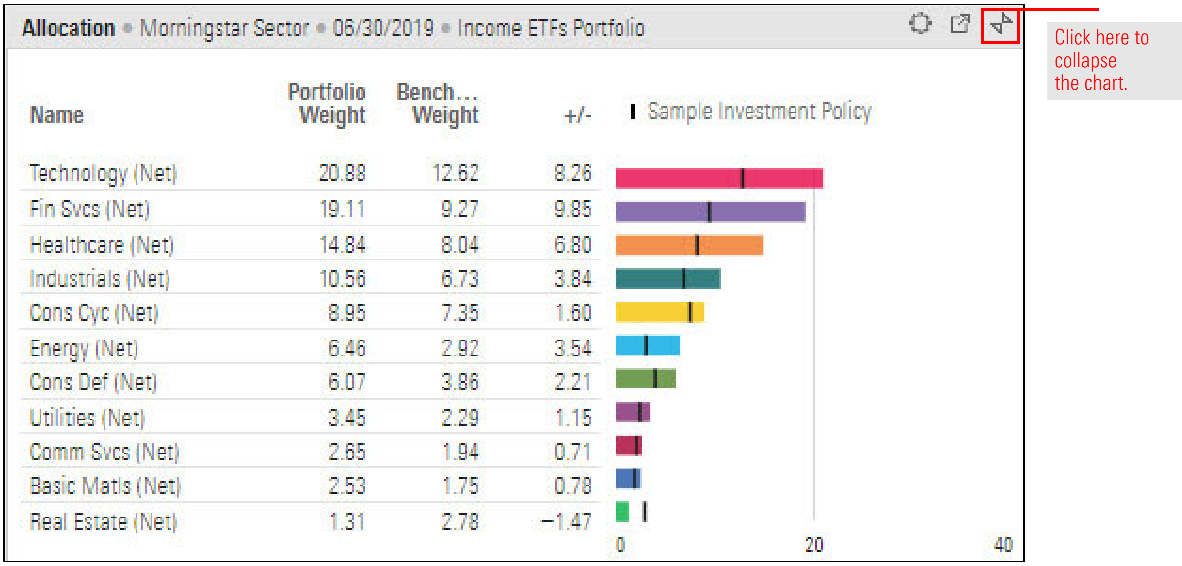
   In your results, when comparing the model portfolio and the policy, in which sector(s) is the portfolio overweighted? In which is it underweighted?



This model portfolio is overweighted in Technology…

…and underweighted in Real Estate (Net).

4. **Collapse** the chart.



Name	Portfolio Weight	Bench… Weight	+/-
Technology (Net)	20.88	12.62	8.26
Fin Svcs (Net)	19.11	9.27	9.85
Healthcare (Net)	14.84	8.04	6.80
Industrials (Net)	10.56	6.73	3.84
Cons Cyc (Net)	8.95	7.35	1.60
Energy (Net)	6.46	2.92	3.54
Cons Def (Net)	6.07	3.86	2.21
Utilities (Net)	3.45	2.29	1.15
Comm Svcs (Net)	2.65	1.94	0.71
Basic Matls (Net)	2.53	1.75	0.78
Real Estate (Net)	1.31	2.78	−1.47

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

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

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.

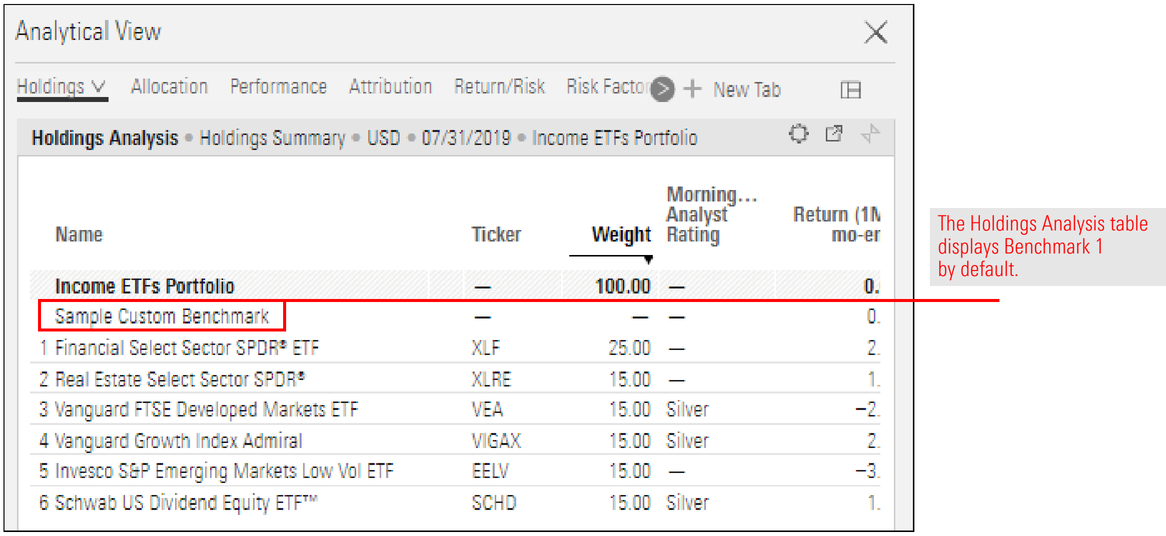
In this exercise, you will recreate an investment policy's groupings in the Holdings Analysis table.

☞ Note: To refresh your memory of the structure of the investment policy, review Exercise 14 on page 50.

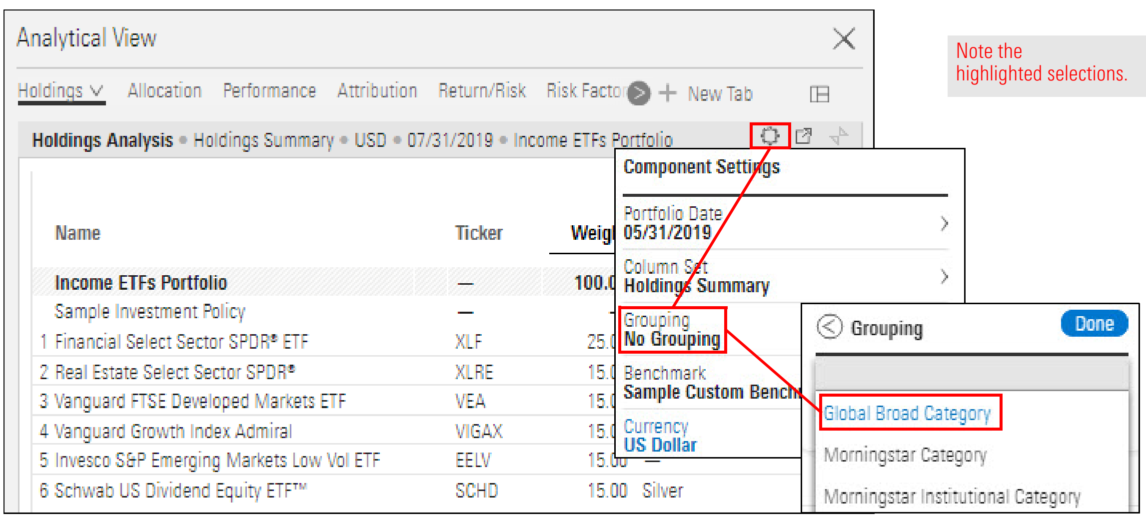
Do the following:

1. In the **Model Portfolio** workbook, make sure the **Income ETFs Portfolio** is selected.
2. Select the **Holdings** tab.

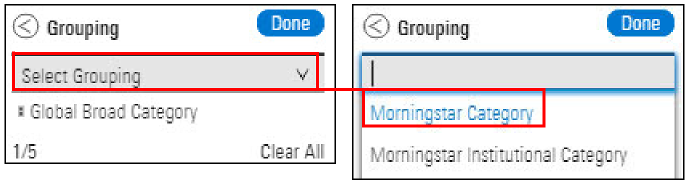
   In the Holdings Analysis table, note that the Sample Custom Benchmark is displayed.



3. Click the **Component Settings** icon, then select **Grouping** > **Global Broad Category**.
   The Grouping menu reappears.

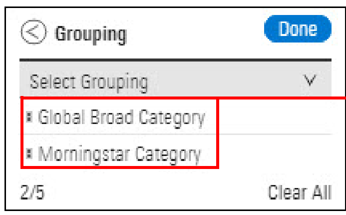


4. Click **Select Grouping** again, then select **Morningstar Category** (the policy's Level 2 Asset Class).



Note the highlighted selections.

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

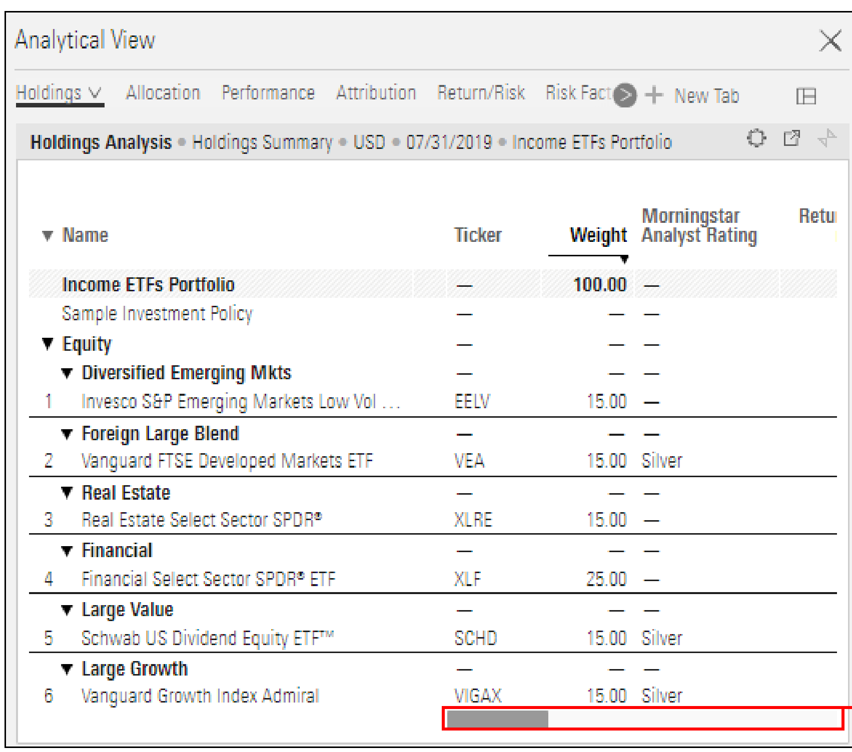


Note the highlighted selections.

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

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

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



In Equity holdings (the Global Broad Category), the model has one fund in each of the Morningstar Categories.

Scroll here.

Editing a Model Portfolio

Overview

Suppose you are reviewing the Moderate model portfolio and you discover that, due to changed in the market and economic conditions in the US and abroad, changes need to be made to the weightings in the model portfolio. How can a model portfolio be edited to add, remove, or change holdings, and to add an additional date to the same model portfolio?

This section covers the following:

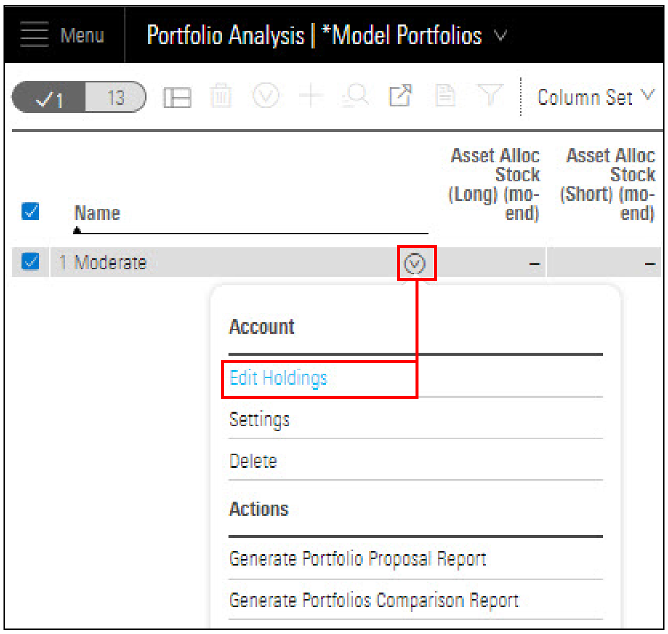
Exercise 20: Create a new portfolio date

You might need to periodically revise the holdings or their weights in a model portfolio.

Before making such a change to the model portfolio, 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:

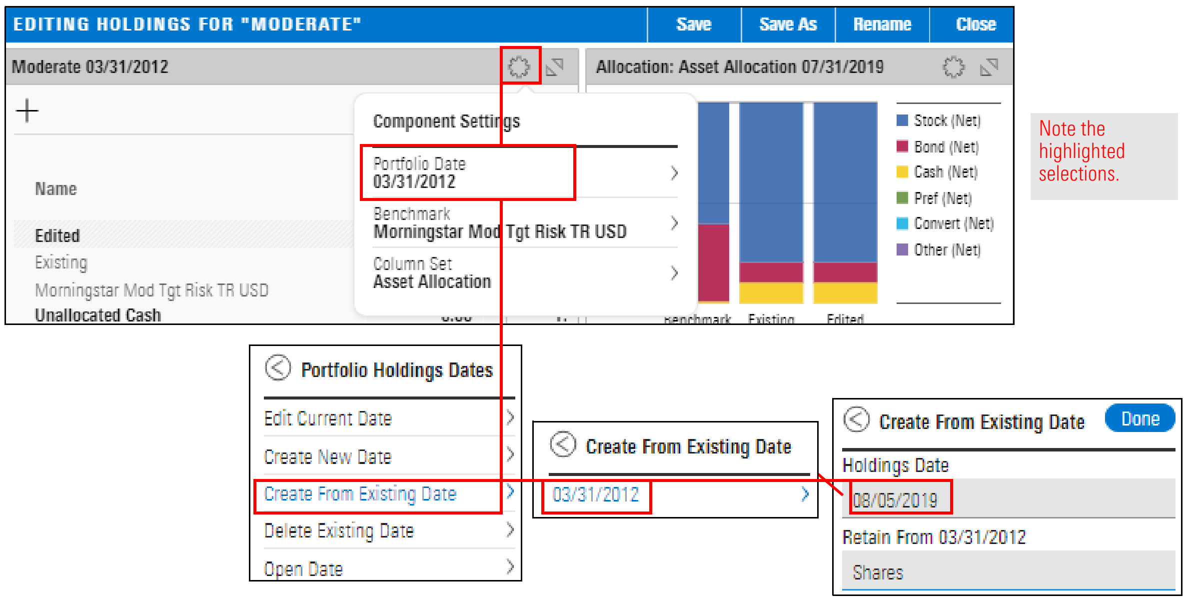
1. In the **Model Portfolios** workbook Grid, **hover the cursor** over **Moderate**. The Actions icon appears.
2. Click the **Actions** icon and from the menu, select **Edit Holdings**. The Editing Holdings window opens.



Note the highlighted selections.

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 (03/31/2012). A new menu opens.
5. In the **Holdings Date** field, **type yesterday's date**.

   ☞ Note: In the Retain From 03/31/2012 field, leave Shares selected. The other option for this field is Weights.[



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

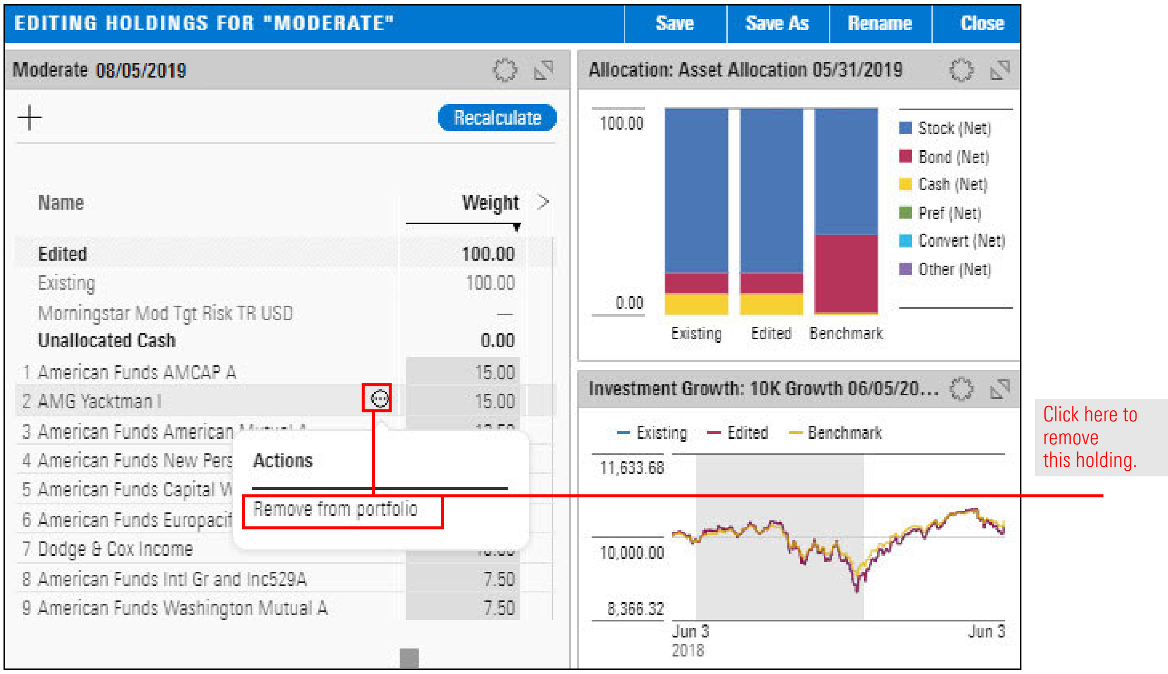
Exercise 21: Remove a holding from a model portfolio

In this exercise, you will remove a holding from the Moderate model portfolio.

The Editing Holdings window should still be open.

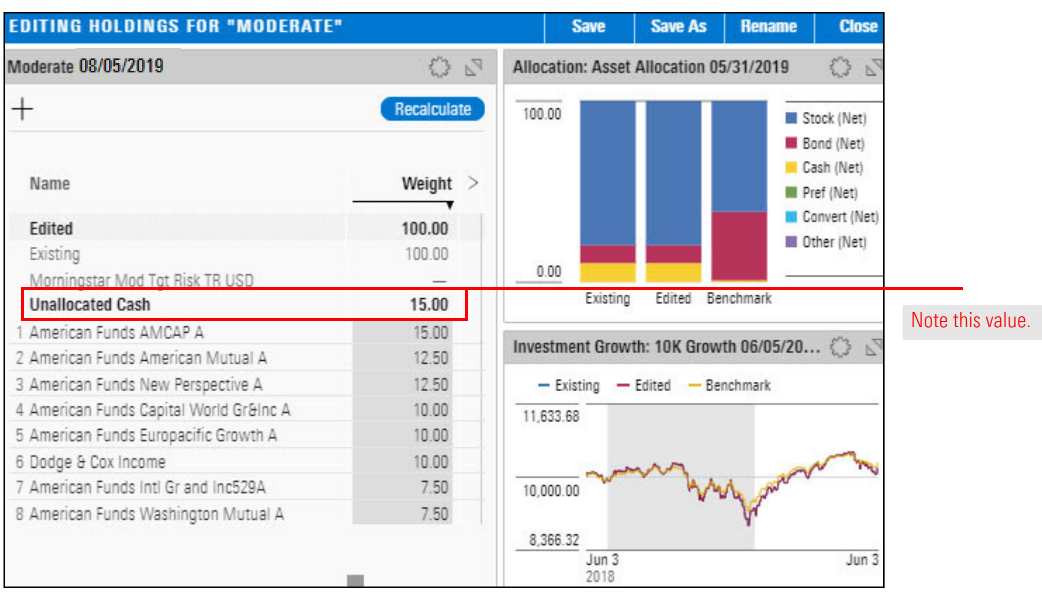
1. **Hover the cursor** over **AMG Yacktman I**. The Actions icon appears to the right of the name.

1. Click the **Actions** icon and select **Remove from portfolio**. The holding is removed from the model portfolio.



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 AMG Yacktman I (15.00) has been assigned to Unallocated Cash.

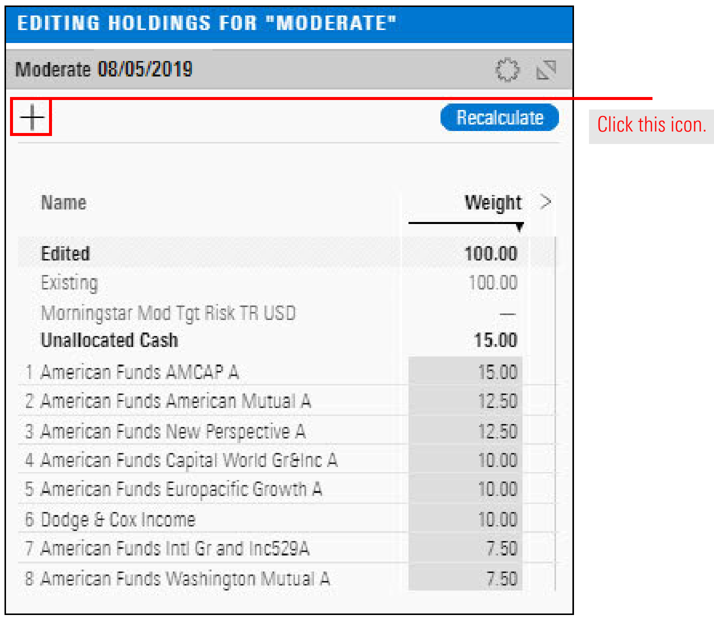


Exercise 22: Add a holding to a model portfolio

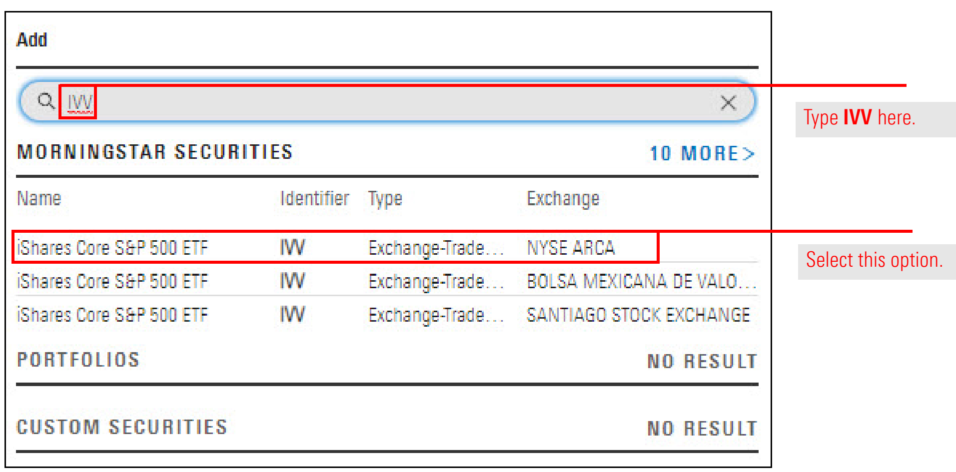
In Exercise 21 on page 65, you removed AMG Yacktman I from Joe Franklin model portfolio. In this exercise, you will add iShares Core S&P 500 ETF to take its place.

The Editing Holdings window should still be open.Do the following:

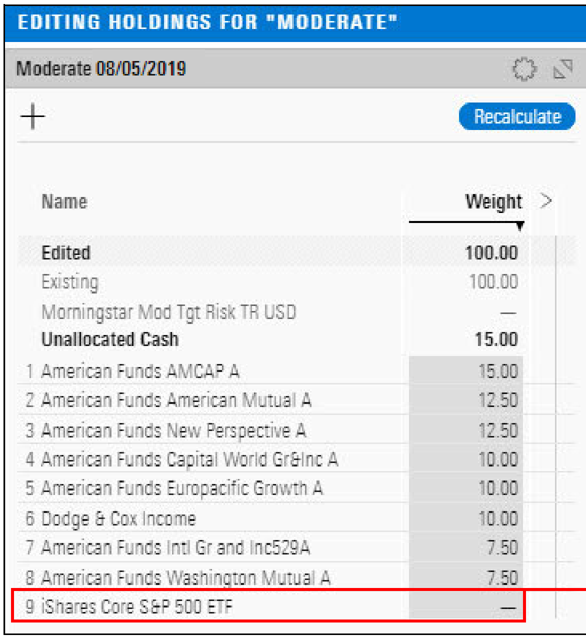
1. In the upper-left corner of the Editing Holdings window, click the **Add** icon. The Add dialog box opens.



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.

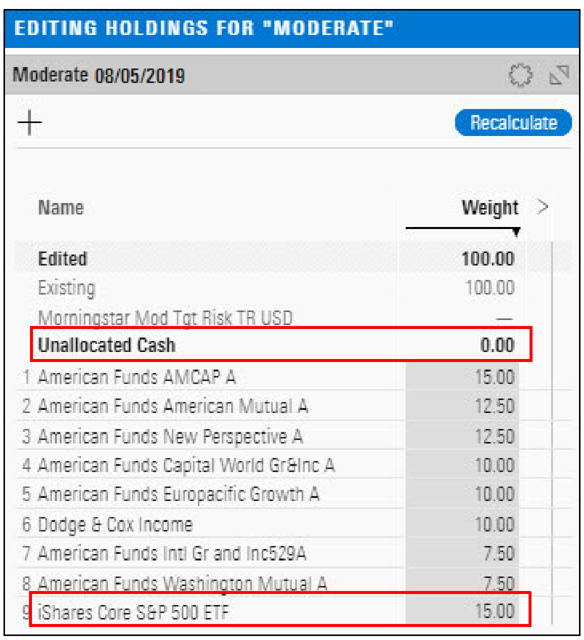


iShares Core S&P 500 ETF is now listed as a holding. Its weight displays a dash (—).



The dash indicates the holding has a weight of null.

3. In the iShares Core S&P 500 ETF row, click the **dash** in the Weight column.
4. Enter **15.00** (the weight currently assigned to Unallocated Cash and previously assigned to AMG Yacktman I).



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

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

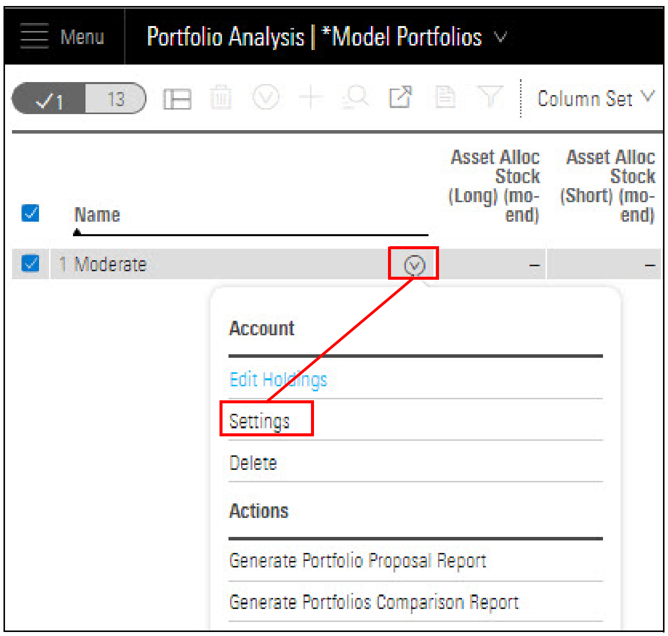
Exercise 23: Change a model portfolio's identifier

When you create a model portfolio, a unique identifier is automatically generated as a string of letters and numbers. You can use the identifier when updating a model portfolio, but it's a good idea to first change it to meaningful text.

For example, suppose you need to update a model portfolio on an annual basis to reflect the date, current market conditions, and so on. You could modify each holding manually, but by using an identifier, you can make the changes in an Excel spreadsheet. When you import the spreadsheet, the identifier directs the data to the existing model portfolio with the same identifier.

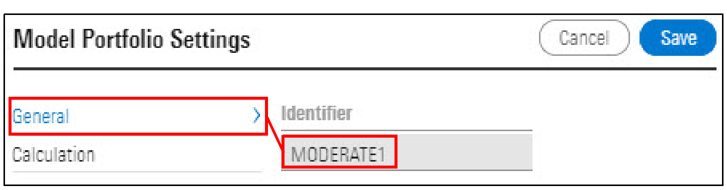
To change a model portfolio's identifier, do the following:

1. In a Model Portfolios workbook, **hover the cursor** over the **Moderate** row. The Action icon appears.
2. **Click** the **Action** icon, then from the menu, select **Settings**. The Settings window opens.



Note the highlighted selections.

3. The General tab should be selected. In the **Identifier** field, enter unique text. In this case, enter **MODERATE1**.



Note the highlighted selections.

4. Click **Save**. The Settings window closes.

Now you can use the identifier when importing an updated Excel file for the model portfolio with that identifier.

Exercise 24: Use an identifier to import data to an existing model portfolio

In this exercise, you will import an Excel file containing updated data for the Moderate model portfolio. The updated files differs from Moderate in the following ways:

- Two funds (American Funds Growth Fund of Amer A and American Funds Ltd-Term Tx-Ex Bd A) have been added.
- One fund (Dodge & Cox Income) has been removed.
- The funds' weights have changed
- The identifier assigned to the Moderate model portfolio (MODERATE1) is included, and
- The date (originally 3/31/2012) has been updated.

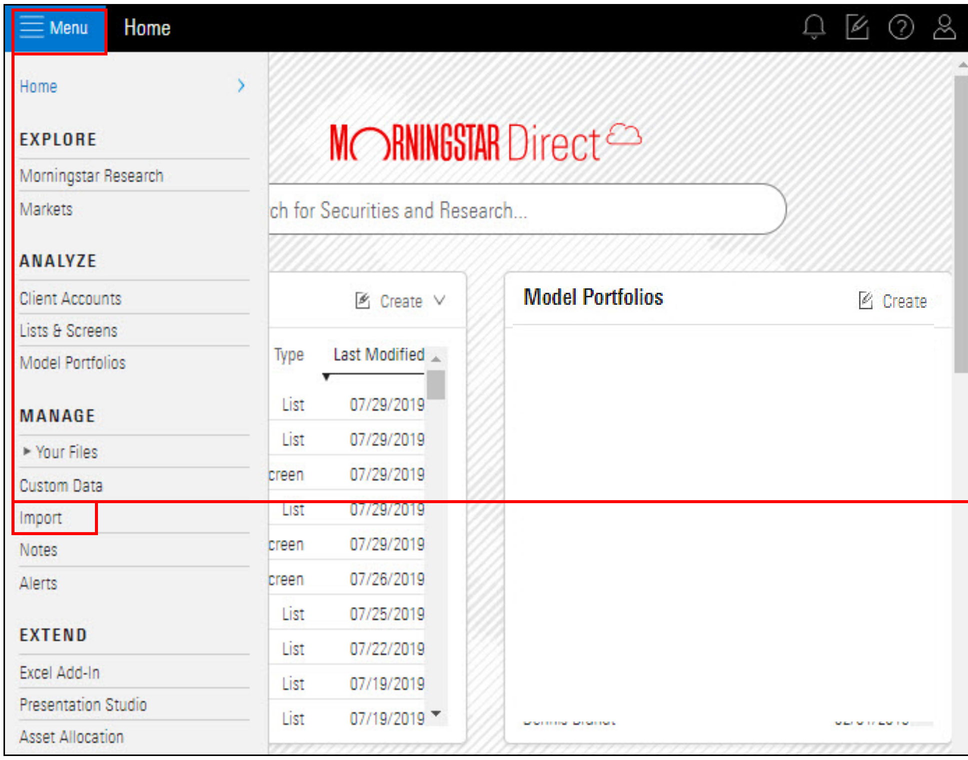
The data to be imported is shown here.

Account Number	Account Name	Date	Ticker	Holding Name	Weight
MODERATE1	Moderate	7/31/2019	AEPGX	American Funds Europacific Growth A	20
MODERATE1	Moderate	7/31/2019	AMCPX	American Funds AMCAP A	12.5
MODERATE1	Moderate	7/31/2019	AMRMX	American Funds American Mutual A	12.5
MODERATE1	Moderate	7/31/2019	ANWPX	American Funds New Perspective A	12.5
MODERATE1	Moderate	7/31/2019	AWSHX	American Funds Washington Mutual A	5
MODERATE1	Moderate	7/31/2019	CGIAX	American Funds Intl Gr and Inc529A	5
MODERATE1	Moderate	7/31/2019	CWGIX	American Funds Capital World GR&Inc A	10
MODERATE1	Moderate	7/31/2019	IVV	iShares Core S&P 500 ETF	12.5
MODERATE1	Moderate	7/31/2019	AGTHX	American Funds Growth Fund of Amer A	5
MODERATE1	Moderate	7/31/2019	LTEBX	American Funds Ltd-Term Tx-Ex Bd A	5

☞ Note: You imported an Excel file earlier Exercise 2 on page 10. This procedure is the same except the identifier directs the imported data to the Moderate model portfolio.

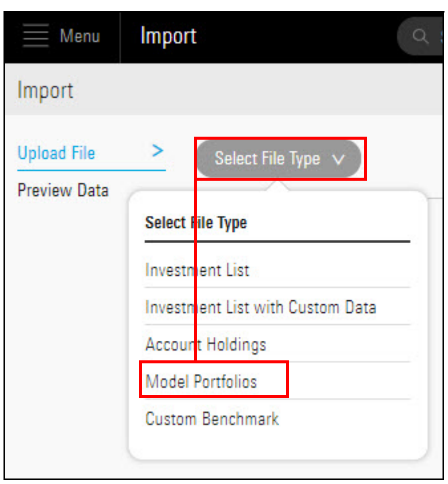
Do the following:

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.



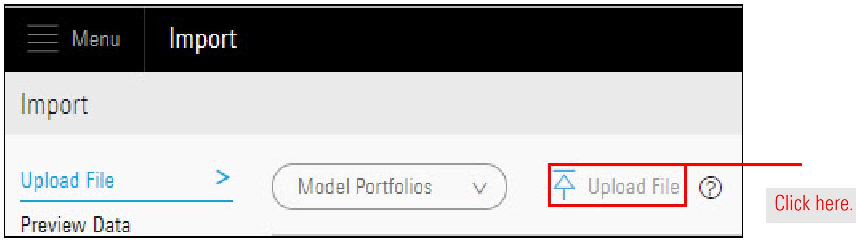
Note the highlighted selections.

3. At the left side of the Import window, the Upload File option is selected. From the **Select File Type** menu, select **Model Portfolios**. To the right of the Select File Type menu, the Upload File icon appears.

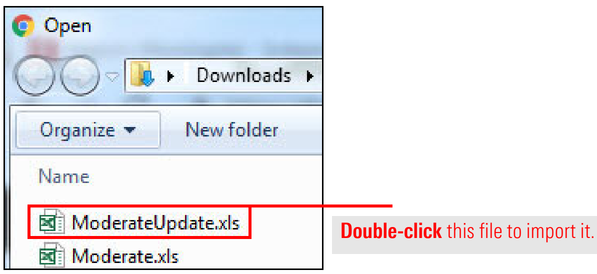


Note the highlighted selections.

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

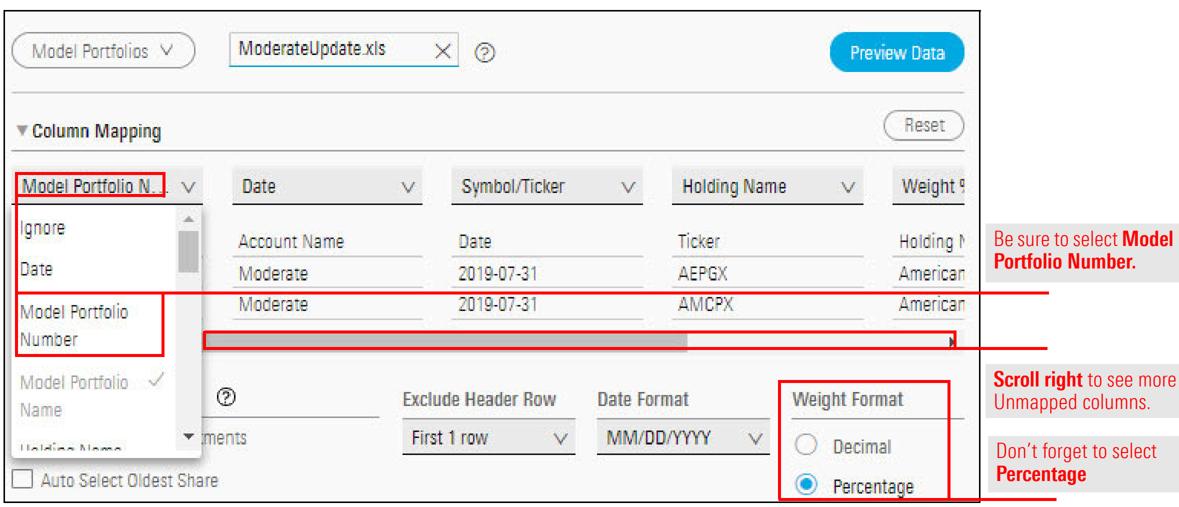


5. Locate and **double-click ModerateUpdate.xls**. On the Import page, the import options are displayed.

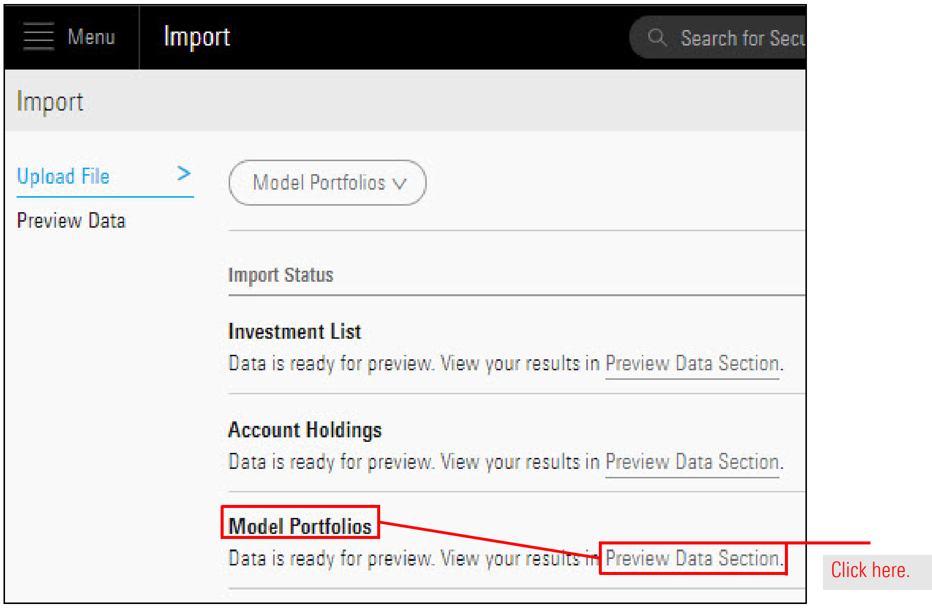


6. In the Column Mapping area, make a **selection** from each Unmapped menu. Each unmapped menu selection corresponds to a column in the Excel spreadsheet. A selection for each column is required. Be sure to select **Model Portfolio Number** in the first column.

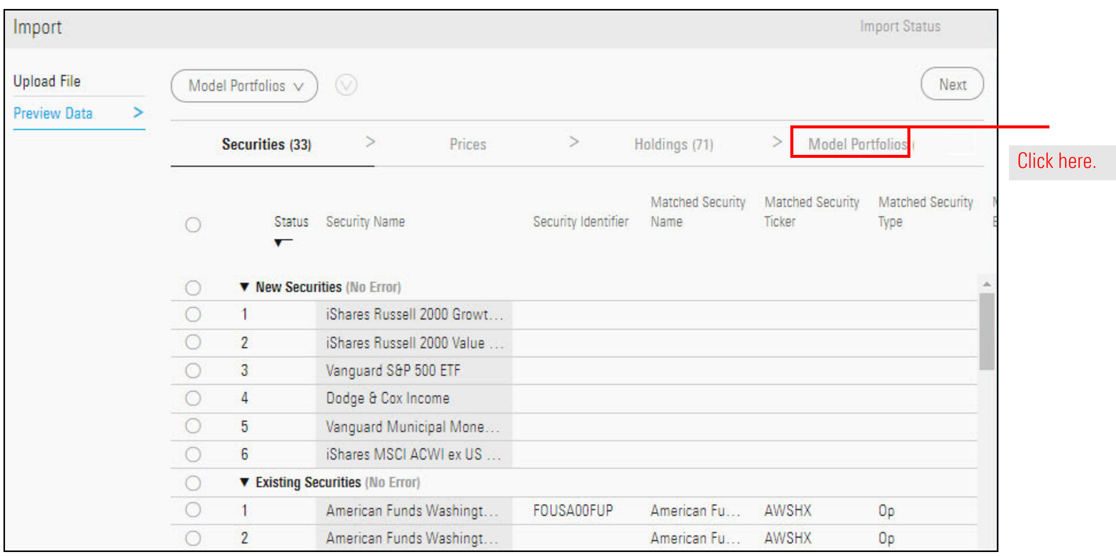
Note: The rightmost Mapping columns might not be displayed. **Scroll right** until you can see the column displaying weights.



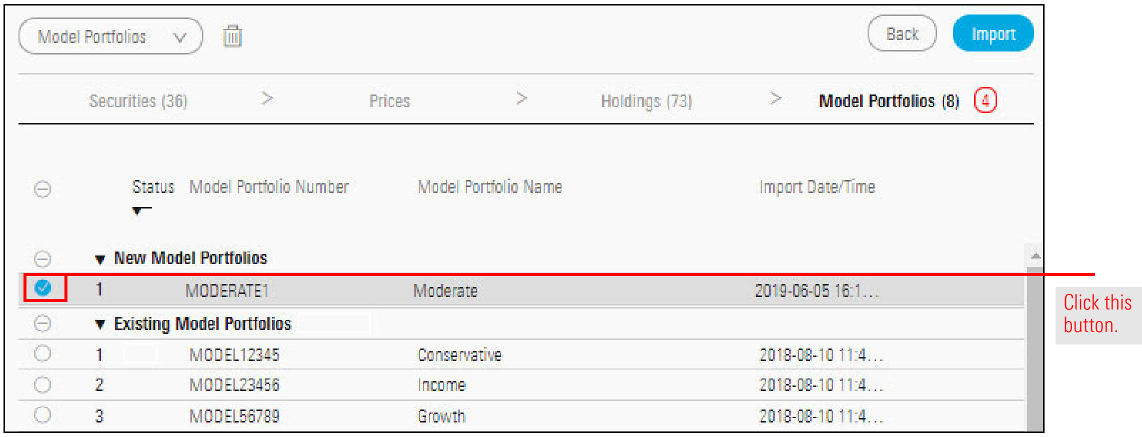
7. In the upper-right corner, click **Preview Data**. File uploading begins.
8. Under **Model Portfolios**, click **Preview Data Section**.



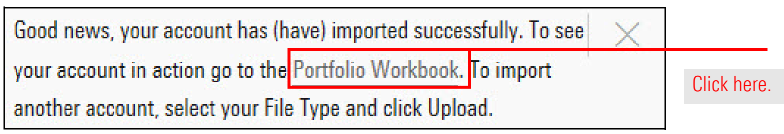
9. Select the **Model Portfolios** tab.



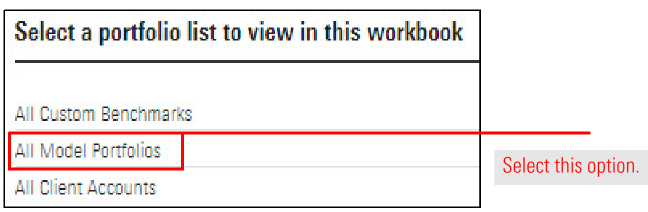
10. Click the circle next to **MODERATE1**, then click **Import**.



11. 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.



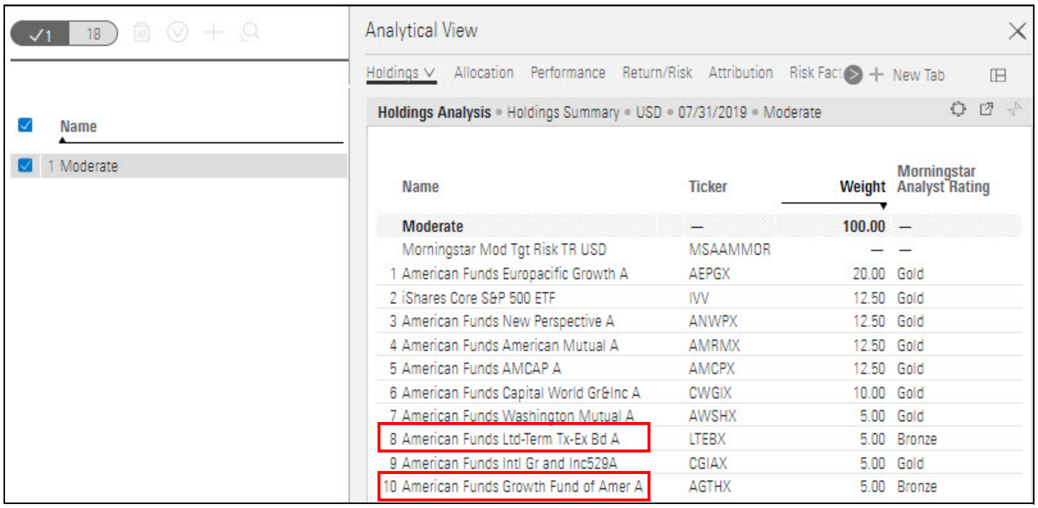
12. In the “Select a portfolio list to view in this workbook” dialog box, select **All Model Portfolios**. The Model Portfolios workbook opens.



13. In the Grid, click **Moderate**, then select the **Holdings** worksheet.

    In the Holdings Analysis table, note the following:
    - Two funds (American Funds Growth Fund of Amer A and American Funds Ltd-Term Tx-Ex Bd A) have been added.
    - One fund (Dodge & Cox Income) has been removed, and
    - The funds' weights have changed.

    By default, a table or chart always displays the data from the most recent date.



The highlighted funds are new to the Moderate model portfolio.

What is embedding and how is it used in a model portfolio?

In addition to its holdings, a model portfolio can contain other portfolio objects. Adding a portfolio object to a model portfolio is called "embedding." The model portfolio is the "parent." The portfolio object added to the parent is the "child."

When embedding objects in the Portfolio Editor, all custom portfolio objects are available. Five levels of nesting are supported.

Exercise 25: Import data for multiple model portfolios

Before you can go on to the embedding exercise, you need to import an Excel file.

In Exercise 24 on page 69, you used an identifier to import data directly into an existing model portfolio. In this exercise, you will use an identifier to create two new model portfolios. In the following image, note that two model names are listed in the Model Name column.

A	B	C	D	E
Model Name	Date	Identifier	Holding Name	Weight
Model2	3/31/2012	FDCAX	Fidelity Capital Appreciation	10
Model2	3/31/2012	VSEQX	Vanguard Strategic Equity Inv	15
Model2	3/31/2012	POGRX	PRIMECAP Odyssey Growth	20
Model2	3/31/2012	RFI	Cohen & Steers Tot Ret Realty	20
Model2	3/31/2012	BST	BlackRock Science and Technology Trust	25
Model2	3/31/2012	SKYY	First Trust Cloud Computer ETF	10
Model3	7/31/2013	VWELX	Vanguard Wellington	20
Model3	7/31/2013	GLRBX	James Balanced Golden Rainbow	20
Model3	7/31/2013	PRSIX	T. Rowe Price Personal Strategies Income	20
Model3	7/31/2013	HABDX	Harbor Bond	20
Model3	7/31/2013	FSHBX	Fidelity Short-Term Bond	20

The data will be imported as separate moder portfolios—Model2 and Model3.

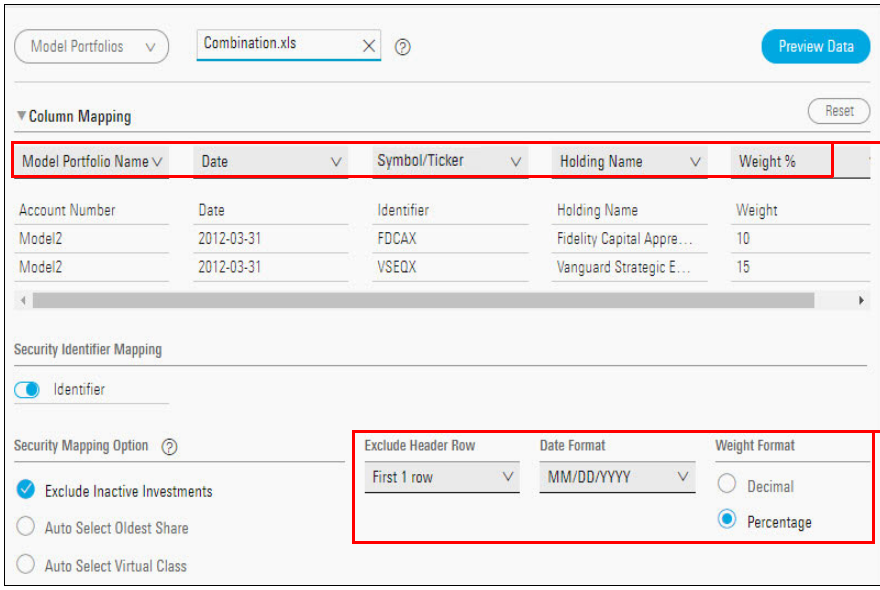
Do the following:

1. **Download** the Excel file for this exercise. This file (Combination.xls) lists aggressive investments and conservative investments, named Model2 and Model3, respectively.

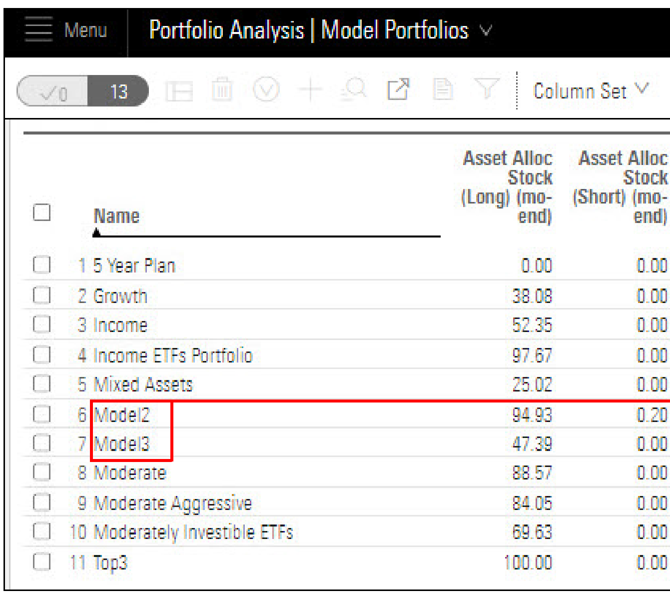
   Note: You will change the names after importing.

2. **Import** it as a model portfolio, following the steps in Exercise 2 on page 10.

3. In step 9 on page 11, the window should look like this:

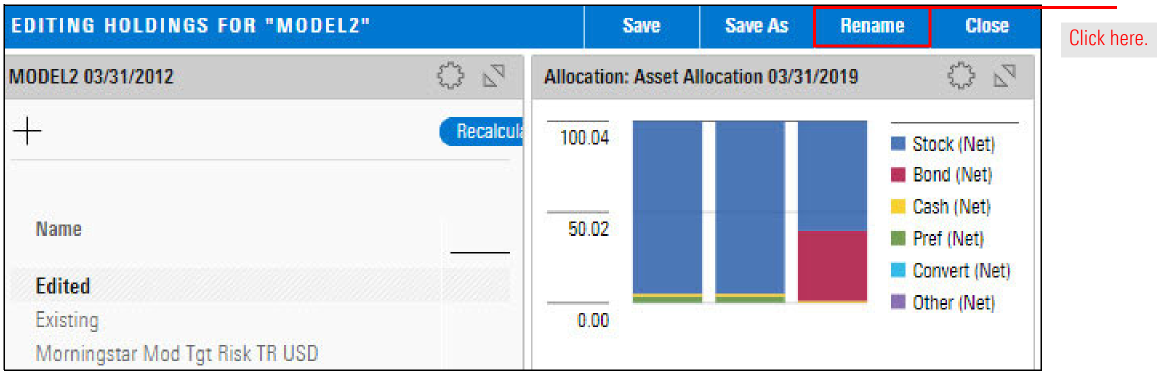


When you're finishing importing, the Grid in the Model Portfolios workbook should include Model2 and Model3.

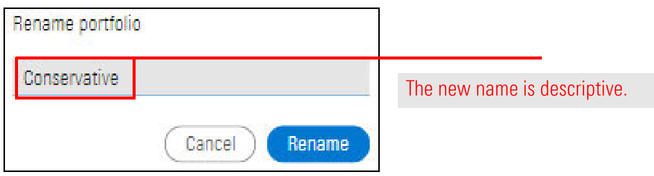


4. Model2 and Model3 are generic names, which are not useful. You can rename them in the Grid. In the Model2 row, **hover the cursor** over the **Action** icon.
5. From the menu, select **Edit Holdings**. The Editing Holdings window opens.

6. In the upper-right corner of the Editing Holdings window, click **Rename**. The Rename portfolio dialog box opens.



7. Type **Conservative** and click **Rename**.



8. In the Editing Holdings window, click **Save** and **Close**.
9. Repeat step 4 through step 7, renaming Model3 as **Aggressive**.
10. In the Editing Holdings window, click **Save** and **Close**.

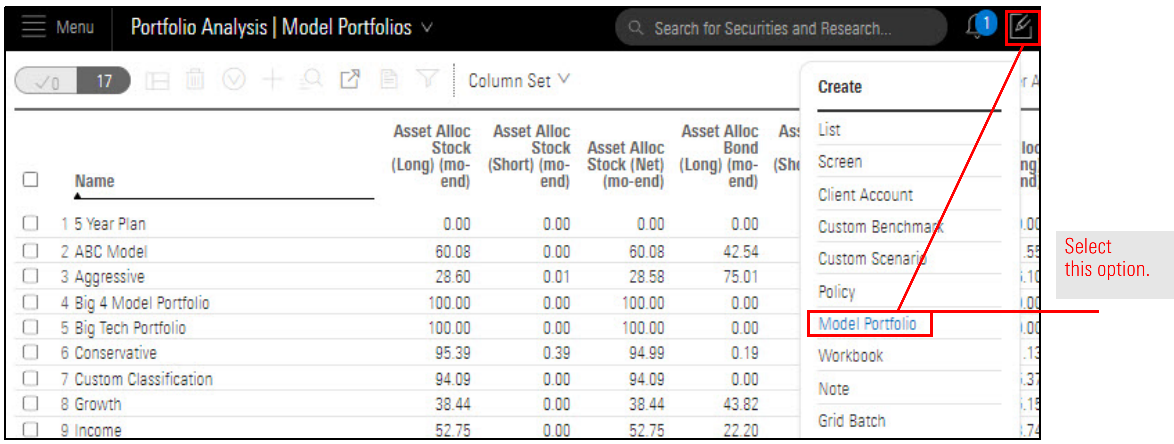
Exercise 26: Build a model portfolio based on other model portfolios

Suppose the following:

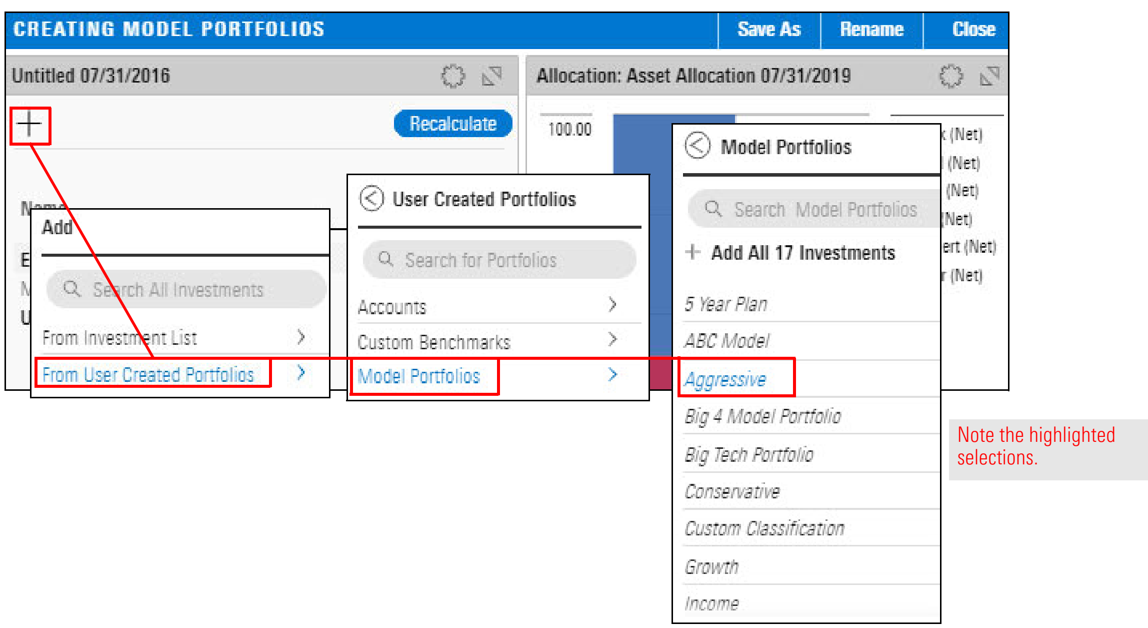
- You need to create a moderate model portfolio, and
- You have access to conservative and aggressive model portfolios.

Instead of adding holdings manually, you will create a new model portfolio and embed the Conservative and Aggressive model portfolios.

1. On the header, click the **Create** icon and select **Model Portfolio**. The Creating Model Portfolios window opens.

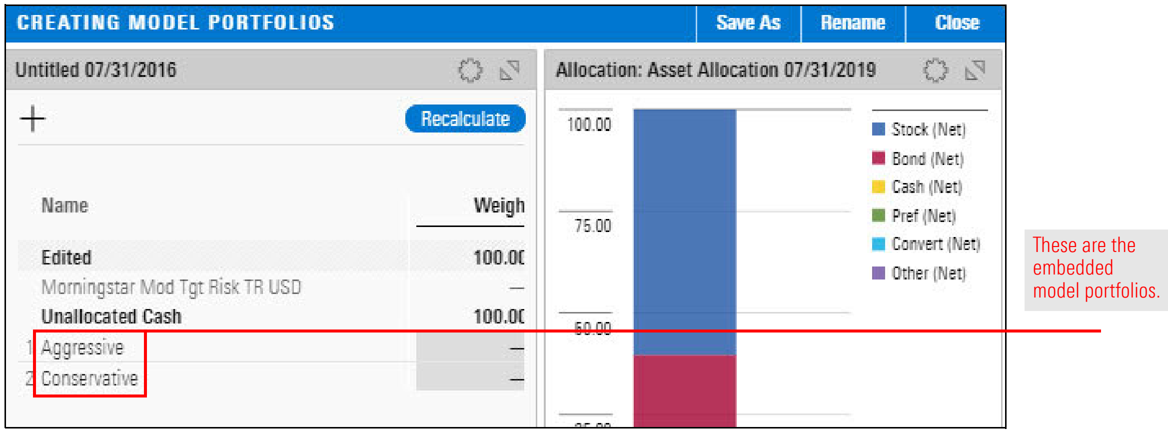


2. In the upper-left corner, click the **Add** icon. The Add dialog box opens.
3. Select **From User Created Portfolios** > **Model Portfolios** > select **Conservative** model portfolio.
4. **Click away** from the menu to close it.

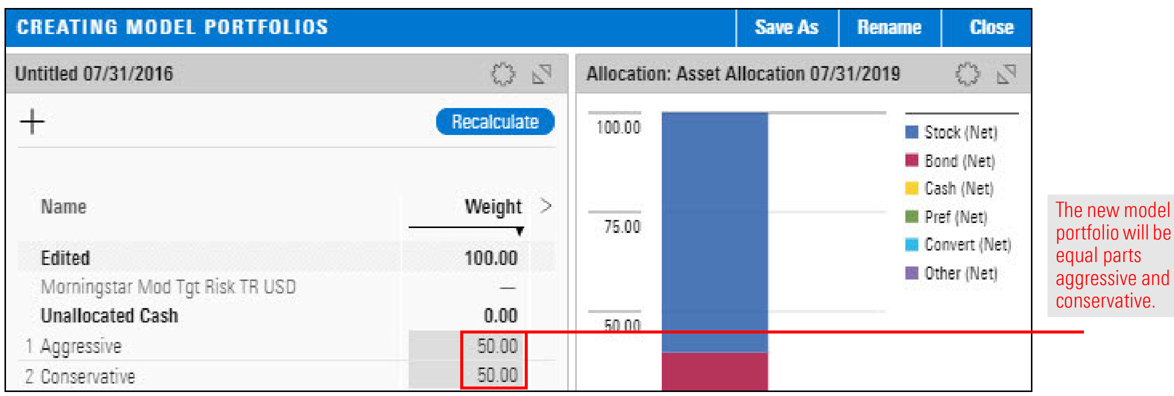


5. Add the **Conservative** model portfolio by repeating step 2 through step 4.

   Note the list of holdings.



6. Set the **weight** of each embedded model portfolio to **50**.



7. In the upper-right corner, click **Save As**.
8. Name the new model portfolio **Moderate Combination** and click **Save**.
9. In the upper-right corner, click **Close**.

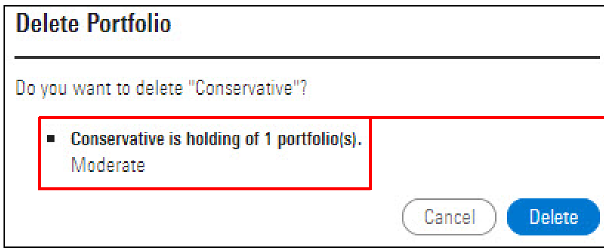
What happens when I delete a child portfolio object (or one of its holdings)?

You have embedded two model portfolios in a new model portfolio named Moderate Combination. The model portfolios have the following relationship:

- Moderate Combination is the parent, and
- Conservative and Aggressive are the children.

When you delete a child, a message opens, requiring confirmation before continuing.

In the following illustration, if you click Delete, the Conservative model portfolio is deleted from your system and from all portfolio objects (parents) it is held by.



A portfolio object can be a child to many objects. The message lists all parents for the child you are about to delete.

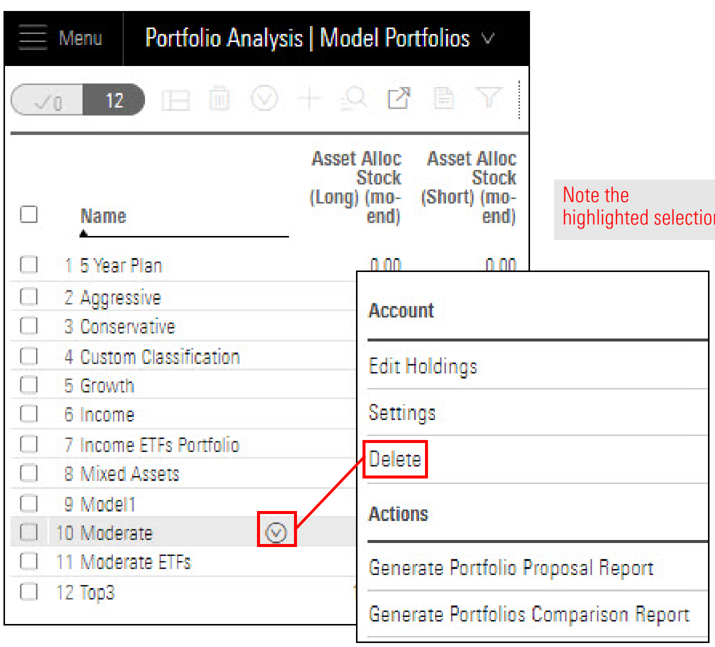
When you delete a holding from a child portfolio object, the holding is deleted. No confirmation message opens.

Exercise 27: Delete a model portfolio

At some point in time, a model portfolio might outlive its usefulness. In this exercise, you will delete that model portfolio.

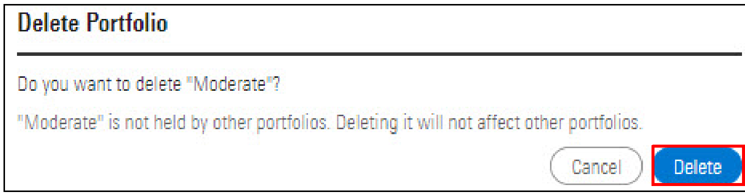
Do the following:

1. In the Model Portfolios workbook Grid, **hover the cursor** over **Moderate**. 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.

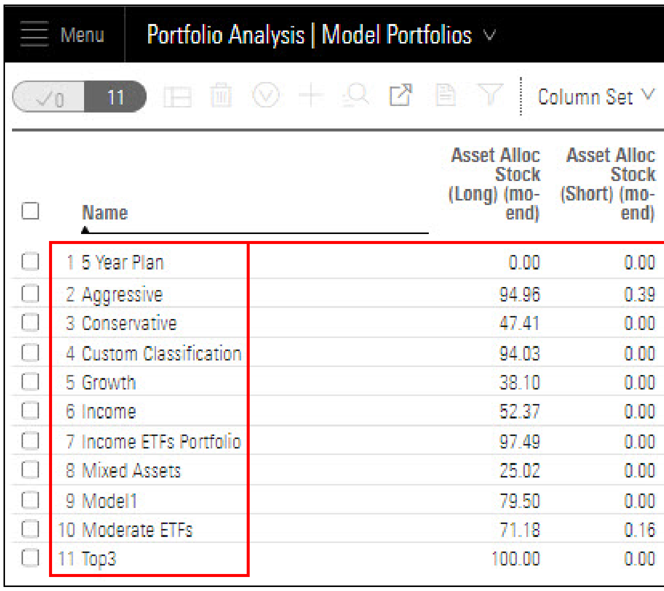


Note the highlighted selections.

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



Select this option.



Moderate is no longer listed in Model Portfolios.