Total Portfolio Attribution, also known as macro or balanced attribution, allows users (i.e. Plan Sponsors or Consultants) to assess the results of strategic asset allocation policies and active investment management. Decompose the results by various groupings or by custom classifications.

Outline

- Create a Total Portfolio Attribution Report
- View the Total Portfolio Attribution Results (includes Summary PDF & Custom Report)
- Automatically Run Reports using Batch Scheduling
- Send your Reports to Morningstar Direct Colleagues
- Create a Template
- Create Multiple Total Portfolio Attribution

Create a Total Portfolio Attribution Report

1. In the Performance Attribution folder, go to Total Portfolio Attribution and then the Single Portfolio folder. To create a new report, click New.
2. For demonstration purposes, we created a model portfolio in advance to retrieve from this location. You can also make modifications to your model portfolio with the Edit command or create a model portfolio from scratch using the New command. For further instructions on creating a Model Portfolio, see the Model Portfolio chapter. Let’s continue and retrieve an existing model portfolio. Click on the Magnifying Glass.

3. The default universe is Model Portfolios.
4. Locate your model portfolio. Once complete, click OK to return to the New Report window.

5. There are two options for selecting a policy benchmark. Allocations can be manually entered or an existing custom benchmark can be selected from Portfolio Management. For demonstration purposes, we will manually enter the policy weights. Select Manually Enter Allocations.
6. Next, enter a Report Name.

7. Go to Report Settings where a report can be created based on new settings, a template, or saved report. For this example, select Based on Template.
8. Click on the drop down to activate your choices, such as those listed under Morningstar Templates and Custom Templates. We will discuss Custom Templates more, later in this chapter. Proceed to select Global Category Group.

9. Click OK to be taken to the Settings window.
10. The Asset Class Setup displays investments that fall under each Global Category Group. If you decide to modify the Asset Class choices, click the drop down and select another group.

11. To further customize the category groupings, click Add.
12. Various grouping options are available to replace the current classification – including those from your custom database (My Database). See the Custom Database chapter for detail on how to create custom security classifications.

13. For this example, maintain the Morningstar Template, Global Category Group. Go to Asset Class Display to change the order of the groupings by clicking on the up and down arrows. The image below displays a very detailed breakdown but dependent on your manager selection and grouping, your asset class display will vary.
14. Go to the Benchmark Setup to view your asset classes and the corresponding managers to each of the asset classes. The view below is at Level 1 and it is broken down by the Global Category Grouping. To the far right are the policy weights which are equally weighted by default. For demonstration purposes, we will maintain the default weights.

15. Next, click on Level 2 to view the managers within each asset class. Use the drop down or magnifying glass in the Benchmark column to change the default benchmark for each manager, if needed.
16. Before we move away from the Benchmark Set Up, go to the top of the window. The date displayed for "Policy Dates" is the first date of your Model Portfolio. You can add more dates along with their corresponding weights in this location. You can also decide on the rebalancing frequency and what the rebalancing is based on – Calendar Period End and Rolling Period based on Portfolio Date.

17. Next, click on Fee Assignment to be taken to its window.

18. If needed, input a custom fee which is relevant for managers that may not have an Annual Net Expense Ratio (i.e. separate accounts).
19. Enter *Cash Proxy* such as the 3 Month T-Bill.

20. Input *Portfolio Level* fees such as consultant fees or wrap fees.

21. Go to *Time Period* to modify the time periods for the total portfolio attribution analysis. For demonstration purposes, we will maintain the “3 Months Ago” default.
22. Double click on a time period or click Settings to open the Time Period Settings window.

23. Under Time Period Display, customize the Display Name. In this view, you can also select the Allocation Display - Ending Period Weights is the default – in addition to how you want to view the results (cumulative or annualized). Once you’ve completed your settings, click OK.
24. Click View Settings to customize how you want to view your results. In the Attribution window, you have the option to customize your Calculation Options, Column Displays, Equity Displays, and Decimal Displays.

25. In the Weights window, you have additional display options.
26. Once you’ve completed all your settings in Report and View, you can Save as Template for future reports.

27. Let’s proceed and now calculate the report. Click OK.
1. The Attribution view will automatically be displayed once the calculation is complete. Level 1 displays the asset class breakdown and Level 2 displays the manager breakdown, all driven by the initial settings chosen. Let’s view Level 1 first. As you can see, the active return was a negative 1.93% with most of the negative impact attributable to Manager Selection. If we were to dissect this further, US Equity Large Cap Blend was the biggest negative contributor to the overall manager selection.

2. Let’s continue and now click on Level 2 or US Equity Large Cap Blend to expand the components. Notice that the manager selection, Harris Assoc Large Cap significantly underperformed the benchmark by -15.69%.
3. At any point, go to Export, should you want to export All Views or just the Current View.

4. Click Summary PDF to generate a PDF report.
5. In the Summary PDF window, customize the cover page, add a logo, or select the views to be displayed. Click OK to generate the report.

6. As you can see, your report will automatically generate the necessary pages you chose in the previous step. Go to page 6 to analyze the Cumulative Attribution Effect.
7. On this page, you can identify specific months (bottom chart) that have had significant impact to the cumulative attribution effect (top chart).

Cumulative Attribution Effects 10/1/2011 to 12/31/2011

8. The Custom Report is another option to the Summary PDF to present your results. The Custom Report is automatically tied to presentation studio where you can take advantage of the many components to communicate your results at a high level or detailed manager level. For example, go to Custom Report.
Morningstar® Direct™ Total Portfolio Attribution

9. You will be taken to the Create New Report window. Here, you have the ability to create a blank presentation or create a presentation from a Morningstar Template or from your own templates. All these choices are tied to Presentation Studio so you don’t have to recreate the report. From the Morningstar Template drop down, select Total Portfolio Attribution Full Report and click Ok to generate the report.

10. You will automatically be taken to Presentation Studio to view the report which will contain more detailed charts and tables to convey the results. At any point, you can analyze your manager selection further by producing additional charts, tables, and text – all in Presentation Studio. For more information on Presentation Studio, please refer to the Presentation Studio Chapter.
Automatically Run Reports using Batch Scheduling

1. Once you have created and saved a report, schedule a batch to run reports automatically. Go to Single Portfolio under the Total Portfolio Attribution folder and select a report.

2. Go to Action and select Schedule.
3. Modify the details of the scheduled batch. Notice that the report can be calculated and exported to an output location. Click OK when complete.
4. Enter your Windows log-in and password. Click OK.

5. The report is now scheduled to run according to your specifications.
Send your Reports to Morningstar Direct Colleagues

1. Reports can be sent to colleagues within or outside your firm – as long as they are Morningstar Direct users. Go to Action and select Send To. Here, you have the option to send the report Within My firm or Outside My Firm.

Create a Template

1. In the previous example, a report was created by using a Morningstar Template. Note that a report can also be created by using Custom Templates. Go to Single Portfolio and click on Templates.
In the Templates window, the Morningstar Templates and the Custom Templates are listed. Any of these templates can be modified and then saved under *My Custom Template*.

To create a new Custom Template, click *New Template*.
4. After completing the Report Settings, click **Save**.

5. The custom template is now stored under *My Custom Templates*.
Create Multiple Total Portfolio Attribution

1. Let’s now turn our attention to Multiple Portfolios to generate a Total Portfolio Attribution analysis for an investment list that may contain model portfolios, fund of funds, or target date strategies. Go to Multiple Portfolios in the Total Portfolio Attribution folder and click on New.

2. You will automatically be taken to the Model Portfolios window and the default Universe is Model Portfolios.
3. For demonstration purposes, we will use an existing list containing Target Date Funds. Go to My List.

4. Locate the file and add the names to the Selected Records box. You can select up to 25 names. The example below pertains to Target Date Funds. Click OK, once complete.
5. You will be taken to the *Group Settings* window to organize your list of target date funds.

6. Go to *Display Grouping* where the Morningstar Category is the default.
7. You can also select from the many choices including your own custom classifications located in Additional Options, "My Classifications".

8. For demonstration purposes, we will use Morningstar Institutional Category.
9. Next, go to the Calculation Benchmark Type and the default is Manually Enter Allocations.

10. For demonstration purposes, activate the Display Group Average as the Benchmark.
11. Go to Asset Class Groupings where Morningstar Category is the default. You can, however, select from the many asset class groupings listed within My Database, Firm-Level Database, General, or Country/Regional groupings.

12. Once you are complete with your Group Settings, click OK.
13. In the Select Column window, click on User Defined and then OK.

14. You will be taken to Portfolio Holdings folder within the Report Settings window where holdings are automatically retrieved for each of the funds.
15. Once the holdings have been retrieved, the status will be checked for all of them.

16. Next, go to the Asset Class Setup folder.
17. Click on Add should you want to create a Custom Asset Class or select from the other Asset Class choices from the Add drop down – My Database, Firm-Level Database, General, or Country/Regional.

18. Next, go to Holdings Display and select Unclassified.
19. Identify those funds where their asset classes were not identified.

20. For example, click on the Morningstar Category drop down.
21. Give a classification to those names that have not been classified.

22. Next, go to the **Column Display** drop down to customize your view. Use the export button should you want to export the content of the Asset Class Setup into Excel.
23. Let’s continue and now go to Asset Class Benchmark folder. Click on the Portfolio Name drop down to view the portfolio names listed.

24. Proceed to click on the top left box to highlight all rows.
25. Go to the Benchmark drop-down and make any necessary modifications. For example, you may want to select *Blended Benchmark* which is comprised of the funds’ prospectus benchmark within each asset class.

26. Continue to identify the benchmarks for the remaining portfolios.
27. Next, go to the *Manager Set Up* folder.

28. This time, identify the benchmark at the manager level. Click on the top left box to highlight all rows.
29. Go to the benchmark dropdown to select *Analyst Assigned Benchmark*.

30. Once complete, the Analyst Assigned Benchmark will be displayed for each fund within the portfolio.
31. Go to the *Time Period* folder and you will find the default date to be the *previous quarter*.

32. You can select additional time periods such as *Last month end*, *Last Quarter end*, or *Last Year End*. 
33. For demonstration purposes, we will keep the default. Double click on the select time period.

34. You will be taken to the time period settings window to make modifications to the Time Period Display, Allocation Display, or Result.
35. Go to the Display folder to control how you want the results to be displayed. For example, combine the manager fee into the manager selection effect.

36. Go to the Portfolio Statistics folder should you also want to display Historical or Latest Statistics.
37. Go to Find Data Points By to access various data points such as historical price and portfolio data, expenses and turnover data, and more – provided you chose Historical Statistics as your Frequency.

38. Go to the Rank folder should you want to rank any data. Once you're satisfied with your settings, click Ok to generate the report.
39. As you can see, we’ve successfully completed creating a multiple portfolio analysis in Total Portfolio Attribution.

40. To communicate and analyze the results further, do a right click to activate the choices, including highlighting, conditional formatting, and more.