

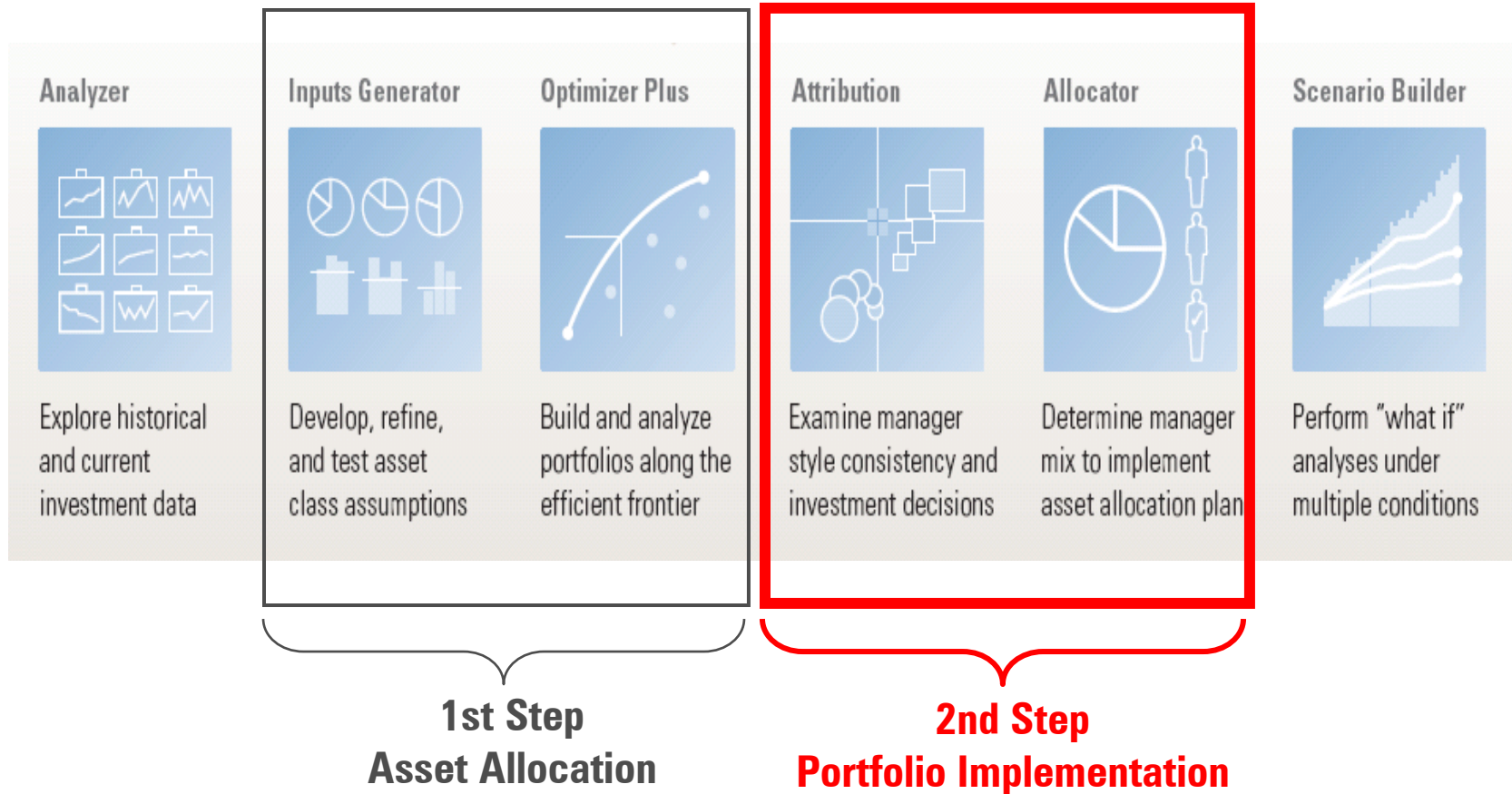
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Morningstar EnCorr

Portfolio Implementation: 2<sup>nd</sup> Step to Asset  
Allocation Modeling

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# EnCorr Modules



## Overview

- ▶ Implement the target asset allocation with available investment options
  - ▶ Run the regression with *Attribution*
  - ▶ Construct the new portfolio with *Allocator*
- ▶ Monitor the performance going forward
  - ▶ Monitor the new portfolio with *Analyzer*

## Attribution (Part I)

- ▶ Analyze investment options
  - ▶ Calculate the regression of the managers' investment style to the asset class assumptions.
  - ▶ Create peer group analysis to determine ranking.
  - ▶ Implement risk analysis to evaluate risk results.

## Allocator (Part II)

- ▶ Identify the product combination that maximizes total portfolio alpha per unit of tracking error relative to the strategic asset allocation.
  - ▶ Allocator links your target allocation to the style of every investment under consideration by using the same set of indices to describe your target allocation.
    - RESULT: True excess return and tracking error to better evaluate which portfolio best meets the needs in terms of getting as much alpha for the amount of tracking error you are willing to apply to the portfolio.

## Analyzer (Part III)

- ▶ Monitor the new portfolio
  - ▶ Performance Periods Chart
  - ▶ Index Graph
  - ▶ Summary Stats of Performance and Risk

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