

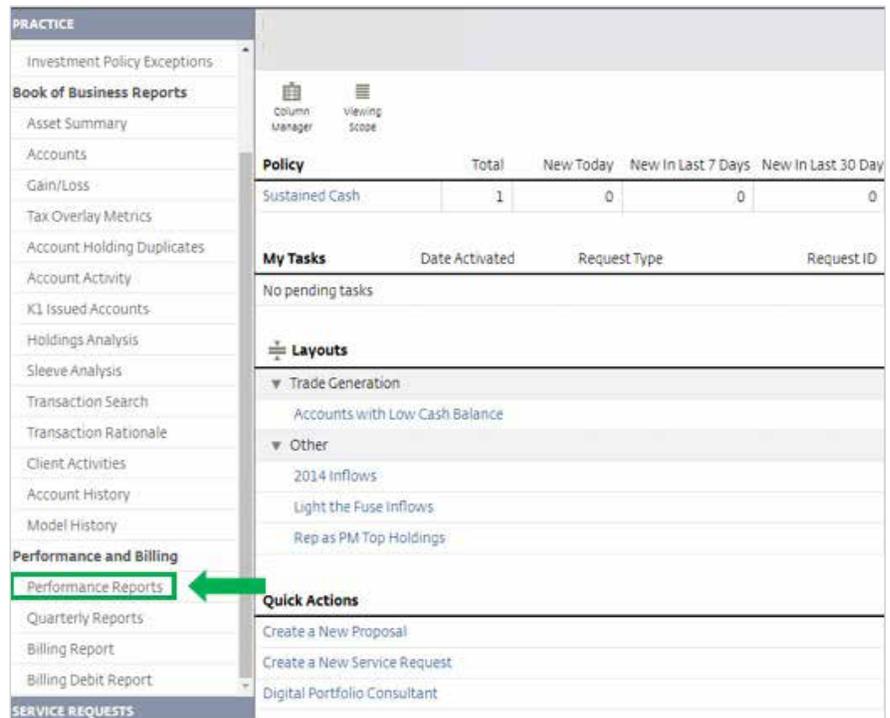
Monitoring Performance:

WHAT'S YOUR PROCESS?

Do you manage accounts on the ESI Illuminations platform, in either Flagship Select or ESI Directions? If so, what's your process for monitoring performance? Are the models you've created performing well for your clients? How do you gauge good performance versus poor? The ESI Illuminations platform provides you with tools to help you with this process.

Performance Report

As the portfolio manager, performance is one of several metrics you need to consider when reviewing whether or not the models you've recommended are meeting your clients' investment objectives. As such, reviewing performance should be part of your regular review process. Fortunately, the ESI Illuminations platform allows you to look at performance for ALL of your accounts side-by-side, with just a few clicks of your mouse. To do this, simply click on "Performance Reports" on the side menu bar.



The screenshot shows the ESI Illuminations platform interface. On the left is a navigation menu with sections: PRACTICE, Book of Business Reports, Performance and Billing, and SERVICE REQUESTS. The 'Performance Reports' item under 'Performance and Billing' is highlighted with a green box and a red arrow. The main content area on the right shows a 'Policy' table with columns for Total, New Today, New In Last 7 Days, and New In Last 30 Day. Below the table are sections for 'My Tasks' (No pending tasks), 'Layouts' (Trade Generation, Accounts with Low Cash Balance, Other, 2014 Inflows, Light the Fuse Inflows, Rep as PM Top Holdings), and 'Quick Actions' (Create a New Proposal, Create a New Service Request, Digital Portfolio Consultant).

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All of your accounts will be displayed in the center of the screen. Performance will be presented for inception-to-date (ITD), year-to-date (YTD), and quarter-to-date (QTD):

Count	Inception	Market Value	Net Investment	ITD Perf	YTD Perf	QTD Perf
4	Feb 13, 2008	\$ 1,182,943	\$ 941,037	3.61 %	-0.16 %	-0.16 %
1	Feb 27, 2005	167,505	27,536	5.21	-0.08	-0.08
1	Oct 27, 2005	80,203	18,180	4.82	-0.13	-0.13
1	Sep 6, 2006	79,550	35,731	2.90	-0.11	-0.11
1	Apr 19, 2005	168,688	85,300	4.59	-0.06	-0.06
3	Jul 24, 2012	1,695,769	1,312,807	3.71	0.03	0.03
1	Feb 22, 2008	2,309,375	1,766,690	4.47	-0.17	-0.17
1	Sep 18, 2006	192,754	129,469	4.60	-0.08	-0.08
1	Jan 23, 2008	142,294	67,019	4.83	0.13	0.13
1	Dec 8, 2009	372,520	276,746	7.64	-0.22	-0.22

Be sure to use the icons at the top of the screen if you want to filter for specifics or add or delete columns of information.



Clicking on “Generate A CSV File” will allow you to export the report to a spreadsheet (once it’s downloaded, you’ll want to save it to an Excel format) where you can sort and analyze the data in a format that’s most meaningful to you.

If the client has multiple accounts, you can click on the arrow next to their name to display all of their accounts and the associated performance numbers for each. Note that the performance numbers in the top line for each client represent a composite performance of all accounts for that client.

Report Groups		Net Investment	ITD Perf.	YTD Perf.	QTD Perf.
▼ Mr. & Mrs. Smith		\$ 1,473,473	8.67 %	11.75 %	1.27 %
DFJ000001	Joint Account	\$ 121,219	22.08 %	12.09 %	0.99 %
DFJ000002	Mrs. Smith Ind	847,616	9.30	12.05	1.08
DFJ000003	Mr. Smith IRA	256,037	8.32	11.43	1.50
DFJ000004	Mrs. Smith IRA	100,000	3.91	3.91	1.36
DFJ000005	Mr. Smith Roth	47,796	9.33	11.36	1.35
DFJ000006	Mrs. Smith Roth	100,805	8.29	9.52	2.03

Holdings Analysis

Another valuable report is the Holdings Analysis. As the manager of multiple accounts, you may want to review all the holdings you are using, across your accounts, in one report. The holdings analysis does this for you.

From the “Practice” menu, click on “Holdings Analysis”:

Description	Count	Market Value	Ticker	Units	QTD	YTD
▶ Invesco QQQ Trust	92	\$ 2,462,474.61	QQQ	6,570.103	5.7 %	19.6 %
▶ Touchstone Small Company F	110	2,060,499.63	SIGWX	272,192.825	1.6	20.1
▶ SPDR® Dow Jones Industrial Averag	73	1,986,688.42	DIA	5,609.262	2.9	16.9
▶ Apple Inc	39	1,740,411.16	AAPL	11,731	8.1	12.0
▶ Fidelity Advisor® New Insights I	57	1,467,471.38	FINSX	32,851.385	5.5	21.1
▶ SPDR® S&P MidCap 400 ETF	62	1,203,198.59	MDY	2,407.023	2.1	19.5
▶ Touchstone Active Bond F	84	1,199,427.97	TDBFX	106,900.888	0.5	0.3
▶ Touchstone Large Cap Focused F	50	1,128,931.91	SIGWX	28,485.867	4.2	22.1
▶ Procter & Gamble Co	45	1,070,282.37	PG	7,501.804	6.4	4.4
▶ Fidelity® Contrafund®	30	1,068,900.81	FCNFX	51,837.73	5.4	20.2

From here, you can review all your holdings for performance and identify a holding that may be underperforming your expectations. Again, clicking the “Generate A CSV File” allows you to export all the information to a spreadsheet which you can then sort and analyze as you want.

Clicking the arrow next to the name of the holding will expand it so you can see each instance of the holding in your model portfolios. In the example below, Apple Inc. is held in 39 accounts and, by expanding the view, you can see the market value and number of shares held in each instance.

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Apple Inc		\$ 222,540.00	AAPL	1,500	—	—
Apple Inc		118,688.00	AAPL	800	—	—
Apple Inc		111,270.00	AAPL	750	—	—
Apple Inc		103,852.00	AAPL	700	—	—
Apple Inc		74,180.00	AAPL	500	—	—
Apple Inc		74,180.00	AAPL	500	—	—
Apple Inc		65,278.40	AAPL	440	—	—

Another use for the holdings analysis is to identify whether or not a fund company offers a lower cost share class than what you’re currently using for any given holding. To do this, compare the existing holdings in the account to NFS’ Institutional Funds Network (IFN), available on Wealthscape.

Mutual funds often introduce new share classes. As the manager, you should review the IFN list on a periodic basis to ensure you remain apprised of lower cost share classes when they become available.

If you find a lower cost share class for your clients, you’ll want to consider doing a share class conversion to ensure they have the benefit of the lower cost share class. It should be noted that the use of low-cost share classes is an ongoing concern of the SEC. If you’re not using the lowest cost share class available, you should have a clearly documented and sufficient justification for doing so.

How Often Do You Review?

So, how often should you review performance? That will depend on several possible factors, including your models, strategy, and market volatility. With that in mind, your process should incorporate regular reviews to stay on top of it. For example, a model with several small cap general securities might be reviewed more often than a passively managed portfolio of ETFs. As the manager, it’s up to you to decide how often you review for performance, but good managers maintain an ongoing, proactive process.