

The background of the slide features a composite image. In the upper half, a person's hands in a business suit are shown holding a white laptop. The lower half of the image is a city skyline with several skyscrapers. A semi-transparent green horizontal band is positioned across the middle, containing the main text. A dark blue diagonal band cuts across the bottom right corner of the slide.

FIRST RATE HISTORY CONVERSION

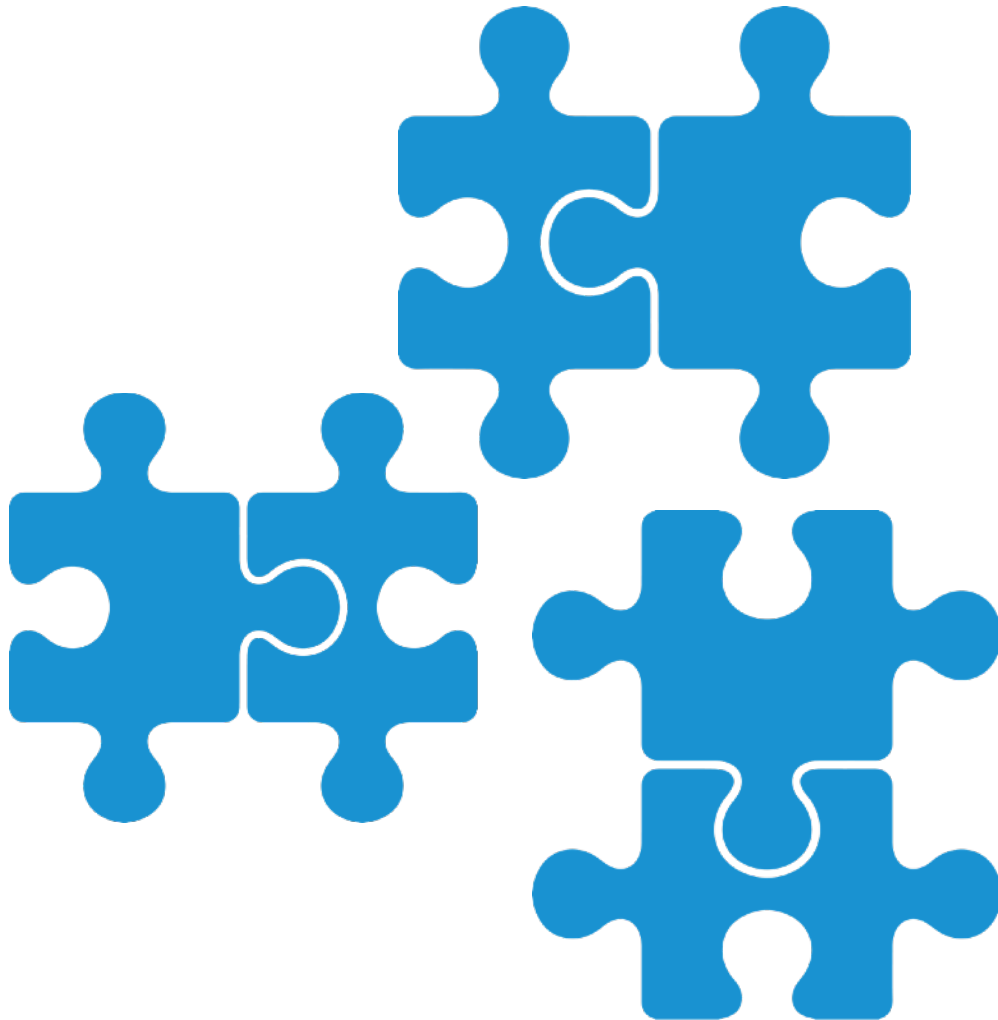


The Key to a Successful Conversion

Ten Things You Should Know Before Undertaking a Performance History Conversion

There are many things to consider as you prepare to convert historical performance data. Having a wealth of information about your legacy data and potential data landmines empowers your firm to inform stakeholders and prepare a communication plan for performance recipients.

Since 1991, First Rate has successfully performed hundreds of history conversions. We have knowledgeable staff that can assist you in understanding the contingencies and developing the best plan for transitioning to a new performance system.



Know Your Current Performance Segmentation Scheme

This is important in understanding how your existing asset segmentation scheme will align with your future performance.

Key Questions to Consider:

- What is used for reporting the majority of the time?
- Does your performance asset scheme depend on sources outside of the accounting system (e.g. Morningstar, FactSet, etc.)?
- Are any assets completely excluded from performance?
- Has your legacy performance scheme changed over time as your investment product offerings have changed?

*Knowing when and how it's changed will be important to transitioning the data to its future state in the new system.

Know Your Account Population

This will help you create a plan that smoothly transitions the accounting for all possible data conditions. This information will also help you prepare your key stakeholders and clients for what will be in the new system.

Key Questions to Consider:

- Will closed account history be converted? (We recommend this practice.)
- Do you have aggregates or composites? If so, is their data accessible in the same way as the account data? Or, is aggregated data built “on the fly” at report time?
- Do you have performance data for accounts prior to the performance inception month? Is it necessary to retain data? Or will you use the performance inception date and add one additional month prior to the performance inception to report an initial investment or beginning market value?





Know the Return Frequency

Remember, the number of data points may impact the complexity of the conversion. You will want to understand the data that is present, how the investment management team is utilizing it, and the value of the lesser used information in your reporting.

Key Questions to Consider:

- Is your performance history data daily, intra-period, monthly, quarterly, or a combination thereof? This is possible if you have data from multiple legacy systems and spreadsheets.
- If the performance is daily, do you want to convert that level of detail for point-to-point performance, or can you discard it if you primarily report monthly?
- If the performance is calculated daily, can monthly performance be extracted or will the performance vendor need to compute that as necessary?
- If your performance is quarterly and you're changing to a monthly or daily system, how will you fill in the gaps that will exist in your data?



Know What Financials are Available That Support the Return

Often, the reporting of returns includes a display of how the invested dollars have grown in their portfolio. Investors want to see the financial value added/lost by hiring investment advisors. For many investors, this calls for their advisor to communicate more than a rate of return. It's helpful if market values, income received, accrued income, fees paid, contributions, and distributions are available at least at the total portfolio level.

Key Questions to Consider:

- If market values are available, do they include accrued income or is it listed separately? This is important because the information will help ensure a proper transition to the new system's data structure.

*If historically, financials aren't available, the reports that present returns and financials together will be less useful and clients will question the results and question where their money went.



Know the Return Basis

It's important to understand the synonymous terms utilized in the legacy performance system and the new system. For example, “portfolio return” can have multiple meanings.

Key Questions to Consider:

- Is the return gross or net of investment management fees? Do you have both?
- Is the return reflective of unmanaged assets? Do you have both a total and a total managed return?
- Do you have unmanaged assets that you account for in transactional data that are completely outside of the portfolio performance you've been tracking?

Know How Your Current Reporting and Future Reporting Works



Often, it is assumed that all of the legacy data will look the same on the new reports. You should carefully scrutinize current reporting, including what you like and what you're dissatisfied with. Understand exactly what is used in legacy system, then conduct a careful gap analysis between the systems.

Key Questions to Consider:

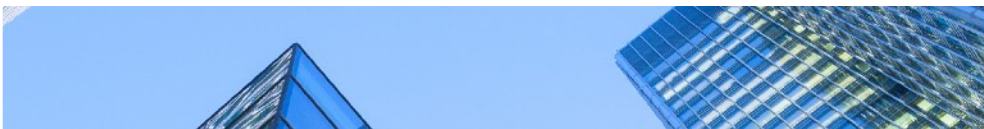
- Do you typically show clients inception-to-date returns? Or, do you suppress returns for asset class segments that don't date back to the inception of the account?
- What happens for partial periods of a segment? Are the portfolio benchmarks computed for the partial period?
- Look at your prospective report package with an eye on how your historical data may look on the page. Do you track the same data points today in the legacy system? If not, can you find them in the legacy system?
- Can some of the data presented in reports be provided as of the date you began using the new system? Can you footnote the transition date on reports to ensure a trust-building experience?

Know How Your Future System will Preserve Your Legacy Returns

It's important to know what is absolutely fixed in place when so much is changing with a new system. It is always helpful to show users the side-by-side data in the old system reported correctly in the new system. This builds trust.

Key Questions to Consider:

- Will your legacy returns be frozen so they will not inadvertently be reinstated in the new system?
- Is there a process whereby you can unfreeze a return and restate it if the situation requires?



Know Whether There Have Been Other History Conversions Performed Into Your Current System

Conversions become even more complex when there are multiple history conversions in the legacy data. When you look at reports in the new system, more recent data may map well, but older legacy data may not be as robust. It can place everything in doubt if this isn't clearly communicated up front.

Key Questions to Consider:

- Was this data reported? Or, was it simply stored to preserve the information?
- Could there be gaps at the total portfolio level? If so, how will you specify the inception date for performance reporting you want the future system to use?
- Is your earlier legacy history on a different frequency than your existing data?

Know How You're Going to Handle Legacy Index Returns

If you're switching to a market index service with your new performance vendor, you will need to know the unique ID for each index. There are many with very similar names, with and without dividends.

Key Questions to Consider:

- Do you want to preserve the index history from the legacy system and begin using a new source going forward?
- Can you track the source of all benchmark data and match it to the sources from your new provider?

Know Your Total Portfolio Benchmarks



So much is based on how the portfolio performs against a benchmark. Your new system may have options for the total portfolio benchmark, and you will need to know how that matches with historical data or if you will make a transition when you go to the new system. You will need to help your clients make that change.

Key Questions to Consider:

- Are the benchmarks based on a static investment policy that rarely changes, or do you also utilize a benchmark that is computed using monthly or daily account weightings?
- If you are using investment policies, do you have them electronically stored for each account or can they be assigned to accounts based on the investment objective of the account?



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First Rate gives wealth managers peace of mind by delivering consistent, accurate results that are designed to address the specific needs of their business - and their investors.

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