PREVIEWS FROM OUR SAMPLES LIBRARY

PURCELL COMMUNICATIONS

Building the Perfect Quarterly Report

FOR INVESTORS & ADVISORS

If you could construct a quarterly portfolio report template out of the best ideas currently in the industry, what would it look like?

Most mutual fund providers create some kind of quarterly (or monthly) portfolio reporting for their investors and/or advisors. Almost all asset managers follow a pretty rigid formula:

- A market review
- A portfolio performance and strategy summary, typically based on relative attribution data
- A statement of outlook or positioning for the future
- A formal, traditional tone, heavy with analytical content

This formula has been in place for a couple decades, and most firms take the attitude that if it ain't broke, don't fix it.

But maybe it's a little bit broke. As we've developed our sample library, we've increasingly seen asset managers tinker with their reporting formulas. Some make simple layout changes, while others have revamped content and design extensively. Still others are opting for an entirely automated approach.

TRADITIONAL REPORT STYLE

Download Report »

Wellington Monthly Fund Commentary

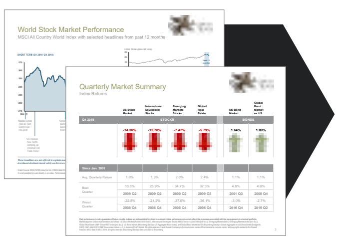
Advisor / professional audience

AUTOMATED REPORT STYLE

Download Report »

Griffin Black Quarterly Market Review

High-net-worth investor audience



"REVAMPED" REPORT STYLE

Download Report »

Horizon Investments Q4 Review/Outlook

Advisor / professional audience

Most reports we see have strengths and weaknesses. But as we review our samples library, we see some good ideas that are worth sharing.

1

DO use a simpler, more conversational voice, like this quote. Notice how this commentary speaks to the manager's own emotions and memories. In so doing, it reveals something meaningful about the manager—and the firm—in a way that can resonate with the investor audience.

> *These central bank actions make us uncomfortable. Interest rates are the price of money, and prices usually function best when given the freedom to move. In the U.S., we still have modestly positive interest rates, though there is constant political pressure to push them even lower. In addition, foreign money that is fleeing negative rates elsewhere is migrating to the U.S. in search of some yield, which is also keeping U.S. rates low. For any of us who lived through the Carter/Reagan era, today's rates appear incredible, although we also remember the high price inflation from that time.*

2

DON'T state portfolio, benchmark, and market returns in your text. It's not readable. Keep performance numbers in tables.

COMPOSITE PERFORMANCE

COMPOSITE PERFORMANCE (%)

	COMPOSITE GROSS OF FEES	COMPOSITE NET OF FEES	RUSSELL 1000® GROWTH INDEX
3 MOS.	20.05	19.98	16.10
1 YR.	18.40	18.00	12.75
3 YR.	18.32	17.88	16.53
5 YR.	13.54	13.10	13.50
10 YR.	18.69	18.23	17.52
ITD (05/31/1996)	10.05	9.48	8.32

Review & Outlook

U.S. equity markets snapped back sharply in the first quarter of 2019, posting the first positive double-digit return for the benchmark Russell 1000® Growth Index since 2013. The Large-Cap Growth Strategy delivered a strong quarter as well, both in absolute and relative terms. The U.S. economy and corporate earnings have proven to be fairly resilient, and the market rebound comes on the back of one the roughest quarters since 2011. This by no means is considered a "Goldilocks" scenario, but the U.S. does have a relatively stronger footing than most global economies, many of which have already started to experience some weakness. A bull market, as the old saying goes, will climb a wall of worry…

3

DON'T allow your pieces to become too long. It doesn't matter how sophisticated your audience is—information overload affects everyone equally. If you can't convey your main message in a few paragraphs, like the sample below, your clients aren't getting it anyway.

COMMENTARY

The Russell Large Cap Growth Index reached new all-time highs late in the second quarter 2019. Despite a global economy that was losing steam, stocks were able to rally as it became more likely that the Federal Reserve will begin to cut interest rates in the back half of the year. We feel this calmed fears that tight monetary conditions would choke out growth. The Commerce Growth Fund finished the quarter up 6.76%, outperforming the Russell 1000 Growth Index return of 4.64%.

Stock selection benefitted the Fund's relative performance. The strongest stocks were Walt Disney Company (0.00%), Broadridge Financial Solutions (0.97%), and Armstrong World Industries (1.01%), returning 27%, 24% and 23%, respectively. The Fund's weakest stocks were CDK Global Inc. (1.02%), Rollins, Inc. (0.94%), and Cognizant Technology (1.20%), down -16%, -14%, and -12% respectively.

The Fund's sector allocations also helped relative performance. The Fund's 1.5% underweight Transportation sector (down -1.7%) contributed to performance. However, the 3.5% overweight to Producer Manufacturing sector (only 1.4%), hurt performance.

During the quarter the Fund increased its position in the Health Technology sector from 8.1% to 10.6%, with the purchase of Agilent Technologies (1.05%) and Abbott Laboratories (1.21%), now overweighting the sector. The Fund went underweight Consumer Non-Durables with the sale of Constellation Brands, Inc (0.00%), Colgate-Palmolive Company (0.00%), and Kimberly-Clark Corp. (0.00%), reducing the sector's weight from 8.6% to 4.9%.

Information overload affects everyone equally.

4

DO visually organize your information in a template that makes it easy to scan.

2Q 2019 COMMENTARY

KEY TAKEAWAYS

- The fund posted returns of 2.59% (Institutional shares) and 2.52% (Investor A shares, without sales charge) for the second quarter of 2019.
- The main drivers of positive performance were our duration (interest rate sensitive) positioning, U.S. absolute return strategies, and allocations to U.S. investment grade credit and high yield bonds. Macro-oriented strategies helped too. There were no major detractors from performance over the quarter.
- We slightly increased duration at the fund level as the Federal Reserve (Fed) held its dovish stance. We slightly reduced exposures to U.S. investment grade and high yield around May, having considered how much the market had moved, while maintaining a higher-quality bias in the fund. Given the European Central Bank's (ECB) dovish stance, in June we added long positions in German bunds, and European credit.

Overall Morningstar Rating®: Institutional

★★★★

CONTRIBUTORS & DETRACTORS

Contributors	Detractors
The largest drivers of performance were our duration positioning, given our longer-duration stance; our U.S. absolute return strategies, and exposures to U.S. investment grade and high yield corporate credit. Our tactical positions in emerging markets (macro-oriented strategies) helped too.	There were no major detractors from performance over the quarter; the fund benefited from its diversified and well-balanced positioning.

VALUE ADDED CONTENT

Further Insight

We further increased the fund's duration to close to three years, and moved some U.S. duration exposure from short to medium-dated bonds. As the Fed is committed to underwriting the economic expansion as its one overarching goal, we believe duration is still a durable hedge in the portfolio. In corporate credit, we continued to hold our higher-quality bias in credit selection, while reducing some exposures to U.S. investment grade and high yield credit to take profits. Additionally, we added global sovereign exposure (mainly in 10-year German bunds), which should benefit from possible accommodative monetary policy, given the ECB's dovish stance. In emerging markets, we tactically added back some exposure, mostly in local currency bonds.

HOLDINGS

TOP 10 HOLDINGS

(% of Net Assets as of 6/30/19)

1.	Federal National Mortgage	4.7
2.	Indonesia	2.4
3.	FHLM	1.6
4.	United States Treasury	1.6
5.	China Peoples Republic Of (government)	1.4
6.	France (republic Of)	1.1
7.	Bank of America	1.0
8.	Wells Fargo	1.0
9.	Russian Federation	0.9
10.	JPMorgan Chase	0.8

Employs a flexible investment approach across fixed income sectors without constraints on maturity, sector, quality or geography. The team actively manages the two main risks in fixed income, interest rate and credit risk, to provide a compelling combination of income, low volatility and attractive returns.

5

DO include insights that place recent performance in a broader context.[1]

IS IT 1999 ALL OVER AGAIN?

A proliferation of hot tech IPOs, soaring growth stocks and markets hitting all-time highs, has many investors wondering if the environment is similar to 1999. Looking back to 1999, there was a virtual feeding frenzy for new economy/Internet/growth stocks and "the Internet was creating a new paradigm for perpetual growth" (as some observers said). Day trading was all the rage and many people quit their day jobs to get in on the action. The Nasdaq was up 400% in a few short years (up 65% in Q4 alone), creating one of the great bubbles of all time which eventually burst in March of 2000.

What's similar? The macro environment was relatively similar due to low inflation, unemployment and a rosy outlook for the economy. IPOs and growth stocks were the vehicles of choice and investors needed to be talked into boring old value/dividend stocks and active management.

What's different? Today, investors seem more sober about risks vs. the pure "nothing can go wrong" euphoria of 1999. While the P/E spread between growth stocks vs. value stocks is similar, the absolute P/E multiples are trading far below 1999 – 2000 levels. The Russell 1000 Growth Index traded at 65x earnings in 1999 compared with 27.5x today. Today's modern tech/growth stocks have more tangible applications and generate revenue and cash flow – not just speculative concepts. Does anyone remember companies being valued based on "eyeballs"?

Bottom line? The environments are similar but not the same. Still, we believe value appears attractive relative to growth. High-quality companies at low valuations may protect account value during the next market correction, while some of today's popular but expensive growth stocks may decline faster than the market in general.

6

DO restate your strategy's philosophy or approach in each commentary. Providing one critical message consistently over time enhances the investor's sense of your competence and reliability.[2]

POSITIONING

> The account is a balanced portfolio with equity and fixed-income components. The equity component uses a quantitative approach to attempt to match, to the extent possible given the eligible investment universe, the risk characteristics of its respective U.S. and international equity benchmarks. Some stocks that are included in the indexes are not part of the Account's eligible universe. As a result, some individual securities in the eligible universe may be either overweighted or underweighted relative to the benchmark.
>
> Positioning in the fixed-income sleeve continues to overweight spread products, reflecting our expectation for continued accommodative monetary policy, improving economic data, and subdued inflation. Our outlook for the U.S. economy remains modestly constructive, despite some headwinds.

Reports aren't a one-size-fits-all proposition. Nonetheless, with the above in mind, here's our take on the "perfect" quarterly report for investors/advisors (**NEXT PAGE**). It may not suit every firm or every situation, but it does communicate the most useful performance information in a way that benefits the company brand and builds relationship with the reader.

WHAT DO YOU LIKE?

We do our best to keep an eye out, but we can't see everything. Have you seen good examples of a quarterly report? Has your firm changed its reporting approach? Send us the samples you like at kpurcell@purcellcom.com so we can update our database and share your findings with colleagues.

Purcell Communications ("PurcellCom") does not have a client relationship with companies producing the samples in this article, except where noted.

[1] This sample comes from a PurcellCom client; we worked with them on the creation of this content.

[2] This sample is a PurcellCom client; PurcellCom played no role in the creation of this content.

Perfect Fund Quarterly Report

Q2 2019

We've pulled together a mock-up of a quarterly report for the hypothetical "Perfect Fund" that incorporates the best ideas we've seen. A simple, easy-to-read layout with a tight focus on the most important information makes it easy for your investors to stay informed and to want to come to you for more.

RETURNS TABLE

	3 Month	12 Month
Perfect Fund	0.00	0.00
Benchmark	0.00	0.00
S&P 500	0.00	0.00

INVESTMENT APPROACH

The Perfect Fund focuses on dividend-paying stocks as a way to build consistent investor wealth and limit the impact of market volatility. It's best suited to investors that need growth but are generally risk averse.

KEY TAKEAWAYS

- The market as a whole displayed a lot of volatility, which greatly underscored the benefits of the defensive stocks in your portfolio.
- Interest rates declined, making our dividend-paying holdings more attractive to investors.
- Our expectation that utilities would weaken did not come to pass, although we were right in thinking that financials would outperform.

CONTRIBUTORS

- The best results came from the financial sector, because we were overweighted overall, and we held some of the better-performing stocks.
- XXX and YYY stocks were the stars this quarter. They accounted for nearly all of the portfolio's outperformance.

DETRACTORS

- Utilities was a weak spot, as the portfolio was underweighted in a strong-performing sector. But we remain concerned that dividends are not sustainable for some of the better-performing stocks.
- Otherwise, portfolio holdings generally met or exceeded benchmark results.

MANAGER INSIGHTS

Falling interest rates are beneficial in the short term, but they also signal that investors are not confident in the direction of the economy. It's our view that the financial strength of the dividend-paying stocks in our universe remains very solid. However, we've scaled back holdings in more economically sensitive stocks and sectors as a way to guard against the potential risks of further economic weakness.

WANT MORE?

Check out our [other quarterly reports/videos] to get additional insight and analysis about your investments at [link]."