QST

Virtual Portfolio Manager

Introduction

As an investment professional, you need to do extensive analysis of the investments you offer to your customers. In addition, you need to satisfy customer's goals and to win over new prospects by demonstrating value through differentiation from your competitors. To address these issues, VPM offers a fully integrated industry-leading portfolio management tool that will customize and make your practice disciplined and scalable.

The key to first-class products are that they match both your beliefs and expectations of your clients' needs and goals. To build customized personal products (in our opinion) gives the maximum possible value to your practice. To be able to walk your talk, manage assets in-house, and protect your clients assets' in all market conditions is the chief goal and if achieved the most rewarding.

We have spent a great deal of time designing a program to help adhere to the decisions the software issues. If you implement this system, by following the procedures it will give you the highest possible model tracking success.

Tracking errors can cause a material deviation from the VPM models output. Therefore, your customer's performance and risk tolerance can be higher than the back-test has suggested. The advisor deviating from VPM's suggested positions and allocations usually creates tracking errors. This can cause both positive and negative outcomes. However, we have found most of the time; it causes a negative impact on performance and the loss of confidence of the VPM user in the process. This can throw the entire practice into turmoil. You as the advisor are always in control of the software and the assets it is modeling. This system is designed to keep you coordinated with all decisions that you and VPM makes.

We appreciate your Business. We suggest a VPM Portfolio Specialist reviews all portfolios you build before you implement them into your practice. This review will help ensure your products meet the tolerances you intended to deliver to your customers.

To request a review just email us at support@vpmonline.com or call 512-382-9170 to schedule the review.

Robert L. Kendall Jr.
CEO and founder
Quantitative Science Technologies

Style Statement

A style statement is important for maintaining discipline and for guiding you to deliver quality products with structure and consistency to your clients.

Example:

My Relative Growth Strategy (MRGS)
This portfolio will utilize a screening method of obtaining stocks which will apply the following Screen. The final list of stocks will be 45. The portfolio was screened for the top 45 from a capitalization viewpoint. The goal of this portfolio is to address a reasonable growth profile while maintaining a large cap profile. This will offer the customer a reasonable risk profile with better than average upside potential.

Screen Criteria

Earnings Quality
The Company's tax rate must be at or above 25 percent.

Sales Growth
The company's Trailing Twelve Month (TTM) Sales growth must be greater than the three-year cumulative average rate of Sales growth (the acceleration factor) and greater than the average rate of TTM Sales growth for its industry.

EPS vs. Sales
The screen requires that EPS growth exceed Sales growth over the past three years, and in the TTM period.

EPS Growth
The screen requires that EPS growth in the latest quarter (compared with the equivalent year-earlier period) be greater than the industry average growth rate, and that it is better than the growth rate that prevailed over the TTM period.

Weekly Procedures

1. **Review active stock list**
   a. Look for symbols painted in red. This indicates that VPM did not get the data for the symbol following needs to be determined:
      i. Is the symbol valid and VPM missed the data contact us by clicking on feedback then click on bug report and let us know which symbol is missing data.
      ii. Symbol is no longer valid
         1. Company de-listed action: *deactivate symbol as of last known date*
         2. Symbol change Action: *take out old replace with new*
         3. Buy-out action: *deactivate symbol as of last trade date*
2. **Review orders**
   a. Click on each "c" icon to view the stock or mutual fund
   b. Look for large jumps in prices up or down. *(VPM reviews all stocks for bad data but make sure the data is correct.) Normally there will be only 2 to 3 symbols to review per portfolio.* If data is correct go to next step.

3. **Execute orders**
   a. Print order sheets for each portfolio each week and place in under this section.
   b. Write any comments including that all orders were executed and any other things that you want to track about the order entries and stocks as to feeling about the trades or data you may want to review later.
   c. Print summary page so you can track cash and position changes from week to week.
   d. Print the open postions each week.

Note: when printing pages from VPM make sure to click on "Printer Friendly View" and then set printer to landscape.

Monthly Procedures

1. Review all notes and processes that you have executed over the past four weeks.
2. Review benchmark performance.
    a. Note following aspects:
        i. Relative performance
        ii. Sector weightings
        iii. Rotation in Sectors
        iv. Write a summary of your review

3. Print the following reports place in this section.
    a. Summary Sheet
    b. Performance report with benchmark
    c. Trade profile page

Example:

Order flow continued to be low as market remained in sidewise to downward trend during the month. A strong alpha was added as our average cash position was 35 plus percent. The portfolio out performed last month by 63 basis points and over 2.4 percent over the last quarter. There was little rotation in the sectors as Energy and Basic Materials continue to be the top weighted sectors.

Quarterly Review

This is a critical step in the process. We suggest that you make incremental changes only in your quarterly reviews. This will minimize your transaction volume and help to keep costs in running this process under control.

Following suggested steps you should follow:

1. Run your screen using same criteria each review.
2. Maintain the number in stocks in the portfolio.
3. Save your portfolio before changing the stocks.
4. Activate and deactivate stocks you wish to add or take out of the portfolio.
5. NEVER change any of the settings on the portfolio summary page in the "Portfolio Wizard" once you have committed customer funds to the process.

Document everything that you do at this step. Comment on stocks or anything you come up with that you would like to reference later. This review will only take a couple of minutes but to recall the process you followed during this review will be invaluable down the road. This will help you to communicate your style and strategies to your clients and demonstrating your commitment to your process

Print the following:

1. Summary page
2. Portfolio snapshot page
3. Portfolio (trade profile)

Write a review that covers all aspects of this process.

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Annual Review

At this point it is time to review all of the following

1. Relative Benchmark performance
2. Cost and Turnover
3. Style
4. Build expectations for the upcoming year

Print the following:

1. Summary sheet
2. Qualitative Screen Criteria
    a. A statement of any adjustments you have made.
    b. Copy of the spread sheets and other materials.
3. Performance page

Write an annual review of all actions and adjustments made during this review. Summarize the annual performance and other key elements that have unfolded during the year.