



Buy Lists & Replacement Securities



Order Management Flexibility

A fundamental tenet of Market Street Advisors' platform is that it should help investment managers maximize the results of their expertise. In the area of order management, sometimes, this means going beyond rebalancing to a model portfolio. This is why Market Street Advisors provides extended order management tools in addition to rebalancing against a model including swap security, single security, and buy list scenarios. Each of these tools can also be used in ways beyond their obvious use, providing managers flexibility in solving such problems as how to efficiently insert replacement securities into portfolios.

The swap security scenario can look across accounts and build buy *and* sell orders to replace one security with another. Single security scenarios can generate sell *or* buy orders of one security across a group of accounts, where buys can be used to manage excess cash. Buy lists can also be used as a powerful tool for managing replacement securities, and because of its level of sophistication, is discussed here in further detail.

Implement Your Best Ideas Using "Buy Lists" to Customize Individual Portfolios

The buy list functionality integrated into Market Street Advisors' system uses an ordered list of equity securities provided by the investment manager. The order of the list effectively ranks the equities. A buy list differs from a model portfolio in a few key ways:

Where a model portfolio represents targets for a complete portfolio – individual components total 100% – a buy list is an ordered list of equities that can be used in total, to invest a new portfolio, or in part, to plug a hole created by a single security sale. Unlike a model, the number of equities in a buy list typically exceeds the target number of securities in a portfolio.

When rebalancing to a model portfolio, overweighted securities are sold and buy orders are created for the underweighted positions. When using a buy list, only buys are generated, starting at the top of the list and working in order, until no more purchases can be made.

Account level settings for minimum cash and maximum equity weights are integral to running a buy list scenario. First, these settings determine available cash and portfolio weights, and then the system automatically selects securities in rank order until the available cash is spent.

While often employed by investment firms that dynamically manage their best current ideas for private wealth clients, buy list functionality can also be used in conjunction with other tools already integrated in Market Street Advisors. For example, combining buy list functionality with restrictioning can solve common problems

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Robust Order Management Choices

Market Street Advisors helps managers by providing order management scenarios that suit many different styles and needs:

- Buy/Sell
- Buy List
- Cash Mgmt
- Liquidate
- Rebalance
- Single Account
- Swap Security
- Tax Selling

experienced when using a model based approach. Specifically, Market Street Advisors' sophisticated restriction capabilities allow model-driven accounts to use a buy list as a replacement security tool.

Using Buy Lists for Replacement Securities

It is important to note that Market Street Advisors does not limit accounts to an "either, or" proposition when it comes to using model portfolios or buy lists. An account can be associated with both a model portfolio and a buy list. This is helpful for those accounts with specific stock restrictions that may prevent them from maintaining desired market exposures. This is possible because regardless of which trade order scenario is used, each account's restrictions are automatically reviewed as part of the order management process. Briefly, here is how the process would work:

Assume that an account is rebalanced to a model portfolio, but because of specific stock restrictions, it cannot purchase all of the equities in the model, thus leaving excess cash available. The manager can maintain a prioritized list of buy recommendations that were not included in the model. This list is then used to replace excess cash with non-restricted stocks the manager still deems a "buy." This is a significant improvement over other systems that force the extra cash to be allocated on a pro-rata basis into all of the remaining unrestricted securities in the model, potentially violating a managers' intended exposure targets, and illustrates the power and flexibility that buy list capability provides.

This technique provides even greater levels of automated control when it is coupled with the ability to restrict allocations to pre-defined sector weights at the individual account level.

Using ETFs as Replacement Securities

Many managers now use ETFs to help manage portfolio market exposure. They may

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be needed on a temporary basis across a large number of accounts to accommodate analyst recommendations, or on a more long term basis for accounts with specific restrictions. Here is how you can use Market Street Advisors' available order management tools to simplify the process:

Swap Security

If you have an immediate sell request from an analyst or portfolio manager without a concurrent buy recommendation, you can use the Swap Security scenario to maintain market exposure by replacing the "sell" with an appropriate ETF. This can be especially useful for accounts that may have restrictions on maximum cash allowed.

Single Security

Accounts with specific security restrictions can use ETFs to replace excess cash, maintaining market exposure without violating a manager's intended targets in the rest of the portfolio. Using the single security scenario provides an efficient method for accomplishing this. As with all order management scenarios, account-specific cash and equity targets are included when calculating how much of a security to purchase, allowing a group of accounts to run the same scenario and generate orders appropriate for each one.

A Complete Portfolio Management System

The flexibility of multiple trade order scenarios that can be used across all accounts, each using account level settings to determine appropriate orders, along with managers' ability to provide data and organize it according to their needs helps set Market Street Advisors apart. Whether a manager needs to apply its investment expertise across a large number of accounts, or must manage a small number of accounts with a large number of investment restrictions and guidelines, efficiency and accuracy are key aspects to a successful endeavor. Portfolio record keeping, reconciliation, performance measurement, trade order management, compliance, and more: Market Street Advisors' robust functionality and fully integrated suite of tools combine to provide a complete portfolio management system.

Want to Know More About Market Street Advisors?

To learn more about the order management capabilities discussed here, or about Market Street Advisors' technology and services:

Visit our web site

www.marketstreetadvisors.com

E-mail us

info@marketstreetadvisors.com

Call

732-516-9499 x254