



How To Use Portfolio123

Part 14 Portfolios

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If you're comfortable with the material presented in Parts 12 and 13 of this Tutorial series, which covered the ins and outs of Simulation, you already know a lot about Portfolio. In fact, if one looks at Portfolio in a casual manner, it might seem identical with Simulation.

The core of Simulation and Portfolio are, in fact, identical. The differences, one way or another, boil down to a matter of past versus future.

- Simulations are set to start running at some point in the past, and run through the present time. Portfolio is set to start at the present time and run into the future in real time.
- The information you get is largely the same the difference being that with Simulation you use the information to evaluate a strategy that has not been implemented in the real world. With Portfolio, you use the information to conduct ongoing evaluation of a strategy that's being implemented live.
- Because simulation has run in the past, Portfolio123 can and does make all the hypothetical trades for you. Because Portfolio runs in real time and has been designed under the assumption that you'll be implementing it with real money, all Portfolio123 can do for you is prompt you, at the appropriate time, to take action to re-balance the list and, if you are actually investing in the strategy, presume you follow through by making those trades in your account.
- Because Simulation is a make-believe portfolio that has operated in the past, it's fine to stick precisely with computer-generated assumptions about what will be traded, number of shares traded, and execution price. Because Portfolio is a real-time activity potentially with real money, it's necessary that platform allow users to edit trade data to assure that the tracking and evaluation occurs on the basis of the trades as they were really made. Portfolio also gives users opportunities to reject trades proposed by Portfolio123 and/or to add new ones.

Much of this can be easily demonstrated by assuming we like the demonstration Simulation presented in Parts 12 and 13 and that we'd like to create a Portfolio which will be used to support real-money implementation of the strategy.

LAUNCHING THE NEW PORTFOLIO

Figure 1 shows what you see when you click on the appropriate prompt to create a new Portfolio.

Figure 1

The screenshot displays the 'General Portfolio Parameters' form. At the top, there are navigation tabs: General, Position Sizing, Universe & Ranking, Buy, Sell, Stop Loss, Hedge Mkt Timing, Restrictions, and Review. Below the tabs, there are 'Prev', 'Next', and 'Review' buttons. A yellow banner at the top of the form area says 'Copy settings from an existing Portfolio or Simulation'. The form fields are as follows:

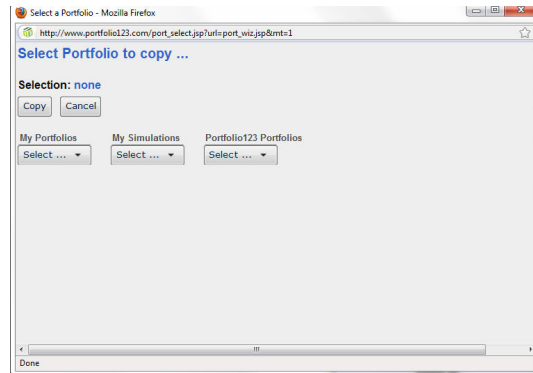
Portfolio Name	Portfolio1
Category	Unclassified Change
Starting Capital	100000
Benchmark	SP500 Index
Commission each Trade	10.0 <input checked="" type="radio"/> Flat Fee <input type="radio"/> Cents/Share <input type="radio"/> % Of Total
Slippage (% of trade amount)	0.0
Rebalance Frequency	Four Weeks
Rebalance Method	<input type="radio"/> No Rebalance <input checked="" type="radio"/> Semi-Automatic <input type="radio"/> Automatic
Allow sold holdings to be re-bought at current rebalance	<input type="radio"/> Yes <input checked="" type="radio"/> No What's this?
Visible by	Private

That looks familiar!

Notice that default assumptions have been plugged in for some parameters. If you are basing your Portfolio on an existing Simulation, as we're doing here, you need not bother inputting your parameters. Notice the conspicuous prompt (set out visually by a yellow background) inviting you to copy from something else.

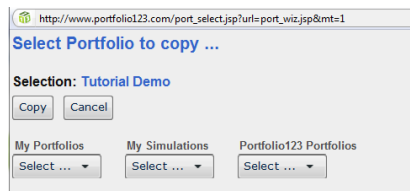
If you click on the prompt, you'll see a small browser window that looks like this.

Figure 2



I'll use the middle menu, "My Simulations," to copy from the demonstration simulation with which we've been working.

Figure 3



Here's what happens after I click on Copy.

Figure 4



Once again, we're on familiar ground. Notice, for example, that the commission assumption has been modified to 9.99, as opposed to the 10.0 figure we saw by default. The only thing I'd like to do here is edit the Portfolio Name, to delete the words "Port Copy of."

The next six sections, Position Sizing, Universe & Ranking, Buy, Sell Stop Loss and Hedge Mkt Timing, now look exactly as they did in the simulation.

There's a slight difference in the next tab. The name has changed from "Period & Restrictions" to "Restrictions." The interface, likewise, allows only for the listing of restrictions.

Figure 5

This makes perfect sense. There's nothing for us to do in terms of "Period." Portfolio123 already understands it will start now, and keep running indefinitely, until we decide we no longer want to use it, and delete it.

The final tab, "Review," shows much the same content as we saw in Simulation. But in Portfolio, it plays a much more critical role. Notice, here, the absence of the "Run Simulation" buttons we saw in Simulation. Because Portfolio is meant to be a real-money strategy, we need to be much more careful about launching it. Instead of placing prompts all over the place, which could very easily be clicked by accident, this action is available only in final "Review" section.

Figure 6

MAKING YOUR INITIAL PURCHASES

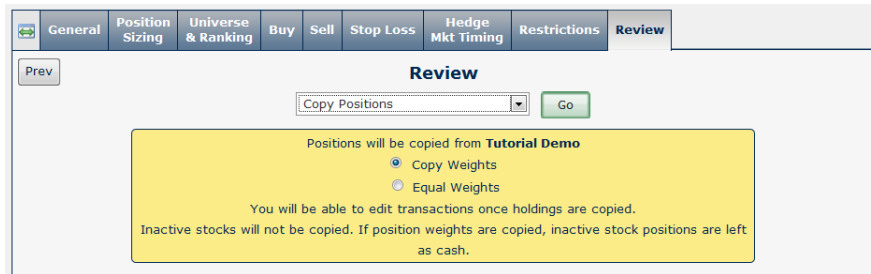
Look again at Figure 6. Notice the drop-down menu and yellow-background prompt at the top of the interface. This is new to Portfolio.

The drop-down menu has three choices, “Get Recommendations,” the default choice, “Manually Enter Positions” and “Copy Positions”.

If you click to manually enter positions, Portfolio123 will set up the strategy but refrain from entering any stocks and wait for you to use the Edit interface (which we’ll see later) to do it on your own.

If you click to Copy positions, here’s what you’ll see.

Figure 7



Portfolio123 presumes you want to begin your live strategy with the most recent list of names generated by the Simulation that served as the basis for this Portfolio. You can fully translate the simulation by leaving the Copy Weights button checked. In the alternative, you can re-set the weightings to equal.

For purposes of this tutorial, I’m going to use the default “Get Recommendations” choice. Here’s what I see after clicking “Go.”

Figure 8

Note: Using rank data as of 01/27/11

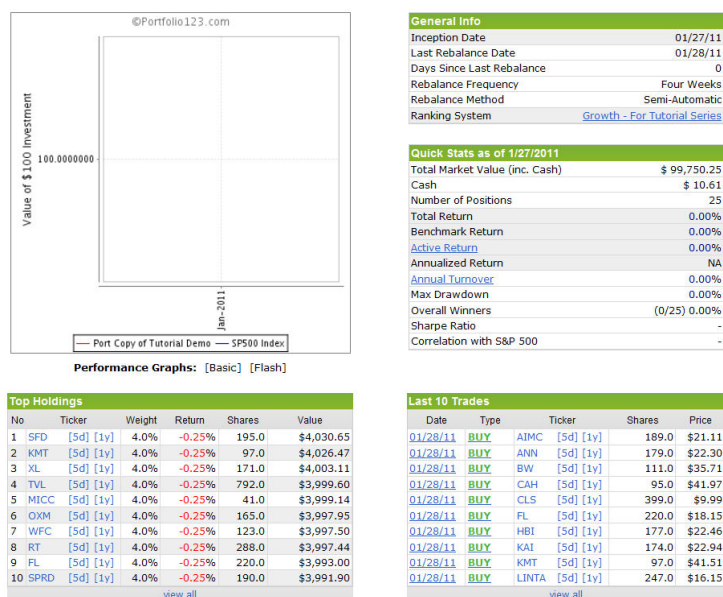
To accept these Recommendations, press the **Generate Portfolio** button. If you reject any recommendation, press **Get Recommendations** again to see the new recommendations. If you reject any **Sell** recommendation, you must press **Get Recommendations** again.

Accepted Recommendations								
No	Accept	Ticker	Action	Name	Shares	Price	Rank	Complete Statement
1	<input checked="" type="checkbox"/>	VECO [5d] [1y]	BUY	Veeco Instruments Inc.	89.0	44.8	99.9	Y
2	<input checked="" type="checkbox"/>	BW [5d] [1y]	BUY	Brush Engineered Material	111.0	35.7	99.9	Y
3	<input checked="" type="checkbox"/>	MEAS [5d] [1y]	BUY	Measurement Specialties, Inc.	141.0	28.2	99.8	Y
4	<input checked="" type="checkbox"/>	UBSH [5d] [1y]	BUY	Union First Market Bankshares Corp.	311.0	12.8	99.8	N
5	<input checked="" type="checkbox"/>	KAI [5d] [1y]	BUY	Kadant Inc.	174.0	22.9	99.6	Y
6	<input checked="" type="checkbox"/>	VSH [5d] [1y]	BUY	Vishay Intertechnology	241.0	16.5	99.6	Y
7	<input checked="" type="checkbox"/>	HBI [5d] [1y]	BUY	Hanesbrands Inc.	177.0	22.5	99.5	N
8	<input checked="" type="checkbox"/>	CLS [5d] [1y]	BUY	Celestica Inc. (USA)	399.0	10.0	99.4	Y
9	<input checked="" type="checkbox"/>	SPRD [5d] [1y]	BUY	Spreadtrum Communications, Inc.	190.0	21.0	99.4	N
10	<input checked="" type="checkbox"/>	PAY [5d] [1y]	BUY	VeriFone Systems, Inc.	95.0	41.8	99.3	Y
11	<input checked="" type="checkbox"/>	UPL [5d] [1y]	BUY	Ultra Petroleum Corp	87.0	45.6	99.3	Y

If I want to set up the portfolio based exactly on the list of stocks shown (which are the same the simulation would show if today is a re-balancing date), I can simply click on “Generate Portfolio.” Notice, though, that I am able to un-check a box next to any stock I don’t want to own. Actually, I’m going to leave all the boxes checked and click on “Generate Portfolio.”

Figure 9 shows what I see after the portfolio is generated.

Figure 9



Notice that nothing appears in the Performance Graph. That’s because the portfolio was just launched. There hasn’t yet been any opportunity to perform. Other performance-oriented tables will be similarly blank at this time.

Actually, though, we’ve come to a very important juncture.

If you aren’t going to invest real money (i.e. if you just want an out-of-sample test for a strategy you developed in Simulation), there is nothing more you need do at this time.

If, on the other hand, you are investing real money, you may not want to stop here. Notice in the “Last 10 Trades,” table, for example, that Portfolio123 assumed you bought 189 shares of AIMC at \$21.11. This may not conform to reality. Perhaps you rounded up to 190 shares. Most likely, you got a price that differed from \$21.11. If you want to track a real-life portfolio and get accurate information on your performance, it’s important that all the transaction information be accurate. So after you execute your trades, come back to this Portfolio, go to the Transactions section of the left-side menu, and click on “Edit.”

Figure 10

Edit Trades

Total: 25

Date	Symbol Name	Trade Del	Shares	Price \$	Comm \$	Slippage \$	Notes
2011-01-28	SFD Smithfield Foods, Inc.	BUY <input type="checkbox"/>	195.0	20.67	9.99	0.00	
2011-01-28	KMT Kennametal Inc.	BUY <input type="checkbox"/>	97.0	41.51	9.99	0.00	
2011-01-28	WFC Wells Fargo & Company	BUY <input type="checkbox"/>	123.0	32.50	9.99	0.00	
2011-01-28	MICC Millicom International Cellular SA (USA)	BUY <input type="checkbox"/>	41.0	97.54	9.99	0.00	
2011-01-28	CAH Cardinal Health, Inc.	BUY <input type="checkbox"/>	95.0	41.97	9.99	0.00	
2011-01-28	XL XL Group plc	BUY <input type="checkbox"/>	171.0	22.41	9.99	0.00	

If you were unable to execute any of your Buy orders, use the check-box to delete the stock. As to the rest, make all necessary corrections. When you have finished, click the “Update” button at the bottom of the table.

Many users will be finished at this time, and need do nothing further until the next re-balancing date.

Others, however, may still have some work to do.

Suppose you decide to add another stock, something apart from the Portfolio123-generated list. (No matter how much we try to automate the process, it is, ultimately, your money and your portfolio, so it’s important that we give you all the opportunities you need to over-ride.)

Go to the Transactions section of the left-side menu and click on “Add.” Here’s what you’ll see.

Figure 11

On Date Add Transaction Trade

Valid range from 01/28/11 to 01/28/11

Symbol	Shares	Price	Commission	Notes
<input type="text"/>	<input type="text"/>	<input type="text"/>	9.99	Manual Transaction Buy Short
<input type="text" value="FL"/>	<input type="text"/>	<input type="text"/>	9.99	Manual Transaction Sell Cover

The first row of input boxes is straightforward. You can input the ticker, number of share and price associated with any additional buy or short transaction you make.

On the second row, you see a drop-down menu in Symbol column. That will allow you to choose the ticker symbol of any stock in your portfolio. Here’s an example:

Figure 12

On Date Add Transaction Trade

Valid range from 01/28/11 to 01/28/11

Symbol	Shares	Price	Commission	Notes
<input type="text"/>	<input type="text"/>	<input type="text"/>	9.99	Manual Transaction Buy Short
<input type="text" value="FL"/>	<input type="text" value="220.00"/>	<input type="text" value="18.15"/>	9.99	Manual Transaction Sell Cover

Since the portfolio has 220 shares of FL, the only valid action is to Sell (if it were a short position, the “Cover” button would become clickable). I can sell all 220 shares, or change that entry and sell part of the position.

We see the 1/28/11 date because the portfolio was just created. As the portfolio continues, you can add transactions for other dates.

Figure 13 shows what you’d see if you altered the drop-down menu at the top, the one that now says “Trade.”

Figure 13

The screenshot shows a form with the following elements:

- On Date:
- Add Transaction: (dropdown menu)
- Valid range from 01/28/11 to 01/28/11
- Amount:
- Notes:
- Buttons: and

This gives you the opportunity to add new cash or withdraw cash (you’d signify a withdrawal by entering cash as a negative amount).

That’s it. You now have your portfolio, based on the strategy you developed in your simulation, the stocks recommended based on that model, your real-life transaction information, and any alterations you chose to make.

Now all you need do is review it as time passes and you accumulate a track record and, of course, re-balance at your chosen intervals.

REBALANCING

Portfolio123 will send you an e-mail reminded of when its time to re-balance, based on the parameter established in the “General” section of your Simulation/Portfolio.

You can start the re-balancing process by clicking on “Re balance,” the second item in the left-side menu.

I can’t demonstrate re-balance with the demonstration portfolio we’ve been examining because it was just set up. Instead, Figure 14 illustrates a re-balancing with a different (dormant) portfolio saved in my account.

Figure 14

The screenshot shows the following information:

- Last portfolio rebalance: 09/23/10 (127 days ago)
- Rebalance frequency: Four Weeks
- Next rebalance date: 10/21/10 on Thursday **past due!**
- The recommendations will be based on fundamental data as of 01/27/11
- Do not automatically set the 'Last Portfolio Rebalance Date' to today if there are no new recommendations
- Buttons: , ,

Note that the last re-balance was 127 days ago. This underscores that fact that notwithstanding the parameters you set, you can actually re-balance at any time. (Portfolio123 will send you e-mail reminders

as to when it's time to re-balance based on the parameters you set, but you can choose to ignore them if you wish.)

Here's what I get after clicking on "Make Current."

Figure 15

Last portfolio rebalance 01/28/11 (0 days ago)
 Rebalance frequency Four Weeks
 Next rebalance date 02/25/11 on Friday (in 28 days)

The recommendations will be based on fundamental data as of 01/27/11

Get Recommendations Commit Reset

Now that Portfolio123 and the user are in agreement that as to the timing of this re-balancing, we can click on "Get Recommendations."

Figure 16

Last portfolio rebalance 01/28/11 (0 days ago)
 Rebalance frequency Four Weeks
 Next rebalance date 02/25/11 on Friday (in 28 days)

The recommendations will be based on fundamental data as of 01/27/11

Get Recommendations Commit Reset

To accept these Recommendations, press the **Commit** button.
 If you reject any recommendation, press **Get Recommendations** again to see the new recommendations.
 If you reject any **Sell** recommendation, you must press **Get Recommendations** again.

Accepted Recommendations												
No	Accept	Ticker		Action	Name	Shares	Price	Rank	Prev Trans	Complete Statement	Rule	
1	<input checked="" type="checkbox"/>	ADM	[5d]	[1y]	SELL	Archer Daniels Midland Company	-214.0	33.4	81.6	1	Y	Sell3
2	<input checked="" type="checkbox"/>	PLUS	[5d]	[1y]	SELL	ePlus Inc.	-334.0	25.5	98.9	1	Y	Sell4
3	<input checked="" type="checkbox"/>	KWR	[5d]	[1y]	SELL	Quaker Chemical Corporation	-223.0	39.6	87.6	1	Y	Sell4
4	<input checked="" type="checkbox"/>	VLCCF	[5d]	[1y]	SELL	Knightsbridge Tankers Limited	-339.0	23.5	88.4	1	Y	Sell6
5	<input checked="" type="checkbox"/>	CVX	[5d]	[1y]	SELL	Chevron Corporation	-90.0	94.8	90.1	1	Y	Sell3
6	<input checked="" type="checkbox"/>	LXK	[5d]	[1y]	SELL	Lexmark International, Inc.	-167.0	36.4	86.8	1	Y	Sell6
7	<input checked="" type="checkbox"/>	GIII	[5d]	[1y]	SELL	G-III Apparel Group, Ltd.	-241.0	35.5	98.0	1	Y	Sell4
8	<input checked="" type="checkbox"/>	SCVL	[5d]	[1y]	SELL	Shoe Carnival, Inc.	-361.0	25.7	91.9	1	Y	Sell4
9	<input checked="" type="checkbox"/>	HRBN	[5d]	[1y]	SELL	Harbin Electric, Inc.	-411.0	19.0	97.5	1	Y	StopLoss
10	<input checked="" type="checkbox"/>	XRTX	[5d]	[1y]	SELL	Xyratex Ltd.	-447.0	13.4	90.7	1	N	StopLoss
11	<input checked="" type="checkbox"/>	KLIC	[5d]	[1y]	BUY	Kulicke and Soffa Industries Inc.	787.0	10.0	100.0	0	Y	
12	<input checked="" type="checkbox"/>	AGP	[5d]	[1y]	BUY	AMERIGROUP Corporation	149.0	52.7	99.9	0	Y	
13	<input checked="" type="checkbox"/>	CKH	[5d]	[1y]	BUY	Seacor Holdings, Inc.	74.0	104.9	99.9	0	Y	
14	<input checked="" type="checkbox"/>	PUDA	[5d]	[1y]	BUY	Puda Coal, Inc	626.0	12.6	99.9	0	Y	
15	<input checked="" type="checkbox"/>	MDF	[5d]	[1y]	BUY	Metropolitan Health Networks, Inc	1 640.0	4.8	99.5	0	Y	

These are the Buys and Sells the model wants you to execute. Remember, though, it's your money. As with the initial portfolio setup, you have the last word. If you're satisfied with the recommendations, you can click on "Commit."

Figure 17

Last portfolio rebalance 01/28/11 (0 days ago)
 Rebalance frequency Four Weeks
 Next rebalance date 02/25/11 on Friday (in 28 days)

The recommendations will be based on fundamental data as of 01/27/11

Get Recommendations Commit Reset

Portfolio rebalanced!

We're almost finished. Make sure you click on Edit (in the left-side menu) and input your actual execution (shares and price) data.

Figure 18

Edit Trades

Total: 20

Date	Symbol Name	Trade Del	Shares	Price \$	Comm \$	Slippage \$	Notes
2011-01-28	NVLS Novellus Systems, Inc.	BUY	213.0	37.00	8.00	0.00	
2011-01-28	PCCC PC Connection, Inc.	BUY	873.0	9.03	8.00	0.00	
2011-01-28	KLAC KLA-Tencor Corporation	BUY	176.0	44.68	8.00	0.00	
2011-01-28	SOLR GT Solar International, Inc.	BUY	705.0	11.17	8.00	0.00	
2011-01-28	AMAT Applied Materials, Inc.	BUY	488.0	16.10	8.00	0.00	
2011-01-28	MDF Metropolitan Health Networks, Inc.	BUY	1,640.0	4.80	8.00	0.00	
2011-01-28	PUDA Puda Coal, Inc.	BUY	626.0	12.56	8.00	0.00	
2011-01-28	CKH Seacor Holdings, Inc.	BUY	74.0	104.94	8.00	0.00	
2011-01-28	AGP AMERIGROUP Corporation	BUY	149.0	52.72	8.00	0.00	
2011-01-28	KLIC Kulicke and Soffa Industries Inc.	BUY	787.0	9.98	8.00	0.00	
2011-01-28	XRTX Xyratex Ltd.	SELL	447.0	13.39	8.00	0.00	StopLoss
2011-01-28	HRBN Harbin Electric, Inc.	SELL	411.0	18.97	8.00	0.00	StopLoss
2011-01-28	SCVL Shoe Carnival, Inc.	SELL	361.0	25.68	8.00	0.00	Sell4
2011-01-28	GIII G-III Apparel Group, Ltd.	SELL	241.0	35.49	8.00	0.00	Sell4
2011-01-28	LXK Lexmark International, Inc.	SELL	167.0	36.43	8.00	0.00	Sell6
2011-01-28	CVX Chevron Corporation	SELL	90.0	94.75	8.00	0.00	Sell3
2011-01-28	VLCCF Knightsbridge Tankers Limited	SELL	339.0	23.55	8.00	0.00	Sell6
2011-01-28	KWR Quaker Chemical Corporation	SELL	223.0	39.59	8.00	0.00	Sell4
2011-01-28	PLUS ePlus Inc.	SELL	334.0	25.51	8.00	0.00	Sell4
2011-01-28	ADM Archer Daniels Midland Company	SELL	214.0	33.43	8.00	0.00	Sell3

Only the latest transactions can be edited.

Delete Update

When you've finished, click on "Update."

That's it. The rebalanced has been completed. Now all you need do is review your performance (using the same presentations as we saw with Simulation) and wait till the next re-balancing occasion.

IN CONCLUSION

That concludes this tutorial series.

You now know how to build and test screens and ranking systems. You know how to expand upon them with Simulations and how to use Portfolio to help you implement your strategies in the real world.

Use as much of what we offer as you like. Some may want to keep it simple by, for example, building a screen with the Rules Wizard and maybe using quick rank to sort and focus on a specific number of stocks which will be examined case-by-case before a buy or don't-buy decision is made. Others will want to go full out with screens, rankings, full-out customization (lists, universes, formulas), advanced features such as line-item variables, simulations and portfolios. Most users will probably be somewhere in between the extremes.

The most important thing is that you work in way that is comfortable for you.