

SCHWAB ADVISOR PORTFOLIO CONNECT™

FREQUENTLY ASKED QUESTIONS

The phased rollout for Schwab Advisor Portfolio Connect™ has begun for a limited number of firms, with general availability scheduled for mid-2019. Below, you'll find responses for the most commonly asked questions from the webcast introduction. In addition to the responses below, there are several resources on the SchwabPT.com website to help you learn more about the offer, including a screen-by-screen [interactive guide](#) and [development timeline](#).

KEY FEATURES

What Schwab account types will be supported by Portfolio Connect?

Portfolio Connect supports Schwab brokerage accounts. It is important to note that Portfolio Connect currently displays all accounts within your firm. So, if your firm has established access rules for any reason, it may not yet be a good fit for your firm.

What performance reporting capabilities are included in the general availability release?

Portfolio Connect will offer time-weighted rates of return at the total and asset-class level for all accounts and groups, both net and gross of fees. It will also let advisors choose from over 50 of the most commonly used benchmarks for comparison purposes.

While the performance returns of Portfolio Connect adhere to Global Investment Performance Standards (GIPS) calculation guidelines, it does not offer composite management or composite reporting used for audit or presentation purposes.

Portfolio Connect does not include:

- Performance by security/position level
- Internal rate of return calculation
- Blended benchmarks/targets

How does Portfolio Connect classify securities for allocation or performance views?

Portfolio Connect will offer classification at two distinct levels: the Asset Class (intended for traditionally large categories like equity, fixed income, or cash) and Security Type to describe the investment instrument (such as common stock, ETFs, or corporate bonds). Both classifications are “pre-loaded” with common values for turnkey usage, but Asset Class and Security Type can be completely customized by the advisory firm.

Additionally, advisors have control over the assignment of an Asset Class or Security Type to a given security. Security descriptions are editable, allowing each firm to maintain naming preferences.



How does Portfolio Connect handle period-end client reporting?

Portfolio Connect offers quarterly, period-end client reporting.

Reports include:

- Time-weighted returns at the asset, account, and household level
- Asset allocation (single level of categorization)
- Portfolio value versus cumulative net investment
- Asset-class returns
- Account/portfolio returns
- Positions
- Transactions

Advisors may customize reports as follows:

- Add a firm logo
- Hide content at the page level
- Select the periods each content item will display
- Customize colors for asset-class presentation
- Create a custom billing message on the invoice
- Create a custom terms-and-disclaimers content page
- Create custom footnotes

How do I manage my portfolio data? Is it an outsourced solution?

The unique benefit this product provides is the automatic population of Schwab account information and custody data within the system. Portfolio Connect receives daily updates for transactions, positions, balances, new accounts, closed accounts, and security data directly from Schwab. This means that you do not have to download, post, or reconcile data; pay for security information; or pay for outsourced services. Your data matches Schwab data—each time, every time.

This differs from the PortfolioCenter® model, where the advisor is responsible for all data downloads and data management, or pays an outsourced service provider to perform this function.

What are the billing capabilities?

Portfolio Connect has flexible, workflow-based billing capabilities to help advisors scale the management of their period-end billing process.

Portfolio Connect features will include:

- Quarterly billing in advance and arrears
- Flat-rate and tiered billing with unlimited tiers
- Proration for mid-period account open or close
- Proration for all cash flows
- Exclusion of cash for account valuation
- Minimum fee
- Fee adjustments
- Household billing with either fixed or pro-rata account allocation
- Batch submission of fees to the Schwab management fee blotter
- Period-end batch invoicing via client reports



Portfolio Connect does NOT support:

- Controls on which flows impact the fee
- Average daily balance valuation methodology
- Application of unique rates according to asset class

Additional information on Portfolio Connect billing can be found in the [Service Guide](#)

Is there any cost to use Portfolio Connect?

This is a free product. There are no fees for licensing or maintenance, data, hosting or outsourcing, or to convert historical data from the PortfolioCenter.

What size firm is best suited to adopt the Portfolio Connect solution once it's generally available?

Our validation efforts have indicated that a firm's size is not the most important determining factor. When Portfolio Connect becomes generally available, firms with a streamlined approach to investment management and whose client accounts are less complex will be the best fit. The product is designed to drive operational efficiency for firms that require less customization.

For example, a firm that sends the same statement package to all clients would be a better fit than firms with complex client segmentation and unique reporting needs.

In addition, Portfolio Connect probably won't be a good fit if your firm:

- Requires a high degree of view configuration and preservation
- Relies on bulk data-management tools due to large numbers of accounts or securities
- Integrates portfolio management system data with other systems such as CRM or rebalancing systems
- Modifies custodian-provided investment data, such as transactions or prices
- Needs to recreate views or processes in place today
- Custodies with multiple custodians

COMPARISON WITH PORTFOLIOCENTER®

How did Schwab Performance Technologies® decide what to include in the Portfolio Connect solution? Why does it not have all of the capabilities of PortfolioCenter?

Portfolio Connect is a new and separate offer that is not related to the PortfolioCenter solution. It's built on a new platform that would best suit advisors who value operational efficiency over customization. The primary goal is to put as much information at the advisor's fingertips as possible with a minimum of effort. Portfolio Connect also approaches workflows in new ways. For example, it features flexible, interactive dashboards in place of a traditional report catalog.

We started by identifying the key features and data points that clients currently use in the PortfolioCenter product. Then, we checked these assumptions with our clients. Direct advisor feedback from our Early Access program has helped us validate our assumptions about the key features firms would need in order to adopt this solution, as well as develop our ongoing roadmap to move the Portfolio Connect solution forward.

What will happen to PortfolioCenter? Will Portfolio Connect support multicustodial data?

Schwab Performance Technologies will continue to support PortfolioCenter, which is one of the most widely used portfolio management platforms in the industry. Users can continue to expect annual releases to address issues requested by advisors.

Schwab Advisor Portfolio Connect is designed for Schwab accounts. For advisors with multi-custodial needs, we will continue to offer PortfolioCenter, as well as integration with leading third-party portfolio management systems. Advisors can see real-time Schwab data and will soon be able to transact on Schwab accounts directly from systems such as Black Diamond, Tamarac, Orion, Addepar, and Morningstar.



Can I run Portfolio Connect in parallel with another SPT solution such as PortfolioCenter or Portfolio Services?

Yes. Ultimately, each firm should decide whether the Portfolio Connect platform can satisfy some or all of its portfolio management needs.

Advisors comparing any two portfolio management systems, including PortfolioCenter and Portfolio Connect, should be aware that various systems use different approaches to calculations. Therefore, values may not be identical across systems.

How can I see historical account information in Portfolio Connect? Can I convert my PortfolioCenter data?

Portfolio Connect offers two methods of displaying information for periods prior to onboarding.

All firms that adopt Portfolio Connect will automatically see account information beginning from January 1, 2017. Advisors will, therefore, have access to more than two years of historical data, which is comparable to the history available in Schwab Advisor Center®.

This historical data will support nearly all Portfolio Connect features, including holdings, transactions, components of change, and all performance views. Cost-basis data will be available to display details for all open tax lots beginning on the date you begin using the platform.

Additionally, firms using PortfolioCenter will have the ability to convert PortfolioCenter data to view history prior to the two previous years.

What does PortfolioCenter data conversion entail?

To ensure that advisors can present consistent historical data with no gaps, Portfolio Connect supports a one-time conversion of data from PortfolioCenter to Portfolio Connect. This allows advisors to view all of their history from PortfolioCenter, instead of the two years of data provided by default.

The data that's converted will primarily support historical time-weighted return (TWR) and components-of-change views. This means advisors will be able to present performance data that marries the full history of performance for a PortfolioCenter account or group with the new native performance data generated by Portfolio Connect.

The Schwab Performance Technologies service team will perform the conversion, free of charge, using a backup of your existing PortfolioCenter database. Conversion will be available for Schwab accounts managed on the PortfolioCenter Desktop, PortfolioCenter Hosted, and Portfolio Services platforms.

Data points that will convert from PortfolioCenter include:

- All open and closed Schwab accounts managed by PortfolioCenter and groups with select profile attributes, including name and address information.
- Monthly account and group total TWR data
- Monthly account and group components-of-change data

What is not included in PortfolioCenter conversion:

- Complete account and group profile attributes
- Historical asset-class performance
- Historical position data
- Historical transaction data
- Historical cost-basis data
- Security attributes and classification information
- Historical billing information and fee schedules



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