

PortMan

The complete Schedule D solution

Friday January 5, 2024

Greetings all,

May these words find you in good health and content as we close 2023.

Following are notes and instructions to assist you in finishing your 2023 investment responsibilities using PortMan. I know you're busy, but PLEASE take a few minutes to read this letter prior to processing your year-end Schedule D. It will save you time in the end.

Also, we would like to make you aware that if the year-end or monthly activities are becoming too cumbersome Accurate Business Systems provides out-sourcing services to do the monthly and year-end procedures for you. We subscribe to a financial data source system so that we have the information needed to ensure that all securities are reported correctly and in the appropriate categories. Please don't hesitate to get in touch if you'd like more information.

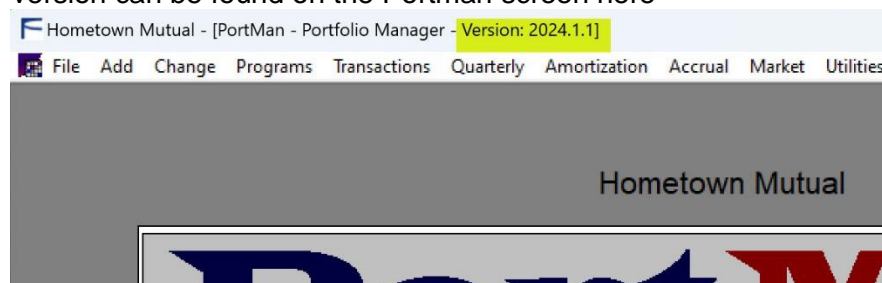
The ABSLauncher will install the 2024 version of the PortMan program when it is available. Once installed the 2023 End of Year changes will be implemented which will enable you to transfer your data to your annual statement software. The update can be accomplished any time prior to exporting the data to your annual statement software.

Please understand the following:

Do Not run YEAR END until all data is in the statement software and is verified and approved.
Run Year-End only when you are ready to enter January, 2024.

Process December using the Monthly Workflow on the following page. We recommend that you use the [Workflow](#) each month. You will greatly increase your efficiency by following these steps. The workflow can also be accessed and printed by choosing Help, Monthly Workflow from the Main Menu.

You can use the PortMan version 2023.04.02 or greater to process December transactions **but you will need to download version 2024.1.1 or greater to finish this process and transfer the data to your annual statement software.** Your version can be found on the Portman screen here



PortMan

Monthly System Workflow

Processing the steps below in the order given will help ensure accurate and successful results.

1) VERIFY

- a) Prior to entering data for the intended month verify that Month-End processing has been completed for the prior month. You can do this by looking at the Current Month field on the Main Menu. The transactions you intend to enter should be dated within the month displayed. If that's the case, then proceed to step 2. Otherwise, run Month-End from the Programs menu choice.

2) PROCESS PURCHASES

- a) **Add** Purchases and Acquisitions
- b) **Pre-Post** acquisition transactions to verify accuracy. Check off Pre-Post report and statement.
- c) **Post** acquisition transactions

3) PROCESS INCOME

- a) **Enter** interest, dividend, and principal reduction transactions using Transactions, Income.
- b) **Pre-Post** income transactions to verify accuracy. Check off Pre-Post report and statement.
- c) **Post** Income Transactions

4) PROCESS DISPOSALS

- a) **Enter** Sales, Maturities and Calls using Transactions, Calls, Maturities, Sales.
- b) **Pre-Post** disposal transactions to verify accuracy. Check off Pre-Post report and statement.
- c) **Post** disposal transactions

5) VERIFY

- a) **Print** Portfolio Report
 - i) Compare with Custodial Statements. **Par and Shares need to match.** Or, more efficiently, price the Portfolio using a file. If Market Vales match, the Portfolio matches the Custodian and you continue.
- b) **Process**
 - i) Update Market Prices and Designations from the Market Screen
 - ii) Accrual
 - iii) Amortization
 - iv) Verify Pre-Post report, then Post amortization transactions
 - v) Book Value Adjustments from the Programs menu choice on the Main Menu.

6) Print Reports

- a) Reconciliation
- b) GL Summary
- c) GL Detail
- d) Working Schedule D
- e) Others as desired

NOTE: At Year end, you must print all reports and transfer data to the Annual Statement software before you process step 7.

7) Month-End ****To enter January you will run Year- End**

- a) **Run Month-End** before starting a new month(Year -end for December)

*****Do Not run Step 7 until you are ready to start January. You must run all December 31 reports and transfer files to the annual statement software before you run the Year-End program.***

Notes concerning filing requirements

We strongly recommend that you subscribe to the applicable NAIC Annual Statement Instructions. Refer to the Schedule D and related Exhibits and Schedules instructions for Year End requirements. The PortMan Year End Reports and Transfer Files will enable you to be compliant if the data is set up correctly.

Reporting change to Bond ETF's reported on Part 1:

The NAIC instructions now state that the NAIC Designation for ETF's found on its SVO-Identified Bond ETF List (https://staspoprodcus01.blob.core.windows.net/svo/svo_bond.pdf) must be obtained from the NAIC AVS+ system. The unfortunate part is that even though you can derive FE Designations for Bonds using Ratings from approved agencies for the majority of Schedule D Part 1, you would have to buy an entire SVO AVS+ subscription to receive a Designation for even 1 ETF Security that you have assigned to Schedule D Part 1.

Many of these ETF's will likely have a 1.A Designation as they are populated with US Treasury securities. If not made up with Treasuries, one can look up the Ratings Concentrations of the ETF on its prospectus and come up with a close determination of what the Designation should be, but there is no way to guarantee that you'll match the SVO without purchasing a subscription.

It is also our understanding that you can choose to list them as an ETF on Part 2 Section 2 without a Designation. There may be state regulations that preclude you from making this choice.

Get in touch with us if you care to discuss this topic further.

Error messages regarding ETF's and Mutual Funds from data import:

Some of the Annual Statement Software companies we interface with will return Cross Check warnings for Mutual Funds and ETF's on Part 2 Section 2 because no NAIC Designation is provided.

We believe these Cross Checks are in error because the language on the NAIC Instructions is vague and the Statement Software choose to read that as a Designation is required for all Mutual Funds and ETF's. We contacted the NAIC SVO office and the only ETF's that have a Designation assigned are those that are on the list to be reported on Part 1. We advise to disregard these checks if you receive them.

How PortMan populates year-end data in reports and the File Export

PortMan uses the same methodology for all data that requires categorization in the Year End export file and the Year End reports. For fields such as Code (Column 3 on Schedule D Part 1), Bond Characteristics (Column 5 on Schedule D Part 1), Summary Investment Category... PortMan will first look to see if the field is populated on the security Detail screen. If the field has a value PortMan will use it, if not the program will determine the value to the best of its ability by examining the rest of the data. It's best to make an Excel spreadsheet for the Summary Investment Schedule, sort it by the Category, then CUSIP to make sure the securities are in the correct buckets. If one needs to be changed, you'll Edit that security, Double Click the **Sum Inv Category** field to produce a pop up window with applicable values and choose the appropriate value. Re-run the report. You can also check the values of the following fields for each security by creating an **Active Spreadsheet** located on the Portfolio Reports tab. Instructions on saving spreadsheets below.

Other Year End Data Points applicable:

The **Capital Structure Code** field will be filled out as other fields that control Year-End reporting (Summary Investment Schedule...) in the system. PortMan will look to see if the field is populated on the Security Detail screen, and if it is, will use that value. If it's blank, it will look to see if there is a value in the Payment Rank field. Payment Rank is a field that can be populated with Bloomberg information. If there is a value in the Payment Rank field the export will use it to determine the correct code. If both fields are blank the export will autofill semi-annual payable securities with a Senior Unsecured code and Monthly pay securities with a Senior Secured code. Payment Rank and Capital Structure Code can be imported into PortMan from a new import feature from a spreadsheet provided by your Investment Advisor or Custodian. There will also be a report on the Year-End tab of the Print Menu that lists each security and its Capital Structure Code. Pass the list to your investment advisor so they can confirm each security is categorized correctly. If a code needs to be changed enter it in the Cap Structure Code field on the Security Detail Screen.

The Bond **Characteristics** field is populated in the Export file by examining the security and setting the appropriate value. Once again, it can be populated manually and PortMan will use that value if it is set.

The **Schedule D Code** field will be populated with a @ if it is 0 coupon bond.

Industrial and Miscellaneous Mortgage and Asset Backed bonds must have the correct **Collateral Type** associated with their backing. The Year End tab of the Print Menu has a report named Structured Securities held per NAIC Type. The valid codes are listed on the last page of the report. If you have securities listed on this report the NAIC requires that each security have the appropriate code identification. Pass the list to your investment advisor so they can confirm each security is categorized correctly.

Fair Value - There is a field on the input screens to designate the fair value associated with each lot. If left unselected or set to Default, the system will export securities as follows

Security Type	Default Fair Value exported
BONDS, not Treasury	2
Bonds, Treasury	1
CMO	2
MBS	2
Preferred Stock	2
Common Stock	1

Foreign Code

For securities that are denominated or Issued in **Foreign** countries. The foreign code is calculated by Portman when you assign values to the following fields.

- If your security is denominated in a foreign currency you will have to designate as such. The field name is **Currency** and it is located on the top of Page 1 of the Security Detail screen.
- If your security was ISSUED in a country other than the United States, you will have to designate as such. The field name is **Country Issued In** and it is located on the top of Page 1 of the Security Detail screen.

The NAIC requires that you list your **Pricing Method and Pricing Source** used to produce Market Values. You can set a default value for your securities by:

Choose Utilities, Utility Screen from the Main Menu.

Choose the method by double clicking the Pricing Method field. Choose from the provided list.

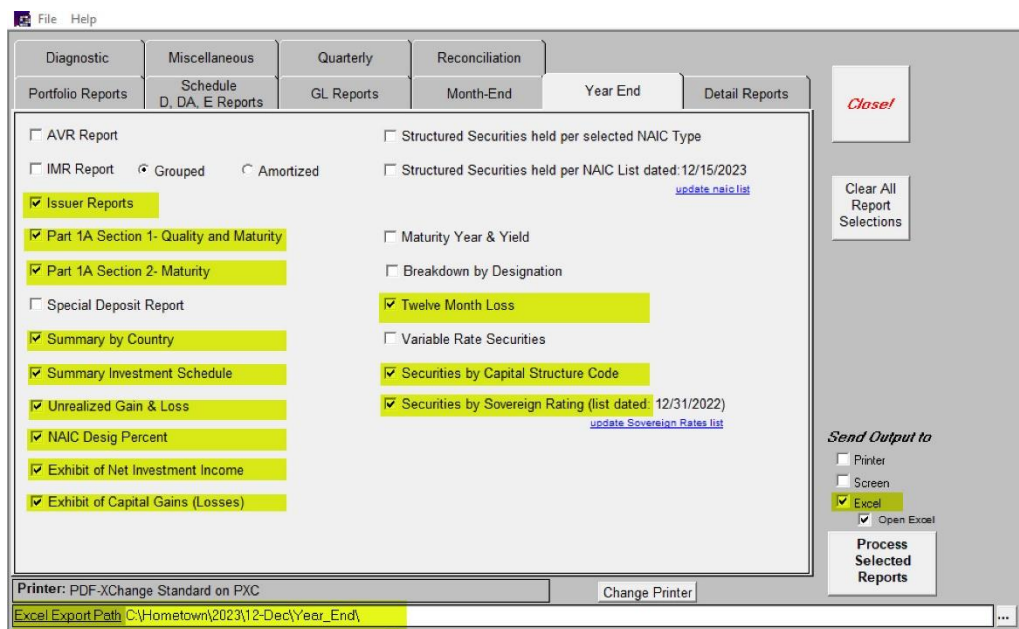
A value must be provided for the Pricing Source field if you choose method a, b or c. Double-Click on the field to select a value. If you don't see your desired choice, you can type it in.

For securities that do not follow the default:

There are two fields on the Detail screens that will allow you to override the defaults chosen above by designating the pricing service you use for individual security. The first field is named Pricing Method. If you fill this field with a value, then a field named Pricing Source will display to accept input.

Make Excel Files for your Year End Reports

We highly recommend that you set a default folder and save your Year End reports to Excel. This will give you the detail data that makes up the Summary information of that report. Please note the bottom of the screen below. We also recommend that you print all Schedule D and Year End reports to a PDF printer to the same folder, so your Year End data is in one place for later use.



Schedule D Export File

There is only one export file that will be created for all annual statement vendors. The export file is named Schd.txt and it will reside in the Export folder defined on the utility screen and displayed on the Main Menu. Choose Programs, **Export Schedule D** from the Main Menu to create the file.

2023 Year End Procedures

1. **Utility Settings**

Open the Utility Screen, Main Menu; Utility and verify the following:

Default pricing method and Source: Setting these values on this screen will eliminate the need to set them on each and every security

- **Pricing Method** – This will most likely be set to **c** or **e**. In any case, this value should reflect how your securities are priced. You can double click to select one of the 5 choices.
- **Pricing Source** – If Pricing Method has been set to **a**, **b**, or **c**, then you will need enter a value into this field, Double-Click the field to get choices
- **BackUp Directory & Export Directory** – Verify that these folders point to a valid path.
- **Close the Utility screen**

2. **Process December** as any other month, but **do not run Month End/Year End**.

3. **Import or Input Market Prices and designations** into PortMan by clicking on Market from PortMan's Main Menu. Click OK to choose 12/31/23 when asked for the pricing date. Input or import prices and designations. Please remember that all Bond, CMO, MBS and ST securities must have their NAIC Designation begin with a number between 1 & 6. Preferred Stock (PS) securities must have a number between 1 & 6 in the initial character of their NAIC Designation. Choose Help, PortMan Manual, Market Price Import for instructions.

4. SSAP 43R compliance - Companies that own securities designated RMBS or CMBS by the NAIC SVO have another step to determine the displayed NAIC Designation as defined by **SSAP 43R**. Print the **Structured Securities held per NAIC list** report to see if you own modeled securities. If you own modeled securities, please see the PortMan Instructions for Structured Securities Reporting below.

5. **Run the Book Value Adjustments** procedure on the Programs menu. This procedure will adjust the book value on any appropriate securities based on their NAIC designations.

6. **PRINT REPORTS**

On the Print menu

- *[Schedule D Reports]* - Print the Working Schedule D parts 1 through 5 to get your final numbers. (Spreadsheets of Schedules Part 1 through 5 will automatically be created for future use by the Year End program. These files are named **12312023 P1.xlsx**, **12312023 P2S2.xlsx** ... and are stored in the PortMan EXPORT folder for each company.)
- *[Year End Reports]* - Print and output to Excel, the **Part 1A** reports on the print menu. These reports will be used to input the Maturity and Quality and Maturity distributions.
- *[Year End Reports]* - Print and output to Excel the **Summary Investment Schedule** report.
- *[Year End Reports]* - Print **Summary by Country** report.
- *[Year End Reports]* - Print **Exhibit of Net Investment Income** report.
- *[Year End Reports]* - Print **Exhibit of Realized Gains** report.
- *[Year End Reports]* - Print the **Issuer report** and the **NAIC Desig Percent** report. These are used in the supplemental section.
- Print any other reports on the menu that you desire.

7. After **all data is approved in your annual statement software**, you can then prepare the data database for January 2024 processing by running the Year-End process (which includes Month-End for December). You will find this option on the Main Menu; Programs. If, for any reason, the Year-End generates an error message please **DO NOT** run it again. Please call us! Our support number is 502-209-6034

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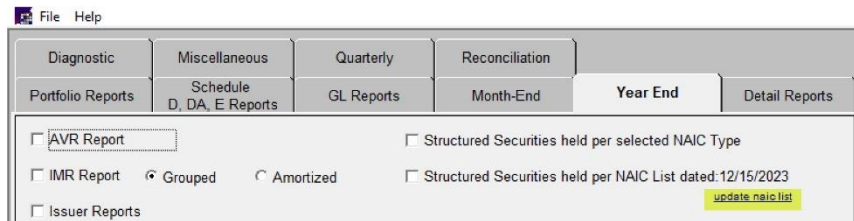
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Instructions to facilitate reporting of NAIC Structured Securities in PortMan.

At the time this letter was created there were still several old or broken links on the NAIC webpage. We are providing these preliminary instructions while we wait for additional clarification.

First, let's determine if these instructions apply to you.

- i. Download and install PortMan version 2024.1.1 or higher.
- ii. Open PortMan and go the Print menu by Choosing File, Print from the Main Menu.
- iii. Click the **"update naic list"** this will download the most recent list of securities from the NAIC.



- iv. Print the report titled **Structured Securities held per NAIC List** located in the Year End Reports tab
 - i. If your report is empty these instructions don't apply to you, and you're finished.
 - ii. If you do have securities on the report, you'll need to follow the directions below:
 1. you will need to purchase the modeled cusip information from the NAIC AVS+ System
 2. Review SSAP 43R, Para 27 in the NAIC Accounting Practices and Procedures Manual. and NAIC Purposes and Procedures Manual - Part Four
 3. After you have completed ALL of your December processing. and have the modeled cusip information in hand. Please contact Portman support for additional instructions.