

Explanation of Performance Reports & Billing Reports

PORTFOLIO PERFORMANCE

- Beginning Value** – This amount will almost always be \$0.00 because performance tracking begins one day before each account is funded.
- Contributions** – The cumulative total value of cash or securities deposited into the account.
- Withdrawals** – The cumulative total value of cash or securities withdrawn from the account.

3.a External Fee Payments – Only for accounts that pay management fees with funds from outside the account (ex: by check, or from another account.)

This line will show the amount of fees collected from outside funds.

- Ending Value** – The total account value as of the last day of the quarter.
- Investment Gain / (Loss)** – Ending Value minus net contributions (Contributions – Withdrawals)

The bottom section includes return data in three columns, each representing a different time period, and shown as a percentage. Typically columns will be the returns for 1) the most recent quarter, 2) year to date, and 3) since the account was opened. When appropriate the starting date is footnoted with an (*) asterisk.

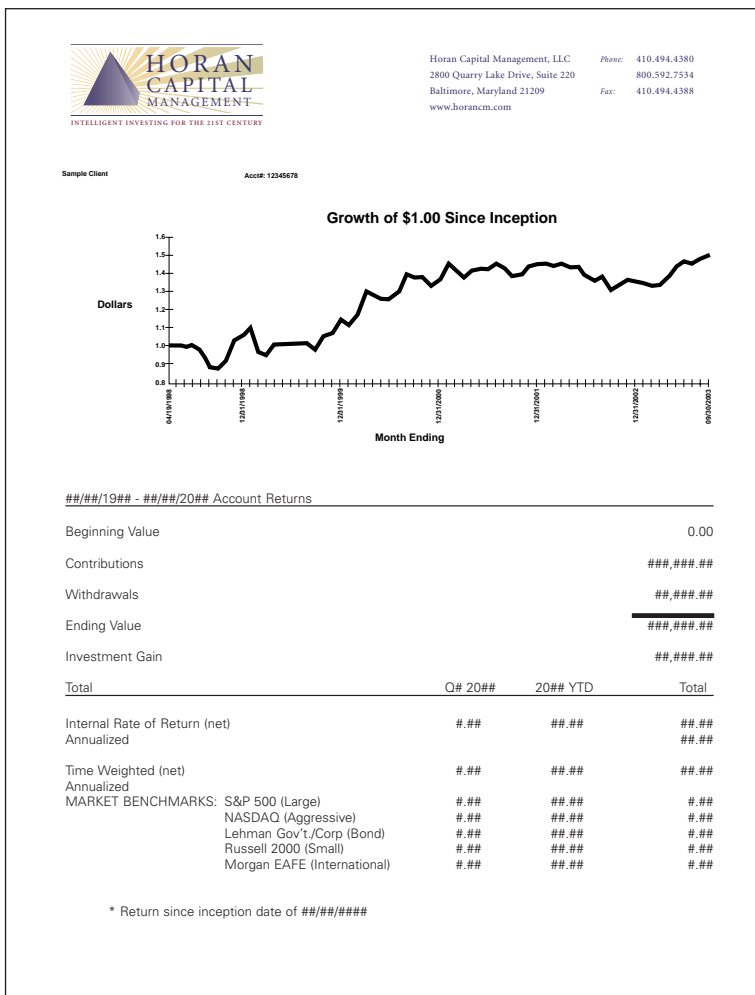
- Internal Rate of Return (net)** – Absolute return achieved, after fees and expenses. IRR is the single rate of return at which the beginning market value plus any additions will grow to equal the ending market value and any withdrawals. Timing of cash flows can have a significant impact on internal rates of return. For example months following a large deposit would have a greater impact on the clients total cash return. Therefore IRR should not be compared to market indexes, which do not have cash flows.

When the time period exceeds one year, the return is also shown separately on an annualized basis.

- Time Weighted Return (net)** – Manager returns achieved over time, also after fees and expenses. A truer measure of manager performance over time is calculated without effects from the timing of cash flows. Each month's return simply compounds the returns up to that point. This return indicates the overall effectiveness of MARKET BENCHMARKS actions taken in your account over time and can be reasonably compared to market indexes and other managers.

When the time period exceeds one year, the return is also shown separately on an annualized basis. Note: If there are no cash flows in a period the internal rate of return and the time weighted return will be identical.

- S&P 500 Index, NASDAQ, Lehman Brothers Bond Index, Russell 2000, and Morgan Stanley EAFE** – These are broad measures of stock and bond performance. The nature of investments in the index is noted in parentheses. You can compare your time weighted return to the indexes that reflect the types of investments in your portfolio. When the period shown is greater than one year the benchmark's return is shown on an annualized basis.
- Growth of \$1.00** – A Graph showing how \$1.00 invested since the account was opened has grown. Will match TWR.




This report shows the investment results of each account since inception. The top section summarizes the cash flow history of your account.

PORTFOLIO STATEMENT

1. **Weight** – Each investment’s current value compared to the total value of the portfolio, stated as a percentage.
2. **Description** – The name of each investment.
3. **Symbol** – The identifying ticker for stocks and mutual funds, or the CUSIP number for bonds.
4. **Quantity** – The number of shares for stocks and mutual funds, or the face amount for bonds.
5. **Cost** – The average total cost per share for your current shares, including trading costs, and adjusted for splits. In the case of partial sales, shares are sold on a first in first out (FIFO) basis by default. Current shares therefore reflect the most recently acquired shares, unless sales specify particular shares.
6. **Basis** – The total original dollars invested into the current shares, including commissions. Mergers, and spin-offs can affect tax basis. Horan Capital Management accounts for these adjustments, however clients are responsible for the accuracy of tax reporting and should review the information provided for accuracy.
7. **Price** – The closing market price for stocks and mutual funds, stated in dollars. For bonds, the market price (or appraised value for bonds if a market price is not available) is stated as a percentage of par (PAR = 100% of face value).
8. **Value** – The current market value of each investment. Fixed income securities have a sub-line called accrued income, which represents the value of interest, pending but yet unpaid. Accrued income is owed to the current holder and should be included in total value. See FAQ’s for an explanation of how this value can differ from that shown on your brokerage statement.
9. **Total Return** - The complete return on the existing positions. Including gains /(losses) on shares sold, unrealized gains /(losses) on shares held, dividends, and interest. Total return is more than simply the price appreciation on the current shares. Partial sales, mergers and spin-offs cause returns to seem incongruous compared to value and basis.

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Portfolio Statement
As of ##/##/20##

Sample Client Acct # 12345678

Weight	Description	Symbol	Quantity	Cost	Basis	Price	Current Value	Total Return
Industry Name								
##.##%	Company Name	ABC	###	###.##	###.###.##	###.##	###.###.##	###.##
##.##%	Company Name	DEF	###	###.##	###.###.##	###.##	###.###.##	###.##
##.##%	Company Name	G	###	###.##	###.###.##	###.##	###.###.##	###.##
##.##%	Company Name	HI	###	###.##	###.###.##	###.##	###.###.##	###.##
##.##%								
Industry Name								
##.##%	Company Name	JKL	###	###.##	###.###.##	###.##	###.###.##	###.##
##.##%	Company Name	M	###	###.##	###.###.##	###.##	###.###.##	###.##
##.##%	Company Name	NO	###	###.##	###.###.##	###.##	###.###.##	###.##
##.##%								
##.##%	Company Name	P	###	###.##	###.###.##	###.##	###.###.##	###.##
Industry Name								
##.##%	Company Name	PQR	###	###.##	###.###.##	###.##	###.###.##	###.##
Industry Name								
##.##%	Company Name	Q	###	###.##	###.###.##	###.##	###.###.##	###.##
##.##%	Company Name	RS	###	###.##	###.###.##	###.##	###.###.##	###.##
##.##%	Company Name	TUV	###	###.##	###.###.##	###.##	###.###.##	###.##
##.##%	Company Name	WXY	###	###.##	###.###.##	###.##	###.###.##	###.##
##.##%	Company Name	YZ	###	###.##	###.###.##	###.##	###.###.##	###.##
##.##%	Company Name	AB	###	###.##	###.###.##	###.##	###.###.##	###.##
##.##%								
Industry Name								
##.##%	Company Name	CDE	###	###.##	###.###.##	###.##	###.###.##	###.##
##.##%	Company Name	FGH	###	###.##	###.###.##	###.##	###.###.##	###.##
##.##%								
Industry Name								
##.##%	Company Name	IJK	###	###.##	###.###.##	###.##	###.###.##	###.##
##.##%	Company Name	LMN	###	###.##	###.###.##	###.##	###.###.##	###.##
##.##%	Company Name	OPQ	###	###.##	###.###.##	###.##	###.###.##	###.##
##.##%								
Mutual Fund Categories								
0.0%	Fund Name	ABCDX	###.###.##	###.##	###.###.##	###.##	###.###.##	###.##
0.0%	Fund Name	EFGHX	###.###.##	###.##	###.###.##	###.##	###.###.##	###.##
0.0%								
Fixed Income								
0.0%	Bond Issuer Name	1234567GH0	###.###.##	###.##	###.###.##	###.##	###.###.##	###.##
	Due Date	###.##						
	Accrued Interest							
##.##%	Bond Issuer Name	8912345AB1	###.###.##	###.##	###.###.##	###.##	###.###.##	###.##
	Due Date	###.##						
	Accrued Interest							
##.##%								
Money Market								
0.0%	Money Market Fund	MMF					###.###.##	
100.0%								

This report shows the current composition of each account as of the date shown. Investments are grouped by type, and details for each are shown in 9 columns.

Top Section:

Fees are billed in advance for the coming quarter and determined by multiplying the previous quarter’s ending value by the quarterly rate. The annual rate is determined from the total value of all accounts in your household. Your rate for the quarter is then 1/4 of that annual rate shown below.

After the total household fee is determined, each account is allocated its proportionate amount of the calculated household fee.

Annual Rates

Up to \$1,000,000	1.20%
The next \$2,000,000	1.10%
The next \$3,000,000	1.00%
The next \$5,000,000	.80%
\$10,000,000 or more	negotiable


Rates are higher for non discretionary accounts.

Bottom Section:

Since accounts are billed in advance four times through the year, an adjustment needs to be made for any withdrawals or deposits made since the prior quarter billing. A prorated refund is calculated for withdrawals, and a prorated fee is calculated for deposits. Both are based on the current quarter’s rate.

The total fees are then deducted from each account unless special arrangements are made. When multiple account fees are taken from just one account, adjustments are made to report the actual net of fee results as if each account had paid its own fee.

A summary of fees during the calendar year will be provided at the end of the year. You should consult your tax advisor about deductibility.



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Billing Statement
for services beginning Month ##,20##

Sample Client
123 South Main Street
Big City, ST 12345

Household value as of ##/##/20##					\$###,###.##
	x	0.40% up to 500,000 =			#,###.##
	x	0.35% on the next 500,000 =			###.##
Household fee before any adjustment					\$###,###.##
Portfolio value as of ##/##/20##					\$###,###.##
Portfolio fee due for ##/##/20## through ##/##/20## before any adjustment					\$###.##

Adjustment for capital flows before ##/##/20##

Date of Flow	Time Period	x	Rate	x	Deposit	=	Prorated Fee
##/##/20##	## / 90	x	#.#####	x	-\$,###.##	=	\$-#.##
##/##/20##	## / 90	x	#.#####	x	-\$,###.##	=	\$-#.##
##/##/20##	## / 90	x	#.#####	x	-\$,###.##	=	\$-#.##

Prorated fees due for deposits last quarter					\$-#.##
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Total fees due \$###.##

Unless other arrangements have been made, these fees will be deducted from your account. Your custodian will not determine whether the fee is properly calculated. Please check your account for accuracy.

Please contact Horan Capital Management if there are any changes in your financial situation or investment objectives, or if you wish to impose, add or modify any reasonable restrictions to the management of your account. Our current disclosure statement is set forth on Part II of Form ADV and is available for your review upon request.

Common Questions and Answers about Horan Capital Management Reports

Question: How can I find the amount of my original investment?

Answer: On the front page of each account statement you will find a line for “Contributions.” This amount is all dollars that have ever entered the account. You will also see a line below it for “Withdrawals.” This amount is all dollars that have ever left the account. The difference between contributions and withdrawals is the amount of original investment remaining in the account. The “Investment Gain/(Loss)” is highlighted on the front page of each account statement and shows the current amount over or (under) the remaining original investment.

Question: I have bonds in my portfolio. What is accrued income?

Answer: Bonds pay interest at fixed intervals. They may pay annually, semi-annually, quarterly, or even monthly. As an investor you are entitled to the income earned while you own the bond. The accounting term is “accrued income.” For example if you sold a bond before income was to be paid, you are still entitled to the interest that accrued while you held the bond. This is generally reflected in the sale price of the bond. Your performance statements show the amount of accrued income separately from current value.

Question: What is the difference between Internal Rate of Return (IRR) and Time Weighted Rate of Return (TWR)?

Answer: The front page of your statement shows both. The IRR is the actual return of your assets since invested. TWR is the hypothetical return you would have earned if all deposits were made when the account was opened and no withdrawals were ever made. The TWR is a truer measure of manager decisions over time. You will notice that IRR and TWR only differ in periods where deposits or withdrawals were made. The Association for Investment Management and Research (AIMR) requires the use of TWR as a part of a complete and fair performance report.

Question: What is AIMR?

Answer: AIMR is an association for investment professionals, which exists to foster higher standards of education and research for the investment community. Horan Capital Management has adopted AIMR’s voluntary performance presentation standards.

Question: I have noticed occasionally my brokerage firm statement and my Horan Capital Management quarterly statement differ. Why?

Answer: It is important to realize that Horan Capital Management and your brokerage firm are reporting information for two different purposes. If there were no difference between the two then only one report would be necessary.

As custodian of your assets, your brokerage firm’s purpose is to show you exactly what is in the account on any particular day and to make sure that all securities that belong to you are there. As manager of your assets, Horan Capital Management’s purpose is to show you the results of investment action taken. The differences in the statements stem from our different purposes.

One potential source of difference is when transactions are recorded. Horan Capital Management reports each transaction the day action is taken. Brokerage firms report each transaction the day it is settled, which is often 3 days later. Another difference is when the reports are generated. Brokerage firms print statements immediately at month-end, and Horan Capital Management audits accounts for several days before printing. Horan Capital Management waits because some mutual funds pay dividends at month or quarter-end, but it often takes the fund company one or two days to calculate the amount. When the dividend is paid the payment is made “as of” month-end. In this way clients earn interest for the extra 1-2 days. Brokerage firms address this by showing an adjustment on the next month’s statement.

Another difference is the reporting of accrued interest. Horan Capital Management shows accrued interest, but Brokerage firms do not. Accrued interest is the amount of interest a bond has earned but not yet paid. These are dollars that would be paid to an investor if the bond was sold on the statement date, and therefore should be included in performance.

Question: How are fees calculated?

Answer: See the explanation of billing reports for calculation methods.