

## Ranking of Funds

FUNDCLASS offers an objective analysis of risk and fund performance, which lead to a perceptive ranking of the totality of funds available on the market.

- ❖ Performance achieved by one fund depends on the underlying strategy and consequently on the risks which are embedded.
- ❖ Risk profile for each fund is computed using the APT tools and data of the Sungard group.

Approximately 180 homogeneous categories are needed to cover all types of risk profile.

- ❖ Ranking takes into account the risk level born by the investor.
- ❖ We compute the ranking of funds based on the RAP in each category.
- ❖ Inside a category, the Risk Adjusted Performance (RAP) of each fund is:

$$\frac{\text{Absolute Performance}}{\text{Beta/Category Average}} = \text{Risk Adjusted Performance}$$

Performance and RAP are evaluated on a one year period.

- ❖ Performance is compared versus competitors rather than benchmarks.
- ❖ The process is done every quarter and stored for each fund.

## Rating of Funds

Before comparing funds, it is essential to establish coherent sub groups within the funds population.

FUNDCLASS has adopted a “byu side” approach, meaning that we consider that a fund can be compared to another fund if it represents a similar risk profile.

- ❖ Categorization determines the universe of reference of the rival funds.
- ❖ The rating must be established in relation to the performance of competing funds belonging to the same category.
- ❖ The rating must reflect performance in the medium term.
- ❖ A fund which has been ranked over 12 consecutive one year periods is given a mark equal to its average decile.
- ❖ FUNDCLASS has defined a scale of Rating based on the average decile.

	Cat	Nb	Rank	Decile	Corr	Beta
Mar 07	EU2	313	191	7	0.91	0.85
May 07	EU2	331	172	6	0.93	0.84
Aug 07	EU2	353	239	7	0.89	0.83
Dec 07	EU2	354	152	5	0.90	0.80
Mar 08	EU2	345	282	9	0.88	0.76
May 08	EU2	343	280	9	0.89	0.81
Aug 08	EU2	336	277	9	0.89	0.81
Dec 08	EU2	348	232	7	0.89	0.80
Mar 09	EU2	375	272	8	0.91	0.78
May 09	EU2	380	246	7	0.91	0.78
Aug 09	EU2	373	148	4	0.92	0.78
Dec 09	EU2	388	305	8	0.93	0.80

Average Decile

7.2

Rating grid

Opinion

Decile (average 12 ranking,3 years)	Rating		Rating	Opinion
1.00--->2.50	*****	→	*****	Excellent
2.51--->3.50	****		****	Very Good
3.51--->4.50	***		***	Fair
4.51--->5.50	**	→	**	No specific interest
5.51--->6.50	*		*	
6.51--->7.50	—	→	—	Poor
7.51--->10.0	— —		— —	

## Rating of Asset Management Companies

Every European Asset Management Company having a fund is rated.

In order to create coherent groups, categories are defined by number of rated funds.

❖ Scale evaluation for rating funds :

<b>Rating</b>	*****	****	***	**	*	-	--
<b>Value</b>	10	6	3	1	0	-2	-5

❖ Considering the entire set of funds rated for one Asset Management Company, we calculate its corresponding weighted average value :

Rating		Value		Number of funds		
*****	→	10	X	4	=	40
****	→	6	X	6	=	36
***	→	3	X	11	=	33
**	→	1	X	6	=	6
*	→	0	X	7	=	0
-	→	-2	X	2	=	-4
--	→	-5	X	1	=	-5

(37)

(106)

$$\frac{106}{37} = \boxed{2.86} \text{ Score}$$

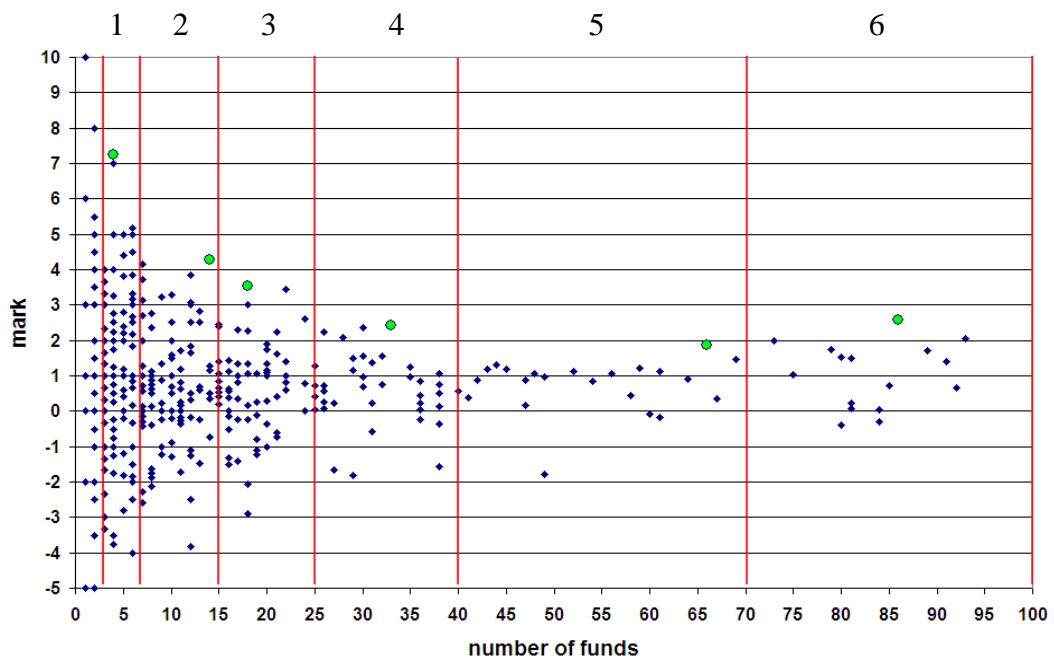
❖ We compute the average mark of all Asset Management Companies.

❖ We define 8 categories according to the number of rated funds:

Category	1	2	3	4	5	6	7	8
Number of funds	4→7	8→15	16→25	26→40	41→70	71→100	101→200	Over 200

*Smallest Asset Management Companies, with less than 4 funds held, will not compete.*

❖ In each category, the European winner is the Asset Management Company with the highest average mark.



## **Types of Trophies**

### ***Best Funds***

Funds are rewarded for the regularity of their over-performance during 4 years. Only open-ended investment funds without geographical, sectorial or management styles bias are selected.

#### Categories:

- Europe Large Cap
- International Large Cap
- Emerging Markets
- European Long Term Bonds

### ***Best Asset Management Companies***

Asset Management Companies are rewarded by country for the global quality of their European range of funds. The country is determined by the most important registered place of their range of funds. If the range of funds is equally registered in two or more countries, the Asset Management Company will compete in Multi-Country Category.

The Best European and National Asset Management Companies belonging to the 8 following categories are rewarded:

- 4 to 7 rated funds
- 8 to 15 rated funds
- 16 to 25 rated funds
- 26 to 40 rated funds
- 41 to 70 rated funds
- 71 to 100 rated funds
- 101 to 200 rated funds
- over 200 rated funds

### ***FUNDCLASS Trophies :***

This trophy rewards a long-term management, the capacity of an Asset Management Company to have a range of funds out-performing during 7 years.