

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 | | 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 | * | | * No specific interest |
| 6.51--->7.50 | — | → | — Poor |
| 7.51--->10.0 | — — | | — — Poor |

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 :

| | | | | | | | |
|---------------|-------|------|-----|----|---|----|----|
| Rating | ***** | **** | *** | ** | * | - | -- |
| Value | 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)

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

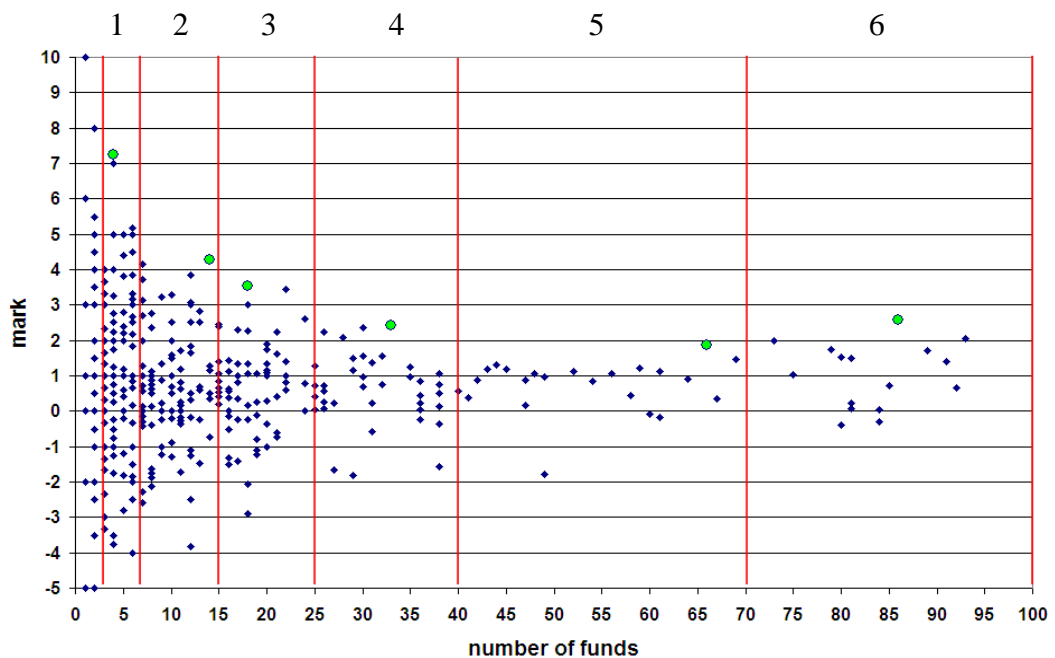
❖ We compute the average mark of all Asset Management Companies.

❖ 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
- International Opportunist

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.