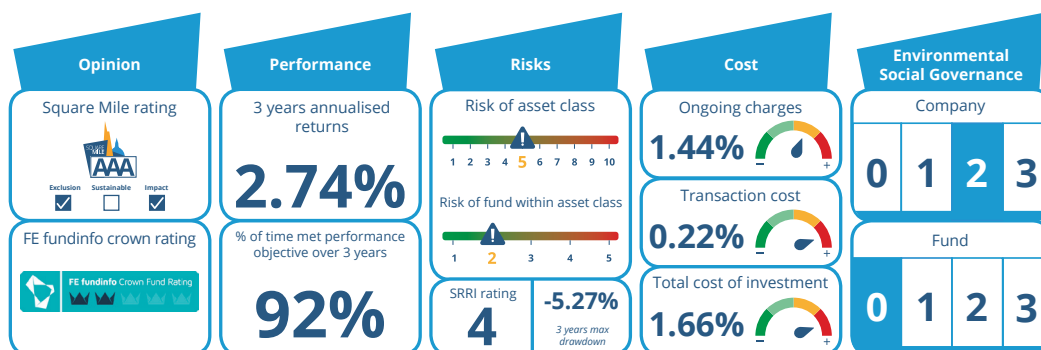


FOR PROFESSIONAL INVESTORS ONLY

Fund Dashboard: Your Questions Answered



FUND DASHBOARD: YOUR QUESTIONS ANSWERED



Source: Square Mile and FE fundinfo

1. What is the concept underlying the Fund Dashboard?

The concept behind the Fund Dashboard draws on research carried out by Square Mile to identify the key criteria that advisers focus on when selecting funds. Our aim is to present a significant amount of information in an easily digestible, interactive visual format, not dissimilar to the widely recognised food labelling concept. This will enable advisers to easily navigate the data they need to help them make informed decisions on fund selection to closely match individual client requirements.

The financial services market is continually evolving with layers of regulation being implemented, distribution becoming more complex and adviser firms continuing to focus on delivering better outcomes to their clients. From an adviser perspective there is no straightforward answer to choosing a fund and the process behind selecting the most suitable products for a client will be driven by a variety of factors. Advisers also have a duty to be transparent when it comes to recommending funds to their clients. We hope that the Fund Dashboard will address these challenges.

2. Was this concept developed in isolation or did Square Mile consult with the broader industry?

Square Mile consulted with a wide range of industry participants in designing the Fund Dashboard including advisers, asset managers as well as the IA to ensure that the concept was fit for purpose. The final shape of the Fund Dashboard also references further valuable feedback received since the initiative was announced in December 2019.

3. How does the Fund Dashboard differ from the fund ratings and assessments which advisers already have at their disposal?

Advisers are faced with a wide range of fund information that they can draw on when selecting funds. However, there is no single resource which draws all the information they could need to consider into one visual snapshot. The Fund Dashboard offers a comprehensive view of a fund on five different levels:

- **Opinion:** A combination of a qualitative and quantitative assessment of a fund's ability to meet its objectives through Square Mile's ratings and FE fundinfo's Crown Fund ratings respectively. The Square Mile rating also indicates whether the fund has a responsible outcome or target built into its objective or mandate.
- **Performance:** A representation of a fund's absolute annualised return over 3 years, or since inception if the fund's history is shorter. If a primary output is income, the fund's current yield is shown instead. In addition, the fund's success is shown as a percentage of time the fund has achieved its investment objective or Square Mile's expected outcome over the stipulated time frame.
- **Risk:** An assessment of the risk of the fund and the asset class in which it invests, as well as its Synthetic Risk and Reward Indicator (SRRRI) profile and the fund's maximum drawdown during the last 3 years, or 1 year if the fund has a shorter history.
- **Cost:** An overview of the fund's ongoing charges, its transaction costs and the total cost of ownership. The ongoing charges and transaction costs are sourced from the European MiFID Template (EMT), provided by fund managers' data teams to FE fundinfo for validation and distribution. The comparison as illustrated by the value-o-meter shows funds in the same peer group on a like for like basis ie active v active and passive v passive.
- **ESG credentials:** An assessment of ESG credentials at a company and fund level based on Square Mile's ESG Integration assessments.

These elements form a primary interface with the Academy of Funds section of Square Mile's website. Advisers will be able to click onto each element of the Fund Dashboard to be directed to further opinion and insight as required.

4. How did you arrive at the five elements represented in the Fund Dashboard?

We went through a rigorous process of identifying the most relevant fund information that we believe will be important to advisers in selecting funds. This process pulled together Square Mile's research analysts' and market testing with advisers, wholesalers, the IA and asset managers. As part of this, we asked a cross-selection of advisers to highlight the key criteria they utilised when selecting funds. During consultation with advisers, the five pillars on the Fund Dashboard were highlighted as most important to them - however we do recognise this may change over time.

Based on feedback received since revealing the Fund Dashboard, we have fine-tuned the way some of the areas are calculated to ensure the concept is robust for all products. Our accompanying methodology documents provides more details on this. The Fund Dashboard is not a static concept and its elements may change over time if the key focus for advisers changes. This is an iterative process and we will continue to seek feedback from the market.

5. How many funds will be allocated a Fund Dashboard?

At launch, all Square Mile rated funds that feature in the Academy of Funds (currently just over 300) will be allocated a Fund Dashboard. We aim to offer this across the wider UK universe in due course: timing of this will be based on demand.

6. How frequently will the Fund Dashboards be reviewed and updated?

These will be updated monthly, with data updated on the 16th of each month or the nearest working day.

7. The Fund Dashboard source dates are different on some funds to others, why is this the case?

On occasion, certain elements of the Fund Dashboard may appear to be related to different points in time. This will especially be the case for information related to a fund's holdings or fund's AUM. This is due to varying standards and frequency of information released by the fund managers. The information shown in the Academy of Funds is as up to date as possible with the monthly data uploads scheduled for the 16th day of each month.

8. What happens if there is a fundamental shift in one of the Dashboard's elements? For instance, if FE fundinfo downgrades its assessment or a fund's risk profile changes?

Square Mile communicates all changes to its fund ratings to the market as they occur. FE fundinfo Crown Fund ratings are rebalanced twice a year, in January and July. However, we feel that to update the Fund Dashboard more regularly than monthly could lead to confusion and we will make any changes at the first possible opportunity after a change occurs.

9. If a fund is removed from the Academy of Funds, will its Fund Dashboard disappear?

Yes. At launch we will be producing a Fund Dashboard for every Square Mile rated fund in our Academy of Funds. If a fund is derated, it will be removed from the Academy of Funds and the Fund Dashboard will therefore no longer exist on the Square Mile or FE fundinfo website. If asset managers have licensed the dashboard then they can continue to use this. The longer-term ambition is to produce a Fund Dashboard for funds beyond just the Academy of Funds and in this instance the Square Mile rating would appear as N/A in the Opinion section should a rating either not exist or be removed, it will continue to carry the FE fundinfo Crown Fund rating awarded. Given that FE fundinfo rates all funds that have a three year track record and are licensed for sale in the UK, it is likely that a Crown Fund rating will appear for the majority of funds.

10. How will the Fund Dashboard help advisers with fund selection?

Each adviser may consider distinct characteristics of a fund when deciding the best options for individual clients. One might view performance as the most important element of a fund, another may have clients who wish to understand a fund's ESG credentials whilst others might place greater weight on the Square Mile and FE fundinfo Crown Fund ratings. First and foremost, the Fund Dashboard allows advisers to assess the area most relevant to them, but at the same time it highlights other important elements of a fund which they may have not previously considered. Our industry has a duty to make fund information more accessible and easier for advisers to understand; the Fund Dashboard is aimed at meeting that obligation.

11. Where will advisers be able to view the Fund Dashboard?

The Fund Dashboard will be displayed alongside each fund within Square Mile's Academy of Funds, with the intention to roll it out to a broader universe of funds in due course, dependent on demand. They will also be hosted on FE fundinfo's website. They will be promoted through both Square Mile's and FE fundinfo's communication channels as well as through third party partnerships. In addition, asset management groups may choose to use the Fund Dashboards as part of their own marketing collateral aimed at professional investors.

12. How have financial advisers reacted to the Fund Dashboard?

Adviser feedback has been referenced throughout the development of the Fund Dashboard to ensure that the end result was fit for purpose among the adviser community. Since the initiative was revealed, the Fund Dashboard has been showcased at a number of industry events including the Personal Finance Society's regional roadshows and the Professional Adviser roadshows and the reaction from advisers has been overwhelmingly positive.

13. Are you confident that advisers will be able to explain the different elements of the Fund Dashboard to their clients without causing more confusion?

Simplicity was an over-riding consideration in the development of the Fund Dashboard. They are aimed at being an intuitive means of helping advisers deliver better investment outcomes for their clients by presenting fund information in a concise, consistent and intelligent format. Documentation and methodology information is also available to further support advisers in their conversations with clients.

14. Will you offer advisers guidance on how to use these with their clients?

Yes. Advisers will be given guidance on how to navigate the Fund Dashboard. It has been designed to be intuitive, however we have compiled documents outlining the methodology behind the concept.

15. How did Square Mile come to partner with FE fundinfo for this initiative?

The research conducted with advisers prior to launch highlighted the fact that they value both qualitative and quantitative research. The Fund Dashboard combines Square Mile's in-depth, qualitative research with the market leading quantitative Crown Fund ratings provided by FE fundinfo.

16. How will these fund dashboards complement Square Mile's and FE fundinfo's existing fund ratings?

The Square Mile ratings and the FE fundinfo Crown Fund ratings are widely recognised in the adviser market. FE fundinfo's market-leading quantitative research expressed through their Crown Fund ratings are an excellent complement to Square Mile's in-depth, qualitative research and therefore they both form an important element within the Fund Dashboard.

17. What happens if a fund has a Square Mile rating and not a FE fundinfo rating and vice versa?

The Square Mile ratings and the FE fundinfo Crown Fund ratings are widely recognised amongst the adviser market. At launch, all funds which have a Square Mile rating will be included within the Fund Dashboard. If this rating is removed, the Fund Dashboard will be withdrawn. If a fund does not have a Crown Fund rating, then this will appear as N/A. Given that FE fundinfo rates all funds that have a three year track record and are licensed for sale in the UK, it is likely that a Crown Fund rating will appear for the majority of funds. In due course, when Fund Dashboards are applied to funds which do not have a Square Mile rating, this will appear as N/A.

18. How does Square Mile award its ratings?

Square Mile's analysts award ratings to funds in which they have a high level of conviction. They are based on qualitative assessments drawing on face-to-face interviews with the personnel responsible for running funds. They are entirely independent and asset management groups cannot pay for their funds to be rated.

Funds are rated in a number of different ways:

- A, AA, AAA to reflect Square Mile's confidence in each fund's ability to deliver on its stated objectives and ability to meet investor expectations;
- R (Recommended) ratings for funds that meet the highest standards in their fields but cannot be readily differentiated from their direct peer group, such as passive vehicles;
- P+ (Positive Prospect) for funds which our analysts have identified as having the potential to be highly compelling propositions. However, there are some elements relating to the strategy where the analysts need more time to be satisfied that the fund merits a full rating;
- Responsible ratings are awarded to funds which have a responsible outcome or target incorporated into their objectives or mandate. They follow the same gradations expressing the analysts' confidence in a manager's ability to meet their objectives with an additional assessment of the ability of the manager to meet the fund's responsible investment objective.

19. How are FE fundinfo Crown Fund ratings calculated?

The FE fundinfo Crown Fund rating is a quantitative rating based on a fund's historical performance relative to an appropriate benchmark. The rating relies on three key measurements - alpha, volatility and consistent performance - to dictate the 1 to 5 Crown score. The ratings are designed to help investors distinguish funds that have superior performance in terms of stock picking, consistency and risk control. See [HERE](#) for more information.

20. How does FE fundinfo select the benchmark for Crown Fund ratings?

FE fundinfo has used approximately 300 well-known benchmarks, including sector averages and indices, to find a 'best-fit' for each fund. Where sectors are homogenous and not too diverse, FE fundinfo retains use of the sector average as a benchmark for all funds. However, for more diverse sectors a best-fit, appropriate benchmark is assigned.

21. What is the process behind Square Mile's ESG Integration assessments?

Square Mile's ESG Integration assessments are applied at two levels:

- An assessment at a company level of how a business integrates ESG considerations across all its investment processes, referencing specialised ESG resources, any formal policies incorporating ESG factors across its business, and the monitoring of ESG within processes, engagement and voting practices.
- An assessment at a fund level of how ESG is adopted (if at all) by fund managers, analysing the extent to which ESG is used as an input in the process, which factors are considered, how these factors impact research and portfolio construction and how, if relevant, the use of ESG is reflected in fund reporting.

At both company and fund level, assessment is qualitative and carried out by Square Mile's team of analysts, acknowledging that each company and fund manager may adopt a distinct interpretation of ESG investing. Analysis is based on primary data sourced directly from both companies and fund managers. Square Mile's analysts then overlay this information with their own expert insight to neutralise any ambiguous or misleading terminology. Please see the tables below for further explanation of Square Mile's ESG Integration assessments.

Company level ESG Integration

0	The company does not have an explicit, or discernible approach to, the consideration of ESG factors.
0+	The company has begun work to identify the methodology to be used for introducing ESG factors.
1	The company has some, but limited, consideration of ESG factors across some of its investment teams but these are not a formal part of its investment process.
1+	The company has made ESG factors available to the investment teams as an input to their analysis, but they are not compelled to consider that as a factor when making investment decisions.
2	ESG factors are considered formally but are not instrumental within all of the company's investment processes.
2+	Demonstrable steps are being taken to fully integrate ESG factors into all of the company's investment processes.
3	ESG factors are fully integrated and are instrumental to the company's investment processes.

Fund level ESG Integration

0	There is no discernible approach to, or consideration of ESG factors in the fund's investment process.
0+	The fund manager has begun to evaluate how they may incorporate ESG into their investment process.
1	ESG factors may be considered by the fund's manager as an input into their analysis but are not a formal part of the investment process.
1+	ESG factors are available to the fund managers as an input to their analysis, but they are not compelled to consider them as a factor when making investment decisions.
2	ESG factors are actively considered by the fund's manager as an important part of the investment process , but do not drive the final investment decision.
2+	The manager is taking demonstrable steps to fully integrate ESG into the management of the strategy.
3	ESG factors are fully integrated and are instrumental to the management of this strategy.

22. What is the UN PRI Strategy & Governance Rating?

Principles for Responsible Investment are a voluntary and aspirational set of investment principles for incorporating ESG issues into investment practice. There are six performance bands (from E to A+), which refers to the UN PRI Strategy & Governance Rating. Further information can be found at the [PRI website](#).



Important Information

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