

LONDON, 7<sup>th</sup> of April 2008

## FINANCIAL EXPRESS CROWN RATINGS REBALANCED

The recent rebalancing of Financial Express's Crown ratings has produced the following highlights:

- The **Neptune China** fund, after receiving the maximum 3 Crowns in its first eligible season, has dropped to 1 Crown. The underlying components of its Crown rating show that Alpha generated by the fund has fallen dramatically.

The last quarter has seen the fund increase its correlation to the market, suggesting that stock picking is much harder in a slowing market. The sector fell by 13.7% last quarter.

- Both the **New Star Sterling Bond** fund and the **New Star Fixed Interest** fund fall from 3 Crowns to 1 each. Analysis of the underlying factors shows deterioration in all three measures used; with Alpha and Volatility worsening significantly.
- The **Credit Suisse Target Return** fund fell from 3 Crowns to 1. This throws doubt on its Absolute Return strategy as its value collapsed by 15% over the last quarter, some way off from its LIBOR benchmark.
- The **CF Ruffer Equity and General** fund gains 3 Crowns up from 1. Both Volatility and Alpha improves despite a worsening sector. This highlights the huge differences in Absolute Return strategies being pursued.
- Seven out of eight **Resolution Asset Management Renfield funds** obtained the maximum 3 Crowns rating in their first full season. Tellingly these were all Fixed Income funds.

The **Renfield European Corporate Bond** fund returned 21.35% over the last three years putting it in the top 10% of its sector. Although undoubtedly helped by the diversity of the European Corporate Bonds sector, the fund's low Beta has helped it make these returns with relatively low Volatility, as is demonstrated by it having the second highest Sharpe Ratio in the sector over a 3 year period.

- Other funds achieving 3 Crowns in their first eligible seasons were the **iimia Income** fund, **Skandia IM Multi Manager Newton Managed**, **Schroder Multi Manager Cautious Managed Distribution Portfolio**, **Insight Diversified Target Return** and the **HSBC UK Freestyle** fund.

### ENDS

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## NOTES TO EDITORS

### Crown Ratings

Crown Ratings are compiled using three key measurements of a fund's performance: Alpha, Volatility, and Consistency.

Alpha is a measure of the fund's returns against its benchmark. It is the loss or gain the fund has posted when the benchmark return is assumed to be zero.

Volatility measures the degree to which the fund's periodic returns vary either side of its mean return. The larger the fluctuation, the more risky the fund is.

Consistency tracks the nature of a fund's overall return. Was this achieved steadily over time, or were normally loss-making periods offset by a large atypical gain?

#### Crown Rating 3

These represent the top 20% of funds in their sector. By definition they will have demonstrated a good, if not excellent, record across the three performance criteria.

#### Crown Rating 2

This rating goes to the next 30% of funds in the sector. Here, Trusnet looks at performance that tends more towards the average for the sector. This could arise from a consistently average showing across the three criteria, or from elements of good performance which have been mitigated by a lower score in one of the other criteria.

#### Crown Rating 1

This rating comprises the remainder of the funds in the sector. It does not necessarily indicate that there is nothing to recommend these funds, although this could be the case. Equally, a meritable component of the rating could have been outweighed by negative criteria that would be tolerable within some clients' risk/reward profiles.

These ratings are, of course, intended to offer a pointer towards funds that are worthy of further investigation.

### Non-rated funds

To be eligible for rating, a fund must possess the following characteristics:

- it has 3 years' history
- its history is accurate and consistent
- it is in a sector of 10 or more funds
- it does not belong to specialist or unclassified sector

### Methodology

#### Alpha

Recent history has been treated as more relevant than that of a remoter past, and the model is weighted accordingly. The fund's Alpha measurements are taken over 36 months, 35 months, 34, and so on through to 12 months. This collection of Alphas is then averaged to produce an overall Alpha. In this way, the 12-month measure features in every Alpha calculation, while the 36-month figure is only included once, and so the weighting is achieved.

The Alphas for each fund are then re-scaled and ranked, so that the lowest becomes zero, and the highest scaled as 100. The resulting value between 0-100 for each fund is the Alpha component of the Crown Rating.

#### Volatility

The Volatility measurements are treated in the same way as Alpha to produce this component of the Crown Ratings. This applies generally, but exceptions are made for sectors which inherently carry lower volatility. For most bond funds, volatility is only given half weight – scaled from 0-50 – and cash funds dispense with a volatility component altogether.

#### Consistency

This is based on the fund's total return history (with net income re-invested), taking 3 years-worth of quarterly performance. On this basis, each fund is ranked within its sector and its percentile performance established. The percentiles are then averaged to produce an overall consistency measurement.

As before, the resulting body of figures is re-scaled from 0-100 to form the consistency element of the rating.

#### In Combination – the Crown Rating

This is a matter of simply adding the three measurements to arrive at the Crown value. The combined values are ranked, and Crown Ratings are assigned according to where the fund falls within its sector.

### Financial Express

Financial Express is the main provider of fund data and website solutions to the UK financial sector. The company collects daily fund prices for more than 70,000 European and global investments, and is relied upon as the sole or main source of data by providers (e.g. Skandia, Standard Life, Henderson) wrap platforms, fund supermarkets, personal finance websites and financial advisers. Financial Express data is also distributed to the main vendors, including Bloomberg, Reuters, Morningstar and Telekurs.

#### Financial Express:

- collects fund prices, dividends and histories, on more than 60,000 UK and offshore funds
- validates, databases and disseminates fund and equity data
- provides tools to display and analyse this data in order to educate and inform investors and advisers

#### Financial Express collects the following data:

- UK fund data, including prices dividends, corporate actions (capital events), histories
- factsheet information for all UK retail funds
- UK equity data
- factsheet information for all LSE equities
- equity news (RNS feeds, Company Announcements [UK-Wire], AFX news)
- European equity data
- US equity data

Financial Express provides data and/or tools to UK product providers, wrap platforms, and fund supermarkets, plus a large number of data vendors and third party websites.

#### Financial Express provides the following applications and tools:

- Price Display – all financial instruments, with hyperlinks
- Interactive Charting – total returns, comparative performance
- Portfolio Tool – multi portfolio user, multi currency, with portfolio analysis
- Fund Factsheet Display and Fund Selection Tool – with filters
- Equity Factsheet Display and Share Selection Tool – based upon fundamentals data and historic performance
- Largest Gainers & Losers / Performance Tables – across all equities and funds
- Scatter charts – risk versus performance interactive JAVA charts
- Wealth management services