

What data does FE fundinfo supply?

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Synaptic Research uses mutual fund and index data supplied by FE Fundinfo.

FE Fundinfo is a data company which specialises in the collection, validation, dissemination and analysis of fund information.

It supplies more than half of all UK fund management companies, providing value for money solutions which emphasis a flexible, reliable and customer service-driven approach.

FE Fundinfo collects fund prices, dividends, histories and factsheet data for around 120,000 UK, offshore and international funds. It provides an additional layer of research and analysis technology to help its customers to educate and inform fund management professionals, financial advisors and investors.

The data items supplied by FE Fundinfo include:

- Core fund information such as name, sectorisation, management group and fund size.
- Monthly, annual, and cumulative past performance.
- Some derived functions of past performance such as volatility and quartile rankings.
- FE Fundinfo 'Crown ratings'.
- Asset allocation.
- Index data and sector averages.

Synaptic then collects the following additional information, and adds it to the FE Fundinfo data:

- Manager's name and length of service.
- Manager's comments and aim of fund.
- Derived calculations from the FE Fundinfo past performance data, such as alpha

and beta.

- Fund's ethical policy.

All questions regarding data source or accuracy should be addressed to Synaptic in the first instance.

FE Fundinfo Crown Ratings

FE Fundinfo Crown Fund Ratings are quantitative ratings ranging from one to five designed to help investors identify funds which have displayed superior performance in terms of stock picking, consistency and risk control.

FE Fundinfo Crown Fund Ratings apply to all the main FE Fundinfo universes including unit trusts and OEICs, investment trusts, life funds, pension funds and offshore funds.

The scores are updated quarterly at the end of March, June, September and December, using three-year total returns.

Methodology

FE Fundinfo Crown Fund Ratings are calculated by building up a score. The score is made up of three parts, and each part is calculated by reference to a benchmark for the fund.

FE Fundinfo has used 290 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 has retained use of the sector average as a benchmark. However for more diverse sectors a best-fit, appropriate benchmark is assigned. This best fit is compared to the best-fit two years ago, to assess the persistency of the fit, and rules are applied to resolve any lack of consistency. If FE Fundinfo cannot find a benchmark with an r-squared co-efficient of 0.75 or more, the fund will not qualify for a rating. The appropriateness of a fund's benchmark will be reviewed every two years.

Once the benchmark has been assigned, FE Fundinfo then applies three tests to the total return history of the fund:

- The alpha test: FE Fundinfo calculates the alpha generated over the last three years, and then adjusts this for the volatility of the fund. This process makes the alpha of funds more comparable.
- The volatility test: FE Fundinfo compares the volatility of the fund over the last

three years with that of the chosen benchmark and assigns a score. For extremely low volatility funds where minuscule volatility can seem proportionately large – Money Market, Gilts, and Index Linked Gilts – the volatility component is ignored.

- The consistency test: FE Fundinfo looks at the extent to which a fund consistently manages to outperform its benchmark over successive quarterly periods over the last three years.

Funds are grouped into ten sub-asset classes, and for each of the tests, the raw scores are spread out in an array from zero (worst) to 100 (best). Within each grouping, funds are given FE Fundinfo Crowns based on their total scores, according to the following distribution:

- The top 10% of scores in each grouping - five FE Fundinfo Crowns
- The next 15% - four FE Fundinfo Crowns
- The next 25% - three FE Fundinfo Crowns
- The next 25% - two FE Fundinfo Crowns
- The bottom 25% - one FE Fundinfo Crown

Funds which fit the below criteria are excluded for technical reasons:

- Low correlation funds
- Funds with short history

The following sectors are also excluded

- Unclassified
- Personal Pensions
- Protected Funds and Structured Products
- Absolute Return funds

The Protected and Structured Product category is the most sizeable, due to the recent launch of numerous products. These are not suited to an FE Fundinfo Crown Fund Rating. The Absolute Return sector is generally very poorly correlated to conventional benchmarks, and so is not suitable for the mainstream FE Fundinfo Crown Fund Rating

methodology.

Intellectual property

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