



EuroPerformance-EDHEC European Rankings

# Alpha League Table

EuroPerformance/EDHEC

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Switzerland

## The reference rankings in Europe

The Alpha League Table is the first European ranking of asset management firms based on an accurate measure of risk-adjusted performance.

The Alpha League Table ranks all asset management firms in the country being studied (each European country is studied in turn) on their equity management and on their ability to deliver alpha. For the second issue of its third season, the Alpha League Table looked at Spain and Italy. Like the earlier editions, this new table, focused on Switzerland, will be distributed widely to asset management professionals throughout Europe.

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Methodology

EuroPerformance and EDHEC have created the Alpha League Table, the first set of rankings in Europe to measure the intensity of the alpha produced by asset management firms. Industry professionals have responded with interest to this new performance measure.

Companies are ranked using the EuroPerformance-EDHEC style rating. Drawing on state-of-the-art research in finance, the style rating—with its accurate assessment of risk-adjusted performance (alpha) as well as its consideration of both performance persistence and the risk of extreme loss—makes for an accurate source of information for drawing up the rankings.

Alpha results are comparable as they are expressed in arithmetic magnitudes. The Alpha League Table ranks asset management firms on their ability to deliver positive alpha. The highest-ranking performers in the Alpha League Table are the best providers of alpha—that is, the firms offering the best combination of alpha value and frequency.

This third edition of the Alpha League Table 2008, following on the heels of studies of French, Italian, and Spanish asset management, is devoted to Switzerland.

This new edition spotlights the firms that were ranked last year: all the firms that met our eligibility requirements in

2007 did so in 2008 as well, indicating the great robustness of the results.



The private bank **Sarasin** takes the top spot in this 2008 edition of the rankings. Sarasin's average alpha improves 54 basis points to 3.65%. The frequency of alpha (62.6%) is also better than it was last year (+190 basis points) and is among the best of the companies in the rankings. Sarasin is in first place with a score of 2.26.

With a score of 1.84, the specialised asset management firm **Vontobel** is ranked second. Its excellent results were obtained on a wide range of share funds. Alpha comes to 2.91% (+69 basis points) and the gain frequency to 63.6%.

Third in the rankings, with a score of 1.22, is the bank **Swisscanto**, third last year as well. The alpha generated by the company comes to 2.91%. The gain frequency of 41.6% has improved on last year's.

The Alpha League is also a label that allows the Swiss firms in our table to promote

their investment acumen. Our ambition is for the Alpha League Table to become the standard for ranking investment management firms.

We wish you enjoyable reading.

**Frédéric Picard**,  
CEO, EuroPerformance (Fininfo Group)

**Noël Amenc**,  
PhD, Professor of Finance, Director of the EDHEC Risk and Asset Management Research Centre

	Alpha Frequency	Average Alpha
Switzerland	38.5%	2.3%
Europe	40.2%	2.5%

Source: Style Analytics – April 11, 2008

# Results of the top 10

Name of Company	Alpha Frequency	Average Alpha	Final Score	Ranking
SARASIN	62.59%	3.65%	2.26	1
VONTOBEL	63.58%	2.91%	1.84	2
SWISSCANTO	41.61%	2.91%	1.22	3
LODH	48.12%	1.96%	0.95	4
PICTET	44.67%	2.10%	0.91	5
UBS	29.55%	2.13%	0.61	6
SWISS LIFE	28.89%	2.08%	0.61	7
CREDIT SUISSE	24.86%	2.08%	0.49	8
JULIUS BAER	28.62%	1.30%	0.37	9
BCV ASSET MANAGEMENT	12.80%	1.74%	0.22	10

Source: EuroPerformance – Style Analytics ([www.styleanalytics.com](http://www.styleanalytics.com))

## The final score "alpha intensity"

The Alpha League Table is a set of rankings of the active equity management of asset management firms; the rankings are drawn up on a measure of the intensity of alpha (risk-adjusted performance). The EuroPerformance-EDHEC Style Ratings are used to determine the funds that deliver alpha.

Each month, two indicators are used to calculate alpha intensity:

- The average alpha, which corresponds to the average percentage of positive alpha of the funds with strictly positive alpha (++++ or +++++ in the Style Ratings)
- The alpha frequency in the investment product range, determined by the number of funds with strictly positive alpha (++++ or +++++ in the Style Ratings) of all of a given company's rated funds.

The final score, or alpha intensity, is the average of the twelve monthly scores. Only the companies with twelve monthly scores obtain a final score.

## The true alpha of investment management

The Alpha League Table is based on the EuroPerformance-EDHEC style ratings, which make it possible to take into account the risks borne over three years by the funds from which average alpha and alpha frequency scores are derived. An *ex-post* statistical analysis allows the funds' true benchmark to be reconstituted by regressing their returns onto a set of indices consistent with their investment universe (the so-called returns-based style analysis devised by Nobel laureate William Sharpe). Using the indices that make up the fund-specific benchmark, an unconstrained multi-index regression is carried out to extract the fund's alpha. The alpha therefore represents the additional performance obtained by the manager in comparison with the "normal" returns that correspond to the fund's exposure (beta) to each of the major risks in the equity universe: market risks and style risks (growth, value, small-caps, and large-caps).

# Private banking dominates the Switzerland Alpha League Table...

Equity funds in Switzerland are no strangers to the wave of redemptions that has been affecting European asset managers over the last several months. According to figures from Swiss Fund Data, equity funds posted redemptions totalling 13 billion Swiss francs in 2007. In the first quarter of 2008, redemptions amount to 2.7 billion Swiss francs. From January 2007 to March 2008, the value of equity assets managed by Swiss firms fell by 23%, whereas the value of assets managed by foreign firms fell by only 14%.

The falls in the major stock markets have thus frightened away investors. All the same, the results obtained by Swiss active management are hardly disappointing.

As it happens, measures of alpha and of the frequency with which it is delivered are very close to or even higher than last year's, in spite of the bearish markets that have prevailed

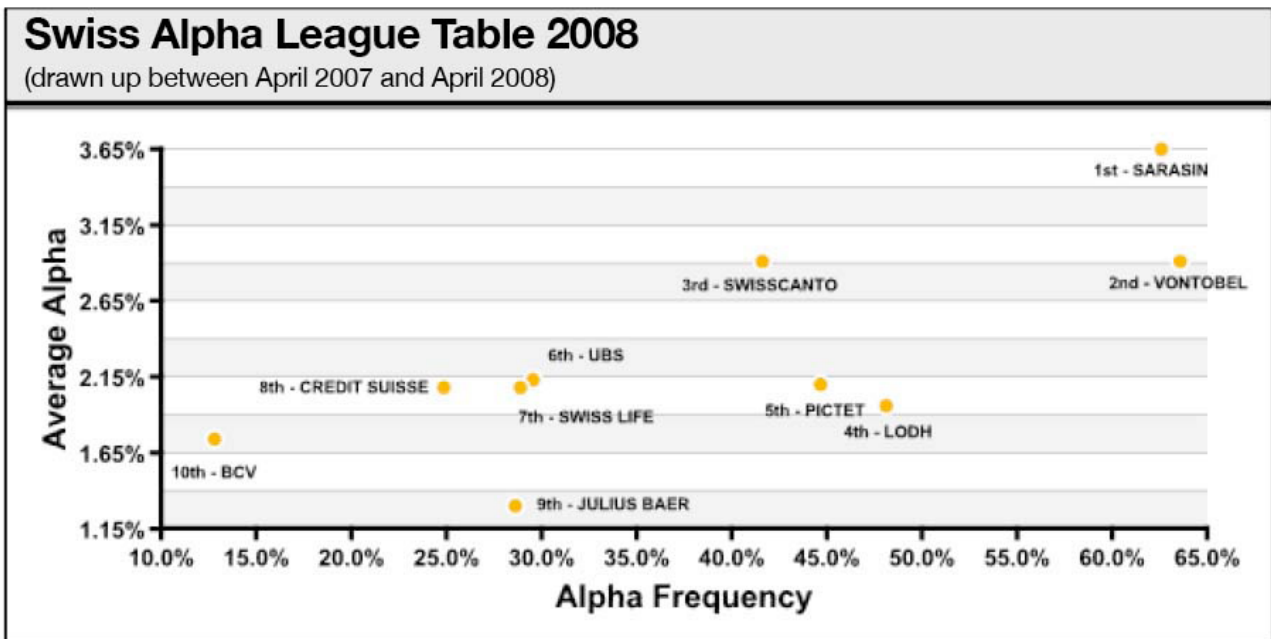
since last summer. For this 2008 edition of the Swiss Alpha League Table, the alpha delivered by equity management comes to 2.31%. The average frequency of alpha improves (+50 basis points) to 38.5%.

Of the fifty groups eligible to compete, only ten met the criteria for inclusion in the Alpha League Table. This new edition gives pride of place to the firms that were honoured last year: all the firms that met our selection criteria in 2007 met them in 2008 as well, a sign of the robustness of the results. This year, there is a gap, accounted for largely by the high frequency of alpha of the two firms occupying the top spots, between these two firms and the eight that round out the top ten.

Eligibility for the Alpha League Table requires at least six rated funds. The winning firms are not affected by this requirement: Swiss asset managers have extensive offerings.

The private bank **Sarasin** takes the top spot in the 2008 edition of the Alpha League Table Switzerland. After having ranked third in 2006 and second in 2007, the firm confirms the excellent results of its equity management and shows that it is one of the leaders of active management in Switzerland. In late 2007, its wealth management, advising, and funds businesses managed assets totalling 83 billion Swiss francs. Sarasin's average alpha (3.65%) is up 54 basis points on last year. This average alpha comes from portfolios invested internationally (they account for 65% of the firm's alpha<sup>1</sup>) and in the home market (the source of nearly a third of alpha).

Seven funds did particularly well and did so recurrently. The firm's 62.6% frequency of alpha is a clear improvement over the year before (+190 basis points) and is among the best of the top ten. Sarasin takes the top spot with a score of 2.26.



Source: EuroPerformance - Style Analytics (www.styleanalytics.com)

1 - Including sector funds

# Private banking dominates the Switzerland Alpha League Table...

With a score of 1.84, the specialised asset managers **Vontobel** are in second place. Excellent results are obtained over a wide range of equity funds. Some twenty investment vehicles delivered returns in excess of their benchmarks, an achievement that has become a veritable Vontobel trademark. With its private banking, investment banking, and asset management businesses, Vontobel had 79.5 billion Swiss francs of assets under management as of late 2007, 12% more than the year before.

The range of funds that we spotlight here has done particularly well in international shares and sector funds (the source of 55% of the average alpha of the company), in Swiss shares (20%), and in European shares (14%). Outperformance indicators posted significant improvements: average alpha is 2.91% (+69 basis points) and frequency is 63.6%.

The performance of funds registered in Luxembourg accounts for a fair share of the results of the two highest-ranked firms, confirming the international nature of Swiss asset management. The latest figures from Swiss Fund Data show that 60% of assets managed in Switzerland are done so through foreign-registered funds.<sup>2</sup>

Third in the rankings, with a score of 1.22, is the bank **Swisscanto**, third last year as well. Alpha is delivered by the bank in six categories and comes to 2.91%. The gain frequency of 41.6% is an improvement on last year.

Twelve investment vehicles did particularly well. International shares (the source of 70% of alpha), Swiss shares (13%), and European shares (9.3%) account for the bulk of the alpha generated by the bank.

In fourth place is last year's winner, **LODH**. The average alpha of the Geneva

bank may have fallen to 1.96%, but the number of funds on which alpha is measured has doubled from essentially five to ten. Likewise, frequency of alpha has risen to 48.12%.

Unlike its competitors, **LODH** relies on its home market for much of its alpha: three funds, investing in mid and small caps as well as in larger cap Swiss stocks, account for half of the company's alpha. **LODH** has a score of 0.95.

**Pictet et Compagnie** is ranked fifth, as it was last year. Pictet's average alpha of 2.1% is much the same as it was last year, but frequency has fallen to 44.67%. The bank's funds outperform in nine categories. Significant alpha is generated on international vehicles investing in particular sectors. More than 60% of the company's alpha comes from such sectors as water and telecoms. Products invested in Swiss shares account for some 30% of average alpha.

With results comparable to those of last year, the giant **UBS** comes in sixth in 2008. Average alpha, obtained from the widest range of products of any firm in the rankings, comes to 2.13%. In addition to the large geographic zones, the bank shows its expertise in the German equity markets. Frequency of alpha comes to 29.5%, below the average of the firms in the rankings. It is understandable that a large banking corporation may have more trouble obtaining high frequency of alpha, as it must offer a very wide range of financial products. Nearly sixty funds are analysed; the results are altogether exceptional.

The insurer **Swiss Life** is seventh in the rankings (+2). Half of its average alpha of 2.08% is generated in emerging markets shares, the other half from products invested in international

shares. Frequency has improved to 28.9%.

**Crédit Suisse** was unable to maintain its average alpha in 2008 but remains in eighth place. All the same, some ten funds in five investment zones stand out; last year, only five funds did so. The bank's expertise in the German equity markets and, more broadly, in international shares pays off. Average alpha is 2.08%. At 24.86%, the gain frequency has improved considerably (+93 basis points).

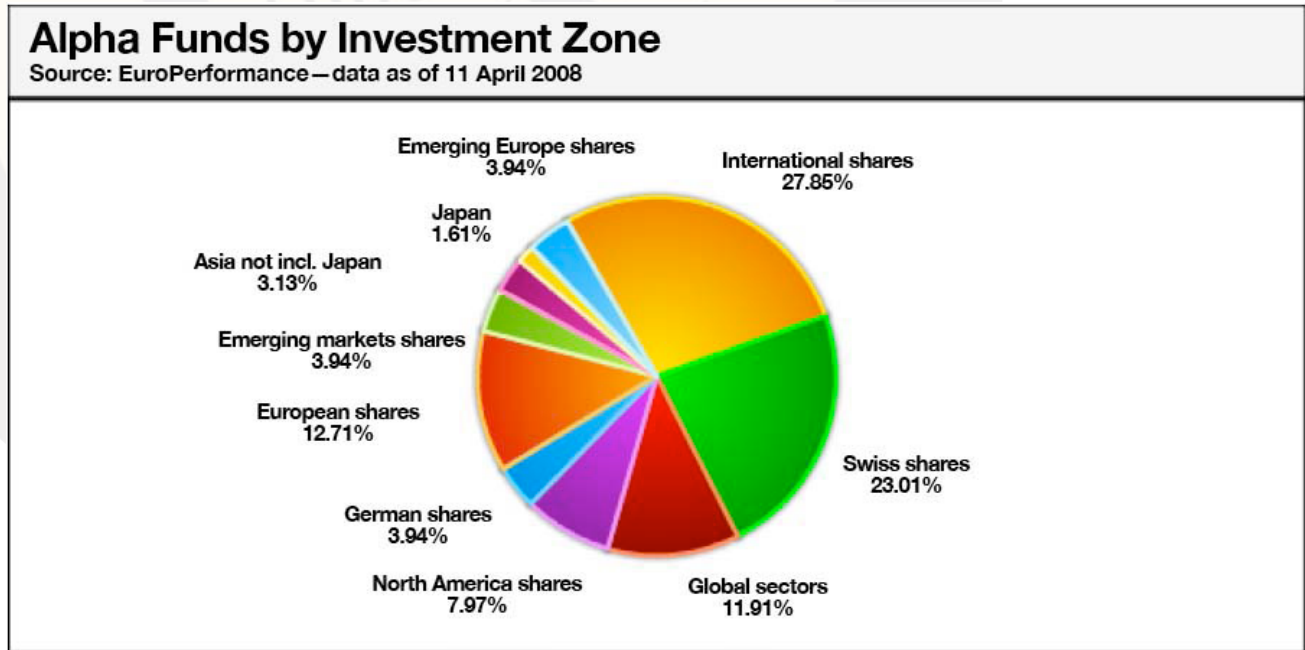
**Julius Baer**, ninth, has posted improved results. These improvements are the result of eighteen outperforming funds. The average alpha is generated on international shares—sector funds, in particular.

Rounding out the Swiss top ten, with a score of 0.22, is **BCV Asset Management**, the managers of **BCV** and **Gérifonds**. In seventh place last year, the bank experienced a drop in its gain frequency this year.

<sup>2</sup> - [http://www.swissfunddata.ch/statistics/marketstatistics\\_fr.html](http://www.swissfunddata.ch/statistics/marketstatistics_fr.html)

# Private banking dominates the Switzerland Alpha League Table...

## Breakdown of alpha funds



Source: EuroPerformance - Style Analytics (www.styleanalytics.com)

The chart above breaks alpha funds down by investment zone. Most outperforming funds are to be found in the largest zones and also in the domestic market. For example, international shares accounts for nearly 30% of the funds that outperform their benchmarks. The Swiss equity markets account for 21.5% of these funds and Europe for 12.6%. More specialised themes, such as sector investments, are likewise a source of alpha for Swiss asset managers. The range of products invested in neighbouring countries is relatively narrow. Only Germany is a source of alpha for asset management firms in Switzerland. No investment vehicle invested in euro-zone shares generated significant outperformance.

It seems that Swiss asset managers have a much more pronounced international vocation than do their French counterparts. After all, the study of the French market showed that 21.5% of outperforming funds were

in the international shares category,<sup>3</sup> while the proportion for Switzerland is closer to 30%.

### Alpha by investment zone

The alpha measured over the different investment zones registers but a slight drop from last year. It is thus sufficiently significant in those zones that have the greatest concentration of funds. This is especially the case with products invested in international shares, where the average alpha rose to 2.44%.

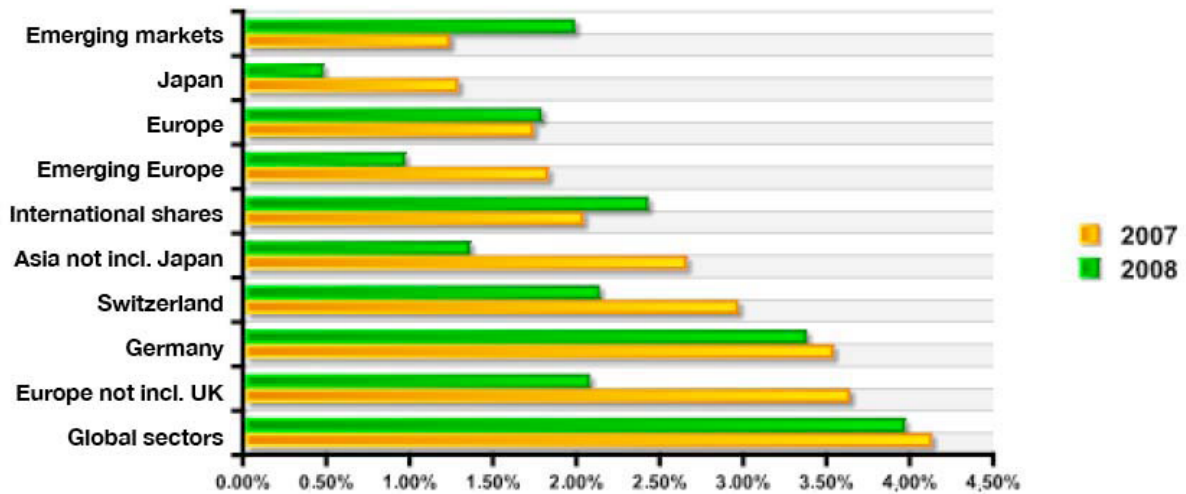
The bias of portfolios toward growth styles (to the detriment of value styles and small caps) has allowed them to maintain levels of alpha from one year to the next. The style deltas are quite pronounced, with average movements of close to 15% revealing the reactivity of Swiss asset managers.

<sup>3</sup> - Data are as of February 2008.

# Private banking dominates the Switzerland Alpha League Table...

## Average Alpha by Investment Zone

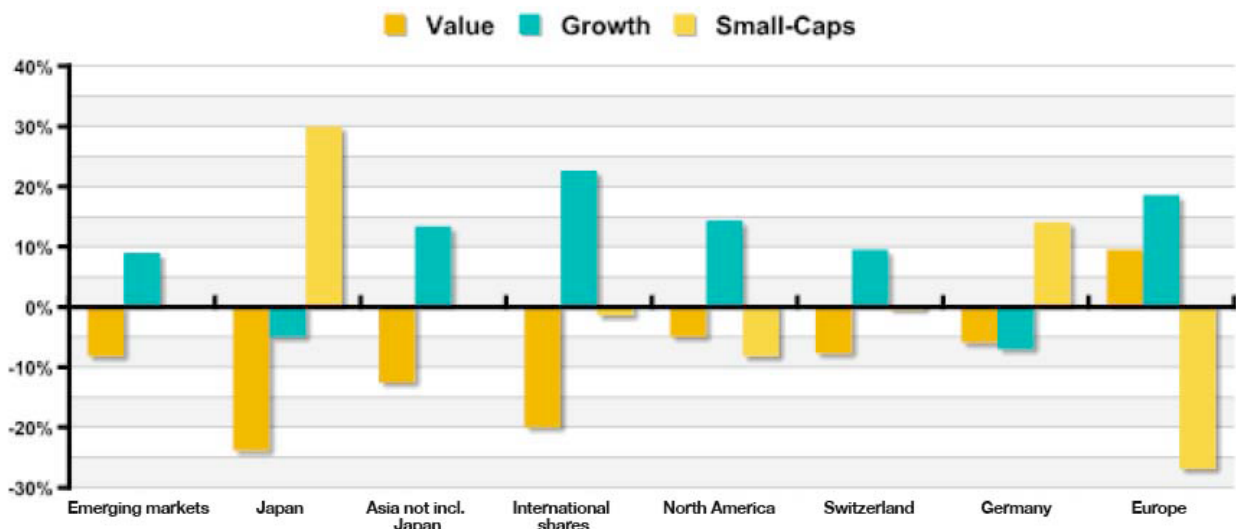
Source: EuroPerformance—data as of 11 April 2008



Source: EuroPerformance – Style Analytics (www.styleanalytics.com)

## Delta 2007/2008 of Management Styles by Investment Zone

Source: EuroPerformance—data as of 4 April 2008



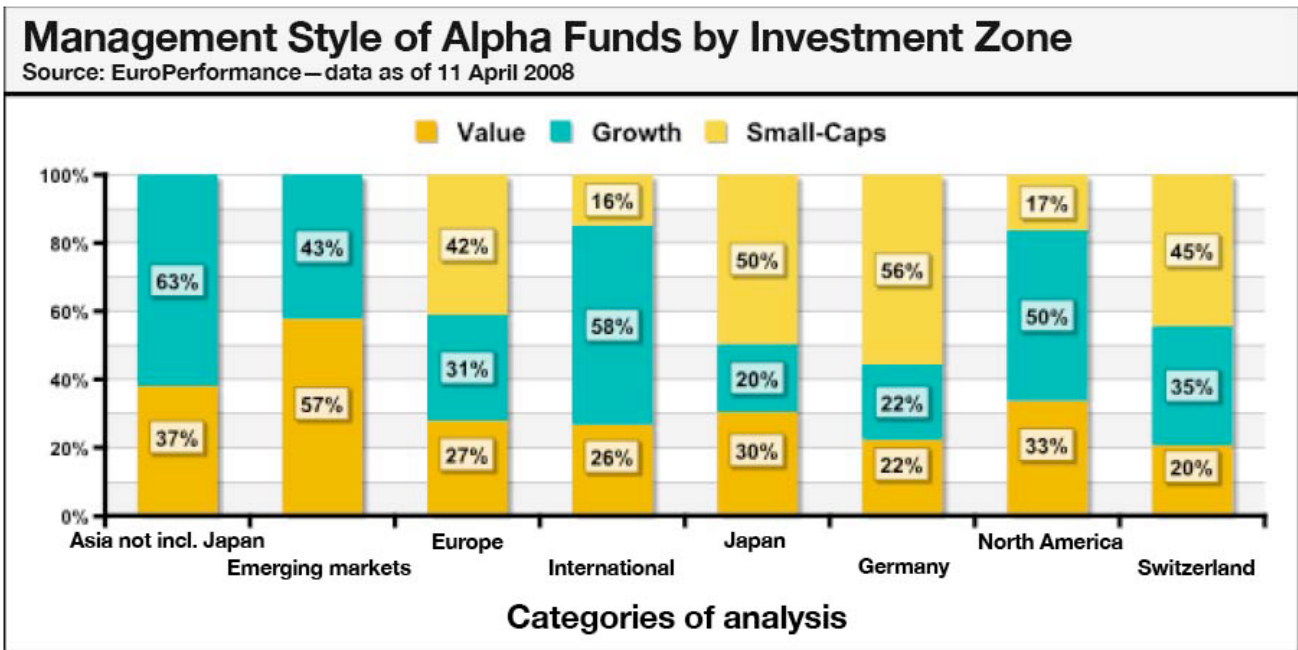
Source: EuroPerformance – Style Analytics (www.styleanalytics.com)

# Private banking dominates the Switzerland Alpha League Table...

The major global stock markets have been trending downward, with great volatility, for almost a year, so the defensive stance taken by managers is certainly legitimate. Risk management

has become a priority and greater liquidity of underlying instruments serves to protect portfolios. As a result, large-cap stocks make up the majority of the portfolios invested in the major

investment zones: international, North America, Europe, and, to a lesser extent, Switzerland.



Source: EuroPerformance Style Analytics (www.styleanalytics.com)

According to the Swiss Institutional Survey, a survey of major Swiss institutions representing 40% of the assets managed in the country, the

use of index-type share management is nearly as great as the demand for active management. The assets managed in these two approaches to

the management of a portfolio made up exclusively of stocks are in any case similar.

## The selected population

There are fifty Swiss-accredited asset management firms operating in the equity class that meet the ALT eligibility requirements (as of 11 April 2008, date of the calculations). They manage 395 funds in the equity class.

Switzerland:

- 361 funds are analysed in the style ratings
- 357 funds receive a score of between **+** and **+++++** (90.4%).

# Interview

## Bank Sarasin & Co. Ltd

Burkhard P. Varnholt  
Chief Investment Officer



**What is your strategic orientation?  
What strategic orientation do you favour in your choice of securities?**

*Our strategic orientation has been firmly rooted in a thematic and sustainable approach to investing for the last twenty years. We only invest into stocks which we would want to own ourselves. We postulate and insist on a rigorously disciplined investment process. We invest long-term, because most of our clients are long-term oriented. Our investment managers tend to have longer professional experience than at other firms—in fact, most of our managers have personally experienced more than one violent bear-market in their own professional careers. Our number-one ranked, global-balanced flagship fund itself was created in the aftermath of the 1987-bear-market and has delivered average net returns of 9.6% p.a. over the past twenty years. Over these two decades a number of investment fashions and formats have come and gone but the GlobalSar concept and investment methodology has remained true to its founding aim.*

**What is your strategic orientation characteristic of asset management in your company (large caps, small caps, sectors)? Does this orientation correspond to a source of alpha that you prefer? Do you have rules about sector exposure, capitalisation, or style?**

*As a principle, we do not aspire to be an asset manager in every asset class or sector our clients may seek exposure in. We operate a highly effective open-architecture management and can thus guide our clients to the best asset managers in their fields. Only where and when we are entirely convinced that we are a deserving asset manager, do we offer our services.*

*Let me outline what I believe are some of our unique strengths:*  
**1. THEMATIC INVESTING:** in the 1980s, we chose to extend the classic regional or sector-model of asset allocation by identifying and investing in highly effective investment themes. In order to strengthen our thematic convictions, we have been routinely using outside industrial advisors, which has been a great

*privilege and benefit for us. This approach continues to guide most of our actively managed portfolios.*

**2. SUSTAINABLE INVESTING:** ever since we were founded more than 160 years ago, a sustainable, long-term use of resources and a sustainable alignment of interest with our clients has been at the heart of our corporate philosophy and practices. In the 1980s we established the first—and today leading—sustainable asset management and research-division. This approach remains one of the distinctive hallmarks of our Bank and we are a market leader not only by the length of our experience but also by the Assets under Management and the strength of our track records. By way of example, we currently run the best performing "New Power" and the best performing "Sustainable Water" fund in our industry. (Sarasin New Power Fund and Sarasin Sustainable Water Fund)

**3. NON-PREDICTIVE, QUANTITATIVE INVESTING:** we have established a world-class quantitative asset management team which, for example, has been managing the best commodity fund and the best emerging markets fund over



# Interview

*the past ten years. This asset management approach appeals particularly to our institutional clients and has been highly effective in providing strong downside-protection during times of exceptional market turbulence.*

**4. SMALL- AND MIDCAP VALUE-INVESTING:** *We are generally looking for companies, which we believe are misunderstood and under-appreciated by the market, which have significant and sustainable potential to leverage its operating margin and where we believe that Management can and wants to fully deliver to our expectations. Coupled with a concentration on markets we understand best, this has been behind the towering performance of our distinctively selective, Swiss Small and Midcap Fund, which has been the leader of its field for over ten years now. (Sarasin Multi Label SICAV - Swiss Small & Midcap Fund)*

## Is your management more bottom-up or top-down?

*Our management is a unique combination of both. We have traditionally had very strong house-views, debated and expressed in our monthly Investment Policy Committee. These house-views are used as a strategic and sometimes tactical guidance for the more than sixty pooled and the numerous individual investment-accounts, which we run. However, we have always believed that in order to sustain a culture of excellence and unrelenting ambition, one must leave enough responsibility –and accountability –in the hands of experienced portfolio*

*managers. Therefore, the combination of a top-down and a bottom-up approach to investing is appropriate.*

**What techniques do you use to generate alpha? Is stock-picking a favoured technique? Do you look to profit from market momentum? Do you use tactical asset allocation?**

*Three of our most distinctive styles (thematic investing, sustainable investing, value-investing) generate significant alpha from stock-picking. We have always felt that we can contribute additional performance for our investors, which enhances our tactical and strategic asset allocation. Market momentum will generally feature as one important consideration in our tactical asset allocation and even more prominently in our quantitative, non-predictive asset management styles, which may rely exceptionally much on market momentum.*

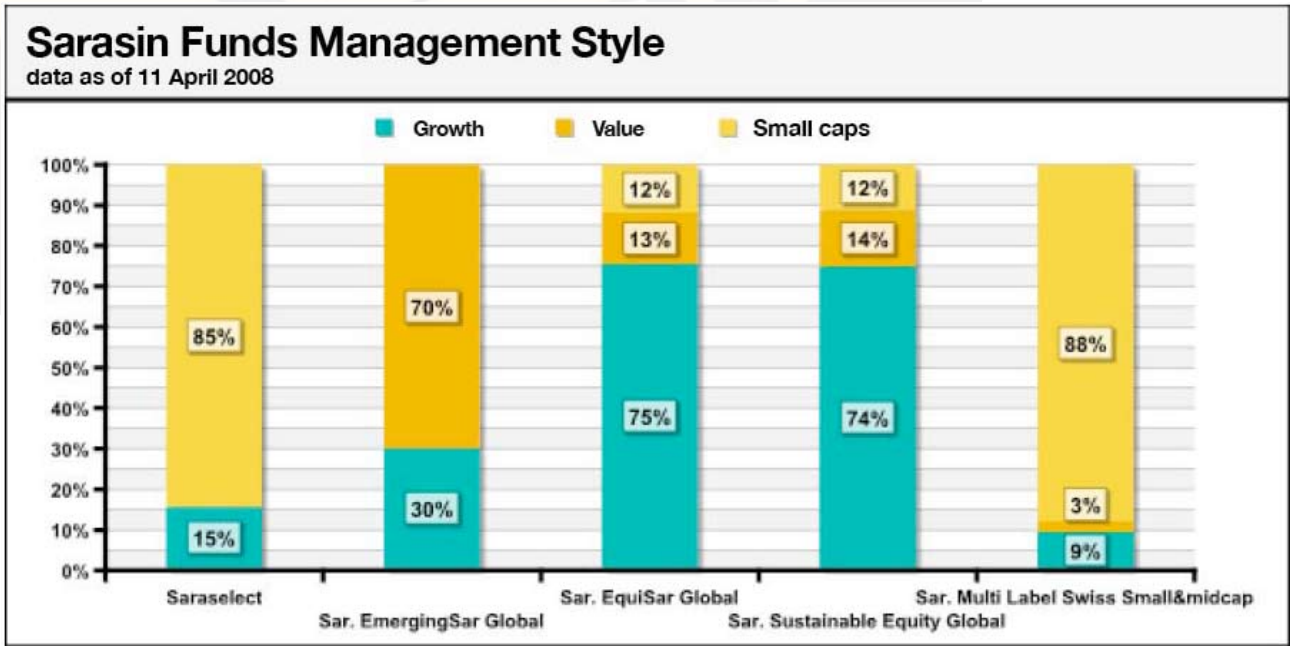
**How do you measure portfolio risk and how do you manage it? Do you have specific tools at your disposal? Do you track the potential extreme losses of your portfolios? Do you use specific techniques to manage risk? Do you limit the number of positions in your portfolios?**

*Our asset- and risk-management technology has been developed by ourselves and is applied with continuous success. We have built a world-class real time, integrated asset-management and trading-platform, which we believe defines a benchmark in our industry. Our technology automatically monitors a large number of risk parameters – from value at risk, to gamma-, vega- or extreme-loss risk. We can slice and dice such risk analysis on an individual and on a near infinite variety of portfolio levels. Whenever any position or portfolio nears a pre-defined threshold level, our systems will immediately alert the responsible portfolio managers, calculate analytics and hedging strategies and we can reduce portfolio risk with immediate effect if we wish. Technology can be incredibly powerful – provided you understand and use it effectively and wisely.*

# EuroPerformance Analysis

## Sarasin

Sarasin, historically active in Switzerland, but now throughout Europe, Asia, and the Middle East, specialises in private as well as institutional clients. It provides advices, wealth management, and fund placement. This edition of the Alpha League Table spotlights the performance of its range of equity funds.



Source: EuroPerformance - Style Analytics (www.styleanalytics.com)

Awarded for its results and the regularity of these results, the range of funds covers five investment zones and is made up of seven vehicles. Average alpha is 3.65%. The management of international shares makes a large contribution to this average alpha, and it is for this reason that we analyse the Sarasin EquiSar Global fund.

### Sarasin Alpha Funds

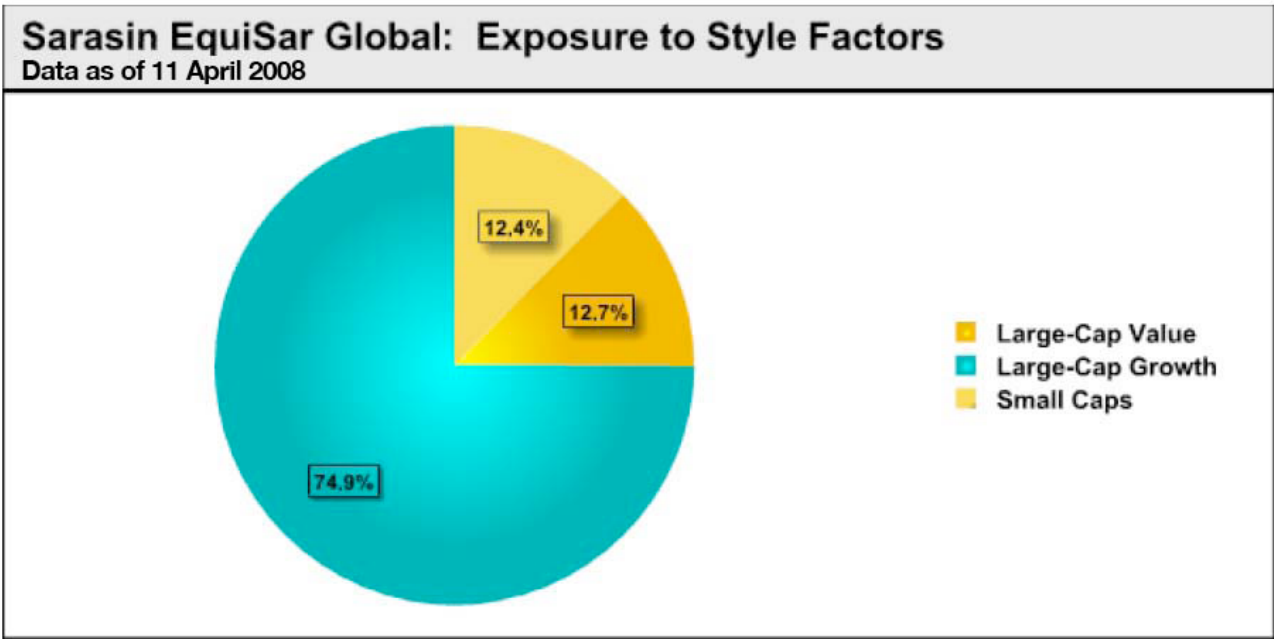
Name	Sarasin EmergingSar Global	Saraselect	Sarasin Multi Label Swiss Small&midcap	Sarasin EquiSar Global	Sarasin Sustainable Equity Global	SARASIN EMERINGSAR ASIA USD A	SARASIN ML NEW ENERGY C
Category	International Shares	Swiss Shares	Swiss Shares	International Shares	International Shares	Asia not incl. japan	Global Sectors
Average Alpha	-1.07	3.94	2.51	5.46	0.16	-1.65	6.66
R <sup>2</sup>	0.92	0.78	0.9	0.94	0.92	0.78	0.73
Positive weeks	41.67	52.56	53.85	61.54	50	49.36	54.49
Hurst Exponent	0.53	0.57	0.51	0.5	0.46	0.42	0.52
VaR 99%	6.43	4.9	5.86	4.62	4.52	7.16	7.1
Rating	○○○	○○○○○	○○○○○	○○○○○	○○○○○	○○○	○○○○○

Source: EuroPerformance - Style Analytics (www.styleanalytics.com) - data as of 11 April 2008

Created in 1998, the fund seeks stocks with the potential to generate greater overall returns over the long term. Stock selection is global, with most investment made in the stock of companies with stock market capitalisations in excess of €1 billion; a large array of companies is thus on offer. The investment process prefers themes to geographic or sector allocations. Four to six broad themes make up the portfolio, which, as of late April, had nearly €280 million of assets under management. The annualised return of the Fund (in €) is 10.14% (as of 11 April 2008), as opposed to 2% for its benchmark, the MSCI World.

# EuroPerformance Analysis

## Sarasin

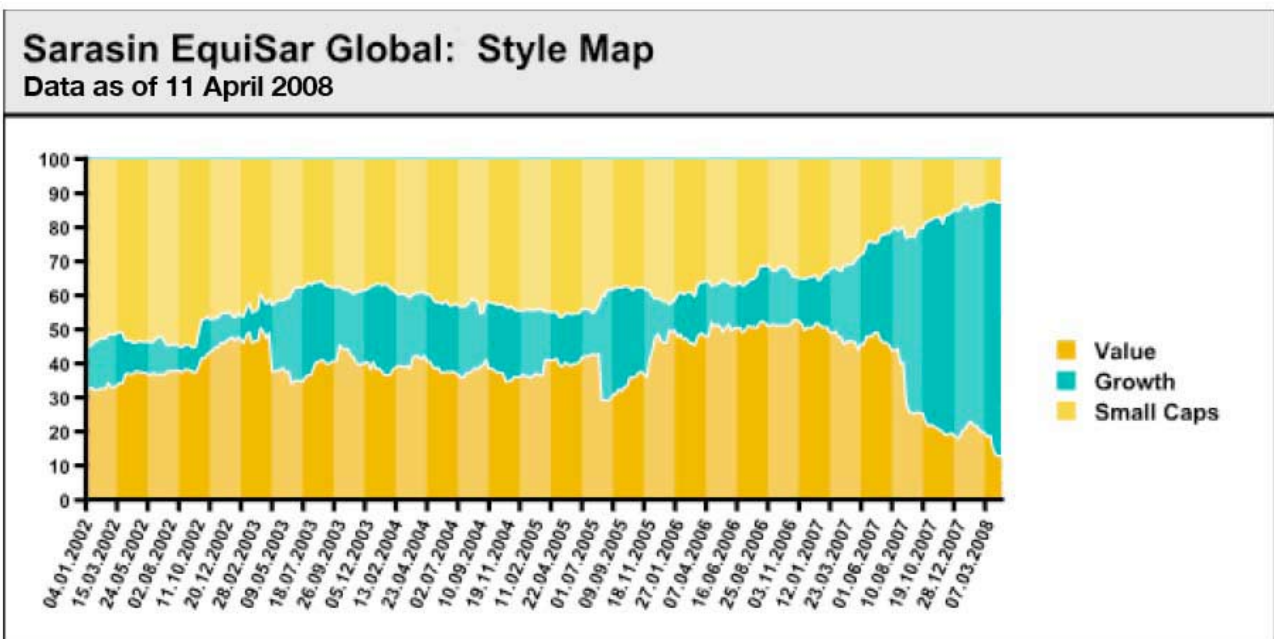


Source: EuroPerformance – Style Analytics (www.styleanalytics.com)

With the help of the last 156 weekly returns of the fund and of the MSCI indices covering its investment universe, we do a returns-based style analysis (Sharpe 1992<sup>4</sup>). This analysis

shows a sensitivity of 75% to growth stocks. Sensitivity to value stocks comes to 12.7%. Sensitivity to small caps is 12.3%. By comparison, the MSCI World, the fund's benchmark, has very

stable exposures to growth and value of around 50/50 and no exposure whatsoever to small caps.



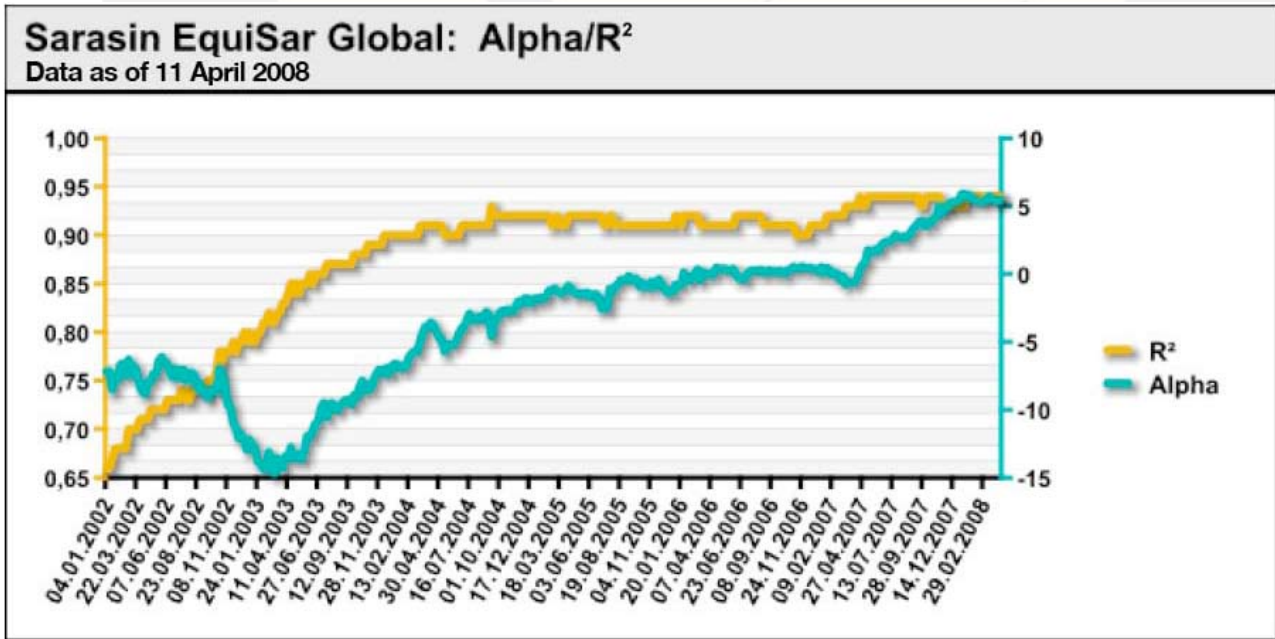
Source: EuroPerformance – Style Analytics (www.styleanalytics.com)

4 - "Asset Allocation: Management Style and Performance Measurement", W. F. Sharpe, *Journal of Portfolio Management*, vol. 18, winter 1992, pp. 7-19.

# EuroPerformance Analysis

## Sarasin

As the style map shows, there is a relative regularity of exposures until early 2007, followed by a reduction in small-cap and value stocks; exposure to growth stocks increases.



Source: EuroPerformance - Style Analytics (www.styleanalytics.com)

The coefficient of correlation of our style analysis—R-squared—is 94%, indicating the robustness of our statistical analysis as well as relatively low specific risk.

Our analysis also makes it possible to gauge the share of performance—that is, alpha—that can be attributed exclusively to managerial skill. Positive since early 2007, alpha stood at 5.46% as of 11 April 2008, a confirmation of the long-term vision of the investment strategy. Indeed, this strategy is perhaps at its clearest during such phases of market turbulence as those we have been witnessing for more than a year. In 2007, the fund returned 5.37%, as opposed to -3.41% for its benchmark.

Sarasin EquiSar Global generates significant alpha without resorting to excessive specific risk, as is also shown by its very high information ratio (1.68).

Volatility, at approximately 13%, is comparable to that of its reconstituted benchmark. Volatility alone, of course, is not a full measure of portfolio risks. For this reason, the analysis also takes into account extreme risk. At a threshold of 99%, Value-at-Risk shows a potential loss of 4.65%. The tracking error of the fund (at 3.25% one of the lowest in its category) indicates moderately active management.

Our method also makes it possible to gauge the capacity of the fund to deliver alpha with regularity. A gain frequency—that is, the number of weeks over three years that the fund beats its reconstituted benchmark—is used to gauge this regularity. Here, Sarasin posts a very high gain frequency of 61.54%. We also use the Hurst coefficient, representative of the serial correlation of the series of excess returns, to measure the persistence of

alpha. Here, the Hurst coefficient is 0.5, a figure above which, in our view, there is persistence. For two years, the fund has obtained our highest ratings: **+++++**.

Sarasin EquiSar Global ratings table

ISIN Code	LU0088812606
Name	Sarasin EquiSar Global
Category	International Shares
Average alpha	5.46
R²	0.94
Positive weeks	61.54
Hurst exponent	0.5
VaR 99%	4.62
Rating	<b>+++++</b>

Source: Europerformance - Style Analytics - as at 11 April 2008

# Alpha League Table methodology

## Methodology

For the first time in Europe, a ranking methodology provides a clear distinction between the talent behind the active management (alpha) and the other elements of performance that are linked to the market (beta).

The Alpha League Table, which is compiled using the Style Rating developed by EuroPerformance and EDHEC, with scores of **++++** and **+++++**, is the first European ranking system that rewards asset management companies on the basis of their capacity to generate alpha from their equity funds.

## Alpha at the heart of management evaluation

At a time when passive management is growing considerably, it appears essential for the asset management industry and investors to be able to identify those talented active managers who are capable of providing their clients with an outperformance (alpha) that extends beyond the returns naturally generated by a fund's long-term exposure to market risks and different investment styles (beta).

When calculating alpha—the outperformance obtained by the asset managers above and beyond the “normal” returns achieved through exposure to market risks and investment styles—one must presume that a fund's risk exposure (beta) is determined precisely. The benchmark representing the risks actually taken by an asset manager is determined by analysing the fund's returns using a return-based style analysis, the method developed by Nobel laureate William Sharpe.

## Presentation of the Alpha League Table

The Alpha League Table provides a ranking of the best asset management companies in Europe on a quarterly basis. The table focuses each year on four European zones in particular: France, Italy and Spain, Switzerland, and, finally, the UK. This year's tables will again be divided up into four quarters.

The ranking is designed using a score based on the alpha intensity of each asset management company.



## The Alpha League Table score: alpha intensity

The objective of the Alpha League Table is to allow asset management firms to be ranked according to their capacity to generate alpha frequently: alpha intensity.

Alpha intensity is the product of two indicators calculated using information from the Europerformance-EDHEC Style Rating:

- The alpha frequency in the investment product range, which is determined according to the number of funds with strictly positive alpha (**++++** or **+++++** in the Style Rating) out of all of a given company's rated funds;

- The average alpha, which corresponds to the average percentage of alpha of the funds with strictly positive alpha (**++++** or **+++++** in the Style Rating).

The Alpha League Table alpha intensity score is the product of the alpha frequency and average alpha figures.

Example:

If company X has an alpha frequency score of 30%, i.e., 3 funds out of 10 have received a score of **++++** or **+++++**, and an average alpha (>0) score of 4%, then its final rating will be:  $4\% \times 0.30 = 1.2\%$ . Similarly, if the company has a frequency figure of 50% and average alpha of 3%, its final score will be:  $3\% \times 0.50 = 1.5\%$ .

## Winners' circle

Each month, a ranking on the basis of this final score is established. Only those companies that have participated in the 12 monthly rankings are included in the annual one.

This year, the relevant calculations cover the period from April 2007 to April 2008.

In the final winners' circle, the companies are ranked by the average of their 12 monthly scores.

## Asset management firms included in the Alpha League Table

The companies included in the ranking must meet two criteria:

- Eligibility in the market under analysis

All officially recognised asset management companies in the relevant zone are eligible for the Alpha League Table.

# Alpha League Table methodology

This year, foreign companies with no commercial activity are excluded. However, all managed and marketed funds in officially recognised companies are included, regardless of the fund's country of domicile. When a company delegates the management of a fund to another company, the fund is considered part of the secondary company for the purposes of the ranking.

- **Statistics criteria**

Because the table represents an assessment based on a company's equity product range, only companies for which at least 2/3 of this range has been analysed under the EuroPerformance-EDHEC Style Rating are included.

Companies that meet the above criteria must have at least six rated funds under the EuroPerformance-EDHEC Style Rating in order to qualify for the Alpha League Table. These must be divided into a minimum of four categories of analysis.

### Funds included in the final score

Equity funds are eligible for the Alpha League Table, on condition that they have been included in the EuroPerformance database and have been rated under the Style Rating, the scoring system developed by EuroPerformance and EDHEC. For this to be the case, they must have been in existence for at least three years, must have provided returns for the full calculation period (156 weeks) with no more than two failures to do so, and must not belong to any of the following categories:

- Gold and raw materials
- Real estate
- ETFs and all index-managed mutual funds

### Style Rating

The EuroPerformance-EDHEC Style Rating is based on three criteria:

- Risk-adjusted performance (alpha)
- Potential for extreme loss (Value-at-Risk)
- Performance persistence

This scoring system incorporates the most advanced technical and conceptual research. It measures the quality of active management and then awards a score of ⊕ to ⊕⊕⊕⊕⊕.

The ⊕ and ⊕⊕ categories contain funds that on average do not outperform their management objectives. The ⊕⊕⊕ category represents funds whose performance is close to the returns achieved on the market in which they invest. ⊕⊕⊕⊕ or ⊕⊕⊕⊕⊕ are awarded to funds that generate outperformance for the period under analysis. This is the product of management decisions: stock-picking and/or market timing. Some of these high-performance funds offer significant gain frequency, indicating persistent outperformance. They are awarded the maximum score of ⊕⊕⊕⊕⊕ or ⊕⊕⊕⊕⊕ h, where the "h" symbolises the regularity with which they appear in the excess returns category.

### EuroPerformance & EDHEC

The philosophy of the EDHEC Risk and Asset Management Research Centre is that research should be useful for business.

On the basis of research work relating to performance measurement and mutual fund ratings, and having observed the inadequacies of the existing ratings systems, EDHEC began to collaborate with EuroPerformance in 2002.


Combining the state of the art in financial research and business know-how, EuroPerformance and EDHEC developed a European fund rating method based on alpha, the EuroPerformance-EDHEC Style Rating, a genuine analytical referential database whose calculations are used as a basis for the Alpha League Table.



EDHEC is a leading French and European business school. It ranked 12th in the *Financial Times* Masters in Management rankings in 2007. The EDHEC Risk and Asset Management Research Centre, with its 34 professors, engineers, and research associates, is the leading European research centre in asset management.



EuroPerformance is a fund analysis company. EuroPerformance has developed tools with considerable value-added in the areas of performance and risk analysis through a broad referential database of European funds. Among these tools are the "EuroPerformance Engine" and the "EuroPerformance-EDHEC Style Ratings". EuroPerformance publishes numerous rankings tables in France and in Europe.



Expertise to back up your skill

## Style Analytics

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All the calculations in the Alpha League Table rankings are drawn from "Style Analytics", a tool for measuring alpha and, more generally, the performance and risks of European funds. **[www.styleanalytics.com](http://www.styleanalytics.com): get connected!**

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