DATA SUBMISSION GUIDE

STEP Member Service

Introduction

A **strategy** represents an investment solution in a particular currency. You may have more than one strategy per currency, for example you may submit separate data for say both a 'Sterling Core' strategy and a 'Sterling Impact' strategy. However, to avoid making it too complicated we recommend you limit it to one or two strategies per currency that focus on your core offerings.

A **mandate** represents an implementation or specific model within a strategy, typically at a certain level or risk. For example, you may run Defensive, Cautious, Balanced, Growth and Adventurous mandates within your Sterling Core strategy. Within reason there is no limit to the number of mandates you can have in any strategy, however typically there are three to six.

Based on the volatility of your mandates they will be mapped to the appropriate LOW, MEDIUM or HIGH risk MPI Index (see below). You may have more than one mandate mapped to the same index.

We prefer to receive the individual performance data (net of fees) for your client portfolios so that we can calculate the average performance for each of your mandates. The data submission template allows you to specify which portfolios belongs to which mandates.

RISK CATEGORIES

Managers should select the most appropriate risk category for their mandate based on the criteria below.

LOW RISK. Suitable for more risk averse investors with potentially a shorter-term investment horizon of 3 years or less. Low risk portfolios should not suffer a drawdown of more than 10% and will typically exhibit a volatility of below 5%*.

MEDIUM RISK. Potentially suitable for investors with a medium-term investment horizon of between 3 and 10 years. Medium risk portfolios should not suffer a drawdown of more than 20% and will typically exhibit a volatility of between 5% and 8%*.

HIGHER RISK. Suitable for higher risk investors with potentially a longer-term investment horizon in excess of 10 years. Portfolios within this risk profile typically exhibit a volatility of over 8%* and may suffer a drawdown of more than 20%.

MPI will monitor the ex-post volatility of the mandate and will recommend moving to a different risk category if it consistently or significantly falls outside of the designated volatility ranges. MPI reserve the right to remove a mandate from an index for the current quarter on the grounds of data quality or if it no longer falls within the ranges detailed above.

*As measured by the annualised standard deviation of monthly returns over the last 3 years and are subject to periodic review and change.

Data Quality

To maintain the highest level of data quality and transparency MPI conducts periodic audits and categorises each investment manager's data quality as follows:

- A: Actual client returns (net of fees) for all eligible portfolios (see below).
- B: Actual client returns as above (net of fees), based on a significant sample (see below) of eligible portfolios.
- C: Model portfolio returns (net of fees), Category C data is not used in the index calculation.

MPI prefers to receive individual portfolio performance however will accept submissions in the following forms:

- Fund/MPS performance.
- A GIPS compliant composite (see below).

As part of the take-on process we typically request redacted valuations for a randomly selected sample of portfolios.

Eligible Portfolios

Managers may exclude portfolios from their submission on the following grounds:

1. When unable to exercise full discretion over the management of the portfolio due to:
    - Capital Gains Tax
    - Legacy Holdings over which you have no control
    - Significant ethical or other constraints

2. Where the portfolio value is below a minimum size for that strategy:

It is left to the manager to select the most appropriate thresholds to apply for each strategy however, where an exclusion is used it must be applied consistently across that strategy. For example, the manager may not exclude some portfolios below a certain size but not others.

Significant Sample

A significant sample is defined as at least 20% of the eligible portfolios. These portfolios must be selected at random and remain immutable between periods. A portfolio which closes during the submission period may be replaced with another randomly selected portfolio.

Returns Calculation

MPI require monthly returns calculated net of fees (see below) and ideally using a daily time weighted return (TWR) methodology. You may calculate your monthly return using a money weighted approach if daily TWR's are not available however consideration should be given to the timings of cashflows within the month to eliminate the impact of large cash movements (see additional considerations below).

Your returns must be provided net of all investment management fees including your management fees, third party fund fees, transaction and custody costs. Fees for wrappers such as SIPPs and Insurance Bonds need not be included. If you are providing a service through a platform you should include a fee for providing investment advice but are not required to include fees associated with additional non-investment related activities such as pension advice.

Additional Considerations

The most accurate way to calculate a total return for a defined period where external cash flows occur, is to value the portfolio at the time of when the cash flow occurs and geometrically link sub periodic returns before and after 'large' cash flows. A daily time-weighted rate of return is the preferred method however will be reliant upon the access to sufficient data.

Other methods include the approximation approaches as defined by Modified Dietz and Modified Internal Rate of Return for example are still in place, both of which weight each cash flow proportionally to the time held in the portfolio.

Composites

MPI will accept a GIPS compliant composite (or equivalent) calculated from the weighted average (arithmetic mean) of the monthly returns for each eligible portfolio in the mandate. Where the portfolio returns are reported gross the composite return should be adjusted for fees as described above. MPI conduct periodic reviews of the calculation and data used in the calculation of composites.

Submission Rules

MPI require at least three years and ideally five years of returns for the initial upload of any new strategy/mandate. This however may comprise individual portfolios with less than three years of history provided there is a continuous track record for the mandate of at least three years.

New portfolios may be added to the submission but will only be included into your performance calculation following the quarter they first appear.

A portfolio should not be removed from the submission unless it has been closed or falls substantially below the minimum size for the strategy.

File Transfer

Data submission files are due by the 21st of the month following quarter end or the next business day if this falls on a weekend/bank holiday. Files should be sent via SFTP or alternatively may be encrypted in the ZIP file and sent via email to **data@mpindices.com**.

You will be notified at the start of the quarter of the deadline for the previous quarter's submission.

Appendix A– Submission File Format

Column Name	Description	Type	Required
Manager	Your unique manager code or name.	String	Required
Mandate	Name or code of the mandate/model (for example 'Sterling Growth').	String	Required
Investment Manager Reference	This is your unique code for the portfolio. Not required if you are only providing a model, composite or fund returns.	String	Optional
Value Date	The last day of the month.	Date (DD/MM/YYYY)	Required
Currency	ISO Currency Code (either GBP, USD or EUR)	String	Required
Returns	Time-weighted return for this month (net of fees)	Numeric	Required
Cash	The asset allocation breakdown for this portfolio or model/mandate. Note that Alternatives include Hedge Funds. Other Asset includes Property and Commodities. Must sum to 100% +/- 1%	Numeric	Optional
Equities			
Fixed Income			
Alternative			
Other Asset			
GBP	The currency allocation breakdown for this portfolio or model/mandate. You may omit any currencies columns that are not applicable. Must sum to 100% +/- 1%	Numeric	Optional
USD			
EUR			
JPY			
HKD			
CHF			
SGD			
ZAR			
CAD			
AUD			
NZD			
SEK			
Other Currency			

Appendix B – Mapping Portfolios

Portfolios	Mandates	MPI Risk Category
Portfolio 1	Defensive	LOW
Portfolio 2		
Portfolio 3		
Portfolio 4	Cautious	
Portfolio 5		
Portfolio 6		
Portfolio 7	Balanced	MEDIUM
Portfolio 8		
Portfolio 9		
Portfolio 10		
Portfolio 11		
Portfolio 12		
Portfolio 13		
Portfolio 14	Growth	HIGH
Portfolio 15		
Portfolio 16		
Portfolio 17		
Portfolio 18		
Portfolio 19		
Portfolio 20		
Portfolio 21	Adventurous	
Portfolio 22		

MPI do not 'bucket' portfolios by risk. Instead, it is up to the manager to group their portfolios into the mandates which reflect the broad strategic asset allocation that they follow. In the example above, the manager runs five mandates and has grouped the portfolios by the mandate they follow. MPI will then calculate the performance and risk for each of these mandates. MPI will assign each mandate to a particular MPI risk category based on its overall volatility and drawdown profile.

The approach means that MPI produced performance numbers for managers based on the models/mandates that a manager run rather than enforce their own risk ranges when grouping portfolios. It also means that the constituents of a particular mandate are consistent in that portfolios do not jump from one 'risk bucket' to another based on their historic volatility. Whilst a manager may of course move a portfolio from one mandate to another this would be based on a change in the agreed strategy of the portfolio rather than historical performance.