MPI

STEP
ADVISING FAMILIES ACROSS GENERATIONS

DATA SUBMISSION GUIDELINES (MPI)

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 data. Category C data is not used in the index calculation.

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

- Fund/MPS performance.
- A composite that conforms to our calculation principles below.

RISK CATEGORIES

The manager is free to choose the appropriate risk category for each of their mandates by exercising their judgement of ex-anti risk. MPI will not move a mandate but will monitor the ex-post risk and will inform the manager if the mandate systemically falls outside of the criteria below. MPI reserves the right to exclude mandates which systemically fall outside of their designated risk category.

The risk categories are as follows:

- **LOW RISK** – Suitable for risk averse, with potentially a shorter-term investment horizon of 3 years or less. Portfolios within this risk profile should exhibit annualised volatility of under 6% and should not suffer a drawdown of more than 10%.
- **MEDIUM RISK** – Suitable for medium risk investors, with potentially a medium-term investment horizon of between 3 and 10 years. Portfolios within this risk profile should exhibit annualised volatility between 6% and 10%, and should not suffer a drawdown of more than 20%.
- **HIGHER RISK** – Suitable for higher risk investors, with potentially a longer-term investment horizon in excess of 10 years. Portfolios within this risk profile should exhibit annualised volatility of more than 10% and may suffer a drawdown of more than 20%.

HOW TO APPLY & CONTACTS

General Enquiries

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Reports / Submissions

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Enhance MPI Limited, registered in Jersey with company number 109905
Registered office: 2nd Floor, 2 Hill Street, St Helier, Jersey, JE2 4UA

ELIGIBLE PORTFOLIOS

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

A: 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

B: 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** with a minimum of 20 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.

CALCULATION PRINCIPLES

Time Weighted Returns (TWR)

$$R_t = \frac{V_t - V_t + O_t - I_t}{V_{t-1}}$$

where:

R_t	time weighted return for period t.
V_t	portfolio value at the end of period t.
V_{t-1}	portfolio value at the end of period t-1.
O_t	sum of the out-flows in the period t.
I_t	sum of the in-flows in the period t.

In-flows may include items such as additional capital introduced into a portfolio. Out-flows can include items such as distributions out of the portfolio (capital or income payments).

ADDITIONAL CONSIDERATIONS

The impact of inflows and withdrawals should be addressed when calculating performance by the use of time-weighted rates of return or approximations of such to eliminate the impact of large cash movements (where the definition of 'large' is determined by the investment manager's in-house policy).

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 one calculated from the equally 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.

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