



Scorecard System™ Methodology

Evaluation Criteria Cheat Sheet



Analytic	Applicable Investment	Explanation	How it Passes
“Style” Style Analysis	Core Asset Classes	Whether the investment reflects the professed style characteristics of a fund over a period of time. Numerator is value-to-growth and denominator is small-to-large cap. Zero is blend and mid for purposes of reference.	Funds pass if falls within professed quadrant.
“Style Drift” Style Drift Analysis	Core Asset Classes	Determines if investment exhibits consistent style over multiple rolling periods of time. Analytic is aggregate distance from style average.	Investments generally pass if analytic is < 20. Blends and mid cap pass if analytic is < 25.
“R² > 80%” R-Squared	Core Asset Classes & Asset Allocation Portfolios	Determines whether appropriate benchmark is being used to measure the investment.	<ul style="list-style-type: none">• Core asset class pass if R² is > 80%.• Asset allocation portfolios the R² must be > 90%.
“Risk/Return” Risk/Return Analysis	Core Asset Classes & Asset Allocation Portfolios	Compares the absolute risk and return of the fund vs. the benchmark.	Funds pass by taking less risk or producing a strong return than the benchmark.
“Up>Down” Up/Down Capture	Core Asset Classes & Asset Allocation Portfolios	Determines whether the investment captures more gain in a positive market than loss in a negative market.	Numerator must exceed denominator for investment to pass.
“IR: Positive” Information Ratio	Core Asset Classes & Asset Allocation Portfolios	Measures the relative risk and return of the investment compared to the benchmark.	Investment must have a positive IR to pass.
“Returns: >50%” Returns Peer Group Ranking	Core Asset Classes & Asset Allocation Portfolios	Determines ranking of investment's return among peer group of investments.	Investment passes if ranked in the top 50 th percentile (lower number indicates better ranking).
“IR Rank: >50%” Information Ratio Peer Group Ranking	Core Asset Classes & Asset Allocation Portfolios	Determines ranking of investment's risk adjusted excess return among peer group of investments.	Investment passes if ranked in the top 50 th percentile (lower number indicates better ranking).
“Qual. /2” Qualitative Analysis	Core Asset Classes & Asset Allocation Portfolios	Investment may be awarded 1 or 2 points based on combination of criteria.	<ul style="list-style-type: none">• Manager > 1½ years tenure =1 point• Manager > 3½ years tenure = 2 points• For a fund to be awarded full 2 points its expense ratio must be below Morningstar average for asset class.
“Risk Level” Risk Level Analysis	Asset Allocation Portfolios	Determines the category in which the investment is analyzed.	Passes if standard deviation falls within specified range of professed category.
“Style Diversity” Style Diversity Analysis	Asset Allocation Portfolio	Determines whether investment is properly diversified among four major asset classes (cash, fixed income, U.S., and international equity).	Investments diversity must fall within appropriate percentage ranges in each of the four major asset classes for the professed risk category.

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