



RCP & Partners

Fiduciary Rating of asset managers: the investor's measure of trust

**Fiduciary Rating services
for asset management organisations**



THE RCP GROUP

RCP & Partners provides specialised high-value-added services to financial institutions. Specifically, it has developed the world's first **Fiduciary Rating** methodology for rating and monitoring asset management organisations through application of a standardised process.

Supported by an international network of financial media relationships and a broad distribution platform, we provide asset management businesses with **finely-targeted exposure** through dissemination of our ratings to institutional investors and their advisers, especially in Europe.

RCP & Partners is the world's leading and most effective Fiduciary Rating agency for asset management organisations because -

- ◆ It is the originator of risk ratings for asset management companies
- ◆ It has completed by far the largest and most diverse range of ratings
- ◆ It employs multi-lingual analysts with extensive industry experience
- ◆ It offers direct and wide distribution to professional investors



RCP FIDUCIARY RATING

. . . . more complete measurement of risk.

Fiduciary Rating measures the risk taken by investors when they entrust assets to third parties for management. It is a professional evaluation of, and opinion on, the stability of an asset management organisation and the sustainability of its investment performance. The rating is based on both quantitative and qualitative assessment, providing improved screening and risk control tools to professional investors.

Past performance is no guarantee of future returns and reveals little of the real risks in an asset management company, which lie in the quality of a firm's people, organisation, processes, and total risk management. Fiduciary Rating recognises that a manager's primary requisite for effective risk control is an appropriately risk-conscious and ethical culture. The emphasis on structure and process recognises that the client's greatest risk, when entrusting assets to third parties, is related to structure, governance, culture, ethics, transparency, and related factors. Such endogenous elements subsume market and other exogenous risk factors, to the extent that these structural risks are, in practice, more predictive than past performance of the sustainability of portfolio returns.

The difference between fiduciary and credit rating

Fiduciary Rating broadly resembles credit rating in its method and its due diligence process, but the risks measured are very different. Credit rating assesses the risk of default by a borrower. Fiduciary Rating evaluates the risk of **fiduciary failure** and/or financial loss to which an organisation may expose its clients, and also assesses the organisation's ability to protect and enhance the assets entrusted to its care. It is, therefore, a measure of **trustworthiness** rather than of creditworthiness.



RCP FIDUCIARY RATING

. . . . four powerful tools for the rated manager.

1. REASSURANCE FOR CLIENTS

RCP Fiduciary Rating provides investors with analysis of the core sources of risk when entrusting assets to investment management organisations.

Ratings are constantly monitored and help investors anticipate the impact of changes occurring, or likely to occur, in an organisation.

2. A MANAGEMENT TOOL

In identifying and quantifying strengths and weaknesses, Fiduciary Rating provides benchmarks and guidelines for the better development of an asset manager's business, investment procedures, and controls to the best standards of international practice.

3. A MARKETING TOOL

RCP Fiduciary Rating provides an asset management firm with –

a competitive edge in the market for institutional clients
wider access to institutional investors.

In order to facilitate this better access to investors, RCP & Partners has developed a wide distribution and publicity network -

Ratings are notified to 1,000 European institutions.
Press releases target selected leading financial publications.

4. A BENCHMARK

RCP Fiduciary Rating is an international benchmark for a manager's -

service to clients
transparency and trustworthiness
compliance and ethics
capital adequacy
risk management.



RCP FIDUCIARY RATING

... fine-tuning the measurement of risk.

The RCP Fiduciary Rating methodology is based on evaluation of 50 principal risk criteria.

50 PRINCIPAL RISK CRITERIA

Management

Organisation

Group Structure
Company Structure
Business Networks
Financials
Competitive Position
Strategy

Personnel

Remuneration
Training
Corporate Culture

Team

Education & Experience
Balance
Succession
Turnover

Controls

Independent Directorate
Separation of Functions

Clients

Marketing & Sales

Marketing
Performance Presentation
Sales
Distribution
Strategy

Products & Services

Products
Online Services
Advisory
Product Development

Client Care

Reporting
Consultancy

Production

Processes

Investment
Research
Implementation
Execution
Back Office
Track Record
Process Development

Team

Education & Experience
Balance
Succession
Turnover

Controls

Account Guidelines
Performance
Risk

Infrastructure

IT

IT Infrastructure
Data Organisation
Back-up Procedures
Security
Support
Development

Processes

Risk Management
Internal Audits
Compliance
Counterparty Selection



RCP FIDUCIARY RATING

... the Nine Steps.

1. Signature of Rating Agreement Appointment of Liaison Officer (LO) by Rated Party		
D I S C O V E R Y	2. Briefing on the rating process a. Timetable for the rating b. Explaining the process c. Establishing lines of communication 3. Supply of due diligence data a. Required documents b. Questionnaire	
	* <i>Meeting with LO</i> * <i>LO delivers documents and questionnaire electronically and in hard copy</i>	
	4. Analysing due diligence data a. Preparing questions for interviews b. Preparing Rating Report tables/ graphics	I N T E R V I E W S
	5. Visits and interviews a. Arranging interviews through LO b. Delivering follow-up questions to LO c. At least six discrete on-site interviews d. Tour of Rated Party's office	
	* <i>Meetings set according to needs and availability, in one or more sessions</i> * <i>CEO/ CIO/ heads of marketing, administration, compliance, dealing/ others as required</i>	
B I A S C O N T R O L	6. Review by Rated Party a. Delivery of Report's factual content to LO b. Rated Party review of factual content c. Delivery of corrections/ comments to RCP 7. Review by RCP a. Receipt of comments from LO b. Final draft of Rating Report c. RCP internal review of Rating Report d. Rating Committee approve Rating Report	* <i>Steps 6 and 7 minimise bias, maximise accuracy</i> * <i>Follow-up exchanges with Rated Party</i> * <i>Review by analyst in remote RCP office</i>
	8. Presentation to Rated Party a. Explanation of the Rating b. Review of rating on all key criteria c. Analysis of Strengths & Weaknesses d. Questions and answers	B R O A D C A S T
	9. Broadcasting the rating a. Issue of press release b. Press conference c. Rating sent to 1,000 European contacts	
	* <i>Press release - English, German, or French</i> * <i>RCP Senior Analyst explains Rating</i>	



RCP FIDUCIARY RATING

... targeted promotion and distribution.

From an early stage, RCP & Partners has recognised that good communications, allied to continuous and interactive relationships with asset consultants and professional investors, are crucial to any widespread embrace of Fiduciary Rating by asset management companies.

MEDIA RELATIONSHIPS

A key element in this has been the development of close formal and informal relationships with leading financial newspapers and journals, resulting in over 200 press references to RCP & Partners and Fiduciary Rating over the last five years. Included among these relationships are *Handelsblatt*, various publications of the *Financial Times* group, *Pensions & Investments*, and *Investment & Pensions Europe*.

WEBSITE

Our website - www.rcp-partners.de - is also a highly effective distribution platform for ratings. One of our recent Rating Reports has been downloaded more than 2,500 times in the three months following publication.

DIRECT DISTRIBUTION

Most importantly, RCP & Partners has developed a database of investors that is especially strong on institutions in Europe. It covers some 1,000 organisations, particularly retirement schemes, to which non-confidential summaries of Rating Reports are e-mailed regularly. The database is regularly updated and expanded through both direct contact with individual institutions and our periodic industry surveys.



RCP FIDUCIARY RATING

... experienced.

RCP & Partners has completed over 70 ratings on 49 asset management companies in 10 countries. The ratings cover both mainstream and alternative asset classes - active, passive, hedge, traditional equity, traditional fixed-income, private equity, venture capital, etc. Since the start of 1999, the following 27 ratings have been completed -

Year	Name of firm	Size*	Country	Asset class rated
1999	Aberdeen Asset Management Asia Ltd	1,600	Singapore	Asian equities
	Special Assets Ltd	43	Hong Kong	Asian equities
	ABF Capital Management SA	1,130	France	European equities/ bonds
	Adveq Management AG	165	Switzerland	US & European PE/ VC
	AIG Global Inv'ment Corp (Switzerland) AG	1,673	Switzerland	European equities/ bonds
	BFT Gestion SA	3,430	France	European equities/ bonds
	Scottish Value Management Ltd	1,007	UK	Long/ short European equities
	Les Placements T.A.L. (Europe) SA	600	Switzerland	European equities
	TT International Ltd	337	UK	Long/ short European equities
2000	AIG Investment Corporation (Asia) Ltd	26,400	Hong Kong	Asian equities
	Arisaig Partners Ltd	388	Singapore	Asian equities
	Credit Agricole Asset Management (Asia) Ltd	2,800	Hong Kong	Asian equities
	Lloyd George Management Ltd	2,370	Hong Kong	Asian equities
	Schroder Investment Management (HK) Ltd	4,100	Hong Kong	Asian equities
	Adveq Management AG	381	Switzerland	US & European PE/ VC
2001	Dresdnerbank Investmentgruppe	80,513	Germany	Global equities/ bonds
	Nordea Investment Management	62,152	Denmark	European equities/ bonds
	Adveq Management AG	608	Switzerland	US & European PE/ VC
2002	OBC Gestion SA	1,890	France	European equities/ bonds
	Raiffeisen KAGmbH	19,912	Austria	Global equities/ bonds
	Adveq Management AG	778	Switzerland	US & European PE/ VC
	Value Investments Peru SA	10	Peru	Peruvian venture capital
	Erste Sparinvest KAGmbH	15,430	Austria	European equities
	Delta Lloyd Investment Managers GmbH	3,876	Germany	European equities/ bonds
	DWS Investment GmbH	77,594	Germany	European equities/ bonds
	UBS Global Asset Management Germany	3,968	Germany	Global equities
Fortis Investment Management SA	79,400	Belgium	European equities/ bonds	

* In EUR millions



RCP FIDUCIARY RATING

..... independent and professional.

RCP & Partners has three offices - RCP & Partners GmbH in Germany, RCP & Partners SA in Switzerland, and a representative office in London.

We have no inherent conflicts of interest. We neither manage third-party assets nor provide consulting services. Our revenues come entirely from rating fees paid by managers and research sales to institutions and advisers.

Our professionals are from asset management backgrounds. True industry peers, therefore, they provide experienced inside knowledge of this widely-misunderstood business. In Germany, they are -

- **Dr. Frank Wehlmann** (born 1958, German) is CEO of RCP Germany. He has an LL.D. from Johannes Gutenberg University and began his career in 1988 with DG Bank, Frankfurt. In 1990, he joined the insurance division of Deutsche Bank, specialising in corporate pensions. In 1992, he joined DBV-Winterthur, a leading insurance group, in a similar role. He moved to Helaba Invest in 1996 as head of marketing/ sales, particularly for *spezialfonds*. He joined RCP in September 1999 and speaks German and English.
- **Dr. Uwe Kern** (aged 36, German) is chief analyst at RCP Germany. He has a PhD in Mathematics from Würzburg University, Germany, and a CEFA/ Investmentanalyst designation from DVFA. After a period on the scientific staff at Würzburg University, he joined Commerzbank, Frankfurt, in 1994 as an equity derivatives analyst for proprietary trading. He then moved to equities analysis in the asset management division, becoming a senior bonds and currencies analyst in 1997, with responsibility for credit research and quantitative modelling. He joined RCP in October 1999 and speaks German and English.
- **Dr. Eckhard Weidner** (German, aged 34) joined RCP Germany as a rating analyst in June 2002. After taking degrees in computer science, finance, and operations research at the universities of Augsburg and Southampton, he gained a PhD in applied mathematics, statistics, and finance at Trier University. He worked in academic research and lecturing, then joined Deutsche Bank, Frankfurt, in 1997, working on project research and analysis, especially business and administrative processes. He speaks German, English, and Spanish.
- **Matthias Brudler** (born 1969, German) is a rating analyst at RCP Germany. He has a Business/ Economics degree from Augsburg University and began his career in 1996 with a Munich-based subsidiary of Pioneer Group, Boston, specialising in marketing research. He joined RCP in March 2000. He speaks German and English.
- **Shane Norman** (born 1946, British) is RCP's chief rating officer and UK Representative. He has an MA in Modern History from Oxford University. He began his career in 1968 at James Capel, stockbrokers, in London (now HSBC Securities), becoming a director of the Hong Kong office in 1978. In 1982, he became investment director of N.M. Rothschild & Sons, Hong Kong. In 1988, he was made CEO of Pierson, Heldring & Pierson (Hong Kong) Ltd, a universal banking unit of ABN-AMRO, but now part of Fortis and known as MeesPierson. In 1992, he established his own Hong Kong firm to advise European managers on their Asian business strategy. He helped to found RCP & Partners in 1996.



RCP FIDUCIARY RATING

... contact us in Europe for more information.

IN THE UNITED KINGDOM

RCP & Partners SA
- UK Representative Office
3, Ennismore Gardens
LONDON SW7 1NL

Tel/ fax: (44-20) 7581-1500
E-mail: shane.norman@rcp-partners.com

IN GERMANY

RCP & Partners GmbH
Abraham Lincoln Strasse 7
65189 WIESBADEN

Tel: (49-611) 9742-100
Fax: (49-611) 9742-200
E-mail: frank.wehlmann@rcp-partners.de

IN SWITZERLAND

RCP & Partners SA
109, Pont-du-Centenaire
Plan-des-Ouates
CH-1228 GENEVA

Tel: (41-22) 884-1450
Fax: (41-22) 884-1455
E-mail: robert.pouliot@rcp-partners.com

WEBSITE

(German/ English)

www.rcp-partners.de