

### Fi360 Fiduciary Score®

In 2017, the Center for Financial Planning & Investment (CFPI) completed a study that evaluated the Fi360 Fiduciary Score® (Score) and the performance of investments that scored well in the Fi360 Fiduciary Score® methodology. Their evaluation of the Fi360 Fiduciary Score® concluded that the funds identified by a Fi360 Fiduciary Score® in the best quartile “Green” tended to have higher returns and lower levels of risk than the other quartiles. As a result, these “Green” funds tended to have some of the highest return to risk ratios. The CFPI study found that the Fi360 Fiduciary Score® has statistically significant content and is useful as part of a mutual fund portfolio construction process.

#### Nine Criteria Used In Fi360 Fiduciary Score®

1. Regulatory oversight
2. Minimum track record of at least three years
3. Stability of the organization
4. Assets in the investment of at least \$75 million
5. Composition consistent with asset class
6. Style consistency which is highly correlated to the asset class
7. Expense ratio/fees relative to peers
8. Risk-adjusted performance relative to peers
9. Performance relative to peers

The Fi360 Fiduciary Score® is a peer percentile ranking of an investment against a set of quantitative due diligence criteria selected to reflect prudent fiduciary management. The Fi360 Fiduciary Score® is calculated on a monthly basis for mutual funds and exchange-traded funds (ETFs) with at least a three year history. The factors and thresholds used in the Fi360 Fiduciary Score® calculation are listed in the table.

### Results

The CFPI study was published under the title “Analysis of Fi360 Fiduciary Score: Red is STOP, Green is GO.” In the report, economists affiliated with the Center for Financial Planning & Investment (CFPI) analyzed the observed relationship between the “color groups” of the Fi360 Fiduciary Score® as predictors of future outcomes, and confirmed that the top groups—“Green” and “Light Green”—consistently provide better results than the other averages and categories in several dimensions. The first and second quartiles of the one-, three- and five-year average Score, “Green” and “Light Green”, demonstrated higher median returns when looking at one-, three- and five-year future annualized returns. They also exhibited higher median annualized return to standard deviation ratios over the same one-, three- and five-year forecasting horizons.

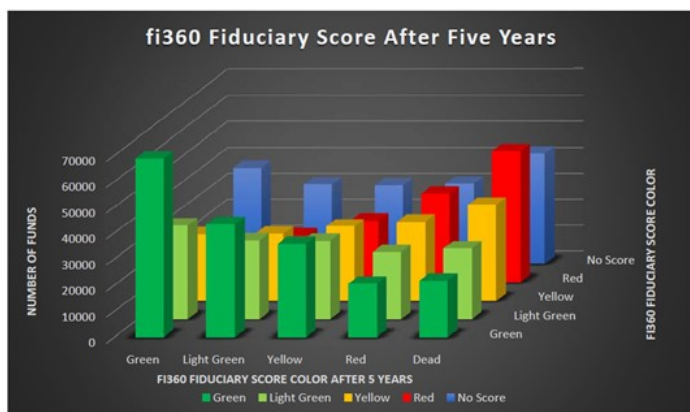


Figure 33 Stability Analysis of Fi360 Fiduciary Score® After Five Years

Phillips, G.M. & Nazarian, D. (2017, January 27). Analysis of Fi360 Fiduciary Score®: Red is STOP, Green is GO, Evaluation of Fi360 Fiduciary Score®, Center for Financial Planning & Investment.

### Conclusion

The CFPI study concluded that the use of the Fi360 Fiduciary Score® helps to “effectively identify mutual funds to consider because of their higher probabilities of risk-adjusted return and long term presence in the marketplace” and that the Fi360 Fiduciary Score® can also be used to avoid mutual funds with higher probabilities of poor risk-adjusted performance. They recommend that an initial screen for due diligence on mutual funds is to use the Fi360 Fiduciary Score® as an initial screen to identify funds for inclusion and also funds to avoid. They instruct us that “Red is STOP and Green is GO.”

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