

# PMSinfo Key Investor Information

## Introduction

The EU Directive 2009/65/EU for Undertakings for Collective Investments in Transferable Securities IV, shortly referred to as **UCITS IV**, needs to be transposed into national law by the summer of 2011. One of the directives, that must be met in the implementation of **UCITS IV** and that comes into effect on 1 July 2011, is the provision of the **Key Investor**

**Information Document (KIID)** for the investor. As **KIID** is a legally binding document, it must be ensured that all data required for this purpose are consistently made available. In the KIID value chain, much-net AG is located at the point of required financial calculations. The full documents can be provided in cooperation with a partner.

much-net AG offers with its financial standard software **PMS** (Portfolio and Risk Management System) "made in Germany"

- PMS KII module
- required financial calculations and analyses for the KII (Past Performance, Synthetic Risk and Reward Indicator (SRRRI), Performance Scenarios, etc.)
- SRRRI monitoring
- consulting services
- outsourcing services based on **PMS**
- the full KIID document with a partner.

## Quality of Data and Results

much-net offers with **PMS** a range of possibilities to track data flows, data quality, data plausibility, result plausibility during processes of KIID calculations:

- Logging files of interfaces to monitor data interface activities
- Error / warning files of interfaces to trigger exception handling
- Bloomberg request and reply files, enable Bloomberg communication monitoring
- **PMS** time series quality checks producing quality information files
- **PMS** batch execution trails to monitor **PMS** batch calculation runs
- **PMS** change log for parameter and value modifications
- **PMS** message log with messages, warnings, errors produced during calculations
- **PMS** activity log to track sequences of user and system activities
- View of intermediate results and drill-downs in the system and in reports
- Archiving and historisation concepts for reproducibility
- Historicised input data and result data
- Plausibility checks and change monitoring for result data such as SRRRI or performance
- Etc.

## Supported Fund Types

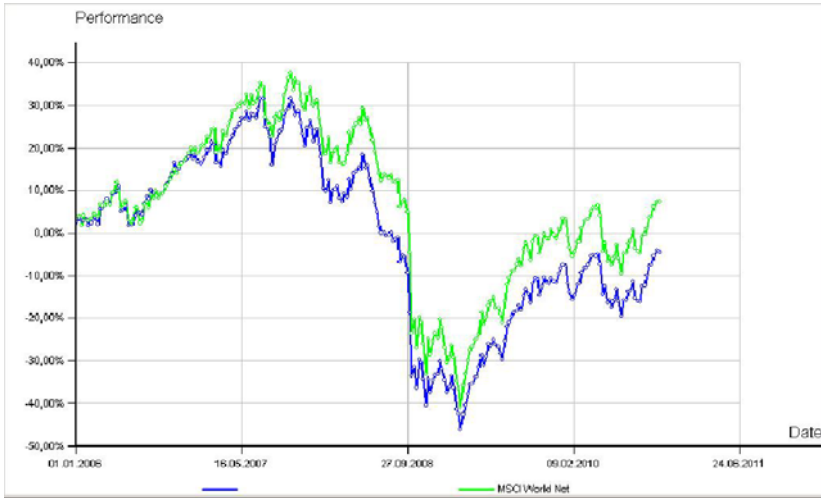


Figure 1: Performance Time Series of a Market Fund

- Market Funds
- Absolute Return Funds
- Total Return Funds
- Life Cycle Funds
  - mass production
  - high automatization
- Structured Funds
  - consulting
  - tailored solutions

## KIID Key Figures (Past Performance and SRRI)

### Past Performance

- for Funds and
- Benchmarks
- regarding income
- over 5 or 10 years

The calculations comply with the requirements and the PMS Past Performance module allows for a flexible parameterisation and handling of exceptional situations.

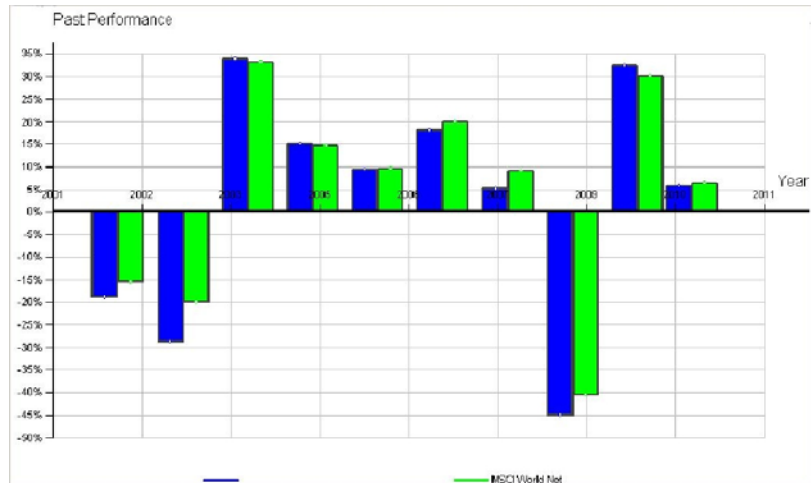
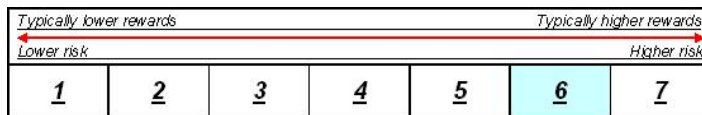


Figure 2: Past Performance Bar Chart



Risk Class	equal or above	less than	SRRI
1	0,00 %	0,50 %	
2	0,50 %	2,00 %	
3	2,00 %	5,00 %	
4	5,00 %	10,00 %	
5	10,00 %	15,00 %	
6	15,00 %	25,00 %	X
7	25,00 %	100,00 %	

Figure 3: Example of a fund that would fall into category 6

### Synthetic Risk and Reward Indicator (SRRI)

The SRRI is in essence a number between 1 and 7 which will allow investors to assess the risk applicable to a potential investment in a fund. The volatility is obtained from reverse-engineering of Value-at-Risk figures where required in case of strategy funds with risk limits.

## Structured Funds

UCITS which provide investors, at certain predetermined dates, with algorithm-based payoffs that are linked to the performance or to the realisation of price changes or other conditions, of financial assets, indices or reference portfolios are called „Structured Funds“.

„Structured Funds“ are the most challenging fund for the production of KIID result figures.

The synthetic risk and reward indicator for structured funds can be calculated with **PMS** by

considering the annualised volatility corresponding to the Value-at-Risk based on historical simulation.

KIID calculations, especially Performance Scenarios, and corresponding outsourcing services for the Structured Funds

require tailored consulting, modelling and data approaches — as opposed to industrial mass production for market funds or strategy funds.

The screenshot shows the PMS Formula Editor with the following details:

- Function ID: Average
- Currency: EUR
- Formula Editor content:
 

```
min
(
(
X1[Paydate] / X1[Fixdate] - 1 +
X2[Paydate] / X2[Fixdate] - 1 +
X3[Paydate] / X3[Fixdate] - 1
) / 3;
9%
)
```
- Table below the editor:
 

ID	Number	Index Type	Index 1 ->	Index 2
Average	X1	ST-Index	DAX	
Average	X2	ST-Index	SPX	
Average	X3	ST-Index	UKX	

Figure 4: Calculation of performance average of the indices DAX, SPX (S&P 500) and UKX (FTSE 100). The growth of the average is capped at 9%. The PMS formula editor is a powerful and flexible feature which can be used to model structured funds.

## Deliverable Results

Results based on **PMS** can be delivered as part of a much-net KIID calculation service in customer-tailored formats:

- CSV
- XML
- further formats

The delivered files include figures accompanied by notes and administrative information as well as quality information.

much-net offers a **full service package** which includes consulting, the delivery of result figures with remarks and, upon request, result graphics.

Although the structure and length of a KIID are mandated, the customer is still free to use the design elements described in the CESR regulations.

Therefore the details of the delivery are flexible and can be discussed and customer-tailored by much-net.

**PMS** is available as in-house installation or KIID results can be calculated and delivered by much-net as a calculation service based on **PMS**.

Full KII Documents can be provided in cooperation with a much-net partner.

## SRRRI Monitoring

- Full SRRRI monitoring by PMS KII module
- SRRRI monitoring also in outsourcing service
- Rules according to CESR, ALFI, etc.
- 4 months monitoring period
- Detailed results per share class
- Deliverable in different formats
- Early warning before mandatory KIID revision

End Date	Start Date	Volatility	Risklimit	SRRRI	SRRRI Revision	Monitored SRRRI	Most SRRRI	Count of most SRRRI
29.10.2010	29.10.2005	5,146635 %	N/A	4	No	3	4	12
22.10.2010	22.10.2005	5,146890 %	N/A	4	No	3	4	11
15.10.2010	15.10.2005	5,139554 %	N/A	4	No	3	4	10
08.10.2010	08.10.2005	5,125198 %	N/A	4	No	3	4	9
01.10.2010	01.10.2005	5,124918 %	N/A	4	No	3	4	8
24.09.2010	24.09.2005	5,121709 %	N/A	4	No	3	4	7
17.09.2010	17.09.2005	5,118766 %	N/A	4	No	3	4	6
10.09.2010	10.09.2005	5,115532 %	N/A	4	No	3	4	5
03.09.2010	03.09.2005	5,088021 %	N/A	4	No	3	4	4
27.08.2010	27.08.2005	5,086507 %	N/A	4	No	3	4	3
20.08.2010	20.08.2005	5,084990 %	N/A	4	No	3	4	2
13.08.2010	13.08.2005	5,065158 %	N/A	4	No	3	4	1
06.08.2010	06.08.2005	5,064061 %	N/A	4	Yes	3	3	13
30.07.2010	30.07.2005	5,046026 %	N/A	4	No	2	3	13
23.07.2010	23.07.2005	5,031099 %	N/A	4	No	2	3	13
16.07.2010	16.07.2005	5,030534 %	N/A	4	No	2	3	13

Subportfolio/Instrument Name	Instrument Type	Currency	Start Date	KII Type	KII Reference	KII Risklimit (Vol)	KII Risklimit (VaR)	KII SRRRI Last Revision	KII SRRRI Last Value
	Fund	USD	01.01.2000	MARKET FUND					
	Fund	USD	22.01.2007	MARKET FUND	986615 MRI			07.02.2011	5
	Fund	USD	13.01.2006	TOTAL RETURN FUND			20%		
	Fund	EUR	18.06.2007	ABSOLUTE RETURN FUND	MSCI Mix	10%		31.01.2011	4

## Data Completion Scenarios

- If past data are insufficient
- Different scenarios for data completions
- Benchmark mix, different benchmarks
- What-if and sensitivity analysis

## Legal References for KIID Practitioners (Framework)

The following documents are references for the implementation and maintenance of the KIID results:

### Directive 2009/65/EC

Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS)

### EU Regulation 583/2010

Commission Regulation (EU) No 582/2010 of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards key investor information and conditions to be met when providing key investor information or the prospectus in a durable medium other than paper or by means of a website

### CESR/09-949

CESR's technical advice to the European Commission on the level 2 measures related to the format and content of Key Information Document disclosures for UCITS (28 October 2009)

### CESR/10-673

CESR's guidelines on the methodology for the calculation of the synthetic risk and reward indicator in the Key Investor Information Document (1 July 2010)

### CESR/10-530

CESR's level 3 guidelines on the selection and presentation of performance scenarios in the Key Investor Information document (KII) for structured UCITS (24 March 2011, still in consultation stage)

### CESR/10-532

A guide to clear language and layout for the Key Investor Information document (KII) (24 March 2011)

Further information under

**ESMA (European Securities and Markets Authority) formerly CESR (Committee of European Securities Regulators)**

[http://ec.europa.eu/internal\\_market/investment/investor\\_information\\_en.htm](http://ec.europa.eu/internal_market/investment/investor_information_en.htm)

**ALFI (Association of the Luxembourg Fund Industry)**

<http://www.alfi.lu/setting-fund-luxembourg/investment-funds/ucits-funds>

**CESR Committee of European Securities Regulators:**

[www.cesr.eu](http://www.cesr.eu)

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