

# Proprietary Fund Scoring

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# Little House Capital 401k Lineup – Proprietary Fund Scoring

## The key to providing superior investment lineups and fulfilling your fiduciary duty

### Overview

- Our proprietary fund scoring is used to compare individual funds, within the investment lineup, relative to its respective peer group.
- This scoring methodology takes into account only quantitative information.

### What is the purpose of the fund scoring?

Little House Capital uses this scoring process to help guide recommendations for the fund lineup. We conduct this scoring review every quarter in conjunction with qualitative analysis in order to ensure proper fiduciary oversight of the plan. In addition, we compare the current quarter scores for the funds to the previous score to highlight the change in scoring.

### How does the scoring methodology work?

Each fund is scored on a scale of 0-10 and, based on that score, put into a category decile. The scores are also matched to a color, with red equivalent to 0 and green equivalent to 10. The main factors that are taken into account for each score are performance, consistency, expense, risk, and volatility. Performance is the largest factor when determining a score. However, we put a premium on funds that have better risk controls and low volatility.

### What are the specific weightings to the scoring factors?

- Performance: 50% Weight
  - Consistency of Returns: 20% Weight
  - Risk & Volatility: 20% Weight
  - Expense: 10% Weight
- All metrics are judged in relation to peers

### If a fund has a score less than 4.5 is that an automatic sell?

A fund with a low score does not necessarily need to be sold or removed from the lineup. However, that fund deserves a deeper review in order to determine the cause and potential for a further slide. The fund scores should be used in conjunction with qualitative analysis to determine a sell or removal from a lineup.

### How do you create the fund categories?

The fund categories are based on data pulled from Bloomberg. Within Bloomberg we have created fund screens that group the funds based on market cap, style, geographic focus, and asset class. In addition we only include funds with at least \$100 million in assets under management.

### Who is the target audience for this report?

This fund scoring report is designed to be used by the investment advisor and plan sponsor use only. We do not recommend distributing to plan participants.

# Important Disclosures

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