What is takes to be a Superior Rated Managed Account – and Why it Matters

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SQM Research - Rating Mission

SQM's mission is to **identify quality managers and investment opportunities** through its rating process.

SQM offers a **full rating service** across **all** asset classes.

Utilising a rigorous and objective approach, SQM allocates star ratings that represent **informative opinions on fund manager competencies**.

SQM high star rated funds have the strong foundations necessary to **provide superior outcomes** to adviser clients.

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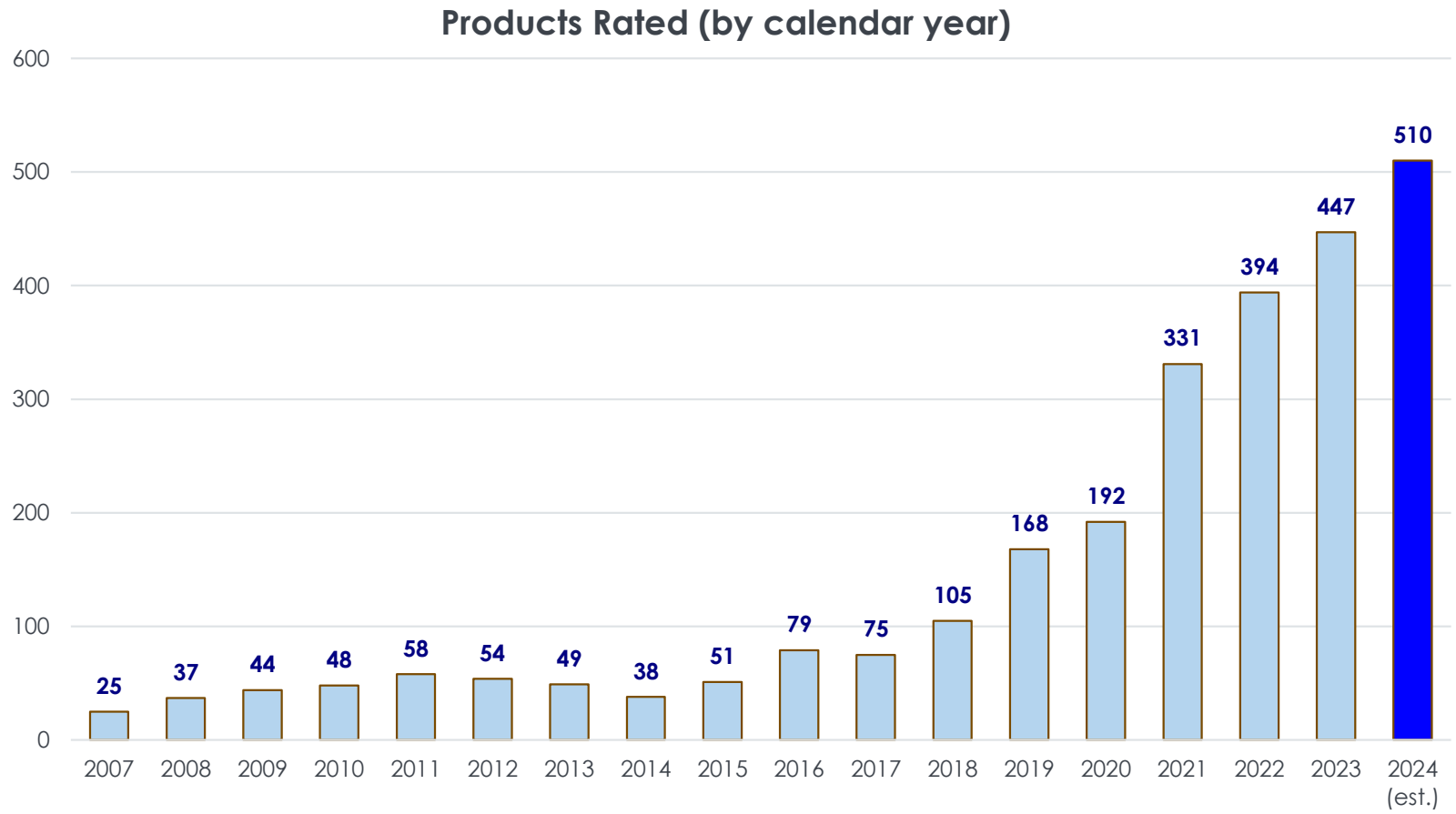
Growth in Fund Coverage



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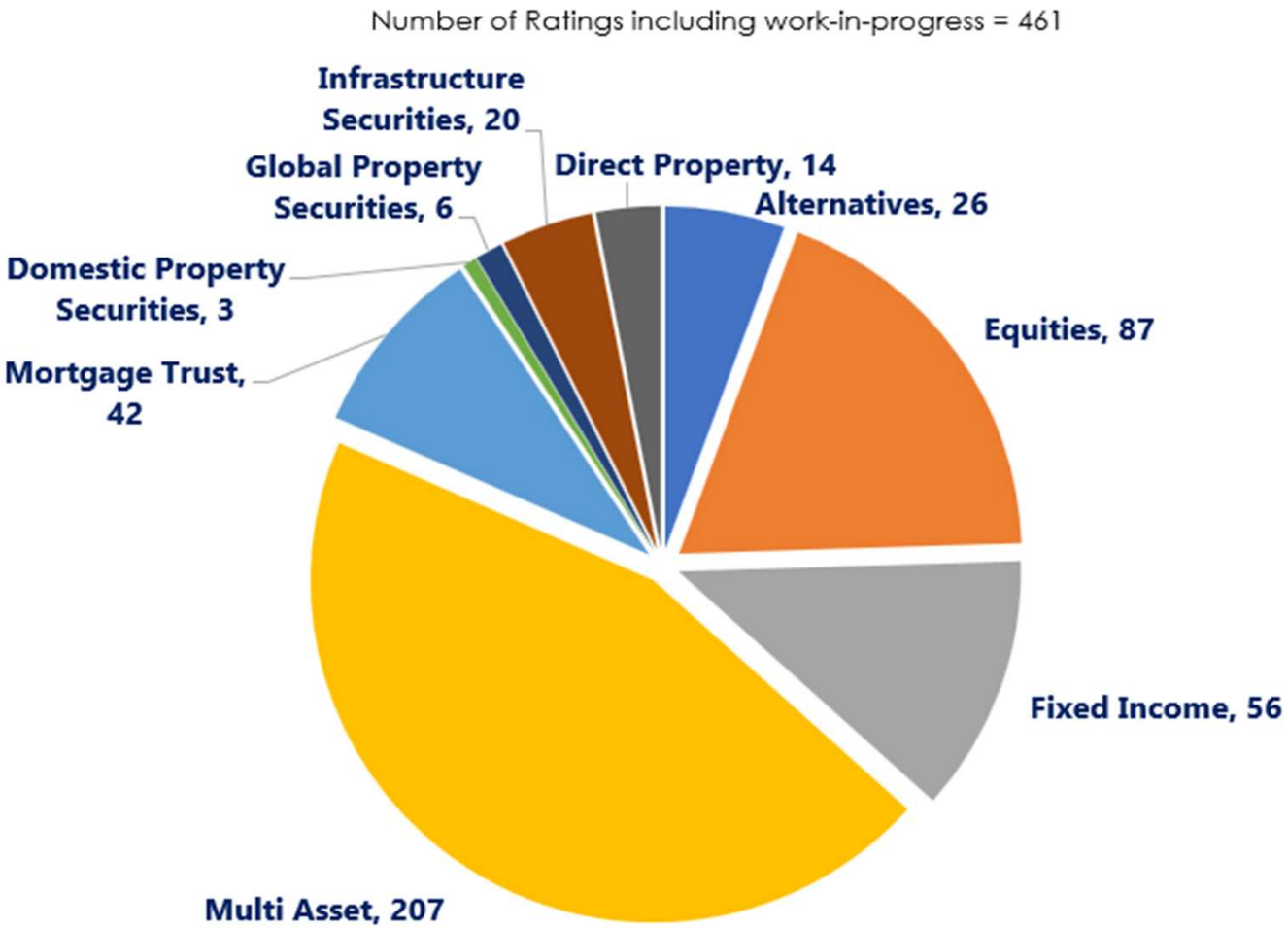
Current Coverage



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Rating Process

1. Pre-Review meeting

Informal meeting up to an Hour to ascertain initial understanding of fund manager and product

2. SQM Contract

Rating Contract signed and invoice sent to fund manager

3. Pre-Meeting Analysis

Questionnaire & Data Template | PDS, Constitution, FSC, Financial Reports, Compliance plan audit | Attribution

4. Manager Review

Up to 3 hour meeting | Key Staff – Prortfolio Managers, Analysts, Executive Management

5. Post review analysis

Review of Business, People, Process and Performance | Internal discussion and debate

6. Draft Rating report

Draft report prepared and submitted to client | Fact-checking amendments made

7. Ratings Review

Senior staffer performs quality control | Final report reviewed

8. Ratings Committee

Rating peer reviewed and voted on by committee

9. Final Report

Final Report and rating delivered to manager | Uploaded to Fund Explorer | Notification sent to subscribers

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Rating Process

37 Point Checklist across 6 categories

Categories:

1) Governance/Business
2) People
3) Product Features
4) Risk and Return
5) Philosophy / Process
6) Portfolio Construction

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Managed Accounts

- SMAs
- IMAs
- MDAs

Nuances to consider: Implementation, governance, fees, etc.

Availability of data (for comparison) is lesser than Managed Funds.

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SQM Ratings Table

Star Rating*	Description	Definition	Investment Grading
4½ stars and above	Outstanding	Highly suitable for inclusion on APLs	High Investment grade
4¼ stars	Superior	Suitable for inclusion on most APLs	High Investment grade
4 stars	Superior	Suitable for inclusion on most APLs	High Investment grade
3¾ stars	Favourable	Consider for APL inclusion	Approved
3½ stars	Acceptable	Consider for APL inclusion	Low Investment Grade
3¼ stars	Caution required	Not suitable for most APLs	Unapproved
3 stars	Strong Caution Required	Not suitable for most APLs	Unapproved
Below 3 stars	Avoid or redeem	Not suitable for most APL inclusion	Unapproved

* The definitions in the table above are not all encompassing and not all individual items mentioned will necessarily be relevant to the rated Fund. Users should read the current rating report for a comprehensive assessment.

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