Fund Selection Methodology

From 70,000 funds to a curated universe:
the screening, scoring, due diligence, and governance process behind every WS Partners selection

Published methodology. Objective criteria. Independent selection. This document describes the process -- not the outcome.

Process overview

70,000+	300+	9+	100+
Starting universe	Manager meetings per year	Years of live track record	Fund Selection Committee meetings

Our fund selection process combines quantitative screening, qualitative manager assessment, operational due diligence, and committee governance into a five-stage lifecycle. Each stage acts as a filter: only funds that pass all stages reach the final curated universe. The process is independent of any commercial relationship with asset managers.

1. Idea Generation > **2. Fund Analysis** > **3. Committee Validation** > **4. Reassessment** > **5. Continuous Monitoring**

> *"No strategy is perfect, but the portfolio manager must have a competitive advantage in areas of critical relevance -- an information advantage, a processing advantage, or both."*
> *— WSP Team*

Stage 1: Idea generation

The starting universe is 70,000+ mutual funds sourced from Morningstar, Quantalys, and Bloomberg. Idea generation draws on four channels:

- Proprietary database screening and quantitative alerts
- Client-specific needs and mandate requirements
- WSP analyst research and market intelligence
- Asset manager presentations and on-site meetings (300+ per year)

Primary screening filters

Filter	Threshold	Rationale
Minimum AUM	EUR 20M - 500M (varies by asset class)	Ensures liquidity and operational viability
Track record	1-3 year minimum (exceptions allowed with justification)	Sufficient data for statistical analysis
Regulatory status	UCITS or CH-registered; audit trail required	Cross-border distribution eligibility
Domicile	Focus List: IE, LU, CH. Master List: all UCITS domiciles	Swiss and European distribution standards
Data coverage	Minimum 50% of ranking fields populated	Scoring reliability

Minimum AUM by asset class

Asset class	Min AUM (EUR)
Money Market G7	500M
Corporate IG	100M
High Yield / EM Debt	50M
Global / Regional Equity	100M

Sector / Thematic	20M
Alternatives / Absolute Return	50M
Active ETFs	50M

Stage 2: Fund analysis

Funds that pass screening enter a two-level analysis combining quantitative scoring, qualitative assessment, and operational due diligence. A high quantitative score does not guarantee selection -- qualitative judgment and ODD can veto.

Quantitative analysis

Three-tier quantitative framework:

Tier 1: Clustering. Statistical regression and factorial analysis to create comparable peer groups. 18-month rolling review across multiple time horizons. Includes financial and extra-financial (ESG) criteria.

Tier 2: Scoring. Proprietary algorithm measuring three components:

Component	Weight	What it measures
Core Skill	60%	Alpha generation adjusted for fund maturity. Priority: alpha t-statistic, alpha/tracking error ratio, Sharpe 3Y, or alpha 3Y (first available). Experience adjustment: smooth 0-1 scalar from fund age (0 at <6 months, 1.0 at 5+ years).
Downside	25%	Maximum drawdown severity. Lower drawdown = higher score. Z-normalised across the entire selection universe.
Cost	15%	Linear expense ratio penalty: every 1% TER reduces score by 0.20 points. Ongoing charge used as fallback.

Final score displayed on 0-100 scale (centre 50, spread 15). All scores are Z-normalised across the selection universe, meaning they are relative to peers -- not absolute.

Tier 3: Extended metrics. Performance persistency (quartile rankings over 20 discrete 3-month periods across 5 years), Sortino ratio, Calmar ratio, batting average, down capture, max drawdown recovery period, tracking error classification (high/medium/low), active share, information ratio, and style/scenario dependency analysis (sensitivity to market factors, alpha in up vs down markets, correlation structure).

Qualitative analysis (9 dimensions)

Even high quantitative scorers require manager meetings and deep qualitative assessment. We conduct 300+ one-on-one manager meetings per year. Each fund is assessed across nine dimensions:

#	Dimension	What we assess
1	**Investment philosophy & process**	Performance objectives, structural biases, consistency of approach
2	**Idea generation**	Research quality: top-down macro + fundamental bottom-up
3	**Key alpha drivers**	Source of excess returns, market scenario suitability, sustainability
4	**Management team & structure**	Team stability, depth, succession planning, ownership alignment
5	**Risk management**	Robustness of controls, drawdown management, compliance framework
6	**Competitive advantages**	SWOT analysis: clear, sustainable edge in areas of critical relevance
7	**Portfolio construction**	Discipline in position sizing, diversification, execution
8	**Current allocation & outlook**	Forward-looking convictions, scenario analysis, buy/sell discipline
9	**Transparency & access**	Willingness to meet, quality of reporting, responsiveness

Operational due diligence (veto power)

ODD operates as a veto-level control: a fund with strong quantitative and qualitative scores can still be rejected on operational grounds. We assess 11 domains:

1. Firm history & ownership structure

2. Personnel & resources
3. Customer base & AUM sustainability
4. Third-party service providers (admin, custody, audit)
5. Operations & administration (NAV process, trade controls)
6. Investment risk management
7. Compliance (KYC, AML, sanctions)
8. Internal audit
9. Regulators & governance
10. Business continuity & IT resilience
11. ESG integration & policies

Stage 3: Committee validation

The Fund Selection Committee meets monthly to review, validate, and approve fund selections.

Committee governance:
- Voting practice: each selected fund receives a status (buy, hold, sell)
- New additions require presentation of quantitative score, qualitative assessment, and ODD clearance
- Status changes require documented rationale and committee approval

Stages 4-5: Reassessment & continuous monitoring

Selection is not a one-time event. Every fund in the curated universe is subject to continuous reassessment and monitoring.

Reassessment triggers

Trigger	Action
Performance or process drift	Immediate review; downgrade to Hold if material
Key person departure	Escalation-level alert; committee review within one cycle
Liquidity deterioration	Soft/hard close monitoring; watchlist if capacity constrained
Regulatory action or sanctions	Immediate escalation; potential removal
Strategy change or merger	Full reassessment as new fund
AUM erosion (>20% in 3 months)	Operational risk review; capacity assessment
Auditor or depositary change	ODD update required

Continuous monitoring

Our Investment Universe Surveillance system continuously monitors every fund, manager, and counterparty across 8 automated data sources: financial press (RSS), regulatory registers (CSSF, FCA), sanctions lists, Morningstar data, corporate records (Companies House), and operational signals (including employee sentiment). Events are classified by AI into 5 severity levels (informational, watch, alert, escalate) and 9 categories (governance, regulatory, personnel, litigation, reputation, financial, corporate, operational, ESG).

Status transition protocol:

- **Hold:** No fresh money; existing positions maintained pending review
- **Drop:** Sell signal; removal from curated universe

Lifecycle filtering

Funds are classified into four lifecycle stages based on score, maturity, data coverage, and domicile. Each stage represents a progressively tighter filter:

Stage	Min Score	Cohorts	Coverage	Domicile	Purpose
Universe	None	All	None	All	Complete screening output
Watch List	50+	A, B, C	None	All	Analyst monitoring pool
Master List	62+	A, B, C	60%+	All UCITS	WSP-qualified broader universe
Focus List	65+	A, B, C	70%+	IE, LU, CH	Final curated selection

Cohort definitions (by fund age)

Cohort	Age	Classification
A	5+ years	Veteran
B	3-5 years	Established
C	1-3 years	Maturing
D	6 months - 1 year	Young
E	< 6 months	Nascent

Selection coverage

The methodology is applied identically across six asset-class selections, each with a dedicated screening universe and research pipeline:

Long Only	Active ETFs	Alternatives	Private Markets	Real Assets	Newcomers

Scoring weights, lifecycle thresholds, and AUM minimums are consistent across selections. Peer group clustering and qualitative assessment criteria are adapted to asset-class-specific factors (e.g., liquidity analysis for private markets, capacity constraints for alternatives).

Independence & governance

> *"Money buys visibility, NOT selection."*
>
> *— WSP Team*

The selection methodology is independent of any commercial relationship with asset managers. WS Partners operates a dual business model (consulting for wealth managers, visibility for asset managers), but the selection process is structurally separated:

- Scoring is algorithmic and objective -- no manual override for commercial reasons
- Qualitative and ODD assessments follow published criteria
- All sponsored content in newsletters is clearly labelled
- Focus List rankings are merit-based; commercial tiers buy branding, not ranking
- Committee minutes and decision rationale are documented and auditable

Selection outputs

Output	Content	Frequency
Focus List	Funds that passed the rigorous screening process and are part of our final selection	Monthly
Master List	Broader qualified universe (110+ funds across 70+ strategies)	Monthly
Watch List	Monitoring pool (~80 funds) as candidates for future selection	Ongoing
Tearsheets	1-page fund profile: strategy, team, performance, risk, WSP score	Monthly update
Opinion Reports	2-3 page analysis: objectives, performance, strengths/weaknesses	Per fund, on demand
Quantitative Reports	Comprehensive performance and risk metrics vs benchmark and peers	Monthly
Flash Notes	Event-driven alerts: manager departures, regulatory actions, status changes	As needed
DD Files	Operational due diligence documentation per fund (200+ in library)	Annual review

Track record

81%	65%	62%	80%
Selected managers outperform peers	Beat their benchmark (3Y)	Selections top-half quartile	Downgrades before deterioration

Model portfolio performance — June 2016 to December 2025, annualised, gross of fees, monthly data.

Profile	Annualised return	Sharpe ratio	Alpha vs benchmark
Growth	+7.00%	0.78	—
Balanced	+5.24%	0.78	—
Yield & Income	+5.23%	0.74	+1.7%

Past performance is not indicative of future results.

Version control

This methodology document is versioned and updated when scoring criteria, lifecycle thresholds, or governance procedures change. The current version reflects the methodology as of May 2026. Historical versions are retained for audit purposes.

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This document describes the WS Partners fund selection methodology. It does not constitute investment advice. Selection outputs are presented for client review and approval -- WS Partners does not make investment decisions on behalf of clients.