


# Synthetic Fund Benchmark



... hypothesis statement

- **presumed relationship** *"The ability of synthetic benchmark to mimic fund performance (dependent variable) increases with the greater number of real benchmark candidates and availability of their performance data for attribution analysis to track this particular fund (independent variables)."*
- **anticipated change** *"If the benchmark candidates and their performance data changes, the ability of synthetic benchmark changes as well."*
- **example** *"The fund will have an accurate synthetic benchmark predicting the fund's value when lot of benchmark candidates and their performance data are available."*

## Fund Performance

phenomenon	observation	data	approach
synthetic benchmark	<ul style="list-style-type: none"><li>• user experience<ul style="list-style-type: none"><li>• clients will be able to know which of their funds should be investigated<ul style="list-style-type: none"><li>• knowing why some funds have been outside of 95 percent confidence (not following the synthetic benchmark) for considerable amount of time / days</li></ul></li><li>• this is to replace the current way of doing benchmarking in funds<ul style="list-style-type: none"><li>• we are not interested if funds are beating the benchmark or not, we are only interested whether the NAV clients are publishing is correct</li><li>• this should replace the need for composite indexes, which provide a relative performance of the market (or a specific market sector over time)</li></ul></li></ul></li><li>• synthetic benchmark is a selected set of benchmarks and weights that best correlate to the fund's performance over different periods of time<ul style="list-style-type: none"><li>• the purpose is to pinpoint why the fund has moved, describe the NAV movement, and to predict the current fund price by such benchmark</li></ul></li><li>• this is about the ability to make some <b>comparison of benchmarks</b></li></ul>		