PowerUp Money

2025 EDITION // V1.0

Mutual Fund Rating Methodology

Contents

01 Purpose & Guiding Principles 1

02 Key Definitions — What We Measure & Why? 2

03 How the Rating Is Built? 3

04 Weight Framework by Fund Category 4

05 Eligibility Criteria 5

06 Badges — Translating Scores into Rating Signals 6

07 Update Cycle & Governance 7

08 Limitations & Responsible Use 7

01

Purpose & Guiding Principles

The Powerup Money Wealth Management Private Limited [PowerUp/we/us/our] rating framework is designed to help investors effortlessly gauge how well a fund is working right now and how confidently it can be held for the future. We blend exhaustive metrics on return and risk for each fund with an in-house expert review to deliver clear, actionable insights.

Three principles guide every recommendation:

01 **Evidence-First**

Each fund is scored using exhaustive metrics covering both return and risk data going back up to 20 years.

02 **Forward-Aware**

Our experts overlay judgement on factors that numbers can't yet capture (e.g., manager change, strategy shift).

03 **Investor Relevance**

Outputs are displayed as simple traffic-light badges so they're easy to understand and act on inside our app.

02

Key Definitions — What We Measure & Why?

01 **Rolling Returns**

This is a way to measure the average annualized return of an investment over aspecific period, calculated repeatedly for overlapping intervals within a longer timeframe.

02 **Standard Deviation [Risk]**

Shows how far a fund's returns move from its average. Higher numbers signal more frequent ups and downs; lower numbers indicate stable performance.

03 **Normalisation**

Converts any metric into a 0–100 scale so funds can be compared fairly within their category, regardless of market conditions.

04 **Expert Validation**

Our in-house team of experts performs a sanity check on the data and assesses how the fund is managed, diversified, and structured before the rating is finalized.

03

How the Rating Is Built?

3.1 Quantitative Engine

PowerUp calculates three complementary scores, using daily return data across varying rolling windows:

Score	What It Captures	Return Periods*	Rolling Windows*
Consistency	Long-Term Growth Relative To Peers	1–20 Years	3–10 Years
Volatility	Volatility Of Those Same Windows (σ)	1–20 Years	3–10 Years
Recency	Short-Term Momentum	1–6 Months	3–12 Months

** Return Periods And Rolling Windows Depends On Category Data Depth.*

Each score is normalised to 0–100 within its peer set. Category-specific weights then combine them into a Composite Score:

Composite Score = $(\alpha \times \text{Consistency}) + (\beta \times \text{Volatility}) + (\gamma \times \text{Recency})$

*where $\alpha + \beta + \gamma = 1$

3.2 Expert Validation

PowerUp's team of in-house experts review every Composite Score and may fine-tune it when forward-looking factors materially change the fund's outlook, e.g., a star-manager exit, a strategy shift, portfolio concentration or liquidity concerns.

04
Weight Framework by Fund Category

4.1 Active Equity & Hybrid Funds

These funds adopt active strategies that aim to beat the market, so we place greater emphasis on long-term out-performance while also accounting for risk and short-term trends.

Component	Typical Weight (%) *
Consistency	20–60 (α)
Volatility	10–30 (β)
Recency	20–60 (γ)

**Component Weights Depend On Category.*

Overall = (α × Consistency + β × Volatility + γ × Recency) + (Expert Validation)

4.2 Index / Passive Funds

These funds adopt passive strategies designed to replicate a benchmark index, where the key criterion is how closely they track it. Accordingly, we exclude the Volatility component and allocate weights between consistency and recency.

Component	Typical Weight (%) *
Consistency	30–70 (α)
Recency	30–70 (γ)

**Component Weights Depend On Category.*

Overall = ($\alpha \times$ Consistency + $\gamma \times$ Recency) + (Expert Validation)

Expert Validation for passive funds considers factors like replication methods, upcoming index changes, cash drag, and the overall viability of the fund.

05

Eligibility Criteria

A fund is rated only if all of these are true:

- Track record ≥ 2.5 years (active) or 6 months (passive)
- Average AUM ≥ ₹ 5 crore over the last 6 months
- For Rating: At least 5 active-fund peers (No minimum peer for passive funds) in its category
- For Ranking: At least 5 active-fund peers (or 2 passive peers) in its category
- Some categories like Dividend Yield, Other-Global, and niche sector funds (e.g., Innovation, Defence, Manufacturing) are excluded.

06

Badges — Translating Scores into Rating Signals

6.1 Active Equity & Hybrid (Non-Index) Funds

Badge	Percentile	Meaning
In Form	~ Top 25%	Among The Top Performers
On Track	~ 25–50%	Performing Better Than Most Funds
Off Track	~ 50–75%	Falling Behind The Most Funds
Out Of Form	~ Bottom 25%	Among The Lowest Performers

**Fund rating is of category level*

6.2 Index / Passive Funds

Badge	Tracking Ratio*	Meaning
In Form	≥ 97.5%	Among The Top Performers
On Track	95–97.5 %	Performing Better Than Most Funds
Off Track	90–95 %	Falling Behind The Most Funds
Out Of Form	< 90%	Among The Lowest Performers

**Fund rating is of category level. Tracking ratio = Fund total return ÷ Benchmark Index Total Return.*

07

Update Cycle & Governance

- Input Data: Daily
- Public Rating Refresh: First business day of each month (after validation)
- Governance: Validation notes are archived; the full methodology is reviewed annually

08

Limitations & Responsible Use

Ratings are a tool, not a guarantee of performance. They summarise current data plus expert insight but cannot predict future results with certainty. Always align decisions with your goals, time horizon, and risk appetite - or seek professional advice.

Questions? Email us research@powerup.money