

Interactive Filings May Lead to Benchmarking

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Jan. 1 has come and gone. And few risk-return summaries from mutual fund companies have shown up at the Securities and Exchange Commission in interactive format. In fact, as of Friday, Jan. 14, only six summaries had been filed in response to the new SEC requirement that summaries of one-year, three-year and five-year returns, operating costs and risks be reported in the eXtensible Business Reporting Language.

That language supports the creation of a taxonomy of tags that allow fields of numbers or text to be "injected" into Excel spreadsheets or other programs for analysis, as Steve Levine, chief marketing officer of Edgar Online, puts it.

This will make it possible not just for individual or professional investors to more easily compare returns on funds they're interested in. Already, it's starting to spawn a small industry in tools that will allow mutual fund companies to compare their results to rivals and create, if they so choose, benchmarks of performance, using freely available data from similar funds and similar companies, available at no charge from the SEC.

The small number of filings to date is not unexpected. "Since the funds have staggered year ends throughout the year, the XBRL filings are going to be coming in over the year as well," said Jeff Naumann, assistant director in the SEC's Office of Interactive Data. "I don't think it's going to be an even distribution, but there will probably be the usual clumps of filings," after year-end reports are compiled.

The first significant wave of filings is likely to come after January is over, according to service providers such as Edgar Online and Rivet Software. And the biggest clump, they say, is likely to come in April and May. That's because of a requirement to update financial information on registration statements within 120 days of the fiscal year end, with the majority of funds having years that end on Dec. 31.

That's because of a requirement under securities law to update financial information on registration statements within 120 days of the fiscal year end, with the majority of funds having years that end on Dec. 31. Then, the firms have 15 business days to file their risk-return summaries, in interactive format.

By July, as many as 6,000 summaries could be posted with the SEC, according to the service providers.

Rivet and Edgar are two companies that are providing tools which let fund companies compare their costs and their performances, as soon as data does become available from relevant rivals through the SEC.

Rivet, based in Denver, for instance, has produced a set of comparison capabilities it calls MF Analytics (as in Mutual Fund Analytics) that are based on the core analysis features of a piece of software it calls Crossfire.

The MF Analytics allow mutual fund managers to work inside a familiar environment, Microsoft Excel, to make their comparisons.

The elements of the risk-return summaries that the manager wants to compare can be dragged from a vertical listing of fields in the taxonomy that are available, into a column on Excel. Reports from different fund companies can be dropped into the spreadsheet and, once a time period is defined, the sheet automatically pulls the relevant data from each report and displays the results side by side.

Then, the user can manipulate the data, as is his or her wont, to see how shareholder fees are charged and how, say, cumulative sales charges stack up against or between competitors. And benchmarks for performance can be created and maintained, using a pre-determined set of funds that are considered the company's competitive set, notes Raul Varela, vice president of strategic partnerships at Rivet.

"Data is no longer hidden or proprietary," Varela said. "It's always accessible and comparable."

In the Edgar Online case, the same data gets "injected" into an analytical toolset it calls I-Metrix.

The I-Metrix database contains about a dozen years' worth of XBRL-tagged information about public companies. This trove of data can be used, for instance, by a money manager to calculate how much business a public company must achieve in each of its lines of operations to justify a certain stock price.

In the case of competitive intelligence between mutual fund companies, the data from the risk-return summaries also can be set up to display side-by-side in I-Metrix and screens can be set up to find particular pieces of data as new reports come in.

Right now, Edgar Online only has about a dozen risk-return summaries in its production pipeline for January and February, said Chief Operations Officer Diana Bourke.

Edgar Online, based in Rockville, Md., has focused its business on becoming a leading provider of XBRL services. Last year, it merged with UBmatrix, a Redwood City, Calif., firm whose software is used by both the Federal Deposit Insurance Corporation for its call reports and the SEC for validating that the data submitted matches the taxonomy called for in a given report.

Edgar Online is marketing its XBRL file creation services to mutual funds through Merrill Corporation, a commercial printer and provider of technology-based document services based in St. Paul, Minn.; financial printer Vintage Filings, a unit of PR Newswire based in New York; and Issuer Direct, a compliance specialist based in Morrisville, N.C. Those firms handle reporting work for more than 2,000 separate mutual funds.

Merrill currently offers an interactive viewer which allows users to compare up to five funds simultaneously. Merrill's XBRL Complete interactive viewer allows its clients to brand the viewer to their specifications and also provides a direct link to a particular fund's site.

Rivet, whose software has been used in five of the six risk-return summaries filed so far with the SEC, charges \$3,000 a year per user for use of its Crossfire tool. It seems to be looking at swiping business from a different set of rivals: data suppliers such as Morningstar and Lipper, a Thomson Reuters firm that supplies mutual fund information and ratings.

With the advent of XBRL reporting, data is no longer frozen in reports or behind pay walls. You only have to pay for tools like Crossfire or I-Metrix, the argument goes, but not the data that gets manipulated.

"The data is free," said Varela. "As soon as it is published with the SEC, anyone can do anything with it."