THOMSON REUTERS LIPPER GLOBAL CLASSIFICATION

DEFINITIONS DOCUMENT

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INTRODUCTION

Purpose

The purpose of the Thomson Reuters Lipper Global Classification (LGC) is to create homogeneous groups of funds with comparable investment objectives. Funds within one LGC sector invest in the same financial markets or specific segments of those markets but may adopt different investment strategies or styles to achieve their investment objectives. The exceptions to this general rule are LGC sectors containing the word "other." This document provides explanations and definitions of the LGC structure. Lipper Global Classifications are to be applied to all funds of the following databases:

- Mutual Funds
- Hedge Funds
- Insurance and Pension Funds
- Closed-End Funds and Investment Trusts
- Exchange-Traded Funds (ETFs)

LGC sectors are accessible in a variety of methods (Lipper for Investment Management, Lipper data feeds, press listings, etc.). With these classifications users have the ability to identify and analyse funds in a multitude of ways.

Lipper operates these classifications on an ongoing development basis. When new fund products or structures enter a fund market, Lipper introduces new classifications as deemed necessary.

Lipper also supports other classification schemes; these are supplied depending on the fund universe analysed. These schemes may be constructed externally by regulators/trade bodies or may be designed by Lipper. Details of these other schemes are available upon request.

Monitoring

Lipper analysts use a variety of processes to monitor fund classifications. Lipper analyses the "outlying" performing funds in each sector. We also review sectors that fall below the minimum number of 10 unique portfolios. (Further details of these processes are available upon request.) In addition, Lipper operates a Classification Committee that regularly discusses any classification issues that may arise.

Overview

For each fund in the Lipper global database the following classification information is provided:

- Asset Type
- Geographical Focus
- Lipper Global Classification

These three fields build a unit of coherent and homogenous information within one fund item. In many cases the LGC sector already "holds" information about the asset type and geographical focus: e.g., LGC: Equity France = asset type Equity and geographical focus France. In some cases a fund may be given a geographical focus that differs from its classification.

For example, a fund that has an objective of investing in technology-related stocks and has a portfolio consistently heavily weighted toward the U.S. will be placed into an Equity Technology sector rather than into Equity US. In this case the fund will be given a geographical focus of U.S. if it is deemed the fund will continue to be heavily weighted toward the U.S., unless it is specifically stated in the investment objective that the fund has a global remit.

As a general rule a fund must hold a prevalent exposure with a threshold set at 75% of its portfolio in order to meet an LGC requirement. Since temporary changes in strategic asset allocation with divergences from the historical pattern may be possible, to meet the specific classification requirement it is essential to look at historical data to detect any trend in portfolio allocation.

Lipper uses the following sources to assign the LGC:

- Investment objective (statement of the promoter)
- Prospectus
- Fund fact sheet of the promoter group
- Annual and semiannual reports

The primary sources are the investment objective as stated by the promoter and the prospectus. Normally, all sources provide information that leads to the same conclusion.

Asset Type Definitions

Each fund is assigned one of the following asset types, according to the assets in which the fund invests. As a general rule a fund is placed according to its primary investment objective as stated by the promoter and as given by the fund documents.

A fund with a strategic diversification in variable income and fixed income securities, along with ancillary liquid assets, is placed as a Mixed-Asset fund.

- Equity – Funds investing in stock markets
- Bond – Funds investing in fixed income markets, with an average maturity > one year
- Commodity – Funds with exposure to commodities, either physically or via derivatives
- Money Market – Funds investing in fixed income markets, with an average residual life to maturity < 12 months
- Real Estate – Funds investing in physical land property, not REITs or real estate-listed securities
- Mixed-Asset – Funds with a strategic mix of variable income and fixed income securities
- Alternatives – Funds investing in alternative assets, usually by using a derivative/hedge strategy; therefore, they are members of either a hedge fund sector (unregulated funds) or an alternative sector (regulated retail or wholesale funds). Mutual funds with asset types of art, leasing, and private equity would by default qualify for the Alternatives asset type and an Alternatives sector.
- Other – Funds that are unclassified, undisclosed

The strategic mix of asset types must be mentioned in the fund’s investment objective, or Lipper must have proof the portfolio has been diversified in an asset type other than that mentioned in the investment objective over the entire life of the fund. The diversification has to be significant enough to justify the use of Mixed-Asset as the asset type and LGC.

Regulated funds are generally permitted to invest their portfolios in ancillary liquid assets or financial derivatives, depending on underlying market conditions, window dressing, or hedging strategies for efficient portfolio management. Ancillary liquid assets include liquid money market instruments or debt instruments equivalent to liquid money market instruments, with a residual life to maturity of up to 12 months.

Thus, with respect to these investment policies/hedging strategies only, as long as the fund does not pursue a clear market strategy of investing in a mix of asset classes and the investment in asset classes other than equities remains marginal, the classification of Equity fund does not change to Mixed-Asset. Please consider that variable debt instruments, i.e., variable coupons of primary issuers (triple-A credit rating) with semi-annual coupons, have a short duration (six months) and as such could be assimilated into liquid assets.

Bond funds investing in convertibles or equity funds investing in equity-linked products (such as OPALS, warrants, preferred securities, etc.) may hold a residual percentage of, respectively, equities or bonds/other types of assets as a result of conversion of either convertibles or equity-linked products, depending on underlying strategic decisions of market convenience, between conversion and sale on the secondary market. For similar reasons the classification does not change to Mixed-Asset.

The regulatory frameworks of most fund legislation allow such residual investments in other asset types or liquid assets of a minimal percentage up to one-third of the net asset value. However, it is normally not the intention of the manager to make use of this “freedom” in a strategic manner; therefore, these funds must remain in the asset type of their primary investment objective.

Please note that the public marketing of the promoter may also indicate the LGC and asset type of a fund; i.e., funds with an investment objective to “… (primarily) invest in European equities…” are most likely Equity Europe even if the prospectus says “… up to one-third of the fund’s assets may be invested in other than the aforementioned securities, including bonds, convertible bonds, etc. …” The fact that the prospectus allows such investments does not mean the fund management is using this possibility. Normally, in cases such as this there is no strategic intent to diversify the portfolio in this way. Only a strategic intent to use a diversification with equity and fixed income securities and/or historical evidence of asset allocations over the entire life of the fund justifies a Mixed-Asset classification.

Geographical Focus Definitions

Each fund is assigned a geographical focus according to the assets in which the fund invests. As a general rule a fund must hold at least 50% of its assets in a specific country/region to be assigned the relevant attribute.

Equity and Real Estate Funds

The geofocus is selected by taking the predominant country or region of the fund’s portfolio. Regional funds with a significant strategic (not temporary) overweighting in one country (compared to the FTSE/MSCI market capitalisation weightings) are given the relevant country geofocus (i.e., a European fund with a single country weighted > 50%). For real estate funds the property location is the relevant measure to select the geofocus.

Bond and Money Market Funds

The geofocus is selected by taking the predominant issuer domicile of investments and translating that into the relevant country or region. Multi-currency funds with a significant strategic (not temporary) overweighting in one issuer domicile are given the relevant country or region geofocus.

Mixed-Asset Funds

The geofocus for these funds can normally be derived from the reference currency, since the majority of the portfolio will be focused on either a single country/currency or a single geographical region. When an overweighting of a region/country is identifiable, it should be stated as the geofocus. The Global LGC is used only exceptionally.

Geofocus for Other Funds

The geofocus should reflect the local or regional exposure of the fund’s investments.

EQUITY CLASSES

Introduction

Funds strategically invest in variable income securities, with ancillary liquid assets. Funds are classified according to their local or regional equity exposure. Funds focusing more than 75% on a specific industry are classified in the relevant industry classification. Funds without a typical and prevalent exposure to a specific industry sector are classified according to the geographical stock market exposure. Funds focusing on equities of small- and/or middle-capitalization companies are classified in the appropriate small- & mid-cap sector.

Countries/Regions

Single-country funds for which there is no single-country sector are placed in the relevant regional sector that reflects the closest match. Funds investing in single emerging-market countries are classified in a regional emerging markets sector, unless the relevant country sector is available (e.g., Equity Peru belongs to Emerging Markets Latin America).

The following lists all sectors relating to countries and regions.

Region	Country	Country
Equity ASEAN	Equity Argentina	Equity Netherlands
Equity Asia Pacific	Equity Australia	Equity New Zealand
Equity Asia Pacific ex Japan	Equity Austria	Equity Norway
Equity Australasia[1]	Equity Belgium	Equity Pakistan
Equity Emerging Mkts Europe	Equity Brazil	Equity Philippines
Equity Emerging Mkts Asia	Equity Canada	Equity Poland
Equity Emerging Mkts Global	Equity Chile	Equity Portugal
Equity Emerging Mkts Latin Am	Equity China	Equity Russia
Equity Emerging Mkts Other	Equity Denmark	Equity Saudi Arabia
Equity Europe	Equity Egypt	Equity Singapore
Equity Europe Income	Equity Finland	Equity South Africa
Equity Europe ex UK	Equity France	Equity Spain
Equity Eurozone	Equity Germany	Equity Sweden
Equity Frontier Markets	Equity Greece	Equity Switzerland
Equity GCC	Equity Hong Kong	Equity Taiwan
Equity Global	Equity India	Equity Thailand
Equity Global ex Japan	Equity Indonesia	Equity Turkey
Equity Global ex UK	Equity Israel	Equity UAE
Equity Global ex US	Equity Italy	Equity UK
Equity Global Income	Equity Japan	Equity UK Income
Equity Greater China	Equity Japan Income	Equity UK Diversified
Equity Iberia	Equity Korea	Equity US
Equity Malaysia/Singapore	Equity Kuwait	Equity US Income
Equity MENA	Equity Malaysia	Equity Vietnam
Equity Nordic	Equity Malaysia Income	
Equity Other	Equity Malaysia Diversified	
	Equity Mexico	
	Equity Morocco	

[1] Australasia is the area that includes Australia, New Zealand, New Guinea, and the many smaller islands in the vicinity, most of which are in the eastern part of Indonesia.

Market Cap

For funds that follow a specific small- or mid-cap strategy the LGC has the following sectors available on a country and regional basis. Since the classification is prospectus based, there is no defined limit boundary for the portfolio's average market capitalization; rather, a written commitment to follow this strategy is made in the objective or full prospectus.

Region	Country
Equity Asia Pacific Sm&Mid Cap	Equity Australia Sm&Mid Cap
Equity Australasia Sm&Mid Cap	Equity Canada Sm&Mid Cap
Equity China Sm&Mid Cap	Equity France Sm&Mid Cap
Equity Emerging Mkts Sm&Mid Cap	Equity Germany Sm&Mid Cap
Equity Europe Sm&Mid Cap	Equity Italy Sm&Mid Cap
Equity Eurozone Sm&Mid Cap	Equity Israel Sm&Mid Cap
Equity Global Sm&Mid Cap	Equity Japan Sm&Mid Cap
Equity Global ex US Sm&Mid Cap	Equity Malaysia Sm&Mid Cap
	Equity Sweden Sm&Mid Cap
	Equity Switzerland Sm&Mid Cap
	Equity Taiwan Sm&Mid Cap
	Equity UK Sm&Mid Cap
	Equity US Sm&Mid Cap

Equity [Region] and [Sm & Mid Cap]

Funds with the primary objective of investing in the equity markets of [Region]. Regional small- and mid-cap-focused funds are classified in the relevant small- and mid-cap sector, if available (see lists above).

Equity [Country] and [Sm & Mid Cap]

Funds with the primary objective of investing in the equity markets of [Country]. Various country-specific small- and mid-cap-focused funds are classified in the relevant small- and mid-cap sector (see lists above).

Equity Emerging Markets [Region]

Funds with the primary objective of investing in the equities of emerging markets of the following regions, including single-country funds of the relevant regions (if a country sector is not available):

- Emerging countries of the European continent
- Emerging countries of Asia
- Globally diversified emerging markets
- Emerging countries of the Latin American continent

Emerging Markets in this classification means “not an MSCI developed country.”

Equity Emerging Markets Other

Funds with the primary objective of investing in the equities of emerging markets, including single-country funds (if a country sector is not available), and that do not fall under Europe, Asia, globally diversified, or Latin America. Multi-country regions (e.g., EMEA) or multi-countries that do not form a fully diversified region are placed in this sector.

Emerging Markets in this classification means “not an MSCI developed country.”

Equity Frontier Markets

Funds with the primary objective of investing in the equities of frontier markets as defined by MSCI, including single-country funds of the region (if a country sector is not available).

Equity [Region/Country] and [Income]

Funds with the objective of investing in the equity markets of [Country/Region] with a primary focus on attaining a high level of income. This is usually achieved via a fundamental approach that seeks high-quality, undervalued equity. If equity income is the primary objective, the fund is classified in the relevant income sector, if available.

Equity [Country] Diversified

Funds with the primary objective of investing in regionally diversified equities with a bias toward [Country]. The [Country] allocation may vary from 30%-75%. In the special case of Malaysia the country allocation may vary from 50%-75% as an exception to the general rule.

Equity Other

Funds with the primary objective of investing in the developed equity markets, where no other equity classification is appropriate, i.e., funds investing in a single country where no appropriate regional sector is available or in a selection of countries where there are no comparable existing classifications.

Please see below for the definitions of the sectors related to:
China

Greater China

Hong Kong

Equity China

Funds with the primary objective of investing in the equity exposure of the Chinese Mainland and/or in H-shares[2] or Red-Chips[3] of the Hong Kong stock exchange. Typical benchmarks for this sector are:

- FTSE China, FTSE Xinhua, Hang Seng China Enterprise, MSCI China, Shanghai SE, Shenzhen SE

Equity Greater China

Funds with the primary objective of combining the equity exposures of China, Hong Kong, and Taiwan. The Hong Kong exposure must relate to shares other than H-shares or Red-Chips.

Typical benchmarks for this sector are:

- FTSE AW Greater China, MSCI Golden Dragon, MSCI Zhong Hua

Equity Hong Kong

Funds with the primary objective of investing in the equity exposure of Hong Kong (excluding H-shares and Red-Chips). Typical benchmarks for this sector are:

- FTSE Hong Kong, Hang Seng, MSCI Hong Kong

[2] H-shares are stocks of Chinese companies that are listed on the Hong Kong stock exchange and are freely tradable for foreigners.

[3] Red-Chips are stocks of subsidiaries of Chinese companies that are listed in HK$ on the Hong Kong stock exchange and stocks of companies from Hong Kong whose primary business is on the China Mainland. In a country allocation H-shares and Red-Chips are often allocated to Hong Kong; however, they represent equity exposure to China.

Chinese Share Descriptions by FTSE

A-shares: Securities of China-incorporated companies that trade on the Shanghai or Shenzhen stock exchanges, quoted in Chinese renminbi (RMB). These securities are traded by residents of the People's Republic of China (PRC) or international investors under the China Qualified Foreign Institutional Investors (QFII) regulations.

B-shares: Securities of China-incorporated companies that trade on the Shanghai Stock Exchange (quoted in U.S. dollars) or the Shenzhen Stock Exchange (quoted in Hong Kong dollars–HKD). These are traded by both nonresidents of the PRC and residents with appropriate foreign currency-dealing accounts.

H-shares: Securities of companies incorporated in the PRC and nominated by the Chinese government for listing and trading on the Hong Kong Stock Exchange, quoted and traded in HKD. Investors from the PRC are not allowed to trade H-shares; however, there are no restrictions on international investors.

Red-Chip Shares: Securities of Hong Kong-incorporated companies that trade on the Hong Kong Stock Exchange, quoted in HKD. The constituents are substantially owned directly or indirectly by the Chinese government. Investors from the PRC are not allowed to trade H-shares; however, there are no restrictions on international investors.

Equity Industry Sectors

The LGC equity industry sectors are aligned with the MSCI Global Industry Classification Standard (GICS) system – the structure recognised by the worldwide investment community and the most appropriate structure for our global fund classifications. The majority of LGC sectors align with GICS sectors at the highest level, although note that some sublevels have been adopted where required. This merely reflects the fund industry's higher volumes in these areas (e.g., gold). Funds classified in the LGC equity industry sectors must maintain predominant and strategic weighting to the appropriate GICS sector/s.

Lipper Global Classification	MSCI Code	Industry Name
Equity Sector Energy	101010	Energy Equipment & Services
	101020	Oil, Gas & Consumable Fuels
Equity Sector Materials	151010	Chemicals
	151020	Construction Materials
	151030	Containers & Packaging
	151050	Paper & Forest Products
	151040	Metals & Mining
Equity Sector Gold & Precious Metals	15104030	Gold
	15104040	Precious Metals & Minerals
	15104045	Silver
Equity Sector Industrials	201010	Aerospace & Defense
	201020	Building Products
	201030	Construction & Engineering
	201040	Electrical Equipment
	201050	Industrial Conglomerates
	201060	Machinery
	201070	Trading Companies & Distributors
	202010	Commercial Services & Supplies
	202020	Professional Services
	203010	Air Freight & Logistics
	203020	Airlines
	203030	Marine
	203040	Road & Rail
	203050	Transportation Infrastructure
Equity Sector Consumer Discretionary	251010	Auto Components
	251020	Automobiles
	252010	Household Durables
	252020	Leisure Products
	252030	Textiles, Apparel & Luxury Goods
	253010	Hotels, Restaurants & Leisure
	253020	Diversified Consumer Services
	254010	Media
	255010	Distributors
	255020	Internet & Catalog Retail
	255030	Multiline Retail
	255040	Specialty Retail
Equity Sector Consumer Staples	301010	Food & Staples Retailing
	302010	Beverages
	302020	Food Products
	302030	Tobacco
	303010	Household Products
	303020	Personal Products
Equity Sector Health Care	351010	Health Care Equipment & Supplies
	351020	Health Care Providers & Services
	351030	Health Care Technology
	352030	Life Sciences Tools & Services
	352010	Biotechnology
	352020	Pharmaceuticals

Equity Sector Biotechnology	352010	Biotechnology
Equity Sector Financials	401010	Banks
	401020	Thrifts & Mortgage Finance
	402010	Diversified Financial Services
	402020	Consumer Finance
	402030	Capital Markets
	403010	Insurance
	404020	Real Estate Investment Trusts (REITs)
	404030	Real Estate Management & Development
Equity Sector Real Estate [Region][4]	404020	Real Estate Investment Trusts (REITs)
	404030	Real Estate Management & Development
Equity Sector Information Technology	451010	Internet Software & Services
	451020	IT Services
	451030	Software
	452010	Communications Equipment
	452020	Technology Hardware, Storage & Peripherals
	452030	Electronic Equipment, Instruments & Components
	453010	Semiconductors & Semiconductor Equipment
Equity Sector Telecommunication Services	501010	Diversified Telecommunication Services
	501020	Wireless Telecommunication Services
Equity Sector Utilities	551010	Electric Utilities
	551020	Gas Utilities
	551030	Multi-Utilities
	551040	Water Utilities
	551050	Independent Power and Renewable Electricity Producers

[4] Several sectors are split by region: Asia Pacific, Australia, Europe, Global, Japan, U.S., Other

BOND CLASSES

Introduction

Funds strategically invest in fixed income securities with average maturity above one year. Funds are classified according to currency exposure, emerging markets exposure, credit quality exposure, and maturity exposure. Aggregate bond funds with government and corporate exposure are classified in the respective currency classification. High-yield funds primarily invest in bonds with a speculative grade (i.e., bonds with a credit rating below BBB). Currency-hedged funds have their own separate classifications, depending on currency and regional focus.

A full list of our bond classes is shown below:

Single-Currency	Multi-Currency	Emerging Markets
Bond ARS	Bond Asia Pacific LC	Bond Emerging Mkts Global HC
Bond AUD	Bond Asia Pacific HC	Bond Emerging Mkts Global LC
Bond BRL	Bond Europe	Bond Emerging Mkts Latin Am
Bond CAD	Bond Europe Other	Bond Emerging Mkts Other
Bond CHF	Bond Global	Bond Emerging Mkts Europe
Bond CLP	Bond Global AUD Hedged	
Bond CNY	Bond Global EUR Hedged	**High Yield**
Bond CZK	Bond Global JPY Hedged	Bond AUD High Yield
Bond DKK	Bond Global USD Hedged	Bond CAD High Yield
Bond EUR	Bond Other CHF Hedged	Bond EUR High Yield
Bond GBP	Bond Other EUR Hedged	Bond Europe High Yield
Bond HKD	Bond Other USD Hedged	Bond GBP High Yield
Bond HUF	Bond Other Hedged	Bond Global High Yield
Bond IDR		Bond USD High Yield
Bond ILS	**Convertibles**	
Bond INR	Bond Convertibles Europe	**Inflation-Linked**
Bond JPY	Bond Convertibles Global	Bond EUR Inflation Linked
Bond KRW	Bond Convertibles US	Bond USD Inflation Linked
Bond MAD	Bond Convertibles Japan	Bond Other Inflation Linked
Bond MXN	Bond Convertibles Other	Bond GBP Inflation Linked
Bond MYR		Bond Global Inflation Linked
Bond NOK	**Corporate**	
Bond Other	Bond Em Mkts Global Corporates	**Municipal**
Bond PHP	Bond EUR Corporates	Bond USD Municipal
Bond PLN	Bond EUR Corporates ST	Bond USD Municipal ST
Bond PKR	Bond GBP Corporates	Bond USD Municipal MT
Bond RUB	Bond Global Corporates	
Bond SEK	Bond ILS Corporates	**Specialist**
Bond SGD	Bond USD Corporates	Loan Participation Funds
Bond THB		Bond USD Mortgages
Bond TND	**High-Quality**	
Bond TRY	Bond GBP Government	
Bond USD	Bond CHF Government	
Bond ZAR	Bond EMU Government	
	Bond EMU Government ST	
Maturity	Bond EMU Government MT	
Bond ARS ST	Bond EMU Government LT	
Bond BRL ST	Bond INR Government	
Bond CAD ST	Bond USD Government	
Bond CHF ST	Bond USD Government ST	
Bond CHF MT		
Bond EUR LT		
Bond EUR MT		
Bond EUR ST		

Definitions

Bond [Currency]

Funds with the primary objective of investing in international fixed income securities of developed markets denominated in [currency], irrespective of the debtor's domicile.

Bond [Currency] Inflation-Linked

Funds with the primary objective of investing in inflation-indexed fixed income securities. Inflation-indexed bonds are fixed income securities that are structured to provide protection against inflation.

Bond [Currency] Long-Term

Bond funds investing only in the long-term segment of five-plus years of a specified currency yield curve, according to the average residual life to maturity.

Bond [Currency] Medium-Term

Bond funds investing in the three- to five-year segment of a specified currency yield curve, according to the average residual life to maturity. According to the U.S. standard, the medium-term segment is called Short/Intermediate-Term.

Bond [Currency] Short-Term

Bond funds investing in the one- to three-year segment of a specified currency yield curve, according to the average residual life to maturity.

Bond Asia Pacific LC

Funds with the primary objective of investing in fixed income securities denominated in local currencies of the Asia Pacific region from debtors domiciled in countries of the Asia Pacific region.

Bond Asia Pacific HC

Funds with the primary objective of investing in fixed income securities denominated in hard currencies from debtors domiciled in countries of the Asia Pacific region. The qualification for Hard Currency is >75% exposure to hard currencies. Hard Currency means an aggregated exposure to any or all of: AUD, CAD, CHF, DKK, EUR, GBP, JPY, NOK, SEK, SGD, USD, Gold

Bond Emerging Markets [Region]

Funds with the primary objective of investing in bonds denominated in currencies of emerging countries in the [Region] and/or issued by government debtors in emerging-market countries of [Region] (see next class for single-currency Emerging Market Bonds funds). The Global sector is now split into hard-currency (HC) and local-currency (LC) strategies. The qualification for Hard Currency is >75% exposure to hard currencies. Hard Currency means an aggregated exposure to any or all of:

AUD, CAD, CHF, DKK, EUR, GBP, JPY, NOK, SEK, SGD, USD, Gold

Bond Emerging Markets Global Corporates

Funds with the primary objective of investing in fixed income securities issued by emerging-market corporations (non-government/non-agencies) and generally denominated or hedged to a hard currency (usually USD). A small element of local currency play is tolerated, but predominantly local currency-exposed portfolios are classified in Bond Emerging Markets Global LC.

Bond Emerging Markets Other

Funds with the primary objective of investing in bonds denominated in a single currency/country or a selection of currencies/countries of emerging markets that are different from the above-mentioned emerging-market regions and where no single-currency sector is available.

Bond Europe

Funds investing their assets in a mix of European currencies, such as EUR, GBP, CHF, DKK, SEK, NOK, etc. In many cases EUR will be the major currency in the fund portfolio (above 75%). When a fund's primary investment objective allows the strategic use of currencies other than EUR, it is classified as Bond Europe, i.e., "… invests in bonds denominated in European currencies …"

Bond [Currency] Government

Funds with the primary objective of investing in fixed income securities issued by governments or supranational agencies and denominated in [CURRENCY].

Bond EMU Government

Funds with the primary objective of investing in fixed income securities issued by governments or supranational agencies of the European Monetary Union and denominated in euros. For the identification of this sector the prospectus must clearly mention the overweighting or restriction of the investments to the above-mentioned issues. If the investment objective as stated in the prospectus does not specifically mention any investment exposure to issues of governments or supranational agencies of EMU countries, Lipper classifies the fund as Bond EUR. The 75%-threshold rule is suspended if the fund fact sheet does not support a clear identification of the investment objective through a breakdown by issuer's domicile.

(The remark here is justified by the fact that as long as the investment objective mentions the overweighting to issues of EMU countries, the fund fact sheet could support the classification, similarly to what is done when we classify other LGCs; for instance, any of the industry sectors above.)

Bond EMU Government (Long-Term, Medium-Term, Short-Term)

Classified as above, but within the relevant maturity segments.

Bond Global

Funds with the primary objective of investing in fixed income securities denominated in various currencies of developed markets. Currency exposure is according to global bond market capitalization and is not hedged to a single currency (see "hedged" sectors below for this type of fund).

Bond USD Municipal

Bond funds investing primarily in U.S. municipal debt issues that are exempt from federal and (in some cases) state taxation.

Bond USD Mortgages

Funds that, by prospectus language, invest primarily in mortgages or mortgage-backed securities issued or guaranteed as to principal and interest by the U.S. government and certain federal agencies or that are issued by GNMA.

Bond [Currency] Corporates

Funds with the primary objective of investing in [Currency]-denominated bonds from corporate issuers (non-government/non-agencies) in the investment-grade credit rating (from AAA to BBB).

Bond [Currency] High Yield

Funds with the primary objective of investing in [Currency]-denominated bonds issued by governments/agencies and/or corporates in the non-investment-grade area (below BBB).

Currency Hedged Bond Funds

These funds are classified by looking at the hedge currency investment policy as declared in the prospectus, taking into account the currency of denomination of the fund. The prospectus must clearly state that the fund in its investment policy pursues a systematic currency-hedging strategy. It is assumed the fund aims at maximizing returns in the hedge currency or, in the absence of any reference to the hedge currency, in the currency of denomination of the fund.

The strategic use of currency hedging overrides any other classification EXCEPT in the strategic cases of Asia Pacific, Emerging Markets, Convertibles, Inflation-Linked, and High Yield. In the latter cases the asset base supersedes the currency hedge for deciding the classification.

Bond Global [Hedge Currency] Hedged

Funds with the primary objective of investing in fixed income securities denominated in various currencies of developed markets and hedging the various currency exposures to the hedge currency.

Bond Other [Hedge Currency] Hedged

Same as above, but the bond portfolio is other than “internationally diversified in currencies of developed markets.”

Bond Other Hedged

Same as above, but the currency exposure of the bond portfolio is hedged against a currency not available above.

Bond Other

Funds investing in bonds of non-emerging-market (single or groups of) currencies/countries, where no other classification is appropriate.

Bond Other Inflation-Linked

Funds investing in inflation-indexed fixed income securities of currencies other than EUR or USD. Inflation-indexed bonds are fixed income securities that are structured to provide protection against inflation.

Loan Participation Funds

Funds that invest primarily in participation interests in collateralized senior corporate loans that have floating or variable rates.

MONEY MARKET CLASSES

Introduction

The funds strategically invest in money market and cash instruments or bonds with a residual life to maturity of less than 12 months. Funds are classified according to their currency exposure.

Currencies

AUD	EUR leveraged	MAD	SKK
BRL	GBP	MXN	SGD
BRL Leveraged	Global	MYR	THB
CAD	HKD	NOK	TWD
CHF	HUF	NZD	TRY
CLP	ILS	Other	USD
CNY	INR	PHP	ZAR
CZK	JPY	PKR	
EGP	KRW	PLN	
EUR	KWD	SEK	

Definitions

Money Market [Currency]

Funds with the primary objective of investing in [Currency]-denominated cash and money market securities.

Money Market [Currency] Leveraged

Actively managed money market funds that invest a large proportion of assets in [Currency] money market or cash instruments. Funds in this sector use credit derivatives and other similar instruments, with the objective of increasing their return.

REAL ESTATE

Introduction

The funds strategically invest the prevalence of their total assets in direct, tangible buildings and/or land.[5] Funds are classified according to their local or regional market exposure.

Country/Region

- Australia
- Asia
- Europe
- Global
- Japan
- U.S.
- Other
- Russia
- Switzerland
- United Kingdom

Definitions

Real Estate Property [Country/Region]

Funds with the primary objective of investing in real estate property (buildings and land) of [Country/Region]. Single-country funds may be classified in their relevant regional sectors when the macro-economic drivers of the single country are similar to the regional ones (i.e., France and Germany à Real Estate Europe).

Real Estate Property Other

Funds with the primary objective of investing in real estate property (buildings and land) of countries or regions not mentioned above.

[5] Note on real estate investment trusts: If the fund is an open-end mutual fund and holds a prevalence of real estate investment trusts, it is classified in Equity Sector Real Estate. Conversely, if the fund is a closed-end real estate investment trust, then it is classified in Real Estate.

MIXED-ASSET CLASSES

Introduction

The funds strategically invest in fixed income and equity securities by overweighting a specific currency or market.

The funds aim to optimise returns in the reference currency by overweighting this currency and/ or its respective market (within the fund portfolio or versus the global market capitalisation).

Overweighting makes reference to the prevalent currency exposure of the invested portfolio or, in the absence of any prevalence, to the currency of denomination of the fund under the assumption the fund aims at maximising returns in the investment currency of the investor.

Reference currency Other either relates to a currency not mentioned below or to funds that invest in markets not directly relating to the reference currency, such as Central and Eastern Europe (≠ EUR), Latin America (≠ USD), any other groups of or single emerging-market countries with no direct relationship to the fund currency (Global Emer Mkts ≠ USD).

Country or Region

If needed, there is an additional geographical distinction narrowing down the investment universe. In these cases an additional criterion [Country/Region] is added to the sector name, which limits the investment to this country/region and its respective currency.

Naming Convention

Mixed-Asset & Reference Currency & Risk Degree & [Country/Region]

Reference Currencies

AUD, BRL, CAD, CHF, CLP, CNY, CZK, EUR, GBP, HKD, IDR, ILS, INR, JPY, KRW, MAD, MYR, NOK, NZD, PHP, PLN, RUB, SEK, SGD, THB, TRY, TWD, USD, ZAR, Other

Risk Degree

	Variable Income	Fixed Income
Conservative	< 35%	> 65%
Balanced	> 35% and < 65%	> 35% and < 65%
Aggressive	> 65%	< 35%
Flexible	At the discretion of the fund manager, varies depending on market conditions	

Country/Region

- Europe
- Eurozone
- Global
- U.S.
- Thailand

Definitions

Mixed-Asset [Reference Currency] Conservative [Country/Region]

Funds investing more than 65% in fixed income securities and the remainder in variable income securities. Reference currency-exposed securities are overweighted. Investments are limited to country/region and reference currency.

Mixed-Asset [Reference Currency] Balanced [Country/Region]

Funds investing more than 35% but less than 65% in variable income securities and the remainder in fixed income securities. Reference currency-exposed securities are overweighted. Investments are limited to country/region and reference currency.

Mixed-Asset [Reference Currency] Aggressive [Country/Region]

Funds investing more than 65% in variable income securities and the remainder in fixed income securities. Reference currency-exposed securities are overweighted. Investments are limited to country/region and reference currency.

Mixed-Asset [Reference Currency] Flexible [Country/Region]

Funds with flexible allocations between variable income and fixed income securities. The objective of the fund manager is to achieve the highest possible return by freely changing risk degree according to current market conditions. It may be possible that, depending on market conditions, the portfolio of a mixed-asset flexible fund is fully invested in only one of the asset classes above. Reference currency-exposed securities are overweighted. Investments are limited to country/region and reference currency.

Mixed-Asset Other [Risk Degree]

Funds investing in variable income and fixed income securities according to the relevant risk degrees, with reference currencies other than the above-mentioned, or funds investing in markets not relating to the fund currency, such as Central and Eastern Europe (≠EUR), Latin America (≠USD), or any other groups of or single emerging countries with no direct relationship to the fund currency (Global Emer Mkts ≠ USD).

Full List		
Mixed Asset AUD Aggressive	Mixed Asset HKD Aggressive	Mixed Asset RUB Aggressive
Mixed Asset AUD Balanced	Mixed Asset HKD Balanced	Mixed Asset RUB Balanced
Mixed Asset AUD Conservative	Mixed Asset HKD Flexible	Mixed Asset RUB Conservative
Mixed Asset AUD Flexible	Mixed Asset IDR Balanced	Mixed Asset RUB Flexible
Mixed Asset BRL Aggressive	Mixed Asset IDR Conservative	Mixed Asset SEK Aggressive
Mixed Asset BRL Balanced	Mixed Asset IDR Flexible	Mixed Asset SEK Balanced
Mixed Asset BRL Conservative	Mixed Asset IDR Aggressive	Mixed Asset SEK Conservative
Mixed Asset BRL Flexible	Mixed Asset ILS Aggressive	Mixed Asset SGD Aggressive
Mixed Asset CAD Aggressive	Mixed Asset ILS Conservative	Mixed Asset SGD Balanced
Mixed Asset CAD Balanced	Mixed Asset ILS Flexible	Mixed Asset SGD Conservative
Mixed Asset CAD Conservative	Mixed Asset INR Aggressive	Mixed Asset THB Balanced
Mixed Asset CAD Flexible	Mixed Asset INR Balanced	Mixed Asset THB Conservative
Mixed Asset CHF Aggressive	Mixed Asset INR Conservative	Mixed Asset THB Flexible - Thai
Mixed Asset CHF Balanced	Mixed Asset INR Flexible	Mixed Asset THB Flexible - Global
Mixed Asset CHF Conservative	Mixed Asset JPY Aggressive	Mixed Asset TRY Aggressive
Mixed Asset CHF Flexible	Mixed Asset JPY Balanced	Mixed Asset TRY Balanced
Mixed Asset CLP Conservative	Mixed Asset JPY Conservative	Mixed Asset TRY Conservative
Mixed Asset CNY Aggressive	Mixed Asset JPY Flexible	Mixed Asset TRY Flexible
Mixed Asset CNY Balanced	Mixed Asset KRW Aggressive	Mixed Asset TWD Aggressive
Mixed Asset CNY Flexible	Mixed Asset KRW Balanced	Mixed Asset TWD Balanced
Mixed Asset EUR Aggressive - Europe	Mixed Asset KRW Conservative	Mixed Asset TWD Conservative
Mixed Asset EUR Aggressive - Eurozone	Mixed Asset MAD Balanced	Mixed Asset TWD Flexible
Mixed Asset EUR Aggressive - Global	Mixed Asset MAD Conservative	Mixed Asset USD Aggressive
Mixed Asset EUR Balanced - Europe	Mixed Asset MYR Conservative	Mixed Asset USD Balanced - Global
Mixed Asset EUR Balanced - Eurozone	Mixed Asset MYR Flexible	Mixed Asset USD Balanced - US
Mixed Asset EUR Balanced - Global	Mixed Asset MYR Aggressive	Mixed Asset USD Conservative
Mixed Asset EUR Conservative - Europe	Mixed Asset MYR Balanced - Malaysia	Mixed Asset USD Flexible - Global
Mixed Asset EUR Conservative - Eurozone	Mixed Asset MYR Balanced - Global	Mixed Asset USD Flexible - USD
Mixed Asset EUR Conservative - Global	Mixed Asset NOK Balanced	Mixed Asset ZAR Aggressive
Mixed Asset EUR Flexible - Europe	Mixed Asset Other Aggressive	Mixed Asset ZAR Balanced
Mixed Asset EUR Flexible - Eurozone	Mixed Asset Other Balanced	Mixed Asset ZAR Conservative
Mixed Asset EUR Flexible - Global	Mixed Asset Other Conservative	Mixed Asset ZAR Flexible
Mixed Asset GBP Aggressive	Mixed Asset Other Flexible	
Mixed Asset GBP Balanced	Mixed Asset PHP Balanced	
Mixed Asset GBP Conservative	Mixed Asset PLN Balanced	
Mixed Asset GBP Flexible	Mixed Asset PLN Conservative	

HEDGE CLASSES

Introduction

Lipper has extended the hedge fund classification system by separating funds of hedge funds from single hedge fund vehicles. Each of the single-vehicle LGC categories below also has a corresponding fund-of-hedge-fund (FOHF) category. For convenience we have introduced two additional composite sectors: single hedge funds composite and fund of hedge funds composite. Please note that the latter two groupings are contained within a separate scheme called Lipper Hedge Composite. All the funds are separately classed again by appropriate strategy in the LGC scheme.

Relative Value Strategies

- Hedge/Convertible Arbitrage
- Hedge/Equity Market-Neutral
- Hedge/Fixed Income Arbitrage
- Hedge/Options Arbitrage/Strategies

Hedge/Convertible Arbitrage

Convertible Arbitrage strategies aim to lock in profits whenever there is a pricing discrepancy in the conversion factor of a security by taking long positions in convertible securities and hedging those positions by selling short the underlying common stock, i.e., “working the spread” between them. The number of stocks sold short usually reflects a delta-neutral or market-neutral ratio.

Under normal market conditions it is expected that a delta-neutral portfolio exposure remains insensitive to fluctuations in the price of the underlying stock.

Hedge/Equity Market-Neutral

Equity Market-Neutral hedge fund strategies aim to generate a positive return in both up and down markets by selecting positions with a total net exposure of zero. An Equity Market-Neutral strategy seeks to generate returns by exploiting equity market inefficiencies and involves simultaneously holding long and short equity portfolios of approximately the same dollar amount. Trades involve buying underpriced stocks – the long portion of the portfolio – and selling overpriced stocks – the short portion of the portfolio. The spread between the performance of the longs and the shorts and the interest earned from the short interest rebate provide the primary return for this strategy. An Equity Market-Neutral strategy can be established in terms of neutrality based on the following factors: dollar amount, beta, country, currency, industry or sector, market capitalization, style (value/growth), and other factors or a combination thereof. Two main approaches to Equity Market-Neutral strategies can be followed: statistical arbitrage and fundamental arbitrage.

Statistical arbitrage implies model-based, short-term trading using quantitative and technical analysis to select profit opportunities.

Fundamental arbitrage is mainly based on fundamental analysis and is less quantitative than statistical arbitrage. However, some managers use technical and price-momentum indicators (e.g., moving averages, relative strength index, and trading volumes) to support the decision-making process.

Hedge/Fixed Income Arbitrage

Fixed Income Arbitrage is a strategy that generally aims at taking profits by “playing the spread” between similar fixed income securities. The Fixed Income Arbitrage strategy is often highly leveraged. Four main arbitrage substrategies can be identified: swap-spread arbitrage, yield-curve arbitrage, volatility arbitrage, and capital-structure arbitrage.

Swap-spread arbitrage is a bet on the direction of swap rates, Libor, Treasury coupon rates, and repo rates. A typical swap-spread arbitrage trade consists of a fixed receiver swap and a short position in a par Treasury bond of the same maturity. The proceeds of the sale of the Treasury bond are invested in a margin account earning the repo rate. This trade is a simple bet that the difference between the swap rate and the coupon rate will be more than the difference between Libor and the repo rate. The trade could of course be engineered in the opposite direction.

Yield-curve arbitrage strategies are designed to profit from shifts in the steepness of or kinks in the U.S. Treasury bond yield curve by taking long and short positions on various maturities. This could take the form of a butterfly trade, where for example the investor goes long with five-year bonds and short with two- and 10-year bonds. Or, it may take the form of a spread trade, where the investor goes short on the front end of the curve and long on the back end of the curve. The strategy requires the investor to identify some points along the yield curve that are “rich” or “cheap.”

In their simplest form, **volatility arbitrage** strategies profit from the well-known tendency of implied volatilities to exceed subsequent realized volatilities. This is done by selling options of fixed income instruments and then delta-hedging the exposure to the underlying asset. However, many hedge funds implement vastly more complex volatility arbitrage strategies.

Capital-structure arbitrage strategies exploit the lack of coordination between various claims on a company such as its debt and stock, for example. The strategy involves buying one instrument of a company’s capital structure and hedging that exposure by selling another. For example, a trader who believes the debt of a company is overpriced relative to its equity would short the company’s debt and buy its stock. Capital-structure arbitrage trades may also trade junior versus senior debt or even convertible bonds versus stock.

Hedge/Options Arbitrage/Options Strategies

Options Arbitrage strategies identify any hedge fund strategy seeking to capture “the spread” between similar options through inefficiencies in the market. Options Arbitrage indicates a loosely defined category describing any manager who focuses on options.

Directional Strategies

- Hedge/Dedicated Short-Bias
- Hedge/Emerging Markets
- Hedge/Global Macro
- Hedge/Long-Bias
- Hedge/Long/Short Equity
- Hedge/Managed Futures/CTAs

Hedge/Dedicated Short-Bias

Dedicated Short-Bias refers to any hedge fund strategy that consistently has a “net-short” exposure to the market. This category also includes short-only funds, i.e., funds that pursue short sales of stocks or stock index options. Short-sale strategies are effected through borrowing the stock from a counterparty or brokerage firm and selling it in the market. Short positions are sometimes implemented by selling forward.

Hedge/Emerging Markets

Hedge/Emerging Markets strategies focus on investing in either debt or equity securities or both of companies from emerging countries. The difference from “plain-vanilla” emerging markets funds lies in the fact that hedge strategies may use leverage to boost the invested portfolio.

Emerging Markets strategies may entail a widely diversified portfolio of instruments from many emerging countries or may focus on a particular country or economic region. Emerging Markets funds do not necessarily hedge portfolio risk; either there is no derivatives market for hedging or the fund manager aims at retaining market exposure. The Emerging Markets strategy overrides any other existing strategy implied in managing hedge fund portfolios.

Hedge/Global Macro

The Hedge/Global Macro strategy attempts to identify extreme price valuations in stock markets, interest rates, foreign exchange rates, and physical commodities, making leveraged bets on the anticipated price movements in these markets. Macro managers pursue a top-down approach to identify and forecast global macro drivers affecting the valuation of financial instruments. The drivers often have both a relative value component and a value investing component. Global Macro is the broadest possible strategy a hedge fund can pursue. While there are specialized fixed income or foreign exchange-focused macro managers, in general Global Macro managers tend to trade a wide range of markets and geographic regions, employing a broad range of trading ideas and instruments. The fundamental sources of returns Global Macro managers have are long-term secular shifts in capital flows, i.e., trends. Generally, they tend to participate in large trends in major equity, fixed income, foreign exchange, and commodity markets.

Hedge/Long-Bias

The Long-Bias hedge fund strategy is similar to a general investment strategy pursued by “plain- vanilla” mutual funds, except the fund manager can trade a variety of financial instruments with flexible exposure to various asset classes and can use leverage.

Hedge/Long/Short Equity

This directional hedge fund strategy, also known as Equity Hedge, refers to a strategy that combines core long holdings of equities with short sales of stock or stock index options. Long/Short Equity funds invest on both the long and short sides of equity markets, generally focusing on diversifying or hedging across particular sectors, regions, or market capitalizations. Managers have the flexibility to shift from value to growth, from small- to medium- to large-capitalization stocks, and from net-long to net-short. Managers may also trade equity futures and options as well as equity-related securities and debt or build portfolios that are more concentrated than traditional long-only equity funds.

Hedge/Managed Futures/CTAs

Managed Futures managers seek to benefit from market trends in a number of asset classes by gaining exposure through global futures, forward contracts, and options. They have a firm directional bias (net-long or net-short exposure) and can apply leverage. The majority of Managed Futures managers employ computer-driven quantitative investment approaches that are mostly directional in nature. At the same time nondirectional, market-neutral types of trading strategies are observed alongside main trend-following, computer-driven programmes. Algorithmic trading and high-frequency trading strategies are included in this classification. Broadly speaking, Managed Futures managers can be divided into systematic and discretionary.

Systematic trend-following traders rely on computer-generated trading signals that infer on historical price data and/or historical relationships to anticipate future price movements. Three main substrategies can be identified within systematic trend-following managers: trend-following, trend-reversal, and contrarian.

Discretionary traders rely on the expertise of the managers and their judgment on a specific market to make investment decisions. They make reference to both fundamental and technical market analyses.

Commodity-trading advisors (CTAs) pursue Managed Futures strategies and generally trade commodity futures, options, and foreign exchange, and most are highly leveraged. CTAs cannot be in the form of funds of hedge funds. To the extent hedge funds trade commodity futures or options interests and have U.S. investors, their operators or advisors become subject to U.S. Commodity Futures Trading Commission (CFTC) registration and/or reporting requirements.

In addition, all persons – including those working on hedge funds – who trade on U.S. commodity futures and commodity options exchanges are subject to reporting requirements with respect to large, open positions held on regulated markets as well as limits concerning speculative positions in certain contracts. A hedge fund manager must register as a commodity pool operator (CPO) under the Commodity Exchange Act if the fund trades any commodity futures contracts or options thereon. As a CPO the manager is subject to various recordkeeping, reporting, and disclosure requirements under the Commodity Exchange Act and the regulations there under adopted by the CFTC. The CFTC has delegated to the U.S. National Futures Association (NFA), the futures industry self-regulatory organization, direct responsibility for the primary monitoring of compliance with those requirements. Thus, NFA – subject to CFTC oversight and review – receives and reviews applications for registration and grants and denies or conditionally registers CPOs and CTAs. In addition, NFA reviews the disclosure documents required to be provided by CPOs and CTAs to their customers and is responsible for conducting periodic inspections of registered persons. CTAs are identified in the Lipper database through the RFS flag, CFTC/NFA.

Event-Driven Strategies

Hedge/Event-Driven

Event-Driven strategies entail taking significant positions in various asset classes while seeking to profit from potential mispricing of securities related to specific corporate or market events. Such events can include: mergers, bankruptcies, financial or operational distress, restructurings, asset sales, recapitalizations and share buybacks, spin-offs, litigation, regulatory and legislative changes, as well as other types of extraordinary corporate events. Event-Driven funds can invest in equities, fixed income instruments (investment grade, high yield, bank debt, convertible debt, and distressed), options, and other derivatives. Many managers use a combination of strategies and adjust exposures based on the opportunity sets in each subsector. Three main Event-Driven substrategies can be identified: Distressed Securities, Risk Arbitrage, and Multi-Strategy.

Event-Driven Distressed Securities strategies focus on distressed situations and invest across the capital structure of companies that are in financial/operational distress or are subject to bankruptcy proceedings. Distressed Securities managers take on credit and liquidity risks by buying undervalued securities with the hope they will appreciate in value after a restructuring or a successful exit strategy. Portfolio exposure of this strategy is generally long-biased, but managers may take outright long, hedged, or outright short positions.

Event-Driven Risk Arbitrage (merger arbitrage) hedge fund strategies seek to capture the spreads in merger or acquisition transactions involving public companies after the announcement of the terms and conditions of the transaction has been made. The spread is the difference between the transaction bid and the trading price.

Event-Driven Multi-Strategy managers typically invest in a combination of event-driven equities (risk arbitrage and special situations) and credit. Credit-focused portfolio exposure includes long/ short high-yield credit, leveraged loans, and capital-structure arbitrage. Event-Driven Multi- Strategy managers invest in various themes and across various asset classes, aiming at taking advantage of market opportunities.

Credit Strategies

Hedge/Credit Focus

Credit Focus refers to either single- or multi-manager hedge funds investing primarily in bank loans, high-yield debt, leveraged loans, syndicated loans, investment-grade debt, collateralized debt obligations (CDOs), collateralized loan obligations (CLOs), constant proportion debt obligations (CPDOs), credit default swaps (CDSs), asset-backed securities (ABS), commercial mortgage-backed securities (CMBS), residential mortgage-backed securities (RMBS), mortgage-backed securities (MBS), or any other credit-structured vehicles by using either fundamental credit research analysis or quantitative credit portfolio modelling in order to benefit from any changes in credit quality, credit spreads, and market liquidity. This strategy also includes credit long/short strategies, which involve identifying relative value opportunities to capture either the divergence or convergence of credit spreads among corporate securities of companies in similar industries or across industry sectors. Stressed and distressed credit trading, credit derivatives trading, credit index trading, credit volatility trading, and securitization strategies are also classified under Credit Focus.

The following substrategies are identified:

- Asset- and Mortgage-Backed, Structured Securities
- High Yield
- Long/Short Credit
- Long-Bias
- Credit Arbitrage
- Stressed/Distressed
- Private Placement
- Asset-Based Lending[6]
- Credit Multi-Strategy

Mixed and Other Strategies

Hedge/Multi-Strategy

Multi-Strategy refers to single- or multi-manager hedge funds that run several different strategies that contribute to the total performance of the fund. The classification identifies those hedge funds that pursue a diversified investment strategy whereby a single investment process does not account for more than 75% of risk capital. Multi-Strategy hedge funds are characterized by their ability to allocate capital dynamically among several traditional hedge fund strategies. Through portfolio diversification across a number of strategies, hedge fund managers aim at delivering consistently positive returns, insulating portfolios from the directional movements in a number of asset classes. In many cases Multi-Strategy hedge funds are constructed as funds of hedge funds, combining different strategies/styles and also distributing the assets among various managers. Funds of hedge funds pursuing Multi-Strategy are identified with the usual “Fund of Funds” flag to maintain a distinction with single- or multi-manager Multi-Strategy hedge funds.

Hedge/Other Hedge

Because hedge funds are really niche investment funds, the Other Hedge classification applies to any fund that does not fit into any of the other categories.

[6] Asset-based or asset-backed lending (ABL) is a strategy where an investment fund (typically a hedge fund) gives a loan to a business corporation that is covered by unpledged assets. This should be a short-term loan of typically at most 70% of the value of the asset. The total amount of the loans divided by the total value of the assets is called the loan-to-value ratio (LTV) of the fund. Typically, such loans are short-term by design – about 12 months – coming with relatively high interest rates and up-front costs and little in the way of prepayment penalties. Investments in such asset-backed lending funds are usually not correlated with other investments.

Strategy Type	LGC Category	Substrategies (not available as classifications)
Relative Value Strategies	Hedge/Convertible Arbitrage	
	Hedge/Equity Market-Neutral	Statistical Arbitrage
		Fundamental Arbitrage
	Hedge/Fixed Income Arbitrage	Swap-Spread Arbitrage
		Yield Curve Arbitrage
		Volatility Arbitrage
		Capital-Structure Arbitrage
	Hedge/Options Arbitrage/Strategies	
Directional Strategies	Hedge/Dedicated Short-Bias	
	Hedge/Emerging Markets	
	Hedge/Global Macro	
	Hedge/Long-Bias	
	Hedge/Long/Short Equity	
	Hedge/Managed Futures/CTAs	Systematic Trend-Following
		Discretionary
Event-Driven Strategies	Hedge/Event-Driven	Event-Driven Distressed Securities
		Event-Driven Risk Arbitrage (merger arbitrage)
		Event-Driven Multi-Strategy
Credit	Hedge/Credit Focus	Asset- and Mortgage-Backed, Structured Securities
		High Yield
		Long/Short Credit
		Long-Bias
		Credit Arbitrage
		Stressed/Distressed
		Private Placement
		Asset-Based Lending
		Credit Multi-Strategy
Mixed and Other Strategies	Hedge/Multi-Strategy	
	Hedge/Other Hedge	

OTHER CLASSES

Absolute Return

Definitions

Absolute Return funds are highly regulated mutual, pension, or insurance funds that aim for positive returns in all market conditions. The funds are not benchmarked against a traditional long-only market index but rather have the aim of outperforming a cash or risk-free benchmark.

- Asset base can be any or flexible.
- Positive returns are specific to a currency.
- Often but not always have a cash/interest rate/inflation benchmark (+ target basis points).
- May be a short-, medium-, or long-term strategy.
- Various strategies exist under the same banner (index unconstrained/asset allocation, leveraged long/short, quantitative risk management).

Selection Criteria

- Funds with a specific hedge-like strategy listed by Lipper under the Alternative Strategies section below are classified in the relevant sector and not as Absolute Return. The identification of a specific alternative strategy, e.g., Long/Short Equity, overrides any reference to Absolute Return in the sector classification decision.
- Absolute Return in the name of the fund; Absolute Return aim stated in the prospectus or fund objective.

Since targeted returns make reference to a specific currency, we create classes by first subdividing by reference currency. Since the strategies are not directly comparable, we subdivide further using our historical value-at-risk measure. Value-at-risk is measured as an average of the last three rolling years, and funds are categorized biannually. Funds with insufficient history are classified in Absolute Return Other.

Naming Convention

Absolute Return [Reference Currency] [Value-at-Risk Tertile]

Funds that aim to achieve an absolute return in the reference currency within a certain value-at- risk tertile relative to that reference currency group.

List of classes		
Absolute Return AUD High	Absolute Return GBP Med	Absolute Return ZAR Low
Absolute Return AUD Med	Absolute Return GBP Low	Absolute Return CHF
Absolute Return AUD Low	Absolute Return USD High	Absolute Return Other
Absolute Return EUR High	Absolute Return USD Med	
Absolute Return EUR Med	Absolute Return USD Low	
Absolute Return EUR Low	Absolute Return ZAR High	
Absolute Return GBP High	Absolute Return ZAR Med	

Alternative Strategies

Alternative Currency Strategies

Funds that invest in global currencies; exploit arbitrage opportunities; and carry interest, momentum, or fundamental expectations. These objectives may be achieved through the use of short-term money market instruments, derivatives (forwards, options, swaps), and cash deposits.

Alternative Credit-Focus

Funds that by prospectus language invest in a wide range of credit-structured vehicles by using either fundamental credit research analysis or quantitative credit portfolio modelling, trying to benefit from any changes in credit quality, credit spreads, and market liquidity.

Alternative Equity Market-Neutral

Funds that employ portfolio strategies generating consistent returns in both up and down markets by selecting positions with a total net market exposure of zero.

Alternative Event-Driven

Funds that by prospectus language seek to exploit pricing inefficiencies that may occur before or after a corporate event, such as a bankruptcy, merger, acquisition, or spin-off. Event-Driven funds can invest in equities, fixed income instruments (investment-grade, high-yield, bank debt, convertible debt, and distressed), options, and other derivatives.

Alternative Global Macro

Funds that by prospectus language invest around the world using economic theory to justify the decision-making process. The strategy is typically based on forecasts and analysis about interest rate trends, the general flows of funds, political changes, government policies, intergovernmental relations, and other broad systemic factors. These funds generally trade a wide range of markets and geographic regions, employing a broad range of trading ideas and instruments.

Alternative Long/Short Equity [Region]

Funds that employ portfolio strategies combining long holdings of equities with short sales of equities, equity options, or equity index options. The funds may be either net-long or net-short, depending on the portfolio manager's view of the market. Six regionally focused sectors currently exist: U.K., U.S., Australia, Japan, Europe, and Global.

Alternative Multi-Strategy

Funds that by prospectus language seek total return through the management of several different hedge-like strategies. These funds are typically quantitatively driven to measure the existing relationship between instruments and in some cases to identify positions in which the risk-adjusted spread between these instruments represents an opportunity for the investment manager.

Alternative Managed Futures

Funds that invest primarily in a basket of futures contracts with the aim of reduced volatility and positive returns in any market environment. Investment strategies are based on proprietary trading strategies that include the ability to go long and/or short.

Alternative Relative Value

Funds that utilise options/arbitrage techniques in order to exploit price differentials between pairs of similarly correlated securities by selling the overpriced security short and simultaneously taking a long position in an underpriced security.

These vehicles are a growing and evolving group, since more permissive legislation such as the UCITS III product directive allows a greater use of derivative instruments and synthetic shorting. Alternatives funds are not hedge funds and have much stricter rules on exposure, leverage, and daily liquidity.

Commodities

Funds investing in commodity assets through either direct trading in physical commodities or commodity-linked structured securities or derivatives. It is important to note that the predominance of investments must be to the asset type "commodity," either directly or indirectly, forming a majority of the underlying exposure. Exposure to equities that revolve around the economic activity of commodities, e.g., farming and mining, is not considered to qualify for commodity exposure contributing to this sector (generally equity exposure to commodity-related activity is not included).

Commodity Funds – Agriculture

Funds that invest primarily in agricultural and livestock commodities, e.g., wheat or cattle, or in agricultural commodity-linked structured notes and derivatives.

Commodity Funds – Industrial Metals

Funds that invest primarily in industrial commodities, e.g., copper, or in industrial metal commodity-linked structured notes or derivatives.

Commodity Funds – Blended

Funds that invest primarily in a blended basket of commodities or diversified commodity-linked structured notes or derivatives.

Commodity Funds – Energy

Funds that invest primarily in energy-related commodities, e.g., oil and gas, or in energy-related commodity exposure via structured notes or derivatives.

Commodity Funds – Precious Metals

Funds that invest primarily in precious metals commodities, e.g., silver, gold, platinum, and palladium, or in precious metals commodity exposure via structured notes or derivatives.

Commodity Funds – Other

Funds that invest primarily in commodities or in commodity exposure via structured notes and derivatives-offering strategies that do not fit any of the other commodity-based sectors. These include leveraged commodity exposure or short-biased offerings.

Guaranteed

Funds that guarantee repayment of the principal and/or dividend/interest at redemption of the fund or at predetermined dates. Insurance policies or collateral assets usually back repayment of the principal and/or dividend/interest.

In most cases a Guaranteed fund predominantly holds fixed income assets, along with a small allocation to derivative financial instruments.

Protected

Funds that aim at achieving a minimum return while protecting investors from a downside risk that is expected not to exceed a predefined percentage. The minimum return is usually set at a percentage of the total return of the fund as measured during the "cliquet period." In most cases a Protected fund predominantly holds fixed income assets, along with a small allocation to derivative financial instruments.

Target Maturity

Funds with the primary objective of investing in fixed income only or in a mix of equities and bonds with a preset rebalancing over time. They do not offer capital protection or guarantee. The funds normally cease to exist at the maturity date, when the investor is refunded the net asset value or is offered a different investment vehicle. Target Maturity funds in most cases are set up as follows:

Life cycle funds: These are mixed-asset funds that rebalance investments and gradually reduce exposure in equities as the investor approaches the target date, e.g., for retirement or another savings objective.

Bond funds that at launch invest in long-term bonds and often follow a “buy-and-hold” strategy or have a duration management focused on the maturity date. As the maturity date approaches, the bond profile moves to medium-term, short-term, and money market. The funds are based on target maturity dates within five-year “bands” to allow like-for-like comparisons with funds with similar glide paths.

Target Maturity Mixed Asset EUR 2015	Target Maturity Mixed Asset USD 2010	Target Maturity Bond EUR 2015
Target Maturity Mixed Asset EUR 2020	Target Maturity Mixed Asset USD 2015	Target Maturity Bond EUR 2020+
Target Maturity Mixed Asset EUR 2025	Target Maturity Mixed Asset USD 2020	Target Maturity Other
Target Maturity Mixed Asset EUR 2030	Target Maturity Mixed Asset USD 2025	
Target Maturity Mixed Asset EUR 2035	Target Maturity Mixed Asset USD 2030	
Target Maturity Mixed Asset EUR 2040	Target Maturity Mixed Asset USD 2035	
Target Maturity Mixed Asset EUR 2045+	Target Maturity Mixed Asset USD 2040	
Target Maturity Mixed Asset USD 2045	Target Maturity Mixed Asset USD 2050+	

Unclassified

Funds that have yet to be placed in a Lipper sector or that are significantly different to warrant removal from a Lipper sector.

Undisclosed

Funds that have no static data published or the data is not available. (Undisclosed funds should have Time Series Data and minimum fields such as Fund Name, ISIN, Launch Date, Company Information, Domicile, and RFS Countries.)

ADDITIONAL NOTES

Exchange-Traded Funds (ETFs)

ETFs are mutual fund vehicles that have units traded on the stock exchange like equities do. Investing in ETFs can be a cheap, efficient, and highly liquid way of gaining exposure to diversified markets and thus building or maintaining a portfolio. There are different structures of ETFs that Lipper considers when we assess the correct sector classification. One of the key structural differences among ETFs is to be found in exactly how the exposure to a market is purchased. An ETF can either buy the underlying securities directly (value-based ETF, i.e., full replication or sampling), or it is possible to buy only the performance element by entering into a total return swap (swap-based ETF). The latter is an agreement between two parties to exchange agreed fixed or variable payments in return for payments based on the performance of a financial asset (usually a market index). Generally speaking, this method of exposure adds an extra layer of risk to the mutual fund called “counterparty risk,” i.e., the risk that the counterparty will default on the agreement made. For UCITS-compliant swap-based ETFs this risk has a regulatory limit of 10% of the fund’s value (or NAV). This means that for UCITS-compliant ETFs we can relatively safely ignore the difference between swap-based ETFs and value-based ETFs and assign the category of the underlying assets to a matching classification, if available. For non-UCITS ETFs we ensure that the counterparty risk does not exceed the UCITS 10% limit, which Lipper also takes as an eligible exposure for purposes of LGC. If the exposure to counterparty risk is higher than 10% of the net asset value, the fund is set to Unclassified.

In addition, for value-based ETFs there is a further differentiation between those ETFs that purchase all of the securities in an underlying index (full-replication strategy) and those ETFs that purchase only a representative sample or basket of securities (part-replication or sampling strategy). This decision is generally based on trading costs and not investment objectives; therefore, we ignore it for purposes of assigning the LGC, which is based on a true match of the underlying asset exposure.

There are some distinctions and special cases worthy of note. The first is to recognise that ETFs, ETNs, and ETCs are not the same thing. Whereas ETFs are legal mutual fund entities, exchange-traded notes (ETNs) and exchange-traded commodities (ETCs) are in fact debt obligations (like a bond or a debenture) and thus do not strictly belong in Lipper’s mutual fund database, which is for collective investments only.

In addition, the use of Unclassified is appropriate and essential for those ETFs where the underlying exposure does not match any LGC. Specifically, those ETFs that participate in opposite directional (or short) indices or have a multiple exposure on any direction of an index (other than 100% long) should always remain Unclassified until Lipper identifies sufficient like-for- like funds to create a new class or several classes.

GLOSSARY

Fixed Income Securities – Money market, bond, convertible bonds

Variable Income Securities – Equity, alternative investments, real estate

Reference-Currency Exposure – Reference currency-denominated or reference currency-hedged securities

Developed Markets – Securities issuers domiciled in countries whose sovereign foreign-currency fixed income securities are rated investment-grade by both S&P and Moody's or that are members of the OECD

Emerging Markets – Securities issuers domiciled in countries whose sovereign foreign-currency fixed income securities are not rated investment-grade by both S&P and Moody's or that are not members of the OECD

Synonyms And Examples

Equity – Stocks, shares, preferred shares, common stocks

Equity-Linked Products – Equity-Linked Term Notes (ELKS), Optimised Portfolio as Listed Securities (OPALS), Performance Equity Linked Redemption Quarterly Pay Securities (PERQS), Select EQUity Indexed NoteS (SEQUINS), Stock Participation Accreting Redemption Quarterly- pay Securities (SPARQS), STock Return Income DEbt Securities (STRIDES), Yield Enhancing Equity-Linked Debt Securities (YEELDS), etc.

Bond – Fixed income instruments, debt instruments, debentures: average maturity > one year

Hedge Fund – Alternative investment fund, nontraditional fund

Money Market – Time deposits, certificates of deposit, fixed income instruments, debt instruments, debentures: residual life to maturity < one year

Real Estate – Buildings, land, property

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