

THOMSON REUTERS LIPPER INDICES

Methodology Document (ex U.S.)

VERSION 1.0

Date of Issue: 2015



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Definition

The Thomson Reuters Lipper Indices are designed to reflect the average time weighted rate of return of all portfolios in a particular classification over time. Lipper Indices are designed to be usefully employed as a good representation of the combined peer group performance and thus act as relevant benchmarks to measure single fund manager performance and rankings within that peer group. Lipper ensures that any restricted track record extensions are not permitted so that only real histories represent the independently collected data.

Output

Three indices may be generated:

TR Gross Total Return (gross of tax)

TR Net Total Return (net of tax)

CR Capital Return

Eligible constituents

All active, liquidated, merged primary funds in the classification scheme

Calculation features

- Arithmetic returns
- Daily calculation routine
- Equal weighted constituents
- Month end rebalancing
- Cumulative returns
- 3 month arrears

Calculation formula

$$I_t = I_0 \times \frac{\sum_{i=1}^N R_{ti}}{N}$$

I_t Index value on date t

I_0 Index base value at month end

R_{ti} Cumulative return of the i th component on date t since base date, where R = TR Gross or TR UK Net or CR

N Number of components

Arrears calculation

In order to maximise data coverage and accuracy a limited ex-post calculation routine is in place for all Lipper Indices. This mechanism is designed to pick up any late input data.

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Index components – ins and outs

For monthly-rebalanced indices, any new fund will join the index from the next base date (next month end). Any leaving fund will leave the index from the last working day of the previous month end (last base date). This simplifies the index to ensure that the number of constituents in any one month is always the same.

Business Rules

- Constituents which do not include complete sets of income dividends may not be eligible for some calculations (e.g. an accumulation fund cannot calculate capital return without the required 'notional income' but may calculate total return).
- Estimated returns are included but these are 'ironed out' over time by the 'cumulative from base' methodology

Indices and averages

Thomson Reuters Lipper Indices are indicators of the average performance of funds in different Lipper peer groups over time. A particular fund can have different peer groups over time and therefore contributes to different Lipper indices at different times. A fund could have contributed to an index historically even it is no longer active (liquidated or merged). A Lipper index tells us what performance you would get if you were to invest passively in a portfolio of funds in a certain peer group according to the Lipper Index methodology. Lipper indices are better indicators of a peer group's performance over time.

Lipper averages reflect the average performance of the active funds in a particular peer group at the time of calculation. No matter what peer groups a fund had before, the fund contributes the same Lipper average over time. Inactive funds at the time of calculation are excluded from the Lipper averages. Lipper averages could be different when calculated at different times, even when the performance period is the same. Lipper averages are more appropriate for peer group comparisons at a point of a time. It is possible to calculate rolling sub-period Lipper averages to generate a return time series for statistical analysis.

1 Re-computes index values 90 calendar days from the most recent rebalance date monthend.

ABOUT THOMSON REUTERS LIPPER

Thomson Reuters Lipper provides independent insight to asset managers and institutional investors on global collective investments, including mutual funds, retirement funds, hedge funds, and fund fees & expenses. Lipper offers premium quality data, fund ratings, analytical tools, and global commentary through specialized product offerings. Trusted by investment professionals for more than 40 years, Lipper provides unparalleled expertise and insight to the funds industry.

