

# REFINITIV™ LIPPER® GLOBAL CLASSIFICATION

Category Definitions

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# Contents

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<b>Introduction .....</b>	<b>4</b>	Emerging Markets/Asia Pacific Bond .....	15
Monitoring .....	4	Bond Emerging Markets Corporates .....	15
Overview .....	4	Bond Emerging Markets Other .....	15
Asset Type .....	5	Bond [Currency] Long-Term .....	15
Geographic Focus .....	5	Bond [Currency] Medium-Term .....	15
<b>Equity .....</b>	<b>6</b>	Bond [Currency] Short-Term .....	15
Countries and Regions .....	6	Convertible Bond .....	16
Market Cap .....	7	Inflation-Linked Bond .....	16
Equity [Region] and [Sm&Mid Cap] .....	8	Bond [Currency] Government .....	16
Equity [Country] and [Sm&Mid Cap] .....	8	Bond EMU Government .....	16
Equity Emerging Markets [Region] .....	8	Bond EMU Government (Long-Term, Medium-Term, Short-Term) ....	16
Equity Emerging Markets Other .....	8	Municipal Bond .....	17
Equity Frontier Markets .....	8	Bond USD Mortgages .....	17
Equity [Region/Country] and [Income] .....	8	Bond Other Inflation-Linked .....	17
Equity [Country] Diversified .....	8	Loan Participation Funds .....	17
Equity Other .....	8	Bond Other .....	17
Equity China .....	9	<b>Money Market .....</b>	<b>18</b>
Equity Greater China .....	9	Introduction .....	18
Equity Hong Kong .....	9	Money Market [Currency] .....	18
<b>Equity Industry Sectors .....</b>	<b>10</b>	<b>Real Estate .....</b>	<b>19</b>
<b>Equity Theme Sectors .....</b>	<b>12</b>	Introduction .....	19
Equity Theme – Agribusiness .....	12	Real Estate Property [Country/Region] .....	19
Equity Theme – Alternative Energy .....	12	Real Estate Property Other .....	19
Equity Theme – Infrastructure .....	12	<b>Mixed Asset .....</b>	<b>20</b>
Equity Theme – Natural Resources .....	12	Introduction .....	20
Equity Theme – Water .....	12	Base Currencies .....	20
<b>Bond .....</b>	<b>13</b>	Risk Degree .....	20
Introduction .....	13	Country or Region .....	20
Aggregate Bond .....	13	Mixed-Asset [Base Currency] Conservative [Country/Region] ....	20
Bond Europe .....	13	Mixed-Asset [Base Currency] Balanced [Country/Region] .....	20
Bond Global [Base Currency] .....	14	Mixed-Asset [Base Currency] Aggressive [Country/Region] .....	20
Corporate Bond .....	14	Mixed-Asset [Base Currency] Flexible [Country/Region] .....	20
High Yield Bond .....	14	Mixed-Asset Other [Risk Degree] .....	21

<b>Hedge</b> .....	<b>22</b>	Target Maturity .....	32
Introduction .....	22	Unclassified .....	33
Relative Value Strategies .....	22	Undisclosed .....	33
Hedge/Options Arbitrage/Options Strategies .....	23	<b>Additional Notes</b> .....	<b>34</b>
Directional Strategies .....	23	Exchange-Traded Funds (ETFs) .....	34
Event-Driven Strategies .....	25	<b>Glossary</b> .....	<b>35</b>
Credit Strategies .....	25	Synonyms and Examples .....	35
Mixed and Other Strategies .....	26		
<b>Liquid Alternatives</b> .....	<b>28</b>		
Absolute Return .....	28		
Absolute Return [Base Currency] [Value-at-Risk Tertile] .....	28		
Absolute Return Bond [Base Currency] .....	28		
Alternative Currency Strategies .....	28		
Alternative Credit Focus .....	28		
Alternative Dedicated Short Bias .....	29		
Alternative Equity Leveraged .....	29		
Alternative Equity Market-Neutral .....	29		
Alternative Event-Driven .....	29		
Alternative Global Macro .....	29		
Alternative Long/Short Equity [Region] .....	29		
Alternative Multi-Strategy .....	29		
Alternative Managed Futures .....	29		
Alternative Relative Value .....	29		
<b>Commodities</b> .....	<b>31</b>		
Commodity Funds – Agriculture .....	31		
Commodity Funds – Industrial Metals .....	31		
Commodity Funds – Blended .....	31		
Commodity Funds – Energy .....	31		
Commodity Funds – Precious Metals .....	31		
Commodity Funds – Other .....	31		
<b>Other</b> .....	<b>32</b>		
Guaranteed .....	32		
Protected .....	32		

## Introduction

The purpose of the Refinitiv™ 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. This document provides explanations and definitions of the LGC structure. Lipper Global Classifications are to be applied to all funds in 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 ways (through Lipper products, Lipper feeds, Lipper media, etc.). With these classifications, users can identify and analyze funds in a flexible manner. We operate LGC on a constant review basis. When new fund products or structures enter a fund market, we introduce new classifications as deemed necessary.

### Monitoring

Refinitiv Lipper analysts use a variety of processes to monitor fund classifications. Lipper analyzes the “outlying” performing funds in each sector. We also review sectors that fall below the minimum number of 10 unique portfolios. Lipper cleans sectors on an annual basis in preparation for the fund awards season, which runs from October to March.

### Overview

For each fund in the Refinitiv Lipper global database, key classification attributes such as asset type, geographic focus and fund currency help us to determine the fund manager’s selection possibilities and to classify accordingly.

These attributes 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 geographic focus – for example, LGC: Equity France = asset type Equity and geographic focus France. In some cases a fund may be given a geographic focus that differs from its classification. For example, a fund with an objective of investing in technology-related stocks and a portfolio consistently heavily weighted toward the U.S. will be placed into an Equity Technology sector rather than into Equity U.S.

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:

- Fund name
- Investment objective (statement of the promoter)
- Prospectus
- Fund factsheet
- Key information/regulated documents

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

Each fund is assigned an asset type based on the definitions below:

Asset Type	Description
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. Note that "multi-asset" long-only portfolios are also assigned this asset type
ALTERNATIVES	Funds investing in alternative assets OR where the source of return arises from a derivative hedge-like strategy. These funds target a stated outcome and may use traditional asset bases like equity – but only as a means to an end. Other funds will solely use derivative instruments as the source of return, e.g., options. By default, all members of hedge fund sectors and alternative sectors will be assigned this asset type. Other funds may also qualify, e.g., art, leasing, private equity, and some absolute return funds
OTHER	Funds that are unclassified or undisclosed

## Geographic Focus

Each fund is assigned a geographic focus according to the economic exposure of the portfolio. As a general rule, a fund must maintain at least 50% of its exposure to a specific country/region to be assigned the relevant attribute.

## Equity

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

### Countries and Regions

Single-country funds for which there is no single-country sector are placed in the regional sector that offers 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 table below lists all the 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 <sup>1</sup>	Equity Belgium	Equity Pakistan
Equity Emerging Mkts Asia	Equity Brazil	Equity Philippines
Equity Emerging Mkts Europe	Equity Brazil Income	Equity Philippines Income
Equity Emerging Mkts Global	Equity Canada	Equity Poland
Equity Emerging Mkts Latin America	Equity Canada Income	Equity Portugal
Equity Emerging Mkts Other	Equity Chile	Equity Russia
Equity Europe	Equity China	Equity Saudi Arabia
Equity Europe ex. UK	Equity Colombia	Equity Singapore
Equity Europe Income	Equity Denmark	Equity South Africa
Equity Eurozone	Equity Egypt	Equity Spain
Equity Frontier Markets	Equity Finland	Equity Sweden
Equity GCC	Equity France	Equity Switzerland
Equity Global	Equity Germany	Equity Taiwan
Equity Global ex. Japan	Equity Greece	Equity Thailand
Equity Global ex. UK	Equity Hong Kong	Equity Thailand Income
Equity Global ex. U.S.	Equity India	Equity Turkey
Equity Global Income	Equity Indonesia	Equity UAE
Equity Greater China	Equity Israel	Equity UK
Equity Iberia	Equity Italy	Equity UK Diversified
Equity MENA	Equity Japan	Equity UK Income

<sup>1</sup> Australasia includes Australia, New Zealand, New Guinea, and the many smaller islands in the vicinity, most of which are in the eastern part of Indonesia.

Region	Country	Country
Equity Nordic	Equity Japan Income	Equity U.S.
Equity Other	Equity Korea	Equity U.S. Income
	Equity Kuwait	Equity Vietnam
	Equity Malaysia	
	Equity Malaysia Diversified	
	Equity Malaysia Income	
	Equity Mexico	
	Equity Morocco	

## 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 Brazil Sm&Mid Cap
Equity China Sm&Mid Cap	Equity Canada Sm&Mid Cap
Equity Emerging Markets Sm&Mid Cap	Equity France Sm&Mid Cap
Equity Europe Sm&Mid Cap	Equity Germany Sm&Mid Cap
Equity Eurozone Sm&Mid Cap	Equity Korea Sm&Mid Cap
Equity Global Sm&Mid Cap	Equity India Sm&Mid Cap
Equity Global ex. U.S. Sm&Mid Cap	Equity Israel Sm&Mid Cap
Equity Nordic Sm&Mid Cap	Equity Italy Sm&Mid Cap
	Equity Japan Sm&Mid Cap
	Equity Malaysia Sm&Mid Cap
	Equity Poland Sm&Mid Cap
	Equity Sweden Sm&Mid Cap
	Equity Switzerland Sm&Mid Cap
	Equity Taiwan Sm&Mid Cap
	Equity UK Sm&Mid Cap
	Equity U.S. 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 in the following regions, including single-country funds in 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 [Region/Country] 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% to 75%. In the special case of Malaysia, the country allocation may vary from 50% to 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.



## Equity China

Funds with the primary objective of investing in the equity exposure of the Chinese mainland and/or in H-shares<sup>2</sup> or Red-Chips<sup>3</sup> 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

<sup>2</sup> H-shares are stocks of Chinese companies that are listed on the Hong Kong Stock Exchange and are freely tradable for foreigners.

<sup>3</sup> 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 in mainland China. 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). The majority of LGC sectors align with GICS 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 a predominant and strategic weighting (>50%) to the appropriate GICS sector/s.

Refinitiv Lipper Global Classification	MSCI Code	Industry Name
Equity Sector Energy	101010	Energy Equipment and Services
	101020	Oil, Gas and Consumable Fuels
Equity Sector Materials	151010	Chemicals
	151020	Construction Materials
	151030	Containers and Packaging
	151040	Metals and Mining
	151050	Paper and Forest Products
Equity Sector Gold and Precious Metals	15104030	Gold
	15104040	Precious Metals and Minerals
	15104045	Silver
Equity Sector Industrials	201010	Aerospace and Defense
	201020	Building Products
	201030	Construction and Engineering
	201040	Electrical Equipment
	201050	Industrial Conglomerates
	201060	Machinery
	201070	Trading Companies and Distributors
	202010	Commercial Services and Supplies
	202020	Professional Services
	203010	Air Freight and Logistics
	203020	Airlines
	203030	Marine
	203040	Road and Rail
	203050	Transportation Infrastructure
	Equity Sector Consumer Discretionary	251010
251020		Automobiles
252010		Household Durables
252020		Leisure Products
252030		Textiles, Apparel and Luxury Goods
253010		Hotels, Restaurants and Leisure
253020		Diversified Consumer Services
255010		Distributors
255020	Internet and Direct Marketing Retail	

Refinitiv Lipper Global Classification	MSCI Code	Industry Name
	255030	Multiline Retail
	255040	Specialty Retail
Equity Sector Consumer Staples	301010	Food and Staples Retailing
	302010	Beverages
	302020	Food Products
	302030	Tobacco
	303010	Household Products
	303020	Personal Products
Equity Sector Health Care	351010	Health Care Equipment and Supplies
	351020	Health Care Providers and Services
	351030	Health Care Technology
	352020	Pharmaceuticals
	352030	Life Sciences Tools and Services
Equity Sector Biotechnology	352010	Biotechnology
Equity Sector Financials	401010	Banks
	401020	Thrifts and Mortgage Finance
	402010	Diversified Financial Services
	402020	Consumer Finance
	402030	Capital Markets
	402040	Mortgage Real Estate Investment Trusts
	403010	Insurance
Equity Sector Information Technology	451020	IT Services
	451030	Software
	452010	Communications Equipment
	452020	Technology Hardware, Storage and Peripherals
	452030	Electronic Equipment, Instruments and Components
	453010	Semiconductors and Semiconductor Equipment
Equity Sector Communication Services	501010	Diversified Telecommunication Services
	501020	Wireless Telecommunication Services
	502010	Media
	502020	Entertainment
	502030	Interactive Media and Services
Equity Sector Utilities	551010	Electric Utilities
	551020	Gas Utilities
	551030	Multi-Utilities
	551040	Water Utilities
	551050	Independent Power and Renewable Electricity Producers
Equity Sector Real Estate (Region) <sup>4</sup>	601010	Equity Real Estate Investment Trusts (REITs)
	601020	Real Estate Management and Development

<sup>4</sup> Several sectors split by region: Asia Pacific, Australia, Europe, Global, Japan, South Africa, UK, U.S., and Other

## Equity Theme Sectors

These sectors recognize global fund industry trends to invest across more than one industry sector as part of an investment strategy based around a popular alpha-generating “theme”. Several industry trends are described below, with sectors created to facilitate comparisons across the theme.

### Equity Theme – Agribusiness

Funds invest predominantly across the consumer staples, materials and industrials sectors. Funds must contain a diverse mix of equities that support the global food production industry: producers, distributors, suppliers, facilitators.

### Equity Theme – Alternative Energy

Funds invest predominantly across the energy, industrials, utilities, materials and information technology sectors. Funds must contain a diverse mix of equities that reflect the new energy industry: cleaner technologies for traditional energy, all types of renewable energy such as wind power, solar and geothermal, and sustainable energy technologies designed to avoid the burning of fossil fuels, control pollution/waste and reduce global warming.

### Equity Theme – Infrastructure

Funds invest predominantly across the energy, industrials, utilities and materials sectors. Funds must contain a diverse mix of listed and liquid equities that reflect companies engaged in core infrastructure activities. These generally include large geographic projects leading to the construction of energy supplies, utilities, and education, health, social and transportation facilities.

### Equity Theme – Natural Resources

Funds invest predominantly across the energy and materials sectors. Funds must contain a diverse mix of equity investments related to the extraction of natural resources: oil and gas, mining of coal, metals and minerals (e.g., iron ore, copper), forestry products, etc.

### Equity Theme – Water

Funds invest predominantly across the utilities and industrials sectors. Funds must contain a diverse mix of equity investments related to water, including equipment and infrastructure linked to water purification, irrigation, distribution and storage of water, etc.

# Bond

## Introduction

Funds strategically invest in fixed income securities with average maturity of above one year. Funds are classified into a variety of strategic differentiators as described below. The philosophy of our bond classification is to start where the bond manager starts: a regional selection universe. From this point we then drill down by quality, maturity and currency exposure – the key drivers of bond fund performance.

## Aggregate Bond

Funds with the primary objective of investing in fixed income securities with diversified credit quality. Domestic-focus funds will invest primarily in bonds denominated in the home currency and issued in the home country. For example, Bond ARS will focus mainly on Argentine bonds.

Regional-focus funds will invest in fixed income issues that are diversified across the region. Regional sectors are further divided by popular base currencies, e.g. Bond Global (AUD). The overall currency exposure of these funds is at the discretion of the fund management company – so a fund with global issues, hedged to a single currency, will still be classified in the appropriate regional focus sector.

## 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".

Domestic Focus	Domestic Focus	Regional Focus
Bond AUD	Bond ARS	Bond Europe
Bond CAD	Bond BRL	Bond Global AUD
Bond CHF	Bond CLP	Bond Global CAD
Bond CZK	Bond CNY	Bond Global CHF
Bond DKK	Bond COP	Bond Global EUR
Bond EUR	Bond HUF	Bond Global GBP
Bond GBP	Bond IDR	Bond Global JPY
Bond HKD	Bond ILS	Bond Global LC
Bond JPY	Bond INR	Bond Global USD
Bond NOK	Bond KRW	Bond Asia Pacific LC
Bond SEK	Bond MAD	Bond Asia Pacific HC
Bond SGD	Bond MXN	
Bond USD	Bond MYR	
	Bond PHP	
	Bond PKR	
	Bond PLN	

Domestic Focus	Domestic Focus	Regional Focus
	Bond RUB	
	Bond THB	
	Bond TND	
	Bond TRY	
	Bond ZAR	
		Bond Other

### Bond Global [Base Currency]

Funds with the primary objective of investing in developed countries globally. Funds must be diversified globally, but currency exposure is at the discretion of the fund manager and may be diversified or fully hedged. These sectors are split by base currency to facilitate comparisons. Bond Global (LC) refers to any funds with a base currency that is not covered in another base currency-specific sector.

### Corporate Bond

Funds with the primary objective of investing in domestic or regionally-focused bonds from corporate issuers (non-government/non-agency) in the investment grade credit rating (from AAA to BBB). Regional sectors are further divided by popular base currencies, e.g., Bond Global (AUD). The overall currency exposure of funds in regional sectors is at the discretion of the fund management company – so a fund with global issues, hedged to a single currency, will still be classified in the appropriate regional focus sector.

Domestic Focus	Regional Focus
Bond EUR Corporates	Bond Global Corporates LC
Bond GBP Corporates	Bond Global Corporates EUR
Bond ILS Corporates	Bond Global Corporates JPY
Bond USD Corporates	Bond Global Corporates USD

### High Yield Bond

Funds with the primary objective of investing in domestic or regionally-focused bonds within the non-investment grade credit classification (below BBB).

Domestic Focus	Regional Focus
Bond AUD High Yield	Bond Europe High Yield
Bond CAD High Yield	Bond Global High Yield LC
Bond EUR High Yield	Bond Global High Yield CAD
Bond GBP High Yield	Bond Global High Yield EUR
Bond USD High Yield	Bond Global High Yield GBP
	Bond Global High Yield JPY
	Bond Global High Yield USD

## Emerging Markets/Asia Pacific Bond

Funds with the primary objective of investing in bonds in emerging markets. Large sectors are subdivided into currency-specific strategies. The qualification for Hard Currency (HC) is >75% exposure to hard currencies – an aggregated exposure to any or all of AUD, CAD, CHF, DKK, EUR, GBP, JPY, NOK, SEK, SGD, USD and Gold.

## Bond Emerging Markets Corporates

Funds with the primary objective of investing in fixed income securities issued by emerging-market corporations (non-government/non-agency) and generally denominated in or hedged to a hard currency (usually USD). A small element of local currency play is tolerated, but portfolios predominantly exposed to local currencies are instead 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 emerging-market currencies/countries that are different from the emerging-market regions described above.

Regional Focus	Currency Focus
Bond Emerging Markets Global HC	Bond Asia Pacific HC
Bond Emerging Markets Global LC	Bond Asia Pacific LC
Bond Emerging Markets Global Corporates	Bond Cambial Dollar
Bond Emerging Markets Europe	
Bond Emerging Markets Latin America	
Bond Emerging Markets Other	

## Bond [Currency] Long-Term

Bond funds investing only in the long-term segment (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.

Maturity Focus	Maturity Focus
Bond ARS ST	Bond COP ST
Bond BRL ST	Bond EUR LT
Bond CAD ST	Bond EUR MT
Bond CHF MT	Bond EUR ST
Bond CHF ST	

## Convertible Bond

Regional Focus
Bond Convertibles Europe
Bond Convertibles Global
Bond Convertibles U.S.
Bond Convertibles Other

## Inflation-Linked Bond

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.

Domestic	Regional
Bond CAD Inflation Linked	Bond Global Inflation Linked
Bond EUR Inflation Linked	
Bond GBP Inflation Linked	
Bond USD Inflation Linked	
Bond Other Inflation Linked	

## Bond [Currency] Government

Funds with the primary objective of investing in fixed income securities issued by governments or supranational agencies.

## 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 (EMU) and denominated in euros. For a fund to receive this classification, the prospectus must clearly state that any investments meet these criteria. If the investment objective in the prospectus does not specifically mention exposure to issues by governments or supranational agencies in EMU countries, Refinitiv Lipper classifies the fund as Bond EUR. The 75% threshold rule is suspended if the fund factsheet does not support clear identification of the investment objective through a breakdown by issuer's domicile.

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

Classified as above, but within the relevant maturity segments.

Domestic Focus	Regional Focus
Bond CHF Government	Bond EMU Government
Bond GBP Government	Bond EMU Government LT
Bond INR Government	Bond EMU Government MT
Bond USD Government	Bond EMU Government ST
Bond USD Government ST	



## Municipal Bond

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

Domestic Focus	Domestic Focus
Bond USD Municipal	Bond USD Municipal High Yield
	Bond USD Municipal MT
	Bond USD Municipal ST
	Bond USD Tax Exempt Money Market

## 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 issued by the Government National Mortgage Association (GNMA).

## Bond Other Inflation-Linked

Funds investing in inflation-indexed fixed income securities that do not meet the domestic or regional criteria for the existing suite of inflation-linked sectors. Inflation-indexed bonds are fixed income securities structured to provide protection against inflation.

## Loan Participation Funds

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

## Bond Other

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

# Money Market

## Introduction

These 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.

## Money Market [Currency]

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

### Single Currency

- AUD
- CAD
- CHF
- CLP
- CNY
- COP
- CZK
- EGP
- EUR
- GBP
- HKD
- HUF
- ILS
- INR
- JPY
- KRW
- MAD
- MXN
- MYR
- NOK
- NZD
- PHP
- PKR
- PLN
- SEK
- SGD
- SKK
- THB
- TRY
- TWD
- USD
- ZAR

### Multi-Currency

- Global

### Residual

- Other

# Real Estate

## Introduction

These funds strategically invest the majority of their total assets in direct, tangible buildings and/or land.<sup>5</sup> Funds are classified according to their local or regional market exposure.

## 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 macroeconomic drivers of the single country are similar to the regional ones (e.g., France and Germany = 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 covered in the above category.

Variations:

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

<sup>5</sup>Note on real estate investment trusts: if the fund is an open-end mutual fund and predominantly holds real estate investment trusts, it is classified in Equity Sector Real Estate. Conversely, if the fund is a closed-end real estate investment trust, it is classified in Real Estate.

## Mixed Asset

### Introduction

These funds strategically invest in a mix of fixed income and equity securities. Funds are classified by base currency of portfolio, risk degree and geographic focus.

### Base 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	0-100%	0-100%

### Country or Region

If needed, there is an additional geographic distinction to narrow 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.

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

### Mixed-Asset [Base Currency] Conservative [Country/Region]

Funds investing more than 65% in fixed income securities and the remainder in variable income securities. Investments are limited to country/region where specified.

### Mixed-Asset [Base Currency] Balanced [Country/Region]

Funds investing more than 35% but less than 65% in variable income securities and the remainder in fixed income securities. Investments are limited to country/region where specified.

### Mixed-Asset [Base Currency] Aggressive [Country/Region]

Funds investing more than 65% in variable income securities and the remainder in fixed income securities. Investments are limited to country/region where specified.

### Mixed-Asset [Base Currency] Flexible [Country/Region]

Funds with flexible allocations between variable income and fixed income securities. The objective of the fund manager is to optimize returns by freely changing the risk degree according to current market conditions. It is 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. Investments are limited to country/region where specified.

## Mixed-Asset Other [Risk Degree]

Funds investing in variable income and fixed income securities according to the relevant risk degrees, with base currency categories with insufficient funds to create a sector.

Sector	Sector	Sector
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 ILS Aggressive	Mixed Asset SEK Conservative
Mixed Asset BRL Flexible	Mixed Asset ILS Conservative	Mixed Asset SGD Aggressive
Mixed Asset CAD Aggressive	Mixed Asset ILS Flexible	Mixed Asset SGD Balanced
Mixed Asset CAD Balanced	Mixed Asset INR Aggressive	Mixed Asset SGD Conservative
Mixed Asset CAD Conservative	Mixed Asset INR Balanced	Mixed Asset THB Balanced
Mixed Asset CAD Flexible	Mixed Asset INR Conservative	Mixed Asset THB Conservative
Mixed Asset CHF Aggressive	Mixed Asset INR Flexible	Mixed Asset THB Flexible – Global
Mixed Asset CHF Balanced	Mixed Asset JPY Aggressive	Mixed Asset THB Flexible – Thai
Mixed Asset CHF Conservative	Mixed Asset JPY Balanced	Mixed Asset TRY Aggressive
Mixed Asset CHF Flexible	Mixed Asset JPY Conservative	Mixed Asset TRY Balanced
Mixed Asset CLP Conservative	Mixed Asset JPY Flexible	Mixed Asset TRY Conservative
Mixed Asset CNY Aggressive	Mixed Asset KRW Aggressive	Mixed Asset TRY Flexible
Mixed Asset CNY Balanced	Mixed Asset KRW Balanced	Mixed Asset TWD Aggressive
Mixed Asset CNY Flexible	Mixed Asset KRW Conservative	Mixed Asset TWD Balanced
Mixed Asset EUR Aggressive – Europe	Mixed Asset MAD Balanced	Mixed Asset TWD Conservative
Mixed Asset EUR Aggressive – Eurozone	Mixed Asset MAD Conservative	Mixed Asset TWD Flexible
Mixed Asset EUR Aggressive – Global	Mixed Asset MYR Aggressive	Mixed Asset USD Aggressive
Mixed Asset EUR Balanced – Europe	Mixed Asset MYR Balanced – Global	Mixed Asset USD Balanced – Global
Mixed Asset EUR Balanced – Eurozone	Mixed Asset MYR Balanced – Malaysia	Mixed Asset USD Balanced – U.S.
Mixed Asset EUR Balanced – Global	Mixed Asset MYR Conservative	Mixed Asset USD Conservative
Mixed Asset EUR Conservative – Europe	Mixed Asset MYR Flexible	Mixed Asset USD Flexible – Global
Mixed Asset EUR Conservative – Eurozone	Mixed Asset NOK Balanced	Mixed Asset USD Flexible – USD
Mixed Asset EUR Conservative – Global	Mixed Asset Other Aggressive	Mixed Asset ZAR Aggressive
Mixed Asset EUR Flexible – Europe	Mixed Asset Other Balanced	Mixed Asset ZAR Balanced
Mixed Asset EUR Flexible – Eurozone	Mixed Asset Other Conservative	Mixed Asset ZAR Conservative
Mixed Asset EUR Flexible – Global	Mixed Asset Other Flexible	Mixed Asset ZAR Flexible
Mixed Asset GBP Aggressive	Mixed Asset PHP Balanced	
Mixed Asset GBP Balanced	Mixed Asset PLN Balanced	
Mixed Asset GBP Conservative	Mixed Asset PLN Conservative	
Mixed Asset GBP Flexible		

# Hedge

## Introduction

Hedge funds are simply defined as unregulated vehicles. For example, AIF- and UCITS-regulated funds do not belong in these categories. Each single-vehicle LGC category below usually has, where numbers permit, a corresponding fund-of-hedge-funds category.

## 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 to take profits by “playing the spread” between similar fixed income securities. The Fixed Income Arbitrage strategy is often highly leveraged. Four main arbitrage sub-strategies 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. 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/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 to retain 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 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 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 that 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, 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 programs. 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 use historical price data and/or historical relationships to infer future price movements. Three main sub-strategies can be identified for systematic trend-following managers: trend-following, trend-reversal and contrarian.

**Discretionary traders** rely on the expertise of 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. Most are highly leveraged. CTAs cannot be in the form of funds of hedge funds. To the extent that 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 people – 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 thereof. As a CPO the manager is subject to various record-keeping, reporting and disclosure requirements under the Commodity Exchange Act and the related



regulations 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 that CPOs and CTAs are required to provide to their customers and is responsible for conducting periodic inspections of registered persons. CTAs are identified in the Refinitiv Lipper database as 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, and 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 sub-strategies 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 to take 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. They use either fundamental credit research analysis or quantitative credit portfolio modelling 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 sub-strategies are identified:

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

## Mixed and Other Strategies

### Hedge/Multi-Strategy

Multi-Strategy refers to single- or multi-manager hedge funds running 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 to deliver 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.

<sup>6</sup> 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 upfront costs, and little in the way of prepayment penalties. Investments in such asset-backed lending funds are usually not correlated with other investments.

**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.

Strategy	Hedge Classification	Sub-strategy
Relative Value	Convertible Arbitrage	
	Equity Market Neutral	Statistical Arbitrage Fundamental Arbitrage
Directional	Dedicated Short Bias	
	Emerging Markets	
	Global Macro	
	Long-Bias	
	Long/Short Equity	
	Managed Futures/CTAs	Systematic Trend Following Discretionary
Event-Driven	Event-Driven	Distressed Securities
		Risk Arbitrage/Merger Arbitrage
		Multi-Strategy
Credit Focus	Credit Focus	ABS, MBS, Structured Securities
		High Yield
		L/S Credit
		Long-Bias
		Credit Arbitrage
		Stressed/Distressed
		Private Placement
		Credit Multi-Strategy
Other	Multi-Strategy	
	Other Hedge	

## Liquid Alternatives

### Absolute Return

Absolute Return funds are highly regulated mutual, pension or insurance funds that aim for positive returns in all market conditions. They are not benchmarked against a traditional long-only market index, but rather have the aim of outperforming a cash or risk-free benchmark. To qualify for this sector, funds must have “Absolute Return” or similar in the name of the fund or stated in the fund objective.

Absolute Return funds can be any asset type, but “bond” strategies are classified separately. Asset type is assigned based on the best descriptor available, which involves identifying the greatest source of return. For example, if the strategy is based on tactical allocation then Mixed Asset might be chosen. If the underlying assets are a means to an end, say in a relative pairs strategy, then Alternatives would fit better than the asset type of the pairs.

No subdivision is done on the targeted holding period, which may be short, medium or long term. Various strategies exist under the Absolute Return banner, e.g., index unconstrained, asset allocation freedom, quantitative risk management. An Absolute Return fund must make use of derivatives to qualify. For example, a multi-asset long-only portfolio will instead be classified in Mixed Asset Flexible.

The strategies are not directly comparable – we subdivide further using base currency and a historical value-at-risk measure. Value-at-risk is calculated as an average of the last three rolling years, and funds are recategorized biannually. Funds with less than a year’s history will be temporarily classified in Absolute Return Other.

### Absolute Return [Base 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 currency.

### Absolute Return Bond [Base Currency]

Funds that aim for positive returns in all market conditions and invest primarily in debt securities. These funds are not benchmarked against a traditional long-only market index, but rather have the aim of outperforming a cash or risk-free benchmark. Note that this sector is primarily for diversified and unconstrained bond funds. Specialist Long/Short Credit, highly leveraged AIF and specialist debt funds (e.g., CAT) are instead classified as Alternative Credit Focus. Absolute Return Bond funds are not risk rated and have the asset type “bond”.

### Alternative Currency Strategies

Funds that invest in global currencies, exploit arbitrage opportunities, and carry interest, momentum or fundamental expectations. These objectives are 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. They use either fundamental credit research analysis or quantitative credit portfolio modelling to benefit from changes in credit quality, credit spreads and market liquidity. Note that regulated unconstrained bond funds are now classified in Absolute Return Bond.

### **Alternative Dedicated Short Bias**

Funds that employ portfolio strategies that consistently create a net-short exposure to the market. This classification also includes short-only funds, i.e., funds that pursue short sales of stock or stock index options.

### **Alternative Equity Leveraged**

Funds that seek daily investment results of more than 100% of a stated benchmark through any combination of futures contracts, derivatives and leverage.

### **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, general flows of funds, political changes, government policies, intergovernmental relations, and other broad systemic factors. These funds generally trade in a wide range of markets and geographic regions, employing a variety 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 use 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.

Liquid Alternative Sectors		
Absolute Return AUD High	Absolute Return GBP High	Absolute Return ZAR High
Absolute Return AUD Med	Absolute Return GBP Med	Absolute Return ZAR Med
Absolute Return AUD Low	Absolute Return GBP Low	Absolute Return ZAR Low
Absolute Return EUR High	Absolute Return USD High	Absolute Return CHF
Absolute Return EUR Med	Absolute Return USD Med	Absolute Return Other
Absolute Return EUR Low	Absolute Return USD Low	Absolute Return Bond
Absolute Return Bond AUD	Absolute Return Bond CAD	Absolute Return Bond EUR
Absolute Return Bond GBP	Absolute Return Bond JPY	Absolute Return Bond USD
Alternative Currency Strategies	Alternative Credit Focus	Alternative Dedicated Short Bias
Alternative Equity Leveraged	Alternative Equity Market Neutral	Alternative Event-Driven
Alternative Global Macro	Alternative Long/Short Equity Australia	Alternative Long/Short Equity Europe
Alternative Long/Short Equity Global	Alternative Long/Short Equity Japan	Alternative Long/Short Equity UK
Alternative Long/Short Equity U.S.	Alternative Managed Futures	Alternative Multi Strategies
Alternative Other		

## Commodities

Funds investing in commodity assets through either direct trading in physical commodities or commodity-linked structured securities or derivatives. Note that the majority of investments (and the underlying exposure) must be to the asset type “commodity” – either directly or indirectly. Exposure to equities that revolve around the economic activity of commodities, e.g., farming and mining, does not qualify a fund for classification in this sector.

### Commodity Funds – Agriculture

Funds that invest primarily in agricultural and livestock commodities, e.g., wheat, 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, 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 that do not fit into any of the other commodity-based sectors. These include leveraged commodity exposure and short-biased offerings.

## Other

### 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 to achieve 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 are generally 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:** these invest in long-term bonds at launch 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.

EUR/OTHER	USD
Target Maturity Mixed Asset EUR 2015	Target Maturity Mixed Asset USD 2010
Target Maturity Mixed Asset EUR 2020	Target Maturity Mixed Asset USD 2015
Target Maturity Mixed Asset EUR 2025	Target Maturity Mixed Asset USD 2020
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 Bond EUR 2020+	Target Maturity Mixed Asset USD 2050
Target Maturity Other	Target Maturity Mixed Asset USD 2055
	Target Maturity Mixed Asset USD 2060
	Target Maturity Mixed Asset USD 2060+



### **Unclassified**

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

### **Undisclosed**

Funds that have no static data published or where 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 with units traded on the stock exchange. 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. Refinitiv Lipper considers different ETF structures when deciding on the correct sector classification. One of the key structural differences between ETFs is how exposure to a market is purchased. An ETF can either buy the underlying securities directly (value-based ETF), or 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 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 – this is the “counterparty risk”, i.e., the risk that the counterparty will default on the agreement.

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 views as an eligible level of exposure for the purposes of LGC. If the exposure to counterparty risk is higher than 10% of the net asset value, the fund is set to Unclassified.

For value-based ETFs, there is a further differentiation between those ETFs that purchase all 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 rather than investment objectives; therefore we ignore it for the purposes of assigning the LGC, which is based on a true match of the underlying asset exposure.

There are some further distinctions and special cases worthy of note. The first is that ETFs, ETNs (exchange-traded notes) and ETCs (exchange-traded commodities) are not the same thing. Whereas ETFs are legal mutual fund entities, ETNs and 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 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 to 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

**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), Optimized 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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