

Lipper Classifications 2019

Client Notification

Lipper Research Team

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INTRODUCTION

Lipper evolves with the fund industry. Our aim is to evolve our fund classifications in order to stay modern and relevant for the fund community. On the 20th May 2019 we will be upgrading classifications and attributes in response to fund industry trends.

This document is written to help you identify and understand the forthcoming changes so that you have time to prepare and adapt your workbooks, feeds and desktop tables.

We hope that you will find the enhancements improve your Lipper experience and ease of fund analysis.

US MUTUAL FUND CLASSIFICATIONS

NEW OPEN END FUND CLASSIFICATIONS

Mixed-Asset Target 2060 Funds (MATL)

Funds that seek to maximize assets for retirement or other purposes with an expected time horizon from January 1, 2056, to December 31, 2060.

Mixed-Asset Target 2060+ Funds (MATM)

Funds that seek to maximize assets for retirement or other purposes with an expected time horizon exceeding December 31, 2060.

Emerging Markets Mixed Asset Funds (EMM)

Funds that seek long-term capital appreciation by investing primarily in a mix of emerging market equity and debt securities. "Emerging market" is defined by a country's GNP per capita or other economic measures.

Frontier Markets Funds (FM)

Funds that seek long-term capital appreciation by investing at least 65% of total assets in frontier market equity securities. "Frontier market" is defined by a country's GNP per capita or other economic measures.

Global High Yield Funds (GHY)

Funds that aim at high (relative) current yield from both domestic and foreign fixed income securities, have no quality or maturity restrictions, and tend to invest in lower-grade debt issues.

Short High Yield Funds (SHY)

Funds that aim at high (relative) current yield from domestic fixed income securities, with dollar-weighted average maturities of less than three years, and tend to invest in lower-grade debt issues.

S&P Midcap 400 Index Funds (SPMC)

Funds that are passively managed and are designed to replicate the performance of the S&P Midcap 400 Index.

Options Arbitrage/Option Strategies Funds (OS)

Funds that employ various strategies to capture "the spread" between similar options through inefficiencies in the market or funds and use portfolio strategies where the manager focuses on options to generate the bulk of the portfolio's return.

Absolute Return Bond Funds (ARB)

Funds that aim for positive returns in all market conditions and invest primarily in debt securities. 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.

Real Return Funds (RR)

Funds that seek to maximize real return through investing primarily in domestic and foreign inflation-protected securities across asset classes.

NEW UNDERLYING VARIABLE FUND CLASSIFICATIONS

Alternative Long/Short Equity Funds (LSE)

Domestic or foreign funds that employ portfolio strategies combining long holdings of equities with short sales of equity, 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.

Alternative Multi-Strategy Funds (AMS)

Funds that, by prospectus language, seek total returns 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.

Emerging Markets Hard Currency Debt Funds (EMD)

Funds that seek either current income or total return by investing at least 65% of total assets in emerging market debt securities, where "emerging market" is defined by a country's GNP per capita or other economic measures.

Intermediate U.S. Government Funds (IUG)

Funds that invest primarily in securities issued or guaranteed by the U.S. government, its agencies, or its instrumentalities, with dollar-weighted average maturities of five to ten years.

Multi-Sector Income Funds (MSI)

Funds that seek current income by allocating assets among several different fixed income securities sectors (with no more than 65% in any one sector except for defensive purposes), including U.S. government and foreign governments, with a significant portion of assets in securities rated below investment-grade.

Mixed-Asset Target 2060 Funds (MATL)

Funds that seek to maximize assets for retirement or other purposes with an expected time horizon from January 1, 2056, to December 31, 2060.

S&P Midcap 400 Index Funds (SPMC)

Funds that are passively managed and are designed to replicate the performance of the S&P Midcap 400 Index.

U.S. Government Money Market Funds (USS)

Funds that invest 99.5% of its total assets in cash, government securities and/or repurchase agreements that are collateralized solely by government securities or cash with a weighted average maturity of 60 days or less. These funds intend to keep constant net asset value.

Ultra-Short Obligations Funds (USO)

Funds that invest primarily in investment-grade debt issues or better and maintain a portfolio dollar-weighted average maturity between 91 days and 365 days.

OBSOLETE CLASSIFICATIONS

Due to a lack of unique funds (only 27 funds total) the holdings based classifications in the closed-end fund universe (Core Equity Funds (CE), Growth Equity Funds (GE), and Value Equity Funds (VE)) will be collapsed into one classification. This classification will be called Diversified Equity Funds and its definition is below.

We will also be shuttering the Pacific ex Japan Funds classification in the closed-end space. We are collapsing this peer group as there are currently only two unique funds in it, these funds will be moved to the Emerging Markets Funds classification.

Diversified Equity Funds (DEF)

Funds that invest primarily in domestic equity securities and that do not have a mandate to invest in a specific sector or region.

DEFINITION REVISIONS

General & Insured Municipal Debt Funds (GM)

Funds that either invest primarily in municipal debt issues rated in the top three credit ratings or invest primarily in municipal debt issues insured as to timely payment.

High Yield Funds (HY)

Funds that aim at high (relative) current yield from domestic fixed income securities, have no quality or maturity restrictions, and tend to invest in lower-grade debt issues.

U.S. Mortgage Funds (USM)

Funds that invest primarily in U.S. government agency and/or non-agency mortgage backed securities.

RENAMES

Mixed-Asset Target 2055+ Funds (MATK) to Mixed-Asset Target 2055 Funds.

Revised definition:

Funds that seek to maximize assets for retirement or other purposes with an expected time horizon from January 1, 2051, to December 31, 2055.

LIPPER GLOBAL CLASSIFICATIONS

BOND SECTORS

In consultation with our clients and feedback on our existing classifications we will be making some improvements by extending our current bond sector offerings:

- Introduce a new 'currency clean' philosophy to very large bond sectors.
- Funds to be differentiated by debtor domicile focus and then base currency achieved with or without hedging
- Removal of 'currency hedged' sectors, instead to be grouped with exposure currency
- For example, Bond Global GBP Hedged will now be relocated to the new sector: Bond Global GBP. Bond GBP will focus more narrowly on debtor domiciles principally from the UK
- Unconstrained bond funds to be relocated to 'Absolute Return Bond'

<i>Absolute Return Bond (LC)</i>	<i>Bond Global (AUD)</i>
<i>Absolute Return Bond (AUD)</i>	<i>Bond Global (CAD)</i>
<i>Absolute Return Bond (CAD)</i>	<i>Bond Global (CHF)</i>
<i>Absolute Return Bond (EUR)</i>	<i>Bond Global (EUR)</i>
<i>Absolute Return Bond (GBP)</i>	<i>Bond Global (GBP)</i>
<i>Absolute Return Bond (JPY)</i>	<i>Bond Global (JPY)</i>
<i>Absolute Return Bond (USD)</i>	<i>Bond Global (USD)</i>
<i>Bond Cambial Dollar</i>	<i>Bond Global Corporates (EUR)</i>
<i>Bond COP</i>	<i>Bond Global Corporates (JPY)</i>
<i>Bond COP Short Term</i>	<i>Bond Global Corporates (USD)</i>
<i>Bond CAD Inflation Linked</i>	<i>Bond Global High Yield (CAD)</i>
<i>Bond USD Municipal High Yield</i>	<i>Bond Global High Yield (EUR)</i>
<i>Bond USD Tax Exempt Money Market</i>	<i>Bond Global High Yield (GBP)</i>
	<i>Bond Global High Yield (JPY)</i>
	<i>Bond Global High Yield (USD)</i>

EQUITY SECTORS

We have some new equity sectors to introduce which reflect the growth of new fund markets and the expansion of some existing markets.

Lipper's Equity Industry sectors follow the MSCI GICS Sector structure and a majority of the portfolio needs to be devoted to the specific sector, otherwise the fund will be classified by the geographical focus of the portfolio.

We have taken feedback to acknowledge that this is not a sufficient approach. The reason is that a number of 'Themes' around the pure industry sector do exist and that are common and familiar to the funds industry. A theme is defined as an industry sector strategy which combines certain 'classic' mixes of industry sectors. One example could be 'natural resources' funds which follow an investment philosophy based on a mix of GICS sectors: 'Energy' and 'Materials'. Some funds may be 30/70 and others 70/30 yet all follow the theme. Lipper Global Classifications are in demand for these groupings which are not quite as 'like for like' as the pure sectors, yet all have similar investment scope.

Equity Brazil Income

Equity Brazil Small and Mid-Cap

Equity Canada Income

Equity Colombia

Equity India Small and Mid-Cap

Equity Korea Small and Mid-Cap

Equity Nordic Small and Mid-Cap

Equity Philippines Income

Equity Poland Small and Mid-Cap

Equity Sector Real Estate South Africa

Equity Sector Real Estate UK

Equity Thailand Income

Equity Theme - Agribusiness

Equity Theme - Alternative Energy

Equity Theme - Infrastructure

Equity Theme - Natural Resources

Equity Theme – Water

MONEY MARKET SECTORS

Money Market COP

ALTERNATIVE SECTORS

Alternative Equity Leveraged

Alternative Dedicated Short Bias

TARGET MATURITY SECTORS

Target Maturity MA USD 2060

Target Maturity MA USD 2055

Target Maturity MA USD 2060+

RENAMES

Equity Sector Telecommunication Services to Equity Sector Communication Services

Bond Global to Bond Global LC

Bond Global High Yield to Bond Global High Yield LC

Bond Global Corporates to Bond Global Corporates LC

Target Maturity MA USD 2050+ to Target Maturity MA USD 2050

OBSOLETE CLASSIFICATIONS

Due to the simplification of classifying global bond sectors by selection universe and base currency, as well as the introduction of an attribute to identify full currency hedged portfolios we are discontinuing our global “hedged” sectors:

Bond Global AUD Hedged

Bond Global EUR Hedged

Bond Global JPY Hedged

Bond Global USD Hedged

Bond Other CHF Hedged

Bond Other EUR Hedged

Bond Other USD Hedged

Bond Other Hedged

These funds will be reclassified according to their portfolio base currency. This will mean that global bond portfolios will compete in the same peer group on strategic currency decisions as per the fund manager.

We also have certain classifications that have declined in popularity. These are no longer meaningful peer groups. We do not carry peer groups with less than five unique portfolios. As such the following sectors will be discontinued and funds reclassified accordingly:

Bond Convertibles Japan

Equity Malaysia/Singapore

Hedge/Convertible Arb-FoHF

Hedge/Dedicated Short Bias

Hedge/Options Arb/Strat-FoHF

Mixed Asset IDR Aggressive

Money Market BRL Leveraged

Money Market KWD

Real Estate Japan

Target Maturity Bond EUR 2015

ATTRIBUTES

ATTRIBUTE NAME	DEFINITION	SCOPE
Smart Beta	A term used to describe alternative index construction methods. It is sometimes called 'factor investing' as the products are designed to provide greater exposure to certain characteristics of securities that traditionally have provided a source of return or limit risk e.g. low volatility stocks	Global
Hedged	The expansion of the attribute to cover more specific types of hedging strategies in mutual funds: <ul style="list-style-type: none"> •Hedged NAV •Hedged Portfolio •Hedged Portfolio Exposure •Hedged Duration 	Global
Base Currency	The base currency of the sub fund is the operating and reporting currency of the portfolio. It is the 'starting' currency that a portfolio manager uses to buy and sell all of the underlying securities in the portfolio.	Global
Regulated Investment Company	Funds within the Energy MLP Classification that limit their investments in MLPs to no more than 25% of the fund	US
C-Corp	Funds within the Energy MLP Classification that do not have investment restrictions in respect to MLPs	US
Clean Shares	Clean Shares Attribute: A fund share class that has no sales charge or 12b-1 fees which is sold primarily through financial advisors, fee-based programs, or retirement plans. To prevent conflicts of interest and promote fee transparency, it has low or no payments to intermediaries, such as administrative service fees, sub-TA fees, or revenue sharing.	US

