



## **Retail Investment Fund Category Definitions**

**FINAL CATEGORY DEFINITIONS**  
**July 1, 2008**

## Notes on Classification Methodology

### Quantitative Screening

CIFSC calculates all holdings figures and other portfolio statistics used for categorization purposes on a time-weighted average basis over a 36-month period, with an emphasis on the most recent 12 months of data. The most recent 12-month period receives a 50% weight, the next most recent 12 months receive 30%, and the oldest 12 months account for the remaining 20%.

### Classification of Holdings

The CIFSC tracks investment funds on a comprehensive security-by-security holdings basis. For purposes of the category assignment, security types will be grouped into four broad asset classes: Cash, Fixed Income, Equity, and Other as follows:

Cash	Cash and Short-Term Notes
Fixed Income	Mortgages, Mortgage-Backed Securities, and Asset-Backed Securities*
	Bonds (bonds with a term to maturity of less than one year are considered cash)
	Convertible Bonds
Equity	Common Equities
	Income Trusts
	Convertible Preferreds
	Preferreds**
Other	Futures
	Options
	Other Derivatives
	Rights
	Warrants
	Bullion
	Commodities
	Real Estate
	Investment Funds
	Other Assets and Liabilities

*\*The Committee will default to treating mortgages, mortgage-backed securities, and asset-backed securities as "fixed income", however under certain circumstances, will classify these types of securities as "other" depending on the risk factors associated with the underlying assets. Some examples of these types of securities that may be classified as "other" include:*

- *Highly concentrated mortgage-backed securities*
- *Mortgages, mortgage-backed securities, or asset-backed securities whose underlying asset(s) is (are) highly illiquid*
- *Un-insured mortgages*
- *Mortgages with high loan-to-value ratios, or low debt-service coverage ratios*

- *Securities subject to other factors that, in the opinion of the CIFSC, expose the fund's investors to risk factors that are materially or significantly different than those of traditional investment grade fixed income portfolios*

*Because the detailed information of the underlying characteristics of mortgages, mortgage-backed securities and asset-backed securities may not be readily available, the Committee will rely upon fund managers to provide this type of information.*

*\*\* Preferreds are a hybrid security. In certain circumstances CIFSC may treat preferreds as fixed income exposure on an exception basis.*

## **Definition of Fund Assets**

Throughout this document, all references to 'Total Assets' or 'Total Net Assets' refer to a fund's Total Assets less all "Other" investments as outlined above. However, funds with more than 10% exposure to "Other" securities may receive manual categorization at the discretion of the CIFSC.

In many cases, the category definitions described below refer to a fund's 'Non-Cash Assets.' For CIFSC category assignment purposes, 'Non-Cash Assets' refer to a fund's total assets less its "Other" assets and "Cash and Cash Equivalent" investments. Unless otherwise stated, any reference to a fund's percentage of Equity or Fixed Income will be calculated as percentage of its Non-Cash Assets as described above.

## **Regional Classifications**

For regionally based categories, equity securities will be assigned based on the location of the issuer, and fixed income securities will be assigned based on the currency of the security (e.g. – Canadian dollar-denominated bonds = Canadian Fixed Income). While the committee has not set any specific requirements relating to the diversification within a given region, funds that invest in a single country or defined region may be excluded from any of the regionally based equity categories and placed in the miscellaneous category at the discretion of the committee.

## **Developed and Emerging Markets**

Countries are considered Developed or Emerging Markets when they meet the definition set forth by MSCI Barra. Funds that invest a large portion of their total assets in countries that are not defined as Developed or Emerging Markets will be manually reviewed.

The breakdown of Developed and Emerging Markets countries is as follows:

<b>Developed Markets</b>			
Australia	France	Japan	Spain
Austria	Germany	Netherlands	Sweden
Belgium	Greece	New Zealand	Switzerland
Canada	Hong Kong	Norway	United Kingdom
Denmark	Ireland	Portugal	United States
Finland	Italy	Singapore	

<b>Emerging Markets</b>			
Argentina	Hungary	Mexico	South Africa
Brazil	India	Morocco	Taiwan
Chile	Indonesia	Pakistan	Thailand
China	Israel	Peru	Turkey
Colombia	Jordan	Philippines	
Czech Republic	Korea	Poland	
Egypt	Malaysia	Russia	

## Sector Classifications

Sector-based equity funds will be identified using the fund's Industry Sector Classification (ISC) score applied against its GICS sector breakdown. Funds with an ISC score greater than 65 will be assigned to the appropriate sector-based category if one exists or to the Miscellaneous category if the fund does not qualify for inclusion in any of the sector-based categories described below.

<b>Precious Metals Equity</b>			
15104030	Gold	15104040	Precious Metals & Minerals

<b>Natural Resources Equity</b>			
10101010	Oil & Gas Drilling	15104010	Aluminum
10101020	Oil & Gas Equipment & Services	15104020	Diversified Metals & Mining
10102010	Integrated Oil & Gas	15104030	Gold
10102020	Oil & Gas Exploration & Production	15104040	Precious Metals & Minerals
10102030	Oil & Gas Refining & Marketing	15104050	Steel
10102040	Oil & Gas Storage & Transportation	15105010	Forest Products
10102050	Coal & Consumable Fuels	15105020	Paper Products

<b>Real Estate Equity</b>			
40402010	Diversified REIT's	40402070	Specialized REIT's
40402020	Industrial REIT's	40403010	Real Estate Management & Development
40402030	Mortgage REIT's	40403020	Real Estate Operating Companies
40402040	Office REIT's	40403030	Real Estate Development
40402050	Residential REIT's	40403040	Real Estate Services
40402060	Retail REIT's		

<b>Health Care Equity</b>			
35101010	Health Care Equipment	35102030	Managed Health Care
35101020	Health Care Supplies	35103010	Health Care Technology
35102010	Health Care Distributors	35201010	Biotechnology
35102015	Health Care Services	35202010	Pharmaceuticals
35102020	Health Care Facilities	35203010	Life Sciences Tools & Services

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**Financial Services Equity**

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40101010	Diversified Banks	40203020	Investment Banking & Brokerage
40101015	Regional Banks	40203030	Diversified Capital Markets
40102010	Thriffs & Mortgage Finance	40301010	Insurance Brokers
40201020	Other Diversified Financial Services	40301020	Life & Health Insurance
40201030	Multi-Sector Holdings	40301030	Multi-line Insurance
40201040	Specialized Finance	40301040	Property & Casualty Insurance
40202010	Consumer Finance	40301050	Reinsurance
40203010	Asset Management & Custody Banks		

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**Science & Technology Equity**

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35101010	Health Care Equipment	45103030	Home Entertainment Software
35101020	Health Care Supplies	45201020	Communications Equipment
35102010	Health Care Distributors	45202010	Computer Hardware
35102015	Health Care Services	45202020	Computer Storage & Peripherals
35102020	Health Care Facilities	45203010	Electronic Equipment & Instruments
35102030	Managed Health Care	45203015	Electronic Components
35103010	Health Care Technology	45203020	Electronic Manufacturing Services
35201010	Biotechnology	45203030	Technology Distributors
35202010	Pharmaceuticals	45204010	Office Electronics
35203010	Life Sciences Tools & Services	45301010	Semiconductor Equipment
45101010	Internet Software & Services	45301020	Semiconductors
45102010	IT Consulting & Other Services	50101010	Alternative Carriers
45102020	Data Processing & Outsourced Services	50101020	Integrated Telecommunication Services
45103010	Application Software	50102010	Wireless Telecommunication Services
45103020	Systems Software		

## Market Capitalization Threshold

For certain geographic regions we have created small/mid cap equity categories. Each small/mid cap equity category there is a market capitalization threshold that determines whether a fund has a small enough market cap to meet that category. The threshold is determined by comparing the geometric mean market cap of a fund to that same measure for an appropriate benchmark index. For 2007, the following benchmarks will be used:

- Canadian Small/Mid Cap Equity: S&P/TSX Completion Index
- Canadian Focused Small/Mid Cap Equity: 70% S&P/TSX Completion Index and 30% Russell Mid Cap Index
- US Small/Mid Cap Equity: Russell Mid Cap Index
- Global Small/Mid Cap Equity: MSCI Global Mid Cap Index

Below is an approximation of the current market cap thresholds for each index (all figures in Canadian Dollars). Each quarter the thresholds will be published and posted on the CIFSC website.

S&P/TSX Completion Index	\$3.8 billion
70/30 Blend (TSX Completion and Russell Mid Cap)	\$4.8 billion
Russell Mid Cap Index	\$7.0 billion
MSCI Global Mid Cap Index	\$6.0 billion

### **Review Process**

The quantitative screening will be run on a quarterly basis. At the CIFSC's discretion, funds that straddle or cross category boundaries may not automatically be re-classified. The CIFSC will review the fund's stated mandate, its historical investment behaviour, historical risk/return behaviour, and the manager's stated intent in order to determine the most appropriate category.

## Money Market Funds

Funds in the Money Market group must invest at least 95% of their total net assets in cash or cash equivalent securities and otherwise comply with the legal definition of Money Market funds as outlined in National Instrument 81-102.

### **Canadian Money Market**

Funds assigned to the Canadian Money Market category must be designated as Money Market funds in accordance with National Instrument 81-102 and maintain a minimum weighting of 95% in Canadian dollar-denominated investments.

### **U.S. Money Market**

Funds assigned to the U.S. Money Market category must be designated as Money Market funds in accordance with National Instrument 81-102 and maintain a minimum weighting of 95% in U.S. dollar-denominated investments.

## Fixed Income Funds

All funds in the Fixed Income group must invest at least 95% of their Non-Cash Assets in fixed-income securities.

### **Canadian Short Term Fixed Income**

Funds in the Canadian Short Term Fixed Income category must invest at least 90% of their fixed income holdings in fixed-income securities denominated in Canadian dollars with an average duration of less than 3.5 years. In addition, these funds must invest primarily in investment-grade fixed-income securities, such that the average credit quality of the portfolio as a whole is investment grade (BBB or equivalent rating or higher) and not more than 25% of the portfolio's holdings are invested in high yield fixed income securities. For purposes of the category definition, up to 30% of a Fund's assets may be held in Foreign Fixed Income products which will be treated as Canadian content provided that the currency exposure on those holdings is hedged into Canadian Dollars.

### **Canadian Fixed Income**

Funds in the Canadian Fixed Income category must invest at least 90% of their fixed income holdings in Canadian dollars with an average duration greater than 3.5 years and less than 9.0 years. In addition, these funds must invest primarily in investment-grade fixed-income securities, such that the average credit quality of the portfolio as a whole is investment grade (BBB or equivalent rating or higher) and not more than 25% of the portfolio's holdings are invested in high yield fixed income securities. For purposes of the category definition, up to 30% of a Fund's assets may be held in Foreign Fixed Income products which will be treated as Canadian content provided that the currency exposure on those holdings is hedged into Canadian Dollars.

### **Canadian Long Term Fixed Income**

Funds in the Canadian Long Term Fixed Income category must invest at least 90% of their fixed income holdings in fixed-income securities denominated in Canadian dollars with an average duration greater than 9.0 years. In addition, these funds must invest primarily in investment-grade fixed-income securities, such that the average credit quality of the portfolio as a whole is investment grade (BBB or equivalent rating or higher) and not more than 25% of the portfolio's holdings are invested in high yield fixed income securities. For purposes of the category definition, up to 30% of a Fund's assets may be held in Foreign Fixed Income products which will be treated as Canadian content provided that the currency exposure on those holdings is hedged into Canadian Dollars.

### **Canadian Inflation Protected Fixed Income**

Funds in the Canadian Inflation Protected Fixed Income category must invest at least 90% of their fixed income holdings in inflation protected fixed-income securities denominated in Canadian dollars. In addition, these funds must invest primarily in investment-grade fixed-income securities, such that the average credit quality of the portfolio as a whole is investment grade (BBB or equivalent rating or higher) and not more than 25% of the portfolio's holdings are invested in high yield fixed income securities. For purposes of the category definition, up to 30% of a Fund's assets may be held in Foreign Fixed Income products which will be treated as Canadian content provided that the currency exposure on those holdings is hedged into Canadian Dollars.

**Global Fixed Income**

Funds in the Global Fixed Income category must invest less than 90% of their fixed income holdings in Canadian dollar issues. In addition, these funds must invest primarily in investment-grade fixed income securities (BBB or equivalent rating or higher) and not more than 25% of the portfolio's holdings are invested in non-investment grade securities.

**High Yield Fixed Income**

Funds in the High Yield Fixed Income category must invest primarily in fixed-income securities with a non-investment-grade credit rating, such that their average credit quality is below investment grade (Lower than BBB or equivalent) or in excess of 25% of the portfolio's holdings are invested in high yield fixed income securities.

## Balanced Funds

Funds in the Balanced Funds group must invest between 5% and 90% of their non-cash assets invested in Equity Securities and between 10% and 95% of their non-cash assets in fixed-income securities.

### **Canadian Equity Balanced**

Funds in the Canadian Equity Balanced category must invest at least 70% of total assets in a combination of equity securities domiciled in Canada and Canadian dollar-denominated fixed income securities. In addition, they must invest greater than 60% but less than 90% of their total assets in equity securities.

### **Canadian Neutral Balanced**

Funds in the Canadian Neutral Balanced category must invest at least 70% of total assets in a combination of equity securities domiciled in Canada and Canadian dollar-denominated fixed income securities. In addition, they must invest greater than or equal to 40% but less than or equal to 60% of their total assets in equity securities.

### **Canadian Fixed Income Balanced**

Funds in the Canadian Fixed Income Balanced category must invest at least 70% of total assets in a combination of equity securities domiciled in Canada and Canadian dollar-denominated fixed income securities. In addition, they must invest greater than 5% but less than 40% of their total assets in equity securities.

### **Global Equity Balanced**

Funds in the Global Equity Balanced category must invest less than 70% of total assets in a combination of equity securities domiciled in Canada and Canadian dollar-denominated fixed income securities. In addition, they must invest greater than 60% but less than 90% of their total assets in equity securities.

### **Global Neutral Balanced**

Funds in the Global Neutral Balanced category must invest less than 70% of total assets in a combination of equity securities domiciled in Canada and Canadian dollar-denominated fixed income securities. In addition, they must invest greater than or equal to 40% but less than or equal to 60% of their total assets in equity securities.

### **Global Fixed Income Balanced**

Funds in the Global Fixed Income Balanced category must invest less than 70% of total assets in a combination of equity securities domiciled in Canada and Canadian dollar-denominated fixed income securities. In addition, they must invest greater than 5% but less than 40% of their total assets in equity securities.

### **Tactical Balanced**

Balanced Funds with a specific mandate to employ tactical asset allocation strategies and funds that the CIFSC deems to employ tactical asset allocation strategies will be assigned to the Tactical Balanced fund category.

## Target Date Funds

Funds in the Target Date fund group comply with the Balanced fund category criteria but have specific, pre-determined maturity dates and a stated mandate to adjust their target asset allocation weightings over time as they approach their maturity dates. Upon maturity, funds in the Target Date fund group will be moved out of the Target Date group and included in the appropriate Fixed Income or Balanced fund category.

### **2010 Target Date Portfolio**

These are target-date funds that mature in 2010 or earlier.

### **2015 Target Date Portfolio**

These are target-date funds that mature in mature in 2015 or earlier and after 2010.

### **2020 Target Date Portfolio**

These are target-date funds that mature in 2020 or earlier and after 2015.

### **2020+ Target Date Portfolio**

These are target-date funds that mature after 2020.

## Equity Funds

Funds in the Equity fund group must invest at least 90% of their non-cash assets in equity securities.

### **Canadian Dividend & Income Equity**

Funds in the Canadian Dividend & Income Equity category must have a stated mandate to invest primarily in income-generating securities and must invest at least 70% of their equity holdings in securities domiciled in Canada. In addition, these funds must invest at least 50% of their non-cash assets in income-generating securities such that the 3-year weighted average yield on the equity component of the fund's portfolio is at least 1.5 times the average yield of the Canadian Equity Fund benchmark, defined as the S&P/TSX Equity Index. The fund's average capitalization must exceed the Canadian and Canadian Focused small/mid cap threshold.

### **Canadian Equity**

Funds in the Canadian Equity category must invest at least 90% of their equity holdings in securities domiciled in Canada, and their average market capitalization must be greater than the Canadian small/mid cap threshold.

### **Canadian Small/Mid Cap Equity**

Funds in the Canadian Small/Mid Cap Equity category must invest at least 90% of their equity holdings in securities domiciled in Canada, and their average market capitalization must be lower than the Canadian small/mid cap threshold.

### **Canadian Focused Equity**

Funds in the Canadian Focused Equity category must invest at least 50% and less than 90% of their equity holdings in securities domiciled in Canada, and their average market capitalization must be greater than the Canadian small/mid cap threshold.

### **Canadian Focused Small/Mid Cap Equity**

Funds in the Canadian Focused Small/Mid Cap Equity category must invest at least 50% and less than 90% of their equity holdings in securities domiciled in Canada, and their average market capitalization must be lower than the Canadian small/mid cap threshold.

### **Canadian Income Trust Equity**

Funds in the Canadian Income Trust Equity category must invest at least 90% of their equity holdings in income trust securities domiciled in Canada.

### **U.S. Equity**

Funds in the U.S. Equity category must invest at least 90% of their equity holdings in securities domiciled in the United States, and their average market capitalization must be greater than the U.S. small/mid cap threshold.

### **U.S. Small/Mid Cap Equity**

Funds in the U.S. Small/Mid Cap category must invest at least 90% of their equity holdings in securities domiciled in the United States such that their average market capitalization is within the U.S. small/mid cap threshold.

**North American Equity**

Funds in the North American Equity Category must invest at least 90% of their equity holdings in securities domiciled in Canada and/or the United States but less than 50% of their equity holdings in securities domiciled in Canada. This category excludes any fund that meets the requirements of the U.S. Equity and U.S. Small/Mid Cap Equity categories.

**Asia Pacific Equity**

Funds in the Asia Pacific Equity category must invest at least 90% of their equity holdings in securities domiciled in 2 or more countries in the Asia/Pacific region. This category excludes any funds that meet the requirements of the Asia Pacific ex-Japan, Greater China, or Japanese Equity categories.

**Asia Pacific ex-Japan Equity**

Funds in the Asia Pacific ex-Japan Equity category must invest at least 90% of their equity holdings in securities domiciled in 2 or more countries in the Asia/Pacific Rim region. Funds that qualify for Greater China Equity, or funds with more than 5% of equity holdings in Japanese equity securities are excluded from the category.

**Greater China Equity**

Funds in the Greater China Equity category must invest at least 90% of their equity holdings in securities domiciled in China, Hong Kong or Taiwan.

**Japanese Equity**

Funds in the Japanese Equity category must invest at least 90% of their equity holdings in securities domiciled in Japan.

**European Equity**

Funds in the European Equity category must invest at least 90% of their equity holdings in a diversified portfolio of securities domiciled in 2 or more countries in Europe.

**Emerging Markets Equity**

Funds in the Emerging Markets Equity category must invest at least 90% of their equity holdings in a broadly based portfolio of securities from emerging markets countries. Funds with a consistently narrow focus on a single country, group of countries or single region within the emerging markets will be excluded from the category.

**Global Equity**

Funds in the Global Equity category must invest in securities domiciled anywhere across the globe such that their average market capitalization is greater than the small/mid cap threshold, and invest more than 5% and less than 90% of their equity holdings in Canada or the U.S. Funds that do not meet any of the requirements of other geographic equity categories and have no formal restrictions that limit where they can invest will be assigned to this category.

**Global Small/Mid Cap Equity**

Funds in the Global Small/Mid Cap Equity category must invest in securities domiciled anywhere across the globe such that their average market capitalization is within the small/mid cap threshold and must invest more than 5% and less than 90% of their Equities Assets in Canada or the U.S.. Funds that do not meet any of the requirements of other geographic equity categories and have no formal restrictions that limit where they can invest will be assigned to this category.

**International Equity**

Funds in the International Equity category must invest at least 95% of their equity assets in countries other than Canada and the United States and at least 70% of their equity assets in developed countries. Funds that do not meet any of the requirements of the more focused geographic equity categories and that invest less than 90% of their assets in any single country or region will be assigned to the International Equity category.

**Health Care Equity**

Funds in the Health Care Equity category must invest at least 90% of their equity holdings in the Health Care sector according to S&P Global Industry Classification Standard (GICS®).

**Financial Services Equity**

Funds in the Financial Services Equity category must invest at least 90% of their equity holdings in the Financials sector according to S&P Global Industry Classification Standard (GICS®).

**Precious Metals Equity**

Funds in the Precious Metals Equity category must invest at least 90% of their equity holdings in the securities of companies in the Gold and Precious Metals & Minerals sub-industries according to S&P Global Industry Classification Standard (GICS®).

**Natural Resources Equity**

Funds in the Natural Resources Equity category must invest at least 90% of their equity holdings in the securities of companies whose primary line of business is in any combination of the following sectors or industries according to S&P Global Industry Classification Standard (GICS®): Energy, Metals & Mining, and Paper & Forest Products. This excludes any funds that meet the definition for the Precious Metals Equity category.

**Science & Technology Equity**

Funds in the Science & Technology Equity category must invest at least 90% of their equity holdings in the securities of companies in any combination of the following sectors according to S&P Global Industry Classification Standard (GICS®): Health Care, Information Technology, Telecommunications, and any other technology related sub-industries not categorized under these sectors. This excludes any funds that meet the definition for the Health Care category.

**Real Estate Equity**

Funds in the Real Estate Equity category must invest at least 90% of their equity holdings in the Real Estate industry group according to S&P Global Industry Classification Standards (GICS®).

## Specialty Funds

### **Retail Venture Capital**

Funds in the Retail Venture Capital funds include but are not limited to Labour Sponsored Investment Funds (LSIF) and other related Funds that receive special tax benefits for investing in Canadian venture capital as defined by the applicable federal and provincial statutes.

### **Miscellaneous**

Funds in the Miscellaneous category focus on a unique strategy that does not belong to any other category. This includes, but is not limited to those funds that are concentrated in a specific geographic region or sector not identified in the other categories.

### **Alternative Strategies**

Funds in the Alternative Strategies category employ alternative strategies such as short selling or other forms of leverage. Funds may use speculative strategies as well as hedging strategies. A fund is classified as Alternative Strategies if 1) short selling exceeds 2% in any one security or if total short positions exceed 10% of the total fund value; and/or 2) the fund's investment mandate specifically includes use of alternative strategies.