

March 31<sup>st</sup> 2015

**Re: Category Change Proposals, issue for comment**

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The CIFSC continuously monitors and analyses the categorization of funds, the current category definitions and structures, as well as any new and developing trends in the investment funds industry. The purpose of the review is to ensure the logical, consistent categorization of investment funds and to maximize the similarity of investment strategies and risk-return profiles within each category.

As a result of the most recent review the committee is publishing, for a 30 day comment period, the following proposals. After the 30 day comment period the committee will review the comments and determine, by private vote, whether or not to proceed with the changes. (To submit comments please use the 'Feedback' link on the home page or click [here](#))

**1. Proposal: Create a new category called 'Bank Loans' or 'Floating Rate Loans'.**

The committee has seen a growing trend in the number of funds investing in floating rate loans as opposed to bonds. Typically these funds have been categorized as High Yield Fixed Income however the committee feels that the risk-return profiles will not always align with those of the High Yield Fixed Income funds in particular due to the added liquidity risk in the floating rate loans.

The definition and parameters around the category would be designed to include funds that are using a floating rate strategy on loans and exclude funds holding fixed income or securitized debt. The committee has identified approximately 20 unique funds employing such a strategy.

**2. Proposal: Create a Global Dividend & Income Equity category**

Over the past few years the committee has been monitoring the Global Equity category, in particular the different investing strategies within the category, in an effort to make it more homogenous. One such strategy that has seen growth is global dividend investing. The committee feels that the funds using this strategy present a logical and well defined segmentation with a unique risk-return profile.

The definition and parameters would be similar to those of the Canadian Dividend & Income Equity category with the qualifying funds meeting the criteria for the Global Equity category as well as having a mandate to invest in dividend paying equities. Funds would also be required to maintain a 3-year weighted average yield above a selected benchmark threshold\* (likely MSCI World High Dividend Yield Index).

*\*The average yield requirements would likely not be enforced for the first year in order to allow fund managers to adjust their portfolios in order to meet the threshold criteria if they so choose.*

**3. Proposal: Create a U.S. Dividend & Income Equity category**

Due to the large and growing number of dividend funds in the U.S. Equity category the committee feels that a new category is warranted in order to better distinguish the U.S. Equity funds.

The definition and parameters would be consistent with the Canadian Dividend & Income Equity category with the qualifying funds meeting the criteria for the U.S. Equity category as well as having a mandate to invest in dividend paying equities. Funds would also be required to maintain a 3-year weighted average yield above a selected benchmark threshold\* (likely MSCI U.S. High Dividend Yield Index).

*\*The average yield requirements would likely not be enforced for the first year in order to allow fund managers to adjust their portfolios in order to meet the threshold criteria if they so choose.*