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CIFSC Proposed Category Definitions for Alternative Funds

The CIFSC continuously monitors the categorization of investment funds, and undertakes periodic reviews of the current category definitions and structures in response to new and developing trends in the investment funds industry. The purpose of the review process 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.

Up to this point, the Alternative Strategies category has served as a blanket category for the classification of alternative funds, regardless of investment mandate or strategy. With the CSA's introduction of Alternative Mutual Funds to NI 81-102, the CIFSC recognized a need for improved categorization of alternative funds. The CIFSC is proposing the following set of categories to segment Alternative Strategies, create a set of peer groups that are better understood by investors and advisors, and allow for meaningful fund comparisons.

The CIFSC is publishing for a 30-day comment period the following category proposals. After the 30-day comment period, the committee will review the comments and determine by private vote whether to proceed with the changes. **To submit comments please use the 'Contact' link on the home page at www.cifsc.org or click [here](#).**

The following categories will be contained under the broad category of Alternative Funds.

Alternative Equity Focused

Funds in the Alternative Equity Focused category employ alternative strategies such as short selling or other forms of leverage. This category contains Alternative Mutual Funds that meet the requirements of NI 81-102, as well as traditional hedge funds offered by offering memorandum. The underlying securities should be primarily equities such that at least 50% of the portfolio is invested in equities. Funds in this category may use speculative and/or hedging strategies. Funds that do not issue a simplified prospectus will not be ranked with the Alternative Mutual Funds in this category.

**This category will not be ranked for the first year of its existence.*

Alternative Credit Focused

Funds in the Alternative Credit Focused category employ alternative strategies such as short selling or other forms of leverage. This category contains Alternative Mutual Funds that meet the requirements of NI 81-102, as well as traditional hedge funds offered by offering memorandum. The underlying securities should be primarily fixed income such that at least 50% of the portfolio is invested in fixed income or credit related products. Funds in this category may use speculative and/or hedging strategies. Funds that do not issue a simplified prospectus will not be ranked with the Alternative Mutual Funds in this category.

**This category will not be ranked for the first year of its existence.*

Alternative Multi – Strategy

Funds in the Alternative Multi - Strategy category employ alternative strategies such as short selling or other forms of leverage. This category contains Alternative Mutual Funds that meet the requirements of NI 81-102, as well as traditional hedge funds offered by offering memorandum. Funds in this category must have a stated mandate to use any, or a combination, of the alternative strategies including strategies that can be found in the other alternative categories. Funds that do not issue a prospectus will not be ranked with the Alternative Mutual Funds in this category.

**This category will not be ranked for the first year of its existence.*

Alternative Market Neutral

Funds in the Alternative Market Neutral category employ alternative strategies such as short selling or other forms of leverage. This category contains Alternative Mutual Funds that meet the requirements of NI 81-102, as well as traditional hedge funds offered by offering memorandum. Funds in this category aim to reduce market exposure by pairing long and short positions. These funds generally have low correlation to market movements.

**This category will not be ranked for the first year of its existence.*

Alternative Other

Funds in the Alternative Other category have a unique strategy that does not fit in to any other alternative category. This category contains Alternative Mutual Funds that meet the requirements of NI 81-102, as well as traditional hedge funds offered by offering memorandum. Funds in this category will not be ranked.

Reid Baker, CERA, ASA
Chair, Canadian Investment Funds Standards Committee
Fundata Canada Inc.
416-445-5534 x 240
reid.baker@fundata.com