

March 6th, 2019

CIFSC Category Definitions for Alternative Funds

On January 9th, the CIFSC published, for a 30 day comment period, a proposal to introduce new categories for Alternative Funds (Click [here](#) to view the proposal). The 30 day comment period has ended, comments were received and committee has voted unanimously in favour of implementing the categories as follows.

There will be a 60 day implementation period, after which the new categories will take effect on May 6th, or with the release of April month end data.

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. Alternative Mutual Funds that meet the requirements of NI 81-102, and traditional hedge funds offered by offering memorandum are categorized using the same guidelines. 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. Alternative Mutual Funds that meet the requirements of NI 81-102, and traditional hedge funds offered by offering memorandum are categorized using the same guidelines. 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. Alternative Mutual Funds that meet the requirements of NI 81-102, and traditional hedge funds offered by offering memorandum are categorized using the same guidelines. 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. Alternative Mutual Funds that meet the requirements of NI 81-102, and traditional hedge funds offered by offering memorandum are categorized using the same guidelines. Funds in this category aim to reduce market exposure by pairing long and short positions. These funds generally aim to have low correlation and/or low beta to relative markets. 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 Other

Funds in the Alternative Other category have a unique strategy that does not fit in to any other alternative category. Alternative Mutual Funds that meet the requirements of NI 81-102, and traditional hedge funds offered by offering memorandum are categorized using the same guidelines. 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