

REFINITIV™ LIPPER® INDICES

Methodology Document (ex-U.S.)

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Refinitiv Lipper Indices

Definition

The Refinitiv™ Lipper® Indices are designed to reflect the average time-weighted rate of return of all portfolios in a particular classification over time. They are intended to be employed as a good representation of combined peer group performance, acting as relevant benchmarks to measure single fund manager performance and rankings within that peer group. Lipper ensures that no restricted track record extensions are permitted, meaning only real histories represent the independently collected data.

Output

Three indices may be generated:

TR Gross	Total Return (gross of tax)
TR Net	Total Return (net of tax)
CR	Capital Return

Eligible constituents

All active, liquidated, merged primary funds in the classification scheme

Calculation features

Arithmetic returns	Equal weighted constituents	Cumulative returns
Daily calculation routine	Month-end rebalancing	Three-month arrears

Calculation formula

$$I_t = I_0 \times \frac{\sum_{i=1}^N R_{ti}}{N}$$

I_t Index value on date t

I_0 Index base value at month end

R_{ti} Cumulative return of the i th component on date t since base date, where R = TR Gross or TR UK Net or CR

N Number of components

Arrears calculation

In order to maximize data coverage and accuracy, a limited ex-post calculation routine is in place for all Refinitiv Lipper Indices. This mechanism is designed to pick up any late input data.¹

Index components – ins and outs

For indices that are rebalanced monthly, any new fund will join the index from the next base date (next month end). Any leaving fund will leave the index from the last working day of the previous month end (last base date). This simplifies the index and ensures that the number of constituents in any one month is always the same.

Business rules

- Constituents that do not include complete sets of income dividends may not be eligible for some calculations. For example, an accumulation fund cannot calculate capital return without the required “notional income” but may calculate total return.
- Estimated returns are included, but these are “ironed out” over time by the “cumulative from base” methodology.

Indices and averages

Refinitiv Lipper Indices are indicators of the average performance of funds in different Lipper peer groups over time. A particular fund can have different peer groups over time and therefore contributes to different Lipper Indices at different times. A fund could have contributed to an index historically even if it is no longer active (liquidated or merged). A Lipper Index tells us what performance you would get if you were to invest passively in a portfolio of funds in a certain peer group, according to the Lipper Index methodology. Lipper Indices are one of the best indicators of a peer group’s performance over time.

Lipper averages reflect the average performance of the active funds in a particular peer group at the time of calculation. No matter what peer groups a fund had before, the fund contributes the same Lipper average over time. Inactive funds at the time of calculation are excluded from Lipper averages. Lipper averages could be different when calculated at different times, even when the performance period is the same – as such, they are more appropriate for peer group comparisons at a point in time. It is possible to calculate rolling sub-period Lipper averages to generate a return time series for statistical analysis.

¹Recomputes index values 90 calendar days from the most recent rebalance date month end.

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