

## Parameters for funds in the ABI Sectors

1. Mixed Asset Fund Sector
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Unit-linked life and pension funds are split into a total of 34 ABI Sectors. Funds in the same sector can be compared on a like-for-like basis as the range of underlying investments are grouped around similar parameters. The parameters for each sector are set out below.

### 1. Mixed Asset Fund Sectors

Defensive (up to 35% Equity) Managed	<ul style="list-style-type: none"><li>• Maximum of 35% total equity (including Preference Shares, Permanent Interest Bearing Shares and Convertibles).</li><li>• No minimum equity requirement but managers' stated intention retains the right to invest in equities.</li><li>• Minimum of 85% Sterling based assets (including fixed interest hedged back to Sterling).</li><li>• Fixed interest defined as Government Sovereign Bonds and Corporate Bonds.</li></ul>
Cautious (up to 60% Equity) Managed	<ul style="list-style-type: none"><li>• Maximum of 60% total equity (including Preference Shares, Permanent Interest Bearing Shares and Convertibles).</li><li>• Minimum of 20% total equity.</li><li>• Minimum of 60% Sterling based assets (including fixed interest hedged back to Sterling).</li><li>• Fixed interest defined as Government Sovereign Bonds and Corporate Bonds.</li></ul>
Balanced (up to 85% Equity) Managed	<ul style="list-style-type: none"><li>• Maximum of 85% total equity (including Preference Shares, Permanent Interest Bearing Shares and Convertibles).</li><li>• Minimum of 40% total equity.</li><li>• Minimum of 50% Sterling based assets (including fixed interest hedged back to Sterling).</li><li>• Fixed interest defined as Government Sovereign Bonds and Corporate Bonds.</li></ul>
Flexible (up to 100% Equity) Managed	<ul style="list-style-type: none"><li>• Maximum of 100% total equity (including Preference Shares, Permanent Interest Bearing Shares and Convertibles).</li><li>• No minimum equity requirement but manager's stated intention retains the right to invest up to 100% in equities.</li><li>• Minimum of 20% Sterling based assets (including fixed interest hedged back to Sterling).</li><li>• Fixed interest defined as Government Sovereign Bonds and Corporate Bonds</li></ul>

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### 2. Distribution Funds

Funds in this sector	<ul style="list-style-type: none"><li>• Maximum of 60% total equity (including Preference Shares,</li></ul>
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return a yield on the underlying portfolio of at least 110% of the FTSE All Share yield (net of tax).

Permanent Interest Bearing Shares and Convertibles).

- Minimum of 20% total equity.
- Minimum of 50% Sterling based assets (including fixed interest hedged back to Sterling).
- Fixed interest defined as Government Sovereign Bonds and Corporate Bonds.

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### 3. UK Equity Fund Sectors

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|----------------------|---|
| UK All Companies     | <ul style="list-style-type: none"><li>• Funds which invest at least 80% of their assets in equities quoted on the UK stock market.</li><li>• Funds have the primary objective of achieving capital growth or total return.</li></ul>              |
| UK Smaller Companies | <ul style="list-style-type: none"><li>• Funds which invest at least 80% of their assets in equities quoted on the UK stock market which form the bottom 10% by market capitalisation.</li></ul>   |
| UK Equity Income     | <ul style="list-style-type: none"><li>• Funds which invest at least 80% of their assets in equities quoted on the UK stock market.</li><li>• Net of tax yield on the underlying portfolio of at least 110% of the FTSE All Share yield.</li></ul> |

*Note: it is not normally possible to derive income from life and pension funds as they are not income-generating assets. However, there is clearly a distinct style evident in funds invested in this way and the parameters for the UK Equity Income Sector aim to group these in a comparable way.*

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### 4. Overseas Equities Sectors

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|------------------------------|---|
| Global Equities              | <ul style="list-style-type: none"><li>• Funds which invest at least 80% of their assets in equities.</li><li>• Funds must be invested in more than one equity region.</li><li>• Not to include funds which would otherwise qualify for the Global Emerging Markets Equity sector.</li></ul>                                       |
| Europe including UK Equities | <ul style="list-style-type: none"><li>• Funds which invest at least 80% of their assets in equities quoted on UK and European stock markets.</li><li>• Not to include funds which would otherwise qualify for a UK Equity sector.</li><li>• Europe includes all countries in the FTSE World Europe/MSCI Europe indices.</li></ul> |
| Europe excluding UK Equities | <ul style="list-style-type: none"><li>• Funds which invest at least 80% of their assets in equities quoted on European stock markets, but which normally hold no equities quoted on the UK stock market.</li><li>• Europe includes all countries in the FTSE World Europe/MSCI Europe indices.</li></ul>                          |
| North America Equities       | <ul style="list-style-type: none"><li>• Funds which invest at least 80% of their assets in equities quoted on United States and Canadian stock markets.</li></ul>   |
| Asia Pacific including       | <ul style="list-style-type: none"><li>• Funds which invest at least 80% of their assets in Asia Pacific</li></ul>   |

Japan Equities	<p>equities and which include Japanese equities.</p> <ul style="list-style-type: none"> <li>• Asia Pacific includes all countries in the FTSE World Asia Pacific index.</li> <li>• Not to include funds which would otherwise qualify for the Japan Equity sector.</li> </ul>
Asia Pacific excluding Japan Equities	<ul style="list-style-type: none"> <li>• Funds which invest at least 80% of their assets in Asia Pacific equities, but which normally hold no equities quoted on the Japanese stock market.</li> <li>• Asia Pacific includes all countries in the FTSE World Asia Pacific index.</li> </ul>
Japan Equities	<ul style="list-style-type: none"> <li>• Funds which invest at least 80% of their assets in equities quoted on the Japanese stock market.</li> </ul>
Global Emerging Markets Equities	<ul style="list-style-type: none"> <li>• Funds which invest at least 80% of their assets in equities from emerging markets, as defined by the FTSE World Index Indices, without geographical restriction.</li> </ul>

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## 5. Fixed Interest Sectors

UK Gilts	<ul style="list-style-type: none"> <li>• Funds which invest at least 80% of their assets in UK Government securities (Gilts).</li> </ul>
UK Index-linked Gilts	<ul style="list-style-type: none"> <li>• Funds which invest at least 80% of their assets in UK Index Linked Government securities (Index-Linked Gilts).</li> </ul>
Sterling Fixed Interest	<ul style="list-style-type: none"> <li>• Funds which invest at least 80% of their assets in sterling-denominated (or hedged back to sterling) broad investment grade fixed interest securities. Fixed interest is defined as Government Sovereign Bonds and Corporate Bonds.</li> <li>• Preference Shares, Permanent Interest Bearing Shares and Convertibles are not treated as fixed interest investments.</li> </ul>
Sterling Other Fixed Interest	<ul style="list-style-type: none"> <li>• Funds with investment policy permitting significant changes in asset allocation between broad investment grade and sub-investment grade securities.</li> <li>• Funds which invest at least 80% of their assets in sterling-denominated (or hedged back to sterling) fixed interest securities.</li> <li>• Fixed interest defined as Government Sovereign Bonds and Corporate Bonds.</li> <li>• Preference Shares, Permanent Interest Bearing Shares and Convertibles are not treated as fixed interest investments.</li> </ul>
Sterling Corporate Bond	<ul style="list-style-type: none"> <li>• Funds which invest at least 80% of their assets in sterling-denominated (or hedged back to sterling) broad investment grade corporate bond securities. This excludes Preference Shares, Permanent Interest Bearing Shares and Convertible Securities.</li> </ul>
Sterling Long Bond	<ul style="list-style-type: none"> <li>• Funds (used in conjunction with pension plans) with a specific objective for the movement in the value of units in the fund to approximate to movements in annuity purchase prices.</li> <li>• Funds which invest at least 80% of their assets in sterling-denominated (or hedged back to sterling) long duration (10 years or more) broad investment grade fixed interest securities.</li> </ul>

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| Global Fixed Interest | <ul style="list-style-type: none"> <li>• Funds which invest at least 80% of their assets in non-UK broad investment grade fixed interest securities.</li> <li>• Fixed interest defined as Government Sovereign Bonds and Corporate Bonds. Preference Shares, Permanent Interest Bearing Shares and Convertibles are not treated as fixed interest investments.</li> </ul>  |
| Sterling High Yield   | <ul style="list-style-type: none"> <li>• Funds which invest at least 80% of their assets in sterling-denominated (or hedged back to sterling) fixed interest securities.</li> <li>• Funds which invest at least 50% of their assets in sub investment grade fixed interest securities.</li> <li>• Fixed interest defined as Government Sovereign Bonds and Corporate Bonds.</li> <li>• Preference Shares, Permanent Interest Bearing Shares and Convertibles are not treated as fixed interest investments.</li> </ul> |
| Global High Yield     | <ul style="list-style-type: none"> <li>• Funds which invest at least 80% of their assets in non-UK fixed interest securities.</li> <li>• Funds which invest at least 50% of their assets in sub-investment grade fixed interest securities.</li> <li>• Fixed interest defined as Government Sovereign Bonds and Corporate Bonds.</li> </ul>  |

*Note: Preference Shares, Permanent Interest Bearing Shares and Convertibles are not treated as fixed interest investments. Investment grade is established by the average of the ratings determined by Standard & Poor's, Moody's and Fitch. Sub-investment grade is defined as (or equivalent to) below BBB- (as per Standard & Poor's) and by Fitch or below Baa, as measured by Moody's.*

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## **6. Property**

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| UK Direct Property     | <ul style="list-style-type: none"> <li>• Funds that normally invest at least 80% of their assets in UK property. Managers may occasionally use Property Index Certificates or other property instruments for up to 20% property investment.</li> <li>• UK property defined as real estate located within the UK.</li> </ul>  |
| UK Property Securities | <ul style="list-style-type: none"> <li>• Funds that invest at least 80% of their assets in property securities quoted on the UK stock market and direct property located in the UK.</li> <li>• Property securities include real estate investment trusts, shares issued by companies that own, develop or manage direct property and Property Index Certificates.</li> </ul> |
| Global Property        | <ul style="list-style-type: none"> <li>• Funds that invest at least 80% of their assets in direct property and property securities.</li> <li>• Minimum 50% non-UK assets.</li> </ul>   |

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## **7. Other fund sectors**

Sterling Preference Shares & Convertibles	<ul style="list-style-type: none"> <li>• Funds which invest at least 80% of their assets in sterling-denominated (or hedged back to sterling) Preference Shares, Permanent Interest Bearing Shares and Convertibles.</li> </ul>
Deposit & Treasury	<ul style="list-style-type: none"> <li>• Funds in this sector are not 'no risk' funds but to satisfy the sector parameters they must have stability of capital as the principal and overriding objective.</li> <li>• Funds must invest 100% of their assets in sterling denominated permitted instruments.</li> <li>• Permitted instruments must not have a final maturity greater than 12 months.</li> <li>• The investment quality of each of the permitted instruments must be closely matched with the fund's objective of stability of capital.</li> <li>• The permitted instruments for this sector are: <ul style="list-style-type: none"> <li>○ Current Account Cash</li> <li>○ Time Deposits (including call accounts)</li> <li>○ Certificates of Deposit</li> <li>○ UK Treasury Bills</li> <li>○ UK Short Gilts</li> </ul> </li> <li>• Insured funds that track a recognised cash index, such as the Bank of England base interest rate, can be included.</li> </ul>
Money Market	<ul style="list-style-type: none"> <li>• Funds which invest at least 95% of their assets in sterling (or hedged back to sterling) money market instruments.</li> <li>• Money market instruments are defined as cash and near cash, such as bank deposits, certificates of deposit, and fixed interest securities or floating rate notes.</li> </ul>
Protected/Guaranteed Funds	<ul style="list-style-type: none"> <li>• Funds, other than money market funds, which principally aim to provide a return of a set amount of capital back to the investor (either explicitly guaranteed or via an investment strategy highly likely to achieve this objective) plus some market upside.</li> </ul>
Commodity/Energy	<ul style="list-style-type: none"> <li>• Funds that invest at least 80% of their assets in commodity and/or energy related securities.</li> </ul>
Specialist	<ul style="list-style-type: none"> <li>• Funds that have an investment universe that is not accommodated by any of the other ABI sectors.</li> <li>• As funds in this sector do not meet any pre-set parameters, these should not be compared on a like-for-like basis.</li> </ul>
Unclassified	<ul style="list-style-type: none"> <li>• This sector is for funds that do not provide sufficient data to be monitored, and consequently cannot be compared on a like-for-like basis.</li> </ul>

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