



ABI Sector Definitions

September 2017

Definitions for funds in the ABI Sectors

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 underlying investments are grouped around similar definitions.

Unmonitored Sectors

A number of sectors are monitored by collection and analysis of portfolio holdings, and consequently cannot be analysed according to compliance with sector criteria or compared for performance purposes. These sectors are not monitored for one or more of the following reasons, including:

- Data on the underlying assets cannot be collected or sourced
- Universal methodologies to analyse the value or monitor the underlying assets are not available.

The following sectors are unmonitored:

- UK Direct Property
- UK Property Securities
- Global Property
- Deposit & Treasury
- Money Market
- Protected/Guaranteed funds
- Commodity/Energy
- Specialist
- Unclassified

Mixed Investment Sectors	Page 3
Distribution Fund Sector	Page 5
UK Equity Sectors	Page 5
Overseas Equity Sectors	Page 5
Fixed Interest Sectors	Page 7
Property Sectors	Page 9
Other Sectors	Page 10

Mixed Investment Sectors

Notes for consumers:

The following notes give some basic information about the Mixed Investment sectors. If you require information about your fund(s), contact the fund/product provider or a financial adviser. They can give you information about what the fund is invested in, the investment strategy and about how risky the fund is.

- The definition for each sector shows how much flexibility the fund manager has over the range of investments in a fund. Funds in these sectors can hold a mix of investments which typically include company shares, bonds, "cash" and commercial property. Managers may use a range of different investment strategies. The sectors are not designed to reflect the risk of individual funds.
- The names of the Mixed Investment sectors show the maximum and minimum amount that funds within each sector may invest in company shares. This includes investments that give an exposure to shares, for example, a derivative that gives exposure to the FTSE100 index.
- The sectors group together funds that are broadly similar, in line with the definitions. The criteria for the sectors overlap, to give managers flexibility. This means that a fund may sometimes meet the requirements of more than one of the sectors.

1. Mixed Investment 0-35% Shares

Funds in this sector are required to have a range of different investments. Up to 35% of the fund can be invested in company shares (equities). At least 45% of the fund must be in fixed income investments (for example, corporate and Government bonds) and/or "cash" investments. "Cash" can include investments such as current account cash, short-term fixed income investments and certificates of deposit.

- Maximum 35% equity exposure (including convertibles)
- No minimum equity requirement
- Minimum 45% investment grade fixed income and cash
- Minimum 80% investment in established market currencies (US Dollar, Sterling & Euro) of which 40% must be Sterling
- Sterling requirement includes assets hedged back to Sterling

2. Mixed Investment 20-60% Shares

Funds in this sector are required to have a range of different investments. The fund must have between 20% and 60% invested in company shares (equities). At least 30% of the fund must be in fixed income investments (for example, corporate and Government bonds) and/or "cash" investments "Cash" can include investments such as current account cash, short-term fixed income investments and certificates of deposit.

- Minimum 20% equity exposure
- Minimum 30% fixed income and cash
- Minimum 60% investment in established market currencies (US Dollar, Sterling & Euro) of which 30% must be Sterling
- Sterling requirement includes assets hedged back to Sterling

3. Mixed Investment 40-85% Shares

Funds in this sector are required to have a range of different investments. However, there is scope for funds to have a high proportion in company shares (equities). The fund must have between 40% and 85% invested in company shares.

- Maximum 85% equity exposure (including convertibles)
- Minimum 40% equity exposure
- No minimum fixed income or cash requirement
- Minimum 50% investment in established market currencies (US Dollar, Sterling & Euro) of which 25% must be Sterling
- Sterling requirement includes assets hedged back to Sterling

Notes to definitions (Mixed Investment sectors)

- At any one time the asset allocation of a fund in these sectors may mean that the fund meets the requirements of more than one sector. The fund would remain in the elected sector on these occasions, but subject to complying with these notes.
- The “look-through” principle will apply when considering securities that are structured with the legal form of an equity (such as a listed investment trust and some listed ETFs), but manage or invest in different underlying assets such as property, commodities, etc. Where the underlying entity itself invests in equities, the holdings are classified as equities. Further details may be obtained from the monitoring company. The monitoring company’s decision is final.
- Funds in the sectors which do not appear to comply with the “spirit” of a definition will be removed from the sector. Funds will be issued with a warning before they are removed. The “spirit” may be considered as being whether a fund’s investments or strategy tends towards the achievement of the overall sector scheme objective of allowing like-for-like comparisons to be made between funds. Managers should note that the user group for sectors should be assumed to be consumers and their advisers. Funds should not rely in making their case on applying a narrow, legalistic or unusual interpretation to what are in practice broad definitions. Decisions will be made by the ABI Investment Classification Panel (ICP) and will be accepted as a peer group decision by funds in the sectors.

4. Flexible Investment

The funds in this sector are expected to have a range of different investments. However, the fund manager has significant flexibility over what to invest in. There is no minimum or maximum requirement for investment in company shares (equities) and there is scope for funds to have a high proportion of shares. The manager is accorded a significant degree of discretion over asset allocation and is allowed to invest up to 100% in equities at their discretion.

- No minimum equity requirement
- No minimum fixed income or cash requirement
- No minimum currency requirement
- Notes to definitions

Notes to definitions (Flexible Investment sector)

- At any one time the asset allocation of a fund in this sector may mean that the fund meets the requirements of more than one sector. The fund would remain in the elected sector on these occasions, but subject to complying with these notes.
- The “look-through” principle will apply when considering securities that are structured with the legal form of an equity (such as a listed investment trust and some listed ETFs), but manage or invest in different underlying assets such as property, commodities, etc. Where the underlying

entity itself invests in equities, the holdings are classified as equities. Further details may be obtained from the monitoring company. The monitoring company's decision is final.

- Funds in the sector which do not appear to comply with the “spirit” of a definition will be removed from the sector. Funds will be issued with a warning before they are removed. The “spirit” may be considered as being whether a fund's investments or strategy tends towards the achievement of the overall sector scheme objective of allowing like-for-like comparisons to be made between funds. Managers should note that the user group for sectors should be assumed to be consumers and their advisers. Funds should not rely in making their case on applying a narrow, legalistic or unusual interpretation to what are in practice broad definitions.
- Decisions will be made by the ABI Investment Classification Committee and will be accepted as a peer group decision by funds in the sectors.

Distribution Funds Sector

5. Distribution funds

Funds in this sector must aim to generate or pay out income for investors.

- Maximum of 60% total equity (including Preference Shares, 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.

UK Equity Sectors

6. UK All Companies

- Funds which invest at least 80% of their assets in equities quoted on the UK stock market.
- Funds have the primary objective of achieving capital growth or total return.

7. UK Smaller Companies

- 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.

8. UK Equity Income

- Funds which invest at least 80% of their assets in equities quoted on the UK stock market.
- Net of tax yield on the underlying portfolio of at least 100% of the FTSE All Share yield.

Notes to definitions (UK Equity Income sector):

- 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.

Overseas Equities Sectors

9. Global Equities

- Funds which invest at least 80% of their assets in equities.
- Funds must be invested in more than one equity region.

- Not to include funds which would otherwise qualify for the Global Emerging Markets Equity sector.

10. Europe including UK Equities

- Funds which invest at least 80% of their assets in equities quoted on UK and European stock markets.
- Not to include funds which would otherwise qualify for a UK Equity sector.
- Europe includes all countries in the FTSE World Europe/MSCI Europe indices.

11. Europe excluding UK Equities

- 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.
- Europe includes all countries in the FTSE World Europe/MSCI Europe indices.

12. North America Equities

- Funds which invest at least 80% of their assets in equities quoted on United States and Canadian stock markets.

13. Asia Pacific including Japan Equities

Note for consumers:

Funds in this sector can hold a high proportion of emerging market shares. If you require information about your fund(s), contact the fund/product provider or a financial adviser. They can give you information about what the fund is invested in, the investment strategy and about how risky the fund is.

- Funds which invest at least 80% of their assets in Asia Pacific equities and which include Japanese equities.
- Asia Pacific includes all countries in the FTSE All World Asia Pacific index.
- Not to include funds which would otherwise qualify for the Japan Equity sector.

14. Asia Pacific excluding Japan

Note for consumers

Funds in this sector can hold a high proportion of emerging market shares. If you require information about your fund(s), contact the fund/product provider or a financial adviser. They can give you information about what the fund is invested in, the investment strategy and about how risky the fund is.

- 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.
- Asia Pacific includes all countries in the FTSE All World Asia Pacific index.

15. Japan Equities

- Funds which invest at least 80% of their assets in equities quoted on the Japanese stock market.

16. Global Emerging Markets Equities

- Funds which invest at least 80% of their assets in equities from emerging markets, as defined by the FTSE All World Index, without geographical restriction.

Fixed Interest Sectors

17. UK Gilts

- Funds invest at least 95% of their assets in:
- UK Government securities (Gilts),
- UK Government backed securities
- Sterling denominated (or hedged back to Sterling) AAA rated, overseas government backed securities.
- At least 80% of the fund must be invested in UK Government securities (Gilts).

18. UK Index-linked Gilts

- Funds which invest at least 95% of their assets in:
- UK Government Index Linked securities (Index Linked Gilts)
- UK Government backed Index Linked securities, or
- Sterling denominated (or hedged back to Sterling) AAA rated, overseas government backed Index Linked securities.
- At least 80% of the fund must be invested in UK Index Linked Government securities (Index Linked Gilts).

19. Sterling Fixed Interest

- 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 securities defined as Government sovereign bonds, local authority bonds, supranational bonds and corporate bonds. Preference shares, permanent interest-bearing shares (PIBs) and convertibles are not treated as broad investment grade fixed interest investments.

Notes to definitions (UK Gilts, UK Index-linked Gilts and Sterling Fixed Interest sectors):

- Investment grade is established by the average of the ratings determined by Standard & Poor's, Moody's and Fitch. Broad investment grade is defined as (or equivalent to) BBB minus or above as measured by Standard & Poor's and by Fitch and Baa3 or above as measured by Moody's.
- Flags include; multi-manager, socially responsible, duration-long (life funds only) and duration short funds.

20. Sterling Strategic Bond

- Funds with investment policy permitting significant changes in asset allocation between broad investment grade fixed interest securities and sub-investment grade fixed interest securities, convertibles, preference shares and permanent interest-bearing shares (PIBs).
- Funds which invest at least 80% of their assets in Sterling-denominated (or hedged back to Sterling) fixed interest securities, convertibles, preference shares and PIBs.
- Fixed Interest securities defined as Government sovereign bonds, local authority bonds, supranational bonds and corporate bonds. Supranational bonds are treated as corporate bonds.

Notes to definitions (Sterling Strategic Bond sector):

- At any point in time the asset allocation of these funds could theoretically place the fund in one of the other Fixed Interest sectors. Funds will remain in this sector if it is the Manager's stated intention to invest across permitted asset classes and the Sterling fixed interest credit risk spectrum.
- The use of convertibles, preference shares and PIBs is not inhibited and there may be considerable investment in them by higher risk/higher return funds.
- By including convertibles, preference shares and PIBs, the risk profiles of certain funds within the Sterling Strategic Bond sector could be significant. For example, funds holding convertibles expected to convert could exhibit characteristics more akin to equities than fixed interest. However, it is recognised that it is the responsibility of the providers to specify, monitor and convey the risk characteristics of an individual fund rather than the ABI ICP.
- 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 minus as measured by Standard & Poor's and by Fitch or below Baa3 as measured by Moody's.

21. Sterling Corporate Bond

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.

22. Sterling Long Bond

- 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.
- 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.

23. Global Fixed Interest

- Funds which invest at least 80% of their assets in non-UK broad investment grade fixed interest securities.
- 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.

24. Sterling High Yield

- Funds which invest at least 80% of their assets in Sterling-denominated (or hedged back to Sterling) fixed interest securities.
- Funds which invest at least 50% of their assets in sub-investment grade fixed interest securities, convertibles, preference shares and permanent interest-bearing shares (PIBs).
- Fixed Interest securities defined as Government sovereign bonds, local authority bonds, supranational bonds and corporate bonds. Supranational bonds are treated as corporate bonds.

Notes to definitions (Sterling High Yield sector):

- The usage of convertibles, preference shares and PIBs is not inhibited and there may be considerable investment in them for the higher risk/higher return funds.
- 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 minus as measured by Standard & Poor's and by Fitch or below Baa3 as measured by Moody's.
- By including convertibles, preference shares and PIBs, the risk profiles of certain funds within the Sterling High Yield sector could be significant. For example, funds holding convertibles

expected to convert could exhibit characteristics more akin to equities than fixed interest. However, it is recognised that it is the responsibility of the providers to specify, monitor and convey the risk characteristics of an individual fund rather than the ABI ICP.

25. Global High Yield

Notes for consumers

Funds in this sector can hold a high proportion of emerging market securities. If you require information about your fund(s), contact the fund/product provider or a financial adviser. They can give you information about what the fund is invested in, the investment strategy and about how risky the fund is.

- Funds which invest at least 80% of their assets in non-UK fixed interest securities.
- Funds which invest at least 50% of their assets in sub investment grade and/or emerging market fixed interest securities, without geographical restriction.
- Fixed interest securities defined as Government sovereign bonds, local authority bonds, supranational bonds and corporate bonds, convertibles, preference shares and permanent interest-bearing shares.

Notes to definitions (Global High Yield sector):

- 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 minus as measured by Standard & Poor's and by Fitch or below Baa3, as measured by Moody's.
- Emerging markets are defined as constituent countries of any one of the relevant FTSE, JP Morgan, MSCI, S&P/IFCI emerging market indices.
- Flags include; multi-manager, socially responsible, duration-long and duration-short funds. Additional Flags for Single Country; Regional.

Property Sectors

26. UK Direct Property

- 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.
- UK property defined as real estate located within the UK.
- This sector is not monitored because universal methodologies to analyse the value or monitor the underlying assets are not available.

27. UK Property Securities

- 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.
- Property securities include real estate investment trusts, shares issued by companies that own, develop or manage direct property and Property Index Certificates.
- This sector is not monitored because universal methodologies to analyse the value or monitor the underlying assets are not available.

28. Global Property

- Funds that invest at least 80% of their assets in direct property and property securities.
- Minimum 50% non-UK assets.

- This sector is not monitored because universal methodologies to analyse the value or monitor the underlying assets are not available.

Other fund sectors

29. Deposit & Treasury

Funds in this sector must meet the following conditions:

- The primary investment objective of the fund is to maintain capital and aim to provide a return in line with money market rates, before charges.
- Invest 100% of the fund in Sterling denominated permitted instruments.
- Permitted instruments are:
 - Current account cash
 - Time Deposits (including call accounts)
 - Certificates of Deposit
 - UK Treasury Bill
 - UK Short Gilts
 - Reverse repurchase agreements (with collateral limited to Gilts*)
- Comply with the following paragraphs of the ESMA guidelines on money market funds^{**}: 3, 4^{***}, 5, 6, 7, 8, 9, 10 and 11 of Box 2
- This sector is not monitored because universal methodologies to analyse the value or monitor the underlying assets are not available.

Notes to definitions

*Delivery by value “DBV” and Bilateral comprised of Unstripped British Government Stock, Treasury Bills and Bank of England Bills priced on a mark to market basis.

** References to UCITS should be read as applying to Life and Pension funds for the purposes of these definitions.

***Managers are expected to ensure that instruments have been awarded one of the two highest short-term credit ratings of the principal credit ratings agencies.

30. Money Market

Funds in this sector must meet the following conditions:

- The primary investment objective of the fund is to maintain capital and aim to provide a return in line with money market rates, before charges.
- Invest in permitted instruments with at least 95% of the fund in Sterling (or hedged back to Sterling) money market instruments.
- Permitted instruments are:
 - Current Account Cash
 - Time Deposits
 - Money Market instruments which meet the definition set out in Directive 2009/65/EC*
 - Collective Investment undertakings which comply with the definition of Short Term Money Market fund or Money Market fund set out in the ESMA guidelines on money market funds.
- Comply with the following paragraphs of the ESMA guidelines on money market funds^{**}:

3, 4^{***}, 6, 9, 10 and 11 of Box 2
2, 4, 5, and 6 of Box 3

- This sector is not monitored because universal methodologies to analyse the value or monitor the underlying assets are not available.

Notes to definitions

*Bonds with a maturity of less than three months are treated as cash.

**References to UCITS should be read as applying to Life and Pension funds for the purposes of these definitions.

***Managers are expected to ensure that instruments have been awarded one of the two highest short-term credit ratings of the principle credit ratings agencies.

31. Protected/Guaranteed Funds

- 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.
- This sector is not monitored because universal methodologies to analyse the value or monitor the underlying assets are not available.

32. Commodity/Energy

- Funds that invest at least 80% of their assets in commodity and/or energy related securities.
- This sector is not monitored because universal methodologies to analyse the value or monitor the underlying assets are not available.

33. Specialist

- Funds that have an investment universe that is not accommodated by any of the other ABI sectors.
- As funds in this sector do not meet any pre-set parameters, these should not be compared on a like-for-like basis.
- Performance ranking of funds within the sector as a whole is inappropriate given the diverse nature of its constituents.
- This sector is not monitored because universal methodologies to analyse the value or monitor the underlying assets are not available.

34. Unclassified

- Funds that do not provide sufficient data to be monitored and consequently cannot be compared on a like for like basis. Funds may also have one or more of the following characteristics:
 - Funds that wish to be registered but uncategorised within the ABI Sector system
 - Funds that have been removed from other ABI Sectors due to non-compliance with sector monitoring requirements
 - Performance ranking of funds within the sector as a whole is inappropriate given the diverse nature of its constituents.

- This sector is not monitored because universal methodologies to analyse the value or monitor the underlying assets are not available.