

LIPPER LEADERS

BUILDING A FUND PORTFOLIO



ABOUT LIPPER

Lipper provides independent insight to asset managers, financial advisors and institutional investors on global collective investments, including mutual funds, retirement funds, hedge funds, and fund fees & expenses. Lipper offers premium-quality data, fund ratings, analytical tools, and global commentary through specialized product offerings. Supported by the resources and knowledge of our parent company Thomson Reuters, Lipper provides unparalleled expertise and insight to the funds industry. www.lipperweb.com.

ABOUT LIPPER LEADERS

The Lipper Ratings are derived from highly sophisticated formulae that analyze funds against a set of clearly defined metrics. Funds are compared to similar funds, and only those that truly stand out are awarded Lipper Leaders status. Each fund is ranked against its peers based on the metric used. Lipper Ratings provide an instant measure of a fund's success against five key metrics:

- Consistent Return
- Total Return
- Preservation
- Expense
- Tax Efficiency

Funds are ranked against their Lipper peer group classifications each month for 3-, 5-, 10-year, and overall periods. These ratings are based on an equal-weighted average of percentile ranks of the five Lipper Leaders metrics.

For each metric:

- the top 20% of funds receive a rating of '5' and are named Lipper Leaders.
- the next 20% of funds receive a rating of '4'
- the middle 20% of funds receive a rating of '3'
- the next 20% of funds receive a rating of '2'
- the lowest 20% of funds receive a rating of '1'

Lipper Leaders provide context and perspective for making informed investment decisions but do not predict future performance.

BUILDING A PORTFOLIO OF FUNDS USING LIPPER LEADERS

Building a portfolio that best meets an investor's goals requires reliable fund evaluation tools. The Lipper Leaders Rating System is a toolkit designed to help build that portfolio one fund at a time.

Lipper Ratings can help you effectively identify funds that meet the particular goals of an investor. You can begin with a single Lipper Leaders metric. We recommend the "Consistent Return" metric as the best place to start. This metric identifies funds that provide year-to-year consistency relative to other funds in their peer group. As you become more familiar with the Lipper Ratings, you can use additional metrics alone or in combination to build individualized portfolios that suit an individual investor's particular goals.

We suggest the following process for identifying funds and building a complete fund portfolio. Since the goals for each fund may be somewhat different, we recommend repeating the process for each fund.

CHOOSE THE ASSET CLASS

In considering specific goals, advisors generally help investors to determine whether the priority is current income or long-term growth. This priority often focuses attention on funds within a particular asset class: equity, mixed-equity, or fixed-income funds.

CHOOSE THE FUND CATEGORY

A well-diversified portfolio usually will include funds from several different fund classifications. For example, investors are often advised to include funds that own large-company stocks, smaller-company stocks, international stocks, and bonds. A particular portfolio might tilt toward growth funds which invest in fast-growing companies or value funds that seek out undervalued stocks, or it may contain both types. A portfolio designed to preserve capital might contain a higher percentage of corporate bond funds, Treasury or government bond funds, international bond funds, or some combination.



CHOOSE LIPPER LEADERS METRICS

The Lipper Leaders Ratings System allows advisors and investors to benchmark funds along five metrics rather than a single, historical performance-based measure.

LIPPER LEADER	MEASURES	USEFUL TO
Total Return	Performance in isolation	Investors who seek performance in isolation, regardless of risk.
Consistent Return	Risk-adjusted performance/Consistency of returns	Investors who seek performance with relatively low volatility of returns.
Preservation	Losses	Investors concerned with potential losses to their investments.
Expense	Total expense ratio	Investors concerned with the performance drag that higher expense ratios create.
Tax Efficiency	Amount of fund's return that is retained after tax effects on distributions	Investors in taxable accounts who want to minimize the tax burden on their investments.

Each Lipper Leaders metric should be examined in relation to an investor's goals to determine its importance when selecting funds for an investment portfolio.

LIPPER LEADER	MORE IMPORTANT	LESS IMPORTANT
Total Return	Investor places a high premium on past performance	Investor believes that past performance has little bearing on the future
Consistent Return	Investor places emphasis on day-to-day consistency and relative results	Investor prefers to avoid backward-looking tools
Preservation	Investor needs the money from this fund in just a few years or they are risk-averse.	Investor is risk-tolerant or investing for a goal that's decades away
Expense	Investor believes that low-expense funds have a better chance of success	Investor feels that you get what you pay for
Tax Efficiency	Investor is in a high tax bracket and investing in a taxable account.	Investor is investing in a 401(k) / IRA or is in a low tax bracket

Once the fund category has been selected and the Lipper Leaders metrics to emphasize are chosen, then a list of suitable funds can be identified. It's important to remember Lipper Leaders is a tool designed to assist in the fund identification and selection process. Therefore, the detailed performance of each fund on the list should be reviewed to refine the list further if necessary. Advisors should place the Lipper Leaders metrics in context as well as help investors to identify and prioritize their investment goals. Advisors and investors can choose an appropriate fund from that list, keeping in mind manager tenure, sales loads, other fees, and logistical factors such as minimum initial investment.

LIPPER DISCLAIMER

Lipper Ratings for Total Return reflect fund historic total return performance relative to peers. Lipper Ratings for Consistent Return reflect fund historical risk-adjusted returns relative to peers. Lipper Ratings for Preservation are relative, rather than absolute. Lipper Ratings for Expense reflect fund expense minimization relative to peers. Lipper Ratings for Tax Efficiency (U.S. Only) reflect fund historical ability to postpone taxable distributions. Lipper Ratings DO NOT take into account the effects of sales charges. Overall Ratings are based on an equal-weighted average of percentile ranks for each measure over 3-, 5-, and 10-year periods (if applicable).

Lipper Ratings do not constitute and are not intended to constitute investment advice or an offer to sell or the solicitation of an offer to buy any security of any entity in any jurisdiction. As a result, you should not make an investment decision on the basis of this information. Rather, you should use Lipper Ratings for informational purposes only. Certain information provided by Lipper may relate to securities that may not be offered sold or delivered within the United States (or any State thereof) or to, or for the account or benefit of, United States persons.

Lipper is not responsible for the accuracy, reliability or completeness of the information that you obtain from Lipper. In addition, Lipper will not be liable for any loss or damage resulting from information obtained from Lipper or any of its affiliates.

Lipper US Client Services
+1 877 955 4773
customers.reuters.com/
crmcontactus/support.asp

Lipper Europe Client Services
(UK) 0845 600 6777
(Europe) +44207 542 8033
customers.reuters.com/
crmcontactus/support.asp

Lipper Asia Client Services
+886 2 2500 4806
customers.reuters.com/
crmcontactus/support.asp

lipperweb.com

© Thomson Reuters 2011. All rights reserved.

Thomson Reuters/Lipper and the checkmark logo are the trademarks or registered trademarks of the Thomson Reuters group of companies around the world. Published by Thomson Reuters, 30 South Colonnade, Canary Wharf, London, E14 5EP. 47000631 0811



THOMSON REUTERS™