

# LIPPER LEADERS

A RATING SYSTEM THAT LOOKS AT FUNDS FROM EVERY ANGLE



## 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.

## SEE FUNDS FROM EVERY ANGLE WITH LIPPER RATINGS

We recognize a successful investment strategy is based on identifying funds that align with individual investment goals and risk tolerance. Lipper Leaders is a fund rating system designed to clearly indicate a fund's success in meeting specific investment objectives, such as preserving capital, lowering expenses, or building wealth.

## INVESTOR-CENTERED MEASURES OF FUND PERFORMANCE AND SUITABILITY

Lipper Ratings provide an instant measure of a fund's success against five key metrics. These metrics can be used alone or in combination to build individualized portfolios that suit an investor's particular goals.

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

While there are many fund rating systems available in the marketplace, Lipper Leaders is the only one that rates performance based on five metrics. Other fund rating systems roll-up several factors into a single overall rating which limits the ability to assess a fund's performance based on specific criteria. Lipper Leaders allows users to examine a fund's performance from different angles to determine how well a fund did at achieving specific objectives. With the Lipper Ratings you can spend your time more profitably by quickly identifying appropriate funds.

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.

Funds are ranked on a scale of 5 to 1 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 RATINGS

### Total Return

The Lipper Rating for Total Return denotes a fund that has provided superior total returns (income from dividends and interest as well as capital appreciation) when compared to a group of similar funds.

The Lipper Rating for Total Return may be the best fit for investors who want the best historical return, without looking at risk. This measure alone may not be suitable for investors who want to avoid downside risk. For more risk-averse investors, the Total Return ratings can be used with Preservation and/or Consistent Return ratings to make an appropriate selection that balances the risk and return.

### Expense

The Lipper Rating for Expense identifies a fund that has successfully managed to keep its expenses low relative to its peers and within its load structure.

The Lipper Rating for Expense may be the best fit for investors who want to minimize their total costs. It can be used in conjunction with Total Return or Consistent Return to identify funds with above-average performance and lower-than-average cost.

### Consistent Return

The Lipper Rating for Consistent Return identifies a fund that has provided relatively superior consistency and risk-adjusted returns when compared to a group of similar funds. Funds which achieve high ratings for Consistent Return may be the best fit for investors who value a fund's year-to-year consistency relative to other funds in a particular peer group.

Investors are cautioned that some peer groups are inherently more volatile than others, and even Lipper Leaders for Consistent Return in the most volatile groups may not be well suited to shorter-term goals or less risk-tolerant investors.

### Preservation

The Lipper Rating for Preservation is a fund that has demonstrated a superior ability to preserve capital in a variety of markets when compared with other funds in its asset class.



Choosing a Lipper Rating for Preservation may help to minimize downside risk relative to other fund choices in the same asset class. Investors are cautioned that equity funds have historically been more volatile than mixed-equity or fixed-income funds, and that even the Lipper Rating for Preservation in more volatile asset classes may not be well suited to shorter-term goals or less risk-tolerant investors.

#### Tax Efficiency

The Lipper Rating for Tax Efficiency identifies a fund that has been successful at deferring taxes over the measurement period relative to similar funds.

The Lipper Ratings for Tax Efficiency may be the best fit for tax-conscious investors who hold investments that are not in a defined-benefit or retirement plan account. Investors in high federal tax brackets are more likely than those in lower tax brackets to realize greater benefit from tax-efficient funds.

The Lipper Ratings for Tax Efficiency on its own does not take relative or absolute performance into account. Investors can pair Tax Efficiency with Consistent Return and/or Total Return to find funds that have delivered solid relative performance and have exceeded their peers in postponing taxable distributions.

#### LIPPER LEADERS KEY



#### HELPING YOU FIND FUNDS THAT FIT

Lipper Leaders is designed to help guide investors and advisors in selecting suitable fund investments. Lipper Ratings provide context and perspective for making informed investment decisions but do not predict future performance. Additional information about Lipper Leaders is located on our website at [lipperleaders.com](http://lipperleaders.com).

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