ICI’s Updated Fund Data Classification

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Agenda

- ICI data classification overview
- Why are the investment objectives (IOBs) changing now?
- How are the funds being reclassified?
- What is the impact of these changes?
- Where can I find more information about these changes?
ICI Data Classification Overview

• Periodic database-classification refresh balances need for data consistency with need to reflect market changes
• ICI open-end mutual fund database has five levels of detail
• ICI reclassification affects levels four and five: composite investment objectives and the most granular investment objectives (IOB)
  ▪ Consistent data at the aggregate level will continue to be available monthly from 1984 to present (levels 1–3)
  ▪ Data by new composite IOBs and most new data by IOBs are available monthly from 2000 to present (levels 4–5)
New Mutual Fund Classifications

INDUSTRY

LEVEL 1
2 Categories

LEVEL 2
4 Categories

LEVEL 3
7 Categories

LEVEL 4: Composite Investment Objective
13 Categories

LEVEL 5: Investment Objective
42 Categories
ICI Mutual Fund Classifications, Levels 1–3
Consistent data available from 1984 to present
Why Are IOB Categories Changing Now?

- Last full database update was in 1998
- Industry growth since 1998 means that:
  - Many new types of funds emerged
  - New IOB level data categories were expanded and refined to reflect changes
- The new categories are more in line with current industry terminology and practices
How Are the Funds Being Reclassified?

• ICI classifies funds based on prospectus language
• Staff reviewed prospectuses for all mutual funds active since 2000 and reclassified funds in our database
• IOBs expanded from 33 to 42 categories:
  ▪ New categories for Alternative Strategy funds under the Domestic and World Equities, Hybrid, and Bond fund groups
  ▪ New categories added in the Bond group to enable a more detailed analysis of these funds
Changes in Equity Mutual Fund IOB Classifications

• Domestic Equity remains the same but the funds in this category have changed significantly

• For example, Total Return category now includes funds with a Value or Blend strategy
  ▪ Many funds investing in small-cap companies were previously included in the Capital Appreciation category

• For example, new categories for Alternative Strategy funds under the Capital Appreciation and World Equity IOB categories
New Domestic Equity Mutual Fund IOB Classifications
Consistent data available from 2000 to present (levels 4–5)
Changes in the Domestic Equity Mutual Fund Classifications

The number of funds that moved between Capital Appreciation and Total Return categories

Capital Appreciation

1,368

Total Return

47
New World Equity Mutual Fund IOB Classifications
Consistent data available from 2000 to present (level 4 and most of level 5)
New Hybrid Mutual Fund IOB Classifications
Consistent data available from 2000 to present (level 4 and most of level 5)
Changes in Bond Mutual Fund IOB Classifications

- Additional categories to show more detail on duration
- The term “investment grade” replaced “corporate bond”
- New category for Alternative Strategy funds under the Multi Sector category
- As a result, many funds moved from Strategic Income into other bond categories (the old category was replaced by the Multi Sector bond category, to more correctly represent the funds in this category)
- The State Municipal Bond General and Short-term categories were combined
New Taxable Bond Mutual Fund IOB Classifications
Consistent data available from 2000 to present (level 4 and most of level 5)
Changes in the Taxable Bond Mutual Fund Classifications

Strategic Income funds moved into many different categories

- Hybrid
- Multi Sector
- High Yield
- Investment Grade

Numbers: 17, 392, 5, 120
New Municipal Bond Mutual Fund IOB Classifications
Consistent data available from 2000 to present (levels 4–5)
Changes in Money Market Fund Classifications

• The term “prime” has replaced “non-government”
• New category shows Taxable Government funds split into Treasury & Repo and Treasury & Agency funds
• Tax-exempt classifications are unchanged
• Changes enable a more detailed split on both the weekly and monthly surveys
New Money Market Fund IOB Classifications
Consistent data available from 2000 to present (levels 4–5)

- TAXABLE MONEY MARKET
  - Taxable Money Market
    - Treasury & Repo Money Market
    - Treasury & Agency Money Market
    - Prime Money Market

- TAX-EXEMPT MONEY MARKET
  - Tax-Exempt Money Market
    - National Tax-Exempt Money Market
    - State Tax-Exempt Money Market
ICI Data Reclassification Key Points

• The new classifications better reflect the industry and enable a more detailed analysis of industry trends

• Aggregated data available monthly, 1984 to present (levels 1–3)

• Data at the new composite IOB and most IOB levels available monthly, January 2000 to present (levels 4–5)

• Going forward, the new classifications will be reflected in long-term flows and Trends reports, as well as money market funds report

• For more information, www.ici.org/iob_update
Questions and Answers