



ETF Categorization Database

Methodology Handbook

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Overview

The ETF Categorization Database was developed by the analysts of ETF Database, a leading independent authority on exchange-traded products. The ETF Categorization Database was designed to facilitate flexible categorization of the universe of exchange-traded products listed in the United States, using various “descriptive” data fields to identify the type of exposure offered and various risk factors and other characteristics. The database of information allows for identification of similar exchange-traded products, and also allows for rapid, detailed description of any ticker symbol included. The ETF Categorization Database includes more than two dozen fields, including classifications that apply to all exchange-traded products and descriptive fields applicable only to specific asset classes.

The following pages of this handbook outline the components of the ETF Categorization Database, rules for determining applicable ETP descriptions, and examples of the ETF Categorization Database.

Scope

The ETF Categorization Database includes descriptive information of all exchange-traded funds and exchange-traded notes listed on stock exchanges in the United States. Also included are exchange-traded products that are structured as commodity pools, Unit Investment Trusts, and Grantor Trusts. A complete list of the products included in the ETF Categorization Database is available upon request.

Mutual funds, closed-end funds, hedge funds, and individual stocks are not included in the ETF Categorization Database. As of January 1, 2011, more than 1,100 U.S.-listed exchange-traded products were included in the ETF Categorization Database.

Methodology

The ETF Categorization Database was created by the analysts of ETF Database, and a rules-based methodology is employed to categorize each eligible exchange-traded product. Sources of information considered in assigning applicable indicators to each exchange-traded product include, but are not limited to:

- Summary and Statutory Prospectus
- Product Fact Sheet
- Product Web Site
- SEC filings
- Description of Underlying Index

Update and Maintenance

New exchange-traded products are added to the ETF Categorization Database within 48 hours of beginning trading. ETF Database conducts an ongoing review of each exchange-traded

product included in the ETF Categorization Database. Each exchange-traded product is reviewed by the team of analysts at least twice per calendar year.

Industry Wide Data Fields

The ETF Categorization Database includes several fields that are applicable to all exchange-traded products, regardless of investment objective, the nature of the underlying securities, or product structure. Each of these data fields (the “Industry Wide Data Fields”) is summarized below:

Name

This field displays the name of each exchange-traded product, according to the official fund web site.

Examples of exchange-traded product Names include “S&P 500 SPDR” and “MSCI Emerging Markets Index Fund.”

Ticker

This field displays the ticker symbol of the exchange-traded product. Examples of Tickers include “SPY” and “EEM.”

Issuer

This field displays the name of the issuer responsible for the management and marketing of the exchange-traded product. Examples of Issuers include iShares, Vanguard, and Global X. A complete list of Issuers is available [here](#).

Note: Certain exchange-traded notes (ETNs) are debt instruments that may be issued by financial institutions, but offered by a different entity. For example, VelocityShares offers ETNs that are debt instruments issued by Credit Suisse. In such an instance, the Issuer field is populated with the name of the firm that manages and markets the product, and not the issuing financial institution. Products such as XIV are classified as Issuer = “VelocityShares” in the ETF Categorization Database.

ETFdb Category

Each exchange-traded product is assigned to exactly one ETFdb Category that most closely corresponds to the investment objective and underlying holdings of the product. ETFdb Categories are organized under Parent ETFdb Categories, which include Bond/Fixed Income, Commodities, Currency, Diversified Portfolio, Equity, Exotic, Inverse, Leveraged, and Real Estate. Under each Parent ETFdb Category are multiple ETFdb Categories, which include Large Cap Blend Equities, Agricultural Commodities, High Yield Bonds, and International Real Estate. A complete list of ETFdb Categories is available [here](#).

The ETFdb Categories are meant to be used as a simplistic tool for allocating individual exchange-traded products. There are inherent limitations to utilizing a categorization system that employs a “one-to-many” rule; certain products may seem to belong in multiple ETFdb

Categories. For example, the China Financials ETF could presumably be allocated to either the China Equities ETFdb Category or the Financials Equities ETFdb Category.

The additional data fields described throughout this document allow for more granular and detailed categorization of exchange-traded products.

Index

This field includes the index related to each exchange-traded product, if any. The name of the index as displayed in the product prospectus is used. Examples of Indexes include “S&P 500 Index” and “Russell 2000 Value Index.”

Note: Certain exchange-traded products are active in nature, and as such do not seek to replicate the performance of a specific index (see “Active/Passive Indicator” below). In such instances, the Index field is marked “n/a”

Index Description

This field includes a description of the benchmark represented in the Index field. The description of the index is taken either from the product prospectus or other official documents, such as the index provider.

Note: Certain exchange-traded products are active in nature, and as such do not seek to replicate the performance of a specific index (see “Active/Passive Indicator” below). In such instances, The Index Description field is marked “This ETF is not linked to a specific benchmark.”

Inverse Indicator

This field indicates if an exchange-traded product seeks to deliver exposure equal to the inverse of an index. This field is marked as either “True” or “False” for each exchange-traded product.

Leverage Indicator

This field indicates if an exchange-traded product is designed to deliver returns equal to a specified index multiplied by a target leverage percentage. Leveraged exchange-traded products often utilize derivatives in their portfolios, and may not be appropriate for certain investors.

Entries for the Leverage Indicator field include False, 2x, and 3x.

Asset Class

This field indicates the asset class of the securities that comprise the underlying or related index. Options for the Asset Class field include:

- Bond
- Commodity
- Currency
- Equity
- Multi-Asset
- Real Estate Volatility

The entry in the Asset Class field will determine which other fields will be valid, as discussed in more detail below.

Active/Passive Indicator

This field indicates whether an exchange-traded product is passively-indexed or actively-managed. Passive exchange-traded products generally seek to replicate the performance of a benchmark, while active exchange-traded products are not linked to a specific index. This field is marked as either “Active” or “Passive” for every exchange-traded product.

Open/Closed Indicator

This field indicates whether an exchange-traded product is actively traded or has been liquidated. From time to time, issuers of exchange-traded products elect to terminate certain funds for various reasons. Exchange-traded products marked as “Open” are available for trading, while those marked as “Closed” have been liquidated, delisted, or are otherwise unavailable.

Expense Ratio

This field indicates the expense ratio charged by the issuer of the exchange-traded product. The companies that create and market exchange-traded products derive revenue by charging investors a fee based on the total assets under management.

The Expense Ratio field includes the bottom line fees charged by each exchange-traded product, including management fees, acquired fund fees and expenses, and other expenses, and net of any fee waivers.

Expense Ratio is expressed in percentage points; “0.09” represents an annual expense ratio of 0.09%.

Note: Certain exchange-traded products generate management fees not as a percentage of assets under management but as a flat fee based on number of shares outstanding. Any exchange-traded products charging a flat fee are codes as “999” in the ETF Categorization Database.

Structure

This field indicates the legal structure of each exchange-traded product, a distinction that can have an impact on the risk/return profile. Eligible entries for Structure include:

- Exchange-Traded Fund (ETF)
- Exchange-Traded Note (ETN)
- Commodity Pool
- Unit Investment Trust (UIT)
- Grantor Trust

Inception Date

This field represents the date on which an exchange-traded product was initially created. The Inception Date will often be similar to the day on which the exchange-traded product began trading, but will often not be identical (technically, many products are created slightly before they are available for public trading).

Inception Data is formatted as “YYYY-MM-DD” in the ETF Categorization Database.

Asset Class Specific Data Fields

Certain data fields are applicable only to exchange-traded products that fall under a certain Asset Class entry. Each of these Asset Class-specific data points is outlined below.

Equity/Real Estate

The following data points are applicable to exchange-traded products for which Asset Class is marked as “Equity” or “Real Estate.”

Equity Size

This field indicates the size of companies that comprise the exchange-traded product or related index. Options for this field include:

- Multi-Cap
- Large-Cap
- Mid-Cap
- Small-Cap

Note: This field will not be completed for all Equity and Real Estate exchange-traded products, as certain products do not explicitly state a focus on a certain size of companies.

Equity Style

This field is used to indicate exchange-traded products that explicitly target component securities generally classified as either “value” companies or “growth” companies. This field may also be used to indicate exchange-traded products that offer exposure to a blend of value and growth companies. Options for Equity Style include:

- Value
- Blend
- Growth

Note: This field will not be completed for all Equity and Real Estate exchange-traded products, as certain products do not explicitly state a focus on a certain investment style.

Region (General)

This field indicates the region of the world where the underlying securities of an exchange-traded product or the related index are listed. Options for this field include:

- Africa
- Broad Asia
- Developed Asia Pacific
- Developed Europe
- Developed Markets

- Emerging Asia Pacific
- Emerging Europe
- Emerging Markets
- Frontier Markets
- Global
- Global ex-U.S.
- Latin America
- Middle East
- North America

Region (Specific)

This field indicates the specific region or country where the underlying securities of an exchange-traded product or the related index are listed. Examples of applicable Sector (Specific) indicators include:

- Australia
- China
- Germany
- Ireland
- Spain
- U.S.

Note: Certain exchange-traded products whose underlying securities are listed in a region that corresponds closely to a Region (General) indicator will have a Region (Specific) indicator of “Broad.” For example, the MSCI Emerging Markets Index Fund (EEM) is marked as Region (General) = Emerging Markets and Region (Specific) = Broad.

Sector (General)

This field indicates the sector of the economy in which the underlying securities of an exchange-traded product or related index operate. Options for this field include:

- Energy
- Consumer Discretionary
- Consumer Staples
- Financials
- Healthcare
- Industrials
- Technology
- Materials
- Telecom
- Utilities
- Real Estate

Note: Certain exchange-traded products whose underlying securities operate in multiple sectors of the economy are not marked with a Sector (General) indicator. For example, the S&P 500 SPDR (SPY), which offers broad exposure to U.S. large cap stocks, is not marked with a Sector (General) indicator.

Sector (Specific)

This field is used to identify the specific industry or sub-sector in which the underlying securities of an exchange-traded product or related index operate. Examples of Sector (Specific) indicators include:

- Airlines
- Gold Miners
- Infrastructure
- Pharmaceuticals

Note: The Sector (Specific) indicator is only applied to exchange-traded products that have been marked with a Sector (General) indicator. Exchange-traded products whose underlying securities operate in a sector of the economy that closely corresponds to a Sector (General) indicator will be marked with a Sector (Specific) indicator of “Broad.” For example, the Financials SPDR (XLF) is marked with a Sector (General) indicator of “Financials” and a Sector (Specific) indicator of “Broad.”

Example: Global X Brazil Financials ETF

Below is an example of the applicable ETF Categorization Database entries for the Brazil Financials ETF (BRAAF):

Name	Brazil Financials ETF
Ticker	BRAF
Issuer	Global X
Inverse	False
Leverage	False
Asset Class	Equity
Equity Size	n/a
Equity Style	n/a
Sector (General)	Financials
Sector (Specific)	Broad
Region (General)	Latin America
Region (Specific)	Brazil
Structure	ETF
ETFdb Category	Latin America Equities
Active/Passive	Passive
Open/Closed	Open
Index	Solactive Brazil Financials Index
Inception Date	2010-07-29
Expense Ratio	0.77

Bond

The following data points are applicable to exchange-traded products for which Asset Class is marked as “Bond.”

Bond Type

This field indicates the type of bonds held by the exchange-traded product or comprising the related index. Options for this field include:

- Bank Loans
- Build America
- California Munis
- Convertible
- Emerging Markets
- High Yield Munis
- International Corporate
- International Treasury
- Investment Grade Corporate
- Junk
- Money Market
- Mortgage-Backed
- Municipal
- New York Munis
- TIPS
- Total Bond Market
- Treasuries
- U.S. Agencies

Note: Exchange-traded products that include exposure to multiple bond types are marked with the “Total Bond Market” indicator.

Bond Duration

This field is used to indicate the time to maturity of the bonds held by the exchange-traded product or comprising the related index. Options for this field include:

- **Ultra-Short Term:** Generally, remaining time to maturity of one year or less
- **Short-Term:** Generally, remaining time to maturity of one to five years
- **Intermediate-Term:** Generally, remaining time to maturity of five to fifteen years
- **Long-Term:** Generally, remaining time to maturity of more than 15 years
- **All-Term:** Includes bonds with varying lengths of time until maturity

Example: Short Term Corporate Bond ETF (VCSH)

Below is an example of the applicable ETF Categorization Database entries for the Short-Term Corporate Bond ETF (VCSH):

Name	Short Term Corporate Bond ETF
Ticker	VCSH
Issuer	Vanguard
Inverse	False
Leverage	False
Asset Class	Bond
Bond Type	Investment Grade Corporate
Bond Duration	Short-Term
Structure	ETF
ETFdb Category	Corporate Bonds
Active/Passive	Passive
Open/Closed	Open
Index	Barclays Capital U.S. 1-5 Year Corporate Index
Inception Date	2009-11-23
Expense Ratio	0.15

Commodity

The following data points are applicable to exchange-traded products for which Asset Class is marked as “Commodity.”

Commodity Type

This field indicates the broad commodity family to which the related natural resources of each exchange-traded product belong. Indicators for this field include:

- Agriculture
- Diversified
- Precious Metals
- Softs
- Industrial Metals
- Energy
- Livestock

Commodity

This field indicates the specific commodity or natural resource represented by the exchange-traded product. Examples of indicators for this field include:

- Corn
- Copper
- Gold
- Sugar

Note: Certain exchange-traded products whose related resource corresponds closely to a Commodity Type indicator will have a Commodity indicator of “Broad.” For example, the PowerShares DB Agriculture Fund (DBA) is marked as Commodity Type = “Agriculture” and Commodity = “Broad.”

Commodity Exposure

This field indicates the manner in which the exchange-traded product achieves exposure to the related commodity. Certain exchange-traded products hold physical commodities, while others invest in futures contracts. Options for this field include:

- Futures-Based
- Physically-Backed

Example: Gold SPDR (GLD)

Below is an example of the applicable ETF Categorization Database entries for the Gold SPDR (GLD):

Name	Gold SPDR
Ticker	GLD
Issuer	State Street
Inverse	False
Leverage	False
Asset Class	Commodity
Commodity Type	Precious Metals
Commodity	Gold
Exposure	Physically-Backed
Structure	Grantor Trust
ETFdb Category	Precious Metals
Active/Passive	Passive
Open/Closed	Open
Index	Gold Bullions
Inception Date	2004-11-18
Expense Ratio	0.40

About ETF Database

ETF Database is a leading independent authority on the exchange-traded fund industry, offering analytical resources, news and commentary, and educational content. The company operates ETFdb.com, one of the world's largest ETF-specific web sites. Content on ETFdb.com includes industry news related to new product offerings, educational content tailored to both sophisticated and novice investors, and analysis of various exchange-traded products. Original content published by ETF Database is syndicated to a number of different publications and Web sites, including Fidelity.com, Yahoo! Finance, TheStreet.com, and Motley Fool.

ETF Database has been featured in a variety of U.S. and international publications, and was profiled along Yahoo!, MarketWatch, and Morningstar in a [Wall Street Journal article](#) on Web resources for ETF investors. ETF Database analysts contribute regularly to print, television, and radio media outlets, including Barron's, MarketWatch, CNBC.com, and Business News Network.

The company also maintains the ETF Categorization Database, a proprietary collection of descriptive information that allows for flexible identification and filtering of the universe of U.S.-listed exchange-traded products. The ETF Categorization Database, which was developed and maintained by ETF Database analysts, includes dozens of unique data fields

Key Personnel

Members of the executive team at ETF Database include:

Michael Johnston, Partner/CEO

Michael Johnston is the CEO and co-founder of ETF Database. Mr. Johnston contributes to news and educational content published on ETFdb.com, and is also responsible for developing and maintaining a suite of web-based analytical tools. Mr. Johnston also oversees the ETF Categorization Database, a proprietary collection of descriptive data related to exchange-traded products.

Mr. Johnston is a regular contributor to major print and television media, and has been featured on Business News Network, The Wall Street Journal, Kiplinger, Barron's, CNBC.com, and CNN Money, among others. He serves as the Senior ETF Contributor to TheStreet.com, and his columns are syndicated through a number of financial news sites and networks.

Mr. Johnston is a regular participant on panels at conferences focusing on the ETF industry. Recent engagements include leading the *Examining Exchange Traded Vehicle Performance For 2010* workshop at the *Exchange-Traded Funds Investing Summit 2010* and serving as a panelist at the *Super Bowl of Indexing Conference* and *World Series of Indexing Conference*. He also recently participated on an expert panel for the webinar *ETF Fundamentals: How ETFs Work, And What Hidden Risks Really Exist* webinar presented on IndexUniverse.com.

Mr. Johnston has advised the Securities and Exchange Commission (SEC) on potential enhancements to existing legislation related to exchange-traded products. He also serves on the Board of Advisors to the ETF Institute, an organization dedicated to furthering understanding and use of exchange-traded products among financial professionals.

Mr. Johnston has completed the exam portion of the Chartered Financial Analyst (CFA) program, and obtained his bachelor's degree in finance from the University of Notre Dame. Prior to founding ETF Database, Mr. Johnston worked in a private client service group performing valuations of private companies operating in a wide range of industries.

Eric Dutram, Head of Editorial & Director of Premium Content

Eric Dutram is the Head of Editorial and Director of Premium Content at ETF Database. Mr. Dutram is responsible for overseeing all content published on ETFdb.com, including industry news, educational material, and investment ideas and analysis. His columns are syndicated to a variety of financial web sites and publications. Mr. Dutram has appeared in various print media and television programs, including Business News Network.

Mr. Dutram also oversees premium content offered by ETF Database, a role that includes managing model ETF portfolios, supervising publication of the *ETF Edge* newsletter, and maintaining a line of analyst reports.

Mr. Dutram graduated from DePaul University with a double major in Finance and Accounting. While at DePaul Mr. Dutram studied in Singapore, where he also completed an internship with Forecast Market Research and issued reports on the forex market.

Jimmy Atkinson, Partner/Chief Technology Officer

Jimmy Atkinson is the Chief Technology Officer at ETF Database. In that role, Mr. Atkinson oversees all technical aspects of the company and implementation of data management services. Mr. Atkinson oversees online security, and is responsible for performing regular site maintenance and implementing new resources. Mr. Atkinson received a bachelor's degree in Economics from the University of Notre Dame.

Andy Hagans, Partner/Strategic Advisor

Andy Hagans is a co-founder of ETF Database, and currently serves as a strategic advisor to the company. In that role, Mr. Hagans is responsible for advising the executive team on long-term strategy and online marketing. Mr. Hagans received a bachelor's degree in Management from the University of Notre Dame.

Damon Wirth, Lead Developer

Mr. Wirth manages technology and Web development for ETF Database. He is responsible for designing many of the analytical resources found on ETFdb.com, and is instrumental in maintaining and distributing the ETF Categorization Database.