

## LuxHedge Alternative UCITS Benchmark indices Methodology

### Introduction

LuxHedge benchmark indices are used for peer performance analysis of Alternative UCITS funds across different alternative investment strategies. This document describes the methodology and rules that are used to calculate the different indices.

Index constituents are taken from the LuxHedge database which contains a large universe of close to 1400 Alternative UCITS funds (April 2018).

### Overview of benchmark index rules

	LuxHedge benchmark index rules
Shareclass used	Primary as per Bloomberg
Weighting	Equal weight
Rebalance frequency	Monthly
Calculation frequency	Monthly
Currency	EUR
Inclusion	AUM > 20MEUR and History > 6m

### Full methodology

Every month before the last calendar day, the LuxHedge database gets updated to reflect the latest fund launches and liquidations. For every fund in the database, the primary shareclass is taken as the representative. If the primary shareclass is not denominated in EUR, a conversion to EUR will be done at spot rate on the index calculation day.

Funds are eligible to enter the index when they have a history of more than 6 months and Assets Under Management (AUM) of more than 20MEUR in the total fund (sum of all shareclasses). Funds remain in the index until they are liquidated, acquired by another fund or until the total AUM drops below 20MEUR.

The index is calculated monthly according to an equal weighting scheme. The latest known TRN (Total Return Net) price of each fund is used as an input to the calculation.

The formulas below make use of the following definitions:

- $n$  number of funds in the index at time  $t$
- $i$  dummy variable counting over the number of funds ( $i = 1 \dots n$ )
- $TRN_i(t)$  the Total Return Net price of fund  $i$  at time  $t$ , expressed in EUR
- $r_i(t)$  the return on fund  $i$  between time  $t-1$  and time  $t$
- $r(t)$  the return on the index between time  $t-1$  and time  $t$
- $Index(t)$  the index level at time  $t$

$$r_i(t) = \frac{TRN_i(t)}{TRN_i(t-1)} - 1$$

$$r(t) = \frac{1}{n} \sum_{i=1}^n r_i(t)$$

$$Index(t) = Index(t-1) * [1 + r(t)]$$

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