

Guideline on Classification of Mutual Funds¹²

- 1) **Money Market Funds:** Funds that invest their entire portfolio on a continuous basis in money and capital market instruments with high liquidity and a maximum maturity of 184 days as limited by the fund prospectus. The weighted average maturity calculated on a daily basis is maximum 45 days.
- 2) **Debt Security Funds³:** Funds that invest at least 80% of the total fund value on a continuous basis in domestic and/or foreign public and/or private debt securities as limited by the fund prospectus.
 - a. **Government Debt Security Funds:** Funds that invest at least 80% of the total fund value on a continuous basis in TL denominated government debt securities as limited by the fund prospectus.
 - b. **Corporate Debt Security Funds:** Funds that invest at least 80% of the total fund value on a continuous basis in TL denominated corporate debt securities as limited by the fund prospectus.
 - c. **External Debt Security Funds (Eurobond):** Funds that invest at least 80% of the total fund value on a continuous basis in external debt securities issued by public and/or private sector (Eurobond) as limited by the fund prospectus.
 - d. **Foreign Debt Security Funds:** Funds that invest at least 80% of the total fund value on a continuous basis in public and/or private sector debt securities issued by organizations not residing in Turkey as limited by the fund prospectus.
 - e. **Short-Term Debt Security Funds:** Funds that invest at least 80% of the total fund value on a continuous basis in public and/or private debt securities as limited by the fund prospectus. Fund portfolio can not include assets whose term to maturity cannot be calculated. The weighted average maturity calculated on a daily basis is minimum 25, maximum 90 days.
 - f. **Mid-Term Debt Security Funds:** Funds that invest at least 80% of the total fund value on a continuous basis in public and/or private debt securities as limited by the fund prospectus. The weighted average maturity calculated on a daily basis is minimum 91, maximum 730 days.
 - g. **Long-Term Debt Security Funds:** Funds that invest at least 80% of the total fund value on a continuous basis in public and/or private debt securities as limited by the fund prospectus. The weighted average maturity calculated on a daily basis is minimum 730 days.

¹If at least %80 the fund total value is composed of money and capital markets instruments issued in foreign currency by domestic and foreign issuers on a continuous basis, such funds are indicated with "(Foreign Currency)". However, investments made by funds indicated with "(Foreign Currency)" in only money and capital markets instruments of foreign issuers shall never exceed 80% of the total fund value. Should the founder plans to constitute 80% with only the investment made in money and capital markets instruments of foreign issuers, the indication will state "Foreign" instead of "(Foreign Currency)". In this respect, instead of being classified separately; funds indicated with "foreign currency" will be under the relevant sub-category of a given asset group.

²Classification scheme will be updated annually, in January.

³Funds that differ on the basis of both maturity and issuer (public/private) are classified according to the issuer.

- h. Other Debt Security Funds:** Although not limited by the above-mentioned criteria, these are the funds that invest at least 80% of the total fund value on a continuous basis in domestic and/or foreign public and/or private debt securities as limited by the fund prospectus.

3) Equity Funds: Funds that invest at least 80% of the total fund value on a continuous basis in domestic and/or foreign issuers' equities as limited by the fund prospectus.

- a. Equity Funds:** Funds that invest at least 80% of the total fund value on a continuous basis in domestic issuers' equities as limited by the fund prospectus.
- b. Foreign Equity Funds:** Funds that invest at least 80% of the total fund value on a continuous basis in foreign issuers' equities as limited by the fund prospectus.
- c. Index Equity Funds:** Funds that invest at least 80% of the total fund value on a continuous basis in all or part of the equities within an equity index authorized by the Capital Markets Board as limited by the fund prospectus. Correlation coefficient between the underlying index and the unit fund value should be at least 0.9.

4) Mixed and Variable Funds:

- a. Mixed Funds:** Funds that invest their entire portfolio on a continuous basis in at least two of the following; equities, debt securities, gold and precious metals and capital market instruments issued based on these metals. Each should have a value that corresponds to at least 20% of the total fund value as limited by the fund prospectus.
- b. Variable Funds⁴:** Funds that do not indicate a certain investment strategy in the prospectus or that have a varying strategy depending on market conditions. Their flexibility to invest in multiple asset groups is indicated in the funds prospectus but investments are not limited by narrow ranges.
 - i. Conservative/Risk-Averse Variable Funds:** Variable investment funds with an investment strategy based on the risk value calculation as identified in the Manual [of Mutual Funds issued by the Capital Markets Board]. Risk value is limited with 1-2.
 - ii. Moderate/Balanced Variable Funds:** Variable investment funds with an investment strategy based on the risk value calculation as identified in the Manual. Risk value is limited with 3-4.
 - iii. Moderately Aggressive/Growth-Oriented Variable Funds:** Variable investment funds with an investment strategy based on the risk value calculation as identified in the Manual. Risk value is limited with 4-5.
 - iv. Aggressive Variable Funds:** Variable investment funds with an investment strategy identified in the prospectus and are determined based on a risk value calculation as identified in the Manual. Risk value is limited with 5-7.

⁴In order for variable funds to be classified as risk value variable funds, the prospectus should refer to the relevant risk value in the investment strategy section. Variable funds that are not limited by a certain risk value should be classified under "Other Variables".

- v. **Other Variable Funds:** Variable investment funds with an investment strategy identified in the prospectus and are not determined based on a risk value calculation as identified in the Manual.

5) Precious Metals Funds: Funds that invest at least 80% of the total fund value on a continuous basis in exchange-traded gold and other precious metals and capital market instruments based on precious metals as limited by the fund prospectus.

- a. **Gold Fund:** Funds that invest at least 80% of the total fund value on a continuous basis in exchange-traded gold and gold-based capital market instruments as limited by the fund prospectus.
- b. **Precious Metals Fund:** Funds that invest at least 80% of the total fund value on a continuous basis in exchange-traded precious metals and precious metals-based capital market instruments as limited by the fund prospectus.

6) Fund of Funds: Funds that invest at least 80% of the total fund value on a continuous basis in other funds and exchange traded fund units as limited by the fund prospectus.

- a. **Equity Fund of Funds:** Funds that invest at least 80% of the total fund value on a continuous basis in equity funds and equity exchange traded fund units as limited by the fund prospectus.
- b. **Debt Security Fund of Funds:** Funds that invest at least 80% of the total fund value on a continuous basis in debt security funds, and debt security exchange traded fund units as limited by the fund prospectus.
- c. **Foreign Commodities Fund of Funds:** Funds that invest at least 80% of the total fund value on a continuous basis in foreign commodities funds and foreign commodities exchange traded fund units as limited by the fund prospectus.
- d. **Foreign Fund of Funds:** Fund basket funds that do not meet any of the above-mentioned criteria, and have flexible investment strategies without indicating any asset class. Foreign fund of funds can only include foreign funds in their portfolio.
- e. **Other Fund of Funds:** Fund basket funds that do not meet any of the above-mentioned criteria, and have flexible investment strategies without indicating any asset class.

7) Participation Funds: Funds that invest all of its portfolio on a continuous basis in lease certificates, participation accounts, equities, gold and precious metals, and other interest-free money and capital market instruments which are authorized by the Capital Markets Board; as limited by the fund prospectus.

- a. **Lease Certificate Participation Funds (TL):** Participation funds that invest at least 80% of the total fund value on a continuous basis in TL denominated lease certificates as limited by the fund prospectus; with an aim of obtaining lease certificate income.
- b. **Lease Certificate Participation Funds (Foreign Currency):** Participation funds that invest at least 80% of the total fund value on a continuous basis in foreign-currency denominated domestic and/or foreign lease certificates (Sukuk) as limited by the fund prospectus.

- c. **Equity Participation Funds:** Participation funds that invest at least 80% of the total fund value on a continuous basis in domestic issuers' equities as limited by the fund prospectus.
- d. **Gold Participation Fund:** Participation funds that invest at least 80% of the total fund value on a continuous basis in exchange-traded gold and gold-based capital market instruments as limited by the fund prospectus.
- e. **Other Participation Funds:** Participation funds that do not meet any of the above-mentioned criteria.

8) Alternative Funds:

- a. **Hedge Funds:** Funds with shares that are established to be sold to qualified investors only. Hedge funds are not restricted by basic portfolio and transaction limitations that are identified in the legislation, and can invest as per the investment strategies and limitations identified in the fund prospectus.
- b. **Capital Guaranteed and Protected Funds:** Those funds foresee the repayment of a portion or the entire initial investment, or a specific return to the investors at a specified maturity or maturities based on the conditions identified in the prospectus;
 - 1) Capital guaranteed funds require an appropriate investment strategy and a commitment based on the guarantee granted by the guarantor.
 - 2) Capital protected funds require an appropriate investment strategy within the scope of the best effort principle.
- c. **Real Estate Funds:** Funds that are established to be sold to qualified investors only. Real estate funds invest 80% of the total fund value on a continuous basis in real estate, real estate projects, real estate-based rights, infrastructure investments and services, and capital market instruments based on these as limited by the issue document.
- d. **Venture Capital Funds:** Funds that are established to be sold to qualified investors only. Venture capital funds invest at least 80% of the total value in venture capital investments as limited by the issue document.

MUTUAL FUNDS

