

Guidelines on the calculation and publication of fund performance data

27 July 2004

I Basic principles, objectives and legal force

Art. 16 of the SFA's Code of conduct for the Swiss fund industry states that fund management companies and representatives of foreign funds shall observe internationally recognized standards when publishing performance data.

The present guidelines are intended to ensure that this provision is implemented consistently, and thus help achieve the following objectives:

- To ensure the greatest possible degree of transparency and comparability among funds offered on the Swiss market
- To ensure that investors receive objective, sound information
- To ensure that the information available on performance (information which is very important for market participants) is highly credible.

The guidelines are applicable to all funds authorized in Switzerland.

The content of these guidelines is based on international standards.

II Guidelines

Introduction

The present guidelines are restricted to the most significant issues. Where no specific rules are laid down, fund management companies and representatives of foreign funds must present information in accordance with the spirit of the objectives underlying these guidelines.

A Calculating fund performance

1. Basic principles

With the exception of cases specified in prov. 3 below, the performance of an investment fund is defined as the total return of one unit over a specified period, expressed in the fund's accounting currency. This figure is expressed as a percentage of the net asset value at the beginning of the observation period, and is calculated as follows:

Funds that pay no distribution during the observation period:

- The change in the net asset value

Funds that pay a distribution during the observation period:

- The change in the net asset value under the following assumption:
- the gross amount of income and/or capital gains distributed by the fund is immediately reinvested in the fund without deductions (taxes, commissions, etc.)

2. General formula

$$\text{Performance \%} = \left\{ \frac{\text{NAV}_{\text{end p}} \times f_1, f_2 \dots f_n}{\text{NAV}_{\text{start p}}} - 1 \right\} \times 100$$

$\text{NAV}_{\text{end p}}$	Net asset value per unit at end of observation period
$\text{NAV}_{\text{start p}}$	Net asset value per unit at start of observation period (i.e. the last figure for the preceding observation period)
$f_1, f_2 \dots f_n$	Adjustment factors for distributions, whereby:

$$f = \frac{\text{NAV}_{\text{ex}} + \text{gross distribution}}{\text{NAV}_{\text{ex}}}$$

NAV_{ex}	Net asset value per unit after ex dividend
Gross distribution	Gross amount of income and capital gains distributed to investors in Switzerland (for Swiss investment funds with affidavit)

Cumulative performance over a number of years is calculated by geometrically linking the performances recorded in each of the years or observation periods; the annual average of cumulative overall performance over a number of years corresponds to the geometric mean.

Performance must always be stated precisely to at least one decimal place.

3. Exceptions

In the case of investment funds whose units are not issued and redeemed on a daily basis, but which are traded regularly on the free market (e.g. Swiss real estate funds), the performance is calculated in accordance with the formula specified above using the prices at which units are traded on the free market. If reinvestment at the net as-

set value is possible, this must be taken into account in the calculation of the adjustment factor.

4. Conversion into other currencies

The performance can also be stated in a currency other than the fund's accounting currency. In this event there must be an explanation to the effect that the stated figure has been converted from the fund's accounting currency; the fund's accounting currency must also be specified. Furthermore, the conversion of the net asset value at the beginning and end of the observation period must be done at closing exchange rates published by a recognized price publication service for the days in question.

B Publication of performance data

5. Time periods and recency of data

Historical performance data must be published for the following observation periods at least:

- for the current calendar year separately, and
- for last calendar year separately, and
- either
 - for the last three calendar years, or
 - for the last five calendar years, or
 - since the launch of the fund
 - either
 - for each year separately, or
 - as a cumulative total figure for a number of calendar years, or
 - as an annual average for a number of calendar years.

The performance for the current calendar year must be calculated to the end of a month no more than forty days before the date the figure is published. It is not permissible to annualize the performance calculated for a period of less than one year.

In addition to figures for the previous calendar years, performance for rolling time periods to the most recent cut-off date (e.g. September to September) can be published. Only month-end figures may be used to calculate performance for rolling periods.

6. Extraordinary circumstances

If the performance is attributable to extraordinary circumstances (e.g. in cases where the weightings for individual assets diverge substantially from their benchmark weightings), this fact must be disclosed in an appropriate manner.

7. Comparisons with indexes

If the fund's prospectus specifies a particular index that serves as a benchmark, only this index may be used for comparisons. If the prospectus does not specify a benchmark, an index may be used for purposes of comparison; this index, which must be specified in detail, must reflect as far as possible the investment policy and investment character of the fund. Benchmark or index figures must be stated in the fund's accounting currency and for the same observation period used to calculate the fund's performance. If the benchmark or index changes during the observation period, the following rules apply:

- Figures used previously must be kept unchanged
- Data series may be linked (linked benchmark)
- The date of the change must be specified
- The name or description of the former benchmark or index must be specified (see example in the annex).

If the benchmark or index is not a recognized or publicly accessible index for a specific investment market, the composition and the independent provider(s) of this benchmark or index must be disclosed in the fund's prospectus and annual and semiannual reports. Every publication of data must contain a note stating where investors can find information about the composition of the benchmark or index.

Reasons must be given if no benchmark or index is stated.

8. Comparisons with peer group averages

Comparisons with peer group averages (e.g. funds with a comparable investment policy) are permissible subject to the following rules:

- The time periods of the comparative data must match exactly
- The peer group must contain the fund in question plus at least four others, and it must also contain a representative selection of funds with a comparable investment policy (e.g. the same category as used in the TIF system)
- The performance of the different funds must be calculated in the same way
- The name or description of the peer group and the source of comparative data must be specified

9. Disclaimer

Each time performance data are published, mention must be made of the fact that:

- past performance is no indication of current or future performance and
- the performance data do not take account of the commissions and costs incurred on the issue and redemption of units.

This disclaimer must be clearly visible.

10. Inadmissible promises of performance

Promises of performance that are not guaranteed are not permitted. This does not apply to the publication of indicative minimum prices for funds with limited price risk.

11. Performance data for investment markets or other portfolios

To give an indication of what the performance of a new fund would have been in the past, the performance of the investment market corresponding to the fund's investment policy or a comparable (real or simulated) portfolio may be used. Such data may be used for a maximum of two years only.

If market indexes or other data are used to illustrate a hypothetical past performance, they must be clearly named in properly legible print. They must be presented separately from the fund's performance, and must not under any circumstances be linked to the fund's performance in a way that gives the impression that this information constitutes the fund's longer-term track record. A statement must also be included to the effect that these data are purely indicative and cannot serve as the basis for conclusions concerning the future performance of the fund.

The performance of other portfolios managed by the fund's portfolio manager may be stated in fund publications for information purposes, provided that this information accords with international standards.

12. Restructuring and mergers of funds

If funds are restructured, it is permissible to continue using past performance data only if the investment policy and investment character of the fund, and the commissions and costs incurred, remain very largely unchanged.

If funds are merged, the past performance data of the fund in which the other funds have been integrated (i.e. the acquiring fund) are in principle to be used. This, however, is only permissible if the fund is still managed very largely in line with the same principles and style as before the merger, and that the past performance of the acquiring fund is representative of the acquired funds.

13. Funds with more than one unit category

If a fund has different unit categories that charge different commissions and costs to the fund assets, the performance of each unit category must be published separately. Advertising and marketing documentation must use data for the unit category designed for the audience the documentation is addressing.

14. Publication of performance data in simplified prospectuses

The publication of performance data in simplified prospectuses is also subject to the provisions governing such prospectuses.

15. Additional figures

For certain individual funds or types of fund, additional information on yields and returns (e.g. dividend yield or portfolio yield) may be published. In these cases, any definitions and formulae laid down by the SFA in its documentation on self regulation shall apply.

If this type of information is published, it must be clearly separated from the performance data.

III Checks by the auditors

The auditors must check the calculation of the performance data disclosed in the annual report. They must also check the implementation of organizational measures designed to ensure compliance with the present guidelines.

IV Entry into force

The present guidelines were approved by the SFA Board of Directors on 27 July 2004, and come into force on 1 October 2004. There will be a transition period running until 31 March 2005, during which time fund management companies and representatives of foreign funds must adjust the calculation and publication of performance data in accordance with these guidelines.

On 27 May 2004, the Swiss Federal Banking Commission acknowledged the present guidelines as the minimum standards for fund management companies and representatives of foreign investment funds pursuant to FBC Circular 04/2 of 21 April 2004.

Annex

Example of performance calculation and the presentation of performance data in publications

Guidelines on the calculation and publication of fund performance data

Annex

27 July 2004

1. Example of performance calculation

1. History

1999	Net asset value at year-end (NAV _{start p})	350 AC (accounting currency)
2000	Distributions of income and capital gains Net asset value at year-end	8 + 10 AC; NAV _{ex} 348 AC 357 AC
2001	Distribution of income Net asset value at year-end	8 AC; NAV _{ex} 335 AC 340 AC
2002	Units split Distribution of income Net asset value at year-end	5 for 1 1.50 AC; NAV _{ex} 77 AC 79 AC
2003	Net asset value at 30 June	81 AC

2. Calculation of performance for individual years

2000:

$$\text{Performance } r_1 = \left\{ \frac{357 \text{ AC} \times 1.051724}{350 \text{ AC}} - 1 \right\} \times 100 = 7.2759 \% \quad \text{or } 7.3 \%$$

Calculation of adjustment factor f
(follow same procedure for subsequent years):

$$f = \frac{348 + 8 + 10 \text{ AC}}{348 \text{ AC}} = 1.051724$$

2001:

$$\text{Performance } r_2 = \left\{ \frac{340 \text{ AC} \times 1.023881}{357 \text{ AC}} - 1 \right\} \times 100 = -2.4876 \% \quad \text{or } -2.5 \%$$

2002:

$$\text{Performance } r_3 = \left\{ \frac{79 \text{ AC} \times 5 \times 1.019481}{340 \text{ AC}} - 1 \right\} \times 100 = 18.4397 \% \quad \text{or } 18.4 \%$$

2003 (to 30 June):

$$\text{Performance } r_4 = \left\{ \frac{81 \text{ AC}}{79 \text{ AC}} - 1 \right\} \times 100 = 2.5316 \% \quad \text{or } 2.5 \%$$

3. Calculation of cumulative performance for the years 2000 to 2002 (two alternatives)

a) By using the general formula:

$$\text{Performance \%} = \left\{ \frac{\text{NAV}_{\text{end p}} \times f_1 \times f_2 \dots \times f_n}{\text{NAV}_{\text{start p}}} - 1 \right\} \times 100$$

Calculation

$$r_{3 \text{ years}} = \left\{ \frac{79 \text{ AC} \times 1.051724 \times 1.023881 \times 5 \times 1.019481}{350 \text{ AC}} - 1 \right\} \times 100 = 23.8966 \% \quad \text{or } 23.9 \%$$

b) By geometrically linking performances in individual periods using the following formula:

$$r_{\text{cumul n}} \% = \left\{ \left(1 + \frac{r_{p1}}{100} \right) \times \left(1 + \frac{r_{p2}}{100} \right) \times \left(1 + \frac{r_{pn}}{100} \right) - 1 \right\} \times 100$$

$r_{\text{cumul n}}$ Cumulative performance for n periods

$r_{p1} \dots r_{pn}$ Performance in individual observation periods 1....n

Calculation

$$r_{\text{years 1-3}} = \left\{ \left(1 + \frac{7.2759}{100} \right) \times \left(1 + \frac{-2.4875}{100} \right) \times \left(1 + \frac{18.4397}{100} \right) - 1 \right\} \times 100 =$$

$$\left\{ 1.072759 \times 0.97525 \times 1.184397 - 1 \right\} \times 100 = 23.8966 \% \quad \text{or } 23.9 \%$$

4. Calculation of average annual performance

General formula:

$$\text{Average performance p.a. \%} = \left\{ \sqrt[n]{\left(1 + \frac{r_{\text{cumul n}}}{100} \right)} - 1 \right\} \times 100$$

Calculation

$$\text{Average performance p.a. \%} = \left\{ \sqrt[3]{\left(1 + \frac{23.8966}{100} \right)} - 1 \right\} \times 100 = 7.4038 \% \quad \text{or } 7.4 \%$$

2. Example of how to present performance data in publications

1. 2003 and 2002 and for each subsequent calendar year individually

XYZ Fund: performance				
Calculated in AC	2003 1 Jan – 30 Jun	2002	2001	2000
Fund	2.5%	18.4%	– 2.5%	7.3%
Benchmark	2.6%	18.9%	– 2.9%*	7.1%

* to 30 June 2001 Index AB (name or description of former benchmark)

2. 2003 and 2002 and cumulative total return for the last 3 and 5 years

XYZ Fund: performance				
Calculated in AC	2003 1 Jan – 30 Jun	2002	2000 - 2002 cumulative	1998 - 2002 cumulative
Fund	2.5%	18.4%	23.9%	65.8%
Benchmark		18.9%	23.6%*	60.2%

* to 30 June 2001 Index AB (name or description of former benchmark)

3. 2003 and 2002 and annual average for the last 3 and 5 years

XYZ Fund: performance				
Calculated in AC	2003 1 Jan – 30 Jun	2002	2000 - 2002 average p.a.	1988 - 2002 average p.a.
Fund	2.5%	18.4%	7.4% p.a.	10.6%*
Benchmark		18.9%	7.3%*	9.9%

* to 30 June 2001 Index AB (name or description of former benchmark)

Past performance is no indication of current or future performance. These performance data do not take account of commissions and costs incurred on the issue and redemption of units.