



Fondbolagens förening

SWEDISH INVESTMENT FUND ASSOCIATION

Guidelines for marketing and information by fund management companies

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Guidelines for marketing and information by fund management companies

These guidelines address issues relating to information on and marketing of investment funds, and to the provision of financial advice. The guidelines include, through points 2.1-2.8, an agreement with the Swedish Consumer Agency concerning the marketing of funds.

Rules governing information can also be found in some of the Association's other guidelines.

1. Information on funds

Fund management companies shall, in conjunction with the sale of investment funds or direct contacts with customers outside the framework of a special licence to offer investment advice, clearly state that this does not constitute financial advice. The information shall otherwise comply with the requirements imposed with regard to marketing in general, see below.

An up to date full prospectus shall be provided for every investment fund together with, pursuant to the Swedish Investment Funds Act, an up to date Key Investor Information Document (KIID). Annual and Half-yearly Reports shall be drawn up for the investment fund. Every unit holder shall also receive an annual individual cost accounting.

If a standardized and non-individualized investment model is provided without direct contact with the customer, information shall be provided stating that this is a simplified model and that contact with a personal financial advisor is recommended for anyone requiring financial advice based on their individual requirements.

1.1 Prospectus

Special requirements apply to the contents of full prospectuses under the provisions of the Swedish Investment Funds Act. The prospectus shall also include the investment fund provisions.

1.2 Key Investor Information Document (KIID)

Under the provisions of the Swedish Investment Funds Act, the investor shall always be provided with the investment fund's KIID prior to purchasing units in the fund. The purpose of the KIID is to supply the most essential information in accordance with a uniform structure. The Commission regulation¹ (EC) 583/2010 contain special requirements with regard to the content of the KIID. The KIID shall be updated at least once every twelve months and be reviewed at other times, as is further detailed in the regulation. The Swedish Investment Fund Association has produced the KIID guidance for investment funds to assist its member companies in the production of these KIIDes.

1.3 Annual Reports and Half-yearly Reports

The Annual Report and the Half-yearly Report shall contain the information needed to enable an evaluation of the performance and position of every investment fund.

The fund management company shall, for every investment fund under its management, draw up and submit

1. an Annual Report, within four months of the end of the financial year, and
2. a Half-yearly Report for the first six months of the year, within two months of the end of the second quarter of the financial year.

Communication of reports

The documents shall, upon request, be sent or handed out to the unit holders, free of charge, and be available at the fund management company and at the depository. The fund management company shall, in conjunction with annual statements containing individual cost accounting (see point 1.1.4), ask the unit holders whether they wish to receive the Annual Report and the Half-yearly Report.

Key ratios

The Swedish Financial Supervisory Authority regulation, FFFS 2013:9, contains accounting rules for investment funds.

Chapt. 31, § 50 of the regulation states that investment funds shall include certain key ratios in their Directors Report. The Swedish Investment Fund Association's guideline for the key ratios for investment funds complement FSA regulation and is intended both to ensure that the information meets a certain minimum standard, and to allow investors to make comparisons between investment funds. Key ratios shall be included for, among other figures, returns, costs, risk, turnover rate and turnover through associated companies. The same guideline also states that typical examples shall be included in the Annual Report with regard to the management cost for both one-off amounts and for ongoing savings.

¹ Commission Regulation (EU) No 583/2010 as regards key investor information and conditions to be met when providing key investor information or the prospectus in a durable medium other than paper or by means of a website.

1.4 Individual cost accounting

The fund management company shall, under the provisions of chapt. 4, §§ 22 and 23 of the Swedish Investment Funds Act, provide every unit holder with annual written details of the percentage of the total costs for the investment fund that refers to their unit holding. The corresponding rules apply, according to chapt. 12, 12 § of the Swedish Alternative Investment Fund Managers Act, to AIF managers who manage a special fund. This should be done according to Appendix 2.

1.5 Sustainability-related disclosures

Sustainability information shall be provided in accordance with Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (hereinafter “SFDR”).

Fund management companies shall disclose follow-up sustainability information about the fund in the fund’s annual report or as a separate report. Such sustainability information shall be presented in accordance with the, as of 10th of March 2021, repealed Swedish legal requirements in chapt. 4 § 24 of the Swedish Investment Funds Act and chapt. 10 § 11 of the Swedish Alternative Investment Fund Managers Act. For this purpose, fund management companies shall use the information standard in Appendix 3 of these guidelines. Follow-up sustainability information shall be disclosed in this manner for the calendar years 2020 and 2021. Thereafter, the provisions in Article 11 of SFDR, on transparency in periodic reports, shall apply.

The Swedish Investment Fund Association has developed *Guidance on sustainability-related disclosures for funds* as non-binding support for when fund management companies provide sustainability-related disclosures for the funds they manage.

2. Marketing

2.1 General provisions relating to investment fund marketing

All marketing shall be designed and formulated in accordance with good marketing practice (laws and other ordinances, legal precedents, good business practice, etc). In the marketing of funds to consumers, relevant and factual information shall be provided and the risks associated with the product on offer shall be explained. The information shall be clearly expressed.

By marketing is meant advertising and other commercial communications intended to promote sales, regardless of the advertising carrier (newspaper ads, direct marketing, TV advertising, web pages, posters, etc) and other

measures in accordance with the Swedish Marketing Practices Act. Most of the rules presented below do not apply to marketing intended to raise brand awareness² that contains no product information and where only the fund management company is mentioned. The rules express a minimum standard.

Fund legislation imposes special requirements regarding the content of KIID and prospectuses and of Annual Reports and Half-yearly Reports³. If the prospectus or Report contains strictly commercial information over and above these specific requirements, these guidelines on marketing of funds apply.

2.2 Historic return (past performance)

2.2.1 Calculation of return

If details of the historic return are provided in the marketing, the return shall be calculated in accordance with generally accepted practice in the industry. This implies, amongst other things, the following.

In the case of information concerning a given fund's return for the time period selected, the calculation shall be based on the fund's net asset value, in order to achieve a comparable value for all funds. For funds which pay dividends, the net asset value shall be complemented by amounts distributed from the fund.

The Swedish Investment Fund Association's standard for calculating rate of turnover for investment funds should be used⁴.

"Dividends" paid to charitable purposes shall be treated in the same way as other dividends when calculating the return.

The return shall be calculated using up-to-date information, and the date of the latest listed price shall be given. Deductions shall be made in the calculation for all charges withdrawn from the fund. It shall be made clear whether front-end and withdrawal charges are additional and on which currency the return is based.

2.2.2 Time periods

² With marketing intended to raise brand awareness (in Swedish "profilskapande") is meant the communication of information about the fund company, or securities company, where the information itself can not be understood as an invitation to purchase products or services.

³ The content of these documents are specified in FFFS 2013:9 and apply to all funds. The Swedish Investment Fund Association has, additionally, issued Guidelines for reporting of key ratios in relation to investment funds and specialfunds in Annual Reports and Half-yearly Reports.

⁴ See Appendix 1.

The return earned during a particular successful period must not be highlighted in a way that gives a distorted overall impression of the performance of the fund. The account must provide a balanced picture of its actual performance.

When information on previously achieved return is provided in the marketing, information on the return for, at a minimum, the period that corresponds to the fund's investment horizon must be included and presented prominently.

The recommended time period for short fixed income funds is one year; for bond funds, two years; for mixed funds, three years; and for equity funds, five years. The information shall relate to "rolling" periods or the latest calendar year. It shall be clearly indicated to what period the presentation relates. The closing date for the period covered shall be stated.

Newly started funds may provide information about the return earned since the day the fund was started, provided it is clearly stated that the fund has only recently been started.

2.2.3 Inflation

When figures are provided showing the capital growth achieved so far over five years or more, it shall be made clear whether or not inflation has been taken into account.

2.3 Mathematical examples and suppositions concerning future performance

It shall be clearly stated, in conjunction with suppositions regarding future performance, that they are only to be considered as mathematical examples. Several alternatives should be provided in this context, using different pre-conditions.

Mathematical examples to illustrate a fund's future growth in value shall correspond, in their entirety, with good practice and must not be misleading in any respect. This means, amongst other things:

- that mathematical examples shall be based on cautious and clearly stated assumptions,
- and that it clearly must be stated that suppositions with regard to growth in value do not constitute a guarantee.

General information about the effect of inflation and tax implications for the consumer, if any, shall be provided when it is necessary to give a correct impression.

If mathematical examples are used to illustrate future growth in value, it shall be made quite clear that the example is only illustrative.

2.4 Comparisons

If the return earned by a fund is compared with the return on another fund, a group of funds, an index or any other type of saving, the following must be observed.

The account shall be presented in such a way that the comparison as a whole is in accordance with generally accepted practice and is not misleading in any respect. The various sections of the comparison shall be relevant and be based on facts that are capable of verification. This means, for example:

2.4.1 Comparisons with other funds

If the comparison is with other funds, it shall be clearly indicated how they have been selected. The selection of funds must be fair, which means, for example, that the funds shall in all essentials have the same investment policy. If a comparison is made with an average of other funds, it shall be stated whether or not the average is weighted.

2.4.2 Comparative index

If the comparison is with an index, it shall be readily apparent which index has been used. The index selected shall be relevant and relate to the investment orientation of the fund. Dividend-adjusted indices only shall be used, if such indices exist, in comparisons with market indices. If no dividend-adjusted index is available, another market index may be used. It must always be stated whether dividends are included. If the fund management company has combined separate indices, the composition shall be specified. The performance of the fund and the index shall be stated in the same currency and calculated in an equivalent way.

2.4.3. Comparisons with other types of saving

If comparisons are with another type of savings product, the principles on which the comparison is based shall be clearly stated. The return on the fund and the return on the other type of savings product shall be calculated in an equivalent way. The periods of the comparison shall be the same and shall be based on the rules for time periods indicated in point 2.2.2 above.

2.4.4 Other businesses or their product

References by a business in its advertising to another business or that business' products are only permissible if the comparison does not discredit or is not disparaging of the other business' operations, circumstances, products, brand names, trading name or other features.

2.5 Graphic presentation

Any presentation of past performance or mathematical examples with suppositions concerning future return illustrated in the form of curves or presented in some other graphic manner must give a correct picture and be relevant.

2.6 Value judgements

Placements of capital or returns may not be described in such terms as "safe", "guaranteed" or similar value judgments if it cannot be verified that it is guaranteed that the investor's capital will be repaid or that a given return will be earned. Words such as "secure" and similar value judgments may not be used for marketing purposes if they are not placed in a relevant context.

Unconditional words expressing value, such as "best", "biggest" and "leading", may not be used if the claim is not capable of verification.

Terms such as "Swedish champion", "Nordic champion", "Manager of the Year" and similar distinctions should not be used if they have not been awarded by a reliable assessor who is totally independent of the fund management company and are not based on representative material. It is incumbent on whoever is carrying out the marketing to verify that these claims are correct and responsible

2.7 Risk

In the marketing of funds, it shall always be made clear that such investments involve a risk.

The following information or a text with a similar content shall always be included in the marketing of funds. The text may not be placed in a position where it is not readily visible.

"Past performance is no guarantee for future returns. The value of the money invested in the fund can increase or decrease and there is no guarantee that all of your invested capital can be redeemed."

The above information need not be stated in connection with the marketing of funds where the invested capital and return are guaranteed.

It is incumbent on fund management companies to make an assessment of the risk that an investment in the fund being marketed is likely to involve. If the fund management company considers that a fund shall be classified as a fund entailing a higher risk, e.g. because the fund's value may vary substantially due to the composition of the fund and the management methods used by the fund management company⁵, this shall be made quite clear in the marketing material.

2.8 Information on KIID and prospectuses

If marketing material extends an offer to consumers to buy units in a fund, it shall, pursuant to the Swedish Investment Funds Act, be made clear in the offer that the KIID and prospectus of the fund are available and details shall be provided of where they can be obtained.

2.9 Fees

Fund management companies are reminded that they are obliged, pursuant to the Swedish Investment Funds Act, to provide a clear account of all fees and charges in the fund's KIID and prospectus, which shall be made available to customers before any units are bought.

2.10 Marketing of funds with specific environmental, social or other similar considerations

In addition to provisions concerning marketing in the fund legislation and other marketing rules, article 13 of SFDR stipulates that no marketing communication shall contradict any information disclosed pursuant to SFDR.

If the fund management company, in its marketing communication, makes claims that certain sectors or companies are excluded (negative screening), a maximum of five per cent turnover in the company in which the investment is made, or in the corporate Group of which the company is a member, may be derived from sectors and companies that do not live up to the special requirements established by the fund management company. It shall be made clear to the investors that up to five per cent of the turnover in the company in which they are investing may relate to the excluded sectors and companies.

⁵ See this definition in the Swedish Investment Funds Act (2004:46), chapt. 4, § 16, subsection 2, point 2.

3. Guidance and advice about investment funds

Fund management companies should work to ensure that the unit holders can make informed decisions about funds. In order to help fund savers the Swedish Investment Fund Association has developed www.fondkollen.se which contains tools for selecting and evaluating funds and show how the savings amount, charges and return interact over time. Fund management companies are recommended to communicate [fondkollen.se](http://www.fondkollen.se) for example at their websites or in the annual report.

3.1 Advice

Fund management companies can give advice on fund units on the basis of their license for fund management activities. Additionally, a license to provide financial advisory services may be granted to fund management companies who have been licensed to offer individual portfolio management. Such activities are regulated by law.⁶

All financial advice supplied to consumers within the framework of a fund management company's license to provide financial advisory services shall:

- be based on the needs and interests of the client
- take into account the level of the client's knowledge
- take into account the customer's preferred risk level
- include risk- and price-related information
- be characterized by open disclosure with regard to whether the advisor receives a direct commission

and shall otherwise comply with the requirements imposed by legislation.

Fund management companies shall ensure that those employees that provide financial advisory services have the necessary professional skills and possess such other competence as the business requires. The proficiency requirements developed by Swedsec should be indicative.

3.2 Provision of information and financial advice by distributors

If advice on the fund management company's funds is provided via a distributor, the fund management company should maintain a policy for appointing distributors. A written agreement should be drawn up between the fund management company and the distributor. The agreement should state that the distributor agrees to adhere to relevant guidelines from the Swedish Investment Fund Association and that it is responsible for ensuring that any financial advice provided in connection with the sale of funds is provided in

⁶ Swedish Investment Funds Act and FFFS 2013:9 and Alternative Investment Fund Managers Act and FFFS 2013:10.

compliance with applicable legislation, directives and other relevant regulatory frameworks applicable to the operations conducted by the distributor.

The distributor is responsible for ensuring that financial advisors possess the competence required. The Proficiency requirements developed by SwedSec should be indicative.

The fund management company shall provide distributors with the requisite product information and support with regard to the fund management company's investment fund products.

Appendix 1: Guidelines for key ratio accounting of Swedish UCITS and special funds

The following formulae should be used when calculating the fund's total return.

For funds that do not pay dividends:

$$A = K/K_1 - 1$$

For funds that pay dividends:

$$A = \frac{K * (1 + U/K_2)}{K_1} - 1$$

Explanations: A = return during the selected period
K = price at the end of the period
K1 = price at the beginning of the period
K2 = price after deduction of dividend
U = dividend

If the calculation covers several years, all dividends during the period should be reinvested (added back in).

A geometric method should be used when presenting a fund's average annual percentage growth. Dividends paid during the period should be taken into account. The following formula is given as an example.

$$[(AV/K_1)^{(360/d)} - 1] * 100 = \% \text{ return per year}$$

$$AV = K * \prod [1 + (U_n / K_n)]$$

AV = Unit price at the end of the period (incl. reinvested dividends)
K1 = Unit price at the beginning of the period
d = No. days in the period (always 30 per month)
K = Unit price at the end of the period
Un = Dividend number "n"
Kn = Price after deduction of dividend number "n"

If a fund does not pay a dividend, the accumulated dividend factor is

$$\left(\frac{U_n}{K_n} \right) = 1, \text{ i.e. unit value} = \text{unit price.}$$

Return calculations for fixed income funds may be based both on a “simple” interest (the interest for the period) and on an effective annual interest rate. The method of calculating the return must, therefore, be stated for these funds.

Appendix 2: Annual reporting of costs to unit holders

Definitions

Total costs is the sum of Management fees, Interest expenses, Other financial costs, Other costs and Tax, according to the income statement prepared in accordance with chapt. 31 FFFS 2013:9.

Management fee is the item Management fees according to chapt. 31 FFFS 2013:9.

Information to unit holders

The annual reporting to unit holders shall according to the legislation consist of Total costs and Management fees including costs for depositary costs. If the fund company finds it suitable, the difference between Total costs and Management fees could be specified as “Interest expenses, other costs and Tax”.

Total costs, Management fees and, if fund company finds it suitable, “Interest expenses, Other costs and Tax”, should be calculated at the same periodicity as the NAV of the fund is calculated and be expressed as cost per unit. To the unit holder Till andelsägare ska årligen ges uppgifter om på andelsägaren belöpande kostnader beräknade på basis av varje NAV-beräkningsdags kostnader och andelsinnehav. Om förvaltningskostnad räknas även för dagar då NAV-kurs ej beräknas, ska beräkning för sådana dagar inkluderas.

If the specification “Interest expenses, Other costs and Tax” is done the fault tolerance is limited to 0,0001% according to the cost calculation per unit and day. If the information only consists of Total costs and Management fees, the fault tolerance is 0,001 % per day⁷.

⁷ Under normal circumstances “Interest expenses, Other costs and Tax” amounts to a considerably smaller part of the Total costs than the Management fees. If a high fault tolerance is permitted the sum of Management fees on one side and “Interest expenses, Other costs and Tax” on the other side not sum up to Total costs, since a large part of the latter is below the rounding limit.

Appendix 3: Standard for sustainability information

[Follow-up of sustainability work shall, in the fund's annual report (or as a separate report) submitted before 1 January 2023, be presented as follows:]

Follow-up of sustainability work

[General starting points

If the fund management company has stated that sustainability aspects are taken into account in the management of the fund, the fund management company shall, under this heading, provide details of how the specified methods have been used during the year to take these aspects into account. The information should also, where possible, include the effects that have resulted from the sustainability work. The information shall be provided at fund level.

The follow-up may be disclosed in the fund's annual report or as a separate report. Where the follow-up is presented in connection with the information on the aspects and methods taken into account and used, respectively, the follow-up may either be divided up by the respective method or presented in a cohesive form.

The information should be provided in a concise and concrete form and be consistent with the scope of other statutory information on the management of the fund. The standard does not prevent a fund management company from providing, in a different context, a follow-up of its sustainability work with additional descriptive information.

The follow-up should, wherever possible, be representative for the entire previous year. Any changes to the fund's sustainability work that have been made during the year should be noted in the follow-up.]

The fund has used positive screening

[This section may contain details of the following:

- activities carried out in connection with positive screening, e.g. companies selected on the basis of proactive work and positive results with regard to environmental, social, and/or corporate governance issues;
- examples of the direct, demonstrable effects of the fund's sustainability work with regard to the use of positive screening;
- comments on how the activities carried out in connection with positive screening have corresponded to what was stated in the pre-contractual information on the fund's sustainability work.]

The fund has used negative screening

[This section may contain details of the following:

- activities carried out in connection with negative screening, e.g. companies excluded on the basis of the fund's exclusion criteria, or the result of reviews of the fund's holdings;
- examples of the direct, demonstrable effects of the fund's sustainability work with regard to the use of negative screening;
- comments on how the activities carried out in connection with negative screening have corresponded to what was stated in the pre-contractual information on the fund's sustainability work.]

The fund management company has influenced

[This section may contain details of the following:

- activities carried out by the fund management company on behalf of the fund in connection with exercising investor influence, e.g. dialogues held, participation in nomination committees, or voting at General Meetings;
- examples of the direct, demonstrable effects of the fund management company's exercising of investor influence, such as decisions in which the fund management company has been involved on behalf of the fund;
- comments on how the activities carried out in connection with exercising of investor influence have corresponded to what was stated in the pre-contractual information on the fund's sustainability work.]

Overall comments on the sustainability work

[Overall events related to the sustainability work at fund level, e.g. amendments to the fund's sustainability policy, events that have induced changes in attitudes towards certain asset classes, etc.]