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# " Verdipapirfondenes forenings bransjestandard for informasjon og klassifisering av aksjefond og kombinasjonsfond"

*Verdipapirfondenes Forening (VFF) (Link)*

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## The Norwegian Fund and Asset Management Association's industry standard for information and classification of equity funds and balanced funds

(Adopted at the association's extraordinary general meeting on 15 February 1999, last changed at the annual general meeting on 23 March 2023).

### 1 Introduction

#### 1.1 Purpose

The purpose of this standard is firstly to define the principles that will form the basis for how different equity funds of the member companies of the Norwegian Fund and Asset Management Association are to be grouped, so that the outside world can more easily make comparisons between relatively similar funds. The division previously presented in the media was unsuitable for such purposes.

Furthermore, the purpose of the standard is to define the information that must be included in the information scheme for equity funds and balanced funds. The individual management company must report this information on a daily basis - or when any changes are made to it - to the company with which the Norwegian Fund and Asset Management Association has agreed on operatorship of the database. Much of this information corresponds to what follows from the industry standard for fixed income funds, which was adopted at the general meeting on 27 May 1998.

The objective of the information scheme and classification of equity and balanced funds is to highlight the main elements that create differences in risk and return between the funds. In this way, the outside world will have a better basis for choosing funds for their own investments and comparing performance between different funds.

#### 1.2 Who the standard applies to

The industry standard applies to the equity and balanced funds of the members of the Norwegian Fund and Asset Management Association, as well as associated members.

The member companies are obliged to follow this industry standard, and according to the association's articles of association, violation can result in disciplinary proceedings and, in the worst case, exclusion from the association.

### 2 Principles for the classification of equity funds and balanced funds

The division into equity and balanced funds is based on the fund's exposure to the stock market. The exposure ratio is calculated, for example, by translating derivative positions into underlying equivalents. The calculation methodology for such conversion is set out in the appendix to this standard.

## 2.1 Definition of equity funds

For the purposes of this standard, a mutual fund is defined as a fund which, in accordance with its investment mandate, shall normally have 80 – 100 per cent exposure to the stock market, and which shall not normally invest in interest-bearing securities.

## 2.2 Definition of a balanced fund

A balanced fund is defined as a mutual fund that normally has an equity exposure below 80 per cent with the remaining holdings invested in interest-bearing instruments.

## 2.3 Definition of other mutual funds

Other mutual funds are all funds that do not fall under the definition of equity funds, balanced funds or fixed income funds (for example, funds with hedge fund-like characteristics and that use derivatives to a large extent).

## 2.4 Classification of equity funds

Equity funds are divided into different groups depending on the investment universe in which the funds, in accordance with their written investment mandates, are to invest their funds. The investment universe can, for example, be geographically delimited, industry-specific (investments in specific industries) or combinations of these (e.g. a European industry fund).

The classification is based on the mutual funds offered by the association's members at any given time. The following principles apply to the classification:

- There must be at least 5 funds within one category before a separate group is established for these. When a sufficient number of funds are offered within the same category, the establishment of a new group for these will take place on an ongoing basis. Decisions on the establishment of new groups and the classification of funds are anchored in the equity committee.

- In order for a fund to be classified in a specific group, the general rule is that it must be stated in the fund's written investment mandate that at least 80 percent of the fund's total assets must normally be exposed within the investment universe covered by the group. In the case of fund of funds, the classification takes place in accordance with the investment mandate of the underlying fund.

- For geographically divided fund groups, the investment universe is primarily defined as equity instruments listed on a stock exchange in the specific geographical region, as well as unlisted shares issued by companies that are registered and liable to tax in this region (within the rules that apply in the Securities Funds Act for investments in unlisted securities). This definition means that "Norwegian shares" are primarily defined as equity instruments listed on the Oslo Stock Exchange, as well as unlisted shares issued by companies that are registered and liable to tax in Norway. However, the investment universe may also include GDR or ADR that are associated with companies listed on stock exchanges in the region, but traded outside the region. Furthermore, the investment universe may also include companies listed outside the specific region, if a significant part of the company's profit is generated from this region.

## 2.5 Classification of balanced funds

The balanced funds are divided into subcategories based on the geographical investment universe. In addition, a subcategory is created for funds with a defined life cycle where there is a planned distribution over time of investments in equity and fixed income instruments.

Balanced funds are also divided according to the principle that there must be at least 5 identical funds within the same category. Exceptions are made for the group Other balanced funds, which capture those funds that do not fall under the other defined categories.

## 2.6 Classification of other mutual funds.

Other mutual funds constitute a residual group that is intended to capture funds that cannot be classified as equity, combination funds or fixed income funds. Such funds are, for example, funds with hedge fund-like characteristics and that use derivatives to a large extent.

## 2.7 Changes to the investment mandate

Funds that make significant changes to their investment mandate that result in the Fund being classified in a new group will be considered a newly established fund. This means that such a fund cannot use its previous history when making comparisons with other funds. This does not apply if a minor change is made to the investment mandate that means that the Fund can remain classified in the same group, or in the event of reclassification as a result of the establishment of new fund groups.

## 2.8 Rules in connection with mergers and demergers

In the event of mergers between funds, the investment mandate of the merged fund shall determine which of the original funds' return history may be included as the merged fund's history. If the merged fund is to continue the investment mandate of one of the funds included in the merger, the history of this fund shall be included in the history of the merged fund.

If the merged fund does not retain any of the investment mandates of the funds included in the merger, so that the merged fund is classified in a different group than the original funds, the merged fund shall be regarded as a newly established fund with no history.

In the event of a merger between funds that have had relatively similar investment mandates and been grouped in the same group, and both the mandate and the classification are retained for the merged fund, the general rule is that the fund with the longest history shall be included as the merged fund's return history.

If the return history in such a case is the same length for the merged funds, the history of the largest fund shall normally be included as the history of the merged fund. However, other relevant factors may also be given weight when assessing which fund's return history should be continued after the merger. Similar rules also apply in the event of a demerger of funds.

## 2.9 Treatment in the association

In the event of new establishments of funds, as well as in connection with events that may have an impact on the classification of existing funds, including mergers, liquidation or changes to the fund's investment mandate, the management companies must immediately report this to the association.

Cases of doubt shall be dealt with by the association's share committee, which may make a recommendation to the board, which makes the final decision in such matters.

## 3 Information to be reported

The following information must be reported either daily, or when changes occur to previously reported information, to the company with which the Norwegian Fund and Asset Management Association has agreed operatorship of the database:

### 3.1 Name of the Fund
The name of the fund must be disclosed. Funds that do not set their exchange rate in Norwegian kroner must state the currency denomination of the exchange rate in brackets after the name of the fund.

### 3.2 Net share value and subscription/redemption fee
The fund's net share value at market value and the fund's subscription and redemption fees must be disclosed, as well as the date for which these apply.

### 3.3 Management fees
The fund's annual management fee as a percentage must be disclosed. If the fund practices profit-sharing, the rules for this must be disclosed.

### 3.4 Minimum amount for subscription
The minimum subscription amount for the fund must be disclosed.

### 3.5 Benchmark index
If the management company accepts that the Fund is measured against a benchmark index (or a benchmark index consisting of several sub-indices), this must be disclosed. It must also be explicitly stated if the chosen benchmark index has not been dividend adjusted.

### 3.6 Ongoing costs
The Fund's current costs shall be disclosed in line with the information provided in the Fund's Key Information. For funds that practice profit-sharing, the performance-related cost charged to the fund in the last calendar year (stated as a percentage of average total assets during the period) must also be disclosed.

### 3.7 Minimum amount savings agreement
If the fund offers savings agreements, the minimum subscription amount must be disclosed in such agreements.

### 3.8 Information pursuant to the Disclosure Regulation
If the Fund promotes environmental or social characteristics (i.e. regulated in accordance with Article 8 of the Disclosure Regulation) or has environmental investments as its objective (i.e. regulated in accordance with Article 9 of the Disclosure Regulation), this must be disclosed.

### 3.9 Share classes

If the fund is divided into share classes, the disclosure requirements in sections 3.1 – 3.8 apply to each individual share class.

## 4 Other conditions

On the basis of the reported prices, as well as information on any dividends paid, splits, etc., the database operator will calculate the funds' returns so far this year, as well as (depending on the length of the individual fund's history) rolling one-year returns and rolling average returns over the past 1, 2, 3, 5, 7, 10, 15 and 20 years. In accordance with the recommendations of GIPS (Global Investment Performance Standards), the database operator will also calculate historical returns for each calendar year based on 31.12. Furthermore, return figures for less than one year according to GIPS will not be annualized. All return figures beyond 12 months will be annualized. Average returns over one year are salvaged as an annual geometric mean.

Similar calculations are made for the funds' benchmark indices.

The database operator will also calculate the relative volatility of the funds (defined as the annualized standard deviation of the monthly return differences between the returns of the Fund and the benchmark index) and the volatility of the fund (defined as the annualized standard deviation of the monthly returns of the fund) for the past 36 and 60 months. Initially, tracking error is not calculated for funds with composite benchmark indices. Nor will tracking error be calculated for funds that use benchmark indices that are not dividend-adjusted.

The return history of funds that quote their rates in foreign currency must be converted to and stated in Norwegian kroner. However, it should be explicitly stated that the Fund's exchange rate is calculated in foreign currency, but that the historical return figures have been converted to Norwegian kroner.
In the information matrices produced by the database operator and made available to the general public (media, etc.), the funds will be sorted in alphabetical order within the individual groups.

## 5 Entry into force

This industry standard came into force on 7 May 1999. Adjustments adopted at the general meeting 22. 2012 entered into force on the same date.