

**TOTAL EXPENSE RATIO (TER)****GUIDELINES EFFECTIVE 13 JUNE 2003 ISSUED BY SWISS FUNDS ASSOCIATION SFA HAVE TO BE COMPLIED WITH AS FROM 31 DECEMBER 2003**

- The guidelines (see attached document) are to be used for all investment funds authorised in Switzerland (i.e. domestic and foreign) with the exception of real estate funds.
- The TER is to be calculated for the first time for annual or semi-annual financial statements **for the period ending on 31<sup>st</sup> December 2003.**
- The TER is to be calculated for the preceding **12 months** at the close of the annual and semi-annual accounts, i.e. either
  - for the financial year then ended, or
  - for the first half of the current financial year and the second half of the preceding financial year,

and has **to be published and explained** together with the income statement in the corresponding **annual and semi-annual reports.**

- **Key points:**

- All costs and commissions charged to the fund during the reporting period have to be included in the TER.
- For an umbrella fund the TER has to be calculated and published for each subfund.
- For a fund of funds a summarised TER of the fund of funds which includes the TER of the target funds is to be calculated according to the calculation example contained in the guidelines.
- For funds with share classes a separate TER has to be calculated for each share class if the fund charges different costs and commissions to the various share classes.

- There are special regulations for the following situations:
  - changes to the percentage rates of the management fee and/or custodian fee,
  - restructuring of funds,
  - funds paying a performance-related fee to the portfolio manager,
  - calculation of TER for new funds.

➤ **Definition of TER**

Total Expense Ratio expresses the sum of all costs and commissions charged on an ongoing basis to the fund's assets (operating expenses) taken retrospectively as a percentage of the fund's assets.

➤ **Scope**

The aim of these guidelines is to ensure the uniform implementation of prov. 17 of the SFA Code of Conduct for the Swiss fund industry. According to this provision, fund management companies and representatives of foreign funds in Switzerland have to ensure a transparent fee structure which stays in line with international standards. The Federal Banking Commission (FBC) acknowledged and accepted these guidelines on 28 May 2003.

For more information see attached document and feel free to contact any of our investment fund specialists (<http://www.nastra.ch/>).