

FSC Guidance Note No. 46

Investment Option Performance – Calculation of Returns

12 September 2022

FSC Guidance Note No. 46

Date of this version:	12 September 2022. Minor wording amendments made on 27 March 2023.
Application of this Guidance Note:	This Guidance Note applies to FSC Members generally and in particular Members who are Operators of a Scheme where investment returns are to be calculated and disclosed and replaces Standard 6 Investment Option Performance - Calculation of Returns ("Standard 6").
Main Purpose of this Guidance Note:	The purposes of this Guidance Note are as follows: a) to outline the principles that FSC members and other investment product providers should apply when calculating the returns of investment options; b) to provide specific guidance for FSC members and other investment option providers when interpreting and applying those principles; c) to provide investors (or fund/product members) with confidence when comparing the returns of investment options.
Disclaimer:	<i>This document does not constitute any legal, accounting, tax or financial product advice, and does not take into account the objectives, financial situation or needs of any person or the terms of any commercial transaction. Users should obtain their own professional advice tailored to their own circumstances before using this document for their own commercial purposes. The Financial Services Council Ltd (FSC) does not give any warranty with respect to this document and has no responsibility for any loss, damage or liability whatsoever arising from the use of this document. The use of this document is subject to the terms and conditions prescribed by the FSC from time to time in relation to the access, use, transmission or dissemination of this document.</i>

FSC Guidance Note No. 46

TABLE OF CONTENTS	Paragraph	Page
Title	1	3
Effective Date	2	3
Application	3	3
Statement of Purpose	4	4
Statement of Principles	5	5
Materiality	6	5
Unit Prices Used for Calculation of Returns	7	6
Calculation of Returns – Non-Distributing Investment Options	8	8
Calculation of Returns – Distributing Investment Options	9	8
Treatment of Fees	10	9
Treatment of Tax	11	11
Presentation of Returns	12	11
Definitions	13	11
Example of Calculation of a Total Value Index, Total Return, Growth Return & Distribution Return	Appendix A	16
Example of Calculation of a Total Value Index, Total Return, Growth Return & Distribution Return with additional On-going Percentage Based Fees (Compound method)	Appendix B	17
Example of Calculation of a Total Return with additional On-going Dollar Based Fees (APRA method)	Appendix C	18
Example of Calculation of a Total Value Index, Total Return, Growth Return & Distribution Return (for a Scheme where re-investment of distributions is not permitted)	Appendix D	19

FSC Guidance Note No. 46

1 Title

- 1.1. This Guidance Note is titled FSC Guidance Note No. 46 “Investment Option Performance - Calculation of Returns”.

2 Effective Date

- 2.1 The principles of this Guidance Note are effective from 12 September 2022 (**Effective Date**).
- 2.2 Even though the Effective Date is 12 September 2022, returns prior to 12 September 2022 that are calculated, published and publicly disclosed from 12 September 2022 should be consistent with this Guidance Note (i.e. not just the returns using data from 12 September 2022). The exception to this requirement is where the Investment Option Provider has previously calculated returns using a more conservative approach than as provided for by this Guidance Note or Standard 6 as applicable at the relevant time. In such cases, those past returns do not have to be recalculated (e.g. for Legacy Products).
- 2.3 This Guidance Note was originally issued as FSC Standard 6 with the same title on 1 November 2005 and updated 1 July 2018 (effective 1 July 2019).

3 Application

- 3.1 This Guidance Note is relevant to FSC members who are Investment Option providers. Definitions of terms used are provided in Paragraph 13.
- 3.2 This Guidance Note applies to the calculation of Month-End returns for all unitised Investment Options operated by Investment Option Providers, whether they are made available within superannuation or non-superannuation structures including managed investment schemes and life structures.
- 3.3 This Guidance Note applies whether tax is incorporated or not incorporated within the unit price or other issue price of an interest in a Scheme.
- 3.4 The Guidance Note applies to both Investment Options that are available and promoted to Investors as well as to closed Investment Options.
- 3.5 The Guidance Note does not apply to the following products:
- (a) IDPS, IDPS-like or Super Wrap or “platform” products;
 - (b) Exchange traded funds (**ETFs**);
 - (c) Separately managed account (**SMA**) products; and
 - (d) Any other situation where a unit price or other issue price of an interest is not available, (for example Model Portfolios).
- 3.6 Subject to paragraph 2.2, this Guidance Note applies to returns that are published by Investment Option Providers for periods before and after the Effective Date.
- 3.7 This Guidance Note applies to Investment Option returns, not Composite returns. Composite returns reflect the performance of an overall investment strategy.

FSC Guidance Note No. 46

Calculation of Composite investment returns is covered by FSC Guidance Note No.1 “Global Investment Performance Standards.”

- 3.8 The principles of this Guidance Note should be applied by Investment Option Providers when calculating and presenting past return information for Investment Options, whether offered for public subscription or otherwise and whether returns are market-linked or not.
- 3.9 FSC Guidance Note No. 47 “Presentation of Past Performance Information and Visual Promotions” provides that returns should be calculated in accordance with this FSC Guidance Note No. 46.
- 3.10 For the avoidance of doubt, if an Investment Option is subject to any relevant legislative provision, (including, without limitation, any binding rules of a regulator or legislative instrument) and/or any non-binding regulatory guidance (provision), such a provision takes precedence over this Guidance Note to the extent of any inconsistency. This applies, without limitation, to the extent to which any of the following provisions apply to an Investment Option Provider:
- Section 29QC of the *Superannuation Industry (Supervision) Act 1993 (SIS)* and any relevant SIS Regulation or Standard;
 - the *Corporations Act* and Regulations and in particular Schedule 10 to the Regulations as modified or varied from time to time;
 - APRA Reporting Standard SRS 705.0;
 - APRA Reporting Standard SRS 705.1;
 - ASIC Regulatory Guide 53;
 - ASIC Regulatory Guide 97; and
 - ASIC Regulatory Guide 234.
- 3.11 For the avoidance of doubt, returns should be restated if unit prices are restated.

4 Statement of Purpose

- 4.1 This Guidance Note aims to ensure that there is consistency in the approach Investment Option Providers take to calculate the past returns of Investment Options.
- 4.2 In order to facilitate meaningful return comparisons between Investment Options, this Guidance Note provides standardised practices, procedures and terminology relating to the calculation of:
- Total, Growth and Distribution Returns for distributing Investment Options.
 - Total Return for Non-distributing Investment Options.
- 4.3 The FSC welcomes the use of this Guidance Note by industry participants who may not be FSC members, such as research houses.
- 4.4 This Guidance Note may not cover every situation faced by an Investment Option Provider when calculating an Investment Option return. Where a situation is not covered, the Investment Option Provider should have regard to the intent of this Guidance Note as described in the Statement of Purpose and the Statement of Principles.

FSC Guidance Note No. 46

5 Statement of Principles

5.1 In summary, the major principles to be adopted in the calculation of returns in relation to Investment Options are:

- the use of a methodology that is transparent to everyone, especially to Investors;
- comparability across the industry;
- the use of standard industry terminology;
- ensuring a meaningful measure of investment performance is reported to investors; and
- consistency.

5.2 Transparency of the calculation is required so that researchers, Investors and financial planners can reproduce the returns published by Investment Option Providers. This also makes it easier for interested parties to verify published returns and helps support the integrity of the industry.

5.3 The calculation methodology in this Guidance Note reflects the investment returns of an Investment Option as experienced by a notional continuing Investor who fully reinvests distributions (where applicable) and who makes no applications or withdrawals during the return period, and after allowing for fees.

5.4 The returns of Investment Options for periods of more than one year should be annualised.

5.5 The returns of Investment Options for periods less than one year should not be annualised (except cash-based Investment Options which may be annualised). This is to ensure that:

- Short term returns are not used to compare lower risk and higher risk Investment Options.
- Unrealistic expectations are not generated through the annualising of unusually high or low short-term returns.

5.6 Valuation of assets and pricing are key elements in the determination of return calculations. The principles and procedures that should be adopted by Investment Option Providers to ascertain the value of assets and to price such assets are described in FSC Guidance Note No. 26 “Asset Valuation and Unit Pricing for Infrequently Valued Assets”, FSC Guidance Note No. 48 “Scheme Pricing” and FSC Guidance Note No. 50 “Valuation of Scheme Assets and Liabilities”.

5.7 Separate reporting of returns is required for different classes within a fund or product, such as the accumulation and pension classes.

6 Materiality

6.1 This Guidance Note should apply to the calculation of all past returns for Investment Options where such application is of **material consequence**. Failure by an Investment Option Provider to adopt or implement this Guidance Note is **material** if such failure has the potential to adversely affect the proper assessment of returns of the Investment Option when comparing those returns with other investment alternatives. When deciding whether an item is material, its nature and amount need to be evaluated together. For example, a one basis point return calculation error is more likely to be material to the assessment of returns for a cash Investment Option than for an equity Investment Option.

FSC Guidance Note No. 46

7 Unit Prices Used for Calculation of Returns

- 7.1 Investment Option Providers should use the Performance Price to calculate returns.
- 7.2 The Performance Price should be a Transaction Price.
- 7.3 If the date of the Performance Price coincides with the last day of a Distribution Period, then the Ex-Distribution Price should be used for the Performance Price, and the Distribution reinvestment taken into account on that date. The purpose of this is to ensure that the distribution is accounted for in the period in which it accrues in the unit price.
- 7.4 The Performance Price should be adjusted to allow for any income entitlement not reflected in the price, and for any capital re-organisation, as follows:
- (a) If Investors' capital and income entitlements are separated, the intra-distribution period accrued income entitlement as at the Month-End date should be added to the Performance Price when calculating returns. This will have the result that returns are calculated on a comparable basis to those Investment Options that do not separate Investors' income from their capital entitlements.
 - (b) If there is a capital re-organisation (e.g. bonus/rights units), then the Performance Price should be appropriately adjusted.
 - (c) The Performance Price may include an amount transferred to or from the operational risk reserves or other reserves.
- 7.5 The Performance Price should be an Exit Price.
- Use of an Exit Price (rather than, say, a Net Asset Value Per Unit price) means that when a sell transaction cost factor (sell margin) increases/decreases, this will be reflected in a decrease/increase in return. This is consistent with showing actual returns for a continuing Investor.
- 7.6 Where possible, the Performance Price should be a Hard Close Price. Soft Close Prices are permissible, but only where there are issues regarding the availability of Hard Valuations. In this regard, the use of Hard Close Prices and Hard Valuations is considered to be best practice. Their use enables better comparison against market indices and consistency across peer groups. However, the requirement to use a Transaction Price is considered to be a more important requirement because it affects the transparency of returns to Investors and in particular to retail Investors. For this reason, the use of Soft Close prices is only recommended where Hard Valuations are not available or are not available on a timely enough basis to allow incorporation within the Transaction price.
- 7.7 Use of a Hard Close Price will be most difficult to achieve for Investment Options which:
- must be priced within a certain period for transactions to occur in administration systems (and therefore final accounting values, such as all trades and/or investment income, may not be known at the time of striking the price).
 - invest in other Investment Options (e.g. unit trusts) where there are delays in obtaining market valuations or where those other Investment Options do not issue unit prices in a timely enough manner, for the Investment Option for which the Performance Price is being calculated to capture a Hard Valuation.

FSC Guidance Note No. 46

- use estimated valuations referenced to the last available known valuation.

In these circumstances the use of a Soft Close Price also is permissible.

- 7.8 Soft Valuations should not be confused with Historic Pricing. Soft Valuations involve some estimation of values, as a result of incomplete accounting information (e.g. outstanding trades, outstanding income, etc.). Historic Pricing calculates Transaction Prices reflecting close-of-markets of a previous day (e.g. where systems require transactions to be processed during the transaction day). These Historic Prices may also be based on Soft Valuations or Hard Valuations.
- 7.9 Issues regarding the valuation of infrequently valued assets and the associated frequency of transactional unit prices are discussed in FSC Guidance Note No. 26 “Asset Valuation and Unit Pricing/Crediting Rates for Infrequently Valued Assets”.
- 7.10 The following table summarises the recommended composition of the Performance Price:

Performance Price Composition	Recommended
Transaction Price	Recommended
Exit Price	Recommended
Hard Close Price	Preferred
Soft Close Price	Permissible (only if Hard Close Price is unavailable as discussed in paragraphs 7.6 and 7.7)

It is strongly recommended that the above principles are followed to ensure performance numbers are comparable.

- 7.11 The date of the Performance Price should relate to the relevant close-of-market date to which the return pertains. Accordingly:
- Where the Transaction Price is a Forward Price, then the Month-End Transaction Price should be used.
 - Where the Transaction Price is a Historic Price, then the price of the first or second day of the following month should be used, depending on the actual delay in market valuations incorporated into the unit price.
 - The following table summarises the appropriate choice for Performance Prices in relation to Forward Priced and Historic Priced Investment Options:

Transaction Price Type	Performance Price should be used for calculating return
Forward Price	Month-End Transaction Price
Historic Price	The price that reflects the actual Month-End valuation date.

- Market index performance to which an Investment Option’s returns are compared should reflect the actual calendar Month-End period for which returns are being reported.

FSC Guidance Note No. 46

8 Calculation of Returns – Non-Distributing Investment Options

- 8.1 Only Total Returns should be calculated for non-distributing Investment Options.
- 8.2 The Performance Price can be used directly to calculate the Total Return (i.e. the Total Return will be equal to the percentage change in the Performance Price over the relevant period, and annualised where that period is greater than one year).
- Alternatively, the Investment Option Provider can calculate a Total Value Index (as per the calculation for Distributing Investment Options). As the only impact on the Index will be changes in the Performance Price, the returns calculated will be identical.
- 8.3 The Total Return calculation may require an adjustment to allow for any material On-going Fees not included in the unit price (see paragraph 10 below).

9 Calculation of Returns – Distributing Investment Options

- 9.1 Total Returns, Growth Returns and Distribution Returns should be calculated for Distributing Investment Options.
- 9.2 Calculation of the Total Return first requires construction of a Total Value Index series (or equivalent data). The Total Value Index reflects the value of a continuing Investor's investment assuming the reinvestment of all Distributions, after adjusting for any capital re-organisation (e.g. bonus units).
- 9.3 Distributions should be assumed to be reinvested back into the distributing Investment Option at the actual Distribution Reinvestment Price paid by Investors who elected to automatically reinvest their Distributions, with effect on the last day of the Distribution Period.
- 9.4 Where the reinvestment of distributions is not permitted under the operation of the Investment Option, the recommended approach to calculate the Total Return is illustrated in Appendix D.
- 9.5 For return calculation purposes, the new reinvestment units should be recognised at the last day of the Distribution Period. In this regard:

For example, for an Investment Option with an end-June Distribution, the end-June Total Value Index would be constructed by multiplying (a) the number of end-June units after adding reinvested units by (b) the end-June Ex-Distribution Exit Price (i.e. the reinvested units are recognised at the end of June).

The alternative of multiplying (c) the number of end-June units before adding reinvested units by (d) the end-June Cum-Distribution Exit Price (i.e. effectively the reinvested units are recognised from the start of July) will lead to a Distribution Return being reported for July. For that reason, this alternative method is not allowed because allowing it could result in a material inconsistency in the reporting of Distribution Returns across Investment Option Providers.

- 9.6 The Total Return should be calculated as the percentage change in the Total Value Index over the relevant period and annualised where that period is greater than one year. Thus:
- (a) The annualised Total Return for a period of n years would be as follows:

FSC Guidance Note No. 46

$$\% \text{ pa Total Return for period} = \left\{ \left(\frac{\text{Total Return Index at end of period}}{\text{Total Return Index at start of period}} \right)^{(1/n)} - 1 \right\} \times 100$$

(b) The Total Return calculation may require an adjustment to allow for any material On-going Fees not included in the unit price. See Section 12 for further guidance on this area.

(c) Appendices A, B and C show Total Return calculation examples.

9.7 The Growth Return should be calculated as the percentage change in the distributing Investment Option's Performance Price, after adjusting for any capital re-organisation (e.g. bonus units). Thus:

(a) The annualised Growth Return for a period of n years would be as follows:

$$\% \text{ pa Growth Return for period} = \left\{ \left(\frac{\text{Performance Price at end of period}}{\text{Performance Price at start of period}} \right)^{(1/n)} - 1 \right\} \times 100$$

(b) If there was no Distribution for the period, then the Growth Return will be the same as the Total Return.

(c) The Growth Return calculation may require an adjustment to allow for any material On-going Fees not included in the unit price. See Paragraph 10 for further guidance on this area.

(d) Appendices A, B and D show Growth Return calculation examples.

9.8 Distribution Return = Total Return - Growth Return. In this regard:

(a) The Distribution Return should not be calculated directly using Distribution amounts, but rather is calculated as an arithmetic difference.

(b) For example, a Total Return of 12% and a Growth Return of 8% results in a Distribution Return of 4%.

(c) Appendices A, B and D show Distribution Return calculation examples.

10 Treatment of Fees

10.1 Returns should be calculated net of the maximum On-going Percentage-based Fees and maximum On-going Dollar-based Fees applicable to the Investment Option. Those On-going Fees may be charged within the Investment Option unit price, or outside the unit price. Where an Investment Options Provider charges a range of fees, the maximum fee rate should be used.

10.2 A driver of this section is the desire to ensure that all investment return reporting is calculated on a comparable basis. After-fees returns better enable Investors to compare investment alternatives.

FSC Guidance Note No. 46

- 10.3 On-going Fees may exclude fees to enter or exit the investment option and fees not relating to the operation, administration or investment management of the investment option (e.g. Advice and Insurance premiums/benefits). Without limiting the types of fees to include, examples of such fees to include are Trustee/Management fees, Administration fees, Performance fees and cost recoveries. Inclusion or exclusion of account fees (e.g. member fees that are charged per member rather than per Investment Option held by the member) within On-going Fees may be determined in accordance with any relevant regulatory requirements (eg SRS 705.0 and Section 29QC of the Superannuation Industry (Supervision) Act 1993). However, inclusion of the impact of these fees is preferred. See 3.10 for further guidance.
- 10.4 If all On-going Fees are reflected in the unit price, no adjustment to returns based on Performance Prices is required. Appendix A shows a return calculation example where no adjustments are required.
- 10.5 If there are On-going Fees charged outside the Investment Option unit price, then returns based on Performance Prices need to include an adjustment to reflect the maximum On-going Fees applied to Investors' accounts. The adjustment should reflect the timing of the fees and whether or not fees are charged on investment earnings during the period. For example, if the one-month total return based solely on the change in the Performance Price was 1%, and there was a monthly On-going Fee of 0.1% charged outside the unit price, the one month Total Return would be 0.9% (i.e. 1% less 0.1%).
- 10.6 Where On-going Fees are charged outside the Investment Option unit price and in a manner that directly impacts the Investor's earnings from the Investment Option (e.g. via a reduction in units), then the adjustment for those additional units should reflect a compounding methodology, unless the APRA method is required to be used.
- 10.7 Where On-going Fees are charged outside the Investment Option unit price but in a manner that does not impact the Investor's balance within the Investment Option (e.g. via a separate cash payment), then the adjustment for those additional fees should reflect a non-compounding methodology.
- 10.8 It is noted that the APRA Reporting Standard SRS 705.0, where applicable, requires a non-compounding methodology to be applied in the case of On-going Dollar Based Fees that are charged outside of the Investment Option unit price, regardless of how those fees are charged in practice.
- 10.9 If an Investment Option has higher fees for a finite period (e.g. 1% p.a. for the first three years, as an alternative to the payment of an upfront entry fee of 3%), this deferred loading may be excluded from the return calculations. This exception applies only to fees that do not meet the definition of On-going Fees, in paragraph 10.3 above.
- 10.10 If the methodology used to calculate past return history for the Investment Option does not reflect the intent of this section of this Guidance Note, the return history should be reconstructed so as to comply with this section.
- 10.11 For the purposes of this Guidance Note, On-going Dollar-based Fees not captured in a unit price will need to be included in the calculation of performance. In this regard:
- (a) A fixed notional balance no greater than \$50,000 should be used in order to determine the percentage impact of any On-going Dollar Based Fees. This will ensure there is a single consistent approach in relation to the assumed balance used in calculations for

FSC Guidance Note No. 46

Investment Options that are covered by the APRA Reporting Guidance Notes and those that are not.

- (b) Appendices B and C show return calculation examples, where adjustments are made for On-going Fees not included in the unit price.
- 10.12 The maximum On-going Fees used in calculating returns should be those that actually applied over the return period being calculated, which may not necessarily be the same as the maximum On-going Fees which apply now. In this regard:
- (a) Actual maximum On-going Fees are appropriate because this Guidance Note is concerned with calculating the actual return experienced by a continuing Investor.
 - (b) For example, if an Investment Option return for a 5-year period up to today is being calculated, and for the first four years of this period the maximum On-going Fee was 1% but this increased to 2% in the fifth year (and is currently 2%), the actual maximum On-going Fee of 1% would be used for the first four years (not the current maximum On-going Fee of 2%) and the 2% maximum On-going Fee would be used only for the fifth year.

11 Treatment of Tax

- 11.1 For Investment Options where tax is included in the unit price, returns should be calculated on an after tax basis.
- 11.2 For Investment Options where tax is excluded from the unit price, returns should be calculated on a before tax basis.

Investment Option Providers are able to calculate and promote after-tax returns for Investment Options where tax is excluded from the unit price, provided the returns are appropriately labelled. FSC Guidance Note 25 “Product Performance – Calculation of After-Tax Returns” provides guidance in relation to the calculation of after-tax returns for Investment Options where tax is excluded from the unit price.

12 Presentation of Returns

- 12.1 Total Return, Growth Return and Distribution Return may be presented for distributing Investment Options. Only the Total Return should be presented for non-distributing Investment Options.
- 12.2 Investment Option Providers should only quote or allow to be quoted Month-End returns in prospectuses, brochures, advertisements and any other form of promotional material or locations where returns are displayed. In this regard it is noted that:
- (a) While this Guidance Note is focussed on Month-End returns, a return calculated from inception may commence on a date other than a Month-End.
 - (b) Full details of the presentation of returns are prescribed in FSC Guidance Note No. 47 “Presentation of Past Performance Information and Visual Promotions”.

13 Definitions

In this Guidance Note, the following terms have the following meanings unless the context otherwise requires:

FSC Guidance Note No. 46

‘Administration Fees’ means any mandatory or default-level dollar or percentage fees, charged by an Investment Option Provider in respect of its administrative services for the Investor. Administration fees may be included in the unit price of the Investment Option, or may be charged outside the unit price. Administration Fees do not include any Investment Management Fees. The expression also includes any other amount which would be characterised as an administration fee for the purposes of the Corporations Act and Regulations and in particular Schedule 10 to the Regulations as modified or varied from time to time.

‘Advice Fees’ mean fees or costs paid to an adviser in respect of a service they provide to an Investor. Investors should agree to the amount paid to their adviser and the method of payment and which are debited to or are met by the individual Investor in respect of the services provided to that Investor only. They also have the ability to turn that payment off. Advice Fees are therefore discretionary and not payable by all Investors and should not be included in the calculation of returns for Investment Options.

‘Composite’ means an aggregation of one or more portfolios managed according to a similar investment mandate, objective, or strategy.

‘Cum-Distribution’ means that income, realised capital gain and any return of capital (all of which would normally form part of the next Distribution) are still included in the unit price. Note that daily and Month-End Transaction Prices are normally Cum-Distribution prices.

‘Distribution’ means the cash amount (normally in cents per unit) that is paid to continuing Investors after the end of a Distribution Period. Note that the Distribution should be interpreted to include income, realised capital gain and any return of capital.

‘Distribution Period’ means the period to which a Distribution relates (i.e. the period over which income and realised capital gains included in the Distribution were earned).

‘Distribution Reinvestment Price’ means the unit price used to calculate the number of additional units for Investors who elect to automatically reinvest their Distribution in the Investment Option.

‘Distribution Return’ means the Total Return less the Growth Return. This return represents the contribution to Total Return made by the Investment Option’s Distributions.

‘Distributing Investment Options’ means an Investment Option that can distribute its earnings periodically to investors.

‘Non-distributing Investment Options’ means an Investment Option that cannot distribute its earnings to investors.

‘Ex-Distribution Price’ means the unit price calculated at the end of a Distribution Period after adjusting for the Distribution associated with that Distribution Period. Note that the Ex-Distribution Price should not reflect market movements after the end of the Distribution Period.

‘Exit Price’ means a Transaction Price used for redemptions on a day. Note that the Ex-Distribution Exit Price would normally be slightly higher than the Cum-Distribution Exit Price less the Distribution. The Ex-Distribution Exit Price would normally be calculated by first deriving the Month-End Net Asset Value Per Unit (where the Net Asset Value deducts the total distribution payment to unitholders) which is then adjusted to allow for any sell transaction cost factor (sell margin).

‘Forward Price’ (and ‘Forward Pricing’) means a Transaction Price that is applied by the Investment Option Provider to transactions on a particular day, calculated using Hard Valuations or Soft Valuations reflecting close-of-markets on that day.

FSC Guidance Note No. 46

‘FSC member’ refers to a ‘Full Member’ as defined in FSC’s Constitution.

‘Growth Return’ means the return of a Distributing Investment Option excluding Distributions and is calculated as the percentage change in the Performance Price, after adjusting for any capital re-organisation (e.g. an issue of bonus units). Note that if the Growth Return is calculated to the end of a Distribution Period, and the Distribution is large (e.g. significant realised gains have occurred during the period), because of its calculation method the Growth Return may be negative even though markets and the Investment Option have experienced positive returns.

‘Hard Close Price’ for a particular day means a price that was calculated based on Hard Valuations reflecting markets at the close of that day. A price for a multi-sector Investment Option that includes Soft valuations for one of its constituent sectors (e.g. international shares) cannot be said to be a true Hard Close Price.

‘Hard Valuations’ means valuations that are based on actual final market prices and accounting values reflecting markets at a particular point in time.

‘Historic Price’ (and **‘Historic Pricing’**) means a Transaction Price that is applied by the Investment Option Provider to transactions on a particular day, calculated using Hard Valuations or Soft Valuations reflecting close-of-markets of a previous day.

‘IDPS’ means an Investor Directed Portfolio Service. In terms of RG 148 and other ASIC material, IDPSs are unregistered managed investment schemes for holding and dealing with one or more investments selected by investors. Generally, an IDPS provides custodial, transactional and reporting services where the investor makes all of the investment decisions.

‘IDPS-like schemes’ are schemes which operate similarly to IDPSs, in that investment decisions are generally made in accordance with specific client instructions but are registered managed investment schemes.

‘Investment Management Fees’ means the fees and costs incurred in manufacturing the underlying investment (e.g. units in a trust) of the Investment Option. For unitised underlying investments, Investment Management Fees would be the investment-related fees normally deducted as part of the unit price. These fees include any underlying research, custodian, client service, reporting, accounting and other administrative fees or profit margins of the underlying investment fund manager. The expression also includes any other amount which would be characterised as an investment fee or an indirect cost as may be required for the purposes of the Corporations Act and Regulations and in particular Schedule 10 to the Regulations as modified or varied from time to time.

‘Investment Option’ means a unique offering comprising a pool of assets from a number of Investors, which are invested with a common investment mandate, and share a common set of fees and conditions. Therefore, each Investment Option will have its own unique returns. Individual Investment Options available within a fund or product will comprise separate Investment Options, and different classes within a fund or product will comprise separate Investment Options.

‘Investment Option Provider’ means the entity that is responsible for offering the Investment Option to Investors. This may be:

- The Responsible Entity of a Management Investment Scheme or investment trust;
- A Life Company which issues a financial product with an investment component (and is regulated under the Life Insurance Act 1995);
- The Registrable Superannuation Entity of a superannuation product; or

FSC Guidance Note No. 46

- The trustee of a pooled superannuation trust.

For clarity, it does not include the provider of an IDPS or IDPS-like product which does not calculate the unit price of an Investment Option, but offers a range of Investment Options to Investors and reports the returns of those Investment Options as calculated by the Investment Option Provider. This ensures that IDPS or IDPS-like providers will quote the same returns for their underlying investment options (as calculated by the Investment Option Provider).

‘Investor’ means a person, whether they are a natural person or not, in whose name an interest in a Scheme may be registered from time to time. The term Investor includes fund/product members. The term may also include indirect investors, such as investors via an IDPS or IDPS-like offer.

‘Legacy Products’ means any current product or fund which generally is no longer available to the public for subscription, acquisition or purchase and includes both soft-closed products and hard-closed products where:

- (a) soft-closed products means products under the terms of which no new Investors are admitted but current Investors may make further payments into the product, and;
- (b) Hard-closed products means products under the terms of which neither new Investors nor receipt of additional funds from existing Investors is permitted.

‘Master Trust’ refers to an investment structure that allows an investor to hold a portfolio of managed funds and/or other investments under the one umbrella. It provides centralised reporting and services.

‘Model Portfolio’ means an account maintained by an Investment Option Provider for the purpose of calculating returns of a notional Investor in a separately managed account (SMA) with an initial investment and no subsequent additions or withdrawals. Model Portfolio are often used to calculate a performance track record for an SMA. However, because they are not generally unitised they have been excluded from the scope of this Guidance Note.

‘Month-End’ means the last business day of the month. Investment Option providers are permitted to label returns as being as at the calendar month end date when the last calendar day is not a business day.

‘Net Asset Value Per Unit’ as defined in FSC Guidance Note No.5 “Industry Terms and Definitions”.

‘On-going Fees’ means fees of an on-going nature which include Administration Fees and Investment Management Fees, but exclude Advice Fees, entry and exit fees, and fees for insured benefits (or similar). On-going Fees may be charged within the Investment Option unit price, or outside the unit price.

‘On-going Dollar-based Fees’ means all On-going Fees applied to an Investment Option as a flat dollar-based amount rather than as a percentage amount of the Investment Option.

‘On-going Percentage Fees’ means all On-going Fees applied to an Investment Option as a percentage calculation on that Investment Option, rather than a flat dollar-based fee applicable to the Investment Option.

‘Performance Price’ for a particular day means the price used for calculating Investment Option returns as defined in Section 7.

Platform means a financial product and service used to facilitate the acquisition and holding of assets by enabling investors to bundle product features such as custody of assets, execution and consolidated

FSC Guidance Note No. 46

reporting. A platform includes an **IDPS** and an **IDPS-like Scheme**, as well as **Master Trust** and **Super Wrap** products.

‘Promotional Statement’ means any statement (including advertising) intended, or which would reasonably give the impression that it is intended to induce a person to enter, vary or continue their investment within an Investment Option, product or service.

Publish or Publishing have their ordinary natural meanings and include any extension of those meanings made by the *Corporations Act*.

Scheme as defined in FSC Guidance Note No.5 “Industry Terms and Definitions”.

‘Soft Close Price’ for a particular day means a price that was calculated based on Soft Valuations reflecting markets at the close of that day. Note that a Soft Close Price may be struck that day or after that day.

‘Soft Valuations’ means valuations that are based on reasonable estimates of market prices and accounting values reflecting markets at a particular point in time.

‘Super Wrap’ means a superannuation fund offering members access to a large number of investments including managed funds, listed securities, cash and sometimes insurance with transactions generally made through a cash account, and individual member’s tax credits and liabilities being unbundled from the value of their investments and members potentially benefiting directly from the franking credits credited to the cash account.

‘Total Return’ means the total return of the Investment Option and is calculated as the percentage change in a continuing Investor’s interest in an Investment Option assuming the reinvestment of all Distributions (if applicable) back into the Investment Option (and no other application or withdrawal), after adjusting for any capital re-organisation (if applicable). The Total Return is net of maximum On-going Fees.

‘Total Value Index’ means an index reflecting the value of a continuing Investor’s interest in an Investment Option assuming the reinvestment of all Distributions (if applicable) back into the Investment Option (and no other applications or withdrawals), and after adjusting for any capital re-organisation (if applicable).

‘Transaction Price’ for a particular day means the price at which Investors realise an entitlement in an Investment Option (i.e. an Exit Price used to process withdrawal transactions during the normal course of business on that day).

The use of industry terms should aim to conform to the definitions of terms as stated by FSC Guidance Note No. 5 “Industry Terms and Definitions” and should avoid the use of ambiguous terminology.

FSC Guidance Note No. 46

Appendix A

Example of Calculation of a Total Value Index, Total Return, Growth Return & Distribution Return

Month End	Performance Price (Ex-Distribution Exit Price)	Units before distribution	Units from distribution	Units after Distribution	Total Value	Total Return	Total Value Index	Growth Return	Distribution Return
	a	b	c	d	e	$f = (e / \text{prior } e) - 1$	$g = \text{prior } g \times (1 + f)$	$h = (a / \text{prior } a) - 1$	$i = f - h$
31/12/2021	\$5.00	10000	100	10100	\$50,500.00		100.00		
31/01/2022	\$5.08	10100		10100	\$51,308.00	1.60%	101.60	1.60%	0.00%
29/02/2022	\$5.13	10100		10100	\$51,813.00	0.98%	102.60	0.98%	0.00%
31/03/2022	\$5.19	10100	120	10220	\$53,041.80	2.37%	105.03	1.17%	1.20%
30/04/2022	\$5.15	10220		10220	\$52,633.00	-0.77%	104.22	-0.77%	0.00%
31/05/2022	\$5.16	10220		10220	\$52,735.20	0.19%	104.43	0.19%	0.00%
30/06/2022	\$5.21	10220	90	10310	\$53,715.10	1.86%	106.37	0.97%	0.89%
31/07/2022	\$5.27	10310		10310	\$54,333.70	1.15%	107.59	1.15%	0.00%
31/08/2022	\$5.22	10310		10310	\$53,818.20	-0.95%	106.57	-0.95%	0.00%
30/09/2022	\$5.30	10310	140	10450	\$55,385.00	2.91%	109.67	1.53%	1.38%
31/10/2022	\$5.34	10450		10450	\$55,803.00	0.75%	110.50	0.75%	0.00%
30/11/2022	\$5.35	10450		10450	\$55,907.50	0.19%	110.71	0.19%	0.00%
31/12/2022	\$5.40	10450	210	10660	\$57,564.00	2.96%	113.99	0.93%	2.03%
1 year return to						$j = \text{ending } g / \text{starting } g - 1$		$k = \text{ending } a / \text{starting } a - 1$	$l = j - k$
31/12/2022						13.99%		8.00%	5.99%

FSC Guidance Note No. 46

Appendix B

Example of Calculation of a Total Value Index, Total Return, Growth Return & Distribution Return with additional On-going Percentage Based Fees (Compound method)

Month End	Performance Price (Ex-Distribution Exit Price)	Units before distribution	Units from distribution	Units after Distribution	Unadjusted Value	Unadjusted Return	Ongoing Fees not included in unit price	Total Return	Total Value Index	Performance Price Return	Growth Return	Growth Value Series	Distribution Return
	a	b	c	d	e	f = (e / prior e) - 1	g	h = f - g	i = prior i x (1 + h)	j = (a / prior a) - 1	k = j - g	l	m = h - k
31/12/2021	\$5.00	10000	100	10100	\$50,500.00				100.00			100.00	
31/01/2022	\$5.08	10100		10100	\$51,308.00	1.60%	0.10%	1.50%	101.50	1.60%	1.50%	101.50	0.00%
28/02/2022	\$5.13	10100		10100	\$51,813.00	0.98%	0.10%	0.88%	102.40	0.98%	0.88%	102.40	0.00%
31/03/2022	\$5.19	10100	120	10220	\$53,041.80	2.37%	0.10%	2.27%	104.72	1.17%	1.07%	103.49	1.20%
30/04/2022	\$5.15	10220		10220	\$52,633.00	-0.77%	0.10%	-0.87%	103.81	-0.77%	-0.87%	102.59	0.00%
31/05/2022	\$5.16	10220		10220	\$52,735.20	0.19%	0.10%	0.09%	103.91	0.19%	0.09%	102.69	0.00%
30/06/2022	\$5.21	10220	90	10310	\$53,715.10	1.86%	0.10%	1.76%	105.74	0.97%	0.87%	103.58	0.89%
31/07/2022	\$5.27	10310		10310	\$54,333.70	1.15%	0.10%	1.05%	106.85	1.15%	1.05%	104.67	0.00%
31/08/2022	\$5.22	10310		10310	\$53,818.20	-0.95%	0.10%	-1.05%	105.73	-0.95%	-1.05%	103.57	0.00%
30/09/2022	\$5.30	10310	140	10450	\$55,385.00	2.91%	0.10%	2.81%	108.70	1.53%	1.43%	105.06	1.38%
31/10/2022	\$5.34	10450		10450	\$55,803.00	0.75%	0.10%	0.65%	109.41	0.75%	0.65%	105.74	0.00%
30/11/2022	\$5.35	10450		10450	\$55,907.50	0.19%	0.10%	0.09%	109.51	0.19%	0.09%	105.84	0.00%
31/12/2022	\$5.40	10450	210	10660	\$57,564.00	2.96%	0.10%	2.86%	112.64	0.93%	0.83%	106.72	2.03%
1 year return to 31/12/2022								n = ending i / starting i -1			o = ending l / starting l -1		
								12.64%			6.72%		5.92%

FSC Guidance Note No. 46

Appendix C

Example of Calculation of a Total Return with additional On-going Dollar Based Fees (APRA method)

Month End	Performance Price (Ex-Distribution Exit Price)	Ongoing Fees not included in unit price	Total Return
	a	b	c = a / prior a - b / 50,000
31/12/2021	\$5.00		
31/01/2022	\$5.08	\$50.00	1.50%
28/02/2022	\$5.13	\$50.00	0.88%
31/03/2022	\$5.25	\$50.00	2.24%
30/04/2022	\$5.21	\$50.00	-0.86%
31/05/2022	\$5.22	\$50.00	0.09%
30/06/2022	\$5.32	\$50.00	1.82%
31/07/2022	\$5.38	\$50.00	1.03%
31/08/2022	\$5.33	\$50.00	-1.03%
30/09/2022	\$5.48	\$50.00	2.71%
31/10/2022	\$5.53	\$50.00	0.81%
30/11/2022	\$5.54	\$50.00	0.08%
31/12/2022	\$5.70	\$50.00	2.79%
		d = sum b	e = ending a / starting a - d / 50,000 - 1
1 year to 31/12/2022		\$600.00	12.80%

FSC Guidance Note No. 46

Appendix D

Example of Calculation of a Total Value Index, Total Return, Growth Return & Distribution Return (for a Scheme where re-investment of distributions is not permitted)

Month End	Performance Price (Ex-Distribution Exit Price)	Units	Distribution CPU	Unit Value	Distribution Amount	Total Return	Total Value Index	Growth Return	Distribution Return
	a	b	c	d = a x b	e = b x c	f = (d + e) / d prior	g = g prior x (1 + f)	h = a / a prior	i = f - h
31/12/2021	\$5.00	10000		\$50,000.00			100.00		
31/01/2022	\$5.08	10000		\$50,800.00		1.60%	101.60	1.60%	0.00%
29/02/2022	\$5.13	10000		\$51,300.00		0.98%	102.60	0.98%	0.00%
31/03/2022	\$5.19	10000	\$0.0500	\$51,900.00	\$500.00	2.14%	104.80	1.17%	0.97%
30/04/2022	\$5.15	10000		\$51,500.00		-0.77%	103.99	-0.77%	0.00%
31/05/2022	\$5.16	10000		\$51,600.00		0.19%	104.19	0.19%	0.00%
30/06/2022	\$5.21	10000	\$0.0500	\$52,100.00	\$500.00	1.94%	106.21	0.97%	0.97%
31/07/2022	\$5.27	10000		\$52,700.00		1.15%	107.44	1.15%	0.00%
31/08/2022	\$5.22	10000		\$52,200.00		-0.95%	106.42	-0.95%	0.00%
30/09/2022	\$5.30	10000	\$0.0500	\$53,000.00	\$500.00	2.49%	109.07	1.53%	0.96%
31/10/2022	\$5.34	10000		\$53,400.00		0.75%	109.89	0.75%	0.00%
30/11/2022	\$5.35	10000		\$53,500.00		0.19%	110.10	0.19%	0.00%
31/12/2022	\$5.40	10000	\$0.0500	\$54,000.00	\$500.00	1.87%	112.15	0.93%	0.93%
1 year return to						j = ending g / starting g - 1		k = ending a / starting a - 1	l = j - k
31/12/2022						12.15%		8.00%	4.15%

FSC Guidance Note No. 46

Example of a comparison of a re-investing example (Appendix A) vs a non-reinvesting example, based on same data, as follows:

Non-reinvesting example

Month End	Performance Price (Ex-Distribution Exit Price)	Units	Distribution CPU	Unit Value	Distribution Amount	Total Return	Total Value Index	Growth Return	Distribution Return
	a	b	c	d = a x b	e = b x c	f = (d + e) / e prior	g = g prior x (1 + f)	h = a / a prior	i = f - h
31/12/2021	\$5.00	10000		\$50,000.00			100.00		
31/01/2022	\$5.08	10000		\$50,800.00		1.60%	101.60	1.60%	0.00%
28/02/2022	\$5.13	10000		\$51,300.00		0.98%	102.60	0.98%	0.00%
31/03/2022	\$5.19	10000	\$0.0617	\$51,900.00	\$616.63	2.37%	105.03	1.17%	1.20%
30/04/2022	\$5.15	10000		\$51,500.00		-0.77%	104.22	-0.77%	0.00%
31/05/2022	\$5.16	10000		\$51,600.00		0.19%	104.43	0.19%	0.00%
30/06/2022	\$5.21	10000	\$0.0459	\$52,100.00	\$458.81	1.86%	106.37	0.97%	0.89%
31/07/2022	\$5.27	10000		\$52,700.00		1.15%	107.59	1.15%	0.00%
31/08/2022	\$5.22	10000		\$52,200.00		-0.95%	106.57	-0.95%	0.00%
30/09/2022	\$5.30	10000	\$0.0720	\$53,000.00	\$719.69	2.91%	109.67	1.53%	1.38%
31/10/2022	\$5.34	10000		\$53,400.00		0.75%	110.50	0.75%	0.00%
30/11/2022	\$5.35	10000		\$53,500.00		0.19%	110.71	0.19%	0.00%
31/12/2022	\$5.40	10000	\$0.1085	\$54,000.00	\$1,085.17	2.96%	113.99	0.93%	2.03%
1 year return to						j = ending g / starting g - 1		k = ending a / starting a - 1	l = j - k
31/12/2022						13.99%		8.00%	5.99%

