

FULL VERSION OF THE DECREE No. 680/2004 Coll.

**of the Ministry of Finance of the Slovak Republic of 24 November 2004,
stipulating the details of some contents of the simplified
prospectus of an open-ended fund, as results from changes effected by the
Act No. 209/2007 Coll.**

The Ministry of Finance of the Slovak Republic, pursuant to Article 116 (2) (c) of the Act No. 594/2003 Coll. on collective investment and amendments to certain laws (hereinafter referred to as "the Act"), stipulates the following:

**Article 1
Object of amendment**

This Decree regulates the details of some contents of the simplified prospectus of an open-ended fund (hereinafter referred to as "simplified prospectus") mentioned in clauses (2) and (3) of the Annex No. 3 to the Act.

**Article 2
Information on investments**

(1) The brief description of the purpose for which an open-ended fund was established contains

- a) objectives for investing assets in an open-ended fund,
- b) statement of guarantees provided by third parties for the purposes of investor protection and on the limitations to such guarantees,
- c) information on whether there is an intention to monitor the financial market index in the investment of assets in an open-ended fund; this information should indicate, in a manner that is comprehensible to a common investor, the type of index concerned as well as the degree to which that index is monitored in the investment of assets in an open-ended fund.

(2) Description of the investment plans for assets in an open-ended fund and the investment strategy contains

- a) the main types of assets in which a management company intends to invest open-ended fund's assets,
- b) information specifying whether the investment of open-ended fund's assets focuses on investments in a particular industry, country, region or otherwise specified financial market section, or in a particular type of assets,
- c) a warning that even though the composition of assets in an open-ended fund is in compliance with the risk distribution principles stipulated by law and by the open-ended fund rules, narrow industry-based or territorial division of investments may increase the associated risks,
- d) where open-ended fund's assets are invested in bonds, types of bonds by groups of their issuers, yield maturity period (duration) of a bond portfolio and information specifying whether an investment is made in compliance with the bond rating requirements,
- e) information specifying whether financial derivatives are used only for the purposes of the effective management of investments of open-ended fund's assets or also to achieve investment plans with open-ended fund's assets,
- f) information specifying whether the manner of management of open-ended fund's assets requires the use of a specific benchmark or monitoring of the financial index,

- g) information specifying whether open-ended fund's assets are managed on the basis of a tactical asset allocation with a high frequency of portfolio adjustments.

(3) Information mentioned in paragraphs (1)(c) and (2)(f) may be indicated in a single item in the simplified prospectus; this does not apply where such common specification of this information could mislead investors in respect of the purpose for which an open-ended fund was established or of the investment plans with that open-ended fund's assets.

(4) Risk profile of an open-ended fund shall contain

- a) a warning that the value of investment may increase as well as decrease and that there is no guarantee of return of the originally invested amount,
- b) description of risks related to investments in a respective open-ended fund, which may affect the value of an open-ended fund investment, including their brief and comprehensible explanation and scope, e.g.
 - 1. market risk arising from the influence of changes in the development in a respective market on the prices and values of particular types of assets in an open-ended fund,
 - 2. credit risk arising from a failure of an issuer or a counterparty to default their obligations,
 - 3. settlement risk related to an occurrence when the settlement in a transfer system does not take place as expected because a counterparty does not pay or deliver financial instruments within an agreed period,
 - 4. risk of insufficient liquidity where a certain asset of an open-ended fund is not liquidated in a timely manner at a reasonable price,
 - 5. foreign exchange risk arising from the fact that the investment's value may be affected by changes in exchange rates of foreign currencies,
 - 6. risk of loss of assets held in custody or under management of another type, that could result from the insolvency, negligence or fraudulent action of a person who has open-ended fund's assets or unit certificates in custody or under management of another type,
 - 7. concentration risk related to the investment strategy aimed at a particular industry, countries or regions; other market sections or particular types of assets,
 - 8. risk of fluctuations in the value of an investment depending on the performance of a management company in the management of an open-ended fund or on the existence or limitations of guarantees provided by a third party,
 - 9. inflation risk,
 - 10. risk that if the net asset value of an open-ended fund falls below SKK 50,000,000, the Financial Market Authority may cancel the respective management company's license to establish an open-ended fund,
 - 11. risk of instability of the environment where a management company performs its activities, especially the risk of a change in the tax system or in legal regulations,
- c) information specifying that a detailed description of all risks mentioned in the simplified prospectus is contained within the full prospectus of an open-ended fund.

(5) If an open-ended fund was established earlier than one year prior to the formulation of a simplified prospectus, a description of risks under (4)(b) shall also be given in the form of a synthetic risk indicator expressing the volatility of yields of open-ended fund's assets in figures or words, calculated on the basis of daily values of an open-ended fund's net asset value or on the basis of values of an open-ended fund's asset value calculated with a frequency specified by the fund rules.

(6) The development of asset value and yields from the management of open-ended fund's assets for the last ten years shall contain

- a) past performance of an open-ended fund in the form of a bar chart showing annual yields for at least ten consecutive years; yields for all the years of an open-ended fund's existence shall be given where an open-ended fund exists fewer than ten years but longer than one year; the information on an open-ended fund's past performance shall detail whether that open-ended fund's past performance also includes fees related to the management and redemption and issue of unit certificates and whether these fees are specified after or before tax,
- b) comparison of a past open-ended fund's performance as per subparagraph (a) above with the development of the indicator monitored by an open-ended fund if that open-ended fund monitors such an indicator; the comparison shall be specified in the form of a bar chart containing the compared data,
- c) cumulative performance of an open-ended fund for the period from the establishment of that open-ended fund or its cumulative average performance for the last three years, five years or ten years if an open-ended fund exists for more than three years,
- d) comparison of an open-ended fund's cumulative performance with an indicator monitored by an open-ended fund for the period from the establishment of the open-ended fund, if the open-ended fund monitors such an indicator.

Article 3 Economic information

(1) Concise data on tax regulations relating to an open-ended fund, also containing a warning that the taxation of particular investors' income and profits is subject to the tax regulations relating to particular investors and the country where an investor made its investment in open-ended funds, as well as the recommendation of a possibility to use professional advice in case of uncertainties related to a respective taxation.

(2) Information on other expenses or fees related to the management of an open-ended fund shall contain

- a) total expense ratio (TER) for the previous accounting period, which is equal to the ratio of open-ended fund's total operating costs to its average net asset value, where "total operating costs" mean the sum of the open-ended fund management remuneration, the remuneration for the performance of depositary activities, and fees pursuant to Article 23(2)(c) of the Act and Article 82(3) of the Act, which are not related to the fees for transactions with financial instruments in open-ended fund's assets,
- b) synthetic indicator of an open-ended fund's total expense ratio where an open-ended fund invests at least 10 % of its asset value in other open-ended funds that publish their own total expense ratio (hereinafter referred to as "target open-ended fund"); where the target open-ended fund is part of the same consolidated group as this open-ended fund, these fees shall not be included for the purposes of the calculation of an open-ended fund's total expense ratio; where the target open-ended fund does not publish its own total expense ratio, its amount shall be estimated with professional care for the purposes of the calculation of an open-ended fund's synthetic total expense ratio,
- c) an overview of other expenses or fees paid from assets in an open-ended fund that are not included in the indicators under letters (a) and (b),

- d) the amount of expenses and fees of an open-ended fund for the calendar year in which an open-ended fund was established and for each subsequent calendar year, following the structure given in the table in Annex No. 1,
- e) portfolio turnover ratio (PTR) for the last calendar year.

(3) The method of calculation of the synthetic total expense ratio of an open-ended fund and the portfolio turnover ratio is given in Annex No. 2.

Article 4

The provisions of Articles 2 and 3 apply to a simplified prospectus submitted for approval after this Decree has come into force.

Article 5

This Decree shall come into force on the date of its announcement.

Act No. 209/2007 Coll. came into force on 1 May 2007.

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EXPENSES AND FEES OF AN OPEN-ENDED FUND

Type of expense or fees of an open-ended fund	Volume (in SKK thousand)
remuneration for the management of an open-ended fund	
remuneration for the performance of depositary activities	
tax expenses	
fees to regulated market	
fees to the entity providing settlement of securities transactions	
fees to the bank	
fees to the branch of a foreign bank	
fees to the securities dealer	
fees to the branch of a foreign securities dealer	
fees to the central depository or a member of the central depository and entity residing outside the territory of the Slovak Republic, with a similar line of business	
fees to the depository for the procurement and settlement of securities transactions	
fees to the depository for the safe custody and management of foreign securities paid by the depository to foreign entities	
fees to the depository for the maintenance of current accounts and transfer of funds	

MANNER OF CALCULATION OF THE SYNTHETIC TOTAL EXPENSE RATIO OF AN OPEN-ENDED FUND AND THE PORTFOLIO TURNOVER RATIO

1. Synthetic total expense ratio of an open-ended fund shall be calculated as the sum of the total expense ratio of that open-ended fund and the total expense ratio of each target open-ended fund, in a proportion corresponding with the share of an investment in a target open-ended fund of open-ended fund's total assets, whereas fees related to the redemption and issue of target open-ended fund unit certificates are, in this case, included in the total expense ratio of target open-ended funds.

Synthetic total expense ratio of an open-ended fund shall be calculated using the formula

$$TER_{\text{synt}} = TER_F + \sum_{i=1}^K (TER_{CFi} \times w_i) + (CCF_{in} + CCF_{out})/NAV$$

where:

TERF = the actual total expense ratio of an open-ended fund

NAV = average net asset value of an open-ended fund calculated from all values of an open-ended fund's net asset value calculated by a management company using the frequency specified in the fund rules for the monitored period

TERCFi = total expense ratio of the ith target open-ended fund, if published

Wi = share (weight) of an investment in the ith open-ended fund of the open-ended fund's assets

K = number of target open-ended funds

CCFin = paid fees related to the issue of unit certificates of target open-ended funds

CCFout = paid fees related to the redemption of unit certificates of target open-ended funds.

2. Portfolio turnover ratio shall be calculated as the ratio of the difference of the sum of purchased assets and sold assets of an open-ended fund to the sum of issued and redeemed open-ended fund unit certificates to the average net asset value of an open-ended fund.

Portfolio turnover ratio shall be calculated using the formula

$$PTR = [((PS + SS) - (I + R)) / M] \times 100$$

where:

PS = purchased assets

SS = sold assets

I = issued open-ended fund unit certificates

R = redeemed open-ended fund unit certificates

M = average value of the net asset value of an open-ended fund calculated from all values of an open-ended fund's net asset value calculated by a management company using the frequency specified in the fund rules for the monitored period.