

IFSA Standard No. 10.00



Presentation of Past Performance Information and Visual Promotions

June 2005

Main features of the standard are:

- **To specify standards to be adopted by an IFSA member in the promotion of its Financial Products and Services; and**
- **To provide guidance in the interpretation and application of those standards.**

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1 Title

- 1.1 This Standard may be cited as IFSA Standard No. 10.00 'Presentation of Past Performance Information and Visual Promotions'.

2 Standards and Commentary

- 2.1 The Standards are shown in bold print. Commentary is shown in normal print immediately after the standard to which it relates, as an aid to interpretation of the standard.

3 Date of Issue

- 3.1 Originally issued 22 December 2000 (formerly known as 'Promotional Statements & Advertising'); updated 15 June 2005.

4 Effective Date

- 4.1 This Standard applies to IFSA members' operations on or after 1 July 2006 [*in the case where the Standard is to apply to Promotional Statements (which include Product Disclosure Statements)*] or 1 July 2005 [*in the case where the Standard is to only apply to Promotional Statements (not including Product Disclosure Statements)*] for all Promotional Statements prepared from that date. An IFSA member will phase out existing Promotional Statements that do not comply with the Standard by 1 July 2005. Earlier application of this Standard is permitted and encouraged.

5 Application

- 5.1 This Standard applies to IFSA members who are providers of Financial Products and Services.

- 5.2 Where there is a conflict between applicable legislation, regulations, rules and regulator policy and the constitution of a scheme and the requirements of this Standard, the requirements of this Standard should be applied as far as is practicable.

6 Statement of Purpose

- 6.1 The purpose of this Standard is:

- to specify standards to be adopted by an IFSA member in the promotion of its Financial Products and Services; and
- to provide guidance in the interpretation and application of those standards.

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7 Application of Materiality

- 7.1 Failure by a provider of a Financial Product or Service to adopt or implement this Standard is material if such failure is likely to be misleading or substantially deviates from good practice guidelines in *ASIC's Guide on the Use of Past Performance in Promotional Material* (ASIC's Guide) issued July 2003.

8 Definitions

8.1 In this Standard:

“Promotional Statement” means a product disclosure statement (PDS) and any other statement (including advertising) intended, or which would reasonably give the impression that it was intended, to induce a person to, enter into, vary or continue a Financial Product or Service.

- 8.2 The use of industry terms should aim to conform to the definitions of terms as stated by IFSA Guidance Note No. 5.00 “Industry Terms and Definitions”, and avoid the use of ambiguous terminology.

9 General Principles

- 9.1 The provider of a Financial Product or Service must, when preparing Promotional Statements, comply with the requirements of *ASIC's Guide on the Use of Past Performance in Promotional Material* issued July 2003.
- 9.2 When making references to investment performance, the methodology used to calculate the performance must be in compliance with IFSA Standard No. 6.00 “Product Performance – Calculation of Returns”.
- 9.3 Whilst ASIC's Guide does not cover the content of PDSs, ASIC recognises that many of the same principles apply to PDSs. For the purposes of this Standard a PDS is a Promotional Statement and, as such, ASIC's Guide applies to PDSs.

10 Presentation of Returns

- 10.1 When presenting performance, actual fund returns should not be linked with non actual returns for the purpose of creating a fund history.

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- 10.1.1 As a guide, non-actual performance should only be used on new products where no history exists and only as contemplated in ASIC's Guide.
- 10.1.2 For example, once a fund has a 12-month performance history, performance should only reflect the 1-year actual return. Where non-actual performance for 3-years and 5-years continue to be shown (once a fund has actual history), the non-actual performance must be clearly separated from the actual returns by a separate table and a full explanation attached. (i.e. merely attaching footnotes or similar to the same table presenting modelled returns with actual returns is unacceptable.)
- 10.2 Full disclosure of the methodology used to calculate returns is required at all times.**
- 10.2.1 Footnoted or endnoted comments are satisfactory for this purpose.
- 10.3 The terminology Total Returns, Growth Return and Distribution Return should be used when presenting returns.**
- 10.3.1 When disclosing the methodology used to calculate returns, the terms Total Return, Growth Return and Distribution Return should be used and corresponding amounts calculated in accordance with IFSA Standard No. 6.00 "Fund Performance - Calculation of Returns".
- 10.4 The minimum level of reporting is for Scheme Operators to report Total Returns.**
- 10.5 While Growth and Distribution Returns are optional, they must not be reported in isolation, rather they should be reported along-side each other with the Total Return.**
- 10.6 If one of the components of a Distribution was a part return of capital, then Scheme Operators should disclose the amount of capital returned to Scheme Holders.**
- 10.7 Photographs and drawings**
- 10.7.1 Photographs and drawings of assets used in a Promotional Statement which may be reasonably assumed to be assets of the Financial Product being promoted must only show real assets connected to the Financial Product. Photographs and drawings of public buildings or panoramic views may be used provided that it is clear to a reasonable investor that these do not depict trust assets. If this is not clear then a disclaimer must be included.**
- 10.7.2 Photographs of the assets of a Financial Product must be the most recent available. If the assets have materially changed their appearance a new photograph must be taken and used.**

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10.7.3 Panoramic photographs of areas in which Financial Product assets are or will be located are permitted provided that the Financial Product's assets or their future location is highlighted in the photograph.

Photographs depicting an asset in which the Financial Product owns or is entitled to only a small portion are not permitted unless a statement is included making clear that the Financial Product does not own the entire asset.

10.8 Additional Guidance to ASIC's Guide

10.8.1 Section 12 - Treatment of fees, paragraph 12.7 of the Guide should be interpreted by members such that it is only applicable to specific personalised examples in the form, or nature of the example provided in paragraph 12.7.1 of the Guide.. For example, a generic statement or scenario which would not fall within the scope of paragraph 12.7 of the Guide would be a scenario of performance history over time which did not attempt to reflect an investor's actual experience (i.e the investment of a particular amount for a specific period, which by its nature would need to take into account the effect of all relevant fees). In any event, appropriate disclosure of the calculation methodology, including all relevant assumptions, should be made.