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Joint Investment Trust (Calculation of Yield) Regulations, 5755-1995

By virtue of my authority under sections 73(b) and 131(a) of the Joint Investment Trust Law, 5754-1994 (hereafter — the Law), in accordance with a proposal of the ISA and with the approval of the Finance Committee of the Knesset, I enact the following regulations:

Definitions:

1 In these regulations –

(Amendment 1999 - 5759)

"*Dollar*" – the dollar of the United States of America

"*Trading Day*" –

- 1) Pertaining a fund, with investment policy where the value of foreign securities held by a fund, including options traded outside Israel (henceforth – foreign securities), will not rise above 10% of the net value of the fund's assets – on a day trade is taking place on the stock exchange in Israel;
- 2) Pertaining another fund – any of the days between Monday and Thursday when trading is taking place on the stock exchange in Israel, and on foreign markets and stock exchanges, when securities held by the fund had been acquired there, including a day of the aforesaid days on which there was no trading on a foreign stock exchange or on a regulated foreign market, if the value of foreign securities that have been acquired there, and held by the fund, does not rise above 10% of the net value of the fund's assets.

"*Record date*" – date on which whoever holds units of a fund is entitled to receive bonus units

"*Index*" – consumer price index published by the Central Bureau of Statistics

"*Quarter*" – a period of three months that ends at the end of March, June, September and December of every year;

"*Calendar year*" - a year according to the Gregorian calendar;

"*Year of publication*" – a period during which both of the following transpires:

- 1) In has 12 months
- 2) It commenced on the 1st of the month that has been preceded by 12 months on which a yield was published or on the 1st of the month that has been preceded by multiples of 12 months to the month on which a yield has been published;

"*A representative exchange rate*" on a particular day – foreign currency rate in NIS published on that day by the Bank of Israel, and if not published on that day – the latest rate published before that day;

"*Compound period*" – a period for which yield is calculated;

"*Real return*" - a yield with deduction of index fluctuation in the compound period;

"*Dollar yield*" - a yield with deduction of dollar fluctuation in the compound period;

"*Payment*" – a sum in NIS paid from the fund's assets to unit owners for each unit held by them on a record date;

Compound period

(Amendment 1999 - 5759)

2. A period for which yield will be calculated and published by published by a fund manager, a person who controls it or a company under the control of the aforesaid person, except for yield published in the fund's prospectus will be as follows:
 - (1) the date for the commencement of the period will be –
 - (a) if the commencement of compound period in a calendar year in which the yield is published is one of the following: the first day of the offer of a fund's units to the public, the first day of a quarter or the 1st of a last month prior to the month in which the yield is published.
 - (b) if the commencement of compound period in a calendar year is different from the year in which the yield was published – is one of the following: the first day of the fund's units offer to the public, 1st of January or 1st of the first month of the publication year and if the publication date in the first month of a calendar year – is also the first day of the last quarter that preceded the month in which the yield had been published or the 1st of the last month that preceded the month in which the yield was published.
 - (2) **Final date of the Compound period**
 - (a) the last day of trade of the last month prior to the month in which the yield was published:

- (b) the last day of trade of a calendar year, if the compound period is on January 1, of that same year, and the last day of trade of the last calendar year prior to the publication date if the compound period is on January 1 of any year, providing that along with the publication of the yield for the aforesaid period - the yield for the period starting on January 1 of the year in which the yield is published and its closing date is the last trading date of the last month prior to the month in which the yield is published – is also published.
 - (c) The last trading day of the publication year, if the period starts in the first month of the aforesaid year.
- (3) Publication of yield for a calendar year will be publish along with the yield for each one of the subsequent years that start on January 1, of the year in which the yield is published and its closing date is the last day of trading of the last month prior to the month on which the yield is published.
 - (4) Publication of yield for a publication year will be publish along with the yield for each one of the subsequent years.
 - (5) Publication of yields for a number of subsequent calendar years or a number of subsequent publishing years (henceforth – an overall period), or publication of yield for a continuous period that is as long as a number of calendar years or a number of publication years (henceforth - a continuous period), might include publication of an average yearly yield for an overall period or a continuous period, accordingly.

The compound period in prospectus publications

- 3. A period for which a yield to be published in a fund's prospectus is calculated as follows:
 - (1) a commencement date will be the first date of the period for which the annual report has to be filed according to the Securities Law Regulations (Details of Trust Fund Prospectus, its Form and Structure) 5726-1969, (henceforth – the period of an annual report), and the closing date will be the last day of the annual report; whereas less than twelve had elapsed between the first day of the fund's units offer to the public and the last day of the period of an annual report, the date for commencement of the compound period of yield calculation, will be first day of the fund's units offer to the public.
 - (2) Where the ISA requires, according to section 27(a)(1) of the Law, to publish in the prospectus a yield for a period additional to the period included in the annual report, the ISA is authorized to stipulate the commencement date and the closing date.

Formula for Yield Calculation

(Amendment 1999 - 5759)

4. (a) NIS yield calculation A shall be done according to the following formula:

$$A = (R_C / R_L - 1) \cdot 100$$

When –

R_C – the redemption price at the end of the last trading day of the compound period;

R_L - the redemption price at the end of the last trading day prior to the compound period

R_C – the redemption price at the end of the last trading day of the compound period, multiplied by a representative exchange rate, for that date, of a foreign currency quoted as redemption price.

R_L - the redemption price at the end of the last trading day prior to the compound period, multiplied by a representative exchange rate, for that date, of a foreign currency quoted as redemption price, or by a representative rate of the first day first time offer of a fund's units' offer to the public, while it is multiplied by 100, if the compound period commenced on the first day of the of fund's units' to the public.

- (b) When a payment to a unit holder is made during the compound period, the NIS yield will be calculated according to the following formula:

$$A = \left[R_C / R_L \times \prod_{i=1}^n (1 + D_i) - 1 \right] \times 100$$

When –

D – The payment that was paid, while it is divided by the unit price on the day of payment; however if the last day of trade of the compound period occurred after the record date and prior to the day on which the payment was made for the unit held on that day, the following payment will also be taken into consideration:

i – The number of payment during the compound period

n – The number of dates on which the payment was made during the compound period

∏ - Multiplication of expressions enclosed in brackets following it.

- (c) If bonus units have been allocated during the compound period, the NIS yield shall be calculated according to the following formula:

$$A = \left[R_c / R_L \times \prod_{i=1}^n (1 + Si/100) - 1 \right] \times 100$$

When –

S – A number of units allocated during the compound period, in percents

i - The number of payment during the compound period

n – The number of dates on which the payment was made during the compound period

- (d) the calculation of the average annual yield will be done according to the following formula:

$$\bar{A} = \left(\sqrt[n]{A/100 + 1} - 1 \right) \times 100$$

When –

A – Yield as defined under secondary regulations (a) to (c), accordingly;

n – A number of calendar years or years of publication included in the compound period;

Formula for calculating the Real Return and the Dollar Yield
(Amendment 1999 - 5759)

5. (a) A fund manager, a person who controls him or a company under the control of the aforesaid person, authorized to publish a real return, provided it was published along with the yield calculated in accordance with one of the secondary regulations (a) to (c), under regulation 4, accordingly:

- (1a) Calculation of real return B for a compound period will be done according to the following formula:

$$B = \left[\left[\left(\frac{A}{100} + 1 \right) \left(\frac{P_2}{P_1} \times \left(\frac{P_1}{P_0} \right)^{\frac{(n-d+1)}{n}} \right) \right] - 1 \right] \times 100$$

When –

P_2 - index published for the last month of the compound period

P_1 - index published for the month on which the compound period had commenced

P_0 - index published for the month prior to which the compound period had commenced

n – a number of days in a month on which the compound period had commenced

d - the day of the month on which the compound period had commenced

- (2a) Calculation of real average annual return \bar{B} for a compound period will be done according to the following formula:

$$\bar{B} = \left(\sqrt[n]{(B/100 + 1)} - 1 \right) \times 100$$

When –

B – real return for a compound period calculated according to the secondary regulation (1a)

(b) A fund manager, a person who controls him or a company under the control of the aforesaid person, authorized to publish a real return, providing the fund is not for overseas residents only – it was published along with the yield calculated according to regulation 4; calculation of a dollar yield for a compound period will be done according to the following formula:

$$L = \left[\left((A/100 + 1) \times Y_0/Y_1 - 1 \right) \right] \times 100$$

When –

Y_0 - the representative rate of the dollar on the last day of trading prior to the commencement of the compound period;

Y_1 - the representative rate of the dollar on the last day of trading of the compound period;

(b) calculation of the annual average dollar yield \bar{L} will be done according to the following formula:

$$\bar{L} = \left(\sqrt[n]{\left((L/100 + 1) \times Y_0/Y_1 \right)} - 1 \right) \times 100$$

When –

L – dollar yield for a compound period, calculated according to the secondary regulation (b)

n - a number of calendar years of publication years included in the compound period.

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Minister of Finance