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## **Joint Investment Trust (Calculation of Rates of Return) 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 -  
"*Estimated annual rate of return*" – a datum expressing the anticipated annual rate of return of the fund, based on the composition of the fund's assets and liabilities, on the day preceding the date set for a fund offering, which is calculated as is generally accepted for its measurement.

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

"*Trading day*" – as defined in the Joint Investment Trust Regulations (Buy and Sell Prices of Fund Assets and Fund Assets Value), 5755-1994;

"*Record date*" – date on which the unit holders of a fund are entitled to receive bonus units or payment, as applicable;

"*Characterizing heading*" - as per its meaning in Section 73(c1)(2) of the Law;

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

“*KAPAM*” – as defined in the Joint Investment Trust Regulations (Assets that Funds are Entitled to Buy and Hold and Their Maximum Proportion), 1994;

"*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) It has 12 months
- 2) It commenced on the 1st of the month that has been preceded by 12 months on which a rates of return were published or on the 1st of the month that has been preceded by multiples of 12 months to the month on which rates of return have been published;

"*The 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;

"*Calculation period*" – a period for which rate of return is calculated;

"*Real return*" - a rate of return with deduction of index fluctuation in the calculation period;

"*Dollar rate of return*" - a rate of return dollar fluctuation in the calculation 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;

### **Calculation period**

2. (a) A period for which rates of return are calculated and published by a fund manager, a person controlling it or a company under the control of the aforesaid person, except for rates of return 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 calculation period in a calendar year in which the rate of return rate of return is published - one of the following: the first day a fund's units are offered to the public, the first day of a quarter or the first day of the month preceding the month in which the rate of return is published or the day on which a material change in the fund's investment policy becomes effective;
  - (b) If the commencement of the calculation period in a calendar year differs from the year in which the rate of return was published - one of the following: the first day of the fund's units offer to the public, first of January or the first day of the first month of the publication year or the day on which a material change in the fund's investment policy becomes effective; and if the publication date in the first month of a calendar year –the first day of the last quarter preceding the month in which the rate of return was published or the first of the month preceding the month in which the rate of return was published, as well.
  
- (2) The final date of the calculation period will be one of the following -
  - (a) The last trading day of the month preceding the month in which the rate of return was published:
  - (b) The last trading day of a calendar year, if the calculation 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 calculation period is on January 1 of any year, providing that along with the publication of the rate of return for the aforesaid period - the rate of return for the period starting on January 1 of the year in which the rate of return is published and its closing date is the last trading date of the last month prior to the month in which the rate of return 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 a rate of return for a calendar year will be published along with the rate of return for each one of the subsequent calendar years and for the period that starts on January 1, of the year in which the rate of return is published and its closing date is the last day of trading of the last month prior to the month on which the rate of return is published.
  - (4) Publication of rates of return for a publication year will be published along with the rate of return for each one of the subsequent years.
  - (5) Publication of rate of returns for a series of continuous calendar years or a series of continuous publishing years (hereinafter – “overall period”), or publication of rates of return for a continuous period the length of which equals a number of calendar years or a number of publication years (hereinafter - a continuous period), may include the publication of an average yearly rate of return for an overall period or a continuous period, accordingly.
  - (6) The rate of return of a fund that is published on the Internet can also be published for a date or a period of time as follows:
    - (a) The last day for which unit prices and redemption prices were set.
    - (b) The period which starts on each of the dates appearing in paragraph (1) and which ends on the last day for which unit prices and redemption prices were set.
- (b) Notwithstanding that stipulated in sub-regulation (a):
- (1) The rate of return for a period during which a material change in the fund’s investment policy was made will not be published;
  - (2) If a rate of return is published for a period of less than six months, then a rate of return for an additional period of at least six months will be published alongside it, as stipulated in sub-regulation (a).
- (c) This regulation is not intended to prevent the provision of information to Internet users regarding the rate of return during any other period, the starting and ending dates of which are selected by the user, and solely, if a material change in the fund’s investment policy was made during the period which

the rate of return relates to, the fact that a change was made and the date on which it occurred will appear alongside the rate of return on the aforesaid Internet site..

- (d) If the investment policy was changed in a manner that necessitates the substitution of at least thirty percent of the fund's assets, then for the purposes of this Regulation, the date that occurs forty-five days after the change becomes effective will be considered the date on which the change in investment policy occurred, and if the fund manager disclosed in a report prior to this date stating that he adjusted the fund's assets to the new investment policy□ then the date on which it completed the aforementioned adjustment of the fund's assets, according to the report.

### **The calculation period in prospectus publications<sup>1</sup>**

3. A period for which a rate of return 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 (Particulars of Prospectus of Fund, Structure, and Form), 5770-2009) 5726-1969, (hereinafter – 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 calculation period of rate of return calculation, will be first day of the fund's units offer to the public.

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<sup>1</sup> This regulation is not applicable to the presentation of the fund's rate of return in Part A of a secondary prospectus as long as this is required under the Joint Investment Trust Regulations (Particulars of Prospectus of Fund, Structure, and Form), 5770-2009, nor to the presentation of the rates of return in the fund's Annual Report as required under the Joint Investment Trust Regulations (Annual Report of a Fund), 5776 – 2016).

- (2) Where the ISA requires, according to section 27(a)(1) of the Law, to publish in the prospectus a rate of return 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.

**Online publication regarding funds not under fund manager management**

- 3a. The publication of data by a fund manager on the Internet under to Section 73(c)(2) of the Law with respect to a fund that is not managed by the fund manager, will include the following:
- (1) Data concerning all the funds sharing an identical characterizing heading to that of the fund managed by the fund manager for which the data is being published, apart from funds for which, during part of the period for which data is being published, a material change in investment policy was made or funds that were inactive during some or all of these periods; .
  - (2) The rate of return and standard deviation for each period for which the data is being published.

**Formula for Rate of return Calculation**

4. (a) The NIS rate of return (A) calculation shall be performed according to the following equation:

$$A = \left( \frac{R_C}{R_L} - 1 \right) \times 100$$

Where -

**RC** – the redemption price on the end of the last trading day of the calculation period;

**RL** - the redemption price at the end of the last trading day prior to the calculation period, or 100- if the beginning of the calculation period is the first

day the fund units are being offered to the public.

(a1) If the redemption price is denominated in a foreign currency, the NIS rate of return shall be performed with the following changes:

**RC** – the redemption price at the end of the last trading day of the calculation period, multiplied by the Representative Exchange Rate, for that date, of a foreign currency quoted as redemption price.

**RL** - the redemption price at the end of the last trading day prior to the calculation period, multiplied by the Representative Exchange Rate, for that date, of the denominated foreign currency, or by the Representative Exchange Rate of the first day of an initial public offering of a fund's units, multiplied by 100, if the calculation period commenced on the first day of the fund units are offered to the public.

(b) When a payment to a unit holder is made during the calculation period, the NIS rate of return will be calculated according to the following formula:

$$L = \left[ \frac{R_C}{R_L} \times \prod_{i=1}^n (1 + Di) - 1 \right] \times 100$$

Where-

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**D** – The payment relative to the nominal value of the unit divided by the unit price on the first trading day following the record date;

**i** – The number of payment during the calculation period;

**n** – The number of dates on which the payment was made during the calculation period;

II- Multiplication of expressions enclosed in brackets following it.

(c) If bonus units have been allocated during the calculation period, the

NIS rate of return shall be calculated according to the following formula:

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

Where-

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**S** – A number of units allocated during the calculation period, in percents;

**i** - The number of payment during the calculation period;

**n** – The number of dates on which the payment was made during the calculation period.

(d) The calculation of the average annual rate of return  $\bar{A}$  will be done according to the following formula:

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

Where

–

**A** – Rate of return as defined under secondary regulations (a) to (c), accordingly;

**n** – A number of calendar years or years of publication included in the calculation period.

### **Formula for calculating the Real Return and the Dollar Rate of return**

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 rate of return calculated in accordance with one of the secondary regulations (a) to (c), under regulation 4, accordingly.

(a1) Calculation of real return B for a calculation period will be done according to



the following formula:

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

Where -

- $P_2$  - Index published for the last month of the calculation period ;
- $P_1$  - Index published for the month on which the calculation period had commenced;
- $P_0$  - Index published for the month prior to which the calculation period had commenced;
- $n$  - A number of days in a month on which the calculation period had commenced;
- $d$  - The day of the month on which the calculation period had commenced.

- (a2) Calculation of real average annual return  $\bar{B}$  for a calculation period will be done according to the following formula:

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

Where –

$B$  – Real return for a calculation 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, entitled to publish a real return, providing the fund is not for overseas residents only – it was published along with the rate of return calculated according to regulation 4; calculation of a dollar rate of return for a calculation period will be done according to the following formula:

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

Where -

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

$Y_1$  - The representative rate of the dollar on the last day of trading of the calculation period.

- (c) Calculation of the annual average dollar rate of return  $\bar{L}$  will be done according to the following formula:

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

Where –

$L$  – Dollar rate of return for a calculation period, calculated according to the secondary regulation (b);

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

6. (a) A fund's rate of return will not be published for any period unless the fund manager states in the publication in bold letters that: "The fund's past returns do not guarantee similar returns in the future".
- (b) The estimated annual rate of return of a KAPAM will not be published, unless the fund manager states in bold letters that the estimated annual rate of return is calculated and updated on a weekly basis, or that it calculated and updated on a monthly basis, as applicable, based on the composition of the fund's assets on the price calculation day preceding the date set for a unit offering and is merely an estimate of the fund's anticipated annual rate of return.

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