

**COMMUNIQUÉ ON PRINCIPLES REGARDING PRESENTATION  
OF PERFORMANCE OF INDIVIDUAL AND INSTITUTIONAL  
PORTFOLIOS, REMUNERATION ACCORDING TO THE PERFORMANCE  
AND RANKING ACTIVITIES**

**Serial : V**

**No : 60**

**SECTION I**

**PURPOSE, SCOPE, LEGAL BASIS AND DEFINITIONS**

**Purpose and scope**

ARTICLE 1 – The purpose of this communiqué is the regulation of presentation of performance of portfolios owned by individual and institutional investors, which are to be published publicly or individually presented to the investors, remuneration according to the performance and ranking activities.

**Justification**

ARTICLE 2 – This Communiqué is based on sub-paragraphs (e) and (g) of first paragraph of revised Article 22 of Capital Market Law No: 2499.

**Definitions**

ARTICLE 3 - For the purpose of this Communiqué, the following definitions shall apply:

Law : Capital Market Law No: 2499 dated 28.07.1981,

Board : Capital Markets Board,

Competent institution: Institutions with portfolio management license granted by the Board according to the Article 31 of the Law,

Institutional investors: Mutual funds, pension funds, investment trusts and other investors approved by the Board,

Individual investors: Legal and natural persons given portfolio management service by competent institutions except institutional investors,

Portfolio: Capital market instruments, money market instruments and transactions, derivatives and options, cash, foreign currency, bank deposits and other assets and transactions approved by the Board,

Value of portfolio: Value, found in result of valuation of assets in the portfolio with the principles provided by portfolio management contracts,

Net asset value: Total value, found by adding receivables and other assets and decrease of debts and liabilities to the portfolio value,

Benchmark: Index or indices provides comparison of return of the portfolio.

## **SECTION II PRINCIPLES REGARDING CALCULATION OF RETURN AND BENCHMARK**

### **Valuation of portfolio**

ARTICLE 4 - Portfolios are valued daily. Valuation principles shall be determined by portfolio management contracts.

### **Determining the rate of portfolio return**

ARTICLE 5 - Rate of portfolio return is the expression of change of net asset value of portfolio at the end of the performance period in the context of this communiqué. In determining of rate of return of the portfolio, the method of time weighted rate of return which is given at annex no:1 of this communiqué, shall be used.

In the calculation of rate of return for institutional investors, unit value or net asset value per share shall be used.

### **Determining the relative rate of return of portfolio**

ARTICLE 6 - The relative rate of return of portfolio is the value in percentage, positive or negative, found by comparison of rate of return of portfolio with rate of return of benchmark at the end of the performance period.

### **Principles regarding the determining of rate of return of portfolio**

ARTICLE 7- Principles below shall be obeyed for determining the rate of return of portfolio objectively and inform of investors accurately.

a) Sub period is the period between two cash flows. Rate of return of portfolio is calculated of the multiplication of rate of returns calculated at sub-periods

b) Hypothesis regarding the formula planning to be used for calculating the rate of return of portfolio and other information clearly gives the result regarding relative rate of return shall be presented to the customer.

### **Determining the benchmark**

ARTICLE 8- Benchmark best fits the attributes of portfolio shall be used to determine the relative rate of return of portfolio. Foreign currency, inflation and other indices shall not be used unless related with the assets in the portfolio but rate of return of these criteria in the period shall be used.

If there are more than one asset group in the portfolio, the most appropriate benchmark of these asset groups shall be determined according to purpose and strategy of portfolio, attributes of asset groups and weight in portfolio, weight of related indices compatible with the weight of assets in the portfolio and calculation in the annex no:2 of this communiqué.

Market indices generally accepted and used widely nationally or internationally shall be used as benchmark. Except these indices, other indices approved by the board may be used.

### **Performance presentation period**

ARTICLE 9 - The presentations to be presented to the public including media and electronic medium shall be made for the periods covering January-December for past 5 years and periods covering January-March, January-June, January-September for current year. Any day falling between months cannot be chosen as the start date of a period, and earnings calculated for intermediate periods within the current year may not be converted into annual earnings. Calculation shall be made for the period after the initial presentation to the public for short-term portfolio less than five years or starting date.

Results of periods shorter than the periods mentioned above can also be explained regarding the calculations and presentations to be presented one-to-one without announcement in public domain also including media and electronic medium, provided that general provisions of this Communiqué are observed.

## **SECTION III**

### **Principles about Portfolio Group**

#### **Portfolio Group**

ARTICLE 10 - Portfolio Group is composed by means combining all portfolios managed in line with portfolio restrictions for similar investment purposes and strategies and fully controlled by one director and management fee of which is calculated, in order to facilitate the performance presentation.

#### **Principles about composition of portfolio groups**

ARTICLE 11 - The following stages must be observed for composition of portfolio groups:

- a) Management strategy of each portfolio shall be determined.

b) The portfolios having similar asset groups shall be classified according to the same strategy.

c) The portfolios having similar risk levels are combined.

Incorporation of a new portfolio to determined portfolio groups shall only be made during the following performance period. In case a portfolio covered under a current portfolio group is terminated during intermediate period, then such portfolio shall not be included in the calculations to be made at the end of the performance period during which it was terminated.

The portfolios covered under portfolio groups and whose value during the performance period falls under minimum amount to be determined by the portfolio manager can be left within the group provided that it does not have any adverse effects on performance results. The Board may determine minimum size of portfolio groups or minimum portfolio quantity required for composition of a group.

#### **Presentation of performance of a portfolio group**

ARTICLE 12 - Earning rate of a portfolio group is the weighted average of each portfolio-earning rate over portfolio values as of start date of the performance period.

Performance presentation must be made for all portfolio and portfolio groups. Individual and institutional portfolios may be subject to presentation among individual and institutional portfolios for the performance presentations to be made by the authorized board.

The portfolios not fully controlled by the manager and the portfolios less than minimum portfolio size required for portfolio groups shall not be included in the performance presentation during the process of decision making about portfolio management.

The portfolios being subject to strategy changes shall be included into another portfolio group convenient to the new strategies under the frame of Article 11.

### **SECTION IV PROVISIONS ABOUT RANKING ACTIVITIES BASED ON PERFORMANCE**

#### **Ranking based on performance**

ARTICLE 13 - Ranking based on performance shall be listed according to the performances of institutional investors in order to provide objective information about founders of public investment fund and pension investment fund and organizations distributing and selling them as per terms and conditions specified under this Communiqué. This service may not be rendered by means of appointment by institutional investors. The entities authorized for publishing and press and indication of earning rates of institutional investors in electronic medium are not covered under this article.

### **The Provisions about Performance based Ranking**

ARTICLE 14 - The following provisions shall be observed during realization of ranking activity;

a) During performance based ranking, earning rate adjusted according to the risk, or other methods approved by the Board shall be employed.

b) Institutional investors are divided into categories. One or more of the considerations such as strategies, kinds and types or portfolio restrictions of the institutional investors shall be taken into account during determination of categories. Categories basing on asset size of institutional investors shall not be made.

c) The indexes used for ranking presentation shall be specified. The indexes are the scoring, symbolizing, letter or other indicators approved by the board.

d) The assumptions used for calculation of total earning for listing shall be clearly stated.

e) Ranking shall be made as of end of 3-, 6-, 9- and 12-month periods.

## **SECTION V**

### **PROVISIONS ABOUT PERFORMANCE BASED PORTFOLIO MANAGEMENT OR CONSULTANT FEE**

#### **Portfolio management and consultant fee**

ARTICLE 15 - The fee to be charged for the portfolios for which portfolio management or investment consulting services are rendered under portfolio management and investment advising activity shall be a certain rate of net asset value plus relative earning rate of the portfolio or can also be calculated in connection with the amount thereof. The provisions about this matter shall be clearly stipulated under portfolio management or investment consulting contract.

#### **Provisions about performance based fee charge**

ARTICLE 16 - Fee can be only fixed fee, fixed and variable fee or only variable fee.

Performance based fee charge must be made on the basis of comparison criteria, and in cases when it is failed to fix comparison criteria pursuant to the provisions of article 8, performance based fee cannot be charged. However, the fees to be charged for the portfolios composed of minimum 1 (one) trillion Turkish lira Turkish and/or foreign currency fund and capital market instruments and the fees to be charged from the institutional investors located abroad regardless of portfolio size, for which investment consulting or portfolio management services are rendered, shall be exempted from this requirement, except for investment fund and partnership established in Turkey and pension investment funds in Turkey. The board shall be authorised to fix such amount.

Regarding the calculations to be made for such remuneration, in addition to time weighted earning for relative earning, fund weighted earning specified under annex 1 of the Communiqué shall be applied.

Fee ranges and positive and negative variables depending on the ranges may be freely determined but symmetry on range and rate basis in line with increase and decrease must be provided. Regardless of the method to be employed, institutional investors are liable to provide provisions for management or consulting fees on daily basis.

## **SECTION VI PRINCIPLES ON ADS AND NOTICES, RESPONSIBILITY AND EXTERNAL AUDIT**

### **General Principles**

ARTICLE 17- The following must be included in ads and notices that include performance presentation.

a) For institutional investors, the date of initial public offering and/or the starting date for portfolio management; for individual investors the starting date for portfolio management,

b) For every portfolio or composite, information about investment objectives, strategies (selection criteria and methods for assets invested, investment policies for the selected industry) and risk,

c) Information about change, if any, in investment strategy and frequency of these changes,

d) The statement, not smaller in size of main context, indicating that “Performance of the portfolio for the previous period shall not be an indicator for the future periods” shall be included,

e) Information about the use of credits, if any, in portfolio management,

f) Information about the minimum transaction size,

g) Net asset value, percentage of groups of assets and sectoral dispersion of equities,

In ads and notices including performance presentation, diagrams and tables misleading the investor visually due to scale differences shall not be used, and clauses aiming to create an overstated and subjective image of institutional investors and authorized institution such as; “the biggest”, “the best”, “the most reliable”, “the most profitable”, “the strongest” and etc. shall not be used.

The founders of mutual funds shall keep the reports of performance presentation results of other funds at participation certificate sale points so that the investors can examine them.

### **Portfolio Return and Principles Regarding to the Performance Presentation**

ARTICLE 18- At least the following about portfolio return and performance presentation must be included in ads and notices that include information about performance.

- a) Rate of return calculated in accordance with the principles determined in Article 5.
- b) The percentage of portfolio in total assets (portfolios) under management
- c) Standard deviation of the portfolio return in the performance presentation period,
- d) The minimum and the maximum amount of portfolios in the composite,
- e) Factors affecting the rate of return such as market conditions, the change in portfolio managers, capital increase etc.

In the case of performance presentation of separate asset groups in a portfolio, the percentage of the asset group in total portfolio must be disclosed. In that case, cash and other assets should be allocated to the asset group to be presented according to the given percentage to calculate the total portfolio return. The explanation about application of this article is given in the annex no:3 of this Communiqué.

### **Principles Regarding to Benchmark**

ARTICLE 19- At least the following about benchmark must be included in ads and notices that contain information about portfolio performance.

- a) Information about the selection and formation of the benchmark,
- b) Policies regarding use of securities not included in the benchmark, its justification, and if no benchmark is presented, the presentation must explain why no benchmark is disclosed,
- c) Information about the change in investment strategy and dependably the change in benchmark,
- d) Any known inconsistencies between the chosen source of exchange rates and those of the benchmark must be described and presented,
- e) Information about the comparison of chosen index's tax treatment and other fees and expenses with those of the portfolio.

The total return for the benchmark (or benchmarks) must be presented for the same periods for which the portfolio return is presented.

The effects of different tax treatments between benchmark return and portfolio return should be removed.

In case no benchmark is determined according to the principles stated in this Communiqué, performance presentation shall not be used in ads and notices.

### **Reporting Standards for Performance Presentation**

ARTICLE 20- Performance presentation reports should be in accordance with the sample given in the annex no:4 of this communiqué and information contained in Article 17, 18 and 19 of this Communiqué should be considered.

### **Principles Regarding to the Usage of Ranking Activities in Ads and Notices**

ARTICLE 21- The ranking results that are not compatible with the principles stated in Articles 13 and 14 of this Communiqué can not be used in ads and notices presented by institutional investors.

In ads and notices which contain ranking information and made by institutional investors, the following must be included.

- a) The name of real persons and legal entities (judicial persons) who is making the ranking activity
- b) The length of ranking period, the beginning and ending dates of that period
- c) The method of ranking
- d) The category, determination factors of that category and total number of funds included in that category
- e) Symbols and their definitions used in the ranking
- f) The origin of used ranking

In the case of presentation of different ranking results in ads and notices, all ranking results of each mutual funds should be explained.

### **Principles Regarding to the Responsibility and Independent External Audit**

ARTICLE 22- Authorized entity, institutional investors or the founder of mutual funds, which prepared the performance presentation reports, shall be responsible for the verification of information presented and compatibility of reports to this Communiqué. The Board may request to be audited externally the conformity of performance presentations to this Communiqué.

## **SECTION VII OTHER PROVISIONS**

### **Overruled Provisions**

ARTICLE 23 - The third paragraph of Article 48 in Communiqué Serial:VII, No: 10 on Principles Regarding Mutual Funds published in the Official Gazette dated 19 December 1996 numbered 22852 has been overruled.



**PROVISIONAL ARTICLE 1** – The five year period mentioned in Article 9 of this Communiqué shall be applied as 1 year in 2005, 2 years in 2006, 3 years in 2007 and 4 years in 2008.

**Entry into force**

ARTICLE 24- – This Communiqué shall enter into force in 02 January 2004.

**Enforcement**

ARTICLE 25 – The Capital Markets Board executes the provisions of this Communiqué.