Annex 2 – Procurement specifications

Procurement: Actively managed US and North American equity funds

Fondtorgsnämnden
Swedish Fund Selection Agency

Annex 2 – Procurement specifications

This annex summarises the procurement specifications that define the Fund Category being procured. The following items, with the exception of items 10 and 14, constitute mandatory requirements on the Fund and must be fulfilled as set out below.

	Item	Description	Fulfilled as of (and thereafter during the contract period)
1.	Investment strategy	Actively managed fund with primary focus on US equities, large and mid-cap companies	Closing date for tenders
2.	Fund type	UCITS The Fund must not be an exchange-traded fund (ETF) or part of a self-managing UCITS (i.e. a UCITS that has not appointed a management company, such as a self-managing SICAV or equivalent).	Closing date for tenders
3.	Feeder funds	Not permitted	Closing date for tenders
4.	Share class	Only accumulating share classes are permitted.	Closing date for tenders
5.	Trading currency	Any of the currencies approved for trading by the Swedish Pensions Agency, currently SEK, NOK, EUR and USD	Closing date for tenders
6.	Sustainability reporting	In accordance with SFDR article 8 or 9	Closing date for tenders
7.	Investment objective	Outperformance relative to the Fund's benchmark.	Closing date for tenders
8.	Benchmark	Benchmark that is rules-based, transparent, constitutes an appropriate reference for the market it pertains to and is publicly disclosed in an appropriate manner.	Closing date for tenders
9.	Management activity rate	Minimum 2% active risk, relative to the Fund's benchmark or, if the Fund was established less than three years ago, active risk of the	Closing date for tenders

		Strategy relative to the Fund's benchmark (based on a 3-year period, monthly data of closing prices, ex-post) or Minimum 60 % in active share relative to the Fund's benchmark (based on monthly data of closing prices) For the methods of calculating active risk and active share, see below.	
10.	FTN's category benchmark	MSCI North America NTR	Date not applicable
11.	Leverage	Not permitted	During the contract period
12.	Investments in other funds	Not permitted	During the contract period
13.	Derivatives	Where derivatives are used, only standardised derivatives, including currency forwards (OTC), used for the purpose of managing transaction-related flows in the Fund, are allowed.	During the contract period
14.	Securities lending	Securities lending allowed, but not required.	Date not applicable
15.	Trading and NAV reporting	Daily trading and NAV reporting	During the contract period

Methods of calculating

Active risk (Tracking error)

Active risk (Tracking error) is calculated as the ex-post volatility over a three-year period in relative monthly return between the portfolio and the Fund´s benchmark, scaled to yearly terms:

$$Active\ risk = \sqrt{12 * \frac{\sum_{i=1}^{N}\left(r_i^p - r_i^b - \bar{r}^{rel}\right)^2}{N-1}}$$

where r_i^p and r_i^b is the portfolio and the Fund´s benchmark return during month i and $\bar{r}^{rel}$ is the average relative return over the period N=36 months. The return of the portfolio should be calculated using market closing prices and from the formula it is given that sample standard deviation is assumed.

Active share

Active share is calculated by taking the absolute value of the difference in weight between the portfolio and the Fund´s benchmark for all assets, including cash holdings. These differences are summed up and divided by 2:

$$Active\ share\ = \frac{1}{2}\sum_{i=1}^{N}\left|w_i^p - w_i^b\right|$$

where w_i^p and w_i^b are the weights in the portfolio and the Fund´s benchmark of asset i and N is the union of all assets in the portfolio and the Fund´s benchmark. For derivatives the weight in the portfolio should be the underlying exposure. No substitution between assets with comparable exposure, such as shares in different share classes or depository receipts, should be done.