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# Annex A- The price annex

## Procurement: Biotechnology Funds, Actively managed

Fondtorgsnämnden
Swedish Fund Selection Agency

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# Introduction

Annex A regulates, not only the Procured Price, but also specific cost accounting for the fund and the calculation of any price reductions, as well as specifying the commitments incumbent on the Fund Manager and the Swedish Pensions Agency in this area. The Instructions to the Fund Agreement provide additional information on e.g. deadlines for reporting certain fees.

Investment funds on the fund platform shall be cost effective. A measure of what constitutes cost effectiveness for a fund can be obtained by, for example, making a comparison between the fund's fees, costs and yield. The Swedish Fund Selection Agency works together with the Swedish Pensions Agency, which is the insurer for the premium pension system, in order to ensure the correct deduction of fees and costs from the fund in accordance with the Procured Price.

The Procured Price is based on the Fund's fees and costs. The fees and costs structure includes management fees and other administrative or operating costs, with supplements as applicable for performance-based fees. The Procured Price constitutes what has been agreed in the contract and cannot be exceeded (but may, at the initiative of the Fund Manager, be reduced during the contract period). If, for example, a fund's other administration or operating costs increase, the fund manager must accordingly reduce the management fee (however see section 3.1 second paragraph below). The Procured Price may be lower than the Fund's ordinary Management Costs (fees and costs deductions in relation to the rest of the market). In such cases, the difference between the ordinary Management Costs and the Procured Price (the price reduction) shall be paid to the Swedish Pensions Agency by the Fund Manager on a quarterly basis. The amount representing the price reduction that the Swedish Pensions Agency receives from fund managers in this context is reinvested on behalf of pension savers in their unit-linked insurance policies.

## 1. Procured Price

The Procured Price for an investment fund covered by this fund agreement is specified in Annex A1, which presents the fund-specific details. More detailed regulations governing how the Procured Price is determined and calculated can be found in the fund management documents, as well as here below in Annex A.

## 2. Definitions

Within the scope of this annex, certain terms are defined as follows:

**Fund holdings**: The value in SEK of the Swedish Pensions Agency's holdings in the fund at a certain point in time.

**Management Costs:** The management fees for the Fund and other administrative or operating costs deducted from the relevant share class, expressed as a percentage of the managed capital.

**Price reduction**: The difference between Management costs and Procured Price.

**Priip Regulation:** Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on packaged and insurance-based investment fact sheets for retail investors (Priip products), as well as EU Commission Delegated Regulation 2017/653.

**Procured Price:** Refers to the price of the fund and the relevant share class as a percentage of the managed capital in accordance with what is determined by means of the procurement process and specified in Annex A1.

Definitions listed in Section 1 of the main fund agreement document also apply to this annex, along with abbreviations etc. that appear in this annex below.

## 3. Fees and costs of the Fund

### 3.1. Management costs and Price Reduction

At the close of each quarter of a calendar year, the Swedish Pensions Agency compiles the Fund's Management Costs and calculates the total Price reduction for the preceding quarter.
If there is any change to the regulations or industry standard upon which the fund manager bases its records of fees and costs, the Swedish Fund Selection Agency is entitled to adjust the method for calculating Management costs.

When determining which fees and costs incurred through activities relating to investment funds shall rightfully constitute part of the fund's Management costs, special attention shall be paid to industry standards and practice, recommendations and general advice for such calculations and record keeping in customer relations, in addition to relevant laws and regulations (including the PRIIPs Regulation). Costs for securities lending, class action lawsuits or other costs as determined by the Swedish Fund Selection Agency, which costs are associated with a net income in the fund, shall be reported to the Swedish Pensions Agency by the Fund Manager but shall not be included by the agency in the Management Costs when calculating the Procured Price and any Price Reduction.

### 3.2. Funds with changed fees and costs

When the Management costs of a fund are changed, the fund manager shall immediately notify the Swedish Pensions Agency, whereupon adjustments can be made to the price reduction.

### 3.3. Funds with estimated Management costs

When significant changes are made regarding the Management costs of an investment fund, an estimated management cost may be temporarily applied for calculating the price reduction. When the actual Management costs can be calculated, the Swedish Pensions Agency is entitled to re-invoice the fund manager for any difference.

## 4. Reporting Management costs

The fund manager shall report fees and costs to the Swedish Pensions Agency as shown in this section.

### 4.1. Reporting Managements costs etc.

Management costs shall be reported to the Swedish Pensions Agency at the frequency, in the manner and using the systems specified by the Swedish Pensions Agency on each occasion: see the Instructions for the Fund Agreement for further information. Reported fees and costs shall always be calculated as annual rates and specified as percentages to six decimals places.

At least the following items shall be reported (see 3.1 for definitions):

- Management fee (+ any performance-based fee)
- Other administration or operating costs
- Procured Price

The Cost Recovery Ratio (TK) shall be calculated with FAD + performance-based fee. The Instructions to the Fund Agreement contain detailed provisions regarding this calculation.

FAD = The fund's management fees and other administrative or operational costs as set out in Regulation No 1286/2014 of the European Parliament and of the Council (PRIIPs Regulation) and Commission Delegated Regulation 2017/653. FAD shall be expressed as a percentage to six decimal places.

## 5. Price for different tiers of fund holdings

In connection with the public tender, the fund manager was given opportunity to specify prices for up to five investment tiers in the fund. The Procured Price and any Price reduction thus depend on the Fund holdings.
If the option to specify prices for five investment tiers is used, the outcome can be illustrated as follows:

| Tier (*i*) | Tier for fund holdings in SEK | | | Procured Price ($P_i$) | Fund holdings per tier in SEK (EXPi) |
|---|---|---|---|---|---|
| 1 | | 0< fund holdings ≤a | | $P_1$ | $EXP_1$ |
| 2 | | a< fund holdings ≤b | | $P_2$ | $EXP_2$ |
| 3 | | b< fund holdings ≤c | | $P_3$ | $EXP_3$ |
| 4 | | c< fund holdings ≤d | | $P_4$ | $EXP_4$ |
| 5 | | d< fund holdings | | $P_5$ | $EXP_5$ |

The Procured Price applies within a specific tier. Each level of the Procured Price applies only for the part of the Fund holdings that lies within the specific tier. Tier limits are set as whole SEK. The Procured Price is set to six decimal places as an annual rate.

## 6. Calculating price reduction, where relevant

### 6.1. Price reduction per day

The price reduction shall be calculated and invoiced to the fund manager if the Procured Price falls below the Cost Recovery Ratio (TK). The price reduction amounts to the difference between TK and the Procured Price (P). The Swedish Pensions Agency calculates a daily price reduction (PRDAG) according to the formula below:

$$PPPP_{DDDDDD} = \sum_{ii=1}^{5} \frac{((TTTT_{DDDDDD} - PP_{ii}) * EEEEPP_{ii}}{365\ (366\ ffffff\ llllllll\ yyllllffyy)}$$

$TK_{DAG}$ = TK as a percentage of fund holdings on the day in question
$P_i$ = Procured Price for tier *i*
$EXP_i$ = Fund holdings in tier *i*

### 6.1.1. Calculation example of a price reduction calculated daily

#### *6.1.1.1. Assumption regarding tier and Procured Price*

| Tier | Tier for fund holdings in SEK | $P_i$ |
|---|---|---|
| 1 | 0< fund holdings ≤100,000,000 | 0.70% |
| 2 | 100,000,000< fund holdings ≤1,000,000,000 | 0.50% |
| 3 | 1,000,000,000< fund holdings ≤5,000,000,000 | 0.40% |
| 4 | 5,000,000,000< fund holdings ≤10,000,000,000 | 0.30% |
| 5 | 10,000,000,000< fund holdings . | 0.20% |

#### *6.1.1.2. Other assumptions*

*TK = 1.5%*
*Fund holdings = 5,500,000,000 SEK*

#### *6.1.1.3. Calculation*

*Thus* $PPffüPPll\ fflrrrrPPrrüffrr\ ffffff\ rrhll\ rrllyy\ ürr\ qqrrllyyrrüffrr = PPPP_{DDDDDD} =$

$$\sum_{ii=1}^{5} \frac{(TTTT - PP_{ii}) * EEEEPP_{i\ i}}{365\ (366\ ffffff\ llllllll\ yyllllffyy)} = \frac{(1.5\% - 0.7\%) * 100\ MMMMEETT}{365} + \frac{(1.5\% - 0.5\%) * 900\ MMMMEETT}{365} +$$

$$\frac{(1.5\% - 0.4\%) * 4{,}000\ MMMMEETT}{365} + \frac{(1.5\% - 0.3\%) * 500\ MMMMEETT}{365} + \frac{(1.5\% - 0.2\%) * 0\ MMMMEETT}{365} + = 2{,}191.78 +$$

$24{,}657.53 + 120{,}547.95 + 16{,}438.36 + 0 =$
$163{,}835.62\ SSEETT\ ffffff\ rrhll\ rrllyy\ ürr\ qqrrllyyrrüffrr.$

### 6.2. Price reduction invoices

Any Price reduction is invoiced quarterly at an amount corresponding to the sum of each day's price reductions for the quarter.

## 7. Fees shown on the fund platform

The fee shown to savers on the Swedish Pensions Agency website is the Procured Price. This is volume weighted according to the fund holdings and Procured Price for each tier.

## 8. Verification of fees and costs

The Swedish Fund Selection Agency and the Swedish Pensions Agency, respectively, are entitled – independently, or with the assistance of an independent third party – to verify that information pertaining to fees and costs etc. submitted by the fund manager is correct.

The Fund manager shall, at the request of the Swedish Pensions Agency, without cost and within the time specified by the Swedish Pensions Agency, provide the authority with an up-to-date auditor's certificate for the fees and costs etc. relating to the investment fund.

If an invoice is incorrect, perhaps due to incorrect data or calculations, the Swedish Pensions Agency may correct it by either issuing a supplementary invoice or by having the Fund manager credited the excess amount paid. The Fund manager shall be given reasonable opportunity to comment before such corrections are made.

## 9. Invoicing for possible Price reductions

Invoicing of any price reductions is done on a quarterly basis on the month following the quarter of a calendar year (April, July, October and January). If the fund is closed during the quarter, invoicing may occur earlier.

At the request of the fund manager, the Swedish Pensions Agency shall provide the basis for its calculation of the Price reduction.

Invoices from the Swedish Pensions Agency shall be paid no later than 30 days following the invoice date, and payment shall be made in Swedish Kronor (SEK). In the event of late payment, interest is charged in accordance with Section 6 of the Interest Act (1975:635).