

Chapter 15

Long-term asset funds

15.5 Annual report and investor relations

Application

15.5.1

R

This section applies to:

- (1) the *authorised fund manager* of an *AUT*, *ACS* or an *ICVC*; and
- (2) an *ICVC*,
which is a *long-term asset fund*.

Report and accounts

15.5.2

R

- (1) The *authorised fund manager* must prepare a report in respect of each *annual accounting period*, *half-yearly accounting period* and *quarterly reporting period*.
- (2) Where the first *annual accounting period* of a *scheme* is less than 12 *months*, a half-yearly report need not be prepared.
- (3) The *authorised fund manager* must:
 - (a) publish the annual report not more than four *months* after the end of each relevant *annual accounting period*;
 - (b) publish the half-yearly report not more than two *months* after the end of each relevant *half-yearly accounting period*; and
 - (c) publish the quarterly report not more than 20 *business days* after the end of each relevant *quarterly reporting period*,
and in each case provide a copy free of charge on request to any *unitholder*.
- (4) The *authorised fund manager* must provide free of charge, on the request of any *person* eligible to invest in the *scheme*, a copy of the latest:
 - (a) annual report and (if more recent) half-yearly report; and
 - (b) quarterly report,
before the conclusion of any *sale* to such a *person*.
- (5) The *authorised fund manager* must provide a copy of each annual, half-yearly and quarterly report to the *FCA*.
- (6) For a *scheme* which is an *umbrella*, any annual report provided under (3) or (4) may be a report prepared under ■ COLL 15.5.3R(3), but the

authorised fund manager must nevertheless provide free of charge the report prepared under ■ COLL 15.5.3R(2) if a *unitholder* or any other *person* eligible to invest in the *scheme* requests it.

Contents of the annual report

15.5.3

R

- (1) An annual report, other than for a *scheme* which is an *umbrella*, must contain:
 - (a) the accounts for the *annual accounting period* prepared in accordance with the requirements of the *SORP*;
 - (b) the report of the *authorised fund manager* in accordance with ■ COLL 15.5.6R (Authorised fund manager's report);
 - (c) comparative information in accordance with ■ COLL 4.5.10R (1A) and ■ (2A) (Comparative information);
 - (d) the report of the *depository* in accordance with ■ COLL 15.5.7R (Report of the depository);
 - (e) the report of the auditor in accordance with ■ COLL 4.5.12R (Report of the auditor);
 - (f) subject to ■ COLL 15.5.3R(1)(g), its *public TCFD product report* or an adequately contextualised and prominent cross-reference and hyperlink to the report's location on the *firm's* website, in accordance with ■ ESG 2.3.1R;
 - (g) where applicable, Part B of its *public product-level sustainability report* or an adequately contextualised and prominent cross-reference and to the report's location on the *firm's* website, in accordance with ■ ESG 5.5.5R; and
 - (h) where applicable, the amounts paid as donations for Sharia compliance purposes and the *registered charities* which received these payments.
- (2) An annual report on a *scheme* which is an *umbrella* must be prepared for the *umbrella* as a whole and must contain:
 - (a) for each *sub-fund*:
 - (i) the accounts required by (1)(a);
 - (ii) the report of the *authorised fund manager* in accordance with ■ COLL 15.5.6R;
 - (iii) comparative information in accordance with ■ COLL 4.5.10R(1A) and ■ (2A);
 - (iv) subject to ■ COLL 15.5.3R(2)(v), its *public TCFD product report* or an adequately contextualised and prominent cross-reference and hyperlink to the report's location on *firm's* website, in accordance with ■ ESG 2.3.1R;
 - (v) where applicable, Part B of its *public product-level sustainability report* or an adequately contextualised and prominent cross-reference and hyperlink to the report's location on the *firm's* website, in accordance with ■ ESG 5.5.5R; and
 - (vi) where applicable, the amounts paid as donations for Sharia compliance purposes and the *registered charities* which received these payments;

- (b) the report of the *depository* in accordance with ■ COLL 15.5.7R; and
 - (c) the report of the auditor in accordance with ■ COLL 4.5.12R.
- (3) The *authorised fund manager* of a *scheme* which is an *umbrella* may, in addition to complying with (2), prepare a further annual report for any one or more individual *sub-funds* of the *umbrella*, in which case it must contain:
- (a) for the *sub-fund*:
 - (i) the accounts required by (1)(a);
 - (ii) the report of the *authorised fund manager* in accordance with ■ COLL 15.5.6R; and
 - (iii) comparative information in accordance with ■ COLL 4.5.10R(1A) and ■ (2A);
 - (b) the report of the *depository* in accordance with ■ COLL 15.5.7R; and
the report of the auditor in accordance with ■ COLL 4.5.12R.
- (4) The *directors* of an *ICVC* or the *authorised fund manager* of an *AUT* or *ACS* must ensure that the accounts referred to in (1)(a), (2)(a) and (3)(a) give a true and fair view of the net revenue and the net capital gains or losses on the *scheme property* of the *authorised fund* or *sub-fund* for the relevant *annual accounting period*, and of the financial position of the *authorised fund* or *sub-fund* as at the end of that period.
- (5) An annual report of a *long-term asset fund* must also contain a statement setting out a description of the assessment of value required by ■ COLL 15.7.17R including:
- (a) a separate discussion and conclusion for the matters covered in each paragraph of ■ COLL 6.6.21R, and for each other matter that formed part of the assessment, covering the considerations taken into account in the assessment, a summary of its findings and the steps undertaken as part of or as a consequence of the assessment;
 - (b) an explanation for any case in which benefits from economies of scale that were identified in the assessment have not been passed on to *unitholders*;
 - (c) an explanation for any case in which *unitholders* hold *units* in a *class* for which the payments out of *scheme property* in relation to that *class* as set out in the *prospectus* (in this rule, "charges") are higher than those applying to other *classes* of the same *scheme* with substantially similar rights;
 - (d) the conclusion of the *authorised fund manager's* assessment of whether the charges are justified in the context of the overall value delivered to the *unitholders* in the *scheme*; and
 - (e) if the assessment has identified that the charges are not justified in the context of the overall value delivered to the *unitholders*, a clear explanation of what action has been or will be taken to address the situation.

- (6) An annual report of a *long-term asset fund* must also contain a statement setting out a description of the assessment required by ■ COLL 15.7.20R (Assessment of investment valuations, due diligence, conflicts of interest and liquidity management), including:
- (a) a separate discussion and conclusion for each of the matters specified in ■ COLL 15.7.21R (Table: minimum considerations – assessment of investment valuations, due diligence, conflicts of interest and liquidity management) and for each other matter that formed part of the assessment;
 - (b) a summary of the assessment's findings and the steps undertaken as part of or as a consequence of the assessment; and
 - (c) the conclusion of the *authorised fund manager's* assessment of how it managed the *LTAf* in the best interests of the *scheme*, its investors and the integrity of the market.

Information to be included in annual reports on securities financing transactions and total return swaps

15.5.4

G

- (1) The *Securities Financing Transactions Regulation* sets out the additional information which an *authorised fund manager* who is a *full-scope UK AIFM* of a *long-term asset fund* must include in the *scheme's* annual report.
- (2) ■ COLL 4.5.8ABUK and ■ COLL 4.5.8ACUK copy out the relevant provisions of that regulation.
- (3) An *authorised fund manager* of a *long-term asset fund* that has not used *securities financing transactions* or *total return swaps* during the relevant *annual accounting period* is not required to include the information in ■ COLL 4.5.8ACUK in its reports.

Contents of the half-yearly report

15.5.5

R

- (1) A half-yearly report on an *authorised fund* or *sub-fund* must contain:
 - (a) the accounts for the *half-yearly accounting period* which must be prepared in accordance with the requirements of the *SORP*;
 - (b) the report of the *authorised fund manager* in accordance with ■ COLL 15.5.6R;
 - (c) subject to ■ COLL 15.5.5R(1)(d) its *public TCFD product report* or an adequately contextualised and prominent cross-reference and hyperlink to the report's location on the *firm's* website, in accordance with ■ ESG 2.3.1R, where the half-yearly report most closely follows the reporting deadline of 30 June, under ■ ESG 2.1.1R(1); and
 - (d) where applicable, Part B of its *public product-level sustainability report* or an adequately contextualised and prominent cross-reference and hyperlink to the report's location on the *firm's* website, in accordance with ■ ESG 5.5.5R, where the half-yearly report is the report that most closely follows the date on which Part B of the *public product-level sustainability report* was published.

- (2) For a *scheme* which is an *umbrella*, the *authorised fund manager* may choose whether the half-yearly report is prepared for the *umbrella* as a whole, or for each individual *sub-fund*, or both.

Authorised fund manager's report

15.5.6

R

The report of the *authorised fund manager* must include:

- (1) a review of the investment activities during the period to which the report relates;
- (2) a portfolio statement prepared in accordance with the requirements of the *SORP*;
- (3) in the case of an *umbrella* which has more than one *sub-fund*, particulars in the form of a table showing, as at the end of the period to which the report relates:
 - (a) for each *sub-fund*, the number of *units* in that *sub-fund* that were held by a second *sub-fund* of that *umbrella*; and
 - (b) the value of each such holding;

or, alternatively, a statement that there were no such holdings as at the end of that period;
- (4) particulars of any fundamental or significant change to the *authorised fund* made since the date of the last report;
- (5) in relation to each *scheme* or *sub-fund* which is a *long-term asset fund*:
 - (a) the amount of any *remuneration*, charge, payment or expense paid out of the *scheme property* during the period to which the report relates;
 - (b) the *person* to whom that amount was paid;
 - (c) what that *remuneration*, charge, payment or expense was for; and
 - (d) how the *remuneration*, charge, payment or expense was calculated; and
- (6) any other information which would enable *unitholders* to make an informed judgement on the development of the activities of the *authorised fund* during the period and the results of those activities as at the end of the period.

Report of the depositary

15.5.7

R

- (1) The *depositary* must make an annual report to *unitholders* which must be included in the annual report.
- (2) The *depositary's* report must contain:
 - (a) a description, which may be in summary form, of the duties of the *depositary* under ■ COLL 15.7.6R and ■ COLL 15.7.7R (Duties of the depositary) and in respect of the safekeeping of the *scheme property*;

- (b) in relation to its oversight and monitoring obligations:
 - (i) a description of the reasonable steps the *depository* has taken to ensure that the *LTAF* has been managed in accordance with each of the matters specified in ■ COLL 15.7.6R(2)(e) (Duties of the depository); and
 - (ii) where an *external valuer* has not been appointed, a statement setting out the *depository's* determination of the matters in ■ COLL 15.2.6R(2)(a) (Appointment of external valuer or authorised fund manager with knowledge, skills and experience of valuing long-term assets); and
- (c) a statement as to whether in any material respect:
 - (i) the *issue, sale, redemption and cancellation* and calculation of the *price* of the *units* and the application of the *authorised fund's* revenue, have not been carried out in accordance with the *rules* in this sourcebook and, where applicable, the *OEIC Regulations* and the *instrument constituting the fund*; and
 - (ii) the investment and borrowing powers and restrictions applicable to the *authorised fund* have been exceeded.

Signing of the annual and half-yearly reports

15.5.8

R

The annual reports in ■ COLL 15.5.3R(1) and ■ (2) and the half-yearly reports in ■ COLL 15.5.5R(1) must:

- (1) in the case of an *ICVC*, if there is:
 - (a) more than one *director*, be approved by the board of *directors* and signed on their behalf by the *ACD* and at least one other *director*; or
 - (b) no *director* other than the *ACD*, be signed by the *ACD*;
- (2) in the case of an *AUT* or *ACS*, if the *authorised fund manager* has:
 - (a) more than one director, be signed by at least two directors of the *authorised fund manager*; or
 - (b) only one director, be signed by the director of the *authorised fund manager*.

Quarterly reports

15.5.9

R

- (1) A quarterly report must contain details of any transactions executed by, or for or on behalf of, the *long-term asset fund* in the relevant *quarterly reporting period* which have resulted in assets being held in the *LTAF's scheme property*, including:
 - (a) the date of each transaction;
 - (b) details of the asset and type of asset which was the subject of the transaction; and
 - (c) an explanation of how the transaction is consistent with the *LTAF's* investment objectives, investment policy and investment strategy.

15

- (2) A quarterly reporting period for a long-term asset fund must be determined in accordance with (a) to (c).
- (a) Each quarterly reporting period must be three months long.
 - (b) There must be four consecutive quarterly reporting periods in each annual accounting period.
 - (c) The first quarterly reporting period in each annual accounting period must begin when the annual accounting period begins.

Application of the rules on alterations to the scheme and notice to unitholders

15.5.-10 **R**

- (1) ■ COLL 15.5.-10BR to ■ COLL 15.5.-10EG apply in relation to an alteration or change where the scheme has an *LTAf retail class* and:
- (a) the proposed alteration or change affects only *unitholders* in an *LTAf retail class*; or
 - (b) the proposed alteration or change affects *unitholders* in an *LTAf retail class* and *unitholders* in a *limited protection LTAf class*.
- (2) ■ COLL 15.5.10R to ■ COLL 15.5.11G may be applied in relation to an alteration or change where:
- (a) (i) the scheme has an *LTAf retail class*; and
(ii) the proposed alteration or change relates only to a *limited protection LTAf class*; or
 - (b) the scheme has no *LTAf retail class*.

15.5.-10A **G**

Where ■ COLL 15.5.-10BR to ■ COLL 15.5.-10EG are not applied to a scheme or class which is intended only for *limited protection LTAf investors*, the *authorised fund manager* is required to take reasonable care to ensure that ownership of *units* in that scheme or class is recorded in the register only for a person who is a *limited protection LTAf investor* (see ■ COLL 15.1.3R(4) (Long-term asset funds: eligible investors)).

Alterations to the scheme and notices to unitholders: rules for schemes or classes made available to retail clients who are not limited protection LTAf investors

15.5.-10B **R**

- (1) (a) The *authorised fund manager* must, by way of an *extraordinary resolution*, obtain prior approval from the *unitholders* for any proposed change to the scheme which, in accordance with (1)(b), is a fundamental change.
- (b) A fundamental change is a change or event which:
- (i) changes the purposes or nature of the scheme;
 - (ii) may materially prejudice a *unitholder*;
 - (iii) alters the risk profile of the scheme; or
 - (iv) introduces any new type of payment out of the scheme property.

- (2) (a) The *authorised fund manager* must give prior written notice to *unitholders* in respect of any proposed change to the operation of a *scheme* that, in accordance with (2)(b), constitutes a significant change.
- (b) A significant change is a change or event which is not fundamental in accordance with (1) but which:
- (i) affects a *unitholder's* ability to exercise their rights in relation to their investment;
 - (ii) would reasonably be expected to cause the *unitholder* to reconsider their participation in the *scheme*;
 - (iii) results in any increased payments out of the *scheme property* to an *authorised fund manager* or any other *director* of an *ICVC* or an *associate* of either; or
 - (iv) materially increases other types of payment out of *scheme property*.
- (3) (a) The *authorised fund manager* must inform *unitholders* in an appropriate manner and timescale of any notifiable changes that are reasonably likely to affect, or have affected, the operation of the *scheme*.
- (b) A notifiable change is a change or event, other than a fundamental change under (1) or a significant change under (2), which a *unitholder* must be made aware of unless the *authorised fund manager* concludes that the change is insignificant.
- (4) Alterations affecting only a particular *sub-fund* or *class* of *units* may be approved in accordance with (1), (2) or (3) for the particular *sub-fund* or *class* of *units*, with the consent of, or, as the case may be, notice to, the relevant *unitholders*.

Alterations to the scheme and notices to unitholders: guidance for schemes or classes made available to retail clients who are not limited protection LTAF investors

15.5.-10C G

- (1) Subject to (2), the *guidance* in ■ COLL 4.3.5G (Guidance on fundamental changes) applies to ■ COLL 15.5.-10BR(1) as if:
- (a) in ■ COLL 4.3.5G(2), the references to ■ COLL 4.3.4R(2)(a) to ■ COLL 4.3.4R(2)(c) were references to ■ COLL 15.5.-10BR(1)(b)(i) to ■ (ii); and
 - (b) in ■ COLL 4.3.5G(2)(a), the reference to ■ COLL 7.6.2R was a reference to that *rule* as applied by ■ COLL 15.10.4R (Schemes of arrangement).
- (2) ■ COLL 4.3.5G(2)(f) (the introduction of *limited redemption arrangements*) does not apply to ■ COLL 15.5.-10BR(1).
- (3) The *guidance* in ■ COLL 4.3.7G (Guidance on significant changes) applies to ■ COLL 15.5.-10BR(2) as if the references to ■ COLL 4.3.6R were references to ■ COLL 15.5.-10BR(2).
- (4) The *guidance* in ■ COLL 4.3.9G (Guidance on notifiable changes) applies to ■ COLL 15.5.-10BR(3) as if the reference to ■ COLL 4.3.8R was a reference to ■ COLL 15.5.-10BR(3).

Change events relating to feeder LTAFs: schemes made available to retail clients who are not limited protection LTAF investors

15.5.-10D **R**

- (1) Where the *authorised fund manager* of a *feeder LTAF* is notified of any change in respect of its *qualifying master LTAF* which has the effect of a change to the *feeder LTAF*, the *authorised fund manager* must:
 - (a) classify it as a fundamental change, significant change or a notifiable change to the *feeder LTAF* in accordance with ■ COLL 15.5.-10BR; and
 - (b)
 - (i) for a fundamental change, obtain approval from the *unitholders* by way of an *extraordinary resolution*;
 - (ii) for a significant change, give written notice to *unitholders* of that change; or
 - (iii) for a notifiable change, comply with ■ COLL 15.5.-10BR(3).
- (2) The actions required by (1)(b)(i) and (1)(b)(ii) must be carried out as soon as reasonably practicable after the *authorised fund manager* of the *feeder LTAF* has been informed of the relevant change to the *qualifying master LTAF*.

15.5.-10E **G**

- (1) The *authorised fund manager* of the *feeder LTAF* should assess the change to the *qualifying master LTAF* in terms of its impact on the *feeder LTAF*. For example, a change to the investment objective and policy of the *qualifying master LTAF* that alters its risk profile would constitute a fundamental change for the *feeder LTAF*.
- (2) In order for the *feeder LTAF* to continue investing in the *qualifying master LTAF*, the *authorised fund manager* of the *feeder LTAF* should obtain the approval of *unitholders* by way of an *extraordinary resolution*, or else make a proposal to invest in a different *qualifying master LTAF*. This should be done in accordance with ■ COLL 15.9 (Operational requirements for feeder LTAFs).
- (3) Not all changes affecting the *qualifying master LTAF* will have the same significance for the *feeder LTAF* and its *unitholders*. For example, a change to how the prices of the *units* in the *qualifying master LTAF* are published might not be a significant change for the *feeder LTAF* if the prices of its own *units* continue to be published in the same way.
- (4) Where the *authorised fund manager* of the *feeder LTAF* receives insufficient notice of the intended change to the *qualifying master LTAF* to be able to seek the prior approval of *unitholders* to any fundamental change or to inform them at least 60 days in advance of any significant change, it should nevertheless use reasonable endeavours to inform them of the change as soon as possible so that they can make an informed judgement about the merits of continuing to invest in the *feeder LTAF*.

Alterations to the scheme and notices to unitholders: rules for schemes or classes intended only for limited protection LTAF investors

- 15.5.10 **R**
- (1) Any proposed change which would be reasonably considered to be a fundamental change to the *scheme* requires the prior sanction of an *extraordinary resolution* of the *unitholders*.
 - (2) Any proposed change to the scheme which is not within (1) but which would be reasonably considered to be significant, requires the giving of reasonable notice to *unitholders* to become effective.
 - (3) Alterations affecting only a particular *sub-fund* or *class* of *units* may be approved in accordance with (1) or (2) for the particular *sub-fund* or *class* of *units*, with the consent of, or, as the case may be, notice to, the relevant *unitholders*.
 - (4) This *rule* and **COLL 15.5.12R** (Meetings) will apply (unless the context requires otherwise) to alterations concerning *unitholders* of a particular *sub-fund* or class of *units* rather than the *scheme* or *sub-fund* as a whole.

Alterations to the scheme and notices to unitholders: guidance for schemes or classes intended only for limited protection LTAF investors

- 15.5.11 **G**
- Although account should be taken of the *guidance* on fundamental changes (**COLL 4.3.5G** (Guidance on fundamental changes)) and significant changes (**COLL 4.3.7G** (Guidance on significant changes)) the impact of any change to the *scheme* should be assessed individually based on the nature of the *scheme* and its investor profile.

Application of rules on meetings of unitholders and service of notices

- 15.5.-12 **R**
- (1) **COLL 15.5.-12BR** applies in relation to a meeting of *unitholders* where the *scheme* has an *LTAF retail class* and either:
 - (a) the meeting is only for *unitholders* with *units* in an *LTAF retail class*; or
 - (b) the meeting is for *unitholders* with *units* in an *LTAF retail class* and a *limited protection LTAF class*.
 - (2) **COLL 15.5.12R** may be applied in relation to a meeting of *unitholders* where:
 - (a) (i) the *scheme* has an *LTAF retail class*; and
 - (ii) the meeting is only for *unitholders* in a *limited protection LTAF class*; or
 - (b) the *scheme* has no *LTAF retail class*.

- 15.5.-12A **G**
- Where **COLL 15.5.-12BR** is not applied to a *scheme* or *class* which is intended only for *limited protection LTAF investors*, the *authorised fund manager* is required to take reasonable care to ensure that ownership of *units* in that *scheme* or *class* is recorded in the *register* only for a *person* who is a *limited*

protection LTAF investor (see ■ COLL 15.1.3R(4) (Long-term asset funds: eligible investors)).

Meetings of unitholders and service of notices: schemes or classes made available to retail clients who are not limited protection LTAF investors

15.5.-12B R

- (1) The provisions of ■ COLL 4.4 (Meetings of unitholders and service of notices) apply to an *authorised fund manager*, any other *director* of an *ICVC* and a *depository* of a *long-term asset fund*.
- (2) The *authorised fund manager* must record and keep minutes for 6 years of all proceedings to which ■ COLL 15.5.-10BR (Alterations to the scheme and notices to unitholders: schemes with unitholders who are not limited protection LTAF investors) and this *rule* are relevant.

Meetings of unitholders and service of notices: rules for schemes or classes intended only for limited protection LTAF investors

15.5.12 R

- (1) Details of the procedures for the convening and conducting of meetings and resolutions must be set out in the *instrument constituting the fund* and be reasonable and fair as between all relevant parties.
- (2) The *authorised fund manager* must record and keep minutes for six years of all proceedings to which ■ COLL 15.5.10R (Alterations to the scheme and notices to unitholders) and this *rule* are relevant.
- (3) The provisions in ■ COLL 4.4.12R (Notices to unitholders), ■ COLL 4.4.13R (Other notices) and ■ COLL 4.4.14G (References to writing and electronic documents) apply in relation to *long-term asset funds*.