

## FCA statement on descriptions of “absolute return” and the like

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**CATEGORY:**  
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The FCA has published a webpage on the implementation of COLL 4.2.5R(3)(ca), which applies where a UCITS scheme or a non-UCITS retail scheme (NURS) has indicated in its name, investment objectives or fund literature (including in any financial promotions for the fund), by using descriptions such as “absolute return”, “total return” or similar, an intention to deliver positive returns in all market conditions and where there is no actual guarantee of such returns.

If these descriptions are used, additional disclosures must be made in the prospectus, specifying that capital is in fact at risk, the investment period over which the fund aims to achieve a positive return, and that there is no guarantee that this will be achieved over that specific, or any, time period. The FCA provides details of the approaches taken by authorised fund managers (AFMs) with the aiming of complying with COLL 4.2.5R(3)(ca) which includes:

- Some AFMs removing references to “total return” or by qualifying the objective to clarify to investors that a consistently positive return is not applied. This approach has been taken for funds that are managed only to generate a combined return of capital and income, with no aim to generate a positive return in all market conditions, but where the term “total return” features in the name or objectives.
- Some AFMs amending fund documentation where the objectives imply a positive return will be achieved in all market conditions, even though the terms “absolute return” or “total return” are not used. The FCA states that, in these cases, the COLL 4.2.5R(3)(ca) disclosures will be required because of “fund objectives that aim to exceed benchmarks that are generally perceived as being positive at all times, such as Base Rates, the Consumer and Retail Prices Indices or LIBOR”.

COLL 4.2.5R(3)(ca) will apply from 26 January 2014, or earlier if a fund’s prospectus is updated prior to that date. Firms are urged to update their fund literature now if they have not done so. Please contact our funds and financial services team should your fund documents require a health check in relation to these developments.

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