



FUND SAVINGS

a key factor in economy





8 of 10
*That's how many people
save money in funds.*

*Source: Kantar Sifo Prospera, 2016, persons 18–76 years with declared income who save in private funds or in occupational pensions.

WITH THE SAVERS IN FOCUS



It is no wonder that fund saving is such a widespread form of saving; it is simple and suits most people. But the fact that Swedes are the best in the world at fund saving depends on a number of political stimulus packages, not least the “alle-mans” funds in the 1980s, which made fund saving such a popular movement.

Fund saving contributes to the democratisation of financial markets, as more people are able to take part of the stock exchange development. Those who started saving in an “alle-mans” fund in the 1980s have enjoyed a positive value trend, which has contributed to a broad and increased welfare. Meanwhile, the savings capital helps the state and companies make new investments. The funds become a lubricant in the economy. Getting more fund management companies to operate with Sweden as their base will make it even better; it will generate qualified jobs in the fund industry, but also in a variety of other sectors that provide services to the fund management companies. The trend has, for many years now, been that an increasing proportion of funds offered to Swedish savers are foreign.

Today, many of the previous savings incentives have been eliminated and, instead, politicians have chosen to subsidise loans, which contributes to high indebtedness among the population. The need for saving in society has not diminished. Barriers to enter the housing market are becoming increasingly high, often requiring

a savings capital. We live longer and for many, the pension will be low. There is a need for politicians to create clear incentives for saving. Households need long-term and clear rules that stimulate long-term saving.

The Swedish Investment Fund Association has a mandate to protect and promote the interests of the fund savers and the fund management companies. We promote and protect accessibility, freedom of choice, and diversity in the range of funds and fund managers. We work to promote sound competition with equal rules and great consumer protection. The association represents the majority of fund savings in Sweden.

Key issues for the association include strengthening confidence in fund-based savings, working for the best possible conditions for the Swedish fund market, contributing to solutions for saving needs in society, and promoting transparency of sustainable savings. We produce fund statistics, reports and analyses, and carry out activities to raise awareness of and interest in fund saving.

We want to be a strong and unified voice for the investment fund industry and fund savers. Feel free to contact us if you want to talk funds!

A handwritten signature in black ink, which appears to read 'Fredrik Nordström'.

Fredrik Nordström
CEO, The Swedish Investment Fund Association

Sweden, a world champion at fund savings – how did it happen?

In no other country do people save in funds as much as we do in Sweden. Eight out of ten adult Swedes save in funds; if you count the premium pension (2000), we are all fund savers.

Here are some of the milestones behind the evolution.

1958

"The Mail Order Brothers", entrepreneurs Ragnar and Gösta Åhlén, launch Sweden's first funds under the name Koncentra. One of them still exists, under the name Handelsbanken Sverigefond Index.

1974

The first investment funds act is adopted.

1978

The then Minister for Finance, Gösta Bohman, introduces tax savings and tax funds to stimulate household savings. Fund savings gain momentum.

1984

A public savings programme is introduced, offering funds as an option. Savings are regulated by special laws, which, among other things, entail lower taxation than for other capital income. Fund saving becomes a popular movement in Sweden. In 1997, "allemans" savings lose their tax subsidy and as of 1st July 1998, the allemans savings act cease to exist.

1994

A tax-deductible individual pension saving (IPS) is introduced, allowing individuals to invest their private pension savings in funds.

1985

The UCITS regulations, on which Swedish and EU fund regulations are based, are introduced. They are incorporated into Swedish regulations in 1991. By harmonising the rules for funds in Europe, the EU intended to promote cross-border funds trading.

2000

The premium pension system is introduced. All Swedes with an income, born 1938 and later, become fund savers.

2012

The flat tax rate investment savings account (ISK) is introduced as a form of savings for those who want to save in funds, stocks, and other securities. Selling and buying funds now becomes easy, as does declaring your savings.

2016

Tax-deductible private pension savings are completely abolished. ISK gains real momentum.

An easy way to save

For many people today, funds are an obvious component of long-term savings – for the economic buffer, for travel, for the home, for the pension, or perhaps as a springboard for your children. Funds are good for regular savings, even on a small scale, and for all those who do not have the time or the ability to learn about stock market development.

Investing in a fund helps spread the risk – in different ways and to different extent depending on the fund you choose. An equity fund, for example, is required to invest in at least 16 different stocks. You easily benefit from both Swedish and foreign investments. Over time, funds can provide higher returns than a savings account, and involve less risk than individual stocks. Having your own savings capital provides both security and freedom to deal with expected as well as unexpected expenses.

With only a couple of hundred SEK a month, fund savers can benefit from global developments and their savings can grow over time. Monthly saving in funds is a great savings form to build an economic buffer. Risk is diversified by deposits being made at different times.

By law, fund managers must act based on the interests of the fund savers, and the fund management companies handle the administration so that the saver does not need to keep track of initial values and capital gains or losses. Fund management companies also submit all the information to the Swedish Tax Agency.

Why we save privately in funds

As an economic buffer	54%
For the pension	46%
For special purposes (e.g. house, car, boat)	22%
For children/grandchildren	16%
No special purpose	12%

* Source: Kantar Sifo Prospera, 2016



Welfare for households

Funds have been a natural part of household private savings since the mid-1980s, when the “allemans” funds were introduced. The “allemans” funds have contributed to giving hundreds of thousands of people in Sweden part of the stock market growth. Today, funds contribute to securing future post-pension livelihood, and are a natural building block in all parts of the pension system. For a long time, the investment fund industry has helped creating welfare for households in Sweden.

By providing households with easy access to stocks and bonds, one might say that widespread fund savings contribute to a kind of democratisation of the financial markets. In turn, the savings capital in funds enables the state and the companies to make investments, which is a prerequisite for growth and welfare in society. Funds investing in Swedish securities contribute to growth in Sweden. By saving in funds that invest in other markets, we both get a share of and contribute to the growth in other countries. Through long-term active management and corporate governance, funds can contribute to a sustainable and responsible development.

In 1980, the proportion of funds in households’ financial assets, including pension savings, amounted to less than 1 percent. Since then, that proportion has increased markedly, and in 2017, it accounted for 24 percent.

Swedish people’s financial assets have greatly increased. This is mainly because stocks and funds have increased in value. In 1980, the financial assets of Swedish households amounted to approximately SEK 350 billion. In 2017, that amount had increased by 38 to SEK 13,400 billion, or SEK 1.3 million per person.



Fund saving enables social growth

Fund saving is a cornerstone for both corporate and state funding. It enables investments in innovation and development, which contributes to job opportunities and growth.

Companies need capital in order to develop and grow. They issue shares or corporate bonds in which fund savers can invest. The companies can use the capital to develop new products and services, creating job opportunities and welfare in society.

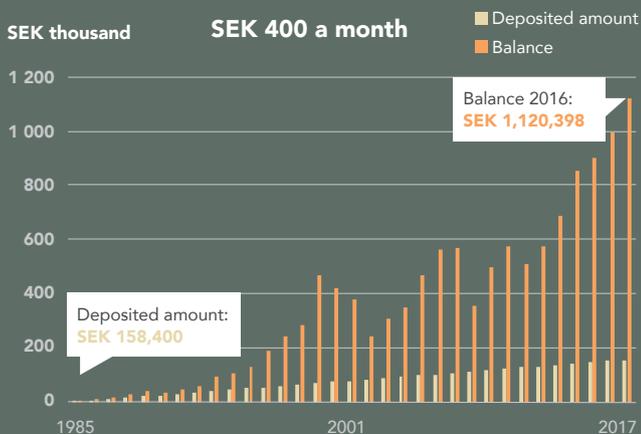
Fund ownership in stocks listed on the Swedish stock exchange has doubled in the last 25 years, from 6 to 12 percent. This means that every eighth Swedish “krona” of the stock exchange is owned by fund savers. The proportion is even higher if foreign fund management companies’ ownership is included. Fund savers are thus one of the largest owner groups in the stock market.



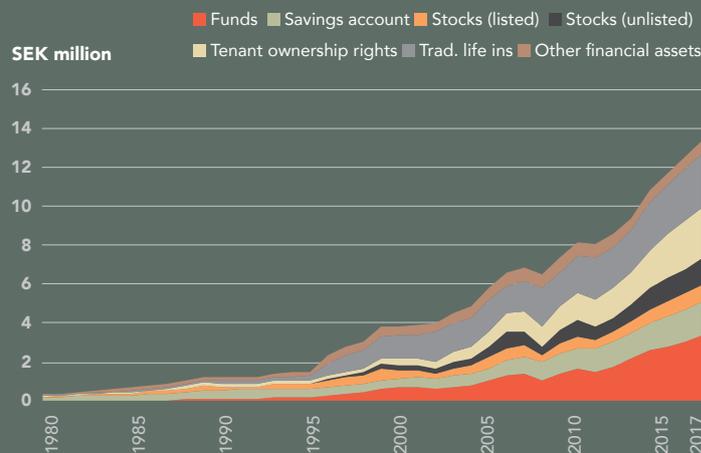
»» Every eighth SEK on the stock exchange is owned by the fund savers ««

As owners, fund management companies can contribute to corporate development. Corporate governance is part of creating the best possible return for savers based on the fund’s investment orientation, risk, and sustainability profile. Corporate governance may involve influence and dialogue in sustainability issues, or participation in election committees to ensure a well-composed board.

Within the framework of the European Capital Market Union (CMU), an overall European strategy for a sustainable economy is currently being developed. The investment fund industry plays an important role in this work.



Value growth for a person who saved SEK 400 per month in an average “allemans” fund from 1985 to 2017.



Funds represent an increasing share of household savings.



Education makes for stronger savers

Knowledge of personal finances is essential in today's society, where every citizen has to make a number of important financial decisions during a lifetime. Knowledgeable savers make demands and informed decisions, which in turn contributes to a well functioning savings market.

Personal finance includes many parts, everything from savings, loans, housing, day-to-day finances, taxes, and pension to the consequences of being married or living with a partner. Access to new financial services and products is increasing. This places higher demands on the individual's knowledge to be able to assess the different offerings.

The Swedish Investment Fund Association has an important role to play in promoting increased transparency and comparability between different funds. Self-regulation creates a higher

level of good practices in the investment fund industry. One example of such an initiative is the new standard for fund sustainability information that all members of the association must comply with. Another example is that all funds must report how active their management is.

The association has developed a website and an app with accurate and simple information about funds and fund saving, aimed directly at the general public. Using the tool "Kolla fonden" (Check your fund), you can

compare how a fund has performed compared to all funds in Sweden with the same investment orientation. The calculator can convert management charges and returns, which are often expressed as a percentage, into concrete Swedish kronor. In addition, the association's financial savings economist answers questions and shares his best savings tips.

[Fondkollen.se](https://www.fondkollen.se)



The Swedish Investment Fund Association is also involved in other projects to increase awareness of saving and personal finances. The association helps finance Ung Privatekonomi (Young Personal Finances) together with, among others, Aktiefremjandet and Unga Aktiesparare. Ung privatekonomi is a school information project that educates more than 24,000 young people every year in Swedish high schools in personal finances and saving in stocks and funds.



The association actively participates in the network, "GillaDinEkonomi" (Like Your Finances), aimed at strengthening the consumer position in the financial market by informing of and encouraging personal finance education. The network is coordinated by the Swedish Financial Supervisory Authority



The association is one of the principal organisers behind the Swedish Consumers' Banking and Finance Bureau, which provides private individuals with impartial information and guidance at no cost. One of the bureau's main tasks is to identify consumer problems in the financial field and report these to authorities, companies, and industry organisations.

Oberoende och kostnadsfri
vägledning om bank och försäkring

Konsumenternas.se



Admittedly, knowledge of personal finance is higher in Sweden than in many other countries: According to Standard & Poor's report, Financial Literacy Around the World, where a number of questions were put to adults worldwide, 71 percent of adults in Sweden understand financial concepts such as risk diversification, inflation, interest rate, and compound interest. But this of course also means that every third adult lacks the necessary knowledge of personal finance. The Swedish Investment Fund Association wants to help raise the financial and calculating ability in Sweden.

Questions asked:

You'll find the answers at the bottom of the page.

1. Imagine that you have a sum of money. What is safest, investing the money in one company or in several companies?
2. Imagine that the price of the items you usually buy doubles over the next 10 years. If your income is doubled as well, will you be able to buy; fewer items, as many items, or more items than you buy today?
3. Imagine that you borrow SEK 100. What amount is the lowest to pay back: SEK 105 or SEK 100 plus 3 percent?
4. Imagine that you deposit money into your bank account and leave them there for two years. The annual interest rate is 15 percent. Will the interest payment to your account be greater in year two than in year one, or will the amount be the same both years?

1. several companies 2. as many items
3. SEK 100 plus 3 percent 4. greater in year two

Funds build our pensions

Funds help secure future post-pension livelihood. Today, funds are an option in all parts of the pension system: in retirement pension through the premium pension, in occupational pension, and in private pension savings. During the 2000s, the vast majority of new savings in funds has gone to pension and insurance-related savings.

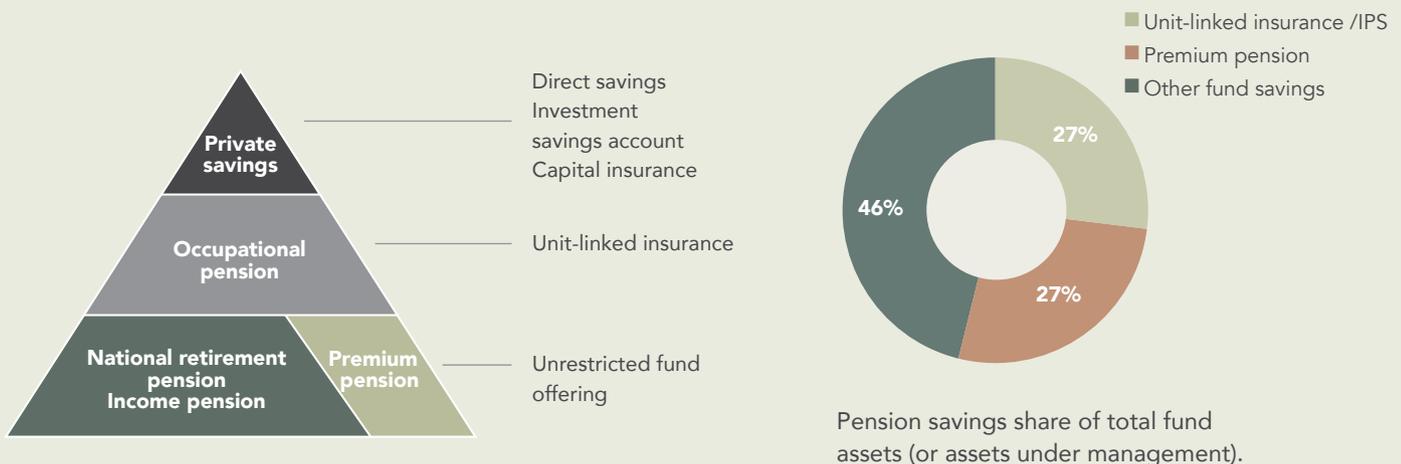
When an increasing proportion of the population is elderly, great demands are placed on the pension system, which has to provide for more and more people. Funds as a savings form are particularly suitable for long-term savings in premium-based pension systems. The reason for this is that investment orientation and risk level can be easily adapted to individual requests and needs.

Fund saving provides an opportunity to take part of the

stock market risk premium that contributes to long-term higher growth. As a result, the pension savings share of fund assets has increased from about one quarter in 2000 to more than 50 percent in 2017.

The premium pension system was introduced in broad political consensus in the 1990s, with the aim of giving savers three advantages: *better returns, risk diversification, and the right to make your own decisions*. The premium pension system funds have major discounts equivalent to an average of two thirds of the regular charges.

From the start, the value trend for the premium pension has been twice as high as the trend of the income pension. For those who did not want to take advantage of the right to choose, the pension money has remained in a pre-selected option that has provided good returns. The Swedish Investment Fund Association believes, of course, that high-quality funds and strong consumer protection in the premium pension system are very important.



Sweden needs Swedish funds

Having a competitive fund market that chooses to have its base in Sweden is something to strive for. The operations of fund management companies provide tax revenues and qualified job opportunities. Fund management companies that are actively involved in social progress and have close proximity to their customers are positive for savers. Today, only few new funds are registered in Sweden.

The Swedish fund market is characterised by effective consumer protection, high transparency, low fund charges compared to the rest of the EU, and a great maturity in sustainability. But of all the funds available to Swedish savers today, only about a third of them are registered in Sweden. Countries like Luxembourg and Ireland have long and purposefully worked to attract fund industry players.

Swedish funds still account for about 80 percent of Swedish fund assets, but the substantial increase in the number of funds in the 2000s basically consist of foreign-registered funds. Swedish funds are not sold to the same degree abroad; Swedish-registered funds only account for 2.1 percent of total fund assets in Europe.

During the last decade foreign fund management companies have been added, while the number of Swedish fund management companies has decreased. The threshold for starting new fund management companies is significantly higher now, largely because of an increasingly complex regulatory framework, which affects smaller companies to a much greater extent.

A well-functioning fund market requires sound competition and a multitude of players. Swedish special legislation should be avoided. Good long-term conditions for Swedish investment fund activities benefit both society and savers.



Sustainable saving

Knowing that your savings contribute to sustainable development is becoming increasingly important for savers. There is great commitment to sustainability issues in the investment fund industry and companies offer a wealth of funds with various sustainability profiles. The Swedish Investment Fund Association has developed a standard for the presentation of fund sustainability information.

We are facing great future challenges that require us to change our consumption and lifestyle to make them more environmentally, socially, and financially sustainable. This includes our savings as well, and fund management companies offer different options for sustainable saving. Sustainable investments mean that the fund management company acts to ensure that the companies invested in take sustainability into account and report their work regarding the environment, social responsibility,

and corporate governance (ESG). This provides conditions for better risk management in fund management and allows long-term good returns.

Each fund management company decides how to work with sustainability in practice, as part of well-functioning competition. The trend has gone from funds excluding certain industries to greater focus on selecting companies that are considered role models, or, as an active owner, influencing the company in the desired direction.

More and more savers, both households and institutions, are interested in funds' sustainability work.

The Swedish Investment Fund Association has developed an industry standard for fund sustainability information, with which all association members must comply. The new standard meets the existing legal requirements on sustainability information and makes it easy for fund savers to get an overview and compare funds' sustainability work.

What does ESG stand for?

ESG is a common concept in fund management. It stands for Environment, Social, Governance, i.e. issues related to environmental considerations, social considerations (issues of human rights and working conditions), as well as corporate governance.

Common methods of fund sustainability work:

– The fund selects companies based on specific criteria for environmental, social, and business ethics issues. Analysing the companies' work on sustainability is in this

case crucial for the selection of companies to the fund. Some of these funds have a sustainability theme, such as water or environmental technology.

- The fund eliminates certain companies. This may involve eliminating companies in certain industries, such as weapons, tobacco, alcohol, gambling, or pornography.
- The fund uses its ownership to influence companies in sustainability issues. This may involve demanding more environmentally friendly production or better working conditions in factories.

Regulatory framework and self-regulation

In order for the fund market to work, savers must be able to trust that funds are good products, and consumer protection must be effective. It is important to have a regulatory framework that contributes to proper consumer protection and makes it easy for savers to buy and sell funds. Good practice and self-regulation promote a sound industry.

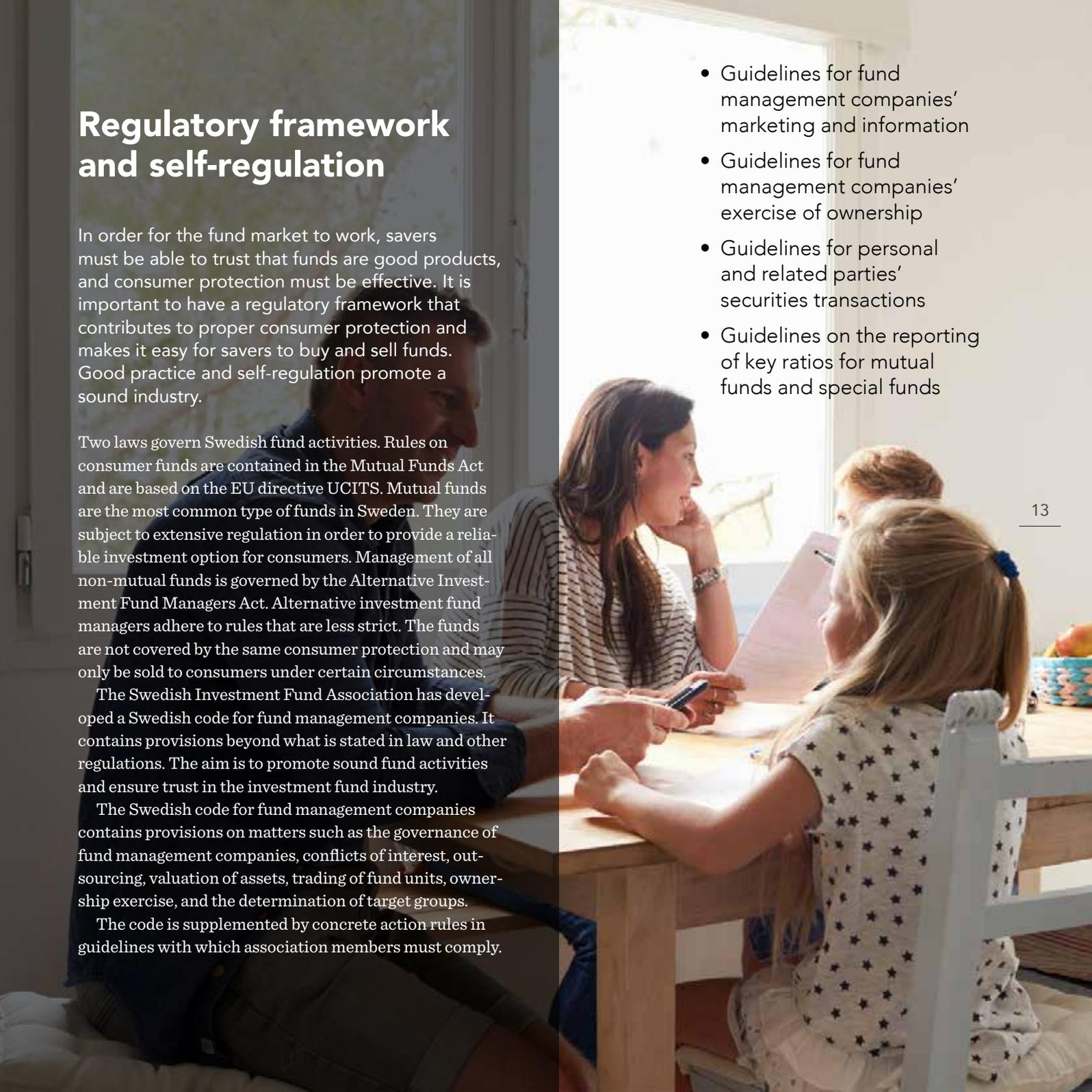
Two laws govern Swedish fund activities. Rules on consumer funds are contained in the Mutual Funds Act and are based on the EU directive UCITS. Mutual funds are the most common type of funds in Sweden. They are subject to extensive regulation in order to provide a reliable investment option for consumers. Management of all non-mutual funds is governed by the Alternative Investment Fund Managers Act. Alternative investment fund managers adhere to rules that are less strict. The funds are not covered by the same consumer protection and may only be sold to consumers under certain circumstances.

The Swedish Investment Fund Association has developed a Swedish code for fund management companies. It contains provisions beyond what is stated in law and other regulations. The aim is to promote sound fund activities and ensure trust in the investment fund industry.

The Swedish code for fund management companies contains provisions on matters such as the governance of fund management companies, conflicts of interest, outsourcing, valuation of assets, trading of fund units, ownership exercise, and the determination of target groups.

The code is supplemented by concrete action rules in guidelines with which association members must comply.

- Guidelines for fund management companies' marketing and information
- Guidelines for fund management companies' exercise of ownership
- Guidelines for personal and related parties' securities transactions
- Guidelines on the reporting of key ratios for mutual funds and special funds





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