

# Unit Pricing and Valuation Policy

Fisher Funds Management Limited | September 2021

## Unit Pricing and Valuation Policy

### 1. Purpose

This document describes the means by which Fisher Funds price units in the funds Fisher Funds manage (the Funds) and the methods Fisher Funds and our outsource partners use to ensure the accuracy of the Funds' unit prices. Fisher Funds also describe our approach should an error (both an error in a unit price and an error in the calculation of the five taxable income components) occur. For the purposes of this policy, unit pricing error means either an error in unit price and/ or an error in the calculation of any of the taxable income components.

### 2. Background

The calculation of unit prices is a critical operation which ensures that the value of client investments is determined accurately.

### 3. Calculation of unit prices

Fisher Funds outsource fund unit pricing to Trustees Executors Limited (TEL).

A service level agreement between Fisher Funds and TEL documents operational service levels and deliverables which include the timing for preparing unit prices and providing reporting. TEL is responsible for effecting any changes required to an individual Fund's unit pricing calculation as requested by Fisher Funds from time to time, or as a result of new legislation.

TEL calculates unit prices in accordance with the methodology specified in each Fund's governing document which follows industry best practice. Unit prices are calculated each business day<sup>1</sup>, with exceptions for certain assets such as direct property investments where a monthly valuation is appropriate due to the illiquid nature of the assets.

The following table details the pricing methodology and source for each asset class. Where applicable, the current pricing provider's reference field is included.

	Unit Pricing valuations	IFRS Compliant reporting
<b>Price Type</b>	Last sale/close price	Last sale/close unless price is outside bid/ask spread then bid price is used. <sup>2</sup>
<b>Asset class</b>		
<b>Equities:</b> All markets	Last sale price from primary exchange ( <i>Source 1</i> )	Last sale or last bid price from primary exchange using bid/ask/last sale data ( <i>Source 1</i> )
Renounceable rights	As above	As above
Non-renounceable rights	Theoretical price calculated: ordinary share price less rights take up price	Theoretical price calculated: ordinary share price less rights take up price
Initial public offer	Listing price	Listing price
Placement/entitlement offer	Price as per the ordinary share <u>unless</u> stock is suspended in which case price at cost	Price as per the ordinary share <u>unless</u> stock is suspended in which case price at cost

<sup>1</sup> A business day is a day that is not a Saturday, Sunday, a national public holiday, or the 2-day shut down for the PIE attribution (which is the first two days in April that is not a Saturday, Sunday, or a national public holiday).

<sup>2</sup> A valid bid/ask spread must be evident for the test to apply. If either or both bid/ask prices are not quoted then the last sale price will be applied.

<b>Futures and Options (Equity and Fixed Interest):</b> All markets	Settlement price from primary exchange (or close price if settlement not quoted) <i>(Source 1)</i>	Settlement or bid price from primary exchange <i>(Source 1)</i>
<b>NZDX Listed Bonds (if not quoted by the NZFMA)</b>	Market close price from NZDX <i>(Source 1)</i>	Market close or bid price from NZDX <i>(Source 1)</i>
<b>New Zealand Government Bonds</b>	New Zealand Financial Markets Association Closing rates. <i>(Source 1)</i>	New Zealand Financial Markets Association Closing rates. <i>(Source 1)</i>
<b>New Zealand Corporate Bonds</b>	First: New Zealand Financial Markets Association Closing rates. Second: Refinitiv Margin over the NZD Swap Curve. <i>(Source 1&amp;2)</i>	
<b>New Zealand Floating Rate Notes</b>	First: New Zealand Financial Markets Association Closing rates Second: Bid price <sup>3</sup> from Refinitiv Composite pricing <i>(Source 1)</i> Third: Asset Back FRN prices received from Lead Manager. Traded Margins also used to derive lower Tranche prices.	
<b>New Zealand Local Authority Bonds</b>	Calculated by TEL using the NZFMA Margin over the NZD Swap Curve <i>(Source 2)</i>	
<b>Australian and International Bonds (incl. FRN's)</b>	Mid price from Refinitiv Composite pricing <i>(Source 1)</i>	
<b>New Zealand and International Swaps</b>	Calculated by TEL using the Zero Curve of applicable currency <i>(Source 3)</i>	
<b>New Zealand Discounted securities</b>	Calculated by TEL using applicable Bank Bill or Treasury Bill Curve <i>(Source 3)</i> . Traded Margin is applied for non-Bank issues.	
<b>Foreign Exchange (incl. Forward Rates)</b>	WM Company Close rates as at 4pm GMT <i>(Source 1)</i>	
<b>Other Derivatives</b> e.g. Equity Index Swaps, OIS's, Swaptions and FX Options	First: Valuations provided by Refinitiv derivatives team <i>(Source 4)</i> . Second: Priced manually by TEL using a market convention SWAP model <i>(Source 5)</i>	
<b>Unitised Securities</b>	Where applicable Redemption or Exit price applied if multiple prices quoted by the third party provider <i>(Source 6)</i>	
<b>Other Investments</b> (e.g. Private equity or unlisted securities)	First: Valued using an independent valuation source. Second: If no independent price is available then Fisher Funds (with approval from the Trustee) advises price.	

*Source 1. Refinitiv*

*Source 2. Refinitiv (both Margin and Curve)*

*Source 3. Refinitiv (Curve)*

*Source 4. Refinitiv derivatives valuation service*

*Source 5. Relevant market providers*

*Source 6. Refinitiv Lipper service or direct from Third Party provider*

Where assets are held by a custodian other than TEL (for example JP Morgan), TEL will rely on the methodology and pricing sources provided by that custodian.

Refer to the Unlisted and Suspended Securities Policy if a security is unlisted or for which there is no active market.

<sup>3</sup> Bid price from Refinitiv is used since they calculate this using mid margins over a bid curve to calculate a bid price and then derive a spread from the bid price.

#### **4. Preparation and monitoring of unit prices**

TEL's unit pricing process is based on investment accounting information maintained in HiPortfolio. The unit pricing preparation process contains various levels of checks and controls including: data integrity checks by the custody team before unit pricing can commence; and various in-built unit price model checks.

TEL is subject to a six monthly control and testing review conducted by an external, independent audit firm. This assurance covers controls over registry, custody and investment accounting (which includes security pricing, valuations, investment reporting and accounting and unit pricing). The unit pricing process is also subject to internal audit annually.

The Fisher Funds Fund Accounting team regularly reviews unit pricing inputs and outputs including: the fee accruals and rebates; any requested changes in the unit pricing calculations; and the taxable components e.g. Taxable Income, Imputation Credits, Foreign Tax Credits, Dividend Withholding Payments, and Resident Withholding Tax.

Furthermore, Fisher Funds monitors the performance of TEL as an outsource provider according to key competencies on a quarterly basis. Refer to the Outsource Provider Monitoring Framework Overview – Trustees Executors Limited for further information.

#### **5. Monitoring of issued unit prices**

The daily change in the unit prices is monitored and reviewed to validate changes.

A final check is performed to compare the difference in the change in unit price to the daily change in the index for that fund.

#### **6. When a unit pricing error is identified**

TEL will notify us immediately of any unit pricing error and provide a fund and investor impact analysis.

If allowable under the terms of the governing document, transactions may be suspended by either the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, or the Product Compliance Manager, if to allow transactions to continue would materially, adversely impact investors. Errors must be rectified as quickly as possible to limit any or further costs and disruption and once an impact analysis has been completed transaction processing must resume.

#### **7. Materiality – correction and compensation**

A unit pricing error occurs when an investor does not receive the appropriate share of the value of the assets of the Fund in which they are invested because the Unit Pricing Policy has not been followed or because of an administration error.

In accordance with industry standards, the materiality threshold adopted by Fisher Funds is 0.30% (30 bps) for non-cash investments and 0.05% for cash investments.

For the purposes of the materiality threshold, the size of a unit pricing error is assessed by measuring the size of the variance between the incorrect unit price and the correct unit price, as a percentage of the correct unit price, at the relevant point in time.

Where the error is below the materiality threshold, compensation is not required to be made to the affected investor. The supervisor will be informed and approval sought.

Where the error is above the materiality threshold, compensation will be paid to return the investor to the position that would have existed had the error not occurred. Current investors will have their

position restored through application of the error-free unit price. Investors who have exited and whose compensation is calculated at no less than \$20 will receive payment.

## **8. Reporting**

Fisher Funds will inform the Supervisor of all unit pricing errors within five business days of identification and keep them abreast throughout the process of determining the materiality of the error and its rectification.

Any unit pricing and taxable component errors will also be reported to the Compliance Committee at the next scheduled meeting as part of issues and breaches reporting.

## **9. Conflicts of interest**

In line with the International Organisation of Securities Commissions principles, valuation policies and procedures should seek to address conflicts of interest.

The outsourcing of the unit pricing function to TEL means that the risk of conflicts of interest is small, given the physical separation of Fisher Funds and TEL, as well as the functional separation of duties within TEL to calculate the unit price. Furthermore, the prescribed calculation of unit prices in section 3 of this document means there is very little judgement involved in the process.

Fisher Funds has policies to manage and mitigate the conflict of interest risk if it is identified:

- Conflicts of Interest Policy – Defines conflict, conflict awareness and means of escalating conflicts of interest.
- Securities Trading Policy – Mitigates conflict of interest by protecting client interests, also prohibits insider trading.
- Speak Up Policy – Explains the mechanisms and protections available to employees when speaking up about observed misconduct.

TEL have their own internal policies for managing conflicts of interest.

## **10. Review of policy**

The Unit Pricing Policy will be reviewed biennially or more frequently if required. This Policy is subject to change at any time.