

Fisher Funds Management Limited

Unit Pricing and Valuation Policy

September 2023



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1. Purpose

This document describes the means by which Fisher Funds Management Limited (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 daily except for the Fisher Funds Institutional Property Fund unit price which is calculated monthly¹. For the purposes of determining the unit prices, the individual assets held within each Fund are valued each business day, with exceptions for certain assets such as direct property investments where a monthly valuation is appropriate due to the illiquid nature of the assets.

Although under normal trading and market conditions Fisher Funds does not apply buy and sell spreads, Fisher Funds may choose to do so (if allowable under the terms of the governing document) with the aim that transaction costs associated with clients buying or selling units, or switching between Funds, are met by those clients and no other clients in those Funds. Buy and sell spreads are one of the liquidity management tools provided for in the Fisher Funds Liquidity Risk Management Policy, which is approved by the Board. The process to decide on using specific liquidity management tools is set out in the Liquidity Risk Management Operational Guide. The use of these tools must be approved by the Chief Executive Officer, in consultation with the Chief Investment Officer and Head of Trading (HOT). Any buy or sell spread imposed will be calculated by the HOT based on an estimate of how market liquidity is impacting bid-ask spreads and trading costs.

¹ 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).

4. Asset valuation

The following table details the valuation methodology and source for each asset class for unit pricing purposes.

Unit pricing valuations	
Price Type	Last sale/close price ²
Asset class	
Equities: All markets	Last sale price from primary exchange (<i>Source 1</i>)
Renounceable rights	As above
Non-renounceable rights	Theoretical price calculated: ordinary share price less rights take up price
Initial public offer	Listing price
Placement/entitlement Offer	Price as per the ordinary share unless stock is suspended in which case price at cost
Futures and Options (Equity and Fixed Interest): All markets	Settlement price from primary exchange (or close price if settlement not quoted) (<i>Source 1</i>)
New Zealand Government Bonds	New Zealand Financial Benchmark Facility (NZFBF) Closing rates. (<i>Source 1</i>)
New Zealand Corporate Bonds	First: New Zealand Financial Benchmark Facility (NZFBF) Closing rates. Second: Market close price from NZDX (if not quoted by NZFBF) Third: Refinitiv Margin over the NZD Swap Curve (if not quoted by NZFBF or NZDX). (<i>Source 1&2</i>)
New Zealand Floating Rate Notes	First: New Zealand Financial Benchmark Facility Closing rates Second: 'Bid price' ³ 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.
New Zealand Local Authority Bonds	First: NZFBF quoted closing rates (<i>Source 1</i>) Second: Calculated by TEL using the NZFMA Margin over the NZD Swap Curve (<i>Source 2</i>)
Australian and International Bonds (incl. FRN's)	Mid-price from Refinitiv Composite pricing (<i>Source 1</i>)
New Zealand and International Swaps	Calculated by TEL using the Zero Curve of applicable currency (<i>Source 3</i>)
New Zealand Discounted securities	Calculated by TEL using applicable Bank Bill or Treasury Bill Curve (<i>Source 3</i>). Traded Margin is applied for non-Bank issues.
Foreign Exchange (incl. Forward Rates)	WM Company Close rates as at 4pm London time (<i>Source 1</i>)
Other Derivatives 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>)
Unitised Securities	Where applicable Redemption or Exit price applied if multiple prices quoted by the third party provider (<i>Source 6</i>)
Other Investments (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 supervisor or 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

2. 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.

3. 'Bid Price' is calculated using the Mid Margins over Bid Curve then a spread is derived from the 'Bid Price'.

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.

5. 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 Finance 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.

6. Monitoring of issued unit prices

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

A final check is performed by Fisher Funds to compare the difference in the change in unit price to the daily change in the index for that Fund.

7. When a unit pricing error is identified

TEL will notify Fisher Funds 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 Head of Product, 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.

8. 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 and Valuation 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 or Trustee 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.

9. Reporting

Fisher Funds will inform the Supervisor or Trustee 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 Business, Risk and Compliance Committee at the next scheduled meeting as part of issues and breaches reporting.

10. 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 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.
- Personal 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.

11. Financial reporting

The valuation of the funds' assets for financial statements purposes may differ from the valuation of assets for unit pricing purposes. The financial statements comply with the New Zealand equivalents to the International Financial Reporting Standards (NZ IFRS), and are prepared on a historical cost basis, except for financial instruments held at fair value through profit or loss (FVTPL) measured at fair value.

NZ IFRS defines fair value as the estimate of the price that would be received to sell an asset in an orderly transaction between market participants at measurement date. The asset valuation methodologies must be consistent with NZ IFRS.

12. Review of policy

The policy will be reviewed biennially or more frequently if required and is subject to change at any time.