

# Soft Dollar Commission Policy

Fisher Funds Management Limited | September 2022

## 1. Background

Commission Sharing Agreements, also known as Soft dollar commissions (soft dollars) enable the splitting of execution and investment research charges that are generally bundled in typical share transaction commissions. Soft dollars can then be used by an investment manager to purchase third-party research and research services to enhance the investment decision making process.

Soft dollars can be accrued on all equity portfolios, including KiwiSaver funds. Soft dollars are not income to a fund or the underlying clients of Fisher Funds nor are they income of Fisher Funds. They can solely be used for the provision of value added research to contribute to client portfolios. Unused soft dollars continue to accrue and cannot be redeemed for cash.

New Zealand has no specific standards on soft dollar commission use and Fisher Funds therefore considered the following guidance when formulating this policy:

US Securities and Exchange Commission  
17 CFR Part 241, [Release No. 34-45194]  
[Commission Guidance on the Scope of Section 28\(e\) of the Exchange Act](#)  
December 27, 2001

CFA Institute Standards  
[CFA Institute Soft Dollar Standards](#)

## 2. Policy

Soft dollars are earned by transacting on behalf of clients. Any benefits accrue to the investors of the relevant funds.

Soft dollars may only be used:

- for the benefit of the portfolio on which it was generated. To be clear, commission generated by one fund cannot be used to purchase research used by another fund;
- to purchase products or services whose primary use is to assist in the investment decision process related to the funds from which the benefits accrued.
- at all times with the clients' interests placed first.

## 3. Definition of Research

Research refers to services and products provided by a broker or other research service, the primary use of which must directly assist Fisher Funds investment decision process on behalf of clients and not the management of Fisher Funds.

Research may include:

- research reports;
- specialist magazines and journals;
- translation into English of any of the above material;
- registration fees for seminars and conferences;
- market or economic data; and
- order management systems.

#### 4. Examples of soft dollar use

Expense	%	Why
Bloomberg	100%	This data service provides information about companies and markets and it is also used as a screening tool which directly assists in the investment decision process, including the identification of new companies.
Accommodation and travel associated with company visits.	0%	Fisher Funds acquaintance with company executives and assessment of management prior to investing directly assists in the investment decision process.
Investment conferences and training courses	100%	Educational courses or conferences, or presentations from prospective international companies which directly assists in the investment decision process are acceptable whereas marketing and industry seminars are not. In the latter case travel and accommodation in relation to those seminars cannot be paid for with soft dollars.

#### 5. Determining whether soft dollars may be used

Soft dollars can only be used to purchase products or services which meet both the following criteria:

- the product or service meets the definition of Research; and
- benefit the clients of the appropriate fund.

The use of soft dollars and the basis for meeting the Research criteria must be documented and authorised by the Head of Trading and the Chief Investment Officer for any service or product funded using soft dollar commissions. This should be done each year for services or products that are used and that are funded using soft dollar commissions over a longer than one year period.

#### 6. Unused soft dollar commissions

Unused commissions will continue to accrue and cannot be transferred to the underlying funds, private portfolio clients or Fisher Funds.

#### 7. Accounting for Soft Dollar commissions

The Head of Trading records the accrual of soft dollar earnings and monitors monthly transaction statements.

The Head of Trading monitors and authorises the use of soft dollar commission, copying in the Chief Investment Officer.

Fisher Funds recognises soft dollars in its management accounts only to the extent of actual expenses incurred.

#### 8. Disclosure

Fisher Funds will include a statement in all investment management agreements that we may receive soft dollar commissions from brokers and any soft dollar commissions received will be used for the benefit of clients generally.

Investors may request further information on Fisher Funds use of soft dollars.

## **9. Compliance**

The Risk and Compliance Team monitors compliance with the Policy. Non-compliance with the Policy may result in disciplinary action which could include performance review, employment suspension or termination.

## **10. Review of policy**

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