fisherfunds

Fisher Funds

Unit Pricing and Valuation Policy

April 2025

Unit Pricing and Valuation Policy

1. Purpose

This document describes the means by which Fisher Funds Management Limited, its related companies and other related entities (Fisher Funds) prices units in the funds Fisher Funds manages (the Funds) and the methods Fisher Funds and our unit pricing providers (internal and outsource providers) use to ensure the accuracy of the Funds' unit prices.

This document also describes Fisher Funds' 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, a unit pricing error means either an error in the unit price 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 clients' investments is determined accurately.

3. Unit pricing providers

As at the date of this Policy, Fisher Funds outsources unit pricing services to Apex Investment Administration (NZ) Limited (APEX).

4. Calculation of unit prices

A service level agreement between Fisher Funds and APEX documents operational service levels and deliverables which include the timing for preparing unit prices and providing reporting. APEX 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.

APEX calculates unit prices in accordance with APEX's unit pricing policy and methodology and the methodology specified in each Fund's governing document, which follow industry best practice. For the purposes of determining the unit prices, the individual assets held within each Fund are valued each business day[1], with exceptions for certain assets, including private equity investments, where a less frequent 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 (CEO), in consultation with the Chief Investment Officer (CIO) and Head of Investment Operations (HIO)), with the Supervisor also required to approve the implementation of certain liquidity management tools. Any buy or sell spread imposed will be calculated by the HIO based on an estimate of how market liquidity is impacting bid-ask spreads and trading costs.

5. Asset valuation

Where assets are held by APEX as a custodian or APEX provides valuation services for a Fund, APEX values those assets according to its Security Valuation and Asset & Liability Valuation policies.

Where assets are held by a custodian other than APEX (for example JP Morgan) and that custodian provides valuation services, APEX will rely on the methodology and pricing sources provided by that custodian or the investment manager of the particular assets.

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[1] A business day is a day that is not a Saturday, Sunday or a public holiday (as defined in the Holidays Act 2003) as observed in Wellington or Auckland.

Fisher Funds is responsible for the valuation of certain assets, including directly held private equity investments, direct credit and direct property investments. Fisher Funds maintains standard operating procedures (SOPs) for the valuation of these assets. The SOPs are reviewed by the Trustee or Supervisor of the relevant Funds.

Refer to the Unlisted and Suspended Securities Policy if a security is unlisted or for which there is no active market and any valuation methodology approved by Fisher Funds' Valuation Committee.

6. Preparation and monitoring of unit prices

APEX's unit pricing processes are based on investment accounting information maintained in APEX's records. The unit pricing preparation process contains various levels of checks and controls including:

- data integrity checks before unit pricing can commence; and
- various in-built unit price model checks.

APEX 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 Fisher Funds Finance team regularly reviews unit pricing inputs and outputs including:

- the fee accruals and rebates; and
- any requested changes in the unit pricing calculations.

The Fisher Funds Tax team reviews the taxable income allocated to unitholders and sense checks Imputation Credits, Foreign Tax Credits, Dividend Withholding Payments, and Resident Withholding Tax for those funds that APEX provides registry services for, on a six monthly basis.

Furthermore, Fisher Funds monitors the performance of APEX in accordance with the Fisher Funds Outsource Provider Monitoring Framework.

Fisher Funds reviews APEX's unit pricing policy and methodology annually.

7. Monitoring of issued unit prices

The daily unit price is checked and compared against the relevant benchmark or indices for the Funds to check for any unexpected movements, and then approved for release. If a tolerance is breached, the reason for the breach is additionally checked and verified as true and accepted,

8. When a unit pricing error is identified

APEX 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, and subject to any requirement for Trustee or Supervisor approval, transactions may be suspended by the CEO, the Chief Operating Officer, the Chief Financial Officer, or relevant 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 further costs and disruption and once an impact analysis has been completed, transaction processing must resume.

9. 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 generally accepted industry standards, the materiality threshold adopted by Fisher Funds is 0.30% (30 bps) for equity and diversified investments, 0.15% (15 bps) for fixed interest 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, remediation is not required to be made to the affected investor. The Supervisor or Trustee will be informed and approval sought as required by agreements with the relevant Supervisor or Trustee.

Where the error is at or above the materiality threshold, investors will be returned 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 remediation is calculated at no less than $20 will receive payment. Provisions of the Financial Markets Conduct Act (2013) and Financial Markets Conduct Regulations (2014) relating to pricing errors must be complied with.

10. Reporting

Fisher Funds will inform the Supervisor or Trustee of all unit pricing errors within the timeframes agreed with the relevant Supervisor or Trustee and keep them abreast throughout the process of determining the materiality of the error and its rectification. Where there is a Supervisor or Trustee reporting agreement, any pricing error-related reporting requirements under such an agreement must be met.

Any unit pricing and taxable component errors will also be recorded in Fisher Funds' incident management system (Protecht) and reported to the appropriate management and Board committees.

11. 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 APEX means that the risk of conflicts of interest is small, given the physical separation of Fisher Funds and APEX, as well as the functional separation of duties within APEX 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.

Outsourced Unit Pricing providers have their own internal policies for managing conflicts of interest.

12. 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.

13. Review of policy

The Policy will be reviewed bi-ennially or more frequently if required and is subject to change at any time.