

# Broker Selection Policy

Fisher Funds Management Limited | September 2020

# Broker Selection Policy

## 1. Purpose

Fisher Funds Clients incur brokerage costs in the management of portfolios.

The purpose of this policy is to ensure that brokers used and brokerage costs incurred deliver the best possible client outcomes. This means that brokers will only be eligible for inclusion on the Broker Panel if they can demonstrate best execution. This is a function of minimising overall transaction costs and providing trading liquidity. Once a broker meets this hurdle other selection criteria may be used, in concert with best execution, to determine brokerage allocations. These criteria and any assessments against them are made on the basis that they deliver better client outcomes.

This policy governs the process of selection of intermediaries for inclusion on Fisher Funds Broker Panel. Approved brokers can be used for security trades, on either an agency or principal basis, on behalf of Fisher Funds' portfolios.

## 2. Equity Securities

Fisher Funds review and make broker selection decisions against the following criteria:

- research capability, coverage and access to research analysts or teams;
- ability to access international research, including relevant industry analysis;
- idea generation including stock selection;
- investment banking and equity capital markets capability, including primary and secondary issuance and block trades;
- ability to execute difficult trades;
- ability to access liquidity;
- execution and settlement speed; and
- reputation and trust, including their ability to maintain confidentiality regarding our market activities.

The New Zealand and Australian equity portfolio managers evaluate brokers periodically using the criteria listed above and advise the Head of Trading (HoT) on which brokers to include on the Broker Panel and the target proportion of overall brokerage to be paid to each. This may include an allocation to fund investment research under the soft Dollar Commission Policy. The proportion of brokerage paid into these arrangements will be determined at the same time as portfolio managers determine the composition and allocation to the Broker panel.

Brokerage percentage targets are compared, by the HoT, to actual brokerage payments made on a periodic basis (usually quarterly) and adjusted where it is considered necessary. Portfolio Managers may update the HoT with amended targeted broker spend percentages over the course of the year. The HoT will monitor progress during the calendar year and allocate trades in order to converge on these targets over time.

## 3. Soft Dollar Commissions

Portfolio managers include an allocation to soft dollar commission when setting brokerage targets. This target covers any third-party research that the portfolios are budgeting to spend throughout the year. Accruals and spending are monitored monthly in line with the Soft Dollar Commission Policy.

## 4. Fixed Interest securities

Fisher Funds use a number of local and global investment and retail banks for fixed income trading. Brokers are assessed on similar criteria to that used for equity securities however most fixed income trades are done on a principal rather than agency basis which changes how Fisher Funds weight these criteria. With the absence of clearly defined market prices, given fixed income securities are primarily

traded on an over the counter basis, and without direct brokerage charges pricing and liquidity provision is a major consideration in transaction decisions.

## **5. Over-the-counter derivatives**

Over-the-counter (OTC) derivative counterparties are selected on the basis of expertise, transaction pricing and creditworthiness. Fisher Funds will consider potential counterparty credit exposure when selecting counterparties for a particular transaction.

## **6. Foreign Exchange**

Foreign exchange transactions are executed by a panel of brokers through the FXGO platform. Brokers are assessed on similar criteria to that of OTC derivatives, with pricing a major consideration in transaction decisions.

## **7. Exchange Traded Derivatives**

Exchange traded derivatives carry very little counterparty credit exposure risk due to the presence of the clearinghouse. Therefore brokers are selected on the basis of expertise. Fisher Funds currently use JP Morgan for clearing exchange traded derivatives.

## **8. 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.

## **9. Review of Policy**

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