

Soft Dollar Commission Policy

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1. Background

Soft dollar commissions (soft dollars) are relatively rare in New Zealand and Australia but are common internationally. Soft dollars will not accrue on New Zealand or Australian portfolios but can accrue on international portfolios including KiwiSaver.

Sharebrokers use soft dollar agreements to encourage their clients to use the broker as a preferred supplier. The broker provides a credit in proportion to the total brokerage spend, which can be used for research services provided by third parties.

In practice, brokers do not offer soft dollars to the funds themselves or the underlying investors, and these commissions cannot be used to offset brokerage costs. Soft dollars are not income to a fund or the underlying clients of Fisher Funds. Unused soft dollars continue to accrue and cannot be redeemed for cash.

New Zealand has no specific standards on soft dollar use and we 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 trading investor assets and 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, the primary use of which must directly assist our investment decision process and not the management of Fisher Funds.

Research may include:

- research reports;
- specialist magazines and journals that are not targeted to a wide, public audience (e.g. Seeking Alpha, Manual of Ideas); or
- translation into English of any of the above material;
- registration fees for seminars and conferences;

- market or economic data (e.g. Global Trend, Lombard Street); and
- certain order management system functions.

4. Examples of soft dollar use

Expense	%	Why
Global Trend	100%	This tool allows access to strategy papers, market trends and investment ideas which directly assist in the investment decision process, including the identification of new companies.
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.
Thomson	100%	This research tool aggregates brokers' research on companies providing a detailed screening service which directly assists in the investment decision process, including the identification of new companies.
IRESS	0%	Not used for international portfolios
Accommodation and travel associated with company visits.	0%	Our acquaintance with company executives and assessment of management prior to investing directly assists in the investment decision process.
Investment seminars and training courses	100%	Educational courses or seminars, 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
- it benefits 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 Portfolio Manager - International Equities, and the Chief Investment Officer.

Only the Research portion of any invoice can be claimed and the split between funds (if any) must be documented. Any portion of the product or service which does not meet the criteria should be estimated, justified and reviewed at least annually.

6. Selection of Brokers

Payment of soft dollars should not be a consideration when selecting a broker. Brokers must be selected in accordance with the Broker Selection policy.

7. Unused soft dollar commissions

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

8. Accounting for Soft Dollar commissions

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

The International Portfolio Manager monitors and authorises the use of soft dollar commission, copying in the Chief Investment Officer.

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

9. Disclosure

We 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 our use of soft dollars.