

Fisher Funds Premium Service

Other Material Information

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Helping Kiwis fund their ambitions.

This document provides material information about the Fisher Funds Premium Service (the Scheme) to help you make an informed decision about investing in the Scheme. It is an important document and it supports the Fisher Funds Premium Service Product Disclosure Statement (PDS) and Statement of Investment Policy and Objectives (SIPO) which can be found on the Disclose Register or on our website fisherfunds.co.nz/premium-service.

In this document the word 'current' or 'currently' means as at the date of this document and 'you' or 'your' refers to persons who apply to become, or who are, investors in the Scheme.

Description of the Scheme and the funds

The Scheme is offered by Fisher Funds Management Limited (Fisher Funds, we, us, or our) and gives you a choice of the following five funds (each a fund and together funds) to invest in:

- the Fisher Funds Premium Income Fund (Premium Income Fund)
- the Fisher Funds Premium Property & Infrastructure Fund (Premium Property & Infrastructure Fund)
- the Fisher Funds Premium New Zealand Fund (Premium New Zealand Fund)
- the Fisher Funds Premium Australian Fund (Premium Australian Fund)
- the Fisher Funds Premium International Fund (Premium International Fund)

Each fund is a trust governed by a Governing Document between Fisher Funds and Trustees Executors Limited (the Supervisor). The Governing Document sets out how the funds must be administered and it can be amended by the Supervisor and us.

How do funds work?

The money you invest buys units in your choice of one or more funds based on the price per unit called the unit price. Therefore, each unit you own represents a share of a fund. Your money will be pooled with other investors' money and invested by us. The unit price is calculated each business day so that you'll know what your share of a fund is worth.

We invest only in assets described in the SIPO. The value of these assets can change daily, and this will affect the price of the units in a fund. A price fluctuation however will not change the number of units you hold. For example, if the value of the assets goes up, your units in a fund will be worth more and if the value of the assets falls then the units will be worth less.

Each unit in a fund has the same value as every other unit in that fund. Each unit represents equal interests in, and rights to, the assets of the fund. A fund may issue any number of units.

While you buy units in a fund, the units you hold do not give you any interest in any particular asset of that fund. This means that you cannot for example, ask us to transfer to you any underlying shares or property.

We, as the Manager of the Scheme, don't hold your money or own a fund's assets. A custodian, a company independent of us, holds all a fund's assets on behalf of investors. All monies which we (or an agent) receive for investment in a fund are paid into a separate bank account maintained by the custodian.

We may accept or reject in whole or in part any application to invest money in the Scheme

Assets — how they're valued

The assets held by a fund are usually valued each business day. We use an industry standard valuation method based on the last sale price of each listed asset (except where the last sale price falls outside the bid-ask spread, in which case the bid price is used) as at the close of business on each valuation day. If a fund is invested in underlying assets in offshore markets this may cause a delay in pricing of several days. This is because we must wait for the relevant markets to close before we can obtain the last sale price. Public holidays can also delay price availability. The unit price is calculated by dividing the net value of a fund's assets by the number of units in that fund.

Our current Unit Pricing and Valuation Policy and Unlisted and Suspended Securities Policy, available at fisherfunds.co.nz/policies-and-privacy, set out guidelines for valuing assets that are illiquid or infrequently traded, and for correcting pricing errors.

Market indices

Market indices are used to measure the change in value of specific groups of assets in recognised investment markets e.g. the New Zealand share market. An increase in the value of these assets will lead to a corresponding increase in the value of the market index.

The market index return for a fund refers to the percentage change in the appropriate market index over a given period. As an example, the current market index (sometimes referred to as the benchmark) used for New Zealand shares is the S&P/NZX50 Gross Index including imputation credits. We use a market index return to measure the relative performance of a fund compared to the market performance of the assets it invests in.

Where a fund invests in only one type of asset, or where the combination of its assets predominantly reflects the characteristics of one asset class, the market index return for that fund may be the return of one market index.

The Premium Property & Infrastructure fund invests in more than one asset type and therefore several market indices are used. The market index return for the Premium Property & Infrastructure Fund is a combination or composite return and is calculated using the weighted average of the market indices. In other words, if a fund's strategy is to invest in four different asset classes equally, the fund's market index return will be 25% of the return of each market index. The SIPO outlines which market indices are used for each fund.

Our actual investment portfolios do not necessarily try to mirror market indices and your returns could differ materially from them. This is because we actively choose securities and determine their weighting in the portfolio.

Who is involved?

Manager

Fisher Funds is the Manager of the Scheme. We are responsible for issuing and administering the Fisher Funds Premium Service and managing the assets in the funds. We may delegate some of these duties to third parties. We may use third party managers to manage assets for us either directly or through underlying funds.

Appointment and removal of the Manager

The Scheme must have an appropriately licensed manager who is not an Associated Person¹ of the Supervisor.

The Supervisor may remove us as Manager if they think it's in the best interest of investors and may appoint a new manager, however if we retire as Manager we may appoint a new manager. Our removal or retirement will not take effect until a new manager has been appointed.

Supervisor

The Supervisor of the Scheme is Trustees Executors Limited. The Supervisor's ultimate holding company is Sterling Grace (NZ) Limited.

Details of the Supervisor's directors, which may change from time to time without notice, are available at companiesoffice.govt.nz/companies.

The Supervisor is licensed under the Financial Markets Supervisors Act 2011 to act as a supervisor for a range of financial products, including the Fisher Funds Premium Service. Further information about the Supervisor's licence is available on the Financial Markets Authority website (fma.govt.nz) and on the Financial Service Providers Register website (companiesoffice.govt.nz/fsp).

Custodians

The Supervisor holds the assets of the Scheme. After having consulted us, the Supervisor may appoint one or more custodians to look after some or all of the assets. Apex Investment Administration (NZ) Limited has been appointed to look after some of the Scheme assets.

Administration managers

We may appoint one or more administration managers to assist with the administration and management of the Scheme. Apex Investment Administration (NZ) Limited has been appointed to provide registry services, and unit pricing and investment accounting services.

Supervisor and Manager indemnity

Subject to the limits on permitted indemnities under relevant law, if either we or the Supervisor are held personally liable to any other person in respect of any debt, liability or obligation incurred by or on behalf of any fund or any action taken or omitted in connection with any fund, (other than in respect of our or the Supervisor's negligence) then we or the Supervisor (as the case may be) are entitled to indemnity and reimbursement out of the relevant fund to the full extent of such liability and the costs of any litigation or other proceedings in which such liability has been determined including legal fees and disbursements.

Winding up and insolvency

Each fund will terminate on the earliest of the following events:

- if we decide to wind it up;
- if we are required to wind-up the fund by law;
- on any date stated in the Governing Document; or
- the date on which the investors agree to close the fund by special resolution.

If a fund is wound up, we will sell all the assets of the fund and, after providing for claims and liabilities (including fees and taxes), distribute the balance to investors in proportion to their holdings.

Any fund may, with the Supervisor's approval, be terminated early and the units may be switched into a new fund on terms which are similar in all material respects to the terms of the existing fund.

In the event that the Scheme or any of the funds become insolvent, there is no further obligation for you to pay any money to any person.

If a fund is put into liquidation or wound up, any claims by creditors (e.g. banks) will rank ahead of you. After payment of all creditors, you'll rank equally with all other investors in that fund.

Fees and expenses

You will be charged fees and expenses for investing in the funds, and these are explained below.

Manager's fee

We are entitled to the following remuneration, plus GST (if any) for the services we provide to each of the funds and reimbursement of certain expenses incurred on behalf of the funds:

A management fee, calculated at each time the unit price is calculated and payable monthly in arrears which is currently:

- **Premium Property & Infrastructure Fund, Premium New Zealand Fund, Premium Australian Fund, Premium International Fund:** 1% per annum of the Gross Asset Value (GAV) of each fund.
- **Premium Income Fund:** 0.75% per annum of the GAV of the fund.

Please note, the management fees disclosed in the PDS are calculated on a GST inclusive basis, based on net asset value.

We will notify you in advance if we increase the fee.

Performance-based fee

A performance-based fee is charged when we beat the high water mark and achieve the Hurdle Rate (both terms are explained below).

There is no performance-based fee for the Premium Income Fund.

The performance-based fees are calculated daily. 30 June each year marks the date that the performance-based fees become payable if the high water mark and Hurdle Rate are exceeded.

The performance-based fees are capped at 2% of each fund's average net asset value per year.

The performance-based fees payable are 10% of the Excess Return above the Hurdle Rate (assuming we have beaten the high water mark) plus GST, subject to the 2% cap.

1. Has the meaning given to it in the Financial Markets Conduct Act 2013.

High water mark

A high water mark is used in the calculation of the performance-based fee to ensure that we are only rewarded for investment performance once. This is generally the highest unit price on which any previous performance-based fee was paid. Performance-based fees are payable only if the fund's performance exceeds the high water mark. This means that we don't get rewarded for making up any investment loss the fund incurs.

Hurdle Rate

The Hurdle Rate is the minimum return the fund must achieve before being able to charge a performance-based fee.

The Hurdle Rates for the funds are as follows:

- **Premium New Zealand Fund, Premium Australian Fund, and Premium International Fund:** The Official Cash Rate (OCR) plus 5%.
- **Premium Property & Infrastructure Fund:** The OCR plus 3%.

The performance-based fee calculation is as follows:

- where Excess Return ≤ 0 , no performance-based fee is payable; and
- where Excess Return > 0 , the performance-based fee calculation is the lowest of:
 - Excess Return x 10% [the basic fee calculation];
 - $(U_{Pt} / HW) - 1] \times AVNAV \times 10\%$ [the fee on the amount above the high water mark]; and
 - AVNAV x 2% [the cap].

Definitions

Excess Return	= AR — HT
U_{Pt}	The unit price as at the last business day of the calculation period (t). This value is prior to the deduction of any performance-based fee to be paid in respect of performance in the current calculation period.
U_{Pt-1}	The unit price as at the last business day of the prior calculation period (t-1).
D	The cents per unit of distributions paid by a fund during the calculation period.
HW	High water mark. The highest unit price for a fund at the end of any prior calculation period on which a performance-based fee is payable adjusted for any split or consolidation of units and any prior period distributions since the last performance-based fee was payable.
AVNAV	The Average Net Asset Value of a fund being the daily average net asset value over the calculation period.
H_{Rt}	Hurdle Rate applicable for current calculation period: <ul style="list-style-type: none">• For the Premium New Zealand Fund, Premium Australian Fund and Premium International Fund: (Average OCR + 5%) multiplied by days since start of year/365 (366 days in leap years).• For the Premium Property & Infrastructure Fund: (Average OCR + 3%) multiplied by days since start of year/365 (366 days in leap years).
HT	Hurdle Return, the Hurdle Rate multiplied by the AVNAV. i.e. H _{Rt} x AVNAV.
AR	Actual Return applicable for current calculation period: $((U_{Pt} + D) / U_{Pt-1}) - 1 \times AVNAV$ (adjusted for any split or consolidation of units).

For further information on the performance-based fee calculations, please contact us on 0508 347 437 or at enquiries@fisherfunds.co.nz.

Supervisor's fee

Trustees Executors Limited, acting in its role as Supervisor is entitled to receive a fee for its services. This fee is included in the annual fund charges in the quarterly fund update for each fund, available at fisherfunds.co.nz/premium-service/forms-and-documents.

Administration manager fees

The administration managers (see the "Who is involved?" section") are entitled to receive fees for their services. These fees are included in the annual fund charges in the quarterly fund update for each fund, available at fisherfunds.co.nz/premium-service/forms-and-documents.

Other fees

We do not usually charge a fee for switching funds, however we may choose to do so if an investor wanted to make an unreasonable number of switches in a short time.

Costs and expenses

We are entitled to be reimbursed out of the funds for any costs, charges and expenses incurred in respect of the funds. These expenses are apportioned between the funds to which they relate at our discretion. The amount of these expenses cannot be determined until they are incurred and will vary from time to time.

The costs and expenses also include:

- a reasonable fee based on the time spent by us on matters relating to the termination of the Scheme or a fund; and
- compensation if we are removed as the Manager by special resolution of the investors of the Scheme equal to the amount of the total fees (including any performance-based fees) received by us in the two years preceding the removal payable from the assets of each fund.

Investment in other funds

In addition to directly acquired assets, the funds may invest in wholesale funds that are also managed by Fisher Funds. The funds in the Scheme do not incur a management fee on investments in wholesale funds managed by Fisher Funds.

The funds and the underlying funds they invest into may also invest in other funds managed by third parties not associated with us. Those funds may charge fees, including entry fees, exit fees, performance-based fees and management fees, and incur expenses.

The amount of the fees and expenses of any underlying funds is included in the annual fund charges in the quarterly fund update for each fund, available at fisherfunds.co.nz/premium-service/forms-and-documents.

GST on fees and expenses

All fees and expenses are exclusive of goods and services tax (GST) unless otherwise stated and GST will be added where required.

Buy/sell spreads

Although under normal trading and market conditions we do not apply buy and sell spreads, we may choose to do so - for example, during a period of market volatility - with the aim that transaction costs associated with investors buying or selling units, or switching between funds, are met by those investors and not the other investors in those funds.

There are transaction costs when the underlying assets of a fund are bought and sold. These impact the fund's unit prices. To reflect the likely transaction costs of selling underlying assets we can apply a sell spread to investors' withdrawals (including switches) from a fund. Similarly, a buy spread can be applied to investors' investments (including switches) into a fund to reflect the likely transaction costs of buying underlying assets. Any buy or sell spread is retained by the fund to offset transaction costs and is not a fee paid to us.

You can find out if any buy or sell spreads have been applied at fisherfunds.co.nz/spread-pricing.

What are the risks?

There's always some risk when you invest and the level of risk varies depending on what you invest in. The level of risk is usually related to the possible return you might achieve from your investment. For example, investing in shares is likely to give you a higher return, however shares come with more risk than say fixed interest investments.

Investments in the funds are not guaranteed by the Crown, Fisher Funds, the Supervisor, or any other person or company and nor does any party promise the repayment of, or returns on, investments in the funds. The value of your investment can go up but it can also go down and this positive and negative movement is called volatility. You may not recover the full amount you've invested or receive any returns on your investment.

As a general rule, cash and fixed interest investments (called income assets) tend to be less volatile than commercial property, shares and alternative investments like derivatives or foreign exchange (called growth assets). Therefore the greater the proportion of growth assets in a fund, the greater the potential to experience negative returns over the period of your investment. However, higher risk investments also have the potential for higher returns.

Fisher Funds oversee this risk on your behalf. Below we outline the risks associated with investing in the funds and how we manage those risks. It is important to note that no mitigation strategy can eliminate all risks associated with investment.

General investment risks

The following risks (summarised in Section 4 of the PDS) are some of the things that may cause a fund's value to move up and down, and which affect the risk indicator score for the funds.

Type of risk	Description	How we manage it
Investment returns risk	Different types of investments have different risks and perform differently at different times. For example, the return on growth assets tends to go up and down more than the returns from income assets. This means short term fluctuations in the value of a fund are common, especially for funds that invest mostly in growth assets like shares.	<p>Our minimum quality criteria must be met before any investment is included in a fund's portfolio.</p> <p>We develop, in consultation with the Supervisor, a SIPO which describes the allowed investments, exposure levels and investment criteria for the investments held in the funds.</p> <p>We regularly monitor the holdings of the funds to ensure they remain within the criteria specified in the SIPO.</p> <p>We may visit companies or seek additional information in respect of investments held to be satisfied of their ongoing suitability.</p>
Market risk	Investment market performance can be affected by economic conditions such as investor opinion, inflation, employment rates and interest rates (including negative interest rates). Political events, and environmental and technological issues also impact investment market performance.	We keep our knowledge of various market factors up to date through a review of economic data both locally and internationally, as well as conducting our own research. This information is used when making investment management decisions.
Climate change risk	The market value of an investment may change due to the impacts of climate change. Climate change impacts may include damage to physical assets (e.g. from severe weather events) and changes in market sentiment or increased government regulation in response to the threat of climate change.	Climate change risk is one of the many investment risk factors considered in our investment process. We may consider both the risks and the opportunities of climate change when evaluating an investment.
Currency risk	Investments in foreign assets are bought and sold with foreign currency, and the funds may hold foreign currencies directly. The value of the foreign assets and currency can change (up or down) when there are movements in the exchange rate between the New Zealand dollar and the foreign currency.	Where we can, we monitor the currency positions and may adjust the hedging levels of the currency exposure attributable to the holdings of the overseas assets.
Investment manager risk	How we choose to allocate each fund's investments (and the investment decisions made by the managers of any underlying funds in which we invest) will affect that fund's returns. In particular, our investment style may result in our returns differing from any market index and from competing investments.	<p>We maintain an up to date knowledge of various market factors through a review of economic data both locally and internationally while also conducting our own research. This information is then taken into consideration when making investment management decisions.</p> <p>We aim to complete a review of the strategic asset allocation for the funds every two years to ensure we take into account updated capital market assumptions.</p>

Type of risk	Description	How we manage it
Credit risk	The issuer of a security, an institution that we deposit funds with, or a third party that provides a guarantee for either may not honour their obligations, fail to complete transactions, or may become insolvent. If this occurs you may not receive the full amount of your investment in that fund.	We analyse the creditworthiness of the issuers we purchase securities from, institutions we choose to deposit funds with, and third parties that provide a guarantee for either.
Counterparty risk	A party to an investment contract may not honour their obligations, or fail to complete a transaction, or may become insolvent. If this occurs in any of the investment contracts held by a fund, you may not receive the full amount of your investment in that fund.	Fisher Funds deals with reputable brokers and trading platforms. For physical securities our preference is to pay on delivery of the financial instrument. For derivatives and OTC contracts we ask counterparties to post collateral against unrealised losses to minimise potential losses in the event of default. Not all counterparties post collateral.
Interest rate risk	Fixed interest investments may become more or less valuable depending on changes in interest rates. If market interest rates rise, the existing fixed rate investments become less valuable because new fixed interest investments will pay the current, higher rate of interest, and vice versa when market interest rates fall. Interest rate risk is more applicable to funds that invest mostly in income assets such as fixed interest securities.	Where possible, we consider the expected impact of economic factors on interest rate sensitivity (i.e. the impact a change in interest rates will have) when selecting investments for the funds.
Liquidity risk	Low liquidity can affect the ability of the fund to make payments when needed (such as meeting withdrawal requests) and the fund may receive a lesser amount than expected if the assets have to be sold quickly and there are few buyers. Investment in unlisted assets increases liquidity risk, which applies particularly to any unlisted assets that the funds may hold.	We operate a portfolio liquidity risk management framework to help ensure that portfolios are well-positioned to withstand stress scenarios and to allow portfolios to potentially take advantage of opportunities provided by market dislocations.
Concentration risk	As an active manager, we invest the funds in a relatively small number of securities that we have individually researched and hold a high conviction will perform well over the long term. Where a portfolio consists of a small number of securities, the performance of one or a few securities will have a larger impact on the performance of the fund than in a fund that holds a greater number of securities.	Concentration risk in the funds is a by-product of how we manage them. We believe however that as long as we do our research well and make good decisions, the benefits of choosing a smaller number of well performing securities outweighs the risk that from time to time individual securities will underperform.

Other risks

The following are either risks that do not currently significantly impact the risk indicator scores, but may impact future fund returns or are other risks currently associated with investing in the funds.

Type of risk	Description	How we manage it
Unfulfilled investment objectives	There is no guarantee that the funds will achieve the investment objectives set out in the SIPO and these objectives should not be taken as a guarantee or assurance of returns. A failure to meet investment objectives would affect the value of the relevant fund.	We regularly monitor the returns of the assets held by the funds. We may alter the mix of investments held if our analysis indicates that this could better achieve the funds' objectives. Any amendment to the SIPO objectives must be made in consultation with the Supervisor to ensure investors' best interests are considered.
Inflation	Inflation is a term used to describe the rise of average prices through the economy. Simply, inflation refers to the increased cost of living. There is a risk that if you receive returns from your investment that are less than the rate of inflation, you may not be able to buy as many goods and services with your money as when you initially invested. Inflation may impact on real returns.	Some investments may perform better than others during periods of inflation and we consider this when we design portfolios.

Type of risk	Description	How we manage it
Derivative risk	<p>A derivative is typically a financial contract such as futures contracts or swaps, whose value depends on the future value of its underlying assets such as shares, bonds, currency or cash. Derivatives may be used as an alternative to investing in a physical asset, or as a risk management tool, providing a similar exposure to the investment without buying or selling the asset underlying the derivative.</p> <p>Any risks which can affect the physical asset can also affect the derivative and therefore their use may not remove all exposure they are intended to manage.</p>	The funds and any underlying funds may use derivatives to gain exposure to assets that are consistent with the SIPO or to manage currency exposures.
Operational or systems failure	Risk may arise from a process failure, fraud, litigation, disruption to business by reason of an industrial dispute, system failure, natural disaster or other unforeseen event affecting the funds (or the markets generally).	Business continuity plans are in place for periods of business disruption caused by unforeseen circumstances.
Key personnel	The success of each of the funds depends to a significant extent upon us continuing to employ a number of key personnel. Profiles of the Fisher Funds investment team can be found at fisherfunds.co.nz/team .	To minimise turnover, Fisher Funds fosters an environment which attracts and retains key personnel, while at the same time operating in a collaborative manner therefore minimising key personnel risk.
Legislative and regulatory	Returns may be affected by any legislative or regulatory changes in both New Zealand and offshore, which could have an impact on any investment or the markets in which they operate. Changes to legislation could have a significant impact on the Scheme and your investments in the funds.	We keep abreast of proposed legislative and regulatory changes that may influence our investments, business or the markets in which we operate. When necessary we make submissions to ensure our clients and our business interests are represented.
Taxation	Changes in taxation rates or tax rules in New Zealand or overseas may affect the value of the assets of the funds and/or your return.	We consider taxation implications when selecting investments. When changes in taxation are proposed, we review them to understand any impact on existing investments, fees and/or your return.
PIE status	Should the funds fail to satisfy the PIE eligibility criteria necessary to retain PIE status, this could result in the funds being taxed at a higher rate than the individual Prescribed Investor Rate of investors. It may also result in the funds being taxed on investment gains that would not be taxable if the fund was a PIE.	We monitor factors influencing each fund's PIE status on a regular basis and have processes in place to minimise potential breaches of PIE eligibility criteria, which may include adjusting an investor's unit holding to maintain PIE status.
Borrowing	<p>Where permitted by the SIPO we may borrow on behalf of the funds and this may include borrowing against the assets of a fund. This may exaggerate the effect of any increase or decrease in the value of the assets of the fund and increase the risk of insolvency.</p> <p>Under our current investment strategies this risk is predominantly relevant to funds that invest in unlisted property assets. The funds may invest in other funds, which may borrow from time to time.</p>	Portfolios are subjected to stress testing to monitor the impact of borrowing on the risk profile of the funds.

Understanding your investment

Investing in the Fisher Funds Premium Service

It's easy to invest in the funds and they're open to most people predominantly living in New Zealand including;

- Individuals (including joint investment)
- Trusts or Partnerships
- Charities
- Companies
- Incorporated Societies or Associations

You can invest in the funds by completing the application form at the back of the PDS.

We are required by law to identify you, which means you will be required to provide identification, proof of address and, in some cases, evidence of where your application money has been sourced.

We are not obliged to register more than two people as the investors which hold any unit. Where two or more people are registered as the investors, they will each be liable for all payments in respect of that investment. On the death of one investor, we will recognise the survivor or survivors as owning the investment.

All notices, payments or other communications from us or the Supervisor, including instructions for distributions will be sent only to the person whose name appears first on the register.

Withdrawing your investment

You can withdraw part or all of your investment at any time by sending us a completed withdrawal form signed by all registered investors.

When you make a full withdrawal the withdrawal amount paid is adjusted for any tax payable or refundable. In the case of a partial withdrawal your remaining balance is adjusted for any tax payable or refundable.

If you are invested in multiple funds you may make a partial withdrawal from one or more funds of your choice. If you do not make a choice the withdrawal amount will be deducted from the funds in the same proportion as your current investment balance (e.g. if your balance is 70% in fund A and 30% in fund B, 70% of your withdrawal value will be taken from fund A and the remaining 30% from fund B).

Your withdrawal will be processed at the unit price calculated as at the day we accept your withdrawal request. Currently, withdrawals usually take 2 business days to process. In certain unusual circumstances withdrawals may take up to 10 business days to complete.

Payments will be made to your nominated bank account or to an authorised recipient.

Suspension or deferral of withdrawals

We may suspend or defer the timing of withdrawals and switches if we determine that the redemption or repurchase of units is not practicable or desirable, would be prejudicial to the interests of investors or would threaten a fund's eligibility for PIE status. This may happen, for example, because of financial, political or economic conditions affecting investment markets. Any suspension can be up to a year, subject to extension by special resolution of the investors in the fund.

In certain circumstances (for example to address liquidity issues), we may make an initial partial withdrawal payment, with the remaining amount paid out at a later date. In addition, instead of paying you in cash, we may choose to transfer to you your share of the underlying assets of the fund.

We will notify you if we invoke a suspension.

Compulsory redemptions

We may, in consultation with the Supervisor, compel the redemption of all or some of your units, if your holding of the units (whether on its own or in conjunction with any other circumstances we consider relevant) might in our opinion result in any legal, pecuniary, regulatory, tax or material administrative disadvantage for the Scheme, the funds or to the investors in the Scheme or the fund as a whole.

Maintaining a minimum account balance

A minimum account balance of \$500,000 should be maintained in total across the Premium Service funds you are invested in and \$10,000 in each Premium Service fund you are invested in. We have discretion to allow balances below the \$500,000 threshold (including where lower minimum account balances have been permitted for existing investors). We may take into account other balances you have in Fisher Funds products for the purpose of calculating your total balance. Where your investment falls below the minimum account balance, we may request that you top up your account to at least the minimum account balance or transfer to one of our other products. In accordance with the Governing Document and otherwise at our discretion, we are entitled to withdraw your remaining funds and pay them to you.

We may also decline any withdrawal or transfer request if it would threaten the relevant fund's eligibility for PIE status.

Tax

We provide the following information on tax related to the funds as a general guide only and neither we nor the Supervisor accept any responsibility for your taxation liabilities. Please seek independent tax advice before investing.

PIE tax treatment and timing

Each fund is a multi-rate portfolio investment entity (PIE) for tax purposes. This means that your share of any taxable income of the fund will be taxed at your prescribed investor rate (PIR). The following comments are based on each fund remaining a PIE.

Your PIE tax payable to Inland Revenue will be funded by cancelling a portion of your units. We'll issue additional units to reflect the amount of any tax rebate owed to you, this may not occur until the rebate is received from Inland Revenue. PIE tax payable is withheld as at 31 March or on any full or partial withdrawals.

Your PIR can be 0%, 10.5%, 17.5% or 28%. Different PIRs are available depending on the type of investor you are (e.g. individual investor, trustee, company) and your tax residency status. These tax rates are set by legislation, and you are responsible for making sure we have your correct PIR on record. If you do not tell us your PIR, your income will be taxed at the highest rate.

You can advise us of your PIR at any time, including when it changes, by contacting the Fisher Funds Client Experience Team on 0508 347 437, or enquiries@fisherfunds.co.nz.

For information on determining your PIR go to Inland Revenue's website ird.govt.nz/roles/portfolio-investment-entities/find-my-prescribed-investor-rate or call them on 0800 227 774.

Provided that you advise us of your correct PIR (being greater than 0%) and IRD number, tax paid by a fund on income attributed to you will generally be a final tax.

If you are a NZ tax resident natural person, Inland Revenue will calculate any PIE tax over/under paid based on the PIR applied and add that to your end of year income tax position as part of its automated year end assessment process. No further action is required where the PIR applied is correct for the year.

If you are a non-NZ tax resident or entity other than a natural person, if your PIE income is taxed using:

- the 28% PIR, no further action should be required
- an advised PIR less than the 28% PIR but greater than 0%, you may need to file a NZ income tax return and may be liable to Inland Revenue for further tax and penalties
- a PIR of 0%, you will need to file a NZ income tax return.

Joint investors

If you are investing jointly with another person or persons, the highest PIR of the joint investors will be used. We notify Inland Revenue of the joint investors' details and Inland Revenue splits the income and tax equally between all joint investors. If you disagree with Inland Revenue's allocation of income and tax to joint investors, we are unable to change this but you can change the allocation in myIR. All joint investors will need to make this change.

Fisher Funds may be notified of a change to your PIR

If Inland Revenue believes your PIR is incorrect, they may notify us of the PIR that is to be applied for you. We are required to apply the PIR notified by Inland Revenue as soon as reasonably practicable. You can subsequently update your PIR if you believe the PIR Inland Revenue provided is incorrect.

Calculating PIE tax

A fund's tax position for a period is calculated as the sum of its investors' tax positions (based on their respective PIRs) for that period. If, in a period, the sum of investors' tax positions means the fund makes a tax loss, or if the fund has more New Zealand tax credits attributed to it than are required to meet its tax liability, generally we will claim a tax refund from Inland Revenue. We have the option of allocating each investor's proportional share of that tax refund to the investor's account when it is received.

Investment in NZ resident companies or certain Australian listed companies

Funds holding shares in New Zealand resident companies or certain companies resident in Australia that are listed on the Australian Securities Exchange are taxed only on dividends from these companies, with a credit allowed for any imputation credits attached to the dividend (but not for any Australian franking credits). Subject to some limitations, the funds are entitled to a tax credit for any withholding tax deducted from such dividends. Tax should not be payable by the funds on any gains from the sale of such shares.

Investment in other foreign shares subject to the Foreign Investment Fund (FIF) Regime

Other international shares held by the funds may have taxable income calculated under the Fair Dividend Rate (FDR) method or the comparative value (CV) method. The majority of shares held by the funds are taxed under the FDR method.

Under the FDR method, the taxable income is equal to 5% of the market value of the shares at the start of each valuation period adjusted for the proportion of the year the valuation period relates to. The funds are entitled to a credit for any withholding tax paid on dividends received from these shares, subject to certain limits. Any dividends or profits from sales of the shares are ignored for tax purposes. No tax deduction may be claimed for any losses in respect of the shares taxed under this method.

Under the CV method, the fund derives taxable income equal to the difference between the value of the relevant international shares at the end of a valuation period and the value of those shares at the start of the valuation period, with adjustments made for certain gains (including any relevant dividends and tax credits, and any proceeds from disposing of the relevant shares) and costs (including any relevant foreign income tax that is paid or payable and any costs in relation to purchasing the relevant shares).

Other investments

Tax payable on a fund's other income (e.g. fixed interest securities and interest on bank deposits) will be calculated according to the relevant tax rules. Tax may be imposed in overseas jurisdictions in relation to overseas investments (although this may give rise to a tax credit in New Zealand).

Investment in other PIEs

Where a fund invests in funds that are themselves PIEs, the funds should attribute PIE income to the fund to be taxed in the same way as if the underlying investments had been held by the fund directly.

PIE tax advantages

Investing through a PIE may provide tax advantages over investing directly. For example:

- Because the PIRs at which tax is paid on PIE income are capped at 28%, and no other tax is generally payable by individual investors, there can be tax advantages to investing in a PIE if you are on a marginal tax rate higher than 28%.
- PIEs can take steps to ensure foreign withholding tax (e.g. on dividends) is deducted at the correct rate and manage foreign withholding tax reclaims for tax deducted in excess of the correct rate directly. Consequently, investing through a PIE can relieve investors of administrative obligations required to ensure foreign withholding tax is deducted at the correct rate.
- Gains made on disposals of most Australian and New Zealand shares are not taxable even when those shares are actively traded.
- Investing through a PIE allows foreign exchange contracts hedging certain offshore investments to be taxed under the fair dividend rate method – better reflecting the tax treatment of the underlying securities, which should reduce volatility for tax purposes. Individuals investing directly are unable to apply the fair dividend rate method to such hedges.

Relevant policies

Copies of the following policy documents are available at fisherfunds.co.nz/policies-and-privacy:

- Conflicts of Interest
- Portfolio Trading
- Proxy Voting
- Responsible Investment
- Unit Pricing and Valuation
- Unlisted and Suspended Securities
- Liquidity Risk Management

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