

Unit Pricing and Valuation Policy

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Unit Pricing and Valuation Policy

1. Purpose

This document describes the means by which we price units in the funds we manage (the Funds) and the methods we and our outsource partners use to ensure the accuracy of the Funds' unit prices. We also describe our approach should an error (both an error in a unit price and an error in the calculation of the five taxable income components) occur.

2. Background

The calculation of unit prices is a critical operation which ensures that the value of client investments is determined accurately.

3. Calculation of unit prices

We outsource fund unit pricing to Trustees Executors Limited (TEL).

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

TEL calculates unit prices in accordance with the methodology specified in each fund's governing document which follows industry best practice. Unit prices are calculated each business day, with exceptions for certain assets such as direct property investments where a monthly valuation is appropriate due to the illiquid nature of the assets.

The following table details the pricing methodology and source for each asset class. Where applicable, the current pricing provider's reference field is included.

	Unit Pricing valuations	Bid Price reporting	IFRS Compliant reporting
Price Type	Last sale/close price	Bid price	Last sale/close unless price is outside bid/ask spread then bid price is used. ¹
Asset class			
Equities: All markets	Last sale price from primary exchange <i>(Source 1)</i>	Last bid price from primary exchange <i>(Source 1)</i>	Last sale or last bid price from primary exchange using bid/ask/last sale data <i>(Source 1)</i>
Futures and Options (Equity and Fixed Interest): All markets	Settlement price from primary exchange (or close price if settlement not quoted) <i>(Source 1)</i>	Last bid price from primary exchange <i>(Source 1)</i>	Settlement or bid price from primary exchange <i>(Source 1)</i>
NZDX Listed Bonds	Market close price from NZDX <i>(Source 1)</i>	Market close bid price from NZDX <i>(Source 1)</i>	Market close or bid price from NZDX <i>(Source 1)</i>

¹ A valid bid/ask spread must be evident for the test to apply. If either or both bid/ask prices are not quoted then the last sale price will be applied.

New Zealand Government Bonds	Thomson Reuters Close price (<i>Source 1</i>)	Thomson Reuters Bid price (<i>Source 1</i>)	Thomson Reuters Close price (<i>Source 1</i>)
New Zealand Corporate Bonds	First: New Zealand Financial Markets Association Closing rates. Second: Thomson Reuters Margin over the NZD Swap Curve. (<i>Source 1&2</i>)		
New Zealand Floating Rate Notes	First: New Zealand Financial Markets Association Closing rates Second: Bid price ² from Thomson Reuters Composite pricing (<i>Source 1</i>) Third: Asset Back FRN prices received from Lead Manager. Traded Margins also used to derive lower Tranche prices.		
New Zealand Local Authority Bonds	Calculated by TEL using the NZFMA Margin over the NZD Swap Curve (<i>Source2</i>)		
Australian and International Bonds (incl. FRN's)	Mid price from Thomson Reuters Composite pricing (<i>Source 1</i>)		
New Zealand and International Swaps	Calculated by TEL using the Zero Curve of applicable currency (<i>Source 3</i>)		
New Zealand Discounted securities	Calculated by TEL using applicable Bank Bill or Treasury Bill Curve (<i>Source 3</i>). <i>Traded Margin is applied for non-Bank issues.</i>		
Foreign Exchange (incl. Forward Rates)	WM Company Close rates as at 4pm GMT (<i>Source 1</i>)		
Other Derivatives e.g. OIS's, Swaptions and FX Options	Priced manually by TEL using a market convention SWAP model (<i>Source 4</i>)		
Unitised Securities	Where applicable Redemption or Exit price applied if multiple prices quoted by the third party provider (<i>Source 5</i>)		
Other Investments (e.g. Private equity or unlisted securities)	First: Valued using an independent valuation source. Second: If no independent price is available then Fisher Funds (with approval from the Trustee) advises price.		

Source 1. Thomson Reuters

Source 2. Thomson Reuters (both Margin and Curve)

Source 3. Thomson Reuters (Curve)

Source 4. Relevant market providers

Source 5. Thomson Reuters Lipper service or direct from Third Party provider

Where assets are held by a custodian other than TEL (for example JP Morgan), TEL will rely on the methodology and pricing sources provided by that custodian.

Refer to the Unlisted and Suspended Securities Policy if a security is unlisted or for which there is no active market.

4. Preparation and monitoring of unit prices

TEL's unit pricing process is based on investment accounting information maintained in HiPortfolio.

The unit pricing preparation process contains various levels of checks and controls including:

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

² Bid price from W M Reuters is used since they calculate using this mid margins over a bid curve to calculate a bid price and then derive a spread from the bid price.

TEL 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 unit pricing process is also subject to internal audit annually.

The Fisher Funds Fund Accounting team regularly reviews unit pricing inputs and outputs including:

- the fee accruals and rebates;
- any requested changes in the unit pricing calculations; and
- the taxable components e.g. Taxable Income, Imputation Credits, Foreign Tax Credits, Dividend Withholding Payments, and Resident Withholding Tax).

5. Monitoring of issued unit prices

The daily change in the unit prices is monitored and reviewed to validate changes.

A final check is performed to compare the difference in the change in unit price to the daily change in the index for that fund. .

6. When a unit pricing error is identified

TEL will notify us immediately of any unit pricing error and provide a fund and investor impact analysis.

If allowable under the terms of the governing document, transactions may be suspended by the Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, or the Product Compliance Manager, if to allow transactions to continue would materially, adversely impact investors. Errors must be rectified as quickly as possible to limit any or further costs and disruption and once an impact analysis has been completed transaction processing must resume.

7. 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 Policy has not been followed or because of an administration error.

In accordance with industry standards, the materiality threshold adopted by Fisher Funds is 0.30% (30 bps) for non-cash 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, compensation is not required to be made to the affected investor. The supervisor will be informed and approval sought.

Where the error is above the materiality threshold, compensation will be paid to return the investor 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 compensation is calculated at no less than \$20 will receive payment.

8. Reporting

We will inform the Supervisor of all unit pricing errors within five business days of identification and keep them abreast throughout the process of determining the materiality of the error and its rectification.

Any unit pricing and taxable component errors will also be reported to the Compliance Committee at the next scheduled meeting as part of issues and breaches reporting.

9. Review of policy

The Unit Pricing Policy will be reviewed annually or more frequently if required. This Policy is subject to change at any time.

Draft: Doug Booth	Date: Nov 2015
Approved: The Board	Date: Oct 2016, Dec 2017, Oct 2018
Revised: Doug Booth/Monique Bon Elizabeth Robertson/Brigitte Adelinger	Date: Oct 2017 Date: Oct 2018