

Fisher Funds Group

Unit Pricing and Valuation Policy

December 2023



Unit Pricing and Valuation Policy

1. Purpose

This document describes the means by which Fisher Funds Management Limited and its related entities (Fisher Funds) price units in the funds Fisher Funds manage (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 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. For the purposes of this policy, unit pricing error means either an error in unit price and/ 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 client investments is determined accurately.

3. Unit pricing providers

As at the date of this policy, Fisher Funds unit pricing providers consist of outsource providers and internal pricing as set out below.

Fund	Unit pricing provider
Fisher Funds Management Limited (FFML) Funds	Outsources fund unit pricing to Trustees Executors Limited (TEL)
Kiwi Wealth KiwiSaver Scheme (KWKS) and Kiwi Wealth Managed Funds (KWMF) (Kiwi Wealth Funds)	<ul style="list-style-type: none"> Undertakes unit pricing internally for some Funds Outsources fund unit pricing to APEX for some Funds <p>Further detail is contained in Appendix 2</p>

4. Calculation of unit prices

FFML Funds – outsourced to 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 TEL unit pricing policy and methodology and the methodology specified in each Fund's governing document which follows industry best practice. Unit prices are calculated daily except for the Fisher Funds Institutional Property Fund unit price which is calculated monthly¹. For the purposes of determining the unit prices, the individual assets held within each Fund are valued 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, or for private equity investments where a quarterly valuation is appropriate due to the illiquid nature of the assets.

Kiwi Wealth Funds – mix of internally priced and outsourced pricing depending on Fund
KWKS funds are priced by APEX on a daily basis. **KWMF** funds are priced by APEX on a weekly basis using Friday's valuation point and at month end.

¹ A business day is a day that is not a Saturday, Sunday, a national public holiday

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 follows industry best practice. For the purposes of determining the unit prices, the individual assets held within each Fund are valued each business day², with exceptions for certain assets such as private equity investments where a quarterly valuation is appropriate due to the illiquid nature of the assets.

The KWMT Funds - Kiwi Wealth Fixed Interest Fund (FIPIE) and the Kiwi Wealth Growth Fund (GPIE) are priced internally on a weekly basis using Friday's valuation point and at month end. Investment Operations calculates unit prices in accordance with the methodology in Appendix 2 and as specified in each Fund's governing document, which follows industry best practice. For the purposes of determining the unit prices, the individual assets held within each Fund are valued each business day or at least weekly.

Kiwi Wealth Super Scheme (**KWSS**) Funds are valued internally on a monthly basis. KWSS is not unitised and the valuation of members' interests does not include striking a unit price.

PPS client portfolios are valued monthly. The KWMT Funds are also valued as at month end. All monthly valuations are taken from the last day of the month. If a month end value for the underlying asset is not available by the following Tuesday, the most recent price is used, using the relevant pricing source. If the month end falls on a weekend, Friday prices and FX rates are used.

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, in consultation with the Chief Investment Officer and Head of Trading (HOT). Any buy or sell spread imposed will be calculated by the HOT based on an estimate of how market liquidity is impacting bid-ask spreads and trading costs.

2. Asset valuation

Appendix 1 details the valuation methodology and source for each asset class for unit pricing purposes for FFML Funds, with TEL as the Unit Pricing 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.

² A business day is a day that is not a Saturday, Sunday or national public holiday or a holiday in Wellington or Auckland.

Kiwi Wealth Funds

Appendix 2 details the valuation methodology and source for each asset class for unit pricing purposes for Kiwi Wealth Funds, with unit pricing undertaken internally for some Funds, and unit pricing undertaken by an outsourced provider for other Funds.

3. Preparation and monitoring of unit prices

Unit Pricing Providers' unit pricing processes are based on investment accounting information maintained in the relevant Unit Pricing Provider'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.

Unit Pricing Providers are 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 Finance 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.

Furthermore, Fisher Funds monitors the performance of Unit Pricing Providers that are outsource providers according to key competencies on a quarterly basis. Refer to the Outsource Provider Monitoring Framework Overview for further information.

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

4. 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,

5. When a unit pricing error is identified

Unit Pricing Providers 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 either the Chief Executive Officer, 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 or further costs and disruption and once an impact analysis has been completed transaction processing must resume.

6. 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 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, compensation 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 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. Provisions of the FMC Act and FMC Regulations relating to pricing errors must be complied with.

7. 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 reported to the Business, Risk and Compliance Committee at the next scheduled meeting as part of issues and breaches reporting.

8. 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 TEL and APEX (as appropriate) means that the risk of conflicts of interest is small, given the physical separation of Fisher Funds and TEL and APEX, as well as the functional separation of duties within TEL and 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.

9. 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.

10. Review of policy

The policy will be reviewed biennially or more frequently if required and is subject to change at any time.

Appendix 1 – Fisher Funds

Unit pricing valuations	
Price Type	Last sale/close price ³
Asset class	
Equities: All markets	Last sale price from primary exchange (<i>Source 1</i>)
Renounceable rights	As above
Non-renounceable rights	Theoretical price calculated: ordinary share price less rights take up price
Initial public offer	Listing price
Placement/entitlement Offer	Price as per the ordinary share unless stock is suspended in which case price at cost
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>)
New Zealand Government Bonds	New Zealand Financial Benchmark Facility (NZFBF) Closing rates. (<i>Source 1</i>)
New Zealand Corporate Bonds	First: New Zealand Financial Benchmark Facility (NZFBF) Closing rates. Second: Market close price from NZDX (if not quoted by NZFBF) Third: Refinitiv Margin over the NZD Swap Curve (if not quoted by NZFBF or NZDX). (<i>Source 1&2</i>)
New Zealand Floating Rate Notes	First: New Zealand Financial Benchmark Facility Closing rates Second: 'Bid price' ⁴ from Refinitiv 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	First: NZFBF quoted closing rates (<i>Source 1</i>) Second: Calculated by TEL using the NZFBF Margin over the NZD Swap Curve (<i>Source 2</i>)
Australian and International Bonds (incl. FRN's)	Mid-price from Refinitiv 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>). Traded Margin is applied for non-Bank issues.
Foreign Exchange (incl. Forward Rates)	WM Company Close rates as at 4pm London time (<i>Source 1</i>)
Other Derivatives e.g. Equity Index Swaps, OIS's, Swaptions and FX Options	First: Valuations provided by Refinitiv derivatives team (<i>Source 4</i>). Second: Priced manually by TEL using a market convention SWAP model (<i>Source 5</i>)
Unitised Securities	Where applicable Redemption or Exit price applied if multiple prices quoted by the third party provider (<i>Source 6</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 supervisor or Trustee) advises price.

Source 1. Refinitiv

Source 2. Refinitiv (both Margin and Curve)

Source 3. Refinitiv (Curve)

Source 4. Refinitiv derivatives valuation service

Source 5. Relevant market providers

Source 6. Refinitiv Lipper service or direct from Third Party provider

³ 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.

⁴ 'Bid Price' is calculated using the Mid Margins over Bid Curve then a spread is derived from the 'Bid Price'.

Appendix 2 – Kiwi Wealth Funds

KWKS

Asset Type	Frequency	Valuation Point
Unlisted unit trusts and managed funds	Daily (where available from manager) under APEX/s Unit Pricing Methodology	Published redemption price on valuation day
Equities and Exchange Managed Funds	Daily by APEX using BNP pricing	Close of day price on principal market
Cash	Daily under APEX's Unit Pricing Methodology	Market Price
Forward Foreign Currency	Daily by APEX using counterpart prices	London 4pm spot and forward FX rates
Currency Swaps	Daily under APEX's Unit Pricing Methodology	London 4pm spot and forward FX rates
Deemed illiquid assets (see Appendix 1)	Different per counterparty by APEX using counterpart prices	Different per counterparty

KWMT Funds

Asset Type	Frequency	Valuation Point
Unlisted unit trusts and managed funds	Daily (where available from manager)	Published redemption price on valuation day
Cash	Daily	Market Price
Forward Foreign Currency	Daily	London 4pm spot and forward FX rates
Currency Swaps	Daily	London 4pm spot and forward FX rates

KWSS

Asset Type	Frequency	Valuation Point
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Unlisted unit trusts and managed funds	Daily/Weekly (where available from manager)	Published redemption price on valuation day
Cash	Daily	Market Price
Forward Foreign Currency	Daily	London 4pm spot and forward FX rates

KWMF

Asset Type	Frequency	Valuation Point
Unlisted unit trusts and managed funds	Daily/Weekly (where available from manager) under APEX's Unit Pricing Methodology	Published redemption price on valuation day
Cash	Daily under APEX's Unit Pricing Methodology	Market Price
Forward Foreign Currency	Daily by APEX using counterpart prices	London 4pm spot and forward FX rates

PPS

Asset Type	Frequency	Valuation Point
Equities and Exchange Managed Funds	Daily	Close of day price on principal market
Fixed Interest – bonds	Daily	Evaluated mid-point
Fixed Interest – listed debt securities	Daily	Close of day price on principal market
Fixed interest – term deposits	Daily	Cost
Cash	Daily	Market Price
Unlisted unit trusts and managed funds	Daily (where available from manager)	Published redemption price on valuation day
Forward Foreign Currency	Daily by BNP using counterpart prices	London 4pm spot and forward FX rates

Where Fisher Funds values an asset and the asset has multiple sources of evidence available for the determination of its valuation, the source that most closely represents the price at which the asset could be realised is to be used.

All valuations by Fisher Funds and APEX are completed on a trade-date basis.

New types of assets

The asset valuation methodology for new types of assets that are not currently held by KWSS will be agreed to by the Investment Policy Committee.

If new assets are to be held within the KWMMF funds or KWKS, the valuation of these assets will follow the APEX Asset and Liability Valuation Policy.

The valuation methodology applied to new types of assets will be consistent with other asset types that share similar characteristics.