



fisher funds
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FISHER FUNDS TWO KIWISAVER SCHEME

2018

FINANCIAL
STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

Including the following Funds:

Fisher Funds TWO KiwiSaver **Preservation Fund**

Fisher Funds TWO KiwiSaver **Equity Fund**

Fisher Funds TWO KiwiSaver **Cash Enhanced Fund**

Fisher Funds TWO KiwiSaver **Balanced Fund**

Fisher Funds TWO KiwiSaver **Conservative Fund**

Fisher Funds TWO KiwiSaver **Growth Fund**

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**Fisher Funds TWO Kiwisaver Scheme
For the year ended 31 March 2018**

Directory

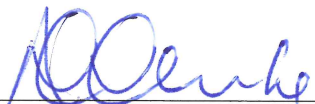
Manager	Fisher Funds Management Limited
Registered Office	Level 1, Crown Centre 67-73 Hurstmere Road, Takapuna, Auckland 0622
Investor and Advisor Enquiries	Private Bag 93 502 Takapuna, Auckland 0740 Email: enquiries@fisherfunds.co.nz
Directors of the Manager	David Clarence Clarke (Chair) LLB Carmel Miringa Fisher BCA, CFIP Margaret Anne Blackburn BA, MA Jonathan Forbes McHardy BCA Edward Francis Sippel BA (appointed 25 August 2017) Hugh Gladstone Fisher (ceased 25 August 2017) Francis Ivor Charles Jasper (ceased 25 August 2017) Liberato Petagna BCA (ceased 25 August 2017) Sir John Wells KNZM FACA, FCIS (ceased 5 March 2018)
Licensed Supervisor	Trustees Executors Limited
Auditor	KPMG
Solicitors	Chapman Tripp

Fisher Funds TWO Kiwisaver Scheme
As at 31 March 2018


Statements of Net Assets

Note	Preservation Fund		Equity Fund		Cash Enhanced Fund		Balanced Fund		Conservative Fund		Growth Fund		Scheme Total		
	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	
Members' funds	27,464	27,746	98,012	79,470	731,053	694,475	653,237	581,107	130,360	123,185	299,868	239,086	1,939,994	1,745,069	
<i>Represented by:</i>															
Current assets															
Cash and cash equivalents	684	665	5,725	5,537	3,518	20,687	30,115	17,598	1,795	4,921	17,295	11,244	59,132	60,652	
Trade and other receivables	19	13	115	75	1,861	1,026	314	379	289	46	314	226	2,912	1,765	
Related party receivables	4	-	-	-	86	1,276	37	26	19	18	36	35	178	1,355	
Investment assets at fair value through profit or loss	3	26,929	27,279	93,410	74,591	704,274	654,738	608,901	562,172	122,368	112,968	276,573	214,410	1,832,455	1,646,158
Non-current assets															
Investment assets at fair value through profit or loss	3	-	-	-	29,107	22,398	20,459	5,636	7,029	6,024	9,101	15,195	65,696	49,253	
Total assets	27,632	27,957	99,250	80,203	738,846	700,125	659,826	585,811	131,500	123,977	303,319	241,110	1,960,373	1,759,183	
Current liabilities															
Trade and other payables	35	73	52	18	1,153	898	848	643	199	80	381	92	2,668	1,804	
Related party payables	4	11	15	87	327	476	457	490	87	101	241	227	1,210	1,392	
Investment liabilities at fair value through profit or loss	3	-	-	409	377	62	736	-	-	-	810	107	2,332	221	
PIE tax payable on behalf of members		122	123	690	580	5,936	4,214	4,548	3,571	854	611	2,019	1,598	14,169	10,697
Total liabilities	168	211	1,238	733	7,793	5,650	6,589	4,704	1,140	792	3,451	2,024	20,379	14,114	
Net assets available for benefits	27,464	27,746	98,012	79,470	731,053	694,475	653,237	581,107	130,360	123,185	299,868	239,086	1,939,994	1,745,069	

These Financial Statements were authorised for issue by the Manager, Fisher Funds Management Limited:

Director  _____

Date 21-06-2018

Director  _____

Date 21-06-2018

The accompanying notes form an integral part of these financial statements.



Fisher Funds TWO Kiwisaver Scheme
For the year ended 31 March 2018

Statements of Changes in Net Assets

	Note	Preservation Fund		Equity Fund		Cash Enhanced Fund		Balanced Fund		Conservative Fund		Growth Fund		Scheme Total	
		2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Income															
Interest income		11	19	96	97	14,850	11,529	527	326	1,256	993	323	162	17,063	13,126
Distribution income		-	-	-	-	787	867	331	269	198	211	360	396	1,676	1,743
Net changes in fair value of investment assets and liabilities	3	778	765	9,765	9,177	20,720	19,579	45,774	44,825	5,570	5,383	23,123	22,251	105,730	101,980
Management fee rebates	4	-	-	-	-	583	643	126	93	77	75	141	140	927	951
Other income		-	1	-	-	3	32	-	-	-	-	-	-	3	33
Total income		789	785	9,861	9,274	36,943	32,650	46,758	45,513	7,101	6,662	23,947	22,949	125,399	117,833
Expenses															
Management fees	4	131	131	994	787	4,016	3,759	5,437	4,793	1,064	1,004	2,742	2,217	14,384	12,691
Custody, unit pricing and accounting fees		16	15	24	20	8	7	66	68	35	30	40	36	189	176
Supervisor fees		6	7	21	18	-	-	143	139	29	30	63	55	262	249
Auditor's fees - financial statements audit		6	6	7	6	-	-	7	6	7	7	7	6	34	31
Auditor's fees - annual report and supervisor reporting		1	1	1	1	-	-	1	1	1	1	1	1	5	5
Legal fees		-	2	-	5	-	-	-	6	-	5	-	6	-	24
Regulatory related expenses		1	2	2	4	-	-	2	21	2	6	1	9	8	42
Other expenses		3	6	9	9	-	1	53	43	11	11	21	17	97	87
Total expenses		164	170	1,058	850	4,024	3,767	5,709	5,077	1,149	1,094	2,875	2,347	14,979	13,305
Net profit before membership activities		625	615	8,803	8,424	32,919	28,883	41,049	40,436	5,952	5,568	21,072	20,602	110,420	104,528
Membership activities															
Contributions	5	2,750	4,376	17,092	14,329	93,188	110,663	87,809	81,503	17,497	19,359	60,603	40,797	278,939	271,027
Withdrawals	5	(3,480)	(3,713)	(6,520)	(5,990)	(81,393)	(76,835)	(51,251)	(45,280)	(15,215)	(13,362)	(18,507)	(17,414)	(176,366)	(162,594)
Administration fees	4	(43)	(50)	(111)	(107)	(1,709)	(1,775)	(684)	(706)	(143)	(156)	(284)	(262)	(2,974)	(3,056)
PIE tax attributable to members		(134)	(130)	(722)	(608)	(6,427)	(4,504)	(4,793)	(3,728)	(916)	(655)	(2,102)	(1,668)	(15,094)	(11,293)
Net membership activities		(907)	483	9,739	7,624	3,659	27,549	31,081	31,789	1,223	5,186	39,710	21,453	84,505	94,084
Movements in members' funds for the year		(282)	1,098	18,542	16,048	36,578	56,432	72,130	72,225	7,175	10,754	60,782	42,055	194,925	198,612
Members' funds at the start of the year		27,746	26,648	79,470	63,422	694,475	638,043	581,107	508,882	123,185	112,431	239,086	197,031	1,745,069	1,546,457
Members' funds at the end of the year		27,464	27,746	98,012	79,470	731,053	694,475	653,237	581,107	130,360	123,185	299,868	239,086	1,939,994	1,745,069
Units on issue															
		Number '000	Number '000	Number '000	Number '000	Number '000	Number '000	Number '000	Number '000	Number '000	Number '000	Number '000	Number '000	Number '000	Number '000
Units on issue at the start of the year		10	10	20	18	422,600	405,472	126	119	72,215	69,075	146,643	132,651		
Applications for units for the year		1	1	4	4	55,191	68,675	18	18	9,956	11,622	35,465	26,442		
Withdrawals for the year		(1)	(1)	(2)	(2)	(52,869)	(51,547)	(12)	(11)	(9,255)	(8,482)	(12,162)	(12,450)		
Units on issue at the end of the year		10	10	22	20	424,922	422,600	132	126	72,916	72,215	169,946	146,643		

The accompanying notes form an integral part of these financial statements.



Fisher Funds TWO Kiwisaver Scheme
For the year ended 31 March 2018

Statements of Cash Flows

	Preservation Fund		Equity Fund		Cash Enhanced Fund		Balanced Fund		Conservative Fund		Growth Fund		Scheme Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Cash flows from operating activities														
Cash was provided from:														
Sale of investments	1,578	836	3,156	22,926	315,800	186,169	146,049	46,593	40,144	23,298	16,983	56,684	523,710	336,506
Interest received	12	19	96	97	13,378	8,413	483	326	1,105	814	302	162	15,376	9,831
Distribution income received	-	-	-	-	787	867	331	270	198	211	360	396	1,676	1,744
Management fee rebates received	-	-	-	-	621	682	114	85	76	76	141	139	952	982
Other income received	-	1	-	-	3	32	-	-	-	-	-	-	3	33
Cash was applied to:														
Purchase of investments	(450)	(1,565)	(11,852)	(27,140)	(349,252)	(210,540)	(161,055)	(67,661)	(44,819)	(26,390)	(49,212)	(71,464)	(616,640)	(404,760)
Expenses	(164)	(168)	(1,045)	(832)	(4,028)	(3,740)	(5,706)	(5,019)	(1,148)	(1,083)	(2,845)	(2,308)	(14,936)	(13,150)
Net cash flows from operating activities	976	(877)	(9,645)	(4,949)	(22,691)	(18,117)	(19,784)	(25,406)	(4,444)	(3,074)	(34,271)	(16,391)	(89,859)	(68,814)
Cash flows from financing activities														
Cash was provided from:														
Member contributions	2,744	4,363	17,052	14,254	93,503	109,781	87,884	81,124	17,244	19,326	60,523	40,571	278,950	269,419
Cash was applied to:														
Member withdrawals	(3,520)	(3,662)	(6,486)	(5,997)	(81,420)	(76,147)	(51,025)	(44,775)	(15,095)	(13,317)	(18,213)	(17,384)	(175,759)	(161,282)
PIE tax paid	(134)	(144)	(613)	105	(4,706)	(5,391)	(3,815)	(1,541)	(675)	(613)	(1,682)	(72)	(11,625)	(7,656)
Administration fees	(47)	(50)	(120)	(106)	(1,855)	(1,781)	(743)	(707)	(156)	(156)	(306)	(261)	(3,227)	(3,061)
Net cash flows from financing activities	(957)	507	9,833	8,256	5,522	26,462	32,301	34,101	1,318	5,240	40,322	22,854	88,339	97,420
Net increase/(decrease) in cash and cash equivalents	19	(370)	188	3,307	(17,169)	8,345	12,517	8,695	(3,126)	2,166	6,051	6,463	(1,520)	28,606
Opening cash brought forward	665	1,035	5,537	2,230	20,687	12,342	17,598	8,903	4,921	2,755	11,244	4,781	60,652	32,046
Ending cash carried forward	684	665	5,725	5,537	3,518	20,687	30,115	17,598	1,795	4,921	17,295	11,244	59,132	60,652
Reconciliation of net profit to cash flows from operating activities														
Net profit before membership activities	625	615	8,803	8,424	32,919	28,883	41,049	40,436	5,952	5,568	21,072	20,602	110,420	104,528
Non cash items														
Net unrealised changes in the fair value of investment assets	(508)	(644)	(8,534)	(4,237)	(11,356)	46,194	2,771	(36,679)	(3,387)	(1,349)	(18,752)	(9,782)	(39,766)	(6,497)
Accrued interest	-	-	-	-	42	(3,061)	(47)	-	34	(178)	(21)	-	8	(3,239)
	(508)	(644)	(8,534)	(4,237)	(11,314)	43,133	2,724	(36,679)	(3,353)	(1,527)	(18,773)	(9,782)	(39,758)	(9,736)
Movements in working capital														
(Increase)/decrease in trade and other receivables	(6)	(12)	(40)	(75)	(835)	(1,026)	65	(378)	(243)	(45)	(88)	(225)	(1,147)	(1,761)
Decrease/(increase) in related party receivables	-	-	-	-	1,190	(1,112)	(11)	(7)	(1)	1	(1)	(2)	1,177	(1,120)
(Decrease)/increase in trade and other payables	(38)	52	34	(5)	255	708	205	506	119	48	289	32	864	1,341
(Decrease)/increase in related party payables	(4)	-	4	17	(149)	(584)	(33)	56	(14)	(188)	14	39	(182)	(660)
Increase/(decrease) in cost of underlying investments carried at fair value	857	(850)	(9,928)	(9,154)	(44,615)	(88,319)	(63,540)	(29,214)	(7,052)	(6,919)	(36,591)	(27,249)	(160,869)	(161,705)
	809	(810)	(9,930)	(9,217)	(44,154)	(90,333)	(63,314)	(29,037)	(7,191)	(7,103)	(36,377)	(27,405)	(160,157)	(163,905)
Financing activities														
Movements in payables/receivables attributable to financing activities	50	(38)	16	81	(142)	200	(243)	(126)	148	(12)	(193)	194	(364)	299
	50	(38)	16	81	(142)	200	(243)	(126)	148	(12)	(193)	194	(364)	299
Net cash flows from operating activities	976	(877)	(9,645)	(4,949)	(22,691)	(18,117)	(19,784)	(25,406)	(4,444)	(3,074)	(34,271)	(16,391)	(89,859)	(68,814)

The accompanying notes form an integral part of these financial statements.



Fisher Funds TWO Kiwisaver Scheme
For the year ended 31 March 2018

Notes to the Financial Statements

1. Basis Of Preparation

The Scheme is a FMC Reporting Entity under the Financial Markets Conduct Act 2013, and is a defined contribution superannuation scheme registered under the KiwiSaver Act 2006. As a defined contribution scheme, members contribute to the Scheme over time and benefits payable depend on the amount of contributions made and any return on contributions received. These financial statements are prepared in accordance with the provisions of the Governing Document, the Financial Markets Conduct Act 2013 and the KiwiSaver Act 2006. They comply with New Zealand Generally Accepted Accounting Practice, the New Zealand equivalents to International Financial Reporting Standards as applicable to for-profit entities and International Financial Reporting Standards. All amounts are in New Zealand Dollars and have been rounded to the nearest one thousand dollars. The Scheme is domiciled and registered in New Zealand.

The accounting policies have been applied consistently with prior periods. Based on the Manager's assessment there are no accounting standards that are expected to have a material impact on these financial statements, that have been issued but are not yet effective. The material judgements in preparing these financial statements is the valuation of investments and categorisation of its assets and liabilities in the fair value hierarchy, which is described in Note 3.

The results, position and cash flows reported for the Scheme is a simple aggregation of the results, position and cash flows of the Funds that make up the Scheme. All investments made with the monies of a Fund shall be held by the Supervisor as the exclusive property of that Fund and will not be used to meet any liabilities of any other Fund. As part of this aggregation process, inter-fund transactions are eliminated and PIE tax is disclosed net at the Scheme level.

The Funds are Portfolio Investment Entities ("PIEs"), meaning income is taxed in the hands of the members. The Manager attributes the taxable income of the Funds to members based on their holding of units and pays tax on their behalf at their Prescribed Investor Rate. Tax payments/credits are transacted by cancellation or issue of units.

2. Risk

The investment activities of the Funds come with financial risks. These risks are managed under the Scheme's Statement of Investment Policy and Objectives ("SIPO"), and are monitored by the Manager.

(a) Market price, interest rate and currency risks

Market price risk is the risk of gains or losses from changes in the market price of investments. A variable of 10% was selected for price risk as this is a reasonably expected movement based on historic trends. Interest rate risk is the risk of gains or losses or changes in interest income from changes in market interest rates. A variable of 1% was selected for interest rate risk as this is a reasonably possible movement based on historic trends. The profile of when interest rates on investment assets reprice helps understand the risk of gain or loss from interest rate risk. Currency risk is the risk of gains or losses or changes in the New Zealand dollar value of income from changes in foreign exchange rates. Currency risk may be reduced by using derivatives to hedge the risk. An analysis of the financial risks arising from the investments of the Funds is set out below. The indirect interest rate and currency risks, arising from the risks in the other funds invested in, are not considered in the below analysis. Members' funds are impacted by price movements by the same amount as profit after adjusting for the impact of PIE tax adjustments attributable to Members.

	Preservation Fund		Equity Fund		Cash Enhanced Fund		Balanced Fund		Conservative Fund		Growth Fund		Scheme Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Market risk	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
PIE funds														
Carrying amount	26,929	27,279	92,304	74,555	281,370	296,771	622,065	567,808	86,388	83,153	282,408	229,536	1,391,464	1,279,102
Impact of a +/- 10% change in market prices	2,693	2,728	9,230	7,456	28,137	29,677	62,207	56,781	8,639	8,315	28,241	22,954	139,147	127,911
Interest rate risk														
Cash and cash equivalents, bank deposits, debt securities and swaps														
Re-pricing profile:														
Up to 90 days	684	665	6,654	5,537	30,574	54,930	33,931	17,598	5,278	10,708	19,043	11,244	96,164	100,682
90 days - 1 year	-	-	169	-	130,394	104,555	189	-	18,279	16,507	-	-	149,031	121,062
1-5 yrs	-	-	-	-	204,549	168,679	3,276	-	21,245	13,366	1,501	-	230,571	182,045
5+ yrs	-	-	-	-	90,005	72,843	-	-	-	179	-	-	90,005	73,022
Cash and cash equivalents														
Carrying amount	684	665	5,725	5,537	3,518	20,687	30,115	17,598	1,795	4,921	17,295	11,244	59,132	60,652
Impact of a +/- 1% change in interest rates	7	7	57	55	35	207	301	176	18	49	173	112	591	606
Debt securities, bank deposits and swaps														
Carrying amount	-	-	1,098	-	452,003	380,320	7,281	-	43,009	35,839	3,250	-	506,641	416,159
Impact of a +/- 1% change in interest rates	-	-	1	-	10,543	8,300	(73)	-	301	136	19	-	10,792	8,436



Fisher Funds TWO Kiwisaver Scheme
For the year ended 31 March 2018

Notes to the Financial Statements

2. Risk (continued)

(a) Market price, interest rate and currency risks (continued)	Preservation Fund		Equity Fund		Cash Enhanced Fund		Balanced Fund		Conservative Fund		Growth Fund		Scheme Total		
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	
Currency risk															
Net currency exposures for cash and investments in NZD equivalents:	NZD	27,613	27,944	99,127	80,092	736,891	697,778	659,461	585,406	131,192	123,913	302,953	240,780	1,957,237	1,755,913
	AUD	-	-	4	4	4	4	7	-	-	-	8	8	23	16
	EUR	-	-	(25)	22	(23)	26	(45)	-	-	-	(50)	45	(143)	93
	GBP	-	-	(26)	(16)	(24)	(18)	(48)	-	-	-	(52)	(32)	(150)	(66)
	JPY	-	-	(39)	(36)	(36)	(44)	(71)	-	-	-	(78)	(75)	(224)	(155)
	USD	-	-	(300)	5	(276)	8	(537)	-	-	-	(591)	6	(1,704)	19
	Others	-	-	(15)	5	(14)	7	(28)	-	-	-	(31)	10	(88)	22
Total		27,613	27,944	98,726	80,076	736,522	697,761	658,739	585,406	131,192	123,913	302,159	240,742	1,954,951	1,755,842

(b) Liquidity risk

Liquidity risk is the risk that the Scheme will experience difficulty in either realising assets or otherwise raising sufficient funds to satisfy commitments associated with investment liabilities and withdrawals by members. Liquidity risk is managed by holding sufficient liquid investments to enable the Scheme to meet liabilities as they fall due and member withdrawals when requested. Monies received from member contributions may be used to offset withdrawals and the Manager may in certain circumstances suspend withdrawals.

The Manager manages liquidity risk by monitoring the Funds' portfolios and giving consideration to illiquid investments not readily and easily sold, to ensure there are sufficient liquid assets to cover the outstanding liabilities of the notice of redemption is required.

Several of the Funds hold units in the Fisher Institutional Property Fund ("Property Fund"). Units cannot be redeemed for a period of two years following issue, and if they are rolled over after this period, they are not redeemable for a further two year period. Two months' notice of redemption is required. The Manager may allow an earlier redemption in exceptional circumstances and units may be transferred with the Manager's approval. The investment in the Property Fund with a maturity greater than 12 months after the balance date, including comparatives for the prior year, have been presented as non-current assets in the Statements of Net Assets.

The Scheme manages its Members' funds as capital. All units in the Scheme carry the same rights and preferences and restrictions. There are restrictions on withdrawals from any KiwiSaver Scheme as set out in the KiwiSaver Act 2006 and KiwiSaver Regulations 2006. The Supervisor may defer giving effect to a permitted withdrawal or any transfer out of the Scheme if the Supervisor determines that having regard to the realisation of assets required in order to make the withdrawal or transfer or the occurrence or existence of any other circumstance or event relating to the Scheme or generally, earlier withdrawal or transfer would be imprudent or is impracticable.

(c) Credit risk

Credit risk is the potential risk of financial loss resulting from the failure of counterparties to honour fully the terms and conditions of a contract with the Scheme. The Scheme is exposed to credit risk, which is the risk that counterparties with whom they trade will default. The Scheme minimises concentrations of credit risk by undertaking transactions with a number of counterparties on recognised and reputable exchanges. The Scheme could lose money if the issuer or guarantor of a fixed income security, or the counterparty to a derivatives contract, is unable or unwilling to make timely principal and/or interest payments, or to otherwise honour its obligations. Securities are subject to varying degrees of credit risk, which are often reflected in credit ratings. The Manager has assessed the impact of non-performance risk on the investment assets and liabilities subject to credit risk and determined that no adjustment to the fair value is required. The Manager minimises credit risks to the Scheme by performing reviews of each counterparty. All transactions in listed securities are paid for on delivery according to standard settlement instructions.

Financial instruments that indirectly subject the Scheme to credit risk are PIE funds which in turn invest in cash, fixed interest investments and forward foreign exchange contracts. The maximum exposure for the Scheme to credit risk is represented by the carrying value of these financial instruments. The Scheme's investment in PIE funds, due to the risk and reward profile of those investments, are considered to be similar to an equity holding and are therefore not included in the credit risk sensitivity analysis.

Fisher Funds TWO Kiwisaver Scheme
For the year ended 31 March 2018

Notes to the Financial Statements

2. Risk (continued)

(c) Credit risk (continued)

The table below sets out the equivalent Standard and Poor's short term credit rating for cash and cash equivalents and long term credit ratings for bonds, swaps and forward foreign exchange contracts designated at fair value through profit or loss held by the Scheme.

Credit Rating		Preservation Fund		Equity Fund		Cash Enhanced Fund		Balanced Fund		Conservative Fund		Growth Fund		Scheme Total	
		2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
	A-1 and A-1+	684	665	5,725	5,537	3,518	20,687	30,115	17,598	1,795	4,921	17,295	11,244	59,132	60,652
	AAA	-	-	-	-	31,888	11,711	-	-	4,409	1,616	-	-	36,297	13,327
	AA- to AA+	-	-	697	(16)	332,729	272,575	6,559	-	27,865	24,311	2,456	(38)	370,306	296,832
	A- to A+	-	-	-	-	58,095	61,651	-	-	10,735	8,813	-	-	68,830	70,464
	BBB- to BBB+	-	-	-	-	28,922	25,496	-	-	-	-	-	-	28,922	25,496
	Unrated	-	-	-	-	-	8,870	-	-	-	1,099	-	-	-	9,969
	Total	684	665	6,422	5,521	455,152	400,990	36,674	17,598	44,804	40,760	19,751	11,206	563,487	476,740

(d) Credit exposure

The Scheme's maximum exposure to credit risk at balance date in relation to each class of recognised asset is the carrying amount of those assets as indicated in the Statements of Net Assets. The Funds' do not hold greater than 5% of net assets with any one counterparty (excluding PIE funds, which are detailed in Note 4(c)).

The Manager moderates credit risk through careful security selection and diversification, daily monitoring of the Scheme's market position and adherence to the Scheme's investment policy.

3. Investment assets and liabilities at fair value through profit or loss

All investments are valued at fair value, with gains or losses recognised in the Statements of Changes in Net Assets. The Scheme classifies its investments in debt securities, PIE funds and bank deposits as designated investment assets at fair value through profit or loss upon initial recognition as the Scheme manages its investments and makes purchase and sale decisions based on their fair value and in accordance with the investment strategy. Purchases and sales of investments are recognised on the trade date, the date on which the Scheme commits to purchase or sell the investment. Investment assets and liabilities held for trading comprise derivative instruments which are primarily forward foreign exchange contracts and interest rate swaps. The use of derivatives is governed by investment guidelines which are set by the Manager with the approval of the Supervisor. Where derivative instruments are used to economically hedge currency risk, hedge accounting is not applied and derivatives are accounted for on the same basis as those investments being hedged and are recognised at their fair value.

Investments recognised at fair value are categorised according to a fair value hierarchy that shows the extent of judgement used in determining their fair value as follows:

Level 1: Fair value for direct investments in active listed debt securities is based on their last traded price, except for when the last traded price falls outside the bid-ask spread for a particular stock, in which case the bid price is used.

Level 2: Fair value for direct investments that are either unlisted or listed but not active, and for swaps, is based on valuation techniques, such as benchmark models, net present value techniques, and comparison to similar instruments for which market observable prices exist and valuation models. Fair value for investments in PIE funds are determined using the last available redemption unit price for those funds at the balance date. Fair value for forward foreign exchange rate contracts is determined using valuation techniques based on spot exchange rates and forward points supplied by The World Markets Company PLC via Thomson Reuters.

Level 3: Fair value for unlisted investments, where no observable market data for significant inputs is available for the valuation techniques applied, or are based on valuation techniques that are determined by the Manager on a case by case basis and approved by the Supervisor. The specific valuation technique for New Zealand bonds is monthly pricing information received from Westpac NZ and no other brokers provide such pricing information.

Fisher Funds TWO Kiwisaver Scheme
For the year ended 31 March 2018

Notes to the Financial Statements

3. Investment assets and liabilities at fair value through profit or loss (continued)	Preservation Fund		Equity Fund		Cash Enhanced Fund		Balanced Fund		Conservative Fund		Growth Fund		Scheme Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Bank deposits ¹	-	-	-	-	152,326	26,336	-	-	17,258	4,049	-	-	169,584	30,385
Debt securities	-	-	1,098	-	299,384	353,927	7,281	-	25,735	31,781	3,250	-	336,748	385,708
PIE funds ²	26,929	27,279	92,304	74,555	281,370	296,771	622,065	567,808	86,388	83,153	282,408	229,536	1,391,464	1,279,102
Derivative assets:														
Forward foreign exchange	-	-	8	36	7	45	14	-	-	-	16	69	45	150
Interest rate swaps	-	-	-	-	294	57	-	-	16	9	-	-	310	66
Derivative liabilities:														
Forward foreign exchange	-	-	(409)	(52)	(376)	(62)	(736)	-	-	-	(810)	(107)	(2,331)	(221)
Interest rate swaps	-	-	-	-	(1)	-	-	-	-	-	-	-	(1)	-
Total investment assets and liabilities at fair value through profit or loss	26,929	27,279	93,001	74,539	733,004	677,074	628,624	567,808	129,397	118,992	284,864	229,498	1,895,819	1,695,190

¹ Bank deposits comprise of cash balances that have a maturity of greater than 90 days. Cash and cash equivalents comprise of cash balances that have an original maturity of 90 days or less. All cash and cash equivalents are measured at amortised cost.

² All PIE funds invested in are other funds managed by the Manager. As such, these PIE funds are considered to be related parties. Refer to Note 4(c) for a detailed breakdown of PIE funds invested in by each Fund.

Fair value hierarchy

Level 1	-	-	-	-	102,815	124,969	-	-	-	1,074	-	-	102,815	126,043
Level 2	26,929	27,279	93,001	74,539	625,209	550,342	628,624	567,808	129,397	117,918	284,864	229,498	1,788,024	1,567,384
Level 3	-	-	-	-	4,980	1,763	-	-	-	-	-	-	4,980	1,763
	26,929	27,279	93,001	74,539	733,004	677,074	628,624	567,808	129,397	118,992	284,864	229,498	1,895,819	1,695,190

The following table shows a reconciliation from the opening balance to the closing balance for the fair value measurements in level 3 of the fair value hierarchy:

	Preservation Fund		Equity Fund		Cash Enhanced Fund		Balanced Fund		Conservative Fund		Growth Fund		Scheme Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
New Zealand bonds	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Opening balance	-	-	-	-	1,763	-	-	-	-	-	-	-	1,763	-
Purchases	-	-	-	-	4,385	3,139	-	-	-	-	-	-	4,385	3,139
Sales	-	-	-	-	(1,177)	(1,385)	-	-	-	-	-	-	(1,177)	(1,385)
Gains recognised in profit or loss	-	-	-	-	4	6	-	-	-	-	-	-	4	6
Accrued interest	-	-	-	-	5	3	-	-	-	-	-	-	5	3
Closing balance	-	-	-	-	4,980	1,763	-	-	-	-	-	-	4,980	1,763
Change in unrealised gains included in profit or loss for investment assets held at balance date	-	-	-	-	2	2	-	-	-	-	-	-	2	2

During the year there were no transfers of investments between levels in the fair value hierarchy.

Net changes in fair value of investment assets and liabilities	Preservation Fund		Equity Fund		Cash Enhanced Fund		Balanced Fund		Conservative Fund		Growth Fund		Scheme Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Debt securities	-	-	-	-	1,894	(5,477)	-	-	(88)	(75)	-	-	1,806	(5,552)
PIE funds	778	765	9,519	9,875	18,353	25,841	46,243	44,825	5,655	5,465	22,585	23,747	103,133	110,518
Interest rate swaps	-	-	-	-	196	77	-	-	3	(7)	-	-	199	70
Forward foreign exchange contracts	-	-	246	(698)	277	(862)	(469)	-	-	-	538	(1,496)	592	(3,056)
Total net changes in fair value of investment assets and liabilities	778	765	9,765	9,177	20,720	19,579	45,774	44,825	5,570	5,383	23,123	22,251	105,730	101,980



**Fisher Funds TWO Kiwisaver Scheme
For the year ended 31 March 2018**

Notes to the Financial Statements

4. Related parties

(a) Fees with related parties

The Manager of the Scheme is responsible for managing the assets of the Scheme and fund administration. The Manager pays supervisor, custody, unit pricing, accounting and auditor's fees on behalf of the Cash Enhanced Fund and also provides a general rebate to reimburse the Cash Enhanced Fund for fees charged within underlying investments in other funds. The Manager is entitled to a management fee calculated as a percentage per annum of the gross asset value of the Funds, with the exception of the Cash Enhanced Fund which is calculated on the NAV of the Fund. Management fees are calculated daily and payable monthly at the following percentage for each Fund¹

Preservation Fund	Equity Fund	Cash Enhanced Fund	Balanced Fund	Conservative Fund	Growth Fund
0.48%	Up to 1.10%	0.56%	Up to 0.95%	Up to 0.85%	Up to 1.05%

¹ Funds with fees of "Up to" have a graduated management fee, which reduces by 0.05% for GAV between \$100 million and \$200 million, and reduces by a further 0.05% for GAV above \$200 million.

In addition, each individual member is charged an administration fee of up to \$2.75 per month based on the total membership of the Scheme, which is paid via unit redemption. The administration fee was shared between the Manager and Trustees Executors Limited and is for the day to day administration of member accounts and maintaining the member register for the Scheme. The administration fee is calculated based on \$2.75 for the first 25,000 members and \$2.25 for all members thereafter, and is pro-rated across the entire Scheme membership base.

In relation to the underlying investments in the Property Fund by the Cash Enhanced Fund, Balanced Fund, Conservative Fund & Growth Funds, the Funds receive a management fee rebate from the Manager for the management fee paid by the Property Fund to the Manager on its property assets under management of 0.75% per annum. This rebate is calculated daily based on the ratio of property assets to cash assets within the Property Fund, and is paid quarterly by the Manager.

Fees incurred/payable by the Scheme, and rebates received/receivable by the Scheme to/from the Manager during the year are detailed below.

	Preservation Fund		Equity Fund		Cash Enhanced Fund		Balanced Fund		Conservative Fund		Growth Fund		Scheme Total	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Management fees incurred	131	131	994	786	4,016	3,760	5,437	4,793	1,064	1,003	2,742	2,217	14,384	12,690
Administration and other fees incurred	25	50	65	107	999	1,775	400	706	84	156	166	262	1,738	3,056
Management fees payable	11	15	87	83	327	476	457	490	87	101	241	227	1,210	1,392
Management fee rebates received	-	-	-	-	583	643	126	93	77	75	141	140	927	951
Management fee rebates receivable	-	-	-	-	86	1,276	37	26	19	18	36	35	178	1,355

(b) Investment transactions with related entities

During the year various investments were bought or sold by the Scheme where the counterparty was another Fund also managed by the Manager. All such transactions were carried out in the ordinary course of the Scheme's activities and were transacted at the fair value of the underlying investment bought or sold (i.e. on an arm's-length basis). No brokerage fees were charged.

	Preservation Fund		Equity Fund		Cash Enhanced Fund		Balanced Fund		Conservative Fund		Growth Fund		Scheme Total	
	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000	2018 \$000	2017 \$000
Purchases of investments from related entities	-	-	-	-	22,811	26,525	-	-	1,739	5,702	-	-	24,550	32,227
Sales of investments to related entities	-	-	-	-	34,898	13,839	-	-	4,056	1,853	-	-	38,954	15,692

On 2 June 2016, the Cash Enhanced Fund and the Conservative Fund sold units in the Fisher Institutional New Zealand Cash Fund and the Fisher Institutional New Zealand Fixed Interest Fund and settlement was received as a mixture of financial assets and cash. The units were sold at the prevailing unit price.

Fisher Institutional New Zealand Cash Fund	Cash Enhanced Fund	Conservative Fund	Fisher Institutional New Zealand Fixed Interest Fund	Cash Enhanced Fund
Units sold (000's)	141,449	22,750	Units sold (000's)	100,224
Value of units sold (\$000's)	178,282	28,675	Value of units sold (\$000's)	152,531
Value of financial assets received (\$000's)	169,959	27,209	Value of financial assets received (\$000's)	144,902
Cash received (\$000's)	8,324	1,465	Cash received (\$000's)	7,628



Fisher Funds TWO Kiwisaver Scheme
For the year ended 31 March 2018

Notes to the Financial Statements

4. Related parties (continued)

(c) Investments in related entities

The Scheme indirectly holds multiple investments through other funds managed by the Manager. The Scheme has been deemed to meet the definition of an investment entity and accordingly the Scheme's investments in other funds managed by the Manager are not consolidated, instead measured at fair value through profit and loss. The Scheme's investments in the other funds managed by the Manager (PIE funds per Note 3) are as follows:

	Preservation Fund		Equity Fund		Cash Enhanced Fund		Balanced Fund		Conservative Fund		Growth Fund		Scheme Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Fisher Institutional New Zealand Cash Fund	26,929	27,279	-	-	-	-	54,616	23,825	-	-	44,854	25,406	126,399	76,510
Fisher Institutional International Equity Fund	-	-	55,544	45,696	51,069	52,992	99,971	44,610	9,591	8,258	109,833	94,208	326,008	245,764
Fisher Institutional International Equity (Hedged) Fund	-	-	-	-	-	-	-	24,024	4,445	5,451	-	-	4,445	29,475
Fisher Institutional Trans Tasman Equity Fund	-	-	36,760	28,859	37,392	35,324	49,195	15,991	9,276	8,757	75,362	57,974	207,985	146,905
Fisher Institutional New Zealand Fixed Interest Fund	-	-	-	-	-	-	40,903	18,122	28,696	24,662	18,446	17,877	88,045	60,661
Fisher Institutional Core International Bond Fund	-	-	-	-	44,363	58,218	6,702	7,559	5,940	7,949	4,509	3,579	61,514	77,305
Fisher Institutional International Bond Fund	-	-	-	-	96,163	100,430	23,492	16,878	15,151	15,500	4,513	5,972	139,319	138,780
Fisher Institutional Property Fund	-	-	-	-	52,383	49,807	26,316	18,633	13,289	12,576	24,891	24,520	116,879	105,536
Fisher Institutional Balanced Fund	-	-	-	-	-	-	320,870	398,166	-	-	-	-	320,870	398,166
Total investments in related entities	26,929	27,279	92,304	74,555	281,370	296,771	622,065	567,808	86,388	83,153	282,408	229,536	1,391,464	1,279,102

5. Contributions and withdrawals

	Preservation Fund		Equity Fund		Cash Enhanced Fund		Balanced Fund		Conservative Fund		Growth Fund		Scheme Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Contributions														
Member contributions	1,677	1,843	6,613	5,926	62,890	63,677	41,016	40,071	7,734	8,109	19,513	16,728	139,443	136,354
Member lump sum and voluntary contributions over minimum contribution rate	289	218	854	870	3,897	3,696	8,743	5,438	2,536	1,941	3,214	2,329	19,533	14,492
Employer contributions	1,003	1,124	3,694	3,391	38,494	39,104	23,056	23,077	4,352	4,666	11,031	9,706	81,630	81,068
Crown contributions	418	469	1,187	1,116	13,869	14,666	7,864	8,098	1,679	1,809	3,351	3,111	28,368	29,269
Transfers from other KiwiSaver schemes	59	102	386	659	552	2,835	2,412	2,462	374	1,606	920	1,461	4,703	9,125
Transfers from other superannuation schemes	32	-	559	-	1,360	200	2,074	176	299	5	674	23	4,998	404
Inter-fund switches	(731)	615	3,786	2,353	(27,994)	(13,662)	2,567	2,089	508	1,205	21,864	7,400	-	-
Other income	3	5	13	14	120	147	77	92	15	18	36	39	264	315
Total contributions	2,750	4,376	17,092	14,329	93,188	110,663	87,809	81,503	17,497	19,359	60,603	40,797	278,939	271,027

Contributions are received either from members directly or via their employer or the Inland Revenue Department ("IRD"). Contributions in the form of Member Tax Credits are received from the Crown via the IRD. Members can also arrange to transfer funds in from other sources, such as from previous KiwiSaver providers or registered superannuation schemes and pension funds.

Fisher Funds TWO Kiwisaver Scheme
For the year ended 31 March 2018

Notes to the Financial Statements

5. Contributions and withdrawals (continued)

	Preservation Fund		Equity Fund		Cash Enhanced Fund		Balanced Fund		Conservative Fund		Growth Fund		Scheme Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Withdrawals	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Member eligible withdrawals	901	997	436	363	10,172	9,437	8,577	7,911	5,030	3,195	2,023	1,606	27,139	23,509
Withdrawals on death	51	15	69	34	983	1,018	1,047	706	186	514	210	212	2,546	2,499
Serious illness withdrawals	47	-	40	15	848	1,125	226	744	180	59	100	73	1,441	2,016
Withdrawals or transfers on permanent emigration	21	55	76	103	975	854	637	545	126	45	227	270	2,062	1,872
Significant financial hardship withdrawals	16	30	79	58	1,311	1,034	575	362	100	147	194	298	2,275	1,929
First home purchase withdrawals	485	849	871	824	9,482	9,109	4,884	5,979	1,672	1,790	2,336	2,541	19,730	21,092
Transfers to other KiwiSaver schemes	1,933	1,753	4,912	4,574	57,180	53,841	35,116	28,890	7,913	7,593	13,395	12,329	120,449	108,980
Court ordered withdrawals	24	1	23	18	101	113	126	47	-	6	1	49	275	234
Other withdrawals	2	13	14	1	341	304	63	96	8	13	21	36	449	463
Total withdrawals	3,480	3,713	6,520	5,990	81,393	76,835	51,251	45,280	15,215	13,362	18,507	17,414	176,366	162,594

6. Capital commitments and contingent liabilities

There were no significant capital commitments or contingent liabilities as at 31 March 2018 (31 March 2017: Nil).

7. Subsequent events

In May 2018, the Scheme transferred a number of investments from being directly held to an investment in the following PIE funds managed by the Manager. Settlement for the purchase of units in the PIE funds was made in part by an in specie transfer of financial assets with the balance in cash.

	Cash Enhanced Fund	Conservative Fund	Scheme Total
	\$000	\$000	\$000
On 8 May 2018 the Cash Enhanced Fund and Conservative Fund purchased units in the Fisher Institutional Cash Fund.			
Units purchased	158,100	40,100	198,200
Value of financial assets transferred	158,158	40,074	198,232
Cash (received)/paid	(58)	26	(32)
On 29 May 2018 the Cash Enhanced Fund purchased units in the Fisher Institutional NZ Fixed Interest Fund.			
Units purchased	184,700	-	184,700
Value of financial assets transferred	184,357	-	184,357
Cash paid	343	-	343

There were no other significant subsequent events which require adjustment to or disclosure in these financial statements.



Independent Auditor's Report

To the members of:

- Fisher Funds TWO KiwiSaver Preservation Fund
- Fisher Funds TWO KiwiSaver Equity Fund
- Fisher Funds TWO KiwiSaver Cash Enhanced Fund
- Fisher Funds TWO KiwiSaver Balanced Fund
- Fisher Funds TWO KiwiSaver Conservative Fund
- Fisher Funds TWO KiwiSaver Growth Fund

Collectively "Fisher Funds TWO KiwiSaver Scheme" (the "funds and scheme").

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of Fisher Funds TWO KiwiSaver Scheme (the funds and scheme) on pages 2 to 11:

- i. present fairly in all material respects the funds and scheme's financial position as at 31 March 2018 and their financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of net assets as at 31 March 2018;
- the statements of changes in net assets and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the funds and scheme in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

Our firm has also undertaken supervisor reporting in line with our obligations under Section 198 and 199 of the Financial Markets Conduct Act 2013 ("FMC Act 2013"). Subject to certain restrictions, partners and employees of our firm may also deal with the funds and scheme on normal terms within the ordinary course of trading activities of the business of the funds and scheme. These matters have not impaired our independence as auditor of the funds and scheme. The firm has no other relationship with, or interest in, the funds and scheme.



Other information

The Manager, on behalf of the funds and scheme, is responsible for the other information included in the funds and scheme's Annual Report. The Annual Report includes a link to where the audited financial statements can be found on the Companies Office. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report and we will report the matters identified, if any, to those charged with governance.



Use of this independent auditor's report

This independent auditor's report is made solely to the members as a body. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.



Responsibilities of the Manager for the financial statements

The Manager, on behalf of the funds and scheme, is responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards);
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-6/>

This description forms part of our independent auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Matt Prichard.

For and on behalf of

