

fisher funds 

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FISHER FUNDS KIWISAVER SCHEME

2019 **FINANCIAL  
STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2019

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Including the following Funds:  
Fisher Funds KiwiSaver **Growth Fund**  
Fisher Funds KiwiSaver **Conservative Fund**



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**Fisher Funds KiwiSaver Scheme  
For the year ended 31 March 2019**

**Directory**


<b>Manager</b>	Fisher Funds Management Limited
<b>Registered Office</b>	Level 1, Crown Centre 67-73 Hurstmere Road, Takapuna, Auckland, 0622
<b>Investor and Advisor Enquiries</b>	Private Bag 93 502 Takapuna, Auckland, 0740 Email: <a href="mailto:enquiries@fisherfunds.co.nz">enquiries@fisherfunds.co.nz</a>
<b>Directors of the Manager</b>	David Clarence Clarke (Chair) LLB Margaret Anne Blackburn BA, MA Jonathan Forbes McHardy BCA Edward Francis Sippel BA Jennifer Clare Moxon BCom (appointed 31 July 2018) Guy Roper BBS, CA (appointed 31 July 2018) Michael Stuart Berk (appointed 21 September 2018) Carmel Miringa Fisher BCA, CFIP (ceased 31 July 2018)
<b>Licensed Supervisor</b>	Trustees Executors Limited
<b>Auditor</b>	KPMG
<b>Solicitors</b>	Chapman Tripp

**Fisher Funds KiwiSaver Scheme  
As at 31 March 2019**


**Statements of Net Assets**

	Note	Growth Fund		Conservative Fund		Scheme Total	
		2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000
<b>Members' funds</b>		<b>1,790,441</b>	<b>1,518,814</b>	<b>736,879</b>	<b>609,143</b>	<b>2,527,320</b>	<b>2,127,957</b>
<i>Represented by:</i>							
<b>Current assets</b>							
Cash and cash equivalents		15,942	101,066	7,713	11,453	23,655	112,519
Bank deposits at amortised cost		-	21,062	-	102,990	0	124,052
Trade and other receivables		2,905	15,731	2,007	5,186	4,912	20,917
Related party receivables	5	193	100	80	31	273	131
Investment assets at fair value through profit or loss	4	1,716,203	1,393,037	700,060	493,489	2,416,263	1,886,526
<b>Non-current assets</b>							
Investment assets at fair value through profit or loss	4	63,897	8,553	33,489	2,074	97,386	10,627
<b>Total assets</b>		<b>1,799,140</b>	<b>1,539,549</b>	<b>743,349</b>	<b>615,223</b>	<b>2,542,489</b>	<b>2,154,772</b>
<b>Current liabilities</b>							
Trade and other payables		1,380	2,713	845	1,536	2,225	4,249
Related party payables	5	1,333	5,915	494	410	1,827	6,325
Investment liabilities at fair value through profit or loss	4	-	5,473	-	1,491	-	6,964
PIE tax payable on behalf of members		5,986	6,634	5,131	2,643	11,117	9,277
<b>Total liabilities</b>		<b>8,699</b>	<b>20,735</b>	<b>6,470</b>	<b>6,080</b>	<b>15,169</b>	<b>26,815</b>
<b>Net assets available for benefits</b>		<b>1,790,441</b>	<b>1,518,814</b>	<b>736,879</b>	<b>609,143</b>	<b>2,527,320</b>	<b>2,127,957</b>

These financial statements were authorised for issue by the Manager, Fisher Funds Management Limited:

Director 

Date 27/06/19

Director 

Date 27/06/19

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

**Fisher Funds KiwiSaver Scheme**  
**For the year ended 31 March 2019**

**Statements of Changes in Net Assets**

	Note	Growth Fund		Conservative Fund		Scheme Total	
		2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000
<b>Income</b>							
Interest income	7	3,226	9,448	2,735	14,939	5,961	24,387
Dividend and distribution income		4,907	15,707	1,035	1,893	5,942	17,600
Net changes in fair value of investment assets and liabilities	4	162,625	128,600	45,184	12,849	207,809	141,449
Management fee rebates	5	646	364	246	117	892	481
Other income/(expenses)		940	288	168	105	1,108	393
<b>Total income</b>		<b>172,344</b>	<b>154,407</b>	<b>49,368</b>	<b>29,903</b>	<b>221,712</b>	<b>184,310</b>
<b>Expenses</b>							
Management fees	5	15,702	13,394	5,669	4,811	21,371	18,205
Performance fees	5	6,016	5,514	-	-	6,016	5,514
Brokerage fees		278	1,134	22	98	300	1,232
Custody, unit pricing and accounting fees		108	526	61	263	169	789
Supervisor fees		384	433	157	180	541	613
Member communications		187	255	124	168	311	423
Auditor's fees - financial statements audit		8	8	8	8	16	16
Auditor's fees - annual report		1	1	1	1	2	2
Regulatory related expenses		82	4	34	3	116	7
Legal fees		2	1	1	-	3	1
Other expenses		12	15	-	1	12	16
<b>Total expenses</b>		<b>22,780</b>	<b>21,285</b>	<b>6,077</b>	<b>5,533</b>	<b>28,857</b>	<b>26,818</b>
<b>Net profit before membership activities</b>		<b>149,564</b>	<b>133,122</b>	<b>43,291</b>	<b>24,370</b>	<b>192,855</b>	<b>157,492</b>
<b>Membership activities</b>							
Contributions	6	287,365	263,685	182,865	161,159	470,230	424,844
Withdrawals	6	(156,358)	(126,953)	(91,476)	(85,478)	(247,834)	(212,431)
Administration fees	5	(2,989)	(2,885)	(1,671)	(1,666)	(4,660)	(4,551)
PIE tax attributable to members		(5,955)	(6,891)	(5,273)	(2,855)	(11,228)	(9,746)
<b>Net membership activities</b>		<b>122,063</b>	<b>126,956</b>	<b>84,445</b>	<b>71,160</b>	<b>206,508</b>	<b>198,116</b>
Movements in members' funds for the year		271,627	260,078	127,736	95,530	399,363	355,608
<b>Members' funds at the start of the year</b>		<b>1,518,814</b>	<b>1,258,736</b>	<b>609,143</b>	<b>513,613</b>	<b>2,127,957</b>	<b>1,772,349</b>
<b>Members' funds at the end of the year</b>		<b>1,790,441</b>	<b>1,518,814</b>	<b>736,879</b>	<b>609,143</b>	<b>2,527,320</b>	<b>2,127,957</b>
<b>Units on issue</b>							
		Number '000	Number '000	Number '000	Number '000		
Units on issue at the start of the year		742,776	677,888	387,380	341,181		
Applications for units for the year		134,188	133,894	113,417	104,247		
Withdrawals for the year		(77,279)	(69,006)	(60,938)	(58,048)		
<b>Units on issue at the end of the year</b>		<b>799,685</b>	<b>742,776</b>	<b>439,859</b>	<b>387,380</b>		

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



Fisher Funds KiwiSaver Scheme  
For the year ended 31 March 2019

Statements of Cash Flows

	Growth Fund		Conservative Fund		Scheme Total	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000
<b>Cash flows used in operating activities</b>						
Cash was provided from:						
Sale of investments	1,550,209	508,601	690,875	264,562	2,241,084	773,163
Bank deposits matured	27,385	4,470	113,155	33,620	140,540	38,090
Interest received	4,127	9,735	6,997	14,059	11,124	23,794
Dividends received	7,648	15,497	1,292	1,839	8,940	17,336
Other income	1,665	640	519	3	2,184	643
Cash was applied to:						
Purchase of investments	(1,762,553)	(666,405)	(885,263)	(310,630)	(2,647,816)	(977,035)
Investment in bank deposits	(6,510)	(25,345)	(11,190)	(117,035)	(17,700)	(142,380)
Expenses	(27,097)	(20,339)	(5,985)	(5,485)	(33,082)	(25,824)
<b>Net cash flows used in operating activities</b>	<b>(205,126)</b>	<b>(173,146)</b>	<b>(89,600)</b>	<b>(119,067)</b>	<b>(294,726)</b>	<b>(292,213)</b>
<b>Cash flows from financing activities</b>						
Cash was provided from:						
Member contributions	286,046	263,465	181,853	161,026	467,899	424,491
Cash was applied to:						
Member withdrawals	(156,303)	(126,209)	(91,465)	(85,033)	(247,768)	(211,242)
PIE tax paid	(6,603)	(6,406)	(2,789)	(1,941)	(9,392)	(8,347)
Administration fees	(2,989)	(2,885)	(1,671)	(1,666)	(4,660)	(4,551)
<b>Net cash flows from financing activities</b>	<b>120,151</b>	<b>127,965</b>	<b>85,928</b>	<b>72,386</b>	<b>206,079</b>	<b>200,351</b>
<b>Net increase in cash and cash equivalents</b>	<b>(84,975)</b>	<b>(45,181)</b>	<b>(3,672)</b>	<b>(46,681)</b>	<b>(88,647)</b>	<b>(91,862)</b>
Opening cash brought forward	101,066	146,424	11,453	58,096	112,519	204,520
Effect of exchange rate fluctuations	(149)	(177)	(68)	38	(217)	(139)
<b>Ending cash carried forward</b>	<b>15,942</b>	<b>101,066</b>	<b>7,713</b>	<b>11,453</b>	<b>23,655</b>	<b>112,519</b>
<b>Reconciliation of net profit to cash flows from operating activities</b>						
Net profit before membership activities	149,564	133,122	43,291	24,370	192,855	157,492
Non cash items						
Net unrealised changes in the fair value of investment assets and liabilities	75,514	(58,849)	(21,135)	(5,992)	54,379	(64,841)
Unrealised foreign exchange losses/(gains) on cash at bank	149	177	68	(38)	217	139
<b>Movements in working capital</b>	<b>75,663</b>	<b>(58,672)</b>	<b>(21,067)</b>	<b>(6,030)</b>	<b>54,596</b>	<b>(64,702)</b>
Increase in trade and other receivables	12,826	(4,837)	3,179	(3,359)	16,005	(8,196)
Increase in related party receivables	(93)	(31)	(49)	(7)	(142)	(38)
(Decrease)/increase in trade and other payables	(1,333)	(373)	(691)	(352)	(2,024)	(725)
Increase/(decrease) in related party payables	(4,582)	826	84	(50)	(4,498)	776
Decrease/(increase) in bank deposits	20,875	(20,875)	101,965	(83,415)	122,840	(104,290)
(Increase)/decrease in cost of underlying investments carried at fair value	(459,310)	(221,782)	(217,313)	(49,912)	(676,623)	(271,694)
<b>Items classified as financing activities</b>	<b>(431,617)</b>	<b>(247,072)</b>	<b>(112,825)</b>	<b>(137,095)</b>	<b>(544,442)</b>	<b>(384,167)</b>
Movements in payables/receivables attributable to financing activities	1,264	(524)	1,001	(312)	2,265	(836)
<b>Net cash flows from operating activities</b>	<b>(205,126)</b>	<b>(173,146)</b>	<b>(89,600)</b>	<b>(119,067)</b>	<b>(294,726)</b>	<b>(292,213)</b>

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

## Fisher Funds KiwiSaver Scheme For the year ended 31 March 2019

### 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 (NZ GAAP), the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) as applicable to for-profit entities and International Financial Reporting Standards.

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 investors 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 Summary of Accounting Policies

##### *New accounting standards*

The Scheme adopted **NZ IFRS 9 Financial Instruments** (replacing NZ IAS 39 - Financial Instruments: Recognition and Measurement) from 1 April 2018 and applied the standard retrospectively, but has elected not to restate comparative information. From 1 April 2018, the Funds classify the financial assets and liabilities in the following measurement categories:

- those to be measured at fair value through profit or loss (previously measured as designated fair value through profit or loss), and
- those to be measured at amortised cost (previously measured as loans and receivables).

The adoption of NZ IFRS 9 has had no material impact on the Scheme's financial statements and no material adjustments are noted on transition.

Under NZ IFRS 9, on initial recognition of a financial asset, the Scheme has assessed on a forward-looking basis, the expected credit loss associated with the financial assets carried at amortised cost. At each reporting date, the credit risk on a financial asset, apart from bank deposits and trade receivables, is assessed to determine whether there has been a significant increase in the credit risk. During the assessment the Scheme will consider both forward looking information and the financial history of counterparties to assess the probability of default or likelihood that full settlement is not received. The Scheme applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all bank deposits and trade receivables.

All other accounting policies have been applied consistently with prior periods. Other new standards, amendments to standards and interpretations that came into effect during the reporting period do not have a material impact on the financial statements. The same apply for any new standards, amendments to standards and interpretations that have been issued but are not yet effective.

##### *Material judgements*

The material judgements in preparing these financial statements are the valuation of the Scheme's investments and categorisation of its assets and liabilities fair value hierarchy, which is described in Note 4.

##### *Functional and presentation currency*

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.

##### *Comparatives*

Certain amounts in the comparative information have been reclassified to conform with current period financial statement presentations.



**Fisher Funds KiwiSaver Scheme**  
**For the year ended 31 March 2019**

**Notes to the Financial Statements**

**3 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 movements in interest rates. Surplus cash is held in interest bearing New Zealand and foreign bank accounts. The Funds are therefore exposed to the risk of gains or losses or changes in interest income from movements in both New Zealand and foreign interest rates. A variable of 1% was selected to illustrate the impact of the interest rate risk for a reasonably possible movement based on historic trends.

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. An analysis including the impact on members' funds and net profit before membership activities 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 is impacted by price movements by the same amount as profit after adjusting for the impact of PIE tax adjustments attributable to Members.

	Growth Fund		Conservative Fund		Scheme Total	
	2019	2018	2019	2018	2019	2018
	\$000	\$000	\$000	\$000	\$000	\$000
<b>Market price risk</b>						
Equities, PIE funds, limited partnerships, litigation securities, futures and options						
Carrying amount	1,704,125	1,261,833	691,118	117,457	2,395,243	1,379,290
Notional value of futures and options	-	17,781	-	62	-	17,843
Impact of a 10% change in market prices (+ or -)	170,413	128,027	69,112	11,765	239,525	139,792
<b>Interest rate risk</b>						
Cash and cash equivalents, debt securities, bank deposits and swaps						
Re-pricing profile:						
Up to 90 days	55,029	113,119	26,121	29,371	81,150	142,490
90 days - 1 year	7,203	10,632	3,188	83,425	10,391	94,057
1-5 yrs	3,567	60,922	1,965	204,509	5,532	265,431
5+ yrs	26,118	75,101	18,870	174,703	44,988	249,804
Cash and cash equivalents						
Carrying amount	15,942	101,066	7,713	11,453	23,655	112,519
Impact of a 1% change in interest rates (+ or -)	159	1,011	77	115	236	1,126
Debt securities, bank deposits and swaps						
Carrying amount	75,975	158,708	42,431	480,555	118,406	639,263
Impact of a 1% change in interest rates (+ or -)	3,208	7,398	2,286	18,452	5,494	25,850
<b>Currency risk</b>						
Net currency exposures for cash and investments in NZD equivalents:						
NZD	1,795,928	1,075,313	741,267	421,183	2,537,195	1,496,496
AUD	-	160,254	-	29,972	-	190,226
EUR	-	42,686	-	26,655	-	69,341
GBP	-	5,331	-	10,686	-	16,017
USD	-	207,514	-	98,471	-	305,985
Others	-	27,147	-	21,548	-	48,695
<b>Total</b>	<b>1,795,928</b>	<b>1,518,245</b>	<b>741,267</b>	<b>608,515</b>	<b>2,537,195</b>	<b>2,126,760</b>





**Fisher Funds KiwiSaver Scheme  
For the year ended 31 March 2019**

**Notes to the Financial Statements**

**3 Risk (continued)**

**(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 outstanding liabilities of the Funds.

Both 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 has 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.

PIE funds indirectly subject the Scheme to credit risk by investing 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 KiwiSaver Scheme  
For the year ended 31 March 2019

Notes to the Financial Statements

3 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		Growth Fund		Conservative Fund		Scheme Total	
		2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000
	A-1 to A-1+	15,942	101,066	7,713	11,453	23,655	112,519
	AAA	-	26,240	-	97,858	-	124,098
	AA- to AA+	75,975	89,937	42,430	264,923	118,405	354,860
	A- to A+	-	6,111	-	41,821	-	47,932
	BBB- to BBB+	-	22,360	-	46,165	-	68,525
	BB- to BB+	-	1,057	-	3,363	-	4,420
	B- to B+	-	6,919	-	17,971	-	24,890
	Unrated	-	2,722	-	7,504	-	10,226
		<b>91,917</b>	<b>256,412</b>	<b>50,143</b>	<b>491,058</b>	<b>142,060</b>	<b>747,470</b>

(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 Statement of Net Assets.

Issuer		Growth Fund		Conservative Fund		Scheme Total	
		2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000
New Zealand Government	Fair Value	26,117	49,282	18,870	89,614	44,987	138,896
	% Net Assets	1.46%	3.24%	2.56%	14.71%	1.78%	6.53%

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. There is no exposure to any issuer which is greater than 10% of the Funds' net assets to any one counterparty (excluding PIE Funds which are detailed in Note 5(c)).



**Fisher Funds KiwiSaver Scheme**  
**For the year ended 31 March 2019**

**Notes to the Financial Statements**

**4 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 equities, debt securities and PIE funds 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, futures and options contracts, swaptions 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 the 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 or equity 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 techniques are as follows:

- (i) New Zealand bonds - monthly pricing information is received from Westpac NZ as no other brokers provide such pricing information.
- (ii) Unlisted litigation securities - the Manager calculates a valuation based on the present value of the future distributions that are estimated to be received, after applying a 10% discount rate.
- (iii) Partnerships - the valuation is based on financial reports provided by the manager, Direct Capital IV Management Limited.

	Growth Fund		Conservative Fund		Scheme Total	
	2019	2018	2019	2018	2019	2018
Investment assets and liabilities at fair value through profit or loss	\$000	\$000	\$000	\$000	\$000	\$000
Listed equities	-	642,662	-	60,001	-	702,663
Debt securities	75,975	137,591	42,431	377,452	118,406	515,043
PIE funds <sup>1</sup>	1,703,111	618,187	691,118	57,586	2,394,229	675,773
Unlisted equities/litigation securities/partnerships	1,014	1,643	-	-	1,014	1,643
Derivative assets:						
Forward foreign exchange contracts	-	1,402	-	260	-	1,662
Futures and options contracts	-	3	-	8	-	11
Interest rate swaps	-	102	-	256	-	358
Derivative liabilities:						
Forward foreign exchange contracts	-	(4,764)	-	(1,210)	-	(5,974)
Futures and options contracts	-	(662)	-	(138)	-	(800)
Interest rate swaps	-	(47)	-	(143)	-	(190)
<b>Total investment assets and liabilities at fair value through profit or loss</b>	<b>1,780,100</b>	<b>1,396,117</b>	<b>733,549</b>	<b>494,072</b>	<b>2,513,649</b>	<b>1,890,189</b>

<sup>1</sup> 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 5(c) for a detailed breakdown of PIE funds invested in by each Fund.



Fisher Funds KiwiSaver Scheme  
For the year ended 31 March 2019

Notes to the Financial Statements

4 Investment assets and liabilities at fair value through profit or loss (continued)

Fair value hierarchy	Growth Fund		Conservative Fund		Scheme Total	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Level 1	26,117	693,360	18,870	152,495	44,987	845,855
Level 2	1,752,969	698,448	714,679	337,207	2,467,648	1,035,655
Level 3	1,014	4,309	-	4,370	1,014	8,679
	<b>1,780,100</b>	<b>1,396,117</b>	<b>733,549</b>	<b>494,072</b>	<b>2,513,649</b>	<b>1,890,189</b>

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:

**New Zealand bonds**

Opening balance	2,666	1,019	4,370	1,408	7,036	2,427
Purchases	-	2,640	-	3,950	-	6,590
Sales	(2,662)	(998)	(4,364)	(997)	(7,026)	(1,995)
Gains recognised in profit or loss	(4)	3	(6)	2	(10)	5
Accrued interest	-	2	-	7	-	9
Closing balance	-	2,666	-	4,370	-	7,036

**Unlisted equities/litigation securities/partnerships**

Opening balance	1,643	1,804	-	-	1,643	1,804
Distribution/return of capital	(774)	(319)	-	-	(774)	(319)
Capital drawdowns	42	28	-	-	42	28
Gains recognised in profit or loss	103	130	-	-	103	130
Closing balance	1,014	1,643	-	-	1,014	1,643

Change in unrealised gains for the year included in profit or loss for level 3 investment assets held at balance date

	103	133	(6)	9	97	142
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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**

Listed equities	65,170	77,860	6,125	6,404	71,295	84,264
Debt securities	1,360	(37)	(83)	841	1,277	804
PIE funds	103,995	44,754	39,165	4,204	143,160	48,958
Unlisted equities/litigation securities/partnerships	147	130	-	-	147	130
Forward foreign exchange contracts	(9,749)	5,809	(304)	1,366	(10,053)	7,175
Futures and options contracts	1,599	(96)	117	(263)	1,716	(359)
Interest rate swaps	103	180	164	297	267	477
<b>Total net changes in fair value of investment assets and liabilities</b>	<b>162,625</b>	<b>128,600</b>	<b>45,184</b>	<b>12,849</b>	<b>207,809</b>	<b>141,449</b>



**Fisher Funds KiwiSaver Scheme  
For the year ended 31 March 2019**

**Notes to the Financial Statements**

**5 Related parties**

**(a) Fees with related parties**

The Manager of the Scheme is responsible for managing the assets of the Scheme and fund administration, and is entitled to a management fee of 0.95% per annum ("p.a.") of the gross asset value ("GAV") of the Growth Fund and 0.85% p.a. of the GAV of the Conservative Fund. Management fees are calculated daily and payable monthly. In addition, each individual member is charged a monthly administration fee of up to \$3 which is paid via unit redemption. This administration fee is shared between the Manager and Trustees Executors Limited for the day to day administration of member accounts and maintaining the member registry for the Scheme.

The Manager is also entitled to be paid a performance fee on the Growth Fund where the returns to members exceed the Fund's benchmark ("Benchmark Return") capped at 2% p.a. of the average net asset value of the Fund. The Benchmark Return is measured by the percentage change in the NZ Official Cash Rate (OCR) plus 5%. A high water mark applies to ensure the Manager is only rewarded for investment performance once. Where the high water mark is higher than the performance period end unit price, no performance fee is payable. Where the high water mark is lower than the performance period end unit price the fee is the lesser of:

- \* 10% of the return in excess of the Benchmark Return; or
- \* 10% of the excess return achieved above the high water mark.

The performance fee is calculated daily and payable annually within three days of 30 June. Therefore, the actual amount payable at the end of the current performance period may be greater or less than the performance fees accrued at 31 March.

In relation to the underlying investments in the Property Fund, the Funds receive a management fee rebate from the Manager of 0.75% p.a. on the value of the property assets under management. The rebate is calculated daily and paid quarterly by the Manager.

Fees incurred by the Scheme, and rebates received by the Scheme during the year, and amounts payable to/receivable from the Manager at balance date are detailed below:

	Growth Fund		Conservative Fund		Scheme Total	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Management fees incurred	15,702	13,394	5,669	4,811	21,371	18,205
Performance fees incurred	6,016	5,514	-	-	6,016	5,514
Administration fees incurred	1,963	1,892	1,097	1,092	3,060	2,984
Fees payable	1,333	5,915	494	410	1,827	6,325
Management fee rebates received	646	364	246	117	892	481
Management fee rebates receivable	193	100	80	31	273	131

**(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 arms-length basis). No brokerage fees were charged.

	Growth Fund		Conservative Fund		Scheme Total	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Purchases of investments from related entities	18,029	6,316	5,503	33,592	23,532	39,908
Sales of investments to related entities	815,849	20,971	422,815	5,329	1,238,664	26,300



**Fisher Funds KiwiSaver Scheme**  
**For the year ended 31 March 2019**

**Notes to the Financial Statements**

**5 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 PIE funds managed by the Manager are not consolidated, instead measured at fair value through profit and loss, if any. The Scheme's investments in other funds managed by the Manager (PIE Funds per Note 4) are as follows:

	Growth Fund		Conservative Fund		Scheme Total	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Fisher Institutional New Zealand Cash Fund	228,537	139,673	222,347	-	450,884	139,673
Fisher Institutional New Zealand Fixed Interest Fund	108,232	-	132,911	-	241,143	-
Fisher Institutional Global Fixed Interest Fund	-	-	140,402	-	140,402	-
Fisher Institutional International Equity Fund	455,589	406,397	47,692	36,151	503,281	442,548
Fisher Institutional Select Global Equities Fund	201,314	-	21,890	-	223,204	-
Fisher Institutional Trans Tasman Equities Fund	525,449	-	43,094	-	568,543	-
Fisher Institutional Property & Infrastructure Fund	67,179	-	34,316	-	101,495	-
Fisher Institutional Property Fund	116,811	72,117	48,466	21,435	165,277	93,552
<b>Total investments in related entities</b>	<b>1,703,111</b>	<b>618,187</b>	<b>691,118</b>	<b>57,586</b>	<b>2,394,229</b>	<b>675,773</b>

**6 Contributions and withdrawals**

**Contributions**

Contributions for the year ended 31 March were received as follows:

Member contributions	87,472	78,012	44,309	40,524	131,781	118,536
Member lump sum and voluntary contributions over minimum contribution rate	30,446	30,035	10,481	12,615	40,927	42,650
Employer contributions	49,612	44,841	26,173	24,655	75,785	69,496
Crown contributions	18,652	16,862	10,856	10,376	29,508	27,238
Transfers from other KiwiSaver schemes	73,020	67,597	45,345	47,006	118,365	114,603
Transfers from other superannuation schemes	6,132	5,437	2,446	2,519	8,578	7,956
Inter-fund switches	21,884	20,761	43,178	23,388	65,062	44,149
Other income	147	140	77	76	224	216
<b>Total contributions</b>	<b>287,365</b>	<b>263,685</b>	<b>182,865</b>	<b>161,159</b>	<b>470,230</b>	<b>424,844</b>

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 KiwiSaver Scheme**  
**For the year ended 31 March 2019**

**Notes to the Financial Statements**

**6 Contributions and withdrawals (continued)**

**Withdrawals**

Withdrawals for the year ended 31 March were paid as follows:

	Growth Fund		Conservative Fund		Scheme Total	
	2019	2018	2019	2018	2019	2018
	\$000	\$000	\$000	\$000	\$000	\$000
Member eligible withdrawals	23,399	20,438	19,356	16,751	42,755	37,189
Withdrawals on death	2,015	1,116	1,395	806	3,410	1,922
Serious illness withdrawals	1,501	1,527	1,590	1,435	3,091	2,962
Withdrawals or transfers on permanent emigration	1,026	786	271	228	1,297	1,014
Significant financial hardship withdrawals	3,509	2,939	2,893	2,808	6,402	5,747
First home purchase withdrawals	18,371	12,373	16,160	11,614	34,531	23,987
Transfers to other KiwiSaver schemes	62,931	64,264	27,892	31,063	90,823	95,327
Mortgage diversion withdrawals	9	11	-	-	9	11
Court ordered withdrawals	387	99	12	3	399	102
Switch out	43,178	23,388	21,884	20,761	65,062	44,149
Other withdrawals	32	12	23	9	55	21
<b>Total withdrawals</b>	<b>156,358</b>	<b>126,953</b>	<b>91,476</b>	<b>85,478</b>	<b>247,834</b>	<b>212,431</b>

**7 Interest income**

Interest on investment assets at amortised cost

Interest on investment assets at fair value through profit or loss

	Growth Fund		Conservative Fund		Scheme Total	
	2019	2018	2019	2018	2019	2018
	\$000	\$000	\$000	\$000	\$000	\$000
Interest on investment assets at amortised cost	1,147	2,699	687	2,250	1,834	4,949
Interest on investment assets at fair value through profit or loss	2,079	6,749	2,048	12,689	4,127	19,438
	<b>3,226</b>	<b>9,448</b>	<b>2,735</b>	<b>14,939</b>	<b>5,961</b>	<b>24,387</b>

Interest income on investments at amortised cost is recognised in the Statement of Changes in Net Assets, as interest accrues using the effective interest rate method. This does not apply to interest from investment assets at fair value through profit and loss. Interest income is earned on short term deposits, cash held at the bank, bonds and swaps.

**8 Capital commitments and contingent liabilities**

There were no significant capital commitments or contingent liabilities as at 31 March 2019 (31 March 2018: Nil).

**9 Significant non-cash transactions**

In April and May of 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.

**10 Subsequent events**

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





# Independent Auditor's Report

To the members of:

- Fisher Funds KiwiSaver Growth Fund
- Fisher Funds KiwiSaver Conservative Fund

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

## Report on the financial statements

### Opinion

In our opinion, the accompanying financial statements of Fisher Funds KiwiSaver Scheme (the funds and scheme) on pages 2 to 13:

- present fairly in all material respects the funds' and scheme's financial position as at 31 March 2019 and its financial performance and cash flows for the year ended on that date; and
- 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 2019;
- 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.



## Scoping

The scope of our audit is designed to ensure that we perform adequate work to be able to give an opinion on the financial statements as a whole, taking into account the type of investments held by the funds and scheme, the use of third party service providers, financial reporting systems, processes and controls in place.

The context for our audit is set by the major activities in the financial year ended 31 March 2019. The funds and scheme had a continued focus on investment management.

## Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements of each fund and the scheme as a whole. The materiality for the financial statements as a whole was set at 2% of the total assets of each fund and the scheme. We chose the benchmark because, in our view, this is a key metric for the users of the financial statements given the primary objective of each fund and the scheme is to obtain capital growth taking into account both capital and income returns.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that members as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

### The key audit matter

### How the matter was addressed in our audit

#### Existence and valuation of investments

Refer to Note 4 of the Financial Statements.

Investments are the funds' and scheme's main assets, and existence and valuation of those investments is the most important aspect of preparing the financial statements. As described in the financial statements, the funds' and scheme's investments include call accounts, term deposits, listed equities and bonds, fund-to-fund investments and simple derivatives held by one custodian. These factors reduce the risk and complexity of verifying investment existence and valuation.

The only exception is the KiwiSaver Growth Fund as this fund also held an investment in an unlisted security, (a 'Level 3' fair value). The investment comprised approximately 0.06% of this fund's net asset value.

Our audit procedures included:

- documenting and understanding the processes in place to record investment transactions and to value the portfolio. This included evaluating the control environment in place at the custodian, investment accounting and registry service provider by obtaining and reading the service organisation reports issued by an independent auditor on the design and operation of those controls throughout the period;
- agreeing investment holdings to the confirmations received from banks and the custodian;
- agreeing the valuation of listed equities, bonds and fund-to-fund investments to independent third party pricing sources;

## The key audit matter

## How the matter was addressed in our audit

- for derivatives, engaging our valuation specialists to check the reasonableness of the inputs to information available from independent third party pricing sources; and
- checking the accuracy of fair value levels as disclosed in the financial statements.

We did not identify any material differences from our procedures.

## 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.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If so, we are required to report such matters to the Manager.



## 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) and 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.



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## 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-2/>

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

KPMG  
Auckland

27 June 2019