



fisher funds TWO 

FISHER FUNDS TWO KIWISAVER SCHEME

2019

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

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 2019**

Directory

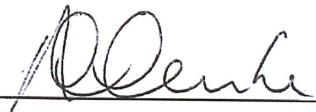
Manager	Fisher Funds Management Limited
Registered Office	Level 1, Crown Centre 67-73 Hurstmere Road, Takapuna, Auckland 0622
Investor and Advisor Enquiries	Private Bag 93 502 Takapuna, Auckland 0740 Email: enquiries@fisherfunds.co.nz
Directors of the Manager	David Clarence Clarke (Chair) LLB Margaret 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)
Licensed Supervisor	Trustees Executors Limited
Auditor	KPMG
Solicitors	Chapman Tripp

Fisher Funds TWO KiwiSaver Scheme
As at 31 March 2019


Statements of Net Assets

Note	Preservation Fund		Equity Fund		Cash Enhanced Fund		Balanced Fund		Conservative Fund		Growth Fund		Scheme Total	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Members' funds	27,324	27,464	128,957	98,012	655,841	731,053	785,086	653,237	148,165	130,360	419,107	299,868	2,164,480	1,939,994
<i>Represented by:</i>														
Current assets														
Cash and cash equivalents	434	684	3,266	5,725	5,717	3,518	9,309	30,115	1,816	1,795	5,533	17,295	26,075	59,132
Bank deposits at amortised cost	-	-	-	-	-	152,326	-	-	-	17,258	-	-	-	169,584
Trade and other receivables	16	19	204	115	807	1,861	848	314	127	289	425	314	2,427	2,912
Related party receivables	-	-	-	-	102	86	97	37	16	19	59	36	274	178
Investment assets at fair value through profit or loss	27,229	26,929	126,059	93,410	646,831	551,948	751,579	608,901	145,008	105,110	390,132	276,573	2,086,838	1,662,871
Non-current assets														
Investment assets at fair value through profit or loss	-	-	-	-	11,000	29,107	30,117	20,459	2,690	7,029	25,727	9,101	69,534	65,696
Total assets	27,679	27,632	129,529	99,250	664,457	738,846	791,950	659,826	149,657	131,500	421,876	303,319	2,185,148	1,960,373
Current liabilities														
Trade and other payables	220	35	96	52	1,558	1,153	866	848	201	199	492	381	3,433	2,668
Related party payables	11	11	109	87	297	327	536	457	97	87	321	241	1,371	1,210
Investment liabilities at fair value through profit or loss	-	-	-	409	-	377	-	736	-	-	-	810	-	2,332
PIE tax payable on behalf of members	124	122	367	690	6,761	5,936	5,462	4,548	1,194	854	1,956	2,019	15,864	14,169
Total liabilities	355	168	572	1,238	8,616	7,793	6,864	6,589	1,492	1,140	2,769	3,451	20,668	20,379
Net assets available for benefits	27,324	27,464	128,957	98,012	655,841	731,053	785,086	653,237	148,165	130,360	419,107	299,868	2,164,480	1,939,994

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 TWO KiwiSaver Scheme
For the year ended 31 March 2019

Statements of Changes in Net Assets

	Note	Preservation Fund		Equity Fund		Cash Enhanced Fund		Balanced Fund		Conservative Fund		Growth Fund		Scheme Total	
		2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Income															
Interest income	7	10	11	180	96	3,039	14,850	1,210	527	341	1,256	605	323	5,385	17,063
Distribution income		-	-	-	-	548	787	569	331	154	198	470	360	1,741	1,676
Net changes in fair value of investment assets and liabilities	4	790	778	11,325	9,765	37,605	20,720	60,236	45,774	9,157	5,570	29,004	23,123	148,117	105,730
Management fee rebates	5	-	-	-	-	551	583	250	126	74	77	204	141	1,079	927
Other income		-	-	-	-	-	3	-	-	-	-	-	-	-	3
Total income		800	789	11,505	9,861	41,743	36,943	62,265	46,758	9,726	7,101	30,283	23,947	156,322	125,399
Expenses															
Management fees	5	131	131	1,221	994	3,990	4,016	6,171	5,437	1,140	1,064	3,492	2,742	16,145	14,384
Custody, unit pricing and accounting fees		17	16	26	24	5	8	47	66	27	35	31	40	153	189
Supervisor fees		5	6	21	21	-	-	131	143	25	29	66	63	248	262
Auditor's fees - financial statements audit		6	6	7	7	-	-	7	7	7	7	7	7	34	34
Auditor's fees - annual report		1	1	1	1	-	-	1	1	1	1	1	1	5	5
Regulatory related expenses		2	1	7	2	-	-	36	2	8	2	18	1	71	8
Other expenses		2	3	9	9	-	-	48	53	10	11	23	21	92	97
Total expenses		164	164	1,292	1,058	3,995	4,024	6,441	5,709	1,218	1,149	3,638	2,875	16,748	14,979
Net profit before membership activities		636	625	10,213	8,803	37,748	32,919	55,824	41,049	8,508	5,952	26,645	21,072	139,574	110,420
Membership activities															
Contributions	6	5,756	4,736	34,901	19,466	118,762	124,190	158,506	101,018	32,972	22,054	129,238	65,583	480,135	337,047
Withdrawals	6	(6,357)	(5,466)	(13,685)	(8,894)	(222,716)	(112,395)	(76,218)	(64,460)	(22,304)	(19,772)	(34,320)	(23,487)	(375,600)	(234,474)
Administration fees	5	(38)	(43)	(125)	(111)	(1,570)	(1,709)	(698)	(684)	(134)	(143)	(351)	(284)	(2,916)	(2,974)
PIE tax attributable to members		(137)	(134)	(359)	(722)	(7,436)	(6,427)	(5,565)	(4,793)	(1,237)	(916)	(1,973)	(2,102)	(16,707)	(15,094)
Net membership activities		(776)	(907)	20,732	9,739	(112,960)	3,659	76,025	31,081	9,297	1,223	92,594	39,710	84,912	84,505
Movements in members' funds for the year		(140)	(282)	30,945	18,542	(75,212)	36,578	131,849	72,130	17,805	7,175	119,239	60,782	224,486	194,925
Members' funds at the start 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
Members' funds at the end of the year		27,324	27,464	128,957	98,012	655,841	731,053	785,086	653,237	148,165	130,360	419,107	299,868	2,164,480	1,939,994
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	22	20	424,922	422,600	132	126	72,916	72,215	169,946	146,643		
Applications for units for the year		2	2	7	4	67,602	73,630	31	21	17,965	12,566	70,257	38,345		
Withdrawals for the year		(2)	(2)	(3)	(2)	(131,460)	(71,308)	(16)	(15)	(12,909)	(11,865)	(19,927)	(15,042)		
Units on issue at the end of the year		10	10	26	22	361,064	424,922	147	132	77,972	72,916	220,276	169,946		

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

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

Statements of Cash Flows

	Preservation Fund		Equity Fund		Cash Enhanced Fund		Balanced Fund		Conservative Fund		Growth Fund		Scheme Total	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Cash flows from operating activities														
Cash was provided from:														
Sale of investments	1,020	1,578	60,760	3,156	757,205	255,449	656,050	146,049	85,857	30,586	137,349	16,983	1,698,241	453,801
Bank deposits matured	-	-	-	-	161,960	60,351	-	-	17,050	9,558	-	-	179,010	69,909
Interest received	10	12	152	96	7,356	13,378	826	483	616	1,105	435	302	9,395	15,376
Distribution income received	-	-	-	-	548	787	569	331	154	198	470	360	1,741	1,676
Management fee rebates received	-	-	-	-	535	621	189	114	77	76	181	141	982	952
Other income received	-	-	-	-	-	3	-	-	-	-	-	-	-	3
Cash was applied to:														
Purchase of investments	(530)	(450)	(82,468)	(11,852)	(798,372)	(164,482)	(748,493)	(161,055)	(112,323)	(22,239)	(239,161)	(49,212)	(1,981,347)	(409,290)
Investment in bank deposits	-	-	-	-	(11,340)	(184,770)	-	-	-	(22,580)	-	-	(11,340)	(207,350)
Expenses	(164)	(164)	(1,265)	(1,045)	(4,025)	(4,028)	(6,361)	(5,706)	(1,209)	(1,148)	(3,557)	(2,845)	(16,581)	(14,936)
Net cash flows from operating activities	336	976	(22,821)	(9,645)	113,867	(22,691)	(97,220)	(19,784)	(9,778)	(4,444)	(104,283)	(34,271)	(119,899)	(89,859)
Cash flows from financing activities														
Cash was provided from:														
Member contributions	5,759	4,730	34,813	19,427	118,639	124,505	157,962	101,093	33,132	21,801	129,117	65,503	479,422	337,059
Cash was applied to:														
Member withdrawals	(6,171)	(5,506)	(13,644)	(8,861)	(222,009)	(112,422)	(76,199)	(64,234)	(22,303)	(19,652)	(34,210)	(23,193)	(374,536)	(233,868)
PIE tax paid	(136)	(134)	(682)	(613)	(6,611)	(4,706)	(4,651)	(3,815)	(896)	(675)	(2,035)	(1,682)	(15,011)	(11,625)
Administration fees	(38)	(47)	(125)	(120)	(1,687)	(1,855)	(698)	(743)	(134)	(156)	(351)	(306)	(3,033)	(3,227)
Net cash flows from financing activities	(586)	(957)	20,362	9,833	(111,668)	5,522	76,414	32,301	9,799	1,318	92,521	40,322	86,842	88,339
Net increase/(decrease) in cash and cash equivalents	(250)	19	(2,459)	188	2,199	(17,169)	(20,806)	12,517	21	(3,126)	(11,762)	6,051	(33,057)	(1,520)
Opening cash brought 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
Ending cash carried forward	434	684	3,266	5,725	5,717	3,518	9,309	30,115	1,816	1,795	5,533	17,295	26,075	59,132
Reconciliation of net profit to cash flows from operating activities														
Net profit before membership activities	636	625	10,213	8,803	37,748	32,919	55,824	41,049	8,508	5,952	26,645	21,072	139,574	110,420
Non cash items														
Net unrealised changes in the fair value of investment assets	(598)	(508)	(2,864)	(8,534)	6,968	(11,356)	97,791	2,771	(289)	(3,387)	(18,151)	(18,752)	82,857	(39,766)
Accrued interest	-	-	(26)	-	2,611	42	(383)	(47)	66	34	(166)	(21)	2,102	8
Movements in working capital	(598)	(508)	(2,890)	(8,534)	9,579	(11,314)	97,408	2,724	(223)	(3,353)	(18,317)	(18,773)	84,959	(39,758)
Decrease/(increase) in bank deposits	-	-	-	-	152,326	(125,990)	-	-	17,258	(13,210)	-	-	169,584	(139,200)
(Increase)/decrease in trade and other receivables	3	(6)	(89)	(40)	1,054	(835)	(534)	65	162	(243)	(111)	(88)	485	(1,147)
Decrease/(increase) in related party receivables	-	-	-	-	(16)	1,190	(60)	(11)	3	(1)	(23)	(1)	(96)	1,177
(Decrease)/increase in trade and other payables	185	(38)	44	34	405	255	18	205	2	119	111	289	765	864
(Decrease)/increase in related party payables	-	(4)	22	4	(30)	(149)	79	(33)	10	(14)	80	14	161	(182)
(Increase)/decrease in cost of underlying investments carried at fair value	298	857	(30,169)	(9,928)	(86,732)	81,375	(250,480)	(63,540)	(35,337)	6,158	(112,675)	(36,591)	(515,095)	(21,669)
Financing activities	486	809	(30,192)	(9,930)	67,007	(44,154)	(250,977)	(63,314)	(17,902)	(7,191)	(112,618)	(36,377)	(344,196)	(160,157)
Movements in payables/receivables attributable to financing activities	(188)	50	48	16	(467)	(142)	525	(243)	(161)	148	7	(193)	(236)	(364)
Net cash flows from operating activities	336	976	(22,821)	(9,645)	113,867	(22,691)	(97,220)	(19,784)	(9,778)	(4,444)	(104,283)	(34,271)	(119,899)	(89,859)

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

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

Notes to the Financial Statements

1. General Information

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.

Basis of preparation

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 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. 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.

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 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.

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

Notes to the Financial Statements

3. 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	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Market risk														
PIE funds														
Carrying amount	27,229	26,929	123,810	92,304	615,131	281,370	741,112	622,065	139,204	86,388	398,752	282,408	2,045,238	1,391,464
Impact of a +/- 10% change in market prices	2,723	2,693	12,381	9,230	61,513	28,137	74,111	62,207	13,920	8,639	39,875	28,241	204,523	139,147
Interest rate risk														
Cash and cash equivalents, bank deposits, debt securities and swaps														
Re-pricing profile:														
Up to 90 days	434	684	3,945	6,654	25,474	30,574	28,297	33,931	5,480	5,278	13,478	19,043	77,108	96,164
90 days - 1 year	-	-	1,472	169	1,382	130,394	3,782	189	558	5,279	1,800	-	8,994	149,031
1-5 yrs	-	-	98	-	1,998	204,549	1,861	3,276	441	21,245	844	1,501	5,242	230,571
5+ yrs	-	-	-	-	19,563	90,005	15,953	-	3,831	-	6,518	-	45,865	90,005
Cash and cash equivalents														
Carrying amount	434	684	3,266	5,725	5,717	3,518	9,309	30,115	1,816	1,795	5,533	17,295	26,075	59,132
Impact of a +/- 1% change in interest rates	4	7	33	57	57	35	93	301	18	18	55	173	260	591
Debt securities, bank deposits and swaps														
Carrying amount	-	-	2,249	1,098	42,700	452,003	40,584	7,281	8,494	43,009	17,107	3,250	111,134	506,641
Impact of a +/- 1% change in interest rates	-	-	16	1	2,412	10,543	1,959	(73)	467	301	812	19	5,666	10,792
Currency risk														
Net currency exposures for cash and investments in NZD equivalents:														
NZD	27,663	27,613	129,325	99,127	663,548	736,891	791,005	659,461	149,514	131,192	421,392	302,953	2,182,447	1,957,237
AUD	-	-	-	4	-	4	-	7	-	-	-	8	-	23
EUR	-	-	-	(25)	-	(23)	-	(45)	-	-	-	(50)	-	(143)
GBP	-	-	-	(26)	-	(24)	-	(48)	-	-	-	(52)	-	(150)
JPY	-	-	-	(39)	-	(36)	-	(71)	-	-	-	(78)	-	(224)
USD	-	-	-	(300)	-	(276)	-	(537)	-	-	-	(591)	-	(1,704)
Others	-	-	-	(15)	-	(14)	-	(28)	-	-	-	(31)	-	(88)
Total	27,663	27,613	129,325	98,726	663,548	736,522	791,005	658,739	149,514	131,192	421,392	302,159	2,182,447	1,954,951

(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 Funds.

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 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.

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

Notes to the Financial Statements

3. Risk (continued)

(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.

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	
		2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
	A-1 and A-1+	434	684	3,266	5,725	5,717	3,518	9,309	30,115	1,816	1,795	5,533	17,295	26,075	59,132
	AAA	-	-	-	-	-	31,888	-	-	-	4,409	-	-	-	36,297
	AA- to AA+	-	-	2,249	697	42,700	332,729	40,584	6,559	8,494	27,865	17,107	2,456	111,134	370,306
	A- to A+	-	-	-	-	-	58,095	-	-	-	10,735	-	-	-	68,830
	BBB- to BBB+	-	-	-	-	-	28,922	-	-	-	-	-	-	-	28,922
	Total	434	684	5,515	6,422	48,417	455,152	49,893	36,674	10,310	44,804	22,640	19,751	137,209	563,487

(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 5(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.

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 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 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 as no other brokers provide such pricing information.

Fisher Funds TWO 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)	Preservation Fund		Equity Fund		Cash Enhanced Fund		Balanced Fund		Conservative Fund		Growth Fund		Scheme Total	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Debt securities	-	-	2,249	1,098	42,700	299,384	40,584	7,281	8,494	25,735	17,107	3,250	111,134	336,748
PIE funds ¹	27,229	26,929	123,810	92,304	615,131	281,370	741,112	622,065	139,204	86,388	398,752	282,408	2,045,238	1,391,464
Derivative assets:														
Forward foreign exchange	-	-	-	8	-	7	-	14	-	-	-	16	-	45
Interest rate swaps	-	-	-	-	-	294	-	-	-	16	-	-	-	310
Derivative liabilities:														
Forward foreign exchange	-	-	-	(409)	-	(376)	-	(736)	-	-	-	(810)	-	(2,331)
Interest rate swaps	-	-	-	-	-	(1)	-	-	-	-	-	-	-	(1)
Total investment assets and liabilities at fair value through profit or loss	27,229	26,929	126,059	93,001	657,831	580,678	781,696	628,624	147,698	112,139	415,859	284,864	2,156,372	1,726,235

¹ 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.

Fair value hierarchy	Preservation Fund		Equity Fund		Cash Enhanced Fund		Balanced Fund		Conservative Fund		Growth Fund		Scheme Total	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Level 1	-	-	-	-	19,562	102,815	15,952	-	3,831	-	6,517	-	45,862	102,815
Level 2	27,229	26,929	126,059	93,001	638,269	472,883	765,744	628,624	143,867	112,139	409,342	284,864	2,110,510	1,618,440
Level 3	-	-	-	-	-	4,980	-	-	-	-	-	-	-	4,980
	27,229	26,929	126,059	93,001	657,831	580,678	781,696	628,624	147,698	112,139	415,859	284,864	2,156,372	1,726,235

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	Preservation Fund		Equity Fund		Cash Enhanced Fund		Balanced Fund		Conservative Fund		Growth Fund		Scheme Total	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Opening balance	-	-	-	-	4,980	1,763	-	-	-	-	-	-	4,980	1,763
Purchases	-	-	-	-	-	4,385	-	-	-	-	-	-	-	4,385
Sales	-	-	-	-	(4,972)	(1,177)	-	-	-	-	-	-	(4,972)	(1,177)
Gains recognised in profit or loss	-	-	-	-	-	4	-	-	-	-	-	-	-	4
Accrued interest	-	-	-	-	(8)	5	-	-	-	-	-	-	(8)	5
Closing balance	-	-	-	-	-	4,980	-	-	-	-	-	-	-	4,980
Change in unrealised gains included in profit or loss for investment assets held at balance date	-	-	-	-	(5)	2	-	-	-	-	-	-	(5)	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	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Debt securities	-	-	-	-	2,028	1,894	1,337	-	310	(88)	404	-	4,079	1,806
PIE funds	790	778	13,065	9,519	37,110	18,353	60,818	46,243	8,849	5,655	29,602	22,585	150,234	103,133
Interest rate swaps	-	-	-	-	33	196	-	-	(2)	3	-	-	31	199
Forward foreign exchange contracts	-	-	(1,740)	246	(1,566)	277	(1,919)	(469)	-	-	(1,002)	538	(6,227)	592
Total net changes in fair value of investment assets and liabilities	790	778	11,325	9,765	37,605	20,720	60,236	45,774	9,157	5,570	29,004	23,123	148,117	105,730

Fisher Funds TWO 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. 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 Fund: ¹

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	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Management fees incurred	131	131	1,221	994	3,990	4,016	6,171	5,437	1,140	1,064	3,492	2,742	16,145	14,384
Administration and other fees incurred	22	25	73	65	917	999	408	400	78	84	205	166	1,703	1,739
Management fees payable	11	11	109	87	297	327	536	457	97	87	321	241	1,371	1,210
Management fee rebates received	-	-	-	-	551	583	250	126	74	77	204	141	1,079	927
Management fee rebates receivable	-	-	-	-	102	86	97	37	16	19	59	36	274	178

(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	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Purchases of investments from related entities	-	-	-	-	-	22,811	970	-	304	1,739	1,053	-	2,327	24,550
Sales of investments to related entities	-	-	-	-	269,545	34,898	-	-	23,183	4,056	-	-	292,728	38,954

Fisher Funds TWO 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 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 4) are as follows:

	Preservation Fund		Equity Fund		Cash Enhanced Fund		Balanced Fund		Conservative Fund		Growth Fund		Scheme Total	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Fisher Institutional New Zealand Cash Fund	27,229	26,929	4,820	-	268,709	-	131,163	54,616	44,785	-	78,226	44,854	554,932	126,399
Fisher Institutional International Equity Fund	-	-	51,009	55,544	53,292	51,069	152,882	99,971	11,706	9,591	93,215	109,833	362,104	326,008
Fisher Institutional International Equity (Hedged) Fund	-	-	17,339	-	11,261	-	46,575	-	2,494	4,445	52,238	-	129,907	4,445
Fisher Institutional Trans Tasman Equity Fund	-	-	50,642	36,760	44,185	37,392	127,284	49,195	8,702	9,276	114,699	75,362	345,512	207,985
Fisher Institutional New Zealand Fixed Interest Fund	-	-	-	-	138,187	-	94,364	40,903	26,933	28,696	24,953	18,446	284,437	88,045
Fisher Institutional Core International Bond Fund	-	-	-	-	30,272	44,363	-	6,702	14,080	5,940	-	4,509	44,352	61,514
Fisher Institutional International Bond Fund	-	-	-	-	29,708	96,163	85,956	23,492	14,002	15,151	-	4,513	129,666	139,319
Fisher Institutional Property Fund	-	-	-	-	39,517	52,383	102,888	26,316	16,502	13,289	35,421	24,891	194,328	116,879
Fisher Institutional Balanced Fund	-	-	-	-	-	-	-	320,870	-	-	-	-	-	320,870
Total investments in related entities	27,229	26,929	123,810	92,304	615,131	281,370	741,112	622,065	139,204	86,388	398,752	282,408	2,045,238	1,391,464

	Preservation Fund		Equity Fund		Cash Enhanced Fund		Balanced Fund		Conservative Fund		Growth Fund		Scheme Total	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Contributions														
Member contributions	1,495	1,677	7,867	6,613	57,496	62,890	43,202	41,016	7,410	7,734	24,590	19,513	142,060	139,443
Member lump sum and voluntary contributions over minimum contribution rate	292	289	1,435	854	3,671	3,897	7,992	8,743	2,286	2,536	4,333	3,214	20,009	19,533
Employer contributions	871	1,003	4,316	3,694	34,104	38,494	23,571	23,056	4,053	4,352	13,760	11,031	80,675	81,630
Crown contributions	340	418	1,266	1,187	13,025	13,869	7,664	7,864	1,478	1,679	3,910	3,351	27,683	28,368
Transfers from other KiwiSaver schemes	399	59	1,105	386	370	552	1,992	2,412	768	374	1,707	920	6,341	4,703
Transfers from other superannuation schemes	22	32	404	559	1,231	1,360	1,281	2,074	46	299	916	674	3,900	4,998
Inter-fund switches in	2,334	1,255	18,494	6,160	8,765	3,008	72,730	15,776	16,918	5,065	79,980	26,844	199,221	58,108
Other income	3	3	14	13	100	120	74	77	13	15	42	36	246	264
Total contributions	5,756	4,736	34,901	19,466	118,762	124,190	158,506	101,018	32,972	22,054	129,238	65,583	480,135	337,047

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 2019

Notes to the Financial Statements

6. Contributions and withdrawals (continued)

	Preservation Fund		Equity Fund		Cash Enhanced Fund		Balanced Fund		Conservative Fund		Growth Fund		Scheme Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Withdrawals	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Member eligible withdrawals	1,887	901	843	436	12,689	10,172	12,376	8,577	6,256	5,030	1,819	2,023	35,870	27,139
Withdrawals on death	15	51	165	69	927	983	1,129	1,047	272	186	547	210	3,055	2,546
Serious illness withdrawals	16	47	14	40	884	848	661	226	278	180	469	100	2,322	1,441
Withdrawals or transfers on permanent emigration	51	21	112	76	736	975	644	637	22	126	390	227	1,955	2,062
Significant financial hardship withdrawals	36	16	59	79	1,106	1,311	456	575	85	100	309	194	2,051	2,275
First home purchase withdrawals	681	485	1,272	871	11,888	9,482	7,984	4,884	2,294	1,672	4,362	2,336	28,481	19,730
Transfers to other KiwiSaver schemes	1,436	1,933	4,701	4,912	45,699	57,180	28,510	35,116	5,964	7,913	15,064	13,395	101,374	120,449
Court ordered withdrawals	-	24	3	23	270	101	263	126	12	-	158	1	706	275
Inter-fund switches out	2,235	1,986	6,484	2,374	148,072	31,002	24,147	13,209	7,108	4,557	11,174	4,980	199,220	58,108
Other withdrawals	-	2	32	14	445	341	48	63	13	8	28	21	566	449
Total withdrawals	6,357	5,466	13,685	8,894	222,716	112,395	76,218	64,460	22,304	19,772	34,320	23,487	375,600	234,474

	Preservation Fund		Equity Fund		Cash Enhanced Fund		Balanced Fund		Conservative Fund		Growth Fund		Scheme Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Interest income	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Interest on investments at amortised cost	10	11	104	93	724	2,796	387	481	94	394	273	300	1,592	4,075
Interest from investment assets at fair value through profit or loss	-	-	76	3	2,315	12,054	823	46	247	862	332	23	3,793	12,988
Total interest income	10	11	180	96	3,039	14,850	1,210	527	341	1,256	605	323	5,385	17,063

Interest income on investments at amortised cost is recognised in the Statements 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 bonds, bank deposits, cash held at bank 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. 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 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 2019 and its 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 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.

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.



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