



fisher funds 

FISHER FUNDS KIWISAVER SCHEME

2020 **FINANCIAL
STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2020

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 2020**

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 (resigned 24 June 2020) Edward Francis Sippel BA Guy Roper BBS, CA Jennifer Clare Moxon Bcom Michael Stuart Berk MBA
Licensed Supervisor	Trustees Executors Limited
Auditor	KPMG
Solicitors	Chapman Tripp

Fisher Funds KiwiSaver Scheme
As at 31 March 2020

Statements of Net Assets

	Note	Growth Fund		Conservative Fund		Scheme Total	
		2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Members' funds		1,882,638	1,790,441	884,425	736,879	2,767,063	2,527,320
<i>Represented by:</i>							
Current assets							
Cash and cash equivalents		42,466	15,942	16,125	7,713	58,591	23,655
Trade and other receivables		3,910	2,905	3,075	2,007	6,985	4,912
Related party receivables	4	37,902	193	12,190	80	50,092	273
Investment assets at fair value through profit or loss	3	1,781,121	1,716,203	855,156	700,060	2,636,277	2,416,263
PIE tax receivable on behalf of members		2,958	-	-	-	2,958	-
Non-current assets							
Investment assets at fair value through profit or loss	3	44,516	63,897	15,745	33,489	60,261	97,386
Total assets		1,912,873	1,799,140	902,291	743,349	2,815,164	2,542,489
Current liabilities							
Trade and other payables		2,628	1,380	3,042	845	5,670	2,225
Related party payables	4	27,607	1,333	11,848	494	39,455	1,827
PIE tax payable on behalf of members		-	5,986	2,976	5,131	2,976	11,117
Total liabilities		30,235	8,699	17,866	6,470	48,101	15,169
Net assets available for benefits		1,882,638	1,790,441	884,425	736,879	2,767,063	2,527,320

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

Director 

Date 23/07/2020

Director 

Date 23/07/2020

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

Fisher Funds KiwiSaver Scheme
For the year ended 31 March 2020

Statements of Changes in Net Assets

	Note	Growth Fund		Conservative Fund		Scheme Total	
		2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Income							
Interest income	6	1,496	3,226	837	2,735	2,333	5,961
Dividend and distribution income		1,661	4,907	706	1,035	2,367	5,942
Net changes in fair value of investment assets and liabilities	3	(15,783)	162,625	16,592	45,184	809	207,809
Management fee rebates	4	776	646	334	246	1,110	892
Other income/(expenses)		11	940	(2)	168	9	1,108
Total (expenses)/income		(11,839)	172,344	18,467	49,368	6,628	221,712
Expenses							
Management fees	4	19,224	15,702	6,950	5,669	26,174	21,371
Performance fees	4	3,984	6,016	-	-	3,984	6,016
Brokerage fees		1	278	1	22	2	300
Custody, unit pricing and accounting fees		85	108	45	61	130	169
Supervisor fees		315	384	130	157	445	541
Member communications		177	187	118	124	295	311
Auditor's fees - financial statements audit		8	9	8	9	16	18
Regulatory related expenses		85	82	35	34	120	116
Legal fees		2	2	1	1	3	3
Other expenses		1	12	3	-	4	12
Total expenses		23,882	22,780	7,291	6,077	31,173	28,857
Net (loss)/profit before membership activities		(35,721)	149,564	11,176	43,291	(24,545)	192,855
Membership activities							
Contributions	5	355,052	287,365	272,942	182,865	627,994	470,230
Withdrawals	5	(226,962)	(156,358)	(131,604)	(91,476)	(358,566)	(247,834)
Administration fees	4	(3,103)	(2,989)	(1,683)	(1,671)	(4,786)	(4,660)
PIE tax attributable to members		2,931	(5,955)	(3,285)	(5,273)	(354)	(11,228)
Net membership activities		127,918	122,063	136,370	84,445	264,288	206,508
Movements in members' funds for the year		92,197	271,627	147,546	127,736	239,743	399,363
Members' funds at the start of the year		1,790,441	1,518,814	736,879	609,143	2,527,320	2,127,957
Members' funds at the end of the year		1,882,638	1,790,441	884,425	736,879	2,767,063	2,527,320
Units on issue							
		Number '000	Number '000	Number '000	Number '000		
Units on issue at the start of the year		799,685	742,776	439,859	387,380		
Applications for units for the year		148,990	134,188	157,695	113,417		
Withdrawals for the year		(97,097)	(77,279)	(78,917)	(60,938)		
Units on issue at the end of the year		851,578	799,685	518,637	439,859		

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

Fisher Funds KiwiSaver Scheme
For the year ended 31 March 2020

Statements of Cash Flows

	Growth Fund		Conservative Fund		Scheme Total	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Cash flows from operating activities						
Cash was provided from:						
Sale of investments	518,196	1,480,512	160,044	689,771	678,240	2,170,283
Bank deposits matured	-	27,385	-	113,155	-	140,540
Interest received	2,385	4,127	1,217	6,997	3,602	11,124
Dividends received	1,661	7,648	706	1,292	2,367	8,940
Other income	768	1,665	324	519	1,092	2,184
Cash was applied to:						
Purchase of investments	(592,842)	(1,688,204)	(282,405)	(885,253)	(875,247)	(2,573,457)
Investment in bank deposits	-	(6,510)	-	(11,190)	-	(17,700)
Expenses	(23,609)	(27,374)	(7,139)	(6,007)	(30,748)	(33,381)
Net settlement of derivatives	(520)	(4,375)	(237)	1,116	(757)	(3,259)
Net cash (outflows) from operating activities	(93,961)	(205,126)	(127,490)	(89,600)	(221,451)	(294,726)
Cash flows from financing activities						
Cash was provided from:						
Member contributions	355,254	286,046	272,424	181,853	627,678	467,899
Cash was applied to:						
Member withdrawals	(225,709)	(156,303)	(129,404)	(91,465)	(355,113)	(247,768)
PIE tax paid	(5,945)	(6,603)	(5,433)	(2,789)	(11,378)	(9,392)
Administration fees	(3,103)	(2,989)	(1,683)	(1,671)	(4,786)	(4,660)
Net cash inflows from financing activities	120,497	120,151	135,904	85,928	256,401	206,079
Net increase/(decrease) in cash and cash equivalents	26,536	(84,975)	8,414	(3,672)	34,950	(88,647)
Opening cash brought forward	15,942	101,066	7,713	11,453	23,655	112,519
Effect of exchange rate fluctuations	(12)	(149)	(2)	(68)	(14)	(217)
Ending cash carried forward	42,466	15,942	16,125	7,713	58,591	23,655
Reconciliation of net (loss)/profit to cash flows from operating activities						
Net (loss)/profit before membership activities	(35,721)	149,564	11,176	43,291	(24,545)	192,855
Non cash items						
Net unrealised changes in the fair value of investment assets and liabilities	52,197	75,514	(9,721)	(21,135)	42,476	54,379
Unrealised foreign exchange losses/(gains) on cash at bank	12	149	2	68	14	217
	52,209	75,663	(9,719)	(21,067)	42,490	54,596
Movements in working capital						
(Increase)/decrease in trade and other receivables	(1,005)	12,826	(1,068)	3,179	(2,073)	16,005
(Increase) in related party receivables	(37,709)	(93)	(12,110)	(49)	(49,819)	(142)
Increase/(decrease) in trade and other payables	1,248	(1,333)	2,197	(691)	3,445	(2,024)
Increase/(decrease) in related party payables	26,274	(4,582)	11,354	84	37,628	(4,498)
Decrease in bank deposits	-	20,875	-	101,965	-	122,840
(Increase) in cost of underlying investments carried at fair value	(97,735)	(459,310)	(127,631)	(217,313)	(225,366)	(676,623)
	(108,927)	(431,617)	(127,258)	(112,825)	(236,185)	(544,442)
Items classified as financing activities						
Movements in payables/receivables attributable to financing activities	(1,522)	1,264	(1,689)	1,001	(3,211)	2,265
	(1,522)	1,264	(1,689)	1,001	(3,211)	2,265
Net cash (outflows) from operating activities	(93,961)	(205,126)	(127,490)	(89,600)	(221,451)	(294,726)

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

Fisher Funds KiwiSaver Scheme
For the year ended 31 March 2020

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

In the prior year, cash flows from operating activities in relation to the realisation and/or settlement of derivatives were presented as part of sales and purchases of investments. In the current year, the net settlement of derivatives are presented separately within cash flows from operating activities. Accordingly, comparatives have been reclassified to conform with the current year presentation.

All other accounting policies have been applied consistently with prior periods. Based on the Manager's assessment there are no new accounting standards, amendments to standards and interpretations that have a material impact on these financial statements. The same applies for any new standards, amendments to standards and interpretations that have been issued but are not yet effective. 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 3.

The impact of the Novel Coronavirus pandemic ("COVID-19") was assessed during the preparation of these financial statements, including whether there were any indicators affecting the Scheme's ability to operate as a going concern. No indicators were identified, and the Scheme remains a going concern.

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 the cancellation or issue of units.

2 Risk

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

(a) Market price, interest rate and currency risks

Market price risk is the risk of gains or losses from changes in the market price of investments. The impact of COVID-19 caused the Manager to review the adequacy of the market price risk sensitivity analysis. A variable of 20% (2019: 10%) is considered appropriate for market price risk sensitivity analysis based on the impact of COVID-19, as well as based on historical price movements.

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. Current market circumstances caused the Manager to review the adequacy of the interest rate risk sensitivity. The 1% variable used in the previous period is considered to continue to be appropriate to illustrate the impact of COVID-19.

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 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	
		2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Market price risk							
PIE funds and unlisted equities	Carrying amount	1,796,806	1,704,125	850,763	691,118	2,647,569	2,395,243
	Impact of a +/- 20% change in market prices	359,361	-	170,153	-	529,514	-
	Impact of a +/- 10% change in market prices	-	170,413	-	69,112	-	239,525
Interest rate risk							
Cash & cash equivalents and debt securities	Re-pricing profile:						
	Up to 90 days	42,466	55,029	16,125	26,121	58,591	81,150
	90 days - 1 year	-	7,203	-	3,188	-	10,391
	1-5 yrs	-	3,567	-	1,965	-	5,532
	5+ yrs	28,831	26,118	20,138	18,870	48,969	44,988
Cash and cash equivalents	Carrying amount	42,466	15,942	16,125	7,713	58,591	23,655
	Impact of a +/- 1% change in interest rates	425	159	161	77	586	236
Debt securities	Carrying amount	28,831	75,975	20,138	42,431	48,969	118,406
	Impact of a +/- 1% change in interest rates	3,006	3,208	2,147	2,286	5,153	5,494

Fisher Funds KiwiSaver Scheme
For the year ended 31 March 2020

Notes to the Financial Statements

2 Risk (continued)

(a) Market price, interest rate and currency risks (continued)

Market price risk	Growth Fund		Conservative Fund		Scheme Total	
	2020	2019	2020	2019	2020	2019
Net currency exposures for cash and investments in NZD equivalents:	\$000	\$000	\$000	\$000	\$000	\$000
NZD	1,868,089	1,796,042	887,025	741,262	2,755,114	2,537,304
EUR	14	-	1	-	15	-
Total	1,868,103	1,796,042	887,026	741,262	2,755,129	2,537,304

(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. The impact of COVID-19 has caused the Manager to closely monitor any illiquid investments to ensure that no material restrictions or delays are experienced by Members who have given withdrawal instructions. The Manager believes the Funds remain appropriately liquid, having considered the liquidity of underlying investments and the level of potential withdrawals.

The Funds invest in various Fisher Institutional Funds. Investment assets in these Institutional Funds, excluding the Fisher Institutional Property Fund ("FIPF"), are either diversified, or invest in other wholesale funds, which are themselves diversified. Furthermore, there have been no restrictions or deferral of redemptions of units in the Fisher Institutional Funds during the period or subsequent to year end.

The Funds have an investment in FIPF. 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 FIPF 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 Funds have experienced a higher number of Member withdrawals as a result of COVID-19. There were however no restrictions or deferrals in settling these withdrawal requests.

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 financial instruments 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.

All receivables, cash and cash equivalents and liabilities are financial instruments and are measured at amortised cost. Investment assets are financial instruments measured at fair value through profit or loss. 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 at fair value through profit or loss held by the Scheme:

Credit Rating	Growth Fund		Conservative Fund		Scheme Total	
	2020	2019	2020	2019	2020	2019
	\$000	\$000	\$000	\$000	\$000	\$000
A-1 to A-1+	-	15,942	-	7,713	-	23,655
AA- to AA+	71,283	75,975	36,262	42,430	107,545	118,405
A- to A+	14	-	1	-	15	-
	71,297	91,917	36,263	50,143	107,560	142,060

Fisher Funds KiwiSaver Scheme
For the year ended 31 March 2020

Notes to the Financial Statements

2 Risk (continued)

(d) Credit exposure

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 5% of the Funds' net assets to any one counterparty (excluding PIE Funds which are detailed in Note 4(c)).

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

All investments are measured 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 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.

The decline in investment markets as a result of COVID-19 adversely impacted the closing value of investments as at 31 March 2020. Trading was not suspended as at year-end for any of the investments held by the Funds.

The Funds have an investment in the FIPF. Accordingly, the valuation of investment assets for the Funds are dependent on FIPF's investment property valuations. These property valuations have a higher degree of uncertainty than in previous years due to the impact of COVID-19. There have been no subsequent events to suggest that the investment property valuations are materially misstated as at 31 March 2020.

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. The valuation techniques used to value the Funds' investments at 31 March 2020 are consistent with the prior year. Therefore, there have been no changes to the fair value hierarchy classification of investments as a result of COVID-19 and remain 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 Refinitiv.

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	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Investment assets and liabilities at fair value through profit or loss						
Debt securities	28,831	75,975	20,138	42,431	48,969	118,406
PIE funds ¹	1,796,358	1,703,111	850,763	691,118	2,647,121	2,394,229
Unlisted equities	448	1,014	-	-	448	1,014
Total investment assets and liabilities at fair value through profit or loss	1,825,637	1,780,100	870,901	733,549	2,696,538	2,513,649

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 4(c) for a detailed breakdown of PIE funds invested in by each Fund.

Fair value hierarchy	Growth Fund		Conservative Fund		Scheme Total	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Level 1	28,831	26,117	20,138	18,870	48,969	44,987
Level 2	1,796,358	1,752,969	850,763	714,679	2,647,121	2,467,648
Level 3	448	1,014	-	-	448	1,014
	1,825,637	1,780,100	870,901	733,549	2,696,538	2,513,649

Fisher Funds KiwiSaver Scheme
For the year ended 31 March 2020

Notes to the Financial Statements

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

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:

	Growth Fund		Conservative Fund		Scheme Total	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000
New Zealand bonds						
Opening balance	-	2,666	-	4,370	-	7,036
Sales	-	(2,662)	-	(4,364)	-	(7,026)
Gains recognised in profit or loss	-	(4)	-	(6)	-	(10)
Closing balance	-	-	-	-	-	-

	Growth Fund		Conservative Fund		Scheme Total	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Unlisted equities						
Opening balance	1,014	1,643	-	-	1,014	1,643
Return of capital	(410)	(774)	-	-	(410)	(774)
Capital drawdowns	20	42	-	-	20	42
(Losses)/gains recognised in profit or loss	(176)	103	-	-	(176)	103
Closing balance	448	1,014	-	-	448	1,014
Change in unrealised gains for the year included in profit or loss for level 3 investment assets held at balance date	(176)	103	-	(6)	(176)	97

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

	Growth Fund		Conservative Fund		Scheme Total	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Net changes in fair value of investment assets and liabilities						
Listed equities	-	65,170	-	6,125	-	71,295
Debt securities	760	1,360	547	(83)	1,307	1,277
PIE funds	(17,102)	103,995	15,725	39,165	(1,377)	143,160
Unlisted equities	(175)	147	-	-	(175)	147
Forward foreign exchange contracts	-	(9,749)	-	(304)	-	(10,053)
Futures and options contracts	734	1,599	320	117	1,054	1,716
Interest rate swaps	-	103	-	164	-	267
Total net changes in fair value of investment assets and liabilities	(15,783)	162,625	16,592	45,184	809	207,809

Fisher Funds KiwiSaver Scheme
For the year ended 31 March 2020

Notes to the Financial Statements

4 Related parties

(a) Fees with related parties

The Manager of the Scheme is responsible for managing the assets of the Scheme and fund administration, 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	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Management fees incurred	19,224	15,702	6,950	5,669	26,174	21,371
Performance fees incurred	3,984	6,016	-	-	3,984	6,016
Administration fees incurred	2,042	1,963	1,107	1,097	3,149	3,060
Rebates received	776	646	334	246	1,110	892
Management fees payable	1,607	1,333	648	494	2,255	1,827
Rebates receivable	202	193	90	80	292	273

(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.

	Growth Fund		Conservative Fund		Scheme Total	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Purchases of investments from related entities	-	18,029	-	5,503	-	23,532
Sales of investments to related entities	21,837	815,849	11,874	422,815	33,711	1,238,664
Unsettled purchases of investments	26,000	-	11,200	-	37,200	-
Unsettled sales of investments	37,700	-	12,100	-	49,800	-

These purchases and sales of investments exclude contributions and withdrawals in Fisher Institutional Funds.

Fisher Funds KiwiSaver Scheme
For the year ended 31 March 2020

Notes to the Financial Statements

4 Related parties (continued)

(c) Investments in related entities

The Scheme indirectly holds multiple investments through other funds managed by the Manager. The Scheme has been deemed to meet the definition of an investment entity and accordingly the Scheme's investments in other 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 3) are as follows:

	Growth Fund		Conservative Fund		Scheme Total	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Fisher Institutional New Zealand Cash Fund	147,948	228,537	238,275	222,347	386,223	450,884
Fisher Institutional New Zealand Fixed Interest Fund	116,905	108,232	158,120	132,911	275,025	241,143
Fisher Institutional Global Fixed Interest Fund	94,138	-	232,352	140,402	326,490	140,402
Fisher Institutional International Equity Fund	252,925	296,769	35,934	35,993	288,859	332,762
Fisher Institutional International Hedged Equity Fund	206,611	158,820	19,813	11,699	226,424	170,519
Fisher Institutional Select Global Equities Fund	236,955	201,314	32,837	21,890	269,792	223,204
Fisher Institutional Trans Tasman Equities Fund	549,519	525,449	47,145	43,094	596,664	568,543
Fisher Institutional Property & Infrastructure Fund	85,103	67,179	38,185	34,316	123,288	101,495
Fisher Institutional Property Fund	106,254	116,811	48,102	48,466	154,356	165,277
Total investments in related entities	1,796,358	1,703,111	850,763	691,118	2,647,121	2,394,229

5 Contributions and withdrawals

Contributions

	Growth Fund		Conservative Fund		Scheme Total	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Contributions for the year ended 31 March were received as follows:						
Member contributions	99,800	87,472	50,474	44,309	150,274	131,781
Member lump sum and voluntary contributions over minimum contribution rate	51,649	30,446	31,044	10,481	82,693	40,927
Employer contributions	54,257	49,612	28,120	26,173	82,377	75,785
Crown contributions	20,443	18,652	11,317	10,856	31,760	29,508
Transfers from other KiwiSaver schemes	84,000	73,020	46,322	45,345	130,322	118,365
Transfers from other superannuation schemes	7,650	6,132	3,079	2,446	10,729	8,578
Inter-fund switches	37,087	21,884	102,501	43,178	139,588	65,062
Other income	166	147	85	77	251	224
Total contributions	355,052	287,365	272,942	182,865	627,994	470,230

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 2020

Notes to the Financial Statements

5 Contributions and withdrawals (continued)

Withdrawals

	Growth Fund		Conservative Fund		Scheme Total	
	2020	2019	2020	2019	2020	2019
Withdrawals for the year ended 31 March were paid as follows:	\$000	\$000	\$000	\$000	\$000	\$000
Member eligible withdrawals	29,742	23,399	29,863	19,356	59,605	42,755
Withdrawals on death	2,309	2,015	1,939	1,395	4,248	3,410
Serious illness withdrawals	2,660	1,501	2,475	1,590	5,135	3,091
Withdrawals or transfers on permanent emigration	1,326	1,026	704	271	2,030	1,297
Significant financial hardship withdrawals	4,074	3,509	3,139	2,893	7,213	6,402
First home purchase withdrawals	18,587	18,371	24,549	16,160	43,136	34,531
Transfers to other KiwiSaver schemes	65,005	62,931	31,024	27,892	96,029	90,823
Mortgage diversion withdrawals	6	9	-	-	6	9
Court ordered withdrawals	668	387	778	12	1,446	399
Switch out	102,501	43,178	37,087	21,884	139,588	65,062
Other withdrawals	84	32	46	23	130	55
Total withdrawals	226,962	156,358	131,604	91,476	358,566	247,834

6 Interest income

Interest on investment assets at amortised cost	368	1,147	148	687	516	1,834
Interest on investment assets at fair value through profit or loss	1,128	2,079	689	2,048	1,817	4,127
	1,496	3,226	837	2,735	2,333	5,961

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.

7 Capital commitments and contingent liabilities

There were no significant capital commitments or contingent liabilities as at 31 March 2020 (31 March 2019: Nil).

8 Subsequent events

As at the date of signing, the most recently available fund return since year end per Fund was as follows:

	Fund Return ⁽¹⁾	Date
Fisher Funds KiwiSaver Growth Fund	16%	21/07/2020
Fisher Funds KiwiSaver Conservative Fund	6%	21/07/2020

⁽¹⁾ The fund returns are calculated as follows: [Latest available unit price at signing date / unit price as at 31 March 2020] - 1

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

Independent Auditor's Report

To the members of:

- Fisher Funds 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 11:

- present fairly in all material respects the funds' and scheme's financial position as at 31 March 2020 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 statements of net assets as at 31 March 2020;
- the statements of changes in net assets and cash flows statement 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 2020. 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 0.75% 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.

Covid-19

The COVID-19 pandemic has created additional risks, particularly with the valuation of investments, liquidity and going concern. Some investments may have become more difficult to value, as they either experience significant events, or become less liquid and actively traded. Additional disclosures may be required to ensure there is adequate disclosure of changes to fair value levels for securities, liquidity risks, market risks and subsequent events where there are material withdrawals, other material impacts on liquidity and changes to the value of the Funds. While the key audit matter "Existence and valuation of investments", detailed below, is unchanged from last year, the underlying audit risk has increased which impacted the extent and nature of audit evidence that we had to gather.

The key audit matter

How the matter was addressed in our audit

Existence and valuation of investments

Refer to Note 1 and 2 (Impact of COVID-19) and Note 3 (Existence and valuation of investments) 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, fund-to-fund and level 3 investments to independent third party pricing sources;

The key audit matter

How the matter was addressed in our audit

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 0.02% of this Fund's net asset value.

COVID-19 has meant that greater uncertainty exists around the valuation of investments and the fair value hierarchy level attributed to each. This required some additional judgement in these areas.

- 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 final 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

23 July 2020