



fisher funds TWO 

FISHER FUNDS TWO KIWISAVER SCHEME

2020 **FINANCIAL
STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2020

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**

CONTENTS

Directory	1
Statements of Net Assets	2
Statements of Changes in Net Assets	3
Statements of Cash Flows	4
Notes to the Financial Statements	5 - 10
Auditor's Report	11 - 14

**Fisher Funds TWO 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 TWO KiwiSaver Scheme
As at 31 March 2020

Statements of Net Assets

Note	Preservation Fund		Equity Fund		Cash Enhanced Fund		Balanced Fund		Conservative Fund		Growth Fund		Scheme Total	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Members' funds	33,365	27,324	136,041	128,957	672,616	655,841	822,266	785,086	153,863	148,165	470,863	419,107	2,289,014	2,164,480
<i>Represented by:</i>														
Current assets														
Cash and cash equivalents	665	434	3,057	3,266	12,826	5,717	11,902	9,309	2,798	1,816	10,201	5,533	41,449	26,075
Trade and other receivables	362	16	209	204	1,698	807	1,389	848	335	127	1,513	425	5,506	2,427
Related party receivables	4	-	2,800	-	11,167	102	17,103	97	2,315	16	9,175	59	42,560	274
Investment assets at fair value through profit or loss	3	32,686	27,229	132,341	126,059	654,412	646,831	780,007	751,579	146,080	145,008	438,584	390,132	2,184,110
PIE tax receivable on behalf of members		-	-	492	-	-	-	-	-	-	564	-	1,056	-
Non-current assets														
Investment assets at fair value through profit or loss	3	-	-	-	7,057	11,000	26,514	30,117	5,418	2,690	18,568	25,727	57,557	69,534
Total assets	33,713	27,679	138,899	129,529	687,160	664,457	836,915	791,950	156,946	149,657	478,605	421,876	2,332,238	2,185,148
Current liabilities														
Trade and other payables	276	220	426	96	1,772	1,558	706	866	174	201	429	492	3,783	3,433
Related party payables	4	13	11	2,432	109	9,606	297	13,039	536	2,313	97	7,313	321	34,716
PIE tax payable on behalf of members		59	124	-	367	3,166	6,761	904	5,462	596	1,194	-	1,956	4,725
Total liabilities	348	355	2,858	572	14,544	8,616	14,649	6,864	3,083	1,492	7,742	2,769	43,224	20,668
Net assets available for benefits	33,365	27,324	136,041	128,957	672,616	655,841	822,266	785,086	153,863	148,165	470,863	419,107	2,289,014	2,164,480

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 TWO KiwiSaver Scheme
For the year ended 31 March 2020

Statements of Changes in Net Assets

	Note	Preservation Fund		Equity Fund		Cash Enhanced Fund		Balanced Fund		Conservative Fund		Growth Fund		Scheme Total	
		2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Income															
Interest income	6	7	10	69	180	760	3,039	768	1,210	156	341	364	605	2,124	5,385
Distribution income		-	-	-	-	367	548	833	569	131	154	550	470	1,881	1,741
Net changes in fair value of investment assets and liabilities	3	499	790	(1,613)	11,325	15,008	37,605	4,972	60,236	3,002	9,157	(6,146)	29,004	15,722	148,117
Management fee rebates	4	-	-	-	-	466	551	395	250	62	74	256	204	1,179	1,079
Other income		-	-	-	-	(4)	-	(6)	-	(1)	-	(3)	-	(14)	-
Total income/(loss)		506	800	(1,544)	11,505	16,597	41,743	6,962	62,265	3,350	9,726	(4,979)	30,283	20,892	156,322
Expenses															
Management fees	4	133	131	1,621	1,221	3,629	3,990	7,484	6,171	1,298	1,140	4,802	3,492	18,967	16,145
Custody, unit pricing and accounting fees		14	17	20	26	1	5	46	47	24	27	33	31	138	153
Supervisor fees		4	5	23	21	-	-	137	131	25	25	76	66	265	248
Auditor's fees - financial statements audit		6	7	7	8	-	-	7	8	7	8	7	8	34	39
Regulatory related expenses		2	2	8	7	-	-	36	36	8	8	21	18	75	71
Other expenses		2	2	9	9	-	-	42	48	8	10	25	23	86	92
Total expenses		161	164	1,688	1,292	3,630	3,995	7,752	6,441	1,370	1,218	4,964	3,638	19,565	16,748
Net profit/(loss) before membership activities		345	636	(3,232)	10,213	12,967	37,748	(790)	55,824	1,980	8,508	(9,943)	26,645	1,327	139,574
Membership activities															
Contributions	5	15,214	5,756	29,046	34,901	136,064	118,762	141,948	158,506	33,357	32,972	117,390	129,238	473,019	480,135
Withdrawals	5	(9,411)	(6,357)	(19,069)	(13,685)	(127,277)	(222,716)	(102,148)	(76,218)	(28,842)	(22,304)	(55,754)	(34,320)	(342,501)	(375,600)
Administration fees	4	(35)	(38)	(148)	(125)	(1,414)	(1,570)	(735)	(698)	(130)	(134)	(443)	(351)	(2,905)	(2,916)
PIE tax attributable to members		(72)	(137)	487	(359)	(3,565)	(7,436)	(1,095)	(5,565)	(667)	(1,237)	506	(1,973)	(4,406)	(16,707)
Net membership activities		5,696	(776)	10,316	20,732	3,808	(112,960)	37,970	76,025	3,718	9,297	61,699	92,594	123,207	84,912
Movements in members' funds for the year		6,041	(140)	7,084	30,945	16,775	(75,212)	37,180	131,849	5,698	17,805	51,756	119,239	124,534	224,486
Members' funds at the start 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
Members' funds at the end of the year		33,365	27,324	136,041	128,957	672,616	655,841	822,266	785,086	153,863	148,165	470,863	419,107	2,289,014	2,164,480
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	26	22	361,064	424,922	147	132	77,972	72,916	220,276	169,946		
Applications for units for the year		4	2	6	7	72,650	67,602	25	31	17,000	17,965	58,472	70,257		
Withdrawals for the year		(3)	(2)	(4)	(3)	(70,723)	(131,460)	(19)	(16)	(15,143)	(12,909)	(28,170)	(19,927)		
Units on issue at the end of the year		11	10	28	26	362,991	361,064	153	147	79,829	77,972	250,578	220,276		

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

Fisher Funds TWO KiwiSaver Scheme
For the year ended 31 March 2020

Statements of Cash Flows

	Preservation Fund		Equity Fund		Cash Enhanced Fund		Balanced Fund		Conservative Fund		Growth Fund		Scheme Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Cash flows from operating activities														
Cash was provided from:														
Sale of investments	3,854	1,020	24,319	62,901	196,942	758,968	237,840	658,691	38,004	85,847	126,546	139,145	627,505	1,706,572
Bank deposits matured	-	-	-	-	-	161,960	-	-	-	17,050	-	-	-	179,010
Interest received	7	10	98	152	1,157	7,356	1,188	826	232	616	551	435	3,233	9,395
Distribution income received	-	-	-	-	367	548	833	569	131	154	550	470	1,881	1,741
Management fee rebates received	-	-	-	-	200	535	389	189	64	77	240	181	893	982
Cash was applied to:														
Purchase of investments	(8,810)	(530)	(32,742)	(82,468)	(187,467)	(798,372)	(262,712)	(748,503)	(38,978)	(112,323)	(176,371)	(239,171)	(707,080)	(1,981,367)
Investment in bank deposits	-	-	-	-	-	(11,340)	-	-	-	-	-	-	-	(11,340)
Expenses	(161)	(164)	(1,669)	(1,265)	(3,623)	(4,025)	(7,651)	(6,361)	(1,354)	(1,209)	(4,872)	(3,557)	(19,330)	(16,581)
Net settlement of derivatives	-	-	-	(2,141)	(439)	(1,763)	(568)	(2,631)	(104)	10	(379)	(1,786)	(1,490)	(8,311)
Net cash (outflows)/inflows from operating activities	(5,110)	336	(9,994)	(22,821)	7,137	113,867	(30,681)	(97,220)	(2,005)	(9,778)	(53,735)	(104,283)	(94,388)	(119,899)
Cash flows from financing activities														
Cash was provided from:														
Member contributions	14,868	5,759	29,041	34,813	135,495	118,639	142,024	157,962	33,300	33,132	116,680	129,117	471,408	479,422
Cash was applied to:														
Member withdrawals	(9,356)	(6,171)	(18,736)	(13,644)	(127,067)	(222,009)	(102,362)	(76,199)	(28,917)	(22,303)	(55,820)	(34,210)	(342,258)	(374,536)
PIE tax paid	(136)	(136)	(372)	(682)	(7,159)	(6,611)	(5,653)	(4,651)	(1,266)	(896)	(2,014)	(2,035)	(16,600)	(15,011)
Administration fees	(35)	(38)	(148)	(125)	(1,297)	(1,687)	(735)	(698)	(130)	(134)	(443)	(351)	(2,788)	(3,033)
Net cash inflows/(outflows) from financing activities	5,341	(586)	9,785	20,362	(28)	(111,668)	33,274	76,414	2,987	9,799	58,403	92,521	109,762	86,842
Net increase/(decrease) in cash and cash equivalents	231	(250)	(209)	(2,459)	7,109	2,199	2,593	(20,806)	982	21	4,668	(11,762)	15,374	(33,057)
Opening cash brought 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
Ending cash carried forward	665	434	3,057	3,266	12,826	5,717	11,902	9,309	2,798	1,816	10,201	5,533	41,449	26,075
Reconciliation of net profit/(loss) to cash flows from operating activities														
Net profit/(loss) before membership activities	345	636	(3,232)	10,213	12,967	37,748	(790)	55,824	1,980	8,508	(9,943)	26,645	1,327	139,574
Non cash items														
Net unrealised changes in the fair value of investment assets	272	(598)	4,646	(2,864)	2,898	6,968	6,656	97,791	322	(289)	16,529	(18,151)	31,323	82,857
Accrued interest	-	-	28	(26)	397	2,611	420	(383)	76	66	187	(166)	1,108	2,102
	272	(598)	4,674	(2,890)	3,295	9,579	7,076	97,408	398	(223)	16,716	(18,317)	32,431	84,959
Movements in working capital														
Decrease in bank deposits	-	-	-	-	-	152,326	-	-	-	17,258	-	-	-	169,584
(Increase)/decrease in trade and other receivables	(346)	3	(5)	(89)	(891)	1,054	(541)	(534)	(208)	162	(1,088)	(111)	(3,079)	485
(Increase)/decrease in related party receivables	-	-	(2,800)	-	(11,065)	(16)	(17,006)	(60)	(2,299)	3	(9,116)	(23)	(42,286)	(96)
Increase/(decrease) in trade and other payables	56	185	330	44	214	405	(160)	18	(27)	2	(63)	111	350	765
Increase/(decrease) in related party payables	2	-	2,323	22	9,309	(30)	12,503	79	2,216	10	6,992	80	33,345	161
(Increase)/decrease in cost of underlying investments carried at fair value	(5,730)	298	(10,956)	(30,169)	(6,934)	(86,732)	(31,900)	(250,480)	(4,196)	(35,337)	(58,009)	(112,675)	(117,725)	(515,095)
	(6,018)	486	(11,108)	(30,192)	(9,367)	67,007	(37,104)	(250,977)	(4,514)	(17,902)	(61,284)	(112,618)	(129,395)	(344,196)
Items classified as financing activities														
Movements in payables/receivables attributable to financing activities	291	(188)	(328)	48	242	(467)	137	525	131	(161)	776	7	1,249	(236)
	291	(188)	(328)	48	242	(467)	137	525	131	(161)	776	7	1,249	(236)
Net cash (outflows)/inflows from operating activities	(5,110)	336	(9,994)	(22,821)	7,137	113,867	(30,681)	(97,220)	(2,005)	(9,778)	(53,735)	(104,283)	(94,388)	(119,899)

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

Fisher Funds TWO KiwiSaver Scheme
For the year ended 31 March 2020

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. 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.

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 members 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.

	Preservation Fund		Equity Fund		Cash Enhanced Fund		Balanced Fund		Conservative Fund		Growth Fund		Scheme Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Market risk	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
PIE funds														
Carrying amount	32,686	27,229	132,341	123,810	641,346	615,131	789,508	741,112	147,739	139,204	449,948	398,752	2,193,568	2,045,238
Impact of a +/- 20% change in market prices	6,537	-	26,468	-	128,269	-	157,902	-	29,548	-	89,990	-	438,714	-
Impact of a +/- 10% change in market prices	-	2,723	-	12,381	-	61,513	-	74,111	-	13,920	-	39,875	-	204,523
Interest rate risk														
Cash and cash equivalents, bank deposits, debt securities and swaps														
Re-pricing profile:														
Up to 90 days	665	434	3,057	3,945	12,826	25,474	11,902	28,297	2,798	5,480	10,201	13,478	41,449	77,108
90 days - 1 year	-	-	-	1,472	-	1,382	-	3,782	-	558	-	1,800	-	8,994
1-5 yrs	-	-	-	98	-	1,998	-	1,861	-	441	-	844	-	5,242
5+ yrs	-	-	-	-	20,124	19,563	17,013	15,953	3,759	3,831	7,204	6,518	48,100	45,865
Cash and cash equivalents														
Carrying amount	665	434	3,057	3,266	12,826	5,717	11,902	9,309	2,798	1,816	10,201	5,533	41,449	26,075
Impact of a +/- 1% change in interest rates	7	4	31	33	128	57	119	93	28	18	102	55	415	260
Debt securities, bank deposits and swaps														
Carrying amount	-	-	-	2,249	20,123	42,700	17,013	40,584	3,759	8,494	7,204	17,107	48,099	111,134
Impact of a +/- 1% change in interest rates	-	-	-	16	2,241	2,412	1,818	1,959	400	467	763	812	5,222	5,666

Currency risk

The Scheme is exposed indirectly to currency risk through its holdings in PIE funds. All cash and cash equivalents are held in New Zealand dollars.

Fisher Funds TWO KiwiSaver Scheme

For the year ended 31 March 2020

Notes to the Financial Statements

2. Risk (continued)

(b) Liquidity risk

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

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

Several of 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 designated at fair value through profit or loss held by the Scheme.

		Preservation Fund		Equity Fund		Cash Enhanced Fund		Balanced Fund		Conservative Fund		Growth Fund		Scheme Total	
		2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Credit Rating	A-1 and A-1+	-	434	-	3,266	-	5,717	-	9,309	-	1,816	-	5,533	-	26,075
	AA- to AA+	665	-	3,057	2,249	32,950	42,700	28,914	40,584	6,558	8,494	17,405	17,107	89,549	111,134
	Total	665	434	3,057	5,515	32,950	48,417	28,914	49,893	6,558	10,310	17,405	22,640	89,549	137,209

(d) Credit exposure

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

Fisher Funds TWO 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

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.

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.

Several of 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 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 technique for New Zealand bonds is monthly pricing information received from Westpac NZ as no other brokers provide such pricing information.

	Preservation Fund		Equity Fund		Cash Enhanced Fund		Balanced Fund		Conservative Fund		Growth Fund		Scheme Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Debt securities	-	-	-	2,249	20,123	42,700	17,013	40,584	3,759	8,494	7,204	17,107	48,099	111,134
PIE funds ¹	32,686	27,229	132,341	123,810	641,346	615,131	789,508	741,112	147,739	139,204	449,948	398,752	2,193,568	2,045,238
Total investment assets and liabilities at fair value through profit or loss	32,686	27,229	132,341	126,059	661,469	657,831	806,521	781,696	151,498	147,698	457,152	415,859	2,241,667	2,156,371

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.

	Preservation Fund		Equity Fund		Cash Enhanced Fund		Balanced Fund		Conservative Fund		Growth Fund		Scheme Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Fair value hierarchy														
Level 1	-	-	-	-	20,123	19,562	17,013	15,952	3,759	3,831	7,204	6,517	48,099	45,862
Level 2	32,686	27,229	132,341	126,059	641,346	638,269	789,508	765,744	147,739	143,867	449,948	409,342	2,193,568	2,110,510
Level 3	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	32,686	27,229	132,341	126,059	661,469	657,831	806,521	781,696	151,498	147,698	457,152	415,859	2,241,667	2,156,372

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

	Preservation Fund		Equity Fund		Cash Enhanced Fund		Balanced Fund		Conservative Fund		Growth Fund		Scheme Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
New Zealand bonds														
Opening balance	-	-	-	-	-	4,980	-	-	-	-	-	-	-	4,980
Sales	-	-	-	-	-	(4,972)	-	-	-	-	-	-	-	(4,972)
Accrued interest	-	-	-	-	-	(8)	-	-	-	-	-	-	-	(8)
Closing balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in unrealised gains included in profit or loss for investment assets held at balance date	-	-	-	-	-	(5)	-	-	-	-	-	-	-	(5)

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

Fisher Funds TWO 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)

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	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Debt securities	-	-	-	-	562	2,028	462	1,337	125	310	188	404	1,337	4,079
PIE funds	499	790	(1,613)	13,065	14,206	37,110	4,191	60,818	2,823	8,849	(6,513)	29,602	13,593	150,234
Interest rate swaps	-	-	-	-	-	33	-	-	-	(2)	-	-	-	31
Forward foreign exchange contracts	-	-	-	(1,740)	-	(1,566)	-	(1,919)	-	-	-	(1,002)	-	(6,227)
Futures and options	-	-	-	-	240	-	319	-	54	-	179	-	792	-
Total net changes in fair value of investment assets and liabilities	499	790	(1,613)	11,325	15,008	37,605	4,972	60,236	3,002	9,157	(6,146)	29,004	15,722	148,117

4. Related parties

(a) Fees with related parties

The Manager of the Scheme is responsible for managing the assets of the Scheme and fund administration. The Manager pays supervisor, custody, unit pricing, accounting and auditor's fees on behalf of the Cash Enhanced Fund and also provides a general rebate to reimburse the Cash Enhanced Fund for fees charged within underlying investments in other funds. The Manager is entitled to a management fee calculated as a percentage per annum of the gross asset value of the Funds, with the exception of the Cash Enhanced Fund which is calculated on the NAV of the Fund. Management fees are calculated daily and payable monthly at the following percentage for each Fund:¹

Preservation Fund	Equity Fund	Cash Enhanced Fund ⁽²⁾	Balanced Fund	Conservative Fund	Growth Fund
0.48%	Up to 1.10%	0.52%	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.

² The management fee for the Cash Enhanced Fund was reduced from 0.56% to 0.52% per annum on 1 October 2019.

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 FIPF 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 FIPF 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 FIPF, 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	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Management fees incurred	133	131	1,621	1,221	3,629	3,990	7,484	6,171	1,298	1,140	4,802	3,492	18,967	16,145
Administration and other fees incurred	20	22	87	73	831	917	432	408	76	78	261	205	1,708	1,703
Rebates received	-	-	-	-	466	551	395	250	62	74	256	204	1,179	1,079
Management fees payable	13	11	132	109	306	297	639	536	113	97	413	321	1,616	1,371
Rebates receivable	-	-	-	-	367	102	103	97	15	16	75	59	560	274

(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	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Purchases of investments from related entities	-	-	-	-	-	-	-	970	-	304	-	1,053	-	2,327
Sales of investments to related entities	-	-	1,671	-	9,908	269,545	11,559	-	2,519	23,183	5,026	-	30,683	292,728
Unsettled purchases of investments	-	-	2,300	-	9,300	-	12,400	-	2,200	-	6,900	-	33,100	-
Unsettled sales of investments	-	-	2,800	-	10,800	-	17,000	-	2,300	-	9,100	-	42,000	-

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

Fisher Funds TWO 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 funds managed by the Manager are not consolidated, instead measured at fair value through profit and loss. The Scheme's investments in the other funds managed by the Manager (PIE funds per Note 3) are as follows:

	Preservation Fund		Equity Fund		Cash Enhanced Fund		Balanced Fund		Conservative Fund		Growth Fund		Scheme Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Fisher Institutional New Zealand Cash Fund	32,686	27,229	7,337	4,820	239,201	268,709	81,366	131,163	38,892	44,785	54,051	78,226	453,533	554,932
Fisher Institutional International Equity Fund	-	-	24,808	51,009	27,461	53,292	78,546	152,882	6,293	11,706	95,120	93,215	232,228	362,104
Fisher Institutional International Equity (Hedged) Fund	-	-	22,488	17,339	14,495	11,261	59,196	46,575	3,554	2,494	71,484	52,238	171,217	129,907
Fisher Institutional International Select Global Equity Fund	-	-	23,904	-	25,053	-	73,674	-	5,749	-	-	-	128,380	-
Fisher Institutional Trans Tasman Equity Fund	-	-	53,804	50,642	41,957	44,185	131,616	127,284	8,484	8,702	131,147	114,699	367,008	345,512
Fisher Institutional New Zealand Fixed Interest Fund	-	-	-	-	139,965	138,187	104,830	94,364	28,363	26,933	29,696	24,953	302,854	284,437
Fisher Institutional Core International Bond Fund	-	-	-	-	-	30,272	-	-	-	14,080	-	-	-	44,352
Fisher Institutional International Bond Fund	-	-	-	-	29,613	29,708	49,069	85,956	14,758	14,002	-	-	93,440	129,666
Fisher Institutional Property & Infrastructure Fund	-	-	-	-	12,831	-	48,051	-	7,504	-	-	-	68,386	-
Fisher Institutional Property Fund	-	-	-	-	17,686	39,517	55,614	102,888	8,017	16,502	43,425	35,421	124,742	194,328
Fisher Institutional Global Fixed Income Fund	-	-	-	-	93,084	-	107,546	-	26,125	-	25,025	-	251,780	-
Total investments in related entities	32,686	27,229	132,341	123,810	641,346	615,131	789,508	741,112	147,739	139,204	449,948	398,752	2,193,568	2,045,238

5. Contributions and withdrawals

	Preservation Fund		Equity Fund		Cash Enhanced Fund		Balanced Fund		Conservative Fund		Growth Fund		Scheme Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Contributions														
Member contributions	1,511	1,495	9,300	7,867	50,237	57,496	48,072	43,202	7,712	7,410	33,117	24,590	149,949	142,060
Member lump sum and voluntary contributions over minimum contribution rate	1,271	292	1,591	1,435	6,118	3,671	17,507	7,992	4,616	2,286	6,659	4,333	37,762	20,009
Employer contributions	783	871	5,100	4,316	28,912	34,104	25,330	23,571	3,963	4,053	17,843	13,760	81,931	80,675
Crown contributions	313	340	1,650	1,266	10,367	13,025	8,471	7,664	1,419	1,478	5,480	3,910	27,700	27,683
Transfers from other KiwiSaver schemes	324	399	1,294	1,105	457	370	2,980	1,992	696	768	1,337	1,707	7,088	6,341
Transfers from other superannuation schemes	17	22	374	404	1,018	1,231	1,723	1,281	111	46	881	916	4,124	3,900
Inter-fund switches in	10,992	2,334	9,720	18,494	38,866	8,765	37,782	72,730	14,826	16,918	52,016	79,980	164,202	199,221
Other income	3	3	17	14	89	100	83	74	14	13	57	42	263	246
Total contributions	15,214	5,756	29,046	34,901	136,064	118,762	141,948	158,506	33,357	32,972	117,390	129,238	473,019	480,135

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.

	Preservation Fund		Equity Fund		Cash Enhanced Fund		Balanced Fund		Conservative Fund		Growth Fund		Scheme Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Withdrawals														
Member eligible withdrawals	4,234	1,887	778	843	16,509	12,689	15,135	12,376	7,454	6,256	3,277	1,819	47,387	35,870
Withdrawals on death	68	15	145	165	1,590	927	1,096	1,129	188	272	641	547	3,728	3,055
Serious illness withdrawals	5	16	-	14	1,036	884	750	661	116	278	175	469	2,082	2,322
Withdrawals or transfers on permanent emigration	4	51	204	112	653	736	824	644	120	22	354	390	2,159	1,955
Significant financial hardship withdrawals	35	36	89	59	949	1,106	653	456	82	85	268	309	2,076	2,051
First home purchase withdrawals	831	681	1,174	1,272	13,100	11,888	7,325	7,984	3,525	2,294	3,453	4,362	29,408	28,481
Transfers to other KiwiSaver schemes	914	1,436	4,560	4,701	34,470	45,699	28,122	28,510	5,344	5,964	17,237	15,064	90,647	101,374
Court ordered withdrawals	-	-	-	3	91	270	138	263	-	12	8	158	237	706
Inter-fund switches out	3,304	2,235	12,094	6,484	58,482	148,072	48,028	24,147	12,008	7,108	30,284	11,174	164,200	199,220
Other withdrawals	16	-	25	32	397	445	77	48	5	13	57	28	577	566
Total withdrawals	9,411	6,357	19,069	13,685	127,277	222,716	102,148	76,218	28,842	22,304	55,754	34,320	342,501	375,600

Fisher Funds TWO KiwiSaver Scheme
For the year ended 31 March 2020

Notes to the Financial Statements

6. Interest income

	Preservation Fund		Equity Fund		Cash Enhanced Fund		Balanced Fund		Conservative Fund		Growth Fund		Scheme Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Interest on investments at amortised cost	7	10	39	104	85	724	142	387	22	94	104	273	399	1,592
Interest from investment assets at fair value through profit or loss	-	-	30	76	675	2,315	626	823	134	247	260	332	1,725	3,793
Total interest income	7	10	69	180	760	3,039	768	1,210	156	341	364	605	2,124	5,385

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.

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 TWO KiwiSaver Preservation Fund	1%	21/07/2020
Fisher Funds TWO KiwiSaver Equity Fund	22%	21/07/2020
Fisher Funds TWO KiwiSaver Cash Enhanced Fund	6%	21/07/2020
Fisher Funds TWO KiwiSaver Balanced Fund	12%	21/07/2020
Fisher Funds TWO KiwiSaver Conservative Fund	6%	21/07/2020
Fisher Funds TWO KiwiSaver Growth Fund	14%	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 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 10:

- i. 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
- 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 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

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;

The key audit matter

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.

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.

How the matter was addressed in our audit

- 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;
- 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