



fisher funds TWO 

FISHER FUNDS TWO KIWISAVER SCHEME

2021 **FINANCIAL
STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2021

Including the following Funds:

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

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**Fisher Funds TWO KiwiSaver Scheme
For the year ended 31 March 2021**

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 Mark John Lazberger Bcom, CFA (appointed 28 October 2020)
Licensed Supervisor	Trustees Executors Limited
Auditor	KPMG
Solicitors	Chapman Tripp

Fisher Funds TWO KiwiSaver Scheme
As at 31 March 2021

Statements of Net Assets

Note	Preservation Fund		Equity Fund		Cash Enhanced Fund		Balanced Fund		Conservative Fund		Growth Fund		Scheme Total	
	2021 \$000	2020 \$000	2021 \$000	2020 \$000	2021 \$000	2020 \$000	2021 \$000	2020 \$000	2021 \$000	2020 \$000	2021 \$000	2020 \$000	2021 \$000	2020 \$000
Members' funds	31,725	33,365	216,749	136,041	718,965	672,616	1,087,754	822,266	177,318	153,863	696,558	470,863	2,929,069	2,289,014
<i>Represented by:</i>														
Current assets														
Cash and cash equivalents	370	665	2,411	3,057	8,640	12,826	13,021	11,902	1,803	2,798	9,480	10,201	35,725	41,449
Trade and other receivables	116	362	274	209	606	1,698	762	1,389	179	335	1,184	1,513	3,121	5,506
Related party receivables	4	-	980	2,800	6,364	11,167	16,289	17,103	2,387	2,315	6,964	9,175	32,984	42,560
Investment assets at fair value through profit or loss	3	31,485	32,686	216,949	132,341	706,512	654,412	1,054,787	780,007	172,537	146,080	661,360	438,584	2,843,630
PIE tax receivable on behalf of members		-	-	492	-	-	-	-	-	-	-	564	-	1,056
Non-current assets														
Investment assets at fair value through profit or loss	3	-	-	-	6,265	7,057	28,982	26,514	3,943	5,418	33,692	18,568	72,882	57,557
Total assets	31,971	33,713	220,614	138,899	728,387	687,160	1,113,841	836,915	180,849	156,946	712,680	478,605	2,988,342	2,332,238
Current liabilities														
Trade and other payables	170	276	91	426	975	1,772	735	706	133	174	378	429	2,482	3,783
Related party payables	4	14	1,028	2,432	5,218	9,606	16,368	13,039	2,552	2,313	8,598	7,313	33,778	34,716
PIE tax payable on behalf of members		62	2,746	-	3,229	3,166	8,984	904	846	596	7,146	-	23,013	4,725
Total liabilities	246	348	3,865	2,858	9,422	14,544	26,087	14,649	3,531	3,083	16,122	7,742	59,273	43,224
Net assets available for benefits	31,725	33,365	216,749	136,041	718,965	672,616	1,087,754	822,266	177,318	153,863	696,558	470,863	2,929,069	2,289,014

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

Director 

Date 24.06.2021

Director 

Date 24.06.2021

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



Fisher Funds TWO KiwiSaver Scheme
For the year ended 31 March 2021

Statements of Changes in Net Assets

Note	Preservation Fund		Equity Fund		Cash Enhanced Fund		Balanced Fund		Conservative Fund		Growth Fund		Scheme Total		
	2021 \$000	2020 \$000	2021 \$000	2020 \$000	2021 \$000	2020 \$000	2021 \$000	2020 \$000	2021 \$000	2020 \$000	2021 \$000	2020 \$000	2021 \$000	2020 \$000	
Income															
Interest income	6	2	7	10	69	409	760	392	768	89	156	205	364	1,107	2,124
Dividend income		-	-	-	-	217	367	838	833	119	131	701	550	1,875	1,881
Net changes in fair value of investment assets	3	552	499	64,159	(1,613)	65,320	15,008	192,660	4,972	16,859	3,002	140,167	(6,146)	479,717	15,722
Management fee rebates	4	-	-	-	-	429	466	446	395	65	62	364	256	1,304	1,179
Other income		-	-	-	-	(3)	(4)	(4)	(6)	(1)	(1)	(2)	(3)	(10)	(14)
Total income/(loss)		554	506	64,169	(1,544)	66,372	16,597	194,332	6,962	17,131	3,350	141,435	(4,979)	483,993	20,892
Expenses															
Management fees	4	163	133	1,981	1,621	3,724	3,629	8,490	7,484	1,400	1,298	5,863	4,802	21,621	18,967
Custody, unit pricing and accounting fees		17	14	23	20	1	1	51	46	26	24	39	33	157	138
Supervisor fees		5	4	29	23	-	-	156	137	27	25	96	76	313	265
Auditor's fees - financial statements audit		8	6	9	7	-	-	9	7	9	7	9	7	44	34
Regulatory related expenses		3	2	9	8	-	-	42	36	9	8	26	21	89	75
Other expenses		4	2	11	9	-	-	52	42	10	8	36	25	113	86
Total expenses		200	161	2,062	1,688	3,725	3,630	8,800	7,752	1,481	1,370	6,069	4,964	22,337	19,565
Net profit/(loss) before membership activities		354	345	62,107	(3,232)	62,647	12,967	185,532	(790)	15,650	1,980	135,366	(9,943)	461,656	1,327
Membership activities															
Contributions	5	10,406	15,214	40,917	29,046	133,095	136,064	168,436	141,948	32,044	33,357	144,667	117,390	529,565	473,019
Withdrawals	5	(12,292)	(9,411)	(19,288)	(19,069)	(144,177)	(127,277)	(78,315)	(102,148)	(23,164)	(28,842)	(46,450)	(55,754)	(323,686)	(342,501)
Administration fees	4	(31)	(35)	(136)	(148)	(1,209)	(1,414)	(632)	(735)	(107)	(130)	(419)	(443)	(2,534)	(2,905)
PIE tax attributable to members		(77)	(72)	(2,892)	487	(4,007)	(3,565)	(9,533)	(1,095)	(968)	(667)	(7,469)	506	(24,946)	(4,406)
Net membership activities		(1,994)	5,696	18,601	10,316	(16,298)	3,808	79,956	37,970	7,805	3,718	90,329	61,699	178,399	123,207
Movements in members' funds for the year		(1,640)	6,041	80,708	7,084	46,349	16,775	265,488	37,180	23,455	5,698	225,695	51,756	640,055	124,534
Members' funds at the start 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
Members' funds at the end of the year		31,725	33,365	216,749	136,041	718,965	672,616	1,087,754	822,266	177,318	153,863	696,558	470,863	2,929,069	2,289,014
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		11	10	28	26	362,991	361,064	153	147	79,829	77,972	250,578	220,276		
Applications for units for the year		3	4	7	6	67,544	72,650	29	25	15,505	17,000	66,783	58,472		
Withdrawals for the year		(3)	(3)	(4)	(4)	(75,589)	(70,723)	(15)	(19)	(11,739)	(15,143)	(24,663)	(28,170)		
Units on issue at the end of the year		11	11	31	28	354,946	362,991	167	153	83,595	79,829	292,698	250,578		

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

Fisher Funds TWO KiwiSaver Scheme
For the year ended 31 March 2021

Statements of Cash Flows

	Preservation Fund		Equity Fund		Cash Enhanced Fund		Balanced Fund		Conservative Fund		Growth Fund		Scheme Total	
	2021 \$000	2020 \$000	2021 \$000	2020 \$000	2021 \$000	2020 \$000	2021 \$000	2020 \$000	2021 \$000	2020 \$000	2021 \$000	2020 \$000	2021 \$000	2020 \$000
Cash flows from operating activities														
Cash was provided from:														
Sale of investments	5,955	3,854	19,978	24,319	136,127	196,942	155,373	237,840	26,828	38,004	65,876	126,546	410,137	627,505
Interest received	2	7	10	98	410	1,157	391	1,188	88	232	204	551	1,105	3,233
Dividend income received	-	-	-	-	218	367	838	833	119	131	701	550	1,876	1,881
Management fee rebates received	-	-	-	-	132	200	430	389	63	64	335	240	960	893
Cash was applied to:														
Purchase of investments	(4,203)	(8,810)	(40,087)	(32,742)	(121,441)	(187,467)	(236,017)	(262,712)	(34,802)	(38,978)	(160,278)	(176,371)	(596,828)	(707,080)
Expenses	(196)	(161)	(1,983)	(1,669)	(3,693)	(3,623)	(8,590)	(7,651)	(1,460)	(1,354)	(5,873)	(4,872)	(21,795)	(19,330)
Net settlement of derivatives	-	-	-	-	439	(439)	569	(568)	105	(104)	378	(379)	1,491	(1,490)
Net cash Inflows/(outflows) from operating activities	1,558	(5,110)	(22,082)	(9,994)	12,192	7,137	(87,006)	(30,681)	(9,059)	(2,005)	(98,657)	(53,735)	(203,054)	(94,388)
Cash flows from financing activities														
Cash was provided from:														
Member contributions	10,651	14,868	40,852	29,041	133,747	135,495	168,543	142,024	32,095	33,300	144,618	116,680	530,506	471,408
Cash was applied to:														
Member withdrawals	(12,398)	(9,356)	(19,627)	(18,736)	(144,971)	(127,067)	(78,333)	(102,362)	(23,206)	(28,917)	(46,502)	(55,820)	(325,037)	(342,258)
PIE tax paid	(75)	(136)	346	(372)	(3,944)	(7,159)	(1,453)	(5,653)	(718)	(1,266)	240	(2,014)	(5,604)	(16,600)
Administration fees	(31)	(35)	(136)	(148)	(1,209)	(1,297)	(632)	(735)	(107)	(130)	(419)	(443)	(2,534)	(2,788)
Net cash (outflows)/inflows from financing activities	(1,853)	5,341	21,435	9,785	(16,377)	(28)	88,125	33,274	8,064	2,987	97,937	58,403	197,331	109,762
Net (decrease)/increase in cash and cash equivalents	(295)	231	(647)	(209)	(4,185)	7,109	1,119	2,593	(995)	982	(720)	4,668	(5,723)	15,374
Opening cash brought 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
Ending cash carried forward	370	665	2,410	3,057	8,641	12,826	13,021	11,902	1,803	2,798	9,481	10,201	35,726	41,449
Reconciliation of net profit/(loss) to cash flows from operating activities														
Net profit/(loss) before membership activities	354	345	62,107	(3,232)	62,647	12,967	185,532	(790)	15,650	1,980	135,366	(9,943)	461,656	1,327
Non cash items														
Net unrealised changes in the fair value of investment assets	358	272	(61,637)	4,646	(42,527)	2,898	(172,693)	6,656	(12,339)	322	(126,108)	16,529	(414,946)	31,323
Accrued interest	-	-	-	28	-	397	-	420	(1)	76	(1)	187	(2)	1,108
	358	272	(61,637)	4,674	(42,527)	3,295	(172,693)	7,076	(12,340)	398	(126,109)	16,716	(414,948)	32,431
Movements in working capital														
Decrease/(increase) in trade and other receivables	246	(346)	(65)	(5)	1,092	(891)	627	(541)	156	(208)	329	(1,088)	2,385	(3,079)
Decrease/(increase) in related party receivables	-	-	1,820	(2,800)	4,803	(11,065)	814	(17,006)	(72)	(2,299)	2,211	(9,116)	9,576	(42,286)
(Decrease)/increase in trade and other payables	(106)	56	(335)	330	(797)	214	29	(160)	(41)	(27)	(51)	(63)	(1,301)	350
Increase/(decrease) in related party payables	1	2	(1,404)	2,323	(4,388)	9,309	3,329	12,503	239	2,216	1,285	6,992	(938)	33,345
Decrease/(increase) in cost of underlying investments carried at fair value	843	(5,730)	(22,971)	(10,956)	(8,781)	(6,934)	(104,555)	(31,900)	(12,642)	(4,196)	(111,791)	(58,009)	(259,897)	(117,725)
	984	(6,018)	(22,955)	(11,108)	(8,071)	(9,367)	(99,756)	(37,104)	(12,360)	(4,514)	(108,017)	(61,284)	(250,175)	(129,395)
Items classified as financing activities														
Movements in payables/receivables attributable to financing activities	(138)	291	403	(328)	143	242	(89)	137	(9)	131	103	776	413	1,249
	(138)	291	403	(328)	143	242	(89)	137	(9)	131	103	776	413	1,249
Net cash Inflows/(outflows) from operating activities	1,558	(5,110)	(22,082)	(9,994)	12,192	7,137	(87,006)	(30,681)	(9,059)	(2,005)	(98,657)	(53,735)	(203,054)	(94,388)

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

Fisher Funds TWO KiwiSaver Scheme
For the year ended 31 March 2021

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. Refer here and to the relevant notes for information on accounting policies adopted. 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.

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.

The impact of COVID-19 on the Scheme's financial statements was considered and, other than the Scheme's performance during the year, there have been no other impacts on the Scheme's financial reporting.

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. A variable of 20% is considered appropriate for market price risk sensitivity analysis 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. A variable of 1% was selected for interest rate risk as this is a reasonably possible movement based on historic trends.

Currency risk is the risk of gains or losses or changes in the New Zealand dollar value of income from changes in foreign exchange rates.

An analysis including the impact on Members' funds of the market price risk and direct interest rate risk from the investments of the Funds is set out in the tables below. 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.

The Scheme is also exposed indirectly to interest rate risk and currency risk arising from its investment in PIE funds. These indirect risks are not considered in the analysis below.

	Preservation Fund		Equity Fund		Cash Enhanced Fund		Balanced Fund		Conservative Fund		Growth Fund		Scheme Total	
	2021 \$000	2020 \$000	2021 \$000	2020 \$000	2021 \$000	2020 \$000	2021 \$000	2020 \$000	2021 \$000	2020 \$000	2021 \$000	2020 \$000	2021 \$000	2020 \$000
Market risk														
PIE funds														
Carrying amount	31,485	32,686	216,949	132,341	692,565	641,346	1,065,451	789,508	171,789	147,739	685,390	449,948	2,863,629	2,193,568
Impact of a +/- 20% change in market prices	6,297	6,537	43,390	26,468	138,513	128,269	213,090	157,902	34,358	29,548	137,078	89,990	572,726	438,714
Interest rate risk														
Cash and cash equivalents, bank deposits, debt securities and swaps														
Re-pricing profile:														
Up to 90 days	370	665	2,411	3,057	8,640	12,826	13,021	11,902	1,803	2,798	9,480	10,201	35,725	41,449
1-5 years	-	-	-	-	10,993	-	9,826	-	2,559	-	5,272	-	28,650	-
5+ years	-	-	-	-	9,219	20,124	8,492	17,013	2,132	3,759	4,391	7,204	24,234	48,100
Cash and cash equivalents														
Carrying amount	370	665	2,411	3,057	8,640	12,826	13,021	11,902	1,803	2,798	9,480	10,201	35,725	41,449
Impact of a +/- 1% change in interest rates	4	7	24	31	86	128	130	119	18	28	95	102	357	415
Debt securities, bank deposits and swaps														
Carrying amount	-	-	-	-	20,212	20,123	18,318	17,013	4,691	3,759	9,662	7,204	52,883	48,099
Impact of a +/- 1% change in interest rates	-	-	-	-	1,938	2,241	1,773	1,818	449	400	925	763	5,085	5,222

Fisher Funds TWO KiwiSaver Scheme
For the year ended 31 March 2021

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.

Several of the Funds have an investment in Fisher Institutional Property Fund ("FIPF"), as per Note 4(c). 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 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.

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	
	2021 \$000	2020 \$000	2021 \$000	2020 \$000	2021 \$000	2020 \$000	2021 \$000	2020 \$000	2021 \$000	2020 \$000	2021 \$000	2020 \$000	2021 \$000	2020 \$000
Credit Rating														
AAA	-	-	-	-	20,212	-	18,318	-	4,691	-	9,663	-	52,884	-
AA- to AA+	370	655	2,411	3,057	8,640	32,950	13,021	28,914	1,808	6,558	9,480	17,405	35,725	89,549
Total	370	655	2,411	3,057	28,852	32,950	31,339	28,914	6,499	6,558	19,143	17,405	88,609	89,549

(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 2021

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.

COVID-19 continued to impact investment markets during the financial year, including the valuation of investments held by the Funds. Fund returns were especially volatile at the start of the financial year.

Several of the Funds have an investment in the FIPP. Accordingly, the valuation of investment assets for the Funds are dependent on FIPP's investment property valuations. These property valuations have a higher degree of uncertainty 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 2021.

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 2021 are consistent with the prior year 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	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Debt securities	-	-	-	-	20,212	20,123	18,318	17,013	4,691	3,759	9,662	7,204	52,883	48,099
PIE funds [†]	31,485	32,686	216,949	132,341	692,565	641,346	1,065,451	789,508	171,789	147,739	685,390	449,948	2,863,629	2,193,568
Total investment assets and liabilities at fair value through profit or loss	31,485	32,686	216,949	132,341	712,777	661,469	1,083,769	806,521	176,480	151,498	695,052	457,152	2,916,512	2,241,667

[†] 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	Preservation Fund		Equity Fund		Cash Enhanced Fund		Balanced Fund		Conservative Fund		Growth Fund		Scheme Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Level 1	-	-	-	-	20,212	20,123	18,318	17,013	4,691	3,759	9,662	7,204	52,883	48,099
Level 2	31,485	32,686	216,949	132,341	692,565	641,346	1,065,451	789,508	171,789	147,739	685,390	449,948	2,863,629	2,193,568
	31,485	32,686	216,949	132,341	712,777	661,469	1,083,769	806,521	176,480	151,498	695,052	457,152	2,916,512	2,241,667

The Funds have no investments classified as Level 3 as at 31 March 2021 (31 March 2020: Nil).

Net changes in fair value of investment assets and liabilities

Debt securities	-	-	-	-	1,007	562	579	462	76	125	82	188	1,744	1,337
PIE funds	552	499	64,159	(1,613)	64,311	14,206	192,078	4,191	16,782	2,823	140,083	(6,513)	477,965	13,593
Forward foreign exchange contracts	-	-	-	-	2	-	3	-	1	-	2	-	8	-
Futures and options	-	-	-	-	-	240	-	319	-	54	-	179	-	792
Total net changes in fair value of investment assets and liabilities	552	499	64,159	(1,613)	65,320	15,008	192,660	4,972	16,859	3,002	140,167	(6,146)	479,717	15,722

Fisher Funds TWO KiwiSaver Scheme
For the year ended 31 March 2021

Notes to the Financial Statements

4. Related parties

(a) Fees with related parties

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

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

In addition, each individual Member is charged an administration fee of \$1.95 per month which is paid via unit redemption. The administration fee is shared between the Manager and Trustees Executors Limited and is for the day to day administration of Member accounts and maintaining the register of the Scheme. Prior to 18 August 2020, the administration fee was charged based on the total membership of the Scheme, calculated based on \$2.75 for the first 25,000 Members and \$2.25 for all Members thereafter and was pro-rated across the entire 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	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Management fees incurred	163	133	1,981	1,621	3,724	3,629	8,490	7,484	1,400	1,298	5,863	4,802	21,621	18,967
Administration and other fees incurred	16	20	71	87	626	831	327	432	55	76	217	261	1,311	1,707
Rebates received	-	-	-	-	429	466	446	395	65	62	364	256	1,304	1,179
Management fees payable	14	13	208	132	338	306	843	639	132	113	603	413	2,138	1,616
Rebates receivable	-	-	-	-	664	367	119	103	17	15	104	75	904	560

(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	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Purchases of investments from related entities	-	-	-	-	-	-	-	-	331	-	796	-	1,127	-
Sales of investments to related entities	-	-	-	1,671	1,989	9,908	-	11,559	-	2,519	-	5,026	1,989	30,683
Unsettled purchases of investments	-	-	820	2,300	4,880	9,300	15,525	12,400	2,420	2,200	7,995	6,900	31,640	33,100
Unsettled sales of investments	-	-	980	2,800	5,700	10,800	16,170	17,000	2,370	2,300	6,860	9,100	32,080	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 2021

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 or 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	
	2021 \$000	2020 \$000	2021 \$000	2020 \$000	2021 \$000	2020 \$000	2021 \$000	2020 \$000	2021 \$000	2020 \$000	2021 \$000	2020 \$000	2021 \$000	2020 \$000
Fisher Institutional New Zealand Cash Fund	31,485	32,686	1,697	7,337	188,310	239,201	38,133	81,366	29,356	38,892	53,990	54,051	342,971	453,533
Fisher Institutional International Equity Fund	-	-	46,686	24,808	35,816	27,461	117,938	78,546	8,834	6,293	157,881	95,120	367,155	232,228
Fisher Institutional International Equity (Hedged) Fund	-	-	36,653	22,488	17,266	14,495	82,685	59,196	4,252	3,554	123,791	71,484	264,647	171,217
Fisher Institutional International Select Global Equity Fund	-	-	46,435	23,904	35,196	25,053	119,855	73,674	8,747	5,749	-	-	210,233	128,380
Fisher Institutional Trans Tasman Equity Fund	-	-	85,478	53,804	48,675	41,957	176,034	131,616	9,977	8,484	194,111	131,147	514,275	367,008
Fisher Institutional New Zealand Fixed Interest Fund	-	-	-	-	207,671	139,965	200,341	104,830	46,050	28,363	67,339	29,696	521,401	302,854
Fisher Institutional International Bond Fund	-	-	-	-	31,629	29,613	59,502	49,069	16,833	14,758	-	-	107,964	93,440
Fisher Institutional Property & Infrastructure Fund	-	-	-	-	24,322	12,831	81,208	48,051	11,462	7,504	-	-	116,992	68,386
Fisher Institutional Property Fund	-	-	-	-	6,265	17,686	54,212	55,614	7,039	8,017	53,589	43,425	121,105	124,742
Fisher Institutional Global Fixed Income Fund	-	-	-	-	97,414	93,084	135,544	107,546	29,239	26,125	34,688	25,025	296,885	251,780
Total Investments in related entities	31,485	32,686	216,949	132,341	692,564	641,346	1,065,452	789,508	171,789	147,739	685,389	449,948	2,863,628	2,193,568

5. Contributions and withdrawals

	Preservation Fund		Equity Fund		Cash Enhanced Fund		Balanced Fund		Conservative Fund		Growth Fund		Scheme Total	
	2021 \$000	2020 \$000	2021 \$000	2020 \$000	2021 \$000	2020 \$000	2021 \$000	2020 \$000	2021 \$000	2020 \$000	2021 \$000	2020 \$000	2021 \$000	2020 \$000
Contributions	1,639	1,511	10,703	9,300	53,985	50,237	52,497	48,072	8,030	7,712	39,942	33,117	166,796	149,949
Member contributions														
Member lump sum and voluntary contributions over minimum contribution rate	630	1,271	2,503	1,591	9,560	6,118	23,685	17,507	6,827	4,616	7,720	6,659	50,925	37,762
Employer contributions	998	783	6,136	5,100	31,973	28,912	28,443	25,330	4,200	3,963	22,256	17,843	94,006	81,931
Crown contributions	321	313	1,662	1,650	9,767	10,367	8,190	8,471	1,262	1,419	5,981	5,480	27,183	27,700
Transfers from other KiwiSaver schemes	147	324	1,860	1,294	1,563	457	3,621	2,980	604	696	2,367	1,337	10,162	7,088
Transfers from other superannuation schemes	88	17	143	374	1,051	1,018	1,950	1,723	118	111	1,072	881	4,422	4,124
Inter-fund switches in	6,582	10,992	17,905	9,720	25,174	38,866	50,030	37,782	10,999	14,826	65,315	52,016	176,005	164,202
Other income	1	3	5	17	22	89	20	83	4	14	14	57	66	263
Total contributions	10,406	15,214	40,917	29,046	133,095	136,064	168,436	141,948	32,044	33,357	144,667	117,390	529,565	473,019

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	
	2021 \$000	2020 \$000	2021 \$000	2020 \$000	2021 \$000	2020 \$000	2021 \$000	2020 \$000	2021 \$000	2020 \$000	2021 \$000	2020 \$000	2021 \$000	2020 \$000
Withdrawals	2,200	4,234	1,070	778	12,014	16,509	13,140	15,135	5,478	7,454	2,739	3,277	36,641	47,387
Member eligible withdrawals														
Withdrawals on death	27	68	67	145	1,077	1,590	872	1,096	591	188	516	641	3,150	3,728
Serious illness withdrawals	49	5	21	-	1,050	1,036	810	750	187	116	300	175	2,417	2,082
Withdrawals or transfers on permanent emigration	47	4	115	204	913	653	858	824	102	120	404	354	2,439	2,159
Significant financial hardship withdrawals	22	35	64	89	1,320	949	643	653	113	82	535	268	2,697	2,076
First home purchase withdrawals	2,025	831	819	1,174	17,387	13,100	6,314	7,325	1,923	3,525	3,691	3,453	32,159	29,408
Transfers to other KiwiSaver schemes	1,156	914	5,007	4,560	20,504	34,470	19,901	28,122	3,672	5,344	17,536	17,237	67,776	90,647
Court ordered withdrawals	-	-	-	-	100	91	121	138	-	-	182	8	403	237
Inter-fund switches out	6,766	3,304	12,125	12,094	89,812	58,482	35,656	48,028	11,098	12,008	20,547	30,284	176,004	164,200
Other withdrawals	-	16	-	25	-	397	-	77	-	5	-	57	-	577
Total withdrawals	12,292	9,411	19,288	19,069	144,177	127,277	78,315	102,148	23,164	28,842	46,450	55,754	323,686	342,501

Fisher Funds TWO KiwiSaver Scheme
For the year ended 31 March 2021

Notes to the Financial Statements

6. Interest Income

	Preservation Fund		Equity Fund		Cash Enhanced Fund		Balanced Fund		Conservative Fund		Growth Fund		Scheme Total	
	2021 \$000	2020 \$000	2021 \$000	2020 \$000	2021 \$000	2020 \$000	2021 \$000	2020 \$000	2021 \$000	2020 \$000	2021 \$000	2020 \$000	2021 \$000	2020 \$000
Interest on investments at amortised cost	2	7	10	39	31	85	60	142	9	22	45	104	157	399
Interest from investment assets at fair value through profit or loss	-	-	-	30	378	675	332	626	80	134	160	260	950	1,725
Total Interest Income	2	7	10	69	409	760	392	768	89	156	205	364	1,107	2,124

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. All other interest income is recognised at fair value through profit or loss.

7. Capital commitments and contingent liabilities

There were no significant capital commitments or contingent liabilities as at 31 March 2021 (31 March 2020: Nil).

8. Subsequent events

On 14 May 2021, the New Zealand Government announced changes to the default KiwiSaver provider arrangements. These included reducing the number of default KiwiSaver providers. As of 1 December 2021, Fisher Funds will no longer be a default KiwiSaver provider. The Cash Enhanced Fund will continue to be managed as a going concern within the Scheme.

There were no other 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 2021 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 2021;
- 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 International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ('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.

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.

The key audit matter

How the matter was addressed in our audit

Existence and valuation of investments

Refer to Note 3 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.

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

Our audit procedures included:

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

In connection with our audit of the financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 Nick Moss.

For and on behalf of

A handwritten signature of the KPMG firm, written in dark ink. The letters 'KPMG' are written in a stylized, cursive-like font.

KPMG
Auckland

24 June 2021