

Fisher Funds Premium Service

Other Material Information

Issued by Fisher Funds Management Limited
8 November 2023



Helping Kiwis fund their ambitions.

This document provides material information about the Fisher Funds Premium Service (the Scheme) to help you make an informed decision about investing in the Scheme. It is an important document and it supports the Fisher Funds Premium Service Product Disclosure Statement (PDS) and Statement of Investment Policy and Objectives (SIPO) which can be found on the Disclose Register or on our website fisherfunds.co.nz/resources.

In this document the word 'current' or 'currently' means as at the date of this document and 'you' or 'your' refers to persons who apply to become, or who are, investors in the Scheme.

Description of the Scheme and the funds

The Scheme is offered by Fisher Funds Management Limited (Fisher Funds, we, us, or our) and gives you a choice of the following five funds (each a fund and together funds) to invest in:

- the Fisher Funds Premium Income Fund (Premium Income Fund)
- the Fisher Funds Premium Property & Infrastructure Fund (Premium Property & Infrastructure Fund)
- the Fisher Funds Premium New Zealand Fund (Premium New Zealand Fund)
- the Fisher Funds Premium Australian Fund (Premium Australian Fund)
- the Fisher Funds Premium International Fund (Premium International Fund)

Each fund is a trust governed by a Governing Document between Fisher Funds and Trustees Executors Limited (the Supervisor). The Governing Document sets out how the funds must be administered and it can be amended by the Supervisor and us.

How do funds work?

The money you invest buys units in your choice of one or more funds based on the price per unit called the unit price. Therefore, each unit you own represents a share of a fund. Your money will be pooled with other investors' money and invested by us. The unit price is calculated each business day so that you'll know what your share of a fund is worth.

We invest only in assets described in the SIPO. The value of these assets can change daily, and this will affect the price of the units in a fund. A price fluctuation however will not change the number of units you hold. For example, if the value of the assets goes up, your units in a fund will be worth more and if the value of the assets falls then the units will be worth less.

Each unit in a fund has the same value as every other unit in that fund. Each unit represents equal interests in, and rights to, the assets of the fund. A fund may issue any number of units.

While you buy units in a fund, the units you hold do not give you any interest in any particular asset of that fund. This means that you cannot for example, ask us to transfer to you any underlying shares or property.

We, as the Manager of the Scheme, don't hold your money or own a fund's assets. A custodian, a company independent of us, holds all a fund's assets on behalf of investors. All monies which we (or an agent) receive for investment in a fund are paid into a separate bank account maintained by the custodian.

We may accept or reject in whole or in part any application to invest money in the Scheme

Assets — how they're valued

The assets held by a fund are usually valued each business day other than the first two business days in April (when we calculate PIE tax for the year ended 31 March). We use an industry standard valuation method based on the last sale price of each listed asset (except where the last sale price falls outside the bid-ask spread, in which case the bid price is used) as at the close of business on each valuation day. If a fund is invested in underlying assets in offshore markets this may cause a delay in pricing of several days. This is because we must wait for the relevant markets to close before we can obtain the last sale price. Public holidays can also delay price availability. The unit price is calculated by dividing the net value of a fund's assets by the number of units in that fund.

Our current Unit Pricing and Valuation Policy, available at fisherfunds.co.nz/resources, sets out guidelines for valuing assets that are illiquid or infrequently traded, and for correcting pricing errors.

Market indices

Market indices are used to measure the change in value of specific groups of assets in recognised investment markets e.g. the New Zealand share market. An increase in the value of these assets will lead to a corresponding increase in the value of the market index.

The market index return for a fund refers to the percentage change in the appropriate market index over a given period. As an example, the current market index (sometimes referred to as the benchmark) used for New Zealand shares is the S&P/NZX50 Gross Index including imputation credits. We use a market index return to measure the relative performance of a fund compared to the market performance of the assets it invests in.

Where a fund invests in only one type of asset, or where the combination of its assets predominantly reflects the characteristics of one asset class, the market index return for that fund may be the return of one market index.

The Premium Property & Infrastructure fund invests in more than one asset type and therefore several market indices are used. The market index return for the Premium Property & Infrastructure Fund is a combination or composite return and is calculated using the weighted average of the market indices. In other words, if a fund's strategy is to invest in four different asset classes equally, the fund's market index return will be 25% of the return of each market index. The SIPO outlines which market indices are used for each fund.

Our actual investment portfolios do not necessarily try to mirror market indices and your returns could differ materially from them. This is because we actively choose securities and determine their weighting in the portfolio.

Who is involved?

Manager

Fisher Funds is the Manager of the Scheme. We are responsible for issuing and administering the Fisher Funds Premium Service and managing the assets in the funds. We may delegate some of these duties to third parties. We may use third party managers to manage assets for us either directly or through underlying funds.

Appointment and removal of the Manager

The Scheme must have an appropriately licensed manager who is not an Associated Person¹ of the Supervisor.

The Supervisor may remove us as Manager if they think it's in the best interest of investors and may appoint a new manager, however if we retire as Manager we may appoint a new manager. Our removal or retirement will not take effect until a new manager has been appointed.

Supervisor

The Supervisor of the Scheme is Trustees Executors Limited. The Supervisor's ultimate holding company is Sterling Grace (NZ) Limited.

Details of the Supervisor's directors, which may change from time to time without notice, are available at companiesoffice.govt.nz/companies.

The Supervisor is licensed under the Financial Markets Supervisors Act 2011 to act as a supervisor for a range of financial products, including the Fisher Funds Premium Service. Further information about the Supervisor's licence is available on the Financial Markets Authority website (fma.govt.nz) and on the Financial Service Providers Register website (companiesoffice.govt.nz/fsp).

Custodian

The Supervisor, after having consulted us, may appoint one or more custodians to look after the assets of the Scheme. The Custodian of the funds is Trustees Executors Limited. Assets may be registered in the name of TEA Custodians Limited or in the name of appointed international sub-custodians.

The custodian or sub-custodian may change, however we will ensure any new custodian has the appropriate skills and experience prior to the Supervisor ultimately appointing them.

Supervisor and Manager indemnity

Subject to the limits on permitted indemnities under relevant law, if either we or the Supervisor are held personally liable to any other person in respect of any debt, liability or obligation incurred by or on behalf of any fund or any action taken or omitted in connection with any fund, (other than in respect of our or the Supervisor's negligence) then we or the Supervisor (as the case may be) are entitled to indemnity and reimbursement out of the relevant fund to the full extent of such liability and the costs of any litigation or other proceedings in which such liability has been determined including legal fees and disbursements.

Winding up and insolvency

Each fund will terminate on the earliest of the following events:

- if we decide to wind it up;
- if we are required to wind-up the fund by law;
- on any date stated in the Governing Document; or
- the date on which the investors agree to close the fund by special resolution.

If a fund is wound up, we will sell all the assets of the fund and, after providing for claims and liabilities (including fees and taxes), distribute the balance to investors in proportion to their holdings.

Any fund may, with the Supervisor's approval, be terminated early and the units may be switched into a new fund on terms which are similar in all material respects to the terms of the existing fund.

In the event that the Scheme or any of the funds become insolvent, there is no further obligation for you to pay any money to any person.

If a fund is put into liquidation or wound up, any claims by creditors (e.g. banks) will rank ahead of you. After payment of all creditors, you'll rank equally with all other investors in that fund.

Fees and expenses

You will be charged fees and expenses for investing in the funds, and these are explained below.

Manager's fee

We are entitled to the following remuneration, plus GST (if any) for the services we provide to each of the funds and reimbursement of certain expenses incurred on behalf of the funds:

A management fee, calculated at each time the unit price is calculated and payable monthly in arrears which is currently:

- **Premium Property & Infrastructure Fund, Premium New Zealand Fund, Premium Australian Fund, Premium International Fund:** 1% per annum of the Gross Asset Value (GAV) of each fund.
- **Premium Income Fund:** 0.75% per annum of the GAV of the fund.

Please note, the management fees disclosed in the PDS are calculated on a GST inclusive basis, based on net asset value.

We will notify you in advance if we increase the fee.

Performance-based fee

A performance-based fee is charged when we beat the high water mark and achieve the Hurdle Rate (both terms are explained below).

There is no performance-based fee for the Premium Income Fund.

The performance-based fees are calculated daily and payable within three business days of 30 June each year.

The performance-based fees are capped at 2% of each fund's average net asset value per year.

The performance-based fees payable are 10% of the Excess Return above the Hurdle Rate (assuming we have beaten the high water mark) plus GST, subject to the 2% cap.

1. Has the meaning given to it in the Financial Markets Conduct Act 2013.

High water mark

A high water mark is used in the calculation of the performance-based fee to ensure that we are only rewarded for investment performance once. This is generally the highest unit price on which any previous performance-based fee was paid. Performance-based fees are payable only if the fund's performance exceeds the high water mark. This means that we don't get rewarded for making up any investment loss the fund incurs.

Hurdle Rate

The Hurdle Rate is the minimum return the fund must achieve before being able to charge a performance-based fee.

The Hurdle Rates for the funds are as follows:

- **Premium New Zealand Fund, Premium Australian Fund, and Premium International Fund:** The Official Cash Rate (OCR) plus 5%.
- **Premium Property & Infrastructure Fund:** The OCR plus 3%.

The performance-based fee calculation is as follows:

- where Excess Return ≤ 0 , no performance-based fee is payable; and
- where Excess Return > 0 , the performance-based fee calculation is the lowest of:
 - Excess Return x 10% [the basic fee calculation];
 - $(U_{Pt} / HW) - 1$ x AVNAV x 10% [the fee on the amount above the high water mark]; and
 - AVNAV x 2% [the cap].

Definitions

Excess Return	= AR — HT
U_{Pt}	The unit price as at the last business day of the calculation period (t). This value is prior to the deduction of any performance-based fee to be paid in respect of performance in the current calculation period.
U_{Pt-1}	The unit price as at the last business day of the prior calculation period (t-1).
D	The cents per unit of distributions paid by a fund during the calculation period.
HW	High water mark. The highest unit price for a fund at the end of any prior calculation period on which a performance-based fee is payable adjusted for any split or consolidation of units and any prior period distributions since the last performance-based fee was payable.
AVNAV	The Average Net Asset Value of a fund being the daily average net asset value over the calculation period.
HRT	Hurdle Rate applicable for current calculation period: <ul style="list-style-type: none">• For the Premium New Zealand Fund, Premium Australian Fund and Premium International Fund: (Average OCR + 5%) multiplied by days since start of year/365 (366 days in leap years).• For the Premium Property & Infrastructure Fund: (Average OCR + 3%) multiplied by days since start of year/365 (366 days in leap years).
HT	Hurdle Return, the Hurdle Rate multiplied by the AVNAV. i.e. HRT x AVNAV.
AR	Actual Return applicable for current calculation period: $((U_{Pt} + D) / U_{Pt-1}) - 1$ x AVNAV (adjusted for any split or consolidation of units).

For further information on the performance-based fee calculations, please contact us on 0508 347 437 or at enquiries@fisherfunds.co.nz.

Supervisor, registry, custody, unit pricing and investment accounting fees

Trustees Executors Limited, acting in its role as Supervisor is entitled to receive fees for its services, and through its Member and Investor Services and Portfolio Services divisions is entitled to receive fees for registry, custody, unit pricing and investment accounting services. These expenses are included in the annual fund charges in the quarterly fund update for each fund, available at fisherfunds.co.nz/fund-updates.

Other fees

We do not usually charge a fee for switching funds, however we may choose to do so if an investor wanted to make an unreasonable number of switches in a short time.

Costs and expenses

We are entitled to be reimbursed out of the funds for any costs, charges and expenses incurred in respect of the funds. These expenses are apportioned between the funds to which they relate at our discretion. The amount of these expenses cannot be determined until they are incurred and will vary from time to time.

The costs and expenses also include:

- a reasonable fee based on the time spent by us on matters relating to the termination of the Scheme or a fund; and
- compensation if we are removed as the Manager by special resolution of the investors of the Scheme equal to the amount of the total fees (including any performance-based fees) received by us in the two years preceding the removal payable from the assets of each fund.

Investment in other funds

In addition to directly acquired assets, the funds may invest in wholesale funds that are also managed by Fisher Funds. The funds in the Scheme do not incur a management fee on investments in wholesale funds managed by Fisher Funds.

The funds and the underlying funds they invest into may also invest in other funds managed by third parties not associated with us. Those funds may charge fees, including entry fees, exit fees, performance-based fees and management fees, and incur expenses.

The amount of the fees and expenses of any underlying funds is included in the annual fund charges in the quarterly fund update for each fund, available at fisherfunds.co.nz/fund-updates.

GST on fees and expenses

All fees and expenses above exclude goods and services tax (GST) unless otherwise stated and GST may be added where required.

Buy/sell spreads

Although under normal trading and market conditions we do not apply buy and sell spreads, we may choose to do so - for example, during a period of market volatility - with the aim that transaction costs associated with investors buying or selling units, or switching between funds, are met by those investors and not the other investors in those funds.

There are transaction costs when the underlying assets of a fund are bought and sold. These impact the fund's unit prices. To reflect the likely transaction costs of selling underlying assets we can apply a sell spread to investors' withdrawals (including switches) from a fund. Similarly, a buy spread can be applied to investors' investments (including switches) into a fund to reflect the likely transaction costs of buying underlying assets. Any buy or sell spread is retained by the fund to offset transaction costs and is not a fee paid to us.

You can find out if any buy or sell spreads have been applied at fisherfunds.co.nz/spread-pricing.

What are the risks?

There's always some risk when you invest and the level of risk varies depending on what you invest in. The level of risk is usually related to the possible return you might achieve from your investment. For example, investing in shares is likely to give you a higher return, however shares come with more risk than say fixed interest investments.

Investments in the funds are not guaranteed by the Crown, Fisher Funds, the Supervisor, or any other person or company and nor does any party promise the repayment of, or returns on, investments in the funds. The value of your investment can go up but it can also go down and this positive and negative movement is called volatility. You may not recover the full amount you've invested or receive any returns on your investment.

As a general rule, cash and fixed interest investments (called income assets) tend to be less volatile than commercial property, shares and alternative investments like derivatives or foreign exchange (called growth assets). Therefore the greater the proportion of growth assets in a fund, the greater the potential to experience negative returns over the period of your investment. However, higher risk investments also have the potential for higher returns.

Fisher Funds oversee this risk on your behalf. Below we outline the risks associated with investing in the funds and how we manage those risks. It is important to note that no mitigation strategy can eliminate all risks associated with investment.

Type of risk	Description	How we manage it
Investment returns risk	Different types of investments have different risks and perform differently at different times. For example, the return on growth assets tends to go up and down more than the returns from income assets. This means short term fluctuations in the value of a fund are common, especially for funds that invest mostly in growth assets like shares.	<p>Our minimum quality criteria must be met before any investment is included in a fund's portfolio.</p> <p>We develop, in consultation with the Supervisor, a SIPO which describes the allowed investments, exposure levels and investment criteria for the investments held in the funds.</p> <p>We regularly monitor the holdings of the funds to ensure they remain within the criteria specified in the SIPO.</p> <p>We may visit companies or seek additional information in respect of investments held to be satisfied of their ongoing suitability.</p>
Market risk	Investment market performance can be affected by economic conditions such as investor opinion, inflation, employment rates and interest rates (including negative interest rates). Political events, and environmental and technological issues also impact investment market performance.	We keep our knowledge of various market factors up to date through a review of economic data both locally and internationally, as well as conducting our own research. This information is used when making investment management decisions.
Currency risk	Investments in foreign assets are bought and sold with foreign currency, and the funds may hold foreign currencies directly. The value of the foreign assets and currency can change (up or down) when there are movements in the exchange rate between the New Zealand dollar and the foreign currency.	Where we can, we monitor the currency positions and may adjust the hedging levels of the currency exposure attributable to the holdings of the overseas assets.
Investment manager risk	How we choose to allocate each fund's investments (and the investment decisions made by the managers of any underlying funds in which we invest) will affect that fund's returns. In particular, our investment style may result in our returns differing from any market index and from competing investments.	<p>We maintain an up to date knowledge of various market factors through a review of economic data both locally and internationally while also conducting our own research. This information is then taken into consideration when making investment management decisions.</p> <p>We aim to complete a review of the strategic asset allocation for the funds every two years to ensure we take into account updated capital market assumptions.</p>
Credit risk	The issuer of a security, an institution that we deposit funds with, or a third party that provides a guarantee for either may not honour their obligations, fail to complete transactions, or may become insolvent. If this occurs you may not receive the full amount of your investment in that fund.	We analyse the creditworthiness of the issuers we purchase securities from, institutions we choose to deposit funds with, and third parties that provide a guarantee for either.

Type of risk	Description	How we manage it
Counterparty risk	A party to an investment contract may not honour their obligations, or fail to complete a transaction, or may become insolvent. If this occurs in any of the investment contracts held by a fund, you may not receive the full amount of your investment in that fund.	Fisher Funds deals with reputable brokers and trading platforms. For physical securities our preference is to pay on delivery of the financial instrument. For derivatives and OTC contracts we ask counterparties to post collateral against unrealised losses to minimise potential losses in the event of default. Not all counterparties post collateral.
Interest rate risk	Fixed interest investments may become more or less valuable depending on changes in interest rates. If market interest rates rise, the existing fixed rate investments become less valuable because new fixed interest investments will pay the current, higher rate of interest, and vice versa when market interest rates fall. Interest rate risk is more applicable to funds that invest mostly in income assets such as fixed interest securities.	Where possible, we consider the expected impact of economic factors on interest rate sensitivity (i.e. the impact a change in interest rates will have) when selecting investments for the funds.
Liquidity risk	Low liquidity can affect the ability of the fund to make payments when needed (such as meeting withdrawal requests) and the fund may receive a lesser amount than expected if the assets have to be sold quickly and there are few buyers.	We operate a portfolio liquidity risk management framework to help ensure that portfolios are well-positioned to withstand stress scenarios and to allow portfolios to potentially take advantage of opportunities provided by market dislocations.
Concentration risk	As an active manager, we invest the funds in a relatively small number of securities that we have individually researched and hold a high conviction will perform well over the long term. Where a portfolio consists of a small number of securities, the performance of one or a few securities will have a larger impact on the performance of the fund than in a fund that holds a greater number of securities.	Concentration risk in the funds is a by-product of how we manage them. We believe however that as long as we do our research well and make good decisions, the benefits of choosing a smaller number of well performing securities outweighs the risk that from time to time individual securities will underperform.
Unfulfilled investment objectives	There is no guarantee that the funds will achieve the investment objectives set out in the SIPO and these objectives should not be taken as a guarantee or assurance of returns. A failure to meet investment objectives would affect the value of the relevant fund.	We regularly monitor the returns of the assets held by the funds. We may alter the mix of investments held if our analysis indicates that this could better achieve the funds' objectives. Any amendment to the SIPO objectives must be made in consultation with the Supervisor to ensure investors' best interests are considered.
Inflation	Inflation is a term used to describe the rise of average prices through the economy. Simply, inflation refers to the increased cost of living. There is a risk that if you receive returns from your investment that are less than the rate of inflation, you may not be able to buy as many goods and services with your money as when you initially invested. Inflation may impact on real returns.	Some investments may perform better than others during periods of inflation and we consider this when we design portfolios.
Derivative risk	A derivative is typically a financial contract such as futures contracts or swaps, whose value depends on the future value of its underlying assets such as shares, bonds, currency or cash. Derivatives may be used as an alternative to investing in a physical asset, or as a risk management tool, providing a similar exposure to the investment without buying or selling the asset underlying the derivative. Any risks which can affect the physical asset can also affect the derivative and therefore their use may not remove all exposure they are intended to manage.	The funds and any underlying funds may use derivatives to gain exposure to assets that are consistent with the SIPO or to manage currency exposures.
Operational or systems failure	Risk may arise from a process failure, fraud, litigation, disruption to business by reason of an industrial dispute, system failure, natural disaster or other unforeseen event affecting the funds (or the markets generally).	Business continuity plans are in place for periods of business disruption caused by unforeseen circumstances.

Type of risk	Description	How we manage it
Key personnel	The success of each of the funds depends to a significant extent upon us continuing to employ a number of key personnel. Profiles of the Fisher Funds investment team can be found at fisherfunds.co.nz/about/investment-team .	To minimise turnover, Fisher Funds fosters an environment which attracts and retains key personnel, while at the same time operating in a collaborative manner therefore minimising key personnel risk.
Legislative and regulatory	Returns may be affected by any adverse legislative or regulatory changes in both New Zealand and offshore, which could have an impact on any investment or the markets in which they operate. Changes to legislation could have a significant impact on the Scheme and your investments in the funds.	We keep abreast of proposed legislative and regulatory changes that may influence our investments, business or the markets in which we operate. When necessary we make submissions to ensure our clients and our business interests are represented.
Taxation	Changes in taxation rates or tax rules in New Zealand or overseas may affect the value of the assets of the funds and/or your return.	We consider taxation implications when selecting investments. When changes in taxation are proposed, we review them to understand any impact on existing investments, fees and/or your return.
PIE status	Should the funds fail to satisfy the PIE eligibility criteria necessary to retain PIE status, this could result in the funds being taxed at a higher rate than the individual Prescribed Investor Rate of investors. It may also result in the funds being taxed on investment gains.	We monitor factors influencing each fund's PIE status on a regular basis and have processes in place to minimise potential breaches of PIE eligibility criteria, which may include adjusting an investor's unit holding to maintain PIE status.
Borrowing	<p>Where permitted by the SIPO we may borrow on behalf of the funds and this may include borrowing against the assets of a fund. This may exaggerate the effect of any increase or decrease in the value of the assets of the fund and increase the risk of insolvency.</p> <p>Under our current investment strategies this risk is predominantly relevant to funds that invest in unlisted property assets. The funds may invest in other funds, which may borrow from time to time.</p>	Portfolios are subjected to stress testing to monitor the impact of borrowing on the risk profile of the funds.

Understanding your investment

Investing in the Fisher Funds Premium Service

It's easy to invest in the funds and they're open to most people predominantly living in New Zealand including;

- Individuals (including joint investment)
- Trusts or Partnerships
- Charities
- Companies
- Incorporated Societies or Associations

You can invest in the funds by completing the application form at the back of the PDS.

We are required by law to identify you, which means you will be required to provide identification, proof of address and, in some cases, evidence of where your application money has been sourced.

We are not obliged to register more than two people as the investors which hold any unit. Where two or more people are registered as the investors, they will each be liable for all payments in respect of that investment. On the death of one investor, we will recognise the survivor or survivors as owning the investment.

All notices, payments or other communications from us or the Supervisor, including instructions for distributions will be sent only to the person whose name appears first on the register.

Withdrawing your investment

You can withdraw part or all of your investment at any time by sending us a completed withdrawal form signed by all registered investors.

Your withdrawal will be processed at the unit price calculated as at the day we accept your withdrawal request.

When you make a full withdrawal the withdrawal amount paid is adjusted for any tax payable or refundable. In the case of a partial withdrawal your remaining balance is adjusted for any tax payable or refundable.

If you are invested in multiple funds you may make a partial withdrawal from one or more funds of your choice. If you do not make a choice the withdrawal amount will be deducted from the funds in the same proportion as your current investment balance (e.g. if your balance is 70% in fund A and 30% in fund B, 70% of your withdrawal value will be taken from fund A and the remaining 30% from fund B).

Payments can take up to 10 business days to be paid to your nominated bank account or to an authorised recipient.

Suspension or deferral of withdrawals

We may suspend or defer the timing of withdrawals and switches if we determine that the redemption or repurchase of units is not practicable or desirable, would be prejudicial to the interests of investors or would threaten a fund's eligibility for PIE status. This may happen, for example, because of financial, political or economic conditions affecting investment markets. Any suspension can be up to a year, subject to extension by special resolution of the investors in the fund.

In certain circumstances (for example to address liquidity issues), we may make an initial partial withdrawal payment, with the remaining amount paid out at a later date. In addition, instead of paying you in cash, we may choose to transfer to you your share of the underlying assets of the fund.

We will notify you if we invoke a suspension.

Compulsory redemptions

We may, in consultation with the Supervisor, compel the redemption of all or some of your units, if your holding of the units (whether on its own or in conjunction with any other circumstances we consider relevant) might in our opinion result in any legal, pecuniary, regulatory, tax or material administrative disadvantage for the Scheme, the funds or to the investors in the Scheme or the fund as a whole.

Maintaining a minimum account balance

A minimum account balance of \$500,000 should be maintained in total across the Premium Service funds you are invested in and \$10,000 in each Premium Service fund you are invested in. We have discretion to allow balances below the \$500,000 threshold (including where lower minimum account balances have been permitted for existing investors). We may take into account other balances you have in Fisher Funds products for the purpose of calculating your total balance. Where your investment falls below the minimum account balance, we may request that you top up your account to at least the minimum account balance or transfer to one of our other products. In accordance with the Governing Document and otherwise at our discretion, we are entitled to withdraw your remaining funds and pay them to you.

We may also decline any withdrawal or transfer request if it would threaten the relevant fund's eligibility for PIE status.

Tax

We provide the following information on tax related to the funds as a general guide only and neither the Supervisor nor we accept any responsibility for your taxation liabilities. Please seek independent tax advice before investing.

Investment not subject to the Foreign Investment Fund (FIF) Regime

Funds holding shares in New Zealand resident companies or certain companies resident in Australia that are listed on the Australian Securities Exchange are taxed on those shares under the ordinary New Zealand tax rules. Dividends on such shares are usually fully taxable, with a credit allowed for any attached imputation credits (but not for any Australian franking credits). The funds are entitled to a tax credit for any withholding tax deducted from such dividends. Tax should not be payable by the funds on any gains from the sale of such shares.

Investment subject to the FIF Regime

Other international shares held by the funds are usually taxed under the Fair Dividend Rate (FDR) method in the FIF regime. Under that method, these shares give rise to deemed income in an income year (being 1 April — 31 March) equal to 5% (or a pro rata portion) of the average daily market value of the shares for that income year (or part year). The funds are entitled to a credit for any withholding tax paid on dividends received from the shares, subject to certain limits. Any dividends or profits from sales of the shares are ignored for tax purposes. No tax deduction may be claimed for any losses in respect of the shares under this method.

Other non-equity investments

Interest earned by the funds, foreign exchange gains from non-New Zealand dollar denominated debt instruments and income derived from hedging contracts or other derivatives are generally taxable. The funds are entitled to a deduction for expenses incurred in earning their income and for any foreign exchange and hedging losses.

PIE tax treatment and timing

Each fund is a multi-rate Portfolio Investment Entity (PIE) for tax purposes. This means that any taxable income of a fund will be taxed at your Prescribed Investor Rate (PIR). Providing the correct PIR will also mean no further tax is payable each year or when you make a withdrawal. Shortly after the end of the tax year (the period from 1 April to 31 March) or after you fully withdraw from the funds, we will send you information on your investment, including the amount of income attributed to you and the amount of any PIE tax on your investment for the year. This information will help you determine whether you need to change your PIR for the next tax year.

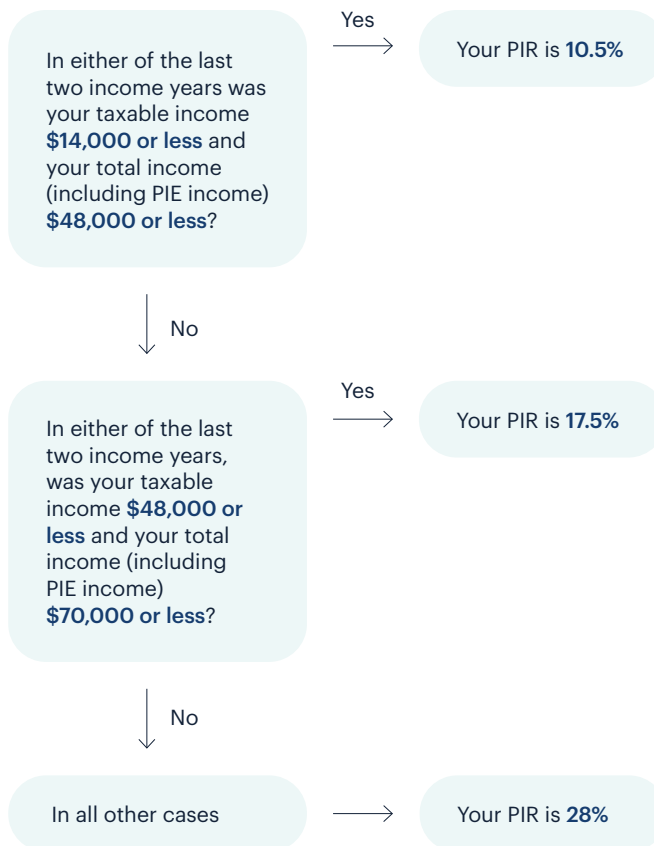
We'll calculate the tax on your share of taxable income based on the PIR that you provide and cancel units held by you to the value of the amount owed by you and pay the tax to Inland Revenue. We'll also issue additional units to you to reflect the amount of any tax credit owed to you. Tax adjustments are made as at 31 March each year or whenever you switch, transfer or withdraw units.

If your balance is equal to or less than the tax that is payable on income earned since the start of the tax year, we will cancel any remaining units and pay the tax liability to Inland Revenue.

PIRs for New Zealand resident individuals

Individuals who are New Zealand tax residents determine their PIR based on their taxable income and their total income (i.e. taxable income plus attributed PIE income less attributed PIE loss) in the previous two income years. To work out your PIR, use the table below, call us on 0508 347 437, or go to Inland Revenue's website ird.govt.nz.

How to calculate your PIR



Fisher Funds may be notified of a change to your PIR

If Inland Revenue believes your PIR is incorrect, they may provide us with an updated PIR for you. We would then update your account with the new PIR. You can subsequently provide us with a different PIR if you believe the PIR Inland Revenue provided is incorrect.

New residents to New Zealand

In determining your PIR, you must treat gross income earned from foreign sources (in the income year you became a New Zealand resident and in the preceding two income years) as if it were taxable income. However, you may choose that this rule not apply if you expect that your taxable income in the relevant year will be significantly lower than your total income in the income year prior to becoming a New Zealand resident. In that case, your returns from the fund will be taxable, with a credit being available for any PIE tax paid.

PIRs and non-residents

If you stop being a New Zealand tax resident, your PIR will be 28%. Although a non-resident may not need to file a New Zealand tax return, you may need to file a return in your country of residence.

Trustees

Trustees can choose a 0%, 17.5% or 28% PIR to best suit the beneficiaries of the trust. Trustees of testamentary Trusts may also choose a PIR of 10.5%. If the trustees choose any rate other than 28%, they will have to include their share of fund income in the trust's tax return.

Companies, Charities, Collective Investment Schemes

A New Zealand resident company, managed investment scheme, charitable entity, PIE, PIE investor proxy or superannuation fund has a PIR of 0% (unless the superannuation fund chooses a PIR of 28% or 17.5%). Companies must include their share of taxable fund income in their tax returns.

Joint investors

It is important that all investors investing jointly provide their PIR as we must use the highest rate. If not all PIRs are provided we will pay tax at 28% even if one investor has notified us of a lower rate.

Relevant policies

Copies of the following policy documents are available at fisherfunds.co.nz/policies-and-privacy:

- Conflicts of Interest
- Portfolio Trading
- Proxy Voting
- Responsible Investment
- Unit Pricing and Valuation
- Unlisted and Suspended Securities
- Liquidity Risk Management

Contact: Private Bag 93502,
Takapuna, Auckland 0740
0508 347 437
enquiries@fisherfunds.co.nz