



# Qualitative Fund Research

Fisher Funds Global Fund

April 2017

## About the Manager

Fisher Funds Management Limited (the Manager, Fisher) was founded in 1998, making the Manager one of the more established boutiques, which has transformed in to a smaller institutional manager, while priding themselves on retaining their specialist investment manager focus. Fisher aim to deliver great investment returns and superb client service. The Manager has provided a brief profile available [here](#).

Fisher extends its passion to good governance, Fisher outline their key board policies outlined [here](#), and actively contributes back to the local community, available [here](#). FundSource Ltd views corporate citizenship and governance frameworks as extremely important foundations from which a manager starts to engage with the clients' experiences.

Fisher have instigated research on five funds:

- Fisher Funds Australian Growth Fund
- Fisher Funds BondsPlus
- Fisher Funds Trans-Tasman Fund
- [Fisher Funds Global Fund](#)
- Fisher Funds Property & Infrastructure Fund

The Global Fund is directly managed by a team of three, who form a part of a total investment team comprising 19. For the number and type of funds being managed, the team is adequately resourced and governed, with well tenured executives and portfolio managers. The Manager has provided individual bios for the team [here](#).

## Using this Fund

**This is General Advice only and should be read in conjunction with the Disclaimers, Disclosures and Warnings at the end of this document.**

The Fisher Funds Global Growth Fund ("the Fund") gives investors exposure to predominantly international markets via quantitatively actively managed investments. The Fund can retain cash in multiple currencies, use derivatives and include targeted access to a hand-picked portfolio of quality growing International businesses.

Fisher's investment philosophy and process, for this Fund, is based around proprietary quantitative cash flow, quality, risk factors, combined with the MSCI environmental, social and governance (ESG) factors. The quantitative model draws on Fisher's stock picking framework, known as [STEEPP](#).

The Fund is subject to equity market risk and movements (both positive and negative), in the prices of the underlying securities comprising the portfolio. Investors should therefore be aware that

the Fund may experience periods of negative returns and that there is a risk of potential capital loss being incurred on their investment. The Fund is suitable for investors with an investment horizon of more than five years.

The fund intends to be fully invested, however, cash can range from 0%-30% and can invest up to 10% in unlisted companies. The expected currency hedging level is 50%, but can range from 0%-110%. The Fund's investment policy prohibits the investment in to companies that are involved in the manufacturing of military armaments or tobacco.

The Fund is a Portfolio Investment Entity (PIE). The Fund does not pay a distribution, any dividends from companies held in the portfolio is reflected in the Funds unit price.

Question	What the Manager says	What FundSource think												
What are the Manager's assets under management - in total and in this Fund?	<p>As at 30 November 2016, Fisher Funds Management is responsible for funds under management (FUM) of approximately \$7.4 billion.</p> <p><i>As at 30 November 2016:</i></p> <table><tr><td>Australian Growth:</td><td>\$ 58.5M</td></tr><tr><td>BondsPlus:</td><td>\$156.0M</td></tr><tr><td>Global Fund:</td><td>\$ 86.7M</td></tr><tr><td>Property &amp; Infrastructure:</td><td>\$ 63.0M</td></tr><tr><td>Trans-Tasman:</td><td>\$ 46.7M</td></tr><tr><td><b>Total in these PIE Funds:</b></td><td><b>\$231.0M</b></td></tr></table>	Australian Growth:	\$ 58.5M	BondsPlus:	\$156.0M	Global Fund:	\$ 86.7M	Property & Infrastructure:	\$ 63.0M	Trans-Tasman:	\$ 46.7M	<b>Total in these PIE Funds:</b>	<b>\$231.0M</b>	<p>The business has significant funds under management across its product suite.</p> <p>The Global Fund was established on 1 November 1985, however, became a part of the Fisher Funds suite in 2013, as a result of Fishers acquisition of Tower Investments. The Manager has a total of \$1,083 million invested in global/ international equities. The Manager has been managing funds that can invest in international shares since 2007.</p> <p>FundSource notes the Manager has been growing due a combination of organic growth, acquisitions and partnerships.</p>
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Who is accountable for managing the Fund, and how long has the investment team worked together?	Frank Jasper	<p>Jasper has been the Fund's Co Portfolio Manager (PM) since April 2014. Jasper joined the Manager in 2005, commencing in the role of Portfolio Manager of the Fisher Australian Growth Fund. Mark Brighthouse is the Funds other Co PM, Brighthouse is Fisher Funds Chief Investment Officer (CIO). FundSource notes the fund transitioned to the Fisher investment team as part of the Tower Investments acquisition, in April 2013. Jasper and Brighthouse, Fisher Funds CIO, and Vinko Marinovic. FundSource notes this is a small team for a global equity strategy, which is mitigated by a heavy reliance on the quantitative process employed.</p> <p>Operations, client services and compliance functions are all separated from the investment management functions. This ensures appropriate attention is being given to the operational aspects of investing, and assist in keeping the investment personnel focused.</p>												
What objective is the Manager trying to achieve?	The fund aims to achieve capital growth over the long term by investing in international shares	<p>The Manager has a primary objective to achieve capital growth, and a secondary objective which is to exceed the return of the Funds benchmark, before fees and tax. In both cases the quantum of growth and outperformance is not clearly specified. The Manager reports performance on its website using a hybrid benchmark comprising 50% S&amp;P Global Large Mid-Cap Index and 50% S&amp;P Global Small Mid-Cap Index 50% hedged to the NZD</p> <p>The Funds' historical performance has varied over the last 10 years. Since Jasper assumed PM responsibilities in 2013, the Funds' performance has been above average, compared to the FE Analytics NZMI Global Equity sector, be it for the broader mix of 113 funds available as PIE or Australian Unit Trusts (AUT) formats, or the 49 global equity funds available in NZD unit classes only. FundSource notes that the FE Analytics sector includes a mix of regional, country and sector specific funds that can buy securities via multiple exchanges. This differs from the Managers all cap quality focused investment</p>												

		<p>approach. The Funds' performance is available on the Managers <a href="#">website</a>. Further historical performance data is available on the <a href="#">Disclose website</a>.</p>
What does the Manager invest your money into?	International Shares	<p>The Fund looks to predominantly invest in global companies, with no specific style biases, focusing on companies that have been quantitatively screened through the Manager's quality, risk and ESG model. FundSource highlights that the key responsibility of the investment team is to ensure the model remains robust, and costs are managed.</p> <p>The Manager expects all companies invested in the Fisher Funds International Fund to be represented in this Fund's portfolio. However, quarterly optimisation may see a commonly held company not as strongly represented in this Fund's diversified, circa 300, stock portfolio. FundSource highlights the Fund does not fully employ the STEEPP process, however, up to 20% of the Fund's portfolio will include companies that have been subjected to the full STEEPP process.</p> <p>The Fund is suitable for investors who want an actively managed, benchmark aware, global equity fund. The Fund looks to maximise the investors potential return by not restricting the Fund to a specific market capitalisation bias, so long as the Funds liquidity requirements are met.</p> <p>The Manager does have significant discretion which can include investing via another fund or managed investment scheme. The Manager can have meaningful views expressed in the portfolio, with the tracking error being less than 5%, and cash can range between 0%-30%. The Funds neutral position for currency hedging is 50%.</p>
What are the inherent risks imbedded in the Fund?	Share price declines are the major risk.	<p>The Manager is aware of the broad range of risks, as documented in the <a href="#">Product Disclosure Statement</a> (PDS). The Manager is mindful of these risks when constructing and managing the Fund. The Investment Policy Committee develop key parameters of the Fund. FundSource notes that the Investment Policy Committee does not manage or interfere with the day to day decisions of the portfolio, these rest solely with the Portfolio Manager and investment team.</p> <p>Mitigating risk can be achieved by consistency in the decision making process assists in managing risk. The Manager achieves this by employing a proprietary quantitative system to capture cashflow quality, risk measures and MSCI ESG factors, based around, but not fully replicating, Fisher's STEEPP process.</p>
Why do they believe the future prices of the Fund's investments will vary?	We invest in companies with bias toward high quality and attractive cashflows.	<p>The quantitative models embody the Managers core investment beliefs, not only determining the status for existing and new companies. but also acts as a guide to the</p>

		<p>size of the position in the portfolio. Despite being a much diversified Fund the Manager has the ability to actively tilt the portfolio, although investors should expect geographic locations and sector weights to closely reflect its benchmark. FundSource notes that the Manager benchmark is a mix of mid to large cap and small to mid-cap indices, reflecting the Managers ability to invest broadly across all parts of the market, large or small market. FundSource does note that the practice of hybridising indices is not commonly uses in vanilla asset classes, such as global equities.</p> <p>The Fund incorporates an Environment, Social and Governance (ESG) overlay in to its decision making process, however, this does not imply that the companies it invests in are signatories to the UNPRI, or the fund is considered an ESG fund. The ESG overlay has been responsible for companies being excluded for factor such as, poor whistle-blower protection, or poor consumer communication.</p>
Why does the Manager believe you should give them your money rather than to someone else or to an inexpensive index fund?	Fisher Funds has a strong stock selection process and long track record.	<p>The Manager is providing investors with an opportunity to gain exposure to listed global companies, focusing on those companies that currently generate regular cashflows from its operations. Of the 113 funds in the FE Analytics NZMI Global Equity sector, this is one of 49 funds that are in a PIE, NZD unit price structure or NZX listed ETFs. This is a very comprehensive sector, with New Zealand investors having significant choice between local and Australian based funds management operations.</p> <p>Investors should expect the fund to be fully invested, with the cash allocation a result of the quantitative process, rather than an active decision, cash can range from 0-30%. With an inception date of November 1985, the Funds short term risk adjusted returns has significantly improved, compared to peer funds in the FE Analytics NZMI Global Equity sector, while volatility and tracking error have reduced. The performance history of the Fund is available on the Managers <a href="#">website</a> and via <a href="#">FundSource</a>, provided you have registered.</p> <p>The <a href="#">Disclose</a> website outlines the Funds' performance since inception, on a net of fees and tax basis. FundSource notes that reference performance benchmark, on the Disclose website, is gross of fees and taxes.</p>
How does the Manager decide to buy or sell investments?	Fisher Funds constructs this portfolio with an emphasis on the highest quality global companies.	<p>All companies invested in undertake the same quantitatively based process, based around the quality of a company's cash flows, risk measures, portfolio optimisation and MSCI ESG scores.</p> <p>The Manager is acutely aware of the potential for costs to increase through the quarterly optimisation and rebalancing process. Therefore, the Manager overlays the optimisation and rebalancing process</p>

		<p>to ensure that transaction costs are maintained with a reasonable range.</p> <p>The quantitative process used by this Fund contributes significantly to the buy/ sell decision making process. FundSource notes that while the fund is highly influenced by its quantitative driven process, it is not the sole driver of buy and sell decision within the portfolio.</p> <p>The Fund affords the Manager a high degree of discretion, which at the extremes could see the Fund vary significantly from its hybrid benchmark. FundSource believes that investors should be comfortable with the Managers flexibility, however this is only likely to be exercised in extreme situations.</p>
Has the CIO/ PM personally invested in the Fund? If so, paying the same fees as other investors?	Staff are investors in KiwiSaver which uses the same strategy as this fund	<p>FundSource believes that 'eating your own pudding' should be an aspect potential investors consider, when deciding to invest in any financial product.</p> <p>Investing in funds alongside investors aligns the interests of investment personnel with those of the investors, when investment personnel are significantly invested in a fund they are managing, and at the same fees.</p> <p>The Manager believes the investment team has sufficient alignment with investors by investing via Fisher KiwiSaver funds. FundSource notes that it would prefer to see investment personnel significantly invested in the Managers funds. FundSource believes this is reflective of the Managers change from a boutique to a larger institutional funds management operation.</p>
How much latitude does the Manager have to deviate from the weightings of the Benchmark portfolio?	<p>The manager has latitude to deviate from the benchmark.</p> <p>Tracking Error ≤5%</p> <p>Cash Allocation: 0% to 30%</p> <p>Single Stock Limit: below company takeover requirements</p> <p>Sector Limits: na</p> <p>Currency Hedging 0% 100%</p> <p>Unlisted Companies 0%-10%</p> <p>Geographic Limits:</p> <p>USA 25%-85%</p> <p>Europe 10%-20%</p> <p>Japan 0-20%</p> <p>Developed Asia 0-20%</p> <p>Emerging Markets 0-20%</p>	<p>FundSource considers the Manager's scope for this fund to be broad, which is likely to lead to a portfolio that is materially different in composition to the Fund's reference hybrid reference benchmark.</p> <p>FundSource highlights that the Fund's hedging ratio is expected to be 50%, however can range between 0%-110%, highlighting the Managers significant discretion. However, currency hedging movements are not expected to move significantly, and will reflect the Manager's view on NZD versus the AUD.</p> <p>There is a speculative element to the portfolio, being the ability to invest in unlisted securities, the risk is that proposed listings may or may not occur within the timeframe proposed, or at all. FundSource believes the Manager is unlikely to invest in unlisted companies, or in the case they did, it would be very small and very infrequent, however, may not be palatable to some investors.</p> <p>The Manager and PM implement investment decisions based on the Statement of Policy and Objectives (SIPO)</p>



		<p>guidelines. Oversight of the Funds operations is provided by a separate Compliance team, who report any breaches to the Supervisor. The SIPO is reviewed by the Fisher Funds Investment Policy Committee.</p>
<p>On what basis does the Manager believe the fees they charge are justified?</p>	<p>The manager charges a fee that reflects a unique active portfolio management process and a high standard of client servicing. All investments are hand-picked by the team and there is full disclosure and transparency with investors about the composition and contribution to returns of the underlying portfolio.</p>	<p>FundSource believes the Manager is transparent from a fees perspective, noting the administration and underlying manager fees are disclosed in the <a href="#">Product Disclosure Statement</a> (PDS), and via the <a href="#">Disclose</a> website.</p> <p>FundSource observes that the management basic fee is higher than the average peer global equity fund, as represented by the 113 fund in the FE Analytics NZMI Global Equity sector. When the administration fees are added to the Managers basic fee, the fund is one of the more expensive funds in this FE Analytics sector. FundSource believes there is reasonable scope for the Manager to review the fees with a view to reducing to at least in line with the FE Analytics sector peer average.</p>
<p>How would you describe the quality of your organisational and investment governance processes?</p>	<p>Fisher Funds' Board and management are committed to ensuring that our people act ethically, with integrity and in accordance with Fisher Funds' policies and values. Fisher Funds' corporate governance practices and policies are designed to support the ongoing success of the company and ensure the highest standards of ethical conduct. Our control systems exist to ensure that we meet all fiduciary obligations to our investors and comply with laws and standards including the corporate governance principles and guidelines issued by the Financial Markets Authority.</p> <p>Fisher Funds' governance processes include a) an investment subcommittee of the board of directors, an investment policy committee, separation of portfolio management and dealing activities and strong internal compliance systems. The Board regularly reviews and assesses Fisher Funds' governance policies, processes and practices to identify opportunities for enhancement and to ensure they reflect Fisher Funds' operations and culture.</p>	<p>The Manager has a very strong governance framework, starting with the appointment of a non-executive Chair and a Board structure that has five non-executive members, versus three executive members. FundSource notes this is in part reflective of ownership changes as the Manager has become increasingly institutional, by way of acquisitions.</p> <p>FundSource views the Fisher Funds Investment Policy Committee positively, however the inclusion of external advisers to the Investment Committee is considered industry best practice.</p> <p>FundSource believes the Manager's transparency, for the Investment Series is in line with the minimum requirement, as the Fund's holdings are only displayed on the <a href="#">Disclose</a> website. FundSource believes the portfolio holdings should also be published by, as they do for their other Managed Funds.</p> <p>The Manager does outsource some functions, and regularly reviews each provider throughout the year, for example quarterly or half yearly. FundSource highlights that the Funds administrator and custodian functions are considered to be material relationships and the Manager reviews these key functions via a regular annual review.</p>
<p>Is there alignment of interests through; ownership of the Manager, and remuneration of the investment team?</p>	<p>Alignment of interests is achieving by rewarding the investment team on the basis of fund performance.</p>	<p>FundSource observes that to preserve capital and generate a long-term positive return for investors, the Manager must remain operational.</p> <p>The Manager has undergone significant structural change to its ownership since 2011. These changes have resulted in the</p>

		Manager having a more institutional ownership, rather than the investment team being significant shareholders.
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## Conclusion and Rating

The Fund provides an investor with exposure to a very diversified global equity portfolio fund that is focused on companies that will grow in value, at a greater rate than the Funds benchmark. The fund can invest in non-benchmark securities, and unlisted companies, which FundSource does not expect to be material or feature significantly.

FundSource notes that the Funds FUM is relatively low, and capacity is not considered an issue. The Managers total FUM across all of its retail and KiwiSaver funds, including the inter funding of diversified funds in to its sector funds, reduces the impact of low FUM in any one fund, and business risk.

The Manager has grown significantly over the last three years, via joint ventures, acquisition, and organic growth. As the Manager's funds under management has grown, the Manager has invested in investment personnel, and has seen some changes, most recently due to retirement. The Manager is aware that developing talent over time will assist in transitioning investment responsibilities in the long term, expanding its analyst teams.

FundSource's conviction in the Manager is underpinned by its ability to adapt, attract staff and manage the transition from boutique investment manager to a small institution, while remaining focused on investor engagement.

FundSource believes this Fund loosely embodies the Managers core strengths, beliefs, processes and typically concentrated approach, reflected in most of the Managers product suite. FundSource notes that the Managers International Equity Funds, which are more aligned to the Managers core beliefs and processes, can be aggressively positioned compared to the Global Equity Fund, and may not be suited to all risk profiles. The diversified nature of the Global Fund may appeal to a broader range of investors, seeking exposure to global companies.

The Managers basic fee is higher than the peer average in the FE Analytics NZMI Global Equity Fund sector. FundSource believes that there is reasonable scope for the Manager to review the Funds fees, with a view to reducing them. FundSource sees this as a key detractor, from a fee perspective.

FundSource recommends that investors carefully consider that the Managers focused high conviction approach to managing global equities, meets their investment needs and objectives.

### FundSource Rating: **A**

Fund ratings are current as at the date of publication of this report. FundSource reserve the right to review and update fund ratings from time to time.

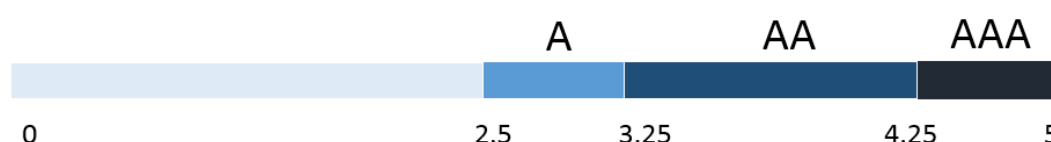
## Research Factor Weighting

Research Process Category	Model Factor Weight	Analyst Average Score
Corporate & Investment Governance	15%	3.00 / 5
Investment Philosophy & Process	20%	2.80 / 5
People	25%	3.67 / 5
Portfolio Construction & Implementation	15%	3.67 / 5
Risk Management	15%	3.60 / 5
Investment Fees	10%	2.71 / 5

**Overall Average Score. 3.19 / 5**

## FundSource Rating Guide

The qualitative rating of a fund is a function of the FundSource Research Factor Weighting process, which is built around the six core qualitative research process categories. The weighted scores result in an overall score, out of five, which is then matched to the following rating:



### AAA: Highly Recommended

Funds that have superior average scores in all six underlying qualitative factors. This recognises aspects about the Manager and Fund in question that includes, but is not limited to, significantly experienced and stable senior personnel, a sound track record over a full market cycle, a clearly defined investment philosophy and process, and a portfolio consistent with that philosophy and process. The management company will also have established effective controls to maintain that philosophy.

### AA: Recommended

Funds that have strong average scores in all six underlying qualitative factors. This recognises aspects about the Manager and Fund in question that includes, but is not limited to, experienced and stable personnel, a sound track record over a full market cycle, a clearly defined investment philosophy and process, and a portfolio consistent with that philosophy and process. The management philosophy must be coherent and consistent with existing portfolios and processes.

### A: Investment Grade

Funds that have good average scores in all six underlying qualitative factors. This recognises aspects about the Manager and Fund in question that includes, but is not limited to, experienced personnel, a sound track record a defined investment philosophy and process, and a portfolio consistent with that philosophy and process.

### FW: Fund Watch

There has been a material change with either the manager, this may include, but is not limited to, departures, new hires, process changes, changes to the investment philosophy. This is considered to be an interim measure, to enable further investigation, re-evaluation and an appropriate course of action to be determined.

### S: Sell

This category covers previously recommended funds that are no longer recommended because of some material change. Removal from recommended status might be for a variety of reasons such as a fundamental change in the fund management company or in the manager's investment strategy, or because a fund did not meet its original expectations. The implications for ongoing service are that the fund should be reviewed on an individual client basis to ensure it still matches their original investment objective.

### NR: Not Rated – Screened/ Not Rated

Funds in the Not Rated – Screened category have provided information and/or FundSource has conducted an initial analysis of the fund, but has chosen not to provide a recommendation at this stage. FOR Not Rated funds the manager may have provided information, but no review meeting has been conducted

## Disclaimers, Disclosures and Warnings

**FundSource Limited notes that the information in this report must be read in conjunction with the warning and disclaimer below. This report supersedes all prior reports.**

**Warning:** Past performance is not a reliable indicator of future performance. Any information, opinions, views or recommendations in this report are for general information purposes only. To the extent that any such information, opinions, views and recommendations may constitute advice, they do not take into account any person's particular financial situation or goals and therefore do not constitute personalised financial advice under the Financial Advisers Act 2008, nor do they constitute advice of a legal, tax, accounting or other nature to any person. This report should not be relied upon as a substitute for advice from your authorised financial adviser.

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FundSource delivers high quality quantitative and qualitative fund research to financial advisors and the broader financial services industry. FundSource works with a number of expert providers to source this data. Quantitative data is supplied by FE Australia, while qualitative research is provided by Research IP.

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By leveraging the skills of specialists, Research IP is able to provide innovative and tailored financial services solutions to the market place. Client focused outcomes are underpinned by the belief that the role of business model innovation and accelerating technological change opens up new possibilities, to put client interests at the centre of the financial services industry focus, based on John Hagel's work on the possibilities for "Disruption by Trusted Advisors" and John Kay's "Other People's Money: Masters of the Universe or Servants of the People".



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