Thank you!

Thank you for taking the time to join us today. We really value the opportunity to meet with our clients, share our latest thinking and hear what matters to you.

It's impossible for us to answer all of your questions in this session so if you have a burning question please do contact us after the event.

This handout aims to capture some of the key points from today's session as well as provide answers to commonly asked questions submitted during roadshow registrations.

Lastly, thank you for your ongoing support of Fisher Funds — we really do appreciate it!

Carmel Fisher | **Managing Director, Fisher Funds**

DRAGONS' DEN

Our investing philosophy

We are a specialist investment manager and proud of it. Our investing philosophy is at the heart of what we do and every Fisher Funds client benefits from the same "best ideas", regardless of the particular fund or asset class you invest in. Whether you are a KiwiSaver member, a managed fund investor or a shareholder in Kingfish, Barramundi or Marlin, we invest your funds using the same time-tested approach. Here is a snapshot of how we think about investing:

Protecting and growing your wealth over the long term is our primary focus. This is our profession not just our business.

Our portfolio managers **hand-pick their investments one at a time** and research them fully before investing a dollar.

On top of our grass roots analysis, **our clients access our best big picture ideas** through asset allocation strategies that reflect our broader view of the world.

We know markets and prices are influenced by many things. **We focus on the factors that we can predict and understand,** like the quality, potential and competitive advantage of each of our investments.

We are investors not speculators. If we cannot make an informed judgement as to the value of an investment, we will wait until we can.

We insist on **quality** in each of our investments, be it shares in high quality companies or the bonds of stable governments.

The largest holdings in our portfolios will be the ones we like most, rather than the ones that happen to be the largest in the market.

We believe that **it is possible to beat the market by picking winners and avoiding losers.** Our experience confirms that outperformance is possible, but not at all times.

We believe there is no substitute for first hand research. We only invest in what we know and we strive to know more about our investments than others.

We understand the difference between price and value and we know that the market will get it wrong from time to time. **We rely on our own assessment of value,** rather than the market's view.

Our investing approach

While there are nuances with every portfolio we apply a time-tested, disciplined and consistent investing approach.

We use our own investment analysis model that we call **STEEPP** to analyse new and existing portfolio companies. This analysis gives each company a score against a number of criteria that we believe need to exist in a successful portfolio company. Every company gets a score out of five for each of the following criteria and companies are ranked according to their overall score.

S →	Strength of the Business	What is the company's competitive advantage? Is it sustainable? Is the company a market leader? Does it have a dominant position? A strong business is one that can maintain its profit margins by employing a unique strategy.
T →	Track Record	How has the company performed in the past? Has the company performed under the same management team? Has it grown organically or by acquisition? How did the company react during a downturn? Fisher Funds prefers to buy established companies that have executed well in the past.
E →	Earnings History	How fast has the company been able to grow its earnings in the past? How consistent has earnings growth been? We prefer to buy companies that exhibit secular growth characteristics where they have proven the ability to provide a high or improving return on invested capital.
E →	Future Earnings Growth Forecast	What is the company's earnings growth forecast over the next one to three years? What is the probability of achieving the forecast? What do we expect the company's earnings potential to be? We notice that too many analysts focus on short-term earnings. As long-term growth investors we think about where the company's earnings could be in three to five years.
P →	People / Management	Who is the management team and how long have they been in their roles? Who are the directors, what is their history with the company, and what do they bring to the board? What is the depth of management in the organisation and is there a succession plan for the key executive roles? Does the management team own shares in the business and how are they rewarded? Has the board and management exhibited good corporate behavior in the areas of environmental, social and governance considerations. For us, the quality of the company management and its corporate governance is of paramount importance.
P →	Price / Valuation	How much of the future earnings growth is already reflected in the share price? Where does the current share price sit in relation to our worst to best case valuation range? A company will generate a higher score where the market price currently reflects little of that company's upside potential.

Some commonly asked questions

How are you managing money in light of the current investing environment?

The short answer is: the same as we always have. After several years of strong positive performance, markets have certainly been more volatile over the last year due in part to "big picture" issues such as the Greece bailout, Chinese economic growth and the prospect of rising US interest rates. However, while economic and political developments can spur market volatility they are quite normal and something that we adjust for in managing your money.

While understanding, assessing and monitoring broad market themes is important, we don't let them distract us from our core job of building and managing portfolios for you.

At times of increased uncertainty, it becomes even more important to remain disciplined in our investment decision making and research efforts. We remain close to our investments and are actively managing the portfolios to ensure your savings are appropriately diversified.

Without dismissing these concerns entirely, there is always "noise" in the markets, so our focus remains on the bigger picture and the ways we can make a difference.

The NZ dollar has fallen significantly over the last year. Has this benefited your funds and what is your approach to managing currency?

The combination of falling dairy prices, lower interest rates and policy discussions regarding the overheated housing market have seen the Kiwi dollar weaken significantly against other major currencies over the last year.

For a number of years we have held the view that the Kiwi dollar was overvalued, particularly against the US dollar, and as a result your overseas investments have, by and large, benefited from the falling Kiwi dollar, being worth more when converted back to New Zealand dollars.

Of course, currency isn't always one way traffic and we can also face the prospect of a strengthening Kiwi dollar. One way we can minimise the negative impact of a strengthening Kiwi dollar relative to other currencies is to employ currency hedging which "locks in" the currency value of the time.

Decisions to hedge are made on a currency by currency basis and are actively managed. No two currencies have the same profile so we take a view on each of these currencies relative to the New Zealand dollar which dictates which currencies we hedge and by how much.

At the time of writing, hedges are in place across all offshore investments to varying degrees.

DRAGONS' DEN Q & A

Q Why have your KiwiSaver funds not performed as well as other KiwiSaver funds?

A The performance of the Fisher Funds KiwiSaver Scheme and Fisher Funds TWO KiwiSaver Scheme funds have not been as strong as we would have liked over the last year, and have lagged competing funds in their respective categories. While our KiwiSaver funds have generated positive returns in the past twelve months, and indeed over longer periods, they have not kept pace with competing funds as illustrated below.

	One Year Return*	Competitive Ranking	Range of Returns in Category
Fisher Funds KiwiSaver Scheme Conservative Fund	7.5%	#9 of 14 funds	5.8% — 9.6%
Fisher Funds TWO KiwiSaver Scheme Balanced Fund	8.2%	#16 of 18 funds	7.5% — 15.8%
Fisher Funds KiwiSaver Scheme Growth Fund	11.7%	#9 of 10 funds	9.3% — 23.6%

Source: Morningstar

** After fees and before tax return to 30 June 2015*

It is important to remember that we do not manage your funds in order to beat other KiwiSaver funds. We aim to achieve the best risk-adjusted returns that we can and we try to do better than the market overall over the long-term. Other KiwiSaver funds employ different strategies and investment approaches — sometimes they might perform better than us, while sometimes our strategies will achieve better returns. Looking back at how we have fared relative to competing KiwiSaver funds over the past eight years, we have been above average more often than we have been below average — 54% of the time in fact. We have spent more time (12 quarters out of 26) in the top 25% of competitors, but from time to time we have also found ourselves in the bottom 25% of competitors, as we do now.

Our underperformance in the last twelve months was largely the result of our New Zealand, Australian and International share portfolios lagging competing funds. The last year was more about what we *didn't* own than the investments we did own. Three significant and negative factors weighed on our performance.

The first is yield-chasing. In a low interest rate environment, investors have sought investments paying attractive yields. As a result, interest rate sensitive investments have performed very strongly with gentailers (energy companies) and listed property stocks performing better than the rest of the market in New Zealand; bank stocks paying high dividends beating the Australian share market; and yield stocks outperforming the typical growth companies we tend to favour in international markets. We owned less of these high yield investments than competing funds.

Secondly, in each of our share portfolios we also had a handful of disappointing stocks that cost us — none of them having a particularly large impact on their own, but they hurt performance nevertheless.

The third factor was our cash levels. From time to time during the last twelve months, we held higher cash levels than usual as we couldn't find attractive investments at prices we were prepared to pay. In months where markets perform positively, having excess cash in your portfolio becomes a drag on fund performance.

As a specialist investment manager, our sole focus is on generating strong investment returns for our clients. We don't expect to be the top performer at all times but we do seek to be among the top quartile of performers over the long-term. We have confidence in our investing approach and we look forward to our investment decisions yielding positive returns and propelling us higher up the leader board.

DRAGONS' DEN Q&A

What is your approach to ethical investing?

As you may appreciate ethical investing is a very complex area for us given we manage the savings of over 250,000 New Zealanders who have diverse views on a range of social, ethical and political issues. Our approach will not please everyone all of the time but we have to acknowledge that and find a way forward that fulfils our broad sense of mission as a business.

Our approach to date has been to avoid those areas that prove to be repugnant to a majority of our clients but to otherwise avoid making less clear ethical judgements on more ambiguous issues. Allied with this we seek to invest in businesses we regard as commercially sustainable and that will generate attractive long term returns for our investors.

What does mean in practice?

Firstly, we systematically avoid any investment in tobacco and arms manufacturing businesses. This is a blanket rule across all of our investment strategies. It can prove challenging to define these exactly because some companies have a wide range of business activities, but we focus on those end of chain manufacturers generating a majority of their revenues from the supply of arms.

Secondly, in our company research processes we focus on sustainability from an economic perspective. By definition this includes awareness of the social environment in which business operates. This is important given that socially unacceptable practices, for instance employment of child labour, may negatively influence the reputation of a business and prove to be a poor investment. To be clear, though, this is not an ethical judgement rather a judgement about what drives the long-term profit outlook for a business.

What we are finding is that company management are increasingly aware of environmental, social and governance issues and factor those into their decision making. We find that consistently good companies seldom achieve that status without satisfying their responsibilities to their employees, clients, community and environment.

Where are interest rates headed in New Zealand?

Most experts agree that interest rates in New Zealand are headed lower. The rate cuts are being made to ensure the New Zealand economy continues to grow in the face of falling dairy prices, a slowdown in the Christchurch rebuild and slow economic growth amongst our key trading partners. If you are borrowing money this obviously reduces the cost of servicing debt or allows you to borrow more — good news! However, this creates challenges for savers and those trying to earn an income from their savings in the bank.

Over the next 12 months you can expect to see the official cash rate cut anywhere between 0.25% and 0.75% which will flow directly through to both saving and borrowing rates. This clearly has implications for the savings strategies of many people. Of course, lower interest rates will lead to inflation rising at some point. Markets are currently expecting rates to rise again anywhere between 18 months and two years from now.

How can I get better returns than the bank without taking on too much risk?

This is a question we are increasingly getting from our clients who have been enjoying higher interest rates for many years. We are living in a low interest rate world and there is no sign that this is going to change anytime soon.

Keeping your money in the bank gives you certainty of return but inflation (rising prices) erodes already low returns and future spending power. While you can adapt your lifestyle and spending or consider working longer, there is good reason to consider alternatives to having all of your money in the bank.

The danger in a low interest rate world is that you end up taking on more risk than you're comfortable with. We're not suggesting that you "dial up" the amount of risk but it is generally accepted that everyone needs some growth assets in their investment portfolio to keep ahead of inflation. There is no right or wrong answer as to how much cash you should hold but what is important is looking at cash in the context of your overall portfolio.

> *"Diversification — the only free lunch in investing"*

We continue to believe that a diversified investment portfolio is essential to managing your exposure to the markets in a strategic and calculated manner. Effective diversification reduces risk by spreading your money across a range of different investments and can be a great way to smooth your investment returns.

A simple comparison of the recent returns delivered by our Conservative investment strategy with current bank deposit rates is a good way to demonstrate how this can work in practice. As many of you will know, term deposit rates are hovering around the 4% mark.

	1 year	2 years*	3 years*
Fisher Funds Conservative investment strategy	8.9%	7.7%	8.1%

**average annual returns after fees and before tax to 31 July 2015*

***past performance is not a guarantee of future returns*

The Fisher Funds Conservative strategy is predominantly invested in lower risk assets such as cash and fixed interest but can have up to 20% invested in growth assets like shares and property. This allocation to growth assets has given the strategy that extra bit of return but without significantly more risk.

Before you set off making any changes we recommend you start by understanding your money personality. What is your appetite for risk and what is your tolerance for ups and downs? It's only once you fully understand yourself as an investor that we can work with you to put a portfolio in place suitable for your investing goals and timeframe. We are happy to discuss your specific income requirements with you.

DRAGONS' DEN Q&A

What are my options with my KiwiSaver account when I turn 65?

Many people think that when they turn 65 they have to take their money out of KiwiSaver; that is not the case. You actually have a number of options that you can choose from to suit your situation.

You can:

1. Keep your money in your KiwiSaver account
2. Set up a regular withdrawal from your KiwiSaver account to supplement your pension or other retirement income sources
3. Withdraw some or all of your funds at any time
4. Use your KiwiSaver account as a one-stop shop to consolidate your retirement savings

While 65 is symbolic in many ways, there is no need to rush any decisions about what to do as once you close your KiwiSaver account it cannot be reopened. This is a great time to "take stock" of your KiwiSaver account and other financial affairs — our advisers can help you with this.

The reality is that most people are retired for a long time so having a clear investment strategy is important to ensure your savings can last the distance.

Keeping your money in your KiwiSaver account is actually a really good option. Here's why:

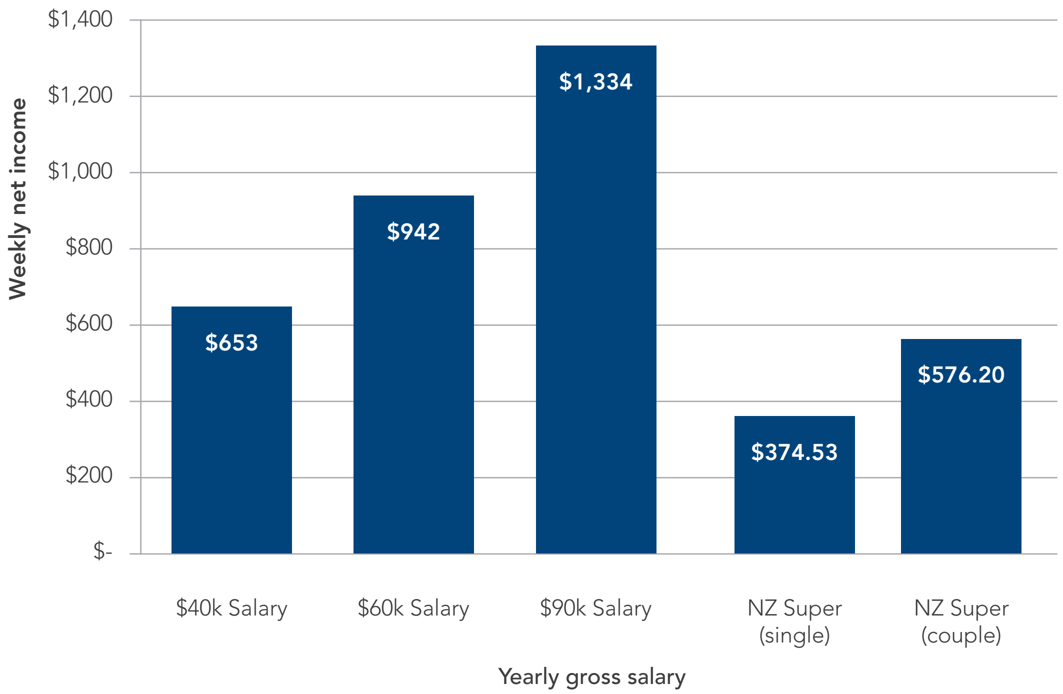
- ✓ KiwiSaver is a cost effective and tax effective investment option — it's a really good way to manage your money in retirement
- ✓ Ease of access — you can access your KiwiSaver savings at any time
- ✓ Diversification — not having all of your "eggs in one basket" — too many people have all of their money in the bank

DRAGONS' DEN Q & A

How much money do I need in retirement?

While everyone's situation is different, it pays to be prepared. The reality is we're living longer and generally entering retirement healthier than previous generations. As a result, we're more active and looking to make the most of retirement, particularly in the early years (65-75) — which comes at a cost. As the following chart shows, if you don't have a savings plan you could end up relying on New Zealand superannuation alone, and that may not be easy.

Current income vs NZ Super income



Did you know?

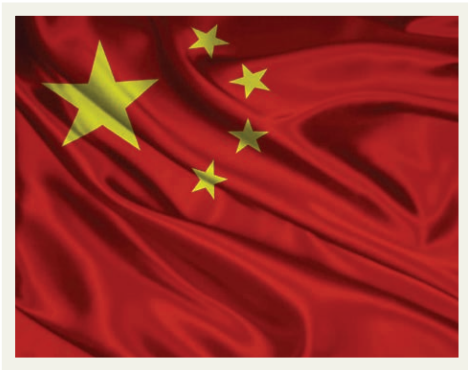
You would need $850,000 on term deposit to generate the same level of income a couple currently receives from NZ Super (assuming a rate of 4%)

DRAGONS' DEN Q&A

How important is China to the global economy?

In a word, very.

China is the world's second largest economy so we cannot ignore its overall significance. However, from a global growth perspective we wouldn't want to overplay China's role. China has boosted global growth by around 0.5% per annum over the last 10 years but while its contribution has been important it has not necessarily been the "growth engine" for the rest of the world. China has supplied the rest of the world with huge amounts of exports but their import demand has been slowing over time. A Chinese slowdown would mean lower import demand but the ratio of Chinese imports to global GDP is low at 3% and a significant amount of these imports are used in their manufacturing industry for later re-export. So a slowing Chinese economy is not necessarily a significant concern for the rest of the world.



China remains an important component of global growth and a dramatic slowdown (hard landing) would be problematic to the outlook for the world economy. However, the managed slowdown that is currently occurring, while proving difficult for certain sectors and economies, is not having a dramatic influence on global growth just yet. Furthermore, stronger activity in other parts of the world, especially the US, should ease concerns over China's slowdown. Even so, China's economic outlook and policy response is under the spotlight especially as it relates to the outlook for their currency, and further weakness would undermine activity in other countries trying to boost growth through weaker exchange rates.

How exposed is the New Zealand economy to the Auckland property market and falling dairy prices?

While they appear unrelated, both situations are the result of supply and demand imbalances.

The New Zealand economy has been one of the better performing economies in the wake of the global financial crisis (GFC). This has attracted pools of talent and capital with net migration the highest in a decade. Most of the new immigrants are settling in Auckland and we're also seeing internal migration from other parts of New Zealand. This has created unprecedented demand for housing from buyers and renters and supply can't keep up. While the government has taken action to free up land etc, building activity slowed significantly during the GFC and we just can't catch up quick enough.

Falling dairy prices exhibit all the hallmarks of a typical commodity cycle. Demand for milk increased driving prices up. Market participants increased supply to meet demand but the extra production resulted in a glut of milk leading to falling prices. Other factors like Chinese stockpiles and the freeing up of European trade restrictions have also helped create a perfect storm for dairy prices. The hit to farmers' incomes is real and will be felt throughout rural communities. It's going to be a tough road back and it may be some time before we see a return to the dizzying heights of a couple of years ago.

The Reserve Bank's role in navigating these events cannot be underestimated. Their core role is to keep the economy from running too hot or too cold. Their recent interest rate cuts were made to ensure the economy keeps growing.

One of the benefits of cutting interest rates is the weakening of the Kiwi dollar. This makes our exporters more competitive and it also makes their overseas earnings worth more when converting back to New Zealand dollars. The falling currency is also great for inbound tourism as it makes New Zealand a more attractive holiday destination.

While there are headwinds facing the New Zealand economy, we believe New Zealand is relatively well placed to handle these.

DRAGONS' DEN Q&A

Where is the Australian economy at and how is it influencing your investment strategy?

The Australian story hasn't changed much over the last couple of years — it is still struggling to replace the mining investment boom it enjoyed since the early 1990s. Conventional responses to stimulate the economy such as lowering interest rates have not yet worked their magic. Consumer and business confidence remain low so they are not spending and overall, income in Australia is not growing. This lack of spending obviously flows through to companies, negatively impacting short-term profits, putting pressure on share prices.

Share market conditions have been particularly tough since early this year and it's difficult to say how long this will continue. We do know weak prices present good buying opportunities so we are actively scoping the market for quality investments that may be mispriced.

The changes we've made to our Australian portfolios since mid 2014 have held us in good stead delivering positive returns ahead of the market. Our focus remains on having a core group of high quality companies in the portfolio that deliver stable earnings and to better diversify risk. This approach is seeing us invest in more larger cap companies than we have previously owned, not because they are large, but because their size operates as a barrier to entry for competitors which goes a long way to meeting our quality and growth investing criteria. That said, some of our better performers over the last year have been smaller companies which is the natural hunting ground for earnings growth.

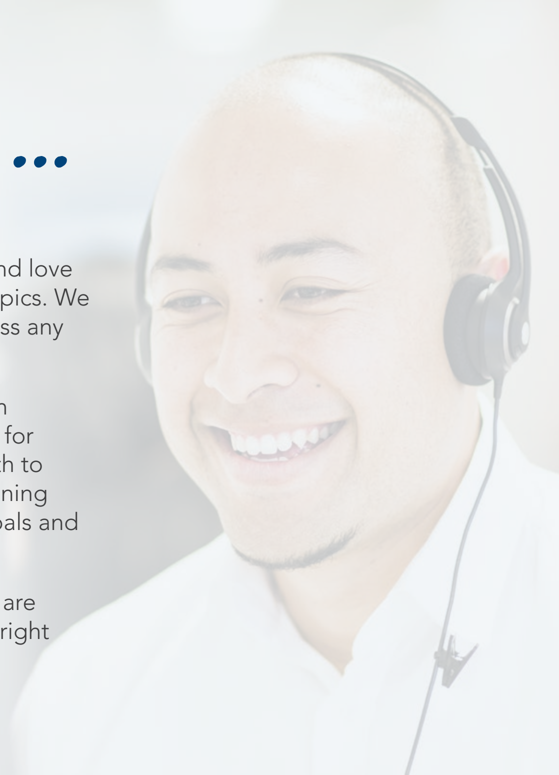
Yes, Australia faces short-term challenges but we think it's important to retain perspective. It has performed well over the long-term and it's time will come again.

We're here to help ...

We live and breathe investments and KiwiSaver every day and love nothing more than chatting to clients about our favourite topics. We encourage you to contact us at any time if you wish to discuss any aspect of your investments with us.

While we have a wide range of investment solutions that can cater for all client needs we can also help you with planning for your future. Our financial advisers will not promise you a path to riches based on a secret formula or magic ability to pick winning investments. But they will help you sort out your financial goals and work with you to develop a plan to achieve them.

Our advisers can give you confidence that your future plans are achievable, and if you are not on track, we can help put the right strategy in place (or come up with more reasonable goals).



'Twas the Eve of Retirement

'Twas the eve of my retirement and at the last count,
I had a tidy sum saved in my KiwiSaver account.
I've worked out a budget with all costs in mind,
And all my withdrawal forms dated and signed.

But is the money enough, over the years will it last?
In the past I've been known to spend up quite fast.
I called Fisher Funds and in a moment I knew,
With free advice and guidance they knew what to do.

In a flash they understood my objectives and goals,
Clarified my investments and put me in control.
Now my funds are invested how and where I want
And monthly I withdraw a chosen amount.

My KiwiSaver is still open and I do as I please
I can deposit and withdraw, whenever, with ease.
With this regular income and safety net,
Calling Fisher Funds at retirement is a sure bet.

They make investing profitable, enjoyable and fun
And for those who don't know, they'll get it done.
Start planning early, your retirement grows near,
Talk to Fisher Funds and you'll have their ear.

Tom Thurston
Client Relationship Manager, Fisher Funds

fisher funds | with you all the way...

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