

From: [s 9(2)(a)]
Sent: Tuesday, November 1, 2022 10:38 AM
To: Emma Bailey <EBailey@linz.govt.nz>
Cc: [s 9(2)(a)]
Subject: RE: Fisher Funds third party submission reproduced (in part) - CONFIDENTIAL

Hi Emma

Fisher Funds has provided the following responses to the issues raised by the submitter:

Customer outcomes

Submitter comment:

The submitter writes "[Fisher Funds make] uber profits and charge customers excessive and unjustified fees. For example, their growth fund had a recent charge of 2.51% last year compared to [Kiwi Wealth's] 1.12% (and well above Growth fund average) <https://mindfulmoney.nz/kiwisaver/checker/>

Additionally, their performance fees are based on a fictitious benchmark. See in the table below where the 2.51% that they have charged results in performance fees of c\$77m but actual based on a sub-par return for investors.

No doubt the FMA will be looking at this closely shortly. I believe an independent expert would be able to review the performance fees and find them unjustifiable. These behaviors and outcomes will continue and grow with the purchase of [Kiwi Wealth] by [Fisher Funds]."

Fisher Funds response:

The Fisher Funds KiwiSaver Growth Fund charges members an annual fee of 1.03% and a potential performance fee that is designed to reward performance over a certain performance benchmark.

The 2.51% total fee the submitter refers to relates to the year ended 31 March 2021. During this period the Fisher Funds KiwiSaver Growth Fund delivered our members an impressive after fees performance of 29.19%.

The Fisher Funds KiwiSaver Growth Fund performance fee is only payable should the fund generate a return that is in excess of the Official Cash Rate plus 5% per annum (1 July to 30 June). Noting that any performance fee payable is 10% of that excess return and is capped at 2%. Fisher Funds applies this benchmark as recognition that retail investors generally compare investing with prevailing levels of interest rates, with an additional 5% performance hurdle to reflect an additional risk premium of investing outside of cash.

We are upfront about our performance fees and how they are structured and are constantly working to make them more transparent.

As we're largely owned by the Toi Foundation, most of any profits resulting from the performance fee go towards supporting community and charitable efforts in New Zealand. During the past financial year Fisher Funds paid \$56.1 million to the Toi Foundation in dividends.

Fisher Funds is a Managed Investment Scheme Licence holder and will participate in the FMA Value for Money assessment early next year. This assessment considers a number of areas, including fees charged, investment style as well as value added through meaningful regular member engagement.

Both Fisher Funds KiwiSaver Schemes have recently been recognised as 'outstanding value for money' by Canstar (for the third year running) and Super Ratings also recognised our scheme as 'Platinum value for money'.

We absolutely stand by our clients receiving very good value for money from our products and service.

Staff outcomes

Submitter comment:

The submitter writes "Being profit driven means [Fisher Funds] will be driving job losses as soon as possible to justify and enhance excess profits through to TA associates. They have already used words like "duplication", synergies" and "rationalization" and estimates are that there will be at least 100 job losses (of the approx. 200 KW staff)."

The submitter has cited the following source "source rnz.co.nz - McLachlan said the two firms were complementary and it would be business as usual in the near term at least, but there would be some job losses as the two integrated. "There is duplication and because of that there will be some roles that go..."

[Fisher Funds'] attempt to purchase [Kiwi Wealth] is backed by TA associates, an American Private Equity firm. Their purpose (and [Fisher Funds']) is to maximize profit. I believe they have taken this to the extreme and their activities are detrimental to customers and employment in NZ and therefore the deal is a poor outcome."

Fisher Funds response:

Fisher Funds is majority owned by Toi Foundation (56% Toi Foundation Investments Limited and 10% Toi Foundation Holdings Limited), a philanthropic organisation. The remaining 34% is owned by an entity associated with TA Associates (a Boston headquartered private equity firm).

Fisher Funds stated mission is to make investing understandable, enjoyable and profitable for NZ investors. As a privately owned company, Fisher Funds also delivers a return for our shareholders in the form of dividends.

In terms of the proposed Kiwi Wealth acquisition, Fisher Funds remains focused on delivering favourable client outcomes. The integration of both companies provides the scale for appropriate investment in digital and technological solutions that will enhance the ways members can engage with Fisher Funds. As the two businesses gradually integrate operations, there will be duplication of functions and improvements in efficiencies that are realised. The combined entity will be servicing over 500,000 investors, and this will be delivered with a larger advice and client service capability than currently exists within Fisher Funds.

The full quote as referenced by the submitter from rnz.co.nz was ""There is duplication and because of that there will be some roles that go, but it's not a cost out exercise ... a significant number of Kiwi Wealth team will be retained as will a material Wellington presence, that's our promise and that's what we'll deliver." Fisher Funds stands by this statement.

Please let us know if you have any further queries or require any further information in respect of these or any other issues – Fisher Funds is happy to assist.

Kind regards

(s 9(2)(a))

[s 9(2)(a)]

Russell McVeagh, Vero Centre, 48 Shortland Street, PO Box 8, Auckland 1140, New Zealand

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[s 9(2)(a)]

www.russellmcveagh.com

From: Emma Bailey <EBailey@linz.govt.nz>

Sent: Monday, 31 October 2022 12:07 pm

To: [s 9(2)(a)]

Subject: Fisher Funds third party submission reproduced (in part) - CONFIDENTIAL

Hi [s 9(2)(a)]

As discussed, we have received a third party submission in relation to Fisher Funds Management Limited's acquisition of Kiwi Wealth Management Limited. The submitter wishes to remain anonymous and I have reproduced the relevant parts of their email correspondence below to enable you to provide a response on behalf of your client. The submitter notes that their comments are based on information that is in the public domain, however we ask that you and your client maintain the confidentiality of the submission.

Once your client has made comments on the submission, we will consider whether any of the points raised in the submission are relevant to the applications and the matters that are required to be considered in deciding the application. The decision maker for the application for the proposed transaction will receive a copy of the submission and the applicant's comments about the submission.

The submitter has identified two areas of concern:

- (1) Customer outcomes; and
- (2) Kiwi Wealth staff outcomes.

Customer outcomes

The submitter writes "[Fisher Funds make] uber profits and charge customers excessive and unjustified fees. For example, their growth fund had a recent charge of 2.51% last year compared to [Kiwi Wealth's] 1.12% (and well above Growth fund average) <https://mindfulmoney.nz/kiwisaver/checker/>

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I look forward to receiving your client's comments and please let me know if you have any questions.

Many thanks

Emma

Emma Bailey

Solicitor

Overseas Investment Office

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