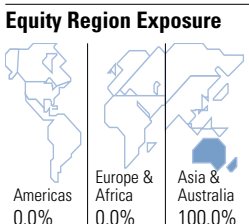
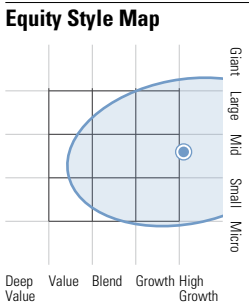


Harbour Australasian Equity

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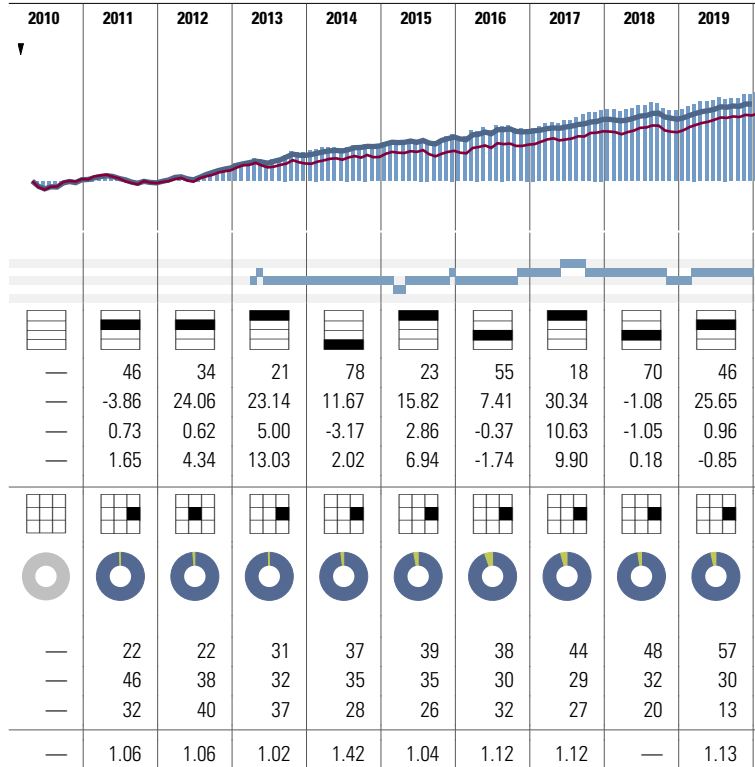
Morningstar Analyst Rating
Gold

Morningstar Category Equity Region Australasia	Category Index Cat 50% S&P/NZX 50 &50% S&P/ASX 200	Total Assets 295 Mil NZD	Inception Date 15/01/10	Domicile NZL	Currency NZD	Morningstar Rating ★★★★
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People

Andrew Bascand	02/10
Total Named Managers	1



Performance 31/01/20

Growth of 10,000 Annualized NZD	Value NZD	Ret %
Fund	34,515	13.54
Category	—	—
Index	25,868	10.23

▼ Full Manager Change

Morningstar Rating
★★★★★
★★★★
★★★
★★
★

Quartile Rank in Category

Percentile Rank in Category

Total Return NZD

+/- Category

+/- Index

Process

Equity Style Box

Asset Allocation (Long Positions)

- Equity
- Cash
- Fixed Interest
- Other

Equity Supersectors

- Defensive
- Sensitive
- Cyclical

Price Expense Ratio (MER)

Continues to impress with a proven investment process and strong leadership.

Analyst View

Ross MacMillan
Senior Analyst

Morningstar Analyst Rating **Gold**

Morningstar Pillars

Process Page 2-3	Positive
Performance Page 4	Positive
People Page 5	Positive
Parent Page 6	Positive
Price Page 7	Positive

Role in Portfolio: Core

Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum



Mar 01, 2019 | Harbour Australasian Equity continues to receive our highest conviction, thanks to its strong investment team, detailed investment process, and well-considered portfolio construction methodology.

Harbour Asset Management was established in 2010, and the knowledgeable Andrew Bascand has been the chief executive officer, portfolio manager, and key decision-maker since inception. He is ably supported by an impressive equities' investment team, which includes a head of equities, head of research, two portfolio managers, a senior research analyst, and two investment analysts. In addition, Harbour employs three fixed-income professionals and a multi-asset specialist. The team endeavours to be the market leader for investment process, portfolio construction, client communication, and investor engagement. This has largely been initiated by Bascand, and we believe it only strengthens the already compelling case for the strategy.

The investment process is repeatable and rigorously applied, incorporating quantitative

and fundamental bottom-up company analysis. Positively, the detailed investment process has proven its worth through the economic cycle, but Bascand and the team continually monitor the appropriateness of each step and are not averse to introducing enhancements. The team is also not averse to including mid-to-small-cap growth stocks in the portfolio, if the company meets their strict criteria, to provide an additional boost to performance. Portfolio construction is a qualitative process, with consideration given to liquidity and analyst conviction, but ultimately decided upon by the portfolio manager. The resulting relatively high-conviction growth-orientated portfolio of 35-50 stocks can experience significant performance volatility, particularly owing to the high levels (25%-30%) of assets under management in the top three stock exposures (A2 Milk, Mainfreight, and Spark New Zealand as at 31 Dec 2018).

We continue to believe that Harbour Australasian Equities is among the best Australasian equities strategies in the market.

Harbour Australasian Equity

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Morningstar Analyst Rating
 **Gold**

Process: Approach

Morningstar Category
Equity Region Australasia

Category Index
Cat 50% S&P/NZX 50 &50% S&P/ASX 200

Index Proxy
—

Quantitative modelling and fundamental analyst research combine for a proven process.

Process Pillar + Positive

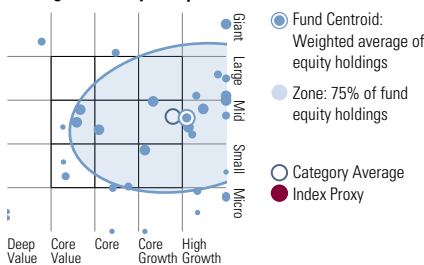
Mar 01, 2019 | Harbour runs a largely quantitative approach to identify stocks whose earnings may grow faster than consensus expectations. The team scans the New Zealand market and top 200 ASX-listed companies for stocks fitting this bill. A six-factor quantitative model encompasses factors such as earnings revisions, earnings mo-

mentum, return on equity, change in return on equity, and quality. Corporate behaviour is a consideration, with increasing importance placed on environmental, social, and governance factors. The most important input is the qualitative analyst rating assigned to each stock. Analysts look at growth prospects, management, and industry structure to identify where their forecasts differ from the consensus. Pleasingly, Harbour consistently carries out research to enhance and develop factors for the quantitative process. The output from all seven factors places stocks in a

traffic-light ranking model, the top 30% earning a green light. These make up most of the portfolio. Portfolio construction is a qualitative process, considering liquidity and analyst conviction to determine stock weightings, decided by the portfolio manager in conjunction with the analysts. Turnover can be higher than the peer group, normally averaging between 60% and 110% per year, while Australian-dollar exposure is actively hedged.

Equity Style 31/12/19

Holdings-Based Style Map



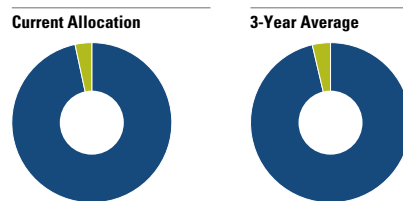
Equity Style Box Factors

Market Cap	Fund	3-Yr Avg	Category	Proxy
Giant/Large	25.4	21.0	29.3	—
Mid	53.4	54.8	49.3	—
Small/Micro	21.2	24.2	21.4	—
Avg Market Cap Bil NZD	6.1	4.4	6.3	—

Value Measures	Fund	3-Yr Avg	Category	Proxy
Price/Prospect. Earnings	25.2	21.0	24.2	—
Price/Book	3.0	2.6	2.5	—
Price/Sales	2.7	2.3	2.2	—
Price/Cash Flow	15.0	11.5	12.3	—
Dividend Yield	2.4	3.4	2.8	—

Growth Measures	Fund	3-Yr Avg	Category	Proxy
Long-Term Earnings %	9.6	12.2	8.7	—
Historical Earnings %	11.8	11.4	4.6	—
Sales %	4.9	3.5	4.6	—
Cash Flow %	9.8	7.9	2.3	—
Book-Value %	8.0	6.6	2.5	—

Asset Allocation (Net Positions) 31/12/19



Assets %	Fund	3-Yr Avg	Category	Proxy
● Australasian Equity	96.6	96.3	0.0	0.0
● International Equity	0.0	0.0	0.0	0.0
● New Zealand Fixed Income	0.0	0.0	0.0	0.0
● International Fixed Income	0.0	0.0	0.0	0.0
● Cash	3.4	3.7	0.0	0.0
● Other	0.0	0.0	0.0	0.0

Region Exposure 31/12/19

Market Type Equity %	Fund	3-Yr Avg	Category	Proxy
Developed	100.0	98.4	100.0	—
Emerging	0.0	1.6	0.0	—

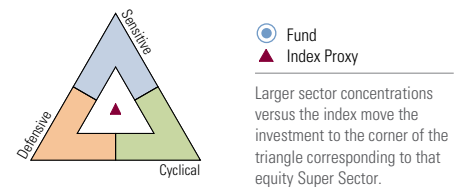
Top 5 Countries Equity %	Fund	3-Yr Avg	Category	Proxy
New Zealand	83.4	77.8	69.6	—
Australia	16.6	18.0	28.8	—

Key Ratios 31/12/19

	Fund	3-Yr Avg	Category	Proxy
Net Margin %	26.4	22.2	22.4	—
ROA %	11.8	11.0	10.2	—
Debt/Total Capital %	33.2	29.6	33.5	—
ROE %	21.1	20.6	18.4	—

Sectors 31/12/19

Sector Delta



Equity Sectors	Fund	3-Yr Avg	Category	Proxy
Defensive	57.2	47.3	45.2	—
Consumer Defensive	17.8	16.8	11.8	—
Healthcare	28.8	22.1	21.4	—
Utilities	10.7	8.4	11.9	—
Sensitive	30.0	32.2	32.7	—
Communication Serv.	9.3	7.4	9.3	—
Energy	0.0	1.6	1.9	—
Industrials	12.5	14.4	14.6	—
Technology	8.2	8.8	7.0	—
Cyclical	12.8	20.6	22.1	—
Basic Materials	2.7	6.3	5.7	—
Consumer Cyclical	3.0	4.7	4.0	—
Financial Services	4.4	7.7	7.3	—
Real Estate	2.7	1.9	5.1	—

Economic Moat 31/12/19

	Fund	3-Yr Avg	Category	Proxy
Wide Moat	7.4	9.1	11.3	—
Narrow Moat	77.1	61.6	68.2	—
No Moat	15.5	29.3	20.5	—
Coverage Ratio	79.0	70.4	79.6	—

Harbour Australasian Equity

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Process: Portfolio

Morningstar Category
Equity Region Australasia

Category Index
Cat 50% S&P/NZX 50 &50%
S&P/ASX 200

Index Proxy
—

A growth orientation but with a solid base of quality large- to mid-cap stocks.

Process Pillar + Positive

Mar 01, 2019 | Harbour Australasian Equity is a predominantly New Zealand-domiciled strategy, with investment in Australian stocks typically just 25%-30% of the portfolio (limited to 40%). However, the team is attracted to companies that source their earnings from abroad, where they believe the growth opportunity set is much greater.

This is reflected in holdings such as Fisher & Paykel Healthcare, Oil Search, and A2 Milk. The portfolio is well-diversified and will typically hold 35-50 stocks but has a solid core of large- to mid-cap stocks, including Fletcher Building, Macquarie Group, CSL, Mainfreight, and Auckland International Airport. The S&P/NZX 50 Index is used as a base when constructing the portfolio, although conviction will be expressed when it is strong; around 15% of funds under management were invested in A2 Milk as at 31 Dec 2018. Given the investment process, the portfolio largely contains

growth and cyclical stocks across the market-cap spectrum, including technology company Vista Group International and clothing retailer Kathmandu Holdings.

Australasian equities can make up a significant part of a well-diversified portfolio. This strategy is suitable as a core Trans-Tasman equities holding, although we recommend complementing it with an Australian-focused investment given the New Zealand bias adopted by the strategy.

Similarity to Index Proxy 31/12/19

Index Proxy Overlap	Number of Equity Holdings
Fund	33
Index Proxy	—
Fund Overlap With Index Proxy	
Holdings Overlap	—
Asset Overlap	—

Top Five Index Holdings

	Fund %	Proxy %
Healthcare	28.76	—
Consumer Defensive	17.80	—
Industrials	12.55	—
Utilities	10.65	—
Communication Serv.	9.30	—

Top Five Index Sectors

	Fund %	Proxy %
Healthcare	28.76	—
Consumer Defensive	17.80	—
Industrials	12.55	—
Utilities	10.65	—
Communication Serv.	9.30	—

Portfolio Holdings 31/12/19

Previous Portfolio Date	Equity Holdings	Bond Holdings	Other Holdings	Assets in Top 10 Holdings	Turnover Ratio (Reported)
30/11/19	33	0	2	62%	62%

Top 10 Equity Holdings	Country	Assets % 31/12/19	Assets % 30/11/19	Index % 31/12/19	Days Trading	Morningstar Rating for Stocks	Economic Moat	Sector	1-Yr Total Ret % (NZD)
⊖ The a2 Milk Co Ltd	NZL	13.29	13.61	—	1	★★★	Narrow	Consumer Defensive	18.20
⊖ Mainfreight Ltd	NZL	7.26	7.32	—	14	—	—	Industrials	33.52
⊖ Spark New Zealand Ltd	NZL	6.51	8.92	—	4	★★	Narrow	Communication Serv.	21.09
⊕ Ryman Healthcare Ltd	NZL	6.50	4.77	—	6	★★	Narrow	Healthcare	59.58
⊖ Fisher & Paykel Healthcare Corp Ltd	NZL	5.95	6.22	—	3	★	Narrow	Healthcare	87.54
⊖ Contact Energy Ltd	NZL	5.90	6.26	—	5	★★	Narrow	Utilities	29.64
Summerset Group Holdings Ltd	NZL	5.36	4.58	—	12	—	—	Healthcare	48.22
⊖ Auckland International Airport Ltd	NZL	4.46	5.31	—	2	★★	Wide	Industrials	20.71
⊕ Ebos Group Ltd	NZL	3.99	3.56	—	11	★★	Narrow	Healthcare	13.25
⊖ CSL Ltd	AUS	3.20	3.40	—	<1	★★	Narrow	Healthcare	59.04

Change since previous portfolio: ⊕ Increase ⊖ Decrease ✨ New

Harbour Australasian Equity

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Performance

Morningstar Category
Equity Region Australasia

Category Index
Cat 50% S&P/NZX 50
&50% S&P/ASX 200

Solid long-term performance, but beware of volatility owing to the growth bias.

Performance Pillar + Positive

Mar 01, 2019 | Harbour Australasian Equity has been a strong performer since its April 2010 launch, ahead of the peer group and the 50:50 New Zealand and Australian category index over this time. Performance has been solid, particularly when viewed in terms of three- and five-year trailing returns, with the strategy outperforming

the category index and most Morningstar Category peers. However, investors should be aware that, given the solid growth bias, periods of under- and outperformance are common and reflected in volatility since inception.

Performance in 2011 and 2012 was solid as the fund outperformed the index and peer average. But 2013 and 2015 were the banner years for the firm, with strong performance across the board, with overweightings to established core stocks including Fletcher Building adding meaningful value. In 2015, attribution also came from

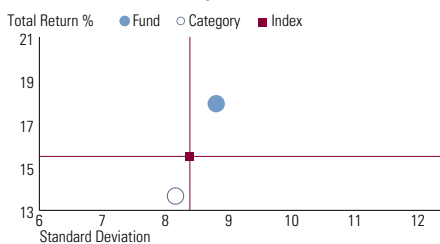
Australian financials Challenger and Macquarie. Unfortunately, the strategy's performance in 2014 and 2016 was relatively subdued as the growth sectors cooled and value stocks returned to favour, with Harbour's returns trailing the peer average (and slipping behind the index in 2016). However, the fund bounced back very strongly in 2017, thanks largely to A2 Milk and Fisher & Paykel Healthcare. 2018 was slightly disappointing, with the strategy just beating the index and falling behind most peers.

Morningstar Rating and Risk 31/01/20

Period	Total Ret %	Morningstar Ret vs Cat	Morningstar Risk vs Cat	Morningstar Rating
3 Years	17.92	Above Avg	Above Avg	★★★★
5 Years	15.01	Above Avg	High	★★★★
10 Years	—	—	—	—
Overall Morningstar Rating				★★★★

Risk Analysis 31/01/20

3-Year Return and Risk Analysis



3-Year Risk Measures

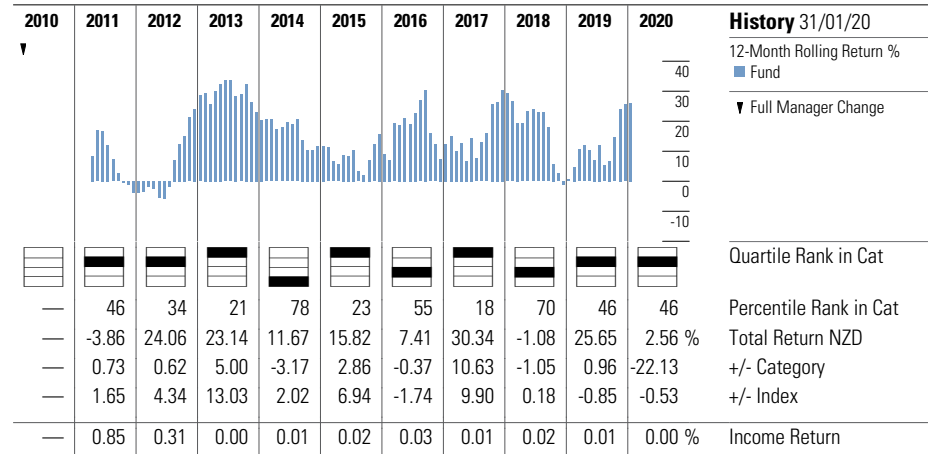
	Fund	Category	Index
Standard Deviation	8.80	8.16	8.39
Sharpe Ratio	1.75	1.44	—
R-Squared	76.75	59.62	—
Beta	0.92	0.73	—
Alpha	3.22	2.55	—

Max Drawdown 01/05/10 to 31/01/20

	Fund	Category	Index
Max Drawdown (%)	-10.88	—	-12.78
Peak Date	09/18	—	05/11
Valley Date	12/18	—	09/11
Max Drawdown (Months)	4	—	5

Upside/Downside 01/05/10 to 31/01/20

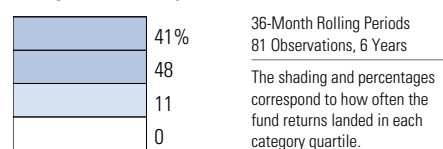
	Fund	Category	Index
Upside Capture Ratio	101.55	—	100.00
Downside Capture Ratio	73.17	—	100.00



Returns 31/01/20

	Total Ret %	Investor Ret %	% Rank in Cat	Cat Ret %	Index Ret %
1 Year	26.06	26.04	46	24.69	26.63
3 Years	17.92	17.43	19	13.66	15.49
5 Years	15.01	15.17	16	12.45	12.02
10 Years	—	—	—	12.10	10.59
Tenure 02/10	13.41	—	—	—	10.59
Inception 01/10	13.41	—	—	—	10.00

Rolling Return Summary



Calendar Year Returns

Year	Fund %	Category	Index %
2016	7.41	7.78	9.15
2017	30.34	19.71	20.44
2018	-1.08	-0.03	-1.25
2019	25.65	24.69	26.50
01/20	2.56	24.69	3.10

Harbour Australasian Equity

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Morningstar Analyst Rating
 Gold

People

Morningstar Category
Equity Region Australasia

Category Index
Cat 50% S&P/NZX 50
&50% S&P/ASX 200

The breadth and depth of this team win our conviction.

People Pillar Positive

Mar 01, 2019 | Harbour's equities investment team is an eight-person group led by portfolio manager Andrew Bascand, who was instrumental in establishing Harbour in 2010 after a decade at AllianceBernstein. He is an impressive investor and, pleasingly, he continues to shed managerial responsibilities to focus on investments. Before

joining Alliance in 2000, Bascand led the asset-allocation and quantitative processes for Merrill Lynch Investment Management's London-based global equities group. He is supported by head of equities Craig Stent and portfolio manager Shane Solly, both well-respected investors in their own right. The trio makes for a formidable partnership. Stent has worked with Bascand since 2002, while Solly joined the shop in 2014 from Mint Asset Management, where he built an impressive record managing a similar strategy. Head of equity research Kevin Bennett, senior research analyst

Oyvinn Rimer, and portfolio manager Susanna Lee, along with two investment analysts, round out the team, with sector responsibilities split across the group. We are attracted by the experience and longevity in tenure across the team. Staff departures are few and far between, the last being the departure of investment strategist Darryl Briggs in 2014. Development of junior members is a priority for senior leaders, thereby promoting stability.

Management Team

Number of Managers	Longest Tenure
1	10.00 Years

Advisor

Harbour Asset Management Limited

Subadvisor (0 of 0)

Andrew Bascand 02/10 to Present

Years of Experience	Current Funds Managed	Fund AUM
36	1	295 Mil NZD

Largest Funds Managed

	Tenure Dates	Role	Net Assets Mil NZD	Portfolio Turnover %	Tenure Ret %	Index Ret %
Harbour Australasian Equity	02/10-to Present	Lead	295	96	13.41	10.59

Harbour Australasian Equity

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Morningstar Analyst Rating


Parent

Morningstar Category

Equity Region Australasia

Category Index
Cat 50% S&P/NZX 50
&50% S&P/ASX 200

A strong and steady steward.

Parent Pillar
 Positive

Feb 25, 2019 | Harbour Asset Management is a boutique equities and fixed-interest investment house that has evolved from Alliance Bernstein. As at 31 December 2018, the shop managed NZD 4.2 billion. The shop was officially set up in 2010 as an equities house following the dissolution of AB's NZ business, with FNZC funding the initial

establishment costs. Fixed interest capability was added in 2011, which was a sensible and measured rollout. FNZC still owns 76% of the business, though we expect this to be diluted in the future, as staff continues to buy into new shares offered as part of the compensation package. An independent board promotes separation between the two entities. We are attracted by the alignment of interests between the investments team and unitholders through significant investment in the funds, while a long-term equity scheme promotes stability within the team. Investment team mem-




bers are remunerated based on qualitative measures and their stock picks, but we would prefer greater consideration given to long-term performance of the funds. Nonetheless, the structure is appropriate and part of the cash bonus goes into the funds--this is industry best practice. Harbour sets the standard in the local industry for transparency, disclosure, and investor engagement. In our view, Harbour is one of the strongest stewards of investor money in NZ.

Fund Family Details

Largest Funds	Category Name	Net Assets Mil NZD	Morningstar Rating Overall	Return % 3-Year	Rank in Cat % 3-Year	Return % 5-Year	Rank in Cat % 5-Year	Fee Level
Harbour NZ Corporate Bond	NZ Bonds	432.2	★★★	4.79	54	4.39	52	—
Harbour Australasian Equity	Equity Region Australasia	294.7	★★★★	17.92	19	15.01	16	—
Harbour NZ Equity Advanced Beta Fund	Equity Region NZ	277.3	★★	16.07	78	13.60	80	—
Harbour NZ Core Fixed Interest	NZ Bonds	173.4	★★★	4.73	67	4.43	62	—
Harbour Enhanced Cash	Cash	144.8	—	—	—	—	—	—

Best Performing Funds	Category Name	Net Assets Mil NZD	Morningstar Rating Overall	Return % 3-Year	Rank in Cat % 3-Year	Return % 5-Year	Rank in Cat % 5-Year	Fee Level
Harbour Australasian Equity Focus Fund	Equity Region Australasia	16.3	★★★★	18.78	15	15.31	11	—
Harbour Australasian Equity	Equity Region Australasia	294.7	★★★★	17.92	19	15.01	16	—
Harbour Income	Multisector - Moderate	137.5	★★★★	7.13	34	—	—	—
Harbour NZ Corporate Bond	NZ Bonds	432.2	★★★	4.79	54	4.39	52	—
Harbour NZ Core Fixed Interest	NZ Bonds	173.4	★★★	4.73	67	4.43	62	—

Worst Performing Funds	Category Name	Net Assets Mil NZD	Morningstar Rating Overall	Return % 3-Year	Rank in Cat % 3-Year	Return % 5-Year	Rank in Cat % 5-Year	Fee Level
Harbour Australasian Equity Income	Equity Region Australasia	52.5	★★	12.19	80	9.43	87	—
Harbour NZ Equity Advanced Beta Fund	Equity Region NZ	277.3	★★	16.07	78	13.60	80	—
Harbour NZ Core Fixed Interest	NZ Bonds	173.4	★★★	4.73	67	4.43	62	—
Harbour NZ Corporate Bond	NZ Bonds	432.2	★★★	4.79	54	4.39	52	—
Harbour Income	Multisector - Moderate	137.5	★★★★	7.13	34	—	—	—

Top Analyst Rated Funds	Category Name	Net Assets Mil NZD	Morningstar Analyst Rating	Return % 3-Year	Rank in Cat % 3-Year	Return % 5-Year	Rank in Cat % 5-Year	Fee Level
Harbour Australasian Equity	Equity Region Australasia	294.7		17.92	19	15.01	16	—
Harbour NZ Core Fixed Interest	NZ Bonds	173.4		4.73	67	4.43	62	—
Harbour Australasian Equity Income	Equity Region Australasia	52.5		12.19	80	9.43	87	—
Harbour NZ Corporate Bond	NZ Bonds	432.2	Neutral	4.79	54	4.39	52	—

Most Recent Fund Launches	Category Name	Net Assets Mil NZD	Inception Date	Total Return % Since Inception	MER	Fee Level
Harbour Active Growth	Multisector - Growth	6.7	2019-11-01	4.01	0.95	—
Harbour Enhanced Cash	Cash	144.8	2019-08-01	—	0.25	—
Harbour Long Short	Miscellaneous	1.8	2019-01-01	6.55	1.43	—
Harbour Real Estate Investment	Equity Sector NZ - Real Estate	17.1	2018-10-01	25.65	0.72	—
Harbour Income	Multisector - Moderate	137.5	2015-10-21	5.98	0.67	—

Harbour Australasian Equity

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Price

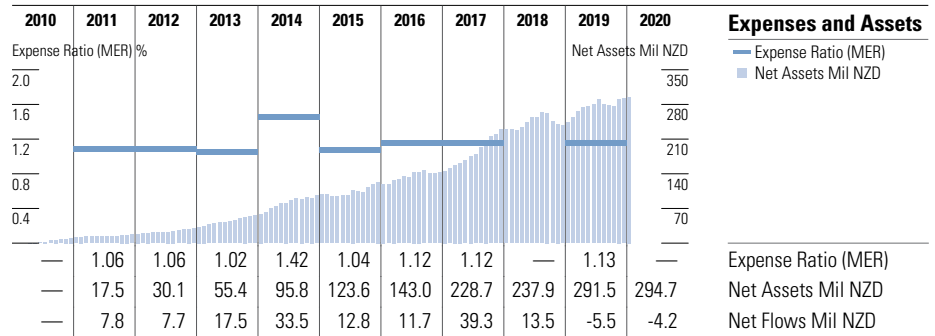
Morningstar Category
Equity Region Australasia

Category Index
Cat 50% S&P/NZX 50
&50% S&P/ASX 200

A competitive management fee and well-structured performance fee.

Price Pillar + Positive

Mar 01, 2019 | Harbour Australasian Equity's management fee of 0.92% per year (plus GST) is competitive within the Australasian equities peer group. Other charges estimated at 0.18% (plus GST) are also charged. These other charges cover the general management of a fund. In addition, Harbour levies a performance fee of 10.0% on net outperformance of the equity benchmark (S&P/NZX 50 Index) plus 1%, including a perpetual high-water mark. The performance fee is also capped, and we believe this follows best practice.



Expense Breakdown

Management Expense Ratio (MER)	
Annual Report 31/03/19	1.13
Performance Fee	
Actual Performance Fee	N. Ap
Hurdle	N. Ap
High Watermark	N. Ap
Selected Components	
Max Management	0.93
Tax Cost Ratio (3-Year)	0.690

Fee Level

Fee Level	Peer Group
—	—
Fee Level Breakpoints	
High	>0.00
Above Average	0.00-0.00
Average	0.00-0.00
Below Average	0.00-0.00
Low	<0.00
◀ Fund	—
◀ Peer Median	—

Share Class Information Largest 1 of 1

Share Class	APIR	Category Name	Fee Level	MER	Fees (Max) — Mgmt Admin	Minimum Initial Inv	Assets Mil NZD	1-Yr Flow Mil NZD
Harbour Australasian Equity	—	Equity Region Australasia	—	1.13	0.93 —	25,000	291.61	-9.73

Morningstar Global Fund Report Disclosure

Currency

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- the process by which products are selected for coverage,
- the filters and research methodology applied, and
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Morningstar.com.au subscribers

Tel: 1800 03 44 55

Email: help.au@morningstar.com

Advisers/Institutions/Others

Tel: +61 2 9276 4446

Email: helpdesk.au@morningstar.com