Qualitative Fund Research

Harbour Long Short Fund

1 December 2022

The views and opinions in this document are considered valid from one year from the date published.

Qualitative Fund Research Contents

Research Factor Weighting

Research Process Category	Model Factor Weight	Analyst Average Score	Maximum Factor Score
Corporate & Investment Governance	15%	3.75	/ 5
Investment Philosophy & Process	20%	3.80	/ 5
People	25%	4.33	/ 5
Portfolio Construction & Implementation	15%	3.50	/ 5
Risk Management	15%	3.90	/ 5
Investment Fees	10%	3.14	/ 5
Overall Average Score		**3.83**	**/ 5**

What We Look At?

The qualitative rating of a fund is a function of the Research IP Research Factor Weighting process, which incorporates the following:

Meet the Manager

Harbour Asset Management Limited (Harbour, the Manager) formed in December 2009 and commenced operations in January 2010. Harbour is principally owned by Jarden Ltd (Jarden), at 76.3% and the balance being owned by Harbour employees. Harbour states it is a well-resourced New Zealand based investment manager with extensive professional investment experience managing funds.

Harbour has a group wide investment philosophy, based around consistency, processes and people. Harbour operates a governance framework that is overseen by an experienced Board which includes three independent directors. Harbour provides full transparency and independence around the investing and management of clients' money.

Harbour is a signatory to the United Nations Principles of Responsible Investment (UNPRI). They also believe that ESG (environmental, social and governance) considerations play a central role in Harbour's investment philosophy.

Harbour manages fifteen retail funds, including:

- Harbour Australasian Equity Fund
- Harbour Income Fund
- Harbour Australasian Equity Income Fund
- Harbour Australasian Equity Focus Fund
- Harbour NZ Index Shares Fund
- Harbour Sustainable NZ Shares Fund
- Harbour NZ Core Fixed Interest Fund
- Harbour Corporate Bond Fund
- Harbour T. Rowe Price Global Equity Growth Fund
- Harbour T. Rowe Price Global Equity Growth Fund (Hedged)
- Harbour Real Estate Investment Fund
- Harbour Long Short Fund
- Harbour Active Growth Fund
- Harbour Sustainable Impact Fund
- Harbour Enhanced Cash Fund

Access the full range of investment options here.

Key Takeouts

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

Quantitative Tear Sheet - *https://platform.research-ip.com/funds/68538489*
Platform is FREE to access via registration – performance data updated monthly.
Factsheet ***Report*** ***PDS*** ***Articles / Views***
For important Fund Facts view the RIPPL Effect

The Fund

Fund Details	Harbour Long Short Fund
Investment Objectives	To deliver positive returns through the market cycle by investing in long and short equity positions. The Fund is an actively managed, high conviction portfolio investing principally in long and short listed New Zealand and Australian equities. The focus is on delivering positive returns through the market cycle by investing in long and short-sold equity positions with no particular attention to an equity benchmark. The fund is expected to have lower volatility than equity benchmarks. Given the unique features of this Fund, it may not be appropriate for all investors.
Benchmark	S&P/NZX Bank Bills 90-Day Index plus 2% Primary Benchmark - 15% S&P NZX50 Index, 15% S&P/ASX 200 Index, 70% S&P/NZX Bank Bills 90-Day Index
Alpha Objective	To deliver positive returns through the market cycle by investing in long and short equity positions.
Management Fee	0.81% management fee (GST exclusive)
Performance Fee	Performance Fee - 15% p.a. Hurdle – S&P/NZX Bank Bills 90-Day Index plus 2% Net/Gross – performance fee calculated on net out performance High Water Mark (HWM) - Yes – perpetual HWM Frequency – calculated daily, paid annually Maximum limit - There is no maximum limit.
Estimate of Total Fund Charges	0.99% (ex GST) – 22 November 2022

The Harbour Long Short Fund ("the Fund") is an actively managed, high conviction portfolio investing principally in 'long' and 'short' listed Australasian equities. The focus is on delivering positive returns through the market cycle by investing in long and short-sold equity positions with no particular attention to an equity benchmark. The fund is expected to have lower volatility than equity benchmarks. Given the unique features of this Fund, it may not be appropriate for all investors.

The Fund can actively allocate investments between Australasian listed equities, fixed interest and cash. The Fund may also use derivatives to hedge currency and equity risk.

Factor	Lower Limit	Upper Limit	Reference
Tracking Error			n/a
Cash Allocation	0%	130%	70%
Single Stock Limit	-15%	15%	
Sector Limits			n/a
Number of stocks			n/a
Regional limits- Australasian Equities	-30%	+60%	30%
Unlisted Australasian Equities	0%	4%	
NZ Fixed Interest	0%	30%	0%
Currency Hedging	0%	100%	
Net Equity Exposure	-30%	60%	

The investment style is an active research-driven investment process which principally invests in a focused selection of companies highly-rated by Harbour investment analysts and largely consistent with the overweight positions in Harbour's core Australasian Equity Fund. As a result, the Fund invests in equities which portfolio managers have high conviction in. The Fund will hold 'long' equity positions across the NZ and Australian share markets reflecting conviction in companies which can provide medium to long term capital growth. The Fund will also be able to 'short-sell' securities. These will typically be companies which rank poorly on fundamental and quantitative signals. The Fund will also hold cash and utilise currency management to generate returns.

The benchmark asset allocation is Harbour's intended long-term allocation to each asset class in the Fund. This may also be referred to as a target investment mix in this document (and in any PDS or fund update). Actual asset allocations will vary from the benchmark asset allocations as market conditions change and to pursue tactical investment opportunities.

Using this Fund

The Fund is one of the very few strategies that employs shorting across Trans-Tasman equities. Importantly the Fund does not use derivatives (options) to take short positions, rather it uses stock borrowing. It is important that investors understand the methods of shorting stocks, and in particular the risks associated with shorting the Trans-Tasman equity holdings.

Research IP believes the Fund is best used as a 'satellite' strategy, as the Fund may not provide a broad diversified exposure to the Australasian share market and carries heightened potential risks.

The Fund is subject to equity market risk and movements (both positive and negative) in the share prices of the underlying securities in the portfolio. Accordingly, 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 suited to higher risk profile investors with a minimum investment time frame of five years.

What the Manager Says?

Insight	Manager view	Research IP opinion
Who is accountable for managing the fund? **Is the investment teams work history relevant to the funds they manage?**	Craig Stent is PM, with Oyvinn Rimer in charge of risk monitoring and assisting in the managing of the fund. Craig is Head of Equities and portfolio manager for the Harbour Equity Income Fund and Harbour Long Short Fund. Furthermore, Craig provides equity research and ratings on the utility sector. Prior to joining Harbour Asset Management, Craig was employed by AllianceBernstein New Zealand for seven years. Oyvinn is responsible for equity research and ratings on the agriculture, resources, food & beverages, retail, and oil & gas sectors. Oyvinn also provides macroeconomic input to the wider Harbour team on the Chinese economy, which he covers through regular research trips to China. He helps run the Harbour Long Short Fund. Prior to joining Harbour Asset Management, Oyvinn was employed by AllianceBernstein New Zealand.	The Portfolio Manager Stent has 21 years of industry experience, although a shorter manager tenure at 12.5 years since the commencement of Harbour. Stent has held responsibility for the Fund since its inception. While Stent carries accountability for the Fund, the full equity investment team provides analyst support. Ultimately this Fund leverages the best ideas of all Harbour equity funds. Oyvinn Rimer, with 14 years of industry experience, including 12.5 years since the commencement of Harbour, facilitates a critical role of risk management. With the ability to short, the risks in this Fund are compounded. Research IP believes the additional risk oversight and assistance to Stent is a positive aspect to management of oversight of the potential to compound losses. The tenure of the investment team is strong, with Andrew Bascand, Craig Stent, Oyvinn Rimer, and Kevin Bennett being at the Manager since commencement and Alliance Bernstein previous to this. Since commencing investment operations in 2010, the Manager has added resources, building out the team as required. The continual team development has seen new analyst additions on a consistent basis. We note one departure, being Simon Momich who departed after five years tenure. Research IP notes that the Manager has one of the larger equity investment teams, and pleasingly continues to invest in the investment teams, and importantly the business. This includes the 2022 appointment of Nicholas Simmons, having worked as a summer intern since 2020. Research IP commends the Manager for looking beyond today, and investing for the future, including that of investors.
Has the CIO/ PM personally invested in the Fund? Are they paying the same fees	The Portfolio Managers and several analysts in the team have a meaningful portion of their personal assets invested alongside clients on a full fee-paying basis. Each year a portion of the investment staff's discretionary pay is invested into Harbour Funds with a three-year vesting period.	Research IP believes that the interests of investment personnel are better aligned to those of the investors, when investment personnel are significantly invested, and at the same fees.

as other investors?		Research IP believes the vesting of discretionary remuneration of Harbour staff is a strong enhancement to the alignment with investors. Naturally Harbour staff want to maximise their outcomes, without excessive risk. Harbour uses this fund as an allocation in its diversified strategies.
Why would you allocate to this fund?	The focus is on delivering positive returns through the market cycle by investing in long and short-sold equity positions with no particular attention to an equity benchmark. The fund is expected to have lower volatility than equity benchmarks. The investment objective of the Fund is to deliver positive absolute returns through the economic cycle with low volatility and low correlation of returns with equity markets. Ultimately, the Harbour Long Short Fund bridges a gap in the market where investors can gain access to equity-like returns without taking on full equity risks. This provides a solution for asset allocators where they typically would have allocated to bonds and can now improve the returns prospects for a moderate increase in risks (rather than going fully into pure equity options to meet return requirements). Whilst short-positions theoretically can experience unlimited losses, these risks are carefully managed by having relatively low weights on individual short-positions. Further, we consider liquidity and short-interest (i.e. how many other investors also have short-positions in the same security) to gain confidence that any short-position can be closed out promptly should there be an adverse news event.	The Manager outlines its case as to why Harbour should be considered by an investor. The Manager also provides a series of links that outline their set of core values. Harbour believes these factors differentiate them from peers, across their product suite. Research IP believes that in conjunction with a disciplined approach to investing, the Manager presents a clear rationale as to why a potential investor should consider investing in this Fund. This is a strategy which aims to deliver better returns than cash by allocating a proportion of the fund to shares, but also by selling shares short. Research IP believes the Fund is best used as a 'satellite' strategy, as the Fund will not provide a broad diversified exposure to the Australasian share market and is designed as an absolute return strategy. While shorter term, i.e. one year performance, is negative, investors should be looking to invest over the long term, or five plus years. The Fund commenced in January 2019 and has a short to medium history, Noting the three year performance history is greater than the S&P/NZX Bank Bills 90-Day Index plus 2%. When short selling, or shorting a stock, Harbour are essentially borrowing the shares. The Manager borrows shares from an existing owner. The Manager sells the borrowed shares at the current market price. The Manager believes the share's market price will decrease before they are forced to pay back the borrowed shares, allowing the Manager to pocket the difference in the two share prices. Research IP notes this is where the greatest risk of the portfolio lies. Shorting has the potential to produce unlimited losses in the portfolio. Therefore, investors should proceed with caution. However, Research IP believes this is an investment strategy that is very difficult for a self-directed investor or financial adviser to replicate themselves and therefore warrants consideration.

		The net equity exposure of the fund can range between -30% and +60%. Gross equity exposure can be up to 200% of the net asset value of the Fund. At 30 September 2022 the fund held a net long position of 28.32%. This was made up of 50.19% long exposure (30 positions) and 21.87% short exposure (17 positions). Cash was held in the Harbour Enhanced Cash Fund, NZD, AUD and futures margin / collateral to cover the short positions. Research IP also notes that although this Fund will have a strong bias to equity risk, it also has the ability to own debt and convertible securities, as well as use derivatives (options and exchange traded futures).
What are key factors in the buying and selling decisions of the Fund?	The key factors are the analysts' buy, hold and sell-ratings and conviction in those ratings on particular stocks. The investment process is also guided by the Harbour Quant Screen, which ranks the entire investment universe using several quantitative factors. This Fund also diversifies across sectors and style-factors to moderate dominant factor tilts although the portfolio will generally have a growth bias. The Harbour Asset Allocation Committee provides a macro-forum when deciding on how much market risk (expressed by the Fund's net equity exposure) we want to have in the portfolio versus the neutral net 30% net long. Position sizing is at the discretion of the portfolio management team and will reflect factors such as liquidity, market capitalisation, overall analyst conviction and quantitative signals. Generally, position sizes will range from 1-4%. Short positions will further consider the costs of borrowing plus the amount of short interest in the stock.	Research IP observes the Manager's process is one of the more methodical, well structured, and consistently implemented. Research IP believes this is a core foundation block necessary to operate this Fund's strategy. The Manager's process is underpinned by fundamental, bottom-up research. The long and short positions are a direct result of this proprietary process. The Manager compliments this by its strong internal research, with some external research inputs. External sources include sell-side brokers, independent research houses, as well as other data sources, although the Manager relies heavily on in-house investment models. The Manager's fundamental bottom-up process starts with a focused approach to quantitative filtering. This distils down to the three key factors that are company specific, rather than macro focused. It is the start of the company ranking process. Research IP believes this ranking process is critical to identifying long and short positions. A combination of quantitative and qualitative scores become a key component of the monitoring process. A deterioration of the company score will assist in the sell decision process. The Fund has a relatively concentrated portfolio of long positions at approximately 15-25 holdings and 10-15 short positions. For the long positions Stent filters the analyst team for their 2-3 best ideas and Rimer provides the risk management frameworks around the short positions. Research IP notes this Fund can take a different view to its more diversified sibling. The Manager can hold cash if no opportunities

		can be identified, that is there is no padding out the number of companies in the portfolio. The Manager must critically evaluate each position regularly and exit companies that have not met or are unlikely to meet expected growth expectations. Selling of stocks in the portfolio is a direct result of Harbour's proprietary scoring and stock ranking system. As a company falls from green, to amber to red sections of the stock scores the size of the position is reduced until it hits the lowest scoring or red section of the stock list. Cash is a result of reduced opportunity offered by long positions, and ensuring all shorts are fully covered by cash, rather than a conscious asset allocation decision. Hedging reflects the Manager's views around country, sector, and company specific factors. Changes in hedging are likely to be significant, that is 5-10% steps or greater, rather than small incremental changes. Currency is managed at the portfolio level rather than at an individual stock level.
What are the key drivers of the Fund's performance?	An active research-driven investment process which principally invests in a concentrated number of highly-rated companies. Positions in this Fund align with the overweight positions in Harbour's core Australasian Equity Fund, with certain adjustments for style and sector concentration. As a result, the Fund invests in equities which portfolio managers have high conviction in. The Fund will hold 'long' equity positions across the NZ and Australian share markets reflecting our conviction in companies which can provide medium to long term capital growth. The Fund also 'short-sells' securities. These will typically be companies that rank poorly on fundamental and quantitative signals and where analysts have negative outlook expectations. The Fund will also hold cash and utilise currency management to generate returns.	The Fund's performance reporting is available via the Research IP Quantitative Tear Sheet, on the Manager's website and the Disclose website. Highlighting the Funds' performance over time and the volatility of that performance. This is a relatively concentrated portfolio and is designed to experience lower market volatility than long-only equity funds. The short strategy deployed by the Manager has the ability to dampen the Fund's volatility compared to market. This can lead to potentially large variance in performance compared to the Fund's hybridised market based benchmark. The Fund's flexibility is expected to result in the return of the Fund differing significantly from that of the Manager's chosen benchmark. Accordingly, investors seeking a benchmark-like return may not be suited to the Fund. Research IP believes the Funds' performance reflects Stent's security selection and Rimer's risk management overlays and assistance with security selection. The Manager's growth style bias leverages the input of the investment team and through the internal Investment Committee. However, Stent and Rimer are cognisant of the growth bias and make a conscious effort to reduce excess risk to one factor or sector in case of any swift reversal trades.

		Research IP notes that as a growth fund manager, the long portfolio positions are typically longer term holdings at 3 years or more. The holding period of the short positions varies from a few days to a few months. Needless to say, they are held for a shorter period than the long positions. Even with the shorts, the concentrated nature of the portfolio is retained and does not allow the Manager to hide, should a company perform differently than expected. Investors can expect overall portfolio turnover to be higher than other Harbour long only equity funds.
What are the risks of investing in this Fund?	Factor risks: Given our growth orientated style, there is a risk of style factors performing in opposite directions (ie long growth stocks and short value/cyclical). In this case the strategy might have a period of underperformance. We do focus on this risk ensuring we have a balance across both the long and short positions in the portfolio reducing this factor risk where possible. When shorting stocks there is an asymmetry of payoffs. When shorting a stock, the most you can gain is 100% in the event the company goes bankrupt. However, if a short position share price goes up the losses can be unlimited. We manage this risk through the size of the positions relative to market capitalisation, liquidity of borrowing, and borrowing costs. Market risk: Investment returns will be affected by the performance of the investments chosen for that Fund, which may be affected by the performance of the investment markets generally (market risk). Market risk includes movements in the general price level, demand and supply in the market in which the relevant investments are made, the sector(s) in which the investments are made, and economic and regulatory conditions, including market sentiment, inflation, interest rates, foreign exchange rates, employment, political events, environmental and technological issues, and consumer demand internationally and in New Zealand and Australia. Short-selling risk: Specific to the Long Short fund, the Fund will have the ability to short-sell shares. Shorting shares involves borrowing the shares from a third party in order to be able to deliver on settlement date and then selling the security in the market. The intention when short-selling is that when the share price falls, the Fund would buy them back at a lower price, therefore making a profit. In theory, the upper	This is an unleveraged (maximum 60% net exposure) long short fund that is designed to exhibit lower volatility than the market, whilst allowing Harbour to express views on the stocks the team rate most highly and short sell those they rate poorly. Due to the relatively concentrated portfolio, stock positions are likely to have a significant impact on the overall return of the portfolio, especially over shorter time periods (e.g. one year). The Portfolio Manager has absolute discretion to invest across what are relatively wide allocation limits. The Fund has size restrictions built around the market capitalisation of a company, to manage risk. The Fund can own companies in the S&P/NZX10 index or S&P/ASX100 index up to a 15% position. Companies not in these indices with a market capitalisation greater than NZ$500m can be held up to an 10% position, or up to 8% for those with less than NZ$500m market capitalisation. Other unlisted companies can be held up to 2%. The methodical approach to risk management is reflective of the Manager's complete process to investing client money. The Fund can hold significant positions relative to the underlying indices, however its stock-specific risks are lower than Harbour's other Australasian equity funds. The short positions are agnostic to benchmarks, but there can be pairing or matching of long positions and short positions at the sector level as part of Harbour's risk management approach. Importantly Research IP highlights all shorts are fully covered by cash. This approach can inflate the cash holding of the Fund, and therefore appear that the Manager is not deploying capital. Research IP considers fully covering all short positions with cash as a mandatory requirement for long-short funds in general.

	limit on a share price is unlimited, hence the potential loss from short-selling, and the consequent effect on Fund returns is also unlimited. In certain circumstances, the lender of shares who we have borrowed from to facilitate settlement, may request return of their shares which would require the Fund to buy back the shares in market at a time not of our choosing which may result in potential losses. Stock lending risk: Specific to the Long Short Fund, to facilitate the settlement of the shares the Fund has short sold, we are required to borrow shares from a counterparty. This counterparty often requires the Fund to post collateral in the form of cash or securities. This collateral acts as a form of guarantee that the shares borrowed by the Fund will be returned. The amount of the collateral can vary from time to time. The lender has the right to sell or lend the collateral to other parties. The Fund is exposed to the creditworthiness of the lender in returning the collateral back if an adverse event occurred and may negatively affect returns if we were unable to obtain that collateral. Whilst these risks are present, we do have systems, processes and tools in place to help mitigate. Investors should also be aware that we hold cash collateral and cash holdings in this fund of 70% in a neutral point. This helps offset stock share price volatility and ensuring we deliver on the objective of the fund, of providing positive returns but without equity like risk characteristics. This fund does not use leverage or derivatives. We enter into arrangements to borrow stock for settlement of short sale trades in the market. We use forward currency contracts to hedge non NZD exposure.	Research IP notes short selling has the ability to enhance fund performance, but also has the potential to produce uncapped losses. Therefore, manager skill is extremely important. This is also an investment strategy that is not readily replicable by a retail investor or financial adviser. Active management of currency hedging is within a range of 0-100% of Australian dollar exposure. Currency exposure is managed in the derivative market using forwards and currency swaps. The fund can borrow, use derivatives and short sell securities. The Fund also has the ability to own debt and convertible securities and participate in stock lending programmes. The Fund can interfund into other Harbour vehicles.
On what basis are the fees charged justified?	Harbour's fees are transparent. There are no buy/sell spreads or entry/exit fees. The Long Short Fund has a total fee (excluding GST) of 0.99% p.a. including investment management, Supervisor, legal and audit fees as well as the costs of unit pricing, investment accounting and custody. As stated in the PDS, Harbour may be entitled to a performance fee within the Long Short Fund, which would be paid annually, following 31 December, subject to outperforming the S&P/NZX Bank Bills 90-Day Index (the Hurdle Rate) plus 2% and the HWM. The performance	The Funds' basic fee is above the sector peer average. The Fund is one of three Harbour funds and one of 24 out of 28 peer funds to charge a performance fee in the Alternatives Sector. Detailed explanation relating to the performance fee can be found in the Other Material Information Documents. This is available on the Manager's website, and the Disclose website. Research IP highlights there should be a direct alignment between the manager's remuneration and the performance of the Fund relative to its benchmark.

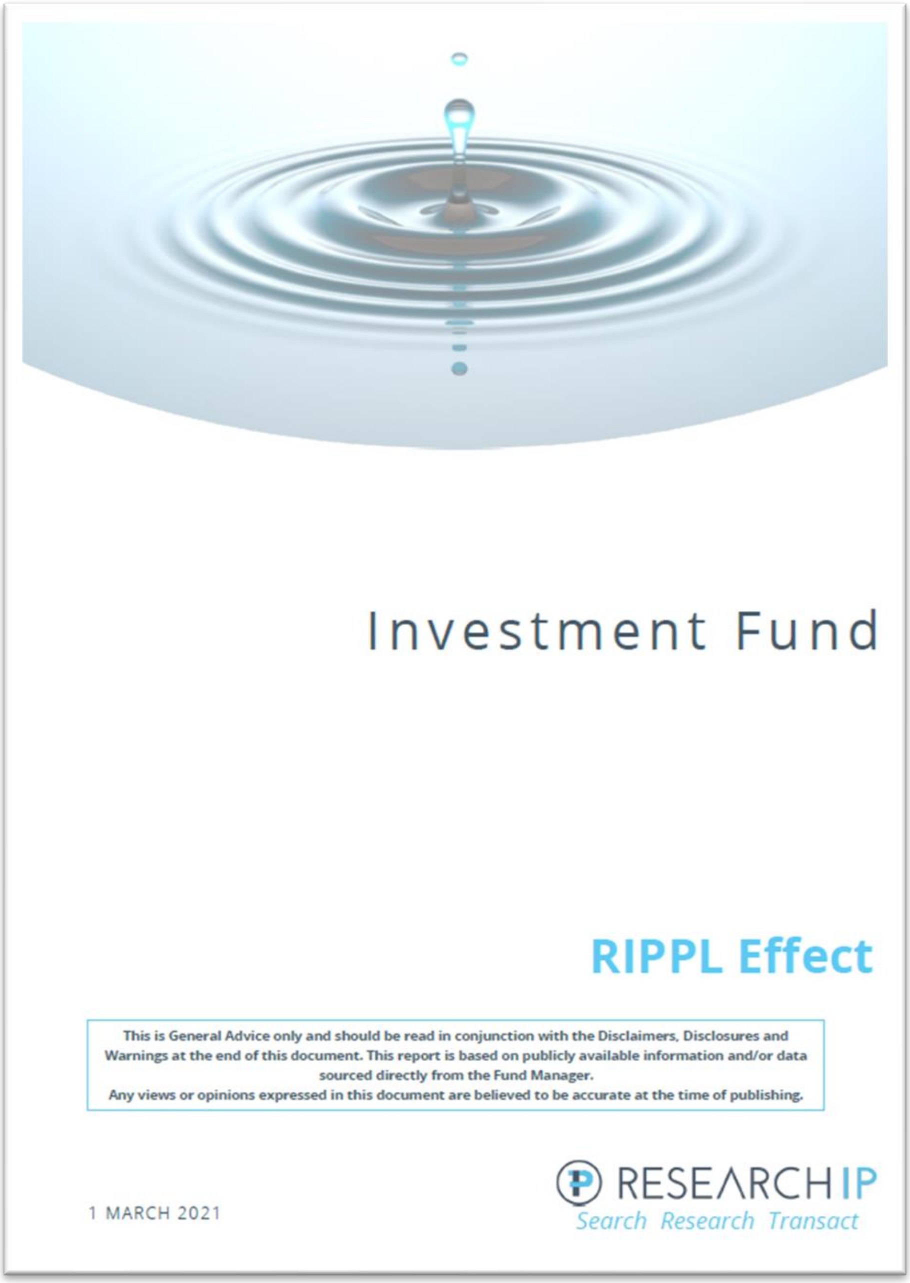
	fee is 15% of the Fund's net (after management fee) return above the Hurdle Rate (plus GST).	Research IP believes that performance fees should only be charged when the base management fee is significantly below the sector peer average fee. The total cost of this Fund is in the lower end of the peer group. Research IP commends the Manager for reassessing the fee schedule for the Fund in 2020. The base fee was reduced from 1.25% to 0.81%. Research IP still believe the hurdle rate for the calculation of performance fees is lower than it could be. Research IP note the performance fees are uncapped, although a high-water mark is used. Although Harbour notes that they can typically cross trades and therefore do not charge a buy/sell spread, it should be noted that this is not always the case and existing unit holders may incur the cost of transactions.
Describe the quality of the organisational and investment governance processes?	At the organisational level, Harbour's Board is led by an independent chair. Two other independent directors ensure clients' best interests are put first, including a former experienced Portfolio Manager who chairs the Audit & Risk Committee. We have rigorous daily compliance procedures that ensure the portfolio is invested in adherence with its guidelines. We engage KPMG to test the firm's operational and compliance processes. This assesses tasks such as the handling of client funds, investment management processes, trade execution, segregation of duties etc. This is an external and independent assessment of our processes. Lastly, an internal risk committee periodically scrutinises the Portfolio Manager's decision making and risk allocation. This involves the monitoring of active risk positions, and consistency of risk budgets across various products. Murray Brown (chair of Audit and Risk) sits in on the internal risk committee meetings.	The Manager has a strong governance structure which starts with the composition of the Board and leadership of key Board Committees. In addition to outsourcing some functions, there are sufficient internal operational personnel, which continues to grow. This ensures the investment team can concentrate on managing the portfolios, with appropriate oversight. The use of external directors for the Harbour Board is considered to be in line with industry best practice. The use of external non-executive directors is strong, this excludes those representing the major shareholder, Jarden. Research IP notes the use of independent members extends to Board delegated committees, and investment committees. Harbour has a formal investment committee, which meets on a monthly basis, and is chaired by Chris Di Leva, who is Harbour's Multi Asset Specialist. Research IP believes the structured investment committee process formalises a process and provides oversight to the investment decisions. Improvements were made to this formal process through the first half of 2021. This will result in the investment team having a clearer and more cohesive view on the underlying assets across all strategies. Research IP considers the Head of Compliance reporting directly to the Board and Audit Committee as being in line with global best

		practice, which is not always the case in New Zealand. The Manager uses Bloomberg AIMS for pre and post trade compliance. This is used across all funds.
Describe the Manager's ESG, Corporate Sustainability policies and engagement.	Harbour integrates ESG analysis into its security selection processes. We conduct an annual corporate behaviour survey across our potential equity investments. The results of this survey directly impact the weight a company is held in the portfolio, with strong corporate citizens being held at a higher weight than poorly behaving corporates. This, along with our engagement with companies, helps to drive better outcomes. In fixed interest securities where the risk profile is asymmetric (either you are paid back or the company defaults) Harbour will simply not hold a company's debt if we believe its behaviour is egregious or it participates in a sector that makes investment untenable. Harbour has been recognised for its ESG approach by strong scores by independent agencies UN PRI and RIAA. At Harbour, sustainability is a specific KPI for the business and our people. Internally we have a Footprint committee made up of staff members whose mandate is to assess corporate sustainability for Harbour and come up with initiatives.	Research IP notes that Harbour have included Responsible-Investing factors in their process since inception and is viewed positively. Notably Environmental ("E") and Social ("S") factors are treated differently to Governance ("G"). Governance is well established, the relationships between companies and the environmental and social aspects are less defined. The Manager's internally developed ESG process is considered to be very robust and can be applied to a company, regardless of its domicile. ESG analysis is based off over 12 years of annual company ratings in the Manager's corporate behaviour survey. Harbour is also a signatory to the UNPRI. Investors should be aware that ESG and the United Nations Principles of Responsible Investing (UNPRI) are relatively loose and that ESG integration has a broad range of interpretations.
Is there alignment with the interests of investors through ownership of the Manager and/or remuneration of the investment team?	Yes. The investment team invests alongside unit unitholders by personally owning units in the fund. In addition, the performance of the fund against its objectives influences the investment team's short- and long-term remuneration. A portion of the investment team's discretionary remuneration is vested into Harbour funds over a period of three years. This discretionary pay is in turn determined by the Fund's performance amongst other factors such as client satisfaction. Harbour is 24% owned by its employees. A long-term incentive scheme sees annual awards of further equity ownership for staff.	By being partially owned by its employees and directors, there is strong buy-in from the team to work hard for the firm's long-term success - this is good news for investors. The Manager's continual development of and commitment to its staff is viewed as market leading. There is alignment between the bonus component of staff remuneration and the performance of the funds/portfolios. Research IP believes that Stent and Rimer have personal investment in the Fund, largely via vested short term incentives. This is viewed as a strong alignment to investor experience. Research IP highlights that Harbour's vesting of short-term incentives (cash bonuses) in the Manager's suite of funds is market leading from a New Zealand perspective. This brings enhanced staff tenure and alignment to the interests of investors.

		The support of largest shareholder, Jarden, is also significant, in both financial terms and operational support.
Comment on the assets under management, flow and capacity?	The fund has been growing since inception with a programme in place to grow the funds under management now we have a track record for the fund. We haven't experienced significant outflows in this product. Craig Stent is responsible for the Harbour Long Short Fund, Harbour Equity Income Fund, Harbour Index Shares Fund, Harbour Sustainable NZ Shares Fund and separately managed accounts. We expect capacity of this fund to be in the order of $150m.	Research IP believes Stent has sufficient resource to be able to manage the Long Short Fund adequately. A significant reason for this is due to the robust investment decision-making process which is applied across the firm. Research IP emphasizes that capacity for a long/short strategy will be lower than a long only Australasian equity portfolio. This is largely due to the necessity of the Manager to be able to cover and exit short positions in a short space of time. If the individual holdings are larger in dollar value, then it becomes more difficult and thus more susceptible to market squeezes.

The RIPPL Effect

For important Fund Facts, please view the **RIPPL Effect report**:



Investment Fund

RIPPL Effect

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- equity, bond and alternative asset specialists
- portfolio managers
- asset allocation analysts
- and ratings specialists.

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