



SMARTSHARES EXCHANGE TRADED FUNDS SCHEME ANNUAL REPORT 2017

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Contents

Chairman's Report.....	02	SMART SECTOR	
Schedule Four Requirements	03	NZ Property Fund (NPF).....	293
Summary of Funds.....	06	Australian Property Fund (ASP)	314
SMART LARGE		Australian Resources (ASR).....	334
NZ Top 50 Fund (FNZ).....	07	Australian Financials Fund (ASF)	355
NZ Top 10 Fund (TNZ).....	28	SMART DIVIDEND	
Australian Top 20 Fund (OZY)	48	NZ Dividend Fund (DIV)	376
US 500 Fund (USF)	68	Australian Dividend Fund (ASD).....	398
Europe Fund (EUF)	88	SMART INCOME	
Asia Pacific Fund (APA).....	108	Global Bond Fund (GBF).....	420
Emerging Markets Fund (EMF).....	128	NZ Bond Fund (NZB).....	449
Total World Fund (TWF)	148	NZ Cash Fund (NZC)	473
US Large Value Fund (USV)	168	Corporate Governance	496
US Large Growth Fund (USG).....	188		
SMART MEDIUM			
NZ Mid Cap Fund (MDZ).....	209		
Australian Mid Cap Fund (MZY)	230		
US Mid Cap Fund (USM)	251		
SMART SMALL			
US Small Cap Fund (USS)	272		

Chairman's Report

Dear Unitholder,

I am pleased to present the Smartshares Annual Report for 2017, covering the 23 Exchange Traded Funds (ETFs) that are offered by Smartshares. Smartshares is the issuer of New Zealand's broadest range of passive funds, and we are committed to providing our investors with diversified, low-cost and easily accessible investment options.

In June 2016, Smartshares celebrated 20 years since the launch of New Zealand's first ETF, the NZ Top 10 Fund (TNZ). New Zealand was the fourth country in the world to launch ETFs behind Canada (1990), the USA (1993) and Japan (1995), and since then, we have continued to develop different investment options so that our investors can now invest in ETFs in New Zealand, using New Zealand dollars, across the main asset classes of cash, bonds, shares and property.

In the last financial year, the number of investors have increased substantially to over 11,000 unique unitholders, with the majority of unitholders holding multiple funds. Additionally, New Zealanders who are invested via their KiwiSaver scheme or their financial advisor has increased to more than 60,000. Smartshares applications increased 177% in the 2016 calendar year, and for the first quarter of 2017 were up a record 300%, demonstrating the increasing appeal of the product range. In addition, total Smartshares funds under management has now surpassed \$1.8 billion, with the NZ Top 50 Fund (FNZ) above \$200 million. As a direct result of this growth, Smartshares was able to reduce the management fee for FNZ from 0.75% to 0.50% in September 2016.

Smartshares completed its transition to the Financial Markets Conduct Act (FMCA) regime in September 2016. The focus of the FMCA was to simplify and standardise information provided to investors so that they can easily compare the products provided by different financial institutions. The transition required Smartshares to undertake several changes to its

processes and drew on a significant amount of resources across the business. However, this now means all our ETFs have the same legal structure and the new Product Disclosure Statement (PDS) regime has been implemented, resulting in documents that are considerably simpler and easier to read than the previous prospectuses and investment statements. It also required in November the resettlement of each of the five original ETFs from a Group Investment Fund structure to a Unit Trust structure. Thank you to the team involved in this complex but necessary legal work that now brings all Smartshares ETFs under the same Master Trust Deed that streamlines our operations and is easier to understand for investors.

Thanks also to Craigs Investment Partners for their continued support as our market maker, an important role to ensure that there are always units available to buy or sell on market as retail investors require and that the spreads between the buy and sell prices do not exceed specified limits. Total units on issue were up 14% in the financial year.

GOVERNANCE UPDATE

In December 2016 we welcomed Paul Baldwin on to the Smartshares board, replacing former NZX CEO Tim Bennett as a director. Paul is the previous head of NZX's Wealth Technologies business and now holds an executive consultant role. Paul's extensive experience in the funds management industry made him ideally suited to join the Board as we continue to promote passive investment options and grow the Smartshares ETFs.

In concluding, I would like to sincerely thank you for your investment in Smartshares.



Bevan Miller
Chairman

Schedule Four Requirements

Details of scheme

Name of scheme: Smartshares Exchange Traded Funds (Scheme)

Type of scheme: Managed fund – other

Name of the manager: Smartshares Limited (Smartshares)

Name of the supervisor: Public Trust

Date and status of the latest PDS: 11 April 2017 – Open for applications

Date of the latest fund update for each fund to which the scheme relates: 27 April 2017

Reference to the scheme's financial statements: The Scheme's latest financial statements for the period ended 31 March 2017, including the auditor's report relating to those statements, that have been lodged with the Registrar are included in this annual report.

Information on contributions and scheme participants

Number of managed investment products on issue at the start of the accounting period: 23

Number of managed investment products on issue at the end of the accounting period: 23

Changes relating to the scheme

On 9 September 2016, the Scheme transitioned to the Financial Markets Conduct Act 2013 (FMCA) regime. As part of this transition, five funds that were group investment funds under the Trustee Companies Act 1967 were migrated to a unit trust legal structure to enable those funds to be offered as part of the Scheme under the FMCA.

The Master Trust Deed – Smartshares Exchange Traded Funds and the Establishment Deeds for each of the funds were amended principally to ensure compliance with the requirements of the FMCA. Some other amendments were also made to improve the readability of the deeds, improve some processes and move the deeds more into line with current market practices.

The Statement of Investment Policy and Objectives – Smartshares Exchange Traded Funds (SIPO) was adopted. The SIPO sets out the investment governance and management framework, philosophy, strategies and objectives of the Scheme and funds.

The following related party transactions were approved in the accounting period (these are related party transactions because an investment manager, administration manager, or other person to whom Smartshares has contracted out some or all of its functions as a manager is a related party under the FMCA):

- the appointment of BNP Paribas Fund Services Australasia Pty Limited as the administration manager for the Scheme;
- the appointment of Link Market Services Limited as the unit registrar for the Scheme;
- the appointment of Nikko Asset Management New Zealand Limited as the investment manager for the NZ Bonds Fund and NZ Cash Fund;
- the appointment of PIMCO Australia Pty Limited as the investment manager for the Global Bond Fund;
- Smartshares carrying out financial product lending through the NZCDC Settlement System;
- Nikko Asset Management New Zealand Limited buying and selling financial products issued by related entities in accordance with the SIPO;
- PIMCO Australia Pty Limited buying and selling financial products issued by related entities in accordance with the SIPO; and
- Smartshares buying and selling financial products issued by related entities in accordance with the SIPO.

All related party transactions were on arm's length terms.

Other information for particular types of managed funds

Fund	Unit Price 31 March 2017	Unit Price 31 March 2016
NZ Top 50 Fund	\$2.197	\$2.124
NZ Mid Cap Fund	\$4.140	\$3.927
Australian Mid Cap Fund	\$6.356	\$5.558
Australian Top 20 Fund	\$3.774	\$3.278
NZ Top 10 Fund	\$1.368	\$1.370
Australian Financials Fund	\$8.441	\$7.233
Australian Resources Fund	\$3.742	\$2.772
NZ Dividend Fund	\$1.108	\$1.092
Australian Dividend Fund	\$1.772	\$1.587
Australian Property Fund	\$1.372	\$1.348
Asia Pacific Fund	\$1.830	\$1.622
Emerging Markets Fund	\$1.147	\$1.000
Europe Fund	\$1.474	\$1.417
Total World Fund	\$1.875	\$1.674
US 500 Fund	\$6.204	\$5.484
US Large Growth Fund	\$3.458	\$3.079
US Mid Cap Fund	\$3.967	\$3.495
US Small Cap Fund	\$3.794	\$3.218
US Large Value Fund	\$2.742	\$2.401
NZ Property Fund	\$1.055	\$1.105
NZ Cash Fund	\$2.991	\$2.994
NZ Bond Fund	\$2.986	\$3.012
Global Bond Fund	\$3.101	\$3.063

Changes to persons involved in the scheme

Directors of the manager: During the accounting period, Timothy Oliver Bennett resigned as a director of Smartshares and Paul James Baldwin was appointed on 30 December 2016.

Supervisor or any of its directors: Public Trust was appointed as the supervisor on 9 September 2016. Graham Arthur Naylor, Dianne Victoria McAteer and Bevan Edward Killick were appointed on 1 November 2016. Diana Puketapu and Dinu Harry's terms ended on 31 October 2016.

How to find further information

Further information relating to the Scheme and funds, including the Product Disclosure Statement, financial

statements, annual reports, fund updates and the SIPO, is available on the offer register and the scheme register at www.business.govt.nz/disclose. A copy of the information on the offer register or scheme register is available on request to the Registrar of Financial Service Providers.

The information set out above is available at www.smartshares.co.nz or by contacting the manager. Details of an investor's investment is available at www.linkmarketservices.co.nz or by contacting the manager. This information is available free of charge.

General information about the Scheme and funds is available at www.smartshares.co.nz.

Contact details and complaints

Manager

The manager's contact details are:

Smartshares Limited

PO Box 105262

Auckland 1143

Telephone: 0800 808 780

Email: smartshares@smartshares.co.nz

Complaints about the Scheme can be made to the manager using the contact details set out above.

Supervisor

The supervisor's contact details are:

Public Trust

PO Box 1598, Shortland Street

Auckland 1140

Telephone: (09) 985 5300

Email: enquiry@trustee.co.nz

Complaints about the Scheme can be made to the supervisor using the contact details set out above.

Registrar

The registrar's contact details are:

Link Market Services

PO Box 91976

Auckland 1142

Phone: 09 375 5998

Email: enquiries@linkmarketservices.co.nz

Independent dispute resolution scheme

The independent dispute resolution scheme's contact details are:

Financial Services Complaints Limited

PO Box 5967

Wellington 6140

Telephone: 0800 347 257

Email: complaints@fscl.org.nz

Smartshares is a member of the Financial Services Complaints Limited Scheme (the supervisor is also a member), which is an independent dispute resolution scheme. Complaints about the Scheme can be made to the independent dispute resolution scheme using the contact details set out above. The independent dispute resolution scheme will not charge a complainant fee to investigate or resolve a complaint.

Summary of Funds

Fund Name	Launch Date	Total Fund Charges	Distribution Payment Date	Funds Under Management	GROSS FUND PERFORMANCE		
					1 year	3 Years Annualised	5 Years Annualised
SMART LARGE							
NZ Top 50 (FNZ)	10 dec 2004	0.50%	Jun/Dec	\$209,928,245	7.13%	13.13%	16.64%
NZ Top 10 (TNZ)	11 jun 1996	0.60%	Jun/Dec	\$77,403,643	3.51%	9.05%	13.61%
Australian Top 20 (OZY)	27 feb 1997	0.60%	Jun/Dec	\$97,089,212	18.19%	5.04%	6.79%
US 500 (USF)	29 jul 2015	0.35%	Jun/Dec	\$105,762,155	13.71%		
Europe (EUF)	29 jul 2015	0.55%	Jun/Dec	\$159,326,154	6.07%		
Asia Pacific (APA)	29 jul 2015	0.55%	Jun/Dec	\$59,394,976	13.51%		
Emerging Markets (EMF)	29 jul 2015	0.59%	Jun/Dec	\$43,121,155	14.74%		
Total World (TWF)	29 jul 2015	0.56%	Jun/Dec	\$31,923,093	12.66%		
US Large Value (USV)	29 jul 2015	0.53%	Jun/Dec	\$36,228,456	15.63%		
US Large Growth (USG)	29 jul 2015	0.53%	Jun/Dec	\$36,239,702	12.32%		
SMART MEDIUM							
NZ Mid Cap (MDZ)	16 jun 1997	0.75%	Jun/Dec	\$77,204,618	9.14%	16.77%	19.69%
Australian Mid Cap (MZY)	27 sep 2004	0.75%	Jun/Dec	\$96,020,118	16.80%	13.90%	8.68%
US Mid Cap (USM)	29 jul 2015	0.53%	Jun/Dec	\$28,503,339	13.50%		
SMART SMALL							
US Small Cap (USS)	29 jul 2015	0.53%	Jun/Dec	\$28,103,888	17.91%		
SMART SECTOR							
NZ Property (NPF)	12 nov 2015	0.54%	Jun/Dec	\$49,025,308	-1.28%		
Australian Property (ASP)	16 dec 2014	0.54%	Jun/Dec	\$46,030,489	3.62%		
Australian Resources (ASR)	7 apr 2015	0.54%	Jun/Dec	\$23,915,338	36.55%		
Australian Financials (ASF)	7 apr 2015	0.54%	Mar/Sep	\$23,528,829	23.08%		
SMART DIVIDEND							
Australian Dividend (ASD)	16 dec 2014	0.54%	Jun/Dec	\$70,486,888	17.20%		
NZ Dividend (DIV)	7 apr 2015	0.54%	Jun/Dec	\$34,029,893	7.61%		
SMART INCOME							
Global Bond (GBF)	12 nov 2015	0.54%	Mar/Jun/Sep/Dec	\$130,463,970	4.41%		
NZ Bond (NZB)	12 nov 2015	0.54%	Mar/Jun/Sep/Dec	\$202,869,711	3.18%		
NZ Cash (NZC)	12 nov 2015	0.33%	Mar/Jun/Sep/Dec	\$125,553,553	2.77%		
Total Smartshares Funds				\$1,792,152,732			

NZ Top 50 Fund (FNZ)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017

Presented by Smartshares Limited, Manager of the NZ Top 50 Fund

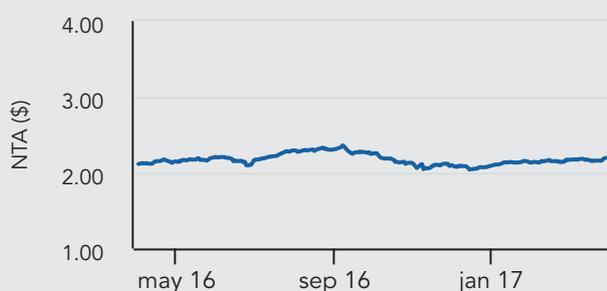
Report to Unitholders

HIGHLIGHTS

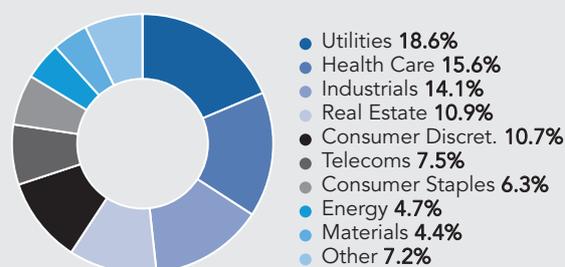
Launch Date 10-Dec-04

	March 2017	March 2016
Net Tangible Assets (NTA)	\$2.197	\$2.124
Units On Issue	95,573,079	100,274,271
Funds Under Management	\$209,928,245	\$212,967,510
Gross Distribution	\$0.078	\$0.096
Gross Distribution Yield	3.54%	4.53%
Gross Return	7.13%	15.16%
Total Fund Charges	0.50%	0.75%
Distributions paid	Semi-annual	

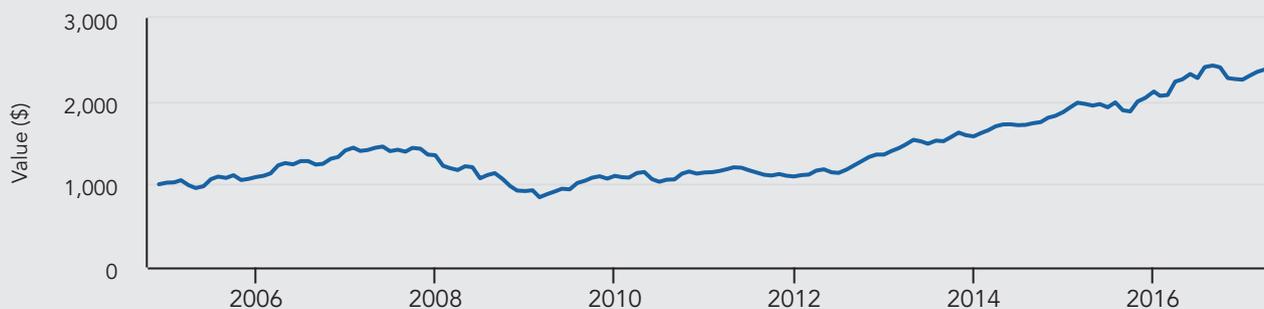
NTA Per Unit



Sector Allocation



Growth of \$1000*



*Since inception with all distributions reinvested.

NZ TOP 50 FUND

DIRECTORY

THE MANAGER

Smartshares Limited
Level 1, NZX Centre
11 Cable Street, Wellington 6140
New Zealand

This is also the address of the registered office.

PRINCIPAL OFFICE OF THE MANAGER

Level 7, Zurich House
21 Queen Street, Auckland Central
Auckland 1010
New Zealand

DIRECTORS OF THE MANAGER

Bevan K. Miller
Timothy O. Bennett (resigned 30 December 2016)
Guy R. Elliffe
A. John Williams
Paul J. Baldwin (appointed 30 December 2016)

INVESTMENT ADMINISTRATOR

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

REGISTRAR

Link Market Services Limited

THE SUPERVISOR

Public Trust
Level 5, 40-42 Queens Drive
Lower Hutt 5010, Wellington
New Zealand

AUDITOR

KPMG
10 Customhouse Quay
PO Box 996, Wellington 6140
New Zealand

SOLICITOR

Buddle Findlay
Level 17, State Insurance Tower
1 Willis Street, Wellington 6140
New Zealand

INVESTMENT CUSTODIAN

JBWere (NZ) Nominees Limited

CORRESPONDENCE

All correspondence and enquiries to the Manager about the Fund should be addressed to the Manager, Smartshares Limited, at the above address.

NZ TOP 50 FUND

Smartshares Limited (the 'Manager') and Public Trust (the 'Supervisor') are parties to a trust deed dated 24 June 2014 as amended and restated on 9 September 2016 (the 'Trust Deed') which sets out the terms and conditions on which units in the funds within the Smartshares Exchange Traded Funds are offered for subscription, whether to the public or otherwise.

The Trust Deed provides that each fund is to be established by the Manager and the Supervisor entering into an establishment deed setting out the specific terms and conditions relating to that fund.

The NZ Top 50 Fund (the 'Fund') was created by an establishment deed dated 9 September 2016 between the Manager and Supervisor. The Fund replicates the group investment fund which was known as the NZX 50 Portfolio Index Fund. On 26 October 2016 unitholders in the NZX 50 Portfolio Index Fund resolved by extraordinary resolution that it was to be resettled as a unit trust. As a result, on 7 November 2016, its assets and liabilities were resettled on the Fund. The units in the NZX 50 Portfolio Index Fund were then redeemed for units in the Fund.

STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are drawn up in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), and fairly present the financial position of the Fund as at 31 March 2017, and the results of its financial performance and cash flows for the period ended 31 March 2017 in accordance with the requirement of the Trust Deed.

It is believed that there are no circumstances that may materially and adversely affect any interest of the unitholders in the assets other than those already disclosed in this report.

For and on behalf of the Manager:
Smartshares Limited



.....
Director



.....
Director

This statement was approved for signing at a meeting of the Directors on 25 May 2017.

NZ TOP 50 FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2017

	Note	Period Ended 31 March 2017 \$'000
INCOME		
Dividend income		3,954
Securities lending income		15
Net changes in fair value of financial assets at fair value through profit or loss		<u>12,313</u>
Total income		<u>16,282</u>
EXPENSES		
Management fees expense		(403)
Miscellaneous expenses		<u>(2)</u>
Total expenses		<u>(405)</u>
Profit before tax		15,877
Income tax expense	1	<u>(100)</u>
Profit after tax		15,777
Other comprehensive income		<u>-</u>
Total comprehensive income		<u>15,777</u>
EARNINGS PER UNIT		
Basic and diluted earnings per unit (cents per unit)	4	<u>16.71</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS
FOR THE PERIOD ENDED 31 MARCH 2017**

		Period Ended 31 March 2017 \$'000
Unitholders' funds at the beginning of the period		-
Total comprehensive income for the period		<u>15,777</u>
Subscriptions from unitholders	6	206,848
Redemptions by unitholders	6	(9,525)
Distributions to unitholders	5	<u>(2,787)</u>
		<u>194,536</u>
Unitholders' funds at the end of the period		<u><u>210,313</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017**

	Note	As At 31 March 2017 \$'000
ASSETS		
Cash and cash equivalents		4,946
Receivables		1,613
Investments in equity securities held at fair value through profit or loss	2	<u>208,969</u>
TOTAL ASSETS		<u>215,528</u>
LIABILITIES		
Management fees payable		(9)
Taxation payable		(13)
Deferred tax liability		(62)
Funds held for unit purchases		(2,529)
Other current liabilities		(2)
Unsettled trades		<u>(2,600)</u>
TOTAL LIABILITIES		<u>(5,215)</u>
UNITHOLDERS' FUNDS		<u>210,313</u>
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		<u>215,528</u>

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the financial statements on 25 May 2017.



B Miller
Chairman
Smartshares Limited



G Elliffe
Director
Smartshares Limited

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2017**

	Period Ended 31 March 2017 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES	
<i>Cash was provided from:</i>	
Dividend income received	2,346
Securities lending income received	10
Tax refund received	(25)
<i>Cash was applied to:</i>	
Management fees paid	(394)
Miscellaneous expenses paid	(2)
Net cash flows from operating activities	<u>1,935</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
<i>Cash was provided from:</i>	
Sale of investments	7,969
<i>Cash was applied to:</i>	
Purchase of investments	(12,711)
Net repayments to the Manager	31
Net cash flows from investing activities	<u>(4,711)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
<i>Cash was provided from:</i>	
Subscriptions received from unitholders	10,569
<i>Cash was applied to:</i>	
Redemptions paid to unitholders	(61)
Distributions paid to unitholders	(2,786)
Net cash flows from financing activities	<u>7,722</u>
Net increase in cash and cash equivalents	4,946
Cash and cash equivalents at the beginning of the period	-
Cash and cash equivalents at the end of the period	<u>4,946</u>
Reconciliation of profit after tax to net cash flows from operating activities	
Profit after tax	15,777
Net changes in fair value of financial assets at fair value through profit or loss	(12,313)
Increase in taxation payable	13
(Increase) in deferred tax liability	62
Increase in management fees payable	9
Increase in receivables	(1,613)
Net cash flows from operating activities	<u>1,935</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2017**

GENERAL INFORMATION

The NZ Top 50 Fund (the 'Fund') is a for-profit fund registered in New Zealand and established under the Financial Markets Conduct Act 2013 ('FMC Act 2013'). It is offered under a registered managed investment scheme known as the Smartshares Exchange Traded Funds. Smartshares Limited, the Manager of the Fund is a FMC reporting entity for the purpose of the FMC Act 2013.

The Fund is governed by the Trust Deed dated 24 June 2014 as amended and restated on 9 September 2016 between the Manager and the Supervisor. The Fund was established on 9 September 2016, and commenced operation on 7 November 2016.

The Fund replicates the group investment fund which was known as the NZX 50 Portfolio Index Fund, which was resettled as the Fund on 7 November 2016.

The Fund's units are quoted on the NZX Main Board. The Fund is a passive investment fund that tracks the S&P/NZX 50 Portfolio Index (the 'Index'). As prescribed by the Trust Deed, the Fund invests in the securities included in the Index broadly in proportion to the weightings of the Index. Investments are valued at fair value according to last traded market prices on the NZX Main Board on 31 March 2017 (see Note 2).

STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

Reporting period

These are the Fund's first financial statements and are for the period 9 September 2016 to 31 March 2017.

Basis of preparation

The financial statements of the Fund have been prepared in accordance with the requirements of the FMC Act 2013, Financial Reporting Act 2013, New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS'). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The functional currency of this entity is the same as the presentation currency of these financial statements being the New Zealand Dollar ('NZD'), rounded to the nearest thousand.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Smartshares Board of Directors to exercise its judgement in the process of applying the Fund's Statement of Accounting Policies.

Financial assets at fair value through profit or loss

(a) Classification

The Fund classifies its investments in equity securities held at fair value as financial assets at fair value through profit or loss. These financial assets are designated by Smartshares Board of Directors at inception as their performance is managed and evaluated on a fair value basis in accordance with a documented investment strategy.

(b) Recognition/derecognition

Purchases and sales of investments are recognised on the trade date - the date on which the Fund committed to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments has expired or the Fund has transferred substantially all risks and rewards of ownership.

(c) Measurement

Financial assets at fair value through profit or loss are recognised at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income when they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income within dividend income when the Fund's right to receive payment is established.

(d) Fair value estimation

The fair value of the financial instruments is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Fund is the last traded market price.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2017**

Receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are measured at amortised cost using the effective interest method less impairment.

Payables

Trade payables and other payables are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services, and are measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents are considered to be cash in banks, net of bank overdrafts. Operating activities in the Statement of Cash Flows include all transactions or events that are not investing or financing activities. Investing activities are those activities that relate to the acquisition, holding and disposal of investments and securities not falling within the definition of cash. Financing activities are those activities that relate to cash contributions to and from, or distributions to the unitholders.

Units

The Fund issues units, which provide the holder with a beneficial interest in the Fund. The units can be put back to the Fund via a basket redemption, in accordance with the redemption rules as defined in the Trust Deed, for securities of the constituent companies in proportion to the Index and of a proportion of cash held in the Fund.

The units are issued and redeemed based on the Fund's net asset value per unit at the time of issue or redemption. The Fund's net asset value per unit is calculated by dividing the net assets attributable to the unitholders by the total number of outstanding units. In accordance with the provisions of the Trust Deed investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

Dividend income

Dividend income is recognised when the right to receive payment is established. Foreign exchange gains and losses resulting from the settlement of dividends received from the companies incorporated overseas are recognised in the Statement of Comprehensive Income.

Distributions to unitholders

Distributions are made up of income received from the investments and security lending income less expenses paid and allowances for future liabilities. Income from investments held is attributed to unitholders on the basis of the number of units held at the record date of the distribution. To the extent that imputation credits are available, distributions to unitholders will be fully imputed. The record date for the Fund is on the last business day of May and November in each year. Currently distributions to unitholders are made on a semi-annual basis directly from the fund within 20 business days of the record date.

Taxation

The Fund is domiciled in New Zealand and is registered as a Portfolio Investment Entity ('PIE').

The Fund is liable for tax at the prevailing company tax rate on taxable dividends from the investments in securities listed in Note 2 and securities lending income after the deduction of management fees. With most of this income, the Fund is able to utilise imputation credits to satisfy the tax liability. The Fund pays tax to the extent that the imputation credits do not cover the tax liability in full.

Deferred tax is recognised in respect of temporary differences at the Statement of Financial Position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Current and deferred tax is measured using the tax rates enacted or substantively enacted at the reporting date. The temporary differences relate to accrued dividends.

Goods and services tax (GST)

The Fund is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

Securities lending

The Fund enters into securities lending transactions whereby it gives loans of securities recognised on the Statement of Financial Position, but retains either all or substantially all of the risks and rewards of the lent securities or a portion of them. As all or substantially all risks and rewards are retained, the lent securities are not derecognised.

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE PERIOD ENDED 31 MARCH 2017**

Segment information

The Fund operates solely in the business of investment management, investing in New Zealand equities. For the period ended 31 March 2017, no individual equity investment contributed 10% or more of the Fund's dividend income. The dividend income from this investment was \$nil.

Issued but not yet effective accounting standards

A number of accounting standards have been issued or revised that are not yet effective as at 31 March 2017, and have not been applied in preparing the financial statements. The Fund does not plan to adopt these standards early. The standards which are relevant to the Fund are as follows:

- NZ IFRS 9 Financial Instruments - Effective for annual reporting periods beginning on or after 1 January 2018. The impact of any changes has not yet been determined.
- NZ IFRS 15 Revenue from Contracts with Customers - Effective for annual reporting periods beginning on or after 1 January 2018. The impact of any changes has not yet been determined.

1. TAXATION

	31 March 2017
	\$'000
Tax expense comprises:	
Current tax expense	(38)
Deferred tax movement	<u>(62)</u>
Total tax expense	<u><u>(100)</u></u>

The prima facie income tax expense on profit before tax from operations reconciles to the income tax expense in the financial statements as follows:

Income tax expense	31 March 2017
	\$'000
Profit before tax	<u>15,877</u>
Income tax using the statutory income tax rate 28%	(4,446)
Net changes in fair value of financial assets	3,447
Non taxable income	441
Gross up of imputation credits	<u>(178)</u>
	(736)
Less imputation credits and other tax credits	<u>636</u>
Income tax expense as per Statement of Comprehensive Income	<u><u>(100)</u></u>

Deferred tax	31 March 2017
	\$'000
Opening balance	-
Current period movement	<u>62</u>
Closing balance	<u><u>62</u></u>

Imputation credit account (ICA)	31 March 2017
	\$'000
Imputation credits available for use in subsequent periods	1,203

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2017**

2. INVESTMENTS IN EQUITY SECURITIES HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 March 2017	
	Number of Shares	Fair value
	'000	\$'000
Underlying securities		
A2 Milk Company Limited	2,230	6,667
Air New Zealand Limited	1,622	3,989
Argosy Property Limited	2,523	2,447
Arvinda Group Limited	1,027	1,305
Auckland International Airport Limited	1,473	9,960
Australia and New Zealand Banking Group Limited	66	2,298
Chorus Limited	1,251	5,403
Comvita Limited	117	1,010
Contact Energy Limited	2,128	10,766
Ebos Group Limited	252	4,601
Fisher & Paykel Healthcare Corporation Limited	1,100	10,666
Fletcher Building Limited	1,097	9,130
Fletcher Building Limited Fonterra Shareholders Fund	383	2,324
Freightways Limited	476	3,566
Genesis Energy Limited	1,475	3,068
Goodman Property Trust	3,108	3,745
Heartland New Zealand Limited	1,411	2,315
Incitec Pivot Limited	644	856
Infratil Limited	1,721	5,008
Kathmandu Holdings Limited	495	981
Kiwi Income Property Group Limited	3,993	5,690
Mainfreight Limited	260	5,872
Mercury NZ Limited	1,989	6,266
Meridian Energy Limited	3,702	10,365
Metlifecare Limited	399	2,448
Metro Performance Glass Limited	570	741
New Zealand Refining Company Limited	548	1,303
NZX Limited	825	890
Port of Tauranga Limited	962	4,012
Precinct Properties New Zealand Limited	3,089	3,769
Property For Industry Limited	1,390	2,246
Restaurant Brands New Zealand Limited	351	1,913
Ryman Healthcare Limited	1,208	10,156
Sandord Limited (NS)	181	1,332
Scales Corporation Limited	365	1,267
Sky Network Television Limited	1,196	4,688
SKYCITY Entertainment Group Limited	2,033	8,436
Spark New Zealand Limited	2,930	10,254
Stride Property Limited	1,120	1,938
Summerset Group Holdings Limited	680	3,517
Tegel Group Holdings Limited	591	667
Tourism Holdings Limited	366	1,373
Trade Me Group Limited	1,220	6,261
TrustPower Limited	221	1,018

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE PERIOD ENDED 31 MARCH 2017**

2. INVESTMENTS IN EQUITY SECURITIES HELD AT FAIR VALUE (Continued)

	As at 31 March 2017	
	Number of Shares	Fair value
	'000	\$'000
Underlying securities		
Vector Limited	768	2,458
Vista Group International Limited	252	1,506
Vital Healthcare Property Trust	997	2,050
Westpac Banking Corporation	83	3,185
Xero limited	237	4,688
Z Energy Limited	<u>1,229</u>	<u>8,555</u>
		<u><u>208,969</u></u>

All investments are designated at inception as being at fair value through profit or loss. The fair values of investments are calculated using the last traded market price at the reporting date. The investments are registered in the name of JBWere (NZ) Nominees Limited, the custodian of the Fund.

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value can be categorised across the following 3 levels based on the degree to which their fair value is 'observable':

Level 1 - Fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable either directly or indirectly;

Level 3 - Fair value measurements are derived from valuation methods that include inputs that are not based on observable market data.

All financial instruments of the Fund measured at fair value are categorised as level 1 in the hierarchy. There were no transfers between levels in the period ended 31 March 2017.

4. EARNINGS PER UNIT

The basic earnings per unit (EPU) is calculated by dividing the net profit/(loss) after tax attributable to the unitholders by the weighted average number of units on issue during the period.

The Fund's diluted EPU is the same as the basic EPU since the Fund has not issued any instrument with dilutive potential.

	31 March 2017
Profit after tax (\$'000)	15,777
Weighted average number of units ('000)	<u>94,397</u>
Basic and diluted earnings per unit (cents per unit)	<u><u>16.71</u></u>

5. DISTRIBUTION PAYABLE TO UNITHOLDERS

	31 March 2017
	\$'000
Opening distribution payable	-
Distributions accrued to unitholders	2,787
Distributed to unitholders	<u>(2,787)</u>
Closing distribution payable	<u><u>-</u></u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2017**

5. DISTRIBUTION PAYABLE TO UNITHOLDERS (Continued)

Distributions declared and paid

	Year ended	Distribution per unit (cents per unit)	31 March 2017 \$'000
November 2016 (paid December 2016)	31/03/2017	2.99	2,787
			<u>2,787</u>

6. UNITHOLDERS' FUNDS

The Fund was established on 9 September 2016 by way of the Manager depositing \$100 with the Supervisor.

On 7 November 2016 the Fund received assets and liabilities as a result of the resettlement of the NZX 50 Portfolio Index Fund. A total of 92,180,000 units in the Fund were issued for a total value of \$190,528,000, represented by:

	\$'000
Investments in equity securities held at fair value through profit or loss	187,058
Cash and cash equivalents	3,444
Receivables	27
Payables	<u>(1)</u>
	<u>190,528</u>

As at 31 March 2017 there were 95,573,000 units on issue.

All issued units are fully paid and redeemable, and are quoted on the NZX Main Board. The Fund's net assets attributable to unitholders are represented by these units. The relevant movements are shown in the Statement of Changes in Unitholders' Funds.

The number of units allotted during the period ended 31 March 2017 was 99,980,000 for total value of \$206,848,000.

The number of units redeemed during the period ended 31 March 2017 was 4,407,000 for total value of \$9,525,000.

	31 March 2017 '000
Movement in the number of units	
Balance at the beginning of the period	-
Subscriptions received during the period	99,980
Redemptions made during the period	<u>(4,407)</u>
Units on issue at the end of the period	<u>95,573</u>

The net asset value of each unit per the financial statements is \$2.20055. Any difference between the net asset value announced to the market for 31 March 2017 and the net asset value per the financial statements is due to different unit pricing methodology.

7. RELATED PARTY TRANSACTION

Related party holdings

Key management personnel are the Directors of the Manager. There were no transactions with key management personnel during the period.

The Fund is managed by Smartshares Limited, which is a wholly owned subsidiary of NZX Limited, a company listed on the NZX Main Board. The Fund holds shares in NZX Limited (refer to note 2) as NZX Limited shares constitute part of the Index that the Fund tracks.

SuperLife Invest managed investment scheme ("SLI"), a scheme managed by Smartshares Limited, also a wholly owned subsidiary of NZX Limited, is an investor in the Fund.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2017**

7. RELATED PARTY TRANSACTIONS (Continued)

As at 31 March 2017 the SLI scheme held 24,241,640 units valued at \$53,247,000 in the Fund.

Distributions

The Fund paid distributions of \$689,000 to SLI for the period ended 31 March 2017. The balance remaining as payable at the end of the period was \$nil.

Management fees

The Manager receives management fees from the Fund. Under the Trust Deed the Manager pays the supervisor, custodian, registrar and auditor on behalf of the Fund and receives direct purchase application fees and interest earned on cash at banks.

For the period ended 31 March 2017 total direct purchase application fees amounted to \$13,000 and the total interest earned on cash at banks amounted to \$21,000.

Total gross management fees excluding rebates for the period ended 31 March 2017 amounted to \$403,000 with \$9,000 of outstanding accrued management fees due to the Manager at the end of the period.

Other related party transactions

As at 31 March 2017 the Fund had other payables to the Manager of \$2,000.

The audit fee paid by the Manager for the audit of the Fund for the period ended 31 March 2017 was \$5,000.

The Fund has entered into a securities lending agreement with New Zealand Clearing Limited ('NZCL'), a wholly owned subsidiary of NZX Limited. Securities lent are backed against the collateral of the borrower. As at 31 March 2017 the value of securities the Fund had on loan to NZCL was \$5,033,000.

Total security lending fees for the period ended 31 March 2017 amounted to \$15,000, with the accrued fees of \$4,000 due to the Fund. The fees earned by the Fund above represent fifty percent of the total fee earned from the securities lending agreement the Fund has with NZCL. The other fifty percent is income of the Manager for administering the securities lending agreement.

On 16 February 2017 3,807,046 units were redeemed for an in specie transfer of securities valued at \$8,217,000 and a cash portion of \$43,000 for a total value of \$8,260,000 to NZ Core Equity Trust, a fund managed by the Manager.

8. FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

The Fund utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in the Statement of Accounting Policies.

The financial instruments not accounted for at fair value through the profit and loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2017**

8. FINANCIAL RISK MANAGEMENT (Continued)

Financial instruments by category

	As at 31 March 2017 \$'000
<i><u>Loans and receivables</u></i>	
Cash and cash equivalents	4,946
Receivables	1,613
 <i><u>Financial assets at fair value through profit and loss</u></i>	
Investments in equity securities held at fair value through profit or loss	208,969
 <i><u>Other financial liabilities</u></i>	
Management fees payable	(9)
Other current liabilities	(2)
Funds held for unit purchases	(2,529)
Unsettled trades	(2,600)

The Fund's activities expose it to a variety of financial risks: market price risk, credit risk, liquidity risk and securities lending risk. The risk management policies used by the Fund are detailed below:

8a. Market price risk

The Fund's equity securities are exposed to market price risk arising from uncertainties about future prices of the financial instruments.

Because the Fund tracks a New Zealand equity index and is fully invested in the index's underlying New Zealand equity securities, the value of the Fund will move up and down with the New Zealand market.

A 10% increase/decrease in equity prices as at 31 March 2017 would have increased/decreased net profit and unitholder funds by \$20,897,000.

8b. Credit risk

The Fund is exposed to the potential risk of financial loss resulting from the failure of counterparties to honour fully the terms and conditions of a contract with the Fund. Financial instruments that subject the Fund to credit risk consisted primarily of cash and receivables.

The maximum credit risk of financial instruments is considered to be their carrying value. The risk of non-recovery of monetary assets is considered very low due to the quality of counterparties dealt with.

The Fund does not require collateral or other security to support financial instruments with credit risk. Maximum exposures to credit risk at the reporting date are:

	31 March 2017 \$'000
Cash and cash equivalents	4,946
Receivables	1,613

Cash and cash equivalents

The Fund's cash and cash equivalents balances are held with ANZ Bank New Zealand Limited ('ANZ') and Bank of New Zealand Limited ('BNZ').

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2017**

8. FINANCIAL RISK MANAGEMENT (Continued)

The table below discloses the Standard & Poor's credit rating for the Fund's cash and cash equivalents balance with each bank at the reporting date.

	31 March 2017	
	Balance	Credit rating
	\$'000	
ANZ	2,925	AA-
BNZ	2,021	AA-
	4,946	

8c. Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with the financial liabilities that are settled by delivering cash or another financial asset.

The Fund's investments in listed securities are considered readily realisable, as they are quoted on the NZX Main Board. In addition, liquidity risk associated with redemptions is managed by meeting redemptions in the form of baskets rather than cash. The Fund meets its redemption obligations by returning the proportionate number of underlying securities in return for the units. Liquidity risk for the Fund is therefore low.

8d. Securities lending risk

A number of possible risks arise from the securities lending program implemented for the Fund. These include, but are not limited to, the risk that a borrower of securities will fail to deliver equivalent securities on termination of a loan or would encounter financial difficulties (resulting in delays in or failure to redeliver securities to the Fund), the risk of failure of the central counterparty settlement system, the risk that the contract relating to the lending will for whatever reason not be legally enforceable or documented correctly (resulting, for example, in an inability to enforce an obligation to re-transfer securities) and the risk that the operational procedures adopted in respect of the Fund will result in errors, fraud or misconduct that will cause a loss to the Fund.

In order to limit the Fund's exposure to risk that may arise as a result of securities lending, the Fund has a limitation of 50% of the value of its securities it may lend at any point in time. Individual or multiple securities can be lent at any given time, for a minimum of one day. Fees are charged accordingly.

At 31 March 2017, the single borrower of the Fund's securities is New Zealand Clearing Limited ('NZCL'), a wholly owned subsidiary of NZX Limited. Securities lent are backed by collateral of the borrower.

On 31 March 2017 the value of securities the Fund had on loan to NZCL was \$5,033,000.

9. COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 31 March 2017.

10. EVENTS AFTER THE REPORTING PERIOD

Since 31 March 2017 there have been no matters or circumstances not otherwise dealt with in the financial statements that have significantly affected or may significantly affect the Fund.

NZ TOP 50 FUND



Independent Auditor's Report

To the unitholders of NZ Top 50 Fund

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of NZ Top 50 Fund (the fund) on pages 10 to 22:

- i. present fairly in all material respects the fund's financial position as at 31 March 2017 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2017;
- the statement of comprehensive income, statement of changes in unitholders' funds and statement of cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the fund in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report.

Our firm has also provided other assurance services to the fund in relation to reporting to the supervisor. Subject to certain restrictions, employees of our firm may also deal with the fund on normal terms within the ordinary course of trading activities of the business of the fund. These matters have not impaired our independence as auditor of the fund. The firm has no other relationship with, or interest in, the fund.



Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at \$2,155,000 determined with reference to a benchmark of the fund's total assets. We chose the benchmark because, in our view, this is a key measure of the fund's performance.

NZ TOP 50 FUND



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the members as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter

How the matter was addressed in our audit

Carrying amount of investments

Refer to Note 2 to the Financial Statements.

The fund's portfolio of investments makes up 97.0% of total assets. We do not consider these investments to be at high risk of significant misstatement, or be subject to a significant level of judgement, because they comprise liquid, listed investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our audit procedures included:

- documenting and understanding the processes in place to record investment transactions and to value the portfolio. This included evaluating the control environment in place at the administration manager by obtaining and reading a report issued by an independent auditor on the design and operation of those controls
- agreeing the 31 March 2017 valuation of listed equity investments to externally quoted prices
- agreeing investment holdings to confirmations received from the administration manager

We did not identify any material differences in relation to the carrying amount of investments.



Other Information

The Manager, on behalf of the fund, is responsible for the other information included in the entity's Annual Report. Other information may include the Chairman's report, fund highlights, disclosures relating to corporate governance and statutory information. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Manager.



Use of this Independent Auditor's Report

This report is made solely to the members as a body. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in the Independent Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to

NZ TOP 50 FUND



anyone other than the members as a body for our audit work, this report, or any of the opinions we have formed.



Responsibilities of the Manager for the financial statements

The Manager, on behalf of the fund, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Independent Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page2.aspx

This description forms part of our Independent Auditor's Report.

Brent Manning

For and on behalf of

KPMG
Wellington

25 May 2017

Unitholder Information

DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS

AS AT 30 APRIL 2017

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	1,096	23.75%	457,443	0.47%
1,001-5,000	1,447	31.35%	3,734,693	3.86%
5,001-10,000	828	17.94%	5,932,941	6.13%
10,001-50,000	1,107	23.99%	23,343,311	24.12%
50,001-100,000	83	1.80%	5,582,759	5.77%
Greater than 100,000	54	1.17%	57,721,932	59.65%
TOTAL	4,615	100.00%	96,773,079	100.00%

20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES

AS AT 30 APRIL 2017

Full Name	Total	Percentage
SuperLife Nominees Limited	24,690,387	24.9
Investment Custodial Services Limited	16,588,485	16.73
FNZ Custodians Limited	2,236,849	2.26
New Zealand Central Securities Depository Limited	1,809,000	1.82
Robin Michael Brews	1,602,229	1.61
Investment Custodial Services Limited	1,535,324	1.55
David Robert Rich & Carolyn Frances Elley	1,477,524	1.49
Investment Custodial Services Limited	728,845	0.73
Custodial Services Limited	716,944	0.72
Philippa Jane Stubbins & Comac Trustee Limited	571,784	0.58
James Mc Daniel Thomas & Teri Jo Thomas	554,080	0.56
Ajd Family Nominees Limited	537,463	0.54
Custodial Services Limited	354,491	0.36
Trevor Paul Fitzjohn & John Livingston Marshall & Strato Cotsilinis	287,538	0.29
Custodial Services Limited	284,104	0.29
Marjory Elizabeth Davie	233,614	0.24
Gil David Retter	232,479	0.23
Kimbal Stephen Von Lanthen & Deidra Francesca Von Lanthen & Public Trust Limited	220,404	0.22
FNZ Custodians Limited	208,031	0.21
Kynance Holdings Limited	204,316	0.21
	55,073,891	55.54

SUBSTANTIAL PRODUCT HOLDERS

The following information has been given pursuant to section 293 of the Financial Markets Conduct Act 2013 (FMCA). According to Smartshares records and disclosures made under section 280(1)(b) of the FMCA, there were no substantial product holders in the Fund as at 31 March 2017. The total number of units on issue at 31 March 2017 was 95,573,079.

DIRECTORS' INTERESTS IN UNITS

	Beneficial	Non-Beneficial
Bevan Miller	1,147*	0
Paul Baldwin	0	0
Guy Elliffe	2,289*	0
John Williams	0	0

*Beneficial interest in these units is indirectly held through the director's interest in the SuperLife KiwiSaver scheme

WAIVERS GRANTED

The Special Division of the New Zealand Markets Disciplinary Tribunal (Special Division) has granted, either fully, partially or subject to conditions a number of waivers to the fund.

The waiver decisions that Smartshares currently relies upon are available on smartshares.co.nz.

Special Division granted the following waivers from the Listing Rules that continue to be relied upon as at 31 March 2017:

3.1.1(a) - compliance with the Listing Rules	7.5 - Issues and Buybacks Affecting Control
3.1.1(b) - compliance with Takeover Provisions	7.6.1 to 7.6.3 - Buybacks of Equity Securities, Redemptions and Financial Assistance
3.3.5 to 3.3.15 - Appointment and Rotation of Directors	7.11.1 Allotment within 5 business days
3.4 - Proceedings and Power of Directors	9.2.1 - Transactions with Related Parties
3.5 - Directors' Remuneration	10.3.2 - Preliminary Announcements
Section 4 - Takeover Provisions	10.4.1(d) - Annual and Half-Year Reports availability
7.1.11 - Minimum Subscription	10.4.2 - Half-Yearly Reporting Requirements
7.3 - Issue of New Equity Securities.	10.6.1(a) - Other Administrative Information
7.4 - Entitlements to Third Party Securities	

In October 2015, Special Division granted Smartshares a waiver from Listing Rules 3.3.1(c), 3.3.3 and 3.6.2(c) to enable Mr Elliffe and Mr Williams to continue to be regarded as Independent Directors following their appointment to the board of SuperLife Limited in May 2016. As Smartshares and SuperLife Limited were amalgamated on 9 November 2016, Smartshares no longer relies on this waiver.

In June 2016, Special Division granted Smartshares a waiver from Listing Rule 9.2.1 to enable Smartshares to amalgamate with SuperLife Limited without the need for unitholder approval. Smartshares no longer relies on this waiver.

On 8 September 2016, Special Division granted fully, partially or subject to conditions, waivers from the following Listing Rules in relation to the transition of the group investment funds to the FMCA:

7.4.1 - Entitlements to Third Party Securities
7.6.5 - Buy Backs of Equity Securities, Redemptions and Financial Assistance
8.3.1 - Modifications of Rights of Security Holders
9.2.1 - Transactions with Related Parties

NZ Top 10 Fund (TNZ)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017

Presented by Smartshares Limited, Manager of the NZ Top 10 Fund

Report to the Unitholders

HIGHLIGHTS

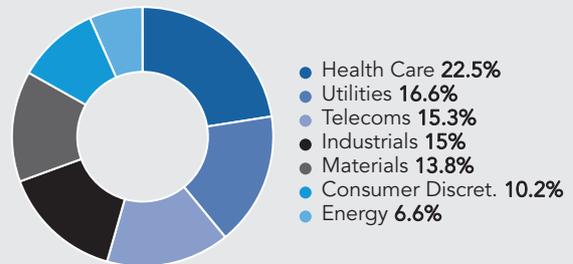
Launch Date 11-Jun-96

	March 2017	March 2016
Net Tangible Assets (NTA)	\$1.368	\$1.370
Units On Issue	56,582,943	49,832,943
Funds Under Management	\$77,403,643	\$68,255,185
Gross Distribution	\$0.051	\$0.065
Gross Distribution Yield	3.76%	4.75%
Gross Return	3.51%	17.81%
Total Fund Charges	0.60%	0.60%
Distributions paid	Semi-annual	

NTA Per Unit



Sector Allocation



Growth of \$1000*



*Since inception with all distributions reinvested.

NZ TOP 10 FUND

DIRECTORY

THE MANAGER

Smartshares Limited
Level 1, NZX Centre
11 Cable Street, Wellington 6140
New Zealand

This is also the address of the registered office.

PRINCIPAL OFFICE OF THE MANAGER

Level 7, Zurich House
21 Queen Street, Auckland Central
Auckland 1010
New Zealand

DIRECTORS OF THE MANAGER

Bevan K. Miller
Timothy O. Bennett (ceased 30 December 2016)
Guy R. Elliffe
A. John Williams
Paul J. Baldwin (appointed 30 December 2016)

INVESTMENT ADMINISTRATOR

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

REGISTRAR

Link Market Services Limited

THE SUPERVISOR

Public Trust
Level 5, 40-42 Queens Drive
Lower Hutt 5010, Wellington
New Zealand

AUDITOR

KPMG
10 Customhouse Quay
PO Box 996, Wellington 6140
New Zealand

SOLICITOR

Buddle Findlay
Level 17, State Insurance Tower
1 Willis Street, Wellington 6140
New Zealand

INVESTMENT CUSTODIAN

JBWere (NZ) Nominees Limited

CORRESPONDENCE

All correspondence and enquiries to the Manager about the Fund should be addressed to the Manager, Smartshares Limited, at the above address.

NZ TOP 10 FUND

Smartshares Limited (the 'Manager') and Public Trust (the 'Supervisor') are parties to a trust deed dated 24 June 2014 as amended and restated on 9 September 2016 (the 'Trust Deed') which sets out the terms and conditions on which units in the funds within the Smartshares Exchange Traded Funds are offered for subscription, whether to the public or otherwise.

The Trust Deed provides that each fund is to be established by the Manager and the Supervisor entering into an establishment deed setting out the specific terms and conditions relating to that fund.

The NZ Top 10 Fund (the 'Fund') was created by an establishment deed dated 9 September 2016 between the Manager and Supervisor. The Fund replicates the group investment fund which was known as the NZX 10 Fund. On 26 October 2016 unitholders in the NZX 10 Fund resolved by extraordinary resolution that it was to be resettled as a unit trust. As a result, on 7 November 2016, its assets and liabilities were resettled on the Fund. The units in the NZX 10 Fund were then redeemed for units in the Fund.

STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are drawn up in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), and fairly present the financial position of the Fund as at 31 March 2017, and the results of its financial performance and cash flows for the period ended 31 March 2017 in accordance with the requirement of the Trust Deed.

It is believed that there are no circumstances that may materially and adversely affect any interest of the unitholders in the assets other than those already disclosed in this report.

For and on behalf of the Manager:
Smartshares Limited



.....
Director



.....
Director

This statement was approved for signing at a meeting of the Directors on 25 May 2017.

NZ TOP 10 FUND

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2017**

	Note	Period Ended 31 March 2017 \$'000
INCOME		
Dividend income		1,593
Securities lending income		5
Net changes in fair value of financial assets at fair value through profit or loss		<u>1,294</u>
Total income		<u>2,892</u>
EXPENSES		
Management fees expense	7	<u>(185)</u>
Total expenses		<u>(185)</u>
Profit before tax		2,707
Income tax expense	1	<u>(36)</u>
Profit after tax		2,671
Other comprehensive income		<u>-</u>
Total comprehensive income		<u><u>2,671</u></u>
EARNINGS PER UNIT		
Basic and diluted earnings per unit (cents per unit)	4	<u><u>4.75</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS
FOR THE PERIOD ENDED 31 MARCH 2017**

		Period Ended 31 March 2017 \$'000
Unitholders' funds at the beginning of the period		-
Total comprehensive income for the period		<u>2,671</u>
Subscriptions from unitholders		77,440
Redemptions by unitholders	6	(1,380)
Distributions to unitholders	5	<u>(1,245)</u>
		<u>74,815</u>
Unitholders' funds at the end of the period		<u><u>77,486</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017**

	Note	As At 31 March 2017 \$'000
ASSETS		
Cash and cash equivalents		750
Receivables		1,005
Investments in equity securities held at fair value through profit or loss	2	<u>75,964</u>
TOTAL ASSETS		<u>77,719</u>
LIABILITIES		
Management fees payable	7	(4)
Taxation payable		(14)
Deferred tax liability		(22)
Funds held for unit purchases		<u>(193)</u>
TOTAL LIABILITIES		<u>(233)</u>
UNITHOLDERS' FUNDS		<u>77,486</u>
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		<u>77,719</u>

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the financial statements on 25 May 2017.



B Miller
Chairman
Smartshares Limited



G Elliffe
Director
Smartshares Limited

**STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2017**

	Period Ended 31 March 2017 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES	
<i>Cash was provided from:</i>	
Dividend income received	589
Securities lending income received	4
<i>Cash was applied to:</i>	
Management fees paid	<u>(181)</u>
Net cash flows from operating activities	<u>412</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
<i>Cash was provided from:</i>	
Sale of investments	56
Net repayments from the Manager	19
<i>Cash was applied to:</i>	
Purchase of investments	<u>(778)</u>
Net cash flows from investing activities	<u>(703)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
<i>Cash was provided from:</i>	
Subscriptions received from unitholders	2,309
<i>Cash was applied to:</i>	
Redemptions paid to unitholders	(23)
Distributions paid to unitholders	<u>(1,245)</u>
Net cash flows from financing activities	<u>1,041</u>
Net increase in cash and cash equivalents	750
Cash and cash equivalents at the beginning of the period	<u>-</u>
Cash and cash equivalents at the end of the period	<u>750</u>
Reconciliation of profit after tax to net cash flows from operating activities	
Profit after tax	2,671
Net changes in fair value of financial assets at fair value through profit or loss	(1,294)
Increase in taxation payable	14
(Increase) in deferred tax liability	22
Increase in management fees payable	4
Increase in receivables	<u>(1,005)</u>
Net cash flows from operating activities	<u>412</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2017**

GENERAL INFORMATION

The NZ Top 10 Fund (the 'Fund') is a for-profit fund registered in New Zealand and established under the Financial Markets Conduct Act 2013 ('FMC Act 2013'). It is offered under a registered managed investment scheme known as the Smartshares Exchange Traded Funds. Smartshares Limited, the Manager of the Fund is a FMC reporting entity for the purpose of the FMC Act 2013.

The Fund is governed by the Trust Deed dated 24 June 2014 as amended and restated on 9 September 2016 between the Manager and the Supervisor. The Fund was established on 9 September 2016, and commenced operation on 7 November 2016.

The Fund replicates the group investment fund which was known as the NZX 10 Fund, which was resettled as the Fund on 7 November 2016.

The Fund's units are quoted on the NZX Main Board. The Fund is a passive investment fund that tracked the S&P/NZX 10 Index (the 'Index'). As prescribed by the Trust Deed, the Fund invests in the securities included in the Index broadly in proportion to the weightings of the Index. Investments in equity securities are valued at fair value according to last traded market prices on the NZX Main Board on 31 March 2017 (see Note 2).

STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

Reporting period

These are the Fund's first financial statements and are for the period 9 September 2016 to 31 March 2017.

Basis of preparation

The financial statements of the Fund have been prepared in accordance with the requirements of the FMC Act 2013, Financial Reporting Act 2013, New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS'). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The functional currency of this entity is the same as the presentation currency of these financial statements being the New Zealand Dollar ('NZD'), rounded to the nearest thousand.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Smartshares Board of Directors to exercise its judgement in the process of applying the Fund's Statement of Accounting Policies.

Financial assets at fair value through profit or loss

(a) Classification

The Fund classifies its investments in equity securities held at fair value as financial assets at fair value through profit or loss. These financial assets are designated by the Smartshares Board of Directors at inception as their performance was managed and evaluated on a fair value basis in accordance with a documented investment strategy.

(b) Recognition/derecognition

Purchases and sales of investments are recognised on the trade date - the date on which the Fund committed to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments had expired or the Fund has transferred substantially all risks and rewards of ownership.

(c) Measurement

Financial assets at fair value through profit or loss are recognised at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income when they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income within dividend income when the Fund's right to receive payment is established.

(d) Fair value estimation

The fair value of the financial instruments is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Fund is the last traded market price.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2017**

Receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are measured at amortised cost using the effective interest method less impairment.

Payables

Trade payables and other payables are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services, and are measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents are considered to be cash at banks, net of bank overdrafts. Operating activities in the Statement of Cash Flows include all transactions or events that are not investing or financing activities. Investing activities are those activities that relate to the acquisition, holding and disposal of investments and securities not falling within the definition of cash. Financing activities are those activities that relate to cash contributions to and from, or distributions to the unitholders.

Units

The Fund issues units, which provide the holder with a beneficial interest in the Fund. The units can be put back to the Fund via a basket redemption, in accordance with the redemption rules as defined in the Trust Deed, for securities of the constituent companies in proportion to the Index and of a proportion of cash held in the Fund.

The units are issued and redeemed based on the Fund's net asset value per unit at the time of issue or redemption. The Fund's net asset value per unit is calculated by dividing the net assets attributable to the unitholders by the total number of outstanding units. In accordance with the provisions of the Trust Deed investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Distributions to unitholders

Distributions are made up of income received from the investments and security lending income less expenses paid and allowances for future liabilities. Income from investments held is attributed to unitholders on the basis of the number of units held at the record date of the distribution. To the extent that imputation credits are available, distributions to unitholders will be fully imputed. The record date for the Fund is on the last business day of May and November in each year. Currently distributions to unitholders are made on a semi-annual basis directly from the fund within 20 business days of the record date.

Taxation

The Fund is domiciled in New Zealand and is registered as a Portfolio Investment Entity ('PIE').

The Fund is liable for tax at the prevailing company tax rate on taxable dividends from the investments in securities listed in Note 2 and securities lending income after the deduction of management fees. With most of this income, the Fund is able to utilise imputation credits to satisfy the tax liability. The Fund pays tax to the extent that the imputation credits do not cover the tax liability in full.

Deferred tax is recognised in respect of temporary differences at the Statement of Financial Position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Current and deferred tax is measured using the tax rates enacted or substantively enacted at the reporting date. The temporary differences relate to accrued dividends.

Goods and services tax (GST)

The Fund is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

Securities lending

The Fund enters into securities lending transactions whereby it gives loans of securities recognised on the Statement of Financial Position, but retains either all or substantially all of the risks and rewards of the lent securities or a portion of them. As all or substantially all risks and rewards are retained, the lent securities are not derecognised.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2017**

Segment information

The Fund operates solely in the business of investment management, investing in New Zealand equities. For the period ended 31 March 2017, 4 equity investments individually contributed 10% or more of the Fund's dividend income. The individual dividend income received from these four equity investments was \$168,000, \$251,000, \$170,000 and \$415,000.

Issued but not yet effective accounting standards

A number of accounting standards have been issued or revised that are not yet effective as at 9 November 2016, and have not been applied in preparing the financial statements. The Fund does not plan to adopt these standards early. The standards which are relevant to the Fund are as follows:

- NZ IFRS 9 Financial Instruments - Effective for annual reporting periods beginning on or after 1 January 2018. The impact of any changes has not yet been determined.
- NZ IFRS 15 Revenue from Contracts with Customers - Effective for annual reporting periods beginning on or after 1 January 2018. The impact of any changes has not yet been determined.

1. TAXATION

	31 March 2017 \$'000
Tax expense comprises:	
Current tax expense	(14)
Deferred tax movement	<u>(22)</u>
Total tax expense	<u><u>(36)</u></u>

The prima facie income tax expense on profit before tax from operations reconciles to the income tax expense in the financial statements as follows:

	31 March 2017 \$'000
Income tax expense	
Profit before tax	<u>2,707</u>
Income tax using the statutory income tax rate 28%	(758)
Net changes in fair value of financial assets	362
Non taxable income	259
Gross up of imputation credits	<u>(39)</u>
	(176)
Less imputation credits and other tax credits	<u>140</u>
Income tax expense as per Statement of Comprehensive Income	<u><u>(36)</u></u>

	31 March 2017 \$'000
Deferred tax	
Current period movement	<u>(22)</u>
Closing balance	<u><u>(22)</u></u>

	31 March 2017 \$'000
Imputation credit account (ICA)	
Imputation credits available for use in subsequent periods	513

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2017**

2. INVESTMENTS IN EQUITY SECURITIES HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 March 2017	
	Number of Shares	Fair value
	'000	\$'000
Underlying securities		
Auckland International Airport Limited	1,683	11,376
Contact Energy Limited	1,296	6,559
Fletcher Building Limited	1,257	10,460
Fisher & Paykel Healthcare Corporation Limited	1,028	9,972
Meridian Energy Limited	2,182	6,111
Ryman Healthcare Limited	842	7,085
Sky City Entertainment Group Limited	1,198	4,973
Sky Network Television Limited	705	2,764
Spark New Zealand Limited	3,320	11,620
Z Energy Limited	725	5,044
		<u><u>75,964</u></u>

All investments are designated at inception as being at fair value through profit or loss. The fair values of investments are calculated using the last traded market price at the reporting date. The investments are registered in the name of JBWere (NZ) Nominees Limited, the custodian of the Fund.

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value can be categorised across the following 3 levels based on the degree to which their fair value is 'observable':

Level 1 - Fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable either directly or indirectly;

Level 3 - Fair value measurements are derived from valuation methods that include inputs that are not based on observable market data.

All financial instruments of the Fund measured at fair value are categorised as level 1 in the hierarchy. There were no transfers between levels in the period ended 31 March 2017.

4. EARNINGS PER UNIT

The basic earnings per unit (EPU) is calculated by dividing the net profit/(loss) after tax attributable to the unitholders by the weighted average number of units on issue during the period.

The Fund's diluted EPU is the same as the basic EPU since the Fund had not issued any instrument with dilutive potential.

	31 March 2017
Profit after tax (\$'000)	2,671
Weighted average number of units ('000)	<u>56,233</u>
Basic and diluted earnings per unit (cents per unit)	<u><u>4.75</u></u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2017**

5. DISTRIBUTION PAYABLE TO UNITHOLDERS

	31 March 2017
	\$'000
Opening distribution payable	-
Distributions accrued to unitholders	1,245
Distributed to unitholders	<u>(1,245)</u>
Closing distribution payable	<u><u>-</u></u>

Distributions declared and paid

	Year ended	Distribution per unit (cents per unit)	31 March 2017 \$'000
November 2016 (paid December 2016)	31/03/2017	2.24	<u>1,245</u>
			<u><u>1,245</u></u>

6. UNITHOLDERS' FUNDS

The Fund was established on 9 September 2016 by way of the Manager depositing \$100 with the Supervisor.

On 7 November 2016 the Fund received assets and liabilities as a result of the resettlement of the NZX 10 Fund. A total of 56,583,000 units in the Fund were issued for a total value of \$76,090,000, represented by:

	\$'000
Investments in equity securities held at fair value through profit or loss	74,581
Cash and cash equivalents	1,488
Receivables	<u>21</u>
	<u><u>76,090</u></u>

As at 31 March 2017 there were 56,583,000 units on issue.

All issued units are fully paid and redeemable, and are quoted on the NZX Main Board. The Fund's net asset attributable to unitholders were represented by these units. The relevant movements are shown on the Statement of Changes in Unitholders' Funds.

The number of units allotted during the period ended 31 March 2017 was 57,583,000 for total value of \$77,440,000.

The number of units redeemed during the period ended 31 March 2017 was 1,000,000 for total value of \$1,380,000.

	31 March 2017
	'000
Movement in the number of units	
Balance at the beginning of the period	-
Subscriptions received during the period	57,583
Redemptions made during the period	<u>(1,000)</u>
Units on issue at the end of the period	<u><u>56,583</u></u>

The net asset value of each unit per the financial statements is \$1.36942. Any difference between the net asset value announced to the market for 31 March 2017 and the net asset value per the financial statements is due to different unit pricing methodology.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2017**

7. RELATED PARTY TRANSACTIONS

Related party holdings

Key management personnel are the Directors of the Manager. There were no transactions with key management personnel during the period.

The Fund is managed by Smartshares Limited, which is a wholly owned subsidiary of NZX Limited, a company listed on the NZX Main Board.

SuperLife Invest managed investment scheme ("SLI"), a scheme managed by Smartshares Limited, also a wholly owned subsidiary of NZX Limited, is an investor in the Fund.

As at 31 March 2017 the SLI scheme held 5,637,000 units valued at \$7,711,000 in the Fund.

Distributions

The Fund paid distributions of \$126,000 to SLI for the period ended 31 March 2017. The balance remaining as payable at the end of the period was \$nil.

Management fees

The Manager received management fees from the Fund. Under the Trust Deed the Manager pays the supervisor, custodian, registrar and auditor on behalf of the Fund and receives direct purchase application fees and interest earned on cash at banks.

For the period ended 31 March 2017, total direct purchase application fees amounted to \$2,000 and the total interest earned on cash at banks amounted to \$7,000.

Total gross management fees excluding rebates for the period ended 31 March 2017 amounted to \$185,000 with \$4,000 of outstanding accrued management fees due to the Manager at the end of the period.

Other related party transactions

The audit fee paid by the Manager for the audit of the Fund for the period ended 31 March 2017 was \$5,000.

The Fund has entered into a securities lending agreement with New Zealand Clearing Limited ('NZCL'), a wholly owned subsidiary of NZX Limited. Securities lent were backed against the collateral of the borrower. As at 31 March 2017 the value of securities the Fund had on loan to NZCL was \$2,535,000.

Total security lending fees for the period ended 31 March 2017 amounted to \$5,000, with the accrued fees due to the Fund of \$1,000. The fees earned by the fund above represent fifty percent of the total fee earned from the securities lending agreement the Fund has with NZCL. The other fifty percent is income of the Manager for administering the securities lending agreement.

8. FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

The Fund utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in the Statement of Accounting Policies.

The financial instruments not accounted for at fair value through the profit and loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE PERIOD ENDED 31 MARCH 2017**

8. FINANCIAL RISK MANAGEMENT (Continued)

Financial instruments by category

	As at 31 March 2017 \$'000
<i><u>Loans and receivables</u></i>	
Cash and cash equivalents	750
Receivables	1,005
<i><u>Financial assets at fair value through profit and loss</u></i>	
Investments in equity securities held at fair value through profit or loss	75,964
<i><u>Other financial liabilities</u></i>	
Management fees payable	(4)
Funds held for unit purchases	(193)

The Fund's activities expose it to a variety of financial risks: market price risk, credit risk, liquidity risk and securities lending risk. The risk management policies used by the Fund are detailed below:

8a. Market price risk

The Fund's equity securities are exposed to market price risk arising from uncertainties about future prices of the financial instruments.

Because the Fund tracks a New Zealand equity index and is fully invested in the index's underlying New Zealand equity securities, the value of the Fund will move up and down with the New Zealand market.

A 10% increase/decrease in equity prices as at 31 March 2017 would have increased/decreased net profit and unitholder funds by \$7,596,000.

8b. Credit risk

The Fund is exposed to the potential risk of financial loss resulting from the failure of counterparties to honour fully the terms and conditions of a contract with the Fund. Financial instruments that subject the Fund to credit risk consisted primarily of cash and receivables.

The maximum credit risk of financial instruments is considered to be their carrying value. The risk of non-recovery of monetary assets is considered very low due to the quality of counterparties dealt with.

The Fund does not require collateral or other security to support financial instruments with credit risk. Maximum exposures to credit risk at the reporting date are:

	31 March 2017 \$'000
Cash and cash equivalents	750
Receivables	1,005

Cash and cash equivalents

The Fund's cash and cash equivalents balances are held with ANZ Bank New Zealand Limited ('ANZ') and Bank of New Zealand Limited ('BNZ').

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE PERIOD ENDED 31 MARCH 2017**

8. FINANCIAL RISK MANAGEMENT (Continued)

The table below discloses the Standard & Poor's credit rating for the Fund's cash and cash equivalents balance with each bank at the reporting date.

	31 March 2017	
	Balance	Credit rating
	\$'000	
ANZ	277	AA-
BNZ	473	AA-
	<u>750</u>	

8c. Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with the financial liabilities that are settled by delivering cash or another financial asset.

The Fund's investments in listed securities are considered readily realisable, as they are quoted on the NZX Main Board. In addition, liquidity risk associated with redemptions is managed by meeting redemptions in the form of baskets rather than cash. The Fund meets its redemption obligations by returning the proportionate number of underlying securities in return for the units. Liquidity risk for the Fund was therefore low.

8d. Securities lending risk

A number of possible risks arise from the securities lending program implemented for the Fund. These include, but are not limited to, the risk that a borrower of securities will fail to deliver equivalent securities on termination of a loan or will encounter financial difficulties (resulting in delays in or failure to redeliver securities to the Fund), the risk of failure of the central counterparty settlement system, the risk that the contract relating to the lending will for whatever reason not be legally enforceable or documented correctly (resulting, for example, in an inability to enforce an obligation to re-transfer securities) and the risk that the operational procedures adopted in respect of the Fund will result in errors, fraud or misconduct that will cause a loss to the Fund.

In order to limit the Fund's exposure to risk that may arise as a result of securities lending, the Fund has a limitation of 50% of the value of its securities it may lend at any point in time. Individual or multiple securities can be lent at any given time, for a minimum of one day. Fees are charged accordingly.

At 31 March 2017, the single borrower of the Fund's securities was New Zealand Clearing Limited ('NZCL'), a wholly owned subsidiary of NZX Limited. Securities lent were backed by collateral of the borrower.

On 31 March 2017 the value of securities the Fund had on loan to NZCL was \$2,535,000.

9. COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 31 March 2017.

10. EVENTS AFTER THE REPORTING PERIOD

Since 31 March 2017, there have been no matters or circumstances not otherwise dealt with in the financial statements that have significantly affected or may significantly affect the Fund.

NZ TOP 10 FUND



Independent Auditor's Report

To the unitholders of NZ Top 10 Fund

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of NZ Top 10 Fund (the fund) on pages 31 to 42:

- i. present fairly in all material respects the fund's financial position as at 31 March 2017 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2017;
- the statement of comprehensive income, statement of changes in unitholders' funds and statement of cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the fund in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report.

Our firm has also provided other assurance services to the fund in relation to reporting to the supervisor. Subject to certain restrictions, employees of our firm may also deal with the fund on normal terms within the ordinary course of trading activities of the business of the fund. These matters have not impaired our independence as auditor of the fund. The firm has no other relationship with, or interest in, the fund.



Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at \$777,000 determined with reference to a benchmark of the fund's total assets. We chose the benchmark because, in our view, this is a key measure of the fund's performance.

NZ TOP 10 FUND



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the members as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter

How the matter was addressed in our audit

Carrying amount of investments

Refer to Note 2 to the Financial Statements.

The fund's portfolio of investments makes up 97.7% of total assets. We do not consider these investments to be at high risk of significant misstatement, or be subject to a significant level of judgement, because they comprise liquid, listed investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our audit procedures included:

- documenting and understanding the processes in place to record investment transactions and to value the portfolio. This included evaluating the control environment in place at the administration manager by obtaining and reading a report issued by an independent auditor on the design and operation of those controls
- agreeing the 31 March 2017 valuation of listed equity investments to externally quoted prices
- agreeing investment holdings to confirmations received from the administration manager

We did not identify any material differences in relation to the carrying amount of investments.



Other Information

The Manager, on behalf of the fund, is responsible for the other information included in the entity's Annual Report. Other information may include the Chairman's report, fund highlights, disclosures relating to corporate governance and statutory information. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Manager.



Use of this Independent Auditor's Report

This report is made solely to the members as a body. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in the Independent Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to

NZ TOP 10 FUND



anyone other than the members as a body for our audit work, this report, or any of the opinions we have formed.



Responsibilities of the Manager for the financial statements

The Manager, on behalf of the fund, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Independent Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page2.aspx

This description forms part of our Independent Auditor's Report.

Brent Manning

For and on behalf of

KPMG
Wellington

25 May 2017

Unitholder Information

DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS

AS AT 30 APRIL 2017

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	280	10.33%	93,312	0.16%
1,001-5,000	645	23.80%	1,836,671	3.22%
5,001-10,000	542	20.00%	4,126,675	7.23%
10,001-50,000	1,103	40.70%	22,632,966	39.65%
50,001-100,000	101	3.73%	6,841,638	11.99%
Greater than 100,000	39	1.44%	21,551,681	37.76%
TOTAL	2,710	100.00%	57,082,943	100.00%

20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES

AS AT 30 APRIL 2017

Full Name	Total	Percentage
SuperLife Nominees Limited	5,636,864	9.87
Investment Custodial Services Limited	4,426,937	7.76
Anna Elisabeth Minnaar	1,865,763	3.27
Custodial Services Limited	1,447,352	2.54
New Zealand Central Securities Depository Limited	1,097,539	1.92
Philippa Jane Stubbins & Comac Trustee Limited	646,016	1.13
Public Trust Lifetime Income Nominees Limited	636,824	1.12
Eeshala Nominees Limited	506,089	0.89
Custodial Services Limited	505,793	0.89
Custodial Services Limited	455,491	0.8
Thomas William Schnackenberg & Annette Helen Schnackenberg	336,190	0.59
Julian Smith Family Trust Custodian Limited	214,410	0.38
Lynne Marie Marx Sheather & Walter Brent Sheather & Patricia Vera Sheather & Simon Middleton Palmer	207,576	0.36
Kathryn May Kelly & Logan Leith Trustee Limited	201,449	0.35
ASB Nominees Limited	200,000	0.35
Wallace John Semmens & Rose Agnes Semmens & Ernest William Gartrell	199,767	0.35
Anthony James Marquette & Beatrice Reine Marquette	172,874	0.3
Diana Renker	170,012	0.3
Brian Jonathan Collett	169,307	0.3
Craigs Investment Partners Limited	164,742	0.29
	19,260,995	33.76

SUBSTANTIAL PRODUCT HOLDERS

The following information has been given pursuant to section 293 of the Financial Markets Conduct Act 2013 (FMCA). According to Smartshares records and disclosures made under section 280(1)(b) of the FMCA, there were no substantial product holders in the Fund as at 31 March 2017. The total number of units on issue at 31 March 2017 was 56,582,943.

DIRECTORS' INTERESTS IN UNITS

	Beneficial	Non-Beneficial
Bevan Miller	612*	0
Paul Baldwin	0	0
Guy Elliffe	1,222*	0
John Williams	0	0

*Beneficial interest in these units is indirectly held through the director's interest in the SuperLife KiwiSaver scheme

WAIVERS GRANTED

The Special Division of the New Zealand Markets Disciplinary Tribunal (Special Division) has granted, either fully, partially or subject to conditions a number of waivers to the fund.

The waiver decisions that Smartshares currently relies upon are available on smartshares.co.nz.

Special Division granted the following waivers from the Listing Rules that continue to be relied upon as at 31 March 2017:

3.1.1(a) - compliance with the Listing Rules	7.5 - Issues and Buybacks Affecting Control
3.1.1(b) - compliance with Takeover Provisions	7.6.1 to 7.6.3 - Buybacks of Equity Securities, Redemptions and Financial Assistance
3.3.5 to 3.3.15 - Appointment and Rotation of Directors	7.11.1 Allotment within 5 business days
3.4 - Proceedings and Power of Directors	9.2.1 - Transactions with Related Parties
3.5 - Directors' Remuneration	10.3.2 - Preliminary Announcements
Section 4 - Takeover Provisions	10.4.1(d) - Annual and Half-Year Reports availability
7.1.11 - Minimum Subscription	10.4.2 - Half-Yearly Reporting Requirements
7.3 - Issue of New Equity Securities.	10.6.1(a) - Other Administrative Information
7.4 - Entitlements to Third Party Securities	

In October 2015, Special Division granted Smartshares a waiver from Listing Rules 3.3.1(c), 3.3.3 and 3.6.2(c) to enable Mr Elliffe and Mr Williams to continue to be regarded as Independent Directors following their appointment to the board of SuperLife Limited in May 2016.

As Smartshares and SuperLife Limited were amalgamated on 9 November 2016, Smartshares no longer relies on this waiver.

In June 2016, Special Division granted Smartshares a waiver from Listing Rule 9.2.1 to enable Smartshares to amalgamate with SuperLife Limited without the need for unitholder approval. Smartshares no longer relies on this waiver.

On 8 September 2016, Special Division granted fully, partially or subject to conditions, waivers from the following Listing Rules in relation to the transition of the group investment funds to the FMCA:

7.4.1 - Entitlements to Third Party Securities
7.6.5 - Buy Backs of Equity Securities, Redemptions and Financial Assistance
8.3.1 - Modifications of Rights of Security Holders
9.2.1 - Transactions with Related Parties

Australian Top 20 Fund (OZY)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017

Presented by Smartshares Limited, Manager of the Australian Top 20 Fund

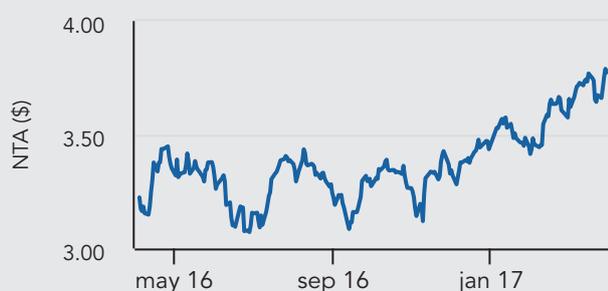
Report to the Unitholders

HIGHLIGHTS

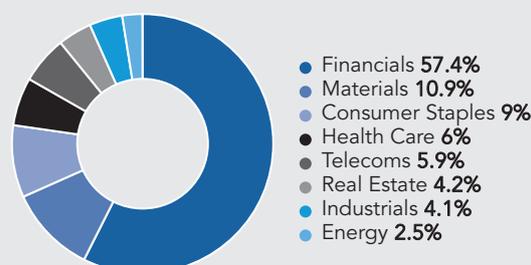
Launch Date 27-Feb-97

	March 2017	March 2016
Net Tangible Assets (NTA)	\$3.774	\$3.278
Units On Issue	25,726,556	25,426,556
Funds Under Management	\$97,089,212	\$83,337,063
Gross Distribution	\$0.088	\$0.161
Gross Distribution Yield	2.32%	4.90%
Gross Return	18.19%	-9.27%
Total Fund Charges	0.60%	0.60%
Distributions paid	Semi-annual	

NTA Per Unit



Sector Allocation



Growth of \$1,000*



*Since inception with all distributions reinvested.

AUSTRALIAN TOP 20 FUND

DIRECTORY

THE MANAGER

Smartshares Limited
Level 1, NZX Centre
11 Cable Street, Wellington 6140
New Zealand

This is also the address of the registered office.

PRINCIPAL OFFICE OF THE MANAGER

Level 7, Zurich House
21 Queen Street, Auckland Central
Auckland 1010
New Zealand

DIRECTORS OF THE MANAGER

Bevan K. Miller
Timothy O. Bennett (resigned 30 December 2016)
Guy R. Elliffe
A. John Williams
Paul J. Baldwin (appointed 30 December 2016)

REGISTRAR

Link Market Services Limited

THE SUPERVISOR

Public Trust
Level 5, 40-42 Queens Drive
Lower Hutt 5010, Wellington
New Zealand

AUDITOR

KPMG
10 Customhouse Quay
PO Box 996, Wellington 6140
New Zealand

SOLICITOR

Buddle Findlay
Level 17, State Insurance Tower
1 Willis Street, Wellington 6140
New Zealand

INVESTMENT ADMINISTRATOR & CUSTODIAN

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

CORRESPONDENCE

All correspondence and enquiries to the Manager about the Fund should be addressed to the Manager, Smartshares Limited, at the above address.

AUSTRALIAN TOP 20 FUND

Smartshares Limited (the 'Manager') and Public Trust (the 'Supervisor') are parties to a trust deed dated 24 June 2014 as amended and restated on 9 September 2016 (the 'Trust Deed') which sets out the terms and conditions on which units in the funds within the Smartshares Exchange Traded Funds are offered for subscription, whether to the public or otherwise.

The Trust Deed provides that each fund is to be established by the Manager and the Supervisor entering into an establishment deed setting out the specific terms and conditions relating to that fund.

The Australian Top 20 Fund (the 'Fund') was created by an establishment deed dated 9 September 2016 between the Manager and Supervisor. The Fund replicates the group investment fund which was known as the NZX Australian 20 Leaders Index Fund. On 26 October 2016 unitholders in the NZX Australian 20 Leaders Index Fund resolved by extraordinary resolution that it was to be resettled as a unit trust. As a result, on 7 November 2016, its assets and liabilities were resettled on the Fund. The units in the NZX Australian 20 Leaders Index Fund were then redeemed for units in the Fund.

STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), and fairly present the financial position of the Fund as at 31 March 2017, and the results of its financial performance and cash flows for the period ended 31 March 2017 in accordance with the requirement of the Trust Deed.

It is believed that there are no circumstances that may materially and adversely affect any interest of the unitholders in the assets other than those already disclosed in this report.

For and on behalf of the Manager:
Smartshares Limited



.....
Director



.....
Director

This statement was approved for signing at a meeting of the Directors on 25 May 2017.

AUSTRALIAN TOP 20 FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2017

	Note	Period Ended 31 March 2017 \$'000
INCOME		
Dividend income		1,932
Net changes in fair value of financial assets at fair value through profit or loss		15,753
Foreign exchange gain		<u>41</u>
Total income		<u>17,726</u>
EXPENSES		
Management fees expense	7	<u>(219)</u>
Total expenses		<u>(219)</u>
Profit before tax		17,507
Income tax expense	1	<u>(505)</u>
Profit after tax		17,002
Other comprehensive income		<u>-</u>
Total comprehensive income		<u>17,002</u>
EARNINGS PER UNIT		
Basic and diluted earnings per unit (cents per unit)	4	<u>65.70</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS
FOR THE PERIOD ENDED 31 MARCH 2017**

		Period Ended 31 March 2017 \$'000
Unitholders' funds at the beginning of the period		-
Total comprehensive income for the period		<u>17,002</u>
Subscriptions from unitholders	6	83,382
Redemptions by unitholders	6	(2,542)
Distributions to unitholders	5	<u>(738)</u>
		<u>80,102</u>
Unitholders' funds at the end of the period		<u><u>97,104</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017**

	Note	As At 31 March 2017 \$'000
ASSETS		
Cash and cash equivalents		2,629
Receivables		626
Investments in equity securities held at fair value through profit or loss	2	<u>95,355</u>
TOTAL ASSETS		<u><u>98,610</u></u>
LIABILITIES		
Management fees payable	7	(5)
Taxation payable		(179)
Deferred tax payable		(159)
Funds held for unit purchases		(1,150)
Unsettled trades		<u>(13)</u>
TOTAL LIABILITIES		<u><u>(1,506)</u></u>
UNITHOLDERS' FUNDS		<u><u>97,104</u></u>
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		<u><u>98,610</u></u>

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the financial statements on 25 May 2017.



B Miller
Chairman
Smartshares Limited



G Elliffe
Director
Smartshares Limited

**STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2017**

	Period Ended 31 March 2017 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES	
<i>Cash was provided from:</i>	
Dividend income received	1,573
<i>Cash was applied to:</i>	
Management fees paid	(214)
Taxation paid	<u>(162)</u>
Net cash flows from operating activities	<u>1,197</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
<i>Cash was provided from:</i>	
Sale of investments	66
<i>Cash was applied to:</i>	
Purchase of investments	<u>(708)</u>
Net cash flows from investing activities	<u>(642)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	
<i>Cash was provided from:</i>	
Subscriptions received from unitholders	2,842
<i>Cash was applied to:</i>	
Redemptions by unitholders	(35)
Distributions paid to unitholders	<u>(738)</u>
Net cash flows from financing activities	<u>2,069</u>
 Net increase in cash and cash equivalents	 2,624
Cash and cash equivalents at the beginning of the period	-
Effect of exchange rate fluctuations on cash and cash equivalents	<u>5</u>
Cash and cash equivalents at the end of the period	<u>2,629</u>
 Reconciliation of profit after tax to net cash flows from operating activities	
Profit after tax	17,002
Net changes in fair value of financial assets at fair value through profit or loss	(15,753)
Foreign exchange gain	(41)
Increase in taxation payable	179
Increase in deferred tax payable	159
Increase in management fees payable	5
Increase in receivables	<u>(354)</u>
Net cash flows from operating activities	<u>1,197</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2017**

GENERAL INFORMATION

The Australian Top 20 Fund (the 'Fund') is a for-profit fund registered in New Zealand and established under the Financial Market Conduct Act 2013 ('FMC Act 2013'). It is offered under a registered managed investment scheme known as the Smartshares Exchange Traded Funds. Smartshares Limited, the Manager of the Fund is a FMC reporting entity for the purpose of the FMC Act 2013.

The Fund is governed by the Trust Deed dated 24 June 2014 as amended and restated on 9 September 2016 between the Manager and the Supervisor. The Fund was established on 9 September 2016, and commenced operation on 7 November 2016.

The Fund replicates the group investment fund which was known as the NZX Australian 20 Leaders Index Fund, which was resettled as the Fund on 7 November 2016.

The Fund's units are quoted on the NZX Main Board. The Fund is a passive investment fund that tracks the S&P/ASX 20 Index (the 'Index'). As prescribed by the Trust Deed, the Fund invests in the securities included in the Index broadly in proportion to the weightings of the Index. Investments are valued at fair value according to last traded market prices on the Australian Securities Exchange on 31 March 2017 (see Note 2).

STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

Basis of preparation

The financial statements of the Fund have been prepared in accordance with the requirements of the FMC Act 2013, Financial Reporting Act 2013, New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS'). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The functional currency of this entity is the same as the presentation currency of these financial statements being the New Zealand Dollar ('NZD'), rounded to the nearest thousand.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Smartshares Limited Board of Directors to exercise its judgement in the process of applying the Fund's Statement of Accounting Policies.

Reporting period

These are the Fund's first financial statements and are for the period 9 September 2016 to 31 March 2017.

Financial assets at fair value through profit or loss

(a) Classification

The Fund classifies its investments in equity securities held at fair value as financial assets at fair value through profit or loss. These financial assets are designated by the Smartshares Board of Directors at inception as their performance is managed and evaluated on a fair value basis in accordance with a documented investment strategy.

(b) Recognition/derecognition

Purchases and sales of investments were recognised on the trade date - the date on which the Fund committed to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments has expired or the Fund has transferred substantially all risks and rewards of ownership.

(c) Measurement

Financial assets at fair value through profit or loss were recognised at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income when they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income within dividend income when the Fund's right to receive payment is established.

(d) Fair value estimation

The fair value of the financial instruments is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Fund is the last traded market price.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2017**

Receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are measured at amortised cost using the effective interest method less impairment.

Payables

Trade payables and other payables are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services, and are measured at amortised cost.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency (NZD) using the exchange rate prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Translation differences of non-monetary financial assets such as equities held at fair value through profit or loss are recognised in the Statement of Comprehensive Income as part of the net changes in fair value of financial assets at fair value through profit or loss.

Cash and cash equivalents

Cash and cash equivalents are considered to be cash at banks, net of bank overdrafts. Operating activities in the Statement of Cash Flows include all transactions or events that are not investing or financing activities. Investing activities are those activities that relate to the acquisition, holding and disposal of investments and securities not falling within the definition of cash. Financing activities are those activities that relate to cash contributions to and from, or distributions to the unitholders.

Units

The Fund issues units, which provide the holder with a beneficial interest in the Fund. The units can be put back to the Fund via a basket redemption, in accordance with the redemption rules as defined in the Trust Deed, for securities of the constituent companies in proportion to the Index and of a proportion of cash held in the Fund.

The units are issued and redeemed based on the Fund's net asset value per unit at the time of issue or redemption. The Fund's net asset value per unit is calculated by dividing the net assets attributable to the unitholders by the total number of outstanding units. In accordance with the provisions of the Trust Deed investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Distributions to unitholders

Distributions are made up of income received from the investments less expenses paid and allowances for future liabilities. Income from investments held is attributed to unitholders on the basis of the number of units held on the record date of the distribution. To the extent that imputation credits are available, distributions to unitholders will be fully imputed. The record date for the Fund is on the last business day of May and November in each year. Currently, distributions to unitholders are made on a semi-annual basis directly from the fund within 20 business days of the record date.

Taxation

The Fund is domiciled in New Zealand and is registered as a Portfolio Investment Entity ('PIE').

The Fund is liable for tax at the prevailing company tax rate on taxable dividends (excluding dividends from investments in securities subject to the Fair Dividend Rate method ('FDR')) from the investment in securities listed in Note 2 after the deduction of management fees. For securities subject to FDR, the Fund is liable for tax based on the market value of the security. With some of this income, the Fund is able to utilise foreign withholding tax credits to satisfy the tax liability. The Fund pays tax to the extent that the foreign withholding tax credits do not cover the tax liability in full. The temporary differences relate to accrued dividends.

Deferred tax is recognised in respect of temporary differences at the Statement of Financial Position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Current and deferred tax is measured using the tax rates enacted or substantively enacted at the reporting date.

Goods and services tax (GST)

The Fund is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2017**

Segment information

The Fund operates solely in the business of investment management, investing in Australian equities. The Fund receives all of its income from its Australian equity investments. For the period ended 31 March 2017, three equity investments individually contributed 10% or more of the Fund's dividend income. The individual dividend income received from these equity investments amounted to \$228,000, \$342,000 and \$306,000.

Issued but not yet effective accounting standards

A number of accounting standards have been issued or revised that are not yet effective as at 31 March 2017, and have not been applied in preparing the financial statements. The Fund did not adopt these standards early. The standards which are relevant to the Fund are as follows:

- NZ IFRS 9 Financial Instruments - Effective for annual reporting periods beginning on or after 1 January 2018. The impact of any changes has not yet been determined.
- NZ IFRS 15 Revenue from Contracts with Customers - Effective for annual reporting periods beginning on or after 1 January 2018. The impact of any changes has not yet been determined.

1. TAXATION

	31 March 2017 \$'000
Tax expense comprises:	
Current tax expense	(346)
Deferred tax movement	<u>(159)</u>
Total tax expense	<u><u>(505)</u></u>

The prima facie income tax expense on profit before tax from operations reconciles to the income tax expense in the financial statements as follows:

	31 March 2017 \$'000
Profit before tax	<u>17,507</u>
Income tax using the statutory income tax rate 28%	(4,902)
Net changes in fair value of financial assets	4,413
Non taxable income	(15)
Tax on securities subject to FDR	(34)
Gross up of imputation credits	<u>(13)</u>
	(551)
Less imputation credits and other tax credits	<u>46</u>
Income tax expense as per Statement of Comprehensive Income	<u><u>(505)</u></u>

	31 March 2017 \$'000
Deferred tax	
Opening balance	-
Current period movements	<u>(159)</u>
Closing balance	<u><u>(159)</u></u>

	31 March 2017 \$'000
Imputation credit account (ICA)	
Imputation credits available for use in subsequent periods	402

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2017**

2. INVESTMENTS IN EQUITY SECURITIES HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	As At 31 March 2017	
	Number of Shares	Fair Value
	'000	\$'000
Underlying securities		
AMP Limited	273	1,545
ANZ Banking Group Limited	271	9,421
BHP Billiton Limited	297	7,780
Brambles Industries Limited	147	1,497
Commonwealth Bank Australia	159	14,925
CSL Limited	42	5,756
Insurance Australia Group Limited	219	1,444
Macquarie Group Limited	31	3,095
National Australia Bank Limited	247	8,995
QBE Insurance Group Limited	126	1,774
Rio Tinto Limited	39	2,586
Suncorp Group Limited	119	1,714
Telstra Corp Limited	1,099	5,589
Westpac Banking Corp	310	11,865
Wesfarmers Limited	105	5,153
Woolworths Limited	119	3,442
Woodside Petroleum Limited	67	2,344
Scentre Group	492	2,303
Westfield Corporation	177	1,712
Transurban Group	190	2,415
		95,355
		95,355

All investments are designated at inception as being at fair value through profit or loss. The fair values of investments are calculated using the last traded market price at the reporting date. The investments are registered in the name of BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch, the custodian of the Fund.

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value can be categorised across the following 3 levels based on the degree to which their fair value is 'observable':

Level 1 – Fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable either directly or indirectly;

Level 3 – Fair value measurements are derived from valuation methods that include inputs that are not based on observable market data.

All financial instruments of the Fund measured at fair value are categorised as level 1 in the hierarchy. There were no transfers between levels in the period ended 31 March 2017.

4. EARNINGS PER UNIT

The basic earnings per unit (EPU) is calculated by dividing the net profit/(loss) after tax attributable to the unitholders by the weighted average number of units on issue during the period.

The Fund's diluted EPU is the same as the basic EPU since the Fund has not issued any instrument with dilutive potential.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2017**

4. EARNINGS PER UNIT (Continued)

	31 March 2017
Profit after tax (\$'000)	17,002
Weighted average number of units ('000)	<u>25,877</u>
Basic and diluted earnings per unit (cents per unit)	<u><u>65.70</u></u>

5. DISTRIBUTION PAYABLE TO UNITHOLDERS

	31 March 2017 \$'000
Opening distribution payable	-
Distributions accrued to unitholders	738
Distributed to unitholders	<u>(738)</u>
Closing distribution payable	<u><u>-</u></u>

Distributions declared and paid

	Year ended	Distribution per unit (cents per unit)	31 March 2017 \$'000
November 2016 (paid December 2016)	31/03/2017	2.86	<u>738</u>
			<u><u>738</u></u>

6. UNITHOLDERS' FUNDS

The Fund was established on 9 September 2016 by way of the Manager depositing \$100 with the Supervisor.

On 7 November 2016 the Fund received assets and liabilities as a result of the resettlement of the NZX Australian 20 Leaders Index Fund. A total of 26,177,000 units in the Fund were issued for a total value of \$82,359,000, represented by:

	\$'000
Investments in equity securities held at fair value through profit or loss	81,060
Cash and cash equivalents	1,030
Receivables	270
Payables	<u>(1)</u>
	<u><u>82,359</u></u>

As at 31 March 2017 there were 25,727,000 units on issue.

All issued units are fully paid and redeemable, and are quoted on the NZX Main Board. The Fund's net asset attributable to unitholders are represented by these units. The relevant movements are shown on the Statement of Changes in Unitholders' Funds.

The number of units allotted during the period ended 31 March 2017 was 26,477,000 for total value of \$83,382,000.

The number of units redeemed during the period ended 31 March 2017 was 750,000 for total value of \$2,542,000.

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE PERIOD ENDED 31 MARCH 2017**

6. UNITHOLDERS' FUNDS (Continued)

	31 March 2017 '000
Movement in the number of units	
Balance at the beginning of the period	-
Subscriptions received during the period	26,477
Redemptions made during the period	(750)
Units on issue at the end of the period	<u><u>25,727</u></u>

The net asset value of each unit per the financial statements is \$3.77440. Any difference between the net asset value announced to the market for 31 March 2017 and the net asset value per the financial statements is due to different unit pricing methodology.

7. RELATED PARTY TRANSACTIONS

Related party holdings

Key management personnel are the Directors of the Manager. There were no transactions with key management personnel during the period.

The Fund is managed by Smartshares Limited, which is a wholly owned subsidiary of NZX Limited, a company listed on the NZX Main Board.

SuperLife Invest managed investment scheme ("SLI"), a scheme managed by Smartshares Limited, also a wholly owned subsidiary of NZX Limited, is an investor in the Fund.

As at 31 March 2017 the SLI scheme held 1,393,486 units valued at \$5,259,000 in the Fund

Distributions

The Fund paid distributions of \$37,000 to SLI for the period ended 31 March 2017. The balance remaining as payable at the end of the period was \$nil.

Management fees

The Manager receives management fees from the Fund. Under the Trust Deed the Manager pays the trustee, custodian, registrar and auditor on behalf of the Fund and receives direct purchase application fees and interest earned on cash at banks.

For the period ended 31 March 2017, total direct purchase application fees amounted to \$2,000 and the total interest earned on cash at banks amounted to \$6,000.

Total gross management fees for the period ended 31 March 2017 amounted to \$219,000 with \$5,000 of outstanding accrued management fees due to the Manager at the end of the period.

Other related party transactions

The audit fee paid by the Manager for the audit of the Fund for the the period ended 31 March 2017 was \$5,000.

8. FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

The Fund utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in the Statement of Accounting Policies.

The financial instruments not accounted for at fair value through profit and loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2017**

8. FINANCIAL RISK MANAGEMENT (Continued)

Financial instruments by category

	As At 31 March 2017 \$'000
<u>Loans and receivables</u>	
Cash and cash equivalents	2,629
Receivables	626
 <u>Financial assets at fair value through profit and loss</u>	
Investments in equity securities held at fair value through profit or loss	95,355
 <u>Other financial liabilities</u>	
Management fees payable	(5)
Unsettled trades	(13)
Funds held for unit purchases	(1,150)

The Fund's activities expose it to a variety of financial risks: market price risk, credit risk, liquidity risk and currency risk. The risk management policies used by the Fund are detailed below:

8a. Market price risk

The Fund's equity securities are exposed to market price risk arising from uncertainties about future prices of the financial instruments.

Because the Fund tracks an Australian equity index and is fully invested in the index's underlying Australian equity securities, the value of the Fund will move up and down with the Australian market.

A 10% increase/decrease in equity prices as at 31 March 2017 would have increased/decreased net profit and unitholder funds by \$9,536,000.

8b. Credit risk

The Fund is exposed to the potential risk of financial loss resulting from the failure of counterparties to honour fully the terms and conditions of a contract with the Fund. Financial instruments that subject the Fund to credit risk consisted primarily of cash and receivables.

The maximum credit risk of financial instruments is considered to be their carrying value. The risk of non-recovery of monetary assets is considered very low due to the quality of counterparties dealt with.

The Fund does not require collateral or other security to support financial instruments with credit risk. The maximum exposures to credit risk at the reporting date are:

	31 March 2017 \$'000
Cash and cash equivalents	2,629
Receivables	626

Cash and cash equivalents

The Fund's cash and cash equivalents balances are held with ANZ Bank New Zealand Limited ('ANZ'), BNP Paribas Securities Services ('BNP Paribas') and Westpac New Zealand Limited ('Westpac').

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2017**

8. FINANCIAL RISK MANAGEMENT (Continued)

The table below discloses the Standard & Poor's credit rating for the Fund's cash and cash equivalents balance with each bank at the reporting date.

	31 March 2017	
	Balance	Credit rating
	\$'000	
ANZ	1,197	AA-
BNP Paribas	207	A
Westpac	<u>1,225</u>	AA-
	<u>2,629</u>	

8c. Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with the financial liabilities that were settled by delivering cash or another financial asset.

The Fund's investments in listed securities are considered readily realisable, as they are quoted on the Australian Securities Exchange. In addition, liquidity risk associated with redemptions is managed by meeting redemptions in the form of baskets rather than cash. The Fund meets its redemption obligations by returning the proportionate number of underlying securities in return for the units. Liquidity risk for the Fund is therefore low.

8d. Currency risk

Currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates.

The Fund holds assets denominated in a currency other than the New Zealand dollar, the functional currency. It is therefore exposed to currency risk, as the value of the securities denominated in Australian dollars will fluctuate due to changes in the exchange rate. The Fund's policy is not to enter into any currency hedging transactions.

A 10% strengthening/weakening of the New Zealand dollar against the Australian dollar as at 31 March 2017 would have decreased/increased profit and unitholders funds by \$9,618,000.

The table below summarises the Fund's exposure to currency risks.

	31 March 2017
	\$'000
Australian dollar cash held (NZD)	207
Receivables	614
Investments in equity securities held at fair value through profit or loss	95,355

9. COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 31 March 2017.

10. EVENTS AFTER THE REPORTING PERIOD

Since 31 March 2017 there have been no matters or circumstances not otherwise dealt with in the financial statements that have significantly affected or may significantly affect the Fund.

AUSTRALIAN TOP 20 FUND



Independent Auditor's Report

To the unitholders of Australian Top 20 Fund

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of Australian Top 20 Fund (the fund) on pages 51 to 62:

- i. present fairly in all material respects the fund's financial position as at 31 March 2017 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2017;
- the statement of comprehensive income, statement of changes in unitholders' funds and statement of cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the fund in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report.

Our firm has also provided other assurance services to the fund in relation to reporting to the supervisor. Subject to certain restrictions, employees of our firm may also deal with the fund on normal terms within the ordinary course of trading activities of the business of the fund. These matters have not impaired our independence as auditor of the fund. The firm has no other relationship with, or interest in, the fund.



Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at \$986,000 determined with reference to a benchmark of the fund's total assets. We chose the benchmark because, in our view, this is a key measure of the fund's performance.

AUSTRALIAN TOP 20 FUND



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the members as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter

How the matter was addressed in our audit

Carrying amount of investments

Refer to Note 2 to the Financial Statements.

The fund's portfolio of investments makes up 96.7% of total assets. We do not consider these investments to be at high risk of significant misstatement, or be subject to a significant level of judgement, because they comprise liquid, listed investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our audit procedures included:

- documenting and understanding the processes in place to record investment transactions and to value the portfolio. This included evaluating the control environment in place at the administration manager by obtaining and reading a report issued by an independent auditor on the design and operation of those controls
- agreeing the 31 March 2017 valuation of listed equity investments to externally quoted prices
- agreeing investment holdings to confirmations received from the administration manager

We did not identify any material differences in relation to the carrying amount of investments.



Other Information

The Manager, on behalf of the fund, is responsible for the other information included in the entity's Annual Report. Other information may include the Chairman's report, fund highlights, disclosures relating to corporate governance and statutory information. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Manager.



Use of this Independent Auditor's Report

This report is made solely to the members as a body. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in the Independent Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to

AUSTRALIAN TOP 20 FUND



anyone other than the members as a body for our audit work, this report, or any of the opinions we have formed.



Responsibilities of the Manager for the financial statements

The Manager, on behalf of the fund, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Independent Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page2.aspx

This description forms part of our Independent Auditor's Report.

Brent Manning

For and on behalf of

KPMG
Wellington

25 May 2017

Unitholder Information

DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS

AS AT 30 APRIL 2017

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	476	17.19%	183,503	0.71%
1,001-5,000	1,159	41.86%	3,170,904	12.18%
5,001-10,000	625	22.57%	4,300,809	16.52%
10,001-50,000	471	17.01%	8,570,410	32.93%
50,001-100,000	21	0.76%	1,398,637	5.37%
Greater than 100,000	17	0.61%	8,402,293	32.28%
TOTAL	2,769	100.00%	26,026,556	100.00%

20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES

AS AT 30 APRIL 2017

Full Name	Total	Percentage
Investment Custodial Services Limited	2,789,373	10.72
SuperLife Nominees Limited	1,393,486	5.35
Anna Elisabeth Minnaar	1,043,841	4.01
FNZ Custodians Limited	538,321	2.07
Michael Donald Wight & Geraldine Louise Wight	386,486	1.48
New Zealand Central Securities Depository Limited	383,649	1.47
FNZ Custodians Limited	272,405	1.05
Aratrust Limited	241,500	0.93
Custodial Services Limited	233,363	0.9
Philippa Jane Stubbins & Comac Trustee Limited	203,209	0.78
Forsyth Barr Custodians Ltd	160,264	0.62
Michael Donald Wight & Geraldine Louise Wight & David Leonard Gill	154,627	0.59
Judith Anne Knowles	135,688	0.52
David Owen Neill & Jennifer Jill Neill & Lindsay John Brown	126,037	0.48
Ajd Family Nominees Limited	120,988	0.46
Fund Management Limited Mft	115,346	0.44
Custodial Services Limited	103,710	0.4
Eeshala Nominees Limited	100,000	0.38
Mona B Rodgerson & Anthony M Grace & John F Rodgerson	96,086	0.37
Custodial Services Limited	84,264	0.32
	8,682,643	33.34

SUBSTANTIAL PRODUCT HOLDERS

The following information has been given pursuant to section 293 of the Financial Markets Conduct Act 2013 (FMCA). According to Smartshares records and disclosures made under section 280(1)(b) of the FMCA, there were no substantial product holders in the Fund as at 31 March 2017. The total number of units on issue at 31 March 2017 was 25,726,556.

DIRECTORS' INTERESTS IN UNITS

	Beneficial	Non-Beneficial
Bevan Miller	182*	0
Paul Baldwin	0	0
Guy Elliffe	362*	0
John Williams	0	0

*Beneficial interest in these units is indirectly held through the director's interest in the SuperLife KiwiSaver scheme

WAIVERS GRANTED

The Special Division of the New Zealand Markets Disciplinary Tribunal (Special Division) has granted, either fully, partially or subject to conditions a number of waivers to the fund.

The waiver decisions that Smartshares currently relies upon are available on smartshares.co.nz.

Special Division granted the following waivers from the Listing Rules that continue to be relied upon as at 31 March 2017:

3.1.1(a) - compliance with the Listing Rules	7.5 - Issues and Buybacks Affecting Control
3.1.1(b) - compliance with Takeover Provisions	7.6.1 to 7.6.3 - Buybacks of Equity Securities, Redemptions and Financial Assistance
3.3.5 to 3.3.15 - Appointment and Rotation of Directors	7.11.1 Allotment within 5 business days
3.4 - Proceedings and Power of Directors	9.2.1 - Transactions with Related Parties
3.5 - Directors' Remuneration	10.3.2 - Preliminary Announcements
Section 4 - Takeover Provisions	10.4.1(d) - Annual and Half-Year Reports availability
7.1.11 - Minimum Subscription	10.4.2 - Half-Yearly Reporting Requirements
7.3 - Issue of New Equity Securities.	10.6.1(a) - Other Administrative Information
7.4 - Entitlements to Third Party Securities	

In October 2015, Special Division granted Smartshares a waiver from Listing Rules 3.3.1(c), 3.3.3 and 3.6.2(c) to enable Mr Elliffe and Mr Williams to continue to be regarded as Independent Directors following their appointment to the board of SuperLife Limited in May 2016.

As Smartshares and SuperLife Limited were amalgamated on 9 November 2016, Smartshares no longer relies on this waiver.

In June 2016, Special Division granted Smartshares a waiver from Listing Rule 9.2.1 to enable Smartshares to amalgamate with SuperLife Limited without the need for unitholder approval. Smartshares no longer relies on this waiver.

On 8 September 2016, Special Division granted fully, partially or subject to conditions, waivers from the following Listing Rules in relation to the transition of the group investment funds to the FMCA:

7.4.1 - Entitlements to Third Party Securities
7.6.5 - Buy Backs of Equity Securities, Redemptions and Financial Assistance
8.3.1 - Modifications of Rights of Security Holders
9.2.1 - Transactions with Related Parties

US 500 Fund (USF)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017

Presented by Smartshares Limited, Manager of the NZ Top 50 Fund

Report to Unitholders

HIGHLIGHTS

Launch Date 29-Jul-15

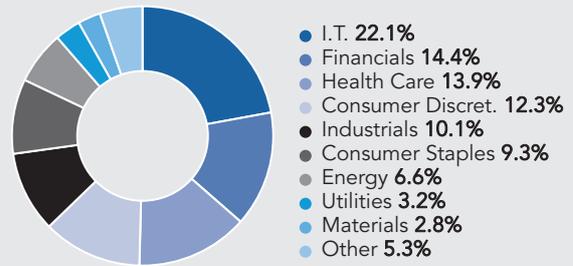
	March 2017	March 2016
Net Tangible Assets (NTA)	\$6.204	\$5.484
Units On Issue	17,046,501	14,549,500
Funds Under Management	\$105,762,155	\$79,782,474
Gross Distribution	\$0.029	\$0.040*
Gross Distribution Yield	0.46%	N/A
Gross Return	13.71%	-4.36%*
Total Fund Charges	0.35%	0.35%
Distributions paid	Semi-annual	

* Since Inception

NTA Per Unit



Sector Allocation



Growth of \$1,000*



*Since inception with all distributions reinvested.

US 500 FUND

DIRECTORY

THE MANAGER

Smartshares Limited
Level 1, NZX Centre
11 Cable Street, Wellington 6140
New Zealand

This is also the address of the registered office.

PRINCIPAL OFFICE OF THE MANAGER

Level 7, Zurich House
21 Queen Street, Auckland Central
Auckland 1010
New Zealand

DIRECTORS OF THE MANAGER

Bevan K. Miller
Timothy O. Bennett (resigned 30 December 2016)
Guy R. Elliffe
A. John Williams
Paul J. Baldwin (appointed 30 December 2016)

INVESTMENT ADMINISTRATOR & CUSTODIAN

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

THE SUPERVISOR

Public Trust
Level 5, 40-42 Queens Drive
Lower Hutt 5010, Wellington
New Zealand

AUDITOR

KPMG
10 Customhouse Quay
PO Box 996, Wellington 6140
New Zealand

SOLICITOR

Buddle Findlay
Level 17, State Insurance Tower
1 Willis Street, Wellington 6140
New Zealand

REGISTRAR

Link Market Services Limited

CORRESPONDENCE

All correspondence and enquiries to the Manager about the Fund should be addressed to the Manager, Smartshares Limited, at the above address.

US 500 FUND

Smartshares Limited (the 'Manager') and Public Trust (the 'Supervisor') are parties to a master trust deed dated 24 June 2014 as amended and restated on 9 September 2016 (the 'Trust Deed'). Under a Deed of Retirement and Appointment dated 6 September 2016, Trustees Executors Limited retired as the trustee and Public Trust was appointed as the Supervisor. The Trust Deed sets out the terms and conditions on which units in the funds within the Smartshares Exchange Traded Funds are offered for subscription, whether to the public or otherwise.

The Trust Deed provides that each fund is to be established by the Manager and the Supervisor entering into an establishment deed setting out the specific terms and conditions relating to that fund.

The US 500 Fund (the 'Fund') was created by an establishment deed dated 10 July 2015 as amended and restated on 9 September 2016 between the Manager and the Supervisor.

STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), and fairly present the financial position of the Fund as at 31 March 2017, and the results of its financial performance and cash flows for the year ended 31 March 2017 in accordance with the requirement of the Trust Deed.

It is believed that there are no circumstances that may materially and adversely affect any interest of the unitholders in the assets other than those already disclosed in this report.

For and on behalf of the Manager:
Smartshares Limited



.....
Director



.....
Director

This statement was approved for signing at a meeting of the Directors on 25 May 2017.

US 500 FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017

		Year Ended 31 March 2017 \$'000	Period Ended 31 March 2016 \$'000
INCOME			
Dividend income		1,908	1,191
Net changes in fair value of financial assets at fair value through profit or loss		12,764	(3,396)
Foreign exchange gain		<u>55</u>	<u>-</u>
Total income		<u>14,727</u>	<u>(2,205)</u>
EXPENSES			
Management fees expense	7	(277)	(144)
Foreign exchange loss		<u>-</u>	<u>(56)</u>
Total expenses		<u>(277)</u>	<u>(200)</u>
Profit/(loss) before tax		14,450	(2,405)
Income tax expense	1	<u>(1,227)</u>	<u>(618)</u>
Profit/(loss) after tax		13,223	(3,023)
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income/(loss)		<u>13,223</u>	<u>(3,023)</u>
EARNINGS PER UNIT			
Basic and diluted earnings/(losses) per unit (cents per unit)	4	<u>80.95</u>	<u>(23.52)</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS
 FOR THE YEAR ENDED 31 MARCH 2017**

		Year Ended 31 March 2017 \$'000	Period Ended 31 March 2016 \$'000
Unitholders' funds at the beginning of the year/period		79,509	-
Total comprehensive income/(loss) for the year/period		<u>13,223</u>	<u>(3,023)</u>
Subscriptions from unitholders	6	14,312	85,262
Redemptions by unitholders	6	(613)	(2,378)
Distributions to unitholders	5	<u>(330)</u>	<u>(352)</u>
		<u>13,369</u>	<u>82,532</u>
Unitholders' funds at the end of the year/period		<u><u>106,101</u></u>	<u><u>79,509</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017**

	Note	As At 31 March 2017 \$'000	As At 31 March 2016 \$'000
ASSETS			
Cash and cash equivalents		1,401	727
Investments in equity securities held at fair value through profit or loss	2	<u>106,010</u>	<u>79,191</u>
TOTAL ASSETS		<u>107,411</u>	<u>79,918</u>
LIABILITIES			
Management fees payable	7	(3)	(20)
Taxation payable		(333)	(118)
Funds held for unit purchases		(479)	(108)
Unsettled trades		<u>(495)</u>	<u>(163)</u>
TOTAL LIABILITIES		<u>(1,310)</u>	<u>(409)</u>
UNITHOLDERS' FUNDS		<u>106,101</u>	<u>79,509</u>
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		<u>107,411</u>	<u>79,918</u>

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the financial statements on 25 May 2017.



B Miller
Chairman
Smartshares Limited



G Elliffe
Director
Smartshares Limited

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017**

	Year Ended 31 March 2017 \$'000	Period Ended 31 March 2016 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Dividend income received	1,622	1,012
<i>Cash was applied to:</i>		
Management fees paid	(294)	(124)
Taxation paid	<u>(726)</u>	<u>(321)</u>
Net cash flows from operating activities	<u>602</u>	<u>567</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Cash was provided from:</i>		
Sale of investments	-	-
<i>Cash was applied to:</i>		
Purchase of investments	<u>(2,262)</u>	<u>(675)</u>
Net cash flows from investing activities	<u>(2,262)</u>	<u>(675)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Cash was provided from:</i>		
Subscriptions received from unitholders	2,670	1,196
<i>Cash was applied to:</i>		
Redemptions paid to unitholders	(3)	(9)
Distributions paid to unitholders	<u>(330)</u>	<u>(352)</u>
Net cash flows from financing activities	<u>2,337</u>	<u>835</u>
Net increase in cash and cash equivalents	677	727
Cash and cash equivalents at the beginning of the year/period	727	-
Effect of exchange rate fluctuations on cash and cash equivalents	<u>(3)</u>	<u>-</u>
Cash and cash equivalents at the end of the year/period	<u>1,401</u>	<u>727</u>
Reconciliation of profit/(loss) after tax to net cash flows from operating activities		
Profit/(loss) after tax	13,223	(3,023)
Net changes in fair value of financial assets at fair value through profit or loss	(12,764)	3,396
Foreign exchange (gain)/loss	(55)	56
Increase in taxation payable	215	118
(Decrease)/increase in management fees payable	<u>(17)</u>	<u>20</u>
Net cash flows from operating activities	<u>602</u>	<u>567</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

GENERAL INFORMATION

The US 500 Fund (the 'Fund') is a for-profit fund registered in New Zealand and established under the Financial Markets Conduct Act 2013 ('FMC Act 2013'). It is offered under a registered managed investment scheme known as the Smartshares Exchange Traded Funds. Smartshares Limited, the Manager of the Fund is a FMC reporting entity for the purposes of the FMC Act 2013.

The Fund is governed by the Trust Deed dated 24 June 2014 as amended and restated on 9 September 2016 between the Manager and the Supervisor. The Fund was established on 10 July 2015 and commenced operation on 29 July 2015.

The Fund changed its name from US 500 Index Trust to US 500 Fund effective 16 September 2016.

The Fund's units are quoted on the NZX Main Board. The Fund is a passive investment fund that invests in Vanguard S&P 500 ETF (the 'Underlying Fund'), which tracks the S&P 500 Index (the 'Underlying Index'). The Underlying Fund invests in securities contained in the Underlying Index broadly in proportion to the weightings of the Underlying Index. Investments are valued at fair value according to last traded market prices on the New York Stock Exchange Arca on 31 March 2017 (see Note 2).

STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied to the year/period presented.

Comparative period and amounts

These financial statements are for the year ended 31 March 2017. The comparative figures are for the period 29 July 2015 to 31 March 2016. Where necessary, comparative figures have been restated to correspond to the current year classifications.

Basis of preparation

The financial statements of the Fund have been prepared in accordance with the requirements of the FMC Act 2013, Financial Reporting Act 2013, New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS'). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The functional currency of this entity is the same as the presentation currency of these financial statements being the New Zealand Dollar ('NZD'), rounded to the nearest thousand.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Smartshares Limited Board of Directors to exercise its judgement in the process of applying the Fund's Statement of Accounting Policies.

Financial assets at fair value through profit or loss

(a) Classification

The Fund classifies its investments in equity securities held at fair value as financial assets at fair value through profit or loss. These financial assets are designated by the Smartshares Board of Directors at inception as their performance is managed and evaluated on a fair value basis in accordance with a documented investment strategy.

(b) Recognition/derecognition

Purchases and sales of investments are recognised on the trade date - the date on which the Fund commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

(c) Measurement

Financial assets at fair value through profit or loss are recognised at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income when they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income within dividend income when the Fund's right to receive payment is established.

(d) Fair value estimation

The fair value of the financial instruments is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Fund is the last traded market price.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

Receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are measured at amortised cost using the effective interest method less impairment.

Payables

Trade payables and other payables are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services, and are measured at amortised cost.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency (NZD) using the exchange rate prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Translation differences of non-monetary financial assets such as equities held at fair value through profit or loss are recognised in the Statement of Comprehensive Income as part of the net changes in fair value of financial assets at fair value through profit or loss.

Cash and cash equivalents

Cash and cash equivalents are considered to be cash at banks, net of bank overdrafts. Operating activities in the Statement of Cash Flows include all transactions or events that are not investing or financing activities. Investing activities are those activities that relate to the acquisition, holding and disposal of investments and securities not falling within the definition of cash. Financing activities are those activities that relate to cash contributions to and from, or distributions to the unitholders.

Units

The Fund issues units, which provide the holder with a beneficial interest in the Fund. The units can be put back to the Fund via a basket redemption, in accordance with the redemption rules as defined in the Trust Deed, for units in the Underlying Fund and a proportion of cash held in the Fund.

The units are issued and redeemed based on the Fund's net asset value per unit at the time of issue or redemption. The Fund's net asset value per unit is calculated by dividing the net assets attributable to the unitholders by the total number of outstanding units. In accordance with the provisions of the Trust Deed investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Distributions to holders of units

Distributions are made up of income received from the investments less expenses paid and allowances for future liabilities. Income from investments held is attributed to unitholders on the basis of the number of units held on the record date of the distribution. To the extent that imputation credits are available, distributions to unitholders will be fully imputed. The record date for the Fund is on the last business day of May and November in each year. Currently distributions to unitholders are made on a semi-annual basis directly from the Fund within 20 business days of the record date.

Taxation

The Fund is domiciled in New Zealand and is registered as a Portfolio Investment Entity ('PIE').

The Fund is liable for tax at the prevailing company tax rate on investments in securities subject to the Fair Dividend Rate method ('FDR') listed in Note 2 after the deduction of management fees. FDR income is based on the market value of the security. With some of this income, the Fund is able to utilise foreign withholding tax credits to satisfy the tax liability. The Fund pays tax to the extent that the foreign withholding tax credits do not cover the tax liability in full.

Deferred tax is recognised in respect of temporary differences at the Statement of Financial Position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Current and deferred tax is measured using the tax rates enacted or substantively enacted at the reporting date.

Goods and services tax (GST)

The Fund is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

Segment information

The Fund operates solely in the business of investment management, investing in the Underlying Fund - Vanguard S&P 500 ETF. The Fund receives all of its dividend income from this investment.

Changes in accounting policies and accounting standards adopted during the year

(a) Changes in accounting policies

There have been no significant changes in accounting policies during the year. All policies have been applied on a basis consistent with those used in the prior period.

(b) New accounting standards adopted

There were no new accounting standards adopted during the year that have a material impact on the financial statements of the Fund.

Issued but not yet effective accounting standards

A number of accounting standards have been issued or revised that are not yet effective as at 31 March 2017, and have not been applied in preparing the financial statements. The Fund does not plan to adopt these standards early. The standards which are relevant to the Fund are as follows:

- NZ IFRS 9 Financial Instruments - Effective for annual reporting periods beginning on or after 1 January 2018; the impact of any changes has not yet been determined.
- NZ IFRS 15 Revenue from Contracts with Customers - Effective for annual reporting periods beginning on or after 1 January 2018. The impact of any changes has not yet been determined.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

1. TAXATION

	2017	2016
	\$'000	\$'000
Tax expense comprises:		
Current tax expense	<u>(1,227)</u>	<u>(618)</u>
Total tax expense	<u><u>(1,227)</u></u>	<u><u>(618)</u></u>

The prima facie income tax expense on profit/(loss) before tax from operations reconciles to the income tax expense in the financial statements as follows:

	2017	2016
	\$'000	\$'000
Income tax expense		
Profit/(loss) before tax	<u>14,450</u>	<u>(2,405)</u>
Income tax using the statutory income tax rate 28%	(4,046)	673
Net changes in fair value of financial assets	3,573	(951)
Non taxable income	533	334
Tax on securities subject to FDR	<u>(1,287)</u>	<u>(674)</u>
	(1,227)	(1,291)
Income tax expense as per Statement of Comprehensive Income	<u><u>(1,227)</u></u>	<u><u>(618)</u></u>

	2017	2016
	\$'000	\$'000
Imputation credit account (ICA)		
Imputation credits available for use in subsequent periods	1,114	302

2. INVESTMENTS IN EQUITY SECURITIES HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017		2016	
	Number of	Fair value	Number of	Fair value
	units		units	
	'000	\$'000	'000	\$'000
Underlying fund				
Vanguard S&P 500 ETF	343	<u>106,010</u>	292	<u>79,191</u>
		<u><u>106,010</u></u>		<u><u>79,191</u></u>

All investments are designated at inception as being at fair value through profit or loss. The fair values of investments are calculated using the last traded market price on the reporting date. The investments are registered in the name of BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch, the custodian of the Fund.

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2017**

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value can be categorised across the following 3 levels based on the degree to which their fair value is 'observable':

Level 1 – Fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable either directly or indirectly;

Level 3 – Fair value measurements are derived from valuation methods that include inputs that are not based on observable market data.

All financial instruments of the Fund measured at fair value have been categorised as level 1 in the hierarchy. There were no transfers between levels in the year ended 31 March 2017 (31 March 2016: none).

4. EARNINGS PER UNIT

The basic earnings per unit (EPU) is calculated by dividing the net profit/(loss) after tax attributable to the unitholders by the weighted average number of units on issue during the year.

The Fund's diluted EPU is the same as the basic EPU since the Fund has not issued any instrument with dilutive potential.

	2017	2016
Profit/(loss) after tax (\$'000)	13,223	(3,023)
Weighted average number of units ('000)	<u>16,334</u>	<u>12,853</u>
Basic and diluted earnings/(losses) per unit (cents per unit)	<u>80.95</u>	<u>(23.52)</u>

5. DISTRIBUTION PAYABLE TO UNITHOLDERS

	2017	2016
	\$'000	\$'000
Opening distribution payable	-	-
Distributions accrued to unitholders	330	352
Distributed to unitholders	<u>(330)</u>	<u>(352)</u>
Closing distribution payable	<u>-</u>	<u>-</u>

Distributions declared and paid

		Distribution per unit		
	Year Ended	(cents per unit)	2017	2016
			\$'000	\$'000
October 2015 (paid November 2015)	31/03/2016	2.44	-	286
January 2016 (paid February 2016)	31/03/2016	0.46	-	66
April 2016 (paid May 2016)	31/03/2017	0.69	100	-
November 2016 (paid December 2016)	31/03/2017	1.37	<u>230</u>	<u>-</u>
			<u>330</u>	<u>352</u>

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2017**

6. UNITHOLDERS' FUNDS

As at 31 March 2017 there were 17,047,000 units on issue (31 March 2016: 14,550,000).

All issued units are fully paid and redeemable, and are quoted on the NZX Main Board. The Fund's net assets attributable to unitholders are represented by these units. The relevant movements are shown in the Statement of Changes in Unitholders' Funds.

The number of units allotted during the year ended 31 March 2017 was 2,607,000 (31 March 2016: 14,970,000) for total value of \$14,312,000 (31 March 2016: \$85,262,000).

The number of units redeemed during the year ended 31 March 2017 was 110,000 (31 March 2016: 420,000) for total value of \$613,000 (31 March 2016: \$2,378,000).

	2017	2016
	'000	'000
Movement in the number of units		
Balance at the beginning of the year/period	14,550	-
Subscriptions received during the year/period	2,607	14,970
Redemptions made during the year/period	<u>(110)</u>	<u>(420)</u>
Units on issue at the end of the year/period	<u>17,047</u>	<u>14,550</u>

The net asset value of each unit per the financial statements is \$6.22403 (31 March 2016: \$5.46454). Any difference between the net asset value announced to the market for 31 March 2017 and the net asset value per the financial statements is due to different unit pricing methodology.

7. RELATED PARTY TRANSACTIONS

Related party holdings

Key management personnel are the Directors of the Manager. There were no transactions with key management personnel during the year.

The Fund is managed by Smartshares Limited, which is a wholly owned subsidiary of NZX Limited, a company listed on the NZX Main Board.

SuperLife superannuation scheme ("SLSS"), a scheme managed by SuperLife Limited, a wholly owned subsidiary of NZX Limited, was an investor in the Fund in the year between 1 April 2016 and 27 October 2016. Effective 28 October 2016, the investments were transferred from SLSS to SuperLife Invest managed investment scheme ("SLI"), a scheme managed by the Manager, also a wholly owned subsidiary of NZX Limited. The transfer of assets and change of Manager was completed as part of the transition of the SuperLife scheme to the Financial Markets Conduct Act 2013.

As at 31 March 2017, SLI held 15,994,898 units valued at \$99,238,000 in the Fund. As at 31 March 2016, SLSS held 14,248,631 units valued at \$78,055,000 in the Fund.

Distributions

The Fund paid distributions of \$98,000 (31 March 2016: \$348,000) to SLSS. All distributions were settled prior to the transfer of investments from SLSS to SLI. The balance remaining payable as at 31 March 2016 was \$nil. The Fund paid distributions of \$220,000 to SLI for the year ended 31 March 2017 (31 March 2016: not applicable). The balance remaining as payable at the end of the year is \$nil (31 March 2016: not applicable).

Management fees

The Manager receives management fees from the Fund. Under the Trust Deed the Manager pays the supervisor, custodian, registrar and auditor on behalf of the Fund and receives direct purchase application fees and all interest earned on cash at banks.

Total gross management fees excluding rebates for the year ended 31 March 2017 amounted to \$277,000 (31 March 2016: \$144,000), with \$3,000 (31 March 2016: \$20,000) of outstanding accrued management fees due to the Manager at the end of the year.

The total interest earned on cash at banks for the year ended 31 March 2017 amounted to \$25,000 (31 March 2016: \$4,000).

The total direct purchase application fees for the year ended 31 March 2017 amounted to \$13,000 (31 March 2016: \$5,000).

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2017**

7. RELATED PARTY TRANSACTIONS (Continued)

Other related party transactions

The audit fee paid by the Manager for the audit of the Fund at the year ended 31 March 2017 was \$5,000 (31 March 2016: \$6,000).

8. FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

The Fund utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in the Statement of Accounting Policies.

The financial instruments not accounted for at fair value through profit and loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

Financial instruments by category	2017	2016
	\$'000	\$'000
<i>Loans and receivables</i>		
Cash and cash equivalents	1,401	727
<i>Financial assets at fair value through profit and loss</i>		
Investments in equity securities held at fair value through profit or loss	106,010	79,191
<i>Other financial liabilities</i>		
Management fees payable	(3)	(20)
Funds held for unit purchases	(479)	(108)
Unsettled trades	(495)	(163)

The Fund's activities expose it to a variety of financial risks: market price risk, credit risk, liquidity risk and currency risk. The risk management policies used by the Fund are detailed below:

8a. Market price risk

The Fund's equity securities are exposed to market price risk arising from uncertainties about future prices of the financial instruments.

The Fund's market price risk is affected by actual changes in market prices. As the Fund invests in an Underlying Fund which tracks an Underlying Index, any change in the Underlying Index will result in a corresponding change in the assets at fair value through profit or loss.

A 10% increase/decrease in equity prices as at 31 March 2017 would have increased/decreased net profit and unitholder funds by \$10,601,000 (31 March 2016: \$7,919,000).

8b. Credit risk

The Fund is exposed to the potential risk of financial loss resulting from the failure of counterparties to honour fully the terms and conditions of a contract with the Fund. Financial instruments that subject the Fund to credit risk consist primarily of cash and receivables.

The maximum credit risk of financial instruments is considered to be their carrying value. The risk of non-recovery of monetary assets is considered very low due to the quality of counterparties dealt with.

The Fund does not require collateral or other security to support financial instruments with credit risk. The maximum exposures to credit risk at the reporting date are:

	2017	2016
	\$'000	\$'000
Cash and cash equivalents	1,401	727

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2017**

8. FINANCIAL RISK MANAGEMENT (Continued)

Cash and cash equivalents

The Fund's cash and cash equivalents balances are held with ANZ Bank New Zealand Limited ('ANZ'), BNP Paribas Securities Services ('BNP Paribas') and Westpac New Zealand Limited ('Westpac').

The table below discloses the Standard & Poor's credit rating for the Fund's cash and cash equivalents balance with each bank above at the reporting date.

	Balance	2017	Balance	2016
	\$'000	Credit rating	\$'000	Credit rating
ANZ	478	AA-	108	AA-
BNP Paribas	-	A	-	A-
Westpac	<u>923</u>	AA-	<u>619</u>	AA-
	<u>1,401</u>		<u>727</u>	

8c. Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with the financial liabilities that are settled by delivering cash or another financial asset.

The Fund's investment in the Vanguard S&P 500 ETF is considered readily realisable, as it is quoted on the New York Stock Exchange Area. In addition, liquidity risk associated with redemptions is managed by meeting redemptions in the form of baskets rather than cash. The Fund meets its redemption obligations by returning units in the Underlying Fund. Liquidity risk for the Fund is therefore low.

8d. Currency risk

Currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates.

The Fund holds assets denominated in a currency other than the New Zealand dollar, the functional currency. It is therefore exposed to currency risk, as the value of the securities denominated in US dollars will fluctuate due to changes in the exchange rate. The Fund's policy is not to enter into any currency hedging transactions.

A 10% strengthening/weakening of the New Zealand dollar against the US dollar as at 31 March 2017 would have decreased/increased net profit and unitholders funds by \$10,552,000 (31 March 2016: \$7,903,000).

The table below summarises the Fund's exposure to currency risks.

	2017	2016
	\$'000	\$'000
Investments in equity securities held at fair value through profit or loss	106,010	79,191
Unsettled trades	(495)	(163)

9. COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 31 March 2017 (31 March 2016: none).

10. EVENTS AFTER THE REPORTING YEAR

Since 31 March 2017 there have been no matters or circumstances not otherwise dealt with in the financial statements that have significantly affected or may significantly affect the Fund.

US 500 FUND



Independent Auditor's Report

To the unitholders of US 500 Fund

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of US 500 Fund (the fund) on pages 71 to 82:

- i. present fairly in all material respects the fund's financial position as at 31 March 2017 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2017;
- the statement of comprehensive income, statement of changes in unitholders' funds and statement of cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the fund in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report.

Our firm has also provided other assurance services to the fund in relation to reporting to the supervisor. Subject to certain restrictions, employees of our firm may also deal with the fund on normal terms within the ordinary course of trading activities of the business of the fund. These matters have not impaired our independence as auditor of the fund. The firm has no other relationship with, or interest in, the fund.



Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at \$1,074,000 determined with reference to a benchmark of the fund's total assets. We chose the benchmark because, in our view, this is a key measure of the fund's performance.

US 500 FUND



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the members as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter

How the matter was addressed in our audit

Carrying amount of investments

Refer to Note 2 to the Financial Statements.

The fund's portfolio of investments makes up 98.7% of total assets. We do not consider these investments to be at high risk of significant misstatement, or be subject to a significant level of judgement, because they comprise liquid, listed investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our audit procedures included:

- documenting and understanding the processes in place to record investment transactions and to value the portfolio. This included evaluating the control environment in place at the administration manager by obtaining and reading a report issued by an independent auditor on the design and operation of those controls
- agreeing the 31 March 2017 valuation of listed equity investments to externally quoted prices
- agreeing investment holdings to confirmations received from the administration manager

We did not identify any material differences in relation to the carrying amount of investments.



Other Information

The Manager, on behalf of the fund, is responsible for the other information included in the entity's Annual Report. Other information may include the Chairman's report, fund highlights, disclosures relating to corporate governance and statutory information. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Manager.



Use of this Independent Auditor's Report

This report is made solely to the members as a body. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in the Independent Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to

US 500 FUND



anyone other than the members as a body for our audit work, this report, or any of the opinions we have formed.



Responsibilities of the Manager for the financial statements

The Manager, on behalf of the fund, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Independent Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page2.aspx

This description forms part of our Independent Auditor's Report.

Brent Manning

For and on behalf of

KPMG
Wellington

25 May 2017

Unitholder Information

DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS

AS AT 30 APRIL 2017

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	490	65.16%	175,465	1.02%
1,001-5,000	207	27.53%	458,596	2.67%
5,001-10,000	35	4.65%	241,075	1.41%
10,001-50,000	19	2.53%	306,467	1.79%
50,001-100,000	-	0.00%	-	0.00%
Greater than 100,000	1	0.13%	15,974,898	93.11%
TOTAL	752	100.00%	17,156,501	100.00%

20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES

AS AT 30 APRIL 2017

Full Name	Total	Percentage
SuperLife Nominees Limited	15,974,898	93.11
FNZ Custodians Limited	35,168	0.2
Marcus Spencer Daniell	21,691	0.13
Paul Anthony Kathro	19,662	0.11
Ian Robert Mckim & Anne Marie Mckim	19,285	0.11
Craigs Investment Partners Limited	18,669	0.11
Stephen Allan Mcgregor & Jane Costigan	18,624	0.11
Paul Edward Coll & Helen Marie Coll & Andrew John Anderson	17,854	0.1
Jon Patrick Finn Angelo	16,268	0.09
Thomas Edward Robinson & Tsui Wen Chen & David Bruce Bell	15,764	0.09
Geoffrey John Duckett	15,082	0.09
Michael Gray Warrington & Wendy Marie Warrington & Suzanne Gaye Mcpherson	15,035	0.09
Nigel Russell Fannin & Rosemary Anne O'Brien & Kevin Wayne Harborne	15,035	0.09
Petra Mingneau	13,365	0.08
Jan Feld	13,258	0.08
Phillip Charles Boyle & Teresa Allison Cuthbert	11,036	0.06
John Reginald Spray	10,468	0.06
Investment Custodial Services Limited	10,085	0.06
ASB Nominees Limited	10,085	0.06
Janice Mary Graham	10,033	0.06
	16,281,365	94.89

SUBSTANTIAL PRODUCT HOLDERS

The following information has been given pursuant to section 293 of the Financial Markets Conduct Act 2013 (FMCA). According to Smartshares records and disclosures made under section 280(1)(b) of the FMCA, there were no substantial product holders in the Fund as at 31 March 2017. The total number of units on issue at 31 March 2017 was 17,046,501.

DIRECTORS' INTERESTS IN UNITS

	Beneficial	Non-Beneficial
Bevan Miller	1,826*	0
Paul Baldwin	0	0
Guy Elliffe	3,645*	0
John Williams	0	0

*Beneficial interest in these units is indirectly held through the director's interest in the SuperLife KiwiSaver scheme

WAIVERS GRANTED

The Special Division of the New Zealand Markets Disciplinary Tribunal (Special Division) has granted, either fully, partially or subject to conditions a number of waivers to the fund.

The waiver decisions that Smartshares currently relies upon are available on smartshares.co.nz.

Special Division granted the following waivers from the Listing Rules that continue to be relied upon as at 31 March 2017:

3.1.1(a) - compliance with the Listing Rules	7.5 - Issues and Buybacks Affecting Control
3.1.1(b) - compliance with Takeover Provisions	7.6.1 to 7.6.3 - Buybacks of Equity Securities, Redemptions and Financial Assistance
3.3.5 to 3.3.15 - Appointment and Rotation of Directors	7.11.1 Allotment within 5 business days
3.4 - Proceedings and Power of Directors	9.2.1 - Transactions with Related Parties
3.5 - Directors' Remuneration	10.3.2 - Preliminary Announcements
Section 4 - Takeover Provisions	10.4.1(d) - Annual and Half-Year Reports availability
7.1.11 - Minimum Subscription	10.4.2 - Half-Yearly Reporting Requirements
7.3 - Issue of New Equity Securities.	10.6.1(a) - Other Administrative Information
7.4 - Entitlements to Third Party Securities	

In October 2015, Special Division granted Smartshares a waiver from Listing Rules 3.3.1(c), 3.3.3 and 3.6.2(c) to enable Mr Elliffe and Mr Williams to continue to be regarded as Independent Directors following their appointment to the board of SuperLife Limited in May 2016.

As Smartshares and SuperLife Limited were amalgamated on 9 November 2016, Smartshares no longer relies on this waiver.

In June 2016, Special Division granted Smartshares a waiver from Listing Rule 9.2.1 to enable Smartshares to amalgamate with SuperLife Limited without the need for unitholder approval. Smartshares no longer relies on this waiver.

On 8 September 2016, Special Division granted fully, partially or subject to conditions, waivers from the following Listing Rules in relation to the transition of the group investment funds to the FMCA:

7.4.1 - Entitlements to Third Party Securities
7.6.5 - Buy Backs of Equity Securities, Redemptions and Financial Assistance
8.3.1 - Modifications of Rights of Security Holders
9.2.1 - Transactions with Related Parties

Europe Fund (EUF)

FINANCIAL STATEMENTS FOR THE PERIOD ENDEN 31 MARCH 2017

Presented by Smartshares Limited, Manager of the Europe Fund

Report to the Unitholders

HIGHLIGHTS

Launch Date 29-Jul-15

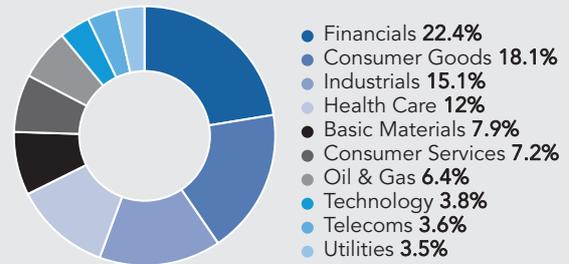
	March 2017	March 2016
Net Tangible Assets (NTA)	\$1.474	\$1.417
Units On Issue	108,103,400	57,933,400
Funds Under Management	\$159,326,154	\$82,113,642
Gross Distribution	\$0.027	\$0.008*
Gross Distribution Yield	1.85%	N/A
Gross Return	6.07%	-13.18%*
Total Fund Charges	0.55%	0.57%
Distributions paid	Semi-annual	

* Since Inception

NTA Per Unit



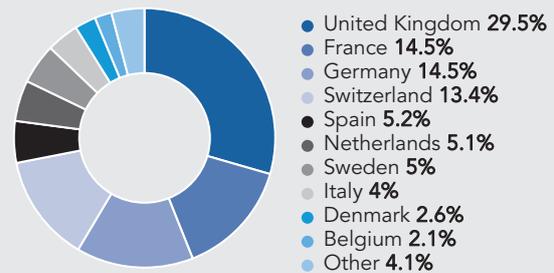
Holdings By Sector



Growth of \$1000*



Country Allocation



*Since inception with all distributions reinvested.

EUROPE FUND

DIRECTORY

THE MANAGER

Smartshares Limited
Level 1, NZX Centre
11 Cable Street, Wellington 6140
New Zealand

This is also the address of the registered office.

PRINCIPAL OFFICE OF THE MANAGER

Level 7, Zurich House
21 Queen Street, Auckland Central
Auckland 1010
New Zealand

DIRECTORS OF THE MANAGER

Bevan K. Miller
Timothy O. Bennett (resigned 30 December 2016)
Guy R. Elliffe
A. John Williams
Paul J. Baldwin (appointed 30 December 2016)

INVESTMENT ADMINISTRATOR & CUSTODIAN

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

THE SUPERVISOR

Public Trust
Level 5, 40-42 Queens Drive
Lower Hutt 5010, Wellington
New Zealand

AUDITOR

KPMG
10 Customhouse Quay
PO Box 996, Wellington 6140
New Zealand

SOLICITOR

Buddle Findlay
Level 17, State Insurance Tower
1 Willis Street, Wellington 6140
New Zealand

REGISTRAR

Link Market Services Limited

CORRESPONDENCE

All correspondence and enquiries to the Manager about the Fund should be addressed to the Manager, Smartshares Limited, at the above address.

EUROPE FUND

Smartshares Limited (the 'Manager') and Public Trust (the 'Supervisor') are parties to a master trust deed dated 24 June 2014 as amended and restated on 9 September 2016 (the 'Trust Deed'). Under a Deed of Retirement and Appointment dated on 6 September 2016, Trustees Executors Limited retired as trustee and Public Trust was appointed as the Supervisor. The Trust Deed sets out the terms and conditions on which units in the funds within the Smartshares Exchange Traded Funds are offered for subscription, whether to the public or otherwise.

The Trust Deed provides that each fund is to be established by the Manager and the Supervisor entering into an establishment deed setting out the specific terms and conditions relating to that fund.

The Europe Fund (the 'Fund') was created by an establishment deed dated 10 July 2015 as amended and restated on 9 September 2016 between the Manager and the Supervisor.

STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), and fairly present the financial position of the Fund as at 31 March 2017, and the results of its financial performance and cash flows for the year ended 31 March 2017 in accordance with the requirement of the Trust Deed.

It is believed that there are no circumstances that may materially and adversely affect any interest of the unitholders in the assets other than those already disclosed in this report.

For and on behalf of the Manager:
Smartshares Limited



.....
Director



.....
Director

This statement was approved for signing at a meeting of the Directors on 25 May 2017.

EUROPE FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017

		Year Ended 31 March 2017 \$'000	Period Ended 31 March 2016 \$'000
INCOME			
Dividend income		3,486	1,158
Net changes in fair value of financial assets at fair value through profit or loss		11,354	(12,525)
Foreign exchange gain		<u>26</u>	<u>13</u>
Total income		<u>14,866</u>	<u>(11,354)</u>
EXPENSES			
Management fees expense	7	<u>(492)</u>	<u>(246)</u>
Total expenses		<u>(492)</u>	<u>(246)</u>
Profit/(loss) before tax		14,374	(11,600)
Income tax expense	1	<u>(1,377)</u>	<u>(704)</u>
Profit/(loss) after tax		12,997	(12,304)
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income/(loss)		<u>12,997</u>	<u>(12,304)</u>
EARNINGS PER UNIT			
Basic and diluted earnings/(losses) per unit (cents per unit)	4	<u>15.86</u>	<u>(22.86)</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS
 FOR THE YEAR ENDED 31 MARCH 2017**

		Year Ended 31 March 2017 \$'000	Period Ended 31 March 2016 \$'000
Unitholders' funds at the beginning of the year/period		81,408	-
Total comprehensive income/(loss) for the year/period		<u>12,997</u>	<u>(12,304)</u>
Subscriptions from unitholders	6	67,492	96,954
Redemptions by unitholders	6	-	(2,945)
Distributions to unitholders	5	<u>(1,277)</u>	<u>(297)</u>
		<u>66,215</u>	<u>93,712</u>
Unitholders' funds at the end of the year/period		<u><u>160,620</u></u>	<u><u>81,408</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017**

	Note	As At 31 March 2017 \$'000	As At 31 March 2016 \$'000
ASSETS			
Cash and cash equivalents		1,513	682
Investments in equity securities held at fair value through profit or loss	2	<u>159,529</u>	<u>81,159</u>
TOTAL ASSETS		<u>161,042</u>	<u>81,841</u>
LIABILITIES			
Management fees payable	7	(6)	(31)
Taxation payable		(348)	(132)
Funds held for unit purchases		(38)	(116)
Unsettled trades		<u>(30)</u>	<u>(154)</u>
TOTAL LIABILITIES		<u>(422)</u>	<u>(433)</u>
UNITHOLDERS' FUNDS		<u>160,620</u>	<u>81,408</u>
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		<u>161,042</u>	<u>81,841</u>

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the financial statements on 25 May 2017.



B Miller
Chairman
Smartshares Limited



G Elliffe
Director
Smartshares Limited

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017**

	Year Ended 31 March 2017 \$'000	Period Ended 31 March 2016 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Dividend income received	2,964	984
<i>Cash was applied to:</i>		
Management fees paid	(517)	(215)
Taxation paid	<u>(639)</u>	<u>(398)</u>
Net cash flows from operating activities	<u>1,808</u>	<u>371</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Cash was applied to:</i>		
Purchase of investments	<u>(712)</u>	<u>(232)</u>
Net cash flows from investing activities	<u>(712)</u>	<u>(232)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Cash was provided from:</i>		
Subscriptions received from unitholders	1,031	853
<i>Cash was applied to:</i>		
Redemptions paid to unitholders	-	(13)
Distributions paid to unitholders	<u>(1,277)</u>	<u>(297)</u>
Net cash flows from financing activities	<u>(246)</u>	<u>543</u>
Net increase in cash and cash equivalents	850	682
Cash and cash equivalents at the beginning of the year/period	682	-
Effect of exchange rate fluctuations on cash and cash equivalents	<u>(19)</u>	<u>-</u>
Cash and cash equivalents at the end of the year/period	<u>1,513</u>	<u>682</u>
Reconciliation of profit/(loss) after tax to net cash flows from operating activities		
Profit/(loss) after tax	12,997	(12,304)
Net changes in fair value of financial assets at fair value through profit or loss	(11,354)	12,525
Foreign exchange gain	(26)	(13)
Increase in taxation payable	216	132
(Decrease)/increase in management fees payable	<u>(25)</u>	<u>31</u>
Net cash flows from operating activities	<u>1,808</u>	<u>371</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

GENERAL INFORMATION

The Europe Fund (the 'Fund') is a for-profit fund registered in New Zealand and established under the Financial Markets Conduct Act 2013 ('FMC Act 2013'). It is offered under a registered managed investment scheme known as the Smartshares Exchange Traded Funds. Smartshares Limited, the Manager of the Fund is a FMC reporting entity for the purpose of the FMC Act 2013.

The Fund is governed by the Trust Deed dated 24 June 2014 as amended and restated on 9 September 2016 between the Manager and the Supervisor. The Fund was established on 10 July 2015 and commenced operation on 29 July 2015.

The Fund changed its name from Europe Trust to Europe Fund effective 16 September 2016.

The Fund's units are quoted on the NZX Main Board. The Fund is a passive investment fund that invests in Vanguard FTSE Europe ETF (the 'Underlying Fund'), which tracks the FTSE Developed Europe All Cap Index (the 'Underlying Index'). The Underlying Fund invests in securities contained in the Underlying Index broadly in proportion to the weightings of the Underlying Index. Investments are valued at fair value according to last traded market prices on the New York Stock Exchange Area on 31 March 2017 (see Note 2).

STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the year/period presented.

Comparative period and amounts

These financial statements are for the year ended 31 March 2017. The comparative figures are for the period 29 July 2015 to 31 March 2016. Where necessary, comparative figures have been restated to correspond to the current year classifications.

Basis of preparation

The financial statements of the Fund have been prepared in accordance with the requirements of the FMC Act 2013, Financial Reporting Act 2013, New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS'). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The functional currency of this entity is the same as the presentation currency of these financial statements being the New Zealand Dollar ('NZD'), rounded to the nearest thousand.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Smartshares Limited Board of Directors to exercise its judgement in the process of applying the Fund's Statement of Accounting Policies.

Financial assets at fair value through profit or loss

(a) Classification

The Fund classifies its investments in equity securities held at fair value as financial assets at fair value through profit or loss. These financial assets are designated by the Smartshares Board of Directors at inception as their performance is managed and evaluated on a fair value basis in accordance with a documented investment strategy.

(b) Recognition/derecognition

Purchases and sales of investments are recognised on the trade date - the date on which the Fund commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

(c) Measurement

Financial assets at fair value through profit or loss are recognised at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income when they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income within dividend income when the Fund's right to receive payment is established.

(d) Fair value determination

The fair value of the financial instruments is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Fund is the last traded market price.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

Receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are measured at amortised cost using the effective interest method less impairment.

Payables

Trade payables and other payables are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services, and are measured at amortised cost.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency (NZD) using the exchange rate prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Translation differences of non-monetary financial assets such as equities held at fair value through profit or loss are recognised in the Statement of Comprehensive Income as part of the net changes in fair value of financial assets at fair value through profit or loss.

Cash and cash equivalents

Cash and cash equivalents are considered to be cash at banks, net of bank overdrafts. Operating activities in the Statement of Cash Flows include all transactions or events that are not investing or financing activities. Investing activities are those activities that relate to the acquisition, holding and disposal of investments and securities not falling within the definition of cash. Financing activities are those activities that relate to cash contributions to and from, or distributions to the unitholders.

Units

The Fund issues units, which provide the holder with a beneficial interest in the Fund. The units can be put back to the Fund via a basket redemption, in accordance with the redemption rules as defined in the Trust Deed, for units in the Underlying Fund and a proportion of cash held in the Fund.

The units are issued and redeemed based on the Fund's net asset value per unit at the time of issue or redemption. The Fund's net asset value per unit is calculated by dividing the net assets attributable to the unitholders by the total number of outstanding units. In accordance with the provisions of the Trust Deed investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Distributions to unitholders

Distributions are made up of income received from the investments less expenses paid and allowances for future liabilities. Income from investments held is attributed to unitholders on the basis of the number of units held on the record date of the distribution. To the extent that imputation credits are available, distributions to unitholders will be fully imputed. The record date for the Fund is on the last business day of May and November in each year. Currently distributions to unitholders are made on a semi-annual basis directly from the Fund within 20 business days of the record date.

Taxation

The Fund is domiciled in New Zealand and is registered as a Portfolio Investment Entity ('PIE').

The Fund is liable for tax at the prevailing company tax rate on investments in securities subject to the Fair Dividend Rate method ('FDR') listed in Note 2 after the deduction of management fees. FDR income is based on the market value of the security. With some of this income, the Fund is able to utilise foreign withholding tax credits to satisfy the tax liability. The Fund pays tax to the extent that the foreign withholding tax credits do not cover the tax liability in full.

Deferred tax is recognised in respect of temporary differences at the Statement of Financial Position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Current and deferred tax is measured using the tax rates enacted or substantively enacted at the reporting date.

Goods and services tax (GST)

The Fund is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

Segment information

The Fund operates solely in the business of investment management, investing in the Underlying Fund - Vanguard FTSE Europe ETF. The Fund receives all of its dividend income from this investment.

Changes in accounting policies and accounting standards adopted during the year

(a) Changes in accounting policies

There have been no significant changes in accounting policies during the year. All policies have been applied on a basis consistent with those used in the prior period.

(b) New accounting standards adopted

There were no new accounting standards adopted during the year that have a material impact on the financial statements of the Fund.

Issued but not yet effective accounting standards

A number of accounting standards have been issued or revised that are not yet effective as at 31 March 2017, and have not been applied in preparing the financial statements. The Fund does not plan to adopt these standards early. The standards which are relevant to the Fund are as follows:

- NZ IFRS 9 Financial Instruments - Effective for annual reporting periods beginning on or after 1 January 2018; the impact of any changes has not yet been determined.
- NZ IFRS 15 Revenue from Contracts with Customers - Effective for annual reporting periods beginning on or after 1 January 2018. The impact of any changes has not yet been determined.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

1. TAXATION

	2017	2016
	\$'000	\$'000
Tax expense comprises:		
Current tax expense	<u>(1,377)</u>	<u>(704)</u>
Total tax expense	<u><u>(1,377)</u></u>	<u><u>(704)</u></u>

The prima facie income tax expense on profit/(loss) before tax from operations reconciles to the income tax expense in the financial statements as follows:

	2017	2016
	\$'000	\$'000
Income tax expense		
Profit/(loss) before tax	<u>14,374</u>	<u>(11,600)</u>
Income tax using the statutory income tax rate 28%	(4,025)	3,248
Net changes in fair value of financial assets	3,179	(3,507)
Non taxable income	990	322
Tax on securities subject to FDR	<u>(1,521)</u>	<u>(767)</u>
	(1,377)	(704)
Income tax expense as per Statement of Comprehensive Income	<u><u>(1,377)</u></u>	<u><u>(704)</u></u>

	2017	2016
	\$'000	\$'000
Imputation credit account (ICA)		
Imputation credits available for use in subsequent periods	854	415

2. INVESTMENTS IN EQUITY SECURITIES HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017		2016	
	Number of units '000	Fair value \$'000	Number of units '000	Fair value \$'000
Underlying fund				
Vanguard FTSE Europe ETF	2,162	<u>159,529</u>	1,161	<u>81,159</u>
		<u><u>159,529</u></u>		<u><u>81,159</u></u>

All investments are designated at inception as being at fair value through profit or loss. The fair values of investments are calculated using the last traded market price at the reporting date. The investments are registered in the name of BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch, the custodian of the Fund.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value can be categorised across the following 3 levels based on the degree to which their fair value is 'observable':

Level 1 – Fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable either directly or indirectly;

Level 3 – Fair value measurements are derived from valuation methods that include inputs that are not based on observable market data.

All financial instruments of the Fund measured at fair value have been categorised as level 1 in the hierarchy. There were no transfers between levels in the year ended 31 March 2017 (31 March 2016: none).

4. EARNINGS PER UNIT

The basic earnings per unit (EPU) is calculated by dividing the net profit/(loss) after tax attributable to the unitholders by the weighted average number of units on issue during the year.

The Fund's diluted EPU is the same as the basic EPU since the Fund has not issued any instrument with dilutive potential.

	2017	2016
Profit/(loss) after tax (\$'000)	12,997	(12,304)
Weighted average number of units ('000)	<u>81,972</u>	<u>53,820</u>
Basic and diluted losses per unit (cents per unit)	<u>15.86</u>	<u>(22.86)</u>

5. DISTRIBUTION PAYABLE TO UNITHOLDERS

	2017	2016
	\$'000	\$'000
Opening distribution payable	-	-
Distributions accrued to unitholders	1,277	297
Distributed to unitholders	<u>(1,277)</u>	<u>(297)</u>
Closing distribution payable	<u>-</u>	<u>-</u>

Distributions declared and paid

	Year Ended	Distributions per unit (cents per unit)	2017	2016
			\$'000	\$'000
October 2015 (paid November 2015)	31/03/2016	0.59	-	297
July 2016 (paid August 2016)	31/03/2017	2.06	<u>1,277</u>	<u>-</u>
			<u>1,277</u>	<u>297</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

6. UNITHOLDERS' FUNDS

As at 31 March 2017 there were 108,103,000 units on issue (31 March 2016: 57,933,000).

All issued units are fully paid and redeemable, and are quoted on the NZX Main Board. The Fund's net assets attributable to unitholders are represented by these units. The relevant movements are shown in the Statement of Changes in Unitholders' Funds.

The number of units allotted during the year ended 31 March 2017 was 50,170,000 (31 March 2016: 59,773,000) for total value of \$67,492,000 (31 March 2016: \$96,954,000).

The number of units redeemed during the year ended 31 March 2017 was nil (31 March 2016: 1,840,000) for total value of \$nil (31 March 2016: \$2,945,000).

	2017	2016
	'000	'000
Movement in the number of units		
Balance at the beginning of the year/period	57,933	-
Subscriptions received during the year/period	50,170	59,773
Redemptions made during the year/period	-	(1,840)
Units on issue at the end of the year/period	<u>108,103</u>	<u>57,933</u>

The net asset value of each unit per the financial statements is \$1.48581 (31 March 2016: \$1.40521). Any difference between the net asset value announced to the market for 31 March 2017 and the net asset value per the financial statements is due to different unit pricing methodology.

7. RELATED PARTY TRANSACTIONS

Related party holdings

Key management personnel are the Directors of the Manager. There were no transactions with key management personnel during the year.

The Fund is managed by Smartshares Limited, which is a wholly owned subsidiary of NZX Limited, a company listed on the NZX Main Board.

SuperLife superannuation scheme ("SLSS"), a scheme managed by SuperLife Limited, a wholly owned subsidiary of NZX Limited, was an investor in the Fund in the year between 1 April 2016 and 27 October 2016. Effective 28 October 2016, the investments were transferred from SLSS to SuperLife Invest managed investment scheme ("SLI"), a scheme managed by the Manager, also a wholly owned subsidiary of NZX Limited. The transfer of assets and change of Manager was completed as part of the transition of the SuperLife scheme to the Financial Markets Conduct Act 2013.

As at 31 March 2017, SLI held 106,437,239 units valued at \$156,870,000 in the Fund. As at 31 March 2016, SLSS held 57,205,339 units valued at \$81,001,000 in the Fund.

Distributions

The Fund paid distributions of \$1,261,000 (31 March 2016: \$294,000) to SLSS. All distributions were settled prior to the transfer of investments from SLSS to SLI. The balance remaining payable as at 31 March 2016 was \$nil. The Fund paid distributions of \$nil to SLI for the year ended 31 March 2017 (31 March 2016: not applicable). The balance remaining as payable at the end of the year is \$nil (31 March 2016: not applicable).

Management fees

The Manager receives management fees from the Fund. Under the Trust Deed the Manager pays the supervisor, custodian, registrar and auditor on behalf of the Fund and receives direct purchase application fees and all interest earned on cash at banks.

Total gross management fees excluding rebates for the year ended 31 March 2017 amounted to \$491,000 (31 March 2016: \$246,000), with \$6,000 (31 March 2016: \$31,000) of outstanding accrued management fees due to the Manager at the end of the year.

The total interest earned on cash at banks for the year ended 31 March 2017 amounted to \$12,000 (31 March 2016: \$4,000).

The total direct purchase application fees for the year ended 31 March 2017 amounted to \$2,000 (31 March 2016: \$1,000).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

7. RELATED PARTY TRANSACTIONS (Continued)

Other related party transactions

The audit fee paid by the Manager for the audit of the Fund at the year ended 31 March 2017 was \$5,000 (31 March 2016: \$6,000).

8. FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

The Fund utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in the Statement of Accounting Policies.

The financial instruments not accounted for at fair value through profit and loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

Financial instruments by category	2017	2016
	\$'000	\$'000
<i><u>Loans and receivables</u></i>		
Cash and cash equivalents	1,513	682
<i><u>Financial assets at fair value through profit and loss</u></i>		
Investments in equity securities held at fair value through profit or loss	159,529	81,159
<i><u>Other financial liabilities</u></i>		
Management fees payable	(6)	(31)
Funds held for unit purchases	(38)	(116)
Unsettled trades	(30)	(154)

The Fund's activities expose it to a variety of financial risks: market price risk, credit risk, liquidity risk and currency risk. The risk management policies used by the Fund are detailed below:

8a. Market price risk

The Fund's equity securities are exposed to market price risk arising from uncertainties about future prices of the financial instruments.

The Fund's market price risk is affected by actual changes in market prices. As the Fund invests in an Underlying Fund which tracks an Underlying Index, any change in the Underlying Index will result in a corresponding change in the assets at fair value through profit or loss.

A 10% increase/decrease in equity prices as at 31 March 2017 would have increased/decreased net profit and unitholder funds by \$15,953,000 (31 March 2016: \$8,116,000).

8b. Credit risk

The Fund is exposed to the potential risk of financial loss resulting from the failure of counterparties to honour fully the terms and conditions of a contract with the Fund. Financial instruments that subject the Fund to credit risk consist primarily of cash and receivables.

The maximum credit risk of financial instruments is considered to be their carrying value. The risk of non-recovery of monetary assets is considered very low due to the quality of counterparties dealt with.

The Fund does not require collateral or other security to support financial instruments with credit risk. The maximum exposures to credit risk at reporting date are:

	2017	2016
	\$'000	\$'000
Cash and cash equivalents	1,513	682

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

8. FINANCIAL RISK MANAGEMENT (Continued)

Cash and cash equivalents

The Fund's cash and cash equivalents balances are held with ANZ Bank New Zealand Limited ('ANZ'), BNP Paribas Securities Services ('BNP Paribas') and Westpac New Zealand Limited ('Westpac').

The table below discloses the Standard & Poor's credit rating for the Fund's cash and cash equivalents balance with each bank above at the reporting date.

	2017		2016	
	Balance	Credit	Balance	
	\$'000	rating	\$'000	
			Credit	
			rating	
ANZ	38	AA-	116	AA-
BNP Paribas	-	A	-	A-
Westpac	<u>1,475</u>	AA-	<u>566</u>	AA-
	<u>1,513</u>		<u>682</u>	

8c. Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with the financial liabilities that are settled by delivering cash or another financial asset.

The Fund's investment in the Vanguard FTSE Europe ETF is considered readily realisable, as it is quoted on the New York Stock Exchange Arca. In addition, liquidity risk associated with redemptions is managed by meeting redemptions in the form of baskets rather than cash. The Fund meets its redemption obligations by returning units in the Underlying Fund. Liquidity risk for the Fund is therefore low.

8d. Currency risk

Currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates.

The Fund holds assets denominated in a currency other than the New Zealand dollar, the functional currency. It is therefore exposed to currency risk, as the value of the securities denominated in US dollars will fluctuate due to changes in the exchange rate. The Fund's policy is not to enter into any currency hedging transactions.

A 10% strengthening/weakening of the New Zealand dollar against the US dollar as at 31 March 2017 would have decreased/increased profit and unitholders funds by \$15,950,000 (31 March 2016: \$8,101,000).

The table below summarises the Fund's exposure to currency risks.

	2017	2016
	\$'000	\$'000
Investments in equity securities held at fair value through profit or loss	159,529	81,159
Unsettled trades	(30)	(154)

9. COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 31 March 2017 (31 March 2016: none).

10. EVENTS AFTER THE REPORTING YEAR

Since 31 March 2017 there have been no matters or circumstances not otherwise dealt with in the financial statements that have significantly affected or may significantly affect the Fund.

EUROPE FUND



Independent Auditor's Report

To the unitholders of Europe Fund

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of Europe Fund (the fund) on pages 91 to 102:

- i. present fairly in all material respects the fund's financial position as at 31 March 2017 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2017;
- the statement of comprehensive income, statement of changes in unitholders' funds and statement of cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the fund in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report.

Our firm has also provided other assurance services to the fund in relation to reporting to the supervisor. Subject to certain restrictions, employees of our firm may also deal with the fund on normal terms within the ordinary course of trading activities of the business of the fund. These matters have not impaired our independence as auditor of the fund. The firm has no other relationship with, or interest in, the fund.



Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at \$1,610,000 determined with reference to a benchmark of the fund's total assets. We chose the benchmark because, in our view, this is a key measure of the fund's performance.

EUROPE FUND



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the members as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter

How the matter was addressed in our audit

Carrying amount of investments

Refer to Note 2 to the Financial Statements.

The fund's portfolio of investments makes up 99.1% of total assets. We do not consider these investments to be at high risk of significant misstatement, or be subject to a significant level of judgement, because they comprise liquid, listed investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our audit procedures included:

- documenting and understanding the processes in place to record investment transactions and to value the portfolio. This included evaluating the control environment in place at the administration manager by obtaining and reading a report issued by an independent auditor on the design and operation of those controls
- agreeing the 31 March 2017 valuation of listed equity investments to externally quoted prices
- agreeing investment holdings to confirmations received from the administration manager

We did not identify any material differences in relation to the carrying amount of investments.



Other Information

The Manager, on behalf of the fund, is responsible for the other information included in the entity's Annual Report. Other information may include the Chairman's report, fund highlights, disclosures relating to corporate governance and statutory information. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Manager.



Use of this Independent Auditor's Report

This report is made solely to the members as a body. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in the Independent Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to

EUROPE FUND



anyone other than the members as a body for our audit work, this report, or any of the opinions we have formed.



Responsibilities of the Manager for the financial statements

The Manager, on behalf of the fund, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Independent Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page2.aspx

This description forms part of our Independent Auditor's Report.

Brent Manning

For and on behalf of

KPMG
Wellington

25 May 2017

Unitholder Information

DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS

AS AT 30 APRIL 2017

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	50	25.64%	27,819	0.03%
1,001-5,000	72	36.92%	179,374	0.17%
5,001-10,000	28	14.36%	192,957	0.18%
10,001-50,000	37	18.97%	800,667	0.74%
50,001-100,000	6	3.08%	391,693	0.36%
Greater than 100,000	2	1.03%	106,530,890	98.53%
TOTAL	195	100.00%	108,123,400	100.00%

20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES

AS AT 30 APRIL 2017

Full Name	Total	Percentage
SuperLife Nominees Limited	106,422,239	98.43
Phillip Stephen Thumath	108,651	0.1
Brian Joseph Connor & Maureen Shannahan Connor	76,000	0.07
Grant Wilbert Dorey	74,619	0.07
Sun Properties International Limited	73,425	0.07
Paul Edward Coll & Helen Marie Coll & Andrew John Anderson	63,694	0.06
Piers Toby Agmen & Ross Hannay Mckechine	53,000	0.05
Russell Stuart Hay & Cynthia Jill Hay & Douglas Kim Fisher	50,955	0.05
Paul Rodger Day & Amanda Cheryl Day	48,587	0.04
Anthony David Batterton & Karl Richard Moreton	47,913	0.04
John Farquharson Hancock & Amanda Jane Hancock & Ulrich AND Company Trustees Limited	39,000	0.04
Dean Richard Prebble	36,626	0.03
Investment Custodial Services Limited	31,846	0.03
Andrew David Wilson	31,653	0.03
Arthur William Young & Peter Webster Wilson	31,082	0.03
Geoffrey Alan King & Anne Constance King & Fraser Gordon Mckenzie	30,000	0.03
Craigs Investment Partners Limited	28,425	0.03
FNZ Custodians Limited	28,215	0.03
Billy Cheung Services Limited	26,503	0.02
Justine Malcolm Smith	22,744	0.02
	107,325,177	99.27

SUBSTANTIAL PRODUCT HOLDERS

The following information has been given pursuant to section 293 of the Financial Markets Conduct Act 2013 (FMCA). According to Smartshares records and disclosures made under section 280(1)(b) of the FMCA, there were no substantial product holders in the Fund as at 31 March 2017. The total number of units on issue at 31 March 2017 was 108,103,400.

DIRECTORS' INTERESTS IN UNITS

	Beneficial	Non-Beneficial
Bevan Miller	13,000*	0
Paul Baldwin	0	0
Guy Elliffe	25,947*	0
John Williams	0	0

*Beneficial interest in these units is indirectly held through the director's interest in the SuperLife KiwiSaver scheme

WAIVERS GRANTED

The Special Division of the New Zealand Markets Disciplinary Tribunal (Special Division) has granted, either fully, partially or subject to conditions a number of waivers to the fund.

The waiver decisions that Smartshares currently relies upon are available on smartshares.co.nz.

Special Division granted the following waivers from the Listing Rules that continue to be relied upon as at 31 March 2017:

3.1.1(a) - compliance with the Listing Rules	7.5 - Issues and Buybacks Affecting Control
3.1.1(b) - compliance with Takeover Provisions	7.6.1 to 7.6.3 - Buybacks of Equity Securities, Redemptions and Financial Assistance
3.3.5 to 3.3.15 - Appointment and Rotation of Directors	7.11.1 Allotment within 5 business days
3.4 - Proceedings and Power of Directors	9.2.1 - Transactions with Related Parties
3.5 - Directors' Remuneration	10.3.2 - Preliminary Announcements
Section 4 - Takeover Provisions	10.4.1(d) - Annual and Half-Year Reports availability
7.1.11 - Minimum Subscription	10.4.2 - Half-Yearly Reporting Requirements
7.3 - Issue of New Equity Securities.	10.6.1(a) - Other Administrative Information
7.4 - Entitlements to Third Party Securities	

In October 2015, Special Division granted Smartshares a waiver from Listing Rules 3.3.1(c), 3.3.3 and 3.6.2(c) to enable Mr Elliffe and Mr Williams to continue to be regarded as Independent Directors following their appointment to the board of SuperLife Limited in May 2016.

As Smartshares and SuperLife Limited were amalgamated on 9 November 2016, Smartshares no longer relies on this waiver.

In June 2016, Special Division granted Smartshares a waiver from Listing Rule 9.2.1 to enable Smartshares to amalgamate with SuperLife Limited without the need for unitholder approval. Smartshares no longer relies on this waiver.

On 8 September 2016, Special Division granted fully, partially or subject to conditions, waivers from the following Listing Rules in relation to the transition of the group investment funds to the FMCA:

7.4.1 - Entitlements to Third Party Securities
7.6.5 - Buy Backs of Equity Securities, Redemptions and Financial Assistance
8.3.1 - Modifications of Rights of Security Holders
9.2.1 - Transactions with Related Parties

Asia Pacific Fund (APA)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017

Presented by Smartshares Limited, Manager of the Asia Pacific Fund

Report to the Unitholders

HIGHLIGHTS

Launch Date 29-Jul-15

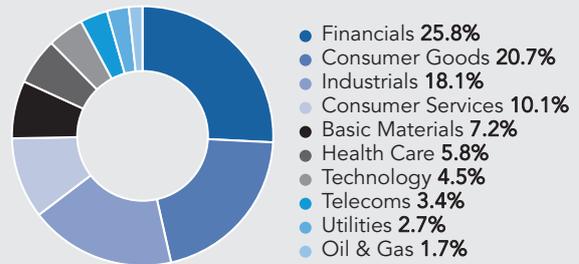
	March 2017	March 2016
Net Tangible Assets (NTA)	\$1.830	\$1.622
Units On Issue	32,450,500	24,918,000
Funds Under Management	\$59,394,976	\$40,416,248
Gross Distribution	\$0.010	\$0.014*
Gross Distribution Yield	0.54%	N/A
Gross Return	13.51%	-9.41%*
Total Fund Charges	0.55%	0.57%
Distributions paid	Semi-annual	

* Since Inception

NTA Per Unit



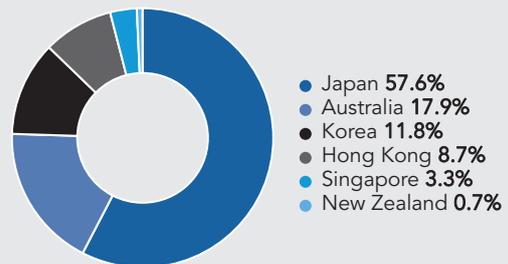
Sector Allocation



Growth of \$1,000*



Country Allocation



*Since inception with all distributions reinvested.

ASIA PACIFIC FUND

DIRECTORY

THE MANAGER

Smartshares Limited
Level 1, NZX Centre
11 Cable Street, Wellington 6140
New Zealand

This is also the address of the registered office.

PRINCIPAL OFFICE OF THE MANAGER

Level 7, Zurich House
21 Queen Street, Auckland Central
Auckland 1010
New Zealand

DIRECTORS OF THE MANAGER

Bevan K. Miller
Timothy O. Bennett (resigned 30 December 2016)
Guy R. Elliffe
A. John Williams
Paul J. Baldwin (appointed 30 December 2016)

INVESTMENT ADMINISTRATOR & CUSTODIAN

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

THE SUPERVISOR

Public Trust
Level 5, 40-42 Queens Drive
Lower Hutt 5010, Wellington
New Zealand

AUDITOR

KPMG
10 Customhouse Quay
PO Box 996, Wellington 6140
New Zealand

SOLICITOR

Buddle Findlay
Level 17, State Insurance Tower
1 Willis Street, Wellington 6140
New Zealand

REGISTRAR

Link Market Services Limited

CORRESPONDENCE

All correspondence and enquiries to the Manager about the Fund should be addressed to the Manager, Smartshares Limited, at the above address.

ASIA PACIFIC FUND

Smartshares Limited (the 'Manager') and Public Trust (the 'Supervisor') are parties to a master trust deed dated 24 June 2014 as amended and restated on 9 September 2016 (the 'Trust Deed'). Under a Deed of Retirement and Appointment dated on 6 September 2016, Trustees Executors Limited retired as the trustee and Public Trust was appointed as the Supervisor. The Trust Deed sets out the terms and conditions on which units in the funds within the Smartshares Exchange Traded Funds are offered for subscription, whether to the public or otherwise.

The Trust Deed provides that each fund is to be established by the Manager and the Supervisor entering into an establishment deed setting out the specific terms and conditions relating to that fund.

The Asia Pacific Fund (the 'Fund') was created by an establishment deed dated 10 July 2015 as amended and restated on 9 September 2016 between the Manager and the Supervisor.

STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), and fairly present the financial position of the Fund as at 31 March 2017, and the results of its financial performance and cash flows for the year ended 31 March 2017 in accordance with the requirement of the Trust Deed.

It is believed that there are no circumstances that may materially and adversely affect any interest of the unitholders in the assets other than those already disclosed in this report.

For and on behalf of the Manager:
Smartshares Limited



.....
Director



.....
Director

This statement was approved for signing at a meeting of the Directors on 25 May 2017.

ASIA PACIFIC FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017

		Year Ended 31 March 2017 \$'000	Period Ended 31 March 2016 \$'000
INCOME			
Dividend income		1,242	642
Net changes in fair value of financial assets at fair value through profit or loss		6,530	(4,623)
Foreign exchange gain		<u>5</u>	<u>-</u>
Total income		<u>7,777</u>	<u>(3,981)</u>
EXPENSES			
Management fees expense	7	(213)	(116)
Foreign exchange loss		<u>-</u>	<u>(12)</u>
Total expenses		<u>(213)</u>	<u>(128)</u>
Profit/(loss) before tax		7,564	(4,109)
Income tax expense	1	<u>(599)</u>	<u>(328)</u>
Profit/(loss) after tax		6,965	(4,437)
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income/(loss)		<u>6,965</u>	<u>(4,437)</u>
EARNINGS PER UNIT			
Basic and diluted earnings/(losses) per unit (cents per unit)	4	<u>24.29</u>	<u>(19.46)</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS
 FOR THE YEAR ENDED 31 MARCH 2017**

		Year Ended 31 March 2017 \$'000	Period Ended 31 March 2016 \$'000
Unitholders' funds at the beginning of the year/period		39,890	-
Total comprehensive income/(loss) for the year/period		<u>6,965</u>	<u>(4,437)</u>
Subscriptions from unitholders	6	12,644	45,888
Redemptions by unitholders	6	-	(1,335)
Distributions to unitholders	5	<u>(190)</u>	<u>(226)</u>
		<u>12,454</u>	<u>44,327</u>
Unitholders' funds at the end of the year/period		<u><u>59,309</u></u>	<u><u>39,890</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017**

	Note	As At 31 March 2017 \$'000	As At 31 March 2016 \$'000
ASSETS			
Cash and cash equivalents		756	331
Investments in equity securities held at fair value through profit or loss	2	<u>58,786</u>	<u>39,696</u>
TOTAL ASSETS		<u>59,542</u>	<u>40,027</u>
LIABILITIES			
Management fees payable	7	(2)	(16)
Taxation payable		(151)	(85)
Funds held for unit purchases		(44)	(12)
Unsettled trades		<u>(36)</u>	<u>(24)</u>
TOTAL LIABILITIES		<u>(233)</u>	<u>(137)</u>
UNITHOLDERS' FUNDS		<u>59,309</u>	<u>39,890</u>
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		<u>59,542</u>	<u>40,027</u>

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the financial statements on 25 May 2017.



B Miller
Chairman
Smartshares Limited



G Elliffe
Director
Smartshares Limited

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017**

	Year Ended 31 March 2017 \$'000	Period Ended 31 March 2016 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Dividend income received	1,056	546
<i>Cash was applied to:</i>		
Management fees paid	(227)	(100)
Taxation paid	<u>(347)</u>	<u>(147)</u>
Net cash flows from operating activities	<u>482</u>	<u>299</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Cash was provided from:</i>		
Sale of investments	-	-
<i>Cash was applied to:</i>		
Purchase of investments	<u>(410)</u>	<u>(102)</u>
Net cash flows from investing activities	<u>(410)</u>	<u>(102)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Cash was provided from:</i>		
Subscriptions received from unitholders	543	366
<i>Cash was applied to:</i>		
Redemptions paid to unitholders	-	(6)
Distributions paid to unitholders	<u>(190)</u>	<u>(226)</u>
Net cash flows from financing activities	<u>353</u>	<u>134</u>
Net increase in cash and cash equivalents	425	331
Cash and cash equivalents at the beginning of the year/period	<u>331</u>	<u>-</u>
Cash and cash equivalents at the end of the year/period	<u>756</u>	<u>331</u>
Reconciliation of profit/(loss) after tax to net cash flows from operating activities		
Profit/(loss) after tax	6,965	(4,437)
Net changes in fair value of financial assets at fair value through profit or loss	(6,530)	4,623
Foreign exchange (gain)/loss	(5)	12
Increase in taxation payable	66	85
(Decrease)/increase in management fees payable	<u>(14)</u>	<u>16</u>
Net cash flows from operating activities	<u>482</u>	<u>299</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

GENERAL INFORMATION

The Asia Pacific Fund (the 'Fund') is a for-profit fund registered in New Zealand and established under the Financial Markets Conduct Act 2013 ('FMC Act 2013'). It is offered under a registered managed investment scheme known as the Smartshares Exchange Traded Funds. Smartshares Limited, the Manager of the Fund is a FMC reporting entity for the purposes of the FMC Act 2013.

The Fund is governed by the Trust Deed dated 24 June 2014 as amended and restated on 9 September 2016 between the Manager and the Supervisor. The Fund was established on 10 July 2015 and commenced operation on 29 July 2015.

The Fund changed its name from Asia Pacific Trust to Asia Pacific Fund effective 16 September 2016.

The Fund's units are quoted on the NZX Main Board. The Fund is a passive investment fund that invests in Vanguard FTSE Pacific ETF (the 'Underlying Fund'), which tracks the FTSE Developed Asia Pacific All Cap Index (the 'Underlying Index'). The Underlying Fund invests in securities contained in the Underlying Index broadly in proportion to the weightings of the Underlying Index. Investments are valued at fair value according to last traded market prices on the New York Stock Exchange Arca on 31 March 2017 (see Note 2).

STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied to the year/period presented.

Comparative period and amounts

These financial statements are for the year ended 31 March 2017. The comparative figures are for the period 29 July 2015 to 31 March 2016. Where necessary, comparative figures have been restated to correspond to the current year classifications.

Basis of preparation

The financial statements of the Fund have been prepared in accordance with the requirements of the FMC Act 2013, Financial Reporting Act 2013, New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS'). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The functional currency of this entity is the same as the presentation currency of these financial statements being the New Zealand Dollar ('NZD'), rounded to the nearest thousand.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Smartshares Limited Board of Directors to exercise its judgement in the process of applying the Fund's Statement of Accounting Policies.

Financial assets at fair value through profit or loss

(a) Classification

The Fund classifies its investments in equity securities held at fair value as financial assets at fair value through profit or loss. These financial assets are designated by the Smartshares Board of Directors at inception as their performance is managed and evaluated on a fair value basis in accordance with a documented investment strategy.

(b) Recognition/derecognition

Purchases and sales of investments are recognised on the trade date - the date on which the Fund commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

(c) Measurement

Financial assets at fair value through profit or loss are recognised at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income when they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income within dividend income when the Fund's right to receive payment is established.

(d) Fair value determination

The fair value of the financial instruments is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Fund is the last traded market price.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

Receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are measured at amortised cost using the effective interest method less impairment.

Payables

Trade payables and other payables are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services, and are measured at amortised cost.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency (NZD) using the exchange rate prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Translation differences of non-monetary financial assets such as equities held at fair value through profit or loss are recognised in the Statement of Comprehensive Income as part of the net changes in fair value of financial assets at fair value through profit or loss.

Cash and cash equivalents

Cash and cash equivalents are considered to be cash at banks, net of bank overdrafts. Operating activities in the Statement of Cash Flows include all transactions or events that are not investing or financing activities. Investing activities are those activities that relate to the acquisition, holding and disposal of investments and securities not falling within the definition of cash. Financing activities are those activities that relate to cash contributions to and from, or distributions to the unitholders.

Units

The Fund issues units, which provide the holder with a beneficial interest in the Fund. The units can be put back to the Fund via a basket redemption, in accordance with the redemption rules as defined in the Trust Deed, for units in the Underlying Fund and a proportion of cash held in the Fund.

The units are issued and redeemed based on the Fund's net asset value per unit at the time of issue or redemption. The Fund's net asset value per unit is calculated by dividing the net assets attributable to the unitholders by the total number of outstanding units. In accordance with the provisions of the Trust Deed investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Distributions to unitholders

Distributions are made up of income received from the investments less expenses paid and allowances for future liabilities. Income from investments held is attributed to unitholders on the basis of the number of units held on the record date of the distribution. To the extent that imputation credits are available, distributions to unitholders will be fully imputed. The record date for the Fund is on the last business day of May and November in each year. Currently distributions to unitholders are made on a semi-annual basis directly from the Fund within 20 business days of the record date.

Taxation

The Fund is domiciled in New Zealand and is registered as a Portfolio Investment Entity ('PIE').

The Fund is liable for tax at the prevailing company tax rate on investments in securities subject to the Fair Dividend Rate method ('FDR') listed in Note 2 after the deduction of management fees. FDR income is based on the market value of the security. With some of this income, the Fund is able to utilise foreign withholding tax credits to satisfy the tax liability. The Fund pays tax to the extent that the foreign withholding tax credits do not cover the tax liability in full.

Deferred tax is recognised in respect of temporary differences at the Statement of Financial Position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Current and deferred tax is measured using the tax rates enacted or substantively enacted at the reporting date.

Goods and services tax (GST)

The Fund is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

Segment information

The Fund operates solely in the business of investment management, investing in the Underlying Fund - Vanguard FTSE Pacific ETF. The Fund receives all of its dividend income from this investment.

Changes in accounting policies and accounting standards adopted during the year

(a) Changes in accounting policies

There have been no significant changes in accounting policies during the year. All policies have been applied on a basis consistent with those used in the prior period.

(b) New accounting standards adopted

There were no new accounting standards adopted during the year that have a material impact on the financial statements of the Fund.

Issued but not yet effective accounting standards

A number of accounting standards have been issued or revised that are not yet effective as at 31 March 2017, and have not been applied in preparing the financial statements. The Fund does not plan to adopt these standards early. The standards which are relevant to the Fund are as follows:

- NZ IFRS 9 Financial Instruments - Effective for annual reporting periods beginning on or after 1 January 2018; The impact of any changes has not yet been determined.
- NZ IFRS 15 Revenue from Contracts with Customers - Effective for annual reporting periods beginning on or after 1 January 2018. The impact of any changes has not yet been determined.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

1. TAXATION

	2017	2016
	\$'000	\$'000
Tax expense comprises:		
Current tax expense	<u>(599)</u>	<u>(328)</u>
Total tax expense	<u><u>(599)</u></u>	<u><u>(328)</u></u>

The prima facie income tax expense on profit/(loss) before tax from operations reconciles to the income tax expense in the financial statements as follows:

Income tax expense	2017	2016
	\$'000	\$'000
Profit/(loss) before tax	<u>7,564</u>	<u>(4,109)</u>
Income tax using the statutory income tax rate 28%	(2,118)	1,150
Net changes in fair value of financial assets	1,828	(1,294)
Non taxable income	350	178
Tax on securities subject to FDR	<u>(659)</u>	<u>(362)</u>
	(599)	(328)
Income tax expense as per Statement of Comprehensive Income	<u><u>(599)</u></u>	<u><u>(328)</u></u>

Imputation credit account (ICA)

	2017	2016
	\$'000	\$'000
Imputation credits available for use in subsequent periods	482	144

2. INVESTMENTS IN EQUITY SECURITIES HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017		2016
	Number of	Number of	
	units	units	
	'000	'000	
	Fair	Fair	
	Value	Value	
	\$'000	\$'000	
Underlying fund			
Vanguard FTSE Pacific ETF	649	<u>58,786</u>	499
		<u><u>58,786</u></u>	<u>39,696</u>
			<u><u>39,696</u></u>

All investments are designated at inception as being at fair value through profit or loss. The fair values of investments are calculated using the last traded market price at the reporting date. The investments are registered in the name of BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch, the custodian of the Fund.

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2017**

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value can be categorised across the following 3 levels based on the degree to which their fair value is 'observable':

Level 1 – Fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable either directly or indirectly;

Level 3 – Fair value measurements are derived from valuation methods that include inputs that are not based on observable market data.

All financial instruments of the Fund measured at fair value have been categorised as level 1 in the hierarchy. There were no transfers between levels in the year ended 31 March 2017 (31 March 2016: none).

4. EARNINGS PER UNIT

The basic earnings per unit (EPU) is calculated by dividing the net profit/(loss) after tax attributable to the unitholders by the weighted average number of units on issue during the year.

The Fund's diluted EPU is the same as the basic EPU since the Fund has not issued any instrument with dilutive potential.

	2017	2016
Profit/(loss) after tax (\$'000)	6,965	(4,437)
Weighted average number of units ('000)	<u>28,671</u>	<u>22,796</u>
Basic and diluted earnings/(losses) per unit (cents per unit)	<u>24.29</u>	<u>(19.46)</u>

5. DISTRIBUTION PAYABLE TO UNITHOLDERS

	2017	2016
	\$'000	\$'000
Opening distribution payable	-	-
Distributions accrued to unitholders	190	226
Distributed to unitholders	<u>(190)</u>	<u>(226)</u>
Closing distribution payable	<u>-</u>	<u>-</u>

Distributions declared and paid

		Distribution		
	Year ended	per unit		
	(cents per unit)		2017	2016
			\$'000	\$'000
October 2015 (paid November 2015)	31/03/2016	0.48	-	102
January 2016 (paid February 2016)	31/03/2016	0.50	-	124
July 2016 (paid August 2016)	31/03/2017	0.71	<u>190</u>	<u>-</u>
			<u>190</u>	<u>226</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

6. UNITHOLDERS' FUNDS

As at 31 March 2017 there were 32,451,000 units on issue (31 March 2016: 24,918,000).

All issued units are fully paid and redeemable, and are quoted on the NZX Main Board. The Fund's net assets attributable to unitholders are represented by these units. The relevant movements are shown in the Statement of Changes in Unitholders' Funds.

The number of units allotted during the year ended 31 March 2017 was 7,533,000 (31 March 2016: 25,698,000) for total value of \$12,644,000 (31 March 2016: \$45,888,000).

The number of units redeemed during the year ended 31 March 2017 was nil (31 March 2016: 780,000) for total value of \$nil (31 March 2016: \$1,335,000).

	2017	2016
	'000	'000
Movement in the number of units		
Balance at the beginning of the year/period	24,918	-
Subscriptions received during the year/period	7,533	25,698
Redemptions made during the year/period	-	(780)
Units on issue at the end of the year/period	32,451	24,918

The net asset value of each unit per the financial statements is \$1.82765 (31 March 2016: \$1.60085). Any difference between the net asset value announced to market for 31 March 2017 and the net asset value per the financial statements is due to different unit pricing methodology.

7. RELATED PARTY TRANSACTIONS

Related party holdings

Key management personnel are the Directors of the Manager. There were no transactions with key management personnel during the year.

The Fund is managed by Smartshares Limited, which is a wholly owned subsidiary of NZX Limited, a company listed on the NZX Main Board.

SuperLife superannuation scheme ("SLSS"), a scheme managed by SuperLife Limited, a wholly owned subsidiary of NZX Limited, was an investor in the Fund in the year between 1 April 2016 and 27 October 2016. Effective 28 October 2016, the investments were transferred from SLSS to SuperLife Invest managed investment scheme ("SLI"), a scheme managed by the Manager, also a wholly owned subsidiary of NZX Limited. The transfer of assets and change of Manager was completed as part of the transition of the SuperLife scheme to the Financial Markets Conduct Act 2013.

As at 31 March 2017, SLI held 31,764,838 units valued at \$58,140,000 in the Fund. As at 31 March 2016, SLSS held 24,667,958 units valued at \$39,971,000 in the Fund

Distributions

The Fund paid distributions of \$189,000 (31 March 2016: \$224,000) to SLSS. All distributions were settled prior to the transfer of investments from SLSS to SLI. The balance remaining as payable as at 31 March 2016 was \$nil. The Fund paid distributions of \$nil to SLI for the year ended 31 March 2017 (31 March 2016: \$nil). The balance remaining as payable at the end of the year is \$nil (31 March 2016: not applicable).

Management fees

The Manager receives management fees from the Fund. Under the Trust Deed the Manager pays the supervisor, custodian, registrar and auditor on behalf of the Fund and receives direct purchase application fees and all interest earned on cash at banks.

Total gross management fees excluding rebates for the year ended 31 March 2017 amounted to \$213,000 (31 March 2016: \$116,000), with \$2,000 (31 March 2016: \$16,000) of outstanding accrued management fees due to the Manager at the end of the year.

The total interest earned on cash at banks for the year ended 31 March 2017 amounted to \$6,000 (31 March 2016: \$3,000).

The total direct purchase application fees for the year ended 31 March 2017 amounted to \$3,000 (31 March 2016: \$1,000).

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2017**

7. RELATED PARTY TRANSACTIONS (Continued)

Other related party transactions

The audit fee paid by the Manager for the audit of the Fund at the year ended 31 March 2017 was \$5,000 (31 March 2016: \$6,000).

8. FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

The Fund utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in the Statement of Accounting Policies.

The financial instruments not accounted for at fair value through profit and loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

Financial instruments by category

	2017	2016
	\$'000	\$'000
<i><u>Loans and receivables</u></i>		
Cash and cash equivalents	756	331
<i><u>Financial assets at fair value through profit and loss</u></i>		
Investments in equity securities held at fair value through profit or loss	58,786	39,696
<i><u>Other financial liabilities</u></i>		
Management fees payable	(2)	(16)
Funds held for unit purchases	(44)	(12)
Unsettled trades	(36)	(24)

The Fund's activities expose it to a variety of financial risks: market price risk, credit risk, liquidity risk and currency risk. The risk management policies used by the Fund are detailed below:

8a. Market price risk

The Fund's equity securities are exposed to market price risk arising from uncertainties about future prices of the financial instruments.

The Fund's market price risk is affected by actual changes in market prices. As the Fund invests in an Underlying Fund which tracks an Underlying Index, any change in the Underlying Index will result in a corresponding change in the assets at fair value through profit or loss.

A 10% increase/decrease in equity prices as at 31 March 2017 would have increased/decreased net profit and unitholder funds by \$5,879,000 (31 March 2016: \$3,970,000).

8b. Credit risk

The Fund is exposed to the potential risk of financial loss resulting from the failure of counterparties to honour fully the terms and conditions of a contract with the Fund. Financial instruments that subject the Fund to credit risk consist primarily of cash and receivables.

The maximum credit risk of financial instruments is considered to be their carrying value. The risk of non-recovery of monetary assets is considered very low due to the quality of counterparties dealt with.

The Fund does not require collateral or other security to support financial instruments with credit risk. The maximum exposures to credit risk at the reporting date are:

	2017	2016
	\$'000	\$'000
Cash and cash equivalents	756	331

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2017**

8. FINANCIAL RISK MANAGEMENT (Continued)

Cash and cash equivalents

The Fund's cash and cash equivalents balances are held with ANZ Bank New Zealand Limited ('ANZ'), BNP Paribas Securities Services ('BNP Paribas') and Westpac New Zealand Limited ('Westpac').

The table below discloses the Standard & Poor's credit rating for the Fund's cash and cash equivalents balance with each bank above at the reporting date.

	2017		2016
	Balance	Credit rating	Balance
	\$'000		\$'000
ANZ	44	AA-	12
BNP Paribas	-	A	-
Westpac	<u>712</u>	AA-	<u>319</u>
	<u><u>756</u></u>		<u><u>331</u></u>

8c. Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with the financial liabilities that are settled by delivering cash or another financial asset.

The Fund's investment in the Vanguard FTSE Pacific ETF is considered readily realisable, as it is quoted on the New York Stock Exchange Arca. In addition, liquidity risk associated with redemptions is managed by meeting redemptions in the form of baskets rather than cash. The Fund meets its redemption obligations by returning units in the Underlying Fund. Liquidity risk for the Fund is therefore low.

8d. Currency risk

Currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates.

The Fund holds assets denominated in a currency other than the New Zealand dollar, the functional currency. It is therefore exposed to currency risk, as the value of the securities denominated in US dollars will fluctuate due to changes in the exchange rate. The Fund's policy is not to enter into any currency hedging transactions.

A 10% strengthening/weakening of the New Zealand dollar against the US dollar as at 31 March 2017 would have decreased/increased profit and unitholders funds by \$5,875,000 (31 March 2016: \$3,967,000).

The table below summarises the Fund's exposure to currency risks.

	2017	2016
	\$'000	\$'000
Investments in equity securities held at fair value through profit or loss	58,786	39,696
Unsettled trades	(36)	(24)

9. COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 31 March 2017 (31 March 2016: none).

10. EVENTS AFTER THE REPORTING YEAR

Since 31 March 2017 there have been no matters or circumstances not otherwise dealt with in the financial statements that have significantly affected or may significantly affect the Fund.

ASIA PACIFIC FUND



Independent Auditor's Report

To the unitholders of Asia Pacific Fund

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of Asia Pacific Fund (the fund) on pages 111 to 122:

- i. present fairly in all material respects the fund's financial position as at 31 March 2017 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2017;
- the statement of comprehensive income, statement of changes in unitholders' funds and statement of cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the fund in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report.

Our firm has also provided other assurance services to the fund in relation to reporting to the supervisor. Subject to certain restrictions, employees of our firm may also deal with the fund on normal terms within the ordinary course of trading activities of the business of the fund. These matters have not impaired our independence as auditor of the fund. The firm has no other relationship with, or interest in, the fund.



Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at

ASIA PACIFIC FUND



\$595,000 determined with reference to a benchmark of the fund's total assets. We chose the benchmark because, in our view, this is a key measure of the fund's performance.



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the members as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter

How the matter was addressed in our audit

Carrying amount of investments

Refer to Note 2 to the Financial Statements.

The fund's portfolio of investments makes up 98.7% of total assets. We do not consider these investments to be at high risk of significant misstatement, or be subject to a significant level of judgement, because they comprise liquid, listed investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our audit procedures included:

- documenting and understanding the processes in place to record investment transactions and to value the portfolio. This included evaluating the control environment in place at the administration manager by obtaining and reading a report issued by an independent auditor on the design and operation of those controls
- agreeing the 31 March 2017 valuation of listed equity investments to externally quoted prices
- agreeing investment holdings to confirmations received from the administration manager

We did not identify any material differences in relation to the carrying amount of investments.



Other Information

The Manager, on behalf of the fund, is responsible for the other information included in the entity's Annual Report. Other information may include the Chairman's report, fund highlights, disclosures relating to corporate governance and statutory information. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Manager.



Use of this Independent Auditor's Report

This report is made solely to the members as a body. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in the Independent Auditor's Report and

ASIA PACIFIC FUND



for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members as a body for our audit work, this report, or any of the opinions we have formed.



Responsibilities of the Manager for the financial statements

The Manager, on behalf of the fund, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Independent Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page2.aspx

This description forms part of our Independent Auditor's Report.

Brent Manning

For and on behalf of

KPMG
Wellington

25 May 2017

Unitholder Information

DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS

AS AT 30 APRIL 2017

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	60	35.29%	30,257	0.09%
1,001-5,000	68	40.00%	174,391	0.54%
5,001-10,000	23	13.53%	149,301	0.46%
10,001-50,000	18	10.59%	376,713	1.16%
50,001-100,000	0	0.00%	-	0.00%
Greater than 100,000	1	0.59%	31,759,838	97.75%
TOTAL	170	100.00%	32,490,500	100.00%

20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES

AS AT 30 APRIL 2017

Full Name	Total	Percentage
SuperLife Nominees Limited	31,759,838	97.75
Grant Wilbert Dorey	46,001	0.14
Paul Rodger Day & Amanda Cheryl Day	43,276	0.13
Sun Properties International Limited	42,000	0.13
Martin Andrew Thomson & Elaine Parnell & Victoria Louise Thomson	23,284	0.07
Rachel Marie Baxter	22,434	0.07
Billy Cheung Services Limited	22,172	0.07
Maria Joan Sandiford	20,000	0.06
Michael Rodney Ogle	17,814	0.05
Karin Won	17,571	0.05
Philip Graham Tilson	17,174	0.05
George Heatherwick Findlay	17,174	0.05
Timothy Shaun Lip	15,063	0.05
Scott Mclean	14,754	0.05
Patricia Meng San leong	12,281	0.04
Pink Pelican (Nz) Limited	12,000	0.04
James Punnett	11,839	0.04
Daniel Jacobus Steenkamp	11,351	0.03
Simon James Matthews & Ruth Frances Milton	10,525	0.03
Luke William Leonard & Melanie Kathryn Leonard	10,000	0.03
	32,146,551	98.93

SUBSTANTIAL PRODUCT HOLDERS

The following information has been given pursuant to section 293 of the Financial Markets Conduct Act 2013 (FMCA). According to Smartshares records and disclosures made under section 280(1)(b) of the FMCA, there were no substantial product holders in the Fund as at 31 March 2017. The total number of units on issue at 31 March 2017 was 32,450,500.

DIRECTORS' INTERESTS IN UNITS

	Beneficial	Non-Beneficial
Bevan Miller	3,846*	0
Paul Baldwin	0	0
Guy Elliffe	7,677*	0
John Williams	0	0

*Beneficial interest in these units is indirectly held through the director's interest in the SuperLife KiwiSaver scheme

WAIVERS GRANTED

The Special Division of the New Zealand Markets Disciplinary Tribunal (Special Division) has granted, either fully, partially or subject to conditions a number of waivers to the fund.

The waiver decisions that Smartshares currently relies upon are available on smartshares.co.nz.

Special Division granted the following waivers from the Listing Rules that continue to be relied upon as at 31 March 2017:

3.1.1(a) - compliance with the Listing Rules	7.5 - Issues and Buybacks Affecting Control
3.1.1(b) - compliance with Takeover Provisions	7.6.1 to 7.6.3 - Buybacks of Equity Securities, Redemptions and Financial Assistance
3.3.5 to 3.3.15 - Appointment and Rotation of Directors	7.11.1 Allotment within 5 business days
3.4 - Proceedings and Power of Directors	9.2.1 - Transactions with Related Parties
3.5 - Directors' Remuneration	10.3.2 - Preliminary Announcements
Section 4 - Takeover Provisions	10.4.1(d) - Annual and Half-Year Reports availability
7.1.11 - Minimum Subscription	10.4.2 - Half-Yearly Reporting Requirements
7.3 - Issue of New Equity Securities.	10.6.1(a) - Other Administrative Information
7.4 - Entitlements to Third Party Securities	

In October 2015, Special Division granted Smartshares a waiver from Listing Rules 3.3.1(c), 3.3.3 and 3.6.2(c) to enable Mr Elliffe and Mr Williams to continue to be regarded as Independent Directors following their appointment to the board of SuperLife Limited in May 2016.

As Smartshares and SuperLife Limited were amalgamated on 9 November 2016, Smartshares no longer relies on this waiver.

In June 2016, Special Division granted Smartshares a waiver from Listing Rule 9.2.1 to enable Smartshares to amalgamate with SuperLife Limited without the need for unitholder approval. Smartshares no longer relies on this waiver.

On 8 September 2016, Special Division granted fully, partially or subject to conditions, waivers from the following Listing Rules in relation to the transition of the group investment funds to the FMCA:

7.4.1 - Entitlements to Third Party Securities
7.6.5 - Buy Backs of Equity Securities, Redemptions and Financial Assistance
8.3.1 - Modifications of Rights of Security Holders
9.2.1 - Transactions with Related Parties

Emerging Markets Fund (EMF)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017

Presented by Smartshares Limited, Manager of the Emerging Markets Fund

Report to the Unitholders

HIGHLIGHTS

Launch Date 29-Jul-15

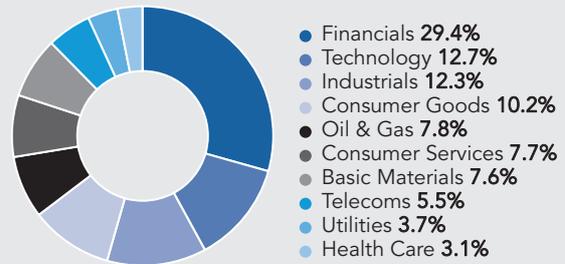
	March 2017	March 2016
Net Tangible Assets (NTA)	\$1.147	\$1.000
Units On Issue	37,587,000	31,829,000
Funds Under Management	\$43,121,155	\$31,824,544
Gross Distribution	-	\$0.018*
Gross Distribution Yield	N/A	N/A
Gross Return	14.74%	-10.51%*
Total Fund Charges	0.59%	0.60%
Distributions paid	Semi-annual	

* Since Inception

NTA Per Unit



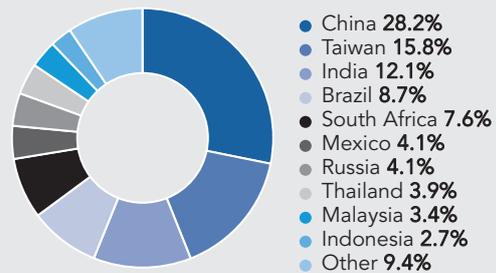
Sector Allocation



Growth of \$1,000*



Country Allocation



*Since inception with all distributions reinvested.

EMERGING MARKETS FUND

DIRECTORY

THE MANAGER

Smartshares Limited
Level 1, NZX Centre
11 Cable Street, Wellington 6140
New Zealand

This is also the address of the registered office.

PRINCIPAL OFFICE OF THE MANAGER

Level 7, Zurich House
21 Queen Street, Auckland Central
Auckland 1010
New Zealand

DIRECTORS OF THE MANAGER

Bevan K. Miller
Timothy O. Bennett (resigned 30 December 2016)
Guy R. Elliffe
A. John Williams
Paul J. Baldwin (appointed 30 December 2016)

INVESTMENT ADMINISTRATOR & CUSTODIAN

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

THE SUPERVISOR

Public Trust
Level 5, 40-42 Queens Drive
Lower Hutt 5010, Wellington
New Zealand

AUDITOR

KPMG
10 Customhouse Quay
PO Box 996, Wellington 6140
New Zealand

SOLICITOR

Buddle Findlay
Level 17, State Insurance Tower
1 Willis Street, Wellington 6140
New Zealand

REGISTRAR

Link Market Services Limited

CORRESPONDENCE

All correspondence and enquiries to the Manager about the Fund should be addressed to the Manager, Smartshares Limited, at the above address.

EMERGING MARKETS FUND

Smartshares Limited (the 'Manager') and Public Trust (the 'Supervisor') are parties to a master trust deed dated 24 June 2014 as amended and restated on 9 September 2016 (the 'Trust Deed'). Under a Deed of Retirement and Appointment dated 6 September 2016, Trustees Executors Limited retired as the trustee and Public Trust was appointed as the Supervisor. The Trust Deed sets out the terms and conditions on which units in the funds within the Smartshares Exchange Traded Funds are offered for subscription, whether to the public or otherwise.

The Trust Deed provides that each fund is to be established by the Manager and the Supervisor entering into an establishment deed setting out the specific terms and conditions relating to that fund.

The Emerging Markets Fund (the 'Fund') was created by an establishment deed dated 10 July 2015 as amended and restated on 9 September 2016 between the Manager and the Supervisor.

STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), and fairly present the financial position of the Fund as at 31 March 2017, and the results of its financial performance and cash flows for the year ended 31 March 2017 in accordance with the requirement of the Trust Deed.

It is believed that there are no circumstances that may materially and adversely affect any interest of the unitholders in the assets other than those already disclosed in this report.

For and on behalf of the Manager:
Smartshares Limited



.....
Director



.....
Director

This statement was approved for signing at a meeting of the Directors on 25 May 2017.

EMERGING MARKETS FUND

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017**

		Year Ended 31 March 2017 \$'000	Period Ended 31 March 2016 \$'000
INCOME			
Dividend income		918	637
Net changes in fair value of financial assets at fair value through profit or loss		5,056	(4,221)
Foreign exchange gain		<u>67</u>	<u>9</u>
Total income		<u>6,041</u>	<u>(3,575)</u>
EXPENSES			
Management fees expense	7	<u>(166)</u>	<u>(96)</u>
Total expenses		<u>(166)</u>	<u>(96)</u>
Profit/(loss) before tax		5,875	(3,671)
Income tax expense	1	<u>(489)</u>	<u>(276)</u>
Profit/(loss) after tax		5,386	(3,947)
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income/(loss)		<u>5,386</u>	<u>(3,947)</u>
EARNINGS PER UNIT			
Basic and diluted earnings/(losses) per unit (cents per unit)	4	<u>15.13</u>	<u>(12.65)</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS
 FOR THE YEAR ENDED 31 MARCH 2017**

		Year Ended 31 March 2017 \$'000	Period Ended 31 March 2016 \$'000
Unitholders' funds at the beginning of the year/period		31,753	-
Total comprehensive profit/(loss) for the year/period		<u>5,386</u>	<u>(3,947)</u>
Subscriptions from unitholders	6	5,901	36,113
Distributions to unitholders	5	<u>-</u>	<u>(413)</u>
		<u>5,901</u>	<u>35,700</u>
Unitholders' funds at the end of the year/period		<u><u>43,040</u></u>	<u><u>31,753</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017**

	Note	As At 31 March 2017 \$'000	As At 31 March 2016 \$'000
ASSETS			
Cash and cash equivalents		640	133
Investments in equity securities held at fair value through profit or loss	2	<u>42,884</u>	<u>31,760</u>
TOTAL ASSETS		<u>43,524</u>	<u>31,893</u>
LIABILITIES			
Management fees payable	7	(2)	(12)
Taxation payable		(118)	(56)
Funds held for unit purchases		(194)	(17)
Unsettled trades		<u>(170)</u>	<u>(55)</u>
TOTAL LIABILITIES		<u>(484)</u>	<u>(140)</u>
UNITHOLDERS' FUNDS		<u>43,040</u>	<u>31,753</u>
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		<u>43,524</u>	<u>31,893</u>

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the financial statements on 25 May 2017.



B Miller
Chairman
Smartshares Limited



G Elliffe
Director
Smartshares Limited

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017**

	Year Ended 31 March 2017 \$'000	Period Ended 31 March 2016 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Dividend income received	780	541
<i>Cash was applied to:</i>		
Management fees paid	(176)	(84)
Taxation paid	<u>(289)</u>	<u>(124)</u>
Net cash flows from operating activities	<u>315</u>	<u>333</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Cash was applied to:</i>		
Purchase of investments	<u>(706)</u>	<u>(87)</u>
Net cash flows from investing activities	<u>(706)</u>	<u>(87)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Cash was provided from:</i>		
Subscriptions received from unitholders	898	300
<i>Cash was applied to:</i>		
Distributions paid to unitholders	<u>-</u>	<u>(413)</u>
Net cash flows from financing activities	<u>898</u>	<u>(113)</u>
Net increase in cash and cash equivalents	507	133
Cash and cash equivalents at the beginning of the year/period	<u>133</u>	<u>-</u>
Cash and cash equivalents at the end of the year/period	<u>640</u>	<u>133</u>
Reconciliation of profit/(loss) after tax to net cash flows from operating activities		
Profit/(loss) before tax	5,386	(3,947)
Net changes in fair value of financial assets at fair value through profit or loss	(5,056)	4,221
Foreign exchange gain	(67)	(9)
Increase in taxation payable	62	56
(Decrease)/increase in management fees payable	<u>(10)</u>	<u>12</u>
Net cash flows from operating activities	<u>315</u>	<u>333</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

GENERAL INFORMATION

The Emerging Markets Fund (the 'Fund') is a for-profit fund registered in New Zealand and established under the Financial Markets Conduct Act 2013 ('FMC Act 2013'). It is offered under a registered managed investment scheme known as the Smartshares Exchange Traded Funds. Smartshares Limited, the Manager of the Fund is a FMC reporting entity for the purposes of the FMC Act 2013.

The Fund is governed by the Trust Deed dated 24 June 2014 as amended and restated on 9 September 2016 between the Manager and the Supervisor. The Fund was established on 10 July 2015 and commenced operation on 29 July 2015.

The Fund changed its name from Emerging Markets Trust to Emerging Markets Fund effective 16 September 2016.

The Fund's units are quoted on the NZX Main Board. The Fund is a passive investment fund that invests in Vanguard FTSE Emerging Markets ETF (the 'Underlying Fund'), which tracks the FTSE Emerging Markets All Cap China A Transition Index (the 'Underlying Index'). The Underlying Fund invests in securities contained in the Underlying Index broadly in proportion to the weightings of the Underlying Index. Investments are valued at fair value according to last traded market prices on the New York Stock Exchange Arca on 31 March 2017 (see Note 2).

STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied to the year/period presented.

Comparative period and amounts

These financial statements are for the year ended 31 March 2017. The comparative figures are for the period 29 July 2015 to 31 March 2016. Where necessary, comparative figures have been restated to correspond to the current year classifications.

Basis of preparation

The financial statements of the Fund have been prepared in accordance with the requirements of the FMC Act 2013, Financial Reporting Act 2013, New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS'). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The functional currency of this entity is the same as the presentation currency of these financial statements being the New Zealand Dollar ('NZD'), rounded to the nearest thousand.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Smartshares Limited Board of Directors to exercise its judgement in the process of applying the Fund's Statement of Accounting Policies.

Financial assets at fair value through profit or loss

(a) Classification

The Fund classifies its investments in equity securities held at fair value as financial assets at fair value through profit or loss. These financial assets are designated by the Smartshares Board of Directors at inception as their performance is managed and evaluated on a fair value basis in accordance with a documented investment strategy.

(b) Recognition/derecognition

Purchases and sales of investments are recognised on the trade date - the date on which the Fund commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

(c) Measurement

Financial assets at fair value through profit or loss are recognised at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income when they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income within dividend income when the Fund's right to receive payment is established.

(d) Fair value estimation

The fair value of the financial instruments is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Fund is the last traded market price.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

Receivables

Trade receivable and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are measured at amortised cost using the effective interest method less impairment.

Payables

Trade payables and other payables are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services, and are measured at amortised cost.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency (NZD) using the exchange rate prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Translation differences of non-monetary financial assets such as equities held at fair value through profit or loss are recognised in the Statement of Comprehensive Income as part of the net changes in fair value of financial assets through profit or loss.

Cash and cash equivalents

Cash and cash equivalents are considered to be cash at banks, net of bank overdrafts. Operating activities in the Statement of Cash Flows include all transactions or events that are not investing or financing activities. Investing activities are those activities that relate to the acquisition, holding and disposal of investments and securities not falling within the definition of cash. Financing activities are those activities that relate to cash contributions to and from, or distributions to the unitholders.

Units

The Fund issues units, which provide the holder with a beneficial interest in the Fund. The units can be put back to the Fund via a basket redemption, in accordance with the redemption rules as defined in the Trust Deed, for units in the Underlying Fund and a proportion of cash held in the Fund.

The units are issued and redeemed based on the Fund's net asset value per unit at the time of issue or redemption. The Fund's net asset value per unit is calculated by dividing the net assets attributable to the unitholders by the total number of outstanding units. In accordance with the provisions of the Trust Deed investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Distributions to unitholders

Distributions are made up of income received from the investments less expenses paid and allowances for future liabilities. Income from investments held is attributed to unitholders on the basis of the number of units held on the record date of the distribution. To the extent that imputation credits are available, distributions to unitholders will be fully imputed. The record date for the Fund is on the last business day of May and November in each year. Currently distributions to unitholders are made on a semi-annual basis directly from the Fund within 20 business days of the record date.

Taxation

The Fund is domiciled in New Zealand and is registered as a Portfolio Investment Entity ('PIE').

The Fund is liable for tax at the prevailing company tax rate on investments in securities subject to the Fair Dividend Rate method ('FDR') listed in Note 2 after the deduction of management fees. FDR income is based on the market value of the security. With some of this income, the Fund is able to utilise foreign withholding tax credits to satisfy the tax liability. The Fund pays tax to the extent that the foreign withholding tax credits do not cover the tax liability in full.

Deferred tax is recognised in respect of temporary differences at the Statement of Financial Position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Current and deferred tax is measured using the tax rates enacted or substantively enacted at the reporting date.

Goods and services tax (GST)

The Fund is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

Segment information

The Fund operates solely in the business of investment management, investing in the Underlying Fund - Vanguard FTSE Emerging Markets ETF. The Fund receives all of its dividend income from this investment.

Changes in accounting policies and accounting standards adopted during the year

(a) Changes in accounting policies

There have been no significant changes in accounting policies during the year. All policies have been applied on a basis consistent with those used in the prior period.

(b) New accounting standards adopted

There were no new accounting standards adopted during the year that have a material impact on the financial statements of the Fund.

Issued but not yet effective accounting standards

A number of accounting standards have been issued or revised that are not yet effective as at 31 March 2017, and have not been applied in preparing the financial statements. The Fund does not plan to adopt these standards early. The standards which are relevant to the Fund are as follows:

- NZ IFRS 9 Financial Instruments - Effective for annual reporting periods beginning on or after 1 January 2018; the impact of any changes has not yet been determined.
- NZ IFRS 15 Revenue from Contracts with Customers - Effective for annual reporting periods beginning on or after 1 January 2018. The impact of any changes has not yet been determined.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

1. TAXATION

	2017	2016
	\$'000	\$'000
Tax expense comprises:		
Current tax expense	<u>(489)</u>	<u>(276)</u>
Total tax expense	<u><u>(489)</u></u>	<u><u>(276)</u></u>

The prima facie income tax expense on profit/(loss) before tax from operations reconciles to the income tax expense in the financial statements as follows:

	2017	2016
	\$'000	\$'000
Income tax expense		
Profit/(loss) before tax	<u>5,875</u>	<u>(3,671)</u>
Income tax using the statutory income tax rate 28%	<u>(1,645)</u>	<u>1,028</u>
Net changes in fair value of financial assets	1,415	(1,182)
Non taxable income	255	178
Tax on securities subject to FDR	<u>(514)</u>	<u>(300)</u>
	<u>(489)</u>	<u>(276)</u>
Income tax expense as per Statement of Comprehensive Income	<u><u>(489)</u></u>	<u><u>(276)</u></u>

	2017	2016
	\$'000	\$'000
Imputation credit account (ICA)		
Imputation credits available for use in subsequent periods	408	57

2. INVESTMENTS IN EQUITY SECURITIES HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017		2016	
	Number of units '000	Fair value \$'000	Number of units '000	Fair value \$'000
Underlying fund				
Vanguard FTSE Emerging Markets ETF	755	<u>42,884</u>	638	<u>31,760</u>
		<u><u>42,884</u></u>		<u><u>31,760</u></u>

All investments are designated at inception as being at fair value through profit or loss. The fair values of investments are calculated using the last traded market price at the reporting date. The investments are registered in the name of BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch, the custodian of the Fund.

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2017**

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value can be categorised across the following 3 levels based on the degree to which their fair value is 'observable':

Level 1 – Fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable either directly or indirectly;

Level 3 – Fair value measurements are derived from valuation methods that include inputs that are not based on observable market data.

All financial instruments of the Fund measured at fair value have been categorised as level 1 in the hierarchy. There were no transfers between levels in the year ended 31 March 2017 (31 March 2016: none).

4. EARNINGS PER UNIT

The basic earnings per unit (EPU) is calculated by dividing the net profit/(loss) after tax attributable to the unitholders by the weighted average number of units on issue during the year.

The Fund's diluted EPU is the same as the basic EPU since the Fund has not issued any instrument with dilutive potential.

	2017	2016
Profit/(loss) after tax (\$'000)	5,386	(3,947)
Weighted average number of units ('000)	35,588	31,207
Basic and diluted earnings/(losses) per unit (cents per unit)	15.13	(12.65)

5. DISTRIBUTION PAYABLE TO UNITHOLDERS

	2017	2016
	\$'000	\$'000
Opening distribution payable	-	-
Distributions accrued to unitholders	-	413
Distributed to unitholders	-	(413)
Closing distribution payable	-	-

Distributions declared and paid

		Distribution per unit		
	Year ended	(cents per unit)	2017	2016
			\$'000	\$'000
October 2015 (paid November 2015)	31/03/2016	1.35	-	413
			-	413

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

6. UNITHOLDERS' FUNDS

As at 31 March 2017 there were 37,587,000 units on issue (31 March 2016: 31,829,000).

All issued units are fully paid and redeemable, and are quoted on the NZX Main Board. The Fund's net assets attributable to unitholders are represented by these units. The relevant movements are shown in the Statement of Changes in Unitholders' Funds.

The number of units allotted during the year ended 31 March 2017 was 5,758,000 (31 March 2016: 31,829,000) for total value of \$5,901,000 (31 March 2016: \$36,113,000).

The number of units redeemed during the year ended 31 March 2017 was nil (31 March 2016: nil) for total value of \$nil (31 March 2016: \$nil).

	2017	2016
	'000	'000
Movement in the number of units		
Balance at the beginning of the year/period	31,829	-
Subscriptions received during the year/period	5,758	31,829
Units on issue at the end of the year/period	37,587	31,829

The net asset value of each unit per the financial statements is \$1.14508 (31 March 2016: \$0.99761). Any difference between the net asset value announced to the market for 31 March 2017 and the net asset value per the financial statements is due to different unit pricing methodology.

7. RELATED PARTY TRANSACTIONS

Related party holdings

Key management personnel are the Directors of the Manager. There were no transactions with key management personnel during the year.

The Fund is managed by Smartshares Limited, which is a wholly owned subsidiary of NZX Limited, a company listed on the NZX Main Board.

SuperLife superannuation scheme ("SLSS"), a scheme managed by SuperLife Limited, a wholly owned subsidiary of NZX Limited, was an investor in the Fund in the year between 1 April 2016 and 27 October 2016. Effective 28 October 2016, the investments were transferred from SLSS to SuperLife Invest managed investment scheme ("SLI"), a scheme managed by the Manager, also a wholly owned subsidiary of NZX Limited. The transfer of assets and change of Manager was completed as part of the transition of the SuperLife scheme to the Financial Markets Conduct Act 2013.

As at 31 March 2017, SLI held NIL units valued at \$41,117,000 in the Fund. As at 31 March 2016, SLSS held 31,383,050 units valued at \$31,347,000 in the Fund.

Distributions

The Fund paid distributions of \$nil (31 March 2016: \$411,000) to SLSS. All distributions were settled prior to the transfer of investments from SLSS to SLI. The balance remaining payable as at 31 March 2016 was \$nil. The Fund paid distributions of \$nil to SLI for the year ended 31 March 2017 (31 March 2016: not applicable). The balance remaining as payable at the end of the year is \$nil (31 March 2016: not applicable).

Management fees

The Manager receives management fees from the Fund. Under the Trust Deed the Manager pays the supervisor, custodian, registrar and auditor on behalf of the Fund and receives direct purchase application fees and all interest earned on cash at call.

Total gross management fees excluding rebates for the year ended 31 March 2017 amounted to \$166,000 (31 March 2016: \$96,000), with \$2,000 (31 March 2016: \$12,000) of outstanding accrued management fees due to the Manager at the end of the year.

The total interest earned on cash at banks for the year ended 31 March 2017 amounted to \$5,000 (31 March 2016: \$2,000).

The total direct purchase application fees for the year ended 31 March 2017 amounted to \$5,000 (31 March 2016: \$1,000).

Other related party transactions

The audit fee paid by the Manager for the audit of the Fund at the year ended 31 March 2017 was \$5,000 (31 March 2016: \$6,000).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

8. FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

The Fund utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in the Statement of Accounting Policies.

The financial instruments not accounted for at fair value through profit and loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

Financial instruments by category	2017	2016
	\$'000	\$'000
<i><u>Loans and receivables</u></i>		
Cash and cash equivalents	640	133
<i><u>Financial assets at fair value through profit and loss</u></i>		
Investments in equity securities held at fair value through profit or loss	42,884	31,760
<i><u>Other financial liabilities</u></i>		
Management fees payable	(2)	(12)
Funds held for unit purchases	(194)	(17)
Unsettled trades	(170)	(55)

The Fund's activities expose it to a variety of financial risks: market price risk, credit risk, liquidity risk and currency risk. The risk management policies used by the Fund are detailed below:

8a. Market price risk

The Fund's equity securities are exposed to market price risk arising from uncertainties about future prices of the financial instruments.

The Fund's market price risk is affected by actual changes in market prices. As the Fund invests in an Underlying Fund which tracks an Underlying Index, any change in the Underlying Index will result in a corresponding change in the assets at fair value through profit or loss.

A 10% increase/decrease in equity prices as at 31 March 2017 would have increased/decreased net profit and unitholder funds by \$4,288,000 (31 March 2016: \$3,176,000).

8b. Credit risk

The Fund is exposed to the potential risk of financial loss resulting from the failure of counterparties to honour fully the terms and conditions of a contract with the Fund. Financial instruments that subject the Fund to credit risk consist primarily of cash and receivables.

The maximum credit risk of financial instruments is considered to be their carrying value. The risk of non-recovery of monetary assets is considered very low due to the quality of counterparties dealt with.

The Fund does not require collateral or other security to support financial instruments with credit risk. The maximum exposures to credit risk at reporting date are:

	2017	2016
	\$'000	\$'000
Cash and cash equivalents	640	133

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

8. FINANCIAL RISK MANAGEMENT (Continued)

Cash and cash equivalents

The Fund's cash and cash equivalents balances are held with ANZ Bank New Zealand Limited ('ANZ'), BNP Paribas Securities Services ('BNP Paribas') and Westpac New Zealand Limited ('Westpac').

The table below discloses the Standard & Poor's credit rating for the Fund's cash and cash equivalents balance with each bank above at the reporting date.

	2017		2016
	Balance	Credit rating	Balance
	\$'000		\$'000
ANZ	194	AA-	17
BNP Paribas	-	A	-
Westpac	<u>446</u>	AA-	<u>116</u>
	<u><u>640</u></u>		<u><u>133</u></u>

8c. Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with the financial liabilities that are settled by delivering cash or another financial asset.

The Fund's investment in the Vanguard FTSE Emerging Markets ETF is considered readily realisable, as it is quoted on the New York Stock Exchange Arca. In addition, liquidity risk associated with redemptions is managed by meeting redemptions in the form of baskets rather than cash. The Fund meets its redemption obligations by returning units in the Underlying Fund. Liquidity risk for the Fund is therefore low.

8d. Currency risk

Currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates.

The Fund holds assets denominated in a currency other than the New Zealand dollar, the functional currency. It is therefore exposed to currency risk, as the value of the securities denominated in US dollars will fluctuate due to changes in the exchange rate. The Fund's policy is not to enter into any currency hedging transactions.

A 10% strengthening/weakening of the New Zealand dollar against the US dollar as at 31 March 2017 would have decreased/increased profit and unitholders funds by \$4,271,000 (31 March 2016: \$3,171,000).

The table below summarises the Fund's exposure to currency risks.

	2017	2016
	\$'000	\$'000
Investment securities designated at fair value	42,884	31,760
Unsettled trades	(170)	(55)

9. COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 31 March 2017 (31 March 2016: none).

10. EVENTS AFTER THE REPORTING YEAR

Since 31 March 2017 there have been no matters or circumstances not otherwise dealt with in the financial statements that have significantly affected or may significantly affect the Fund.

EMERGING MARKETS FUND



Independent Auditor's Report

To the unitholders of Emerging Markets Fund

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of Emerging Markets Fund (the fund) on pages 131 to 142:

- i. present fairly in all material respects the fund's financial position as at 31 March 2017 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2017;
- the statement of comprehensive income, statement of changes in unitholders' funds and statement of cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the fund in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report.

Our firm has also provided other assurance services to the fund in relation to reporting to the supervisor. Subject to certain restrictions, employees of our firm may also deal with the fund on normal terms within the ordinary course of trading activities of the business of the fund. These matters have not impaired our independence as auditor of the fund. The firm has no other relationship with, or interest in, the fund.



Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at \$435,000 determined with reference to a benchmark of the fund's total assets. We chose the benchmark because, in our view, this is a key measure of the fund's performance.

EMERGING MARKETS FUND



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the members as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter

How the matter was addressed in our audit

Carrying amount of investments

Refer to Note 2 to the Financial Statements.

The fund's portfolio of investments makes up 98.5% of total assets. We do not consider these investments to be at high risk of significant misstatement, or be subject to a significant level of judgement, because they comprise liquid, listed investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our audit procedures included:

- documenting and understanding the processes in place to record investment transactions and to value the portfolio. This included evaluating the control environment in place at the administration manager by obtaining and reading a report issued by an independent auditor on the design and operation of those controls
- agreeing the 31 March 2017 valuation of listed equity investments to externally quoted prices
- agreeing investment holdings to confirmations received from the administration manager

We did not identify any material differences in relation to the carrying amount of investments.



Other Information

The Manager, on behalf of the fund, is responsible for the other information included in the entity's Annual Report. Other information may include the Chairman's report, fund highlights, disclosures relating to corporate governance and statutory information. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Manager.



Use of this Independent Auditor's Report

This report is made solely to the members as a body. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in the Independent Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members as a body for our audit work, this report, or any of the opinions we have formed.

EMERGING MARKETS FUND



Responsibilities of the Manager for the financial statements

The Manager, on behalf of the fund, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Independent Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page2.aspx

This description forms part of our Independent Auditor's Report.

Brent Manning

For and on behalf of

KPMG
Wellington

25 May 2017

Unitholder Information

DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS

AS AT 30 APRIL 2017

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	82	29.29%	53,831	0.14%
1,001-5,000	120	42.86%	321,241	0.85%
5,001-10,000	37	13.21%	287,132	0.76%
10,001-50,000	34	12.14%	651,618	1.73%
50,001-100,000	3	1.07%	204,155	0.54%
Greater than 100,000	4	1.43%	36,239,023	95.98%
TOTAL	280	100.00%	37,757,000	100.00%

20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES

AS AT 30 APRIL 2017

Full Name	Total	Percentage
SuperLife Nominees Limited	35,840,050	94.92
Brian Joseph Connor & Maureen Shannahan Connor	187,000	0.5
Sun Properties International Limited	107,080	0.28
FNZ Custodians Limited	104,893	0.28
Grant Wilbert Dorey	81,500	0.22
Darcy Cowan	65,348	0.17
William Hugh Walmsley	57,307	0.15
Billy Cheung Services Limited	36,213	0.1
Claire Frances Trotter	30,842	0.08
ASB Nominees Limited	30,391	0.08
Karin Won	28,846	0.08
Julian Oliver Smith	27,155	0.07
Rachel Marie Baxter	25,350	0.07
Claire Elizabeth Montgomery	25,348	0.07
William John Duff Eaton	25,100	0.07
John Ascroft	24,847	0.07
Jason Brigg Bedford & Janine Carol Bedford	23,905	0.06
Maria Joan Sandiford	20,000	0.05
Janice Mary Graham	20,000	0.05
Kenneth Moffett	19,496	0.05
	36,780,671	97.42

SUBSTANTIAL PRODUCT HOLDERS

The following information has been given pursuant to section 293 of the Financial Markets Conduct Act 2013 (FMCA). According to Smartshares records and disclosures made under section 280(1)(b) of the FMCA, there were no substantial product holders in the Fund as at 31 March 2017. The total number of units on issue at 31 March 2017 was 37,587,000.

DIRECTORS' INTERESTS IN UNITS

	Beneficial	Non-Beneficial
Bevan Miller	7,839*	0
Paul Baldwin	0	0
Guy Elliffe	25,947*	0
John Williams	0	0

*Beneficial interest in these units is indirectly held through the director's interest in the SuperLife KiwiSaver scheme

WAIVERS GRANTED

The Special Division of the New Zealand Markets Disciplinary Tribunal (Special Division) has granted, either fully, partially or subject to conditions a number of waivers to the fund.

The waiver decisions that Smartshares currently relies upon are available on smartshares.co.nz.

Special Division granted the following waivers from the Listing Rules that continue to be relied upon as at 31 March 2017:

3.1.1(a) - compliance with the Listing Rules	7.5 - Issues and Buybacks Affecting Control
3.1.1(b) - compliance with Takeover Provisions	7.6.1 to 7.6.3 - Buybacks of Equity Securities, Redemptions and Financial Assistance
3.3.5 to 3.3.15 - Appointment and Rotation of Directors	7.11.1 Allotment within 5 business days
3.4 - Proceedings and Power of Directors	9.2.1 - Transactions with Related Parties
3.5 - Directors' Remuneration	10.3.2 - Preliminary Announcements
Section 4 - Takeover Provisions	10.4.1(d) - Annual and Half-Year Reports availability
7.1.11 - Minimum Subscription	10.4.2 - Half-Yearly Reporting Requirements
7.3 - Issue of New Equity Securities.	10.6.1(a) - Other Administrative Information
7.4 - Entitlements to Third Party Securities	

In October 2015, Special Division granted Smartshares a waiver from Listing Rules 3.3.1(c), 3.3.3 and 3.6.2(c) to enable Mr Elliffe and Mr Williams to continue to be regarded as Independent Directors following their appointment to the board of SuperLife Limited in May 2016.

As Smartshares and SuperLife Limited were amalgamated on 9 November 2016, Smartshares no longer relies on this waiver.

In June 2016, Special Division granted Smartshares a waiver from Listing Rule 9.2.1 to enable Smartshares to amalgamate with SuperLife Limited without the need for unitholder approval. Smartshares no longer relies on this waiver.

On 8 September 2016, Special Division granted fully, partially or subject to conditions, waivers from the following Listing Rules in relation to the transition of the group investment funds to the FMCA:

7.4.1 - Entitlements to Third Party Securities
7.6.5 - Buy Backs of Equity Securities, Redemptions and Financial Assistance
8.3.1 - Modifications of Rights of Security Holders
9.2.1 - Transactions with Related Parties

Total World Fund (TWF)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017

Presented by Smartshares Limited, Manager of the Total World Fund

Report to the Unitholders

HIGHLIGHTS

Launch Date 29-Jul-15

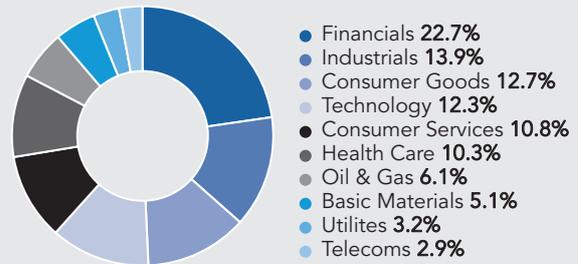
	March 2017	March 2016
Net Tangible Assets (NTA)	\$1.874	\$1.673
Units On Issue	17,030,500	15,232,500
Funds Under Management	\$31,923,093	\$25,490,827
Gross Distribution	\$0.010	\$0.009*
Gross Distribution Yield	0.53%	N/A
Gross Return	12.66%	-8.32%*
Total Fund Charges	0.56%	0.59%
Distributions paid	Semi-annual	

* Since Inception

NTA Per Unit



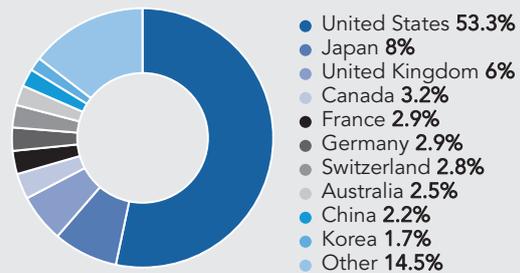
Sector Allocation



Growth of \$1,000*



Country Allocation



*Since inception with all distributions reinvested.

TOTAL WORLD FUND

DIRECTORY

THE MANAGER

Smartshares Limited
Level 1, NZX Centre
11 Cable Street, Wellington 6140
New Zealand

This is also the address of the registered office.

PRINCIPAL OFFICE OF THE MANAGER

Level 7, Zurich House
21 Queen Street, Auckland Central
Auckland 1010
New Zealand

DIRECTORS OF THE MANAGER

Bevan K. Miller
Timothy O. Bennett (resigned 30 December 2016)
Guy R. Elliffe
A. John Williams
Paul J. Baldwin (appointed 30 December 2016)

INVESTMENT ADMINISTRATOR & CUSTODIAN

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

THE SUPERVISOR

Public Trust
Level 5, 40-42 Queens Drive
Lower Hutt 5010, Wellington
New Zealand

AUDITOR

KPMG
10 Customhouse Quay
PO Box 996, Wellington 6140
New Zealand

SOLICITOR

Buddle Findlay
Level 17, State Insurance Tower
1 Willis Street, Wellington 6140
New Zealand

REGISTRAR

Link Market Services Limited

CORRESPONDENCE

All correspondence and enquiries to the Manager about the Fund should be addressed to the Manager, Smartshares Limited, at the above address.

TOTAL WORLD FUND

Smartshares Limited (the 'Manager') and Public Trust (the 'Supervisor') are parties to a master trust deed dated 24 June 2014 as amended and restated on 9 September 2016 (the 'Trust Deed'). Under a Deed of Retirement and Appointment dated 6 September 2016, Trustees Executors Limited retired as the trustee and Public Trust was appointed as the Supervisor. The Trust Deed sets out the terms and conditions on which units in the funds within the Smartshares Exchange Traded Funds are offered for subscription, whether to the public or otherwise.

The Trust Deed provides that each fund is to be established by the Manager and the Supervisor entering into an establishment deed setting out the specific terms and conditions relating to that fund.

The Total World Fund (the 'Fund') was created by an establishment deed dated 10 July 2015 as amended and restated on 9 September 2016 between the Manager and the Supervisor.

STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), and fairly present the financial position of the Fund as at 31 March 2017, and the results of its financial performance and cash flows for the year ended 31 March 2017 in accordance with the requirement of the Trust Deed.

It is believed that there are no circumstances that may materially and adversely affect any interest of the unitholders in the assets other than those already disclosed in this report.

For and on behalf of the Manager:
Smartshares Limited



.....
Director



.....
Director

This statement was approved for signing at a meeting of the Directors on 25 May 2017.

TOTAL WORLD FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017

		Year Ended 31 March 2017 \$'000	Period Ended 31 March 2016 \$'000
INCOME			
Dividend income		680	396
Net changes in fair value of financial assets at fair value through profit or loss		3,375	(2,526)
Foreign exchange gain		-	9
Total income		<u>4,055</u>	<u>(2,121)</u>
EXPENSES			
Management fees expense	7	(124)	(79)
Foreign exchange loss		(4)	-
Total expenses		<u>(128)</u>	<u>(79)</u>
Profit/(loss) before tax		3,927	(2,200)
Income tax expense	1	(349)	(228)
Profit/(loss) after tax		3,578	(2,428)
Other comprehensive income		-	-
Total comprehensive income/(loss)		<u>3,578</u>	<u>(2,428)</u>
EARNINGS PER UNIT			
Basic and diluted earnings/(losses) per unit (cents per unit)	4	<u>22.26</u>	<u>(16.13)</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS
 FOR THE YEAR ENDED 31 MARCH 2017**

		Year Ended 31 March 2017 \$'000	Period Ended 31 March 2016 \$'000
Unitholders' funds at the beginning of the year/period		25,450	-
Total comprehensive income/(loss) for the year/period		<u>3,578</u>	<u>(2,428)</u>
Subscriptions from unitholders	6	3,108	28,909
Redemptions by unitholders	6	-	(932)
Distributions to unitholders	5	<u>(111)</u>	<u>(99)</u>
		<u>2,997</u>	<u>27,878</u>
Unitholders' funds at the end of the year/period		<u><u>32,025</u></u>	<u><u>25,450</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017**

	Note	As At 31 March 2017 \$'000	As At 31 March 2016 \$'000
ASSETS			
Cash and cash equivalents		347	218
Receivables		104	-
Investments in equity securities held at fair value through profit or loss	2	<u>31,909</u>	<u>25,347</u>
TOTAL ASSETS		<u>32,360</u>	<u>25,565</u>
LIABILITIES			
Management fees payable	7	(1)	(10)
Taxation payable		(87)	(49)
Funds held for unit purchases		(117)	(23)
Unsettled trades		<u>(130)</u>	<u>(33)</u>
TOTAL LIABILITIES		<u>(335)</u>	<u>(115)</u>
UNITHOLDERS' FUNDS		<u>32,025</u>	<u>25,450</u>
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		<u>32,360</u>	<u>25,565</u>

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the financial statements on 25 May 2017.



B Miller
Chairman
Smartshares Limited



G Elliffe
Director
Smartshares Limited

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017**

	Year Ended 31 March 2017 \$'000	Period Ended 31 March 2016 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Dividend income received	474	337
<i>Cash was applied to:</i>		
Management fees paid	(133)	(69)
Taxation paid	<u>(209)</u>	<u>(120)</u>
Net cash flows from operating activities	<u>132</u>	<u>148</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Cash was provided from:</i>		
Sale of investments	-	922
<i>Cash was applied to:</i>		
Purchase of investments	<u>(1,204)</u>	<u>(312)</u>
Net cash flows from investing activities	<u>(1,204)</u>	<u>610</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Cash was provided from:</i>		
Subscriptions received from unitholders	1,312	491
<i>Cash was applied to:</i>		
Redemptions paid to unitholders	-	(932)
Distributions paid to unitholders	<u>(111)</u>	<u>(99)</u>
Net cash flows from financing activities	<u>1,201</u>	<u>(540)</u>
Net increase in cash and cash equivalents	129	218
Cash and cash equivalents at the beginning of the year/period	<u>218</u>	<u>-</u>
Cash and cash equivalents at the end of the year/period	<u>347</u>	<u>218</u>
Reconciliation of profit/(loss) after tax to net cash flows from operating activities		
Profit/(loss) after tax	3,578	(2,428)
Net changes in fair value of financial assets at fair value through profit or loss	(3,375)	2,526
Foreign exchange loss/(gain)	4	(9)
Increase in taxation payable	38	49
(Decrease)/increase in management fees payable	(9)	10
Increase in receivables	<u>(104)</u>	<u>-</u>
Net cash flows from operating activities	<u>132</u>	<u>148</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

GENERAL INFORMATION

The Total World Fund (the 'Fund') is a for-profit fund registered in New Zealand and established under the Financial Markets Conduct Act 2013 ('FMC Act 2013'). It is offered under a registered managed investment scheme known as the Smartshares Exchange Traded Funds. Smartshares Limited, the Manager of the Fund is a FMC reporting entity for the purposes of the FMC Act 2013.

The Fund is governed by the Trust Deed dated 24 June 2014 as amended and restated on 9 September 2016 between the Manager and the Supervisor. The Fund was established on 10 July 2015 and commenced operation on 29 July 2015.

The Fund changed its name from Total World Trust to Total World Fund effective 16 September 2016.

The Fund's units are quoted on the NZX Main Board. The Fund is a passive investment fund that invests in Vanguard Total World Stock ETF (the 'Underlying Fund'), which tracks the FTSE Global All Cap Index (the 'Underlying Index'). The Underlying Fund invests in securities contained in the Underlying Index broadly in proportion to the weightings of the Underlying Index. Investments are valued at fair value according to last traded market prices on the New York Stock Exchange Arca on 31 March 2017 (see Note 2).

STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied to the year/period presented.

Comparative period and amounts

These financial statements are for the year ended 31 March 2017. The comparative figures are for the period 29 July 2015 to 31 March 2016. Where necessary, comparative figures have been restated to correspond to the current year classifications.

Basis of preparation

The financial statements of the Fund have been prepared in accordance with the requirements of the FMC Act 2013, Financial Reporting Act 2013, New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS'). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The functional currency of this entity is the same as the presentation currency of these financial statements being the New Zealand Dollar ('NZD'), rounded to the nearest thousand.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Smartshares Limited Board of Directors to exercise its judgement in the process of applying the Fund's Statement of Accounting Policies.

Financial assets at fair value through profit or loss

(a) Classification

The Fund classifies its investments in equity securities held at fair value as financial assets at fair value through profit or loss. These financial assets are designated by the Smartshares Board of Directors at inception as their performance is managed and evaluated on a fair value basis in accordance with a documented investment strategy.

(b) Recognition/derecognition

Purchases and sales of investments are recognised on the trade date - the date on which the Fund commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

(c) Measurement

Financial assets at fair value through profit or loss are recognised at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income when they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income within dividend income when the Fund's right to receive payment is established.

(d) Fair value estimation

The fair value of the financial instruments is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Fund is the last traded market price.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

Receivables

Trade receivable and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are measured at amortised cost using the effective interest method less impairment.

Payables

Trade payables and other payables are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services, and are measured at amortised cost.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency (NZD) using the exchange rate prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Translation differences of non-monetary financial assets such as equities held at fair value through profit or loss are recognised in the Statement of Comprehensive Income as part of the net changes in fair value of financial assets at fair value through profit or loss.

Cash and cash equivalents

Cash and cash equivalents are considered to be cash at banks, net of bank overdrafts. Operating activities in the Statement of Cash Flows include all transactions or events that are not investing or financing activities. Investing activities are those activities that relate to the acquisition, holding and disposal of investments and securities not falling within the definition of cash. Financing activities are those activities that relate to cash contributions to and from, or distributions to the unitholders.

Units

The Fund issues units, which provide the holder with a beneficial interest in the Fund. The units can be put back to the Fund via a basket redemption, in accordance with the redemption rules as defined in the Trust Deed, for units in the Underlying Fund and a proportion of cash held in the Fund.

The units are issued and redeemed based on the Fund's net asset value per unit at the time of issue or redemption. The Fund's net asset value per unit is calculated by dividing the net assets attributable to the unitholders by the total number of outstanding units. In accordance with the provisions of the Trust Deed investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Distributions to unitholders

Distributions are made up of income received from the investments less expenses paid and allowances for future liabilities. Income from investments held is attributed to unitholders on the basis of the number of units held on the record date of the distribution. To the extent that imputation credits are available, distributions to unitholders will be fully imputed. The record date for the Fund is on the last business day of May and November in each year. Currently distributions to unitholders are made on a semi-annual basis directly from the Fund within 20 business days of the record date.

Taxation

The Fund is domiciled in New Zealand and is registered as a Portfolio Investment Entity ('PIE').

The Fund is liable for tax at the prevailing company tax rate on investments in securities subject to the Fair Dividend Rate method ('FDR') listed in Note 2 after the deduction of management fees. FDR income is based on the market value of the security. With some of this income, the Fund is able to utilise foreign withholding tax credits to satisfy the tax liability. The Fund pays tax to the extent that the foreign withholding tax credits do not cover the tax liability in full.

Deferred tax is recognised in respect of temporary differences at the Statement of Financial Position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Current and deferred tax is measured using the tax rates enacted or substantively enacted at the reporting date.

Goods and services tax (GST)

The Fund is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

Segment information

The Fund operates solely in the business of investment management, investing in the Underlying Fund - Vanguard Total World Stock ETF. The Fund receives all of its dividend income from this investment.

Changes in accounting policies and accounting standards adopted during the year

(a) Changes in accounting policies

There have been no significant changes in accounting policies during the year. All policies have been applied on a basis consistent with those used in the prior period.

(b) New accounting standards adopted

There were no new accounting standards adopted during the year that have a material impact on the financial statements of the Fund.

Issued but not yet effective accounting standards

A number of accounting standards have been issued or revised that are not yet effective as at 31 March 2017, and have not been applied in preparing the financial statements. The Fund does not plan to adopt these standards early. The standards which are relevant to the Fund are as follows:

- NZ IFRS 9 Financial Instruments - Effective for annual reporting periods beginning on or after 1 January 2018; the impact of any changes has not yet been determined.
- NZ IFRS 15 Revenue from Contracts with Customers - Effective for annual reporting periods beginning on or after 1 January 2018. The impact of any changes has not yet been determined.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

1. TAXATION

	2017	2016
	\$'000	\$'000
Tax expense comprises:		
Current tax expense	<u>(349)</u>	<u>(228)</u>
Total tax expense	<u>(349)</u>	<u>(228)</u>

The prima facie income tax expense on profit/(loss) before tax from operations reconciles to the income tax expense in the financial statements as follows:

	2017	2016
	\$'000	\$'000
Income tax expense		
Profit/(loss) before tax	<u>3,927</u>	<u>(2,200)</u>
Income tax using the statutory income tax rate 28%	(1,100)	616
Net changes in fair value of financial assets	945	(707)
Non taxable income	190	110
Tax on securities subject to FDR	<u>(384)</u>	<u>(247)</u>
	(349)	(228)
Income tax expense as per Statement of Comprehensive Income	<u>(349)</u>	<u>(228)</u>

	2017	2016
	\$'000	\$'000
Imputation credit account (ICA)		
Imputation credits available for use in subsequent periods	334	130

2. INVESTMENTS IN EQUITY SECURITIES HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017		2016	
	Number of	Fair value	Number of	Fair value
	units		units	
	'000	\$'000	'000	\$'000
Underlying fund				
Vanguard Total World Stock ETF	342	<u>31,909</u>	305	<u>25,347</u>
		<u>31,909</u>		<u>25,347</u>

All investments are designated at inception as being at fair value through profit or loss. The fair values of investments are calculated using the last traded market price at the reporting date. The investments are registered in the name of BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch, the custodian of the Fund.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value can be categorised across the following 3 levels based on the degree to which their fair value is 'observable':

Level 1 – Fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable either directly or indirectly;

Level 3 – Fair value measurements are derived from valuation methods that include inputs that are not based on observable market data.

All financial instruments of the Fund measured at fair value have been categorised as level 1 in the hierarchy. There were no transfers between levels in the year ended 31 March 2017 (31 March 2016: none).

4. EARNINGS PER UNIT

The basic earnings per unit (EPU) is calculated by dividing the net profit/(loss) after tax attributable to the unitholders by the weighted average number of units on issue during the year.

The Fund's diluted EPU is the same as the basic EPU since the Fund has not issued any instrument with dilutive potential.

	2017	2016
Profit/(loss) after tax (\$'000)	3,578	(2,428)
Weighted average number of units ('000)	16,076	15,052
Basic and diluted earnings/(losses) per unit (cents per unit)	22.26	(16.13)

5. DISTRIBUTION PAYABLE TO UNITHOLDERS

	2017	2016
	\$'000	\$'000
Opening distribution payable	-	-
Distributions accrued to unitholders	111	99
Distributed to unitholders	(111)	(99)
Closing distribution payable	-	-

Distributions declared and paid

		Distributions per unit		2017	2016
	Year Ended (cents per unit)			\$'000	\$'000
October 2015 (paid November 2015)	31/03/2016	0.66		-	99
July 2016 (paid August 2016)	31/03/2017	0.71		111	-
				111	99

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

6. UNITHOLDERS' FUNDS

As at 31 March 2017 there were 17,030,000 units on issue (31 March 2016: 15,232,000).

All issued units are fully paid and redeemable, and are quoted on the NZX Main Board. The Fund's net assets attributable to unitholders are represented by these units. The relevant movements are shown in the Statement of Changes in Unitholders' Funds.

The number of units allotted during the year ended 31 March 2017 was 1,798,000 (31 March 2016: 15,777,000) for total value of \$3,108,000 (31 March 2016: \$28,909,000).

The number of units redeemed during the year ended 31 March 2017 was nil (31 March 2016: 545,000) for total value of \$nil (31 March 2016: \$932,000).

	2017	2016
	'000	'000
Movement in the number of units		
Balance at the beginning of the year/period	15,232	-
Subscriptions received during the year/period	1,798	15,777
Redemptions made during the year/period	-	(545)
Units on issue at the end of the year/period	<u>17,030</u>	<u>15,232</u>

The net asset value of each unit per the financial statements is \$1.88050 (31 March 2016: \$1.67082). Any difference between the net asset value announced to the market for 31 March 2017 and the net asset value per the financial statements is due to different unit pricing methodology.

7. RELATED PARTY TRANSACTIONS

Related party holdings

Key management personnel are the Directors of the Manager. There were no transactions with key management personnel during the year.

The Manager is a 100% owned subsidiary of NZX Limited.

SuperLife superannuation scheme ("SLSS"), a scheme managed by SuperLife Limited, a wholly owned subsidiary of NZX Limited, was an investor in the Fund in this year between 1 April 2016 and 27 October 2016. Effective 28 October 2016, the investments were transferred from SLSS to SuperLife Invest managed investment scheme ("SLI"), a scheme managed by the Manager, also a wholly owned subsidiary of NZX Limited. The transfer of assets and change of Manager was completed as part of the transition of the SuperLife scheme to the Financial Markets Conduct Act 2013.

As at 31 March 2017, SLI held 14,514,171 units valued at \$27,206,000 in the Fund. As at 31 March 2016, SLSS held 14,500,623 units valued at \$24,242,000 in the Fund.

Distributions

The Fund paid distributions of \$103,000 (31 March 2016: \$96,000) to SLSS. All distributions were settled prior to the transfer of investments from SLSS to SLI. The balance remaining as payable as at 31 March 2016 was \$nil. The Fund paid distributions of \$nil to SLI for the year ended 31 March 2017 (31 March 2016: not applicable). The balance remaining as payable at the end of the year is \$nil (31 March 2016: not applicable).

Management fees

The Manager receives management fees from the Fund. Under the Trust Deed the Manager pays the supervisor, custodian, registrar and auditor on behalf of the Fund and receives direct purchase application fees and all interest earned on cash at banks.

Total gross management fees excluding rebates for the year ended 31 March 2017 amounted to \$124,000 (31 March 2016: \$79,000) with \$1,000 (31 March 2016: \$10,000) of outstanding accrued management fees due to the Manager at the end of the year.

The total interest earned on cash at banks for the year ended 31 March 2017 amounted to \$4,000 (31 March 2016: \$2,000).

The total direct purchase application fees for the year ended 31 March 2017 amounted to \$5,000 (31 March 2016: \$2,000).

Other related party transactions

The audit fee paid by the Manager for the audit of the Fund at the year ended 31 March 2017 was \$5,000 (31 March 2016: \$6,000).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

7. RELATED PARTY TRANSACTIONS (Continued)

8. FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

The Fund utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in the Statement of Accounting Policies.

The financial instruments not accounted for at fair value through profit and loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

Financial instruments by category	2017	2016
	\$'000	\$'000
<i>Loans and receivables</i>		
Cash and cash equivalents	347	218
Receivables	104	-
<i>Financial assets at fair value through profit and loss</i>		
Investments in equity securities held at fair value through profit or loss	31,909	25,347
<i>Other financial liabilities</i>		
Management fees payable	(1)	(10)
Funds held for unit purchases	(117)	(23)
Unsettled trades	(130)	(33)

The Fund's activities expose it to a variety of financial risks: market price risk, credit risk, liquidity risk and currency risk. The risk management policies used by the Fund are detailed below:

8a. Market price risk

The Fund's equity securities are exposed to market price risk arising from uncertainties about future prices of the financial instruments.

The Fund's market price risk is affected by actual changes in market prices. As the Fund invests in an Underlying Fund which tracks an Underlying Index, any change in the Underlying Index will result in a corresponding change in the assets at fair value through profit or loss.

A 10% increase/decrease in equity prices as at 31 March 2017 would have increased/decreased net profit and unitholder funds by \$3,191,000 (31 March 2016: \$2,535,000).

8b. Credit risk

The Fund is exposed to the potential risk of financial loss resulting from the failure of counterparties to honour fully the terms and conditions of a contract with the Fund. Financial instruments that subject the Fund to credit risk consist primarily of cash and receivables.

The maximum credit risk of financial instruments is considered to be their carrying value. The risk of non-recovery of monetary assets is considered very low due to the quality of counterparties dealt with.

The Fund does not require collateral or other security to support financial instruments with credit risk. The maximum exposures to credit risk at reporting date are:

	2017	2016
	\$'000	\$'000
Cash and cash equivalents	347	218
Receivables	104	-

Cash and cash equivalents

The Fund's cash and cash equivalents balances are held with ANZ Bank New Zealand Limited ('ANZ'), BNP Paribas Securities Services ('BNP Paribas') and Westpac New Zealand Limited ('Westpac').

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

8. FINANCIAL RISK MANAGEMENT (Continued)

The table below discloses the Standard & Poor's credit rating for the Fund's cash and cash equivalents balance with each bank above at reporting date.

	2017		2016	
Balance	Credit rating	Balance	Credit rating	
\$'000		\$'000		
ANZ	117	AA-	23	AA-
BNP Paribas	-	A	-	A-
Westpac	230	AA-	195	AA-
	<u>347</u>		<u>218</u>	

8c. Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with the financial liabilities that are settled by delivering cash or another financial asset.

The Fund's investment in the Vanguard Total World Stock ETF is considered readily realisable, as it is quoted on the New York Stock Exchange Arca. In addition, liquidity risk associated with redemptions is managed by meeting redemptions in the form of baskets rather than cash. The Fund meets its redemption obligations by returning units in the Underlying Fund. Liquidity risk for the Fund is therefore low.

8d. Currency risk

Currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates.

The Fund holds assets denominated in a currency other than the New Zealand dollar, the functional currency. It is therefore exposed to currency risk, as the value of the securities denominated in US dollars will fluctuate due to changes in the exchange rate. The Fund's policy is not to enter into any currency hedging transactions.

A 10% strengthening/weakening of the New Zealand dollar against the US dollar as at 31 March 2017 would have decreased/increased profit and unitholders funds by \$3,189,000 (31 March 2016: \$2,531,000).

The table below summarises the Fund's exposure to currency risks.

	2017	2016
	\$'000	\$'000
Receivables	104	-
Investments in equity securities held at fair value through profit or loss	31,909	25,347
Unsettled trades	(130)	(33)

9. COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 31 March 2017 (31 March 2016: none).

10. EVENTS AFTER THE REPORTING YEAR

Since 31 March 2017 there have been no matters or circumstances not otherwise dealt with in the financial statements that have significantly affected or may significantly affect the Fund.

TOTAL WORLD FUND



Independent Auditor's Report

To the unitholders of Total World Fund

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of Total World Fund (the fund) on pages 151 to 162:

- i. present fairly in all material respects the fund's financial position as at 31 March 2017 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2017;
- the statement of comprehensive income, statement of changes in unitholders' funds and statement of cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the fund in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report.

Our firm has also provided other assurance services to the fund in relation to reporting to the supervisor. Subject to certain restrictions, employees of our firm may also deal with the fund on normal terms within the ordinary course of trading activities of the business of the fund. These matters have not impaired our independence as auditor of the fund. The firm has no other relationship with, or interest in, the fund.



Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at \$324,000 determined with reference to a benchmark of the fund's total assets. We chose the benchmark because, in our view, this is a key measure of the fund's performance.

TOTAL WORLD FUND



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the members as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter

How the matter was addressed in our audit

Carrying amount of investments

Refer to Note 2 to the Financial Statements.

The fund's portfolio of investments makes up 98.6% of total assets. We do not consider these investments to be at high risk of significant misstatement, or be subject to a significant level of judgement, because they comprise liquid, listed investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our audit procedures included:

- documenting and understanding the processes in place to record investment transactions and to value the portfolio. This included evaluating the control environment in place at the administration manager by obtaining and reading a report issued by an independent auditor on the design and operation of those controls
- agreeing the 31 March 2017 valuation of listed equity investments to externally quoted prices
- agreeing investment holdings to confirmations received from the administration manager

We did not identify any material differences in relation to the carrying amount of investments.



Other Information

The Manager, on behalf of the fund, is responsible for the other information included in the entity's Annual Report. Other information may include the Chairman's report, fund highlights, disclosures relating to corporate governance and statutory information. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Manager.



Use of this Independent Auditor's Report

This report is made solely to the members as a body. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in the Independent Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to

TOTAL WORLD FUND



anyone other than the members as a body for our audit work, this report, or any of the opinions we have formed.



Responsibilities of the Manager for the financial statements

The Manager, on behalf of the fund, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Independent Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page2.aspx

This description forms part of our Independent Auditor's Report.

Brent Manning

For and on behalf of

KPMG
Wellington

25 May 2017

Unitholder Information

DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS

AS AT 30 APRIL 2017

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	97	26.80%	52,562	0.30%
1,001-5,000	125	34.53%	309,843	1.79%
5,001-10,000	67	18.51%	451,884	2.61%
10,001-50,000	63	17.40%	1,291,883	7.47%
50,001-100,000	7	1.93%	431,944	2.50%
Greater than 100,000	3	0.83%	14,757,384	85.32%
TOTAL	362	100.00%	17,295,500	100.00%

20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES

AS AT 30 APRIL 2017

Full Name	Total	Percentage
SuperLife Nominees Limited	14,474,171	83.69
Timothy Shephard Walwyn	166,450	0.96
Graeme Andrew Don & Margaret Joan Don & Richard Vale Harris	116,763	0.68
Investment Custodial Services Limited	77,966	0.45
FNZ Custodians Limited	69,299	0.4
Ian Robert Mckim & Anne Marie Mckim	63,758	0.37
Gopinath Nayar & Gellert Ivanson Trustee No 12 Limited	60,474	0.35
William Paul Mcsweeney & Margaret Helen Moretti	55,000	0.32
Jon Patrick Finn Angelo	53,447	0.31
Frederik Theodor Van Peski & Maureen Jeanette Van Peski & Jha Trustee Services Limited	52,000	0.3
Arthur Johannes Hein De Beun	45,070	0.26
Terry Baxter & Jill Tyler	41,077	0.24
Kenneth Moffett	41,077	0.24
Peter James Stewart Moodie	40,000	0.23
Stuart Douglas Thompson	38,865	0.22
Mary Patricia Cooper & Damien John Hannah	35,290	0.2
Paul Richard Clarke	34,527	0.2
Custodial Services Limited	31,750	0.18
Investment Custodial Services Limited	31,726	0.18
Stephen Richard Jelley	31,541	0.18
	15,560,251	89.96

SUBSTANTIAL PRODUCT HOLDERS

The following information has been given pursuant to section 293 of the Financial Markets Conduct Act 2013 (FMCA). According to Smartshares records and disclosures made under section 280(1)(b) of the FMCA, there were no substantial product holders in the Fund as at 31 March 2017. The total number of units on issue at 31 March 2017 was 17,030,500.

DIRECTORS' INTERESTS IN UNITS

	Beneficial	Non-Beneficial
Bevan Miller	1,723*	0
Paul Baldwin	0	0
Guy Elliffe	3,439*	0
John Williams	0	0

*Beneficial interest in these units is indirectly held through the director's interest in the SuperLife KiwiSaver scheme

WAIVERS GRANTED

The Special Division of the New Zealand Markets Disciplinary Tribunal (Special Division) has granted, either fully, partially or subject to conditions a number of waivers to the fund.

The waiver decisions that Smartshares currently relies upon are available on smartshares.co.nz.

Special Division granted the following waivers from the Listing Rules that continue to be relied upon as at 31 March 2017:

3.1.1(a) - compliance with the Listing Rules	7.5 - Issues and Buybacks Affecting Control
3.1.1(b) - compliance with Takeover Provisions	7.6.1 to 7.6.3 - Buybacks of Equity Securities, Redemptions and Financial Assistance
3.3.5 to 3.3.15 - Appointment and Rotation of Directors	7.11.1 Allotment within 5 business days
3.4 - Proceedings and Power of Directors	9.2.1 - Transactions with Related Parties
3.5 - Directors' Remuneration	10.3.2 - Preliminary Announcements
Section 4 - Takeover Provisions	10.4.1(d) - Annual and Half-Year Reports availability
7.1.11 - Minimum Subscription	10.4.2 - Half-Yearly Reporting Requirements
7.3 - Issue of New Equity Securities.	10.6.1(a) - Other Administrative Information
7.4 - Entitlements to Third Party Securities	

In October 2015, Special Division granted Smartshares a waiver from Listing Rules 3.3.1(c), 3.3.3 and 3.6.2(c) to enable Mr Elliffe and Mr Williams to continue to be regarded as Independent Directors following their appointment to the board of SuperLife Limited in May 2016.

As Smartshares and SuperLife Limited were amalgamated on 9 November 2016, Smartshares no longer relies on this waiver.

In June 2016, Special Division granted Smartshares a waiver from Listing Rule 9.2.1 to enable Smartshares to amalgamate with SuperLife Limited without the need for unitholder approval. Smartshares no longer relies on this waiver.

On 8 September 2016, Special Division granted fully, partially or subject to conditions, waivers from the following Listing Rules in relation to the transition of the group investment funds to the FMCA:

7.4.1 - Entitlements to Third Party Securities
7.6.5 - Buy Backs of Equity Securities, Redemptions and Financial Assistance
8.3.1 - Modifications of Rights of Security Holders
9.2.1 - Transactions with Related Parties

US Large Value Fund (USV)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017

Presented by Smartshares Limited, Manager of the US Large Value Fund

Report to the Unitholders

HIGHLIGHTS

Launch Date 29-Jul-15

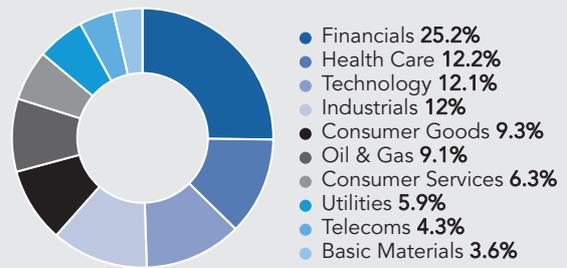
	March 2017	March 2016
Net Tangible Assets (NTA)	\$2.742	\$2.401
Units On Issue	13,214,500	12,994,000
Funds Under Management	\$36,228,456	\$31,197,425
Gross Distribution	\$0.032	\$0.019*
Gross Distribution Yield	1.17%	N/A
Gross Return	15.63%	-3.36%*
Total Fund Charges	0.53%	0.54%
Distributions paid	Semi-annual	

* Since Inception

NTA Per Unit



Sector Allocation



Growth of \$1,000*



*Since inception with all distributions reinvested.

US LARGE VALUE FUND

DIRECTORY

THE MANAGER

Smartshares Limited
Level 1, NZX Centre
11 Cable Street, Wellington 6140
New Zealand

This is also the address of the registered office.

PRINCIPAL OFFICE OF THE MANAGER

Level 7, Zurich House
21 Queen Street, Auckland Central
Auckland 1010
New Zealand

DIRECTORS OF THE MANAGER

Bevan K. Miller
Timothy O. Bennett (resigned 30 December 2016)
Guy R. Elliffe
A. John Williams
Paul J. Baldwin (appointed 30 December 2016)

INVESTMENT ADMINISTRATOR & CUSTODIAN

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

THE SUPERVISOR

Public Trust
Level 5, 40-42 Queens Drive
Lower Hutt 5010, Wellington
New Zealand

AUDITOR

KPMG
10 Customhouse Quay
PO Box 996, Wellington 6140
New Zealand

SOLICITOR

Buddle Findlay
Level 17, State Insurance Tower
1 Willis Street, Wellington 6140
New Zealand

REGISTRAR

Link Market Services Limited

CORRESPONDENCE

All correspondence and enquiries to the Manager about the Fund should be addressed to the Manager, Smartshares Limited, at the above address.

US LARGE VALUE FUND

Smartshares Limited (the 'Manager') and Public Trust (the 'Supervisor') are parties to a master trust deed dated 24 June 2014 as amended and restated on 9 September 2016 (the 'Trust Deed'). Under a Deed of Retirement and Appointment dated 6 September 2016, Trustees Executors Limited retired as the trustee and Public Trust was appointed as the Supervisor. The Trust Deed sets out the terms and conditions on which units in the funds within the Smartshares Exchange Traded Funds are offered for subscription, whether to the public or otherwise.

The Trust Deed provides that each fund is to be established by the Manager and the Supervisor entering into an establishment deed setting out the specific terms and conditions relating to that fund.

The US Large Value Fund (the 'Fund') was created by an establishment deed dated 10 July 2015 as amended and restated on 9 September 2016 between the Manager and the Supervisor.

STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), and fairly present the financial position of the Fund as at 31 March 2017, and the results of its financial performance and cash flows for the year ended 31 March 2017 in accordance with the requirement of the Trust Deed.

It is believed that there are no circumstances that may materially and adversely affect any interest of the unitholders in the assets other than those already disclosed in this report.

For and on behalf of the Manager:
Smartshares Limited



.....
Director



.....
Director

This statement was approved for signing at a meeting of the Directors on 25 May 2017.

US LARGE VALUE FUND

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017**

		Year Ended 31 March 2017 \$'000	Period Ended 31 March 2016 \$'000
INCOME			
Dividend income		855	643
Net changes in fair value of financial assets at fair value through profit or loss		4,670	(1,626)
Foreign exchange gain		<u>-</u>	<u>17</u>
Total income		<u>5,525</u>	<u>(966)</u>
EXPENSES			
Management fees expense	7	(149)	(97)
Foreign exchange loss		<u>(5)</u>	<u>-</u>
Total expenses		<u>(154)</u>	<u>(97)</u>
Profit/(loss) before tax		5,371	(1,063)
Income tax expense	1	<u>(418)</u>	<u>(278)</u>
Profit/(loss) after tax		4,953	(1,341)
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income/(loss)		<u>4,953</u>	<u>(1,341)</u>
EARNINGS PER UNIT			
Basic and diluted earnings/(losses) per unit (cents per unit)	4	<u>37.75</u>	<u>(10.26)</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS
 FOR THE YEAR ENDED 31 MARCH 2017**

		Year Ended 31 March 2017 \$'000	Period Ended 31 March 2016 \$'000
Unitholders' funds at the beginning of the year/period		31,111	-
Total comprehensive income/(loss) for the year/period		<u>4,953</u>	<u>(1,341)</u>
Subscriptions from unitholders	6	551	33,814
Redemptions by unitholders	6	-	(1,183)
Distributions to unitholders	5	<u>(301)</u>	<u>(179)</u>
		<u>250</u>	<u>32,452</u>
Unitholders' funds at the end of the year/period		<u><u>36,314</u></u>	<u><u>31,111</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017**

	Note	As At 31 March 2017 \$'000	As At 31 March 2016 \$'000
ASSETS			
Cash and cash equivalents		380	397
Investments in equity securities held at fair value through profit or loss	2	<u>36,111</u>	<u>30,922</u>
TOTAL ASSETS		<u>36,491</u>	<u>31,319</u>
LIABILITIES			
Management fees payable	7	(1)	(12)
Taxation payable		(102)	(53)
Funds held for unit purchases		(19)	(60)
Unsettled trades		<u>(55)</u>	<u>(83)</u>
TOTAL LIABILITIES		<u>(177)</u>	<u>(208)</u>
UNITHOLDERS' FUNDS		<u>36,314</u>	<u>31,111</u>
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		<u>36,491</u>	<u>31,319</u>

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the financial statements on 25 May 2017.



B Miller
Chairman
Smartshares Limited



G Elliffe
Director
Smartshares Limited

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017**

	Year Ended 31 March 2017 \$'000	Period Ended 31 March 2016 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Dividend income received	727	547
<i>Cash was applied to:</i>		
Management fees paid	(160)	(85)
Taxation paid	<u>(241)</u>	<u>(129)</u>
Net cash flows from operating activities	<u>326</u>	<u>333</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Cash was applied to:</i>		
Purchase of investments	<u>(372)</u>	<u>(101)</u>
Net cash flows from investing activities	<u>(372)</u>	<u>(101)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Cash was provided from:</i>		
Subscriptions received from unitholders	330	349
<i>Cash was applied to:</i>		
Redemptions paid to unitholders	-	(5)
Distributions paid to unitholders	<u>(301)</u>	<u>(179)</u>
Net cash flows from financing activities	<u>29</u>	<u>165</u>
Net (decrease)/increase in cash and cash equivalents	(17)	397
Cash and cash equivalents at the beginning of the year/period	<u>397</u>	<u>-</u>
Cash and cash equivalents at the end of the year/period	<u>380</u>	<u>397</u>
Reconciliation of profit/(loss) after tax to net cash flows from operating activities		
Profit/(loss) after tax	4,953	(1,341)
Net changes in fair value of financial assets at fair value through profit or loss	(4,670)	1,626
Foreign exchange loss/(gain)	5	(17)
Increase in taxation payable	49	53
(Decrease)/increase in management fees payable	<u>(11)</u>	<u>12</u>
Net cash flows from operating activities	<u>326</u>	<u>333</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

GENERAL INFORMATION

The US Large Value Fund (the 'Fund') is a for-profit fund registered in New Zealand and established under the Financial Markets Conduct Act 2013 ('FMC Act 2013'). It is offered under a registered managed investment scheme known as the Smartshares Exchange Traded Funds. Smartshares Limited, the Manager of the Fund is a FMC reporting entity for the purposes of the FMC Act 2013.

The Fund is governed by the Trust Deed dated 24 June 2014 as amended and restated on 9 September 2016 between the Manager and the Supervisor. The Fund was established on 10 July 2015 and commenced operation on 29 July 2015.

The Fund changed its name from US Large Value Trust to US Large Value Fund effective 16 September 2016.

The Fund's units are quoted on the NZX Main Board. The Fund is a passive investment fund that invests in Vanguard Value ETF (the 'Underlying Fund'), which tracks the CRSP US Large Cap Value Index (the 'Underlying Index'). The Underlying Fund invests in securities contained in the Underlying Index broadly in proportion to the weightings of the Underlying Index. Investments are valued at fair value according to last traded market prices on the New York Stock Exchange Arca on 31 March 2017 (see Note 2).

STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied to the year/period presented.

Comparative period and amounts

These financial statements are for the year ended 31 March 2017. The comparative figures are for the period 29 July 2015 to 31 March 2016. Where necessary, comparative figures have been restated to correspond to the current year classifications.

Basis of preparation

The financial statements of the Fund have been prepared in accordance with the requirements of the FMC Act 2013, Financial Reporting Act 2013, New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS'). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The functional currency of this entity is the same as the presentation currency of these financial statements being the New Zealand Dollar ('NZD'), rounded to the nearest thousand.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Smartshares Limited Board of Directors to exercise its judgement in the process of applying the Fund's Statement of Accounting Policies.

Financial assets at fair value through profit or loss

(a) Classification

The Fund classifies its investments in equity securities held at fair value as financial assets at fair value through profit or loss. These financial assets are designated by the Smartshares Board of Directors at inception as their performance is managed and evaluated on a fair value basis in accordance with a documented investment strategy.

(b) Recognition/derecognition

Purchases and sales of investments are recognised on the trade date - the date on which the Fund commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

(c) Measurement

Financial assets at fair value through profit or loss are recognised at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income when they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income within dividend income when the Fund's right to receive payment is established.

(d) Fair value estimation

The fair value of the financial instruments is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Fund is the last traded market price.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

Receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are measured at amortised cost using the effective interest method less impairment.

Payables

Trade payables and other payables are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services, and are measured at amortised cost.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency (NZD) using the exchange rate prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Translation differences of non-monetary financial assets such as equities held at fair value through profit or loss are recognised in the Statement of Comprehensive Income as part of the net changes in fair value of financial assets at fair value through profit or loss.

Cash and cash equivalents

Cash and cash equivalents are considered to be cash at banks, net of bank overdrafts. Operating activities in the Statement of Cash Flows include all transactions or events that are not investing or financing activities. Investing activities are those activities that relate to the acquisition, holding and disposal of investments and securities not falling within the definition of cash. Financing activities are those activities that relate to cash contributions to and from, or distributions to the unitholders.

Units

The Fund issues units, which provide the holder with a beneficial interest in the Fund. The units can be put back to the Fund via a basket redemption, in accordance with the redemption rules as defined in the Trust Deed, for units in the Underlying Fund and a proportion of cash held in the Fund.

The units are issued and redeemed based on the Fund's net asset value per unit at the time of issue or redemption. The Fund's net asset value per unit is calculated by dividing the net asset attributable to the unitholders by the total number of outstanding units. In accordance with the provisions of the Trust Deed investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Distributions to unitholders

Distributions are made up of income received from the investments less expenses paid and allowances for future liabilities. Income from investments held is attributed to unitholders on the basis of the number of units held on the record date of the distribution. To the extent that imputation credits are available, distributions to unitholders will be fully imputed. The record date for the Fund is on the last business day of May and November in each year. Currently distributions to unitholders are made on a semi-annual basis directly from the Fund within 20 business days of the record date.

Taxation

The Fund is domiciled in New Zealand and is registered as a Portfolio Investment Entity ('PIE').

The Fund is liable for tax at the prevailing company tax rate on investments in securities subject to the Fair Dividend Rate method ('FDR') listed in Note 2 after the deduction of management fees. FDR income is based on the market value of the security. With some of this income, the Fund is able to utilise foreign withholding tax credits to satisfy the tax liability. The Fund pays tax to the extent that the foreign withholding tax credits do not cover the tax liability in full.

Deferred tax is recognised in respect of temporary differences at the Statement of Financial Position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Current and deferred tax is measured using the tax rates enacted or substantively enacted at the reporting date.

Goods and services tax (GST)

The Fund is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

Segment information

The Fund operates solely in the business of investment management, investing in the Underlying Fund - Vanguard Value ETF. The Fund receives all of its dividend income from this investment.

Changes in accounting policies and accounting standards adopted during the year

(a) Changes in accounting policies

There have been no significant changes in accounting policies during the year. All policies have been applied on a basis consistent with those used in the prior period.

(b) New accounting standards adopted

There were no new accounting standards adopted during the year that have a material impact on the financial statements of the Fund.

Issued but not yet effective accounting standards

A number of accounting standards have been issued or revised that are not yet effective as at 31 March 2017, and have not been applied in preparing the financial statements. The Fund does not plan to adopt these standards early. The standards which are relevant to the Fund are as follows:

- NZ IFRS 9 Financial Instruments - Effective for annual reporting periods beginning on or after 1 January 2018; the impact of any changes has not yet been determined.
- NZ IFRS 15 Revenue from Contracts with Customers - Effective for annual reporting periods beginning on or after 1 January 2018. The impact of any changes has not yet been determined.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

1. TAXATION

	2017	2016
	\$'000	\$'000
Tax expense comprises:		
Current tax expense	<u>(418)</u>	<u>(278)</u>
Total tax expense	<u>(418)</u>	<u>(278)</u>

The prima facie income tax expense on profit/(loss) before tax from operations reconciles to the income tax expense in the financial statements as follows:

	2017	2016
	\$'000	\$'000
Income tax expense		
Profit/(loss) before tax	<u>5,371</u>	<u>(1,063)</u>
Income tax using the statutory income tax rate 28%	(1,504)	298
Net changes in fair value of financial assets	1,308	(455)
Non taxable income	238	180
Tax on securities subject to FDR	<u>(460)</u>	<u>(301)</u>
	(418)	(278)
Income tax expense as per Statement of Comprehensive Income	<u>(418)</u>	<u>(278)</u>

	2017	2016
	\$'000	\$'000
Imputation credit account (ICA)		
Imputation credits available for use in subsequent periods	285	112

2. INVESTMENTS IN EQUITY SECURITIES HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017		2016	
	Number of units '000	Fair value \$'000	Number of units '000	Fair value \$'000
Underlying fund				
Vanguard Value Fund	265	<u>36,111</u>	261	<u>30,922</u>
		<u>36,111</u>		<u>30,922</u>

All investments are designated at inception as being at fair value through profit or loss. The fair values of investments are calculated using the last traded market price on the reporting date. The investments are registered in the name of BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch, the custodian of the Fund.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value can be categorised across the following 3 levels based on the degree to which their fair value is 'observable':

Level 1 – Fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable either directly or indirectly;

Level 3 – Fair value measurements are derived from valuation methods that include inputs that are not based on observable market data.

All financial instruments of the Fund measured at fair value have been categorised as level 1 in the hierarchy. There were no transfers between levels in the year ended 31 March 2017 (31 March 2016: none).

4. EARNINGS PER UNIT

The basic earnings per unit (EPU) is calculated by dividing the net profit/(loss) after tax attributable to the unitholders by the weighted average number of units on issue during the year.

The Fund's diluted EPU is the same as the basic EPU since the Fund has not issued any instrument with dilutive potential.

	2017	2016
Profit/(loss) after tax (\$'000)	4,953	(1,341)
Weighted average number of units ('000)	13,119	13,072
Basic and diluted earnings/(losses) per unit (cents per unit)	37.75	(10.26)

5. DISTRIBUTION PAYABLE TO UNITHOLDERS

	2017	2016
	\$'000	\$'000
Opening distribution payable	-	-
Distributions accrued to unitholders	301	179
Distributed to unitholders	(301)	(179)
Closing distribution payable	-	-

Distributions declared and paid

		Distribution per unit		
	Year Ended	(cents per unit)	2017	2016
			\$'000	\$'000
October 2015 (paid November 2015)	31/03/2016	1.38	-	179
April 2016 (paid May 2016)	31/03/2017	0.86	112	-
November 2016 (paid December 2016)	31/03/2017	1.44	189	-
			301	179

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

6. UNITHOLDERS' FUNDS

As at 31 March 2017 there were 13,215,000 units on issue (31 March 2016: 12,994,000).

All issued units are fully paid and redeemable, and are quoted on the NZX Main Board. The Fund's net assets attributable to unitholders are represented by these units. The relevant movements are shown in the Statement of Changes in Unitholders' Funds.

The number of units allotted during the year ended 31 March 2017 was 221,000 (31 March 2016: 13,472,000) for total value of \$551,000 (31 March 2016: \$33,814,000).

The number of units redeemed during the year ended 31 March 2017 was nil (31 March 2016: 478,000) for total value of \$nil (31 March 2016: \$1,183,000).

	2017	2016
	'000	'000
Movement in the number of units		
Balance at the beginning of the year/period	12,994	-
Subscriptions received during the year/period	221	13,472
Redemptions made during the year/period	-	(478)
Units on issue at the end of the year/period	<u>13,215</u>	<u>12,994</u>

The net asset value of each unit per the financial statements is \$2.74794 (31 March 2016: \$2.39426). Any difference between the net asset value announced to the market for 31 March 2017 and the net asset value per the financial statements is due to different unit pricing methodology.

7. RELATED PARTY TRANSACTIONS

Related party holdings

Key management personnel are the Directors of the Manager. There were no transactions with key management personnel during the year.

The Fund is managed by Smartshares Limited, which is a wholly owned subsidiary of NZX Limited, a company listed on the NZX Main Board.

SuperLife superannuation scheme ("SLSS"), a scheme managed by SuperLife Limited, a wholly owned subsidiary of NZX Limited, was an investor in the Fund in this year between 1 April 2016 and 27 October 2016. Effective 28 October 2016, the investments were transferred from SLSS to SuperLife Invest managed investment scheme ("SLI"), a scheme managed by the Manager, also a wholly owned subsidiary of NZX Limited. The transfer of assets and change of Manager was completed as part of the transition of the SuperLife scheme to the Financial Markets Conduct Act 2013.

As at 31 March 2017, SLI held 12,917,842 units valued at \$35,415,000 in the Fund. As at 31 March 2016, SLSS held 12,914,102 units valued at \$30,975,000 in the Fund.

Distributions

The Fund paid distributions of \$111,000 (31 March 2016: \$178,000) to SLSS. All distributions were settled prior to the transfer of investments from SLSS to SLI. The balance remaining as payable as at 31 March 2016 was \$nil. The Fund paid distributions of \$186,000 to SLI for the year ended 31 March 2017 (31 March 2016: not applicable). The balance remaining as payable at the end of the year is \$nil (31 March 2016: not applicable).

Management fees

The Manager receives management fees from the Fund. Under the Trust Deed the Manager pays the supervisor, custodian, registrar and auditor on behalf of the Fund and receives direct purchase application fees and all interest earned on cash at banks.

Total gross management fees excluding rebates for the year ended 31 March 2017 amounted to \$149,000 (31 March 2016: \$97,000), with \$1,000 (31 March 2016: \$12,000) of outstanding accrued management fees due to the Manager at the end of the year.

The total interest earned on cash at banks for the year ended 31 March 2017 amounted to \$4,000 (31 March 2016: \$2,000).

The total direct purchase application fees for the year ended 31 March 2017 amounted to \$1,000 (31 March 2016: \$1,000).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

7. RELATED PARTY TRANSACTIONS (Continued)

Other related party transactions

The audit fee paid by the Manager for the audit of the Fund at the year ended 31 March 2017 was \$5,000 (31 March 2016: \$6,000).

8. FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

The Fund utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in the Statement of Accounting Policies.

The financial instruments not accounted for at fair value through profit and loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

Financial instruments by category	2017	2016
	\$'000	\$'000
<i>Loans and receivables</i>		
Cash and cash equivalents	380	397
<i>Financial assets at fair value through profit and loss</i>		
Investments in equity securities held at fair value through profit or loss	36,111	30,922
<i>Other financial liabilities</i>		
Management fees payable	(1)	(12)
Funds held for unit purchases	(19)	(60)
Unsettled trades	(55)	(83)

The Fund's activities expose it to a variety of financial risks: market price risk, credit risk, liquidity risk and currency risk. The risk management policies used by the Fund are detailed below:

8a. Market price risk

The Fund's equity securities are exposed to market price risk arising from uncertainties about future prices of the financial instruments.

The Fund's market price risk is affected by actual changes in market prices. As the Fund invests in an Underlying Fund which tracks an Underlying Index, any change in the Underlying Index will result in a corresponding change in the assets at fair value through profit or loss.

A 10% increase/decrease in equity prices as at 31 March 2017 would have increased/decreased net profit and unitholder funds by \$3,611,000 (31 March 2016: \$3,092,000).

8b. Credit risk

The Fund is exposed to the potential risk of financial loss resulting from the failure of counterparties to honour fully the terms and conditions of a contract with the Fund. Financial instruments that subject the Fund to credit risk consist primarily of cash and receivables.

The maximum credit risk of financial instruments is considered to be their carrying value. The risk of non-recovery of monetary assets is considered very low due to the quality of counterparties dealt with.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

8. FINANCIAL RISK MANAGEMENT (Continued)

The Fund does not require collateral or other security to support financial instruments with credit risk. The maximum exposures to credit risk at the reporting date are:

	2017	2016
	\$'000	\$'000
Cash and cash equivalents	380	397

Cash and cash equivalents

The Fund's cash and cash equivalents balances are held with ANZ Bank New Zealand Limited ('ANZ'), BNP Paribas Securities Services ('BNP Paribas') and Westpac New Zealand Limited ('Westpac').

The table below discloses the Standard & Poor's credit rating for the Fund's cash and cash equivalents balance with each bank above at the reporting date.

		2017		2016
	Balance	Credit	Balance	Credit
	\$'000	rating	\$'000	rating
ANZ	19	AA-	60	AA-
BNP Paribas	-	A	-	A-
Westpac	361	AA-	337	AA-
	380		397	

8c. Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with the financial liabilities that are settled by delivering cash or another financial asset.

The Fund's investment in the Vanguard Value ETF is considered readily realisable, as it is quoted on the New York Stock Exchange Arca. In addition, liquidity risk associated with redemptions is managed by meeting redemptions in the form of baskets rather than cash. The Fund meets its redemption obligations by returning units in the Underlying Fund. Liquidity risk for the Fund is therefore low.

8d. Currency risk

Currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates.

The Fund holds assets denominated in a currency other than the New Zealand dollar, the functional currency. It is therefore exposed to currency risk, as the value of the securities denominated in US dollars will fluctuate due to changes in the exchange rate. The Fund's policy is not to enter into any currency hedging transactions.

A 10% strengthening/weakening of the New Zealand dollar against the US dollar as at 31 March 2017 would have decreased/increased profits and unitholders funds by \$3,606,000 (31 March 2016: \$3,084,000).

The table below summarises the Fund's exposure to currency risks.

	2017	2016
	\$'000	\$'000
Investments in equity securities held at fair value through profit or loss	36,111	30,922
Unsettled trades	(55)	(83)

9. COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 31 March 2017 (31 March 2016: none).

10. EVENTS AFTER THE REPORTING YEAR

Since 31 March 2017 there have been no matters or circumstances not otherwise dealt with in the financial statements that have significantly affected or may significantly affect the Fund.

US LARGE VALUE FUND



Independent Auditor's Report

To the unitholders of US Large Value Fund

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of US Large Value Fund (the fund) on pages 171 to 182:

- i. present fairly in all material respects the fund's financial position as at 31 March 2017 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2017;
- the statement of comprehensive income, statement of changes in unitholders' funds and statement of cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the fund in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report.

Our firm has also provided other assurance services to the fund in relation to reporting to the supervisor. Subject to certain restrictions, employees of our firm may also deal with the fund on normal terms within the ordinary course of trading activities of the business of the fund. These matters have not impaired our independence as auditor of the fund. The firm has no other relationship with, or interest in, the fund.



Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at \$365,000 determined with reference to a benchmark of the fund's total assets. We chose the benchmark because, in our view, this is a key measure of the fund's performance.

US LARGE VALUE FUND



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the members as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter

How the matter was addressed in our audit

Carrying amount of investments

Refer to Note 2 to the Financial Statements.

The fund's portfolio of investments makes up 99.0% of total assets. We do not consider these investments to be at high risk of significant misstatement, or be subject to a significant level of judgement, because they comprise liquid, listed investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our audit procedures included:

- documenting and understanding the processes in place to record investment transactions and to value the portfolio. This included evaluating the control environment in place at the administration manager by obtaining and reading a report issued by an independent auditor on the design and operation of those controls
- agreeing the 31 March 2017 valuation of listed equity investments to externally quoted prices
- agreeing investment holdings to confirmations received from the administration manager

We did not identify any material differences in relation to the carrying amount of investments.



Other Information

The Manager, on behalf of the fund, is responsible for the other information included in the entity's Annual Report. Other information may include the Chairman's report, fund highlights, disclosures relating to corporate governance and statutory information. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Manager.



Use of this Independent Auditor's Report

This report is made solely to the members as a body. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in the Independent Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to

US LARGE VALUE FUND



anyone other than the members as a body for our audit work, this report, or any of the opinions we have formed.



Responsibilities of the Manager for the financial statements

The Manager, on behalf of the fund, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Independent Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page2.aspx

This description forms part of our Independent Auditor's Report.

Brent Manning

For and on behalf of

KPMG
Wellington

25 May 2017

Unitholder Information

DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS

AS AT 30 APRIL 2017

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	44	43.56%	24,073	0.18%
1,001-5,000	38	37.62%	101,661	0.77%
5,001-10,000	11	10.89%	85,698	0.65%
10,001-50,000	7	6.93%	125,226	0.94%
50,001-100,000	0	0.00%	-	0.00%
Greater than 100,000	1	0.99%	12,917,842	97.46%
TOTAL	101	100.00%	13,254,500	100.00%

20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES

AS AT 30 APRIL 2017

Full Name	Total	Percentage
SuperLife Nominees Limited	12,917,842	97.46
FNZ Custodians Limited	44,300	0.33
Lynn Mathias Clayton & Michael Rowley Clayton & Cameron Denis Clayton	19,142	0.14
Billy Cheung Services Limited	14,564	0.11
Craigs Investment Partners Limited	14,376	0.11
Michael Frederick Keith	12,632	0.1
Julian Oliver Smith	10,131	0.08
David Mountfort Haywood & Annette Maree Haywood	10,081	0.08
Hamish Davidson	10,000	0.08
Adam Charles Tommy & Shu Yu Tseng	9,859	0.07
Weisi Xia	9,260	0.07
Robert Andrew James Stewart	9,036	0.07
Phillip John Tait & Darien Patricia Tait & Jenny Catherine Hirst	8,186	0.06
Matthew Leigh Gardner	8,000	0.06
Maria Edmonda Savini Creason	7,500	0.06
Andrew Mackay Drummond & Ross Drummond	7,100	0.05
Martin Anthony Evans & Margaret Anne Evans	5,954	0.04
Linda Faye Graham & Trustee Management Services Limited	5,776	0.04
David Paul Hayes	5,027	0.04
Bharat Umesh Ratanpal & Ayesha Bharat Ratanpal	4,954	0.04
	13,133,720	99.09

SUBSTANTIAL PRODUCT HOLDERS

The following information has been given pursuant to section 293 of the Financial Markets Conduct Act 2013 (FMCA). According to Smartshares records and disclosures made under section 280(1)(b) of the FMCA, there were no substantial product holders in the Fund as at 31 March 2017. The total number of units on issue at 31 March 2017 was 13,214,500.

DIRECTORS' INTERESTS IN UNITS

	Beneficial	Non-Beneficial
Bevan Miller	1,566*	0
Paul Baldwin	0	0
Guy Elliffe	3,126*	0
John Williams	0	0

*Beneficial interest in these units is indirectly held through the director's interest in the SuperLife KiwiSaver scheme

WAIVERS GRANTED

The Special Division of the New Zealand Markets Disciplinary Tribunal (Special Division) has granted, either fully, partially or subject to conditions a number of waivers to the fund.

The waiver decisions that Smartshares currently relies upon are available on smartshares.co.nz.

Special Division granted the following waivers from the Listing Rules that continue to be relied upon as at 31 March 2017:

3.1.1(a) - compliance with the Listing Rules	7.5 - Issues and Buybacks Affecting Control
3.1.1(b) - compliance with Takeover Provisions	7.6.1 to 7.6.3 - Buybacks of Equity Securities, Redemptions and Financial Assistance
3.3.5 to 3.3.15 - Appointment and Rotation of Directors	7.11.1 Allotment within 5 business days
3.4 - Proceedings and Power of Directors	9.2.1 - Transactions with Related Parties
3.5 - Directors' Remuneration	10.3.2 - Preliminary Announcements
Section 4 - Takeover Provisions	10.4.1(d) - Annual and Half-Year Reports availability
7.1.11 - Minimum Subscription	10.4.2 - Half-Yearly Reporting Requirements
7.3 - Issue of New Equity Securities.	10.6.1(a) - Other Administrative Information
7.4 - Entitlements to Third Party Securities	

In October 2015, Special Division granted Smartshares a waiver from Listing Rules 3.3.1(c), 3.3.3 and 3.6.2(c) to enable Mr Elliffe and Mr Williams to continue to be regarded as Independent Directors following their appointment to the board of SuperLife Limited in May 2016.

As Smartshares and SuperLife Limited were amalgamated on 9 November 2016, Smartshares no longer relies on this waiver.

In June 2016, Special Division granted Smartshares a waiver from Listing Rule 9.2.1 to enable Smartshares to amalgamate with SuperLife Limited without the need for unitholder approval. Smartshares no longer relies on this waiver.

On 8 September 2016, Special Division granted fully, partially or subject to conditions, waivers from the following Listing Rules in relation to the transition of the group investment funds to the FMCA:

7.4.1 - Entitlements to Third Party Securities
7.6.5 - Buy Backs of Equity Securities, Redemptions and Financial Assistance
8.3.1 - Modifications of Rights of Security Holders
9.2.1 - Transactions with Related Parties

US Large Growth Fund (USG)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017

Presented by Smartshares Limited, Manager of the US Large Growth Fund

Report to the Unitholders

HIGHLIGHTS

Launch Date 29-Jul-15

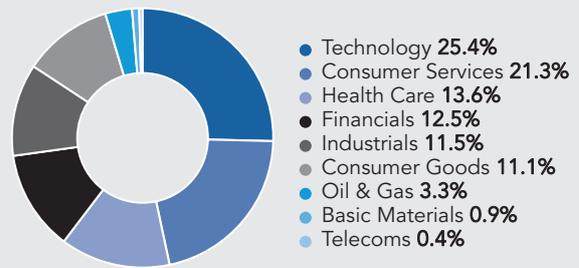
	March 2017	March 2016
Net Tangible Assets (NTA)	\$3.458	\$3.079
Units On Issue	10,478,850	10,349,000
Funds Under Management	\$36,239,702	\$31,864,468
Gross Distribution	-	\$0.010*
Gross Distribution Yield	N/A	N/A
Gross Return	12.32%	-5.88%*
Total Fund Charges	0.53%	0.54%
Distributions paid	Semi-annual	

* Since Inception

NTA Per Unit



Sector Allocation



Growth of \$1,000*



US LARGE GROWTH FUND

DIRECTORY

THE MANAGER

Smartshares Limited
Level 1, NZX Centre
11 Cable Street, Wellington 6140
New Zealand

This is also the address of the registered office.

PRINCIPAL OFFICE OF THE MANAGER

Level 7, Zurich House
21 Queen Street, Auckland Central
Auckland 1010
New Zealand

DIRECTORS OF THE MANAGER

Bevan K. Miller
Timothy O. Bennett (resigned 30 December 2016)
Guy R. Elliffe
A. John Williams
Paul J. Baldwin (appointed 30 December 2016)

INVESTMENT ADMINISTRATOR & CUSTODIAN

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

THE SUPERVISOR

Public Trust
Level 5, 40-42 Queens Drive
Lower Hutt 5010, Wellington
New Zealand

AUDITOR

KPMG
10 Customhouse Quay
PO Box 996, Wellington 6140
New Zealand

SOLICITOR

Buddle Findlay
Level 17, State Insurance Tower
1 Willis Street, Wellington 6140
New Zealand

REGISTRAR

Link Market Services Limited

CORRESPONDENCE

All correspondence and enquiries to the Manager about the Fund should be addressed to the Manager, Smartshares Limited, at the above address.

US LARGE GROWTH FUND

Smartshares Limited (the 'Manager') and Public Trust (the 'Supervisor') are parties to a master trust deed dated 24 June 2014 as amended and restated on 9 September 2016 (the 'Trust Deed'). Under a Deed of Retirement and Appointment dated 6 September 2016, Trustees Executors Limited retired as the trustee and Public Trust was appointed as the Supervisor. The Trust Deed sets out the terms and conditions on which units in the funds within the Smartshares Exchange Traded Funds are offered for subscription, whether to the public or otherwise.

The Trust Deed provides that each fund is to be established by the Manager and the Supervisor entering into an establishment deed setting out the specific terms and conditions relating to that fund.

The US Large Growth Fund (the 'Fund') was created by an establishment deed dated 10 July 2015 as amended and restated on 9 September 2016 between the Manager and the Supervisor.

STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), and fairly present the financial position of the Fund as at 31 March 2017, and the results of its financial performance and cash flows for the year ended 31 March 2017 in accordance with the requirement of the Trust Deed.

It is believed that there are no circumstances that may materially and adversely affect any interest of the unitholders in the assets other than those already disclosed in this report.

For and on behalf of the Manager:

Smartshares Limited



.....
Director



.....
Director

This statement was approved for signing at a meeting of the Directors on 25 May 2017.

US LARGE GROWTH FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017

		Year Ended 31 March 2017 \$'000	Period Ended 31 March 2016 \$'000
INCOME			
Dividend income		474	333
Net changes in fair value of financial assets at fair value through profit or loss		4,320	(2,136)
Foreign exchange gain		-	16
Total income		<u>4,794</u>	<u>(1,787)</u>
EXPENSES			
Management fees expense	7	(148)	(99)
Foreign exchange loss		(4)	-
Total expenses		<u>(152)</u>	<u>(99)</u>
Profit/(loss) before tax		4,642	(1,886)
Income tax expense	1	(418)	(286)
Profit/(loss) after tax		4,224	(2,172)
Other comprehensive income		-	-
Total comprehensive income/(loss)		<u>4,224</u>	<u>(2,172)</u>
EARNINGS PER UNIT			
Basic and diluted earnings/(losses) per unit (cents per unit)	4	<u>40.58</u>	<u>(21.03)</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS
 FOR THE YEAR ENDED 31 MARCH 2017**

		Year Ended 31 March 2017 \$'000	Period Ended 31 March 2016 \$'000
Unitholders' funds at the beginning of the year/period		31,794	-
Total comprehensive income/(loss) for the year/period		<u>4,224</u>	<u>(2,172)</u>
Subscriptions from unitholders	6	475	35,247
Redemptions by unitholders	6	(61)	(1,204)
Distributions to unitholders	5	<u>-</u>	<u>(77)</u>
		<u>414</u>	<u>33,966</u>
Unitholders' funds at the end of the year/period		<u><u>36,432</u></u>	<u><u>31,794</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017**

	Note	As At 31 March 2017 \$'000	As At 31 March 2016 \$'000
ASSETS			
Cash and cash equivalents		189	151
Investments in equity securities held at fair value through profit or loss	2	<u>36,396</u>	<u>31,765</u>
TOTAL ASSETS		<u>36,585</u>	<u>31,916</u>
LIABILITIES			
Management fees payable	7	(1)	(12)
Taxation payable		(118)	(66)
Funds held for unit purchases		(34)	(13)
Unsettled trades		<u>-</u>	<u>(31)</u>
TOTAL LIABILITIES		<u>(153)</u>	<u>(122)</u>
UNITHOLDERS' FUNDS		<u>36,432</u>	<u>31,794</u>
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		<u>36,585</u>	<u>31,916</u>

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the financial statements on 25 May 2017.



B Miller
Chairman
Smartshares Limited



G Elliffe
Director
Smartshares Limited

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017**

	Year Ended 31 March 2017 \$'000	Period Ended 31 March 2016 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Dividend income received	403	283
<i>Cash was applied to:</i>		
Management fees paid	(159)	(87)
Taxation paid	<u>(295)</u>	<u>(170)</u>
Net cash flows from operating activities	<u>(51)</u>	<u>26</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Cash was provided from:</i>		
Sale of investments	71	-
<i>Cash was applied to:</i>		
Purchase of investments	<u>(380)</u>	<u>(125)</u>
Net cash flows from investing activities	<u>(309)</u>	<u>(125)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Cash was provided from:</i>		
Subscriptions received from unitholders	398	332
<i>Cash was applied to:</i>		
Redemptions paid to unitholders	-	(5)
Distributions paid to unitholders	<u>-</u>	<u>(77)</u>
Net cash flows from financing activities	<u>398</u>	<u>250</u>
Net increase in cash and cash equivalents	38	151
Cash and cash equivalents at the beginning of the year/period	<u>151</u>	<u>-</u>
Cash and cash equivalents at the end of the year/period	<u><u>189</u></u>	<u><u>151</u></u>
Reconciliation of profit/(loss) after tax to net cash flows from operating activities		
Profit/(loss) after tax	4,224	(2,172)
Net changes in fair value of financial assets at fair value through profit or loss	(4,320)	2,136
Foreign exchange loss/(gain)	4	(16)
Increase in taxation payable	52	66
(Decrease)/increase in management fees payable	<u>(11)</u>	<u>12</u>
Net cash flows from operating activities	<u><u>(51)</u></u>	<u><u>26</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

GENERAL INFORMATION

The US Large Growth Fund (the 'Fund') is a for-profit fund registered in New Zealand and established under the Financial Markets Conduct Act 2013 ('FMC Act 2013'). It is offered under a registered managed investment scheme known as the Smartshares Exchange Traded Funds. Smartshares Limited, the Manager of the Fund is a FMC reporting entity for the purposes of the FMC Act 2013.

The Fund is governed by the Trust Deed dated 24 June 2014 as amended and restated on 9 September 2016 between the Manager and the Supervisor. The Fund was established on 10 July 2015 and commenced operation on 29 July 2015.

The Fund changed its name from US Large Growth Trust to US Large Growth Fund effective 16 September 2016.

The Fund's units are quoted on the NZX Main Board. The Fund is a passive investment fund that invests in Vanguard Growth ETF (the 'Underlying Fund'), which tracks the CRSP US Large Cap Growth Index (the 'Underlying Index'). The Underlying Fund invests in securities contained in the Underlying Index broadly in proportion to the weightings of the Underlying Index. Investments are valued at fair value according to last traded market prices on the New York Stock Exchange Arca on 31 March 2017 (see Note 2).

STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied to the year/period presented.

Comparative period and amounts

These financial statements are for the year ended 31 March 2017. The comparative figures are for the period from 29 July 2015 to 31 March 2016. Where necessary, comparative figures have been restated to correspond to the current year classifications.

Basis of preparation

The financial statements of the Fund have been prepared in accordance with the requirements of the FMC Act 2013, Financial Reporting Act 2013, New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS'). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The functional currency of this entity is the same as the presentation currency of these financial statements being the New Zealand Dollar ('NZD'), rounded to the nearest thousand.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Smartshares Limited Board of Directors to exercise its judgement in the process of applying the Fund's Statement of Accounting Policies.

Financial assets at fair value through profit or loss

(a) Classification

The Fund classifies its investments in equity securities held at fair value as financial assets at fair value through profit or loss. These financial assets are designated by the Smartshares Board of Directors at inception as their performance is managed and evaluated on a fair value basis in accordance with a documented investment strategy.

(b) Recognition/derecognition

Purchases and sales of investments are recognised on the trade date - the date on which the Fund commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

(c) Measurement

Financial assets at fair value through profit or loss are recognised at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income when they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income within dividend income when the Fund's right to receive payment is established.

(d) Fair value estimation

The fair value of the financial instruments is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Fund is the last traded market price.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

Receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are measured at amortised cost using the effective interest method less impairment.

Payables

Trade payables and other payables are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services, and are measured at amortised cost.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency (NZD) using the exchange rate prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Translation differences of non-monetary financial assets such as equities held at fair value through profit or loss are recognised in the Statement of Comprehensive Income as part of the net changes in fair value of financial assets at fair value through profit or loss.

Cash and cash equivalents

Cash and cash equivalents are considered to be cash at banks, net of bank overdrafts. Operating activities in the Statement of Cash Flows include all transactions or events that are not investing or financing activities. Investing activities are those activities that relate to the acquisition, holding and disposal of investments and securities not falling within the definition of cash. Financing activities are those activities that relate to cash contributions to and from, or distributions to the unitholders.

Units

The Fund issues units, which provide the holder with a beneficial interest in the Fund. The units can be put back to the Fund via a basket redemption, in accordance with the redemption rules as defined in the Trust Deed, for units in the Underlying Fund and a proportion of cash held in the Fund.

The units are issued and redeemed based on the Fund's net asset value per unit at the time of issue or redemption. The Fund's net asset value per unit is calculated by dividing the net assets attributable to the unitholders by the total number of outstanding units. In accordance with the provisions of the Trust Deed investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Distributions to unitholders

Distributions are made up of income received from the investments less expenses paid and allowances for future liabilities. Income from investments held is attributed to unitholders on the basis of the number of units held on the record date of the distribution. To the extent that imputation credits are available, distributions to unitholders will be fully imputed. The record date for the Fund is on the last business day of May and November in each year. Currently distributions to unitholders are made on a semi-annual basis directly from the Fund within 20 business days of the record date.

Taxation

The Fund is domiciled in New Zealand and is registered as a Portfolio Investment Entity ('PIE').

The Fund is liable for tax at the prevailing company tax rate on investments in securities subject to the Fair Dividend Rate method ('FDR') listed in Note 2 after the deduction of management fees. FDR income is based on the market value of the security. With some of this income, the Fund is able to utilise foreign withholding tax credits to satisfy the tax liability. The Fund pays tax to the extent that the foreign withholding tax credits do not cover the tax liability in full.

Deferred tax is recognised in respect of temporary differences at the Statement of Financial Position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Current and deferred tax is measured using the tax rates enacted or substantively enacted at the reporting date

Goods and services tax (GST)

The Fund is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

Segment information

The Fund operates solely in the business of investment management, investing in the Underlying Fund - Vanguard Growth ETF. The Fund receives all of its dividend income from this investment.

Changes in accounting policies and accounting standards adopted during the year

(a) Changes in accounting policies

There have been no significant changes in accounting policies during the year. All policies have been applied on a basis consistent with those used in the prior period.

(b) New accounting standards adopted

There were no new accounting standards adopted during the year that have a material impact on the financial statements of the Fund.

Issued but not yet effective accounting standards

A number of accounting standards have been issued or revised that are not yet effective as at 31 March 2017, and have not been applied in preparing the financial statements. The Fund does not plan to adopt these standards early. The standards which are relevant to the Fund are as follows:

- NZ IFRS 9 Financial Instruments - Effective for annual reporting periods beginning on or after 1 January 2018; the impact of any changes has not yet been determined.
- NZ IFRS 15 Revenue from Contracts with Customers - Effective for annual reporting periods beginning on or after 1 January 2018. The impact of any changes has not yet been determined.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

1. TAXATION

	2017	2016
	\$'000	\$'000
Tax expense comprises:		
Current tax expense	<u>(418)</u>	<u>(286)</u>
Total tax expense	<u>(418)</u>	<u>(286)</u>

The prima facie income tax expense on profit/(loss) before tax from operations reconciles to the income tax expense in the financial statements as follows:

	2017	2016
	\$'000	\$'000
Income tax expense		
Profit/(loss) before tax	<u>4,642</u>	<u>(1,886)</u>
Income tax using the statutory income tax rate 28%	(1,300)	528
Net changes in fair value of financial assets	1,210	(598)
Non taxable income	132	93
Tax on securities subject to FDR	<u>(460)</u>	<u>(309)</u>
	(418)	(286)
Income tax expense as per Statement of Comprehensive Income	<u>(418)</u>	<u>(286)</u>
Imputation credit account (ICA)		
	\$'000	\$'000
Imputation credits available for use in subsequent periods	552	206

2. INVESTMENTS IN EQUITY SECURITIES HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017		2016	
	Number of units '000	Fair value \$'000	Number of units '000	Fair value \$'000
Underlying fund				
Vanguard Growth ETF	209	<u>36,396</u>	207	<u>31,765</u>
		<u>36,396</u>		<u>31,765</u>

All investments are designated at inception as being at fair value through profit or loss. The fair values of investments are calculated using the last traded market price at the reporting date. The investments are registered in the name of BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch, the custodian of the Fund.

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2017**

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value can be categorised across the following 3 levels based on the degree to which their fair value is 'observable':

Level 1 – Fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable either directly or indirectly;

Level 3 – Fair value measurements are derived from valuation methods that include inputs that are not based on observable market data.

All financial instruments of the Fund measured at fair value have been categorised as level 1 in the hierarchy. There were no transfers between levels in the year ended 31 March 2017 (31 March 2016: none).

4. EARNINGS PER UNIT

The basic earnings per unit (EPU) is calculated by dividing the net profit/(loss) after tax attributable to the unitholders by the weighted average number of units on issue during the year.

The Fund's diluted EPU is the same as the basic EPU since the Fund has not issued any instrument with dilutive potential.

	2017	2016
Profit/(loss) after tax (\$'000)	4,224	(2,172)
Weighted average number of units ('000)	10,409	10,328
Basic and diluted earnings/(losses) per unit (cents per unit)	40.58	(21.03)

5. DISTRIBUTION PAYABLE TO UNITHOLDERS

	2017	2016
	\$'000	\$'000
Opening distribution payable	-	-
Distributions accrued to unitholders	-	77
Distributed to unitholders	-	(77)
Closing distribution payable	-	-

Distributions declared and paid

		Distribution per unit		2017	2016
	Year Ended	(cents per unit)		\$'000	\$'000
October 2015 (paid November 2015)	31/03/2016	0.75		-	77
				-	77

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

6. UNITHOLDERS' FUNDS

As at 31 March 2017 there were 10,479,000 units on issue (31 March 2016: 10,349,000).

All issued units are fully paid and redeemable, and are quoted on the NZX Main Board. The Fund's net assets attributable to unitholders are represented by these units. The relevant movements are shown in the Statement of Changes in Unitholders' Funds.

The number of units allotted during the year ended 31 March 2017 was 150,000 (31 March 2016: 10,719,000) for total value of \$475,000 (31 March 2016: \$35,247,000).

The number of units redeemed during the year ended 31 March 2017 was 20,000 (31 March 2016: 370,000) for total value of \$61,000 (31 March 2016: \$1,204,000).

	2017	2016
	'000	'000
Movement in the number of units		
Balance at the beginning of the year/period	10,349	-
Subscriptions received during the year/period	150	10,719
Redemptions made during the year/period	<u>(20)</u>	<u>(370)</u>
Units on issue at the end of the year/period	<u>10,479</u>	<u>10,349</u>

The net asset value of each unit per the financial statements is \$3.47667 (31 March 2016: \$3.07218). Any difference between the net asset value announced to the market for 31 March 2017 and the net asset value per the financial statements is due to different unit pricing methodology.

7. RELATED PARTY TRANSACTIONS

Related party holdings

Key management personnel are the Directors of the Manager. There were no transactions with key management personnel during the year.

The Fund is managed by Smartshares Limited, which is a wholly owned subsidiary of NZX Limited, a company listed on the NZX Main Board.

SuperLife superannuation scheme ("SLSS"), a scheme managed by SuperLife Limited, a wholly owned subsidiary of NZX Limited, was an investor in the Fund in the year between 1 April 2016 and 27 October 2016. Effective 28 October 2016, the investments were transferred from SLSS to SuperLife Invest managed investment scheme ("SLI"), a scheme managed by the Manager, also a wholly owned subsidiary of NZX Limited. The transfer of assets and change of Manager was completed as part of the transition of the SuperLife scheme to the Financial Markets Conduct Act 2013.

As at 31 March 2017, SLI scheme held 10,125,160 units valued at \$35,017,000 in the Fund. As at 31 March 2016, SLSS held 10,118,480 units valued at \$31,124,000 in the Fund.

Distributions

The Fund paid distributions of \$nil (31 March 2016: \$76,000) to SLSS. All distributions were settled prior to the transfer of investments from SLSS to SLI. The balance remaining as payable as at 31 March 2016 was \$nil. The Fund paid distributions of \$nil to SLI for the year ended 31 March 2017 (31 March 2016: not applicable). The balance remaining as payable at the end of the year is \$nil (31 March 2016: not applicable).

Management fees

The Manager receives management fees from the Fund. Under the Trust Deed the Manager pays the supervisor, custodian, registrar and auditor on behalf of the Fund and receives direct purchase application fees and all interest earned on cash at banks.

Total gross management fees excluding rebates for the year ended 31 March 2017 amounted to \$148,000 (31 March 2016: \$99,000), with \$1,000 (31 March 2016: \$12,000) of outstanding accrued management fees due to the Manager at the end of the year.

The total interest earned on cash at banks for the year ended 31 March 2017 amounted to \$2,000 (31 March 2016: \$2,000).

The total direct purchase application fees for the year ended 31 March 2017 amounted to \$2,000 (31 March 2016: \$1,000).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

7. RELATED PARTY TRANSACTIONS (Continued)

Other related party transactions

The audit fee paid by the Manager for the audit of the Fund at the year ended 31 March 2017 was \$5,000 (31 March 2016: \$6,000).

8. FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

The Fund utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in the Statement of Accounting Policies.

The financial instruments not accounted for at fair value through profit and loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

Financial instruments by category	2017	2016
	\$'000	\$'000
<i><u>Loans and receivables</u></i>		
Cash and cash equivalents	189	151
<i><u>Financial assets at fair value through profit and loss</u></i>		
Investments in equity securities held at fair value through profit and loss	36,396	31,765
<i><u>Other financial liabilities</u></i>		
Management fees payable	(1)	(12)
Funds held for unit purchases	(34)	(13)
Unsettled trades	-	(31)

The Fund's activities expose it to a variety of financial risks: market price risk, credit risk, liquidity risk and currency risk. The risk management policies used by the Fund are detailed below:

8a. Market price risk

The Fund's equity securities are exposed to market price risk arising from uncertainties about future prices of the financial instruments.

The Fund's market price risk is affected by actual changes in market prices. As this Fund invests in an Underlying Fund which tracks an Underlying Index, any change in the Underlying Index will result in a corresponding change in the assets at fair value through profit or loss.

A 10% increase/decrease in equity prices as at 31 March 2017 would have increased/decreased net profit and unitholder funds by \$3,640,000 (31 March 2016: \$3,176,000).

8b. Credit risk

The Fund is exposed to the potential risk of financial loss resulting from the failure of counterparties to honour fully the terms and conditions of a contract with the Fund. Financial instruments that subject the Fund to credit risk consist primarily of cash and receivables.

The maximum credit risk of financial instruments is considered to be their carrying value. The risk of non-recovery of monetary assets is considered very low due to the quality of counterparties dealt with.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

8. FINANCIAL RISK MANAGEMENT (Continued)

The Fund does not require collateral or other security to support financial instruments with credit risk. The maximum exposures to credit risk at the reporting date are:

	2017	2016
	\$'000	\$'000
Cash and cash equivalents	189	151

Cash and cash equivalents

The Fund's cash and cash equivalents balances are held with ANZ Bank New Zealand Limited ('ANZ'), BNP Paribas Securities Services ('BNP Paribas') and Westpac New Zealand Limited ('Westpac').

The table below discloses the Standard & Poor's credit rating for the Fund's cash and cash equivalents balance with each bank above at the reporting date.

	2017		2016
	Balance		Balance
	\$'000	Credit rating	\$'000
			Credit rating
ANZ	34	AA-	13
BNP Paribas	-	A	-
Westpac	155	AA-	138
	<u>189</u>		<u>151</u>

8c. Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with the financial liabilities that are settled by delivering cash or another financial asset.

The Fund's investment in the Vanguard Growth ETF shares is considered readily realisable, as it is quoted on the New York Stock Exchange Arca. In addition, liquidity risk associated with redemptions is managed by meeting redemptions in the form of baskets rather than cash. The Fund meets its redemption obligations by returning units in the Underlying Fund. Liquidity risk for the Fund is therefore low.

8d. Currency risk

Currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates.

The Fund holds assets denominated in a currency other than the New Zealand dollar, the functional currency. It is therefore exposed to currency risk, as the value of the securities denominated in US dollars will fluctuate due to changes in the exchange rate. The Fund's policy is not to enter into any currency hedging transactions.

A 10% strengthening/weakening of the New Zealand dollar against the US dollar as at 31 March 2017 would have decreased/increased profit and unitholders funds by \$3,640,000 (31 March 2016: \$3,173,000).

The table below summarises the Fund's exposure to currency risks.

	2017	2016
	\$'000	\$'000
Investment securities designated at fair value through profit and loss	36,396	31,765
Unsettled trades	-	(31)

9. COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 31 March 2017 (31 March 2016: none).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

10. EVENTS AFTER THE REPORTING YEAR

Since 31 March 2017 there have been no matters or circumstances not otherwise dealt with in the financial statements that have significantly affected or may significantly affect the Fund.

US LARGE GROWTH FUND



Independent Auditor's Report

To the unitholders of US Large Growth Fund

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of US Large Growth Fund (the fund) on pages 191 to 203:

- i. present fairly in all material respects the fund's financial position as at 31 March 2017 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2017;
- the statement of comprehensive income, statement of changes in unitholders' funds and statement of cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the fund in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report.

Our firm has also provided other assurance services to the fund in relation to reporting to the supervisor. Subject to certain restrictions, employees of our firm may also deal with the fund on normal terms within the ordinary course of trading activities of the business of the fund. These matters have not impaired our independence as auditor of the fund. The firm has no other relationship with, or interest in, the fund.



Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at \$366,000 determined with reference to a benchmark of the fund's total assets. We chose the benchmark because, in our view, this is a key measure of the fund's performance.

US LARGE GROWTH FUND



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the members as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter

How the matter was addressed in our audit

Carrying amount of investments

Refer to Note 2 to the Financial Statements.

The fund's portfolio of investments makes up 99.5% of total assets. We do not consider these investments to be at high risk of significant misstatement, or be subject to a significant level of judgement, because they comprise liquid, listed investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our audit procedures included:

- documenting and understanding the processes in place to record investment transactions and to value the portfolio. This included evaluating the control environment in place at the administration manager by obtaining and reading a report issued by an independent auditor on the design and operation of those controls
- agreeing the 31 March 2017 valuation of listed equity investments to externally quoted prices
- agreeing investment holdings to confirmations received from the administration manager

We did not identify any material differences in relation to the carrying amount of investments.



Other Information

The Manager, on behalf of the fund, is responsible for the other information included in the entity's Annual Report. Other information may include the Chairman's report, fund highlights, disclosures relating to corporate governance and statutory information. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Manager.



Use of this Independent Auditor's Report

This report is made solely to the members as a body. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in the Independent Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to

US LARGE GROWTH FUND



anyone other than the members as a body for our audit work, this report, or any of the opinions we have formed.



Responsibilities of the Manager for the financial statements

The Manager, on behalf of the fund, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Independent Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page2.aspx

This description forms part of our Independent Auditor's Report.

Brent Manning

For and on behalf of

KPMG
Wellington

25 May 2017

Unitholder Information

DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS

AS AT 30 APRIL 2017

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	75	50.00%	35,586	0.34%
1,001-5,000	54	36.00%	137,512	1.31%
5,001-10,000	16	10.67%	112,523	1.07%
10,001-50,000	4	2.67%	73,069	0.70%
50,001-100,000	-	0.00%	-	0.00%
Greater than 100,000	1	0.67%	10,120,160	96.58%
TOTAL	150	100.00%	10,478,850	100.00%

20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES

AS AT 30 APRIL 2017

Full Name	Total	Percentage
SuperLife Nominees Limited	10,120,160	96.58
Neville Murray Thompson & Bruce Raymond Sheppard & Murray Lawrence Schnauer	31,500	0.3
Arthur William Young & Peter Webster Wilson	15,134	0.14
Dash Limited	15,000	0.14
Billy Cheung Services Limited	11,435	0.11
Michael Rodney Ogle	9,800	0.09
Rachel Marie Baxter	9,516	0.09
George Heatherwick Findlay	9,020	0.09
Simon Roy Vannini	8,236	0.08
Franick Holdings Limited	8,006	0.08
John Ewen & John Ewen Trust Limited	7,400	0.07
Bharat Umesh Ratanpal & Ayesha Bharat Ratanpal	7,028	0.07
Christopher Seller	6,410	0.06
Charl Johannes De Villiers	6,373	0.06
Sean Michael Wynne & Helen Margaret Taylor	6,328	0.06
James Punnett	6,241	0.06
Phillip John Tait & Darien Patricia Tait & Jenny Catherine Hirst	6,155	0.06
Graham Alfred Walton	5,913	0.06
Michael William Smit	5,750	0.05
Andrew Mackay Drummond & Ross Drummond	5,312	0.05
	10,300,717	98.3

SUBSTANTIAL PRODUCT HOLDERS

The following information has been given pursuant to section 293 of the Financial Markets Conduct Act 2013 (FMCA). According to Smartshares records and disclosures made under section 280(1)(b) of the FMCA, there were no substantial product holders in the Fund as at 31 March 2017. The total number of units on issue at 31 March 2017 was 10,478,850.

DIRECTORS' INTERESTS IN UNITS

	Beneficial	Non-Beneficial
Bevan Miller	1,212*	0
Paul Baldwin	0	0
Guy Elliffe	2,418*	0
John Williams	0	0

*Beneficial interest in these units is indirectly held through the director's interest in the SuperLife KiwiSaver scheme

WAIVERS GRANTED

The Special Division of the New Zealand Markets Disciplinary Tribunal (Special Division) has granted, either fully, partially or subject to conditions a number of waivers to the fund.

The waiver decisions that Smartshares currently relies upon are available on smartshares.co.nz.

Special Division granted the following waivers from the Listing Rules that continue to be relied upon as at 31 March 2017:

3.1.1(a) - compliance with the Listing Rules	7.5 - Issues and Buybacks Affecting Control
3.1.1(b) - compliance with Takeover Provisions	7.6.1 to 7.6.3 - Buybacks of Equity Securities, Redemptions and Financial Assistance
3.3.5 to 3.3.15 - Appointment and Rotation of Directors	7.11.1 Allotment within 5 business days
3.4 - Proceedings and Power of Directors	9.2.1 - Transactions with Related Parties
3.5 - Directors' Remuneration	10.3.2 - Preliminary Announcements
Section 4 - Takeover Provisions	10.4.1(d) - Annual and Half-Year Reports availability
7.1.11 - Minimum Subscription	10.4.2 - Half-Yearly Reporting Requirements
7.3 - Issue of New Equity Securities.	10.6.1(a) - Other Administrative Information
7.4 - Entitlements to Third Party Securities	

In October 2015, Special Division granted Smartshares a waiver from Listing Rules 3.3.1(c), 3.3.3 and 3.6.2(c) to enable Mr Elliffe and Mr Williams to continue to be regarded as Independent Directors following their appointment to the board of SuperLife Limited in May 2016.

As Smartshares and SuperLife Limited were amalgamated on 9 November 2016, Smartshares no longer relies on this waiver.

In June 2016, Special Division granted Smartshares a waiver from Listing Rule 9.2.1 to enable Smartshares to amalgamate with SuperLife Limited without the need for unitholder approval. Smartshares no longer relies on this waiver.

On 8 September 2016, Special Division granted fully, partially or subject to conditions, waivers from the following Listing Rules in relation to the transition of the group investment funds to the FMCA:

7.4.1 - Entitlements to Third Party Securities
7.6.5 - Buy Backs of Equity Securities, Redemptions and Financial Assistance
8.3.1 - Modifications of Rights of Security Holders
9.2.1 - Transactions with Related Parties

NZ Mid Cap Fund (MDZ)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017

Presented by Smartshares Limited, Manager of the NZ Mid Cap Fund

Report to the Unitholders

HIGHLIGHTS

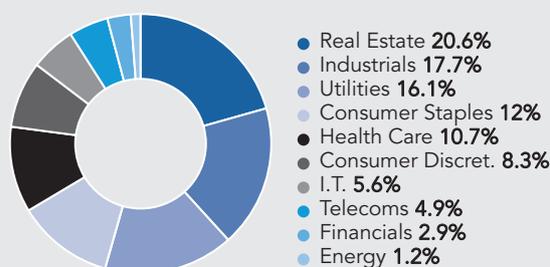
Launch Date 16-Jun-97

	March 2017	March 2016
Net Tangible Assets (NTA)	\$4.140	\$3.927
Units On Issue	18,650,223	16,250,223
Funds Under Management	\$77,204,618	\$63,807,801
Gross Distribution	\$0.140	\$0.178
Gross Distribution Yield	3.39%	4.52%
Gross Return	9.14%	15.77%
Total Fund Charges	0.75%	0.75%
Distributions paid	Semi-annual	

NTA Per Unit



Sector Allocation



Growth of \$1,000*



*Since inception, all distributions reinvested.

NZ MID CAP FUND

DIRECTORY

THE MANAGER

Smartshares Limited
Level 1, NZX Centre
11 Cable Street, Wellington 6140
New Zealand

THE SUPERVISOR

Public Trust
Level 5, 40-42 Queens Drive
Lower Hutt 5010, Wellington
New Zealand

This is also the address of the registered office.

PRINCIPAL OFFICE OF THE MANAGER

Level 7, Zurich House
21 Queen Street, Auckland Central
Auckland 1010
New Zealand

AUDITOR

KPMG
10 Customhouse Quay
PO Box 996, Wellington 6140
New Zealand

DIRECTORS OF THE MANAGER

Bevan K. Miller
Timothy O. Bennett (resigned 30 December 2016)
Guy R. Elliffe
A. John Williams
Paul J. Baldwin (appointed 30 December 2016)

SOLICITOR

Buddle Findlay
Level 17, State Insurance Tower
1 Willis Street, Wellington 6140
New Zealand

INVESTMENT ADMINISTRATOR

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

INVESTMENT CUSTODIAN

JBWere (NZ) Nominees Limited

INVESTMENT ADMINISTRATOR

Link Market Services Limited

CORRESPONDENCE

All correspondence and enquiries to the Manager about the Fund should be addressed to the Manager, Smartshares Limited, at the above address.

NZ MID CAP FUND

Smartshares Limited (the 'Manager') and Public Trust (the 'Supervisor') are parties to a trust deed dated 24 June 2014 as amended and restated on 9 September 2016 (the 'Trust Deed') which sets out the terms and conditions on which units in the funds within the Smartshares Exchange Traded Funds are offered for subscription, whether to the public or otherwise.

The Trust Deed provides that each fund is to be established by the Manager and the Supervisor entering into an establishment deed setting out the specific terms and conditions relating to that fund.

The NZ Mid Cap Fund (the 'Fund') was created by an establishment deed dated 9 September 2016 between the Manager and Supervisor. The Fund replicates the group investment fund which was known as the NZX Midcap Index Fund. On 26 October 2016 unitholders in the NZX Midcap Index Fund resolved by extraordinary resolution that it was to be resettled as a unit trust. As a result, on 7 November 2016, its assets and liabilities were resettled on the Fund. The units in the NZX Midcap Index Fund were then redeemed for units in the Fund.

STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are drawn up in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), and fairly present the financial position of the Fund as at 31 March 2017, and the results of its financial performance and cash flows for the period ended 31 March 2017 in accordance with the requirement of the Trust Deed.

It is believed that there are no circumstances that may materially and adversely affect any interest of the unitholders in the assets other than those already disclosed in this report.

For and on behalf of the Manager:
Smartshares Limited



.....
Director



.....
Director

This statement was approved for signing at a meeting of the Directors on 25 May 2017.

NZ MID CAP FUND

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2017**

	Note	Period Ended 31 March 2017 \$'000
INCOME		
Dividend income		1,347
Securities lending income		5
Net changes in fair value of financial assets at fair value through profit or loss		<u>6,029</u>
Total income		<u>7,381</u>
EXPENSES		
Management fees expense	7	(220)
Miscellaneous expenses		<u>(1)</u>
Total expenses		<u>(221)</u>
Profit before tax		7,160
Income tax credit	1	<u>30</u>
Profit after tax		7,190
Other comprehensive income		<u>-</u>
Total comprehensive income		<u><u>7,190</u></u>
EARNINGS PER UNIT		
Basic and diluted earnings per unit (cents per unit)	4	<u><u>38.93</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS
FOR THE PERIOD ENDED 31 MARCH 2017**

	Note	Period Ended 31 March 2017 \$'000
Unitholders' funds at the beginning of the period		-
Total comprehensive income for the period		<u>7,190</u>
Subscriptions from unitholders	6	71,417
Redemptions by unitholders	6	(389)
Distributions to unitholders	5	<u>(841)</u>
		<u>70,187</u>
Unitholders' funds at the end of the period		<u><u>77,377</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017**

	Note	As At 31 March 2017 \$'000
ASSETS		
Cash and cash equivalents		2,225
Receivables		435
Investments in equity securities held at fair value through profit or loss	2	76,858
Deferred tax asset		<u>30</u>
TOTAL ASSETS		<u>79,548</u>
LIABILITIES		
Management fees payable	7	(5)
Funds held for unit purchases		(1,352)
Other current liabilities		(1)
Unsettled trades		<u>(813)</u>
TOTAL LIABILITIES		<u>(2,171)</u>
UNITHOLDERS' FUNDS		<u>77,377</u>
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		<u>79,548</u>

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the financial statements on 25 May 2017.



B Miller
Chairman
Smartshares Limited



G Elliffe
Director
Smartshares Limited

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2017**

	Period Ended 31 March 2017 S'000
CASH FLOWS FROM OPERATING ACTIVITIES	
<i>Cash was provided from:</i>	
Dividend income received	932
Securities lending income received	4
<i>Cash was applied to:</i>	
Management fees paid	(215)
Miscellaneous expenses paid	(1)
Net cash flows from operating activities	<u>720</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
<i>Cash was provided from:</i>	
Sale of investments	2,898
Net repayments from the Manager	2
<i>Cash was applied to:</i>	
Purchase of investments	(4,079)
Net cash flows from investing activities	<u>(1,179)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES	
<i>Cash was provided from:</i>	
Subscriptions received from unitholders	3,530
<i>Cash was applied to:</i>	
Redemptions paid to unitholders	(5)
Distributions paid to unitholders	(841)
Net cash flows from financing activities	<u>2,684</u>
 Net increase in cash and cash equivalents	 2,225
Cash and cash equivalents at the beginning of period	<u>-</u>
Cash and cash equivalents at the end of period	<u><u>2,225</u></u>
 Reconciliation of profit after tax to net cash flows from operating activities	
Profit after tax	7,190
Net changes in fair value of financial assets at fair value through profit or loss	(6,029)
Increase in deferred tax asset	(30)
Increase in management fees payable	5
Increase in receivables	(416)
Net cash flows from operating activities	<u><u>720</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2017**

GENERAL INFORMATION

The NZ Mid Cap Fund (the 'Fund') is a for-profit fund registered in New Zealand and established under the Financial Markets Conduct Act 2013 ('FMC Act 2013'). It is offered under a registered managed investment scheme known as the Smartshares Exchange Traded Funds. Smartshares Limited, the Manager of the Fund is a FMC reporting entity for the purpose of the FMC Act 2013.

The Fund is governed by the Trust Deed dated 24 June 2014 as amended and restated on 9 September 2016 between the Manager and the Supervisor. The Fund was established on 9 September 2016, and commenced operation on 7 November 2016.

The Fund replicates the group investment fund which was known as the NZX Midcap Index Fund, which was resettled as the Fund on 7 November 2016.

The Fund's units are quoted on the NZX Main Board. The Fund is a passive investment fund that tracks the S&P/NZX Mid Cap Index (the 'Index'). As prescribed by the Trust Deed, the Fund invests in the securities included in the Index broadly in proportion to the weightings of the Index. Investments are valued at fair value according to last traded market prices on the NZX Main Board on 31 March 2017 (see Note 2).

STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

Reporting period

These are the Fund's first financial statements and are for the period 9 September 2016 to 31 March 2017.

Basis of preparation

The financial statements of the Fund have been prepared in accordance with the requirements of the FMC Act 2013, Financial Reporting Act 2013, New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS'). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The functional currency of this entity is the same as the presentation currency of these financial statements being the New Zealand Dollar ('NZD'), rounded to the nearest thousand.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Smartshares Limited Board of Directors to exercise its judgement in the process of applying the Fund's Statement of Accounting Policies.

Financial assets at fair value through profit or loss

(a) Classification

The Fund classifies its investments in equity securities held at fair value as financial assets at fair value through profit or loss. These financial assets are designated by the Smartshares Board of Directors at inception as their performance is managed and evaluated on a fair value basis in accordance with a documented investment strategy.

(b) Recognition/derecognition

Purchases and sales of investments are recognised on the trade date - the date on which the Fund commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments has expired or the Fund has transferred substantially all risks and rewards of ownership.

(c) Measurement

Financial assets at fair value through profit or loss are recognised at fair value. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the Statement of Comprehensive Income when they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income within dividend income when the Fund's right to receive payment is established.

(d) Fair value estimation

The fair value of the financial instruments is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Fund is the last traded market price.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2017**

Receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are measured at amortised cost using the effective interest method less impairment.

Payables

Trade payables and other payables are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services, and are measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents are considered to be cash at banks, net of bank overdrafts. Operating activities in the Statement of Cash Flows include all transactions or events that are not investing or financing activities. Investing activities are those activities that relate to the acquisition, holding and disposal of investments and securities not falling within the definition of cash. Financing activities are those activities that relate to cash contributions to and from, or distributions to the unitholders.

Units

The Fund issues units, which provide the holder with a beneficial interest in the Fund. The units can be put back to the Fund via a basket redemption, in accordance with the redemption rules as defined in the Trust Deed, for securities of the constituent companies in proportion to the Index and of a proportion of cash held in the Fund.

The units are issued and redeemed based on the Fund's net asset value per unit at the time of issue or redemption. The Fund's net asset value per unit is calculated by dividing the net assets attributable to the unitholders by the total number of outstanding units. In accordance with the provisions of the Trust Deed investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Distributions to unitholders

Distributions are made up of income received from the investments and security lending income less expenses paid and allowances for future liabilities. Income from investments held are attributed to unitholders on the basis of the number of units held on the record date of the distribution. To the extent that imputation credits are available, distributions to unitholders will be fully imputed. The record date for the Fund is on the last business day of May and November in each year. Currently distributions to unitholders are made on a semi-annual basis directly from the fund within 20 business days of the record date.

Taxation

The Fund is domiciled in New Zealand and is registered as a Portfolio Investment Entity ('PIE').

The Fund is liable for tax at the prevailing company tax rate on taxable dividends from the investments in securities listed in Note 2 and securities lending income after the deduction of management fees. With this income, the Fund is able to utilise imputation credits to satisfy the tax liability. The Fund pays tax to the extent that the imputation credits do not cover the tax liability in full.

Deferred tax is recognised in respect of temporary differences at the Statement of Financial Position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Current and deferred tax is measured using the tax rates enacted or substantively enacted at the reporting date. The temporary differences relate to accrued dividends and tax losses to be carried forward.

Goods and services tax (GST)

The Fund is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

Securities lending

The Fund enters into securities lending transactions whereby it gives loans of securities recognised on the Statement of Financial Position, but retains either all or substantially all of the risks and rewards of the lent securities or a portion of them. As all or substantially all risks and rewards are retained, the lent securities are not derecognised.

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE PERIOD ENDED 31 MARCH 2017**

Segment information

The Fund operates solely in the business of investment management, investing in New Zealand equities. For the period ended 31 March 2017, no individual equity investment contributed 10% or more of the Fund's dividend income.

Issued but not yet effective accounting standards

A number of accounting standards have been issued or revised that are not yet effective as at 31 March 2017, and have not been applied in preparing the financial statements. The Fund does not plan to adopt these standards early. The standards which are relevant to the Fund are as follows:

- NZ IFRS 9 Financial Instruments - Effective for annual reporting periods beginning on or after 1 January 2018; The impact of any changes has not yet been determined.
- NZ IFRS 15 Revenue from Contracts with Customers - Effective for annual reporting periods beginning on or after 1 January 2018. The impact of any changes has not yet been determined.

1. TAXATION

	31 March 2017
	\$'000
Tax credit comprises:	
Current tax credit	-
Deferred tax movement	<u>30</u>
Total tax credit	<u><u>30</u></u>

The prima facie income tax expense on profit before tax from operations reconciles to the income tax expense in the financial statements as follows:

	31 March 2017
	\$'000
Income tax expense	
Profit before tax	<u>7,160</u>
Income tax using the statutory income tax rate 28%	(2,005)
Net changes in fair value of financial assets	1,688
Non taxable income	139
Gross up of imputation credits	<u>(81)</u>
	(259)
Less imputation credits and other tax credits	<u>289</u>
Income tax credit as per Statement of Comprehensive Income	<u><u>30</u></u>

Deferred tax	31 March 2017
	\$'000
Opening balance	-
Current period movement	30
Prior period adjustment	-
Closing balance	<u><u>30</u></u>

Imputation credit account (ICA)	31 March 2017
	\$'000
Imputation credits available for use in subsequent periods	423

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2017**

2. INVESTMENTS IN EQUITY SECURITIES HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 March 2017	
	Number of Shares	Fair value
	'000	\$'000
Underlying Securities		
A2 Milk Company Limited	1,551	4,637
Air New Zealand Limited	1,128	2,775
Argosy Property Trust	1,755	1,702
Arvinda Group Limited	714	907
Chorus Limited	870	3,758
Comvita Limited	82	702
EBOS Group Limited	175	3,200
Fonterra Shareholders Fund	267	1,616
Freightways Limited	331	2,480
Genesis Energy Limited	1,026	2,134
Goodman Property Trust	2,162	2,605
Heartland New Zealand Limited	982	1,610
Incitec Pivot Limited	448	595
Infratil Limited	1,197	3,483
Kathmandu Holdings Limited	345	682
Kiwi Income Property Trust	2,777	3,957
Mainfreight Limited	181	4,084
Mercury NZ Limited	1,384	4,358
Metlifecare Limited	278	1,702
Metro Performance Glass Limited	396	515
New Zealand Refining Company Limited	381	906
NZX Limited	573	619
Port of Tauranga Limited	669	2,790
Precinct Properties New Zealand Limited	2,148	2,621
Property For Industry Limited	967	1,562
Restaurant Brands NZ Limited	244	1,331
Sanford Limited (NS)	126	927
Scales Corp Limited	254	881
Stride Property Limited	779	1,348
Summerset Group Holdings Limited	473	2,446
Tegel Group Holdings Limited	411	464
TrustPower Limited	154	708
Tourism Holdings Limited	255	955
Trade Me Group Limited	849	4,355
Vector Limited	534	1,710
Vista Group International Limited	175	1,047
Vital Healthcare Property Trust	694	1,426
Xero Limited	165	3,260
		<u>76,858</u>

All investments are designated at inception as being at fair value through profit or loss. The fair values of investments are calculated using the last traded market price on reporting date. The investments are registered in the name of JBWere (NZ) Nominees Limited, the custodian of the Fund.

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE PERIOD ENDED 31 MARCH 2017**

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value can be categorised across the following 3 levels based on the degree to which their fair value is 'observable':

Level 1 - Fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable either directly or indirectly;

Level 3 - Fair value measurements are derived from valuation methods that include inputs that are not based on observable market data.

All financial instruments of the Fund measured at fair value are categorised as level 1 in the hierarchy. There were no transfers between levels in the year ended 31 March 2017.

4. EARNINGS PER UNIT

The basic earnings/(losses) per unit (EPU) is calculated by dividing the net profit/(loss) attributable to the unitholders by the weighted average number of units on issue during the period.

The Fund's diluted EPU is the same as the basic EPU since the Fund has not issued any instrument with dilutive potential.

	31 March 2017
Profit after tax (\$'000)	7,190
Weighted average number of units ('000)	18,470
Basic and diluted earnings per unit (cents per unit)	38.93

5. DISTRIBUTION PAYABLE TO UNITHOLDERS

	31 March 2017
	\$'000
Opening distribution payable	-
Distributions accrued to unitholders	841
Distributed to unitholders	(841)
Closing distribution payable	-

Distributions declared and paid

	Year ended	Distribution per unit (cents per unit)	31 March 2017
			\$'000
November 2016 (paid December 2016)	31/03/2017	4.62	841
			841

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2017**

6. UNITHOLDERS' FUNDS

The Fund was established on 9 September 2016 by way of the Manager depositing \$100 with the Supervisor.

On 7 November 2016 the Fund received assets and liabilities as a result of the resettlement of the NZX Mid Cap Index Fund. A total of 18,350,000 units in the Fund were issued for a total value of \$69,843,000, represented by:

	\$'000
Investments in equity securities held at fair value through profit or loss	68,646
Cash and cash equivalents	1,196
Receivables	19
Payables	(18)
	69,843

As at 31 March 2017 there were 18,650,000 units on issue.

All issued units are fully paid and redeemable, and are quoted on the NZX Main Board. The Fund's net asset attributable to unitholders are represented by these units. The relevant movements are shown in the Statement of Changes in Unitholders' Funds.

The number of units allotted during the period ended 31 March 2017 was 18,750,000 for total value of \$71,417,000.

The number of units redeemed during the period ended 31 March 2017 was 100,000 for total value of \$389,000.

	31 March 2017
	'000
Movement in the number of units	
Balance at the beginning of the period	-
Subscriptions received during the period	18,750
Redemptions made during the period	(100)
Units on issue at the end of the period	18,650

The net asset value of each unit per the financial statements is \$4.14890. Any difference between the net asset value announced to the market for 31 March 2017 and the net asset value per the financial statements is due to different unit pricing methodology.

7. RELATED PARTY TRANSACTIONS

Related party holdings

Key management personnel are the Directors of the Manager. There were no transactions with key management personnel during the period.

The Fund is managed by Smartshares Limited, which is a wholly owned subsidiary of NZX Limited, a company listed on the NZX Main Board. The Fund holds shares in NZX Limited (refer to note 2) as NZX Limited shares constitute part of the Index that the Fund tracks.

SuperLife Invest managed investment scheme ("SLI"), a scheme managed by Smartshares Limited, also a wholly owned subsidiary of NZX Limited, is an investor in the Fund.

As at 31 March 2017 the SLI scheme held 2,067,765 units valued at \$8,560,000 in the Fund.

Distributions

The Fund paid distributions of \$95,000 to SLI for the period ended 31 March 2017. The balance remaining as payable at the end of the period was \$nil.

Management fees

The Manager receives management fees from the Fund. Under the Trust Deed the Manager pays the supervisor, custodian, registrar and auditor on behalf of the Fund and receives direct purchase application fees and interest earned on cash at banks.

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE PERIOD ENDED 31 MARCH 2017**

7. RELATED PARTY TRANSACTIONS (Continued)

For the period ended 31 March 2017, total direct purchase application fees amounted to \$4,000 and the total interest earned on cash at banks amounted to \$7,000.

Total gross management fees excluding rebates for the period ended 31 March 2017 amounted to \$220,000 with \$5,000 of outstanding accrued management fees due to the Manager at the end of the period.

Other related party transactions

As at 31 March 2017 the Fund had a payable to the Manager of \$1,000.

The audit fee paid by the Manager for the audit of the Fund for the period ended 31 March 2017 was \$5,000.

The Fund has entered into a securities lending agreement with New Zealand Clearing Limited ('NZCL'), a wholly owned subsidiary of NZX Limited. Securities lent are backed against the collateral of the borrower. As at 31 March 2017 the value of securities the Fund had on loan to NZCL was \$2,318,000.

Total security lending fees for the period ended 31 March 2017 amounted to \$5,000, with the accrued fees due to the Fund of \$1,000. The fees earned by the fund above represent fifty percent of the total fee earned from the securities lending agreement the Fund has with NZCL. The other fifty percent is income of the Manager for administering the securities lending agreement.

8. FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

The Fund utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in accordance to the Statement of Accounting Policies.

The financial instruments not accounted for at fair value through profit and loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

Financial instruments by category

	As at 31 March 2017 \$'000
<u><i>Loans and receivables</i></u>	
Cash and cash equivalents	2,225
Receivables	435
<u><i>Financial assets at fair value through profit and loss</i></u>	
Investments in equity securities held at fair value through profit or loss	76,858
<u><i>Other financial liabilities</i></u>	
Management fees payable	(5)
Other current liabilities	(1)
Funds held for unit purchases	(1,352)

The Fund's activities expose it to a variety of financial risks: market price risk, credit risk, liquidity risk and securities lending risk. The risk management policies used by the Fund are detailed below:

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2017**

8. FINANCIAL RISK MANAGEMENT (Continued)

8a. Market price risk

The Fund's equity securities are exposed to market price risk arising from uncertainties about future prices of the financial instruments.

Because the Fund tracks a New Zealand equity index and is fully invested in the index's underlying New Zealand equity securities, the value of the Fund will move up and down with the New Zealand market.

A 10% increase/decrease of equity prices as at 31 March 2017 would have increased/decreased net profit and unitholder funds by \$7,686,000.

8b. Credit risk

The Fund is exposed to the potential risk of financial loss resulting from the failure of counterparties to honour fully the terms and conditions of a contract with the Fund. Financial instruments that subject the Fund to credit risk consisted primarily of cash and receivables.

The maximum credit risk of financial instruments is considered to be their carrying value. The risk of non-recovery of monetary assets is considered very low due to the quality of counterparties dealt with.

The Fund does not require collateral or other security to support financial instruments with credit risk. Maximum exposures to credit risk at the reporting date are:

	31 March 2017 \$'000
Cash and cash equivalents	2,225

Cash and cash equivalents

The Fund's cash and cash equivalents balances are held with ANZ Bank New Zealand Limited ('ANZ') and Bank of New Zealand Limited ('BNZ').

The table below discloses the Standard & Poor's credit rating for the Fund's cash and cash equivalents balance with each bank at reporting date.

	31 March 2017	
	Balance	Credit rating
	\$'000	
ANZ	1,495	AA-
BNZ	<u>730</u>	AA-
	<u><u>2,225</u></u>	

8c. Liquidity risk

Liquidity risk is the risk that the Fund would encounter difficulty in meeting obligations associated with the financial liabilities that are settled by delivering cash or another financial asset.

The Fund's investments in listed securities are considered readily realisable, as they are quoted on the NZX Main Board. In addition, liquidity risk associated with redemptions is managed by meeting redemptions in the form of baskets rather than cash. The Fund meets its redemption obligations by returning the proportionate number of underlying securities in return for the units. Liquidity risk for the Fund is therefore low.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2017**

8. FINANCIAL RISK MANAGEMENT (Continued)

8d. Securities lending risk

A number of possible risks arise from the securities lending program implemented for the Fund. These include, but are not limited to, the risk that a borrower of securities will fail to deliver equivalent securities on termination of a loan or would encounter financial difficulties (resulting in delays in or failure to redeliver securities to the Fund), the risk of failure of the central counterparty settlement system, the risk that the contract relating to the lending will for whatever reason not be legally enforceable or documented correctly (resulting, for example, in an inability to enforce an obligation to re-transfer securities) and the risk that the operational procedures adopted in respect of the Fund will result in errors, fraud or misconduct that will cause a loss to the Fund.

In order to limit the Fund's exposure to risk that may arise as a result of securities lending, the Fund has a limitation of 50% of the value of its securities it may lend at any point in time. Individual or multiple securities can be lent at any given time, for a minimum of one day. Fees are charged accordingly.

At 31 March 2017, the single borrower of the Fund's securities is New Zealand Clearing Limited ('NZCL'), a wholly owned subsidiary of NZX Limited. Securities lent are backed by collateral of the borrower.

On 31 March 2017 the amount of securities the Fund had on loan to NZCL was \$2,318,000.

9. COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 31 March 2017.

10. EVENTS AFTER THE REPORTING PERIOD

Since 31 March 2017, there have been no matters or circumstances not otherwise dealt with in the financial statements that have significantly affected or may significantly affect the Fund.

NZ MID CAP FUND



Independent Auditor's Report

To the unitholders of NZ Mid Cap Fund

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of NZ Mid Cap Fund (the fund) on pages 212 to 224:

- i. present fairly in all material respects the fund's financial position as at 31 March 2017 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2017;
- the statement of comprehensive income, statement of changes in unitholders' funds and statement of cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the fund in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report.

Our firm has also provided other assurance services to the fund in relation to reporting to the supervisor. Subject to certain restrictions, employees of our firm may also deal with the fund on normal terms within the ordinary course of trading activities of the business of the fund. These matters have not impaired our independence as auditor of the fund. The firm has no other relationship with, or interest in, the fund.



Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at \$795,000 determined with reference to a benchmark of the fund's total assets. We chose the benchmark because, in our view, this is a key measure of the fund's performance.

NZ MID CAP FUND



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the members as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter

How the matter was addressed in our audit

Carrying amount of investments

Refer to Note 2 to the Financial Statements.

The fund's portfolio of investments makes up 96.6% of total assets. We do not consider these investments to be at high risk of significant misstatement, or be subject to a significant level of judgement, because they comprise liquid, listed investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our audit procedures included:

- documenting and understanding the processes in place to record investment transactions and to value the portfolio. This included evaluating the control environment in place at the administration manager by obtaining and reading a report issued by an independent auditor on the design and operation of those controls
- agreeing the 31 March 2017 valuation of listed equity investments to externally quoted prices
- agreeing investment holdings to confirmations received from the administration manager

We did not identify any material differences in relation to the carrying amount of investments.



Other Information

The Manager, on behalf of the fund, is responsible for the other information included in the entity's Annual Report. Other information may include the Chairman's report, fund highlights, disclosures relating to corporate governance and statutory information. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Manager.



Use of this Independent Auditor's Report

This report is made solely to the members as a body. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in the Independent Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to

NZ MID CAP FUND



anyone other than the members as a body for our audit work, this report, or any of the opinions we have formed.



Responsibilities of the Manager for the financial statements

The Manager, on behalf of the fund, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Independent Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page2.aspx

This description forms part of our Independent Auditor's Report.

Brent Manning

For and on behalf of

KPMG
Wellington

25 May 2017

Unitholder Information

DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS

AS AT 30 APRIL 2017

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	536	23.82%	211,844	1.12%
1,001-5,000	825	36.67%	2,182,155	11.52%
5,001-10,000	455	20.22%	3,216,366	16.97%
10,001-50,000	402	17.87%	7,169,106	37.83%
50,001-100,000	20	0.89%	1,221,302	6.44%
Greater than 100,000	12	0.53%	4,949,450	26.12%
TOTAL	2,250	100.00%	18,950,223	100.00%

20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES

AS AT 30 APRIL 2017

Full Name	Total	Percentage
SuperLife Nominees Limited	2,067,765	10.91
Anna Elisabeth Minnaar	897,481	4.74
New Zealand Central Securities Depository Limited	426,585	2.25
Custodial Services Limited	381,932	2.02
New Zealand Law Foundation	214,252	1.13
Custodial Services Limited	210,854	1.11
Custodial Services Limited	174,097	0.92
FNZ Custodians Limited	134,643	0.71
North Star Trustees Limited	112,299	0.59
Custodial Services Limited	111,402	0.59
Keith Orsbourne Ballagh & Josephine Jane Frances Ballagh	110,697	0.58
Custodial Services Limited	107,443	0.57
Peter French Meyer	94,790	0.5
Gwenda Heron Trustee Limited	94,137	0.5
Geoffrey Wayne Smith	75,529	0.4
David James Hunt & Shirley Ann Hunt	74,990	0.4
Christopher Graham Paice	61,682	0.33
Lewis John Randal	58,622	0.31
Christopher Alan Lee Brice	58,494	0.31
Graeme Robert Young	58,494	0.31
	5,526,188	29.18

SUBSTANTIAL PRODUCT HOLDERS

The following information has been given pursuant to section 293 of the Financial Markets Conduct Act 2013 (FMCA). According to Smartshares records and disclosures made under section 280(1)(b) of the FMCA, there were no substantial product holders in the Fund as at 31 March 2017. The total number of units on issue at 31 March 2017 was 18,650,223.

DIRECTORS' INTERESTS IN UNITS

	Beneficial	Non-Beneficial
Bevan Miller	223*	0
Paul Baldwin	0	0
Guy Elliffe	446*	0
John Williams	0	0

*Beneficial interest in these units is indirectly held through the director's interest in the SuperLife KiwiSaver scheme

WAIVERS GRANTED

The Special Division of the New Zealand Markets Disciplinary Tribunal (Special Division) has granted, either fully, partially or subject to conditions a number of waivers to the fund.

The waiver decisions that Smartshares currently relies upon are available on smartshares.co.nz.

Special Division granted the following waivers from the Listing Rules that continue to be relied upon as at 31 March 2017:

3.1.1(a) - compliance with the Listing Rules	7.5 - Issues and Buybacks Affecting Control
3.1.1(b) - compliance with Takeover Provisions	7.6.1 to 7.6.3 - Buybacks of Equity Securities, Redemptions and Financial Assistance
3.3.5 to 3.3.15 - Appointment and Rotation of Directors	7.11.1 Allotment within 5 business days
3.4 - Proceedings and Power of Directors	9.2.1 - Transactions with Related Parties
3.5 - Directors' Remuneration	10.3.2 - Preliminary Announcements
Section 4 - Takeover Provisions	10.4.1(d) - Annual and Half-Year Reports availability
7.1.11 - Minimum Subscription	10.4.2 - Half-Yearly Reporting Requirements
7.3 - Issue of New Equity Securities.	10.6.1(a) - Other Administrative Information
7.4 - Entitlements to Third Party Securities	

In October 2015, Special Division granted Smartshares a waiver from Listing Rules 3.3.1(c), 3.3.3 and 3.6.2(c) to enable Mr Elliffe and Mr Williams to continue to be regarded as Independent Directors following their appointment to the board of SuperLife Limited in May 2016.

As Smartshares and SuperLife Limited were amalgamated on 9 November 2016, Smartshares no longer relies on this waiver.

In June 2016, Special Division granted Smartshares a waiver from Listing Rule 9.2.1 to enable Smartshares to amalgamate with SuperLife Limited without the need for unitholder approval. Smartshares no longer relies on this waiver.

On 8 September 2016, Special Division granted fully, partially or subject to conditions, waivers from the following Listing Rules in relation to the transition of the group investment funds to the FMCA:

7.4.1 - Entitlements to Third Party Securities
7.6.5 - Buy Backs of Equity Securities, Redemptions and Financial Assistance
8.3.1 - Modifications of Rights of Security Holders
9.2.1 - Transactions with Related Parties

Australian Mid Cap Fund (MZY)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017

Presented by Smartshares Limited, Manager of the Australian Mid Cap Fund

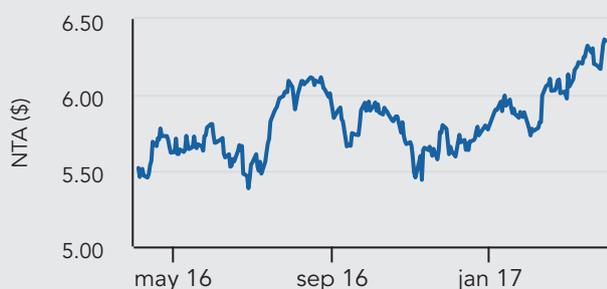
Report to the Unitholders

HIGHLIGHTS

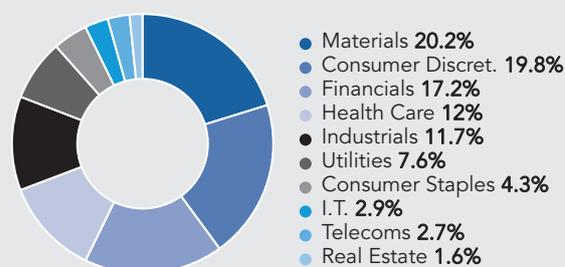
Launch Date 27-Sep-04

	March 2017	March 2016
Net Tangible Assets (NTA)	\$6.356	\$5.558
Units On Issue	15,107,274	13,382,274
Funds Under Management	\$96,020,118	\$74,373,192
Gross Distribution	\$0.124	\$0.106
Gross Distribution Yield	1.94%	1.91%
Gross Return	16.80%	9.97%
Total Fund Charges	0.75%	0.75%
Distributions paid	Semi-annual	

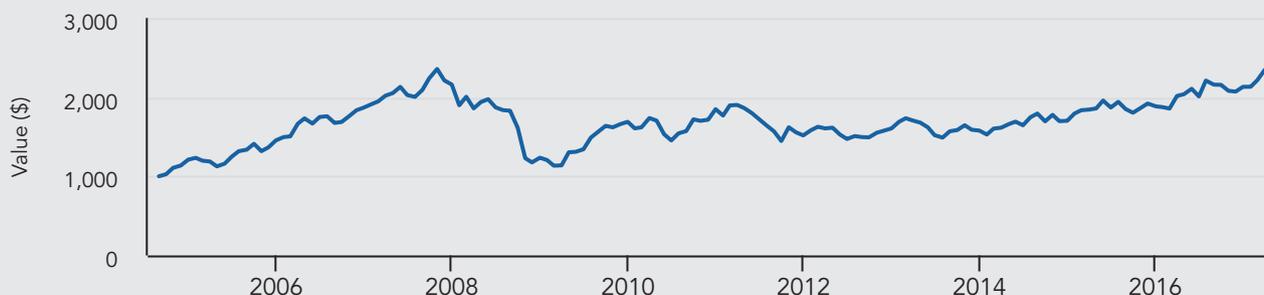
NTA Per Unit



Sector Allocation



Growth of \$1,000



AUSTRALIAN MID CAP FUND

DIRECTORY

THE MANAGER

Smartshares Limited
Level 1, NZX Centre
11 Cable Street, Wellington 6140
New Zealand

This is also the address of the registered office.

PRINCIPAL OFFICE OF THE MANAGER

Level 7, Zurich House
21 Queen Street, Auckland Central
Auckland 1010
New Zealand

DIRECTORS OF THE MANAGER

Bevan K. Miller
Timothy O. Bennett (resigned 30 December 2016)
Guy R. Elliffe
A. John Williams
Paul J. Baldwin (appointed 30 December 2016)

REGISTRAR

Link Market Services Limited

SUPERVISOR

Public Trust
Level 5, 40-42 Queens Drive
Lower Hutt 5010, Wellington
New Zealand

AUDITOR

KPMG
10 Customhouse Quay
PO Box 996, Wellington 6140
New Zealand

SOLICITOR

Buddle Findlay
Level 17, State Insurance Tower
1 Willis Street, Wellington 6140
New Zealand

INVESTMENT ADMINISTRATOR & CUSTODIAN

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

CORRESPONDENCE

All correspondence and enquiries to the Manager about the Fund should be addressed to the Manager, Smartshares Limited, at the above address.

AUSTRALIAN MID CAP FUND

Smartshares Limited (the 'Manager') and Public Trust (the 'Supervisor') are parties to a trust deed dated 24 June 2014 as amended and restated on 9 September 2016 (the 'Trust Deed') which sets out the terms and conditions on which units in the funds within the Smartshares Exchange Traded Funds are offered for subscription, whether to the public or otherwise.

The Trust Deed provides that each fund is to be established by the Manager and the Supervisor entering into an establishment deed setting out the specific terms and conditions relating to that fund.

The Australian Mid Cap Fund (the 'Fund') was created by an establishment deed dated 9 September 2016 between the Manager and Supervisor. The Fund replicates the group investment fund which was known as the NZX Australian Midcap Index Fund. On 26 October 2016 unitholders in the NZX Australian Midcap Index Fund resolved by extraordinary resolution that it was to be resettled as a unit trust. As a result, on 7 November 2016, its assets and liabilities were resettled on the Fund. The units in the NZX Australian Midcap Index Fund were then redeemed for units in the Fund.

STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), and fairly present the financial position of the Fund as at 31 March 2017, and the results of its financial performance and cash flows for the period ended 31 March 2017 in accordance with the requirement of the Trust Deed.

It is believed that there are no circumstances that may materially and adversely affect any interest of the unitholders in the assets other than those already disclosed in this report.

For and on behalf of the Manager:
Smartshares Limited



.....
Director



.....
Director

This statement was approved for signing at a meeting of the Directors on 25 May 2017.

AUSTRALIAN MID CAP FUND

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2017**

	Note	Period Ended 31 March 2017 \$'000
INCOME		
Dividend income		1,675
Net changes in fair value of financial assets at fair value through profit or loss		13,096
Foreign exchange gain		<u>43</u>
Total income		<u>14,814</u>
EXPENSES		
Management fees expense	7	(263)
Miscellaneous expenses		<u>(8)</u>
Total expenses		<u>(271)</u>
Profit before tax		14,543
Income tax expense	1	<u>(434)</u>
Profit after tax		14,109
Other comprehensive income		<u>-</u>
Total comprehensive income		<u>14,109</u>
EARNINGS PER UNIT		
Basic and diluted earnings per unit (cents per unit)	4	<u>95.19</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS
FOR THE PERIOD ENDED 31 MARCH 2017**

		Period Ended 31 March 2017 S'000
Unitholders' funds at the beginning of the period		-
Total comprehensive income for the period		<u>14,109</u>
Subscriptions from unitholders	6	82,961
Distributions to unitholders	5	<u>(806)</u>
		<u>82,155</u>
Unitholders' funds at the end of the period		<u><u>96,264</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017**

	Note	As At 31 March 2017 \$'000
ASSETS		
Cash and cash equivalents		2,341
Receivables		509
Investments in equity securities held at fair value through profit or loss	2	<u>95,008</u>
TOTAL ASSETS		<u><u>97,858</u></u>
LIABILITIES		
Management fees payable	7	(6)
Taxation payable		(200)
Deferred tax liability		(124)
Funds held for unit purchases		(1,099)
Unsettled trades		(164)
Other current liabilities		<u>(1)</u>
TOTAL LIABILITIES		<u><u>(1,594)</u></u>
UNITHOLDERS' FUNDS		<u><u>96,264</u></u>
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		<u><u>97,858</u></u>

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the financial statements on 25 May 2017.



B Miller
Chairman
Smartshares Limited



G Elliffe
Director
Smartshares Limited

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2017**

	Period Ended 31 March 2017 S'000
CASH FLOWS FROM OPERATING ACTIVITIES	
<i>Cash was provided from:</i>	
Dividend income received	1,272
<i>Cash was applied to:</i>	
Management fees paid	(257)
Taxation paid	(55)
Miscellaneous expenses paid	(8)
Net cash flows from operating activities	<u>952</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
<i>Cash was provided from:</i>	
Sale of investments	15,442
Net repayments from the Manager	1
<i>Cash was applied to:</i>	
Purchase of investments	(16,093)
Net cash flows from investing activities	<u>(650)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
<i>Cash was provided from:</i>	
Subscriptions received from unitholders	2,847
<i>Cash was applied to:</i>	
Distributions paid to unitholders	(808)
Net cash flows from financing activities	<u>2,039</u>
Net increase in cash and cash equivalents	2,341
Cash and cash equivalents at the beginning of the period	-
Cash and cash equivalents at the end of the period	<u>2,341</u>
Reconciliation of profit after tax to net cash flows from operating activities	
Profit after tax	14,109
Net changes in fair value of financial assets at fair value through profit or loss	(13,096)
Foreign exchange gain	(43)
Increase in taxation payable	200
Increase in deferred tax liability	124
Increase in management fees payable	6
Increase in receivables	(348)
Net cash flows from operating activities	<u>952</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2017**

GENERAL INFORMATION

The Australian Mid Cap Fund (the 'Fund') is a for-profit fund registered in New Zealand and established under the Financial Market Conduct Act 2013 ('FMC Act 2013'). It is offered under a registered managed investment scheme known as the Smartshares Exchange Traded Funds. Smartshares Limited, the Manager of the Fund is a FMC reporting entity for the purpose of the FMC Act 2013.

The Fund is governed by the Trust Deed dated 24 June 2014 as amended and restated on 9 September 2016 between the Manager and the Supervisor. The Fund was established on 9 September 2016, and commenced operation on 7 November 2016.

The Fund replicates the group investment fund which was known as the NZX Australian Midcap Index Fund, which was resettled as the Fund on 7 November 2016.

The Fund's units are quoted on the NZX Main Board. The Fund is a passive investment fund that tracks the S&P/ASX Mid Cap 50 Index (the 'Index'). As prescribed by the Trust Deed, the Fund invests in the securities included in the Index broadly in proportion to the weightings of the Index. Investments are valued at fair value according to last traded market prices on the Australian Securities Exchange on 31 March 2017 (see Note 2).

STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below.

Reporting period

These are the Fund's first financial statements and are for the period 9 September 2016 to 31 March 2017.

Basis of preparation

The financial statements of the Fund have been prepared in accordance with the requirements of the FMC Act 2013, Financial Reporting Act 2013, New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS'). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The functional currency of this entity is the same as the presentation currency of these financial statements being the New Zealand Dollar ('NZD'), rounded to the nearest thousand.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Smartshares Board of Directors to exercise its judgement in the process of applying the Fund's Statement of Accounting Policies.

Financial assets at fair value through profit or loss

(a) Classification

The Fund classifies its investments in equity securities held at fair value as financial assets at fair value through profit or loss. These financial assets are designated by the Smartshares Board of Directors at inception as their performance is managed and evaluated on a fair value basis in accordance with a documented investment strategy.

(b) Recognition/derecognition

Purchases and sales of investments are recognised on the trade date - the date on which the Fund committed to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments has expired or the Fund has transferred substantially all risks and rewards of ownership.

(c) Measurement

Financial assets at fair value through profit or loss were recognised at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income when they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income within dividend income when the Fund's right to receive payment is established.

(d) Fair value estimation

The fair value of the financial instruments is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Fund is the last traded market price.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2017**

Receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are measured at amortised cost using the effective interest method less impairment.

Payables

Trade payables and other payables are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services, and are measured at amortised cost.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency (NZD) using the exchange rate prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Translation differences of non-monetary financial assets such as equities held at fair value through profit or loss are recognised in the Statement of Comprehensive Income as part of the net changes in fair value of financial assets at fair value through profit or loss.

Cash and cash equivalents

Cash and cash equivalents are considered to be cash at banks, net of bank overdrafts. Operating activities in the Statement of Cash Flows include all transactions or events that are not investing or financing activities. Investing activities are those activities that relate to the acquisition, holding and disposal of investments and securities not falling within the definition of cash. Financing activities are those activities that relate to cash contributions to and from, or distributions to the unitholders.

Units

The Fund issues units, which provide the holder with a beneficial interest in the Fund. The units can be put back to the Fund via a basket redemption, in accordance with the redemption rules as defined in the Trust Deed, for securities of the constituent companies in proportion to the Index and of a proportion of cash held in the Fund.

The units are issued and redeemed based on the Fund's net asset value per unit at the time of issue or redemption. The Fund's net asset value per unit is calculated by dividing the net assets attributable to the unitholders by the total number of outstanding units. In accordance with the provisions of the Trust Deed investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Distributions to unitholders

Distributions are made up of income received from the investments less expenses paid and allowances for future liabilities. Income from investments held is attributed to unitholders on the basis of the number of units held on the record date of the distribution. To the extent that imputation credits are available, distributions to unitholders will be fully imputed. The record date for the Fund is on the last business day of May and November in each year. Currently, distributions to unitholders are made on a semi-annual basis directly from the fund within 20 business days of the record date.

Taxation

The Fund is domiciled in New Zealand and is registered as a Portfolio Investment Entity ('PIE').

The Fund is liable for tax at the prevailing company tax rate on taxable dividends (excluding dividends from investments in securities subject to the Fair Dividend Rate method ('FDR')) from the investment in securities listed in Note 2 after the deduction of management fees. For securities subject to FDR, the Fund is liable for tax based on the market value of the security. With some of this income, the Fund is able to utilise foreign withholding tax credits to satisfy the tax liability. The Fund pays tax to the extent that the foreign withholding tax credits do not cover the tax liability in full.

Deferred tax is recognised in respect of temporary differences at the Statement of Financial Position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Current and deferred tax is measured using the tax rates enacted or substantively enacted at the reporting date. The temporary differences relate to accrued dividends.

Goods and services tax (GST)

The Fund is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2017**

Segment information

The Fund operates solely in the business of investment management, investing in Australian equities. The Fund receives all of its revenue from its Australian equity investments. Two individual equity investments contributed 10% or more of the Fund's dividend income for the period ended 31 March 2017. The individual dividend income received from these equity investments amounted to \$209,000 and \$168,000.

Issued but not yet effective accounting standards

A number of accounting standards have been issued or revised that are not yet effective as at 31 March 2017, and have not been applied in preparing the financial statements. The Fund does not plan to adopt these standards early. The standards which are relevant to the Fund are as follows:

- NZ IFRS 9 Financial Instruments - Effective for annual reporting periods beginning on or after 1 January 2018. The impact of any changes has not yet been determined.
- NZ IFRS 15 Revenue from Contracts with Customers - Effective for annual reporting periods beginning on or after 1 January 2018. The impact of any changes has not yet been determined.

1. TAXATION

	31 March 2017 \$'000
Tax expense comprises:	
Current tax expense	(310)
Deferred tax movement	<u>(124)</u>
Total tax expense	<u><u>(434)</u></u>

The prima facie income tax expense on profit before tax from operations reconciles to the income tax expense in the financial statements as follows:

	31 March 2017 \$'000
Income tax expense	
Profit before tax	<u>14,543</u>
Income tax using the statutory income tax rate 28%	(4,072)
Net changes in fair value of financial assets	3,667
Non taxable income	46
Tax on securities subject to FDR	<u>(67)</u>
	(426)
Add imputation credits and other tax credits	<u>(8)</u>
Income tax expense as per Statement of Comprehensive Income	<u><u>(434)</u></u>

	31 March 2017 \$'000
Deferred tax	
Current period movement	<u>(124)</u>
Closing balance	<u><u>(124)</u></u>

	31 March 2017 \$'000
Imputation credit account (ICA)	
Imputation credits available for use in subsequent periods	254

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2017**

2. INVESTMENTS IN EQUITY SECURITIES HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	As At 31 March 2017	
	Number of Shares	Fair Value
	'000	\$'000
Underlying securities		
Adelaide Brighton	212	1,316
ALS Limited	241	1,614
Alumina Limited	1,113	2,174
Ansell Limited	71	1,853
Ausnet Services Limited	830	1,527
Bank of Queensland	185	2,455
Bendigo And Adelaide Bank Limited	226	2,991
Bluescope Steel Limited	274	3,668
Boral Limited	560	3,570
Carsales Com Limited	106	1,287
Challenger Limited	269	3,690
Cimic Group Limited	47	1,830
Coca Cola Amatil Limited	252	2,979
Cochlear Limited	27	4,039
Crown Resorts Limited	181	2,332
CSR Limited	247	1,213
CYBG Plc	328	1,616
Dominos Pizza Enterprises Limited	31	1,962
Downer EDI Ltd - Rights	83	1
Downer EDI Ltd	291	1,837
Duet Group	1,180	3,594
Dulux Group Limited	182	1,297
Evolution Mining Limited	554	1,269
Fairfax Media Limited	1,141	1,276
Flight Centre Travel Group Limited	27	849
Graincorp Limited	109	1,082
Harvey Norman Holdings Limited	285	1,411
Healthscope Limited	827	2,050
Henderson Group	334	1,387
Iluka Resources Limited	200	1,662
Investa Office Fund	293	1,520
IOOF Holdings Limited	126	1,174
JB Hi-Fi Limited	53	1,441
Link Administration Holdings Limited	172	1,450
Macquarie Atlas Roads Group	242	1,349
Magellan Financial Group Limited	67	1,717
Navitas Limited	146	706
Northern Star Resources Limited	287	1,270
Orora Limited	576	1,862
Perpetual Trustees Australia Limited	23	1,283
Primary Health Care Limited	198	773
Qube Holdings Limited	582	1,626
REA Group Limited	23	1,507
Resmed Inc	270	2,732
Seek Limited	164	2,855

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2017**

2. INVESTMENTS IN EQUITY SECURITIES HELD AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

	As At 31 March 2017	
	Number of Shares '000	Fair Value \$'000
Underlying securities		
Spark Infrastructure Limited	803	2,078
Tabcorp Holdings Limited	395	2,047
Tatts Group Limited	628	3,036
The Star Entertainment Group Limited	373	2,226
TPG Telecom Limited	149	1,134
Vocus Group Limited	295	1,391
		95,008

All investments are designated at inception as being at fair value through profit or loss. The fair values of investments are calculated using the last traded market price at the reporting date. The investments are registered in the name of BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch, the custodian of the Fund.

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value can be categorised across the following 3 levels based on the degree to which their fair value is 'observable':

Level 1 – Fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable either directly or indirectly;

Level 3 – Fair value measurements are derived from valuation methods that include inputs that are not based on observable market data.

All financial instruments of the Fund measured at fair value are categorised as level 1 in the hierarchy. There were no transfers between levels in the period ended 31 March 2017.

4. EARNINGS PER UNIT

The basic earnings per unit (EPU) is calculated by dividing the net profit/(loss) after tax attributable to the unitholders by the weighted average number of units on issue during the period.

The Fund's diluted EPU is the same as the basic EPU since the Fund has not issued any instrument with dilutive potential.

	31 March 2017
Profit after tax (\$'000)	14,109
Weighted average number of units ('000)	14,822
Basic and diluted earnings per unit (cents per unit)	95.19

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2017**

5. DISTRIBUTION PAYABLE TO UNITHOLDERS

	31 March 2017 \$'000
Opening distribution payable	-
Distributions accrued to unitholders	808
Distributed to unitholders	<u>(808)</u>
Closing distribution payable	<u><u>-</u></u>

Distributions declared and paid

	Year ended	Distribution per unit (cents per unit)	31 March 2017 \$'000
November 2016 (paid December 2016)	31/12/2016	5.57	<u>808</u>
			<u><u>808</u></u>

6. UNITHOLDERS' FUNDS

The Fund was established on 9 September 2016 by way of the Manager depositing \$100 with the Supervisor.

On 7 November 2016 the Fund received assets and liabilities as a result of the resettlement of the NZX Australian Midcap Index Fund. A total of 14,507,000 units in the Fund were issued for a total value of \$79,414,000, represented by:

	\$'000
Investments in equity securities held at fair value through profit or loss	78,110
Cash and cash equivalents	1,085
Receivables	223
Payables	<u>(4)</u>
	<u><u>79,414</u></u>

As at 31 March 2017 there were 15,107,000 units on issue

All issued units are fully paid and redeemable, and are quoted on the NZX Main Board. The Fund's net asset attributable to unitholders are represented by these units. The relevant movements are shown in the Statement of Changes in Unitholders' Funds.

The number of units allotted during the period ended 31 March 2017 was 15,107,000 for total value of \$82,961,000.

The number of units redeemed during the period ended 31 March 2017 was nil for total value of \$nil.

	31 March 2017 '000
Movement in the number of units	
Balance at the beginning of the period	-
Subscriptions received during the period	<u>15,107</u>
Units on issue at the end of the period	<u><u>15,107</u></u>

The net asset value of each unit per the financial statements is \$6.37215. Any difference between the net asset value announced to the market for 31 March 2017 and the net asset value per the financial statements is due to different unit pricing methodology.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2017**

7. RELATED PARTY TRANSACTIONS

Related party holdings

Key management personnel are the Directors of the Manager. There were no transactions with key management personnel during the period.

The Fund is managed by Smartshares Limited, which is a wholly owned subsidiary of NZX Limited, a company listed on the NZX Main Board.

SuperLife Invest managed investment scheme ("SLI"), a scheme managed by Smartshares Limited, also a wholly owned subsidiary of NZX Limited, is an investor in the Fund.

As at 31 March 2017 the SLI scheme held 6,891,447 units valued at \$43,801,000 in the Fund.

Distributions

The Fund paid distributions of \$354,000 to SLI for the period ended 31 March 2017. The balance remaining as payable at the end of the period is \$nil.

Management fees

The Manager receives management fees from the Fund. Under the Trust Deed the Manager pays the supervisor, custodian, registrar and auditor on behalf of the Fund and receives direct purchase application fees and interest earned on cash at banks.

For the period ended 31 March 2017, total direct purchase application fees amounted to \$1,000 and the total interest earned on cash at banks amounted to \$4,000.

Total gross management fees excluding rebates for the period ended 31 March 2017 amounted to \$263,000 with \$6,000 of outstanding accrued management fees due to the Manager at the end of the period.

Other related party transactions

As at 31 March 2017 the Fund has other payables to the Manager of \$1,000.

The audit fee paid by the Manager for the audit of the Fund for the period ended 31 March 2017 was \$5,000.

8. FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

The Fund utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in the Statement of Accounting Policies.

The financial instruments not accounted for at fair value through profit and loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2017**

8. FINANCIAL RISK MANAGEMENT (Continued)

Financial instruments by category	As At 31 March 2017 \$'000
<i><u>Loans and receivables</u></i>	
Cash and cash equivalents	2,341
Receivables	509
<i><u>Financial assets at fair value through profit and loss</u></i>	
Investments in equity securities held at fair value through profit or loss	95,008
<i><u>Other financial liabilities</u></i>	
Management fees payable	(6)
Unsettled trades	(164)
Funds held for unit purchases	(1,099)
Other current liabilities	(1)

The Fund's activities expose it to a variety of financial risks: market price risk, credit risk, liquidity risk and currency risk. The risk management policies used by the Fund are detailed below:

8a. Market price risk

The Fund's equity securities are exposed to market price risk arising from uncertainties about future prices of the financial instruments.

Because the Fund tracks an Australian equity index and is fully invested in the index's underlying Australian equity securities, the value of the Fund will move up and down with the Australian market.

A 10% increase/decrease in equity prices as at 31 March 2017 would have increased/decreased net profit and unitholder funds by \$9,501,000.

8b. Credit risk

The Fund is exposed to the potential risk of financial loss resulting from the failure of counterparties to honour fully the terms and conditions of a contract with the Fund. Financial instruments that subject the Fund to credit risk consisted primarily of cash and receivables.

The maximum credit risk of financial instruments is considered to be their carrying value. The risk of non-recovery of monetary assets is considered very low due to the quality of counterparties dealt with.

The Fund does not require collateral or other security to support financial instruments with credit risk. The maximum exposures to credit risk at the reporting date are:

	31 March 2017 \$'000
Cash and cash equivalents	2,341
Receivables	509

Cash and cash equivalents

The Fund's cash and cash equivalents balances are held with ANZ Bank New Zealand Limited ('ANZ') BNP Paribas Securities Services ('BNP Paribas') and Westpac New Zealand Limited ('Westpac').

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2017**

8. FINANCIAL RISK MANAGEMENT (Continued)

The table below discloses the Standard & Poor's credit rating for the Fund's cash and cash equivalents balance with each bank at the reporting date.

	31 March 2017	
	Balance	Credit rating
	\$'000	
ANZ	1,382	AA-
BNP Paribas	6	A
Westpac	953	AA-
	2,341	

8c. Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with the financial liabilities that were settled by delivering cash or another financial asset.

The Fund's investments in listed securities are considered readily realisable, as they are quoted on the Australian Securities Exchange. In addition, liquidity risk associated with redemptions is managed by meeting redemptions in the form of baskets rather than cash. The Fund meets its redemption obligations by returning the proportionate number of underlying securities in return for the units. Liquidity risk for the Fund is therefore low.

8d. Currency risk

Currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates.

The Fund holds assets denominated in a currency other than the New Zealand dollar, the functional currency. It is therefore exposed to currency risk, as the value of the securities denominated in Australian dollars will fluctuate due to changes in the exchange rate. The Fund's policy is not to enter into any currency hedging transactions.

A 10% strengthening/weakening of the New Zealand dollar against the Australian dollar as at 31 March 2017 would have decreased/increased profit and unitholders funds by \$9,533,000.

The table below summarises the Fund's exposure to currency risks.

	31 March 2017	
		\$'000
Australian dollar cash held (NZD)	6	6
Receivables	312	312
Investments in equity securities held at fair value through profit or loss	95,008	95,008

9. COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 31 March 2017.

10. EVENTS AFTER THE REPORTING PERIOD

Since 31 March 2017, there have been no matters or circumstances not otherwise dealt with in the financial statements that have significantly affected or may significantly affect the Fund.

AUSTRALIAN MID CAP FUND



Independent Auditor's Report

To the unitholders of Australian Mid Cap Fund

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of Australian Mid Cap Fund (the fund) on pages 233 to 245:

- i. present fairly in all material respects the fund's financial position as at 31 March 2017 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2017;
- the statement of comprehensive income, statement of changes in unitholders' funds and statement of cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the fund in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report.

Our firm has also provided other assurance services to the fund in relation to reporting to the supervisor. Subject to certain restrictions, employees of our firm may also deal with the fund on normal terms within the ordinary course of trading activities of the business of the fund. These matters have not impaired our independence as auditor of the fund. The firm has no other relationship with, or interest in, the fund.



Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at \$979,000 determined with reference to a benchmark of the fund's total assets. We chose the benchmark because, in our view, this is a key measure of the fund's performance.

AUSTRALIAN MID CAP FUND



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the members as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter

How the matter was addressed in our audit

Carrying amount of investments

Refer to Note 2 to the Financial Statements.

The fund's portfolio of investments makes up 97.1% of total assets. We do not consider these investments to be at high risk of significant misstatement, or be subject to a significant level of judgement, because they comprise liquid, listed investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our audit procedures included:

- documenting and understanding the processes in place to record investment transactions and to value the portfolio. This included evaluating the control environment in place at the administration manager by obtaining and reading a report issued by an independent auditor on the design and operation of those controls
- agreeing the 31 March 2017 valuation of listed equity investments to externally quoted prices
- agreeing investment holdings to confirmations received from the administration manager

We did not identify any material differences in relation to the carrying amount of investments.



Other Information

The Manager, on behalf of the fund, is responsible for the other information included in the entity's Annual Report. Other information may include the Chairman's report, fund highlights, disclosures relating to corporate governance and statutory information. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Manager.



Use of this Independent Auditor's Report

This report is made solely to the members as a body. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in the Independent Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to

AUSTRALIAN MID CAP FUND



anyone other than the members as a body for our audit work, this report, or any of the opinions we have formed.



Responsibilities of the Manager for the financial statements

The Manager, on behalf of the fund, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Independent Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page2.aspx

This description forms part of our Independent Auditor's Report.

Brent Manning

For and on behalf of

KPMG
Wellington

25 May 2017

Unitholder Information

DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS

AS AT 30 APRIL 2017

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	632	32.56%	244,601	1.60%
1,001-5,000	892	45.96%	2,100,786	13.77%
5,001-10,000	253	13.03%	1,740,336	11.41%
10,001-50,000	155	7.99%	2,807,655	18.40%
50,001-100,000	3	0.15%	182,708	1.20%
Greater than 100,000	6	0.31%	8,181,188	53.62%
TOTAL	1,941	100.00%	15,257,274	100.00%

20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES

AS AT 30 APRIL 2017

Full Name	Total	Percentage
SuperLife Nominees Limited	6,891,447	45.17
Anna Elisabeth Minnaar	644,705	4.23
New Zealand Central Securities Depository Limited	215,722	1.41
Custodial Services Limited	183,098	1.2
Philippa Jane Stubbins & Comac Trustee Limited	145,527	0.95
FNZ Custodians Limited	100,689	0.66
FNZ Custodians Limited	77,252	0.51
Custodial Services Limited	52,754	0.35
Elwyn Dianne Mayall	52,702	0.35
Custodial Services Limited	45,049	0.3
Gavin Ronald Walker & Susan Eleanor Walker & William Malcom Patterson	44,718	0.29
Gavin Ronald Walker & Susan Eleanor Walker & William Malcolm Patterson	44,718	0.29
Michael Geoffrey Byrne & Catherine Anne Byrne	42,578	0.28
Ajd Family Nominees Limited	42,574	0.28
North Star Trustees Limited	42,448	0.28
Christopher Graham Paice	40,978	0.27
Alastair John Kenworthy	40,371	0.26
Custodial Services Limited	40,028	0.26
Custodial Services Limited	39,478	0.26
Richard Murray Lawson	39,456	0.26
	8,826,292	57.86

SUBSTANTIAL PRODUCT HOLDERS

The following information has been given pursuant to section 293 of the Financial Markets Conduct Act 2013 (FMCA). According to Smartshares records and disclosures made under section 280(1)(b) of the FMCA, there were no substantial product holders in the Fund as at 31 March 2017. The total number of units on issue at 31 March 2017 was 15,107,274.

DIRECTORS' INTERESTS IN UNITS

	Beneficial	Non-Beneficial
Bevan Miller	674*	0
Paul Baldwin	0	0
Guy Elliffe	1,344*	0
John Williams	0	0

*Beneficial interest in these units is indirectly held through the director's interest in the SuperLife KiwiSaver scheme

WAIVERS GRANTED

The Special Division of the New Zealand Markets Disciplinary Tribunal (Special Division) has granted, either fully, partially or subject to conditions a number of waivers to the fund.

The waiver decisions that Smartshares currently relies upon are available on smartshares.co.nz.

Special Division granted the following waivers from the Listing Rules that continue to be relied upon as at 31 March 2017:

3.1.1(a) - compliance with the Listing Rules	7.5 - Issues and Buybacks Affecting Control
3.1.1(b) - compliance with Takeover Provisions	7.6.1 to 7.6.3 - Buybacks of Equity Securities, Redemptions and Financial Assistance
3.3.5 to 3.3.15 - Appointment and Rotation of Directors	7.11.1 Allotment within 5 business days
3.4 - Proceedings and Power of Directors	9.2.1 - Transactions with Related Parties
3.5 - Directors' Remuneration	10.3.2 - Preliminary Announcements
Section 4 - Takeover Provisions	10.4.1(d) - Annual and Half-Year Reports availability
7.1.11 - Minimum Subscription	10.4.2 - Half-Yearly Reporting Requirements
7.3 - Issue of New Equity Securities.	10.6.1(a) - Other Administrative Information
7.4 - Entitlements to Third Party Securities	

In October 2015, Special Division granted Smartshares a waiver from Listing Rules 3.3.1(c), 3.3.3 and 3.6.2(c) to enable Mr Elliffe and Mr Williams to continue to be regarded as Independent Directors following their appointment to the board of SuperLife Limited in May 2016.

As Smartshares and SuperLife Limited were amalgamated on 9 November 2016, Smartshares no longer relies on this waiver.

In June 2016, Special Division granted Smartshares a waiver from Listing Rule 9.2.1 to enable Smartshares to amalgamate with SuperLife Limited without the need for unitholder approval. Smartshares no longer relies on this waiver.

On 8 September 2016, Special Division granted fully, partially or subject to conditions, waivers from the following Listing Rules in relation to the transition of the group investment funds to the FMCA:

7.4.1 - Entitlements to Third Party Securities
7.6.5 - Buy Backs of Equity Securities, Redemptions and Financial Assistance
8.3.1 - Modifications of Rights of Security Holders
9.2.1 - Transactions with Related Parties

US Mid Cap Fund (USM)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017

Presented by Smartshares Limited, Manager of the US Mid Cap Fund

Report to the Unitholders

HIGHLIGHTS

Launch Date 29-Jul-15

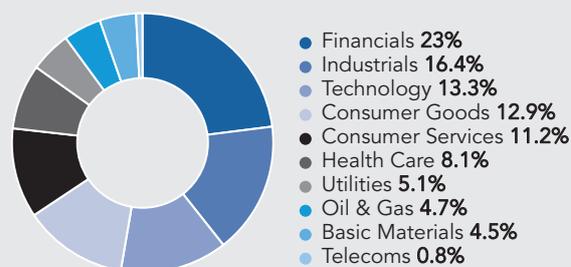
	March 2017	March 2016
Net Tangible Assets (NTA)	\$3.967	\$3.495
Units On Issue	7,184,500	6,928,500
Funds Under Management	\$28,503,339	\$24,217,463
Gross Distribution	-	\$0.044*
Gross Distribution Yield	N/A	N/A
Gross Return	13.50%	-6.95%*
Total Fund Charges	0.53%	0.54%
Distributions paid	Semi-annual	

* Since Inception

NTA Per Unit



Sector Allocation



Growth of \$1,000*



*Since inception, all distributions reinvested.

US MID CAP FUND

DIRECTORY

THE MANAGER

Smartshares Limited
Level 1, NZX Centre
11 Cable Street, Wellington 6140
New Zealand

This is also the address of the registered office.

PRINCIPAL OFFICE OF THE MANAGER

Level 7, Zurich House
21 Queen Street, Auckland Central
Auckland 1010
New Zealand

DIRECTORS OF THE MANAGER

Bevan K. Miller
Timothy O. Bennett (resigned 30 December 2016)
Guy R. Elliffe
A. John Williams
Paul J. Baldwin (appointed 30 December 2016)

INVESTMENT ADMINISTRATOR & CUSTODIAN

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

THE SUPERVISOR

Public Trust
Level 5, 40-42 Queens Drive
Lower Hutt 5010, Wellington
New Zealand

AUDITOR

KPMG
10 Customhouse Quay
PO Box 996, Wellington 6140
New Zealand

SOLICITOR

Buddle Findlay
Level 17, State Insurance Tower
1 Willis Street, Wellington 6140
New Zealand

REGISTRAR

Link Market Services Limited

CORRESPONDENCE

All correspondence and enquiries to the Manager about the Fund should be addressed to the Manager, Smartshares Limited, at the above address.

US MID CAP FUND

Smartshares Limited (the 'Manager') and Public Trust (the 'Supervisor') are parties to a master trust deed dated 24 June 2014 as amended and restated on 9 September 2016 (the 'Trust Deed'). Under a Deed of Retirement and Appointment dated 6 September 2016, Trustees Executors Limited retired as the trustee and Public Trust was appointed as the Supervisor. The Trust Deed sets out the terms and conditions on which units in the funds within the Smartshares Exchange Traded Funds are offered for subscription, whether to the public or otherwise.

The Trust Deed provides that each fund is to be established by the Manager and the Supervisor entering into an establishment deed setting out the specific terms and conditions relating to that fund.

The US Mid Cap Fund (the 'Fund') was created by an establishment deed dated 10 July 2015 as amended and restated on 9 September 2016 between the Manager and the Supervisor.

STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), and fairly present the financial position of the Fund as at 31 March 2017, and the results of its financial performance and cash flows for the year ended 31 March 2017 in accordance with the requirement of the Trust Deed.

It is believed that there are no circumstances that may materially and adversely affect any interest of the unitholders in the assets other than those already disclosed in this report.

For and on behalf of the Manager:

Smartshares Limited

.....
Director

.....
Director

This statement was approved for signing at a meeting of the Directors on 25 May 2017.

US MID CAP FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017

		Year Ended 31 March 2017 \$'000	Period Ended 31 March 2016 \$'000
INCOME			
Dividend income		420	430
Net changes in fair value of financial assets at fair value through profit or loss		3,496	(2,063)
Foreign exchange gain		-	15
Total income		<u>3,916</u>	<u>(1,618)</u>
EXPENSES			
Management fees expense	7	(116)	(76)
Foreign exchange loss		(5)	-
Total expenses		<u>(121)</u>	<u>(76)</u>
Profit/(loss) before tax		3,795	(1,694)
Income tax expense	1	(328)	(222)
Profit/(loss) after tax		3,467	(1,916)
Other comprehensive income		-	-
Total comprehensive income/(loss)		<u>3,467</u>	<u>(1,916)</u>
EARNINGS PER UNIT			
Basic and diluted earnings/(losses) per unit (cents per unit)	4	<u>48.92</u>	<u>(27.60)</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS
 FOR THE YEAR ENDED 31 MARCH 2017**

		Year Ended 31 March 2017 \$'000	Period Ended 31 March 2016 \$'000
Unitholders' funds at the beginning of the year/period		24,255	-
Total comprehensive income/(loss) for the year/period		<u>3,467</u>	<u>(1,916)</u>
Subscriptions from unitholders	6	934	27,347
Redemptions by unitholders	6	-	(960)
Distributions to unitholders	5	<u>-</u>	<u>(216)</u>
		<u>934</u>	<u>26,171</u>
Unitholders' funds at the end of the year/period		<u><u>28,656</u></u>	<u><u>24,255</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017**

	Note	As At 31 March 2017 \$'000	As At 31 March 2016 \$'000
ASSETS			
Cash and cash equivalents		68	131
Receivables		80	-
Investments in equity securities held at fair value through profit or loss	2	<u>28,621</u>	<u>24,230</u>
TOTAL ASSETS		<u>28,769</u>	<u>24,361</u>
LIABILITIES			
Management fees payable	7	(1)	(9)
Taxation payable		(86)	(55)
Funds held for unit purchases		(26)	(7)
Unsettled trades		<u>-</u>	<u>(35)</u>
TOTAL LIABILITIES		<u>(113)</u>	<u>(106)</u>
UNITHOLDERS' FUNDS		<u>28,656</u>	<u>24,255</u>
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		<u>28,769</u>	<u>24,361</u>

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the financial statements on 25 May 2017.



B Miller
Chairman
Smartshares Limited



G Elliffe
Director
Smartshares Limited

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017**

	Year Ended 31 March 2017 \$'000	Period Ended 31 March 2016 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Dividend income received	277	365
<i>Cash was applied to:</i>		
Management fees paid	(124)	(67)
Taxation paid	<u>(234)</u>	<u>(102)</u>
Net cash flows from operating activities	<u>(81)</u>	<u>196</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Cash was provided from:</i>		
Sale of investments	-	-
<i>Cash was applied to:</i>		
Purchase of investments	<u>(404)</u>	<u>(71)</u>
Net cash flows from investing activities	<u>(404)</u>	<u>(71)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Cash was provided from:</i>		
Subscriptions received from unitholders	422	226
<i>Cash was applied to:</i>		
Redemptions paid to unitholders	-	(4)
Distributions paid to unitholders	<u>-</u>	<u>(216)</u>
Net cash flows from financing activities	<u>422</u>	<u>6</u>
Net increase/(decrease) in cash and cash equivalents	(63)	131
Cash and cash equivalents at the beginning of the year/period	<u>131</u>	<u>-</u>
Cash and cash equivalents at the end of the year/period	<u>68</u>	<u>131</u>
Reconciliation of profit/(loss) after tax to net cash flows from operating activities		
Profit/(loss) after tax	3,467	(1,916)
Net changes in fair value of financial assets at fair value through profit or loss	(3,496)	2,063
Foreign exchange loss/(gain)	5	(15)
Increase in taxation payable	31	55
(Decrease)/Increase in management fees payable	(8)	9
Increase in accounts receivable	<u>(80)</u>	<u>-</u>
Net cash flows from operating activities	<u>(81)</u>	<u>196</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

GENERAL INFORMATION

The US Mid Cap Fund (the 'Fund') is a for-profit fund registered in New Zealand and established under the Financial Markets Conduct Act 2013 ('FMC Act 2013'). It is offered under a registered managed investment scheme known as the Smartshares Exchange Traded Funds. Smartshares Limited, the Manager of the Fund is a FMC reporting entity for the purposes of the FMC Act 2013.

The Fund is governed by the Trust Deed dated 24 June 2014 as amended and restated on 9 September 2016 between the Manager and the Supervisor. The Fund was established on 10 July 2015 and commenced operations on 29 July 2015.

The Fund changed its name from US Mid Cap Trust to US Mid Cap Fund effective 16 September 2016.

The Fund's units are quoted on the NZX Main Board. The Fund is a passive investment fund that invests in Vanguard Mid Cap ETF (the 'Underlying Fund'), which tracks the CRSP US Mid Cap Index (the 'Underlying Index'). The Underlying Fund invests in securities contained in the Underlying Index broadly in proportion to the weightings of the Underlying Index. Investments are valued at fair value according to last traded market prices on the New York Stock Exchange Arca on 31 March 2017 (see Note 2).

STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied to the year/period presented.

Comparative period and amounts

These financial statements are for the the year ended 31 March 2017. The comparative figures are for the period 29 July 2015 to 31 March 2016. Where necessary, comparative figures have been restated to correspond to the current year classifications.

Basis of preparation

The financial statements of the Fund have been prepared in accordance with the requirements of the FMC Act 2013, Financial Reporting Act 2013, New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS'). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The functional currency of this entity is the same as the presentation currency of these financial statements being the New Zealand Dollar ('NZD'), rounded to the nearest thousand.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Smartshares Limited Board of Directors to exercise its judgement in the process of applying the Fund's Statement of Accounting Policies.

Financial assets at fair value through profit or loss

(a) Classification

The Fund classifies its investments in equity securities held at fair value as financial assets at fair value through profit or loss. These financial assets are designated by the Smartshares Board of Directors at inception as their performance is managed and evaluated on a fair value basis in accordance with a documented investment strategy.

(b) Recognition/derecognition

Purchases and sales of investments are recognised on the trade date - the date on which the Fund commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

(c) Measurement

Financial assets at fair value through profit or loss are recognised at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income when they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income within dividend income when the Fund's right to receive payment is established.

(d) Fair value estimation

The fair value of the financial instruments is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Fund is the last traded market price.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

Receivables

Trade receivable and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are measured at amortised cost using the effective interest method less impairment.

Payables

Trade payables and other payables are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services, and are measured at amortised cost.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency (NZD) using the exchange rate prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Translation differences of non-monetary financial assets such as equities held at fair value through profit or loss are recognised in the Statement of Comprehensive Income as part of the net changes in fair value of financial assets at fair value through profit or loss.

Cash and cash equivalents

Cash and cash equivalents are considered to be cash at banks, net of bank overdrafts. Operating activities in the Statement of Cash Flows include all transactions or events that are not investing or financing activities. Investing activities are those activities that relate to the acquisition, holding and disposal of investments and securities not falling within the definition of cash. Financing activities are those activities that relate to cash contributions to and from, or distributions to the unitholders.

Units

The Fund issues units, which provide the holder with a beneficial interest in the Fund. The units can be put back to the Fund via a basket redemption, in accordance with the redemption rules as defined in the Trust Deed, for units in the Underlying Fund and a proportion of cash held in the Fund.

The units are issued and redeemed based on the Fund's net asset value per unit at the time of issue or redemption. The Fund's net asset value per unit is calculated by dividing the net assets attributable to the unitholders by the total number of outstanding units. In accordance with the provisions of the Trust Deed investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Distributions to unitholders

Distributions are made up of income received from the investments less expenses paid and allowances for future liabilities. Income from investments held is attributed to unitholders on the basis of the number of units held on the record date of the distribution. To the extent that imputation credits are available, distributions to unitholders will be fully imputed. The record date for the Fund is on the last business day of May and November in each year. Currently distributions to unitholders are made on a semi-annual basis directly from the Fund within 20 business days of the record date.

Taxation

The Fund is domiciled in New Zealand and is registered as a Portfolio Investment Entity ('PIE').

The Fund is liable for tax at the prevailing company tax rate on investments in securities subject to the Fair Dividend Rate method ('FDR') listed in Note 2 after the deduction of management fees. FDR income is based on the market value of the security. With some of this income, the Fund is able to utilise foreign withholding tax credits to satisfy the tax liability. The Fund pays tax to the extent that the foreign withholding tax credits do not cover the tax liability in full.

Deferred tax is recognised in respect of temporary differences at the Statement of Financial Position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Current and deferred tax is measured using the tax rates enacted or substantively enacted at the reporting date.

Goods and services tax (GST)

The Fund is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

Segment information

The Fund operates solely in the business of investment management, investing in the Underlying Fund - Vanguard Mid Cap ETF. The Fund receives all of its dividend income from this investment.

Changes in accounting policies and accounting standards adopted during the year

(a) Changes in accounting policies

There have been no significant changes in accounting policies during the year. All policies have been applied on a basis consistent with those used in the prior period.

(b) New accounting standards adopted

There were no new accounting standards adopted during the year that have a material impact on the financial statements of the Fund.

Issued but not yet effective accounting standards

A number of accounting standards have been issued or revised that are not yet effective as at 31 March 2017, and have not been applied in preparing the financial statements. The Fund does not plan to adopt these standards early. The standards which are relevant to the Fund are as follows:

- NZ IFRS 9 Financial Instruments - Effective for annual reporting periods beginning on or after 1 January 2018; the impact of any changes has not yet been determined.
- NZ IFRS 15 Revenue from Contracts with Customers - Effective for annual reporting periods beginning on or after 1 January 2018. The impact of any changes has not yet been determined.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

1. TAXATION

	2017	2016
	\$'000	\$'000
Tax expense comprises:		
Current tax expense	<u>(328)</u>	<u>(222)</u>
Total tax expense	<u>(328)</u>	<u>(222)</u>

The prima facie income tax expense on loss before tax from operations reconciles to the income tax expense in the financial statements as follows:

Income tax expense	2017	2016
	\$'000	\$'000
Profit/(loss) before tax	<u>3,795</u>	<u>(1,694)</u>
Income tax using the statutory income tax rate 28%	(1,063)	474
Net changes in fair value of financial assets	979	(578)
Non taxable income	117	119
Tax on securities subject to FDR	<u>(361)</u>	<u>(237)</u>
	(328)	(222)
Income tax expense as per Statement of Comprehensive Income	<u>(328)</u>	<u>(222)</u>

Imputation credit account (ICA)	2017	2016
	\$'000	\$'000
Imputation credits available for use in subsequent periods	338	73

2. INVESTMENTS IN EQUITY SECURITIES HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017		2016	
	Number of	Fair value	Number of	Fair value
	units		units	
	'000	\$'000	'000	\$'000
Underlying fund				
Vanguard Mid Cap ETF	144	<u>28,621</u>	139	<u>24,230</u>
		<u>28,621</u>		<u>24,230</u>

All investments are designated at inception as being at fair value through profit or loss. The fair values of investments are calculated using the last traded market price at the reporting date. The investments are registered in the name of BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch, the custodian of the Fund.

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2017**

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value can be categorised across the following 3 levels based on the degree to which their fair value is 'observable':

Level 1 – Fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable either directly or indirectly;

Level 3 – Fair value measurements are derived from valuation methods that include inputs that are not based on observable market data.

All financial instruments of the Fund measured at fair value have been categorised as level 1 in the hierarchy. There were no transfers between levels in the year ended 31 March 2017 (31 March 2016: none).

4. EARNINGS PER UNIT

The basic earnings per unit (EPU) is calculated by dividing the net profit/(loss) after tax attributable to the unitholders by the weighted average number of units on issue during the year.

The Fund's diluted EPU is the same as the basic EPU since the Fund has not issued any instrument with dilutive potential.

	2017	2016
Profit/(loss) after tax (\$'000)	3,467	(1,916)
Weighted average number of units ('000)	<u>7,087</u>	<u>6,943</u>
Basic and diluted earnings/(losses) per unit (cents per unit)	<u>48.92</u>	<u>(27.60)</u>

5. DISTRIBUTION PAYABLE TO UNITHOLDERS

	2017	2016
	\$'000	\$'000
Opening distribution payable	-	-
Distributions accrued to unitholders	-	216
Distributed to unitholders	-	<u>(216)</u>
Closing distribution payable	<u>-</u>	<u>-</u>

Distributions declared and paid

	Year ended	Distribution per unit (cents per unit)	2017	2016
			\$'000	\$'000
October 2015 (paid November 2015)	31/03/2016	3.15	<u>-</u>	<u>216</u>
			<u>-</u>	<u>216</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

6. UNITHOLDERS' FUNDS

As at 31 March 2017 there were 7,185,000 units on issue (31 March 2016: 6,929,000).

All issued units are fully paid and redeemable, and are quoted on the NZX Main Board. The Fund's net assets attributable to unitholders are represented by these units. The relevant movements are shown in the Statement of Changes in Unitholders' Funds.

The number of units allotted during the year ended 31 March 2017 was 256,000 (31 March 2016: 7,179,000) for total value of \$934,000 (31 March 2016: \$27,347,000).

The number of units redeemed during the year ended 31 March 2017 was nil (31 March 2016: 250,000) for total value of \$nil (31 March 2016: \$960,000).

	2017 '000	2016 '000
Movement in the number of units		
Balance at the beginning of the year/period	6,929	-
Subscriptions received during the year/period	256	7,179
Redemptions made during the year/period	-	(250)
Units on issue at the end of the year/period	<u>7,185</u>	<u>6,929</u>

The net asset value of each unit per the financial statements is \$3.98831 (31 March 2016: \$3.50051). The difference between the net asset value announced to the market for 31 March 2017 and the net asset value per the financial statements is due to different unit pricing methodology.

7. RELATED PARTY TRANSACTIONS

Related party holdings

Key management personnel are the Directors of the Manager. There were no transactions with key management personnel during the year.

The Fund is managed by Smartshares Limited, which is a wholly owned subsidiary of NZX Limited, a company listed on the NZX Main Board.

SuperLife superannuation scheme ("SLSS"), a scheme managed by SuperLife Limited, a wholly owned subsidiary of NZX Limited, was an investor in the Fund in the year between 1 April 2016 and 27 October 2016. Effective 28 October 2016, the investments were transferred from SLSS to SuperLife Invest managed investment scheme ("SLI"), a scheme managed by the Manager, also a wholly owned subsidiary of NZX Limited. The transfer of assets and change of Manager was completed as part of the transition of the SuperLife scheme to the Financial Markets Conduct Act 2013.

As at 31 March 2017, SLI held 6,827,896 units valued at \$27,089,000 in the Fund. As at 31 March 2016, SLSS held 6,825,226 units valued at \$23,833,000 in the Fund.

Distributions

The Fund paid distributions of \$nil (31 March 2016: \$215,000) to SLSS. All distributions were settled prior to the transfer of investments from SLSS to SLI. The balance remaining as payable as at 31 March 2016 was \$nil. The Fund paid distributions of \$nil to SLI for the year ended 31 March 2017 (31 March 2016: not applicable). Of the total, the balance remaining as payable at the end of the year is \$nil (31 March 2016: not applicable).

Management fees

The Manager receives management fees from the Fund. Under the Trust Deed the Manager pays the supervisor, custodian, registrar and auditor on behalf of the Fund and receives direct purchase application fees and all interest earned on cash at banks.

Total gross management fees excluding rebates for the year ended 31 March 2017 amounted to \$116,000 (31 March 2016: \$76,000), with \$1,000 (31 March 2016: \$9,000) of outstanding accrued management fees due to the Manager at the end of the year.

The total interest earned on cash at banks for the year ended 31 March 2017 amounted to \$2,000 (31 March 2016: \$2,000).

The total direct purchase application fees for the year ended 31 March 2017 amounted to \$2,000 (31 March 2016: \$1,000).

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2017**

7. RELATED PARTY TRANSACTIONS (Continued)

Other related party transactions

The audit fee paid by the Manager for the audit of the Fund at the year ended 31 March 2017 was \$5,000 (31 March 2016: \$6,000).

8. FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

The Fund utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in the Statement of Accounting Policies.

The financial instruments not accounted for at fair value through profit and loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

Financial instruments by category	2017	2016
	\$'000	\$'000
<i><u>Loans and receivables</u></i>		
Cash and cash equivalents	68	131
Receivables	80	-
<i><u>Financial assets at fair value through profit and loss</u></i>		
Investments in equity securities held at fair value through profit or loss	28,621	24,230
<i><u>Other financial liabilities</u></i>		
Management fees payable	(1)	(9)
Funds held for unit purchases	(26)	(7)
Unsettled trades	-	(35)

The Fund's activities expose it to a variety of financial risks: market price risk, credit risk, liquidity risk and currency risk. The risk management policies used by the Fund are detailed below:

8a. Market price risk

The Fund's equity securities are exposed to market price risk arising from uncertainties about future prices of the financial instruments.

The Fund's market price risk is affected by actual changes in market prices. As the Fund invests in an Underlying Fund which tracks an Underlying Index, any change in the Underlying Index will result in a corresponding change in the assets at fair value through profit or loss.

A 10% increase/decrease in equity prices as at 31 March 2017 would have increased/decreased net profit and unitholder funds by \$2,862,000 (31 March 2016: \$2,423,000).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

8. FINANCIAL RISK MANAGEMENT (Continued)

8b. Credit risk

The Fund is exposed to the potential risk of financial loss resulting from the failure of counterparties to honour fully the terms and conditions of a contract with the Fund. Financial instruments that subject the Fund to credit risk consist primarily of cash and receivables.

The maximum credit risk of financial instruments is considered to be their carrying value. The risk of non-recovery of monetary assets is considered very low due to the quality of counterparties dealt with.

The Fund does not require collateral or other security to support financial instruments with credit risk. The maximum exposures to credit risk at the reporting date are:

	2017	2016
	\$'000	\$'000
Cash and cash equivalents	68	131
Accounts receivable	80	-

Cash and cash equivalents

The Fund's cash and cash equivalents balances are held with ANZ Bank New Zealand Limited ('ANZ'), BNP Paribas Securities Services ('BNP Paribas') and Westpac New Zealand Limited ('Westpac').

The table below discloses the Standard & Poor's credit rating for the Fund's cash and cash equivalents balance with each bank above at reporting date.

	2017		2016	
	Balance	Credit	Balance	
	\$'000	rating	\$'000	
			Credit	
			rating	
ANZ	26	AA-	7	AA-
BNP Paribas	-	A	-	A-
Westpac	<u>42</u>	AA-	<u>124</u>	AA-
	<u>68</u>		<u>131</u>	

8c. Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with the financial liabilities that are settled by delivering cash or another financial asset.

The Fund's investment in the Vanguard Mid Cap ETF is considered readily realisable, as it is quoted on the New York Stock Exchange Arca. In addition, liquidity risk associated with redemptions is managed by meeting redemptions in the form of baskets rather than cash. The Fund meets its redemption obligations by returning units in the Underlying Fund. Liquidity risk for the Fund is therefore low.

8d. Currency risk

Currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates.

The Fund holds assets denominated in a currency other than the New Zealand dollar, the functional currency. It is therefore exposed to currency risk, as the value of the securities denominated in US dollars will fluctuate due to changes in the exchange rate. The Fund's policy is not to enter into any currency hedging transactions.

A 10% strengthening/weakening of the New Zealand dollar against the US dollar as at 31 March 2017 would have decreased/increased profit and unitholders funds by \$2,862,000 (31 March 2016: \$2,420,000).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

8. FINANCIAL RISK MANAGEMENT (Continued)

The table below summarises the Fund's exposure to currency risks.

	2017	2016
	\$'000	\$'000
Receivables	80	-
Investments in equity securities held at fair value through profit or loss	28,621	24,230
Unsettled trades	-	(35)

9. COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 31 March 2017 (31 March 2016: none).

10. EVENTS AFTER THE REPORTING YEAR

Since 31 March 2017 there have been no matters or circumstances not otherwise dealt with in the financial statements that have significantly affected or may significantly affect the Fund.

US MID CAP FUND



Independent Auditor's Report

To the unitholders of US Mid Cap Fund

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of US Mid Cap Fund (the fund) on pages 254 to 266:

- i. present fairly in all material respects the fund's financial position as at 31 March 2017 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2017;
- the statement of comprehensive income, statement of changes in unitholders' funds and statement of cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the fund in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report.

Our firm has also provided other assurance services to the fund in relation to reporting to the supervisor. Subject to certain restrictions, employees of our firm may also deal with the fund on normal terms within the ordinary course of trading activities of the business of the fund. These matters have not impaired our independence as auditor of the fund. The firm has no other relationship with, or interest in, the fund.



Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at \$288,000 determined with reference to a benchmark of the fund's total assets. We chose the benchmark because, in our view, this is a key measure of the fund's performance.

US MID CAP FUND



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the members as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter

How the matter was addressed in our audit

Carrying amount of investments

Refer to Note 2 to the Financial Statements.

The fund's portfolio of investments makes up 99.5% of total assets. We do not consider these investments to be at high risk of significant misstatement, or be subject to a significant level of judgement, because they comprise liquid, listed investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our audit procedures included:

- documenting and understanding the processes in place to record investment transactions and to value the portfolio. This included evaluating the control environment in place at the administration manager by obtaining and reading a report issued by an independent auditor on the design and operation of those controls
- agreeing the 31 March 2017 valuation of listed equity investments to externally quoted prices
- agreeing investment holdings to confirmations received from the administration manager

We did not identify any material differences in relation to the carrying amount of investments.



Other Information

The Manager, on behalf of the fund, is responsible for the other information included in the entity's Annual Report. Other information may include the Chairman's report, fund highlights, disclosures relating to corporate governance and statutory information. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Manager.



Use of this Independent Auditor's Report

This report is made solely to the members as a body. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in the Independent Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to

US MID CAP FUND



anyone other than the members as a body for our audit work, this report, or any of the opinions we have formed.



Responsibilities of the Manager for the financial statements

The Manager, on behalf of the fund, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Independent Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page2.aspx

This description forms part of our Independent Auditor's Report.

Brent Manning

For and on behalf of

KPMG
Wellington

25 May 2017

Unitholder Information

DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS

AS AT 30 APRIL 2017

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	67	51.15%	27,823	0.39%
1,001-5,000	47	35.88%	110,469	1.54%
5,001-10,000	11	8.40%	80,023	1.11%
10,001-50,000	4	3.05%	50,579	0.70%
50,001-100,000	1	0.76%	87,710	1.22%
Greater than 100,000	1	0.76%	6,827,896	95.04%
TOTAL	131	100.00%	7,184,500	100.00%

20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES

AS AT 30 APRIL 2017

Full Name	Total	Percentage
SuperLife Nominees Limited	6,827,896	95.04
Nigel Russell Fannin & Rosemary Anne O'Brien & Kevin Wayne Harborne	87,710	1.22
William Hugh Walmsley	16,379	0.23
Paul Edward Coll & Helen Marie Coll & Andrew John Anderson	13,615	0.19
Paul Paget Mayhew	10,500	0.15
ASB Nominees Limited	10,085	0.14
Roger Alan Johnston & Jeanette Johnston & Gellert Ivanson Trustee No 3 Limited	10,000	0.14
Graham John Skipper & Anne Skipper & Gregory Mark Lay	10,000	0.14
Billy Cheung Services Limited	9,944	0.14
Peter Blake Waines Morrison	7,503	0.1
Jocelyn Jane Torrie	7,268	0.1
Owen Stuart Campbell & Cheryl Jean Campbell & Craig Stuart Campbell	6,557	0.09
Anthony Charles Williams	6,420	0.09
Craigs Investment Partners Limited	6,100	0.08
Charl Johannes De Villiers	5,463	0.08
James Punnett	5,423	0.08
Julie Robyn Benseman	5,345	0.07
Andrew Mackay Drummond & Ross Drummond	4,639	0.06
Neil Douglas Smart & Simon Michael Smart	4,505	0.06
Audrey Aird & Digby Grant Ngankee & Michael Gordon Lawrence	4,498	0.06
	7,059,850	98.26

SUBSTANTIAL PRODUCT HOLDERS

The following information has been given pursuant to section 293 of the Financial Markets Conduct Act 2013 (FMCA). According to Smartshares records and disclosures made under section 280(1)(b) of the FMCA, there were no substantial product holders in the Fund as at 31 March 2017. The total number of units on issue at 31 March 2017 was 7,184,500.

DIRECTORS' INTERESTS IN UNITS

	Beneficial	Non-Beneficial
Bevan Miller	823*	0
Paul Baldwin	0	0
Guy Elliffe	1,642*	0
John Williams	0	0

*Beneficial interest in these units is indirectly held through the director's interest in the SuperLife KiwiSaver scheme

WAIVERS GRANTED

The Special Division of the New Zealand Markets Disciplinary Tribunal (Special Division) has granted, either fully, partially or subject to conditions a number of waivers to the fund.

The waiver decisions that Smartshares currently relies upon are available on smartshares.co.nz.

Special Division granted the following waivers from the Listing Rules that continue to be relied upon as at 31 March 2017:

3.1.1(a) - compliance with the Listing Rules	7.5 - Issues and Buybacks Affecting Control
3.1.1(b) - compliance with Takeover Provisions	7.6.1 to 7.6.3 - Buybacks of Equity Securities, Redemptions and Financial Assistance
3.3.5 to 3.3.15 - Appointment and Rotation of Directors	7.11.1 Allotment within 5 business days
3.4 - Proceedings and Power of Directors	9.2.1 - Transactions with Related Parties
3.5 - Directors' Remuneration	10.3.2 - Preliminary Announcements
Section 4 - Takeover Provisions	10.4.1(d) - Annual and Half-Year Reports availability
7.1.11 - Minimum Subscription	10.4.2 - Half-Yearly Reporting Requirements
7.3 - Issue of New Equity Securities.	10.6.1(a) - Other Administrative Information
7.4 - Entitlements to Third Party Securities	

In October 2015, Special Division granted Smartshares a waiver from Listing Rules 3.3.1(c), 3.3.3 and 3.6.2(c) to enable Mr Elliffe and Mr Williams to continue to be regarded as Independent Directors following their appointment to the board of SuperLife Limited in May 2016.

As Smartshares and SuperLife Limited were amalgamated on 9 November 2016, Smartshares no longer relies on this waiver.

In June 2016, Special Division granted Smartshares a waiver from Listing Rule 9.2.1 to enable Smartshares to amalgamate with SuperLife Limited without the need for unitholder approval. Smartshares no longer relies on this waiver.

On 8 September 2016, Special Division granted fully, partially or subject to conditions, waivers from the following Listing Rules in relation to the transition of the group investment funds to the FMCA:

7.4.1 - Entitlements to Third Party Securities
7.6.5 - Buy Backs of Equity Securities, Redemptions and Financial Assistance
8.3.1 - Modifications of Rights of Security Holders
9.2.1 - Transactions with Related Parties

US Small Cap Fund (USS)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017

Presented by Smartshares Limited, Manager of the US Small Cap Fund

Report to the Unitholders

HIGHLIGHTS

Launch Date 29-Jul-15

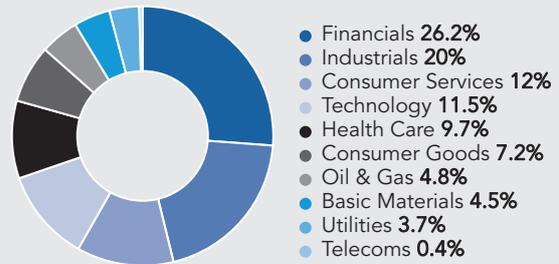
	March 2017	March 2016
Net Tangible Assets (NTA)	\$3.794	\$3.218
Units On Issue	7,407,500	7,262,500
Funds Under Management	\$28,103,888	\$23,368,619
Gross Distribution	-	\$0.036*
Gross Distribution Yield	N/A	N/A
Gross Return	17.91%	-8.98%*
Total Fund Charges	0.53%	0.54%
Distributions paid	Semi-annual	

* Since Inception

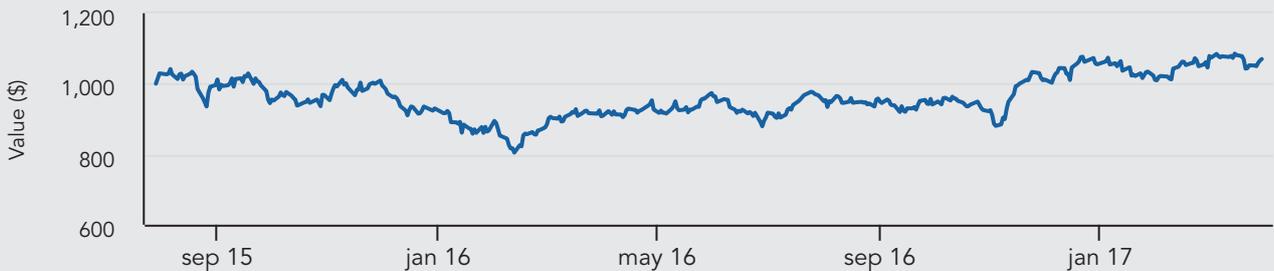
NTA Per Unit



Sector Allocation



Growth of \$1,000*



*Since inception, all distributions reinvested.

US SMALL CAP FUND

DIRECTORY

THE MANAGER

Smartshares Limited
Level 1, NZX Centre
11 Cable Street, Wellington 6140
New Zealand

This is also the address of the registered office.

THE SUPERVISOR

Public Trust
Level 5, 40-42 Queens Drive
Lower Hutt 5010, Wellington
New Zealand

PRINCIPAL OFFICE OF THE MANAGER

Level 7, Zurich House
21 Queen Street, Auckland Central
Auckland 1010
New Zealand

AUDITOR

KPMG
10 Customhouse Quay
PO Box 996, Wellington 6140
New Zealand

DIRECTORS OF THE MANAGER

Bevan K. Miller
Timothy O. Bennett (resigned 30 December 2016)
Guy R. Elliffe
A. John Williams
Paul J. Baldwin (appointed 30 December 2016)

SOLICITOR

Buddle Findlay
Level 17, State Insurance Tower
1 Willis Street, Wellington 6140
New Zealand

INVESTMENT ADMINISTRATOR & CUSTODIAN

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

REGISTRAR

Link Market Services Limited

CORRESPONDENCE

All correspondence and enquiries to the Manager about the Fund should be addressed to the Manager, Smartshares Limited, at the above address.

US SMALL CAP FUND

Smartshares Limited (the 'Manager') and Public Trust (the 'Supervisor') are parties to a master trust deed dated 24 June 2014 as amended and restated on 9 September 2016 (the 'Trust Deed'). Under a Deed of Retirement and Appointment dated 6 September 2016, Trustees Executors Limited retired as the trustee and Public Trust was appointed as the Supervisor. The Trust Deed sets out the terms and conditions on which units in the funds within the Smartshares Exchange Traded Funds are offered for subscription, whether to the public or otherwise.

The Trust Deed provides that each fund is to be established by the Manager and the Supervisor entering into an establishment deed setting out the specific terms and conditions relating to that fund.

The US Small Cap Fund (the 'Fund') was created by an establishment deed dated 10 July 2015 as amended and restated on 9 September 2016 between the Manager and the Supervisor.

STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), and fairly present the financial position of the Fund as at 31 March 2017, and the results of its financial performance and cash flows for the year ended 31 March 2017 in accordance with the requirement of the Trust Deed.

It is believed that there are no circumstances that may materially and adversely affect any interest of the unitholders in the assets other than those already disclosed in this report.

For and on behalf of the Manager:

Smartshares Limited



.....
Director



.....
Director

This statement was approved for signing at a meeting of the Directors on 25 May 2017.

US SMALL CAP FUND

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017**

		Year Ended 31 March 2017 \$'000	Period Ended 31 March 2016 \$'000
INCOME	Note		
Dividend income		426	418
Net changes in fair value of financial assets at fair value through profit or loss		<u>4,399</u>	<u>(2,548)</u>
Total income		<u>4,825</u>	<u>(2,130)</u>
EXPENSES			
Management fees expense	7	(114)	(74)
Foreign exchange loss		<u>(5)</u>	<u>(5)</u>
Total expenses		<u>(119)</u>	<u>(79)</u>
Profit/(loss) before tax		4,706	(2,209)
Income tax expense	1	<u>(322)</u>	<u>(209)</u>
Profit/(loss) after tax		4,384	(2,418)
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income/(loss)		<u>4,384</u>	<u>(2,418)</u>
EARNINGS PER UNIT			
Basic and diluted earnings/(losses) per unit (cents per unit)	4	<u>59.90</u>	<u>(33.13)</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS
 FOR THE YEAR ENDED 31 MARCH 2017**

		Year Ended 31 March 2017 \$'000	Period Ended 31 March 2016 \$'000
Unitholders' funds at the beginning of the year/period		23,412	-
Total comprehensive income/(loss) for the year/period		<u>4,384</u>	<u>(2,418)</u>
Subscriptions from unitholders	6	587	26,972
Redemptions by unitholders	6	(66)	(946)
Distributions to unitholders	5	<u>-</u>	<u>(196)</u>
		<u>521</u>	<u>25,830</u>
Unitholders' funds at the end of the year/period		<u><u>28,317</u></u>	<u><u>23,412</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017**

	Note	As At 31 March 2017 \$'000	As At 31 March 2016 \$'000
ASSETS			
Cash and cash equivalents		189	149
Investments in equity securities held at fair value through profit or loss	2	<u>28,246</u>	<u>23,363</u>
TOTAL ASSETS		<u>28,435</u>	<u>23,512</u>
LIABILITIES			
Management fees payable	7	(1)	(9)
Taxation payable		(87)	(52)
Funds held for unit purchases		(30)	(7)
Unsettled trades		<u>-</u>	<u>(32)</u>
TOTAL LIABILITIES		<u>(118)</u>	<u>(100)</u>
UNITHOLDERS' FUNDS		<u>28,317</u>	<u>23,412</u>
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		<u>28,435</u>	<u>23,512</u>

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the financial statements on 25 May 2017.



B Miller
Chairman
Smartshares Limited



G Elliffe
Director
Smartshares Limited

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017**

	Year Ended 31 March 2017 \$'000	Period Ended 31 March 2016 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Dividend income received	362	355
<i>Cash was applied to:</i>		
Management fees paid	(122)	(65)
Taxation paid	<u>(223)</u>	<u>(94)</u>
Net cash flows from operating activities	<u>17</u>	<u>196</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Cash was provided from:</i>		
Sale of investments	-	-
<i>Cash was applied to:</i>		
Purchase of investments	<u>(244)</u>	<u>(50)</u>
Net cash flows from investing activities	<u>(244)</u>	<u>(50)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Cash was provided from:</i>		
Subscriptions received from unitholders	267	203
<i>Cash was applied to:</i>		
Redemptions paid to unitholders	-	(4)
Distributions paid to unitholders	<u>-</u>	<u>(196)</u>
Net cash flows from financing activities	<u>267</u>	<u>3</u>
Net increase in cash and cash equivalents	40	149
Cash and cash equivalents at the beginning of the year/period	<u>149</u>	<u>-</u>
Cash and cash equivalents at the end of the year/period	<u>189</u>	<u>149</u>
Reconciliation of profit/(loss) after tax to net cash flows from operating activities		
Profit/(loss) after tax	4,384	(2,418)
Net changes in fair value of financial assets at fair value through profit or loss	(4,399)	2,548
Foreign exchange loss	5	5
Increase in taxation payable	35	52
(Decrease)/increase in management fees payable	<u>(8)</u>	<u>9</u>
Net cash flows from operating activities	<u>17</u>	<u>196</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

GENERAL INFORMATION

The US Small Cap Fund (the 'Fund') is a for-profit fund registered in New Zealand and established under the Financial Markets Conduct Act 2013 ('FMC Act 2013'). It is offered under a registered managed investment scheme known as the Smartshares Exchange Traded Funds. Smartshares Limited, the Manager of the Fund is a FMC reporting entity for the purposes of the FMC Act 2013.

The Fund is governed by the Trust Deed dated 24 June 2014 as amended and restated on 9 September 2016 between the Manager and the Supervisor. The Fund was established on 10 July 2015 and commenced operation on 29 July 2015.

The Fund changed its name from US Small Cap Trust to US Small Cap Fund effective 16 September 2016.

The Fund's units are quoted on the NZX Main Board. The Fund is a passive investment fund that invests in Vanguard Small Cap ETF (the 'Underlying Fund'), which tracks the CRSP US Small Cap Index (the 'Underlying Index'). The Underlying Fund invests in securities contained in the Underlying Index broadly in proportion to the weightings of the Underlying Index. Investments are valued at fair value according to last traded market prices on the New York Stock Exchange Arca on 31 March 2017 (see Note 2).

STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied to the year/period presented.

Comparative period and amounts

These financial statements are for the year ended 31 March 2017. The comparative figures are for the period 29 July 2015 to 31 March 2016. Where necessary, comparative figures have been restated to correspond to the current year classifications.

Basis of preparation

The financial statements of the Fund have been prepared in accordance with the requirements of the FMC Act 2013, Financial Reporting Act 2013, New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS'). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The functional currency of this entity is the same as the presentation currency of these financial statements being the New Zealand Dollar ('NZD'), rounded to the nearest thousand.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Smartshares Limited Board of Directors to exercise its judgement in the process of applying the Fund's Statement of Accounting Policies.

Financial assets at fair value through profit or loss

(a) Classification

The Fund classifies its investments in equity securities held at fair value as financial assets at fair value through profit or loss. These financial assets are designated by the Smartshares Board of Directors at inception as their performance is managed and evaluated on a fair value basis in accordance with a documented investment strategy.

(b) Recognition/derecognition

Purchases and sales of investments are recognised on the trade date - the date on which the Fund commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

(c) Measurement

Financial assets at fair value through profit or loss are recognised at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income when they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income within dividend income when the Fund's right to receive payment is established.

(d) Fair value estimation

The fair value of the financial instruments is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Fund is the last traded market price.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

Receivables

Trade receivable and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are measured at amortised cost using the effective interest method less impairment.

Payables

Trade payables and other payables are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services, and are measured at amortised cost.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency (NZD) using the exchange rate prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Translation differences of non-monetary financial assets such as equities held at fair value through profit or loss are recognised in the Statement of Comprehensive Income as part of the net changes in fair value of financial assets at fair value through profit or loss.

Cash and cash equivalents

Cash and cash equivalents are considered to be cash at banks, net of bank overdrafts. Operating activities in the Statement of Cash Flows include all transactions or events that are not investing or financing activities. Investing activities are those activities that relate to the acquisition, holding and disposal of investments and securities not falling within the definition of cash. Financing activities are those activities that relate to cash contributions to and from, or distributions to the unitholders.

Units

The Fund issues units, which provide the holder with a beneficial interest in the Fund. The units can be put back to the Fund via a basket redemption, in accordance with the redemption rules as defined in the Trust Deed, for units in the Underlying Fund and a proportion of cash held in the Fund.

The units are issued and redeemed based on the Fund's net asset value per unit at the time of issue or redemption. The Fund's net asset value per unit is calculated by dividing the net assets attributable to the unitholders by the total number of outstanding units. In accordance with the provisions of the Trust Deed investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Distributions to unitholders

Distributions are made up of income received from the investments less expenses paid and allowances for future liabilities. Income from investments held is attributed to unitholders on the basis of the number of units held on the record date of the distribution. To the extent that imputation credits are available, distributions to unitholders will be fully imputed. The record date for the Fund is on the last business day of May and November in each year. Currently distributions to unitholders are made on a semi-annual basis directly from the Fund within 20 business days of the record date.

Taxation

The Fund is domiciled in New Zealand and is registered as a Portfolio Investment Entity ('PIE').

The Fund is liable for tax at the prevailing company tax rate on investments in securities subject to the Fair Dividend Rate method ('FDR') listed in Note 2 after the deduction of management fees. FDR income is based on the market value of the security. With some of this income, the Fund is able to utilise foreign withholding tax credits to satisfy the tax liability. The Fund pays tax to the extent that the foreign withholding tax credits do not cover the tax liability in full.

Deferred tax is recognised in respect of temporary differences at the Statement of Financial Position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Current and deferred tax is measured using the tax rates enacted or substantively enacted at the reporting date.

Goods and services tax (GST)

The Fund is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

Segment information

The Fund operates solely in the business of investment management, investing in the Underlying Fund - Vanguard Small Cap ETF. The Fund receives all of its dividend income from this investment.

Changes in accounting policies and accounting standards adopted during the year

(a) Changes in accounting policies

There have been no significant changes in accounting policies during the year. All policies have been applied on a basis consistent with those used in the prior period.

(b) New accounting standards adopted

There were no new accounting standards adopted during the year that have a material impact to the financial statements of the Fund.

Issued but not yet effective accounting standards

A number of accounting standards have been issued or revised that are not yet effective as at 31 March 2017, and have not been applied in preparing the financial statements. The Fund does not plan to adopt these standards early. The standards which are relevant to the Fund are as follows:

- NZ IFRS 9 Financial Instruments - Effective for annual reporting periods beginning on or after 1 January 2018; the impact of any changes has not yet been determined.
- NZ IFRS 15 Revenue from Contracts with Customers - Effective for annual reporting periods beginning on or after 1 January 2018. The impact of any changes has not yet been determined.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

1. TAXATION

	2017	2016
	\$'000	\$'000
Tax expense comprises:		
Current tax expense	<u>(322)</u>	<u>(209)</u>
Total tax expense	<u><u>(322)</u></u>	<u><u>(209)</u></u>

The prima facie income tax expense on profit/(loss) before tax from operations reconciles to the income tax expense in the financial statements as follows:

	2017	2016
	\$'000	\$'000
Income tax expense		
Profit/(loss) before tax	<u>4,706</u>	<u>(2,209)</u>
Income tax using the statutory income tax rate 28%	(1,318)	619
Net changes in fair value of financial assets	1,232	(714)
Non taxable income	118	117
Tax on securities subject to FDR	<u>(354)</u>	<u>(231)</u>
	(322)	(209)
Income tax expense as per Statement of Comprehensive Income	<u><u>(322)</u></u>	<u><u>(209)</u></u>

	2017	2016
	\$'000	\$'000
Imputation credit account (ICA)		
Imputation credits available for use in subsequent periods	337	79

2. INVESTMENTS IN EQUITY SECURITIES HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017		2016	
	Number of units '000	Fair value \$'000	Number of units '000	Fair value \$'000
Underlying fund				
Vanguard Small Cap ETF	148	<u>28,246</u>	145	<u>23,363</u>
		<u><u>28,246</u></u>		<u><u>23,363</u></u>

All investments are designated at inception as being at fair value through profit or loss. The fair values of investments are calculated using the last traded market price at the reporting date. The investments are registered in the name of BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch, the custodian of the Fund.

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2017**

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value can be categorised across the following 3 levels based on the degree to which their fair value is 'observable':

Level 1 – Fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable either directly or indirectly;

Level 3 – Fair value measurements are derived from valuation methods that include inputs that are not based on observable market data.

All financial instruments of the Fund measured at fair value have been categorised as level 1 in the hierarchy. There were no transfers between levels in the year ended 31 March 2017 (31 March 2016: none).

4. EARNINGS PER UNIT

The basic earnings per unit (EPU) is calculated by dividing the net profit/(loss) after tax attributable to the unitholders by the weighted average number of units on issue during the year.

The Fund's diluted EPU is the same as the basic EPU since the Fund has not issued any instrument with dilutive potential.

	2017	2016
Profit/(loss) after tax (\$'000)	4,384	(2,418)
Weighted average number of units ('000)	<u>7,319</u>	<u>7,298</u>
Basic and diluted earnings/(losses) per unit (cents per unit)	<u>59.90</u>	<u>(33.13)</u>

5. DISTRIBUTION PAYABLE TO UNITHOLDERS

	2017	2016
	\$'000	\$'000
Opening distribution payable	-	-
Distributions accrued to unitholders	-	196
Distributed to unitholders	<u>-</u>	<u>(196)</u>
Closing distribution payable	<u>-</u>	<u>-</u>

Distributions declared and paid

		Distributions per unit	2017	2016
	Year Ended	(cents per unit)	\$'000	\$'000
October 2015 (paid November 2015)	31/03/2016	2.70	<u>-</u>	<u>196</u>
			<u>-</u>	<u>196</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

6. UNITHOLDERS' FUNDS

As at 31 March 2017 there were 7,407,000 units on issue (31 March 2016: 7,262,000).

All issued units are fully paid and redeemable, and are quoted on the NZX Main Board. The Fund's net assets attributable to unitholders are represented by these units. The relevant movements are shown in the Statement of Changes in Unitholders' Funds.

The number of units allotted during the year ended 31 March 2017 was 165,000 (31 March 2016: 7,527,000) for total value of \$587,000 (31 March 2016: \$26,972,000).

The number of units redeemed during the year ended 31 March 2017 was 20,000 (31 March 2016: 265,000) for total value of \$66,000 (31 March 2016: \$946,000).

	2017	2016
	'000	'000
Movement in the number of units		
Balance at the beginning of the year/period	7,262	-
Subscriptions received during the year/period	165	7,527
Redemptions made during the year/period	<u>(20)</u>	<u>(265)</u>
Units on issue at the end of the year/period	<u>7,407</u>	<u>7,262</u>

The net asset value of each unit per the financial statements is \$3.82301 (31 March 2016: \$3.22391). Any difference between the net asset value announced to the market for 31 March 2017 and the net asset value per the financial statements is due to different unit pricing methodology.

7. RELATED PARTY TRANSACTIONS

Related party holdings

Key management personnel are the Directors of the Manager. There were no transactions with key management personnel during the year.

The Fund is managed by Smartshares Limited, which is a wholly owned subsidiary of NZX Limited, a company listed on the NZX Main Board.

SuperLife superannuation scheme ("SLSS"), a scheme managed by SuperLife Limited, a wholly owned subsidiary of NZX Limited, was an investor in the Fund in the year between 1 April 2016 and 27 October 2016. Effective 28 October 2016, the investments were transferred from SLSS to SuperLife Invest managed investment scheme ("SLI"), a scheme managed by the Manager, also a wholly owned subsidiary of NZX Limited. The transfer of assets and change of Manager was completed as part of the transition of the SuperLife scheme to the Financial Markets Conduct Act 2013.

As at 31 March 2017, SLI held 7,190,026 units valued at \$27,279,000 in the Fund. As at 31 March 2016, SLSS held 7,190,026 units valued at \$23,112,000 in the Fund.

Distributions

The Fund paid distributions of \$nil (31 March 2016: \$194,000) to SLSS. All distributions were settled prior to the transfer of investments from SLSS to SLI. The balance remaining payable as at 31 March 2016 was \$nil. The Fund paid distributions of \$nil to SLI for the year ended 31 March 2017 (31 March 2016: not applicable). The balance remaining as payable at the end of the year is \$nil (31 March 2016: not applicable).

Management fees

The Manager receives management fees from the Fund. Under the Trust Deed the Manager pays the supervisor, custodian, registrar and auditor on behalf of the Fund and receives direct purchase application fees and all interest earned on cash at banks.

Total gross management fees excluding rebates for the year ended 31 March 2017 amounted to \$114,000 (31 March 2016: \$74,000), with \$1,000 (31 March 2016: \$9,000) of outstanding accrued management fees due to the Manager at the end of the year.

The total interest earned on cash at banks for the year ended 31 March 2017 amounted to \$2,000 (31 March 2016: \$2,000).

The total direct purchase application fees for the year ended 31 March 2017 amounted to \$2,000 (31 March 2016: \$1,000).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

7. RELATED PARTY TRANSACTIONS (Continued)

Other related party transactions

The audit fee paid by the Manager for the audit of the Fund at the year ended 31 March 2017 was \$5,000 (31 March 2016: \$6,000).

8. FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

The Fund utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in the Statement of Accounting Policies.

The financial instruments not accounted for at fair value through profit and loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

Financial instruments by category	2017	2016
	\$'000	\$'000
<i>Loans and receivables</i>		
Cash and cash equivalents	189	149
<i>Financial assets at fair value through profit and loss</i>		
Investments in equity securities held at fair value through profit or loss	28,246	23,363
<i>Other financial liabilities</i>		
Management fees payable	(1)	(9)
Funds held for unit purchases	(30)	(7)
Unsettled trades	-	(32)

The Fund's activities expose it to a variety of financial risks: market price risk, credit risk, liquidity risk and currency risk. The risk management policies used by the Fund are detailed below:

8a. Market price risk

The Fund's equity securities are exposed to market price risk arising from uncertainties about future prices of the financial instruments.

The Fund's market price risk is affected by actual changes in market prices. As the Fund invests in an Underlying Fund which tracks an Underlying Index, any change in the Underlying Index will result in a corresponding change in the assets at fair value through profit or loss.

A 10% increase/decrease in equity prices as at 31 March 2017 would have increased/decreased net profit and unitholder funds by \$2,825,000 (31 March 2016: \$2,336,000).

8b. Credit risk

The Fund is exposed to the potential risk of financial loss resulting from the failure of counterparties to honour fully the terms and conditions of a contract with the Fund. Financial instruments that subject the Fund to credit risk consist primarily of cash and receivables.

The maximum credit risk of financial instruments is considered to be their carrying value. The risk of non-recovery of monetary assets is considered very low due to the quality of counterparties dealt with.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

8. FINANCIAL RISK MANAGEMENT (Continued)

The Fund does not require collateral or other security to support financial instruments with credit risk. The maximum exposures to credit risk at reporting date are:

	2017	2016
	\$'000	\$'000
Cash and cash equivalents	189	149

Cash and cash equivalents

The Fund's cash and cash equivalents balances are held with ANZ Bank New Zealand Limited ('ANZ'), BNP Paribas Securities Services ('BNP Paribas') and Westpac New Zealand Limited ('Westpac').

The table below discloses the Standard & Poor's credit rating for the Fund's cash and cash equivalents balance with each bank above at reporting date.

	2017		2016
	Balance	Credit rating	Balance
	\$'000		\$'000
ANZ	30	AA-	7
BNP Paribas	-	A	-
Westpac	159	AA-	142
	<u>189</u>		<u>149</u>

8c. Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with the financial liabilities that are settled by delivering cash or another financial asset.

The Fund's investment in the Vanguard Small Cap ETF is considered readily realisable, as it is quoted on the New York Stock Exchange Area. In addition, liquidity risk associated with redemptions is managed by meeting redemptions in the form of baskets rather than cash. The Fund meets its redemption obligations by returning units in the Underlying Fund. Liquidity risk for the Fund is therefore low.

8d. Currency risk

Currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates.

The Fund holds assets denominated in a currency other than the New Zealand dollar, the functional currency. It is therefore exposed to currency risk, as the value of the securities denominated in US dollars will fluctuate due to changes in the exchange rate. The Fund's policy is not to enter into any currency hedging transactions.

A 10% strengthening/weakening of the New Zealand dollar against the US dollar as at 31 March 2017 would have decreased/increased profit and unitholders funds by \$2,825,000 (31 March 2016: \$2,333,000).

The table below summarises the Fund's exposure to currency risks.

	2017	2016
	\$'000	\$'000
Investments in equity securities held at fair value through profit or loss	28,246	23,363
Unsettled trades	-	(32)

9. COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 31 March 2017 (31 March 2016: none).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

10. EVENTS AFTER THE REPORTING YEAR

Since 31 March 2017 there have been no matters or circumstances not otherwise dealt with in the financial statements that have significantly affected or may significantly affect the Fund.

US SMALL CAP FUND



Independent Auditor's Report

To the unitholders of US Small Cap Fund

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of US Small Cap Fund (the fund) on pages 275 to 287:

- i. present fairly in all material respects the fund's financial position as at 31 March 2017 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2017;
- the statement of comprehensive income, statement of changes in unitholders' funds and statement of cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the fund in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report.

Our firm has also provided other assurance services to the fund in relation to reporting to the supervisor. Subject to certain restrictions, employees of our firm may also deal with the fund on normal terms within the ordinary course of trading activities of the business of the fund. These matters have not impaired our independence as auditor of the fund. The firm has no other relationship with, or interest in, the fund.



Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at \$284,000 determined with reference to a benchmark of the fund's total assets. We chose the benchmark because, in our view, this is a key measure of the fund's performance.

US SMALL CAP FUND



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the members as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter

How the matter was addressed in our audit

Carrying amount of investments

Refer to Note 2 to the Financial Statements.

The fund's portfolio of investments makes up 99.3% of total assets. We do not consider these investments to be at high risk of significant misstatement, or be subject to a significant level of judgement, because they comprise liquid, listed investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our audit procedures included:

- documenting and understanding the processes in place to record investment transactions and to value the portfolio. This included evaluating the control environment in place at the administration manager by obtaining and reading a report issued by an independent auditor on the design and operation of those controls
- agreeing the 31 March 2017 valuation of listed equity investments to externally quoted prices
- agreeing investment holdings to confirmations received from the administration manager

We did not identify any material differences in relation to the carrying amount of investments.



Other Information

The Manager, on behalf of the fund, is responsible for the other information included in the entity's Annual Report. Other information may include the Chairman's report, fund highlights, disclosures relating to corporate governance and statutory information. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Manager.



Use of this Independent Auditor's Report

This report is made solely to the members as a body. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in the Independent Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to

US SMALL CAP FUND



anyone other than the members as a body for our audit work, this report, or any of the opinions we have formed.



Responsibilities of the Manager for the financial statements

The Manager, on behalf of the fund, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Independent Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page2.aspx

This description forms part of our Independent Auditor's Report.

Brent Manning

For and on behalf of

KPMG
Wellington

25 May 2017

Unitholder Information

DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS

AS AT 30 APRIL 2017

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	83	61.94%	33,775	0.46%
1,001-5,000	40	29.85%	82,164	1.11%
5,001-10,000	6	4.48%	37,251	0.50%
10,001-50,000	4	2.99%	64,284	0.87%
50,001-100,000	-	0.00%	-	0.00%
Greater than 100,000	1	0.75%	7,190,026	97.06%
TOTAL	134	100.00%	7,407,500	100.00%

20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES

AS AT 30 APRIL 2017

Full Name	Total	Percentage
SuperLife Nominees Limited	7,190,026	97.06
Craigs Investment Partners Limited	29,431	0.4
Investment Custodial Services Limited	14,195	0.19
Billy Cheung Services Limited	10,580	0.14
ASB Nominees Limited	10,078	0.14
William John Duff Eaton	7,950	0.11
Anthony Charles Williams	6,636	0.09
Paul Alfred Corwin	6,000	0.08
James Punnett	5,777	0.08
Bruce Robert Benseman	5,543	0.07
ASB Nominees Limited	5,345	0.07
Franick Holdings Limited	4,440	0.06
Timothy Martin Sheppard	4,418	0.06
Stuart Douglas Thompson	3,948	0.05
Andrew Wallace	3,454	0.05
Jonathan Gurth Addington Hall	3,200	0.04
Ian George Roper	3,139	0.04
Timothy Richard Hitchings & Bridget Frances Williams & Raoul Edwin Neave	3,000	0.04
Herrrad Ulrike Maria Nann	3,000	0.04
Matthew Ian Mackay	2,818	0.04
	7,322,978	98.85

SUBSTANTIAL PRODUCT HOLDERS

The following information has been given pursuant to section 293 of the Financial Markets Conduct Act 2013 (FMCA). According to Smartshares records and disclosures made under section 280(1)(b) of the FMCA, there were no substantial product holders in the Fund as at 31 March 2017. The total number of units on issue at 31 March 2017 was 7,407,500.

DIRECTORS' INTERESTS IN UNITS

	Beneficial	Non-Beneficial
Bevan Miller	858*	0
Paul Baldwin	0	0
Guy Elliffe	1,712*	0
John Williams	0	0

*Beneficial interest in these units is indirectly held through the director's interest in the SuperLife KiwiSaver scheme

WAIVERS GRANTED

The Special Division of the New Zealand Markets Disciplinary Tribunal (Special Division) has granted, either fully, partially or subject to conditions a number of waivers to the fund.

The waiver decisions that Smartshares currently relies upon are available on smartshares.co.nz.

Special Division granted the following waivers from the Listing Rules that continue to be relied upon as at 31 March 2017:

3.1.1(a) - compliance with the Listing Rules	7.5 - Issues and Buybacks Affecting Control
3.1.1(b) - compliance with Takeover Provisions	7.6.1 to 7.6.3 - Buybacks of Equity Securities, Redemptions and Financial Assistance
3.3.5 to 3.3.15 - Appointment and Rotation of Directors	7.11.1 Allotment within 5 business days
3.4 - Proceedings and Power of Directors	9.2.1 - Transactions with Related Parties
3.5 - Directors' Remuneration	10.3.2 - Preliminary Announcements
Section 4 - Takeover Provisions	10.4.1(d) - Annual and Half-Year Reports availability
7.1.11 - Minimum Subscription	10.4.2 - Half-Yearly Reporting Requirements
7.3 - Issue of New Equity Securities.	10.6.1(a) - Other Administrative Information
7.4 - Entitlements to Third Party Securities	

In October 2015, Special Division granted Smartshares a waiver from Listing Rules 3.3.1(c), 3.3.3 and 3.6.2(c) to enable Mr Elliffe and Mr Williams to continue to be regarded as Independent Directors following their appointment to the board of SuperLife Limited in May 2016.

As Smartshares and SuperLife Limited were amalgamated on 9 November 2016, Smartshares no longer relies on this waiver.

In June 2016, Special Division granted Smartshares a waiver from Listing Rule 9.2.1 to enable Smartshares to amalgamate with SuperLife Limited without the need for unitholder approval. Smartshares no longer relies on this waiver.

On 8 September 2016, Special Division granted fully, partially or subject to conditions, waivers from the following Listing Rules in relation to the transition of the group investment funds to the FMCA:

7.4.1 - Entitlements to Third Party Securities
7.6.5 - Buy Backs of Equity Securities, Redemptions and Financial Assistance
8.3.1 - Modifications of Rights of Security Holders
9.2.1 - Transactions with Related Parties

NZ Property Fund (NPF)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017

Presented by Smartshares Limited, Manager of the NZ Property Fund

Report to the Unitholders

HIGHLIGHTS

Launch Date 12-Nov-15

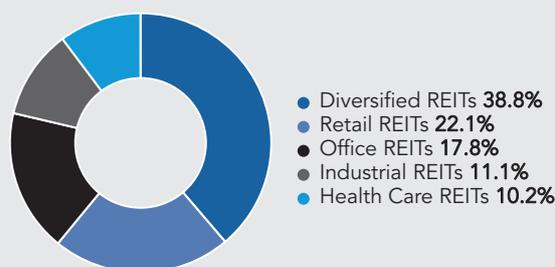
	March 2017	March 2016
Net Tangible Assets (NTA)	\$1.055	\$1.105
Units On Issue	46,480,787	40,355,787
Funds Under Management	\$49,025,308	\$44,587,898
Gross Distribution	\$0.037	\$0.017*
Gross Distribution Yield	3.52%	N/A
Gross Return	-1.28%	8.71%*
Total Fund Charges	0.54%	0.54%
Distributions paid	Semi-annual	

* Since Inception

NTA Per Unit



Sector Allocation



Growth of \$1,000*



*Since inception, all distributions reinvested.

NZ PROPERTY FUND

DIRECTORY

THE MANAGER

Smartshares Limited
Level 1, NZX Centre
11 Cable Street, Wellington 6140
New Zealand

This is also the address of the registered office.

PRINCIPAL OFFICE OF THE MANAGER

Level 7, Zurich House
21 Queen Street, Auckland Central
Auckland 1010
New Zealand

DIRECTORS OF THE MANAGER

Bevan K. Miller
Timothy O. Bennett (resigned 30 December 2016)
Guy R. Elliffe
A. John Williams
Paul J. Baldwin (appointed 30 December 2016)

INVESTMENT ADMINISTRATOR & CUSTODIAN

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

THE SUPERVISOR

Public Trust
Level 5, 40-42 Queens Drive
Lower Hutt 5010, Wellington
New Zealand

AUDITOR

KPMG
10 Customhouse Quay
PO Box 996, Wellington 6140
New Zealand

SOLICITOR

Buddle Findlay
Level 17, State Insurance Tower
1 Willis Street, Wellington 6140
New Zealand

REGISTRAR

Link Market Services Limited

CORRESPONDENCE

All correspondence and enquiries to the Manager about the Fund should be addressed to the Manager, Smartshares Limited, at the above address.

NZ PROPERTY FUND

Smartshares Limited (the 'Manager') and Public Trust (the 'Supervisor') are parties to a master trust deed dated 24 June 2014 as amended and restated on 9 September 2016 (the 'Trust Deed'). Under a Deed of Retirement and Appointment dated 6 September 2016 Trustees Executors Limited retired as the trustee and Public Trust was appointed as the Supervisor. The Trust Deed sets out the terms and conditions on which units in the funds within the Smartshares Exchange Traded Funds are offered for subscription, whether to the public or otherwise.

The Trust Deed provides that each fund is to be established by the Manager and the Supervisor entering into an establishment deed setting out the specific terms and conditions relating to that fund.

The NZ Property Fund (the 'Fund') was created by an establishment deed dated 15 October 2015 as amended and restated on 9 September 2016 between the Manager and the Supervisor.

STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are drawn up in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), and fairly present the financial position of the Fund as at 31 March 2017, and the results of its financial performance and cash flows for the year ended 31 March 2017 in accordance with the requirement of the Trust Deed

It is believed that there are no circumstances that may materially and adversely affect any interest of the unitholders in the assets other than those already disclosed in this report.

For and on behalf of the Manager:
Smartshares Limited

.....
Director

.....
Director

This statement was approved for signing at a meeting of the Directors on 25 May 2017.

NZ PROPERTY FUND

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017**

		Year Ended 31 March 2017 \$'000	Period Ended 31 March 2016 \$'000
INCOME			
Dividend income		2,249	931
Net changes in fair value of financial assets at fair value through profit or loss		<u>(3,013)</u>	<u>2,441</u>
Total income		<u>(764)</u>	<u>3,372</u>
EXPENSES			
Management fees expense	7	<u>(258)</u>	<u>(87)</u>
Total expenses		<u>(258)</u>	<u>(87)</u>
(Loss)/profit before tax		(1,022)	3,285
Income tax credit	1	<u>72</u>	<u>24</u>
(Loss)/profit after tax		(950)	3,309
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive (loss)/income		<u><u>(950)</u></u>	<u><u>3,309</u></u>
EARNINGS PER UNIT			
Basic and diluted (losses)/earnings per unit (cents per unit)	4	<u><u>(2.17)</u></u>	<u><u>8.46</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS
 FOR THE YEAR ENDED 31 MARCH 2017**

	Note	Year Ended 31 March 2017 \$'000	Period Ended 31 March 2016 \$'000
Unitholders' funds at the beginning of the year/period		44,588	-
Total comprehensive (loss)/income for the year/period		<u>(950)</u>	<u>3,309</u>
Subscriptions from unitholders	6	6,687	41,863
Distributions to unitholders	5	<u>(1,300)</u>	<u>(584)</u>
		<u>5,387</u>	<u>41,279</u>
Unitholders' funds at the end of the year/period		<u>49,025</u>	<u>44,588</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017**

	Note	As At 31 March 2017 \$'000	As At 31 March 2016 \$'000
ASSETS			
Cash and cash equivalents		1,275	994
Investments in equity securities held at fair value through profit or loss	2	47,789	44,201
Deferred tax asset	1	<u>97</u>	<u>24</u>
TOTAL ASSETS		<u>49,161</u>	<u>45,219</u>
LIABILITIES			
Management fees payable	7	(2)	(20)
Distribution payable to unitholders	5	-	(584)
Funds held for unit purchases		<u>(134)</u>	<u>(27)</u>
TOTAL LIABILITIES		<u>(136)</u>	<u>(631)</u>
UNITHOLDERS' FUNDS		<u>49,025</u>	<u>44,588</u>
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		<u>49,161</u>	<u>45,219</u>

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the Financial Statements on 25 May 2017.



B Miller
Chairman
Smartshares Limited



G Elliffe
Director
Smartshares Limited

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017**

	Year Ended 31 March 2017 \$'000	Period Ended 31 March 2016 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Dividend income received	2,248	931
<i>Cash was applied to:</i>		
Management fees paid	<u>(276)</u>	<u>(67)</u>
Net cash flows from operating activities	<u>1,972</u>	<u>864</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Cash was provided from:</i>		
Sale of investments	3,450	1,070
<i>Cash was applied to:</i>		
Purchase of investments	<u>(4,418)</u>	<u>(1,359)</u>
Net cash flows from investing activities	<u>(968)</u>	<u>(289)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Cash was provided from:</i>		
Subscriptions received from unitholders	1,161	419
<i>Cash was applied to:</i>		
Distributions paid to unitholders	<u>(1,884)</u>	<u>-</u>
Net cash flows from financing activities	<u>(723)</u>	<u>419</u>
Net increase in cash and cash equivalents	281	994
Cash and cash equivalents at the beginning of the year/period	<u>994</u>	<u>-</u>
Cash and cash equivalents at the end of the year/period	<u>1,275</u>	<u>994</u>
Reconciliation of (loss)/profit after tax to net cash flows from operating activities		
(Loss)/profit after tax	(950)	3,309
Net changes in fair value of financial assets at fair value through profit or loss	3,013	(2,441)
Increase in deferred tax asset	(73)	(24)
(Decrease)/increase in management fees payable	<u>(18)</u>	<u>20</u>
Net cash flows from operating activities	<u>1,972</u>	<u>864</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

GENERAL INFORMATION

The NZ Property Fund (the 'Fund') is a for-profit fund registered in New Zealand and established under the Financial Markets Conduct Act 2013 ('FMC Act 2013'). It is offered under a registered managed investment scheme known as the Smartshares Exchange Traded Funds. Smartshares Limited, the Manager of the Fund is a FMC reporting entity for the purposes of the FMC Act 2013.

The Fund is governed by the Trust Deed dated 24 June 2014 as amended and restated on 9 September 2016 between the Manager and the Supervisor. The Fund was established on 15 October 2015 and commenced operation on 12 November 2015.

The Fund changed its name from New Zealand Property Index Trust to NZ Property Fund effective 16 September 2016.

The Fund's units are quoted on the NZX Main Board. The fund is a passive investment fund that tracks the S&P/NZX Real Estate Select Index ('the Index'). As prescribed by the Trust Deed, the Fund only invests in the securities included in the Index broadly in proportion to the weightings of the Index. Investments are valued at fair value according to last traded market prices on the NZX Main Board on 31 March 2017 (see Note 2).

STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied to year/period presented.

Comparative period and amounts

These financial statements are for the year ended 31 March 2017. The comparative figures are for the period 15 October 2015 to 31 March 2016. Where necessary, comparative figures have been restated to correspond to the current year classifications.

Basis of preparation

The financial statements of the Fund have been prepared in accordance with the requirements of the FMC Act 2013, Financial Reporting Act 2013, New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS'). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The functional currency of this entity is the same as the presentation currency of these financial statements being the New Zealand Dollar ('NZD'), rounded to the nearest thousand.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Smartshares Limited Board of Directors to exercise its judgement in the process of applying the Fund's Statement of Accounting Policies.

Financial assets at fair value through profit or loss

(a) Classification

The Fund classifies its investments in equity securities held at fair value as financial assets at fair value through profit or loss. These financial assets are designated by the Smartshares Board of Directors at inception as their performance is managed and evaluated on a fair value basis in accordance with a documented investment strategy.

(b) Recognition/derecognition

Purchases and sales of investments are recognised on the trade date - the date on which the Fund commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

(c) Measurement

Financial assets at fair value through profit or loss are recognised at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income when they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income within dividend income when the Fund's right to receive payment is established.

(d) Fair value estimation

The fair value of the financial instruments is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Fund is the last traded market price.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

Receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are measured at amortised cost using the effective interest method less impairment.

Payables

Trade payables and other payables are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services, and are measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents are considered to be cash at banks, net of bank overdrafts. Operating activities in the Statement of Cash Flows include all transactions or events that are not investing or financing activities. Investing activities are those activities that relate to the acquisition, holding and disposal of investments and securities not falling within the definition of cash. Financing activities are those activities that relate to cash contributions to and from, or distributions to the unitholders.

Units

The Fund issues units, which provide the holder with a beneficial interest in the Fund. The units can be put back to the Fund via a basket redemption, in accordance with the redemption rules as defined in the Trust Deed, for securities of the constituent companies in proportion to the Index and of a proportion of cash held in the Fund.

The units are issued and redeemed based on the Fund's net asset value per unit at the time of issue or redemption. The Fund's net asset value per unit is calculated by dividing the net assets attributable to the unitholders by the total number of outstanding units. In accordance with the provisions of the Trust Deed investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Distributions to unitholders

Distributions are made up of income received from the investments less expenses paid and allowances for future liabilities. Income from investments held is attributed to unitholders on the basis of the number of units held on the record date of the distribution. To the extent that imputation credits are available, distributions to unitholders will be fully imputed. The record date for the Fund is on the last business day of May and November in each year. Currently, distributions to unitholders are made on a semi-annual basis directly from the Fund within 20 business days of the record date.

Taxation

The Fund is domiciled in New Zealand and is registered as a Portfolio Investment Entity ('PIE').

The Fund is liable for tax at the prevailing company tax rate on taxable dividends from the investments in securities listed in Note 2 after the deduction of management fees. With most of this income, the Fund is able to utilise imputation credits to satisfy the tax liability. The Fund pays tax to the extent that the imputation credits do not cover the tax liability in full.

Deferred tax is recognised in respect of temporary differences at the Statement of Financial Position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Current and deferred tax is measured using the tax rates enacted or substantively enacted at the reporting date. The temporary differences relate to tax losses to be carried forward.

Goods and services tax (GST)

The Fund is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

Segment information

The Fund operates solely in the business of investment management, investing in New Zealand equities. The Fund received all of its income from its New Zealand equity investments. For the year ended 31 March 2017, five equity investments individually contributed 10% or more of the Fund's dividend income (31 March 2016: five equity investments). The individual dividend income received from these five equity investments was \$425,000, \$385,000, \$361,000, \$350,000 and \$230,000 (31 March 2016: \$189,000, \$166,000, \$160,000, \$155,000 and \$117,000).

Changes in accounting policies and accounting standards adopted during the year

(a) Changes in accounting policies

There have been no significant changes in accounting policies during the year. All policies have been applied on a basis consistent with those used in the prior period.

(b) New accounting standards adopted

There were no new accounting standards adopted during the year that have a material impact on the financial statements of the Fund.

Issued but not yet effective accounting standards

A number of accounting standards have been issued or revised that are not yet effective as at 31 March 2017, and have not been applied in preparing the financial statements. The Fund does not plan to adopt these standards early. The standards which are relevant to the Fund are as follows:

- NZ IFRS 9 Financial Instruments - Effective for annual reporting periods beginning on or after 1 January 2018; the impact of any changes has not yet been determined.
- NZ IFRS 15 Revenue from Contracts with Customers - Effective for annual reporting periods beginning on or after 1 January 2018. The impact of any changes has not yet been determined.

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2017**

1. TAXATION

	2017	2016
	\$'000	\$'000
Tax expense comprises:		
Current tax expense	(1)	-
Deferred tax movement	<u>73</u>	<u>24</u>
Total tax credit	<u><u>72</u></u>	<u><u>24</u></u>

The prima facie income tax credit on (loss)/profit before tax from operations reconciles to the income tax credit in the financial statements as follows:

	2017	2016
	\$'000	\$'000
Income tax credit		
(Loss)/profit before tax	<u>(1,022)</u>	<u>3,285</u>
Income tax using the statutory income tax rate 28%	286	(920)
Net changes in fair value of financial assets	(844)	684
Non taxable income	255	137
Gross up of imputation credits	<u>(146)</u>	<u>(48)</u>
	(449)	(147)
Add imputation credits and other tax credits	<u>521</u>	<u>171</u>
Income tax credit as per Statement of Comprehensive Income	<u><u>72</u></u>	<u><u>24</u></u>

	2017	2016
	\$'000	\$'000
Deferred tax		
Opening balance	24	-
Current period movement	73	24
Prior period adjustment	<u>-</u>	<u>-</u>
Closing balance	<u><u>97</u></u>	<u><u>24</u></u>

	2017	2016
	\$'000	\$'000
Imputation credit account (ICA)		
Imputation credits available for use in subsequent periods	283	66

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

2. INVESTMENTS IN EQUITY SECURITIES HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017		2016	
	Number of Shares '000	Fair value \$'000	Number of Shares '000	Fair value \$'000
Underlying Securities				
Argosy Property Limited	5,984	5,805	5,537	6,562
Goodman Property Trust	6,758	8,144	5,943	7,845
Kiwi Property Group Limited	5,970	8,508	5,508	7,958
Investore Property Limited	1,527	2,030	-	-
Precinct Properties New Zealand Limited	6,982	8,518	6,112	7,671
Property For Industry Limited	3,298	5,326	3,060	5,003
Stride Stapled GRP NPV Units	2,657	4,596	2,490	5,504
Vital Healthcare Property Trust	2,366	<u>4,862</u>	1,793	<u>3,658</u>
		<u>47,789</u>		<u>44,201</u>

All investments are designated at inception as being at fair value through profit or loss. The fair values of investments are calculated using the last traded market price at reporting date. The investments are registered in the name of BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch, the custodian of the Fund.

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value can be categorised across the following 3 levels based on the degree to which their fair value is 'observable':

Level 1 – Fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable either directly or indirectly;

Level 3 – Fair value measurements are derived from valuation methods that include inputs that are not based on observable market data.

All financial instruments of the Fund measured at fair value have been categorised as level 1 in the hierarchy. There were no transfers between levels in the year ended 31 March 2017 (31 March 2016: none).

4. EARNINGS PER UNIT

The basic earnings per unit (EPU) is calculated by dividing the net profit/(loss) after tax attributable to the unitholders by the weighted average number of units on issue during the year.

The Fund's diluted EPU is the same as the basic EPU since the Fund has not issued any instrument with dilutive potential.

	2017	2016
(Loss)/profit after tax (\$'000)	(950)	3,309
Weighted average number of units ('000)	<u>43,783</u>	<u>39,106</u>
Basic and diluted (losses)/earnings per unit (cents per unit)	<u>(2.17)</u>	<u>8.46</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

5. DISTRIBUTION PAYABLE TO UNITHOLDERS

	2017	2016
	\$'000	\$'000
Opening distribution payable	584	-
Distributions accrued to unitholders	1,300	584
Distributed to unitholders	<u>(1,884)</u>	<u>-</u>
Closing distribution payable	<u>-</u>	<u>584</u>

Distributions declared and paid

	Year ended	Distribution per unit (cents per unit)	2017	2016
			\$'000	\$'000
March 2016 (paid April 2016)	31/03/2016	1.45	-	584
June 2016 (paid July 2016)	31/03/2017	1.11	469	-
September 2016 (paid October 2016)	31/03/2017	1.15	495	-
November 2016 (paid December 2016)	31/03/2017	0.76	<u>336</u>	<u>-</u>
			<u>1,300</u>	<u>584</u>

6. UNITHOLDERS' FUNDS

As at 31 March 2017 there were 46,481,000 units on issue (31 March 2016: 40,356,000).

All issued units are fully paid and redeemable, and are quoted on the NZX Main Board. The Fund's net assets attributable to unitholders are represented by these units. The relevant movements are shown on the Statement of Changes in Unitholders' Funds.

The number of units allotted, during the year ended 31 March 2017 was 6,125,000 (31 March 2016: 40,356,000) for total value of \$6,687,000 (31 March 2016: \$41,863,000).

The number of units redeemed during the year ended 31 March 2017 was nil (31 March 2016: nil) for total value of \$nil (31 March 2016: nil).

	2017	2016
	'000	'000
Movement in the number of units		
Balance at the beginning of the year/period	40,356	-
Subscriptions received during the year/period	<u>6,125</u>	<u>40,356</u>
Units on issue at the end of the year/period	<u>46,481</u>	<u>40,356</u>

The net asset value of each unit per the financial statements is \$1.05473 (31 March 2016: \$1.10487). Any difference between the net asset value announced to the market for 31 March 2017 and the net asset value per the financial statements is due to different unit pricing methodology.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

7. RELATED PARTY TRANSACTIONS

Related party holdings

Key management personnel are the Directors of the Manager. There were no transactions with key management personnel during the year.

The Fund is managed by Smartshares Limited, which is a wholly owned subsidiary of NZX Limited, a company listed on the NZX Main Board.

SuperLife superannuation scheme (“SLSS”), a scheme managed by SuperLife Limited, a wholly owned subsidiary of NZX Limited, was an investor in the Fund in the year between 1 April 2016 and 27 October 2016. Effective 28 October 2016, the investments were transferred from SLSS to SuperLife Invest managed investment scheme (“SLI”), a scheme managed by the Manager, also a wholly owned subsidiary of NZX Limited. The transfer of assets and change of Manager was completed as part of the transition of the SuperLife scheme to the Financial Markets Conduct Act 2013.

As at 31 March 2017 SLI held 41,238,787 units valued at \$43,496,000 in the Fund. As at 31 March 2016, SLSS held 39,798,787 units valued at \$43,929,000 in the Fund.

Distributions

The Fund paid distributions of \$907,000 (31 March 2016: \$576,000) to SLSS. All distributions were settled prior to the transfer of investments from SLSS to SLI. The balance remaining as payable as at 31 March 2016 was \$576,000. The Fund paid distributions of \$312,000 to SLI for the year ended 31 March 2017 (31 March 2016: not applicable). The balance remaining as payable at the end of the period is \$nil (31 March 2016: not applicable).

Management fees

The Manager receives management fees from the Fund. Under the Trust Deed the Manager pays the supervisor, custodian, registrar and auditor on behalf of the Fund and receives all direct purchase application fees and interest earned on cash at banks.

Total gross management fees excluding rebates for the period ended 31 March 2017 amounted to \$258,000 (31 March 2016: \$87,000) with \$2,000 (31 March 2016: \$20,000) of outstanding accrued management fees due to the Manager at the end of the year.

The total interest earned on cash at banks for the year ended 31 March 2017 amounted to \$10,000 (31 March 2016: \$3,000).

Total direct purchase application fees for the year ended 31 March 2017 amounted to \$3,000 (31 March 2016: \$1,000).

Other related party transactions

The audit fee paid by the Manager for the audit of the Fund for the period ended 31 March 2017 was \$5,000 (31 March 2016: \$6,000).

8. FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

The Fund utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in the Statement of Accounting Policies.

The financial instruments not accounted for at fair value through profit and loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

8. FINANCIAL RISK MANAGEMENT (Continued)

Financial instruments by category

	2017	2016
	\$'000	\$'000
<i><u>Loans and receivables</u></i>		
Cash and cash equivalents	1,275	994
<i><u>Financial assets at fair value through profit and loss</u></i>		
Investments in equity securities held at fair value through profit or loss	47,789	44,201
<i><u>Other financial liabilities</u></i>		
Management fees payable	(2)	(20)
Distributions payable to unitholders	-	(584)
Funds held for unit purchases	(134)	(27)

The Fund's activities expose it to a variety of financial risks: market price risk, credit risk and liquidity risk. The risk management policies used by the Fund are detailed below:

8a. Market price risk

The Fund's equity securities are exposed to market price risk arising from uncertainties about future prices of the financial instruments.

Because the Fund tracks a New Zealand equity index and is fully invested in the index's underlying New Zealand equity securities, the value of the Fund will move up and down with the New Zealand market.

A 10% increase/decrease in equity prices as at 31 March 2017 would have increased/decreased net profit and unitholder funds by \$4,779,000 (31 March 2016: \$4,420,000).

8b. Credit risk

The Fund is exposed to the potential risk of financial loss resulting from the failure of counterparties to honour fully the terms and conditions of a contract with the Fund. Financial instruments that subject the Fund to credit risk consist primarily of cash and receivables.

The maximum credit risk of financial instruments is considered to be their carrying value. The risk of non-recovery of monetary assets is considered very low due to the quality of counterparties dealt with.

The Fund does not require collateral or other security to support financial instruments with credit risk. The maximum exposures to credit risk at the reporting date are:

	2017	2016
	\$'000	\$'000
Cash and cash equivalents	1,275	994

Cash and cash equivalents

The Fund's cash and cash equivalents balances are held with ANZ Bank New Zealand Limited ('ANZ') and Westpac New Zealand Limited ('Westpac').

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2017**

8. FINANCIAL RISK MANAGEMENT (Continued)

The table below discloses the Standard & Poor's credit rating for the Fund's cash and cash equivalents balance with each bank above at reporting date.

	2017		2016	
Balance	Credit rating	Balance	Credit rating	
\$'000		\$'000		
ANZ	134	AA-	28	AA-
Westpac	<u>1,141</u>	AA-	<u>966</u>	AA-
	<u>1,275</u>		<u>994</u>	

8c. Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with the financial liabilities that are settled by delivering cash or another financial asset.

The Fund's listed securities are considered readily realisable, as they are quoted on the NZX Main Board. In addition, for the Fund, liquidity risk associated with redemptions is managed by meeting redemptions in the form of baskets rather than cash. The Fund meets its redemption obligations by returning the proportionate number of underlying securities in return for the units. Liquidity risk for the Fund is therefore low.

9. COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 31 March 2017 (31 March 2016: none).

10. EVENTS AFTER THE REPORTING YEAR

Since 31 March 2017 there have been no matters or circumstances not otherwise dealt with in the financial statements that have significantly affected or may significantly affect the Fund.

NZ PROPERTY FUND



Independent Auditor's Report

To the unitholders of NZ Property Fund

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of NZ Property Fund (the fund) on pages 296 to 308:

- i. present fairly in all material respects the fund's financial position as at 31 March 2017 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2017;
- the statement of comprehensive income, statement of changes in unitholders' funds and statement of cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the fund in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report.

Our firm has also provided other assurance services to the fund in relation to reporting to the supervisor. Subject to certain restrictions, employees of our firm may also deal with the fund on normal terms within the ordinary course of trading activities of the business of the fund. These matters have not impaired our independence as auditor of the fund. The firm has no other relationship with, or interest in, the fund.



Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at \$492,000 determined with reference to a benchmark of the fund's total assets. We chose the benchmark because, in our view, this is a key measure of the fund's performance.

NZ PROPERTY FUND



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the members as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter

How the matter was addressed in our audit

Carrying amount of investments

Refer to Note 2 to the Financial Statements.

The fund's portfolio of investments makes up 97.2% of total assets. We do not consider these investments to be at high risk of significant misstatement, or be subject to a significant level of judgement, because they comprise liquid, listed investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our audit procedures included:

- documenting and understanding the processes in place to record investment transactions and to value the portfolio. This included evaluating the control environment in place at the administration manager by obtaining and reading a report issued by an independent auditor on the design and operation of those controls
- agreeing the 31 March 2017 valuation of listed equity investments to externally quoted prices
- agreeing investment holdings to confirmations received from the administration manager

We did not identify any material differences in relation to the carrying amount of investments.



Other Information

The Manager, on behalf of the fund, is responsible for the other information included in the entity's Annual Report. Other information may include the Chairman's report, fund highlights, disclosures relating to corporate governance and statutory information. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Manager.



Use of this Independent Auditor's Report

This report is made solely to the members as a body. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in the Independent Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to

NZ PROPERTY FUND



anyone other than the members as a body for our audit work, this report, or any of the opinions we have formed.



Responsibilities of the Manager for the financial statements

The Manager, on behalf of the fund, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Independent Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page2.aspx

This description forms part of our Independent Auditor's Report.

Brent Manning

For and on behalf of

KPMG
Wellington

25 May 2017

Unitholder Information

DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS

AS AT 30 APRIL 2017

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	53	20.78%	30,247	0.07%
1,001-5,000	107	41.96%	298,936	0.64%
5,001-10,000	45	17.65%	346,240	0.74%
10,001-50,000	40	15.69%	875,003	1.88%
50,001-100,000	4	1.57%	329,157	0.71%
Greater than 100,000	6	2.35%	44,601,204	95.96%
TOTAL	255	100.00%	46,480,787	100.00%

20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES

AS AT 30 APRIL 2017

Full Name	Total	Percentage
SuperLife Nominees Limited	41,158,787	88.55
Investment Custodial Services Limited	2,013,996	4.33
Investment Custodial Services Limited	674,425	1.45
Investment Custodial Services Limited	272,243	0.59
Alan James Phillips & Helen Marie Phillips	242,802	0.52
Gary Anthony Vink & Jane Margaret Vink	238,951	0.51
Lewis John Randal & John Gerard Phibbs	100,000	0.22
Stephen Allan Mcgregor & Jane Costigan	97,119	0.21
Richard Brian Williams	70,510	0.15
Anthony Smith & Barbara Smith	61,528	0.13
Allan Charles Carvell	47,376	0.1
Grant Wayne Fausett & Christine Anne Pyke & Kevin George Horne	47,355	0.1
FNZ Custodians Limited	44,681	0.1
David Richard Gavin Mark & Jayne Mark	43,988	0.09
Arcane Enterprises Limited	40,265	0.09
Andrew John Coop	38,170	0.08
Jenny Marie Cochrane & Aimee Lee Clarke & Finman Trustees Ltd	37,878	0.08
Shani Myrna Joffe	29,614	0.06
Rowena Mary Mcgavin	27,180	0.06
George Heatherwick Findlay	25,000	0.05
	45,311,868	97.47

SUBSTANTIAL PRODUCT HOLDERS

The following information has been given pursuant to section 293 of the Financial Markets Conduct Act 2013 (FMCA). According to Smartshares records and disclosures made under section 280(1)(b) of the FMCA, there were no substantial product holders in the Fund as at 31 March 2017. The total number of units on issue at 31 March 2017 was 46,480,787.

DIRECTORS' INTERESTS IN UNITS

	Beneficial	Non-Beneficial
Bevan Miller	5,970*	0
Paul Baldwin	0	0
Guy Elliffe	11,916*	0
John Williams	0	0

*Beneficial interest in these units is indirectly held through the director's interest in the SuperLife KiwiSaver scheme

WAIVERS GRANTED

The Special Division of the New Zealand Markets Disciplinary Tribunal (Special Division) has granted, either fully, partially or subject to conditions a number of waivers to the fund.

The waiver decisions that Smartshares currently relies upon are available on smartshares.co.nz.

Special Division granted the following waivers from the Listing Rules that continue to be relied upon as at 31 March 2017:

3.1.1(a) - compliance with the Listing Rules	7.5 - Issues and Buybacks Affecting Control
3.1.1(b) - compliance with Takeover Provisions	7.6.1 to 7.6.3 - Buybacks of Equity Securities, Redemptions and Financial Assistance
3.3.5 to 3.3.15 - Appointment and Rotation of Directors	7.11.1 Allotment within 5 business days
3.4 - Proceedings and Power of Directors	9.2.1 - Transactions with Related Parties
3.5 - Directors' Remuneration	10.3.2 - Preliminary Announcements
Section 4 - Takeover Provisions	10.4.1(d) - Annual and Half-Year Reports availability
7.1.11 - Minimum Subscription	10.4.2 - Half-Yearly Reporting Requirements
7.3 - Issue of New Equity Securities.	10.6.1(a) - Other Administrative Information
7.4 - Entitlements to Third Party Securities	

In October 2015, Special Division granted Smartshares a waiver from Listing Rules 3.3.1(c), 3.3.3 and 3.6.2(c) to enable Mr Elliffe and Mr Williams to continue to be regarded as Independent Directors following their appointment to the board of SuperLife Limited in May 2016.

As Smartshares and SuperLife Limited were amalgamated on 9 November 2016, Smartshares no longer relies on this waiver.

In June 2016, Special Division granted Smartshares a waiver from Listing Rule 9.2.1 to enable Smartshares to amalgamate with SuperLife Limited without the need for unitholder approval. Smartshares no longer relies on this waiver.

On 8 September 2016, Special Division granted fully, partially or subject to conditions, waivers from the following Listing Rules in relation to the transition of the group investment funds to the FMCA:

7.4.1 - Entitlements to Third Party Securities
7.6.5 - Buy Backs of Equity Securities, Redemptions and Financial Assistance
8.3.1 - Modifications of Rights of Security Holders
9.2.1 - Transactions with Related Parties

Australian Property Fund (ASP)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017

Presented by Smartshares Limited, Manager of the Australian Property Fund

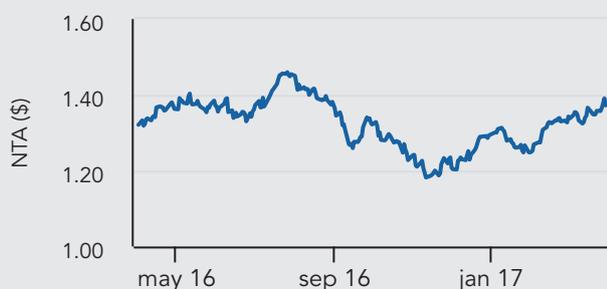
Report to the Unitholders

HIGHLIGHTS

Launch Date 16-Dec-14

	March 2017	March 2016
Net Tangible Assets (NTA)	\$1.372	\$1.348
Units On Issue	33,548,089	31,798,089
Funds Under Management	\$46,030,489	\$42,862,234
Gross Distribution	\$0.024	\$0.055
Gross Distribution Yield	1.74%	4.11%
Gross Return	3.62%	17.37%
Total Fund Charges	0.54%	0.54%
Distributions paid	Semi-annual	

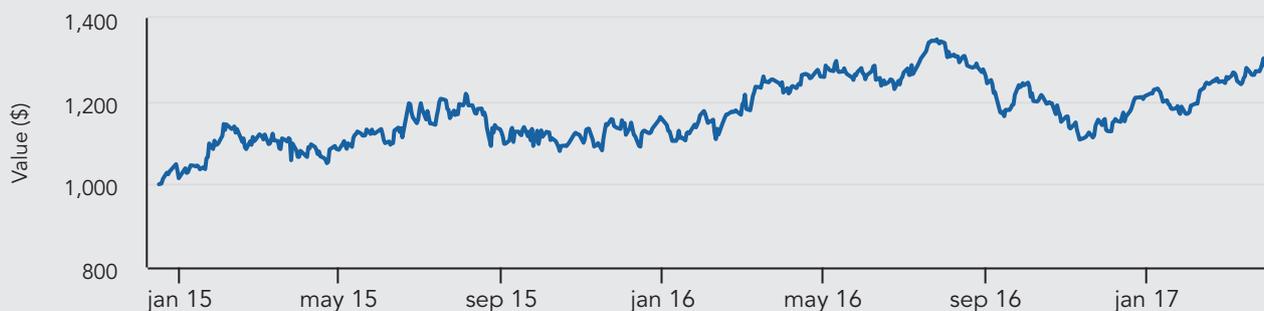
NTA Per Unit



Sector Allocation



Growth of \$1,000*



*Since inception, all distributions reinvested.

AUSTRALIAN PROPERTY FUND

DIRECTORY

THE MANAGER

Smartshares Limited
Level 1, NZX Centre
11 Cable Street, Wellington 6140
New Zealand

This is also the address of the registered office.

PRINCIPAL OFFICE OF THE MANAGER

Level 7, Zurich House
21 Queen Street, Auckland Central
Auckland 1010
New Zealand

DIRECTORS OF THE MANAGER

Bevan K. Miller
Timothy O. Bennett (resigned 30 December 2016)
Guy R. Elliffe
A. John Williams
Paul J. Baldwin (appointed 30 December 2016)

INVESTMENT ADMINISTRATOR & CUSTODIAN

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

THE SUPERVISOR

Public Trust
Level 5, 40-42 Queens Drive
Lower Hutt 5010, Wellington
New Zealand

AUDITOR

KPMG
10 Customhouse Quay
PO Box 996, Wellington 6140
New Zealand

SOLICITOR

Buddle Findlay
Level 17, State Insurance Tower
1 Willis Street, Wellington 6140
New Zealand

REGISTRAR

Link Market Services Limited

CORRESPONDENCE

All correspondence and enquiries to the Manager about the Fund should be addressed to the Manager, Smartshares Limited, at the above address.

AUSTRALIAN PROPERTY FUND

Smartshares Limited (the 'Manager') and Public Trust (the 'Supervisor') are parties to a master trust deed dated 24 June 2014 as amended and restated on 9 September 2016 (the 'Trust Deed'). Under a Deed of Retirement and Appointment dated 6 September 2016, Trustees Executors Limited retired as the trustee and Public Trust was appointed as the Supervisor. The Trust Deed sets out the terms and conditions on which units in the funds within the Smartshares Exchange Traded Funds are offered for subscription, whether to the public or otherwise.

The Trust Deed provides that each fund is to be established by the Manager and the Supervisor entering into an establishment deed setting out the specific terms and conditions relating to that fund.

The Australian Property Fund (the 'Fund') was created by an establishment deed dated 1 December 2014 as amended on 5 June 2015 and amended and restated on 9 September 2016 between the Manager and the Supervisor.

STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), and fairly present the financial position of the Fund as at 31 March 2017, and the results of its financial performance and cash flows for the year ended 31 March 2017 in accordance with the requirement of the Trust Deed.

It is believed that there are no circumstances that may materially and adversely affect any interest of the unitholders in the assets other than those already disclosed in this report.

For and on behalf of the Manager:
Smartshares Limited



.....
Director



.....
Director

This statement was approved for signing at a meeting of the Directors on 25 May 2017.

AUSTRALIAN PROPERTY FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017

		31 March 2017 \$'000	31 March 2016 \$'000
	Note		
INCOME			
Dividend income		2,239	1,890
Net changes in fair value of financial assets at fair value through profit or loss		5	4,534
Foreign exchange gain		19	-
Total income		<u>2,263</u>	<u>6,424</u>
EXPENSES			
Management fees expense	7	(236)	(186)
Foreign exchange loss		-	(19)
Miscellaneous expenses		(7)	(3)
Total expenses		<u>(243)</u>	<u>(208)</u>
Profit before tax		2,020	6,216
Income tax expense	1	(547)	(421)
Profit after tax		1,473	5,795
Other comprehensive income		-	-
Total comprehensive income		<u>1,473</u>	<u>5,795</u>
EARNINGS PER UNIT			
Basic and diluted earnings per unit (cents per unit)	4	<u>4.46</u>	<u>21.14</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS
 FOR THE YEAR ENDED 31 MARCH 2017**

		31 March 2017 \$'000	31 March 2016 \$'000
Unitholders' funds at the beginning of the year		42,793	30,454
Total comprehensive income for the year		<u>1,473</u>	<u>5,795</u>
Subscriptions from unitholders	6	2,368	7,920
Distributions to unitholders	5	<u>(619)</u>	<u>(1,376)</u>
		<u>1,749</u>	<u>6,544</u>
Unitholders' funds at the end of the year		<u><u>46,015</u></u>	<u><u>42,793</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017**

	Note	31 March 2017 \$'000	31 March 2016 \$'000
ASSETS			
Cash and cash equivalents		566	855
Receivables		82	51
Investments in equity securities held at fair value through profit or loss	2	45,108	42,743
Taxation receivable		281	-
TOTAL ASSETS		46,037	43,649
LIABILITIES			
Management fees payable	7	(2)	(20)
Taxation payable		-	(14)
Distribution payable to unitholders	5	-	(815)
Funds held for unit purchases		(20)	(7)
TOTAL LIABILITIES		(22)	(856)
UNITHOLDERS' FUNDS		46,015	42,793
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		46,037	43,649

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the financial statements on 25 May 2017.



B Miller
Chairman
Smartshares Limited



G Elliffe
Director
Smartshares Limited

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017**

	31 March 2017 S'000	31 March 2016 S'000
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Dividend income received	1,948	1,690
<i>Cash was applied to:</i>		
Management fees paid	(254)	(181)
Taxation paid	(582)	(195)
Miscellaneous expenses paid	(7)	(3)
Net cash flows from operating activities	<u>1,105</u>	<u>1,311</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Cash was provided from:</i>		
Sale of investments	7,612	7,974
<i>Cash was applied to:</i>		
Purchase of investments	(7,864)	(8,494)
Net cash flows from investing activities	<u>(252)</u>	<u>(520)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Cash was provided from:</i>		
Subscriptions received from unitholders	292	414
<i>Cash was applied to:</i>		
Distributions paid to unitholders	(1,434)	(1,285)
Net cash flows from financing activities	<u>(1,142)</u>	<u>(871)</u>
Net decrease in cash and cash equivalents	(289)	(80)
Cash and cash equivalents at the beginning of the year	855	937
Effect of exchange rate fluctuations on cash and cash equivalents	-	(2)
Cash and cash equivalents at the end of the year	<u>566</u>	<u>855</u>
Reconciliation of profit after tax to net cash flows from operating activities		
Profit after tax	1,473	5,795
Net changes in fair value of financial assets at fair value through profit or loss	(5)	(4,534)
Foreign exchange (gain)/loss	(19)	19
(Decrease)/increase in taxation payable	(14)	14
(Decrease)/increase in management fees payable	(18)	5
(Increase)/decrease in taxation receivable	(281)	29
Increase in receivables	(31)	(17)
Net cash flows from operating activities	<u>1,105</u>	<u>1,311</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

GENERAL INFORMATION

The Australian Property Fund (the 'Fund') is a for-profit fund registered in New Zealand and established under the Financial Markets Conduct Act 2013 ('FMC Act 2013'). It is offered under a registered managed investment scheme known as the Smartshares Exchange Traded Funds. Smartshares Limited, the Manager of the Fund is a FMC reporting entity for the purposes of the FMC Act 2013.

The Fund is governed by the Trust Deed dated 24 June 2014 as amended and restated on 9 September 2016 between the Manager and the Supervisor. The Fund was established on 1 December 2014 and commenced operation on 16 December 2014.

The Fund changed its name from Australian Property Index Trust to Australian Property Fund effective 16 September 2016.

The Fund's units are quoted on the NZX Main Board. The Fund is a passive investment fund that tracks the S&P/ASX 200 A-REIT Equal Weight Index (the 'Index'). As prescribed by the Trust Deed, the Fund invests in the securities included in the Index broadly in proportion to the weightings of the Index. Investments are valued at fair value according to last traded market prices on the Australian Securities Exchange on 31 March 2017 (see Note 2).

STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied to the years presented. Where necessary, comparative figures have been restated to correspond to the current year classifications.

Basis of preparation

The financial statements of the Fund have been prepared in accordance with the requirements of the FMC Act 2013, Financial Reporting Act 2013, New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS'). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The functional currency of this entity is the same as the presentation currency of these financial statements being the New Zealand Dollar ('NZD'), rounded to the nearest thousand.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Smartshares Limited Board of Directors to exercise its judgement in the process of applying the Fund's Statement of Accounting Policies.

Financial assets at fair value through profit or loss

(a) Classification

The Fund classifies its investments in equity securities held at fair value as financial assets at fair value through profit or loss. These financial assets are designated by the Smartshares Board of Directors at inception as their performance is managed and evaluated on a fair value basis in accordance with a documented investment strategy.

(b) Recognition/derecognition

Purchases and sales of investments are recognised on the trade date - the date on which the Fund commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

(c) Measurement

Financial assets at fair value through profit or loss are recognised at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income when they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income within dividend income when the Fund's right to receive payment is established.

(d) Fair value estimation

The fair value of the financial instruments is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Fund is the last traded market price.

Receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are measured at amortised cost using the effective interest method less impairment.

Payables

Trade payables and other payables are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services, and are measured at amortised cost.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency (NZD) using the exchange rate prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Translation differences of non-monetary financial assets such as equities held at fair value through profit or loss are recognised in the Statement of Comprehensive Income as part of the net changes in fair value of financial assets at fair value through profit or loss.

Cash and cash equivalents

Cash and cash equivalents are considered to be cash at banks, net of bank overdrafts. Operating activities in the Statement of Cash Flows include all transactions or events that are not investing or financing activities. Investing activities are those activities that relate to the acquisition, holding and disposal of investments and securities not falling within the definition of cash. Financing activities are those activities that relate to cash contributions to and from, or distributions to the unitholders.

Units

The Fund issues units, which provide the holder with a beneficial interest in the Fund. The units can be put back to the Fund via a basket redemption, in accordance with the redemption rules as defined in the Trust Deed, for securities of the constituent companies in proportion to the index and of a proportion of cash held in the Fund.

The units are issued and redeemed based on the Fund's net asset value per unit at the time of issue or redemption. The Fund's net asset value per unit is calculated by dividing the net assets attributable to the unitholders by the total number of outstanding units. In accordance with the provisions of the Trust Deed investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Distributions to unitholders

Distributions are made up of income received from the investments less expenses paid and allowances for future liabilities. Income from investments held is attributed to unitholders on the basis of the number of units held on the record date of the distribution. To the extent that imputation credits are available, distributions to unitholders will be fully imputed. The record date for the Fund is on the last business day of May and November in each year. Currently, distributions to unitholders are made on a semi-annual basis directly from the fund within 20 business days of the record date.

Taxation

The Fund is domiciled in New Zealand and is registered as a Portfolio Investment Entity ('PIE').

The Fund is liable for tax at the prevailing company tax rate on taxable dividends (excluding dividends from investments in securities subject to the Fair Dividend Rate method ('FDR')) from the investment in securities listed in Note 2 after the deduction of management fees. For securities subject to FDR, the Fund is liable for tax based on the market value of the security. With some of this income, the Fund is able to utilise foreign withholding tax credits to satisfy the tax liability. The Fund pays tax to the extent that the foreign withholding tax credits do not cover the tax liability in full.

Deferred tax is recognised in respect of temporary differences at the Statement of Financial Position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Current and deferred tax is measured using the tax rates enacted or substantively enacted at the reporting date.

Goods and services tax (GST)

The Fund is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

Segment information

The Fund operates solely in the business of investment management, investing in Australian equities. The Fund received all of its income from its Australian equity investments. For the year ended 31 March 2017, one equity investment individually contributed 10% or more of the Fund's dividend income (31 March 2016: one equity investment). The dividend income received from this equity investment was \$251,000 (31 March 2016: \$198,000).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

Changes in accounting policies and accounting standards adopted during the year

(a) Changes in accounting policies

There have been no significant changes in accounting policies during the year. All policies have been applied on a basis consistent with those used in the prior year.

(b) New accounting standards adopted

There were no new accounting standards adopted during the year that have a material impact on the financial statements of the Fund.

Issued but not yet effective accounting standards

A number of accounting standards have been issued or revised that are not yet effective as at 31 March 2017, and have not been applied in preparing the financial statements. The Fund does not plan to adopt these standards early. The standards which are relevant to the Fund are as follows:

- NZ IFRS 9 Financial Instruments - Effective for annual reporting periods beginning on or after 1 January 2018. The impact of any changes has not yet been determined.
- NZ IFRS 15 Revenue from Contracts with Customers - Effective for annual reporting periods beginning on or after 1 January 2018. The impact of any changes has not yet been determined.

1. TAXATION

	2017	2016
	\$'000	\$'000
Tax expense comprises:		
Current tax expense	(545)	(423)
Prior period adjustment	<u>(2)</u>	<u>2</u>
Total tax expense	<u><u>(547)</u></u>	<u><u>(421)</u></u>

The prima facie income tax expense on profit before tax from operations reconciles to the income tax expense in the financial statements as follows:

	2017	2016
	\$'000	\$'000
Income tax expense		
Profit before tax	<u>2,020</u>	<u>6,216</u>
Income tax using the statutory income tax rate 28%	(566)	(1,740)
Net changes in fair value of financial assets	1	1,270
Non taxable income	626	529
Tax on securities subject to FDR	<u>(606)</u>	<u>(478)</u>
	(545)	(419)
Add imputation credits and other tax credits	-	(4)
Prior period adjustment	<u>(2)</u>	<u>2</u>
Income tax expense as per Statement of Comprehensive Income	<u><u>(547)</u></u>	<u><u>(421)</u></u>

Imputation credit account (ICA)

	2017	2016
	\$'000	\$'000
Imputation credits available for use in subsequent periods	406	14

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

2. INVESTMENTS IN EQUITY SECURITIES HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017		2016	
	Number of	Fair Value	Number of	
	Shares	\$'000	Shares	
	'000	'000	'000	
		\$'000	\$'000	
Underlying securities				
Abacus Property Group	682	2,411	752	2,482
BWP Trust	759	2,359	674	2,555
Charter Hall Group	401	2,417	486	2,498
Charter Hall Retail - REIT	503	2,384	509	2,590
Cromwell Property Group	2,244	2,339	2,193	2,527
Dexus Property Group	228	2,434	287	2,523
Goodman Property Group	285	2,410	337	2,488
GPT Group	440	2,471	450	2,491
Growthpoint Properties Australia	678	2,344	718	2,498
Investa Office Fund	462	2,397	541	2,514
Iron Mountain Incorporated	46	2,312	-	-
Mirvac Group Property Trust	997	2,384	1,200	2,572
National Storage REIT	1,466	2,287	1,436	2,561
Scentre Group	494	2,313	505	2,483
Shopping Centres Australia Property Group	984	2,405	980	2,487
Stockland	459	2,326	525	2,483
Vicinity Centres	748	2,310	711	2,513
Viva Energy Reit	921	2,391	-	-
Westfield Corporation	249	2,414	224	2,478
		<u>45,108</u>		<u>42,743</u>

All investments are designated at inception as being at fair value through profit or loss. The fair values of investments are calculated using the last traded market price at the reporting date. The investments are registered in the name of BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch, the custodian of the Fund.

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value can be categorised across the following 3 levels based on the degree to which their fair value is 'observable':

Level 1 – Fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable either directly or indirectly;

Level 3 – Fair value measurements are derived from valuation methods that include inputs that are not based on observable market data.

All financial instruments of the Fund measured at fair value have been categorised as level 1 in the hierarchy. There were no transfers between levels in the year ended 31 March 2017 (31 March 2016: none).

4. EARNINGS PER UNIT

The basic earnings per unit (EPU) is calculated by dividing the net profit/(loss) after tax attributable to the unitholders by the weighted average number of units on issue during the year.

The Fund's diluted EPU is the same as the basic EPU since the Fund has not issued any instrument with dilutive potential.

	2017	2016
Profit after tax (\$'000)	1,473	5,795
Weighted average number of units ('000)	<u>33,059</u>	<u>27,413</u>
Basic and diluted earnings per unit (cents per unit)	<u>4.46</u>	<u>21.14</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

5. DISTRIBUTION PAYABLE TO UNITHOLDERS

	2017	2016
	\$'000	\$'000
Opening distribution payable	815	724
Distributions accrued to unitholders	619	1,376
Distributed to unitholders	(1,434)	(1,285)
Closing distribution payable	<u> -</u>	<u> 815</u>

Distributions declared and paid

	Year ended	Distribution per unit (cents per unit)	2017	2016
			\$'000	\$'000
March 2015 (paid April 2015)	31/03/2015	2.65	-	674
September 2015 (paid October 2015)	31/03/2016	2.36	-	611
March 2016 (paid April 2016)	31/03/2017	2.56	815	-
September 2016 (paid October 2016)	31/03/2017	1.86	619	-
			<u> 1,434</u>	<u> 1,285</u>

6. UNITHOLDERS' FUNDS

As at 31 March 2017 there were 33,548,000 units on issue (31 March 2016: 31,798,000).

All issued units are fully paid and redeemable, and are quoted on the NZX Main Board. The Fund's net assets attributable to unitholders are represented by these units. The relevant movements are shown in the Statement of Changes in Unitholders' Funds.

The number of units allotted during the year ended 31 March 2017 was 1,750,000 (31 March 2016: 6,375,000) for total value of \$2,368,000 (31 March 2016: \$7,920,000).

The number of units redeemed during the year ended 31 March 2017 was nil (31 March 2016: nil) for total value of \$nil (31 March 2016: \$nil).

	2017	2016
	'000	'000
Movement in the number of units		
Balance at the beginning of the year	31,798	25,423
Subscriptions received during the year	<u> 1,750</u>	<u> 6,375</u>
Units on issue at the end of the year	<u> 33,548</u>	<u> 31,798</u>

The net asset value of each unit per the financial statements is \$1.37162 (31 March 2016: \$1.34578). Any difference between the net asset value announced to the market for 31 March 2017 and the net asset value per the financial statements is due to different unit pricing methodology.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

7. RELATED PARTY TRANSACTIONS

Related party holdings

Key management personnel are the Directors of the Manager. There were no transactions with key management personnel during the year.

The Fund is managed by Smartshares Limited, which is a wholly owned subsidiary of NZX Limited, a company listed on the NZX Main Board.

SuperLife superannuation scheme (“SLSS”), a scheme managed by SuperLife Limited, a wholly owned subsidiary of NZX Limited, was an investor in the Fund in the year between 1 April 2016 and 27 October 2016. Effective 28 October 2016, the investments were transferred from SLSS to SuperLife Invest managed investment scheme (“SLI”), a scheme managed by the Manager, also a wholly owned subsidiary of NZX Limited. The transfer of assets and change of Manager was completed as part of the transition of the SuperLife scheme to the Financial Markets Conduct Act 2013.

As at 31 March 2017 SLI held 31,595,544 units valued at \$43,351,000 in the Fund. As at 31 March 2016 SLSS held 30,507,044 units valued at \$41,081,000 in the Fund.

Distributions

The Fund paid distributions of \$587,000 (31 March 2016: \$1,368,000) to SLSS. All distributions were settled prior to the transfer of investments from SLSS to SLI. The balance remaining as payable as at 31 March 2016 was \$781,000. The Fund paid distributions of \$nil to SLI for the year ended 31 March 2017 (31 March 2016: not applicable). The balance remaining as payable at the end of the year is \$nil (31 March 2016: not applicable).

Management Fees

The Manager receives management fees from the Fund. Under the Trust Deed the Manager pays the supervisor, custodian, registrar and auditor on behalf of the Fund and receives all direct purchase application fees and interest earned on cash at banks.

Total gross management fees for the year ended 31 March 2017 amounted to \$236,000 (31 March 2016: \$186,000), with \$2,000 (31 March 2016: \$20,000) of outstanding accrued management fees due to the Manager at the end of the year.

The total interest earned on cash at banks for the year ended 31 March 2017 amounted to \$3,000 (31 March 2016: \$8,000).

Total direct purchase application fees for the year ended 31 March 2017 amounted to \$2,000 (31 March 2016: \$1,000).

Other related party transactions

The audit fee paid by the Manager for the audit of the Fund for the the year ended 31 March 2017 was \$5,000 (31 March 2016: \$6,000).

8. FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

The Fund utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in the Statement of Accounting Policies.

The financial instruments not accounted for at fair value through profit and loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

8. FINANCIAL RISK MANAGEMENT (Continued)

Financial instruments by category	2017	2016
	\$'000	\$'000
<i><u>Loans and receivables</u></i>		
Cash and cash equivalents	566	855
Receivables	82	51
<i><u>Financial assets at fair value through profit and loss</u></i>		
Investments in equity securities held at fair value through profit or loss	45,108	42,743
<i><u>Other financial liabilities</u></i>		
Management fees payable	(2)	(20)
Distribution payable to unitholders	-	(815)
Funds held for unit purchases	(20)	(7)

The Fund's activities expose it to a variety of financial risks: market price risk, credit risk, liquidity risk and currency risk. The risk management policies used by the Fund are detailed below:

8a. Market price risk

The Fund's equity securities are exposed to market price risk arising from uncertainties about future prices of the financial instruments.

Because the fund tracks an Australian equity index and is fully invested in the index's underlying Australian equity securities, the value of the fund will move up and down with the Australian market.

A 10% increase/decrease in equity prices as at 31 March 2017 would have increased/decreased net profit and unitholder funds by \$4,511,000 (31 March 2016: \$4,274,000).

8b. Credit risk

The Fund is exposed to the potential risk of financial loss resulting from the failure of counterparties to honour fully the terms and conditions of a contract with the Fund. Financial instruments that subject the Fund to credit risk consist primarily of cash and receivables.

The maximum credit risk of financial instruments is considered to be their carrying value. The risk of non-recovery of monetary assets is considered very low due to the quality of counterparties dealt with.

The Fund does not require collateral or other security to support financial instruments with credit risk. The maximum exposures to credit risk at the reporting date are:

	2017	2016
	\$'000	\$'000
Cash and cash equivalents	566	855
Receivables	82	51

Cash and cash equivalents

The Fund's cash and cash equivalents balances are held with ANZ Bank New Zealand Limited ('ANZ'), BNP Paribas Securities Services ('BNP Paribas') and Westpac New Zealand Limited ('Westpac').

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

8. FINANCIAL RISK MANAGEMENT (Continued)

The table below discloses the Standard & Poor's credit rating for the Fund's cash and cash equivalents balance with each bank above at the reporting date.

	Balance	2017 Credit rating	Balance	2016 Credit rating
	\$'000		\$'000	
ANZ	20	AA-	6	AA-
BNP Paribas	2	A	6	A-
Westpac	<u>544</u>	AA-	<u>843</u>	AA-
	<u>566</u>		<u>855</u>	

8c. Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with the financial liabilities that are settled by delivering cash or another financial asset.

The Fund's investments in listed securities are considered readily realisable, as they are quoted on the Australian Securities Exchange. In addition, liquidity risk associated with redemptions is managed by meeting redemptions in the form of baskets rather than cash. The Fund meets its redemption obligations by returning the proportionate number of underlying securities in return for the units. Liquidity risk for the Fund is therefore low.

8d. Currency risk

Currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates.

The Fund holds assets denominated in a currency other than the New Zealand dollar, the functional currency. It is therefore exposed to currency risk, as the value of the securities denominated in Australian dollars will fluctuate due to changes in the exchange rate. The Fund's policy is not to enter into any currency hedging transactions.

A 10% strengthening/weakening of the New Zealand dollar against the Australian dollar as at 31 March 2017 would have decreased/increased profit and unitholders funds by \$4,520,000 (31 March 2016: \$4,280,000).

The table below summarises the Fund's exposure to currency risks.

	2017 \$'000	2016 \$'000
Australian dollar cash held (NZD)	2	6
Receivables	82	51
Investments in equity securities held at fair value through profit or loss	45,108	42,743

9. COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 31 March 2017 (31 March 2016: none).

10. EVENTS AFTER THE REPORTING YEAR

Since 31 March 2017 there have been no matters or circumstances not dealt with in the financial statements that have significantly affected or may significantly affect the Fund.

AUSTRALIAN PROPERTY FUND



Independent Auditor's Report

To the unitholders of Australian Property Fund

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of Australian Property Fund (the fund) on pages 317 to 328:

- i. present fairly in all material respects the fund's financial position as at 31 March 2017 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2017;
- the statement of comprehensive income, statement of changes in unitholders' funds and statement of cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the fund in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report.

Our firm has also provided other assurance services to the fund in relation to reporting to the supervisor. Subject to certain restrictions, employees of our firm may also deal with the fund on normal terms within the ordinary course of trading activities of the business of the fund. These matters have not impaired our independence as auditor of the fund. The firm has no other relationship with, or interest in, the fund.



Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at \$460,000 determined with reference to a benchmark of the fund's total assets. We chose the benchmark because, in our view, this is a key measure of the fund's performance.

AUSTRALIAN PROPERTY FUND



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the members as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter

How the matter was addressed in our audit

Carrying amount of investments

Refer to Note 2 to the Financial Statements.

The fund's portfolio of investments makes up 98.0% of total assets. We do not consider these investments to be at high risk of significant misstatement, or be subject to a significant level of judgement, because they comprise liquid, listed investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our audit procedures included:

- documenting and understanding the processes in place to record investment transactions and to value the portfolio. This included evaluating the control environment in place at the administration manager by obtaining and reading a report issued by an independent auditor on the design and operation of those controls
- agreeing the 31 March 2017 valuation of listed equity investments to externally quoted prices
- agreeing investment holdings to confirmations received from the administration manager

We did not identify any material differences in relation to the carrying amount of investments.



Other Information

The Manager, on behalf of the fund, is responsible for the other information included in the entity's Annual Report. Other information may include the Chairman's report, fund highlights, disclosures relating to corporate governance and statutory information. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Manager.



Use of this Independent Auditor's Report

This report is made solely to the members as a body. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in the Independent Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members as a body for our audit work, this report, or any of the opinions we have formed.

AUSTRALIAN PROPERTY FUND



Responsibilities of the Manager for the financial statements

The Manager, on behalf of the fund, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Independent Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page2.aspx

This description forms part of our Independent Auditor's Report.

Brent Manning

For and on behalf of

KPMG
Wellington

25 May 2017

Unitholder Information

DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS

AS AT 30 APRIL 2017

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	47	23.38%	28,150	0.08%
1,001-5,000	70	34.83%	186,015	0.56%
5,001-10,000	37	18.41%	275,690	0.83%
10,001-50,000	41	20.40%	784,305	2.36%
50,001-100,000	4	1.99%	314,813	0.95%
Greater than 100,000	2	1.00%	31,709,116	95.23%
TOTAL	201	100.00%	33,298,089	100.00%

20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES

AS AT 30 APRIL 2017

Full Name	Total	Percentage
SuperLife Nominees Limited	31,595,544	94.89
David Georges Andre Dromer	113,572	0.34
John Lindsay Holland & Andrew Nicholas Crosbie Woods	81,899	0.25
Neil Lawrence Murray & Tania Natasha Tikus Murray & Graeme William Elvin	81,499	0.24
Andrew Merfyn Williams	77,754	0.23
Tania Natasha Tikus Murray & Neil Lawrence Murray & Brown Street Trustees Ltd	73,661	0.22
Raymon Williams	49,984	0.15
Billy Cheung Services Limited	38,540	0.12
Stephen John Kennedy & Maureen O'Callaghan	35,506	0.11
Nyala Limited	30,000	0.09
John Francis Paige Hudson & Laura Margaret Victoria Hudson	30,000	0.09
Craig Plim & Fiona Margaret Plim	27,934	0.08
Mark David Sweetapple & Janine Peta Sweetapple	27,664	0.08
Raymond Grant Krissansen & Ann Krissansen	25,000	0.08
Raymond Arthur Hancox & Janice Gay Hancox & Clive Basil Cleland	22,650	0.07
John Lindsay Holland & Annabel Mary Holland	22,572	0.07
Mathew Luke Buckland	21,430	0.06
Marjo Riitta Ramaekers	20,800	0.06
Daniel Tisch & Brigitte Lauper Tisch	19,456	0.06
David Richard Weikart & Jane Meinhardt Weikart & Russell Martin Toplis	18,006	0.05
	32,413,471	97.34

SUBSTANTIAL PRODUCT HOLDERS

The following information has been given pursuant to section 293 of the Financial Markets Conduct Act 2013 (FMCA). According to Smartshares records and disclosures made under section 280(1)(b) of the FMCA, there were no substantial product holders in the Fund as at 31 March 2017. The total number of units on issue at 31 March 2017 was 33,548,089.

DIRECTORS' INTERESTS IN UNITS

	Beneficial	Non-Beneficial
Bevan Miller	4,592*	0
Paul Baldwin	0	0
Guy Elliffe	9,166*	0
John Williams	0	0

*Beneficial interest in these units is indirectly held through the director's interest in the SuperLife KiwiSaver scheme

WAIVERS GRANTED

The Special Division of the New Zealand Markets Disciplinary Tribunal (Special Division) has granted, either fully, partially or subject to conditions a number of waivers to the fund.

The waiver decisions that Smartshares currently relies upon are available on smartshares.co.nz.

Special Division granted the following waivers from the Listing Rules that continue to be relied upon as at 31 March 2017:

3.1.1(a) - compliance with the Listing Rules	7.5 - Issues and Buybacks Affecting Control
3.1.1(b) - compliance with Takeover Provisions	7.6.1 to 7.6.3 - Buybacks of Equity Securities, Redemptions and Financial Assistance
3.3.5 to 3.3.15 - Appointment and Rotation of Directors	7.11.1 Allotment within 5 business days
3.4 - Proceedings and Power of Directors	9.2.1 - Transactions with Related Parties
3.5 - Directors' Remuneration	10.3.2 - Preliminary Announcements
Section 4 - Takeover Provisions	10.4.1(d) - Annual and Half-Year Reports availability
7.1.11 - Minimum Subscription	10.4.2 - Half-Yearly Reporting Requirements
7.3 - Issue of New Equity Securities.	10.6.1(a) - Other Administrative Information
7.4 - Entitlements to Third Party Securities	

In October 2015, Special Division granted Smartshares a waiver from Listing Rules 3.3.1(c), 3.3.3 and 3.6.2(c) to enable Mr Elliffe and Mr Williams to continue to be regarded as Independent Directors following their appointment to the board of SuperLife Limited in May 2016.

As Smartshares and SuperLife Limited were amalgamated on 9 November 2016, Smartshares no longer relies on this waiver.

In June 2016, Special Division granted Smartshares a waiver from Listing Rule 9.2.1 to enable Smartshares to amalgamate with SuperLife Limited without the need for unitholder approval. Smartshares no longer relies on this waiver.

On 8 September 2016, Special Division granted fully, partially or subject to conditions, waivers from the following Listing Rules in relation to the transition of the group investment funds to the FMCA:

7.4.1 - Entitlements to Third Party Securities
7.6.5 - Buy Backs of Equity Securities, Redemptions and Financial Assistance
8.3.1 - Modifications of Rights of Security Holders
9.2.1 - Transactions with Related Parties

Australian Resources (ASR)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017

Presented by Smartshares Limited, Manager of the Australian Resources Fund

Report to the Unitholders

HIGHLIGHTS

Launch Date 7-Apr-15

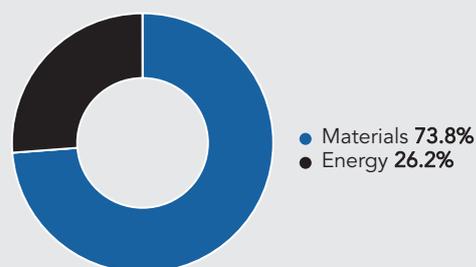
	March 2017	March 2016
Net Tangible Assets (NTA)	\$3.742	\$2.772
Units On Issue	6,391,647	6,241,647
Funds Under Management	\$23,915,338	\$17,303,094
Gross Distribution	\$0.040	\$0.025*
Gross Distribution Yield	1.08%	N/A
Gross Return	36.55%	-17.25%*
Total Fund Charges	0.54%	0.54%
Distributions paid	Semi-annual	

* Since Inception

NTA Per Unit



Sector Allocation



Growth of \$1,000*



*Since inception, all distributions reinvested.

AUSTRALIAN RESOURCES FUND

DIRECTORY

THE MANAGER

Smartshares Limited
Level 1, NZX Centre
11 Cable Street, Wellington 6140
New Zealand

THE SUPERVISOR

Public Trust
Level 5, 40-42 Queens Drive
Lower Hutt 5010, Wellington
New Zealand

This is also the address of the registered office.

PRINCIPAL OFFICE OF THE MANAGER

Level 7, Zurich House
21 Queen Street, Auckland Central
Auckland 1010
New Zealand

AUDITOR

KPMG
10 Customhouse Quay
PO Box 996, Wellington 6140
New Zealand

DIRECTORS OF THE MANAGER

Bevan K. Miller
Timothy O. Bennett (resigned 30 December 2016)
Guy R. Elliffe
A. John Williams
Paul J. Baldwin (appointed 30 December 2016)

SOLICITOR

Buddle Findlay
Level 17, State Insurance Tower
1 Willis Street, Wellington 6140
New Zealand

INVESTMENT ADMINISTRATOR & CUSTODIAN

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

REGISTRAR

Link Market Services Limited

CORRESPONDENCE

All correspondence and enquiries to the Manager about the Fund should be addressed to the Manager, Smartshares Limited, at the above address.

AUSTRALIAN RESOURCES FUND

Smartshares Limited (the 'Manager') and Public Trust (the 'Supervisor') are parties to a master trust deed dated 24 June 2014 as amended and restated on 9 September 2016 (the 'Trust Deed'). Under a Deed of Retirement and Appointment dated 6 September 2016, Trustees Executors Limited retired as the trustee and Public Trust was appointed as the Supervisor. The Trust Deed sets out the terms and conditions on which units in the funds within the Smartshares Exchange Traded Funds are offered for subscription, whether to the public or otherwise.

The Trust Deed provides that each fund is to be established by the Manager and the Supervisor entering into an establishment deed setting out the specific terms and conditions relating to that fund.

The Australian Resources Fund (the 'Fund') was created by an establishment deed dated 19 March 2015 as amended on 5 June 2015 and amended and restated on 9 September 2016 between the Manager and the Supervisor.

STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), and fairly present the financial position of the Fund as at 31 March 2017, and the results of its financial performance and cash flows for the year ended 31 March 2017 in accordance with the requirement of the Trust Deed.

It is believed that there are no circumstances that may materially and adversely affect any interest of the unitholders in the assets other than those already disclosed in this report.

For and on behalf of the Manager:
Smartshares Limited



.....
Director



.....
Director

This statement was approved for signing at a meeting of the Directors on 25 May 2017.

AUSTRALIAN RESOURCES FUND

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017**

		Year Ended 31 March 2017 \$'000	Period Ended 31 March 2016 \$'000
INCOME			
Dividend income		568	1,406
Net changes in fair value of financial assets at fair value through profit or loss		5,953	(4,618)
Foreign exchange gain		<u>1</u>	<u>3</u>
Total income		<u>6,522</u>	<u>(3,209)</u>
EXPENSES			
Management fees expense	7	(112)	(101)
Miscellaneous expenses		<u>(1)</u>	<u>(1)</u>
Total expenses		<u>(113)</u>	<u>(102)</u>
Profit/(loss) before tax		6,409	(3,311)
Income tax expense	1	<u>(136)</u>	<u>(373)</u>
Profit/(loss) after tax		6,273	(3,684)
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income/(loss)		<u>6,273</u>	<u>(3,684)</u>
EARNINGS PER UNIT			
Basic and diluted earnings/(losses) per unit (cents per unit)	4	<u>100.00</u>	<u>(60.17)</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS
 FOR THE YEAR ENDED 31 MARCH 2017**

		Year Ended 31 March 2017 \$'000	Period Ended 31 March 2016 \$'000
Unitholders' funds at the beginning of the year/period		17,277	-
Total comprehensive income/(loss) for the year/period		<u>6,273</u>	<u>(3,684)</u>
Subscriptions from unitholders	6	538	21,071
Distributions to unitholders	5	<u>(181)</u>	<u>(110)</u>
		<u>357</u>	<u>20,961</u>
Unitholders' funds at the end of the year/period		<u><u>23,907</u></u>	<u><u>17,277</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017**

	Note	As At 31 March 2017 \$'000	As At 31 March 2016 \$'000
ASSETS			
Cash and cash equivalents		315	363
Receivables		132	159
Investments in equity securities held at fair value through profit or loss	2	23,503	17,035
Taxation receivable		38	-
TOTAL ASSETS		23,988	17,557
LIABILITIES			
Management fees payable	7	(1)	(8)
Taxation payable		-	(136)
Deferred tax liability	1	(37)	-
Distribution payable to unitholders	5	-	(110)
Funds held for unit purchases		(43)	(5)
Unsettled trades		-	(21)
TOTAL LIABILITIES		(81)	(280)
UNITHOLDERS' FUNDS		23,907	17,277
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		23,988	17,557

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the financial statements on 25 May 2017.



B Miller
Chairman
Smartshares Limited



G Elliffe
Director
Smartshares Limited

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017**

	Year Ended 31 March 2017 \$'000	Period Ended 31 March 2016 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Dividend income received	571	1,263
<i>Cash was applied to:</i>		
Management fees paid	(119)	(93)
Taxation paid	(272)	(230)
Miscellaneous expenses paid	<u>(1)</u>	<u>(1)</u>
Net cash flows from operating activities	<u>179</u>	<u>939</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Cash was provided from:</i>		
Sale of investments	869	2,045
<i>Cash was applied to:</i>		
Purchase of investments	<u>(1,094)</u>	<u>(2,781)</u>
Net cash flows from investing activities	<u>(225)</u>	<u>(736)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Cash was provided from:</i>		
Subscriptions received from unitholders	289	160
<i>Cash was applied to:</i>		
Distributions paid to unitholders	<u>(291)</u>	<u>-</u>
Net cash flows from financing activities	<u>(2)</u>	<u>160</u>
Net (decrease)/increase in cash and cash equivalents	(48)	363
Cash and cash equivalents at the beginning of the year/period	<u>363</u>	<u>-</u>
Cash and cash equivalents at the end of the year/period	<u>315</u>	<u>363</u>
Reconciliation of profit/(loss) after tax to net cash flows from operating activities		
Profit/(loss) after tax	6,273	(3,684)
Net changes in fair value of financial assets at fair value through profit or loss	(5,953)	4,618
Foreign exchange gain	(1)	(3)
(Decrease)/increase in taxation payable	(136)	136
Increase in deferred tax liability	37	-
(Decrease)/increase in management fees payable	(7)	8
Increase in taxation receivable	(38)	-
Decrease/(increase) in receivables	<u>4</u>	<u>(136)</u>
Net cash flows from operating activities	<u>179</u>	<u>939</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

GENERAL INFORMATION

The Australian Resources Fund (the 'Fund') is a for-profit fund registered in New Zealand and established under the Financial Markets Conduct Act 2013 ('FMC Act 2013'). It is offered under a registered managed investment scheme known as the Smartshares Exchange Traded Funds. Smartshares Limited, the Manager of the Fund is a FMC reporting entity for the purposes of the FMC Act 2013.

The Fund is governed by the Trust Deed dated 24 June 2014 as amended and restated on 9 September 2016 between the Manager and the Supervisor. The Fund was established on 19 March 2015 and commenced operation on 7 April 2015.

The Fund changed its name from Australian Resources Index Trust to Australian Resources Fund effective 16 September 2016.

The Fund's units are quoted on the NZX Main Board. The fund is a passive investment fund that tracks the S&P/ASX 200 Resources Index (the 'Index'). As prescribed by the Trust Deed, the Fund invests in the securities included in the Index broadly in proportion to the weightings of the Index. Investments are valued at fair value according to last traded market prices on the Australian Securities Exchange on 31 March 2017 (see Note 2).

STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied to the year/period presented.

Comparative period and amounts

These financial statements are for the year ended 31 March 2017. The comparative figures are for the period 7 April 2015 to 31 March 2016. Where necessary, comparative figures have been restated to correspond to the current year classifications.

Basis of preparation

The financial statements of the Fund have been prepared in accordance with the requirements of the FMC Act 2013, Financial Reporting Act 2013, New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS'). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The functional currency of this entity is the same as the presentation currency of these financial statements being the New Zealand Dollar ('NZD'), rounded to the nearest thousand.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Smartshares Limited Board of Directors to exercise its judgement in the process of applying the Fund's Statement of Accounting Policies.

Financial assets at fair value through profit or loss

(a) Classification

The Fund classifies its investments in equity securities held at fair value as financial assets at fair value through profit or loss. These financial assets are designated by the Smartshares Board of Directors at inception as their performance is managed and evaluated on a fair value basis in accordance with a documented investment strategy.

(b) Recognition/derecognition

Purchases and sales of investments are recognised on the trade date - the date on which the Fund commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

(c) Measurement

Financial assets at fair value through profit or loss are recognised at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income when they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income within dividend income when the Fund's right to receive payment is established.

(d) Fair value estimation

The fair value of the financial instruments is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Fund is the last traded market price.

Receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are measured at amortised cost using the effective interest method less impairment.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

Payables

Trade payables and other payables are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services, and are measured at amortised cost.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency (NZD) using the exchange rate prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Translation differences of non-monetary financial assets such as equities held at fair value through profit or loss are recognised in the Statement of Comprehensive Income as part of the net changes in fair value of financial assets at fair value through profit or loss.

Cash and cash equivalents

Cash and cash equivalents are considered to be cash at banks, net of bank overdrafts. Operating activities in the Statement of Cash Flows include all transactions or events that are not investing or financing activities. Investing activities are those activities that relate to the acquisition, holding and disposal of investments and securities not falling within the definition of cash. Financing activities are those activities that relate to cash contributions to and from, or distributions to the unitholders.

Units

The Fund issues units, which provide the holder with a beneficial interest in the Fund. The units can be put back to the Fund via a basket redemption, in accordance with the redemption rules as defined in the Trust Deed, for securities of the constituent companies in proportion to the index and of a proportion of cash held in the Fund.

The units are issued and redeemed based on the Fund's net asset value per unit at the time of issue or redemption. The Fund's net asset value per unit is calculated by dividing the net assets attributable to the unitholders by the total number of outstanding units. In accordance with the provisions of the Trust Deed investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Distributions to unitholders

Distributions are made up of income received from the investments less expenses paid and allowances for future liabilities. Income from investments held is attributed to unitholders on the basis of the number of units held on the record date of the distribution. To the extent that imputation credits are available, distributions to unitholders will be fully imputed. The record date for the Fund is on the last business day of May and November in each year. Currently, distributions to unitholders are made on a semi-annual basis directly from the fund within 20 business days of the record date.

Taxation

The Fund is domiciled in New Zealand and is registered as a Portfolio Investment Entity ('PIE').

The Fund is liable for tax at the prevailing company tax rate on taxable dividends (excluding dividends from investments in securities subject to the Fair Dividend Rate method ('FDR')) from the investment in securities listed in Note 2 after the deduction of management fees. For securities subject to FDR, the Fund is liable for tax based on the market value of the security. With some of this income, the Fund is able to utilise foreign withholding tax credits to satisfy the tax liability. The Fund pays tax to the extent that the foreign withholding tax credits do not cover the tax liability in full.

Deferred tax is recognised in respect of temporary differences at the Statement of Financial Position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Current and deferred tax is measured using the tax rates enacted or substantively enacted at the reporting date. The temporary differences relate to accrued dividends.

Goods and services tax (GST)

The Fund is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

Segment information

The Fund operates solely in the business of investment management, investing in Australian equities. The Fund received all of its income from its Australian equity investments. For the year ended 31 March 2017, three equity investments contributed 10% or more of the Fund's dividend income (31 March 2016: one equity investment). The individual dividend income received from these three equity investments was \$219,000, \$115,000 and \$89,000 (31 March 2016: \$990,000).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

Changes in accounting policies and accounting standards adopted during the year

(a) Changes in accounting policies

There have been no significant changes in accounting policies during the year. All policies have been applied on a basis consistent with those used in the prior period.

(b) New accounting standards adopted

There were no new accounting standards adopted during the year that have a material impact on the financial statements of the Fund.

Issued but not yet effective accounting standards

A number of accounting standards have been issued or revised that are not yet effective as at 31 March 2017, and have not been applied in preparing the financial statements. The Fund does not plan to adopt these standards early. The standards which are relevant to the Fund are as follows:

- NZ IFRS 9 Financial Instruments - Effective for annual reporting periods beginning on or after 1 January 2018; The impact of any changes has not yet been determined.
- NZ IFRS 15 Revenue from Contracts with Customers - Effective for annual reporting periods beginning on or after 1 January 2018. The impact of any changes has not yet been determined.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

1. TAXATION

	2017	2016
	\$'000	\$'000
Tax expense comprises:		
Current tax expense	(139)	(373)
Prior period adjustment	2	
Deferred tax movement	<u>1</u>	<u>-</u>
Total tax expense	<u><u>(136)</u></u>	<u><u>(373)</u></u>

The prima facie income tax expense on profit/(loss) before tax from operations reconciles to the income tax expense in the financial statements as follows:

Income tax expense	2017	2016
	\$'000	\$'000
Profit/(loss) before tax	<u>6,409</u>	<u>(3,311)</u>
Income tax using the statutory income tax rate 28%	(1,795)	927
Net changes in fair value of financial assets	1,666	(1,293)
Non taxable income	1	6
Tax on securities subject to FDR	<u>(10)</u>	<u>(13)</u>
	(138)	(373)
Prior period adjustment	<u>2</u>	<u>-</u>
Income tax expense as per Statement of Comprehensive Income	<u><u>(136)</u></u>	<u><u>(373)</u></u>

Deferred tax

	2017	2016
	\$'000	\$'000
Opening balance	-	-
Current period movement	1	-
Prior period adjustment	<u>(38)</u>	<u>-</u>
Closing balance	<u><u>(37)</u></u>	<u><u>-</u></u>

Imputation credit account (ICA)

	2017	2016
	\$'000	\$'000
Imputation credits available for use in subsequent periods	389	323

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

2. INVESTMENTS IN EQUITY SECURITIES HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017		2016	
	Number of Shares	Fair Value	Number of Shares	Fair Value
	'000	\$'000	'000	\$'000
Underlying securities				
Alumina Limited	205	401	220	318
Beach Energy Limited	126	110	128	93
BHP Billiton Limited	283	7,423	286	5,349
Bluescope Steel Limited	51	677	50	346
Caltex Australia Limited	23	740	24	908
Evolution Mining Limited	102	234	88	149
Fortescue Metals Group Limited	150	1,020	152	429
Galaxy Resources Limited	168	83	-	-
Iluka Resources Limited	37	307	37	271
Independence Group NL	41	159	36	114
Liquefied Natural Gas Limited	-	-	45	26
Mineral Resources Limited	14	162	-	-
Newcrest Mining Limited	67	1,636	68	1,280
Northern Star Resources Ltd	53	234	54	204
Orocobre Limited	18	54	-	-
Oil Search Limited	103	813	104	782
Origin Energy Limited	154	1,183	156	877
OZ Minerals Limited	26	225	28	157
Regis Resources Limited	43	156	44	119
Rio Tinto Limited	37	2,468	38	1,790
Resolute Mining Limited	65	92	-	-
Sandfire Resources NL	14	96	14	88
Santos Limited	164	682	142	633
Saracen Mineral Holdings Limited	70	75	-	-
Sims Metal Management Limited	14	190	15	142
South 32 Limited	469	1,413	475	771
St Barbara Limited	43	112	44	96
Syrah Resources Limited	21	66	17	75
Western Areas Limited	21	54	19	46
Whitehaven Coal Limited	60	196	53	38
Woodside Petroleum Limited	64	2,236	63	1,818
Worley Parsons Limited	17	206	20	116
		<u>23,503</u>		<u>17,035</u>

All investments are designated at inception as being at fair value through profit or loss. The fair values of investments are calculated using the last traded market price at the reporting date. The investments are registered in the name of BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch, the custodian of the Fund.

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2017**

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value can be categorised across the following 3 levels based on the degree to which their fair value is 'observable':

Level 1 – Fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable either directly or indirectly;

Level 3 – Fair value measurements are derived from valuation methods that include inputs that are not based on observable market data.

All financial instruments of the Fund measured at fair value have been categorised as level 1 in the hierarchy. There were no transfers between levels in the year ended 31 March 2017 (31 March 2016: none).

4. EARNINGS PER UNIT

The basic earnings per unit (EPU) is calculated by dividing the net profit/(loss) after tax attributable to the unitholders by the weighted average number of units on issue during the year.

The Fund's diluted EPU is the same as the basic EPU since the Fund has not issued any instrument with dilutive potential.

	2017	2016
Profit/(loss) after tax (\$'000)	6,273	(3,684)
Weighted average number of units ('000)	<u>6,273</u>	<u>6,123</u>
Basic and diluted earnings/(losses) per unit (cents per unit)	<u>100.00</u>	<u>(60.17)</u>

5. DISTRIBUTION PAYABLE TO UNITHOLDERS

	2017	2016
	\$'000	\$'000
Opening distribution payable	(110)	-
Distributions accrued to unitholders	(181)	(110)
Distributed to unitholders	<u>291</u>	<u>-</u>
Closing distribution payable	<u>-</u>	<u>(110)</u>

Distributions declared and paid

	Year ended	Distribution per unit (cents per unit)	2017	2016
			\$'000	\$'000
March 2016 (paid April 2016)	31/03/2016	1.77	-	110
September 2016 (paid October 2016)	31/03/2017	1.01	63	-
November 2016 (paid December 2016)	31/03/2017	1.89	<u>118</u>	<u>-</u>
			<u>181</u>	<u>110</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

6. UNITHOLDERS' FUNDS

As at 31 March 2017 there were 6,392,000 units on issue (31 March 2016: 6,242,000).

All issued units are fully paid and redeemable, and are quoted on the NZX Main Board. The Fund's net assets attributable to unitholders are represented by these units. The relevant movements are shown in the Statement of Changes in Unitholders' Funds.

The number of units allotted during the year ended 31 March 2017 was 150,000 (31 March 2016: 6,242,000) for total value of \$538,000 (31 March 2016: \$21,071,000).

The number of units redeemed during the year ended 31 March 2017 was nil (31 March 2016: nil) for total value of \$nil (31 March 2016: \$nil).

	2017	2016
	'000	'000
Movement in the number of units		
Balance at the beginning of the year/period	6,242	-
Subscriptions received during the year/period	150	6,242
Units on issue at the end of the year/period	6,392	6,242

The net asset value of each unit per the financial statements is \$3.74014 (31 March 2016: \$2.76786). Any difference between the net asset value announced to the market for 31 March 2017 and the net asset value per the financial statements is due to different unit pricing methodology.

7. RELATED PARTY TRANSACTIONS

Related party holdings

Key management personnel are the Directors of the Manager. There were no transactions with key management personnel during the year.

The Fund is managed by Smartshares Limited, which is a wholly owned subsidiary of NZX Limited, a company listed on the NZX Main Board.

SuperLife superannuation scheme ("SLSS"), a scheme managed by SuperLife Limited, a wholly owned subsidiary of NZX Limited, was an investor in the Fund in the year between 1 April 2016 and 27 October 2016. Effective 28 October 2016, the investments were transferred from SLSS to SuperLife Invest managed investment scheme ("SLI"), a scheme managed by the Manager, also a wholly owned subsidiary of NZX Limited. The transfer of assets and change of Manager was completed as part of the transition of the SuperLife scheme to the Financial Markets Conduct Act 2013.

As at 31 March 2017 SLI held 6,021,077 units valued at \$22,529,000 in the Fund. As at 31 March 2016, SLSS held 6,020,377 units valued at \$16,673,000 in the Fund.

Distributions

The Fund paid distributions of \$61,000 (31 March 2016: \$107,000) to SLSS. All distributions were settled prior to the transfer of investments from SLSS to SLI. The balance remaining payable as at 31 March 2016 was \$107,000. The Fund paid distributions of \$114,000 to SLI for the year ended 31 March 2017 (31 March 2016: not applicable). The balance remaining as payable at the end of the year is \$nil (31 March 2016: not applicable).

Management Fees

The Manager receives management fees from the Fund. Under the Trust Deed the Manager pays the supervisor, custodian, registrar and auditor on behalf of the Fund and receives direct purchase application fees and interest earned on cash at banks.

Total gross management fees excluding rebates for the year ended 31 March 2017 amounted to \$112,000 (31 March 2016: \$101,000), with \$1,000 (31 March 2016: \$8,000) of outstanding accrued management fees due to the Manager at the end of the year.

The total interest earned on cash at banks for the year ended 31 March 2017 amounted to \$3,000 (31 March 2016: \$4,000).

Total direct purchase application fees for the year ended 31 March 2017 amounted to \$1,000 (31 March 2016: \$1,000).

Other related party transactions

The audit fee paid by the Manager for the audit of the Fund for the the year ended 31 March 2017 was \$5,000 (31 March 2016: \$6,000).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

8. FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

The Fund utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in the Statement of Accounting Policies.

The financial instruments not accounted for at fair value through profit and loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

Financial instruments by category	2017	2016
	\$'000	\$'000
<u>Loans and receivables</u>		
Cash and cash equivalents	315	363
Receivables	132	159
<u>Financial assets at fair value through profit and loss</u>		
Investments in equity securities held at fair value through profit or loss	23,503	17,035
<u>Other financial liabilities</u>		
Management fees payable	(1)	(8)
Distribution payable to unitholders	-	(110)
Funds held for unit purchases	(43)	(5)
Unsettled trades	-	(21)

The Fund's activities expose it to a variety of financial risks: market price risk, credit risk, liquidity risk and currency risk. The risk management policies used by the Fund are detailed below:

8a. Market price risk

The Fund's equity securities are exposed to market price risk arising from uncertainties about future prices of the financial instruments.

Because the fund tracks an Australian equity index and is fully invested in the index's underlying Australian equity securities, the value of the fund will move up and down with the Australian market.

A 10% increase/decrease in equity prices as at 31 March 2017 would have increased/decreased net profit and unitholder funds by \$2,350,000 (31 March 2016: \$1,704,000).

8b. Credit risk

The Fund is exposed to the potential risk of financial loss resulting from the failure of counterparties to honour fully the terms and conditions of a contract with the Fund. Financial instruments that subject the Fund to credit risk consist primarily of cash and receivables.

The maximum credit risk of financial instruments is considered to be their carrying value. The risk of non-recovery of monetary assets is considered very low due to the quality of counterparties dealt with.

The Fund does not require collateral or other security to support financial instruments with credit risk. The maximum exposures to credit risk at the reporting date are:

	2017	2016
	\$'000	\$'000
Cash and cash equivalents	315	363
Receivables	132	159

Cash and cash equivalents

The Fund's cash and cash equivalents balances are held with ANZ Bank New Zealand Limited ('ANZ'), BNP Paribas Securities Services ('BNP Paribas') and Westpac New Zealand Limited ('Westpac').

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

8. FINANCIAL RISK MANAGEMENT (Continued)

The table below discloses the Standard & Poor's credit rating for the Fund's cash and cash equivalents balance with each bank above at the reporting date.

	Balance	2017 Credit rating	Balance	2016 Credit rating
	\$'000		\$'000	
ANZ	43	AA-	5	AA-
BNP Paribas	23	A	88	A-
Westpac	249	AA-	270	AA-
	<u>315</u>		<u>363</u>	

8c. Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with the financial liabilities that are settled by delivering cash or another financial asset.

The Fund's investments in listed securities are considered readily realisable, as they are quoted on the Australian Securities Exchange. In addition, liquidity risk associated with redemptions is managed by meeting redemptions in the form of baskets rather than cash. The Fund meets its redemption obligations by returning the proportionate number of underlying securities in return for the units. Liquidity risk for the Fund is therefore low.

8d. Currency risk

Currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates.

The Fund holds assets denominated in a currency other than the New Zealand dollar, the functional currency. It is therefore exposed to currency risk, as the value of the securities denominated in Australian dollars will fluctuate due to changes in the exchange rate. The Fund's policy is not to enter into any currency hedging transactions.

A 10% strengthening/weakening of the New Zealand dollar against the Australian dollar as at 31 March 2017 would have decreased/increased profit and unitholders funds by \$2,366,000 (31 March 2016: \$1,726,000).

The table below summarises the Fund's exposure to currency risks.

	2017 \$'000	2016 \$'000
Australian dollar cash held (NZD)	23	88
Receivables	132	159
Investments in equity securities held at fair value through profit or loss	23,503	17,035
Unsettled trades	-	(21)

9. COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 31 March 2017 (31 March 2016: none).

10. EVENTS AFTER THE REPORTING YEAR

Since 31 March 2017 there have been no matters or circumstances not dealt with in the financial statements that have significantly affected or may significantly affect the Fund.

AUSTRALIAN RESOURCES FUND



Independent Auditor's Report

To the unitholders of Australian Resources Fund

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of Australian Resources Fund (the fund) on pages 337 to 349:

- i. present fairly in all material respects the fund's financial position as at 31 March 2017 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2017;
- the statement of comprehensive income, statement of changes in unitholders' funds and statement of cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the fund in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report.

Our firm has also provided other assurance services to the fund in relation to reporting to the supervisor. Subject to certain restrictions, employees of our firm may also deal with the fund on normal terms within the ordinary course of trading activities of the business of the fund. These matters have not impaired our independence as auditor of the fund. The firm has no other relationship with, or interest in, the fund.



Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at \$240,000 determined with reference to a benchmark of the fund's total assets. We chose the benchmark because, in our view, this is a key measure of the fund's performance.

AUSTRALIAN RESOURCES FUND



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the members as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter

How the matter was addressed in our audit

Carrying amount of investments

Refer to Note 2 to the Financial Statements.

The fund’s portfolio of investments makes up 98.0% of total assets. We do not consider these investments to be at high risk of significant misstatement, or be subject to a significant level of judgement, because they comprise liquid, listed investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our audit procedures included:

- documenting and understanding the processes in place to record investment transactions and to value the portfolio. This included evaluating the control environment in place at the administration manager by obtaining and reading a report issued by an independent auditor on the design and operation of those controls
- agreeing the 31 March 2017 valuation of listed equity investments to externally quoted prices
- agreeing investment holdings to confirmations received from the administration manager

We did not identify any material differences in relation to the carrying amount of investments.



Other Information

The Manager, on behalf of the fund, is responsible for the other information included in the entity’s Annual Report. Other information may include the Chairman’s report, fund highlights, disclosures relating to corporate governance and statutory information. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor’s Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Manager.



Use of this Independent Auditor’s Report

This report is made solely to the members as a body. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in the Independent Auditor’s Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members as a body for our audit work, this report, or any of the opinions we have formed.

AUSTRALIAN RESOURCES FUND



Responsibilities of the Manager for the financial statements

The Manager, on behalf of the fund, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Independent Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page2.aspx

This description forms part of our Independent Auditor's Report.

Brent Manning

For and on behalf of

KPMG
Wellington

25 May 2017

Unitholder Information

DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS

AS AT 30 APRIL 2017

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	56	45.53%	21,701	0.34%
1,001-5,000	48	39.02%	104,290	1.63%
5,001-10,000	9	7.32%	56,809	0.89%
10,001-50,000	9	7.32%	187,770	2.94%
50,001-100,000	0	0.00%	-	0.00%
Greater than 100,000	1	0.81%	6,021,077	94.20%
TOTAL	123	100.00%	6,391,647	100.00%

20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES

AS AT 30 APRIL 2017

Full Name	Total	Percentage
SuperLife Nominees Limited	6,021,077	94.2
Jennifer Gaye Simpson	35,100	0.55
Craigs Investment Partners Limited	31,408	0.49
David Georges Andre Dromer	30,369	0.48
Maria Joan Sandiford	20,105	0.31
Kenneth John Simpson	16,500	0.26
Claire Elizabeth Kathro	14,657	0.23
Shaoming Yu	14,603	0.23
Billy Cheung Services Limited	12,554	0.2
Roger Alan Johnston & Jeanette Johnston & Gellert Ivanson Trustee No 3 Limited	12,474	0.2
Andre Willem Van Zyl & Lorraine Mercedes Marais	8,113	0.13
Diana Mary Clement	6,954	0.11
Denice Muriel Worthington	6,853	0.11
Mark John Atwell	6,629	0.1
Gary Vernon Rorke	6,400	0.1
Charl Johannes De Villiers	5,923	0.09
Katherine Jane Clarke & Advisory Trustees 010 Limited	5,481	0.09
Philip Ralph Smith & Wendy Carol Anne Marjorie & D A & C Trustee Services Limited	5,430	0.08
Maria Joan Sandiford	5,026	0.08
Wallace John Semmens & Rose Agnes Semmens & Ernest William Gartrell	4,056	0.06
	6,269,712	98.1

SUBSTANTIAL PRODUCT HOLDERS

The following information has been given pursuant to section 293 of the Financial Markets Conduct Act 2013 (FMCA). According to Smartshares records and disclosures made under section 280(1)(b) of the FMCA, there were no substantial product holders in the Fund as at 31 March 2017. The total number of units on issue at 31 March 2017 was 6,391,647.

DIRECTORS' INTERESTS IN UNITS

	Beneficial	Non-Beneficial
Bevan Miller	881*	0
Paul Baldwin	0	0
Guy Elliffe	1,759*	0
John Williams	0	0

*Beneficial interest in these units is indirectly held through the director's interest in the SuperLife KiwiSaver scheme

WAIVERS GRANTED

The Special Division of the New Zealand Markets Disciplinary Tribunal (Special Division) has granted, either fully, partially or subject to conditions a number of waivers to the fund.

The waiver decisions that Smartshares currently relies upon are available on smartshares.co.nz.

Special Division granted the following waivers from the Listing Rules that continue to be relied upon as at 31 March 2017:

3.1.1(a) - compliance with the Listing Rules	7.5 - Issues and Buybacks Affecting Control
3.1.1(b) - compliance with Takeover Provisions	7.6.1 to 7.6.3 - Buybacks of Equity Securities, Redemptions and Financial Assistance
3.3.5 to 3.3.15 - Appointment and Rotation of Directors	7.11.1 Allotment within 5 business days
3.4 - Proceedings and Power of Directors	9.2.1 - Transactions with Related Parties
3.5 - Directors' Remuneration	10.3.2 - Preliminary Announcements
Section 4 - Takeover Provisions	10.4.1(d) - Annual and Half-Year Reports availability
7.1.11 - Minimum Subscription	10.4.2 - Half-Yearly Reporting Requirements
7.3 - Issue of New Equity Securities.	10.6.1(a) - Other Administrative Information
7.4 - Entitlements to Third Party Securities	

In October 2015, Special Division granted Smartshares a waiver from Listing Rules 3.3.1(c), 3.3.3 and 3.6.2(c) to enable Mr Elliffe and Mr Williams to continue to be regarded as Independent Directors following their appointment to the board of SuperLife Limited in May 2016.

As Smartshares and SuperLife Limited were amalgamated on 9 November 2016, Smartshares no longer relies on this waiver.

In June 2016, Special Division granted Smartshares a waiver from Listing Rule 9.2.1 to enable Smartshares to amalgamate with SuperLife Limited without the need for unitholder approval. Smartshares no longer relies on this waiver.

On 8 September 2016, Special Division granted fully, partially or subject to conditions, waivers from the following Listing Rules in relation to the transition of the group investment funds to the FMCA:

7.4.1 - Entitlements to Third Party Securities
7.6.5 - Buy Backs of Equity Securities, Redemptions and Financial Assistance
8.3.1 - Modifications of Rights of Security Holders
9.2.1 - Transactions with Related Parties

Australian Financials Fund (ASF)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017

Presented by Smartshares Limited, Manager of the Australian Financials Fund

Report to the Unitholders HIGHLIGHTS

Launch Date 7-Apr-15

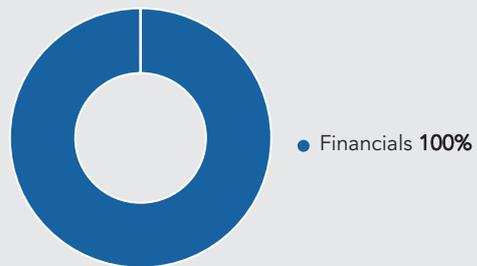
	March 2017	March 2016
Net Tangible Assets (NTA)	\$8.441	\$7.233
Units On Issue	2,787,352	2,762,352
Funds Under Management	\$23,528,829	\$19,980,921
Gross Distribution	\$0.400	\$0.296*
Gross Distribution Yield	4.74%	N/A
Gross Return	23.08%	-9.99%*
Total Fund Charges	0.54%	0.54%
Distributions paid	Semi-annual	

* Since Inception

NTA Per Unit



Sector Allocation



Growth of \$1,000*



*Since inception, all distributions reinvested.

AUSTRALIAN FINANCIALS FUND

DIRECTORY

THE MANAGER

Smartshares Limited
Level 1, NZX Centre
11 Cable Street, Wellington 6140
New Zealand

This is also the address of the registered office.

PRINCIPAL OFFICE OF THE MANAGER

Level 7, Zurich House
21 Queen Street, Auckland Central
Auckland 1010
New Zealand

DIRECTORS OF THE MANAGER

Bevan K. Miller
Timothy O. Bennett (resigned 30 December 2016)
Guy R. Elliffe
A. John Williams
Paul J. Baldwin (appointed 30 December 2016)

INVESTMENT ADMINISTRATOR & CUSTODIAN

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

THE SUPERVISOR

Public Trust
Level 5, 40-42 Queens Drive
Lower Hutt 5010, Wellington
New Zealand

AUDITOR

KPMG
10 Customhouse Quay
PO Box 996, Wellington 6140
New Zealand

SOLICITOR

Buddle Findlay
Level 17, State Insurance Tower
1 Willis Street, Wellington 6140
New Zealand

REGISTRAR

Link Market Services Limited

CORRESPONDENCE

All correspondence and enquiries to the Manager about the Fund should be addressed to the Manager, Smartshares Limited, at the above address.

AUSTRALIAN FINANCIALS FUND

Smartshares Limited (the 'Manager') and Public Trust (the 'Supervisor') are parties to a master trust deed dated 24 June 2014 as amended and restated on 9 September 2016 (the 'Trust Deed'). Under a Deed of Retirement and Appointment dated 6 September 2016, Trustees Executors Limited retired as the trustee and Public Trust was appointed as the Supervisor. The Trust Deed sets out the terms and conditions on which units in the funds within the Smartshares Exchange Traded Funds are offered for subscription, whether to the public or otherwise.

The Trust Deed provides that each fund is to be established by the Manager and the Supervisor entering into an establishment deed setting out the specific terms and conditions relating to that fund.

The Australian Financials Fund (the 'Fund') was created by an establishment deed dated 19 March 2015 as amended on 5 June 2015 and amended and restated on 9 September 2016 between the Manager and the Supervisor.

STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), and fairly present the financial position of the Fund as at 31 March 2017, and the results of its financial performance and cash flows for the year ended 31 March 2017 in accordance with the requirement of the Trust Deed.

It is believed that there are no circumstances that may materially and adversely affect any interest of the unitholders in the assets other than those already disclosed in this report.

For and on behalf of the Manager:
Smartshares Limited



.....
Director



.....
Director

This statement was approved for signing at a meeting of the Directors on 25 May 2017.

AUSTRALIAN FINANCIALS FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017

		Year Ended 31 March 2017 \$'000	Period Ended 31 March 2016 \$'000
INCOME			
Dividend income		1,139	1,265
Net changes in fair value of financial assets at fair value through profit or loss		3,429	(3,404)
Foreign exchange gain		<u>3</u>	<u>14</u>
Total income		<u>4,571</u>	<u>(2,125)</u>
EXPENSES			
Management fees expense	7	(111)	(113)
Miscellaneous expenses		<u>(1)</u>	<u>-</u>
Total expenses		<u>(112)</u>	<u>(113)</u>
Profit/(loss) before tax		4,459	(2,238)
Income tax expense	1	<u>(256)</u>	<u>(291)</u>
Profit/(loss) after tax		4,203	(2,529)
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income/(loss)		<u>4,203</u>	<u>(2,529)</u>
EARNINGS PER UNIT			
Basic and diluted earnings/(losses) per unit (cents per unit)	4	<u>151.02</u>	<u>(92.54)</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS
 FOR THE YEAR ENDED 31 MARCH 2017**

		Year Ended 31 March 2017 \$'000	Period Ended 31 March 2016 \$'000
Unitholders' funds at the beginning of the year/period		19,951	-
Total comprehensive income/(loss) for the year/period		<u>4,203</u>	<u>(2,529)</u>
Subscriptions from unitholders	6	171	23,086
Distributions to unitholders	5	<u>(803)</u>	<u>(606)</u>
		<u>(632)</u>	<u>22,480</u>
Unitholders' funds at the end of the year/period		<u><u>23,522</u></u>	<u><u>19,951</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017**

	Note	As At 31 March 2017 \$'000	As At 31 March 2016 \$'000
ASSETS			
Cash and cash equivalents		184	556
Receivables		169	51
Investments in equity securities held at fair value through profit or loss	2	23,314	19,719
TOTAL ASSETS		23,667	20,326
LIABILITIES			
Management fees payable	7	(1)	(9)
Taxation payable		(52)	(130)
Deferred tax liability	1	(42)	-
Distribution payable to unitholders	5	-	(231)
Funds held for unit purchases		(50)	(5)
TOTAL LIABILITIES		(145)	(375)
UNITHOLDERS' FUNDS		23,522	19,951
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		23,667	20,326

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the financial statements on 25 May 2017.



B Miller
Chairman
Smartshares Limited



G Elliffe
Director
Smartshares Limited

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017**

	Year Ended 31 March 2017 \$'000	Period Ended 31 March 2016 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Dividend income received	1,020	1,214
<i>Cash was applied to:</i>		
Management fees paid	(119)	(104)
Taxation paid	(291)	(161)
Miscellaneous expenses paid	(1)	-
Net cash flows from operating activities	<u>609</u>	<u>949</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Cash was provided from:</i>		
Sale of investments	627	1,931
<i>Cash was applied to:</i>		
Purchase of investments	(744)	(2,084)
Net cash flows from investing activities	<u>(117)</u>	<u>(153)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Cash was provided from:</i>		
Subscriptions received from unitholders	170	135
<i>Cash was applied to:</i>		
Distributions paid to unitholders	(1,034)	(375)
Net cash flows from financing activities	<u>(864)</u>	<u>(240)</u>
Net (decrease)/increase in cash and cash equivalents	(372)	556
Cash and cash equivalents at the beginning of the year/period	<u>556</u>	<u>-</u>
Cash and cash equivalents at the end of the year/period	<u>184</u>	<u>556</u>
Reconciliation of profit/(loss) after tax to net cash flows from operating activities		
Profit/(loss) after tax	4,203	(2,529)
Net changes in fair value of financial assets at fair value through profit or loss	(3,429)	3,404
Foreign exchange gain	(3)	(14)
(Decrease)/increase in taxation payable	(78)	130
Increase in deferred tax liability	42	-
(Decrease)/increase in management fees payable	(8)	9
Increase in receivables	(118)	(51)
Net cash flows from operating activities	<u>609</u>	<u>949</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

GENERAL INFORMATION

The Australian Financials Fund (the 'Fund') is a for-profit fund registered in New Zealand and established under the Financial Markets Conduct Act 2013 ('FMC Act 2013'). It is offered under a registered managed investment scheme known as the Smartshares Exchange Traded Funds. Smartshares Limited, the Manager of the Fund is a FMC reporting entity for the purposes of the FMC Act 2013.

The Fund is governed by the Trust Deed dated 24 June 2014 as amended and restated on 9 September 2016 between the Manager and the Supervisor. The Fund was established on 19 March 2015 and commenced operation on 7 April 2015.

The Fund changed its name from Australian Financials Index Trust to Australian Financials Fund effective 16 September 2016.

The Fund's units are quoted on the NZX Main Board. The fund is a passive investment fund that tracks the S&P/ASX 200 Financials Ex-A-REIT Index (the 'Index'). As prescribed by the Trust Deed, the Fund invests in the securities included in the Index broadly in proportion to the weightings of the Index. Investments are valued at fair value according to last traded market prices on the Australian Securities Exchange on 31 March 2017 (see Note 2).

STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied to the year/period presented.

Comparative periods and amounts

These financial statements are for the year ended 31 March 2017. The comparative figures are for the period 7 April 2015 to 31 March 2016. Where necessary, comparative figures have been restated to correspond to the current year classifications.

Basis of preparation

The financial statements of the Fund have been prepared in accordance with the requirements of the FMC Act 2013, Financial Reporting Act 2013, New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS'). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The functional currency of this entity is the same as the presentation currency of these financial statements being the New Zealand Dollar ('NZD'), rounded to the nearest thousand.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Smartshares Limited Board of Directors to exercise its judgement in the process of applying the Fund's Statement of Accounting Policies.

Financial assets at fair value through profit or loss

(a) Classification

The Fund classifies its investments in equity securities held at fair value as financial assets at fair value through profit or loss. These financial assets are designated by the Smartshares Board of Directors at inception as their performance is managed and evaluated on a fair value basis in accordance with a documented investment strategy.

(b) Recognition/derecognition

Purchases and sales of investments are recognised on the trade date - the date on which the Fund commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

(c) Measurement

Financial assets at fair value through profit or loss are recognised at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income when they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income within dividend income when the Fund's right to receive payment is established.

(d) Fair value estimation

The fair value of the financial instruments is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Fund is the last traded market price.

Receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are measured at amortised cost using the effective interest method less impairment.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

Payables

Trade payables and other payables are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services, and are measured at amortised cost.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency (NZD) using the exchange rate prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Translation differences of non-monetary financial assets such as equities held at fair value through profit or loss are recognised in the Statement of Comprehensive Income as part of the net changes in fair value of financial assets at fair value through profit or loss.

Cash and cash equivalents

Cash and cash equivalents are considered to be cash at banks, net of bank overdrafts. Operating activities in the Statement of Cash Flows include all transactions or events that are not investing or financing activities. Investing activities are those activities that relate to the acquisition, holding and disposal of investments and securities not falling within the definition of cash. Financing activities are those activities that relate to cash contributions to and from, or distributions to the unitholders.

Units

The Fund issues units, which provide the holder with a beneficial interest in the Fund. The units can be put back to the Fund via a basket redemption, in accordance with the redemption rules as defined in the Trust Deed, for securities of the constituent companies in proportion to the index and of a proportion of cash held in the Fund.

The units are issued and redeemed based on the Fund's net asset value per unit at the time of issue or redemption. The Fund's net asset value per unit is calculated by dividing the net assets attributable to the unitholders by the total number of outstanding units. In accordance with the provisions of the Trust Deed investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Distributions to unitholders

Distributions are made up of income received from the investments less expenses paid and allowances for future liabilities. Income from investments held is attributed to unitholders on the basis of the number of units held on the record date of the distribution. To the extent that imputation credits are available, distributions to unitholders will be fully imputed. The record date for the Fund is on the last business day of February and August in each year. Currently, distributions to unitholders are made on a semi-annual basis directly from the fund within 20 business days of the record date.

Taxation

The Fund is domiciled in New Zealand and is registered as a Portfolio Investment Entity ('PIE').

The Fund is liable for tax at the prevailing company tax rate on taxable dividends (excluding dividends from investments in securities subject to the Fair Dividend Rate method ('FDR')) from the investment in securities listed in Note 2 after the deduction of management fees. For securities subject to FDR, the Fund is liable for tax based on the market value of the security. With some of this income, the Fund is able to utilise imputation credits and foreign withholding tax credits to satisfy the tax liability. The Fund pays tax to the extent that the imputation credits and foreign withholding tax credits do not cover the tax liability in full.

Deferred tax is recognised in respect of temporary differences at the Statement of Financial Position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Current and deferred tax is measured using the tax rates enacted or substantively enacted at the reporting date. The temporary differences relate to accrued dividends.

Goods and services tax (GST)

The Fund is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

Segment information

The Fund operates solely in the business of investment management, investing in Australian equities. The Fund received all of its income from its Australian equity investments. For the year ended 31 March 2017, four equity investments individually contributed 10% or more of the Fund's dividend income (31 March 2016: four equity investments). The individual dividend income received from these four equity investments was \$164,000, \$273,000, \$197,000 and \$235,000 (31 March 2016: \$195,000, \$271,000, \$289,000 and \$226,000).

Changes in accounting policies and accounting standards adopted during the year

(a) Changes in accounting policies

There have been no significant changes in accounting policies during the year. All policies have been applied on a basis consistent with those used in the prior period.

(b) New accounting standards adopted

There were no new accounting standards adopted during the year that have a material impact on the financial statements of the Fund.

Issued but not yet effective accounting standards

A number of accounting standards have been issued or revised that are not yet effective as at 31 March 2017, and have not been applied in preparing the financial statements. The Fund does not plan to adopt these standards early. The standards which are relevant to the Fund are as follows:

- NZ IFRS 9 Financial Instruments - Effective for annual reporting periods beginning on or after 1 January 2018; The impact of any changes has not yet been determined.
- NZ IFRS 15 Revenue from Contracts with Customers - Effective for annual reporting periods beginning on or after 1 January 2018. The impact of any changes has not yet been determined.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

1. TAXATION

	2017	2016
	\$'000	\$'000
Tax expense comprises:		
Current tax expense	(228)	(291)
Deferred tax movement	<u>(28)</u>	<u>-</u>
Total tax expense	<u><u>(256)</u></u>	<u><u>(291)</u></u>

The prima facie income tax expense on profit/(loss) before tax from operations reconciles to the income tax expense in the financial statements as follows:

	2017	2016
	\$'000	\$'000
Income tax expense		
Profit/(loss) before tax	<u>4,459</u>	<u>(2,238)</u>
Income tax using the statutory income tax rate 28%	(1,249)	627
Net changes in fair value of financial assets	961	(953)
Non taxable income	7	5
Tax on securities subject to FDR	(5)	(7)
Gross up of imputation credits	<u>(11)</u>	<u>(15)</u>
	(297)	(343)
Add imputation credits and other tax credits	<u>41</u>	<u>52</u>
Income tax expense as per Statement of Comprehensive Income	<u><u>(256)</u></u>	<u><u>(291)</u></u>

	2017	2016
	\$'000	\$'000
Deferred tax		
Opening balance	-	-
Current period movement	(28)	-
Prior period adjustment	<u>(14)</u>	<u>-</u>
Closing balance	<u><u>(42)</u></u>	<u><u>-</u></u>

	2017	2016
	\$'000	\$'000
Imputation credit account (ICA)		
Imputation credits available for use in subsequent periods	83	136

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

2. INVESTMENTS IN EQUITY SECURITIES HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017		2016	
	Number of Shares '000	Fair Value \$'000	Number of Shares '000	Fair Value \$'000
Underlying securities				
AMP Limited	105	594	104	665
ASX Limited	7	379	7	311
Australia and New Zealand Banking Group Limited	104	3,621	102	2,658
Aveo Group	-	-	14	52
Bank of Queensland Limited	14	183	13	177
Bendigo and Adelaide Bank Limited	17	222	16	154
BT Investment Management Limited	6	66	6	62
Challenger Limited	20	274	20	184
Commonwealth Bank Australia	61	5,737	60	4,968
Cover-More Group Limited	-	-	11	19
CYBG Plc	24	120	23	101
Credit Corp Group Limited	2	31	-	-
Eclix Group Limited	9	40	-	-
FlexiGroup Limited	10	24	10	26
Genworth Mortgage Insurance Australia Limited	8	27	10	28
Henderson Group PLC	25	103	21	114
Insurance Australia Group Limited	84	555	85	527
Ioof Holdings Limited	9	87	9	91
Iress Limited	5	62	-	-
Lend Lease Group	-	-	19	286
Macquarie Group Limited	12	1,190	12	873
Magellan Financial Group Limited	5	128	5	115
Medibank Private Limited	98	301	97	313
National Australia Bank Limited	95	3,457	92	2,687
OzForex Group Limited	-	-	8	19
Perpetual Limited	2	95	2	80
Platinum Asset Management Limited	8	43	8	53
QBE Insurance Group Limited	48	682	48	578
Steadfast Group Limited	26	73	26	51
Suncorp Group Limited	46	659	45	595
Westpac Banking Corporation	119	4,561	117	3,932
		<u>23,314</u>		<u>19,719</u>

All investments are designated at inception as being at fair value through profit or loss. The fair values of investments are calculated using the last traded market price at the reporting date. The investments are registered in the name of BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch, the custodian of the Fund.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value can be categorised across the following 3 levels based on the degree to which their fair value is 'observable':

Level 1 – Fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable either directly or indirectly;

Level 3 – Fair value measurements are derived from valuation methods that include inputs that are not based on observable market data.

All financial instruments of the Fund measured at fair value have been categorised as level 1 in the hierarchy. There were no transfers between levels in the year ended 31 March 2017 (31 March 2016: none).

4. EARNINGS PER UNIT

The basic earnings per unit (EPU) is calculated by dividing the net profit/(loss) after tax attributable to the unitholders by the weighted average number of units on issue during the year.

The Fund's diluted EPU is the same as the basic EPU since the Fund has not issued any instrument with dilutive potential.

	2017	2016
Profit/(loss) after tax (\$'000)	4,203	(2,529)
Weighted average number of units ('000)	2,783	2,733
Basic and diluted earnings/(losses) per unit (cents per unit)	151.02	(92.54)

5. DISTRIBUTION PAYABLE TO UNITHOLDERS

	2017	2016
	\$'000	\$'000
Opening distribution payable	231	-
Distributions accrued to unitholders	803	606
Distributed to unitholders	(1,034)	(375)
Closing distribution payable	-	231

Distributions declared and paid

		Distribution per unit		
	Year ended	(cents per unit)	2017	2016
			\$'000	\$'000
September 2015 (paid October 2015)	31/03/2016	8.22	-	225
December 2015 (paid January 2016)	31/03/2016	5.49	-	150
March 2016 (paid April 2016)	31/03/2016	8.36	-	231
June 2016 (paid July 2016)	31/03/2017	4.63	129	-
September 2016 (paid October 2016)	31/03/2017	8.97	250	-
February 2017 (paid March 2017)	31/03/2017	15.29	424	-
			803	606

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2017**

6. UNITHOLDERS' FUNDS

As at 31 March 2017 there were 2,787,000 units on issue (31 March 2016: 2,762,000).

All issued units are fully paid and redeemable, and are quoted on the NZX Main Board. The Fund's net assets attributable to unitholders are represented by these units. The relevant movements are shown in the Statement of Changes in Unitholders' Funds.

The number of units allotted during the year ended 31 March 2017 was 25,000 (31 March 2016: 2,762,000) for total value of \$171,000 (31 March 2016: \$23,086,000).

The number of units redeemed during the year ended 31 March 2017 was nil (31 March 2016: nil) for total value of \$nil (31 March 2016: \$nil).

	2017	2016
	'000	'000
Movement in the number of units		
Balance at the beginning of the year/period	2,762	-
Subscriptions received during the year/period	25	2,762
Units on issue at the end of the year/period	2,787	2,762

The net asset value of each unit per the financial statements is \$8.43990 (31 March 2016: \$7.22339). Any difference between the net asset value announced to the market for 31 March 2017 and the net asset value per the financial statements is due to different unit pricing methodology.

7. RELATED PARTY TRANSACTIONS

Related party holdings

Key management personnel are the Directors of the Manager. There were no transactions with key management personnel during the year.

The Fund is managed by Smartshares Limited, which is a wholly owned subsidiary of NZX Limited, a company listed on the NZX Main Board.

SuperLife superannuation scheme ("SLSS"), a scheme managed by SuperLife Limited, a wholly owned subsidiary of NZX Limited, was an investor in the Fund in the year between 1 April 2016 and 27 October 2016. Effective 28 October 2016, the investments were transferred from SLSS to SuperLife Invest managed investment scheme ("SLI"), a scheme managed by the Manager, also a wholly owned subsidiary of NZX Limited. The transfer of assets and change of Manager was completed as part of the transition of the SuperLife scheme to the Financial Markets Conduct Act 2013.

As at 31 March 2017 SLI held 2,703,896 units valued at \$22,824,000 in the Fund. As at 31 March 2016, SLSS held 2,703,759 units valued at \$19,538,000 in the Fund.

Distributions

The Fund paid distributions of \$368,000 (31 March 2016: \$597,000) to SLSS. All distributions were settled prior to the transfer of investments from SLSS to SLI. The balance remaining as payable as at 31 March 2016 was \$226,000. The Fund paid distributions of \$412,000 to SLI for the year ended 31 March 2017 (31 March 2016: not applicable). The balance remaining as payable at the end of the year is \$nil (31 March 2016: not applicable).

Management Fees

The Manager receives management fees from the Fund. Under the Trust Deed the Manager pays the supervisor, custodian, registrar and auditor on behalf of the Fund and receives direct purchase application fees and all interest earned on cash at banks.

Total gross management fees excluding rebates for the year ended 31 March 2017 amounted to \$111,000 (31 March 2016: \$113,000), with \$1,000 (31 March 2016: \$9,000) of outstanding accrued management fees due to the Manager at the end of the year.

The total interest earned on cash at banks for the year ended 31 March 2017 amounted to \$6,000 (31 March 2016: \$6,000).

Total direct purchase application fees for the year ended 31 March 2017 amounted to \$1,000 (31 March 2016: \$nil).

Other related party transactions

The audit fee paid by the Manager for the audit of the Fund for the the year ended 31 March 2017 was \$5,000 (31 March 2016: \$6,000).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

8. FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

The Fund utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in the Statement of Accounting Policies.

The financial instruments not accounted for at fair value through profit and loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

Financial instruments by category	2017	2016
	\$'000	\$'000
<u>Loans and receivables</u>		
Cash and cash equivalents	184	556
Receivables	169	51
<u>Financial assets at fair value through profit and loss</u>		
Investments in equity securities held at fair value through profit or loss	23,314	19,719
<u>Other financial liabilities</u>		
Management fees payable	(1)	(9)
Distribution payable to unitholders	-	(231)
Funds held for unit purchases	(50)	(5)

The Fund's activities expose it to a variety of financial risks: market price risk, credit risk, liquidity risk and currency risk. The risk management policies used by the Fund are detailed below:

8a. Market price risk

The Fund's equity securities are exposed to market price risk arising from uncertainties about future prices of the financial instruments.

Because the fund tracks an Australian equity index and is fully invested in the index's underlying Australian equity securities, the value of the fund will move up and down with the Australian market.

A 10% increase/decrease in equity prices as at 31 March 2017 would have increased/decreased net profit and unitholder funds by \$2,331,000 (31 March 2016: \$1,972,000).

8b. Credit risk

The Fund is exposed to the potential risk of financial loss resulting from the failure of counterparties to honour fully the terms and conditions of a contract with the Fund. Financial instruments that subject the Fund to credit risk consist primarily of cash and receivables.

The maximum credit risk of financial instruments is considered to be their carrying value. The risk of non-recovery of monetary assets is considered very low due to the quality of counterparties dealt with.

The Fund does not require collateral or other security to support financial instruments with credit risk. The maximum exposures to credit risk at the reporting date are:

	2017	2016
	\$'000	\$'000
Cash and cash equivalents	184	556
Receivables	169	51

Cash and cash equivalents

The Fund's cash and cash equivalents balances are held with ANZ Bank New Zealand Limited ('ANZ'), BNP Paribas Securities Services ('BNP Paribas') and Westpac New Zealand Limited ('Westpac').

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

8. FINANCIAL RISK MANAGEMENT (Continued)

The table below discloses the Standard & Poor's credit rating for the Fund's cash and cash equivalents balance with each bank above at the reporting date.

	Balance	2017 Credit rating	Balance	2016 Credit rating
	\$'000		\$'000	
ANZ	50	AA-	5	AA-
BNP Paribas	18	A	3	A-
Westpac	<u>116</u>	AA-	<u>548</u>	AA-
	<u>184</u>		<u>556</u>	

8c. Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with the financial liabilities that are settled by delivering cash or another financial asset.

The Fund's investments in listed securities are considered readily realisable, as they are quoted on the Australian Securities Exchange. In addition, liquidity risk associated with redemptions is managed by meeting redemptions in the form of baskets rather than cash. The Fund meets its redemption obligations by returning the proportionate number of underlying securities in return for the units. Liquidity risk for the Fund is therefore low.

8d. Currency risk

Currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates.

The Fund holds assets denominated in a currency other than the New Zealand dollar, the functional currency. It is therefore exposed to currency risk, as the value of the securities denominated in Australian dollars will fluctuate due to changes in the exchange rate. The Fund's policy is not to enter into any currency hedging transactions.

A 10% strengthening/weakening of the New Zealand dollar against the Australian dollar as at 31 March 2017 would have decreased/increased profit and unitholders funds by \$2,350,000 (31 March 2016: \$1,977,000).

The table below summarises the Fund's exposure to currency risk.

	2017	2016
	\$'000	\$'000
Australian dollar cash held (NZD)	18	3
Receivables	169	51
Investments in equity securities held at fair value through profit or loss	23,314	19,719

9. COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 31 March 2017 (31 March 2016: none).

10. EVENTS AFTER THE REPORTING YEAR

Since 31 March 2017 there have been no matters or circumstances not dealt with in the financial statements that have significantly affected or may significantly affect the Fund.

AUSTRALIAN FINANCIALS FUND



Independent Auditor's Report

To the unitholders of Australian Financials Fund

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of Australian Financials Fund (the fund) on pages 358 to 370:

- i. present fairly in all material respects the fund's financial position as at 31 March 2017 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2017;
- the statement of comprehensive income, statement of changes in unitholders' funds and statement of cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the fund in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report.

Our firm has also provided other assurance services to the fund in relation to reporting to the supervisor. Subject to certain restrictions, employees of our firm may also deal with the fund on normal terms within the ordinary course of trading activities of the business of the fund. These matters have not impaired our independence as auditor of the fund. The firm has no other relationship with, or interest in, the fund.



Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at \$237,000 determined with reference to a benchmark of the fund's total assets. We chose the benchmark because, in our view, this is a key measure of the fund's performance.

AUSTRALIAN FINANCIALS FUND



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the members as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter

How the matter was addressed in our audit

Carrying amount of investments

Refer to Note 2 to the Financial Statements.
The fund's portfolio of investments makes up 98.51% of total assets. We do not consider these investments to be at high risk of significant misstatement, or be subject to a significant level of judgement, because they comprise liquid, listed investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our audit procedures included:

- documenting and understanding the processes in place to record investment transactions and to value the portfolio. This included evaluating the control environment in place at the administration manager by obtaining and reading a report issued by an independent auditor on the design and operation of those controls
- agreeing the 31 March 2017 valuation of listed equity investments to externally quoted prices
- agreeing investment holdings to confirmations received from the administration manager

We did not identify any material differences in relation to the carrying amount of investments.



Other Information

The Manager, on behalf of the fund, is responsible for the other information included in the entity's Annual Report. Other information may include the Chairman's report, fund highlights, disclosures relating to corporate governance and statutory information. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Manager.



Use of this Independent Auditor's Report

This report is made solely to the members as a body. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in the Independent Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members as a body for our audit work, this report, or any of the opinions we have formed.

AUSTRALIAN FINANCIALS FUND



Responsibilities of the Manager for the financial statements

The Manager, on behalf of the fund, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Independent Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page2.aspx

This description forms part of our Independent Auditor's Report.

Brent Manning

For and on behalf of

KPMG
Wellington

25 May 2017

Unitholder Information

DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS

AS AT 30 APRIL 2017

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	40	62.50%	12,847	0.46%
1,001-5,000	18	28.13%	43,036	1.54%
5,001-10,000	4	6.25%	26,712	0.96%
10,001-50,000	1	1.56%	10,861	0.39%
50,001-100,000	0	0.00%	-	0.00%
Greater than 100,000	1	1.56%	2,693,896	0.9665
TOTAL	64	100.00%	2,787,352	100.00%

20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES

AS AT 30 APRIL 2017

Full Name	Total	Percentage
SuperLife Nominees Limited	2,693,896	96.65
David Georges Andre Dromer	10,861	0.39
George Heatherwick Findlay	8,728	0.31
Gert Franz Johannes Starker & Elma Starker	7,084	0.25
Jenny Marie Cochrane & Aimee Lee Clarke & Finman Trustees Ltd	5,466	0.2
Billy Cheung Services Limited	5,434	0.19
Craigs Investment Partners Limited	4,440	0.16
Phillip John Tait & Darien Patricia Tait & Jenny Catherine Hirst	4,228	0.15
World Holdings Nominees Limited	4,177	0.15
Trent William Lawton	3,344	0.12
John Douglas Phillips & Sara Maragret Phillips	2,902	0.1
Peter Andrew Metcalfe & Janis Doreen Metcalfe	2,824	0.1
Bruce Robert Benseman	2,670	0.1
Scott William Priestley & John William Priestley & Bassett Trustees 5 Limited	2,647	0.09
David Neilson Hay & Rebecca Barbara Hay & Wyndham Trustees Limited	2,505	0.09
Daniel Tisch & Brigitte Lauper Tisch	2,429	0.09
Arcane Enterprises Limited	2,010	0.07
Susan Jane Sturman	1,476	0.05
Paul Bruce Johansson	1,416	0.05
Nigel David Riley	1,363	0.05
	2,769,900	99.36

SUBSTANTIAL PRODUCT HOLDERS

The following information has been given pursuant to section 293 of the Financial Markets Conduct Act 2013 (FMCA). According to Smartshares records and disclosures made under section 280(1)(b) of the FMCA, there were no substantial product holders in the Fund as at 31 March 2017. The total number of units on issue at 31 March 2017 was 2,787,352.

DIRECTORS' INTERESTS IN UNITS

	Beneficial	Non-Beneficial
Bevan Miller	436*	0
Paul Baldwin	0	0
Guy Elliffe	869*	0
John Williams	0	0

*Beneficial interest in these units is indirectly held through the director's interest in the SuperLife KiwiSaver scheme

WAIVERS GRANTED

The Special Division of the New Zealand Markets Disciplinary Tribunal (Special Division) has granted, either fully, partially or subject to conditions a number of waivers to the fund.

The waiver decisions that Smartshares currently relies upon are available on smartshares.co.nz.

Special Division granted the following waivers from the Listing Rules that continue to be relied upon as at 31 March 2017:

3.1.1(a) - compliance with the Listing Rules	7.5 - Issues and Buybacks Affecting Control
3.1.1(b) - compliance with Takeover Provisions	7.6.1 to 7.6.3 - Buybacks of Equity Securities, Redemptions and Financial Assistance
3.3.5 to 3.3.15 - Appointment and Rotation of Directors	7.11.1 Allotment within 5 business days
3.4 - Proceedings and Power of Directors	9.2.1 - Transactions with Related Parties
3.5 - Directors' Remuneration	10.3.2 - Preliminary Announcements
Section 4 - Takeover Provisions	10.4.1(d) - Annual and Half-Year Reports availability
7.1.11 - Minimum Subscription	10.4.2 - Half-Yearly Reporting Requirements
7.3 - Issue of New Equity Securities.	10.6.1(a) - Other Administrative Information
7.4 - Entitlements to Third Party Securities	

In October 2015, Special Division granted Smartshares a waiver from Listing Rules 3.3.1(c), 3.3.3 and 3.6.2(c) to enable Mr Elliffe and Mr Williams to continue to be regarded as Independent Directors following their appointment to the board of SuperLife Limited in May 2016.

As Smartshares and SuperLife Limited were amalgamated on 9 November 2016, Smartshares no longer relies on this waiver.

In June 2016, Special Division granted Smartshares a waiver from Listing Rule 9.2.1 to enable Smartshares to amalgamate with SuperLife Limited without the need for unitholder approval. Smartshares no longer relies on this waiver.

On 8 September 2016, Special Division granted fully, partially or subject to conditions, waivers from the following Listing Rules in relation to the transition of the group investment funds to the FMCA:

7.4.1 - Entitlements to Third Party Securities
7.6.5 - Buy Backs of Equity Securities, Redemptions and Financial Assistance
8.3.1 - Modifications of Rights of Security Holders
9.2.1 - Transactions with Related Parties

NZ Dividend Fund (DIV)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017

Presented by Smartshares Limited, Manager of the NZ Dividend Fund

Report to the Unitholders

HIGHLIGHTS

Launch Date 7-Apr-15

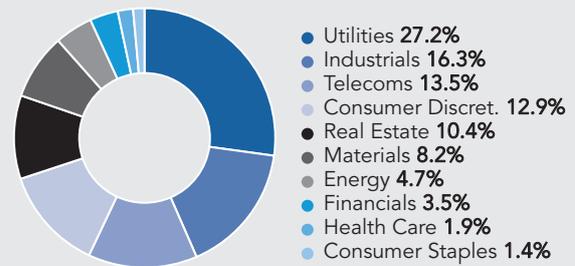
	March 2017	March 2016
Net Tangible Assets (NTA)	\$1.108	\$1.092
Units On Issue	30,712,302	22,712,302
Funds Under Management	\$34,029,893	\$24,805,468
Gross Distribution	\$0.064	\$0.045*
Gross Distribution Yield	5.80%	N/A
Gross Return	7.61%	14.6%*
Total Fund Charges	0.54%	0.54%
Distributions paid	Semi-annual	

* Since Inception

NTA Per Unit



Sector Allocation



Growth of \$1,000*



*Since inception, all distributions reinvested.

NZ DIVIDEND FUND

DIRECTORY

THE MANAGER

Smartshares Limited
Level 1, NZX Centre
11 Cable Street, Wellington 6140
New Zealand

This is also the address of the registered office.

PRINCIPAL OFFICE OF THE MANAGER

Level 7, Zurich House
21 Queen Street, Auckland Central
Auckland 1010
New Zealand

DIRECTORS OF THE MANAGER

Bevan K. Miller
Timothy O. Bennett (resigned 30 December 2016)
Guy R. Elliffe
A. John Williams
Paul J. Baldwin (appointed 30 December 2016)

INVESTMENT ADMINISTRATOR

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

REGISTRAR

Link Market Services Limited

THE SUPERVISOR

Public Trust
Level 5, 40-42 Queens Drive
Lower Hutt 5010, Wellington
New Zealand

AUDITOR

KPMG
10 Customhouse Quay
PO Box 996, Wellington 6140
New Zealand

SOLICITOR

Buddle Findlay
Level 17, State Insurance Tower
1 Willis Street, Wellington 6140
New Zealand

INVESTMENT CUSTODIAN

JBWere (NZ) Nominees Limited

CORRESPONDENCE

All correspondence and enquiries to the Manager about the Fund should be addressed to the Manager, Smartshares Limited, at the above address.

NZ DIVIDEND FUND

Smartshares Limited (the 'Manager') and Public Trust (the 'Supervisor') are parties to a master trust deed dated 24 June 2014 as amended and restated on 9 September 2016 (the 'Trust Deed'). Under a Deed of Retirement and Appointment dated 6 September 2016, Trustees Executors Limited retired as the trustee and Public Trust was appointed as the Supervisor. The Trust Deed sets out the terms and conditions on which units in the funds within the Smartshares Exchange Traded Funds are offered for subscription, whether to the public or otherwise.

The Trust Deed provides that each fund is to be established by the Manager and the Supervisor entering into an establishment deed setting out the specific terms and conditions relating to that fund.

The NZ Dividend Fund (the 'Fund') was created by an establishment deed dated 19 March 2015 as amended on 5 June 2015 and amended and restated on 9 September 2016 between the Manager and the Supervisor.

STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are drawn up in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), and fairly present the financial position of the Fund as at 31 March 2017, and the results of its financial performance and cash flows for the period ended 31 March 2017 in accordance with the requirement of the Trust Deed.

It is believed that there are no circumstances that may materially and adversely affect any interest of the unitholders in the assets other than those already disclosed in this report.

For and on behalf of the Manager:
Smartshares Limited



.....
Director



.....
Director

This statement was approved for signing at a meeting of the Directors on 25 May 2017.

NZ DIVIDEND FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE ENDED 31 MARCH 2017

		Year Ended 31 March 2017 \$'000	Period Ended 31 March 2016 \$'000
INCOME	Note		
Dividend income		1,803	1,358
Securities lending income		9	15
Net changes in fair value of financial assets at fair value through profit or loss		<u>(124)</u>	<u>1,683</u>
Total income		<u>1,688</u>	<u>3,056</u>
EXPENSES			
Management fees expense	7	(158)	(112)
Miscellaneous expenses		<u>(1)</u>	<u>-</u>
Total expenses		<u>(159)</u>	<u>(112)</u>
Profit before tax		1,529	2,944
Income tax expense	1	<u>(38)</u>	<u>(64)</u>
Profit after tax		1,491	2,880
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income		<u>1,491</u>	<u>2,880</u>
EARNINGS PER UNIT			
Basic and diluted earnings per unit (cents per unit)	4	<u>5.62</u>	<u>13.48</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS
 FOR THE ENDED 31 MARCH 2017**

		Year Ended 31 March 2017 \$'000	Period Ended 31 March 2016 \$'000
Unitholders' funds at the beginning of the year/period		24,806	-
Total comprehensive income for the year/period		<u>1,491</u>	<u>2,880</u>
Subscriptions from unitholders	6	8,943	22,660
Distributions to unitholders	5	<u>(1,211)</u>	<u>(734)</u>
		<u>7,732</u>	<u>21,926</u>
Unitholders' funds at the end of the year/period		<u><u>34,029</u></u>	<u><u>24,806</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017**

	Note	As At 31 March 2017 \$'000	As At 31 March 2016 \$'000
ASSETS			
Cash and cash equivalents		922	334
Receivables		414	302
Investments in equity securities held at fair value through profit or loss	2	33,798	24,262
Taxation receivable		<u>20</u>	<u>-</u>
TOTAL ASSETS		<u>35,154</u>	<u>24,898</u>
LIABILITIES			
Management fees payable	7	(2)	(11)
Taxation payable		-	(34)
Deferred tax liability	1	(14)	-
Funds held for unit purchases		(566)	(47)
Unsettled trades		<u>(543)</u>	<u>-</u>
TOTAL LIABILITIES		<u>(1,125)</u>	<u>(92)</u>
UNITHOLDERS' FUNDS		<u>34,029</u>	<u>24,806</u>
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		<u>35,154</u>	<u>24,898</u>

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the financial statements on 25 May 2017.



B Miller
Chairman
Smartshares Limited



G Elliffe
Director
Smartshares Limited

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE ENDED 31 MARCH 2017**

	Year Ended 2017 \$'000	Period Ended 2016 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Dividend income received	1,691	1,057
Securities lending income received	9	14
<i>Cash was applied to:</i>		
Management fees paid	(167)	(101)
Taxation paid	(78)	(30)
Miscellaneous expenses paid	<u>(1)</u>	<u>-</u>
Net cash flows from operating activities	<u>1,454</u>	<u>940</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Cash was provided from:</i>		
Sale of investments	7,890	6,096
<i>Cash was applied to:</i>		
Purchase of investments	<u>(12,513)</u>	<u>(7,011)</u>
Net cash flows from investing activities	<u>(4,623)</u>	<u>(915)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Cash was provided from:</i>		
Subscriptions received from unitholders	4,968	1,043
<i>Cash was applied to:</i>		
Distributions paid to unitholders	<u>(1,211)</u>	<u>(734)</u>
Net cash flows from financing activities	<u>3,757</u>	<u>309</u>
Net increase in cash and cash equivalents	588	334
Cash and cash equivalents at the beginning of the year/period	<u>334</u>	<u>-</u>
Cash and cash equivalents at the end of year/period	<u>922</u>	<u>334</u>
Reconciliation of profit after tax to net cash flows from operating activities		
Profit after tax	1,491	2,880
Net changes in fair value of financial assets at fair value through profit or loss	124	(1,683)
Increase in taxation receivable	(20)	-
(Decrease)/increase in taxation payable	(34)	34
Increase in deferred tax liability	14	-
(Decrease)/increase in management fees payable	(9)	11
Increase in receivables	<u>(112)</u>	<u>(302)</u>
Net cash flows from operating activities	<u>1,454</u>	<u>940</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE ENDED 31 MARCH 2017**

GENERAL INFORMATION

The NZ Dividend Fund (the 'Fund') is a for-profit fund registered in New Zealand and established under the Financial Markets Conduct Act 2013 ('FMC Act 2013'). It is offered under a registered managed investment scheme known as the Smartshares Exchange Traded Funds. Smartshares Limited, the Manager of the Fund is a FMC reporting entity for the purposes of the FMC Act 2013.

The Fund is governed by the Trust Deed dated 24 June 2014 as amended and restated on 9 September 2016 between the Manager and the Supervisor. The Fund was established on 19 March 2015 and commenced operation on 7 April 2015.

The Fund changed its name from New Zealand Dividend Index Trust to NZ Dividend Fund effective 16 September 2016.

The Fund's units are quoted on the NZX Main Board. The Fund is a passive investment fund that tracks the S&P/NZX 50 High Dividend Index ('the Index'). As prescribed by the Trust Deed, the Fund invests in the securities included in the Index broadly in proportion to the weightings of the Index. Investments are valued at fair value according to last traded market prices on the NZX Main Board on 31 March 2017 (see Note 2).

STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied to the year/period presented.

Comparative period and amounts

These financial statements are for the year ended 31 March 2017. The comparative figures are for the period 7 April 2015 to 31 March 2016. Where necessary, comparative figures have been restated to correspond to the current year classifications.

Basis of preparation

The financial statements of the Fund have been prepared in accordance with the requirements of the FMC Act 2013, Financial Reporting Act 2013, New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS'). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The functional currency of this entity is the same as the presentation currency of these financial statements being the New Zealand Dollar ('NZD'), rounded to the nearest thousand.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Smartshares Limited Board of Directors to exercise its judgement in the process of applying the Fund's Statement of Accounting Policies.

Financial assets at fair value through profit or loss

(a) Classification

The Fund classifies its investments in equity securities held at fair value as financial assets at fair value through profit or loss. These financial assets are designated by the Smartshares Board of Directors at inception as their performance is managed and evaluated on a fair value basis in accordance with a documented investment strategy.

(b) Recognition/derecognition

Purchases and sales of investments are recognised on the trade date - the date on which the Fund commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

(c) Measurement

Financial assets at fair value through profit or loss are recognised at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income when they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income within dividend income when the Fund's right to receive payment is established.

(d) Fair value estimation

The fair value of the financial instruments is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Fund is the last traded market price.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE ENDED 31 MARCH 2017**

Receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are measured at amortised cost using the effective interest method less impairment.

Payables

Trade payables and other payables are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services, and are measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents are considered to be cash at banks, net of bank overdrafts. Operating activities in the Statement of Cash Flows include all transactions or events that are not investing or financing activities. Investing activities are those activities that relate to the acquisition, holding and disposal of investments and securities not falling within the definition of cash. Financing activities are those activities that relate to cash contributions to and from, or distributions to the unitholders.

Units

The Fund issues units, which provide the holder with a beneficial interest in the Fund. The units can be put back to the Fund via a basket redemption, in accordance with the redemption rules as defined in the Trust Deed, for securities of the constituent companies in proportion to the Index and of a proportion of cash held in the Fund.

The units are issued and redeemed based on the Fund's net asset value per unit at the time of issue or redemption. The Fund's net asset value per unit is calculated by dividing the net asset attributable to the unitholders by the total number of outstanding units. In accordance with the provisions of the Trust Deed investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Distributions to unitholders

Distributions are made up of income received from the investments less expenses paid and allowances for future liabilities. Income from investments held is attributed to unitholders on the basis of the number of units held on the record date of the distribution. To the extent that imputation credits are available, distributions to unitholders will be fully imputed. The record date for the Fund is on the last business day of May and November in each year. Currently, distributions to unitholders are made on a semi-annual basis directly from the Fund within 20 business days of the record date.

Taxation

The Fund is domiciled in New Zealand and is registered as a Portfolio Investment Entity ('PIE').

The Fund is liable for tax at the prevailing company tax rate on taxable dividends from the investments in securities listed in Note 2 and securities lending income after the deduction of management fees. With most of this income, the Fund is able to utilise imputation credits to satisfy the tax liability. The Fund pays tax to the extent that the imputation credits do not cover the tax liability in full.

Deferred tax is recognised in respect of temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Current and deferred tax is measured using the tax rates enacted or substantively enacted at the reporting date. The temporary differences relate to accrued dividends.

Goods and services tax (GST)

The Fund is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

Securities lending

The Fund enters into securities lending transactions whereby it gives loans of securities recognised on the Statement of Financial Position, but retains either all or substantially all of the risks and rewards of the lent securities or a portion of them. As all or substantially all risks and rewards are retained, the lent securities are not derecognised.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE ENDED 31 MARCH 2017**

Segment information

The Fund operates solely in the business of investment management, investing in New Zealand equities. The Fund receives all of its income from its New Zealand equity investments. For the year ended 31 March 2017 two equity investments individually contributed 10% or more of the Fund's dividend income (31 March 2016: three equity investments). The individual dividend income received from these two equity investments was \$315,000 and \$212,000 (31 March 2016: \$156,000, \$147,000 and \$167,000).

Changes in accounting policies and accounting standards adopted during the year

(a) Changes in accounting policies

There have been no significant changes in accounting policies during the year. All policies have been applied on a basis consistent with those used in the prior period.

(b) New accounting standards adopted

There were no new accounting standards adopted during the year that have a material impact to the financial statements of the Fund.

Issued but not yet effective accounting standards

A number of accounting standards have been issued or revised that are not yet effective as at 31 March 2017, and have not been applied in preparing the financial statements. The Fund does not plan to adopt these standards early. The standards which are relevant to the Fund are as follows:

- NZ IFRS 9 Financial Instruments - Effective for annual reporting periods beginning on or after 1 January 2018; the impact of any changes has not yet been determined.
- NZ IFRS 15 Revenue from Contracts with Customers - Effective for annual reporting periods beginning on or after 1 January 2018. The impact of any changes has not yet been determined.

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE ENDED 31 MARCH 2017**

1. TAXATION

	2017	2016
	\$'000	\$'000
Tax expense comprises:		
Current tax expense	(54)	(64)
Deferred tax movement	<u>16</u>	<u>-</u>
Total tax expense	<u><u>(38)</u></u>	<u><u>(64)</u></u>

The prima facie income tax expense on profit before tax from operations reconciles to the income tax expense in the financial statements as follows:

Income tax expense	2017	2016
	\$'000	\$'000
Profit before tax	<u>1,529</u>	<u>2,944</u>
Income tax using the statutory income tax rate 28%	(428)	(824)
Net changes in fair value of financial assets	(35)	471
Non taxable income	63	16
Gross up of imputation credits	<u>(141)</u>	<u>(106)</u>
	(541)	(443)
Less imputation credits and other tax credits	<u>503</u>	<u>379</u>
Income tax expense as per Statement of Comprehensive Income	<u><u>(38)</u></u>	<u><u>(64)</u></u>

Deferred tax	2017	2016
	\$'000	\$'000
Opening balance	-	-
Current period movement	16	-
Prior period adjustment	<u>(30)</u>	<u>-</u>
Closing balance	<u><u>(14)</u></u>	<u><u>-</u></u>

Imputation credit account (ICA)	2017	2016
	\$'000	\$'000
Imputation credits available for use in subsequent periods	352	211

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE ENDED 31 MARCH 2017**

2. INVESTMENTS IN EQUITY SECURITIES HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017		2016	
	Number of Shares '000	Fair value \$'000	Number of Shares '000	Fair value \$'000
Underlying securities				
Auckland International Airport Limited	380	2,566	278	1,785
Air New Zealand Limited	736	1,810	334	955
Australia and New Zealand Banking Group Limited	14	479	12	317
Argosy Property Trust	655	635	426	505
Chorus Limited	306	1,320	289	1,444
Contact Energy Limited	520	2,632	-	-
EBOS Group Limited	35	642	27	471
Fletcher Building Limited	333	2,768	314	2,474
Freightways Limited	98	731	71	448
Fonterra Shareholders Fund	78	473	38	228
Goodman Property Trust	775	934	534	705
Genesis Energy Limited	548	1,139	463	950
Heartland New Zealand Limited	-	-	300	363
Infratil Limited	471	1,371	271	889
Kiwi Income Property Trust	852	1,214	584	844
Meridian Energy Limited	902	2,529	746	1,955
Mercury NZ Limited	472	1,486	-	-
Mainfreight Limited	-	-	22	342
Metro Performance Glass Limited	91	118	-	-
Mighty River Power Limited	-	-	356	1,041
Nuplex Industries Limited	-	-	95	495
Precinct Properties New Zealand Limited	607	740	447	562
Sky City Entertainment Group Limited	409	1,699	243	1,218
Sky Network Television Limited	403	1,578	315	1,567
Spark New Zealand Limited	928	3,250	684	2,497
Trade Me Group Limited	212	1,087	188	827
Westpac Banking Corporation	18	710	14	475
Z Energy Limited	230	1,599	135	905
Tourism Holdings Limited	77	288	-	-
		<u>33,798</u>		<u>24,262</u>

All investments are designated at inception as being at fair value through profit or loss. The fair values of investments are calculated using the last traded market price at the reporting date. The investments are registered in the name of JBWere (NZ) Nominees Limited, the custodian of the Fund.

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE ENDED 31 MARCH 2017**

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value can be categorised across the following 3 levels based on the degree to which their fair value is 'observable':

Level 1 – Fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable either directly or indirectly;

Level 3 – Fair value measurements are derived from valuation methods that include inputs that are not based on observable market data.

All financial instruments of the Fund measured at fair value have been categorised as level 1 in the hierarchy. There were no transfers between levels in the year ended 31 March 2017 (31 March 2016: none).

4. EARNINGS PER UNIT

The basic earnings per unit (EPU) is calculated by dividing the net profit/(loss) after tax attributable to the unitholders by the weighted average number of units on issue during the year.

The Fund's diluted EPU is the same as the basic EPU since the Fund has not issued any instrument with dilutive potential.

	2017	2016
Profit after tax (\$'000)	1,491	2,880
Weighted average number of units ('000)	26,535	21,358
Basic and diluted earnings/(losses) per unit (cents per unit)	5.62	13.48

5. DISTRIBUTION PAYABLE TO UNITHOLDERS

	2017	2016
	\$'000	\$'000
Opening distribution payable	-	-
Distributions accrued to unitholders	1,211	734
Distributed to unitholders	(1,211)	(734)
Closing distribution payable	-	-

Distributions declared and paid

		Distribution per unit		
	Year ended	(cents per unit)	2017	2016
			\$'000	\$'000
June 2015 (paid July 2015)	31/03/2016	0.40	-	82
September 2015 (paid October 2015)	31/03/2016	0.99	-	210
December 2015 (paid January 2016)	31/03/2016	2.04	-	442
June 2016 (paid July 2016)	31/03/2017	2.15	497	-
November 2016 (paid December 2016)	31/03/2017	2.48	714	-
			1,211	734

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE ENDED 31 MARCH 2017**

6. UNITHOLDERS' FUNDS

As at 31 March 2017 there were 30,712,000 units on issue (31 March 2016: 22,712,000).

All issued units are fully paid and redeemable, and are quoted on the NZX Main Board. The Fund's net asset attributable to unitholders are represented by these units. The relevant movements are shown on the Statement of Changes in Unitholders' Funds.

The number of units allotted during the year ended 31 March 2017 was 8,000,000 (31 March 2016: 22,712,000) for total value of \$8,943,000 (31 March 2016: \$22,660,000).

The number of units redeemed during the year ended 31 March 2017 was nil (31 March 2016: nil) for total value of \$nil (31 March 2016: \$nil).

	2017	2016
	'000	'000
Movement in the number of units		
Balance at the beginning of the year/period	22,712	-
Subscriptions received during the year/period	8,000	22,712
Units on issue at the end of the year/period	30,712	22,712

The net asset value of each unit per the financial statements is \$1.10800 (31 March 2016: \$1.09220). Any difference between the net asset value announced to the market for 31 March 2017 and the net asset value per the financial statements is due to different unit pricing methodology.

7. RELATED PARTY TRANSACTIONS

Related party holdings

Key management personnel are the Directors of the Manager. There were no transactions with key management personnel during the year.

The Fund is managed by Smartshares Limited, which is a wholly owned subsidiary of NZX Limited, a company listed on the NZX Main Board.

SuperLife superannuation scheme ("SLSS"), a scheme managed by SuperLife Limited, a wholly owned subsidiary of NZX Limited, was an investor in the Fund in this year between 1 April 2016 and 27 October 2016. Effective 28 October 2016, the investments were transferred from SLSS to SuperLife Invest managed investment scheme ("SLI"), a scheme managed by the Manager, also a wholly owned subsidiary of NZX Limited. The transfer of assets and change of Manager was completed as part of the transition of the SuperLife scheme to the Financial Markets Conduct Act 2013.

As at 31 March 2017, SLI held 19,626,510 units valued at \$21,747,000 in the Fund. As at 31 March 2016, SLSS held 19,624,858 units valued at \$21,412,000 in the Fund.

Distributions

The Fund paid distributions of \$423,000 (31 March 2016: \$670,000) to SLSS. All distributions were settled prior to the transfer of investments from SLSS to SLI. The balance remaining payable as at 31 March 2016 was \$nil. The Fund paid distributions of \$486,000 to SLI for the year ended 31 March 2017 (31 March 2016: not applicable). The balance remaining as payable at the end of the year is \$nil (31 March 2016: not applicable).

Management fees

The Manager receives management fees from the Fund. Under the Trust Deed the Manager pays the supervisor, custodian, registrar and auditor on behalf of the Fund and receives all direct purchase application fees and interest earned on cash at banks.

Total gross management fees excluding rebates for the year ended 31 March 2017 amounted to \$158,000 (31 March 2016: \$112,000) with \$2,000 (31 March 2016: \$11,000) of outstanding accrued management fees due to the Manager at the end of the year.

The total interest earned on cash at banks for the year ended 31 March 2017 amounted to \$13,000 (31 March 2016: \$10,000).

Total direct purchase application fees for the year ended 31 March 2017 amounted to \$9,000 (31 March 2016: \$3,000).

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE ENDED 31 MARCH 2017**

7. RELATED PARTY TRANSACTIONS (Continued)

Other related party transactions

The audit fee paid by the Manager for the audit of the Fund for the year ended 31 March 2017 was \$5,000 (31 March 2016: \$6,000).

The Fund has entered into a securities lending agreement with New Zealand Clearing Limited ('NZCL'), a wholly owned subsidiary of NZX Limited. Securities lent are backed against the collateral of the borrower. As at 31 March 2017 the value of securities the Fund had on loan to NZCL was \$861,000 (31 March 2016: \$478,000).

Total security lending fees for the period ended 31 March 2017 amounted to \$9,000 (31 March 2016: \$15,000), with the accrued fees due to the Fund of \$1,000 (31 March 2016: \$1,000). The fees earned by the fund above represent fifty percent of the total fee earned from the securities lending agreement the Fund has with NZCL. The other fifty percent is income of the Manager for administering the securities lending agreement.

8. FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

The Fund utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in the Statement of Accounting Policies.

The financial instruments not accounted for at fair value through profit and loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

Financial instruments by category

	2017	2016
	\$'000	\$'000
<i><u>Loans and receivables</u></i>		
Cash and cash equivalents	922	334
Receivables	414	302
<i><u>Financial assets at fair value through profit and loss</u></i>		
Investments in equity securities held at fair value through profit or loss	33,798	24,262
<i><u>Other financial liabilities</u></i>		
Management fees payable	(2)	(11)
Funds held for unit purchases	(566)	(47)
Unsettled trades	(543)	-

The Fund's activities expose it to a variety of financial risks: market price risk, credit risk, liquidity risk and securities lending risk. The risk management policies used by the Fund are detailed below:

8a. Market price risk

The Fund's equity securities are exposed to market price risk arising from uncertainties about future prices of the financial instruments.

Because the Fund tracks a New Zealand equity index and is fully invested in the index's underlying New Zealand equity securities, the value of the Fund will move up and down with the New Zealand market.

A 10% increase/decrease in equity prices as at 31 March 2017 would have increased/decreased net profit and unitholder funds by \$3,380,000 (31 March 2016: \$2,426,000).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE ENDED 31 MARCH 2017**

8. FINANCIAL RISK MANAGEMENT (Continued)

8b. Credit risk

The Fund is exposed to the potential risk of financial loss resulting from the failure of counterparties to honour fully the terms and conditions of a contract with the Fund. Financial instruments that subject the Fund to credit risk consist primarily of cash and receivables.

The maximum credit risk of financial instruments is considered to be their carrying value. The risk of non-recovery of monetary assets is considered very low due to the quality of counterparties dealt with.

The Fund does not require collateral or other security to support financial instruments with credit risk. The maximum exposures to credit risk at the reporting date are:

	2017	2016
	\$'000	\$'000
Cash and cash equivalents	922	334
Receivables	414	302

Cash and cash equivalents

The Fund's cash and cash equivalents balances are held with ANZ Bank New Zealand Limited ('ANZ') and Bank of New Zealand Limited ('BNZ').

The table below discloses the Standard & Poor's credit rating for the Fund's cash and cash equivalents balance with each bank at reporting date.

	Balance	2017 Credit rating	Balance	2016 Credit rating
	\$'000		\$'000	
ANZ	566	AA-	47	AA-
BNZ	356	AA-	287	AA-
	922		334	

8c. Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with the financial liabilities that are settled by delivering cash or another financial asset.

The Fund's investments in listed securities are considered readily realisable, as they are quoted on the NZX Main Board. In addition, liquidity risk associated with redemptions is managed by meeting redemptions in the form of baskets rather than cash. The Fund meets its redemption obligations by returning the proportionate number of underlying securities in return for the units. Liquidity risk for the Fund is therefore low.

8d. Securities lending risk

A number of possible risks arise from the securities lending program implemented for the Fund. These include, but are not limited to, the risk that a borrower of securities could fail to deliver equivalent securities on termination of a loan or encounter financial difficulties (resulting in delays in or failure to redeliver securities to the Fund), the risk of failure of the central counterparty settlement system, the risk that the contract relating to the lending will for whatever reason not be legally enforceable or documented correctly (resulting, for example, in an inability to enforce an obligation to re-transfer securities) and the risk that the operational procedures adopted in respect of the Fund could result in errors, fraud or misconduct that cause a loss to the Fund.

In order to limit the Fund's exposure to risk that may arise as a result of securities lending, the Fund has a limitation of 50% of the value of its securities it may lend at any point in time. Individual or multiple securities can be lent at any given time, for a minimum of one day. Fees are charged accordingly.

At 31 March 2017, the single borrower of the Fund's securities is New Zealand Clearing Limited ('NZCL'), a wholly owned subsidiary of NZX Limited. Securities lent are backed by collateral of the borrower.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE ENDED 31 MARCH 2017**

8. FINANCIAL RISK MANAGEMENT (Continued)

On 31 March 2017 the value of securities the Fund had on loan to NZCL was \$861,000 (31 March 2016: \$478,000).

9. COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 31 March 2017 (31 March 2016: none).

10. EVENTS AFTER THE REPORTING YEAR

Since 31 March 2017 there have been no matters or circumstances not otherwise dealt with in the financial statements that have significantly affected or may significantly affect the Fund.

NZ DIVIDEND FUND



Independent Auditor's Report

To the unitholders of NZ Dividend Fund

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of NZ Dividend Fund (the fund) on pages 379 to 392:

- i. present fairly in all material respects the fund's financial position as at 31 March 2017 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2017;
- the statement of comprehensive income, statement of changes in unitholders' funds and statement of cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the fund in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report.

Our firm has also provided other assurance services to the fund in relation to reporting to the supervisor. Subject to certain restrictions, employees of our firm may also deal with the fund on normal terms within the ordinary course of trading activities of the business of the fund. These matters have not impaired our independence as auditor of the fund. The firm has no other relationship with, or interest in, the fund.



Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at \$352,000 determined with reference to a benchmark of the fund's total assets. We chose the benchmark because, in our view, this is a key measure of the fund's performance.

NZ DIVIDEND FUND



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the members as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter

How the matter was addressed in our audit

Carrying amount of investments

Refer to Note 2 to the Financial Statements.

The fund’s portfolio of investments makes up 96.1% of total assets. We do not consider these investments to be at high risk of significant misstatement, or be subject to a significant level of judgement, because they comprise liquid, listed investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our audit procedures included:

- documenting and understanding the processes in place to record investment transactions and to value the portfolio. This included evaluating the control environment in place at the administration manager by obtaining and reading a report issued by an independent auditor on the design and operation of those controls
- agreeing the 31 March 2017 valuation of listed equity investments to externally quoted prices
- agreeing investment holdings to confirmations received from the administration manager

We did not identify any material differences in relation to the carrying amount of investments.



Other Information

The Manager, on behalf of the fund, is responsible for the other information included in the entity’s Annual Report. Other information may include the Chairman’s report, fund highlights, disclosures relating to corporate governance and statutory information. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor’s Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Manager.



Use of this Independent Auditor’s Report

This report is made solely to the members as a body. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in the Independent Auditor’s Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to

NZ DIVIDEND FUND



anyone other than the members as a body for our audit work, this report, or any of the opinions we have formed.



Responsibilities of the Manager for the financial statements

The Manager, on behalf of the fund, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Independent Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page2.aspx

This description forms part of our Independent Auditor's Report.

Brent Manning

For and on behalf of

KPMG
Wellington

25 May 2017

Unitholder Information

DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS

AS AT 30 APRIL 2017

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	175	24.79%	109,906	0.35%
1,001-5,000	261	36.97%	638,542	2.03%
5,001-10,000	106	15.01%	803,583	2.55%
10,001-50,000	128	18.13%	3,074,817	9.77%
50,001-100,000	22	3.12%	1,571,713	5.00%
Greater than 100,000	14	1.98%	25,263,741	80.30%
TOTAL	706	100.00%	31,462,302	100.00%

20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES

AS AT 30 APRIL 2017

Full Name	Total	Percentage
SuperLife Nominees Limited	19,626,510	62.38
Investment Custodial Services Limited	1,753,313	5.57
Gary Anthony Vink & Jane Margaret Vink	1,422,773	4.52
FNZ Custodians Limited	578,795	1.84
Joanna Marie Deighton	451,570	1.44
Martin Clive Farrell & Karin Joanne Farrell & Jill Maree Darragh	353,328	1.12
Martin Clive Farrell & Denise Ruth Farrell & Richard Heywood Taylor	209,345	0.67
Timothy Oliver Bennett	180,475	0.57
Alan James Phillips & Helen Marie Phillips	124,075	0.39
Donald John Lyon	120,000	0.38
Craigs Investment Partners Limited	117,635	0.37
Investment Custodial Services Limited	116,667	0.37
Theodore Francis Duyvestyn & Maree Margaret Ashton & Graham Brown & Co Trustees Limited	107,550	0.34
MLT Investments Limited	101,705	0.32
Geoffrey Stewart Wilkinson	100,000	0.32
Tracy Ann Woodward	93,254	0.3
Michael Brian Howard Kersey	90,224	0.29
Barbara Anne Bridger	88,975	0.28
Christopher Bruce Rennie & Katharine Margaret Price	81,454	0.26
Laurence Michael Diack	80,000	0.25
	25,797,648	81.98

SUBSTANTIAL PRODUCT HOLDERS

The following information has been given pursuant to section 293 of the Financial Markets Conduct Act 2013 (FMCA). According to Smartshares records and disclosures made under section 280(1)(b) of the FMCA, there were no substantial product holders in the Fund as at 31 March 2017. The total number of units on issue at 31 March 2017 was 30,712,302.

DIRECTORS' INTERESTS IN UNITS

	Beneficial	Non-Beneficial
Bevan Miller	2,073*	0
Paul Baldwin	0	0
Guy Elliffe	4,138*	0
John Williams	0	0

*Beneficial interest in these units is indirectly held through the director's interest in the SuperLife KiwiSaver scheme

WAIVERS GRANTED

The Special Division of the New Zealand Markets Disciplinary Tribunal (Special Division) has granted, either fully, partially or subject to conditions a number of waivers to the fund.

The waiver decisions that Smartshares currently relies upon are available on smartshares.co.nz.

Special Division granted the following waivers from the Listing Rules that continue to be relied upon as at 31 March 2017:

3.1.1(a) - compliance with the Listing Rules	7.5 - Issues and Buybacks Affecting Control
3.1.1(b) - compliance with Takeover Provisions	7.6.1 to 7.6.3 - Buybacks of Equity Securities, Redemptions and Financial Assistance
3.3.5 to 3.3.15 - Appointment and Rotation of Directors	7.11.1 Allotment within 5 business days
3.4 - Proceedings and Power of Directors	9.2.1 - Transactions with Related Parties
3.5 - Directors' Remuneration	10.3.2 - Preliminary Announcements
Section 4 - Takeover Provisions	10.4.1(d) - Annual and Half-Year Reports availability
7.1.11 - Minimum Subscription	10.4.2 - Half-Yearly Reporting Requirements
7.3 - Issue of New Equity Securities.	10.6.1(a) - Other Administrative Information
7.4 - Entitlements to Third Party Securities	

In October 2015, Special Division granted Smartshares a waiver from Listing Rules 3.3.1(c), 3.3.3 and 3.6.2(c) to enable Mr Elliffe and Mr Williams to continue to be regarded as Independent Directors following their appointment to the board of SuperLife Limited in May 2016.

As Smartshares and SuperLife Limited were amalgamated on 9 November 2016, Smartshares no longer relies on this waiver.

In June 2016, Special Division granted Smartshares a waiver from Listing Rule 9.2.1 to enable Smartshares to amalgamate with SuperLife Limited without the need for unitholder approval. Smartshares no longer relies on this waiver.

On 8 September 2016, Special Division granted fully, partially or subject to conditions, waivers from the following Listing Rules in relation to the transition of the group investment funds to the FMCA:

7.4.1 - Entitlements to Third Party Securities
7.6.5 - Buy Backs of Equity Securities, Redemptions and Financial Assistance
8.3.1 - Modifications of Rights of Security Holders
9.2.1 - Transactions with Related Parties

Australian Dividend Fund (ASD)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017

Presented by Smartshares Limited, Manager of the Australian Dividend Fund

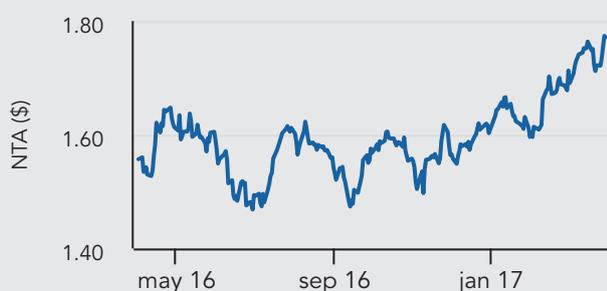
Report to the Unitholders

HIGHLIGHTS

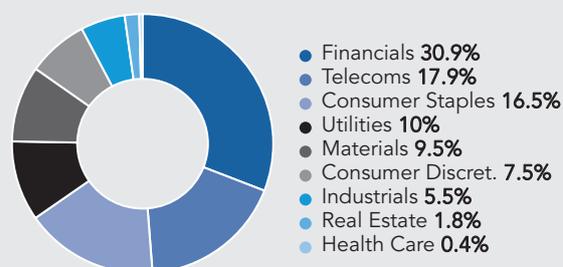
Launch Date 16-Dec-14

	March 2017	March 2016
Net Tangible Assets (NTA)	\$1.771	\$1.587
Units On Issue	39,790,493	38,540,493
Funds Under Management	\$70,486,888	\$61,165,304
Gross Distribution	\$0.076	\$0.070
Gross Distribution Yield	4.27%	4.43%
Gross Return	17.20%	-7.78%
Total Fund Charges	0.54%	0.54%
Distributions paid	Semi-annual	

NTA Per Unit



Sector Allocation



Growth of \$1,000*



*Since inception, all distributions reinvested.

AUSTRALIAN DIVIDEND FUND

DIRECTORY

THE MANAGER

Smartshares Limited
Level 1, NZX Centre
11 Cable Street, Wellington 6140
New Zealand

This is also the address of the registered office.

PRINCIPAL OFFICE OF THE MANAGER

Level 7, Zurich House
21 Queen Street, Auckland Central
Auckland 1010
New Zealand

DIRECTORS OF THE MANAGER

Bevan K. Miller
Timothy O. Bennett (resigned 30 December 2016)
Guy R. Elliffe
A. John Williams
Paul J. Baldwin (appointed 30 December 2016)

INVESTMENT ADMINISTRATOR & CUSTODIAN

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

THE SUPERVISOR

Public Trust
Level 5, 40-42 Queens Drive
Lower Hutt 5010, Wellington
New Zealand

AUDITOR

KPMG
10 Customhouse Quay
PO Box 996, Wellington 6140
New Zealand

SOLICITOR

Buddle Findlay
Level 17, State Insurance Tower
1 Willis Street, Wellington 6140
New Zealand

REGISTRAR

Link Market Services Limited

CORRESPONDENCE

All correspondence and enquiries to the Manager about the Fund should be addressed to the Manager, Smartshares Limited, at the above address.

AUSTRALIAN DIVIDEND FUND

Smartshares Limited (the 'Manager') and Public Trust (the 'Supervisor') are parties to a master trust deed dated 24 June 2014 as amended and restated on 9 September 2016 (the 'Trust Deed'). Under a Deed of Retirement and Appointment dated 6 September 2016, Trustees Executors Limited retired as the trustee and Public Trust was appointed as the Supervisor. The Trust Deed sets out the terms and conditions on which units in the funds within the Smartshares Exchange Traded Funds are offered for subscription, whether to the public or otherwise.

The Trust Deed provides that each fund is to be established by the Manager and the Supervisor entering into an establishment deed setting out the specific terms and conditions relating to that fund.

The Australian Dividend Fund (the 'Fund') was created by an establishment deed dated 1 December 2014 as amended on 5 June 2015 and amended and restated on 9 September 2016 between the Manager and the Supervisor.

STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), and fairly present the financial position of the Fund as at 31 March 2017, and the results of its financial performance and cash flows for the year ended 31 March 2017 in accordance with the requirement of the Trust Deed.

It is believed that there are no circumstances that may materially and adversely affect any interest of the unitholders in the assets other than those already disclosed in this report.

For and on behalf of the Manager:
Smartshares Limited



.....
Director



.....
Director

This statement was approved for signing at a meeting of the Directors on 25 May 2017.

AUSTRALIAN DIVIDEND FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 \$'000	2016 \$'000
INCOME			
Dividend income		3,623	3,062
Net changes in fair value of financial assets at fair value through profit or loss		7,052	(6,639)
Foreign exchange gain		-	3
Total income		<u>10,675</u>	<u>(3,574)</u>
EXPENSES			
Management fees expense	7	(339)	(289)
Foreign exchange loss		(1)	-
Miscellaneous expenses		(8)	-
Total expenses		<u>(348)</u>	<u>(289)</u>
Profit/(loss) before tax		10,327	(3,863)
Income tax expense	1	(747)	(705)
Profit/(loss) after tax		9,580	(4,568)
Other comprehensive income		-	-
Total comprehensive income/(loss)		<u>9,580</u>	<u>(4,568)</u>
EARNINGS PER UNIT			
Basic and diluted earnings/(losses) per unit (cents per unit)	4	<u>24.27</u>	<u>(14.41)</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS
FOR THE YEAR ENDED 31 MARCH 2017**

	2017 \$'000	2016 \$'000
Unitholders' funds at the beginning of the year	61,066	48,150
Total comprehensive income/(loss) for the year	<u>9,580</u>	<u>(4,568)</u>
Subscriptions from unitholders	6 1,972	18,491
Distributions to unitholders	5 <u>(2,153)</u>	<u>(1,007)</u>
	<u>(181)</u>	<u>17,484</u>
Unitholders' funds at the end of the year	<u><u>70,465</u></u>	<u><u>61,066</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017**

	Note	As At 31 March 2017 \$'000	As At 31 March 2016 \$'000
ASSETS			
Cash and cash equivalents		1,174	733
Receivables		570	808
Investments in equity securities held at fair value through profit or loss	2	69,119	60,083
TOTAL ASSETS		70,863	61,624
LIABILITIES			
Management fees payable	7	(3)	(28)
Taxation payable		(232)	(319)
Deferred tax liability	1	(91)	-
Distribution payable to unitholders	5	-	(198)
Funds held for unit purchases		(23)	(13)
Unsettled trades		(49)	-
TOTAL LIABILITIES		(398)	(558)
UNITHOLDERS' FUNDS		70,465	61,066
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		70,863	61,624

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the financial statements on 25 May 2017.



B Miller
Chairman
Smartshares Limited



G Elliffe
Director
Smartshares Limited

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017**

	2017	2016
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Dividend income received	3,822	2,748
<i>Cash was applied to:</i>		
Management fees paid	(364)	(288)
Taxation paid	(704)	(544)
Miscellaneous expenses paid	(8)	-
Net cash flows from operating activities	<u>2,746</u>	<u>1,916</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Cash was provided from:</i>		
Sale of investments	34,724	42,502
<i>Cash was applied to:</i>		
Purchase of investments	(35,339)	(43,393)
Net cash flows from investing activities	<u>(615)</u>	<u>(891)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Cash was provided from:</i>		
Subscriptions received from unitholders	655	715
<i>Cash was applied to:</i>		
Distributions paid to unitholders	(2,351)	(1,459)
Net cash flows from financing activities	<u>(1,696)</u>	<u>(744)</u>
Net increase in cash and cash equivalents	435	281
Cash and cash equivalents at the beginning of the year	733	450
Effect of exchange rate fluctuations on cash and cash equivalents	6	2
Cash and cash equivalents at the end of the year	<u>1,174</u>	<u>733</u>
Reconciliation of profit/(loss) after tax to net cash flows from operating activities		
Profit/(loss) after tax	9,580	(4,568)
Net changes in fair value of financial assets at fair value through profit or loss	(7,052)	6,639
Foreign exchange loss/(gain)	1	(3)
(Increase)/decrease in taxation payable	(87)	142
(Decrease)/increase in deferred tax liability	91	-
(Decrease)/increase in management fees payable	(25)	1
Decrease/(increase) in receivables	238	(295)
Net cash flows from operating activities	<u>2,746</u>	<u>1,916</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

GENERAL INFORMATION

The Australian Dividend Fund (the 'Fund') is a for-profit fund registered in New Zealand and established under the Financial Markets Conduct Act 2013 ('FMC Act 2013'). It is offered under a registered managed investment scheme known as the Smartshares Exchange Traded Funds. Smartshares Limited, the Manager of the Fund is a FMC reporting entity for the purposes of the FMC Act 2013.

The Fund is governed by the Trust Deed dated 24 June 2014 as amended and restated on 9 September 2016 between the Manager and the Supervisor. The Fund was established on 1 December 2014 and commenced operation on 16 December 2014.

The Fund changed its name from Australian Dividend Index Trust to Australian Dividend Fund effective 16 September 2016

The Fund's units are quoted on the NZX Main Board. The Fund is a passive investment fund that tracks the S&P/ASX Dividend Opportunities Index (the 'Index'). As prescribed by the Trust Deed, the Fund invests in the securities included in the Index broadly in proportion to the weightings of the Index. Investments are valued at fair value according to last traded market prices on the Australian Securities Exchange on 31 March 2017 (see Note 2).

STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied to the years presented. Where necessary, comparative figures have been restated to correspond to the current year classifications.

Basis of preparation

The financial statements of the Fund have been prepared in accordance with the requirements of the FMC Act 2013, Financial Reporting Act 2013, New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS'). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The functional currency of this entity is the same as the presentation currency of these financial statements being the New Zealand Dollar ('NZD'), rounded to the nearest thousand.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Smartshares Limited Board of Directors to exercise its judgement in the process of applying the Fund's Statement of Accounting Policies.

Financial assets at fair value through profit or loss

(a) Classification

The Fund classifies its investments in equity securities held at fair value as financial assets at fair value through profit or loss. These financial assets are designated by the Smartshares Board of Directors at inception as their performance is managed and evaluated on a fair value basis in accordance with a documented investment strategy.

(b) Recognition/derecognition

Purchases and sales of investments are recognised on the trade date - the date on which the Fund commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

(c) Measurement

Financial assets at fair value through profit or loss are recognised at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income when they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income within dividend income when the Fund's right to receive payment is established.

(d) Fair value estimation

The fair value of the financial instruments is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Fund is the last traded market price.

Receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are measured at amortised cost using the effective interest method less impairment.

Payables

Trade payables and other payables are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services, and are measured at amortised cost.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency (NZD) using the exchange rate prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Translation differences of non-monetary financial assets such as equities held at fair value through profit or loss are recognised in the Statement of Comprehensive Income as part of the net changes in fair value of financial assets at fair value through profit or loss.

Cash and cash equivalents

Cash and cash equivalents are considered to be cash at banks, net of bank overdrafts. Operating activities in the Statement of Cash Flows include all transactions or events that are not investing or financing activities. Investing activities are those activities that relate to the acquisition, holding and disposal of investments and securities not falling within the definition of cash. Financing activities are those activities that relate to cash contributions to and from, or distributions to the unitholders.

Units

The Fund issues units, which provide the holder with a beneficial interest in the Fund. The units can be put back to the Fund via a basket redemption, in accordance with the redemption rules as defined in the Trust Deed, for securities of the constituent companies in proportion to the index and of a proportion of cash held in the Fund.

The units are issued and redeemed based on the Fund's net asset value per unit at the time of issue or redemption. The Fund's net asset value per unit is calculated by dividing the net assets attributable to the unitholders by the total number of outstanding units. In accordance with the provisions of the Trust Deed investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Distributions to unitholders

Distributions are made up of income received from the investments less expenses paid and allowances for future liabilities. Income from investments held is attributed to unitholders on the basis of the number of units held on the record date of the unitholder distribution. To the extent that imputation credits are available, distributions to unitholders will be fully imputed. The record date for the Fund is on the last business day of May and November in each year. Currently, distributions to unitholders are made on a semi-annual basis directly from the fund within 20 business days of the record date.

Taxation

The Fund is domiciled in New Zealand and is registered as a Portfolio Investment Entity ('PIE').

The Fund is liable for tax at the prevailing company tax rate on taxable dividends (excluding dividends from investments in securities subject to the Fair Dividend Rate method ('FDR')) from the investment in securities listed in Note 2 after the deduction of management fees. For securities subject to FDR, the Fund is liable for tax based on the market value of the security. With some of this income, the Fund is able to utilise imputation credits and foreign withholding tax credits to satisfy the tax liability. The Fund pays tax to the extent that the imputation credits and foreign withholding tax credits do not cover the tax liability in full.

Deferred tax is recognised in respect of temporary differences at the Statement of Financial Position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Current and deferred tax is measured using the tax rates enacted or substantively enacted at the reporting date. The temporary differences relate to accrued dividends.

Goods and services tax (GST)

The Fund is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

Segment information

The Fund operates solely in the business of investment management, investing in Australian equities. The Fund received all of its income from its Australian equity investments. For the year ended 31 March 2017, one equity investment individually contributed 10% or more of the Fund's dividend income (31 March 2016: two equity investments). The dividend income received from this equity investment was \$431,000 (31 March 2016: \$323,000 and \$309,000).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

Changes in accounting policies and accounting standards adopted during the year

(a) Changes in accounting policies

There have been no significant changes in accounting policies during the year. All policies have been applied on a basis consistent with those used in the prior year.

(b) New accounting standards adopted

There were no new accounting standards adopted during the year that have a material impact on the financial statements of the Fund.

Issued but not yet effective accounting standards

A number of accounting standards have been issued or revised that are not yet effective as at 31 March 2017, and have not been applied in preparing the financial statements. The Fund does not plan to adopt these standards early. The standards which are relevant to the Fund are as follows:

- NZ IFRS 9 Financial Instruments - Effective for annual reporting periods beginning on or after 1 January 2018. The impact of any changes has not yet been determined.
- NZ IFRS 15 Revenue from Contracts with Customers - Effective for annual reporting periods beginning on or after 1 January 2018. The impact of any changes has not yet been determined.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

1. TAXATION

	2017	2016
	\$'000	\$'000
Tax expense comprises:		
Current tax expense	(850)	(705)
Prior period adjustment	4	-
Deferred tax movement	99	-
Total tax expense	<u>(747)</u>	<u>(705)</u>

The prima facie income tax expense on profit/(loss) before tax from operations reconciles to the income tax expense in the financial statements as follows:

	2017	2016
	\$'000	\$'000
Income tax expense		
Profit/(loss) before tax	<u>10,327</u>	<u>(3,863)</u>
Income tax using the statutory income tax rate 28%	(2,892)	1,082
Net changes in fair value of financial assets	1,971	(1,859)
Non taxable income	105	40
Tax on securities subject to FDR	(57)	(45)
Gross up of imputation credits	<u>(48)</u>	<u>(31)</u>
	(921)	(813)
Add imputation credits and other tax credits	170	108
Prior period adjustment	<u>4</u>	<u>-</u>
Income tax expense as per Statement of Comprehensive Income	<u>(747)</u>	<u>(705)</u>

	2017	2016
	\$'000	\$'000
Deferred Tax		
Opening balance	-	-
Current period movement	99	-
Prior period adjustment	<u>(190)</u>	<u>-</u>
Closing balance	<u>(91)</u>	<u>-</u>

	2017	2016
	\$'000	\$'000
Imputation credit account (ICA)		
Imputation credits available for use in subsequent periods	488	491

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

2. INVESTMENTS IN EQUITY SECURITIES HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017		2016	
	Number of Shares	Fair Value	Number of Shares	
	'000	\$'000	'000	
			Fair Value	
			\$'000	
Underlying securities				
Adelaide Brighton Ltd	65	402	38	212
AGL Energy Ltd	86	2,469	53	1,073
AMP Ltd	114	642	103	663
APA Group	165	1,618	81	794
Ardent Leisure Group	-	-	41	104
ASX Ltd	6	307	7	299
Ausnet Services Ltd	366	673	201	332
ANZ Banking Group Ltd	-	-	156	4,055
Automotive Holdings Group Limited	64	287	25	115
Alumina Limited	317	620	-	-
Aurizon Holdings Limited	393	2,251	-	-
Asaleo Care Limited	2,205	4,236	-	-
Boral Limited	170	1,082	-	-
Bank of Queensland Limited	18	234	15	206
Bendigo and Adelaide Bank Ltd	18	241	20	194
Challenger Ltd	12	163	15	142
Cimic Group Limited	-	-	9	357
Commonwealth Bank of Australia	75	6,985	64	5,326
CSR Ltd	82	404	75	273
Crown Resorts Limited	89	1,141	-	-
Dulux Group Limited Ordinary Fully Paid	59	421	-	-
Downer EDI Ltd	75	475	74	317
Downer EDI Ltd - Rights	28	-	-	-
Duet Group	459	1,397	237	598
Eclix Group Limited Ordinary Fully Paid	7	29	-	-
Fairfax Media Limited	417	467	221	211
FlexiGroup Limited	-	-	12	34
Flight Centre Travel Group Ltd	-	-	5	239
GWA Group Limited	67	211	-	-
G8 Education Ltd	105	467	56	236
Genworth Mortgage Insurance Australia Limited	14	47	23	64
Harvey Norman Hldgs Ltd	157	777	61	316
Insurance Australia Group Ltd	-	-	99	610
IOOF Holdings Ltd	11	104	12	118
JB Hi Fi Ltd	16	442	9	231
Lend Lease Group	75	1,269	11	176
Macquarie Group Ltd	10	999	10	708
McMillan Shakespeare Limited	19	271	7	97
Magellan Financial Group Ltd	4	96	-	-
Medibank Private Limited	80	246	-	-
National Australia Bank Ltd	125	4,532	136	3,950
Navitas Limited	52	251	29	164
Orica Ltd	-	-	45	764
Perpetual Limited	2	101	2	96
Platinum Asset Management Ltd	-	-	9	61

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

2. INVESTMENTS IN EQUITY SECURITIES HELD AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

	2017		2016	
	Number of Shares	Fair Value	Number of Shares	Fair Value
	'000	\$'000	'000	\$'000
Underlying securities				
QBE Insurance Group Ltd	38	531	-	-
Retail Food Group Limited	28	162	15	86
Rio Tinto Ltd	56	3,664	73	3,444
Sigma Pharmaceuticals Ltd	213	300	-	-
Seven Group Holdings Ltd	21	250	16	96
Sonic Healthcare Ltd	-	-	31	652
Spark Infrastructure Trust	279	720	146	335
Spark New Zealand Limited	1,825	6,334	940	3,428
Spotless Group Holdings Limited	306	362	161	224
Suncorp Group Ltd	47	672	61	799
Super Retail Group Limited	25	278	12	113
Sydney Airport Ltd	-	-	133	986
Tabcorp Holdings Ltd	175	907	-	-
Telstra Corporation Ltd	1,183	6,014	984	5,813
Transurban Ltd	-	-	136	1,705
Wesfarmers Ltd	146	7,188	122	5,607
Westpac Banking Group	141	5,380	144	4,842
Woodside Petroleum Ltd	-	-	168	4,827
Woolworths Ltd	-	-	163	3,991
		<u>69,119</u>		<u>60,083</u>

All investments are designated at inception as being at fair value through profit or loss. The fair values of investments are calculated using the last traded market price at the reporting date. The investments are registered in the name of BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch, the custodian of the Fund.

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value can be categorised across the following 3 levels based on the degree to which their fair value is 'observable':

Level 1 – Fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable either directly or indirectly;

Level 3 – Fair value measurements are derived from valuation methods that include inputs that are not based on observable market data.

All financial instruments of the Fund measured at fair value have been categorised as level 1 in the hierarchy. There were no transfers between levels in the year ended 31 March 2017 (31 March 2016: none).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

4. EARNINGS PER UNIT

The basic earnings per unit (EPU) is calculated by dividing the net profit/(loss) after tax attributable to the unitholders by the weighted average number of units on issue during the year.

The Fund's diluted EPU is the same as the basic EPU since the Fund has not issued any instrument with dilutive potential.

	2017	2016
Profit/(loss) after tax (\$'000)	9,580	(4,568)
Weighted average number of units ('000)	39,468	31,707
Basic and diluted earnings/(losses) per unit (cents per unit)	24.27	(14.41)

5. DISTRIBUTION PAYABLE TO UNITHOLDERS

	2017	2016
	\$'000	\$'000
Opening distribution payable	198	650
Distributions accrued to unitholders	2,153	1,007
Distributed to unitholders	(2,351)	(1,459)
Closing distribution payable	-	198

Distributions declared and paid

		Distribution per unit		
	Year ended	(cents per unit)	2017	2016
			\$'000	\$'000
June 2015 (July 2015)	31/03/2016	1.88	-	526
September 2015 (paid October 2015)	31/03/2016	0.27	-	75
December 2015 (paid January 2016)	31/03/2016	2.57	-	858
March 2016 (paid April 2016)	31/03/2016	0.51	198	-
June 2016 (paid July 2016)	31/03/2017	2.20	865	-
September 2016 (paid October 2016)	31/03/2017	0.53	210	-
November 2016 (paid December 2016)	31/03/2017	2.72	1,078	-
			2,351	1,459

6. UNITHOLDERS' FUNDS

As at 31 March 2017 there were 39,790,000 units on issue (31 March 2016: 38,540,000).

All issued units are fully paid and redeemable, and are quoted on the NZX Main Board. The Fund's net asset attributable to unitholders are represented by these units. The relevant movements are shown in the Statement of Changes in Unitholders' Funds.

The number of units allotted during the year ended 31 March 2017 was 1,250,000 (31 March 2016: 11,375,000) for total value of \$1,972,000 (31 March 2016: \$18,491,000).

The number of units redeemed during the year ended 31 March 2017 was nil (31 March 2016: nil) for total value of \$nil (31 March 2016: \$nil).

	2017	2016
	'000	'000
Movement in the number of units		
Balance at the beginning of the year	38,540	27,165
Subscriptions received during the year	1,250	11,375
Units on issue at the end of the year	39,790	38,540

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

6. UNITHOLDERS' FUNDS (Continued)

The net asset value of each unit per the financial statements is \$1.77092 (31 March 2016: \$1.58448). Any difference between the net asset value announced to the market for 31 March 2017 and the net asset value per the financial statements is due to different unit pricing methodology.

7. RELATED PARTY TRANSACTIONS

Related party holdings

Key management personnel are the Directors of the Manager. There were no transactions with key management personnel during the year.

The Fund is managed by Smartshares Limited, which is a wholly owned subsidiary of NZX Limited, a company listed on the NZX Main Board.

SuperLife superannuation scheme ("SLSS"), a scheme managed by SuperLife Limited, a wholly owned subsidiary of NZX Limited, was an investor in the Fund in this year between 1 April 2016 and 27 October 2016. Effective 28 October 2016, the investments were transferred from SLSS to SuperLife Invest managed investment scheme ("SLI"), a scheme managed by the Manager, also a wholly owned subsidiary of NZX Limited. The transfer of assets and change of Manager was completed as part of the transition of the SuperLife scheme to the Financial Markets Conduct Act 2013.

As at 31 March 2017, SLI held 37,655,556 units valued at \$66,705,000 in the Fund. As at 31 March 2016, SLSS held 37,032,089 units valued at \$58,713,000 in the Fund.

Distributions

The Fund paid distributions of \$1,026,000 (31 March 2016: \$1,596,000) to SLSS. All distributions were settled prior to the transfer of investments from SLSS to SLI. The Fund paid distributions of \$1,024,000 to SLI for the year ended 31 March 2017 (31 March 2016: not applicable). The balance remaining as payable at the end of the year is \$nil (31 March 2016: not applicable).

Management fees

The Manager receives management fees from the Fund. Under the Trust Deed the Manager pays the supervisor, custodian, registrar and auditor on behalf of the Fund and receives all direct purchase application fees and interest earned on cash at banks.

Total gross management fees for the year ended 31 March 2017 amounted to \$339,000 (31 March 2016: \$289,000), with \$3,000 (31 March 2016: \$28,000) of outstanding accrued management fees due to the Manager at the end of the year.

The total interest earned on cash at banks for the year ended 31 March 2017 amounted to \$13,000 (31 March 2016: \$17,000).

Total direct purchase application fees for the year ended 31 March 2017 amounted to \$2,000 (31 March 2016: \$1,000).

Other related party transactions

The audit fee paid by the Manager for the audit of the Fund for the the year ended 31 March 2017 was \$5,000 (31 March 2016: \$6,000).

8. FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

The Fund utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in the Statement of Accounting Policies.

The financial instruments not accounted for at fair value through profit and loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

8. FINANCIAL RISK MANAGEMENT (Continued)

Financial instruments by category	2017	2016
	\$'000	\$'000
<i><u>Loans and receivables</u></i>		
Cash and cash equivalents	1,174	733
Receivables	570	808
<i><u>Financial assets at fair value through profit and loss</u></i>		
Investments in equity securities held at fair value through profit or loss	69,119	60,083
<i><u>Other financial liabilities</u></i>		
Management fees payable	(3)	(28)
Unsettled trades	(49)	-
Distribution payable to unitholders	-	(198)
Funds held for unit purchases	(23)	(13)

The Fund's activities expose it to a variety of financial risks: market price risk, credit risk, liquidity risk and currency risk. The risk management policies used by the Fund are detailed below:

8a. Market price risk

The Fund's equity securities are exposed to market price risk arising from uncertainties about future prices of the financial instruments.

Because the Fund tracks an Australian equity index and is fully invested in the index's underlying Australian equity securities, the value of the Fund will move up and down with the Australian market.

A 10% increase/decrease in equity prices as at 31 March 2017 would have increased/decreased net profit and unitholder funds by \$6,912,000 (31 March 2016: \$6,008,000).

8b. Credit risk

The Fund is exposed to the potential risk of financial loss resulting from the failure of counterparties to honour fully the terms and conditions of a contract with the Fund. Financial instruments that subject the Fund to credit risk consist primarily of cash and receivables.

The maximum credit risk of financial instruments is considered to be their carrying value. The risk of non-recovery of monetary assets is considered very low due to the quality of counterparties dealt with.

The Fund does not require collateral or other security to support financial instruments with credit risk. The maximum exposures to credit risk at the reporting date are:

	2017	2016
	\$'000	\$'000
Cash and cash equivalents	1,174	733
Receivables	570	808

Cash and cash equivalents

The Fund's cash and cash equivalents balances are held with ANZ Bank New Zealand Limited ('ANZ'), BNP Paribas Securities Services ('BNP Paribas') and Westpac New Zealand Limited ('Westpac').

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

8. FINANCIAL RISK MANAGEMENT (Continued)

The table below discloses the Standard & Poor's credit rating for the Fund's cash and cash equivalents balance with each bank above at the reporting date.

	2017		2016
Balance	Credit rating	Balance	Credit rating
\$'000		\$'000	
ANZ	23	13	AA-
BNP Paribas	206	-	A-
Westpac	945	720	AA-
	<u>1,174</u>	<u>733</u>	

8c. Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with the financial liabilities that are settled by delivering cash or another financial asset.

The Fund's investments in listed securities are considered readily realisable, as they are quoted on the Australian Securities Exchange. In addition, liquidity risk associated with redemptions is managed by meeting redemptions in the form of baskets rather than cash. The Fund meets its redemption obligations by returning the proportionate number of underlying securities in return for the units. Liquidity risk for the Fund is therefore low.

8d. Currency risk

Currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates.

The Fund holds assets denominated in a currency other than the New Zealand dollar, the functional currency. It is therefore exposed to currency risk, as the value of the securities denominated in Australian dollars will fluctuate due to changes in the exchange rate. The Fund's policy is not to enter into any currency hedging transactions.

A 10% strengthening/weakening of the New Zealand dollar against the Australian dollar as at 31 March 2017 would have decreased/increased profit and unitholders funds by \$6,985,000 (31 March 2016: \$6,083,000).

The table below summarises the Fund's exposure to currency risks.

	2017	2016
	\$'000	\$'000
Australian dollar cash held (NZD)	206	(60)
Receivables	570	808
Investments in equity securities held at fair value through profit or loss	69,119	60,083

9. COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 31 March 2017 (31 March 2016: none).

10. EVENTS AFTER THE REPORTING YEAR

Since 31 March 2017 there have been no matters or circumstances not dealt with in the financial statements that have significantly affected or may significantly affect the Fund.

AUSTRALIAN DIVIDEND FUND



Independent Auditor's Report

To the unitholders of Australian Dividend Fund

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of Australian Dividend Fund (the fund) on pages 401 to 414:

- i. present fairly in all material respects the fund's financial position as at 31 March 2017 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2017;
- the statement of comprehensive income, statement of changes in unitholders' funds and statement of cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the fund in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report.

Our firm has also provided other assurance services to the fund in relation to reporting to the supervisor. Subject to certain restrictions, employees of our firm may also deal with the fund on normal terms within the ordinary course of trading activities of the business of the fund. These matters have not impaired our independence as auditor of the fund. The firm has no other relationship with, or interest in, the fund.



Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at \$709,000 determined with reference to a benchmark of the fund's total assets. We chose the benchmark because, in our view, this is a key measure of the fund's performance.

AUSTRALIAN DIVIDEND FUND



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the members as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter

How the matter was addressed in our audit

Carrying amount of investments

Refer to Note 2 to the Financial Statements.

The fund's portfolio of investments makes up 97.5% of total assets. We do not consider these investments to be at high risk of significant misstatement, or be subject to a significant level of judgement, because they comprise liquid, listed investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our audit procedures included:

- documenting and understanding the processes in place to record investment transactions and to value the portfolio. This included evaluating the control environment in place at the administration manager by obtaining and reading a report issued by an independent auditor on the design and operation of those controls
- agreeing the 31 March 2017 valuation of listed equity investments to externally quoted prices
- agreeing investment holdings to confirmations received from the administration manager

We did not identify any material differences in relation to the carrying amount of investments.



Other Information

The Manager, on behalf of the fund, is responsible for the other information included in the entity's Annual Report. Other information may include the Chairman's report, fund highlights, disclosures relating to corporate governance and statutory information. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Manager.



Use of this Independent Auditor's Report

This report is made solely to the members as a body. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in the Independent Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members as a body for our audit work, this report, or any of the opinions we have formed.

AUSTRALIAN DIVIDEND FUND



Responsibilities of the Manager for the financial statements

The Manager, on behalf of the fund, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Independent Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page2.aspx

This description forms part of our Independent Auditor's Report.

Brent Manning

For and on behalf of

KPMG
Wellington

25 May 2017

Unitholder Information

DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS

AS AT 30 APRIL 2017

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	80	29.74%	42,677	0.11%
1,001-5,000	87	32.34%	209,451	0.53%
5,001-10,000	46	17.10%	314,368	0.79%
10,001-50,000	50	18.59%	992,152	2.49%
50,001-100,000	2	1%	138,367	0%
Greater than 100,000	4	1.49%	38,093,478	95.74%
TOTAL	269	100.00%	39,790,493	100.00%

20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES

AS AT 30 APRIL 2017

Full Name	Total	Percentage
SuperLife Nominees Limited	37,610,556	94.52
FNZ Custodians Limited	220,968	0.56
Philippa Jane Stubbins & Comac Trustee Limited	159,799	0.4
David Georges Andre Dromer	102,155	0.26
Joanna Marie Deighton	75,180	0.19
Barbara Anne Bridger	63,187	0.16
Mark John Scott Mckearney	46,048	0.12
Investment Custodial Services Limited	45,748	0.11
Thierry Adam	42,460	0.11
Anthony Neil Hooks & Jillian Jeanette Hooks	33,439	0.08
Michael Gordon Peake & Anita Forbes Peake	31,056	0.08
Billy Cheung Services Limited	30,661	0.08
Tracy Barbara Olberg	30,350	0.08
Michael Paul Mcgrath & Carol Ann Mcgrath	28,736	0.07
Matthew Norman Clarke	28,087	0.07
Elizabeth Harman & Francis Harman & Pamela Parkin	26,447	0.07
Leonard Starling	25,500	0.06
Peter Stewart Gray & Mary Elizabeth Gray	25,000	0.06
Kirsteen Margaret Pitkin Douglas	24,017	0.06
Roger William Styles	23,514	0.06
	38,672,908	97.2

SUBSTANTIAL PRODUCT HOLDERS

The following information has been given pursuant to section 293 of the Financial Markets Conduct Act 2013 (FMCA). According to Smartshares records and disclosures made under section 280(1)(b) of the FMCA, there were no substantial product holders in the Fund as at 31 March 2017. The total number of units on issue at 31 March 2017 was 39,790,493.

DIRECTORS' INTERESTS IN UNITS

	Beneficial	Non-Beneficial
Bevan Miller	6,156*	0
Paul Baldwin	0	0
Guy Elliffe	12,287*	0
John Williams	0	0

*Beneficial interest in these units is indirectly held through the director's interest in the SuperLife KiwiSaver scheme

WAIVERS GRANTED

The Special Division of the New Zealand Markets Disciplinary Tribunal (Special Division) has granted, either fully, partially or subject to conditions a number of waivers to the fund.

The waiver decisions that Smartshares currently relies upon are available on smartshares.co.nz.

Special Division granted the following waivers from the Listing Rules that continue to be relied upon as at 31 March 2017:

3.1.1(a) - compliance with the Listing Rules	7.5 - Issues and Buybacks Affecting Control
3.1.1(b) - compliance with Takeover Provisions	7.6.1 to 7.6.3 - Buybacks of Equity Securities, Redemptions and Financial Assistance
3.3.5 to 3.3.15 - Appointment and Rotation of Directors	7.11.1 Allotment within 5 business days
3.4 - Proceedings and Power of Directors	9.2.1 - Transactions with Related Parties
3.5 - Directors' Remuneration	10.3.2 - Preliminary Announcements
Section 4 - Takeover Provisions	10.4.1(d) - Annual and Half-Year Reports availability
7.1.11 - Minimum Subscription	10.4.2 - Half-Yearly Reporting Requirements
7.3 - Issue of New Equity Securities.	10.6.1(a) - Other Administrative Information
7.4 - Entitlements to Third Party Securities	

In October 2015, Special Division granted Smartshares a waiver from Listing Rules 3.3.1(c), 3.3.3 and 3.6.2(c) to enable Mr Elliffe and Mr Williams to continue to be regarded as Independent Directors following their appointment to the board of SuperLife Limited in May 2016.

As Smartshares and SuperLife Limited were amalgamated on 9 November 2016, Smartshares no longer relies on this waiver.

In June 2016, Special Division granted Smartshares a waiver from Listing Rule 9.2.1 to enable Smartshares to amalgamate with SuperLife Limited without the need for unitholder approval. Smartshares no longer relies on this waiver.

On 8 September 2016, Special Division granted fully, partially or subject to conditions, waivers from the following Listing Rules in relation to the transition of the group investment funds to the FMCA:

7.4.1 - Entitlements to Third Party Securities
7.6.5 - Buy Backs of Equity Securities, Redemptions and Financial Assistance
8.3.1 - Modifications of Rights of Security Holders
9.2.1 - Transactions with Related Parties

Global Bond Fund (GBF)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017

Presented by Smartshares Limited, Manager of the Global Bond Fund

Report to the Unitholders

HIGHLIGHTS

Launch Date 12-Nov-15

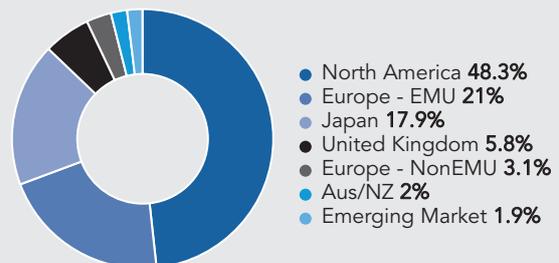
	March 2017	March 2016
Net Tangible Assets (NTA)	\$3.101	\$3.063
Units On Issue	42,071,479	40,196,479
Funds Under Management	\$130,463,970	\$123,131,864
Gross Return	4.41%	3.11%*
Duration	6.97	5.28
Yield to Maturity	2.09%	5.10%
Average Rating	A+	AA-
Total Fund Charges	0.54%	0.54%
Distributions paid	Quarterly	

* Since Inception

Growth of \$1,000*

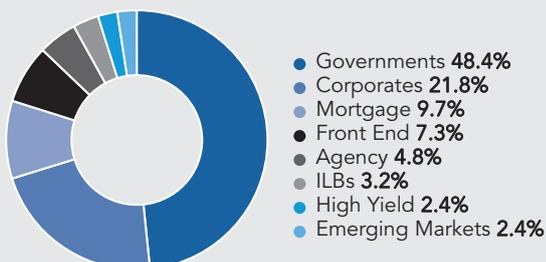


Country Allocation

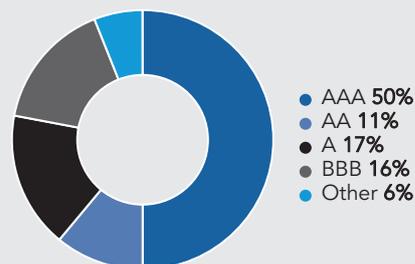


*Since inception, all distributions reinvested.

Sector Allocation



Credit Allocation



GLOBAL BOND FUND

DIRECTORY

THE MANAGER

Smartshares Limited
Level 1, NZX Centre
11 Cable Street, Wellington 6140
New Zealand

This is also the address of the registered office.

PRINCIPAL OFFICE OF THE MANAGER

Level 7, Zurich House
21 Queen Street, Auckland Central
Auckland 1010
New Zealand

DIRECTORS OF THE MANAGER

Bevan K. Miller
Timothy O. Bennett (resigned 30 December 2016)
Guy R. Elliffe
A. John Williams
Paul J. Baldwin (appointed 30 December 2016)

AUDITOR

KPMG
10 Customhouse Quay
PO Box 996, Wellington 6140
New Zealand

INVESTMENT ADMINISTRATOR & CUSTODIAN

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

THE SUPERVISOR

Public Trust
Level 5, 40-42 Queens Drive
Lower Hutt 5010, Wellington
New Zealand

THE INVESTMENT MANAGER

PIMCO Australia Pty Limited
Level 19, 363 George Street
Sydney, New South Wales 2000
Australia

SOLICITOR

Buddle Findlay
Level 17, State Insurance Tower
1 Willis Street, Wellington 6140
New Zealand

REGISTRAR

Link Market Services Limited

CORRESPONDENCE

All correspondence and enquiries to the Manager about the Fund should be addressed to the Manager, Smartshares Limited, at the above address.

GLOBAL BOND FUND

Smartshares Limited (the 'Manager') and Public Trust (the 'Supervisor') are parties to a master trust deed dated 24 June 2014 as amended and restated on 9 September 2016 (the 'Trust Deed'). Under a Deed of Retirement and Appointment dated 6 September 2016, Trustees Executors Limited retired as the trustee and Public Trust was appointed as the Supervisor. The Trust Deed sets out the terms and conditions on which units in the funds within the Smartshares Exchange Traded Funds are offered for subscription, whether to the public or otherwise.

The Trust Deed provides that each fund is to be established by the Manager and the Supervisor entering into an establishment deed setting out the specific terms and conditions relating to that fund.

The Global Bond Fund (the 'Fund') was created by an establishment deed dated 15 October 2015 as amended and restated on 9 September 2016 between the Manager and the Supervisor.

STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are drawn up in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), and fairly present the financial position of the Fund as at 31 March 2017, and the results of its financial performance and cash flows for the year ended 31 March 2017 in accordance with the requirement of the Trust Deed.

It is believed that there are no circumstances that may materially and adversely affect any interest of the unitholders in the assets other than those already disclosed in this report.

For and on behalf of the Manager:
Smartshares Limited



.....
Director



.....
Director

This statement was approved for signing at a meeting of the Directors on 25 May 2017.

GLOBAL BOND FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017

		Year Ended 31 March 2017 \$'000	Period Ended 31 March 2016 \$'000
INCOME			
Dividend income		2	-
Interest income		2,427	1,408
Net changes in fair value of financial assets and financial liabilities at fair value through profit or loss		<u>5,253</u>	<u>4,571</u>
Total income		<u>7,682</u>	<u>5,979</u>
EXPENSES			
Management fees expense	10	(699)	(252)
Foreign exchange loss		(832)	(429)
Interest expense		(25)	(2)
Miscellaneous expenses		<u>(28)</u>	<u>(4)</u>
Total expenses		<u>(1,584)</u>	<u>(687)</u>
Profit before tax		6,098	5,292
Income tax expense	1	<u>(1,708)</u>	<u>(1,482)</u>
Profit after tax		4,390	3,810
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income		<u>4,390</u>	<u>3,810</u>
EARNINGS PER UNIT			
Basic and diluted earnings per unit (cents per unit)	6	<u>10.51</u>	<u>9.49</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS
 FOR THE YEAR ENDED 31 MARCH 2017**

	Note	Year Ended 31 March 2017 \$'000	Period Ended 31 March 2016 \$'000
Unitholders' funds at the beginning of the year/period		123,222	-
Total comprehensive income for the year/period		<u>4,390</u>	<u>3,810</u>
Subscriptions from unitholders	8	5,782	120,017
Distributions to unitholders	7	<u>(2,903)</u>	<u>(605)</u>
		<u>2,879</u>	<u>119,412</u>
Unitholders' funds at the end of the year/period		<u><u>130,491</u></u>	<u><u>123,222</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017**

	Note	As At 31 March 2017 \$'000	As At 31 March 2016 \$'000
ASSETS			
Cash at banks		833	2,997
Balances due from brokers	5	4,548	1,998
Receivables		981	833
Investment securities held at fair value through profit or loss	2	133,091	124,726
Derivatives held for trading	3	2,718	9,477
Unsettled sales		<u>1,371</u>	<u>-</u>
TOTAL ASSETS		<u>143,542</u>	<u>140,031</u>
LIABILITIES			
Bank overdraft		(63)	-
Management fees payable	10	(6)	(56)
Taxation payable		(229)	(1,063)
Derivatives held for trading	3	(6,639)	(7,743)
Distribution payable to unitholders	7	-	(605)
Funds held for unit purchases		(83)	(10)
Unsettled purchases		<u>(6,031)</u>	<u>(7,332)</u>
TOTAL LIABILITIES		<u>(13,051)</u>	<u>(16,809)</u>
UNITHOLDERS' FUNDS		<u>130,491</u>	<u>123,222</u>
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		<u>143,542</u>	<u>140,031</u>

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the financial statements on 25 May 2017.



B Miller
Chairman
Smartshares Limited



G Elliffe
Director
Smartshares Limited

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017**

	Year Ended 31 March 2017 \$'000	Period Ended 31 March 2016 \$'000
	Note	
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Dividend income received	2	-
Interest income received	2,272	566
<i>Cash was applied to:</i>		
Management fees paid	(749)	(196)
Taxation paid	(2,535)	(410)
Interest paid	(25)	(2)
Miscellaneous expenses paid	(28)	(4)
Net cash flows from operating activities	<u>(1,063)</u>	<u>(46)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Cash was provided from:</i>		
Sale of investments	277,515	120,561
<i>Cash was applied to:</i>		
Purchase of investments	(278,501)	(235,325)
Balance due to broker movement	(2,550)	(1,998)
Net cash flows from investing activities	<u>(3,536)</u>	<u>(116,762)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Cash was provided from:</i>		
Subscriptions received from unitholders	5,782	120,027
<i>Cash was applied to:</i>		
Distributions paid to unitholders	(3,508)	-
Net cash flows from financing activities	<u>2,274</u>	<u>120,027</u>
Net (decrease)/increase in cash and cash equivalents	(2,325)	3,219
Cash and cash equivalents at the beginning of the year/period	2,997	-
Effect of exchange rate fluctuations on cash and cash equivalents	98	(222)
Cash and cash equivalents at the end of the year/period	<u>770</u>	<u>2,997</u>
Reconciliation of profit after tax to net cash flows from operating activities		
Profit after tax	4,390	3,810
Net changes in fair value of financial assets and financial liabilities at fair value through profit or loss	(5,253)	(4,571)
Foreign exchange loss	832	429
(Decrease)/increase in taxation payable	(834)	1,063
(Decrease)/increase in payables	(50)	56
Increase in receivables	(148)	(833)
Net cash flows from operating activities	<u>(1,063)</u>	<u>(46)</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

GENERAL INFORMATION

The Global Bond Fund (the 'Fund') is a for-profit fund registered in New Zealand and established under the Financial Markets Conduct Act 2013 ('FMC Act 2013'). It is offered under a registered managed investment scheme known as the Smartshares Exchange Traded Funds. Smartshares Limited, the Manager of the Fund is a FMC reporting entity for the purpose of the FMC Act 2013.

The Fund is governed by the Trust Deed dated 24 June 2014 as amended and restated on 9 September 2016 between the Manager and the Supervisor. The Fund was established on 15 October 2015 and commenced operations on 9 November 2015.

The Fund changed its name from Global Bond Trust to Global Bond Fund effective 16 September 2016.

The Fund's units are quoted on the NZX Main Board. The Fund is an investment fund that aims to outperform the Barclays Global Aggregate Index (the 'Index') by 1% per annum over a rolling three-year period, hedged in NZ dollars. As prescribed by the Trust Deed, the Fund invests in securities of all types represented in the Index and any other investment that is consistent with the objectives of the Fund.

STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied to the year/period presented.

Comparative period

These financial statements are for the year ended 31 March 2017. The comparative figures are for the period 9 November 2015 to 31 March 2016. Where necessary, comparative figures have been restated to correspond to the current year classifications.

Basis of preparation

The financial statements of the Fund have been prepared in accordance with the requirements of the FMC Act 2013, Financial Reporting Act 2013, New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS'). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss. The functional currency of this entity is the same as the presentation currency of these financial statements being the New Zealand Dollar ('NZD'), rounded to the nearest thousand.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Smartshares Limited Board of Directors to exercise its judgement in the process of applying the Fund's Statement of Accounting Policies.

Income recognition

Income is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Fund and the income can be reliably measured. The following specific recognition criteria must also be met before income is recognised:

(a) Interest income

Interest income is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

(b) Changes in fair value of financial assets and financial liabilities

Changes in financial assets and financial liabilities at fair value through profit or loss are calculated as the difference between the fair value at sale, or at year/period end, and the fair value at the previous valuation point or cost. This includes both realised and unrealised gains and losses, but does not include interest income.

Financial assets and financial liabilities at fair value through profit or loss

(a) Classification

The Fund classifies its underlying investments and derivatives as financial assets and financial liabilities at fair value through profit or loss. This category has two sub-categories: financial assets or financial liabilities held for trading; and those held at fair value through profit or loss at inception.

(i) Financial assets and financial liabilities held for trading

Financial instruments held for trading are those acquired or incurred principally for the purposes of selling or repurchasing in the short term. Derivatives are categorised as held for trading. The Fund does not classify any derivatives as hedges in a hedging relationship.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

(ii) Financial assets designated at fair value through profit or loss

Financial instruments designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Manager to evaluate the information about these financial instruments on a fair value basis together with other related financial information. The Manager has determined that investments are designated at fair value through profit or loss.

The Fund does not make short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, nor does it make use of short sales for arbitrage transactions.

(b) Recognition, derecognition and measurement

Purchases and sales of investments and derivatives are recognised on the trade date - the date on which the Fund commits to purchase or sell the investment or derivatives. Financial assets and financial liabilities designated at fair value through profit or loss are initially recognised at fair value, with transaction costs recognised in profit or loss.

Financial assets and financial liabilities are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the Statement of Comprehensive Income when they arise.

(c) Fair value determination

The fair value of financial instruments traded in active markets (such as trading securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets and financial liabilities held by the Fund is the last traded price.

For investments with no active markets, fair values are determined using valuation techniques. Such techniques include: using recent arm's length transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgmental inputs to a minimum.

(d) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Fund and counterparty.

Receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are measured at amortised cost using the effective interest method less impairment.

Payables

Trade payables and other payables are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services, and are measured at amortised cost.

Balance due from/to brokers

Balance due from/to brokers includes margin cash and cash collateral that are identified in the Statement of Financial Position and not included as a component of cash and cash equivalents.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency (NZD) using the exchange rate prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the Statement of Financial Position date. Foreign exchange gains and losses arising from translation are included in the Statement of Comprehensive Income.

Translation differences of non-monetary financial assets and financial liabilities held at fair value through profit or loss are recognised in the Statement of Comprehensive Income as part of the net changes in fair value on financial assets and financial liabilities at fair value through profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

Cash and cash equivalents

Cash and cash equivalents are considered to be cash at banks, net of bank overdrafts. Operating activities in the Statement of Cash Flows include all transactions or events that are not investing or financing activities. Investing activities are those activities that relate to the acquisition, holding and disposal of investments and securities not falling within the definition of cash. Financing activities are those activities that relate to cash contributions to and from, or distributions to the unitholders.

Repurchase agreements

Securities subject to repurchase agreements are recognised within the investments in "investment securities held at fair value through profit or loss".

Units

The Fund issues units, which provide the holder with a beneficial interest in the Fund. The units can be put back to the Fund via a basket redemption, in accordance with the redemption rules as defined in the Trust Deed, by delivery to the investor of the cash amount and/or authorised investments that the Manager agrees to accept as consideration for, and determines to have a value equal to the price of the units issued.

The units are issued and redeemed based on the Fund's net asset value per unit at the time of issue or redemption. The Fund's net asset value per unit is calculated by dividing the net assets attributable to the unitholders by the total number of outstanding units. In accordance with the provisions of the Trust Deed investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

Distributions to unitholders

Distributions are made up of income received from the investments less expenses paid and allowances for future liabilities. Income from investments held is attributed to unitholders on the basis of the number of units held on the record date of the distribution. To the extent that imputation credits are available, distributions to unitholders will be fully imputed. The record date for the Fund is on the last business day of February, May, August and November in each year. Currently, distributions to unitholders are made on a quarterly basis directly from the Fund within 20 business days of the record date.

Taxation

The Fund is domiciled in New Zealand and is registered as a Portfolio Investment Entity ('PIE').

The Fund is liable for tax at the prevailing company tax rate on taxable interest and gains and losses from its investments in securities outlined in Note 2 after the deduction of management fees and other deductible expenses. With this income, the Fund is able to utilise foreign withholding tax credits to satisfy the tax liability. The Fund pays tax to the extent that the foreign withholding tax credits do not cover the tax liability in full.

Deferred tax is recognised in respect of temporary differences at the Statement of Financial Position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Current and deferred tax is measured using the tax rates enacted or substantively enacted at the reporting date.

Goods and services tax ('GST')

The Fund is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

Segment information

The Fund operates solely in the business of investment management, investing in marketable and debt securities. The Fund receives all of its income from its investments. For the year ended 31 March 2017, no single marketable/debt security contributed more than 10% of the Fund's interest income. Note 12 has a breakdown of interest income by geographical location.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

Changes in accounting policies and accounting standards adopted during the year

(a) Changes in accounting policies

There have been no significant changes in accounting policies during the period. All policies have been applied on a basis consistent with those used in the prior period.

(b) New accounting standards adopted

There were no new accounting standards adopted during the period that have a material impact to the financial statements of the Fund.

Issued but not yet effective accounting standards

A number of accounting standards have been issued or revised that are not yet effective as at 31 March 2017, and have not been applied in preparing the financial statements. The Fund does not plan to adopt these standards early. The standards which are relevant to the Fund are as follows:

- NZ IFRS 9 Financial Instruments - Effective for annual reporting periods beginning on or after 1 January 2018; The impact of any changes has not yet been determined.
- NZ IFRS 15 Revenue from Contracts with Customers - Effective for annual reporting periods beginning on or after 1 January 2018. The impact of any changes has not yet been determined.

1. TAXATION

	2017	2016
	\$'000	\$'000
Tax expense comprises:		
Current tax expense	<u>(1,708)</u>	<u>(1,482)</u>
Total tax expense	<u>(1,708)</u>	<u>(1,482)</u>

The prima facie income tax expense on profit before tax from operations reconciles to the income tax expense in the financial statements as follows:

	2017	2016
	\$'000	\$'000
Income tax expense		
Profit before tax	<u>6,098</u>	<u>5,292</u>
Income tax using the statutory income tax rate 28%	(1,707)	(1,482)
Net changes in fair value of financial assets and financial liabilities	-	-
Non taxable income	-	-
Gross up of imputation credits	<u>-</u>	<u>-</u>
	-	-
Less imputation credits and other tax credits	<u>(1)</u>	<u>-</u>
Income tax expense as per Statement of Comprehensive Income	<u>(1,708)</u>	<u>(1,482)</u>

Imputation credit account (ICA)

	2017	2016
	\$'000	\$'000
Imputation credits available for use in subsequent periods	1,811	1,237

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

2. INVESTMENTS SECURITIES

	2017	2016
	\$'000	\$'000
<i>Financial assets designated at fair value through profit or loss</i>		
International interest bearing securities	145,471	124,726
Interest bearing securities - repurchase agreements	<u>(12,380)</u>	<u>-</u>
	<u>133,091</u>	<u>124,726</u>

These investments are managed by PIMCO Australia Pty Limited and registered in the name of BNP Paribas Fund Services Australasia Pty Limited, New Zealand branch, the custodian of the Fund.

3. DERIVATIVES HELD FOR TRADING

The Fund holds the following derivative instruments:

(a) Forward foreign exchange contracts

Forward foreign exchange contracts are contractual obligations to buy or sell foreign currencies on a future date at a specified price. Forward foreign exchange contracts are settled on a net basis.

(b) To-Be-Announced forwards (TBA)

To-Be-Announced forward contracts are contractual obligations to buy or sell mortgage-backed financial instruments on a future date at a specified price.

To-Be-Announced forward contracts are normally settled on a cash basis.

(c) Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts.

Interest rate swaps (IRS) are contractual arrangements to receive or pay a net amount based on changes in interest rates at a future date at a specified price.

Credit default swaps (CDS) are contractual obligations to make payments over time based on specified notional amounts in return for payout in the case of default by the underlying financial instruments.

(d) Options

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of financial instrument at a fixed price, either at fixed future date or at any time with a specified date or the current fair value of the instruments.

(e) Futures

Futures are exchange-traded derivatives which represent agreements to buy/sell some underlying asset in the future for a specified price, established in an organised market.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

3. DERIVATIVES HELD FOR TRADING (Continued)

	2017	2016
	\$'000	\$'000
<i>Derivative assets held for trading :</i>		
Forward foreign exchange contracts	1,110	7,634
To-Be-Announced forwards	147	52
Interest rate swaps	950	1,450
Credit default swaps	198	188
Options	53	26
Futures	260	127
	<u>2,718</u>	<u>9,477</u>
<i>Derivative liabilities held for trading :</i>		
Forward foreign exchange contracts	(4,365)	(4,399)
To-Be-Announced forwards	(128)	-
Interest rate swaps	(1,369)	(2,825)
Credit default swaps	(427)	(303)
Options	(237)	(138)
Futures	(113)	(78)
	<u>(6,639)</u>	<u>(7,743)</u>

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value can be categorised across the following 3 levels based on the degree to which their fair value is 'observable':

Level 1 – Fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable either directly or indirectly;

Level 3 – Fair value measurements are derived from valuation methods that include inputs that are not based on observable market data.

There were no transfers between levels in the year ended 31 March 2017 (31 March 2016: none).

The following table analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measured is categorised. The amounts are based on the values recognised in the Statement of Financial Position.

There are no financial instruments are categorised at level 3 (31 March 2016: none).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

4. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

	2017			2016		
	Level 1 \$'000	Level 2 \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Total \$'000
<i>Financial assets held at fair value through profit or loss</i>						
Investment securities held at fair value through profit or loss	-	133,091	133,091	-	124,726	124,726
	<u>-</u>	<u>133,091</u>	<u>133,091</u>	<u>-</u>	<u>124,726</u>	<u>124,726</u>
<i>Derivative assets held for trading:</i>						
Forward foreign exchange contracts	-	1,110	1,110	-	7,634	7,634
To-Be-Announced forwards	-	147	147	-	52	52
Interest rate swaps	-	950	950	-	1,450	1,450
Credit default swaps	-	198	198	-	188	188
Options	-	53	53	-	26	26
Futures	260	-	260	127	-	127
	<u>260</u>	<u>2,458</u>	<u>2,718</u>	<u>127</u>	<u>9,350</u>	<u>9,477</u>
<i>Derivative liabilities held for trading:</i>						
Forward foreign exchange contracts	-	(4,365)	(4,365)	-	(4,399)	(4,399)
To-Be-Announced forwards	-	(128)	(128)	-	-	-
Interest rate swaps	-	(1,369)	(1,369)	-	(2,825)	(2,825)
Credit default swaps	-	(427)	(427)	-	(303)	(303)
Options	-	(237)	(237)	-	(138)	(138)
Futures	(113)	-	(113)	(78)	-	(78)
	<u>(113)</u>	<u>(6,526)</u>	<u>(6,639)</u>	<u>(78)</u>	<u>(7,665)</u>	<u>(7,743)</u>

5. BALANCES DUE FROM BROKERS

	2017 \$'000	2016 \$'000
Margin accounts	427	546
Cash collateral	<u>4,121</u>	<u>1,452</u>
	<u>4,548</u>	<u>1,998</u>

Margin accounts represent cash deposits with brokers, transferred as collateral against open derivative contracts.

6. EARNINGS PER UNIT

The basic earnings per unit (EPU) is calculated by dividing the net profit/(loss) after tax attributable to the unitholders by the weighted average number of units on issue during the period.

The Fund's diluted EPU is the same as the basic EPU since the Fund has not issued any instrument with dilutive potential.

	2017	2016
Profit after tax (\$'000)	4,390	3,810
Weighted average number of units ('000)	<u>41,753</u>	<u>40,160</u>
Basic and diluted earnings per unit (cents per unit)	<u>10.51</u>	<u>9.49</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

7. DISTRIBUTION PAYABLE TO UNITHOLDERS

	2017	2016
	\$'000	\$'000
Opening distribution payable	605	-
Distributions accrued to unitholders	2,903	605
Distributed to unitholders	<u>(3,508)</u>	<u>-</u>
Closing distribution payable	<u>-</u>	<u>605</u>

Distributions declared and paid

	Year ended	Distribution per unit (cents per unit)	2017	2016
			\$'000	\$'000
March 2016 (paid April 2016)	31/03/2016	1.51	-	605
June 2016 (paid July 2016)	31/03/2017	1.44	600	-
September 2016 (paid October 2016)	31/03/2017	3.03	1,264	-
November 2016 (paid December 2016)	31/03/2017	1.30	544	-
February 2017(paid March 2017)	31/03/2017	1.18	<u>495</u>	<u>-</u>
			<u>2,903</u>	<u>605</u>

8. UNITHOLDERS' FUNDS

As at 31 March 2017 there were 42,071,000 units on issue (31 March 2016: 40,196,000).

All issued units are fully paid and redeemable, and are quoted on the NZX Main Board. The Fund's net asset attributable to unitholders are represented by these units. The relevant movements are shown on the Statement of Changes in Unitholders Funds.

The number of units allotted during the year ended 31 March 2017 was 1,875,000 (31 March 2016: 40,196,000) for total value of \$5,782,000 (31 March 2016: \$120,017,000).

The number of units redeemed during the year ended 31 March 2017 was nil (31 March 2016: nil) for total value of \$nil (31 March 2016: \$nil).

	2017	2016
	'000	'000
Movement in the number of units		
Balance at the beginning of the year/period	40,196	-
Subscriptions received during the year/period	<u>1,875</u>	<u>40,196</u>
Units on issue at the end of the year/period	<u>42,071</u>	<u>40,196</u>

The net asset value of each unit per the financial statements is \$3.10169 (31 March 2016: \$3.06553). Any difference between the net asset value announced to the market for 31 March 2017 and the net asset value per the financial statements is due to different unit pricing methodology.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

9. MATURITY ANALYSIS

The Fund invests in international interest bearing assets and other fixed income securities.

The tables below show an analysis of financial assets and financial liabilities analysed according to when they are expected to be recovered or settled.

	2017			2016		
	Within 12 months	Over 12 months	Total	Within 12 months	Over 12 months	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS						
Cash at banks	833	-	833	2,997	-	2,997
Balances due from brokers	4,548	-	4,548	1,998	-	1,998
Receivables	981	-	981	833	-	833
Investment securities held at fair value through profit or loss	18,842	114,249	133,091	32,778	91,948	124,726
Derivatives held for trading	1,310	1,408	2,718	7,839	1,638	9,477
Unsettled sales	1,371	-	1,371	-	-	-
Total assets	27,885	115,657	143,542	46,445	93,586	140,031
LIABILITIES						
Bank overdraft	(63)	-	(63)	-	-	-
Management fees payable	(6)	-	(6)	(56)	-	(56)
Taxation payable	(229)	-	(229)	(1,063)	-	(1,063)
Derivatives held for trading	(4,508)	(2,131)	(6,639)	(4,684)	(3,059)	(7,743)
Distribution payable to unitholders	-	-	-	(605)	-	(605)
Funds held for unit purchases	(83)	-	(83)	(10)	-	(10)
Unsettled purchases	(6,031)	-	(6,031)	(7,332)	-	(7,332)
Total liabilities	(10,920)	(2,131)	(13,051)	(13,750)	(3,059)	(16,809)

10. RELATED PARTY TRANSACTIONS

Related party holdings

Key management personnel are the Directors of the Manager. There were no transactions with key management personnel during the period.

The Fund is managed by Smartshares Limited, which is a wholly owned subsidiary of NZX Limited, a company listed on the NZX Main Board.

SuperLife superannuation scheme ("SLSS"), a scheme managed by SuperLife Limited, a wholly owned subsidiary of NZX Limited, was an investor in the Fund in this year between 1 April 2016 and 27 October 2016. Effective 28 October 2016, the investments were transferred from SLSS to SuperLife Invest managed investment scheme ("SLI"), a scheme managed by the Manager, also a wholly owned subsidiary of NZX Limited. The transfer of assets and change of Manager was completed as part of the transition of the SuperLife scheme to the Financial Markets Conduct Act 2013.

As at 31 March 2017, SLI held 40,091,479 units valued at \$124,324,000 in the Fund. As at 31 March 2016, SLSS held 40,091,479 units valued at \$122,687,000 in the Fund.

Distributions

The Fund paid distributions of \$1,792,000 (31 March 2016: \$604,000) to SLSS. All distributions were settled prior to the transfer of investments from SLSS to SLI. The balance remaining as payable as at 31 March 2016 was \$604,000. The Fund paid distributions of \$993,000 to SLI for the year ended 31 March 2017 (31 March 2016: not applicable). The balance remaining as payable at the end of the year is \$nil (31 March 2016: not applicable).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

10. RELATED PARTY TRANSACTIONS (Continued)

Management fees

The Manager receives management fees from the Fund. Under the Trust Deed the Manager pays the supervisor, custodian, registrar and auditor on behalf of the Fund and receives direct purchase application fees and interest earned on cash retained for the purpose of distribution prior to the distribution being made.

Total gross management fees excluding rebates for the year ended 31 March 2017 amounted to \$699,000 (31 March 2016: \$252,000), with \$6,000 (31 March 2016: \$56,000) of outstanding accrued management fees due to the Manager at the end of the year.

Total direct purchase application fees for the year ended 31 March 2017 amounted to \$3,000 (31 March 2016: \$1,000).

The total interest earned on cash at banks for the year ended 31 March 2017 amounted to \$nil (31 March 2016: \$nil).

Other related party transactions

The audit fee paid by the Manager for the audit of the Fund for the year ended 31 March 2017 was \$5,000 (31 March 2016: \$6,000).

11. FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

The Fund utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in the Statement of Accounting Policies.

The financial instruments not accounted for at fair value through the profit and loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

Financial instruments by category

	2017	2016
	\$'000	\$'000
<i><u>Loans and receivables</u></i>		
Cash at banks	833	2,997
Balances due from brokers	4,548	1,998
Receivables	981	833
Unsettled sales	1,371	-
<i><u>Financial assets and financial liabilities at fair value through profit and loss</u></i>		
Investment securities held at fair value through profit or loss	133,091	124,726
Derivatives held for trading (financial assets)	2,718	9,477
Derivatives held for trading (financial liabilities)	(6,639)	(7,743)
<i><u>Other financial liabilities</u></i>		
Bank overdraft	(63)	-
Management fees payable	(6)	(56)
Distribution payable to unitholders	-	(605)
Funds held for unit purchases	(83)	(10)
Unsettled purchases	(6,031)	(7,332)

The Fund's activities expose it to a variety of financial risks: market price risk, interest rate risk, credit risk, liquidity risk and currency risk. The risk management policies used by the Fund are detailed below:

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

11. FINANCIAL RISK MANAGEMENT (Continued)

11a. Market price risk

Market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Fund invests mainly in interest-bearing assets which are not directly subject to market price risk. However, the Fund holds futures contracts which are subject to market price risk. A 10% increase/decrease in market price will result in an increase/decrease in fair value on financial assets and financial liabilities through profit or loss of \$8,865,000 (31 March 2016: \$3,604,000).

11b. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risk is a direct consequence of investing in fixed income securities (mainly debt securities) and derivatives (including interest rate swaps).

The Fund holds interest-bearing financial assets and liabilities - the values of which move up and down inversely to movements in market interest rates and is therefore exposed to interest rate risk.

The exposure of the Fund to interest rate risk is an investment decision taken by the Investment Manager and the size of that risk is limited in the mandate of the Investment Manager and is monitored and reviewed by the Manager on a regular basis.

The following table analyses the Fund's interest rate risk exposure. The analysis has been prepared on the basis of the remaining period to contractual repricing or maturity dates.

	2017					Total
	Within 6 months	Between 6-12 months	Between 1-2 years	Between 2-5 years	Over 5 years	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS						
Cash at banks	833	-	-	-	-	833
International interest bearing securities	11,932	6,756	15,227	34,229	64,947	133,091
Derivatives held for trading	-	-	-	24	697	721
Total financial assets subject to interest rate risk	<u>12,765</u>	<u>6,756</u>	<u>15,227</u>	<u>34,253</u>	<u>65,644</u>	<u>134,645</u>
LIABILITIES						
Bank overdraft	(63)	-	-	-	-	(63)
Derivatives held for trading	-	-	-	482	760	1,242
Total financial liabilities subject to interest rate risk	<u>(63)</u>	<u>-</u>	<u>-</u>	<u>482</u>	<u>760</u>	<u>1,179</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

11. FINANCIAL RISK MANAGEMENT (Continued)

	2016					Total \$'000
	Within 6 months \$'000	Between 6-12 months \$'000	Between 1-2 years \$'000	Between 2-5 years \$'000	Over 5 years \$'000	
	ASSETS					
Cash at banks	2,997	-	-	-	-	2,997
International interest bearing securities	19,610	13,168	3,784	29,606	58,558	124,726
Derivatives held for trading	-	-	-	111	1,339	1,450
Total financial assets subject to interest rate risk	22,607	13,168	3,784	29,717	59,897	129,173
LIABILITIES						
Bank overdraft	-	-	-	-	-	-
Derivatives held for trading	-	-	6	287	2,532	2,825
Total financial liabilities subject to interest rate risk	-	-	6	287	2,532	2,825

The tables below show the sensitivity of the Fund's Statement of Comprehensive Income to a reasonably possible change in interest rates with all other variables remaining constant. The analysis is performed on the same basis for 31 March 2016. The sensitivity of the Statement of Comprehensive Income is the effect of the assumed changes in interest rates on:

- 1) The interest income for the year based on floating rate financial assets held at 31 March 2017.
- 2) Changes in fair value of investments for the year based on revaluing fixed rate financial assets at 31 March 2017.

	2017			
	Sensitivity of interest income		Sensitivity of changes in fair value of investments	
	100 basis points increase \$'000	100 basis points decrease \$'000	100 basis points increase \$'000	100 basis points decrease \$'000
Cash at banks	9	(9)	-	-
International interest bearing securities	-	-	(8,393)	9,469
Derivatives held for trading	-	-	2,944	(2,864)
	2016			
	Sensitivity of interest income		Sensitivity of changes in fair value of investments	
	100 basis points increase \$'000	100 basis points decrease \$'000	100 basis points increase \$'000	100 basis points decrease \$'000
	Cash at banks	44	(44)	-
International interest bearing securities	30	(30)	(6,653)	6,446
Derivatives held for trading	-	-	1,457	(2,898)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

11. FINANCIAL RISK MANAGEMENT (Continued)

11c. Credit risk

Credit risk represents the risk that a counterparty to the financial instrument will fail to perform contractual obligations under a contract and cause the Fund to incur a loss.

With respect to credit risk arising from the financial assets (excluding repurchase agreements) of the Fund, the Fund's exposure to credit risk arises from the default of the counterparty, with the current exposure equal to the fair value of these instruments as disclosed in the Statement of Financial Position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date.

Credit risk arising from derivative financial instruments, such as forward foreign exchange contracts, interest rate swaps and credit default swaps, at any time, is limited to those with net positive fair value (Note 3).

There are no financial assets (including financial assets which are without an available credit rating), that are past due or impaired, or would otherwise be past due or impaired except for the terms having been renegotiated.

The analysis below summarises the credit quality of the Fund's exposure rated externally by Standard & Poor's, Moody's or Fitch. In situations where a security has different ratings by the agencies, the highest rating applies. If a security is not rated by one of these agencies, the Investment Manager will assess what rating the security might attain if it were to seek an external rating.

	2017				
	AAA to AA- \$'000	A+ to A- \$'000	BBB+ to B- \$'000	CCC+ to C- \$'000	Total \$'000
International interest bearing securities	72,785	25,276	43,285	4,125	145,471
Derivatives held for trading	<u>77</u>	<u>2,181</u>	<u>-</u>	<u>-</u>	<u>2,258</u>
	<u>72,862</u>	<u>27,457</u>	<u>43,285</u>	<u>4,125</u>	<u>147,729</u>

	2016				
	AAA to AA- \$'000	A+ to A- \$'000	BBB+ to B- \$'000	CCC+ to C- \$'000	Total \$'000
International interest bearing securities	69,325	22,069	32,864	468	124,726
Derivatives held for trading	<u>710</u>	<u>8,562</u>	<u>-</u>	<u>-</u>	<u>9,272</u>
	<u>70,035</u>	<u>30,631</u>	<u>32,864</u>	<u>468</u>	<u>133,998</u>

Cash and cash equivalents

The Fund's cash and cash equivalents are held with ANZ Bank New Zealand Limited ('ANZ'), BNP Paribas Securities Services ('BNP Paribas') and Westpac New Zealand Limited ('Westpac').

The table below discloses the Standard & Poor's credit rating for the Fund's cash and cash equivalents balance excluding bank overdraft with each bank above at the reporting date.

	Balance	2017 Credit rating	Balance	2016 Credit rating
	\$'000		\$'000	
ANZ	83	AA-	616	AA-
BNP Paribas	750	A	2,381	A-
Westpac	<u>-</u>	AA-	<u>-</u>	AA-
	<u>833</u>		<u>2,997</u>	

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

11. FINANCIAL RISK MANAGEMENT (Continued)

Balances due from brokers

Balances due from brokers represent margin accounts and cash collaterals. At the reporting date, the Fund's futures margin accounts are held with Morgan Stanley (A+ S&P credit rating) (31 March 2016: A+). The Fund's cash collateral balances are also mainly held with Morgan Stanley.

The Investment Manager is responsible for assessing and monitoring the creditworthiness of borrower, guarantors, issuers of debt securities, acceptors of bills of exchange, or other sources of credit risk.

11d. Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with the financial liabilities that are settled by delivering cash or another financial asset.

The Fund is able to generate sufficient cash on a timely manner to meet its financial commitments and normal level of redemptions. The Investment Manager ensures that the Fund has appropriate liquidity levels within allowable benchmark ranges. In the event of abnormal levels of redemptions, timing of payments may depend on the ability of the Fund to realise its underlying investments on a timely basis, subject to provisions in the Trust Deed.

The table below analyses the net settled derivative financial assets and financial liabilities into relevant maturity groupings based on the remaining periods at balance date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

The contractual cash flows are based on the spot rate at the reporting date.

	Statement of Financial Position	Contractual cash flows	2017			
			Within 6 months	Between 6- 12 months	Between 1- 5 years	Over 5 years
			\$000	\$000	\$000	\$000
Derivative assets held for trading	2,718					
<i>Inflow</i>		245,342	220,453	3,549	12,760	8,580
<i>Outflow</i>		(236,838)	(218,179)	(3,094)	(9,508)	(6,057)
Derivative liabilities held for trading	(6,639)					
<i>Inflow</i>		387,166	356,925	1,239	22,591	6,411
<i>Outflow</i>		(408,360)	(362,895)	(3,094)	(30,496)	(11,875)

	Statement of Financial Position	Contractual cash flows	2016			
			Within 6 months	Between 6- 12 months	Between 1- 5 years	Over 5 years
			\$000	\$000	\$000	\$000
Derivative assets held for trading	9,477					
<i>Inflow</i>		336,088	310,594	890	21,692	2,628
<i>Outflow</i>		(321,678)	(302,251)	(466)	(19,144)	(92)
Derivative liabilities held for trading	(7,743)					
<i>Inflow</i>		242,078	224,788	8,884	4,540	3,866
<i>Outflow</i>		(235,080)	(227,977)	(8,500)	(987)	(410)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

11. FINANCIAL RISK MANAGEMENT (Continued)

11e. Currency Risk

Currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates.

The Fund holds financial instruments denominated in currencies other than the New Zealand dollar, the functional currency, at year end. The Fund is therefore subject to risk due to fluctuations in the prevailing currency exchange rate. A change in exchange rates would impact the New Zealand dollar equivalent market price of the financial instruments in which the Fund invests.

The Fund enters into forward exchange contracts designed to economically hedge the foreign exposure of the underlying investments. The Fund is to be economically hedged to New Zealand dollars between 95% and 105%.

The currency risk disclosures have been prepared on the basis of the Fund's direct investments.

The table below summaries the Fund's exposure to currency risk in New Zealand dollar value of the financial instruments.

	2017						
	AUD \$'000	CAD \$'000	EUR \$'000	GBP \$'000	JPY \$'000	USD \$'000	Other \$'000
Assets and liabilities							
Foreign currency cash balances held (NZD)	125	62	456	379	167	4,015	97
Investment securities held at fair value through profit or loss	717	4,198	14,391	10,373	22,746	67,522	13,150
Derivatives held for trading	(1,137)	(4,240)	(14,832)	(10,033)	(22,989)	(71,736)	(10,004)
Receivables/(payables)	<u>(232)</u>	<u>40</u>	<u>(1,118)</u>	<u>(2,007)</u>	<u>1</u>	<u>10</u>	<u>(606)</u>
Total financial assets and liabilities	<u>(527)</u>	<u>60</u>	<u>(1,103)</u>	<u>(1,288)</u>	<u>(75)</u>	<u>(189)</u>	<u>2,637</u>

	2016						
	AUD \$'000	CAD \$'000	EUR \$'000	GBP \$'000	JPY \$'000	USD \$'000	Other \$'000
Assets and liabilities							
Foreign currency cash balances held (NZD)	10	179	(60)	251	(777)	4,614	148
Investment securities held at fair value through profit or loss	1,473	4,815	20,388	11,326	93	72,402	14,232
Derivatives held for trading	(1,492)	(5,030)	(20,975)	(11,580)	(774)	(70,715)	(11,449)
Receivables/(payables)	<u>12</u>	<u>44</u>	<u>221</u>	<u>47</u>	<u>-</u>	<u>390</u>	<u>70</u>
Total financial assets and liabilities	<u>3</u>	<u>8</u>	<u>(426)</u>	<u>44</u>	<u>(1,458)</u>	<u>6,691</u>	<u>3,001</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

11. FINANCIAL RISK MANAGEMENT (Continued)

The table below summarises the sensitivity analysis in NZD currency to an increase or decrease in the exchange rate with all other variables remaining constant, where the Fund has significant currency risk exposure, based on an assumed increase/decrease by the percentage disclosed in the table.

	2017		2016	
	Profit or loss and 10% increase	Unitholders' Funds 10% decrease	Profit or loss and 10% increase	Unitholders' Funds 10% decrease
	\$'000	\$'000	\$'000	\$'000
Assets and liabilities				
Foreign currency cash balances held (NZD)	(530)	530	(437)	437
Investment securities held at fair value through profit or loss	(13,310)	13,310	(12,473)	12,473
Derivatives held for trading	13,497	(13,497)	12,202	(12,202)
Receivables/(payables)	391	(391)	(78)	78
	<u>48</u>	<u>(48)</u>	<u>(786)</u>	<u>786</u>

11f. Financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

The following table presents the recognised derivatives that are subject to offsetting, or other similar arrangements but not offset, as at 31 March 2017 and 31 March 2016.

	2017					
	Related amounts not set-off in the statement of financial position					
	Gross amounts of recognised financial instruments	Gross amounts of recognised financial instruments set-off in the statement of financial position	Net amounts of financial instruments presented in the statement of financial position	Financial instruments	Cash collateral received/ pledged	Net amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total derivative assets	<u>2,571</u>	<u>-</u>	<u>2,571</u>	<u>(2,424)</u>	<u>-</u>	<u>147</u>
Total derivatives liabilities	<u>(6,511)</u>	<u>-</u>	<u>(6,511)</u>	<u>2,424</u>	<u>-</u>	<u>(4,087)</u>

	2016					
	Related amounts not set-off in the statement of financial position					
	Gross amounts of recognised financial instruments	Gross amounts of recognised financial instruments set-off in the statement of financial position	Net amounts of financial instruments presented in the statement of financial position	Financial instruments	Cash collateral received/ pledged	Net amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total derivative assets	<u>9,426</u>	<u>-</u>	<u>9,426</u>	<u>(6,142)</u>	<u>-</u>	<u>3,284</u>
Total derivatives liabilities	<u>(7,743)</u>	<u>-</u>	<u>(7,743)</u>	<u>6,142</u>	<u>-</u>	<u>(1,601)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

12. SEGMENT INFORMATION

The table below analyses the Fund's interest income grouped by geographical location.

	2017	2016
	\$'000	\$'000
United Kingdom *	(17)	158
Euro Zone	625	508
United States of America (USA)	1,836	474
Americas (excluding USA) *	(105)	195
Other	<u>88</u>	<u>73</u>
	<u>2,427</u>	<u>1,408</u>

* Interest income includes mortgage-backed securities principal repayments.

13. COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 31 March 2017 (31 March 2016: none).

14. EVENTS AFTER THE REPORTING YEAR

Since 31 March 2017 there have been no matters or circumstances not otherwise dealt with in the financial statements that have significantly affected or may significantly affect the Fund.

GLOBAL BOND FUND



Independent Auditor's Report

To the unitholders of Global Bond Fund

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of Global Bond Fund (the fund) on pages 423 to 443:

- i. present fairly in all material respects the fund's financial position as at 31 March 2017 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2017;
- the statement of comprehensive income, statement of changes in unitholders' funds and statement of cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the fund in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report.

Our firm has also provided other assurance services to the fund in relation to reporting to the supervisor. Subject to certain restrictions, employees of our firm may also deal with the fund on normal terms within the ordinary course of trading activities of the business of the fund. These matters have not impaired our independence as auditor of the fund. The firm has no other relationship with, or interest in, the fund.



Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at \$1,435,000 determined with reference to a benchmark of the fund's total assets. We chose the benchmark because, in our view, this is a key measure of the fund's performance.

GLOBAL BOND FUND



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the members as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter

How the matter was addressed in our audit

Carrying amount of investments

Refer to Note 2 to the Financial Statements.

The fund's portfolio of investments makes up 92.7% of total assets. We do not consider these investments to be at high risk of significant misstatement, or be subject to a significant level of judgement, because they comprise bonds or other simple fixed interest instruments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our audit procedures included:

- documenting and understanding the processes in place to record investment transactions and to value the portfolio. This included evaluating the control environment in place at the administration manager by obtaining and reading a report issued by an independent auditor on the design and operation of those controls
- agreeing a sample of the 31 March 2017 valuations of listed fixed interest instruments to externally quoted prices and unlisted fixed interest investments to broker quotes. Where externally quoted prices or broker quotes are not available we applied valuation methods using observable market interest rates to assess the valuation
- agreeing investment holdings to confirmations received from the administration manager

We did not identify any material differences in relation to the carrying amount of investments.



Other Information

The Manager, on behalf of the fund, is responsible for the other information included in the entity's Annual Report. Other information may include the Chairman's report, fund highlights, disclosures relating to corporate governance and statutory information. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Manager.



Use of this Independent Auditor's Report

This report is made solely to the members as a body. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in the Independent Auditor's Report and

GLOBAL BOND FUND



for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members as a body for our audit work, this report, or any of the opinions we have formed.



Responsibilities of the Manager for the financial statements

The Manager, on behalf of the fund, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Independent Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page2.aspx_

This description forms part of our Independent Auditor's Report.

Brent Manning

For and on behalf of

KPMG

Wellington

25 May 2017

Unitholder Information

DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS

AS AT 30 APRIL 2017

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	68	42.50%	30,117	0.07%
1,001-5,000	50	31.25%	117,522	0.28%
5,001-10,000	17	10.63%	119,163	0.28%
10,001-50,000	21	13.13%	442,040	1.05%
50,001-100,000	1	0.63%	52,263	0.12%
Greater than 100,000	3	1.88%	41,340,374	98.19%
TOTAL	160	100.00%	42,101,479	100.00%

20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES

AS AT 30 APRIL 2017

Full Name	Total	Percentage
SuperLife Nominees Limited	40,091,479	95.23
FNZ Custodians Limited	955,824	2.27
Investment Custodial Services Limited	293,071	0.7
Craigs Investment Partners Limited	52,263	0.12
Maryanne Nola Gane & Marcia Clare Jasmine Fullam	47,455	0.11
David Alan Shackleton & Scott Francis Whitaker	40,901	0.1
Forsyth Barr Custodians Ltd	33,500	0.08
Robyn Elizabeth Taylor	32,167	0.08
Custodial Services Limited	32,000	0.08
John Huthwaite Ronaldson & Marian Elizabeth Ronaldson & Franklin Trustee Services Ltd	21,800	0.05
Anthony Smith & Barbara Smith	21,607	0.05
Brendan Dennis Catchpole & Connie Yvonne Catchpole & Anthony Raymond Wentworth	20,905	0.05
Gavin Wallace Mcgougan & Charlotte Elizabeth Mcgougan & Focus Trustee Company Ltd	19,281	0.05
Harsh & Emme Bhoopatkar Trustee Limited	19,072	0.05
Investment Custodial Services Limited	16,196	0.04
Allan Charles Carvell	16,114	0.04
Jason Brigg Bedford & Janine Carol Bedford	16,006	0.04
FNZ Custodians Limited	15,435	0.04
Thomas Michael Gillespie	14,899	0.04
William John Duff Eaton	13,120	0.03
	41,773,095	99.25

SUBSTANTIAL PRODUCT HOLDERS

The following information has been given pursuant to section 293 of the Financial Markets Conduct Act 2013 (FMCA). According to Smartshares records and disclosures made under section 280(1)(b) of the FMCA, there were no substantial product holders in the Fund as at 31 March 2017. The total number of units on issue at 31 March 2017 was 42,071,479.

DIRECTORS' INTERESTS IN UNITS

	Beneficial	Non-Beneficial
Bevan Miller	3,064*	0
Paul Baldwin	0	0
Guy Elliffe	12,762*	0
John Williams	0	0

*Beneficial interest in these units is indirectly held through the director's interest in the SuperLife KiwiSaver scheme

WAIVERS GRANTED

The Special Division of the New Zealand Markets Disciplinary Tribunal (Special Division) has granted, either fully, partially or subject to conditions a number of waivers to the fund.

The waiver decisions that Smartshares currently relies upon are available on smartshares.co.nz.

Special Division granted the following waivers from the Listing Rules that continue to be relied upon as at 31 March 2017:

3.1.1(a) - compliance with the Listing Rules	7.5 - Issues and Buybacks Affecting Control
3.1.1(b) - compliance with Takeover Provisions	7.6.1 to 7.6.3 - Buybacks of Equity Securities, Redemptions and Financial Assistance
3.3.5 to 3.3.15 - Appointment and Rotation of Directors	7.11.1 Allotment within 5 business days
3.4 - Proceedings and Power of Directors	9.2.1 - Transactions with Related Parties
3.5 - Directors' Remuneration	10.3.2 - Preliminary Announcements
Section 4 - Takeover Provisions	10.4.1(d) - Annual and Half-Year Reports availability
7.1.11 - Minimum Subscription	10.4.2 - Half-Yearly Reporting Requirements
7.3 - Issue of New Equity Securities.	10.6.1(a) - Other Administrative Information
7.4 - Entitlements to Third Party Securities	

In October 2015, Special Division granted Smartshares a waiver from Listing Rules 3.3.1(c), 3.3.3 and 3.6.2(c) to enable Mr Elliffe and Mr Williams to continue to be regarded as Independent Directors following their appointment to the board of SuperLife Limited in May 2016.

As Smartshares and SuperLife Limited were amalgamated on 9 November 2016, Smartshares no longer relies on this waiver.

In June 2016, Special Division granted Smartshares a waiver from Listing Rule 9.2.1 to enable Smartshares to amalgamate with SuperLife Limited without the need for unitholder approval. Smartshares no longer relies on this waiver.

On 8 September 2016, Special Division granted fully, partially or subject to conditions, waivers from the following Listing Rules in relation to the transition of the group investment funds to the FMCA:

7.4.1 - Entitlements to Third Party Securities
7.6.5 - Buy Backs of Equity Securities, Redemptions and Financial Assistance
8.3.1 - Modifications of Rights of Security Holders
9.2.1 - Transactions with Related Parties

NZ Bond Fund (NZB)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017

Presented by Smartshares Limited, Manager of the NZ Bond Fund

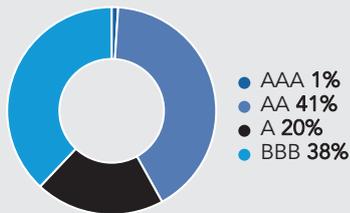
Report to the Unitholders HIGHLIGHTS

Launch Date 12-Nov-15

	March 2017	March 2016
Net Tangible Assets (NTA)	\$2.986	\$3.012
Units On Issue	67,933,573	66,243,573
Funds Under Management	\$202,869,711	\$199,512,393
Gross Return	3.18%	2.22%*
Duration	3.65	4.17
Yield to Maturity	3.96%	3.61%
Average Rating	A	A
Total Fund Charges	0.54%	0.54%
Distributions paid	Quarterly	

* Since Inception

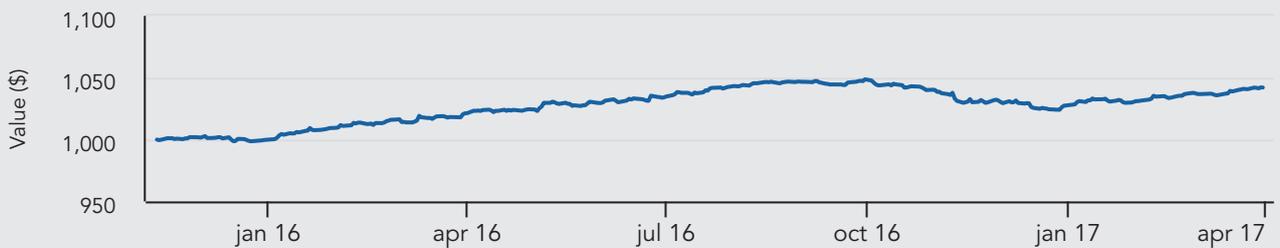
Credit Allocation



Sector Allocation



Growth of \$1,000*



*Since inception, all distributions reinvested.

NZ BOND FUND

DIRECTORY

THE MANAGER

Smartshares Limited
Level 1, NZX Centre
11 Cable Street, Wellington 6140
New Zealand

This is also the address of the registered office.

PRINCIPAL OFFICE OF THE MANAGER

Level 7, Zurich House
21 Queen Street, Auckland Central
Auckland 1010
New Zealand

DIRECTORS OF THE MANAGER

Bevan K. Miller
Timothy O. Bennett (resigned 30 December 2016)
Guy R. Elliffe
A. John Williams
Paul J. Baldwin (appointed 30 December 2016)

AUDITOR

KPMG
10 Customhouse Quay
PO Box 996, Wellington 6140
New Zealand

THE SUPERVISOR

Public Trust
Level 5, 40-42 Queens Drive
Lower Hutt 5010, Wellington
New Zealand

THE INVESTMENT MANAGER

Nikko Asset Management New Zealand Limited
Level 9, Vero Centre, 48 Shortland Street
Auckland, 1010
New Zealand

SOLICITOR

Buddle Findlay
Level 17, State Insurance Tower
1 Willis Street, Wellington 6140
New Zealand

REGISTRAR

Link Market Services Limited

INVESTMENT ADMINISTRATOR & CUSTODIAN

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

CORRESPONDENCE

All correspondence and enquiries to the Manager about the Fund should be addressed to the Manager, Smartshares Limited, at the above address.

NZ BOND FUND

Smartshares Limited (the 'Manager') and Public Trust (the 'Supervisor') are parties to a master trust deed dated 24 June 2014 as amended and restated on 9 September 2016 (the 'Trust Deed'). Under a Deed of Retirement and Appointment dated 6 September 2016, Trustees Executors Limited retired as the trustee and Public Trust was appointed as the Supervisor. The Trust Deed sets out the terms and conditions on which units in the funds within the Smartshares Exchange Traded Funds are offered for subscription, whether to the public or otherwise.

The Trust Deed provides that each fund is to be established by the Manager and the Supervisor entering into an establishment deed setting out the specific terms and conditions relating to that fund.

The NZ Bond Fund (the 'Fund') was created by an establishment deed dated 15 October 2015 as amended and restated on 9 September 2016 between the Manager and the Supervisor.

STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are drawn up in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), and fairly present the financial position of the Fund as at 31 March 2017, and the results of its financial performance and cash flows for the year ended 31 March 2017 in accordance with the requirement of the Trust Deed.

It is believed that there are no circumstances that may materially and adversely affect any interest of the unitholders in the assets other than those already disclosed in this report.

For and on behalf of the Manager:
Smartshares Limited



.....
Director



.....
Director

This statement was approved for signing at a meeting of the Directors on 25 May 2017.

NZ BOND FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017

		Year Ended 31 March 2017 \$'000	Period Ended 31 March 2016 \$'000
INCOME			
Dividend income		20	8
Interest income		9,509	3,895
Net changes in fair value of financial assets and financial liabilities at fair value through profit or loss		(2,848)	1,792
Other income		109	54
Total income		<u>6,790</u>	<u>5,749</u>
EXPENSES			
Management fees expense	9	(1,095)	(413)
Other expenses		(1)	-
Total expenses		<u>(1,096)</u>	<u>(413)</u>
Profit before tax		5,694	5,336
Income tax expense	1	(1,588)	(1,492)
Profit after tax		4,106	3,844
Other comprehensive income		-	-
Total comprehensive income		<u>4,106</u>	<u>3,844</u>
EARNINGS PER UNIT			
Basic and diluted earnings per unit (cents per unit)	5	<u>6.11</u>	<u>5.81</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS
 FOR THE YEAR ENDED 31 MARCH 2017**

	Note	Year Ended 31 March 2017 \$'000	Period Ended 31 March 2016 \$'000
Unitholders' funds at the beginning of the year/period		199,510	-
Total comprehensive income for the year/period		<u>4,106</u>	<u>3,844</u>
Subscriptions from unitholders	7	5,110	197,446
Distributions to unitholders	6	<u>(5,839)</u>	<u>(1,780)</u>
		<u>(729)</u>	<u>195,666</u>
Unitholders' funds at the end of the year/period		<u><u>202,887</u></u>	<u><u>199,510</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017**

	Note	As At 31 March 2017 \$'000	As At 31 March 2016 \$'000
ASSETS			
Cash at banks		1,597	2,344
Receivables		6,485	2,266
Investment securities held at fair value through profit or loss	2	199,227	197,306
Equity securities held at fair value through profit or loss	2	-	789
Taxation receivable		121	-
Deferred tax asset	1	-	37
TOTAL ASSETS		<u>207,430</u>	<u>202,742</u>
LIABILITIES			
Management fees payable	9	(9)	(92)
Taxation payable		-	(1,328)
Derivatives held for trading	3	-	(28)
Distribution payable to unitholders	6	(3)	(1,780)
Funds held for unit purchases		(29)	(4)
Unsettled trades		(4,500)	-
Other current liabilities		(2)	-
TOTAL LIABILITIES		<u>(4,543)</u>	<u>(3,232)</u>
UNITHOLDERS' FUNDS		<u>202,887</u>	<u>199,510</u>
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		<u>207,430</u>	<u>202,742</u>

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the financial statements on 25 May 2017.



B Miller
Chairman
Smartshares Limited



G Elliffe
Director
Smartshares Limited

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017**

	Year Ended 31 March 2017 \$'000	Period Ended 31 March 2016 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Dividend income received	20	8
Interest income received	9,691	3,405
Other income received	109	54
<i>Cash was applied to:</i>		
Management fees paid	(1,178)	(322)
Taxation paid	(3,000)	(200)
Other expenses paid	(1)	-
Net cash flows from operating activities	<u>5,641</u>	<u>2,945</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Cash was provided from:</i>		
Sale of investments	69,005	30,006
Net repayments from the Manager	2	-
<i>Cash was applied to:</i>		
Purchase of investments	<u>(72,914)</u>	<u>(32,439)</u>
Net cash flows from investing activities	<u>(3,907)</u>	<u>(2,433)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Cash was provided from:</i>		
Subscriptions received from unitholders	5,135	1,832
<i>Cash was applied to:</i>		
Distributions paid to unitholders	<u>(7,616)</u>	-
Net cash flows from financing activities	<u>(2,481)</u>	<u>1,832</u>
Net (decrease)/increase in cash and cash equivalents	(747)	2,344
Cash and cash equivalents at the beginning of the year/period	<u>2,344</u>	-
Cash and cash equivalents at the end of the year/period	<u><u>1,597</u></u>	<u><u>2,344</u></u>
Reconciliation of profit after tax to net cash flows from operating activities		
Profit after tax	4,106	3,844
Net changes in fair value of financial assets and financial liabilities at fair value through profit or loss	2,848	(1,792)
Increase in taxation receivable	(121)	-
(Decrease)/increase in taxation payable	(1,328)	1,328
Decrease/(increase) in deferred tax asset receivable	37	(37)
(Decrease)/increase in management fees payable	(83)	92
Decrease/(increase) in receivables	<u>182</u>	<u>(490)</u>
Net cash flows from operating activities	<u><u>5,641</u></u>	<u><u>2,945</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

GENERAL INFORMATION

The NZ Bond Fund (the 'Fund') is a for-profit fund registered in New Zealand and established under the Financial Markets Conduct Act 2013 ('FMC Act 2013'). It is offered under a registered managed investment scheme known as the Smartshares Exchange Traded Funds. Smartshares Limited, the Manager of the Fund is a FMC reporting entity for the purpose of the FMC Act 2013.

The Fund is governed by the Trust Deed dated 24 June 2014 as amended and restated on 9 September 2016 between the Manager and the Supervisor. The Fund was established on 15 October 2015 and commenced operations on 6 November 2015.

The Fund changed its name from New Zealand Bond Trust to NZ Bond Fund effective 16 September 2016.

The Fund's units are quoted on the NZX Main Board. The Fund holds a portfolio of fixed and floating income securities. It is an investment fund that aims to outperform the S&P/NZX A-Grade Corporate Bond Index (the 'Index') over a rolling three year period. As prescribed by the Trust Deed, the Fund can invest in securities of all types represented in the Index and any other investment that is consistent with the objectives of the Fund.

STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied to the year/period presented.

Comparative period

These financial statements are for the year ended 31 March 2017. The comparative figures are for the period 6 November 2015 to 31 March 2016. Where necessary, comparative figures have been restated to correspond to the current year classifications.

Basis of preparation

The financial statements of the Fund have been prepared in accordance with the requirements of the FMC Act 2013, Financial Reporting Act 2013, New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS'). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss. The functional currency of this entity is the same as the presentation currency of these financial statements being the New Zealand Dollar ('NZD'), rounded to the nearest thousand.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Smartshares Limited Board of Directors to exercise its judgement in the process of applying the Fund's Statement of Accounting Policies.

Income recognition

Income is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Fund and the income can be reliably measured. The following specific recognition criteria must also be met before income is recognised:

(a) Dividends

Dividend income is recognised when the right to receive payment is established.

(b) Interest income

Interest income is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

(c) Changes in fair value of financial assets and financial liabilities

Changes in financial assets and financial liabilities at fair value through profit or loss are calculated as the difference between the fair value at sale, or at year/period end, and the fair value at the previous valuation point or cost. This includes both realised and unrealised gains and losses, but does not include dividend and interest income.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

Financial assets and financial liabilities at fair value through profit or loss

(a) Classification

The Fund classifies its underlying investments and derivatives as financial assets and financial liabilities at fair value through profit or loss. This category has two sub-categories: financial assets or financial liabilities held for trading; and those held at fair value through profit or loss at inception.

(i) Financial assets and financial liabilities held for trading

Financial instruments designated for trading are those acquired or incurred principally for the purposes of selling or repurchasing in the short term. Derivatives are categorised as held for trading. The Fund does not classify any derivatives as hedges in a hedging relationship.

(ii) Financial assets designated at fair value through profit or loss

Financial instruments designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Manager to evaluate the information about these financial instruments on a fair value basis together with other related financial information. The Manager has determined that investments are designated at fair value through profit or loss.

The Fund does not use short sales, but can use these as part of spread trades, hedging transactions or income-enhancing strategies.

(b) Recognition, derecognition and measurement

Purchases and sales of investments (including derivatives) are recognised on the trade date – the date on which the Fund commits to purchase or sell the investment. Financial assets and financial liabilities designated at fair value through profit or loss are initially recognised at fair value, with transaction costs recognised in profit or loss.

Financial assets and financial liabilities are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the Statement of Comprehensive Income when they arise.

(c) Fair value determination

The fair value of financial assets traded in active markets (such as trading securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets and financial liabilities held by the Fund is the last traded price.

For investments with no active markets, fair values are determined using valuation techniques. Such techniques include: using recent arm's length transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgmental inputs to a minimum.

(d) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Fund and counterparty.

Receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are measured at amortised cost using the effective interest method less impairment.

Payables

Trade payables and other payables are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services, and are measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents are considered to be cash at banks, net of bank overdrafts. Operating activities in the Statement of Cash Flows include all transactions or events that are not investing or financing activities. Investing activities are those activities that relate to the acquisition, holding and disposal of investments and securities not falling within the definition of cash. Financing activities are those activities that relate to cash contributions to and from, or cash distributions to the unitholders.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

Units

The Fund issues units, which provide the holder with a beneficial interest in the Fund. The units can be put back to the Fund via a basket redemption, in accordance with the redemption rules as defined in the Trust Deed, by delivery to the investor of the cash amount and/or authorised investments that the Manager agrees to accept as consideration for, and determines to have a value equal to the price of the units issued.

The units are issued and redeemed based on the Fund's net asset value per unit at the time of issue or redemption. The Fund's net asset value per unit is calculated by dividing the net assets attributable to the unitholders by the total number of outstanding units. In accordance with the provisions of the Trust Deed investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

Distributions to unitholders

Distributions are made up of income received from the investments less expenses paid and allowances for future liabilities. Income from investments held is attributed to unitholders on the basis of the number of units held on the record date of the distribution. To the extent that imputation credits are available, distributions to unitholders will be fully imputed. The record date for the Fund is on the last business day of February, May, August and November in each year. Currently, distributions to unitholders are made on a quarterly basis directly from the Fund within 20 business days of the record date.

Taxation

The Fund is domiciled in New Zealand and is registered as a Portfolio Investment Entity ('PIE').

The Fund is liable for tax at the prevailing company tax rate on taxable interest, taxable dividends and gains and losses from its investments in securities outlined in Note 2 after the deduction of management fees and other deductible expenses. With some of this income, the Fund is able to utilise imputation credits to satisfy the tax liability. The Fund pays tax to the extent that the imputation credits do not cover the tax liability in full.

Deferred tax is recognised in respect of temporary differences at the Statement of Financial Position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Current and deferred tax is measured using the tax rates enacted or substantively enacted at the reporting date. The temporary differences relate to unrealised gains and losses on equities.

Goods and services tax ('GST')

The Fund is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

Segment information

The Fund operates solely in the business of investment management, investing in New Zealand marketable and debt securities. The Fund receives all of its income from its investments. There was no individual security that contributed 10% or more of income received for the year ended 31 March 2017 (31 March 2016: none).

Changes in accounting policies and accounting standards adopted during the year

(a) Changes in accounting policies

There have been no significant changes in accounting policies during the year. All policies have been applied on a basis consistent with those used in the prior period.

(b) New accounting standards adopted

There were no new accounting standards adopted during the year that have a material impact on the financial statements of the Fund.

Issued but not yet effective accounting standards

A number of accounting standards have been issued or revised that are not yet effective as at 31 March 2017, and have not been applied in preparing the financial statements. The Fund does not plan to adopt these standards early. The standards which are relevant to the Fund are as follows:

- NZ IFRS 9 Financial Instruments - Effective for annual reporting periods beginning on or after 1 January 2018; The impact of any changes has not yet been determined.
- NZ IFRS 15 Revenue from Contracts with Customers - Effective for annual reporting periods beginning on or after 1 January 2018. The impact of any changes has not yet been determined.

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2017**

1. TAXATION

	2017	2016
	\$'000	\$'000
Tax expense comprises:		
Current tax expense	(1,551)	(1,529)
Deferred tax movement	(37)	37
Total tax expense	<u>(1,588)</u>	<u>(1,492)</u>

The prima facie income tax expense on profit before tax from operations reconciles to the income tax expense in the financial statements as follows:

	2017	2016
	\$'000	\$'000
Income tax expense		
Profit before tax	<u>5,694</u>	<u>5,336</u>
Income tax using the statutory income tax rate 28%	(1,594)	(1,494)
Net changes in fair value of financial assets and financial liabilities	-	-
Non taxable income	-	-
Gross up of imputation credits	<u>(2)</u>	<u>(1)</u>
	(1,596)	(1,495)
Less imputation credits and other tax credits	<u>8</u>	<u>3</u>
Income tax expense as per Statement of Comprehensive Income	<u>(1,588)</u>	<u>(1,492)</u>

	2017	2016
	\$'000	\$'000
Deferred tax		
Opening balance	37	-
Current period movement	<u>(37)</u>	<u>37</u>
Closing balance	<u>-</u>	<u>37</u>

	2017	2016
	\$'000	\$'000
Imputation credit account (ICA)		
Imputation credits available for use in subsequent periods	738	1,329

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2017**

2. INVESTMENT SECURITIES

	2017	2016
	\$'000	\$'000
<i>Financial assets at fair value through profit or loss</i>		
NZ bank bills	507	1,292
NZ government and local government bonds	27,141	26,054
NZ corporate bonds	171,579	169,960
Preference shares	-	789
	<u>199,227</u>	<u>198,095</u>

The Fund's investments are managed by Nikko Asset Management New Zealand Limited and registered in the name of BNP Paribas Fund Services Australasia Pty Limited, New Zealand branch, the custodian of the Fund.

3. DERIVATIVES HELD FOR TRADING

The Fund holds the following derivative financial instrument:

Options

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of financial instrument at a fixed price, either at fixed future date or at any time with a specified date or the current fair value of the instruments.

	2017	2016
	\$'000	\$'000
Financial liabilities		
<i>Held for Trading :</i>		
Options	-	(28)
	<u>-</u>	<u>(28)</u>

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value can be categorised across the following 3 levels based on the degree to which their fair value is 'observable':

Level 1 – Fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable either directly or indirectly;

Level 3 – Fair value measurements are derived from valuation methods that include inputs that are not based on observable market data.

There were no transfers between levels in the year ended 31 March 2017 (31 March 2016: none).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

4. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The following table analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measured is categorised. The amounts are based on the values recognised in the Statement of Financial Position.

	2017				2016			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Financial assets held at fair value through profit or loss</i>								
Investment securities held at fair value through profit or loss	-	199,227	-	199,227	-	197,306	-	197,306
Equity securities held at fair value through profit or loss	-	-	-	-	789	-	-	789
	<u>-</u>	<u>199,227</u>	<u>-</u>	<u>199,227</u>	<u>789</u>	<u>197,306</u>	<u>-</u>	<u>198,095</u>
<i>Derivative assets held for trading:</i>								
<i>Derivative liabilities held for trading:</i>								
Options	-	-	-	-	-	(28)	-	(28)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(28)</u>	<u>-</u>	<u>(28)</u>

5. EARNINGS PER UNIT

The basic earnings per unit (EPU) is calculated by dividing the net profit/(loss) after tax attributable to the unitholders by the weighted average number of units on issue during the year.

The Fund's diluted EPU is the same as the basic EPU since the Fund has not issued any instrument with dilutive potential.

	2017	2016
Profit after tax (\$'000)	4,106	3,844
Weighted average number of units ('000)	<u>67,178</u>	<u>66,155</u>
Basic and diluted earnings per unit (cents per unit)	<u>6.11</u>	<u>5.81</u>

6. DISTRIBUTION PAYABLE TO UNITHOLDERS

	2017 \$'000	2016 \$'000
Opening distribution payable	1,780	-
Distributions accrued to unitholders	5,839	1,780
Distributed to unitholders	<u>(7,616)</u>	<u>-</u>
Closing distribution payable	<u>3</u>	<u>1,780</u>

Distributions declared and paid

	Year ended	Distribution per unit (cents per unit)	2017 \$'000	2016 \$'000
March 2016 (paid April 2016)	31/03/2016	2.69	-	1,780
June 2016 (paid July 2016)	31/03/2017	1.61	1,076	-
September 2016 (paid October 2016)	31/03/2017	1.97	1,319	-
November 2016 (paid December 2016)	31/03/2017	2.14	1,449	-
February 2017 (paid March 2017)	31/03/2017	2.95	<u>1,995</u>	<u>-</u>
			<u>5,839</u>	<u>1,780</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

7. UNITHOLDERS' FUNDS

As at 31 March 2017 there were 67,934,000 units on issue (31 March 2016: 66,244,000).

All issued units are fully paid and redeemable, and are quoted on the NZX Main Board. The Fund's net assets attributable to unitholders are represented by these units. The relevant movements are shown on the Statement of Changes in Unitholders' Funds.

The number of units allotted during the year ended 31 March 2017 was 1,690,000 (31 March 2016: 66,244,000) for total value of \$5,110,000 (31 March 2016: \$197,446,000).

The number of units redeemed during the year ended 31 March 2017 was nil (31 March 2016: nil) for total value of \$nil (31 March 2016: \$nil).

	2017 '000	2016 '000
Movement in the number of units		
Balance at the beginning of the year/period	66,244	-
Subscriptions received during the year/period	<u>1,690</u>	<u>66,244</u>
Units on issue at the end of the year/period	<u>67,934</u>	<u>66,244</u>

The net asset value of each unit per the financial statements is \$2.98653 (31 March 2016: \$3.01174). Any difference between the net asset value announced to the market for 31 March 2017 and the net asset value per the financial statements is due to different unit pricing methodology.

8. MATURITY ANALYSIS

The Fund invests in interest bearing assets and other New Zealand bond investments.

The tables below show an analysis of financial assets and financial liabilities analysed according to when they are expected to be recovered or settled.

	2017			2016		
	Within 12 months \$'000	Over 12 months \$'000	Total \$'000	Within 12 months \$'000	Over 12 months \$'000	Total \$'000
ASSETS						
Cash at banks	1,597	-	1,597	2,344	-	2,344
Receivables	6,485	-	6,485	2,266	-	2,266
Investment securities held at fair value through profit or loss	12,366	186,861	199,227	6,520	190,786	197,306
Equity securities held at fair value through profit or loss	-	-	-	-	789	789
Taxation receivable	121	-	121	-	-	-
Deferred tax asset	-	-	-	37	-	37
Total assets	<u>20,569</u>	<u>186,861</u>	<u>207,430</u>	<u>11,167</u>	<u>191,575</u>	<u>202,742</u>
LIABILITIES						
Management fees payable	(9)	-	(9)	(92)	-	(92)
Taxation payable	-	-	-	(1,328)	-	(1,328)
Derivatives held for trading	-	-	-	(28)	-	(28)
Distribution payable to unitholders	(3)	-	(3)	(1,780)	-	(1,780)
Funds held for unit purchases	(29)	-	(29)	(4)	-	(4)
Unsettled trades	(4,500)	-	(4,500)	-	-	-
Other current liabilities	(2)	-	-	-	-	-
Total liabilities	<u>(4,543)</u>	<u>-</u>	<u>(4,541)</u>	<u>(3,232)</u>	<u>-</u>	<u>(3,232)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

9. RELATED PARTY TRANSACTIONS

Related party holdings

Key management personnel are the Directors of the Manager. There were no transactions with key management personnel during the year.

The Fund is managed by Smartshares Limited, which is a wholly owned subsidiary of NZX Limited, a company listed on the NZX Main Board.

SuperLife superannuation scheme (“SLSS”), a scheme managed by SuperLife Limited, a wholly owned subsidiary of NZX Limited, was an investor in the Fund in this year between 1 April 2016 and 27 October 2016. Effective 28 October 2016, the investments were transferred from SLSS to SuperLife Invest managed investment scheme (“SLI”), a scheme managed by the Manager, also a wholly owned subsidiary of NZX Limited. The transfer of assets and change of Manager was completed as part of the transition of the SuperLife scheme to the Financial Markets Conduct Act 2013.

As at 31 March 2017, SLI held 65,955,132 units valued at \$196,962,000 in the Fund. As at 31 March 2016, SLSS held 65,943,573 units valued at \$198,410,000 in the Fund.

Distributions

The Fund paid distributions of \$2,360,000 (31 March 2016: \$1,772,000) to SLSS. All distributions were settled prior to the transfer of investments from SLSS to SLI. The balance remaining as payable as at 31 March 2016 was \$1,772,000. The Fund paid distributions of \$3,357,000 to SLI for the year ended 31 March 2017 (31 March 2016: not applicable). The balance remaining as payable at the end of the year is \$nil (31 March 2016: not applicable).

Management fees

The Manager receives management fees from the Fund. Under the Trust Deed the Manager pays the supervisor, custodian, registrar and auditor on behalf of the Fund and receives direct purchase application fees and withdrawal fees and interest earned on cash held for the purpose of distribution prior to the distribution being made.

Total gross management fees excluding rebates for the year ended 31 March 2017 amounted to \$1,095,000 (31 March 2016: \$413,000), with \$9,000 (31 March 2016: \$92,000) of outstanding accrued management fees due to the Manager at the end of the year.

For the year ended 31 March 2017, total direct purchase application fees amounted to \$2,000 (31 March 2016: \$1,000).

The total interest earned on cash at banks for the year ended 31 March 2017 amounted to \$nil (31 March 2016: \$nil).

Other related party transactions

As at 31 March 2017 the Fund had a payable to the Manager of \$2,000 (31 March 2016: \$nil).

The audit fee paid by the Manager for the audit of the Fund for the year ended 31 March 2017 was \$5,000 (31 March 2016: \$6,000).

10. FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

The Fund utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in the Statement of Accounting Policies.

The financial instruments not accounted for at fair value through the profit and loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2017**

10. FINANCIAL RISK MANAGEMENT (Continued)

Financial instruments by category

	2017	2016
	\$'000	\$'000
<i><u>Loans and receivables</u></i>		
Cash at banks	1,597	2,344
Receivables	6,485	2,266
<i><u>Financial assets and financial liabilities at fair value through profit and loss</u></i>		
Investment securities held at fair value through profit or loss	199,227	197,306
Equity securities held at fair value through profit or loss	-	789
Derivative held for trading (financial liabilities)	-	(28)
<i><u>Other financial liabilities</u></i>		
Management fees payable	(9)	(92)
Distribution payable to unitholders	(3)	(1,780)
Funds held for unit purchases	(29)	(4)
Unsettled trades	(4,500)	-
Other current liabilities	(2)	-

The Fund's activities expose it to a variety of financial risks: market price risk, interest rate risk, credit risk and liquidity risk. The risk management policies used by the Fund are detailed below:

10a. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risk is a direct consequence of investing in fixed income securities (mainly debt securities).

The Fund holds interest-bearing financial assets and liabilities - the values of which move up and down inversely to movements in market interest rates and is therefore exposed to interest rate risk.

The exposure of the Fund to interest rate risk is an investment decision taken by the Investment Manager and the size of that risk is limited in the mandate of the Investment Manager and is monitored and reviewed by the Manager.

The following table analyses the Fund's interest rate risk exposure. The analysis has been prepared on the basis of the remaining period to contractual repricing or maturity dates.

	2017					
	Within 6	Between 6-	Between 1-	Between 2-	Over 5	Total
	months	12 months	2 years	5 years	years	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash at banks	1,597	-	-	-	-	1,597
Investment securities held at fair value through profit or loss	<u>2,075</u>	<u>10,290</u>	<u>10,469</u>	<u>112,186</u>	<u>64,207</u>	<u>199,227</u>
Total financial assets subject to interest rate risk	<u>3,672</u>	<u>10,290</u>	<u>10,469</u>	<u>112,186</u>	<u>64,207</u>	<u>200,824</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

10. FINANCIAL RISK MANAGEMENT (Continued)

	2016					Total \$'000
	Within 6 months \$'000	Between 6- 12 months \$'000	Between 1- 2 years \$'000	Between 2- 5 years \$'000	Over 5 years \$'000	
	ASSETS					
Cash at banks	2,344	-	-	-	-	2,344
Investment securities held at fair value through profit or loss	<u>996</u>	<u>6,785</u>	<u>19,859</u>	<u>97,150</u>	<u>72,516</u>	<u>197,306</u>
Total financial assets subject to interest rate risk	<u>3,340</u>	<u>6,785</u>	<u>19,859</u>	<u>97,150</u>	<u>72,516</u>	<u>199,650</u>

The tables below show the sensitivity of the Fund's Statement of Comprehensive Income to a reasonably possible change in interest rate with all other variables remaining constant. The analysis is performed on the same basis for 31 March 2016. The sensitivity of the Statement of Comprehensive Income is the effect of the assumed changes in interest rate on:

- 1) The interest income for the year based on floating rate financial assets held at 31 March 2017.
- 2) Changes in fair value of financial assets for the year based on revaluing fixed rate financial assets at 31 March 2017.

	2017			
	Sensitivity of interest income		Sensitivity of changes in fair value of investments	
	100 basis points increase \$'000	100 basis points decrease \$'000	100 basis points increase \$'000	100 basis points decrease \$'000
	Cash and cash equivalents	16	(16)	-
Investment securities held at fair value through profit or loss	132	(132)	(7,090)	7,608

	2016			
	Sensitivity of interest income		Sensitivity of changes in fair value of investments	
	100 basis points increase \$'000	100 basis points decrease \$'000	100 basis points increase \$'000	100 basis points decrease \$'000
	Cash and cash equivalents	23	(23)	-
Investment securities held at fair value through profit or loss	144	(144)	(7,835)	8,382

10b. Credit risk

Credit risk represents the risk that a counterparty to the financial instrument will fail to perform contractual obligations under a contract and cause the Fund to incur a loss.

With respect to credit risk arising from the financial assets of the Fund, the Fund's exposure to credit risk arises from the default of the counterparty, with the current exposure equal to the fair value of these instruments as disclosed in the Statement of Financial Position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date.

The Fund holds no collateral as security or any other credit enhancements. There are no financial assets that are past due or impaired, or would otherwise be past due or impaired except for the terms having been renegotiated.

The analysis below summarises the credit quality of the Fund's exposure rated externally by Standard & Poor's, Moody's or Fitch. In situations where a security has different ratings by the agencies, the highest rating applies. If a security is not rated by one of these agencies, the Investment Manager will assess what rating the security might attain if it were to seek an external rating.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

10. FINANCIAL RISK MANAGEMENT (Continued)

	2017				Total \$'000
	AAA to AA-	A+ to A-	BBB+ to B-	Less than BBB-	
	\$'000	\$'000	\$'000	\$'000	
NZ bank bills	-	507	-	-	507
NZ government and local government bonds	27,141	-	-	-	27,141
NZ corporate bonds	56,314	39,722	69,603	5,940	171,579
	83,455	40,229	69,603	5,940	199,227

	2016				Total \$'000
	AAA to AA-	A+ to A-	BBB+ to B-	Less than BBB-	
	\$'000	\$'000	\$'000	\$'000	
NZ bank bills	-	1,292	-	-	1,292
NZ government and local government bonds	26,054	-	-	-	26,054
NZ corporate bonds	65,028	50,003	43,631	11,298	169,960
	91,082	51,295	43,631	11,298	197,306

Cash and cash equivalents

The Fund's cash and cash equivalents balances are held with ANZ Bank New Zealand Limited ('ANZ') and Westpac New Zealand Limited ('Westpac').

The table below discloses the Standard & Poor's credit rating for the Fund's cash and cash equivalents balance excluding bank overdraft with each bank above at the reporting date.

	2017		2016	
	Balance	Credit rating	Balance	Credit rating
	\$'000		\$'000	
ANZ	31	AA-	1,784	AA-
Westpac	1,566	AA-	560	AA-
	1,597		2,344	

The Investment Manager is responsible for assessing and monitoring the creditworthiness of borrowers, guarantors, issuers of debt securities, acceptors of bills of exchange, or other sources of credit risk.

10c. Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with the financial liabilities that are settled by delivering cash or another financial asset.

The Fund is able to generate sufficient cash on a timely basis to meet its financial commitments and normal level of redemptions. The Investment Manager ensures that the Fund has appropriate liquidity levels within allowable benchmark ranges. In the event of abnormal levels of redemptions, timing of payments may depend on the ability of the Fund to realise its underlying investments on a timely basis, subject to provisions in the Trust Deed.

The table below analyses the net settled derivative financial assets and financial liabilities into relevant maturity groupings based on the remaining periods at balance date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2017**

10. FINANCIAL RISK MANAGEMENT (Continued)

	2017					
	Statement of Financial Position \$000	Contractual cash flows \$000	Within 6 months \$000	Between 6- 12 months \$000	Between 1- 5 years \$000	Over 5 years \$000
Derivative assets held for trading <i>Inflow</i>	-	-	-	-	-	-
	2016					
	Statement of Financial Position \$000	Contractual cash flows \$000	Within 6 months \$000	Between 6- 12 months \$000	Between 1- 5 years \$000	Over 5 years \$000
Derivative liabilities held for trading <i>Outflow</i>	(28)	28	28	-	-	-

11. COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 31 March 2017 (31 March 2016: none).

12. EVENTS AFTER THE REPORTING YEAR

Since 31 March 2017 there have been no matters or circumstances not otherwise dealt with in the financial statements that have significantly affected or may significantly affect the Fund.

NZ BOND FUND



Independent Auditor's Report

To the unitholders of NZ Bond Fund

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of NZ Bond Fund (the fund) on pages 452 to 467:

- i. present fairly in all material respects the fund's financial position as at 31 March 2017 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2017;
- the statement of comprehensive income, statement of changes in unitholders' funds and statement of cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the fund in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report.

Our firm has also provided other assurance services to the fund in relation to reporting to the supervisor. Subject to certain restrictions, employees of our firm may also deal with the fund on normal terms within the ordinary course of trading activities of the business of the fund. These matters have not impaired our independence as auditor of the fund. The firm has no other relationship with, or interest in, the fund.



Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at \$2,074,000 determined with reference to a benchmark of the fund's total assets. We chose the benchmark because, in our view, this is a key measure of the fund's performance.

NZ BOND FUND



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the members as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter

How the matter was addressed in our audit

Carrying amount of investments

Refer to Note 2 to the Financial Statements.

The fund's portfolio of investments makes up 96.0% of total assets. We do not consider these investments to be at high risk of significant misstatement, or be subject to a significant level of judgement, because they comprise bonds or other simple fixed interest instruments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our audit procedures included:

- documenting and understanding the processes in place to record investment transactions and to value the portfolio. This included evaluating the control environment in place at the administration manager by obtaining and reading a report issued by an independent auditor on the design and operation of those controls
- agreeing a sample of the 31 March 2017 valuations of listed fixed interest instruments to externally quoted prices and unlisted fixed interest investments to broker quotes. Where externally quoted prices or broker quotes are not available we applied valuation methods using observable market interest rates to assess the valuation
- agreeing investment holdings to confirmations received from the administration manager

We did not identify any material differences in relation to the carrying amount of investments.



Other Information

The Manager, on behalf of the fund, is responsible for the other information included in the entity's Annual Report. Other information may include the Chairman's report, fund highlights, disclosures relating to corporate governance and statutory information. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Manager.



Use of this Independent Auditor's Report

This report is made solely to the members as a body. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in the Independent Auditor's Report and

NZ BOND FUND



for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members as a body for our audit work, this report, or any of the opinions we have formed.



Responsibilities of the Manager for the financial statements

The Manager, on behalf of the fund, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Independent Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page2.aspx_

This description forms part of our Independent Auditor's Report.

Brent Manning

For and on behalf of

KPMG
Wellington

25 May 2017

Unitholder Information

DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS

AS AT 30 APRIL 2017

	No. of holders	% of holders	No. of securities	% of securities
1-1000	60	36.81%	23,475	0.03%
1001-5000	58	35.58%	136,948	0.20%
5001-10000	22	13.50%	156,157	0.23%
10001-50000	16	9.82%	298,027	0.44%
50001-100000	2	1.23%	116,649	0.17%
Greater than 100000	5	3.07%	67,222,317	98.92%
TOTAL	163	100.00%	67,953,573	100.00%

20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES

AS AT 30 APRIL 2017

Full Name	Total	Percentage
SuperLife Nominees Limited	65,955,132	97.06
Gary Anthony Vink & Jane Margaret Vink	528,323	0.78
FNZ Custodians Limited	425,628	0.63
Investment Custodial Services Limited	192,995	0.28
FNZ Custodians Limited	120,239	0.18
Investment Custodial Services Limited	64,384	0.09
Ajd Family Nominees Limited	52,265	0.08
Robyn Elizabeth Taylor	33,267	0.05
Investment Custodial Services Limited	32,418	0.05
Jason Brigg Bedford & Janine Carol Bedford	27,248	0.04
Harsh & Emme Bhoopatkar Trustee Limited	24,238	0.04
Somsmith Nominees Limited	23,880	0.04
William John Duff Eaton	19,900	0.03
FNZ Custodians Limited	19,503	0.03
Rosalie Gladys Brown & Dianna Louise Rogers & Raymond Arthur Hancox	16,650	0.02
Investment Custodial Services Limited	14,500	0.02
Effie Alison Edgar & Raymond Arthur Hancox & David Douglas Edgar	13,809	0.02
Valerie Margaret Hampton	13,452	0.02
Investment Custodial Services Limited	13,147	0.02
Somsmith Nominees Limited	12,285	0.02
	67,603,263	99.5

SUBSTANTIAL PRODUCT HOLDERS

The following information has been given pursuant to section 293 of the Financial Markets Conduct Act 2013 (FMCA). According to Smartshares records and disclosures made under section 280(1)(b) of the FMCA, there were no substantial product holders in the Fund as at 31 March 2017. The total number of units on issue at 31 March 2017 was 67,933,573.

DIRECTORS' INTERESTS IN UNITS

	Beneficial	Non-Beneficial
Bevan Miller	4,019*	0
Paul Baldwin	0	0
Guy Elliffe	16,742*	0
John Williams	0	0

*Beneficial interest in these units is indirectly held through the director's interest in the SuperLife KiwiSaver scheme

WAIVERS GRANTED

The Special Division of the New Zealand Markets Disciplinary Tribunal (Special Division) has granted, either fully, partially or subject to conditions a number of waivers to the fund.

The waiver decisions that Smartshares currently relies upon are available on smartshares.co.nz.

Special Division granted the following waivers from the Listing Rules that continue to be relied upon as at 31 March 2017:

3.1.1(a) - compliance with the Listing Rules	7.5 - Issues and Buybacks Affecting Control
3.1.1(b) - compliance with Takeover Provisions	7.6.1 to 7.6.3 - Buybacks of Equity Securities, Redemptions and Financial Assistance
3.3.5 to 3.3.15 - Appointment and Rotation of Directors	7.11.1 Allotment within 5 business days
3.4 - Proceedings and Power of Directors	9.2.1 - Transactions with Related Parties
3.5 - Directors' Remuneration	10.3.2 - Preliminary Announcements
Section 4 - Takeover Provisions	10.4.1(d) - Annual and Half-Year Reports availability
7.1.11 - Minimum Subscription	10.4.2 - Half-Yearly Reporting Requirements
7.3 - Issue of New Equity Securities.	10.6.1(a) - Other Administrative Information
7.4 - Entitlements to Third Party Securities	

In October 2015, Special Division granted Smartshares a waiver from Listing Rules 3.3.1(c), 3.3.3 and 3.6.2(c) to enable Mr Elliffe and Mr Williams to continue to be regarded as Independent Directors following their appointment to the board of SuperLife Limited in May 2016.

As Smartshares and SuperLife Limited were amalgamated on 9 November 2016, Smartshares no longer relies on this waiver.

In June 2016, Special Division granted Smartshares a waiver from Listing Rule 9.2.1 to enable Smartshares to amalgamate with SuperLife Limited without the need for unitholder approval. Smartshares no longer relies on this waiver.

On 8 September 2016, Special Division granted fully, partially or subject to conditions, waivers from the following Listing Rules in relation to the transition of the group investment funds to the FMCA:

7.4.1 - Entitlements to Third Party Securities
7.6.5 - Buy Backs of Equity Securities, Redemptions and Financial Assistance
8.3.1 - Modifications of Rights of Security Holders
9.2.1 - Transactions with Related Parties

NZ Cash Fund (NZC)

FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017

Presented by Smartshares Limited, Manager of the NZ Cash Fund

Report to the Unitholders

HIGHLIGHTS

Launch Date 12-Nov-15

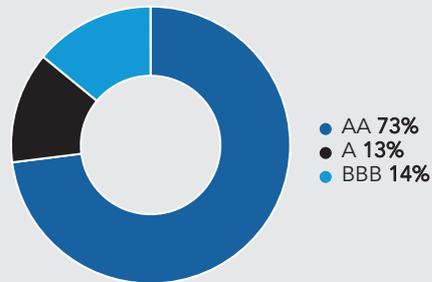
	March 2017	March 2016
Net Tangible Assets (NTA)	\$2.991	\$2.994
Units On Issue	41,973,936	41,823,936
Funds Under Management	\$125,553,553	\$125,204,553
Gross Return	2.77%	1.06%*
Average Rating	AA-	AA-
Total Fund Charges	0.33%	0.33%
Distributions paid	Quarterly	

* Since Inception

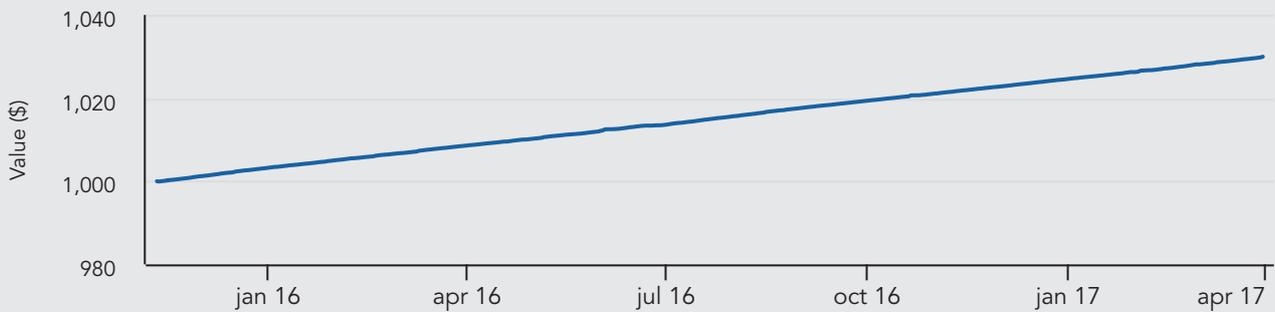
Sector Allocation



Credit Allocation



Growth of \$1,000*



*Since inception, all distributions reinvested.

NZ CASH FUND

DIRECTORY

THE MANAGER

Smartshares Limited
Level 1, NZX Centre
11 Cable Street, Wellington 6140
New Zealand

This is also the address of the registered office.

PRINCIPAL OFFICE OF THE MANAGER

Level 7, Zurich House
21 Queen Street, Auckland Central
Auckland 1010
New Zealand

DIRECTORS OF THE MANAGER

Bevan K. Miller
Timothy O. Bennett (resigned 30 December 2016)
Guy R. Elliffe
A. John Williams
Paul J. Baldwin (appointed 30 December 2016)

AUDITOR

KPMG
10 Customhouse Quay
PO Box 996, Wellington 6140
New Zealand

THE SUPERVISOR

Public Trust
Level 5, 40-42 Queens Street
Lower Hutt 5010, Wellington
New Zealand

THE INVESTMENT MANAGER

Nikko Asset Management New Zealand Limited
Level 9, Vero Centre, 48 Shortland Street,
Auckland 1010
New Zealand

SOLICITOR

Buddle Findlay
Level 17, State Insurance Tower
1 Willis Street, Wellington 6140
New Zealand

INVESTMENT ADMINISTRATOR & CUSTODIAN

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

REGISTRAR

Link Market Services Limited

CORRESPONDENCE

All correspondence and enquiries to the Manager about the Fund should be addressed to the Manager, Smartshares Limited, at the above address.

NZ CASH FUND

Smartshares Limited (the 'Manager') and Public Trust (the 'Supervisor') are parties to a master trust deed dated 24 June 2014 as amended and restated on 9 September 2016 (the 'Trust Deed'). Under a Deed of Retirement and Appointment dated 6 September 2016, Trustee Executors Limited retired as the trustee and Public Trust was appointed as the Supervisor. The Trust Deed sets out the terms and conditions on which units in the funds within the Smartshares Exchange Traded Funds are offered for subscription, whether to the public or otherwise.

The Trust Deed provides that each fund is to be established by the Manager and the Supervisor entering into an establishment deed setting out the specific terms and conditions relating to that fund.

The NZ Cash Fund (the 'Fund') was created by an establishment deed dated 15 October 2015 as amended and restated on 9 September 2016 between the Manager and the Supervisor.

STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are drawn up in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), and fairly present the financial position of the Fund as at 31 March 2017, and the results of its financial performance and cash flows for the year ended 31 March 2017 in accordance with the requirement of the Trust Deed.

It is believed that there are no circumstances that may materially and adversely affect any interest of the unitholders in the assets other than those already disclosed in this report.

For and on behalf of the Manager:
Smartshares Limited



.....
Director



.....
Director

This statement was approved for signing at a meeting of the Directors on 25 May 2017.

NZ CASH FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017

		Year Ended 31 March 2017 \$'000	Period Ended 31 March 2016 \$'000
INCOME			
Interest income		4,373	1,882
Net changes in fair value of financial assets at fair value through profit or loss		<u>(318)</u>	<u>(149)</u>
Total income		<u>4,055</u>	<u>1,733</u>
EXPENSES			
Management fees expense	8	(414)	(160)
Other expenses		<u>(1)</u>	<u>-</u>
Total expenses		<u>(415)</u>	<u>(160)</u>
Profit before tax		3,640	1,573
Income tax expense	1	<u>(1,019)</u>	<u>(440)</u>
Profit after tax		2,621	1,133
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income		<u>2,621</u>	<u>1,133</u>
EARNINGS PER UNIT			
Basic and diluted earnings per unit (cents per unit)	4	<u>6.26</u>	<u>2.71</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS
 FOR THE YEAR ENDED 31 MARCH 2017**

	Note	Year Ended 31 March 2017 \$'000	Period Ended 31 March 2016 \$'000
Unitholders' funds at the beginning of the year/period		<u>125,204</u>	<u>-</u>
Total comprehensive income for the year/period		<u>2,621</u>	<u>1,133</u>
Subscriptions from unitholders	6	449	125,200
Distributions to unitholders	5	<u>(2,736)</u>	<u>(1,129)</u>
		<u>(2,287)</u>	<u>124,071</u>
Unitholders' funds at the end of the year/period		<u><u>125,538</u></u>	<u><u>125,204</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2017**

	Note	As At 31 March 2017 \$'000	As At 31 March 2016 \$'000
ASSETS			
Cash and cash equivalents		1,307	3,142
Receivables		423	324
Investments securities held at fair value through profit or loss	2	64,375	67,230
Bank term deposits	2	<u>59,774</u>	<u>55,852</u>
TOTAL ASSETS		<u>125,879</u>	<u>126,548</u>
LIABILITIES			
Management fees payable	8	(3)	(35)
Taxation payable		(336)	(180)
Distribution payable to unitholders	5	-	(1,129)
Funds held for unit purchases		(1)	-
Other current liabilities		<u>(1)</u>	<u>-</u>
TOTAL LIABILITIES		<u>(341)</u>	<u>(1,344)</u>
UNITHOLDERS' FUNDS		<u>125,538</u>	<u>125,204</u>
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		<u>125,879</u>	<u>126,548</u>

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the financial statements on 25 May 2017.

B Miller
Chairman
Smartshares Limited

G Elliffe
Director
Smartshares Limited

The accompanying notes form part of and should be read in conjunction with these financial statements.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017**

	Year Ended 31 March 2017 \$'000	Period Ended 31 March 2016 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Interest income received	4,255	763
<i>Cash was applied to:</i>		
Management fees paid	(446)	(125)
Taxation paid	(863)	(260)
Other expense	<u>(1)</u>	<u>-</u>
Net cash flows from operating activities	<u>2,945</u>	<u>378</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Cash was provided from:</i>		
Sale of investments	178,408	116,144
Net repayments from the Manager	1	-
<i>Cash was applied to:</i>		
Purchase of investments	<u>(179,814)</u>	<u>(116,336)</u>
Net cash flows from investing activities	<u>(1,405)</u>	<u>(192)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Cash was provided from:</i>		
Subscriptions received from unitholders	490	2,956
<i>Cash was applied to:</i>		
Distributions paid to unitholders	<u>(3,865)</u>	<u>-</u>
Net cash flows from financing activities	<u>(3,375)</u>	<u>2,956</u>
Net (decrease)/increase in cash and cash equivalents	(1,835)	3,142
Cash and cash equivalents at the beginning of the year/period	<u>3,142</u>	<u>-</u>
Cash and cash equivalents at the end of the year/period	<u>1,307</u>	<u>3,142</u>
Reconciliation of profit after tax to net cash flows from operating activities		
Profit after tax	2,621	1,133
Net changes in fair value of financial assets at fair value through profit or loss	318	149
Increase in accrued interest on term deposits	(19)	(795)
Increase in taxation payable	156	180
(Decrease)/increase in management fees payable	(32)	35
Increase in receivables	<u>(99)</u>	<u>(324)</u>
Net cash flows from operating activities	<u>2,945</u>	<u>378</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

GENERAL INFORMATION

The NZ Cash Fund (the 'Fund') is a for-profit fund registered in New Zealand and established under the Financial Markets Conduct Act 2013 ('FMC Act 2013'). It is offered under a registered managed investment scheme known as the Smartshares Exchange Traded Funds. Smartshares Limited, the Manager of the Fund is a FMC reporting entity for the purpose of the FMC Act 2013.

The Fund is governed by the Trust Deed dated 24 June 2014 as amended and restated on 9 September 2016 between the Manager and the Supervisor. The Fund was established on 15 October 2015 and commenced operation on 6 November 2015.

The Fund changed its name from New Zealand Cash Trust to NZ Cash Fund effective 16 September 2016.

The Fund's units are quoted on the NZX Main Board. The Fund is an investment fund that aims to outperform the S&P/NZX 90-Day Bank Bill Index (the 'Index') over a rolling one-year period. As prescribed by the Trust Deed, the Fund invests in short term interest bearing assets and other cash and cash equivalent investments of all types represented in the Index and any other investments that are consistent with the objectives of the Fund.

STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied to the year/period presented.

Comparative period and amounts

These financial statements are for the year ended 31 March 2017. The comparative figures are for the period 6 November 2015 to 31 March 2016. Where necessary, comparative figures have been restated to correspond to the current year classifications.

Basis of preparation

The financial statements of the Fund have been prepared in accordance with the requirements of the FMC Act 2013, Financial Reporting Act 2013, New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS'). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The functional currency of this entity is the same as the presentation currency of these financial statements being the New Zealand Dollar ('NZD'), rounded to the nearest thousand.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Smartshares Limited Board of Directors to exercise its judgement in the process of applying the Fund's Statement of Accounting Policies.

Income recognition

Income is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Fund and the income can be reliably measured. The following specific recognition criteria must also be met before income is recognised:

(a) Interest income

Interest income is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

(b) Changes in fair value of financial assets

Changes in financial assets at fair value through profit or loss are calculated as the difference between the fair value at sale, or at year/period end, and the fair value at the previous valuation point or cost. This includes both realised and unrealised gains and losses, but does not include interest income.

Financial assets at fair value through profit or loss

(a) Classification

The Fund classifies its underlying investments as financial assets at fair value through profit or loss. These financial assets are designated at fair value through profit or loss at inception.

The Fund classifies its underlying investments in bank term deposits as loans and receivables. Financial assets classified as loans and receivables are those with fixed or determinable payments that are not quoted in an active market.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

(b) Financial assets designated at fair value through profit or loss

Financial assets designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Manager to evaluate the information about these financial assets on a fair value basis together with other related financial information. The Manager has determined that investments are designated at fair value through profit or loss.

The Fund does not make short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, nor does it make use of short sales for arbitrage transactions.

(c) Recognition, derecognition and measurement

Purchases and sales of investments are recognised on the trade date - the date on which the Fund commits to purchase or sell the investment. Financial assets designated at fair value through profit or loss are initially recognised at fair value, with transaction costs recognised in profit or loss.

Investments are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income when they arise.

Loans and receivables are recognised when, and only when, the Fund becomes a party to the contractual provisions of the instrument.

Loans and receivables are recognised at fair value including directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method less an allowance for impairment where there is objective evidence that an impairment loss on the loans and receivables has been incurred.

(d) Fair value determination

The fair value of financial assets traded in active markets (such as trading securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Fund is the last traded price.

For investments with no active markets, fair values are determined using valuation techniques. Such techniques include: using recent arm's length transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgmental inputs to a minimum.

Receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are measured at amortised cost using the effective interest method less impairment.

Payables

Trade payables and other payables are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services, and are measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents are considered to be cash at banks, net of bank overdrafts. Operating activities in the Statement of Cash Flows include all transactions or events that are not investing or financing activities. Investing activities are those activities that relate to the acquisition, holding and disposal of investments not falling within the definition of cash. Financing activities are those activities that relate to cash contributions to and from, or cash distributions to the unitholders.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

Units

The Fund issues units, which provide the holder with a beneficial interest in the Fund. The units can be put back to the Fund via a basket redemption, in accordance with the redemption rules as defined in the Trust Deed, by delivery to the investor of the cash amount and/or authorised investments that the Manager agrees to accept as consideration for, and determines to have a value equal to the price of the units issued.

The units are issued and redeemed based on the Fund's net asset value per unit at the time of issue or redemption. The Fund's net asset value per unit is calculated by dividing the net assets attributable to the unitholders by the total number of outstanding units. In accordance with the provisions of the Trust Deed investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

Distributions to unitholders

Distributions are made up of income received from the investments less expenses paid and allowances for future liabilities. Income from investments held is attributed to unitholders on the basis of the number of units held on the record date of the distribution. To the extent that imputation credits are available, distributions to unitholders will be fully imputed. The record date for the Fund is on the last business day of February, May, August and November of each year. Currently, distributions to unitholders are made on a quarterly basis directly from the Fund within 20 business days of the record date.

Taxation

The Fund is domiciled in New Zealand and is registered as a Portfolio Investment Entity ('PIE').

The Fund is liable for tax at the prevailing company tax rate on taxable interest and gains and losses from its investments in securities outlined in Note 2 after the deduction of management fees and other deductible expenses. The Fund pays tax to cover the tax liability in full.

Deferred tax is recognised in respect of temporary differences at the Statement of Financial Position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Current and deferred tax is measured using the tax rates enacted or substantively enacted at the reporting date.

Goods and services tax ('GST')

The Fund is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

Segment information

The Fund operates solely in the business of investment management, investing in New Zealand short term interest bearing securities and other cash and cash equivalent investments. The Fund receives all of its income from its investments. There was no individual investment that contributed 10% or more of income received for the year ended 31 March 2017 (31 March 2016: none).

Changes in accounting policies and accounting standards adopted during the year

(a) Changes in accounting policies

There have been no significant changes in accounting policies during the year. All policies have been applied on a basis consistent with those used in the prior period.

(b) New accounting standards adopted

There were no new accounting standards adopted during the year that have a material impact to the financial statements of the Fund.

Issued but not yet effective accounting standards

A number of accounting standards have been issued or revised that are not yet effective as at 31 March 2017, and have not been applied in preparing the financial statements. The Fund does not plan to adopt these standards early. The standards which are relevant to the Fund are as follows:

- NZ IFRS 9 Financial Instruments - Effective for annual reporting periods beginning on or after 1 January 2018; The impact of any changes has not yet been determined.
- NZ IFRS 15 Revenue from Contracts with Customers - Effective for annual reporting periods beginning on or after 1 January 2018. The impact of any changes has not yet been determined.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

1. TAXATION

	2017	2016
	\$'000	\$'000
Tax expense comprises:		
Current tax expense	<u>(1,019)</u>	<u>(440)</u>
Total tax expense	<u>(1,019)</u>	<u>(440)</u>

The prima facie income tax expense on profit before tax from operations reconciles to the income tax expense in the financial statements as follows:

	2017	2016
	\$'000	\$'000
Income tax expense		
Profit before tax	<u>3,640</u>	<u>1,573</u>
Income tax using the statutory income tax rate 28%	<u>(1,019)</u>	<u>(440)</u>
Net changes in fair value of financial assets	-	-
Non taxable income	<u>-</u>	<u>-</u>
	-	-
Income tax expense as per Statement of Comprehensive Income	<u>(1,019)</u>	<u>(440)</u>

Imputation credit account (ICA)

	2017	2016
	\$'000	\$'000
Imputation credits available for use in subsequent periods	403	180

2. INVESTMENT SECURITIES AND BANK TERM DEPOSITS

	2017	2016
	\$'000	\$'000
<i>Financial assets designated at fair value through profit or loss</i>		
NZ bank bills	14,607	18,973
NZ corporate bonds	<u>49,768</u>	<u>48,257</u>
	64,375	67,230
<i>Loans and receivables</i>		
NZ bank term deposits	<u>59,774</u>	<u>55,852</u>
	<u>124,149</u>	<u>123,082</u>

These investments are managed by Nikko Asset Management New Zealand Limited and are registered in the name of BNP Paribas Fund Services Australasia Pty Limited, New Zealand branch, the custodian of the Fund.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value can be categorised across the following 3 levels based on the degree to which their fair value is 'observable':

Level 1 - Fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable either directly or indirectly;

Level 3 - Fair value measurements are derived from valuation methods that include inputs that are not based on observable market data.

The fair value of bank term deposits with maturities of up to twelve months is deemed to be equivalent to the face value plus accrued interest and have been categorised as level 2 in the hierarchy.

All financial instruments measured at fair value have been categorised as level 2 in the hierarchy.

There were no transfers between levels in the year ended 31 March 2017 (31 March 2016: none).

4. EARNINGS PER UNIT

The basic earnings per unit (EPU) is calculated by dividing the net profit/(loss) after tax attributable to the unitholders by the weighted average number of units on issue during the period.

The Fund's diluted EPU is the same as the basic EPU since the Fund has not issued any instrument with dilutive potential.

	2017	2016
Profit after tax (\$'000)	2,621	1,133
Weighted average number of units ('000)	<u>41,866</u>	<u>41,820</u>
Basic and diluted earnings per unit (cents per unit)	<u>6.26</u>	<u>2.71</u>

5. DISTRIBUTION PAYABLE TO UNITHOLDERS

	2017	2016
	\$'000	\$'000
Opening distribution payable	1,129	-
Distributions accrued to unitholders	2,736	1,129
Distributed to unitholders	<u>(3,865)</u>	<u>-</u>
Closing distribution payable	<u>-</u>	<u>1,129</u>

Distributions declared and paid

	Year ended	Distribution per unit (cents per unit)	2017	2016
			\$'000	\$'000
March 2016 (paid April 2016)	31/03/2016	2.70	-	1,129
June 2016 (paid July 2016)	31/03/2017	1.80	751	-
September 2016 (paid October 2016)	31/03/2017	1.85	773	-
November 2016 (paid December 2016)	31/03/2017	1.21	506	-
February 2017 (paid March 2017)	31/03/2017	1.68	<u>706</u>	<u>-</u>
			<u>2,736</u>	<u>1,129</u>

**NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2017**

6. UNITHOLDERS' FUNDS

As at 31 March 2017 there were 41,974,000 units on issue (31 March 2016: 41,824,000).

All issued units are fully paid and redeemable, and are quoted on the NZX Main Board. The Fund's net assets attributable to unitholders are represented by these units. The relevant movements are shown on the Statement of Changes in Unitholders' Funds.

The number of units allotted during the year ended 31 March 2017 was 150,000 (31 March 2016: 41,824,000) for total value of \$449,000 (31 March 2016: \$125,200,000).

The number of units redeemed during the year ended 31 March 2017 was nil (31 March 2016: nil) for total value of \$nil (31 March 2016: \$nil).

	2017 '000	2016 '000
Movement in the number of units		
Balance at the beginning of the year/period	41,824	-
Subscriptions received during the year/period	<u>150</u>	<u>41,824</u>
Units on issue at the end of the year/period	<u>41,974</u>	<u>41,824</u>

The net asset value of each unit per the financial statements is \$2.99085 (31 March 2016: \$2.99359). Any difference between the net asset value announced to the market for 31 March 2017 and the net asset value per the financial statements is due to different unit pricing methodology.

7. MATURITY ANALYSIS

The Fund invests in short term interest bearing assets and other cash and cash equivalent investments.

The tables below show an analysis of financial assets and financial liabilities analysed according to when they are expected to be recovered or settled.

	2017			2016		
	Within 12 months \$'000	Over 12 months \$'000	Total \$'000	Within 12 months \$'000	Over 12 months \$'000	Total \$'000
ASSETS						
Cash and cash equivalents	1,307	-	1,307	3,142	-	3,142
Receivables	423	-	423	324	-	324
Investments securities held at fair value through profit or loss	31,678	32,697	64,375	28,001	39,229	67,230
Bank term deposits	<u>59,774</u>	<u>-</u>	<u>59,774</u>	<u>34,637</u>	<u>21,215</u>	<u>55,852</u>
Total assets	<u>93,182</u>	<u>32,697</u>	<u>125,879</u>	<u>66,104</u>	<u>60,444</u>	<u>126,548</u>
LIABILITIES						
Management fees payable	(3)	-	(3)	(35)	-	(35)
Taxation payable	(336)	-	(336)	(180)	-	(180)
Distribution payable to unitholders	-	-	-	(1,129)	-	(1,129)
Funds held for unit purchases	(1)	-	(1)	-	-	-
Other current liabilities	<u>(1)</u>	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>(341)</u>	<u>-</u>	<u>(341)</u>	<u>(1,344)</u>	<u>-</u>	<u>(1,344)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

8. RELATED PARTY TRANSACTIONS

Related party holdings

Key management personnel are the Directors of the Manager. There were no transactions with key management personnel during the period.

The Fund is managed by Smartshares Limited, which is a wholly owned subsidiary of NZX Limited, a company listed on the NZX Main Board.

SuperLife superannuation scheme (“SLSS”), a scheme managed by SuperLife Limited, a wholly owned subsidiary of NZX Limited, was an investor in the Fund in this year between 1 April 2016 and 27 October 2016. Effective 28 October 2016, the investments were transferred from SLSS to SuperLife Invest managed investment scheme (“SLI”), a scheme managed by the Manager, also a wholly owned subsidiary of NZX Limited. The transfer of assets and change of Manager was completed as part of the transition of the SuperLife scheme to the Financial Markets Conduct Act 2013.

As at 31 March 2017, SLI held 41,753,936 units valued at \$124,896,000 in the Fund. As at 31 March 2016, SLSS held 41,753,936 units valued at \$124,995,000 in the Fund.

Distributions

The Fund paid distributions of \$1,522,000 (31 March 2016: \$1,127,000) to SLSS. All distributions were settled prior to the transfer of investments from SLSS to SLI. The balance remaining as at 31 March 2016 was \$1,127,000. The Fund paid distributions of \$1,207,000 to SLI for the year ended 31 March 2017 (31 March 2016: not applicable). The balance remaining as payable at the end of the year is \$nil (31 March 2016: not applicable).

Management fees

The Manager receives management fees from the Fund. Under the Trust Deed the Manager pays the supervisor, custodian, registrar and auditor on behalf of the Fund and receives direct purchase application fees and withdrawal fees and interest earned on cash held for the purpose of distribution prior to the distribution being made.

Total gross management fees excluding rebates for the year ended 31 March 2017 amounted to \$414,000 (31 March 2016: \$160,000), with \$3,000 (31 March 2016: \$35,000) of outstanding accrued management fees due to the Manager at the end of the year.

The total interest earned on cash at banks for the year ended 31 March 2017 amounted to \$2,000 (31 March 2016: \$nil).

For the year ended 31 March 2017, total direct purchase application fees amounted to \$nil (31 March 2016: \$nil).

Other related party transactions

As at 31 March 2017 the Fund had a payable to the Manager of \$1,000 (31 March 2016: \$nil).

The audit fee paid by the Manager for the audit of the Fund for the year ended 31 March 2017 was \$5,000 (31 March 2016: \$6,000).

9. FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

The Fund utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability are disclosed in the Statement of Accounting Policies.

The financial instruments not accounted for at fair value through the profit and loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

9. FINANCIAL RISK MANAGEMENT (Continued)

Financial instruments by category

	2017	2016
	\$'000	\$'000
<i><u>Loans and receivables</u></i>		
Cash and cash equivalents	1,307	3,142
Receivables	423	324
Bank term deposits	59,774	55,852
<i><u>Financial assets at fair value through profit and loss</u></i>		
Investments securities held at fair value through profit or loss	64,375	67,230
<i><u>Other financial liabilities</u></i>		
Management fees payable	(3)	(35)
Distribution payable to unitholders	-	(1,129)
Funds held for unit purchases	(1)	-
Other current liabilities	(1)	-

The Fund's activities expose it to a variety of financial risks: interest rate risk, credit risk and liquidity risk. The risk management policies used by the Fund are detailed below:

9a. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risk is a direct consequence of investing in fixed income securities (mainly debt securities).

The Fund holds interest-bearing financial assets - the values of which move up and down inversely to movements in market interest rates and is therefore exposed to interest rate risk.

The exposure of the Fund to interest rate risk is an investment decision taken by the Investment Manager and the size of that risk is limited in the mandate of the Investment Manager. This is monitored and reviewed by the Manager on a regular basis.

The following table analyses the Fund's interest rate risk exposure. The analysis has been prepared on the basis of the remaining period to contractual repricing or maturity dates.

	2017					
	Within 6 months \$'000	Between 6- 12 months \$'000	Between 1- 2 years \$'000	Between 2- 5 years \$'000	Over 5 years \$'000	Total \$'000
ASSETS						
Cash and cash equivalents	1,307	-	-	-	-	1,307
Investments securities held at fair value through profit or loss	23,635	8,043	18,116	14,581	-	64,375
Bank term deposits	<u>37,183</u>	<u>22,591</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>59,774</u>
Total financial assets subject to interest rate risk	<u>62,125</u>	<u>30,634</u>	<u>18,116</u>	<u>14,581</u>	<u>-</u>	<u>125,456</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

9. FINANCIAL RISK MANAGEMENT (Continued)

	2016					Total \$'000
	Within 6 months	Between 6- 12 months	Between 1- 2 years	Between 2- 5 years	Over 5 years	
	\$'000	\$'000	\$'000	\$'000	\$'000	
ASSETS						
Cash and cash equivalents	3,142	-	-	-	-	3,142
Investments securities held at fair value through profit or loss	28,002	12,961	7,220	19,047	-	67,230
Bank term deposits	34,636	21,216	-	-	-	55,852
Total financial assets subject to interest rate risk	65,780	34,177	7,220	19,047	-	126,224

The tables below show the sensitivity of the Fund's Statement of Comprehensive Income to a reasonably possible change in interest rates with all other variables remaining constant. The analysis is performed on the same basis for 31 March 2016. The sensitivity of the Statement of Comprehensive Income is the effect of the assumed changes in interest rates on:

- 1) The interest income for the year based on floating rate financial assets held at 31 March 2017.
- 2) Changes in fair value of financial assets for the year based on revaluing fixed rate financial assets at 31 March 2017.

	2017			
	Sensitivity of interest income		Sensitivity of changes in fair value of investments	
	100 basis points increase	100 basis points decrease	100 basis points increase	100 basis points decrease
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	13	(13)	-	-
Investments securities held at fair value through profit or loss	468	(468)	(7)	8

	2016			
	Sensitivity of interest income		Sensitivity of changes in fair value of investments	
	100 basis points increase	100 basis points decrease	100 basis points increase	100 basis points decrease
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	31	(31)	-	-
Investments securities held at fair value through profit or loss	517	(517)	(40)	40

9b. Credit risk

Credit risk represents the risk that a counterparty to the financial instrument will fail to perform contractual obligations under a contract and cause the Fund to incur a loss.

With respect to credit risk arising from the financial assets of the Fund, the Fund's exposure to credit risk arises from the default of the counterparty, with the current exposure equal to the fair value of these instruments as disclosed in the Statement of Financial Position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date.

The Fund holds no collateral as security or any other credit enhancements. There are no financial assets that are past due or impaired, or would otherwise be past due or impaired except for the terms having been renegotiated.

The analysis below summarises the credit quality of the Fund's exposure rated externally by Standard & Poor's, Moody's or Fitch. In situations where a security has different ratings by the agencies, the highest rating applies. If a security is not rated by one of these agencies, the Investment Manager will assess what rating the security might attain if it were to seek an external rating.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

9. FINANCIAL RISK MANAGEMENT (Continued)

	2017			
	AAA to AA- \$'000	A+ to A- \$'000	BBB+ to B- \$'000	Total \$'000
	NZ bank bills	-	14,607	-
NZ corporate bonds	19,801	22,477	7,490	49,768
NZ bank term deposits	<u>33,093</u>	<u>16,910</u>	<u>9,771</u>	<u>59,774</u>
	<u>52,894</u>	<u>53,994</u>	<u>17,261</u>	<u>124,149</u>

	2016			
	AAA to AA- \$'000	A+ to A- \$'000	BBB+ to B- \$'000	Total \$'000
	NZ bank bills	-	18,973	-
NZ corporate bonds	25,342	18,310	4,605	48,257
NZ bank term deposits	<u>28,334</u>	<u>18,384</u>	<u>9,134</u>	<u>55,852</u>
	<u>53,676</u>	<u>55,667</u>	<u>13,739</u>	<u>123,082</u>

Cash and cash equivalents

The Fund's cash and cash equivalents are held with ANZ Bank New Zealand Limited ('ANZ') and Westpac New Zealand Limited ('Westpac').

The table below discloses the Standard & Poor's credit rating for the Fund's cash and cash equivalents balance with each bank above at the reporting date.

	2017		2016	
	Balance \$'000	Credit rating	Balance \$'000	Credit rating
	ANZ	5	AA-	1,128
Westpac	<u>1,302</u>	AA-	<u>2,014</u>	AA-
	<u>1,307</u>		<u>3,142</u>	

The Investment Manager is responsible for assessing and monitoring the creditworthiness of borrower, guarantors, issuers of debt securities, acceptors of bills of exchange, or other sources of credit risk.

9c. Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with the financial liabilities that are settled by delivering cash or another financial asset.

The Fund is able to generate sufficient cash on a timely basis to meet its financial commitments and normal levels of redemptions. The Investment Manager ensures that the Fund has appropriate liquidity levels within allowable benchmark ranges. In the event of abnormal levels of redemptions, timing of payments may depend on the ability of the Fund to realise its underlying investments on a timely basis, subject to provisions in the Trust Deed.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

10. COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 31 March 2017 (31 March 2016: none).

11. EVENTS AFTER THE REPORTING YEAR

Since 31 March 2017 there have been no matters or circumstances not otherwise dealt with in the financial statements that have significantly affected or may significantly affect the Fund.

NZ CASH FUND



Independent Auditor's Report

To the unitholders of NZ Cash Fund

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of NZ Cash Fund (the fund) on pages 476 to 490:

- i. present fairly in all material respects the fund's financial position as at 31 March 2017 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2017;
- the statement of comprehensive income, statement of changes in unitholders' funds and statement of cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the fund in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report.

Our firm has also provided other assurance services to the fund in relation to reporting to the supervisor. Subject to certain restrictions, employees of our firm may also deal with the fund on normal terms within the ordinary course of trading activities of the business of the fund. These matters have not impaired our independence as auditor of the fund. The firm has no other relationship with, or interest in, the fund.



Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole. The materiality for the financial statements as a whole was set at \$1,259,000 determined with reference to a benchmark of the fund's total assets. We chose the benchmark because, in our view, this is a key measure of the fund's performance.

NZ CASH FUND



Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the members as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the financial statements as a whole and we do not express discrete opinions on separate elements of the financial statements.

The key audit matter

How the matter was addressed in our audit

Carrying amount of investments

Refer to Note 2 to the Financial Statements.

The fund's portfolio of investments makes up 98.6% of total assets. We do not consider these investments to be at high risk of significant misstatement, or be subject to a significant level of judgement, because they comprise bonds or other simple fixed interest instruments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be the area which had the greatest effect on our overall audit strategy and allocation of resources in planning and completing our audit.

Our audit procedures included:

- documenting and understanding the processes in place to record investment transactions and to value the portfolio. This included evaluating the control environment in place at the administration manager by obtaining and reading a report issued by an independent auditor on the design and operation of those controls
- agreeing a sample of the 31 March 2017 valuations of listed fixed interest instruments to externally quoted prices and unlisted fixed interest investments to broker quotes. Where externally quoted prices or broker quotes are not available we applied valuation methods using observable market interest rates to assess the valuation
- agreeing investment holdings to confirmations received from the administration manager

We did not identify any material differences in relation to the carrying amount of investments.



Other Information

The Manager, on behalf of the fund, is responsible for the other information included in the entity's Annual Report. Other information may include the Chairman's report, fund highlights, disclosures relating to corporate governance and statutory information. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

The Annual Report is expected to be made available to us after the date of this Independent Auditor's Report. Our responsibility is to read the Annual Report when it becomes available and consider whether the other information it contains is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appear misstated. If so, we are required to report such matters to the Manager.



Use of this Independent Auditor's Report

This report is made solely to the members as a body. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in the Independent Auditor's Report and

NZ CASH FUND



for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members as a body for our audit work, this report, or any of the opinions we have formed.



Responsibilities of the Manager for the financial statements

The Manager, on behalf of the fund, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Independent Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

https://www.xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page2.aspx_

This description forms part of our Independent Auditor's Report.

Brent Manning

For and on behalf of

KPMG
Wellington

25 May 2017

Unitholder Information

DISTRIBUTION OF SECURITY HOLDERS AND SECURITY HOLDINGS

AS AT 30 APRIL 2017

	No. of holders	% of holders	No. of securities	% of securities
1-1,000	10	38.46%	2,050	0.00%
1,001-5,000	7	26.92%	15,581	0.04%
5,001-10,000	3	11.54%	17,288	0.04%
10,001-50,000	3	11.54%	54,631	0.13%
50,001-100,000	2	7.69%	145,450	0.35%
Greater than 100,000	1	3.85%	41,738,936	99.44%
TOTAL	26	100.00%	41,973,936	100.00%

20 LARGEST REGISTERED HOLDERS OF QUOTED EQUITY SECURITIES

AS AT 30 APRIL 2017

Full Name	Total	Percentage
SuperLife Nominees Limited	41,738,936	99.44
Timothy Shepheard Walwyn	80,450	0.19
New Zealand Central Securities Depository Limited	65,000	0.15
David Georges Andre Dromer	23,718	0.06
William Peter Stronach Tuckey	16,895	0.04
David John Thomas	14,018	0.03
Roger Alan Dodds	6,600	0.02
Craigs Investment Partners Limited	5,533	0.01
Stuart Cameron Walter Holehouse	5,155	0.01
Kenneth Moffett	3,356	0.01
Theresa Rose Marie Walker	3,356	0.01
Grant Neilson Mackenzie	3,027	0.01
Margaret Ann Weston & Leslie Karin Marianne Forsyth	1,667	0
Alan Sutcliffe	1,664	0
Claire Mary Heeran	1,506	0
Pjb Limited	1,005	0
Peter Colin Hyde & Debra Ann Hyde	504	0
Nehemias Jr Astrolabio Padayao	350	0
Leonard Johan La Grange & Ilana La Grange	326	0
Barry John Mcdonald	242	0
	41,973,308	100

SUBSTANTIAL PRODUCT HOLDERS

The following information has been given pursuant to section 293 of the Financial Markets Conduct Act 2013 (FMCA). According to Smartshares records and disclosures made under section 280(1)(b) of the FMCA, there were no substantial product holders in the Fund as at 31 March 2017. The total number of units on issue at 31 March 2017 was 41,973,936.

DIRECTORS' INTERESTS IN UNITS

	Beneficial	Non-Beneficial
Bevan Miller	384*	0
Paul Baldwin	0	0
Guy Elliffe	14,649*	0
John Williams	0	0

*Beneficial interest in these units is indirectly held through the director's interest in the SuperLife KiwiSaver scheme

WAIVERS GRANTED

The Special Division of the New Zealand Markets Disciplinary Tribunal (Special Division) has granted, either fully, partially or subject to conditions a number of waivers to the fund.

The waiver decisions that Smartshares currently relies upon are available on smartshares.co.nz.

Special Division granted the following waivers from the Listing Rules that continue to be relied upon as at 31 March 2017:

3.1.1(a) - compliance with the Listing Rules	7.5 - Issues and Buybacks Affecting Control
3.1.1(b) - compliance with Takeover Provisions	7.6.1 to 7.6.3 - Buybacks of Equity Securities, Redemptions and Financial Assistance
3.3.5 to 3.3.15 - Appointment and Rotation of Directors	7.11.1 Allotment within 5 business days
3.4 - Proceedings and Power of Directors	9.2.1 - Transactions with Related Parties
3.5 - Directors' Remuneration	10.3.2 - Preliminary Announcements
Section 4 - Takeover Provisions	10.4.1(d) - Annual and Half-Year Reports availability
7.1.11 - Minimum Subscription	10.4.2 - Half-Yearly Reporting Requirements
7.3 - Issue of New Equity Securities.	10.6.1(a) - Other Administrative Information
7.4 - Entitlements to Third Party Securities	

In October 2015, Special Division granted Smartshares a waiver from Listing Rules 3.3.1(c), 3.3.3 and 3.6.2(c) to enable Mr Elliffe and Mr Williams to continue to be regarded as Independent Directors following their appointment to the board of SuperLife Limited in May 2016.

As Smartshares and SuperLife Limited were amalgamated on 9 November 2016, Smartshares no longer relies on this waiver.

In June 2016, Special Division granted Smartshares a waiver from Listing Rule 9.2.1 to enable Smartshares to amalgamate with SuperLife Limited without the need for unitholder approval. Smartshares no longer relies on this waiver.

On 8 September 2016, Special Division granted fully, partially or subject to conditions, waivers from the following Listing Rules in relation to the transition of the group investment funds to the FMCA:

7.4.1 - Entitlements to Third Party Securities
7.6.5 - Buy Backs of Equity Securities, Redemptions and Financial Assistance
8.3.1 - Modifications of Rights of Security Holders
9.2.1 - Transactions with Related Parties

Corporate Governance

Smartshares Limited (Manager) is a wholly owned subsidiary of NZX Limited (NZX), and is the Issuer of the Funds within the Smartshares Exchange Traded Funds scheme (Scheme). The Scheme's Trust Deed contains detailed provisions governing the investment of the Scheme's property and the role of the Manager of the Funds. The nature of the business of the Scheme is investment in a defined set of financial products as set out in the Scheme's Statement of Investment Policy and Objectives (SIPO). The Board oversees the business and affairs of the Manager, including monitoring compliance with the SIPO and the Manager's obligations as a licensed managed investment scheme manager under the Financial Markets Conduct Act 2013 and the Trust Deed.

The Manager is subject to the oversight of the Financial Markets Authority and Public Trust as supervisor of the Scheme. The Special Division of the New Zealand Markets Disciplinary Tribunal regulates the Manager as a listed issuer under the NZX Main Board Listing Rules (**Rules**). The Manager has not established a code of ethics but in June 2016 adopted a Board Charter which sets out the Board's obligations, which include responsibility for considering the Scheme's investment performance, potential conflicts of interests and related party transactions and compliance with its legal obligations.

For the reasons set out above, given the nature of the Scheme's business and corporate structure, much of the Corporate Governance Best Practice Code (**Code**) set out in Appendix 16 of the Rules is not appropriate to the Manager of the Funds. This section describes the current practices of Smartshares Limited relating to corporate governance matters. It differs from the Code in a number of ways for the reasons set out above.

GOVERNANCE ARRANGEMENTS

Smartshares adheres to the NZX Funds Management Conflicts Management Policy which was adopted in June 2016 and sets out Smartshares' arrangements to identify, approve and disclose conflicts of interest that could materially influence its investment decisions. Smartshares has also adopted a Related Party Transaction Policy which describes Smartshares' arrangements for identifying and approving related party benefit transactions. The transactions that were approved during the reporting period are set out on page 3 of this report. In addition Smartshares has adopted a number of other policies relating to its management of the Scheme which are summarised in the SIPO.

THE BOARD

As at 31 March 2017, the Board comprised four Directors, Bevan Miller (Chair), Paul Baldwin, Guy Elliffe and John Williams. Mr Miller and Mr Baldwin are employees of NZX Limited (NZX) and are therefore not Independent Directors as defined in the Rules. Mr Elliffe and Mr Williams were appointed to the Board in November 2015 and are each Independent Directors for the purposes of the Rules¹.

COMMITTEES

The Board of the Manager has one standing committee, an Audit Committee, comprising Mr Elliffe, (Committee Chairman), Mr Miller and Mr Williams. In March 2011, the Board resolved to adopt formal Audit Committee Terms of Reference, which were updated in June 2016. The Terms of Reference set out the Audit

¹ The Special Division granted the Manager a waiver from Rules 3.3.1(c) and 3.6.2(c) on 9 May 2016. That waiver enabled Mr Elliffe and Mr Williams to continue to be regarded as Independent Directors following their appointment to the board of SuperLife Limited (which was the Manager's sister company). As the Manager and SuperLife Limited were amalgamated on 9 November 2016, the Manager no longer relies on this waiver.

Committee’s role in assisting the Board with financial reporting and audit matters, and contemplate that the Audit Committee will meet at least two times every year.

Smartshares Limited has no remuneration or nomination committee. There is no nomination committee as the Manager is a wholly-owned subsidiary of NZX, which appoints Directors to the Board of the Manager. The NZX Human Resources and Remuneration Committee considers the appointment and remuneration of the Directors of Smartshares. No Director received any remuneration from Smartshares Limited during the year. The Independent Directors are entitled to remuneration and other benefits from NZX, in their capacity as Independent Directors of Smartshares Limited. The total amount of remuneration and other benefits to which each Independent Director was entitled for the year is as listed next to their names below:

Director Remuneration

Guy Elliffe	\$30,000
John Williams	\$30,000

The Manager is entitled to remuneration in respect of its management of the Funds. Information about the remuneration received by the Manager for the financial year ended March 2017 can be found in the financial statements for the Scheme as set out in this report. Services are provided to Smartshares Limited by employees of NZX.

Insurance and Indemnification

NZX pays premiums in respect of directors’ liability insurance. The policies do not specify a premium for individuals.

The insurance provides cover against costs and expenses involved in defending legal actions and any damages or judgments awarded or entered against the individual, settlements negotiated and any legal costs or expenses awarded against the individual arising from a liability to persons (other than the company or a related body corporate) incurred in their position as a director unless the conduct involves a willful breach of duty, improper use of inside information or position to gain any profit or advantage or any criminal, dishonest, fraudulent or malicious acts or omissions or any knowing or willful violation of any statute or regulation.

NZX has granted indemnities to Smartshares’ Directors in relation to potential liabilities and costs they may incur for acts or omissions in their role as a director of an NZX subsidiary. Similar exclusions to those under the insurance apply.

2015/2016 BOARD AND COMMITTEE ATTENDANCE

Board

Director	Smartshares Board Attendance	
Bevan Miller (Chair)	12/12	(Director for 12 meetings)
Guy Elliffe	12/12	(Director for 12 meetings)
John Williams	12/12	(Director for 12 meetings)
Tim Bennett ¹	6/10	(Director for 10 meetings)
Paul Baldwin ²	2/2	(Director for 2 meetings)

¹ Resigned 30 December 2016
² Appointed 30 December 2016

Audit Committee

Members	Audit Committee Attendance	
Guy Elliffe (Chair)	5/5	(Member for 5 meetings)
John Williams	5/5	(Member for 5 meetings)
Bevan Miller	5/5	(Member for 5 meetings)

DIRECTORS' INTERESTS

Smartshares Limited is required to maintain an Interests Register in which particulars of certain transactions and matters involving the Directors must be recorded.

The Directors have declared interests in the entities listed below. The Directors noted are those that held office between 1 April 2016 and 31 March 2017.

Director	Interest	Entity
Bevan Miller (Chair)	CFO	NZX Limited
Paul Baldwin ¹	Head of NZX Wealth Technologies Limited	NZX Wealth Technologies Limited
Guy Elliffe	Corporate Governance Manager	Accident Compensation Corporation
John Williams	Investment Manager	Trust Investments Management Limited
Tim Bennett ²	CEO	NZX Limited
	Director	New Zealand Clearing and Depository Corporation Limited
	Director	New Zealand Clearing Limited
	Director	New Zealand Depository Limited

¹ Appointed 30 December 2016

² Resigned 30 December 2016

GENDER AND DIVERSITY

Smartshares does not currently have a Diversity Policy but will consider implementing a policy in the future. As at 31 March 2017, the gender balance of Smartshares Directors and Officers was as follows:

	Directors	Officers
Female	Nil	Nil
Male	4 (100%)	2 (100%)

As at 31 March 2016, the gender balance of Smartshares Directors and Officers was as follows:

	Directors	Officers
Female	Nil	Nil
Male	4 (100%)	2 (100%)

This report is signed by and on behalf of the Board of Smartshares Limited by:

Bevan Miller

Guy Elliffe

