

Smartshares Exchange Traded Funds

NZ Dividend Fund

Fund update for the quarter ended 30 September 2017

This fund update was first made publicly available on 19 October 2017.

What is the purpose of this update?

This document tells you how the NZ Dividend Fund has performed and what fees were charged. The document will help you to compare the fund with other funds. Smartshares Limited prepared this update in accordance with the Financial Markets Conduct Act 2013. This information is not audited and may be updated.

Description of this fund

The NZ Dividend Fund invests in financial products listed on the NZX Main Board and is designed to track the return on the S&P/NZX 50 High Dividend Index.

Total value of the fund: \$38,083,728

The date the fund started: 7 April 2015

What are the risks of investing?

Risk indicator for the NZ Dividend Fund¹



The risk indicator is rated from 1 (low) to 7 (high). The rating reflects how much the value of the fund's assets goes up and down. A higher risk generally means higher potential returns over time, but more ups and downs along the way.

To help you clarify your own attitude to risk, you can seek financial advice or work out your risk profile at www.sorted.org.nz/tools/investor-kickstarter.

Note that even the lowest category does not mean a risk-free investment, and there are other risks that are not captured by this rating.

This risk indicator is not a guarantee of a fund's future performance. The risk indicator is based on the returns data for 5 years to 30 September 2017. While risk indicators are usually relatively stable, they do shift from time to time. The risk indicator will continue to be updated in future fund updates.

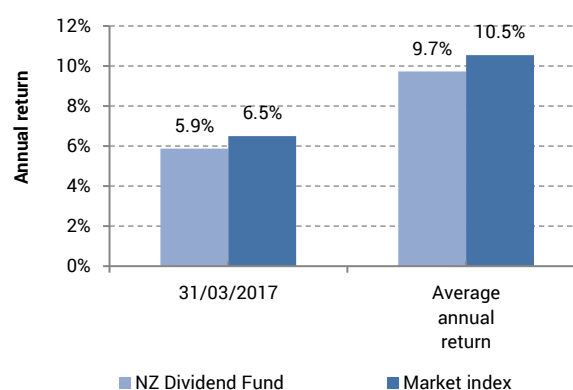
See the Product Disclosure Statement for the Smartshares Exchange Traded Funds for more information about the risks associated with investing in this fund.

How has the fund performed?

| | Past year |
|--|-----------|
| Annual return (after deductions for charges and tax) | 3.25% |
| Annual return (after deductions for charges but before tax) | 4.99% |
| Market index annual return (reflects no deduction for charges and tax) | 3.89% |

The market index annual return is based on the annual return of the S&P/NZX 50 High Dividend Index. Additional information about the market index is available on the offer register at www.business.govt.nz/disclose.

Annual return graph





This shows the return after fund charges and tax for each year ending 31 March since the fund started. The last bar shows the average annual return since the fund started, up to 30 September 2017.

Important: This does not tell you how the fund will perform in the future.

Returns in this update are after tax at 28%.

What fees are investors charged?

Investors in the NZ Dividend Fund are charged fund charges. In the year to 31 March 2017 these were:

| | % per annum of fund's net asset value |
|--|---------------------------------------|
|--|---------------------------------------|

| | |
|---------------------------|-------|
| Total fund charges | 0.54% |
|---------------------------|-------|

Which are made up of:

| | |
|--|-------|
| Total management and administration charges | 0.54% |
|--|-------|

Including:

| | |
|---------------------|-------|
| Manager's basic fee | 0.54% |
|---------------------|-------|

| | |
|---|-------|
| Other management and administration charges | 0.00% |
|---|-------|

| | |
|-------------------------------------|-------|
| Total performance-based fees | 0.00% |
|-------------------------------------|-------|

| Other charges | Dollar amount per investor |
|---------------|----------------------------|
|---------------|----------------------------|

| | |
|----------------|--------|
| Not applicable | \$0.00 |
|----------------|--------|

Investors may also be charged individual action fees for specific actions or decisions (for example, for initial contributions to the fund). See the Product Disclosure Statement for the Smartshares Exchange Traded Funds for more information about those fees.

Small differences in fees and charges can have a big impact on your investment over the long term.

Example of how this applies to an investor

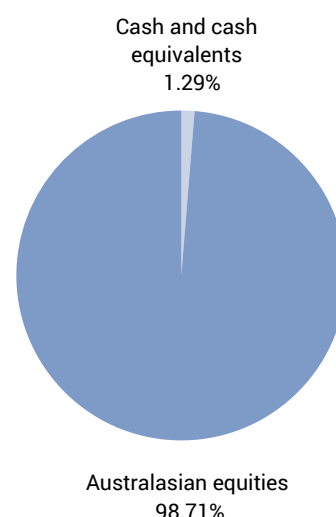
Tara had \$10,000 in the fund and did not make any further contributions. At the end of the year, Tara received a return after fund charges were deducted of \$325 (that is 3.25% of her initial \$10,000).

Tara paid no other charges. This gives Tara a total return after tax of \$325 for the year.

What does the fund invest in?

Actual investment mix

This shows the types of assets that the fund invests in.



Target investment mix

This shows the mix of assets that the fund generally intends to invest in.

| Asset Category | Target asset mix |
|------------------------------|------------------|
| Cash and cash equivalents | - |
| New Zealand fixed interest | - |
| International fixed interest | - |
| Australasian equities | 100.00% |
| International equities | - |
| Listed property | - |
| Unlisted property | - |
| Commodities | - |
| Other | - |



Top 10 investments

| Name | % of fund's net asset value | Type | Country | Credit rating (if applicable) |
|---------------------------------|-----------------------------|-----------------------|-------------|-------------------------------|
| Fletcher Building Ltd | 10.17% | Australasian equities | New Zealand | |
| Meridian Energy Ltd | 9.83% | Australasian equities | New Zealand | |
| Spark New Zealand Ltd | 9.51% | Australasian equities | New Zealand | |
| Air New Zealand Ltd | 8.30% | Australasian equities | New Zealand | |
| Mercury NZ Ltd | 7.66% | Australasian equities | New Zealand | |
| Contact Energy Ltd | 6.57% | Australasian equities | New Zealand | |
| Genesis Energy Ltd | 5.83% | Australasian equities | New Zealand | |
| Z Energy Ltd | 4.24% | Australasian equities | New Zealand | |
| SKYCITY Entertainment Group Ltd | 3.66% | Australasian equities | New Zealand | |
| Infratil Ltd | 3.49% | Australasian equities | New Zealand | |

The top 10 investments make up 69.26% of the fund's net asset value.

Currency hedging

Not applicable.

Key personnel

This shows the directors and employees who have the most influence on the investment decisions of the fund:

| Name | Current position | Time in current position | Previous or other positions | Time in previous / other position |
|-----------------------|------------------------------------|--------------------------|---------------------------------------|-----------------------------------|
| Paul James Baldwin | Director | 9 months | Head of NZX Wealth Technologies - NZX | 1 year and 2 months |
| Guy Roulston Elliffe | Director | 1 year and 10 months | Corporate Governance Manager - ACC | 2 years and 5 months |
| Aaron Leslie Jenkins | Head of NZX Funds Management - NZX | 2 years and 3 months | Head of Markets - NZX | 1 year and 6 months |
| Bevan Keith Miller | Director | 4 years and 1 month | Chief Financial Officer - NZX | 4 years and 9 months |
| Alister John Williams | Director | 1 year and 10 months | Investment Manager - Trust Management | 2 years and 8 months |

Further information

You can also obtain this information, the Product Disclosure Statement for the Smartshares Exchange Traded Funds, and some additional information from the offer register at www.business.govt.nz/disclose.

Notes

- 1 Market index returns (as well as actual returns) have been used to complete the risk indicator, as the fund has not been in existence for 5 years. As a result, the risk indicator may provide a less reliable indicator of the potential future volatility of the fund. The risk indicator for the fund uses 2 years and 7 months of market index returns.