



US LARGE VALUE FUND

**FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017**

Presented by Smartshares Limited, Manager of the US Large Value Fund

US LARGE VALUE FUND

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US LARGE VALUE 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.

Phone: 0800 80 87 80

Email: smartshares@smartshares.co.nz

Website: www.smartshares.co.nz

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 (resigned 27 October 2017)
Guy R. Elliffe
A. John Williams
Paul J. Baldwin
Mark J. Peterson (appointed 27 October 2017)

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 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'). 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 30 September 2017, and the results of its financial performance and cash flows for the six months ended 30 September 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 23 November 2017.

US LARGE VALUE FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	Note	Unaudited Six Months Ended 30 September 2017 \$'000	Unaudited Six Months Ended 30 September 2016 \$'000	Audited Year Ended 31 March 2017 \$'000
INCOME				
Dividend income		451	381	855
Net changes in fair value of financial assets at fair value through profit or loss		445	250	4,670
Total income		896	631	5,525
EXPENSES				
Management fees expense	7	(81)	(72)	(149)
Foreign exchange loss		-	(2)	(5)
Total expenses		(81)	(74)	(154)
Profit before tax		815	557	5,371
Income tax expense	1	(227)	(202)	(418)
Profit after tax		588	355	4,953
Other comprehensive income		-	-	-
Total comprehensive income		588	355	4,953
EARNINGS PER UNIT				
Basic and diluted earnings per unit (cents per unit)	4	4.41	2.72	37.75

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

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STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

		Unaudited Six Months Ended 30 September 2017 \$'000	Unaudited Six Months Ended 30 September 2016 \$'000	Audited Year Ended 31 March 2017 \$'000
Unitholders' funds at the beginning of the period/year		36,314	31,111	31,111
Total comprehensive income for the period/year		<u>588</u>	<u>355</u>	<u>4,953</u>
Subscriptions from unitholders	6	465	311	551
Distributions to unitholders	5	<u>(128)</u>	<u>(112)</u>	<u>(301)</u>
		<u>337</u>	<u>199</u>	<u>250</u>
Unitholders' funds at the end of the period/year		<u><u>37,239</u></u>	<u><u>31,665</u></u>	<u><u>36,314</u></u>

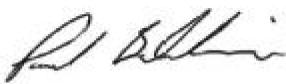
The accompanying notes form part of and should be read in conjunction with these financial statements.

US LARGE VALUE FUND

STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2017

		Unaudited As At 30 September 2017 \$'000	Unaudited As At 30 September 2016 \$'000	Audited As At 31 March 2017 \$'000
ASSETS				
Cash and cash equivalents		386	338	380
Investments in equity securities held at fair value through profit or loss	2	36,963	31,398	36,111
TOTAL ASSETS		37,349	31,736	36,491
LIABILITIES				
Management fees payable	7	(1)	(12)	(1)
Taxation payable		(93)	(48)	(102)
Funds held for unit purchases		(16)	(11)	(19)
Unsettled trades		-	-	(55)
TOTAL LIABILITIES		(110)	(71)	(177)
UNITHOLDERS' FUNDS		37,239	31,665	36,314
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		37,349	31,736	36,491

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the financial statements on 23 November 2017.



Director
Smartshares Limited



Director
Smartshares Limited

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

US LARGE VALUE FUND

STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	Unaudited Six Months Ended 30 September 2017 \$'000	Unaudited Six Months Ended 30 September 2016 \$'000	Audited Year Ended 31 March 2017 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Cash was provided from:</i>			
Dividend income received	384	323	727
<i>Cash was applied to:</i>			
Management fees paid	(81)	(72)	(160)
Taxation paid	<u>(169)</u>	<u>(149)</u>	<u>(241)</u>
Net cash flows from operating activities	<u>134</u>	<u>102</u>	<u>326</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>(211)</u>	<u>(216)</u>	<u>(372)</u>
Net cash flows from investing activities	<u>(211)</u>	<u>(216)</u>	<u>(372)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
<i>Cash was provided from:</i>			
Subscriptions received from unitholders	211	167	330
<i>Cash was applied to:</i>			
Distributions paid to unitholders	<u>(128)</u>	<u>(112)</u>	<u>(301)</u>
Net cash flows from financing activities	<u>83</u>	<u>55</u>	<u>29</u>
Net increase/(decrease) in cash and cash equivalents	6	(59)	(17)
Cash and cash equivalents at the beginning of the period/year	<u>380</u>	<u>397</u>	<u>397</u>
Cash and cash equivalents at the end of the period/year	<u>386</u>	<u>338</u>	<u>380</u>
Reconciliation of profit after tax to net cash flows from operating activities			
Profit after tax	588	355	4,953
Net changes in fair value of financial assets at fair value through profit or loss	(445)	(250)	(4,670)
Foreign exchange loss	-	2	5
(Decrease)/increase in taxation payable	(9)	(5)	49
Decrease in management fees payable	<u>-</u>	<u>-</u>	<u>(11)</u>
Net cash flows from operating activities	<u>134</u>	<u>102</u>	<u>326</u>

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

US LARGE VALUE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 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's units are quoted on the NZX Main Board. The Fund is a passive investment fund that invests in the 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 29 September 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 periods/year presented.

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 the financial assets' 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.

US LARGE VALUE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 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, withdrawals and distributions.

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 distributions are on the last business day of May and November in each year. Currently, distributions are paid to unitholders 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. The Fund is able to utilise foreign withholding tax credits when they are available. 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 reporting 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 the Underlying Fund - Vanguard Value ETF. The Fund receives all of its dividend income from this investment.

US LARGE VALUE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

Changes in accounting policies and accounting standards adopted during the period

(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 periods.

(b) New accounting standards adopted

There were no new accounting standards adopted during the period 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 30 September 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

	30 September 2017 \$'000	30 September 2016 \$'000	31 March 2017 \$'000
Tax expense comprises:			
Current tax expense	<u>(227)</u>	<u>(202)</u>	<u>(418)</u>
Total tax expense	<u><u>(227)</u></u>	<u><u>(202)</u></u>	<u><u>(418)</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

	30 September 2017 \$'000	30 September 2016 \$'000	31 March 2017 \$'000
Profit before tax	<u>815</u>	<u>557</u>	<u>5,371</u>
Income tax using the statutory income tax rate 28%	(228)	(156)	(1,504)
Net changes in fair value of financial assets	125	70	1,308
Non taxable income	127	106	238
Tax on securities subject to FDR	<u>(251)</u>	<u>(222)</u>	<u>(460)</u>
	(227)	(202)	(418)
Income tax expense as per Statement of Comprehensive Income	<u><u>(227)</u></u>	<u><u>(202)</u></u>	<u><u>(418)</u></u>

Imputation credit account (ICA)

	30 September 2017 \$'000	30 September 2016 \$'000	31 March 2017 \$'000
Imputation credits available for use in subsequent periods	395	213	285

US LARGE VALUE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

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

	30 September 2017		30 September 2016		31 March 2017	
	Number of units '000	Fair value \$'000	Number of units '000	Fair value \$'000	Number of units '000	Fair value \$'000
Underlying fund						
Vanguard Value ETF	268	<u>36,963</u>	262	<u>31,398</u>	265	<u>36,111</u>
		<u>36,963</u>		<u>31,398</u>		<u>36,111</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 period ended 30 September 2017 (30 September 2016: none; 31 March 2017: 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.

	30 September 2017	30 September 2016	31 March 2017
Profit after tax (\$'000)	588	355	4,953
Weighted average number of units ('000)	<u>13,328</u>	<u>13,075</u>	<u>13,119</u>
Basic and diluted earnings per unit (cents per unit)	<u>4.41</u>	<u>2.72</u>	<u>37.75</u>

5. DISTRIBUTION PAYABLE TO UNITHOLDERS

	30 September 2017 \$'000	30 September 2016 \$'000	31 March 2017 \$'000
Opening distribution payable	-	-	-
Distributions accrued to unitholders	128	112	301
Distributed to unitholders	<u>(128)</u>	<u>(112)</u>	<u>(301)</u>
Closing distribution payable	<u>-</u>	<u>-</u>	<u>-</u>

US LARGE VALUE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

5. DISTRIBUTION PAYABLE TO UNITHOLDERS (Continued)

Distributions declared and paid

		Distribution per unit (cents per unit)	30 September 2017 \$'000	30 September 2016 \$'000	31 March 2017 \$'000
April 2016 (paid May 2016)	31/03/2017	0.86	-	112	112
November 2016 (paid December 2016)	31/03/2017	1.44	-	-	189
May 2017 (paid June 2017)	31/03/2018	0.96	128	-	-
			<u>128</u>	<u>112</u>	<u>301</u>

6. UNITHOLDERS' FUNDS

As at 30 September 2017 there were 13,385,000 units on issue (30 September 2016: 13,122,000; 31 March 2017: 13,215,000).

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 period ended 30 September 2017 was 170,000 (30 September 2016: 128,000; 31 March 2017: 221,000) for total value of \$465,000 (30 September 2016: \$311,000; 31 March 2017: \$551,000).

The number of units redeemed during the period ended 30 September 2017 was nil (30 September 2016: nil; 31 March 2017: nil) for total value of \$nil (30 September 2016: \$nil; 31 March 2017: \$nil).

	30 September 2017 '000	30 September 2016 '000	31 March 2017 '000
Movement in the number of units			
Balance at the beginning of the period/year	13,215	12,994	12,994
Subscriptions received during the period/year	<u>170</u>	<u>128</u>	<u>221</u>
Units on issue at the end of the period/year	<u>13,385</u>	<u>13,122</u>	<u>13,215</u>

The net asset value of each unit per the financial statements is \$2.78214 (30 September 2016: \$2.41312; 31 March 2017: \$2.74794). Any difference between the net asset value announced to the market for 29 September 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 superannuation scheme ("SLSS"), a scheme managed by SuperLife Limited, a wholly owned subsidiary company of NZX Limited, was an investor in the Fund until 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 comply with the Financial Markets Conduct Act 2013.

As at 30 September 2017 SLI held 12,917,842 units (31 March 2017: 12,917,842) valued at \$35,946,000 (31 March 2017: \$35,415,000) in the Fund. As at 30 September 2016 SLSS held 12,914,102 units valued at \$30,850,000 in the Fund.

US LARGE VALUE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

7. RELATED PARTY TRANSACTIONS (Continued)

Distributions

The Fund paid distributions of \$124,000 to SLI for the period ended 30 September 2017 (31 March 2017: \$111,000). The balance remaining as payable at the end of the period is \$nil (31 March 2017: \$nil). The Fund paid distributions of \$111,000 to SLSS for the period ending 30 September 2016 (31 March 2017: \$111,000). The balance remaining as payable to SLSS as at 30 September 2016 was \$nil. All distributions were settled prior to the transfer of investments from SLSS to SLI on 28 October 2016.

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 period ended 30 September 2017 amounted to \$81,000 (30 September 2016: \$72,000; 31 March 2017: \$149,000), with \$1,000 (30 September 2016: \$12,000; 31 March 2017: \$1,000) of outstanding accrued management fees due to the Manager at the end of the period.

The total interest earned on cash at banks for the period ended 30 September 2017 amounted to \$2,000 (30 September 2016: \$2,000; 31 March 2017: \$4,000).

Total direct purchase application fees for the period ended 30 September 2017 amounted to \$1,000 (30 September 2016: \$1,000; 31 March 2017: \$1,000).

Other related party transactions

The audit fee paid by the Manager for the audit of the Fund for the period ended 30 September 2017 was \$nil (30 September 2016: \$nil; 31 March 2017: \$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.

Financial instruments by category	30 September 2017 \$'000	30 September 2016 \$'000	31 March 2017 \$'000
<u>Loans and receivables</u>			
Cash and cash equivalents	386	338	380
<u>Financial assets at fair value through profit and loss</u>			
Investments in equity securities held at fair value through profit or loss	36,963	31,398	36,111
<u>Other financial liabilities</u>			
Management fees payable	(1)	(12)	(1)
Funds held for unit purchases	(16)	(11)	(19)
Unsettled trades	-	-	(55)

US LARGE VALUE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

8. FINANCIAL RISK MANAGEMENT (Continued)

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 30 September 2017 would have increased/decreased net profit and unitholder funds by \$3,696,000 (30 September 2016: \$3,140,000; 31 March 2017: \$3,611,000).

8b. Credit risk

The Fund is exposed to the potential risk of financial loss resulting from the failure of counterparties to fully honour 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:

	30 September 2017 \$'000	30 September 2016 \$'000	31 March 2017 \$'000
Cash and cash equivalents	386	338	380

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.

	30 September 2017		30 September 2016		31 March 2017	
	Balance \$'000	Credit rating	Balance \$'000	Credit rating	Balance \$'000	Credit rating
ANZ	16	AA-	11	AA-	19	AA-
BNP Paribas	-	A	-	A-	-	A
Westpac	370	AA-	327	AA-	361	AA-
	<u>386</u>		<u>338</u>		<u>380</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 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.

US LARGE VALUE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

8. FINANCIAL RISK MANAGEMENT (Continued)

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 30 September 2017 would have decreased/increased profit and unitholders funds by \$3,696,000 (30 September 2016: \$3,140,000; 31 March 2017: \$3,606,000).

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

	30 September 2017 \$'000	30 September 2016 \$'000	31 March 2017 \$'000
Investments in equity securities held at fair value through profit or loss	36,963	31,398	36,111
Unsettled trades	-	-	(55)

9. COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 30 September 2017 (30 September 2016: none; 31 March 2017: none).

10. EVENTS AFTER THE REPORTING PERIOD

Since 30 September 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

UNITHOLDER INFORMATION

Distribution of security holders and security holdings as at 30 September 2017

	No. of holders	% of holders	No. of securities	% of securities
1 - 1,000	63	45.01	30,478	0.23
1,001 - 5,000	51	36.43	124,860	0.93
5,001 - 10,000	14	10.00	102,943	0.77
10,001 - 50,000	10	7.14	149,250	1.12
50,001 - 100,000	1	0.71	59,127	0.44
Greater than 100,000	1	0.71	12,917,842	96.51
Totals	140	100.00	13,384,500	100.00

20 largest registered holders of quoted equity securities as at 30 September 2017

Full name	Total	Percentage %
SuperLife Nominees Limited	12,917,842	96.51
FNZ Custodians Limited	59,127	0.44
Matthew Weir	30,000	0.22
Lynn Mathias Clayton & Michael Rowley Clayton & Cameron Denis Clayton	19,210	0.14
Billy Cheung Services Limited	18,331	0.14
Michael Frederick Keith	16,551	0.12
Rosalie Barnes	12,400	0.09
Craigs Investment Partners Limited	11,901	0.09
Adam Charles Tommy & Shu Yu Tseng	10,572	0.08
Julian Oliver Smith	10,168	0.08
David Mountfort Haywood & Annette Maree Haywood	10,081	0.08
Hamish Davidson	10,036	0.07
Robert Andrew James Stewart	9,997	0.07
Andrew William Smith	9,597	0.07
Weisi Xia	9,293	0.07
Neil Peter Gaynor & Wanda Nina Gaynor	9,254	0.07
Phillip John Tait & Darien Patricia Tait & Jenny Catherine Hirst	8,215	0.06
Matthew Leigh Gardner	8,028	0.06
Maria Edmonda Savini Creason	7,527	0.06
Linda Faye Graham & Trustee Management Services Limited	7,468	0.06
Totals	13,195,598	98.58

Substantial security holdings

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 30 September 2017. The total number of units on issue at 30 September 2017 was 13,384,500.

Directors' interest in units as at 30 September 2017

	Beneficial	Non - Beneficial
Bevan K. Miller	1,593*	-
Guy R. Elliffe	3,015*	-
A. John Williams	-	-
Paul J. Baldwin	-	-

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

	Male	Female
Gender composition of Directors	4	-