



## **NZ TOP 50 FUND**

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

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

# NZ TOP 50 FUND

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## **NZ TOP 50 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](mailto:smartshares@smartshares.co.nz)  
Website: [www.smartshares.co.nz](http://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**

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

#### **INVESTMENT CUSTODIAN**

JBWere (NZ) Nominees Limited

#### **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 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.

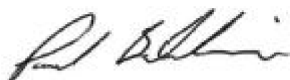
The NZ Top 50 Fund (the 'Fund') was created by an establishment deed dated 9 September 2016 between the Manager and the Supervisor.

### 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 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.

# NZ TOP 50 FUND

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

|  | Unaudited<br>Six Months<br>Ended<br>30 September<br>2017<br>\$'000 | Audited<br>Period<br>Ended<br>31 March<br>2017<br>\$'000 |
|--|--|--|
| Note   |  |  |
| <b>INCOME</b>  |  |  |
| Dividend income  | 5,001  | 3,954  |
| Securities lending income  | 23   | 15   |
| Net changes in fair value of financial assets at fair value through profit or loss | <u>17,842</u>  | <u>12,313</u>  |
| <b>Total income</b>  | <u><b>22,866</b></u>   | <u><b>16,282</b></u>                                     |
| <b>EXPENSES</b>  |  |  |
| Management fees expense  | (573)  | (403)  |
| Foreign exchange loss  | (2)  | -  |
| Miscellaneous expenses   | <u>(2)</u>   | <u>(2)</u>   |
| <b>Total expenses</b>  | <u><b>(577)</b></u>  | <u><b>(405)</b></u>                                      |
| <b>Profit before tax</b>   | <b>22,289</b>  | <b>15,877</b>  |
| Income tax expense   | 1 <u>(15)</u>  | <u>(100)</u>   |
| <b>Profit after tax</b>  | <b>22,274</b>  | <b>15,777</b>  |
| Other comprehensive income   | <u>-</u>   | <u>-</u>   |
| <b>Total comprehensive income</b>  | <u><b>22,274</b></u>   | <u><b>15,777</b></u>                                     |
| <b>EARNINGS PER UNIT</b>   |  |  |
| Basic and diluted earnings per unit (cents per unit)                               | 4 <u><b>22.10</b></u>  | <u><b>16.71</b></u>                                      |

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

# NZ TOP 50 FUND

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

|   |   | Unaudited<br>Six Months<br>Ended<br>30 September<br>2017<br>\$'000 | Audited<br>Period<br>Ended<br>31 March<br>2017<br>\$'000 |
|---|---|--|--|
| Unitholders' funds at the beginning of the period |   | 210,313  | -  |
| Total comprehensive income for the period         |   | <u>22,274</u>  | <u>15,777</u>  |
| Subscriptions from unitholders                    | 6 | 18,160   | 206,848  |
| Redemptions by unitholders                        | 6 | -  | (9,525)  |
| Distributions to unitholders                      | 5 | <u>(3,490)</u>   | <u>(2,787)</u>   |
|   |   | <u>14,670</u>  | <u>194,536</u>   |
| Unitholders' funds at the end of the period       |   | <u><u>247,257</u></u>  | <u><u>210,313</u></u>                                    |

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

# NZ TOP 50 FUND

## STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2017

|  |      | Unaudited<br>As At<br>30 September<br>2017<br>\$'000 | Audited<br>As At<br>31 March<br>2017<br>\$'000 |
|--|------|--|--|
|  | Note |  |  |
| <b>ASSETS</b>  |      |  |  |
| Cash and cash equivalents  |      | 5,191  | 4,946  |
| Receivables  |      | 1,674  | 1,613  |
| Investments in equity securities held at fair value through profit or loss | 2    | <u>242,082</u>                                       | <u>208,969</u>                                 |
| <b>TOTAL ASSETS</b>  |      | <b><u>248,947</u></b>                                | <b><u>215,528</u></b>                          |
| <b>LIABILITIES</b>   |      |  |  |
| Management fees payable  |      | (10)   | (9)  |
| Taxation payable   |      | -  | (13)   |
| Deferred tax liability   |      | (56)   | (62)   |
| Funds held for unit purchases  |      | (1,622)  | (2,529)  |
| Other current liabilities  |      | (2)  | (2)  |
| Unsettled trades   |      | <u>-</u>   | <u>(2,600)</u>                                 |
| <b>TOTAL LIABILITIES</b>   |      | <b><u>(1,690)</u></b>                                | <b><u>(5,215)</u></b>                          |
| <b>UNITHOLDERS' FUNDS</b>  |      | <b><u>247,257</u></b>                                | <b><u>210,313</u></b>                          |
| <b>TOTAL LIABILITIES AND UNITHOLDERS' FUNDS</b>                            |      | <b><u>248,947</u></b>                                | <b><u>215,528</u></b>                          |

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



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Director



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Director

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

# NZ TOP 50 FUND

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

|   | Unaudited<br>Six Months<br>Ended<br>30 September<br>2017<br>\$'000 | Audited<br>Period<br>Ended<br>31 March<br>2017<br>\$'000 |
|---|--|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |  |  |
| <i>Cash was provided from:</i>  |  |  |
| Dividend income received  | 4,939  | 2,346  |
| Securities lending income received  | 24   | 10   |
| <i>Cash was applied to:</i>   |  |  |
| Management fees paid  | (572)  | (394)  |
| Taxation paid   | (34)   | (25)   |
| Miscellaneous expenses paid   | (2)  | (2)  |
| <b>Net cash flows from operating activities</b>                                       | <b><u>4,355</u></b>  | <b><u>1,935</u></b>                                      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |  |  |
| <i>Cash was provided from:</i>  |  |  |
| Sale of investments   | 11,580   | 7,969  |
| <i>Cash was applied to:</i>   |  |  |
| Purchase of investments   | (20,306)   | (12,711)   |
| Net repayments to the Manager   | -  | 31   |
| <b>Net cash flows from investing activities</b>                                       | <b><u>(8,726)</u></b>  | <b><u>(4,711)</u></b>                                    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |  |  |
| <i>Cash was provided from:</i>  |  |  |
| Subscriptions received from unitholders   | 8,106  | 10,569   |
| <i>Cash was applied to:</i>   |  |  |
| Redemptions paid to unitholders   | -  | (61)   |
| Distributions paid to unitholders   | (3,490)  | (2,786)  |
| <b>Net cash flows from financing activities</b>                                       | <b><u>4,616</u></b>  | <b><u>7,722</u></b>                                      |
| <b>Net increase in cash and cash equivalents</b>                                      | <b>245</b>   | <b>4,946</b>   |
| Cash and cash equivalents at the beginning of the period                              | <u>4,946</u>   | <u>-</u>   |
| <b>Cash and cash equivalents at the end of the period</b>                             | <b><u>5,191</u></b>  | <b><u>4,946</u></b>                                      |
| <b>Reconciliation of profit after tax to net cash flows from operating activities</b> |  |  |
| Profit after tax  | 22,274   | 15,777   |
| Net changes in fair value of financial assets at fair value through profit or loss    | (17,842)   | (12,313)   |
| Foreign currency exchange loss  | 2  | -  |
| (Decrease)/increase in taxation payable   | (13)   | 13   |
| (Decrease)/increase in deferred tax liability   | (6)  | 62   |
| Increase in management fees payable   | 1  | 9  |
| Increase in receivables   | (61)   | (1,613)  |
| <b>Net cash flows from operating activities</b>                                       | <b><u>4,355</u></b>  | <b><u>1,935</u></b>                                      |

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



# NZ TOP 50 FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 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'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 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 presented.

#### Comparative period

These financial statements are for the six month period from 1 April 2017 to 30 September 2017. The comparative figures 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 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 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.

# NZ TOP 50 FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 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 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 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 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 taxable dividends from the investments in securities listed in Note 2 and securities lending income after the deduction of management fees. The Fund is able to utilise imputation credits when they arise. 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 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. 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.

# NZ TOP 50 FUND

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

### Segment information

The Fund operates solely in the business of investment management, investing in New Zealand equities. For the period ended 30 September 2017, no individual equity investment contributed 10% or more of the Fund's dividend income (31 March 2017: none).

### 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

|                               | 30 September<br>2017<br>\$'000 | 31 March<br>2017<br>\$'000 |
|-------------------------------|--------------------------------|----------------------------|
| <b>Tax expense comprises:</b> |                                |                            |
| Current tax expense           | (21)                           | (38)                       |
| Deferred tax movement         | <u>6</u>                       | <u>(62)</u>                |
| <b>Total tax expense</b>      | <b><u>(15)</u></b>             | <b><u>(100)</u></b>        |

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

|  | 30 September<br>2017<br>\$'000 | 31 March<br>2017<br>\$'000 |
|--|--------------------------------|----------------------------|
| <b>Income tax expense</b>  |                                |                            |
| Profit before tax  | <u>22,289</u>                  | <u>15,877</u>              |
| <b>Income tax using the statutory income tax rate 28%</b>          | <b><u>(6,241)</u></b>          | <b><u>(4,446)</u></b>      |
| Net changes in fair value of financial assets                      | 4,995                          | 3,447                      |
| Non taxable income   | 99                             | 441                        |
| Gross up of imputation credits                                     | <u>(440)</u>                   | <u>(178)</u>               |
|  | <b><u>(1,587)</u></b>          | <b><u>(736)</u></b>        |
| Less imputation credits and other tax credits                      | <u>1,572</u>                   | <u>636</u>                 |
| <b>Income tax expense as per Statement of Comprehensive Income</b> | <b><u>(15)</u></b>             | <b><u>(100)</u></b>        |
| <b>Deferred tax</b>  |                                |                            |
|  | 30 September<br>2017<br>\$'000 | 31 March<br>2017<br>\$'000 |
| Opening balance  | (62)                           | -                          |
| Current period movement  | <u>6</u>                       | <u>(62)</u>                |
| <b>Closing balance</b>   | <b><u>(56)</u></b>             | <b><u>(62)</u></b>         |
| <b>Imputation credit account (ICA)</b>                             |                                |                            |
|  | 30 September<br>2017<br>\$'000 | 31 March<br>2017<br>\$'000 |
| Imputation credits available for use in subsequent periods         | 1,611                          | 1,203                      |

# NZ TOP 50 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   |            | 31 March 2017       |            |
|---|---------------------|------------|---------------------|------------|
|   | Number of<br>shares | Fair value | Number of<br>shares | Fair value |
|   | '000                | \$'000     | '000                | \$'000     |
| <b>Underlying securities</b>                    |                     |            |                     |            |
| The a2 Milk Company Limited                     | 2,080               | 13,372     | 2,230               | 6,667      |
| Air New Zealand Limited                         | 1,734               | 5,842      | 1,622               | 3,989      |
| Argosy Property Limited                         | 2,651               | 2,758      | 2,523               | 2,447      |
| Arvida Group Limited                            | 1,075               | 1,312      | 1,027               | 1,305      |
| Arvida Group Limited Renounceable Rights        | 215                 | 10         | -                   | -          |
| Auckland International Airport Limited          | 1,875               | 12,075     | 1,473               | 9,960      |
| Australia and New Zealand Banking Group Limited | 68                  | 2,196      | 66                  | 2,298      |
| CBL Corporation Limited                         | 356                 | 1,119      | -                   | -          |
| Chorus Limited                                  | 1,322               | 5,183      | 1,251               | 5,403      |
| Comvita Limited                                 | 115                 | 863        | 117                 | 1,010      |
| Contact Energy Limited                          | 2,214               | 12,177     | 2,128               | 10,766     |
| Ebos Group Limited                              | 264                 | 4,520      | 252                 | 4,601      |
| Fisher & Paykel Healthcare Corporation Limited  | 980                 | 12,529     | 1,100               | 10,666     |
| Fletcher Building Limited                       | 1,478               | 11,808     | 1,097               | 9,130      |
| Fonterra Shareholders' Fund                     | 405                 | 2,530      | 383                 | 2,324      |
| Freightways Limited                             | 498                 | 3,877      | 476                 | 3,566      |
| Genesis Energy Limited                          | 1,544               | 3,690      | 1,475               | 3,068      |
| Goodman Property Trust                          | 3,304               | 4,230      | 3,108               | 3,745      |
| Heartland Bank Limited                          | 1,496               | 2,722      | 1,411               | 2,315      |
| Incitec Pivot Limited                           | -                   | -          | 644                 | 856        |
| Infratil Limited                                | 1,802               | 5,621      | 1,721               | 5,008      |
| Investore Property Limited                      | 674                 | 903        | -                   | -          |
| Kathmandu Holdings Limited                      | 519                 | 1,229      | 495                 | 981        |
| Kiwi Property Group Limited                     | 4,560               | 6,156      | 3,993               | 5,690      |
| Mainfreight Limited                             | 272                 | 6,781      | 260                 | 5,872      |
| Mercury NZ Limited                              | 2,083               | 7,061      | 1,989               | 6,266      |
| Meridian Energy Limited                         | 3,875               | 11,024     | 3,702               | 10,365     |
| Metlifecare Limited                             | 548                 | 3,179      | 399                 | 2,448      |
| Metro Performance Glass Limited                 | 596                 | 596        | 570                 | 741        |
| The New Zealand Refining Company Limited        | 573                 | 1,461      | 548                 | 1,303      |
| NZX Limited                                     | 864                 | 1,019      | 825                 | 890        |
| Port of Tauranga Limited                        | 1,007               | 4,310      | 962                 | 4,012      |
| Precinct Properties New Zealand Limited         | 3,156               | 4,023      | 3,089               | 3,769      |
| Property For Industry Limited                   | 1,455               | 2,460      | 1,390               | 2,246      |
| Restaurant Brands New Zealand Limited           | 360                 | 2,452      | 351                 | 1,913      |
| Ryman Healthcare Limited                        | 1,314               | 12,184     | 1,208               | 10,156     |
| Sanford Limited (NS)                            | 202                 | 1,554      | 181                 | 1,332      |
| Scales Corporation Limited                      | 384                 | 1,420      | 365                 | 1,267      |
| Sky Network Television Limited                  | 1,252               | 3,380      | 1,196               | 4,688      |
| SKYCITY Entertainment Group Limited             | 2,147               | 8,050      | 2,033               | 8,436      |
| Spark New Zealand Limited                       | 3,117               | 11,376     | 2,930               | 10,254     |
| Stride Property Group                           | 1,174               | 1,925      | 1,120               | 1,938      |
| Summerset Group Holdings Limited                | 716                 | 3,635      | 680                 | 3,517      |
| Synlait Milk Limited                            | 306                 | 2,025      | -                   | -          |

## NZ TOP 50 FUND

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

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

|                                   | 30 September 2017           |                      | 31 March 2017               |                      |
|-----------------------------------|-----------------------------|----------------------|-----------------------------|----------------------|
|                                   | Number of<br>shares<br>'000 | Fair value<br>\$'000 | Number of<br>shares<br>'000 | Fair value<br>\$'000 |
| <b>Underlying securities</b>      |                             |                      |                             |                      |
| Tegel Group Holdings Limited      | -                           | -                    | 591                         | 667                  |
| Tourism Holdings Limited          | 387                         | 1,919                | 366                         | 1,373                |
| Trade Me Group Limited            | 1,277                       | 5,836                | 1,220                       | 6,261                |
| Trustpower Limited                | 221                         | 1,216                | 221                         | 1,018                |
| Vector Limited                    | 804                         | 2,630                | 768                         | 2,458                |
| Vista Group International Limited | -                           | -                    | 252                         | 1,506                |
| Vital Healthcare Property Trust   | 1,047                       | 2,330                | 997                         | 2,050                |
| Westpac Banking Corporation       | 85                          | 2,969                | 83                          | 3,185                |
| Xero Limited                      | 294                         | 9,075                | 237                         | 4,688                |
| Z Energy Limited                  | 1,287                       | 9,470                | 1,229                       | 8,555                |
|                                   |                             | <b>242,082</b>       |                             | <b>208,969</b>       |

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 30 September 2017 (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<br>2017 | 31 March<br>2017 |
|---|----------------------|------------------|
| Profit after tax (\$'000)                                   | 22,274               | 15,777           |
| Weighted average number of units ('000)                     | 100,773              | 94,397           |
| <b>Basic and diluted earnings per unit (cents per unit)</b> | <b>22.10</b>         | <b>16.71</b>     |

# NZ TOP 50 FUND

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

### 5. DISTRIBUTION PAYABLE TO UNITHOLDERS

|                                      | 30 September<br>2017<br>\$'000 | 31 March<br>2017<br>\$'000 |
|--------------------------------------|--------------------------------|----------------------------|
| Opening distribution payable         | -                              | -                          |
| Distributions accrued to unitholders | 3,490                          | 2,787                      |
| Distributed to unitholders           | (3,490)                        | (2,787)                    |
| <b>Closing distribution payable</b>  | <b>-</b>                       | <b>-</b>                   |

### Distributions declared and paid

|                                    | Year ended | Distribution<br>per unit<br>(cents per unit) | 30 September<br>2017<br>\$'000 | 31 March<br>2017<br>\$'000 |
|------------------------------------|------------|--|--------------------------------|----------------------------|
| November 2016 (paid December 2016) | 31/03/2017 | 2.99   | -                              | 2,787                      |
| May 2017 (paid June 2017)          | 31/03/2018 | 3.52   | 3,490                          | -                          |
|                                    |            |  | <b>3,490</b>                   | <b>2,787</b>               |

### 6. UNITHOLDERS' FUNDS

As at 30 September 2017 there were 103,573,000 units on issue (31 March 2017: 103,573,000).

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 period ended 30 September 2017 was 8,000,000 (31 March 2017: 99,980,000) for total value of \$18,160,000 (31 March 2017: \$206,848,000).

The number of units redeemed during the period ended 30 September 2017 was nil (31 March 2017: 4,407,000) for total value of \$nil (31 March 2017: \$9,525,000).

|  | 30 September<br>2017<br>'000 | 31 March<br>2017<br>'000 |
|--|------------------------------|--------------------------|
| <b>Movement in the number of units</b>         |                              |                          |
| Balance at the beginning of the period         | 95,573                       | -                        |
| Subscriptions received during the period       | 8,000                        | 99,980                   |
| Redemptions made during the period             | -                            | (4,407)                  |
| <b>Units on issue at the end of the period</b> | <b>103,573</b>               | <b>95,573</b>            |

The net asset value of each unit per the financial statements is \$2.38727 (31 March 2017: \$2.20055). 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.

# NZ TOP 50 FUND

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

### 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.

As at 30 September 2017 the SLI scheme held 24,717,811 units (31 March 2017: 24,241,640) valued at \$58,915,000 (31 March 2017: \$53,247,000) in the Fund.

#### Distributions

The Fund paid distributions of \$869,000 to SLI for the period ended 30 September 2017 (31 March 2017: \$689,000). The balance remaining as payable at the end of the period was \$nil (31 March 2017: \$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.

Total gross management fees excluding rebates for the period ended 30 September 2017 amounted to \$573,000 (31 March 2017: \$403,000) with \$10,000 (31 March 2017: \$9,000) of outstanding accrued management fees due to the Manager at the end of the period.

For the period ended 30 September 2017 total direct purchase application fees amounted to \$23,000 (31 March 2017: \$13,000) and the total interest earned on cash at banks amounted to \$38,000 (31 March 2017: \$21,000).

#### Other related party transactions

As at 30 September 2017 the Fund had other payables to the Manager of \$2,000 (31 March 2017: \$2,000).

The audit fee paid by the Manager for the audit of the Fund for the period ended 30 September 2017 was \$nil (31 March 2017: \$5,000).

The Fund has 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 30 September 2017 the value of securities the Fund had on loan to NZCL was \$6,970,000 (31 March 2017: \$5,033,000).

Total security lending fees for the period ended 30 September 2017 amounted to \$23,000 (31 March 2017: \$15,000), with the accrued fees of \$4,000 (31 March 2017: \$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.

### 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.

# NZ TOP 50 FUND

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

### 8. FINANCIAL RISK MANAGEMENT (Continued)

#### Financial instruments by category

|  | 30 September<br>2017<br>\$'000 | 31 March<br>2017<br>\$'000 |
|--|--------------------------------|----------------------------|
| <u>Loans and receivables</u>   |                                |                            |
| Cash and cash equivalents  | 5,191                          | 4,946                      |
| Receivables  | 1,674                          | 1,613                      |
| <u>Financial assets at fair value through profit and loss</u>              |                                |                            |
| Investments in equity securities held at fair value through profit or loss | 242,082                        | 208,969                    |
| <u>Other financial liabilities</u>   |                                |                            |
| Management fees payable  | (10)                           | (9)                        |
| Other current liabilities  | (2)                            | (2)                        |
| Funds held for unit purchases  | (1,622)                        | (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 30 September 2017 would have increased/decreased net profit and unitholder funds by \$24,208,000 (31 March 2017: \$20,897,000).

#### 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 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:

|                           | 30 September<br>2017<br>\$'000 | 31 March<br>2017<br>\$'000 |
|---------------------------|--------------------------------|----------------------------|
| Cash and cash equivalents | 5,191                          | 4,946                      |
| Receivables               | 1,674                          | 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').



# NZ TOP 50 FUND

## NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 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.

|     | 30 September 2017 |        | 31 March 2017 |        |
|-----|-------------------|--------|---------------|--------|
|     | Balance           | Credit | Balance       | Credit |
|     | \$'000            | rating | \$'000        | rating |
| ANZ | 2,017             | AA-    | 2,925         | AA-    |
| BNZ | 3,174             | AA-    | 2,021         | AA-    |
|     | <u>5,191</u>      |        | <u>4,946</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 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 30 September 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 30 September 2017 the value of securities the Fund had on loan to NZCL was \$6,970,000 (31 March 2017: \$5,033,000).

### 9. COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 30 September 2017 (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.

## NZ TOP 50 FUND

### UNITHOLDER INFORMATION

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

|                      | No. of<br>holders | % of<br>holders | No. of<br>securities | % of<br>securities |
|----------------------|-------------------|-----------------|----------------------|--------------------|
| 1 - 1,000            | 1,513             | 27.92           | 648,004              | 0.63               |
| 1,001 - 5,000        | 1,707             | 31.49           | 4,391,328            | 4.24               |
| 5,001 - 10,000       | 869               | 16.04           | 6,304,104            | 6.09               |
| 10,001 - 50,000      | 1,183             | 21.83           | 25,448,893           | 24.57              |
| 50,001 - 100,000     | 86                | 1.59            | 5,790,643            | 5.59               |
| Greater than 100,000 | 61                | 1.13            | 60,990,107           | 58.88              |
| <b>Totals</b>        | <b>5,419</b>      | <b>100.00</b>   | <b>103,573,079</b>   | <b>100.00</b>      |

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

| Full name   | Total             | Percentage<br>% |
|---|-------------------|-----------------|
| SuperLife Nominees Limited  | 24,672,811        | 23.82           |
| Investment Custodial Services Limited                               | 16,109,306        | 15.55           |
| FNZ Custodians Limited  | 2,382,573         | 2.30            |
| New Zealand Central Securities Depository Limited                   | 1,864,404         | 1.80            |
| Investment Custodial Services Limited                               | 1,710,427         | 1.65            |
| David Robert Rich & Carolyn Frances Elley                           | 1,477,524         | 1.43            |
| Investment Custodial Services Limited                               | 1,269,620         | 1.23            |
| Custodial Services Limited  | 716,980           | 0.69            |
| Robin Michael Brews   | 690,329           | 0.67            |
| Philippa Jane Stubbins & Comac Trustee Limited                      | 580,703           | 0.56            |
| James Mc Daniel Thomas & Teri Jo Thomas                             | 562,722           | 0.54            |
| Robin Michael Brews   | 554,480           | 0.54            |
| Ajd Family Nominees Limited   | 545,846           | 0.53            |
| Custodial Services Limited  | 415,582           | 0.40            |
| Robin Michael Brews   | 410,781           | 0.40            |
| Custodial Services Limited  | 314,443           | 0.30            |
| Trevor Paul Fitzjohn & John Livingston Marshall & Strato Cotsilinis | 295,513           | 0.29            |
| Sharesies Nominee Limited   | 283,463           | 0.27            |
| Marjory Elizabeth Davie   | 237,258           | 0.23            |
| Gil David Retter  | 236,106           | 0.23            |
| <b>Totals</b>   | <b>55,330,871</b> | <b>53.43</b>    |

#### 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 103,573,079.

#### Directors' interest in units as at 30 September 2017

|                  | Beneficial | Non-Beneficial |
|------------------|------------|----------------|
| Bevan K. Miller  | 1,097*     | -              |
| Guy R. Elliffe   | 2,076*     | -              |
| 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    | -      |