



GLOBAL BOND FUND

**FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2018**

Presented by Smartshares Limited, Manager of the Global Bond Fund

GLOBAL BOND FUND

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GLOBAL BOND FUND

DIRECTORY

MANAGER

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New Zealand

SUPERVISOR

Public Trust
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This is also the address of the registered office.

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Website: www.smartshares.co.nz

PRINCIPAL OFFICE OF THE MANAGER

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Auckland 1010
New Zealand

INVESTMENT MANAGER

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Sydney, New South Wales 2000
Australia

DIRECTORS OF THE MANAGER

Mark J. Peterson
Guy R. Elliffe
A. John Williams
Paul J. Baldwin (Chair)
Lindsay M. Wright (appointed 26 June 2018)

SOLICITOR

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

AUDITOR

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

REGISTRAR

Link Market Services Limited

INVESTMENT ADMINISTRATOR & CUSTODIAN

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

CORRESPONDENCE

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

GLOBAL BOND FUND

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

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

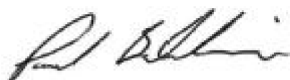
The Global Bond Fund (the 'Fund') was created by an establishment deed dated 15 October 2015 as amended and restated on 9 September 2016 between the Manager and the Supervisor.

STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are drawn up in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), and fairly present the financial position of the Fund as at 30 September 2018, and the results of its financial performance and cash flows for the period ended 30 September 2018 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 2018.

GLOBAL BOND FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 SEPTEMBER 2018

		Unaudited Six Months Ended 30 September 2018 \$'000	Unaudited Six Months Ended 30 September 2017 \$'000	Audited Year Ended 31 March 2018 \$'000
	Note			
INCOME				
Dividend income		3	-	3
Interest income		2,490	1,611	3,427
Net changes in fair value of financial assets and financial liabilities at fair value through profit or loss		2,448	2,254	1,198
Foreign exchange gain		-	554	1,386
Other income		-	2	2
Total income		4,941	4,421	6,016
EXPENSES				
Management fees expense	9	(500)	(357)	(755)
Foreign exchange loss		(3,533)	-	-
Interest expense		(39)	(56)	(83)
Miscellaneous expenses		(43)	(16)	(38)
Total expenses		(4,115)	(429)	(876)
Profit before tax		826	3,992	5,140
Income tax expense	1	(232)	(1,118)	(1,440)
Profit after tax		594	2,874	3,700
Other comprehensive income		-	-	-
Total comprehensive income		594	2,874	3,700
EARNINGS PER UNIT				
Basic and diluted earnings per unit (cents per unit)	5	1.00	6.78	8.19

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 PERIOD ENDED 30 SEPTEMBER 2018

		Unaudited Six Months Ended 30 September 2018 \$'000	Unaudited Six Months Ended 30 September 2017 \$'000	Audited Year Ended 31 March 2018 \$'000
Unitholders' funds at the beginning of the period/year		170,305	130,491	130,491
Total comprehensive income for the period/year		<u>594</u>	<u>2,874</u>	<u>3,700</u>
Subscriptions from unitholders	7	28,331	2,698	38,059
Redemptions by unitholders	7	(848)	-	-
Distributions to unitholders	6	<u>(1,175)</u>	<u>(995)</u>	<u>(1,945)</u>
		<u>26,308</u>	<u>1,703</u>	<u>36,114</u>
Unitholders' funds at the end of the period/year		<u><u>197,207</u></u>	<u><u>135,068</u></u>	<u><u>170,305</u></u>

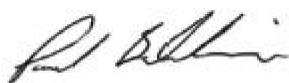
The accompanying notes form part of and should be read in conjunction with these financial statements.

GLOBAL BOND FUND

STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2018

		Unaudited As At 30 September 2018 \$'000	Unaudited As At 30 September 2017 \$'000	Audited As At 31 March 2018 \$'000
	Note			
ASSETS				
Cash and cash equivalents		893	4,928	2,595
Balances due from brokers	4	847	4,067	2,480
Receivables		1,155	882	956
Investments in interest-bearing securities at fair value through profit or loss		196,330	131,621	166,181
Investments in equity securities at fair value through profit or loss		94	156	85
Derivatives held for trading	2	5,411	3,166	5,184
Taxation receivable		398	-	-
Unsettled sales of investments		<u>3,793</u>	<u>2,560</u>	<u>395</u>
TOTAL ASSETS		<u>208,921</u>	<u>147,380</u>	<u>177,876</u>
LIABILITIES				
Bank overdraft		-	(20)	-
Balances due to brokers	4	(172)	-	-
Management fees payable	9	(9)	(6)	(8)
Taxation payable		-	(576)	(355)
Deferred tax payable		(2)	-	-
Derivatives held for trading	2	(5,474)	(5,225)	(6,368)
Funds held for unit purchases		(60)	(22)	(83)
Unsettled purchases of investments		(5,996)	(6,463)	(757)
Other current liabilities		<u>(1)</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES		<u>(11,714)</u>	<u>(12,312)</u>	<u>(7,571)</u>
UNITHOLDERS' FUNDS		<u>197,207</u>	<u>135,068</u>	<u>170,305</u>
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		<u>208,921</u>	<u>147,380</u>	<u>177,876</u>

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the financial statements on 23 November 2018.



Director



Director

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

GLOBAL BOND FUND

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 SEPTEMBER 2018

	Unaudited Six Months Ended 30 September 2018 \$'000	Unaudited Six Months Ended 30 September 2017 \$'000	Audited Year Ended 31 March 2018 \$'000
Note			
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Cash was provided from:</i>			
Dividend income received	3	-	3
Interest income received	2,380	1,709	3,452
Miscellaneous income received	-	2	2
<i>Cash was applied to:</i>			
Management fees paid	(499)	(357)	(753)
Taxation paid	(980)	(770)	(1,314)
Interest paid	(16)	(56)	(83)
Miscellaneous expenses paid	(43)	(16)	(38)
Net cash flows from operating activities	845	512	1,269
CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Cash was provided from:</i>			
Sale of investments	161,527	124,388	215,134
Net repayments from the Manager	1	-	-
Balance due from broker movement	1,805	481	2,068
<i>Cash was applied to:</i>			
Purchase of investments	(192,180)	(122,833)	(252,917)
Net cash flows from investing activities	(28,847)	2,036	(35,715)
CASH FLOWS FROM FINANCING ACTIVITIES			
<i>Cash was provided from:</i>			
Subscriptions received from unitholders	28,308	2,698	38,059
<i>Cash was applied to:</i>			
Redemptions paid to unitholders	(848)	-	-
Distributions paid to unitholders	(1,175)	(995)	(1,945)
Net cash flows from financing activities	26,285	1,703	36,114
Net (decrease)/increase in cash and cash equivalents	(1,717)	4,251	1,668
Cash and cash equivalents at the beginning of the period/year	2,595	770	770
Effect of exchange rate fluctuations on cash and cash equivalents	15	(113)	157
Cash and cash equivalents at the end of the period/year	893	4,908	2,595
Reconciliation of profit after tax to net cash flows from operating activities			
Profit after tax	594	2,874	3,700
Net changes in fair value of financial assets and financial liabilities at fair value through profit or loss	(2,448)	(2,254)	(1,198)
Foreign exchange loss/(gain)	3,533	(554)	(1,386)
Increase in taxation receivable	(398)	-	-
(Decrease)/increase in taxation payable	(355)	347	126
Increase in deferred tax liability	2	-	-
Increase in management fees payable	1	-	2
(Increase)/decrease in receivables	(84)	99	25
Net cash flows from operating activities	845	512	1,269

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

GLOBAL BOND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2018

GENERAL INFORMATION

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

The Fund is governed by the Trust Deed dated 24 June 2014 as amended and restated on 9 September 2016 between the Manager and the Supervisor. The Fund was established on 15 October 2015 and commenced operations on 9 November 2015.

The Fund's units are quoted on the NZX Main Board. The Fund is an investment fund that aims to outperform the Barclays Global Aggregate Index (the 'Index') by 1% per annum over a rolling three-year period, hedged in NZ dollars. As prescribed by the Trust Deed, the Fund invests in securities of all types represented in the Index and any other investment that is consistent with the objectives of the Fund.

STATEMENT OF ACCOUNTING POLICIES

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

Comparative periods

These financial statements are for the period ended 30 September 2018. The comparative figures are for the period 1 April 2017 to 30 September 2017 and year ended 31 March 2018.

Basis of preparation

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

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

Income recognition

Income is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Fund and the income can be reliably measured. The following specific recognition criteria must also be met before income is recognised:

(a) Dividends

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

(b) Interest income

Interest income is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

(c) Changes in fair value of financial assets or financial liabilities

Changes in financial assets or financial liabilities at fair value through profit or loss are calculated as the difference between the fair value at sale, or at period/year end, and the fair value at the previous valuation point or cost. This includes both realised and unrealised gains and losses, but does not include dividends and interest income.

Financial assets and financial liabilities at fair value through profit or loss

(a) Classification

Assets

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The financial assets are managed and performance is evaluated on a fair value basis. The Manager uses the fair value information to assess the assets' performance and to make decisions.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2018

The Fund has not taken the option to irrevocably designate any debt and equity securities as fair value through other comprehensive income. The contractual cash flows of the Fund's debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investments are measured at fair value through profit or loss.

Liabilities

The Fund holds derivative financial instruments. Derivative contracts that have a negative fair value are presented as liabilities at fair value through profit or loss.

As such, the Fund classifies all of its investments as financial assets or financial liabilities at fair value through profit or loss.

In accordance with the Fund's documented investment strategy the Manager and the Board of Directors value the information about these financial assets and liabilities on a fair value basis together with other financial information.

The Fund does not make short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, nor does it make use of short sales for arbitrage transactions.

(a) Recognition, derecognition and measurement

Purchases and sales of investments and derivatives are recognised on the trade date - the date on which the Fund commits to purchase or sell the investment or derivatives. Financial assets or financial liabilities at fair value through profit or loss are initially recognised at fair value, with transaction costs recognised in profit or loss.

Financial assets or financial liabilities are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets or financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the Statement of Comprehensive Income when they arise.

(b) Fair value estimation

The fair value of financial instruments traded in active markets (such as trading securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets and financial liabilities held by the Fund is the last traded price.

For investments with no active markets, fair values are determined using valuation techniques. Such techniques include: using recent arm's length transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

(d) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Fund and counterparty.

Receivables

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

Payables

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

Balance due from/to brokers

Balance due from/to brokers includes margin cash and cash collateral that are identified in the Statement of Financial Position and not included as a component of cash and cash equivalents.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2018

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency (NZD) using the exchange rate prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the Statement of Financial Position date. Foreign exchange gains and losses arising from translation are included in the Statement of Comprehensive Income.

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

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 relate to cash contributions, withdrawals and distributions.

Repurchase agreements

Securities subject to repurchase agreements are recognised within the investments in "investments in interest-bearing securities at fair value through profit or loss".

Units

The Fund issues units, which provide the holder with a beneficial interest in the Fund. The units can be put back to the Fund via a basket redemption, in accordance with the redemption rules as defined in the Trust Deed, by delivery to the investor of the cash amount and/or authorised investments that the Manager agrees to accept as consideration for, and determines to have a value equal to the price of the units issued.

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

Distributions to unitholders

Distributions are made up of income received from the investments less expenses paid and allowances for future liabilities. Income from investments held is attributed to unitholders on the basis of the number of units held on the record date of the distribution. To the extent that imputation credits are available, distributions to unitholders will be fully imputed. The record dates for the distributions are the last business days of February, May, August and November 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 interest and gains and losses from its investments in securities after the deduction of management fees and other deductible expenses. 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. The temporary differences relate to unrealised gains and losses on preference shares.

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 investing in marketable and debt securities. The Fund receives all of its income from its investments. Note 11 has a breakdown of interest income by geographical location.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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

The Fund has applied the following standards and amendments for the first time for the annual reporting period commencing 1 April 2018.

(i) NZ IFRS 9: *Financial Instruments*

The adoption of NZ IFRS 9 has been applied retrospectively and did not result in a change to the classification or measurement of financial instruments, in either the current or prior periods.

Investments in financial assets previously designated at fair value through profit or loss

The Fund holds debt securities and equity securities which had previously been designated at fair value through profit or loss. On application of NZ IFRS 9 these securities are mandatorily classified at fair value through profit or loss.

(ii) NZ IFRS 15: *Revenue from contracts with customers*

NZ IFRS 15 makes significant changes to revenue recognition and adds some additional disclosures, replacing NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The Fund's main sources of revenue are interest income and gains on financial instruments measured at fair value through profit or loss. As these are outside the scope of the new standard, the adoption of NZ IFRS 15 did not have a material impact on the Fund's financial statements.

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 2018, and were identified as not applicable to the Fund. Therefore they are not included in the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2018

1. TAXATION

	30 September 2018 \$'000	30 September 2017 \$'000	31 March 2018 \$'000
Tax expense comprises:			
Current tax expense	(230)	(1,118)	(1,440)
Deferred tax movement	(2)	-	-
Total tax expense	(232)	(1,118)	(1,440)

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

Income tax expense

	30 September 2018 \$'000	30 September 2017 \$'000	31 March 2018 \$'000
Profit before tax	826	3,992	5,140
Income tax using the statutory income tax rate 28%	(231)	(1,118)	(1,439)
Net changes in fair value of financial assets and financial liabilities	-	-	-
Non-taxable income	-	-	-
Gross up of imputation credits	-	-	-
	-	-	-
Less imputation credits and other tax credits	(1)	-	(1)
Income tax expense as per Statement of Comprehensive Income	(232)	(1,118)	(1,440)

Deferred tax

	30 September 2018 \$'000	30 September 2017 \$'000	31 March 2018 \$'000
Opening balance	-	-	-
Current period movement	(2)	-	-
Closing balance	(2)	-	-

Imputation credit account (ICA)

	30 September 2018 \$'000	30 September 2017 \$'000	31 March 2018 \$'000
Imputation credits available for use in subsequent periods	2,658	2,540	2,491

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2018

2. DERIVATIVES HELD FOR TRADING

The Fund holds the following derivative instruments:

(a) Forward foreign exchange contracts

Forward foreign exchange contracts are contractual obligations to buy or sell foreign currencies on a future date at a specified price. Forward foreign exchange contracts are settled on a net basis.

(b) Forward rate agreements

Forward rate agreements are contracts for borrowing or lending at a stated interest rate over a stated time period that begins at some time in the future.

(c) To-Be-Announced forwards (TBA)

To-Be-Announced forward contracts are contractual obligations to buy or sell mortgage-backed financial instruments on a future date at a specified price.

To-Be-Announced forward contracts are normally settled on a cash basis.

(d) Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts.

Interest rate swaps (IRS) are contractual arrangements to receive or pay a net amount based on changes in interest rates at a future date at a specified price.

Credit default swaps (CDS) are contractual obligations to make payments over time based on specified notional amounts in return for payout in the case of default by the underlying financial instruments.

(e) Options

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of financial instrument at a stipulated price, within a stated period of time for the current fair value of the instruments.

(f) Futures

Futures are exchange-traded derivatives which represent agreements to buy/sell some underlying asset in the future for a specified price, established in an organised market.

	30 September 2018 \$'000	30 September 2017 \$'000	31 March 2018 \$'000
<i>Derivative assets held for trading :</i>			
Forward foreign exchange contracts	2,873	2,365	2,618
To-Be-Announced forwards	-	53	192
Forward rate agreements	-	-	15
Interest rate swaps	2,118	610	1,353
Credit default swaps	93	6	8
Options	42	28	101
Futures	285	104	897
	5,411	3,166	5,184
<i>Derivative liabilities held for trading :</i>			
Forward foreign exchange contracts	(3,738)	(2,403)	(4,411)
To-Be-Announced forwards	(369)	(29)	(40)
Interest rate swaps	(423)	(982)	(805)
Credit default swaps	(291)	(842)	(342)
Options	(74)	(246)	(297)
Futures	(579)	(723)	(473)
	(5,474)	(5,225)	(6,368)

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2018

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.

There were no transfers between levels in the period ended 30 September 2018 (30 September 2017: none; 31 March 2018: none).

The following table analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measured is categorised. The amounts are based on the values recognised in the Statement of Financial Position.

There are no financial instruments are categorised at level 3 (30 September 2017: none; 31 March 2018: none).

	30 September 2018			30 September 2017		
	Level 1	Level 2	Total	Level 1	Level 2	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Financial assets held at fair value through profit or loss</i>						
Interest-bearing securities	-	196,330	196,330	-	131,621	131,621
Investments in listed equity securities	94	-	94	156	-	156
	<u>94</u>	<u>196,330</u>	<u>196,424</u>	<u>156</u>	<u>131,621</u>	<u>131,777</u>
<i>Derivative assets held for trading:</i>						
Forward foreign exchange contracts	-	2,873	2,873	-	2,365	2,365
To-Be-Announced forwards	-	-	-	-	53	53
Forward rate agreements	-	-	-	-	-	-
Interest rate swaps	-	2,118	2,118	-	610	610
Credit default swaps	-	93	93	-	6	6
Options	-	42	42	-	28	28
Futures	285	-	285	104	-	104
	<u>285</u>	<u>5,126</u>	<u>5,411</u>	<u>104</u>	<u>3,062</u>	<u>3,166</u>
<i>Derivative liabilities held for trading:</i>						
Forward foreign exchange contracts	-	(3,738)	(3,738)	-	(2,403)	(2,403)
To-Be-Announced forwards	-	(369)	(369)	-	(29)	(29)
Interest rate swaps	-	(423)	(423)	-	(982)	(982)
Credit default swaps	-	(291)	(291)	-	(842)	(842)
Options	-	(74)	(74)	-	(246)	(246)
Futures	(579)	-	(579)	(723)	-	(723)
	<u>(579)</u>	<u>(4,895)</u>	<u>(5,474)</u>	<u>(723)</u>	<u>(4,502)</u>	<u>(5,225)</u>

GLOBAL BOND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2018

3. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

	31 March 2018		
	Level 1	Level 2	Total
	\$'000	\$'000	\$'000
<i>Financial assets held at fair value through profit or loss</i>			
Interest-bearing securities	-	166,181	166,181
Investments in listed equity securities	85	-	85
	<u>85</u>	<u>166,181</u>	<u>166,266</u>
<i>Derivative assets held for trading:</i>			
Forward foreign exchange contracts	-	2,618	2,618
To-Be-Announced forwards	-	192	192
Forward rate agreements	-	15	15
Interest rate swaps	-	1,353	1,353
Credit default swaps	-	8	8
Options	-	101	101
Futures	897	-	897
	<u>897</u>	<u>4,287</u>	<u>5,184</u>
<i>Derivative liabilities held for trading:</i>			
Forward foreign exchange contracts	-	(4,411)	(4,411)
To-Be-Announced forwards	-	(40)	(40)
Interest rate swaps	-	(805)	(805)
Credit default swaps	-	(342)	(342)
Options	-	(297)	(297)
Futures	(473)	-	(473)
	<u>(473)</u>	<u>(5,895)</u>	<u>(6,368)</u>

The fair value of fixed interest securities at the reporting date are based on binding dealer price quotations and are categorised within level 2.

The fair value of exchange-traded futures and preference shares are based on quoted market prices and are included within level 1.

The Fund uses widely recognised valuation models for determining fair values of over-the-counter derivatives. For these financial instruments, inputs into models are market observable and are therefore included within level 2. The fair values of forward foreign exchange contracts are calculated by reference to current exchange rates for contracts with similar maturity and risk profiles. The fair values of To-Be-Announced forwards are calculated by reference to underlying bond prices. The fair value of credit default swaps and options are based on the quoted market prices and included in within level 2. The fair value of the interest rate swaps and forward rate agreements are calculated by the yield curve of underlying interest securities interest rates and is included in the within level 2.

4. BALANCES DUE FROM BROKERS

	30 September 2018	30 September 2017	31 March 2018
	\$'000	\$'000	\$'000
Margin accounts	847	1,035	88
Cash collateral	(172)	3,032	2,392
	<u>675</u>	<u>4,067</u>	<u>2,480</u>

Margin accounts represent cash deposits with brokers, transferred as collateral against open derivative contracts.

5. EARNINGS PER UNIT

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

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

GLOBAL BOND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2018

5. EARNINGS PER UNIT (Continued)

	30 September 2018	30 September 2017	31 March 2018
Profit after tax	594	2,874	3,700
Weighted average number of units ('000)	59,599	42,396	45,163
Basic and diluted earnings per unit (cents per unit)	1.00	6.78	8.19

6. DISTRIBUTION PAID TO UNITHOLDERS

Distributions declared and paid

	Year ended	Distribution per unit (cents per unit)	30 September 2018 \$'000	30 September 2017 \$'000	31 March 2018 \$'000
May 2017 (June 2017)	31/03/2018	1.20	-	505	505
August 2017 (paid September 2017)	31/03/2018	1.15	-	490	490
November 2017 (paid December 2017)	31/03/2018	1.09	-	-	485
February 2018 (paid March 2018)	31/03/2018	0.91	-	-	465
May 2018 (paid June 2018)	31/03/2019	0.94	540	-	-
August 2018 (paid September 2018)	31/03/2019	1.02	635	-	-
			1,175	995	1,945

7. UNITHOLDERS' FUNDS

As at 30 September 2018 there were 62,934,000 units on issue (30 September 2017: 42,931,000; 31 March 2018: 54,176,000).

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 2018 was 9,028,000 (30 September 2017: 860,000; 31 March 2018: 12,105,000) for total value of \$28,331,000 (30 September 2017: \$2,698,000; 31 March 2018: \$38,059,000).

The number of units redeemed during the period ended 30 September 2018 was 270,000 (30 September 2017: nil; 31 March 2018: nil) for total value of \$848,000 (30 September 2017: \$nil; 31 March 2018: \$nil).

	30 September 2018 '000	30 September 2017 '000	31 March 2018 '000
Movement in the number of units			
Balance at the beginning of the period/year	54,176	42,071	42,071
Subscriptions received during the period/year	9,028	860	12,105
Redemptions made during the year	(270)	-	-
Units on issue at the end of the period/year	62,934	42,931	54,176

The net asset value of each unit per the financial statements is \$3.13355 (30 September 2017: \$3.14616; 31 March 2018: \$3.14355). Any difference between the net asset value announced to the market for 28 September 2018 and the net asset value per the financial statements is due to different unit pricing methodology.

GLOBAL BOND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2018

8. MATURITY ANALYSIS

The Fund invests in international interest-bearing assets and other fixed income securities.

The tables below show an analysis of financial assets and financial liabilities analysed according to when they are expected to be recovered or settled.

	30 September 2018			30 September 2017		
	Within 12 months	Over 12 months	Total	Within 12 months	Over 12 months	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
ASSETS						
Cash and cash equivalents	893	-	893	4,928	-	4,928
Balances due from brokers	847	-	847	4,067	-	4,067
Receivables	1,155	-	1,155	882	-	882
Investments in interest-bearing securities at fair value through profit or loss	31,254	165,076	196,330	6,093	125,528	131,621
Investments in equity securities at fair value through profit or loss	-	94	94	-	156	156
Derivatives held for trading	3,144	2,267	5,411	2,323	843	3,166
Taxation receivable	398	-	398	-	-	-
Unsettled sales of investments	3,793	-	3,793	293	2,267	2,560
Total assets	41,484	167,437	208,921	18,586	128,794	147,380
LIABILITIES						
Bank overdraft	-	-	-	(20)	-	(20)
Balances due to brokers	(172)	-	(172)	-	-	-
Management fees payable	(9)	-	(9)	(6)	-	(6)
Taxation payable	-	-	-	(576)	-	(576)
Deferred tax payable	(2)	-	(2)	-	-	-
Derivatives held for trading	(4,646)	(828)	(5,474)	(3,376)	(1,849)	(5,225)
Funds held for unit purchases	(60)	-	(60)	(22)	-	(22)
Unsettled purchases of investments	(5,996)	-	(5,996)	(6,463)	-	(6,463)
Other current liabilities	(1)	-	(1)	-	-	-
Total liabilities	(10,886)	(828)	(11,714)	(10,463)	(1,849)	(12,312)

GLOBAL BOND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2018

8. MATURITY ANALYSIS (Continued)

31 March 2018

	Within 12 months \$'000	Over 12 months \$'000	Total \$'000
ASSETS			
Cash and cash equivalents	2,595	-	2,595
Balances due from brokers	2,480	-	2,480
Receivables	956	-	956
Investments in interest-bearing securities at fair value through profit or loss	44,336	121,845	166,181
Investments in equity securities at fair value through profit or loss	-	85	85
Derivatives held for trading	3,675	1,509	5,184
Unsettled sales of investments	395	-	395
Total assets	54,437	123,439	177,876
LIABILITIES			
Management fees payable	(8)	-	(8)
Taxation payable	(355)	-	(355)
Derivatives held for trading	(5,194)	(1,174)	(6,368)
Funds held for unit purchases	(83)	-	(83)
Unsettled purchases of investments	(757)	-	(757)
Total liabilities	(6,397)	(1,174)	(7,571)

9. RELATED PARTY TRANSACTIONS

Related party holdings

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

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

SuperLife Invest managed investment scheme ("SLI"), a scheme managed by the Manager, a wholly owned subsidiary of NZX Limited held 54,370,738 units (30 September 2017: 40,099,789; 31 March 2018: 46,145,199) valued at \$170,359,000 (30 September 2017: \$126,121,000; 31 March 2018: \$144,983,000) in the Fund.

Distributions

The Fund paid distributions of \$1,013,000 to SLI for the period ended 30 September 2018 (30 September 2017: \$941,000; 31 March 2018: \$1,812,000).

GLOBAL BOND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2018

9. RELATED PARTY TRANSACTIONS (Continued)

Management fees

The Manager receives management fees from the Fund. Under the Trust Deed the Manager pays the supervisor, investment manager, custodian, registrar and auditor on behalf of the Fund and receives direct purchase application fees and interest earned on cash retained for the purpose of distribution prior to the distribution being made.

Total gross management fees excluding rebates for the period ended 30 September 2018 amounted to \$500,000 (30 September 2017: \$357,000; 31 March 2018: \$755,000) with \$9,000 (30 September 2017: \$6,000; 31 March 2018: \$8,000) of outstanding accrued management fees due to the Manager at the end of the period.

Total direct purchase application fees for the period ended 30 September 2018 amounted to \$nil (30 September 2017: \$1,000; 31 March 2018: \$2,000).

The total interest earned on cash at banks for the period ended 30 September 2018 amounted to \$2,000 (30 September 2017: \$1,000; 31 March 2018: \$3,000).

Other related party transactions

As at 30 September 2018 the Fund had a payable to the Manager of \$1,000 (30 September 2017: \$nil; 31 March 2018: \$nil).

The audit fee paid by the Manager for the audit of the Fund for the period ended 30 September 2018 was \$nil (30 September 2017: \$nil; 31 March 2018: \$5,000).

10. FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

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

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

Financial instruments by category

	30 September 2018 \$'000	30 September 2017 \$'000	31 March 2018 \$'000
<u>Financial assets at amortised cost</u>			
Cash and cash equivalents	893	4,928	2,595
Balances due from brokers	847	4,067	2,480
Receivables	1,155	882	956
Unsettled sales of investments	3,793	2,560	395
<u>Financial assets and financial liabilities at fair value through profit and loss</u>			
Investments in interest-bearing securities at fair value through profit or loss	196,330	131,621	166,181
Investments in equity securities at fair value through profit or loss	94	156	85
Derivatives held for trading (financial assets)	5,411	3,166	5,184
Derivatives held for trading (financial liabilities)	(5,474)	(5,225)	(6,368)
<u>Financial liabilities at amortised cost</u>			
Bank overdraft	-	(20)	-
Balances due to brokers	(172)	-	-
Management fees payable	(9)	(6)	(8)
Funds held for unit purchases	(60)	(22)	(83)
Unsettled purchases of investments	(5,996)	(6,463)	(757)
Other current liabilities	(1)	-	-

GLOBAL BOND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2018

10. FINANCIAL RISK MANAGEMENT (Continued)

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

10a. Market price risk

Market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Fund invests mainly in interest-bearing assets which are not directly subject to market price risk. However, the Fund holds futures contracts which are subject to market price risk. A 10% increase/decrease in market price as at 30 September 2018 will result in an increase/decrease in fair value on financial assets and financial liabilities through profit or loss of \$12,116,000 (30 September 2017: \$11,398,000; 31 March 2018: \$10,740,000).

The Fund also holds listed preference shares which are subject to market price risk, however this risk is not considered to be significant.

10b. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risk is a direct consequence of investing in fixed income securities (mainly debt securities) and derivatives (including interest rate swaps).

The Fund holds interest-bearing financial assets and liabilities - the values of which move up and down inversely to movements in market interest rates and is therefore exposed to interest rate risk.

The exposure of the Fund to interest rate risk is an investment decision taken by the Investment Manager and the size of that risk is limited in the mandate of the Investment Manager.

The following table analyses the Fund's interest rate risk exposure. The analysis has been prepared on the basis of the remaining period to contractual repricing or maturity dates.

	30 September 2018					Total \$'000
	Within 6 months \$'000	Between 6-12 months \$'000	Between 1-2 years \$'000	Between 2-5 years \$'000	Over 5 years \$'000	
ASSETS						
Cash and cash equivalents	893	-	-	-	-	893
International interest-bearing securities	37,207	7,325	17,416	58,736	88,924	209,608
Interest-bearing securities - repurchase agreements	(13,278)	-	-	-	-	(13,278)
Derivatives held for trading	-	-	316	238	1,564	2,118
Total financial assets subject to interest rate risk	24,822	7,325	17,732	58,974	90,488	199,341
LIABILITIES						
Bank overdraft	-	-	-	-	-	-
Derivatives held for trading	(375)	-	(147)	(77)	(199)	(798)
Total financial liabilities subject to interest rate risk	(375)	-	(147)	(77)	(199)	(798)

GLOBAL BOND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2018

10. FINANCIAL RISK MANAGEMENT (Continued)

30 September 2017						
	Within 6 months \$'000	Between 6-12 months \$'000	Between 1-2 years \$'000	Between 2-5 years \$'000	Over 5 years \$'000	Total \$'000
ASSETS						
Cash and cash equivalents	4,928	-	-	-	-	4,928
International interest-bearing securities	18,569	6,806	10,049	45,132	70,347	150,903
Interest-bearing securities - repurchase agreements	(19,282)	-	-	-	-	(19,282)
Derivatives held for trading	2	-	143	96	369	610
Total financial assets subject to interest rate risk	4,217	6,806	10,192	45,228	70,716	137,159
LIABILITIES						
Bank overdraft	(20)	-	-	-	-	(20)
Derivatives held for trading	-	(12)	(317)	(132)	(521)	(982)
Total financial liabilities subject to interest rate risk	(20)	(12)	(317)	(132)	(521)	(1,002)

31 March 2018						
	Within 6 months \$'000	Between 6-12 months \$'000	Between 1-2 years \$'000	Between 2-5 years \$'000	Over 5 years \$'000	Total \$'000
ASSETS						
Cash and cash equivalents	2,595	-	-	-	-	2,595
International interest-bearing securities	39,826	4,510	12,660	44,995	64,190	166,181
Derivatives held for trading	208	-	31	512	803	1,554
Total financial assets subject to interest rate risk	42,629	4,510	12,691	45,507	64,993	170,330
LIABILITIES						
Derivatives held for trading	(40)	-	(562)	(61)	(182)	(845)
Total financial liabilities subject to interest rate risk	(40)	-	(562)	(61)	(182)	(845)

The tables below show the sensitivity of the Fund's Statement of Comprehensive Income to a reasonably possible change in interest rates with all other variables remaining constant. The analysis is performed on the same basis for 30 September 2017 and 31 March 2018. The sensitivity of the Statement of Comprehensive Income is the effect of the assumed changes in interest rates on:

- 1) The interest income for the period based on floating rate financial assets held at 30 September 2018.
- 2) Changes in fair value of investments for the period based on revaluing fixed rate financial assets at 30 September 2018.

30 September 2018				
	Sensitivity of interest income		Sensitivity of changes in fair value of investments	
	100 basis points increase \$'000	100 basis points decrease \$'000	100 basis points increase \$'000	100 basis points decrease \$'000
Cash and cash equivalents	9	(9)	-	-
International interest-bearing securities	65	(65)	(12,036)	13,662
Derivatives held for trading	-	-	3,234	(4,008)

GLOBAL BOND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2018

10. FINANCIAL RISK MANAGEMENT (Continued)

30 September 2017

	Sensitivity of interest income		Sensitivity of changes in fair value of investments	
	100 basis points increase	100 basis points decrease	100 basis points increase	100 basis points decrease
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	49	(49)	-	-
International interest-bearing securities	58	(58)	(9,561)	10,766
Derivatives held for trading	-	-	3,391	(4,120)

31 March 2018

	Sensitivity of interest income		Sensitivity of changes in fair value of investments	
	100 basis points increase	100 basis points decrease	100 basis points increase	100 basis points decrease
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	26	(26)	-	-
International interest-bearing securities	103	(103)	(9,173)	10,284
Derivatives held for trading	-	-	2,746	(3,423)

10c. Credit risk

Credit risk represents the risk that a counterparty to the financial instrument will fail to perform contractual obligations under a contract and cause the Fund to incur a loss.

With respect to credit risk arising from the financial assets (excluding repurchase agreements) of the Fund, the Fund's exposure to credit risk arises from the default of the counterparty, with the current exposure equal to the fair value of these instruments as disclosed in the Statement of Financial Position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date.

Credit risk arising from derivative financial instruments, such as forward foreign exchange contracts, forward rate agreements, interest rate swaps and credit default swaps, at any time, is limited to those with net positive fair value (Note 2).

There are no financial assets that are past due or impaired, or would otherwise be past due or impaired except for the terms having been renegotiated.

The analysis below summarises the credit quality of the Fund's exposure rated externally by Standard & Poor's, Moody's or Fitch. If a security is not rated by any of these agencies, the Investment Manager will assess what rating the security might attain if it were to seek an external rating.

30 September 2018

	AAA to AA-\$'000	A+ to A-\$'000	BBB+ to B-\$'000	CCC+ to C-\$'000	Total \$'000
International interest-bearing securities	85,801	51,226	55,651	3,652	196,330
Derivatives held for trading	811	4,273	-	-	5,084
	<u>86,612</u>	<u>55,499</u>	<u>55,651</u>	<u>3,652</u>	<u>201,414</u>

GLOBAL BOND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2018

10. FINANCIAL RISK MANAGEMENT (Continued)

30 September 2017					
	AAA to AA- \$'000	A+ to A- \$'000	BBB+ to B- \$'000	CCC+ to C- \$'000	Total \$'000
International interest-bearing securities	81,448	23,326	41,948	4,181	150,903
Derivatives held for trading	568	2,413	-	-	2,981
	<u>82,016</u>	<u>25,739</u>	<u>41,948</u>	<u>4,181</u>	<u>153,884</u>

31 March 2018					
	AAA to AA- \$'000	A+ to A- \$'000	BBB+ to B- \$'000	CCC+ to C- \$'000	Total \$'000
International interest-bearing securities	71,359	43,531	50,451	840	166,181
Derivatives held for trading	1,375	2,488	116	-	3,979
	<u>72,734</u>	<u>46,019</u>	<u>50,567</u>	<u>840</u>	<u>170,160</u>

At 30 September 2018, 30 September 2017 and 31 March 2018 all amounts due from brokers for sale of investments, cash and short-term deposits are held with counterparties with a credit rating of A or higher and are due to be settled within a week. The Manager considers the probability of default to be minimal as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

Cash and cash equivalents

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

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

	30 September 2018		30 September 2017		31 March 2018	
	Balance \$'000	Credit rating	Balance \$'000	Credit rating	Balance \$'000	Credit rating
ANZ	60	AA-	22	AA-	83	AA-
BNP Paribas	734	A	4,906	A	2,512	A
Westpac	99	AA-	-	AA-	-	AA-
	<u>893</u>		<u>4,928</u>		<u>2,595</u>	

Balances due from brokers

Balances due from brokers represent margin accounts and cash collaterals. At the reporting date, the Fund's futures margin accounts are held with Morgan Stanley (A+ S&P credit rating) (30 September 2017: A+; 31 March 2018: A+). The Fund's cash collateral balances are also mainly held with Morgan Stanley.

The Investment Manager is responsible for assessing and monitoring the creditworthiness of borrower, guarantors, issuers of debt securities, acceptors of bills of exchange, or other sources of credit risk.

GLOBAL BOND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2018

10. FINANCIAL RISK MANAGEMENT (Continued)

10d. Liquidity risk

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

The Fund is able to generate sufficient cash on a timely manner to meet its financial commitments and normal level of redemptions. The Investment Manager ensures that the Fund has appropriate liquidity levels within allowable benchmark ranges. In the event of abnormal levels of redemptions, timing of payments may depend on the ability of the Fund to realise its underlying investments on a timely basis, subject to provisions in the Trust Deed.

The table below analyses the net settled derivative financial assets and financial liabilities into relevant maturity groupings based on the remaining periods at balance date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

The contractual cash flows are based on the spot rate at the reporting date.

30 September 2018

	Statement of Financial Position \$000	Contractual cash flows \$000	Within 6 months \$000	Between 6- 12 months \$000	Between 1- 5 years \$000	Over 5 years \$000
Derivative assets held for trading	5,411					
<i>Inflow</i>		383,626	375,832	3,992	2,580	1,222
<i>Outflow</i>		(379,612)	(372,570)	(3,851)	(2,050)	(1,141)
Derivative liabilities held for trading	(5,474)					
<i>Inflow</i>		541,646	535,040	3,596	1,247	1,763
<i>Outflow</i>		(547,812)	(539,837)	(4,480)	(1,668)	(1,827)

30 September 2017

	Statement of Financial Position \$000	Contractual cash flows \$000	Within 6 months \$000	Between 6- 12 months \$000	Between 1- 2 years \$000	Over 5 years \$000
Derivative assets held for trading	3,166					
<i>Inflow</i>		307,584	297,491	1,185	8,354	554
<i>Outflow</i>		(301,873)	(294,007)	(532)	(7,072)	(262)
Derivative liabilities held for trading	(5,225)					
<i>Inflow</i>		344,025	308,686	3,993	21,645	9,701
<i>Outflow</i>		(363,106)	(312,772)	(5,905)	(26,712)	(17,717)

31 March 2018

	Statement of Financial Position \$000	Contractual cash flows \$000	Within 6 months \$000	Between 6- 12 months \$000	Between 1- 5 years \$000	Over 5 years \$000
Derivative assets held for trading	5,184					
<i>Inflow</i>		370,648	363,203	6,424	929	92
<i>Outflow</i>		(366,409)	(359,630)	(6,149)	(563)	(67)
Derivative liabilities held for trading	(6,368)					
<i>Inflow</i>		383,453	378,067	1,248	1,015	3,123
<i>Outflow</i>		(390,557)	(383,029)	(1,641)	(1,841)	(4,046)

GLOBAL BOND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2018

10. FINANCIAL RISK MANAGEMENT (Continued)

10e. Currency Risk

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

The Fund holds financial instruments denominated in currencies other than the New Zealand dollar, the functional currency, at period end. The Fund is therefore subject to risk due to fluctuations in the prevailing currency exchange rate. A change in exchange rates would impact the New Zealand dollar equivalent market price of the financial instruments in which the Fund invests.

The Fund enters into forward exchange contracts designed to economically hedge the foreign exposure of the underlying investments. The Fund is to be economically hedged to New Zealand dollars between 95% and 105%.

The currency risk disclosures have been prepared on the basis of the Fund's direct investments.

The table below summarises the Fund's exposure to currency risk in New Zealand dollar value of the financial instruments.

	30 September 2018						
	AUD \$'000	CAD \$'000	EUR \$'000	GBP \$'000	JPY \$'000	USD \$'000	Other \$'000
Assets and liabilities							
Foreign currency cash balances held (NZD)	(33)	(24)	53	53	125	983	300
Investment securities held at fair value through profit or loss	2,232	5,505	37,462	17,352	19,172	98,169	16,532
Derivatives held for trading	(3,388)	(5,710)	(40,662)	(15,238)	(17,347)	(100,073)	(13,787)
Receivables/(payables)	5	48	(3,865)	81	(1,993)	4,568	83
Total financial assets and liabilities	(1,184)	(181)	(7,012)	2,248	(43)	3,647	3,128

	30 September 2017						
	AUD \$'000	CAD \$'000	EUR \$'000	GBP \$'000	JPY \$'000	USD \$'000	Other \$'000
Assets and liabilities							
Foreign currency cash balances held (NZD)	23	195	593	348	107	7,582	157
Investment securities held at fair value through profit or loss	1,260	4,212	11,990	10,016	14,666	66,333	23,300
Derivatives held for trading	(1,230)	(4,518)	(15,991)	(9,418)	(14,286)	(73,378)	(18,635)
Receivables/(Payables)	4	41	(646)	67	-	(2,943)	454
Total financial assets and liabilities	57	(70)	(4,054)	1,013	487	(2,406)	5,276

	31 March 2018						
	AUD \$'000	CAD \$'000	EUR \$'000	GBP \$'000	JPY \$'000	USD \$'000	Other \$'000
Assets and liabilities							
Foreign currency cash balances held (NZD)	36	(23)	149	156	6	3,289	152
Investment securities held at fair value through profit or loss	2,269	7,641	26,256	16,070	20,176	76,471	17,383
Derivatives held for trading	(853)	(7,648)	(30,295)	(12,215)	(19,822)	(97,991)	(2,394)
Receivables/(payables)	5	42	509	(665)	-	494	206
Total financial assets and liabilities	1,457	12	(3,381)	3,346	360	(17,737)	15,347

GLOBAL BOND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2018

10. FINANCIAL RISK MANAGEMENT (Continued)

The table below summarises the sensitivity analysis in NZD currency to an increase or decrease in the exchange rate with all other variables remaining constant, where the Fund has significant currency risk exposure, based on an assumed increase/decrease by the percentage disclosed in the table.

	30 September 2018		30 September 2017	
	Profit or loss and		Profit or loss and	
	Unitholders' Funds		Unitholders' Funds	
	10% increase	10% decrease	10% increase	10% decrease
	\$'000	\$'000	\$'000	\$'000
Assets and liabilities				
Foreign currency cash balances held (NZD)	(146)	146	(900)	900
Investment securities held at fair value through profit or loss	(19,642)	19,642	(13,175)	13,175
Derivatives held for trading	19,620	(19,620)	13,743	(13,743)
Receivables/(payables)	107	(107)	302	(302)
	<u>(61)</u>	<u>61</u>	<u>(30)</u>	<u>30</u>

	31 March 2018	
	Profit or loss and	
	Unit Holders' Funds	
	10% increase	10% decrease
	\$'000	\$'000
Assets and liabilities		
Foreign currency cash balances held (NZD)	(376)	376
Investment securities held at fair value through profit or loss	(16,627)	16,627
Derivatives held for trading	17,122	(17,122)
Receivables/(payables)	(59)	59
	<u>60</u>	<u>(60)</u>

10f. Financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

The following table presents the recognised derivatives that are subject to offsetting, or other similar arrangements but not offset, as at 30 September 2018, 30 September 2017 and 31 March 2018.

	30 September 2018					
	Related amounts not set-off in the statement of financial position					
	Gross amounts of recognised financial instruments	Gross amounts of recognised financial instruments set-off in the statement of financial position	Net amounts of financial instruments presented in the statement of financial position	Financial instruments	Cash collateral received/pledged	Net amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total derivative assets	5,411	-	5,411	(3,222)	-	2,189
Total derivative liabilities	(5,105)	-	(5,105)	3,222	-	(1,883)

GLOBAL BOND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2018

10. FINANCIAL RISK MANAGEMENT (Continued)

30 September 2017						
				Related amounts not set-off in the statement of financial position		
	Gross amounts of recognised financial instruments	Gross amounts of recognised financial instruments set-off in the statement of financial position	Net amounts of financial instruments presented in the statement of financial position	Financial instruments	Cash collateral received/ pledged	Net amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total derivative assets	3,113	-	3,113	(1,797)	-	1,316
Total derivative liabilities	(5,196)	-	(5,196)	1,797	-	(3,399)

31 March 2018						
				Related amounts not set-off in the statement of financial position		
	Gross amounts of recognised financial instruments	Gross amounts of recognised financial instruments set-off in the statement of financial position	Net amounts of financial instruments presented in the statement of financial position	Financial instruments	Cash collateral received/ pledged	Net amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total derivative assets	4,992	-	4,992	(1,681)	-	3,311
Total derivative liabilities	(6,329)	-	(6,329)	1,681	-	(4,648)

11. SEGMENT INFORMATION

The table below analyses the Fund's interest income grouped by geographical location.

	30 September 2018 \$'000	30 September 2017 \$'000	31 March 2018 \$'000
United Kingdom	209	151	326
Euro Zone	417	265	669
United States of America (USA)	1,740	1,021	2,189
Americas (excluding USA)	80	161	206
Other	44	13	37
	<u>2,490</u>	<u>1,611</u>	<u>3,427</u>

GLOBAL BOND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2018

12. COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 30 September 2018 (30 September 2017: nil; 31 March 2018: nil).

13. EVENTS AFTER THE REPORTING YEAR

Since 30 September 2018 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.

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UNITHOLDER INFORMATION

Distribution of security holders and security holdings as at 30 September 2018

	No. of holders	% of holders	No. of securities	% of securities
1 - 1,000	109	40.21	47,273	0.08
1,001 - 5,000	98	36.16	237,974	0.38
5,001 - 10,000	25	9.23	190,441	0.30
10,001 - 50,000	32	11.81	655,837	1.04
50,001 - 100,000	3	1.11	234,087	0.37
Greater than 100,000	4	1.48	61,569,006	97.83
Totals	271	100.00	62,934,618	100.00

20 largest registered holders of quoted equity securities as at 30 September 2018

Full name	Total	Percentage %
SuperLife Nominees Limited	54,353,738	86.36
FNZ Custodians Limited	5,554,206	8.83
New Zealand Central Securities Depository Limited	1,311,711	2.08
Investment Custodial Services Limited	349,351	0.56
Izak Andries Delpont Van Blerk & Petronella Erendina Van Blerk	96,624	0.15
Custodial Services Limited	74,170	0.12
Somsmith Nominees Limited	63,293	0.10
Marcia Clare Jasmine Fullam	47,455	0.08
David Alan Shackleton & Scott Francis Whitaker	41,731	0.07
Forsyth Barr Custodians Limited	33,500	0.05
Robyn Elizabeth Taylor	32,819	0.05
Jonathan Schwass & Ann Howarth	28,665	0.05
Anthony Smith & Barbara Smith	27,515	0.04
Custodial Services Limited	27,500	0.04
William John Duff Eaton	26,600	0.04
Billy Cheung Services Limited	25,244	0.04
Brendan Dennis Catchpole & Connie Yvonne Catchpole & Anthony Raymond Wentworth	24,800	0.04
Investment Custodial Services Limited	22,093	0.04
Kenneth Drayton & Michael Grey Glen	21,453	0.03
Gavin Wallace MCGoughan & Charlotte Elizabeth MCGoughan & Focus Trustee Company Limited	19,281	0.03
Totals	62,181,749	98.80

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 2018. The total number of units on issue at 30 September 2018 was 62,934,618.

Directors' interest in units as at 30 September 2018

	Beneficial	Non - Beneficial
Mark J. Peterson	-	-
Guy R. Elliffe	15,390*	-
A. John Williams	-	-
Paul J. Baldwin	-	-
Lindsay M. Wright	-	-

*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	1