

Fund Update

Smartshares Exchange Traded Funds

NZ Dividend Fund

For the quarter ended 30 September 2016

This fund update was first made publicly available on 28 October 2016.

What is the purpose of this update?

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

Description of this fund

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

Total value of the fund:	\$29,461,097
The date the fund started:	7 April 2015

What are the risks of investing?

Risk indicator for the NZ Dividend Fund¹



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

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

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

This risk indicator is not a guarantee of a fund's future performance. The risk indicator is based on the returns data for 5 years to 30 September 2016. While risk indicators are usually relatively stable, they do shift from time to time. The risk indicator will continue to be updated in future fund updates.

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

How has the fund performed?

	Past year
Annual return (after deductions for charges and tax)	27.77%
Annual return (after deductions for charges but before tax)	29.60%
Market index annual return (reflects no deduction for charges and tax)	29.04%

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

What fees are investors charged?

Investors in the NZ Dividend Fund are charged fund charges. These are as follows:

	% per annum of fund's net asset value
Total fund charges	0.54%
Which are made up of:	
Total management and administration charges	0.54%
Including:	
Manager's basic fee	0.54%
Other management and administration charges	0.00%
Total performance-based fees	0.00%
Other charges	Dollar amount per investor
Not applicable	\$0.00

Investors may also be charged individual action fees for specific actions or decisions (for example, for initial contributions to the fund). See the PDS for more information about those fees.

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

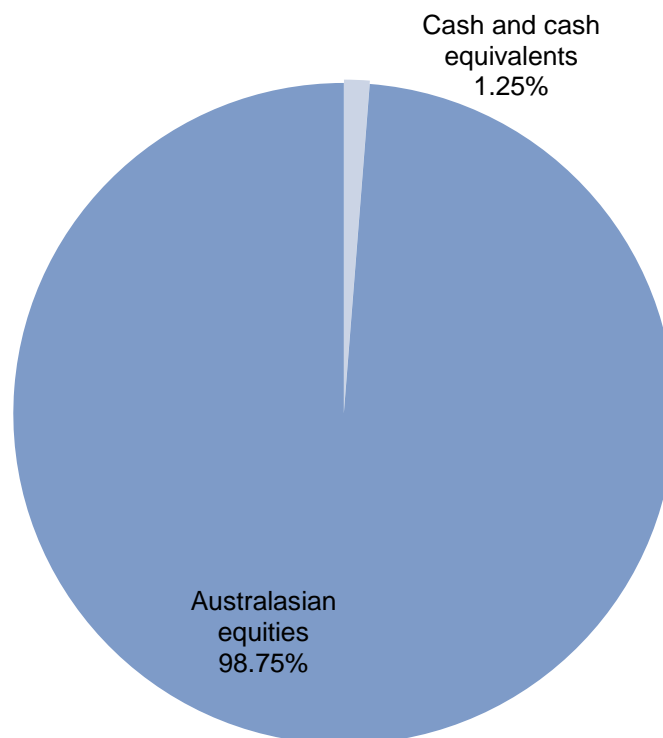
Example of how this applies to an investor

Tara had \$10,000 in the fund at the start of the year and did not make any further contributions. At the end of the year, Tara received a return after fund charges were deducted of \$2,777 (that is 27.77% of her initial \$10,000). Tara paid no other charges. This gives Tara a total return after tax of \$2,777 for the year.

What does the fund invest in?

Actual investment mix

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



Target investment mix

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

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

Top 10 investments

Name	% of fund net assets	Type	Country	Credit rating (if applicable)
Fletcher Building Limited	12.12%	Australasian equities	New Zealand	
Spark New Zealand Limited	9.69%	Australasian equities	New Zealand	
Contact Energy Limited	7.34%	Australasian equities	New Zealand	
Meridian Energy Limited	7.10%	Australasian equities	New Zealand	
Sky Network Television Limited	6.01%	Australasian equities	New Zealand	
Z Energy Limited	5.52%	Australasian equities	New Zealand	
Air New Zealand Limited	4.56%	Australasian equities	New Zealand	
Mercury NZ Limited	4.56%	Australasian equities	New Zealand	
SkyCity Entertainment Group	4.56%	Australasian equities	New Zealand	
Infratil Limited	4.06%	Australasian equities	New Zealand	

The top 10 investments make up 65.52% of the fund.

Key personnel

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

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

Further information

You can also obtain this information, the PDS and some additional information, from the offer register at www.business.govt.nz/disclose

Notes

- 1 Market index returns (as well as actual returns) have been used to complete the risk indicator, as the fund has not been in existence for 5 years. As a result, the risk indicator may provide a less reliable indicator of the potential future volatility of the fund. The risk indicator for the fund uses 3 years and 6 months of market index returns.