



NZ CORE EQUITY TRUST

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Presented by Smartshares Limited, Manager of the NZ Core Equity Trust

NZ CORE EQUITY TRUST

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NZ CORE EQUITY TRUST

DIRECTORY

THE MANAGER

Smartshares Limited
Level 1, NZX Centre,
11 Cable Street, Wellington 6140
New Zealand

This is also the address of the registered office.

DIRECTORS OF THE MANAGER

Timothy O. Bennett
Kristin A. Brandon (resigned 6 Nov 2015)
Bevan K. Miller
Guy R. Elliffe (appointed 6 Nov 2015)
A. John Williams (appointed 6 Nov 2015)

SOLICITORS

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

INVESTMENT ADMINISTRATOR AND CUSTODIAN

BNP Paribas Fund Services Australasia Pty Ltd

AUDITOR

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

THE TRUSTEE

Trustees Executors Limited
Level 5, 10 Customhouse Quay,
PO Box 10-519, Wellington 6143
New Zealand

DIRECTORS OF THE TRUSTEE

Rt Hon James B. Bolger ONZ (retired 8 July 2015)
Paul R. S. Hocking
Peter A. Metz
Robert P. Russell
David R. Neidhart (appointed 29 Sept 2015)

THE INVESTMENT MANAGER

DFA Australia Limited
Level 43, 1 Macquarie Place
Sydney NSW 2000
Australia

CORRESPONDENCE

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

All correspondence and enquiries to the Trustee about the Fund should be addressed to the Trustee, Trustees Executors Limited, at the above address.

NZ CORE EQUITY TRUST

The Manager and the Trustee are parties to a Master Trust Deed dated 24 June 2014 (the 'Trust Deed') which sets out the terms and conditions on which units in unit trusts managed by the Manager will be offered for subscription, whether to the public or otherwise.

The Trust Deed provides that each unit trust is to be established by the Manager and the Trustee entering into a Unit Trust Establishment Deed setting out the specific terms and conditions relating to that Trust.

The Manager has resolved to establish a Unit Trust to be known as NZ Core Equity Trust (the 'Fund') and the Trustee and the Manager have entered into a Trust Deed for the purpose of establishing the Unit Trust and the terms and conditions applicable to it.

STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), and give a true and fair view of the financial position of the Fund as at 31 March 2016, and of the results of its financial performance and cash flows for the year ended 31 March 2016 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 8 June 2016.

NZ CORE EQUITY TRUST

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2016

	For the Year ended 31 March 2016 \$'000	For the Period ended 31 March 2015 \$'000
INCOME		
Dividend income	1,066	696
Interest income	-	4
Net changes in fair value on financial assets and financial liabilities at fair value through profit or loss	2,385	1,818
Net investment income	3,451	2,518
EXPENSES		
Interest expense	4	-
Manager fees	139	80
Brokerage Fees	3	7
Total expenses	146	87
Net profit	3,305	2,431
Other comprehensive income	-	-
Total comprehensive income	3,305	2,431

The accompanying notes form part of and should be read in conjunction with these Financial Statements.

NZ CORE EQUITY TRUST

STATEMENT OF CHANGES IN UNIT HOLDERS' FUNDS FOR THE YEAR ENDED 31 MARCH 2016

	For the Year ended 31 March 2016 \$'000	For the Period ended 31 March 2015 \$'000
Unitholders' funds at beginning of the year/period	19,595	-
Net profit for the year/period	3,305	2,431
Total comprehensive income for the year/period	3,305	2,431
Subscriptions from Unitholders	4,534	22,655
Redemptions by Unitholders	(2,522)	(4,804)
Distributions to Unitholders	(1,054)	(687)
	958	17,164
Unitholders' funds at the end of the year/period	<u>23,858</u>	<u>19,595</u>

The accompanying notes form part of and should be read in conjunction with these Financial Statements.

NZ CORE EQUITY TRUST

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016

	Note	As at 31 March 2016 \$'000	As at 31 March 2015 \$'000
ASSETS			
Cash and cash equivalents		188	196
Receivables		192	154
Investment securities designated at fair value through profit or loss		<u>24,017</u>	<u>19,716</u>
TOTAL ASSETS		<u>24,397</u>	<u>20,066</u>
LIABILITIES			
Payables	1	<u>539</u>	<u>471</u>
TOTAL LIABILITIES		<u>539</u>	<u>471</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>23,858</u>	<u>19,595</u>

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the Financial Statements on 8 June 2016.



B Miller
Chairman
Smartshares Limited



G Elliffe
Director
Smartshares Limited

The accompanying notes form part of and should be read in conjunction with these Financial Statements.

NZ CORE EQUITY TRUST

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2016

	For the Year ended 31 March 2016 \$'000	For the Period ended 31 March 2015 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Dividend income received	904	497
Interest income	-	4
<i>Cash was applied to:</i>		
Operating expenses	(141)	(75)
Interest expense	(4)	-
Net cash flows from operating activities	<u>759</u>	<u>426</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Cash was provided from:</i>		
Sale of investments	2,790	1,618
<i>Cash was applied to:</i>		
Purchase of investments	(4,582)	(8,748)
Net cash flows from investing activities	<u>(1,792)</u>	<u>(7,130)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Cash was provided from:</i>		
Subscriptions received from Unitholders	4,534	11,932
<i>Cash was applied to:</i>		
Redemptions paid to Unitholders	(2,552)	(4,774)
Income distributed to Unitholders	(957)	(258)
Net cash flows from financing activities	<u>1,025</u>	<u>6,900</u>
Net (decrease)/increase in cash and cash equivalents	(8)	196
Cash and cash equivalents at beginning of the year	196	-
Cash and cash equivalents at the end of year	<u>188</u>	<u>196</u>
Reconciliation of net profit after tax to net cash provided by operating activities		
Net profit after tax	3,305	2,431
Realised (gain)/loss on investment securities	(182)	4
Unrealised gain on investment securities	(2,203)	(1,822)
Dividends reinvested	(124)	(45)
<i>Changes in assets and liabilities:</i>		
Increase in receivables	(38)	(154)
Increase in payables	1	12
Net cash flows from operating activities	<u>759</u>	<u>426</u>

The accompanying notes form part of and should be read in conjunction with these Financial Statements.

NZ CORE EQUITY TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

GENERAL INFORMATION

The NZ Core Equity Trust (the 'Fund') is a for-profit unit trust established on 24 June 2014 in New Zealand under the Unit Trusts Act 1960. The Fund is an issuer in terms of the Financial Reporting Act 1993. The financial statements comply with the Financial Reporting Act 1993, in accordance with the transitional provisions under Section 55 of the Financial Reporting Act 2013 and Schedule 4 of the Financial Markets Conduct Act 2013. The Fund holds a portfolio of marketable securities for the long term as an investment vehicle for individual Unitholders. Distributions are made up of dividend income from the investments less expenses paid. All changes in the value of investments, both realised and unrealised are recorded in the Statement of Comprehensive Income.

The Fund is governed by a Master Trust Deed dated 24 June 2014 between the Manager and the Trustee.

The Fund commenced operations on 26 June 2014.

The Fund aims to provide Unitholders with the benefits of long-term capital growth by gaining exposure to a diversified portfolio of equity securities listed in New Zealand, with increased exposure to small companies and value companies relative to a market weighted portfolio. For the purposes of the Fund, value companies are generally considered to be those companies with a low price relative to various financial measures including, but not limited to, book value, cash flow or earnings.

Investment decisions for the Fund are made by the Investment Manager, DFA Australia Limited, which is appointed by the Manager under the Investment Management Agreement. The Investment Manager is the Australian subsidiary of Dimensional Fund Advisors LP (Dimensional LP), which is based in the United States. The Investment Manager will invest in accordance with the Investment Policy.

STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied throughout the year presented, unless otherwise stated.

Comparative period

Comparative figures for the period ended 31 March 2015 are for the period of 26 June 2014 to 31 March 2015.

Basis of preparation

The financial statements of the Fund have been prepared in accordance with NZ GAAP which is the New Zealand equivalent 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 Fund is required to report in accordance with Tier 1 for-profit entity. Under this standard a Tier 1 for-profit entity is required to apply Tier 1 for-profit Accounting Standards which means NZ IFRS and other applicable New Zealand accounting standards and pronouncements that have authoritative support.

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.

The principal accounting policies applied in the preparation of these financial statements are set out below.

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

Classification

The Fund classifies its investment securities as financial assets and financial liabilities at fair value through profit or loss. The Fund classifies those financial assets and financial liabilities designated at fair value through profit or loss at inception.

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

Financial instruments at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Manager to evaluate the information about these financial instruments on a fair value basis together with other related financial information. The Manager has determined that investment securities are designated at fair value through profit or loss.

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.

Recognition

Purchases and sales of investments are recognised on the trade date – the date on which the Fund commits to purchase or sell the investment.

NZ CORE EQUITY TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Measurement

Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed in the Statement of Comprehensive Income. Subsequent to initial recognition, all financial assets and 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 within other net changes in fair value of financial assets and financial liabilities at fair value through profit or loss in the year in which they arise.

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 held by the Fund is the last traded market price.

Receivables

Receivables include amounts where settlement has not yet occurred, and include outstanding settlements on the sale of investments. Receivables are measured at their nominal amounts. Amounts are generally received within 30 days of being recorded as receivables. Given the short-term nature of most receivables, the nominal amount approximates fair value.

Payables

Payables are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Fund, and include outstanding settlements on the purchase of investments. Payables are measured at their nominal amounts. Amounts are generally paid within 30 days of being recorded as payables. Given the short-term nature of most payables, the nominal amount approximates fair value.

Taxation

Income taxation

The Fund has elected to become a Portfolio Investment Entity ('PIE') for the purposes of the Income Tax Act 2007. Under current taxation law the Fund pays no income tax on the taxable income of the Fund and all taxable income and associated tax credits applicable are allocated to investors, in proportion to the units they hold on the days when taxable income and credits arise.

Under the PIE regime, the Manager attributes the taxable income of the Fund to Unitholders in accordance with the proportion of their overall interest in the Fund. The income attributed to each Unitholder is taxed at the Unitholder's 'Prescribed Investor Rate' which is capped at 28%. The Fund is responsible for deducting tax from each investor's allocation using each investor's Prescribed Investor Rate and pays the tax to the taxation authorities on behalf of the investor.

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.

Redeemable units and unitholders' interests

Units issued by the Fund provide the Unitholder the funds to request redemption for cash at the value proportionate to the Unitholder's share in the investment portfolio's net asset value. The funds attributable to Unitholders meet the definition of a "puttable instrument" in accordance with NZ IAS 32: Financial Instruments: Presentation and is classified as equity. The redeemable units are carried at the redemption amount that is payable at the reporting date if the Unitholders exercise their right to put the units back to the Fund. The redemption unit price is based on different valuation principles to that applied in financial reporting. This is explained in more detail in note 2.

Cash and cash equivalents

Cash and cash equivalents include cash at bank, demand deposits and advances with an original maturity of three months or less. Cash and cash equivalents with original maturities of three months or less that were not acquired to meet short term cash commitments are classified as investment securities.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of the above.

Dividend income

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

Distributions payable to holders of units

Income from investments held is attributed to Unitholders on the basis of numbers of units held at the Record Date of the Unitholder distribution. Proposed distributions to Unitholders are recognised when they become payable as outlined in the Trust Deed.

Distributions to Unitholders are currently made on a semi-annual basis directly from the Fund within 20 Business Days of the Record Date. The Record Date for the Fund is on or around the last Business Day of each of March and September in any year.

Segment information

The Fund operates solely in the business of investment management, investing in New Zealand equities. The Fund received all its income from its New Zealand equity investments. For the year ended 31 March 2016, one equity investment individually contributed 10% or more of the Fund's dividend income. The individual dividend income received from the equity investment amounted to \$114,000 (31 March 2015: \$Nil).

NZ CORE EQUITY TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Functional currency

The Manager considers the New Zealand dollar as the currency that most accurately represents the economic effect of the underlying transactions, events and conditions. The New Zealand dollar is the currency in which the Fund measures its performance and reports its results, as well as the currency in which it receives subscriptions from Unitholders.

Critical accounting estimates and assumptions

Fair value of financial assets and financial liabilities held at fair value

The listed investments of the Fund have been valued at last traded market price on 31 March 2016, so there are no accounting estimates or assumptions required in the valuation of the carrying amounts of these assets.

Changes in accounting standards and accounting standards adopted during the year

(a) Changes in accounting policies

There have been no significant changes in accounting policies during the year. All policies have been applied on a basis consistent with those used in the prior year.

(b) New accounting standards adopted

There were no new accounting standards adopted during the year that have a material impact to the financial statements of the Fund.

Issued but not yet effective accounting standards

A number of accounting standards have been issued or revised that are not yet effective as at 31 March 2016, 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 CORE EQUITY TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

1. PAYABLES

	As at 31 March 2016 \$'000	As at 31 March 2015 \$'000
Due to Manager	13	12
Redemptions payable	-	30
Distribution payable	526	429
	539	471

2. UNITHOLDERS' FUNDS

Units in dollar value

	For the Year ended 31 March 2016 \$'000	For the Period ended 31 March 2015 \$'000
Unitholders' funds at beginning of the year	19,595	-
Subscriptions from Unitholders	4,534	22,655
Redemptions by Unitholders	(2,522)	(4,804)
Distributions to Unitholders	(1,054)	(687)
Profit after tax	3,305	2,431
Unitholders' funds at end of the year	23,858	19,595

	For the Year ended 31 March 2016 '000	For the Period ended 31 March 2015 '000
Movement in the number of units		
Balance at beginning of the year	17,808	-
Issue of units	4,119	22,453
Redemption of units	(2,247)	(4,645)
Balance at the end of the year	19,680	17,808

Redeemable units and capital risk management

The Fund issues redeemable units. The Net Asset Value ('NAV') of the units is shown in the Statement of Financial Position as 'Net assets attributable to unitholders'. Each Unitholder is entitled to payment based on the value of the Unitholder's share in the investment portfolio's NAV on the redemption date. The Fund has no restrictions or specific capital requirements on the subscription and redemption of units.

The relevant movements are shown on the Statement of Changes in Unit Holders' Funds. In accordance with the objectives outlined in the Statement of Accounting Policies and the risk management policies in Note 5, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short-term borrowings or disposal of securities where necessary.

Each unit in the Fund ranks equally with other units in that Fund and shall confer an equal undivided interest in the Fund. Unitholders have various rights under the Trust Deed of the Fund, including the rights to:

- Have their units redeemed;
- Receive the Unitholders' funds of the Fund upon termination of the Fund;
- Receive distributions distributed by the Manager; and
- Attend and vote at meetings of Unitholders.

NZ CORE EQUITY TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

3. CLASSIFICATION OF FINANCIAL INSTRUMENTS

	As at 31 March 2016			Total
	Designated at fair value through profit or loss	Loans and receivables	Financial liabilities at amortised cost	
	\$'000	\$'000	\$'000	
ASSETS				
Cash and cash equivalents	-	188	-	188
Receivables	-	192	-	192
Investment securities designated at fair value through profit or loss	24,017	-	-	24,017
Total Assets	24,017	380	-	24,397
LIABILITIES				
Payables	-	-	539	539
Total Liabilities	-	-	539	539

	As at 31 March 2015			Total
	Designated at fair value through profit or loss	Loans and receivables	Financial liabilities at amortised cost	
	\$'000	\$'000	\$'000	
ASSETS				
Cash and cash equivalents	-	196	-	196
Receivables	-	154	-	154
Investment securities designated at fair value through profit or loss	19,716	-	-	19,716
Total Assets	19,716	350	-	20,066
LIABILITIES				
Payables	-	-	471	471
Total Liabilities	-	-	471	471

4. RELATED PARTY TRANSACTIONS

Manager fees

The Manager receives a management fee for managing the Fund. The management fee is currently 0.65% (excluding GST) per annum of the net asset value of the Fund. Under the Trust Deed the Manager pays the Trustee, Custodian, Registrar and Audit fees. The management fee is calculated and accrued daily and paid from the Fund monthly in arrears. For the year ended 31 March 2016, the total management fees charged by the Manager amounted to \$139,120 (31 March 2015: \$79,967).

The audit fee paid by the Manager for the audit of the fund for the year ended 31 March 2016 was \$4,000 (31 March 2015: \$3,800).

Investment in and by related parties

During the year, the Fund did not hold any investments in other funds managed by the Manager or in other members of the Smartshares Limited group of companies.

During the year, no related party of the Manager nor any other funds managed by the Manager invested in the Fund.

As at 31 March 2016, no other Funds held more than 75% the issued units of the Fund (31 March 2015: Nil).

NZ CORE EQUITY TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

5. FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

The Fund aims to provide Unitholders with the benefits of long-term capital growth by gaining exposure to a diversified portfolio of equity securities listed in New Zealand, with increased exposure to small companies and value companies relative to a market weighted portfolio. For the purposes of the Fund, value companies are generally considered to be those companies with a low price relative to various financial measures including, but not limited to, book value, cash flow or earnings.

The Investment Manager invests in accordance with the terms of the Investment Policy.

The Investment Manager must invest in a diverse group of equity securities listed in New Zealand. The Investment Manager targets 50-70 equity securities with a minimum holding of 20 securities. The Investment Manager may achieve increased exposure in the Fund's investments to small companies and/or value companies by increasing the allocation of the companies and/or growth companies relative to a market weighted portfolio.

5a. 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's overall market position is monitored on a daily basis by the Investment Manager. The Fund's investments in listed equities are susceptible to market price risk arising from uncertainties about future values of the investments.

A 10% increase/decrease of equity prices as at 31 March 2016 would increase/decrease profit and Unitholder funds by \$2,402,000 (31 March 2015: \$1,972,000).

5b. 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 financial loss.

With respect to credit risk arising from cash and cash equivalents and receivables of the Fund, the Fund's exposure to credit risk arises from 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.

The Fund holds no collateral as security or any other credit enhancements. 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.

5c. Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due.

The Fund is exposed to daily cash redemptions of redeemable units. It therefore invests the majority of its assets in investments that can be readily disposed of.

The Fund does not borrow except to meet short term cash flow requirements such as settlements. No such borrowings have arisen during the year covered by these financial statements.

The Fund invests in NZ equity securities which are quoted on the NZX Main Board and are considered to be readily realisable.

5d. 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':

NZ CORE EQUITY TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

5. FINANCIAL RISK MANAGEMENT (Continued)

- **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 in level 1 that are observable either directly (as prices) or indirectly (derived from prices);
- **Level 3** - Fair value measurements are derived from valuation methods that include inputs that are not based on observable market data.

All financial instruments measured at fair value of the Fund have been categorised as level 1 in the hierarchy.

Transfers between levels of the fair value hierarchy

There were no transfers between levels in the year ended 31 March 2016 (31 March 2015: Nil).

6. CONTINGENT LIABILITIES AND COMMITMENTS

The Fund had no material commitments or contingencies at 31 March 2016 (31 March 2015: Nil).

7. EVENTS SUBSEQUENT TO BALANCE DATE

Since 31 March 2016 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 CORE EQUITY TRUST



Independent auditor's report

To the Unitholders of NZ Core Equity Trust

We have audited the accompanying financial statements of the NZ Core Equity Trust ("the Fund") on pages 3 to 13. The financial statements comprise the statement of financial position as at 31 March 2016, the statements of comprehensive income, changes in unitholders funds and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Unitholders as a body. Our audit work has been undertaken so that we might state to the fund's Unitholders those matters we are required to state to them in the auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the fund's Unitholders as a body, for our audit work, this report or any of the opinions we have formed.

Directors' responsibility for the financial statements

The Directors are responsible on behalf of the fund for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards, and for such internal control as the Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Employees of our firm may also deal with the Fund on normal terms within the ordinary course of business of the Fund. This matter has not impaired our independence as auditor of the Fund. The firm has no other relationship with, or interest in, the Fund.

NZ CORE EQUITY TRUST



Opinion

In our opinion the financial statements on pages 3 to 13:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of the Fund as at 31 March 2016 and of the financial performance and cash flows of the Fund for the year then ended.

Report on other legal and regulatory requirements

In accordance with the requirements of sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by NZ Core Equity Trust as far as appears from our examination of those records.

A handwritten signature of 'KPMG' in black ink, written in a cursive, stylized font.

8 June 2016
Wellington