

NZ Core Equity Trust

Product Disclosure Statement

Offer of units in the NZ Core Equity Trust

Issued by Smartshares Limited

This document gives you important information about this investment to help you decide whether you want to invest. There is other useful information about this offer on www.business.govt.nz/disclose. Smartshares Limited has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial adviser to help you to make an investment decision.



1. Key information summary

This is a replacement product disclosure statement. It replaces the product disclosure statement dated 9 September 2016.

What is this?

This is a managed investment scheme. Your money will be pooled with other investors' money and invested in various investments. Smartshares Limited (**we, our** or **us**) will invest your money and charge you a fee for our services. The returns you receive are dependent on our (and the investment manager's) investment decisions and the performance of the investments. The value of those investments may go up or down. The types of investments and the fees you will be charged are described in this document.

You can only invest in the NZ Core Equity Trust (**Scheme**) through a custodial service provider authorised by us. The custodial service provider will be the registered owner of your units in the Scheme, while you will be the beneficial owner.

DFA Australia Limited is the investment manager for the Scheme.

What will your money be invested in?

The Scheme offers one investment option for you to invest in.

This investment option is summarised on page 3. More information about the investment target and strategy for this investment option is provided in section 3.

Who manages the Scheme?

Smartshares Limited is the manager of the Scheme. See section 7 for more information.

What are the returns?

The income received by the Scheme (less tax, fees and costs) will be paid to you as distributions. Distributions will be automatically reinvested as additional units, unless you choose to have the distributions paid out as cash. Distributions are paid six-monthly in April and October. See section 2 for more information.

How can you get your money out?

Investments in the Scheme are redeemable. You can withdraw all or part of your investment at any time. The minimum withdrawal amount is \$1,000 and any partial withdrawal must leave a minimum of \$1,000 invested in the Scheme. See section 2 for more information.

Your investment in the Scheme can be sold, but there is no established market for trading these financial products. This means that you may not be able to find a buyer for your investment.

How will your investment be taxed?

The Scheme is a portfolio investment entity (**PIE**).

The amount of tax you pay in respect of a PIE is based on your prescribed investor rate (PIR). This can be 0%, 10.5%, 17.5% or 28%. See section 6 for more information.

Where can you find more key information ?

We are required to publish quarterly updates for the Scheme. The updates show the returns, and the total fees actually charged to investors, during the previous year. The latest fund update is available at www.smartshares.co.nz. We will give you copies of this document on request.



Investment option

Investment option	Description and investment objective	Risk indicator	Fees and charges
NZ Core Equity Trust	<p>Aims to provide investors with the benefits of long-term capital growth by investing in a diversified portfolio of financial products listed in New Zealand, with increased exposure to small companies and value companies relative to a market weighted portfolio.</p> <p>Value companies are companies with a low price relative to various financial measures, including book value, cash flow and earnings.</p>	<p>Lower risk Potentially lower return</p> <p>Potentially higher return Higher risk</p>	<p>Fund charges: 0.50% per annum of the fund's net asset value</p> <p>Contribution fee: 0.10% of the contribution amount</p> <p>Withdrawal fee: 0.10% of the withdrawal amount</p>

* Market index returns (as well as actual returns) have been used to complete the risk indicator, as the Scheme 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 Scheme. The risk indicator uses 2 years and 4 months of market index returns.

See section 4 for an explanation of the risk indicator and for information about other risks that are not included in the risk indicator. To help you clarify your own attitude to risk, you can seek financial advice or work out your risk profile at www.sorted.org.nz/tools/investor-kickstarter.



Table of Contents

1. Key information summary	2
2. How does this investment work?	5
3. Description of your investment option	6
4. What are the risks of investing?	7
5. What are the fees?	8
6. What taxes will you pay?	9
7. Who is involved?	10
8. How to complain	11
9. Where you can find more information	12
10. How to apply	13



2. How does this investment work?

The Scheme aims to provide investors with the benefits of long-term capital growth by investing in a diversified portfolio of financial products listed in New Zealand, with increased exposure to small companies and value companies relative to a market weighted portfolio.

You can only invest in the Scheme through a custodial service provider authorised by us. The custodial service provider will be the registered owner of your units in the Scheme, while you will be the beneficial owner.

We anticipate that your arrangements with the custodial service provider will allow you to hold units in the Scheme on substantially the same terms as set out in this document. However, the custodial service provider's terms and conditions may set out additional or different terms and it is important that you understand these arrangements.

DFA Australia Limited is the investment manager for the Scheme. DFA Australia Limited is the Australian subsidiary of Dimensional Fund Advisors LP, which is based in the United States and was formed in 1981.

The Scheme is a managed investment scheme under the Financial Markets Conduct Act 2013. To protect the interests of investors, the Scheme's investments are held by an independent custodian, and our operations are supervised by an independent supervisor, Public Trust. The Scheme is established as a trust and is governed by a trust deed between the supervisor and us.

Your money is pooled and invested with other investors' money.

Every time you pay money into the Scheme you will receive units in the Scheme. The number of units that you hold represents your proportionate interest in the Scheme. All units have equal value.

Units only give a beneficial interest in Scheme assets and do not give you any right to any particular asset of the Scheme.

The Scheme has only one investment option, so all liabilities incurred in respect of the Scheme will be met from the assets of the Scheme. If the investments in the Scheme are not sufficient to meet its liabilities, the investments in another managed investment scheme cannot be used to meet those liabilities.

The income received by the Scheme (less tax, fees and costs) will be paid to you as distributions. Distributions will be automatically reinvested as additional units, unless you choose to have the distributions paid out as cash. Distributions are paid six-monthly in April and October.

Making investments

You can invest in the Scheme at any time. The minimum initial contribution amount is \$1,000. After that, you can make further investments, either through: (a) a cash application for further units (the minimum contribution amount is \$1,000); or (b) the reinvestment of distributions.

Withdrawing your investments

You can withdraw your investments at any time by making regular or lump sum withdrawals or by withdrawing the full amount. The minimum withdrawal amount is \$1,000 and any partial withdrawal must leave a minimum of \$1,000 invested in the Scheme.

We may, in limited circumstances, suspend processing withdrawal requests.

How to switch between funds

The Scheme has only one investment option, so you cannot switch between funds.



3. Description of your investment option

Investment option	Description and investment objective	Target investment mix	Risk indicator	Minimum suggested investor timeframe
NZ Core Equity Trust	<p>Aims to provide investors with the benefits of long-term capital growth by investing in a diversified portfolio of financial products listed in New Zealand, with increased exposure to small companies and value companies relative to a market weighted portfolio.</p> <p>Value companies are companies with a low price relative to various financial measures, including book value, cash flow and earnings.</p>	100% Australasian equities		5–10 years

* Market index returns (as well as actual returns) have been used to complete the risk indicator, as the Scheme 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 Scheme. The risk indicator for the Scheme uses 2 years and 4 months of market index returns.

The Statement of Investment Policy and Objectives (**SIPO**) for the Scheme sets out the investment policies and objectives for the Scheme. We may change the SIPO at any time, but will give you at least 30 days’ notice of any change that is expected to have a material adverse effect on you.

The SIPO is available at www.smartshares.co.nz. Material changes to the SIPO will be described in the Scheme’s annual report.

Further information about the assets in the Scheme can be found in the fund updates at www.smartshares.co.nz.



4. What are the risks of investing?

Understanding the risk indicator

Managed funds in New Zealand must have a standard risk indicator. The risk indicator is designed to help investors understand the uncertainties both for loss and growth that may affect their investment. You can compare funds using the risk indicator.



See section 3 for the risk indicator which has been calculated for the Scheme.

The risk indicator is rated from 1 (low) to 7 (high). The rating reflects how much the value of the Scheme's assets goes up and down (volatility). 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 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 (described under the heading "Other specific risks") that are not captured by this rating.

This risk indicator is not a guarantee of the Scheme's future performance. The risk indicator is based on the returns data for 5 years to 31 March 2017. While risk indicators are usually relatively stable, they do shift from time to time. You can see the most recent risk indicator in the latest fund update for the Scheme.

General investment risks

Some of the things that may cause the Scheme's value to move up and down, which affect the risk indicator, are:

- ▶ **Market risk:** The risk that a market or a sector of a market that the Scheme invests in declines.
- ▶ **Individual financial product risk:** The risk that changes in the financial condition or credit rating of an issuer of a financial product causes the value of a financial product held by the Scheme to decline.
- ▶ **Liquidity risk:** The risk that an investment is difficult to buy or sell and the Scheme suffers a loss as a result.

Other specific risks

There are other risks that may increase the risk to returns for investors, which are not reflected in the risk indicator. In particular, the Scheme is actively managed. This means the investment manager for the Scheme buys and sells financial products based on its own assessment of what is happening in the market. There is a risk that the investment manager selects investments that result in the Scheme achieving a return that is lower than the investment objective for the Scheme.

See the "Other Information – Risks" document on the offer register at www.business.govt.nz/disclose for further information about the risks of investing in the Scheme.



5. What are the fees?

You will be charged fees for investing in the Scheme. Fees are deducted from your investment and will reduce your returns. If we invest in other funds, those funds may also charge fees. The fees you pay will be charged in two ways:

- ▶ regular charges (for example, fund charges). Small differences in these fees can have a big impact on your investment over the long term; and
- ▶ one-off fees (for example, contribution and withdrawal fees).

These are as follows:

Investment option	Fees and charges	
NZ Core Equity Trust	Fund charges	0.50% per annum of the fund's net asset value
	Contribution fee:	0.10% of the contribution amount
	Withdrawal fee:	0.10% of the withdrawal amount

The fund charges set out above are deducted from, and reflected in the value of, the Scheme. The fund charges include the fees and costs charged by the supervisor, custodian, investment manager, administration manager and unit registrar.

The contribution fee is deducted from the contribution amount. The withdrawal fee is deducted from the withdrawal amount.

We do not charge any other fees on an individual basis for investor-specific decisions or actions.

See the "Other Information – Fees" document on the offer register at www.business.govt.nz/disclose for further information about the fees you will be charged for investing in the Scheme.

We retain any interest earned on: (a) the cash temporarily held by the Scheme between the date the cash is received by the Scheme and the date it is distributed; and (b) contributions between the date contributions are received by us and the date they are used to issue investors with units in the Scheme.

Example of how fees apply to an investor

Sue invests \$10,000 in the Scheme. She is charged contribution fees of \$10 (0.10% of \$10,000).

This brings the starting value of her investment to \$9,990.

She is also charged fund charges, which work out to about \$49.95 (0.50% of \$9,990). These fees might be more or less if her account balance has increased or decreased over the year.

Estimated total fees for the first year

Individual action fees: \$10

Fund charges: \$49.95

See the latest fund update for the Scheme for an example of the actual returns and fees investors were charged over the past year.

The fees can be changed

We may change the fees and charges payable by an investor at any time. Where we materially increase a fee or charge, we will give you at least three months' notice of the change.

We must publish a fund update for the Scheme showing the fees actually charged during the most recent year. Fund updates, including past updates, are available at www.smartshares.co.nz.



6. What taxes will you pay?

The Scheme is a portfolio investment entity (**PIE**). The amount of tax you pay is based on your prescribed investor rate (**PIR**). To determine your PIR, go to www.ird.govt.nz/toii/pir. If you are unsure of your PIR, we recommend you seek professional advice or contact the Inland Revenue Department. It is your responsibility to tell us your PIR when you invest or if your PIR changes. If you do not tell us, a default rate may be applied. If the advised PIR is lower than the correct PIR, you will need to complete a personal tax return and pay any tax shortfall, interest and penalties. If the default rate or the advised PIR is higher than the correct PIR, you will not get a refund of any overpaid tax.



7. Who is involved?

About the manager

Smartshares Limited is a managed investment scheme manager. It offers New Zealand's broadest range of passive funds and is a wholly-owned subsidiary of NZX Limited.

Our contact details are:

Smartshares Limited
PO Box 105262
Auckland 1143

Telephone: 0800 808 780

Email: smartshares@smartshares.co.nz

Who else is involved?

	Name	Role
Supervisor	Public Trust	Supervises our operations to protect the interests of investors.
Custodian	BNP Paribas Fund Services Australasia Pty Ltd	Hold the Scheme's assets on behalf of investors.
Investment manager	DFA Australia Limited	Provides investment management services.
Administration manager	BNP Paribas Fund Services Australasia Pty Ltd	Provides asset valuation, unit pricing and fund accounting services.
Unit registrar	BNP Paribas Fund Services Australasia Pty Ltd	Provides registry services.



8. How to complain

Manager

Complaints about your investment or the Scheme can be made to us at:

Complaints
Smartshares Limited
PO Box 105262
Auckland 1143

Telephone: 0800 808 780
Email: smartshares@smartshares.co.nz

Supervisor

Complaints can also be made to the supervisor at:

Complaints
Public Trust
PO Box 1598
Shortland Street
Auckland 1140

Telephone: (09) 985 5300
Email: enquiry@trustee.co.nz

Independent dispute resolution scheme

We are a member of the Financial Services Complaints Limited Scheme (the supervisor is also a member), which is an independent dispute resolution scheme.

If you make a complaint to us (or the supervisor), and the complaint cannot be resolved, you may refer it to Financial Services Complaints Limited at:

Financial Services Complaints Limited
PO Box 5967
Wellington 6140

Telephone: 0800 347 257
Email: complaints@fscl.org.nz

The Financial Services Complaints Limited Scheme will not charge you a fee to investigate or resolve a complaint.



9. Where you can find more information

Further information relating to the Scheme, including financial statements, annual reports, fund updates and the SIPO, is available on the offer register and the scheme register at www.business.govt.nz/disclose. A copy of the information on the offer register or scheme register is available on request to the Registrar of Financial Service Providers.

The information set out above is available at www.smartshares.co.nz or by contacting us. You can obtain details of your investment by contacting us or the custodial service provider. This information is available free of charge. See section 7 for our contact details.

You will be sent annual tax statements, which will include the amount of PIE income attributed to you and the amount of PIE tax paid at your PIR.

You can obtain general information about the Scheme at www.smartshares.co.nz.



10. How to apply

To invest in the Scheme, ask your financial adviser about the Scheme, as many financial advisers have arrangements with custodial service providers authorised by us that allow their clients to invest.