

Statement of Investment Policy and Objectives (SIPO)

Smartshares Exchange Traded Funds

Approver: Smartshares Limited Board

Owner: NZX Funds Management Oversight Committee

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Document history

Version	Date	Changes
1.0	9 September 2016	SIPO adopted.
1.1	21 September 2016	NZ Top 10 Fund, NZ Top 50 Fund, NZ Mid Cap Fund, Australian Top 20 Fund and Australian Mid Cap Fund available for investment.
1.2	7 November 2016	NZ Top 10 Fund, NZ Top 50 Fund, NZ Mid Cap Fund, Australian Top 20 Fund and Australian Mid Cap Fund listed. Investment policies updated.
1.3	11 April 2017	Market index for Emerging Markets Fund updated. Investment restrictions for Global Bond Fund amended to exclude tobacco, cluster munitions and anti-personnel mines.



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1. Description of the Scheme

The Smartshares Exchange Traded Funds (**Scheme**) is a managed investment scheme managed by Smartshares Limited (**Smartshares**).

Smartshares is a wholly-owned subsidiary of NZX Limited (**NZX**).

The Scheme has 23 funds (each listed on the NZX Main Board).

Twenty of the funds are passively managed and are designed to track the return on specific indices.

Three of the funds are actively managed and invest in cash or fixed interest. We outsource investment management for these funds to investment managers.

Each fund aims to provide a return to investors that matches the investment objective for the fund, before taking into account tax, fees and costs.

2. Investment philosophy

The funds (other than the NZ Cash Fund, NZ Bond Fund and Global Bond Fund) are passively managed. This means Smartshares buys and sells financial products to track an index, rather than buying and selling financial products based on its own assessment of what is happening in the market.

The NZ Cash Fund, NZ Bond Fund and Global Bond Fund are actively managed. This means the investment manager buys and sells financial products based on its own assessment of what is happening in the market.

The investment manager for the NZ Cash Fund and NZ Bond Fund is Nikko Asset Management New Zealand Limited (**Nikko**). Nikko's investment philosophy is based on the following principles:

- **Investing for the long-term** – identifying medium- to long-term fundamentally driven trends;
- **Capital preservation** – identifying, understanding and minimising risk through a bottom up focus on strong credit fundamentals; and
- **Value discipline** – seeking long-term value and exploiting short- to medium-term mispricing opportunities.

The investment manager for the Global Bond Fund is PIMCO Australia Pty Ltd (**PIMCO**). PIMCO's investment philosophy is based on the following principles:

- **Multiple strategies** – PIMCO believes that a diversified approach to adding value should deliver more consistent results, so PIMCO employs multiple concurrent strategies and takes only moderate risk in each, thereby seeking to reduce risk of poor performance arising from any single source. Strategies utilised include duration management, yield curve or maturity structuring, sector rotation and all bottom-up techniques, including those driven by its in-house credit and quantitative research;
- **Long-term orientation** – PIMCO believes that focusing on long-term, secular trends offers the greatest opportunity to add value relative to the overall market, which is largely



preoccupied with pricing in short-term factors. By maintaining a disciplined focus on its secular views, PIMCO is better able to identify long-term value and prevent its trading decisions from being overly influenced by emotion and short-term market sentiment; and

- **Broad universe** – PIMCO is committed to implementing its approach by selecting from a broad universe that includes all conventional fixed income sectors as well as newer, less traditional sectors, including high yield, emerging market debt and inflation-linked bonds. PIMCO believes that a broad opportunity set not only provides it with greater potential to enhance returns, but also enables it to reduce portfolio risk through greater diversification.

3. Investment objective

The objective of the Scheme is to offer access to a wide range of exchange traded funds, across the main investment asset classes of cash, fixed interest, shares and property.

Smartshares aims to achieve this through individual investment objectives and strategies for each fund. These are set out in schedules 1 to 23 of this SIPO.

4. Investment policies

Rebalancing

Rebalancing involves periodically buying and selling assets so that a fund's actual asset allocation is consistent with its target asset allocation.

The funds in the Scheme do not undertake rebalancing and a fund's actual asset allocation can be anywhere within its asset allocation range. However, the eleven funds that are designed to track specific indices buy and sell financial products so that the financial products held by a fund match the financial products in the index tracked by the fund.

Hedging

Hedging involves removing some or all of the foreign currency risk implicit in owning international assets. This limits the impact of foreign exchange rate movements on investment performance.

The Global Bond Fund's foreign currency exposure is hedged. The other funds in the Scheme do not undertake hedging.

Tactical asset allocation

Tactical asset allocation involves varying the actual asset allocation away from the target asset allocation, to take advantage of short-term market conditions.

The NZ Bond Fund and Global Bond Fund may undertake tactical asset allocation, provided the actual asset allocation is within the asset allocation ranges. The other funds in the Scheme do not undertake tactical asset allocation.

Derivatives

Derivatives are financial instruments that replicate the behaviour and performance of certain types of investments. Typically, they are linked to:

- individual financial products such as shares;



- indexes, such as the S&P/NZX 50 Portfolio Index, which aggregate the performance of a group of financial products; and
- reference rates (such as an exchange rates or interest rates).

The NZ Cash Fund, NZ Bond Fund and Global Bond Fund may use derivatives to gain, reduce or modify exposure to foreign currency, interest rates or credit. The other funds in the Scheme do not use derivatives.

Financial product lending

Financial product lending is typically entered into when a financial institution (**borrower**) does not have sufficient financial products to complete a sale that it has agreed to, and therefore borrows financial products from a fund to meet its obligations. After completion of the sale, the borrower returns replacement financial products to the fund, together with an amount equal to any dividends that may have become payable over the loan period.

The NZ Top 10 Fund, NZ Top 50 Fund, NZ Mid Cap Fund and NZ Dividend Fund may undertake financial product lending.

Outsourcing

Smartshares outsources the investment management of its actively managed funds to investment managers.

When appointing an investment manager, Smartshares will consider, amongst other things:

- whether the investment manager has the capability to provide a return that meets the investment objective for the fund; and
- the investment manager's operational infrastructure, financial resources and governance arrangements.

Asset valuation and unit pricing methodology

The value of the assets held by the Scheme and the net asset value of each fund will be determined in accordance with the Scheme's governing documents and on a consistently applied basis.

The assets held by each fund that are quoted on a financial product market are valued for each business day based on:

- the last quoted sale price on the day for which the valuation is being made; or
- if no sale price was quoted for that day, the last bid or buying price on that day; or
- at the option of Smartshares, the amount certified by a firm of stockbrokers or other dealers in the relevant market.

Smartshares may use alternative valuation methods (including for assets that are quoted on a financial product market), provided the valuation method used is applied on a consistent basis over time. Smartshares must consult with the Scheme's supervisor prior to using an alternative valuation method.

The unit price for each fund is calculated for each business day by dividing the net asset value of the fund by the number of units then on issue in that fund.



The net asset value of each fund is determined for each business day using the formula set out in the Scheme's governing documents.

Unit prices are rounded down to four decimal places.

The unit price and number of units on issue for each fund are generally announced at www.nzx.com, and are based on information for the previous business day.

Trade execution

Where Smartshares buys or sells financial products for a fund, Smartshares will instruct its broker to execute trades at the price at the close of the market, or as near to the price at the close of the market as possible.

Where an investment manager appointed by Smartshares buys or sells financial products for a fund, the investment manager is responsible for trade execution. Smartshares will consider an investment manager's trade execution policy prior to appointing an investment manager and at least annually after that.

Trade allocation

Where Smartshares buys or sells financial products for two or more funds on the same day, Smartshares will allocate trades in the best interests of investors, applying the following principles:

- all proposed trades must be pre-allocated;
- actual allocation must follow the pre-trade allocation;
- in the event that a trade is not fully allocated, actual allocation must be pro-rated based on the pre-trade allocation; and
- no fund will receive preferential allocation treatment over another.

The only exception to the principles set out above is where the size of the order for one of the funds is relatively minor, in which case the order for the fund wanting to buy or sell the minor amount of financial products will be met in preference to the other orders.

Where an investment manager appointed by Smartshares buys or sells financial products for two or more funds on the same day, the investment manager is responsible for trade allocation. Smartshares will consider an investment manager's trade allocation policy prior to appointing an investment manager and at least annually after that.

Voting

Where Smartshares makes investment decisions for a fund, Smartshares will generally not vote in respect of the assets held by the fund. However, Smartshares may vote when it considers that not voting will have a material adverse effect on investors (taking into consideration the size of the managed investment scheme's exposure to the issuer and the proportion of the issuer held by managed investment schemes managed by Smartshares).

When Smartshares votes, it will do so in what it considers to be the best interest of investors.

Where an investment manager appointed by Smartshares makes investment decisions for a fund, the investment manager is responsible for voting in respect of the assets held by the fund. Smartshares will consider an investment manager's voting policy prior to appointing the investment manager and at least annually after that. In limited circumstances, Smartshares may



direct an investment manager as to how to vote and may also restrict the investment manager from voting.

Conflicts of interest

The NZX Group's directors, senior managers, and employees who have a significant impact on the investment decisions of Smartshares must immediately notify Smartshares of conflicts of interest that could materially influence its investment decisions or the investment decisions of the investment managers it has appointed (or both), together with the nature of the conflict.

The Smartshares Board will consider any conflict and either:

- approve the measures that have been, or will be, taken to manage the conflict of interest; or
- instruct the Head of Compliance to develop alternative measures to manage the conflict of interest.

Smartshares will disclose a conflict of interest, together with the following information, on the offer register at www.business.govt.nz/disclose:

- the nature of the conflict of interest;
- the funds that are or may be affected by the conflict of interest;
- the circumstances in which, and how, the conflict of interest would, or could reasonably be expected to, materially influence the investment decisions of Smartshares or the investment manager (or both) in respect of the Scheme; and
- the measures that have been, or will be, taken to manage the conflict of interest.

Where Smartshares is outsourcing investment management to an investment manager, it will assess the investment manager's arrangements to identify and manage conflicts of interest prior to appointing the investment manager and at least annually after that.

Related party transactions

The NZX Group's directors and senior managers must immediately notify Smartshares of related party transactions where a benefit is either given out of Scheme property, or creates an exposure to loss for Scheme property, and is given to, or received by, a related party of the Scheme.

The Smartshares Board will consider any related party transaction and either:

- approve the transaction on the basis that it is on arm's length terms; or
- approve the transaction on the basis that one of the exceptions in the Financial Markets Conduct Act 2013 applies to the transaction; or
- approve the transaction subject to the consent of the supervisor of the Scheme; or
- reject the transaction.

Where the Smartshares Board approves a related party transaction, Smartshares will notify the supervisor of the transaction.



Where Smartshares is outsourcing a function in respect of its managed investment scheme manager operations, it will assess the outsource arrangements to identify any related party transactions prior to appointing the outsource provider and at least annually after that.

5. Investment governance and management

Smartshares Board

The Smartshares Board is responsible for managing and overseeing the business and affairs of Smartshares, including:

- approving the investment strategies and the SIPOs for the managed investment schemes managed by Smartshares;
- monitoring compliance with the SIPOs; and
- considering any limit breaks (a limit break is a material breach of a SIPO) and deciding how to correct the limit break, and how to minimise the risk of a recurrence of that type of limit break or to ensure early notification and correction of that type of limit break.

Smartshares' directors are appointed by NZX.

NZX Funds Management Oversight Committee

The NZX Funds Management Oversight Committee is responsible for overseeing Smartshares' operations, including:

- reviewing the investment strategies and the SIPOs for the managed investment schemes managed by Smartshares;
- monitoring compliance with the SIPOs; and
- considering any breaches of the SIPOs and deciding whether a breach is a limit break.

The members of the NZX Funds Management Oversight Committee are senior managers of Smartshares or NZX, and are appointed by the Smartshares Board.

The NZX Funds Management Oversight Committee reports to the Smartshares Board.

Head of Compliance

The Head of Compliance is responsible for:

- overseeing the compliance of Smartshares' operations; and
- reporting all material issues or failures to comply with compliance obligations to the Smartshares Board.

The Head of Compliance is a senior manager of NZX and reports to NZX's Chief Executive Officer, the Smartshares Board and the NZX Funds Management Oversight Committee.

Supervisor

The supervisor supervises Smartshares' operations to protect the interests of investors.

The supervisor is independent of Smartshares.

The supervisor is Public Trust.



Custodians

The custodians hold the Scheme's assets on behalf of investors.

The custodians are appointed by the supervisor and are independent of Smartshares.

The custodian for the NZ Top 10 Fund, NZ Top 50 Fund, NZ Mid Cap Fund and NZ Dividend Fund is JB Were (NZ) Nominees Limited. The custodian for the other funds in the Scheme is BNP Paribas Fund Services Australasia Pty Limited (**BNP Paribas**).

Investment managers

The investment managers provide investment management services.

Nikko provides investment management services in respect of the NZ Cash Fund and NZ Bond Fund.

PIMCO provides investment management services in respect of the Global Bond Fund.

Administration manager

The administration manager provides asset valuation, unit pricing and fund accounting services.

The administration manager is BNP Paribas.

Unit registrar

The unit registrar provides registry services.

The unit registrar is Link Market Services Limited.



6. Investment performance monitoring and reporting

Every business day, Smartshares monitors the tracking difference (this is the difference between the value of a fund's assets and the value of the index being tracked by the fund) for each of the eleven funds which are designed to track a specific index. To do this, Smartshares makes the following calculation:

$$\frac{(\text{capital value of financial products in fund} / \text{number of units in fund}) - (\text{capital value of index tracked by fund} / 1000)}{\text{capital value of index tracked by fund} / 1000}$$

Where the capital value of the fund's assets is greater than the capital value of the index, the calculation will produce a positive percentage – there is no detriment to investors in these circumstances. Where the capital value of the fund's assets is less than the capital value of the index, the calculation will produce a negative percentage – there may be a detriment to investors in these circumstances because the return generated by the fund may be less than the return on the index tracked by the fund.

Smartshares monitors the investment performance of the nine funds that invest in underlying funds which are designed to track the investment performance of a specific index.

Nikko monitors the investment performance of the NZ Bond Fund and NZ Cash Fund.

PIMCO monitors the investment performance of the Global Bond Fund.

Every month, Smartshares prepares investment performance reports (using information provided by BNP Paribas). The reports set out, amongst other things, the investment performance of each fund in the Scheme on a one month, three months, six months, one year, three years average, five years average and ten years average (or, if the fund has been in existence for less than ten years, the average for the period since the fund started accepting contributions), together with the movement of the index that the fund is tracking or being assessed against.

The investment performance reports are provided to the NZX Funds Management Oversight Committee and the Smartshares Board.

The NZX Funds Management Oversight Committee and the Smartshares Board monitor the investment performance of the Scheme.

7. Investment strategy review

The NZX Funds Management Oversight Committee will review the Scheme's investment strategy annually. When undertaking the review, the NZX Funds Management Oversight Committee will consider whether changes to market conditions necessitate changes to either: (1) the nature or types of investments that can be made and any limits on those; and/or (2) any limits on the proportions of each type of asset invested in.

The NZX Funds Management Oversight Committee will undertake an ad hoc review of the Scheme's investment strategy if:

- changes to market conditions necessitate changes to either: (1) the nature or types of investments that can be made and any limits on those; and/or (2) any limits on the proportions of each type of asset invested in; or

- the Smartshares Board instructs the NZX Funds Management Oversight Committee to review the Scheme's investment strategy.

The NZX Funds Management Oversight Committee will report to the Smartshares Board as to the outcome of its review, together with any proposed changes to the Scheme's investment strategy.

The Smartshares Board will consider the NZX Funds Management Oversight Committee's report and may approve the changes to the Scheme's investment strategy.

8. SIPO review

The NZX Funds Management Oversight Committee will review this SIPO annually. When undertaking the review, the NZX Funds Management Oversight Committee will consider: (1) whether changes to the law or the Financial Markets Authority's guidance necessitate changes to the Scheme's investment policies and objectives; and (2) whether changes to the Scheme's investment strategy (made as part of an annual review of investment strategy) necessitate changes to this SIPO.

The NZX Funds Management Oversight Committee will undertake an ad hoc review of this SIPO if:

- changes to the law or the Financial Markets Authority's guidance necessitate changes to the Scheme's investment policies and objectives; or
- the Smartshares Board instructs the NZX Funds Management Oversight Committee to review this SIPO; or
- changes to the Scheme's investment strategy (made as part of an ad hoc review of investment strategy) necessitate changes to this SIPO.

The NZX Funds Management Oversight Committee will report to the Smartshares Board as to the outcome of its review, together with any proposed changes to this SIPO.

The Smartshares Board will consider the NZX Funds Management Oversight Committee's report and may approve the changes to this SIPO.

Where the changes to this SIPO materially affect investors, Smartshares will, prior to effecting any such changes, give at least 30 days' written notice to investors and if such notice is required, the change will not be effective until such notice period has expired.

9. S&P Dow Jones Indices general disclaimer

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or services they may recommend, rate, include in model portfolios, evaluate or otherwise address.



Schedules

SmartLARGE

Schedule 1 – NZ Top 10 Fund

The NZ Top 10 Fund invests in financial products listed on the NZX Main Board and is designed to track the S&P/NZX 10 Index.

The NZ Top 10 Fund is listed on the NZX Main Board with the code TNZ.

Investment objective

The NZ Top 10 Fund's investment objective is to provide a return (before tax, fees and other expenses) that closely matches the return on the S&P/NZX 10 Index.

Investment strategy

Target asset allocation

The NZ Top 10 Fund's target asset allocation and asset allocation ranges are set out in the following table:

Asset class	Target	Range
Cash and cash equivalents	0%	0% - 10%
New Zealand fixed interest	-	-
International fixed interest	-	-
Australasian equities¹	100%	90% - 100%
International equities	-	-
Listed property	-	-
Unlisted property	-	-
Commodities	-	-
Other	-	-

Permitted investments

The NZ Top 10 Fund may invest in the following assets:

¹ The NZ Top 10 Fund will invest in listed property trusts included in the S&P/NZX 10 Index. This is included in its asset allocation to Australasian equities.



- financial products listed on the NZX Main Board that are included in the S&P/NZX 10 Index in proportions that track the weightings of the products in the index; and
- cash and cash equivalents issued or guaranteed by New Zealand entities.

The S&P/NZX 10 Index is made up of ten of the largest financial products listed on the NZX Main Board, but excludes products issued by non-New Zealand issuers.

Further information about the S&P/NZX 10 Index is available at <http://us.spindices.com/indices/equity/sp-nzx-10-index>.

The NZ Top 10 Fund will only invest in cash and cash equivalents when holding distributions from the financial products held by the fund or the proceeds of financial product lending. Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments (and managed investment products that primarily invest in cash and cash equivalents).

The NZ Top 10 Fund may undertake financial product lending.

Investment restrictions

The NZ Top 10 Fund may not borrow.



Schedule 2 – NZ Top 50 Fund

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

The NZ Top 50 Fund is listed on the NZX Main Board with the code FNZ.

Investment objective

The NZ Top 50 Fund's investment objective is to provide a return (before tax, fees and other expenses) that closely matches the return on the S&P/NZX 50 Portfolio Index.

Investment strategy

Target asset allocation

The NZ Top 50 Fund's target asset allocation and asset allocation ranges are set out in the following table:

Asset class	Target	Range
Cash and cash equivalents	0%	0% - 10%
New Zealand fixed interest	-	-
International fixed interest	-	-
Australasian equities²	100%	90% - 100%
International equities	-	-
Listed property	-	-
Unlisted property	-	-
Commodities	-	-
Other	-	-

Permitted investments

The NZ Top 50 Fund may invest in the following assets:

- financial products listed on the NZX Main Board that are included in the S&P/NZX 50 Portfolio Index in proportions that track the weightings of the products in the index; and
- cash and cash equivalents issued or guaranteed by New Zealand entities.

² The NZ Top 50 Fund will invest in listed property trusts included in the S&P/NZX 50 Portfolio Index. This is included in its asset allocation to Australasian equities.

The S&P/NZX 50 Portfolio Index is made up of 50 of the largest financial products listed on the NZX Main Board. The S&P/NZX 50 Portfolio Index is made up of the same financial products as the S&P/NZX 50 Index, but with a 5% cap on the weight of each product.

Further information about the S&P/NZX 50 Portfolio Index is available at <http://us.spindices.com/indices/equity/sp-nzx-50-portfolio-index>.

The NZ Top 50 Fund will only invest in cash and cash equivalents when holding distributions from the financial products held by the fund or the proceeds of financial product lending. Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments (and managed investment products that primarily invest in cash and cash equivalents).

The NZ Top 50 Fund may undertake financial product lending.

Investment restrictions

The NZ Top 50 Fund may not borrow.



Schedule 3 – Australian Top 20 Fund

The Australian Top 20 Fund invests in financial products listed on the Australian Securities Exchange (**ASX**) and is designed to track the S&P/ASX 20 Index.

The Australian Top 20 Fund is listed on the NZX Main Board with the code OZY.

Investment objective

The Australian Top 20 Fund's investment objective is to provide a return (before tax, fees and other expenses) that closely matches the return on the S&P/ASX 20 Index.

Investment strategy

Target asset allocation

The Australian Top 20 Fund's target asset allocation and asset allocation ranges are set out in the following table:

Asset class	Target	Range
Cash and cash equivalents	0%	0% - 10%
New Zealand fixed interest	-	-
International fixed interest	-	-
Australasian equities³	100%	90% - 100%
International equities	-	-
Listed property	-	-
Unlisted property	-	-
Commodities	-	-
Other	-	-

Permitted investments

The Australian Top 20 Fund may invest in the following assets:

- financial products listed on the ASX that are included in the S&P/ASX 20 Index in proportions that track the weightings of the products in the index; and
- cash and cash equivalents issued or guaranteed by New Zealand entities.

The S&P/ASX 20 Index is made up of 20 of the largest financial products listed on the ASX.

³ The Australian Top 20 Fund will invest in listed property trusts included in the S&P/ASX 20 Index. This is included in its asset allocation to Australasian equities.

Further information about the S&P/ASX 20 Index is available at <http://us.spindices.com/indices/equity/sp-asx-20>.

The Australian Top 20 Fund will only invest in cash and cash equivalents when holding distributions from the financial products held by the fund. Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments (and managed investment products that primarily invest in cash and cash equivalents).

Investment restrictions

The Australian Top 20 Fund may not borrow.



Schedule 4 – Asia Pacific Fund

The Asia Pacific Fund invests in the Vanguard FTSE Pacific ETF, which is designed to track the investment performance of the FTSE Developed Asia Pacific All Cap Index.

The Asia Pacific Fund is listed on the NZX Main Board with the code APA.

Investment objective

The Asia Pacific Fund's investment objective is to provide a return (before tax, fees and other expenses) that closely matches the return on the Vanguard FTSE Pacific ETF (which, in turn, looks to provide a return that closely matches the return on the FTSE Developed Asia Pacific All Cap Index).

Investment strategy

Target asset allocation

The Asia Pacific Fund's target asset allocation and asset allocation ranges are set out in the following table:

Asset class	Target	Range
Cash and cash equivalents	0%	0% - 10%
New Zealand fixed interest	-	-
International fixed interest	-	-
Australasian equities	-	-
International equities⁴	100%	90% - 100%
Listed property	-	-
Unlisted property	-	-
Commodities	-	-
Other	-	-

Permitted investments

The Asia Pacific Fund may invest in the following assets:

- the Vanguard FTSE Pacific ETF; and
- cash and cash equivalents issued or guaranteed by New Zealand entities.

⁴ The Vanguard FTSE Pacific ETF will invest in Australasian equities and listed property trusts included in the FTSE Developed Asia Pacific All Cap Index. This is included in the Asia Pacific Fund's asset allocation to international equities.

The Vanguard FTSE Pacific ETF employs an indexing investment approach and invests all, or substantially all, of its assets in the financial products included in the FTSE Developed Asia Pacific All Cap Index.

The FTSE Developed Asia Pacific All Cap Index is made up of financial products of large, mid and small cap companies located in Japan, Australia, South Korea, Hong Kong, Singapore and New Zealand.

Further information about the FTSE Developed Asia Pacific All Cap Index is available at <http://www.ftse.com/Vanguard/Home/Indices>.

The Asia Pacific Fund will only invest in cash and cash equivalents when holding distributions from the financial products held by the fund. Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments (and managed investment products that primarily invest in cash and cash equivalents).

Investment restrictions

The Asia Pacific Fund may not borrow.



Schedule 5 – Emerging Markets Fund

The Emerging Markets Fund invests in the Vanguard FTSE Emerging Markets ETF, which is designed to track the investment performance of the FTSE Emerging Markets All Cap China A Inclusion Index.

The Emerging Markets Fund is listed on the NZX Main Board with the code EMF.

Investment objective

The Emerging Markets Fund's investment objective is to provide a return (before tax, fees and other expenses) that closely matches the return on the Vanguard FTSE Emerging Markets ETF (which, in turn, looks to provide a return that closely matches the return on the FTSE Emerging Markets All Cap China A Inclusion Index).

Investment strategy

Target asset allocation

The Emerging Markets Fund's target asset allocation and asset allocation ranges are set out in the following table:

Asset class	Target	Range
Cash and cash equivalents	0%	0% - 10%
New Zealand fixed interest	-	-
International fixed interest	-	-
Australasian equities	-	-
International equities⁵	100%	90% - 100%
Listed property	-	-
Unlisted property	-	-
Commodities	-	-
Other	-	-

Permitted investments

The Emerging Markets Fund may invest in the following assets:

- the Vanguard FTSE Emerging Markets ETF; and
- cash and cash equivalents issued or guaranteed by New Zealand entities.

⁵ The Vanguard FTSE Emerging Markets ETF will invest in listed property trusts included in the FTSE Emerging Markets All Cap China A Inclusion Index. This is included in the Emerging Markets Fund's asset allocation to international equities.

The Vanguard FTSE Emerging Markets ETF employs an indexing investment approach and invests all, or substantially all, of its assets in the financial products included in the FTSE Emerging Markets All Cap China A Inclusion Index.

The FTSE Emerging Markets All Cap China A Inclusion Index is made up of financial products of large, mid and small cap companies located in emerging markets around the world.

Further information about the FTSE Emerging Markets All Cap China A Inclusion Index is available at <http://www.ftse.com/Vanguard/Home/Indices>.

The Emerging Markets Fund will only invest in cash and cash equivalents when holding distributions from the financial products held by the fund. Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments (and managed investment products that primarily invest in cash and cash equivalents).

Investment restrictions

The Emerging Markets Fund may not borrow.



Schedule 6 – Europe Fund

The Europe Fund invests in the Vanguard FTSE Europe ETF, which is designed to track the investment performance of the FTSE Developed Europe All Cap Index.

The Europe Fund is listed on the NZX Main Board with the code EUF.

Investment objective

The Europe Fund's investment objective is to provide a return (before tax, fees and other expenses) that closely matches the return on the Vanguard FTSE Europe ETF (which, in turn, looks to provide a return that closely matches the return on the FTSE Developed Europe All Cap Index).

Investment strategy

Target asset allocation

The Europe Fund's target asset allocation and asset allocation ranges are set out in the following table:

Asset class	Target	Range
Cash and cash equivalents	0%	0% - 10%
New Zealand fixed interest	-	-
International fixed interest	-	-
Australasian equities	-	-
International equities⁶	100%	90% - 100%
Listed property	-	-
Unlisted property	-	-
Commodities	-	-
Other	-	-

Permitted investments

The Europe Fund may invest in the following assets:

- the Vanguard FTSE Europe ETF; and
- cash and cash equivalents issued or guaranteed by New Zealand entities.

⁶ The Vanguard FTSE Europe ETF will invest in listed property trusts included in the FTSE Developed Europe All Cap Index. This is included in the Europe Fund's asset allocation to international equities.

The Vanguard FTSE Europe ETF employs an indexing investment approach and invests all, or substantially all, of its assets in the financial products included in the FTSE Developed Europe All Cap Index.

The FTSE Developed Europe All Cap Index is made up of financial products of large, mid and small cap companies located in European countries.

Further information about the FTSE Developed Europe All Cap Index is available at <http://www.ftse.com/Vanguard/Home/Indices>.

The Europe Fund will only invest in cash and cash equivalents when holding distributions from the financial products held by the fund. Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments (and managed investment products that primarily invest in cash and cash equivalents).

Investment restrictions

The Europe Fund may not borrow.



Schedule 7 – Total World Fund

The Total World Fund invests in the Vanguard Total World Stock ETF, which is designed to track the investment performance of the FTSE Global All Cap Index.

The Total World Fund is listed on the NZX Main Board with the code TWF.

Investment objective

The Total World Fund's investment objective is to provide a return (before tax, fees and other expenses) that closely matches the return on the Vanguard Total World Stock ETF (which, in turn, looks to provide a return that closely matches the return on the FTSE Global All Cap Index).

Investment strategy

Target asset allocation

The Total World Fund's target asset allocation and asset allocation ranges are set out in the following table:

Asset class	Target	Range
Cash and cash equivalents	0%	0% - 10%
New Zealand fixed interest	-	-
International fixed interest	-	-
Australasian equities	-	-
International equities⁷	100%	90% - 100%
Listed property	-	-
Unlisted property	-	-
Commodities	-	-
Other	-	-

Permitted investments

The Total World Fund may invest in the following assets:

- the Vanguard Total World Stock ETF; and
- cash and cash equivalents issued or guaranteed by New Zealand entities.

⁷ The Vanguard Total World Stock ETF will invest in Australasian equities and listed property trusts included in the FTSE Global All Cap Index. This is included in the Total World Fund's asset allocation to international equities.

The Vanguard Total World Stock ETF employs an indexing investment approach and invests all, or substantially all, of its assets in the financial products included in the FTSE Global All Cap Index.

The FTSE Global All Cap Index is made up of financial products of large, mid and small cap companies located around the world.

Further information about the FTSE Global All Cap Index is available at <http://www.ftse.com/Vanguard/Home/Indices>.

The Total World Fund will only invest in cash and cash equivalents when holding distributions from the financial products held by the fund. Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments (and managed investment products that primarily invest in cash and cash equivalents).

Investment restrictions

The Total World Fund may not borrow.



Schedule 8 – US 500 Fund

The US 500 Fund invests in the Vanguard S&P 500 ETF, which is designed to track the investment performance of the S&P 500 Index.

The US 500 Fund is listed on the NZX Main Board with the code USF.

Investment objective

The US 500 Fund's investment objective is to provide a return (before tax, fees and other expenses) that closely matches the return on the Vanguard S&P 500 ETF (which, in turn, looks to provide a return that closely matches the return on the S&P 500 Index).

Investment strategy

Target asset allocation

The US 500 Fund's target asset allocation and asset allocation ranges are set out in the following table:

Asset class	Target	Range
Cash and cash equivalents	0%	0% - 10%
New Zealand fixed interest	-	-
International fixed interest	-	-
Australasian equities	-	-
International equities⁸	100%	90% - 100%
Listed property	-	-
Unlisted property	-	-
Commodities	-	-
Other	-	-

Permitted investments

The US 500 Fund may invest in the following assets:

- the Vanguard S&P 500 ETF; and
- cash and cash equivalents issued or guaranteed by New Zealand entities.

The Vanguard S&P 500 ETF employs an indexing investment approach and invests all, or substantially all, of its assets in the financial products included in the S&P 500 Index.

⁸ The Vanguard S&P 500 ETF will invest in listed property trusts included in the S&P 500 Index. This is included in the US 500 Fund's asset allocation to international equities.

The S&P 500 Index is made up of 500 of the largest financial products listed on the New York Stock Exchange or NASDAQ Stock Market.

Further information about the S&P 500 Index is available at <http://us.spindices.com/indices/equity/sp-500>.

The US 500 Fund will only invest in cash and cash equivalents when holding distributions from the financial products held by the fund. Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments (and managed investment products that primarily invest in cash and cash equivalents).

Investment restrictions

The US 500 Fund may not borrow.



Schedule 9 – US Large Growth Fund

The US Large Growth Fund invests in the Vanguard Growth ETF, which is designed to track the investment performance of the CRSP US Large Cap Growth Index.

The US Large Growth Fund is listed on the NZX Main Board with the code USG.

Investment objective

The US Large Growth Fund's investment objective is to provide a return (before tax, fees and other expenses) that closely matches the return on the Vanguard Growth ETF (which, in turn, looks to provide a return that closely matches the return on the CRSP US Large Cap Growth Index).

Investment strategy

Target asset allocation

The US Large Growth Fund's target asset allocation and asset allocation ranges are set out in the following table:

Asset class	Target	Range
Cash and cash equivalents	0%	0% - 10%
New Zealand fixed interest	-	-
International fixed interest	-	-
Australasian equities	-	-
International equities⁹	100%	90% - 100%
Listed property	-	-
Unlisted property	-	-
Commodities	-	-
Other	-	-

Permitted investments

The US Large Growth Fund may invest in the following assets:

- the Vanguard Growth ETF; and
- cash and cash equivalents issued or guaranteed by New Zealand entities.

⁹ The Vanguard Growth ETF will invest in listed property trusts included in the CRSP US Large Cap Growth Index. This is included in the US Large Growth Fund's asset allocation to international equities.

The Vanguard Growth ETF employs an indexing investment approach and invests all, or substantially all, of its assets in the financial products included in the CRSP US Large Cap Growth Index.

The CRSP US Large Cap Growth Index is made up of growth financial products of large US companies.

Further information about the CRSP US Large Cap Growth Index is available at <http://www.crsp.com/products/investment-products/crsp-us-large-cap-growth-index>.

The US Large Growth Fund will only invest in cash and cash equivalents when holding distributions from the financial products held by the fund. Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments (and managed investment products that primarily invest in cash and cash equivalents).

Investment restrictions

The US Large Growth Fund may not borrow.



Schedule 10 – US Large Value Fund

The US Large Value Fund invests in the Vanguard Value ETF, which is designed to track the investment performance of the CRSP US Large Cap Value Index.

The US Large Value Fund is listed on the NZX Main Board with the code USV.

Investment objective

The US Large Value Fund's investment objective is to provide a return (before tax, fees and other expenses) that closely matches the return on the Vanguard Value ETF (which, in turn, looks to provide a return that closely matches the return on the CRSP US Large Cap Value Index).

Investment strategy

Target asset allocation

The US Large Value Fund's target asset allocation and asset allocation ranges are set out in the following table:

Asset class	Target	Range
Cash and cash equivalents	0%	0% - 10%
New Zealand fixed interest	-	-
International fixed interest	-	-
Australasian equities	-	-
International equities¹⁰	100%	90% - 100%
Listed property	-	-
Unlisted property	-	-
Commodities	-	-
Other	-	-

Permitted investments

The US Large Value Fund may invest in the following assets:

- the Vanguard Value ETF; and
- cash and cash equivalents issued or guaranteed by New Zealand entities.

¹⁰ The Vanguard Value ETF will invest in listed property trusts included in the CRSP US Large Cap Value Index. This is included in the US Large Value Fund's asset allocation to international equities.

The Vanguard Value ETF employs an indexing investment approach and invests all, or substantially all, of its assets in the financial products included in the CRSP US Large Cap Value Index.

The CRSP US Large Cap Value Index is made up of value financial products of large US companies.

Further information about the CRSP US Large Cap Value Index is available at <http://www.crsp.com/products/investment-products/crsp-us-large-cap-value-index>.

The US Large Value Fund will only invest in cash and cash equivalents when holding distributions from the financial products held by the fund. Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments (and managed investment products that primarily invest in cash and cash equivalents).

Investment restrictions

The US Large Value Fund may not borrow.



SmartMEDIUM

Schedule 11 – NZ Mid Cap Fund

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

The NZ Mid Cap Fund is listed on the NZX Main Board with the code MDZ.

Investment objective

The NZ Mid Cap Fund's investment objective is to provide a return (before tax, fees and other expenses) that closely matches the return on the S&P/NZX Mid Cap Index.

Investment strategy

Target asset allocation

The NZ Mid Cap Fund's target asset allocation and asset allocation ranges are set out in the following table:

Asset class	Target	Range
Cash and cash equivalents	0%	0% - 10%
New Zealand fixed interest	-	-
International fixed interest	-	-
Australasian equities¹¹	100%	90% - 100%
International equities	-	-
Listed property	-	-
Unlisted property	-	-
Commodities	-	-
Other	-	-

Permitted investments

The NZ Mid Cap Fund may invest in the following assets:

- financial products listed on the NZX Main Board that are included in the S&P/NZX Mid Cap Index in proportions that track the weightings of the products in the index; and
- cash and cash equivalents issued or guaranteed by New Zealand entities.

¹¹ The NZ Mid Cap Fund will invest in listed property trusts included in the S&P/NZX Mid Cap Index. This is included in its asset allocation to Australasian equities.

The S&P/NZX Mid Cap Index is made up of financial products listed on the NZX Main Board and included in the S&P/NZX 50 Index, but excludes products included in the S&P/NZX 10 Index and products issued by non-New Zealand issuers.

Further information about the S&P/NZX Mid Cap Index is available at <http://us.spindices.com/indices/equity/sp-nzx-midcap-index>.

The NZ Mid Cap Fund will only invest in cash and cash equivalents when holding distributions from the financial products held by the fund or the proceeds of financial product lending. Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments (and managed investment products that primarily invest in cash and cash equivalents).

The NZ Mid Cap Fund may undertake financial product lending.

Investment restrictions

The NZ Mid Cap Fund may not borrow.



Schedule 12 – Australian Mid Cap Fund

The Australian Mid Cap Fund invests in financial products listed on the ASX and is designed to track the S&P/ASX Mid Cap 50 Index.

The Australian Mid Cap Fund is listed on the NZX Main Board with the code MZY.

Investment objective

The Australian Mid Cap Fund's investment objective is to provide a return (before tax, fees and other expenses) that closely matches the return on the S&P/ASX Mid Cap 50 Index.

Investment strategy

Target asset allocation

The Australian Mid Cap Fund's target asset allocation and asset allocation ranges are set out in the following table:

Asset class	Target	Range
Cash and cash equivalents	0%	0% - 10%
New Zealand fixed interest	-	-
International fixed interest	-	-
Australasian equities¹²	100%	90% - 100%
International equities	-	-
Listed property	-	-
Unlisted property	-	-
Commodities	-	-
Other	-	-

Permitted investments

The Australian Mid Cap Fund may invest in the following assets:

- financial products listed on the ASX that are included in the S&P/ASX Mid Cap 50 Index in proportions that track the weightings of the products in the index; and
- cash and cash equivalents issued or guaranteed by New Zealand entities.

The S&P/ASX Mid Cap 50 Index is made up of financial products listed on the ASX and included in the S&P/ASX 100 Index, but excludes products included in the S&P/ASX 50 Index.

¹² The Australian Mid Cap Fund will invest in listed property trusts included in the S&P/ASX Mid Cap 50 Index. This is included in its asset allocation to Australasian equities.

Further information about the S&P/ASX Mid Cap 50 Index is available at <http://us.spindices.com/indices/equity/sp-asx-midcap-50>.

The Australian Mid Cap Fund will only invest in cash and cash equivalents when holding distributions from the financial products held by the fund. Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments (and managed investment products that primarily invest in cash and cash equivalents).

Investment restrictions

The Australian Mid Cap Fund may not borrow.



Schedule 13 – US Mid Cap Fund

The US Mid Cap Fund invests in the Vanguard Mid Cap ETF, which is designed to track the investment performance of the CRSP US Mid Cap Index.

The US Mid Cap Fund is listed on the NZX Main Board with the code USM.

Investment objective

The US Mid Cap Fund's investment objective is to provide a return (before tax, fees and other expenses) that closely matches the return on the Vanguard Mid Cap ETF (which, in turn, looks to provide a return that closely matches the return on the CRSP US Mid Cap Index).

Investment strategy

Target asset allocation

The US Mid Cap Fund's target asset allocation and asset allocation ranges are set out in the following table:

Asset class	Target	Range
Cash and cash equivalents	0%	0% - 10%
New Zealand fixed interest	-	-
International fixed interest	-	-
Australasian equities	-	-
International equities¹³	100%	90% - 100%
Listed property	-	-
Unlisted property	-	-
Commodities	-	-
Other	-	-

Permitted investments

The US Mid Cap Fund may invest in the following assets:

- the Vanguard Mid Cap ETF; and
- cash and cash equivalents issued or guaranteed by New Zealand entities.

The Vanguard Mid Cap ETF employs an indexing investment approach and invests all, or substantially all, of its assets in the financial products included in the CRSP US Mid Cap Index.

¹³ The Vanguard Mid Cap ETF will invest in listed property trusts included in the CRSP US Mid Cap Index. This is included in the US Mid Cap Fund's asset allocation to international equities.

The CRSP US Mid Cap Index is made up of midsize US companies.

Further information about the CRSP US Mid Cap Index is available at <http://www.crsp.com/products/investment-products/crsp-us-mid-cap-index>.

The US Mid Cap Fund will only invest in cash and cash equivalents when holding distributions from the financial products held by the fund. Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments (and managed investment products that primarily invest in cash and cash equivalents).

Investment restrictions

The US Mid Cap Fund may not borrow.



SmartSMALL

Schedule 14 – US Small Cap Fund

The US Small Cap Fund invests in the Vanguard Small Cap ETF, which is designed to track the investment performance of the CRSP US Small Cap Index.

The US Small Cap Fund is listed on the NZX Main Board with the code USS.

Investment objective

The US Small Cap Fund's investment objective is to provide a return (before tax, fees and other expenses) that closely matches the return on the Vanguard Small Cap ETF (which, in turn, looks to provide a return that closely matches the return on the CRSP US Small Cap Index).

Investment strategy

Target asset allocation

The US Small Cap Fund's target asset allocation and asset allocation ranges are set out in the following table:

Asset class	Target	Range
Cash and cash equivalents	0%	0% - 10%
New Zealand fixed interest	-	-
International fixed interest	-	-
Australasian equities	-	-
International equities¹⁴	100%	90% - 100%
Listed property	-	-
Unlisted property	-	-
Commodities	-	-
Other	-	-

Permitted investments

The US Small Cap Fund may invest in the following assets:

- the Vanguard Small Cap ETF; and
- cash and cash equivalents issued or guaranteed by New Zealand entities.

¹⁴ The Vanguard Small Cap ETF will invest in listed property trusts included in the CRSP US Small Cap Index. This is included in the US Small Cap Fund's asset allocation to international equities.

The Vanguard Small Cap ETF employs an indexing investment approach and invests all, or substantially all, of its assets in the financial products included in the CRSP US Small Cap Index.

The CRSP US Small Cap Index is made up of small US companies.

Further information about the CRSP US Small Cap Index is available at <http://www.crsp.com/products/investment-products/crsp-us-small-cap-index>.

The US Small Cap Fund will only invest in cash and cash equivalents when holding distributions from the financial products held by the fund. Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments (and managed investment products that primarily invest in cash and cash equivalents).

Investment restrictions

The US Small Cap Fund may not borrow.



SmartDIVIDEND

Schedule 15 – NZ Dividend Fund

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

The NZ Dividend Fund is listed on the NZX Main Board with the code DIV.

Investment objective

The NZ Dividend Fund's investment objective is to provide a return (before tax, fees and other expenses) that closely matches the return on the S&P/NZX 50 High Dividend Index.

Investment strategy

Target asset allocation

The NZ Dividend Fund's target asset allocation and asset allocation ranges are set out in the following table:

Asset class	Target	Range
Cash and cash equivalents	0%	0% - 10%
New Zealand fixed interest	-	-
International fixed interest	-	-
Australasian equities¹⁵	100%	90% - 100%
International equities	-	-
Listed property	-	-
Unlisted property	-	-
Commodities	-	-
Other	-	-

Permitted investments

The NZ Dividend Fund may invest in the following assets:

- financial products listed on the NZX Main Board that are included in the S&P/NZX 50 High Dividend Index in proportions that track the weightings of the products in the index; and
- cash and cash equivalents issued or guaranteed by New Zealand entities.

¹⁵ The NZ Dividend Fund will invest in listed property trusts included in the S&P/NZX 50 High Dividend Index. This is included in its asset allocation to Australasian equities.

The S&P/NZX 50 High Dividend Index is made up of 25 high yielding financial products listed on the NZX Main Board and included in the S&P/NZX 50 Index.

Further information about the S&P/NZX 50 High Dividend Index is available at <http://us.spindices.com/indices/strategy/sp-nzx-50-high-dividend-index>.

The NZ Dividend Fund will only invest in cash and cash equivalents when holding distributions from the financial products held by the fund or the proceeds of financial product lending. Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments (and managed investment products that primarily invest in cash and cash equivalents).

The NZ Dividend Fund may undertake financial product lending.

Investment restrictions

The NZ Dividend Fund may not borrow.



Schedule 16 – Australian Dividend Fund

The Australian Dividend Fund invests in financial products listed on the ASX and is designed to track the S&P/ASX Dividend Opportunities Index.

The Australian Dividend Fund is listed on the NZX Main Board with the code ASD.

Investment objective

The Australian Dividend Fund's investment objective is to provide a return (before tax, fees and other expenses) that closely matches the return on the S&P/ASX Dividend Opportunities Index.

Investment strategy

Target asset allocation

The Australian Dividend Fund's target asset allocation and asset allocation ranges are set out in the following table:

Asset class	Target	Range
Cash and cash equivalents	0%	0% - 10%
New Zealand fixed interest	-	-
International fixed interest	-	-
Australasian equities¹⁶	100%	90% - 100%
International equities	-	-
Listed property	-	-
Unlisted property	-	-
Commodities	-	-
Other	-	-

Permitted investments

The Australian Dividend Fund may invest in the following assets:

- financial products listed on the ASX that are included in the S&P/ASX Dividend Opportunities Index in proportions that track the weightings of the products in the index; and
- cash and cash equivalents issued or guaranteed by New Zealand entities.

The S&P/ASX Dividend Opportunities Index is made up of 50 high yielding financial products listed on the ASX and included in the S&P/ASX 300 Index.

¹⁶ The Australian Dividend Fund will invest in listed property trusts included in the S&P/ASX Dividend Opportunities Index. This is included in its asset allocation to Australasian equities.

Further information about the S&P/ASX Dividend Opportunities Index is available at <http://us.spindices.com/indices/strategy/sp-asx-dividend-opportunities-index>.

The Australian Dividend Fund will only invest in cash and cash equivalents when holding distributions from the financial products held by the fund. Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments (and managed investment products that primarily invest in cash and cash equivalents).

Investment restrictions

The Australian Dividend Fund may not borrow.



SmartINCOME

Schedule 17 – NZ Cash Fund

The NZ Cash Fund invests in cash and cash equivalents issued or guaranteed by New Zealand or overseas entities (New Zealand dollar denominated).

The NZ Cash Fund is listed on the NZX Main Board with the code NZC.

Investment objective

The NZ Cash Fund's investment objective is to provide a return (before tax, fees and other expenses) that outperforms the S&P/NZX Bank Bill 90-Day Index over rolling one-year periods.

The S&P/NZX Bank Bill 90-Day Index is made up of a portfolio of bank bills with a maturity of 31 days to 90 days.

Further information about the S&P/NZX Bank Bill 90-Day Index is available at <http://us.spindices.com/indices/fixed-income/sp-nzx-bank-bills-90-day-index>.

Investment strategy

Asset allocation

The NZ Cash Fund is 100% invested in cash and cash equivalents.

Permitted investments

The NZ Cash Fund may invest in cash and cash equivalents issued or guaranteed by New Zealand or overseas entities (New Zealand dollar denominated).

The NZ Cash Fund may invest in managed investment products that primarily invest in the assets set out above.

The NZ Cash Fund may use derivatives (such as futures, forwards, options and swaps).

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments (and managed investment products that primarily invest in cash and cash equivalents).

Investment restrictions

The maximum exposure to any one issuer (with the exception of the New Zealand Government) is 25%.

The minimum issuer long-term credit rating is BBB- issued by Standard & Poor's Financial Services LLC (**Standard & Poor's**) and the minimum issuer short-term credit rating is A-3 issued by Standard & Poor's, or their equivalent issued by Moody's Investor Services (**Moody's**) or Fitch Ratings (**Fitch**).

The minimum over-the-counter derivative counterparty rating is A- issued by Standard & Poor's, or its equivalent issued by Moody's or Fitch.

If an issuer has multiple credit ratings, Nikko will use the highest credit rating of Standard & Poor's, Moody's or Fitch. If an issuer is not rated by one of these rating agencies, Nikko will decide a credit rating. If an issuer is downgraded below the minimums set out above, Nikko will decide the appropriate action (sell or hold) based on the perceived risk and expected return.

The NZ Cash Fund's investments are subject to the following sector limits:

Sector	Range
New Zealand Government	0% - 100%
New Zealand banks	0% - 80%
Local Government	0% - 50%
Corporates	0% - 80%
Overseas Governments and supranationals	0% - 20%

Where the NZ Cash Fund invests in a managed investment product, for the purposes of these investment restrictions, Nikko will aggregate the fund's interests in the managed investment product's underlying investments with the fund's own investments.

All investments must be New Zealand dollar denominated.

The NZ Cash Fund may not borrow or use derivatives to lever the fund.

The NZ Cash Fund may not invest in subordinated debt securities.



Schedule 18 – NZ Bond Fund

The NZ Bond Fund invests in debt securities issued or guaranteed by New Zealand or overseas entities (New Zealand dollar denominated) and, in certain market conditions, cash and cash equivalents issued or guaranteed by New Zealand or overseas entities (New Zealand dollar denominated).

The NZ Bond Fund is listed on the NZX Main Board with the code NZB.

Investment objective

The NZ Bond Fund's investment objective is to provide a return (before tax, fees and other expenses) that outperforms the S&P/NZX A-Grade Corporate Bond Index over rolling three-year periods.

The S&P/NZX A-Grade Corporate Bond Index is made up of non-New Zealand Government bonds with credit ratings of A- or above issued by New Zealand entities (New Zealand dollar denominated).

Further information about the S&P/NZX A-Grade Corporate Bond Index is available at <http://us.spindices.com/indices/fixed-income/sp-nzx-a-grade-corporate-bond-index>.

Investment strategy

Target asset allocation

The NZ Bond Fund's target asset allocation and asset allocation ranges are set out in the following table:

Asset class	Target	Range
Cash and cash equivalents	0%	0% - 100%
New Zealand fixed interest	100%	0% - 100%
International fixed interest	-	-
Australasian equities	-	-
International equities	-	-
Listed property	-	-
Unlisted property	-	-
Commodities	-	-
Other	-	-

Permitted investments

The NZ Bond Fund may invest in the following assets:

- debt securities issued or guaranteed by New Zealand or overseas entities (New Zealand dollar denominated); and
- cash and cash equivalents issued or guaranteed by New Zealand or overseas entities (New Zealand dollar denominated).

The NZ Bond Fund may invest in managed investment products that primarily invest in the assets set out above.

The NZ Bond Fund may use derivatives (such as futures, forwards, options and swaps).

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments (and managed investment products that primarily invest in cash and cash equivalents).

Investment restrictions

The NZ Bond Fund's investments are subject to the following credit rating limits issued by Standard & Poor's, or their equivalent issued by Moody's or Fitch:

Credit rating	Maximum fund exposure	Maximum exposure per issuer
AAA	0% - 100%	12.5%
AA- to AA+	0% - 100%	10%
A- to A+	0% - 80%	7.5%
BBB- to BBB+	0% - 60%	5%

Notwithstanding the credit rating limits set out above, the maximum exposure to the New Zealand Government is 70% and the New Zealand Local Government Funding Authority is 15%.

The minimum issuer long-term credit rating is BBB- issued by Standard & Poor's and the minimum issuer short-term credit rating is A-3 issued by Standard & Poor's, or their equivalent issued by Moody's or Fitch.

The minimum over-the-counter derivative counterparty rating is A- issued by Standard & Poor's, or its equivalent issued by Moody's or Fitch.

If an issuer has multiple credit ratings, Nikko will use the highest credit rating of Standard & Poor's, Moody's or Fitch. If an issuer is not rated by one of these rating agencies, Nikko will decide a credit rating. If an issuer is downgraded below the minimums set out above, Nikko will decide the appropriate action (sell or hold) based on the perceived risk and expected return.



The NZ Bond Fund's investments are subject to the following sector limits:

Sector	Range
New Zealand Government	10% - 70%
New Zealand banks	0% - 70%
Local Government	0% - 50%
Corporates	0% - 50%
Overseas Governments and supranationals	0% - 30%

The average duration of the portfolio of financial products held by the NZ Bond Fund must be within +/- 1.5 years of the average duration of financial products comprising the S&P/NZX A-Grade Corporate Bond Index.

Where the NZ Bond Fund invests in a managed investment product, for the purposes of these investment restrictions, Nikko will aggregate the fund's interests in the managed investment product's underlying investments with the fund's own investments.

All investments must be New Zealand dollar denominated.

The NZ Bond Fund may not borrow or use derivatives to lever the fund.



Schedule 19 – Global Bond Fund

The Global Bond Fund invests in debt securities issued or guaranteed by overseas or New Zealand entities and, in certain market conditions, cash and cash equivalents issued or guaranteed by overseas or New Zealand entities.

The Global Bond Fund is listed on the NZX Main Board with the code GBF.

Investment objective

The Global Bond Fund's investment objective is to provide a return (before tax, fees and other expenses) that outperforms the Barclays Global Aggregate Index by 1% per annum over rolling three-year periods, hedged against the New Zealand dollar.

The Barclays Global Aggregate Index is made up of global investment grade debt from twenty-four local currency markets and includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

Further information about the Barclays Global Aggregate Index is available at https://index.barcap.com/Benchmark_Indices/Aggregate/Bond_Indices.

Investment strategy

Target asset allocation

The Global Bond Fund's target asset allocation and asset allocation ranges are set out in the following table:

Asset class	Target	Range
Cash and cash equivalents	0%	0% - 100%
New Zealand fixed interest	-	-
International fixed interest¹⁷	100%	0% - 100%
Australasian equities	-	-
International equities	-	-
Listed property	-	-
Unlisted property	-	-
Commodities	-	-
Other	-	-

¹⁷ The Global Bond Fund may invest in New Zealand fixed interest. This is included in its asset allocation to international fixed interest.

Permitted investments

The Global Bond Fund may invest in the following assets:

- debt securities issued or guaranteed by overseas or New Zealand entities; and
- cash and cash equivalents issued or guaranteed by overseas or New Zealand entities.

The Global Bond Fund may invest in managed investment products that primarily invest in the assets set out above.

The Global Bond Fund may use derivatives (such as futures, forwards, options and swaps).

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments (and managed investment products that primarily invest in cash and cash equivalents).

The Global Bond Fund's foreign currency exposure is generally 100% hedged, but may vary between 95% and 105%.

Investment restrictions

The Global Bond Fund's investments are subject to the following concentration limits:

Investment	Concentration limit
Issue/Issuer¹⁸	5%
Issuer of asset-backed securities and mortgage-backed securities (excluding agency mortgage)	2%
High yield securities (rated below BBB-)	10%
Emerging market securities (as defined by the World Bank)	15%
Certain private placements	10%
Mortgage derivatives	10%
Structured notes	5%
Preferred securities	5%
Bank loans	10%
Asset-backed securities and mortgage-backed securities (excluding agency mortgage)	15%

¹⁸ Excludes (1) issuers of asset-backed securities and mortgage-backed securities (other than agency mortgage); and (2) sovereign debt of OECD Governments and US agencies (to which no limit applies) and supranational issuers (25% limit applies). Specific mortgage pools and trusts are considered separate issuers, and each tranche within a collateralised mortgage obligation is considered a separate issue.



The average duration of the portfolio of financial products held by the Global Bond Fund must be within +/- 3 years of the average duration of financial products comprising the Barclays Global Aggregate Index.

The Global Bond Fund's investments are subject to the following credit rating limits issued by Standard & Poor's, or their equivalent issued by Moody's or Fitch:

- the minimum average portfolio quality across all investments is A-;
- for investments in short-term financial products, the minimum issue quality is B-; and
- for investments in short-term commercial paper, the minimum commercial paper quality is A-2 issued by Standard & Poor's or P-2 issued by Moody's.

If an issue has multiple credit ratings, PIMCO will use the highest credit rating of Standard & Poor's, Moody's or Fitch. If an issue is not rated by one of these rating agencies, PIMCO will decide a credit rating. If an issue is downgraded below the minimums set out above, PIMCO will decide the appropriate action (sell or hold) based on the perceived risk and expected return.

Where the Global Bond Fund invests in a managed investment product, for the purposes of these investment restrictions, PIMCO will aggregate the fund's interests in the managed investment product's underlying investments with the fund's own investments.

The Global Bond Fund may not borrow or use derivatives to lever the fund.

The Global Bond Fund may not invest in financial products issued by entities where a material part of their revenue and/or activities involve tobacco, cluster munitions and anti-personnel mines. However, the Global Bond Fund may use derivatives (such as credit default swaps) that include exposure to these financial products as part of a basket.



SmartSECTOR

Schedule 20 – NZ Property Fund

The NZ Property Fund invests in financial products listed on the NZX Main Board and is designed to track the S&P/NZX Real Estate Select Index.

The NZ Property Fund is listed on the NZX Main Board with the code NPF.

Investment objective

The NZ Property Fund's investment objective is to provide a return (before tax, fees and other expenses) that closely matches the return on the S&P/NZX Real Estate Select Index.

Investment strategy

Target asset allocation

The NZ Property Fund's target asset allocation and asset allocation ranges are set out in the following table:

Asset class	Target	Range
Cash and cash equivalents	0%	0% - 10%
New Zealand fixed interest	-	-
International fixed interest	-	-
Australasian equities	-	-
International equities	-	-
Listed property	100%	90% - 100%
Unlisted property	-	-
Commodities	-	-
Other	-	-

Permitted investments

The NZ Property Fund may invest in the following assets:

- financial products listed on the NZX Main Board that are included in the S&P/NZX Real Estate Select Index in proportions that track the weightings of the products in the index; and
- cash and cash equivalents issued or guaranteed by New Zealand entities.

The S&P/NZX Real Estate Select Index is made up of the largest and most liquid members of the S&P/NZX All Index classified under the GICS Real Estate Industry Group, but excludes products issued by non-New Zealand issuers.

Further information about the S&P/NZX Real Estate Select Index is available at <http://us.spindices.com/indices/equity/sp-nzx-real-estate-select>.

The NZ Property Fund will only invest in cash and cash equivalents when holding distributions from the financial products held by the fund. Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments (and managed investment products that primarily invest in cash and cash equivalents).

Investment restrictions

The NZ Property Fund may not borrow.



Schedule 21 – Australian Financials Fund

The Australian Financials Fund invests in financial products listed on the ASX and is designed to track the S&P/ASX 200 Financials Ex-A-REIT Index.

The Australian Financials Fund is listed on the NZX Main Board with the code ASF.

Investment objective

The Australian Financials Fund's investment objective is to provide a return (before tax, fees and other expenses) that closely matches the return on the S&P/ASX 200 Financials Ex-A-REIT Index.

Investment strategy

Target asset allocation

The Australian Financials Fund's target asset allocation and asset allocation ranges are set out in the following table:

Asset class	Target	Range
Cash and cash equivalents	0%	0% - 10%
New Zealand fixed interest	-	-
International fixed interest	-	-
Australasian equities	100%	90% - 100%
International equities	-	-
Listed property	-	-
Unlisted property	-	-
Commodities	-	-
Other	-	-

Permitted investments

The Australian Financials Fund may invest in the following assets:

- financial products listed on the ASX that are included in the S&P/ASX 200 Financials Ex-A-REIT Index in proportions that track the weightings of the products in the index; and
- cash and cash equivalents issued or guaranteed by New Zealand entities.

The S&P/ASX 200 Financials Ex-A-REIT Index is a sector sub-index of the S&P/ASX 200 Index and is made up of financial sector financial products, but excludes Australian Real Estate Investments Trusts (A-REITs).

An Australian Real Estate Investments Trust is an entity that owns, and generally operates, income producing real estate. These investment vehicles must have most of their assets and income tied to real estate investment.

Further information about the S&P/ASX 200 Financials Ex-A-REIT Index is available at <http://us.spindices.com/indices/equity/sp-asx-200-financial-x-a-reit-sector>.

The Australian Financials Fund will only invest in cash and cash equivalents when holding distributions from the financial products held by the fund. Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments (and managed investment products that primarily invest in cash and cash equivalents).

Investment restrictions

The Australian Financials Fund may not borrow.



Schedule 22 – Australian Property Fund

The Australian Property Fund invests in financial products listed on the ASX and is designed to track the S&P/ASX 200 A-REIT Equal Weight Index.

The Australian Property Fund is listed on the NZX Main Board with the code ASP.

Investment objective

The Australian Property Fund's investment objective is to provide a return (before tax, fees and other expenses) that closely matches the return on the S&P/ASX 200 A-REIT Equal Weight Index.

Investment strategy

Target asset allocation

The Australian Property Fund's target asset allocation and asset allocation ranges are set out in the following table:

Asset class	Target	Range
Cash and cash equivalents	0%	0% - 10%
New Zealand fixed interest	-	-
International fixed interest	-	-
Australasian equities	-	-
International equities	-	-
Listed property	100%	90% - 100%
Unlisted property	-	-
Commodities	-	-
Other	-	-

Permitted investments

The Australian Property Fund may invest in the following assets:

- financial products listed on the ASX that are included in the S&P/ASX 200 A-REIT Equal Weight Index in proportions that track the weightings of the products in the index; and
- cash and cash equivalents issued or guaranteed by New Zealand entities.

The S&P/ASX 200 A-REIT Equal Weight Index is a sector sub-index of the S&P/ASX 200 Index and is made up of Australian Real Estate Investment Trusts (A-REITs).

An Australian Real Estate Investments Trust is an entity that owns, and generally operates, income producing real estate. These investment vehicles must have most of their assets and income tied to real estate investment.

Further information about the S&P/ASX 200 A-REIT Equal Weight Index is available at <http://us.spindices.com/indices/equity/sp-asx-200-a-reit-equal-weight>.

The Australian Property Fund will only invest in cash and cash equivalents when holding distributions from the financial products held by the fund. Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments (and managed investment products that primarily invest in cash and cash equivalents).

Investment restrictions

The Australian Property Fund may not borrow.



Schedule 23 – Australian Resources Fund

The Australian Resources Fund invests in financial products listed on the ASX and is designed to track the S&P/ASX 200 Resources Index.

The Australian Resources Fund is listed on the NZX Main Board with the code ASR.

Investment objective

The Australian Resources Fund's investment objective is to provide a return (before tax, fees and other expenses) that closely matches the return on the S&P/ASX 200 Resources Index.

Investment strategy

Target asset allocation

The Australian Resources Fund's target asset allocation and asset allocation ranges are set out in the following table:

Asset class	Target	Range
Cash and cash equivalents	0%	0% - 10%
New Zealand fixed interest	-	-
International fixed interest	-	-
Australasian equities	100%	90% - 100%
International equities	-	-
Listed property	-	-
Unlisted property	-	-
Commodities	-	-
Other	-	-

Permitted investments

The Australian Resources Fund may invest in the following assets:

- financial products listed on the ASX that are included in the S&P/ASX 200 Resources Index in proportions that track the weightings of the products in the index; and
- cash and cash equivalents issued or guaranteed by New Zealand entities.

The S&P/ASX 200 Resources Index is made up of companies from the S&P/ASX 200 index where the company is classified as belonging to the energy sector or the metals and mining industry.

Further information about the S&P/ASX 200 Resources Index is available at <http://us.spindices.com/indices/equity/sp-asx-200-resources>.

The Australian Resources Fund will only invest in cash and cash equivalents when holding distributions from the financial products held by the fund. Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments (and managed investment products that primarily invest in cash and cash equivalents).

[Investment restrictions](#)

The Australian Resources Fund may not borrow.

