

# Smartshares Exchange Traded Funds

## **Product Disclosure Statement**

Offer of units in the Smartshares  
Exchange Traded Funds

---

### **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](http://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.

This is a replacement product disclosure statement. It replaces the product disclosure statement dated 11 April 2017.



# 1. Key information summary

## 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 managers') 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.

## What will your money be invested in?

The Smartshares Exchange Traded Funds (**Scheme**) has 23 funds (each listed on the NZX Main Board).

These investment options are summarised on pages 3 to 5. More information about the investment target and strategy for each 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?

Any income (for example, dividends) received by each fund, less tax, fees and costs, will be paid to you as distributions. Any distributions will be automatically reinvested as additional units, unless you choose to have the distributions paid out as cash. Distributions are paid quarterly for some funds and six-monthly for others. See section 3 for when each fund pays distributions.

## How can you get your money out?

Units in the funds are quoted on the NZX Main Board, so you can sell your investment through an NZX Participant (such as a broker) or financial adviser if there are interested buyers. The amount you get may be less than the amount that you invested.

Investments in the Scheme are generally not redeemable for cash. See section 2 for more information.

## How will your investment be taxed?

Each fund is a listed portfolio investment entity (**PIE**).

As a listed PIE, each fund will pay tax on taxable income at the rate of 28%. See section 6 for more information.

## Where can you find more key information?

We are required to publish quarterly updates for each fund. The updates show the returns, and the total fees actually charged to investors, during the previous year. The latest fund updates are available at [www.smartshares.co.nz](http://www.smartshares.co.nz). We will also give you copies of those documents on request.



## Investment options

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.

Fund	Description and investment objective	Risk indicator	Fund charges (% per annum of the fund's net asset value)
<b>SmartLARGE</b>			
The SmartLARGE funds focus on some of the largest companies listed in New Zealand and offshore.			
NZ Top 10 Fund (TNZ)	Invests in financial products listed on the NZX Main Board and is designed to track the return on the S&P/NZX 10 Index.		0.60%
NZ Top 50 Fund (FNZ)	Invests in financial products listed on the NZX Main Board and is designed to track the return on the S&P/NZX 50 Portfolio Index.		0.50%
Australian Top 20 Fund (OZY)	Invests in financial products listed on the Australian Securities Exchange (ASX) and is designed to track the return on the S&P/ASX 20 Index.		0.60%
Asia Pacific Fund (APA)	Invests in the Vanguard FTSE Pacific ETF, which is designed to track the return on the FTSE Developed Asia Pacific All Cap Index.		0.55%
Emerging Markets Fund (EMF)	Invests in the Vanguard FTSE Emerging Markets ETF, which is designed to track the return on the FTSE Emerging Markets All Cap China A Inclusion Index.		0.59%
Europe Fund (EUF)	Invests in the Vanguard FTSE Europe ETF, which is designed to track the return on the FTSE Developed Europe All Cap Index.		0.55%
Total World Fund (TWF)	Invests in the Vanguard Total World Stock ETF, which is designed to track the return on the FTSE Global All Cap Index.		0.56%
US 500 Fund (USF)	Invests in the Vanguard S&P 500 ETF, which is designed to track the return on the S&P 500 Index.		0.34%
US Large Growth Fund (USG)	Invests in the Vanguard Growth ETF, which is designed to track the return on the CRSP US Large Cap Growth Index.		0.51%
US Large Value Fund (USV)	Invests in the Vanguard Value ETF, which is designed to track the return on the CRSP US Large Cap Value Index.		0.51%



Fund	Description and investment objective	Risk indicator	Fund charges (% per annum of the fund's net asset value)
------	--------------------------------------	----------------	--

### SmartMEDIUM

The SmartMEDIUM funds focus on a selection of medium sized companies listed in New Zealand, Australia and the United States.

NZ Mid Cap Fund (MDZ)	Invests in financial products listed on the NZX Main Board and is designed to track the return on the S&P/NZX Mid Cap Index.		0.60%
Australian Mid Cap Fund (MZY)	Invests in financial products listed on the ASX and is designed to track the return on the S&P/ASX Mid Cap 50 Index.		0.75%
US Mid Cap Fund (USM)	Invests in the Vanguard Mid Cap ETF, which is designed to track the return on the CRSP US Mid Cap Index.		0.51%

### SmartSMALL

The SmartSMALL fund focuses on a selection of smaller companies listed in the United States.

US Small Cap Fund (USS)	Invests in the Vanguard Small Cap ETF, which is designed to track the return on the CRSP US Small Cap Index.		0.51%
-------------------------	--	--	-------

### SmartDIVIDEND

The SmartDIVIDEND funds are made up of some of the highest dividend paying companies listed in New Zealand and Australia.

NZ Dividend Fund (DIV)	Invests in financial products listed on the NZX Main Board and is designed to track the return on the S&P/NZX 50 High Dividend Index.		0.54%
Australian Dividend Fund (ASD)	Invests in financial products listed on the ASX and is designed to track the return on the S&P/ASX Dividend Opportunities Index.		0.54%



Fund	Description and investment objective	Risk indicator	Fund charges (% per annum of the fund's net asset value)
------	--------------------------------------	----------------	--

## SmartINCOME

The SmartINCOME funds are actively managed and made up of interest bearing assets, bonds and other fixed interest assets across New Zealand and a range of global markets.

NZ Cash Fund (NZC)	Invests in cash and cash equivalents, with the objective of outperforming the S&P/NZX Bank Bills 90-Day Index over rolling 1-year periods. The investment manager is Nikko Asset Management New Zealand Limited.		0.33%
NZ Bond Fund (NZB)	Invests in New Zealand fixed interest assets, with the objective of outperforming the S&P/NZX A-Grade Corporate Bond Index over rolling 3-year periods. The investment manager is Nikko Asset Management New Zealand Limited.		0.54%
Global Bond Fund (GBF)	Invests in international fixed interest assets, with the objective of outperforming the Barclays Global Aggregate Index by 1% per annum over rolling 3-year periods, hedged against the New Zealand dollar. The investment manager is PIMCO Australia Pty Ltd.		0.54%

## SmartSECTOR

The SmartSECTOR funds are comprised of some of the largest companies in the property, financial or resources sectors that are listed in New Zealand and Australia.

NZ Property Fund (NPF)	Invests in property assets listed on the NZX Main Board and is designed to track the return on the S&P/NZX Real Estate Select Index.		0.54%
Australian Financials Fund (ASF)	Invests in financial products listed on the ASX and is designed to track the return on the S&P/ASX 200 Financials Ex-A-REIT Index.		0.54%
Australian Property Fund (ASP)	Invests in property assets listed on the ASX and is designed to track the return on the S&P/ASX 200 A-REIT Equal Weight Index.		0.54%
Australian Resources Fund (ASR)	Invests in financial products listed on the ASX and is designed to track the return on the S&P/ASX 200 Resources Index.		0.54%

\* Market index returns (as well as actual returns) have been used to complete the risk indicators, as the funds have not been in existence for 5 years. As a result, the risk indicators may provide a less reliable indicator of the potential future volatility of the funds. The risk indicators for the NZ Top 10 Fund, NZ Top 50 Fund, Australian Top 20 Fund, NZ Mid Cap Fund and Australian Mid Cap Fund use 4 years and 5 months of market index returns, the risk indicators for the Asia Pacific Fund, Emerging Markets Fund, Europe Fund, Total World Fund, US 500 Fund, US Large Growth Fund, US Large Value Fund, US Mid Cap Fund and US Small Cap Fund use 3 years and 1 month of market index returns, the risk indicators for the NZ Dividend Fund, Australian Financials Fund and Australian Resources Fund use 2 years and 10 months of market index returns, the risk indicators for the Australian Dividend Fund and Australian Property Fund use 2 years and 6 months of market index returns and the risk indicators for the NZ Cash Fund, NZ Bond Fund, Global Bond Fund and NZ Property Fund use 3 years and 5 months of market index returns.



Each fund has an establishment fee of \$30. This fee does not apply to subsequent contributions to the same fund, or if you buy units in a fund through an NZX Participant (such as a broker) or financial adviser (although the NZX Participant or financial adviser may charge you a fee for its services).

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](http://www.sorted.org.nz/tools/investor-kickstarter).



# Table of Contents

1. Key information summary	2
2. How does this investment work?	8
3. Description of your investment options	10
4. What are the risks of investing?	14
5. What are the fees?	16
6. What taxes will you pay?	19
7. Who is involved?	20
8. How to complain	21
9. Where you can find more information	22
10. How to apply	23



## 2. How does this investment work?

The Scheme offers access to 23 exchange traded funds (ETFs), across the investment asset classes of cash, fixed interest, shares and property. Each of the funds is listed on the NZX Main Board. The funds provide:

- ▶ **Diversification:** With one simple purchase you get an investment in a range of financial products, such as listed companies or government bonds, spreading your risk more broadly.
- ▶ **Lower costs:** The funds keep costs down because in most cases we do not need to make active investment decisions, which may require spending on research and analytical expertise.
- ▶ **Convenience:** The funds enable you to build a global portfolio in New Zealand dollars, without having to worry about the complexity of managing foreign currencies or overseas tax. Distributions are paid in New Zealand dollars and automatically reinvested for you, unless you choose to receive them in cash.
- ▶ **Transparency:** As units in the funds are quoted on the NZX Main Board, they give you the same transparency as an investment in listed shares.

Twenty of the funds are passively managed and are designed to track the return on specific indices. We do this by either:

- ▶ Buying and selling financial products so that the financial products held by the fund closely match the financial products included in the index tracked by the fund; or
- ▶ Buying and selling interests in funds managed by The Vanguard Group Inc.

The three SmartINCOME funds are actively managed. This means the investment managers for these funds buy and sell financial products based on their own assessment of what is happening in the market.

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 independent custodians, and our operations are supervised by an independent supervisor, Public Trust. The Scheme is governed by a master trust deed between the supervisor and us, and each fund is established as a separate trust.

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

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

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

All funds have assets (the investments of the fund) and liabilities (the taxes, fees and costs payable by the fund). All liabilities incurred in respect of a fund will be met from the assets of that fund. If the investments in a fund are not sufficient to meet its liabilities, the investments in another fund cannot be used to meet those liabilities.

Any income (for example, dividends) received by each fund, less tax, fees and costs, will be paid to you as distributions. Any distributions will be automatically reinvested as additional units, unless you choose to have the distributions paid out as cash. Distributions are paid quarterly for some funds and six-monthly for others. See section 3 for when each fund pays distributions.

The NZ Top 10 Fund, NZ Top 50 Fund, NZ Mid Cap Fund and NZ Dividend Fund may undertake financial product lending (which generates additional revenue for the benefit of investors). We typically lend financial products to a financial institution (**borrower**) that does not have sufficient financial products to complete a sale that it has agreed to. The borrower therefore borrows financial products from one of the funds listed above 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 and a financial product lending fee.





## Making investments

You can invest in a fund at any time. The minimum initial contribution amount is \$500. After that, you can make further investments, either through:

- ▶ A cash application for further units (the minimum contribution amount is \$250);
- ▶ The regular savings plan (the minimum contribution amount is \$50 per month); or
- ▶ The reinvestment of distributions.

Further information about these options is available at [www.smartshares.co.nz](http://www.smartshares.co.nz). You can also buy units through an NZX Participant (such as a broker) or financial adviser.

Contributions will be direct debited from your bank account on or about the 20th day of the month and units will be allocated to you on or about the 3rd business day of the following month. You will receive a statement setting out details of your updated investments (you can also view this information at [www.linkmarketservices.co.nz](http://www.linkmarketservices.co.nz)).

Institutional investors can make basket contributions (or, in the case of the NZ Cash Fund, NZ Bond Fund and Global Bond Fund, institutional investor contributions).

## Withdrawing your investments

Units in the funds are listed on the NZX Main Board, so you can sell your investment through an NZX Participant (such as a broker) or financial adviser if there are interested buyers.

Investments in the Scheme are generally not redeemable for cash.

Institutional investors can make basket withdrawals (or, in the case of the NZ Cash Fund, NZ Bond Fund and Global Bond Fund, institutional investor withdrawals).

## How to switch between funds

You cannot switch from one fund to another fund. If you want to change funds, you must sell your investment in the first fund and then buy an investment in the second fund.



## 3. Description of your investment options

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.

Description, investment objective and target investment mix	Risk indicator	Minimum suggested investor timeframe	Distributions
<b>SmartLARGE</b>			
The SmartLARGE funds focus on some of the largest companies listed in New Zealand and offshore.			
<p><b>NZ Top 10 Fund (TNZ)</b></p> <p>Invests in financial products listed on the NZX Main Board and is designed to track the return on the S&amp;P/NZX 10 Index.</p> <p>▶ 100% Australasian equities</p>		5–10 years	June and December
<p><b>NZ Top 50 Fund (FNZ)</b></p> <p>Invests in financial products listed on the NZX Main Board and is designed to track the return on the S&amp;P/NZX 50 Portfolio Index.</p> <p>▶ 100% Australasian equities</p>		5–10 years	June and December
<p><b>Australian Top 20 Fund (OZY)</b></p> <p>Invests in financial products listed on the ASX and is designed to track the return on the S&amp;P/ASX 20 Index.</p> <p>▶ 100% Australasian equities</p>		5–10 years	June and December
<p><b>Asia Pacific Fund (APA)</b></p> <p>Invests in the Vanguard FTSE Pacific ETF, which is designed to track the return on the FTSE Developed Asia Pacific All Cap Index.</p> <p>▶ 100% International equities</p>		5–10 years	June and December
<p><b>Emerging Markets Fund (EMF)</b></p> <p>Invests in the Vanguard FTSE Emerging Markets ETF, which is designed to track the return on the FTSE Emerging Markets All Cap China A Inclusion Index.</p> <p>▶ 100% International equities</p>		7–12 years	June and December
<p><b>Europe Fund (EUF)</b></p> <p>Invests in the Vanguard FTSE Europe ETF, which is designed to track the return on the FTSE Developed Europe All Cap Index.</p> <p>▶ 100% International equities</p>		5–10 years	June and December
<p><b>Total World Fund (TWF)</b></p> <p>Invests in the Vanguard Total World Stock ETF, which is designed to track the return on the FTSE Global All Cap Index.</p> <p>▶ 100% International equities</p>		5–10 years	June and December
<p><b>US 500 Fund (USF)</b></p> <p>Invests in the Vanguard S&amp;P 500 ETF, which is designed to track the return on the S&amp;P 500 Index.</p> <p>▶ 100% International equities</p>		5–10 years	June and December



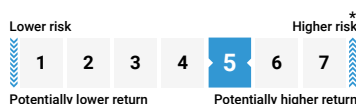
Description, investment objective and target investment mix	Risk indicator	Minimum suggested investor timeframe	Distributions
---	----------------	--------------------------------------	---------------

### SmartLARGE (continued)

#### US Large Growth Fund (USG)

Invests in the Vanguard Growth ETF, which is designed to track the return on the CRSP US Large Cap Growth Index.

▶ 100% International equities



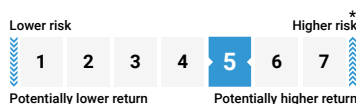
5–10 years

June and December

#### US Large Value Fund (USV)

Invests in the Vanguard Value ETF, which is designed to track the return on the CRSP US Large Cap Value Index.

▶ 100% International equities



5–10 years

June and December

### SmartMEDIUM

The SmartMEDIUM funds focus on a selection of medium sized companies listed in New Zealand, Australia and the United States.

#### NZ Mid Cap Fund (MDZ)

Invests in financial products listed on the NZX Main Board and is designed to track the return on the S&P/NZX Mid Cap Index.

▶ 100% Australasian equities



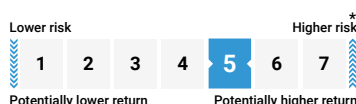
5–10 years

June and December

#### Australian Mid Cap Fund (MZY)

Invests in financial products listed on the ASX and is designed to track the return on the S&P/ASX Mid Cap 50 Index.

▶ 100% Australasian equities



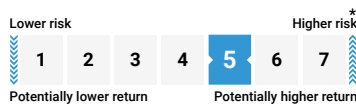
5–10 years

June and December

#### US Mid Cap Fund (USM)

Invests in the Vanguard Mid Cap ETF, which is designed to track the return on the CRSP US Mid Cap Index.

▶ 100% International equities



5–10 years

June and December

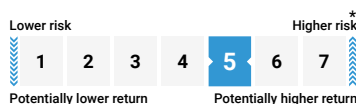
### SmartSMALL

The SmartSMALL fund focuses on a selection of smaller companies listed in the United States.

#### US Small Cap Fund (USS)

Invests in the Vanguard Small Cap ETF, which is designed to track the return on the CRSP US Small Cap Index.

▶ 100% International equities



5–10 years

June and December



Description, investment objective and target investment mix	Risk indicator	Minimum suggested investor timeframe	Distributions
---	----------------	--------------------------------------	---------------

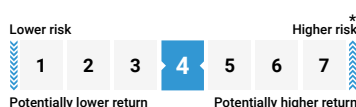
## SmartDIVIDEND

The SmartDIVIDEND funds are made up of some of the highest dividend paying companies listed in New Zealand and Australia.

### NZ Dividend Fund (DIV)

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

▶ 100% Australasian equities



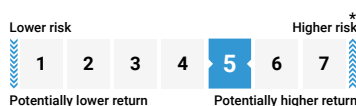
5–10 years

June and December

### Australian Dividend Fund (ASD)

Invests in financial products listed on the ASX and is designed to track the return on the S&P/ASX Dividend Opportunities Index.

▶ 100% Australasian equities



5–10 years

June and December

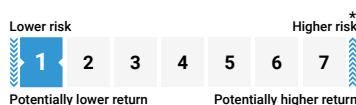
## SmartINCOME

The SmartINCOME funds are actively managed and made up of interest bearing assets, bonds and other fixed interest assets across New Zealand and a range of global markets.

### NZ Cash Fund (NZC)

Invests in cash and cash equivalents, with the objective of outperforming the S&P/NZX Bank Bills 90-Day Index over rolling 1-year periods. The investment manager is Nikko Asset Management New Zealand Limited.

▶ 100% Cash and cash equivalents



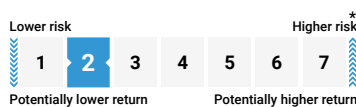
Less than 1 year

March, June, September and December

### NZ Bond Fund (NZB)

Invests in New Zealand fixed interest assets, with the objective of outperforming the S&P/NZX A-Grade Corporate Bond Index over rolling 3-year periods. The investment manager is Nikko Asset Management New Zealand Limited.

▶ 100% New Zealand fixed interest



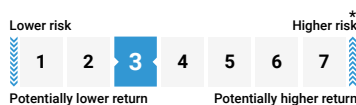
1–3 years

March, June, September and December

### Global Bond Fund (GBF)

Invests in international fixed interest assets, with the objective of outperforming the Barclays Global Aggregate Index by 1% per annum over rolling 3-year periods, hedged against the New Zealand dollar. The investment manager is PIMCO Australia Pty Ltd.

▶ 100% International fixed interest



2–4 years

March, June, September and December



Description, investment objective and target investment mix	Risk indicator	Minimum suggested investor timeframe	Distributions
---	----------------	--------------------------------------	---------------

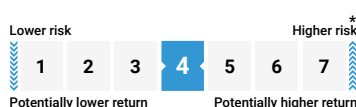
## SmartSECTOR

The SmartSECTOR funds are comprised of some of the largest companies in the property, financial or resources sectors that are listed in New Zealand and Australia.

### NZ Property Fund (NPF)

Invests in property assets listed on the NZX Main Board and is designed to track the return on the S&P/NZX Real Estate Select Index.

▶ 100% Listed property



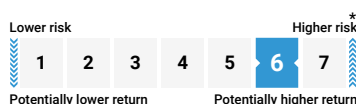
5–7 years

June and December

### Australian Financials Fund (ASF)

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

▶ 100% Australasian equities



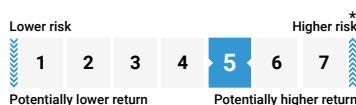
5–10 years

March and September

### Australian Property Fund (ASP)

Invests in property assets listed on the ASX and is designed to track the return on the S&P/ASX 200 A-REIT Equal Weight Index.

▶ 100% Listed property



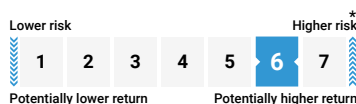
5–10 years

June and December

### Australian Resources Fund (ASR)

Invests in financial products listed on the ASX and is designed to track the return on the S&P/ASX 200 Resources Index.

▶ 100% Australasian equities



5–10 years

June and December

\* Market index returns (as well as actual returns) have been used to complete the risk indicators, as the funds have not been in existence for 5 years. As a result, the risk indicators may provide a less reliable indicator of the potential future volatility of the funds. The risk indicators for the NZ Top 10 Fund, NZ Top 50 Fund, Australian Top 20 Fund, NZ Mid Cap Fund and Australian Mid Cap Fund use 4 years and 5 months of market index returns, the risk indicators for the Asia Pacific Fund, Emerging Markets Fund, Europe Fund, Total World Fund, US 500 Fund, US Large Growth Fund, US Large Value Fund, US Mid Cap Fund and US Small Cap Fund use 3 years and 1 month of market index returns, the risk indicators for the NZ Dividend Fund, Australian Financials Fund and Australian Resources Fund use 2 years and 10 months of market index returns, the risk indicators for the Australian Dividend Fund and Australian Property Fund use 2 years and 6 months of market index returns and the risk indicators for the NZ Cash Fund, NZ Bond Fund, Global Bond Fund and NZ Property Fund use 3 years and 5 months of market index returns.

See the Smartshares Exchange Traded Funds – Market Indices document on the offer register at [www.business.govt.nz/disclose](http://www.business.govt.nz/disclose) for more information about the indices referred to above (including the S&P Dow Jones Indices general disclaimer).

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 effect on you.

The SIPO is available at [www.smartshares.co.nz](http://www.smartshares.co.nz).

Material changes to the SIPO will be described in the Scheme's annual report.

Further information about the assets in each fund can be found in the fund updates at

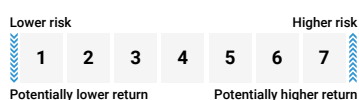
[www.smartshares.co.nz](http://www.smartshares.co.nz).



## 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 indicators which have been calculated for each of the funds.

The risk indicator is rated from 1 (low) to 7 (high). The rating reflects how much the value of the fund's assets goes up and down (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](http://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 a fund's future performance. The risk indicator is based on the returns data for 5 years to 30 June 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 each of the funds.

### General investment risks

Some of the things that may cause a fund'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 a fund 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 a fund to decline.
- ▶ **Liquidity risk:** The risk that an investment is difficult to buy or sell and a fund suffers a loss as a result.
- ▶ **Currency risk:** The risk that changes in exchange rates cause the value of an international investment to reduce.
- ▶ **Credit risk:** The risk that issuers of fixed interest or cash investments do not pay interest and/or capital repayments when these are due.
- ▶ **Interest rate risk:** The risk that interest rates rise and the value of investments (in particular, fixed interest and cash investments) reduce.



## Other specific risks

There are other risks that may increase the risk to returns for investors, which are not reflected in the risk indicator. These risks include:

- ▶ **Passive management risk:** The funds (other than the NZ Cash Fund, NZ Bond Fund and Global Bond Fund) are passively managed. This means we buy and sell financial products to track an index. We do not make active investment decisions and will not sell a financial product because the issuer is in financial trouble, unless that financial product is removed from the index being tracked by the fund. There is a risk that this could result in lower returns.
- ▶ **Tracking difference risk:** The funds (other than the NZ Cash Fund, NZ Bond Fund and Global Bond Fund) are designed to track specific indices (or invest in funds which are designed to track specific indices). However, a fund will not always be able to exactly match the index. This could be for a variety of reasons, including the liquidity of the financial products held by the fund and operational error. There is a risk that this could result in an investor's returns being lower than the return on the index.
- ▶ **Active management risk:** The NZ Cash Fund, NZ Bond Fund and Global Bond Fund are actively managed. This means the investment managers for these funds buy and sell financial products based on their own assessment of what is happening in the market. There is a risk that an investment manager selects investments that result in a fund achieving a return that is lower than the investment objective for the fund.

See the Other Information document on the offer register at [www.business.govt.nz/disclose](http://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.
- ▶ One-off fees (for example, an establishment fee).

These are as follows:

Fund	Fund charges (% per annum of the fund's net asset value)	Individual action fees
<b>SmartLARGE</b>		Establishment fee: \$30. This fee does not apply to subsequent contributions to the same fund or if you buy units in a fund through an NZX Participant (such as a broker) or financial adviser (although the NZX Participant or financial adviser may charge you a fee for its services).
NZ Top 10 Fund (TNZ)	0.60%	
NZ Top 50 Fund (FNZ)	0.50%	
Australian Top 20 Fund (OZY)	0.60%	
Asia Pacific Fund (APA)	0.55%	
Emerging Markets Fund (EMF)	0.59%	
Europe Fund (EUF)	0.55%	
Total World Fund (TWF)	0.56%	
US 500 Fund (USF)	0.34%	
US Large Growth Fund (USG)	0.51%	
US Large Value Fund (USV)	0.51%	
<b>SmartMEDIUM</b>		
NZ Mid Cap Fund (MDZ)	0.60%	
Australian Mid Cap Fund (MZY)	0.75%	
US Mid Cap Fund (USM)	0.51%	
<b>SmartSMALL</b>		
US Small Cap Fund (USS)	0.51%	





Fund	Fund charges (% per annum of the fund's net asset value)	Individual action fees
<b>SmartDIVIDEND</b>		Establishment fee: \$30. This fee does not apply to subsequent contributions to the same fund or if you buy units in a fund through an NZX Participant (such as a broker) or financial adviser (although the NZX Participant or financial adviser may charge you a fee for its services).
NZ Dividend Fund (DIV)	0.54%	
Australian Dividend Fund (ASD)	0.54%	
<b>SmartINCOME</b>		
NZ Cash Fund (NZC)	0.33%	
NZ Bond Fund (NZB)	0.54%	
Global Bond Fund (GBF)	0.54%	
<b>SmartSECTOR</b>		
NZ Property Fund (NPF)	0.54%	
Australian Financials Fund (ASF)	0.54%	
Australian Property Fund (ASP)	0.54%	
Australian Resources Fund (ASR)	0.54%	

The fund charges set out above are deducted from, and reflected in the value of, the fund. The fund charges include the fees and costs charged by the supervisor, custodians, investment managers, administration manager and unit registrar (together with the fees and costs charged by the other funds we invest in). The fund charges include an estimate of the costs charged by the other funds we invest in (these costs are not fixed), but do not include an estimate of unforeseen costs that could arise outside the ordinary course of business. If the actual costs are higher than the estimate, the fund charges will be higher than the amounts set out above.

Costs that arise outside the ordinary course of business are also deducted from, and reflected in the value of, the fund. The fund charges set out above do not include an estimate of these costs (because the circumstances in which this may happen are rare and the nature of such costs is impossible to predict).

The establishment fee is deducted from the initial contribution amount.

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

We may deduct costs that arise outside the ordinary course of business from a fund (although such occasions are likely to be rare).



We retain any interest earned on: (a) the cash temporarily held by the funds between the date the cash is received by the funds 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 funds.

The revenue earned from financial product lending is shared equally, with 50% being paid to the fund the financial products were lent from, and 50% being paid to us (for administering the lending programme). Financial product lending is discussed in section 2.

### Example of how fees apply to an investor

Tara invests \$10,000 in the NZ Dividend Fund. She is charged an establishment fee of \$30 (this fee does not apply if Tara buys units in the fund through an NZX Participant or financial adviser).

This brings the starting value of her investment to \$9,970.

She is also charged fund charges, which work out to about \$53.84 (0.54% of \$9,970). 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: \$30

Fund charges: \$53.84

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

This example applies only to the NZ Dividend Fund. If you are considering investing in other funds in the Scheme, this example may not be representative of the actual fees you may be charged.

### 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 each fund showing the fees and charges actually charged during the most recent year. Fund updates, including past updates, are available at [www.smartshares.co.nz](http://www.smartshares.co.nz).



## 6. What taxes will you pay?

Each fund is a listed portfolio investment entity. The amount of tax that each fund pays is calculated at the rate of 28%. As a result, even if the rate of tax payable by a fund is higher than your marginal rate, you will not get a refund of any of the tax paid by the applicable fund. However, if you are currently paying tax at a rate less than 28%, the excess tax paid by a fund can be used to reduce the tax payable on the other income that you derive at the end of each income year by including the distributions from the fund in your tax return.

See the Other Information document on the offer register at [www.business.govt.nz/disclose](http://www.business.govt.nz/disclose) for further information.



## 7. Who is involved?

### About the manager

Smartshares Limited is a fund 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](mailto:smartshares@smartshares.co.nz)

### Who else is involved?

	Name	Role
<b>Supervisor</b>	Public Trust	Supervises our operations to protect the interests of investors.
<b>Custodians</b>	BNP Paribas Fund Services Australasia Pty Ltd	Holds the Scheme's assets on behalf of investors (other than the assets of the NZ Top 10 Fund, NZ Top 50 Fund, NZ Mid Cap Fund and NZ Dividend Fund).
	JBWere (NZ) Nominees Limited	Holds the assets of the NZ Top 10 Fund, NZ Top 50 Fund, NZ Mid Cap Fund and NZ Dividend Fund on behalf of investors.
<b>Investment managers</b>	Nikko Asset Management New Zealand Limited	Provides investment management services in respect of the NZ Cash Fund and NZ Bond Fund.
	PIMCO Australia Pty Ltd	Provides investment management services in respect of the Global Bond Fund.
<b>Administration manager</b>	BNP Paribas Fund Services Australasia Pty Ltd	Provides asset valuation, unit pricing and fund accounting services.
<b>Unit registrar</b>	Link Market Services Limited	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](mailto:smartshares@smartshares.co.nz)

### Supervisor

If you make a complaint to us, and the complaint cannot be resolved, you may refer it to the supervisor at:

Complaints  
Public Trust  
PO Box 1598  
Shortland Street  
Auckland 1140

Telephone: 0800 371 471  
Email: [cts.enquiry@trustee.co.nz](mailto:cts.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](mailto: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 and funds, 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](http://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](http://www.smartshares.co.nz) or by contacting us.

You can obtain details of your investment at [www.linkmarketservices.co.nz](http://www.linkmarketservices.co.nz) or by contacting us.

This information is available free of charge. See section 7 for our contact details.

You can obtain general information about the Scheme and funds at [www.smartshares.co.nz](http://www.smartshares.co.nz).



## 10. How to apply

To invest in the Scheme, you can apply at [www.smartshares.co.nz](http://www.smartshares.co.nz) or call us on 0800 80 87 80 to ask for an application form.

Alternatively, you can buy units in the funds through an NZX Participant (such as a broker). Go to [www.smartshares.co.nz](http://www.smartshares.co.nz) for a list of NZX Participants.

You can also ask your financial adviser about the funds, as many financial advisers have arrangements for investing in the funds through us or buying units in the funds through an NZX Participant.