

Smartshares Exchange Traded Funds

Smartshares NZ Bond ETF

Fund update for the quarter ended 31 March 2021

This fund update was first made publicly available on 3 May 2021.

What is the purpose of this update?

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

Description of this fund

Invests in New Zealand bonds, 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.

Total value of the fund: \$364,070,146
 The date the fund started: 12 November 2015

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

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

This risk indicator is not a guarantee of a fund's future performance. The risk indicator is based on the returns data for 5 years to 31 March 2021. While risk indicators are usually relatively stable, they do shift from time to time. The risk indicator will continue to be updated in future fund updates.

See the Product Disclosure Statement for the Smartshares Exchange Traded Funds - Specialist Series for more information about the risks associated with investing in this fund.

What are the risks of investing?

Risk indicator for the Smartshares NZ Bond ETF



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

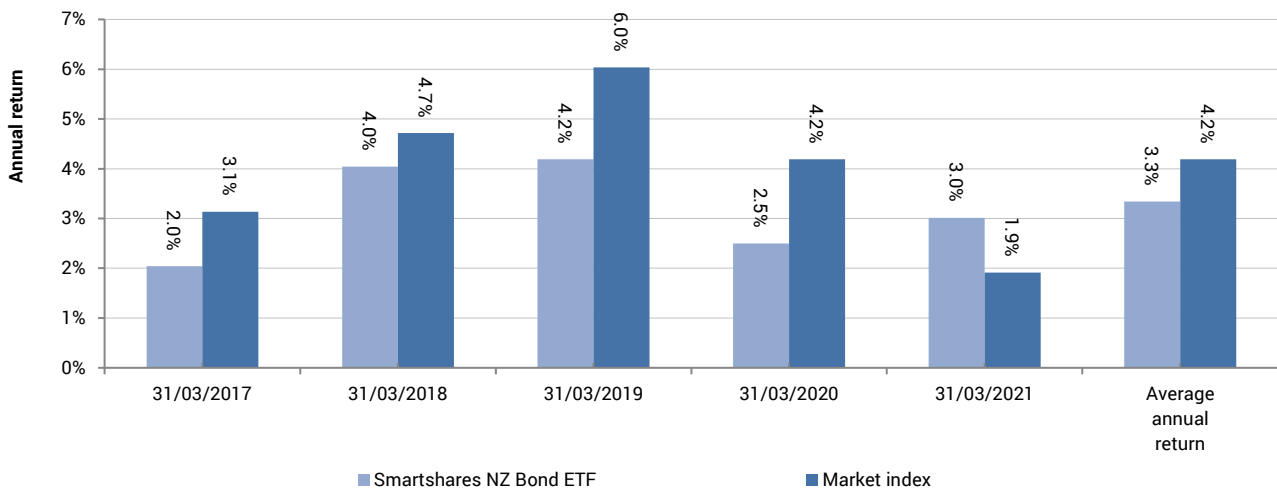
How has the fund performed?

| | Average over past 5 years | Past year |
|--|---------------------------|-----------|
| Annual return (after deductions for charges and tax) | 3.16% | 3.02% |
| Annual return (after deductions for charges but before tax) | 4.37% | 4.21% |
| Market index annual return (reflects no deduction for charges and tax) | 3.99% | 1.92% |

The market index annual return is based on the annual return of the S&P/NZX A-Grade Corporate Bond Index. Additional information about the market index is available in the 'Other Material Information' document on the offer register at disclose-register.companiesoffice.govt.nz.



Annual return graph



This shows the return after fund charges and tax for each year ending 31 March since the fund started. The last bar shows the average annual return since the fund started, up to 31 March 2021.

Important: This does not tell you how the fund will perform in the future.

Returns in this update are after tax at 28%.

What fees are investors charged?

Investors in the Smartshares NZ Bond ETF are charged fund charges. In the year to 31 March 2021 these were:

| | % per annum of fund's net asset value |
|--|---------------------------------------|
| Total fund charges | 0.54% |
| Which are made up of: | |
| Total management and administration charges | 0.54% |
| Including: | |
| Manager's basic fee | 0.53% |
| Other management and administration charges | 0.01% ¹ |

Investors may also be charged individual action fees for specific actions or decisions (for example, for initial contributions to the fund). See the Product Disclosure Statement for the Smartshares Exchange Traded Funds - Specialist Series for more information about those fees.

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

The fees set out above include GST where applicable.

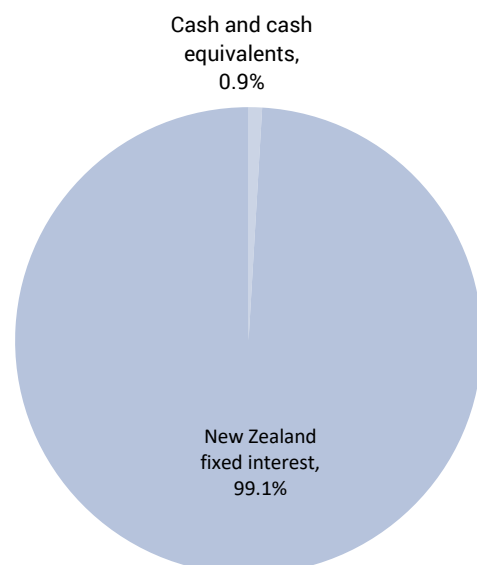
Example of how this applies to an investor

Tara had \$10,000 in the fund and did not make any further contributions. At the end of the year, Tara received a return after fund charges were deducted of \$302 (that is 3.02% of her initial \$10,000). This gives Tara a total return after tax of \$302 for the year.

What does the fund invest in?

Actual investment mix

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





Target investment mix

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

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

Top 10 investments

| Name | % of fund's net asset value | Type | Country | Credit rating (if applicable) |
|---|-----------------------------|----------------------------|-------------|-------------------------------|
| New Zealand Government 20/09/25 2.0% IB | 6.22% | New Zealand fixed interest | New Zealand | AAA |
| New Zealand Local Government Funding Agency 14/04/33 3.50% GB | 3.86% | New Zealand fixed interest | New Zealand | AAA |
| Kommunalbanken AS 02/07/30 1.25% GB | 2.90% | New Zealand fixed interest | Norway | AAA |
| Insurance Australia Group Ltd 15/06/43 5.15% CB | 2.72% | New Zealand fixed interest | Australia | BBB |
| ASB Bank Ltd 07/09/23 3.31% CB | 2.47% | New Zealand fixed interest | New Zealand | AA- |
| Bank of New Zealand 15/06/23 4.102% CB | 2.42% | New Zealand fixed interest | New Zealand | AA- |
| TR Group Ltd 07/03/24 4.533% CB | 2.35% | New Zealand fixed interest | New Zealand | |
| Chorus Ltd 06/12/23 4.35% CB | 2.26% | New Zealand fixed interest | New Zealand | BBB |
| ANZ Bank New Zealand Ltd 20/03/24 3.03% CB | 2.19% | New Zealand fixed interest | New Zealand | AA- |
| Fonterra Co-operative Group Ltd 19/06/25 5.08% CB | 2.16% | New Zealand fixed interest | New Zealand | A- |

The top 10 investments make up 29.55% of the fund's net asset value.

Currency hedging

The fund does not invest in non-New Zealand dollar denominated assets.



Key personnel

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

| Name | Current position | Time in current position | Previous or other positions | Time in previous / other position |
|-----------------|---|--------------------------|--|-----------------------------------|
| Fergus McDonald | Head of Bonds and Currency - Nikko Asset Management | 20 years and 9 months | NZ Fixed Interest Portfolio Manager - Nikko Asset Management New Zealand Limited | 10 years and 5 months |
| Ian Bellew | Fixed Income Manager - Nikko Asset Management | 9 years and 3 months | Cash Portfolio Manager - Nikko Asset Management New Zealand Limited | 4 years and 10 months |
| Matthew Johnson | Fixed Income Manager - Nikko Asset Management | 2 years and 4 months | Senior Strategy Analyst - The Comfort Group - Asia Pacific | 2 years, 6 months |
| George Carter | Managing Director - Nikko Asset Management | 5 years and 5 months | Director Head of Distribution - AMP Capital Investors NZ Limited | 6 years and 4 months |

Further information

You can also obtain this information, the Product Disclosure Statement for the Smartshares Exchange Traded Funds - Specialist Series, and some additional information, from the offer register at disclose-register.companiesoffice.govt.nz.

Notes

- 1 We charge fixed fund charges that cover normal fund operating costs. For disclosure purposes, supervisor, audit and legal costs are not included in the manager's basic fee, but are included in the other management and administration charges.