

# Smartshares Exchange Traded Funds – New Core Series ETFs

## **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.disclose-register.companiesoffice.govt.nz](http://www.disclose-register.companiesoffice.govt.nz). Smartshares Limited has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial adviser to help you to make an investment decision.



# 1. Key information summary

This Product Disclosure Statement – Smartshares Exchange Traded Funds – New Core Series ETFs covers the Smartshares S&P/NZX 50 ETF, Smartshares S&P/ASX 200 ETF, Smartshares Total World (NZD Hedged) ETF and Smartshares S&P/NZX NZ Government Bond ETF, which are funds in the Smartshares Exchange Traded Funds (**Scheme**).

Once units in the funds listed above have been quoted on the NZX Board, the funds will be covered by the Product Disclosure Statement – Smartshares Exchange Traded Funds – Core Series, which will be available at [www.smartshares.co.nz](http://www.smartshares.co.nz).

## 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 a fund will be automatically reinvested as additional units. You may choose to have the income (less tax, fees and costs) paid to you as distributions. See section 3 for when a fund pays distributions.

## How can you get your money out?

We intend to quote units in the Smartshares S&P/NZX 50 ETF, Smartshares S&P/ASX 200 ETF, Smartshares Total World (NZD Hedged) ETF and Smartshares S&P/NZX NZ Government Bond ETF on the NZX Main Board, so you can sell your investment 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 and charges 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.

## 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 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 Scheme has a range of exchange traded funds (each listed or to be listed on the NZX Main Board). This product disclosure statement covers four of those funds, each of which are summarised on page 3. More information about the investment target and strategy for each of these funds is provided in section 3.



## Investment options summarised in this product disclosure statement

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)
Smartshares S&P/NZX 50 ETF (NZG)	Invests in New Zealand shares and is designed to track the return on the S&P/NZX 50 Index.		0.20%
Smartshares S&P/ASX 200 ETF (AUS)	Invests in Australian shares and is designed to track the return on the S&P/ASX 200 Index.		0.30%
Smartshares Total World (NZD Hedged) ETF (TWH)	Invests in international shares and is designed to track the return on the FTSE Global All Cap Index, hedged to the New Zealand dollar.		0.46%
Smartshares S&P/NZX NZ Government Bond ETF (NGB)	Invests in New Zealand bonds and is designed to track the return on the S&P/NZX NZ Government Bond Index.		0.20%

\* The risk indicators are based on returns data for the 5 years to 30 June 2020. These funds have not been in existence for 5 years, so market index returns have been used to complete the risk indicators. As a result, the risk indicators may provide a less reliable indicator of the potential future volatility of these funds. The risk indicators use 5 years of market index returns.

The Scheme has an establishment fee of \$30. This one-off fee applies when you first invest in the Scheme. It does not apply to further investments in the Scheme (including when you invest in additional funds in the Scheme) 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?	5
3. Description of your investment options	7
4. What are the risks of investing?	9
5. What are the fees?	10
6. What taxes will you pay?	12
7. Who is involved?	13
8. How to complain	14
9. Where you can find more information	15
10. How to apply	16



## 2. How does this investment work?

The Scheme offers access to a range of exchange traded funds across the investment asset classes of cash, fixed interest, shares and property. Each of the funds is listed (or will be listed) on the NZX Main Board.

The funds covered by this product disclosure statement 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 an exchange traded fund managed by another fund manager which is designed to track an index.

The Scheme is a managed investment scheme under the Financial Markets Conduct Act 2013. To protect the interests of investors, the Scheme's investments are held by an independent custodian, BNP Paribas Fund Services Australasia Pty Ltd, 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 a fund will be automatically reinvested as additional units. You may choose to have the income (less tax, fees and costs) paid to you as distributions. See section 3 for when a fund pays distributions.

The Scheme may undertake securities lending (which generates additional revenue for the benefit of investors and us).



## Making investments

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

You can also invest in the Scheme by applying at [www.smartshares.co.nz](http://www.smartshares.co.nz) or calling us on 0800 80 87 80 to ask for an application form. 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.

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

## 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.

## How to switch between funds

You can invest in more than one fund at a time. However, you cannot switch from one fund to another fund. If you want to switch funds, you must first sell your existing investment in a fund and then buy an investment in another 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>Smartshares S&amp;P/NZX 50 ETF (NZG)</b> Invests in New Zealand shares and is designed to track the return on the S&P/NZX 50 Index.		5-10 years	June and December
<b>Smartshares S&amp;P/ASX 200 ETF (AUS)</b> Invests in Australian shares and is designed to track the return on the S&P/ASX 200 Index.		5-10 years	June and December
<b>Smartshares Total World (NZD Hedged) ETF (TWH)</b> Invests in international shares and is designed to track the return on the FTSE Global All Cap Index, hedged to the New Zealand dollar.		5-10 years	June and December
<b>Smartshares S&amp;P/NZX NZ Government Bond ETF (NGB)</b> Invests in New Zealand bonds and is designed to track the return on the S&P/NZX NZ Government Bond Index.		2-4 years	March, June, September and December.

\* The risk indicators are based on returns data for the 5 years to 30 June 2020. These funds have not been in existence for 5 years, so market index returns have been used to complete the risk indicators. As a result, the risk indicators may provide a less reliable indicator of the potential future volatility of these funds. The risk indicators use 5 years of market index returns.



See the 'Other Material Information' document on the offer register at [www.disclose-register.companiesoffice.govt.nz](http://www.disclose-register.companiesoffice.govt.nz) for more information about the indices referred to on page 7.

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 following consultation with the supervisor. We 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).

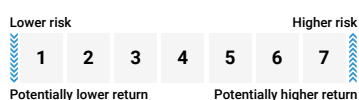




## 4. What are the risks of investing?

### 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 2020. 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 investments) reduce.

### Other specific risks

There are other risks that may affect returns for investors, which are not reflected in the risk indicator. These risks include fund tracking risk. In particular, the funds covered by this product disclosure statement are designed to track specific indices. Tracking difference may occur when the weighting of each of the financial products included in an index changes, and the fund that tracks the index is not able to exactly match that change. There is a risk that this may result in the fund achieving a return that is lower than the index being tracked by the fund.

See the 'Other Material Information' document on the offer register at [www.disclose-register.companiesoffice.govt.nz](http://www.disclose-register.companiesoffice.govt.nz) 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. The fees you pay will be charged in two ways:

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

These are as follows:

Fund	Fund charges (% per annum of the fund's net asset value)	Individual action fees
Smartshares S&P/NZX 50 ETF (NZG)	0.20%	Establishment fee: \$30. This one-off fee applies when you first invest in the Scheme. It does not apply to further investments in the Scheme (including when you invest in additional funds in the Scheme) 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).
Smartshares S&P/ASX 200 ETF (AUS)	0.30%	
Smartshares Total World (NZD Hedged) ETF (TWH)	0.46%	
Smartshares S&P/NZX NZ Government Bond ETF (NGB)	0.20%	

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, custodian, administration manager and unit registrar (together with the fees and costs charged by the exchange traded funds managed by other fund managers that we may invest in).

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, in exceptional circumstances (for example, a meeting of investors of a fund is called), deduct costs that relate to the Scheme that arise outside the ordinary course of business from a fund (such occasions are likely to be very 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 securities 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).

### Example of how fees apply to an investor

Tara invests \$10,000 in the Smartshares S&P/NZX 50 ETF. 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 \$19.94 (0.20% 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: \$19.94

This example applies only to the Smartshares S&P/NZX 50 ETF. 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 (including any bonus issues) from the fund in your tax return.



## 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>Custodian</b>	BNP Paribas Fund Services Australasia Pty Ltd	Holds the Scheme's assets on behalf of investors.
<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: [complaints@smartshares.co.nz](mailto:complaints@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.disclose-register.companiesoffice.govt.nz](http://www.disclose-register.companiesoffice.govt.nz).

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.smartshares.co.nz](http://www.smartshares.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 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 invest in the Scheme by applying at [www.smartshares.co.nz](http://www.smartshares.co.nz) or calling us on 0800 80 87 80 to ask for an application form.

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.