



NZ CORE EQUITY TRUST

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Presented by Smartshares Limited, Manager of the NZ Core Equity Trust

NZ CORE EQUITY TRUST

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NZ CORE EQUITY TRUST

DIRECTORY

MANAGER

Smartshares Limited
Level 1, NZX Centre,
11 Cable Street, Wellington 6140
New Zealand

This is also the address of the registered office.

PRINCIPAL OFFICE OF THE MANAGER

Level 7, Zurich House
21 Queen Street
Auckland 1010
New Zealand

DIRECTORS OF THE MANAGER

Paul J. Baldwin (resigned 17 December 2018)
Guy R. Elliffe
Mark J. Peterson
A. John Williams
Lindsay M. Wright (appointed 26 June 2018, Chair)

SUPERVISOR

Public Trust
Level 5, 40-42 Queens Drive
Lower Hutt 5010, Wellington
New Zealand

INVESTMENT MANAGER

DFA Australia Limited
Level 43, 1 Macquarie Place
Sydney NSW 2000
Australia

SOLICITOR

DLA Piper New Zealand
Chartered Accountants Customhouse
Level 5, 50 - 64 Customhouse Quay
Wellington 6011
New Zealand

INVESTMENT ADMINISTRATOR AND CUSTODIAN

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

AUDITOR

KPMG
10 Customhouse Quay
PO Box 996, Wellington 6140
New Zealand

CORRESPONDENCE

All correspondence and enquiries to the Manager and the Investment Manager about the Fund should be addressed to the Manager, Smartshares Limited, at the above address.

NZ CORE EQUITY TRUST

Smartshares Limited (the 'Manager') and Public Trust (the 'Supervisor') are parties to a master trust deed dated 24 June 2014 as amended and restated on 9 September 2016 (the 'Trust Deed'). The Trust Deed sets out the terms and conditions in which units in the NZ Core Equity Trust (the 'Fund') are offered for subscription, whether to the public or otherwise.

The Trust Deed provides that the Fund is to be established by the Manager and the Supervisor entering into an establishment deed setting out the specific terms and conditions relating to that fund.



The NZ Core Equity Trust was created by an establishment deed dated 24 June 2014 as amended and restated on 9 September 2016 between the Manager and the Supervisor.

STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), and fairly present the financial position of the Fund as at 31 March 2019, and the results of its financial performance and cash flows for the year ended 31 March 2019 in accordance with the requirement of the Trust Deed.

It is believed that there are no circumstances that may materially and adversely affect any interest of the unitholders in the assets other than those already disclosed in this report.

For and on behalf of the Manager:
Smartshares Limited


.....
Director
.....
Director

This Statement was approved for signing by Directors' Resolution in writing on 26 June 2019.

NZ CORE EQUITY TRUST

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019 \$'000	2018 \$'000
INCOME			
Dividend income		2,175	1,780
Net changes in fair value of financial assets at fair value through profit or loss		<u>6,573</u>	<u>4,145</u>
Total income		<u>8,748</u>	<u>5,925</u>
EXPENSES			
Fund expenses	4	(274)	(216)
Miscellaneous expenses		<u>(7)</u>	<u>(7)</u>
Total expenses		<u>(281)</u>	<u>(223)</u>
Profit before and after tax		8,467	5,702
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income		<u>8,467</u>	<u>5,702</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

NZ CORE EQUITY TRUST

STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS FOR THE YEAR ENDED 31 MARCH 2019

	Note	2019 \$'000	2018 \$'000
Unitholders' funds at beginning of the year		46,946	35,285
Total comprehensive income for the year		<u>8,467</u>	<u>5,702</u>
Subscriptions from unitholders	3	18,051	26,330
Redemptions by unitholders	3	(8,794)	(18,597)
Distributions to unitholders		<u>(2,175)</u>	<u>(1,774)</u>
		<u>7,082</u>	<u>5,959</u>
Unitholders' funds at the end of the year		<u><u>62,495</u></u>	<u><u>46,946</u></u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

NZ CORE EQUITY TRUST

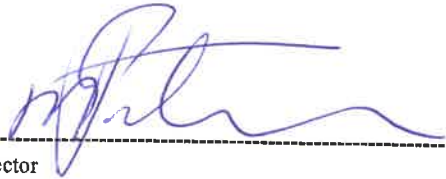
STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	Note	2019 \$'000	2018 \$'000
ASSETS			
Cash and cash equivalents		690	378
Receivables	1	1,050	904
Investment in equity securities at fair value through profit or loss		<u>61,891</u>	<u>46,626</u>
TOTAL ASSETS		<u>63,631</u>	<u>47,908</u>
LIABILITIES			
Payables	2	<u>(1,136)</u>	<u>(964)</u>
TOTAL LIABILITIES		<u>(1,136)</u>	<u>(964)</u>
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		<u>62,495</u>	<u>46,946</u>

For and on behalf of the Manager, Smartshares Limited, which authorised the issue of the Financial Statements on 26 June 2019.



Director



Director

The accompanying notes form part of and should be read in conjunction with these financial statements.

NZ CORE EQUITY TRUST

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2019

	2019 \$'000	2018 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
<i>Cash was provided from:</i>		
Dividend income received	1,771	1,385
<i>Cash was applied to:</i>		
Fund expenses paid	<u>(249)</u>	<u>(222)</u>
Net cash flows from operating activities	<u>1,522</u>	<u>1,163</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
<i>Cash was provided from:</i>		
Sale of investments	4,458	6,432
<i>Cash was applied to:</i>		
Purchase of investments	<u>(12,890)</u>	<u>(13,852)</u>
Net cash flows from investing activities	<u>(8,432)</u>	<u>(7,420)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Cash was provided from:</i>		
Subscriptions received from unitholders	18,051	13,466
<i>Cash was applied to:</i>		
Redemptions paid to unitholders	(8,838)	(5,669)
Distributions paid to unitholders	<u>(1,991)</u>	<u>(1,518)</u>
Net cash flows from financing activities	<u>7,222</u>	<u>6,279</u>
Net increase in cash and cash equivalents	312	22
Cash and cash equivalents at beginning of the year	<u>378</u>	<u>356</u>
Cash and cash equivalents at the end of year	<u>690</u>	<u>378</u>
Reconciliation of profit after tax to net cash flows from operating activities		
Profit after tax	8,467	5,702
Net changes in fair value on financial assets at fair value through profit or loss	(6,573)	(4,145)
Dividends reinvested	(300)	(340)
Increase in dividend receivable	(104)	(55)
Increase in fund expenses payable	<u>32</u>	<u>1</u>
Net cash flows from operating activities	<u>1,522</u>	<u>1,163</u>

The accompanying notes form part of and should be read in conjunction with these financial statements.

NZ CORE EQUITY TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

GENERAL INFORMATION

The NZ Core Equity Trust (the 'Fund') is a for-profit fund registered in New Zealand and established under the Financial Markets Conduct Act 2013 ('FMC Act 2013'). It is offered under a registered managed investment scheme known as the NZ Core Equity Trust. Smartshares Limited, the Manager of the Fund is a FMC reporting entity for the purposes of the FMC Act 2013.

The Fund is governed by the Trust Deed between the Manager and the Supervisor dated 24 June 2014 as amended and restated on 9 September 2016. The Fund commenced operations on 26 June 2014.

The Fund aims to provide unitholders with the benefits of long-term capital growth by gaining exposure to a diversified portfolio of financial products listed in New Zealand, with increased exposure to small companies and value companies relative to a market weighted portfolio. For the purposes of the Fund, value companies are generally considered to be those companies with a low price relative to various financial measures including, but not limited to, book value, cash flow or earnings.

Investment decisions for the Fund are made by the Investment Manager, DFA Australia Limited, which is appointed by the Manager under the Investment Management Agreement. The Investment Manager is the Australian subsidiary of Dimensional Fund Advisors LP (Dimensional LP), which is based in the United States. The Investment Manager invests in accordance with the Statement of Investment Policies.

STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied throughout the years presented, unless otherwise stated.

Basis of preparation

The financial statements of the Fund have been prepared in accordance with the requirements of the FMC Act 2013, Financial Reporting Act 2013, New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS'). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss. The functional currency of this entity is the same as the presentation currency of these financial statements being the New Zealand Dollar ('NZD'), rounded to the nearest thousand.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Smartshares Limited Board of Directors to exercise judgement in the process of applying the Fund's accounting policies.

Financial assets at fair value through profit or loss

(a) Classification

Assets

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. All investments are measured at fair value through profit or loss.

(b) Recognition/derecognition

Purchases and sales of investments are recognised on the trade date – the date on which the Fund commits to purchase or sell the investment. Investments are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

(c) Measurement

Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed in the Statement of Comprehensive Income. Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the Statement of Comprehensive Income when they arise.

(d) Fair value estimation

The fair value of financial instruments is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Fund is the last traded market price.

NZ CORE EQUITY TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Financial assets and financial liabilities measured at amortised cost

Financial assets at amortised cost comprise cash and cash equivalents and receivables. These include cash at bank, dividends receivable and proceeds expected from sale transactions where the trade date and settlement date spanned the reporting date. The carrying value closely approximates their fair value. Subsequent to initial recognition, receivables are measured at amortised cost using the effective interest method less any impairment losses.

Financial liabilities at amortised cost comprise payables. These include fees and payments for purchase transactions where the trade date and settlement date spanned the reporting date. The carrying value closely approximates their fair value. Subsequent to initial recognition, payables are measured at amortised cost using the effective interest method.

The effective interest method calculates the amortised cost of a financial asset or financial liability and allocates the interest income or interest expense, including any fees and directly related transaction costs that are an integral part of the effective interest rate, over the expected life of the financial asset or financial liability so as to achieve a constant yield on the financial asset or financial liability.

Impairment of financial assets at amortised cost

NZ IFRS 9 requires the Fund to record expected credit losses (ECL) on all of its receivables, either on a 12-month or lifetime basis.

The Fund only holds receivables with no financing component and which have maturities of less than 12 months at amortised cost and, as such, has chosen to apply an approach similar to the simplified approach for expected credit losses (ECL) under NZ IFRS 9 to all its receivables. Therefore the Fund does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at the reporting date.

With the short time period and nature of the receivables, the Fund does not anticipate any expected credit losses to be applicable to these assets.

Taxation

The Fund has elected to become a Portfolio Investment Entity ('PIE') for the purposes of the Income Tax Act 2007. Under current taxation law the Fund pays no income tax on the taxable income of the Fund and all taxable income and associated tax credits applicable are allocated to investors, in proportion to the units they hold on the days when taxable income and credits arise.

The income attributed to each unitholder is taxed at the unitholder's Prescribed Investor Rate ('PIR') which is capped at 28%. The Fund is responsible for deducting tax from each investor's allocation using each investor's PIR and pays the tax to the taxation authorities on behalf of the investor.

Goods and services tax (GST)

The Fund is not registered for GST and consequently all components of the financial statements are stated inclusive of GST where appropriate.

Redeemable units and unitholders' funds

The Fund issues units, which provide the holder with a beneficial interest in the Fund. The units can be put back to the Fund at any time for cash equal to the value of the holder's proportionate share in the fund's net asset value on the redemption date.

The units are issued and redeemed based on the Fund's net asset value per unit at the time of issue or redemption, which is calculated by dividing the net assets attributable to the unitholders by the total number of outstanding units. In accordance with the provisions of the Trust Deed, investment positions are valued based on the last traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

NZ CORE EQUITY TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Cash and cash equivalents

Cash and cash equivalents are considered to be cash at banks, net of bank overdrafts. Operating activities in the Statement of Cash Flows include all transactions or events that are not investing or financing activities. Investing activities are those activities that relate to the acquisition, holding and disposal of investments and securities not falling within the definition of cash. Financing activities relate to cash contributions, withdrawals and distribution.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Distributions to unitholders

Income from investments held is attributed to unitholders on the basis of numbers of units held on the record date of the distribution.

Distributions to unitholders are currently made on a semi-annual basis directly from the Fund within three business days of the record date. The record dates are the last business days of March and September each year.

Segment information

The Fund invests solely in New Zealand equities. The Fund received all its income from its New Zealand equity investments.

Changes in accounting standards and accounting standards adopted during the year

(a) Changes in accounting policies

There have been no significant changes in accounting policies during the year. All policies have been applied on a basis consistent with those used in the prior years.

(b) New accounting standards adopted

The Fund has applied the following standards and amendments for the first time for the annual reporting period commencing 1 April 2018.

(i) NZ IFRS 9: *Financial Instruments*

The adoption of NZ IFRS 9 has been applied retrospectively and did not result in a change to the classification or measurement of financial instruments, in either the current or prior periods.

(ii) NZ IFRS 15: *Revenue from contracts with customers*

The Fund's main sources of revenue are dividends, distributions and gains on financial instruments measured at fair value through profit or loss. As these are outside the scope of the new standard, the application of NZ IFRS 15 had no impact on the Fund's financial statements.

Issued but not yet effective accounting standards

A number of accounting standards have been issued or revised that are not yet effective as at 31 March 2019, and were identified as not applicable to the Fund. Therefore they are not included in the financial statements.

NZ CORE EQUITY TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

1. RECEIVABLES

	2019 \$'000	2018 \$'000
Dividends receivable	441	337
Receivables from sale of investment securities	609	567
	<u>1,050</u>	<u>904</u>

2. PAYABLES

	2019 \$'000	2018 \$'000
Fund expenses payable	(51)	(19)
Redemptions payable	(20)	(64)
Distribution payable	(1,065)	(881)
	<u>(1,136)</u>	<u>(964)</u>

3. UNITHOLDERS' FUNDS

The Fund issues redeemable units. The Net Asset Value ('NAV') of the units is shown in the Statement of Financial Position as 'Net assets attributable to unitholders'. Unitholders are entitled to the NAV per unit as at the relevant date for redemption as set out in the Establishment Deed.

The relevant movements are shown in the Statement of Changes in Unitholders' Funds. In accordance with the objectives outlined in the Statement of Accounting Policies and the risk management policies in Note 5, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short-term borrowings or disposal of securities where necessary.

	2019 '000	2018 '000
Movement in the number of units		
Balance at the beginning of the year	34,034	28,180
Subscriptions received during the year	12,163	19,701
Redemptions made during the year	(5,999)	(13,847)
Units on issue at the end of the year	<u>40,198</u>	<u>34,034</u>

NZ CORE EQUITY TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

4. RELATED PARTY TRANSACTIONS

Key management personnel are the Directors of the Manager. There were no transactions with key management personnel during the year.

The Fund is managed by Smartshares Limited, which is a wholly owned subsidiary of NZX Limited, a company listed on the NZX Main Board. The Fund holds shares in NZX Limited as part of the portfolio of securities it invests in.

Investment in and by related parties

During the year, the Fund did not hold any investments in other funds managed by the Manager.

During the year, SuperLife Invest managed investment scheme ("SLI"), a scheme managed by the Manager, became an investor in the Fund. As at 31 March 2019 SLI holds 3,371,553 units valued at \$5,236,000 in the Fund. The Fund paid distributions of \$187,000 to SLI for the year ended 31 March 2019.

For investments in or by related parties, control is deemed to be an interest of more than 75% of the issued units. As at 31 March 2019, the Fund did not hold more than 75% of the issued units in other funds nor did any single investor hold more than 75% the issued units of the Fund (2018: nil).

Payments to the Manager

Management fees are included within fund expenses. The Manager receives management fees for managing the Fund. Prior to 1 October 2018, the Manager received a gross management fee from the Fund and paid all other fund related expenses from this fee. From 1 October 2018, the Fund itself pays all fund related expenses and the Manager receives a net management fee.

Total gross management fees for the 6 month period to 30 September 2018 amounted to \$130,000. Total net management fees from 1 October 2018 to 31 March 2019 amounted to \$40,000, with \$6,000 of outstanding accrued management fees due to the Manager at the end of the year. For the year ended 31 March 2018 total gross management fees for the year amounted to \$216,000 with outstanding accrued management fees due to the Manager of \$19,000 at 31 March 2018.

Other related party transactions

The audit fee paid by the Manager for the audit of the fund for the year ended 31 March 2019 was \$5,000 (2018: \$5,000).

5. FINANCIAL RISK MANAGEMENT

Strategy in using financial instruments

The Fund utilises a number of financial instruments in the course of its normal investing activities. Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in the Statement of Accounting Policies.

The Fund's activities expose it to a variety of financial risks: market price risk, credit risk and liquidity risk. The risk management policies used by the Fund are detailed below:

5a. Market price risk

The Fund's equity securities are exposed to market price risk arising from uncertainties about future prices of the financial instruments.

A 10% increase/decrease in equity prices as at 31 March 2019 would have increased/decreased net profit and unitholder funds by \$6,189,000 (2018: \$4,662,000).

5b. Credit risk

The Fund is exposed to the potential risk of financial loss resulting from the failure of counterparties to fully honour the terms and conditions of a contract with the Fund. Financial instruments that subject the Fund to credit risk consist primarily of cash and receivables.

The maximum credit risk of financial instruments is considered to be their carrying value.

The Fund does not require collateral or other security to support financial instruments with credit risk.

NZ CORE EQUITY TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

5. FINANCIAL RISK MANAGEMENT (Continued)

At 31 March 2019 all amounts due from brokers, cash and cash equivalents are held with counterparties with a credit rating of A (2018: A) or higher. The Manager considers the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on lifetime expected credit losses as any such impairment would be insignificant to the Fund.

Cash and cash equivalents

The Fund's cash and cash equivalents balances are held with Westpac New Zealand Limited ('Westpac').

The table below discloses the Standard & Poor's credit rating for the Fund's cash and cash equivalents balance with the above bank at reporting date.

	Balance	2019 Credit rating	Balance	2018 Credit rating
	\$'000		\$'000	
Westpac	690	AA-	378	AA-
	690		378	

5c. Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with the financial liabilities that are settled by delivering cash or another financial asset.

The Fund is exposed to daily cash redemptions of redeemable units, however, the Fund's investments in listed securities are considered readily realisable, as they are quoted on the NZX Main Board.

The Fund does not borrow except to meet short-term cash flow requirements such as settlements. No such borrowings have arisen during the year covered by these financial statements.

6. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value are categorised across the following 3 levels based on the degree to which their fair value is 'observable':

Level 1 - Fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - Fair value measurements are derived from inputs other than quoted prices included in level 1 that are observable either directly (as prices) or indirectly (derived from prices);

Level 3 - Fair value measurements are derived from valuation methods that include inputs that are not based on observable market data.

The following table presents the Fund's assets and liabilities measured and recognised at fair value as at 31 March 2019.

	2019			2018		
Financial assets	Level 1	Level 3	Total	Level 1	Level 3	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Equity securities	61,891	-	61,891	46,616	10*	46,626
* CBL Limited						

The Fund's policy is to recognise transfer into and transfers out of fair value hierarchy levels as at the end of the reporting period.

As at 31 March 2019 there was no transfer (2018: one) from level 1 to level 3 totalling \$nil (2018: \$10,000).

The Fund's level 3 investment was an unquoted investment held by the Fund which was reviewed on a monthly basis by the Fund's oversight committee. The Fund initially valued the investment using the entry price and subsequently revalued the investment per the Fund's 'Measurement' policy in the Statement of Accounting Policies.

NZ CORE EQUITY TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

6. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

The following table shows a reconciliation from the opening balances to the closing balances for the fair value measurements in level 3 of the fair value hierarchy.

	2019	2018
	\$'000	\$'000
Opening balance	10	-
Total losses recognised in profit or loss	(10)	-
Transfer into Level 3	-	10
Closing balance	-	10

7. COMMITMENTS AND CONTINGENCIES

The Fund had no material commitments or contingencies at 31 March 2019 (2018: nil).

8. EVENTS AFTER REPORTING YEAR

Since 31 March 2019 there have been no matters or circumstances not otherwise dealt with in the financial statements that have significantly affected or may significantly affect the Fund.



Independent Auditor's Report

To the unitholders of NZ Core Equity Trust

Report on the financial statements

Opinion

In our opinion, the accompanying financial statements of NZ Core Equity Trust (the fund) on pages 3 to 13:

- i. present fairly in all material respects the fund's financial position as at 31 March 2019 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 31 March 2019;
- the statements of comprehensive income, changes in unitholders' funds and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the fund in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

Our firm has also provided other assurance services to the fund in relation to reporting to the supervisor. Subject to certain restrictions, employees of our firm may also deal with the fund on normal terms within the ordinary course of trading activities of the business of the fund. These matters have not impaired our independence as auditor of the fund. The firm has no other relationship with, or interest in, the fund.



Other information

The Manager, on behalf of the fund, are responsible for the other information included in the entity's Annual Report. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

NZ CORE EQUITY TRUST



Use of this independent auditor's report

This independent auditor's report is made solely to the unitholders as a body. Our audit work has been undertaken so that we might state to the unitholders those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the unitholders as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.



Responsibilities of the Manager for the financial statements

The Manager, on behalf of the fund, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



Auditor's responsibilities for the audit of the financial statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-6/>

This description forms part of our independent auditor's report.

KPMG
Wellington
26 June 2019