



GLOBAL BOND FUND

**FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017**

Presented by Smartshares Limited, Manager of the Global Bond Fund

GLOBAL BOND FUND

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GLOBAL BOND FUND

DIRECTORY

THE MANAGER

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

This is also the address of the registered office.

Phone: 0800 80 87 80
Email: smartshares@smartshares.co.nz
Website: www.smartshares.co.nz

PRINCIPAL OFFICE OF THE MANAGER

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

DIRECTORS OF THE MANAGER

Bevan K. Miller (resigned 27 October 2017)
Guy R. Elliffe
A. John Williams
Paul J. Baldwin
Mark J. Peterson (appointed 27 October 2017)

AUDITOR

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

INVESTMENT ADMINISTRATOR & CUSTODIAN

BNP Paribas Fund Services Australasia Pty Ltd, New Zealand branch

THE SUPERVISOR

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

THE INVESTMENT MANAGER

PIMCO Australia Pty Limited
Level 19, 363 George Street
Sydney, New South Wales 2000
Australia

SOLICITOR

Buddle Findlay
Level 17, State Insurance Tower
1 Willis Street, Wellington 6140
New Zealand

REGISTRAR

Link Market Services Limited

CORRESPONDENCE

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

GLOBAL BOND FUND

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 on which units in the funds within the Smartshares Exchange Traded Funds are offered for subscription, whether to the public or otherwise.

The Trust Deed provides that each 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.

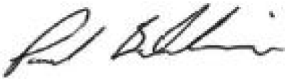
The Global Bond Fund (the 'Fund') was created by an establishment deed dated 15 October 2015 as amended and restated on 9 September 2016 between the Manager and the Supervisor.

STATEMENT BY THE MANAGER

In our opinion, the accompanying financial statements and notes are drawn up in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'), and fairly present the financial position of the Fund as at 30 September 2017, and the results of its financial performance and cash flows for the six months ended 30 September 2017 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 at a meeting of the Directors on 23 November 2017.

GLOBAL BOND FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

		Unaudited Six Months Ended 30 September 2017 \$'000	Unaudited Six Months Ended 30 September 2016 \$'000	Audited Year Ended 31 March 2017 \$'000
INCOME				
Dividend income		-	-	2
Interest income		1,611	1,752	2,427
Net changes in fair value of financial assets and financial liabilities at fair value through profit or loss		2,254	4,680	5,253
Foreign exchange gain		554	606	-
Other income		2	-	-
Total income		<u>4,421</u>	<u>7,038</u>	<u>7,682</u>
EXPENSES				
Management fees expense	10	(357)	(350)	(699)
Foreign exchange loss		-	-	(832)
Interest expense		(56)	(7)	(25)
Miscellaneous expenses		(16)	(8)	(28)
Total expenses		<u>(429)</u>	<u>(365)</u>	<u>(1,584)</u>
Profit before tax		3,992	6,673	6,098
Income tax expense	1	(1,118)	(1,868)	(1,708)
Profit after tax		2,874	4,805	4,390
Other comprehensive income		-	-	-
Total comprehensive income		<u>2,874</u>	<u>4,805</u>	<u>4,390</u>
EARNINGS PER UNIT				
Basic and diluted earnings per unit (cents per unit)	6	<u>6.78</u>	<u>11.56</u>	<u>10.51</u>

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

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STATEMENT OF CHANGES IN UNITHOLDERS' FUNDS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

		Unaudited Six Months Ended 30 September 2017 \$'000	Unaudited Six Months Ended 30 September 2016 \$'000	Audited Year Ended 31 March 2017 \$'000
Unitholders' funds at the beginning of the period/year		130,491	123,222	123,222
Total comprehensive income for the period/year		2,874	4,805	4,390
Subscriptions from unitholders	8	2,698	4,832	5,782
Distributions to unitholders	7	(995)	(1,863)	(2,903)
		1,703	2,969	2,879
Unitholders' funds at the end of the period/year		135,068	130,996	130,491

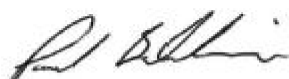
The accompanying notes form part of and should be read in conjunction with these financial statements.

GLOBAL BOND FUND

STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2017

		Unaudited As At 30 September 2017 \$'000	Unaudited As At 30 September 2016 \$'000	Audited As At 31 March 2017 \$'000
ASSETS				
Cash at banks		4,928	2,710	833
Balances due from brokers	5	4,067	4,706	4,548
Receivables		882	832	981
Investment securities held at fair value through profit or loss	2	131,621	132,925	133,091
Equity securities held at fair value through profit or loss	2	156	-	-
Derivatives held for trading	3	3,166	3,319	2,718
Unsettled sales		<u>2,560</u>	<u>675</u>	<u>1,371</u>
TOTAL ASSETS		<u>147,380</u>	<u>145,167</u>	<u>143,542</u>
LIABILITIES				
Bank overdraft		(20)	(1,262)	(63)
Interest payable		-	(2)	-
Management fees payable	10	(6)	(58)	(6)
Taxation payable		(576)	(393)	(229)
Derivatives held for trading	3	(5,225)	(5,042)	(6,639)
Distribution payable to unitholders	7	-	(1,263)	-
Funds held for unit purchases		(22)	(79)	(83)
Unsettled purchases		<u>(6,463)</u>	<u>(6,072)</u>	<u>(6,031)</u>
TOTAL LIABILITIES		<u>(12,312)</u>	<u>(14,171)</u>	<u>(13,051)</u>
UNITHOLDERS' FUNDS		<u>135,068</u>	<u>130,996</u>	<u>130,491</u>
TOTAL LIABILITIES AND UNITHOLDERS' FUNDS		<u>147,380</u>	<u>145,167</u>	<u>143,542</u>

For and on behalf of the Manager, Smartshares Limited, who authorised the issue of the financial statements on 23 November 2017.



Director



Director

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

GLOBAL BOND FUND

STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

	Unaudited Six Months Ended 30 September 2017 \$'000	Unaudited Six Months Ended 30 September 2016 \$'000	Audited Year Ended 31 March 2017 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Cash was provided from:</i>			
Dividend income received	-	-	2
Interest income received	1,709	1,750	2,272
Miscellaneous income received	2	-	-
<i>Cash was applied to:</i>			
Management fees paid	(357)	(348)	(749)
Taxation paid	(770)	(2,535)	(2,535)
Interest paid	(56)	(5)	(25)
Miscellaneous expenses paid	(16)	(8)	(28)
Net cash flows from operating activities	<u>512</u>	<u>(1,146)</u>	<u>(1,063)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Cash was provided from:</i>			
Sale of investments	124,388	130,491	277,515
Balance due from broker movement	481	-	-
<i>Cash was applied to:</i>			
Purchase of investments	(122,833)	(131,913)	(278,501)
Balance due to broker movement	-	(2,708)	(2,550)
Net cash flows from investing activities	<u>2,036</u>	<u>(4,130)</u>	<u>(3,536)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
<i>Cash was provided from:</i>			
Subscriptions received from unitholders	2,698	4,832	5,782
<i>Cash was applied to:</i>			
Distributions paid to unitholders	(995)	(1,205)	(3,508)
Net cash flows from financing activities	<u>1,703</u>	<u>3,627</u>	<u>2,274</u>
Net increase/(decrease) in cash and cash equivalents	4,251	(1,649)	(2,325)
Cash and cash equivalents at the beginning of the period/year	770	2,997	2,997
Effect of exchange rate fluctuations on cash and cash equivalents	(113)	100	98
Cash and cash equivalents at the end of the period/year	<u>4,908</u>	<u>1,448</u>	<u>770</u>
Reconciliation of profit after tax to net cash flows from operating activities			
Profit after tax	2,874	4,805	4,390
Net changes in fair value of financial assets and financial liabilities at fair value through profit or loss	(2,254)	(4,680)	(5,253)
Foreign exchange (gain)/loss	(554)	(606)	832
Increase/(decrease) in taxation payable	347	(670)	(834)
Increase/(decrease) in payables	-	4	(50)
Decrease/(increase) in receivables	99	1	(148)
Net cash flows from operating activities	<u>512</u>	<u>(1,146)</u>	<u>(1,063)</u>

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

GENERAL INFORMATION

The Global Bond Fund (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 Smartshares Exchange Traded Funds. Smartshares Limited, the Manager of the Fund is a FMC reporting entity for the purpose of the FMC Act 2013.

The Fund is governed by the Trust Deed dated 24 June 2014 as amended and restated on 9 September 2016 between the Manager and the Supervisor. The Fund was established on 15 October 2015 and commenced operations on 9 November 2015.

The Fund's units are quoted on the NZX Main Board. The Fund is an investment fund that aims to outperform the Barclays Global Aggregate Index (the 'Index') by 1% per annum over a rolling three-year period, hedged in NZ dollars. As prescribed by the Trust Deed, the Fund invests in securities of all types represented in the Index and any other investment that is consistent with the objectives of the Fund.

STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied to the periods/year presented.

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 and financial liabilities 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 its judgement in the process of applying the Fund's Statement of Accounting Policies.

Income recognition

Income is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Fund and the income can be reliably measured. The following specific recognition criteria must also be met before income is recognised:

(a) Interest income

Interest income is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

(b) Changes in fair value of financial assets and financial liabilities

Changes in financial assets and financial liabilities at fair value through profit or loss are calculated as the difference between the fair value at sale, or at period/year end, and the fair value at the previous valuation point or cost. This includes both realised and unrealised gains and losses, but does not include interest income.

Financial assets and financial liabilities at fair value through profit or loss

(a) Classification

The Fund classifies its underlying investments and derivatives as financial assets and financial liabilities at fair value through profit or loss. This category has two sub-categories: financial assets or financial liabilities held for trading; and those held at fair value through profit or loss at inception.

(i) Financial assets and financial liabilities held for trading

Financial instruments held for trading are those acquired or incurred principally for the purposes of selling or repurchasing in the short term. Derivatives are categorised as held for trading. The Fund does not classify any derivatives as hedges in a hedging relationship.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

(ii) Financial assets designated at fair value through profit or loss

Financial instruments designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Manager to evaluate the information about these financial instruments on a fair value basis together with other related financial information. The Manager has determined that investments are designated at fair value through profit or loss.

The Fund does not make short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, nor does it make use of short sales for arbitrage transactions.

(b) Recognition, derecognition and measurement

Purchases and sales of investments and derivatives are recognised on the trade date - the date on which the Fund commits to purchase or sell the investment or derivatives. Financial assets and financial liabilities designated at fair value through profit or loss are initially recognised at fair value, with transaction costs recognised in profit or loss.

Financial assets and financial liabilities 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.

Subsequent to initial recognition, all financial assets and financial liabilities 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 or financial liabilities at fair value through profit or loss' category are presented in the Statement of Comprehensive Income when they arise.

(c) Fair value determination

The fair value of financial instruments traded in active markets (such as trading securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets and financial liabilities held by the Fund is the last traded price.

For investments with no active markets, fair values are determined using valuation techniques. Such techniques include: using recent arm's length transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgmental inputs to a minimum.

(d) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Fund and counterparty.

Receivables

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are measured at amortised cost using the effective interest method less impairment.

Payables

Trade payables and other payables are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services, and are measured at amortised cost.

Balance due from/to brokers

Balance due from/to brokers includes margin cash and cash collateral that are identified in the Statement of Financial Position and not included as a component of cash and cash equivalents.

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency (NZD) using the exchange rate prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the Statement of Financial Position date. Foreign exchange gains and losses arising from translation are included in the Statement of Comprehensive Income.

Translation differences of non-monetary financial assets and financial liabilities held at fair value through profit or loss are recognised in the Statement of Comprehensive Income as part of the net changes in fair value on financial assets and financial liabilities at fair value through profit or loss.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

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 distributions.

Repurchase agreements

Securities subject to repurchase agreements are recognised within the investments in "investment securities held at fair value through profit or loss".

Units

The Fund issues units, which provide the holder with a beneficial interest in the Fund. The units can be put back to the Fund via a basket redemption, in accordance with the redemption rules as defined in the Trust Deed, by delivery to the investor of the cash amount and/or authorised investments that the Manager agrees to accept as consideration for, and determines to have a value equal to the price of the units issued.

The units are issued and redeemed based on the Fund's net asset value per unit at the time of issue or redemption. The Fund's net asset value per unit 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.

Distributions to unitholders

Distributions are made up of income received from the investments less expenses paid and allowances for future liabilities. Income from investments held is attributed to unitholders on the basis of the number of units held on the record date of the distribution. To the extent that imputation credits are available, distributions to unitholders will be fully imputed. The record date for the distributions are on the last business day of February, May, August and November in each year. Currently, distributions are paid to unitholders within 20 business days of the record date.

Taxation

The Fund is domiciled in New Zealand and is registered as a Portfolio Investment Entity ('PIE').

The Fund is liable for tax at the prevailing company tax rate on taxable interest and gains and losses from its investments in securities outlined in Note 2 after the deduction of management fees and other deductible expenses. The Fund is able to utilise foreign withholding tax credits when they are available. The Fund pays tax to the extent that the foreign withholding tax credits do not cover the tax liability in full.

Deferred tax is recognised in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Current and deferred tax is measured using the tax rates enacted or substantively enacted at the reporting date.

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.

Segment information

The Fund operates solely in the business of investment management, investing in marketable and debt securities. The Fund receives all of its income from its investments. For the period ended 30 September 2017, no single marketable/debt security contributed more than 10% of the Fund's interest income. Note 12 has a breakdown of interest income by geographical location.

GLOBAL BOND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

Changes in accounting policies and accounting standards adopted during the year

(a) Changes in accounting policies

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

(b) New accounting standards adopted

There were no new accounting standards adopted during the period that have a material impact to the financial statements of the Fund.

Issued but not yet effective accounting standards

A number of accounting standards have been issued or revised that are not yet effective as at 30 September 2017, and have not been applied in preparing the financial statements. The Fund does not plan to adopt these standards early. The standards which are relevant to the Fund are as follows:

- NZ IFRS 9 Financial Instruments - Effective for annual reporting periods beginning on or after 1 January 2018; The impact of any changes has not yet been determined.
- NZ IFRS 15 Revenue from Contracts with Customers - Effective for annual reporting periods beginning on or after 1 January 2018. The impact of any changes has not yet been determined.

1. TAXATION

	30 September 2017 \$'000	30 September 2016 \$'000	31 March 2016 \$'000
Tax expense comprises:			
Current tax expense	(1,118)	(1,868)	(1,708)
Total tax expense	(1,118)	(1,868)	(1,708)

The prima facie income tax expense on profit before tax from operations reconciles to the income tax expense in the financial statements as follows:

Income tax expense

	30 September 2017 \$'000	30 September 2016 \$'000	31 March 2017 \$'000
Profit before tax	3,992	6,673	6,098
Income tax using the statutory income tax rate 28%	(1,118)	(1,868)	(1,707)
Net changes in fair value of financial assets and financial liabilities	-	-	-
Non taxable income	-	-	-
Gross up of imputation credits	-	-	-
Less imputation credits and other tax credits	-	-	(1)
Income tax expense as per Statement of Comprehensive Income	(1,118)	(1,868)	(1,708)

Imputation credit account (ICA)

	30 September 2017 \$'000	30 September 2016 \$'000	31 March 2017 \$'000
Imputation credits available for use in subsequent periods	2,540	2,378	1,811

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NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

2. INVESTMENTS SECURITIES

	30 September 2017 \$'000	30 September 2016 \$'000	31 March 2017 \$'000
<i>Financial assets designated at fair value through profit or loss</i>			
International interest-bearing securities	150,903	137,226	145,471
Interest-bearing securities - repurchase agreements	(19,282)	(4,301)	(12,380)
Preference shares	156	-	-
	<u>131,777</u>	<u>132,925</u>	<u>133,091</u>

These investments are managed by PIMCO Australia Pty Limited and are registered in the name of BNP Paribas Fund Services Australasia Pty Limited, New Zealand branch, the custodian of the Fund.

3. DERIVATIVES HELD FOR TRADING

The Fund holds the following derivative instruments:

(a) *Forward foreign exchange contracts*

Forward foreign exchange contracts are contractual obligations to buy or sell foreign currencies on a future date at a specified price. Forward foreign exchange contracts are settled on a net basis.

(b) *To-Be-Announced forwards (TBA)*

To-Be-Announced forward contracts are contractual obligations to buy or sell mortgage-backed financial instruments on a future date at a specified price.

To-Be-Announced forward contracts are normally settled on a cash basis.

(c) *Swaps*

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts.

Interest rate swaps (IRS) are contractual arrangements to receive or pay a net amount based on changes in interest rates at a future date at a specified price.

Credit default swaps (CDS) are contractual obligations to make payments over time based on specified notional amounts in return for payout in the case of default by the underlying financial instruments.

(d) *Options*

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of financial instrument at a fixed price, either at fixed future date or at any time with a specified date or the current fair value of the instruments.

(e) *Futures*

Futures are exchange-traded derivatives which represent agreements to buy/sell some underlying asset in the future for a specified price, established in an organised market.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

3. DERIVATIVES HELD FOR TRADING (Continued)

	30 September 2017 \$'000	30 September 2016 \$'000	31 March 2017 \$'000
<i>Derivative assets held for trading :</i>			
Forward foreign exchange contracts	2,365	1,646	1,110
To-Be-Announced forwards	53	119	147
Interest rate swaps	610	915	950
Credit default swaps	6	356	198
Options	28	92	53
Futures	104	191	260
	<u>3,166</u>	<u>3,319</u>	<u>2,718</u>
<i>Derivative liabilities held for trading :</i>			
Forward foreign exchange contracts	(2,403)	(1,577)	(4,365)
To-Be-Announced forwards	(29)	(11)	(128)
Interest rate swaps	(982)	(2,822)	(1,369)
Credit default swaps	(842)	(184)	(427)
Options	(246)	(299)	(237)
Futures	(723)	(149)	(113)
	<u>(5,225)</u>	<u>(5,042)</u>	<u>(6,639)</u>

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments measured at fair value can be 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 within level 1 that are observable either directly or indirectly;

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

There were no transfers between levels in the period ended 30 September 2017 (30 September 2016: none; 31 March 2017: none).

The following table analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measured is categorised. The amounts are based on the values recognised in the Statement of Financial Position.

There are no financial instruments are categorised at level 3 (30 September 2016: none; 31 March 2017: none).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

4. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)

	30 September 2017			30 September 2016		
	Level 1 \$'000	Level 2 \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Total \$'000
<i>Financial assets held at fair value through profit or loss</i>						
Interest-bearing securities	-	131,621	131,621	-	132,925	132,925
Investments in listed equity securities	<u>156</u>	<u>-</u>	<u>156</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>156</u>	<u>131,621</u>	<u>131,777</u>	<u>-</u>	<u>132,925</u>	<u>132,925</u>
<i>Derivative assets held for trading:</i>						
Forward foreign exchange contracts	-	2,365	2,365	-	1,646	1,646
To-Be-Announced forwards	-	53	53	-	119	119
Interest rate swaps	-	610	610	-	915	915
Credit default swaps	-	6	6	-	356	356
Options	-	28	28	-	92	92
Futures	<u>104</u>	<u>-</u>	<u>104</u>	<u>191</u>	<u>-</u>	<u>191</u>
	<u>104</u>	<u>3,062</u>	<u>3,166</u>	<u>191</u>	<u>3,128</u>	<u>3,319</u>
<i>Derivative liabilities held for trading:</i>						
Forward foreign exchange contracts	-	(2,403)	(2,403)	-	(1,577)	(1,577)
To-Be-Announced forwards	-	(29)	(29)	-	(11)	(11)
Interest rate swaps	-	(982)	(982)	-	(2,822)	(2,822)
Credit default swaps	-	(842)	(842)	-	(184)	(184)
Options	-	(246)	(246)	-	(299)	(299)
Futures	<u>(723)</u>	<u>-</u>	<u>(723)</u>	<u>(149)</u>	<u>-</u>	<u>(149)</u>
	<u>(723)</u>	<u>(4,502)</u>	<u>(5,225)</u>	<u>(149)</u>	<u>(4,893)</u>	<u>(5,042)</u>
31 March 2017						
	Level 1 \$'000	Level 2 \$'000	Total \$'000			
<i>Financial assets held at fair value through profit or loss</i>						
Interest-bearing securities	-	133,091	133,091			
Investments in listed equity securities	<u>-</u>	<u>-</u>	<u>-</u>			
	<u>-</u>	<u>133,091</u>	<u>133,091</u>			
<i>Derivative assets held for trading:</i>						
Forward foreign exchange contracts	-	1,110	1,110			
To-Be-Announced forwards	-	147	147			
Interest rate swaps	-	950	950			
Credit default swaps	-	198	198			
Options	-	53	53			
Futures	<u>260</u>	<u>-</u>	<u>260</u>			
	<u>260</u>	<u>2,458</u>	<u>2,718</u>			
<i>Derivative liabilities held for trading:</i>						
Forward foreign exchange contracts	-	(4,365)	(4,365)			
To-Be-Announced forwards	-	(128)	(128)			
Interest rate swaps	-	(1,369)	(1,369)			
Credit default swaps	-	(427)	(427)			
Options	-	(237)	(237)			
Futures	<u>(113)</u>	<u>-</u>	<u>(113)</u>			
	<u>(113)</u>	<u>(6,526)</u>	<u>(6,639)</u>			

GLOBAL BOND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

5. BALANCES DUE FROM BROKERS

	30 September 2017	30 September 2016	31 March 2017
	\$'000	\$'000	\$'000
Margin accounts	1,035	519	427
Cash collateral	3,032	4,187	4,121
	<u>4,067</u>	<u>4,706</u>	<u>4,548</u>

Margin accounts represent cash deposits with brokers, transferred as collateral against open derivative contracts.

6. EARNINGS PER UNIT

The basic earnings per unit (EPU) is calculated by dividing the net profit/(loss) after tax attributable to the unitholders by the weighted average number of units on issue during the period.

The Fund's diluted EPU is the same as the basic EPU since the Fund has not issued any instrument with dilutive potential.

	30 September 2017	30 September 2016	31 March 2017
Profit after tax (\$'000)	2,874	4,805	4,390
Weighted average number of units ('000)	42,396	41,555	41,753
Basic and diluted earnings per unit (cents per unit)	<u><u>6.78</u></u>	<u><u>11.56</u></u>	<u><u>10.51</u></u>

7. DISTRIBUTION PAYABLE TO UNITHOLDERS

	30 September 2017	30 September 2016	31 March 2017
	\$'000	\$'000	\$'000
Opening distribution payable	-	605	605
Distributions accrued to unitholders	995	1,863	2,903
Distributed to unitholders	(995)	(1,205)	(3,508)
Closing distribution payable	<u><u>-</u></u>	<u><u>1,263</u></u>	<u><u>-</u></u>

Distributions declared and paid

		Distribution per unit (cents per unit)	30 September 2017	30 September 2016	31 March 2017
	Year ended		\$'000	\$'000	\$'000
June 2016 (paid July 2016)	31/03/2017	1.44	-	600	600
September 2016 (paid October 2016)	31/03/2017	3.03	-	-	1,264
November 2016 (paid December 2016)	31/03/2017	1.30	-	-	544
February 2017 (paid March 2017)	31/03/2017	1.18	-	-	495
May 2017 (paid June 2017)	31/03/2018	1.20	505	-	-
August 2017 (paid September 2017)	31/03/2018	1.15	490	-	-
			<u>995</u>	<u>600</u>	<u>2,903</u>

GLOBAL BOND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

8. UNITHOLDERS' FUNDS

As at 30 September 2017 there were 42,931,000 units on issue (30 September 2016: 41,766,000; 31 March 2017: 42,071,000).

All issued units are fully paid and redeemable, and are quoted on the NZX Main Board. The Fund's net asset attributable to unitholders are represented by these units. The relevant movements are shown on the Statement of Changes in Unitholders' Funds.

The number of units allotted during the period ended 30 September 2017 was 860,000 (30 September 2016: 1,570,000; 31 March 2017: 1,875,000) for total value of \$2,698,000 (30 September 2016: \$4,832,000; 31 March 2017: \$5,782,000).

The number of units redeemed during the period ended 30 September 2017 was nil (30 September 2016: nil; 31 March 2017: nil) for total value of \$nil (30 September 2016: \$nil; 31 March 2017: \$nil).

	30 September 2017 '000	30 September 2016 '000	31 March 2017 '000
Movement in the number of units			
Balance at the beginning of the period/year	42,071	40,196	40,196
Subscriptions received during the period/year	<u>860</u>	<u>1,570</u>	<u>1,875</u>
Units on issue at the end of the period/year	<u>42,931</u>	<u>41,766</u>	<u>42,071</u>

The net asset value of each unit per the financial statements is \$3.14616 (30 September 2016: \$3.13643; 31 March 2017: \$3.10169). Any difference between the net asset value announced to the market for 29 September 2017 and the net asset value per the financial statements is due to different unit pricing methodology.

9. MATURITY ANALYSIS

The Fund invests in international interest-bearing assets and other fixed income securities.

The tables below show an analysis of financial assets and financial liabilities analysed according to when they are expected to be recovered or settled.

GLOBAL BOND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

9. MATURITY ANALYSIS (Continued)

	30 September 2017			30 September 2016		
	Within 12 months \$'000	Over 12 months \$'000	Total \$'000	Within 12 months \$'000	Over 12 months \$'000	Total \$'000
ASSETS						
Cash at banks	4,928	-	4,928	2,710	-	2,710
Balances due from brokers	4,067	-	4,067	4,706	-	4,706
Receivables	882	-	882	832	-	832
Investment securities held at fair value through profit or loss	6,093	125,528	131,621	31,264	101,661	132,925
Equity securities held at fair value through profit or loss	-	156	156	-	-	-
Derivatives held for trading	2,323	843	3,166	1,973	1,346	3,319
Unsettled sales	<u>2,560</u>	<u>-</u>	<u>2,560</u>	<u>675</u>	<u>-</u>	<u>675</u>
Total assets	<u>20,853</u>	<u>126,527</u>	<u>147,380</u>	<u>42,160</u>	<u>103,007</u>	<u>145,167</u>
LIABILITIES						
Bank overdraft	(20)	-	(20)	(1,262)	-	(1,262)
Interest payable	-	-	-	(2)	-	(2)
Management fees payable	(6)	-	(6)	(58)	-	(58)
Taxation payable	(576)	-	(576)	(393)	-	(393)
Derivatives held for trading	(3,376)	(1,849)	(5,225)	(1,777)	(3,265)	(5,042)
Distribution payable to unitholders	-	-	-	(1,263)	-	(1,263)
Funds held for unit purchases	(22)	-	(22)	(79)	-	(79)
Unsettled purchases	<u>(6,463)</u>	<u>-</u>	<u>(6,463)</u>	<u>(6,072)</u>	<u>-</u>	<u>(6,072)</u>
Total liabilities	<u>(10,463)</u>	<u>(1,849)</u>	<u>(12,312)</u>	<u>(10,906)</u>	<u>(3,265)</u>	<u>(14,171)</u>

GLOBAL BOND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

9. MATURITY ANALYSIS (Continued)

	31 March 2017		
	Within 12 months	Over 12 months	Total
	\$'000	\$'000	\$'000
ASSETS			
Cash at banks	833	-	833
Balances due from brokers	4,548	-	4,548
Receivables	981	-	981
Investment securities held at fair value through profit or loss	18,842	114,249	133,091
Derivatives held for trading	1,310	1,408	2,718
Unsettled sales	<u>1,371</u>	<u>-</u>	<u>1,371</u>
Total assets	<u>27,885</u>	<u>115,657</u>	<u>143,542</u>
LIABILITIES			
Bank overdraft	(63)	-	(63)
Interest payable	-	-	-
Management fees payable	(6)	-	(6)
Taxation payable	(229)	-	(229)
Derivatives held for trading	(4,508)	(2,131)	(6,639)
Distribution payable to unitholders	-	-	-
Funds held for unit purchases	(83)	-	(83)
Unsettled purchases	<u>(6,031)</u>	<u>-</u>	<u>(6,031)</u>
Total liabilities	<u>(10,920)</u>	<u>(2,131)</u>	<u>(13,051)</u>

10. RELATED PARTY TRANSACTIONS

Related party holdings

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

The Fund is managed by Smartshares Limited, which is a wholly owned subsidiary of NZX Limited, a company listed on the NZX Main Board.

SuperLife superannuation scheme ("SLSS"), a scheme managed by SuperLife Limited, a wholly owned subsidiary of NZX Limited, was an investor in the Fund until 27 October 2016. Effective 28 October 2016, the investments were transferred from SLSS to SuperLife Invest managed investment scheme ("SLI"), a scheme managed by the Manager, also a wholly owned subsidiary of NZX Limited. The transfer of assets and change of Manager was completed as part of the transition of the SuperLife scheme to comply with the Financial Markets Conduct Act 2013.

As at 30 September 2017, SLI held 40,099,789 units (31 March 2017: 40,091,479) valued at \$126,121,000 (31 March 2017: \$124,324,000) in the Fund. As at 30 September 2016, SLSS held 40,091,479 units valued at \$125,757,000 in the Fund.

Distributions

The Fund paid distributions of \$941,000 to SLI for the period ended 30 September 2017 (31 March 2017: \$993,000). The balance remaining as payable at the end of the period is \$nil (31 March 2017: \$nil). The Fund paid distributions of \$1,792,000 to SLSS for the period ending 30 September 2016 (31 March 2017: \$1,792,000). The balance remaining as payable as at 30 September 2016 was \$1,214,000. All distributions were settled prior to the transfer of investments from SLSS to SLI on 28 October 2016.

GLOBAL BOND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

10. RELATED PARTY TRANSACTIONS (Continued)

Management fees

The Manager receives management fees from the Fund. Under the Trust Deed the Manager pays the supervisor, investment manager, custodian, registrar and auditor on behalf of the Fund and receives direct purchase application fees and interest earned on cash retained for the purpose of distribution prior to the distribution being made.

Total gross management fees excluding rebates for the period ended 30 September 2017 amounted to \$357,000 (30 September 2016: \$350,000; 31 March 2017: \$699,000), with \$6,000 (30 September 2016: \$58,000; 31 March 2017: \$6,000) of outstanding accrued management fees due to the Manager at the end of the period.

Total direct purchase application fees for the period ended 30 September 2017 amounted to \$1,000 (30 September 2016: \$1,000; 31 March 2017: \$3,000).

The total interest earned on cash at banks for the period ended 30 September 2017 amounted to \$1,000 (30 September 2016: \$nil; 31 March 2017: \$nil).

Other related party transactions

The audit fee paid by the Manager for the audit of the Fund for the period ended 30 September 2017 was \$nil (30 September 2016: \$2,000; 31 March 2017: \$5,000).

11. 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 financial instruments not accounted for at fair value through the profit and loss are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

GLOBAL BOND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

11. FINANCIAL RISK MANAGEMENT (Continued)

Financial instruments by category

	30 September 2017 \$'000	30 September 2016 \$'000	31 March 2017 \$'000
<u>Loans and receivables</u>			
Cash at banks	4,928	2,710	833
Balances due from brokers	4,067	4,706	4,548
Receivables	882	832	981
Unsettled sales	2,560	675	1,371
<u>Financial assets and financial liabilities at fair value through profit and loss</u>			
Investment securities held at fair value through profit or loss	131,621	132,925	133,091
Equity securities held at fair value through profit or loss	156	-	-
Derivatives held for trading (financial assets)	3,166	3,319	2,718
Derivatives held for trading (financial liabilities)	(5,225)	(5,042)	(6,639)
<u>Other financial liabilities</u>			
Bank overdraft	(20)	(1,262)	(63)
Interest payable	-	(2)	-
Management fees payable	(6)	(58)	(6)
Distribution payable to unitholders	-	(1,263)	-
Funds held for unit purchases	(22)	(79)	(83)
Unsettled purchases	(6,463)	(6,072)	(6,031)

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

11a. Market price risk

Market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Fund invests mainly in interest-bearing assets which are not directly subject to market price risk. However, the Fund holds futures contracts which are subject to market price risk. A 10% increase/decrease in market price will result in an increase/decrease in fair value on financial assets and financial liabilities through profit or loss of \$11,398,000 (30 September 2016: \$8,397,000; 31 March 2017: \$8,865,000). The Fund also holds listed preference shares which are subject to market price risk, however this risk is not considered to be significant.

11b. Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risk is a direct consequence of investing in fixed income securities (mainly debt securities) and derivatives (including interest rate swaps).

The Fund holds interest-bearing financial assets and liabilities - the values of which move up and down inversely to movements in market interest rates and is therefore exposed to interest rate risk.

The exposure of the Fund to interest rate risk is an investment decision taken by the Investment Manager and the size of that risk is limited in the mandate of the Investment Manager and is monitored and reviewed by the Manager on a regular basis.

GLOBAL BOND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

11. FINANCIAL RISK MANAGEMENT (Continued)

The following table analyses the Fund's interest rate risk exposure. The analysis has been prepared on the basis of the remaining period to contractual repricing or maturity dates.

30 September 2017

	Within 6 months \$'000	Between 6-12 months \$'000	Between 1-2 years \$'000	Between 2-5 years \$'000	Over 5 years \$'000	Total \$'000
ASSETS						
Cash at banks	4,928	-	-	-	-	4,928
International interest-bearing securities	18,569	6,806	10,049	45,132	70,347	150,903
Interest-bearing securities - repurchase agreements	(19,282)	-	-	-	-	(19,282)
Derivatives held for trading	2	-	143	96	369	610
Total financial assets subject to interest rate risk	<u>4,217</u>	<u>6,806</u>	<u>10,192</u>	<u>45,228</u>	<u>70,716</u>	<u>137,159</u>
LIABILITIES						
Bank overdraft	(20)	-	-	-	-	(20)
Derivatives held for trading	-	12	317	132	521	982
Total financial liabilities subject to interest rate risk	<u>(20)</u>	<u>12</u>	<u>317</u>	<u>132</u>	<u>521</u>	<u>962</u>

30 September 2016

	Within 6 months \$'000	Between 6-12 months \$'000	Between 1-2 years \$'000	Between 2-5 years \$'000	Over 5 years \$'000	Total \$'000
ASSETS						
Cash at banks	2,710	-	-	-	-	2,710
International interest-bearing securities	23,436	3,527	7,054	27,256	67,351	128,624
Interest-bearing securities - repurchase agreements	(4,301)	-	-	-	-	(4,301)
Derivatives held for trading	-	-	11	10	894	915
Total financial assets subject to interest rate risk	<u>21,845</u>	<u>3,527</u>	<u>7,065</u>	<u>27,266</u>	<u>68,245</u>	<u>127,948</u>
LIABILITIES						
Bank overdraft	(1,262)	-	-	-	-	(1,262)
Derivatives held for trading	-	-	(162)	(95)	(2,565)	(2,822)
Total financial liabilities subject to interest rate risk	<u>(1,262)</u>	<u>-</u>	<u>(162)</u>	<u>(95)</u>	<u>(2,565)</u>	<u>(4,084)</u>

31 March 2017

	Within 6 months \$'000	Between 6-12 months \$'000	Between 1-2 years \$'000	Between 2-5 years \$'000	Over 5 years \$'000	Total \$'000
ASSETS						
Cash and Cash Equivalents	833	-	-	-	-	833
International interest-bearing securities	24,312	6,756	15,227	34,229	64,947	145,471
Interest-bearing securities - repurchase agreements	(12,380)	-	-	-	-	(12,380)
Derivatives held for trading	-	-	-	24	697	721
Total financial assets subject to interest rate risk	<u>12,765</u>	<u>6,756</u>	<u>15,227</u>	<u>34,253</u>	<u>65,644</u>	<u>134,645</u>
LIABILITIES						
Overdraft	(63)	-	-	-	-	(63)
Derivatives held for trading	-	-	-	(482)	(760)	(1,242)
Total financial liabilities subject to interest rate risk	<u>(63)</u>	<u>-</u>	<u>-</u>	<u>(482)</u>	<u>(760)</u>	<u>(1,305)</u>

GLOBAL BOND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

11. FINANCIAL RISK MANAGEMENT (Continued)

The tables below show the sensitivity of the Fund's Statement of Comprehensive Income to a reasonably possible change in interest rates with all other variables remaining constant. The analysis is performed on the same basis for 30 September 2016 and 31 March 2017. The sensitivity of the Statement of Comprehensive Income is the effect of the assumed changes in interest rates on:

- 1) The interest income for the year based on floating rate financial assets held at 30 September 2017.
- 2) Changes in fair value of investments for the year based on revaluing fixed rate financial assets at 30 September 2017.

30 September 2017

	Sensitivity of interest income		Sensitivity of changes in fair value of investments	
	100 basis points increase \$'000	100 basis points decrease \$'000	100 basis points increase \$'000	100 basis points decrease \$'000
Cash at banks	49	(49)	-	-
International interest-bearing securities	58	(58)	(9,561)	10,766
Derivatives held for trading	-	-	3,391	(4,120)

30 September 2016

	Sensitivity of interest income		Sensitivity of changes in fair value of investments	
	100 basis points increase \$'000	100 basis points decrease \$'000	100 basis points increase \$'000	100 basis points decrease \$'000
Cash at banks	14	(14)	-	-
International interest-bearing securities	28	(28)	(9,041)	9,640
Derivatives held for trading	-	-	3,644	(3,948)

31 March 2017

	Sensitivity of interest income		Sensitivity of changes in fair value of investments	
	100 basis points increase \$'000	100 basis points decrease \$'000	100 basis points increase \$'000	100 basis points decrease \$'000
Cash at banks	9	(9)	-	-
International interest-bearing securities	-	-	(8,393)	9,469
Derivatives held for trading	-	-	2,944	(2,864)

GLOBAL BOND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

11. FINANCIAL RISK MANAGEMENT (Continued)

11c. Credit risk

Credit risk represents the risk that a counterparty to the financial instrument will fail to perform contractual obligations under a contract and cause the Fund to incur a loss.

With respect to credit risk arising from the financial assets (excluding repurchase agreements) of the Fund, the Fund's exposure to credit risk arises from the default of the counterparty, with the current exposure equal to the fair value of these instruments as disclosed in the Statement of Financial Position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at the reporting date.

Credit risk arising from derivative financial instruments, such as forward foreign exchange contracts, interest rate swaps and credit default swaps, at any time, is limited to those with net positive fair value (Note 3).

There are no financial assets that are past due or impaired, or would otherwise be past due or impaired except for the terms having been renegotiated.

The analysis below summarises the credit quality of the Fund's exposure rated externally by Standard & Poor's, Moody's or Fitch. In situations where a security has different ratings by the agencies, the highest credit rating applies. If a security is not rated by one of these agencies, the Investment Manager will assess what rating the security might attain if it were to seek an external rating.

	30 September 2017				
	AAA to AA- \$'000	A+ to A- \$'000	BBB+ to B- \$'000	CCC+ to C- \$'000	Total \$'000
International interest-bearing securities	81,448	23,326	41,948	4,181	150,903
Derivatives held for trading	568	2,413	-	-	2,981
	82,016	25,739	41,948	4,181	153,884

	30 September 2016				
	AAA to AA- \$'000	A+ to A- \$'000	BBB+ to B- \$'000	CCC+ to C- \$'000	Total \$'000
International interest-bearing securities	55,043	39,973	33,355	8,855	137,226
Derivatives held for trading	330	2,587	-	-	2,917
	55,373	42,560	33,355	8,855	140,143

	31 March 2017				
	AAA to AA- \$'000	A+ to A- \$'000	BBB+ to B- \$'000	CCC+ to C- \$'000	Total \$'000
International interest-bearing securities	72,785	25,276	43,285	4,125	145,471
Derivatives held for trading	77	2,181	-	-	2,258
	72,862	27,457	43,285	4,125	147,729

Cash and cash equivalents

The Fund's cash and cash equivalents are held with ANZ Bank New Zealand Limited ('ANZ'), BNP Paribas Securities Services ('BNP Paribas') and Westpac New Zealand Limited ('Westpac').

GLOBAL BOND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

11. FINANCIAL RISK MANAGEMENT (Continued)

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

	30 September 2017		30 September 2016		31 March 2017	
	Balance \$'000	Credit rating	Balance \$'000	Credit rating	Balance \$'000	Credit rating
ANZ	22	AA-	1,342	AA-	83	AA-
BNP Paribas	4,906	A-	1,368	A-	750	A
Westpac	-	AA-	-	AA-	-	AA-
	<u>4,928</u>		<u>2,710</u>		<u>833</u>	

Balances due from brokers

Balances due from brokers represent margin accounts and cash collaterals. At the reporting date, the Fund's futures margin accounts are held with Morgan Stanley (A+ S&P credit rating) (30 September 2016: A+; 31 March 2017: A+). The Fund's cash collateral balances are also mainly held with Morgan Stanley.

The Investment Manager is responsible for assessing and monitoring the creditworthiness of borrower, guarantors, issuers of debt securities, acceptors of bills of exchange, or other sources of credit risk.

11d. 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 able to generate sufficient cash on a timely manner to meet its financial commitments and normal level of redemptions. The Investment Manager ensures that the Fund has appropriate liquidity levels within allowable benchmark ranges. In the event of abnormal levels of redemptions, timing of payments may depend on the ability of the Fund to realise its underlying investments on a timely basis, subject to provisions in the Trust Deed.

The table below analyses the net settled derivative financial assets and financial liabilities into relevant maturity groupings based on the remaining periods at balance date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

The contractual cash flows are based on the spot rate at the reporting date.

30 September 2017	Statement of Financial Position	Contractual cash flows	Within 6 months	Between 6- 12 months	Between 1- 5 years	Over 5 years
	\$000	\$000	\$000	\$000	\$000	\$000
Derivative assets held for trading	3,166					
<i>Inflow</i>		307,584	297,491	1,185	8,354	554
<i>Outflow</i>		(301,873)	(294,007)	(532)	(7,072)	(262)
Derivative liabilities held for trading	(5,225)					
<i>Inflow</i>		344,025	308,686	3,993	21,645	9,701
<i>Outflow</i>		(363,106)	(312,772)	(5,905)	(26,712)	(17,717)

GLOBAL BOND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

11. FINANCIAL RISK MANAGEMENT (Continued)

30 September 2016

	Statement of Financial Position \$000	Contractual cash flows \$000	Within 6 months \$000	Between 6- 12 months \$000	Between 1- 2 years \$000	Over 5 years \$000
Derivatives Held for Trading						
<i>Assets</i>						
<i>Foreign forward exchange contracts</i>	3,319					
<i>Inflow</i>		410,925	396,962	3,229	7,510	3,224
<i>Outflow</i>		(403,332)	(391,415)	(2,918)	(6,655)	(2,344)
Liabilities						
<i>Foreign forward exchange contracts</i>	(5,042)					
<i>Inflow</i>		231,649	219,968	492	7,459	3,730
<i>Outflow</i>		(246,023)	(225,894)	(1,125)	(10,847)	(8,157)

31 March 2017

	Statement of Financial Position \$000	Contractual cash flows \$000	Within 6 months \$000	Between 6- 12 months \$000	Between 1- 5 years \$000	Over 5 years \$000
<i>Derivative assets held for trading</i>	2,718					
<i>Inflow</i>		270,231	245,342	3,549	12,760	8,580
<i>Outflow</i>		(236,838)	(218,179)	(3,094)	(9,508)	(6,057)
<i>Derivative liabilities held for trading</i>	(6,639)					
<i>Inflow</i>		387,166	356,925	1,239	22,591	6,411
<i>Outflow</i>		(408,360)	(362,895)	(3,094)	(30,496)	(11,875)

11e. Currency Risk

Currency risk is the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates.

The Fund holds financial instruments denominated in currencies other than the New Zealand dollar, the functional currency, at period end. The Fund is therefore subject to risk due to fluctuations in the prevailing currency exchange rate. A change in exchange rates would impact the New Zealand dollar equivalent market price of the financial instruments in which the Fund invests.

The Fund enters into forward exchange contracts designed to economically hedge the foreign exposure of the underlying investments. The Fund is to be economically hedged to New Zealand dollars between 95% and 105%.

The currency risk disclosures have been prepared on the basis of the Fund's direct investments.

The table below summaries the Fund's exposure to currency risk in New Zealand dollar value of the financial instruments.

	30 September 2017						
	AUD \$'000	CAD \$'000	EUR \$'000	GBP \$'000	JPY \$'000	USD \$'000	Other \$'000
Assets and liabilities							
Foreign currency cash balances held (NZD)	23	195	593	348	107	7,582	157
Investment securities held at fair value through profit or loss	1,260	4,212	11,990	10,016	14,666	66,333	23,300
Derivatives held for trading	(1,230)	(4,518)	(15,991)	(9,418)	(14,286)	(73,378)	(18,635)
Receivables/(payables)	4	41	(646)	67	-	(2,943)	454
Total financial assets and liabilities	57	(70)	(4,054)	1,013	487	(2,406)	5,276

GLOBAL BOND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

11. FINANCIAL RISK MANAGEMENT (Continued)

	30 September 2016						
	AUD \$'000	CAD \$'000	EUR \$'000	GBP \$'000	JPY \$'000	USD \$'000	Other \$'000
Assets and liabilities							
Foreign currency cash balances held (NZD)	7	165	67	483	(43)	5,273	123
Investment securities held at fair value through profit or loss	801	4,999	17,730	15,868	21,532	56,781	15,210
Derivatives held for trading	(837)	(5,117)	(18,235)	(17,828)	(21,447)	(53,100)	(17,865)
Receivables/(Payables)	-	47	190	60	1	(5,127)	144
Total financial assets and liabilities	(29)	94	(248)	(1,417)	43	3,827	(2,388)

	31 March 2017						
	AUD \$'000	CAD \$'000	EUR \$'000	GBP \$'000	JPY \$'000	USD \$'000	Other \$'000
Assets and liabilities							
Foreign currency cash balances held (NZD)	125	62	456	379	167	4,015	97
Investment securities held at fair value through profit or loss	717	4,198	14,391	10,373	22,746	67,522	13,150
Derivatives held for trading	(1,137)	(4,240)	(14,832)	(10,033)	(22,989)	(71,736)	(10,004)
Receivables/(payables)	(232)	40	(1,118)	(2,007)	1	10	(606)
Total financial assets and liabilities	(527)	60	(1,103)	(1,288)	(75)	(189)	2,637

The table below summarises the sensitivity analysis in NZD currency to an increase or decrease in the exchange rate with all other variables remaining constant, where the Fund has significant currency risk exposure, based on an assumed increase/decrease by the percentage disclosed in the table.

	30 September 2017		30 September 2016	
	Profit or loss and Unitholders' Funds		Profit or loss and Unitholders' Funds	
	10% increase \$'000	10% decrease \$'000	10% increase \$'000	10% decrease \$'000
Assets and liabilities				
Foreign currency cash balances held (NZD)	(900)	900	(608)	608
Investment securities held at fair value through profit or loss	(13,175)	13,175	(13,293)	13,293
Derivatives held for trading	13,743	(13,743)	13,444	(13,444)
Receivables/(payables)	302	(302)	468	(468)
	(30)	30	11	(11)

	31 March 2017	
	Profit or loss and Unit Holders' Funds	
	10% increase \$'000	10% decrease \$'000
Assets and liabilities		
Foreign currency cash balances held (NZD)	(530)	530
Investment securities held at fair value through profit or loss	(13,310)	13,310
Derivatives held for trading	13,497	(13,497)
Receivables/(payables)	391	(391)
	48	(48)

GLOBAL BOND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

11. FINANCIAL RISK MANAGEMENT (Continued)

11f. Financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements

The following table presents the recognised derivatives that are subject to offsetting, or other similar arrangements but not offset, as at 30 September 2017, 30 September 2016 and 31 March 2017.

	30 September 2017					
	Gross amounts of recognised financial instruments		Gross amounts of recognised financial instruments set-off in the statement of financial position	Net amounts of financial instruments presented in the statement of financial position	Financial instruments	Related amounts not set-off in the statement of financial position
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total derivative assets	3,113	-	3,113	(1,797)	-	1,316
Total derivative liabilities	(5,196)	-	(5,196)	1,797	-	(3,399)

	30 September 2016					
	Gross amounts of recognised financial instruments		Gross amounts of recognised financial instruments set-off in the statement of financial position	Net amounts of financial instruments presented in the statement of financial position	Financial instruments	Related amounts not set-off in the statement of financial position
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total derivative assets	3,200	-	3,200	(3,089)	-	111
Total derivative liabilities	(5,031)	-	(5,031)	3,089	-	(1,942)

GLOBAL BOND FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017

11. FINANCIAL RISK MANAGEMENT (Continued)

	31 March 2017					
						Related amounts not set-off in the statement of financial position
	Gross amounts of recognised financial instruments	Gross amounts of recognised financial instruments set-off in the statement of financial position	Net amounts of financial instruments presented in the statement of financial position	Financial instruments	Cash collateral received/ pledged	Net amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total derivative assets	2,571	-	2,571	(2,424)	-	147
Total derivative liabilities	(6,511)	-	(6,511)	2,424	-	(4,087)

12. SEGMENT INFORMATION

The table below analyses the Fund's interest income grouped by geographical location.

	30 September 2017 \$'000	30 September 2016 \$'000	31 March 2017 \$'000
United Kingdom *	151	364	(17)
Euro Zone	265	893	625
United States of America (USA)	1,021	380	1,836
Americas (excluding USA) *	161	46	(105)
Other	13	69	88
	1,611	1,752	2,427

* Interest income includes mortgage-backed securities principal repayments.

13. COMMITMENTS AND CONTINGENCIES

The Fund had no commitments or contingencies as at 30 September 2017 (30 September 2016: none; 31 March 2017: none).

14. EVENTS AFTER THE REPORTING YEAR

Since 30 September 2017 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.

GLOBAL BOND FUND

UNITHOLDER INFORMATION

Distribution of security holders and security holdings as at 30 September 2017

	No. of holders	% of holders	No. of securities	% of securities
1 - 1,000	88	41.31	40,083	0.09
1,001 - 5,000	70	32.86	166,372	0.39
5,001 - 10,000	21	9.86	149,396	0.35
10,001 - 50,000	28	13.15	566,989	1.32
50,001 - 100,000	2	0.94	137,685	0.32
Greater than 100,000	4	1.88	41,870,954	97.53
Totals	213	100.00	42,931,479	100.00

20 largest registered holders of quoted equity securities as at 2017

Full name	Total	Percentage %
SuperLife Nominees Limited	40,089,789	93.38
FNZ Custodians Limited	1,229,765	2.86
Investment Custodial Services Limited	451,130	1.05
Forsyth Barr Custodians Ltd	100,270	0.23
Rosalie Barnes	81,800	0.19
Custodial Services Limited	55,885	0.13
Maryanne Nola Gane & Marcia Clare Jasmine Fullam	47,455	0.11
David Alan Shackleton & Scott Francis Whitaker	41,207	0.10
FNZ Custodians Limited	37,039	0.09
New Zealand Central Securities Depository Limited	34,815	0.08
Robyn Elizabeth Taylor	32,408	0.08
Jonathan Douglas Schwass & Ann Elizabeth Howarth	28,503	0.07
Brendan Dennis Catchpole & Connie Yvonne Catchpole & Anthony Raymond Wentworth	24,800	0.06
Anthony Smith & Barbara Smith	23,374	0.05
John Huthwaite Ronaldson & Marian Elizabeth Ronaldson & Franklin Trustee Services Ltd	21,800	0.05
Gavin Wallace MCGougan & Charlotte Elizabeth MCGougan & Focus Trustee Company Ltd	19,281	0.04
Harsh & Emme Bhoopatkhar Trustee Limited	19,145	0.04
Jeffrey Graham Williamson	16,850	0.04
Wendy Marie Williamson	16,600	0.04
Jason Brigg Bedford & Janine Carol Bedford	16,528	0.04
Totals	42,388,444	98.73

Substantial security holdings

The following information has been given pursuant to section 293 of the Financial Markets Conduct Act 2013 (FMCA). According to Smartshares records and disclosures made under section 280(1)(b) of the FMCA, there were no substantial product holders in the Fund as at 30 September 2017. The total number of units on issue at 30 September 2017 was 42,931,479.

Directors' interest in units as at 30 September 2017

	Beneficial	Non - Beneficial
Bevan K. Miller	2,666*	-
Guy R. Elliffe	10,533*	-
A. John Williams	-	-
Paul J. Baldwin	-	-

*Beneficial interest in these units is indirectly held through the director's interest in the SuperLife KiwiSaver scheme.

	Male	Female
Gender composition of Directors	4	-