

CLARITY DIVERSIFIED INCOME FUND

What is the purpose of this update?

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

Description of this fund

The Fund aims to achieve returns over the medium-term by investing in a portfolio of well diversified growth oriented securities. It favours securities that produce higher earnings and dividend yields.

The Fund invests in managed funds (including the Clarity Dividend Yield Fund and the Clarity Fixed Income Fund), directly held shares, cash and fixed interest securities primarily in Australasia. It may also invest in other assets on other listed sharemarkets.

Total value of the fund	\$ 180,856.88
The date the fund started	3 April 2017

What are the risks of investing?

Risk indicator for the Clarity Diversified Income Fund¹:



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

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

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

This risk indicator is not a guarantee of a fund's future performance. The risk indicator is based on the returns data for the five year period to 30 June 2017. While risk indicators are usually relatively stable, they do shift from time to time. The risk indicator will continue to be updated in future fund updates.

See the Product Disclosure Statement (PDS) for more information about the risks associated with investing in this fund.

How has the fund performed?

	Past year
Annual return (after deductions for charges and tax)	Not applicable
Annual return (after deductions for charges but before tax)	Not applicable
Market index annual return (reflects no deductions for charges and tax)	3.71%

The market index annual return reflects the return for S&P/NZX 90-day Bank Bill +1.5% benchmark index. Additional information about the market index is available on the offer register at www.business.govt.nz/disclose.

What fees are investors charged?

Investors in the Clarity Diversified Income Fund are charged fund charges.

	% of net asset value
Estimated Total Fund Charges²	0.95%
Comprising management and administration charges which are made up of:	
Manager's basic fee	0.60%
Other management and administration charges	0.35%

There are no performance fees charged in relation to the Clarity Diversified Income Fund.

Investors may also be charged individual action fees for specific actions or decisions (for example, for withdrawing from or switching funds). See the PDS for more information about those fees.

Example of how this applies to an investor³

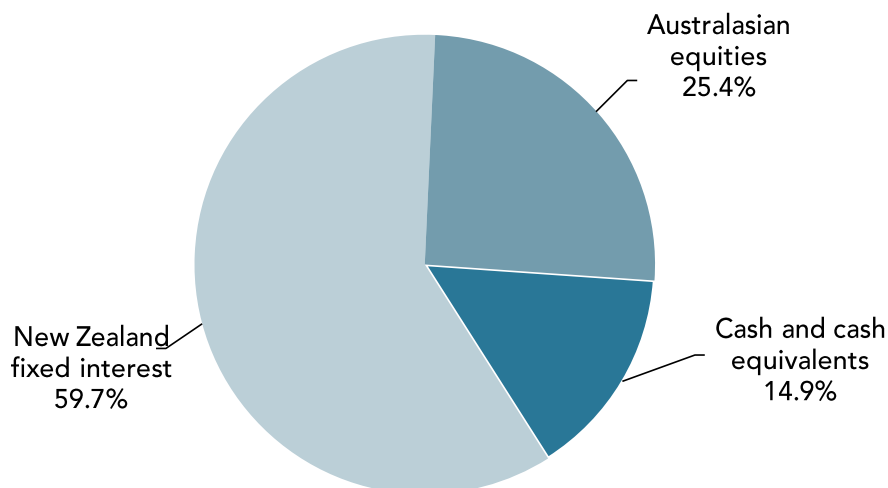
Small differences in fees and charges can have a big impact on your investment over the long term.

Sarah had \$100,000 in the Clarity Diversified Income Fund on the date the fund started, 3 April 2017 and did not make any further contributions. At the end of the period ending 30 June 2017, Sarah received a return after fund charges were deducted of \$500 (that is 0.50% of her initial \$100,000). Sarah does not pay any other charges. This gives Sarah a total return after tax of \$460 for the year.

What does the fund invest in?

This shows the types of assets that the Clarity Diversified Income Fund invests in

Actual investment mix⁴



Target investment mix⁵

Asset sector	Target asset % allocation	Range %
Cash and cash equivalents	15	0 - 25
New Zealand fixed interest	57	0 - 90
International fixed interest	0	0 - 20
Australasian equities	18	0 - 50
International equities	0	0 - 20
Listed property	10	0 - 20
Other assets	0	0 - 20
Total asset allocation	100	

Top 10 investments

	Name	Country	Type	Credit rating (if applicable)	% of net asset value
1	NZD Cash at Bank	New Zealand	Cash and cash equivalents	AA-	19.50%
2	New Zealand Local Government Funding Agency Bond 6% 15/05/2021	New Zealand	New Zealand fixed interest	AA+	2.93%
3	Bank of New Zealand 5.57% 25/06/2019	New Zealand	New Zealand fixed interest	AA-	2.92%
4	ANZ Bank New Zealand 4.48% 11/05/2020	New Zealand	New Zealand fixed interest	AA-	2.79%
5	Chorus 4.12% 6/05/2021	New Zealand	New Zealand fixed interest	BBB	2.61%
6	BNZ Term Deposit 3.60% 28/08/2017	New Zealand	Cash and cash equivalents	AA-	2.36%
7	Powerco 4.76% 28/09/2022	New Zealand	New Zealand fixed interest	BBB	1.98%
8	Fonterra Co-operative Group 4.33% 20/10/2021	New Zealand	New Zealand fixed interest	A-	1.60%
9	ASB Bank 4.2% 24/02/2022	New Zealand	New Zealand fixed interest	AA-	1.59%
10	Auckland Council 3.04% 30/03/2020	New Zealand	New Zealand fixed interest	AA	1.56%

The top 10 investments make up 39.81% of the net asset value of the Fund

Key personnel

Name	Current Position	Time in current position	Previous position	Time in previous position
Alan Lee	Director JMIS Limited and Subsidiaries	12 years, 0 months	Director, Jarden Morgan Investment Services Limited	4 years, 0 months
Andrew Kelleher	Director JMIS Limited and Subsidiaries	9 years, 2 months	Acting Managing Principal, ASB Securities Limited and Investment Consultant, ASB Limited	3 years, 5 months
Ross Jewell	Director JMIS Limited and Senior Executive Clarity Funds Management Limited	12 years, 0 months	Director, Jarden Morgan Investment Services Limited	15 years, 11 months
Ian Arkle	Investment Executive JMIS Limited	5 years, 11 months	Investment Manager, NZ Guardian Trust	6 years, 0 months
Jonathan Westoby	Investment Executive JMIS Limited	11 years, 3 months	Stockbroker Macquarie Group	12 years, 8 months

Further information

You can also obtain this information, the PDS for the Clarity Funds, and some additional information from the offer register at www.business.govt.nz/disclose.

Notes

1. As the Fund commenced operations on 3 April 2017, a combination of actual fund returns and market index returns were used to determine the risk indicator. Therefore, it may provide a less reliable indicator of potential future volatility. For the five-year period ending 30 June 2017, market index returns have been used to 2 April 2017 with actual fund returns used for the balance of the period.
2. As the Fund has not been in existence for more than one financial year the total fund charges are estimated as disclosed in the PDS. Please refer to the PDS for further information.
3. As the Fund has not existed for a full financial year, this example is based on returns for the period 3 April 2017 to 30 June 2017.
4. As at 30 June 2017, the Fund has 6.61% of assets invested in Australian equities. Of this exposure, we have 6.54% of these AU dollar denominated assets hedged.
5. The target Investment mix shown is as at 30 June 2017. Subsequently the SIPO has been updated with minor changes to the target asset allocation and percentage range. See the new Clarity SIPO dated 24 July 2017 for further information.

If you have any questions please contact us on +64 09 308 1450
or visit our website www.clarityfunds.co.nz