

CLARITY FIXED INCOME FUND

Name Change

From 3 April 2017, this Fund changed its name from the JMIS Fixed Income Fund to the Clarity Fixed Income Fund.

Performance Comments

The asset value of the Fund at 30 September 2017 was \$85 million and its price was \$1.0905 per unit, an increase of +1.3% over the quarter, including the 0.75 cent distribution.

This compares with the Fund's benchmark, i.e. the NZX NZ 90-day Bank Bill Index of +0.5%, an outperformance of +0.8%. This outperformance derived from the Fund's duration of about 3 years and a three-month period when New Zealand interest rates were relatively steady.

The Fund is a diversified portfolio of cash, bank term deposits and fixed interest securities: it aims to generate a consistent and safe income stream as well as preserve capital.

The Fund's characteristics are:

Sector Breakdown – As at 30 September 2017	Portfolio %
Banks	52.3
Diversified Financial Services	9.7
Building Materials	1.8
Electric	12.2
Municipal	3.9
Engineering & Construction	2.3
Food	3.8
Telecommunications	6.7
Property	1.8
Ports	1.2
Transport	0.3
Oil & Gas	1.6
Auto Manufacturers	2.4
	100
Credit Ratings – As at 30 September 2017	Portfolio %
AA- to AA+	48.7
A- to A+	18.0
BBB- to BBB+	27.2
BB+ or below	6.1
	100

Fund Performance

The Clarity Fixed Income Fund has performed as follows:

To 30 September 2017	3 months (%)	12 months (%)
Fund net return*	+1.3	+2.9
Benchmark Index**	+0.5	+2.1
Difference	+0.8	+0.8

* These returns are after deductions for charges and before tax

** Reflects no deduction for charges and tax

Past performance is not necessarily indicative of future performance.

Outlook

Monetary policy is likely to remain accommodative in New Zealand for a considerable period. In late September, the Reserve Bank said:

Global economic growth has continued to improve in recent quarters. However, inflation and wage outcomes remain subdued across the advanced economies and challenges remain with on-going surplus capacity. Bond yields are low, credit spreads have narrowed and equity prices are near record levels. Monetary policy is expected to remain stimulatory in the advanced economies, but less so going forward.

Annual CPI inflation eased in the June quarter, but remains within the target range. Headline inflation is likely to decline in coming quarters, reflecting volatility in tradables inflation. Longer-term inflation expectations remain well anchored at around 2%.

Monetary policy will remain accommodative for a considerable period. Numerous uncertainties remain and policy may need to adjust accordingly.

The Fund holds bonds with a relatively short duration because we believe that over the coming quarters New Zealand interest rates are likely to rise as US rates rise further and inflationary pressures emerge in the larger economies.

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

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