

CLARITY GLOBAL SHARES FUND

Performance Comments

The asset value of the Fund at 30 September 2017 was \$49.5 million and the base price was \$2.61 per unit, an increase of +6.7% over the quarter. This compares with the Fund's composite index return +5.9%, which was an out-performance of +0.8%.

Global equities advanced steadily higher in the quarter, shrugging off hurricane disasters in the United States and Caribbean Islands, more heated rhetoric from US President Trump and North Korean leader Kim Jong Un and the failure of the Republican-led Senate to advance the Trump agenda after two failed attempts to repeal and replace Obamacare.

Performance during the quarter, from a geographic perspective, in local currency terms, was led by emerging markets with particularly strong performance in Latin America, China and Russia. The European and Japanese markets were in line with the MSCI All Country World Index (ACWI) as was the US market. Markets in the UK and Pacific ex Japan underperformed during the quarter.

The portfolio's actual mix at quarter end was 52.4% in North America, 15.7% Europe ex UK, 11.7% Emerging Markets, 8.6% Japan, 4.9% UK and a small holding in Asia/Pacific and the developed Middle East.

The most significant transactions during the third quarter included initiating a position in United Technologies, a diversified industrial company. The stock rated a buy by the fundamental analyst, and ranked high from a quantitative perspective. Also, the position in Priceline Group was increased. The belief is that online leisure travel growth should continue at double-digit growth rates. A position in food distributor US Food holding was made as it rated a buy by the fundamental analyst and had attractive valuation and improving momentum.

The portfolio outperformed the MSCI ACWI in the third quarter.

The significant contributors to the portfolio performance came from Air Canada after the company reported quarterly results that beat earnings estimates, Itau Unibanco Holdings S.A. which

reported solid second-quarter results, driven by better-than-expected net interest income and lower provisions and VMware Inc which is an American software developer. The detractors were Hca Healthcare Inc which is a hospital operator and the company announced second-quarter earnings results that missed investor expectations, Kia Motors Corp as the company lost a wage litigation case brought by the labour union and Aena Sme Sa which is an airport terminal operator in Spain.

Fund performance

The Clarity Global Shares Fund has performed as follows:

To 30 September 2017	3 months (%)	Since inception (%)***
Fund net return *	+6.7	+5.0
Benchmark Index **	+5.9	+2.9
Difference	+0.8	+2.1

* These returns are after deductions for charges and before tax

** Reflects no deduction for charges and tax

*** Inception date was 26 April 2017

Past performance is not necessarily indicative of future performance.

Outlook

While valuations of growth stocks look expensive versus history, investors may be expressing optimism over the continued strength in economic indicators, renewed confidence resulting from political wins for centrists in Europe and continued benign monetary policy.

Against this backdrop of political, economic and market uncertainty, it is prudent to remain true to the investment approach, which has a longer-term focus and seeks to identify above-average-quality companies trading at attractive valuations.

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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