

CLARITY DIVIDEND YIELD FUND

Name change

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

Performance Comments

The asset value of the Fund at 31 March 2017 was \$55.2 million and the base price was \$1.3596, an increase of +2.5% over the quarter, including the 1.5 cent distribution. This compares with the Fund's composite index return of +5.4%, which was an under-performance of -2.9%.

In the Fund's 75/25 composite index, there was a +5.6% gain in the NZX50 Portfolio Index and a +4.8% gain in the ASX200 Accumulation Index (in New Zealand dollar terms, as this Fund hedges its currency risk).

The Fund's cash at 31 March 2017 was boosted by the receipt of the Fund's proceeds late in the month from the recent Airwork Holdings takeover.

In New Zealand there were five holdings that produced double-digit returns. These were Air New Zealand +18.4%, Heartland Bank +12.6%, PGG Wrightson +12.1%, Contact Energy +11.6% and Meridian Energy +10.5%.

In addition, there were strong, above-index performances from Sanford +8.9% and Evolve Education Group +8.0%.

The largest detractors in the quarter were Metro Performance Glass -29.7% and Tegel Group -18.8%.

In Australia, the two best performing holdings were Qantas +25.1% and Westpac Bank +12.7%. Duet Group at +12.2% was also subject to a takeover over.

The largest Australian detractor in the quarter was Scentre Group at -0.8%.

The Fund holds just over 20% of its investments in the high-yielding Australasian listed property sector. While Australian performances were typically strong in the three months, the New Zealand selections provided lower returns. This follows several years of relative outperformance for the sector when interest rates were falling.

Fund performance

The Clarity Dividend Yield Fund has performed as follows:

To 31 March 2017	3 months (%)
Fund net return*	+2.5
Benchmark Index**	+5.4
Difference	-2.9

* 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.

Over the past 12 months, the Fund earned 9.2% (no tax) compared to its index of 2.4%.

Outlook

Solid global economic growth is expected in 2017. However, political uncertainties could create turbulence and any expectations of further economic stimulus may be optimistic.

Even after the strong rise in share values over the last 8 years, we are cautious but not bearish on shares as there is no sign of recession for 2017 and financial authorities appear prepared to do whatever is required to ensure that the financial markets are well supported. Moreover, projected company earnings growth should gradually support current sharemarket valuations.

However, we also note that inflation and longer term interest rates are starting to rise, signalling the probable end of the 35-year bull market in bonds. This may well prove a headwind for equity markets later this year.

A diversified and balanced approach to investment remains appropriate.

Quarterly Cash Distributions

In the light of strong dividend flows, the Manager has resolved to lift the quarterly cash distribution from 1.5 cents to 1.7 cents, effective immediately.

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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