

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 30 June 2017 was \$60.9 million and its price was \$1.4013, an increase of +4.5% over the quarter, including the 1.7 cent distribution. This compares with the Fund's composite index return of +3.9%, which was an outperformance of +0.6%.

In the Fund's 75/25 composite index, there was a +5.7% gain in the NZX50 Portfolio Index and a -1.5% fall in the ASX200 Accumulation Index (in local dollar terms, as this Fund hedges its currency risk).

The portfolio's actual asset mix at quarter end was 63% in New Zealand securities, 28% in Australian securities and 9% in cash.

In New Zealand there were two holdings that produced double-digit returns. These were Air New Zealand +32.5% and Genesis Energy +16.8%.

In addition, there were strong, above-index performances from Heartland Bank +8.5%, Arvida +6.7% and Metro Performance Glass +6.7%.

The largest detractors in the quarter were Metlifecare (after Infratil sold down its minority holding) -12.4%, Fletcher Building at -4.0% and Sanford at -3.0%.

In Australia, the two best performing holdings were Qantas +47.0% and Boral +19.0%. Spark Infrastructure produced a +10.6% return.

The largest Australian detractors in the quarter were the Fund's three bank holdings, i.e. ANZ at -6.3%, Westpac at -9.2% and the Bank of Queensland at -1.5%.

The Fund holds just over 20% of its investments in the high-yielding Australasian listed property sector.

As interest rates edged down in the quarter, these stocks in general had a solid rebound from their 1 April levels. In particular, Argosy rose +9.1% and Goodman Property by +5.3% in New Zealand.

Fund performance

The Clarity Dividend Yield Fund has performed as follows:

To 30 June 2017	3 months (%)
Fund net return*	+4.5
Benchmark Index**	+3.9
Difference	+0.6

* 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 +15.5% (assuming nil tax) compared to its index of +5.7%.

Outlook

From an economic perspective, the global economy appears to be in good heart. However, there is presently an element of complacency in financial markets where volatility indices are at record lows. While there are no real signs of an imminent economic recession, the usual precursor of a 'bear' equity market, investor complacency leaves little room for error when equity markets are at record highs.

Thus the environment for equities remains broadly neutral, as central banks unwind their stimulatory policies in response to improving growth prospects rather than the need to stamp out any problematic rising inflation. However, even though interest rates are starting to rise, bonds are not yet particularly attractive as an alternative to share investments.

A diversified and balanced approach to investment remains appropriate.

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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