

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 June 2017 was \$77.9 million and its price was \$1.0842 per unit, an increase of +1.1% 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 +0.6%. This outperformance derived from the Fund's duration of under 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 June 2017	Portfolio %
Banks	51.5
Diversified Financial Services	5.7
Building Materials	1.9
Electric	12.9
Municipal	9.0
Engineering & Construction	2.4
Food	4.0
Telecommunications	7.1
Property	2.2
Ports	1.3
Transport	0.3
Oil & Gas	1.7
	100
	100
Credit Ratings – As at 30 June 2017	Portfolio %
AA- to AA+	49.3
A- to A+	16.8
BBB- to BBB+	27.5
BB+ or below	6.4
	100
	100

Fund performance

The Clarity Fixed Income Fund has performed as follows:

To 30 June 2017	3 months (%)
Fund net return*	+1.1
Benchmark Index**	+0.5
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 +3.1% (assuming nil tax) compared to its index of +2.2%.

Outlook

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

The increase in headline inflation in the March quarter was mainly due to higher tradables inflation, particularly petrol and food prices. These effects are temporary and may lead to some variability in headline inflation over the year ahead. Non-tradables and wage inflation remain moderate but are expected to increase gradually. This will bring future headline inflation to the midpoint of the target band over the medium term. Longer-term inflation expectations remain well-anchored at around 2%.

We hold 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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