

## CLARITY TRANS-TASMAN FUND

### Name change

From 3 April 2017, this Fund changed its name from the JMIS A Fund to the Clarity Trans-Tasman Fund.

### Performance Comments

The asset value of the Fund at 30 June 2017 was \$118.6 million and its price was \$2.4035 per unit, a fall of -0.6% over the quarter. This compares with the Fund's composite index return +0.2%, which was an under-performance of -0.8%.

In the Fund's 50/50 composite index, there was a +5.7% gain in the NZX50 Portfolio Index and a -5.3% fall in the ASX200 Accumulation Index (in New Zealand dollar terms).

Unlike the March quarter, Australian shares well underperformed New Zealand shares in the June quarter largely led by falls in the mining (lower commodity prices) and banking (a new budget levy on bank borrowings) sectors across the Tasman. In addition, the Australian dollar weakened by about 4% in this period.

The portfolio's actual mix at quarter end was 40% in New Zealand shares and 54% in Australian shares, with the balance of 6% in cash.

In New Zealand, the stronger performing holdings in the portfolio were Air New Zealand +32.5% and Heartland Bank +8.5%, while the largest detractors were Metlifecare (after Infratil sold down its holding) -12.4% and Fletcher Building at -4.0%.

Relative performance in New Zealand was detrimentally affected by the Fund's nil holdings in growth shares like A2 Milk +33.8%, Xero +27.3% and F&P Healthcare 19.7% over the three months.

In Australia, the large cap stocks in the mining sector generally had a poor quarter – BHP Billiton fell by -3.2% but Rio Tinto rose by +4.7% – while the banking sector returns were all negative, i.e. Westpac at -9.2% ANZ Bank at -6.3% and CBA at -3.6%. In the three months, two industrial holdings in the portfolio achieved notable positive returns, i.e. Qantas +47.0% and Boral +19.0%.

### Fund performance

The Clarity Trans-Tasman Fund has performed as follows:

To 30 June 2017	3 months (%)
Fund net return*	-0.6
Benchmark Index**	+0.2
Difference	-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.

Over the past 12 months, the Fund earned +17.0% (assuming nil tax) compared to its index of +13.0%.

### 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 the 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](http://www.clarityfunds.co.nz)

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