

For the quarter ended 30 June 2020

This fund update was first made publicly available on on 28 July 2020

CLARITY DIVERSIFIED GROWTH FUND

What is the purpose of this update?

This document tells you how the Clarity Diversified Growth Fund has performed and what fees were charged. The document will help you to compare the fund with other funds. Clarity Funds Management Limited prepared this update in accordance with the Financial Markets Conduct Act 2013. This information is not audited and may be updated.

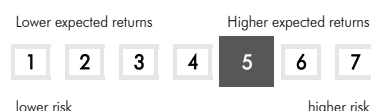
Description of this fund

The Fund will provide actively managed exposure to New Zealand, Australian and international equities, and aims to generate a better return than the benchmark over the medium to long term. The Fund primarily invests in managed funds (including other Clarity funds) to achieve a well-diversified portfolio of assets.

| | |
|-------------------------|--------------|
| Total value of the fund | \$2,401,981 |
| Date the fund started | 3 April 2017 |

What are the risks of investing?

Risk indicator for the Clarity Diversified Growth Fund¹:



The risk indicator is rated from 1 (low) to 7 (high). The rating reflects how much the value of the fund's assets goes up and down. A higher risk generally means higher potential returns over time, but more ups and downs along the way.

To help you clarify your own attitude to risk, you can seek financial advice or work out your risk profile at www.sorted.org.nz/tools/investor-kickstarter.

Note that even the lowest category does not mean a risk-free investment, and there are other risks that are not captured by this rating.

This risk indicator is not a guarantee of a fund's future performance. The risk indicator is based on the returns data for the five year period to 30 June 2020. While risk indicators are usually relatively stable, they do shift from time to time. The risk indicator will continue to be updated in future fund updates.

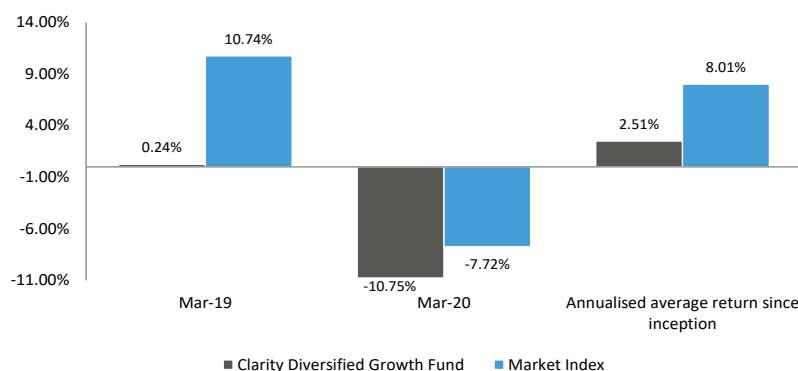
See the Product Disclosure Statement (PDS) for more information about the risks associated with investing in this fund.

How has the fund performed?

| | Past Year |
|--|-----------|
| Annual Fund Return (after deduction for fund charges and tax) | -3.39% |
| Annual Fund Return (after deduction for fund charges but before tax) | -3.09% |
| Market index annual return (reflects no deduction for charges and tax) | 1.04% |

We calculate the market index annual return from 25 October 2019 by using 25% S&P/NZX 50 Portfolio Index Gross with Imputation, 25% S&P/ASX 200 Accumulation Index in NZ dollars, and 50% MSCI All Country World ex-Tobacco Index (net dividends reinvested) in NZ dollars with 50% hedged to NZ dollars. Between 3 April 2017 and 24 October 2019, the market index used was 25% of the NZX50 Portfolio Index, 25% of the ASX200 Accumulation Index in NZ dollars and 50% MSCI All Country World ex-Tobacco Index (net dividends reinvested) in NZ dollars with 50% hedged to NZ dollars. Additional information about the market index is available on the offer register at www.business.govt.nz/disclose.

Annual return graph



This shows the return after fund charges and tax for each year ending 31 March since the fund started. The last bar shows the average annual return since the fund started, up to 30 June 2020. **Important:** This does not tell you how the fund will perform in the future. Returns in this update are after tax at the highest prescribed investor rate (PIR) of tax for an individual New Zealand resident. Your tax may be lower.

What fees are investors charged?

Investors in the Clarity Diversified Growth Fund are charged fund charges. In the year to 31 March 2020 these were:

| | % of Net Asset Value |
|--|----------------------|
| Total Fund Charges (incl GST) | 1.16% |
| Comprising management and administration charges which are made up of: | |
| Manager's basic fee | 0.78% |
| Other management and administration charges | 0.40% |

There are no performance fees charged in relation to the Clarity Diversified Growth Fund. Investors are not charged individual action fees for specific actions or decisions (for example, for withdrawing from or switching funds). See the PDS for more information about those fees.

Example of how this applies to an investor

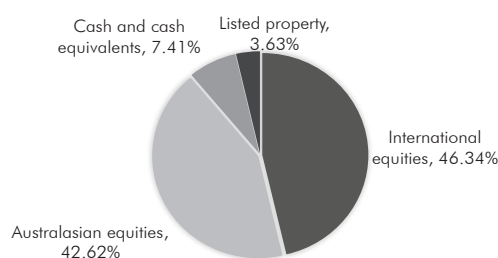
Small differences in fees and charges can have a big impact on your investment over the long term.

Chris had \$10,000 in the Clarity Diversified Growth Fund at the start of the year and did not make any further contributions. At the end of the year, Chris received a return after fund charges were deducted of -\$309 (that is -3.09% of his initial \$10,000). Chris does not pay any other charges. This gives Chris a total return after tax of -\$339 for the year.

What does the fund invest in?

The chart (below) shows the types of assets that the Clarity Diversified Growth Fund invests in.

Actual investment Mix



As at 30 June 2020, 68.90% of the Fund's assets were denominated in foreign currency, but 33.66% of this foreign currency exposure was hedged.

Target investment mix

| Asset sector | Target Asset Allocation % | Range % |
|-------------------------------|---------------------------|---------|
| Cash and cash equivalents | 5 | 0 - 25 |
| Australasian equities | 47.5 | 0 - 70 |
| International equities | 47.5 | 0 - 70 |
| Listed property | 0 | 0 - 10 |
| Other assets | 0 | 0 - 10 |
| Total asset allocation | 100 | |

Top 10 investments

| Asset name | Country | Type | Credit rating (if applicable) | % of fund net assets |
|---|---------|---------------------------|-------------------------------|----------------------|
| Capital Group New Perspective Fund Class Ch-NZD | LU | International Equities | | 13.51% |
| Capital Group New Perspective Fund Class C NZD | LU | International Equities | | 10.41% |
| NZD Cash at Bank | NZ | Cash and Cash Equivalents | | 6.48% |
| A2 Milk Company Ltd | NZ | Australasian Equities | | 2.68% |
| BHP Group Ltd | AU | Australasian Equities | | 2.37% |
| CSL Limited | AU | Australasian Equities | | 2.28% |
| Contact Energy Ltd | NZ | Australasian Equities | | 2.12% |
| Meridian Energy Limited | NZ | Australasian Equities | | 1.85% |
| Mainfreight Ltd | NZ | Australasian Equities | | 1.60% |
| Rio Tinto Ltd | AU | Australasian Equities | | 1.59% |

The top 10 investments make up 44.89% of the net asset value of the Fund.

Key personnel

| Name | Current position | Time in current position | Previous position | Time in previous position |
|------------------|---|--------------------------|--|---------------------------|
| Alan Lee | Director, JMI Wealth Limited and Clarity Funds Management Limited | 15 years, 0 months | Director, Jarden Morgan Investment Services Limited | 4 years, 0 months |
| Andrew Kelleher | Director, JMI Wealth Limited and Clarity Funds Management Limited | 12 years, 2 months | Acting Managing Principal, ASB Securities Limited and Investment Consultant, ASB Limited | 3 years, 5 months |
| Josh Wilson | Chief Investment Officer, Clarity Funds Management | 1 years, 3 months | Portfolio Manager, NZ Funds | 7 years, 10 months |
| Harry Cunningham | Investment Analyst, Clarity Funds Management Limited | 0 years, 4 months | Investment Performance and Risk Analyst, Milford Asset Management | 1 years, 2 months |
| Jason Watson | Head of Advice, JMI Wealth Limited | 3 years, 2 months | Regional Manager Private Bank, ANZ | 5 years, 2 months |

Further information

You can also obtain this information, the PDS for the Clarity Funds, and some additional information from the offer register at www.business.govt.nz/disclose.

Notes

- As the Fund commenced operations on 3 April 2017, a combination of actual fund returns and market index returns were used to determine the risk indicator. Therefore, it may provide a less reliable indicator of potential future volatility. For the five-year period ending 30 June 2020, market index returns have been used to 2 April 2017 with actual fund returns used for the balance of the period.