

CLARITY DIVERSIFIED INCOME FUND

Performance Comments

The asset value of the Fund at 30 June 2018 was \$6.1 million and its price was \$2.5767, a rise of +2.4% over the quarter, including the 2 cents quarterly distribution. This compares with the Fund's composite index return of +0.9%, which was an outperformance of +1.5%.

The Fund aims to achieve returns over the medium-term by investing in a portfolio of well-diversified income-oriented securities. It favours securities that produce higher earnings and dividend yields. The Fund may invest in managed funds (including the Clarity Dividend Yield Fund and the Clarity Fixed Income Fund), directly-held shares, cash and fixed interest securities primarily in Australasia. It may also invest in other assets on other listed sharemarkets.

As at 30 June 2018, the investments of the Fund were:

	\$'000	%
Cash and Cash Equivalents	599	9.9
Clarity Fixed Income Fund	3,822	63.0
Clarity Dividend Yield Fund	1,648	27.1
	6,069	100

This Fund invests mainly in fixed interest assets and cash with a relatively small exposure to shares.

This Fund makes a regular distribution of income of 2 cents per quarter, i.e. 8 cents per annum.

For the 30 June quarter, the Fund's major investments performed against their respective benchmarks as follows:

	Actual Return %	Benchmark Return%
Clarity Fixed Income Fund	+1.0	+0.5
Clarity Dividend Yield Fund *	+7.1	+7.9

* Note: this Fund has about 21% of its investments in the listed Australasian property sector.

Fund Performance

The Clarity Diversified Income Fund has performed as follows:

To 30 June 2018	3 months (%)	12 months (%)
Fund net return *	+2.4	+5.3
Benchmark Index **	+0.9	+3.5
Difference	+1.5	+1.8

* 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.

Benchmark index details are included in the Quarterly Fund Update which is available at <https://clarityfunds.co.nz/funds/>.

Outlook

The quarter provided positive returns for both the fixed interest securities and shares sectors. This Fund has the majority of its exposure to the former sector.

In this quarter, the US 10-year treasury bond yield breached the 3% level for the first time since early 2014. Nevertheless, the New Zealand bond market performed relatively well as our interest rate differentials with the US narrowed considerably. Over the quarter, funds with shorter durations (like the Clarity Fixed Income Fund) performed relatively well.

In this quarter, shares resumed strong positive growth, as the underlying fundamentals for the global economy remain strong, leading to strong earnings and dividend growth for many companies.

A diversified approach to portfolio construction 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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