

## CLARITY DIVIDEND YIELD FUND

### Performance Comments

The asset value of the Fund at 30 June 2018 was \$84.0 million and its price was \$1.4676, a rise of +7.1% over the quarter, including the 1.7 cent distribution. This compares with the Fund's composite index return of +7.9%, which was an underperformance of -0.8%.

In the Fund's 75/25 composite index, there was a +7.7% rise in the NZX50 Portfolio Index and an 8.5% rise in the ASX200 Accumulation Index (in Australian dollar terms, as this Fund hedges its currency risk).

The portfolio's actual asset mix at quarter end was 57% in New Zealand securities, 35% in Australian securities, 5% in cash, and 3% in bonds.

In New Zealand, the Fund's largest above-index performances derived from its holdings in Kathmandu +22.3%, Fletcher Building +20.4% and Tourism Holdings +11.8%.

The largest detractors in the quarter were Heartland Bank -3.4% and Air New Zealand -1.7%.

Relative performance in New Zealand was hindered by the Fund's nil holdings in several growth shares like Synlait Milk +36.4%, Ryman Healthcare +14.1% and F&P Healthcare +14.1%.

In Australia, the Fund's better performing holdings were Lend Lease +14.4%, Alliance Aviation Services +13.5% (see \* below) and ANZ Bank +9.5%, while the underperformers were Caltex +3.6%, National Australia Bank +1.2% and the Bank of Queensland -2.0%.

Relative performance in Australia was hindered by the Fund's nil holdings in several growth shares like Xero +34.6% and CSL +23.9%.

The Fund holds about 21% of its investments in the high-yielding Australasian listed property sector.

In the quarter, New Zealand stocks in general in this sector performed relatively well; the two better performers for the Fund were Goodman Property +10.5% and Argosy Property +8.9%.

In Australia, the sector likewise performed well. The two better performers for the Fund were Scentre Group +14.6% and GPT Group +9.4%.

\* Alliance Aviation Services is a smaller-cap Australian air charter operator that provides aviation services to the tourism and resource sectors.

### Fund Performance

The Clarity Dividend Yield Fund has performed as follows:

To 30 June 2018	3 months (%)	12 months (%)
Fund net return *	+7.1	+11.1
Benchmark Index **	+7.9	+16.6
Difference	-0.8	-5.5

\* 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/dividend-yield-fund>.

### Outlook

While volatility increased sharply in the first quarter this year, the second quarter has resumed steady capital growth and we do not believe that the bull market in equities has quite come to an end.

The underlying fundamentals of the global economy, as well as New Zealand and Australia, remain very strong and this is contributing to the strong upward revisions to revenues and earnings for companies around the world.

While we are cautious in New Zealand and Australia of the current high valuations, we continue to prefer value stocks. This view has resulted in an underperformance to the benchmark as growth stocks have outperformed over the last 12 months. We continue to believe that buying stocks at good value, with sustainable earnings, is the prudent approach in the current part of the cycle. This investment philosophy may result in periods of underperformance, but experience has shown that over a full market cycle this policy has delivered creditable results for our clients.

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

**Information and Disclaimer:** This report is for information purposes only. It does not take into account your investment needs or personal circumstances and so is not intended to be viewed as investment or financial advice. Should you require financial advice you should always speak to your Authorised Financial Adviser. The price, value and income derived from investments may fluctuate because values can go down as well as up and investors may get back less than originally invested. Past performance is not indicative of future results and no representation or warranty, express or implied, is made regarding future performance. Reference to taxation or the impact of taxation does not constitute tax advice. The levels and bases of taxation may change. Where an investment is denominated in a foreign currency, changes in rates of exchange may have adverse effect on the value, price or income of the investment. This report has been prepared from published information and other sources believed to be reliable, accurate and complete at the time of preparation. While every effort has been made to ensure accuracy Clarity Funds Management, nor any person involved in this publication, accept any liability for any errors or omission.