

CLARITY FIXED INCOME FUND

Performance Comments

The asset value of the Fund at 31 March 2018 was \$109.7 million and its price was \$1.0970 per unit, an increase of +0.7% over the quarter, including the 0.75 cent distribution.

This compares with the Fund's benchmark, i.e. the S&P NZX 90-day Bank Bill Index of +0.5%, an outperformance of +0.2%. The outperformance was derived from the Fund's short duration of about 2.8 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 31 March 2018	Portfolio %
Banks	52.9
Electric	11.2
Diversified Financial Services	6.5
Telecommunications	5.1
Multi-National	4.6
Property	4.3
Engineering & Construction	3.6
Food	2.9
Municipal	2.3
Auto Manufacturers	1.8
Oil & Gas	1.3
Building Materials	1.3
Ports	1.0
Investment Companies	0.9
Transport	0.3
	<u>100</u>

Credit Ratings – As at 31 March 2018	Portfolio %
AA- to AAA	41.3
A- to A+	28.1
BBB- to BBB+	26.1
BB+ or below	4.5
	<u>100</u>

Fund Performance

The Clarity Fixed Income Fund has performed as follows:

To 31 March 2018	3 months (%)	12 months (%)
Fund net return*	+0.7	+4.7
Benchmark Index**	+0.5	+2.0
Difference	+0.2	+2.7

* 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/fixed-income-fund>.

Outlook

Monetary policy is likely to remain accommodative in New Zealand for a considerable period. The Reserve Bank has left the Official Cash Rate unchanged at 1.75%.

The Fund holds bonds with 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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