

CLARITY FIXED INCOME FUND

What is the purpose of this update?

This document tells you how the Clarity Fixed Income 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 aims to provide income and capital stability over the medium term by investing in a well-diversified portfolio of mainly New Zealand fixed interest securities. Primarily comprised of New Zealand corporate bonds, bank securities, local authority stock and cash but it may also invest in international fixed interest securities and exchange traded funds.

Total value of the fund	\$ 109,714,361
The date the fund started	13 May 2014

What are the risks of investing?

Risk indicator for the Clarity Fixed Income 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 31 March 2018. 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.

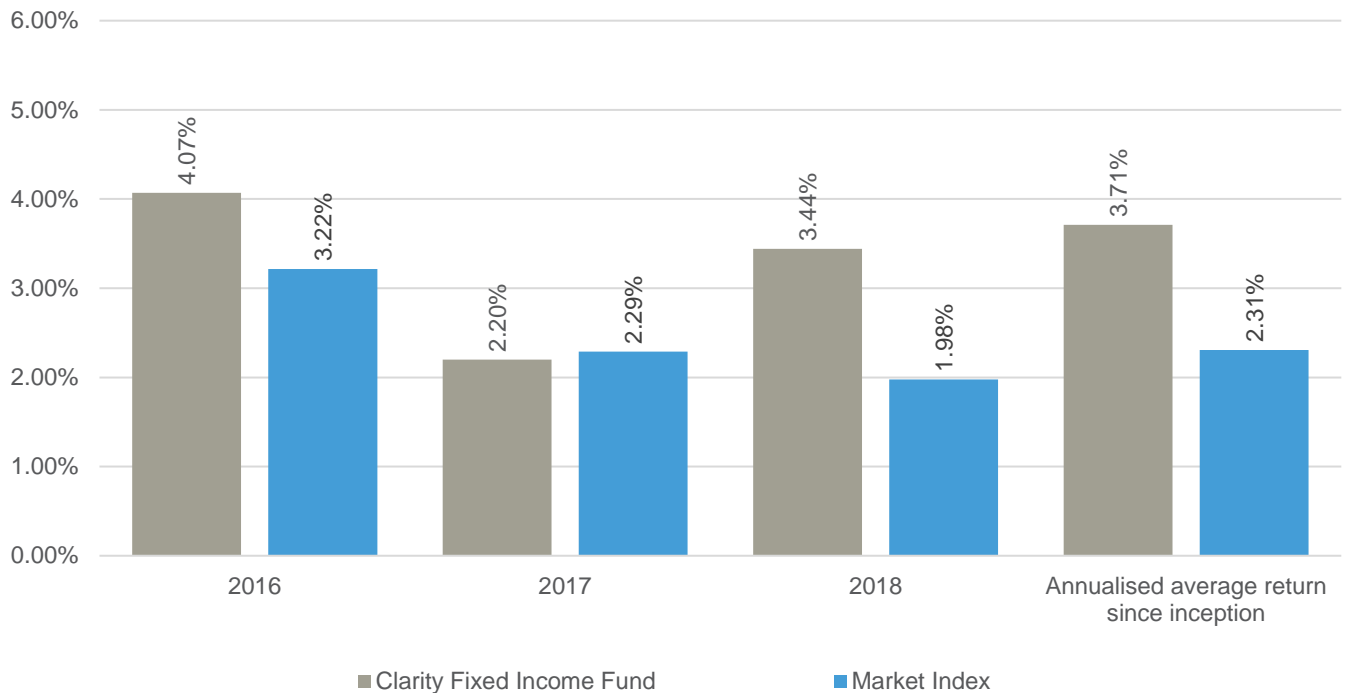
See the Product Disclosure Statement (PDS) for more information about the risks associated with investing in this fund.

How has the fund performed?

	Past year
Annual return (after deductions for charges and tax)	3.44%
Annual return (after deductions for charges but before tax)	4.69%
Market index annual return (after deductions for charges and tax)	1.98%

The market index annual return reflects the return for the S&P/NZX Bank Bills 90-Day Index. 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 31 March 2018.

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 Fixed Income Fund are charged fund charges. In the year to 31 March 2017 these were:

	% of net asset value
Total Fund Charges (incl GST)	0.72%
Comprising management and administration charges which are made up of:	
Manager's basic fee	0.41%
Other management and administration charges	0.31%

There are no performance fees charged in relation to the Clarity Fixed Income 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

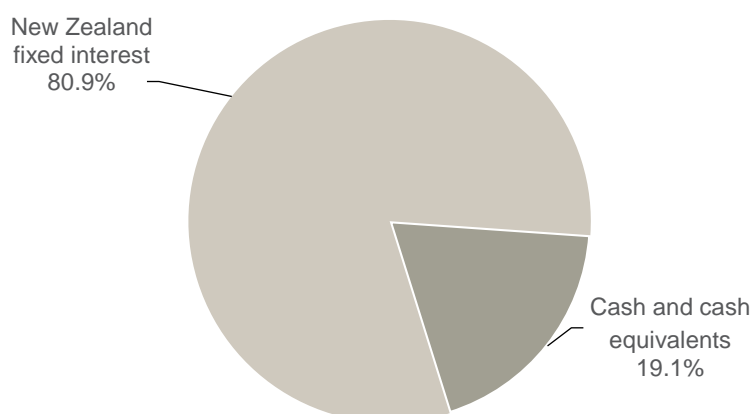
Small differences in fees and charges can have a big impact on your investment over the long term.

Sarah had \$100,000 in the Clarity Fixed Income Fund at the start of the year and did not make any further contributions. At the end of the year, Sarah received a return after fund charges were deducted of \$4,690 (that is 4.69% of her initial \$100,000). Sarah does not pay any other charges. This gives Sarah a total return after tax of \$3,440 for the year.

What does the fund invest in?

This shows the types of assets that the Clarity Fixed Income Fund invests in

Actual investment mix



As at 31 March 2018, the Fund does not currently have any exposure to international fixed interest, therefore no hedging is required.

Target investment mix

Asset sector	Target Asset Allocation %	Range %
Cash and cash equivalents	5	0 - 40
New Zealand fixed interest	95	60 - 95
International fixed interest	0	0 - 20
Other assets	0	0 - 10
Total asset allocation	100	

Top 10 investments

Name	Country	Type	Credit rating (if applicable)	% of net asset value
1 NZD Cash at Bank	New Zealand	Cash and Cash Equivalents		4.86%
2 ANZ Bank New Zealand 3.75% 1/09/2022	New Zealand	New Zealand Fixed Interest	AA-	4.62%
3 Bank of China Term Deposit 3.69% 06/12/2018	New Zealand	Cash and Cash Equivalents		4.61%
4 International Bank for Reconstruction & Development 3% 2/02/2023	New Zealand	New Zealand Fixed Interest	AAA	4.58%
5 Westpac New Zealand 3.72% 23/03/2023	New Zealand	New Zealand Fixed Interest	AA-	4.57%
6 China Construction Bank New Zealand 3.932% 9/11/2022	New Zealand	New Zealand Fixed Interest	A	3.73%
7 Bank of New Zealand 5.57% 25/06/2019	New Zealand	New Zealand Fixed Interest	AA-	3.46%
8 Chorus 4.12% 6/05/2021	New Zealand	New Zealand Fixed Interest	BBB	3.13%
9 GMT Bond Issuer 4% 1/09/2023	New Zealand	New Zealand Fixed Interest	BBB+	2.96%
10 Rabobank Term Deposit 3.95% 01/03/2019	New Zealand	Cash and Cash Equivalents		2.74%

The top 10 investments make up 39.26% 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, JMIS Limited and Clarity Funds Management Limited	12 years, 9 months	Director, Jarden Morgan Investment Services Limited	4 years, 0 months
Andrew Kelleher	Director, JMIS Limited and Clarity Funds Management Limited	9 years, 11 months	Acting Managing Principal, ASB Securities Limited and Investment Consultant, ASB Limited	3 years, 5 months
Jason Watson	Head of Advice, JMIS Limited	0 years, 11 months	Regional Manager Private Bank, ANZ	5 years, 2 months
Ian Arkle	Investment Executive, JMIS Limited	6 years, 8 months	Investment Manager, NZ Guardian Trust	6 years, 0 months
Jonathan Westoby	Investment Executive, JMIS Limited	12 years, 0 months	Stockbroker, Macquarie Group	12 years, 8 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

1. As the Fund commenced operations on 13 May 2014, 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 31 March 2018, market index returns have been used to 12 May 2014 with actual fund returns used for the balance of the period.

If you have any questions please contact us on +64 09 308 1450
or visit our website www.clarityfunds.co.nz