



OTHER MATERIAL INFORMATION RELATING TO THE CLARITY FUNDS

2 JULY 2018

CONTENTS

1. IMPORTANT INFORMATION.....	4
2. MORE INFORMATION ON THE SCHEME AND THOSE INVOLVED	5
ABOUT THE MANAGER.....	5
ABOUT THE SUPERVISOR.....	6
WHO ELSE IS INVOLVED?	7
3. MORE INFORMATION ABOUT HOW THE FUNDS WORK.....	8
ASSET VALUATIONS	8
RESTRICTIONS ON WITHDRAWALS	8
BORROWING	8
CLOSURE OF A FUND.....	8
4. LIMITATION OF SUPERVISOR’S AND MANAGER’S LIABILITIES	9
5. INVESTOR LIABILITY	9
6. CAN THE INVESTMENT BE ALTERED?.....	9
7. MATERIAL CONTRACTS.....	10
8. CONFLICTS OF INTEREST	11
9. FURTHER INFORMATION ABOUT FEES AND EXPENSES	11
10. WHAT TAXES WILL YOU PAY?.....	12
11. ADDITIONAL INFORMATION ABOUT RISKS.....	14
12. FINANCIAL STATEMENTS AND AUDITOR’S REPORT.....	15
13. INFORMATION ON MARKET INDICES	15
14. NO GUARANTEE.....	15

1. IMPORTANT INFORMATION

This is an important document in relation to an investment in the Clarity Funds. It contains material information that is not contained in the Product Disclosure Statement (**PDS**) or other documents available on the Scheme Register at www.business.govt.nz/disclose.

Clarity Funds Management Limited is the Manager of the Clarity Funds and is referred to as “**Clarity**”, “**Manager**”, “**us**” or “**we**”, in this document. Any reference to “**you**” or “**your**” refers to you, or any other investor in the Scheme.

We refer in some places to things that we “generally”, “normally” or “currently” do. This describes our practice as at the date of this document only. We can review and change our practices without notice to you, so long as we comply with the requirements set out in the Trust Deed.

This document has been prepared to meet the requirements of section 57(1)(b)(ii) of the Financial Markets Conduct Act 2013 and components of clause 52 of Schedule 4 of the Financial Markets Conduct Regulations 2014.

All legislation referred to in this Document can be viewed at www.legislation.govt.nz.

Capitalised words that appear in this document have the same meaning as stated in the Clarity Funds Trust Deed dated 5 September 2016 (**Trust Deed**), unless they are otherwise defined.

2. MORE INFORMATION ON THE SCHEME AND THOSE INVOLVED

The Clarity Funds are governed by the Trust Deed and invested in accordance with the Statement of Investment Policy and Objectives dated 3 April 2018 (SIPO).

The Funds are established within a registered managed investment scheme under the Financial Markets Conduct Act 2013 (FMC Act), scheme number SCH10600 (Scheme). The operation of the Scheme is governed by the FMC Act. The FMC Act may be amended from time to time and any such amendment may have an impact on the Scheme.

The Clarity Scheme currently comprises six investment funds (Clarity Funds or Fund), as detailed in the Clarity PDS:

Fund	Fund Establishment Date
Trans-Tasman Fund	1 November 2007
Dividend Yield Fund	29 October 2013
Fixed Income Fund	13 May 2014
Global Shares Fund	15 March 2017
Diversified Income Fund	15 March 2017
Diversified Growth Fund	15 March 2017

Each of the Clarity Funds is a separate and distinct trust fund with its separate assets and liabilities governed by the terms and conditions detailed in each Fund's Establishment Deed. All investments made for a Fund are held by the Supervisor, or its nominee, as the exclusive property of the relevant Fund and exclusively for the benefit of investors.

The process for investing in one or more Clarity Fund is set out in the PDS.

There is no maximum number or amount of units that may be issued in a Fund.

Subject to the terms of the Trust Deed, each unit in a Fund confers an equal interest in the Fund and is of equal value. Units do not confer on any investor any interest in any particular part of a Fund nor any other Fund. Investors have no right to participate in the management of the Clarity Funds.

We use best endeavours to ensure that the PDS and Register Entry for each Fund at all times complies with the terms of the Trust Deed, Financial Markets Legislation and any other applicable legislation.

You can review a copy of the Trust Deed, SIPO and PDS at any time by contacting us or electronically on the Scheme's register on www.business.govt.nz/disclose.

About The Manager

The Manager of the Clarity Funds is Clarity Funds Management Limited. We are responsible for:

- Offering the Funds;
- Issuing Units in each Fund;
- Managing and investing each Fund's investments; and
- Administering the Funds.

We have delegated some of these functions to other parties as described further in this document.

Clarity was incorporated in New Zealand under the Companies Act 1993 on 13 September 2007 and it is a registered financial services provider, FSP174204. You can find more information about us at www.business.govt.nz/fsp.

Clarity's principal activity is to manage the Clarity Funds.

Clarity's parent company is Investment Services Group Limited (ISG). ISG provides operational functions on an outsource basis to its subsidiaries, including Clarity.

Clarity's sister company JMI Wealth Limited (JMI) provides investment management functions on an outsource basis to Clarity. JMI is an investment adviser to high net worth individuals, family trusts, charitable trusts, managed investment schemes and superannuation funds.

The Financial Markets Authority (FMA) granted Clarity a licence under the FMC Act, effective 1 August 2016, as a Manager of a registered scheme (other than a restricted scheme), for a period of five years. The licence is subject to standard licence conditions that apply to all other managers of managed investment schemes. Further information about this licence can be found on the FMA's website, www.fma.govt.nz.

Neither we, nor any of our directors have, during the five years before the date of this document, been adjudged bankrupt or insolvent, convicted of any crime involving dishonesty, prohibited from acting as a director of a company, placed in statutory management or, in respect of us, placed in voluntary administration, liquidation or receivership.

The directors of Clarity are:

Alan David Lee - Auckland

Alan is an Authorised Financial Adviser. He is a founding shareholder and director of JMIS Limited, the precursor to JMI. Alan became a shareholder and director of ISG in 2017.

Alan has been working in financial and investment markets since 1978 having held fund management roles with NZI Investment Services Limited in both New Zealand and Australia, subsequently becoming Investment Manager for NZI Investment Services Limited in New Zealand.

He has also developed a strong commercial background in general management across a wide range of industries. Alan was previously executive director of Mainzeal Group Limited and chief executive of Mair Astley Holdings Limited.

Andrew Martin Kelleher - Auckland

Andrew is an Authorised Financial Adviser. He joined JMIS Limited as a shareholder and director in 2008. Andrew also became a shareholder and director of ISG in 2017.

Andrew has worked in the financial markets for over 25 years. Andrew started his career in the financial sector starting as a money market trader for ASB Bank Treasury in 1987. By 2000 he held the position of Senior Manager - Risk. He assisted with the development of ASB Securities and the development of financial services to financial intermediaries. Andrew also had responsibility for the ASB Bank Private Portfolio Service (the ASB high net worth investment service).

In 2004 he pursued an independent career, consulting to the ASB Group and other financial organisations but returned to ASB Securities to act as Managing Principal and Managing Director in 2006.

Andrew Wallace - Auckland

Andrew Wallace is a professional director and corporate advisory consultant, following an investment banking career of over 25 years. Andrew was appointed to the Clarity Board as an independent director on 27 July 2016.

As part of his investment banking career, Andrew has spent 15 years providing corporate finance advice to companies and government entities in areas of mergers, acquisitions and divestments. Sectors that Andrew has advised on during his career include funds management, dairy and agri related business and infrastructure.

Prior to working in the corporate advisory industry in New Zealand, Andrew spent 10 years working for Bankers Trust in New Zealand, London and New York in the treasury and global markets trading areas managing foreign exchange, interest rate and equities risk for the bank.

Our directors may change from time to time, without notice.

Additional information about the Manager and its directors can be found on our website, www.clarityfunds.co.nz.

About The Supervisor

The New Zealand Guardian Trust Company Limited (**Guardian Trust**) is the Supervisor of the Clarity Scheme.

On 17 March 2018, the Supervisor was granted a licence pursuant to the Financial Markets Supervisors Act 2011. The licence is subject to reporting conditions and expires on 16 March 2023. Further information on Guardian Trust and its role as the Clarity Scheme Supervisor can be found on <https://www.guardiantrust.co.nz/services/managed-investment-schemes/>.

As Supervisor, Guardian Trust is responsible for:

- Acting on behalf of investors in relation to matters connected to the Clarity Scheme including any contravention of our issuer obligations.
- Supervising the performance of our functions as Manager of each Fund, our compliance with our Manager obligations, our financial position and the financial position of the Fund to ascertain that it is adequate.
- Custody of the Scheme's assets, or ensuring that investments are held, in accordance with the FMC Act.
- Performing or exercising any other functions, powers, and duties conferred or imposed on it as a Supervisor under the FMC Act, the Financial Markets Supervisors Act 2011, and the Trust Deed.

Guardian Trust has nominated BNP Paribas Fund Services Australasia Pty Limited (**BNP Paribas**) as the custodian to hold the Scheme's assets. Guardian Trust retains primary responsibility for the custody of the Scheme's assets.

As required by the FMC Act, the Supervisor and Custodian are independent of us.

2. MORE INFORMATION ON THE SCHEME AND THOSE INVOLVED - CONTINUED

Who else is involved?

Name	Role	Description
BNP Paribas Fund Services Australasia Pty Limited (BNP Paribas)	Custodian	The Supervisor has delegated its function of holding Scheme property to BNP Paribas. As required by the FMC Act, the Supervisor and the Custodian are independent of Clarity.
JMI Wealth Limited (JMI)	Investment Manager	JMI has been appointed by the Manager as Investment Manager for the Clarity Funds. It performs functions relating to the selection of assets and investment decision-making for the Fund portfolios, in accordance with the defined parameters and requirements set out in the SIPO.
MFS International Australia Pty Limited Boston (MFS Australia)	Investment Manager	JMI engaged MFS Australia as a sub investment manager for the Clarity Global Shares Fund. MFS makes decisions about investments the Fund invests in, in consultation with JMI and in accordance with the Fund's objectives set out in the SIPO.
MMc Limited	Administration Manager	MMc provides fund accounting, manages the pricing and valuations of all Fund assets and calculates the Net Asset Value (NAV) of the Funds.
	Registrar	The Manager has delegated responsibility to MMc for keeping and maintaining an up to date register of investors for the Fund (Register). The Register is audited annually. Investors may inspect the Register free of charge at any time at the offices of MMc during normal business hours.
PwC Auckland	Auditor	PwC Auckland are the auditors of the Clarity Funds. PwC is a registered audit firm under the Auditor Regulation Act 2011. Additional details can be found at www.business.govt.nz/companies/auditors-register . Neither PwC Auckland, nor any employee of PwC Auckland is a director, officer or employee of the Manager or the Supervisor.
DLA Piper New Zealand	Solicitors	DLA Piper New Zealand are the solicitors for the Manager.

3. MORE INFORMATION ABOUT HOW THE FUNDS WORK

Asset Valuations

We will determine the market value of each investment and the Net Asset Value (NAV) of a Fund on a consistently applied basis approved by the Supervisor and in accordance with the provisions of the Trust Deed.

The current value of each Fund is calculated each business day.

The value is calculated by adding:

- the market value of the investments;¹ and
- income accruing from the investments; and

by deducting:

- Liabilities determined by the us, from time to time, in agreement with the Supervisor; and
- any costs, charges, or other amounts incurred or accrued.

We may make an adjustment or provisions for any amounts which in our opinion should be included or excluded to make an equitable and reasonable determination of NAV.

We may, with the approval of the Supervisor make special determinations of the NAV of a Fund if we consider that special circumstances have arisen to warrant such a determination.

Determinations of NAV take effect from the time they are made and remain in force until the next NAV determination has been made by us.

Restrictions on withdrawals

Where there is a material adverse change in the position (financial, economic or otherwise) of either a Fund, or the Manager or the Supervisor, the Manager may defer or suspend the withdrawal of all or any units in a Fund. Where withdrawal is deferred, the Manager must notify the Supervisor and where withdrawal is suspended, the Manager must:

- Notify the Supervisor of our intention to suspend withdrawal requests, sending a suspension notice to all investors;
- Where we wish to suspend withdrawal requests for a period of more than two weeks we must obtain the Supervisor's prior agreement;
- There is no limit set to the length of time such restrictions can be in place.

While restrictions are allowable under the terms of the Trust Deed, Clarity does not currently place any restrictions on withdrawals and does not intend to, except where in its opinion a material circumstance arises.

Borrowing

The Supervisor has the power to arrange for moneys to be borrowed from any person, including investors, and enter into the agreements necessary for that purpose. In certain circumstances we may direct the Supervisor to borrow money on behalf of a Fund.

The aggregate of the principal moneys borrowed or secured against the assets of a Fund together with any moneys proposed to be borrowed must not exceed the amount set out in the relevant Fund Establishment Deed.

As at the date of this document no borrowing has ever occurred for any of the Funds. Our policy is that borrowing is not permitted, however this may change in the future, in consultation with the Supervisor.

Closure of a Fund

We may resolve to close or wind up a Fund at any time.

Upon termination of a Fund the Supervisor must sell and realise the relevant Fund assets as soon as reasonably practicable, pay all liabilities, fees, costs and other expenses and distribute the balance amongst unitholders in proportion of the units held. The claims of all investors will rank equally.

The Supervisor must on a wind up of a Fund comply with the requirements of the FMC Act.

1. Term deposits are valued at face value plus accrued interest.

4. LIMITATION OF SUPERVISOR'S AND MANAGER'S LIABILITIES

Subject to proper performance of their duties under the FMC Act, the Supervisor and the Manager are entitled to be indemnified against any expense or liability incurred in performing any of their respective duties or exercising any of the functions in relation to the relevant Fund under the provisions of the Trust Deed. The indemnity does not extend to where any such expense or liability is caused by the failure of the Supervisor or Manager to show the care and diligence required by relevant legislation.

Further information in relation to the Supervisor's and the Manager's liabilities is set out in the Trust Deed.

5. INVESTOR LIABILITY

No investor is liable personally for any debt or liability (contingent or otherwise) of a Fund or liable to indemnify the Manager for debts or liabilities of the Fund.

Each investor indemnifies the Supervisor and us for tax paid or payable to an investor by a Fund.

6. CAN THE INVESTMENT BE ALTERED?

Together with the Supervisor we can, in certain circumstances, make an alteration or addition to the provisions of the Trust Deed and any Establishment Deed. These circumstances include when amendments are minor, non-prejudicial or required for compliance with relevant legislation. All changes are subject to the requirements of the FMC Act.

We can change the investment objectives and policies as set out in the SIPO. Before making any change we will consider investors' best interests and consult with our Supervisor.

Notice of any material change to the Trust Deed or SIPO will be sent to investors in advance of the change.

We may alter investment minimums at any time, accept amounts less than the required minimums and may at any time determine that no further Units will be issued at our discretion.

We, with the approval of the Supervisor, may impose new fees to those stated in the PDS. Three months' written notice must be given to investors.

Payment of withdrawal requests may be suspended or deferred, as detailed in this document and further in the Trust Deed.

We may resolve to wind up the Fund. In that case, all assets of the Fund will be realised and after the deduction of liabilities permitted in the Trust Deed, each investor will be paid out their share of the Fund proportionate to the number of Units held by them in the Fund.

We may take any action we deem appropriate to ensure the Fund remains eligible to be a PIE. This includes our ability to compulsorily withdraw an investor's Units and pay the proceeds to that investor (and Inland Revenue, as appropriate) if that investor's PIE tax liability in the Fund exceeds 50% of the value of Units held by that investor in the Fund.

If any investor's holding in any of the Clarity Funds falls below the minimum investment stated in the PDS, we may redeem the investment on your behalf, after giving you one month's notice in writing.

7. MATERIAL CONTRACTS

The following is a summary of the contracts that we consider to be material in relation to the operation of the Clarity Funds.

Trust Deed

The Funds are governed by the Trust Deed for the Clarity Funds dated 5 September 2016. Each of the Clarity Funds is a separate and distinct trust fund governed by its terms and conditions detailed in each Fund's Establishment Deed. The Trust Deed is a contract between us and the Supervisor for the benefit of investors. The Trust Deed may be amended from time to time.

A copy of the Trust and Establishment Deeds are available on the Scheme's Register at www.business.govt.nz/disclose. The Trust Deed replaces previous trust deeds that governed the Funds.

Management Agreement

We have entered into a Service Level Agreement with our sister company, JMI. Under this agreement, we have delegated investment management functions for the Funds to them. They are required to perform the functions to the standards required by the agreement and by legislation and manage the Funds in accordance with the requirements of the SIPO.

A Management Agreement between us and the Supervisor dated 1 April 2018 (as amended from time to time) sets out the arrangements between us and the Supervisor in relation to certain operational matters relating to the Scheme and the funds. The Management Agreement specifies the reporting and information to be provided by us to the Supervisor and the requirements for record keeping. Nothing in the Management Agreement limits or alters the powers of the Supervisor or our duties under the Trust Deed and applicable law.

Administration Agreement

We have entered into an agreement with MMC Limited (**MMC**) with respect to a range of administrative services required for Fund operations. This includes delegation of registry services, unit pricing and fund accounting functions to MMC.

We have also entered into a Service Level Agreement with our parent, ISG. Under this agreement, we have delegated certain middle and back office functions that enable Clarity to meet its obligations as Manager of the Funds. These functions are operationally focused including accounting, legal support, IT, marketing and HR.

Nothing in either the Management or Administration Agreements limits or alters our duties under the Trust Deed, our MIS Manager Licence and applicable law.

Registry Services Agreement

We have entered into an agreement with MMC for the provision of registry services for the Clarity Funds. These services include the keeping and maintaining of an up-to-date register of unitholders for each Fund and responsibilities of a PIE Investor Proxy (**PIP**) as set out in the Taxation (Savings Investment and Miscellaneous Provisions) Act 2006.

Investment Management Agreement

We have entered into an investment management agreement with MFS Australia. Under this agreement, we have delegated investment management functions for the Clarity Global Shares Funds to them. They are required to perform the functions to the standards required by the agreement and by legislation and manage the Fund in accordance with the requirements of the SIPO.

8. CONFLICTS OF INTEREST

Our directors, employees and other associated persons may choose to invest in the Clarity Funds.

Clarity has in place a Conflicts of Interest Policy to manage potential or actual conflicts of interest in a way that is fair to investors. This policy provides the process to identify, declare and monitor a potential conflict of interest.

The FMC Act imposes statutory duties on us as the Manager of the Funds to manage conflicts of interest:

- We must in performing any duties or exercising any powers, exercise the care, diligence and skill that a prudent person engaged in that profession would exercise in the circumstances; act honestly in acting as a manager; act in the best interests of investors; and treat investors equitably.
- Where we delegate out some or all of our functions as manager to other parties we must ensure that those functions are performed in the same manner, and subject to the same duties and restrictions, as if we were performing them directly. We must also monitor the performance of those functions.

We have built these statutory controls into our internal compliance processes and procedures.

We will not enter into transactions with related parties who may benefit from those arrangements, except as agreed with our Supervisor and as permitted under the provisions of the FMC Act.

9. FURTHER INFORMATION ABOUT FEES AND EXPENSES

The total annual fund charges payable by an investor are detailed in the PDS.

We and the Supervisor may also recover expenses from each Fund. Expenses chargeable to a Fund include brokerage, accounting fees, legal fees, valuation fees, audit fees, Supervisory fees, FMA levies and any other costs incurred by us in administering a Fund. We have assumed that these fees and costs will not materially alter from year to year.

The cap on management and administration charges does not include any extraordinary expenses as permitted by the Trust Deed.

Charges and expenses are deducted from the applicable Fund, and reflected in that Fund's unit price.

Actual fund charges for the previous 12 months will be available in the latest fund update.

We do not currently impose, nor intend to introduce, any performance fees for any of the Clarity Funds. Under the terms of the Trust Deed we may do so. If Clarity invests in other funds, those funds may charge fees, including performance fees. These fees are included in the total annual fund charges in the PDS.

We may agree with our Supervisor to vary or introduce new fees at any time, subject to the provisions set out in the Trust Deed.

All fees and expenses are stated on a GST exclusive basis. Further information on GST can be found on the IRD website: www.ird.govt.nz

Details of any Manager, Supervisor or other fees deducted from the Fund will be included in the annual financial statements for the Fund.

10. WHAT TAXES WILL YOU PAY?

This section briefly summarises the taxation regime as it applies to the Clarity Funds. It is intended as a general guide only. All investors have different taxation positions and you should seek your own tax advice prior to investing.

The Funds are Portfolio Investment Entities. You must advise us of your Portfolio Investment Rate (PIR) and your IRD number when you apply to invest in any of the Clarity Funds. You must also notify us if your PIR changes at any time. If you do not provide your PIR to us, you will automatically be taxed at the default maximum rate of 28% of your allocated taxable income from the Fund. If you provide an incorrect PIR you may be required to include the attributed PIE income in your tax return and be liable for any additional income tax.

If there is a tax loss or there are tax credits allocated to you for a period, these will generally be available to you in the form of a rebate. If you are an individual investor, the Fund will either re-invest this rebate by purchasing Units in the same Fund on your behalf in respect of annual attributions as at 31 March or include it in the net proceeds payable to you or applied on your behalf as a result of a full withdrawal.

For non-individual investors with a 0% PIR, the tax loss may be available for offset in your tax return against other income, with any excess available to carry forward.

A switch is regarded as a withdrawal from an investment and an acquisition of a new investment. If you make an application to switch, we will pay any PIE tax at the time of the switch and will deduct any such PIE tax from the amount that is switched between Funds.

It is intended Funds will return investors' PIE tax to Inland Revenue annually, unless a full withdrawal has occurred during the year. In this case, PIE tax for an investor will be returned to Inland Revenue at the end on the month the withdrawal occurred.

There may always be future changes to the taxation legislation and tax rates which may impact each investor differently. You should always seek independent professional taxation advice for your individual circumstances.

Individuals

Individual investors who are New Zealand residents will have a PIR of either 10.5%, 17.5% or 28%.

To qualify for the 10.5% or the 17.5% PIR, you must provide us with a valid IRD number and meet the following criteria in either of the preceding two tax years (generally, a tax year is the 12-month period beginning 1 April and ending 31 March):

PIRs	New Zealand tax resident individuals who are eligible
10.5%	New Zealand tax residents who have in either of the two income tax years before the current tax year earned: <ul style="list-style-type: none">• \$14,000 or less in taxable income (excluding attributed PIE income); and have also earned• \$48,000 or less in total taxable income and attributed PIE income.
17.5%	New Zealand tax residents who do not qualify for the 10.5% rate and have in either of the two income years before the current tax year earned: <ul style="list-style-type: none">• \$48,000 or less in taxable income (excluding attributed PIE income); and have also earned• \$70,000 or less in total taxable income and attributed PIE income
28%	New Zealand tax residents who do not qualify for the 10.5% or 17.5% rates or who do not notify a PIR.

If you do not qualify for the 10.5% or 17.5% PIR, your PIR will be 28%. The maximum PIR for an individual investor is 28%.

If you provide a PIR that is lower than your correct PIR, you will be required to include the attributed PIE income from the Funds in your tax return.

If you have provided your correct PIR you will not be required to file a tax return in relation to the allocated taxable income.

If the investments are jointly held by individuals, then the highest PIR declared must be used.

10. WHAT TAXES WILL YOU PAY? - CONTINUED

Non-individuals

Trustees

PIRs	Trustees ¹ who are eligible
0%	New Zealand tax resident trustees who do not elect a higher rate.
10.5%	New Zealand tax resident trustees of certain testamentary trusts who notify this rate.
17.5% or 28%	New Zealand tax resident trustees who notify this rate.
28%	Non-New Zealand tax resident trustees.

If you have a 0% PIR you will be required to include your PIE income (or loss) in your tax return and you will be liable for the income tax on the PIE income attributed to you.

Other Investors

PIRs	Trustees who are eligible
0%	New Zealand tax resident trustees who do not elect a higher rate.
10.5%	New Zealand tax resident trustees of certain testamentary trusts who notify this rate.

If you have a 0% PIR you will be required to include your PIE income (or loss) in your tax return and you will be liable for the income tax on the PIE income attributed to you.

Foreign Residents

If you are not a New Zealand resident your allocated income will be taxed at 28%. We will account to Inland Revenue directly for tax on a non-resident investor's allocated income.

You should note that the Commissioner of Inland Revenue can require us to disregard a PIR notified by an investor if the Commissioner considers the rate to be incorrect. The default PIR of 28% would then apply in respect to that investor.

Taxation of Share Investments

As the Fund is a PIE, any capital gains made by a Fund in respect of shares in New Zealand resident companies and certain Australian resident listed companies will be excluded from the calculation of taxable income. Dividends received in relation to these shares will be taxable.

Shares in Australian resident companies that do not meet the criteria exclusion from the calculation of taxable income are generally not held by the Funds. If such shares are held, they will be taxed pursuant to the fair dividend rate (**FDR**) calculation method. Under FDR, the Fund will be deemed to have derived income equal to 5% of the opening market value of the relevant shares. Any dividends or other distributions flowing from the relevant shares will not be separately taxed in New Zealand under FDR.

Any losses in respect of holdings in the relevant shares are not deductible to the Fund for tax purposes.

Other income of the Fund will be subject to the relevant normal tax rules. Tax may be imposed in overseas jurisdictions in relation to overseas investments (although this may give rise to a tax credit in New Zealand).

1. in this table, excluding trustees of unit trusts or charities

11. ADDITIONAL INFORMATION ABOUT RISKS

All investments carry some level of risk. The main risks faced by you as an investor is that you may not receive the returns you expect, that the capital value of your investments may end up less than you originally invested, or that you may be unable to withdraw your money when you need it. In any event, no investor will be required to pay more money than the amount they invest into a Fund.

No person, including the Supervisor or the Manager or their respective directors and shareholders guarantees the performance of a Fund, any particular rate of return, or the return of an investor's capital. An investor's investment is not secured against any assets.

The risks set out below are supplemental to the general risks disclosed in the PDS. We describe what steps we take to mitigate these risks (where possible). There may be other risks that arise from time-to-time which are not included, therefore we recommend that you seek professional advice before investing in any of the Clarity Funds to understand what risks are associated with this type of investment, especially in relation to your personal circumstances.

Risk	Likelihood of Impact	Magnitude of Impact
General Risks		
Tax risk Changes in taxation rates and tax rules may materially impact your investment returns. The taxation assumptions used are based on existing New Zealand tax legislation. You should consult your tax adviser before investing in the Fund.	Low	Low
Liquidity risk You may not easily be able to withdraw your investment without a lengthy delay and/or an effect on the price you may receive for your investment. This may be because of inadequate market depth or disruptions in the market place. Securities of small companies may from time to time, especially in falling markets, become less liquid. Only a small proportion of the Fund is likely to be exposed to such small companies, and the risk that this exposure may affect your returns is low.	Low	Low
Industry sector risk This is the risk associated with a particular sector of the market. Particular industry sectors can experience challenging market conditions from time-to-time. This may expose your investment to a risk of reduced returns. This risk is reduced by diversification across a number of different market sectors.	Low	Low
Currency risk As a portion of a Fund's investments may be invested internationally, returns may be affected by movements between the New Zealand dollar and international currencies. This risk can be reduced by the use of forward contracts that will lock in an exchange rate for a currency transaction at a future date, known as 'hedging'.	Low	Low
Operational Risks		
Operational risk This is the risk resulting from the failure of processes, systems and people or external events. This can include business systems or process failures; human error or failure; fraud; data integrity risk; security risk and non-compliance with legal and regulatory obligations. We have established processes to mitigate these risks, where possible.	Medium / Low	Low
Service provider risk If any parties involved in the operation of the Fund (including the Custodian and Administration Manager) fail to perform their obligations, there is the risk that this could adversely affect investors.	Low	Medium
Investment manager risk This risk is related to the key professionals involved in the Funds whose departure could impact its performance. The Manager will only appoint investment managers who have taken appropriate steps to address key person risk. This reduces the potential effect on your investment if one key professional leaves the investment manager.	Medium / Low	Medium / Low

12. FINANCIAL STATEMENTS AND AUDITOR'S REPORT

Clarity is responsible for preparing the Financial Statements in respect of the Funds at the end of each financial year. The Funds all have 31 March balance dates. The Funds' financial statements for the most recent accounting period will be uploaded to the Scheme Register by 31 July that year.

The Funds' financial statements are audited by a qualified auditor, currently PwC Auckland. The auditor's audit report on the financial statements will accompany the financial statements uploaded to the Scheme Register each year. The auditor's report on the most recent financial statements was not qualified in any respect.

We provide a copy of the financial statements to investors.

13. INFORMATION ON MARKET INDICES

The Funds' returns are measured against appropriate market indices as set out in the SIPO and the PDS. The use of market indices can assist investors to compare a Fund's returns.

More information about these market indices can be found at the following web pages:

- NZX50 Portfolio Index: www.nzx.com/markets/nzxx/indices/NC50
- ASX200 Accumulation Index: www.asx.com.au/products/capitalisation-indices
- S&P/NZX Bank Bills 90-Day Index: <http://us.spindices.com/regional-exposure/asia-pacific/new-zealand>
- MSCI All Country World ex-Tobacco Index: <https://www.msci.com/indexes>

Accumulation indices assume that all dividends are reinvested and so measure both growth and dividend income. Non-accumulation or price indices do not take dividends into account and thus measure price movements only.

The indices used may be replaced from time to time, in consultation with our Supervisor and in accordance with the FMC Act, without notice to investors.

14. NO GUARANTEE

None of the Manager, the Supervisor, their respective directors or any other person guarantees any particular return nor the repayment of your investment in a Clarity Fund.



Clarity Funds Management Limited Level 1, 87 Hurstmere Road PO Box 33-1106 Takapuna
Auckland 0740 New Zealand P: +64 09 308 1450 E: info@clarityfunds.co.nz