

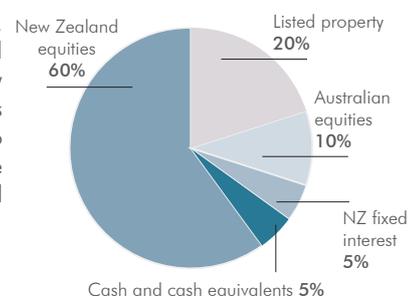
## CLARITY DIVIDEND YIELD FUND

The Fund is focussed on generating a sustainable stream of dividend income from a diversified selection of good quality Australasian companies. The corollary to this is the Fund should generally exhibit lower risk than the broader market. August provided a good example of both qualities. Firstly, of the 17 companies held in the Fund which reported results during the month, each declared dividends above or equal to the previous year. Secondly, in a month that saw a global equity market swoon and the return of market volatility, the Fund materially outperformed. Spark NZ was of particular focus going into results season with some speculation the dividend may be reduced to protect the company's very strong credit rating. But operational performance was strong, and the new CEO signalled a conservative approach to spending on Spark Sport and 5G, which underscored confidence in the sustainability of the dividend and saw the shares rally over 11%.

### Performance

As at 31 August 2019	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Dividend Yield Fund*	2.3%	7.2%	13.7%	11.8%	13.6%	14.6%
Benchmark Index**	-0.7%	6.1%	14.5%	13.2%	9.1%	8.3%

### Target investment mix<sup>1</sup>



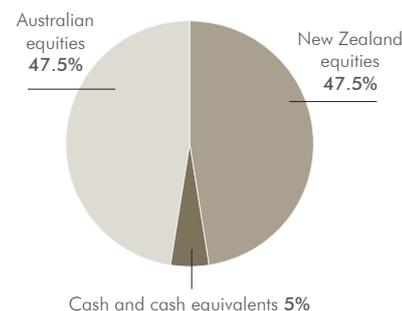
## CLARITY TRANS-TASMAN FUND

August saw a bout of risk aversion hit equity markets globally as trade tensions flared again, although New Zealand and Australia managed to recoup most of their losses by the end of the month. They were buoyed by a generally benign results reporting season, and in New Zealand, an unexpectedly large reduction in the RBNZ Official Cash Rate. Contact Energy (+11%) was the largest contributor to the Fund, reporting another solid set of results plus an increased dividend which drew further interest from a yield-hungry market. In Australia, building products company James Hardie (+13%) indicated a strong outlook for growth in the United States, its key market. A2 Milk (-20%) was the weakest performer in the Fund as it gave the investors a reality check on the profit margins it expects to earn in future, although this should be viewed in context of a share price still up around 30% in 2019.

### Performance

As at 31 August 2019	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Trans-Tasman Fund*	0.6%	2.7%	-1.9%	7.6%	8.3%	9.4%
Benchmark Index**	-0.2%	5.7%	11.7%	13.2%	11.6%	5.2%

### Target investment mix<sup>1</sup>



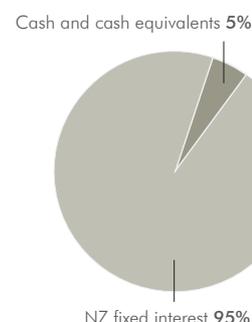
## CLARITY FIXED INCOME FUND

It was another strong month for the Fund as interest rates continued to decline on the back of the Reserve Bank of New Zealand's decision to cut the official cash rate (OCR) by a surprising 50 basis points earlier in the month. A cut had been expected but certainly not to this degree. Markets reacted swiftly with both longer-term interest rates and the currency falling. This trend continued over the month pushing the unit price to all-time highs of \$1.1545 on 13 August, prior to payment of the Fund's quarterly distribution. We saw a plethora of new local bond issuance over the period with seven transactions occurring in the second half of the month. The Fund added three new holdings being 5-year fixed rate bonds in ASB Bank, HSBC and Transpower. We expect to participate in further new issues throughout September.

### Performance

As at 31 August 2019	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Fixed Income Fund*	1.1%	2.4%	6.9%	4.7%	5.4%	5.4%
Benchmark Index**	0.1%	0.4%	1.9%	2.0%	1.2%	2.5%

### Target investment mix<sup>1</sup>



\* These returns are after deductions for charges and before tax.

\*\* Benchmark returns reflects no deduction for charges and tax. Details of these are included in the Quarterly Fund Update which is available at <https://clarityfunds.co.nz/quarterly-fund-updates-and-commentaries>.

<sup>1</sup> The current target investment mix is shown, but variations around these targets are likely from time to time.

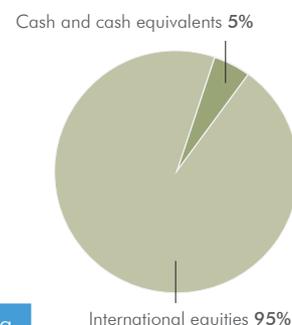
### CLARITY GLOBAL SHARES FUND

Global equity markets in August experienced a spike in volatility reflecting increased trade tensions, continued broad weakness in leading economic indicators and the inversion of the US yield curve resulted in strong performance by the most defensive areas of the market, including low-volatility stocks and bond proxies like utilities. During the month, strong stock selection in European healthcare as well as North American leisure and retailing stocks was offset by weak stock selection in North American autos & housing, financial services, healthcare and technology services stocks. At the stock level, the most significant contributor to performance was the Fund's overweight position in US retailer Target Corporation, while a notable detractor was the holding in US-based technology services company DXC Technology.

#### Performance

As at 31 August 2019	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Global Shares Fund*	-0.3%	5.8%	0.8%	N/A	N/A	8.1%
Benchmark Index**	0.0%	6.1%	2.7%	N/A	N/A	9.7%

#### Target investment mix<sup>1</sup>



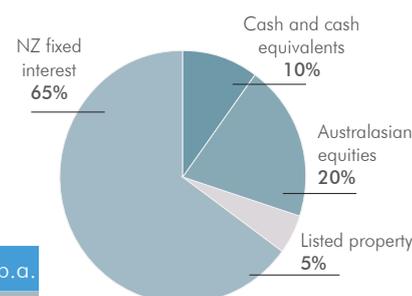
### CLARITY DIVERSIFIED INCOME FUND

The Fund achieved its objective of providing fixed income returns while providing some capital growth, returning +1.4% to unitholders in August (an outperformance of 1.1% relative to benchmark). The exposure to shares is achieved through the Fund's current 36% investment in the Clarity Dividend Yield Fund which continues to provide strong capital growth as yield companies share prices push higher while also adding to income through the dividends received. The balance of the Fund is made up of bonds, term deposits and cash equivalents. This reduces investors' exposure to volatility in sharemarkets.

#### Performance

As at 31 August 2019	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Diversified Income Fund*	1.5%	4.0%	8.7%	N/A	N/A	6.8%
Benchmark Index**	0.3%	0.8%	3.5%	N/A	N/A	3.6%

#### Target investment mix<sup>1</sup>



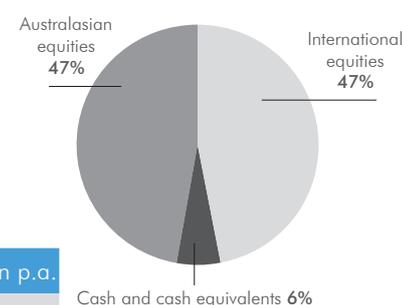
### CLARITY DIVERSIFIED GROWTH FUND

The Fund modestly outperformed the benchmark for the month of August returning +0.1% for investors (vs the benchmark of -0.1%). The Fund's 44% investment in the Clarity Trans-Tasman Fund helped relative performance while the 55% investment in the Clarity Global Shares Fund slightly detracted. The case for value investing was more evident in local markets than it was for global shares. Our view is that a shift away from popular 'growth' companies (at home and abroad), which would support relative performance, looks increasingly more likely as current sharemarket valuations push further into 'expensive' territory.

#### Performance

As at 31 August 2019	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Diversified Growth Fund*	0.1%	4.2%	-0.4%	N/A	N/A	6.5%
Benchmark Index**	-0.1%	5.9%	7.2%	N/A	N/A	11.5%

#### Target investment mix<sup>1</sup>



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