

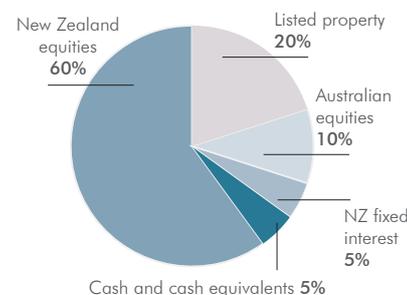
## CLARITY DIVIDEND YIELD FUND

The Fund produced another healthy return in July but could not keep up with a market driven higher by no/low dividend payers like A2 Milk and Ryman Healthcare. Top performer for the month was Alliance Aviation Services, a charter flight provider to the mining industry in Australia, whose shares rose 11% as it continued to indicate strong growth in demand for its services. Campervan rental company Tourism Holdings (+10%) rallied after announcing a capital raise and reaffirming profit and dividend guidance. The electricity sector took a breather after a very strong run, but property shares like Goodman and Property for Industry (both +6%) were solid contributors again during the month. Our holdings in smaller NZ companies were generally disappointing again with TIL Logistics (-19%), Kathmandu (-3%) and Scales (-3%) among the detractors from performance during the month.

### Performance

| As at 31 July 2019           | 1 Mth | 3 Mth | 1 Yr  | 3 Yrs p.a. | 5 Yrs p.a. | Since Inception p.a. |
|------------------------------|-------|-------|-------|------------|------------|----------------------|
| Clarity Dividend Yield Fund* | 1.4%  | 7.5%  | 11.2% | 12.1%      | 13.7%      | 14.4%                |
| Benchmark Index**            | 2.5%  | 8.4%  | 18.5% | 13.5%      | 9.3%       | 8.5%                 |

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



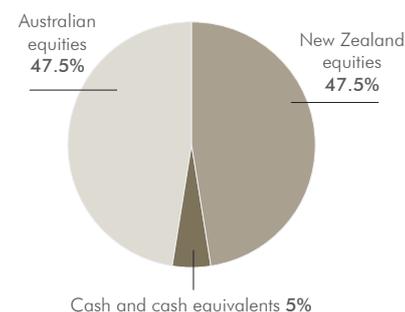
## CLARITY TRANS-TASMAN FUND

New Zealand and Australian share markets continued their march higher in July, rising 2.4% and 2.9% respectively. A2 Milk dominated proceedings locally, with New Zealand's largest listed company increasing in value by +23% or \$2.5bn, as Chinese regulatory fears subsided, supportive export data was released, and a number of brokers turned positive. We remain attracted to the A2 Milk business model and growth prospects but pared the Fund's overweight in the company during the month as the share price pushed well past our assessment of fair value. At the other end of the spectrum shares in small regional trucking company TIL Logistics suffered from a lack of market interest, falling -19% in the absence of any news. We recently met with the CEO who remains focussed on improving profitability in the important Freightling division. The Fund's modest holding in the company should benefit if this is achieved.

### Performance

| As at 31 July 2019         | 1 Mth | 3 Mth | 1 Yr  | 3 Yrs p.a. | 5 Yrs p.a. | Since Inception p.a. |
|----------------------------|-------|-------|-------|------------|------------|----------------------|
| Clarity Trans-Tasman Fund* | 1.3%  | 2.8%  | -4.6% | 8.0%       | 8.8%       | 9.4%                 |
| Benchmark Index**          | 2.7%  | 7.9%  | 14.3% | 12.9%      | 12.0%      | 5.3%                 |

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



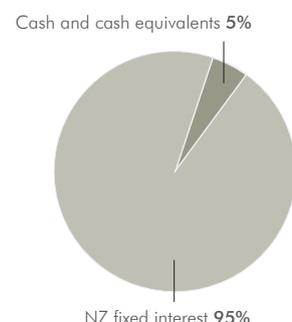
## CLARITY FIXED INCOME FUND

July was another strong month for the Fund as interest rates continued to decline on the expectation that the US Federal Reserve (the Fed) would cut rates this month. This was the case and we saw the Fed cut interest rates for the first time since the Global Financial Crisis at the end of the month. Westpac NZ came to market with a new 5-year fixed rate bond issue that was priced at 2.22% and raised \$900 million. The Fund participated in the issue which was one of the largest corporate bond issues the NZ market has seen in some time. We are cognisant of the low yield environment and at the same time continue to maintain good credit quality within the Fund.

### Performance

| As at 31 July 2019         | 1 Mth | 3 Mth | 1 Yr | 3 Yrs p.a. | 5 Yrs p.a. | Since Inception p.a. |
|----------------------------|-------|-------|------|------------|------------|----------------------|
| Clarity Fixed Income Fund* | 0.7%  | 2.5%  | 6.6% | 4.5%       | 5.3%       | 5.3%                 |
| Benchmark Index**          | 0.2%  | 0.5%  | 2.0% | 2.0%       | 2.5%       | 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.

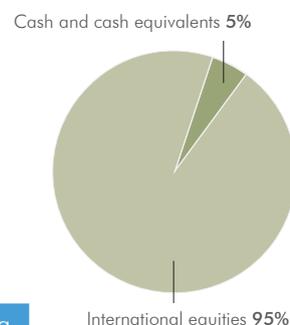
### CLARITY GLOBAL SHARES FUND

Major international share markets continued to rise in July, albeit at a slower pace than June. Expectations of dovish monetary policy, optimism about an imminent US-China trade deal (misplaced in hindsight), and encouraging earnings data all supported investor sentiment. The Fund's performance benefitted from its investment in Alphabet, the parent company of internet firm Google. Shares rose as the company reported 2Q19 results which beat expectations. Advertising revenue growth stabilised and Google Cloud Platform revenue accelerated, driving 2Q19 net revenue up 21%. Air Canada was another positive contributor with peers reporting strong domestic air traffic and load factors. On the downside the Fund was hurt by its position in Canadian methanol producer Methanex, which is struggling with low Asian plastics prices (for which methanol is an input).

#### Performance

| As at 31 July 2019          | 1 Mth | 3 Mth | 1 Yr | 3 Yrs p.a. | 5 Yrs p.a. | Since Inception p.a. |
|-----------------------------|-------|-------|------|------------|------------|----------------------|
| Clarity Global Shares Fund* | 1.4%  | 1.9%  | 3.4% | N/A        | N/A        | 8.6%                 |
| Benchmark Index**           | 1.5%  | 1.0%  | 5.1% | N/A        | N/A        | 10.1%                |

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



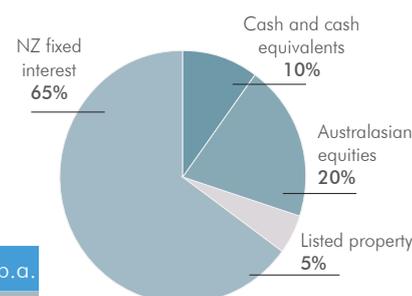
### CLARITY DIVERSIFIED INCOME FUND

Bond and share prices generally moved higher over July. This supported the Fund to deliver its objective of providing fixed income returns while providing some capital growth, returning +0.9% to unitholders in July. The exposure to shares is achieved through the Fund's investment in the Clarity Dividend Yield Fund which continues to provide some capital growth for investors in rising sharemarkets while also adding to income through dividends received. The Fund is currently made up of approximately 68% of bonds, term deposits and cash equivalents. This reduces investors' exposure to volatility in sharemarkets.

#### Performance

| As at 31 July 2019               | 1 Mth | 3 Mth | 1 Yr | 3 Yrs p.a. | 5 Yrs p.a. | Since Inception p.a. |
|----------------------------------|-------|-------|------|------------|------------|----------------------|
| Clarity Diversified Income Fund* | 0.9%  | 4.1%  | 7.7% | N/A        | N/A        | 6.3%                 |
| Benchmark Index**                | 0.3%  | 0.8%  | 3.5% | N/A        | N/A        | 3.6%                 |

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



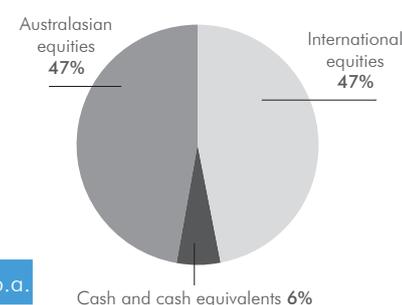
### CLARITY DIVERSIFIED GROWTH FUND

The Fund returned +1.2% during the month and continues to be supported by strong sharemarkets. While the Fund's 55% investment in the Clarity Global Shares Fund delivered in line with expectations, the 43% stake in the Clarity Trans-Tasman Fund dampened relative returns. The value investing bias of the Trans-Tasman Fund has challenged recent performance, however, our view is that a shift away from popular 'growth' companies would support relative performance and looks increasingly more likely as current sharemarket valuations push into 'expensive' territory.

#### Performance

| As at 31 July 2019               | 1 Mth | 3 Mth | 1 Yr  | 3 Yrs p.a. | 5 Yrs p.a. | Since Inception p.a. |
|----------------------------------|-------|-------|-------|------------|------------|----------------------|
| Clarity Diversified Growth Fund* | 1.2%  | 2.1%  | -0.5% | N/A        | N/A        | 6.7%                 |
| Benchmark Index**                | 2.1%  | 4.5%  | 9.8%  | N/A        | N/A        | 12.0%                |

#### 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.

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