

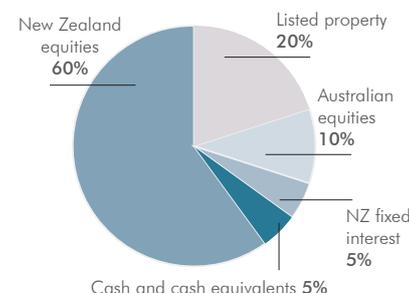
### CLARITY DIVIDEND YIELD FUND

The Fund enjoyed another strong month of returns in June. Key contributions again came from our holdings in electricity companies Meridian (+12%), Genesis (+12%) and Contact Energy (+9%). The listed property sector was also strong. Smaller companies like Turners Automotive and TLL Logistics (both -4%) continued to underperform, reflecting a further divergence in valuation between large cap and small cap companies in New Zealand. The Fund's preference for investing in defensive companies with reasonable dividend yields, alongside its current 9% allocation to bonds and cash, means in theory it will participate less in market moves both up and down (i.e. a low beta portfolio). Thus we were comfortable to modestly lag the market in a strong 'up' month like we experienced in June.

#### Performance

As at 30 June 2019	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Dividend Yield Fund*	3.4%	6.2%	10.3%	12.8%	13.7%	14.4%
Benchmark Index**	4.2%	7.1%	15.9%	12.7%	8.8%	8.2%

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



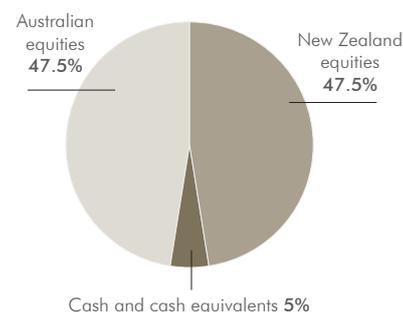
### CLARITY TRANS-TASMAN FUND

The New Zealand and Australian share markets followed global markets higher in June, rising 4.4% and 3.7% respectively. As has been repeated ad nauseam, this very strong market performance can be chiefly attributed to further declines in interest rates, rather than any aggregate improvement in company prospects. It has pushed market valuations further above long-run average levels. A prime example of this is Auckland International Airport, which rose 12% last month and is up 45% in the last year, despite forecast earnings remaining unchanged over this period. The Airport is undeniably a high-quality asset, but it offers negligible earnings growth in the near-medium term, and a miserly dividend yield of 2.3%. It is now priced at a stratospheric 43x earnings. Our value investing bias means these ultra-expensive shares are not held in the Fund, and this was one of the major detractors from relative performance during the month.

#### Performance

As at 30 June 2019	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Trans-Tasman Fund*	0.7%	3.7%	-5.5%	9.0%	9.2%	9.4%
Benchmark Index**	3.2%	7.6%	12.1%	14.3%	12.1%	5.1%

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



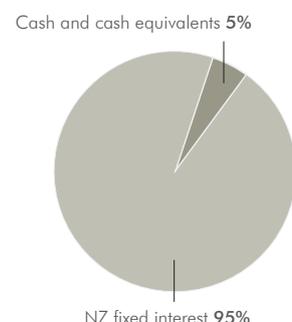
### CLARITY FIXED INCOME FUND

The Fund posted a solid return in June as bond yields both at home and abroad continued to dive lower. The Reserve Bank of New Zealand (RBNZ) reviewed the Official Cash Rate (OCR) on the 26th of June, leaving it unchanged at 1.5%. The RBNZ noted that several central banks globally are also easing monetary policy settings in an effort to support demand. Domestic growth has slowed over the past year and softer house prices and subdued business sentiment are beginning to bite. Given the weaker global economic outlook and the risk of ongoing subdued domestic growth, the RBNZ commented that a lower OCR may be needed over time to continue to meet its objectives.

#### Performance

As at 30 June 2019	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Fixed Income Fund*	0.6%	1.8%	6.1%	4.5%	N/A	5.2%
Benchmark Index**	0.1%	0.5%	2.0%	2.0%	N/A	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.

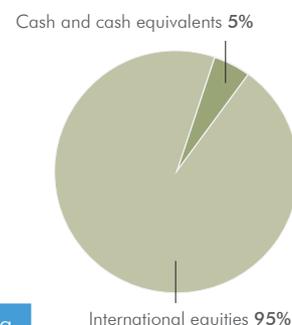
### CLARITY GLOBAL SHARES FUND

Global markets were much stronger in June (+4.6% NZD), recovering most of the losses from May's correction (-4.8%). Following suit, the Fund returned +4.7%. Overweight positions in consumer discretionary and industrial sectors contributed to performance. Noteworthy contributors included LVMH Moët Hennessy Louis Vuitton (+10%) which continues to benefit from positive investor sentiment, and Schneider Electric (+12%) which held a Capital Markets Day where management reiterated 2019-2021 ambitions and highlighted the building blocks for a further step-up in performance. Headwinds in the power industry weighed down US utility services provider Exelon due to falling future power prices and a risk of potential import tariffs on uranium by the White House.

#### Performance

As at 30 June 2019	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Global Shares Fund*	4.7%	5.1%	5.5%	N/A	N/A	8.3%
Benchmark Index**	4.6%	4.3%	6.4%	N/A	N/A	9.8%

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



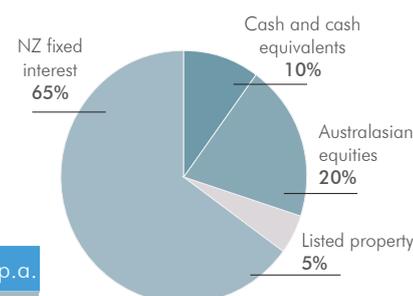
### CLARITY DIVERSIFIED INCOME FUND

Strong returns in both the Clarity Dividend Yield Fund and Clarity Fixed Income Fund resulted in the Fund outperforming its benchmark index. In a similar theme to May, positions in yield centric stocks such as Contact Energy (+9%) and Meridian Energy (+12%) in the Clarity Dividend Yield Fund contributed positively to performance. In the Clarity Fixed Income Fund, falling bond yields caused bond prices to rise and pushed the unit price to new highs. The Fund currently holds approximately 35% in the Clarity Dividend Yield Fund, 58% in the Clarity Fixed Income Fund and 7% in cash.

#### Performance

As at 30 June 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%	3.2%	7.0%	N/A	N/A	6.1%
Benchmark Index**	0.3%	0.9%	3.5%	N/A	N/A	3.6%

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



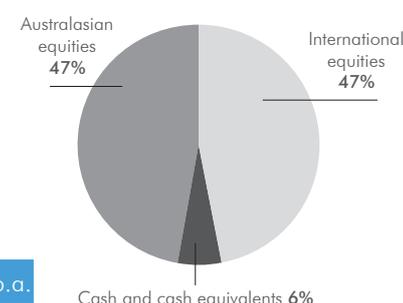
### CLARITY DIVERSIFIED GROWTH FUND

The Fund returned a healthy 2.8% during the month but underperformed its benchmark index as weak relative performance in the Clarity Trans-Tasman Fund continued to dampen returns. The value investing bias of the Trans-Tasman Fund steers it away from investing in ultra-expensive companies like Auckland International Airport which continue to find favour in the market (up a further 12% this month). Logic suggests this trend cannot be sustained but the timing for a reversal is uncertain. The Clarity Global Shares Fund performed well over the month, broadly in line with strong global markets. The Fund currently holds approximately 44% in the Clarity Trans-Tasman Fund, 53% in the Clarity Global Shares Fund and 3% in cash.

#### Performance

As at 30 June 2019	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Diversified Growth Fund*	2.8%	4.4%	0.1%	N/A	N/A	6.4%
Benchmark Index**	3.9%	6.0%	9.4%	N/A	N/A	11.4%

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



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