

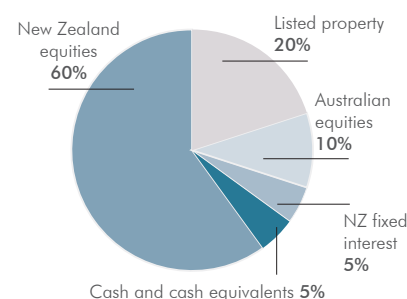
CLARITY DIVIDEND YIELD FUND

A surprise announcement from Rio Tinto casting doubt on the future of the Tiwai Point aluminium smelter derailed the NZ share market in October, weighing on the share prices of the market heavyweight electricity companies. The smelter consumes around 13% of New Zealand's electricity – a shutdown would likely see wholesale electricity prices fall, reducing the industry's earnings. Contact (-14%) and Meridian Energy (-12%), both held in the Fund, are seen as the most exposed. Whilst most expect the smelter to end up continuing to operate, the reappearance of this risk has brought the stellar share price run of the electricity companies to an emphatic end. On the positive side, shares in Alliance Aviation Services rose 10%. Alliance is a charter airline operator predominantly servicing the mining industry in Australia. It boasts excellent operating credentials and has been growing quickly in recent years, steadily adding planes to its fleet. The shares had suffered after an indicative takeover offer by Qantas was effectively blocked by the competition watchdog in Australia, but are now recovering reflecting the underlying quality of the business and attractive dividend yield.

Performance

As at 31 October 2019	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Dividend Yield Fund*	-1.9%	3.1%	19.5%	12.8%	12.9%	14.3%
Benchmark Index**	-2.4%	-1.0%	20.8%	15.0%	8.9%	8.0%

Target investment mix¹



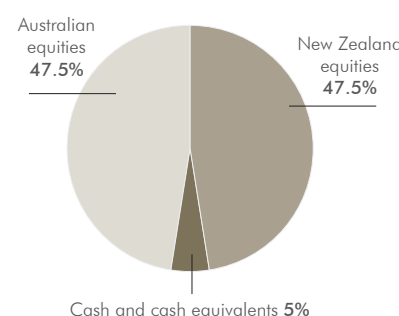
CLARITY TRANS-TASMAN VALUE FUND

Retirement village operator Metlifecare, the Fund's largest holding in New Zealand, finally found favour in October, rising 8%. The shares had been trading at a large discount to their underlying asset backing – a classic value investment – and we, along with other shareholders, had been lobbying management for some time to address this, potentially through a share buyback. The announcement of the commencement of a buyback at the AGM last month was well received by the market, and we think signals confidence in the company's outlook, which has been clouded by a weak Auckland property market and very high building costs. We continue to see upside in the shares. In Australia, we added shares in Treasury Wine Estates to the Fund during the month. Treasury, the owner of Penfolds wines among many others, has performed very well under the current CEO, following a strategy of 'premiumisation' and sales growth in China and North America. The announcement of the CEO's retirement during the month saw the shares fall 12% and we jumped on this opportunity, taking a view that the strategy he has put in place will bear fruit well beyond his tenure. The shares have subsequently retraced much of their initial fall.

Performance

As at 31 October 2019	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Trans-Tasman Fund*	-1.1%	1.5%	7.0%	6.9%	8.1%	9.4%
Benchmark Index**	-1.1%	1.1%	20.6%	14.8%	11.4%	5.2%

Target investment mix¹



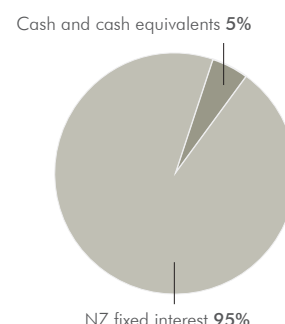
CLARITY FIXED INCOME FUND

Interest rates rose during the month as markets adopted a risk-on setting (buy equities, sell bonds). As a result, the Fund posted a small negative return, and slightly underperformed its benchmark. The Fund holdings are generally of shorter maturity than the New Zealand corporate A grade and investment grade indices. In a rising interest rate market, especially when it's a steep rise, this short duration benefits the Fund as longer-term bond prices will decrease more than shorter-term bonds. During the month Argosy Property issued a \$100 million 7-year senior secured fixed rate green bond, which the Fund purchased. Apart from that, turnover was light with only a few maturities during the month.

Performance

As at 31 October 2019	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Fixed Income Fund*	-0.3%	0.9%	6.1%	4.7%	5.0%	5.2%
Benchmark Index**	0.1%	0.3%	1.8%	1.9%	2.4%	2.5%

Target investment mix¹



* 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>.

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

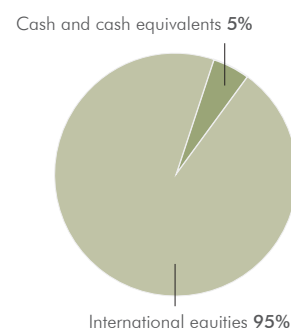
CLARITY GLOBAL SHARES FUND

Global equity markets were up in October. A third rate cut by the US Federal Reserve coupled with stronger than expected quarterly earnings and positive trade news more than offset ongoing weakness in many leading economic indicators and geopolitical issues in the UK, Hong Kong, Spain and Chile. Contributing to Fund performance for the month was positive stock selection in North American health care, energy and emerging markets technology. Stock selection in Europe also benefitted performance. This was offset by detracting factors such as the Fund's stock selection in the North American consumer staples, utilities and financial services sectors coupled with weak stock selection in the UK leisure sector which weighed heavily on results. Consequently the Fund lagged the benchmark for the month, however, given the longer-term emphasis of the Manager's research approach and the tendency for stock and factor performance to revert in the short term, monthly evaluation of the research input may not provide useful insight into the long-term drivers of performance over the Fund's investment horizon.

Performance

As at 31 October 2019	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Global Shares Fund*	0.9%	3.9%	11.7%	N/A	N/A	9.4%
Benchmark Index**	1.2%	3.7%	13.5%	N/A	N/A	10.7%

Target investment mix¹



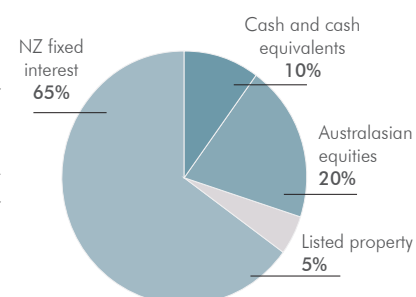
CLARITY DIVERSIFIED INCOME FUND

The Fund experienced a challenging period of rising rates which negatively affected the capital value of the bonds held in the Clarity Fixed Income Fund. Additionally, exposure to electricity companies through the Fund's investment in the Clarity Dividend Yield Fund detracted to overall performance after their shares sold off in response to news about the potential closing of the Tiwai Point smelter. Despite potential fluctuations in the underlying capital value of the securities, the fund aims to maintain a stable level of income over the long term. The Fund's current 33% investment in the Clarity Dividend Yield Fund continues to provide strong dividend income while the investment in the Clarity Fixed Income Fund continues to provide capital preservation and interest income through a diversified portfolio of fixed income securities. The recent reduction in the Fund's overweight exposure to shares (relative to target) was timely and serves as a reminder of the additional risk that shares carry.

Performance

As at 31 October 2019	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Diversified Income Fund*	-0.8%	1.6%	9.8%	N/A	N/A	6.4%
Benchmark Index**	0.2%	0.7%	3.4%	N/A	N/A	3.5%

Target investment mix¹



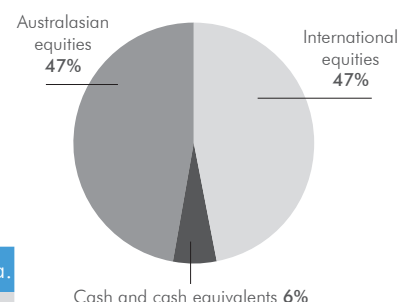
CLARITY DIVERSIFIED GROWTH FUND

International markets fared better than local markets and the combination resulted in a period of flat performance for the Fund during October. The outlook for equities continues to be balanced as the global monetary response to weaker economic data has been significant, with 85% of central banks in easing mode. From a style perspective, we favour security selection which has value bias which would benefit from any reversal in the current wide dispersion in company valuations. The Fund has a 52% investment in the Clarity Global Shares Fund and a 44% exposure to the Clarity Trans-Tasman Value Fund.

Performance

As at 31 October 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%	2.7%	9.1%	N/A	N/A	7.1%
Benchmark Index**	0.0%	2.4%	17.1%	N/A	N/A	11.8%

Target investment mix¹



* 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>.

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

Information and Disclaimer: This report is for information purposes only. It does not take into account your investment needs or personal circumstances and so is not intended to be viewed as investment or financial advice. Should you require financial advice you should always speak to your Authorised Financial Adviser. Before investing you should read the Clarity Product Disclosure Statements and Statement of Investment Policy and Objectives, available at www.clarityfunds.co.nz and www.companies.govt.nz/disclose. Past performance is not indicative of future results and no representation or warranty, express or implied, is made regarding future performance. Reference to taxation or the impact of taxation does not constitute tax advice. The levels and bases of taxation may change. This report has been prepared from published information and other sources believed to be reliable, accurate and complete at the time of preparation. While every effort has been made to ensure accuracy, neither Clarity Funds Management, nor any person involved in this publication, accept any liability for any errors or omission.