

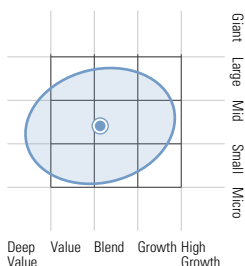
Harbour Australasian Equity Income

23782

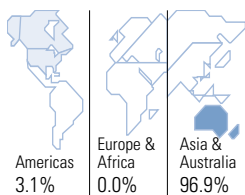
Morningstar Analyst Rating
Bronze

Morningstar Category Equity Region Australasia	Category Index Cat 50% S&P/NZX 50 &50% S&P/ASX 200	Total Assets 37 Mil NZD	Inception Date 03/10/11	Domicile NZL	Currency NZD	Morningstar Rating ★★★
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Equity Style Map



Equity Region Exposure



People

Craig Stent	10/11
Total Named Managers	1

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	Performance 30/09/18
											Performance 30/09/18 Growth of 10,000 Annualized NZD Value NZD Ret % Fund 23,945 13.81 Category — — Index 22,393 12.69
											Morningstar Rating ★★★★★ ★★★★★ ★★★★★ ★★★★★ ★★★★★
											Quartile Rank in Category 30 73 4 61 82 83 92
											Percentile Rank in Category 24.49 15.32 22.79 10.12 5.21 11.55 5.11 %
											Total Return NZD 1.05 -2.83 7.94 -2.84 -2.57 -8.15 -3.64
											+/- Category 4.78 5.21 13.13 1.23 -3.94 -8.89 -3.13
											+/- Index 14 14 16 19 23 19 19 %
											Process Expense Ratio (MER) 1.05 0.92 0.94 0.94 1.11 1.11 — %

A creditable strategy and experienced team.

Analyst View

Ross MacMillan
Senior Analyst

Morningstar Analyst Rating **Bronze**

Morningstar Pillars

Process Page 2-3	● Neutral
Performance Page 4	⊖ Negative
People Page 5	⊕ Positive
Parent Page 6	⊕ Positive
Price Page 7	⊕ Positive

Role in Portfolio: Supporting

Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum

Gold	Silver	Bronze	Neutral	Negative
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Jan 31, 2018 | Harbour Australasian Equity Income is a creditable choice for risk-aware equity investors looking for an income-focused strategy.

Portfolio manager Craig Stent leads this strategy with longtime colleague and managing director Andrew Bascand. The two are highly knowledgeable and are adeptly supported by an insightful group of six portfolio managers and analysts, including the experienced Shane Solly and Kevin Bennett. The overall depth and stability of the investment team is a critical drawcard. We continue to applaud a key characteristic at Harbour, which is the collegial approach to research, across both fixed interest and equities, that delivers actionable investment ideas, maximises output, and results in well-constructed portfolios.

The sensible investment process is rigorously applied and incorporates a quantitative model, implemented in alliance with traditional bottom-up equity analysis and valuation. Positively, the process ranks stocks based on three key factors: valuation, quality, and dividend-yield. The

resulting benchmark-unaware portfolio of 40-60 stocks is reasonably diversified but does have an inherent sector bias to property, utilities, industrial, and financial stocks. The strategy can also invest up to 35% in cash or fixed-interest securities, if macroeconomic conditions warrant defensive positioning, with cash reaching a high of 19% during mid-2017. The high cash holdings and sector biases can result in some shorter-term under-performance against the Morningstar Category index, typically in a rising interest-rate environment or during periods when commodity prices are buoyant. However, the fund, since its 2012 inception, has fulfilled its aim of giving investors a regular stream of income from a well-diversified portfolio of dividend-paying stocks. Ultimately, though, the strategy has sacrificed total return for the high yield and low volatility.

For investors seeking an income-focused equity approach, Harbour Australasian Equity Income is definitely worth consideration, being a creditable strategy.

Harbour Australasian Equity Income

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Morningstar Analyst Rating
Bronze

Process: Approach

Morningstar Category
Equity Region Australasia

Category Index
Cat 50% S&P/NZX 50 &50% S&P/ASX 200

Index Proxy
—

Quantitative, quality, and fundamental review with a dividend-yield hurdle.

Process Pillar ● Neutral

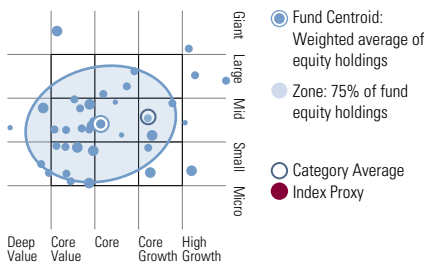
Jan 31, 2018 | Harbour Australasian Equity Income invests in New Zealand and Australian companies with dependable dividend payout ratios, liquidity, and lower-than-average total-return volatility. Harbour filters about 250 stocks using these three broad factors. About 150 pass the screen ranked on quality, yield factors, and valu-

ation metrics. This sets the starting point for weightings in the portfolio. Pleasingly, the value-add and performance of these variables is continually assessed, with other measures added when appropriate. Harbour next conducts a fundamental research assessment, including an analyst overlay, which seeks to incorporate diversification and environmental, social, and governance factors and to ensure the final portfolio has low stock-specific risk. Analysts look at growth prospects, management, and industry structure to identify where their forecasts differ from the con-

sensus. There is a minimum dividend-yield hurdle to traverse. At this stage, we are hesitant of a more upbeat assessment of the process because of the limited track record through the full market cycle. Harbour typically rebalances the portfolio monthly but may make shorter-term adjustments. Australian exposure is typically 90% to 100% hedged. Harbour can invest up to 35% in fixed-interest securities and/or cash. Fund distributions are targeted at 120% of the weighted average market dividend yield and are paid quarterly.

Equity Style 31/08/18

Holdings-Based Style Map

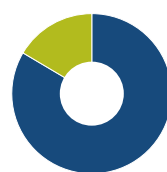


Equity Style Box Factors

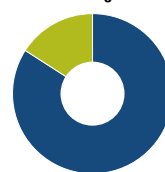
	Fund	3-Yr Avg	Category	Proxy
Market Cap				
Giant/Large	18.9	27.0	19.5	—
Mid	45.7	49.5	51.6	—
Small/Micro	35.4	23.5	28.9	—
Avg Market Cap Bil NZD	4.3	4.0	5.2	—
Value Measures				
Price/Prospect. Earnings	16.3	16.5	18.9	—
Price/Book	1.5	1.5	2.2	—
Price/Sales	2.7	1.9	2.1	—
Price/Cash Flow	11.7	9.1	11.9	—
Dividend Yield	4.9	6.0	3.3	—
Growth Measures				
Long-Term Earnings %	6.0	5.9	23.6	—
Historical Earnings %	7.8	14.9	16.4	—
Sales %	1.5	0.6	2.6	—
Cash Flow %	4.1	4.5	6.2	—
Book-Value %	6.6	5.2	5.1	—

Asset Allocation (Net Positions) 31/08/18

Current Allocation



3-Year Average



Assets %	Fund	3-Yr Avg	Category	Proxy
● Australasian Equity	83.5	84.1	0.0	0.0
● International Equity	0.0	0.0	0.0	0.0
● New Zealand Fixed Income	0.0	0.0	0.0	0.0
● International Fixed Income	0.0	0.0	0.0	0.0
● Cash	16.5	15.9	0.0	0.0
● Other	0.0	0.0	0.0	0.0

Region Exposure 31/08/18

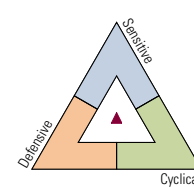
Market Type Equity %	Fund	3-Yr Avg	Category	Proxy
Developed	100.0	100.0	100.0	—
Emerging	0.0	0.0	0.0	—
Top 5 Countries Equity %				
New Zealand	57.3	54.8	63.5	—
Australia	39.5	44.2	34.0	—
United States	3.1	0.7	1.9	—

Key Ratios 31/08/18

	Fund	3-Yr Avg	Category	Proxy
Net Margin %	38.5	34.2	22.4	—
ROA %	6.8	7.0	8.7	—
Debt/Total Capital %	32.1	34.5	30.1	—
ROE %	13.3	13.6	17.5	—

Sectors 31/08/18

Sector Delta



Equity Sectors	Fund	3-Yr Avg	Category	Proxy
Defensive	18.7	20.9	38.4	—
Consumer Defensive	0.0	2.7	11.0	—
Healthcare	0.0	2.4	17.8	—
Utilities	18.7	15.7	9.6	—
Sensitive	17.6	18.6	30.1	—
Communication Serv.	4.9	5.6	6.0	—
Energy	0.3	1.4	2.9	—
Industrials	12.4	11.1	13.4	—
Technology	0.0	0.4	7.8	—
Cyclical	63.8	60.5	31.5	—
Basic Materials	0.6	3.1	8.8	—
Consumer Cyclical	12.7	9.1	6.9	—
Financial Services	12.8	13.6	11.2	—
Real Estate	37.7	34.7	4.6	—

Economic Moat 31/08/18

	Fund	3-Yr Avg	Category	Proxy
Wide Moat	7.5	6.5	16.2	—
Narrow Moat	55.2	54.6	53.9	—
No Moat	37.3	38.9	29.9	—
Coverage Ratio	69.2	69.7	64.7	—

Harbour Australasian Equity Income

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Morningstar Analyst Rating
Bronze

Process: Portfolio

Morningstar Category
Equity Region Australasia

Category Index
Cat 50% S&P/NZX 50 &50%
S&P/ASX 200

Index Proxy
—

Large exposure to stocks capable of sustaining dividend payments.

Process Pillar ● Neutral

Jan 31, 2018 | Harbour Australasian Equity Income is a diversified, benchmark-unaware portfolio that provides broad exposure across the market-cap and sector spectrum, although there is a strong bias to dividend-paying companies. This means there is a bias to financials, listed property, utilities, and industrials, at the expense of

investment in technology, materials, energy, and healthcare. In late 2017, more than two thirds of the portfolio was invested in property, utilities, financials, and industrials, with another 18% in cash. Undoubtedly, the performance of these equity sectors and cash rates will be a key driver of fund returns. In November 2017, the portfolio held overweight positions in Westpac Banking Corporation, Charter Hall Group, and Contact Energy.

The portfolio typically holds 40-50 stocks, with position sizes varying between 0.5% and

4.0%. Australia stocks are normally favoured, with New Zealand equity exposure typically sitting at about 40% of the portfolio. This is a key driver of both absolute and relative returns.

Australasian equities can make up a significant part of a well-diversified portfolio, this fund is suitable as a supporting Trans-Tasman equities holding. Given the strong income-focus, we recommend complementing this fund with a growth-orientated vehicle to access all parts of the investable equity universe.

Similarity to Index Proxy 31/08/18

Index Proxy Overlap	Number of Equity Holdings
Fund	36
Index Proxy	—
Fund Overlap With Index Proxy	
Holdings Overlap	—
Asset Overlap	—

Top Five Index Holdings

	Fund %	Proxy %
Real Estate	37.71	—
Utilities	18.66	—
Financial Services	12.78	—
Consumer Cyclical	12.73	—
Industrials	12.39	—

Top Five Index Sectors	Fund %	Proxy %
Real Estate	37.71	—
Utilities	18.66	—
Financial Services	12.78	—
Consumer Cyclical	12.73	—
Industrials	12.39	—

Portfolio Holdings 31/08/18

Previous Portfolio Date	Equity Holdings	Bond Holdings	Other Holdings	Assets in Top 10 Holdings	Turnover Ratio (Reported)				
31/07/18	36	0	1	36%	63%				
Top 10 Equity Holdings	Country	Assets % 31/08/18	Assets % 31/07/18	Index % 31/08/18	Days Trading	Morningstar Rating for Stocks	Economic Moat	Sector	1-Yr Total Ret % (NZD)
Meridian Energy Ltd	NZL	4.52	4.63	—	<1	★★★	Narrow	Utilities	22.21
⊖ Contact Energy Ltd	NZL	4.39	5.58	—	<1	★★★	Narrow	Utilities	11.82
⊖ Spark New Zealand Ltd	NZL	4.12	4.87	—	<1	★★★	Narrow	Communication Serv.	17.81
Kathmandu Holdings Ltd	NZL	3.75	3.74	—	4	—	—	Consumer Cyclical	45.76
Mainfreight Ltd	NZL	3.68	3.82	—	2	—	—	Industrials	23.03
⊕ National Australia Bank Ltd	AUS	3.56	3.67	—	<1	★★★★★	Wide	Financial Services	-4.91
Vital Healthcare Property Trust	NZL	3.13	3.38	—	4	—	—	Real Estate	-1.10
Precinct Properties New Zealand Ltd	NZL	3.10	3.15	—	2	★★★	Narrow	Real Estate	17.49
Restaurant Brands NZ Ltd	NZL	3.10	3.26	—	<1	—	—	Consumer Cyclical	18.77
Goodman Property Trust	NZL	3.04	3.20	—	2	★★★	None	Real Estate	25.90

Change since previous portfolio: ⊕ Increase ⊖ Decrease ✨ New

Harbour Australasian Equity Income

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Performance

Morningstar Category
Equity Region Australasia

Category Index
Cat 50% S&P/NZX 50
&50% S&P/ASX 200

Solid long-term performance, but large exposure to the listed property sector may hinder future returns.

Performance Pillar - Negative

Jan 31, 2018 | Harbour Australasian Equity Income strategy was commenced in January 2012 and is benchmarked to a composite index of 60% S&P/ASX Industrials Index (90% New Zealand-dollar hedged) and 40% S&P/NZX Portfolio Index. Given the nature of the process, this fund will always have a solid tilt towards listed property,

utilities, infrastructure, and higher-dividend-paying industrial stocks. Therefore, the performance of these sectors will be one of the primary drivers of returns. Returns have comfortably outpaced Harbour's benchmark and the category index (50% S&P/NZX 50 and 50% S&P/ASX 200 Index), over five years and since inception, with less volatility. The fund launched into very strong New Zealand and Australian listed property sectors, thereby helping it get off to a strong start, up until early 2015. During 2014, low bond yields meant the appetite for high-yield and bond-proxy stocks

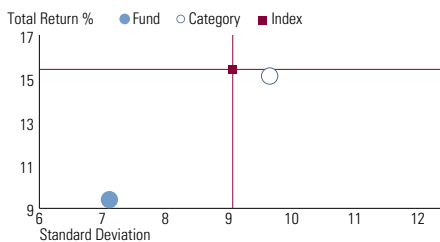
was strong, resulting in strong outperformance. However, performance in 2015 was more subdued, but still respectable, outperforming the category index but trailing similar peers. A combination of surging commodity prices and buoyant equity markets during 2016 resulted in the strategy lagging the benchmark, the index, and most peers. In 2017, the strategy once again lagged the market, as growth stocks, like A2 Milk, outperformed, but Macquarie Atlas Roads and Charter Hall Group contributed to performance.

Morningstar Rating and Risk 30/09/18

Period	Total Ret %	Morningstar Ret vs Cat	Morningstar Risk vs Cat	Morningstar Rating
3 Years	9.32	Low	Low	★
5 Years	11.02	Below Avg	Low	★★
10 Years	—	—	—	—
Overall Morningstar Rating				★★

Risk Analysis 30/09/18

3-Year Return and Risk Analysis



3-Year Risk Measures

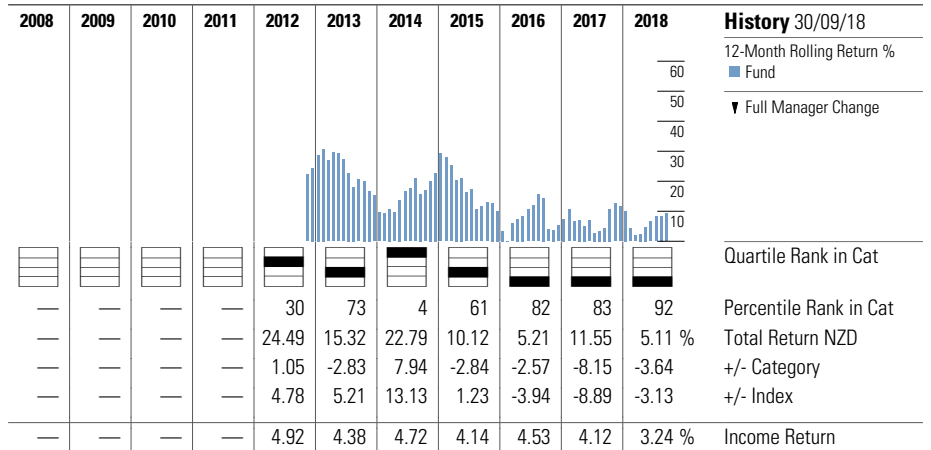
	Fund	Category	Index
Standard Deviation	7.11	9.65	9.07
Sharpe Ratio	1.03	1.34	—
R-Squared	60.53	62.44	—
Beta	0.61	0.76	—
Alpha	-0.59	3.47	—

Max Drawdown 01/12/11 to 30/09/18

	Fund	Category	Index
Max Drawdown (%)	-5.42	—	-8.36
Peak Date	09/16	—	08/15
Valley Date	11/16	—	09/15
Max Drawdown (Months)	3	—	2

Upside/Downside 01/12/11 to 30/09/18

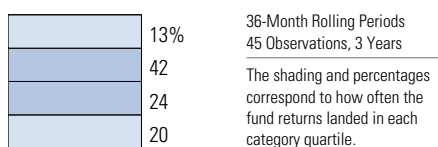
	Fund	Category	Index
Upside Capture Ratio	85.46	—	100.00
Downside Capture Ratio	51.23	—	100.00



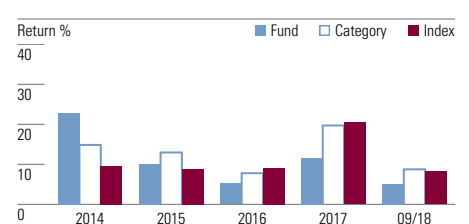
Returns 30/09/18

	Total Ret %	Investor Ret %	% Rank in Cat	Cat Ret %	Index Ret %
1 Year	9.29	8.64	88	17.09	16.35
3 Years	9.32	9.20	100	15.11	15.41
5 Years	11.02	11.02	69	13.80	11.20
10 Years	—	—	—	11.65	9.48
Tenure 10/11	13.50	—	—	—	12.50
Inception 10/11	13.50	—	—	—	12.50

Rolling Return Summary



Calendar Year Returns



Year	Fund %	Category	Index %
2014	22.79	14.85	9.65
2015	10.12	12.96	8.89
2016	5.21	7.78	9.15
2017	11.55	19.71	20.44
09/18	5.11	8.75	8.23

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Harbour Australasian Equity Income

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People

Morningstar Category
Equity Region Australasia

Category Index
Cat 50% S&P/NZX 50
&50% S&P/ASX 200

The breadth and depth of this team wins our conviction.

People Pillar + Positive

Jan 31, 2018 | The highly experienced Craig Stent is the portfolio manager for the Harbour Australasian Equity Income strategy. He is ably supported by Harbour's equities investment team, a seven-person group led by managing director Andrew Bascand, who was instrumental in establishing Harbour in 2010 after a decade at Alli-

anceBernstein. Before joining Alliance in 2000, Bascand led the asset-allocation and quantitative processes for Merrill Lynch Investment Management's London-based global equities group. He is supported by knowledgeable portfolio manager Shane Solly. Stent has worked with Bascand since 2002, including time at Alliance, when he was an equity research analyst. While Solly joined the shop in 2014 from Mint Asset Management, where he built an impressive record managing a similar strategy. Head of equity research Kevin Bennett, senior analyst Oyvinn Rimer, and

quantitative research manager Susanna Lee, along with an investment analyst and an assistant investment analyst round out the team, with sector responsibilities split across the group. We are attracted by the experience and longevity in tenure across the team. Staff departures are few and far between, the last being the departure of investment strategist Darryl Briggs in 2014, while development of junior members is a priority for senior leaders, thereby promoting stability.

Management Team

Number of Managers	Longest Tenure
1	7.00 Years

Advisor
Harbour Asset Management Limited

Subadvisor (0 of 0)

— — to Present

Years of Experience	Current Funds Managed	Fund AUM
0	0	— Mil NZD

Largest Funds Managed	Tenure Dates	Role	Net Assets Mil NZD	Portfolio Turnover %	Tenure Ret %	Index Ret %
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Harbour Australasian Equity Income

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Morningstar Analyst Rating
Bronze

Parent

Morningstar Category
Equity Region Australasia

Category Index
Cat 50% S&P/NZX 50
&50% S&P/ASX 200

A strong and steady steward.

Parent Pillar

➕ Positive

Jan 30, 2018 | Harbour Asset Management is a boutique equities and fixed-interest investment house that has evolved from Alliance Bernstein (AB). As at 31 Dec 2017, the shop managed \$3.9 billion. The shop was officially set up in 2010 as an equities house following the dissolution of AB's NZ business, with FNZC funding the initial

establishment costs. Fixed interest capability was added in 2011, which was a sensible and measured roll-out. FNZC still own 77% of the business, though, we expect this to be diluted in the future, as staff continue to buy into new shares offered as part of the compensation package. An independent board promotes separation between the two entities. We are attracted by the alignment of interests between the investments team and unitholders through significant investment in the funds, while a long-term equity scheme promotes stability within the team. Investment team mem-

bers are remunerated based on qualitative measures and their stock picks, but we would prefer greater consideration given to long-term performance of the funds. Nonetheless, the structure is appropriate and part of the cash-bonus goes into the funds – this is industry best practice. Harbour sets the standard in the local industry for transparency, disclosure and investor engagement. In our view, Harbour are one of the strongest stewards of investor money in NZ.

Fund Family Details

Largest Funds	Category Name	Net Assets Mil NZD	Morningstar Rating Overall	Return % 3-Year	Rank in Cat % 3-Year	Return % 5-Year	Rank in Cat % 5-Year	Fee Level
Harbour NZ Corporate Bond	NZ Bonds	365.4	★★★	3.73	35	4.64	59	—
Harbour Australasian Equity	Equity Region Australasia	262.7	★★★★	21.26	5	15.67	16	—
Harbour NZ Equity Advanced Beta Fund	Equity Region NZ	163.3	★★	17.23	84	—	—	—
Harbour NZ Core Fixed Interest	NZ Bonds	156.3	★★★	3.98	12	4.76	46	—
Harbour Income	Multisector - Moderate	80.5	—	—	—	—	—	—

Best Performing Funds	Category Name	Net Assets Mil NZD	Morningstar Rating Overall	Return % 3-Year	Rank in Cat % 3-Year	Return % 5-Year	Rank in Cat % 5-Year	Fee Level
Harbour Australasian Equity Focus Fund	Equity Region Australasia	21.9	★★★★★	21.81	1	—	—	—
Harbour Australasian Equity	Equity Region Australasia	262.7	★★★★	21.26	5	15.67	16	—
Harbour NZ Core Fixed Interest	NZ Bonds	156.3	★★★	3.98	12	4.76	46	—
Harbour NZ Corporate Bond	NZ Bonds	365.4	★★★	3.73	35	4.64	59	—
Harbour NZ Equity Advanced Beta Fund	Equity Region NZ	163.3	★★	17.23	84	—	—	—

Worst Performing Funds	Category Name	Net Assets Mil NZD	Morningstar Rating Overall	Return % 3-Year	Rank in Cat % 3-Year	Return % 5-Year	Rank in Cat % 5-Year	Fee Level
Harbour Australasian Equity Income	Equity Region Australasia	37.0	★★	9.32	100	11.02	69	—
Harbour NZ Equity Advanced Beta Fund	Equity Region NZ	163.3	★★	17.23	84	—	—	—
Harbour NZ Corporate Bond	NZ Bonds	365.4	★★★	3.73	35	4.64	59	—
Harbour NZ Core Fixed Interest	NZ Bonds	156.3	★★★	3.98	12	4.76	46	—
Harbour Australasian Equity	Equity Region Australasia	262.7	★★★★	21.26	5	15.67	16	—

Top Analyst Rated Funds	Category Name	Net Assets Mil NZD	Morningstar Analyst Rating	Return % 3-Year	Rank in Cat % 3-Year	Return % 5-Year	Rank in Cat % 5-Year	Fee Level
Harbour Australasian Equity	Equity Region Australasia	262.7	Gold	21.26	5	15.67	16	—
Harbour NZ Corporate Bond	NZ Bonds	365.4	Bronze	3.73	35	4.64	59	—
Harbour NZ Core Fixed Interest	NZ Bonds	156.3	Bronze	3.98	12	4.76	46	—
Harbour Australasian Equity Income	Equity Region Australasia	37.0	Bronze	9.32	100	11.02	69	—

Most Recent Fund Launches	Category Name	Net Assets Mil NZD	Inception Date	Total Return % Since Inception	MER	Fee Level
Harbour Income	Multisector - Moderate	80.5	2015-10-21	4.93	0.75	—
Harbour NZ Equity Advanced Beta Fund	Equity Region NZ	163.3	2014-12-03	14.14	0.55	—
Harbour Australasian Equity Focus Fund	Equity Region Australasia	21.9	2014-03-05	15.52	1.33	—
Harbour Australasian Equity Income	Equity Region Australasia	37.0	2011-10-03	13.50	1.11	—
Harbour NZ Core Fixed Interest	NZ Bonds	156.3	2011-05-20	4.76	0.67	—

Harbour Australasian Equity Income

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Morningstar Analyst Rating
 **Bronze**

Price

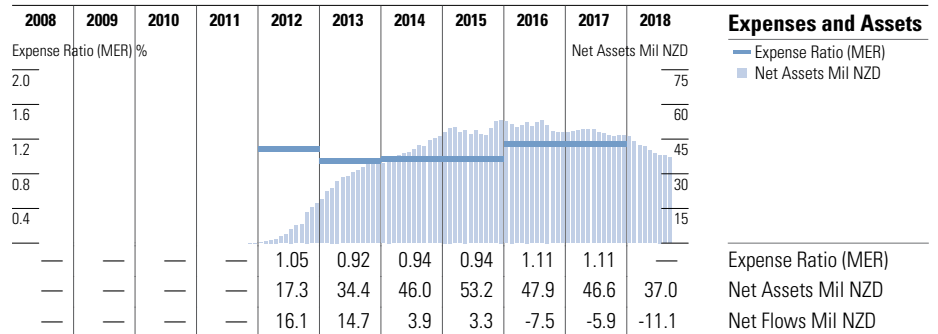
Morningstar Category
Equity Region Australasia

Category Index
Cat 50% S&P/NZX 50
&50% S&P/ASX 200

A reasonable management fee and no performance fee.

Price Pillar + Positive

Jan 31, 2018 | Harbour Australasian Equity Income has a management fee of 0.79% per year (excluding goods and services tax) and other fees of 0.26% (excluding GST), which compares favourably against peers, especially given that there is no performance fee.



Expense Breakdown

Management Expense Ratio (MER)	
Annual Report 31/03/17	1.11
Performance Fee	
Actual Performance Fee	N. Ap
Hurdle	N. Ap
High Watermark	N. Ap
Selected Components	
Max Management	0.81
Tax Cost Ratio (3-Year)	0.990

Fee Level

Fee Level	Peer Group
—	—
Fee Level Breakpoints	
High	>0.00
Above Average	0.00-0.00
Average	0.00-0.00
Below Average	0.00-0.00
Low	<0.00
◀ Fund	—
◀ Peer Median	—

Share Class Information Largest 1 of 1

Share Class	APIR	Category Name	Fee Level	MER	Fees (Max) — Mgmt Admin	Minimum Initial Inv	Assets Mil NZD	1-Yr Flow Mil NZD
Harbour Australasian Equity Income	—	Equity Region Australasia	—	1.11	0.81 —	25,000	36.40	-12.82

Morningstar Global Fund Report Disclosure

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