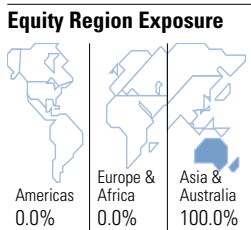
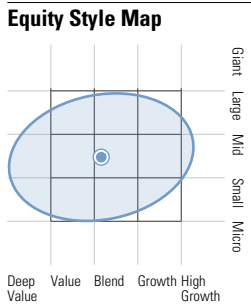


Harbour Australasian Equity Income

23782

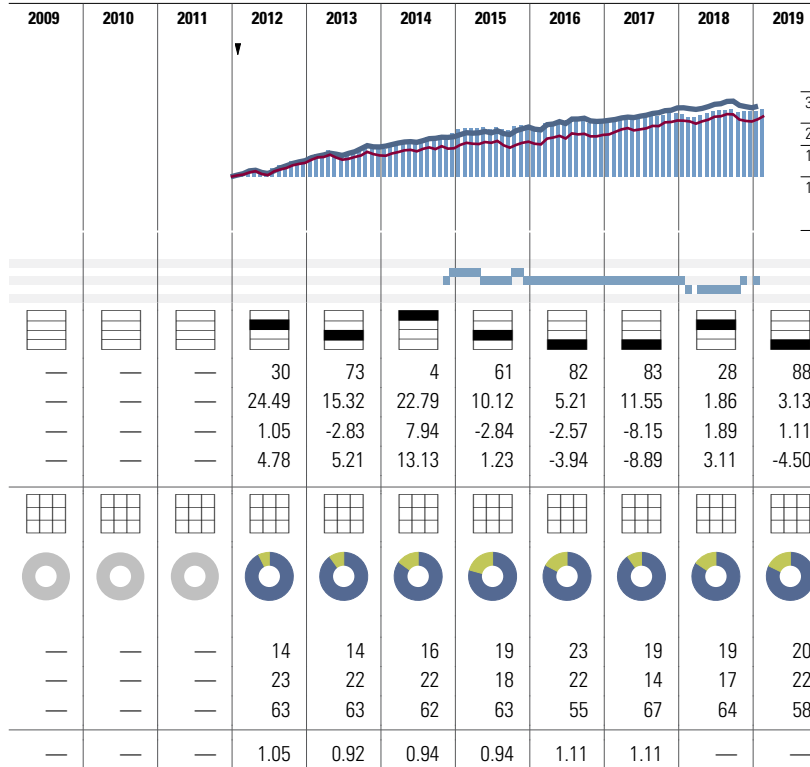
Morningstar Analyst Rating
Bronze

Morningstar Category Equity Region Australasia	Category Index Cat 50% S&P/NZX 50 &50% S&P/ASX 200	Total Assets 36 Mil NZD	Inception Date 03/10/11	Domicile NZL	Currency NZD	Morningstar Rating ★★★
----------------------------------------------------------	--------------------------------------------------------------	-----------------------------------	-----------------------------------	------------------------	------------------------	----------------------------------



People

Craig Stent	01/12
Total Named Managers	1



Performance 28/02/19

Growth of 10,000 Annualized NZD	Value NZD	Ret %
Fund	23,932	12.96
Category	—	—
Index	21,990	11.63

Full Manager Change

Morningstar Rating
★★★★★

Quartile Rank in Category

Percentile Rank in Category

Total Return NZD

+/- Category

+/- Index

Process

Equity Style Box

Asset Allocation (Long Positions)

- Equity
- Cash
- Fixed Interest
- Other

Equity Supersectors

- Defensive
- Sensitive
- Cyclical

Price Expense Ratio (MER)

Sound income strategy includes a knowledgeable portfolio manager and robust process.

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
------	--------	--------	---------	----------

Mar 04, 2019 | Harbour Australasian Equity Income is built on sound foundations, with a knowledgeable portfolio manager and robust investment process.

Harbour's head of equities, Craig Stent, is the portfolio manager for this income strategy, along with longtime colleague Andrew Bascand. The overall depth and stability of the investment team is also a major attraction, with the equities' investment team including a head of equities, head of research, four portfolio managers, a senior research analyst, and two investment analysts. Harbour's investment team adopt a thoughtful culture of working together in a collegial manner to maximise research output and deliver actionable investment ideas, a process we commend.

This investment process aims to identify New Zealand and Australian companies that can provide a steady and sustainable dividend stream while also possessing the potential for capital growth. The process which combines quantitative and fundamental bottom-up research, ranks stocks based on three key factors: valuation, qual-

ity, and dividend yield. The resulting benchmark-unaware income-focused portfolio of 40-60 stocks is reasonably diversified but does have an inherent sector bias to property, utilities, and financials (inclusive of REITs) stocks plus an underweighting to mining, consumer defensive, and healthcare stocks. The strategy can also invest up to 35% in cash or fixed-interest securities, depending on macroeconomic conditions. This flexibility to move across asset classes provides an added defensive characteristic to the portfolio. Insights from the respected three-person Harbour fixed-income team provide valuable assistance when making these asset-allocation decisions. Undoubtedly, the past three years have been a difficult period for the strategy as growth stocks rallied but the strategy, since its 2012 inception, has always fulfilled its aim of giving investors a regular stream of income from equities, cash, and fixed interest.

Ultimately, Harbour Australasian Equity Income is a credible option for income-focused Australasian equities exposure.

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

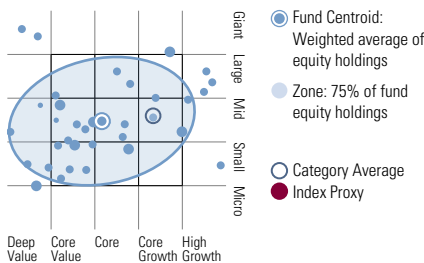
Mar 04, 2019 | Harbour Australasian Equity Income invests in New Zealand and Australian companies with dependable dividend payout ratios, liquidity, and lower-than-average total return volatility. Harbour filters about 250 stocks using these three broad factors. About 150 pass the screen ranked on quality, 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 then 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. Harbour typically rebalances the portfolio monthly but may make shorter-term adjustments. Australian exposure is typically 90%-100% hedged. Harbour can invest up to 35% in fixed-interest securities and cash. Distributions are targeted at 120% of the weighted average market dividend yield.

Equity Style 31/01/19

Holdings-Based Style Map

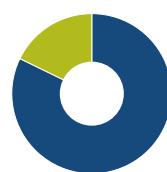


Equity Style Box Factors

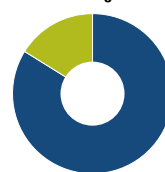
	Fund	3-Yr Avg	Category	Proxy
Market Cap				
Giant/Large	25.5	25.9	27.7	—
Mid	41.4	48.9	48.7	—
Small/Micro	33.1	25.3	23.6	—
Avg Market Cap Bil NZD	4.4	4.0	5.2	—
Value Measures				
Price/Prospect. Earnings	17.7	16.7	18.8	—
Price/Book	1.4	1.5	2.0	—
Price/Sales	2.1	2.0	1.9	—
Price/Cash Flow	7.4	9.4	9.3	—
Dividend Yield	5.1	5.8	3.4	—
Growth Measures				
Long-Term Earnings %	4.9	5.8	14.4	—
Historical Earnings %	5.3	12.9	14.4	—
Sales %	5.0	2.4	7.5	—
Cash Flow %	7.0	4.2	22.7	—
Book-Value %	7.3	5.7	9.6	—

Asset Allocation (Net Positions) 31/01/19

Current Allocation



3-Year Average



Assets %	Fund	3-Yr Avg	Category	Proxy
● Australasian Equity	82.2	83.9	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	17.8	16.1	0.0	0.0
● Other	0.0	0.0	0.0	0.0

Region Exposure 31/01/19

Market Type Equity %	Fund	3-Yr Avg	Category	Proxy
Developed	100.0	100.0	99.7	—
Emerging	0.0	0.0	0.3	—

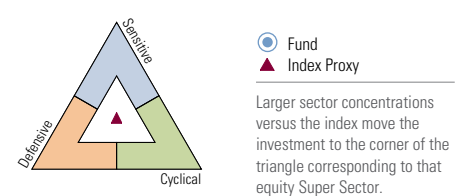
Top 5 Countries Equity %	Fund	3-Yr Avg	Category	Proxy
New Zealand	60.9	55.9	67.5	—
Australia	39.1	43.0	30.8	—

Key Ratios 31/01/19

	Fund	3-Yr Avg	Category	Proxy
Net Margin %	37.5	35.4	22.6	—
ROA %	6.6	7.2	9.2	—
Debt/Total Capital %	36.8	34.6	31.9	—
ROE %	14.2	13.9	17.8	—

Sectors 31/01/19

Sector Delta



Equity Sectors	Fund	3-Yr Avg	Category	Proxy
Defensive	19.8	20.9	39.5	—
Consumer Defensive	0.0	2.2	11.6	—
Healthcare	0.0	2.1	17.2	—
Utilities	19.8	16.7	10.7	—
Sensitive	22.4	18.8	31.9	—
Communication Serv.	6.2	5.6	6.3	—
Energy	2.7	1.4	3.0	—
Industrials	13.5	11.4	13.7	—
Technology	0.0	0.4	8.9	—
Cyclical	57.8	60.2	28.6	—
Basic Materials	0.0	2.5	8.4	—
Consumer Cyclical	7.9	9.1	5.9	—
Financial Services	12.6	12.5	9.8	—
Real Estate	37.3	36.1	4.5	—

Economic Moat 31/01/19

	Fund	3-Yr Avg	Category	Proxy
Wide Moat	9.4	6.7	14.1	—
Narrow Moat	57.6	54.4	61.6	—
No Moat	33.0	38.9	24.4	—
Coverage Ratio	67.5	69.4	77.0	—

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

Mar 04, 2019 | 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 2018, more than 70% of the portfolio was invested in property, utilities, and financials. Undoubtedly, the performance of these equity sectors will be a key driver of fund returns. In December 2018, the portfolio held overweightings in Mainfreight, Meridian Energy, 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-oriented vehicle to access all parts of the investable equity universe.

Similarity to Index Proxy 31/01/19

Index Proxy Overlap	Number of Equity Holdings	Top Five Index Holdings	Fund %	Proxy %	Top Five Index Sectors	Fund %	Proxy %
	Fund				Real Estate	37.27	—
	Index Proxy				Utilities	19.84	—
	Fund Overlap With Index Proxy				Industrials	13.49	—
	Holdings Overlap				Financial Services	12.61	—
	Asset Overlap				Consumer Cyclical	7.89	—

Portfolio Holdings 31/01/19

Previous Portfolio Date	Equity Holdings	Bond Holdings	Other Holdings	Assets in Top 10 Holdings	Turnover Ratio (Reported)
31/12/18	36	0	1	36%	63%

Top 10 Equity Holdings	Country	Assets % 31/01/19	Assets % 31/12/18	Index % 31/01/19	Days Trading	Morningstar Rating for Stocks	Economic Moat	Sector	1-Yr Total Ret % (NZD)
⊕ Spark New Zealand Ltd	NZL	5.09	1.83	—	<1	★★★★	Narrow	Communication Serv.	18.63
Contact Energy Ltd	NZL	4.90	4.70	—	<1	★★★★	Narrow	Utilities	25.95
⊖ Mainfreight Ltd	NZL	4.07	4.01	—	3	—	—	Industrials	37.23
Precinct Properties New Zealand Ltd	NZL	3.39	3.29	—	1	★★★★	Narrow	Real Estate	22.72
Kathmandu Holdings Ltd	NZL	3.22	3.63	—	4	—	—	Consumer Cyclical	13.78
Macquarie Group Ltd	AUS	3.19	2.92	—	<1	★★★★	Narrow	Financial Services	25.08
Goodman Property Trust	NZL	3.17	2.99	—	2	★★	None	Real Estate	29.28
⊕ Charter Hall Group	AUS	2.98	2.38	—	<1	★★	Narrow	Real Estate	50.96
Property For Industry Ltd	NZL	2.89	2.80	—	4	—	—	Real Estate	20.83
National Australia Bank Ltd	AUS	2.70	2.67	—	<1	★★★★★	Wide	Financial Services	-13.08

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 despite shorter term troughs.

Performance Pillar - Negative

Mar 04, 2019 | Harbour Australasian Equity Income strategy 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 strategy 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 Index and 50% S&P/ASX 200 Index) over five years and since inception to 31 Jan 2019, with less volatility. During 2014, low bond yields meant the appetite for high-yield and bond-proxy stocks was strong, resulting in strong outperformance. Performance in 2015 was more subdued but still respectable, outperforming the

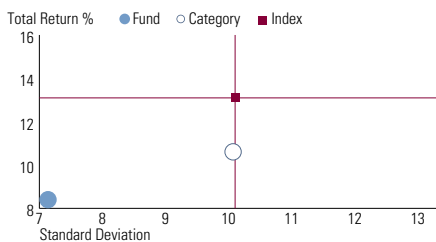
category index but trailing similar peers. A combination of surging commodity prices and buoyant equity markets during 2016 resulted in the strategy lagging the benchmark, the index, and most peers. In 2017, the strategy once again lagged the market, as growth stocks, like A2 Milk, outperformed. In 2018, the strategy outperformed the index and most peers, with Spark contributing strongly.

Morningstar Rating and Risk 28/02/19

Period	Total Ret %	Morningstar Ret vs Cat	Morningstar Risk vs Cat	Morningstar Rating
3 Years	8.40	Below Avg	Low	★★
5 Years	10.26	Avg	Low	★★★
10 Years	—	—	—	—
Overall Morningstar Rating				★★★

Risk Analysis 28/02/19

3-Year Return and Risk Analysis



3-Year Risk Measures

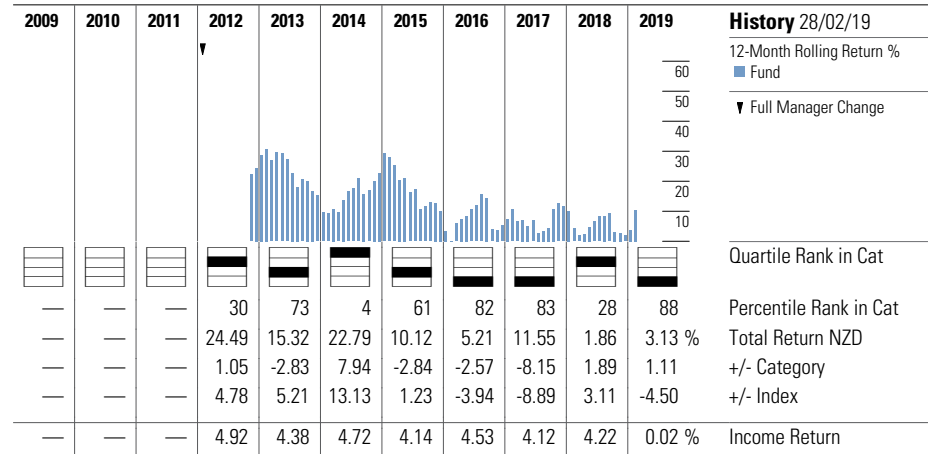
	Fund	Category	Index
Standard Deviation	7.01	10.07	10.10
Sharpe Ratio	0.93	0.90	—
R-Squared	64.28	65.34	—
Beta	0.56	0.77	—
Alpha	0.39	1.69	—

Max Drawdown 01/12/11 to 28/02/19

	Fund	Category	Index
Max Drawdown (%)	-5.42	—	-9.10
Peak Date	09/16	—	09/18
Valley Date	11/16	—	12/18
Max Drawdown (Months)	3	—	4

Upside/Downside 01/12/11 to 28/02/19

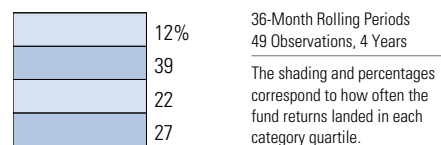
	Fund	Category	Index
Upside Capture Ratio	83.18	—	100.00
Downside Capture Ratio	48.86	—	100.00



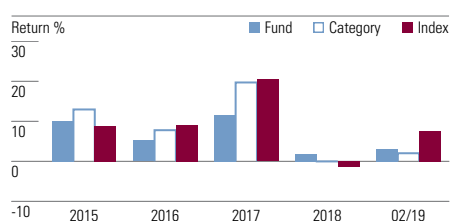
Returns 28/02/19

	Total Ret %	Investor Ret %	% Rank in Cat	Cat Ret %	Index Ret %
1 Year	10.47	11.14	35	1.84	7.51
3 Years	8.40	8.91	87	10.61	13.10
5 Years	10.26	10.59	60	10.96	10.22
10 Years	—	—	—	12.75	11.60
Tenure 01/12	12.96	—	—	—	11.63
Inception 10/11	12.68	—	—	—	11.49

Rolling Return Summary



Calendar Year Returns



Year	Fund %	Category	Index %
2015	10.12	12.96	8.89
2016	5.21	7.78	9.15
2017	11.55	19.71	20.44
2018	1.86	-0.03	-1.25
02/19	3.13	2.02	7.64

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

Mar 04, 2019 | Harbour's equities investment team is an eight-person group led by portfolio manager Andrew Bascand, who was instrumental in establishing Harbour in 2010 after a decade at AllianceBernstein. He is an impressive investor and, pleasingly, he continues to shed managerial responsibilities to focus on investments. 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 head of equities Craig Stent and portfolio manager Shane Solly, both well-respected investors in their own right. The trio makes for a formidable partnership. Stent has worked with Bascand since 2002, 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 research analyst

Oyvinn Rimer, and portfolio manager Susanna Lee, along with two investment analysts 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. Development of junior members is a priority for senior leaders, thereby promoting stability.

Management Team

Number of Managers	Longest Tenure
1	7.17 Years

Advisor

Harbour Asset Management Limited

Subadvisor (0 of 0)

Craig Stent 01/12 to Present

Years of Experience	Current Funds Managed	Fund AUM
20	1	36 Mil NZD

Largest Funds Managed

Largest Funds Managed	Tenure Dates	Role	Net Assets Mil NZD	Portfolio Turnover %	Tenure Ret %	Index Ret %
Harbour Australasian Equity Income	01/12-to Present	Lead	36	53	12.96	11.63

Harbour Australasian Equity Income

23782

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

Feb 25, 2019 | Harbour Asset Management is a boutique equities and fixed-interest investment house that has evolved from Alliance Bernstein. As at 31 December 2018, the shop managed NZD 4.2 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 rollout. FNZC still owns 76% of the business, though we expect this to be diluted in the future, as staff continues 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 is 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	383.3	★★★★	3.81	47	4.69	66	—
Harbour Australasian Equity	Equity Region Australasia	253.6	★★★★	15.12	14	12.71	45	—
Harbour NZ Equity Advanced Beta Fund	Equity Region NZ	168.4	★★	12.77	74	—	—	—
Harbour NZ Core Fixed Interest	NZ Bonds	161.7	★★★★	3.86	35	4.84	54	—
Harbour Income	Multisector - Moderate	86.4	★★★★	5.09	64	—	—	—

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	Equity Region Australasia	253.6	★★★★	15.12	14	12.71	45	—
Harbour NZ Core Fixed Interest	NZ Bonds	161.7	★★★★	3.86	35	4.84	54	—
Harbour Australasian Equity Focus Fund	Equity Region Australasia	19.9	★★★★	14.52	31	—	—	—
Harbour NZ Corporate Bond	NZ Bonds	383.3	★★★★	3.81	47	4.69	66	—
Harbour Income	Multisector - Moderate	86.4	★★★★	5.09	64	—	—	—

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	36.3	★★★★	8.40	87	10.26	60	—
Harbour NZ Equity Advanced Beta Fund	Equity Region NZ	168.4	★★	12.77	74	—	—	—
Harbour Income	Multisector - Moderate	86.4	★★★★	5.09	64	—	—	—
Harbour NZ Corporate Bond	NZ Bonds	383.3	★★★★	3.81	47	4.69	66	—
Harbour Australasian Equity Focus Fund	Equity Region Australasia	19.9	★★★★	14.52	31	—	—	—

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	253.6	Gold	15.12	14	12.71	45	—
Harbour NZ Corporate Bond	NZ Bonds	383.3	Bronze	3.81	47	4.69	66	—
Harbour NZ Core Fixed Interest	NZ Bonds	161.7	Bronze	3.86	35	4.84	54	—
Harbour Australasian Equity Income	Equity Region Australasia	36.3	Bronze	8.40	87	10.26	60	—

Most Recent Fund Launches	Category Name	Net Assets Mil NZD	Inception Date	Total Return % Since Inception	MER	Fee Level
Harbour Real Estate Investment	Equity Sector NZ - Real Estate	5.1	2018-10-01	5.39	—	—
Harbour Income	Multisector - Moderate	86.4	2015-10-21	4.69	0.72	—
Harbour NZ Equity Advanced Beta Fund	Equity Region NZ	168.4	2014-12-03	12.04	—	—
Harbour Australasian Equity Focus Fund	Equity Region Australasia	19.9	2014-03-05	12.42	—	—
Harbour Australasian Equity Income	Equity Region Australasia	36.3	2011-10-03	12.68	—	—

Harbour Australasian Equity Income

23782

Morningstar Analyst Rating
Bronze

Price

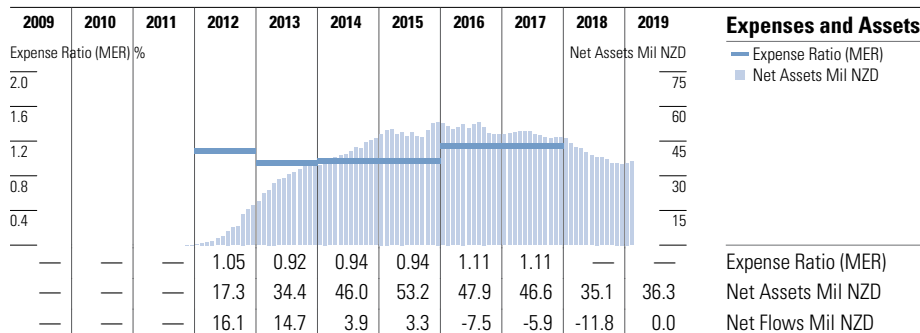
Morningstar Category
Equity Region Australasia

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

A reasonable management fee and no performance fee.

Price Pillar + Positive

Mar 04, 2019 | Harbour Australasian Equity Income has a management fee of 0.79% per year (excluding GST) 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)	0.960

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	36.28	-11.38

Morningstar Global Fund Report Disclosure

Currency

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For further information as to:

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- the process by which products are selected for coverage,
- the filters and research methodology applied, and
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