

## CLARITY GLOBAL SHARES FUND

### Performance Comments

The asset value of the Fund at 30 September 2018 was \$108.6 million and the base price was \$2.9714 per unit, an increase of +6.4% over the quarter. This compares with the Fund's composite index return of +5.7%, which was an outperformance of +0.7%.

Global leading economic indicators continued to signal economic expansion and moderate equity gains; however, momentum continues to decelerate in all regions, albeit with geographical divergence — resilient in the United States and more fragile in the emerging economies. Key drivers of the more subdued economic outlook include ongoing trade tensions, reflected in global export demand falling for the first time in two years, diverging global monetary policies and US dollar strength, which exposed structural weaknesses in several emerging market countries. The outlook for earnings, which have historically been correlated with leading economic indicators, is also moderating from the extremely elevated levels. Political risks, including Brexit negotiations, the US midterm elections and Italy-EU relations, are also on investor radar screens.

For the Fund, the manager's (MFS) strong stock selection in emerging markets, Asia Pacific ex and North America offset weaker stock selection in Europe. At the sector level, stock selection was strong in the health care, financial services and energy sectors but more mixed across other sectors. This quarter three stocks – German pharmaceutical company Bayer AG, food wholesaler US Foods and Canadian commercial printer and packaging company Transcontinental — had a negative impact on relative performance. This was partially offset by positive contributions from US-based hospital group HCA Healthcare and commercial airline Air Canada.

Some of the noteworthy buys for the Fund during the third quarter included starting a new position in Regal Beloit, a manufacturer of electric motors, electrical motion controls, and power generation products, adding to the Fund's position in managed health care company Humana and initiating a position in Allison Transmission Holdings, the dominant manufacturer of automatic transmissions for commercial vehicles with about 60% global market share.

Some of the noteworthy sells during the third quarter included trimming the Fund's holdings of health care company McKesson and eliminating the Fund's position in construction materials manufacturer Owens Corning.

### Fund performance

The Clarity Global Shares Fund has performed as follows:

To 30 September 2018	3 months (%)	12 months (%)***
Fund net return *	+6.4	+14.2
Benchmark Index **	+5.7	+16.2
Difference	+0.7	(2.0)

\* These returns are after deductions for charges and before tax

\*\* Reflects no deduction for charges and tax

\*\*\* Inception date was 26 April 2017

Past performance is not necessarily indicative of future performance.

Benchmark index details are included in the Quarterly Fund Update which is available at <https://clarityfunds.co.nz/funds/global-shares-fund>.

### Outlook

MFS reported:

*"Looking forward, economic and earnings data coupled with style and factor leadership suggest we are in the later stages of the market and economic cycle. With this macro backdrop, expectations should be for continued strength in markets, with sectors and stocks that exhibit defensive and/or quality attributes providing leadership despite their elevated valuations. Additionally, market leadership typically narrows, credit spreads widen and volatility increases. At the factor level, based on history, momentum and business, quality should perform the best at this part of the cycle. In this type of environment, we expect the Blended Research Global Equity strategy to benefit from the quality focus of our fundamental research analysts and the quality factors in our quantitative model while managing relative risk by maintaining our valuation discipline and employing our disciplined portfolio construction process."*

Markets have been volatile in October, but the global economy remains reasonably sound.

If you have any questions please contact us on +64 09 308 1450 or visit our website [www.clarityfunds.co.nz](http://www.clarityfunds.co.nz)

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