

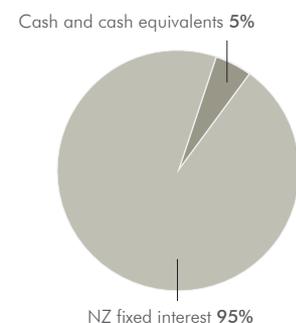
CLARITY FIXED INCOME FUND

The sharp rise in wholesale interest rates seen in November continued into December, with rates continuing to climb early in the month before stabilising in the lead up to Christmas. As a result, the Fund posted a small negative return of -0.1% for the month, softened by the short duration position of the fund (the lower a bond's duration, the less the bond's price will fall when compared to longer dated bonds).

Interest rates across the curve are now at levels prior to the pandemic taking hold. The 5-year swap is now around 0.54%, last seen in April. A rising interest rate market does pose challenges in terms of purchasing new bonds, i.e. purchasing a new bond today in a rising interest rate market, all other things being equal, means the value of that bond could be worth less tomorrow. However with less than 7% of the portfolio maturing this year, the Fund's reinvestment risk (likelihood that an investment's cash flows will earn less in a new security) is low.

Despite the recent rise in interest rates, in order to redeploy cash from a substantial term deposit maturity, several transactions were conducted during the month. We added to existing holdings in Transpower, Toyota Finance and Westpac as well as purchasing some new Westpac and BNZ bonds. This continues our theme of improving the quality of the portfolio without materially changing the overall duration or yield.

Target investment mix¹



Performance

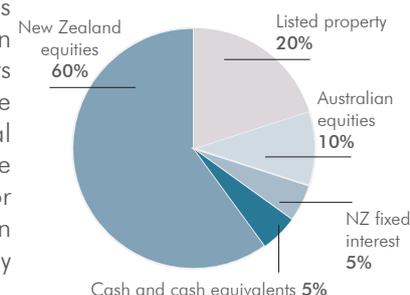
As at 31 December 2020	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Fixed Income Fund*	-0.1%	-0.5%	4.7%	4.5%	4.5%	4.9%
Benchmark Index**	0.0%	0.1%	0.6%	1.4%	1.8%	2.2%

CLARITY DIVIDEND YIELD FUND

Shareholdings in New Zealand electricity companies powered the Fund to another strong return in December. Together, Contact Energy (+14%), Meridian Energy (+15%), Genesis Energy (+12%) and Mercury Energy (+9%) contributed 2.9% towards the Fund's pleasing return of 5.9%. This trend has continued into early January, particularly in Meridian and Contact. These moves can be largely attributed to demand from global thematic passive investment funds, where investors make an active decision to choose a theme (e.g. clean energy) but gain exposure to that theme by investing in passive basket of shares. This means they are somewhat detached from individual company nuances and valuations – facilitating a growing disconnect, as we see it, between share price and company fundamentals. We are gently selling into this strength. The best performer for the Fund during the month was Tower (+17%), which we expect to declare its first dividend in several years at its next set of results, with the legacy of the Christchurch earthquakes now firmly behind it.

In Australia, mining companies BHP (+11%) and Rio Tinto (+12%) performed well as the iron ore price continued to march higher on strong Chinese demand and weaker than expected shipments from large Brazilian miner Vale. Both companies are extremely cash generative at current iron ore prices. They are also more inclined to pass this cash through to shareholders in the form of dividends than during previous commodity cycles.

Target investment mix¹



Performance

As at 31 December 2020	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Dividend Yield Fund*	5.9%	15.2%	4.3%	7.3%	10.2%	12.7%
Benchmark Index**	7.1%	18.3%	7.6%	10.4%	9.7%	7.8%

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

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

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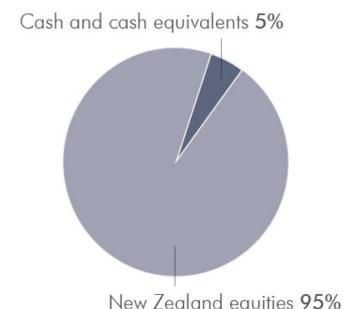
CLARITY NEW ZEALAND EQUITY FUND

The Fund produced another strong return in December, up 3.0%, slightly ahead of the NZX 50 Index.

Top contributor was medical supplier EBOS (+15%), which continued to find favour for its mix of defensive cashflows, and reasonable valuation alongside some prospect of earnings growth (particularly from its side business of pet care). Retirement village operator Summerset was another strong performer, reflecting continued strength in New Zealand residential property prices and sales volumes.

On the downside, A2 Milk (-18%) issued a disappointing earnings guidance downgrade during the month, with infant formula sales now expected to be materially lower than last year due to weakness in the key 'daigou' sales channel (independent resellers of the product into China). There were some positive points within the update however, including the strength of the brand and growth in direct sales in China. A2 remains highly profitable and cash generative, and we continue to view this year as a 'glitch' in the company's long-term growth story, although we expect it will take some time to work through this and earn the markets' trust again, so a quick bounce back in the shares feels unlikely.

Target investment mix¹



Performance

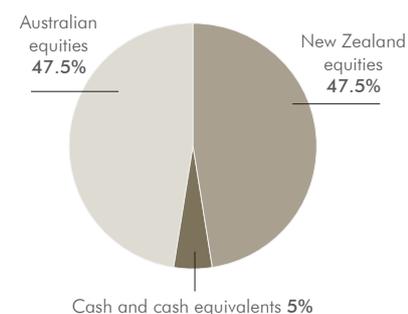
As at 31 December 2020	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception
Clarity New Zealand Equity Fund*	3.0%	11.1%	13.4%	N/A	N/A	17.7%
Benchmark Index**	2.6%	11.5%	14.6%	N/A	N/A	18.3%

CLARITY TRANS-TASMAN VALUE FUND

After a frustrating period of time going sideways as the market roared higher, the Fund's small-cap holdings Scott Technology (+32%) and Tower (+17%) came to life in December. Scott Technology is a New Zealand headquartered automation and robotics company with operations around the world. It has particular strengths in meat processing, and materials handling for the mining industry. Scott is experiencing strong demand for its products and services in each segment, although its ability to deliver new projects has been somewhat hamstrung by Covid-19 border closures. Relatively new CEO John Kippenberger has instilled greater financial discipline in the company (which suffered costly project losses previously) and we expect will be able to drive decent earnings growth over the coming years. On that basis, the shares remain reasonably priced, despite their recent rally.

In Australia, the Fund's holdings in healthcare companies CSL (-5%), Cochlear (-14%) and Ramsay Healthcare (-1%) were weak, potentially reflecting a very strong Australian dollar during the month, which reduces the value of their substantial offshore earnings. We are also currently seeing a market rotation out of defensive sectors (like healthcare) into more economically exposed sectors like mining and energy, which were strong last month.

Target investment mix¹



Performance

As at 31 December 2020	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Trans-Tasman Value Fund*	4.7%	14.1%	2.0%	0.8%	7.0%	8.8%
Benchmark Index**	4.5%	14.4%	9.9%	11.0%	12.5%	5.7%

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CLARITY GLOBAL SHARES FUND

Sector leadership was mixed during December but leaned towards cyclical shares, while breadth declined with only 4 of 11 sectors outperforming. The information technology sector led the market, followed closely by a strong showing of the materials sector. The financials and consumer discretionary sectors modestly outperformed. Energy and industrial stocks reversed lower after the previous month's strong results while defensives and bond proxies continued to underperform.

Shares of automotive systems manufacturer Magna International (Canada) gained after it jointly announced with LG Electronics a joint venture to manufacture e-motors, inverters, on-board chargers and for certain automakers, e-drive systems. Investors reacted positively as the venture brings together industry leaders to create a potentially world-class portfolio to more adequately address the growing demand of electrification. Meanwhile, health services and information technology company McKesson (United States) shares were under pressure during the month despite news that the company began distributing Moderna's Covid-19 vaccines and the ancillary supply kits needed to administer them.

The market environment for most of 2020 was dominated by a concentrated group of mega-cap growth and momentum stocks. The dramatic factor reversal in early November, which followed the previous selloff of many megacap growth stocks in September and October, may be another indication of a more sustained unwinding of this unique pandemic inspired market condition.

Performance

As at 31 December 2020	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Global Shares Fund*	2.9%	9.4%	4.0%	6.7%	N/A	8.5%
Benchmark Index**	3.0%	8.8%	10.7%	9.6%	N/A	11.1%

Target investment mix¹



CLARITY - CAPITAL GROUP NEW PERSPECTIVE FUND²

The Clarity – Capital Group New Perspective Fund finished the year strongly returning 4.6% and is 15.1% ahead of benchmark over the year. The MSCI All Country World Index ended 2020 at an all-time high despite surging Covid-19 cases and political uncertainties in the US and UK/Europe. Global leading economic indicators, such as the manufacturing PMIs, continue to support a healthy earnings outlook; however, the pace and breadth of improvement has waned in response to renewed lockdowns in multiple geographies.

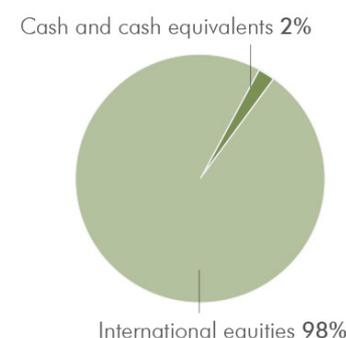
Once again, the Fund's largest holding, electric car manufacturer Tesla (+24%) was the largest contributor as the company was finally added to the widely followed S&P 500 Index after completing profitability milestones previously halting its entry. This rounds out a year in which the stock price has risen over 691% and had been a part of the Fund's success against its benchmark. Shares of microchip and electronics manufacturer Samsung Electronics (+21%) gained during the month as analysts raised price targets for the company following an Investor Forum in which the company provided a blueprint on its strategy as the market leader in industries including memory, foundry, image sensors, smartphones, and AI.

Key detractors from performance this month included Facebook (-1%), as the big US tech companies faced heavy scrutiny from governments across the world over what are termed unfair competition practices.

Performance

As at 31 December 2020	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception
Clarity - Capital Group New Perspective Fund*	4.6%	11.1%	25.6%	N/A	N/A	23.4%
Benchmark Index**	3.0%	8.8%	10.5%	N/A	N/A	10.3%

Target investment mix¹



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

² Capital Group and Capital Group New Perspective are trademarks of the Capital Group Companies, Inc.

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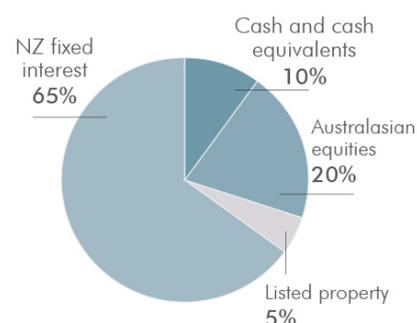
CLARITY DIVERSIFIED INCOME FUND

The Fund performed strongly in December returning 2.3% and finished the year 3.5% ahead of its benchmark.

The Fund benefitted from its 40% allocation to the Clarity Dividend Yield Fund which rose 5.9% in December. Within the underlying Fund key contributors were the New Zealand electricity generator-retailers, Meridian (+15%), Contact (+14%) and Genesis (+12%). In late November Genesis announced it would undertake a strategic review of its stake in the Kupe oil and gas field with the outcome of the review not expected to impact its ability to maintain dividends.

The sharp rise in wholesale interest rates as experienced in November flowed through into December with interest rates continuing to climb early in the month before stabilising in the lead up to the Christmas. The underlying Clarity Fixed Income Fund deployed cash from a substantial term deposit maturity, purchasing bonds issued by Transpower, Toyota Finance and Westpac.

Target investment mix¹



Performance

As at 31 December 2020	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Diversified Income Fund*	2.3%	5.3%	5.7%	5.6%	N/A	5.9%
Benchmark Index**	0.1%	0.5%	2.2%	3.0%	N/A	3.1%

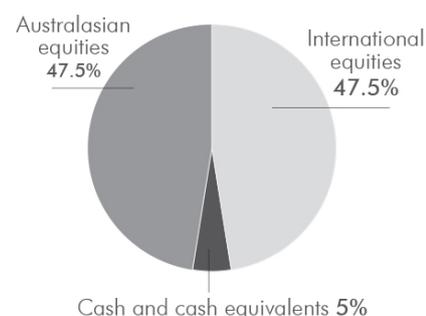
CLARITY DIVERSIFIED GROWTH FUND

The Fund rose 4.2% in the month, outpacing its benchmark by 0.5%. The New Zealand market lagged its Australian counterpart with the NZX Portfolio Index returning 2.5% while the ASX 200 Index gained 3.5%.

A key contributor to performance this month was the investment in the TAHITO Te Tai ō Rehua (Trans-Tasman) Fund which focuses on indigenous ethical investing. The underlying Fund benefitted from overweight positions in renewable energy companies Tilt Renewables (61%) after Infracore announced a strategic review of its shareholding while Meridian Energy (+15%) continued to move higher supported by strong flows into the iShares Global Clean Energy ETF.

During the month the Fund rebalanced its allocation within global equities and now maintains an equal weighting between the Clarity Global Shares Fund and the Clarity – Capital Group New Perspective Fund. The Fund also has an equal exposure to Australasian and global shares and is positioned for a range of outcomes heading into a new year. The Investment Committee continues to monitor key risks including geopolitical tension and Covid-19 related lockdowns.

Target investment mix¹



Performance

As at 31 December 2020	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Diversified Growth Fund*	4.2%	12.1%	7.2%	5.1%	N/A	7.6%
Benchmark Index**	3.7%	11.6%	10.4%	10.4%	N/A	11.6%

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