

CLARITY TRANS-TASMAN VALUE FUND

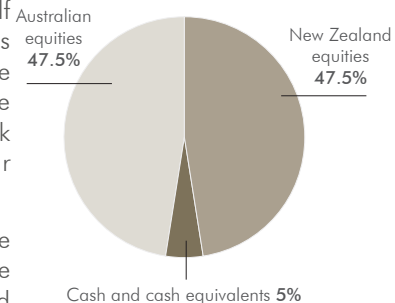
The Fund returned -1.5% in December, slightly ahead of benchmark.

The decline was largely attributable to weakness in our Australian holdings. The ASX 200 returned -3.2% during in the month, taking some of the shine off its return for 2024. During the second half of the year (roughly since the RBNZ's "dovish pivot" on 10 July), the NZX 50 Portfolio Index has outperformed the ASX200 by 5.4% (+12.3% vs +6.9%). Following the RBNZ pivot, we rebalanced the Fund's holdings in favour of the New Zealand market. With official interest rates continuing to decline in New Zealand, economic activity expected to improve, and more attractive share valuations, we think the New Zealand market's recent outperformance can continue into 2025 and retain a bias to our home market. The current portfolio split is 58% New Zealand and 42% Australia.

Aussie underperformers were led by Seek (-14%), the leading online employment marketplace in Australia and New Zealand. Despite job advertising having migrated almost entirely online, the company still has structural growth potential through improving ad yields. We added Seek to the Fund earlier in the year as the share price came under pressure from a cyclical decline in job ad volumes. Economic data out last month showed job ads in Australia continued to decline in November, but the rate of decline is easing.

Our top performing 'Australian' stock for the month was actually a New Zealand company. Wound care company Aroa Biosurgery produces medical and surgical products to improve healing in complex wounds and soft tissue reconstruction. A key component of its products is material from sheep stomach linings. Despite being based in Auckland, the company is listed on the ASX for better access to capital. Its share price rose 9% in December as a study was released demonstrating the efficacy and cost savings of their core 'Myriad' product in lower limb reconstruction procedures.

Target investment mix¹



Performance

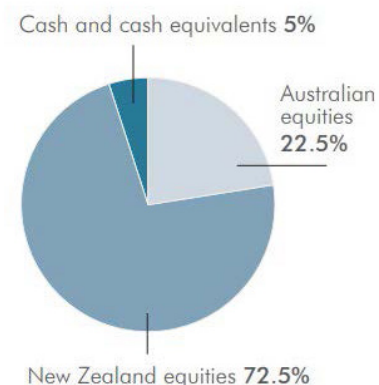
As at 31 December 2024	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Trans-Tasman Value Fund*	-1.5%	0.8%	9.4%	3.8%	5.4%	8.2%
Benchmark Index**	-1.6%	2.3%	11.5%	4.3%	6.3%	5.6%

CLARITY DIVIDEND YIELD FUND

The Fund returned -1.3% in December, modestly outperforming its benchmark. Higher dividend yielding shares in New Zealand underperformed the broader market, weighed down in particular by weak property stocks, and also lacking the strong contribution of Auckland Airport, whose dividend yield, at under 2%, is insufficient for the shares to be included in the NZX High Dividend Index.

Top performer for the month was Sky TV (+6%). Although the company faces a couple of short-term challenges (a weak consumer and satellite repositioning), as we have explained before we are optimistic about the longer-term outlook for the company, which has stabilised earnings in the last couple of years after a tough adjustment to a more competitive environment. We also think the shares are cheap, and this point was emphasised by the sale of Australian pay TV company Foxtel last month. Foxtel is a very similar business to Sky TV, with a legacy low/no growth but high margin satellite TV product as well as fast growing but lower margin streaming products. DAZN, a UK-based sports streaming operator has agreed to buy Foxtel from joint owners News Corp and Telstra for \$3.4bn. This equates to an earnings multiple (EV/EBITDA) of 7.2x. Sky TV currently trades on 2.1x! A Foxtel multiple for Sky TV would imply a share price 200% higher. The Sky TV board knocked back a private equity takeover offer in 2023, but we wouldn't be surprised to see another attempt this year. In the meantime, the shares offer a dividend yield in excess of 10% and growing.

Target investment mix¹



Performance

As at 31 December 2024	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Dividend Yield Fund*	-1.3%	1.8%	6.2%	2.4%	3.4%	9.2%
Benchmark Index**	-1.6%	2.9%	5.3%	2.5%	4.1%	6.1%

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 fees and before tax.

** Benchmark returns reflects no deduction for fees 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>.

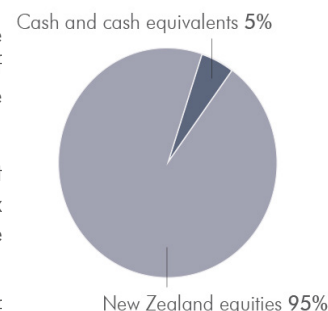
CLARITY NEW ZEALAND EQUITY FUND

The Fund eked out a slightly positive return in December, helped by a big rise (+12%) in the Auckland Airport share price during the month. Most of this gain came after Auckland Council's sale of its remaining 9.7% stake in the company early in the month. The sale removed a significant share overhang and led to an increase in AIA's index weighting, as the Council's shares were reclassified from 'strategic holding' to 'free float'. An increased index weight prompts passive investment funds to buy more shares. The Council sell down also led to speculation the Airport may become a takeover target for the same type of investors – large Australian super funds and infrastructure funds – that formed a consortium to acquire Sydney Airport in 2022.

Auckland Airport offers solid growth prospects over the next few years as it invests heavily in airport infrastructure and correspondingly increases its charges to airlines (and passengers). However, at 43x forecast earnings, its shares are priced at a premium and we see better opportunities elsewhere in the New Zealand market, and currently hold an underweight position in the Fund.

The increased index weight also means there are now two companies with weights in the NZX 50 of over 10%, being Fisher & Paykel Healthcare (+17%) and Auckland Airport (+11%). This increase in index concentration mirrors the experience in the US where a handful of mega-cap technology stocks now make up about a third of the S&P 500 index. Although F&P and Auckland Airport are both quality businesses, from a diversification perspective the increasing index concentration is not particularly healthy, and arguably one of the downsides of continued growth in passive investment strategies.

Target investment mix¹



Performance

As at 31 December 2024	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity New Zealand Equity Fund*	0.2%	4.4%	11.8%	1.2%	3.8%	4.9%
Benchmark Index**	0.4%	5.6%	12.2%	1.0%	3.4%	4.4%

CLARITY FIXED INCOME FUND

The Clarity Fixed Income Fund returned +0.9% in December – in line with benchmark.

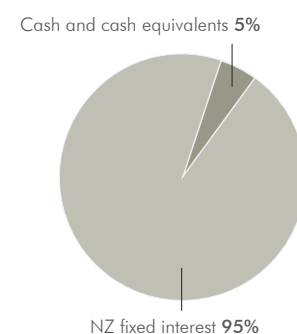
Domestic economic data in New Zealand during the month was weaker than expected, which contributed to positive returns in fixed income markets, as market interest rates declined in anticipation of greater interest rate reductions by the Reserve Bank of New Zealand. The release of NZ GDP showed a larger-than-expected contraction of -1.0% quarter-on-quarter for Q3, with Q2 also revised downward to -1.1%. Additionally, the government's economic and fiscal update painted a bleak picture, downgrading the economic outlook from the May Budget projections, which will necessitate an additional \$20 billion in borrowing over the next four years.

Meanwhile, the sell-off in US bond yields led to some curve steepening in New Zealand. The Fund was well positioned to benefit from this steepening, maintaining a relatively short duration.

During the month the Fund invested in a new bond issuance for a five-year Kiwibank fixed rate bond which added a small pickup in yield.

At month end, the portfolio yield was 4.6% and duration (average maturity) was 2.6 years.

Target investment mix¹



Performance

As at 31 December 2024	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Fixed Income Fund*	0.9%	1.2%	6.8%	3.3%	2.5%	3.8%
Benchmark Index**	0.9%	1.2%	6.7%	5.6%	3.5%	2.9%

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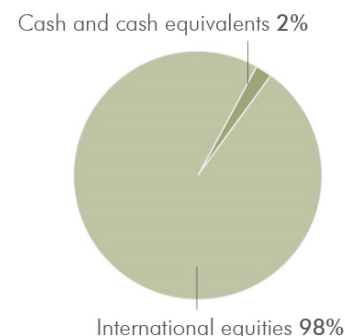
CLARITY GLOBAL SHARES FUND

The Clarity Global Shares Fund delivered a positive return of +0.2% during the month despite global share markets declining as the New Zealand dollar continued to depreciate, supporting NZD returns.

Following the market rally in November driven by expectations of lower taxes and deregulation under the Trump administration, investor sentiment shifted in December. US equities dropped by -2.4% during the month as concerns over inflation resurfaced. The surge in the US 10-year Treasury yield, which rose from 3.7% to 4.6%, highlighted persistent inflationary pressures. This prompted investors to reassess the inflationary implications of Trump's policies, including tariffs, tax cuts, an expanding fiscal deficit, and wage inflation linked to immigration policies. Meanwhile, the Federal Reserve reduced interest rates by 25 basis points as expected, but its tone remained hawkish, signalling ongoing concerns about inflation. The Fed's updated dot plot indicated a revised outlook for 2025, with only two rate cuts expected, down from the previous forecast of four.

Top contributors to Fund returns were largely comprised of Magnificent-7 companies, with Alphabet (+13%), Apple (+6%) and Amazon (+6%) leading the charge. Plans to increase the level of monetary stimulus in 2025 by Chinese authorities saw China Construction Bank (+11%) and PetroChina Co (+11%) rally over the month.

Target investment mix¹



Performance

As at 31 December 2024	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Global Shares Fund*	0.2%	6.2%	27.3%	12.3%	13.3%	12.2%
Benchmark Index**	0.7%	6.7%	26.6%	9.7%	12.4%	12.0%

CLARITY - CAPITAL GROUP NEW PERSPECTIVE FUND²

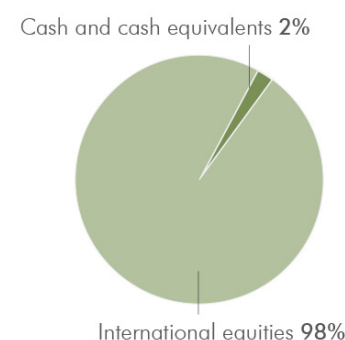
The Clarity-Capital Group New Perspective Fund posted a strong return of +1.5% in December.

Shares of Broadcom rose an eye watering +45% during the month, pushing the company's market cap beyond US\$1 trillion for the first time. The shares had their best day on record, increasing +21% after reporting fourth-quarter results that beat expectations for earnings and showed strong artificial intelligence revenue growth. The Fund holds an overweight position in Broadcom.

Fund holding Tesla continued its rally, with shares up +18% in December. This was driven by investor confidence in CEO Elon Musk's strategic positioning and anticipated regulatory tailwinds under President-elect Donald Trump. Musk's close ties with the incoming administration, coupled with expectations of relaxed federal regulations on autonomous vehicles, bolstered optimism for Tesla's ability to accelerate the rollout of self-driving technologies, including the highly anticipated Cybercab.

The primary detractor from performance was Novo Nordisk (-18%), following the release of disappointing clinical trial results for their CagriSema drug. This data had been highly anticipated by investors and analysts as a key indicator of Novo's ability to sustain its leadership in the competitive anti-obesity/GLP-1 market, following the success of Wegovy. However, the CagriSema trial revealed a weight reduction of 22.7%, falling short of the company's expectation of 25%. In comparison, Eli Lilly's rival product, Zepbound, has demonstrated a weight reduction of approximately 23%, meaning CagriSema's efficacy is on par with Zepbound, but with the added challenge of more complex manufacturing.

Target investment mix¹



Performance

As at 31 December 2024	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity - Capital Group New Perspective Fund*	1.5%	6.3%	23.9%	5.7%	12.2%	12.2%
Benchmark Index**	0.7%	6.7%	26.7%	9.7%	12.4%	12.3%

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

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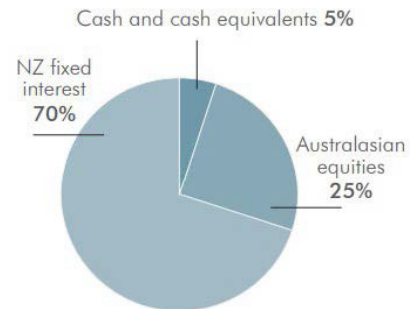
CLARITY DIVERSIFIED INCOME FUND

The Diversified Income Fund returned +0.2% in December.

Within the Fund, the Clarity Dividend Yield Fund had the best relative performance although New Zealand/Australian dividend paying shares were down over the month. The Clarity Fixed Income Fund (+0.9%) had the best absolute returns. The sell off in US bond yields was to the Fund's detriment in December.

The Diversified Income Fund invests in the Clarity Fixed Income Fund, the Clarity Dividend Yield Fund and the Smart Global Aggregate Bond ETF.

Target investment mix¹



Performance

As at 31 December 2024	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Diversified Income Fund*	0.2%	1.1%	6.1%	2.9%	3.0%	4.0%
Benchmark Index**	0.4%	1.9%	5.9%	6.2%	4.5%	4.2%

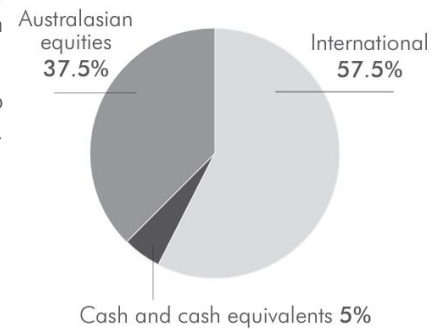
CLARITY DIVERSIFIED GROWTH FUND

The Diversified Growth Fund returned -0.2% in December, in line with benchmark.

The stand-out contributor to Fund returns came from the Clarity-Capital Group New Perspective Fund, returning +1.5% in what was a weak month for global equities. The Clarity Trans-Tasman Value Fund also added to relative returns.

The Diversified Growth Fund invests in the Clarity Global Shares Fund, the Clarity-Capital Group New Perspective Fund, the Clarity Trans-Tasman Value Fund and the TAHITO Te Tai o Rehua Fund.

Target investment mix¹



Performance

As at 31 December 2024	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Diversified Growth Fund*	-0.2%	4.0%	18.7%	7.2%	9.1%	8.6%
Benchmark Index**	-0.2%	4.9%	20.4%	7.9%	10.0%	10.7%

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