

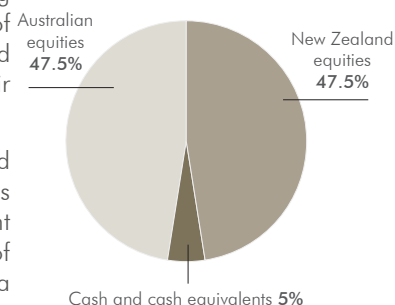
CLARITY TRANS-TASMAN VALUE FUND

The Fund declined -1.3% during the month, weighed down by a weak reporting season for New Zealand listed companies, reflecting the soft economic backdrop. Naturally in this environment, our best contributors were companies whose business is less affected by the economic cycle, including A2 Milk (+20%), Tower Insurance (+19%) and recent addition Ventia (+18%). At the other end of the spectrum retailer Kathmandu (-26%), retirement village company Ryman Healthcare (-19%) and Australian media company Nine Entertainment (-13%) are all suffering from weaker demand for their products and services.

Readers might well ask - the current economic slowdown has been well anticipated – why do we hold any ‘cyclical’ shares in the Fund? Firstly, we try to take a longer-term view and invest in companies that can create shareholder value over the course of an economic cycle. Mainfreight is an excellent example locally – down -3% over one year, but up >100% over five years. Secondly, the incidence of economic weakness is not always predictable – the Fund’s investments in ANZ and National Australia have both returned over 20% in the last 12 months despite fears around rising bad debts. Finally, if you sell cyclical holdings ahead of a recession, you also need to repurchase them before they spring back with the economy, and timing this correctly is near impossible.

Assessing the sensitivity of a portfolio of shares to the economy is as much an art as a science, but we believe we have held below average cyclical exposure for the last year. We are now looking to increase the Fund’s investments in selected higher quality cyclical names that stand to benefit as and when the economic outlook eventually brightens.

Target investment mix¹



Performance

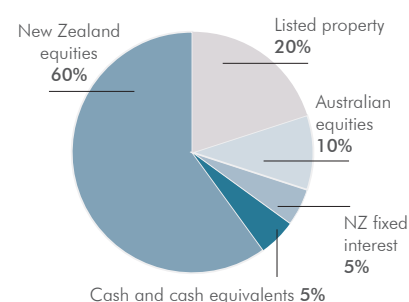
As at 29 February 2024	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Trans-Tasman Value Fund*	-1.3%	4.5%	2.2%	5.7%	5.8%	8.0%
Benchmark Index**	-0.5%	6.3%	4.0%	4.3%	7.5%	5.2%

CLARITY DIVIDEND YIELD FUND

February was a weak month for the Fund, falling -1.4%, although outperforming its benchmark. During the month portfolio holding Coles Group (+6%) reported improved performance from its supermarkets, partly helped by its investments in technology to help reduce ‘shrinkage’ aka theft, which had become a serious issue for the company as customers took matters into their own hands with regards to the cost of living crisis. The new technology includes overhead cameras that track customers, AI-aided SkipScan cameras at checkouts, and smart gates that lock if customers try to leave without paying for their groceries. Coles had fallen behind key competitor Woolworths in implementing this technology, but these results suggest they’re getting on top of the problem. Sales and earnings grew by 4% for the half and the dividend was kept stable at 36 cents per shares. This implies a 4% dividend yield which is at the lower end of the holdings in the Fund, but provides invaluable diversification and economic defensiveness to the portfolio.

A big dividend disappointment during the month was Fletcher Building, whose board made the decision to not pay an interim dividend to strengthen the company’s balance sheet in light of weaker than anticipated earnings and higher costs to complete the ‘legacy’ construction projects that have been plaguing the company for years, in particular the fire-affected International Convention Centre. Although the level of gearing is currently within management’s target range, a further deterioration in conditions could put them offside with lenders and force a capital raise. In this context, the board’s decision is prudent. We believe there is a reasonable chance that the final dividend is also omitted, and given our dividend focus for this Fund have used the recent strength in the share price, driven by M&A speculation, to reduce our position.

Target investment mix¹



Performance

As at 29 February 2024	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Dividend Yield Fund*	-1.4%	2.9%	3.7%	3.3%	5.4%	9.2%
Benchmark Index**	-1.8%	2.3%	2.7%	3.4%	5.3%	5.9%

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.

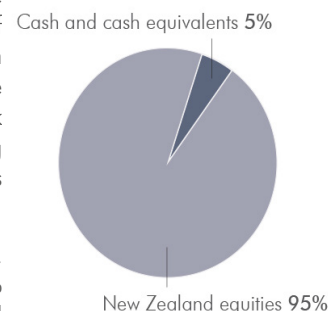
** Benchmark returns reflects no deduction for fees and tax. Details of these are included in the Quarterly Fund Update which is available at <https://clarityfunds.co.nz/quarterly-fund-updates-and-commentaries>.

CLARITY NEW ZEALAND EQUITY FUND

A top performer for the Fund during February was recent addition Ventia (+20%), an Australian domiciled company that provides essential support services on long-term contracts to government and utility companies in Australia and New Zealand. This ranges from maintaining parks and recreation facilities, to ongoing engineering and technical services for electricity companies, to complete management of the civilian aspects of defence bases. Ventia was formed in 2015 through the combination of a number of smaller services companies (including Leighton, Thiess, Visionstream), and listed on the ASX and NZX in 2021. It was previously owned by private equity which deterred us from participating in the IPO, but we have followed it closely since then and been impressed by the CEO's sensible approach to contract risk management and the ability of the company to deliver results in-line with expectations while continuing a good pace of growth. As both local and central governments seek further efficiencies and cost savings Ventia believe there is a large total addressable market for them to tap into.

The shares rallied strongly during February on delivery of another set of good financial results. Management expect to deliver 7-10% earnings growth in the coming year, which in addition to a 5% dividend yield stacks up as an attractive investment to us, given the proven predictability of earnings and defensive nature of their business.

Target investment mix¹



Performance

As at 29 February 2024	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity New Zealand Equity Fund*	-0.8%	3.3%	1.8%	0.4%	N/A	3.2%
Benchmark Index**	-1.1%	3.8%	-0.4%	-0.5%	N/A	2.5%

CLARITY FIXED INCOME FUND

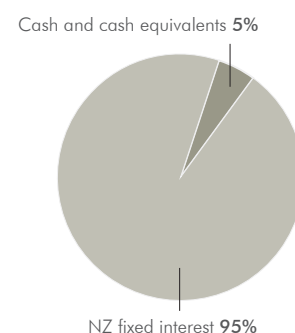
The Clarity Fixed Income Fund returns were flat over the month in line with benchmark.

Towards the end of the month, the RBNZ left the Official Cash Rate unchanged at 5.50%. They noted that core inflation has declined and risks to the inflation outlook have become more balanced but that rates need to remain restrictive for a sustained period.

We anticipate a pickup in new corporate issuance in the coming months and the Fund remains well positioned to take advantage of these opportunities.

Global fixed income returns were also muted in February. There was a divergence between the performance of higher and lower quality bonds. The higher quality government bonds and investment grade credit suffered slightly negative returns as yields rose due to a strong US jobs report quashing any lingering expectations of a near term interest rate cut. Lower rated credit markets performed better, supported by their lower duration and higher yield while also benefiting from spread tightening during the month. With stronger economic data, investors feel more comfortable that corporate debt won't default.

Target investment mix¹



Performance

As at 29 February 2024	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Fixed Income Fund*	0.0%	1.6%	6.4%	0.6%	1.9%	3.4%
Benchmark Index**	0.0%	1.6%	7.0%	3.4%	2.4%	2.5%

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CLARITY GLOBAL SHARES FUND

February was another strong month for global share markets. Economic data also proved resilient, with the US composite Purchasing Managers' Index suggesting activity continued to expand over February and the US economy adding 353,000 jobs in January. Earnings season was well received contributing to year-to-date gains.

The Clarity Global Shares Fund continued its run of strong performance returning +4.9% over the month. It is worth noting the Fund has returned +14.1% per annum over the last three years, +3.5% ahead of benchmark.

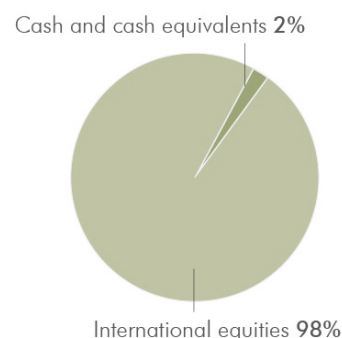
Fund holding Nvidia (+29%) continued to drive markets higher when their fourth quarter results came in strong. Operating income of US\$14.7 billion exceeded the already lofty market expectations by +12%. More importantly, forward guidance of US\$15.9 billion was also ahead of expectations for their next fiscal quarter with management quoting strong demand. We can see evidence of this as other mega-cap technology companies increase their long-term investments in AI.

Palo Alto Networks (-8%) had its biggest one-day decline to date and sparked a sell off in other cybersecurity stocks when it lowered its full year billings and revenue guidance. Shares fell more than -26% on the day, putting it on course to erase nearly US\$30 billion in market capitalisation. The result was due to a deliberate shift towards a more aggressive bundling and billing strategy, with a goal of driving higher net new customer growth through "platformisation". Through consolidating a complex set of products and features into a platform with unified data and management, the company's payoff is an end-to-end platform more valuable than the sum of its parts.

Performance

As at 29 February 2024	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Global Shares Fund*	4.9%	12.4%	26.1%	14.1%	12.7%	11.2%
Benchmark Index**	5.1%	10.9%	24.5%	10.6%	11.8%	10.8%

Target investment mix¹



CLARITY - CAPITAL GROUP NEW PERSPECTIVE FUND²

The Clarity-Capital Group New Perspective Fund returned +5.2% in February which was ahead of its benchmark.

As previously discussed Nvidia's result was a significant driver of market returns in February. On this note, key contributors to the fund were largely semiconductor related with Nvidia (+29%), Broadcom (+10%), Taiwan Semiconductor Manufacturing (+10%), ASML (+9%) and Applied Materials (+23%) leading the pack.

Facebook parent company and Fund holding Meta (+26%) showed that it is executing well on its near-term initiatives and investing deeply in important long-term initiatives in its latest set of numbers. Following Meta's 'year of efficiency' when they cut staff headcount by -22% and benefiting from strong core ad revenue, earnings per share came in well ahead of expectations. Furthermore, Meta announced its first ever dividend (~US\$5 billion per year) and increased their share buyback programme by an additional US\$50 billion. Initiating a dividend opens the company up to a range of new investors.

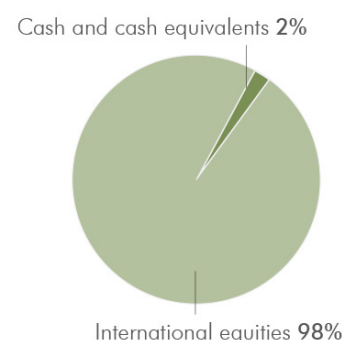
Danish freight forwarder DSV (-11%) was a notable detractor within the Fund. DSV reported a weak set of quarterly earnings primarily due to their Air & Sea Freight division where revenue was soft, but costs increased by more than the market expected. Management gave full year guidance for 2024 which was also soft relative to consensus. We monitor this company as a comparison for the New Zealand listed Mainfreight.

Nestle reached its lowest level since March 2020 as the food manufacturer posted weaker full year results. Along with Kraft Heinz and McDonalds, a bifurcated US consumer was called out with management noting the low-end consumer cohort was really struggling. Whilst not an issue for their Pet segment in the US, it has had a broad-based impact across the rest of Nestle's US food portfolio.

Performance

As at 29 February 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*	5.2%	11.6%	23.7%	6.8%	N/A	11.0%
Benchmark Index**	5.1%	10.9%	24.5%	10.7%	N/A	10.5%

Target investment mix¹



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

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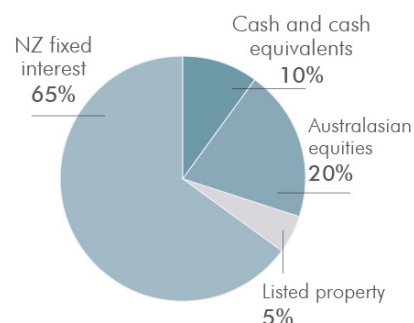
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CLARITY DIVERSIFIED INCOME FUND

The Diversified Income Fund return was negative for the month as weak Australasian share markets meant a negative contribution from the Clarity Dividend Yield Fund. However, the relative outperformance of the Clarity Dividend Yield Fund saw the Diversified Income Fund outperform its benchmark by +0.2% for the month.

The Diversified Income Fund invests in the Clarity Fixed Income Fund and the Clarity Dividend Yield Fund.

Target investment mix¹



Performance

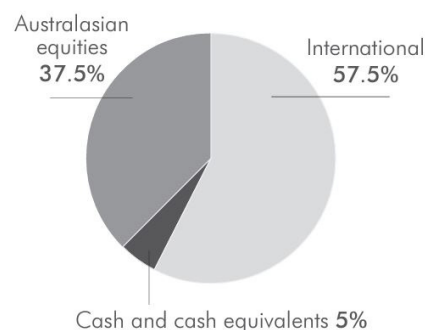
As at 29 February 2024	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Diversified Income Fund*	-0.4%	1.8%	5.4%	1.7%	3.3%	3.5%
Benchmark Index**	-0.6%	1.2%	7.0%	4.4%	3.7%	3.7%

CLARITY DIVERSIFIED GROWTH FUND

The Diversified Growth Fund returned +3.0% in February. Within the Fund we remain tactically overweight global equities, which continues to drive Fund performance with strong returns from the underlying Clarity Global Shares Fund and the Clarity-Capital Group New Perspective Fund. Australasian share markets were weak throughout the month, but we saw strong relative performance from the TAHITO Te Tai o Rehua Fund.

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 29 February 2024	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Diversified Growth Fund*	3.0%	9.2%	16.2%	8.8%	9.0%	7.8%
Benchmark Index**	2.8%	9.1%	16.0%	8.2%	10.2%	9.8%

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