

CLARITY TRANS-TASMAN VALUE FUND

The Fund returned -1.3% in February, outperforming the benchmark by +1.2%, as both the New Zealand and Australian share markets declined.

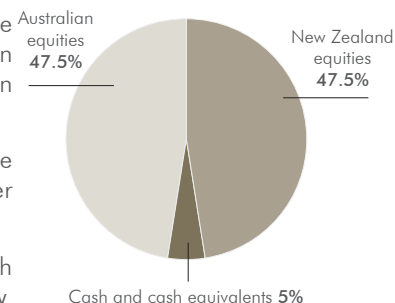
This was one of the Fund's best monthly relative performances in over three years, and as is often the case, it occurred during a period of market weakness. One of Clarity's investment principles is to "err on the conservative side" and our Fund performance statistics attest to this, typically outperforming in down markets. The flip-side of course is that when markets are climbing, we may be a little bit off the pace.

The strong performance during the month was driven by earnings guidance upgrades from four core positions in the Fund: A2 Milk (+37%), Computershare (+24%), Vista Group (+18%), and Tower (+11%). In the context of a generally disappointing reporting season, these were especially pleasing.

We suffered some poor results too, with Spark (-22%) and Ryman Healthcare (-24%) standing out. Both companies have been impacted more than expected by ongoing weakness in the New Zealand economy. Spark has seen a material decline in earnings from its government and large enterprise segment as these customers target cost cutting. Encouragingly, Spark's consumer mobile business remains robust, with customers consuming more and more data and their willingness to pay remaining high.

Ryman Healthcare surprised the market with a huge \$1bn capital raise to reduce debt. Accompanying the raise was a downbeat trading update with retirement village unit sales remaining slow. The capital raise reflects the new CEO looking to draw a line under Ryman's struggles over the last few years. We are positive about the medium-long term outlook for the company but many of the changes they are making now will take time to pay off, so the short-term may remain a challenge.

Target investment mix¹



Performance

As at 28 February 2025	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%	-1.2%	10.0%	4.8%	6.7%	8.1%
Benchmark Index**	-2.5%	-1.9%	10.7%	6.1%	7.1%	5.6%

CLARITY DIVIDEND YIELD FUND

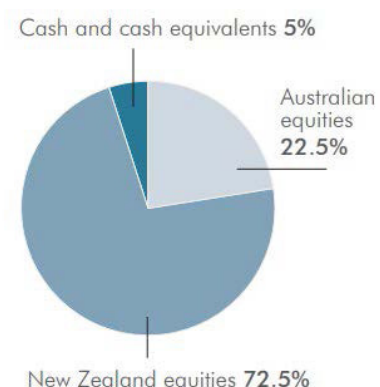
The Clarity Dividend Yield Fund returned -2.5%, outperforming the benchmark by +1.3%.

New Zealand dividend yielding shares, as measured by the S&P/NZX 50 High Dividend Yield Index, underperformed the broader NZ market in February, falling nearly 4%. The dividend index was weighed down by higher weightings to Spark (-22%) and Heartland Group (-21%). Spark's issues are discussed above. Heartland Group fell after announcing a large impairment on its motor finance and small business loan books as it became clear that many loans were unlikely to be repaid, and they were either unsecured or in some cases, the security was worthless. At the same time operating costs are coming in higher than expected as the group deals with the added compliance and management costs of running a licensed bank in NZ and Australia.

The Dividend Yield Fund holds shares in Heartland, but was underweight relative to benchmark, which was one contributor to the strong relative performance of the Fund during the month.

Positive contributors to the Fund during the month included Vulcan Steel (+14%) and Freightways (4%). Both are also experiencing headwinds from weak economic activity in New Zealand, but the market was prepared to look past this, in contrast with Spark and Heartland. In Vulcan's case, investors can see the strong potential upside in earnings when the cycle turns. Freightways are actually still managing to grow earnings by winning share in the courier / parcel delivery market, and increasing their pricing to better reflect the effort involved in delivering parcels to the more remote parts of New Zealand.

Target investment mix¹



Performance

As at 28 February 2025	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Dividend Yield Fund*	-2.5%	-2.4%	5.9%	3.2%	4.3%	8.9%
Benchmark Index**	-3.8%	-3.8%	5.1%	3.1%	4.7%	5.8%

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 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/investor-documents>.

CLARITY NEW ZEALAND EQUITY FUND

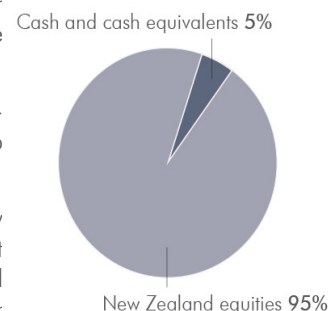
After a promising period of strong performance following the Reserve Bank starting to reduce interest rates in the middle of 2024, the New Zealand share market has come back to reality with a thump in 2025, falling 3% in February due to a combination of economically impacted company earnings (e.g. Spark -22%), US tariff threats impacting our largest listed company (F&P Healthcare -9%), and investor indigestion from the \$1bn Ryman Healthcare re-capitalisation, which sucked a lot of oxygen out of the market.

The Clarity New Zealand Equity Fund fared better than the market last month, declining 2%. Our long-held underweight position in F&P Healthcare helped, as did overweight positions in Tower, Vista Group and A2 Milk which as noted above all upgraded earnings guidance during the month.

Although the last couple of months have been rough, we continue to hold a positive outlook for the New Zealand market. During the February company reporting season we met with numerous management teams and while all remain cautious, in general they think economic activity has bottomed out, and declining interest rates and a lower foreign exchange rate should positively influence the economy over the course of 2025. Lower interest rates also make shares look relatively more attractive and are therefore supportive for the stock market.

Finally, we note that over the last year the Fund has earned 8.7% for investors, well shy of US-tech fuelled global equities but still a respectable outcome, and broadly in line with long run expectations, and our neighbour across the Tasman.

Target investment mix¹



Performance

As at 28 February 2025	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity New Zealand Equity Fund*	-2.0%	-2.6%	8.7%	2.9%	3.6%	4.2%
Benchmark Index**	-3.0%	-3.4%	8.1%	2.6%	3.0%	3.5%

CLARITY FIXED INCOME FUND

The Clarity Fixed Income Fund returned +0.4% in February – in line with its benchmark.

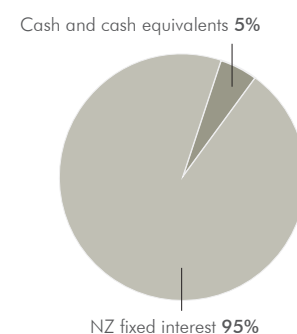
During the month the Reserve Bank of New Zealand reduced the OCR by 50 basis points to 3.75%, as widely expected. The central bank also signalled further interest rate cuts are likely, although future reductions will likely be more measured – in increments of 25-basis points. The OCR is currently expected to reach a low of around 3.00%-3.25% by the end of the year. Future cuts beyond those priced in for April and May will depend on New Zealand's economic performance and how global economic conditions evolve, particularly in light of more restrictive global trade policies.

The Reserve Bank of Australia also kicked off an easing cycle, with a 25-basis point cut bringing the cash rate to 4.10%. The market reaction was limited as the cut was expected however it was met with cautious language about the policy outlook. Governor Bullock talked down expectations of future rate cuts and noted that “the board is very alert to upside risks that could derail the deflationary process”.

During the month there was no new corporate bond issuance in New Zealand, however we are expecting this to pick up over the coming months.

At month end, the portfolio yield was 4.7% and duration (average maturity) was 2.4 years.

Target investment mix¹



Performance

As at 28 February 2025	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Fixed Income Fund*	0.4%	1.3%	7.5%	3.8%	2.2%	3.7%
Benchmark Index**	0.4%	1.3%	7.2%	5.7%	3.6%	2.9%

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CLARITY GLOBAL SHARES FUND

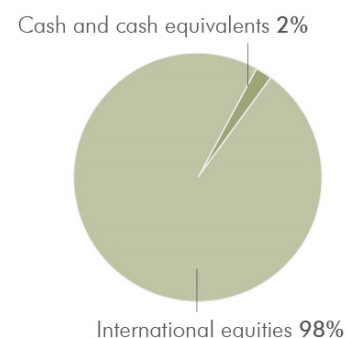
The Clarity Global Shares Fund delivered a return of -0.6% during the month.

US equities fell during the month, and US bond prices rallied amid rising investor risk aversion. Driving down risk appetite appeared to be the combination of rising US policy uncertainty and weaker economic data – the two being related – against the backdrop of the government’s drive to cut spending, fire Federal employees and introduce further tariffs. Softer data points included retail sales, consumer sentiment and unemployment.

Tesla’s significant share price decline (-28%) unwound most of its post-election rally, which had been fuelled by a mix of euphoria and technical factors, with fundamentals largely dismissed. Tesla reflects many of the same factors that tend to drive up Bitcoin and other cryptocurrencies. This includes the belief that future value is underpinned by the potential for large-scale disruption. Now fundamentals are beginning to matter somewhat, and the stock has re-rated from 145x price to earnings to 105x. The stock is still almost exclusively driven by long-term growth prospects. While the shares detracted from Fund returns, the Fund is underweight the shares relative to the benchmark.

Meanwhile, the Chinese EV manufacturer and Fund holding BYD delivered robust gains, appreciating by +36% during the month. The company announced that its “God’s Eye C” autonomous driving technology will be integrated into mid-to-low-end vehicle models without price increases. This strategic move aims to democratise intelligent driving features, positioning BYD at the forefront of this long-term mega trend while also boosting sales. BYD remains attractively valued, trading at a reasonable 19x P/E multiple, with earnings per share projected to grow at approximately 30%. Additionally, the company continues to generate a return on capital exceeding its cost of capital, meaning the growth is value accretive to shareholders.

Target investment mix¹



Performance

As at 28 February 2025	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Global Shares Fund*	-0.6%	3.0%	20.7%	15.7%	15.4%	12.3%
Benchmark Index**	-0.3%	3.3%	20.8%	13.2%	14.1%	12.1%

CLARITY - CAPITAL GROUP NEW PERSPECTIVE FUND²

The Clarity-Capital Group New Perspective Fund posted a return of -0.7% in February.

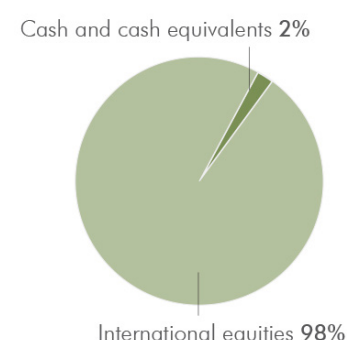
The primary drag on performance came from mega-cap tech companies. Amid macroeconomic headwinds, investors focused on the return on AI-related capital expenditures. While earnings met expectations, companies increasing cloud and AI spending without clear revenue growth faced scrutiny, leading to selloffs.

Alphabet fell -16% as cloud revenue missed expectations. It raised its capital expenditure forecast to \$74 billion, a +42% increase. Amazon’s cloud division also disappointed, citing data centre capacity constraints, with capex up +27% to \$105 billion, causing shares to drop -11%. Meta and Microsoft projected capex increases of +59% and +58%, respectively. However, both showed AI-driven revenue growth met expectations, resulting in more modest declines of -3% for Meta and -4% for Microsoft.

Shares of jet engine manufacturer Rolls-Royce rallied +23% during the month. The result was supported by a global recovery in long-haul travel and increased defence spending in Europe. Management increased guidance for FY25 EBITDA and free cash flow – which are now expected to be in line with prior mid-term targets for FY27.

Another key contributor included Tencent who successfully tested the Chinese AI engine DeepSeek on its WeChat platform. As China’s leading instant messaging, social media, and mobile payment app, WeChat boasts over 1.3 billion monthly active users, positioning Tencent at the forefront of AI-driven innovation in the region.

Target investment mix¹



Performance

As at 28 February 2025	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity - Capital Group New Perspective Fund*	-0.7%	4.7%	18.7%	11.2%	13.6%	12.4%
Benchmark Index**	-0.3%	3.3%	20.8%	13.2%	14.1%	12.4%

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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

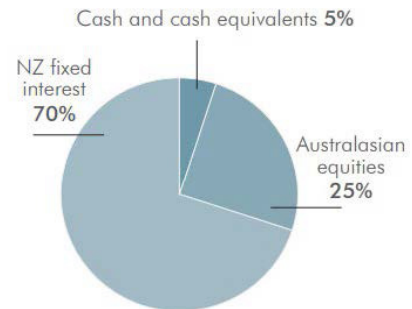
The Diversified Income Fund returned -0.5% in February, ahead of benchmark.

Within the Fund, the Clarity Fixed Income Fund had positive absolute returns. However, the Clarity Dividend Yield Fund had strong returns relative to its benchmark.

The Smart Global Aggregate Bond ETF returns were positive over the month.

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 28 February 2025	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Diversified Income Fund*	-0.5%	0.2%	6.5%	3.4%	3.1%	3.9%
Benchmark Index**	-0.7%	-0.1%	6.3%	5.9%	4.3%	4.0%

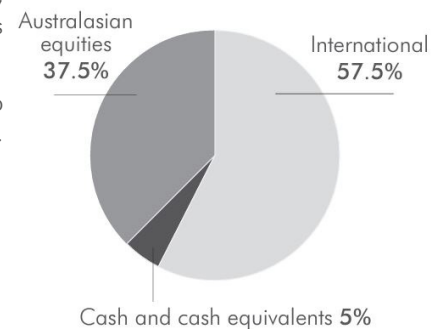
CLARITY DIVERSIFIED GROWTH FUND

The Diversified Growth Fund returned -1.0% in February, ahead of benchmark.

The stand-out contributor to Fund returns came from the Clarity Trans-Tasman Value Fund, outperforming its benchmark by +1.2%. Absolute returns were softer from all Fund holdings over the month.

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 28 February 2025	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Diversified Growth Fund*	-1.0%	1.4%	14.9%	10.2%	10.8%	8.7%
Benchmark Index**	-1.2%	1.2%	16.7%	10.7%	11.2%	10.7%

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