

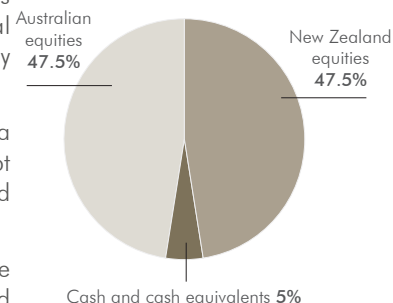
CLARITY TRANS-TASMAN VALUE FUND

The Trans-Tasman Value Fund produced its strongest monthly return since November 2020, gaining 5.4% in July. The New Zealand share market sprang into life, the S&P/NZX 50 Portfolio Index rising 7.5% after an update from the Reserve Bank of New Zealand widely seen as opening the door for cuts to official interest rates (discussed further in our Fixed Income commentary). This was clearly the signal that many investors had been waiting for, and share prices were bid up across the market, emphatically marking the end of a long period of weakness.

All things equal, falling interest rates can boost share prices in a number of ways: shares become a relatively more attractive investment versus bonds; future interest costs decline for companies with debt (i.e. earnings increase); they eventually boost economic activity and therefore company earnings; and from a technical perspective, a lower discount rate boosts share valuations.

During July, these impacts were most pronounced in the retirement village sector, and Ryman Healthcare was a top performer in the Fund, rising +27%. Other top performers on the NZ market included previously beaten-up stocks like Arvida (+74% on a private equity bid), Kathmandu (+27%) and The Warehouse Group (+41%, again on private equity interest). None of these companies were held in the Fund due to various concerns around business model, increasing competition, and high debt. This explained much of the underperformance of the Fund relative to the benchmark during the month. Although we recognise the NZ economy is in a weak position at present and the upcoming company reporting season will hold little good news, we now believe the conditions are in place for the New Zealand share market to outperform Australia in the short-medium term and have reallocated capital between markets to reflect this view.

Target investment mix¹



Performance

As at 31 July 2024	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Trans-Tasman Value Fund*	5.4%	4.0%	5.9%	5.4%	5.6%	8.3%
Benchmark Index**	6.0%	5.1%	7.9%	4.2%	6.2%	5.5%

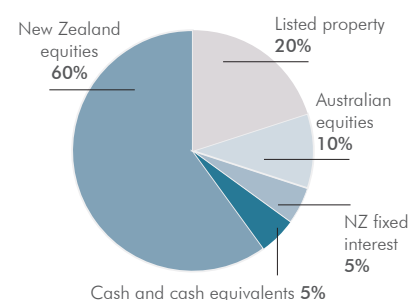
CLARITY DIVIDEND YIELD FUND

The Dividend Yield Fund returned 4.3% for the month, a smidge ahead of its dividend-specific benchmark, but lagging the broader market due to an absence of non-dividend paying retirement village companies, which as noted above reacted particularly sharply to the RBNZ news.

Fund holding Contact Energy, one of New Zealand's largest dividend payers, provided a slightly disappointing update during the month. Dividends will increase in the coming year as earnings benefit from recently completed geothermal projects, but management do not expect any further growth in the short term as they prioritise investment in more generation projects. The shares fell -6% during the month on this news.

One of the best performing investments in the Fund was our holding in high-yielding Synlait bonds (+21%). Synlait has been one of the most interesting corporate stories of the year on the NZX, struggling with weak operational performance, a heavy debt load, and two major shareholders (China's Bright Dairy and A2 Milk) that clearly do not see eye-to-eye. This came to a head in August when shareholders were required to vote at a special meeting to approve a \$150m 'emergency' shareholder loan from Bright to Synlait. As an interested party, 39% shareholder Bright was unable to vote at the meeting, which left A2 holding a strong hand in determining the outcome. The directors were clear in the notice to the meeting that a failure to approve the \$150m loan would likely push Synlait into receivership. A2, who might potentially be interested in buying certain Synlait assets, did not disclose its voting intentions until the very last moment, when it finally provided its support for the loan. The next step in recapitalising Synlait is an equity raise, slated for later this month. At that point we expect the bonds will be repaid at par.

Target investment mix¹



Performance

As at 31 July 2024	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Dividend Yield Fund*	4.3%	1.3%	0.7%	1.5%	3.2%	9.0%
Benchmark Index**	4.2%	1.9%	0.0%	2.4%	3.0%	5.9%

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

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CLARITY NEW ZEALAND EQUITY FUND

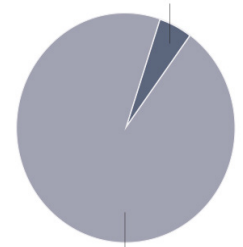
The New Zealand Equity Fund enjoyed its best monthly return since June 2020, rising 4.6%, spurred on by the RBNZ pivot as discussed above. The Fund lagged its benchmark however, caught somewhat flat-footed by the sharp jump in 'lower quality' stocks which we, and much of the market, had been avoiding until this point. Although we believe the market can continue to rise from here, we remain sceptical on the sustainability of some of these gains and have not chased them higher.

Perversely, our long-held investment in Tower was a top performer for the Fund in July, rising +27%, as it gained further investor attention and positive sharebroker analyst coverage. It's a perverse outcome because unusually, Tower's earnings actually benefit from higher interest rates - they invest customer premiums in short-term fixed income investments until required to pay out claims and collect the interest income along the way. Tower is performing exceptionally well at present and remains a very cheap stock, trading on 7x expected earnings, and we continue to see upside for the shares.

Laggards during the month included Contact Energy (-6%) and Infratil (-4%), whose shares remain weighed down by the recent capital raise.

Target investment mix¹

Cash and cash equivalents 5%



New Zealand equities 95%

Performance

As at 31 July 2024	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity New Zealand Equity Fund*	4.6%	3.2%	4.0%	1.0%	N/A	4.1%
Benchmark Index**	5.9%	3.9%	3.8%	0.3%	N/A	3.5%

CLARITY FIXED INCOME FUND

The Clarity Fixed Income Fund returned +2.0% in July, ahead of benchmark.

July was an eventful month in fixed income markets beginning with the RBNZ holding the OCR steady at 5.50% but signalling they were ready to cut rates. Weak economic data confirmed this as manufacturing Purchasing Managers' Index came in at an anaemic 41.1 and card spending data declined -0.5% month-on-month. The Consumer Price Index came in at expectations although non-tradable inflation remained stubborn, which didn't provide a conclusive outcome for fixed income investors.

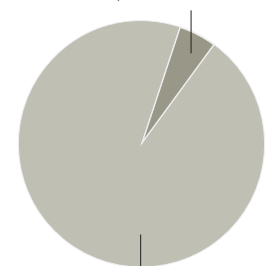
Interest rates rallied throughout the month with the yield on the two-year swap rate declining from 4.9% to 4.2%. During the month the Fund added exposure to this movement in swap rates which benefitted Fund performance.

Looking forward, we continue to believe interest rates will decline further in the medium term, but note rates have moved quickly to price in a rapid succession of cuts by the RBNZ.

At month end, the portfolio yield was 5.1% and duration (average maturity) was 2.8 years.

Target investment mix¹

Cash and cash equivalents 5%



NZ fixed interest 95%

Performance

As at 31 July 2024	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Fixed Income Fund*	2.0%	3.5%	8.2%	1.8%	2.0%	3.6%
Benchmark Index**	1.8%	3.2%	8.6%	4.6%	3.0%	2.8%

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CLARITY GLOBAL SHARES FUND

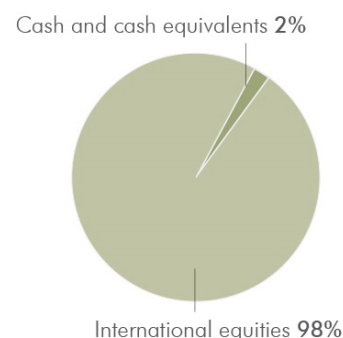
The Clarity Global Shares Fund returned +2.1% during the month, modestly underperforming the benchmark.

In July, global equities rose, but there were notable shifts within the market. Investors moved away from high-growth companies and favoured those with lower valuations. Small caps also outperformed larger companies.

The Federal Reserve held interest rates steady at 5.25%-5.50% but hinted at a possible cut in September due to softer inflation readings. Later in the month, the consumer price index showed annual inflation at 3.0% in June, down from 3.3% in May and below expectations, while the personal consumption expenditures index dropped to 2.5% from 2.6%.

Top-performing sectors included real estate, utilities, and financials, with smaller companies benefiting from anticipated rate cuts. This benefitted Fund holdings Jones Lang Lasalle (JLL) which returned 23%, Builders Firstsource (+21%) and Masco, the home improvement and building product manufacturer (+17%). In contrast, the information technology and communication services sectors declined, partly due to concerns about the returns on investments in artificial intelligence. This impacted Fund holdings Nvidia (-5%), Microsoft (-7%), ASML Holdings (-12%), Meta (-6%) and Hon Hai Precision Industry (-5%).

Target investment mix¹



Performance

As at 31 July 2024	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Global Shares Fund*	2.1%	8.4%	25.7%	12.8%	13.9%	12.2%
Benchmark Index**	2.8%	7.7%	20.7%	9.3%	12.3%	11.6%

CLARITY - CAPITAL GROUP NEW PERSPECTIVE FUND²

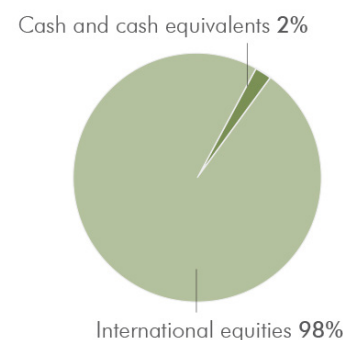
The Clarity-Capital Group New Perspective Fund returned +0.6% in July, underperforming the benchmark as several of the Fund's technology investments were marked down.

In the US, earnings season saw four of the magnificent seven reporting results for the previous quarter. Broadly, investors appeared underwhelmed by the releases with Microsoft (-7%), Meta (-6%) and Nvidia (-5%) all weighing on Fund performance. Tesla's quarterly results were well received by the market after their second consecutive decline in quarterly vehicle deliveries to 444,000 wasn't as weak as analysts were predicting. The shares rose 18% during the month and were the top contributor to Fund performance.

Danish freight forwarder DSV had a strong month returning 19%. The company posted a small beat to its quarterly earnings and upgraded their full year guidance slightly. While sea freight margins are declining from pandemic induced highs, management have noted market share gains. Gains throughout the month were supported when shipping liner Maersk dropped out of the running to acquire Deutsche Bahn's logistics unit, DB Schenker.

GLP-1 weight loss drug manufacturers Ely Lilly (-11%) and Novo Nordisk (-10%) both had weaker months after competitor Roche announced favourable clinical results for a once daily pill for weight loss and type 2 diabetes. Early mover status has unquestionably benefitted these companies, but the good times can always come to an end. Obesity is a major problem and demand for obesity treatments is robust, this will attract competition.

Target investment mix¹



Performance

As at 31 July 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*	0.6%	6.0%	17.8%	5.2%	N/A	11.6%
Benchmark Index**	2.8%	7.7%	20.7%	9.3%	N/A	11.7%

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

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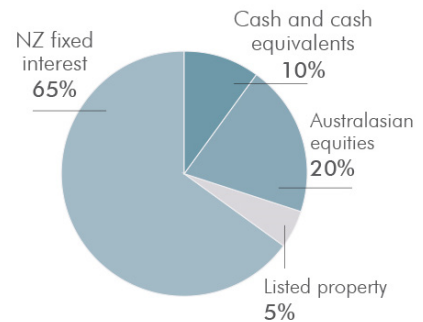
CLARITY DIVERSIFIED INCOME FUND

The Diversified Income Fund returned +2.5% in July, ahead of benchmark.

New Zealand fixed interest and Australasian dividend paying shares were both strong over the month following the RBNZ pivot. The Clarity Fixed Income Fund and the Clarity Dividend Yield Fund both contributed to outperformance versus the Fund's benchmark.

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

Target investment mix¹



Performance

As at 31 July 2024	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Diversified Income Fund*	2.5%	2.8%	6.0%	1.8%	2.7%	3.8%
Benchmark Index**	2.4%	2.5%	7.2%	5.2%	4.0%	3.9%

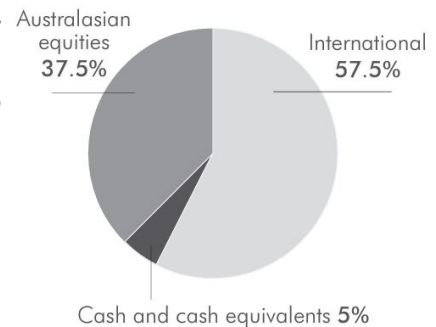
CLARITY DIVERSIFIED GROWTH FUND

The Diversified Growth Fund returned +2.8% in July, underperforming the benchmark.

Within the Fund we remain tactically overweight global equities. This was to the Fund's detriment this month as Australasian shares rallied on the back of lower interest rate expectations in New Zealand. The TAHITO Te Tai o Rehua Fund was the key driver of relative performance.

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 July 2024	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Diversified Growth Fund*	2.8%	6.0%	15.2%	7.5%	9.3%	8.5%
Benchmark Index**	4.1%	6.7%	15.5%	7.6%	9.8%	10.4%

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