

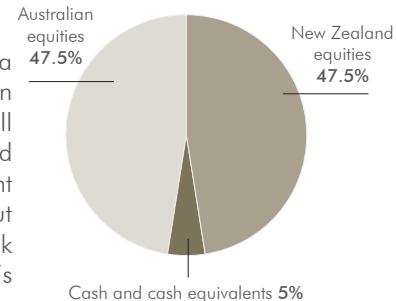
CLARITY TRANS-TASMAN VALUE FUND

The Trans-Tasman Value Fund declined -1.4% in May, dragged down by a weak NZ share market and an appreciating NZD/AUD exchange rate, which nullified the small rise in our Australian investments, when measured in New Zealand dollars.

The NZ market was down despite a very strong final day of the month, when the announcement of a long-term electricity supply deal for the aluminium smelter at Tiwai Point saw most electricity generation stocks move higher. Meridian Energy (+13%), Contact Energy (+6%) and Mercury Energy (+5%) all contributed positively to Fund returns during the month. Genesis Energy (-10%) was a clear laggard and has been for some time now. This year Genesis' share price has been impacted by equipment failure at its Huntly power station, an unsuccessful drilling programme at the Kupe gas field, and a cut to the dividend to facilitate increased investment in renewable energy assets. Nonetheless, we think growing electricity demand should eventually lift Genesis too. We have been adding to the Fund's holdings across the sector.

Poor performers during the month were Skellerup (-22%), Fletcher Building (-18%) and Sky TV (-16%). Fletcher Building announced a weaker outlook for earnings, reflecting depressed activity levels in the construction sector. No such announcements have come from Skellerup or Sky TV, but the share price declines probably reflect a fear in the market that each will inevitably be affected by weak demand. In each case we are optimistic that any impact will be moderate, and hence more inclined to add to our investment than reduce at this point.

Target investment mix¹



Performance

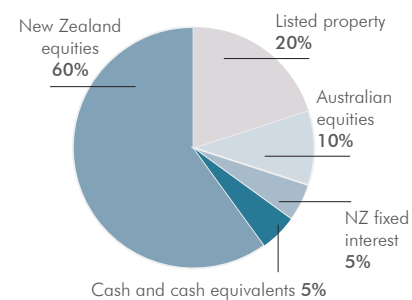
As at 31 May 2024	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Trans-Tasman Value Fund*	-1.4%	1.6%	4.7%	3.8%	4.9%	8.0%
Benchmark Index**	-1.0%	0.8%	5.5%	2.8%	6.1%	5.2%

CLARITY DIVIDEND YIELD FUND

High dividend yielding NZ shares underperformed the broader market again in May. Within this, the most surprising move for us was dividend stalwart Spark NZ, whose shares fell -12% after reducing earnings guidance for the year by -4% "as challenging trading conditions intensified in some parts of the business". Specifically, Spark's IT services segment, which serves government and enterprise customers, has seen significantly reduced demand. The good news is mobile, Spark's largest revenue line, remains robust, and supported by an investment-grade balance sheet, guidance for the full year dividend was unchanged at 27.5 cents, implying a current 9.4% gross dividend yield (including imputation credits).

One of the best yielders in the portfolio at present is Fonterra. During the month the co-operative upgraded their earnings outlook for the year, and announced the intention to divest their consumer business (including well-known brands like Anchor, Kapiti and Mainland). Although some commentators criticised Fonterra's planned retreat to commodity products, we think this move makes sense and could realise significant value for shareholders. The consumer business should be much more highly valued in the hands of another owner (e.g. a multi-national consumer goods business) than as part of a co-operative predominantly focussed on milk collection and processing. Another smart move from management in our view. The unit price rose 8% during the month in response.

Target investment mix¹



Performance

As at 31 May 2024	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Dividend Yield Fund*	-2.5%	-1.9%	1.3%	0.7%	3.4%	8.8%
Benchmark Index**	-1.3%	-0.9%	1.0%	1.8%	3.7%	5.6%

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

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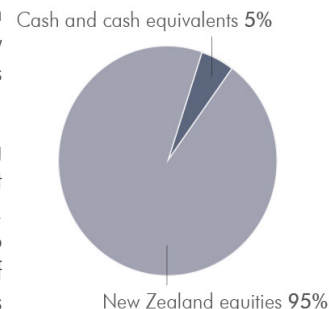
** Benchmark returns reflects no deduction for fees and tax. Details of these are included in the Quarterly Fund Update which is available at <https://clarityfunds.co.nz/quarterly-fund-updates-and-commentaries>.

CLARITY NEW ZEALAND EQUITY FUND

The New Zealand Equity Fund broadly matched the market in May, falling -0.6%. Our biggest riser during the month was cinema software company Vista Group (+21%), with Australian private equity firm Potentia Capital buying 20% of the company at a premium to the market price. Although Potentia stated they have no current intention to launch a full takeover offer, the market now sees Vista shares as 'in play', and the shares have moved higher accordingly. Vista's customers (movie cinemas) were severely impacted by Covid lockdowns, and its shares lagged the performance of other NZX software companies in recent years, but have started to show better momentum recently.

Elsewhere, New Zealand's largest listed company, Fisher & Paykel Healthcare (+4%), reported strong full year financial results during the month, and gave guidance for the coming year. On a constant currency basis, they expect earnings to rise well over 10% this year as demand for their products grows. FPH is the largest holding in the Fund at around 10%, but this is less than its weight in the NZX50 – so we are technically 'underweight' the shares. While we readily accept the quality and growth profile of the business, in our view the shares are overvalued, trading on 53x next year's forecast earnings. This is higher than the all-conquering Nvidia in the US! While the local economy is in the doldrums and investors prefer defensive growth stocks like FPH, that multiple may be sustainable, but we think at some point it is likely to rerate to more sensible levels.

Target investment mix¹



Performance

As at 31 May 2024	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity New Zealand Equity Fund*	-0.6%	1.6%	3.4%	0.3%	N/A	3.4%
Benchmark Index**	-0.7%	1.3%	1.3%	-0.4%	N/A	2.6%

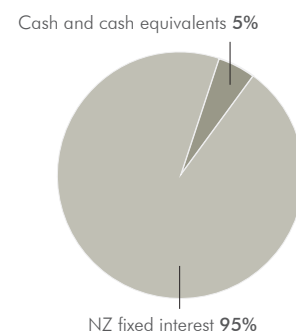
CLARITY FIXED INCOME FUND

The Clarity Fixed Income Fund returned +0.7% over the month, slightly ahead of benchmark.

During the month the RBNZ left the Official Cash Rate steady at 5.5%. However, the Bank strengthened its hawkish bias noting domestic inflation pressures, and even discussed a hike, before a consensus was reached to leave rates on hold. The Bank raised its modelled cash rate track which now peaks at 5.65% in December, implying a greater probability of a rate hike relative to the February Monetary Policy Statement. The movement up in swap rates was relatively muted as market participants still largely expect rate cuts.

At month end, the portfolio yield was 5.8% and duration was 2.7 years.

Target investment mix¹



Performance

As at 31 May 2024	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Fixed Income Fund*	0.7%	1.2%	5.3%	1.0%	1.7%	3.4%
Benchmark Index**	0.6%	1.1%	6.9%	3.8%	2.6%	2.6%

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

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CLARITY GLOBAL SHARES FUND

After a tough April, equity markets bounced back in May. Ten out of the eleven S&P 500 sectors posted positive performance in May, led by information technology (+10%), Utilities (+9%) and communication services (+7%). The Clarity Global Shares Fund returned 2.9% over the month, ahead of benchmark.

Outperformance was driven by NVIDIA's +26% returns in May following a strong quarterly earnings report. With a +121% gain year-to-date, NVIDIA alone is responsible for roughly one third of the benchmark index's total return.

It is highly unlikely NVIDIA's shareholders will experience the same returns of the last five years over the next five years. If so, the company would be valued at \$92 trillion, slightly less than the world's current gross domestic product value of \$105 trillion.

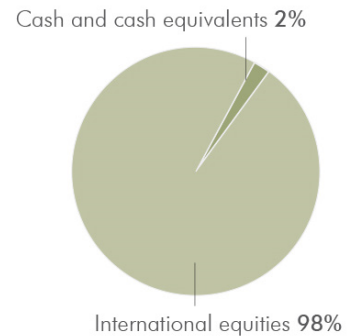
We are early in the Artificial Intelligence revolution and the economic impact is difficult to predict, as are the individual stock winners and losers. Investors discovered many products and services deemed revolutionary during the pandemic, from companies like Peloton, Zoom, Spotify, and Robinhood. Chasing these stocks at their respective peaks resulted in substantial investment losses, from 80% to 95%, as unsustainable growth rates eventually fizzled.

Other magnificent-seven constituents contributed to strong monthly returns with Apple (+13%), Microsoft (+7%), Meta (+8%) and Alphabet (+6%). Markets remain highly concentrated with the magnificent-seven companies contributing over half of total year-to-date performance for the benchmark index.

Performance

As at 31 May 2024	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Global Shares Fund*	2.9%	6.0%	27.8%	12.5%	14.0%	11.7%
Benchmark Index**	1.9%	3.6%	22.4%	8.9%	12.4%	11.0%

Target investment mix¹



CLARITY - CAPITAL GROUP NEW PERSPECTIVE FUND²

The Clarity-Capital Group New Perspective Fund returned 1.8% in May.

Fund holding Netflix returned +16% over the month. The share price had been weak into the end of April despite posting solid numbers when management announced they would stop reporting quarterly subscriber numbers from 2025 onwards. Investors appear to have gained some comfort around this decision. During the month, they announced they had the rights to the Christmas Day NFL games. This drove further expectations of ad-tier growth and increased global reach. Unlike some of its fellow magnificent-seven constituents, Netflix is not subject to heavy AI-driven capital expenditure intensity.

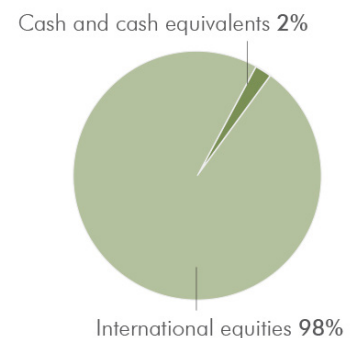
French automotive manufacturer Renault (+19%) had a strong month. The company has been in 'value' territory trading at ~3x price to earnings valuations. Renault's margins have lagged their competition and they have had separate issues with a souring relationship with their long-time partner Nissan which had been overhanging the share price. This began to turn around when Renault sold an initial tranche of Nissan shares late last year, netting €765 million, as part of a plan to lower their stake in Nissan to 15% from an initial 43%. The continued sell down in Nissan shares and improved pricing saw a strong first quarter relative to market expectations.

Salesforce was a weaker performer over the month with -13% returns. Following a stronger start to the month, shares fell -17% after the company provided guidance that didn't meet the market's lofty expectations for FY25. This reaction appeared slightly overdone given revenue guidance was still strong. This could potentially be a result of investor concerns that generative AI is creating a pause and reprioritisation in IT spending decisions.

Performance

As at 31 May 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*	1.8%	2.7%	20.4%	5.5%	N/A	11.0%
Benchmark Index**	2.0%	3.6%	22.4%	8.9%	N/A	10.8%

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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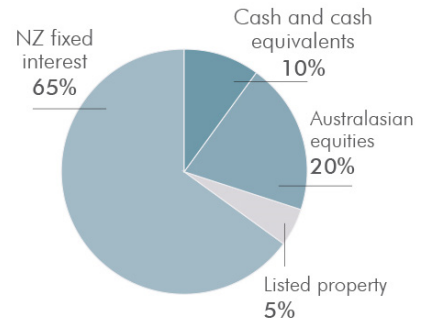
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CLARITY DIVERSIFIED INCOME FUND

The Diversified Income Fund returned -0.1% in May, in-line with benchmark. The Clarity Fixed Income Fund drove performance for the month with strong returns. The Clarity Dividend Yield Fund was exposed to some weakness in New Zealand equities.

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

Target investment mix¹



Performance

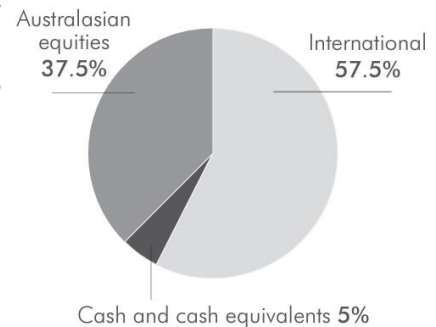
As at 31 May 2024	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Diversified Income Fund*	-0.1%	0.4%	4.0%	1.0%	2.6%	3.5%
Benchmark Index**	-0.1%	0.5%	5.8%	4.4%	3.6%	3.6%

CLARITY DIVERSIFIED GROWTH FUND

The Diversified Growth Fund returned +1.0% in May, slightly ahead of benchmark. Within the Fund we remain tactically overweight global equities, which benefitted Fund performance in May. Alpha was driven by our exposure to the Clarity Global Shares Fund which had another very strong 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 31 May 2024	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Diversified Growth Fund*	1.0%	2.8%	15.8%	6.9%	9.1%	7.9%
Benchmark Index**	0.8%	2.5%	15.4%	6.7%	9.8%	9.8%

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