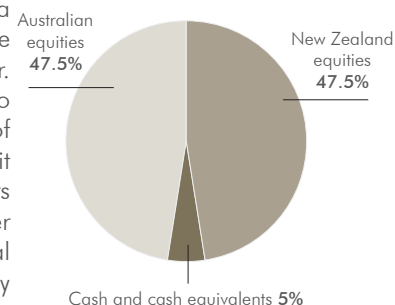


## CLARITY TRANS-TASMAN VALUE FUND

The Fund returned +2.2% in November but did not keep pace with a broader market that bounced back emphatically from three consecutive negative months (the Fund's benchmark rose +4.1%). However, we would note that the Fund declined less during the preceding move down. A smaller down and a smaller up means a similar finishing point but a less volatile ride overall. While we can't guarantee this outcome every time, it is the result we hope our conservative approach to investing will deliver. During the month we visited Australia to meet with management of companies held in the portfolio and potential new investments. As always it was interesting to contrast the economic situation of Australia and New Zealand from 'on the ground'. The main change we noticed since our last visit was a stronger union voice in in the media, with several calling for pay rises to offset their members quickly escalating cost of living, and criticising what they see as excessive company profitability. Under a Labour government, who has also recently introduced various pieces of labour-friendly industrial relations legislation, unions appear to have their mojo back, and this could be a risk for both company earnings and the Reserve Bank of Australia, which may find inflation harder to tame if it leads to higher wage increases.

Nevertheless, Australia provided two of the Fund's best performers during the month. Building materials company James Hardie (+25%) posted surprisingly strong quarterly earnings, defying a slowing macroeconomic backdrop in the United States, its major market. Australian fund manager Perpetual (+18%) benefitted from rising markets, and subsequent to month end received a takeover offer that gave the share price a further bump.

### Target investment mix<sup>1</sup>



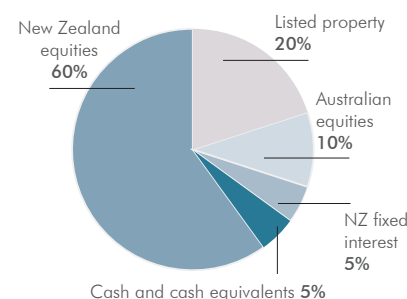
### Performance

As at 30 November 2023	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Trans-Tasman Value Fund*	2.2%	-2.3%	-1.5%	5.2%	5.2%	7.9%
Benchmark Index**	4.1%	-2.9%	-0.6%	3.1%	7.5%	4.9%

## CLARITY DIVIDEND YIELD FUND

The Fund returned +3.3% during the month, bringing year-to-date returns back into positive territory (+1.4%). The Fund clocked up its tenth anniversary in November and has averaged a +9.2% compound annual return for investors during this time. A stalwart holding for the Fund for much of its existence has been electricity company Genesis Energy. Genesis was listed by the NZ government in April 2014 as the final instalment of the state-owned enterprise (SOE) sell downs. The shares were sold in the IPO at a price of \$1.55, with the prospect of a strong and growing dividend. Since listing they have delivered handsomely, paying \$1.59 cents of dividends in total (i.e. more than your money back), and including share price appreciation generated a strong average annual return of +13.9%. However, this has not kept pace with the other former SOE electricity companies Meridian and Mercury, and last month, at an investor day held at the Huntly power station, Genesis' new CEO Malcolm Johns revealed a strategy designed to close the performance gap. Genesis has often been seen as the ugly duckling of the three former SOEs because of its coal and gas burning Huntly power station, and its stake in the Kupe oil and gas field off the coast of Taranaki. This has deterred many environmentally aware investors from buying shares in the company (we'd argue against this line of reasoning). Genesis has also been slower to develop new renewable electricity projects, instead favouring paying out a higher dividend. Mr Johns' new strategy looks to address these issues by reducing the dividend and redirecting the strong cashflows from the Kupe asset into a \$1bn+ renewable energy development pipeline, including wind, solar and battery projects. Despite the dividend cut the shares still offer the highest yield in the sector and with the prospects of faster growth in future, we think they remain a solid investment for the Fund.

### Target investment mix<sup>1</sup>



### Performance

As at 30 November 2023	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Dividend Yield Fund*	3.3%	0.2%	1.0%	2.9%	5.2%	9.2%
Benchmark Index**	4.3%	-0.8%	1.5%	3.4%	6.1%	5.8%

<sup>1</sup> 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.

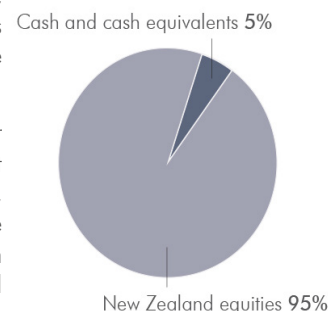
\*\* Benchmark returns reflects no deduction for fees and tax. Details of these are included in the Quarterly Fund Update which is available at <https://clarityfunds.co.nz/quarterly-fund-updates-and-commentaries>.

### CLARITY NEW ZEALAND EQUITY FUND

The Fund returned +4.2% in November, powered by strong returns from market heavyweights Mainfreight (+18%) and Fisher & Paykel Healthcare (+13%). During the month both companies announced half year results which allayed fears of a further slowdown in earnings as each business rebases after huge Covid-driven earnings boosts. Although each is a significant holding in the Fund, relative to market the Fund is 'underweight' each company, and this contributed to the Fund trailing its benchmark during the month. In both cases we are fans of the company's strategy and competitive positioning, but wary of what we see as very full valuations right now.

When looking across the largest listed companies in New Zealand, a high valuation is not peculiar to these two shares. In fact, the average price to earnings ratio of the top ten is around 30x, about 50% more expensive per dollar of earnings, than the rest of the companies in the S&P / NZX 50 Index, which trade on an average of 20x. The quality and growth of these large companies means there is some justification for this, but overall we see the big end of town as less attractive from a valuation perspective, and currently have the Fund tilted towards opportunities in smaller, reasonably priced companies like Sky TV, Channel Infrastructure, Tower and Scales.

#### Target investment mix<sup>1</sup>



#### Performance

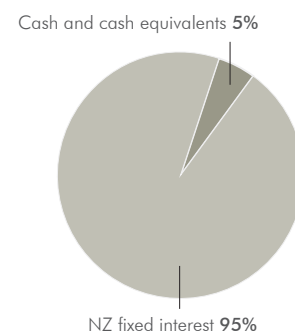
As at 30 November 2023	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity New Zealand Equity Fund*	4.2%	-0.4%	0.0%	-1.8%	N/A	2.6%
Benchmark Index**	5.4%	-1.5%	-1.0%	-3.2%	N/A	1.7%

### CLARITY FIXED INCOME FUND

The Fund had a solid gain of +2.4% this month nicely ahead of its new benchmark which returned +1.7%. In its latest Monetary Policy Statement, the Reserve Bank of New Zealand (RBNZ) kept the Official Cash Rate (OCR) unchanged at 5.5%, as expected. However, the RBNZ has shifted to a more hawkish stance compared to previous meetings, highlighting concerns over persistent inflation. They appeared to place significant emphasis on the recent surge in migration, adding further implications to inflation (more demand pressures than supply). The RBNZ contemplated increasing rates at the recent meeting, indicating that further hikes may be necessary should inflation surpass projections. However, the market's response has shown scepticism, with a tendency to expect notable rate cuts sooner than the RBNZ predicts, potentially as early as mid-2024. As a result, we saw a significant movement of around 70 basis points in the 5-Year Swap Rate (a common market indicator) over the month, resulting in marked volatility in both interest rates and bond prices.

The Fund took a more reserved approach to trading this month, choosing to patiently weather the market turbulence. With current duration at about 3 years and a running yield of circa 6%, the Fund is well-positioned for a satisfactory year-end performance. The Fund remains ready to seize any emerging opportunities.

#### Target investment mix<sup>1</sup>



#### Performance

As at 30 November 2023	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Fixed Income Fund*	2.4%	2.1%	4.8%	-0.3%	1.9%	3.3%
Benchmark Index**	1.7%	2.6%	6.5%	2.9%	2.2%	2.4%

<sup>1</sup> 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.

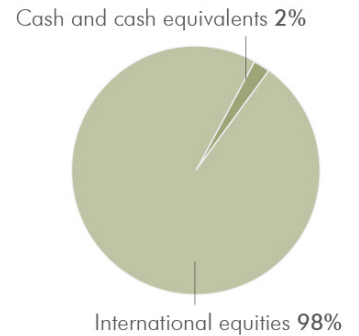
\*\*Benchmark returns reflects no deduction for fees and tax. Details of these are included in the Quarterly Fund Update which is available at <https://clarityfunds.co.nz/quarterly-fund-updates-and-commentaries>.

### CLARITY GLOBAL SHARES FUND

International equity markets recorded their strongest month in three years, with the festive “Santa rally” investors traditionally hope for coming early. The rally was broad-based and driven by the expectation that the Federal Reserve is done raising interest rates and may even start cutting them in the first half of next year. Global markets saw cyclical sectors Real Estate and Financials outperform, while Energy was the only sector in the red over the month as Brent crude oil prices fell for the second consecutive month despite further OPEC+ production cuts.

The Clarity Global Shares Fund returned +4.4% in November. Schneider Electric (+16%), a global energy management and industrial automation firm upgraded their medium-term earnings targets at their investor day during the month. If they can hit their 2027 targets the stock appears to be good value. Broader travel sentiment was weak heading into Expedia’s third quarter earnings and the stock rallied +42% as they delivered a solid result relative to expectations. Outside of a few stand-out individual performers, the rally was broad based so companies with larger allocations such as Microsoft (+12%) and Apple (+11%) drove Fund returns.

#### Target investment mix<sup>1</sup>



#### Performance

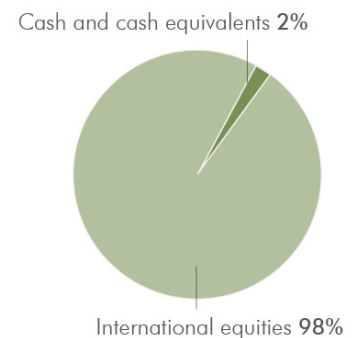
As at 30 November 2023	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Global Shares Fund*	4.4%	-0.8%	12.5%	11.9%	10.8%	9.7%
Benchmark Index**	5.3%	-0.4%	12.1%	8.5%	10.2%	9.5%

### CLARITY - CAPITAL GROUP NEW PERSPECTIVE FUND<sup>2</sup>

The Clarity-Capital Group New Perspective Fund recorded a positive return (+5.6%) in November in line with global share markets. Year-to-date we are pleased with the Fund’s return of +19.2%, ahead of its benchmark.

Fund holding Royal Caribbean Cruises (+26%) noted they are seeing strong bookings into 2024 and as far out as 2026. They are positioned at the luxury end of cruise operators and their on-board revenues (restaurant and entertainment spend etc) is strong, in contrast to weakening consumer data we are seeing elsewhere throughout the economy. Elsewhere, ecommerce platform Shopify rallied +50% off lower interest rates and improving margins as analysts expect the technology company to shift towards profitability in the coming years. In line with the global markets, exposure to the energy sector was the primary drag on performance with Cenovus Energy Inc. (-9%) down off a lower oil price.

#### Target investment mix<sup>1</sup>



#### Performance

As at 30 November 2023	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity - Capital Group New Perspective Fund*	5.6%	-1.2%	12.2%	4.9%	N/A	8.8%
Benchmark Index**	5.3%	-0.4%	12.0%	8.5%	N/A	8.4%

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

<sup>2</sup> Capital Group and Capital Group New Perspective are trademarks of the Capital Group Companies, Inc.

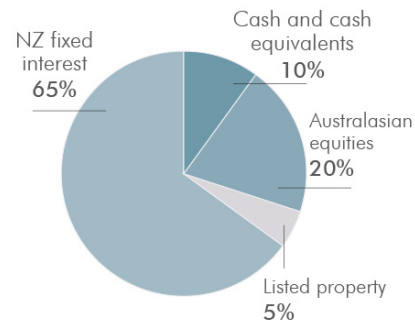
\* These returns are after deductions for fees and before tax.

\*\* 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 DIVERSIFIED INCOME FUND

The Fund returned +2.5% in November. The fixed income component - which constitutes the core of the portfolio – returned +2.4% as the Reserve Bank of New Zealand (RBNZ) kept the Official Cash Rate (OCR) unchanged at 5.5%. The equity income element of the portfolio increased 3.3% during the month, and increased exposure to Amcor and Coles, both defensive positions in Australia (in Clarity Dividend Yield).

#### Target investment mix<sup>1</sup>



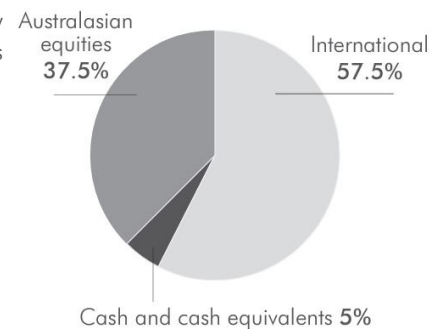
#### Performance

As at 30 November 2023	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Diversified Income Fund*	2.5%	1.5%	3.6%	1.1%	3.2%	3.4%
Benchmark Index**	2.3%	2.2%	7.3%	4.2%	3.6%	3.6%

### CLARITY DIVERSIFIED GROWTH FUND

The Diversified Growth Fund returned +4.2% in November reflecting strong international share markets. Strong relative performance from the underlying Clarity New Perspective Fund and the Tahito Te Tai o Rehua Fund contributed to performance for the month. We are pleased with the Fund's year-to-date returns of 12.0% which demonstrate how a diversified exposure to New Zealand, Australasian and international share markets can add value throughout different stages of the cycle.

#### Target investment mix<sup>1</sup>



#### Performance

As at 30 November 2023	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Diversified Growth Fund*	4.2%	-1.6%	7.6%	6.9%	7.6%	6.7%
Benchmark Index**	4.8%	-1.4%	6.9%	6.4%	9.3%	8.7%

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

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