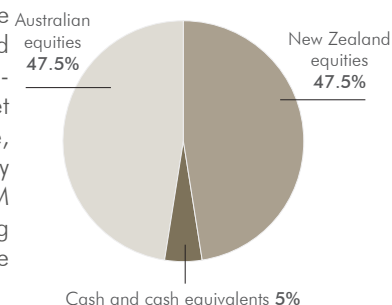


CLARITY TRANS-TASMAN VALUE FUND

The Fund returned 1.1% in October. Top performers were New Zealand companies Ryman Healthcare (+16%), Freightways and Scales Corporation (both +15%).

Target investment mix¹

Interestingly, both Freightways and Scales saw the sale of large 'strategic' shareholdings during the month. With regards to Freightways, Colin McDowell, the founder of Allied Express, which was acquired by Freightways in 2022, sold his 6.8% holding in the company for around \$110m. Scales saw long-term holder China Resources exit its 14.8% holding, realising \$75m. The shares were sold aftermarket to institutional investors (including Clarity) as a block trade, at a discount to the prevailing market price, reflecting the size of the sale. Subsequently, each company's share price has moved higher, possibly reflecting the removal of a stock 'overhang'. Freightways also released a relatively positive AGM trading update during the month, while Scales received positive broker analyst coverage, highlighting the quality of their apples business and the growth potential in their petfood ingredients division. We think both shares have further upside potential.



The Fund's underweight position in Australian bank shares was a drag on performance relative to benchmark during the month. For example, Commonwealth Bank of Australia shares, not held in our Fund, powered back to all-time highs (+5%). The company is performing well, but now trades on a P/E ratio of 24x, versus a long-term average of 15x. On this measure it is the most expensive big bank in the world. With only modest growth, and a dividend yield of 3%, we struggle to see the attraction.

Performance

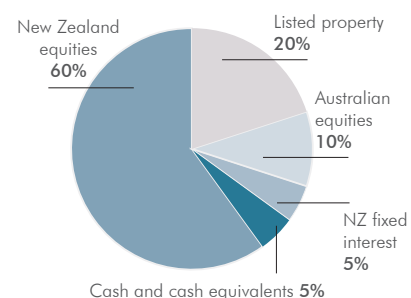
As at 31 October 2024	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Trans-Tasman Value Fund*	1.1%	2.8%	17.6%	5.3%	5.8%	8.3%
Benchmark Index**	0.7%	2.2%	21.0%	4.1%	6.4%	5.6%

CLARITY DIVIDEND YIELD FUND

The Fund returned 2.1% in October. High dividend yielding New Zealand shares outperformed the broader New Zealand share market, although Australian shares fell on average during the month. Alongside Freightways and Scales, which this Fund also holds and are discussed above, the Fund benefitted from good performance from Skellerup (+12%) and Fonterra (+8% including a 40 cent dividend payment).

Target investment mix¹

In October we attended a Skellerup investor day that provided insights into the different parts of this diversified industrial mini-conglomerate. The US is their largest market, and much of what they sell there is manufactured in China. Subsequent to month end, following Trump's re-election, and with the shares trading near the top of their 52-week range, we trimmed our holdings, anticipating the President-Elect's proposed tariffs may prove a short-term headwind to sales and earnings for Skellerup.



Fonterra goes from strength to strength, as the strategy of simplifying the business and refocusing on their core strengths in milk collection and processing continues to pay off. The shares have returned 55% including dividends and capital returns since we invested just over a year ago. The next leg of value could come from the proposed sale of its Consumer unit, and subsequent return of capital.

Stocks dragging on returns last month were BHP (-7%) and Woodside Energy (-6%). BHP gave back some of its strong gains in September as the excitement around the Chinese government stimulus measures faded, along with the iron ore price. For Woodside, the crude oil price remains depressed. Despite weaker commodity prices at present, we note both companies remain highly profitable and cash generative and offer decent dividend yields.

Performance

As at 31 October 2024	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Dividend Yield Fund*	2.1%	5.4%	14.1%	3.0%	3.7%	9.3%
Benchmark Index**	2.3%	4.5%	14.1%	2.8%	4.1%	6.2%

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

This month will clock up five years since the New Zealand Equity Fund was launched. Although outright returns have been modest (4.7% per annum, reflecting a weaker period for the NZX), we're pleased to have added value for clients over this time, with annual returns 0.9% better than benchmark, after fees. We have achieved this while taking slightly less risk (reflected in lower volatility of monthly returns for the Fund than the benchmark).

Looking ahead we continue to work to add relative value, but are also more positive about the potential for the New Zealand share market to provide better outright returns too, as the RBNZ continues to cut interest rates and the New Zealand economy eventually pulls itself out of its extended slump.

We currently see the best value in shares at the smaller capitalisation end of the NZX 50 - companies like Sky Television and Channel Infrastructure. Both provided positive returns for the Fund in October (+6% and +4% respectively). During the month Sky TV announced it had retained the all-important HBO content (Game of Thrones, White Lotus etc) for its SkyBox and Neon platforms. In many other countries, HBO has launched a direct-to-consumer streaming service (HBO Max), and this was clearly a risk for Sky. Retention speaks to both the size of the market (not worth HBO's effort to go direct) and Sky's strong market penetration.

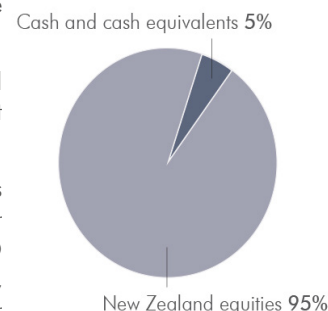
During the month we visited Channel Infrastructure's Marsden Point operations, where management provided their strategy for the Marsden Point Energy Precinct, where they propose to lease out pre-presented and well connected industrial land to biofuel or sustainable aviation fuel producers. If successful, this initiative has the potential to create material value. Importantly, Channel is risking no capital in these projects, so it is effectively all upside for shareholders.

During the month, the Fund returned 2.5%, well ahead of benchmark.

Performance

As at 31 October 2024	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity New Zealand Equity Fund*	2.5%	4.1%	18.1%	1.1%	N/A	4.7%
Benchmark Index**	1.7%	2.2%	18.4%	-0.4%	N/A	3.8%

Target investment mix¹



CLARITY FIXED INCOME FUND

The Clarity Fixed Income Fund returns were flat in October – in line with benchmark.

The Reserve Bank of New Zealand (RBNZ) made a 50 basis point reduction to the Official Cash Rate (OCR) in line with market consensus. The OCR is now set at 4.75%. Prior to the extraordinary 75 basis point cut in response to COVID in March 2020, the last time the RBNZ reduced the OCR by at least 50 basis points was back in April 2009. A 25 or a 50 basis-point reduction was discussed by the Monetary Policy Committee (MPC), who concluded that its guidance remains consistent with cutting by 50 basis points.

Inflation was assessed to be on track towards the 2% mid-point, but economic activity remains weak due to tight monetary policy. The market is currently pricing in a cut of 50 basis points to happen at the next MPC meeting on 27 November, the last for the year.

Overall, the announcement provided a welcome relief for borrowers, but it was less favourable for savers and those dependent on term deposit income. Over the past six months, term deposit rates have decreased significantly in line with this rate cutting cycle.

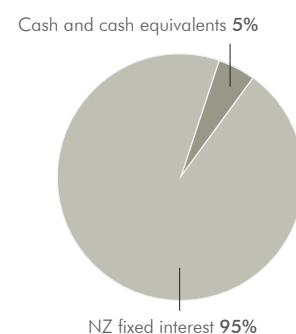
During the month the Fund made a number of transactions including investing in newly issued fixed rate bonds from Goodman Property, Precinct Property and Fonterra.

At month end, the portfolio yield was 4.8% and duration (average maturity) was 2.2 years.

Performance

As at 31 October 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%	10.0%	3.0%	2.1%	3.7%
Benchmark Index**	0.0%	1.7%	8.9%	5.2%	3.3%	2.9%

Target investment mix¹



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 GLOBAL SHARES FUND

The Clarity Global Shares Fund delivered a solid return of +2.5% during the month, outperforming its benchmark.

Global equity markets faced headwinds throughout the month, partially driven by heightened uncertainty ahead of the U.S. election and concerns over potential policy shifts impacting inflation and interest rates.

Following the U.S. Federal Reserve's 50 basis point interest rate cut in September, the persistence of elevated core inflation underscored the challenges policymakers face in balancing their dual mandate: fostering a strong labour market while ensuring price stability. Although additional rate cuts are anticipated in November and possibly December, resilient inflation and a robust labour market have reduced the probability of another 50 basis point cut. This recalibration of expectations, coupled with election uncertainty, pushed Treasury yields higher.

Gold continued to outperform in October, defying expectations given that real interest rates (the opportunity cost of holding gold) remain positive. This performance appears driven by demand from emerging market central banks, which are less sensitive to price fluctuations and more focused on geopolitical considerations and diversifying reserves away from the US dollar.

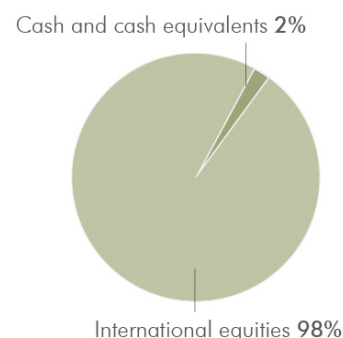
The start of quarterly earnings season brought positive surprises, particularly from the financial sector, which traditionally reports early. Strong earnings from banks benefited from the slower pace of rate cuts, supporting higher net interest margins. Key contributors within the Fund included: Wells Fargo (+16%), Corebridge Financial (+9%) and Ameriprise Financial (+9%).

Conversely, higher interest rates weighed heavily on the homebuilding sector, as rising mortgage rates dampened construction activity. Notably, Builders FirstSource declined by -12% during the month.

Performance

As at 31 October 2024	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Global Shares Fund*	2.5%	1.6%	33.0%	12.9%	13.3%	12.0%
Benchmark Index**	1.6%	2.4%	31.0%	9.3%	12.0%	11.5%

Target investment mix¹



CLARITY - CAPITAL GROUP NEW PERSPECTIVE FUND²

The Clarity-Capital Group New Perspective Fund posted a return of +0.8% in October, underperforming its benchmark.

Fund holding Booking Holdings (+11%) delivered robust results, exceeding expectations across key metrics including room nights, revenue, and adjusted EBITDA. The market reacted positively to growth in airline ticket sales and rental car days, indicating strong consumer adoption of Booking's "Connected Trip" initiative, which aims to integrate various travel components seamlessly.

Royal Caribbean Cruises (+17%) also posted impressive results, raising its full-year guidance. The company's competitive destination portfolio and superior cost management continue to differentiate it as a best-in-class operator in the tourism sector.

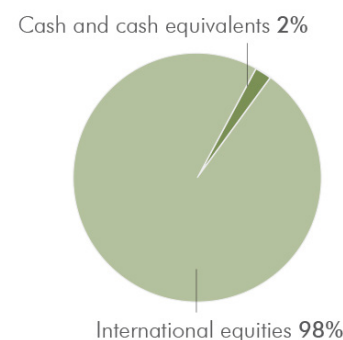
Trip.com, a leading Chinese travel management platform, rallied 9% during the month, benefiting from the recovery in travel demand within China and beyond.

Luxury goods company LVMH began October on a positive note, buoyed by Chinese stimulus measures, which initially lifted luxury stocks with significant exposure to Chinese consumers. However, the rally faded as the month progressed, culminating in a cautious earnings update. LVMH reported a -3% year-on-year decline in group sales, missing consensus expectations of +1% growth. While the shortfall might seem modest, its impact is amplified by the company's high operating leverage—a characteristic also observed in New Zealand-listed retailers such as The Warehouse Group, Kathmandu, and Briscoes.

Performance

As at 31 October 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*	0.8%	2.0%	28.6%	4.4%	N/A	11.4%
Benchmark Index**	1.6%	2.4%	31.0%	9.4%	N/A	11.6%

Target investment mix¹



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

² 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

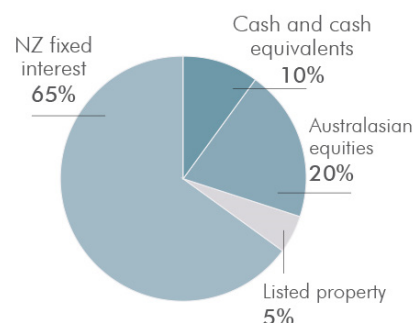
The Diversified Income Fund returned +0.4% in October.

Australasian shares provided positive returns during the month. The Clarity Dividend Yield Fund (+2.1%) had a strong month.

During the month the Fund added a 15% exposure to global bonds through the Smart Global Aggregate Bond ETF to further diversify the Fund's fixed income exposure. As previously mentioned, US government bond yields sold off throughout the month. However, we made our initial investment later in the month so did not capture all of the downside to bond prices.

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 31 October 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%	2.3%	10.4%	2.8%	2.9%	4.0%
Benchmark Index**	0.9%	2.6%	9.4%	6.0%	4.4%	4.1%

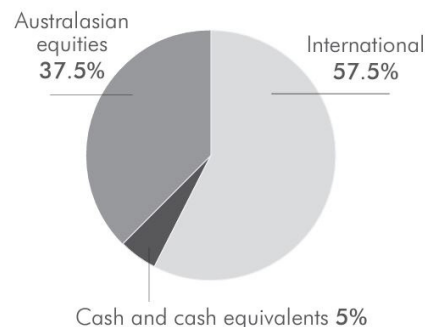
CLARITY DIVERSIFIED GROWTH FUND

The Diversified Growth Fund returned +1.2% in October.

Within the Fund our allocation to trans-Tasman equities is primarily made up of the Clarity Trans-Tasman Value Fund, which performed well. The Fund holds a smaller allocation to the TAHITO Te Tai o Rehua Fund which underperformed its benchmark. There was a similar divergence of returns within our global equity allocation as the Clarity Global Shares Fund saw strong outperformance and the Clarity-Capital Group New Perspective Fund was weaker.

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 October 2024	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Diversified Growth Fund*	1.2%	2.0%	25.3%	7.4%	9.1%	8.5%
Benchmark Index**	1.3%	2.4%	27.0%	7.6%	9.8%	10.4%

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>.

Information and Disclaimer: This report is for information purposes only. It does not take into account your investment needs or personal circumstances and so is not intended to be viewed as investment or financial advice. Should you require financial advice you should always speak to your Financial Adviser. Before investing you should read the Clarity Product Disclosure Statement and Statement of Investment Policy and Objectives, available at www.clarityfunds.co.nz and www.companies.govt.nz/disclose. Past performance is not indicative of future results and no representation or warranty, express or implied, is made regarding future performance. Reference to taxation or the impact of taxation does not constitute tax advice. The levels and bases of taxation may change. This report has been prepared from published information and other sources believed to be reliable, accurate and complete at the time of preparation. While every effort has been made to ensure accuracy, neither Clarity Funds Management, nor any person involved in this publication, accept any liability for any errors or omission.