

CLARITY TRANS-TASMAN VALUE FUND

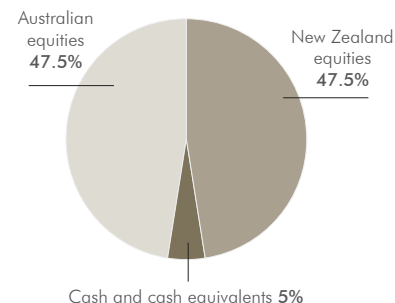
The often-sleepy New Zealand share market came alive in September. Auckland Airport (AIA) carried out the market's largest ever capital raise, raising \$1.4bn to help fund growth - extensions and improvements to the terminals and surrounding services over the next 10 years. In contrast, Fletcher Building (FBU) raised \$700m to stabilise its precarious balance sheet through a deeply discounted rights issue. To top it off, Contact Energy announced a \$2.3bn takeover offer for Manawa Energy (formerly Trustpower) – the first acquisition of one NZX50 company by another in living memory.

The Fund participated in both capital raises, taking an initial position in AIA at a good price, and topping up our holding in FBU in the hope that the new management team can finally navigate the company away from its troubled past, although we'd readily admit this is not a high conviction position (and hence remains small within the portfolio).

The two substantial capital raises put pressure on other parts of the market as investors sold other shares to fund the capital calls from AIA and FBU. This saw the New Zealand market going broadly sideways during the month.

In contrast, the Australian share market had a strong September, rising 3% driven by gains in mining shares as the Chinese government announced a set of significant fiscal and monetary measures aimed at stimulating their lacklustre economy. Fund holdings BHP (+16%), Capstone Copper (+13%) and IGO (a lithium producer, +11%) were beneficiaries.

Target investment mix¹



Performance

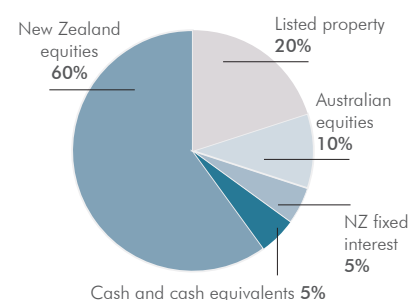
As at 30 September 2024	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Trans-Tasman Value Fund*	1.2%	7.1%	13.2%	4.8%	5.4%	8.3%
Benchmark Index**	2.0%	7.6%	15.5%	3.7%	6.0%	5.6%

CLARITY DIVIDEND YIELD FUND

The Fund returned +0.5% in September. Our best performer was Tower (+17%), continuing the strong run that has seen the shares rise 121% this year, finally rewarding our patience after five years of waiting for the company to achieve its potential AND the share market to recognise it. After the terrible weather events of 2023, 2024 has been benign, and Tower are set to report vastly improved earnings and dividends. During the month it was announced that a strategic review initiated by the board has resulted in the company opting to return \$45m of excess capital to shareholders – an excellent outcome in our view. The company also announced it has purchased reinsurance for next year at favourable rates, a reflection of their clever data-driven risk-based pricing. Things are going very well for the company at the moment, and despite the big rise in the share price, valuation still looks attractive. However, because Tower is still a small-cap company in an inherently risky business, Clarity's portfolio risk management approach has meant we have gently been trimming the position throughout the rise. This reduces upside but also reduces risk.

At the other end of the spectrum, the Fund holding Spark has been very disappointing this year. The shares fell a further -16% in September, and are now down -42% for 2024. Weak earnings due to low demand from corporate and government customers was the initial cause of share price decline, but attention has now moved to the sustainability of the dividend, which is one of Spark's key attractions for investors. News during the month that the CFO had resigned did not help investor confidence. We think the market has probably overreacted and are now gently adding to our position at an attractive dividend yield, even allowing for reduction in the payout level.

Target investment mix¹



Performance

As at 30 September 2024	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Dividend Yield Fund*	0.5%	7.7%	8.7%	1.6%	2.9%	9.2%
Benchmark Index**	-0.1%	6.4%	7.1%	1.8%	3.1%	6.0%

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>.

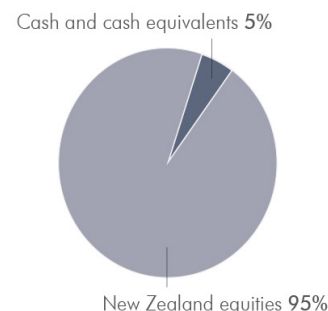
CLARITY NEW ZEALAND EQUITY FUND

As noted above, two large capital raises put a dampener on the NZX during September. The New Zealand Equity Fund was flat (+0.1%), in line with the market.

Top 5 fund holding Contact Energy announced the agreed acquisition of Manawa Energy, (formerly Trustpower). 50% of Manawa is owned by Infratil, another top 5 holding within the Fund, so the asset is kind of 'staying in the family'. The agreed price was a 48% premium to Manawa's market price, and as is often the case in big acquisitions, Contact Energy shares initially sold off after the announcement, as investors worried Contact had paid too much. However, our analysis suggests the acquisition price is similar to what Contact would need to spend to build the equivalent amount of new electricity generation capacity – but the acquisition comes much faster and without the build risk. On that basis the deal looks sound, and certainly aligns with Contact's growth strategy. The market seems to be coming around to this view, and at the time of writing, Contact shares were higher than prior to the deal announcement. The next step is a Commerce Commission review of the deal, which will take several months. Given Manawa no longer has an electricity retail operation (its main assets are 25 small hydro power stations), we think there is a good chance it gains approval.

Infratil shares rose 11% during the month, benefitting from the rise in the Manawa Energy share price, but also positive implications from the sale of data centre company Airtrunk. Not dissimilar to Infratil's largest asset CDC, owner Macquarie Group last month announced Airtrunk's sale for \$A24bn to Blackstone, another asset manager. The price was above expectations and although specific deal metrics were not published, the general read-across for demand for data centre assets was positive.

Target investment mix¹



Performance

As at 30 September 2024	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity New Zealand Equity Fund*	0.1%	6.3%	11.7%	-0.2%	N/A	4.3%
Benchmark Index**	0.0%	6.4%	10.8%	-1.4%	N/A	3.5%

CLARITY FIXED INCOME FUND

The Clarity Fixed Income Fund returned +0.9% in September.

Around the globe, interest rate normalisation is a recurring theme. Central banks are now debating the speed and magnitude of cuts to policy rates (i.e. the Official Cash Rate here in NZ), given the general falls that have been seen in inflation.

The interest rate market in New Zealand is anticipating that the RBNZ will deliver interest rate cuts in fairly quick succession given that inflation is expected to return to within the 1-3% target range and approach the 2% midpoint by the end of 2025.

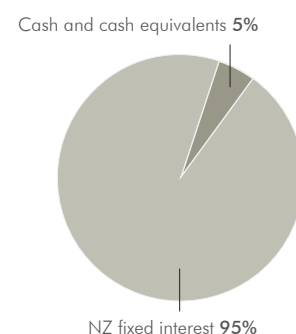
Much of the impact of those cuts has now been factored into longer term rates – but shorter term rates are more influenced by the current rate of the OCR – which is still high.

Investment decisions in the fixed income fund will be influenced by how closely the RBNZ follows the market's expected track of changes.

During the month the Fund invested in two new bonds issued by Toyota Finance - a fixed rate bond and a floating rate note. Toyota Finance is one of our preferred issuers due to its strong balance sheet and business model. They are an A-rated corporate credit. The investment added a small amount of duration to the Fund.

At month end, the portfolio yield was 4.9% and duration (average maturity) was 2.3 years.

Target investment mix¹



Performance

As at 30 September 2024	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Fixed Income Fund*	0.9%	3.6%	10.4%	2.6%	2.1%	3.7%
Benchmark Index**	0.8%	3.6%	9.4%	5.2%	3.3%	2.9%

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CLARITY GLOBAL SHARES FUND

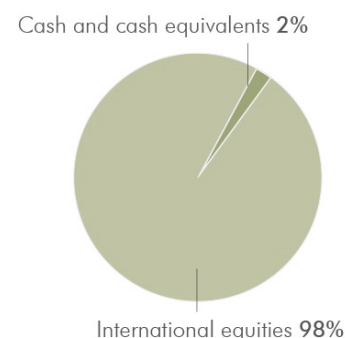
The Clarity Global Shares Fund returned +0.7% during the month.

After a weak start to the month, global share markets rebounded as the US Federal Reserve cut interest rates by 50 basis points. Risks to employment and inflation are now balanced in the eyes of the Fed. The unemployment rate is currently manageable at 4.1% – however forecasts in the peak rate have shifted higher to 4.4%. Looking forward the market likely turns to the recession, or no recession argument and we are expecting heightened sensitivity to labour market data.

Sectors that benefit from lower interest rates outperformed, with utilities and consumer discretionary stocks at the forefront. The USD also depreciated against most currency pairs throughout the month which presented a headwind to Fund performance for the second month in a row (as the Fund is ~50% currency hedged).

China's stock market also surged by almost a quarter (in US dollar terms), after authorities committed to further monetary and fiscal support towards the end of September. Fund holding Anhui Conch Cement Co is the largest cement manufacturer and seller in mainland China. The stock is a major beneficiary of the stimulus measures and rallied +35%. Closer to home, the diversified miner Rio Tinto increased +11% as iron ore prices increased over 20%.

Target investment mix¹



Performance

As at 30 September 2024	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Global Shares Fund*	0.7%	1.2%	28.1%	12.9%	13.0%	11.7%
Benchmark Index**	1.3%	3.5%	27.2%	9.9%	11.9%	11.4%

CLARITY - CAPITAL GROUP NEW PERSPECTIVE FUND²

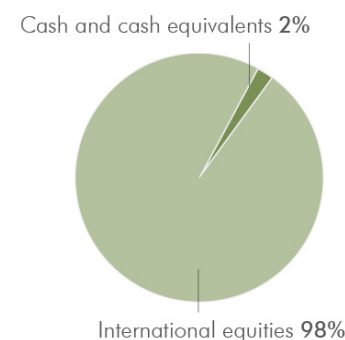
The Clarity-Capital Group New Perspective Fund returned +1.0% in September.

The top contributors to the Fund this month included Tesla, which rose by +22% amid growing excitement around their upcoming robotaxi reveal event, attracting attention from tech, growth, and AI investors. AIA Group, the Hong Kong-listed insurer, saw a +27% increase, while Tencent, the Chinese investment holding company gained +16%. Both companies benefited from the Chinese stimulus measures announced during the month.

Danish freight forwarder DSV surged by +15% following reports that they secured the backing of Deutsche Bahn's Board in their bid to acquire the logistics unit DB Schenker in a deal valued at approximately €14 billion.

In contrast, the healthcare sector detracted from Fund performance in September. Novo Nordisk fell by -16% after a disappointing update regarding the safety and efficacy of a once-daily oral obesity drug in its pipeline, which was acquired in a \$1 billion deal in 2023. Additionally, political pressure regarding GLP-1 pricing and concerns about their upcoming third-quarter results, expected in November, contributed to the decline. AstraZeneca also saw a -13% drop, with mixed results raising doubts about the regulatory approval prospects of their breast cancer drug in development.

Target investment mix¹



Performance

As at 30 September 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*	1.0%	1.8%	25.2%	5.8%	N/A	11.4%
Benchmark Index**	1.3%	3.5%	27.2%	9.9%	N/A	11.4%

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

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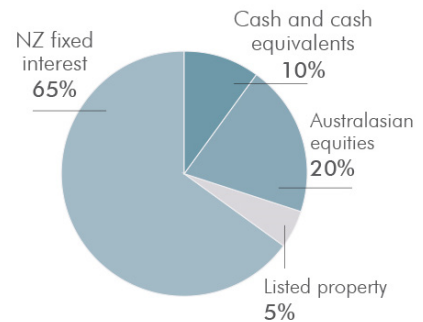
CLARITY DIVERSIFIED INCOME FUND

The Diversified Income Fund returned +0.8% in September.

New Zealand fixed interest and Australasian shares both provided positive returns during the month. The Clarity Fixed Income Fund (+0.9%) had a strong month.

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

Target investment mix¹



Performance

As at 30 September 2024	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Diversified Income Fund*	0.8%	4.5%	9.5%	2.2%	2.6%	4.0%
Benchmark Index**	0.3%	4.2%	7.8%	5.7%	4.3%	4.0%

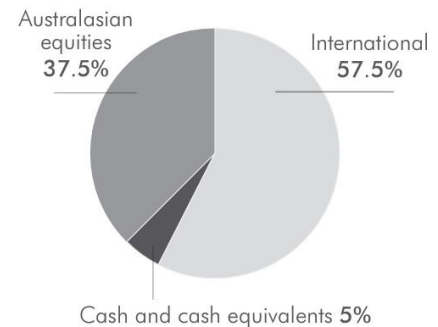
CLARITY DIVERSIFIED GROWTH FUND

The Diversified Growth Fund returned +0.9% in September.

Within the Fund we have been tactically overweight global equities, which had a neutral impact in September. In our assessment, the outlook for global versus Australasian equities is now more balanced, and during the month, the decision was made to neutralise the overweight. This will be implemented in October. The overweight tilt to global equities has added value to the Fund this year, with the Clarity Global Shares Fund and the Clarity-Capital Group New Perspective Fund returning +19.8% and +16.6% year-to-date respectively. In anticipation of the RBNZ cutting cycle, we are now relatively more positive on Australasian equities.

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 30 September 2024	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Diversified Growth Fund*	0.9%	3.6%	21.1%	7.6%	8.9%	8.4%
Benchmark Index**	1.6%	5.2%	22.5%	7.6%	9.5%	10.4%

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