

CLARITY GLOBAL SHARES FUND

Monthly Commentary

The Clarity Global Shares Fund returned -1.6% during the month, underperforming the benchmark.

After a slow start to the month, global equity markets experienced a sustained rally driven by a series of positive economic data releases. The steady decline in labour market conditions suggested by the initial jobless claims is consistent with an economic soft landing so the market reacted favourably. The rally continued with a benign Producer Price Index (PPI) report, which set the stage for the Federal Reserve to potentially begin easing measures at their September meeting. Later in the month, Federal Reserve Chair Powell signalled the start of interest rate cuts during his much-anticipated Jackson Hole speech. In his address, Powell highlighted a shift in monetary policy towards supporting the labour market in addition to fighting inflation. He stated, “the time has come for policy to adjust. The direction of travel is clear, and the timing and pace of rate cuts will depend on incoming data, the evolving outlook, and the balance of risks.” The Fed is growing more confident that inflation is under control and is now focusing on preventing a severe economic downturn.

Within the US share market consumer staples (+6%), utilities (+5%), health care (+5%), real estate (+6%) and financials (+5%) outperformed. There was a continued rotation out of mega-cap technology with Fund holdings such as Tesla (-8%), Microsoft (0%), Alphabet (-5%) and Amazon (-4%) underperforming the broader market. Meta (+10%) was an outlier within the magnificent seven constituents after posting strong second quarter earnings. Management noted that AI advances are continuing to improve ad recommendation quality and drive engagement. They appear to be striking an appropriate balance of near-term execution and long-term investment in future growth. Given an adequate return on invested capital, Meta continues to ‘earn the right’ to spend on generative AI.

In August, the Fund’s performance was notably influenced by currency movements. Specifically, the USD fell by ~5% relative to the NZD. Given that the Fund maintained a 50% hedge ratio, it was exposed to roughly half of this adverse currency movement, which contributed to the overall decline in performance.

Performance

As at 31 August 2024	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Global Shares Fund*	-1.6%	3.6%	22.5%	11.4%	13.6%	11.8%
Benchmark Index**	-0.5%	5.1%	20.3%	8.3%	12.1%	11.4%

*These returns are after deductions for charges and before tax. **Benchmark returns reflects no deduction for charges and tax. The Fund incepted on 26 April 2017. Past performance is not necessarily indicative of future performance. The Quarterly Fund Update is available at <https://clarityfunds.co.nz/quarterly-fund-updates-and-commentaries>.

About the Clarity Global Shares Fund

The objective of the Clarity Global Shares Fund is to provide actively managed exposure to international equities and generate a better return than the benchmark¹ over the medium to long term. The Fund is actively managed with a value bias which means its holdings may differ considerably from the benchmark index. Clarity has appointed global investment manager MFS as the investment manager for the Fund. MFS has constructed the portfolio in consultation with Clarity and in accordance with the Fund’s objectives. Boston-based MFS, which began in 1924 as Massachusetts Investment Trust, started America’s first mutual fund. The strategy uses an actively managed approach and a consistent, disciplined, bottom-up stock selection and investment process that blends proprietary fundamental and quantitative research to build a well-diversified, large-cap core global portfolio.

¹MSCI All Country World Index (net dividends reinvested) in NZ dollars with 50% hedged to NZ dollars.

If you have any questions, please contact us on +64 09 308 1450 or visit our website www.clarityfunds.co.nz

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