

CLARITY GLOBAL SHARES FUND

Monthly Commentary

The Federal Reserve held interest rates for the third consecutive time in December, while the Federal Open Market Committee indicated that their policy tightening campaign had ended. The increased likelihood of earlier interest rate cuts coupled with positive news about US economic resilience led to one of the biggest post-meeting rallies across assets in recent years. Global stocks rose to a fresh year to date high and market participation broadened into the year-end, while benchmark 10-year government bond yields declined further – concluding 2023 at or below where they started it.

US building supplier and distributor Builders FirstSource capped off a strong year with a +21% return during December. They provided positive guidance during their Investor Day. Anticipated rate cuts flowing through to lower mortgages is positive for construction activity and company earnings. Insurance company Cigna Group rebounded +12% after they announced that they were no longer pursuing the acquisition of Humana which was likely to be dilutive to shareholder value in the short term.

The market consensus is now firmly in the soft-landing camp with expectations for rate cuts and strong earnings growth supporting the recent rally and risk-on rotation. Boston based portfolio manager MFS remain cautious that the current expectation for double-digit earnings growth will be realised if the Federal Reserve needs to cut the policy rate six times in 2024 (as is currently expected by the market). Alternatively, if the economy remains resilient and earnings growth meets current expectations, it seems unlikely the Federal Reserve will need to cut rates to the extent the market is currently pricing in.

Performance

As at 31 December 2023	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Global Shares Fund*	3.8%	6.9%	23.8%	12.2%	13.0%	10.1%
Benchmark Index**	3.1%	7.2%	22.0%	8.5%	12.2%	9.9%

*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.

¹the MSCI All Country World ex-Tobacco Index (net dividends reinvested), measured in NZ dollars, 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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