

CLARITY GLOBAL SHARES FUND

Monthly Commentary

The Clarity Global Shares Fund delivered a return of -0.6% during the month.

US equities fell during the month, and US bond prices rallied amid rising investor risk aversion. Driving down risk appetite appeared to be the combination of rising US policy uncertainty and weaker economic data – the two being related – against the backdrop of the government's drive to cut spending, fire Federal employees and introduce further tariffs. Softer data points included retail sales, consumer sentiment and unemployment.

Tesla's significant share price decline (-28%) unwound most of its post-election rally, which had been fuelled by a mix of euphoria and technical factors, with fundamentals largely dismissed. Tesla reflects many of the same factors that tend to drive up Bitcoin and other cryptocurrencies. This includes the belief that future value is underpinned by the potential for large-scale disruption. Now fundamentals are beginning to matter somewhat, and the stock has re-rated from 145x price to earnings to 105x. The stock is still almost exclusively driven by long-term growth prospects. While the shares detracted from Fund returns, the Fund is underweight the shares relative to the benchmark.

Meanwhile, the Chinese EV manufacturer and Fund holding BYD delivered robust gains, appreciating by +36% during the month. The company announced that its "God's Eye C" autonomous driving technology will be integrated into mid-to-low-end vehicle models without price increases. This strategic move aims to democratise intelligent driving features, positioning BYD at the forefront of this long-term mega trend while also boosting sales. BYD remains attractively valued, trading at a reasonable 19x P/E multiple, with earnings per share projected to grow at approximately 30%. Additionally, the company continues to generate a return on capital exceeding its cost of capital, meaning the growth is value accretive to shareholders.

Performance

As at 28 February 2025	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Global Shares Fund*	-0.6%	3.0%	20.7%	15.7%	15.4%	12.3%
Benchmark Index**	-0.3%	3.3%	20.8%	13.2%	14.1%	12.1%

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

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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