

CLARITY GLOBAL SHARES FUND

Monthly Commentary

Global equities reached new highs in January as investors focussed on the timing of anticipated interest rate cuts. US core PCE inflation – the Federal Reserve’s preferred inflation measure – fell from 3.2% to 2.9% in December, faster than expected. This boosted confidence the Federal Reserve would begin cutting rates at its March meeting. While inflation continues to approach the Fed’s 2.0% target, the US economy grew 3.3% in the December quarter, faster than the expected 2.0% signalling a US soft landing. This brought lower bond yields and higher share prices.

Equity gains then somewhat unwound on the last day of January when the Federal Reserve announced interest rates would remain at 5.25% – 5.50%, tempering market expectations of early rate cuts.

The US fourth quarter earnings saw the AI narrative continue to perform in January with strong performance from Microsoft (+6%) and chip manufacturers Nvidia (+25%) and ASML (+17%) which are all held by the Fund.

However, results were mixed - even amongst the mega-cap technology names. Apple (-4%) had a soft start to the year when analysts in the US downgraded the stock to an underweight rating pointing to weaker demand for the iPhone 15 – particularly in China. This turned out to be a correct call when Apple’s sales to China missed expectations by US\$2.7 billion for the December quarter.

The Clarity Global Shares Fund has continued its strong run of outperformance returning +3.3% in January.

Performance

As at 31 January 2024	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Global Shares Fund*	3.3%	11.9%	20.0%	13.3%	12.2%	10.5%
Benchmark Index**	2.4%	11.2%	18.2%	9.5%	11.5%	10.2%

*These returns are after deductions for charges and before tax. **Benchmark returns reflects no deduction for charges and tax. The Fund inception 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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