

CLARITY GLOBAL SHARES FUND

Monthly Commentary

The Clarity Global Shares Fund continued its run of strong performance returning +5.5% over the month, +1.2% ahead of its benchmark.

US equities continued to perform well in March with evidence of continued broadening out in the market, as sectors such as miners, energy and industrials all outperformed technology sectors over the month. This is a bullish sign for markets as it shows investors are looking for opportunities outside of technology in undervalued cyclical areas of the market that tend to perform well in rate-cutting cycles.

In terms of the macroeconomic picture in the US, during the month the Federal Reserve left rates unchanged at 5.25% - 5.50% as expected. The FOMC statement was also largely unchanged saying it plans to cut three times before the end of the year, reaffirming previous forecasts from December 2023. That said, the central bank indicated that they need greater evidence that inflation is easing to initiate those cuts. Following these comments, the core personal consumption expenditures (PCE) inflation index for February came in at +2.8%, in line with expectations. This was closely watched as it is the Federal Reserve's preferred inflation measure and the latest US consumer prices remained sticky at +3.2%.

The portfolio attribution this month highlights a winner and a loser arising from political factors in an election year.

Portfolio holding Heidelberg Materials is involved in the production and distribution of cement and aggregates, so are exposed to housing, traffic routes and commercial and industrial facilities and are a beneficiary of the Infrastructure Investment and Jobs Act. This act was signed into law in late 2021 by President Biden and is a ~US\$550 billion infrastructure stimulus package that includes provisions related to developing highways, rail lines, broadband access, access to clean water and electrical grid renewal. Non-residential manufacturing spending was turbo-charged by this stimulus and the company successfully passed through cement price increases in-line with cost inflation. As a result, they returned 14% over the month. The cement and aggregates company announced an increase to their dividend taking their total cash return yield to nearly 6%.

On the other hand, United States Steel Corp. fell -14% in March when the President spoke out against a takeover by Japan's Nippon Steel Corp, saying that the company should be retained in American ownership. The deal suffered from the 'unfortunate timing' of being brokered in the midst of an election in which both candidates have vowed to bolster domestic manufacturing and use their powers to stop jobs from going overseas.

Performance

As at 31 March 2024	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Global Shares Fund*	5.5%	14.3%	31.7%	13.7%	14.0%	11.9%
Benchmark Index**	4.3%	12.1%	26.9%	10.4%	12.4%	11.4%

*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.

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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