

CLARITY GLOBAL SHARES FUND

Monthly Commentary

After a tough April, equity markets bounced back in May. Ten out of the eleven S&P 500 sectors posted positive performance in May, led by information technology (+10%), Utilities (+9%) and communication services (+7%). The Clarity Global Shares Fund returned 2.9% over the month, ahead of benchmark. Outperformance was driven by NVIDIA's +26% returns in May following a strong quarterly earnings report. With a +121% gain year-to-date, NVIDIA alone is responsible for roughly one third of the benchmark index's total return.

It is highly unlikely NVIDIA's shareholders will experience the same returns of the last five years over the next five years. If so, the company would be valued at \$92 trillion, slightly less than the world's current gross domestic product value of \$105 trillion.

We are early in the Artificial Intelligence revolution and the economic impact is difficult to predict, as are the individual stock winners and losers. Investors discovered many products and services deemed revolutionary during the pandemic, from companies like Peloton, Zoom, Spotify, and Robinhood. Chasing these stocks at their respective peaks resulted in substantial investment losses, from 80% to 95%, as unsustainable growth rates eventually fizzled.

Other magnificent-seven constituents contributed to strong monthly returns with Apple (+13%), Microsoft (+7%), Meta (+8%) and Alphabet (+6%). Markets remain highly concentrated with the magnificent-seven companies contributing over half of total year-to-date performance for the benchmark index.

Performance

As at 31 May 2024	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Global Shares Fund*	2.9%	6.0%	27.8%	12.5%	14.0%	11.7%
Benchmark Index**	1.9%	3.6%	22.4%	8.9%	12.4%	11.0%

*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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