

CLARITY GLOBAL SHARES FUND

Monthly Commentary

The Clarity Global Shares Fund recorded a negative return in October in line with its benchmark and broader equity markets. The bond market saw continued weakness in October, leading to a notable steepening of the yield curve. The 2-year Treasury yield saw a slight increase in yields, while 10-year and 30-year yields rose more than 30 basis points. The rise in yields hurt stock sentiment. The market had to adapt to the idea of a Federal Reserve that would maintain higher interest rates for an extended period.

A notable performer for the month was Alphabet (-2%) which fell despite beating market expectations for their earnings in the third quarter. This was due to a miss in their 'Google cloud' segment exacerbated by Microsoft's Azure (competing cloud offering) showing stronger growth relative to market expectations. Microsoft (+11%) was the largest positive contributor for the month. Alphabet's decline highlights the growth currently priced into these tech names – especially when discounting these long-dated cash flows in a higher interest rate environment.

Boston based portfolio manager MFS continues to hold a cautious market outlook, they see risks to the economic and earnings outlook over the coming quarters.

Performance

As at 31 October 2023	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Global Shares Fund*	-1.3%	-4.0%	10.6%	13.3%	9.4%	9.1%
Benchmark Index**	-1.3%	-5.7%	10.1%	9.5%	8.8%	8.8%

*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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