

CLARITY GLOBAL SHARES FUND

Monthly Commentary

The Clarity Global Shares Fund delivered a solid return of +2.5% during the month, outperforming its benchmark.

Global equity markets faced headwinds throughout the month, partially driven by heightened uncertainty ahead of the U.S. election and concerns over potential policy shifts impacting inflation and interest rates. Following the U.S. Federal Reserve's 50 basis point interest rate cut in September, the persistence of elevated core inflation underscored the challenges policymakers face in balancing their dual mandate: fostering a strong labour market while ensuring price stability. Although additional rate cuts are anticipated in November and possibly December, resilient inflation and a robust labour market have reduced the probability of another 50 basis point cut. This recalibration of expectations, coupled with election uncertainty, pushed Treasury yields higher.

Gold continued to outperform in October, defying expectations given that real interest rates (the opportunity cost of holding gold) remain positive. This performance appears driven by demand from emerging market central banks, which are less sensitive to price fluctuations and more focused on geopolitical considerations and diversifying reserves away from the US dollar.

The start of quarterly earnings season brought positive surprises, particularly from the financial sector, which traditionally reports early. Strong earnings from banks benefited from the slower pace of rate cuts, supporting higher net interest margins. Key contributors within the Fund included: Wells Fargo (+16%), Corebridge Financial (+9%) and Ameriprise Financial (+9%). Conversely, higher interest rates weighed heavily on the homebuilding sector, as rising mortgage rates dampened construction activity. Notably, Builders FirstSource declined by -12% during the month.

Performance

As at 31 October 2024	1 Mth	3 Mth	1 Yr	3 Yrs p.a.	5 Yrs p.a.	Since Inception p.a.
Clarity Global Shares Fund*	2.5%	1.6%	33.0%	12.9%	13.3%	12.0%
Benchmark Index**	1.6%	2.4%	31.0%	9.3%	12.0%	11.5%

*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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