

Octagon Investment Funds

New Zealand Equities Fund

Monthly Performance Update as at 31 March 2024

To review the fund's investment objective and strategy, fees information and risk indicator please see the funds' product disclosure statement and most recent fund update at www.octagonasset.co.nz/our-funds/new-zealand-equities-fund/.



Return comparison	1 Month	3 Months	1 Year	3 Years*	Since inception*
Net Fund Return^	3.45%	3.50%	2.65%	1.59%	10.56%
Gross Fund Return	3.54%	3.79%	3.83%	2.81%	11.86%
S&P/NZX 50 Gross with Imputation Index	3.33%	3.13%	2.75%	-0.42%	9.84%

*Annualised

Major investments

Fisher & Paykel Healthcare Corporation Limited	9.1%
Contact Energy Limited	7.0%
Auckland International Airport Limited	6.9%
Infratil Limited	6.4%
Spark New Zealand Limited	6.2%
Meridian Energy Limited	5.4%
SKYCITY Entertainment Group Limited	4.6%
Mainfreight Limited	4.4%
The a2 Milk Company Limited	4.0%
Ebos Group Limited	3.9%
Major holdings as % of total portfolio	57.92%

Manager's comments

What happened in the markets that you invest in?

The retail sector stocks – Briscoes, The Warehouse and Kathmandu - reported their profits during March. Briscoes was the standout, holding on to improved margins achieved over the post Covid period. The Warehouse and Kathmandu performed significantly worse, suffering from both sales margin declines and cost increases. Much of this profit weakness was expected with share prices falling over preceding months. Both share prices, however, ended up strongly over the month, with The Warehouse supported by the announcement that they will close or sell the loss making "The Market" division.

There were positive updates from Fisher and Paykel Healthcare, Manawa Energy and Infratil, with each of the businesses seeing robust demand in their respective end markets. Ebos was the worst performer in the market index, falling over 7% on little company specific news.

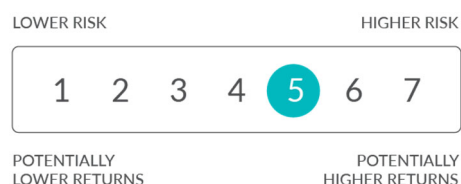
How did your portfolio perform?

The New Zealand Equities Fund delivered a gross return of 3.54% during March, modestly outperforming the fund's market index return of 3.33% by 0.21%.

For the 12 months to the end of March, the New Zealand Equities Fund delivered a gross return of 3.83%, comfortably outperforming the fund's market index of 2.75% by 1.08%.

The top contributors to relative performance were our overweight positions in Sky City Entertainment (SKC) and Channel Infrastructure (CHI). SKC received help from an announcement that online gaming will increasingly be regulated by the NZ Government, as they are well placed

Risk indicator for the New Zealand Equities Fund*



to meet the standards needed. CHI benefited from a continued recovery in demand for aviation fuel.

The biggest drags on performance were Comvita and Tower. There was no specific negative news flow for either company and we consider both well placed to deliver attractive returns from here.

What are we thinking about the future?

As we have noted for some time, we are amid a profit slump as the economy is barely growing (technically it is in a recession given positive net immigration) yet the RBNZ is not yet able to cut interest rates given inflation is still above their long-run target.

Companies facing reduced profits have been joined by the Government in cutting their expenses, including headcount, and we think demand weakness will persist and inflation will be forced lower as a result. We believe the NZ market valuation is now at a more attractive level, with the positives of interest rate cuts in sight and companies focused on improving profit margins to provide support for future returns. Further earnings falls are likely until at least the August reporting season, but interest rate cuts and an economic recovery should be in sight by then.

We have been gently adding to cyclical stocks such as Michael Hill, NZME (advertising) and the NZX (Equity and Debt market operator) even as they report softer profit numbers. All three appear to offer attractive medium-term returns, even if earnings are not yet recovering.

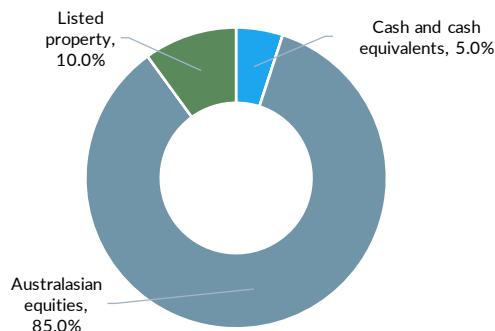
We continue to believe that most sectors of the market that offer defensive profit streams, like property, telecommunications and electricity generation, are fully priced. They will however benefit from expected falls in interest rates and hence we continue to keep our exposure to CHI, Contact Energy and Fonterra.

We stay underweight the most highly valued quality companies in the market, Fisher and Paykel Healthcare and Auckland airport, as we simply can't get our valuations up to their share prices. We see more attractive opportunities elsewhere.



Paul Robertshawe, CA
Director, Chief Investment Officer

Target Asset Allocation



Things to note

- Manager: Forsyth Barr Investment Management Limited
- Investment manager: Octagon Asset Management Limited
- Date the fund started: 26 June 2008
- Tax status: Portfolio Investment Fund (PIE)
- Minimum suggested investment time frame: At least five years
- Benchmark: None
- Currency: New Zealand dollars

View the [Product Disclosure Statement](#) for detailed information about this Fund and Octagon Investment Funds Scheme.

Fees

Annual fund charges are currently 1.15% p.a. of the value of your investment. We pay management and administration charges along with the Supervisor fee out of this. All fees and charges are quoted exclusive of GST.

For more information please visit octagonasset.co.nz, email info@octagonasset.co.nz, or call 0800 628 246

^ Net Fund Returns are calculated before the deduction of taxes and after deduction of fund charges and trading expenses and including imputation credits where available. Gross Fund Returns are calculated before deduction of taxes and fund charges but after deduction of trading expenses and including imputation credits where applicable. Market index returns do not have any deductions for fund charges, trading expenses or tax.

* The risk indicator is rated from 1 (low) to 7 (high). The rating reflects how much the value of the relevant fund's assets goes up and down (volatility). A higher risk generally means higher potential returns over time, but more ups and downs along the way. The risk indicator is based on the returns data for the five years to 30 September 2022. See more information about the risks of investing in the Product Disclosure Statement.

This publication does not contain financial advice - for financial advice, please speak to your Investment Adviser. We recommend you review your investments and seek specialist advice on any taxation aspects. Past performance is not a reliable guide to future performance. Forsyth Barr Investment Management Limited is the issuer, and Octagon Asset Management Limited the investment manager, of the Octagon Investment Funds. A copy of the Product Disclosure Statement for the Funds is available from www.octagonasset.co.nz/disclosureinformation, by contacting your Investment Adviser, or by calling 0800 628 246.