

New Zealand Fixed Interest Fund

Monthly Performance Update as at 31 January 2026

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-fixed-interest-fund/.



Return comparison	1 Month	3 Months	1 Year	3 Years*	Since inception*
Net Fund Return [^]	-0.33%	-1.37%	4.52%	5.03%	4.38%
Gross Fund Return	-0.28%	-1.18%	5.31%	5.83%	5.28%
Bloomberg NZBond Composite 0+ Yr Index	-0.30%	-1.26%	4.77%	4.84%	n/a
S&P/NZX Investment Grade Corporate Bond Index	-0.21%	-0.56%	5.34%	5.89%	5.06%

[^]Annualised

Major investments

New Zealand Government 1.5% 15/05/2031	7.07%
New Zealand Government 14/04/2033 3.5%	6.66%
New Zealand Government 15/05/2032 2.00%	5.44%
NZ Government 4.25% 15/05/2034 Green Bond	5.22%
New Zealand Government 4.5% 15/05/2035	5.20%
New Zealand Government 4.25% 15/05/2036	4.83%
New Zealand Government 4.50% 15/05/2030	4.44%
New Zealand Government 3% 20/04/2029	4.35%
New Zealand Government 15/05/2028 0.25%	3.74%
ANZ Bank New Zealand Limited 17/09/2031	3.63%
2.99%	
Major holdings as % of total portfolio	50.59%

Things to note

- Manager: Forsyth Barr Investment Management Ltd
- Investment manager: Octagon Asset Management Ltd
- Date the fund started: 26 June 2008
- Tax status: Portfolio Investment Fund (PIE)
- Minimum suggested investment time frame: At least three years
- Market Index: Bloomberg NZBond Composite 0+ Yr Index
- Currency: New Zealand dollars

Risk indicator **



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

Manager's comments

How did your portfolio perform?

The New Zealand Fixed Interest Fund delivered a gross return of -0.28% for the month of January, in-line with the fund's benchmark return of -0.30%.

For the 12 months to the end of January, the New Zealand Fixed Interest Fund delivered a gross return of 5.31%, comfortably outperforming the fund's market index return of 4.77% by 0.54%.

What happened in the markets that you invest in?

While the month of January is probably best summarised as unremarkable for fixed interest investors, the case is clearly building for a domestic economic recovery. Indeed, the Reserve Bank of New Zealand's (RBNZ) *GDPNow* forecast ended the month predicting GDP December-quarter growth of 0.5% followed by March quarter growth of 0.75%.

While most New Zealanders and job-seekers will be pleased to see a healthy pick-up in expected economic activity, we caution that with annual inflation at ~3.0% – September's inflation data was released mid-January – we're likely to see the regulator bring forward its earlier signalling of the first Official Cash Rate (OCR) hike in late 2026.

What are we thinking about the future?

The broader market has moved its expectations for the first OCR hike well in advance of any updated messaging from the RBNZ, with consensus predicting a hike from 2.25% to 2.50% sometime towards the middle of this year.

The current tension between market participants and the RBNZ will be resolved – in a knee-jerk fashion and only for a very short time (we believe in a matter of days) in our view – when the next Monetary Policy Statement is published on 18 February.

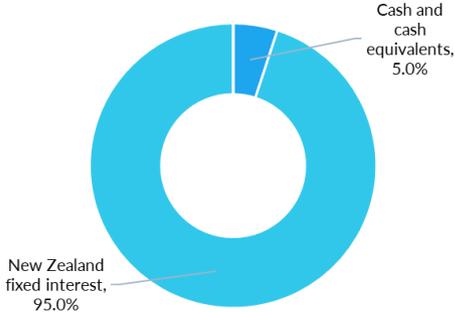
We believe that for the first part of 2026 investor reaction to discrete economic data releases will drive the direction of term interest rates and bond yields. Typically, this a tougher than normal trading environment and we expect portfolio performance to be commensurately more volatile over the shorter term. With volatility comes opportunities and ultimately we anticipate returns to be attractive over the full year.

The fund's gross yield to maturity, calculated as the weighted-average gross yield of all securities in the portfolio, was 4.15%. The fund's weighted-average credit quality was AA-. Where a security does not have an external credit rating, we assign an internal credit rating based on our assessment. We use the lowest available credit rating for New Zealand Government bonds, Fitch's AA+.

The fund's duration at 4.80 years, slightly longer than the benchmark of 4.70 years. Our current duration positioning range is +/- 0.5 years around the benchmark, which we will use if we assess interest rate moves as directionally and temporarily overstretched. As mentioned in earlier commentaries, we see value in New Zealand Government inflation-linked bonds. These instruments, perpetually underpriced in our view, see even larger potential returns if inflation proves sticky at its current level of 3.00%.

Finally, in our view, the expected pick-up in economic activity should deliver a mechanical uplift in the performance of those businesses leveraged to the residential property market and discretionary consumer spending. We will continue to accumulate investments in securities like RYM010 and SKC050 bonds that are exposed to these twin themes.

Target Asset Allocation



Craig Alexander
Head of Fixed Interest and ESG

Fees

Annual fund charges are currently 0.75% 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 31 January 2026. 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/disclosure-information, by contacting your Investment Adviser, or by calling 0800 628 246.