

New Zealand Fixed Interest Fund

Monthly Performance Update as at 31 December 2025

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 [^]	-0.18%	-0.24%	4.70%	5.91%	4.42%
Gross Fund Return	-0.11%	-0.04%	5.50%	6.72%	5.33%
Bloomberg NZBond Composite 0+ Yr Index	-0.13%	-0.15%	5.04%	5.64%	n/a
S&P/NZX Investment Grade Corporate Bond Index	0.26%	0.20%	5.51%	6.68%	5.10%

[^]Annualised

Major investments

New Zealand Government 1.5% 15/05/2031	7.35%
New Zealand Government 14/04/2033 3.5%	6.93%
New Zealand Government 15/05/2032 2.00%	5.66%
NZ Government 4.25% 15/05/2034 Green Bond	5.43%
New Zealand Government 4.5% 15/05/2035	5.41%
New Zealand Government 4.25% 15/05/2036	5.02%
New Zealand Government 4.50% 15/05/2030	4.60%
New Zealand Government 3% 20/04/2029	4.51%
New Zealand Government 15/05/2028 0.25%	3.87%
New Zealand Government 4.50% 15/04/2027	3.29%
Major holdings as % of total portfolio	52.08%

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 -0.11% for the month of December, in-line with the fund's benchmark return of -0.13%.

For the 12 months to the end of December, the New Zealand Fixed Interest Fund delivered a gross return of 5.50% comfortably outperforming the fund's market index return of 5.04% by 0.46%

What happened in the markets that you invest in?

December was a largely indifferent month for investors in the New Zealand Fixed Interest Fund.

The domestic fixed interest market ended the 2025 calendar year with a whimper, still smarting from the hawkish tone of the Reserve Bank of New Zealand's (RBNZ) Monetary Policy Statement in November. The RBNZ delivered an expected 0.25% cut, taking the Official Cash Rate (OCR) to 2.25%, but followed up its announcement with contradictory signals and commentary from RBNZ decision-makers about how long the OCR would remain at that level. Longer term rates rose in sympathy.

What are we thinking about the future?

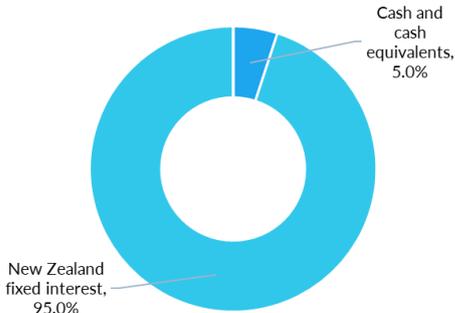
While the broader market confidently predicts an end to the multi-year easing in domestic monetary policy, there is little consensus as to when the OCR will be raised from its current nadir of 2.25%.

Our view is that market participants will be nimble, as they lack conviction in any single view, and will generally over-react to each key data release. Typically, this a tougher trading environment for fixed interest funds.

The fund's gross yield to maturity, calculated as the weighted-average gross yield of all securities in the portfolio, was 4.00%. In addition to this yield, the fund

may also earn a 'roll-down return'. A roll-down return is a capital gain. It happens because a bond's market value *usually* rises as it gets closer to its maturity date, however because the yield curve is upward-sloping, meaning longer-term bonds have higher yields than shorter-term bonds, the yield falls as the bond gets closer to maturity and 'rolls down' the yield curve.

Target Asset Allocation



A simple way to understand roll-down is to look at a New Zealand Government bond. At the end of the year, a 5-year government bond had a yield of 3.92%. Assuming interest rates do not change, that same bond will become a 4-year bond one year later. At the end of 2026, a 4-year bond is expected assumed to have a lower yield of 3.77%. As the yield falls while the bond rolls down the yield curve, the bond's market value increases. That increase is known as the 'roll-down return'.

Based on current market conditions, we believe the fund could earn an extra 1% per year from this roll-down effect.

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+.

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.

Other opportunities include inflation-linked bonds, which look too cheap in our view. We doubt that current inflation of ~3% per annum will return to RBNZ's mid-band 2% target anytime soon. We also like short-maturity credit (non-government bonds) yielding more than 4.50%. An improving domestic economy and better financial performances from those issuers linked to discretionary consumer spending and/or the residential property market should support returns in these bonds.

We also see several opportunities developing from the RBNZ's 2025 Review of Key Capital Settings, applicable to the local banking sector, with various subordinated bank bonds now looking attractive to us. We also see earlier government announcements around supporting renewable generation developments improving the perceived credit standing of capital bonds issued by Genesis Energy, Mercury Energy, and Meridian Energy.

Overall, we are positive on the opportunities and outlook for Fixed Interest in 2026.



Craig Alexander
Head of Fixed Interest and ESG

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 December 2025. 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.