Octagon Investment Funds

New Zealand Fixed Interest Fund

Monthly Performance Update as at 30 June 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^	1.19%	2.74%	4.96%	5.83%	4.42%
Gross Fund Return	1.26%	2.93%	5.75%	6.63%	5.26%
Bloomberg NZBond Composite 0+ Yr Index	1.16%	2.79%	5.24%	5.81%	n/a
S&P/NZX Investment Grade Corporate Bond Index	1.06%	2.43%	5.10%	6.34%	5.06%

*Annualised

Major investments

New Zealand Government 1.5% 15/05/2031	7.84%
New Zealand Government 14/04/2033 3.5%	6.76%
New Zealand Government 15/05/2032 2.00%	4.90%
NZ Government 4.25% 15/05/2034 Green Bond	4.68%
New Zealand Government 4.5% 15/05/2035	4.67%
New Zealand Government 4.25% 15/05/2036	4.35%
ANZ Bank New Zealand Limited 17/09/2031 2.99%	4.32%
New Zealand Government 4.50% 15/05/2030	3.92%
New Zealand Government 3% 20/04/2029	3.85%
New Zealand Government 15/05/2028 0.25%	3.35%
Major holdings as % of total portfolio	**48.63%**

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 **

LOWER RISK HIGHER RISK

1 2 **3** 4 5 6 7

POTENTIALLY LOWER RETURNS POTENTIALLY HIGHER RETURNS

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 1.26% for June, slightly outperforming the fund's benchmark return of 1.16% by 0.10%.

For the 12 months to the end of June, the New Zealand Fixed Interest Fund delivered a gross return of 5.75% comfortably outperforming the fund’s market index return of 5.24% by 0.51%.

What happened in the markets that you invest in?

The fund’s positive return in June, building on May’s solid performance, was encouraging given the return volatility seen at the beginning of the calendar year.

The current consensus around some sort of resolution to the Middle East war was also constructive for term interest rates and bond yields, delivering significant capital gains to investors over June.

What are we thinking about the future?

With a peace blueprint largely mapped out to resolve the Middle East conflict, market participants are wrestling with the likely direction of inflation, globally.

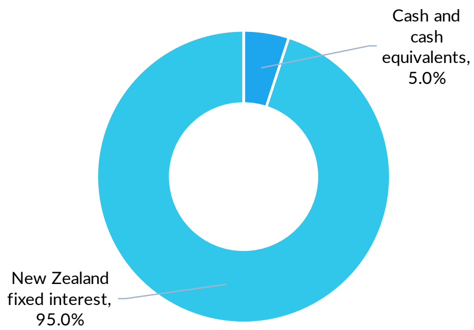
Locally, most forecasters agree that the Reserve Bank of New Zealand (RBNZ) will need to tighten monetary policy very soon and we saw a 0.25% increase at the last monetary policy committee. We think that market predictions for the Official Cash Rate (OCR) look about right; a series of sequential hikes taking the OCR up to between 3.25% and 3.50%, by the end of next year.

Understandably, the RBNZ is cautious around increasing its cash rate too far or too fast to counter the potential lingering inflationary effects of a (fuel) supply shock. Supply shocks - without a commensurate increase in wages or salaries - act as consumption tax, damping economic activity. Mechanically pushing up interest rates at the same time has the potential to deliver a double whammy to household expenditure.

Octagon

Indeed, we actively follow the RBNZ's Kiwi-GDP predictions, which estimate June quarter GDP growth to be close to zero. Moreover, with the annual movement in residential property prices basically flat, we believe we'll see increasing rhetoric around the negative wealth effect associated with household asset price performance.

Target Asset Allocation



Ultimately, we see declining real incomes and weakening consumer balance sheets curtailing discretionary retail consumption. On this basis we expect the OCR to peak at around what we consider to be the neutral cash rate, somewhere close to 3.50%, plus or minus.

The fund's gross yield to maturity, calculated as the weighted-average gross yield of all securities in the portfolio, was around 4.30%. The portfolio'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 was 4.90 years, exceeding the benchmark duration of 4.74 years. Our current target 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.

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.

^ 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 June 2026. See more information about the risks of investing in the Product Disclosure Statement.