

# New Zealand Fixed Interest Fund

## Monthly Performance Update as at 31 May 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/](http://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 <sup>^</sup>	1.18%	-0.22%	4.47%	5.23%	4.37%
Gross Fund Return	1.24%	-0.03%	5.26%	6.03%	5.21%
Bloomberg NZBond Composite 0+ Yr Index	1.26%	-0.08%	4.76%	5.03%	n/a
S&P/NZX Investment Grade Corporate Bond Index	0.95%	-0.08%	4.81%	5.85%	5.03%

<sup>^</sup>Annualised

### Major investments

New Zealand Government 1.5% 15/05/2031	8.96%
New Zealand Government 14/04/2033 3.5%	6.86%
New Zealand Government 15/05/2032 2.00%	4.98%
NZ Government 4.25% 15/05/2034 Green Bond	4.75%
New Zealand Government 4.5% 15/05/2035	4.73%
New Zealand Government 4.25% 15/05/2036	4.40%
ANZ Bank New Zealand Limited 17/09/2031 2.99%	4.36%
New Zealand Government 4.50% 15/05/2030	3.99%
New Zealand Government 3% 20/04/2029	3.93%
New Zealand Government 15/05/2028 0.25%	3.42%
<b>Major holdings as % of total portfolio</b>	<b>50.39%</b>

### Manager's comments

#### How did your portfolio perform?

The New Zealand Fixed Interest Fund delivered a gross return of 1.24% for May, broadly in line with the fund's benchmark return of 1.26%.

For the 12 months to the end of May, the New Zealand Fixed Interest Fund delivered a gross return of 5.26% comfortably outperforming the fund's market index return of 4.76% by 0.50%.

#### What happened in the markets that you invest in?

The fund's positive returns in May were encouraging given the recent volatility seen over the previous few months.

Indeed, the Reserve Bank of New Zealand's (RBNZ) April Monetary Policy Statement was nicely balanced, in our view, acknowledging the tension between materially higher inflation forecasts and falling expectations for domestic economic activity.

Unsurprisingly, the response to a well-moderated and well-constructed policy statement was a relief rally, a move lower in bond yields and term interest rates, delivering significant capital gains to investors for the month of May.

#### What are we thinking about the future?

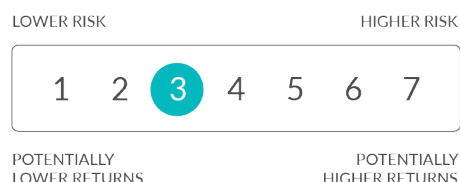
The current consensus around some sort of resolution to the Middle East should be constructive for term interest rates and bond yields over the medium term.

An immediate spike higher in both global and domestic inflation is widely anticipated with most market participants seeing the consumers' price index (CPI) over 4.0% later in the year, well above the RBNZ's 2% inflation target.

### 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 \*\*



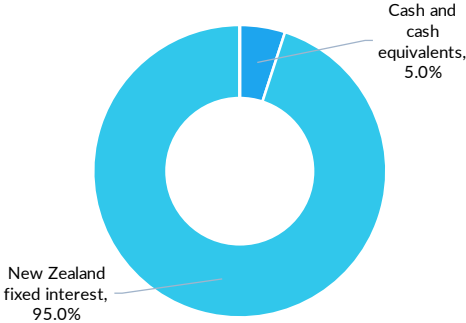
View the [Product Disclosure Statement](#) for detailed information about this Fund and Octagon Investment Funds Scheme.

Accordingly, we think that market forecasts for the Official Cash Rate (OCR) look about right; a series of sequential hikes taking the OCR up to between 3.50% and 3.75%, by the end of next year.

Understandably, the RBNZ is cautious around increasing its Official Cash Rate (OCR) to manage the 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.

We're pretty pessimistic, to be honest.

### Target Asset Allocation



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 was 4.95 years, exceeding the benchmark duration of 4.71 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

Indeed, we actively follow the RBNZ's Kiwi-GDP predictions, which estimate June quarter GDP growth to be close to zero. With New Zealand labour productivity generally subdued, we doubt that local wage and salary earners will receive remuneration increases to offset the impact of fuel price inflation.

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.

Ultimately, we see declining real incomes and weakening consumer balance sheets curtailing discretionary retail consumption.

### 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](http://octagonasset.co.nz), email [info@octagonasset.co.nz](mailto: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 May 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](http://www.octagonasset.co.nz/disclosure-information), by contacting your Investment Adviser, or by calling 0800 628 246.