

Balanced 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/balanced-fund/.



Return comparison	1 Month	3 Months	1 Year	3 Years*	Since inception*
Net Fund Return [^]	1.38%	-0.97%	8.13%	7.69%	4.09%
Gross Fund Return	1.47%	-0.68%	9.36%	8.92%	5.30%
Composite Index	2.24%	1.51%	12.53%	9.98%	5.69%

*Annualised

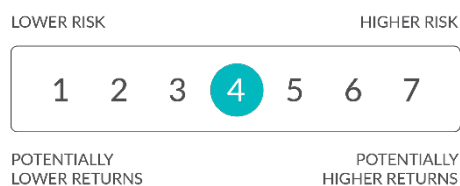
Major investments

Hunter Global Fixed Interest Fund	16.54%
BNZ Transactional Account NZD	2.31%
Fisher & Paykel Healthcare Corporation Limited	1.83%
New Zealand Government 1.5% 15/05/2031	1.68%
Infratil Limited	1.37%
New Zealand Government 14/04/2033 3.5%	1.29%
Microsoft Corp	1.28%
Precinct Properties New Zealand Limited	1.25%
Goodman NZ Ltd & Goodman Property Services Ltd	1.19%
Alphabet Inc-Cl A	1.05%
Major holdings as % of total portfolio	29.79%

Things to note

- Manager: Forsyth Barr Investment Management Ltd
- Investment manager: Octagon Asset Management Ltd
- Date the fund started: 11 December 2020
- Tax status: Portfolio Investment Fund (PIE)
- Minimum suggested investment time frame: At least five years
- Market Index: A composite benchmark relating to the fund's target investment mix
- 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 Balanced Fund delivered a gross return of 1.47% for the month of May, slightly underperforming the fund's benchmark return of 2.24% by -0.77%.

For the 12 months to the end of May, the Balanced Fund delivered a gross return of 9.36%, underperforming the fund's benchmark return of 12.53% by -3.16%.

There were positive returns from all the asset classes making up the Balanced Fund during May. Global equity markets have rallied more than 15% since the end of March – one of the sharpest two-month rallies in history. All three of our managers in that strategy failed to keep up, outweighing solid performance by the managers of the remaining asset classes within the Balanced Fund.

For details on the Balanced Fund's single asset class funds, see the relevant commentary.

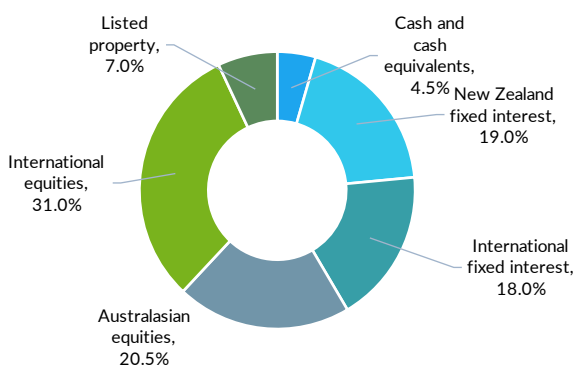
We actively manage the fund's foreign currency exposures and hedge the international fixed interest segment of the fund. The New Zealand dollar rose 1.68% against the US dollar and rose 1.63% against the Australian dollar.

What happened in the markets that you invest in?

US economy and US corporate profitability propelled global equities upwards. The rally was led by stocks broadly exposed to the Artificial Intelligence (AI) build out – from memory chips to data centre builders to power suppliers. Australasian equity markets, including listed property, followed suit, but in less dramatic fashion.

Economic Growth and inflation readings supported a pause in the interest rate cycle which also allowed fixed interest markets to deliver positive returns. Inflation rates are elevated however, and the longer the Iranian war continues, the more pressure there will be for central banks to raise rates.

Tactical Asset Allocation



Despite the already strong performance of global equities over the past two years, our assessment of recent earnings growth and profit forecasts over the next five years supports the increased allocation. As part of the SAA changes, we also removed our Tactical Asset Allocation (TAA) underweight in global equities back to neutral. This continues a series of adjustments made in recent months, reflecting robust corporate earnings, a broadening of market performance beyond US technology stocks, and a period of more subdued global market returns through to the end of March.

We remain very alert to the risk that US equities may be exhibiting bubble-like valuations, however our current view is that earnings momentum continues to support these elevated valuations. We also retain significant flexibility within our TAA ranges to be more cautious should profit growth begin to weaken.

Currency Hedging

As at 31 May 2026

Percentage of the fund exposed to FX risk	40.75%
Value of the fund unhedged (after hedging)	15.65%

Fixed interest markets look fairly priced. Sticky inflation is our base case, limiting capital gains. Fears of a recession due to a protracted Middle East conflict would boost the returns from the asset class. We see more attractive returns in Listed Property markets, as they are priced cheaply whilst being exposed to the same two-way dynamic as interest rate markets.

What are we thinking about the future?

Last month we noted that a quick end to hostilities in May we moved to our new Strategic Asset Allocation (SAA) settings, upweighting our exposure to global equities, whilst reducing our exposure to Australian and Listed Property equities.

We updated our analysis of the expected returns and risks across each asset class, which is the foundation of our SAA and guides the construction of an efficient portfolio. We then applied Octagon's investment philosophy, which emphasises diversification and liquidity, to moderate the optimiser's natural tendency to concentrate investments in a small number of asset classes.



Paul Robertshaw, CA
Director, Chief Investment Officer



Christine Smith-Han
Strategy Analyst

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 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, by contacting your Investment Adviser, or by calling 0800 628 246.