

# New Zealand Equities Fund

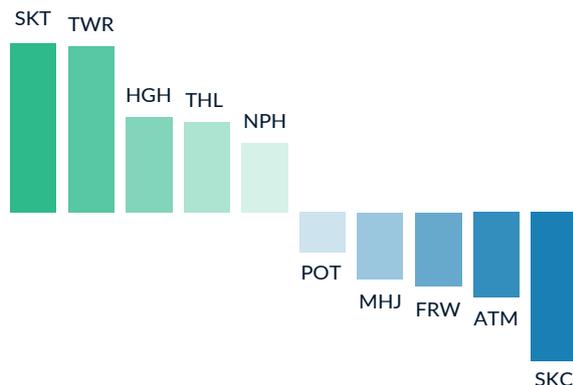
Investor Factsheet for the quarter ended 31 December 2025

	Quarter Performance	1 year	3 years*	5 years*	Since Inception*	Since Sep 2019*
Gross Fund Return**	4.12%	6.97%	7.29%	3.78%	10.91%	6.37%
S&P/NZX 50 Gross with Imputation Index***	2.02%	4.08%	6.54%	1.46%	8.79%	4.27%
<b>Out/under performance</b>	<b>2.10%</b>	<b>2.89%</b>	<b>0.76%</b>	<b>2.32%</b>	<b>2.13%</b>	<b>2.10%</b>
Tracking error	n/a	2.14%	2.33%	2.36%	3.55%	2.50%
Information ratio	n/a	1.35	0.32	0.98	0.60	0.84
Sharpe ratio	n/a	0.37	0.28	0.04	0.76	0.30

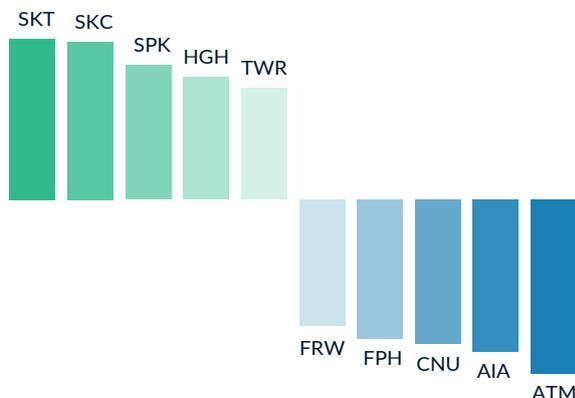
## Key Fund Facts as at 31 December 2025

Fund Name	New Zealand Equities Fund	Risk Indicator	<span>1</span> <span>2</span> <span>3</span> <span>4</span> <span style="background-color: #0070C0; color: white;">5</span> <span>6</span> <span>7</span>
Inception Date	26/06/2008	Market Index	S&P/NZX 50 Gross with Imputation
Fund Value (NZD)	\$160,953,013	Unit Price	4.5023

### ATTRIBUTION (ROLLING 4QS TO 31 DECEMBER 2025)



### PORTFOLIO CONVICTION (AS AT 31 DECEMBER 2025)



### The fund in its macro context

The December quarter represented a turn in the domestic economic cycle, we think. The data certainly supports this view. The Reserve Bank of New Zealand (RBNZ) delivered the final interest rate cut as inflation and GDP bottomed, business surveys are increasingly positive, and employment indicators have stabilised.

We don't expect a rapid acceleration in growth, and companies certainly did not forecast one in the November reporting season. The early stages of an economic rebound can provide a powerful boost to reported profits of cyclical businesses as revenues rise and cost bases, which have been cut aggressively in the downturn, remain steady. Eventually cost growth comes back in, and profit margins rarely peak much higher than the last upturn, but markets can be blind to even average profitability in the height of economic gloom.

Global volatility remains high, with the US-led tariff battles, prospects of regime change and a possible fracturing of NATO all in the headlines currently. Equity markets have been very stable in the face of these risks. A negative global market reaction to such risks would inevitably cascade down to our market.

### Portfolio attribution

For the quarter ended 31 December the New Zealand Equities Fund delivered a gross return of 4.12%, significantly outperforming the fund's benchmark return of 2.02%.

On a rolling four quarters basis to 31 December, the Fund delivered a gross return of 6.97%, considerably outperforming the fund's benchmark return of 4.08%.

\* Annualised

\*\* Gross Fund Returns are calculated before deduction of taxes and fund charges but after deduction of trading expenses and including imputation credits where applicable. For periods prior to April 2018 the Gross Funds Returns do not include imputation credits.

\*\*\*For periods prior to April 2018, the market index/benchmark return used is S&P/NZX50 Gross index. Market index returns do not have any deductions for fund charges, trading expenses or tax.

After being a drag last quarter on the back of an avoidable equity raise, Sky City Entertainment (SKC) was the largest positive contributor to relative performance this quarter, but remains the biggest drag on annual performance. Another hotel sale in the market confirms the value of SKC's assets, and economic momentum appears to be building generally.

The small November reporting season was notable for forward earnings expectations generally holding up well. Management teams are not seeing near-term acceleration in growth, but they are feeling more comfortable that it is coming.

Positive attribution was very broad based, with an unusually high hit rate. 70% of our positions delivered positive relative returns over the quarter, and there were no material drags on performance, with our A2 Milk underweight being the worst performer.

### Portfolio conviction

We build our portfolios based on medium-term, risk adjusted expectations of profits and cash flows – not on expectations for the next profit result or GDP print. As such we often enter (or exit) stocks before news flow or profit momentum turns positive (or negative). In finance circles there is a saying along the lines of “being early is the same as being wrong”. Whilst that can be true for a single stock, we disagree at the portfolio level. Today's performance is largely delivered by positions we have held for many years.

We have had strong recent success from positions in Channel, Sky Tv and Tower. All three have delivered earnings and cash flow largely in-line with our medium-term expectations. In Channel's case, we now view the stock as expensive and have moved underweight, whilst for Sky Tv and Tower we still see further upside, but less so than before.

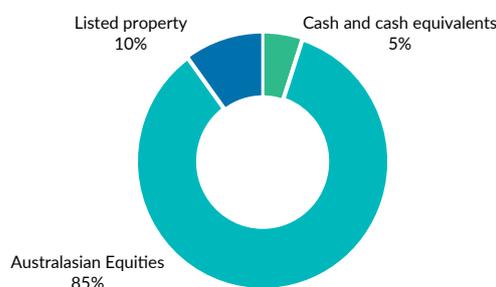
We have built positions in Spark, where we see the mobile network as undervalued by the market, and Heartland Bank where a refocus on the reverse mortgage market and a cleanup of legacy lending products offers material earnings upside. We are also building a position in Ebos, which has fallen ~30% post its August result. Earnings recovery is unlikely to be instant, but we consider its businesses high quality and capable of a return to growth.

In general terms, we remain overweight consumer exposed stocks and underweight defensives and global growers. All these positions are based on our assessment of the relative attractiveness of the company's valuations, which account for both quality and risk.

### TOP 10 FUND HOLDINGS AT QUARTER END

Security	Weight
Fisher & Paykel Healthcare Corporation Limited	13.9%
Auckland International Airport Limited	7.9%
Infratil Limited	6.9%
Spark New Zealand Limited	5.1%
Ebos Group Limited	5.0%
Contact Energy Limited	4.7%
Meridian Energy Limited	4.3%
Mainfreight Limited	4.3%
Ryman Healthcare Limited	3.4%
The a2 Milk Company Limited	3.1%
<b>Major holdings as % of total portfolio</b>	<b>58.7%</b>

### TARGET ASSET ALLOCATION



### Conclusion

We expect strong earnings recoveries from large sections of the New Zealand equity market over 2026. Domestic cyclicals should benefit from a return to revenue growth with strong cost control boosting profit margins. The Electricity sector should see big recoveries from Meridian, Mercury and Contact as more normal weather patterns emerge, and market heavyweights F&P Healthcare and A2 Milk are expected to deliver double digit earnings growth.

Listed property retains attractive valuation support in our view and remains our preferred sector in the defensive earnings part of the market. Listed property does not offer outsized earnings growth and may struggle to keep up with market returns after considerable outperformance in 2025.

Our process continues to identify attractive investment opportunities, and we maintain our focus on doing the research and analytics to build conviction into those ideas.

## Investment Philosophy and Thesis

Octagon is an active investment manager. Our investment philosophy focuses on developing a repeatable process that systematically looks for short-to-medium term inefficiencies in market pricing of securities with a solid economic basis and a good management team to deliver long term, measurable alpha.

The most common and persistent market inefficiencies we find are:

- thin research coverage, especially in the New Zealand market
- excessive focus on near-term earnings
- market dislocations and liquidity events
- temporary governance failures
- irrational investor behaviour

For Octagon, “value” means not overpaying for the promise of future growth by developing a fundamental understanding of a business, its financial metrics, return on invested capital and then scenario testing the investment model under different macro conditions.

## Portfolio Manager



**Paul Robertshawe, CA**  
Director, Chief Investment Officer