

Australian Equities Fund

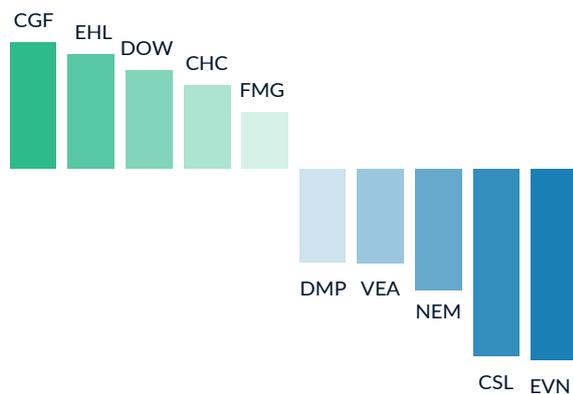
Investor Factsheet for the quarter ended 31 December 2025

	Quarter Performance	1 year	3 years*	5 years*	Since Inception*	Since Nov 2019*
Gross Fund Return**	0.83%	10.84%	12.65%	11.22%	5.70%	9.85%
S&P/ASX Accumulation 200 Index (50% Hedged)***	-0.36%	12.66%	13.14%	11.06%	6.59%	9.05%
Out/under performance	1.20%	-1.82%	-0.49%	0.16%	-0.88%	0.81%
Tracking error	n/a	2.96%	2.05%	2.24%	5.58%	2.52%
Information ratio	n/a	-0.61	-0.24	0.07	-0.16	0.32
Sharpe ratio	n/a	0.80	0.78	0.71	0.18	0.47

Key Fund Facts as at 31 December 2025

Fund Name	Australian Equities Fund	Risk Indicator	1 2 3 4 5 6 7
Inception Date	26/06/2008	Market Index	S&P/ASX Accumulation 200 Index (50% Hedged)
Fund Value (NZD)	\$121,458,374	Unit Price	2.1118

ATTRIBUTION (ROLLING 4QS TO 31 DECEMBER 2025)

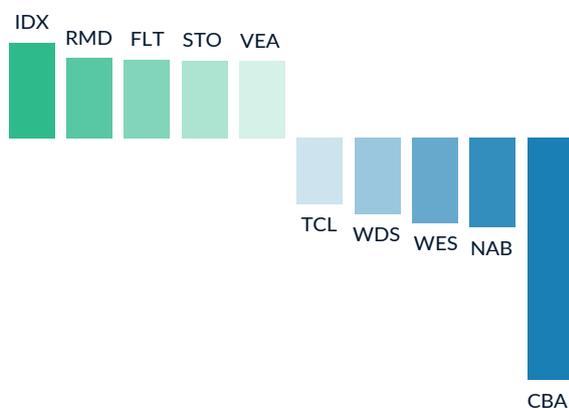


The fund in its macro context

Australian equities fell -1.01% over the quarter after two strong quarters in the middle of 2025. Materials returned 12.99% for the quarter but most other sectors were negative.

In our last quarterly summary we highlighted the shift in rate expectations, with the market pricing further Reserve Bank of Australia (RBA) cuts in 2025 as inflation held around 3.0%. This sentiment continued into year-end. Rather, CPI accelerated, with the new monthly CPI rising to 3.8% YoY in October. Low productivity, labour market tightness and the ongoing boom in housing are sustaining upward inflation pressure. The most recent RBA minutes suggested the next move is more likely to be a rate hike.

PORTFOLIO CONVICTION (AS AT 31 DECEMBER 2025)



Portfolio Attribution

For the quarter ended 31 December, the Australian Equities Fund delivered a gross return of 0.83%, modestly outperforming the market index -0.36%.

On a rolling four quarters to 31 December, the Fund returned 10.84% gross, slightly underperforming the market index return of 12.66%.

The main drivers of underperformance were our underweight positions in gold miners Newmont and Evolution Mining, and our overweight in CSL. Newmont and Evolution rose 169% and 184% respectively in 2025 as the gold rally flowed through to mining equities.

A gold price nearly US\$2,000/oz higher than a year ago has delivered significant operating leverage to earnings.

* 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. Market index returns do not have any deductions for fund charges, trading expenses or tax.

***For periods prior to April 2018, the market index/benchmark return used is an unhedged variant of the S&P/ASX Accumulation 200 Index in New Zealand dollars.

The market is now valuing both stocks on super-charged earnings multiples and higher reserve values. Our preferred gold exposure, Northern Star, benefited from the same theme but lagged its peers due to production issues.

After gold's very strong run, we remain cautious. A de-escalation in geopolitical tensions, more clarity on the US Fed's direction, higher US real rates and a stronger US dollar could end the rally. We think it is unlikely gold equities repeat this level of outperformance in 2026.

CSL also detracted. The stock fell 17% after the August result and a further 16% in October following a weak AGM update. Management downgraded medium-term earnings growth targets from double-digit to high single digits, driving a de-rating.

A more volatile US policy backdrop, including "Most Favoured Nations" drug pricing, alongside softer vaccines and plasma volumes and slower margin improvement, has pressured earnings expectations. We believe valuation has compressed too far, with CSL now trading at a rare P/E discount to the ASX 200, despite a stronger medium-term earnings outlook as plasma volumes recover, margins expand and cost discipline improves.

Positive contributors included Challenger, Downer and our out-of-index holding Emeco Holdings (covered in our September update). We focus here on Challenger and Downer.

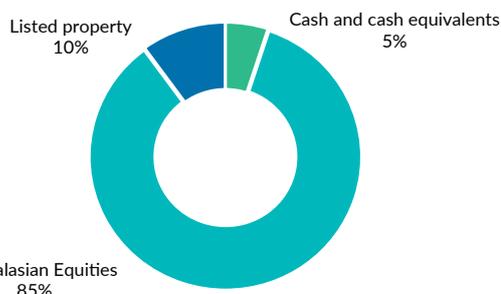
Challenger had a strong year. A Japanese life insurer acquired a strategic stake at a 56% premium, prompting takeover speculation. APRA also consulted on more favourable annuity capital settings, which should lift returns on equity over time. Management delivered solid execution, with earnings up 9% YoY. The regulatory trajectory, higher rates and takeover optionality provide a constructive setup for 2026.

Downer materially outperformed in 2025. Contracting businesses have been supported by a volatile macro backdrop and their capital-light exposure to Australian activity and infrastructure spending. Downer, alongside Ventia, SRG Global and Service Stream, performed strongly. Updated targets from the November investor day imply close to 10% p.a. EPS growth over the next three years and margins around 120bp higher than last financial year.

TOP 10 FUND HOLDINGS AT QUARTER END

Security	Weight
BHP Group Limited	8.6%
Commonwealth Bank of Australia Limited	6.4%
Westpac Banking Corporation	4.8%
CSL Limited	4.3%
Australia and New Zealand Banking Group Limited	4.0%
National Australia Bank Limited	3.5%
Macquarie Group Limited	2.7%
Rio Tinto Limited	2.6%
Goodman Group	2.6%
Telstra Group	2.2%
Major holdings as % of total portfolio	41.6%

TARGET ASSET ALLOCATION



Portfolio Conviction

We added selectively to Healthcare names after a sharp sell-off during the quarter. Key overweights are Integral Diagnostics, ResMed and CSL, all expected to grow earnings faster than the market over the next three years.

Integral Diagnostics is leveraged to long-term growth in imaging demand from a growing and ageing population. We see upside from MRI licensing deregulation, the National Lung Cancer Screening program and improved GP funding via bulk billing incentives, supporting incremental volumes. Operating leverage and cost synergies should drive profit growth and ongoing deleveraging from 2.6x Net Debt/EBITDA.

ResMed is the global leader in sleep apnoea therapies, a large and under-penetrated market. Wearables, apps and AI diagnostics are improving awareness and diagnosis. The stock has underperformed amid concerns around pricing, volumes and supply chain configuration, including uncertainty around the US Medicare Competitive Bidding program and a new entrant (Igneos). In our view these risks have receded, and we see scope for a return to double-digit earnings growth.

We remain meaningfully underweight banks. Our key underweights, NAB and CBA, fell during the quarter, while ANZ and Westpac outperformed. After the strong run in Westpac and ANZ, we are reassessing relative value. We expect to trim Westpac and add to CBA as their implied costs of equity have converged, which we view as inconsistent with CBA's superior franchise and track record.

Outlook and conclusion

Inflation remains the key macro data point. CPI came in at 3.4% YoY in November, with core inflation rarely below 3% since the post COVID surge. Markets are positioning for potential RBA rate hikes during 2026.

Higher inflation, a strong housing market and accelerating real GDP should support credit growth. Together with modest prospective rate hikes, this is a more constructive backdrop for banks as revenue and earnings improve, and we are closing some of our underweight.

We also see positive signs in resources as geopolitical fragmentation continues and government attention on critical industrial metals and commodity security increases. Australian producers are well placed given their ability to sell into all major markets.

In terms of underweight positions, lower-growth, long-duration and highly rate-sensitive exposures remain our least preferred, with higher long bond yields continuing to pressure the value of long-dated cash flows.

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
- 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



Jason Lindsay, CA
Head of Equities

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