New Zealand Equities Fund

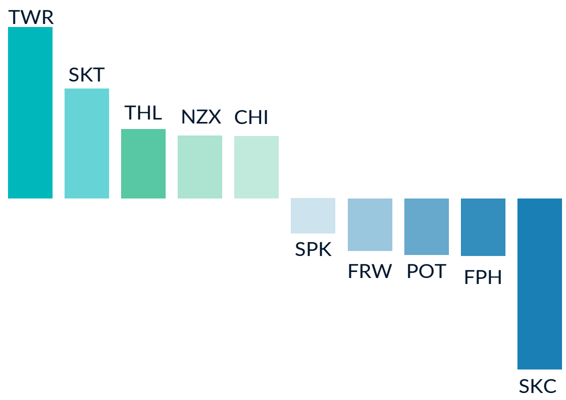
Investor Factsheet for the quarter ended 30 June 2025

	Quarter Performance	1 year	3 years*	5 years*	Since Inception*	Since Sep 2019*
Gross Fund Return**	3.81%	10.35%	6.18%	5.21%	10.64%	5.21%
S&P/NZX 50 Gross with Imputation Index***	2.79%	8.35%	5.91%	2.71%	8.57%	3.27%
Out/under performance	**1.03%**	**2.01%**	**0.27%**	**2.50%**	**2.07%**	**1.94%**
Tracking error	n/a	1.64%	2.31%	2.37%	3.58%	2.52%
Information ratio	n/a	1.23	0.12	1.05	0.58	0.77
Sharpe ratio	n/a	0.55	0.14	0.20	0.73	0.20

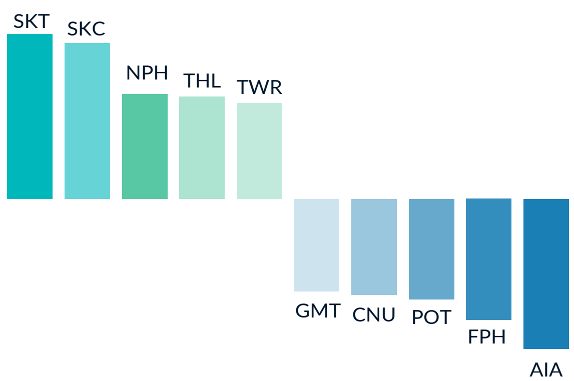
Key Fund Facts as at 30 June 2025

Fund Name	New Zealand Equities Fund	**Risk Indicator**	1 2 3 4 **5** 6 7
Inception Date	26/06/2008	**Market Index**	S&P/NZX 50 Gross with Imputation
Fund Value (NZD)	$126,855,836	**Unit Price**	$4.1421

ATTRIBUTION (ROLLING 4QS TO 30 JUNE 2025)



PORTFOLIO CONVICTION (AS AT 30 JUNE 2025)



The fund in its macro context

As noted last quarter, New Zealand has a low direct exposure to the current trade tensions and our market materially outperformed key offshore markets when uncertainty was at its highest point. As US trade policy and the rhetoric around tariffs softened over May and June, the New Zealand market return of 2.79% did not keep up with those markets that had been hit hardest.

Economic data in New Zealand was mixed over the June quarter. GDP for the March quarter was stronger than expected, but the June quarter looks like it could be close to zero growth. Business and consumer confidence are positive, yet there were earnings downgrades for many cyclically exposed stocks, including Fletcher Building, Kathmandu, Sky City and Vulcan Steel.

Portfolio attribution

For the quarter ended 30 June the New Zealand Equities Fund delivered a gross return of 3.81%, well ahead of the fund's benchmark return of 2.79%.

On a rolling four quarters to 30 June the Fund delivered a gross return of 10.36%, significantly outperforming the fund's benchmark return of 8.35% by 2.01%.

For the June quarter, our overweight in Sky Tv was the biggest contributor to outperformance relative to the benchmark, ably assisted by Tourism Holdings Limited.

Whilst we await the announcement of whether Sky Tv has retained the rights to New Zealand rugby for another five years, the market appears to have gained comfort that this is more likely than not. If the rights are secured at or around the media speculation price of $90m per year, the company would be trading on a next year gross dividend yield of 14%, which we continue to view as very attractive.

* 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.

Our investment process identified Tourism Holdings (THL) as offering attractive long-term value, even as near-term earnings downgrades continued. The takeover bid for THL has endorsed our philosophy of looking for mispriced medium-term earnings and cash flows. If listed market investors "give up" in a downgrade cycle, private capital often steps in and that can restore value quicker than waiting for the earnings recovery to be confirmed. We await the independent report on fair value but would not be surprised if that report categorised the opening bid as undervaluing the business.

We only had one material drag on relative performance, Sky City Entertainment. We believe we are at peak risk for Sky City. The consumer is still being squeezed by cost inflation and continued uncertainty about job prospects leading to the company downgrading earnings in May. The balance sheet carries greater than average debt as the company works through its regulatory remediation and completes the convention centre development. Mandatory carded play for all customers kicks in during July and will have a negative impact on revenues in the period ahead. Despite all these known risks, we continue to see material share price upside, firstly on a "break-up and sell the parts" basis, but more importantly, we see a path to a sustainable core earnings base well above current levels.

Portfolio conviction

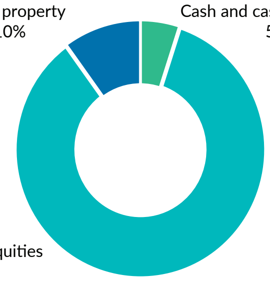
We are not alone in being unable to definitively call the bottom of the economic cycle, but we think value is on offer in the retail and aged care sectors. We have been lifting our exposure to Ryman Healthcare over recent months, whilst Napier Port and Tourism Holdings weightings have risen on strong price share price performance.

We see value in the financial sector, with a strong overweight position in Tower Insurance and mid-sized but building positions in Heartland Bank and the NZX. We have partly funded these positions by banking some recent strong gains in the property sector and remain underweight what we see as expensive global growth companies, such as F&P Healthcare, Auckland Airport and A2 Milk.

TOP 10 FUND HOLDINGS AT QUARTER END

Security	Weight
Fisher & Paykel Healthcare Corporation Limited	14.4%
Auckland International Airport Limited	7.7%
Infratil Limited	7.1%
Contact Energy Limited	6.0%
Meridian Energy Limited	5.1%
Spark New Zealand Limited	5.0%
Ebos Group Limited	4.8%
Mainfreight Limited	4.5%
The a2 Milk Company Limited	3.3%
Fletcher Building Limited	3.3%
Major holdings as % of total portfolio	**61.2%**

TARGET ASSET ALLOCATION



Conclusion

We look forward to reporting season in August but expect continued caution in the way companies talk about their near-term prospects. Real incomes of consumers are barely growing right now, but business and consumer confidence is building, supported by debt rolling over on to lower interest rates. 2026 is an election year, and we expect the government will want to see its key infrastructure and other growth initiatives well underway before then.

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

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