New Zealand Equities Fund

Please note that Salt Investment Funds Limited replaced Forsyth Barr Investment Management Limited as the manager and issuer of the Octagon Investment Funds on 31 July 2026. This Factsheet relates to a period prior to the change in manager and has been prepared by Forsyth Barr Investment Management Limited.

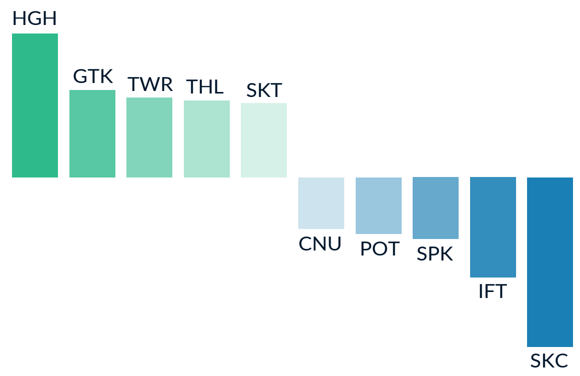
Investor Factsheet for the quarter ended 30 June 2026

	Quarter Performance	1 year	3 years*	5 years*	Since Inception*
Gross Fund Return**	5.76%	9.51%	5.74%	3.83%	10.58%
S&P/NZX 50 Gross with Imputation Index***	5.58%	8.83%	5.35%	2.26%	8.58%
Out/under performance	**0.18%**	**0.68%**	**0.39%**	**1.56%**	**1.99%**
Tracking error	n/a	2.30%	2.44%	2.25%	3.52%
Information ratio	n/a	0.30	0.16	0.69	0.57
Sharpe ratio	n/a	0.74	0.14	0.02	0.73

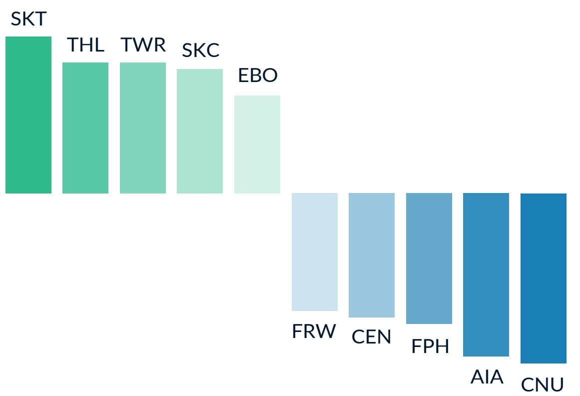
Key Fund Facts as at 30 June 2026

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)	$173,306,833	**Unit Price**	4.4432

ATTRIBUTION (ROLLING 4QS TO 30 JUNE 2026)



PORTFOLIO CONVICTION (AS AT 30 JUNE 2026)



The fund in its macro context

The June quarter was dominated by the US–Iran war. Noticable developments included higher oil and other commodity prices stoking inflation fears, reduced Middle Eastern demand for NZ exports, as well as cost of living pressures which risked contraining consumer spending and increasing precautionary savings.

Economic data signals were generally better than would have been inferred by the immediate falls in business and consumer sentiment. Growth, employment and inflation readings were not at dire levels, and the US-Iran truce reached in mid-June gave some reason for optimism. Confidence surveys improved late in the quarter, and the forecasted number of Reserve Bank interest rate hikes was lowered.

Supporting a more balanced view of war impacts, the number of companies downgrading earnings guidance over the quarter was within the normal range. While the war provided timely cover for any companies needing to update the market on poor trading conditions, it was encouraging to see so few companies taking up the opportunity. Broadly speaking, corporates have remained resilient through the geopolitical turbulence.

Portfolio attribution

For the quarter ended 30 June the New Zealand Equities Fund delivered a gross return of 5.76%, fractionally outperforming the fund's benchmark return of 5.58%.

On a rolling four quarters basis to 30 June, the Fund delivered a gross return of 9.51%, comfortably outperforming the fund's benchmark return of 8.83%.

* 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.

There was an 80% spread in benchmark stock returns over the quarter, from Vista Groups 39% return to Gentrak's 41% decline. The top three performing stocks all had material stock specific drivers. For Vista in was contract wins for its online cinema software. Infratil secured its largest ever data centre customer for its CDC subsidiary. Meanwhile, Tourism Holdings received a competing takeover proposal at a materially higher indicated price than at the first offer.

At the other end of the table, Gentrak failed to convert any of its customer pipeline over the quarter and announced another adjacent acquisition. We would prefer management focused on winning with their core software. Elsewhere, Kathmandu performed poorly on the back of an equity raise to sure up its balance sheet whilst Sky City Entertainment fell on a weak trading update.

Our portfolio did well out of the gains in Vista and Tourism Holdings, but these gains were offset by being underweight Infratil and overweight Sky City.

Portfolio conviction

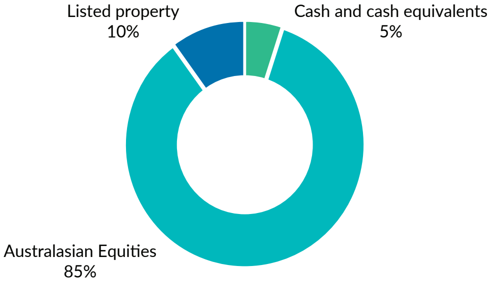
There were few material changes to our portfolio positioning over the quarter. We continued to add to Tourism Holdings, even after the first bid as in our opinion the market put much too high a probability on the deal failing. We also added to Heartland Group as we see significant upside to their fast-growing reverse mortgage loan book, and solid improvement options for their currently lower returning portfolio of loans. The proposed TSB acquisition also makes a lot of financial and strategic sense to us. We added to A2 Milk as the price collapsed on a relatively modest profit miss. However, we never quite positioned to overweight before a 40% bounce in June saw us start selling again. We topped up our Spark holding as the price can now be supported by the mobile network alone. We think we are getting the rest of the business for "free".

After an excellent couple of years, we have trimmed our Fonterra position. The company continues to operate strongly, but valuation has become less attractive. We further trimmed Auckland Airport and Chorus, again because we see better value elsewhere rather than any problems with their business operations or outlook.

TOP 10 FUND HOLDINGS AT QUARTER END

Security	Weight
Fisher & Paykel Healthcare Corporation Limited	14.4%
Infratil Limited	10.2%
Auckland International Airport Limited	7.7%
Contact Energy Limited	5.0%
Ebos Group Limited	4.6%
Mainfreight Limited	4.5%
Meridian Energy Limited	4.2%
Spark New Zealand Limited	3.9%
The a2 Milk Company Limited	3.3%
Mercury NZ Limited	2.9%
Major holdings as % of total portfolio	**60.8%**

TARGET ASSET ALLOCATION



Outlook

Whilst we have been positively surprised by the relative lack of significant earnings downgrades over the June quarter, we still expect the August reporting season to see a slight rebasing of 2027 earnings. A lasting resolution in the US-Iran conflict and a limited Reserve Bank of New Zealand (RBNZ) rate hiking cycle would give the market confidence to see the June and September quarters as an air pocket, rather than a setback.

Our biggest overweights remain in sectors exposed to the domestic economy, mainly because our process focuses us on where we see the highest risk-adjusted returns right now. During the quarter we did make a slight tilt out of these sectors in the global growth companies, but it was modest. We continue to see the defensive earnings sectors as performing well operationally, but fully valued.

Perhaps Infratil is the NZ markets best play on the Artificial Intelligence (AI) boom, directly through CDC and indirectly through Longroad Energy. We continue with a modest underweight in the portfolio, concerned that the implied growth, apparent Returns on Equity and debt funding required may ultimately be unsustainable. We currently see no evidence of cracks in the thematic, but the presence of very high leverage can make valuations particularly fragile if demand fails to eventuate.

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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