Australian 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.

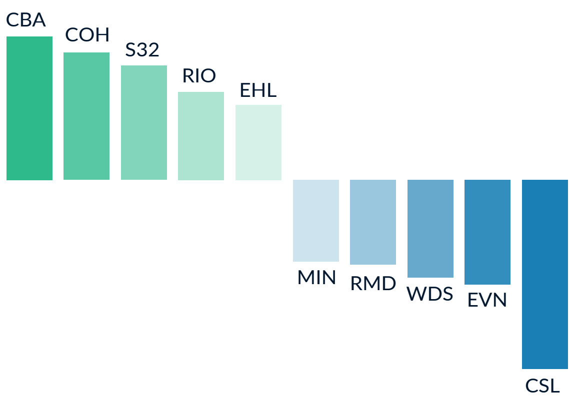
Investor Factsheet for the quarter ended 30 June 2026

	Quarter Performance	1 year	3 years*	5 years*	Since Inception*
Gross Fund Return**	4.68%	10.95%	11.15%	9.41%	5.70%
S&P/ASX Accumulation 200 Index (50% Hedged)***	4.61%	12.08%	12.78%	9.33%	6.66%
Out/under performance	**0.07%**	**-1.13%**	**-1.63%**	**0.08%**	**-0.97%**
Tracking error	n/a	3.09%	2.25%	2.36%	5.52%
Information ratio	n/a	-0.37	-0.72	0.03	-0.18
Sharpe ratio	n/a	0.84	0.66	0.50	0.18

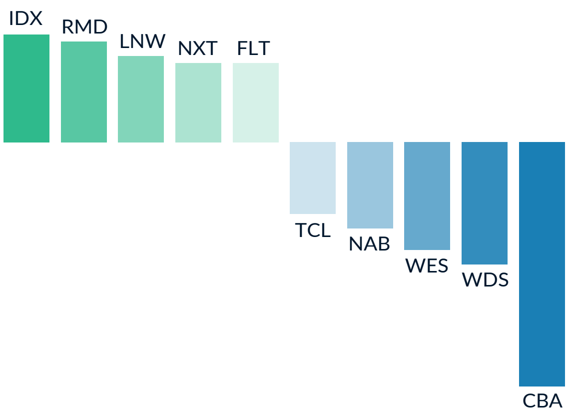
Key Fund Facts as at 30 June 2026

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)	$129,394,349	**Unit Price**	2.1552

ATTRIBUTION (ROLLING 4QS TO 30 JUNE 2026)



PORTFOLIO CONVICTION (AS AT 30 JUNE 2026)



The fund in its macro context

Australian equities fell -1.61% over the June quarter, with weakness concentrated in late June as the US-Iran conflict escalated. The Energy sector rose 37.71% as oil surged, while Healthcare and Technology fell sharply.

Unlike New Zealand, Australia entered the fuel crisis with a positive output gap and inflation above target. Unemployment is around 4.3% and (pre-war) CPI inflation increased to 3.7% year-on-year (YoY) by end-February from ~2.4% in June 2025.

The key risk is that this supply shock lifts inflation expectations and wage demands. With government spending still strong, the Reserve Bank of Australia (RBA) has little choice but to keep hiking rates. Two back-to-back hikes were delivered during the quarter and most economists expect two more, taking the cash rate target to 4.6%.

Portfolio attribution

For the quarter ended 30 June the Australian Equities Fund delivered a gross return of 4.68%, in line with the fund's benchmark return of 4.61%.

On a rolling four quarters basis to 30 June, the Fund delivered a gross return of 10.95%, underperforming the fund's benchmark return of 12.08%.

The main positive contributors during the quarter were the Fund's underweight positions in Woodside Energy and Commonwealth Bank of Australia (CBA), and its overweight position in NextDC. These were largely offset by an underweight position in Wesfarmers, as well as overweight positions in Integral Diagnostics and Emeco Holdings.

* 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.

Woodside fell alongside the retreat in oil prices. Brent crude declined 20.2% over the quarter as negotiations to end the US-Iran conflict reduced the immediate risk to Middle Eastern supply, while Chinese inventory drawdowns limited import demand. The underweight position added value, although our Energy positioning continues to reflect relative value across the sector rather than a large directional view on oil prices.

CBA's third-quarter trading update pointed to weaker revenue and higher provisions. Updates from the other listed banks also suggested that revenue trends were softening across the sector. Sentiment was further affected by the Federal Budget, where changes to the tax treatment of housing added uncertainty to the outlook for housing activity and mortgage credit growth.

NextDC also performed strongly after materially reducing its funding risk. The company secured A$1.0 billion of La Caisse-backed hybrid funding, as well as A$1.5b in new equity, increasing its balance-sheet flexibility. The equity raise was announced in addition to an additional 250MW of contracted capacity at S4, an 83% increase in its forward order book since December, and more than A$1.0 billion of contracted EBITDA. These announcements reinforced the strength of underlying data-centre demand.

Wesfarmers rebounded as concerns about slowing sales growth at Kmart and Bunnings eased. Investors also responded positively to the company's June strategy day, where management outlined a long runway for growth at Bunnings through its commercial business, improved use of space and digital initiatives. At Kmart, the focus remained on supply-chain investment, stronger digital engagement and the continued rollout of the Anko brand.

Integral Diagnostics fell alongside the broader health-care sector and was further affected by two separate billing-related issues. While we do not consider either issue material to the investment case, both weighed on sentiment. The underlying outlook for diagnostic imaging remains constructive, with MRI deregulation and other government initiatives expected to support a step-up in scan volumes and revenue growth.

Emeco Holdings detracted after its FY26 trading update confirmed tougher conditions in the second half of the financial year. Rental fleet utilisation weakened, while customers became more cautious amid concerns about diesel supply and pricing. We view the weakness as largely cyclical and expect utilisation to improve as diesel availability normalises and customers regain confidence.

Portfolio Conviction

After the June quarter rally, we reduced our Energy weighting. Spot oil prices and refining margins remain high but volatile, and the forward curve is in significant backwardation, with near-term deliveries around US$94/bbl at the time of writing versus December 2026 contracts at US$81.50/bbl.

We have already seen how quickly sentiment can turn; oil prices fell sharply on the initial US-Iran peace negotiations, dragging energy equities lower. Over the medium term, we expect this crisis to accelerate electrification and reduce growth in demand for oil and gas.

Woodside remains our least preferred energy exposure on valuation grounds. The free cash flow yield of Santos sits at ~16.2% versus ~8.6% for Woodside in FY27, despite similar quality assets.

Banks remain a significant underweight, with Commonwealth Bank (CBA) and National Australia Bank both well below benchmark weight, reflecting valuation concerns and risk of peaking earnings. Over recent quarters, however, we have materially reduced the underweight, including in CBA, as the economic backdrop improved the outlook for profits.

Banks delivered strong operating trends during the February reporting season, with improving cost discipline and accelerating revenue growth. CBA delivered EPS around 5% above market expectations. Banks are leveraged to nominal GDP growth and increasing rates, with loan books expanding at an above-average pace and rising rates supporting lending margins.

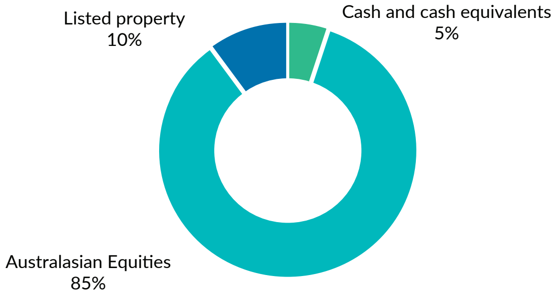
The bear case is stagflation: higher inflation alongside weak or negative growth, rising bad debts and weaker demand for lending. We remain watchful for signs of contracting activity and business distress.

Another key narrative this quarter has been AI adoption. Investors continued to weigh the risk to seat-based licensing models even as efficiency gains emerge for those companies.

Block said it planned to reduce headcount by 40%, from around 10,000 to fewer than 6,000, while leaning into AI-based tools. Likewise, WiseTechsaid it was moving to an AI-led operating model and planned to reduce headcount in some teams by up to 50%.

There is a debate as to whether revenue disruption or AI-driven cost-out will matter more for software valuations. We expect a mix of both, but indiscriminate selling in technology shares, with the sector down -28% this year, has clearly reduced valuations. We have added to holdings in companies insulated by switching costs and ecosystem benefits, including Block, Xero, WiseTech and NextDC.

TARGET ASSET ALLOCATION



TOP 10 FUND HOLDINGS AT QUARTER END

Security	Weight
BHP Group Limited	10.6%
Commonwealth Bank of Australia Limited	6.8%
Westpac Banking Corporation	3.9%
Australia and New Zealand Banking Group Limited	3.9%
National Australia Bank Limited	3.1%
Macquarie Group Limited	3.0%
CSL Limited	2.8%
Rio Tinto Limited	2.7%
Goodman Group	2.4%
Wesfarmers Limited	2.3%
Major holdings as % of total portfolio	**41.6%**

Outlook

The RBA increased the cash rate target by 0.25% to 4.10% in June, before the full extent of the Iran war had become clear. The closure of the Strait of Hormuz has delivered a stagflationary shock to the global economy, with Australia meaningfully exposed.

Forecasts now suggest CPI could peak above 5% in Australia this year. Disruption to Middle East crude supply is feeding through to fuel, plastics, fertiliser and other inputs, raising the risk of more entrenched inflation.

In our view, the RBA's ability to look through this shock is limited, making further rate hikes likely. We see downside earnings risk for housing, real estate and construction-exposed stocks. By contrast, Santos and Karoon, utilities including Telstra and Superloop, and high-quality banks appear more insulated.

Technology is another key area of opportunity. Lower valuations have let us selectively build positions where revenue streams may prove more resilient than the market assumes, while AI offers these companies scope for efficiency and cost savings.

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

OCT7166-10-(AEF)-August 2026