Octagon

New Zealand Fixed Interest 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.

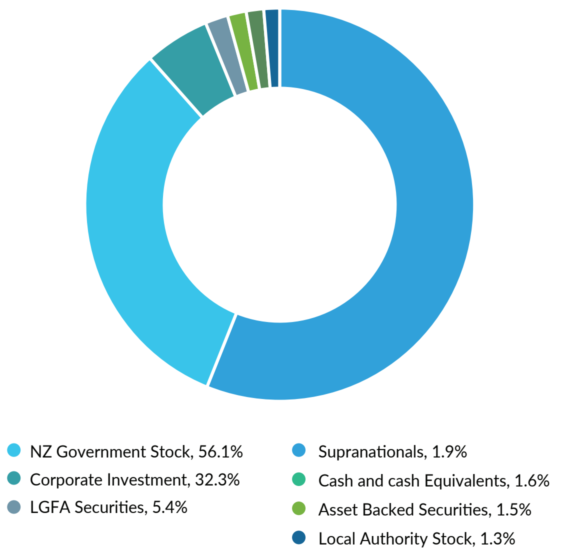
Investor Factsheet for the quarter ended 30 June 2026

	Quarter Performance	1 year	3 years*	5 years*	Since Inception*
Gross Fund Return**	2.93%	5.75%	6.63%	2.94%	5.26%
Bloomberg NZBond Composite 0+ Yr Index***	2.79%	5.24%	5.81%	2.42%	4.98%
Out/under performance	**0.13%**	**0.51%**	**0.82%**	**0.52%**	**0.28%**
Tracking error	n/a	0.10%	0.29%	0.37%	0.88%
Information ratio	n/a	5.11	2.84	1.41	0.32
Sharpe ratio	n/a	0.85	0.59	-0.17	0.76

Key Fund Facts as at 30 June 2026

Fund Name	New Zealand Fixed Interest Fund	**Risk Indicator**	1 2 **3** 4 5 6 7
Inception Date	26/06/2008	**Market Index*** **	Bloomberg NZBond Composite 0+Yr
Fund Value (NZD)	$367,052,696	**Yield to maturity**[1]	4.37%
Unit Price	2.1731	**Duration (years)**[1]	4.90
		Average credit quality[2]	AA-

INVESTMENTS BY SECTOR



The fund in its macro context

In general, June was a positive quarter for fixed interest investors.

The fund's positive return over the June quarter was encouraging given the return volatility seen at the beginning of the calendar year.

The quarter's consensus around some sort of resolution to the US-Iran war was constructive for term interest rates and bond yields, delivering significant capital gains to investors over the June period.

Portfolio attribution

For the quarter to 30 June the New Zealand Fixed Interest Fund delivered a gross return of 2.93%, slightly outperforming the fund's benchmark of 2.79%.

On a rolling four quarters to 30 June, the Fund delivered a gross return of 5.75%, comfortably outperforming the fund's benchmark return of 5.24%.

Positive contributors to performance were our very short maturity non-Government (credit) bonds and yield curve strategy — underweight short maturities versus an overweight longer-dated maturities, along with the fund's duration positioning.

* Annualised

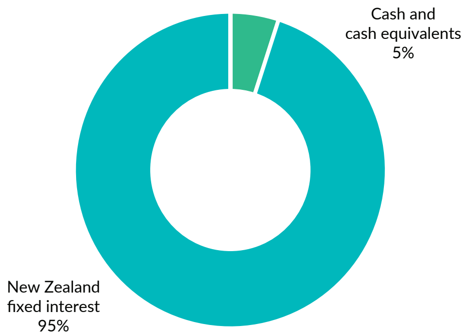
** Gross Fund Returns are calculated before deduction of taxes and fund charges but after deduction of trading expenses and including imputation credits where applicable. Market index returns do not have any deductions for fund charges, trading expenses or tax.

*** For periods prior to July 2023 the market index/benchmark return is the S&P/NZX Investment Grade Corporate Bond Index.

1 Portfolio yield to maturity is the weighted average yield to maturity of the securities within the fund. Portfolio duration is the weighted average modified duration of the securities within the fund.

2 Average credit quality is the weighted average credit rating of the securities held within the fund. Where an issue is not rated, we have used the issuer rating. Where both are unrated, we have assigned an internal rating.

TARGET ASSET ALLOCATION



Portfolio conviction

With a peace blueprint largely mapped out to resolve the US-Iran conflict, market participants are wrestling with the likely direction of inflation around the globe.

Locally, most forecasters agree that the Reserve Bank of New Zealand (RBNZ) will need to tighten monetary policy very soon. We think that market predictions for the Official Cash Rate (OCR) look about right - a series of sequential hikes taking the OCR up to between 3.25% and 3.50%, by the end of next year.

However, over the short term we also acknowledge that domestic inflation is likely to move substantially higher than the RBNZ's inflation target of 2.0%.

With the regulator operating a sole monetary policy mandate of price stability through inflation targeting, we expect a series of official cash rate (OCR) hikes (as noted above)

Given this, we anticipate the term interest rate and bond yield curve to flatten. Rates and yields of shorter-dated maturity bonds should mechanically move towards those of longer-dated maturities as the OCR increases: we have positioned the fund accordingly.

In addition, we also expect to tactically add to our investments in New Zealand Government inflation-linked bonds. We see second-round inflationary effects, beyond the fuel sticker price shock, as material. We consider it a romantic notion that inflation will average 2.0% over the medium term.

FUND CREDIT BREAK-DOWN

Credit rating	% exposure
AAA	3.5%
AA+	64.5%
AA	1.0%
AA- to A-	14.0%
BBB+ to BBB-	13.0%
Speculative	4.0%

TOP 10 FUND HOLDINGS AT QUARTER END

Security	Weight
New Zealand Government 1.5% 15/05/2031	7.8%
New Zealand Government 14/04/2033 3.5%	6.8%
New Zealand Government 15/05/2032 2.00%	4.9%
NZ Government 4.25% 15/05/2034 Green Bond	4.7%
New Zealand Government 4.5% 15/05/2035	4.7%
New Zealand Government 4.25% 15/05/2036	4.3%
ANZ Bank New Zealand Limited 17/09/2031 2.99%	4.3%
New Zealand Government 4.50% 15/05/2030	3.9%
New Zealand Government 3% 20/04/2029	3.9%
New Zealand Government 15/05/2028 0.25%	3.3%
Major holdings as % of total portfolio	**48.6%**

Outlook

We continue to expect the fund's returns to be volatile over the shorter term (but ultimately positive over the medium term).

Our core thesis is the US-Iran conflict progresses to some sort of resolution. Accordingly, the prospects for fixed interest returns are highly constructive over the remainder of this year, in our view

We assess the fund's gross yield to maturity of close to 4.30% as a positive starting point. We have plenty of flex in the portfolio (weighted-average credit rating of AA-) to adapt to abrupt changes in the market narrative. We remain nimble around duration positioning (4.90 years versus the benchmark of 4.74 years) and see ample potential for active tactical positioning.

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.

Octagon builds its fixed interest and cash portfolios based on several investment philosophies, namely:

- That the risk free rate oscillates around the neutral cash rate as the regulator implements monetary policy.
- New Zealand fixed interest and cash investors have historically been rewarded for credit more than duration.
- Successful research can identify attractive investment opportunities within the credit sector.
- New Zealand fixed interest and cash markets provide multiple sources for alpha generation from; duration, yield curve positioning, sector and security selection and secondary market trading.
- New Zealand Fixed Interest and Enhanced Cash funds are both core strategies not unreasonably constrained by benchmarks.

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Portfolio Manager

Craig Alexander
Head of Fixed Interest and ESG