Enhanced Cash 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.

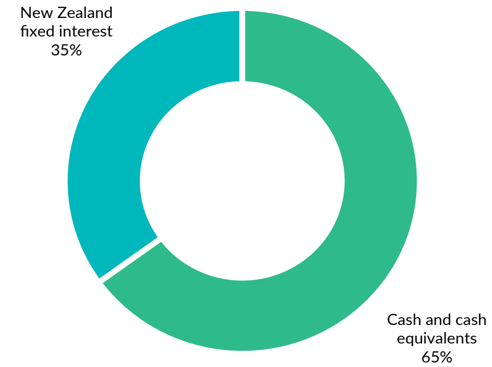
Investor Factsheet for the quarter ended 30 June 2026

	Quarter Performance	1 year	3 years*	Since Inception
Gross Fund Return	0.82%	3.41%	5.08%	5.08%
S&P/NZX Bank Bills 90-Day Index	0.64%	2.82%	4.43%	4.46%
Out/under performance	**0.18%**	**0.59%**	**0.64%**	**0.63%**

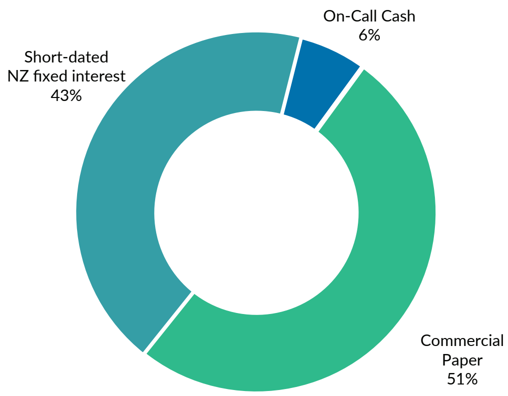
Key Fund Facts as at 30 June 2026

Fund Name	Enhanced Cash Fund	**Risk Indicator**	**1** 2 3 4 5 6 7
Inception Date	07/06/2023	**Market Index**	S&P/NZX Bank Bills 90-Day
Fund Value (NZD)	$137,788,147	**Yield to maturity**[1]	3.04%
Unit Price	1.1516	**Duration (years)**[2]	0.16

TARGET ASSET ALLOCATION



SECURITY TYPES FOR THE QUARTER



The fund in its macro context

Over the June quarter, New Zealand short-term interest rates were volatile, rising in April before declining through May and June as market expectations for further Official Cash Rate (OCR) hikes eased and global inflation concerns moderated. The Reserve Bank of New Zealand (RBNZ) left the OCR unchanged at both its April and May meetings, although the Monetary Policy Committee remained divided. Some members highlighted the inflation risks posed by the ongoing US-Iran conflict, while others preferred to wait for additional evidence on the economic outlook before tightening policy. By June, lower global oil price expectations following the reopening of the Strait of Hormuz helped reduce inflation concerns and supported lower interest rates.

Economic data over the quarter pointed to a subdued domestic economy: while historical GDP revisions showed stronger-than-expected growth over the year to March, forward-looking indicators remained weak, with both the manufacturing and services sectors in contraction for much of the quarter and business confidence softening amid heightened geopolitical uncertainty.

Portfolio attribution

For the quarter ended 30 June, the Enhanced Cash Fund delivered a gross return of 0.82%, outperforming the benchmark return of 0.64% by 0.18%.

Over the 12 months to 30 June, the fund delivered a gross return of 3.41%, handily outperforming the benchmark return of 2.82% by 0.59%.

The fund's duration began the quarter at 0.22 years and declined through the quarter to 0.16 years at the end of June. The fund was generally defensively positioned meaning that the overall impact of interest rate volatility

* 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.

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

2 Portfolio duration is the weighted average modified duration of the securities within the fund.

over the quarter was muted. The fund's starting yield of 2.98% contributed to outperformance, representing a meaningful premium to the OCR over the period.

Credit spreads on commercial paper (which comprises approximately 50% of the portfolio) tightened slightly over the quarter, with the average spread on newly issued A-2 rated securities narrowing by 2 basis points to 14 basis points.

Portfolio conviction

The geopolitical and global macro-outlook remains volatile and therefore we expect heightened interest rate volatility to continue.

By the end of June, the market was pricing the OCR at close to 3% by the end of 2026, with an expectation of it reaching around 3.5% by the end of 2027. Following quarter-end (at the 8 July meeting) the RBNZ indeed started its hiking cycle, validating the defensive positioning of the fund.

The fund's duration will remain range-bound below 0.30 years until we have conviction on the path of interest rates.

Within the fixed interest portion of the portfolio, holdings have been kept relatively steady, allowing corporate bonds (both floating and fixed rate) to earn premiums above the OCR.

We continue to use short-dated New Zealand Government bonds to increase/decrease the fund's duration. We favour government bonds for their strong liquidity and low transaction costs, and believe they currently offer good value, with spreads to swap rates at historically tight levels (implying government bonds appear cheap relative to equivalent-tenor swap rates).

Outlook

We believe there is substantial opportunity for active management in cash, cash equivalents, and short-dated New Zealand fixed interest. The peak in the interest rate cycle has delivered strong capital gains to the portfolio since inception.

As active managers, our focus is shifting from maintaining duration to earning a quality premium over the cash rate through credit spreads. However, in response to what we consider unjustified market movements in interest rates, we will look to actively manage duration, within defined risk limits, where appropriate.

FUND CREDIT BREAK-DOWN

Credit profile[3]	%
AA (+ to -)	49%
A (+ to -)	26%
BBB (+ to -)	25%

[3] Where an issue is not rated we have used the Issuer rating. Where both are unrated we have assigned an internal rating.

TOP 10 FUND HOLDINGS AT QUARTER END

Security	Weight
Bank of China Call Account	4.7%
Kiwibank FRN 13/06/2028	4.5%
Ryman Healthcare Ltd 2.55% 18/12/2026	4.5%
Tax Management NZ Tributum Trust CP 28/07/2026	3.6%
BNZ FRN 11/05/2029	2.9%
Rabobank FRN 05/04/2027	2.9%
NZ Government Treasury Bill 26/08/2026	2.9%
Watercare CP 16/09/2026	2.9%
SBS Bank CP 29/07/2026	2.5%
New Zealand LGFA Ltd CP 04/11/2026	2.5%
Major holdings as % of total portfolio	**34.0%**

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.

Portfolio Managers

Craig Alexander
Head of Fixed Interest and ESG

Liam Donnelly, CFA
Fixed Interest and ESG, Analyst

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