

New Zealand Equities Fund

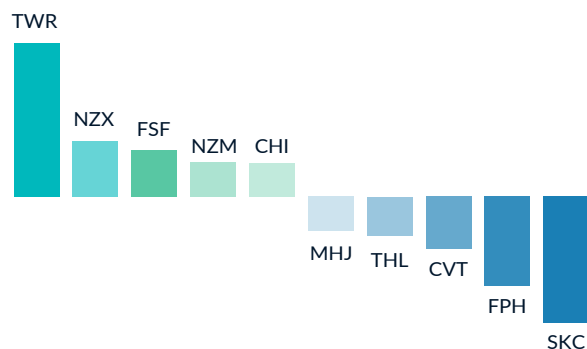
Investor Factsheet for the quarter ended 31 March 2025

	Quarter Performance	1 year	3 years*	5 years*	Since Inception*	Since Sep 2019*
Gross Fund Return**	-6.19%	0.71%	1.69%	7.55%	10.56%	4.74%
S&P/NZX 50 Gross with Imputation Index***	-6.18%	2.11%	1.27%	5.39%	8.52%	2.90%
Out/under performance	-0.02%	-1.40%	0.42%	2.16%	2.03%	1.84%
Tracking error	n/a	2.26%	2.26%	2.51%	3.59%	2.53%
Information ratio	n/a	-0.62	0.19	0.86	0.57	0.73
Sharpe ratio	n/a	-0.49	-0.32	0.42	0.73	0.16

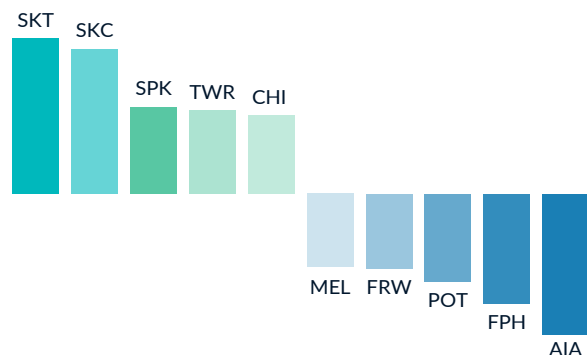
Key Fund Facts as at 31 March 2025

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)	\$119,362,789	Unit Price	\$4.0064

ATTRIBUTION (ROLLING 4QS TO 31 MARCH 2025)



PORTFOLIO CONVICTION (AS AT 31 MARCH 2025)



The fund in its macro context

The March quarter sees a majority of the NZ equity market report their earnings and provide forward looking guidance. We had expected to see some signs of economic recovery driven by interest rate cuts, improving business sentiment and a lower NZ dollar. However, this was not the case and a recovery in profits pushed out another six months. Domestic equity softness was then compounded by the US-led trade war with seemingly daily announcements and conflicting stories whipsawing global markets and increasing volatility. The NZ equity market is generally less sensitive to such global gyrations, but it is not immune.

With a low direct exposure to US tariffs – just 2.0% of GDP – stable inflation and interest rates having further to fall, NZ is relatively well positioned. Against that, should global growth materially slow down, that will be a headwind for the economy and equity market. Currently, noting there are almost daily changes to the outlook, we expect a global growth slowdown, but not a global recession.

Portfolio attribution

For the quarter to 31 March the New Zealand Equities Fund delivered a gross return of -6.19%, in line with the fund's market index return of -6.18%.

On a rolling four quarters to 31 March the Fund delivered a gross return of 0.71%, underperforming the fund's market index return of 2.11%.

* 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.

Over the March quarter, Tower (TWR) delivered strong performance as it again upgraded earnings and returned surplus capital to shareholders. NZME (owner of the Herald, One Roof and the ZB radio station) also performed strongly, with the first signs of green shoots in both the advertising and housing markets. Our underweight in F&P Healthcare (FPH) added value as the market digests US tariff policy.

Against that, a strong rally in A2 Milk on the back of a modest upgrade to earnings hurt our underweight position. Michael Hill International reported an OK result against a weak macro backdrop and their CEO unexpectedly passed away with the stock price falling materially. Spark (SPK) produced a very poor result relative to market expectations and fell heavily. Confidence in their updated guidance is low with the market waiting to see if they can deliver.

Portfolio conviction

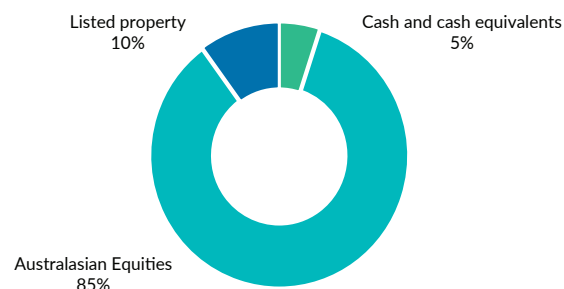
We focus on business fundamentals, particularly cash flows and returns on investment. This approach means we do not usually react to mere share price momentum and our core positions can be in place for long periods – hopefully until the market recognises our view on valuation.

The only significant change this quarter was to use weakness in F&P Healthcare, caused by the US-led trade war, to halve our underweight from around 4% to 2%. Our other key positions remain largely unchanged. We think both Sky TV and Sky City Entertainment are materially undervalued based on medium term earnings potential, whilst Auckland Airport and Port of Tauranga are expensive, despite recognising their strong business models and relatively defensive earnings.

TOP 10 FUND HOLDINGS AT QUARTER END

Security	Weight
Fisher & Paykel Healthcare Corporation Limited	13.8%
Auckland International Airport Limited	8.4%
Infratil Limited	7.0%
Contact Energy Limited	6.9%
Spark New Zealand Limited	4.7%
Meridian Energy Limited	4.4%
Mainfreight Limited	4.1%
The a2 Milk Company Limited	3.9%
Ebos Group Limited	3.9%
Fletcher Building Limited	3.6%
Major holdings as % of total portfolio	60.7%

TARGET ASSET ALLOCATION



Conclusion

The slow but steady economic recovery has been put at risk by the current global trade war. NZ will see further interest rate cuts; the government will start spending again and the weaker dollar will provide an offset for exporters. However, there is a real chance that the recovery is pushed out another six months towards Christmas 2025.

We continue to find attractively priced businesses using medium term earnings expectations. We also note that the NZ equity market is dominated by lower earnings risk businesses in the electricity generation, property and utility sectors, including Contact Energy, Stride Property and Channel Infrastructure.

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