

Australian Equities Fund

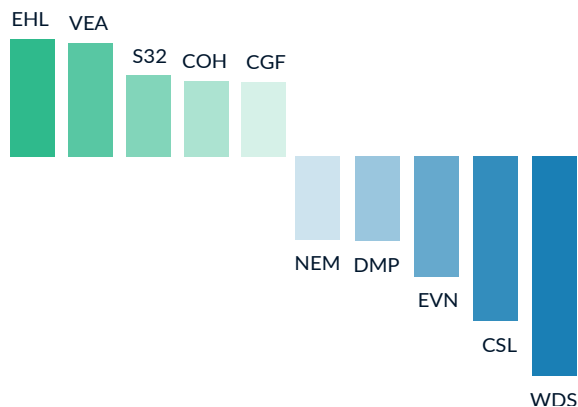
Investor Factsheet for the quarter ended 31 March 2026

	Quarter Performance	1 year	3 years*	5 years*	Since Inception*
Gross Fund Return**	-1.92%	12.83%	10.57%	9.86%	5.51%
S&P/ASX Accumulation 200 Index (50% Hedged)***	-0.06%	16.13%	11.82%	9.96%	6.49%
Out/under performance	-1.86%	-3.30%	-1.25%	-0.10%	-0.98%
Tracking error	n/a	3.33%	2.25%	2.34%	5.55%
Information ratio	n/a	-0.99	-0.55	-0.04	-0.18
Sharpe ratio	n/a	0.98	0.57	0.55	0.17

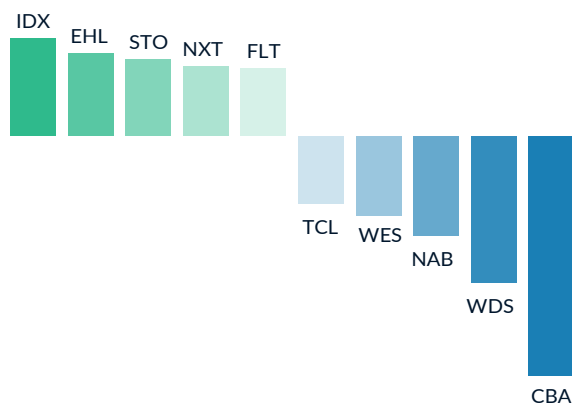
Key Fund Facts as at 31 March 2026

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)	\$122,715,862	Unit Price	2.0651

ATTRIBUTION (ROLLING 4QS TO 31 MARCH 2026)



PORTFOLIO CONVICTION (AS AT 31 MARCH 2026)



The fund in its macro context

Australian equities fell -1.61% over the March quarter, with weakness concentrated in late March as the 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% YoY by end-February from ~2.4% in March 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 have already been delivered this quarter and most economists expect two more, taking the cash rate target to 4.6%.

Portfolio Attribution

For the quarter ended 31 March, the Australian Equities Fund delivered a gross return of -1.92%, underperforming the fund's benchmark return of -0.06%.

For the rolling four quarters to 31 March, the Fund delivered a gross return of 12.83%, underperforming the fund's benchmark return of 16.13% by -3.30%.

Key drivers of underperformance were our underweight in Woodside Energy and overweight in Domino's Pizza. Our underweight in Evolution Mining and overweight in CSL also detracted.

* 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.

Evolution Mining only modestly outperformed the ASX200 this quarter after an exceptional 78% rally in the nine months to 31 December. CSL again disappointed, flagging a US\$2bn impairment and weak first-half trading.

Woodside rallied as the Iran war tightened oil supply. The closure of the Straits of Hormuz has left 12% of global oil production locked in place even after mitigation, lifting crude above US\$100/bbl by month end. With producing assets outside the Middle East, Woodside benefits from higher prices, though we largely offset this underweight (and resulting underperformance) through our overweights in Santos, Karoon and Beach.

Domino's underperformed after its half-year result in February. Network sales fell -1.6% and EBITDA was broadly in line, but same-store sales in the eight weeks since balance date were down -7.2%, suggesting the turnaround may take longer. Reduced discounting and franchisee profitability remain key issues.

Positive contributors over the period included our overweight positions in Emeco, Viva Energy and South32.

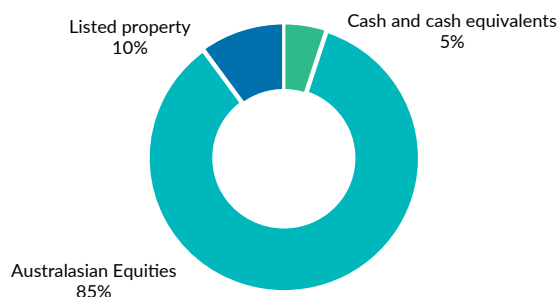
Emeco has re-rated after positive operating results, with better profitability, improving capital allocation and historic balance sheet issues resolved.

Viva surged as tighter oil and refined product supply drove higher refining margins, with the company generating close to \$200m of incremental refining profits per month and rapidly deleveraging. South32 is benefiting from a favourable commodity mix, improving mine productivity and strong price trends across bauxite, alumina and aluminium.

TOP 10 FUND HOLDINGS AT QUARTER END

Security	Weight
BHP Group Limited	9.8%
Commonwealth Bank of Australia Limited	7.2%
Westpac Banking Corporation	4.7%
Australia and New Zealand Banking Group Ltd	4.1%
CSL Limited	3.6%
National Australia Bank Limited	3.4%
Rio Tinto Limited	2.8%
Macquarie Group Limited	2.6%
Telstra Group	2.4%
Goodman Group	2.3%
Major holdings as % of total portfolio	42.9%

TARGET ASSET ALLOCATION



Portfolio Conviction

After the March 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 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 are weighing 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. WiseTech likewise said 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.

Outlook

The RBA increased the cash rate target by 0.25% to 4.10% in March, before the full extent of the Iran war had become clear. The closure of the Straits 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