

Enhanced Cash Fund

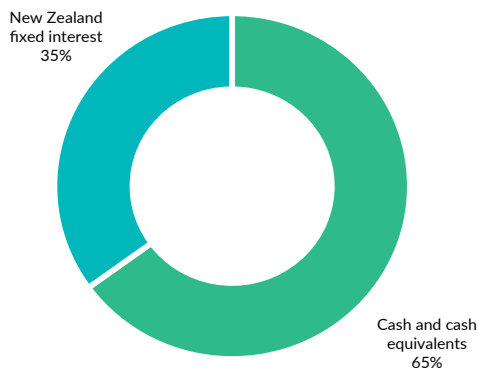
Investor Factsheet for the quarter ended 31 March 2026

	Quarter Performance	1 year	Since Inception
Gross Fund Return	0.64%	3.66%	5.24%
S&P/NZX Bank Bills 90-Day Index	0.60%	3.09%	4.62%
Out/under performance	0.04%	0.56%	0.62%

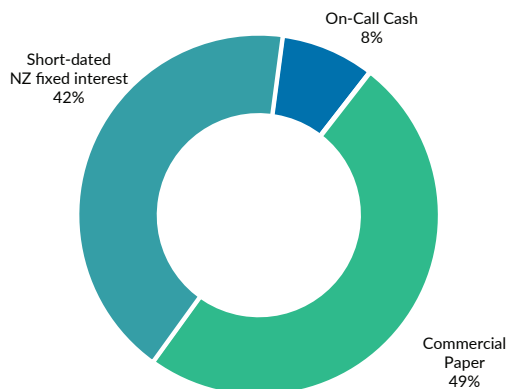
Key Fund Facts as at 31 March 2026

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)	\$124,662,337	Yield to maturity ¹	2.98%
Unit Price	1.1432	Duration (years) ²	0.22

TARGET ASSET ALLOCATION



SECURITY TYPES FOR THE QUARTER



The fund in its macro context

Over the March quarter, New Zealand short-term interest rates were volatile but trended higher overall, driven by a combination of stronger domestic data early in the period and rising global inflation pressures through March. In January, rates rose on the back of firm economic indicators and higher-than-expected inflation, increasing the likelihood of earlier Official Cash Rate (OCR) tightening. In February, rates retraced as the RBNZ held the OCR steady at 2.25% and signalled a gradual tightening path, with a high likelihood of hikes by late 2026. By March, rates moved sharply higher again, largely reflecting offshore developments; particularly rising global inflation expectations linked to the escalating Middle East conflict.

Domestically, economic conditions pointed to a fragile recovery. While manufacturing activity remained in expansion, services were weaker, and both business and consumer confidence deteriorated significantly toward the end of the quarter amid rising cost pressures.

Portfolio attribution

For the quarter ended 31 March, the Enhanced Cash Fund delivered a gross return of 0.64%, outperforming the benchmark return of 0.60%.

Over the rolling four quarters to 31 March, the fund delivered a gross return of 3.66%, outperforming the benchmark return of 3.09%.

Short-term New Zealand interest rates rose significantly over the quarter, with the New Zealand dollar two-year swap rate increasing by 0.54%. The fund's duration began the quarter at 0.25 years, declined to a low of 0.15 years at the end of February, and finished the quarter at approximately 0.22 years. As interest rates rose, the fund's bond positions experienced some capital losses, which detracted from performance relative to both the benchmark and the OCR.

* 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.

The fund's starting yield of 2.90% 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 16.3 basis points.

Portfolio conviction

The outlook is rapidly evolving, and we expect heightened interest rate volatility to continue. By the end of March, the market was pricing the OCR at close to 3% by the end of 2026. In our view, credible arguments can be made both for and against this level of tightening. Given the uncertain outlook and elevated volatility, the fund's interest rate duration remains relatively short (below 0.3 years), with an emphasis on earning attractive credit spreads in high-quality New Zealand corporate bonds.

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. When we modestly increased duration during the March sell-off in yields, we did so through New Zealand Government Bonds. 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 during the rate fall part of the cycle, 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 -)	41%
A (+ to -)	32%
BBB (+ to -)	27%

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
New Zealand Government 15/05/2028 0.25%	5.2%
Bank of China Call Account	4.4%
Kiwibank FRN 13/06/2028	4.4%
Powerco CP 15/04/2026	4.0%
Tax Management NZ Tributum Trust CP 4/04/2026	4.0%
ANZ transactional bank account	3.6%
Rabobank FRN 05/04/2027	3.2%
Meridian Energy Limited CP 13/04/2026	3.2%
Investore Property Limited 31/08/2027 2.40%	2.5%
Transpower New Zealand FRN 31/07/2028	2.4%
Major holdings as % of total portfolio	37.0%

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