New Zealand Equities Fund

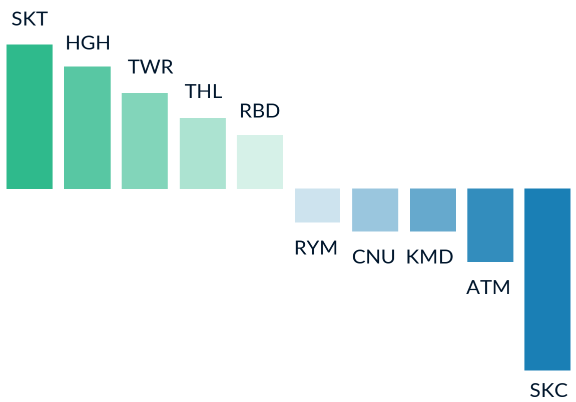
Investor Factsheet for the quarter ended 31 March 2026

	Quarter Performance	1 year	3 years*	5 years*	Since Inception*
Gross Fund Return**	-5.73%	7.49%	3.98%	3.31%	10.38%
S&P/NZX 50 Gross with Imputation Index***	-4.49%	5.95%	3.59%	1.33%	8.38%
Out/under performance	**-1.24%**	**1.55%**	**0.39%**	**1.97%**	**2.01%**
Tracking error	n/a	2.56%	2.43%	2.37%	3.54%
Information ratio	n/a	0.61	0.16	0.83	0.57
Sharpe ratio	n/a	0.42	-0.07	-0.02	0.71

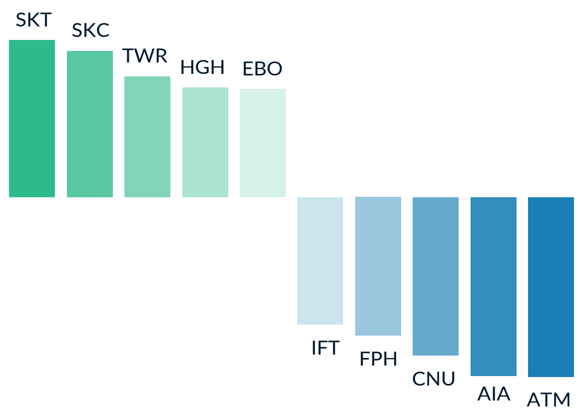
Key Fund Facts as at 31 March 2026

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)	$161,484,885	**Unit Price**	4.2173

ATTRIBUTION (ROLLING 4QS TO 31 MARCH 2026)



PORTFOLIO CONVICTION (AS AT 31 MARCH 2026)



The fund in its macro context

We had hoped that the February reporting season would show management teams have more conviction that the long-awaited economic recovery in NZ was well underway. Our hopes were only partially met, with a slight beat on expectations for the last six months, but still considerable caution on whether the economic recovery has legs.

The caution turned out to be warranted for an unexpected reason – the Iranian conflict. Oil supply shocks feed through into economic activity very quickly, as we have seen with a spike in interest rates, inflation expectations and a consumer spending shift away from discretionary items towards fuel. Over the month of March, stocks with defensive earnings – utilities, regulated assets and the like of Channel Infrastructure (oil storage and transport) and to a lesser extent, property stocks, outperformed. Tourism exposed stocks and other consumer facing discretionary stocks (retail, media, gaming) performed worst.

Portfolio attribution

For the quarter ended 31 March the New Zealand Equities Fund delivered a gross return of -5.73%, underperforming the fund's benchmark return of -4.49%.

On a rolling four quarters basis to 31 March, the Fund delivered a gross return of 7.49%, considerably outperforming the fund's benchmark return of 5.95%.

All of that negative market return for the quarter showed up in the March month, as the Iranian conflict became the dominant driver of all investment market returns.

The main drags on our relative performance against the benchmark were our overweight positions in Sky City Entertainment and Ryman Healthcare – both directly impacted by the conflict in Iran.

* 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.

For Sky City, higher interest rates may affect their ability to sell non-core assets at a good price to meet their debt reduction targets. Higher fuel and interest bills will also eat into their customers' budgets, leaving less for recreational gaming.

For Ryman, higher mortgage rates and economic uncertainty often lead to reduced turnover and prices in the residential housing market. Whilst the demand for their health services will continue unabated, many residents rely on the sale of their own homes to fund buying a village unit.

The portfolio benefited from not holding Freightways or Air NZ, both on valuation grounds rather than any perceived exposure to geopolitical events. We regard Freightways as a well-run quality company and would consider adding it to the portfolio as valuation improves. For Air NZ we would require an extremely attractive valuation, given it was losing money even prior to the Iranian conflict.

Portfolio conviction

In times of uncertainty, investment philosophy and process come into their own. So does risk control and understanding the portfolio exposures to economic growth, debt metrics, inflation and offshore demand.

Whilst the portfolio underperformed in the quarter, most of that happened in February pre the Iranian conflict, on the back of companies still seeing a slow burn for the domestic recovery. Although valuations are becoming more attractive across many domestic and tourism-related stocks, the portfolio is already well exposed to stocks that will benefit from a recovery. Hence, we are very cautious adding to these positions and only then to businesses with strong balance sheets that can withstand another tough six months trading.

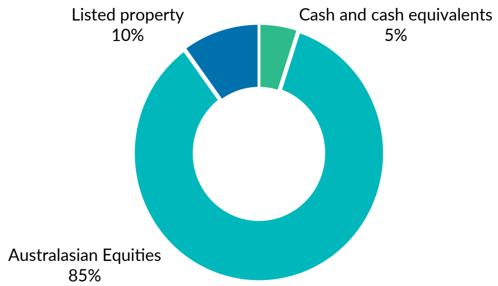
We are not chasing the safety of utilities or other stocks that possess earnings certainty either. Most of their valuations already have a safety premium in them that we expect to evaporate quickly once markets believe an end to hostilities is real.

We have added to our position in Tower as it has a very attractive valuation, will be able to price any inflation in repair costs onto customers, has a strong balance sheet and operates in a well-structured industry. We have built an overweight position in Vector over the past six months. The regulatory settings for the company allow it to pass on both inflation and higher interest costs. The market fears increased capital expenditure now, but to us that means higher dividends into the future.

TOP 10 FUND HOLDINGS AT QUARTER END

Security	Weight
Fisher & Paykel Healthcare Corporation Limited	14.7%
Auckland International Airport Limited	7.7%
Infratil Limited	7.0%
Contact Energy Limited	5.6%
Ebos Group Limited	5.0%
Spark New Zealand Limited	4.3%
Meridian Energy Limited	4.3%
Mainfreight Limited	4.0%
The a2 Milk Company Limited	3.8%
Mercury NZ Limited	2.7%
Major holdings as % of total portfolio	**59.2%**

TARGET ASSET ALLOCATION



Outlook

The portfolio remains well diversified across around 40 companies. The only risk concentration is to domestic cyclicals – because that is where the valuation opportunity is greatest. We are monitoring that exposure closely and being cautious in adding to it due to heightened uncertainty.

As we saw from our portfolio in the very anaemic GDP environment of 2025, investing in strongly cash generative businesses at attractive valuations, even those exposed to slower growth, can deliver strong relative returns. We follow that philosophy no matter the market backdrop.

We expect earnings downgrades to resume over the next few months as higher inflation and interest rates lower economic growth. We are certain that will offer up attractive investment opportunities for the disciplined and patient.

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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