

# Octagon Investment Funds

## Australian Equities Fund

### Monthly Performance Update as at 31 March 2024

To review the fund's investment objective and strategy, fees information and risk indicator please see the funds' product disclosure statement and most recent fund update at [www.octagonasset.co.nz/our-funds/australian-equities-fund/](http://www.octagonasset.co.nz/our-funds/australian-equities-fund/).



Return comparison	1 Month	3 Months	1 Year	3 Years*	Since inception*
Net Fund Return^	4.72%	7.49%	16.94%	10.58%	4.07%
Gross Fund Return	4.80%	7.79%	18.27%	11.87%	5.39%
S&P/ASX Accumulation 200 Index (50% Hedged to the NZD)	4.39%	6.12%	16.28%	10.16%	6.67%

\*Annualised

### Major investments

BHP Group Limited	8.4%
CSL Limited	7.3%
Commonwealth Bank of Australia Limited	5.3%
Westpac Banking Corporation	4.3%
National Australia Bank Limited	3.7%
Australia and New Zealand Banking Group Limited	3.5%
Macquarie Group Limited	3.0%
Santos Limited	2.7%
Telstra Group	2.6%
Wesfarmers Limited	2.6%
<b>Major holdings as % of total portfolio</b>	<b>43.39%</b>

### Manager's comments

#### What happened in the markets that you invest in?

The Australian equity market surged in March with positive signals across key indicators for the US and Australian economies. Ongoing employment growth, along with recovering retail spending and a surprisingly strong print for the performance of manufacturing index (PMI) in the US, suggests momentum remains.

Very strong equity markets now appear to be anticipating a 'no landing' outcome for the US and Australian economies. This scenario sees employment gains of recent years being preserved, income shocks for households will largely be avoided and scope for lower interest rates (compared to 'higher for longer' interest rates) as inflation continues to decline. These factors are generally positive for corporate earnings and equity valuations.

The best performing sectors for the month were Real Estate (9.70%) and Energy (5.33%). The former surged on lower bond yields and particularly impressive gains from real estate fund managers, Goodman Group and Charter Hall. Escalating geopolitical conflicts and fading recession fears also saw oil prices surge during the month, boosting Energy stocks.

The worst performing sectors for the month were Consumer Discretionary (0.92%) and Communications Services (-0.57%). Weakness in Consumer Discretionary looked like payback after a solid run through reporting season. Communication Services was the only sector to post a negative return this month, dragged lower by the 'classified' businesses, including Seek, REA and Carsales where listings have been mixed.

### Risk indicator for the Australian Equities Fund\*



## How did your portfolio perform?

The Australian Equities Fund delivered a gross return of 4.80% during March, slightly outperforming the funds benchmark return of 4.39% by 0.42%.

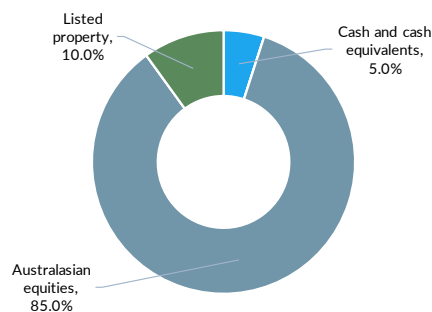
For the 12 months to the end of March the Octagon Australian Equities fund delivered a gross return of 18.27%, outperforming the funds market index return of 16.28% by 1.99%.

Positive contributors to performance were our overweight position in oil producers Santos and Karoon Energy. Oil supply concerns have deepened in recent months with escalating tensions in the Middle East and Ukraine military strikes against Russian Oil refineries.

Key negative contributors to performance were our underweight positions in gold miner, Newmont and industrial real estate fund manager, Goodman Group. Newmont benefitted from a positive backdrop for gold prices which hit a record high in the month. Improving demand for real estate assets has boosted the outlook for fee generation at Goodman Group, while the pivot toward data centre development has piqued interest in Goodman as an alternative way to play the current boom in AI.

We actively manage the fund's foreign currency exposures. As at 31 March 2024, these exposures represented 98.30% of the value of the fund. After allowing for foreign currency hedges in place, 64.68% of the value of the fund was unhedged and exposed to foreign currency risk.

## Target Asset Allocation



## What are we thinking about the future?

With the recent surge in oil stocks, we have lightened some of the fund's exposure in this space but remain overweight. We see a longer term story playing out where access to capital (and its cost), environmental or political concerns and limited appetite to invest amongst corporates all contribute to falling investment (and supply growth) in the sector, while demand falls only slowly, supporting returns from the sector.

Ongoing weakness in iron ore and coal prices have provided us the opportunity to add to our holdings across the major miners during the month at quite attractive levels.

The Australian economy remains resilient. We've seen continued employment growth, rising house prices and fewer signs of credit stress in the system, while upcoming mid-year tax cuts are also likely to support growth. A relatively strong economy, higher oil prices and still rising wages suggest little reason for much monetary easing to occur this year. Looking further ahead there is a clearer trend downward in the CPI which should see longer term rates continue to decline, supporting equity valuations.



**Jason Lindsay, CA**  
Head of Equities

## Things to note

- Manager: Forsyth Barr Investment Management Limited
- Investment manager: Octagon Asset Management Limited
- Date the fund started: 26 June 2008
- Tax status: Portfolio Investment Fund (PIE)
- Minimum suggested investment time frame: At least five years
- Benchmark: None
- Currency: New Zealand dollars

View the [Product Disclosure Statement](#) for detailed information about this Fund and Octagon Investment Funds Scheme.

## Fees

Annual fund charges are currently 1.15% p.a. of the value of your investment. We pay management and administration charges along with the Supervisor fee out of this. All fees and charges are quoted exclusive of GST.

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For more information please visit [octagonasset.co.nz](http://octagonasset.co.nz), email [info@octagonasset.co.nz](mailto:info@octagonasset.co.nz), or call 0800 628 246

^ Net Fund Returns are calculated before the deduction of taxes and after deduction of fund charges and trading expenses and including imputation credits where available. 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.

\* The risk indicator is rated from 1 (low) to 7 (high). The rating reflects how much the value of the relevant fund's assets goes up and down (volatility). A higher risk generally means higher potential returns over time, but more ups and downs along the way. The risk indicator is based on the returns data for the five years to 30 September 2022. See more information about the risks of investing in the Product Disclosure Statement.

This publication does not contain financial advice - for financial advice, please speak to your Investment Adviser. We recommend you review your investments and seek specialist advice on any taxation aspects. Past performance is not a reliable guide to future performance. Forsyth Barr Investment Management Limited is the issuer, and Octagon Asset Management Limited the investment manager, of the Octagon Investment Funds. A copy of the Product Disclosure Statement for the Funds is available from [www.octagonasset.co.nz/disclosureinformation](http://www.octagonasset.co.nz/disclosureinformation), by contacting your Investment Adviser, or by calling 0800 628 246.