

# Octagon Investment Funds

## Balanced 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/balanced-fund/](http://www.octagonasset.co.nz/our-funds/balanced-fund/).



Return comparison	1 Month	3 Months	1 Year	3 Years*	Since inception*
Net Fund Return^	2.61%	4.03%	10.63%	2.70%	2.69%
Gross Fund Return	2.70%	4.32%	11.90%	3.91%	3.89%
Composite Index	2.66%	3.94%	10.24%	3.33%	3.33%

\*Annualised

### Major investments

Hunter Global Fixed interest Fund	14.4%
Intermede Global Equity Fund	7.7%
ANZ transactional bank account	3.1%
New Zealand Government 3% 20/04/2029	1.5%
Westpac New Zealand 1.439% 24/02/2026	1.3%
BHP Group Limited	1.2%
Fisher & Paykel Healthcare Corporation Limited	1.1%
CSL Limited	1.0%
New Zealand Local Government Funding Agency Ltd 15/04/2026 1.50%	1.0%
New Zealand Government 15/05/2032 2.00%	0.9%
<b>Major holdings as % of total portfolio</b>	<b>33.18%</b>

### Manager's comments

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

March was a strong month for investment returns across all asset classes in the Balanced Fund.

Fixed interest returns benefited from confirmation by global central banks, including the Reserve Bank of New Zealand (RBNZ), that interest rates should be high enough to bring inflation down to target levels over the next 12 months.

The listed property market received help from seeing some properties being sold near their last valuation. The listed property vehicles, apart from those exposed to industrial real estate (freight hubs), are trading below their historic asset valuations. Actual transactions around book value are therefore supportive of future returns.

Equity markets globally were supported by robust GDP growth in the cases of the US, Japan and Australia, whilst those with weaker current economic activity, such as New Zealand, built in some anticipation of an economic recovery.

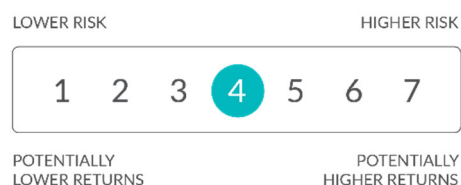
The NZ dollar, relevant for our portfolios with unhedged foreign currency exposures, fell -1.82% against the US dollar, and -2.02% against the Australian dollar.

For further commentary on each asset class in the Balanced Fund, refer to the relevant single-asset class funds.

#### How did your portfolio perform?

The Balanced Fund delivered a gross return of 2.70% for March, in line with the fund's market index return of

### Risk indicator for the Balanced Fund\*



2.66%. For the 12 months to the end March, the Balanced Fund delivered a gross return of 11.90% comfortably outperforming the fund's market index return of 10.49% by 1.41%.

All the funds that make up the balanced fund performed in line with, or slightly ahead of, their market indices.

We actively manage the fund's foreign currency exposures. As of 31 March 2024, these exposures represented 36.08% of the value of the fund. After allowing for foreign currency hedges in place, approximately 18.58% of the value of the fund was unhedged and exposed to foreign currency risk.

### What are we thinking about the future?

The recent increase in interest rates globally has reflected a stronger economic backdrop than we and the market had expected in the US, along with an unwinding of some over exuberance in global fixed interest markets expected pace of inflation declines and the timing of interest rate cuts.

We have held a view for some time that both the NZ and the US equity markets were overvalued. We had an expectation of economic weakness leading to weaker profits and job losses – which of course feeds into even weaker demand and profits. Fixed interest markets would benefit from falling inflation and lower interest rates; hence we have been over allocated to fixed interest markets and under allocated to NZ and global equity markets.

For the New Zealand equity market, that view has been confirmed. As such, in April we are removing our tactical underweight allocation and moving to our long-term strategic weighting. We are not moving overweight yet as valuation is only fair and the next six months is unlikely to show much earnings growth. The NZ fixed interest market

has adopted a more aggressive cash rate cutting path that the RBNZ has proposed, and the ten-year yield is now closer to our view of fair value. We have therefore funded the increase in NZ equity allocation by lowering our NZ fixed interest allocation, whilst still keeping an overweight allocation.

In global equities, our thesis has been challenged by a slowing but still robust economic backdrop in the critical US market. This has seen profit margins hold up better than we thought, and that has flowed through to stronger share prices. US fixed interest has also started to price a 'stronger for longer' view. We are still of the opinion that the US equity market is significantly overvalued. As it makes up a large share of the total global equity market, we are comfortable keeping our modest underweight allocation to global shares. We think there is still some upside to the valuation of global fixed interest, and so also maintain our modest overweight to that asset class.

April sees the start of the next US centric profit reporting season. We expect modest growth to be reported, but a continued fade in future expectations and ongoing caution as to the operating outlook.

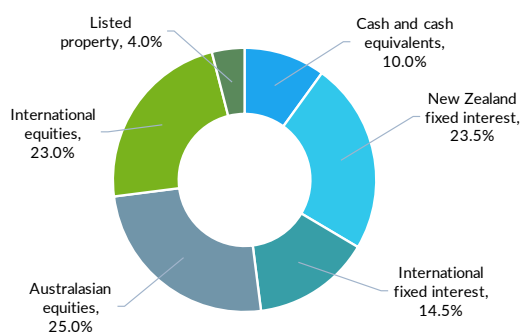


**Paul Robertshaw, CA**  
Director, Chief Investment Officer



**Christine Smith-Han**  
Strategy Analyst

## Tactical Asset Allocation



## Things to note

- Manager: Forsyth Barr Investment Management Limited
- Investment manager: Octagon Asset Management Limited
- Date the fund started: 11 December 2020
- 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% 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.

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.