

# Octagon Investment Funds

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



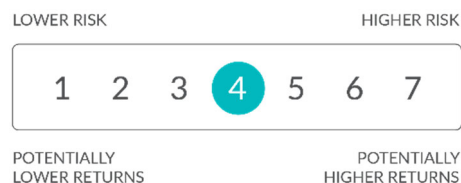
Return comparison	1 Month	3 Months	1 Year	3 Years*	Since inception*
Net Fund Return^	2.89%	1.46%	6.18%	2.29%	2.02%
Gross Fund Return	2.87%	1.55%	6.66%	2.82%	2.55%
Composite Index	2.55%	1.95%	6.30%	1.07%	0.81%

\*Annualised

### Major investments

Hunter Global Fixed interest Fund	21.1%
ANZ transactional bank account	3.6%
Vital Healthcare Property Trust	2.5%
Goodman Property Trust	2.1%
APA Group Limited	1.9%
Infratil Limited	1.9%
Genesis Energy Limited	1.8%
Tourism Holdings Limited	1.6%
Precinct Properties New Zealand Limited	1.6%
New Zealand Government 3% 20/04/2029	1.5%
<b>Major holdings as % of total portfolio</b>	<b>39.57%</b>

### Risk indicator for the Income Fund\*



### 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 Income Fund.

Fixed interest returns benefited from confirmation by global central banks, including the Reserve Bank of New Zealand, 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 international fixed interest segment of the Income Fund is hedged to the NZ dollar. The fund's currency exposure to the Australian dollar comes from investing in Australian equities either directly or via the Australian Equities and the Listed Property funds. The NZ dollar fell - 2.02% against the Australian dollar during February.

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

#### How did your portfolio perform?

The Income Fund delivered a gross return of 2.87% for March, outperforming the fund's market index return of 2.55% by 0.32%.

For the 12 months to the end of March, the Income Fund delivered a gross return of 6.66%, slightly outperforming the fund's market index return of 6.51% by 0.15%.

Compared to their market indices, all funds we utilise in the Octagon Income Fund outperformed their market index during March. Almost 40% of the fund is invested in directly held Australasian equities. Holdings in Arvida Group, Manawa Energy, and Santos added to performance, whilst holdings in Ebos Group, Spark, and Tourism Holdings detracted from performance.

We actively manage the fund's currency exposures. As of 31 March 2024, these exposures represented 19.27% of the value of the fund. After allowing for foreign currency hedges in place, approximately 11.61% of the value of the fund was unhedged and exposed to foreign currency risk

We calculate the current running yield of the securities held within the Income Fund as 5.04%.

### 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 retaining 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 remain 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 retaining 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

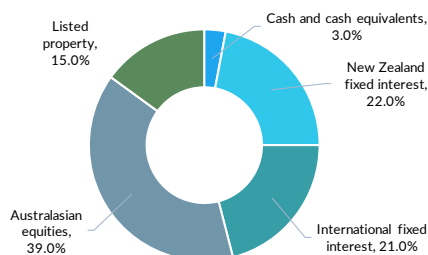


**Jason Lindsay, CA**  
Head of Equities



**Craig Alexander,**  
Head of Fixed Interest and ESG

## 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 0.75% 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.

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.