

Octagon Investment Funds

New Zealand Fixed Interest 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/new-zealand-fixed-interest-fund/.



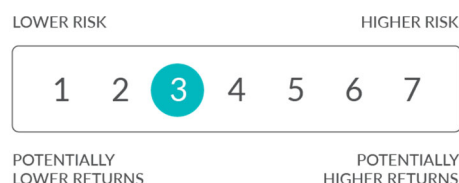
Return comparison	1 Month	3 Months	1 Year	3 Years*	Since inception*
Net Fund Return^	1.13%	0.21%	5.24%	-0.35%	4.27%
Gross Fund Return	1.20%	0.40%	6.02%	0.40%	5.19%
Bloomberg NZBond Composite 0+ Yr Index	1.11%	0.25%	3.95%	-1.31%	n/a
S&P/NZX Investment Grade Corporate Bond Index	1.05%	0.62%	5.63%	0.12%	4.91%

*Annualised

Major investments

ANZ transactional bank account	7.3%
New Zealand Government 3% 20/04/2029	6.1%
Westpac New Zealand 1.439% 24/02/2026	5.5%
New Zealand Government 15/05/2032 2.00%	3.8%
New Zealand Government 14/04/2033 3.5%	3.7%
New Zealand Government 4.50% 15/05/2030	3.3%
New Zealand Local Government Funding Agency Ltd 15/04/2027 4.50%	3.2%
New Zealand Local Government Funding Agency Ltd 14/04/2033 3.50%	2.9%
Dunedin City Treasury 1.93% 18/04/2028	2.8%
New Zealand Government 15/05/2028 0.25%	2.7%
Major holdings as % of total portfolio	41.30%

Risk indicator for the New Zealand Fixed Interest Fund*



Manager's comments

What happened in the markets that you invest in?

March was a positive month, in general, for New Zealand fixed interest investors.

How did your portfolio perform?

The New Zealand Fixed Interest Fund delivered a gross return of 1.19% during March, slightly outperforming the fund's market index return of 1.11% by 0.08%.

For the 12 months to the end of March, the New Zealand Fixed Interest Fund delivered a gross return of 6.02%. We changed market indices during the year and will report annual relative performance as we lap the anniversary of that change.

In the third quarter of 2023 we announced the change to the New Zealand Fixed Interest Fund's market index; to easily compare the returns of the earlier market index against the current market index please see the table below.

Market index returns for the periods ended 31 March 2024.

	S&P / NZX Investment Grade Corporate Bond Index (old)	Bloomberg NZBond Composite 0+ Yr Index (new)
1 month	1.05%	1.11%
3 month	0.62%	0.25%
1 year	5.63%	3.95%
3 years*	0.12%	-1.31%
5 years*	1.33%	-0.03%
10 years*	3.52%	2.75%

* annualised

What are we thinking about the future?

We believe domestic inflation peaked some time ago and that the Reserve Bank of New Zealand (RBNZ) will have the confidence to begin reducing its Official Cash Rate (OCR) towards the middle or the end of this year. This is earlier than the RBNZ's forecast, where it predicts the first OCR cut towards the middle of next year¹.

The New Zealand Fixed Interest Fund is very well positioned, in our view, to navigate through the rest of the calendar year. The portfolio duration² was around 4.55 years at the end of March with a gross yield to maturity³ approaching 5.10%.

The recent strategy of rotating into New Zealand Government bonds – by selling non-Government securities – has meant that the fund has enjoyed significant capital appreciation over the last 12 months.

Extreme market volatility that has plagued investors over recent years is likely to continue in our view. We expect interest rates to fall further and while the initial impetus from falling interest rates reflects a positive news story around falling inflation, we see the next driver for declining rates as far more sinister: economic recession.

On this basis, we will continue to accumulate New Zealand Government bonds while rationing capital to non-Government securities; in general, corporate bond spreads don't currently reflect the risks of the next economic cycle, in our opinion.

¹Monetary Policy Statement, Reserve Bank of New Zealand, February 2024

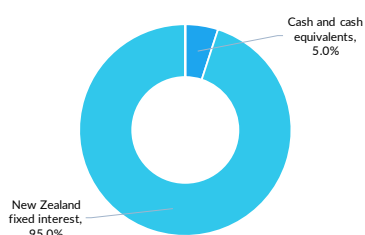
²Duration is the weighted-average portfolio sensitivity to changes in value resulting from changes in the level of New Zealand wholesale interest rates

³Gross yield to maturity is calculated as the weighted-average gross yield of all securities in the portfolio as at 31 March 2024, assuming that all amounts owed by the issuer will be received by the Fund and is based on our assessment of the calculation methodology made available by the manager of the fund's market index; and does not include the deduction of any taxes, fund charges, trading expenses or fees



Craig Alexander
Head of Fixed Interest and ESG

Target Asset Allocation



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.

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 three years
- Benchmark: None
- Currency: New Zealand dollars

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

For more information please visit octagonasset.co.nz, email 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, by contacting your Investment Adviser, or by calling 0800 628 246.