

Octagon Investment Funds

Enhanced Cash Fund

Monthly Performance Update as at 31 July 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/enhanced-cash-fund/.



Return comparison

	1 Month	3 Months	1 Year	3 Years	Since inception*
Net Fund Return [^]	0.71%	1.63%	6.09%	n/a	6.06%
Gross Fund Return	0.74%	1.71%	6.45%	n/a	6.40%
S&P/NZX Bank Bills 90-Day Index	0.49%	1.43%	5.81%	n/a	5.79%

[^]Actual

Major investments

Powerco Ltd 4.67% 15/11/2024	5.8%
Contact Energy Ltd RCD 0% 05/08/24	4.9%
Westpac New Zealand 1.439% 24/02/2026	4.7%
Wellington International Airport Limited 05/08/2024 4%	4.5%
Z Energy Limited Limited 4.00% 03/09/2024	4.4%
ANZ transactional bank account	4.1%
Kiwibank Limited 20/09/2024 2.155%	3.9%
Genesis Energy Limited 5.0% 03/04/2025	3.7%
Rabobank FRN 06/16/2026	3.7%
SBS RCD 04/10/2024	3.4%

Major holdings as % of total portfolio **43.14%**

Manager's comments

What happened in the markets that you invest in?

July was another positive month for investors in our Enhanced Cash Fund. A softening in tone by the Reserve Bank of New Zealand (RBNZ) - widely assessed by the market as an early signal to cutting the Official Cash Rate (OCR) - emboldened participants to push short-dated bond yields significantly lower. Lower bond yields monetised the fund's duration as capital gains which were a key contributor to the month's returns.

How did your portfolio perform?

The Enhanced Cash Fund delivered a gross return of 0.74% for July, comfortably outperforming the fund's market index return of 0.49% by 0.25%.

For the 12 months to the end of July the fund delivered a gross return of 6.45% significantly outperforming the market index return of 5.81% by 0.65%.

The fund's investment strategy of investing in commercial paper (displayed as RCDs under Major Investments) and short-dated bonds, have allowed it to deliver a higher yield-to-maturity than the fund's market index. And as noted below, the fund's returns were further increased by capital gains from the increase in value of its short-dated bond investments.

What are we thinking about the future?

We believe domestic inflation peaked some time ago and given the RBNZ's pivot to signalling a lower OCR, we expect the regulator to begin cutting interest rates as early as October. Indeed, the market is forecasting around a 50% chance of a cut to the OCR as early as August.

Risk indicator for the Enhanced Cash Fund*

LOWER RISK

HIGHER RISK



POTENTIALLY
LOWER RETURNS

POTENTIALLY
HIGHER RETURNS

With over 2% of OCR cuts expected by the market come July next year, we think that New Zealand short-term bond yields may have fallen too far and too fast. With the key New Zealand 2-year swap interest rate closing July at 4.25%, a massive 1.25% under the current OCR of 5.50%. We anticipate a period of consolidation, a pause to catch breath, until the regulator provides more clarity around its expectation for monetary policy in the middle of August.

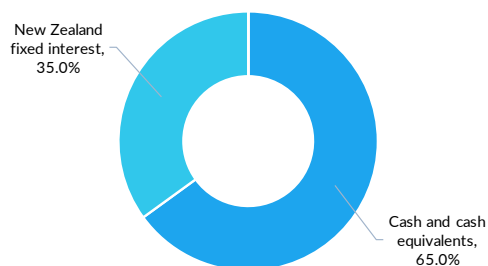
At the end of July, the fund had a portfolio duration, calculated as the weighted average modified duration of all securities in the fund, of 0.4 years. The portfolio had a yield to maturity of approximately 5.80%, being the weighted average gross yield to maturity of the securities in the fund.

Our current focus is to rebuild the fund's yield-to-maturity and opportunistically manage portfolio duration, all business as usual for an active manager.



Craig Alexander
Head of Fixed Interest and ESG

Target Asset Allocation



Things to note

- Manager: Forsyth Barr Investment Management Limited
- Investment manager: Octagon Asset Management Limited
- Date the fund started: 7 June 2023
- Tax status: Portfolio Investment Fund (PIE)
- Minimum suggested investment time frame: Less than 12 months
- Market Index: S&P/NZX Bank Bills 90-Day Index
- 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 0.35% 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, 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 31 July 2024. 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/disclosure-information, by contacting your Investment Adviser, or by calling 0800 628 246.