

Octagon Investment Funds

New Zealand Fixed Interest Fund

Monthly Performance Update as at 30 November 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 [^]	0.56%	0.70%	7.80%	2.20%	4.39%
Gross Fund Return	0.62%	0.89%	8.64%	2.98%	5.30%
Bloomberg NZBond Composite 0+ Yr Index	0.57%	0.70%	8.04%	1.34%	n/a
S&P/NZX Investment Grade Corporate Bond Index	0.44%	1.11%	8.25%	2.80%	5.03%

*Annualised

Major investments

New Zealand Government 4.50% 15/05/2030	8.0%
ANZ transactional bank account	7.0%
New Zealand Government 1.5% 15/05/2031	6.5%
New Zealand Government 14/04/2033 3.5%	5.3%
New Zealand Government 3% 20/04/2029	5.3%
New Zealand Government 4.50% 15/04/2027	5.2%
New Zealand Government 15/05/2028 0.25%	4.9%
New Zealand Government 15/05/2032 2.00%	4.3%
Westpac New Zealand 1.439% 24/02/2026	3.2%
NZ Government 4.25% 15/05/2034 Green Bond	3.0%
Major holdings as % of total portfolio	52.69%

Risk indicator for the New Zealand Fixed Interest Fund*

LOWER RISK

HIGHER RISK



POTENTIALLY
LOWER RETURNS

POTENTIALLY
HIGHER RETURNS

Manager's comments

What happened in the markets that you invest in?

November was a positive month, in general, for New Zealand fixed interest investors. As expected, the Reserve Bank of New Zealand (RBNZ) cut its Official Cash Rate (OCR) by 0.50% at its November meeting signalling in its post monetary policy statement press conference that another 50% cut would likely be appropriate in February.

General market consensus is that domestic inflation peaked some time ago and its flight path and ultimate destination are lower, back to well within the regulator's target band of 1% - 3%. Encouragingly, September's annual inflation number of 2.20% was further evidence that New Zealand's inflation is now well contained, and commentator expectations are that December's inflation release will be a similar number.

Notwithstanding uplifts in consumer and business sentiment surveys, local economic data continues to be poor and until we see actual economic activity data confirm the positive perception (or otherwise), we believe all financial markets will continue to be volatile.

How did your portfolio perform?

The New Zealand Fixed Interest Fund delivered a gross return 0.62% for the month of November marginally outperforming the fund's market index return of 0.57% by 0.05%.

For the 12 months to the end of November, the New Zealand Fixed Interest Fund delivered a gross return of 8.64% comfortably outperforming the fund's market index return of 8.04% by 0.60%.

Last year we announced a change to the New Zealand Fixed Interest Fund's market index to easily compare the returns of the previous market index against the current market index. Please see the returns' comparison table.

What are we thinking about the future?

The fund's duration, a measure of how sensitive the portfolio is to a given change in New Zealand wholesale interest rates, was around 4.90 years at the end of November and our intention is to increase it to around 5.0 years – opportunistically as and if term interest rates and bond yields move higher.

The fund's gross yield to maturity, calculated as the weighted-average gross yield of all securities in the portfolio, was around 4.40% and the weighted-average portfolio credit quality was AA- (where a security does not have an external credit rating, we have assigned an internal credit rating based on our assessment. We use the lowest available credit rating for New Zealand Government bonds, Fitch's AA+).

Our investment strategy is to continue to accumulate New Zealand Government bonds while rationing capital to short-dated or preferred non-Government securities. Corporate bond spreads, roughly the difference in yield

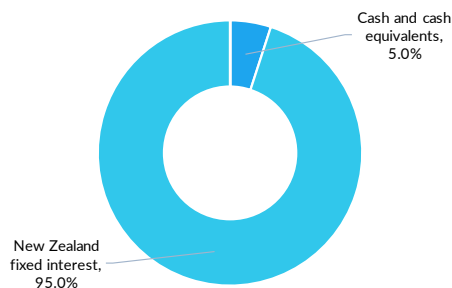
between a Government security and its non-Government equivalent, are simply too tight, in our view. At around long-term averages, these spreads do not appropriately reflect the risks of the current economic cycle, in our view.

We're still preferring "hard duration" in the form of Government bonds and Government bond proxies to better protect against a deterioration in corporate credit spreads, and we expect the Fund to continue to deliver capital gains to investors well in excess of the Fund's yield-to-maturity, albeit at a slower rate of return than over the previous few months.



Craig Alexander
Head of Fixed Interest and ESG

Target Asset Allocation



Things to note

- Manager: Forsyth Barr Investment Management Ltd
- Investment manager: Octagon Asset Management Ltd
- Date the fund started: 26 June 2008
- Tax status: Portfolio Investment Fund (PIE)
- Minimum suggested investment time frame: At least three years
- Market Index: Bloomberg NZBond Composite 0+ Yr 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 0.75% 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, 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 November 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.