

Octagon Investment Funds

New Zealand Fixed Interest Fund

Monthly Performance Update as at 31 January 2025

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^	-0.16%	1.05%	6.07%	2.43%	4.37%
Gross Fund Return	-0.10%	1.25%	6.91%	3.21%	5.28%
Bloomberg NZBond Composite 0+ Yr Index	-0.04%	1.14%	6.29%	1.66%	n/a
S&P/NZX Investment Grade Corporate Bond Index	-0.05%	1.40%	7.35%	3.19%	5.04%

*Annualised

Major investments

New Zealand Government 4.50% 15/05/2030	7.7%
New Zealand Government 15/05/2028 0.25%	5.6%
New Zealand Government 1.5% 15/05/2031	5.5%
New Zealand Government 14/04/2033 3.5%	5.2%
New Zealand Government 3% 20/04/2029	5.0%
New Zealand Government 4.50% 15/04/2027	4.9%
New Zealand Government 15/05/2032 2.00%	3.5%
New Zealand Local Government Funding Agency Ltd 15/05/2030 4.50%	3.3%
Westpac New Zealand 1.439% 24/02/2026	3.1%
NZ Government 4.25% 15/05/2034 Green Bond	2.8%

Major holdings as % of total portfolio **46.62%**

Risk indicator for the New Zealand Fixed Interest Fund*

LOWER RISK

HIGHER RISK



POTENTIALLY
LOWER RETURNS

POTENTIALLY
HIGHER RETURNS

Manager's comments

How did your portfolio perform?

The New Zealand Fixed Interest Fund delivered a gross return of -0.10% for the month of January, fractionally underperforming the fund's market index return of -0.04% by -0.05%.

For the 12 months to the end of January, the New Zealand Fixed Interest Fund delivered a return of 6.91% comfortably outperforming the fund's market index return of 6.29% by 0.62%.

In 2023 we announced a change to the New Zealand Fixed Interest Fund's benchmark. To compare the Fund's returns against both the previous and current benchmarks please see the returns comparison table on the fund's webpage and performance fact sheet.

What happened in the markets that you invest in?

January was generally a quiet month for New Zealand fixed interest investors. The twin themes of falling domestic inflation and faltering domestic economic performance continued. Against this backdrop, bond yields and term interest rates marked time and paused for breath ahead of the Reserve Bank of New Zealand's (RBNZ) Official Cash Rate (OCR) announcement to come in February.

What are we thinking about the future?

Simply put, market participants expect the RBNZ to cut the OCR by 0.50% to 3.75% at the regulator's next monetary policy announcement in February.

Our current thinking however is that it's a too simplistic thesis that lower interest rates will mechanically result in a material lift in economic performance. We believe that economic uncertainty remains in many NZ households and that wary consumers will save (or reduce debt by keeping mortgage payments constant) rather than spend interest rate windfalls. On this basis, we intend to remain fully invested.

The fund's duration, a measure of how sensitive the portfolio is to a given change in New Zealand wholesale interest rates, was around 4.60 years, broadly matching the fund's market index at the end of January. Our intention continues to be increasing duration to around 5.0 years.

The fund's gross yield to maturity, calculated as the weighted-average gross yield of all securities in the portfolio, was around 4.35% 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. In general, corporate bond spreads, roughly the difference in

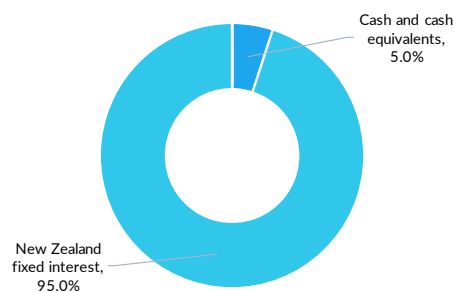
yield between a Government security and its non-Government equivalent, are simply too tight, in our view. At around long-term averages these do not appropriately reflect the risks of the current economic cycle, in our view.

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 in excess of the fund's yield-to-maturity.



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 31 January 2025. 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.