

# Octagon Investment Funds

## Income 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/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^	0.81%	1.11%	4.28%	2.18%	2.24%
Gross Fund Return	0.88%	1.29%	4.83%	2.70%	2.79%
Composite Index	1.00%	1.71%	7.56%	3.04%	2.01%

\*Annualised

### Major investments

Hunter Global Fixed interest Fund	20.3%
ANZ transactional bank account	3.7%
Precinct Properties New Zealand Limited	2.8%
Goodman Property Trust	2.7%
Vital Healthcare Property Trust	2.7%
Spark New Zealand Limited	2.2%
Genesis Energy Limited	1.9%
Kiwi Property Group Limited	1.9%
APA Group Limited	1.8%
Amcor Limited	1.8%
<b>Major holdings as % of total portfolio</b>	<b>41.85%</b>

### Manager's comments

#### How did your portfolio perform?

The Income Fund delivered a gross return of 0.88% for the month of January, modestly underperforming the fund's market index return of 1.00% by -0.12%.

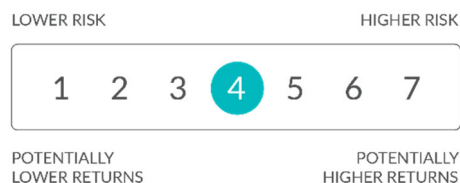
For the 12 months to the end of January, the Income Fund delivered a gross return of 4.83%, underperforming the fund's market index return of 7.56% by -2.73%.

Of the funds utilised within the Income Fund the Global Fixed Interest Fund and the Enhanced Cash Fund outperformed their respective benchmarks while the other funds met or underperformed. For more information on portfolio components refer to the relevant single asset class fund commentary.

Almost 40% of the fund is invested in directly held Australasian equities. Holdings in Bluescope Steel, Oceania Healthcare, and Downer added to performance, whilst holdings in Infratil and KMD Brands detracted. The last 12-months have been a growth market for equities, particularly in New Zealand. Your fund is under-represented in growth names, which generally trade with low (or no) dividend yields, instead the fund holds more defensive stocks that provide regular dividend income. This has been costly for relative performance. For example, for the 12-months to 31 January, the NZX50 Gross with Imputation Index delivered a 10.30% return with Fisher & Paykel Healthcare (a stock which your fund does not own) delivering over three quarters of this return.

The Global Fixed Interest segment of the fund is hedged to the New Zealand dollar (NZD). We actively manage the fund's foreign currency exposure associated with Australian equities. As of 31 January 2024, these exposures represented around 17% of the value of the

### Risk indicator for the Income Fund\*



fund. After allowing for foreign currency hedges in place, approximately 9% of the value of the fund was unhedged and exposed to foreign currency risk. The NZD strengthened 0.2% against the Australian dollar during January.

We calculated the running yield of the securities held within the fund as currently 4.66%.

#### What happened in the markets that you invest in?

The Geopolitical backdrop continues to provide elevated levels of uncertainty with Canada joining France and South Korea in seeing political upheaval, so it was welcome to see a ceasefire in the Israeli-Palestine conflict, no matter how short-lived it may prove. The Chinese economy saw a strong end to the year, perhaps boosted by increased production to beat the introduction of US trade tariffs. Australian economic data was more positive than we expected, whilst NZ data was modestly worse.

Equity market returns were robust, spurred on by the anticipation of stronger growth from US policy changes and better economic news from Australia and China. The flipside was that global interest rates remain elevated, mostly due to uncertainty around tariff-induced trade wars and ongoing government deficits, especially in the US.

#### What are we thinking about the future?

The Octagon Investment Committee met in late January and made no changes to our current tactical asset allocation. We are slightly overweight equity markets, specifically New Zealand and Listed Property, where we see attractive valuations. We are underweight Cash as we see further interest rate cuts by the Reserve Bank of New Zealand (RBNZ) lowering returns.

Political uncertainty is high in our view; the US passing and quick suspension of very material tariffs in the space of 48 hours is just one example. Markets are often effective in tempering the most radical policy shifts – either through

high interest rates which hurt government accounts and growth, or dramatic equity market falls – both of which are unpopular with voters. As such, we do not expect the most extreme outcomes, but we do expect above average volatility in many global markets.

As fundamental investors we continue to focus on the medium-term outlook and sustainable drivers of return. Volatility can often create attractive entry points for new investments when short-term over reactions ignore longer term prospects.



**Paul Robertshawe, CA**  
Director, Chief Investment Officer

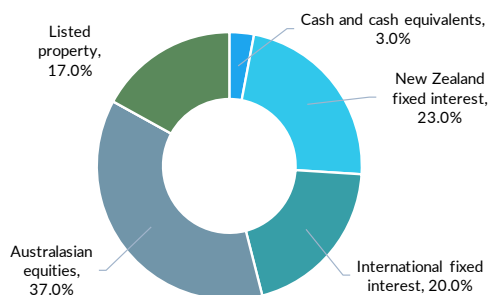


**Jason Lindsay, CA**  
Head of Equities



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

## Tactical Asset Allocation



## Things to note

- Manager: Forsyth Barr Investment Management Ltd
- Investment manager: Octagon Asset Management Ltd
- Date the fund started: 11 December 2020
- Tax status: Portfolio Investment Fund (PIE)
- Minimum suggested investment time frame: At least five years
- Market Index: A composite benchmark relating to the fund's target investment mix
- 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

<sup>^</sup>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](http://www.octagonasset.co.nz/disclosure-information), by contacting your Investment Adviser, or by calling 0800 628 246.