

# Octagon Investment Funds

## New Zealand Fixed Interest Fund

### Monthly Performance Update as at 31 December 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/](http://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^	0.65%	0.67%	5.57%	2.25%	4.40%
Gross Fund Return	0.72%	0.87%	6.40%	3.03%	5.32%
Bloomberg NZBond Composite 0+ Yr Index	0.61%	0.67%	5.69%	1.38%	n/a
S&P/NZX Investment Grade Corporate Bond Index	1.01%	1.18%	7.00%	2.99%	5.07%

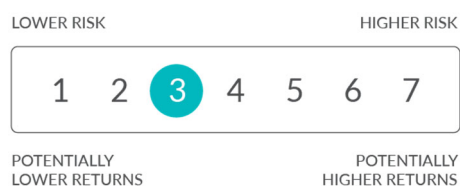
\*Annualised

### Major investments

New Zealand Government 4.50% 15/05/2030	7.8%
New Zealand Government 1.5% 15/05/2031	6.3%
New Zealand Government 14/04/2033 3.5%	5.6%
New Zealand Government 3% 20/04/2029	5.1%
New Zealand Government 4.50% 15/04/2027	5.0%
New Zealand Government 15/05/2028 0.25%	4.8%
New Zealand Government 15/05/2032 2.00%	4.2%
New Zealand Local Government Funding Agency Ltd 15/05/2030 4.50%	4.0%
Westpac New Zealand 1.439% 24/02/2026	3.1%
NZ Government 4.25% 15/05/2034 Green Bond	2.9%

Major holdings as % of total portfolio **48.87%**

### Risk indicator for the New Zealand Fixed Interest Fund\*



### Manager's comments

#### How did your portfolio perform?

The New Zealand Fixed Interest Fund delivered a gross return of 0.72% for the month of December fractionally outperforming the fund's benchmark return of 0.61% by 0.11%.

For the 12 months to the end of December, the Fund delivered a gross return of 6.40% comfortably outperforming the fund's benchmark return of 5.69% by 0.71%.

In the middle of 2023, we announced a change to the fund's benchmark; to easily compare the returns of the previous market index against the current benchmark please see the returns comparison table in this update and on the fund's webpage.

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

December was another positive month, in general, for New Zealand fixed interest investors.

Concerns over a faltering domestic economy were further fuelled when September's annual gross domestic product (GDP) numbers were released mid-December, confirming that economic activity had contracted by -1.0% over the September quarter.

Not surprisingly, broad market conviction grew that the Reserve Bank of New Zealand's (RBNZ) upcoming February monetary policy announcement would likely deliver another 0.50% cut to the Official Cash Rate (OCR), to bring it down to 3.75%.

Against this backdrop, bond yields and term interest rates fell further over the month, delivering significant capital gains to investors in the fund.

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

With annual inflation now well within the regulator's target band of 1% - 3% and the OCR expected to go close to or hit 3.00% sometime over 2025, we're keenly interested to see if the recent optimism in consumer and business sentiment surveys translates to an increase in actual economic activity and living standards.

Our current thinking is that it's too simplistic to think that lower interest rates will mechanically result in a material lift in economic performance; on this basis, we intend to remain fully invested and hold minimal cash in the fund.

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 December and our intention is to increase it to around 5.0 years and beyond.

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

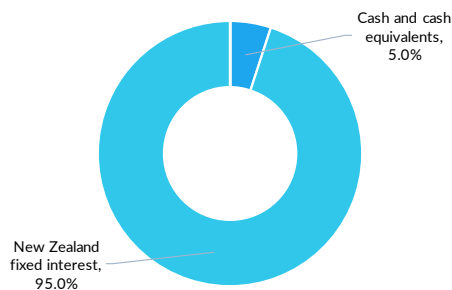
have an external credit rating, we have assigned an internal credit rating based on our assessment. We use the lowest available credit rating for New Zealand Government bonds, Fitch's AA+).

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 small, in our view.



**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.

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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

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