

Octagon Investment Funds

Australian Equities Fund

Monthly Performance Update as at 30 June 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/australian-equities-fund/.



Return comparison	1 Month	3 Months	1 Year	3 Years*	Since inception*
Net Fund Return^	1.46%	-1.10%	12.56%	7.87%	3.93%
Gross Fund Return	1.55%	-0.81%	13.85%	9.12%	5.25%
S&P/ASX Accumulation 200 Index (50% Hedged to the NZD)	1.69%	-0.68%	13.28%	7.24%	6.52%

*Annualised

Major investments

BHP Group Limited	8.3%
CSL Limited	7.5%
Commonwealth Bank of Australia Limited	5.5%
Westpac Banking Corporation	4.4%
National Australia Bank Limited	3.7%
Australia and New Zealand Banking Group Limited	3.4%
Macquarie Group Limited	3.1%
Santos Limited	2.7%
Rio Tinto Limited	2.6%
Telstra Group	2.6%
Major holdings as % of total portfolio	43.79%

Manager's comments

What happened in the markets that you invest in?

The Australian equity market rose 0.92% in June, led by the Financials and Consumer Staples. Local bond yields fell slightly during the month despite a concerning re-acceleration in the monthly consumer price index (CPI) indicator for May. Market estimates were for a 3.8% YoY increase versus the 4.0% recorded.

The Reserve Bank of Australia (RBA) has for some time been amongst the least restrictive of Central banks, with a 4.35% peak cash rate versus the US, UK, Canada and NZ all in the 5.0% to 5.5% range. With re-accelerating inflation, this accommodative stance is being challenged; markets are now pricing around a 50% chance the RBA will need to hike the cash rate again before year end in response.

How did your portfolio perform?

The Australian Equities fund delivered a gross return of 1.55% for the month of June, fractionally underperforming the funds benchmark return of 1.69% by -0.14%.

For the 12 months to the end of June the Australian Equities fund delivered a gross return of 13.85%, comfortably outperforming the funds benchmark return of 13.28% by 0.57%.

Key positive contributors were our overweight positions in diagnostic imaging company Capitol Health and the general insurer, Insurance Australia Group (IAG). Capitol Health surged on news of a proposed merger with a larger sector peer, Integral Diagnostics. The merger valued the business

Risk indicator for the Australian Equities Fund*



at an equity value of \$350.6m, substantially above the pre-announcement value of around \$260m. IAG performed strongly after securing a favourable reinsurance deal with Berkshire Hathaway, which should lower future earnings volatility.

Key negative contributors to performance were our overweight position in fuel retailer Viva Energy and our underweight position in major bank, Commonwealth Bank of Australia (CBA). Viva sold-off on the back of weaker margin expectations for their refining operations and potentially softer convenience store sales. CBA is the largest bank in Australia and a resilient Australian economy and benign credit environment have driven bank share prices higher. We view the CBA franchise as the highest quality in the sector, but struggle with its valuation.

We actively manage the fund's foreign currency exposures. As at 30 June 2024, these exposures represented about 98% of the value of the fund. After allowing for foreign

currency hedges in place, around 65% of the value of the fund was unhedged and exposed to foreign currency risk.

What are we thinking about the future?

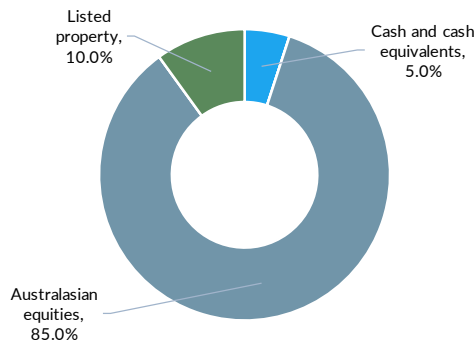
With low unemployment, strong wage growth and substantial tax cuts on the way, we think the Australian consumer will remain relatively healthy and anticipate a slow grind down in inflation. The RBA have proven repeatedly they have no willingness to raise rates further, but this means the odds of meaningful rate cuts in 2025 remain quite low.

The combination of a tight labour market, tax cuts and modestly high rates suggests a challenging outlook for highly leveraged firms, like most of the real estate sector. However, the economy remains supportive for lenders and those stocks exposed to the domestic consumer.



Jason Lindsay, CA
Head of Equities

Target Asset Allocation



Things to note

- Manager: Forsyth Barr Investment Management Limited
- Investment manager: Octagon Asset Management Limited
- Date the fund started: 26 June 2008
- Tax status: Portfolio Investment Fund (PIE)
- Minimum suggested investment time frame: At least five years
- Benchmark: None
- 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 1.15% 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 September 2022. 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/disclosureinformation, by contacting your Investment Adviser, or by calling 0800 628 246.