

Octagon Investment Funds

New Zealand 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/new-zealand-equities-fund/.



Return comparison	1 Month	3 Months	1 Year	3 Years*	Since inception*
Net Fund Return^	-1.93%	-5.52%	-3.26%	-1.23%	9.99%
Gross Fund Return	-1.84%	-5.26%	-2.15%	-0.05%	11.29%
S&P/NZX 50 Gross with Imputation Index	-1.19%	-3.13%	-0.83%	-1.74%	9.46%

*Annualised

Major investments

Fisher & Paykel Healthcare Corporation Limited	10.9%
Infratil Limited	8.1%
Contact Energy Limited	7.4%
Auckland International Airport Limited	6.7%
Spark New Zealand Limited	6.6%
Meridian Energy Limited	5.3%
Mainfreight Limited	4.4%
Ebos Group Limited	4.0%
SKYCITY Entertainment Group Limited	3.9%
Sky Network Television Limited	3.4%
Major holdings as % of total portfolio	60.79%

Manager's comments

What happened in the markets that you invest in?

The economic cooling in the New Zealand economy continued to negatively affect share prices in June. Stocks exposed to consumer demand such as retailers, construction firms and leisure activities continued to see their share prices decline. Stocks benefiting from strong pricing power or with offshore demand tended to do better, including insurance, electric utilities, and computer software. The overall market delivered a return of -1.2%.

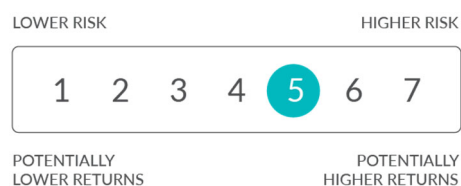
Sky City Entertainment (SKC) and Kathmandu (KMD) had the largest falls, both announcing profit downgrades and weak near-term outlooks. Interestingly, both see consistent foot traffic, but consumers spending less per visit. On the positive side, Infratil increased 7.1% after raising over \$1Bn dollars to fund growth in its Data Centre and Renewable Energy businesses. Skellerup rallied after a large fall the previous month, noting that more than 75% of its sales are offshore.

How did your portfolio perform?

The New Zealand Equities Fund delivered a gross return of -1.84% for the month of June, slightly underperforming the fund's market index return of -1.19% by -0.65%.

For the 12 months to the end of June, the New Zealand Equities Fund delivered a gross return of -2.15%, underperforming the fund's market index of -0.83% by -1.32%.

Risk indicator for the New Zealand Equities Fund*



The top contributors to relative performance were our overweight positions in Tower Limited (insurance) and NZME (media). Tower delivered a further upgrade to earnings guidance, whilst the NZME move reflected some competitors downsizing, rather than upgraded expectations around current earnings. Our overweight positions in SKC and underweight in Fisher and Paykel Healthcare (FPH) were the biggest detractors.

What are we thinking about the future?

The market is focused on near-term earnings risk and stock prices exposed to consumers are now trading at cyclical lows. The expected profit downgrades have arrived, but demand weakness in these areas has proven even greater than we expected. On a population adjusted basis, discretionary demand is weaker now than during the GFC in 2009. Profits over the next six months are unlikely to rebound in our opinion.

When we look for circuit breakers to drive a recovery, the obvious one is the RBNZ cutting interest rates as weak consumer demand translates into lower inflation. However, increases in unavoidable costs like council rates and insurance keep headline inflation high and therefore reduce the options for the central bank, while also depressing demand and discretionary spending elsewhere.

At this point in the cycle, we often find areas of over-valuation (investors crowding into stocks with low earnings risk irrespective of price) and under-valuation (investors

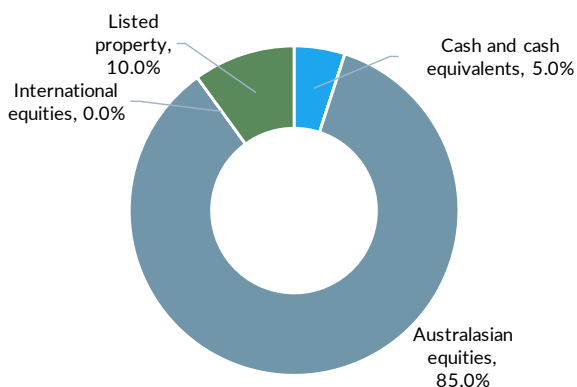
fearing the next profit downgrade and selling at risk stocks, irrespective of price). We continue to back valuation and resist momentum. Our experience suggests we will be well rewarded when the economic outlook improves.

Portfolio positioning remains unchanged, with strong positions in attractively valued firms exposed to the consumer. SKC and Sky Tv fit into this category. These positions are funded by underweights in the property sector and global growth stocks, such as FPH. In FPH's case we believe the current valuation means we should expect very modest future returns.



Paul Robertshawe, CA
Director, Chief Investment Officer

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.