Octagon Investment Funds

New Zealand Equities Fund

Monthly Performance Update as at 28 February 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-equities-fund/.

Return comparison	1 Month	3 Months	1 Year	3 Years*	Since inception*
Net Fund Return^	-3.04%	-3.70%	5.47%	1.83%	10.08%
Gross Fund Return	-2.95%	-3.42%	6.70%	3.03%	11.38%
S&P/NZX 50 Gross with Imputation Index	-2.98%	-3.45%	8.14%	2.56%	9.57%

*Annualised

Major investments

Fisher & Paykel Healthcare Corporation Limited	12.85%
Auckland International Airport Limited	8.41%
Infratil Limited	7.45%
Contact Energy Limited	6.56%
Spark New Zealand Limited	4.72%
Mainfreight Limited	4.38%
Meridian Energy Limited	4.26%
The a2 Milk Company Limited	3.93%
Fletcher Building Limited	3.66%
Ebos Group Limited	3.61%
Major holdings as % of total portfolio	**59.81%**

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 five years
- Market Index: S&P/NZX50 Gross with Imputation Index
- Currency: New Zealand dollars

Risk indicator**

LOWER RISK — HIGHER RISK

1 2 3 **5** 6 7

POTENTIALLY LOWER RETURNS — POTENTIALLY HIGHER RETURNS

View the Product Disclosure Statement for detailed information about this Fund and Octagon Investment Funds Scheme.

Manager's comments

How did your portfolio perform?

The New Zealand Equities Fund delivered a gross return of -2.95% during February, in line with the fund's benchmark return of -2.98%.

For the 12 months to the end of February, the New Zealand Equities Fund delivered a gross return of 6.70%, underperforming the fund's benchmark of 8.14% by -1.44%.

The fund's top performers were our overweight holding in **Tower Insurance**, which reported strong profit growth due to fewer severe storms. Our underweight position in **F&P Healthcare** added relative performance with the share price falling on concerns about tariffs affecting Mexican operations, despite no specific company update.

The fund's relative underperformers were our overweight holding in **Spark**, who reported very disappointing results and missed guidance. We believe however, the market overreacted and have added to our position. Our underweight position in **A2 Milk** detracted, as the company delivered strong financial results although the 37% price surge post result seems excessive given slow international expansion and China's declining population.

What happened in the markets that you invest in?

February is a key reporting month, with over half of the NZX50 companies reporting their December 2024 results. While weak economic growth meant poor profitability was expected, markets had hoped for companies to talk more about the green shoots of a recovery. Since the RBNZ began cutting interest rates in August 2024, the market has gained 4% in anticipation of a recovery; we shared this optimism.

However, despite aggressive rate cuts, businesses and consumers remain hesitant to spend due to government cutbacks, rising costs (insurance, energy, rates), and global uncertainty. Consequently, the NZ equity market declined steeply in February, giving up the gains of the last six months.

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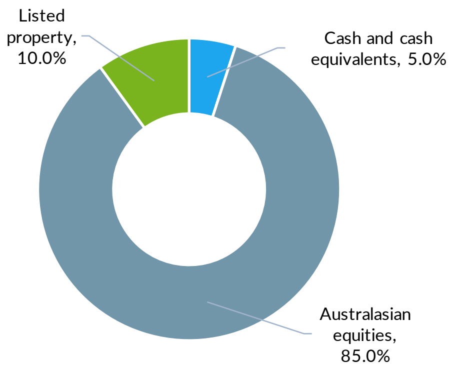
Target Asset Allocation



We still believe New Zealand is at the bottom of its economic cycle. More rate cuts, rising optimism, improving housing demand, and a weak NZ dollar supporting exports are all positive signs. But unemployment may not have peaked, and global instability (trade tensions, geopolitical risks) remains a challenge.

What are we thinking about the future?

As a small trading nation, NZ faces growing uncertainty from trade wars and shifting global rules. Some adjustments are government-driven (bilateral trade deals over WTO reliance), while others are market-driven (currency fluctuations countering tariffs).

Companies like **Skellerup**, in which your fund holds an overweight position, have adapted by adjusting supply chains and pricing strategies to offset tariffs. However, global instability could slow investment as firms focus on restructuring rather than growth. Over time, new trade frameworks will emerge, allowing businesses to adjust and expand.

Our core belief remains that New Zealand will return to economic growth, restoring company profit margins. In a weak economy, businesses struggle to cut costs fast enough to protect profits. When revenue growth resumes, we should expect a strong recovery in margins over time.

We focus on long-term sustainable value, capitalising on market overreactions—both excessive optimism and undue pessimism. The current environment continues to present attractive investment opportunities.

Paul Robertshawe, CA
Director, Chief Investment Officer

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.

^ 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 28 February 2025. See more information about the risks of investing in the Product Disclosure Statement.