

Octagon Investment Funds

New Zealand Fixed Interest Fund

Monthly Performance Update as at 31 October 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/.



Return comparison	1 Month	3 Months	1 Year	3 Years*	Since inception*
Net Fund Return [^]	-0.54%	0.89%	10.88%	2.15%	4.37%
Gross Fund Return	-0.47%	1.08%	11.74%	2.93%	5.29%
Bloomberg NZBond Composite 0+ Yr Index	-0.51%	1.03%	10.91%	1.40%	n/a
S&P/NZX Investment Grade Corporate Bond Index	-0.27%	1.50%	10.64%	2.81%	5.03%

*Annualised

Major investments

New Zealand Government 4.50% 15/05/2030	8.5%
New Zealand Government 1.5% 15/05/2031	6.7%
New Zealand Government 3% 20/04/2029	5.5%
New Zealand Government 14/04/2033 3.5%	5.4%
New Zealand Government 4.50% 15/04/2027	5.4%
New Zealand Government 15/05/2028 0.25%	5.1%
New Zealand Government 15/05/2032 2.00%	4.5%
Westpac New Zealand 1.439% 24/02/2026	3.3%
NZ Government 4.25% 15/05/2034 Green Bond	3.2%
ANZ transactional bank account	3.0%
Major holdings as % of total portfolio	50.68%

Risk indicator for the New Zealand Fixed Interest Fund*

LOWER RISK

HIGHER RISK



POTENTIALLY
LOWER RETURNS

POTENTIALLY
HIGHER RETURNS

Manager's comments

What happened in the markets that you invest in?

October was a negative month, in general, for New Zealand fixed interest investors.

While the easing of New Zealand's monetary policy is in full swing, indeed, the Reserve Bank of New Zealand (RBNZ) slashed its Official Cash Rate (OCR) by 0.50% to 4.75% at the beginning of October, market participants have started to temper expectations around the frequency and magnitude of future OCR reductions, as well as the terminal OCR.

Fatigued market participants took a cautious approach over the month, reducing fixed interest exposure by selling securities, which in turn pushed term interest rates and bond yields higher, resulting in capital losses for investors in the New Zealand Fixed Interest Fund.

How did your portfolio perform?

The New Zealand Fixed Interest Fund delivered a gross return of -0.48% for the month of October marginally outperforming the fund's market index of -0.51%.

For the 12 months to the end of October, the New Zealand Fixed Interest Fund delivered a gross return of 11.73% outperforming the fund's market index return of 10.91% by 0.83%.

Last year we announced a change to the New Zealand Fixed Interest Fund's market index; to easily compare the returns of the previous market index against the current market index please see the table below.

Market index returns for the periods ended 31 October 2024

Market Index	1 mth	3 mths	1 yr	3 yr*	5 yr*	10 yr*
S&P / NZX Investment Grade Corporate Bond Index (previous)	-0.27%	1.50%	10.64%	2.81%	1.54%	3.55%
Bloomberg NZBond Composite 0+ Yr Index (current)	-0.51%	1.03%	10.91%	1.40%	0.10%	2.73%

* annualised

What are we thinking about the future?

General market consensus is that domestic inflation peaked some time ago. Encouragingly, September's annual inflation number of 2.2% was evidence that New Zealand's inflation is now well contained.

Local economic data continues to be poor and notwithstanding the associated actions of the RBNZ, has been the dominant driver of domestic interest rates. In addition, we only have a limited understanding of the economic priorities, other than those reported by mainstream media, of any new American administration post the US elections. And despite the rhetoric for peace, we have no clue as to how global political tensions and conflicts will conclude, if at all. Given this, in our view, we see on-going and excessive market volatility as likely to continue.

The fund's duration, a measure of how sensitive the portfolio is to a given change in New Zealand wholesale interest rates, was around 4.75 years at the end of October and our intention is to increase it to around 5.0 years –

opportunistically as and if term interest rates and bond yields move higher.

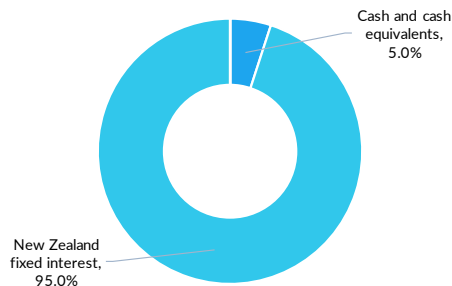
The fund's gross yield to maturity, calculated as the weighted-average gross yield of all securities in the portfolio, was around 4.45% and the weighted-average portfolio credit quality was AA- (where a security does not have an external credit rating we have assigned an internal credit rating based on our assessment).

Our investment strategy is to continue to accumulate New Zealand Government bonds while rationing capital to short-dated non-Government securities. Corporate bond spreads, roughly the difference in price between a Government security and its non-Government equivalent, are simply too tight, in our view. At around long-term averages and do not appropriately reflect the risks of the current economic cycle



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.

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 31 October 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, by contacting your Investment Adviser, or by calling 0800 628 246.