

# Octagon Investment Funds

## New Zealand Equities Fund

### Monthly Performance Update as at 30 September 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/](http://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^	0.05%	6.95%	7.98%	-0.71%	10.29%
Gross Fund Return	0.15%	7.28%	9.23%	0.46%	11.59%
S&P/NZX 50 Gross with Imputation Index	0.05%	6.37%	10.84%	-1.37%	9.72%

\*Annualised

### Major investments

Fisher & Paykel Healthcare Corporation Limited	12.3%
Infratil Limited	8.2%
Auckland International Airport Limited	7.6%
Contact Energy Limited	6.8%
Spark New Zealand Limited	5.5%
Meridian Energy Limited	4.5%
Mainfreight Limited	4.3%
SKYCITY Entertainment Group Limited	3.8%
The a2 Milk Company Limited	3.5%
Ebos Group Limited	3.4%
<b>Major holdings as % of total portfolio</b>	<b>59.85%</b>

### Manager's comments

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

September was a remarkably busy month in the NZ equity market. Auckland Airport raised \$1.4Bn to fund its terminal expansion, whilst Fletcher Building raised \$700m to cover the earnings shortfall resulting from the current recession. Sparks' ability to grow in mobile and data centres while also maintaining a very high dividend payout ratio was met with market skepticism. The share price has sold off aggressively on the risk of a future dividend cut or an equity raise to fund its growth plans.

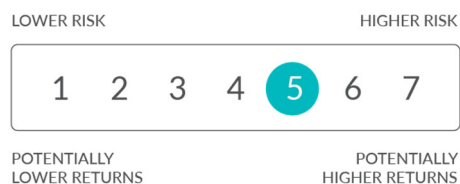
All three of these events, along with SKC's exit from a global index, create opportunities for active managers. Large equity raises usually create short-term trading opportunities, both in the company raising money and in other companies sold by investors to raise funds. When a stock falls out of an index, there are forced sellers (passive funds mostly) who don't care what price they receive, so long as it is the market price on the day. Spark is likely to fall out of an index in November. It is already down 35% over the last five months, and whilst Spark has some operational issues to resolve, this may create an attractive entry point.

#### How did your portfolio perform?

The New Zealand Equities Fund delivered a gross return of 0.15% during September, marginally outperforming with the fund's market index return of 0.05% by 0.10%.

For the 12 months to the end of September, the New Zealand Equities Fund delivered a gross return of 9.23%, underperforming the fund's market index of 10.84% by -1.60%.

### Risk indicator for the New Zealand Equities Fund\*



The top contributors to relative performance were our overweight positions in Tower (TWR) and Fonterra (FSF). TWR has benefited from a year without catastrophic storms and the announcements of a stronger dividend and capital return, whilst FSF announced a very solid result and an upgrade to pre-tax profits for next year.

Sky City (SKC) was once again a poor performer for our fund. The stock was removed from a global market index during the month and completed its five-day shutdown as penance for historical lapses in managing problem gamblers. Port of Tauranga (POT) rallied strongly on little news flow. The company is looking to raise prices to offset several years of shipping disruption and inflation.

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

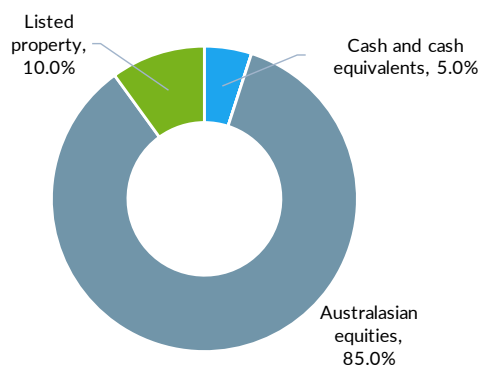
Despite a pull back in the market this month, we are still positive on the outlook for NZ equities, particularly as we look out further into 2025. We are already seeing business and consumer sentiment recover, the RBNZ will continue to cut interest rates and the government will complete its austerity program sometime next year. The next six

months will be difficult as unemployment continues to rise and earnings revisions will most likely be negative until year end. However, we continue to see attractive valuations for many companies on a mid-cycle view.



**Paul Robertshaw, CA**  
Director, Chief Investment Officer

## 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 five years
- Market Index: S&P/NZX50 Gross with Imputation 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 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.

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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 30 September 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.