Octagon

Global Equities Fund

Investor Factsheet for the quarter ended 31 December 2024

	Quarter Performance	1 year	3 years*	5 years*	Since Inception*	Since June 2022*
Gross Fund Return**	2.96%	20.10%	5.17%	7.24%	5.28%	17.68%
MSCI ACWI Net TR Index (50% Hedged)***	6.82%	26.82%	10.40%	13.12%	8.96%	20.02%
Out/under performance	**-3.86%**	**-6.73%**	**-5.22%**	**-5.88%**	**-3.69%**	**-2.34%**
Tracking error	n/a	4.11%	4.85%	5.18%	6.19%	3.97%
Information ratio	n/a	-1.64	-1.08	-1.13	-0.60	-0.59
Sharpe ratio	n/a	2.28	0.06	0.36	0.19	1.21

Key Fund Facts as at 31 December 2024

Fund Name	Global Equities Fund	**Risk Indicator**	1 2 3 4 **5** 6 7
Inception Date	26/06/2008	**Market Index**	MSCI ACWI Net TR Index (50% hedged)
Fund Value (NZD)	$173,792,680	**Unit Price**	$ 1.9051

ATTRIBUTION (ROLLING 4QS TO 31 DECEMBER 2024)

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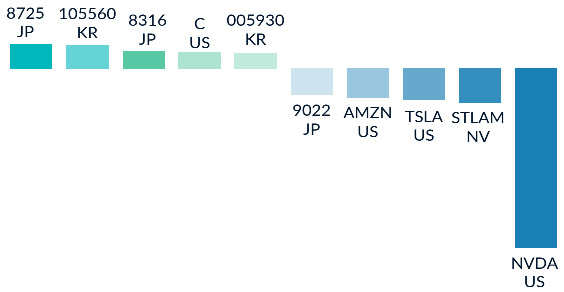
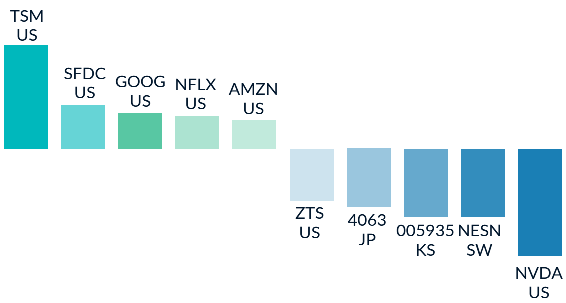
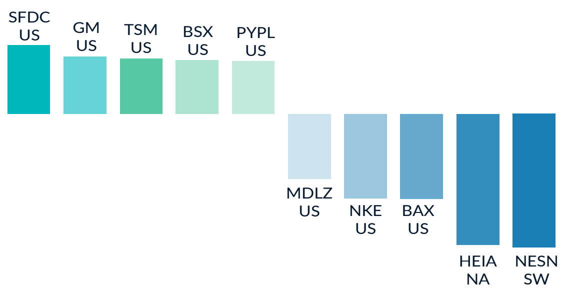


INTERMEDE INVESTMENT PARTNERS



WMR GLOBAL EQUITIES MODEL PORTFOLIO



The fund in its macro context

Global equity markets posted the weakest quarterly performance of the year in the fourth quarter, yet still finished 2024 with a strong year for returns.

The December quarter was led by outperformance in the US and Japan in local currency terms. US equities were particularly volatile around the US presidential election, yet their economy remains strong to the point where the Federal Reserve (the Fed) reduced its forecast for expected interest rate cuts over the next twelve months to 0.5% versus 1.0% prior.

China appears vulnerable to US tariffs, but their government continues to announce stimulus plans to try and offset any potential impact. Despite these stimulus packages being announced over the quarter, it has not led to a consistent recovery in either the equity or property markets.

Analysts are expecting broader earnings growth beyond the large-cap tech stocks in 2025. The S&P 500, excluding the top 10 companies by market-cap, is projected to contribute 9% of the 14% growth in 2025, compared to just 2% of the 9% earnings growth last year. The US represents over 60% of the MSCI All Country World Index (MSCI ACWI) benchmark and we continue to view it as highly valued.

European equity markets improved towards the end of the year with better-than-expected economic indicators suggesting that the region was not likely to enter a recession. Central Banks in Europe continued to stimulate growth with lower interest rates and promise more cuts to come.

* Annualised for periods greater than 1 year

** 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.

***For periods prior to April 2018, the market index/benchmark return used is an unhedged variant of the MSCI ACWI Net Total Return Index in New Zealand dollars.

Japanese stocks stood out this quarter. Optimism about ending deflation and improved corporate reforms led it to become the second best-performing major equity market in the world for the year.

Portfolio attribution

For the quarter to 31 December, the Global Equities Fund delivered a gross return of 2.96%, underperforming the fund's market index return of 6.82%.

For the four quarters to 31 December, the Fund delivered a gross return of 20.10%, underperforming its market index return of 26.82%.

The December quarter was characterised by a mix of US election dynamics, strong inflows into equity markets and rising bond yields driven by the robust US economy.

The top contributors to the fund's performance over the past year were Salesforce, Taiwan Semiconductor (TSMC), and Alphabet (parent of Google). TSMC posted strong quarterly results, with 2024 revenue growth guidance driven by increased demand for advanced processing chips, wafer shipments, and AI server processors. Alphabet's stock rose thanks to developments like "Willow," a quantum computing chip, self-driving car testing with "Waymo," and successful launch of its AI models.

On the other hand, being underweight in the "Magnificent Seven" stocks, especially Apple, and not owning Nvidia and Tesla on valuation grounds, has hurt performance. These seven stocks, which make up just 18% of the MSCI ACWWI benchmark, contributed 40% of the index's return over the past year. This resulted in the fund having a significant underweight in the semiconductor and technology hardware sectors.

Nestlé and Heineken both underperformed again this quarter. Heineken showed mixed regional growth with potential US tariffs on Mexico expected to reduce profit margins. Nestlé's stock fell due to lower sales and margin targets. Uber's share price also dropped due to competition from Waymo and Tesla's self-driving cars.

Continued US dollar strength detracted from over-allocation to the New Zealand dollar in our hedging strategy. A stronger US economy and higher US interest rates have driven continued support for the US dollar, which is now trading well above historic average ranges to most other currencies.

Portfolio conviction

Whilst our managers struggle with the valuations of most of the mega-cap, US based AI companies, they are overweight Alphabet on the back of YouTube's dominance in digital advertising and its presence in the data centre and AI space. The fund is also diversifying into other stocks such as TSMC.

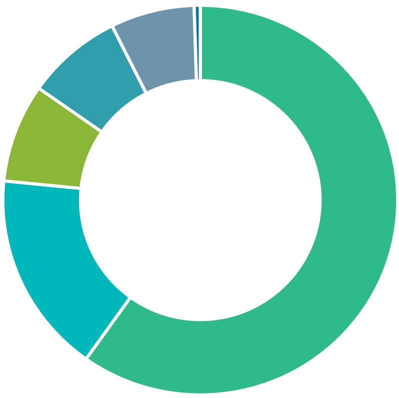
Key positions that are yet to deliver expected returns, such as Nestlé and Heineken, are under constant review.

TOP 10 FUND HOLDINGS AT QUARTER END*

Security	Weight
Microsoft Corp.	4.1%
Alphabet Inc.	4.0%
Amazon.com Inc.	3.2%
Salesforce Inc.	2.3%
Nestle SA	2.3%
Uber Technologies Inc.	1.9%
Apple Inc.	1.9%
Taiwan Semiconductor	1.5%
Meta Platforms Inc.	1.5%
Siemens AG	1.5%
Major holdings as % of total portfolio	**24.2%**

*Provided on a look-thru basis into the underlying investment manager portfolios

SECURITIES BY GEOGRAPHY (PRIMARY LISTING)



- North America, 59.8%
- Europe excl. UK and Ireland, 16.8%
- Asia Pacific excl. Japan, 8.2%
- Japan, 7.9%
- UK and Ireland, 6.9%
- ROW, 0.5%

SECURITIES BY INDUSTRY CLASSIFICATION (GICS)

- Information Technolology, 18.6%
- Health Care, 14.0%
- Consumer staples, 10.5%
- Industrials, 10.5%
- Utilities, 3.5%
- Financials, 15.6%
- Communication Services, 11.3%
- Consumer Discretionary, 9.9%
- Materials, 3.7%
- Energy, 1.6%
- Real Estate, 1.0%

Our managers' fundamental approaches are not designed to react to short term noise or performance, but new information needs to be incorporated into the long-term view.

Uber remains a favoured stock despite facing competition from Amazon and Tesla's self-driving cars. We believe it is still well positioned to benefit from auto-vehicle innovation to drive future growth and cash flow.

Conclusion

The Global equity market in 2024 saw strong share price performance, far ahead of earnings growth, driven by concentration of returns in the largest US domiciled stocks.

While AI innovation and investments in microchip stocks, utilities, and infrastructure for AI power generation offer potential, there are risks of delays in innovation and higher costs hurting margins and return on invested capital. Over the longer term, stock prices typically align with fundamental earnings with valuations that reflect a maturing of the various end markets.

The portfolio remains diversified to achieve attractive risk-adjusted, long-term returns through careful stock selection by the managers.

Investment Philosophy and Thesis

Octagon is an active investment manager. Our investment philosophy focuses on developing a repeatable process that systematically looks for short-to-medium term inefficiencies in market pricing of securities with a solid economic basis and a good management team to deliver long term, measurable alpha.

The most common and persistent market inefficiencies we find are:

- excessive focus on near term earnings
- market dislocations and liquidity events
- temporary governance failures
- irrational investor behaviour

In the global equities space, we hire external managers who have proven track records, robust processes and exploit specific investment styles, whilst maintaining diversification in and between the funds.

Portfolio Manager

Christine Smith-Han
Strategy Analyst

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