

New Zealand Equities Fund

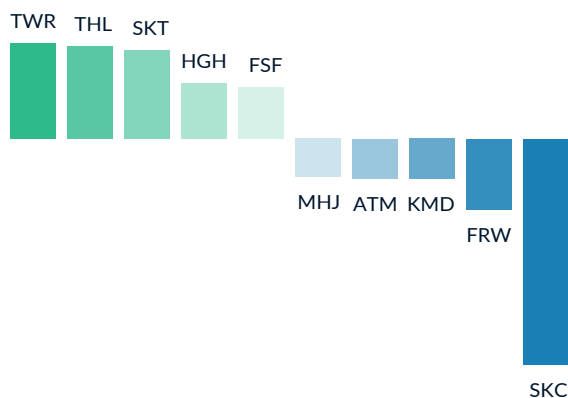
Investor Factsheet for the quarter ended 30 September 2025

	Quarter Performance	1 year	3 years*	5 years*	Since Inception*	Since Sep 2019*
Gross Fund Return**	5.50%	8.53%	7.21%	5.64%	10.82%	5.93%
S&P/NZX 50 Gross with Imputation Index***	5.79%	7.75%	7.15%	3.29%	8.79%	4.10%
Out/under performance	-0.29%	0.78%	0.06%	2.35%	2.03%	1.83%
Tracking error	n/a	2.05%	2.22%	2.42%	3.56%	2.52%
Information ratio	n/a	0.38	0.03	0.97	0.57	0.73
Sharpe ratio	n/a	0.48	0.26	0.23	0.75	0.26

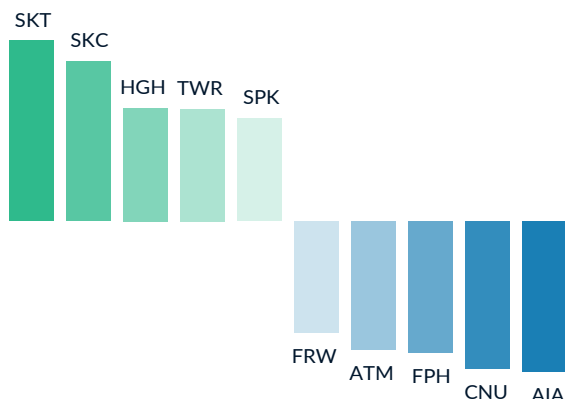
Key Fund Facts as at 30 September 2025

Fund Name	New Zealand Equities Fund	Risk Indicator	1 2 3 4 5 6 7
Inception Date	26/06/2008	Market Index	S&P/NZX 50 Gross with Imputation
Fund Value (NZD)	\$137,110,912	Unit Price	4.3413

ATTRIBUTION (ROLLING 4QS TO 30 SEPTEMBER 2025)



PORTFOLIO CONVICTION (AS AT 30 SEPTEMBER 2025)



The fund in its macro context

The August reporting season showed few signs of profit growth returning to cyclical sectors. This was as expected, with the most gratifying outcome being that both companies and sell side analysts have now rebased their operating models and profit forecasts to reflect current conditions, rather than relying on an as yet unseen macro recovery.

The Reserve Bank of New Zealand (RBNZ) has accelerated and deepened the current interest rate cutting cycle as economic growth remains weaker than their forecasts. With inflation not fully tamed yet we are not likely to get back to the sub 2% rates seen pre-Covid, but the cuts are a welcome reprieve for the economy and equity market.

Global volatility remains high, with the US-led tariff battles likely to have the most direct spill-over effects for New Zealand companies. It is not easy to raise US\$ prices to offset tariffs for most companies.

Portfolio attribution

For the quarter ended 30 September the New Zealand Equities Fund delivered a gross return of 5.50% modestly underperforming the fund's benchmark return of 5.79%.

On a rolling four quarters basis to 30 September, the Fund delivered a gross return of 8.53%, outperforming the fund's benchmark return of 7.75%.

We had a roughly equal number of positive and negative surprises through the key August reporting season, however a big miss by our second largest position, Sky City Entertainment (SKC) dragged overall returns below the benchmark. SKC downgraded guidance for 2026 profits (to levels we are comfortable with) but also announced a significant equity raise. We were aware of the potential equity raise to lower gearing, but our base case was that

* Annualised

** Gross Fund Returns are calculated before deduction of taxes and fund charges but after deduction of trading expenses and including imputation credits where applicable. For periods prior to April 2018 the Gross Funds Returns do not include imputation credits.

***For periods prior to April 2018, the market index/benchmark return used is S&P/NZX50 Gross index. Market index returns do not have any deductions for fund charges, trading expenses or tax.

it could be avoided through non-core asset sales. Issuing new equity at half asset backing, when there were clearly other alternatives available is not a value accretive strategy and we have engaged with both the SKC board and management on the decision to raise equity at this time. We modestly increased our overweight through the process.

Positive attribution for the quarter was delivered across multiple positions with Heartland Bank (HGH) and Restaurant Brands (RBD) being the most notable. Heartland produced an in-line result which gave the market more confidence in medium term profitability whilst RBD received a takeover bid at a circa. 70% premium to its undisturbed share price.

Portfolio conviction

We build our portfolios based on medium term, risk adjusted expectations of profits and cash flows – not on expectations for the next profit result or GDP print. As such we often enter (or exit) stocks before news flow or profit momentum turns positive (or negative). This has been a successful approach over a very long timeframe, but it does require patience.

We think the recent takeover bids for Tourism Holdings, Comvita and Restaurant Brands endorse our investment process. None of those companies are expected to report positive earnings momentum in the next six months, but their valuations, based on a reasonable view of mid-cycle profitability, had become highly attractive in our view.

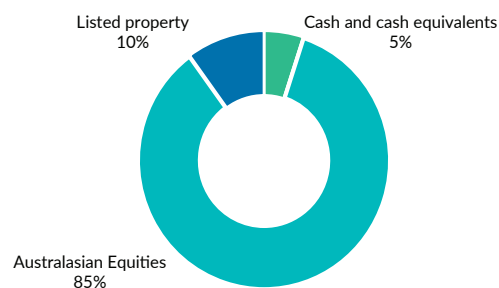
Sky City Entertainment continues to test our patience, but our overall investment thesis remains intact. The company's recent equity raise, at what we consider to be a cheap price based on bottom of the cycle earnings, has destroyed some of the upside to our investment thesis, but the potential upside from the current share price remains very material in our view.

In general terms, we remain overweight consumer exposed stocks and underweight defensives and global growers. All these positions are based on our assessment of the relative attractiveness of the company's valuations, which account for both quality and risk.

TOP 10 FUND HOLDINGS AT QUARTER END

Security	Weight
Fisher & Paykel Healthcare Corporation Limited	13.9%
Infratil Limited	7.8%
Auckland International Airport Limited	7.4%
Contact Energy Limited	5.2%
Spark New Zealand Limited	4.9%
Meridian Energy Limited	4.9%
Mainfreight Limited	4.1%
Ebos Group Limited	3.9%
Ryman Healthcare Limited	3.3%
The a2 Milk Company Limited	3.2%
Major holdings as % of total portfolio	58.6%

TARGET ASSET ALLOCATION



Conclusion

With earnings expectations now looking more achievable and an aggressive interest rate cutting cycle well underway, the New Zealand equity market should be able to respond strongly to signs of economic recovery. We have seen that in the listed property space already with asset valuations stabilising, forecast lower interest expenses and a significant yield premium to term deposits attracting investors back to the sector.

For stocks exposed to consumer spending, we may yet still need to see more confidence in employment prospects to accompany the lower mortgage and rental costs that will eventually filter through from OCR cuts before we see a recovery in corporate profit. In our view, many of these stocks trade at valuations not seen since the global financial crisis, with a recovery to mid cycle profit margins likely to drive strong investment returns.

The large group of defensive stocks, like utilities and healthcare companies also benefit from lower interest rates, but do not offer the same earnings upside given their profits have not suffered materially through the economic downturn.

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:

- thin research coverage, especially in the New Zealand market
- excessive focus on near term earnings
- market dislocations and liquidity events
- temporary governance failures
- irrational investor behaviour

For Octagon, "value" means not overpaying for the promise of future growth by developing a fundamental understanding of a business, its financial metrics, return on invested capital and then scenario testing the investment model under different macro conditions.

Portfolio Manager



Paul Robertshawe, CA
Director, Chief Investment Officer