

## Australian Equities Fund

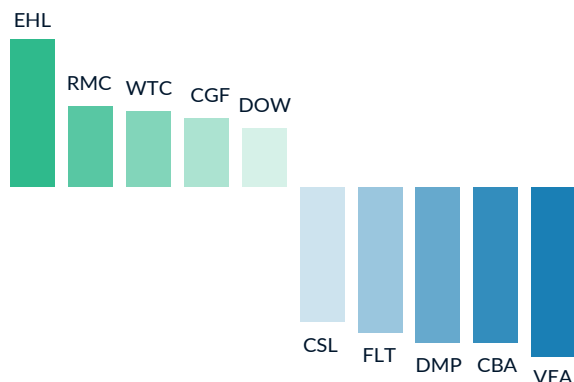
Investor Factsheet for the quarter ended 30 September 2025

|                                                | Quarter<br>Performance | 1 year | 3 years* | 5 years* | Since<br>Inception* | Since<br>Nov 2019* |
|------------------------------------------------|------------------------|--------|----------|----------|---------------------|--------------------|
| Gross Fund Return**                            | 7.17%                  | 8.95%  | 14.35%   | 13.76%   | 5.74%               | 10.14%             |
| S&P/ASX Accumulation 200 Index (50% Hedged)*** | 7.61%                  | 12.95% | 15.63%   | 13.91%   | 6.71%               | 9.52%              |
| Out/under performance                          | -0.43%                 | -4.00% | -1.29%   | -0.14%   | -0.97%              | 0.62%              |
| Tracking error                                 | n/a                    | 2.15%  | 1.73%    | 2.23%    | 5.60%               | 2.44%              |
| Information ratio                              | n/a                    | -1.86  | -0.74    | -0.07    | -0.17               | 0.25               |
| Sharpe ratio                                   | n/a                    | 0.48   | 0.88     | 0.88     | 0.18                | 0.48               |

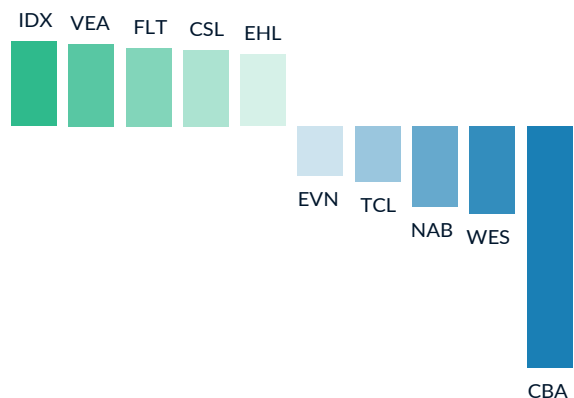
### Key Fund Facts as at 30 September 2025

|                  |                          |                |                                             |
|------------------|--------------------------|----------------|---------------------------------------------|
| Fund Name        | Australian Equities Fund | Risk Indicator | ①②③④⑤⑥⑦                                     |
| Inception Date   | 26/06/2008               | Market Index   | S&P/ASX Accumulation 200 Index (50% Hedged) |
| Fund Value (NZD) | \$109,373,171            | Unit Price     | 2.1007                                      |

### ATTRIBUTION (ROLLING 4QS TO 30 SEPTEMBER 2025)



### PORTFOLIO CONVICTION (AS AT 30 SEPTEMBER 2025)



### The fund in its macro context

Australian equities rose 4.7% for the third quarter, extending the 9.5% rally from the June quarter. Globally, a broad risk-on tone continued, supported by AI-led momentum, resilient earnings and easier policy from the US Federal Reserve.

Domestically, the Australian market has reassessed the interest-rate path and is now pricing less than one further Reserve Bank of Australia (RBA) cut in 2025. Inflation remains sticky at around 3.0%, with service prices surprisingly firm, while the labour market remains tight, and GDP growth accelerating.

### Portfolio Attribution

For the quarter ended 30 September the Australian Equities Fund delivered a gross return of 7.17%, underperforming the fund's benchmark return of 7.61%.

On a rolling four quarters basis to 30 September, the fund returned 8.95%, underperforming the market index return of 12.95%.

Key drivers of relative performance are little changed from last quarter. Our underweight in Commonwealth Bank (CBA) and overweight in Viva Energy (VEA) were headwinds as previously discussed. CBA underperformed by roughly 10% in the September quarter, which helped relative performance, but it only unwinds a portion of the earlier multiple expansion.

\* 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. 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 S&P/ASX Accumulation 200 Index in New Zealand dollars.

Among our overweights, Domino's Pizza Enterprises (DMP) and Flight Centre (FLT) lagged over the last four quarters. FLT was weak after guidance downgrades linked to softer customer activity following "Liberation Day" tariffs and conflict in the Middle East along with a A\$30m loss due to under-performance and non-recurring costs in Asia reported at the time of their full year result. Profitability remains highly sensitive to volume rebates from vendors and lower than expected volumes through that period reduced realisation. With geopolitical conditions stabilising, we expect volumes and revenues to recover through FY26.

Our modest overweight in DMP is under review after weaker than expected same-store sales and a curious pivot toward 'everyday low pricing'. We see increased execution risk that this could pressure sales, risking operating deleverage. Management has also signalled selling, general and administrative expense cost savings, but with limited quantification and indicating reinvestment of the savings into marketing and franchisee support rather than supporting earnings.

Further underperformance was caused by the portfolio being underweight gold stocks as the gold price rallied hard in September due to economic uncertainty from government debt and potential inflation, concerns about a potential US government shutdown, and political worries surrounding the independence of the Federal Reserve. These factors, combined with market expectations of an impending US interest rate cut, increased demand for gold as a safe haven asset and a hedge against inflation and currency depreciation.

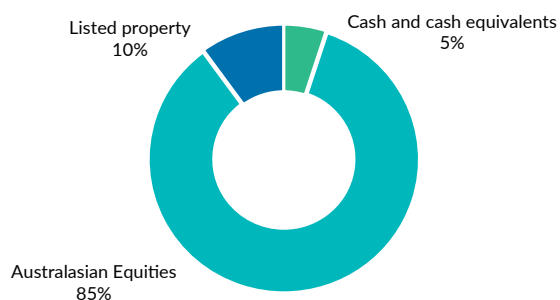
Two of our small-cap overweights have boosted performance; Emeco Holdings and Resimac Group. Resimac's new management focus on ROE expansion and capital discipline drove a re-rating from depressed levels. Acquisitions in asset finance lifted higher-margin volumes, whilst easing funding costs also supported margins. Over the last 12 months, management released substantial excess capital and paid a \$0.07 in ordinary dividends plus \$0.12 in special dividends on a 78c share price; an extraordinary ~24% yield! All while still growing earnings and improving the ROE trajectory. The share price is up roughly 50% over the past year.

Emeco delivered another strong result that led the market to recalibrate expectations for earnings growth and returns on capital. After earlier strategic missteps, improved discipline under new management has rebuilt confidence, and confirmation of unsolicited interest from several potential acquirers further supported sentiment. We view Emeco as having under-appreciated quality where valuation has lagged peers delivering similar results.

#### TOP 10 FUND HOLDINGS AT QUARTER END

| Security                                      | Weight       |
|-----------------------------------------------|--------------|
| BHP Group Limited                             | 7.9%         |
| Commonwealth Bank of Australia Limited        | 6.4%         |
| Westpac Banking Corporation                   | 5.1%         |
| CSL Limited                                   | 4.8%         |
| Australia and New Zealand Banking Group Ltd   | 3.9%         |
| National Australia Bank Limited               | 3.7%         |
| Macquarie Group Limited                       | 2.8%         |
| Goodman Group                                 | 2.5%         |
| Wesfarmers Limited                            | 2.5%         |
| Telstra Group                                 | 2.4%         |
| <b>Major holdings as % of total portfolio</b> | <b>42.0%</b> |

#### TARGET ASSET ALLOCATION



#### Portfolio Conviction

With valuations stretched in parts of the market, we continue to favour businesses with resilient balance sheets, disciplined capital allocation and defensible earnings across a range of macro-outcomes. Our process targets company's where these attributes, and growth potential, are under-appreciated by the market.

Our conviction overweights include Integral Diagnostics (IDX), Viva Energy (VEA) and Flight Centre (FLT). At IDX the turnaround remains on track with scope for cost synergies, better utilisation and margin expansion. In VEA, despite recent retail headwinds, we see material earnings upside over coming quarters from its OTR store conversions and signalled acquisition synergies. Successful execution could drive a re-rating from roughly 10x P/E compared with the market near 19x. We have added to FLT on weakness as conditions normalise and volumes recover. We expect revenue and earnings to lift, with supplier rebates providing additional operating leverage.

We remain underweight the major banks, where valuations appear stretched. CBA and National Australia Bank (NAB) are among our largest underweights. With full valuations and only modest earnings upside, we see better risk-adjusted opportunities elsewhere. We are also

underweight Wesfarmers. While execution in Bunnings and K-Mart has been strong, the shares trade around 35× 12-month forward earnings and most group cash flows come from mature businesses. In our view, the premium already prices-in much of the optionality from newer initiatives without fully reflecting execution risk.

## Conclusion

Despite a mild loosening in the labour market, we expect the Australian economy to accelerate over the coming quarters. Credit growth, rising real incomes and wealth effects are supporting economic activity, which is constructive for equities. Barring an unexpected escalation in trade frictions or a sharp US slowdown, we see scope for market strength to extend into year-end.

Valuations look stretched in parts of the market – not least of all the banks and some of the consumer sector – so we remain focused on risks. Our focus is on companies trading at more attractive multiples and underappreciated scope to expand margins and earnings.

## 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
- 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



**Jason Lindsay, CA**  
Head of Equities