

New Zealand Fixed Interest Fund

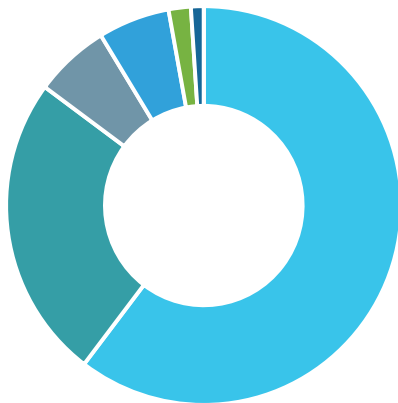
Investor Factsheet for the quarter ended 30 September 2025

	Quarter Performance	1 year	3 years*	5 years*	Since Inception*
Gross Fund Return**	3.16%	6.46%	6.80%	2.07%	5.34%
Bloomberg NZBond Composite 0+ Yr Index***	3.00%	5.91%	6.12%	1.45%	5.07%
Out/under performance	0.16%	0.55%	0.68%	0.62%	0.27%
Tracking error	n/a	0.15%	0.37%	0.40%	0.90%
Information ratio	n/a	3.59	1.84	1.53	0.30
Sharpe ratio	n/a	1.12	0.49	-0.30	0.79

Key Fund Facts as at 30 September 2025

Fund Name	New Zealand Fixed Interest Fund	Risk Indicator	1 2 3 4 5 6 7
Inception Date	26/06/2008	Market Index***	Bloomberg NZBond Composite 0+Yr
Fund Value (NZD)	\$276,053,647	Yield to maturity ¹	3.80%
Unit Price	2.1318	Duration (years) ¹	4.80
		Average credit quality ²	AA-

INVESTMENTS BY SECTOR



- NZ Government Stock, 60.4%
- Corporate Investment, 24.8%
- LGFA Securities, 6.1%
- Cash and cash equivalents, 5.9%
- Supranationals, 1.8%
- Local Authority stock, 1.0%

The fund in its macro context

The September quarter was generally another positive quarter for investors in the New Zealand Fixed Interest Fund, with returns to investors a combination of the fund's gross yield-to-maturity and capital gains.

Lingering bullish momentum from the Reserve Bank of New Zealand's (RBNZ) dovish pivot in August was reignited by June's negative -0.90% gross domestic product (GDP) released in September; emboldened market participants repriced the terminal Official Cash Rate (OCR) lower, somewhere between 2.25% to 2.50% by year-end.

Portfolio attribution

For the quarter to 30 September the New Zealand Fixed Interest Fund delivered a gross return of 3.16%, outperforming the fund's benchmark return of 3.00%.

On a rolling four quarters to 30 September, the Fund delivered a gross return of 6.46%, significantly outperforming the fund's benchmark return of 5.91%.

* 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 July 2023 the market index/benchmark return is the S&P/NZX Investment Grade Corporate Bond Index.

¹ Portfolio yield to maturity is the weighted average yield to maturity of the securities within the fund. Portfolio duration is the weighted average modified duration of the securities within the fund.

² Average credit quality is the weighted average credit rating of the securities held within the fund. Where an issue is not rated, we have used the issuer rating. Where both are unrated, we have assigned an internal rating.

Portfolio conviction

Now that the RBNZ is on-track to nosedive monetary policy into an overtly stimulatory setting we're likely to take a more cautious approach to portfolio management. Indeed, we're tentatively thinking about the next leg in the economic cycle, which we expect to be mildly inflationary

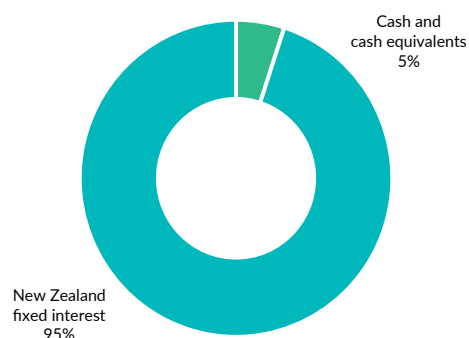
To be clear, we do not anticipate inflation to surprise to the upside as it did a few years ago, it's more around our expectation of domestic inflation settling above 2.50%, rather than around the 2.00% mid-range of the official target, especially now that the regulator is priming the economy with cycle-low interest rates.

Indeed, we intend to trim our duration (portfolio interest rate sensitivity) target back from 5.0 years to closer to 4.50 years. We're also shifting our focus away from nominal New Zealand Government bonds that pay a fixed coupon to New Zealand Government inflation bonds that yield a return based on inflation rates (actual and expected).

The fund's gross yield to maturity, calculated as the weighted-average gross yield of all securities in the portfolio, was 3.80% and the weighted-average portfolio credit quality was AA- (where a security does not have an external credit rating, we assign an internal credit rating based on our assessment). We use the lowest available credit rating for New Zealand Government bonds, Fitch's AA+.

Along with adding New Zealand Government inflation-linked bonds to the portfolio we'll also be selecting non-Government or credit securities that offer a return that we assess to be in excess of our expected inflation uptick.

TARGET ASSET ALLOCATION



FUND CREDIT BREAK-DOWN

Credit rating	% exposure
AAA	2%
AA+	69%
AA	4%
AA- to A-	9%
BBB	14%
Speculative	2%

TOP 10 FUND HOLDINGS AT QUARTER END

Security	Weight
New Zealand Government 1.5% 15/05/2031	9.3%
New Zealand Government 14/04/2033 3.5%	6.3%
New Zealand Government 15/05/2028 0.25%	5.7%
New Zealand Government 4.50% 15/05/2030	5.2%
New Zealand Government 3% 20/04/2029	5.2%
New Zealand Government 15/05/2032 2.00%	4.9%
New Zealand Government 4.5% 15/05/2035	4.8%
ANZ transactional bank account	4.8%
NZ Government 4.25% 15/05/2034 Green Bond	4.5%
New Zealand Government 4.50% 15/04/2027	3.8%
Major holdings as % of total portfolio	54.5%

Conclusion

Over the next few months, we anticipate the larger share of investor returns will come from the portfolio's gross yield-to-maturity, rather than the continuation of out-sized capital gains, as more recently enjoyed by the fund's investors.

Accordingly, the priority as we move into year-end will be to build the fund's gross yield-to-maturity by accumulating shorter-dated securities that offer a material premium over the cash rate and short-term wholesale rates.

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.

Octagon builds its fixed interest and cash portfolios based on several investment philosophies, namely:

- That the risk free rate oscillates around the neutral cash rate as the regulator implements monetary policy.
- New Zealand fixed interest and cash investors have historically been rewarded for credit more than duration.
- Successful research can identify attractive investment opportunities within the credit sector.
- New Zealand fixed interest and cash markets provide multiple sources for alpha generation from; duration, yield curve positioning, sector and security selection and secondary market trading.
- New Zealand Fixed Interest and Enhanced Cash funds are both core strategies not unreasonably constrained by benchmarks.

Portfolio Manager



Craig Alexander
Head of Fixed Interest and ESG