

Enhanced Cash Fund

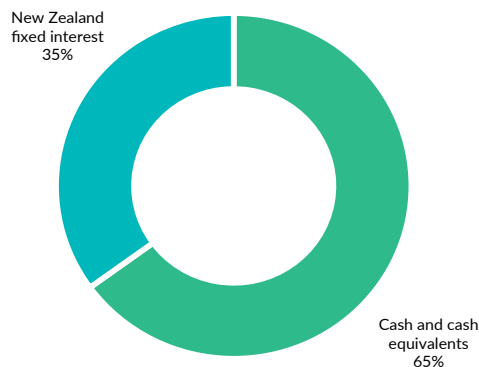
Investor Factsheet for the quarter ended 30 September 2025

	Quarter Performance	1 year	Since Inception
Gross Fund Return	1.10%	4.80%	5.74%
S&P/NZX Bank Bills 90-Day Index	0.85%	4.11%	5.06%
Out/under performance	0.25%	0.69%	0.68%

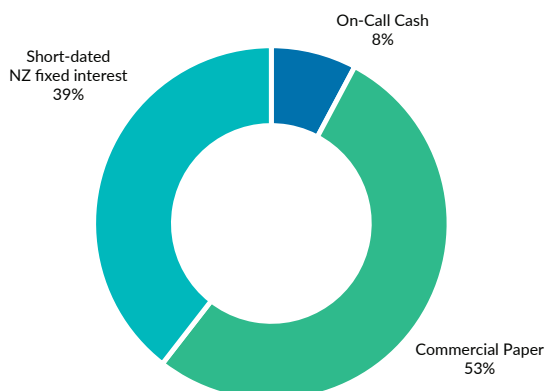
Key Fund Facts as at 30 September 2025

Fund Name	Enhanced Cash Fund	Risk Indicator	1 2 3 4 5 6 7
Inception Date	07/06/2023	Market Index	S&P/NZX Bank Bills 90-Day
Fund Value (NZD)	\$80,249,515	Yield to maturity ¹	3.40%
Unit Price	1.1288	Duration (years) ²	0.20

TARGET ASSET ALLOCATION



SECURITY TYPES FOR THE QUARTER



The fund in its macro context

The September quarter was strong for investors with exposure to short-dated fixed interest investments. One- and two-year New Zealand dollar swap rates fell by 0.60% and 0.56% respectively over the quarter, providing capital gains to bondholders.

This strong move lower in interest rates was driven by both generally dovish Reserve Bank of New Zealand (RBNZ) policy signals and softer economic data. The quarter began with a pause in the easing cycle, the first since August 2024. This was very much a 'wait and see' pause as the RBNZ wanted to wait for more data to become available before easing further. Easing restarted at the August Monetary Policy Statement (MPS) with a 0.25% cut to the Official Cash Rate (OCR), and the OCR forward track was revised significantly lower to a low of 2.55%.

Further, the meeting summary of record indicated two committee members even favoured a larger cut – which surprised markets. A sharp downside surprise in Q2 GDP (-0.9%) prompted a further reassessment, with markets pricing a potential OCR trough near 2.25%. While inflation printed in-line with expectations and some forward indicators (e.g. BNZ/BusinessNZ surveys, ANZ's Truckometer) showed tentative signs of improvement, broader economic conditions remained weak, with manufacturing and services activity largely in contraction or stagnation.

Portfolio attribution

For the quarter ended 30 September, the Enhanced Cash Fund delivered a gross return of 1.10%, outperforming the fund's benchmark return of 0.85%.

* 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.

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

² Portfolio duration is the weighted average modified duration of the securities within the fund.

On a rolling four quarters to 30 September, the fund delivered a gross return of 4.80%, 0.69% above the benchmark return of 4.11%.

The fund's duration began the quarter at approximately 0.38 years and ended at around 0.18 years, reflecting the fund taking profits on its short-dated bonds as interest rates fell.

The fund's yield of 3.80% at the beginning of the quarter also contributed to outperformance, representing a significant premium to the OCR over the period.

Credit spreads on commercial paper (which makes up approximately 50% of the portfolio) reached their tightest point in July, before widening into the end of the quarter.

Portfolio conviction

Weak economic data has seen expectations for the future level of the OCR fall almost as low as 2.00%, versus the current OCR of 2.50%. With further easing already priced-in we find it difficult to expect much further downside in short-term interest rates – however turning points in the economy are notoriously difficult to predict so we stick to our long-term investment strategy of building a high-quality portfolio of liquid, short-dated securities that pay a premium to the OCR. Key to this in the current environment is keeping interest rate duration short.

In the fixed interest portion of the portfolio, we have continued to sell our short-dated fixed rate bonds that saw significant capital gains as rates fell, and rotated proceeds into Floating Rate Notes (FRNs) issued by high-quality corporates. The most recent FRN deal we participated in was Auckland International Airport's new issue, which priced at a margin of 0.65% over the bank bills rate. We favour FRNs at this stage in the cycle, as they have minimal exposure to interest rate movements (given that the coupons reset frequently).

Conclusion

We believe there is substantial opportunity for active management in cash, cash equivalents, and short-dated New Zealand fixed interest. The peak in the interest rate cycle has delivered strong capital gains to the portfolio since inception.

As active managers, our focus now shifts from maintaining duration to earning a quality premium over the cash rate via credit spreads. However, in response to what we consider unjustified market movements in interest rates, we will look to trade duration, within defined risk limits, as we see fit.

FUND CREDIT BREAK-DOWN

Credit profile ³	%
AA (+ to -)	32%
A (+ to -)	25%
BBB (+ to -)	42%

³ Where an issue is not rated we have used the Issuer rating. Where both are unrated we have assigned an internal rating.

TOP 10 FUND HOLDINGS AT QUARTER END

Security	Weight
Bank of China Call Account	5.0%
Kiwibank FRN 13/06/2028	4.9%
Property for Industry Limited 4.25% 01/10/2025	3.9%
Kiwi Property Group Limited 11/12/2025 4.06%	3.8%
NZ Local Gov't Funding Agency Ltd CP 20/11/2025	3.7%
CBA FRN 18/10/2027	3.6%
Tax Management NZ Tributum Trust CP 28/11/2025	3.1%
Investore Property Limited 2.40 %31/08/2027	3.1%
Bank of New Zealand FRN 23/11/2026	2.5%
Genesis Energy Limited CP 01/10/2025	2.5%
Major holdings as % of total portfolio	36.2%

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