

Amova NZ Corporate Bond Strategy

Monthly Update 31 March 2026

Assets are held in the Amova Wholesale NZ Corporate Bond Fund. The Amova NZ Corporate Bond Fund (retail) and the GoalsGetter KiwiSaver Scheme Amova NZ Corporate Bond Fund invest in units in the wholesale fund, which the commentary refers to.

Market Overview

- It was a tough quarter for New Zealand bonds as interest rates moved higher following the advent of war in the Middle East and surge in energy prices.
- The NZ yield curve remains steeply positive shaped with higher yields achieved through investing longer in maturity.
- New Zealand credit margins have remained little changed with demand strong at higher yields.

Fund Highlights

- The rise in interest rates over March was the primary driver of the negative fund returns for the quarter, with longer duration exposures underperforming.
- NZ government bonds performed marginally better than similar maturities of swaps. Credit margins were resilient to the risk off sentiment, and the fund remains high in credit quality.
- Looking forward, the fund is well positioned to deliver strong performance over the medium term, underpinned by carry and roll strategies in a steep, positive yield curve environment.

Performance

	One month	Three months	One year	Three years (p.a.)	Five years (p.a.)	Ten years (p.a.)
Wholesale¹	-1.73%	-0.54%	4.30%	6.29%	2.98%	4.06%
Benchmark²	-1.08%	-0.24%	4.06%	5.89%	2.72%	3.21%
Retail³	-1.78%	-0.70%	3.58%	5.56%	2.26%	3.28%
KiwiSaver³	-1.73%	-0.65%	3.52%	5.50%	2.22%	

- Returns are before tax and before the deduction of fees and including tax credits (if any).
- Current benchmark: Bloomberg NZBond Credit 0+ Yr Index. No tax or fees.
- Returns are before tax and after the deduction of fees and expenses and including tax credits (if any).

Portfolio Manager

Fergus McDonald,
Head of Bonds and
Currency



Fergus is responsible for the investment of the Bond, Cash and Currency mandates.

Fergus has been actively involved in the New Zealand financial markets since 1981. The portfolio management team for the domestic fixed income funds includes Ian Bellew, Senior Fixed Income Manager, Matthew Johnson, Senior Fixed Income Manager and Pranav Gakhar, Investment Analyst.



Awards 2025

Fund Manager of the Year – Fixed Interest
Nikko Asset Management New Zealand

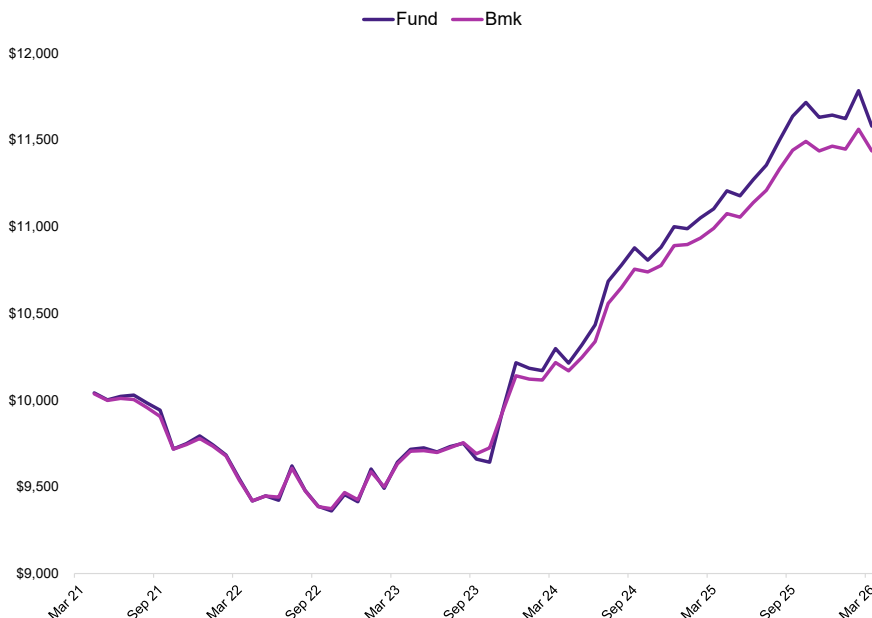
Overview

The strategy aims to generate income by constructing an actively managed investment portfolio of New Zealand bonds, deposits, and cash with the potential for capital gain from New Zealand dollar fixed interest markets.

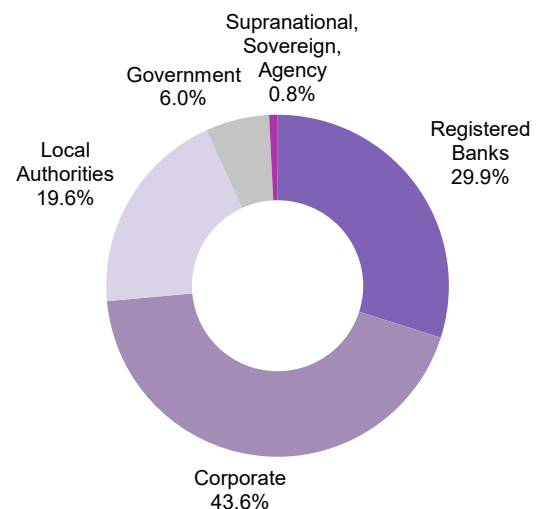
Objective

The fund aims to outperform the benchmark return by 0.70% per annum before fees, expenses and taxes over a rolling three-year period.

Five Year Cumulative Performance, \$10,000 invested^{1,2}



Sector Allocation



Top 5 Corporate Issuers*		Credit Quality		Green, sustainable and social bonds	
	(%)		(%)		
New Zealand Local Govt Funding Agency	7.43	AAA	24.22	17.29% of the fund	
Westpac New Zealand Ltd	6.98	AA	26.81	Duration	
Housing New Zealand Ltd	6.28	A	25.09	Fund 4.13 years vs Benchmark 2.47 years	
Bank of New Zealand	6.00	BBB	23.88	Yield to Maturity*	
Christchurch City Holdings Ltd	5.32			Fund (gross) 4.73% vs Benchmark 4.09%	

* Excludes NZ central government

* Excluding the inflation component of government inflation linked bonds

Market Commentary

It was a tough quarter for NZ bond returns with January a moderate negative result, strong positive returns in February, and March a very challenging month for the New Zealand bond market as interest rates moved meaningfully higher driven by energy prices and moves in offshore markets. Additionally, the move in local rates was exacerbated by offshore investors selling out of positions predominately in NZ swaps.

The rise in rates over March was the key attributor to negative absolute and relative returns with a longer duration position unhelpful. Longer maturity bonds underperformed shorter maturities as they are more sensitive to interest rate changes and have a greater capital loss when interest rates move higher. On a positive note, NZ credit margins have been little changed on the weaker risk sentiment with demand for new deals strong with higher yields attractive relative to term deposits. The fund remains a high credit quality and has little credit risk vulnerability to the oil shock.

Fortunately, rates managed to recover somewhat at month-end on hopes that the US and Iran were seeking some resolution. Over the quarter, NZ government bond yields moved as follows: 1-year +30bps, 5-year +35bps, 10-year +23bps, and the 2054 maturity +19bps. NZ government bonds performed better than swap rates rising less in yield, swap moves were 1-year +30bps, 5-year +44bps and 10-year +27bps.

Uncertainty remains high around the duration of the energy price shock and its resulting impact on domestic growth and inflation. The RBNZ have stressed that their focus is on medium term inflation, they accept there will be a near term spike in prices but will only raise rates based on how permanent that inflation shock becomes. And it will take time to establish a strong view on this.

Things that are more certain are that near-term inflation will be higher, and economic growth will be lower than what would have otherwise been the case. NZ bonds are now "at cheaper levels" and the NZ yield curve remains steeply positive in shape providing a higher fund yield and "the roll down the curve" supports performance.

We think the bond market likely over-reacted in the near-term - pricing much higher rates sooner, and we have incrementally added some longer maturity bonds at better levels on spikes higher.

Fund Commentary

The fund had a negative absolute and relative return for the quarter as interest rates moved higher through March. Returns for March month were -1.73% for the fund versus -1.08% benchmark, and for the quarter the fund return was -0.54% underperforming the fund's benchmark the Bloomberg Credit Index which returned -0.24%.

The move higher in interest rates was the main attributor of both absolute and relative performance with the fund positioned approximately 1.25 years longer than benchmark at February month end. We added some longer maturity bonds at better levels during the month. The returns were dominated by the capital loss as interest rates moved higher. On a positive note, the high-quality credit holdings and the longer duration positioning continue to provide a benefit through a higher fund yield, and we expect that carry and roll will support returns over the medium term.

Key Fund Facts

Distributions		Hedging:	Any foreign currency exposures are hedged to NZD within operational range of 95%-105%	Strategy Launch:	July 2009
Wholesale:	Calendar quarter	Exclusions:	Controversial weapons	Strategy size:	\$609.3m
Retail:	Calendar quarter				
KiwiSaver:	Does not distribute				
Estimated annual fund changes (incl. GST)		Restrictions:	Adult entertainment, gambling, fossil fuels, alcohol stocks, tobacco stocks. For more information, please refer to the Statement of Investment Policy and Objectives (SIPO) on our website https://nz.amova-am.com/retail/funds/reports-and-documents	Buy / Sell spread:	0.00% / 0.00%
Wholesale:	Negotiated outside of unit price				
Retail:	0.70%, refer to PDS for more details				
KiwiSaver:	0.70%, refer to PDS for more details				

Compliance

The wholesale fund complied with its investment mandate and trust deed during the quarter.

Contact Us

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