

DEVON FUNDS. DEVON FUNDS SCHEME QUARTERLY FUND UPDATE

For the informed investor.

For the quarter ended 30 September 2020

This fund update was first made publicly available on 29th October 2020

DEVON DIVERSIFIED INCOME FUND

What is the purpose of this update?

This document tells you how the Devon Diversified Income Fund has performed and what fees were charged. The document will help you to compare the fund with other funds. Devon Funds Management Limited prepared this update in accordance with the Financial Markets Conduct Act 2013. This information is not audited and may be updated.

Description of this fund

The Diversified Income Fund is a carefully selected portfolio of government and corporate bonds, cash, listed property, infrastructure and utility companies, high yielding equities, credit securities and other yielding financial assets. Devon utilises its expertise in Australasian equities either directly or through our managed investment scheme. We employ the specialist services of the JBWere Fixed Interest team to advise on fixed interest security selection and aid in portfolio construction. Devon has control over this investment process.

Total value of the fund	\$5,934,504.24
Date the fund started	1 January 2016

What are the risks of investing?

Risk indicator for the Devon Diversified Income Fund:



The risk indicator is rated from 1 (low) to 7 (high). The rating reflects how much the value of the fund's assets goes up and down. A higher risk generally means higher potential returns over time, but more ups and downs along the way.

To help you clarify your own attitude to risk, you can seek financial advice or work out your risk profile at www.sorted.org.nz/tools/investor-kickstarter.

Note that even the lowest category does not mean a risk-free investment, and there are other risks that are not captured by this rating.

This risk indicator is not a guarantee of a fund's future performance. The risk indicator is based on the returns data for the five year period to 30 September 2020. While risk indicators are usually relatively stable, they do shift from time to time. The risk indicator will continue to be updated in future fund updates.

See the [Product Disclosure Statement \(PDS\)](#) for more information about the risks associated with investing in this fund.

How has the fund performed?¹

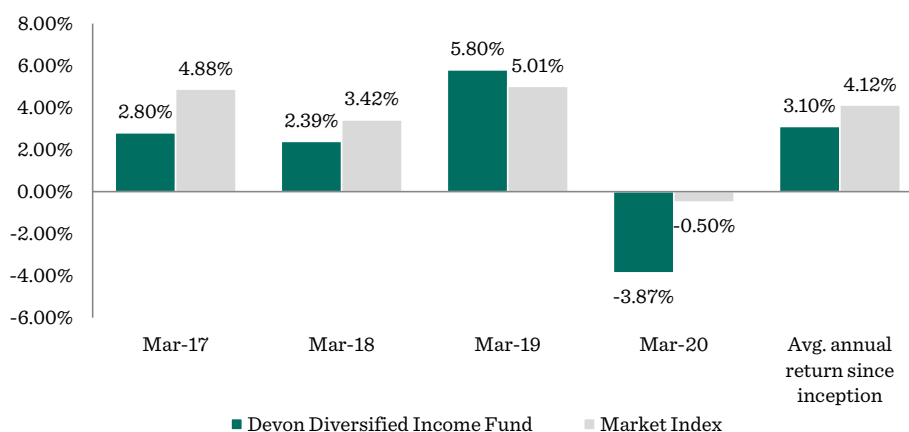
Past Year

Annual Fund Return (after deduction for fund fees and tax)	-1.47%
Annual Fund Return (after deduction for fund fees but before tax)	-0.65%
Market index* annual return (reflects no deduction for charges and tax)	0.86%

*The market index returns are based on 75% of the 90 Day Bank Bill returns and 25% of the 50:50 composite of the S&P/NZX50 Gross Index and the S&P/ASX200 Gross Accumulation Index. For details on the calculation of the Market Index Return please refer to www.companiesoffice.govt.nz/disclose

¹Please refer to Further Information on the bottom of page 2. Additional information about the market index is available on the offer register.

Annual return graph²



This shows the return after fund charges and tax for each year ending 31 March since the fund started. The last bar shows the average annual return since the fund started, up to 30 September 2020. **Important:** This does not tell you how the fund will perform in the future. Returns in this update are after tax at the highest prescribed investor rate (PIR) of tax for an individual New Zealand resident. Your tax may be lower.

What fees are investors charged?

Investors in the Devon Diversified Income Fund are charged fund charges. In the year to 31 March 2020 these were:

	% of Net Asset Value
Total Fund Charges	0.90%
Comprising of the below management, administration and performance charges:	
Manager's basic fee:	0.65%
Other management and administration charges:	0.25%
Performance fees (if applicable):	0.00%

Investors are not charged individual action fees for specific actions or decisions (for example, for withdrawing from or switching funds). See the [PDS](#) for more information about those fees.

Example of how this applies to an investor

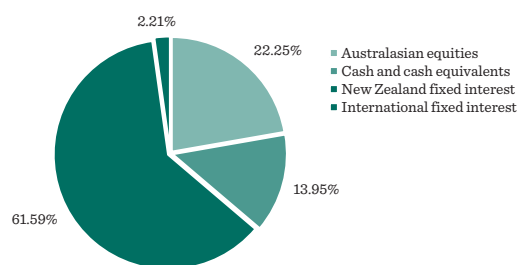
Small differences in fees and charges can have a big impact on your investment over the long term.

Chris had \$10,000 in the Devon Diversified Income Fund at the start of the year and did not make any further contributions. At the end of the year, Chris received a return after fund charges were deducted of -\$65 (that is -0.65% of his initial \$10,000). Chris does not pay any other charges. This gives Chris a total return after tax of -\$147 for the year.

What does the fund invest in?

The chart (below) shows the types of assets that the Devon Diversified Income Fund invests in.

Actual investment mix



As at 30 September 2020, the portfolio is currently 101.41% hedged against its AUD exposure

Target investment mix

Asset Sector	Range %
Cash and cash equivalents	0 - 100
Australasian equities	0 - 40
International equities	0
New Zealand fixed interest	0 - 100
Other	0 - 10

Top 10 investments

Asset name	% of fund net assets	Type	Country	Credit rating
Devon Dividend Yield Fund	22.25%	Australasian equities	NZ	N/A
Cash and cash equivalents	13.95%	Cash and cash equivalents	NZ	N/A
Westpac New Zealand 2.22% 29/07/24	11.71%	New Zealand fixed interest	NZ	AA-
ASB Bank 1.83% 08/19/2024	10.65%	New Zealand fixed interest	NZ	AA-
Quayside Holding (QHLNZ) 10% Series	5.08%	New Zealand fixed interest	NZ	N/A
Heartland Bank 3.55% 12/04/2024	4.59%	New Zealand fixed interest	NZ	NR
Contact Energy 3.55% 15/08/2024	4.07%	New Zealand fixed interest	NZ	BBB
BNZ 4.102% 15/06/2023	3.75%	New Zealand fixed interest	NZ	AA-
Auckland International Airport 3.51% 10/10/2024	3.68%	New Zealand fixed interest	NZ	A-
Westpac New Zealand 3.72% 23/03/2023	3.65%	New Zealand fixed interest	NZ	A-

The top 10 investments make up 83.38% of the net asset value of the Fund.

Key personnel

Name	Current position	Time in current position	Previous position	Time in previous position
Slade Robertson	Managing Director, Devon Funds Management	3 years, 8 months	Portfolio Manager, Devon Funds Management	6 years, 10 months
Tama Willis	Portfolio Manager, Devon Funds Management	8 years, 3 months	Investment Analyst, GIC Asset Management	2 years, 0 months
Mark Brown	Chief Investment Officer, Devon Funds Management	2 years, 9 months	Head of Equities, ANZ	6 years, 0 months
Chris Gaskin	Portfolio Manager, Devon Funds Management	10 years, 6 months	Portfolio Manager, Brook Asset Management	4 years, 2 months

Further information

You can also obtain this information, the [PDS](#) for the Devon Investment Funds and some additional information from the offer register at www.business.govt.nz/disclose.

Notes

(1) After tax performance assumes an investor is taxed at the highest Prescribed Investor Rate of 28%. (2) Fund returns are after deduction of fees. (3) Fund fees are charged as a percentage of an investor's interest in the Fund.