

What does 2024 have in store?

By Greg Smith, Head of Retail at Devon Funds.

We are into the early throes of a new year already, and it is that time again to dust off the crystal ball, engaging in the tradition of making big-picture predictions on developments and factors that will influence markets and portfolios in the year ahead.

Before that, it is worth recapping on the year that has just been. While it may not feel like it in NZ (the NZX50 rose just 2.6% during 2023), globally stock markets have just recorded their best year since 2019. The MSCI World Index rose 22%, driven by the US indices, with the Dow, Nasdaq and S&P500 all closing the year around record highs.

It wasn't all smooth sailing, with investors fretting for much of the year over high interest rates and a possible recession, notions that were put to one side as inflation prints, economic data and central bank meetings playing out favourably. A regional banking crisis in the US, the collapse of one of Europe's biggest banks, and another war, this time in the Middle East, were also dismissed quickly by markets. The technology sector, driven by the "Magnificent 7", dominated proceedings, with the blue-sky potential of AI a common thread.

Looking back on our top 10 predictions from a year ago, we pleasingly had more hits than misses. The "most anticipated downturn in history" never eventuated, but markets were volatile, and productive for active investors. Commodity prices remained buoyant. The kiwi economy did face challenges due to falling house prices, and weak consumer spending. The National coalition won the election in comprehensive fashion, and it could be argued that Auckland's mayor Wayne Brown got moving on strategies...[READ MORE](#)

MARKET INDICES

Index	Region	Monthly Return	1 Yr. Return
S&P/NZX50G	NZ	3.9%	2.6%
S&P/ASX200G	AUSTRALIA	7.3%	12.4%
MSCI World Index	GLOBAL	4.9%	24.4%
S&P500	USA	4.5%	26.3%
FTSE100	UK	3.9%	7.9%
NIKKEI 225	JP	0.1%	31.0%
NZ 90 Day Bank Bill	NZ	0.5%	5.4%
Bloomberg Global Aggregate Index (NZD)	GLOBAL	3.1%	6.6%

AT A GLANCE

Prices as at 31 December 2023

DEVON ALPHA FUND	\$2.2591
DEVON AUSTRALIAN FUND	\$1.6798
DEVON DIVERSIFIED INCOME FUND	\$1.4619
DEVON DIVIDEND YIELD FUND	\$1.8915
DEVON GLOBAL IMPACT BOND FUND	\$1.3865
DEVON GLOBAL SUSTAINABILITY FUND	\$1.7015
DEVON TRANS-TASMAN FUND	\$4.6478
DEVON SUSTAINABILITY FUND	\$3.2266
ARTESIAN GREEN & SUSTAINABLE BOND FUND	\$1.0356

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DEVON ALPHA FUND

FUND OUTLINE

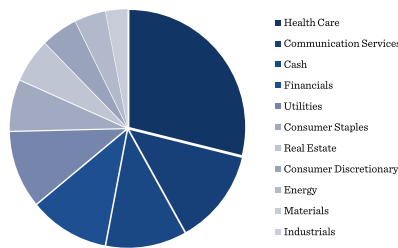
The **Alpha Fund** invests in a concentrated portfolio of approximately 10 to 15 select companies predominantly listed on the NZ and Australian share markets.

The Fund does not follow any index, is actively managed and aims to generate capital growth over the long term. Currency exposure is actively managed.

KEY HOLDINGS



ASSET ALLOCATION



ALLOCATION

New Zealand Equities	25.7%	Cash	11.0%
Australian Equities	63.3%	Total	100.0%
Currency Hedge	0.0%		

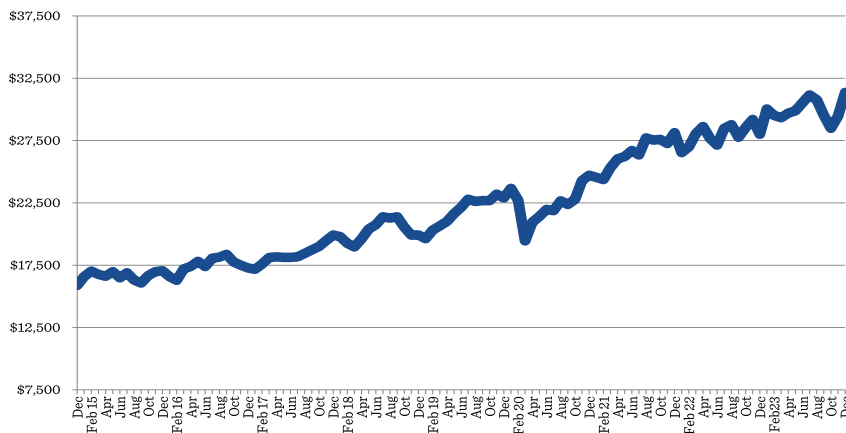
PERFORMANCE

	1 Mth	3 Mth	1 Yr	3 Yr p.a	5 Yr p.a	Since Inception
Devon Alpha Fund	6.4%	6.1%	12.0%	8.3%	10.4%	9.1%
OCR + 5%	0.9%	2.6%	10.6%	4.9%	3.3%	2.3%

Devon Alpha Fund returns are after all fees and expenses, but before tax which varies by investor.
*The benchmark for Alpha changed to OCR + 5% from 1 September 2022

NET PERFORMANCE

Based on \$10,000 invested at 1 January 2011



NOTE: Further information on the Devon Alpha Fund can be found in our Quarterly Fund Updates by visiting <https://devonfunds.co.nz/alpha-fund> or by clicking [HERE](#)

COMMENTARY

The Alpha strategy generated strong absolute returns during December. We were pleased with the performance of a number of our key investments including Seek, which rallied 11.9%, whilst Goodman Group and James Hardie closed up 11.9% and 15.9% respectively. This concludes what has been a solid year for this portfolio where we have been rewarded for owning high quality businesses that have positioned themselves well for the changing macro-environment. We have committed to investing in companies that have strong balance sheets and those with pricing power. Both these characteristics have ensured that the implications of rising interest rates have been weathered well by Alpha. We have also had a bias towards Australia during the latter stages of 2023, relative to New Zealand, and this tilt has worked well with the ASX200 outperforming the NZX50 by 10% over 2023. We are excited for the year ahead and believe we have some strong investment prospects within the portfolio.

PORTFOLIO MANAGER

Slade Robertson



Slade has primary responsibility for stock selection and portfolio construction for the Alpha, Australian and Diversified Income funds. Slade is also the Managing Director at Devon and has overall responsibility for the business. Slade has over 20 years' industry experience.

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DEVON TRANS-TASMAN FUND

FUND OUTLINE

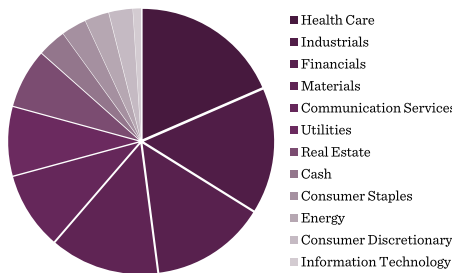
The Trans-Tasman Fund provides a broad and actively managed exposure to the New Zealand and Australian equity markets.

This Fund invests in a select portfolio of well researched companies, which are primarily New Zealand and Australian listed companies. The Australian dollar currency exposure is typically unhedged.

KEY HOLDINGS



ASSET ALLOCATION



ALLOCATION

Table with 2 columns: Allocation Category (New Zealand Equities, Australian Equities, Cash, Total) and Percentage (41.7%, 54.9%, 3.4%, 100.0%)

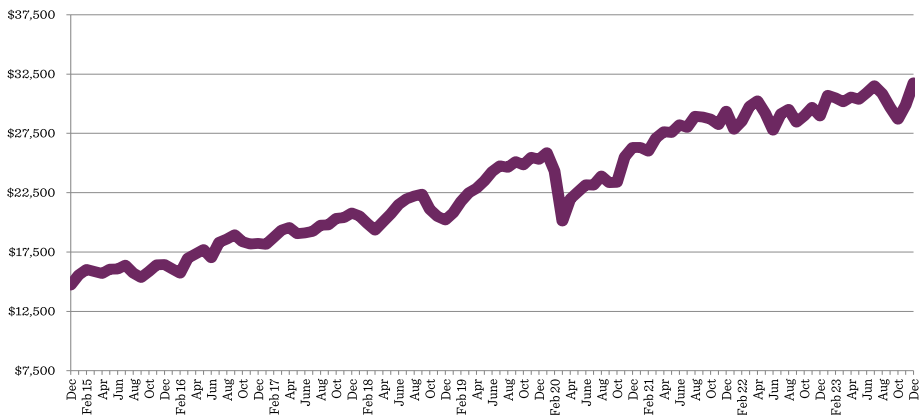
PERFORMANCE

Table with 7 columns: Performance Metric (Devon Trans-Tasman Fund, 50:50 NZX50 Gross & ASX200 Index Unhedged), 1 Mth, 3 Mth, 1 Yr, 3 Yr p.a, 5 Yr p.a, Since Inception

Devon Trans Tasman Fund returns are after all fees and expenses, but before tax which varies by investor.

NET PERFORMANCE

Based on \$10,000 invested at 1 January 2011



NOTE: Further information on the Devon Trans-Tasman Fund can be found in our Quarterly Fund Updates by visiting https://devonfunds.co.nz/trans-tasman-fund or by clicking HERE

COMMENTARY

The Trans-Tasman strategy generated strong absolute returns during the month, outperforming its underlying benchmark. Key highlights included strong performance from Vista Group (+21.3%), Sandfire Resources (+19.2%) and Goodman Group (+11.9%).

Vista Group rallied strongly after signing three new contracts to transition key clients to Vista's cloud offering. While only 1% of their client base has migrated to Vista Cloud so far, a further 11% are now contracted to move by the end of 2025, while another 5% are on digital solutions with clear upgrade pathways. Encouragingly Vista remains confident that over 20% of its customer base will be transitioned to Cloud by the end of 2025, and over 10% to Vista Digital suggesting more positive customer announcements over the next 12 months. Vista re-iterated prior guidance that it will achieve annualised recurring revenue of \$175 - 205m by the end of 2025, up from \$118m as of June 30, and profit margins of 15%+.

PORTFOLIO MANAGER

Tama Willis



After a long period in international investment markets, Tama returned to NZ after a very successful career in London and Singapore

to join Devon's investment team. Tama holds primary responsibility for Devon's Trans-Tasman Fund. Tama is widely regarded as a leading expert on resource and mining stocks.



DEVON AUSTRALIAN FUND

FUND OUTLINE

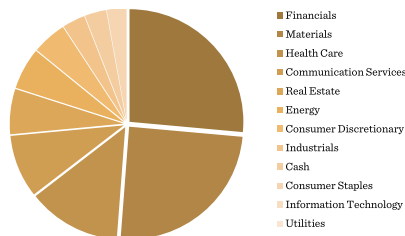
The **Australian Fund** invests in a select portfolio of companies, which are primarily Australian listed companies.

The Australian market is much larger than the New Zealand market and offers exposure to a number of sectors that are not available in New Zealand. The Australian dollar currency exposure of this Fund is typically unhedged.

KEY HOLDINGS



ASSET ALLOCATION



ALLOCATION

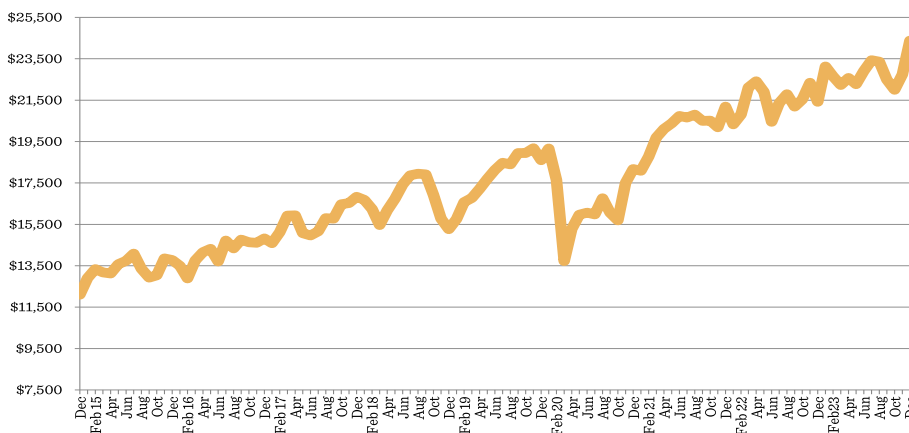
New Zealand Equities	0.0%	Cash	3.1%
Australian Equities	96.9%	Total	100.0%

PERFORMANCE	1 Mth	3 Mth	1 Yr	3 Yr p.a	5 Yr p.a	Since Inception
Devon Australian Fund	7.2%	8.4%	13.8%	10.3%	9.8%	7.7%
ASX200 Index Gross (NZD)	7.7%	8.8%	13.0%	9.4%	10.9%	7.3%

Devon Australian Fund returns are after all fees and expenses, but before tax which varies by investor.

NET PERFORMANCE

Based on \$10,000 invested at 1 January 2011



NOTE: Further information on the Devon Australian Fund can be found in our Quarterly Fund Updates by visiting <https://devonfunds.co.nz/australian-fund> or by clicking [HERE](#)

COMMENTARY

The Australian Fund generated strong absolute returns during the month with contributions being made across many stocks and sectors. Particularly strong performance came from our investments in CSL and Mineral Resources, which rallied 9.3% and 14.4% respectively. Mineral Resources attracted investor support as the sector was topical from an M&A perspective with Azure Minerals receiving a takeover bid in late December at a 60% premium to its recent price. This activity supported the thesis that many corporates in this sector still have a sufficiently high-risk appetite that they are prepared to move on early-stage projects. This, alongside a lithium price which has fallen towards cost levels, resulted in positive returns being enjoyed across the listed lithium companies. There were not many changes made to the portfolio although we have lifted our exposure to Ramsay Healthcare on evidence that activity levels across their Australian properties continue to recover.

PORTFOLIO MANAGER

Slade Robertson



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is also the Managing Director at Devon and has overall responsibility for the business. Slade has over 20 years' industry experience.

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DEVON DIVIDEND YIELD FUND

FUND OUTLINE

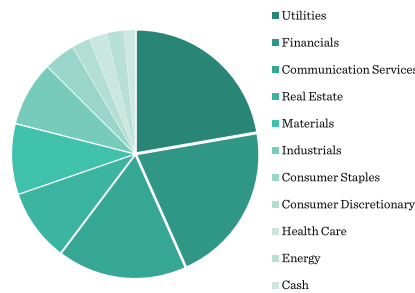
The **Devon Dividend Yield Fund** invests in a carefully selected portfolio of New Zealand and Australian listed companies.

These stocks are chosen for their attractive dividend yields and growth prospects with the aim of maintaining the dividend yield and capital value in real terms. The Australian dollar currency exposure is typically fully hedged.

KEY HOLDINGS



ASSET ALLOCATION



ALLOCATION

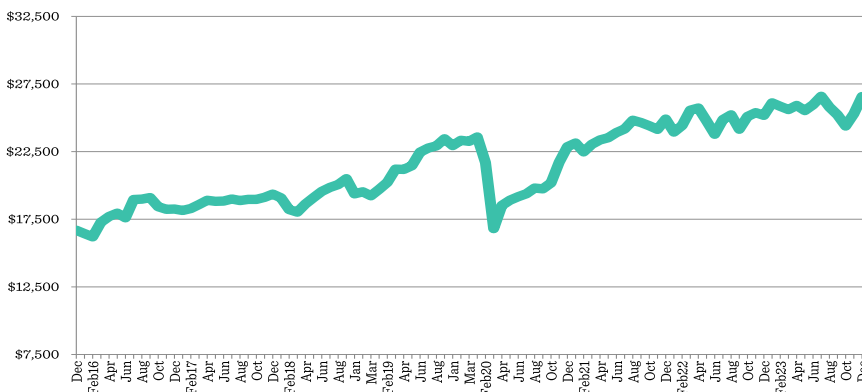
New Zealand Equities	63.8%	Cash	1.5%
Australian Equities	34.7%	Total	100.0%
Currency Hedge	97.7%	Yield	6.0%

PERFORMANCE	1 Mth	3 Mth	1 Yr	3 Yr p.a	5 Yr p.a	Since Inception
Devon Dividend Yield Fund	5.0%	5.4%	5.5%	5.2%	6.7%	9.4%
50:50 NZX50 & ASX200 Index Gross	5.6%	6.3%	7.5%	2.9%	8.1%	10.2%

Devon Dividend Yield Fund returns are after all fees and expenses, but before tax which varies by investor.

NET PERFORMANCE

Based on \$10,000 invested at 1 January 2011



NOTE: Further information on the Devon Dividend Yield Fund can be found in our Quarterly Fund Updates by visiting <https://devonfunds.co.nz/dividend-yield-fund> or by clicking [HERE](#)

COMMENTARY

December was a buoyant month for markets and saw all but five positions within this strategy finish in positive territory. The forecasted yield of the Fund remains in line with our target benchmark yield of 6%, whilst also growing in line with forecasted inflation. We are encouraged by the strength in recently added positions, such as Tourism Holdings (THL). They primarily build, rent and then sell campervans and motorhomes throughout the world. THL own familiar brands like Maui and Britz, which you will have seen on our roads. During 2023 they merged with their largest Australasian competitor, Apollo. As result, THL will have more control of pricing as they build out their fleet from Covid lows across Australasia. THL trades cheaply on a price to earnings multiple of ten times, with a dividend yield of 6.6%. We also forecast strong multi-year earnings growth, in line with company guidance.

PORTFOLIO MANAGER

Mark Brown



Mark has primary responsibility for stock selection and portfolio construction for the Dividend Yield Fund, Sustainability Funds and the New Zealand Equity fund. Mark is also responsible for overseeing the overall research and investment process at Devon.



DEVON DIVERSIFIED INCOME FUND

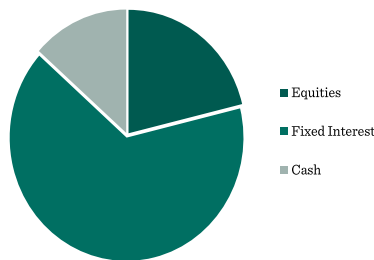
FUND OUTLINE

The **Devon Diversified Income Fund** aims to give New Zealanders access to a diverse and good quality portfolio of high yielding investments. The Fund aims to generate better-than-bank income rates by investing in a carefully selected portfolio of government and corporate bonds, cash, listed property, infrastructure, utility companies, high yielding equities, credit securities and other yielding financial assets.

KEY HOLDINGS



ASSET ALLOCATION



ALLOCATION

New Zealand Equities	19.0%	Bonds	58.6%
Australian Equities	10.3%	Cash	12.0%

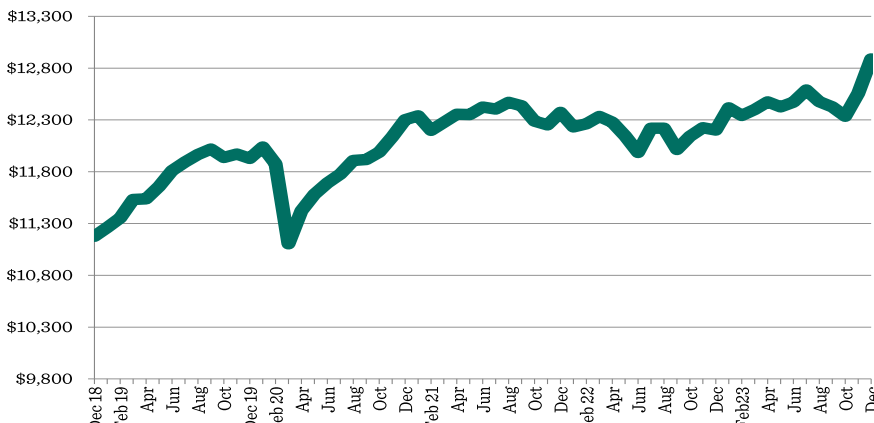
PERFORMANCE

	1 Mth	3 Mth	1 Yr	3 Yr p.a	5 Yr p.a	Since Inception
Devon Diversified Income Fund	2.7%	3.7%	5.7%	1.6%	2.9%	3.4%
OCR + 1.5%	0.6%	1.8%	6.9%	4.2%	3.5%	2.9%

Devon Diversified Income Fund returns are after all fees and expenses, but before tax which varies by investor. Inception date for the Fund is 1 January 2016.

NET PERFORMANCE

Based on \$10,000 invested at 1 January 2016



NOTE: Further information on the Devon Diversified Income Fund can be found in our Quarterly Fund Updates by visiting <https://devonfunds.co.nz/diversified-income-fund> or by clicking [HERE](#)

COMMENTARY

Global bond markets continued their recent strength to close 2023 with a strong December. As it becomes a growing consensus that the US will execute an economic soft landing, we have seen their 10-year bond rally from where it peaked in mid-October at 4.99% to close the year at 3.88%. During December, Chairman Jerome Powell held the Fed Funds Rate stable at 5.25-5.5% and stated his intentions for three rate cuts during 2024. Following his press conference, markets have taken a more dovish stance, factoring in 1.5% of rate cuts in 2024, double Powell's stated ambitions. In New Zealand, the next OCR decision will be made in late February. To date, Governor Adrian Orr has held a firm line on inflation and has guided rate cuts not to occur until 2025. Our local interest rate markets though are pricing cuts to occur much earlier than that.

PORTFOLIO MANAGER

Slade Robertson



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DEVON SUSTAINABILITY FUND

FUND OUTLINE

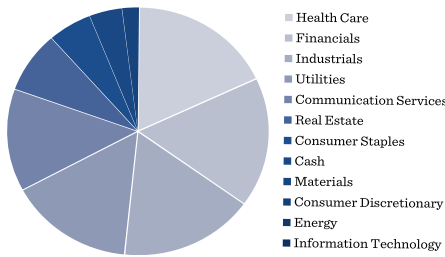
The **Devon Sustainability Fund** invests in a select portfolio of well researched New Zealand and Australian listed companies.

The Fund looks to invest in companies that score highly on overall environmental, social and corporate governance performance. The Fund also employs an ethical screen which will prohibit investment into certain companies and sectors.

KEY HOLDINGS



ASSET ALLOCATION



ALLOCATION

New Zealand Equities	57.1%	Cash	4.0%
Australian Equities	38.9%	Total	100.0%

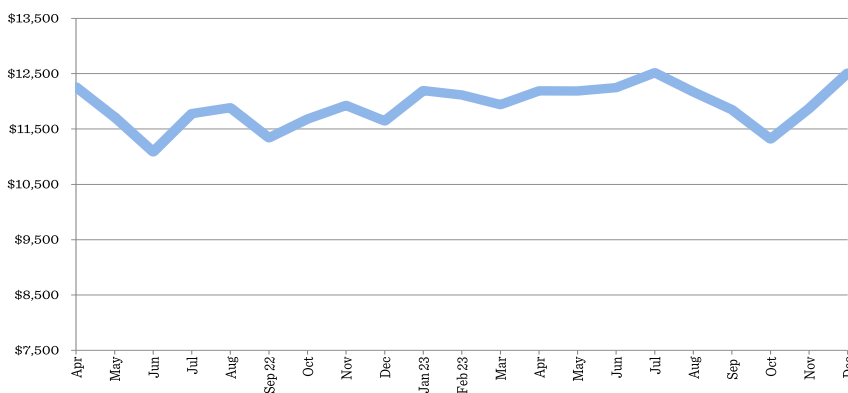
PERFORMANCE

	1 Mth	3 Mth	1 Yr p.a	3 Yr p.a	Since Inception
Devon Sustainability Fund	5.4%	5.6%	7.5%	3.6%	6.9%
50:50 NZX50 Portfolio Index & ASX200 Index	5.7%	5.7%	7.1%	3.0%	6.7%

Devon Sustainability Fund returns are after all fees and expenses, but before tax which varies by investor.

NET PERFORMANCE

Based on \$10,000 invested at 31 August 2020



NOTE: Further information on the Devon Sustainability Fund can be found in our Quarterly Fund Updates by visiting <https://devonfunds.co.nz/devon-sustainability-fund> or by clicking [HERE](#)

COMMENTARY

The stocks which provided a strong contribution this month were the Fund's real estate holdings including Goodman Group (+11.9%), GPT Group (+15.7%), Stockland (+9.7%) and Precinct Properties (+11.0%). Whilst there were minimal company specific announcements to drive these stocks higher, with bond yields falling for the second consecutive month this provided valuation support for a rally in the real estate sector. Auckland International Airport (+11.1%) had a strong month after the Commerce Commission released its final report on the airport industry's input methodology review which increased the allowable return the industry can make on their investments; this is ahead of Auckland Airport's significant capital expenditure program. We took the opportunity to take some profits and slightly reduce our investment. The key detractors to performance included the Fund's insurance related holdings Sun-corp Group (-0.9%) and AUB Group (-1.4%). The insurance sector performed well as bond yields rose, but there has been a rotation out of this sector as yields have fallen.

PORTFOLIO MANAGER

Mark Brown



Mark has primary responsibility for stock selection and portfolio construction for the Dividend Yield Fund, Sustainability Funds and the New Zealand Equity fund. Mark is also responsible for overseeing the overall research and investment process at Devon.

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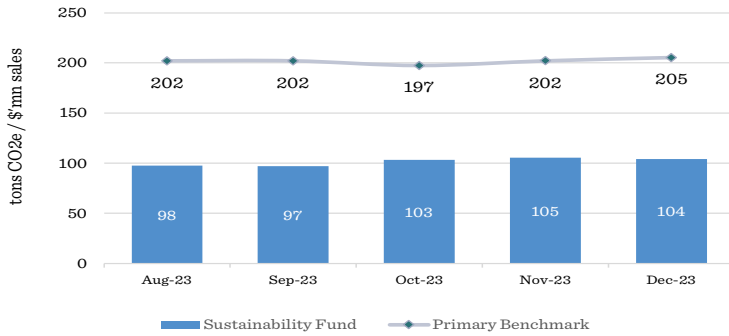
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DEVON SUSTAINABILITY FUND

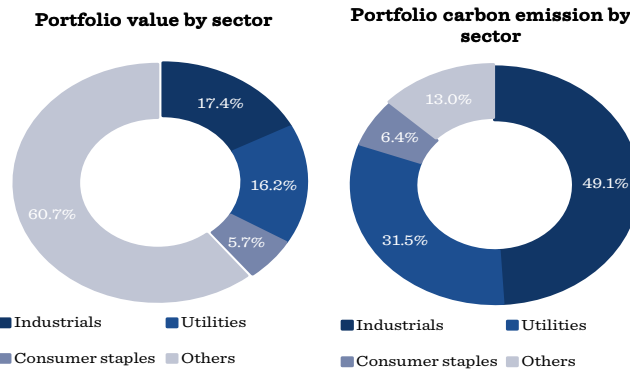
CARBON INTENSITY - PORTFOLIO VS BENCHMARK

Carbon Intensity - Portfolio vs Benchmark



PORTFOLIO CARBON EMISSIONS BY KEY SECTORS

Portfolio Carbon Emissions by Key Sectors



The industrials, utilities, and consumer staples sectors make up 39.3% of the portfolio by value, but they account for 87.0% of the carbon emissions in the portfolio.

ESG PORTFOLIO SUMMARY

	MSCI ESG Ratings	MSCI ESG Quality score	
Portfolio	AA	7.80	Portfolio Sustainability Fund
Benchmark	AA	7.41	Primary Benchmark 50:50 composite S&P/NZX50 Portfolio Index & S&P/ASX200G Index

PERFORMANCE	1 Mth	3 Mth	6 Mth	1 Yr	Since Inception
ESG relative performance	5.3%	5.3%	4.9%	6.7%	6.5%

*ESG Relative Performance is the MSCI ESG Score of the Devon Sustainability fund compared to the MSCI ESG Score of the Benchmark

PORTFOLIO HOLDING'S DISCLOSURE SUMMARY

Portfolio Holding's Summary

% of companies reporting to TCFD standards	75.7%
% of companies committed to Net Zero	64.9%
% of companies committed to Carbon Neutral	5.4%
% of companies with no commitment to either	29.7%

CLIMATE CHANGE RISK BY PORTFOLIO HOLDINGS

% of holding companies reporting Scope 1 emissions	97.22%
% of holding companies reporting Scope 2 emissions	97.22%
% of holding companies reporting Scope 3 emissions	72.22%

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STEWARDSHIP

During December we met with Light and Wonder to discuss harm minimisation strategies. Light and Wonder is held across a few of our portfolios where exclusions to gambling do not apply. The industry as a whole is highly regulated and many of the harm minimisation strategies are led by the regulator. Light and Wonder is very much in the early stages of trialling and implementing new strategies in this area. For example, they are currently piloting a cashless wallet system in New South Wales which involves customers setting a limit for how much money they wish to game with. Inevitably as technology and tougher regulation evolves in this space, harm minimisation strategies will unfold. As a listed company Light and Wonder is subject to more accountability than an unlisted company, and we view this as an opportunity to advocate for the development and implementation of initiatives to reduce harm to the communities in which they operate.

PORTFOLIO MANAGER

Mark Brown



Mark has primary responsibility for stock selection and portfolio construction for the Dividend Yield Fund, Sustainability Funds and the New Zealand Equity fund. Mark is also responsible for overseeing the overall research and investment process at Devon.



DEVON GLOBAL IMPACT BOND FUND

DURATION

Sector	Contribution to Duration (Years)		
	Account	Benchmark	Difference
Cash & Cash Equivalents	-0.00	-0.00	-0.00
US Government	0.86	1.05	-0.19
Credit*	4.31	4.87	-0.56
Asset Backed Securities	0.01	0.01	0.01
Mortgage Backed	1.13	0.68	0.46
Commercial Mortgage	0.08	0.03	0.05
Other	0.00	0.10	-0.09
Cash Offset	-	-	-
	6.39	6.73	-0.34

The Fund invests into the Wellington Global Impact Bond Fund, managed by Wellington Management. Wellington Management is one of the world's leading investment management firms with over US\$1 trillion in assets under management worldwide across a broad range of asset classes. They have been providing innovative investment solutions to clients for more than 85 years. Wellington Management seeks to understand the world's social and environmental problems and to identify and invest primarily in debt issued by companies and organisations that they believe are addressing these needs in a differentiated way through their core products, services and projects. The Wellington Global Impact Bond Fund aims to improve access to, and the quality of, basic life essentials, reduce inequality and mitigate the effects of climate change.

CREDIT RATING

Quality	Percent of Market Value		
	Account	Benchmark	Difference
Cash	-0.39	0.25	-0.65
AAA	25.04	11.92	13.13
AA	42.34	41.35	1.00
A	11.43	31.83	-20.40
BBB	14.99	14.35	0.64
BB	4.37	0.02	4.35
B	2.58	-	2.58
Below B	0.19	-	0.19
Cash Offset	-0.90	-	-0.90
Not Rated	0.36	0.28	0.07
	100.00	100.00	

They seek to identify securities which it believes fall into three primary impact categories: life essentials, human empowerment and the environment. Within these categories the Fund will invest across "Impact Themes" including, but not limited to the following:

Life Essentials: affordable housing, clean water and sanitation, health, sustainable agriculture and nutrition.

Human Empowerment: digital divide, education and job training, financial inclusion, safety and security.

Environment: alternative energy, resource efficiency and resource stewardship.

*Duration & Credit Rating as at 31 December 2023

DEVON GLOBAL SUSTAINABILITY FUND

The Fund invests into the Wellington Global Stewards Fund, managed by Wellington Management. Wellington Management is one of the world's leading investment management firms with over US\$1 trillion in assets under management worldwide across a broad range of asset classes. They have been providing innovative investment solutions to clients for more than 85 years. Wellington Management seeks to invest in companies globally, that generate high return on capital relative to their peers, and whose management teams and boards display exemplary stewardship to sustain those returns over time. Wellington define stewardship as how companies balance the interests of all stakeholders (customers, employees, communities and the supply chain) in the pursuit of profits and how they incorporate material environmental, social and governance (ESG) risks and opportunities in their corporate strategy. The underlying Wellington Fund differentiates itself by:

Long-term horizon – the intention is to hold stocks for over 10 years. The belief is the longer the holding period, the greater the potential performance benefits from superior stewardship.

Highly selective – typically 35-45 stocks, only relying on their own internal ESG research.

Active engagement – holding those in charge of investee companies to account and encouraging companies to commit to net zero carbon emissions by 2050 in alignment with the Paris Agreement.

PERFORMANCE	1 Mth	3 Mth	6 Mth	1 Yr	Since Inception
Devon Global Impact Bond Fund	3.2%	6.0%	3.9%	6.6%	-0.6%
Bloomberg Global Aggregate Index Hedged NZD	3.1%	5.7%	3.8%	6.6%	-0.4%

PERFORMANCE	1 Mth	3 Mth	6 Mth	1 Yr	Since Inception
Devon Global Sustainability Fund	4.0%	8.7%	3.8%	17.5%	7.4%
MSCI All Country World Index in NZD, 50% hedged to NZD	3.1%	7.2%	5.1%	21.8%	5.5%

*Benchmark performance figure is indicative only and will be finalised in the mid month report

KEY HOLDINGS*



JOHN DEERE



TEXAS INSTRUMENTS



*Key Holdings as at 31 December 2023

Please note that monthly reports will be produced for the Devon Global Impact Bond Fund and Devon Global Sustainability Fund later this month. These reports will include data on top holdings, performance, asset allocation, and fund commentaries. These reports will be sent out separately from those for Devon's other retail funds each month and will be available on the Devon Funds website.

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www.devonfunds.co.nz



ARTESIAN GREEN AND SUSTAINABLE BOND FUND (NZD)

FUND OUTLINE

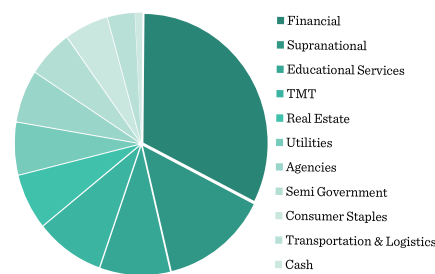
The **Artesian Green and Sustainable Bond Fund (NZD)** offers New Zealand-based investors a Portfolio Investment Entity (PIE) vehicle through which to invest in the Artesian Green and Sustainable Bond Fund (AUD).

Through this structure, the Fund will invest in a diversified portfolio of liquid, predominately investment grade fixed and floating rate green and sustainable corporate bonds. Artesian are committed to integrating ESG into their investment processes, with a focus on responsible investment.

KEY HOLDINGS



ASSET ALLOCATION



ALLOCATION

Artesian Green & Sustainable Bond Fund (AUD)	99.8%	Cash	0.2%
Currency Hedge (100% to NZD)	99.2%	Total	100.0%

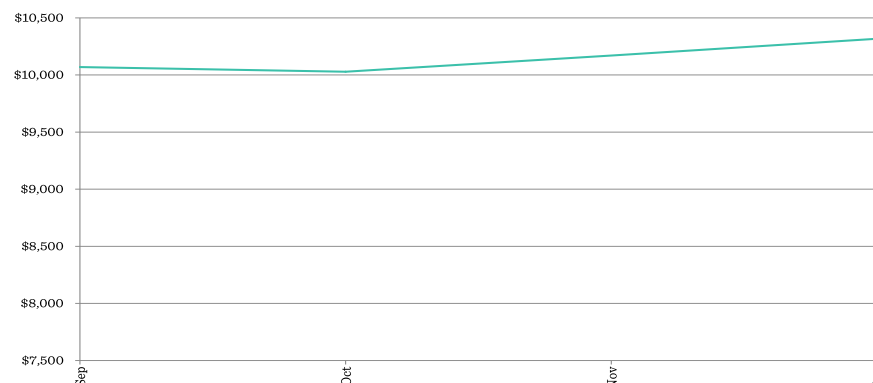
PERFORMANCE

	1 Mth	3 Mth	Since Inception
Artesian Green & Sustainable Bond Fund (NZD)*	1.45%	2.46%	3.97%
Artesian Green & Sustainable Bond Fund PIR Return**	1.45%	2.50%	4.00%
Bloomberg AusBond Composite 0-5 Yr Index 100% Hedged to NZD	1.48%	2.48%	3.91%

*Artesian Green & Sustainable Bond Fund (NZD) returns are after all fees and expenses, but before tax which varies by investor.
 **Artesian Green & Sustainable Bond Fund (NZD) returns are after all fees and expenses, but before tax which varies by investor and inclusive of tax credits. The Fund invests in an underlying Australian Unit Trust (AUT) which is required to distribute all income. Tax on these distributions is withheld at fund level but investors receive a tax credit for this amount. As such, the Zero PIR return is a reasonable basis for comparing performance between the NZD Fund and its AUT alternative.

NET PERFORMANCE

Based on \$10,000 invested at 30 June 2023



NOTE: Further information on the Artesian Green Fund can be found in our Quarterly Fund Updates by visiting <https://devonfunds.co.nz/artesian-green-and-sustainable-bond-fund-nzd> or by clicking [HERE](#)

COMMENTARY

Global markets continued their strong rally in December, closing out 2023 in style. Markets were surprised by Jerome Powell's dovish comments when the US Federal Reserve chairman left US cash rates on hold at 5.25% to 5.5%. The Fed's dot-plot (interest rate projections), showed 75 basis points of cuts in 2024, a meaningful dovish surprise that further fuelled the rally in both equity and bond markets. An aggressive rate cut path is now priced in, with the market anticipating 150 basis points in reductions next year.

The Fund's outperformance versus benchmark in December (before fees) was driven by the overweight credit duration positioning. The Fund's running yield of 4.70% versus the benchmark of 4.04%, also positively contributes to the outperformance on a monthly basis.

In December, the Fund's best performing positions were Contact Energy (Green), La Trobe University (Green) and Australian Postal Corporation (Sustainable). Underperformance came from the Fund's positions in KFW (Green), Rentenbank (Green) and CPPIB Capital (Green).

PORTFOLIO MANAGER

David Gallagher

David joined Artesian in June 2013. Prior to joining Artesian, David spent nine years in the United Kingdom working for Deutsche Bank and RBS. David has extensive risk and portfolio management trading experience.

In David's previous role with RBS, David managed a credit portfolio with outright risk ranging between £1-2.5 billion.

