

The bulls are back

By Greg Smith, Head of Retail at Devon Funds.

Equity markets are through the first month of 2024 and have largely started off the year where they finished 2023 – on the front foot. Leading the way has been the US indices, with the S&P500 rallying 3.3% in January, making new record highs, as did the Dow Jones which went through 38,000 for the first time ever. Strong economic data from the world’s largest economy has dispelled recessionary fears, while falling rates of inflation have investors prepped for a year of rate cuts, even if many central bankers have pushed back on the notion of them being imminent. The US earnings season has also been very strong, with the technology sector (and any mention of AI) continuing to capture much attention.

The performance of the New Zealand and Australian markets was also positive in January, even if a little more sedate than markets in the US. The NZX50 rose 0.9% last month, while the ASX200 gained 1.2%, hitting a record high in the process. Better expected inflation prints on both sides of the Tasman, along with some softness in the economy, is pushing the case for the RBNZ and RBA to cut rates in the coming months, despite ongoing hawkish comments from officials.

The question of rate cuts this year does appear to be very much a question of “when” rather than “if.” This was a scenario being factored in by markets in the final quarter of last year, and encouragement is now being taken from any data (macro or corporate) which indicates that inflation is falling whilst also suggesting the world economy will avert a material downturn.

The question of rate cuts this year does appear to be very much a question of “when” rather than “if.” This was a scenario being factored in...[READ MORE](#)

MARKET INDICES

Index	Region	Monthly Return	1 Yr. Return
S&P/NZX50G	NZ	0.9%	-0.8%
S&P/ASX200G	AUSTRALIA	1.2%	7.1%
MSCI World Index	GLOBAL	2.2%	18.7%
S&P500	USA	3.3%	22.8%
FTSE100	UK	-1.3%	2.1%
NIKKEI 225	JP	8.4%	35.6%
NZ 90 Day Bank Bill	NZ	0.5%	5.5%
Bloomberg Global Aggregate Index (NZD)	GLOBAL	-0.7%	3.6%

AT A GLANCE

Prices as at 31 January 2024

DEVON ALPHA FUND	\$2.3081
DEVON AUSTRALIAN FUND	\$1.6950
DEVON DIVERSIFIED INCOME FUND	\$1.4513
DEVON DIVIDEND YIELD FUND	\$1.8839
DEVON GLOBAL IMPACT BOND FUND	\$1.3659
DEVON GLOBAL SUSTAINABILITY FUND	\$1.7475
DEVON TRANS-TASMAN FUND	\$4.6834
DEVON SUSTAINABILITY FUND	\$3.2893
ARTESIAN GREEN & SUSTAINABLE BOND FUND	\$1.0391

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DEVON ALPHA FUND

FUND OUTLINE

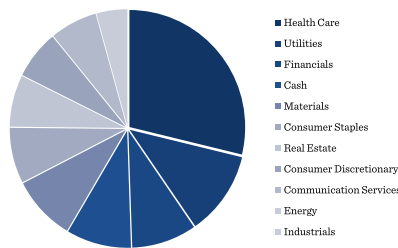
The **Alpha Fund** invests in a concentrated portfolio of approximately 10 to 15 select companies predominantly listed on the NZ and Australian share markets.

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	27.3%	Cash	9.0%
Australian Equities	63.7%	Total	100.0%
Currency Hedge	0.0%		

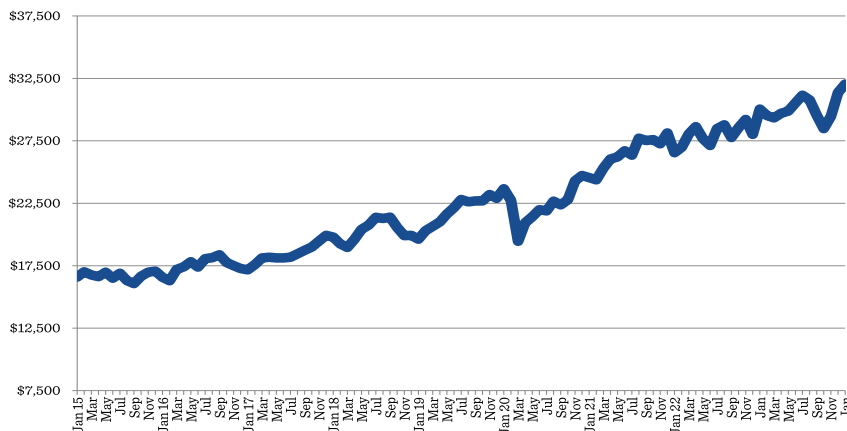
PERFORMANCE

	1 Mth	3 Mth	1 Yr	3 Yr p.a	5 Yr p.a	Since Inception
Devon Alpha Fund	2.2%	12.5%	6.7%	9.3%	10.3%	9.2%
OCR + 5%	0.9%	2.6%	10.7%	5.2%	3.4%	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 a solid return for its investors in January. After the strong finish that this portfolio enjoyed in late 2023, we were pleased to see that a number of our investments continued to perform very well. Amongst these were Resmed which rallied 14.8% and AUB Group which closed up by 10.5%. Another particularly important contributor was a2Milk, whose shares jumped by 12.0%. We invested into this business in the final quarter of last year after its stock price had slumped over the prior 12-months. This resulted in a favourable valuation proposition for us, catalysing our interest. During January investors were comforted by a better-than-expected birth rate in China. In 2023 there was a 5.6% decline in the number of babies born to 9.0m, but this was well ahead of the estimated 8m. Improvement in this trend would be positive for demand of their infant formula, alongside evidence that their market share is improving in China.

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.



DEVON TRANS-TASMAN FUND

FUND OUTLINE

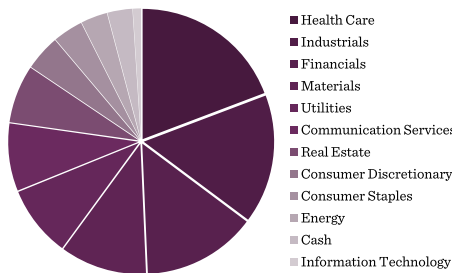
The **Trans-Tasman Fund** provides a broad and actively managed exposure to the New Zealand and Australian equity markets.

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

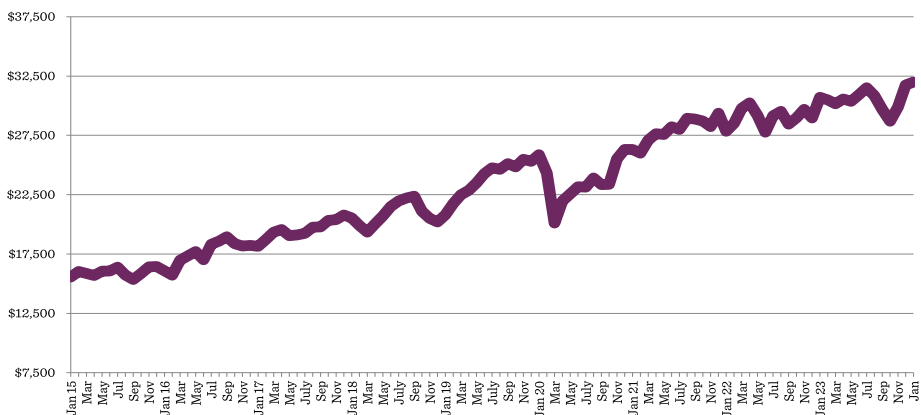
New Zealand Equities	43.5%	Cash	3.1%
Australian Equities	53.4%	Total	100.0%

PERFORMANCE	1 Mth	3 Mth	1 Yr	3 Yr p.a	5 Yr p.a	Since Inception
Devon Trans-Tasman Fund	0.8%	11.5%	4.1%	6.7%	8.9%	8.4%
50:50 NZX50 Gross & ASX200 Index Unhedged	0.9%	11.4%	2.3%	3.3%	8.0%	9.0%

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 performed broadly in line with its benchmark during the month. There were a number of positive contributors to our portfolio, including Resmed which finished up by more than 14%. Other investments of note included a2 Milk (+12.0%), AUB Group (+10.5%) and Aristocrat Leisure (+9.0%). Key detractors included the mining sector which fell on macro weakness in China, which affected BHP (-6.2%) and Sandfire (-0.5%).

We increased our investment in Aristocrat Leisure over the month following a period of share price weakness. Recent data continues to be supportive for the business. First, US casinos generated US\$4.4bn in gaming revenues in December 2023, which was up 7% over the year and above the 12-month run-rate of +3% in CY2023 (a period which was already well ahead of pre-Covid). Also of importance to us was that Aristocrat's game performance continues to be well ahead of peers – a recent industry survey showed Aristocrat has 24 of the 25 top performing industry games.

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.

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DEVON AUSTRALIAN FUND

FUND OUTLINE

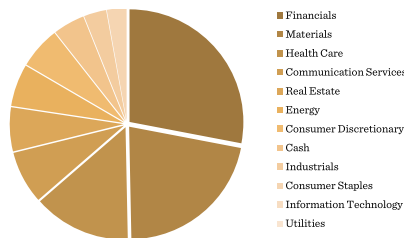
The **Australian Fund** invests in a select portfolio of companies, which are primarily Australian listed companies.

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

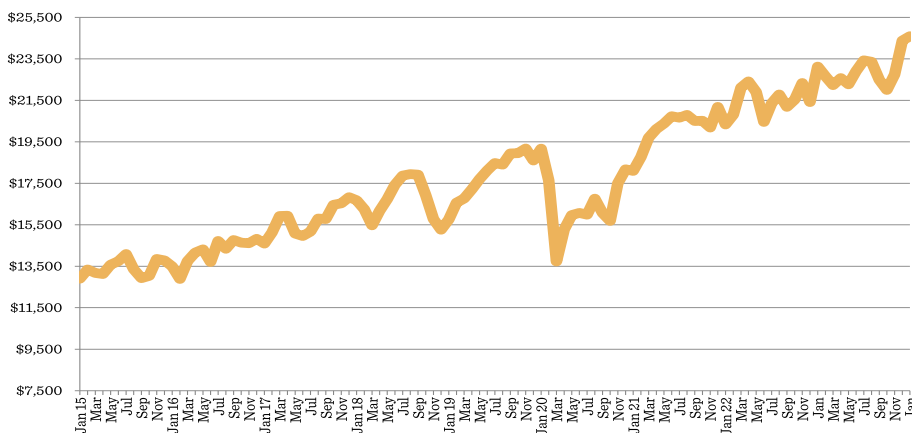
New Zealand Equities	0.0%	Cash	4.5%
Australian Equities	95.5%	Total	100.0%

PERFORMANCE	1 Mth	3 Mth	1 Yr	3 Yr p.a	5 Yr p.a	Since Inception
Devon Australian Fund	0.9%	11.8%	6.4%	10.8%	9.3%	7.8%
ASX200 Index Gross (NZD)	0.8%	12.5%	5.5%	9.9%	10.2%	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 strategy generated a positive return during January and was modestly ahead of its benchmark. The ASX was broadly supported by the banking sector which enjoyed solid investor appetite. Relevant to this portfolio were our investments in National Australia Bank which rallied 6.2% and the Commonwealth Bank whose share price finished up 5.1%. Another sector which enjoyed outperformance was those companies exposed to Gaming. Our investments in this space include Aristocrat as well as Light & Wonder, which returned 9.0% and 3.8% respectively. Light & Wonder is a business which is enjoying strong operational growth as a slot machine manufacturer, a developer of gaming content and a participant in electronic gaming. We have built up a position in this stock given our growing confidence in the early success of their recently launched game, Dragon Train. This has initially been rolled out in Australia but will soon be introduced to the much larger US market.

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 DIVIDEND YIELD FUND

FUND OUTLINE

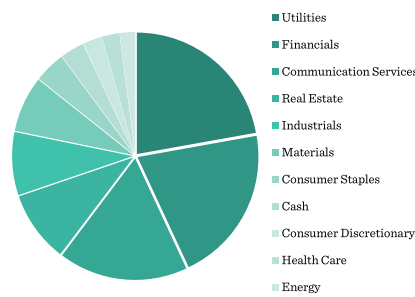
The **Devon Dividend Yield Fund** invests in a carefully selected portfolio of New Zealand and Australian listed companies.

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

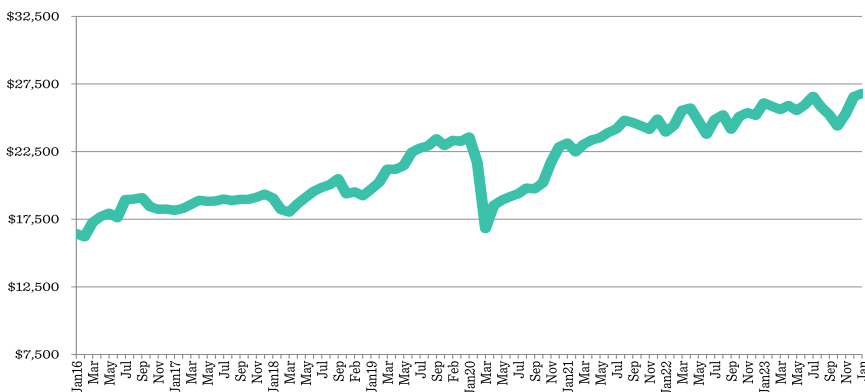
New Zealand Equities	64.4%	Cash	3.3%
Australian Equities	32.3%	Total	100.0%
Currency Hedge	96.2%	Yield	5.9%

PERFORMANCE	1 Mth	3 Mth	1 Yr	3 Yr p.a	5 Yr p.a	Since Inception
Devon Dividend Yield Fund	0.9%	9.9%	2.7%	5.1%	6.4%	9.4%
50:50 NZX50 & ASX200 Index Gross	1.0%	12.2%	3.1%	3.1%	7.7%	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

The Dividend Yield strategy had another encouraging month in January. The Australasian banking sector enjoyed a positive to start the year, with National Australia Bank up 6.2% and Westpac up 5.6%. Private health insurer Medibank led the way, rallying 7.9%. This re-rate coincided with the ongoing discussions between the company and the Australian government around their allowed premium increases this year. The sector is facing increased costs of patient surgeries, which means that the government is more agreeable to letting the insurer charge higher premiums. While this is yet to be finalised, it got the market excited. We took the opportunity to sell some Medibank and redeploy the profits into other ideas. Key detractors during the month were BHP group (-6.2%), Fletcher Building (-5.4%) and Tourism Holdings (-3.4%). The fund continues to offer investors a gross dividend yield of 6%, with the distributions forecasted to grow in line with inflation.

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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DEVON DIVERSIFIED INCOME FUND

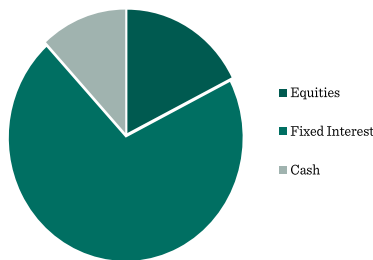
FUND OUTLINE

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	16.1%	Bonds	64.9%
Australian Equities	8.1%	Cash	10.9%

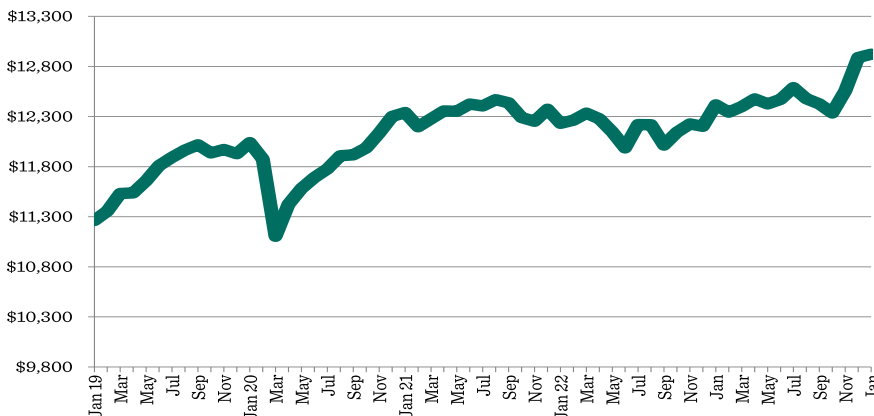
PERFORMANCE

	1 Mth	3 Mth	1 Yr	3 Yr p.a	5 Yr p.a	Since Inception
Devon Diversified Income Fund	0.3%	4.8%	4.1%	1.5%	2.8%	3.4%
OCR + 1.5%	0.6%	1.8%	7.0%	4.3%	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 yields moved higher during the month, with the interest rate on the US 10-year Treasuries moving from 3.84% in late December to finish January at 3.96%. The Federal Reserve met late in the month and kept their interest rates steady at 5.25%-5.50%. This was consistent with expectations. Chairman Powell spoke after this decision and highlighted that although he believes that interest rates have peaked, the Fed is not yet ready to begin an easing cycle. The US economy continues to demonstrate durability and although inflation is declining, policy makers want to see further normalisation. The market has been forecasting six cuts this year but after this announcement, it appears that these expectations may need to be moderated for 2024. In New Zealand the RBNZ maintained their hawkish stance, identifying that inflation still has a way to go before achieving their targeted midpoint of 2%.

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 SUSTAINABILITY FUND

FUND OUTLINE

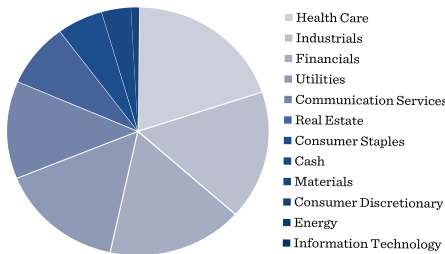
The **Devon Sustainability Fund** invests in a select portfolio of well researched New Zealand and Australian listed companies.

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	58.1%	Cash	3.7%
Australian Equities	38.2%	Total	100.0%

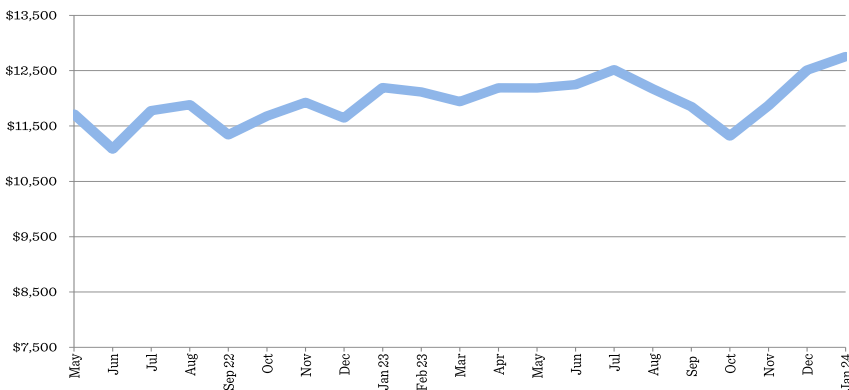
PERFORMANCE

	1 Mth	3 Mth	1 Yr p.a	3 Yr p.a	Since Inception
Devon Sustainability Fund	1.9%	12.7%	4.6%	3.8%	7.3%
50:50 NZX50 Portfolio Index & ASX200 Index	1.0%	11.8%	2.8%	3.3%	6.8%

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 Sustainability Fund performed well in January delivering a return of 1.9%, against a benchmark which was up 1.0%. Key highlights for the fund include ResMed (+14.8%), A2 Milk (+12.0%) and AUB Group (+10.5%). ResMed had a very strong month, after the sleep apnea device provider beat revenue and earnings expectations for its December quarter. Quarterly revenues grew 12% to US\$1.2 billion, while operating profit soared 20%. All products and services saw double-digit percentage growth. Investors were encouraged by better-than-expected gross margins, which appear to be back on track towards company targets. ResMed has been putting prices up, and also taken market share, aided by the continued issues experienced by its key competitor Philips. Costs are also abating, including falling freight costs. Despite ResMed's strong share price performance, we believe that its valuation is still supportive, and its recent operating performance has lifted expectations of its future earnings potential.

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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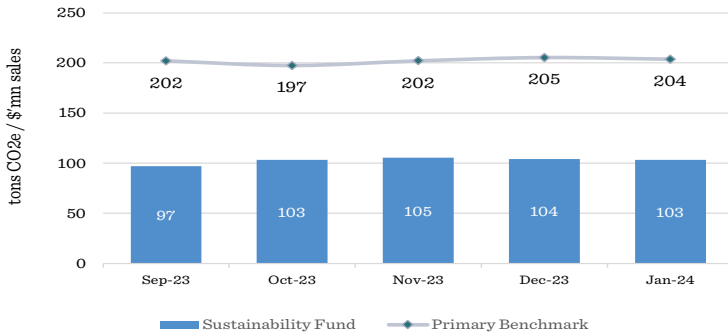
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DEVON SUSTAINABILITY FUND

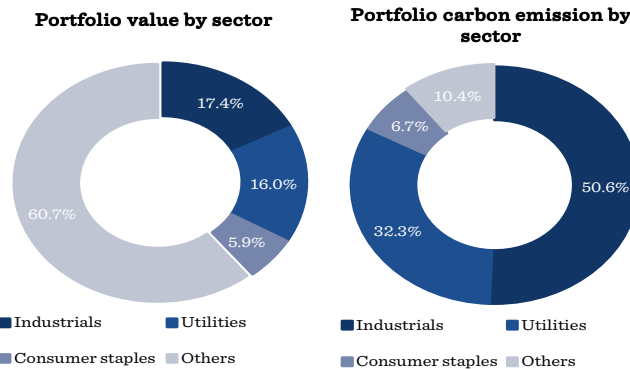
CARBON INTENSITY - PORTFOLIO VS BENCHMARK

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 89.6% of the carbon emissions in the portfolio.

ESG PORTFOLIO SUMMARY

	MSCI ESG Ratings	MSCI ESG Quality score	
Portfolio	AA	7.82	Portfolio Sustainability Fund
Benchmark	AA	7.40	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	-5.4%	1.6%	3.3%	5.3%	6.2%

*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	84.2%
% of companies committed to Net Zero	71.1%
% of companies committed to Carbon Neutral	5.3%
% of companies with no commitment to either	23.7%

STEWARDSHIP

Our first engagement for the year was with the Chairman of Contact Energy, out of concern that the company may not be able to deliver on its growth pipeline, following the issues faced in its Tauhara development. We were pleased to hear that the board is very focussed on risk management and addressing these delays. As part of their considered approach going forward, the board want to see that the company is fully through the civil part of the project before they look to execute on the next steps. The board has said they have learnt a great deal through the process and have bolstered their capabilities in process engineers. Ultimately, the board is mindful of risks, but don't want to lose momentum within the strategy. This meeting increased our confidence in the board's oversight.

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	0.17	1.04	-0.87
Credit*	4.38	4.68	-0.31
Asset Backed Securities	0.01	0.01	0.01
Mortgage Backed	1.16	0.69	0.47
Commercial Mortgage	0.08	0.03	0.05
Other	0.00	0.09	-0.09
Cash Offset	-	-	-
	5.79	6.53	-0.74

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	-0.68	0.28	-0.96
AAA	24.48	11.55	12.93
AA	42.94	42.94	0.00
A	11.22	30.97	-19.75
BBB	14.80	13.98	0.82
BB	4.95	0.01	4.94
B	3.27	-	3.27
Below B	0.20	-	0.20
Cash Offset	-1.56	-	-1.56
Not Rated	0.39	0.27	0.12
	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 January 2024

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	-0.0%	7.0%	3.9%	4.3%	-0.6%
Bloomberg Global Aggregate Index Hedged NZD	-0.2%	6.2%	3.5%	4.0%	-0.5%

PERFORMANCE	1 Mth	3 Mth	6 Mth	1 Yr	Since Inception
Devon Global Sustainability Fund	2.7%	11.9%	6.1%	15.1%	9.1%
MSCI All Country World Index in NZD, 50% hedged to NZD	2.4%	11.1%	4.8%	18.0%	6.6%

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

KEY HOLDINGS*



JOHN DEERE



dsm-firmenich

Microsoft

*Key Holdings as at 31 January 2024

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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DEVON FUNDS.

www.devonfunds.co.nz



ARTESIAN GREEN AND SUSTAINABLE BOND FUND (NZD)

FUND OUTLINE

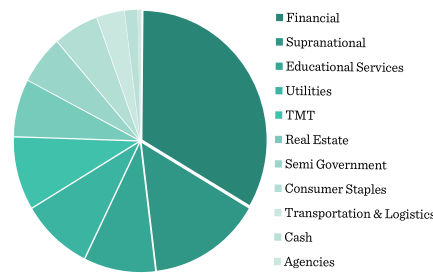
The Artesian Green and Sustainable Bond Fund (NZD) offers New Zealand-based investors a Portfolio Investment Entity (PIE) vehicle through which to invest in the Artesian Green and Sustainable Bond Fund (AUD).

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

Table with 2 columns: Allocation Item and Percentage. Rows include Artesian Green & Sustainable Bond Fund (AUD) at 99.2% and Cash at 0.8%.

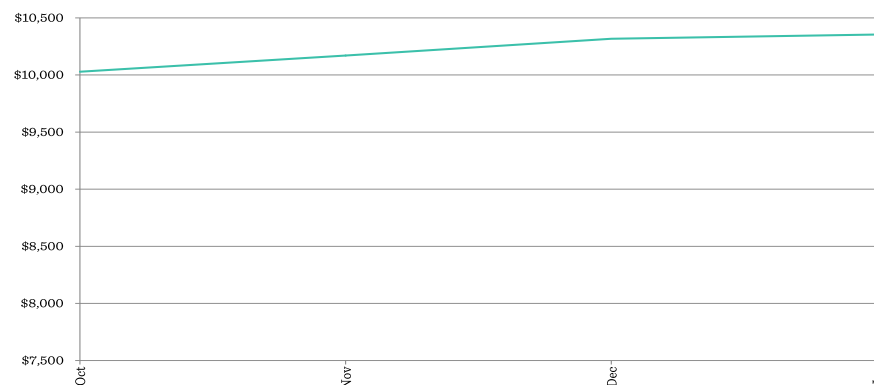
PERFORMANCE

Table with 5 columns: Performance Metric, 1 Mth, 3 Mth, 6 Mth, and Since Inception. Rows include Artesian Green & Sustainable Bond Fund (NZD)* and Bloomberg AusBond Composite 0-5 Yr Index 100% Hedged to NZD.

*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.

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

The AUD bond market had a very strong start to the year with record supply supported by record demand. The World Bank issued an AUD 2b Sustainable Bond on January 3rd, which according to our records is the earliest AUD bond issue we have seen in a calendar year.

In January credit spreads were mixed which meant that roughly half the portfolio was wider and the other half was tighter. Underperformance came from the Fund's position's in Mercury (Green), Australian Postal Corporation (Sustainable), Contact Energy (Green), La Trobe University (Green) and NBN (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.

