

Special Report

By Greg Smith, Head of Retail at Devon Funds.

The month was a strong one for markets again. The S&P500 gained 3.2%, to record the fifth consecutive month of gains, the longest such run in two years. The Dow notched up a sequence of 13 consecutive daily gains during the month, which was the longest winning streak since 1987. In New Zealand and Australia, the indices firmed as well, with sentiment helped by both the RBNZ and RBA leaving interest rate settings alone at their respective meetings. The NZX50 added 1.2% while the ASX200 was not far behind the S&P500, rising 2.9% during the month.

Market momentum globally was fuelled by a robust results season in the Northern Hemisphere and retreating levels of inflation, as well as acknowledgement of the latter by many central banks looking to wrap up rate tightening programs. Other economic data has also been supportive of the narrative that a soft economic landing can be achieved in the US, the world's largest economy (and elsewhere too). Prices for oil (consumption of which is correlated with global growth) were also sending a signal during the month – rising 15% for the best July in nearly two decades.

While there has been plenty of debate amongst market participants, Fed Chair Jerome Powell has maintained for some time that a recession will be avoided. The equity market is buying into the soft-landing scenario as is the bond market. The gap between yields on US junk bonds and equivalent Treasury notes saw one of the biggest two-month drops since 2020.

While those in NZ and Australia paused, several major central banks raised rates during the month. The Fed added 25bps to go to a 5.25-5.5% range, the highest in 22 years. Jerome Powell noted that the Fed...[READ MORE](#)

MARKET INDICES

| Index | Region | Monthly Return 1 Yr. Return | |
|--|-----------|-----------------------------|-------|
| S&P/NZX50G | NZ | 1.2% | 4.9% |
| S&P/ASX200G | AUSTRALIA | 2.9% | 11.7% |
| MSCI World Index | GLOBAL | 3.4% | 14.1% |
| S&P500 | USA | 3.2% | 13.0% |
| FTSE100 | UK | 2.3% | 7.8% |
| NIKKEI 225 | JP | -0.0% | 22.0% |
| NZ 90 Day Bank Bill | NZ | 0.5% | 4.4% |
| Bloomberg Global Aggregate Index (NZD) | GLOBAL | 0.0% | -2.7% |

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AT A GLANCE

Prices as at 31 July 2023

| | |
|--|----------|
| DEVON ALPHA FUND | \$2.2775 |
| DEVON AUSTRALIAN FUND | \$1.6471 |
| DEVON DIVERSIFIED INCOME FUND | \$1.4419 |
| DEVON DIVIDEND YIELD FUND | \$1.9182 |
| DEVON GLOBAL IMPACT BOND FUND | \$1.3537 |
| DEVON GLOBAL SUSTAINABILITY FUND | \$1.6464 |
| DEVON TRANS-TASMAN FUND | \$4.7127 |
| DEVON SUSTAINABILITY FUND | \$3.2966 |
| ARTESIAN GREEN & SUSTAINABLE BOND FUND | \$1.0077 |

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DEVON ALPHA FUND

FUND OUTLINE

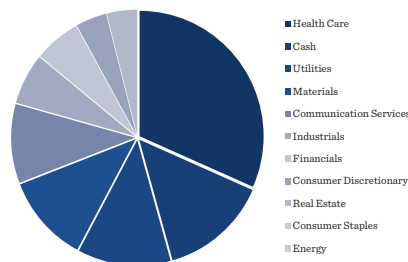
The **Alpha Fund** invests in a concentrated portfolio of approximately 10 to 15 select companies predominantly listed on the NZ and Australian share markets.

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

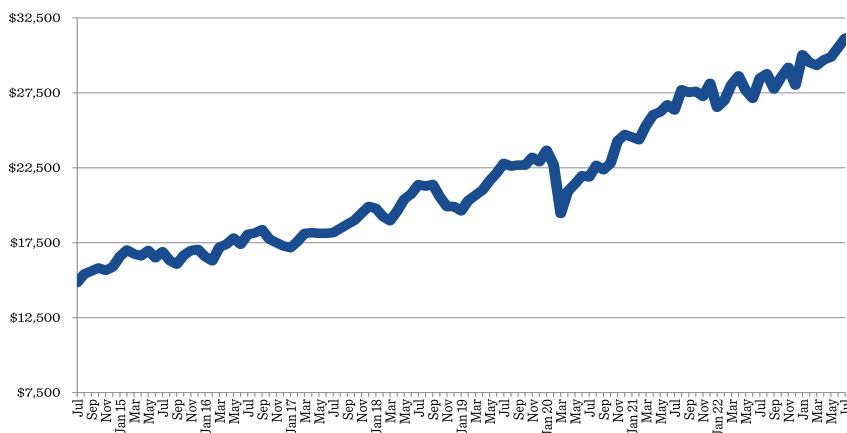
| | | | |
|----------------------|-------|-------|--------|
| New Zealand Equities | 28.4% | Cash | 14.0% |
| Australian Equities | 57.6% | Total | 100.0% |
| Currency Hedge | 27.0% | | |

| PERFORMANCE | 1 Mth | 3 Mth | 1 Yr | 3 Yr p.a | 5 Yr p.a | Since Inception |
|------------------|-------|-------|------|----------|----------|-----------------|
| Devon Alpha Fund | 2.1% | 4.9% | 9.4% | 12.5% | 7.8% | 9.3% |
| OCR + 5% | 0.9% | 2.6% | 9.2% | 3.4% | 2.5% | 2.2% |

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 enjoyed another month of positive absolute returns. Our focus on owning quality businesses was rewarded with the performance of stocks including James Hardie which finished up 9.4% and Seek which rallied 14.6%. The market has recently been reducing earnings forecasts for Seek to reflect expected lower job volumes next year. Recent feedback though indicates the company continues to lift pricing materially to help offset any future volume declines, highlighting the competitive value in their offering. Whilst the near-term volume outlook is uncertain, these recent price changes suggest that Seek is well positioned to deliver on their medium to long-term performance targets, as outlined at their April Investor Day. These targets also include a significant lift in earnings from their Asian business. The cash weighting in this strategy has lifted as a number of our investments have reached our price expectations.

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

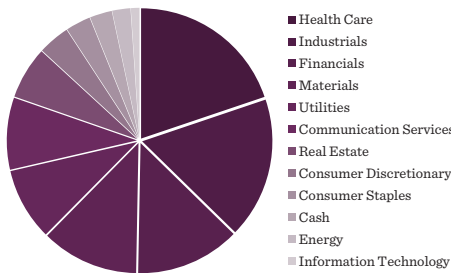
The **Trans-Tasman Fund** provides a broad and actively managed exposure to the New Zealand and Australian equity markets.

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

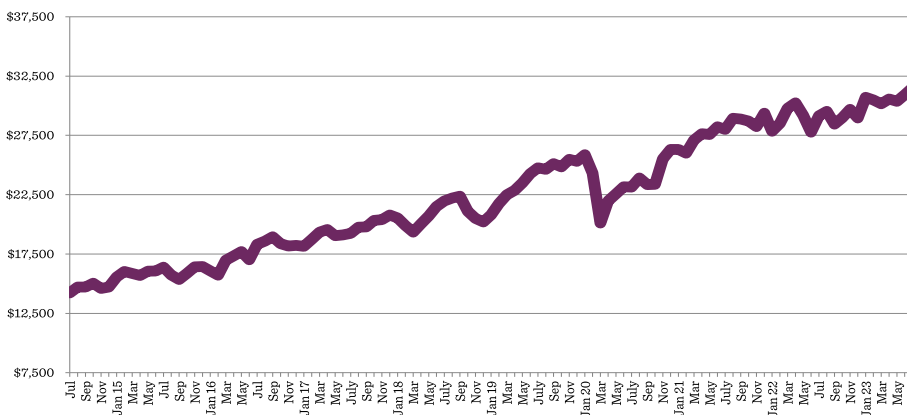
| | | | |
|----------------------|-------|-------|------|
| New Zealand Equities | 44.3% | Cash | 2.7% |
| Australian Equities | 53.0% | Total | 100% |

| PERFORMANCE | 1 Mth | 3 Mth | 1 Yr | 3 Yr p.a | 5 Yr p.a | Since Inception |
|---|-------|-------|------|----------|----------|-----------------|
| Devon Trans-Tasman Fund | 1.9% | 3.1% | 8.1% | 10.8% | 7.5% | 8.5% |
| 50:50 NZX50 Gross & ASX200 Index Unhedged | 1.9% | 1.8% | 6.8% | 6.6% | 6.7% | 9.1% |

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 main positive contributors to the performance were Seek (+14.6%), Sandfire (+14.2%) and James Hardie (+9.4%).

James Hardie (JHX) rallied as the market factored in a further improvement in US housebuilder confidence. James Hardie's FY23 results in May highlighted the resiliency of profit margins in a falling volume environment, with the outcomes well ahead of consensus expectations. Management has maintained a degree of conservatism in the company's macro expectations for 2023 which are towards the lower end of external industry forecasts, but we expect another strong result at their June quarter results in August. For the Repair and Remodel (R&R) market, JHX expects R&R volume declines of -11% to -15% relative to industry forecasts of -8% to -15%. We believe the volume declines may be less significant than currently forecast by management, based on anecdotal industry feedback. With FY24 likely to be trough earnings, we continue to see upside to their valuation against a backdrop where US housing demand is improving.

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

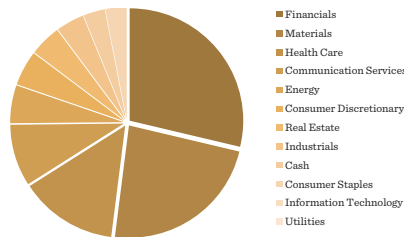
The Australian Fund invests in a select portfolio of companies, which are primarily Australian listed companies.

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

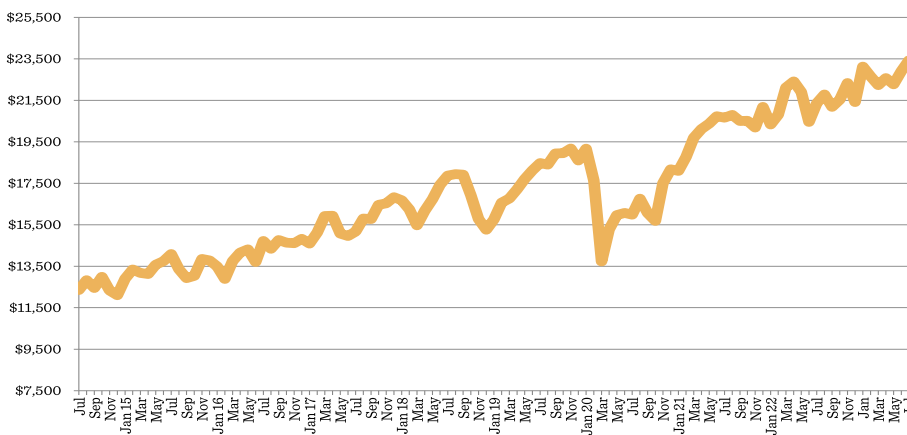
Table with 2 columns: Asset Class and Allocation Percentage. Rows include New Zealand Equities (0.0%), Australian Equities (96.9%), Cash (3.1%), and Total (100.0%).

Table with 7 columns: Performance Metric, 1 Mth, 3 Mth, 1 Yr, 3 Yr p.a, 5 Yr p.a, Since Inception. Rows include Devon Australian Fund and ASX200 Index Gross (NZD).

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 had a number of positive contributors during July. These included GPT Group and National Australia Bank which rallied 4.8% and 7.8% respectively. Another financial business which has served us well recently is Suncorp Group. This stock closed the month up 5.5% and over the past 12-months it has generated a return of 31.6%. Suncorp continues to benefit from a very supportive environment for the re-pricing of their premiums. This, together with the benefit of elevated interest rates on the income they derive from their investment funds, is driving strong growth in underlying profitability. These positive influences on the investment thesis for Suncorp mitigated an announcement by the Australian competition regulator (ACCC) that they were delaying their decision on ANZ's proposed acquisition of Suncorp's banking business. In early August the ACCC denied merger authorisation for this transaction although this decision is expected to be appealed.

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.



DEVON DIVIDEND YIELD FUND

FUND OUTLINE

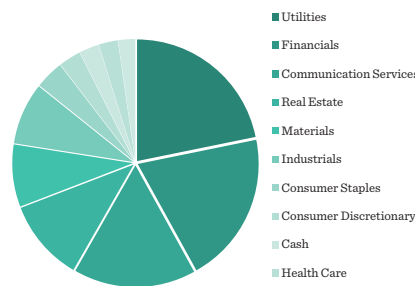
The **Devon Dividend Yield Fund** invests in a carefully selected portfolio of New Zealand and Australian listed companies.

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

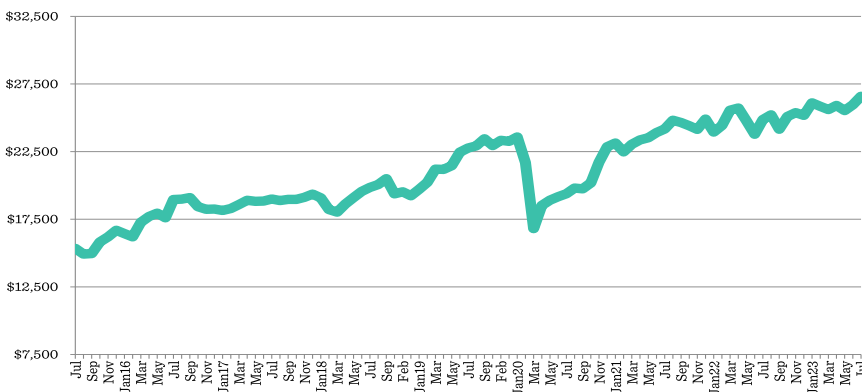
| | | | |
|----------------------|-------|-------|--------|
| New Zealand Equities | 61.6% | Cash | 2.6% |
| Australian Equities | 35.8% | Total | 100.0% |
| Currency Hedge | 95.4% | Yield | 6.1% |

| PERFORMANCE | 1 Mth | 3 Mth | 1 Yr | 3 Yr p.a | 5 Yr p.a | Since Inception |
|----------------------------------|-------|-------|------|----------|----------|-----------------|
| Devon Dividend Yield Fund | 2.4% | 2.6% | 6.9% | 11.1% | 6.0% | 9.8% |
| 50:50 NZX50 & ASX200 Index Gross | 2.0% | 1.2% | 8.3% | 6.5% | 6.8% | 10.5% |

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

Our investments in the banking sector outperformed the broader market during the month, with our holdings in NAB and ANZ both posting strong performances. Both stocks rallied by 7.8%. It appears that the banking sector has returned to a period of more rational competition especially with respect to deposits and residential mortgages. As such, improving short-term trends in both margins and investor sentiment have been supportive. Additionally, the combination of attractive valuations, higher interest rates and a more resilient domestic economy is improving the appeal of the sector to investors. At current prices, the cash yield on both NAB and ANZ is close to 6%.

The recent volatility in the health-care sector has created an opportunity for us to improve the fund's investment diversification by adding CSL and Ramsay Healthcare at attractive valuations.

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

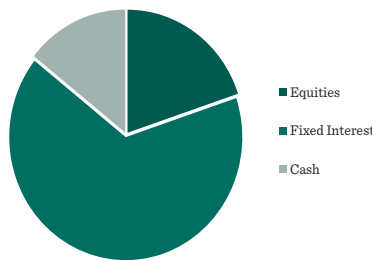
FUND OUTLINE

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 | 17.8% | Bonds | 59.0% |
| Australian Equities | 10.3% | Cash | 12.9% |

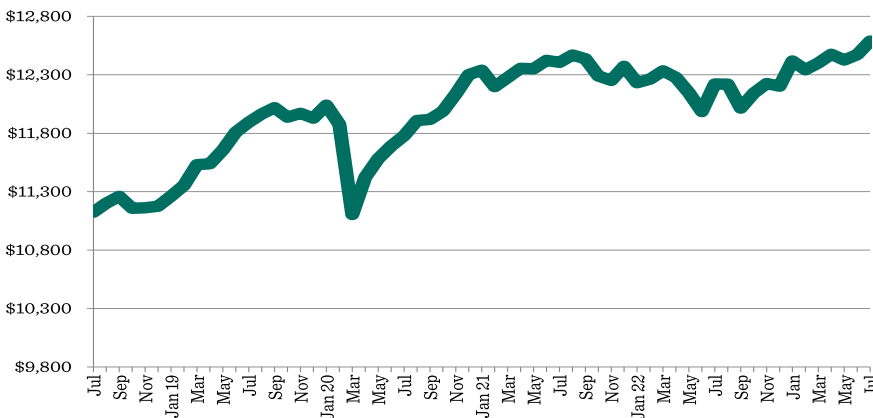
PERFORMANCE

| | 1 Mth | 3 Mth | 1 Yr | 3 Yr p.a | 5 Yr p.a | Since Inception |
|-------------------------------|-------|-------|------|----------|----------|-----------------|
| Devon Diversified Income Fund | 0.9% | 0.9% | 3.0% | 2.2% | 2.5% | 3.2% |
| OCR + 1.5% | 0.6% | 1.8% | 6.0% | 3.4% | 3.1% | 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 rose slightly during the month with the interest rate on US 10-year Treasuries finishing at 3.98%. The US Federal Reserve raised rates by 0.25% to a range of 5.25% to 5.50%. This is the highest level in 22-years although Chairman Powell did highlight that additional tightening is possible unless inflation continues to fall. The Fed are happy that the American labour market continues to “cool” but they also noted that they are no longer forecasting a recession. In Australia second-quarter inflation data was reported at slightly below market expectations (annualised at 6.0% vs forecasts of 6.1%). This provided investors with confidence that Australia might also enjoy a soft landing as recent announcements concerning the labour market, building approvals and retail sales have positively surprised. In New Zealand, the RBNZ left the Official Cash Rate on hold at 5.5%.

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 SUSTAINABILITY FUND

FUND OUTLINE

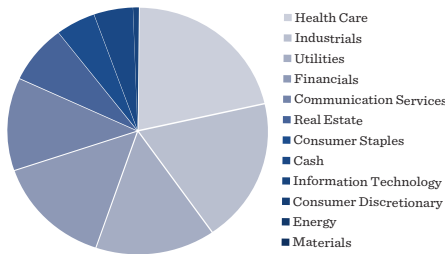
The **Devon Sustainability Fund** invests in a select portfolio of well researched New Zealand and Australian listed companies.

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 | 56.9% | Cash | 4.9% |
| Australian Equities | 38.2% | Total | 100.0% |

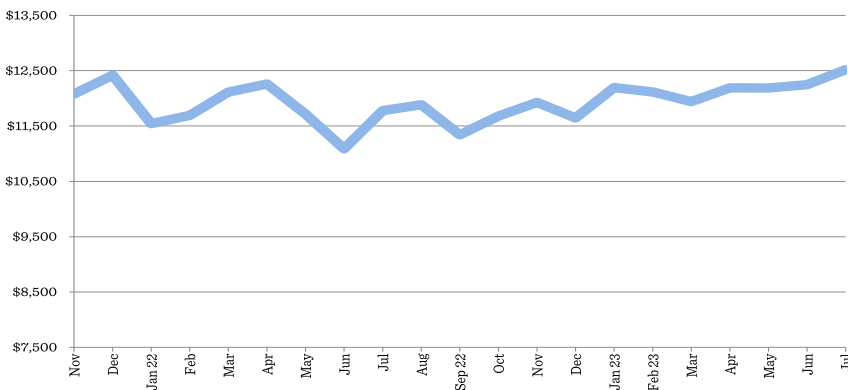
PERFORMANCE

| | 1 Mth | 3 Mth | 1 Yr p.a | 2 Yr p.a | Since Inception |
|--|-------|-------|----------|----------|-----------------|
| Devon Sustainability Fund | 2.2% | 2.7% | 6.3% | 2.2% | 8.0% |
| 50:50 NZX50 Portfolio Index & ASX200 Index | 2.2% | 2.3% | 7.6% | 1.3% | 7.5% |

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

During July the Sustainability strategy performed in line with the benchmark, finishing up 2.2%. Top contributors to performance were Seek (+14.6%), National Australia Bank (+7.8%), and ANZ (+7.8%). Meanwhile top detractors were Mainfreight (-4.1%), CSL (-3.2%) and Brambles (-2.4%). July was a strong month for the Australian share market, particularly for companies with cyclical exposure. Our preferred company in the Australian classified sector is Seek. Seek is an online platform which helps connect people with jobs all around the world. During July the company passed through high single digit price increases for basic job ads on their website, which were above expectations. Along with moving towards their longer dated targets of successfully penetrating key Asian regions and creating more of a price differential for job ads between high and low paid roles (e.g a Chief Financial Officer vs a Barista). We also like how Seek continues to trade on a cheaper earnings multiple than key peers.

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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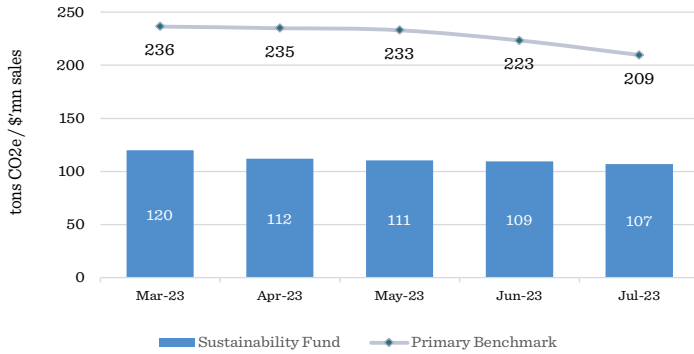
www.devonfunds.co.nz



DEVON SUSTAINABILITY FUND

CARBON INTENSITY - PORTFOLIO VS BENCHMARK

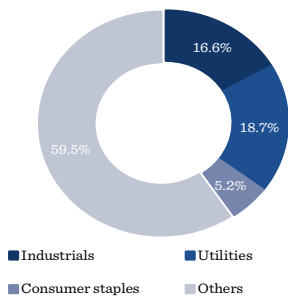
Carbon Intensity - Portfolio vs Benchmark



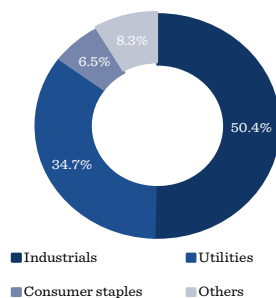
PORTFOLIO CARBON EMISSIONS BY KEY SECTORS

Portfolio Carbon Emissions by Key Sectors

Portfolio value by sector



Portfolio carbon emission by sector



The industrials, utilities, and consumer staples sectors make up 40.5% of the portfolio by value, but they account for 91.6% of the carbon emissions in the portfolio.

ESG PORTFOLIO SUMMARY

| | MSCI ESG Ratings | MSCI ESG Quality score | Portfolio |
|-----------|------------------|------------------------|--|
| Portfolio | AA | 7.70 | 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 | 3.9% | 3.4% | 7.4% | 10.5% | 6.7% |

*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 Carbon Emission Reduction Summary

| | |
|---|-------|
| % of companies committed to Net Zero | 61.1% |
| % of companies committed to Carbon Neutral | 8.3% |
| % of companies with no commitment to either | 30.6% |

CLIMATE CHANGE RISK BY PORTFOLIO HOLDINGS

Portfolio Holding's Disclosure Summary

| | |
|---|-------|
| % of companies reporting to TCFD standards | 83.3% |
| % of companies with carbon emission reduction targets | 80.6% |

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STEWARDSHIP

July was an eventful month in the sustainability landscape. In the closing week our government announced surprise changes to the emissions trading scheme (ETS). Key changes revolve around the price controls and lower supply of units into the periodic ETS auctions. The changes have been made to support a price path towards NZ\$100 per tonne of CO2 emissions by 2030. Doing so will gradually increase the cost of CO2 emissions for many of New Zealand's emitting sectors. As result, we can expect a greater push towards decarbonising energy and heat supply for our local companies. Key beneficiaries of these changes are our Gentaileer sector, as it will support demand growth into the medium term. Crucially supporting the expensive renewable electricity generation development pipelines many are currently undertaking. The sustainability strategy has considerable exposure to this positive trend, with 15% of the fund being in the local renewable Gentaileers.

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 FUNDS.

www.devonfunds.co.nz



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 | 0.84 | 1.03 | -0.19 |
| Credit* | 4.53 | 4.84 | -0.32 |
| Asset Backed Securities | 0.01 | 0.01 | 0.00 |
| Mortgage Backed | 0.95 | 0.70 | 0.25 |
| Commercial Mortgage | 0.08 | 0.03 | 0.05 |
| Other | 0.00 | 0.10 | -0.09 |
| Cash Offset | - | - | - |
| | 6.41 | 6.71 | -0.29 |

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 | 14.01 | 0.30 | 13.70 |
| AAA | 40.50 | 40.18 | 0.32 |
| AA | 14.98 | 13.00 | 1.98 |
| A | 10.86 | 31.58 | -20.72 |
| BBB | 13.20 | 14.66 | -1.46 |
| BB | 4.82 | 0.01 | 4.81 |
| B | 3.40 | - | 3.40 |
| Below B | 0.22 | - | 0.22 |
| Cash Offset | -2.38 | - | -2.38 |
| 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 July 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 | -0.0% | -0.4% | 0.4% | -2.4% | -3.6% |
| Bloomberg Global Aggregate Index Hedged NZD | 0.0% | -0.4% | 0.6% | -2.7% | -3.2% |

| PERFORMANCE | 1 Mth | 3 Mth | 6 Mth | 1 Yr | Since Inception |
|--|-------|-------|-------|-------|-----------------|
| Devon Global Sustainability Fund | 0.4% | 4.2% | 8.4% | 10.8% | 7.2% |
| MSCI All Country World Index in NZD, 50% hedged to NZD | 2.6% | 8.1% | 12.6% | 12.5% | 5.4% |

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

KEY HOLDINGS*



*Key Holdings as at 31 July 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

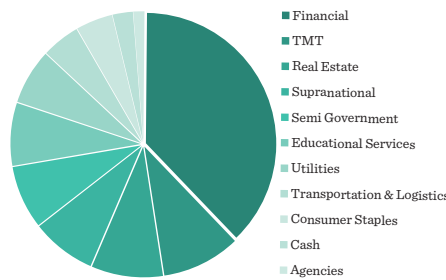
The Artesian Green and Sustainable Bond Fund (NZD) offers New Zealand-based investors a Portfolio Investment Entity (PIE) vehicle through which to invest in the Artesian Green and Sustainable Bond Fund (AUD).

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

Table with 2 columns: Allocation Item and Percentage. Rows include Artesian Green & Sustainable Bond Fund (AUD) at 97.3%, Cash at 2.7%, Currency Hedge (100% to NZD) at 100.2%, and Total at 100.0%.

PERFORMANCE

Table with 3 columns: Performance Item, 1 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.

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 underlying Artesian fund outperformed its benchmark during July, as described in more detail below. However the NZD hedged fund modestly underperformed its benchmark during the month, as a result of higher than normal cash balances during the launch phase of the fund. These cash balances have now been invested with Artesian.

A glass half-full viewpoint in July would have you believe a softer landing in some parts of the world is not as difficult to achieve as most would have thought. In Australia and the United States, inflation and retail sales came in weaker than forecast. In the case of Australian retail sales, that's three consecutive falls which has only ever occurred previously during the GFC. So for now, government bonds have started to reverse some of the sell-off we saw in June, which positively aided the Fund's returns in July. The RBA have been vindicated for leaving the cash rate on hold in July, as the subsequent data that followed throughout the month came in softer than the market had forecast. The softer data has allowed the RBA to pause again in August, the first successive pause since April 2022. Whilst the cash rate is now clearly in restrictive territory, we are still likely to see inflation shocks, so the hiking cycle may not be complete for the RBA just yet.

The Underlying Fund's outperformance versus benchmark was driven by the increased interest rate duration positioning (lengthened in June and July) and overweight credit duration positioning. The Underlying Fund's running yield of 4.95% versus the benchmark of 4.28% also positively contributes to the outperformance on a monthly basis.

There was outperformance from +85% of the Underlying Fund's bond positions in July. Outperformance was achieved by the Fund's positions in Woolworths (Green & SLB), Optus (SLB) and Transpower (Green). Underperformance came from the Underlying Fund's positions in CPPIB Capital, Western Australia Treasury Corporation and the Industrial Bank of Korea.

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. David has a Master of Applied Finance from Kaplan (formerly Securities Institute of Australia).