

## The Ides of March

By Greg Smith, Head of Retail at Devon Funds.

“Beware the Ides of March” is a well-known Shakespearian phrase, but ultimately the month came to pass rather peacefully for markets, despite significant drama within the banking sector. Concerns over contagion following the implosion of Silicon Valley Bank (and a couple of others at the “pointier” end of the spectrum) were quickly neutralised by US officials. Across the Atlantic, officials acted equally swiftly to reassure over the state of the European banking sector, with a hastily arranged rescue takeover of Credit Suisse by fellow Swiss peer UBS.

Central banks were also in the spotlight on a number of counts, with questions raised over whether problems in the banking sector were by-products of overly fast and furious rate-hiking initiatives. Any introspection by the central banks came as several signalled they were nearing the end of their interest rate tightening journeys. Indeed, the central banks in Canada and Australia were notable for both hitting the pause button.

In what was a volatile month, a semblance of calm prevailed, particularly in the US where the S&P500 gained 3.7%, while the Nasdaq jumped 6.7%. The kiwi and Australian markets were relatively weaker, with the NZX50 dipping 0.1%, and the ASX200 edging 0.2% lower during the course of the month. While central banks in the Northern Hemisphere had already shown their hands, there was an air of anticipation over rate decisions this week by the RBA and RBNZ - the reactions proved somewhat different.

Ultimately central bank meetings were held in much calmer settings than would have been the case a few weeks earlier. Authorities on both sides of the Atlantic acted swiftly to reduce the risk of...[READ MORE](#)

## MARKET INDICES

| Index                                  | Region    | Monthly Return | 1 Yr. Return |
|--|-----------|----------------|--------------|
| S&P/NZX50G                             | NZ        | -0.1%          | -1.9%        |
| S&P/ASX200G                            | AUSTRALIA | -0.2%          | 0.1%         |
| MSCI World Index                       | GLOBAL    | 3.2%           | -6.5%        |
| S&P500                                 | USA       | 3.7%           | -7.7%        |
| FTSE100                                | UK        | -2.5%          | 5.4%         |
| NIKKEI 225                             | JP        | 3.1%           | 3.1%         |
| NZ 90 Day Bank Bill                    | NZ        | 0.4%           | 3.2%         |
| Bloomberg Global Aggregate Index (NZD) | GLOBAL    | 2.2%           | -4.8%        |

## AT A GLANCE

Prices as at 31 March 2023

|                                  |          |
|----------------------------------|----------|
| DEVON ALPHA FUND                 | \$2.1749 |
| DEVON AUSTRALIAN FUND            | \$1.5950 |
| DEVON DIVERSIFIED INCOME FUND    | \$1.4481 |
| DEVON DIVIDEND YIELD FUND        | \$1.8951 |
| DEVON GLOBAL IMPACT BOND FUND    | \$1.3893 |
| DEVON GLOBAL SUSTAINABILITY FUND | \$1.5465 |
| DEVON TRANS-TASMAN FUND          | \$4.5979 |
| DEVON SUSTAINABILITY FUND        | \$3.2063 |

## IN THIS REPORT

|                                       |        |
|---------------------------------------|--------|
| Market Commentary.....                | Page 1 |
| At a Glance.....                      | Page 1 |
| <b>Devon Fund Summaries</b>           |        |
| Alpha Fund .....                      | Page 2 |
| Australian Fund .....                 | Page 3 |
| Diversified Income Fund .....         | Page 4 |
| Dividend Yield Fund.....              | Page 5 |
| Sustainability Fund .....             | Page 6 |
| ESG Insights .....                    | Page 7 |
| Trans-Tasman Fund.....                | Page 8 |
| Devon Global Impact Fund .....        | Page 9 |
| Devon Global Sustainability Fund..... | Page 9 |

### Devon Funds Management Limited

Level 17, HSBC Tower, 188 Quay Street, Auckland 1010  
 PO Box 105 609, Auckland 1143  
 Telephone: 0800 944 049 (free call) or +649 925 3990  
 enquiries@devonfunds.co.nz

Devon Funds Management Limited, its directors, employees and agents believe that the information herein is correct at the time of compilation; however they do not warrant the accuracy of that information. Save for any statutory liability which cannot be excluded, Devon Funds Management Limited further disclaims all responsibility or liability for any loss or damage which may be suffered by any person relying upon such information or any opinions, conclusions or recommendations herein whether that loss or damage is caused by any fault or negligence on the part of Devon Funds Management Limited, or otherwise. This disclaimer extends to any entity which may distribute this publication and in which Devon Funds Management Limited or its related companies have an interest. We do not disclaim liability under the Fair Trading Act 1986, nor the Consumer Guarantees Act 1993, to the extent these Acts apply. This document is issued by Devon Funds Management Limited. It is not intended to be an offer of units in any of the Devon Funds (the "Funds"). Anyone wishing to apply for units will need to complete the application form attached to the current Product Disclosure Statement (PDS) which is available at [www.devonfunds.co.nz](http://www.devonfunds.co.nz). Devon Funds Management Limited, a related company of Investment Services Group Limited, manages the Funds and will receive management fees as set out in the PDS. This document contains general securities advice only. In preparing this document, Devon Funds Management Limited did not take into account the investment objectives, financial situation and particular needs ("financial circumstances") of any particular person. Accordingly, before acting on any advice contained in this document, you should assess whether the advice is appropriate in light of your own financial circumstances or contact your financial adviser. Devon advises that all investors should seek independent financial advice prior to making any investment decisions. Past performance is not indicative of future results and no representation or warranty, express or implied, is made regarding future performance. No part of this document may be reproduced without the permission of Investment Services Group.



# DEVON ALPHA FUND

## FUND OUTLINE

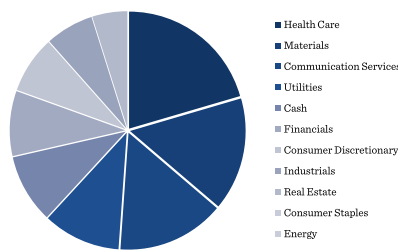
The **Alpha Fund** invests in a concentrated portfolio of approximately 10 to 15 select companies predominantly listed on the NZ and Australian share markets.

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

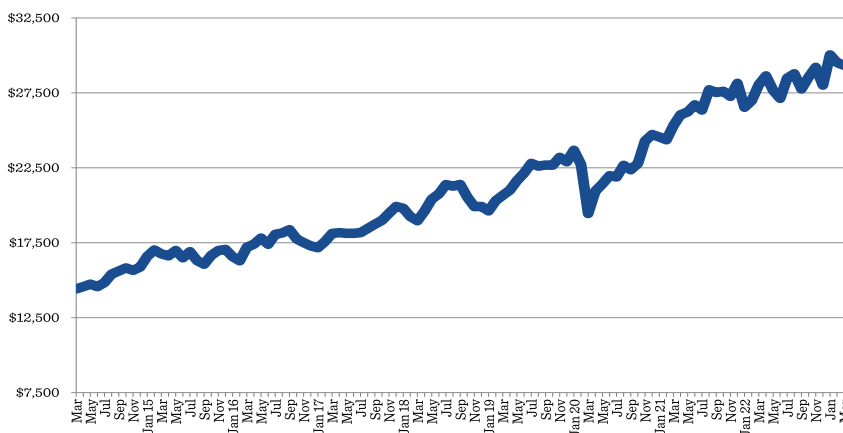
|                      |       |       |        |
|----------------------|-------|-------|--------|
| New Zealand Equities | 22.2% | Cash  | 9.5%   |
| Australian Equities  | 68.3% | Total | 100.0% |
| Currency Hedge       | 48.2% |       |        |

|                  | 1 Mth | 3 Mth | 1 Yr | 3 Yr p.a | 5 Yr p.a | Since Inception |
|------------------|-------|-------|------|----------|----------|-----------------|
| Devon Alpha Fund | -0.7% | 4.7%  | 4.6% | 14.7%    | 9.1%     | 9.1%            |
| OCR + 5%         | 0.8%  | 2.3%  | 6.1% | 2.3%     | 1.9%     | 2.1%            |

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 finished slightly lower over the month, but we are confident that the portfolio of stocks that we own are very well positioned for the current conditions and opportunities. Notwithstanding the economic slowdown that is occurring, we have identified a range of investments that have strong valuation support and should perform well as the central bank tightening cycle matures. During March there were a number of strong contributors, including Resmed and Telstra which rallied 3.1% and 3.5% respectively. Also worth highlighting were the returns enjoyed by James Hardie and Aristocrat Leisure which closed the month up by 2.6% and 1.8%. These businesses are both high quality, with strong balance sheets and impressive competitive positioning, and although their operations are affected by the strength of the underlying economy, we believe that the current risk-reward characteristics for each of them are compelling over the medium-term. We continue to have a portfolio bias towards Australia over New Zealand.

## 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 AUSTRALIAN FUND

FUND OUTLINE

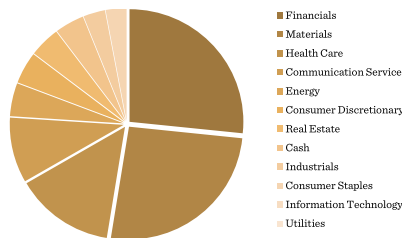
The Australian Fund invests in a select portfolio of companies, which are primarily Australian listed companies.

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

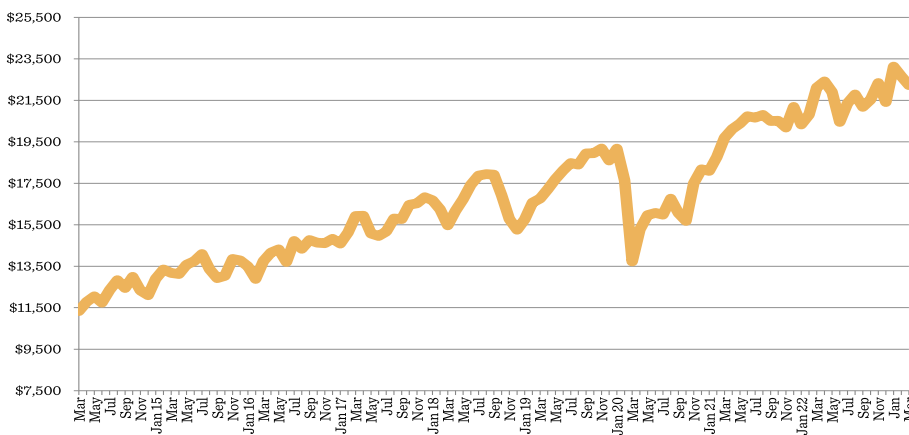
Table with 2 columns: Asset Class and Percentage. Rows include New Zealand Equities (0.0%), Australian Equities (95.8%), Cash (4.2%), and Total (100.0%).

Table with 7 columns: Metric, 1 Mth, 3 Mth, 1 Yr, 3 Yr p.a, 5 Yr p.a, and 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

Amongst the top performing stocks for the Australian strategy during the month were high quality, defensive businesses including BHP Group (+7.5%) and Telstra (+3.5%). Weighing on the portfolio's performance was Cleanaway Waste Management (-9.6%) and Macquarie Group (-7.3%). Woolworths was another important contributor, rallying 3.9% during the month. Woolworths is currently benefiting from high food inflation and operational efficiencies driven by its investment in digital strategies and supply chain solutions. These are expected to drive margin expansion over-time. This along with its strong balance sheet should drive solid earnings growth through the economic cycle. Cash flow has also improved recently for this business, with management executing well on their control over working capital. We believe that Woolworths remains attractively priced given the high barriers to entry that it enjoys and the operational improvements that are being made.

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 DIVERSIFIED INCOME FUND

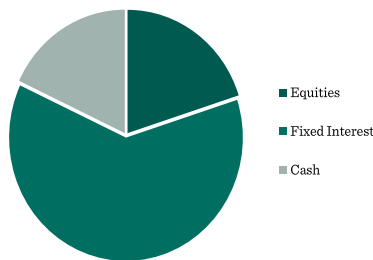
### FUND OUTLINE

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 | 17.5% | Bonds | 53.9% |
| Australian Equities  | 9.8%  | Cash  | 18.8% |

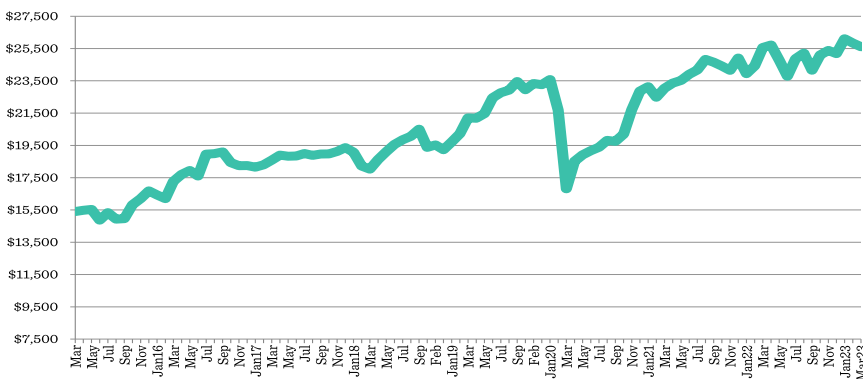
### PERFORMANCE

|                               | 1 Mth | 3 Mth | 1 Yr | 3 Yr p.a | 5 Yr p.a | Since Inception |
|-------------------------------|-------|-------|------|----------|----------|-----------------|
| Devon Diversified Income Fund | 0.5%  | 1.6%  | 0.5% | 3.7%     | 2.8%     | 3.2%            |
| OCR + 1.5%                    | 0.5%  | 1.5%  | 4.7% | 2.8%     | 2.9%     | 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 bonds rallied during the month, with the yield on US 10-year Treasuries falling from 3.95% in late February to close March at 3.57%. A major influence on this repricing of interest rates was the rapid collapse of Silicon Valley Bank and Signature Bank, as depositors rushed to withdraw their funds in response to concerns over the financial viability of these institutions. This was soon followed by news of additional trouble at Credit Suisse Group. The Swiss government responded quickly here by ultimately orchestrating a takeover of Credit Suisse by their rival, UBS. Although the Federal Reserve did raise their interest rate again during the month, by a further 0.25%, this turmoil in the banking sector was referenced by Chairman Jerome Powell as being relevant to the underlying economy and future policy decisions. Expectations of future interest rate increases have moderated since the troubles across the US regional banks began.

### 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 Funds Management Limited

Level 17, HSBC Tower, 188 Quay Street, Auckland 1010  
PO Box 105 609, Auckland 1143  
Telephone: 0800 944 049 (free call) or +649 925 3990  
[enquiries@devonfunds.co.nz](mailto:enquiries@devonfunds.co.nz)

# DEVON FUNDS.

[www.devonfunds.co.nz](http://www.devonfunds.co.nz)



**DEVON DIVIDEND YIELD FUND**

**FUND OUTLINE**

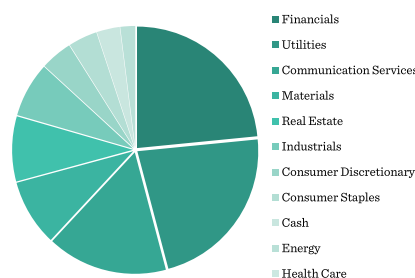
The **Devon Dividend Yield Fund** invests in a carefully selected portfolio of New Zealand and Australian listed companies.

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**

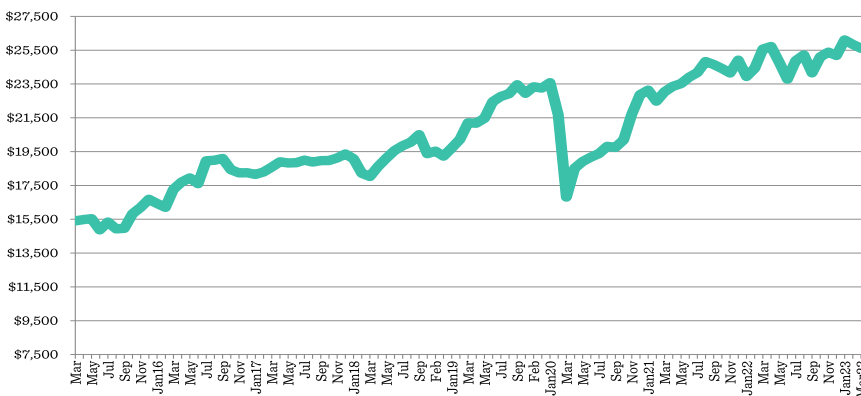
|                      |       |       |        |
|----------------------|-------|-------|--------|
| New Zealand Equities | 62.2% | Cash  | 3.1%   |
| Australian Equities  | 34.7% | Total | 100.0% |
| Currency Hedge       | 95.5% | Yield | 6.4%   |

| PERFORMANCE                      | 1 Mth | 3 Mth | 1 Yr  | 3 Yr p.a | 5 Yr p.a | Since Inception |
|----------------------------------|-------|-------|-------|----------|----------|-----------------|
| Devon Dividend Yield Fund        | -0.9% | 1.7%  | 0.2%  | 15.1%    | 7.3%     | 9.7%            |
| 50:50 NZX50 & ASX200 Index Gross | -0.1% | 3.5%  | -0.9% | 11.6%    | 8.0%     | 10.6%           |

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 significant investment in Telstra outperformed the market during the month, finishing up 3.5%. The company was partially a beneficiary of the cyber issues which plagued some competitors. However, it is mostly benefitting from a positive pricing dynamic thanks to a more rational competitive environment, with the added optionality of further value-creating asset sales. As the company approaches its previously announced annual CPI-linked mobile pricing review, the probability of a significant uplift in earnings remains likely. Consensus estimates suggest that a full pass through of recent CPI numbers would increase their profits by A\$150m.

The bank sector fared less well as investors became concerned over rising wholesale funding costs and the effects of a worsening economic environment. Notwithstanding this our bank investments remain exceptionally well capitalized, producing high and sustainable yields whilst trading at significant valuation discounts to the broader market.

**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 TRANS-TASMAN FUND

## FUND OUTLINE

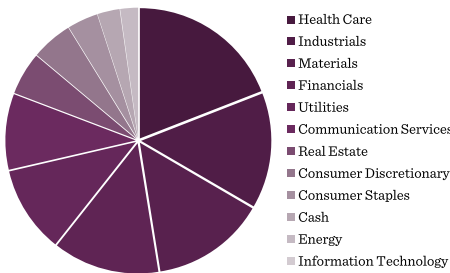
The **Trans-Tasman Fund** provides a broad and actively managed exposure to the New Zealand and Australian equity markets.

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  | 2.7%   |
| Australian Equities  | 53.8% | Total | 100.0% |

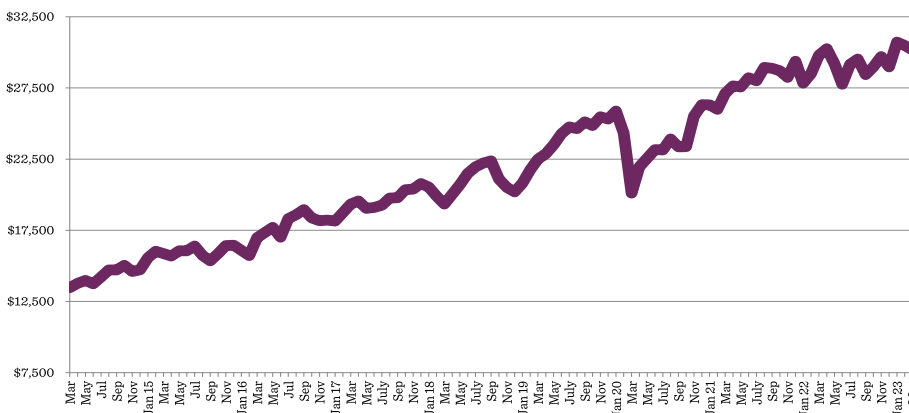
## PERFORMANCE

|   | 1 Mth | 3 Mth | 1 Yr  | 3 Yr p.a | 5 Yr p.a | Incep-<br>tion |
|---|-------|-------|-------|----------|----------|----------------|
| Devon Trans-Tasman Fund                   | -1.1% | 4.1%  | 1.3%  | 14.5%    | 9.3%     | 8.4%           |
| 50:50 NZX50 Gross & ASX200 Index Unhedged | -0.9% | 3.4%  | -1.3% | 12.3%    | 8.1%     | 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 Trans-Tasman strategy slightly underperformed its benchmark during the month. There were a number of positive contributors to our portfolio, including Newcrest Mining which finished up by more than 19%. The other contributors included Telstra (+3.5%), Brambles (+5.7%) and Resmed (+3.1%). Key detractors included the Financials sector which fell on global weakness in this area, including Suncorp (-5.8%), ANZ (-7%) and National Australia Bank (-7.6%). The portfolio remains underweight this sector.

We added to our investment in BHP over the month as its valuation became more attractive following recent price weakness. Economic data from key commodity consumer China continues to be positive as they exit their Covid impacted period. We see growth in steel production this year in China and a supportive iron ore price environment. In addition, the pending takeover of Oz Minerals, if successfully completed, will also add to BHP's copper production profile and growth options.

## 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 Funds Management Limited

Level 17, HSBC Tower, 188 Quay Street, Auckland 1010  
PO Box 105 609, Auckland 1143  
Telephone: 0800 944 049 (free call) or +649 925 3990  
enquiries@devonfunds.co.nz



[www.devonfunds.co.nz](http://www.devonfunds.co.nz)



## DEVON SUSTAINABILITY FUND

### FUND OUTLINE

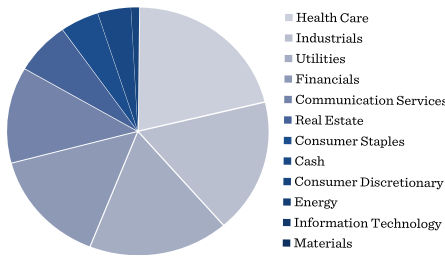
The **Devon Sustainability Fund** invests in a select portfolio of well researched New Zealand and Australian listed companies.

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 | 55.1% | Cash  | 4.1%   |
| Australian Equities  | 40.8% | Total | 100.0% |

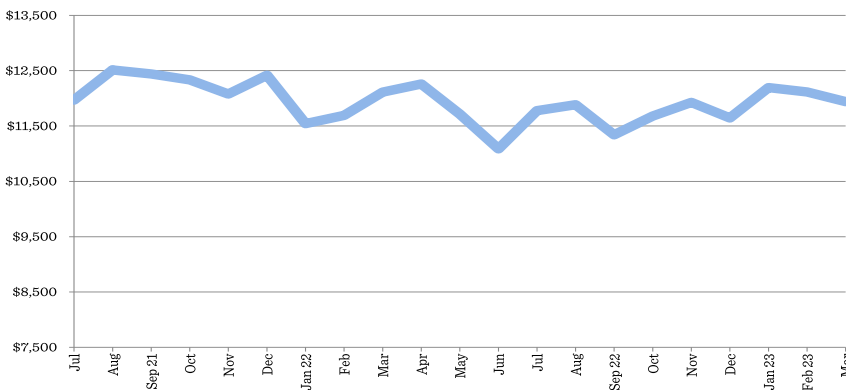
### PERFORMANCE

|  | 1 Mth | 3 Mth | 1 Yr p.a | 2 Yr p.a | Since Inception |
|--|-------|-------|----------|----------|-----------------|
| Devon Sustainability Fund                  | -1.4% | 2.5%  | -1.5%    | 2.1%     | 7.1%            |
| 50:50 NZX50 Portfolio Index & ASX200 Index | -0.5% | 2.8%  | -2.2%    | 2.1%     | 7.0%            |

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-fundor> by clicking [HERE](#)

### COMMENTARY

During March the portfolio returned -1.4%, lagging the index by -0.9%. The key driver between the underperformance was the strength seen in the Mining sector during the month, as China looks to stimulate their economy more aggressively, while they put Covid behind them.

Medibank Private is a large Australian private health insurer and a recent addition to the portfolio during the month. The company is a continued beneficiary from Covid. Consumers now have an increased awareness of their health, which leads to health-related spend attracting a larger portion of the consumer's wallet. As result, we are seeing a reversal of recent trends, with the number of policy holders now increasing. This is occurring in conjunction with average revenue per policy also increasing. Both these factors combine to suggest revenue will be around 8% higher this year, above the level consensus is currently expecting. Medibank rallied 2.5% during March, outperforming the index by nearly 3%.

### 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 Management Limited

Level 17, HSBC Tower, 188 Quay Street, Auckland 1010  
PO Box 105 609, Auckland 1143  
Telephone: 0800 944 049 (free call) or +649 925 3990  
enquiries@devonfunds.co.nz

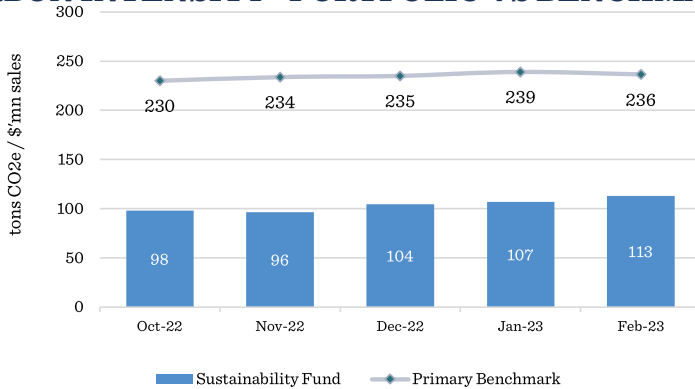


[www.devonfunds.co.nz](http://www.devonfunds.co.nz)

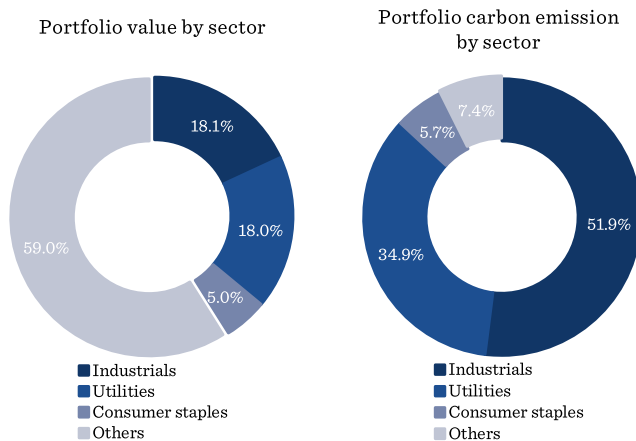


## DEVON SUSTAINABILITY FUND

### CARBON INTENSITY - PORTFOLIO VS BENCHMARK



### PORTFOLIO CARBON EMISSIONS BY KEY SECTORS



The industrials, utilities, and consumer staples sectors make up 41.1% of the portfolio by value, but they account for 92.5% of the carbon emissions in the portfolio.

### ESG PORTFOLIO SUMMARY

|           | MSCI ESG Ratings | MSCI ESG Quality score |   |
|-----------|------------------|------------------------|---|
| Portfolio | AA               | 8.36                   | Portfolio Sustainability Fund   |
| Benchmark | AA               | 7.44                   | Primary Benchmark<br>50:50 composite S&P/NZX50 Portfolio Index & S&P/ASX200 Index |

### PERFORMANCE

|                          | 1 Mth | 3 Mth | 6 Mth | 1 Yr  | Since Inception |
|--------------------------|-------|-------|-------|-------|-----------------|
| ESG relative performance | 12.4% | 13.8% | 13.8% | 15.4% | 7.2%            |

\*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 Disclosure Summary

|   |       |
|---|-------|
| % of holding companies doing ESG reporting            | 97.3% |
| % of companies reporting to TCFD standards            | 78.4% |
| % of companies with a modern slavery statement        | 73.0% |
| % of companies with carbon emission reduction targets | 78.4% |

### CLIMATE CHANGE RISK BY PORTFOLIO HOLDINGS

Climate Change Risk by Portfolio Holdings



### STEWARDSHIP

The stewardship landscape, and more broadly the ESG landscape, has been a dynamic one during the month. Notably, the Safeguard Mechanism was successfully passed through the Australian Senate and House of Representatives with support from the Greens. This reform will introduce a cost on carbon emissions for Australian companies that emit over 100,000 tonnes of CO2 and exceed their designated baseline.

During the month we engaged with BHP on environmental issues. BHP have recently announced two agreements to pilot decarbonisation projects. The first is a collaboration between global engineering company Hatch and BHP to co-design an electric smelting furnace pilot plant. The project would be an industry leading form of steel production that would make strides towards decarbonising the steel industry.

The second is between BHP and China's HBIS Group Co., Ltd to pilot carbon capture and utilisation technology at HBIS' steel operations in China. The trial will develop and test technologies that can be integrated into steel production processes to reduce CO2 emissions.

### 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 Management Limited

Level 17, HSBC Tower, 188 Quay Street, Auckland 1010  
PO Box 105 609, Auckland 1143  
Telephone: 0800 944 049 (free call) or +649 925 3990  
enquiries@devonfunds.co.nz

# 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           | 0.93                             | 1.01      | -0.08      |
| Credit*                 | 4.12                             | 4.68      | -0.56      |
| Asset Backed Securities | 0.01                             | 0.01      | 0.01       |
| Mortgage Backed         | 1.21                             | 0.78      | 0.43       |
| Commercial Mortgage     | 0.10                             | 0.03      | 0.07       |
| Other                   | 0.01                             | 0.09      | -0.08      |
| Cash Offset             | -                                | -         | -          |
|                         | 6.39                             | 6.61      | -0.22      |

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        | 8.60                    | 0.29      | 8.31       |
| AAA         | 46.43                   | 39.28     | 7.15       |
| AA          | 14.92                   | 14.81     | 0.11       |
| A           | 10.44                   | 31.12     | -20.68     |
| BBB         | 13.31                   | 14.20     | -0.89      |
| BB          | 4.44                    | 0.01      | 4.44       |
| B           | 2.72                    | -         | 2.72       |
| Below B     | 0.17                    | -         | 0.17       |
| Cash Offset | -1.67                   | -         | -1.67      |
| Not Rated   | 0.64                    | 0.29      | 0.34       |
|             | 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 28 February 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  |
|---|-------|-------|-------|-------|
| Devon Global Impact Bond Fund               | 1.9%  | 2.4%  | 3.6%  | -5.5% |
| Bloomberg Global Aggregate Index Hedged NZD | 2.2%  | 2.7%  | 3.5%  | -4.8% |

| PERFORMANCE  | 1 Mth | 3 Mth | 6 Mth | 1 Yr |
|--|-------|-------|-------|------|
| Devon Global Sustainability Fund                       | 2.0%  | 6.8%  | 14.3% | 2.8% |
| MSCI All Country World Index in NZD, 50% hedged to NZD | 2.3%  | 7.7%  | 10.5% | 1.4% |

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

## KEY HOLDINGS\*



\*Key Holdings as at 28 February 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.

## Devon Funds Management Limited

Level 17, HSBC Tower, 188 Quay Street, Auckland 1010  
PO Box 105 609, Auckland 1143  
Telephone: 0800 944 049 (free call) or +649 925 3990  
enquiries@devonfunds.co.nz

**DEVON  
FUNDS.**

www.devonfunds.co.nz