

DEVON FUNDS.

For the informed investor.



ARTESIAN GREEN AND SUSTAINABLE BOND FUND (NZD)

MONTHLY REPORT: AUGUST 2024

ABOUT THE FUND

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 & 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 investing. Artesian has managed specialised funds focused on credit arbitrage and relative-value strategies across global financial markets since 2004 from its New York, London, Singapore, Shanghai, Melbourne and Sydney offices.

In this document, we refer to the Artesian Green & Sustainable Bond Fund (AUD) as the Underlying Fund. In most sections of this document, the metrics and commentary shown are taken from the Underlying Fund. We have signalled these sections with a hashtag in the section heading. From time to time there may be small differences between the metrics of the NZD Fund and the Underlying Fund, as a result of liquidity cash held in the NZD fund.

PERFORMANCE	1 Mth	3 Mth	1 Yr	Since Inception
Artesian Green & Sustainable Bond Fund (NZD)*	0.75%	2.51%	6.20%	8.01%
Artesian Green & Sustainable Bond Fund PIR Return (NZD)**	0.75%	2.67%	6.62%	8.43%
Bloomberg AusBond Composite 0-5 Yr Index 100% Hedged to NZD	0.85%	2.53%	6.04%	7.80%

*Artesian Green & Sustainable Bond Fund (NZD) returns are after all fees and expenses, but before tax which varies by investor. Past performance should not be taken as an indicator of future performance. The inception date for Artesian Green and Sustainable Bond Fund (NZD) is 19 June 2023.

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

PERFORMANCE of the Underlying Fund#	1 Mth	3 Mth	6 Mth	1 Yr	2 Yr	3 Yr	Since Inception (p.a.)
Gross Fund Return	0.77%	2.66%	3.46%	6.45%	5.47%	2.12%	2.50%
Net Fund Return	0.73%	2.53%	3.20%	5.92%	4.95%	1.61%	1.98%
Bloomberg AusBond Composite 0-5 Yr Index	0.80%	2.30%	2.62%	4.92%	3.75%	0.70%	0.68%
Active Return (net Fund return - benchmark)	-0.07%	0.23%	0.58%	1.00%	1.20%	0.91%	1.30%

Past performance should not be taken as an indicator of future performance. Net of fees performance is based on end of month redemption prices after the deduction of fees and expenses and the reinvestment of all distributions. Gross performance is the net return with fees and expenses added back. The inception date for the Artesian Green & Sustainable Bond Fund (AUD) is 25 September 2020.

PORTFOLIO UPDATE#

Blink and you'll miss it! On August 5th, the volatility index (VIX) shot up to 65, its highest level since the COVID-19 induced volatility of 2020. However, it was short lived and the VIX index retreated all the way back down to 22, which was lower than where it was at the beginning of the month before all the excitement began. The catalyst of the move was softening economic data in the US, combined with an interest rate rise in Japan. The Governor of the Bank of Japan's (Kazuo Ueda) hawkish rhetoric, led to a significant unwind in the Japanese Yen carry trade. Japanese Bank's (Mizuho, Nomura & MUFG) equity prices sold off -30% and there was a fear of contagion risk within global financial markets. The beneficiary of these market moves were bonds, yields fell and bonds rallied as the flight to quality intensified. AUD credit spreads were mixed, financials were slightly wider and non-financials were slightly tighter. The fluctuations in spreads were more technical than anything, as elevated levels of primary market activity put pressure on spreads in some sectors.

The Underlying Fund underperformed its benchmark in August, due to the modest underweight interest rate duration positioning. Whilst credit spreads were mixed, the Underlying Fund's overweight credit duration was a positive contribution to this month's returns. The Underlying Fund's running yield of 4.56% versus the benchmark's 3.99%, was another positive contribution relative to benchmark.

Outperformance in August came from the Underlying Fund's positions in the Industrial Bank of Korea (Green), Mercury (Green), QIC Town Centre Fund (Green), Mirvac Group Finance (Green) and New South Wales Treasury Corporation (Sustainable). Underperformance came from the Underlying Fund's positions in Contact Energy (Green), Housing Australia (Social), La Trobe University (Green), ESTA Utilities Finance (Green) and the Australian Postal Corporation (Sustainable).

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

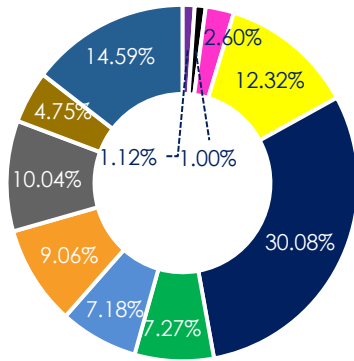
DEVON FUNDS.

www.devonfunds.co.nz



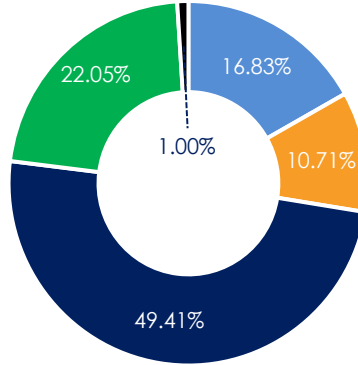
PORTFOLIO BREAKDOWN#

SECTOR BREAKDOWN



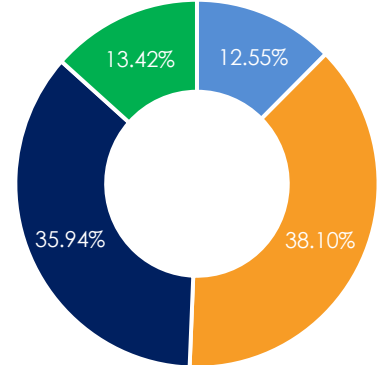
- Agencies
- Consumer Staples
- Financial
- Semi Government
- TMT
- Utilities
- Cash
- Educational Services
- Real Estate
- Supranational
- Transportation & Logistics

REGION & PRODUCT



- Australian AUD FRNs
- International AUD FRNs
- Australian AUD Fixed Rate
- International AUD Fixed Rate
- Cash

CREDIT RATING



- AAA
- AA
- A
- BBB

CREDIT SPREADS#

Credit indices spiked higher earlier in the month due to the pick-up in volatility and uncertainty. Most investment grade (IG) indices widened -10bps. However, just like the VIX, by month end IG credit indices retraced their move from the wides and finished with spreads tighter MoM. Corporate bond spreads continue to be range bound. For example, in August CBA issued a 5yr senior bond at BBSW +87bps, which is the 5th major bank deal in 2024 which has been issued in the 80bps to 90bps range. Tier 2 subordinated spreads struggled, as new deals from Macquarie Bank, BNP and Lloyds were brought to market with their credit spreads tight to where Artesian saw fair value in their pricing models. They subsequently traded wider in the secondary market and it will take time for market makers to clear their inventory before any appreciation in price is seen.

AS AT 31 ST AUGUST 2024	PRICE	CHG ON MTH
ITRAXX AUSTRALIA 5YR	0.61%	-0.04%
ITRAXX EUROPE 5YR	0.53%	-0.02%
ITRAXX EUROPE XOVER 5YR	2.88%	-0.06%
CDX US IG 5YR	0.49%	-0.03%
CDX US HY 5YR	3.22%	-0.09%

METRICS FOR THE UNDERLYING FUND#

Government bond yields continued their rally in August and interest rate markets now look fully priced. For example, in the next 12 months markets have priced in these cuts to cash rates; US -1.98%, Canada -1.51%, Eurozone -1.46%, New Zealand -1.85% and Australia -0.84%. So, it is difficult to get excited about interest rate duration with so many cuts priced into developed markets. As Artesian has seen over the last 2 to 3 years as interest rates have risen around the globe, it is never in a straight line and being patient has proved to be the best strategy. As interest rate markets continue to ease from restrictive policy settings, Artesian believe the same prudent strategy will reward patient investors. The Underlying Fund's credit duration marginally lengthened MoM, due to the selling down of some 1yr corporate bond positions, whose proceeds were used to deploy into new 5yr to 7yr deals at attractive spreads.

AS AT 31 ST AUGUST 2024	FUND	BENCH-MARK
INTEREST RATE DURATION	2.30	2.39
CREDIT DURATION	2.90	2.39
YIELD TO MATURITY	4.60%	3.99%
YIELD TO WORST	4.56%	3.99%
BLOOMBERG COMPOSITE RATING (weighted average)	A	AA+

*Using the Morningstar methodology for Average Credit Quality

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



New issue volumes in August are usually elevated, as the corporate earnings season comes to an end and corporates issue off the back of their recent results. This year was no different and Artesian witnessed four new labelled bonds issued for a total volume of AUD 4.15b. It was great to see corporate labelled bonds issued by NBN and Mirvac in August, the Mirvac deal is highlighted below.

ISSUER	Bond Type	Issue Date	Issue Size \$M	Fixed/Floating	Maturity
MIRVAC GROUP FINANCE	Green	22-Aug-24	400	Fixed	18-Mar-31

Issuer	
Currency	AUD
Sector	Educational Services
SDG Alignment	
Eligible Projects	<p>Eligible green projects must contribute to environmental objectives such as;</p> <ul style="list-style-type: none"> • Green buildings • Renewable energy • Energy efficiency • Clean transportation • Pollution prevention and control • Sustainable water and waste management • Climate change adaptation

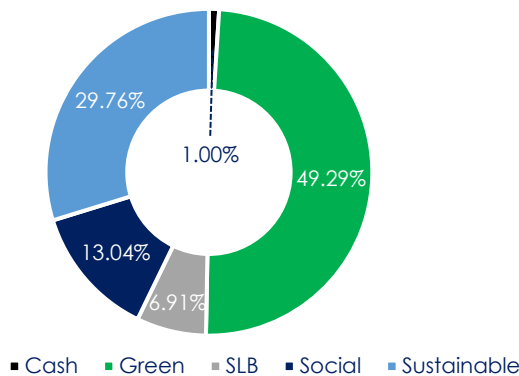
Mirvac Group is an integrated and diversified Australian listed property group with a market capitalisation of A\$7.87b that focuses on 3 segments: Investment (65% of FY24 EBIT), Development (32% of FY24 EBIT) and Funds (3% of FY24 EBIT).

This was Mirvac's first public markets green bond transaction and Artesian were pleased to see they chose to issue in their domestic AUD market.

Mirvac Group will provide an annual update and seek post-issuance assurance within 12 months from the issue date to ensure that the green bond issued remains in compliance with their Sustainable Finance Framework.

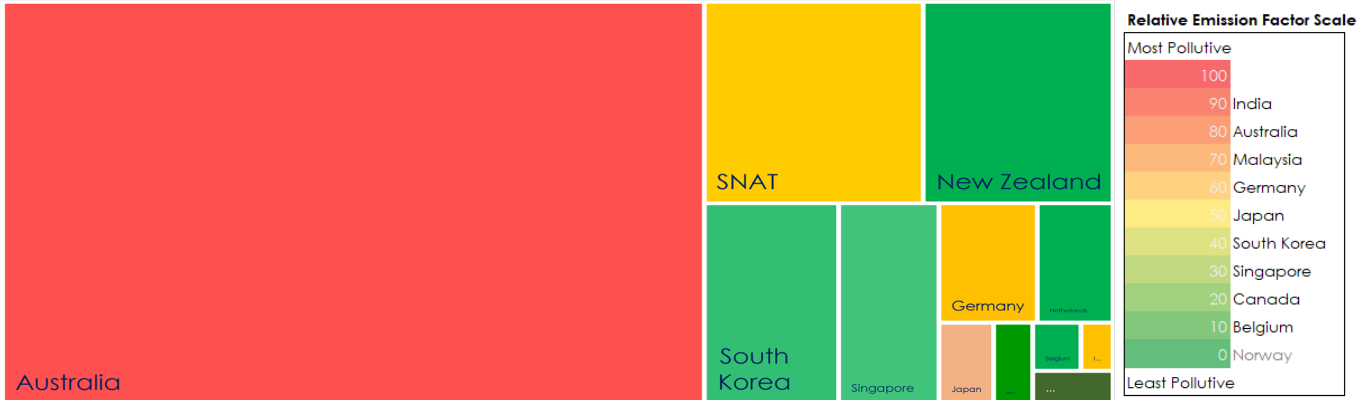
GREEN, SUSTAINABLE AND SOCIAL HOLDINGS#

BOND TYPE





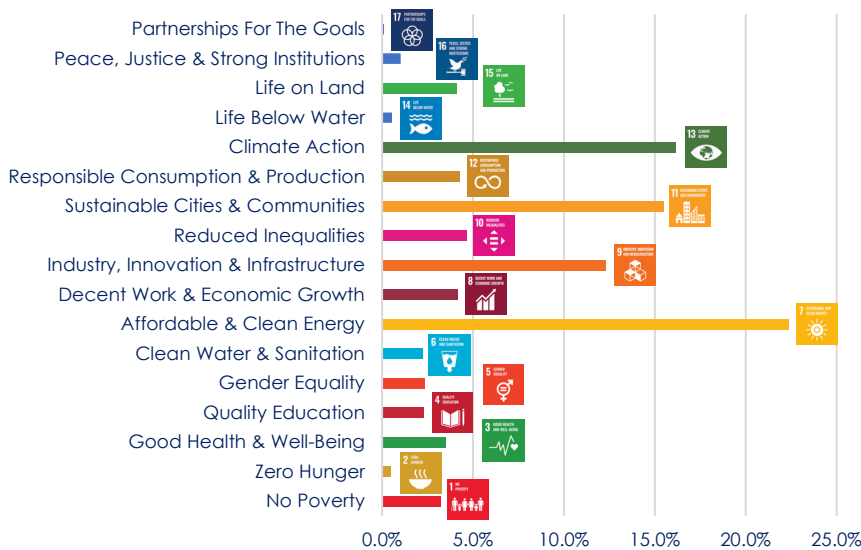
ALLOCATION OF FUNDS IN THE UNDERLYING FUND#



Source: Artesian, EIB; Relative Emission Factor is measured across 43 countries/regions; Oct 2022

The heatmap above shows which countries the Underlying Fund is allocating capital to, to improve the global green economy. The Relative Emission Factor Scale shows how dirty the energy grid of each country is. It is a normalised scale of the baseline emission factor for electricity generation across 43 major countries - how much gCO2e/kWh is emitted. In essence, the more green capital investors can channel to higher pollutive countries, the higher the impact per dollar.

SUSTAINABLE DEVELOPMENT GOALS#



The Sustainable Development Goals are the blueprint to achieve a better and more sustainable future for all. They address the global challenges we face, including poverty, inequality, climate change, environmental degradation, peace and justice. When mapping the SDG's per bond held in the Underlying Fund, Artesian take a conservative approach. If one bond targets more than one SDG, then the allocation is split evenly between the SDGs and then portfolio weighted. Unsurprisingly, the Underlying Fund is most aligned with Clean Energy, Climate Action and Sustainable Cities, making up 54% of the Fund's targeted SDGs. The Underlying Fund currently supports 17 of the 17 SDGs.



MONTHLY UPDATE: AUGUST 2024

NOTES

The impact metrics published in this document reflect the proprietary methodology developed by Artesian for the collection, evaluation, calculation and harmonization of thematic ESG indicators that are aligned with United Nations Sustainable Development Goals. Actual data and estimated data are both analysed based on companies' disclosures including but not limited to "Use of Proceeds", "Impact Report" and "Second-party Verification", as well as engagement with the companies themselves.

#In this document, we refer to the Artesian Green & Sustainable Bond Fund (AUD) as the Underlying Fund. In most sections of this document, the metrics shown are taken from the Underlying Fund. We have signalled these sections with an hashtag in the section heading. From time to time there may be small differences between the metrics of the NZD Fund and the Underlying Fund, as a result of liquidity cash held in the NZD fund.

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. 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. Past performance is no guide to future returns. 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. No part of this document may be reproduced without the permission of Investment Services Group.

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