

## Why the Reserve Bank should cut interest rates by 1.5% by Christmas

An interest piece written by Greg Smith, Head of Distribution at Devon Funds.

It is decision time this week for the RBNZ, and having started the rate easing journey in August, there has been a growing debate over whether this will not only continue but might be accelerated over the final two meetings of the year. The question is whether our central bank should cut the Official Cash Rate by 0.25% again, or go with a bigger 0.50% reduction, matching the move of the US Federal Reserve at their last meeting. Market commentators and economists are somewhat split between these two options but are we at a stage of this cycle where a more dramatic approach is needed? Should the RBNZ cut by 0.75% at this meeting as well as at the next one? There are compelling arguments both in absolute and relative terms, and such a move might just be the real “bazooka” that is needed for an economy facing yet another boom/bust cycle.

Real time inflation is already back around the RBNZ’s target midpoint, and likely to drift below 2% by year end. There is therefore a strong case for official rates to already be at neutral, which the RBNZ estimates to be 3.8% in their short-run horizon. With the OCR at 5.25% currently, there is arguably the case that official rates should be below neutral already, with a 0.75% reduction needed not only at the meeting this week, but also at the one in November.

While forward looking sentiment indicators have improved in recent consumer and business surveys, there is no question that things are still very tough ... [READ MORE](#)

## MARKET INDICES

Index	Region	Monthly Return	1 Yr. Return
S&P/NZX50G	NZ	-0.2%	10.0%
S&P/ASX200G	AUSTRALIA	3.0%	21.8%
MSCI World Index	GLOBAL	2.0%	33.2%
S&P500	USA	1.7%	35.8%
FTSE100	UK	-1.5%	12.4%
NIKKEI 225	JP	-1.2%	21.2%
NZ 90 Day Bank Bill	NZ	0.5%	5.8%
Bloomberg Global Aggregate Index (NZD)	GLOBAL	1.3%	10.3%

## AT A GLANCE

Prices as at 30 September 2024

DEVON ALPHA FUND	\$2.4221
DEVON AUSTRALIAN FUND	\$1.8832
DEVON DIVERSIFIED INCOME FUND	\$1.4818
DEVON DIVIDEND YIELD FUND	\$1.8582
DEVON GLOBAL IMPACT BOND FUND	\$1.3955
DEVON GLOBAL SUSTAINABILITY FUND	\$2.0023
DEVON TRANS-TASMAN FUND	\$5.0274
DEVON SUSTAINABILITY FUND	\$3.4112
ARTESIAN GREEN & SUSTAINABLE BOND FUND	\$1.0514

## IN THIS REPORT

Market Commentary.....	Page 1
At a Glance.....	Page 1
<b>Devon Fund Summaries</b>	
Alpha Fund.....	Page 2
Trans-Tasman Fund.....	Page 3
Australian Fund.....	Page 4
Dividend Yield Fund.....	Page 5
Diversified Income Fund.....	Page 6
Sustainability Fund.....	Page 7
ESG Insights.....	Page 8
Devon Global Impact Fund.....	Page 9
Devon Global Sustainability Fund.....	Page 9
Artesian Green Bond Fund.....	Page 10

### 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

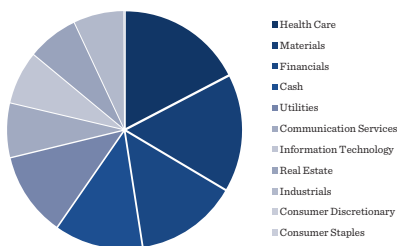
The **Alpha Fund** invests in a concentrated portfolio of approximately 10 to 15 select companies predominantly listed on the NZ and Australian share markets.

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	32.3%	Cash	12.2%
Australian Equities	55.5%	Total	100.0%
Currency Hedge	0.0%		

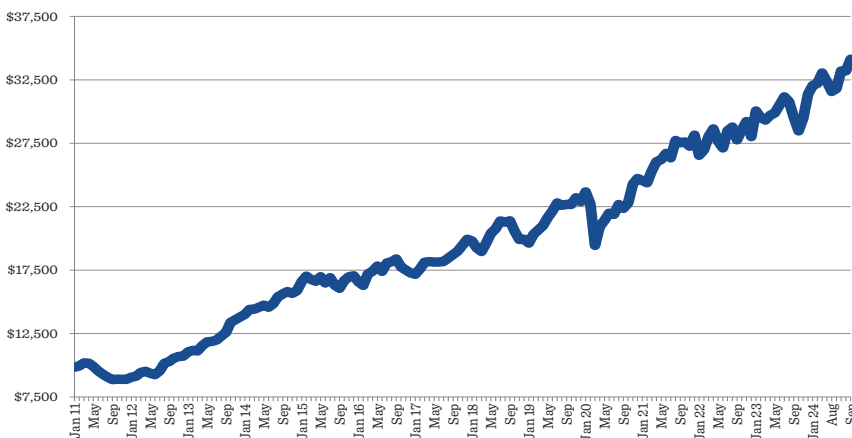
## PERFORMANCE

	1 Mth	3 Mth	1 Yr	3 Yr p.a	5 Yr p.a	Since Inception
Devon Alpha Fund	2.7%	7.2%	15.5%	7.4%	8.5%	9.2%
OCR + 5%	0.8%	2.6%	10.9%	7.5%	4.6%	2.5%

\*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 a strong month in September, generating a solid absolute return. In a month which saw volatility across local markets we were pleased with the contribution from a number of our portfolio companies. These included Rio Tinto which rallied 15.8% and Infratil which closed 11.0% higher. Also of particular note was our investment in Seek which finished up 8.5% as investor support was catalysed through an ongoing improvement in Australian job listings. The August listing numbers were the second sequential month of positive growth and evidence suggests that this momentum in the employment market has continued into September. The current earnings guidance by Seek is predicated on an expectation that listings will be sequentially lower each month in FY25. This now looks particularly conservative. Also, Seek has implemented 6-7% price rises this year, which has already positioned them close to their yield target for the year.

## 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

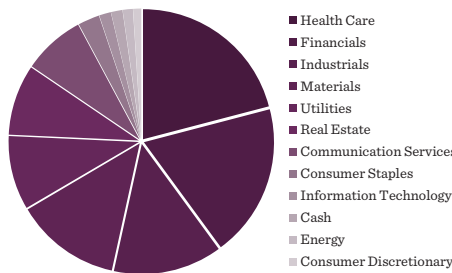
The **Trans-Tasman Fund** provides a broad and actively managed exposure to the New Zealand and Australian equity markets.

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

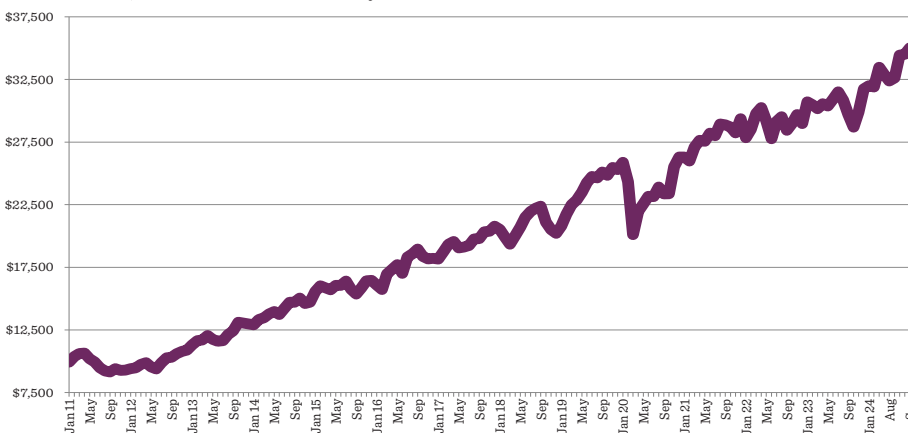
New Zealand Equities	48.2%	Cash	1.4%
Australian Equities	50.4%	Total	100.0%

PERFORMANCE	1 Mth	3 Mth	1 Yr	3 Yr p.a	5 Yr p.a	Since Inception
Devon Trans-Tasman Fund	1.5%	7.4%	17.9%	6.6%	6.8%	8.5%
50:50 NZX50 Gross & ASX200 Index Unhedged	1.7%	6.9%	16.8%	3.9%	5.6%	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 Fund performed broadly in-line with its benchmark during the month. Two stocks that provided a strong contribution were Infratil (+11.0%) and Goodman Group (+10.8%), largely on positive news-flow surrounding the global datacentre landscape.

The mining sector also recovered strongly during September. Included amongst these were a number of our key portfolio holdings, being BHP and Sandfire. The key driver for this was that Chinese authorities have announced a range of fiscal and monetary policy measures intended to support the economy. This included interest rate cuts, property market support and the Politburo signalling a more supportive and coordinated policy approach. We await further detail in the weeks ahead to gauge the extent of the stimulus but note the tone has certainly shifted from the Chinese government. We plan to visit China at the end of October.

### 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

# DEVON FUNDS.

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



**DEVON AUSTRALIAN FUND**

**FUND OUTLINE**

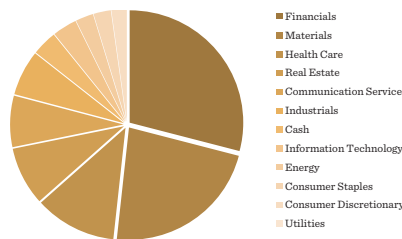
The **Australian Fund** invests in a select portfolio of companies, which are primarily Australian listed companies.

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

**KEY HOLDINGS**



**ASSET ALLOCATION**



**ALLOCATION**

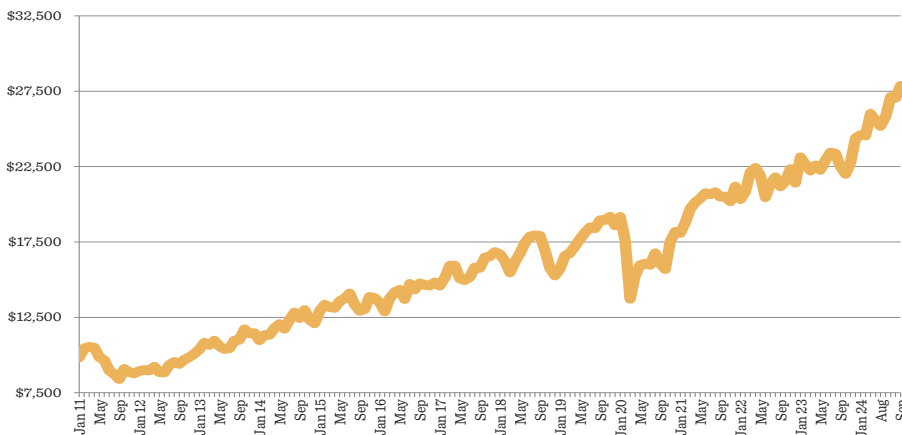
New Zealand Equities	0.0%	Cash	3.6%
Australian Equities	96.4%	Total	100.0%

<b>PERFORMANCE</b>	<b>1 Mth</b>	<b>3 Mth</b>	<b>1 Yr</b>	<b>3 Yr p.a</b>	<b>5 Yr p.a</b>	<b>Since Inception</b>
Devon Australian Fund	3.0%	8.0%	23.9%	10.8%	8.0%	8.3%
ASX200 Index Gross (NZD)	3.5%	7.7%	23.6%	9.9%	8.7%	7.9%

\*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 portfolio generated a strong absolute return during the month. There were many important contributors to this outcome, including Macquarie Bank which jumped 7.8% and BHP Group that rallied 15.5%. Another mining business that we own, Sandfire Resources, also enjoyed strong investor support with its share price closing September up 25.6%. Sandfire is an Australian copper producer (circa 150k tonnes per annum of copper equivalent production) that delivered their FY24 results in late August and reported underlying EBITDA of \$362m. This was broadly in-line with market expectations, as was the company's capex and cost guidance for FY25. As a consequence, this year is now expected to be characterised by strong free-cashflow generation and a significant reduction in company debt. This, together with a strong rally in the price of copper, which was catalysed by a weak US dollar and a commitment towards stimulus by China's policy-makers, combined to create a positive backdrop for Sandfire's share price.

**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 DIVIDEND YIELD FUND**

**FUND OUTLINE**

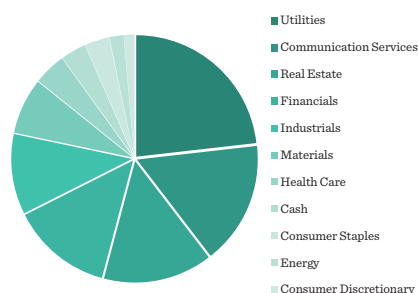
The **Devon Dividend Yield Fund** invests in a carefully selected portfolio of New Zealand and Australian listed companies.

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**

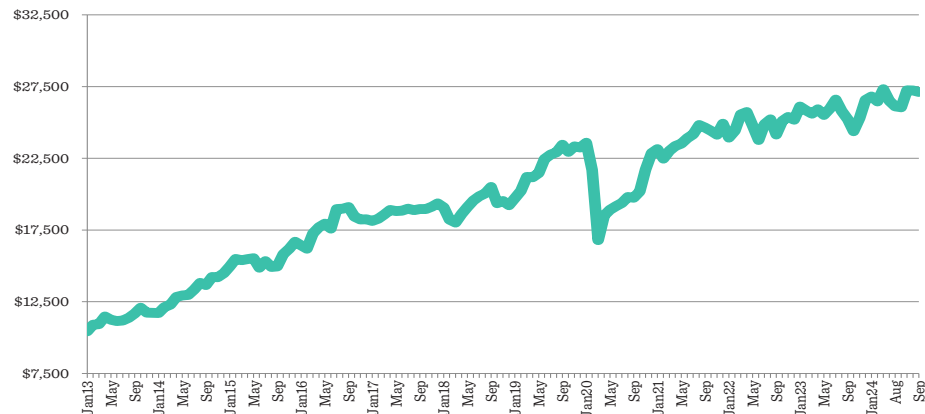
New Zealand Equities	61.4%	Cash	3.4%
Australian Equities	35.2%	Total	100.0%
Currency Hedge	96.7%	Yield	5.8%

<b>PERFORMANCE</b>	<b>1 Mth</b>	<b>3 Mth</b>	<b>1 Yr</b>	<b>3 Yr p.a</b>	<b>5 Yr p.a</b>	<b>Since Inception</b>
Devon Dividend Yield Fund	-0.4%	4.1%	7.6%	3.2%	3.0%	8.9%
50:50 NZX50 & ASX200 Index Gross	1.4%	7.0%	15.9%	3.1%	5.5%	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 2013



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 offers investors a forecasted gross distribution for the year ahead of 5.8%. The portfolio's dividend stream is also expected to grow by 3.2% annually over the next three years, versus the RBNZ's CPI forecast of 2.2% over the same period. Top performers during September included Rio Tinto (15.8%), BHP (+15.5%), and Port of Tauranga (10.4%). Meanwhile, key detractors were Spark (-10.2%), Sky City (-7.4%), and CSL (-6.1%). Orora has been a recent addition to the portfolio. Subject to regulatory approval, Orora is divesting their lower quality North American packaging division for a good price, generating A\$1.8bn in sales proceeds. From these proceeds, A\$130mn will be spent on expanding their manufacturing capacity, some funds will be applied to debt reduction, and the remaining cash is intended for multi-year capital returns to shareholders. Orora's remaining higher manufacturing businesses should then experience a multiple re-rating as earnings rebound from the current inventory destocking cycle reaching a conclusion.

**PORTFOLIO MANAGER**

**Patrick Washer**



Patrick has primary responsibility for stock selection and portfolio construction for the Dividend Yield Fund. Patrick also holds research responsibilities for the property, aged care and transport sectors.

**DEVON DIVERSIFIED INCOME FUND**

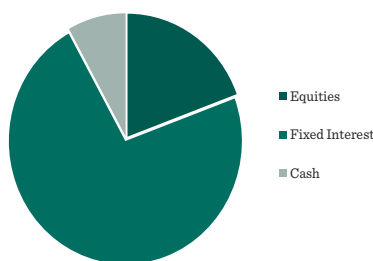
**FUND OUTLINE**

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	17.4%	Bonds	65.3%
Australian Equities	10.0%	Cash	7.3%

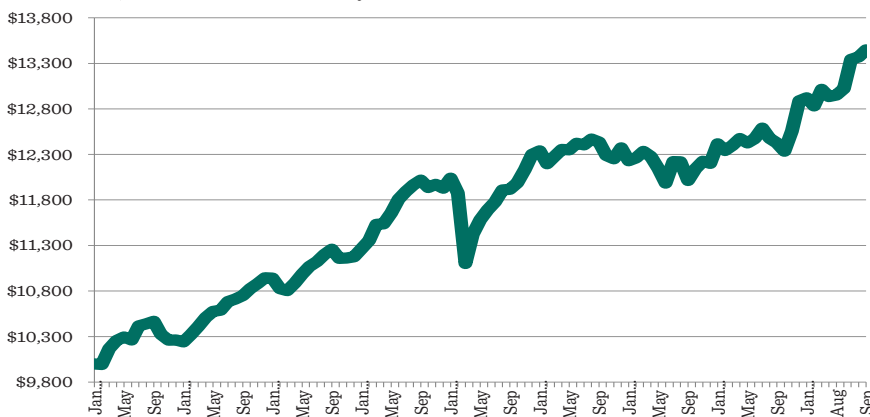
**PERFORMANCE**

	1 Mth	3 Mth	1 Yr	3 Yr p.a	5 Yr p.a	Since Inception
Devon Diversified Income Fund	0.6%	3.3%	8.3%	2.6%	2.3%	3.6%
OCR + 1.5%	0.6%	1.7%	7.2%	5.5%	4.1%	2.9%

\*Devon Diversified Income 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 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 remained reasonably stable during September, with the interest rate on US 10-year Treasuries closing the month at 3.78%. Despite the appearance of stability this was a month that delivered significant economic news. For the first time since March 2020 the US Federal Reserve cut their interest rate, and it was by a meaningful 0.50%. Outside of emergency policy settings during Covid, this was the first cut of this size since the GFC in 2008. This decision has lowered the Federal Funds Rate to a range of 4.75%-5%, as the Committee acknowledged that US inflation is heading towards 2%, and risks to the labour market are increasing. Expectations are building that the RBNZ will follow the Fed's lead when they meet in October, but in contrast last month the RBA governor Michelle Bullock highlighted that she does not see interest rate cuts in Australia in the near term.

**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



## DEVON SUSTAINABILITY FUND

### FUND OUTLINE

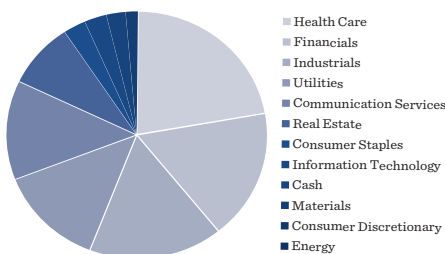
The **Devon Sustainability Fund** invests in a select portfolio of well researched New Zealand and Australian listed companies.

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

### KEY HOLDINGS



### ASSET ALLOCATION



### ALLOCATION

New Zealand Equities	57.3%	Cash	2.4%
Australian Equities	40.3%	Total	100.0%

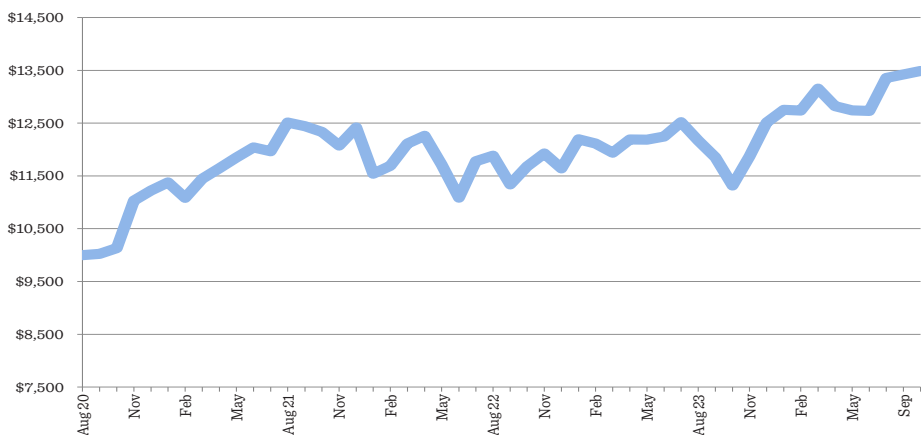
### PERFORMANCE

	1 Mth	3 Mth	1 Yr p.a	3 Yr p.a	Since Inception
Devon Sustainability Fund	0.5%	6.0%	13.8%	2.7%	7.6%
50:50 NZX50 Portfolio Index & ASX200 Index	1.6%	7.8%	14.2%	2.6%	7.4%

\*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

The Sustainability Fund enjoyed positive absolute returns during September. Supporting the portfolio were strong performances from Infratil (+11.0%), Goodman Group (+10.8%) and Port of Tauranga (+10.4%). Weighing on the our relative returns were our exposure to CSL (-6.1%) and our inability to own Mining and Resource stocks which rallied strongly. The Fund participated in two large capital raisings during the month from Auckland International Airport and Fletcher Building, both of which were issued at an attractive price and resulted in a good outcome for our investors.

Goodman Group had a strong month after underperforming the Australian REIT sector over the past three months. We caught up with Goodman's management in late August which increased our comfort around the visibility the company has over its 5-gigawatt data centre development pipeline. As a result, we expect to see Goodman's work-in-progress continue to grow and their development margins expand.

### PORTFOLIO MANAGER

Ben Jenkin

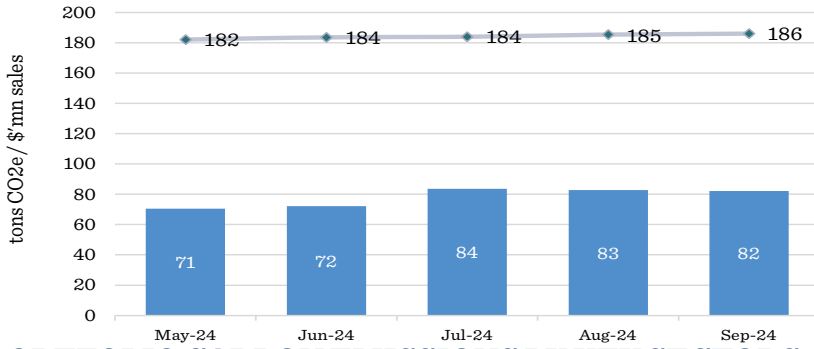


Ben has primary responsibility for stock selection and portfolio construction for the Sustainability Fund. Ben also holds research responsibility for the telco, media and technology sectors, as well as a wide ranging number of industrial companies.



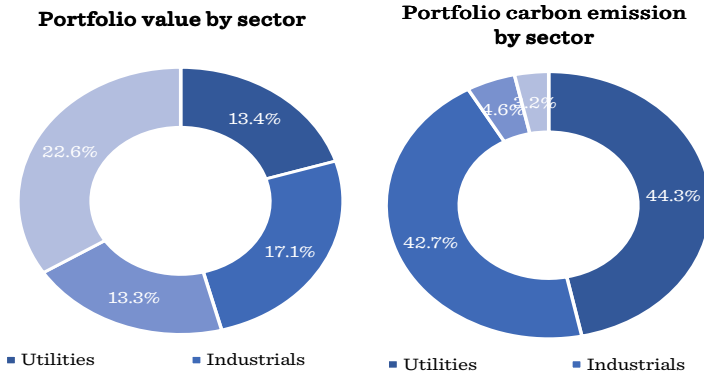
**DEVON SUSTAINABILITY FUND**

**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 communication sectors make up 43.8% 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	7.80	Sustainability Fund
Benchmark	AA	7.46	50:50 composite S&P/NZX50 Portfolio Index & S&P/ASX200G Ind

**PERFORMANCE**

	1 Mth	3 Mth	6 Mth	1 Yr	Since Inception
ESG relative performance	4.6%	7.0%	5.3%	4.2%	6.0%

\*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	79.5%
% of companies committed to Net Zero	66.7%
% of companies committed to Carbon Neutral	10.3%
% of companies with no commitment to either	23.1%

**STEWARDSHIP**

The gas crisis, which has been widely covered by the media, was front of mind for our post result meetings with the Gentailers (Contact, Meridian, Mercury and Genesis). Low rainfall, and not enough wind, has meant that New Zealand has had to meet energy demand by burning more coal at the Huntly Power Station. Coal or gas is needed to ensure security of supply at certain times, and without gas, coal is the only fuel option available that can be turned on to meet demand. In an ideal world, Huntly would be able to burn biofuel which would have significantly less environmental impact than burning coal. The feedback we received from Genesis was that biofuel would be ready to use, at the earliest, by 2027, but more likely 2028. The increased burning of coal also impacts Meridian as they access Huntly Firming Options (HFO's) to meet the shortfall of their own generation, which ultimately affects Meridian's emission profile. Management said that these emissions will flow through to their greenhouse gas (GHG) inventory next year, and that they will need to take a hard look at their decarbonisation targets to ensure they are still achievable.

**PORTFOLIO MANAGER**

Ben Jenkin



Ben has primary responsibility for stock selection and portfolio construction for the Sustainability Fund. Ben also holds research responsibility for the telco, media and technology sectors, as well as a wide ranging number of industrial companies.





## DEVON GLOBAL IMPACT BOND FUND

## DURATION

Sector	Contribution to Duration (Years)		
	Account	Benchmark	Difference
Cash & Cash Equivalents	0.00	-	0.00
US Government	1.34	1.09	0.25
Credit*	4.44	4.80	-0.36
Asset Backed Securities	0.04	0.01	0.04
Mortgage Backed	0.91	0.63	0.28
Commercial Mortgage	0.05	0.03	0.02
Other	0.02	0.09	-0.08
Cash Offset	-	-	-
	6.81	6.65	0.16

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	2.37	0.34	2.02
AAA	31.65	11.97	19.69
AA	38.16	41.66	-3.49
A	8.26	31.55	-23.28
BBB	11.98	14.22	-2.24
BB	5.55	0.01	5.54
B	2.87	-	2.87
Below B	0.22	-	0.22
Cash Offset	-1.67	-	-1.67
Not Rated	0.60	0.26	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 31 August 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	1 Yr	2 Yr p.a	Since Inception
Devon Global Impact Bond Fund	1.1%	4.0%	11.3%	6.4%	1.6%
Bloomberg Global Aggregate Index Hedged NZD	1.3%	4.1%	10.3%	5.9%	1.5%
PERFORMANCE	1 Mth	3 Mth	1 Yr	2 Yr p.a	Since Inception
Devon Global Sustainability Fund	1.9%	5.4%	27.9%	21.7%	12.2%
MSCI All Country World Index in NZD, 50% hedged to NZD	1.4%	3.4%	27.2%	21.7%	11.1%

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

## KEY HOLDINGS\*



\*Key Holdings as at 31 August 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.

## 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



ARTESIAN GREEN AND SUSTAINABLE BOND FUND (NZD)

FUND OUTLINE

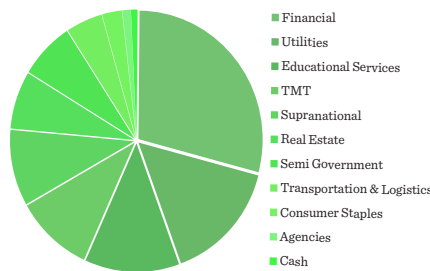
The **Artesian Green and Sustainable Bond Fund (NZD)** offers New Zealand-based investors a Portfolio Investment Entity (PIE) vehicle through which to invest in the Artesian Green and Sustainable Bond Fund (AUD).

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

KEY HOLDINGS



ASSET ALLOCATION



ALLOCATION

Artesian Green & Sustainable Bond Fund (NZD)	99.43%	Cash	0.57%
Currency Hedge (100% to NZD)	99.6%	Total	100.0%

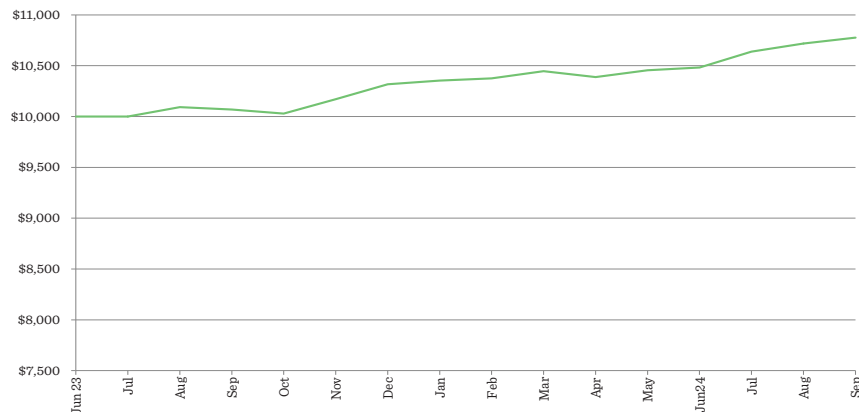
PERFORMANCE

	1 Mth	3 Mth	1 Yr	Since Incep-
Artesian Green & Sustainable Bond Fund (NZD)*	0.54%	2.80%	7.01%	8.58%
Artesian Green & Sustainable Bond Fund PIR Return (NZD)**	0.54%	2.97%	7.44%	9.01%
Bloomberg AusBond Composite 0-5 Yr Index 100% Hedged to NZD	0.44%	2.78%	6.78%	8.27%

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

NET PERFORMANCE

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



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

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

COMMENTARY

The Fund outperformed its benchmark in September, due to the modest overweight in credit duration positioning. The Fund's interest rate duration sits in line with the benchmark, which was a positive contributor to September's returns as government bond yields rallied. The Fund's running yield of 4.51% versus the benchmark's 3.96%, was another positive contribution relative to benchmark.

Outperformance in September came from the Fund's positions in NBN, Optus, SA Power Network, Mercury and Mirvac. Underperformance came from only two positions in September, they were La Trobe University and ANZ Banking Group.

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.

