

# DEVON FUNDS.

For the informed investor.



## DEVON GLOBAL IMPACT BOND FUND

MONTHLY REPORT: MAY 2024

### SUMMARY OF INVESTMENT OBJECTIVE

The **Devon Global Impact Bond Fund** is actively managed and seeks to understand the world's social and environmental problems and to identify and invest primarily in debt issued by companies and organisations that we believe are addressing these needs in a differentiated way through their core products, services and projects. Through the Fund's investments, we seek to improve access to, and the quality of, basic life essentials, reduce inequality and mitigate the effects of climate change. The Fund seeks to deliver long term total returns in excess of the Bloomberg Global Aggregate Index (hedged to NZD).

### PORTFOLIO SUMMARY

	Portfolio	Benchmark	Difference
Effective Duration (Years)	6.74	6.55	0.19
Spread Duration (Years)	6.66	6.41	0.25
Credit Spread Duration (Years)	4.64	2.50	2.15
Yield to Worst	5.58	5.37	0.21
Average Quality	A+	AA-	

### ALLOCATION

Wellington Global Impact Bond Fund NZD Hedged	98.2%	Cash	1.8%
Currency Hedge (100% to NZD)	100.0%	Total	100.0%

### PERFORMANCE

	1 Mth	3 Mth	1 Yr	2 Yr p.a
Devon Global Impact Bond Fund	1.1%	0.3%	3.8%	0.9%
Bloomberg Global Aggregate Index Hedged NZD	0.9%	0.1%	2.9%	0.5%

Devon Global Impact Bond Fund returns are after all fees and expenses, but before tax which varies by investor.

### MARKET REVIEW

In May, most fixed income spread sectors posted positive excess returns. Mixed economic data set the tone for sovereign yields divergence, and uncertainty around major central banks' policy paths remained a dominant theme.

Global sovereign bond yields diverged across developed economies. Yields moved lower in North America (US, Canada) and the UK, while yields in Germany and Japan continued to climb. Investors anticipated the US Fed would loosen monetary policy slightly faster than expected amid weaker economic releases. Eurozone bond yields ticked higher with a renewed focus on higher-than-expected inflation. UK gilt yields fell after inflation slowed to a three-year low.

Global credit markets outperformed duration-equivalent government bonds over the month as spreads tightened. All three major sectors – financials, industrials, and utilities – generated positive excess returns. Broadly, municipal bonds underperformed duration-equivalent Treasuries. Within the securitized sectors, agency mortgage-backed securities, commercial mortgage-backed securities, and asset-backed securities each outperformed duration-equivalent government bonds.

Most major central banks held rates steady while signaling different paths to rate normalization. The US Fed keep policy rates un-

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## FUND PERFORMANCE AND ATTRIBUTION

The Fund generated a positive total return during the month and outperformed the Bloomberg Global Aggregate hedged to NZD index.

The Fund's corporate credit positioning benefited results as credit spreads tightened over the month. At the broad sector level both high yield and US investment grade corporates outperformed duration-equivalent government bonds. An allocation to high yield corporates, particularly industrials contributing to the Digital Divide theme, aided results. Positioning within developed non-US investment grade benefited performance modestly, mainly an overweight to financial issuers focusing on the Resource efficiency theme, while an underweight to US investment grade credit detracted from results. An allocation to emerging markets high yield corporates was also a modest positive contributor to performance.

The Fund's positioning in select taxable municipals continued to have a modest positive impact on relative results over the month, particularly issuers focusing on the Education and Job Training impact theme.

The Fund's positioning in securitized sectors had a positive impact on performance. Specifically, an allocation to agency mortgage-backed securities (MBS) helped results owing to softer macroeconomic data releases driving lower interest rates and rate volatility.

Overall duration and yield curve positioning was favorable for results during the month.

## MARKET REVIEW (CONTINUED)

changed and stated it would likely take longer to gain confidence the economy is on a sustainable path toward the target inflation rate. The Bank of England hinted at a June rate cut. Sweden's Riksbank became the second developed-market central bank to begin an easing cycle.

## PORTFOLIO MANAGER

### Campe Goodman

Campe is ultimately accountable for all performance and risk management decisions in the Global Impact Bond portfolio. Campe is the final decision maker who is responsible for performance, positioning, and risk

in Global Impact Bond portfolios. Campe has 23 years of industry experience and has managed the underlying Wellington Global Impact Bond fund since its inception in 2017.



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## CONTRIBUTION TO DURATION YEARS

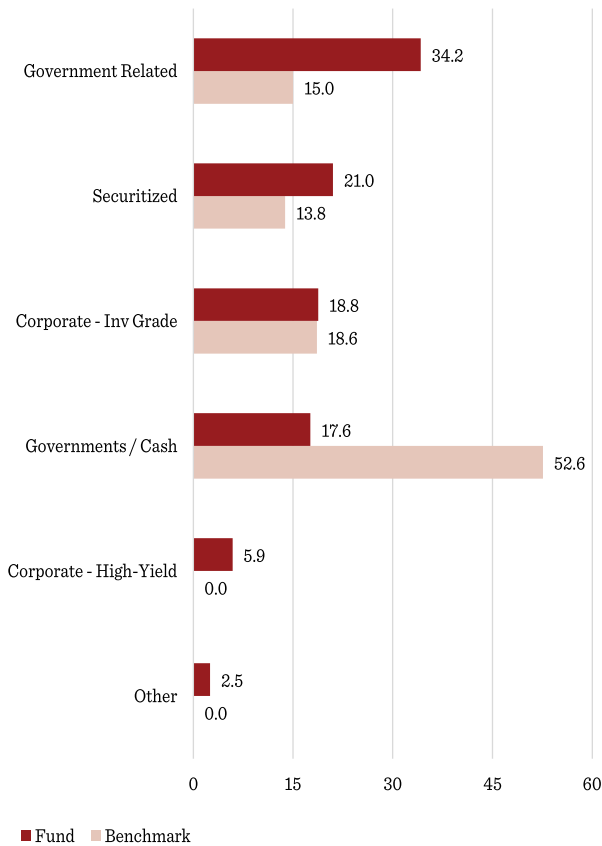
SECTOR	Account	Benchmark	Difference
Cash & Cash Equivalents	0.00	0.00	0.00
US Government	1.27	1.04	0.23
Credit*	4.23	4.66	-0.43
Asset Backed Securities	0.04	0.01	0.03
Mortgage Backed	1.12	0.72	0.41
Commercial Mortgage	0.06	0.03	0.03
Other	0.02	0.09	-0.07
Cash Offset	-	-	-
	<b>6.74</b>	<b>6.55</b>	<b>0.19</b>

\*Credit includes Tax-Exempt Municipals, Investment Grade and High Yield Credits, Bank Loans, Emerging Market Debt, and Developed Non US Dollar Denominated Securities.

## CREDIT RATING % MARKET VALUE

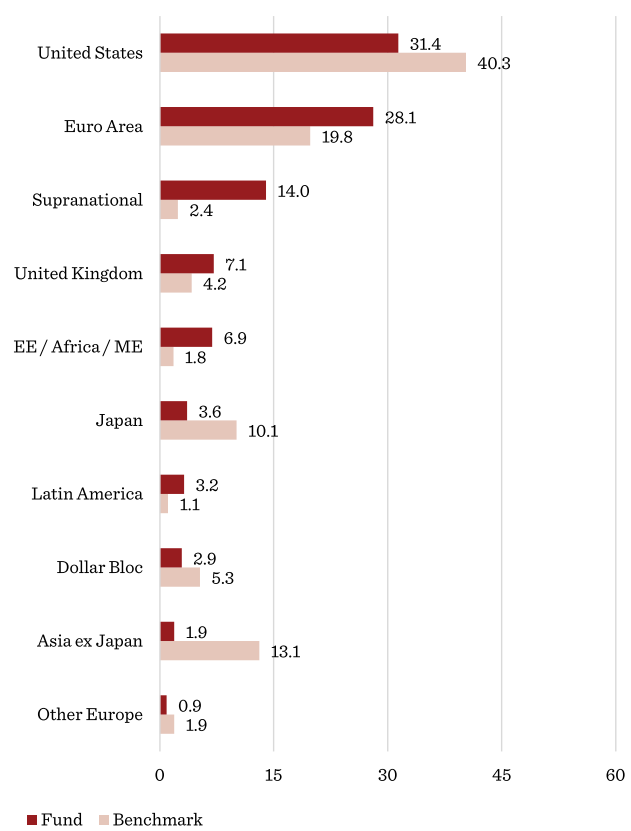
QUALITY	Account	Benchmark	Difference
Cash	4.17	0.39	3.78
AAA	27.68	11.94	15.74
AA	34.97	42.04	-7.07
A	10.06	30.99	-20.93
BBB	14.84	14.37	0.48
BB	6.34	0.01	6.33
B	2.41	-	2.41
Below B	0.20	-	0.20
Cash Offset	-1.01	-	-1.01
Not Rated	0.32	0.26	0.06
	<b>100.00</b>	<b>100.00</b>	

## SECTOR DISTRIBUTION % MARKET VALUE



Totals may not add up to 100% due to rounding.

## GEOGRAPHIC DISTRIBUTION % MARKET VALUE



Totals may not add up to 100% due to rounding. | EE stands for Emerging Europe & ME stands for Middle East.



## FUND POSITIONING AND OUTLOOK\*

We believe that resilient consumer spending and strong company fundamentals should prevent a significant downturn for the US economy. In our view, inflation has proven persistent but should further decelerate, with signs of a more balanced labor market easing upward pressure on wages. That said, we also think that this is not the time to be proactively adding credit risk, given tight valuations and the possibility that “higher for longer” rates could continue to impact financial conditions. The Fund is positioned with a close to neutral credit risk profile, while preserving high-quality liquid instruments to take advantage of future market dislocations.

From a sector perspective, the Fund is positioned with an overweight to select taxable municipals. The Fund holds select below Investment-grade corporates and bank loan issuers that in our view carry attractive credit spreads.

The Fund maintains positioning in agency MBS issuers with a focus on supporting housing affordability for low-income borrowers. We continue to hold select single-asset single borrower CMBS backed by LEED certified buildings.

The Fund maintains exposure to labelled use-of-proceeds government and agency bonds intended to fund green, social, and sustainability-related projects.

*\*These views are those of Wellington Management, who have been appointed as the underlying investment manager for the Devon Global Impact Bond Fund*

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