

DEVON FUNDS.

For the informed investor.



DEVON GLOBAL IMPACT BOND FUND

MONTHLY REPORT: SEPTEMBER 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)	6.66	6.60	0.06
Spread Duration (Years)	6.77	6.49	0.27
Credit Spread Duration (Years)	4.33	2.46	1.87
Yield to Worst	4.74	4.49	0.25
Average Quality	AA-	AA-	

ALLOCATION

Wellington Global Impact Bond Fund NZD Hedged	98.9%	Cash	1.1%
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%	4.0%	11.3%	6.4%
Bloomberg Global Aggregate Index Hedged NZD	1.3%	4.1%	10.3%	5.9%

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

MARKET REVIEW

In September, signs of economic weakness in the US prompted a larger-than-expected Fed rate cut, while in Europe, monetary policy easing continued with the European Central Bank and Sweden's Riksbank delivering rate cuts amid slowing inflation. Most global sovereign bond yields moved lower, with short-dated bond yields declining notably as major central banks, including the US Fed, diverged in their paths to policy normalization based on domestic economic cycles.

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 performed in line with duration-equivalent Treasuries. Within the securitized sectors, commercial mortgage-backed securities and asset-backed securities outperformed, while agency mortgage-backed securities underperformed duration-equivalent government bonds, respectively.

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FUND PERFORMANCE AND ATTRIBUTION

The portfolio generated a positive total return during the month and modestly underperformed the Bloomberg Global Aggregate hedged to NZD index.

The portfolio's corporate credit positioning had a modest negative impact on performance overall. At the broad sector level both high yield credit and US investment grade corporates outperformed duration-equivalent government bonds. Positioning within high yield credit had a small positive impact on performance, while an underweight to US investment grade corporates detracted from results. An allocation to emerging markets high yield corporates, particularly industrials invested in the Alternatives Energy theme, aided relative results.

An overweight to agency mortgage back securities in support of the Affordable Housing theme contributed positively to results, benefiting from lower US Treasury yields.

An allocation to taxable municipals, primarily allotted to Education & Training and Health themes, had a positive impact on results.

Overall duration and yield curve positioning had a negligible impact on performance over the month. The portfolio was positioned modestly overweight duration during the period.

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

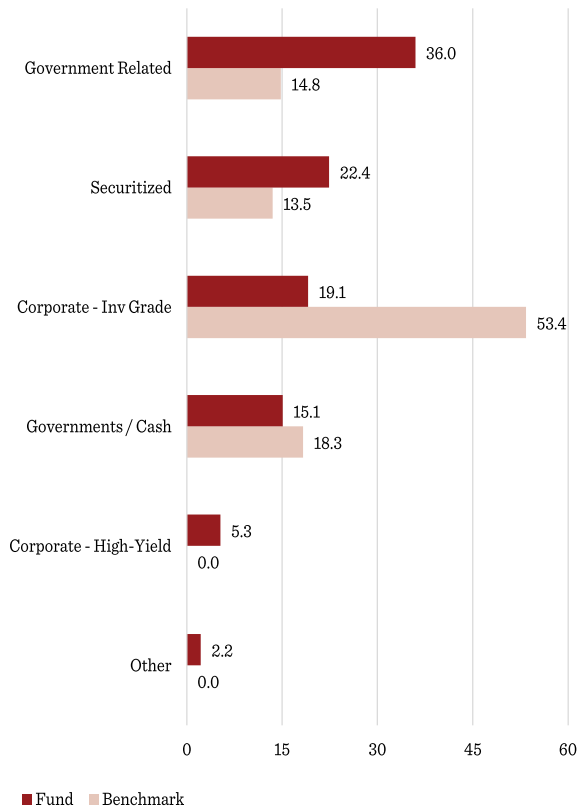
SECTOR	Account	Benchmark	Difference
Cash & Cash Equivalents	0.00	0.00	0.00
US Government	1.53	1.09	0.44
Credit*	4.18	4.79	-0.60
Asset Backed Securities	0.05	0.01	0.04
Mortgage Backed	0.83	0.60	0.23
Commercial Mortgage	0.05	0.03	0.02
Other	0.02	0.09	-0.08
Cash Offset	-	-	-
	6.66	6.60	0.06

*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

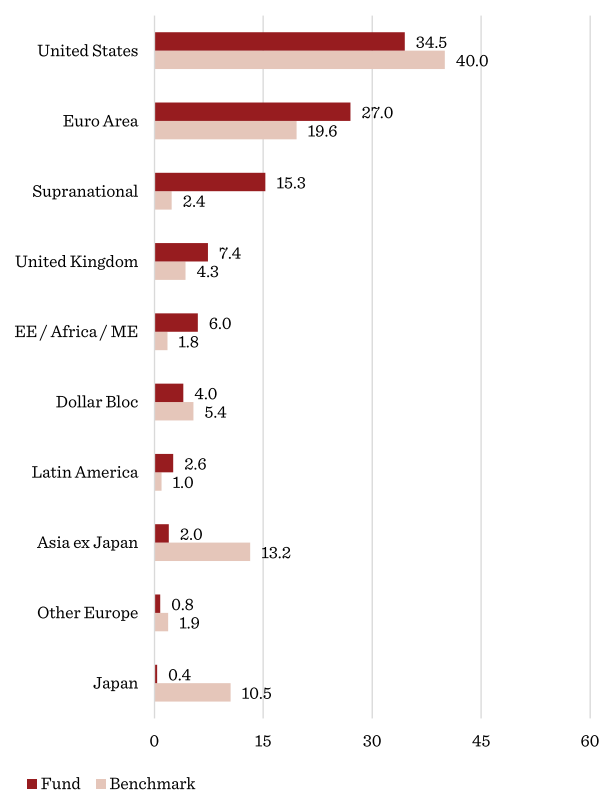
QUALITY	Account	Benchmark	Difference
Cash	3.85	0.34	3.50
AAA	29.98	11.89	18.08
AA	38.14	41.95	-3.81
A	9.05	31.46	-22.41
BBB	11.14	14.08	-2.94
BB	5.92	0.01	5.91
B	1.82	-	1.82
Below B	0.21	-	0.21
Cash Offset	-0.72	-	-0.72
Not Rated	0.61	0.26	0.35
	100.00	100.00	

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.

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FUND POSITIONING AND OUTLOOK*

We believe that a soft-landing scenario will likely unfold for the US economy as the wealth boost supports consumer spending and offsets a weaker employment backdrop. In our view, inflation should continue to moderate though structural drivers of inflation will challenge the Fed's ability to bring inflation down to its target.

We anticipate market volatility on the run up to November's US election, which in turn creates a wealth of opportunity for active fixed income investing. Markets often overreact to potential election outcomes, creating opportunities for active duration management and sector rotation.

Although major global central banks have begun to cut short-term interest rates in 2024, we expect rates to remain higher for longer, contributing to a tightening of financial market liquidity conditions. This tightening of financial conditions will be accelerated by the major global central banks' scheduled balance sheet reductions and the increased issuance of government debt, in turn translating to greater credit spread volatility and increased dispersion in the credit spreads of individual issuers.

In terms of positioning, the portfolio has 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 portfolio maintains an off-benchmark allocation to select taxable municipals, emphasizing healthcare and education issuers. The portfolio holds select below investment-grade corporates and bank loan issuers that in our view carry attractive credit spreads.

The portfolio 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 portfolio 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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