

# DEVON FUNDS.

For the informed investor.



## DEVON GLOBAL SUSTAINABILITY FUND

MONTHLY REPORT: MAY 2024

### SUMMARY OF INVESTMENT OBJECTIVE

The **Devon Global Sustainability Fund** is actively managed and seeks to deliver long-term total returns in excess of the MSCI All Country World Index (50% hedged to NZD) by investing in the equities of 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. We 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 Fund targets net zero emissions by 2050 in alignment with the Paris Agreement.

### KEY HOLDINGS



JOHN DEERE



TEXAS INSTRUMENTS

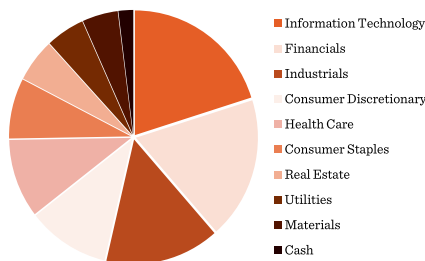


DBS



Microsoft

### ASSET ALLOCATION



### ALLOCATION

|  |       |       |      |
|--|-------|-------|------|
| Wellington Global Stewards Fund NZD Unhedged | 98.2% | Cash  | 1.8% |
| Currency Hedge                               | 47.8% | Total | 100% |

### PERFORMANCE

|  | 1 Mth | 3 Mth | 1 Yr  | 2 Yr p.a |
|--|-------|-------|-------|----------|
| Devon Global Sustainability Fund                       | 1.0%  | 3.2%  | 18.7% | 12.1%    |
| MSCI All Country World Index in NZD, 50% hedged to NZD | 1.9%  | 3.6%  | 22.3% | 13.5%    |

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

### FUND PERFORMANCE AND ATTRIBUTION

The Devon Global Sustainability Fund underperformed the index over the period, however delivered overall positive returns in May.

Security selection was a driver of relative underperformance. Weak selection in information technology and utilities was partially offset by selection in industrials, financials and consumer discretionary. Sector allocation, a result of our bottom-up stock selection process, also detracted from returns. Allocation effect was driven by our underweight to information technology, lack of exposure to communication services and overweight to consumer staples, but partially offset by our lack of exposure to energy and overweight to utilities. On a market basis, weak stock selection in United States and United Kingdom was partially offset by selection in Japan and France.

At the issuer level, our top two relative contributors were overweights to Recruit Holdings and Texas Instruments, while our top two relative detractors were not owning NVIDIA and an overweight to Deere & Company.

Shares of Recruit Holdings rose over the period. During the FY 2023 earnings call, CEO Hisayuki Idekoba and top executives outlined their strategies focusing on increasing operational efficiency and enhancing shareholder returns. The company also set high targets for user growth and job placements

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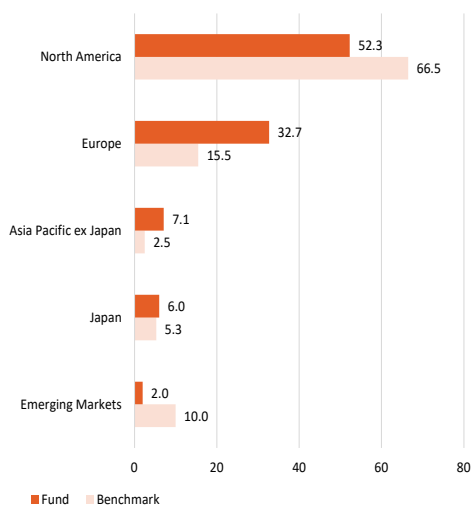


## MARKET REVIEW

Global equities rose in May. Robust earnings from some mega-cap technology companies extended enthusiasm for the potential of AI-driven economic growth. The J.P.Morgan Global Composite Purchasing Managers' Index (PMI) reaccelerated in May after a softer reading in April ended a sequence of six consecutive monthly increases. Interest-rate policy expectations among global central banks continued to diverge due to varying economic growth and inflation rates across the world and increasing desynchronization of economies. Financial markets anticipate that US rate cuts will be delayed until later this year, and US Federal Reserve rhetoric was mixed amid sticky inflation and moderating economic activity, highlighted by signs of a softer labor market and milder consumer spending. The European Central Bank maintained its guidance for a reduction in the policy rate at its June meeting, while accelerating core inflation raised concerns over the longer-term path of interest rates. The Bank of Japan's plans to hike interest rates were complicated by a larger-than-anticipated contraction in the country's first-quarter GDP amid softer consumption and business spending. Currency woes continued as Japan's finance ministry disclosed a record monthly amount spent to prop up the country's currency. Russian President Vladimir Putin met with Chinese President Xi Jinping as the two nations strengthen economic alliances amid western sanctions. Bilateral trade between the two nations rose by 26% against a year prior, according to Chinese customs data.

The MSCI AC World Net returned 4.1% (in USD terms) for the month. Within the index, all of the sectors rose for the month. Information technology and utilities were the top performing sectors, while energy and consumer discretionary were the bottom performing sectors for the period.

## REGIONAL DISTRIBUTION % OF EQUITY



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

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## FUND PERFORMANCE AND ATTRIBUTION (CONTINUED)

where they hope to reach 500 million users and offer job opportunities to 100 million people by 2030. Shares of NVIDIA rose over the period after the chipmaker reported strong first-quarter results and guided second-quarter revenue above expectations, driven by continued robust demand for both Hopper and new Blackwell products. The company also announced a 10 for 1 stock split and a dividend raise.

## FUND POSITIONING AND OUTLOOK

At the end of the period, our largest overweights were industrials, financials and consumer staples. We were most underweight to communication services and energy, neither of which we had exposure to. From a regional perspective, our largest overweight was Europe and we were most underweight to North America and Emerging Markets.

## PORTFOLIO MANAGER

### Mark Mandel

Mark Mandel is the lead portfolio manager and has full responsibility for investment decisions and leveraging the best long-term investment ideas from the firm's global industry analysts and collaborating extensively with Wellington Management's broad base of investment resources. Mark has 30 years of industry experience.

