DEVON FUNDS.

Quarterly Sustainability Report

Contents

Interest Piece: The results are in

Against the backdrop of increased reporting from companies on Environmental, Social, and Governance (ESG) related issues, we want to see that these are strategic priorities for the companies we are invested in.

Our view is that linking pay to these factors is essential for credible strategies which is particularly relevant in the context of emission reduction strategies. What remains to be seen is the response from investors if companies fail to deliver on their emission reduction plans.

In 2019, the New Zealand government set the ambitious target to reduce greenhouse gas emissions, including achieving Net Zero Scope 1 and 2 emissions, by 2050. Scope 1 emissions are the emissions released into the atmosphere as a direct result of an activity, or series of activities at a facility level. Scope 2 emissions are the emissions released to the atmosphere from the indirect consumption of an energy commodity, for example the use of non-renewable energy to power company facilities. We should therefore expect organisations to have targets in place to reduce their emissions in line with the nationally determined goal, and pleasingly we have found the majority of companies held within our portfolios have set either Net Zero or Carbon Neutrality targets.

Annually, Devon sends out a survey to all companies listed on the NZX50. In the past the topic of our disclosure survey has been centred around TCFD reporting and the ways in which climate is impacting New Zealand companies. This arose out of a frustration with the lack of progress by local publicly traded companies with respect to disclosure pertaining to their climate strategies. We viewed TCFD reporting as a way we could (and continue to) gain insight into a company's exposure to climate related risks. Over the last few years efforts to report on both climate strategies and more general ESG reporting have significantly ramped up. Surveying companies on the way in which remuneration is linked to ESG reporting felt like the natural progression from our previous surveys, as the ways in which pay is linked to reporting speaks to its reliability and credibility.

We had a response rate on this survey of 83.3% which we believe gives us good insight into how remuneration structures are incorporating ESG issues across the New Zealand market. We asked companies whether their organisations consider ESG related issues within Key Performance Indicators (KPI's) for their CEO's. Encouragingly, a majority of respondents (64.6%) answered yes to this question, although this is perhaps reflective of the broad range of topics captured under the "ESG" umbrella. Of those who answered no, all bar two reported on ESG issues within either their sustainability or annual reports.

The five most common ESG related issues that are evaluated within KPI's for remuneration were:

1. *Worker health and safety practices*
2. *Greenhouse gas emissions (Scope 1 & 2) reductions*
3. *Gender diversity and inclusion metrics*
4. *Greenhouse gas emissions (Scope 3) reductions*
5. *Resource efficiency metrics, including energy, water, and other material resources*

This appears to largely reflect the ways in which these issues tend to apply across industries and companies, and it is encouraging to see emission reductions high on this list.

Interest Piece: Continued

Lowest on the list was restoring, conserving, and managing biodiversity with 2.1% of respondents selecting this as being evaluated within KPI's for remuneration. Termed the "twin crises" there is growing recognition that climate change and biodiversity need to be tackled hand in hand. Rising sea temperatures and extreme weather events, including drought, flooding, and wildfires are all a result of climate change, and have a detrimental impact on biodiversity. Concurrently, solutions to climate change such as planting fast-growing pine forests to absorb carbon from the atmosphere, threaten biodiversity. Therefore, we will be watching to see how companies start to integrate biodiversity plans amongst their climate strategies when relevant to the company.

In answer to our question "what proportion of short-term incentives (STI's) and long-term incentives (LTI's) are linked to these KPI's?" we found in general that ESG related issues were linked to long-term incentives, and the weighting was fairly well spread between 5-40%. It is worth noting however that ESG issues were often a sub-section of an overall KPI. Remuneration packages are of course extremely nuanced which does make it difficult for companies to provide detailed information, and for us to compare across companies.

This survey gives Devon an excellent overview of the ways in which ESG issues are embedded within remuneration packages for CEO's across the New Zealand market. Importantly, it acts as a way we can focus our engagements with companies on specific topics. We are frequently engaging with boards and executive teams and can use the survey as a tool for engagement.

On a final note, we were incredibly proud to be called out by the Responsible Investment Association Australasia (RIAA) as a Responsible Investment leader in their landmark annual study, the *Responsible Investment Benchmark Report Aotearoa.* RIAA's Benchmark Report is the most comprehensive review of the responsible investment sector in New Zealand, with the 2023 report reviewing the investment practices of 70 investment managers.

There are some firms doing some great work in terms of responsible investing, and we see ourselves as being a leader in the space. It is fantastic to see this reinforced in RIAA's report which can be accessed here.

- Alice Jones, ESG Analyst

Devon Sustainability Fund

ESG Metrics as of 30.09.23

During the third quarter, the Devon Sustainability Fund achieved an AA MSCI ESG score.

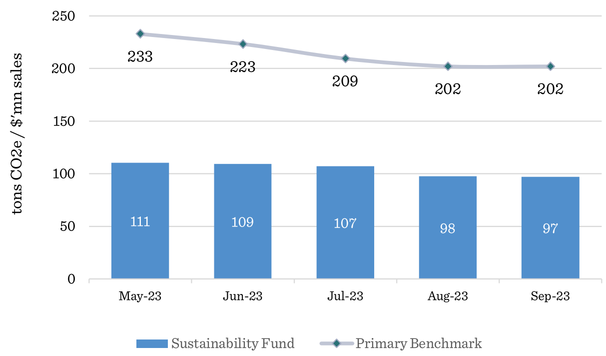
The Devon Sustainability Fund has continued to perform well against its benchmark for carbon intensity, with it remaining steady in September, relative to August.

The Devon Sustainability Fund is characterised as a low carbon intensive portfolio. We monitor the companies held within the portfolio for their emission reduction plans. This quarter, Telstra signed a Power Purchase Agreement (PPA) to take half of the output of a new 120 MW solar farm that is being built in Queensland. This is its fifth agreement with large scale renewable projects. Telstra has a target to contract renewable energy generation equivalent to 100% of its consumption by 2025, and this deal will bring them to 80%.

The largest contributor to the Fund's carbon emissions is the Industrials sector which makes up 19% of the portfolio holdings but contributes 47.7% of portfolio carbon emissions.

	MSCI ESG Ratings	MSCI ESG Quality score	
Portfolio	AA	7.84	Portfolio Sustainability Fund
Benchmark	AA	7.46	Primary Benchmark 50:50 composite S&P/NZX50 Portfolio Index & S&P/ASX200G Index

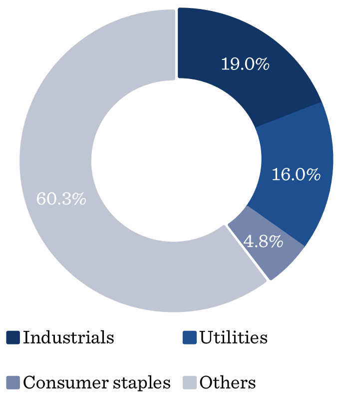
Carbon Intensity - Portfolio vs Benchmark



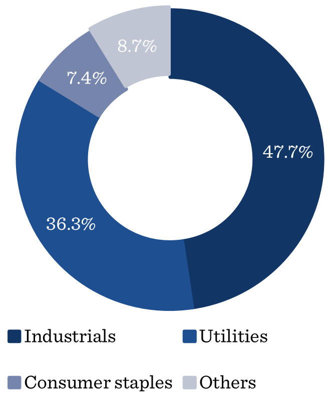
Source: Devon Funds Management analysis, MSCI

Portfolio Carbon Emissions by Key Sectors

Portfolio value by sector



Portfolio carbon emission by sector



ESG Metrics as of 30.09.23

During the third quarter, the TAHITO Te Tai o Rehua Fund achieved an AA MSCI ESG score.

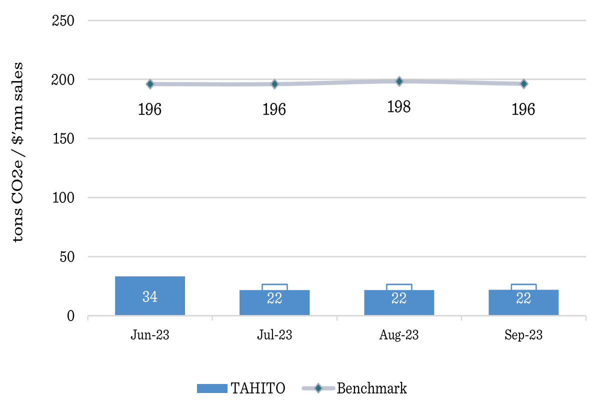
The TAHITO Te Tai o Rehua Fund has performed well against its benchmark for carbon emissions. The Fund's carbon intensity continues to be significantly lower than its benchmark.

TAHITO applies its own Te Kōwhiringa Tapu taxonomy. TAHITO apply these in Te Utu Panga or impact intention measures. These measures are in continuous development as society better understands and then measures the externalities and intangibles.

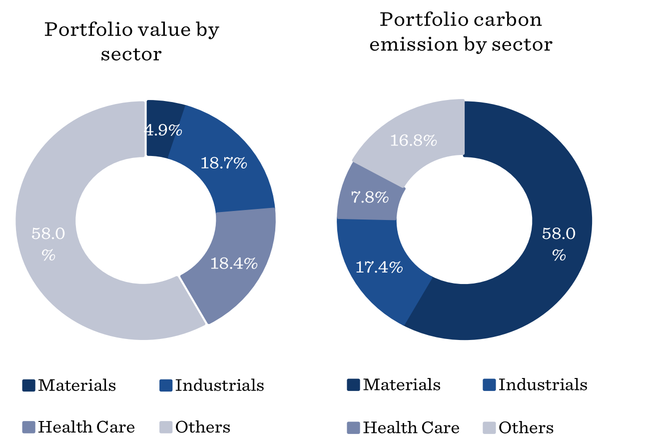
This quarter we have included an example of Goodman Property Trust held within the TAHITO portfolio where the measure *Te Pae o Ranginui: Zero Carbon, Zero contaminating emissions* has been applied. Decarbonisation targets, and emissions (Scope 1, 2 & 3) are all tracked as part of the reviewing and profiling of a company.

	MSCI ESG Ratings	MSCI ESG Quality score	
Portfolio	AA	8.16	Portfolio TAHITO Te Tai o Rehua Fund
Benchmark	AA	7.47	Primary Benchmark NZX50 Portfolio Index & ASX Accumulation 200 Index

Carbon Intensity - Portfolio vs Benchmark



Portfolio Carbon Emissions by Key Sectors



Source: Devon Funds Management analysis, MSCI

Goodman Property Trust	
Has achieved Carbon Netural (CO2 only, Y/N)	Y
Target date for carbon netural if N	Achieved
Has set target for Net zero scope 1,2 (Y/N)	Y
Target date for Net zero Scopes 1&2	Achieved
Has set target Carbon Net zero Scopes 1,2 &3 (Y/N)	Y
Target date for Net zero Scopes 1,2 & 3	Achieved

Scopes 1&2 Carbon Emissions - Key *	Reported
Scope 1+2 (metric tons) *	361
Scope 1+2 Intensity (t/USD million sales) *	2.8
Scope 3 Carbon Emissions - Key *	Estimation
Scope 3 - Total metric tons (combined dataset) *	25,854
Scope 3 - Total Sales Intensity (combined dataset) *	197.9
Total GHG Emissions - metric tons (Scopes 1, 2 and 3) *	26,215

*MSCI ESG Data

Devon Global Sustainability Fund

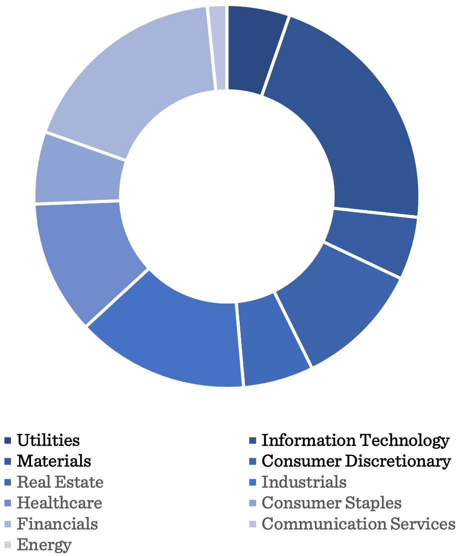
ESG Metrics as of 30.06.23*

Overall Portfolio CO_2 Emissions and Intensity as of 30 June 2023

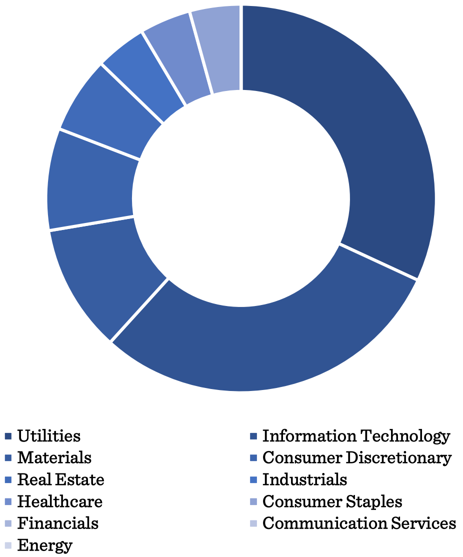
Carbon Footprint	Carbon Emissions	Total Carbon Emissions	Carbon Intensity	Weighted Average Carbon Intensity	Data Availability (Carbon Intensity)
Portfolio	12	12,693	49	46	100
Benchmark	52	55,063	149	139	99.9
	T CO_2e/$M Invested	T CO_2e		T CO_2e/$M Sales	% Market Value

Sectors	Market value	Contribution to portfolio emissions
Utilities	5.2%	15.0%
Information Technology	21.1%	14.0%
Materials	5.2%	5.0%
Consumer Discretionary	10.5%	4.0%
Real Estate	5.8%	3.0%
Industrials	14.2%	2.0%
Healthcare	11.1%	2.0%
Consumer Staples	6.0%	2.0%
Financials	17.6%	0.0%
Communication Services	1.6%	0.0%
Energy	0.0%	0.0%

Portfolio value by sector



Portfolio carbon emission by sector



*Metrics are as of the previous reporting period due to availability of information from the underlying fund manager Wellington Management Group

Source: MSCI | Benchmark: MSCI All Country World | Carbon Emissions: Emissions financed per $1 million invested in the mandate. This metric is calculated by summing the result of '% Enterprise value incl cash financed X Emissions' for each holding, and then dividing by the portfolio's total market value. | Total Carbon Emissions: Total emissions financed by the portfolio. This metric accounts for mandate size by summing the result of '% Enterprise value incl cash financed X Emissions' for each holding. | Carbon Intensity: Metric normalizes company's total emissions by output. This metric is calculated as total emissions financed by the portfolio (equivalent to Total Carbon Emissions metric) divided by total revenue financed by the portfolio (% Enterprise value incl cash owned X Revenue) for each holding. | Weighted Average Carbon Intensity (WACI): Proxy for carbon efficiency of portfolio construction when compared to benchmark. This metric is calculated as a weighted average of each holding's carbon intensity, using % market value in the portfolio. Each holding's carbon intensity normalizes its total emissions by output and is calculated as the company's total emissions divided by its revenue. | Data availability may be lower than Data Availability – Carbon Intensity for the two calculations of financed emissions (Carbon Emissions and Total Carbon Emissions). This is because the financed emissions metrics require availability of both carbon emissions and Enterprise Value including Cash for each holding.

Devon Global Impact Bond Fund

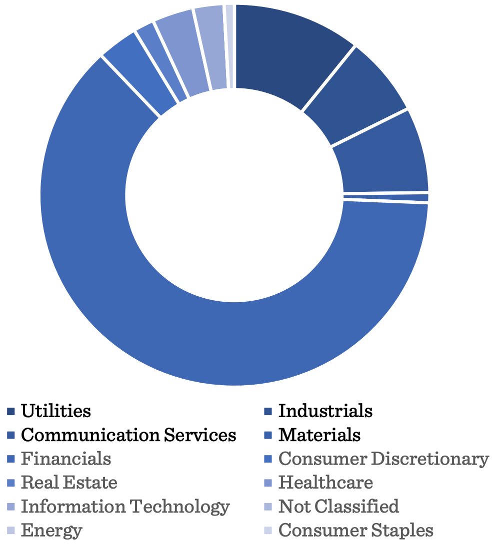
ESG Metrics as of 30.06.23*

Overall Portfolio CO_2 Emissions and Intensity as of 30 June 2023

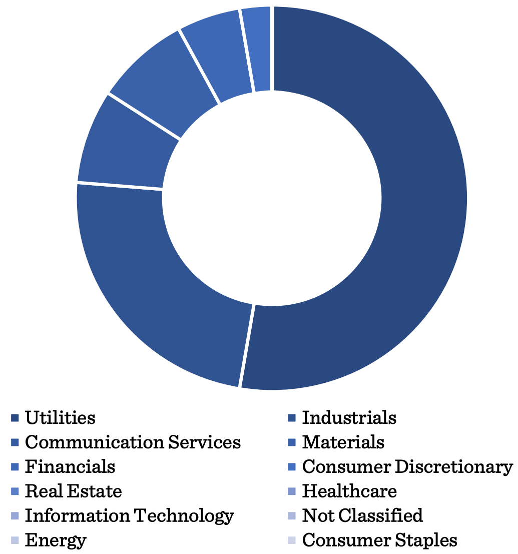
Carbon Footprint	Carbon Emissions	Total Carbon Emissions	Carbon Intensity	Weighted Average Carbon Intensity	Data Availability (Carbon Intensity)
Portfolio	24	3,006	78	39	81
Benchmark	65	8,228	172	222	96
	T CO_2e/$M Invested	T CO_2e		T CO_2e/$M Sales	% Market Value

Sectors	Market value	Contribution to portfolio emissions
Utilities	2.5%	20.0%
Industrials	1.6%	9.0%
Communication Services	1.7%	3.0%
Materials	0.2%	3.0%
Financials	14.6%	2.0%
Consumer Discretionary	0.8%	1.0%
Real Estate	0.4%	0.0%
Healthcare	0.8%	0.0%
Information Technology	0.6%	0.0%
Not Classified	0.0%	0.0%
Energy	0.0%	0.0%
Consumer Staples	0.2%	0.0%

Portfolio value by sector



Portfolio carbon emission by sector



*Metrics are as of the previous reporting period due to availability of information from the underlying fund manager Wellington Management Group

Source: MSCI | Benchmark: Bloomberg Global Agg Hdg USD | Carbon Emissions: Emissions financed per $1 million invested in the mandate. This metric is calculated by summing the result of '% Enterprise value incl cash financed X Emissions' for each holding, and then dividing by the portfolio's total market value. Total Carbon Emissions: Total emissions financed by the portfolio. This metric accounts for mandate size by summing the result of '% Enterprise value incl cash financed X Emissions' for each holding. Carbon Intensity: Metric normalizes company's total emissions by output. This metric is calculated as total emissions financed by the portfolio (equivalent to Total Carbon Emissions metric) divided by total revenue financed by the portfolio (% Enterprise value incl cash owned X Revenue) for each holding. Weighted Average Carbon Intensity: Proxy for carbon efficiency of portfolio construction when compared to benchmark. This metric is calculated as a weighted average of each holding's carbon intensity, using % Market value in the portfolio. Each holding's carbon intensity normalizes its total emissions by output, and is calculated as the company's total emissions divided by its revenue. | Data availability may be lower than Data Availability – Carbon Intensity for the two calculations of financed emissions (Carbon Emissions and Total Carbon Emissions). This is because the financed emissions metrics require availability of both carbon emissions and Enterprise Value including Cash for each holding.

Artesian Green and Sustainable Bond Fund (NZD)

ESG Metrics as of 30.09.23

The Artesian Green and Sustainable Bond Fund has contributed to the abatement of carbon emissions from 26,401** cars since inception*.

The Artesian Green and Sustainable Bond Fund (NZD) reports slightly differently on carbon metrics. If we reported carbon intensity, like we do for the other funds, this is done on an issuer basis, rather than the bond itself. Doing this risks overstating the carbon emissions of the fund, as many of the bonds held in the fund (especially green bonds) abate carbon.

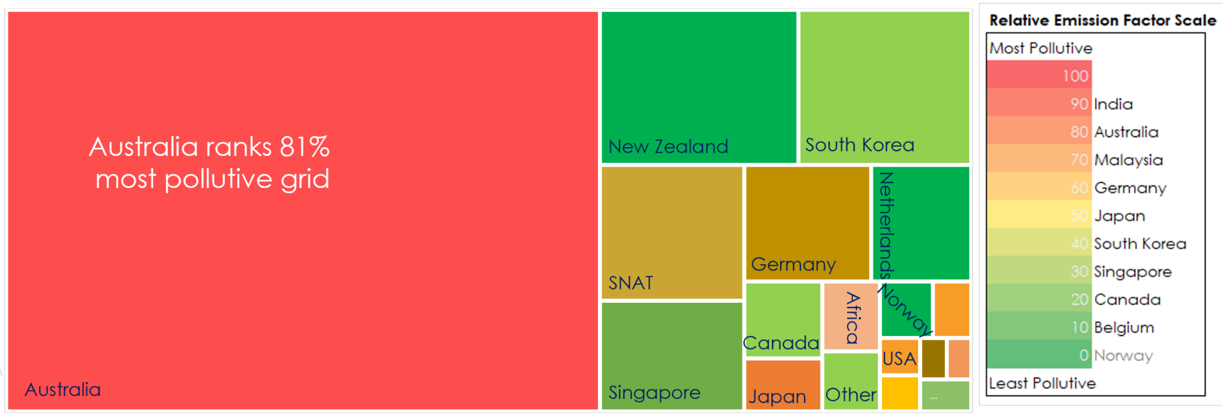
In addition, we have included a allocation of funds heatmap. This shows which countries the Fund is allocating capital, to improve the global green economy. The Relative Emission Factor Scale shows how dirty the energy grid of each country is. It is a normalised scale of the baseline emission factor 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.

	Fund
September's estimated carbon abatement	2,526.2 tCO2e*
Since inception estimated carbon abatement[1]	56,318.6 tCO2e*
% of Fund used in this estimation	43%

Equivalent to 26,401 cars** off the road for a year, since fund inception*.

One of the primary goals for the Fund is to report regularly on the impact that the bonds we have invested in are having on the environment. As issuers report their use of proceeds achievements, we update our records. We expect this should also lead to a continual increase in the 43% of the Fund used to calculate the carbon abatement.

*Please note the data shown is for the AUD unit class since inception. The NZD unit class launched on 19 June 2023
**As per the ABS's latest Survey of Motor Vehicle Use (link as of 20 Mar'19), Passenger Vehicles in Australia on average travelled 12,600km a year in 2018. As per NTC's latest emission intensity paper (link; as of Jun'20). Passenger Vehicles in Australia on average had an emission intensity of 169g/km in 2019 (or 169.8g/km in 2018). As a result, we defined the carbon footprint of an average passenger vehicle in Australia as 2.14t CO2e per year being [(169g/km x 12,600km) / 1,000,000].



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

Engagement Devon Sustainability Fund

The Devon Sustainability Fund has frequent engagements with companies held within the portfolio. This quarter the highlight was with Freightways Limited.

The Devon Sustainability Fund aims to generate capital growth over the long term by investing in those New Zealand and Australian listed companies that exhibit sustainable characteristics and which demonstrate credible strategies to improve their outcomes with respect to Environmental, Social and Governance (ESG) factors.

Engagement spotlight

During the quarter we had various company meetings post the release of their FY23 results. Freightways is a company held in our Sustainability Fund, whom we actively engage with to understand their decarbonisation plans. As a transport company, the majority of their emissions come from their vehicle fleet.

Switching from internal combustion engine vehicles to electric vehicles needs to occur in a structured way. At our one-on-one meeting with Freightways, we discussed their vehicle fleet transition pathway, beginning in 2028 with their light vehicle fleet. The average age of the light vehicle fleet is seven years, so Freightways expects to be fully electric (for light vehicles) by 2035. Light vehicle trucks will be relatively similar, but the transition will begin from 2030. In terms of decarbonisation within aviation, emissions reductions will be made as aircrafts modernise. For example, Freightways' new plane is 20% more efficient than their old plane.

Engagements such as this one are important for us to understand the plans companies we hold have in place to decarbonise. We track Scope 1 and 2 emissions data for all the companies we hold across all our portfolios. It is therefore important for us to have colour around the ways companies intend to achieve their targets, where we might expect a plateau in the absence of technology advancements, and their pragmatism in implementing changes.

Engagement TAHITO

TAHITO has frequent engagements with companies held within the portfolio, while also engaging within the industry and community. This quarter's engagement highlight relates to TAHITO's gift giving philosophy.

Tahitō selects listed companies based upon indigenous Māori values and a Māori ethical and sustainable worldview. Tahitō applies an indigenous value set to measure relational behaviours (Whanaungatanga) and connectivity (Aroha). By building Aroha, a business improves its Mauri (wellbeing).

MINDFUL MONEY AWARDS
2023
Best Ethical Retail Investment Provider 2023

Engagement spotlight

As an ethical investment fund that applies ancestral Māori knowledge, Tahito incorporates this into its philosophy around gift giving and celebrating clients and special occasions. To that end, during Matariki celebrations this year, Tahito donated on behalf of clients to a selection of The Good Registry's charity partners:

- Ngā Tangata Microfinance
- Sustainable Coastlines
- Para Kore
- Māori Literature Trust
- Kaibosh Food Rescue
- Whenua Warrior

The donations reflect Tahito's dedication to the ideals of aroha (love, compassion), mauri (lifeforce), and fostering utu (reciprocity). All the chosen charities fall within four domains that are important for Tahito:

- Manaaki o ngā rawakore: Upholding those who face adversity, especially within our community, and offering support to those struggling to meet their needs
- Manaaki o Papatūānuku: Nurturing the well-being of Papatūānuku (Earth Mother)
- Manaaki o Ranginui: Fostering the well-being of Ranginui (Sky Father)
- Manaaki o Tangaroa - Sea: Supporting the thriving health of Tangaroa (God of the Sea)

Engagement Devon Global Sustainability Fund

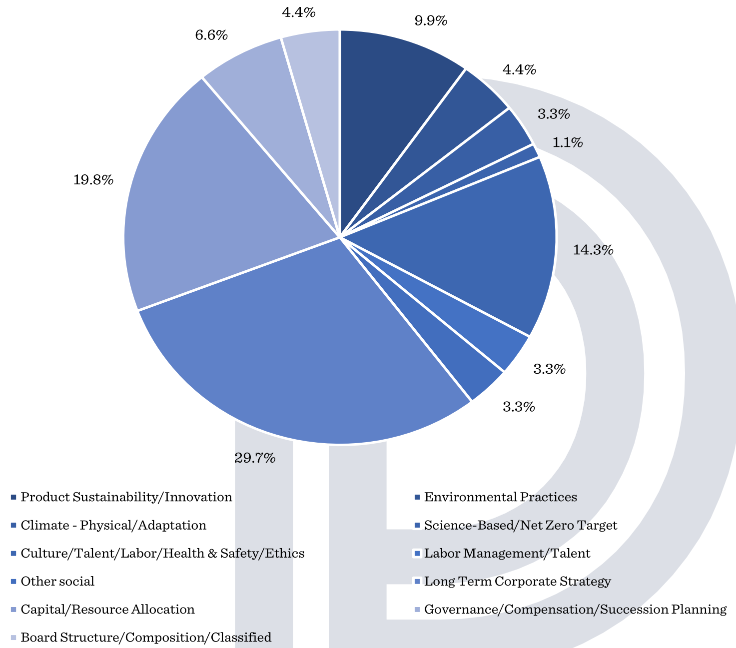
During the second quarter of 2023, Wellington Management Group (the underlying fund manager of our Global Sustainability Fund) had 39 engagements with names held in the portfolio on a broad range of ESG topics.

This Fund aims to generate long term total returns by investing in a selective portfolio of global companies 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.

Engagement spotlight

This quarter, Wellington met with Haviv Ilan, the new CEO of semiconductor business Texas Instruments. Mr. Ilan held a broad range of leadership roles across both the analog and embedded businesses since joining in 1999. Texas Instruments provided an update on supply chain management and the planned build-out of capacity. Over time, the company has developed a phenomenal track record as an allocator of capital, and Wellington expect similar results from the current investment cycle. The newest ramp up capital expenditures is prioritizing flexibility with clients and driving new solutions in automotive and industrial sectors where the demand for lagging edge semiconductors is accelerating. The recently passed Inflation Reduction Act includes tax incentives which make building US-based semiconductor capacity even more attractive to Wellington. Moreover, clients are asking for dependable, domestically sourced manufacturing and a clearer road map from Texas Instruments so they can better scope their production plans. Wellington believe Texas Instruments is in an advantaged position based on their differentiated technology, varied product offering and broad market reach. Wellington love to see companies reinvesting in their business on attractive terms and believe this capital cycle will yield higher growth, stronger customer relationships and improved business resilience over time.

Engagements by topic



Engagement Devon Global Impact Bond Fund

During the second quarter of 2023, Wellington Management Group (the underlying fund manager of our Global Impact Bond Fund) had four engagements on ESG topics.

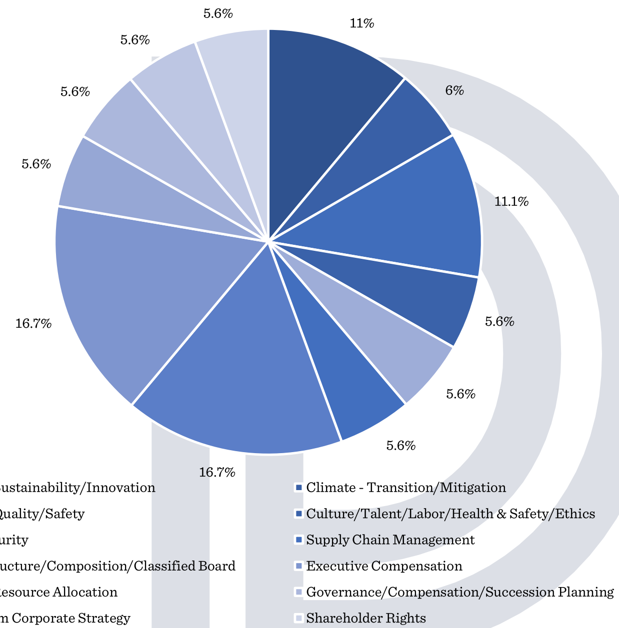
This Fund aims to deliver long-term total returns in excess of the index by investing in a diverse portfolio of global bonds. The Fund seeks to invest primarily in debt issued by companies that are addressing the world's environmental and social problems.

Engagement spotlight

Wellington Funds Management ("Wellington") released their Impact Report for the Global Impact Bond Fund during the last quarter. In our last quarterly update, we provided an engagement highlight from this report and have provided another below. This highlight is a positive 'Environment' engagement they had during 2022.

Wellington engaged with a European developer and manufacturer of heating, ventilation, and air conditioning (HVAC) on its carbon emissions disclosures and science-based targets. This private issuer has ambitious plans to reduce Scopes 1, 2, and 3 emissions, aiming to reach net zero in its global operations by 2030. Through engagement, Wellington learned that the issuer is already switching to renewable energy and energy-efficient buildings to decarbonize its operations. The management team is also working with suppliers to reduce Scope 3 emissions across the supply chain, as this is the largest component of the issuer's carbon footprint. Disclosure on Scope 4 data (emissions avoided) is another area of focus, as management wants to demonstrate how much of the issuer's product range can help consumers save energy. Through Wellington's engagement, they became confident that the issuer is positioned to make meaningful progress on its emissions targets. Wellington intend to continue the conversation to assess progress on Scope 3 emissions mitigation efforts and Scope 4 emissions-avoidance metrics.

Engagements by topic



Engagement Artesian Green and Sustainable Bond Fund (NZD)

Artesian seeks to actively engage with companies and issuers in exploring ways to align their business strategy, and operating policies with best practice international standards and ESG frameworks, as well as engaging within the wider industry.

The Artesian Green & Sustainable Bond Fund (NZD) is managed by Artesian Corporate Bond Pty Ltd ("Artesian"). The strategy for the Fund is to invest in a diversified portfolio of Australian and international bonds labelled as Green, Social or Sustainable Bonds that have been screened in accordance with Artesian's screening processes.

Engagement spotlight

Artesian adopts a zero-tolerance for issuers involved in the production of tobacco, alcohol, pornography, munitions, palm oil, gaming equipment and exploration and or production of fossil fuels. As a part of Artesian's regular review of portfolio holdings, it was bought to their attention that portfolio holding NRW Bank, owned a lottery. Whilst owning a lottery was not strictly a screen for the Fund, Artesian were keen to understand how and why a development bank came to owning a lottery.

"NRW Bank acts on behalf of the public sector in a competition-neutral manner and uses the full range of promotional products – from classic loans to customised advice. Its three promotional fields are "Economy", "Housing" and "Infrastructure/Municipalities". Sustainability is a central guiding principle in this context. NRW. BANK promotes the necessary transformation of North Rhine-Westphalia towards a low-emission and climate-smart economy."

After engaging with NRW Bank, Artesian learned that they held shares in WestLotto Group for the State of North Rhine-Westphalia (NRW). However, they recognised that holding WestLotto Group does not belong to the tasks assigned to NRW Bank by law. Therefore, a bill has been drafted to transfer WestLotto to another state owned entity. Artesian note that their preclusive screen is for gaming equipment and thus, not strictly applicable. Artesian also note (i) NRW Bank has held WestLotto as a participation on behalf of the general public since its inception (2004) that the process of transfer and (ii) holding a 100% ownership of a lottery operator, is precluded by law. As such, Artesian has decided that this process represents sufficiently poor governance and as such they have exited their position in NRW Bank.