DEVON FUNDS.

Q2 2023

Quarterly Sustainability Report

Contents

Interest Piece: An advancing initiative

The second quarter of 2023 has been busy on the stewardship front for Devon.

Most notably, we were pleased to release our annual disclosure survey. Past iterations of this survey have focused on whether companies were TCFD compliant, if they had felt the material effects of climate change, whether the company engaged in any other forms of ESG reporting, and whether or not they believed they would play a role in New Zealand's transition to a low carbon economy.

In the survey released this quarter, we focussed on whether companies listed in the NZX50 considered Environmental, Social, and Governance (ESG) related issues within KPI's for their CEO's. Our view is that linking pay to these factors is essential for credible strategies. In our Q3 sustainability report we look forward to discussing the aggregated results and insights from this survey.

This quarter we also made a submission on the NZX consultation on director independence regulatory settings and were part of the working group for a submission for the New Zealand Corporate Governance Forum. Our view, and what we would like the NZX to consider, is that in situations where there is a dominant/controlling shareholder, the other/minority shareholders should have rights in respect of the appointment of at least some of the independent directors. This is to prevent a situation in which an independent director may be supported by a majority shareholder/s, but not minority shareholders, and be able to be elected (and continually elected), at odds with minority shareholder sentiment. We view this as an opportunity to enhance the voting power of minority shareholders.

We have also publicly endorsed the Advance initiative; a stewardship initiative where institutional investors work together to take action on human rights and social issues. Climate Action 100+ was one of the major global efforts made to harness the collaborative influence of investors globally, Advance is the next iteration of these efforts with a focus on human rights and social issues. Companies are always open to criticism in respect of human rights and/or social issues. Our endorsement of the initiative is an extension of our awareness of these potential issues and our duty as investors to monitor the companies we are invested in, engage with them, and divest if necessary. We recognise that we are part of a much bigger ecosystem of investors and financial flows, with the collective ability to leverage change. Collaboration within our industry can be powerful.

Last but certainly not least, we launched the Artesian Green and Sustainable Bond Fund (NZD). The Fund will be managed by Artesian Capital Management Pty Ltd ('Artesian'). Artesian are a global, absolute return fixed income fund manager focused on relative value opportunities in credit markets. Artesian sees the global labelled (green, sustainable and social) bond market as an opportunity for investors to facilitate positive change. The rise of the green, sustainable and social bond market and the innovation of sustainability-linked bonds are prime examples of how investor demand, capital market innovation and corporations can foster positive impact, whilst improving returns with quality fixed income investments. We are thrilled to be bringing a new offering to the market, Artesian's rigorous approach to sustainable investing is an excellent fit with our own frameworks.

- Alice Jones, ESG Analyst

Devon Sustainability Fund

ESG Metrics as of 30.06.23

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

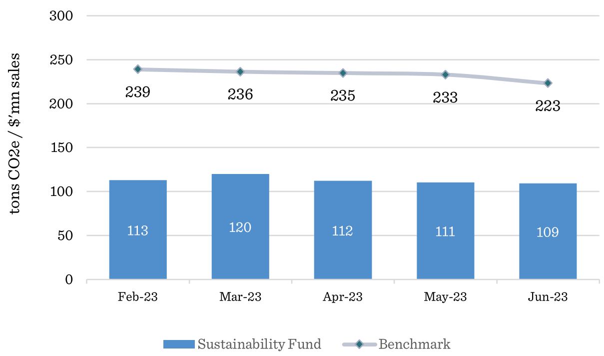
The Devon Sustainability Fund has continued to perform well against its benchmark for carbon intensity, with an incremental decrease in carbon intensity this month.

The Devon Sustainability Fund is characterised by being a low carbon intensive portfolio. The funds only exposure to fossil fuels in the portfolio (albeit it very minimal) is through Contact Energy. Pleasingly, Contact Energy was identified in Mindful Money's recent report as one of only eight thermal generators in the world that is on a pathway to transition to renewable energy sources by 2040.

The largest contributor to the fund's carbon emissions is the Industrials sector which makes up 18.8% of the portfolio holdings but contributes 54.8% of portfolio carbon emissions.

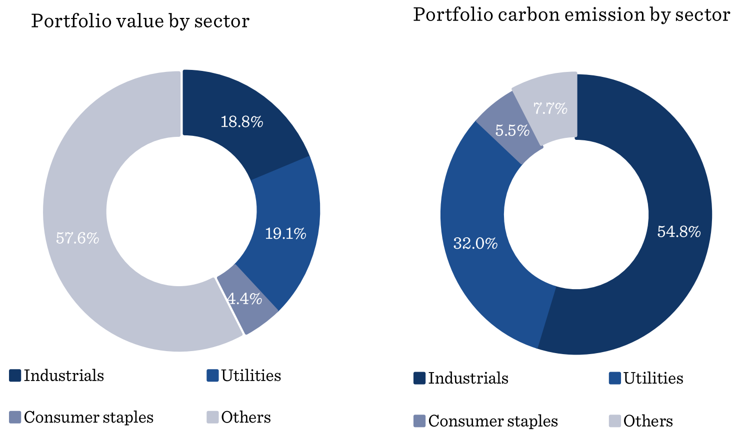
	MSCI ESG Ratings	MSCI ESG Quality score	
Portfolio	AA	7.67	Portfolio Sustainability Fund
Benchmark	AA	7.37	Primary Benchmark 50:50 composite S&P/NZX50 Portfolio Index & S&P/ASX200G Index

Carbon Intensity - Portfolio vs Benchmark



Source: Devon Funds Management analysis, MSCI

Portfolio Carbon Emissions by Key Sectors



TAHITO

ESG Metrics as of 30.06.23

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

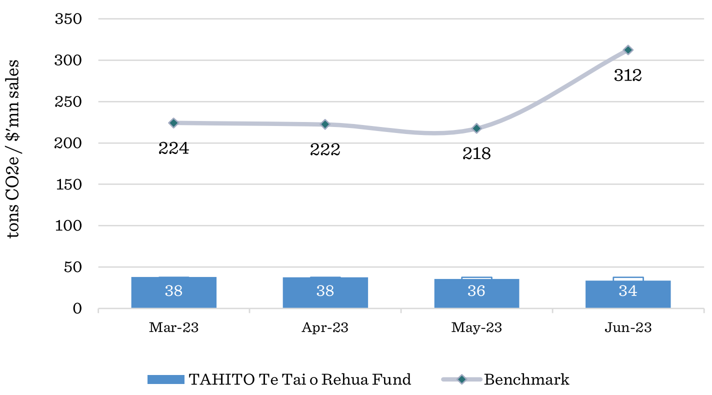
The TAHITO Te Tai o Rehua Fund has performed well against its benchmark for carbon emissions. The funds carbon intensity is significantly lower than it's benchmark.

This month TAHITO's benchmark increased its carbon intensity significantly due to an increase in exposure to the utilities sector. Genesis, AGL Energy, Contact Energy, and Origin Energy are the utility companies within the top 10 issuers in the benchmark that contribute the highest carbon emissions. TAHITO has no exposure to these companies.

Scales Corporation continues to be the largest contributor to the portfolio's carbon intensity. This is followed by Sims Limited and KMD Brands. Sims Limited is the subject of this quarter engagement highlight for TAHITO on page 9.

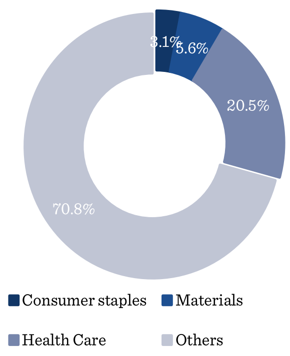
	MSCI ESG Ratings	MSCI ESG Quality score	
Portfolio	AA	8.29	Portfolio TAHITO Te Tai o Rehua Fund
Benchmark	AA	7.26	Primary Benchmark NZX50 Portfolio Index & ASX Accumulation 200 Index

Carbon Intensity - Portfolio vs Benchmark

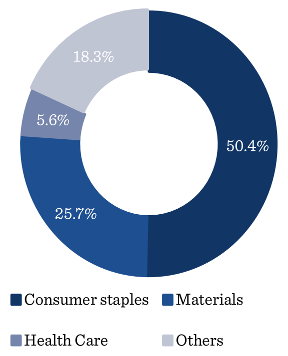


Portfolio Carbon Emissions by Key Sectors

Portfolio value by sector



Portfolio carbon emission by sector



Devon Global Sustainability Fund

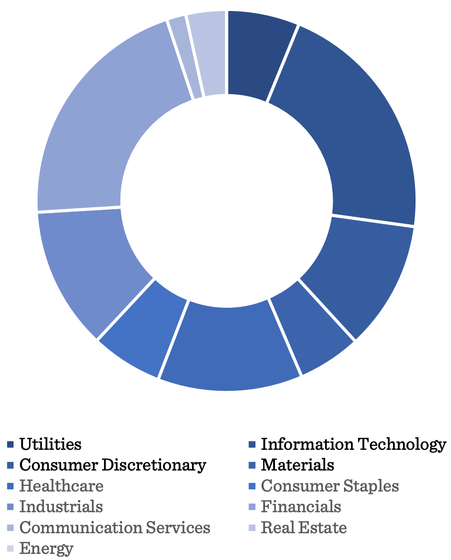
ESG Metrics as of 31.03.23*

Overall Portfolio CO_2 Emissions and Intensity as of 31 March 2023

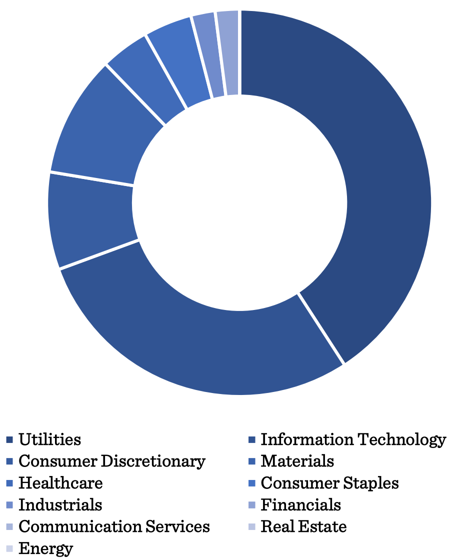
Carbon Footprint	Carbon Emissions	Total Carbon Emissions	Carbon Intensity	Weighted Average Carbon Intensity	Data Availability (Carbon Intensity)
Portfolio	12	9,424	55	50	100
Benchmark	57	45,396	173	150	99.9
	T CO_2e/$M Invested	T CO_2e		T CO_2e/$M Sales	% Market Value

Sectors	Market value	Contribution to portfolio emissions
Utilities	6.1%	20.0%
Information Technology	20.6%	14.0%
Consumer Discretionary	10.8%	4.0%
Materials	5.3%	5.0%
Healthcare	12.1%	2.0%
Consumer Staples	6.0%	2.0%
Industrials	11.9%	1.0%
Financials	20.5%	1.0%
Communication Services	1.6%	0.0%
Real Estate	3.4%	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 31.03.23*

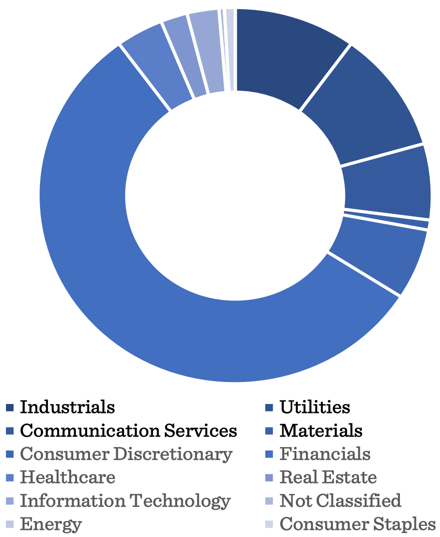
Overall Portfolio CO_2 Emissions and Intensity as of 31 March 2023

Carbon Footprint	Carbon Emissions	Total Carbon Emissions	Carbon Intensity	Weighted Average Carbon Intensity	Data Availability (Carbon Intensity)
Portfolio	23	2,441	78	55	84
Benchmark	64	6,949	183	224	96
	T CO_2e/$M Invested	T CO_2e		T CO_2e/$M Sales	% Market Value

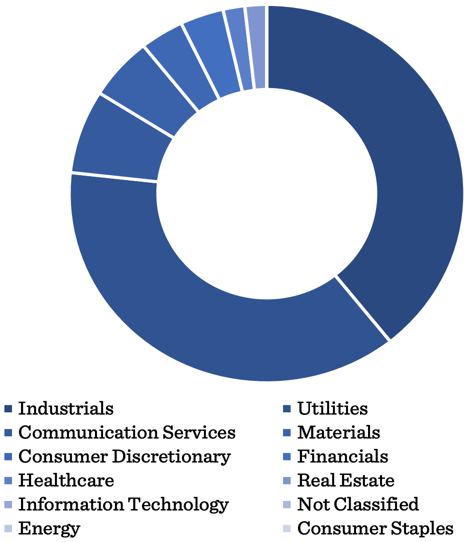
Sectors	Market value	Contribution to portfolio emissions
Industrials	2.3%	22.0%
Utilities	2.4%	21.0%
Communication Services	1.5%	4.0%
Materials	0.2%	3.0%
Consumer Discretionary	1.4%	2.0%
Financials	12.8%	2.0%
Healthcare	0.9%	1.0%
Real Estate	0.5%	1.0%
Information Technology	0.6%	0.0%
Not Classified	0.1%	0.0%
Energy	0.0%	0.0%
Consumer Staples	0.2%	0.0%

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

Portfolio value by sector



Portfolio carbon emission by sector



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.

Engagement Devon Sustainability Fund

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

In December 2022, CSL Limited which we hold in our Sustainability Fund, released their emission reduction targets. These were commitments to a 40% reduction in absolute Scope 1 and 2 emissions by 2030 and ensuring that suppliers who contribute 67% of their Scope 3 emissions have set Science-Based Targets initiative-aligned Scope 1 and Scope 2 reductions by 2030.

During the quarter we asked CSL for an update on their targets and whether they intended on setting a Net Zero target. CSL let us know that their Science Based Targets (SBTi) were close to being ready to take to the board and should be ready at their full year results. In the meantime, they have been making progress on their target to reduce Scope 1 and 2 emissions by 40% and have put a lot of emphasis on Scope 3 emissions, given it is their highest source of emissions. They noted that they won't come out with a Net Zero target at this stage as they don't have a clear pathway to do so, whereas they have a path to reduce emissions by 2030, and once achieved will re-evaluate for 2035. We were pleased with the pragmatic target setting the company has put in place and have confidence in their approach.

Engagement TAHITO

TAHITO was awarded 'Best Ethical Retail Investment Provider' at the recent Mindful Money Awards. This quarters engagement highlight was with Sims Group.

TAHITO 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).

Engagement spotlight

During the quarter, TAHITO met with Sims Group which is held within the portfolio. The meeting was held primarily to discuss the recent large fire in their South Auckland scrapyard. While the investigation is not complete, it is highly likely to have been caused by a lithium battery. This is getting more and more problematic for scrap recyclers given the proliferation of batteries in use. The Favona facility has had eight fires over the last couple of years. It is an unfortunate reality of scrap collection. Most are extinguished quickly but in this case the fire started overnight and had grown quite large before action was taken, and therefore took some time to get under control.

TAHITO was assured that the severity of the incident was being taken very seriously by management and they recognise the impact this has had on the local community. In response, they have sent letters to all nearby residents as well as engaging with local politicians and community leaders. Sims are working on their processes and have invested in technology to help mitigate this risk (e.g. heat sensors), and continue to do work in this area, but the big change to their process in this case will be to have somebody on site 24/7 to respond to any outbreak of fire immediately. Many of their other facilities have 24/7 staff and even on-site fire brigades. More generally, they have also collaborated with EV manufacturers to ensure they are designed in such a way as to make their eventual recycling as efficient and safe as possible. They have recently hired a community engagement specialist who will focus on fire risks, as well as truck movements and noise (other key impacts of their plants).

Lastly, it would be remiss to not mention that at the end of June TAHITO was humbled to be named the winner in the 'Best Ethical Retail Investment Provider' category of the Mindful Money awards. Managing director and founder Temuera Hall said "bringing indigenous values into financial investments effectively tips the industry on its head by following nature's lore, putting the environment first and as best as we can, putting people before profit." Te Tai o Rehua has provided above market returns while maintaining a high ethical and sustainable standard, with a strong and distinctive investment approach.

Engagement Devon Global Sustainability Fund

During the first quarter of 2023, Wellington Management Group (the underlying fund manager of our Global Sustainability Fund) had 34 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.

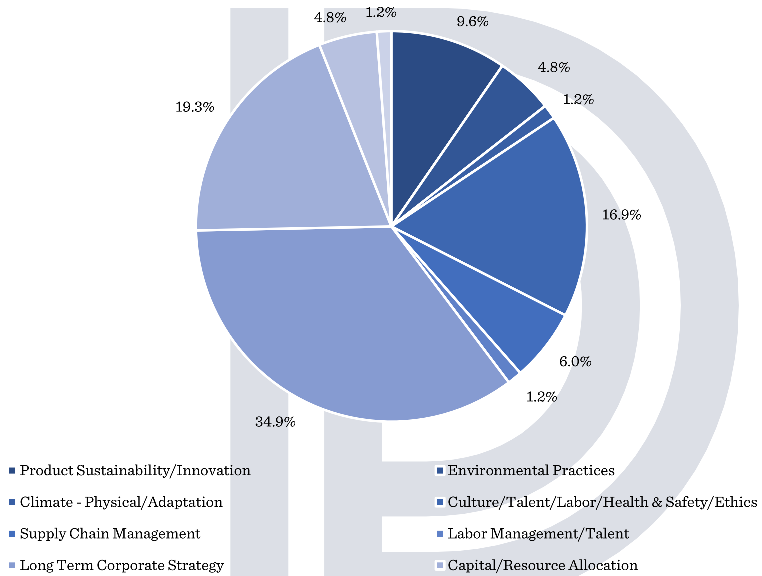
Engagement spotlight

During this quarter, Wellington Funds Management ("Wellington") held 34 engagements with companies owned in the fund. A number of these discussions were topically focused on capital allocation and balance sheet management given the macro backdrop. Engagement topics also reflected the new, emerging economic regime of higher inflation, higher rates, higher cost of capital. Labour and supply chains were persistent areas of inquiry.

Wellington met with Home Depot on multiple occasions at their headquarters and Wellingtons offices. The focus was on their decision to accelerate investment in their workforce, raising wages across the board. This is an offensive move by Home Depot, recognizing that happier and more engaged employees create a better customer experience. It's great to see a company with high returns reinvesting in their stakeholders to build competitive advantage and corporate resiliency.

Wellington also had productive engagements with Spanish utility Iberdrola and agriculture farm equipment manufacturer John Deere, both focused on carbon reduction target setting. These efforts seem especially critical now. The global (and, particularly, U.S.) momentum driving decarbonisation has slowed at a time when the world can ill afford to lose pace on the path to net zero. Wellington believe companies will be competitively and financially advantaged if they engage proactively in the energy transition and can mitigate and adapt their

Engagements by topic



Engagement Devon Global Impact Bond Fund

During the first 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 quarter. Included in this report were some engagement highlights from 2022, we include in this report a positive 'Social' engagement they had.

Wellington engaged with an African telecommunications issuer following its acquisition of new mobile operations assets in Tanzania to discuss the integration of new assets and the associated operational and cyber vulnerabilities. The issuer aims to improve mobile penetration across East Africa's largest country from 90% to 95% by 2025 through the development of 1,300 new 4G sites. It also plans to build 600 new 5G sites to support Tanzania's national broadband penetration scheme.

Both initiatives could help address the rapidly growing demand for broadband and mobile financial services. Through the engagement, Wellington learned how the issuer has changed its security strategy to protect property and personnel at its cell tower locations, including the use of personnel patrols. They also assessed the findings from a technology consultant hired to test the issuer's cyber defenses. Analysis gave them the necessary confidence in management's approach to physical risk and cybersecurity risk, and they will engage further as the integration of the Tanzanian assets progresses.

Engagements by topic