DEVON FUNDS.

Q1 2023

Quarterly Sustainability Report

Contents

Interest Piece: A Second Life

New Zealanders use an estimated 4976 tonnes of soft plastic packaging annually, equating to around a kilogram of soft plastic packaging consumed per person per year.

Supermarkets and other participating stores now act as a collection point for individuals to drop off their household soft plastics. Soft plastics include bread bags, fresh produce bags, chip packets, muesli bar wrappers, courier bags, cereal box liners, and essentially anything else made from plastic that can be scrunched into a ball. Our office has added a soft plastic recylcing bin to our existing recycling, composting, organic, and 'last resort' landfill bins.

The Soft Plastic Recycling Scheme is designed to give predominantly single use soft plastics a second life as a useful product, such as fence posts, buckets, matting, and other tough plastic products. The scheme took a brief hiatus in 2018 when Australian company Replas refused to take our soft plastics, and there were no onshore solutions.

We now have three New Zealand based plants: Future Post, saveBOARD, and Second Life Plastics. All companies are sustainability focussed, often with environmental impacts that are twofold, and targeted towards creating a circular economy.

Future Post, located in Waiuku, is expanding operations to Blenheim to meet demand.

One plastic fence post produced by Future Post contains the equivalent of 250 recycled milk bottles and 11,000 bread bags. The company supplies farmers and vineyards, and the new Blenheim factory will be meeting the demand of vineyards alone.

On average, 10% of vineyard posts break each year and cannot be burned as they are tanalised with chemicals such as arsenic.

saveBOARD produces low carbon building materials made from recycled packaging which don't use any glues, chemicals, or adhesives. In addition to diverting 25kg of packaging waste from going to land fill per product, the boards themselves are 100% recyclable by saveBOARD.

Construction and demolition are responsible for roughly half of New Zealand's total waste going to landfill. During construction, saveBOARD off cuts can be separated and returned to the company to be shredded and reused in new boards.

Second Life Plastics creates a broad range of products, made locally from recycled plastic. These products include underground cable covers, buckets, garden edging, floor tiles, waterslides, and custom plastic sheets. The company prefers to source plastic locally (it is based in Levin, Horowhenua) to further reduce its carbon footprint.

Our ultimate focus at Devon Funds is to reduce our waste. Where this can't be done, the soft plastic recycling bin is an innovative way to optimise reuse and recycle single use packaging.

- Alice Jones, ESG Analyst

Devon Sustainability Fund

ESG Metrics as of 31.03.23

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

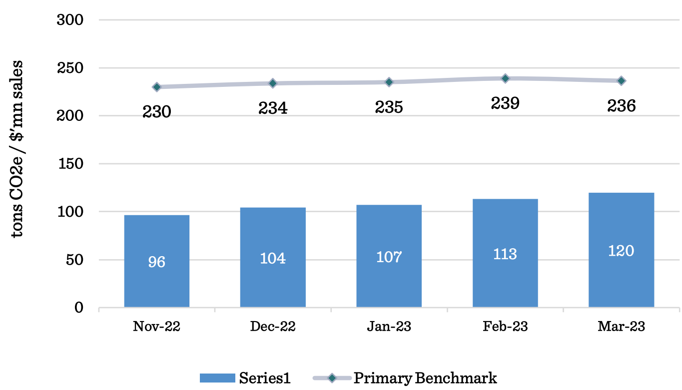
The Sustainability Fund has continued to perform well against its benchmark for carbon intensity. The incremental increase in carbon intensity has been the result of an increased holding in Contact Energy.

Contact Energy generates less than 10% of their electricity via gas peakers and a baseload facility which is being materially reduced over the next five years. This will occur via the closure of their relevant gas plant and an increase in output from renewable supply. We are comfortable with the company's plans to reduce its carbon intensity.

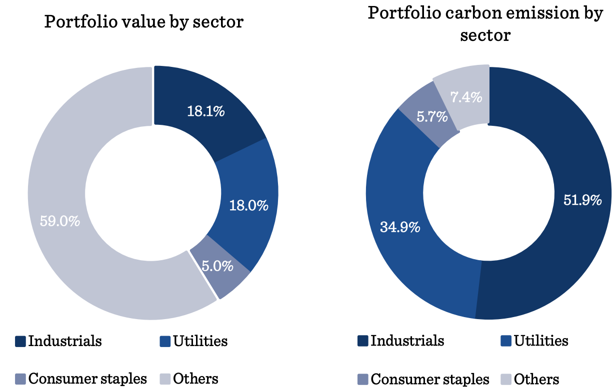
The largest contributor to the fund's carbon emissions is the Industrials sector which makes up 18.1% of the portfolio holdings but contributes 51.9% of portfolio carbon emissions. The majority of the holdings in the Devon Sustainability Fund continue to be at low to medium climate change risk.

	MSCI ESG Ratings	MSCI ESG Quality score	
Portfolio	AA	8.36	Portfolio Sustainability Fund
Benchmark	AA	7.44	Primary Benchmark 50:50 composite S&P/NZX50 Portfolio Index & S&P/ASX200G Index

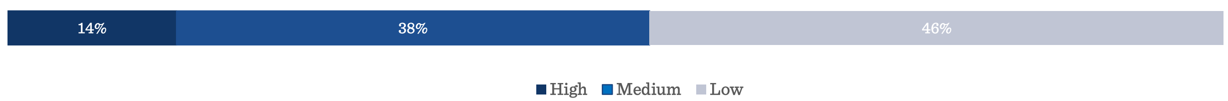
Carbon Intensity - Portfolio vs Benchmark



Portfolio Carbon Emissions by Key Sectors



Climate Change Risk by Portfolio Holdings



TAHITO

ESG Metrics as of 31.03.23

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

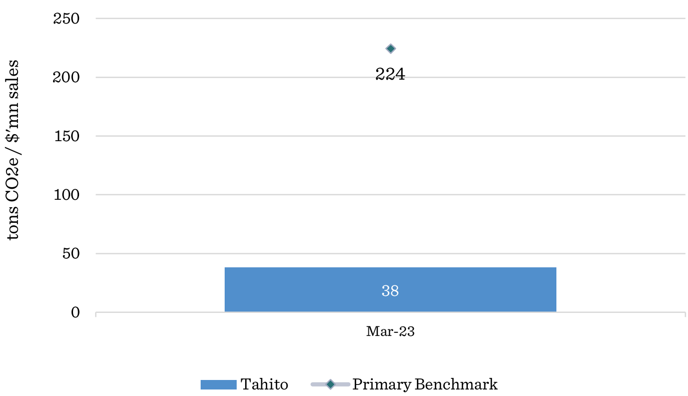
The TAHITO Te Tai o Rehua Fund has performed well against its benchmark for carbon emissions. The fund is a new product offering for Devon through a partnership with TAHITO, and as such future quarterly reports will continue to track carbon intensity.

Scales Corporation is the larget contributor to the portfolio's carbon intensity. The company scores lowly for carbon emissions due to its more carbon-intensive business lines (pet food, non-citrus fruits farming, and refrigerated storage) relative to peers.

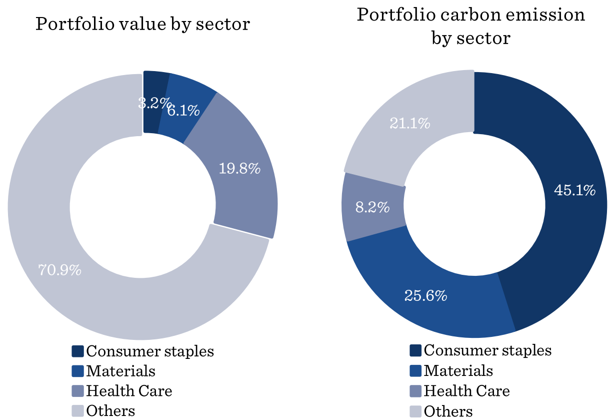
The largest contributor to the fund's carbon emissions is the Consumer Staples sector which makes up 3.2% of the portfolio holdings but contributes 45.1% of portfolio carbon emissions. The majority of the fund's holdings are at low to medium climate change risk.

	MSCI ESG Ratings	MSCI ESG Quality score	
Portfolio	A	7.05	Portfolio TAHITO Te Tai o Rehua Fund
Benchmark	A	7.08	Primary Benchmark NZX50 Portfolio Index & ASX Accumulation 200 Index

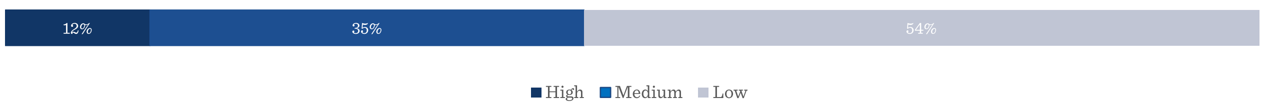
Carbon Intensity - Portfolio vs Benchmark



Portfolio Carbon Emissions by Key Sectors



Climate Change Risk by Portfolio Holdings



Devon Global Sustainability Fund

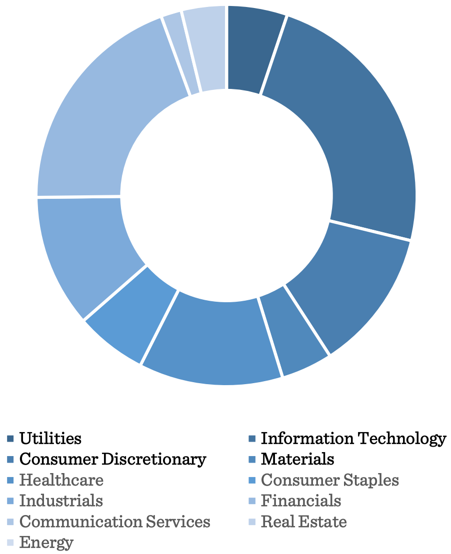
ESG Metrics as of 31.12.22*

Overall Portfolio CO_2 Emissions and Intensity as of 31 December 2022

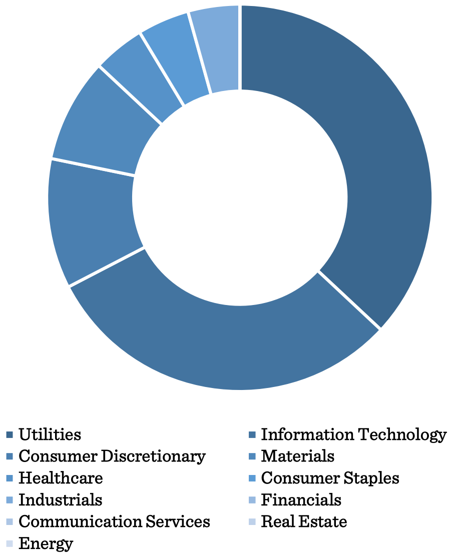
Carbon Footprint	Carbon Emissions	Total Carbon Emissions	Carbon Intensity	Weighted Average Carbon Intensity	Data Availability (Carbon Intensity)
Portfolio	11	3,697	51	46	100
Benchmark	59	20,019	178	161	99.8
	T CO_2e/$M Invested	T CO_2e		T CO_2e/$M Sales	% Market Value

Sectors	Market value	Contribution to portfolio emissions
Utilities	5.1%	17.0%
Information Technology	23.3%	14.0%
Consumer Discretionary	11.9%	5.0%
Materials	4.3%	4.0%
Healthcare	12.1%	2.0%
Consumer Staples	6.0%	2.0%
Industrials	11.1%	2.0%
Financials	19.3%	0.0%
Communication Services	1.7%	0.0%
Real Estate	3.8%	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

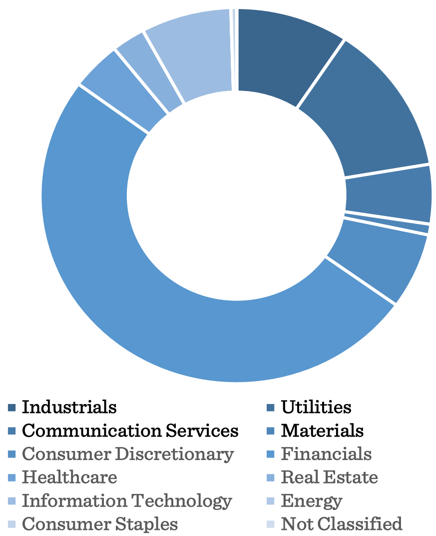
ESG Metrics as of 31.12.22*

Overall Portfolio CO_2 Emissions and Intensity as of 31 December 2022

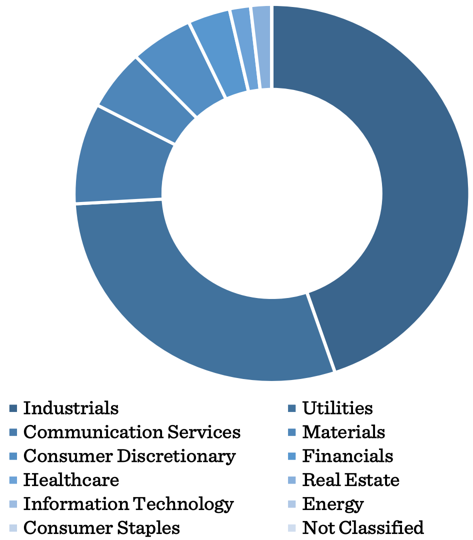
Carbon Footprint	Carbon Emissions	Total Carbon Emissions	Carbon Intensity	Weighted Average Carbon Intensity	Data Availability (Carbon Intensity)
Portfolio	14	1,276	56	58	80
Benchmark	64	5,778	184	224	95
	T CO_2e/$M Invested	T CO_2e		T CO_2e/$M Sales	% Market Value

Sectors	Market value	Contribution to portfolio emissions
Industrials	2.0%	26.0%
Utilities	2.8%	17.0%
Communication Services	1.1%	5.0%
Materials	0.2%	3.0%
Consumer Discretionary	1.4%	3.0%
Financials	10.8%	2.0%
Healthcare	0.9%	1.0%
Real Estate	0.6%	1.0%
Information Technology	1.6%	0.0%
Energy	0.0%	0.0%
Consumer Staples	0.1%	0.0%
Not Classified	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: 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 Cleanaway.

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

We recently caught up with the CEO of Cleanaway and discussed what they are doing with respect to accelerating the circular economy via recycling and other waste management initiatives.

We were particularly interested in a project that they are currently working on, helping major supermarkets recycle their soft plastic waste by partnering with the specialist recycling company, Qenos.

Under the proposal, the companies would jointly invest in advanced recycling technology to convert the soft plastics into feedstock, and make new plastic through a process known as pyrolysis. The end product can be used to re-manufacture the very same packaging.

Currently there is a large amount of soft plastic waste that is going to landfill and not recycled in Australia. This in part is due to difficulties in recycling soft plastics versus other types of plastics like polyethylene. As part of this project, Cleanaway will be putting a separate collection bag in each household bin to help separate soft plastics from other types of household waste so it can be recycled.

Engagement TAHITO

TAHITO was honoured to present at the Assembly of First Nations (AFN) second National Asset Management Conference in Ottawa, Canada.

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

The Assembly of First Nations (AFN) National Asset Management Conference focussed on their work related to Asset Management Planning (AMP) and sharing of successful AMP stories. An infrastructure gap report released at the conference highlighted the financial requirement of $349 billion to bring the infrastructure within First Nations' communities in line with mainstream Canada.

Temuera Hall, TAHITO's CEO, said "It was awe-inspiring to present to a large audience of First Nations peoples from all corners of the vast Canadian land mass and to share similarities in historical prejudices and current challenges. There is still a lot to share and learn from each other and we look forward to future collaboration."

The TAHITO presentation on indigenous Māori ethical and sustainable investing was a showcase of how we can apply values-led processes like Te Kōwhiringa Tapu, our own Māori measurment system or taxonomy, when investing capital either directly or in the financial markets.

Engagement Devon Global Sustainability Fund

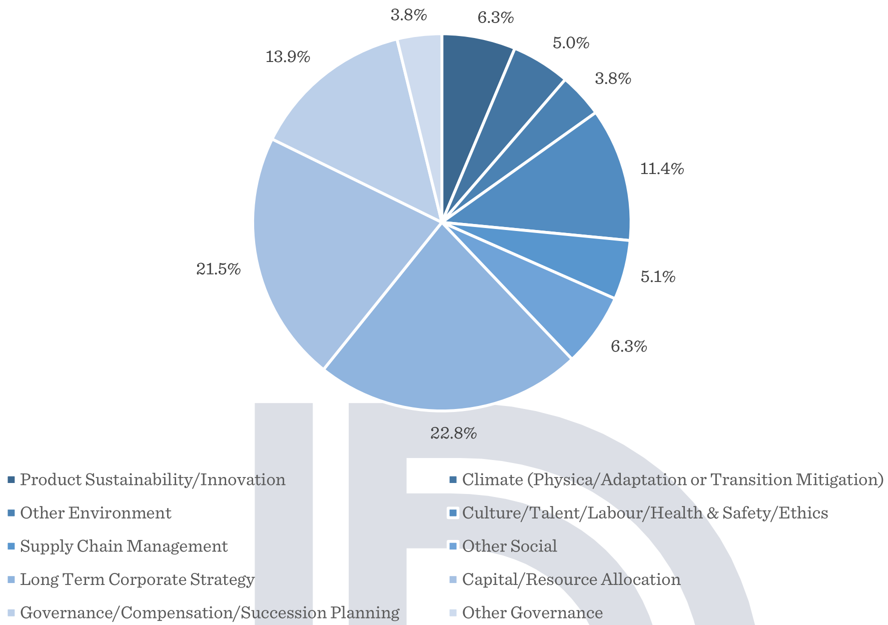
During the final quarter of 2022, Wellington Management Group (the underlying fund manager of our Global Sustainability Fund) had 30 engagements with names held in the portfolio on a broad range of ESG topics.

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

The CEO of National Grid recently visited the Wellington Management Group Boston office. This was a positive meeting that focused on how the company's portfolio of businesses have been repositioned to focus on distribution and transmission in electricity markets. Wellington Management Group believe National Grid will prosper amid a 'greening of the grid'. They are a beneficiary of inflation as higher pricing is contracted in their regulatory agreements. The meeting was a reminder that so-called 'boring' utilities may not have been in vogue in the previous cycle, yet in their opinion, companies like National Grid are in a prime position to thrive in the years to come.

Engagements by Topic

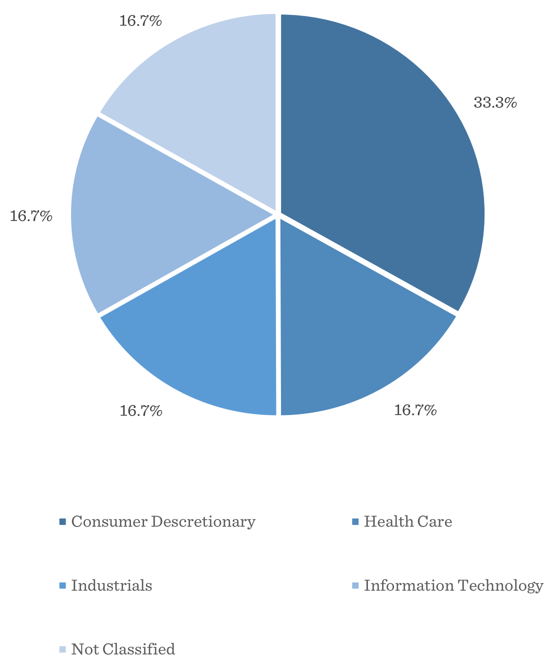


Engagement Devon Global Impact Bond Fund

During the final quarter of 2022, Wellington Management Group (the underlying fund manager of our Global Impact Bond Fund) had five 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.

Engagements by Sector



Engagements by Topic