



ABOUT THE FUND

The Artesian Green and Sustainable Bond Fund (NZD) offers New Zealand-based investors a Portfolio Investment Entity (PIE) vehicle through which to invest in the Artesian Green & Sustainable Bond Fund (AUD). Through this structure, the Fund will invest in a diversified portfolio of liquid, predominately investment grade fixed and floating rate green and sustainable bonds. Artesian are committed to integrating ESG into their investment processes, with a focus on responsible investing. Artesian has managed specialised funds focused on credit arbitrage and relative-value strategies across global financial markets since 2004 from its New York, London, Singapore, Shanghai, Melbourne and Sydney offices.

In this document, we refer to the Artesian Green & Sustainable Bond Fund (AUD) as the Underlying Fund. In most sections of this document, the metrics and commentary shown are taken from the Underlying Fund. We have signalled these sections with a hashtag in the section heading. From time to time there may be small differences between the metrics of the NZD Fund and the Underlying Fund, as a result of liquidity cash held in the NZD fund.

PERFORMANCE	1 Mth	3 Mth	1 Yr	Since Inception (p.a.)
Artesian Green & Sustainable Bond Fund (NZD)*	0.38%	1.75%	5.02%	5.80%
Artesian Green & Sustainable Bond Fund PIR Return (NZD)**	0.48%	1.85%	5.51%	6.20%
Bloomberg AusBond Composite 0-5 Yr Index 100% Hedged to NZD	0.38%	1.58%	4.62%	5.61%

*Artesian Green & Sustainable Bond Fund (NZD) returns are after all fees and expenses, but before tax which varies by investor. Past performance should not be taken as an indicator of future performance. The inception date for Artesian Green and Sustainable Bond Fund (NZD) is 19 June 2023.

**Artesian Green & Sustainable Bond Fund (NZD) returns are after all fees and expenses, but before tax which varies by investor and inclusive of tax credits. The Fund invests in an underlying Australian Unit Trust (AUT) which is required to distribute all income. Tax on these distributions is withheld at fund level but investors receive a tax credit for this amount. As such, the Zero PIR return is a reasonable basis for comparing performance between the NZD Fund and its AUT alternative.

PERFORMANCE of the Underlying

Fund#	1 Mth	3 Mth	6 Mth	1 Yr	2 Yr	3 Yr	4 Yr	Since Inception (p.a.)
Gross Fund Return	0.55%	2.07%	2.64%	5.59%	5.27%	3.28%	2.27%	2.69%
Net Fund Return	0.50%	1.95%	2.39%	5.07%	4.74%	2.76%	1.76%	2.17%
Bloomberg AusBond Composite 0-5 Yr Index	0.40%	1.63%	2.15%	4.00%	3.61%	1.79%	0.90%	0.92%
Active Return (net Fund return - benchmark)	0.11%	0.32%	0.24%	1.06%	1.14%	0.98%	0.86%	1.25%

Past performance should not be taken as an indicator of future performance. Net of fees performance is based on end of month redemption prices after the deduction of fees and expenses and the reinvestment of all distributions. Gross performance is the net return with fees and expenses added back. The inception date for the Artesian Green & Sustainable Bond Fund (AUD) is 25 September 2020.

PORTFOLIO UPDATE#

2025 is off to a very strong start, especially in the domestic primary market. The World Bank issued an AUD 2b Sustainable Bond on January 3rd, followed by an AUD 1.5b KfW Bankengruppe Green Bond on January 5th. According to Artesian's records, it's the first month in the AUD bond market that labelled bond issuance (AUD 11.5b) exceeded regular bond issuance (AUD 10.7b). This is quite notable considering Trump's recently announced policies on climate and the environment. Markets also had a strong start to the year with equities and bonds both rallying. Bond markets were volatile due to the concern about Trump's policies fuelling inflation. With that said, Australian Government 3yr yields traded in a 28bps range (3.78% to 4.06%) but finished MoM 5bps lower at 3.81%.

The Underlying Fund's outperformance versus benchmark in January was driven by the overweight credit duration positioning (credit spreads were lower/tighter) and overweight interest rate duration positioning (interest rates were lower/tighter). The Underlying Fund's running yield of 4.70% versus the benchmark's 4.10%, also contributed to the monthly outperformance versus benchmark

Outperformance in January came from the Underlying Fund's positions in NBN (Green), Optus (Sustainability-Linked), Power SA (Green), New South Wales Treasury Corporation (Sustainable) and Woolworths (Sustainability-Linked). Underperformance came from the Underlying Fund's positions in ANZ (Sustainable), OCBC (Green), Bank Australia (Sustainable) and QIC Shopping Centre Fund (Green).

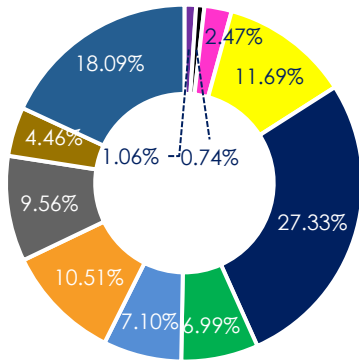
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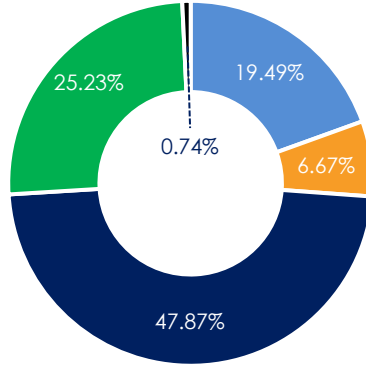
PORTFOLIO BREAKDOWN#

SECTOR BREAKDOWN



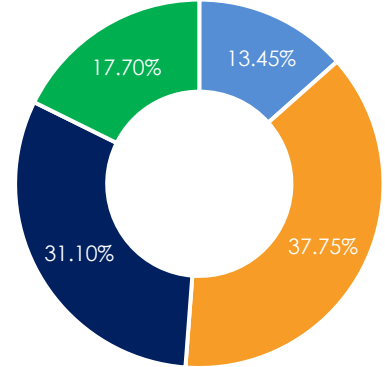
- Agencies
- Cash
- Consumer Staples
- Educational Services
- Financial
- Real Estate
- Semi Government
- Supranational
- TMT
- Transportation & Logistics
- Utilities

REGION & PRODUCT



- Australian AUD FRNs
- International AUD FRNs
- Australian AUD Fixed Rate
- International AUD Fixed Rate
- Cash

CREDIT RATING



- AAA
- AA
- A
- BBB

CREDIT SPREADS#

Credit spreads were tighter in January, evidenced by the first major bank deal issued on January 6th by CBA. The 5yr dual tranche floating rate note (FRN) and fixed rate bond launched at 90bps and priced at 84bps after receiving AUD 6.22b in orders. The total deal size was AUD 3b (2.5b FRN, 0.5b fixed rate) and the FRN rallied 6bps into month end. Artesian suggest that we don't usually see non-financial issuance in January, but this year Toyota, Vicinity and United Energy all issued bonds. These deals attracted large primary order books and rallied 6bps to 8bps in the secondary market. Major bank 5yr call subordinated spreads are hovering around 150bps, which is 1.9x their senior spreads. Whilst the carry on these FRN securities at 5.70% is quite attractive, it is difficult to see them rallying much further from here. The steady issuance of subordinated bank bonds by both Australian and international banks is likely to continue in 2025, which will put a floor under spreads getting much tighter from existing levels.

AS AT 31 ST JANUARY 2025	PRICE	CHG ON MTH
ITRAXX AUSTRALIA 5YR	0.67%	-0.03%
ITRAXX EUROPE 5YR	0.53%	-0.05%
ITRAXX EUROPE XOVER 5YR	2.88%	-0.25%
CDX US IG 5YR	0.49%	-0.01%
CDX US HY 5YR	3.00%	-0.11%

METRICS FOR THE UNDERLYING FUND#

The Underlying Fund was very active in January, spurred on by the robust volume of the new issue market. The interest rate duration of the Underlying Fund was reduced towards the end of the month, as Australian Government 3yr yields rallied in anticipation of an RBA rate cut at their February meeting. The market has priced in a 90% chance of a cut, but Artesian are much less convinced and wouldn't be surprised to see a "dovish hold". The market has also priced 90bps of cuts into the Australian market over the next 12 months, again, Artesian think this is too aggressive and are positioned for a pull back. With a trade war almost certain now, the Underlying Fund will take a conservative interest rate duration position and look for opportunities amongst the headlines and volatility. Whilst the credit duration remains unchanged around 2.8yrs, there has been a continuing rotation into higher credit quality bonds.

AS AT 31 ST JANUARY 2025	FUND	BENCH-MARK
INTEREST RATE DURATION	2.20	2.34
CREDIT DURATION	2.77	2.34
YIELD TO MATURITY	4.74%	4.10%
YIELD TO WORST	4.70%	4.10%
BLOOMBERG COMPOSITE RATING (weighted average)	A	AA+

*Using the Morningstar methodology for Average Credit Quality

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A very impressive start to the year for labelled bond issuance in the AUD market. Artesian recorded 11 new deals from 10 unique issuers for a total volume of AUD 11.5b.

ISSUER	Bond Type	Issue Date	Issue Size \$M	Fixed/Floating	Maturity
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT	Sustainable	3-Jan-25	1,750	Fixed	10-Jan-30

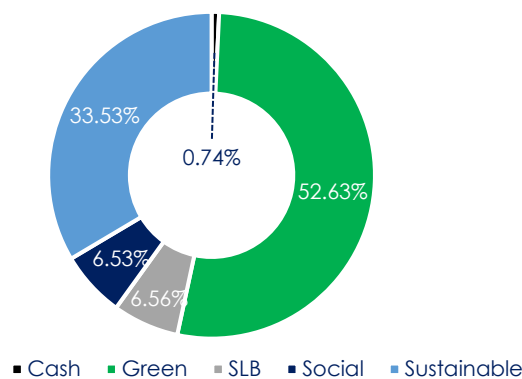
Issuer	 THE WORLD BANK IBRD • IDA
Currency	AUD
Sector	Supranational
SDG Alignment	
Eligible Projects	<p>Eligible green projects include:</p> <ul style="list-style-type: none"> • Manage water holistically • Address biodiversity conservation • Prepare national plans and legislation to protect the environment • Contribute to climate mitigation <p>Eligible social projects include:</p> <ul style="list-style-type: none"> • Improve health care, nutrition, and childhood development • Improve equitable access to education

The International Bank of Reconstruction & Development (IBRD) is a frequent labelled bond issuer in the AUD market. IBRD issued their first AUD labelled green bond back in 2018 and currently have AUD 15.6b in labelled bonds outstanding.

The World Bank is one of the largest global issuers of sustainable financing instruments and its mandates and targets are widely respected. Artesian's review of the eligible project examples and those from previous issuances provides confidence that this issuance will result in positive environmental and social impact. Artesian are pleased with the reporting to date for previous issuances and are satisfied that an amount equal to the proceeds of the issuance will be allocated to eligible projects.

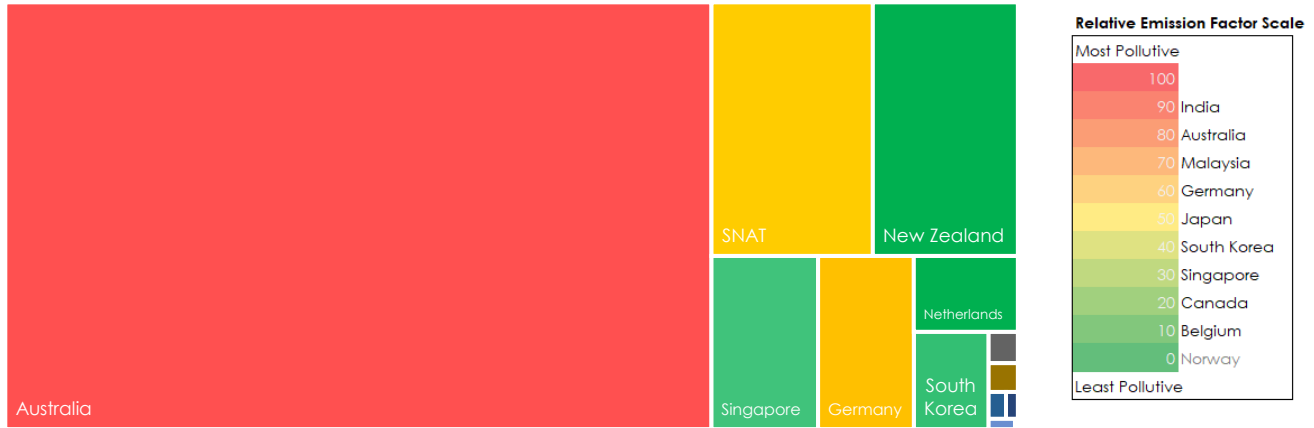
GREEN, SUSTAINABLE AND SOCIAL HOLDINGS#

BOND TYPE





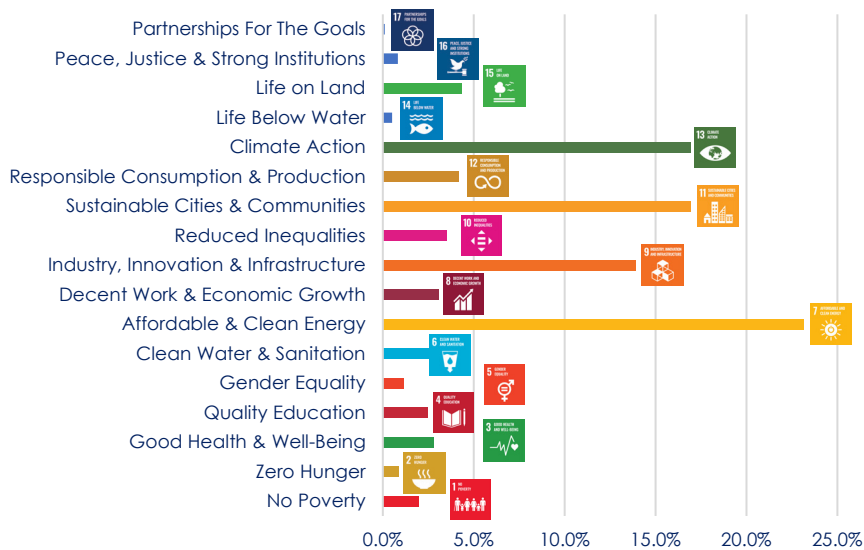
ALLOCATION OF FUNDS IN THE UNDERLYING FUND#



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

The heatmap above shows which countries the Underlying Fund is allocating capital to, 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.

SUSTAINABLE DEVELOPMENT GOALS#



The Sustainable Development Goals are the blueprint to achieve a better and more sustainable future for all. They address the global challenges we face, including poverty, inequality, climate change, environmental degradation, peace and justice. When mapping the SDG's per bond held in the Underlying Fund, Artesian takes a conservative approach. If one bond targets more than one SDG, then the allocation is split evenly between the SDGs and then portfolio weighted. Unsurprisingly, the Underlying Fund is most aligned with Clean Energy, Climate Action and Sustainable Cities, making up 57% of the Underlying Fund's targeted SDGs. The Fund currently supports 17 of the 17 SDGs.



MONTHLY UPDATE JANUARY 2025

NOTES

The impact metrics published in this document reflect the proprietary methodology developed by Artesian for the collection, evaluation, calculation and harmonization of thematic ESG indicators that are aligned with United Nations Sustainable Development Goals. Actual data and estimated data are both analysed based on companies' disclosures including but not limited to "Use of Proceeds", "Impact Report" and "Second-party Verification", as well as engagement with the companies themselves.

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