



ARTESIAN GREEN AND SUSTAINABLE BOND FUND (NZD)

MONTHLY REPORT: MAY 2025

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)*	0.61%	1.71%	6.42%	6.05%
Artesian Green & Sustainable Bond Fund PIR Return (NZD)**	0.61%	1.80%	6.90%	6.43%
Bloomberg AusBond Composite 0-5 Yr Index 100% Hedged to NZD	0.27%	1.74%	6.22%	5.83%

*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	0.73%	2.19%	4.16%	7.59%	6.09%	5.27%	2.89%	3.12%
Net Fund Return	0.69%	2.06%	3.90%	7.06%	5.56%	4.75%	2.37%	2.60%
Bloomberg AusBond Composite 0-5 Yr Index	0.33%	1.93%	3.49%	6.21%	4.50%	3.72%	1.55%	1.38%
Active Return (net Fund return - benchmark)	0.35%	0.12%	0.41%	0.85%	1.06%	1.02%	0.82%	1.22%

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#

There's been no shortage of volatility since President Trump returned to office, with markets once again whipsawed by tariff related headlines and growing fiscal concerns. U.S. Treasury yields rose steadily over the month, with 10yr yields ending the month 25bps higher at 4.41%. The move was driven by investor unease over the expanding federal deficit and the potential inflationary impact of Trump's proposed tax cuts and increased government spending. These concerns were further amplified by judicial challenges to the tariffs. Although a federal trade court initially ruled the tariffs unlawful, they were temporarily reinstated on appeal, eroding market confidence in the U.S. economic outlook. Domestically, the RBA cut the cash rate by 25bps to 3.85%. While the move itself was widely expected, what surprised markets was the dovish tone in Governor Michele Bullock's accompanying statement. She highlighted rising global economic uncertainty, prompting a sharp rally in Australian bond markets. The 3yr government bond yield fell 20bps on the day and ended the month at 3.34%. Credit markets performed strongly in May, reversing most of the widening we experienced in March and April.

The Underlying Fund's outperformance versus benchmark in May was driven by the overweight credit duration positioning (credit spreads were lower/tighter). The Underlying Fund's running yield of 4.32% versus the benchmark's 3.65%, also contributed to the monthly outperformance versus benchmark.

Outperformance in May came from the Underlying Fund's positions in ENBW International Finance (Green), Mercury (Green), Transpower (Green), NBN (Green) and SA Power Networks (Green). Underperformance came from the Underlying Fund's positions in the European Investment Bank (Green) and the Asian Development Bank (Social).

Devon Funds Management Limited

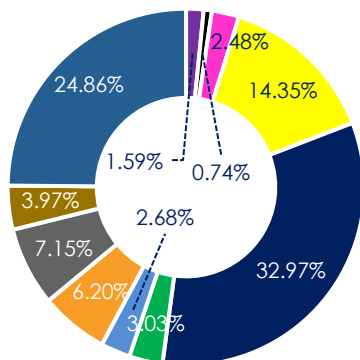
Level 17, HSBC Tower, 188 Quay Street, Auckland 1010
PO Box 105 609, Auckland 1143
Telephone: 0800 944 049 (free call) or +649 925 3990
enquiries@devonfunds.co.nz



MONTHLY UPDATE: MAY 2025

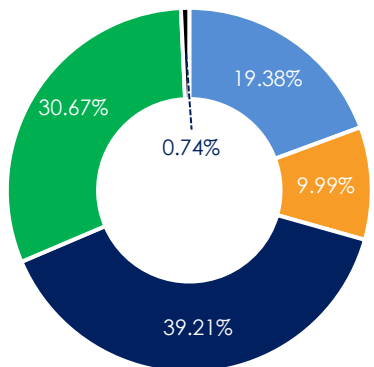
PORTFOLIO BREAKDOWN#

SECTOR BREAKDOWN



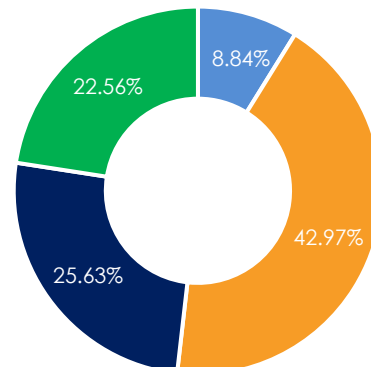
- Agencies
- Consumer Staples
- Financial
- Semi Government
- TMT
- Utilities
- Cash
- Educational Services
- Real Estate
- Supranational
- Transportation & Logistics

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#

In May we witnessed a continuation in the recovery of credit spreads globally. Understandably, some sectors such as autos, have lagged the rally due to sector-specific tariff headwinds. Financials, which widened in sympathy with the broader market in March and April, are now almost back to February levels. However, Tier 2 subordinated Major Bank spreads remain approximately 20bps wider than the year's tight. This is largely due to elevated levels of Tier 2 issuance, which have, for now, placed a floor under how much tighter spreads can move. Encouragingly, AUD corporate bond spreads widened less than their EUR and USD counterparts during the recent sell-off and retraced more quickly than offshore markets. With many issuers returning to the primary market following a very quiet April caused by heightened volatility, credit spreads are likely to fluctuate around current levels as the market digests the increased supply. Somewhat offsetting this surge in issuance, are strong global inflows into investment grade bond funds seen from mid-May onwards.

AS AT 31 ST MAY 2025	PRICE	CHG ON MTH
ITRAXX AUSTRALIA 5YR	0.76%	-0.16%
ITRAXX EUROPE 5YR	0.58%	-0.10%
ITRAXX EUROPE XOVER 5YR	3.00%	-0.50%
CDX US IG 5YR	0.56%	-0.11%
CDX US HY 5YR	3.51%	-0.56%

METRICS FOR THE UNDERLYING FUND#

As outlined last month, Artesian had been opportunistically adding interest rate duration (IRD) to the Underlying Fund, a strategy that continued in May leading up to the RBA rate announcement. The dovish tone to the press conference just after the monetary policy decision, led to a rally in 3yr yields and Artesian took profits towards the end of the month reducing the Underlying Fund's IRD to 2.48yrs. Whilst Artesian is of the view that cash rates have peaked and the easing cycle is underway, the threat of inflation due to Trump's policies is material. Actively managing the IRD of the Underlying Fund when Artesian see interest rate markets overshoot in either direction in response to economic announcements, provides the opportunity to generate alpha along the nonlinear path to lower rates. The Underlying Fund's credit duration marginally lengthened MoM. The snapback in credit spreads from the April lows has been a key contributor to this month's returns. As a result, Artesian has started reducing positions that have rallied back to fair value, allowing the Underlying Fund to rotate into more attrac-

AS AT 31 ST MAY 2025	FUND	BENCH-MARK
INTEREST RATE DURATION	2.48	2.38
CREDIT DURATION	3.09	2.38
YIELD TO MATURITY	4.38%	3.65%
YIELD TO WORST	4.32%	3.65%
BLOOMBERG COMPOSITE RATING (weighted average)	A	AA+

*Using the Morningstar methodology for Average Credit Quality

Devon Funds Management Limited

Level 17, HSBC Tower, 188 Quay Street, Auckland 1010
 PO Box 105 609, Auckland 1143
 Telephone: 0800 944 049 (free call) or +649 925 3990
 enquiries@devonfunds.co.nz

**DEVON
FUNDS.**

www.devonfunds.co.nz



AUD labelled bond issuance picked up in May after a quiet April. Artesian recorded four new deals from three unique issuers for a total volume of AUD 3.15b.

ISSUER	Bond Type	Issue Date	Issue Size \$M	Fixed/ Floating	Maturity
KOREA DEVELOPMENT BANK	Green Green	28-May-25 28-May-25	250 500	Fixed Float	5-June-28 5-June-28

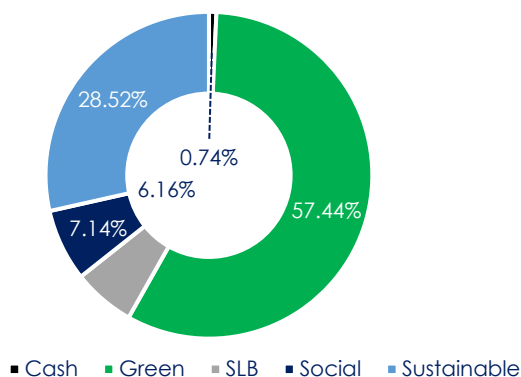
Issuer	KDB Bank
Currency	AUD
Sector	Agency
SDG Alignment	
Eligible Projects	<ul style="list-style-type: none"> • Renewable Energy • Clean Transportation • Energy Efficiency • Pollution Prevention and Control • Sustainable Water Management and Wastewater Management • Green Buildings • Climate Change Adaptation

KDB has committed to provide an annual "Sustainable Financing Allocation and Impact Report ("Report")" with relevant details on allocation of proceeds as well as the estimated impact of the Sustainable Financing Instruments up until their maturity. This is a welcome change from their previous reporting arrangement where impact reporting was disclosed until full allocation of the Sustainable Financing Instruments. The Report will be posted to KDB's official website and will include the following information:

- Allocation information by Eligible Project Category.
- The total amount allocated to the Eligible Projects.
- Remaining unallocated proceeds.
- Estimated prorated environmental and/or social impact from the project that proceeds are allocated to.
- Refinancing ratio.
- Project example(s), if feasible.

GREEN, SUSTAINABLE AND SOCIAL HOLDINGS#

BOND TYPE



Devon Funds Management Limited

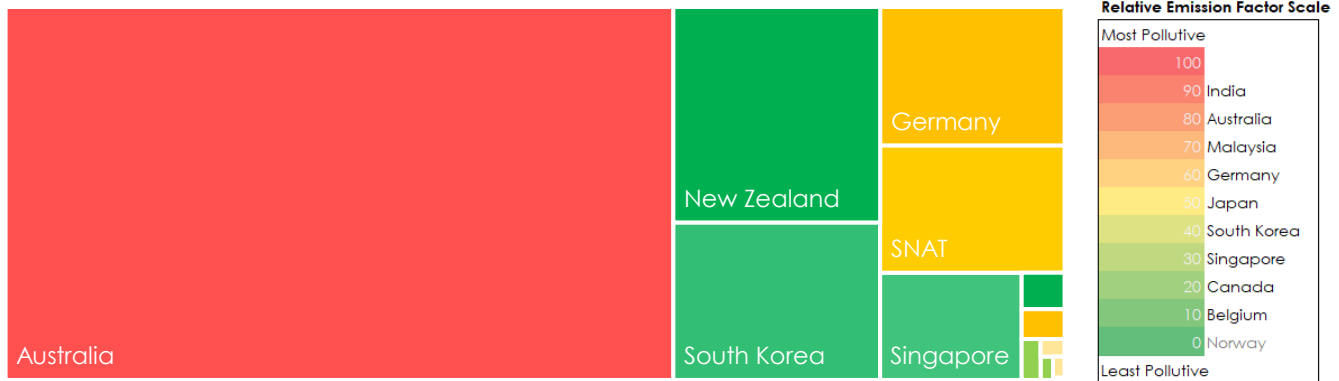
Level 17, HSBC Tower, 188 Quay Street, Auckland 1010
 PO Box 105 609, Auckland 1143
 Telephone: 0800 944 049 (free call) or +649 925 3990
enquiries@devonfunds.co.nz

**DEVON
FUNDS.**

www.devonfunds.co.nz

ALLOCATION OF FUNDS IN THE UNDERLYING FUND#

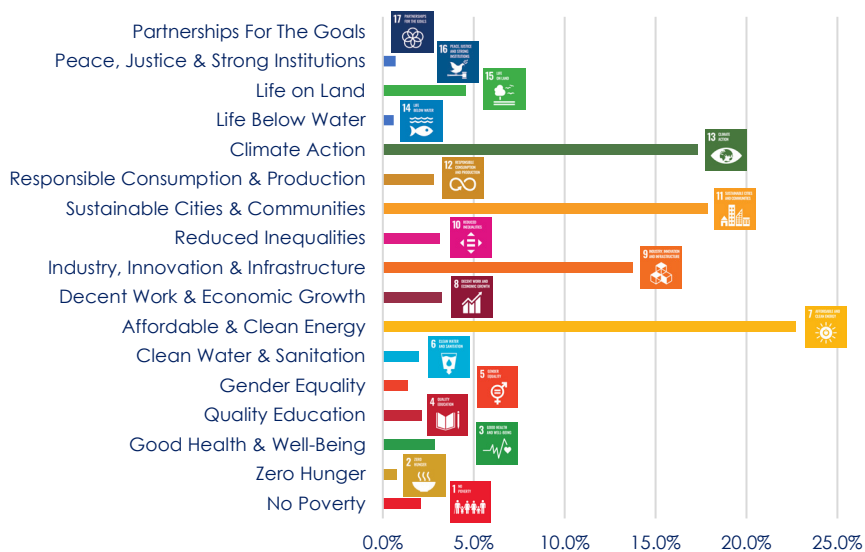
Where the Underlying Fund's capital is deployed compared to how dirty each country's electricity grid is



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 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: MAY 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.

#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 shown are taken from the Underlying Fund. We have signalled these sections with an 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.

Devon Funds Management Limited, its directors, employees and agents believe that the information herein is correct at the time of compilation; however they do not warrant the accuracy of that information. Save for any statutory liability which cannot be excluded, Devon Funds Management Limited further disclaims all responsibility or liability for any loss or damage which may be suffered by any person relying upon such information or any opinions, conclusions or recommendations herein whether that loss or damage is caused by any fault or negligence on the part of Devon Funds Management Limited, or otherwise. This disclaimer extends to any entity which may distribute this publication and in which Devon Funds Management Limited or its related companies have an interest. We do not disclaim liability under the Fair Trading Act 1986, nor the Consumer Guarantees Act 1993, to the extent these Acts apply. This document is issued by Devon Funds Management Limited. It is not intended to be an offer of units in any of the Devon Funds (the 'Funds'). Anyone wishing to apply for units will need to complete the application form attached to the current Product Disclosure Statement (PDS) which is available at www.devonfunds.co.nz. Devon Funds Management Limited, a related company of Investment Services Group Limited, manages the Funds and will receive management fees as set out in the PDS. This document contains general securities advice only. Past performance is no guide to future returns. In preparing this document, Devon Funds Management Limited did not take into account the investment objectives, financial situation and particular needs ('financial circumstances') of any particular person. Accordingly, before acting on any advice contained in this document, you should assess whether the advice is appropriate in light of your own financial circumstances or contact your financial adviser. No part of this document may be reproduced without the permission of Investment Services Group.

Devon Funds Management Limited

Level 17, HSBC Tower, 188 Quay Street, Auckland 1010
PO Box 105 609, Auckland 1143
Telephone: 0800 944 049 (free call) or +649 925 3990
enquiries@devonfunds.co.nz

**DEVON
FUNDS.**
www.devonfunds.co.nz