



### 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 corporate 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)*	-0.83%	0.45%	6.56%	5.56%
Artesian Green & Sustainable Bond Fund PIR Return (NZD)**	-0.72%	0.56%	7.06%	5.95%
Bloomberg AusBond Composite 0-5 Yr Index 100% Hedged to NZD	-0.68%	0.61%	6.50%	5.46%

\*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	-0.71%	0.56%	3.07%	6.96%	5.40%	2.66%	2.00%	2.34%
Net Fund Return	-0.75%	0.43%	2.82%	6.43%	4.88%	2.15%	1.49%	1.82%
Bloomberg AusBond Composite 0-5 Yr Index	-0.68%	0.51%	2.42%	5.54%	3.52%	1.35%	0.54%	0.58%
Active Return (net Fund return - benchmark)	-0.07%	-0.08%	0.39%	0.90%	1.36%	0.80%	0.95%	1.24%

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#

Volatility returned to markets in October, as to did the positive correlation between equity and fixed income price movements as both asset classes suffered losses. Markets dislike uncertainty more than anything and with the pending US election outcome only days away, that uncertainty is front and centre. The pricing of aggressive interest rate cuts was pared back, which meant yields were higher across the curve. In Australia, government bond yields spiked +50bps, 3yr yields closed at 4.01% and 10yr yields closed at 4.52%. As yields began moving higher, Artesian began adding back some interest rate duration from a neutral position. Whilst that led to some small underperformance MoM, Artesian believes the Underlying Fund is now well positioned for a rally in yields.

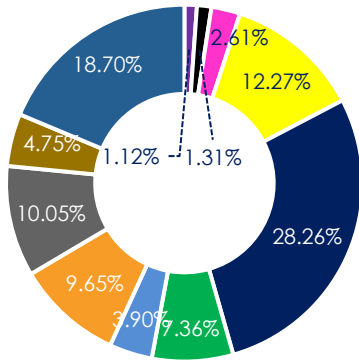
The Underlying Fund underperformed its benchmark in October due to the overweight interest rate duration position. Offsetting this overweight in interest rate duration was the Underlying Fund's overweight in credit duration, which aided this month's returns as credit spreads continue to rally.

Outperformance in October came from the Underlying Fund's positions in NBN (Green), Optus (SLB), Mercury (Green), University of Melbourne (Green), SA Power Networks (Green) and Woolworths (SLB). Small underperformance came from the Underlying Fund's positions in Shinhan Bank (Social) and Housing Australia (Social).



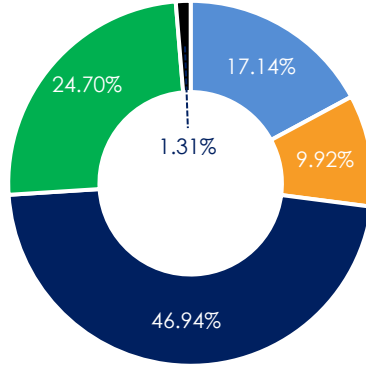
## PORTFOLIO BREAKDOWN#

### SECTOR BREAKDOWN



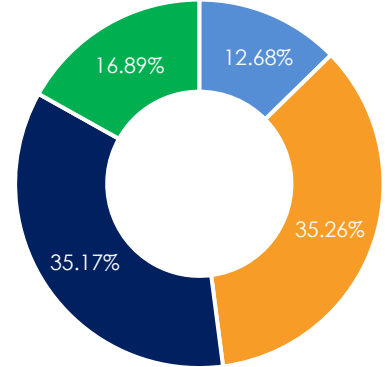
- Agencies
- Consumer Staples
- Financial
- Semi Government
- TMT
- Utilities
- Cash
- Educational Services
- Real Estate
- Supranational
- Transportation & Logistics

### 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#

Whilst global credit indices were marginally wider MoM, AUD corporate bond spreads were tighter. Australian major bank Tier 2 spreads outperformed the rest of the AUD market, finishing the month 15bps to 25bps tighter across the curve. With the move higher in outright yields, fixed rate bond buyers have returned which has led to outperformance in fixed rate bonds versus floating rate notes. Tier 2 outperformance was also evident in the new issue market, with Judo Bank and the Bank of Queensland both issuing Tier 2 subordinated bonds in October. Both deals attracted large primary market interest, Judo Bank's deal priced at BBSW +335bps and rallied 35bps into month end. Whilst Australian major bank Tier 2 spreads outperformed the rest of the AUD market, their senior spreads were largely unchanged MoM, still trading at BBSW +80bps.

AS AT 31 <sup>ST</sup> OCTOBER 2024	PRICE	CHG ON MTH
ITRAXX AUSTRALIA 5YR	0.66%	0.03%
ITRAXX EUROPE 5YR	0.59%	0.00%
ITRAXX EUROPE XOVER 5YR	3.14%	0.03%
CDX US IG 5YR	0.54%	0.01%
CDX US HY 5YR	3.36%	0.07%

## METRICS FOR THE UNDERLYING FUND#

As highlighted in last month's report, government bond yields had rallied quite significantly and hence the interest rate duration (IRD) of the Underlying Fund was at a neutral position of 2.31yrs. The sell off Artesian had been waiting for eventuated in October, so the Underlying Fund's IRD was lengthened, and Artesian would expect to add more opportunistically should yields continue to sell off. The credit duration of the Underlying Fund increased marginally. This was due to high-volume month of bond trading, bought on by new issues at attractive levels in the primary market. The spike higher in yields was evident in the Underlying Fund's running yield increasing 39bps to 4.90%. The Underlying Fund's floating rate note positioning continues to be supported by elevated levels of 3-month BBSW, finishing the month at 4.42%.

AS AT 31 <sup>ST</sup> OCTOBER 2024	FUND	BENCH-MARK
INTEREST RATE DURATION	2.65	2.25
CREDIT DURATION	2.87	2.25
YIELD TO MATURITY	4.95%	4.32%
YIELD TO WORST	4.90%	4.32%
BLOOMBERG COMPOSITE RATING (weighted average)	A	AA+

\*Using the Morningstar methodology for Average Credit Quality

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October was another robust month of issuance in the AUD labelled bond market. Artesian recorded seven new bonds issued by six unique issuers for a total volume of AUD 4.4b. It was great to see the German energy company EnBW International Finance make its debut issue in the AUD labelled bond market, the deal is highlighted below.

ISSUER	Bond Type	Issue Date	Issue Size \$M	Fixed/Floating	Maturity
ENBW INTERNATIONAL FINANCE	Green	24-Oct-24	5yr 350 10yr 650	Fixed Fixed	30-Oct-29 30-Oct-34

Issuer	
Currency	AUD
Sector	Utility
SDG Alignment	
Eligible Projects	<p><b>Renewable energy:</b></p> <ul style="list-style-type: none"> <li>Solar energy generation</li> <li>Offshore/onshore wind energy generation</li> <li>Hydropower energy generation</li> <li>Electricity distribution and transmission</li> <li>Smart meters</li> </ul> <p><b>Clean transport</b></p> <ul style="list-style-type: none"> <li>E-mobility charging infrastructure</li> </ul>

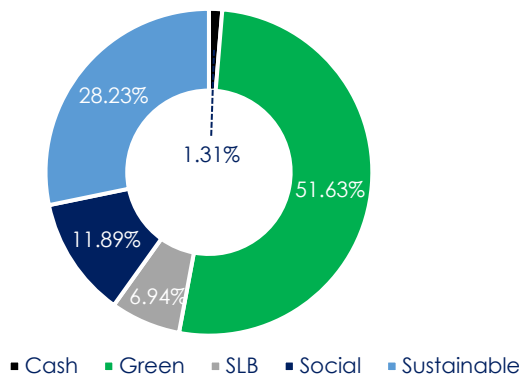
Energie Baden-Wuerttemberg (EnBW) is a leading integrated utility company in Germany, focusing on all aspects of the energy business including generation, transmission and distribution.

This was their first AUD bond transaction, considering it was also a green bond it was very well received by the market. The final order book was AUD 1.965b for a transaction size of AUD 1.0b.

EnBW has committed to allocate an amount equal to the net proceeds from the green bond transaction to exclusively finance or refinance eligible green projects. Eligible green projects are 100% aligned with the EU Taxonomy for environmentally sustainable economic activities.

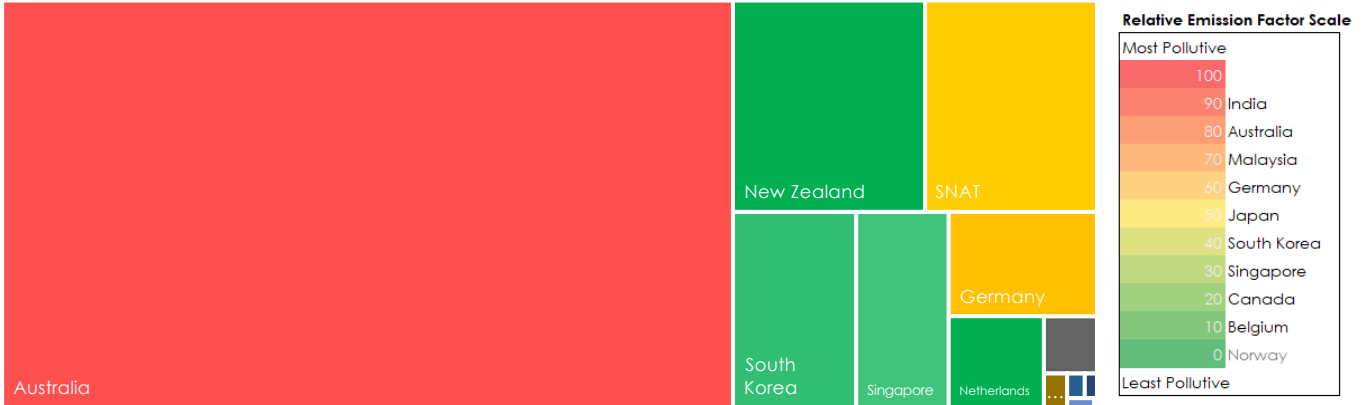
## GREEN, SUSTAINABLE AND SOCIAL HOLDINGS#

### BOND TYPE





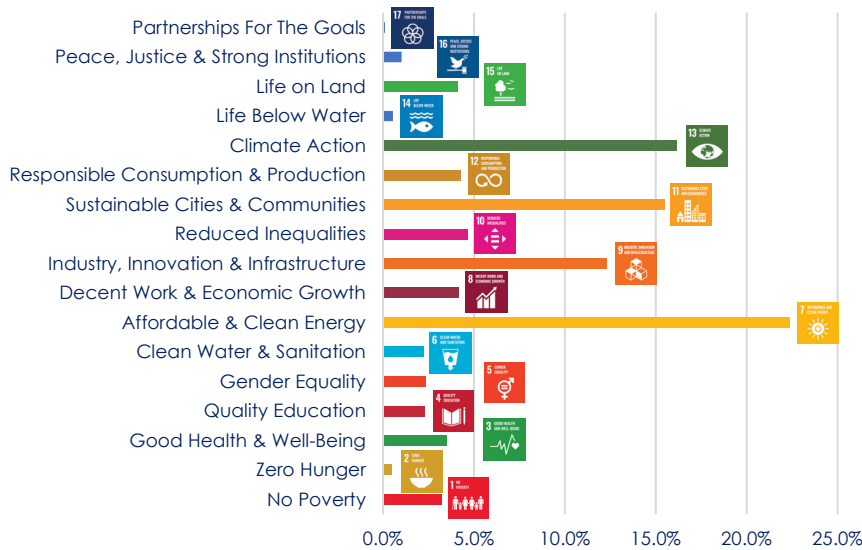
## ALLOCATION OF FUNDS IN THE UNDERLYING FUND#



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 gCO<sub>2</sub>e/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 take 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 53% of the Underlying Fund's targeted SDGs. The Underlying Fund currently supports 17 of the 17 SDGs.



## 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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