DEVON FUNDS.

For the informed investor.

DEVON GLOBAL IMPACT BOND FUND

MONTHLY REPORT: MARCH 2024

SUMMARY OF INVESTMENT OBJECTIVE

The **Devon Global Impact Bond Fund** is actively managed and seeks to understand the world's social and environmental problems and to identify and invest primarily in debt issued by companies and organisations that we believe are addressing these needs in a differentiated way through their core products, services and projects. Through the Fund's investments, we seek to improve access to, and the quality of, basic life essentials, reduce inequality and mitigate the effects of climate change. The Fund seeks to deliver long term total returns in excess of the Bloomberg Global Aggregate Index (hedged to NZD).

PORTFOLIO SUMMARY

	Portfolio	Benchmark	Difference
Effective Duration (Years)	6.56	6.59	-0.03
Spread Duration (Years)	6.64	6.46	0.18
Credit Spread Duration (Years)	5.12	2.49	2.63
Yield to Worst	5.44	5.05	0.39
Average Quality	A+	AA-	

ALLOCATION

Wellington Global Impact Bond Fund NZD Hedged	98.3%	Cash	1.7%
Currency Hedge (100% to NZD)	100.0%	Total	100.0%

PERFORMANCE

	1 Mth	3 Mth	1 Yr	2 Yr p.a
Devon Global Impact Bond Fund	1.0%	0.7%	4.8%	-0.5%
Bloomberg Global Aggregate Index Hedged NZD	0.9%	0.0%	3.8%	-0.6%

Devon Global Impact Bond Fund returns are after all fees and expenses, but before tax which varies by investor.

MARKET REVIEW

In March, a backdrop of lingering inflation shone the spotlight on major central banks' policy considerations. Fixed income sectors stabilized, benefiting from largely resilient economic data and outperformed duration-equivalent government bonds.

Most global sovereign bond yields fell, driven by expectations that moderating inflation would allow the US Fed and other central banks to cut interest rates this year. US Treasury yields fell as Fed Chair Powell signaled increased confidence that conditions to warrant rate cuts are nearing. Eurozone yields also moved lower, particularly German bunds, driven by a downside surprise to consumer spending. The gilt yield curve steepened as the Bank of England turned more dovish on weakening growth, while the government intends to ramp up bond issuance.

Global credit markets outperformed duration-equivalent government bonds over the month as spreads tightened. All three major sectors – financials, industrials, and utilities – generated positive excess returns. Broadly, municipal bonds underperformed duration-equivalent Treasuries. Within the securitized sectors, agency mortgage-backed securities, commercial mortgage-backed securities, and asset-backed securities each outperformed duration-equivalent government bonds amid resilient economic data.

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

FUND PERFORMANCE AND ATTRIBUTION

The Fund generated a positive return during the month and outperformed the Bloomberg Global Aggregate hedged to NZD index.

The Fund's corporate credit positioning benefited results as credit spreads tightened over the month. At the broad sector level both high yield and US investment grade corporates outperformed duration-equivalent government bonds. An allocation to high yield corporates, particularly industrials contributing to the Digital Divide theme, aided results. Positioning within developed non-US investment grade benefited performance, mainly an overweight to financial issuers focusing on the Alternative Energy and Financial Inclusion themes, while an underweight to US investment grade credit detracted from results. An allocation to emerging markets high yield corporates was also a modest positive contributor to performance.

The Fund's positioning in select taxable municipals had a positive impact on relative results over the period, particularly issuers focusing on the Education and Job Training impact theme.

The Fund's positioning in securitized sectors had a positive impact on performance, particularly an allocation to mortgage-backed securities (MBS), owing to lower interest rate volatility driving mortgage spreads tighter.

The Fund's overweight to developed non-US government-related issuers helped relative performance. Overall duration/yield curve positioning also had a positive impact on results as most global sovereign bond yields fell.

MARKET REVIEW (CONTINUED)

Most major central banks held rates steady while laying the groundwork for easing policy later in the year. The Swiss National Bank cut the main interest rate in a surprise move, the first major central bank to dial back tighter monetary policy aimed at tackling inflation.

PORTFOLIO MANAGER

Campe Goodman

Campe is ultimately accountable for all performance and risk management decisions in the Global Impact Bond portfolio. Campe is the final decision maker who is responsible for performance, positioning, and risk in Global Impact Bond portfolios. Campe has 23 years of industry experience and has managed the underlying Wellington Global Impact Bond fund since its inception in 2017.

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

CONTRIBUTION TO DURATION YEARS

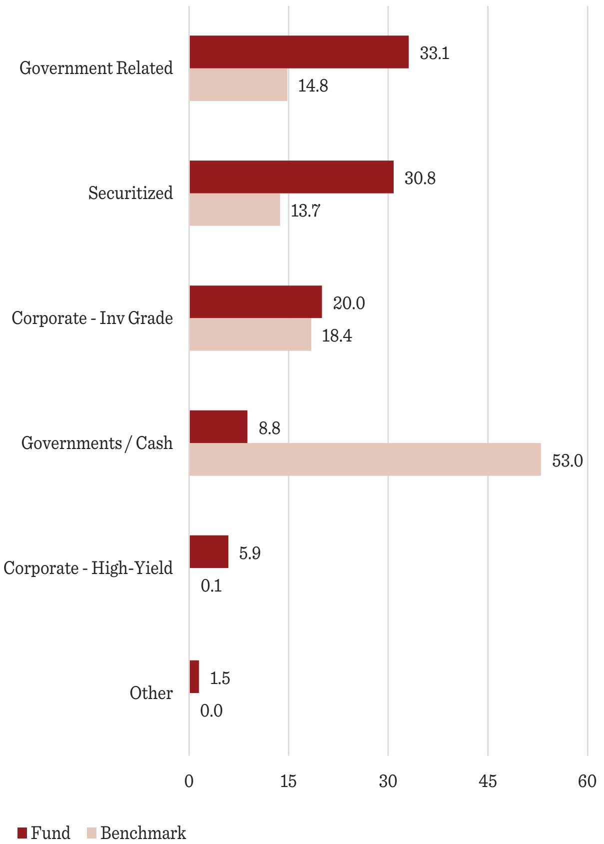
SECTOR	Account	Benchmark	Difference
Cash & Cash Equivalents	0.00	0.00	0.00
US Government	0.57	1.03	-0.47
Credit*	4.57	4.72	-0.14
Asset Backed Securities	0.01	0.01	0.01
Mortgage Backed	1.34	0.70	0.63
Commercial Mortgage	0.07	0.03	0.04
Other	0.00	0.09	-0.09
Cash Offset	–	–	–
	6.56	**6.59**	**-0.03**

*Credit includes Tax-Exempt Municipals, Investment Grade and High Yield Credits, Bank Loans, Emerging Market Debt, and Developed Non US Dollar Denominated Securities.

CREDIT RATING % MARKET VALUE

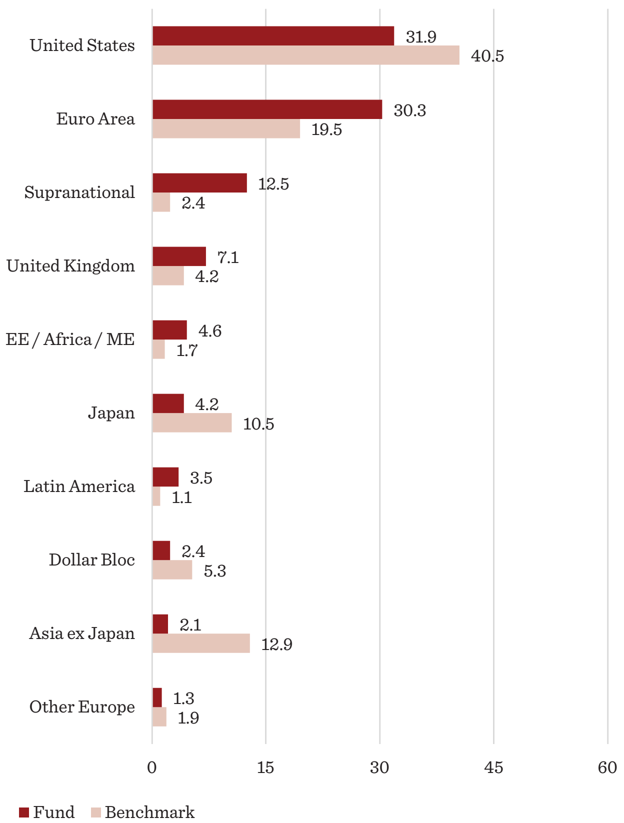
QUALITY	Account	Benchmark	Difference
Cash	-5.90	0.32	-6.22
AAA	26.98	11.80	15.18
AA	46.39	42.20	4.19
A	10.29	31.13	-20.84
BBB	14.86	14.27	0.59
BB	5.16	0.02	5.14
B	2.53	–	2.53
Below B	0.21	–	0.21
Cash Offset	-0.82	–	-0.82
Not Rated	0.31	0.27	0.05
	100.00	**100.00**	

SECTOR DISTRIBUTION % MARKET VALUE



Totals may not add up to 100% due to rounding.

GEOGRAPHIC DISTRIBUTION % MARKET VALUE



Totals may not add up to 100% due to rounding. | EE stands for Emerging Europe & ME stands for Middle East.

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

FUND POSITIONING AND OUTLOOK

We believe that resilient consumer spending and strong company fundamentals should prevent a significant downturn for the US economy. In our view, inflation has proven persistent but should further decelerate, with signs of a more balanced labor market easing upward pressure on wages. The Fund is positioned with a close to neutral credit risk profile, while preserving high-quality liquid instruments to take advantage of future market dislocations.

From a sector perspective, the Fund is positioned with an overweight to select taxable municipals. The Fund has an underweight position to investment grade corporate issuers rated A and higher. The Fund holds select below Investment-grade corporates and bank loan issuers that in our view carry attractive credit spreads, and we maintain an allocation to EM debt focusing on renewable energy and countries with good macro policy.

The Fund maintains positioning in agency MBS issuers with a focus on supporting housing affordability for low-income borrowers. We continue to hold select single-asset single borrower CMBS backed by LEED certified buildings.

The Fund maintains exposure to labelled use-of-proceeds government and agency bonds intended to fund green, social, and sustainability-related projects.

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