

Devon Funds 2025 Predictions

By Greg Smith, Head of Retail at Devon Funds

With a new year already underway, it is time once again to dust off the crystal ball and engage in the well-established tradition of making big-picture predictions on developments and factors that will shape markets and investment portfolios in the year ahead.

Reflecting on 2024, global markets performed strongly, led by the US indices, and particularly the US super-cap technology sector. The blue-sky potential of AI was once again a big driver of sentiment. The S&P500 and Nasdaq surged 25% and 29%, respectively. The Dow Jones posted a gain of 13% and the MSCI World Index rose 19%.

There were periods of volatility, but the bulls were largely in charge throughout the year, as inflationary pressures eased, central banks entered their rate-cutting cycles, and the world economy appeared to be landing softly. The Kiwi market found increasing favour as the RBNZ's own easing cycle got underway, with the NZX50 rising 11% for its best annual performance since 2020.

Looking back on our top 10 predictions from a year ago, we pleasingly had more hits than misses. Donald Trump won the US election, and while the Fed only put through three rate cuts (we predicted four), the world's largest central bank displayed a clear easing bias as inflation moderated. The RBNZ did cut rates earlier than most others anticipated, but discretionary spending remained under sustained pressure. A long-term deal was wrapped up at Tiwai, and uranium gained further prominence as part of the global energy transition. The Chinese economy also arguably confounded...[READ MORE](#)

MARKET INDICES

Index	Region	Monthly Return	1 Yr. Return
S&P/NZX50G	NZ	0.3%	11.4%
S&P/ASX200G	AUSTRALIA	-3.2%	11.4%
MSCI World Index	GLOBAL	-2.6%	18.7%
S&P500	USA	-2.4%	25.0%
FTSE100	UK	-1.3%	9.7%
NIKKEI 225	JP	4.5%	21.3%
NZ 90 Day Bank Bill	NZ	0.4%	5.6%
Bloomberg Global Aggregate Index (NZD)	GLOBAL	-0.9%	3.0%

AT A GLANCE

Prices as at 31 December 2024

DEVON ALPHA FUND	\$2.3979
DEVON AUSTRALIAN FUND	\$1.8251
DEVON DIVERSIFIED INCOME FUND	\$1.4882
DEVON DIVIDEND YIELD FUND	\$1.8572
DEVON GLOBAL IMPACT BOND FUND	\$1.3588
DEVON GLOBAL SUSTAINABILITY FUND	\$2.0621
DEVON TRANS-TASMAN FUND	\$4.9982
DEVON SUSTAINABILITY FUND	\$3.4325
ARTESIAN GREEN & SUSTAINABLE BOND FUND	\$1.0464

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DEVON ALPHA FUND

FUND OUTLINE

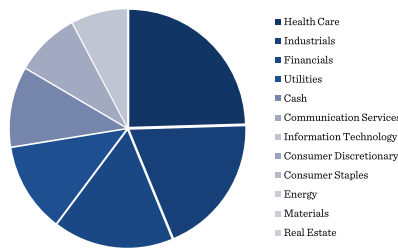
The **Alpha Fund** invests in a concentrated portfolio of approximately 10 to 15 select companies predominantly listed on the NZ and Australian share markets.

The Fund does not follow any index, is actively managed and aims to generate capital growth over the long term. Currency exposure is actively managed.

KEY HOLDINGS



ASSET ALLOCATION



ALLOCATION

New Zealand Equities	39.0%	Cash	9.8%
Australian Equities	51.2%	Total	100.0%
Currency Hedge	101.1%		

PERFORMANCE

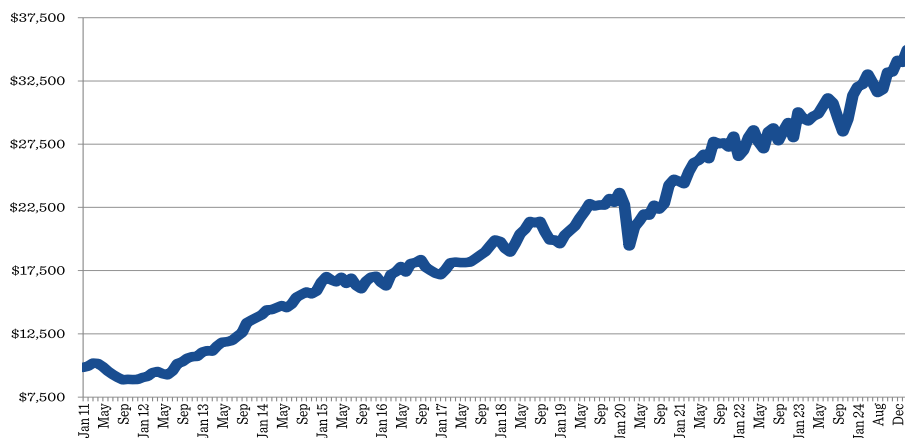
	1 Mth	3 Mth	1 Yr	3 Yr p.a	5 Yr p.a	10 Yr p.a
Devon Alpha Fund	-2.1%	0.4%	9.2%	6.8%	8.4%	7.9%
OCR + 5%	0.8%	2.4%	10.7%	8.3%	5.1%	3.6%

*Devon Alpha Fund returns are after all fees and expenses, but before tax which varies by investor.

**The benchmark for Alpha changed to OCR + 5% from 1 September 2022.

NET PERFORMANCE

Based on \$10,000 invested at 1 January 2011



NOTE: Further information on the Devon Alpha Fund can be found in our Quarterly Fund Updates by visiting <https://devonfunds.co.nz/alpha-fund> or by clicking [HERE](#)

COMMENTARY

The Alpha strategy was negatively impacted during the month by our investments in Australia. The ASX 200 Index finished down 3.2% whilst the NZX50 Index closed in positive territory by 0.3%. During the year our exposure to companies such as Goodman Group and Resmed have generated substantial returns (Goodman Group is up 42.1% on a one-year basis, whilst Resmed has rallied 45.4%) but in December these stocks declined by 5.6% and 4.2%, respectively. We continue to believe that these businesses are well-positioned going into 2025 and expect their share prices to progress positively.

Recent changes that have been made to the portfolio include the purchase of additional shares in Port of Tauranga. We expect to see a recovery in export shipments through the Port during the next 12 months and these should be supported by a gradual improvement in container imports. We have also re-invested into Cleanaway after its stock price had declined.

PORTFOLIO MANAGER

Slade Robertson



Slade has primary responsibility for stock selection and portfolio construction for the Alpha, Australian and Diversified Income funds. Slade

is also the Managing Director at Devon and has overall responsibility for the business. Slade has over 20 years' industry experience.

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DEVON TRANS-TASMAN FUND

FUND OUTLINE

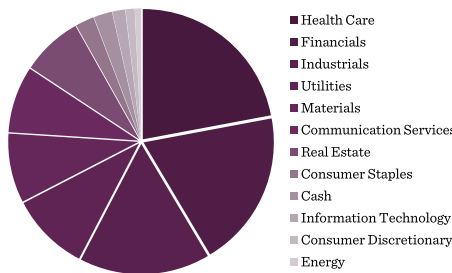
The **Trans-Tasman Fund** provides a broad and actively managed exposure to the New Zealand and Australian equity markets.

This Fund invests in a select portfolio of well researched companies, which are primarily New Zealand and Australian listed companies. The Australian dollar currency exposure is typically unhedged.

KEY HOLDINGS



ASSET ALLOCATION



ALLOCATION

New Zealand Equities	50.7%	Cash	2.3%
Australian Equities	47.0%	Total	100.0%

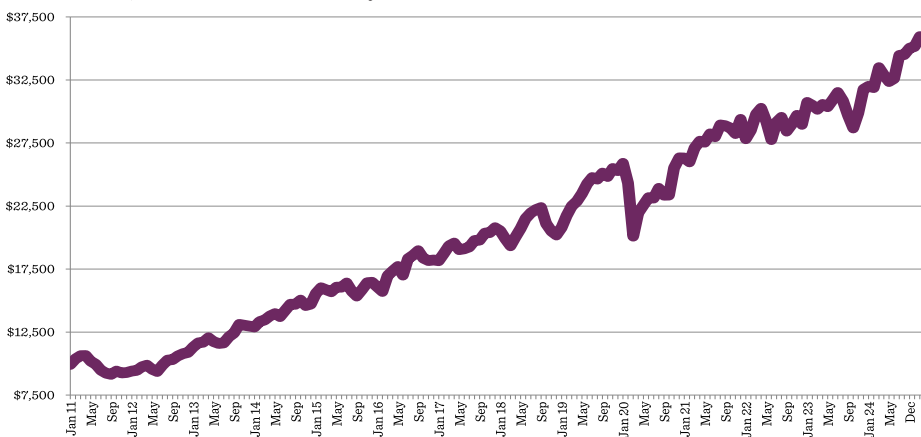
PERFORMANCE

	1 Mth	3 Mth	1 Yr	3 Yr p.a	5 Yr p.a	10 Yr p.a
Devon Trans-Tasman Fund	-1.3%	1.3%	11.7%	6.4%	7.0%	8.8%
50:50 NZX50 Gross & ASX200 Index Unhedged	-1.2%	3.0%	12.8%	4.5%	6.0%	9.0%

*Devon Trans Tasman Fund returns are after all fees and expenses, but before tax which varies by investor.

NET PERFORMANCE

Based on \$10,000 invested at 1 January 2011



NOTE: Further information on the Devon Trans-Tasman Fund can be found in our Quarterly Fund Updates by visiting <https://devonfunds.co.nz/trans-tasman-fund> or by clicking [HERE](#)

COMMENTARY

The Trans-Tasman portfolio performed broadly in line with its benchmark during December. Amongst our best performers were Contact Energy which rallied 5.6% and Port of Tauranga which closed higher by 4.7%. Contact Energy is one of the largest overweight positions that we have in the portfolio and this business continues to benefit from the commissioning of their new geothermal capacity (Te Huka). Management is also waiting for a final decision from the Commerce Commission around their potential acquisition of Manawa Energy.

In terms of portfolio changes, we added to our Seek position in December after its stock price had fallen. Job ad volumes remained relatively depressed in Australia although in recent months these appear to be stabilising. The company also continues to enjoy solid pricing power reflecting strong product innovation. Any signs of a cyclical recovery in Australia would result in a meaningful re-rating.

PORTFOLIO MANAGER

Tama Willis



After a long period in international investment markets, Tama returned to NZ after a very successful career in London and Singapore to join Devon's investment team. Tama holds primary responsibility for Devon's Trans-Tasman Fund. Tama is widely regarded as a leading expert on resource and mining stocks.



DEVON AUSTRALIAN FUND

FUND OUTLINE

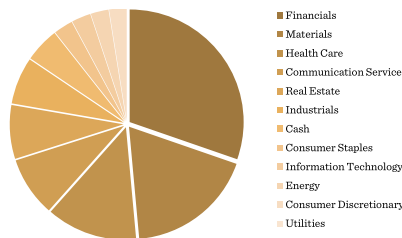
The **Australian Fund** invests in a select portfolio of companies, which are primarily Australian listed companies.

The Australian market is much larger than the New Zealand market and offers exposure to a number of sectors that are not available in New Zealand. The Australian dollar currency exposure of this Fund is typically unhedged.

KEY HOLDINGS



ASSET ALLOCATION



ALLOCATION

New Zealand Equities	0.0%	Cash	5.0%
Australian Equities	95.0%	Total	100.0%

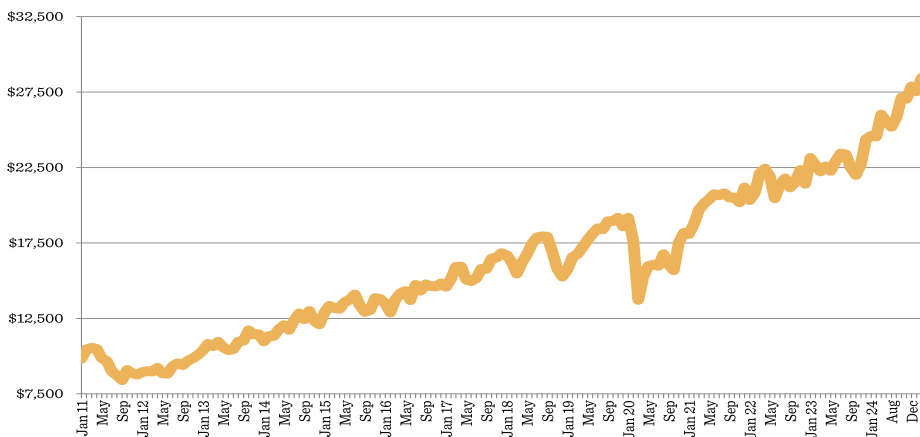
PERFORMANCE

	1 Mth	3 Mth	1 Yr	3 Yr p.a	5 Yr p.a	10 Yr p.a
Devon Australian Fund	-3.3%	-1.3%	12.8%	9.1%	8.1%	8.6%
ASX200 Index Gross (NZD)	-2.7%	0.5%	14.3%	8.8%	9.3%	9.1%

*Devon Australian Fund returns are after all fees and expenses, but before tax which varies by investor.

NET PERFORMANCE

Based on \$10,000 invested at 1 January 2011



NOTE: Further information on the Devon Australian Fund can be found in our Quarterly Fund Updates by visiting <https://devonfunds.co.nz/australian-fund> or by clicking [HERE](#)

COMMENTARY

Despite it being a difficult month for the Australian equity market, there were several positive contributors in December worth highlighting. Our investments into Brambles and Aristocrat Leisure both rallied, finishing up 1.1% and 0.9%, respectively. Aristocrat Leisure has been a star performer for this portfolio during the past year rallying 69.4%, and its recent FY24 result gives us confidence that their platform for continued growth in the US is well established. In late November the company announced that they had achieved revenue growth of 5% and earnings-per-share growth of 20%. This strong operating leverage was achieved through a favourable product mix and successful cost management. The high-quality results evident in their North American Gaming Operations assures us that there is upgrade potential over the next few years from the number of gaming installations and pricing.

PORTFOLIO MANAGER

Slade Robertson



Slade has primary responsibility for stock selection and portfolio construction for the Alpha, Australian and Diversified Income funds. Slade

is also the Managing Director at Devon and has overall responsibility for the business. Slade has over 20 years' industry experience.

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DEVON DIVIDEND YIELD FUND

FUND OUTLINE

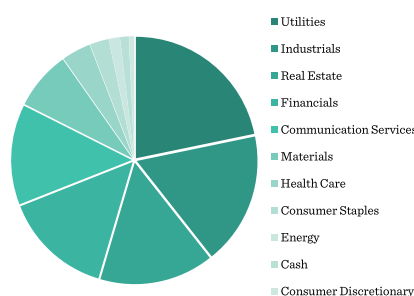
The **Devon Dividend Yield Fund** invests in a carefully selected portfolio of New Zealand and Australian listed companies.

These stocks are chosen for their attractive dividend yields and growth prospects with the aim of maintaining the dividend yield and capital value in real terms. The Australian dollar currency exposure is typically fully hedged.

KEY HOLDINGS



ASSET ALLOCATION



ALLOCATION

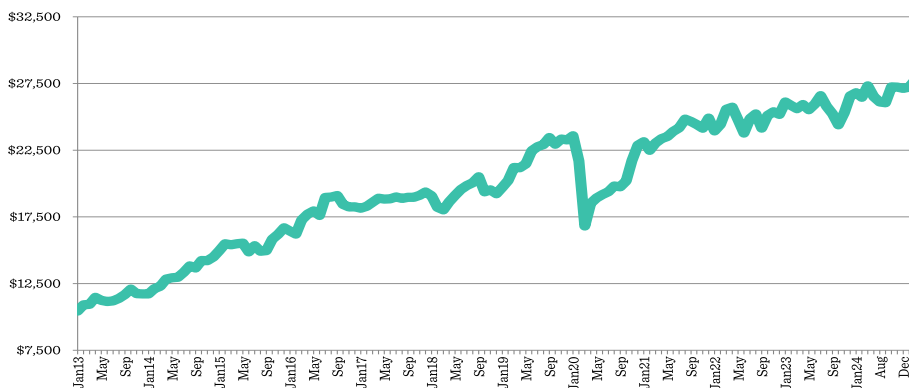
New Zealand Equities	68.3%	Cash	1.2%
Australian Equities	30.5%	Total	100.0%
Currency Hedge	99.2%	Yield	5.9%

PERFORMANCE	1 Mth	3 Mth	1 Yr	3 Yr p.a	5 Yr p.a	Since Inception
Devon Dividend Yield Fund	-1.1%	1.3%	3.4%	3.3%	3.4%	8.9%
50:50 NZX50 & ASX200 Index Gross	-1.4%	2.4%	11.4%	3.8%	5.4%	10.3%

*Devon Dividend Yield Fund returns are after all fees and expenses, but before tax which varies by investor.

NET PERFORMANCE

Based on \$10,000 invested at 1 January 2013



NOTE: Further information on the Devon Dividend Yield Fund can be found in our Quarterly Fund Updates by visiting <https://devonfunds.co.nz/dividend-yield-fund> or by clicking [HERE](#)

COMMENTARY

The Dividend Yield strategy offers investors a forecasted gross distribution for the year ahead of 5.9%. The portfolio's dividend stream is also expected to grow by 3.7% annually over the next three years, versus the RBNZ's CPI forecast of 2.2% over the same period. Top performers during December were Napier Port (+8.7%), Manawa (+7.7%), and Contact Energy (+5.6%). Meanwhile, key detractors included Mercury (-11.6%), ANZ (-8.4%), and Cleanaway (-8.0%). During December the only new addition to the Fund was Mainfreight. The company is one of NZ's most prominent success stories, from being founded in 1978 with only one warehouse to now having over one million square meters of warehousing space and a global logistics footprint. Mainfreight has a decentralised management culture, with an intense focus on service quality. This level of service allows them to charge a premium against competitors and win market share with impressive consistency.

PORTFOLIO MANAGER

Patrick Washer



Patrick has primary responsibility for stock selection and portfolio construction for the Dividend Yield Fund. Patrick also holds research responsibilities for the property, aged care and transport sectors.



DEVON DIVERSIFIED INCOME FUND

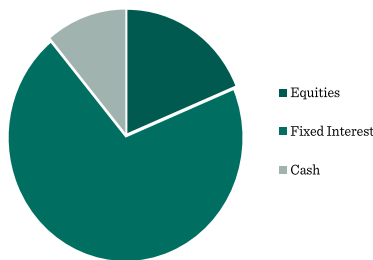
FUND OUTLINE

The **Devon Diversified Income Fund** aims to give New Zealanders access to a diverse and good quality portfolio of high yielding investments. The Fund aims to generate better-than-bank income rates by investing in a carefully selected portfolio of government and corporate bonds, cash, listed property, infrastructure, utility companies, high yielding equities, credit securities and other yielding financial assets.

KEY HOLDINGS



ASSET ALLOCATION



ALLOCATION

New Zealand Equities	17.3%	Bonds	64.8%
Australian Equities	7.7%	Cash	10.2%

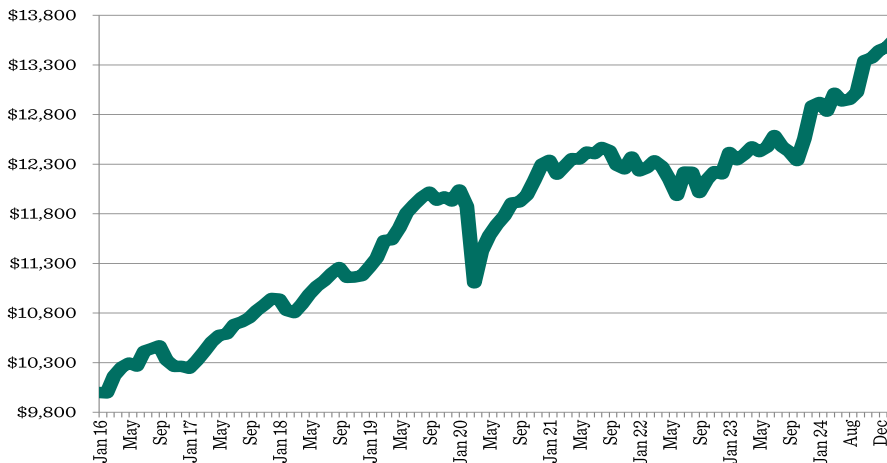
PERFORMANCE

	1 Mth	3 Mth	1 Yr	3 Yr p.a	5 Yr p.a	Since Inception
Devon Diversified Income Fund	0.6%	1.4%	5.8%	3.3%	2.7%	3.6%
75% BB Composite 0-5yr Index, 25% 50:50 NZX50 Gross and ASX 200 Index hedged to NZD	0.2%	1.3%	6.7%	5.8%	4.2%	2.9%

*Devon Diversified Income Fund returns are after all fees and expenses, but before tax which varies by investor.
**The Devon Diversified Income Fund's benchmark changed to a blended market index from 10th December 2024.

NET PERFORMANCE

Based on \$10,000 invested at 1 January 2016



NOTE: Further information on the Devon Diversified Income Fund can be found in our Quarterly Fund Updates by visiting <https://devonfunds.co.nz/diversified-income-fund> or by clicking [HERE](#)

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COMMENTARY

Global bond rates rallied significantly during the month with the interest rate on US 10-year Treasuries climbing from 4.22% to 4.52%. This move was catalysed by increased optimism in the US economy and due to the possible inflation implications of Donald Trump's policies, including the potential impact of wide-ranging tariffs. The US Federal Reserve also met in December and cut the overnight borrowing rate by 0.25%. This takes the level back to where it was in December 2022. The most interesting element of their decision was a change to the guidance of further moves in 2025. The Fed now expects to only cut twice more this year, by a total of 0.50%, given that inflation remains above their target and growth is relatively solid. In New Zealand, our third-quarter real GDP was reported to have fallen by 1%. This was weaker than expected and comes off the back of a 1.1% fall in the second quarter.

PORTFOLIO MANAGER

Slade Robertson



Slade has primary responsibility for stock selection and portfolio construction for the Alpha, Australian and Diversified Income funds. Slade is also the Managing Director at Devon and has overall responsibility for the business. Slade has over 20 years' industry experience.



DEVON SUSTAINABILITY FUND

FUND OUTLINE

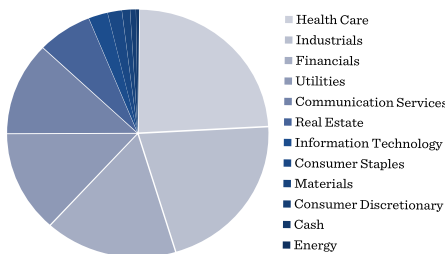
The **Devon Sustainability Fund** invests in a select portfolio of well researched New Zealand and Australian listed companies.

The Fund looks to invest in companies that score highly on overall environmental, social and corporate governance performance. The Fund also employs an ethical screen which will prohibit investment into certain companies and sectors.

KEY HOLDINGS



ASSET ALLOCATION



ALLOCATION

New Zealand Equities	59.5%	Cash	0.4%
Australian Equities	40.1%	Total	100.0%

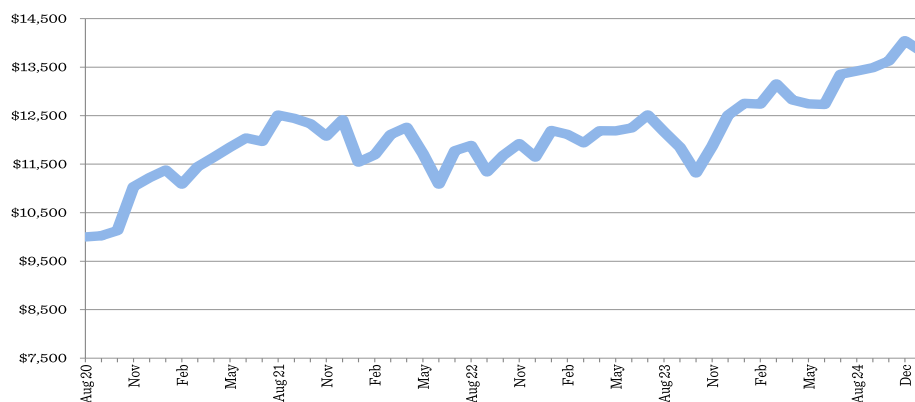
PERFORMANCE

	1 Mth	3 Mth	1 Yr p.a	3 Yr p.a	Since Inception
Devon Sustainability Fund	-1.5%	2.6%	10.6%	3.6%	7.8%
50:50 NZX50 Portfolio Index & ASX200 Index	-1.9%	1.6%	9.7%	3.1%	7.4%

*Devon Sustainability Fund returns are after all fees and expenses, but before tax which varies by investor.

NET PERFORMANCE

Based on \$10,000 invested at 31 August 2020



NOTE: Further information on the Devon Sustainability Fund can be found in our Quarterly Fund Updates by visiting <https://devonfunds.co.nz/devon-sustainability-fund> or by clicking [HERE](#)

COMMENTARY

The Sustainability Fund outperformed its benchmark during the month. Stocks that strongly contributed to this performance included Auckland International Airport (+12.54%), Contact Energy (+5.6%), and Port of Tauranga (+4.7%). In contrast, Seek (-13.6%) and CAR Group (-13.2%) were among the worst performers.

Auckland International Airport performed strongly after the Auckland Future Fund (Auckland Council) sold its remaining stake in the company for \$1.3 billion in early December. This stake represented approximately 10% of the company's issued shares and, somewhat remarkably, was offered at a zero-discount due to strong investor demand for the infrastructure-like asset. The sale, planned as part of the council's long-term plan for 2024-2034, was well anticipated by investors and thus removed a significant overhang on the stock. Additionally, the company released November traffic numbers, which showed continued improvement, with both international passenger volumes and aircraft movements increasing by around 2% compared to recent months.

PORTFOLIO MANAGER

Ben Jenkin



Ben has primary responsibility for stock selection and portfolio construction for the Sustainability Fund. Ben also holds research responsibility for the telco, media and technology sectors, as well as a wide ranging number of industrial companies.

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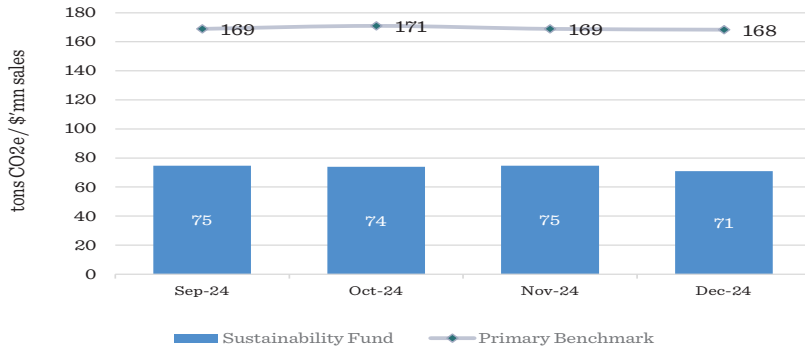
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DEVON SUSTAINABILITY FUND

CARBON INTENSITY - PORTFOLIO VS BENCHMARK

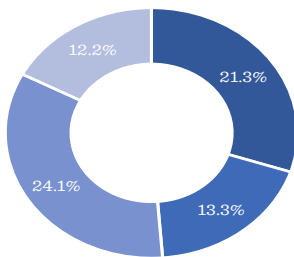
Carbon Intensity - Portfolio vs Benchmark



PORTFOLIO CARBON EMISSIONS BY KEY SECTORS

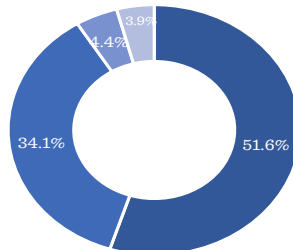
Portfolio Carbon Emissions by Key Sectors

Portfolio value by sector



- Industrials
- Utilities
- Health Care
- Communication Services

Portfolio carbon emission by sector



- Industrials
- Utilities
- Health Care
- Communication Services

The industrials, utilities, and communication sectors make up 46.8% of the portfolio by value, but they account for 89.6% of the carbon emissions in the portfolio.

ESG PORTFOLIO SUMMARY

	MSCI ESG Ratings	MSCI ESG Quality score	
Portfolio	AA	7.72	Portfolio Sustainability Fund
Benchmark	AA	7.38	Primary Benchmark 50:50 composite S&P/NZX50 Portfolio Index & S&P/ASX200G Ind

PERFORMANCE

	1 Mth	3 Mth	6 Mth	1 Yr	Since Inception
ESG relative performance	4.6%	4.7%	5.9%	4.0%	6.0%

*ESG Relative Performance is the MSCI ESG Score of the Devon Sustainability fund compared to the MSCI ESG Score of the Benchmark

PORTFOLIO HOLDING'S DISCLOSURE SUMMARY

Portfolio Holding's Summary

% of companies reporting to TCFD standards	95.2%
% of companies committed to Net Zero	71.4%
% of companies committed to Carbon Neutral	9.5%
% of companies with no commitment to either	19.0%

STEWARDSHIP

Devon is a member of Climate Action 100+ (CA100+) and is part of the collaborative investor group engaging with Woolworths. The CA100+ group met with Woolworths in December and discussed shareholder resolutions from the recent AGM that related to Woolworth's own brand salmon farming. A recent study from the University of Tasmania found that population levels of Maugean skate have dwindled, a species that is only found in Tasmania's Macquarie Harbor. This led to calls for Woolworths to report on the impact of farmed salmon, and to stop sourcing from the Macquarie Harbor. Devon voted in favour of reporting on the impacts of farmed seafood that the company procures for its Own Brand products. Woolworths confirmed that despite this motion not passing at the AGM they would be pursuing this in FY25 reporting.

PORTFOLIO MANAGER

Ben Jenkin



Ben has primary responsibility for stock selection and portfolio construction for the Sustainability Fund. Ben also holds research responsibility for the telco, media and technology sectors, as well as a wide ranging number of industrial companies.

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DEVON GLOBAL IMPACT BOND FUND

DURATION

Sector	Contribution to Duration (Years)		
	Account	Benchmark	Difference
Cash & Cash Equivalents	0.00	0.00	0.00
US Government	0.94	1.06	-0.11
Credit*	4.13	4.57	-0.44
Asset Backed Securities	0.04	0.01	0.04
Mortgage Backed	0.99	0.64	0.35
Commercial Mortgage	0.05	0.03	0.02
Other	0.02	0.09	-0.07
Cash Offset	-	-	-
	6.16	6.38	-0.22

The Fund invests into the Wellington Global Impact Bond Fund, managed by Wellington Management. Wellington Management is one of the world's leading investment management firms with over US\$1 trillion in assets under management worldwide across a broad range of asset classes. They have been providing innovative investment solutions to clients for more than 85 years. Wellington Management seeks to understand the world's social and environmental problems and to identify and invest primarily in debt issued by companies and organisations that they believe are addressing these needs in a differentiated way through their core products, services and projects. The Wellington Global Impact Bond Fund aims to improve access to, and the quality of, basic life essentials, reduce inequality and mitigate the effects of climate change.

CREDIT RATING

Quality	Percent of Market Value		
	Account	Benchmark	Difference
Cash	0.16	0.32	-0.16
AAA	34.58	11.42	23.16
AA	36.26	43.26	-6.99
A	8.51	30.82	-22.30
BBB	13.04	13.92	-0.88
BB	5.60	0.01	5.59
B	2.33	0.00	2.33
Below B	0.13	-	0.13
Cash Offset	-1.32	-	-1.32
Not Rated	0.70	0.25	0.45
	100.00	100.00	

They seek to identify securities which it believes fall into three primary impact categories: life essentials, human empowerment and the environment. Within these categories the Fund will invest across "Impact Themes" including, but not limited to the following:

Life Essentials: affordable housing, clean water and sanitation, health, sustainable agriculture and nutrition.

Human Empowerment: digital divide, education and job training, financial inclusion, safety and security.

Environment: alternative energy, resource efficiency and resource stewardship.

*Duration & Credit Rating as at 31 December 2024

DEVON GLOBAL SUSTAINABILITY FUND

The Fund invests into the Wellington Global Stewards Fund, managed by Wellington Management. Wellington Management is one of the world's leading investment management firms with over US\$1 trillion in assets under management worldwide across a broad range of asset classes. They have been providing innovative investment solutions to clients for more than 85 years. Wellington Management seeks to invest in companies globally, 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. Wellington define stewardship as how companies balance the interests of all stakeholders (customers, employees, communities and the supply chain) in the pursuit of profits and how they incorporate material environmental, social and governance (ESG) risks and opportunities in their corporate strategy. The underlying Wellington Fund differentiates itself by:

Long-term horizon – the intention is to hold stocks for over 10 years. The belief is the longer the holding period, the greater the potential performance benefits from superior stewardship.

Highly selective – typically 35-45 stocks, only relying on their own internal ESG research.

Active engagement – holding those in charge of investee companies to account and encouraging companies to commit to net zero carbon emissions by 2050 in alignment with the Paris Agreement.

PERFORMANCE	1 Mth	3 Mth	1 Yr	2 Yr p.a	Since Inception
Devon Global Impact Bond Fund	-0.8%	-1.3%	3.6%	5.1%	0.9%
Bloomberg Global Aggregate Index Hedged NZD	-0.9%	-1.3%	3.0%	4.8%	0.8%

PERFORMANCE	1 Mth	3 Mth	1 Yr	2 Yr p.a	Since Inception
Devon Global Sustainability Fund	-0.5%	3.0%	21.2%	19.3%	12.2%
MSCI All Country World Index in NZD, 50% hedged to NZD	0.7%	6.8%	26.6%	24.1%	12.8%

*Benchmark performance figure is indicative only and will be finalised in the mid month report.

KEY HOLDINGS*



*Key Holdings as at 31 December 2024

Please note that monthly reports will be produced for the Devon Global Impact Bond Fund and Devon Global Sustainability Fund later this month. These reports will include data on top holdings, performance, asset allocation, and fund commentaries. These reports will be sent out separately from those for Devon's other retail funds each month and will be available on the Devon Funds website.

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