

Extreme measures for extreme circumstances - why the RBNZ has to cut the OCR by at least 0.75% when it meets this month

An interest piece written by Greg Smith, Head of Distribution at Devon Funds.

In last month's special interest piece, we made the case for a 0.75% cut at each of the two final RBNZ meetings of the year. This was a non-consensus call. In the end, the central bank cut rates by 0.50% last month, but expectations following October's CPI number have clearly shifted in terms of what will happen at the November meeting. The rate implied by markets is now ~4.18%. In other words, this suggests the odds are split between a 0.50% or a 0.75% cut this month. Within a relatively short space of time, the prospect of a 0.75% rate this month has gone from what was seen as an outlier call to one that is entirely "plausible."

A general comment by dissenters to a cut of such magnitude is that such large reductions are generally reserved for "extreme" circumstances. It is not too difficult to argue that we are in such circumstances now.

But even before that, it is worth remembering that the Reserve Bank's mandate was changed at the end of last year to a single operational objective of "... future annual inflation between 1 and 3 percent over the medium term, with a focus on keeping future inflation near the 2 percent mid-point". Maximum sustainable employment is no longer an operational objective in the RBNZ's remit. However, as a secondary objective they "seek to avoid unnecessary instability in output, employment and interest rates, and the exchange rate".

The September quarter CPI release showed that annual... [READ MORE](#)

MARKET INDICES

Index	Region	Monthly Return	1 Yr. Return
S&P/NZX50G	NZ	1.7%	17.5%
S&P/ASX200G	AUSTRALIA	-1.3%	24.9%
MSCI World Index	GLOBAL	-0.4%	36.5%
S&P500	USA	-0.9%	38.0%
FTSE100	UK	-1.4%	15.0%
NIKKEI 225	JP	3.1%	28.9%
NZ 90 Day Bank Bill	NZ	0.4%	5.8%
Bloomberg Global Aggregate Index (NZD)	GLOBAL	-1.6%	9.4%

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AT A GLANCE

Prices as at 31 October 2024

DEVON ALPHA FUND	\$2.3767
DEVON AUSTRALIAN FUND	\$1.8281
DEVON DIVERSIFIED INCOME FUND	\$1.4712
DEVON DIVIDEND YIELD FUND	\$1.8407
DEVON GLOBAL IMPACT BOND FUND	\$1.3554
DEVON GLOBAL SUSTAINABILITY FUND	\$1.9919
DEVON TRANS-TASMAN FUND	\$4.9524
DEVON SUSTAINABILITY FUND	\$3.3812
ARTESIAN GREEN & SUSTAINABLE BOND FUND	\$1.0323

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DEVON ALPHA FUND

FUND OUTLINE

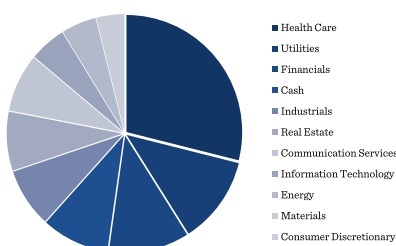
The **Alpha Fund** invests in a concentrated portfolio of approximately 10 to 15 select companies predominantly listed on the NZ and Australian share markets.

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	39.9%	Cash	9.4%
Australian Equities	50.7%	Total	100.0%
Currency Hedge	0.0%		

PERFORMANCE

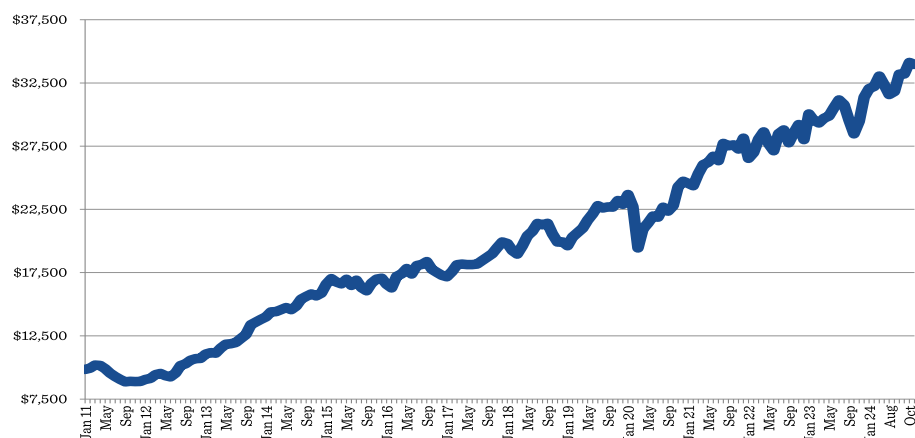
	1 Mth	3 Mth	1 Yr	3 Yr p.a	5 Yr p.a	10 Yr p.a
Devon Alpha Fund	-0.5%	2.3%	19.2%	7.2%	8.4%	7.9%
OCR + 5%	0.8%	2.6%	10.8%	7.8%	4.8%	3.4%

*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 generated a disappointing result during the month as several of our investments in Australia suffered from profit taking. Despite this, we were pleased with the positive contribution made from other stocks including Summerset which rallied 3.7% and Resmed which closed 5.6% higher. Investors in Resmed were encouraged by the delivery on a strong 1Q25 result, where their net profit grew by 34.9%. This was ahead of consensus expectations, as Resmed's device sales grew by 11%, a large step-up from the previous quarter where growth was reported at 6%. The company's mask sales also enjoyed 11% improvement but importantly their gross margin was very solid at 59.2%. Although this was consistent with management guidance, the outcome was impressive given the recent headwinds of rising freight costs. We continue to have a positive view on this business and note that it will have net cash on its balance sheet in the second half of this financial year.

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

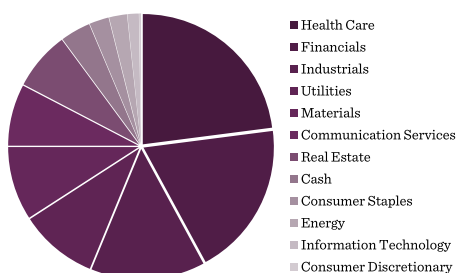
The **Trans-Tasman Fund** provides a broad and actively managed exposure to the New Zealand and Australian equity markets.

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	51.4%	Cash	3.7%
Australian Equities	44.9%	Total	100.0%

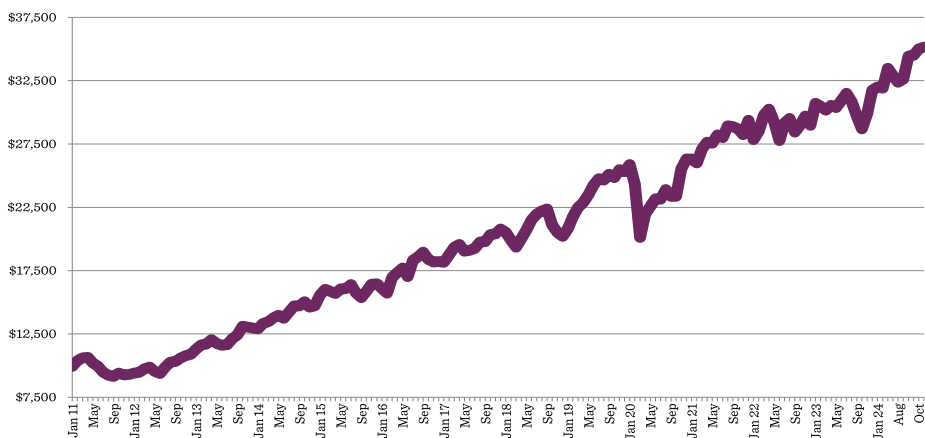
PERFORMANCE

	1 Mth	3 Mth	1 Yr	3 Yr p.a	5 Yr p.a	10 Yr p.a
Devon Trans-Tasman Fund	0.4%	2.1%	22.5%	6.9%	7.2%	8.5%
50:50 NZX50 Gross & ASX200 Index Unhedged	0.7%	2.0%	21.9%	4.3%	6.0%	8.5%

*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 strategy performed broadly in line with its benchmark during the month. There were a number of positive contributors to our portfolio, including Freightways which finished up by 15.3%. Other investments of note included Ryman (+15.6%), NZX (+8.8%) and Resmed (+5.6%). Key detractors include James Hardie (-14.9%) and Metcash (-14.5%).

We increased our investment in Port of Tauranga (POT) over the month. We consider POT to be well-placed for several reasons. Port of Auckland is passing through aggressive pricing increases, which will structurally lift New Zealand's port sector returns, enabling returns on invested capital to lift towards a WACC level over the medium term. Trade volumes are starting to recover (+7.6% in Q1 FY25) and POT will be well placed for growth as supply chains normalise, leading to fewer demand shocks through the system. We see strong earnings growth as the economy recovers and the sector backdrop remains positive.

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.

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DEVON AUSTRALIAN FUND

FUND OUTLINE

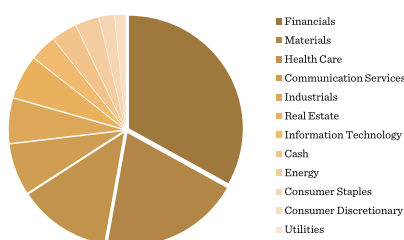
The **Australian Fund** invests in a select portfolio of companies, which are primarily Australian listed companies.

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

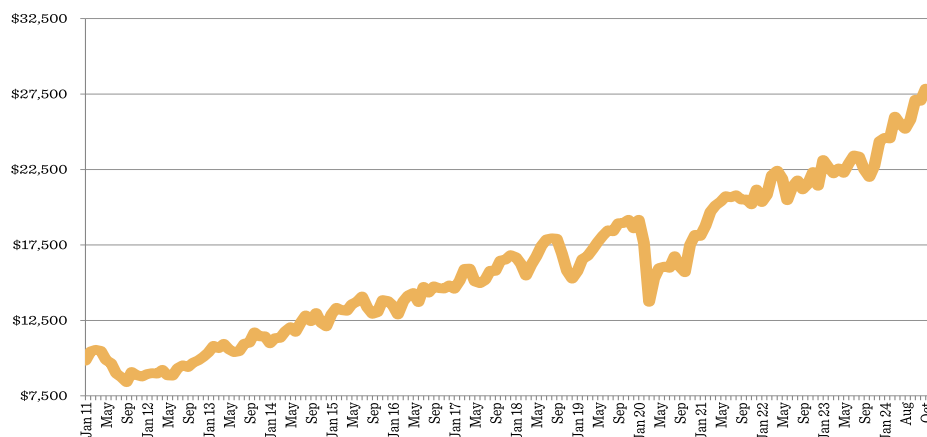
New Zealand Equities	0.0%	Cash	3.6%
Australian Equities	96.4%	Total	100.0%

PERFORMANCE	1 Mth	3 Mth	1 Yr	3 Yr p.a	5 Yr p.a	10 Yr p.a
Devon Australian Fund	-1.1%	1.6%	25.2%	10.3%	7.8%	9.5%
ASX200 Index Gross (NZD)	-0.4%	2.2%	26.3%	9.7%	8.7%	8.0%

*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

Although the Australian equity market was weaker during the month, there were several positive contributors to this strategy. These included National Australia Bank which rallied 3.9% and CSL which finished up 0.2%. There were plenty of important news releases for CSL during October, including highlights from their AGM and data points from their Research and Development (R&D) Investor Briefing. At the AGM, Paul Mackenzie (Managing Director) re-affirmed their FY25 guidance with revenues to grow between 5-7% and earnings to land between \$3.2bn-\$3.3bn. CSL also expect double digit earnings growth over the medium term supported by solid immunoglobulin demand and a successful technology rollout to improve the donation experience and productivity. Also, of note in the Australian market, Resource stocks were under particular pressure as investors questioned the stimulus response from the Chinese government and consequently the possible lift in demand for iron ore.

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

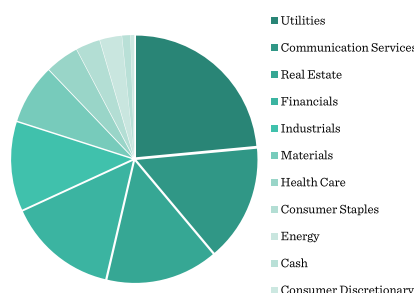
The **Devon Dividend Yield Fund** invests in a carefully selected portfolio of New Zealand and Australian listed companies.

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	66.0%	Cash	1.1%
Australian Equities	32.9%	Total	100.0%
Currency Hedge	101.3%	Yield	5.9%

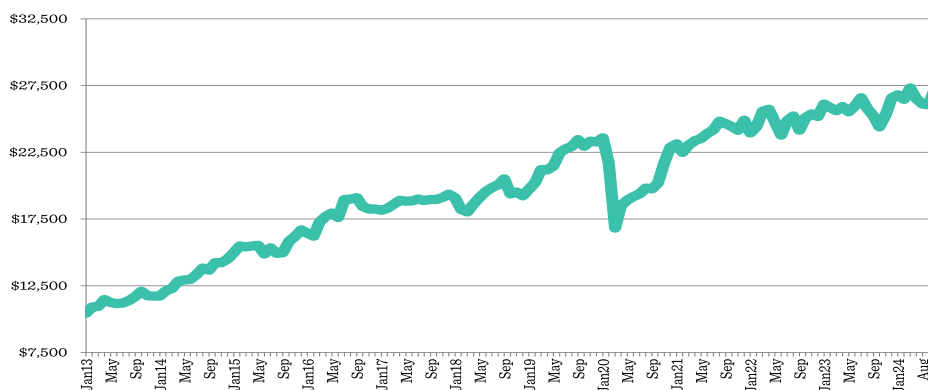
PERFORMANCE

	1 Mth	3 Mth	1 Yr	3 Yr p.a	5 Yr p.a	Since Inception
Devon Dividend Yield Fund	0.4%	-0.1%	11.6%	3.7%	3.5%	8.9%
50:50 NZX50 & ASX200 Index Gross	0.2%	2.0%	21.2%	3.4%	5.7%	10.2%

*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 6.1%. The portfolio's dividend stream is also expected to grow by 3.4% annually over the next three years, versus the RBNZ's CPI forecast of 2.2% over the same period. Top performers during October were Freightways (+15.3%), Scales (+14.6%) and NZX (+8.8%). Meanwhile, key detractors included Metcash (-14.5%), Orora (-11.7%) and Rio Tinto (-7.6%). Scales was an addition to the portfolio during the month, as we took advantage of a major shareholder's sell-down. We see material upside for this business due to strong earnings growth and attractive valuation support. Their horticulture business has the best return on capital employed of all locally listed agriculture stocks, and is returning to pre-Cyclone Gabrielle profitability levels. Meanwhile, their proteins business, which provides ingredients to pet food manufacturers, is well positioned for growth as it continues to build out capacity.

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.

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DEVON DIVERSIFIED INCOME FUND

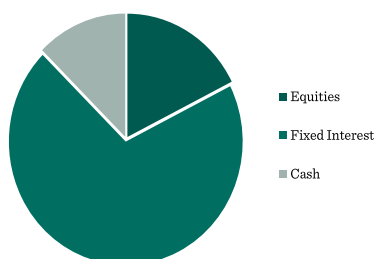
FUND OUTLINE

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	16.2%
Australian Equities	8.1%

Bonds	64.1%
Cash	11.6%

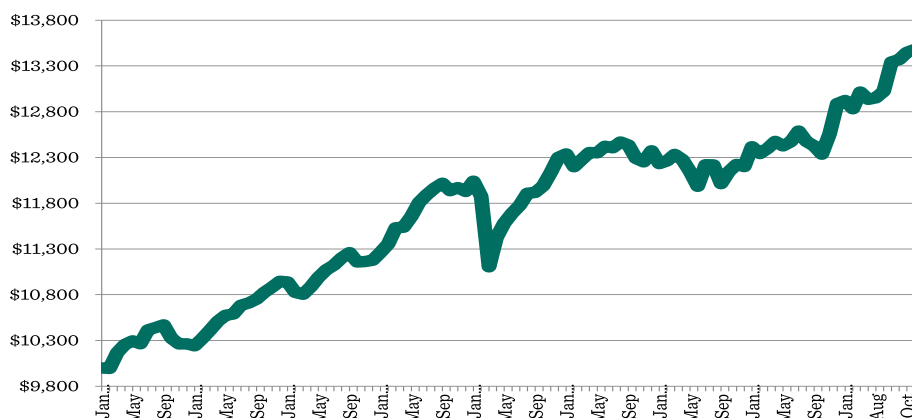
PERFORMANCE

	1 Mth	3 Mth	1 Yr	3 Yr p.a	5 Yr p.a	Since Inception
Devon Diversified Income Fund	0.2%	1.0%	9.3%	3.1%	2.5%	3.6%
OCR + 1.5%	0.5%	1.7%	7.2%	5.7%	4.2%	2.9%

*Devon Diversified Income 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 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](#)

COMMENTARY

Global bond yields jumped strongly during the month with the yield on US Treasuries finishing at 4.27%. They began October at 3.78% but rallied as investors positioned themselves in anticipation of the US election and as data releases continued to demonstrate that the American economy remains in reasonable shape. This was evidenced by the reporting of solid third-quarter real GDP growth, which came in at 2.8%. This was broadly in-line with expectations and was primarily driven by strong consumer spending which jumped by 3.7% (in real terms), and fixed investment which increased by 1.3%. The Federal Reserve met in early November and cut interest rates by 0.25%. In Australia, house price growth slowed further in October, but the RBA kept their rate on hold at their meeting on 5 November. The RBNZ are due to next meet in late November and the market continues to expect a cut of at least 0.5%.

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 SUSTAINABILITY FUND

FUND OUTLINE

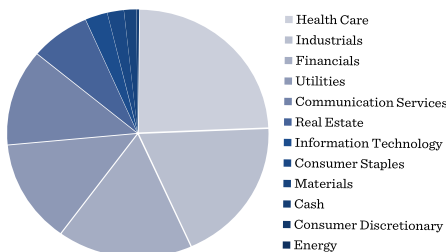
The **Devon Sustainability Fund** invests in a select portfolio of well researched New Zealand and Australian listed companies.

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	59.4%
Australian Equities	40.2%

Cash	0.4%
Total	100.0%

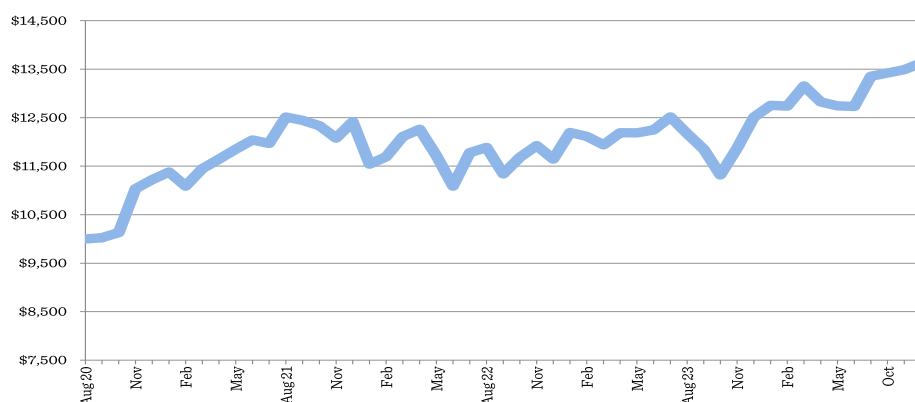
PERFORMANCE

	1 Mth	3 Mth	1 Yr p.a	3 Yr p.a	Since Inception
Devon Sustainability Fund	1.0%	2.0%	20.4%	3.3%	7.7%
50:50 NZX50 Portfolio Index & ASX200 Index	0.2%	2.0%	19.8%	2.9%	7.3%

*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 performed well in October, delivering a positive absolute return and outperforming its benchmark. The stocks providing a strong contribution to the portfolio included Freightways (+15.3%), ResMed (+5.6%) and Contact Energy (+5.1%). Weighing on our returns though was Metcash (-14.5%) after announcing a disappointing update at its Annual Shareholder Meeting (ASM).

Freightways also held its ASM in October where the company provided a trading update to the market which showed that earnings grew by 8% in the first quarter of FY2025. Driving this positive performance was margin expansion in both Express Package and Information Management, and robust pricing growth. This provided the market with some confidence that its two-year earnings downgrade cycle has likely come to an end. Should New Zealand's economy start to recover, we see Freightways as a key beneficiary and would expect to see its growth accelerate into the next financial year. We continue to see Freightways' price to earnings multiple as undemanding.

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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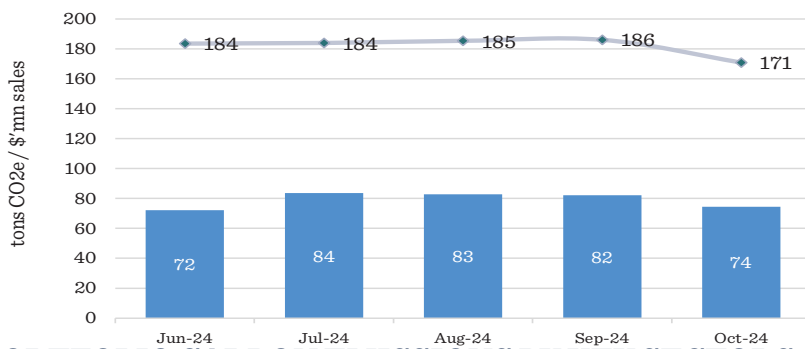
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DEVON SUSTAINABILITY FUND

CARBON INTENSITY - PORTFOLIO VS BENCHMARK

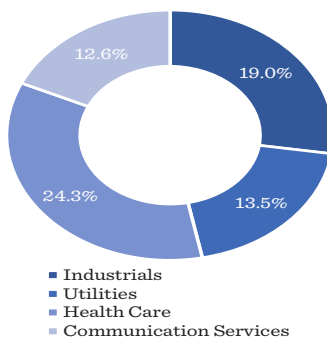
Carbon Intensity - Portfolio vs Benchmark



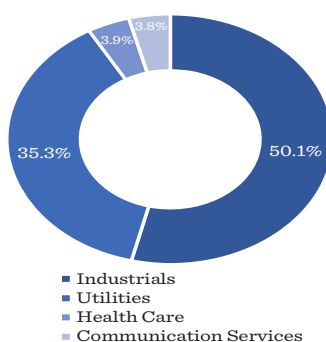
PORTFOLIO CARBON EMISSIONS BY KEY SECTORS

Portfolio Carbon Emissions by Key Sectors

Portfolio value by sector



Portfolio carbon emission by sector



The industrials, utilities, and communication sectors make up 45.1% of the portfolio by value, but they account for 89.2% of the carbon emissions in the portfolio.

ESG PORTFOLIO SUMMARY

MSCI ESG Ratings		MSCI ESG Quality score	
Portfolio	AA	7.76	Portfolio Sustainability Fund
Benchmark	AA	7.42	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	4.9%	4.6%	5.4%	4.1%	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	94.9%
% of companies committed to Net Zero	69.2%
% of companies committed to Carbon Neutral	10.3%
% of companies with no commitment to either	20.5%

STEWARDSHIP

Fletcher Building held their AGM during the month. The company had motions to elect two new board members and re-elect an existing board member. We had spoken with the interim Chair regarding these upcoming votes and sent our voting intentions to the company prior to the vote. We decided to vote against the motion to re-elect the existing board member who has been on the board whilst Fletcher Building has experienced significant governance issues. Our view is that the three-year tenure, being the re-election period for the board member, was too long given we would prefer the new Chair, when appointed, to be able to elect board members as they deem fit. The director was ultimately re-elected to the board, however received a 22.67% vote against their re-election, which is considerable.

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

Contribution to Duration (Years)			
Sector	Account	Benchmark	Difference
Cash & Cash Equivalents	-0.00	0.00	-0.00
US Government	1.12	1.05	0.08
Credit*	4.31	4.59	-0.29
Asset Backed Securities	0.05	0.01	0.04
Mortgage Backed	1.07	0.67	0.40
Commercial Mortgage	0.05	0.03	0.02
Other	0.02	0.09	-0.07
Cash Offset	-	-	-
	6.61	6.43	0.18

CREDIT RATING

Percent of Market Value			
Quality	Account	Benchmark	Difference
Cash	-1.46	0.34	-1.80
AAA	31.98	11.47	20.52
AA	39.94	43.58	-3.64
A	9.07	30.46	-21.38
BBB	11.99	13.90	-1.91
BB	6.04	0.01	6.04
B	2.05	-	2.05
Below B	0.13	-	0.13
Cash Offset	-0.70	-	-0.70
Not Rated	0.96	0.25	0.70
	100.00	100.00	

*Duration & Credit Rating as at 31 October 2024

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.

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.

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	-1.6%	0.5%	10.6%	5.8%	0.9%
Bloomberg Global Aggregate Index Hedged NZD	-1.6%	0.7%	9.4%	5.2%	0.8%

PERFORMANCE	1 Mth	3 Mth	1 Yr	2 Yr p.a	Since Inception
Devon Global Sustainability Fund	-0.5%	2.1%	27.5%	18.8%	11.5%
MSCI All Country World Index in NZD, 50% hedged to NZD	1.6%	2.4%	30.8%	19.9%	11.5%

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

KEY HOLDINGS*



*Key Holdings as at 31 October 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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www.devonfunds.co.nz

ARTESIAN GREEN AND SUSTAINABLE BOND FUND (NZD)

FUND OUTLINE

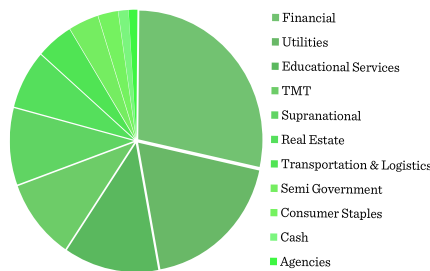
The **Artesian Green and Sustainable Bond Fund (NZD)** offers New Zealand-based investors a Portfolio Investment Entity (PIE) vehicle through which to invest in the Artesian Green and Sustainable Bond Fund (AUD).

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 investment.

KEY HOLDINGS



ASSET ALLOCATION



ALLOCATION

Artesian Green & Sustainable Bond Fund (NZD)	99.4%	Cash	0.6%
Currency Hedge (100% to NZD)	100.7%	Total	100.0%

PERFORMANCE

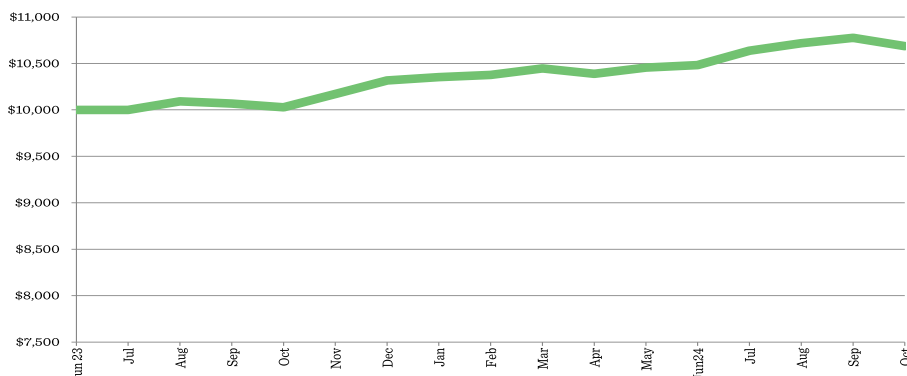
	1 Mth	3 Mth	1 Yr	Since Inception
Artesian Green & Sustainable Bond Fund (NZD)*	-0.83%	0.45%	6.56%	7.68%
Artesian Green & Sustainable Bond Fund PIR Return (NZD)**	-0.72%	0.56%	7.06%	8.23%
Bloomberg AusBond Composite 0-5 Yr Index 100% Hedged to NZD	-0.68%	0.61%	6.50%	7.54%

*Artesian Green & Sustainable Bond Fund (NZD) returns are after all fees and expenses, but before tax which varies by investor.

**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.

NET PERFORMANCE

Based on \$10,000 invested at 30 June 2023



NOTE: Further information on the Artesian Green Fund can be found in our Quarterly Fund Updates by visiting <https://devonfunds.co.nz/artesian-green-and-sustainable-bond-fund-nzd> or by clicking [HERE](#)

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COMMENTARY

The Fund underperformed its benchmark in October, due to the overweight interest rate duration position. Offsetting this overweight in interest rate duration was the Fund's overweight in credit duration, which aided this month's returns as credit spreads continue to rally. Outperformance in October came from the Fund's positions in NBN, Optus, Mercury, University of Melbourne, SA Power Networks and Woolworths. Small underperformance came from the Fund's positions in Shinhan Bank and Housing Australia.

PORTFOLIO MANAGER

David Gallagher

David joined Artesian in June 2013. Prior to joining Artesian, David spent nine years in the United Kingdom working for Deutsche Bank and RBS. David has extensive risk and portfolio management trading experience.

In David's previous role with RBS, David managed a credit portfolio with outright risk ranging between £1-2.5 billion.

