DEVON FUNDS.

For the informed investor.

ARTESIAN GREEN AND SUSTAINABLE BOND FUND (NZD)

MONTHLY REPORT: FEBRUARY 2024

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	6 Mth	Since Inception
Artesian Green & Sustainable Bond Fund (NZD)*	0.22%	2.0%	2.8%	4.6%
Artesian Green & Sustainable Bond Fund PIR Return (NZD)**	0.22%	2.1%	3.0%	4.7%
Bloomberg AusBond Composite 0-5 Yr Index 100% Hedged to NZD	0.11%	2.1%	2.8%	4.5%

*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	Since Inception (p.a.)
Gross Fund Return	0.19%	2.12%	2.88%	5.52%	2.47%	1.41%	1.85%
Net Fund Return	0.15%	1.99%	2.63%	5.00%	1.96%	0.91%	1.33%
Bloomberg AusBond Composite 0-5 Yr Index	0.01%	1.79%	2.24%	3.93%	0.95%	0.05%	0.02%
Active Return (net Fund return - benchmark)	0.14%	0.20%	0.39%	1.07%	1.01%	0.86%	1.31%

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#

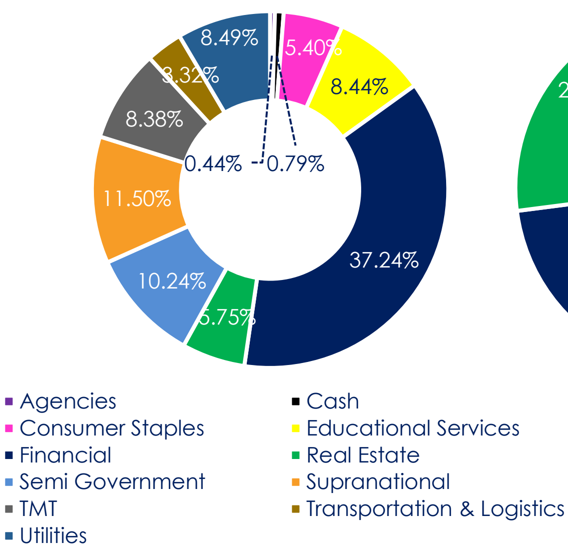
The positive tone to the AUD bond market continued in February, with non-financial issuers issuing considerable volume post earnings. Whilst almost all new deals traded tighter in the secondary market, there were signs of investor fatigue later in the month. As this is more technical than anything, Artesian would expect credit to continue to perform once all of the 2024 issuance has had time to find a suitable home. Credit spreads continued to rally throughout the month, non-financials outperformed due to the pick-up in liquidity brought on by new issues.

The Underlying Fund's outperformance versus benchmark in February was driven by the overweight credit duration positioning (credit spreads were lower/tighter) and underweight interest rate duration positioning (interest rates were higher/wider).

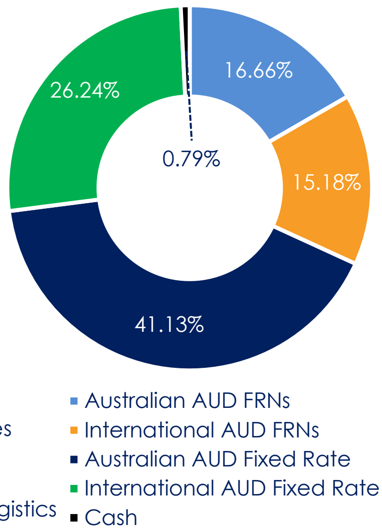
Outperformance in February came from the Underlying Fund's positions in ANZ (Sustainable), CBA (Green), European Investment Bank (Sustainable) and Woolworths (Green & SLB). The main contributors to underperformance in February were Transpower (Green), La Trobe University (Green) and Western Australia Treasury Corporation (Green).

PORTFOLIO BREAKDOWN#

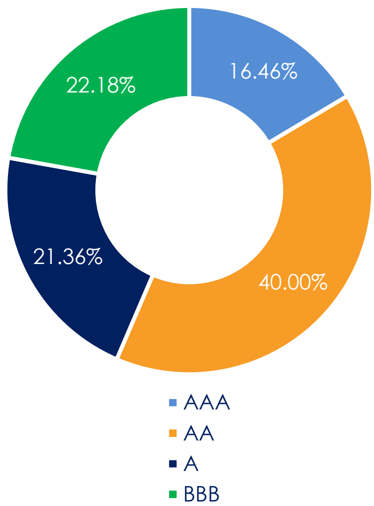
SECTOR BREAKDOWN



REGION & PRODUCT



CREDIT RATING



CREDIT SPREADS#

Credit spreads continued to rally in February, which considering the elevated levels of issuance is impressive. Major bank senior spreads were 3bps to 4bps tighter and at month end settled around 90bps, which makes them 10bps tighter YTD. Whilst Artesian have seen some tightening on newly issued major bank subordinated bonds in 2024, the reality is that their existing curve is basically unchanged YTD. Artesian sees value in major bank subordinated bonds with a spread ratio of 2x senior spreads. In particular, Artesian likes major bank subordinated floating rate notes for their pick up in yield versus the same maturity fixed rate bonds. Floating rate notes continue to benefit from the highest level in BBSW Artesian has seen since 2012, currently at 4.35%.

AS AT 29TH FEBRUARY 2024	PRICE	CHG ON MTH
ITRAXX AUSTRALIA 5YR	0.64%	-0.04%
ITRAXX EUROPE 5YR	0.55%	-0.05%
ITRAXX EUROPE XOVER 5YR	3.05%	-0.23%
CDX US IG 5YR	0.52%	-0.04%
CDX US HY 5YR	3.40%	-0.21%

METRICS FOR THE UNDERLYING FUND#

The Underlying Fund was active in February deploying new inflows into the secondary market. This resulted in the Underlying Fund's credit duration marginally shortening to 2.68yrs (benchmark 2.29yrs). Artesian used the intramonth sell off in 3yr yields to add back some interest rate duration (IRD) which now sits at 2.10yrs (benchmark 2.29yrs). 3yr government bond yields have traded in a tight range of 3.50% to 3.85% since the beginning of the year. With the RBA cash rate at 4.35%, 3yr yields look appropriately priced, hence the modest IRD positioning of the Underlying Fund at present. The Underlying Fund's running yield increased 9bps MoM to 4.78% (benchmark 4.14%). Artesian exited the Fund's long held position in Lendlease post their earnings update in February. This was due to Artesian's concerns around their credit metrics deteriorating further (currently rated BBB-) and ESG concerns around governance failures surrounding taxation.

AS AT 29TH FEBRUARY 2024	FUND	BENCH-MARK
INTEREST RATE DURATION	2.10	2.29
CREDIT DURATION	2.68	2.29
YIELD TO MATURITY	4.81%	4.14%
YIELD TO WORST	4.78%	4.14%
BLOOMBERG COMPOSITE RATING (weighted average)	A	AA+

**Using the Morningstar methodology for Average Credit Quality*

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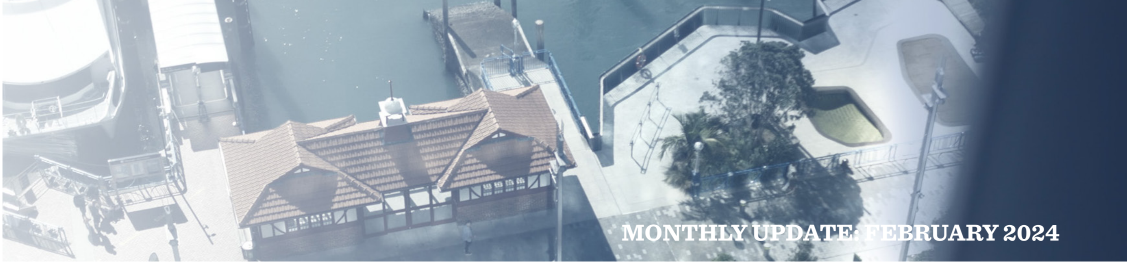


NEW ISSUES#

The positive start to the year for the AUD labelled bond market continued in February. Artesian recorded 6 new deals from 5 unique issuers for a total volume of AUD 2.2b in issuance.

ISSUER	Bond Type	Issue Date	Issue Size $M	Fixed/ Floating	Maturity
SOUTH AUSTRALIAN FINANCING AUTHORITY	Sustainable	3-Jul-18	4,040	Fixed	24-May-28

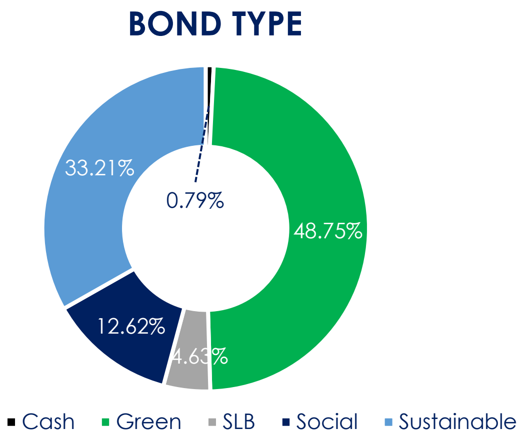
Issuer	SAFA South Australian Government Financing Authority
Currency	AUD
Sector	Semi-Government
SDG Alignment	
Eligible Projects	The proceeds will be allocated to SAFA's expenditure towards projects that address one or more of the following five areas; • Socioeconomic advancement and empowerment & affordable housing • Renewable energy • Clean transportation, affordable basic infrastructure & pollution prevention and control

In February, the South Australian Financing Authority (SAFA) had 10 of its existing bonds labelled as Sustainable.

SAFA intends to notionally allocate an amount equivalent to the net proceeds raised from the issuance of Sustainable Bonds to finance and/or refinance, in whole or in part, green and/or social expenditures that meet the eligibility criteria set out in their sustainable bond framework.

SAFA have also outlined their intention to issue bonds in labelled format going forward. South Australia now joins Queensland, New South Wales, Victoria and Western Australia as Australian states who issue in labelled bond format.

GREEN, SUSTAINABLE AND SOCIAL HOLDINGS#



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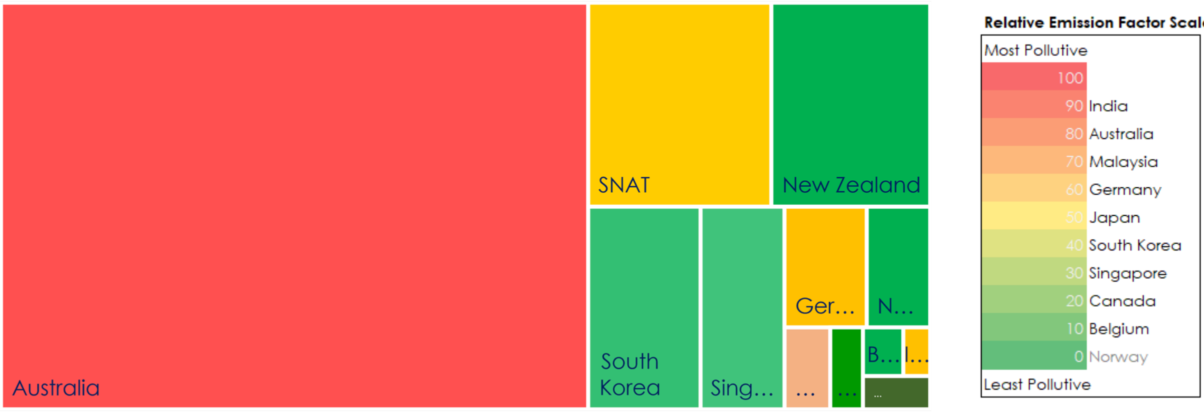
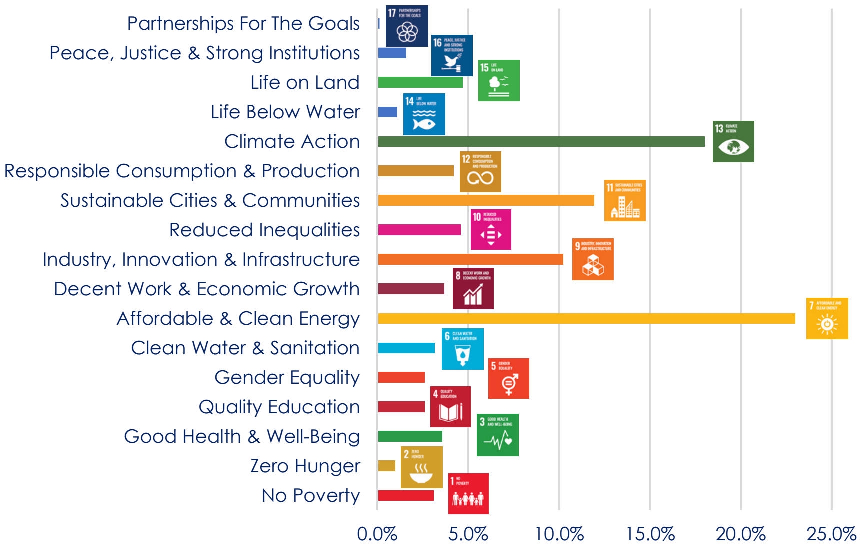
ALLOCATION OF FUNDS IN THE UNDERLYING FUND#



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 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 Underlying Fund is most aligned with Clean Energy, Climate Action and Sustainable Cities, making up 55% 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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