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ARTESIAN GREEN AND SUSTAINABLE BOND FUND (NZD)

MONTHLY REPORT: DECEMBER 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 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)*	0.58%	0.53%	4.99%	5.88%
Artesian Green & Sustainable Bond Fund PIR Return (NZD)**	0.58%	0.63%	5.48%	6.22%
Bloomberg AusBond Composite 0-5 Yr Index 100% Hedged to NZD	0.59%	0.51%	4.73%	5.67%

*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	0.68%	0.80%	3.45%	5.48%	5.77%	3.00%	2.20%	2.61%
Net Fund Return	0.64%	0.67%	3.19%	4.95%	5.24%	2.49%	1.69%	2.09%
Bloomberg AusBond Composite 0-5 Yr Index	0.61%	0.54%	2.89%	3.99%	4.03%	1.51%	0.81%	0.85%
Active Return (net Fund return - benchmark)	0.03%	0.14%	0.30%	0.96%	1.21%	0.98%	0.87%	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#

Although 2024 began with its challenges, it turned out to be an impressive year for risk assets. US equities were the big outperformer (US S&P 500 +25%), led by the Magnificent Seven and the boundless potential for artificial intelligence. In fixed income, long duration investors continued to be disappointed, as most developed markets produced low single digit positive returns to slightly negative returns. With that said, 2024 is firmly behind us and we now need to focus on where the risks and opportunities will be in 2025. On the risk side Artesian will be closely monitoring geopolitical risk, excessive government borrowing, "US exceptionalism", trade wars and how all these risks feed into inflation. When looking for relative value opportunities, some credit markets appear overvalued, for example USD credit spreads versus AUD spreads. Considering the risks and opportunities; Artesian believe an actively managed, high credit quality, short duration portfolio, should continue to produce meaningful returns for investors on a risk adjusted basis.

The Underlying Fund's outperformance versus benchmark in December was driven by the overweight credit duration positioning (credit spreads were lower/tighter) and overweight interest rate duration positioning (interest were lower/tighter). The Underlying Fund's running yield of 4.68% versus the benchmark's 4.14%, also contributed to the monthly performance versus benchmark.

Outperformance in December came from the Underlying Fund's positions in Mercury (Green), NSW Treasury Corporation (Sustainable), NBN (Green), Mirvac (Green) and SA Power Networks (Green). Underperformance came from the Underlying Fund's positions in ANZ (Sustainable), OCBC (Green), Bank Australia (Sustainable), Housing Australia (Social) and Australian Postal Corporation (Sustainable).

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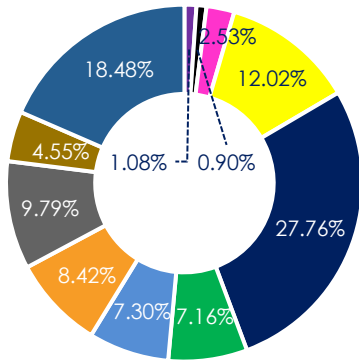
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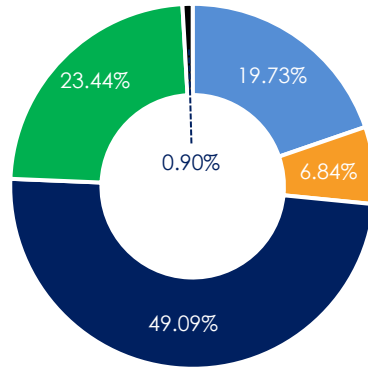
PORTFOLIO BREAKDOWN#

SECTOR BREAKDOWN



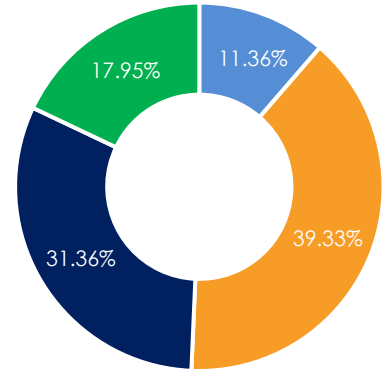
- Agencies
- Cash
- Consumer Staples
- Educational Services
- Financial
- Real Estate
- Semi Government
- Supranational
- TMT
- Transportation & Logistics
- Utilities

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#

The record-breaking primary market we witnessed throughout 2024 came to a halt in mid-December. There were only a handful of deals earlier in the month, with the last AUD corporate deal of the year on December 12th. Whilst primary market supply was limited, strong secondary market demand continued providing a tailwind for credit spreads. This allowed trading desks to clear some of their inventory, further supporting credit spreads. Higher beta BBB rated corporate bonds and subordinated debt outperformed lower beta and higher rated corporates, retracing much of the widening seen in November. Whilst there were some positions that were mildly wider MoM, ~85% of issuers in the Underlying Fund had a positive contribution from credit spread tightening MoM.

AS AT 31 ST DECEMBER 2024	PRICE	CHG ON MTH
ITRAXX AUSTRALIA 5YR	0.69%	0.03%
ITRAXX EUROPE 5YR	0.58%	0.02%
ITRAXX EUROPE XOVER 5YR	3.13%	0.15%
CDX US IG 5YR	0.50%	0.02%
CDX US HY 5YR	3.11%	0.16%

METRICS FOR THE UNDERLYING FUND#

With limited primary market activity in the final month of the year, the trading volume of the Underlying Fund reduced considerably resulting in no notable moves in the Underlying Fund's metrics. In December, new inflows were largely deployed into shorter dated floating rate notes which led to a small MoM decrease in the Underlying Fund's credit and interest rate duration. Whilst 3yr government bond yields traded in a 30bp range during December, they finished only 9bp lower at 3.81%. The modest move lower suited the Underlying Fund's above benchmark interest rate duration position, which was another positive contribution to this month's returns. Artesian are expecting another strong start to the new year, as a couple of large new issues have already priced in the first few business days of the year.

AS AT 31 ST DECEMBER 2024	FUND	BENCH-MARK
INTEREST RATE DURATION	2.94	2.4
CREDIT DURATION	2.71	2.4
YIELD TO MATURITY	4.74%	4.14%
YIELD TO WORST	4.68%	4.14%
BLOOMBERG COMPOSITE RATING (weighted average)	A	AA+

*Using the Morningstar methodology for Average Credit Quality

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NEW ISSUES#

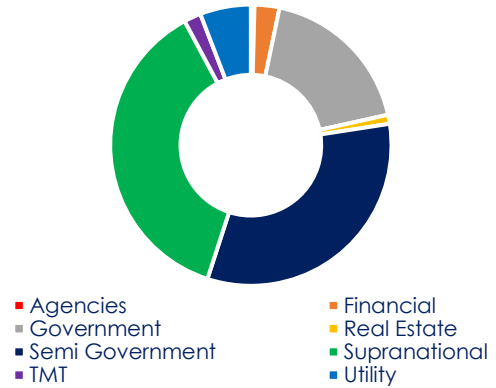
Another record year of issuance in the AUD market!

The SSA sector continues to be the largest issuer of labelled bonds in the AUD market. In addition to the volume they bring, they are also on the front foot with regards to innovation within bond structures and labels.

Not only did the Underlying Fund see growth in volume, but Artesian also saw new domestic and international corporates issuing labelled bonds. Australia joined a long list of sovereigns to have issued a labelled bond when the Australian Office of Financial Management issued an AUD 7b 10yr green bond in June.

In 2025, the Underlying Fund will continue working with corporate issuers with the aim of increasing the investable universe and high impact projects Artesian are looking to fund for investors.

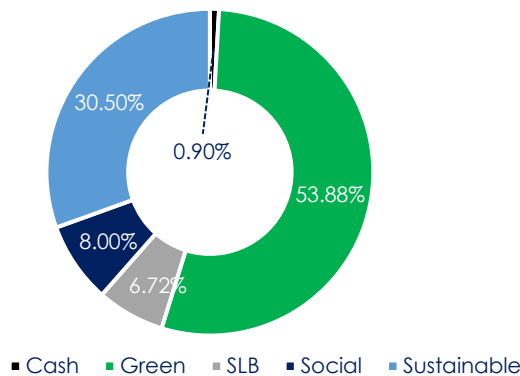
2024 AUD ESG BOND ISSUANCE BY SECTOR



ISSUER	Total Issuance \$ Billion	Govt. & SSA \$ Billion	Financials \$ Billion	Corporates \$ Billion
2024 AUD ESG BOND ISSUANCE	38.4	33.9	1.1	3.4
2023 AUD ESG BOND ISSUANCE	20.4	15.7	2.0	2.6
2022 AUD ESG BOND ISSUANCE	12.5	9.9	0.6	2.0
2021 AUD ESG BOND ISSUANCE	20.6	14.1	3.1	3.3

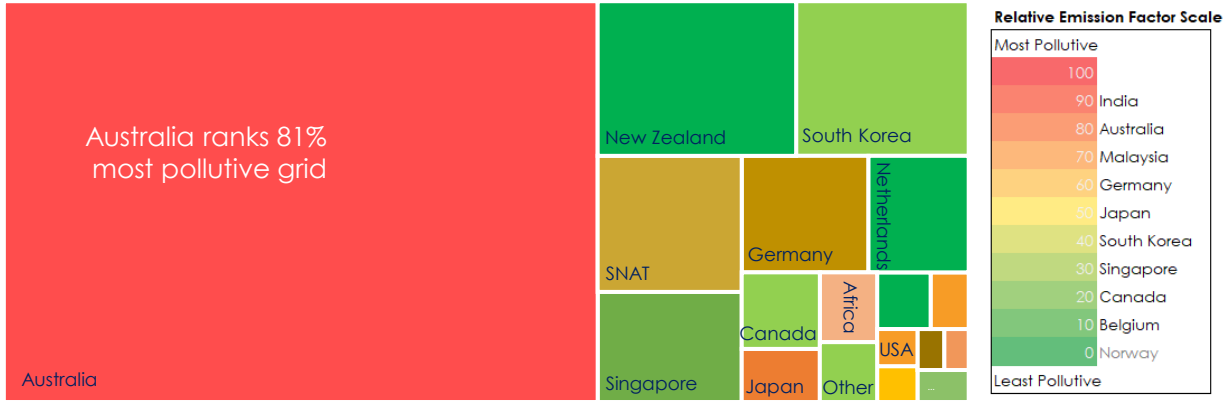
GREEN, SUSTAINABLE AND SOCIAL HOLDINGS#

BOND TYPE





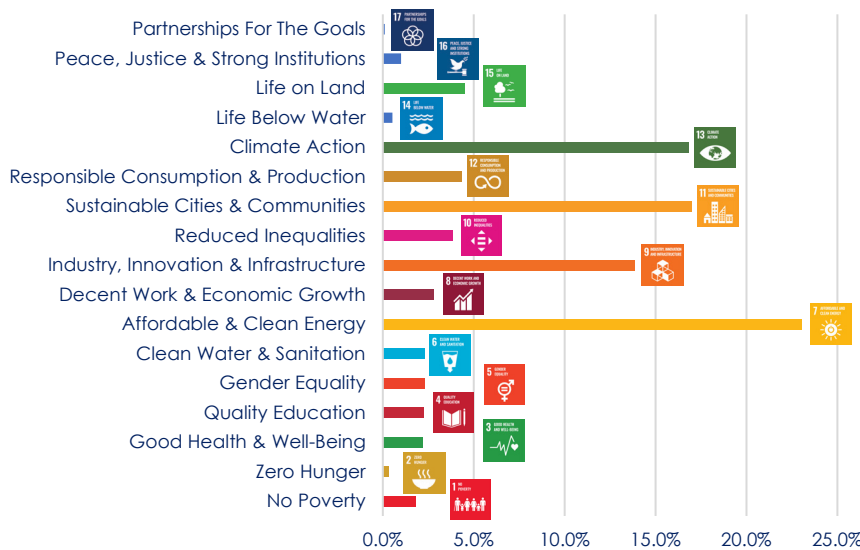
ALLOCATION OF FUNDS IN THE UNDERLYING FUND#



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 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 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 57% 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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