

MONTHLY UPDATE

Fund Objective: The Artesian Green & Sustainable Bond Fund (Fund) will invest in a diversified portfolio of liquid, predominately investment grade fixed and floating rate green, sustainable and social corporate bonds. The Fund aims to provide returns above the Bloomberg AusBond Composite 0-5 Yr Index throughout all interest rate cycles. Note the target return is not a forecast. It is merely an indication of what the Fund aims to achieve over the medium term on the assumption that credit markets remain relatively stable throughout the investment timeframe. The Fund may not be successful in meeting the target return. Returns are not guaranteed.

A S A T 31 ST JAN 25	FUND PERFORMANCE							
	1 month	3 months	6 months	1 year	2 year	3 year	4 year	Since Inception (p.a.)
GROSS FUND RETURN	0.55%	2.07%	2.64%	5.59%	5.27%	3.28%	2.27%	2.69%
NET FUND RETURN	0.50%	1.95%	2.39%	5.07%	4.74%	2.76%	1.76%	2.17%
BLOOMBERG AUSBOND COMPOSITE 0-5 YR Index	0.40%	1.63%	2.15%	4.00%	3.61%	1.79%	0.90%	0.92%
ACTIVE RETURN (net Fund return - benchmark)	0.11%	0.32%	0.24%	1.06%	1.14%	0.98%	0.86%	1.25%

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.

PORTFOLIO UPDATE

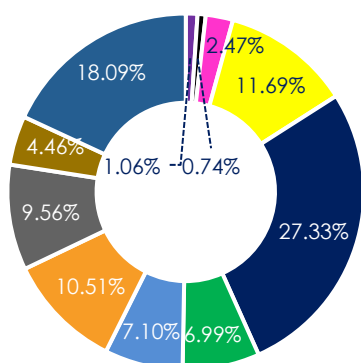
2025 is off to a very strong start, especially in the domestic primary market. The World Bank issued an AUD 2b Sustainable Bond on January 3rd, followed by an AUD 1.5b KfW Bankengruppe Green Bond on January 5th. According to our records, it's the first month in the AUD bond market that labelled bond issuance (AUD 11.5b) exceeded regular bond issuance (AUD 10.7b). This is quite notable considering Trump's recently announced policies on climate and the environment. Markets also had a strong start to the year with equities and bonds both rallying. Bond markets were volatile due to the concern about Trump's policies fuelling inflation. With that said, Australian Government 3yr yields traded in a 28bps range (3.78% to 4.06%) but finished MoM 5bps lower at 3.81%.

The Fund's outperformance versus benchmark in January was driven by the overweight credit duration positioning (credit spreads were lower/tighter) and overweight interest rate duration positioning (interest rates were lower/tighter). The Fund's running yield of 4.70% versus the benchmark's 4.10%, also contributed to the monthly outperformance versus benchmark.

Outperformance in January came from the Fund's positions in NBN (Green), Optus (Sustainability-Linked), Power SA (Green), New South Wales Treasury Corporation (Sustainable) and Woolworths (Sustainability-Linked). Underperformance came from the Fund's positions in ANZ (Sustainable), OCBC (Green), Bank Australia (Sustainable) and QIC Shopping Centre Fund (Green).

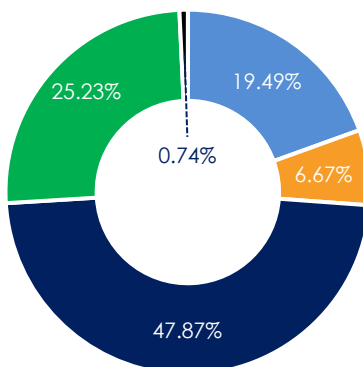
PORTFOLIO BREAKDOWN

SECTOR BREAKDOWN



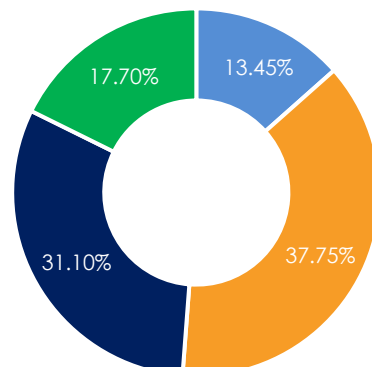
- Agencies
- Consumer Staples
- Financial
- Semi Government
- TMT
- Utilities
- Cash
- Educational Services
- Real Estate
- Supranational
- Transportation & Logistics

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

Credit spreads were tighter in January, evidenced by the first major bank deal issued on January 6th by CBA. The 5yr dual tranche floating rate note (FRN) and fixed rate bond, launched at 90bps and priced at 84bps after receiving AUD 6.22b in orders. The total deal size was AUD 3b (2.5b FRN, 0.5b fixed rate) and the FRN rallied 6bps into month end. We don't usually see non-financial issuance in January, but this year Toyota, Vicinity and United Energy all issued bonds. These deals attracted large primary order books and rallied 6bps to 8bps in the secondary market. Major bank 5yr call subordinated spreads are hovering around 150bps, which is 1.9x their senior spreads. Whilst the carry on these FRN securities at 5.70% is quite attractive, it is difficult to see them rallying much further from here. The steady issuance of subordinated bank bonds by both Australian and international banks is likely to continue in 2025, which will put a floor under spreads getting much tighter from existing levels.

AS AT 31 ST JANUARY 2025	PRICE	CHG ON MTH
ITRAXX AUSTRALIA 5YR	0.67%	-0.03%
ITRAXX EUROPE 5YR	0.53%	-0.05%
ITRAXX EUROPE XOVER 5YR	2.88%	-0.25%
CDX US IG 5YR	0.49%	-0.01%
CDX US HY 5YR	3.00%	-0.11%

FUND METRICS

The Fund was very active in January, spurred on by the robust volume of the new issue market. The interest rate duration of the Fund was reduced towards the end of the month, as Australian Government 3yr yields rallied in anticipation of an RBA rate cut at their February meeting. The market has priced in a 90% chance of a cut, we are much less convinced and wouldn't be surprised to see a "dovish hold". The market has also priced 90bps of cuts into the Australian market over the next 12 months, again, we think this is too aggressive and are positioned for a pull back. With a trade war almost certain now, the Fund will take a conservative interest rate duration position and look for opportunities amongst the headlines and volatility. Whilst the credit duration remains unchanged around 2.8yrs, there has been a continuing rotation into higher credit quality bonds.

AS AT 31 ST JANUARY 2025	FUND	BENCH-MARK
INTEREST RATE DURATION	2.20	2.34
CREDIT DURATION	2.77	2.34
YIELD TO MATURITY	4.74%	4.10%
YIELD TO WORST	4.70%	4.10%
BLOOMBERG COMPOSITE RATING (weighted average)	A	AA+

*Using the Morningstar methodology for Average Credit Quality

NEW ISSUES

A very impressive start to the year for labelled bond issuance in the AUD market. We recorded 11 new deals from 10 unique issuers for a total volume of AUD 11.5b.

ISSUER	Bond Type	Issue Date	Issue Size \$M	Fixed/Floating	Maturity
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT	Sustainable	3-Jan-25	1,750	Fixed	10-Jan-30

Issuer	THE WORLD BANK IBRD - IDA
Currency	AUD
Sector	Supranational
SDG Alignment	

The International Bank of Reconstruction & Development (IBRD) are a frequent labelled bond issuer in the AUD market. IBRD issued their first AUD labelled green bond back in 2018 and currently have AUD 15.6b in labelled bonds outstanding.

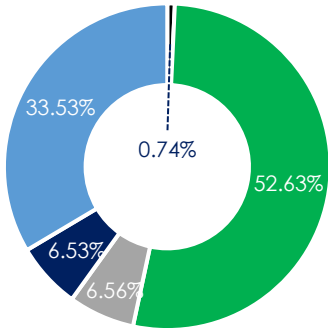
The World Bank is one of the largest global issuers of sustainable financing instruments and its mandates and targets are widely respected. Our review of the eligible project examples and those from previous issuances provide confidence that this issuance will result in positive environmental and social impact. We are pleased with the reporting to date for previous issuances and are satisfied that an amount equal to the proceeds of the issuance will be allocated to eligible projects.

Eligible Projects	<p>Eligible green projects include:</p> <ul style="list-style-type: none"> • Manage water holistically • Address biodiversity conservation • Prepare national plans and legislation to protect the environment • Contribute to climate mitigation
	<p>Eligible social projects include:</p> <ul style="list-style-type: none"> • Improve health care, nutrition, and childhood development • Improve equitable access to education

GREEN, SUSTAINABLE & SOCIAL

CARBON ABATEMENT

BOND TYPE



■ Cash ■ Green ■ SLB ■ Social ■ Sustainable

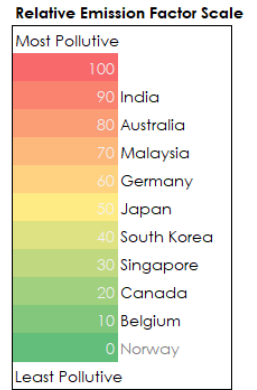
Fund	
January's estimated carbon abatement	636 tCO ₂ e*
Since inception estimated carbon abatement ¹	50,182 tCO ₂ e*
% of Fund used in this estimation	40%

One of the primary goals for the Fund is to report regularly on the impact that the bonds we have invested in are having on the environment. As issuers report their use of proceeds achievements, we update our records and this should also lead to a continual increase in the 40% of the Fund used to calculate the carbon abatement.



Equivalent to **23,525 cars**** off the road for a year, since fund inception

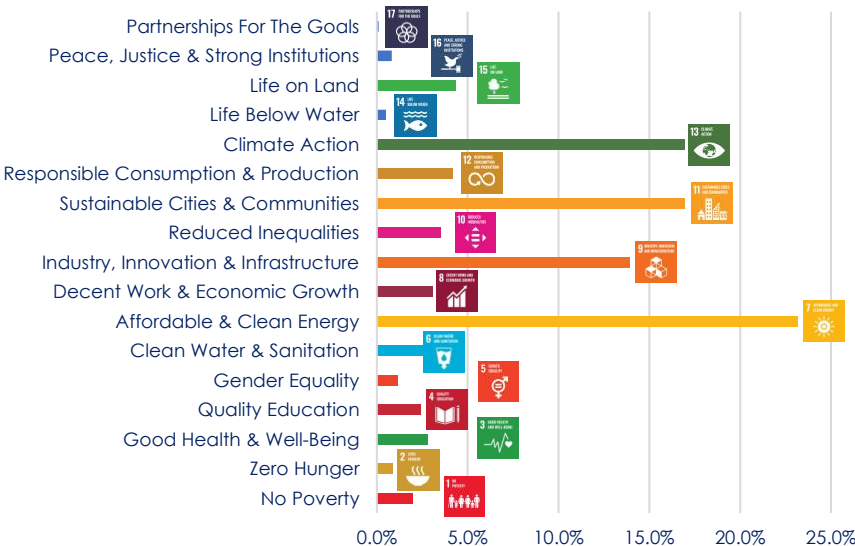
ALLOCATION OF FUNDS HEATMAP



Source: Artesian, EIB; Relative Emission Factor is measured across 43 countries/regions; Oct 2022

The heatmap above shows which countries the 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 Fund, we 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 Fund is most aligned with Clean Energy, Climate Action and Sustainable Cities, making up 57% of the Fund's targeted SDGs. The Fund currently supports 17 of the 17 SDGs.

IMPACT SINCE INCEPTION

156,562



Trips made on clean & sustainable transportation.

22



Affordable housing dwellings financed.

44%



Fund bond issuers supporting TCFD.

102,271,394



Litres of water saved.

2,281



People provided with access to education.

13%



Fund bond issuers supporting PCAF.

16,083



Square metres of green energy efficient buildings financed.

100%



Female representation on board of Fund holdings.

88%



More than one female on board of Fund holdings.

91



People provided with access to water & sanitation.

177



Jobs created or preserved.

The figures above are not actuals they are estimates using pro rata calculations taken from issuers use of proceeds reports, done on a best-efforts basis.

NOTES

*We take a conservative approach to estimating the carbon abatement of our portfolio holdings. If we own a bond that has not yet produced a use of proceeds report or something similar, we don't report any carbon abatement whatsoever. For those issuers who have produced a use of proceeds report, we pro rata the Fund's allocation of the reported carbon abatement. We use the previously reported 12-month carbon abatement figures to project the following 12 months and update those as soon as a new report from the issuer is produced.

**As per the ABS's latest Survey of Motor Vehicle Use ([link](#) as of 20 Mar'19), Passenger Vehicles in Australia on average travelled 12,600km a year in 2018. As per NTC's latest emission intensity paper ([link](#); as of Jun'20), Passenger Vehicles in Australia on average had an emission intensity of 169g/km in 2019 (or 169.8g/km in 2018). As a result, we defined the carbon footprint of an average passenger vehicle in Australia as 2.14t CO2e per year being $[(169g/km \times 12,600km) / 1,000,000]$.

The impact metrics published in this document reflects 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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