



### 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 | Since Inception |
|---|--------|-------|-----------------|
| Artesian Green & Sustainable Bond Fund (AUD)                | -0.40% | 0.29% | 1.06%           |
| Bloomberg AusBond Composite 0-5 Yr Index 100% Hedged to NZD | -0.41% | 0.13% | 0.98%           |

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 the Artesian Green and Sustainable Bond Fund (NZD) is 19 June 2023.

| PERFORMANCE of the Underlying Fund <sup>#</sup> | 1 Mth  | 3 Mth  | 6 Mth  | 1 Yr  | 2 Yr   | 3 Yr   | Since Inception (p.a.) |
|---|--------|--------|--------|-------|--------|--------|------------------------|
| Gross Fund Return                               | -0.40% | 0.21%  | -0.05% | 3.87% | 0.57%  | 0.40%  | 0.89%                  |
| Net Fund Return                                 | -0.45% | 0.08%  | -0.30% | 3.36% | 0.07%  | -0.10% | 0.38%                  |
| Bloomberg AusBond Composite 0-5 Yr Index        | -0.50% | -0.18% | -1.16% | 1.56% | -0.69% | -1.08% | -0.97%                 |
| Active Return (net Fund return - benchmark)     | 0.05%  | 0.27%  | 0.86%  | 1.80% | 0.76%  | 0.97%  | 1.35%                  |

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<sup>#</sup>

Bond yields continued to trend higher in October, tempered only by heightened geopolitical uncertainty. US 10yr Treasury yields pushed above 5% for the first time since 2007, which weighed on equity markets and other risk assets. Australian 10yr yields peaked at 4.94% on the last trading day of the month and will likely break through 5.00% in the not-too-distant future. Credit spreads drifted wider, but the AUD market did outperform versus the USD and EUR markets.

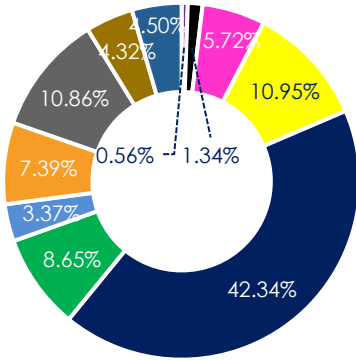
The Underlying Fund's outperformance versus benchmark in October was driven by the underweight interest rate duration positioning. The Underlying Fund's running yield of 5.52% versus the benchmark of 4.76%, also positively contributes to the outperformance on a monthly basis.

In October, the Underlying Fund's best performing positions were QIC Shopping Centre Fund (Green), Woolworths (Green & SLB), KFW (Green) and Asian Development Bank (Social). Underperformance came from the Underlying Fund's positions in Australian Postal Corporation (Sustainable), NBN (Green) and Australian & New Zealand Banking Group (Sustainable).



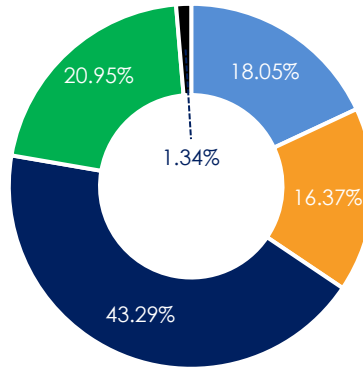
## PORTFOLIO BREAKDOWN#

### SECTOR BREAKDOWN



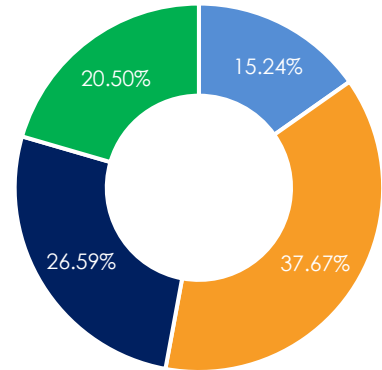
- Agencies
- Consumer Staples
- Financial
- Semi Government
- TMT
- Utilities
- Cash
- Educational Services
- Real Estate
- Supranational
- Transportation & Logistics

### 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#

Consistent with the past couple of months, credit indices continue to drift wider. This month AUD investment grade corporate bond spreads also trended wider, in the range of +1bp to +5bps. The local market held up better than the USD and EUR market, which were +10bps to +15bps wider. Artesian believe the AUD market will continue to be well supported, as investors continue to be attracted to the outright level of yields. For example, during the month the Port of Brisbane issued a 7yr fixed rate bond and Transurban Queensland issued a 6.5yr fixed rate bond, both yielding a respectable 6.4%. Floating rate notes are also luring investors, during the month IAG issued a subordinated bond with a 5yr call date yielding 6.85% (BBSW 4.35% + 2.50%).

| AS AT 31 <sup>ST</sup> OCTOBER 2023 | PRICE | CHG ON MTH |
|-------------------------------------|-------|------------|
| ITRAXX AUSTRALIA 5YR                | 0.97% | 0.09%      |
| ITRAXX EUROPE 5YR                   | 0.86% | 0.06%      |
| ITRAXX EUROPE XOVER 5YR             | 4.50% | 0.22%      |
| CDX US IG 5YR                       | 0.80% | 0.06%      |
| CDX US HY 5YR                       | 5.17% | 0.36%      |

## METRICS FOR THE UNDERLYING FUND#

The Underlying Fund was active throughout October. The spike in government bond yields looked like a good entry point to add some interest rate duration (IRD) from an underweight position relative to benchmark. The IRD was increased by 0.27yrs to 2.37yrs. The 3.00% to 4.00% range in 3yr Australian government bond yields has been re-racked higher and now looks more likely to oscillate between 3.50% to 4.50%. Whilst credit was a little softer in October, the market still feels relatively well bid, due to the outright yields available for investment grade issuers with sound credit fundamentals. Whilst the Underlying Fund has been active in primary and secondary markets, Artesian have also been focused on retaining the average credit rating of A.

| AS AT 31 <sup>ST</sup> OCTOBER 2023           | FUND  | BENCH-MARK |
|---|-------|------------|
| INTEREST RATE DURATION                        | 2.37  | 2.49       |
| CREDIT DURATION                               | 3.06  | 2.49       |
| YIELD TO MATURITY                             | 5.55% | 4.76%      |
| YIELD TO WORST                                | 5.52% | 4.76%      |
| BLOOMBERG COMPOSITE RATING (weighted average) | A     | AA+        |

\*Using the Morningstar methodology for Average Credit Quality

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## NEW ISSUES#

October was a quiet month for AUD labelled bond new issuance. Artesian recorded AUD 600m, all from the Sovereign, Supranational and Agency sector. Most volume was due to issuers tapping their existing bonds as opposed to issuing new bonds.

| ISSUER                         | Bond Type   | Issue Date | Issue Size \$M | Fixed/<br>Floating | Maturity |
|--------------------------------|-------------|------------|----------------|--------------------|----------|
| AUSTRALIAN CATHOLIC UNIVERSITY | Sustainable | 25-Jul-17  | 200            | Fixed              | 3-Aug-27 |

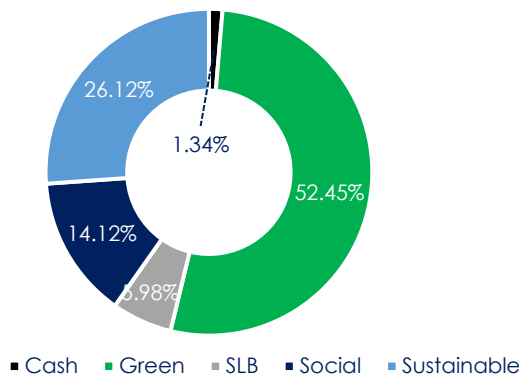
|                   |   |
|-------------------|---|
| Issuer            |  AUSTRALIAN CATHOLIC UNIVERSITY  |
| Currency          | AUD   |
| Sector            | Educational Services  |
| SDG Alignment     |     |
| Eligible Projects | <p>The eligibility criteria includes expenditures that are related to:</p> <ol style="list-style-type: none"> <li>1. Education and healthcare research conducted by institutes that aims to benefit vulnerable populations.</li> <li>2. The financing or refinancing of buildings that have been designed and built with a minimum 5-star BGCA Green Star Design or As Built rating or meet the Low Carbon Buildings criteria of the Climate Bonds Standard (Green Buildings).</li> </ol> |

The Underlying Fund recently purchased the Australian Catholic University's sustainable bond in the secondary market. Issued a little more than 5yrs ago, the bond rarely hits the secondary market so Artesian were quite pleased to add it to the Underlying Fund in October.

ACU has committed to not knowingly being involved in the financing of any projects or activities that meet the exclusionary criteria through the proceeds of ACU sustainable bonds. Excluded projects and activities include those related to alcohol, tobacco, gambling, adult entertainment, weapons and small arms, live cattle, whaling, predatory lending activities, palm oil and fossil fuels. The criteria also excludes the use of proceeds to fund large-scale hydro projects, transmission infrastructure & systems requiring over 25% fossil-fuel-generated electricity and animal testing for pharmaceutical products, medical devices and biotechnology.

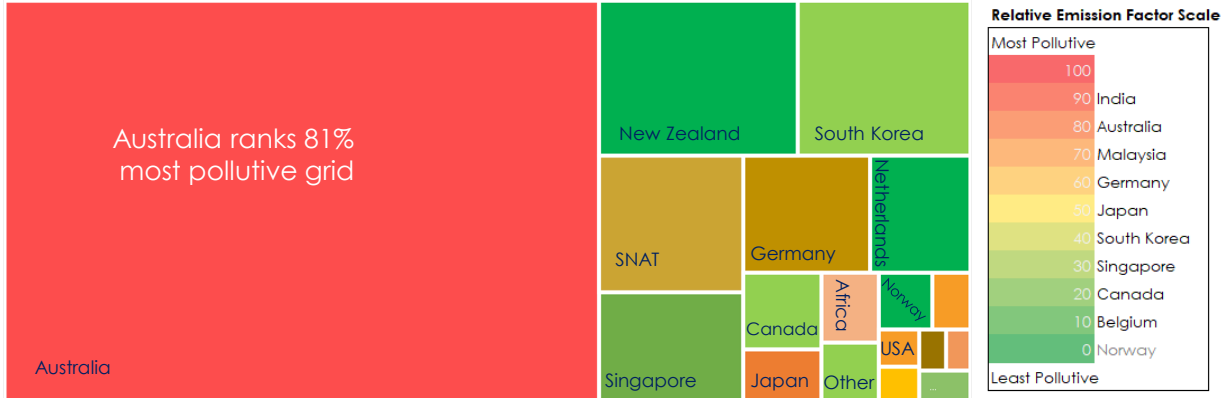
## GREEN, SUSTAINABLE AND SOCIAL HOLDINGS#

BOND TYPE





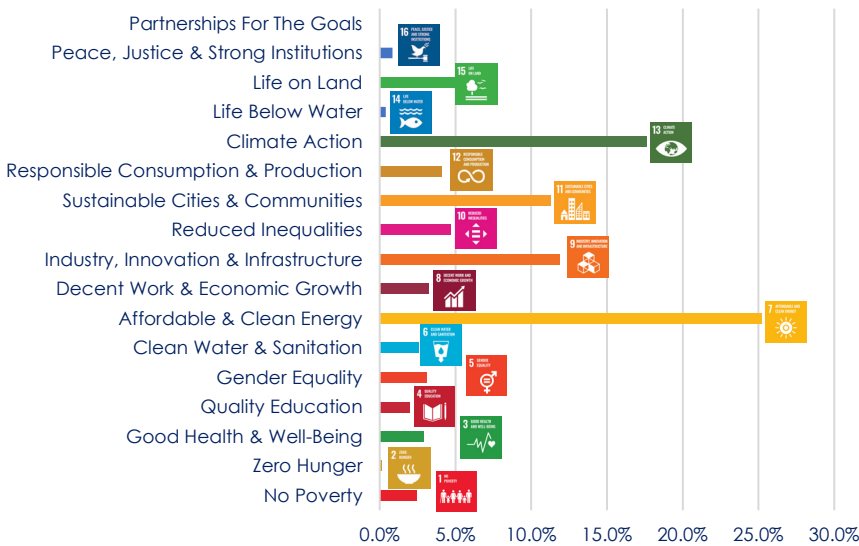
## ALLOCATION OF FUNDS IN THE UNDERLYING FUND#



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 gCO<sub>2</sub>e/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 56% 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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