

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.

AS AT 31 ST AUGUST 2023	FUND PERFORMANCE					
	1 month	3 months	6 months	1 year	2 year	Since Inception (p.a.)
GROSS FUND RETURN	0.91%	0.89%	2.56%	4.52%	0.02%	1.18%
NET FUND RETURN	0.87%	0.76%	2.31%	4.00%	-0.48%	0.67%
BLOOMBERG AUSBOND COMPOSITE 0-5 YR Index	0.70%	0.27%	1.65%	2.61%	-1.34%	-0.73%
ACTIVE RETURN (net Fund return - benchmark)	0.17%	0.49%	0.65%	1.39%	0.87%	1.39%

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

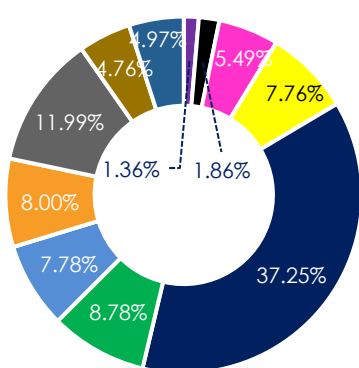
Another solid month of performance for the Fund in August. There was a notable pick up in volatility due to the renewed stress in the Chinese property market. Although the US was downgraded by Fitch to AA+, this had very little effect on the US or markets more generally. Government bond yields finished marginally higher in the long end of the curve, yet front end yields were unchanged, leading to steeper yield curves. Credit spreads drifted marginally tighter and there was notable spread compression on some corporate bonds issued throughout the month which aided returns.

The Fund's outperformance versus benchmark was largely driven by the overweight credit duration positioning. In addition, the Fund's running yield of 4.84% versus the benchmark of 4.12%, also positively contributes to the outperformance on a monthly basis.

There was outperformance from +85% of the Fund's bond positions in August. Outperformance was achieved by the Fund's positions in La Trobe University (Green), QIC Shopping Centre Fund (Green), Transpower (Green) and Woolworths (Green & SLB). Underperformance came from the Fund's positions in Australian Postal Corporation (Sustainable), ANZ (Sustainable), Industrial Bank of Korea (Green) and Western Australia Treasury Corporation (Green).

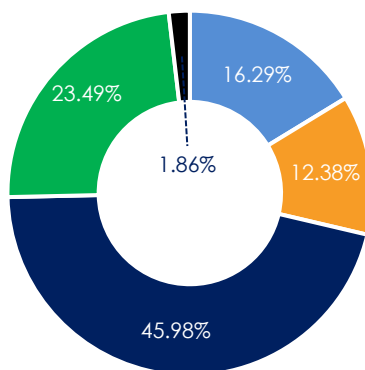
PORTFOLIO BREAKDOWN

SECTOR BREAKDOWN



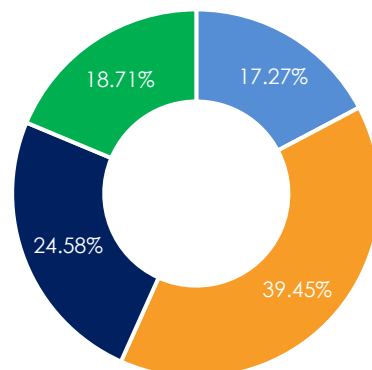
- Agencies
- Cash
- Consumer Staples
- Educational Services
- Financial
- Real Estate
- Semi Government
- Supranational
- TMT
- Transportation & Logistics
- Utilities

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

With the increased volatility, it was unsurprising to see credit indices drift wider as investors hedged their credit portfolios. AUD corporate bond spreads however, continued to grind tighter even though new issue volumes were elevated in August. To offset the outright volume of new issues, we witnessed corporates issuing 10bps to 30bps wider than their credit curve in the secondary market. The Fund was active in the new issue market throughout August and remains well placed for these new deals to roll down the curve to fair value. The elevated levels of new issuance in primary markets has also led to increased volume being traded in secondary markets. Hence, the increased liquidity in the investment grade corporate bond market was notable.

AS AT 31 ST AUGUST 2023	PRICE	CHG ON MTH
ITRAXX AUSTRALIA 5YR	0.78%	0.05%
ITRAXX EUROPE 5YR	0.70%	0.03%
ITRAXX EUROPE XOVER 5YR	3.96%	0.16%
CDX US IG 5YR	0.64%	0.01%
CDX US HY 5YR	4.25%	0.16%

FUND METRICS

The Fund's interest rate duration (IRD) is sitting just below the benchmark at 2.25yrs. We are still managing the Fund's IRD around the 3yr part of the curve, targeting the 3.00% to 4.00% range in 3yr yields. 3yr Australian Government bonds yields finished the month at 3.73%, which is 50bps lower than the 2023 high of 4.23% reached in July. We will continue to maintain the current interest rate duration until we drift lower towards our 3.00% target. The Fund's credit duration currently sits at 3.05yrs, which reflects our neutral view on credit spreads over the short to medium term. Credit spreads are currently wider than the average of the past 12 months, which we believe reflects good value considering we are nearing the end of the rate hike cycle which began in May 2022.

AS AT 31 ST AUGUST 2023	FUND	BENCH-MARK
INTEREST RATE DURATION	2.25	2.4
CREDIT DURATION	3.05	2.4
YIELD TO MATURITY	4.84%	4.12%
YIELD TO WORST	4.84%	4.12%
BLOOMBERG COMPOSITE RATING (weighted average)	A	AA+

*Using the Morningstar methodology for Average Credit Quality

NEW ISSUES

There was a reasonable amount of new labelled bond issuance in the AUD market during August. We recorded AUD 1.5b issued by 4 unique issuers. It was great to see NBN return to the AUD green bond market with their second green bond.

ISSUER	Bond Type	Issue Date	Issue Size \$M	Fixed/Floating	Maturity
NBN CO LTD	Green	17-Aug-23	850	Fixed	25-Aug-28

Issuer	
Currency	AUD
Sector	Technology, Media, and Telecom (TMT)
SDG Alignment	
Eligible Projects	Energy efficiency: Deployment of Australia's broadband network, using a more energy-efficient technology such as a fixed line fibre optic connection instead of legacy technology (i.e. copper), to lift the digital capability of Australia.
	Renewable energy: Purchasing renewable electricity to power the NBN network and infrastructure in line with their RE100 Commitment.

NBN issued their first AUD green bond in April 2022, we were pleased to be involved in those early discussions around their aspirations and the structuring of their green bond program. So, we were equally pleased to see them return to the AUD green bond market in August.

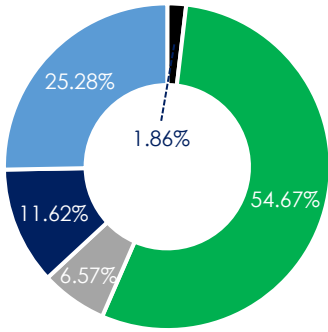
The deal was very well received by the market and attracted orders more than AUD 1.17b. Printing a 5yr maturity was a well thought out decision as there is more demand at that maturity than further out the curve.

NBN is developing a Climate Transition Plan (CTP) to align the company's operations, planning and capital expenditure with its decarbonisation goals, while managing physical and transition climate risks to the NBN network and business.

GREEN, SUSTAINABLE & SOCIAL

CARBON ABATEMENT

BOND TYPE



■ Cash ■ Green ■ SLB ■ Social ■ Sustainable

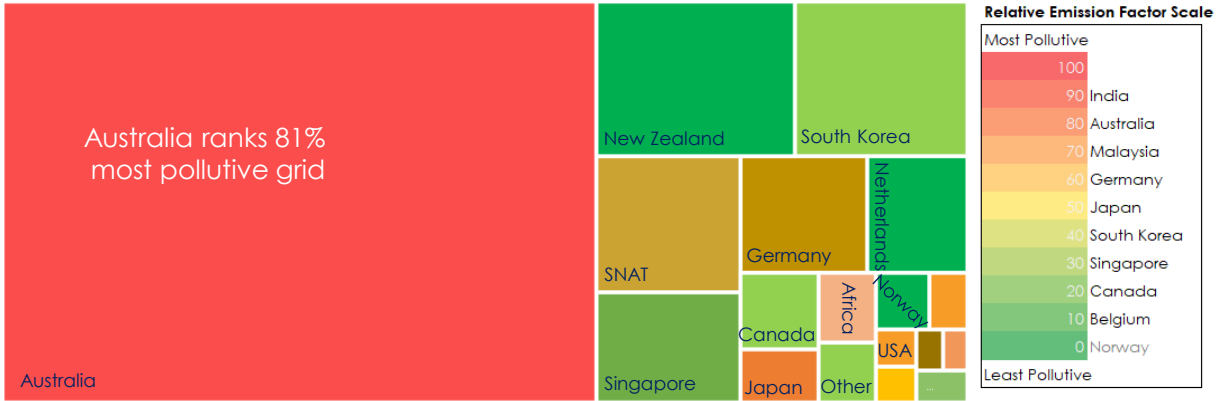
	Fund
August's estimated carbon abatement	2,247.8 † CO2e*
Since inception estimated carbon abatement ¹	54,094.8† CO2e*
% of Fund used in this estimation	43%

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 43% of the Fund used to calculate the carbon abatement.



Equivalent to **25,358 cars**** off the road for a year, since fund inception

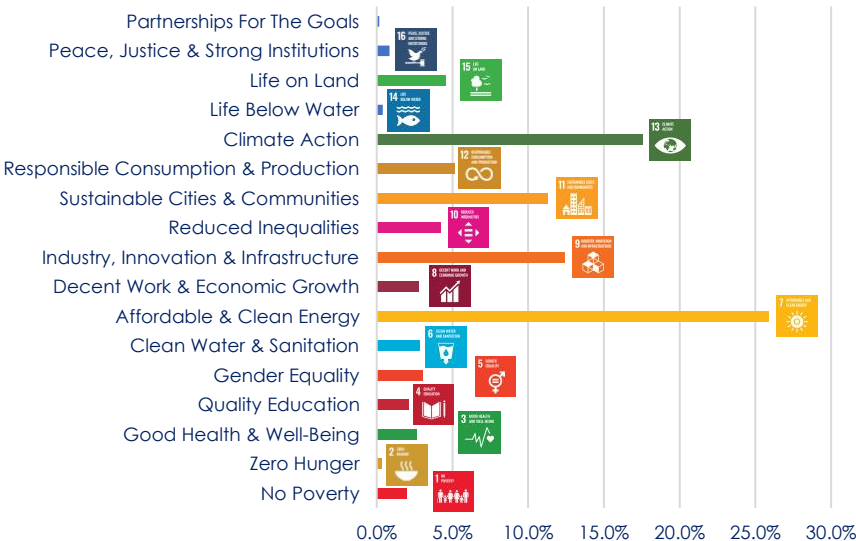
ALLOCATION OF FUNDS HEATMAP



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 55% of the Fund's targeted SDGs. The Fund currently supports 16 of the 17 SDGs, with the goal of supporting all 17 as the Fund grows.

IMPACT SINCE INCEPTION

302,292



Trips made on clean & sustainable transportation.

11



Affordable housing dwellings financed.

52%



Fund bond issuers supporting TCFD.

101,732,416



Litres of water saved.

1,896



People provided with access to education.

21%



Fund bond issuers supporting PCAF.

7,070



Square metres of green energy efficient buildings financed.

100%



Female representation on board of Fund holdings.

85%



More than one female on board of Fund holdings.

39,721



People provided with access to water & sanitation.

162



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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