

# 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 30 <sup>TH</sup> APRIL 2023	FUND PERFORMANCE					
	1 month	3 months	6 months	1 year	2 year	Since Inception (p.a.)
GROSS FUND RETURN	0.45%	1.55%	3.93%	3.74%	-0.02%	1.09%
NET FUND RETURN	0.41%	1.43%	3.67%	3.22%	-0.51%	0.57%
BLOOMBERG AUSBOND COMPOSITE 0-5 YR Index	0.22%	1.26%	2.75%	2.59%	-1.00%	-0.71%
ACTIVE RETURN (net Fund return - benchmark)	0.19%	0.16%	0.92%	0.63%	0.49%	1.28%

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

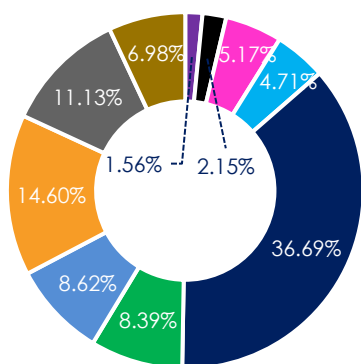
April was relatively calm across credit and interest rate markets. As were the RBA, who took their first pause since the recent hiking cycle began in May 2022. Combined with no considerable economic data surprises, and the fact that April is seasonally quieter due to holidays; this allowed the market to take a bit of a 'breather'. Credit spreads edged tighter with very little activity in primary markets, as investors went in search of corporate bonds in secondary markets. We expect the new issue market to come back to life in May, buoyed on by the major banks (Westpac, ANZ and NAB) who come out of mid-year reporting season blackout.

The Fund had strong outperformance in April from its positions in Optus (Sustainability-Linked), European Investment Bank (Green), Asian Development Bank (Social) and The Canada Pension Plan Investment Board (Green). Underperformance came from the Fund's positions in Macquarie University (Sustainable), Industrial Bank of Korea (Green) and Bank Australia (Sustainable).

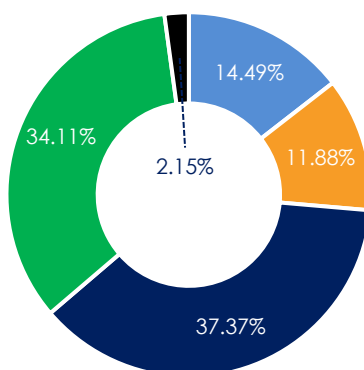
In April, we also learned of the Australian Government's intention to start issuing green bonds in 2024. Well received news and we look forward to working through their offering documents once they become available. Australia has lagged other countries in its reluctance to issue sovereign green bonds. It seems the new government, combined with a new Chief Executive Officer of the Australian Office of Financial Management (Anna Hughes), might have made all the difference. Western Australia have also announced their intention of issuing their first green bond, which could come to market in the coming weeks.

## PORTFOLIO BREAKDOWN

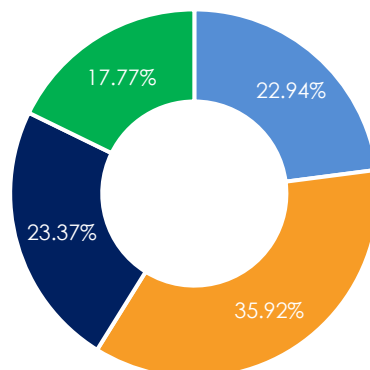
### SECTOR BREAKDOWN



### REGION & PRODUCT



### CREDIT RATING



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

- Australian AUD FRNs
- International AUD FRNs
- Australian AUD Fixed Rate
- International AUD Fixed Rate
- Cash

- AAA
- AA
- A
- BBB

CREDIT SPREADS

Credit was firmer in April, driven by the technical bid for corporate bonds in the secondary market. Most interest was in financials, which led to outperformance versus non-financials. Across the ratings spectrum, AAA and AA rated bonds outperformed A and BBB bonds, as investors sought credit quality and liquidity. Looking at the ranges in AUD corporate bond credit spreads over the past 12 months, we are now roughly in the middle of the range. On a relative value basis when compared with Europe and the US, we have lagged the recent tightening post the SVB/CSFB induced wides in March. This recent underperformance should provide a short-term tailwind to AUD corporate bond spreads.

AS AT 30 <sup>TH</sup> APRIL 2023	PRICE	CHG ON MTH
ITRAXX AUSTRALIA 5YR	0.88%	-0.03%
ITRAXX EUROPE 5YR	0.83%	-0.01%
ITRAXX EUROPE XOVER 5YR	4.35%	-0.01%
CDX US IG 5YR	0.76%	0.00%
CDX US HY 5YR	4.66%	0.03%

FUND METRICS

The lack of new issuance in April meant the Fund's trading volumes were subdued MoM. Although 3yr and 10yr government bond yields are roughly unchanged MoM, they did trade in a 33bps to 37bps range in April. We used the volatility to increase the Fund's interest rate duration (IRD), from 1.66yrs to 1.84yrs. We would look to increase the IRD further with another sell off (spike higher) in 3yr yields. With that said, we still expect the Fund's IRD to remain below the benchmark. We have been recently quite attracted to short dated floating rate notes, due to their attractive risk and return profiles. The attractiveness of 3-month BBSW at 3.7%, will lead us to further rotate some fixed rate bonds into floating rate notes which may also lead to a reduction in credit duration.

AS AT 30 <sup>TH</sup> APRIL 2023	FUND	BENCH-MARK
INTEREST RATE DURATION	1.84	2.46
CREDIT DURATION	2.92	2.46
YIELD TO MATURITY	4.28%	3.49%
YIELD TO WORST	4.28%	3.49%
BLOOMBERG COMPOSITE RATING (weighted average)	A*	AA+

\*Using the Morningstar methodology for Average Credit Quality

NEW ISSUES

A quiet month for new issues, just the 3 new labelled bonds issued for a total of AUD 1.19b in issuance. This month we have highlighted the World Bank's sustainable bond which is aiming to raise awareness for biodiversity.

ISSUER	Bond Type	Issue Date	Issue Size \$M	Fixed/Floating	Maturity
WORLD BANK	Sustainable	27-April-23	840	Fixed	21-Apr-33

Issuer	WORLD BANK GROUP
Currency	AUD
Sector	Sovereign, Supranational and Agency
SDG Alignment	
Example Projects	<p>Conservation of critical ecosystems – Indonesian Coral Reef.</p> <p>Nature based solutions for climate resilience – Turkey Integrated Landscape Project.</p> <p>Financial innovation for conservation – Seychelles blue bond.</p>

The International Bank for Reconstruction and Development was created in 1944 to rebuild Europe after World War II and was soon referred to as the "World Bank".

The World Bank estimates that USD 700b per year is needed to reverse the loss of biodiversity and ecosystem services by 2030.

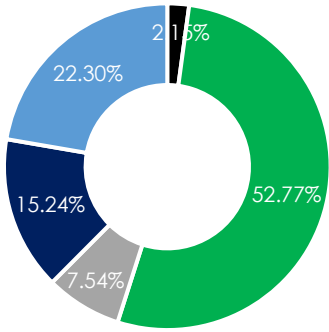
The World Bank is one of the largest international financiers of nature related projects. In 2021, the World Bank biodiversity portfolio included 15 projects with a total commitment value of USD 3b.

They aim to finance projects funding biodiversity, nature-smart sector practises/nature-based solutions and engagement across all lending through dedicated environmental and social standards.

GREEN, SUSTAINABLE & SOCIAL

CARBON ABATEMENT

BOND TYPE



■ Cash ■ Green ■ SLB ■ Social ■ Sustainable

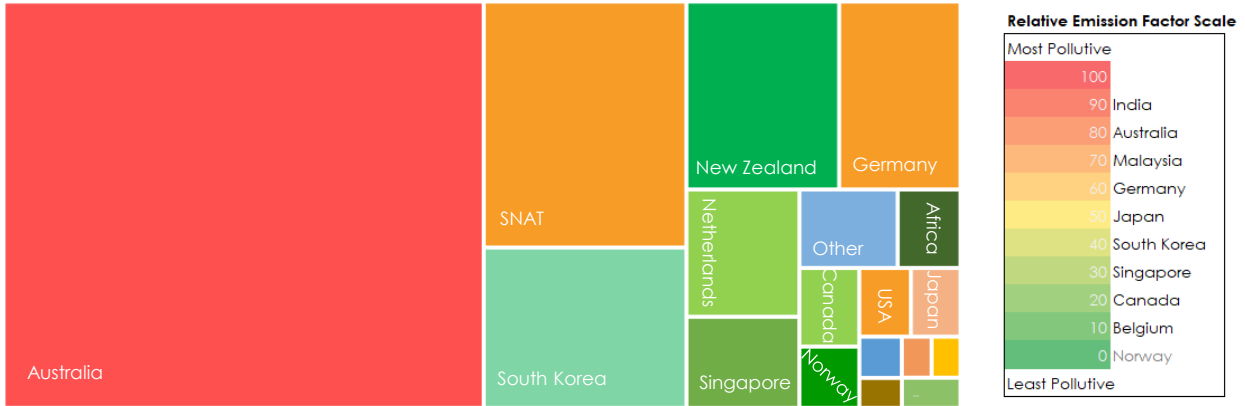
	Fund
April's estimated carbon abatement	2,142.4 t CO2e*
Since inception estimated carbon abatement <sup>1</sup>	42,981.4t CO2e*
% of Fund used in this estimation	43%

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 **20,149 cars\*\*** off the road for a year, since fund inception

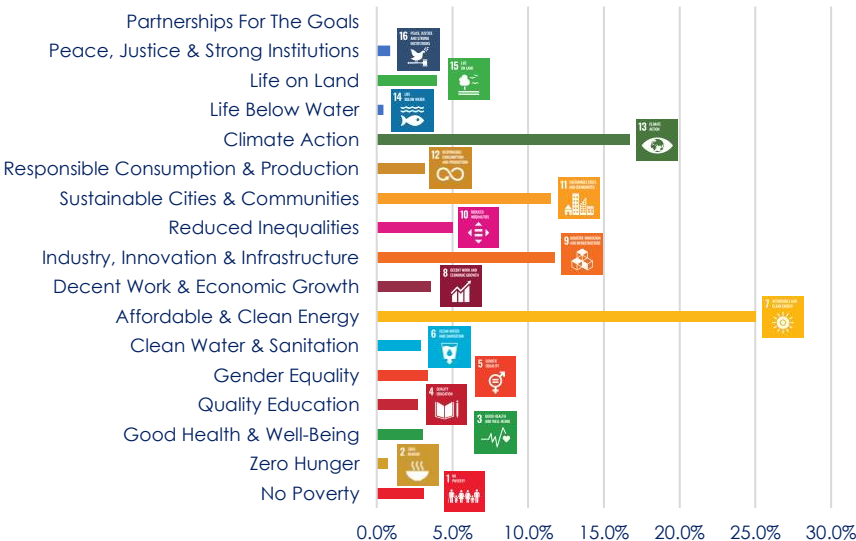
ALLOCATION OF FUNDS HEATMAP



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 53% 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

285,133



**Trips made on clean & sustainable transportation.**

10



**Affordable housing dwellings financed.**

65%



**Fund bond issuers supporting TCFD.**

93,275,386



**Litres of water saved.**

1,602



**People provided with access to education.**

24%



**Fund bond issuers supporting PCAF.**

6,455



**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.**

31,175



**People provided with access to water & sanitation.**

143



**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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