

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 DECEMBER 21	FUND PERFORMANCE				
	1 month	3 months	6 months	1 year	Since Inception (p.a.)
GROSS FUND RETURN	0.16%	-1.14%	-0.95%	-0.18%	1.68%
NET FUND RETURN	0.12%	-1.26%	-1.19%	-0.68%	1.15%
BLOOMBERG AUSBOND COMPOSITE 0-5 YR Index	0.02%	-1.23%	-1.04%	-1.24%	-0.70%
ACTIVE RETURN (net Fund return - benchmark)	0.10%	-0.03%	-0.15%	0.56%	1.85%

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

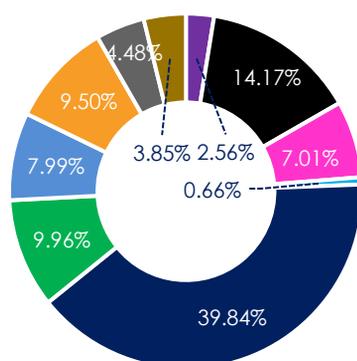
The major talking point for markets in December, was the US Federal Reserve's (the Fed) December meeting and their median projections for interest rates. To combat runaway inflation caused by significant stimulus and then supply bottlenecks, the Fed has signalled they expect to raise interest rates three times in 2022 and three times in 2023. This was more hawkish than what was priced into the market, which sent interest rates higher as expected. After a short-lived wobble in US equities, the S&P now sits at an all-time high. We believe the biggest focus for markets in 2022 will be; how successfully or unsuccessfully central banks are able to manage their (transitory?) inflation pressures.

Whilst yields ended the month higher, the Fund's short interest rate duration positioning relative to benchmark led to outperformance. The Fund's positions in Optus (sustainability-linked), Lendlease (green) and GPT Wholesale Office Fund (green) dragged on returns. This was offset by the Fund's running yield and 3yr to 5yr fixed bonds, namely Asian Development Bank (social), KFW (green), Rentenbank (green) and NRW Bank (social).

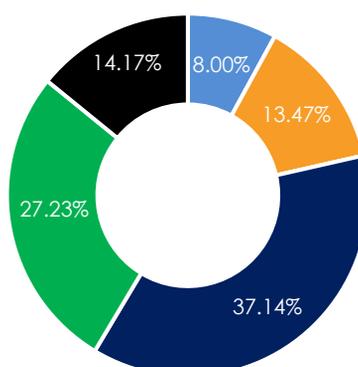
We were pleased to see that Australian companies can now sign up to report of their emissions reduction commitments and improvements. As an investor we are always keen to see improved and more standardised reporting. The Corporate Emissions Reduction Transparency report (CERT) supports climate-related disclosures by Australian companies covered by the National Greenhouse and Energy Reporting (NGER) scheme. Participation is voluntary and open to all companies reporting more than 50 kilotonnes of emissions a year under the NGER scheme.

PORTFOLIO BREAKDOWN

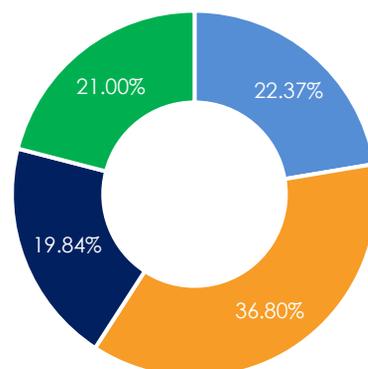
SECTOR BREAKDOWN



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

December was a positive month for risk assets, however credit markets lagged due to limited trading activity over the holiday period. Trading has resumed in early January and as expected, credit spreads have tightened and the market seems positive. Whilst AUD corporate bond spreads were mixed over the month, investment grade credit indices rallied 8bps to 10bps in December. Credit indices are usually a good leading indicator as to the direction of corporate bond spreads as they trade more frequently around the globe. With Omicron cases rising significantly in most countries, we remain underweight those sectors especially sensitive to the virus, for example Airlines and Airports.

GLOBAL CREDIT INDICES	PRICE	CHG ON MTH
ITRAXX AUSTRALIA 5YR	0.64%	-0.09%
ITRAXX EUROPE 5YR	0.48%	-0.10%
ITRAXX EUROPE XOVER 5YR	2.42%	-0.47%
CDX US IG 5YR	0.50%	-0.08%
CDX US HY 5YR	2.93%	-0.34%

FUND METRICS

The Fund took a defensive posture as we went into the seasonally quiet holiday period. With reduced liquidity in the market, combined with some known, yet unpredictable risks lurking such as Covid, China, inflation and central banks – a larger allocation to cash was deemed appropriate. With secondary market trading activity now increasing and the new issue market already up and running, we will look to reallocate cash into relative value corporate bond opportunities over the next few weeks. The increased allocation in cash led to a reduction in credit and interest rate duration and running yield.

AS AT 31 ST DECEMBER 2021	FUND	BENCH - MARK
INTEREST RATE DURATION	1.61	2.52
CREDIT DURATION	3.48	2.52
YIELD TO MATURITY	1.59%	0.97%
YIELD TO WORST	1.57%	0.97%
BLOOMBERG COMPOSITE RATING (weighted average)	A*	AA+

**Using the Morningstar methodology for Average Credit Quality*

NEW ISSUES

This month we have highlighted the annual AUD ESG bond issuance for comparison to previous years. The numbers speak for themselves, but needless to say 2021 was a break out year for the AUD ESG bond market. We were especially pleased by the growth in the corporate ESG bond market. Not only did we have record volumes but we have also seen a diverse set of names from a diverse set of sectors; such as Real Estate, Consumer Discretionary, Telecommunications, Media & Technology (TMT), Utilities and Consumer Staples.

There were many 'firsts' this year in the AUD ESG bond market;

- First Sustainability-Linked Bond (SLB) issued in AUD by Wesfarmers, followed by Woolworths and Optus;
- First AUD TMT sector ESG issuance when Optus issued an SLB;
- First AUD Utility sector ESG issuance by an Australian company when SGSP issued a green bond;
- First New Zealand based corporate to issue in AUD when Mercury issued a green bond.

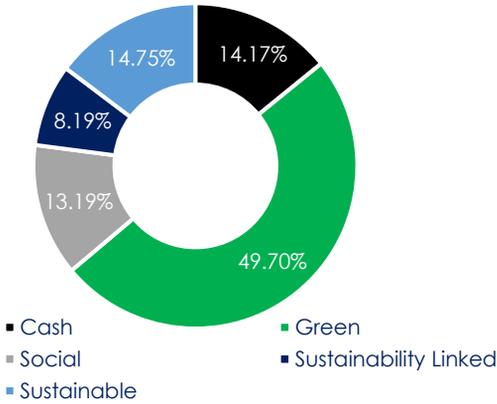
The early signs for 2022 are also very encouraging, the first three AUD bond deals are all ESG labelled bonds.

ISSUER	Total Issuance \$ M	Govt. & SSA \$ M	Financials \$ M	Corporates \$ M
2018 AUD ESG BOND ISSUANCE	5,142	4,366	526	250
2019 AUD ESG BOND ISSUANCE	12,335	9,760	1,125	1,450
2020 AUD ESG BOND ISSUANCE	8,562	6,012	2,050	500
2021 AUD ESG BOND ISSUANCE	20,552	14,148	3,104	3,300

GREEN, SUSTAINABLE & SOCIAL

CARBON ABATEMENT

BOND TYPE



	Fund
December's estimated carbon abatement	535.8t CO2e*
Since inception estimated carbon abatement ¹	7,154.9t CO2e*
% 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 **3,257 cars**** off the road for a year, since fund inception

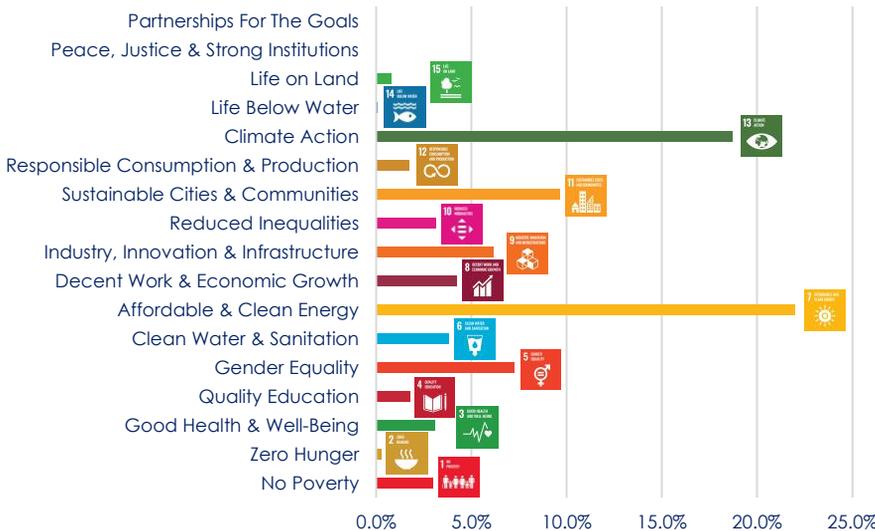
ALLOCATION OF FUNDS HEATMAP



Source: Artesian, EIB; Relative Emission Factor is measured across 43 countries/regions; Oct 2020

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 50% of the Fund's targeted SDGs. The Fund currently supports 15 of the 17 SDGs, with the goal of supporting all 17 as the Fund grows.

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 $[(169\text{g}/\text{km} \times 12,600\text{km}) / 1,000,000]$.*

DISCLAIMER

Equity Trustees Limited (Equity Trustees) ABN 46 004 031 298 AFSL 240975, is the responsible entity for the Artesian Green & Sustainable Bond Fund (Fund). Equity Trustees is a subsidiary of EQT Holdings Limited ABN 22 607 797 615, a publicly listed company on the Australian Securities Exchange (ASX: EQT). This publication has been prepared by Artesian Corporate Bond Pty Ltd ACN 618 342 895 (Artesian), the investment manager for the Fund and an authorised representative of Artesian Venture Partners Pty Ltd ABN 58 112 089 488 AFSL 284492 (Artesian VP), to provide you with general information only. In preparing this publication, we did not take into account the investment objectives, financial situation or particular needs of any particular person. It is not intended to take the place of professional advice and you should not take action on specific issues in reliance on this information. Neither Artesian, Artesian VP, Equity Trustees nor any of their related parties, their employees or directors, provide any warranty of accuracy or reliability in relation to such information or accept any liability to any person who relies on it. Past performance should not be taken as an indicator of future performance. The Fund Target Market Determination is available by visiting www.eqt.com.au/insto. A Target Market Determination is a document which describes who this financial product is likely to be appropriate for (i.e. the target market), and any conditions around how the product can be distributed to investors. It also describes the events or circumstances where the investment manager may need to review the Target Market Determination for this financial product. You should obtain a copy of the Product Disclosure Statement before making a decision about whether to invest in this product. Copies of the product disclosure statement can be obtained by visiting www.eqt.com.au/insto or request a copy by emailing Artesian at greenbondoperations@artesianinvest.com, visiting www.artesianinvest.com or calling +61 3 9028 7392.

CONTACTS:

Matthew Clunies-Ross
David Gallagher

0400 508 680
0412 972 070

matthew@artesianinvest.com
david@artesianinvest.com