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 31ST AUG 2022	FUND PERFORMANCE				
	1 month	3 months	6 months	1 year	Since Inception (p.a.)
GROSS FUND RETURN	-0.46%	0.05%	-2.35%	-4.28%	-0.50%
NET FUND RETURN	-0.50%	-0.08%	-2.59%	-4.76%	-1.02%
BLOOMBERG AUSBOND COMPOSITE 0-5 YR Index	-1.05%	-0.16%	-2.85%	-5.14%	-2.41%
ACTIVE RETURN (net Fund return - benchmark)	0.55%	0.08%	0.25%	0.38%	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

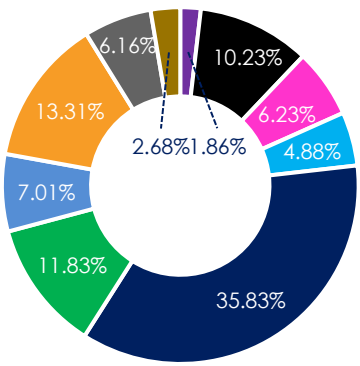
Although a negative return was realised in August, the Fund performed very well versus its benchmark. The Fund's underweight interest rate duration position benefited, as interest rates reversed their July rally and 3yr yields finished the month 45bps higher at 3.28%. The Fund's overweight credit duration position also aided returns, as credit spreads rallied. The Bloomberg AusBond Composite 0+ Yr Index finished August -2.54%. Considering the strong rally in interest rates in July, in early August we took profit and shortened the Fund's interest rate duration. The Fund's credit duration was also shortened as we used the rally in credit spreads to sell some longer dated positions.

The Fund participated in the University of Melbourne's new 7yr green bond in August, which follows on from the University of Tasmania's 10yr green bond issued in March this year. These two new issues add to the other university labelled bond issuers in the AUD market, such as the Australian Catholic University and Macquarie University.

After a very tough 12 months for fixed income, the asset class seems to be back in vogue with investors. Global new fund flows have stimulated market activity and locally supported credit spreads. The AUD credit market outperformed its international peers in August, which led to capital gains in 77% of issuers in the Fund. The strongest monthly performance came from the Fund's positions in Optus (sustainability-linked), University of Tasmania (green) and Investa (green). Underperformance was attributed to the Fund's positions in Industrial Bank Of Korea (green), Macquarie University (sustainable) and Rentenbank (green).

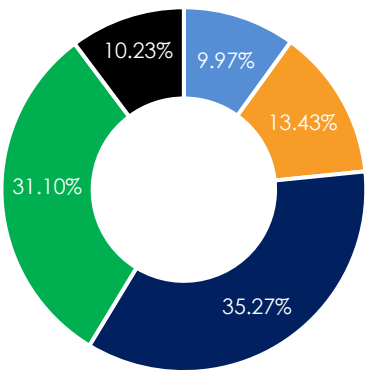
PORTFOLIO BREAKDOWN

SECTOR BREAKDOWN



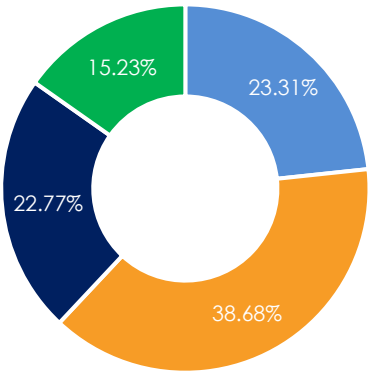
- Agencies
- Consumer Staples
- Financial
- Semi Government
- TMT
- Cash
- Educational Services
- Real Estate
- Supranational
- Utilities

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

AUD credit spreads have been lagging the recent rally we had seen in overseas markets. In August, the backdrop of falling equities and higher interest rates didn't deter credit investors and the ensuing rally was impressive. Whilst low beta credit spreads were only marginally tighter, high beta credit spreads such as tier-two subordinated bank debt, rallied significantly. This was also observable in the new issue market. In early August, ANZ issued a 5yr call date subordinated bond, which rallied 43bps into month end. Fixed rate bonds continue to outperform floating rate notes due to their higher yields. Although, with front end interest rates continuing to push higher on RBA rate rise expectations, we would expect some of that outperformance to mean revert over time. Continued strength in 3-month BBSW, which increased 34bps to 2.46%, supports this theory.

GLOBAL CREDIT INDICES	PRICE	CHG ON MTH
ITRAXX AUSTRALIA 5YR	1.08%	-0.03%
ITRAXX EUROPE 5YR	1.20%	0.19%
ITRAXX EUROPE XOVER 5YR	5.88%	0.79%
CDX US IG 5YR	0.92%	0.12%
CDX US HY 5YR	5.33%	0.62%

FUND METRICS

With the increase in interest rates over the month, the Fund's running yield also increased by 29bps. The Fund's interest rate duration (IRD) was shortened early in the month, a sell-off in 3yr rates of 50bps followed, so towards the end of August the IRD was lengthened but still sits well below benchmark. The Fund's credit duration (CD) was marginally reduced due to the selling of some long dated bonds, namely Lendlease and the Treasury Corporation of Victoria. Considering the bid for corporate bonds in the primary and secondary market, being overweight CD was another positive tailwind to this month's returns. The Fund's focus remains on 3yr to 5yr maturity corporate bonds, where we view outright yields as very attractive. This part of the curve is also quite liquid which is another positive for accruing positions in and round these tenors.

AS AT 31ST AUGUST 2022	FUND	BENCH-MARK
INTEREST RATE DURATION	1.54	2.37
CREDIT DURATION	3.20	2.37
YIELD TO MATURITY	4.01%	3.40%
YIELD TO WORST	4.01%	3.40%
BLOOMBERG COMPOSITE RATING (weighted average)	A*	AA+

**Using the Morningstar methodology for Average Credit Quality*

NEW ISSUES

Just the three new labelled bonds issued in August by the Asian Development Back, European Investment Bank and the University of Melbourne. Total volume for the month was AUD 700m.

ISSUER	Bond Type	Issue Date	Issue Size $M	Fixed/ Floating	Maturity
UNIVERSITY OF MELBOURNE	Green	12-Aug-22	200	Fixed	22-Aug-29

Issuer	THE UNIVERSITY OF MELBOURNE
Currency	AUD
Sector	Educational Services
SDG Alignment	
Eligible Categories	The net proceeds from the UoM green bond will be used to finance or refinance new or existing Eligible Green Project Categories as set in the UoM Sustainability Financing Framework. New construction of buildings and/or tenant engagement initiatives, that will reduce building environmental impact in accordance with any one of the following: • NABERS 5 Star minimum or above; or • GBCA minimum 5 Green Star or above; or • Any other green building label, that is an equivalent standard of the above.

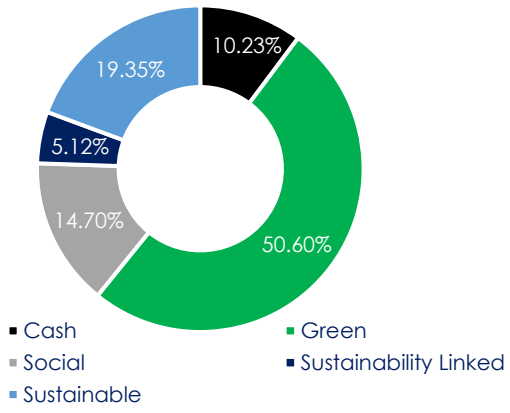
This month we are highlighting the University of Melbourne's 7yr green bond. Australian universities have been frequent issuers in the AUD labelled bond market, so it was great to see an inaugural issue from the University of Melbourne. In addition to the green building work we have become accustomed to with the universities, they are also focused on renewable energy projects such as;

Development and/or operation and maintenance of:

- Renewable energy production plants, including solar PV, wind and Bioenergy (such as biomass, biogas and biofuels);
- Projects that replace the use of fossil fuels with renewable energy alternatives, for example:
- Replacing gas-fired space and water heating with electric powered heat pumps linked to on or off-site renewable energy generation.

GREEN, SUSTAINABLE & SOCIAL

BOND TYPE



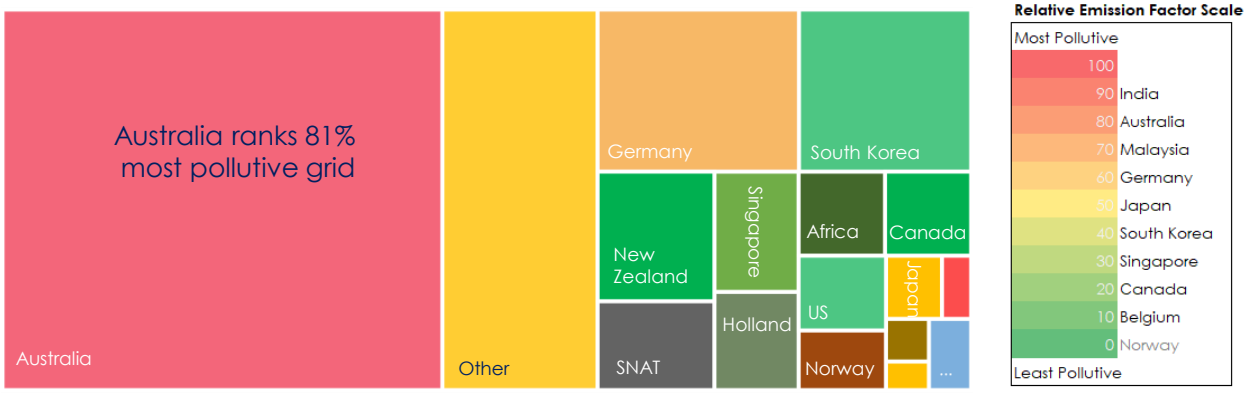
CARBON ABATEMENT

	Fund
August's estimated carbon abatement	1,108.4t CO2e*
Since inception estimated carbon abatement[1]	19,539.2t CO2e*
% of Fund used in this estimation	45%

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 45% of the Fund used to calculate the carbon abatement.

Equivalent to **9,160 cars**** off the road for a year, since fund inception

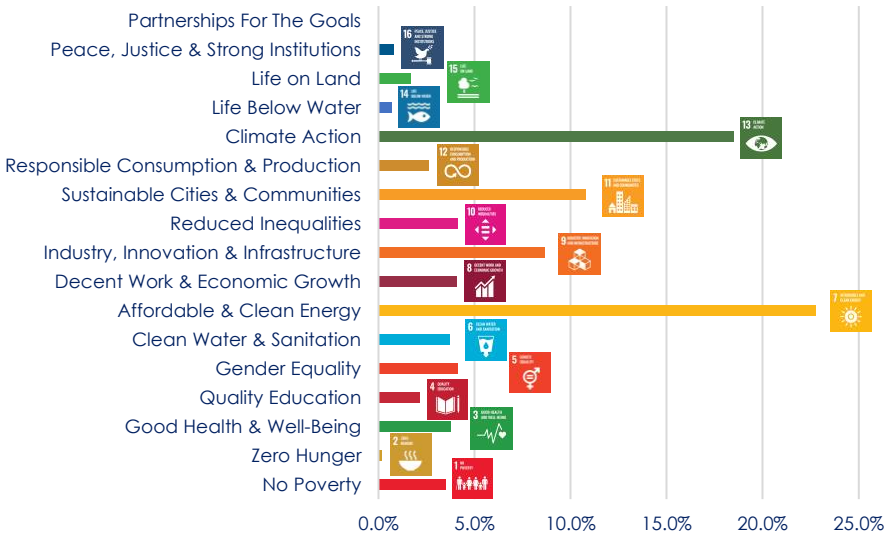
ALLOCATION OF FUNDS HEATMAP



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 52% 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.

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 x 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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