

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 28TH FEB 2023	FUND PERFORMANCE					
	1 month	3 months	6 months	1 year	2 year	Since Inception (p.a.)
GROSS FUND RETURN	-0.35%	1.13%	1.91%	-0.49%	-0.58%	0.38%
NET FUND RETURN	-0.39%	1.01%	1.65%	-0.98%	-1.08%	-0.14%
BLOOMBERG AUSBOND COMPOSITE 0-5 YR Index	-0.67%	0.01%	0.94%	-1.94%	-1.84%	-1.54%
ACTIVE RETURN (net Fund return - benchmark)	0.29%	1.00%	0.72%	0.95%	0.76%	1.41%

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

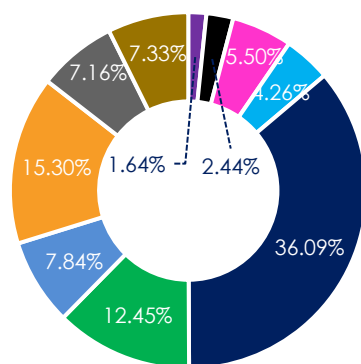
In February, 3yr yields spiked 40bps which was the largest drag on this month's performance. Relative to benchmark, the Fund outperformed due to being underweight interest rate duration (IRD). We used the spike higher in interest rates to move back closer to benchmark IRD. Credit continued to rally throughout February, although credit spreads now look reasonably priced. The Fund's overweight positioning to credit duration relative to benchmark, also contributed to outperformance. The elevated running yield of the Fund also made a meaningful contribution to this month's returns. The Fund participated in several new issues throughout the month.

Significant outperformance this month came from Bank Australia (Sustainable), Lendlease (Green), Optus (Sustainability Linked), ANZ (Sustainable) and NBN (Green). Underperformance came from some of the Fund's longer dated positions such as University of Tasmania (Green) and the University of Melbourne (Green).

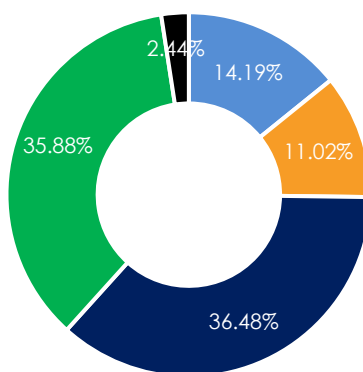
In terms of labelled bond innovation, Enel recently issued a EUR Sustainability Linked Bond (SLB) with a target of investing at least 80% of its capital expenses in EU taxonomy aligned projects between 2023 and 2025. This type of innovation would be welcome in the AUD market, AUD SLB's to date have largely consisted of a net zero KPI. Our view, is that all corporates should have a net zero goal regardless of a labelled bond program. Therefore, if incremental impact can be linked to these bond structures they should gather more support and acceptance from genuine impact investors.

PORTFOLIO BREAKDOWN

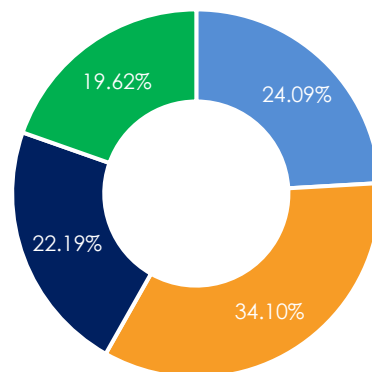
SECTOR BREAKDOWN



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

Whilst credit was tighter in February, the pace of the move slowed from what was seen in January. We continue to see outperformance in non-financials as issuance in this sector over the last 6 months has been tiny. Subordinated bank spreads have continued to grind tighter, now that the APRA uncertainty with regards to call dates has been put to one side, for now. The spike higher in interest rates this month has again provided a strong bid for fixed rate bonds at attractive outright yields. We remain relatively neutral on credit spreads at these levels and expect the credit duration of the Fund to remain around 3yrs. Our short to medium term view is that we remain range bound on credit spreads whilst interest rates are elevated.

AS AT 28TH FEB 2023	PRICE	CHG ON MTH
ITRAXX AUSTRALIA 5YR	0.86%	0.06%
ITRAXX EUROPE 5YR	0.80%	0.00%
ITRAXX EUROPE XOVER 5YR	4.14%	-0.01%
CDX US IG 5YR	0.76%	0.05%
CDX US HY 5YR	4.63%	0.33%

FUND METRICS

The Fund had a very active February, trading the most bond volume for a single month in almost 12 months. We once again witnessed a flurry of activity in the non-labelled bond AUD primary market, with the financial sector issuing 12.2b in AUD bonds. Although issuance levels were quite elevated, it didn't put too much pressure on credit spreads and most deals performed quite well in the secondary market. Considering the spike higher in interest rates, we used this as an opportunity to increase the Fund's interest rate duration to 2.14yrs. The 3% to 4% range in 3yr yields still seems to be intact. Floating rate notes continue to reset with higher yields, 3 month BBSW spiked another 20bps in February to 3.56%. With interest rate curves relatively flat, short dated floating rate notes are becoming more attractive on a risk/reward basis.

AS AT 28TH FEB 2023	FUND	BENCH-MARK
INTEREST RATE DURATION	2.14	2.39
CREDIT DURATION	3.06	2.39
YIELD TO MATURITY	4.77%	3.97%
YIELD TO WORST	4.77%	3.97%
BLOOMBERG COMPOSITE RATING (weighted average)	A*	AA+

*Using the Morningstar methodology for Average Credit Quality

NEW ISSUES

Just the two labelled bonds issued in the AUD market in February, The European Investment Bank issued a 5yr Green Bond and Bank Australia (highlighted below) issued a 4yr Sustainable Bond.

ISSUER	Bond Type	Issue Date	Issue Size \$M	Fixed/Floating	Maturity
BANK AUSTRALIA	Sustainable	15-Feb-23	225	Floating	22-Feb-27

Issuer		
Currency	AUD	
Sector	Financial	
SDG Alignment		
Eligible Categories	Renewable energy	<ul style="list-style-type: none"> Environmental Upgrade Agreements (EUAs)
	Socioeconomic advancement	<ul style="list-style-type: none"> Charity loans Specialist Disability loans Indigenous Business loans
	Affordable housing	<ul style="list-style-type: none"> Community housing loan Affordable housing loan
	Green buildings	<ul style="list-style-type: none"> Green mortgages Commercial green loan

The proceeds of the Bank Australia Limited Sustainability Bond are to be used in accordance with the Bank Australia Sustainability Bond Framework. Projects must qualify as an eligible asset, with a maximum lookback period of 24 months.

Bank Australia also excludes the use of proceeds towards any loans to:

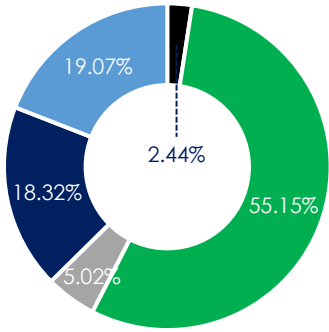
- The fossil fuel industry.
- Intensive animal farming and the live export industry.
- The gambling industry.
- The arms industry.
- The tobacco industry.

Bank Australia will provide a semi-annual Use of Proceeds Report that includes Eligible Asset volume compared to bonds on issue, Eligible Asset type, and changes to the mix of Eligible Assets in the period.

GREEN, SUSTAINABLE & SOCIAL

CARBON ABATEMENT

BOND TYPE



■ Cash ■ Green ■ SLB ■ Social ■ Sustainable

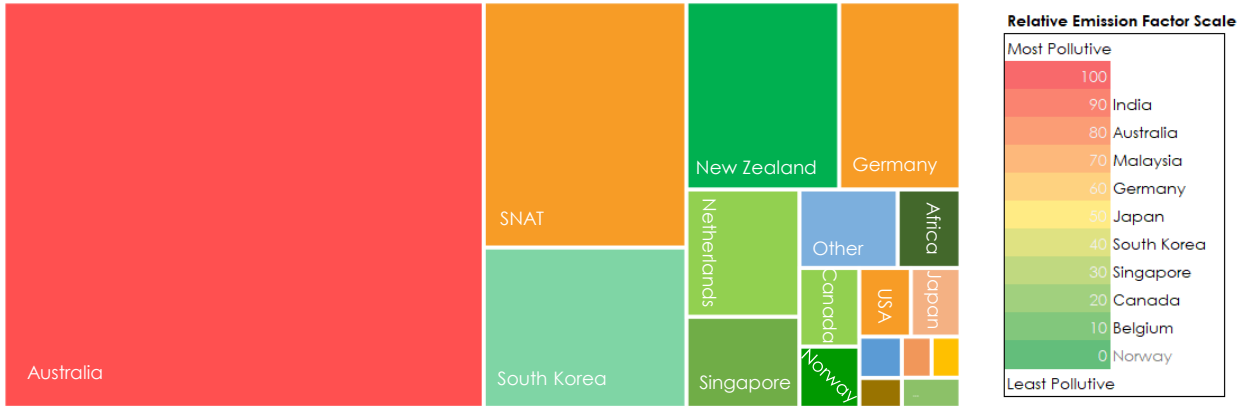
	Fund
February's estimated carbon abatement	1,897.2t CO2e*
Since inception estimated carbon abatement ¹	38,855.0t CO2e*
% of Fund used in this estimation	42%

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 42% of the Fund used to calculate the carbon abatement.



Equivalent to **18,214.6 cars**** off the road for a year, since fund inception

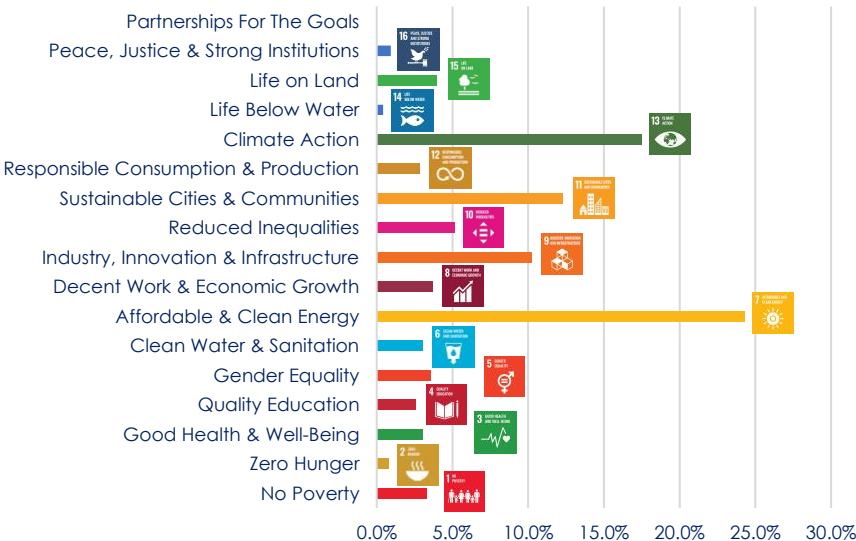
ALLOCATION OF FUNDS HEATMAP



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 54% 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

260,066



Trips made on clean & sustainable transportation.

9



Affordable housing dwellings financed.

65%



Fund bond issuers supporting TCFD.

84,901,300



Litres of water saved.

1,459



People provided with access to education.

24%



Fund bond issuers supporting PCAF.

5,967



Square metres of green energy efficient buildings financed.

100%



Female representation on board of Fund holdings.

27,919



People provided with access to water & sanitation.

131



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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