DEVON FUNDS.

Q1 2024

Quarterly Sustainability Report

Contents

Interest Piece: First Quarter Wrap Up

At the beginning of February, Devon was a signatory to an industry letter calling on the New Zealand Government to enact robust modern slavery legislation that includes due diligence requirements.

A due diligence requirement would impose a duty on entities to take effective action to identify and assess risks, and then track performance in addressing them. This requirement would align with the United Nations Guiding Principles (UNGPs), and OECD Guidelines for Multi-National Enterprises.

Investors rely on quality reporting from investee companies to evaluate risks and opportunities within a business. Modern slavery in any supply chain presents reputational risk, ethical and moral concerns, and ultimately financial risk. New Zealand is a trade dependent economy, geographically distant from export markets, and failing to align New Zealand's laws with international standards would put trade agreements and future trade negotiations at risk.

Devon signed this letter alongside 11 other Fund Managers and Community Trusts, as well as peak bodies IAST APAC and RIAA. These signatories represent $295 billion in funds under management. Whilst this signals our support of robust legislation to the government, we also intend on engaging with our investee companies. This year our annual disclosure survey to the NZX 50 will focus on modern slavery. We will discuss this survey and its results in reporting later this year.

In company news from the quarter, Rio Tinto (RIO.ASX) has agreed to start reporting how much it spends on green steel projects and other efforts to reduce carbon emissions for iron ore mined in Australia and turned into steel in China. This was the result of sustained effort from Climate Action 100+ (CA100+) investors, led by Fidelity and ACSI. Devon, as members of CA100+, are part of the engagement group for Woolworths (WOW.ASX) and during March met with Bel Quince, Woolworths GM of Planet. We discussed decarbonisation with a focus on agriculture, which relates to Bel's career background, and the cost of transition. We also discussed scope 3 emissions and getting to a 1.5-degree pathway, which her team is undertaking a lot of work in implementing. Our next engagement will be a more in depth discussion around remuneration, climate governance, and capex/decarbonisation, which is a CA100+ benchmark indicator.

In New Zealand, the first registered Climate Related Disclosures (CRD) report under the New Zealand climate standards was lodged with the Companies Office by Summerset Group Holdings, owned across many of the Devon funds. This will be the first of many to come as reporting entities captured under the mandatory climate reporting standard are required to publish their reports this year. CRD reporting legislation captures large publicly listed companies, insurers, banks, non-bank deposit takers and investment managers. The goal of the legislation is ultimately to ensure that the impacts of climate change are actively and routinely being considered within businesses, and to publicly report on this. It is a tool for helping New Zealand meet its international obligations and achieve its target of net zero carbon by 2050. Meanwhile across the Tasman large companies have been given a six-month reprieve into 2025 to include climate-related information in their financial reports under similar climate reporting legislation.

In global news, The European Court of Human Rights (ECHR) has ruled Switzerland has failed to adequately tackle the climate crisis and was in violation of human rights. The case was brought to the court by more than 2,000 Swiss women, the majority of whom are in their 70s, against Switzerland's government. The case argued that heat waves, as a result of climate change, undermined their health and quality of life, and put them at risk of dying. This constituted a breach of the women's rights to effective protection from the "the serious adverse effects of climate change on lives, health, well-being and quality of life." This is the first ruling of its kind and media outlets are reporting that it could have a ripple effect across the globe.

We expect to have another busy year in the responsible investment space as it constantly evolves.

- Alice Jones, ESG Analyst

Devon Sustainability Fund

ESG Metrics as of 31.03.24

During the first quarter, the Devon Sustainability Fund achieved an AA MSCI ESG score.

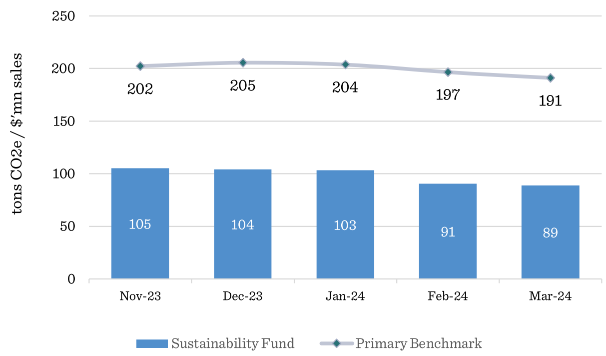
The Devon Sustainability Fund has continued to perform well against its benchmark for carbon intensity, and its MSCI ESG rating.

The Devon Sustainability Fund is characterised as a low carbon intensive portfolio. We monitor the companies held within the portfolio for their emission reduction plans.

The largest contributor to the Fund's carbon emissions is the Industrials sector which makes up 18.8% of the portfolio holdings but contributes 45.5% of portfolio carbon emissions.

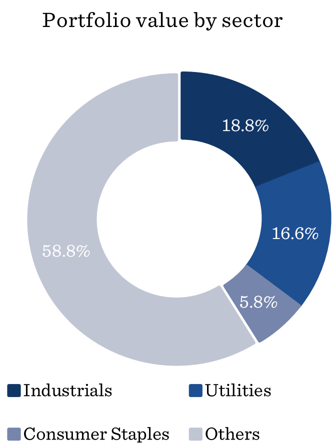
	MSCI ESG Ratings	MSCI ESG Quality score	
Portfolio	AA	7.74	Portfolio Sustainability Fund
Benchmark	AA	7.42	Primary Benchmark 50:50 composite S&P/NZX50 Portfolio Index & S&P/ASX200G Index

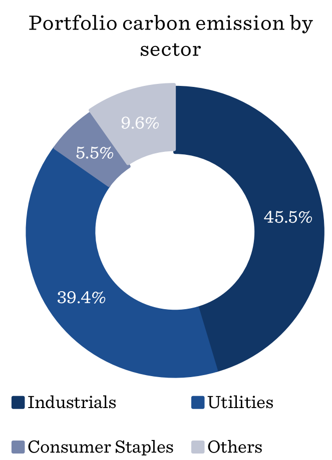
Carbon Intensity - Portfolio vs Benchmark



Source: Devon Funds Management analysis, MSCI

Portfolio Carbon Emissions by Key Sectors





TAHITO Te Tai o Rehua Fund

ESG Metrics as of 31.03.24

During the first quarter, the TAHITO Te Tai o Rehua Fund achieved an AA MSCI ESG score.

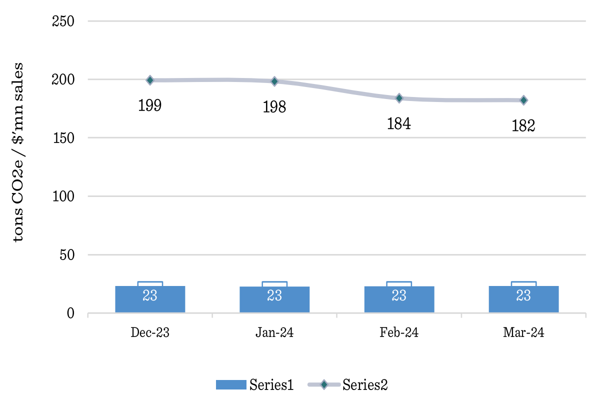
The TAHITO Te Tai o Rehua Fund continues to perform exceptionally well against its benchmark for carbon emissions.

TAHITO applies its own Te Kōwhiringa Tapu taxonomy. TAHITO apply these in Te Utu Panga or impact intention measures. These measures are in continuous development as society better understands and then measures the externalities and intangibles.

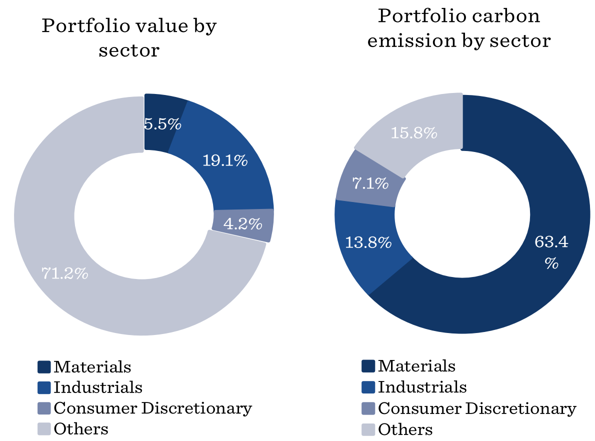
This quarter we have included an example of KMD Brands, held within the TAHITO portfolio where *Te Pae o Ranginui: Zero Carbon, Zero contaminating emissions* has been applied. Decarbonisation targets, and emissions (Scope 1, 2 & 3) are all tracked as part of the reviewing and profiling of a company.

	MSCI ESG Ratings	MSCI ESG Quality score	
Portfolio	AA	8.10	Portfolio TAHITO Te Tai o Rehua Fund
Benchmark	AA	7.37	Primary Benchmark 50/50 NZX50 Portfolio Index & ASX Accumulation 200 Index

Carbon Intensity - Portfolio vs Benchmark



Portfolio Carbon Emissions by Key Sectors



Source: Devon Funds Management analysis, MSCI

KMD BRANDS LIMITED

Has achieved Carbon Netural (CO2 only, Y/N)	N
Target date for carbon netural if N	2030
Has set target for Net zero scope 1,2 (Y/N)	Y
Target date for Net zero Scopes 1&2	2030
Has set target Carbon Net zero Scopes 1,2 &3 (Y/N)	N
Target date for Net zero Scopes 1,2 & 3	0

Scopes 1&2 Carbon Emissions - Key *	Reported
Scope 1+2 (metric tons) *	9,744
Scope 1+2 Intensity (t/USD million sales) *	15.9
Scope 3 Carbon Emissions - Key *	Estimation model
Scope 3 - Total metric tons (combined dataset) *	199,520
Scope 3 - Total Sales Intensity (combined dataset) *	324.8
Total GHG Emissions - metric tons (Scopes 1, 2 and 3) *	209,264

Devon Global Sustainability Fund

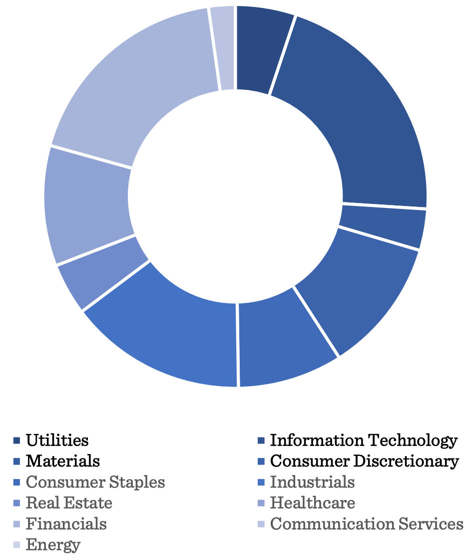
ESG Metrics as of 31.12.23*

Overall Portfolio CO_2 Emissions and Intensity as of 31 December 2023

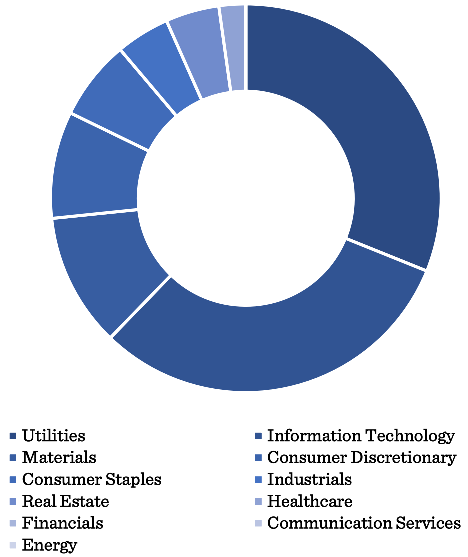
Carbon Footprint	Carbon Emissions	Total Carbon Emissions	Carbon Intensity	Weighted Average Carbon Intensity	Data Availability (Carbon Intensity)
Portfolio	15	26,735	56	47	100
Benchmark	54	98,094	144	129	99.9
	T CO_2e/$M Invested	T CO_2e		T CO_2e/$M Sales	% Market Value

Sectors	Market value	Contribution to portfolio emissions
Utilities	5.0%	14.0%
Information Technology	20.4%	14.0%
Materials	3.4%	5.0%
Consumer Discretionary	11.1%	4.0%
Consumer Staples	8.6%	3.0%
Industrials	14.6%	2.0%
Real Estate	4.3%	2.0%
Healthcare	9.9%	1.0%
Financials	18.0%	0.0%
Communication Services	2.2%	0.0%
Energy	0.0%	0.0%

Portfolio value by sector



Portfolio carbon emission by sector



*Metrics are as of the previous reporting period due to availability of information from the underlying fund manager Wellington Management Group

Source: MSCI | Benchmark: MSCI All Country World | Carbon Emissions: Emissions financed per $1 million invested in the mandate. This metric is calculated by summing the result of '% Enterprise value incl cash financed X Emissions' for each holding, and then dividing by the portfolio's total market value. | Total Carbon Emissions: Total emissions financed by the portfolio. This metric accounts for mandate size by summing the result of '% Enterprise value incl cash financed X Emissions' for each holding. | Carbon Intensity: Metric normalizes company's total emissions by output. This metric is calculated as total emissions financed by the portfolio (equivalent to Total Carbon Emissions metric) divided by total revenue financed by the portfolio (% Enterprise value incl cash owned X Revenue) for each holding. | Weighted Average Carbon Intensity (WACI): Proxy for carbon efficiency of portfolio construction when compared to benchmark. This metric is calculated as a weighted average of each holding's carbon intensity, using % market value in the portfolio. Each holding's carbon intensity normalizes its total emissions by output and is calculated as the company's total emissions divided by its revenue. | Data availability may be lower than Data Availability – Carbon Intensity for the two calculations of financed emissions (Carbon Emissions and Total Carbon Emissions). This is because the financed emissions metrics require availability of both carbon emissions and Enterprise Value including Cash for each holding.

Devon Global Impact Bond Fund

ESG Metrics as of 31.12.23*

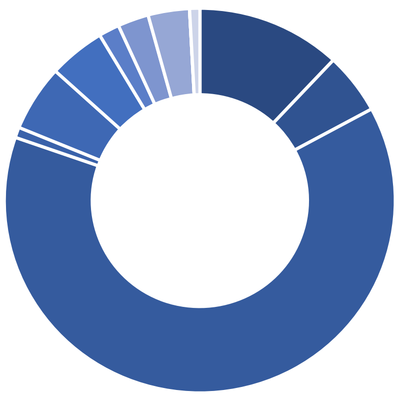
Overall Portfolio CO_2 Emissions and Intensity as of 31 December 2023

Carbon Footprint	Carbon Emissions	Total Carbon Emissions	Carbon Intensity	Weighted Average Carbon Intensity	Data Availability (Carbon Intensity)
Portfolio	31	4,394	92	48	82
Benchmark	63	8,902	156	205	97
	T CO_2e/$M Invested	T CO_2e		T CO_2e/$M Sales	% Market Value

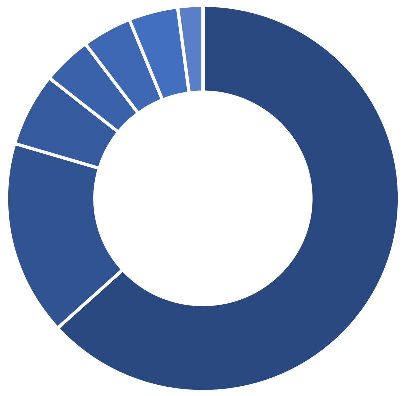
Sectors	Market value	Contribution to portfolio emissions
Utilities	2.8%	31.0%
Industrials	1.2%	8.0%
Financials	14.8%	3.0%
Materials	0.2%	2.0%
Communication Services	1.3%	2.0%
Consumer Discretionary	1.1%	2.0%
Real Estate	0.4%	1.0%
Healthcare	0.6%	0.0%
Information Technology	0.8%	0.0%
Not Classified	0.0%	0.0%
Energy	0.0%	0.0%
Consumer Staples	0.2%	0.0%

*Metrics are as of the previous reporting period due to availability of information from the underlying fund manager Wellington Management Group

Portfolio value by sector



Portfolio carbon emission by sector



Source: MSCI | Benchmark: Bloomberg Global Agg Hdg USD | Carbon Emissions: Emissions financed per $1 million invested in the mandate. This metric is calculated by summing the result of '% Enterprise value incl cash financed X Emissions' for each holding, and then dividing by the portfolio's total market value. Total Carbon Emissions: Total emissions financed by the portfolio. This metric accounts for mandate size by summing the result of '% Enterprise value incl cash financed X Emissions' for each holding. Carbon Intensity: Metric normalizes company's total emissions by output. This metric is calculated as total emissions financed by the portfolio (equivalent to Total Carbon Emissions metric) divided by total revenue financed by the portfolio (% Enterprise value incl cash owned X Revenue) for each holding. Weighted Average Carbon Intensity: Proxy for carbon efficiency of portfolio construction when compared to benchmark. This metric is calculated as a weighted average of each holding's carbon intensity, using % Market value in the portfolio. Each holding's carbon intensity normalizes its total emissions by output, and is calculated as the company's total emissions divided by its revenue. | Data availability may be lower than Data Availability – Carbon Intensity for the two calculations of financed emissions (Carbon Emissions and Total Carbon Emissions). This is because the financed emissions metrics require availability of both carbon emissions and Enterprise Value including Cash for each holding.

Artesian Green and Sustainable Bond Fund (NZD)

ESG Metrics as of 31.03.24

The Artesian Green and Sustainable Bond Fund has contributed to the abatement of carbon emissions from 18,691** cars since inception*.

The Artesian Green and Sustainable Bond Fund (NZD) reports slightly differently on carbon metrics. If we reported carbon intensity, like we do for the other funds, this is done on an issuer basis, rather than the bond itself. Doing this risks overstating the carbon emissions of the fund, as many of the bonds held in the fund (especially green bonds) abate carbon.

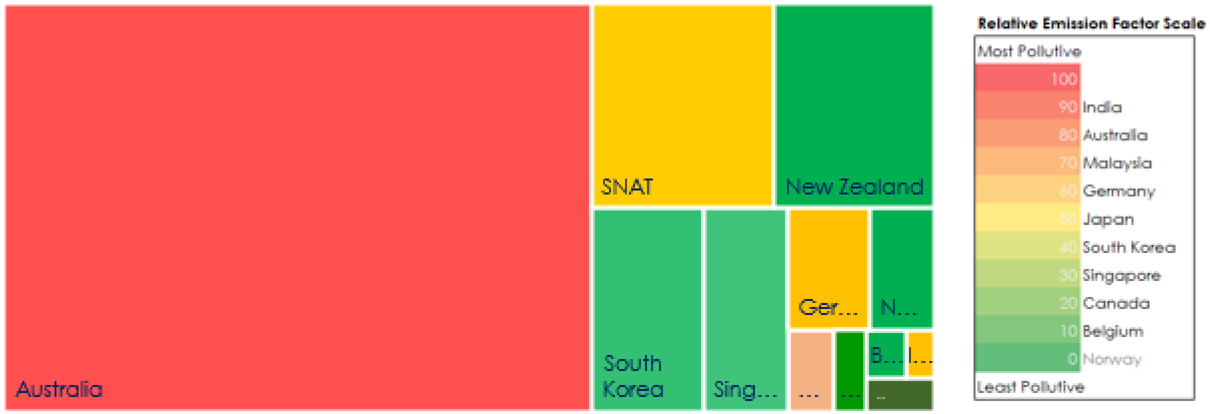
In addition, we have included an Allocation of Funds Heatmap. This shows which countries the Fund is allocating capital to, with the aim of improving the global green economy. The Relative Emission Factor Scale shows how dirty the energy grid of each country is. It is a normalised scale of the baseline 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, potentially the higher the impact per dollar.

	Fund
March's estimated carbon abatement	1,323 tCO2e*
Since inception estimated carbon abatement¹	39,871 tCO2e*
% of Fund used in this estimation	36%

Equivalent to 18,691 cars** off the road for a year, since fund inception*.

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. We expect this should also lead to a continual increase in the 36% of the Fund used to calculate the carbon abatement.

*Please note the data shown is for the AUD unit class since inception. The NZD unit class launched on 19 June 2023
**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].



Source: Artesian, EIB; Relative Emission Factor is measured across 43 countries/regions; Oct 2022

Stewardship Devon Sustainability Fund

The Devon Sustainability Fund has frequent engagements with companies held within the portfolio. This quarter the highlight was with Fletcher Building.

The Devon Sustainability Fund aims to generate capital growth over the long term by investing in those New Zealand and Australian listed companies that exhibit sustainable characteristics and which demonstrate credible strategies to improve their outcomes with respect to Environmental, Social and Governance (ESG) factors.

Engagement spotlight

During the quarter Fletcher Building announced that both the CEO and Chair would be stepping down amidst several issues, including the well-publicised iplex pipes issues. This presented governance concerns and we subsequently met with the Chair, Bruce Hassall, to talk these through.

As Chair, Hassall has had a variety of feedback from investors regarding the board and to what extent the board and executive management at Fletcher Building needs to be changed. Ultimately, the decision was made for both Ross Taylor (CEO) and Bruce Hassall as Chair to step down. Taylor had committed to staying 6 months and will stay longer if someone external assumes the role, Hassall would step down at the ASM.

On reflection Hassall said they should have communicated better to the market. There have been strategic errors made years ago that they are still dealing with the consequences of. For example, the Puhoi contract was signed nine years ago, and the convention centre contract was signed two years before Hassall joined the board. Both projects have experienced issues. Despite this, he emphasised that by the end of the year they would be on the other side of these issues and know, one way or another, where they stand on iplex.

We discussed with Hassall the CEO succession process and Fletcher Building has now announced the Board has appointed Nick Traber as Acting CEO of the Company, replacing Ross Taylor, for an interim period until a permanent CEO is appointed. The Board is progressing a CEO search process that includes Nick Traber as an internal candidate, as well as external candidates. The process for the appointment of a permanent CEO will conclude following appointment of the new Chair. We will continue to monitor and engage where necessary on governance.

Stewardship TAHITO Te Tai o Rehua Fund

Putting Environment and People before Profit: The TAHITO Te Tai o Rehua Fund is a values-led ethical and sustainable Australasian equities fund for investors who want competitive market returns but equally would like to see their capital applied to a high ethical standard and in investments that are making a positive social and environmental impact.

MINDFUL MONEY AWARDS 2023
Best Ethical Retail Investment Provider 2023

The TAHITO Te Tai o Rehua Fund provides a holistic accountability on wellbeing using ethical and sustainable screens derived from Māori indigenous values. Māori values and ethics place people and the environment in high priority. This thinking is derived from the ancestral Māori worldview, which can be described as a holistic socio-ecological system that centres on the connection and interrelationship of all things. The process is call 'Te Kōwhiringa Tapu' which translates to 'Careful Selection'.

Stewardship spotlight

TAHITO actively promotes its principles through proxy voting. This is used as a tool to advocate for changes related to diversity and equity. This quarter we demonstrate this in practice through Technology One (TNE.ASX) AGM proxy votes.

Technology One has low female representation on the Board, with two female directors out of nine. TAHITO believes Technology One should increasing their female representation on the board. The TAHITO Te Tai o Rehua Fund voted to abstain on the vote to re-elect Peter Ball, and voted for the re-election of Sharon Doyle.

Technology One has a high wage ratio of 25 to 1. Based upon TAHITO's equity principle, the TAHITO Te Tai o Rehua Fund voted against the remuneration report and against the grant of FY24 LTI options to the CEO.

Stewardship Devon Global Sustainability Fund

During the last quarter of 2023, Wellington Management Group (the underlying fund manager of our Global Sustainability Fund) had 33 engagements with names held in the portfolio on a broad range of ESG topics.

This Fund aims to generate long term total returns by investing in a selective portfolio of global companies that generate high return on capital relative to their peers, and whose management teams and boards display exemplary stewardship to sustain those returns over time.

Engagement spotlight

Wellington dedicated considerable time and mindshare to re-underwriting the investment case for Northern Trust over the quarter, engaging with the board and with senior management. These interactions included several directors of the Board, the CEO, the CFO, and the Head of the Asset Servicing Business. The shares have been under pressure following the failure of Silicon Valley Bank and concerns over the shorter-term impact of higher rates on margins. Wellington came away from their engagements confident in Northern Trust's fortress balance sheet, service culture, and their focus on returns vs growth. Northern Trust is leaning into talent and seeks to invest further in people and training.

During Wellington's visit to Chicago this past December they met with both the CEO, Mike O'Grady, and with the President of Asset Servicing, Pete Cherecwich. They discussed how Northern Trust is retaining and winning clients in the marketplace, driving new flows and higher share of wallet through differentiated service, including deep estate expertise. Wellington were impressed by the group's skill in differentiating value accretive and scalable customization over complexity to ensure topline growth is cost efficient. While growing the wealth channel naturally requires more up-front investment, this strategy also felt disciplined and balanced. Together these efforts should comfortably support low-teens ROEs.

Wellington engaged separately with independent directors of the Northern Trust Board to further assess the level of oversight and strategic challenge and debate at the firm. The board is laser-focused on defending profitability and maximizing the productivity of scarce resources. They are challenging the firm on how to drive growth and operational resilience, balancing topics like cyber risk with the need to lean into technology and enhance the client and employee experience. Northern Trust's stewardship challenge over 2024 will be to navigate the best allocation of resources from the monetization of its Visa B shares. Wellington will be watching that process closely.

Stewardship Devon Global Impact Bond Fund

During the last quarter of 2023, Wellington Management Group (the underlying fund manager of our Global Impact Bond Fund) had eight engagements on ESG topics.

This Fund aims to deliver long-term total returns in excess of the index by investing in a diverse portfolio of global bonds. The Fund seeks to invest primarily in debt issued by companies that are addressing the world's environmental and social problems.

Engagement spotlight

Wellington Funds Management ("Wellington") releases an annual Impact Report for the Global Impact Bond Fund. In our quarterly updates last year, we provided an engagement highlight from this report and have provided another below. This highlight is a positive 'impact' engagement they had during 2022, our next report will feature a highlight from the 2023 report.

Wellington engaged with an Africa-based provider of critical telecommunications infrastructure to discuss the use of renewable energy for improved network reliability. Today, 19% of the issuer's network of over 13,500 cell towers uses solar power, a number that management aims to expand. Through Wellington's engagement, they learned about the physical space required for expanded solar adoption and the constraints the issuer faces within its urban footprint. They also learned how chronic underinvestment in the energy infrastructure of one of its key markets has created power intermittency, thus hindering the issuer's plans to scale renewables adoption. Management detailed its plans for energy-storage systems, including battery technology and adjustments to its solar approach that could facilitate greater adoption of green energy. Through Wellington's engagement, they gained confidence in the issuer's commitment and approach. They plan to have further discussions in 2023 focused on the issuer's efforts to improve long-term grid connectivity and increase the number of solar-powered cell towers.

Stewardship Artesian Green and Sustainable Bond Fund (NZD)

Artesian seeks to actively engage with companies and issuers in exploring ways to align their business strategy, and operating policies with best practice international standards and ESG frameworks, as well as engaging within the wider industry.

The Artesian Green & Sustainable Bond Fund (NZD) is managed by Artesian Corporate Bond Pty Ltd ("Artesian"). The strategy for the Fund is to invest in a diversified portfolio of Australian and international bonds labelled as Green, Social or Sustainable Bonds that have been screened in accordance with Artesian's screening processes.

Engagement spotlight

In the prior quarter, Artesian's engagement program included a meeting with Contact Energy, which is a diversified and integrated energy company. It owns a fleet of hydro, geothermal, and gas-fired generation assets, which produce close to 25% of New Zealand's electricity. It also retails electricity and gas to nearly half a million customers. Contact has built a flexible and largely renewable portfolio of electricity generation assets, owning and operating 11 power stations and generating 80-85% of its electricity from renewable hydro and geothermal stations. Artesian's engagement was undertaken on the following bases:

1. Compliance with Artesian preclusion of investing in fossil fuels. Specifically, the nature and level (contribution to revenue) of Contact's gas fired generation and carbon capture and storage.
2. General electricity market conditions.
3. Reporting and confirmation of Contact's ESG policy, practices and ambitions.

The engagement highlighted that Contact does not breach Artesian's negative screens regarding fossil fuels as <5% of revenues will come from fossil fuel powered generation. Artesian noted Contact Senior Executive long-term incentive (LTI) has two-parts; (i) one = Total Shareholder Return and (ii) relates to strategic priorities regarding decarbonisation. Artesian sought information and disclosure of the performance hurdles for decarbonisation, however Contact commented that they are not disclosed, but it has evolved. A commitment was made to discuss the matter with the People Committee and Artesian intend on engaging with Contact further regarding this.