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ARTESIAN GREEN AND SUSTAINABLE BOND FUND (NZD)

MONTHLY REPORT: APRIL 2024

ABOUT THE FUND

The Artesian Green and Sustainable Bond Fund (NZD) offers New Zealand-based investors a Portfolio Investment Entity (PIE) vehicle through which to invest in the Artesian Green & Sustainable Bond Fund (AUD). Through this structure, the Fund will invest in a diversified portfolio of liquid, predominately investment grade fixed and floating rate green and sustainable corporate bonds. Artesian are committed to integrating ESG into their investment processes, with a focus on responsible investing. Artesian has managed specialised funds focused on credit arbitrage and relative-value strategies across global financial markets since 2004 from its New York, London, Singapore, Shanghai, Melbourne and Sydney offices.

In this document, we refer to the Artesian Green & Sustainable Bond Fund (AUD) as the Underlying Fund. In most sections of this document, the metrics and commentary shown are taken from the Underlying Fund. We have signalled these sections with a hashtag in the section heading. From time to time there may be small differences between the metrics of the NZD Fund and the Underlying Fund, as a result of liquidity cash held in the NZD fund.

PERFORMANCE	1 Mth	3 Mth	6 Mth	Since Inception
Artesian Green & Sustainable Bond Fund (NZD)*	-0.56%	0.33%	3.58%	4.68%
Artesian Green & Sustainable Bond Fund PIR Return (NZD)**	-0.46%	0.44%	3.80%	4.93%
Bloomberg AusBond Composite 0-5 Yr Index 100% Hedged to NZD	-0.60%	0.20%	3.60%	4.62%

*Artesian Green & Sustainable Bond Fund (NZD) returns are after all fees and expenses, but before tax which varies by investor. Past performance should not be taken as an indicator of future performance. The inception date for Artesian Green and Sustainable Bond Fund (NZD) is 19 June 2023.

**Artesian Green & Sustainable Bond Fund (NZD) returns are after all fees and expenses, but before tax which varies by investor and inclusive of tax credits. The Fund invests in an underlying Australian Unit Trust (AUT) which is required to distribute all income. Tax on these distributions is withheld at fund level but investors receive a tax credit for this amount. As such, the Zero PIR return is a reasonable basis for comparing performance between the NZD Fund and its AUT alternative.

PERFORMANCE of the Underlying Fund#	1 Mth	3 Mth	6 Mth	1 Yr	2 Yr	3 Yr	Since Inception (p.a.)
Gross Fund Return	-0.46%	0.36%	3.77%	3.72%	3.73%	1.21%	1.81%
Net Fund Return	-0.50%	0.24%	3.52%	3.21%	3.21%	0.71%	1.29%
Bloomberg AusBond Composite 0-5 Yr Index	-0.70%	-0.09%	3.04%	1.84%	2.21%	-0.06%	0.00%
Active Return (net Fund return - benchmark)	0.19%	0.32%	0.48%	1.36%	1.00%	0.77%	1.30%

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. The inception date for the Artesian Green & Sustainable Bond Fund (AUD) is 25 September 2020.

PORTFOLIO UPDATE#

Volatility increased throughout April, as geopolitical tension in the Middle East heightened. Artesian witnessed a hawkish shift from the US Federal Reserve. Credit spreads started to drift wider as investors used credit indices to hedge their portfolios against an all-out war between Iran and Israel. Fortunately, it didn't escalate and credit spreads reversed their widening and finished the month tighter. With so much geopolitical risk in the world at the moment, it appears the market has become less likely to react to such hostilities. Government bond yields trended higher over the month, as the realisation took hold that stubborn inflation was proving difficult to get back within central bank targets.

The Underlying Fund's outperformance versus benchmark in April was driven by the overweight credit duration positioning (credit spreads were lower/tighter) and underweight interest rate duration positioning (interest rates were higher/wider).

Outperformance in April came from the Underlying Fund's positions in Optus (Sustainability-Linked), QIC Town Centre Fund (Green), European Investment Bank (Sustainable) and New South Wales Treasury Corporation (Sustainable). The main contributors to underperformance in April were the South Australian Financing Authority (Sustainable), Western Australia Treasury Corporation (Green) and Contact Energy (Green).

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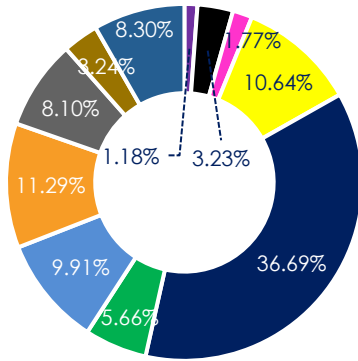
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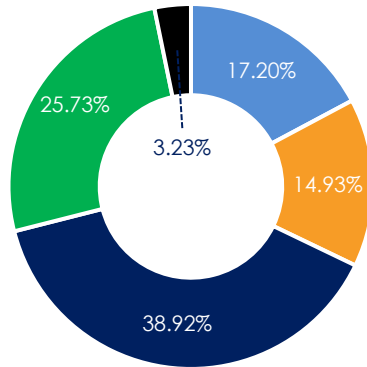
PORTFOLIO BREAKDOWN#

SECTOR BREAKDOWN



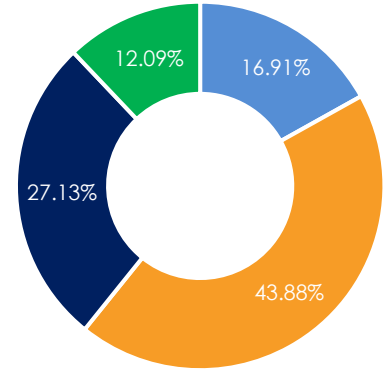
- Agencies
- Consumer Staples
- Financial
- Semi Government
- TMT
- Utilities
- Cash
- Educational Services
- Real Estate
- Supranational
- Transportation & Logistics

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#

In April, S&P completed their BICRA (Banking Industry Country Risk Assessment) review of Australia which resulted in them revising their industry risk score to two from three. This resulted in major bank subordinated credit ratings being upgraded from BBB+ to A-, which suited the Underlying Fund's positioning towards subordinated debt. As a result, major bank subordinated credit spreads rallied 10bps after the announcement. Major bank senior spreads broke through the resistance level of 90bps and closed about 5bps tighter. Longer dated non-financial corporates continued their rally, as buyers of outright yields continue to snap up recently issued non-labelled 10yr deals from the likes of Sydney Airport, Brisbane Airport, Nestle and Vicinity Centres.

AS AT 30 TH APRIL 2024	PRICE	CHG ON MTH
ITRAXX AUSTRALIA 5YR	0.71%	0.07%
ITRAXX EUROPE 5YR	0.56%	0.02%
ITRAXX EUROPE XOVER 5YR	3.18%	0.21%
CDX US IG 5YR	0.54%	0.02%
CDX US HY 5YR	3.57%	0.27%

METRICS FOR THE UNDERLYING FUND#

Australian 3y government bond yields peaked at 4.16% in April, essentially pricing out any interest rate cuts for the next three years, which Artesian thought looked a little too aggressive for the Underlying Fund. Therefore, Artesian extended the Underlying Fund's interest rate duration (IRD), which for the first time since inception means the Underlying Fund (IRD 2.60yrs) has a slight overweight position versus benchmark (IRD 2.47yrs). As government bond yields moved higher, so did the Underlying Fund's running yield which is now at 4.95%. Artesian continue to favour floating rate notes (FRNs) over fixed rate bonds due to the elevated levels of BBSW. Artesian recently met with an issuer who Artesian believe will issue a green FRN in the not-too-distant future.

AS AT 30 TH APRIL 2024	FUND	BENCH-MARK
INTEREST RATE DURATION	2.60	2.47
CREDIT DURATION	2.68	2.47
YIELD TO MATURITY	4.98%	4.43%
YIELD TO WORST	4.95%	4.43%
BLOOMBERG COMPOSITE RATING (weighted average)	A	AA+

*Using the Morningstar methodology for Average Credit Quality

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After an unbelievably strong start to the year for the AUD labelled bond market, issuance slowed in April. Artesian recorded just the three deals for a total volume of AUD 350m. The below Housing Australia bond was added to the Underlying Fund in April, purchased in the secondary market.

ISSUER	Bond Type	Issue Date	Issue Size \$M	Fixed/Floating	Maturity
HOUSING AUSTRALIA	Social	9-Jun-21	100	Floating	1-Jul-31

Issuer	Housing Australia
Currency	AUD
Sector	Agency
SDG Alignment	
Eligible Projects	<ul style="list-style-type: none"> Loans to registered community housing providers, funding not-for-profit community housing activities. Loans to registered community housing providers funding mixed tenure development activities where profits are applied to support affordable housing outcomes.

On 12 October 2023, the National Housing Finance and Investment Corporation (NHFC) was renamed Housing Australia.

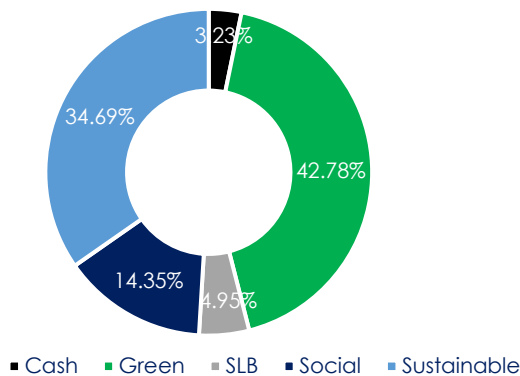
Housing Australia is a corporate Commonwealth entity dedicated to improving housing outcomes, with a particular focus on affordable housing.

The loans must also be used to:

1. Acquire new housing stock;
2. Construct new housing stock;
3. Maintain existing housing stock; or
4. Assist with working capital requirements, and/or for application towards their general corporate purposes (including by assisting CHPs to refinance existing indebtedness), in each case, provided that the use of the loan finance can be demonstrated to improve housing outcomes for Australians.

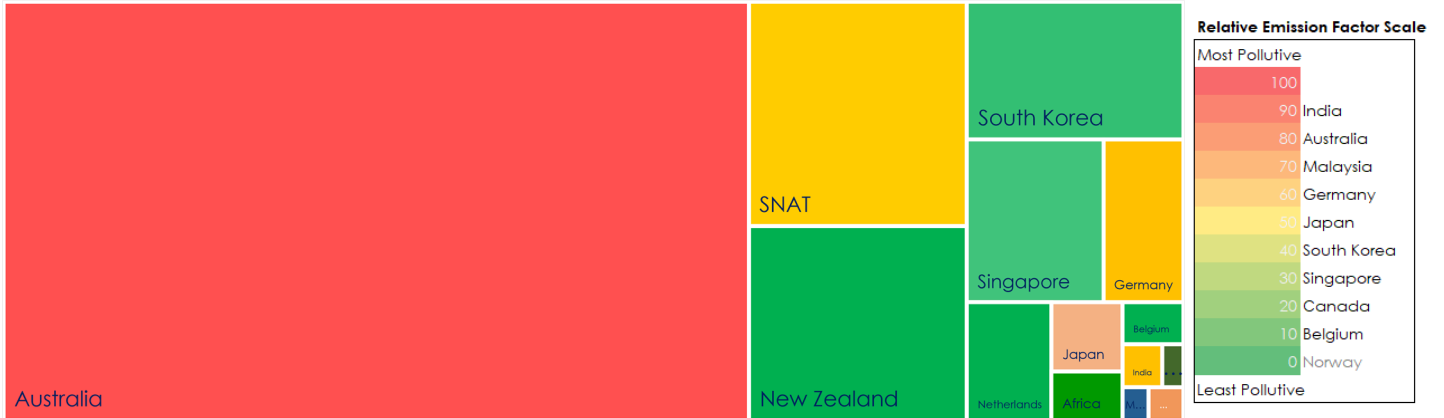
GREEN, SUSTAINABLE AND SOCIAL HOLDINGS#

BOND TYPE





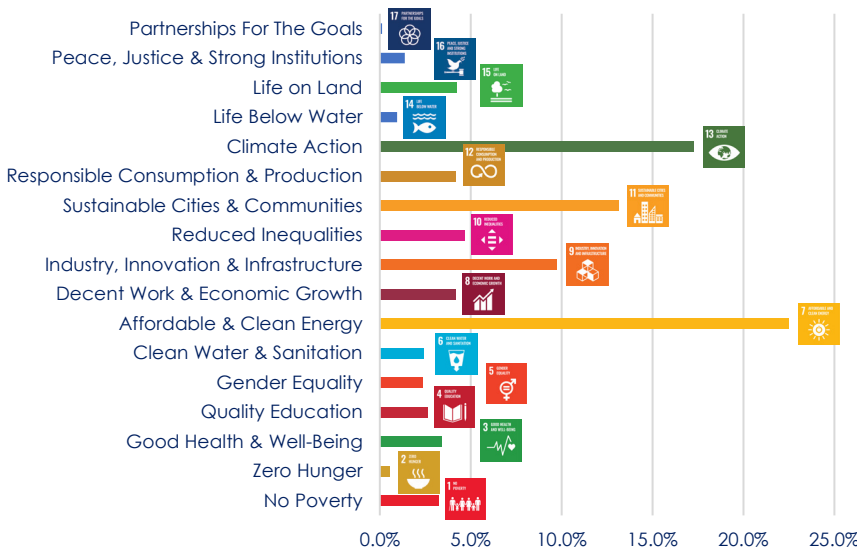
ALLOCATION OF FUNDS IN THE UNDERLYING FUND#



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

The heatmap above shows which countries the Underlying 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 Underlying Fund, Artesian takes 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 Underlying Fund is most aligned with Clean Energy, Climate Action and Sustainable Cities, making up 56% of the Underlying Fund's targeted SDGs. The Underlying Fund currently supports 17 of the 17 SDGs.



NOTES

The impact metrics published in this document reflect 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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