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 OCTOBER 21	FUND PERFORMANCE				
	1 month	3 months	6 months	1 year	Since Inception (p.a.)
GROSS FUND RETURN	-1.63%	-1.78%	-1.22%	0.05%	1.47%
NET FUND RETURN	-1.68%	-1.90%	-1.46%	-0.45%	0.94%
BLOOMBERG AUSBOND COMPOSITE 0-5 YR Index	-1.96%	-2.16%	-1.79%	-1.85%	-1.48%
ACTIVE RETURN (net Fund return - benchmark)	0.28%	0.26%	0.32%	1.40%	2.42%

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

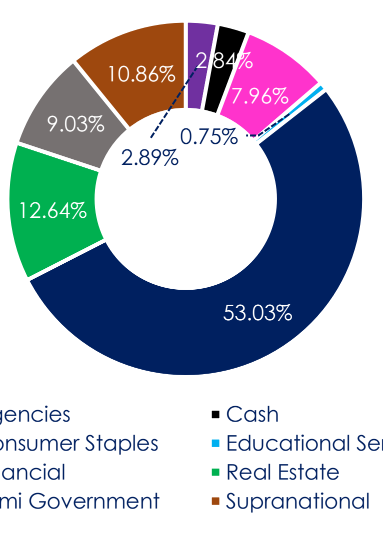
Mind the gap! It felt like that was the motto for October 2021, as 3yr yields gapped from 0.50% to 1.40%. Extreme volatility in the front end of the yield curve severely tested the liquidity of the government bond market. To give that some context, as we closed out October, interest rates futures were predicting 6 (!) RBA 0.25% rate increases by the end of 2022. The RBA stood back and didn't intervene through their yield curve control, as the market took the view that interest rates will rise materially before 2024 (the date the RBA had signalled they would start raising interest rates). At the November 2nd RBA Board Meeting, the RBA confirmed they have now formally discontinued their yield curve control. They have also softened their language, from "no rate hikes until 2024", to "it's possible that an earlier move will be appropriate".

October produced another month of positive correlation between equities and long interest rate duration bonds, the ASX slid -0.11% and the Bloomberg AusBond Composite 0+ Yr Index was down a whopping -3.55%. The Fund's outperformance versus benchmark was due to the underweight interest rate duration position, which has been consistent since the Fund's inception. With that said, the Fund's interest rate duration was the largest contributor to the outright negative performance. The Fund's interest rate hedged fixed rate bond positions offset some of the drag, outperformance came from the Fund's Treasury Corp of Victoria, Lendlease and Asian Development Bank positions.

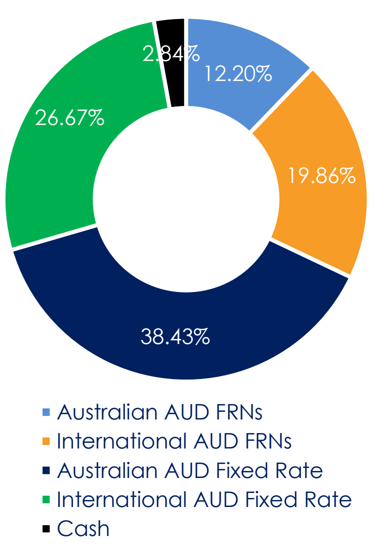
The global reaction to Scott Morrison's address at the COP26 climate summit was "mixed". With the recent Australian Government commitment to net zero by 2050, we are hopeful that the coming months will bring about further action and commitment to achieving those goals along with communicating the roadmap in more detail.

PORTFOLIO BREAKDOWN

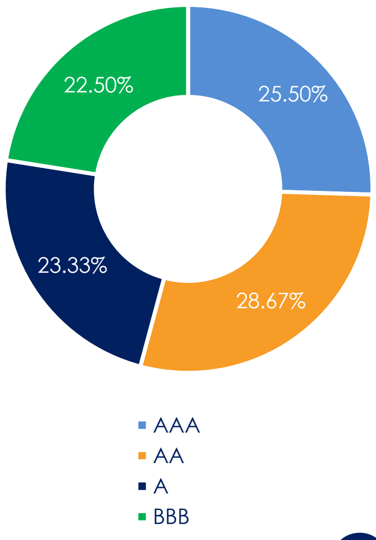
SECTOR BREAKDOWN



REGION & PRODUCT



CREDIT RATING



CREDIT SPREADS

Credit spreads were relatively stable and took a backseat to the sell-off in interest rate markets. Australian major bank senior spreads continue to underperform as expected. We continue to prefer fixed rate bonds over floating rate notes due to the significant pick up in outright yields, aided by the spike higher in October. Whilst credit curves have steepened recently as investors bought <5yr maturity bonds and sold >5yr maturity bonds, we expect the increase in outright yields in 5yr to 10yr corporate bonds to tempt buyers back into this segment of the market. With 5 to 6 weeks remaining before the market unofficially closes, we will use this time wisely to position the Fund to be long carry over the holiday period in readiness for the mid-January re-opening.

GLOBAL CREDIT INDICES	PRICE	CHG ON MTH
ITRAXX AUSTRALIA 5YR	0.65%	-0.01%
ITRAXX EUROPE 5YR	0.51%	0.01%
ITRAXX EUROPE XOVER 5YR	2.62%	0.08%
CDX US IG 5YR	0.52%	-0.01%
CDX US HY 5YR	3.04%	0.03%

FUND METRICS

Considering the velocity of the moves in interest rates and the Fund being underweight versus benchmark, towards the end of the month the interest rate duration was marginally lengthened from 1.86 to 2.06. Credit duration was static on the month, although the Fund was active around the 10yr maturity bucket. New green bonds issued by GPT 10yr & Investa 9yr were added, as existing positions in Woolworths 10yr and CPPIB 8yr were trimmed. Although most new deals issued throughout October actually widened in the secondary market post issuance, once interest rate volatility subsides, we expect to see strong performance from new issues at very attractive outright yields. The spike in yields throughout October resulted in a monthly increase of 77bps for the Fund's running yield.

AS AT 31ST OCTOBER 2021	FUND	BENCH-MARK
INTEREST RATE DURATION	2.06	2.52
CREDIT DURATION	3.84	2.47
YIELD TO MATURITY	1.94%	1.11%
YIELD TO WORST	1.89%	1.11%
BLOOMBERG COMPOSITE RATING (weighted average)	A*	AA+

*Using the Morningstar methodology for Average Credit Quality

NEW ISSUES

Considering the pick-up in interest rate volatility and reasonably subdued issuance in most markets, it was encouraging to see AUD 1.69b of issuance from 5 unique issuers. Labelled bond issuance from the REIT sector was notable, with 3 new deals pricing throughout the month. Investa Commercial Property Fund (highlighted below), GPT Wholesale Office Fund and the Australian Prime Property Fund were all able to attract demand for the longer dated deals.

ISSUER	Bond Type	Issue Date	Issue Size $M	Fixed/ Floating	Maturity	Sector
INVESTA COMMERCIAL PROPERTY FUND	Green	01-Oct-21	140	Fixed	11-Oct-30	Real Estate

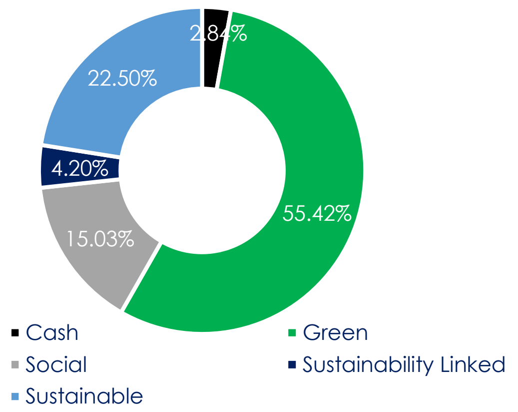
Issuer	investa Commercial Property Fund
Bond Type	Green Bond
Issue Date	01-Oct-21
Issue Size	AUD 140m
Eligible Categories	7 AFFORDABLE AND CLEAN ENERGY; 13 CLIMATE ACTION
Specific Projects	Buildings to be in the top 15% of emissions intensity performance in their city; • Emissions intensity expressed as an amount of carbon dioxide per square metre (kg.CO2/m2). • Maximum threshold applies in each city which ratchets down to zero before 2050. • 10/12 assets meeting the CBI threshold, with the total weighted average having 36.0% headroom below the CBI required benchmark.

This month we are highlighting the Investa Commercial Property Fund (ICPF) green bond. ICPF is a core prime office fund for institutional investors that concentrates on premium-grade office assets in the major Australian CBD markets. The new AUD 140m green bond, will add to ICPF's impressive existing AUD 770m green bond portfolio. The proceeds of the green bond will be allocated to refinance debt that finances (directly or notionally) a pool of eligible low carbon building assets that meet the low carbon buildings criteria set out in the Climate Bonds Standard, as outlined in the ICPF Green Bond Framework. Projects will be identified and selected on the basis that:

- Their emissions intensity met the targets set out in the CLCB criteria; and
- Their combined book value materially exceeded the face value of the issuance, thus providing significant headroom for the management of unallocated proceeds.

GREEN, SUSTAINABLE & SOCIAL

BOND TYPE



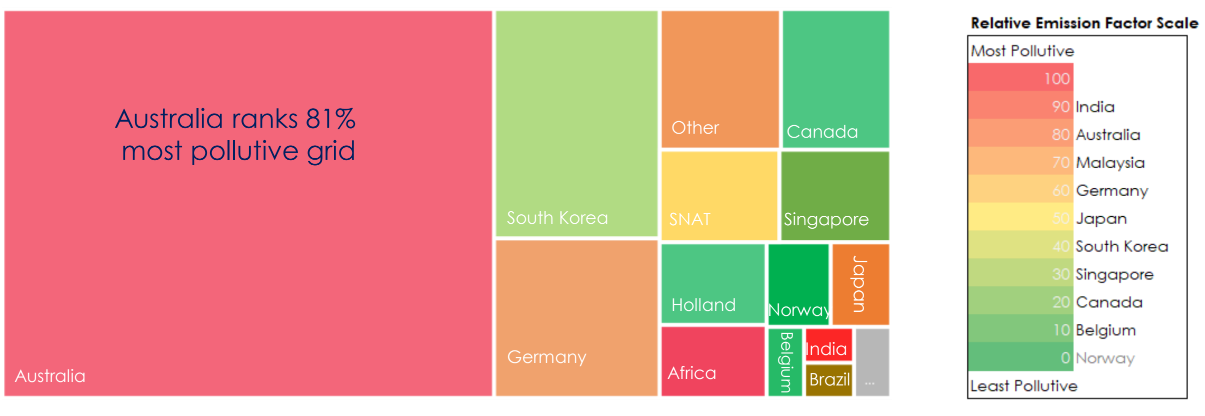
CARBON ABATEMENT

	Fund
October's estimated carbon abatement	641.2t CO2e*
Since inception estimated carbon abatement[1]	6,024.6t 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 **2,824 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 55% 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 CO_2e per year being [(169g/km x 12,600km) / 1,000,000].*

DISCLAIMER

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