

Regnan Credit Impact Trust

Factsheet | As at 30 November 2022

ARSN: 638 304 220

About the Fund

The Regnan Credit Impact Trust (**Fund**) is an actively managed portfolio of floating and fixed interest securities. The Fund focuses on investments anchored to impact goals adapted from Sustainable Development Goals (SDG).

Investment Objective

The Fund aims to generate positive and measurable social or environmental impact, or both; and a return (before fees, costs and taxes) that exceeds the RBA Cash Rate over rolling 3 year periods.

Investment Strategy and Fund Features

This Fund is designed for investors and offers these investors access to a diversified portfolio of floating and fixed income securities that meet financial and social or environmental goals, or both.

The Fund aims to meet its investment objectives by investing primarily in impact securities. The Fund may also invest in non-impact securities (government and credit) that pass our sustainable and ethical screens. The Fund's investments are predominantly issued in Australian dollars. For non-Australian dollar denominated securities, the Fund will generally hedge back any foreign currency exposures to Australian dollars to the extent considered reasonably practicable.

The Fund uses a combination of active alpha strategies such as active security and sector selection, duration, yield curve and credit management in addition to impact analysis (including ethical and sustainable considerations) to build a portfolio that targets securities classified as contributing to impact goals (including green bonds, social bonds and sustainable bonds as appropriate).

The Fund focuses on investments anchored to impact goals adapted from the United Nations Sustainable Development Goals. Each security is assessed for its impact based on evidence of a contribution to:

- Improving access, affordability or adequacy of food, water, shelter or healthcare; or
- Preserving climate stability, biodiversity or natural resources; or
- Advancing empowerment, resilience or innovation.

Performance

(%)	Total Returns		Benchmark Return
	(post-fee)	(pre-fee)	
1 month	0.24	0.28	0.23
3 months	0.57	0.70	0.63
6 months	0.82	1.08	0.95
1 year (pa)	0.13	0.63	1.02
2 years (pa)	1.24	1.75	0.56
Since Inception (pa)	1.98	2.49	0.48

Source: Pandal as at 30 November 2022

Additionally, the Fund applies a sustainable and ethical process to all issuers.

The Fund will not invest in issuers directly involved in either of the following activities:

- tobacco production; or
- controversial weapons manufacture (such as cluster munitions, landmines, biological or chemical weapons, depleted uranium weapons, blinding laser weapons, incendiary weapons, and/or non-detectable fragments).

The Fund will also not invest in issuers directly involved in any of the following activities, where such activities account for 10% or more of an issuer's total revenue:

- the production of alcohol;
- manufacture or provision of gaming facilities;
- manufacture of non-controversial weapons or armaments;
- manufacture or distribution of pornography;
- direct mining of uranium for the purpose of weapons manufacturing; or
- extraction of thermal coal and oil sands production.

Derivatives are used to gain exposure to assets and markets. They are also used to reduce risk and can act as a hedge against adverse movements in a particular market or in the underlying assets.

About Regnan

Regnan is a responsible investment leader with a long and proud heritage providing advice and insights on important environmental, social and governance issues.

For many years our pioneering analysis has changed the way investors and businesses think about value creation and their wider responsibilities to society.

Building on that expertise, Regnan has now expanded its capabilities into responsible investment funds management, backed by the considerable resources of Pandal Group.

“Regnan” is a registered trademark of Pandal Group Limited (PGL) and is a standalone responsible investment business division of PGL. The Fund is issued by Pandal Fund Services Limited ABN 13 161 249 332 AFS Licence 431426 (PFSL). PFSL has appointed J O Hambro Capital Management Limited to manage the assets of the Fund.

Investment Team

Pandal’s Income & Fixed Interest team includes eight dedicated investment professionals. The team also draws on a wide range of knowledge resources including Pandal’s other specialist investment teams: Equity and Multi-Asset. The portfolio manager of the Fund is George Bishay, who has more than 26 years industry experience.

Fees and costs

You should refer to the latest Product Disclosure Statement for full details of the ongoing fees and costs that you may be charged.

Management fee ¹	0.50% pa
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¹ This is the fee we charge for managing the assets and overseeing the operations of the Fund. The management fee is deducted from the Fund’s assets and reflected in its unit price.

Other Information

Fund size (as at 30 Nov 2022)	\$200 million
Date of inception	January 2020
Minimum investment	\$25,000
Buy-sell spread ²	For the Fund’s current buy-sell spread information, visit www.pandalgroup.com
Distribution frequency	Quarterly
APIR Code	PDL5969AU

² The buy-sell spread represents a contribution to the transaction costs incurred by the Fund, when the Fund is purchasing and selling assets. The buy-sell spread is generally incurred whenever you invest or withdraw funds, and may vary from time to time without notice.

Portfolio Statistics (as at 30 November 2022)

Yield to Maturity [#]	4.13%
Running Yield [*]	4.13%
Modified duration	0.07 years
Credit spread duration	2.44 years
Weighted Average Maturity	2.71 years

[#] The portfolio yield to maturity is an estimate of the fund’s internal rate of return. It is calculated as the yield to maturity of all securities comprised in the benchmark at the relevant time (sourced from Bloomberg), plus our estimate of the weighted average traded margin over the swap rate for each of those securities based on observed market prices. The portfolio yield to maturity does not represent the actual return of the fund over any period.

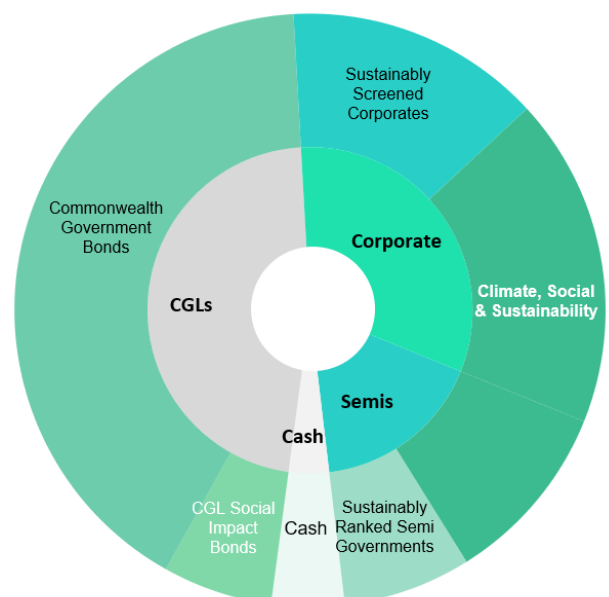
^{*} The portfolio running yield is calculated as the weighted average coupon rate of the physical portfolio assuming all securities are held at par or face value. Carry/interest income from synthetic positions are excluded from this calculation. Running yield does not reflect the actual income return of the portfolio.

Credit Quality (as at 30 November 2022)

AAA	16.7%
AA	24.1%
A	22.4%
BBB	21.0%
Money Market	15.8%

Sector Allocation (as at 30 November 2022)

Money Market	15.8%
Financials	39.3%
Industrials	22.3%
Supranational, Sovereign & Agencies	12.0%
Infrastructure & Utilities	2.6%
Real Estate	3.1%
Semis	0.2%
ABS	4.7%



Market review

The Reserve Bank of Australia (RBA) raised the cash rate in early November by a further 0.25% to 2.85%, in line with market pricing. The RBA later released their latest economic forecasts in their Statement on Monetary Policy. Headline inflation for 2022 is forecast to hit 8% before falling to 4.7% and 3.2% in 2023 and 2024. Trimmed mean is forecast to remain above the RBA's target band over the forecast period with trimmed mean seen at 3.8% and 3.2% in 2023 and 2024. Economic growth was revised down to 1.4% and 1.6% for the same period, with the sub-trend economic growth expected to result in the unemployment rate rising to 3.7% and 4.3%.

In a speech late in the month Governor Lowe stated that the current high inflationary environment is seen as temporary but that future inflation may prove to be more volatile and more challenging to keep in a narrow range. He sighted the reversal of globalisation, demographics, climate change and the energy transition as some of the factors that will lead to more variable inflation outcomes.

The recently released monthly inflation data came out on the weaker side. However, given its infancy it is too soon to read much into the series. The series accounts for around 60% of the basket and showed annual headline inflation falling from 7.3% to 6.9%. 3rd quarter wage price index data showed wages rising by a slightly higher than expected 1% and resulted in an annual increase of 3.1%. The labour market continues to perform well with 32,200 jobs added in October. When combined with a slight fall in the participation rate the result was unemployment rate falling from 3.5% to 3.4%.

Bonds had a modest rally over the month. Three year Australian bonds finished the month at 3.16%, from 3.29% at the start of month. 10 year bonds finished the month at 3.53% from 3.75% at the start. Yields hit the high for the month when the Australian Office of Financial Management issued \$14 billion of a new 2034 bond early in the month, but yields quickly fell away again after weaker US CPI numbers.

Credit review

November was generally a positive month for credit spreads.

Dovish comments from the Federal Reserve recognising that monetary policy has lags, the cumulative impact of tightening needs to be considered, as well as noting that a slowing in the pace of rate hike increases may come as soon as December. However, they noted the FED will need restrictive policy for "some time", also that the peak in interest rates is likely to be "somewhat higher" than the Fed's September forecasts. Powell warned that the FED still had a "long way" to go to restore price stability and that this would require a sustained period of slower demand growth and that the FED needs "substantially more evidence" that inflation was falling. This was all taken positively by the market that the Fed is looking to slow its rate hike path.

Early in the month there were rumours that surfaced of a shift in the thinking on China's zero covid policy to a more relaxed stance, however these stories were soon walked back given rising cases in China. However later in the month, there were two further significant news items, firstly, was in fact that China will have a minor easing of its COVID-19 policy by reducing the time required for incoming travellers to isolate, together with announcing other signs of easing from the strict zero-covid policy, secondly reports of a significant scale rescue package for the country's property sector.

Markets had a strong rally post the large downside miss on US CPI print during the month. The slowing of US CPI added to market views that inflation may have now peaked and that the Fed may start to slow the pace of monetary policy tightening following a series of consecutive 75bp hikes.

Late in the month, the market lost some momentum on the back of China's COVID-19 lockdown protests and also several hawkish central bank commentary releases around the market underestimating the chances that policymakers will need to be more aggressive next year in raising interest rates and also that inflation maybe be stickier than investors expect.

Credit spreads were mixed over the month with synthetic credit outperforming following positive market sentiment, however in physicals, some sectors performed whilst others underperformed. The Australian iTraxx index (series 38) traded in a large 42bp range finishing 41bps tighter 90bps. Australian physical credit spreads ended the month 1bp narrower on average. The best performing sectors were domestic banks and supra-nationals which tighten 9 & 5bps respectively, whilst the worst performing sectors were infrastructure, real estate and utilities that widened 14, 13 & 5bps respectively. Semi-government bonds performed narrowing 7bps to commonwealth government bonds.

Fund performance and activity

The Fund outperformed its benchmark by 5bps (pre-fee) in November.

Financials and supra-nationals added to performance whilst industrials and real estate detracted.

Activity during the month included adding exposure to supra-nationals and domestic senior banks funded out of cash.

This month we invested in an AUD International Finance Corporation (IFC) Green Bond. The IFC is part of the World Bank Group and is a AAA-rated issuer that funds projects in developing countries. We have previously invested in an IFC Social Bond that distributes loans for women-owned businesses and providers of services to low income earners in developing countries. This new Green Bond still has a focus on the underprivileged, but it emphasises climate stability. This bond focuses on projects in developing countries for energy efficiency, renewable energy and energy tech/innovation. Examples of projects funded include two wind farms in Vietnam, plastic bottle recycling plant in Brazil and solar power plant in Uzbekistan. We continue to support these types of bonds as they have high levels of impact in the areas of climate stability and the underserved in society.

Market Outlook

The Australian bond market has staged a small comeback in a very challenging year. The worst of the inflation fears seem to have passed and expectations are now for inflation to move back towards 4% over the next year. This will not bring lower rates but will likely see the RBA stop tightening either late this year or in Q1 2023.

We expect markets are entering an extended period of range trading as competing influences buffet the market. Activity data should remain strong into the end of 2022 but start to turn down by Q2 2023 and struggle in the second half of 2023 as higher mortgage rates bite. However, services inflation and higher wage outcomes will limit any chances of RBA rate cuts although the market may speculate.

Real yields remain a big question mark. 10 year real yields have rallied from 2% to 1% since September. With productivity forecast around 1.2% over the medium term that provides some sort of signpost. Against this are central banks who are determined to crush inflation and may see the need for higher real cash rates in the near term.

Credit Outlook

We continue to be cautious on credit spreads as markets are likely to remain volatile given the uncertainty around global inflation and Central Banks' resolve to fight it. However, this month's softer than expected US CPI print gives us some hope that inflation may have peaked.

The lockdowns and zero-COVID policy in China, will continue to add to supply chain disruptions and inflationary pressures. However, with China potentially looking to ease this zero covid policy, this would alleviate inflation pressures but will take some time to filter through.

We will continue to focus on US inflation data to guide our credit positioning.

Over the medium term we are more sanguine on the outlook for credit spreads. Given the tight labour markets globally, consumer consumption will continue to drive demand for goods and services which is supportive for economic growth, positive for company earnings and beneficial for credit fundamentals.

The Fund's contribution to the environment



Low carbon

21,014 tCO₂e

GHG EMISSION AVOIDED PA

Equivalent to: **9,240** cars taken off the road p.a.

127 hectares

OF FOREST RESTORED

Equivalent to: **72** the size of Melbourne Cricket Ground stadiums



Green buildings

1,436 m²

FLOOR SPACE



Renewable energy

38,079 MWh/year

RENEWABLE ENERGY GENERATED

Equivalent to: **8,285** average household annual electricity use in Australia

12 MW

RENEWABLE ENERGY GENERATION INSTALLED CAPACITY

Equivalent to: **0.5%** of renewable energy capacity installed in Australia 2018



Sustainable agriculture

8 hectares

LAND CONSERVED



Low carbon transport

84,526

PASSENGER TRIPS PA



Water management

371,000 L

WATER CLEANED, RECYCLED OR TREATED P.A.

4,182,412 L

WATER USAGE SAVED P.A.

378,845,280 L

WATER CAPACITY SECURED

Equivalent to: **6,407** Melbourne population water usage secured



Sustainable agriculture

6 hectares

LAND CONSERVED

The Fund's contribution to the society



Financial inclusion

4,333

MICRO-LOANS

made to financially under-served entrepreneurs from developing nations*

1,525

LOANS

made to female-owned micro, small and medium enterprises with little access to formal sources of financing*

56

SOCIAL/AFFORDABLE HOUSING*



Social quality

10,367

PEOPLE

with access to Information and Communication technology in third world remote regions*

635

SMALL-SCALE FARMERS

reached for improved agricultural technology*

187

TEACHERS TRAINED in developing nations*

2,924

UNDERPRIVILEGED STUDENTS

expected number of student education*

93

JOBS

created through supporting education & renewable energy plants in developing nations*

72

YOUTH in at risk training programs

*These outcomes are based on projections provided by issuers of bond securities. The projections may be inaccurate or may not take into account risks and uncertainties.

For more information



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Risks

An investment in the Fund involves risk, including:

- **Market risk:** The risk associated with factors that can influence the direction and volatility of an overall market, as opposed to security-specific risks. These factors can affect one country or a number of countries.
- **Security specific risk:** The risk associated with an individual security.
- **Interest rate risk:** The risk associated with adverse changes in asset prices as a result of interest rate movements.
- **Credit risk:** The risk of an issuing entity defaulting on its obligation to pay interest/principal when due.
- **Liquidity risk:** The risk that an asset may not be converted to cash in a timely manner.
- **Valuation risk:** The risk that the value of an investment in a less active or liquid market is lower than what is reflected in the Fund's unit price.
- **Counterparty risk:** The risk of another party to a transaction failing to meet its obligations.

Please read the Fund's Product Disclosure Statement (**PDS**) for a detailed explanation of each of these risks.

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PFSL is the responsible entity and issuer of units in the Regnan Credit Impact Trust (**Fund**) ARSN: 638 304 220. A product disclosure statement (**PDS**) is available for the Fund and can be obtained by calling 1300 346 821 or visiting www.pendalgroup.com. The Target Market Determination (**TMD**) for the Fund is available at www.pendalgroup.com/ddo. You should obtain and consider the PDS and TMD before deciding whether to acquire, continue to hold or dispose of units in the Fund. An investment in the Fund is subject to investment risk, including possible delays in repayment of withdrawal proceeds and loss of income and principal invested.

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Performance figures are calculated in accordance with the Financial Services Council (**FSC**) standards. Where performance returns are quoted "Post fees" then this assumes reinvestment of distributions and is calculated using exit prices which take into account management costs but not tax you may pay as an investor. Where performance returns are quoted "Pre fees and tax", they exclude the effects of management costs and any taxes. Past performance is not a reliable indicator of future performance.

If market movements, cash flows or changes in the nature of an investment (e.g. a change in credit rating) cause the Fund to exceed any of the investment ranges or limits specified, this will be rectified by PFSL as soon as reasonably practicable after becoming aware of it. If PFSL does so, it will have no other obligations in relation to these circumstances. The procedures, investment ranges, benchmarks and limits specified are accurate as at the date of this factsheet and PFSL reserves the right to vary these from time to time.