Regnan

Regnan Credit Impact Trust

Factsheet | As at 30 April 2023

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 the United Nations Sustainable Development Goals (**SDGs**).

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 offers investors access to a diversified portfolio of floating and fixed income securities that meet financial and social and/or environmental goals.

The Fund aims to meet its investment objectives by investing in securities including social bonds, climate/green bonds and sustainability bonds. The Fund may also invest in government and credit securities 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 analysis of ethical and sustainable considerations to build a portfolio that contributes to the Fund's social or environmental goals.

The Fund focuses on investments anchored to goals adapted from the SDGs. Each security is monitored for its reported social or environmental outcomes related to the following goals:

- 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 (post-fee)	Total Returns (pre-fee)	Benchmark Return
1 month	0.49	0.53	0.29
3 months	1.15	1.27	0.84
6 months	2.31	2.56	1.59
1 year	2.79	3.31	2.35
2 years (p.a)	1.36	1.87	1.22
3 years (p.a)	2.43	2.95	0.87
Since Inception (p.a)	2.37	2.88	0.84

Source: Pendal as at 30 April 2023

"Post-fee" returns assume reinvestment of distributions and is calculated using exit prices. "Pre-fee" returns exclude the effects of management costs and any taxes. Returns for periods greater than one year are annualised. Fund inception: January 2020

Past performance is not a reliable indicator of future performance.

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 (including e-cigarettes and inhalers); or
- controversial weapons manufacture (including cluster munitions, landmines, biological or chemical weapons, depleted uranium weapons, nuclear 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 gross revenue:

- the production of alcoholic beverages;
- 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.

For more information on how these exclusions are applied, refer to section 5 'How we invest your money' of the Fund's Product Disclosure Statement at www.pendalgroup.com/RegnanCreditImpactTrust-PDS

About Regnan

Regnan is a specialist business unit within Pendal and a responsible investment leader with a long and proud heritage providing our investment teams with insight and advice on important themes relating to environmental, social and governance (ESG) issues, including impact investment, engagement and advocacy.

Regnan's pioneering analysis has changed the way investors and businesses think about value creation and their wider responsibilities to society. Regnan remains committed to undertaking engagement that contributes to growing the market for impact investments.

Investment Team

Pendal's Income & Fixed Interest team is a large team of dedicated investment professionals. The team also draws on a wide range of knowledge resources including Pendal's other specialist investment teams: Equity and Multi-Asset. The portfolio manager of the Fund is George Bishay, who has more than 28 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

[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 April 2023)	$208 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.pendalgroup.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 April 2023)

Yield to Maturity#	4.31%
Running Yield*	3.30%
Modified duration	0.08 years
Credit spread duration	2.47 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 April 2023)

AAA	15.8%
AA	27.8%
A	24.3%
BBB	18.9%
Money Market	13.2%

Sector Allocation (as at 30 April 2023)

Money Market	13.1%
Financials	41.4%
Industrials	24.4%
Supranational, Sovereign & Agencies	11.7%
Infrastructure & Utilities	2.6%
Real Estate	2.4%
Semis	0.2%
ABS	4.1%

Market review

Bond markets in Australia had a relatively subdued month in April, with the smallest range and net movement in over 12 months. Three year bonds (April 2026) finished April 0.05% higher, rising from 2.95% to 3%. 10 year bonds (April 2033) rose from 3.30% to 3.34%.

After a strong March, driven largely by financial woes in the US and Switzerland, bond markets held in quite well as risk markets bounced. Data remains mixed, with employment holding up well, but signs of moderating inflation. Central banks are also either pausing or talking about pausing, with the RBA leaving rates unchanged for the first time since April last year.

The employment numbers in mid April surged again, with 53,000 jobs created and importantly full times jobs surged. The unemployment rate fell back to 3.5% and would have moved lower if not for a rise in the participation rate. Immigration is helping support job growth and a larger pool of workers.

Inflation numbers for the first quarter showed some inflation relief for the RBA. Whilst still strong, a headline of 1.4% and underlying of 1.2% were the first significant fall since data surged above 2% this time last year. Levels remain uncomfortably high and markets got a bit ahead of themselves in looking for moderate rate cuts.

Other data pointed to a subdued economy but one that is holding up better than many thought given the rate rises. There is still a decent growth buffer to keep the Australian economy out of recession, although the full impact of rate rises is still several months away.

Overall, despite a small rise in yields bond investors should be pleased that markets largely held gains made during the risk off in March. It points to a more stable 2023 with markets likely to keep pricing in some rate relief into 2024.

Credit review

Credit spreads ended the month slightly tighter. The market's concerns around the US and global banking sector began to ease during the first half of the month, continuing their rally from the end of March. Bank deposit outflows started to moderate, and the US earnings season was better than expected. Specifically, the US tech giants' earnings were strong.

In the second half of the month, credit spreads widened slightly due to worries about a potential US government shutdown and renewed concerns about the health of American regional lenders. After First Republic Bank's stock price plummeted, the company was forced into a trading halt. As at the end of the month, First Republic was exploring a potential takeover by a large, well-capitalised US bank, with JP Morgan rumoured to be the frontrunner. On the 1st of May, it was announced that JPMorgan agreed to acquire First Republic in a government-led deal.

Credit spreads narrowed over the month. The Australian iTraxx index (series 39) traded in a 11bp range finishing 3bps tighter to close at 87bps. Australian physical credit spreads where 1bp narrower on average. The best performing sectors were domestic banks and offshore banks that tightened 7 and 5bps respectively, whilst the worst performing sectors were real estate and infrastructure that widened 8 and 7bps respectively. Semi-government bonds outperformed, narrowing 5bps to commonwealth government bonds.

Fund performance and activity

The Fund outperformed its benchmark in April.

Financials and supra-nationals were the main drivers of outperformance.

Activity during the month included increasing exposure to supra-nationals funded out of financials.

This month we invested in an AUD Biodiversity and Sustainable Development bond from the World Bank. More than half the world's GDP is estimated to be dependent on biodiversity and ecosystem services. Fresh water, fertile soils, clean air and even insects pollinating plants – the flow-on effects of the degradation of biodiversity are immense. Biodiversity is emerging as an investment focus, coinciding with businesses increasingly disclosing the different environmental risks they face.

This is the first Sustainability bond we've invested in that has an explicit focus on biodiversity. This bond is helping to put nature as central to development through promoting conservation, training, and policy to seek nature-based solutions in agriculture, forestry and fisheries. Through this bond, we are investing in projects around the world that are promoting biodiversity, including by providing training and opportunities to manage resources.

An example of a project this bond will fund is in Tunisia. Oases in Tunisia, long the centre of trade and cultural exchange, are threatened from water wastage, soil salinity and fertility loss. Local knowledge about how to manage these resources is being lost. This bond is helping to fund improved governance of these spaces through improving water saving and reducing land degradation. The bond will enable 25,000 hectares to be under sustainable landscape management practices, providing financial support for 250 small and medium enterprises.

Another example of a project that will be funded is in Mexico. There are 12 million people in Mexico who live in poverty in forests and are directly dependent on local natural resources. This bond is helping to strengthen sustainable forest management and provide other economic opportunities. This includes conservation and business development and providing other economic opportunities apart from logging and land clearing. There is a focus on the underserved such as indigenous people and women in this project.

Given the importance on biodiversity, we are thrilled to be able to invest in this bond. We are optimistic that we will see more ways to bring about development and environmental outcomes through these types of investments.

Market outlook

The Reserve Bank tightened monetary policy by 25 basis points at their meeting in early May, taking the cash rate to 3.85%. In their statement the RBA downgraded their inflation forecast for 2023 by 0.3% to 4.50%, yet still decided to tighten policy anyhow.

In justifying their decision, the RBA noted that services inflation remains very high and the offshore experience indicates upside risks. Productivity growth is anaemic, in turn exerting upward pressure on unit labour costs. The strength of the labour, with the unemployment rate at a 50 year low and most businesses struggling to find workers only adds to their concern.

In defending themselves against not going in April the RBA stated that they held rates steady to provide additional time to assess the state of the economy and the outlook. They concluded with the statement that they remain resolute in their determination to return inflation to target and will do what is necessary to achieve that. So why not go in April then?

Inflation is not forecast to be back within the band until mid 2025 and the labour market is not cooling. Some wage inflation pressure may reduce in some sectors with the increase in migration. However, that brings with it a different type of price pressure, mainly via rental inflation. Further policy tightening cannot be ruled out, with the near term focus on the monthly employment number and quarterly wage inflation to be released in May.

Credit outlook

We continue to be cautious on the near term outlook for credit spreads given the uncertainty around US regional banks and tightening of credit lending.

We also have concerns around services inflation continuing to remain high which will see Central Banks maintain restrictive monetary policy for longer and will lead to an economic slowdown.

We are keeping a watchful eye on wages growth not keeping up with inflation. This has led to a decrease in consumer savings and will ultimately impact consumer spending and potentially stalling economic growth.

However, China re-opening has alleviated supply chain disruptions and will see strong demand from the region supporting global growth and risk assets.

Looking towards the longer term, our outlook for investment grade credit spreads is more sanguine. Given the China re-opening, strong global labour markets, consumer consumption should continue to drive demand for goods and services which is supportive for economic growth, positive for company earnings and beneficial for credit fundamentals.

Expected Environmental Outcomes of the Fund

Low carbon

40,481 tCO_2e

GHG EMISSION AVOIDED PA

Equivalent to: **17,799** cars taken off the road p.a.

15 hectares

OF FOREST RESTORED

Equivalent to: **6** the size of Melbourne Cricket Ground stadiums

Renewable energy

54,069 MWh/year

RENEWABLE ENERGY GENERATED

Equivalent to: **11,764** average household annual electricity use in Australia

21 MW

RENEWABLE ENERGY GENERATION INSTALLED CAPACITY

Equivalent to: **0.9%** of renewable energy capacity installed in Australia 2018

Water management

1,235,468 L

WATER CLEANED, RECYCLED OR TREATED P.A.

3,837,054 L

WATER USAGE SAVED P.A.

361,057,755 L

WATER CAPACITY SECURED

Equivalent to: **6,106** Melbourne population water usage secured

Green buildings

3,081 m^2

FLOOR SPACE

Low carbon transport

210,125

PASSENGER TRIPS PA

Sustainable agriculture

5 hectares

LAND CONSERVED

The aggregated expected environmental outcomes shown above are based on data provided by the issuers of bond securities (Issuers) held by Fund. That data relates to the outcome attributable to those securities held by the Fund. Information provided is indicative only and should not be relied upon when making an investment decision or recommendation in relation to the Fund. The information provided to us by the Issuers has not been verified by us and may be inaccurate or incomplete. Actual results may differ and subsequent changes in circumstances may occur at any time that impact the accuracy of the results. Past performance is not a reliable indicator of future performance. The outcome numbers are based on data from 1 December 2022 to 31 December 2022.

Expected Social Outcomes of the Fund

Financial inclusion

4,880
MICRO-LOANS
made to financially under-served entrepreneurs from developing nations*

1,521
LOANS
made to female-owned micro, small and medium enterprises with little access to formal sources of financing*

60
SOCIAL/AFFORDABLE HOUSING*

Social quality

9,191
PEOPLE
with access to Information and Communication technology in third world remote regions*

3,589
UNDERPRIVILEGED STUDENTS
expected number of student education*

517
SMALL-SCALE FARMERS
reached for improved agricultural technology*

385
JOBS
created through supporting education & renewable energy plants in developing nations*

212
TEACHERS TRAINED
in developing nations*

80
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.

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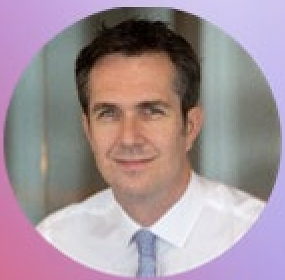
For more information



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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.