

Regnan Credit Impact Trust

Factsheet | As at 31 May 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		Benchmark Return
	(post-fee)	(pre-fee)	
1 month	0.44	0.48	0.32
3 months	1.06	1.19	0.91
6 months	2.51	2.76	1.68
1 year	3.35	3.87	2.65
2 years (p.a)	1.46	1.97	1.38
3 years (p.a)	2.48	3.00	0.97
Since Inception (p.a)	2.44	2.96	0.92

Source: Pental as at 31 May 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.pentalgroup.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
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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 31 May 2023)	\$215 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 31 May 2023)

Yield to Maturity [#]	4.69%
Running Yield [*]	4.24%
Modified duration	0.06 years
Credit spread duration	2.88 years
Weighted Average Maturity	3.25 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 31 May 2023)

AAA	15.2%
AA	31.6%
A	25.7%
BBB	22.2%
Money Market	5.2%

Sector Allocation (as at 31 May 2023)

Money Market	5.2%
Financials	47.0%
Industrials	23.5%
Supranational, Sovereign & Agencies	11.3%
Infrastructure & Utilities	7.0%
Real Estate	1.9%
Semis	0.2%
ABS	3.9%

Market review

Bond markets yields drifted higher in May, partly on rising global yields but also on a mildly surprising RBA rate hike and hawkish rhetoric. Three year bonds (April 2026) finished April 0.37% higher, rising from 3% to 3.37%. 10 year bonds (April 2033) rose from 3.42% to 3.64%.

The RBA kicked off the month with a surprise rate hike. The market only had a 15% chance of a hike, reading into the weaker underlying Q1 inflation number that the RBA would stay on hold. The RBA cited signs that the economy was not slowing fast enough and that solid wage growth with no productivity was not consistent with their target.

This set the tone for May and yields were not helped by a rise in US treasury yields, although they did recover some of their losses late in the month. The Fed is talking about a likely pause as their inflation and wage numbers slow. This left Australian 10 year bonds flat or even slightly above US bonds for the first time since January.

Data in Australia subsequent to the RBA hike showed a mixed picture. Employment was weak with small job losses and an unemployment rate climbing to 3.7%. Wages were also well behaved at 0.8% for the quarter and 3.7% annual. However business conditions remain elevated and the April CPI number was slightly higher than expected at 6.8%.

The net result of all this data is an economy slightly slowing but not fast enough for the liking of the RBA. This is despite GDP probably having almost flatlined in Q1. The market is now pricing in potential further hikes and pushing back on rate cuts almost into 2025. Although inflation data here and the US will be more market friendly in the next few months, it appears the RBA, with rates much lower than the Fed, may not exercise the same patience.

Credit review

Credit spreads for the month revolved around the ongoing US debt ceiling negotiations, mixed comments from the US Federal Reserve, persistent high inflation, and positive earnings from technology companies.

The primary focus of the month was the looming threat of a US default due to the ongoing debt ceiling negotiations. After intense and lengthy negotiations, an in-principle agreement was reached towards the end of the month to raise the debt limit and cap federal spending until after the 2024 election.

The outlook for the Fed remains uncertain, as there is conflicting information from Fed officials. Some suggest a possible pause in the tightening cycle, while others affirm that the Fed will continue raising interest rates to combat inflation. Global inflation continues to remain high, placing pressure on the central banks to maintain tight monetary policy.

Nvidia's impressive market update had a significant positive impact on risk markets towards the end of the month. The company reported strong earnings and revenue and provided an optimistic outlook for future demand driven by artificial intelligence applications. As a result, the NASDAQ closed the month with a standout gain of +5.8%.

Credit spreads narrowed over the month. The Australian iTraxx index (series 39) traded in a 16bp range finishing 4bps tighter to close at 83bps. Australian physical credit spreads were 1bp narrower on average. The best performing sectors were offshore banks and industrials that both tightened 4bps, whilst the worst performing sector was restate that widened 11bps. Semi-government bonds outperformed, narrowing 2bps to commonwealth government bonds.

Fund performance and activity

The portfolio outperformed its benchmark in May.

Supra-nationals, financials, utilities and industrials were the main drivers of outperformance.

Activity during the month included increasing exposure to utilities, domestic and offshore banks funded out of real estate and shorter dated domestic banks.

This month we invested in an AUD Green Bond from OCBC, a Singaporean-based bank. This bond has a focus on renewable energy and green buildings.

Wind is fast emerging as a significant power source in Australia, accounting for 10% of electricity in 2022. Only 10 years ago, wind was responsible for only around 2% of electricity. Bonds like this help fund meaningful and ongoing support for the energy transition away from fossil fuels to renewable energy.

This bond will also fund green buildings. These are buildings which have been assessed across a range of sustainability criteria such as water efficiency, energy usage, materials and resources used in construction and the choice of sustainable sites. New buildings are inevitable and necessary: we need places to live and work in. This bond is constructing office and mixed development buildings in Australia and Singapore that have a smaller environmental footprint and greater energy efficiency measures.

Market outlook

The Reserve Bank tightened monetary policy by 25 basis points at their meeting in early June, taking the cash rate to 4.10%. They retained their tightening bias.

In their own words the RBA have a narrow path to achieving a soft landing. That path is becoming narrower and narrower. Indeed, the risks of recession are rising.

As the RBA pointed out a significant source of uncertainty comes from household consumption, with elevated prices and higher interest costs draining household coffers. With only a blunt monetary policy tool to drain demand the RBA need to deal with the economy from an aggregate perspective. Whilst there are higher income households with excess savings that can weather the storm more easily at the other end are the more vulnerable. Lower income households are devoting more and more of their income to meet costs – higher rents or mortgage repayments - or other day to day costs that remain elevated.

The RBA does not want to risk expectations for higher prices becoming embedded. The monthly inflation number released in late May had annual inflation at 6.8%. Yes, there were some one-offs that pushed this number higher due to subsidies from early 2022 dropping out. Even so inflation remains too high for them not to act. They would sooner a recession than embedded high inflation, as tough as that may sound. They continue to point out the risks of not doing anything. Consequently further monetary policy tightening cannot be ruled out.

Credit outlook

We continue to be cautious on credit spreads given our expectation of a deeper global economic growth slowdown and potential recession.

We 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.

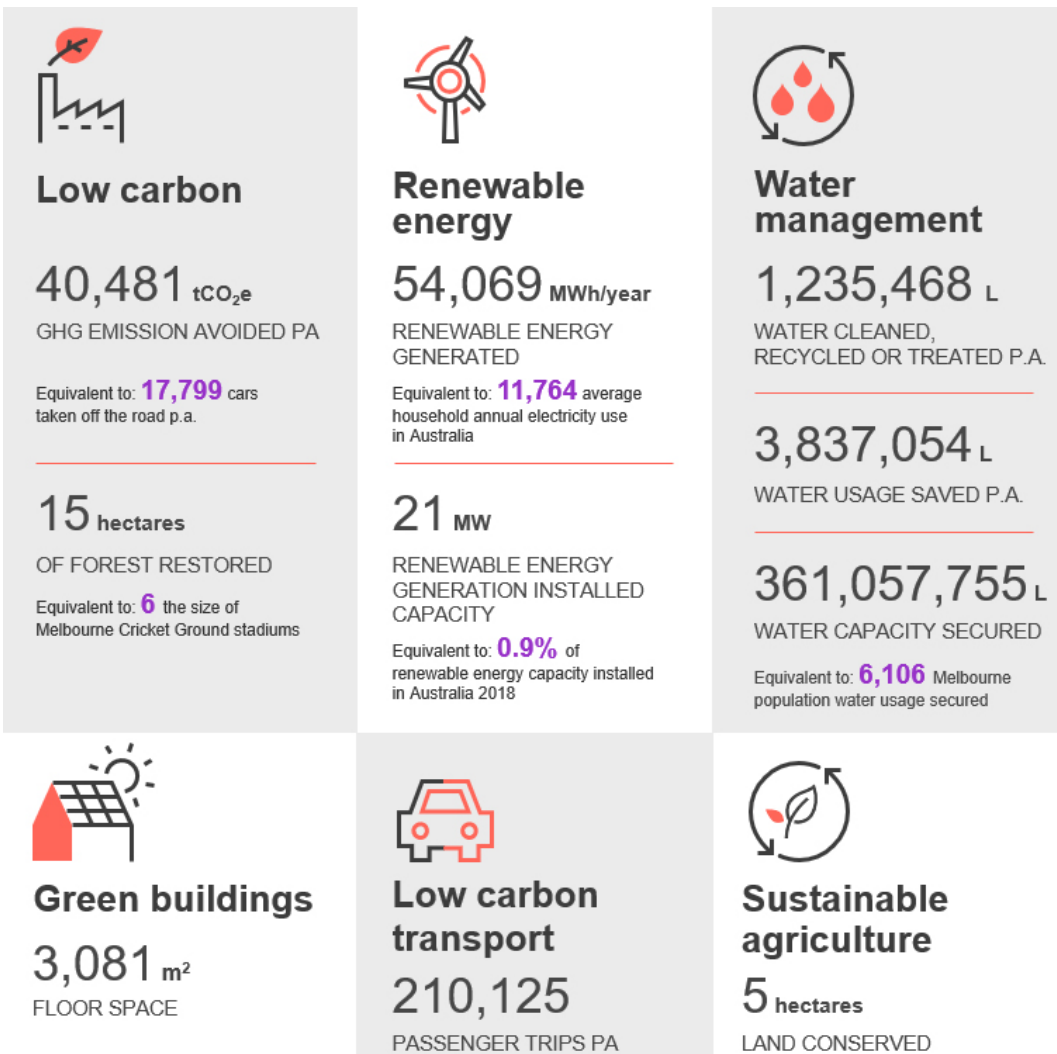
We are keeping a watchful eye on wages growth not keeping up with inflation. This has led to a decrease in consumer savings and will ultimately impact consumer spending and potentially stalling economic growth.

US regional bank concerns and tightening of credit lending globally is also a risk 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



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*

517

SMALL-SCALE FARMERS

reached for improved agricultural technology*

212

TEACHERS TRAINED in developing nations*

3,589

UNDERPRIVILEGED STUDENTS

expected number of student education*

385

JOBS

created through supporting education & renewable energy plants 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.

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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.

The aggregated expected environmental and social outcomes shown in this factsheet are based on data provided by the 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 January 2022 to 31 December 2022.

Any projections contained in this factsheet are predictive and should not be relied upon when making an investment decision or recommendation. Whilst we have used every effort to ensure that the assumptions on which the projections are based are reasonable, the projections may be based on incorrect assumptions or may not take into account known or unknown risks and uncertainties. The actual results may differ materially from these projections.

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.