

Regnan Credit Impact Trust

Factsheet | As at 30 June 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	0.33
3 months	1.37	1.50	0.94
6 months	2.54	2.79	1.75
1 year	3.95	4.47	2.92
2 years (p.a)	1.59	2.10	1.54
3 years (p.a)	2.50	3.01	1.07
Since Inception (p.a)	2.51	3.03	0.99

Source: Pental as at 30 June 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 Pental 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

Pental'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 Pental'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 30 June 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.pentalgroup.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 June 2023)

Yield to Maturity [#]	5.26%
Running Yield [*]	4.52%
Modified duration	0.07 years
Credit spread duration	2.76 years
Weighted Average Maturity	3.64 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 June 2023)

AAA	16.9%
AA	30.0%
A	24.1%
BBB	25.6%
Money Market	3.4%

Sector Allocation (as at 30 June 2023)

Money Market	3.0%
Financials	45.2%
Industrials	23.4%
Supranational, Sovereign & Agencies	11.2%
Infrastructure & Utilities	10.1%
Real Estate	1.0%
Semis	2.1%
ABS	3.9%

Market review

The Reserve Bank of Australia surprised most when they raised the cash rate by 0.25% to 4.10%. The meeting minutes revealed that it was a finely balanced decision between a pausing and hiking. Preceding the RBA's decision, the Fair Work Commission announced that the National Minimum Wage would be increasing by 8.6% and the award minimum wage rate would be rising by 5.75%, effective from the 1st July. In their statement the RBA noted that wages growth at the aggregate level is consistent with the inflation target, however included one important caveat – "provided productivity growth picks up". This is something that has been missing and has led to upward unit labour costs.

Gross Domestic Product (GDP) data showed the economy expanding by a mere 0.2% for the first quarter and 2.3% over the year. Household consumption expenditure rose by only 0.2%. This is one of the key uncertainties for the RBA, given the resilience to date in the face of higher interest rates shown so far by households. Slowing consumption wasn't evident in the retail sales data for May. Retail sales exceeded expectations with an increase of 0.7%, aided by strong consumption in the cafes, restaurants, take-away sector.

Labour data released during the month showed employment growing by a stronger than expected 75,900 jobs in May. The participation rate rose by 0.2% to 66.9%, culminating in the unemployment rate falling from 3.7% to 3.6%. The stronger data fuelled the case for further tightening at the RBA's next meeting in early July. Expectations were tempered later in the month following the release of the monthly inflation data for May. Annual headline inflation fell from 6.8% to 5.6%, much weaker than the 6.1% annual inflation rate expected. When excluding volatile items (fuel, fruit and vegetables and travel) the annual inflation rate fell only 0.1% to 6.4%.

Credit review

June proved to be a mixed month for credit spreads as they navigated through contrasting market dynamics.

The initial phase witnessed some tightening in credit spreads on the back of positive factors, including a surge in optimism surrounding artificial intelligence (AI)-related technology stocks, the resolution of the US debt ceiling issue, and the release of positive US payrolls data as well as data indicators showing inflation is gradually slowing. This was further supported by signals from the Federal Reserve indicating a potential pause in hiking in June and murmurs of potential stimulus measures from China.

During this period, Federal Reserve Chair Powell made remarks indicating the possibility of two more rate hikes if the economy performs as expected. This statement, along with other Fed Governors emphasising the need for additional rate increases to control inflation, reinforced the central bank's stance on tightening monetary policy.

However, the second half of the month witnessed a reversal as profit-taking took hold and concerns surrounding the prolonged maintenance of higher interest rates emerged. Investors chose to secure profits from risk markets and shifted their focus towards the potential impact of inflation and global economic growth on market dynamics. This change in sentiment injected caution among investors, leading to credit spreads widening somewhat, ultimately resulting in a flat credit spread performance for the month.

Credit spreads closed basically unchanged over the month. The Australian iTraxx index (series 39) traded in a 8bp range finishing 2bps tighter to close at 81bps. Australian physical credit spreads were flat on average. The best performing sectors were industrials and infrastructure that both narrowed 4bps, whilst the worst performing sector was supra-nationals that widened 4bps. Semi-government bonds outperformed, tightening 5bps to commonwealth government bonds.

Fund performance and activity

The Fund outperformed its benchmark in June.

Financials, industrials and utilities were the main drivers of outperformance.

Activity during the month included increasing exposure to utilities, domestic bank sub debt and semi-government bonds funded out of domestic senior bank bonds.

This month the fund invested in the inaugural Western Australia Treasury Corp Green Bond. WA's Green Bond follows a year after the government's new sustainability plan and is reflective of the focus of the government to green up their economy and green up their energy usage. WA's Green Bond is raising \$1.9 billion to decarbonise the state's electricity grid by investing in new projects that include battery storage and wind farms alongside charging infrastructure and rebates for electric vehicles.

This fund also invested in the Transpower NZ Green Bond, which is the transmission network of New Zealand. Transpower's financing has been deemed by the Climate Bonds Initiative as having such a large pool of eligible assets that all their funding can be considered for a green bond. This is in part because any replacement or new build in the transmission network helps facilitate the transfer of renewable electricity. In 2021, 80% of New Zealand's electricity came from renewable sources according to the International Energy Agency. With this Green Bond, further renewable electricity generation such as wind farms will be connected to the grid. This will continue to increase the proportion of electricity from renewable sources which is an important component in reducing carbon emissions for New Zealand.

Market outlook

The Reserve Bank left the cash rate unchanged at 4.10% at their meeting in early July. They retained their tightening bias.

The RBA's Statement on Monetary Policy is next due for release in early August and will include updated forecasts on inflation, the labour market and economic growth. In addition to their revised forecasts the RBA will also be basing near term decisions on how the global economy is performing and trends in household spending. Household spending is weakening although the labour market remains tight.

In deciding not to tighten the RBA is allowing for the lags of past policy tightening to still kick in. The monthly CPI released in late June showed annual headline inflation coming out lower than expected and may have bought them some time. We remain wary of reading too much into annual headline inflation rate falling from 6.8% to 5.6%. Stripping out the volatile items saw annual inflation decline from 6.5% to 6.4% - still far too high.

The RBA concluded that some further tightening may be necessary to return inflation to the target in a reasonable timeframe and will do what is necessary to achieve that. The key domestic economic data that will drive their August call is Q2 inflation released on 26th July.

Credit outlook

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

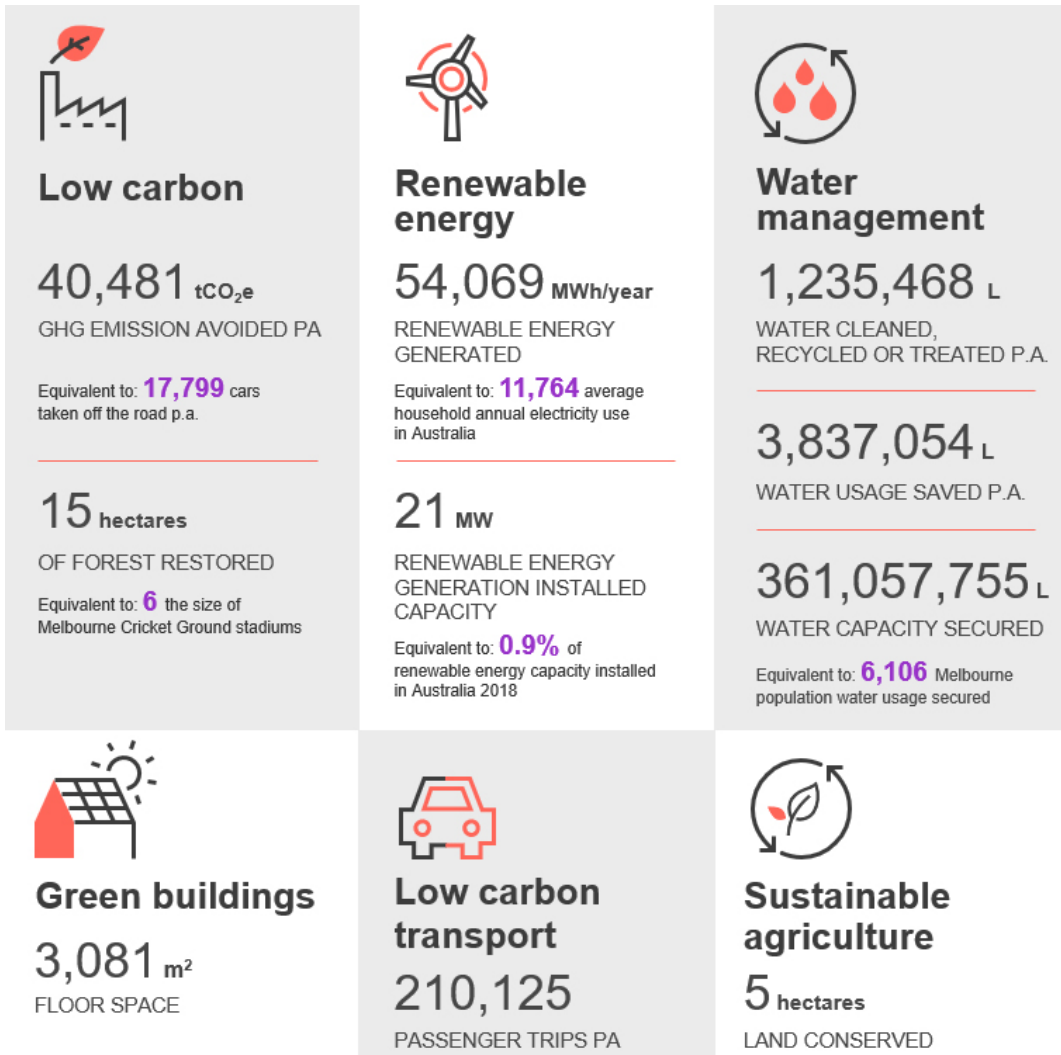
We have concerns around services inflation continuing to remain high which will see Central Banks maintain restrictive monetary policy for longer and will lead to a deeper economic slowdown.

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.

Tightening of credit lending globally is also a risk growth.

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.