Regnan Credit Impact Trust

Factsheet | As at 31 August 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	0.52	0.57	0.35
3 months	1.71	1.83	1.03
6 months	2.79	3.05	1.97
1 year	4.86	5.38	3.42
2 years (p.a)	2.11	2.62	1.91
3 years (p.a)	2.68	3.19	1.31
Since Inception (p.a)	2.75	3.27	1.15

Source: Pendal as at 31 August 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

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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 29 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 31 August 2023)	$206 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 August 2023)

Yield to Maturity#	4.93%
Running Yield*	4.30%
Modified duration	0.09 years
Credit spread duration	2.54 years
Weighted Average Maturity	3.37 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 August 2023)

AAA	17.6%
AA	28.5%
A	25.7%
BBB	24.6%
Money Market	3.5%

Sector Allocation (as at 31 August 2023)

Money Market	3.3%
Financials	42.5%
Industrials	24.5%
Supranational, Sovereign & Agencies	11.9%
Infrastructure & Utilities	10.7%
Real Estate	1.1%
Semis	2.1%
ABS	3.8%

Market review

The Reserve Bank of Australia (RBA) left the cash rate unchanged in August at 4.10%. The cash rate has increased 4% since May last year and economic growth forecast to be sub-trend for 2024 and 2025 at 1.75% and 2% respectively. The RBA viewed it as prudent to adopt a wait and see approach. Their updated economic forecasts were released in their quarterly Statement on Monetary Policy. The RBA has forecast inflation of 3.25% by the end of 2024 and back to within the 2-3% target band by late 2025. Economic growth is forecast to slow and the RBA expects the unemployment rate to start to rise and reach 4.5% in late 2024, in turn reducing wage inflation. Provided productivity growth picks up the RBA continues to see wages growth as being consistent with the inflation target.

The monthly inflation series for July showed annual inflation at 4.9%, down from 5.4% and weaker than the 5.2% expected. Excluding volatile items (fruit and vegetables, automotive fuel, and holiday travel and accommodation) annual inflation rose 5.8%, down from 6.1%. Annual rents inflation continues to reflect the tight state of the market and strong demand, rising from 7.3% to 7.6%. Electricity prices rose 6% in July and 15.7% over the past year. The surge in July was due to the annual price reviews that occur each July, although these were partially offset by the introduction of rebates from the Energy Bill Relief Fund according to the ABS release. Without the offsets electricity prices were up 19.2%.

The unemployment rate rose from 3.5% to 3.7% in July with employment falling by 14,600 jobs. The participation rate fell by 0.1% to 66.7%. The Australian Bureau of Statistics (ABS) issued a warning over the increase in the unemployment rate, noting that the only other fall in employment in 2023 occurred in April. Both April and July included school holiday periods and the ABS noted that they continue to see changes around when people take their leave and start or leave a job.

The NAB Business Survey showed conditions unchanged and a slight improvement in confidence. According to the survey forward orders remain soft, particularly in the retail sector. Capacity utilisation of 84.5% remains well above average whilst profitability and employment were also above long term averages. Those looking for inflation respite would not have taken comfort from the increase in the prices paid component and labour costs rising following the large increase in award wages.

Australian bonds finished the month slightly lower in yield, led by the front end. This was despite US long end yields edging higher. Three year government bonds are 3.74% from 3.86% at the start of month. 10 year bonds finished at 4.03% from 4.06%.

Credit review

In August, credit spreads experienced some volatility, initially widening due to concerns around increased US treasury debt issuance and Chinese property and growth concerns but later contracting as softer US economic data saw the market focus on Federal Reserve potentially approaching the end of its interest-rate hikes. This fluctuation occurred against the backdrop of several significant developments in global financial markets.

Investors were bearish at the start of the month, primarily driven by mounting apprehensions about the larger debt issuance requirements in the United States due to its fiscal spending. Bond yields in the US moved upward, and the yield curve steepened as a result. Moreover, Fitch downgraded the United States from AAA to AA+, with the banking sector coming under pressure due to Fitch's warning of potential negative rating actions for major US banks following an industry downgrade.

Adding to this were concerns regarding China's slowing economic growth and the financial stability of property developers. Chinese trade data revealed significant declines in both imports and exports, surpassing expectations with a 12.4% decline in imports and a 14.5% drop in exports. Furthermore, one of China's largest property developers, Country Garden, missed coupon payments leading to a share price drop of over 50%. However, expectations for supportive policy responses from Chinese authorities went unmet.

Investors gather confidence from mid-month. Credit and risk markets were buoyed by factors such as weaker than expected inflation, employment and GDP data, robust corporate earnings, the prospect of an end to interest rate hikes, and no immediate signs of an impending recession. Consequently, credit spreads recovered during this period.

Credit spreads were mixed over the month. The Australian iTraxx index (series 39) traded in a 19bp range finishing 6bps wider to close at 78bps. Australian physical credit spreads narrowed 2bps on average. The best performing sectors were utilities and industrials that tightened 5 & 3bps respectively, whilst the worst performing sector was supra-nationals that only narrowed 1bp. Semi-government bonds outperformed, narrowing 3bps to commonwealth government bonds.

Fund performance and activity

The Fund outperformed its benchmark over the month of August.

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

Activity during the month included increasing exposure to supra-nationals funded out of senior and sub bank debt.

This month, the fund invested in an AUD Social Bond from the International Finance Corporation which is a member of the World Bank. These type of social bonds have projects that focus on the underprivileged in society in developing countries. This includes projects targeting health and gender equality, as well as economic empowerment and opportunities through agribusiness, microfinance and infrastructure.

Market outlook

The Reserve Bank left the cash rate unchanged at 4.10% at their meeting in early September.

With the cash rate having increased 4% since May last year and economic growth forecast to be sub-trend for 2024 and 2025 at 1.75% and 2% respectively the RBA viewed it as prudent to adopt a wait and see approach. Their inflation forecast sees inflation at 3.25% by the end of 2024 and back to within the 2-3% target band by late 2025. With economic growth forecast to slow the RBA expects the unemployment rate to start to rise and end reach 4.5% in late 2024, in turn reducing wage inflation. Provided productivity growth picks up the RBA continues to see wages growth as being consistent with the inflation target.

On inflation the RBA was not claiming victory just yet. Certainly inflation has peaked and is headed in the right direction. One of the great uncertainties remains around services inflation, which the RBA pointed out has been surprisingly persistent overseas. It is also a cause for concern domestically. Looking at the recent 2nd quarter inflation data released in late July and annual services inflation hit 6.3%. The result was driven by wage inflation, higher utilities, and rents and is at the highest level since 2001.

The RBA retains a tightening bias however it is unlikely that the cash rate changes in September. A higher 3rd quarter inflation print released in late October would be the likely catalyst should any further tightening be required this year. It is more than likely the cash rate ends the year at 4.10%.

Credit outlook

We are tactically positive on credit spreads given the recent fall in US core inflation and the resilience of the consumer. This may end up seeing an economic soft landing as opposed to a harder landing, and in turn would be positive for risk assets.

We are still cautious medium term as tight labour markets globally could see services inflation remain sticky and would see Central Banks maintain cash rates higher for longer, which would translate into a deeper global economic growth slowdown and potential recession.

Tightening of credit lending globally is also a risk to growth.

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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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Regnan

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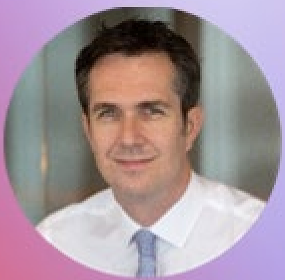
For more information



Jeremy Dean

Head of Regnan and Responsible Investment Distribution

Tel: 0419 460 551

Jeremy.dean@regnan.com

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.