

# Regnan Global Equity Impact Solutions Fund

November 2020

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## Build a rewarding future

Aims to generate market-beating long-term investment returns by investing in the best and brightest solutions to the world's environmental and societal problems.

We strive **to outperform the broad global equity market by:**

- 1 *Investing in companies that **provide solutions** that have a **positive impact on people and the planet***
- 2 *Identifying **early growth opportunities** that meet a structural, underserved need*
- 3 *Taking advantage of **market inefficiencies** in pricing in **long-term systems change***

## What is impact investing?

Impact investing aims to:

- Make the world a better place by investing in companies finding solutions to urgent problems facing the environment and society
- Generate an attractive long-term investment return from these solutions
- Review companies' effectiveness in helping solve these environmental and societal problems by measuring their impact in hard numbers

Investing for impact has expanded beyond private equity and private debt into listed equities over the past few years. And today the overall market for impact investing is substantial. The Global Impact Investing Network (GIIN) estimates the impact investing market has grown to \$715 billion.<sup>1</sup>

<sup>1</sup>2020 Annual Impact Investor Survey - Global Impact Investing Network

## Fund snapshot

Launching in December 2020, the Regnan Global Equity Impact Solutions Fund is a high conviction, diversified, global multi-cap portfolio with very low portfolio turnover and a strong emphasis on driving impact through engagement.

We aim to generate long-term outperformance by investing in mission-driven companies that create value for investors by providing solutions for the growing unmet sustainability needs of society and the environment. We use the United Nations Sustainable Development Goals (SDGs) as an investment lens.

# What makes us different?

## The Regnan SDG Taxonomy

We have built a comprehensive proprietary framework to identify companies that provide solutions to the environmental and societal challenges facing the world.

## Responsibility for investment *and* impact

We assess both impact and investments – we do not follow the usual approach of outsourcing the analysis and measurement of impact to a separate team. This is because **the impact case is the investment case**.

## A pioneering team with a diverse skillset

Our four-person investment team has designed and built an approach that has pioneered impact investing in public equity markets. Our diverse skillset ensures that we have all of the expertise required within the team.

## 8 impact themes of Regnan Global Equity Impact Solutions Fund



### Health & Wellbeing

Improved life expectancy and quality



### Energy Transition

Transforming the energy system to power a low-carbon economy



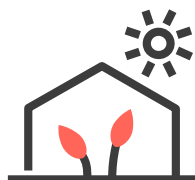
### Circular Economy

Resource efficiency, reusability and recyclability



### Future Mobility

Low carbon transportation



### Food Security

Sustainable food supply and productive farmlands



### Education

Access to quality education



### Financial Inclusion

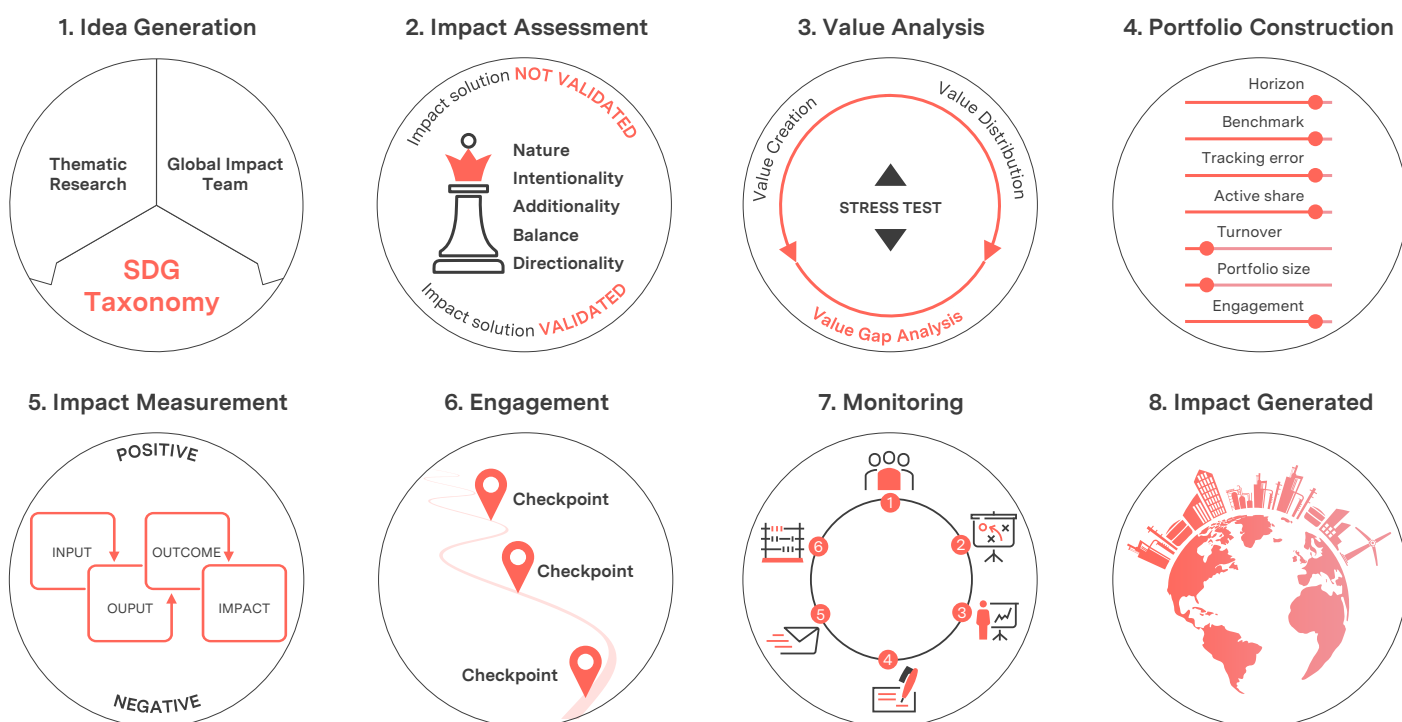
Financial Services for underserved populations



### Water

Preservation of and access to water

# Investment process with a purpose



## Our investment system: the Regnan SDG Taxonomy






We recognised in 2016 that public markets and listed companies would have to play a critical role in driving positive impact, given the scale of the challenge presented by the United Nations Sustainable Development Goals (SDGs) and the vast amounts of capital required to achieve them.

Over time, we have built and refined a comprehensive system for finding impactful companies, based on our rigorous Regnan SDG Taxonomy. The Taxonomy looks for solutions to the 17 UN SDGs and their underlying 169 related targets, and then for companies providing those solutions.

We have identified more than 150 solutions and created an investment universe of more than 2,200 listed companies – and these numbers are still growing, now helped by the support and insight of our colleagues on the Regnan Engagement, Advisory and Research (EAR) team. From this universe, we choose the companies with the best potential for share price growth, because they have found the most innovative and effective way of providing a solution.

## Our five-step impact assessment

Once we have identified a company that offers a compelling solution to a problem, it has to pass five impact tests before we consider investing in it:

- 
**Nature**  
 Does the company's solution directly drive a positive impact by contributing to a specific SDG target?
- 
**Intentionality**  
 How central is the solution to the company's strategy and mission?
- 
**Additionality**  
 Would the positive impact occur if the company's solution did not exist?
- 
**Balance**  
 What are the company's actual and potential negative impacts?
- 
**Directionality**  
 What is the trajectory of the company when it comes to all four tests above?

## Our value analysis

If the company has passed the five impact tests, it must then pass our value analysis, consisting of four steps:

- 1. Value creation analysis** – We estimate the company's total addressable market – the likely size of the market for the solutions it is providing – over the next 10 years. We work back from that to calculate cashflow growth. We also look at the company's competitive position in this market.
- 2. Value distribution analysis** – Where does the value go? We look for a balance between shareholders, customers and employees that is sustainable over the long term.
- 3. Value gap analysis** – We compare our financial forecasts with the consensus, to look at whether the company's potential is already reflected in the share price.
- 4. Risk analysis** – We look at risks to the company's future success, and how well the company is likely to deal with them.

## Driving impact

The Fund achieves positive impact by:

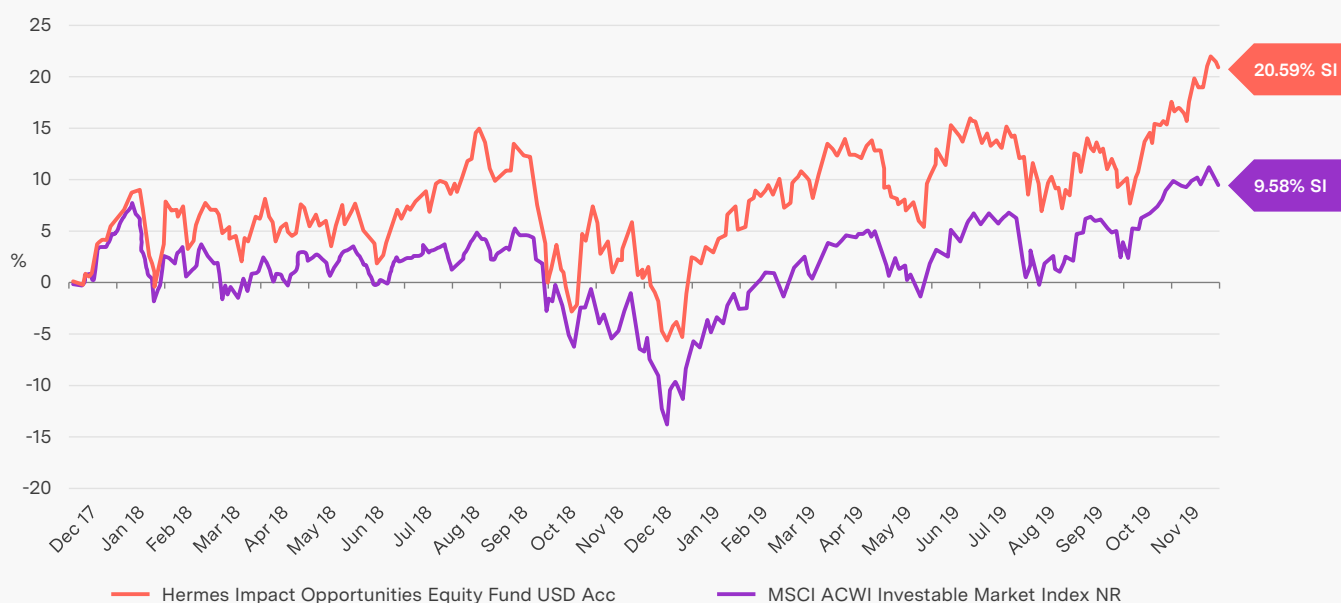
- **Keeping companies on mission** – We invest in companies highly focused on solutions to the UN SDG targets. We engage with management to influence strategy and try to keep them focused on business areas that contribute to solutions.
- **Engaging to reduce negative impacts** – We talk to the management of portfolio companies about issues such as the environmental footprint of their supply chains and working conditions in their suppliers' factories. By reducing negative impact, we aim to magnify total net positive impact.
- **Supporting management** – We invest in companies we believe should outperform the market in the long term. Assuming we retain our initial conviction, sometimes this means accepting underperformance in the short term, because the management prizes long-term potential over the next quarter's earnings. The Fund's support, as a long-term investor, increases the company's ability to stay impactful.

## Our previous track record

### Hermes Impact Opportunities Equity Fund

Track record from launch (21 December 2017) to 4 December 2019

Periodic performance	3 m	6 m	1 y	SI*	SI annualised*	Discrete performance	2019	2018	2017*	2016	2015
Hermes Impact Opps Eq 'F' USD Acc	9.78	12.60	14.41	20.59	10.06	Hermes Impact Opps Eq 'F' USD Acc	25.97	-4.81	0.56	-	-
MSCI ACWI IMI NR	6.32	9.57	13.53	9.58	4.79	MSCI ACWI IMI NR	21.26	-10.08	0.49	-	-
Relative	+3.25	+2.76	+0.78	+10.05	+5.03	Relative	+3.88	+5.86	+0.07	-	-



Past performance is not necessarily a guide to future performance

Source: Lipper. Data based on the on the 'F' share class, net of fees, net income reinvested as at 4 December 2019. \*Inception date: 21 December 2017. The team managed the Fund from launch to 4 December 2019.

Meet the

# Regnan Equity Impact Solutions team



## Tim Crockford

**Senior Fund Manager, Head of Equity Impact Solutions**

Tim leads the Regnan Equity Impact Solutions team. He co-founded the Hermes Impact team in 2016 and managed the Hermes Impact Opportunities Equity Fund from its launch in December 2017. Tim joined Regnan in June 2020 and has 14 years' industry experience.



## Mohsin Ahmad

**Fund Manager**

Mohsin is a fund manager dedicated to the strategy. He was a senior analyst on the Hermes Impact Opportunities Equity Fund, having joined Hermes in 2017. Prior to Hermes, Mohsin was an investment manager in Global Equities at Pictet Asset Management. At Pictet he worked on thematic equity funds including Water, Clean Energy and Agriculture. Mohsin joined Regnan in April 2020 and has 13 years' industry experience.



## Maxime Le Floch

**Analyst**

Maxime is an investment analyst dedicated to the strategy. He collaborated with Tim on the design of the Hermes Impact Opportunities Equity Fund and then worked on the investment team as an analyst. Before this, he was a responsible investment analyst at AXA Investment Managers. Maxime joined Regnan in May 2020 and has 10 years' industry experience.



## Maxine Wille

**Analyst**

Maxine is an investment analyst dedicated to the strategy. She was an analyst on the Hermes Impact Opportunities Equity Fund. Maxine transferred to the Hermes Impact Opportunities team in 2016, having initially joined Hermes EOS, the firm's stewardship arm. Maxine joined Regnan in April 2020 and has 6 years' industry experience.



# The future belongs to everyone

## About Regnan

Regnan's focus on delivering innovative and credible sustainable and impact investment solutions draws on over 20 years of experience at the frontier of responsible investment. It can trace its roots back to Monash University, Melbourne in 1996, when it was established to investigate and address ESG-related sources of risk and value for long-term shareholders in Australian companies.

2020 marked a new chapter in the Regnan story: a move into sustainable and impact investment management. Regnan's services are provided by investment management businesses of the Pental Group Limited (Pental Group). Pental Group is an Australian-listed investment manager and owner of J O Hambro Capital Management (JOHCM).

Driving positive impact and investing for a sustainable future is why we exist. We want to help make responsible investment the standard way to invest, and to make it more nuanced, intellectually robust and effective.

## For more information



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# Regnan

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### FUND HAS NOT BEEN ESTABLISHED

Please note that the Regnan Global Equities Impact Solutions Fund (Fund) has not been established, and is expected to be issued in early 2021. Pendal Fund Services Limited will be the responsible entity and issuer of units in the proposed Fund. No disclosure documents are available yet for the Fund, and this document is only provided to investors to assess their potential interest in the prospective Fund. Accordingly, once they are available, you should obtain and consider the disclosure documents of the Fund before deciding whether to acquire, continue to hold or dispose of units in the Fund. An investment in the Fund will be subject to investment risk, including possible delays in repayment of withdrawal proceeds and loss of income and principal invested.