Regnan Credit Impact Trust

Factsheet | As at 30 September 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	0.38	0.43	0.34
3 months	1.65	1.77	1.04
6 months	3.04	3.30	2.00
1 year	5.10	5.63	3.57
2 years (p.a)	2.32	2.84	2.07
3 years (p.a)	2.81	3.32	1.42
Since Inception (p.a)	2.80	3.31	1.22

Source: Pendal as at 30 September 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

Regnan

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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 30 September 2023)	$218 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 September 2023)

Yield to Maturity#	5.21%
Running Yield*	4.55%
Modified duration	0.16 years
Credit spread duration	2.26 years
Weighted Average Maturity	3.23 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 September 2023)

AAA	16.4%
AA	26.7%
A	26.3%
BBB	25.6%
Money Market	4.9%

Sector Allocation (as at 30 September 2023)

Money Market	4.9%
Financials	42.2%
Industrials	24.3%
Supranational, Sovereign & Agencies	11.1%
Infrastructure & Utilities	10.8%
Real Estate	1.0%
Semis	1.9%
ABS	3.6%

Market review

September was another poor month for bond markets, after largely tracking sideways over July and August. Central banks reacted to stronger recent data by suggesting more hikes may be needed, although the RBA left rates on hold as a new Governor was appointed. This rhetoric was a change from recent commentary that rates may already be at their peak. In Australia three year bonds sold off 0.34% to 4.08%. 10 year bonds sold off more, moving up 0.45% to 4.49%, the highest level since 2011.

The data released in Australia over September painted a mixed picture, but has held up better than many were predicting after 4% of hikes in just over a year. June quarter GDP was up 0.4%, helped by exports and government spending. Consumer spending is flatlining though, and GDP capita was again negative. NAB business conditions improved slightly and remain expansionary. Employment was strong at +64,900, although largely part time. Unemployment was steady at 3.7%.

Domestic factors though were overwhelmed by offshore factors. The bond selloff accelerated mid month after the US Fed pushed a 'higher for longer message', moving their expectations of rate cuts out to 2025. Also a move higher in oil prices caused concerns around the track of inflation. US real yields rather than inflation expectations were the big mover. This impacted all markets globally except China, which as always was focused only on domestic factors.

The move higher in yields eventually fed back into risk markets. Equity and high yield markets had a poor month. Investment grade credit though only moved slightly wider, helped by the chase for yield. For example, Australian bank debt yields pushed above 5% for senior debt and above 6% for subordinated debt.

Credit review

Credit spreads widened slightly in September as equities declined throughout the month. The shift towards risk-averse sentiment was primarily instigated by a sharp uptick in US interest rates. The main drivers of this interest rate spike were higher oil prices, hawkish Fed and potential of additional US Treasury supply.

Oil prices rose significantly in September, putting upward pressure on inflation expectations. Another factor was hawkish commentary from the Federal Reserve, which included a 50-basis point increase in the median dot projection for both 2024 and 2025. Federal Reserve Chair Jerome Powell emphasised that policymakers were "ready to implement further rate hikes if deemed necessary." Additionally, the worsening US fiscal position led to market speculation that the US government would need to issue more Treasury bonds. This fear of oversupply also contributed to the sharp increase in Treasury yields.

Credit spreads were mixed over the month. The Australian iTraxx index (series 39) traded in a tight 7bp range finishing 2bps wider to close at 80bps. The new series 40 contract ended the month at +88bps. Australian physical credit spreads widened 2bps on average. The best performing sectors were utilities and supra-nationals that both moved out 1bp, whilst the worst performing sectors were resources and industrials that widened 8 & 3bps respectively. Semi-government bonds outperformed, narrowing 7bps to commonwealth government bonds.

Fund performance and activity

The Fund outperformed its benchmark over the month.

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

Activity during the month included increasing exposure to infrastructure, telcos funded out of utilities and cash.

Market outlook

The Reserve Bank of Australia (RBA) left the cash rate unchanged at 4.10% at their meeting in early October and retains a tightening bias.

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 continue to view 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 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 RBA remains cognisant of the uncertainties around the outlook for the Australian economy. Included amongst these are the lagged effect from past tightening, the risk that services inflation remains more persistent and how household consumption evolves. Global considerations include the Chinese economy and the risks posed from increasing stress in the property sector.

Credit outlook

We are tactically positive on credit spreads given the continued 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.

Higher oil prices are another risk on the inflation front.

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

Estimated Environmental Outcomes of the Fund

Low carbon

61,398 tCO_2e

GHG EMISSION AVOIDED PA

Equivalent to: **26,996** cars taken off the road p.a.

15 hectares

OF FOREST RESTORED

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

Renewable energy

86,399 MWh/year

RENEWABLE ENERGY GENERATED

Equivalent to: **18,799** average household annual electricity use in Australia

29 MW

RENEWABLE ENERGY GENERATION INSTALLED CAPACITY

Equivalent to: **1.3%** of renewable energy capacity installed in Australia 2018

Water management

1,192,488 L

WATER CLEANED, RECYCLED OR TREATED P.A.

3,724,827 L

WATER USAGE SAVED P.A.

361,057,755 L

WATER CAPACITY SECURED

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

Green buildings

4,574 m²

FLOOR SPACE

Low carbon transport

314,623

PASSENGER TRIPS PA

Sustainable agriculture

4 hectares

LAND CONSERVED

The aggregated estimated environmental outcomes shown above are based on data provided by the issuers of bond securities (Issuers) held by the Fund. That data relates to the positive outcomes attributable to those securities held by the Fund. The information provided to us by the Issuers has not been verified by us and may be inaccurate or incomplete. The estimate is therefore indicative only and is provided for illustrative purposes and should not be relied on for the purpose of making investment decisions.

The outcome numbers are based on Issuers' data from 1 July 2022 to 30 June 2023 and the Fund's average investment value of $203.5 million over the period. Actual results may differ and subsequent changes in circumstances may occur at any time that impact the accuracy of the results.

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Estimated 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*

81

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*

252

TEACHERS TRAINED

in developing nations*

2,567

UNDERPRIVILEGED STUDENTS

expected number of student education*

42

JOBS

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

89

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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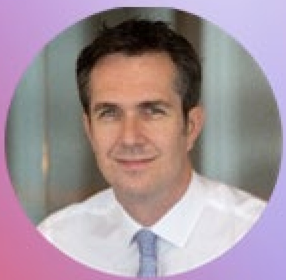
For more information



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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.