Regnan Credit Impact Trust

Factsheet | As at 31 October 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	0.42	0.47	0.35
3 months	1.34	1.46	1.04
6 months	2.98	3.24	2.06
1 year	5.35	5.88	3.71
2 years (p.a)	2.53	3.04	2.25
3 years (p.a)	2.77	3.28	1.53
Since Inception (p.a)	2.85	3.36	1.28

Source: Pendal as at 31 October 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 31 October 2023)	$220 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 October 2023)

Yield to Maturity#	5.65%
Running Yield*	4.70%
Modified duration	0.15 years
Credit spread duration	2.68 years
Weighted Average Maturity	3.46 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 October 2023)

AAA	16.1%
AA	27.4%
A	23.4%
BBB	28.9%
Money Market	4.1%

Sector Allocation (as at 31 October 2023)

Money Market	4.3%
Financials	41.4%
Industrials	24.3%
Supranational, Sovereign & Agencies	11.1%
Infrastructure & Utilities	12.6%
Real Estate	1.0%
Semis	1.9%
ABS	3.4%

Market review

October was a poor month for bond markets. In almost a carbon copy of September, markets were largely unchanged for the first half of the month but collapsed in the second half. Unlike September though, the reasons for the selloff were less clear and numerous explanations were given for what was a surprise to most. In Australia three year bonds sold off 0.32% to 4.40%. 10 year bonds sold off more, moving up 0.43% to 4.92%, the highest level since early 2011. A decade long rally of over 4% in 10 year bonds has now been unwound in two years.

The key data release in Australia over October was the Q3 inflation numbers late in the month. The RBA has been on hold recently but expressing a low tolerance for inflation surprises. Unfortunately for the RBA their inflation forecasting has yet again been poor, changing their year end 2023 forecast down to an optimistic 3.9% in August. The Q3 number ended up coming in slightly higher at 1.2%, leaving the likely year end inflation rate closer to 4.2%. Whilst these are small differences in the scheme of things it will pressure the RBA into hiking, otherwise their rhetoric starts to look hollow.

The higher rates also put pressure on spreads in general. Semi government spreads were hit quite hard, out around 10 basis points on the month. This wiped out the positive performance through August and September. Swap spreads and credit markets also drifted wider but found some receiving and buying at the higher yields, limiting the spread movements.

Credit review

In October, credit spreads widened as investor sentiment weakened. The primary catalyst for this downturn in risk appetite can be attributed to the continued rise in global bond yields, and the events in the middle east with the conflict between Israel and Hamas driving wider geopolitical fears. On the flip side, dovish Central Bank rhetoric and a positive US earnings season supported markets.

The surprise Hamas attack on Israel drove market weakness. The prevailing concern lies in the potential for regional escalation from Iran or other influential actors such as Saudi Arabia and Qatar. A wider military conflict in the Middle East could lead to a reduction in oil supply, provoking a surge in crude oil prices.

Compounding this negative sentiment was the persistent increase in U.S. interest rates. The driver of rising yields has been the resilience of the U.S. economy, higher oil prices and the anticipation of substantial Treasury supply to fund the significant US fiscal spending. Key US economic indicators such as payrolls, producer price and GDP all exceeded expectations during the month.

Federal Reserve and ECB officials spoke to monetary policy being restrictive enough to lower inflation to their goals and risks now more evenly balanced relative to the past. This was viewed favourably by markets as it indicates Central Banks may be close to the end of their hiking cycle.

A decent US Q3 earning reporting season was also supportive. With just over half of the S&P500 having reported by the end of October, 79% had beaten earnings expectations by 8% on average. Actual sales growth was 2% with profit growth of 3% vs pcp.

Fund performance and activity

The Fund outperformed its benchmark over the month.

Industrials, utilities and financials were the main drivers of outperformance.

Activity during the month included increasing exposure to industrials, infrastructure and financials funded out of shorter dated banks.

Market outlook

The Reserve Bank of Australia (RBA) is likely to raise the cash rate to 4.35% at its November meeting. To not do so would risk the credibility of the new governor given the stated low tolerance the RBA has for a slower return of inflation to the target and the higher than expected 3rd quarter inflation subsequently released.

With the cash rate having already increased 4% since May last year and economic growth forecast to be sub-trend for 2024 and 2025 the RBA had viewed it as prudent to adopt a wait and see approach. The RBA remains cognisant of the uncertainties around the outlook for the Australian economy including the lagged effect from past tightening. Higher inflation and particularly services inflation however means that the RBA has little choice other than to tighten. We do not expect a follow up hike in December with 4th quarter inflation released in late January 2024 the likely catalyst should further policy action be required.

Credit outlook

We remain tactically positive on credit spreads given the continued fall in US core inflation and the resilience of the consumer. This easing of inflation concerns should see central banks ultimately reduce cash rates which should see soft economic 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.

Higher oil prices and geopolitical concerns remain a risk for inflation.

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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 m^2

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.

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*

2,567

UNDERPRIVILEGED STUDENTS

expected number of student education*

517

SMALL-SCALE FARMERS

reached for improved agricultural technology*

42

JOBS

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

252

TEACHERS TRAINED

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.

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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 estimated 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. The outcome numbers are based on 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. Information in this factsheet should not be taken as a guarantee, forecast or prediction of any future environmental and social outcomes generated by the Fund.

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.