



Information Memorandum

Regnan Credit Impact Trust

APIR code: PDL5969AU

Issued 22 February 2021

About Pendal

Pendal Fund Services Limited is the responsible entity for the Regnan Credit Impact Trust (**Fund**). As responsible entity, it is responsible for overseeing the operations of the Fund.

Pendal Institutional Limited is the investment manager of the Fund. As the investment manager, it selects and manages the assets of the Fund and may appoint other managers to manage some or all of the Fund's assets.

The Fund is managed by Pendal's Bond, Income and Defensive Strategies team. Regnan is a responsible investment leader with a long and proud heritage providing insight and advice on important themes and environmental, social and governance issues.

Regnan's pioneering analysis has changed the way investors and businesses think about value creation and their wider responsibilities to society.

Building on that expertise Regnan has expanded into responsible investment funds management, after becoming part of the Pendal Group.

Regnan remains committed to undertaking engagement that contributes to growing the market for impact investments.

Pendal Fund Services Limited, Pendal Institutional Limited and Regnan are wholly owned subsidiaries of Pendal Group Limited.

Pendal Group Limited is an independent, global investment management firm focused on delivering superior investment returns for its clients through active management.

Pendal offers investors a range of Australian and international investment choices including shares, property securities, fixed income and cash strategies, as well as multi-asset and responsible investments. To complement its in-house expertise, Pendal also partners with leading global investment managers.

Pendal is a signatory to the United Nations-supported Principles for Responsible Investment (**PRI**). PRI is a global investor initiative that is designed to provide a framework for better integration of environmental, social and governance (**ESG**) issues into mainstream investment practices. PRI signatories undertake to consider ESG factors in their investment decision making and ownership practices.

Investment Objectives

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 is designed for wholesale investors (as defined in section 761G of the *Corporations Act 2001*), and offers these investors access to a diversified portfolio of floating and fixed income securities that meet financial and social or environmental goals, or both.

The Fund aims to meet its investment objectives by investing primarily in impact securities. The Fund may also invest in non-impact securities (government and credit) 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 impact analysis (including ethical and sustainable considerations) to build a portfolio that targets securities classified as contributing to impact goals (including green bonds, social bonds and sustainable bonds as appropriate).

Derivatives are used to gain exposure to assets and markets. They are also used to reduce risk and can act as a hedge against adverse movements in a particular market or in the underlying assets.

Investment Process

Pendal's investment process for this Fund aims to add value through multiple strategies and investment research.

Our investment approach for credit management seeks to identify opportunities on a sector, issuer and security basis by incorporating top-down and bottom-up research. Top-down research includes analysis of economic and market data, along with macro credit fundamentals such as regional company earnings, balance sheet health, default rates and equity volatility. Bottom up research includes analysis of individual company earnings and cashflow volatility, balance sheet, business diversity, industry and valuation.

The Fund focuses on investments anchored to impact goals adapted from the SDGs. This approach to impact investing is aligned with the Global Impact Investing Network's core characteristics of impact investing, as well as the International Finance Corporation's 'Operating Principles for Impact Management'.

Each security is assessed for its 'impact' based on evidence of a contribution to:

- 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.

Pendal is committed to undertaking engagement that contributes to growing the market for impact investments. For example, this may include encouraging a company to fund contributions to the goals via issuance of a social impact bond, or committing to social or environmental KPIs.

Pendal will report on the Fund's impact investments on an annual basis, based on information sourced primarily from the underlying issuers.

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; or
- controversial weapons manufacture (such as cluster munitions, landmines, biological or chemical weapons, depleted uranium 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 total revenue:

- the production of alcohol;
- 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.

Investments are reviewed regularly to ensure they remain within the Fund's guidelines relating to impact, sustainable and ethical considerations. If the review process identifies that an investment ceases to comply with the investment guidelines of the Fund, the investment will usually be sold as soon as reasonably practicable having regard to the interest of the investors, but this may vary on a case by case basis.

The impact, sustainable and ethical considerations applied to the Fund's investments may exclude some industry sectors or companies from the Fund's 'investable universe'. For this reason the Fund's performance may vary when compared to other funds that do not apply these considerations in their investment process. This risk should be considered when deciding whether to invest in the Fund.

Fund Information Summary

Date of inception	Minimum investment	Management costs	Buy-sell spread	Distribution frequency	APIR Code
January 2020	\$500,000	0.50% pa	0.20%	Quarterly	PDL5969AU

Asset Classes and Asset Allocation ranges

Asset Class	Asset Class ranges ¹		Benchmark
	Min %	Max %	
Credit, government, impact securities and cash	0	100	RBA Cash Rate

Structure of the Fund

The Fund has been established as a registered Australian unit trust.

Risks of investing in the Regnan Credit Impact Trust

Investing in the Fund exposes investors to the following specific risks:

Market risk

The risk that the market price of an asset will fluctuate as a result of factors such as economic conditions, government regulations, market sentiment, local and international political events and environmental and technological issues. Market risk may have different impacts on each type of asset, investment style and investor.

Security specific risk

The risk associated with an individual asset. The value of fixed interest securities can be affected by specific events such as changes in the perceived or actual creditworthiness of a particular issuer.

Interest rate risk

The risk that the investment value or future returns of an asset may be adversely impacted by changes in interest rates. Interest rates may directly or indirectly affect a company's cost of borrowings as well as the value of fixed interest securities.

Credit risk

The risk of an issuing entity defaulting on its obligation to pay interest and principal when due. It arises primarily from investments in fixed interest securities and from certain derivatives.

Liquidity risk

The risk that an investment may not be easily converted into cash with little or no loss of capital and minimum delay. Fixed interest securities may have limited or no liquidity where there has been a default by the issuer, or deterioration in the creditworthiness or credit rating of a particular issuer or market. Liquidity risk may also extend to swap transactions, structured securities or derivative contracts which provide exposure to some types of assets or markets. This means that it may not be possible to sell these investments or to do so in sufficient time to pay withdrawals. If this occurs, withdrawals may be suspended for the protection of all investors even if other assets can be readily sold.

Counterparty risk

The risk of loss arising from the failure of another party to a contract (the counterparty) to meet its obligations. Counterparty risk arises primarily from investments in derivatives transactions. Substantial losses can be incurred if a counterparty fails to deliver on its contractual obligations.

Valuation risk

Where investments of the Fund are not traded in an active or liquid market these investments may be valued by reference to observable market data, market prices for comparable assets or using other valuation techniques. These prices may not reflect the value at which these investments can be immediately realised, which may be lower than the value reflected in the unit price of the Fund.

¹ The reference to the Fund investing in an asset class includes all types of investments which give exposure to that asset, directly or indirectly, including through derivatives and investment in other related funds which invest primarily in that asset class. This includes any type of investment which would ordinarily be understood in financial markets to be included in that asset class and does not preclude investment in other types of assets where we consider it appropriate to do so in the interests of investors.

Investing in the Regnan Credit Impact Trust

How to apply

Investors should complete the Application Form. A copy of the Application Form is available by calling us. Payment details and methods are available on the Application Form. Only investors who meet the definition of a wholesale investor pursuant to section 761G of the *Corporations Act 2001* are currently permitted to invest in the Fund.

You can add to your investment by completing the additional investment form and sending this form to us via mail, email or fax. You can find this form at www.pendalgroup.com/forms.

Investors also have the ability to make additional investments using BPAY®. For more information on BPAY® please refer to the BPAY® user guide at www.pendalgroup.com/forms.

We are also introducing the ability to transact online. For more information, please refer to www.pendalgroup.com/forms.

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How to withdraw

You can withdraw some or all of your investment by completing the withdrawal form and sending this form to us via mail, email or fax. You can find this form at www.pendalgroup.com/forms.

We are also introducing the ability to transact online. For more information, please refer to www.pendalgroup.com/forms.

Withdrawals will generally be paid to your nominated Bank Account within 5 Business Days.

Restrictions on withdrawals

There may be circumstances where your ability to withdraw from the Fund is restricted and you may have to wait a period of time before you can withdraw your investment.

We may delay or suspend a withdrawal request where we are unable to realise sufficient assets due to circumstances outside our control (such as restricted or suspended trading in the market for an asset) or where the Fund becomes illiquid.

We may transfer assets to you rather than pay cash in satisfaction of all or any part of your withdrawal request or entitlement under a withdrawal offer. The assets (together with any cash paid to you) must be of the same value as your withdrawal request based on a valuation which is consistent with the range of ordinary commercial practice for the valuation of assets of that type and is reasonably current, having regard to the type of asset involved and prevailing market conditions. We may require you to pay for the costs involved in the transfer of the assets or we may deduct such costs from the amount payable to you.

The constitution of the Fund also contains specific provisions that provide us with powers in relation to withdrawals.

Processing

If we receive an application or withdrawal request by 2.00pm (Sydney time) on a Business Day, we will process the transaction using that day's unit price. Requests received on or after the cut-off time of 2.00pm (Sydney time) on a Business Day, or on a non-Business Day, will generally be treated as having been received before the cut-off time on the next Business Day.

If we receive an invalid or incomplete application or withdrawal request, the transaction request will be processed using the unit price applying on the day that we receive the correct documentation. The above rules about cut-off times apply.

Distributions

The Fund generally distributes on a quarterly basis and pays a final distribution each year for the period ending 30 June. In some circumstances, we may also pay distributions at other times where we consider it appropriate.

Distributions you receive are generally assessable income and can be made up of both income and net realised capital gains.

Distributions are generally calculated based on the estimate of the Fund's net income at the end of the distribution period divided by the number of units on issue. In certain circumstances, some income or net realised capital gains (or both) may be held back until the final distribution at the end of June to allow for market volatility.

You can choose to have your distributions automatically reinvested into additional units in the Fund or paid directly into your nominated Bank Account. There is no buy-sell spread on distributions that are reinvested. Reinvestment of distributions will normally be effective the first day following the end of the distribution period. Distribution payments to your nominated Bank Account are generally made within 12 Business Days after the end of the distribution period.

Fees and costs

Management costs ²	Amount
The fee for managing the assets and overseeing the operations of the Fund.	Management costs consist of the following component:
	Issuer fee 0.50% pa

Management costs are met from a single fee, being the issuer fee, which is paid from the assets of the Fund and reflected in the unit price of your investment. The issuer fee is calculated on the net asset value of the Fund, accrued on a daily basis and deducted from the Fund monthly.

We are also entitled to be reimbursed for expenses we incur in the proper performance of our duties and in connection with the day-to-day operations of the Fund. At the date of this IM, we do not deduct these recoverable expenses out of the Fund. However, in the future if we decide to deduct these expenses, we will give investors 30 days' written notice.

Buy-sell spread

The buy-sell spread is generally incurred whenever you invest in the Fund. The buy-sell spread is retained by the Fund (it is not paid to us) and represents a contribution to the transaction costs incurred by the Fund such as brokerage and stamp duty, when the Fund is purchasing and selling assets. The buy-sell spread also reflects the market impact of purchasing and selling the underlying assets in the market. There is no buy-sell spread on distributions that are reinvested.

At the time of this Information Memorandum, the total buy-sell spread is 0.20%. A buy spread of 0.06% is applied on each application and a sell spread of 0.14% is applied on each withdrawal.

We may vary the buy-sell spread from time to time and prior notice will not ordinarily be provided. Updated information on the buy-sell spread will be posted on our website www.pendalgroup.com.

Rebates/waivers for interfunding arrangements

The Fund may invest from time to time in other funds that we, or a related entity, manage (**related fund**). Our current policy is:

- no contribution fee is payable to the related fund;
- issuer fees are either not collected by the related fund or if they are, they are rebated in full to the Fund; and
- where the related fund charges expense recoveries outside of the issuer fee, these will also be rebated to the Fund.

However, we may change these arrangements at any time, in which case, we will give investors 30 days' notice.

Taxation information

The following is a brief summary of some of the Australian income tax consequences of investing in the Fund.

Pendal does not provide tax advice and the information contained in this section is of a general nature only and reflects Australian tax laws and their interpretation as at the date of issue of this document.

Potential investors should not rely on this summary and should seek their own taxation advice in relation to the tax consequences of investing in the Fund prior to making any investment decision. The tax consequences may differ, depending on your own particular circumstances.

Taxation of the Fund

We intend to manage the Fund in such a manner that the Fund is not subject to Australian tax and have elected that the Fund be an Attribution Managed Investment Trust (**AMIT**). The AMIT election will continue to apply in future years, provided the Fund continues to meet certain eligibility criteria.

We do not expect the Fund to be subject to tax on the income of the Fund (other than in relation to withholding tax on foreign income or other taxes in respect of non-resident investors), as we intend that:

- **when the Fund is an AMIT:** all taxable income of the Fund will be 'attributed' to investors on a 'fair and reasonable' basis in each financial year and be reflected in the AMIT Member Annual statement provided to investors; and
- **when the Fund is not an AMIT ('present entitlement' regime):** investors will continue to be presently entitled to all the net income of the Fund in each financial year and an investor's share of the net taxable income of the Fund will be reflected in the tax statement provided to the investor.

² Management costs are quoted inclusive of GST and net of Reduced Input Tax Credits.

AMIT Tax Regime

The AMIT tax regime is designed specifically for managed funds, to provide certainty and flexibility to managed funds and their investors, such as:

- the Fund will be deemed to be a ‘fixed trust’ for taxation purposes;
- the allocation of taxable income to investors is based on ‘attribution’ rather than ‘present entitlement’ to the net income of the Fund;
- the Fund may use the ‘unders and overs’ system to reconcile variances in amounts attributed to investors; and
- investors may increase or decrease the cost base of their units in the Fund where taxable income attributed to them is less than or greater than (respectively), broadly, the cash distribution(s) and tax offsets for an income year, to prevent potential double taxation.

If you disagree with our attribution of taxable income, you may write to the Commissioner of Taxation within 4 months of the end of the relevant income year. You will be required to provide us with a copy of this submission at the same time. We are indemnified out of the assets of the Fund for any taxes and related costs incurred with operating the Fund as an AMIT, including claims in relation to a tax liability, but only to the extent that the tax and related costs were incurred in the proper performance of our duties.

While the Fund is an AMIT, we have the discretion to accumulate income (instead of, or in addition to, distributing income to investors), and if we do so, the accumulated income will be reflected in the Fund’s unit price.

Taxation of Financial Arrangements (TOFA)

Broadly, the TOFA rules may affect the time at which gains and losses from financial arrangements are recognised for income tax purposes, including whether the gains and losses are recognised on an accruals rather than realisation basis or whether the gains and losses are on revenue account. The Fund should be subject to the TOFA rules and depending on the types of financial arrangements it holds, it may be required to recognise gains and losses from these financial arrangements on an accruals basis.

Individuals should not be directly subject to TOFA in respect of their investment, unless they have elected for the TOFA rules to apply.

Other investors may be directly subject to the TOFA rules in respect of their investment. Prospective investors should seek their own advice in relation to the potential applicability of TOFA in respect of their particular circumstances.

Withholding taxes

The Fund may derive income from foreign sources which is subject to foreign withholding taxes in those jurisdictions. Such taxes may be reduced under tax treaties which may exist between Australia and the respective foreign jurisdiction. The benefit of foreign taxes paid by the Fund will be attributed/ allocated to investors as foreign tax offsets to the extent permitted by Australian tax laws.

Australian investors

Tax on distributions

You will generally be subject to tax on your share of the taxable income of the Fund that:

- has been attributed to you when the Fund is an AMIT; or
- you are presently entitled to when the Fund is not an AMIT,

regardless of whether you have received the distribution in cash or it is reinvested (or accumulated, when the Fund is an AMIT and we have decided to accumulate all or part of the income).

Depending on your particular circumstances, you may also be subject to capital gains tax (or income tax, if you hold your units on revenue account) when you withdraw or otherwise dispose of your units in the Fund.

Quoting your Tax File Number (TFN) or Australian Business Number (ABN)

Investors are not obliged to provide us with their TFN or ABN (if applicable), but if you are an Australian resident for tax purposes and you do not provide us with either, and you do not claim a valid exemption, we are required to deduct tax from distributions that are paid as cash, reinvested or amounts attributed to you, at the highest marginal tax rate, plus the Medicare levy and other applicable levies.

Australian companies and other entities that invest in the course or furtherance of their registered business may provide us with their ABN instead of their TFN.

Non-residents of Australia

For non-resident investors wishing to invest in Australia, we recommend that they seek independent professional tax advice.

If you are a non-resident of Australia for income tax purposes, and have been attributed taxable income of the Fund when it qualifies as an AMIT or you are presently entitled to taxable income of the Fund when it is not an AMIT, you may be subject to non-resident withholding tax on that income. The amount of withholding tax will depend on the type of income attributed/distributed to you and the country of your tax residency.

Foreign Account Tax Compliance Act and Common Reporting Standard

Foreign Tax Residency Information

We are required to identify tax residents of a country or countries other than Australia in order to meet account information reporting requirements under domestic and international laws.

If at any time after account opening, information in our possession suggests that you, or the entity or any individual who holds ownership or control in the entity of 25% or more (**Controlling Person**) may be a tax resident of a country or countries other than Australia, you may be contacted to provide further information. Failure to respond may lead to certain reporting requirements applying to the account.

A Controlling Person refers to the individual(s) that directly or indirectly own a legal interest in the entity of 25% or more or exercises actual effective control over the entity, whether from an economic or other perspective such as through voting rights.

Where no individuals are identified as exercising control of the entity through ownership interests, the Controlling Person of the entity is deemed to be the individual(s) who hold the position of senior managing official. In the case of a trust, a Controlling Person includes the settlor(s), trustee(s), appointer(s), protector(s) or classes of beneficiaries and in the case of an entity other than a trust, the term includes persons of equivalent or similar positions.

Goods and Services Tax (GST)

GST will not be imposed on the application for, or withdrawal of, units in the Fund. However, the Fund may be charged GST on fees and expenses it pays.

The Fund may be entitled to claim a refund (Reduced Input Tax Credit) for part of the GST included in certain fees and expenses.

Other Important Information

Related party transactions and conflicts of interest

The Fund may, without limit, invest in other funds of which we, or a related entity, are trustee, responsible entity or manager (**related funds**).

We may appoint any of our related entities to provide services or perform functions in relation to the Fund, including acting as our delegate. We may also enter into financial or other transactions with related entities in relation to the assets of the Fund and may sell assets or purchase assets from, a related entity. A related entity is entitled to earn fees, commissions or other benefits in relation to any such appointment or transaction and to retain them for its own account. Such arrangements will be based on arm's length commercial terms.

In the course of managing the Fund, we may face conflicts in respect of our duties in relation to the Fund, related funds and our own interests. We have policies and procedures in place to manage these appropriately.

We will resolve such conflict fairly and reasonably and in accordance with the law, ASIC policy and our policies.

Terms used in this IM

In this IM:

‘Bank Account’ means an account with an Australian Authorised Approved Deposit Taking Institution (which includes a building society and credit union);

‘Business Day’ means a day (other than a Saturday, Sunday or public holiday) on which banks are open for general banking business in Sydney;

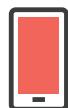
‘Fund’ means the Regnan Credit Impact Trust ARSN 638 304 220;

‘IM’ means this Information Memorandum dated 22 February 2021;

‘Responsible entity’ means Pendal Fund Services Limited ABN 13 161 249 332, AFSL 431426;

‘we’, ‘our’, ‘us’ or ‘Pendal’ means the responsible entity of the Fund and, where appropriate, Pendal Institutional Limited.

Asset values of the Fund for the purposes described in this IM are determined in accordance with the Fund’s constitution.



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