

Factsheet

Regnan Credit Impact Trust

(ARSN: 638 304 220)

Regnan

Brought to you by PENDAL

December 2020

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 Sustainable Development Goals (SDG).

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 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).

The Fund focuses on investments anchored to impact goals adapted from the United Nations Sustainable Development Goals. 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.

Additionally, the Fund applies a sustainable and ethical process to all issuers.

The Fund will not invest in issuers with material business involvement in the following activities:

- production of tobacco or alcohol,
- manufacture or provision of gaming facilities,
- manufacture of weapons or armaments,
- manufacture or distribution of pornography,
- directly mine uranium for the purpose of weapons manufacturing,
- extraction of thermal coal and oil sands production.

We consider that an issuer has a material business involvement in an activity if 10% or more of its total revenue is derived from that activity.

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 Team

Pendal's Bond, Income & Defensive team includes fifteen 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 26 years industry experience.

Management Costs¹

Issuer fee ²	0.50% pa
-------------------------	----------

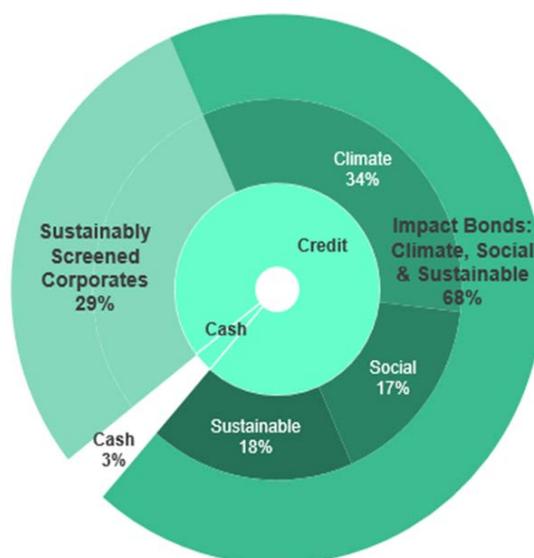
¹ You should refer to the latest Information Memorandum for full details of fees and other costs you may be charged.

Performance

(%)	Total Returns		Benchmark Return
	(post-fee)	(pre-fee)	
1 month	0.56	0.60	0.01
3 months	1.85	1.98	0.04
6 months	2.59	2.85	0.10
1 year (pa)	3.71	4.20	0.26
Since Inception (pa)	3.71	4.20	0.26

Sector Allocation (as at 31 December 2020)

Money Market	4.2%
Financials	25.8%
Industrials	22.2%
Supranational, Sovereign & Agencies	28.0%
Infrastructure & Utilities	7.8%
Real Estate	7.4%
Semis	4.6%



Portfolio Statistics (as at 31 December 2020)

Yield to Maturity [#]	1.63%
--------------------------------	-------

[#] 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.

Other Information

Fund size (as at 31 Dec 2020)	\$44 million
Date of inception	January 2020
Minimum investment	\$500,000
Buy-sell spread ³	
For the Fund's current buy-sell spread information, visit www.pendalgroup.com	
Distribution frequency	Quarterly
APIR Code	PDL5969AU

³ 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 in the Fund, and may vary from time to time without notice.

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.

Please read the Fund's Information Memorandum (**IM**) for a detailed explanation of each of these risks.

Market review

Equity markets continued their move higher in December. In the United States, the S&P500 rose 3.7%, resulting in an annual gain of 16.3%. The NASDAQ performed even better, rising 5.7% in December and by 43.6% over 2020. Bond yields had small rises, with US 10 year bond moving from 0.85% to 0.91%.

Along with the ongoing COVID-19 and vaccines news, fiscal stimulus packages in the United States and ongoing Brexit discussions dominated offshore headlines during the month. President Trump approved the USD 2.3trn Covid-19 and government funding relief package late in the month. All eyes now turn to the run-off elections to be held in Georgia in early January. Currently the Republicans hold 50 seats in the senate with the Democrats holding 48 seats. Should the Democrats win the 2 run-off elections they will have control as Vice President elect Kamala Harris will act as a tie breaker. The UK and the EU finally reached an agreement over the UK's divorce on Christmas Eve.

The Reserve Bank of Australia (RBA) left monetary policy unchanged at its December meeting. In its accompanying statement, the RBA noted that the economic recovery in Australia is underway and that recent data had generally been better than expected. Employment and inflation remain the key focus, with the RBA not looking to increase the cash rate until actual inflation is sustainably within the 2-3% target range. For this to occur the RBA sees significant employment growth and a tight labour market being required. The RBA is not expecting to raise the cash rate for at least 3 years.

Third quarter gross domestic product (GDP) was released after the RBA meeting and exceeded market expectations. The economy expanded by 3.3% (against expectation of 2.5%) in the quarter, resulting in a contraction of 3.8% for the year ended 30th of September 2020. The household savings ratio remains elevated at 18.9%, a slight fall from the 22.1% level recorded in the 2nd quarter data.

The NAB business survey reflected the best business conditions since the pandemic began in February, driven by strength particularly in retail, mining and wholesale. Improvement also occurred in the transport and finance, business and property sectors within the survey. The employment index however remains in negative territory.

In ratings action S&P downgraded New South Wales' credit rating by one notch to AA+ from AAA. Victoria had their rating downgraded by 2 notches from AAA to AA. The downgrades were not unexpected, although the 2 notches for Victoria was a surprise. TCV spreads widened by a modest 6bp to Government bonds, highlighting the cushioning impact of RBA QE and bank balance sheet buying.

In the United States, the Federal Reserve left the Fed Funds rate unchanged at 0-0.25% although did provide new guidance on the timeline for tapering asset purchases. The Federal Reserve stated that it would continue to increase its asset holdings at the current rate until substantial further progress has been made towards the Committee's maximum employment and price stability goals. Previously the Fed stated that it would maintain its asset purchases over the coming months.

The European Central Bank (ECB) expanded its Pandemic Emergency Purchase Program (PEPP) by EUR 500bn at its December meeting, taking the size of the program to EUR 1.85trn in total. The duration of the program has also been extended, to March 2022, although ECB President Lagarde stated that the full size of the program might not be deployed if conditions improve more quickly than expected. The ECB also provided further policy accommodation via expanding and extending the third series of their targeted longer-term refinancing operations (TLTRO III) and introducing the pandemic emergency longer-term refinancing operations (PELTROs). Inflation forecasts were revised down, with the ECB now seeing inflation at 1.1% in 2022 and 1.4% in 2023.

Risk sentiment was again positive during the month and saw equity markets rally and credit spreads contract. The Australian dollar and the trade-weighted index were up 4.6% and 3.1% respectively. Bond yields again moved higher with the Australian 10 year bond yields ending the month 8 basis points higher in yield at 0.98%. This mirrored the move in US 10-year yields which ended the month at 0.92%.

The month of December finished the year off a little stronger in credit markets.

Vaccine news and hope for improvements in 2021 supported the market with the UK becoming the first country in the world to approve the Pfizer/BioNTech covid-19 vaccine. The initial tiered rollout of vaccination started mid-month, ahead of the US and EU.

However, factors weighing on markets included the rising global infections, renewed lockdowns in Europe and reports of a new strain of the covid-19 virus, together with the unclear path of US stimulus negotiations.

The Australian iTraxx index (Series 34 contract) traded in a tight 4p range finishing the month 4bps tighter to +56bps. Physical credit spreads were also a little stronger narrowing 1bp on average. The best performing sectors were infrastructure, real estate and resources tightening 14, 12 & 10bps respectively. The worst performing sectors were domestic banks and supranationals widening 2 & 1bp respectively. Semi-government bonds tightened 1bp to commonwealth government bonds.

Fund performance and activity

The Fund had a very strong month in December outperforming the benchmark by 0.59% (pre-fee). Industrials, real estate, financials, infrastructure and utilities drove the performance.

Activity during the month included adding exposure to Sustainable Development Goal financials funded out of cash.

We look for ways to fund a more sustainable future whilst maintaining strong performance for our clients. An example of this in the portfolio is the Australian dollar KfW Green Bond. KfW is a development bank owned by the German government and helps

finance a range of activities including housing and environmental projects in Europe as well as small and medium enterprises in developing countries. This bond funds green projects that aim for climate change mitigation through increased access and use of renewable energy and projects that increase energy efficiency. Examples of projects supported by this bond include the construction of a wind park, solar farm and energy efficient housing in Germany. Historically, KfW Green Bonds have reduced and avoided emissions equivalent to the carbon sequestered by a forest 80% the size of the United Kingdom every year. Every AUD\$1 million invested in this Green Bond is the equivalent of approximately 200 tonnes of CO2 avoided annually. This is like taking around 90 cars off the road per annum. These are the types of opportunities we seek to support with this fund.

Outlook

The Reserve Bank of Australia (RBA) is likely to be on hold for new policies until the middle of 2021. The RBA will maintain its cautious tone for 2021 and policy action is unlikely to change from current levels, with another round of QE expected to begin May. The RBA have stated they will not be increasing the cash rate until full employment is reached and actual inflation is sustainably within their 2-3% target band. That is something that will not be happening anytime soon. There will remain a significant amount of slack in the labour market for an extended period, in turn resulting in benign wage inflation outcomes. This is key for the RBA in achieving its goal of actual inflation that is sustainably in the 2-3% target band. The coronavirus continues to cause havoc on the economy, despite the very small number of cases. Closing state borders certainly does nothing to assist economic growth. The ongoing appreciation of the Australian dollar, buoyed by the elevated iron ore price, will also be acting as a headwind to near term inflation. The RBA are on hold for an extended period.

We maintain our bullish view on credit markets on the back of significant global central bank and government support measures, positive vaccine news and a more conciliatory new US government.

With the high covid case numbers and concerns on the impact on the global economy, policy makers will remain in a 'whatever it takes mindset' and will continue to support economies from both

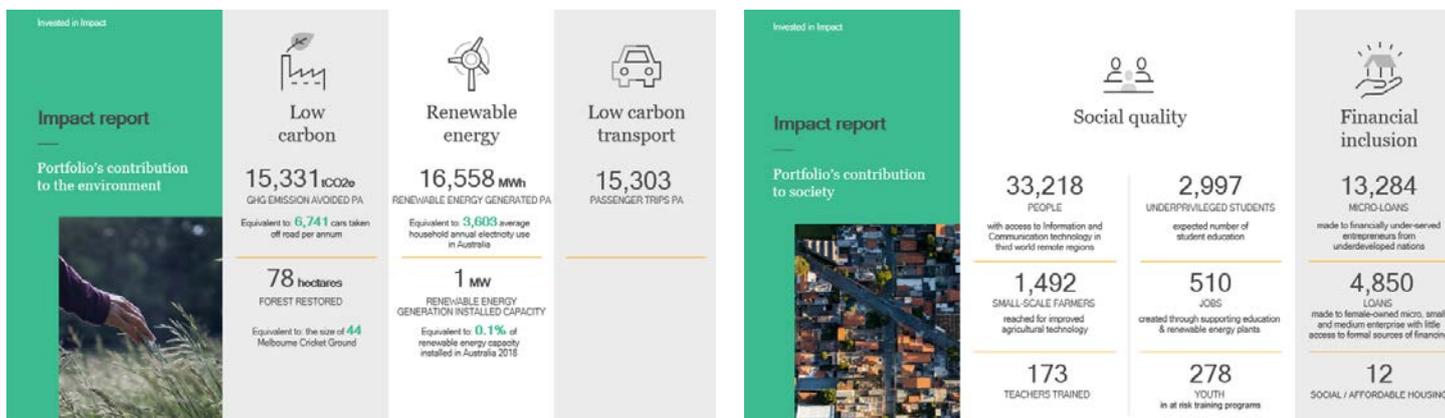
fiscal and monetary stimulus perspectives. This support will be the main driver of markets going forward.

The news of effective covid vaccines with high efficacy is incredibly important for the improvement of global economic growth. Once the vaccines are distributed, the world will hopefully be able get back to normal which will see a sharp recovery in economic growth supporting risk markets.

The Biden victory in the US elections is also positive for markets as a Biden government should see an improvement in global trade talks moving away from the more aggressive Trump US-China trade wars.

The excess liquidity in the Australian system and attractive credit spreads against a very low cash and bond rates will continue to attract buyers to the sector supporting credit markets.

Continued policy measures should be supportive for risk assets which leaves us with a constructive stance on credit markets.



For more information please call **1800 813 886**, contact your key account manager or visit pandalgroup.com

PENDAL

This factsheet has been prepared by Pandal Fund Services Limited (PFSL) ABN 13 161 249 332, AFSL No 431426 and the information contained within is current as at the date of this factsheet. It is not to be published, or otherwise made available to any person other than the party to whom it is provided.

PFSL is the responsible entity and issuer of units in the Regnan Credit Impact Trust (Fund) ARSN: 638 304 220. An Information Memorandum (IM) is available for the Fund and can be obtained by calling 1800 813 886 or visiting www.pandalgroup.com. You should obtain and consider the IM 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.

This factsheet is for general information purposes only, should not be considered as a comprehensive statement on any matter and should not be relied upon as such. It has been prepared without taking into account any recipient's personal objectives, financial situation or needs. Because of this, recipients should, before acting on this information, consider its appropriateness having regard to their individual objectives, financial situation and needs. This information is not to be regarded as a securities recommendation.

The information in this factsheet may contain material provided by third parties, is given in good faith and has been derived from sources believed to be accurate as at its issue date. While such material is published with necessary permission, and while all reasonable care has been taken to ensure that the information in this factsheet is complete and correct, to the maximum extent permitted by law neither PFSL nor any company in the Pandal group accepts any responsibility or liability for the accuracy or completeness of this information.

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.

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.