Regnan Credit Impact Trust

Factsheet | As at 30 April 2021

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 Sustainable Development Goals (SDG).

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.

Performance

(%)	Total Returns (post-fee)	Total Returns (pre-fee)	Benchmark Return
1 month	0.28	0.32	0.01
3 months	0.87	1.00	0.02
6 months	2.58	2.83	0.05
1 year (pa)	4.61	5.13	0.18
Since Inception (pa)	3.99	4.51	0.24

Source: Pendal as at 30 April 2021

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 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.

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.

About Regnan

Regnan is a responsible investment leader with a long and proud heritage providing advice and insights on important environmental, social and governance issues.

For many years our 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 now expanded its capabilities into responsible investment funds management, backed by the considerable resources of Pendal Group.

"Regnan" is a registered trademark of Pendal Group Limited (PGL) and is a standalone responsible investment business division of PGL. The Fund is issued by Pendal Fund Services Limited ABN 13 161 249 332 AFS Licence 431426 (PFSL). PFSL has appointed J O Hambro Capital Management Limited to manage the assets of the Fund.

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 Costs[1]

Issuer fee[2]	0.50% pa

[1] You should refer to the latest Product Disclosure Statement for full details of fees and other costs you may be charged.

[2] This is the fee we charge for overseeing the operations of the Fund and managing the assets of the Fund. The Issuer fee is paid from the assets of the Fund and is reflected in the unit price of your investment.

Other Information

Fund size (as at 30 Apr 2021)	$48 million
Date of inception	January 2020
Minimum investment	$25,000
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.

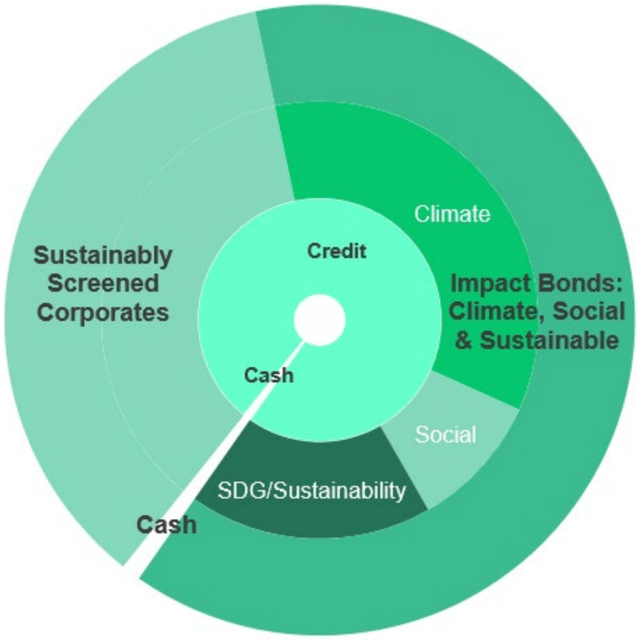
Portfolio Statistics (as at 30 April 2021)

Yield to Maturity#	1.13%

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.

Sector Allocation (as at 30 April 2021)

Money Market	2.1%
Financials	40.7%
Industrials	19.5%
Supranational, Sovereign & Agencies	21.9%
Infrastructure & Utilities	7.1%
Real Estate	7.7%
Semis	1.0%



Market review

Australian bonds had modest rallies in April, driven largely by offshore moves. Despite strong equity markets bonds were happy to keep pricing out some of the rate hikes put in during February. Markets however are still pricing in hikes, even before the RBA 'highly likely no change' target of early 2024.

Domestically the main focus was on 1st quarter inflation released late in the month. Both headline and underlying came out weaker than expected. Headline inflation rose by 0.6% (market forecast 0.9%) for the quarter resulting in an annual increase of 1.1% (1.4% forecast). The trimmed mean rose by 0.3% and the weighted median 0.40% for the quarter. Forecasters underestimated the impact of government subsidies in the housing sector, with the HomeBuilder program and WA and Tasmanian state grants resulting in new dwelling costs detracting from the inflation numbers. This hid a rise in new dwelling costs of 2% ex-subsidies. This will reverse next quarter as grants are phased out. There are also compositional issues with the survey that understate inflation. Rents also were flat, despite CoreLogic data suggesting rises of 1.9%. Again, it may all lead to a strong Q2 CPI number.

Labour market indicators continue to reflect increasing strength in the Australian economy. ANZ job ads rose by 7.4% in March and employment grew by 70k jobs, resulting in an unemployment rate of 5.6% despite the participation rate rising by 0.2% to 66.3%. The Australian economy has exceeded the RBA's forecasts and will result in upward decent upward revisions to growth and downward revisions to the unemployment rate in their Statement on Monetary Policy forecasts that are due for release in early May.

The Federal Reserve left their policy settings unchanged at their meeting late in the month. Treasury yields rallied following Fed Chair Powell's press conference in which he stated that the US is "not close to' the substantial further progress required for the Fed's maximum employment and price stability goals to be realised. Powell also stated that it is not the time to start discussing tapering the $120bn monthly QE programme.

The Bank of Canada was more hawkish at their meeting and reduced the size of their weekly bond purchases under their QE programme from CAD 4bn to CAD 3bn. In light of the improving Canadian economy the Bank now expects to raise rates in the second half of 2022, six months earlier than previously anticipated. Canadian short end rates sold off by up to 10 basis points (bps) following the announcement.

Bond yields ended the month lower in Australia with 10 year bonds rallying by 9 bps to 1.69%. The RBA's yield curve control ensured that the shorter end remained anchored with 3-year bonds slightly lower in yield at 0.19%.

Equity markets where stronger and credit spreads a little tighter in April.

There were a number of factors driving this. Firstly, economic data has been better than expected as seen in the economic surprise numbers across Europe, US, Australia and China. With approximately 60% of US companies having reported their 1st quarter earnings by the end of the month, 87% of them beat expectations, which further supported markets. In addition, a dovish Federal Reserve and the rally in bonds (lower yields) in April, continues to be a relief for markets after the significant selloff in bonds we saw in February.

On the flip side, there were a few factors holding back the rally in credit markets. One being the rise in new cases of Covid-19 in India and the potential flow on effects of this to the global economy. Also having a negative impact on sentiment were reports that US President Biden proposing a doubling of the capital gains tax rate for wealthy individuals, to help pay for social spending initiatives. Finally, April was a larger than seasonally expected issuance month for Australian credit, this supply had a dampening effect on credit spread performance.

The Australian iTraxx index (Series 35 contract) traded in a tight 4bp range finishing the month 3bps narrower to +61. Physical credit spreads in Australia were a touch tighter, narrowing 1bp on average. The best performing sectors were real estate and resources that tightened 8 & 7bps respectively, however worst performing sector was telcos which widened 6bps. Semi-government bonds performed well, narrowing 4bps to commonwealth government bonds.

Fund performance and activity

The Fund outperformed the benchmark in April by 0.31% (pre-fee).

Real estate, industrials, financials and infrastructure drove the performance.

Activity during the month included investing in a primary market supranational impact bond deal. We also increased our exposure to the Mitsubishi Green bond which finances green buildings and renewable energy.

We invested in the new Asian Development Bank Gender Bond which will fund projects that further gender equality and women's empowerment. The focus of the Asian Development Bank is promoting prosperity and eradicating extreme poverty in Asia and the Pacific. We already hold a Green Bond by the Asian Development Bank which finances green projects such as clean energy, sustainable transport, forest management and building climate resilience. This new Gender Bond funds projects relating to women's economic empowerment, training, basic infrastructure, community groups and the prevention of gender-based violence. Examples of projects include training and providing financing to women entrepreneurs in Sri Lanka, training for legal staff in Afghanistan and Pakistan to strengthen their ability to investigate and prosecute gender-based violence, and providing vocational training to women in Laos.

Outlook

The RBA will shortly release its updated forecasts in the Statement on Monetary policy. The updated employment and growth forecasts in times gone by could easily have led to potential rate hikes. However, the RBA framework and rhetoric has changed post the crisis. It is actual not forecast inflation that will drive their decision making. On that front, time is on their side as inflation always lags by 12 to 18 months, evidenced by low Q1 numbers.

The combination of strong data but low inflation prints for now should see markets continue to range trade. The next significant RBA decision for bond markets is whether to extend Yield Curve Control to the November 2024 bond from the April 2024 bond. They will make this decision in June or July. We think it unlikely they will and are cautious duration here. However with markets already pricing in numerous hikes it may mean a flatter yield curve than any large scale selloff.

We are constructive on credit markets on the back of the expansionary fiscal and monetary stimulus from global governments and central banks, pent up demand with the vaccine rollouts driving stronger company earnings. We view the rise in bond yields and volatility back in February as overdone, although the stronger economy did justify pricing in a modest rise in rates. Credit markets now will focus more on the stronger economic growth and return of modest pricing power for business, both supportive for credit markets.

Effective covid vaccines with high efficacy is critical for the reopening of economies and global economic growth. The vaccine rollout should see economies get back to normal which will see a sharp recovery in economic growth supporting risk markets. A risk to markets lies with the level of efficacy of vaccines going forward.

The excess liquidity in the financial system and attractive credit spreads against very low cash rates will continue to see a global chase for yield supporting credit markets.

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Invested in Impact

Impact report

Portfolio's contribution to the environment

Low carbon

15,331 tCO2e
GHG EMISSION AVOIDED PA

Equivalent to: **6,741** cars taken off road per annum

78 hectares
FOREST RESTORED

Equivalent to: the size of **44** Melbourne Cricket Ground

Renewable energy

16,558 MWh
RENEWABLE ENERGY GENERATED PA

Equivalent to: **3,603** average household annual electricity use in Australia

1 MW
RENEWABLE ENERGY GENERATION INSTALLED CAPACITY

Equivalent to: **0.1%** of renewable energy capacity installed in Australia 2018

Low carbon transport

15,303
PASSENGER TRIPS PA

Invested in Impact

Impact report

Portfolio's contribution to society

Social quality

33,218
PEOPLE
with access to Information and Communication technology in third world remote regions

1,492
SMALL-SCALE FARMERS
reached for improved agricultural technology

173
TEACHERS TRAINED

2,997
UNDERPRIVILEGED STUDENTS
expected number of student education

510
JOBS
created through supporting education & renewable energy plants

278
YOUTH
in at risk training programs

Financial inclusion

13,284
MICRO-LOANS
made to financially under-served entrepreneurs from underdeveloped nations

4,850
LOANS
made to female-owned micro, small and medium enterprise with little access to formal sources of financing

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SOCIAL / AFFORDABLE HOUSING

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.