

# Regnan Global Equity Impact Solutions Fund

## Class R

Factsheet | As at 31 December 2021

ARSN: 645 981 853

### About the Fund

Aims to generate long-term outperformance by investing in mission-driven companies that create value for investors by providing solutions for the growing unmet sustainability needs of society and the environment, using the United Nations Sustainable Development Goals (SDGs) as an investment lens.

Underpinned by the Regnan SDG taxonomy, the team has built a comprehensive proprietary framework to identify companies that provide solutions to the environmental and societal challenges facing the world.

A high conviction, diversified, global multi-cap portfolio with low portfolio turnover and a strong emphasis on driving impact through engagement.

### Investment Objective

The Fund aims to provide a return (after fees but before costs and taxes) that exceeds the MSCI ACWI IMI Index in AUD over rolling 5 year periods.

### Management Costs<sup>1</sup>

Issuer fee <sup>2</sup>	0.90%
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<sup>1</sup> You should refer to the latest Product Disclosure Statement for full details of fees and other costs you may be charged.

<sup>2</sup> 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 31 Dec 2021)	\$213 million
Date of inception	30 November 2020
Minimum investment	\$25,000
Buy-sell spread <sup>3</sup> For the Fund's current buy-sell spread information, visit <a href="http://www.pendalgroup.com">www.pendalgroup.com</a>	
Distribution frequency	Annually
APIR code	PDL4608AU

<sup>3</sup> The buy-sell spread represents transaction costs incurred whenever you invest or withdraw funds, and may vary from time to time without notice.

### Performance of the Fund

(%)	Total Returns		Benchmark
	(post-fee)	(pre-fee)	Return
1 month	0.45	0.53	1.40
3 months	2.08	2.32	5.42
6 months	5.09	5.57	8.34
1 year (pa)	12.21	13.22	25.47
Since Inception (pa)	13.03	14.04	23.64

Source: Pental as at 31 December 2021

### 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 Pental Group.

"Regnan" is a registered trademark of Pental Group Limited (PGL) and is a standalone responsible investment business division of PGL. The Fund is issued by Pental 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.

**To learn more about what we do, our journey, investment process, impact investment and bespoke insights please visit [regnan.com](http://regnan.com)**



The Regnan Global Equity Impact Solutions Fund has been certified by RIAA according to the strict operational and disclosure practices required under the Responsible Investment Certification Program. See [www.responsibleinvestment.org](http://www.responsibleinvestment.org) for details<sup>1</sup>.

<sup>1</sup> The Responsible Investment Certification Program does not constitute financial product advice. Neither the Certification Symbol nor RIAA recommends to any person that any financial product is a suitable investment or that returns are guaranteed. Appropriate professional advice should be sought prior to making an investment decision. RIAA does not hold an Australian Financial Services Licence.

## Quarterly fund commentary

Global equity markets finished the fourth quarter in positive territory with developed markets outperforming emerging markets. Markets were impacted by a myriad of factors including the emergence of the more transmissible Omicron variant, supply chain bottlenecks and inflation concerns – all of which have influenced global economic growth in recent months.

Inflation remains a key consideration for investors, but there are signs supply bottlenecks will potentially ease going into 2022 and inflationary pressures should peak in the coming months before moderating.

The rotation during the quarter saw early cyclicals once again in favour, with banks and commodities outperforming. This environment represents a headwind for the strategy given our underweight in these areas.

The portfolio trailed the benchmark over the quarter, primarily due to negative stock selection. Materials business Umicore was the largest detractor following a profit warning, projecting weaker growth in the Energy & Surface Technologies division, with volumes now expected to be considerably lower than previously expected for 2022-23. On a positive note, the JV announced with Volkswagen validates Umicore's technology pipeline and supports the longer-term outlook.

Horiba, which specialises in measurement technologies, detracted owing to continued weakness in its automotive business, however this was partially offset by continued strong earnings growth in mass flow controllers, a key product within its semiconductor business.

Brazilian education providers YDUQS and Afya continue to be impacted by a combination of Brazilian inflation and deteriorating emerging market sentiment. Our view remains that both these businesses have strong fundamentals and are well-positioned to benefit by addressing the structural supply/demand imbalance in education services in Brazil and current valuations look attractive and have provided a solid entry point for investors with a five to ten year investment horizon.

Key contributions came from industrials and healthcare sectors where we have overweight exposures. Performance of note came from Tomra, driven by a strong contribution from its Collection Solutions business which delivered growth ahead of expectations with solid order intake and backlogs providing a positive outlook and good momentum in all segments.

Evoqua, the portfolio's largest holding, reported strong demand with a favourable outlook across most of its end markets. The recently-passed US infrastructure bill and the EPA three year strategic roadmap for establishing guidelines on drinking water regulation are positive catalysts which will support PFAS driven revenues. Novo Nordisk within healthcare, reported strong performance and growth momentum within its obesity franchise (Wegovy and Saxenda), we expect this business to be a key driver of growth for the coming years. Ansys also reported strong results, raising guidance with management noting a strengthening sales pipeline into the year end.

In a relatively quiet quarter for trading activity there were no new additions. Hella was removed from the portfolio in November following its acquisition by Faurecia. Hella is fundamentally more innovative than Faurecia and the change, in our view, dilutes the impact case and therefore presents a less attractive investment case.

We remain focused on investing in businesses which we expect to outperform over the long term, based on their unique ability to deliver solutions to social and environmental challenges. Our rigorous and disciplined process ensures we concentrate on businesses that can outperform over the next five to ten years, rather than the next five to ten months. We believe we will look back on this period of extreme volatility as being a great opportunity to add new, exciting names at more attractive valuations than we otherwise would have been able to achieve in a trending market.

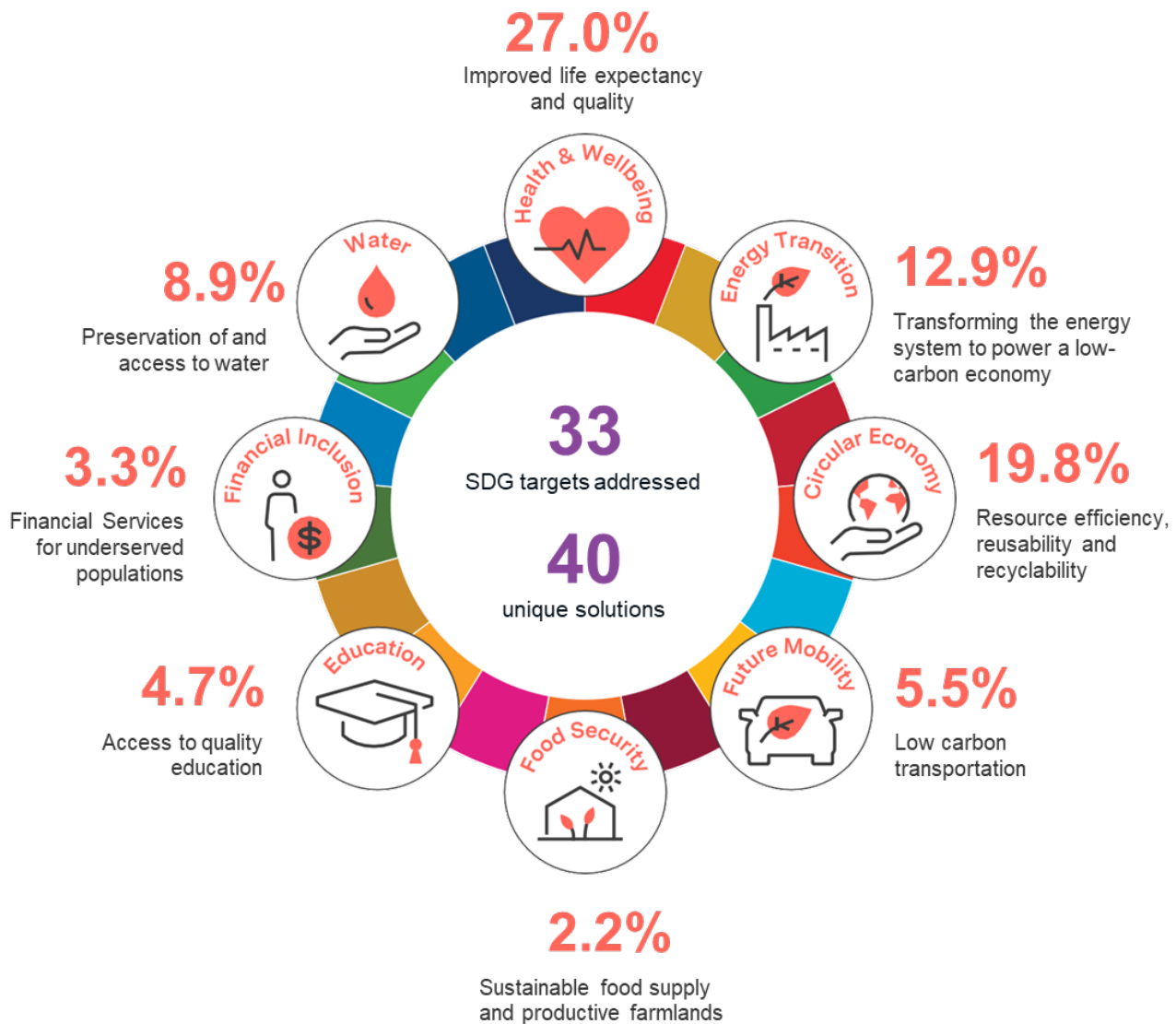
## Portfolio analysis

### Top 10 Holdings (as at 31 December 2021)

Stock	Impact Solution	Absolute
Evoqua Water Technologies Corp	Water pollution was estimated to represent 1.8m deaths in 2015, according to the Lancet. The solution is to implement high purity water treatment solutions and increase water re-used within industrial processes so as to reduce water withdrawals and discharges. Evoqua is the leader in sophisticated water treatment solutions and is providing service-based solutions for companies to implement better water treatment in their operations.	5.0%
Novo Nordisk A/S Class B	Today 26m of the 425m diabetic patient globally are treated with Novo Nordisk's products across the treatment cascade. As prevalence increases above 10% today (from 8% a decade prior), the diabetes patient population is expected to grow 50% to 700m by 2045. The cost of diabetes is expected to reach US\$2.5th by 2030. Novo Nordisk is also one of the few companies with obesity medicine.	4.9%
QIAGEN NV	Molecular diagnostics is the fastest-growing segment of the in-vitro diagnostics industry. It enables earlier diagnosis, allows monitoring of disease progression and better guidance for therapeutic decision-making. Qiagen's 'Sample to Insight' product philosophy is designed to facilitate uptake of molecular diagnostics. By empowering users without sophisticated molecular biology expertise to use molecular diagnostic technologies, taking them straight from the biological sample to actionable insight, Qiagen expands the adoption of molecular diagnostics, improving patient outcomes.	4.8%
Befesa SA	Secondary steel and aluminium production have a significantly lower CO2 footprint than primary production and use fewer natural resources. However, both secondary steel and aluminium production produce hazardous wastes, which are often landfilled, risking groundwater and sewage system contamination. Befesa's best-in-class recycling technology offers an alternative to landfills and its technology is able to extract and re-use the valuable metals contained within these hazardous wastes.	4.8%
Lenzing AG	Fashion represents up to 10% global CO2 emission, 20% of waste water and 6% of global pesticide use. This is compounded by the fact that a new garment is used only about 60x, down from 120x 10 years ago, and 87% of garments are incinerated or landfilled. Wood-based cellulosic fibres from Lenzing use 10x less water than cotton, have a neutral carbon footprint (not taking into account carbon sequestration from forests), are highly biodegradable, and almost exclusively use chemicals that are recycled in a loop process. Lenzing is also developing a technology that can include 30-50% recycled cotton together with Lyocell.	4.7%
Durr AG	Duerr provides solutions to automotive and other industrial customers to improve resource efficiency in production, thereby contributing towards a circular system. It has innovated to significantly reduce the environmental impact of paint shops over the past decade. Duerr also supports EV production and helps reduce the amount of materials wasted by its customers. Its technology is also helping reduce waste in the wood industry.	4.6%
Agilent Technologies, Inc.	The need to improvement laboratory efficiency has arguably never been greater, while the complexity of driving these efficiency improvements has never been more challenging. Agilent transitioned from simply selling instruments and consumables, to becoming a provider of integrated, interconnected solutions which it provides via Agilent Cross Labs (ACG). ACG enables laboratories, from pathology to food testing, to focus on what they do best: delivering value-additive outcomes, while Agilent helps them to optimise maximise clinical value per dollar spent.	4.6%
ANSYS, Inc	As a global leader in simulation solutions, ANSYS enables faster R&D, makes manufacturing more efficient and less wasteful, thereby reducing costs, as well as permitting environmentally-friendly specifications to be embedded at the design phase of product. Its simulation software is used in developing impact solutions such as electric and autonomous vehicles, renewable energy and introducing environmental data into the choice of materials.	4.4%
Valeo SE	Valeo is one of the leaders in EV and AV parts and software, with a particular focus on making those technologies affordable and is thus a key enabler of the transition to cleaner, safer cars.	4.3%
PTC Inc	Productivity growth across OECD countries was lower in the decade leading up to 2016 than it was in any other decade from 1950 (UN). While technological progress and innovation has continued, the adoption of Industry 4.0 solutions with potential to deliver significant productivity improvements remains low, particularly from small and medium sized enterprises where the costs of upgrading can be prohibitive. PTC's solutions drive digital transformation, which reduces waste and scrap in the products they design, creates efficiencies in their manufacturing processes, and optimizes the operations of their customers' processes. PTC provides global leading software solutions across the life cycle of products through computer aided design, product life cycle management, industrial IoT and augmented reality. PTC solutions increase productivity and efficiency of R&D by reducing design time by up to 30%, make manufacturing more efficient and less wasteful with up to 30% reduction in prototypes, thereby reducing costs and raw material use, and reduce the time to market by up to 57%. PTC is also improving access to Industry 4.0 solutions for smaller enterprises through the recent addition of multi-tenant SaaS based CAD (Onshape) and PLM (Arena).	4.1%
<b>Total</b>		<b>46.2%</b>

## Portfolio exposure by impact theme

(As at 31 December 2021)



Source: Regnan/JOHCM as at 31 December 2021. Note: Thematic exposure attribution to eight impact themes based on estimates of company revenues or other relevant metrics. Cash position: 1.3%. Neutral impact (12.2%) is estimated where revenues not directly tied to any theme. Negative impact (2.2%) estimated where revenues may be detrimental to UN Sustainable Development Goals (SDG).

## Portfolio analysis

### Theme breakdown (as at 31 December 2021)

	Absolute
Health & Wellbeing	27.0%
Circular Economy	19.8%
Energy Transition	12.9%
Water	8.9%
Future Mobility	5.5%
Education	4.7%
Financial Inclusion	3.3%
Food Security	2.2%
<b>Positive Impact</b>	<b>84.3%</b>
Cash	1.3%
Neutral Impact	12.2%
Negative Impact	2.2%

Source: Pandal

### Country breakdown (as at 31 December 2021)

	Absolute
Austria	4.7%
Belgium	2.3%
Denmark	7.6%
France	8.8%
Germany	17.8%
Netherlands	3.9%
Norway	3.8%
Spain	1.6%
Switzerland	4.0%
United Kingdom	4.9%
Japan	3.7%
Other Asia	4.1%
USA	29.5%
Latin America	2.1%
Cash	1.3%

Source: Pandal

### Sector breakdown (as at 31 December 2021)

	Absolute
Energy	0.0%
Materials	8.8%
Industrials	27.5%
Consumer Discretionary	9.1%
Consumer Staples	0.0%
Health Care	28.0%
Information Technology	12.2%
Telecommunication Services	0.0%
Utilities	2.7%
Financials ex Property Trusts	10.1%
Property Trusts	0.3%
Cash	1.3%

Source: Pandal

### Active bets (as at 31 December 2021)

Top 5	Relative
EVOQUA WATER TECH	5.0%
QIAGEN	4.8%
BEFESA	4.8%
LENZING	4.7%
NOVO NORDISK B	4.7%

Bottom 5	Relative
APPLE	-3.7%
MICROSOFT CORP	-3.0%
Alphabet	-2.1%
AMAZON.COM	-1.9%
TESLA	-1.1%

Source: Pandal

## Investment process with a purpose



## Meet the Regnan Global Equity Impact Solutions team



**Tim Crockford**  
**Senior Fund Manager**  
14 years'  
industry experience



**Mohsin Ahmad, CFA**  
**Fund Manager**  
13 years'  
industry experience



**Maxime Le Floch, CFA**  
**Analyst**  
10 years'  
industry experience



**Maxine Wille, CFA**  
**Analyst**  
6 years'  
industry experience

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.
- **International investment risk:** The risk arising from political and economic uncertainties, interest rate movements and differences in regulatory supervision associated with international investments.
- **Emerging markets risk:** The Fund may make investments that provide exposure to emerging markets. Emerging markets are generally considered riskier than developed markets due to factors such as lower liquidity, the potential for political unrest, the increased likelihood of sovereign intervention (including default and currency intervention), currency volatility and increased legal risk. Emerging market investments therefore may experience increased asset price volatility and face higher currency, default and liquidity risk.
- **Concentrated portfolio risk:** The Fund's investment strategy of seeking to generate high returns by investing in a concentrated portfolio of global shares may make the Fund more volatile than a diversified global share fund with a larger number of shares. This means there is a greater risk of negative returns, particularly over the short to medium term.
- **Currency risk:** Currency exchange rate fluctuation risk arising from investing across multiple countries.
- **Class risk:** The Fund has been established as a separate class of units in the Scheme. As the assets are held on trust for all investors, there is a risk that investors of one class, may be exposed to liabilities of another class of units and they could lose some or all of their investment in the Fund. There is also a risk that in the event of an insolvency, the assets of the Fund could be made available to creditors of another class of units of the Scheme.

Please read the Fund's Product Disclosure Statement (**PDS**) for a detailed explanation of each of these risks available on the Pental's website.

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PFSL is the responsible entity of, and issuer of units in, the Fund offered in this factsheet. A product disclosure statement (**PDS**) is available for the Fund and can be obtained by calling 1300 346 821 or visiting [www.pentalgroup.com](http://www.pentalgroup.com). The Target Market Determination (**TMD**) for the Fund is available at [www.pentalgroup.com/ddo](http://www.pentalgroup.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.

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.