



# Regnan Global Equity Impact Solutions Fund

## Class W

Factsheet | As at 31 March 2022

ARSN: 645 981 853

For Wholesale Investors only

### 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>	0.65%
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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

Date of inception	9 August 2021
Minimum investment	\$500,000
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	PDL7011AU

<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.



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>.

CERTIFIED BY RIAA

<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.

### Performance of the Fund

(%)	Total Returns		Benchmark Return
	(post-fee)	(pre-fee)	
1 month	-1.11	-1.05	-1.40
3 months	-15.15	-15.01	-8.48
6 months	-13.32	-13.05	-3.52
1 year (pa)	-	-	-
Since Inception	-17.83	-17.49	-4.47

Source: Pental as 31 March 2022

Please note that the performance returns shown are for the period from the fund's inception and are short term in nature. Performance may therefore not reflect the longer term performance of the fund.

### Historical simulated returns – Class W

Regnan Global Equity Impact Solutions Fund - Class W has been operating since August 2021. To provide a simulated longer term view of the estimated performance for Class W, we have based the estimated returns for Class W using the **Regnan Global Equity Impact Solutions Fund - Class R**, given the identical investments, and have then adjusted the returns to reflect the fee differences between Class W and Class R.

(%)	Total Returns (simulated)		Benchmark Return
	(post-fee)	(pre-fee)	
1 year (pa)	-2.86	-2.22	7.81
Since Inception (pa)	-2.18	-1.53	11.15

Inception date: 30 November 2020

Source: Pental as at 31 March 2022

Past performance is not a reliable indicator of future performance.

### 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)

## Quarterly fund commentary

- While the portfolio underperformed against benchmark during the quarter, relative performance was marginally positive from the date of the Russian invasion of Ukraine to the close of March
- Existing portfolio holdings are attractive following their recent valuation correction and continued earnings delivery, just as profit growth across the market begins to slow
- The team have built a pipeline of exciting solutions providers for future investment and are looking for attractive entry points.

The first quarter of 2022 ushered in elevated concerns of inflation, with commodity prices – led by oil – broadly rising to levels not seen since the months that preceded the 2008 Global Financial Crisis. Unlike the last commodity super cycle, the current boom in prices has been caused by a supply shock rather than accelerating demand. This should accelerate investment in the circular economy and energy transition, two of the long-term structural themes that the portfolio is positioned to benefit from.

Without doubt, the quarter's most significant and tragic event, was the Russian invasion of Ukraine on 24th February 2022. Yet again, a crisis has revealed fault lines in global supply chains, this time through Russia's significance as an energy producer and exporter. The broader region's importance as a supplier of agricultural inputs, agricultural commodities, and other components had a cascading impact on a wide variety of global supply chains, and for semiconductors and autos in particular. Beyond the humanitarian disaster and ensuing loss of life, the most notable consequence was the further acceleration in commodity prices.

The invasion of Ukraine caused a distinct shift in market dynamics over the quarter. The start of year saw an extension of the trends that were in place in the latter part of 2021; these favoured a broad range of cyclical sectors, which in the wake of the invasion narrowed to favour only the resource complex and more defensively positioned sectors for the remainder of the quarter.

This meant that while the portfolio underperformed the reference index during the quarter, relative performance was marginally positive for the volatile period from the date of the invasion to the close of March despite the large overweight to Europe.

At the sector level, the defensive characteristics of the portfolio's exposure to healthcare, and to a lesser extent, industrials provided the strongest contribution to performance. Two of the portfolio's main European cyclical holdings, Valeo, a leading enabler of the transition towards battery electric vehicles, and robotics and automation engineer Duerr, whose solutions will ultimately enable their customers to mitigate their rising input costs, were the most impacted by supply chain shocks created by the invasion of Ukraine

The most significant driver of the portfolio's relative performance leading up to the invasion was a strong factor headwind; specifically, the portfolio's structural overweight to impactful small- and mid-cap companies and underweight to large- and mega-cap companies.

This is to be expected in the early stages of tightening financial conditions in the face of rising input costs. Pressure mounted on the Federal Reserve to prioritise the inflation-fighting part of their dual mandate, rather than focusing on maintenance of growth. The portfolio responded similarly in the second half of 2018 only to recover as economic growth expectations diminished in the face of tighter monetary conditions

This was particularly the case at the start of the reporting season. Some of the core portfolio's positions in smaller mid-caps, such as Alfen, Abcam and Hannon Armstrong, declined by 25%, 24% and 22% respectively in January in the absence of any news regarding their fundamentals, only to go on to recover most or all of this draw down after reporting expectation-beating results.

The earnings momentum in each of these three examples continues to be driven by increasing adoption for the innovative products and services at the heart of their businesses: Alfen as a leading provider of battery energy storage and electric vehicle charging solutions, Abcam as the leading provider of research antibodies that fuel the creation of new biotech therapies for their customers and Hannon Armstrong in serving the niche market of funding the US' energy transition and the conversion of buildings to become more energy efficient.

These three unique businesses are expected, like the portfolio's other holdings, to continue to grow their cashflows and compound the returns on capital that they generate over multiple years to come.

Indeed, the portfolio has continued to see forward earnings expectations upgraded since the end of the earnings season. This has only served to make its valuation even more attractive, with an end-2022 weighted median forecast P/E of 27.1x vs. 20.6x for the MSCI ACWI IMI reference index.

This is reinforced by positive relative earnings momentum that continued in the most recent earnings season, with half of the companies in the portfolio beating expectations and a fifth reporting results that were in line with forecast.

We sold two names from the portfolio and made no new additions during the quarter. SiemensGamesa Renewable Energy was sold following its earnings announcement in early-February, putting it among a handful of holdings that missed expectations due to cost-inflation pressures impacting its bottom line.

We had anticipated these pressures given the company's exposure to metals, which rose in price substantially in the last quarter of 2021, and adjusted the position size down ahead of the announcement. However, we had not anticipated the weakening of the company's orders. Unlike other industrial holdings in the portfolio - that will also face a short-term margin squeeze until selling price adjustments work their way through the orderbook to offset the cost increase - a weakening of orders means that we no longer have confidence that this pressure will alleviate and therefore our process dictates that we remove this holding until such confidence can be regained.

The other name we sold out of was the risk-adjusted position in ProCredit, a southeastern European SME. Despite being long-term supporters of ProCredit, we could no longer justify the investment case as the company's current and future earnings will be severely affected by the conflict in Ukraine.

We continue to exercise patience with respect to timing the addition of new names from our buy list partly because current market conditions demand patience. More importantly, the moves seen in January, combined with continued earnings delivery across most of the portfolio holdings, has made the existing names even more attractive relative to ideas that we are looking to add to the portfolio.

When an attractive entry point is presented, we will add new holdings. Until then, we will continue to deploy our clients' capital to our existing thirty, high conviction holdings, as we expect their continued delivery of growth to be increasingly rewarded as the year unfolds and broader corporate earnings risk grows. Global economic activity is expected to slow, which should disproportionately affect those areas of the market that are reliant on the vigor of the economic cycle. The focus of the portfolio, however, is on the powerful structural trends that underpin the earnings growth of the individual companies held in client portfolios, as represented by the continued need to meet the challenges set by the 17 UN Sustainable Development Goals.

A large amount of investment is still needed before we are on our way to addressing all these unmet needs, and we are encouraged that the solutions provided by our portfolio holdings will play an increasingly important role in getting us there.

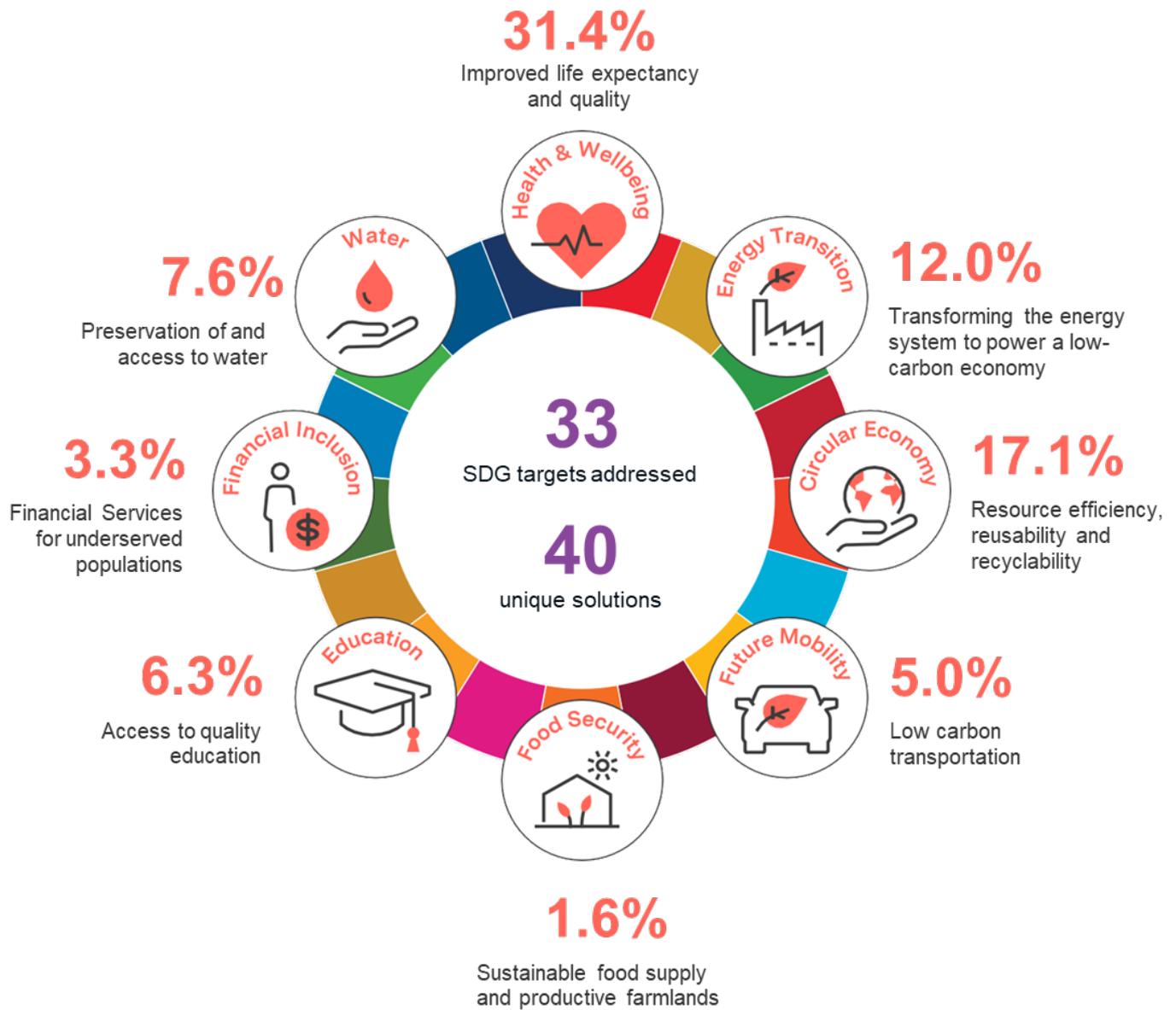
## Portfolio analysis

### Top 10 Holdings (as at 31 March 2022)

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.	5.5%
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.	5.5%
PT Bank Rakyat Indonesia	Over 200 million Indonesians live on less than \$4.50 per day, without salaries or collateral, these individuals are considered too risky for loans or live in locations too remote for the reach of traditional financial services providers. Despite this, over 56 million Micro Small Medium Enterprises (MSME) contributed greater than 50% GDP. In Indonesia in particular, only about 25% of SME's have access to lending. Bank Rakyat is helping fill this gap in the Indonesian market.	5.0%
Umicore	Umicore generates most of its revenues and dedicates its R&D towards clean technologies such as emission control catalysts, materials for rechargeable batteries for electric vehicles and recycling of metals. It helps solve two supply chain bottlenecks for electric vehicles: the supply of scarce metals such as nickel and cobalt and high-nickel cathode materials.'	5.0%
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.	4.9%
Lonza Group AG	Biologic, large-molecule drugs, currently grow twice as fast as their small-molecule counterparts, owing to their exceptional efficacy ability to address previously untreatable conditions, such as cancers and autoimmune diseases. However, the manufacturing of biologics is complex, expensive and resource-intensive. As the world's leading contract manufacturing and development company, Lonza allows biotech companies to outsource that process manufacturing process, thereby helping them to develop more potent, complex medicines at lower cost and increased speed-to-market.	4.8%
Sartorius Stedim Biotech SA	As a leader in providing single-use (SU) equipment, Stedim is significantly driving down the cost of and improve the speed of bioprocessing, helping manufacturers make biologic drugs more affordable and help to bring new, innovative therapies to market. Its products provide an enhanced safety profile, lowering the risk of cross-contamination, as well as a significantly lower environmental footprint than their stainless steel alternatives.	4.7%
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.	4.7%
Alfen NV	Alfen supports energy transition through supplying secondary substations to grid operators to upgrade the existing grid infrastructure and with the development of smart grids, needed given the rise of decentralised renewable energy. Alfen is also building out electric vehicle charging infrastructure. Through the provision of energy storage solutions, Alfen also helps address the significant issue of intermittency that comes with renewable energy sources.	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.	4.3%
<b>Total</b>		<b>49.0%</b>

## Portfolio exposure by impact theme

(As at 31 March 2022)



Source: Regnan/JOHCM as at 31 March 2022. Note: Thematic exposure attribution to eight impact themes based on estimates of company revenues or other relevant metrics. Cash position: 1.9%. Neutral impact (11.7%) is estimated where revenues not directly tied to any theme. Negative impact (2.0%) estimated where revenues may be detrimental to UN Sustainable Development Goals (SDG).

## Portfolio analysis

### Theme breakdown (as at 31 March 2022)

	Absolute
Health & Wellbeing	31.4%
Circular Economy	17.1%
Energy Transition	12.0%
Water	7.6%
Future Mobility	5.0%
Education	6.3%
Financial Inclusion	3.3%
Food Security	1.6%
<b>Positive Impact</b>	<b>84.3%</b>
Cash	1.9%
Neutral Impact	11.7%
Negative Impact	2.0%

Source: Pendal

### Country breakdown (as at 31 March 2022)

	Absolute
Austria	1.7%
Belgium	5.0%
Denmark	9.0%
France	8.1%
Germany	10.6%
Netherlands	4.6%
Norway	2.5%
Switzerland	4.8%
United Kingdom	7.2%
Japan	3.7%
Other Asia	5.0%
USA	32.8%
Latin America	3.2%
Cash	1.9%

Source: Pendal

### Sector breakdown (as at 31 March 2022)

	Absolute
Energy	0.0%
Materials	8.1%
Industrials	22.5%
Consumer Discretionary	9.3%
Consumer Staples	0.0%
Health Care	32.4%
Information Technology	12.1%
Telecommunication Services	0.0%
Utilities	3.4%
Financials ex Property Trusts	9.9%
Property Trusts	0.3%
Cash	1.9%

Source: Pendal

### Active bets (as at 31 March 2022)

Top 5	Relative
EVOQUA WATER TECH	5.5%
NOVO NORDISK B	5.3%
Bank Rakyat Indonesia	5.0%
UMICORE	4.9%
BEFESA	4.9%

Bottom 5	Relative
APPLE	-3.8%
MICROSOFT CORP	-2.9%
Alphabet	-2.2%
AMAZON.COM	-2.0%
TESLA	-1.2%

Source: Pendal

## Investment process with a purpose



## Meet the Regnan Global Equity Impact Solutions team



**Tim Crockford**  
Senior Portfolio Manager

14 years  
industry experience



**Mohsin Ahmad, CFA**  
Portfolio Manager

13 years  
industry experience



**Maxime Le Floch, CFA**  
Research Analyst

10 years  
industry experience



**Maxime Wille, CFA**  
Research Analyst

6 years  
industry experience

For more information



**Jeremy Dean**

Head of Regnan and Responsible  
Investment Distribution

Tel: 0419 460 551

[Jeremy.dean@regnan.com](mailto:Jeremy.dean@regnan.com)

## 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.

This factsheet has been prepared by Pental 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 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.