

# Regnan Global Equity Impact Solutions Fund

## Class R

Factsheet | As at 30 September 2022

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.

### Fees and Costs

You should refer to the latest Product Disclosure Statement for full details of the ongoing fees and costs that you may be charged.

Management fee <sup>1</sup>	0.90%
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<sup>1</sup> This is the fee we charge for managing the assets and overseeing the operations of the Fund. The management fee is deducted from the Fund's assets and reflected in its unit price.

### Other Information

Fund size (as at 30 September 2022)	\$168 million
Date of inception	30 November 2020
Minimum investment	\$25,000
Buy-sell spread <sup>2</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>2</sup> 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 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	-3.67	-3.60	-3.67
3 months	0.38	0.61	-0.14
6 months	-10.51	-10.10	-8.22
1 year (pa)	-22.53	-21.83	-11.45
Since Inception (pa)	-7.54	-6.71	3.05

Source: Pental as at 30 September 2022.

### 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>3</sup>.

CERTIFIED BY RIAA

<sup>3</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

- Volatility persisted throughout Q3, but we are starting to see signs of the market focus shifting towards companies with more resilient cash flows
- Earnings momentum broadly positive, with the Q2 results season proving to be another record
- Portfolio valuations have compressed significantly, with the median one-year P/E ratio on consensus earnings estimates of our clients' core portfolio holdings now down to 21.8x, resulting in a one-year PEG ratio of around 1

After a brief bear-market rally into the start of the summer, the August Federal Reserve meeting saw this quickly unfold; volatility remained the order of the day in Q2, with index measures such as VIX – that reflects implied volatility of the S&P 500 – ending the quarter marginally higher than at the start.

While the portfolio has been negatively impacted by rising real yields, as terminal central bank policy rates have been revised higher over the course of this year, continued strong fundamental momentum for the majority of the names in the portfolio has made our holdings even more attractive.

Orsted was the largest detractor during the third quarter, as one of four of the thirty holdings who reported disappointing earnings for the first half of this year, which were largely impacted by temporary energy price hedging losses, which the company has guided will unwind over the course of the next few quarters. Fundamentally, Orsted is not being given any credit for project returns on their pipeline that could end up being substantially higher than is currently priced into the implied forecasts for the business.

Hannon Armstrong Sustainable Infrastructure was next up on the detractor list, and the team divested out of this position due to concerns around the lack of transparency around its accounting practices that were called into question during the period. These concerns have the potential to raise the company's cost of capital further, in an environment when the company is already facing rising financing costs from higher interest rates, and the team no longer have the required conviction in their underlying cash flow expectations.

Afya was the largest contributor during the quarter. Afya benefitted from positive reports from several shareholders and brokers reacting to Q2 results that beat expectations, driving earnings upgrades through the quarter, as well as improved sentiment towards Brazilian companies.

Xylem had a good quarter, bolstered by expectation-beating results and a guidance-raise driven by measures that the company had taken to combat input cost inflation earlier on in the year, and improving supply of semiconductors that are critical to their smart water meters.

These are just two examples of portfolio companies that continue to see improving earnings momentum in an absolute sense, which is even stronger relative to the broad reference index that is seeing momentum turn in the opposite direction. While we do not expect the portfolio to be totally immune in a recessionary environment, we do believe that it will prove relatively more resilient.

This is largely due to the allocation of around 35% of the portfolio to healthcare, which mainly comprises life sciences and medical technology companies; these are able to achieve double-digit growth rates not hugely reliant on the broader economic cycle, but driven by structural trends that are only just starting to accelerate.

While it is natural to see investment horizons shortened amid higher volatility, we will persist with our long-term view and patience; this is when the best opportunities typically present themselves as investors give too much importance to the near-term forecasts, when over 80% of the equity value typically resides in the later terminal forecast period, where cash flow growth rates are generally faded downwards.

This is not what we expect to transpire for this concentrated collection of holdings that are transforming our economic systems. We expect these companies to continue to realise earnings substantially ahead of today's market expectations, for years to come, driving compounding growth and rewarding patience. Today's portfolio valuations have become too attractive to ignore.

## Portfolio analysis

## Top 10 Holdings (as at 30 September 2022)

Stock	Impact Solution	Absolute
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.	5.8%
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.	5.5%
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.	5.5%
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.	5.1%
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.	4.9%
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.	4.9%
PTC	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).	4.9%
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.	4.6%
ABCAM	Biomedical research, which seeks to understand the biology of a range of diseases, from cancer to autoimmune diseases, suffers from a reproducibility crisis. Abcam helps solve this challenge by providing highly validated antibody solutions, developed on its leading proprietary technology platforms. Its highly validated antibodies ensure that antibodies perform as expected and significantly reduce batch-to-batch variability, one of the main causes of irreproducibility.	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%
<b>Total</b>		<b>50.2%</b>

## Portfolio analysis

### Country breakdown (as at 30 September 2022)

	Absolute
Austria	0.8%
Belgium	1.1%
Denmark	9.6%
France	6.9%
Germany	11.5%
Netherlands	4.2%
Norway	2.2%
Switzerland	4.6%
United Kingdom	7.2%
Japan	3.5%
Other Asia	4.9%
Canada	3.9%
USA	30.5%
Latin America	3.0%
Cash	5.9%

Source: Pandal

### Sector breakdown (as at 30 September 2022)

	Absolute
Energy	0.0%
Materials	4.6%
Industrials	23.2%
Consumer Discretionary	8.6%
Consumer Staples	0.0%
Health Care	34.5%
Information Technology	12.9%
Telecommunication Services	0.0%
Utilities	3.8%
Financials ex Property Trusts	6.2%
Property Trusts	0.3%
Cash	5.9%

Source: Pandal

### Active bets (as at 30 September 2022)

Top 5	Relative
NOVO NORDISK B	5.5%
QIAGEN	5.5%
AGILENT TECHNOLOGIES	5.5%
SARTORIUS STEDIM BIOTECH	5.1%
EVOQUA WATER TECH	4.9%

  

Bottom 5	Relative
APPLE	-3.8%
MICROSOFT CORP	-2.8%
Alphabet	-1.9%
AMAZON.COM	-1.8%
TESLA	-1.2%

Source: Pandal

## 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

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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.