Regnan Global Equity Impact Solutions Fund

Class R

Factsheet | As at 31 December 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[1]	0.90%

[1] 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 31 December 2022)	$172 million
Date of inception	30 November 2020
Minimum investment	$25,000
Buy-sell spread[2] For the Fund's current buy-sell spread information, visit www.pendalgroup.com	
Distribution frequency	Annually
APIR code	PDL4608AU

[2] 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 Return
	(post-fee)	(pre-fee)	
1 month	-3.12	-3.05	-5.04
3 months	6.03	6.27	4.14
6 months	6.44	6.92	3.99
1 year (pa)	-19.53	-18.81	-12.52
Since Inception (pa)	-4.00	-3.14	4.70

Source: Pendal as at 31 December 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 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.

To learn more about what we do, our journey, investment process, impact investment and bespoke insights please visit regnan.com

CERTIFIED BY RIAA

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 for details[3].

[3] 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

- With tentative signs of inflation peaking, the market's focus shifted from inflation, towards a rising risk of an earnings recession
- The portfolio outperformed the benchmark, while earnings momentum remains broadly positive, with the Q3 results season largely positive
- The main driver for performance has been holdings in healthcare and industrials, which were the biggest laggards going into Q4

Global equity markets finished the fourth quarter in positive territory, with developed markets outperforming emerging markets. The Fed's November CPI announcement reinforced the emerging market narrative that inflation has peaked, with the smallest annual increase in inflation since December 2021 at 7.1%.

The strategy outperformed the MSCI ACWI IMI reference index during the period. There was continued strong fundamental momentum for the majority of names in the portfolio, making the holdings even more attractive going into 2023.

The largest contributors were portfolio holdings in healthcare and industrials, where portfolio holdings have continued to see substantial earnings upgrades, driving a de-rating to valuation levels that the team believes fail to take into account their continued and sustainable growth potential; this is true not just in the long-term, but also expected to persist over the coming year, when the team expect that the average listed-company will see continuing downwards revisions of the market's earnings expectations.

Novo Nordisk was the largest positive contributor during the quarter, delivering another strong set of results with an upgrade in guidance and confirmation of a relaunch of the supply of Wegovy by the end of the year, a first of its kind once-weekly injectable used as a treatment for chronic obesity. Befesa also performed strongly and announced an ambitious growth plan at its Capital Markets Day in November, which included a focus on opportunities in its home market of Europe, driven by the transition to electric vehicles and light weighting of vehicles which have increased demand for aluminium.

Yduqs was a prominent detractor during the fourth quarter. While the Brazilian presidential election result is expected to be broadly supportive of the education sector, this is yet to be reflected in an uptick of admissions. Following strong performance earlier in the year, Alfen also detracted. While the EV charging business continued to deliver strong growth, management guidance pointed to a normalisation of growth rates in Q4, driven by the destocking of customer inventories built up earlier in the year following covid related supply chain disruptions. Despite this, we remain positive on Alfen's growth potential, given its position as one of Europe's leading EV charging equipment suppliers with the capacity to grow ahead of the market.

During the quarter, we took the opportunity to add Stevanato to the portfolio, a global leader in producing glass vials for aseptic manufacturing for pharmaceuticals, with its pre-sterilised containment solutions playing a critical role in patient safety while also enabling greater automation, reducing time to market and cost of ownership.

Looking across the investment universe as the year ended, valuations in the US remain elevated relative to their counterparts in similar industries that are listed outside of the US. While we believe we are likely to see disinflation and, in some economies, a corporate earnings recession ensue throughout 2023, this is unlikely to drive policy rates back down to the pandemic levels that are needed to justify US mega-cap growth valuations, particularly if their growth rates continue to moderate.

Meanwhile, our portfolio has experienced a 'valuation reset', as many constituents' earnings have continued to be revised upwards over the year. With over a third of the portfolio in the SMID-cap healthcare growth category (predominately life sciences businesses that have a structural growth tailwind, which include Sartorius Stedim, Abcam, Lonza, Carl Zeiss Meditec, Qiagen, Agilent, and our most recent addition, Stevanato), we feel confident that their growth trajectory will remain intact, even if macroeconomics conditions toughen as the year rolls on.

We enter the new year optimistic about the continued positive development of the portfolio's growth, despite the uncertainty within markets and across economies.

We expect portfolio company earnings to be resilient relative to the rest of the market, whether the expected recession does materialise as a mild or more drawn out slow down, as the life sciences and health technology companies listed above are expected to have lower economic sensitivity and are driven by a tailwind that we expect to persist for many years to come.

Portfolio analysis

Top 10 Holdings (as at 31 December 2022)

Stock	Impact Solution	Absolute
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.	5.7%
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.	5.7%
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.	5.4%
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%
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.	4.9%
ATS Corp	-----	4.9%
Xylem Inc/NY	Xylem is a leading provider of water equipment and solutions that enable water reuse and conservation to mitigate water scarcity, reduce water losses and optimize water system assets to improve water affordability. Freshwater and wastewater systems in developed countries have suffered decades of underinvestment, with as much as half of water leaking in many cities. In developing countries, improved sanitation means new infrastructure. As well as being a leader in water equipment, Xylem is notably providing innovative digital solutions to enable smart management of water systems	4.8%
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).	4.5%
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.	4.5%
Abcam PLC	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.	4.4%
Total		**49.7%**

Portfolio analysis

Country breakdown (as at 31 December 2022)

	Absolute
Austria	0.8%
Belgium	1.3%
Denmark	9.4%
France	6.9%
Germany	13.2%
Netherlands	4.2%
Norway	1.9%
Switzerland	4.2%
United Kingdom	6.8%
Japan	3.7%
Other Asia	4.9%
Canada	4.9%
USA	26.0%
Latin America	6.5%
Cash	4.4%

Source: Pendal

Sector breakdown (as at 31 December 2022)

	Absolute
Energy	0.0%
Materials	4.6%
Industrials	24.6%
Consumer Discretionary	8.2%
Consumer Staples	0.0%
Health Care	35.3%
Information Technology	12.6%
Telecommunication Services	0.0%
Utilities	4.0%
Financials ex Property Trusts	6.3%
Property Trusts	0.0%
Cash	4.4%

Source: Pendal

Active bets (as at 31 December 2022)

Top 5	Relative
QIAGEN	5.6%
AGILENT TECHNOLOGIES	5.6%
NOVO NORDISK B	5.1%
ATS CORP	4.9%
SARTORIUS STEDIM BIOTECH	4.9%

Bottom 5	Relative
APPLE	-3.3%
MICROSOFT CORP	-2.7%
Alphabet	-1.6%
AMAZON.COM	-1.2%
UNITEDHEALTH GROUP	-0.8%

Source: Pendal

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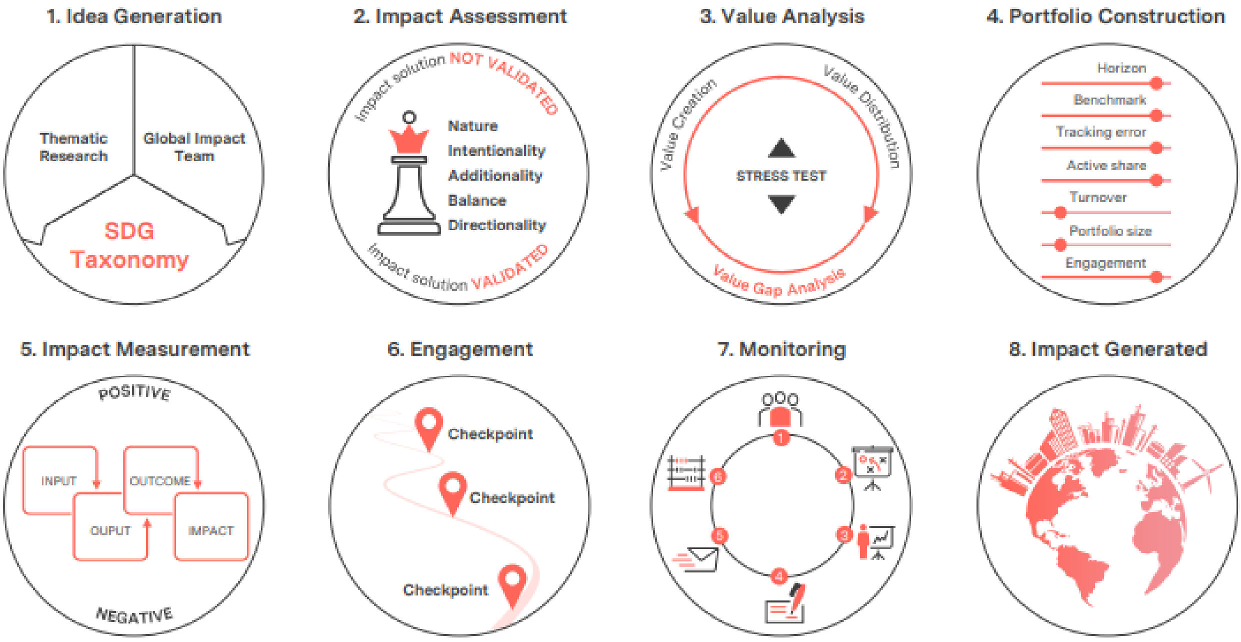
Investment process with a purpose



Meet the Regnan Global Equity Impact Solutions team

Tim Crockford
Senior Portfolio Manager
14 years
industry experience

Mohsin Ahmad, CFA
Portfolio Manager
13 years
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Research Analyst
10 years
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Maxime Wille, CFA
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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 Pendal's website.