



Regnan Credit Impact Trust

Factsheet | As at 29 February 2024

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 the United Nations Sustainable Development Goals (**SDGs**).

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.

Investment Strategy and Fund Features

This Fund offers investors access to a diversified portfolio of floating and fixed income securities that meet financial and social and/or environmental goals.

The Fund aims to meet its investment objectives by investing in securities including social bonds, climate/green bonds and sustainability bonds. The Fund may also invest in government and credit securities 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 analysis of ethical and sustainable considerations to build a portfolio that contributes to the Fund's social or environmental goals.

The Fund focuses on investments anchored to goals adapted from the SDGs. Each security is monitored for its reported social or environmental outcomes related to the following goals:

- 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.

Performance

(%)	Total Returns		Benchmark Return
	(post-fee)	(pre-fee)	
1 month	0.55	0.59	0.35
3 months	1.64	1.76	1.09
6 months	2.97	3.23	2.14
1 year	5.84	6.37	4.15
2 years (p.a)	3.71	4.23	2.96
3 years (p.a)	2.76	3.28	2.00
Since Inception (p.a)	3.15	3.67	1.54

Source: Pental as at 29 February 2024

"Post-fee" returns assume reinvestment of distributions and is calculated using exit prices. "Pre-fee" returns exclude the effects of management costs and any taxes. Returns for periods greater than one year are annualised. Fund inception: January 2020

Past performance is not a reliable indicator of future performance.

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 (including e-cigarettes and inhalers); or
- controversial weapons manufacture (including cluster munitions, landmines, biological or chemical weapons, depleted uranium weapons, nuclear 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 gross revenue:

- the production of alcoholic beverages;
- 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.

For more information on how these exclusions are applied, refer to section 5 'How we invest your money' of the Fund's Product Disclosure Statement at www.pentalgroup.com/RegnanCreditImpactTrust-PDS

About Regnan

Regnan is a specialist business unit within Pendal and a responsible investment leader with a long and proud heritage providing our investment teams with insight and advice on important themes relating to environmental, social and governance (ESG) issues, including impact investment, engagement and advocacy.

Regnan's pioneering analysis has changed the way investors and businesses think about value creation and their wider responsibilities to society. Regnan remains committed to undertaking engagement that contributes to growing the market for impact investments.

Investment Team

Pendal's Income & Fixed Interest team is a large team of 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 29 years industry experience.

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	0.50% pa
-----------------------------	----------

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 29 February 2024)	\$243 million
Date of inception	January 2020
Minimum investment	\$25,000
Buy-sell spread ²	For the Fund's current buy-sell spread information, visit www.pendalgroup.com
Distribution frequency	Quarterly
APIR Code	PDL5969AU

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.

Portfolio Statistics (as at 29 February 2024)

Yield to Maturity [#]	5.36%
Running Yield [*]	4.52%
Modified duration	0.07 years
Credit spread duration	2.69 years
Weighted Average Maturity	3.51 years

[#] 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.

^{*} The portfolio running yield is calculated as the weighted average coupon rate of the physical portfolio assuming all securities are held at par or face value. Carry/interest income from synthetic positions are excluded from this calculation. Running yield does not reflect the actual income return of the portfolio.

Credit Quality (as at 29 February 2024)

AAA	15.0%
AA	24.2%
A	21.2%
BBB	36.8%
Money Market	2.9%

Sector Allocation (as at 29 February 2024)

Money Market	2.9%
Financials	43.6%
Industrials	22.6%
Supranational, Sovereign & Agencies	10.5%
Infrastructure & Utilities	14.9%
Real Estate	1.0%
Semis	1.8%
ABS	2.9%

Market review

Yields were higher over the month, driven by better-than-expected economic data and central bankers continuing to push back against the market pricing of rate cuts. The common theme was central bankers preferring to wait and see that inflation is easing further before reducing policy rates. The easing of financial conditions from lower bond rates and higher equity markets was not seen as helpful.

Fed Chair Jerome Powell noted the 'danger of moving too soon is that the job's not quite done, and that the really good readings we've had for the last six months somehow turn out not to be a true indicator of where inflation is heading'. The RBA minutes for their February meeting noted that 'inflation had moderated but was still high', further noting 'it was not yet possible to rule in or out further increases in interest rates.'

The Reserve Bank of Australia (RBA) left the cash rate unchanged at 4.35%. The RBA also provided an updated set of economic forecasts in their quarterly Statement on Monetary Policy. Economic growth was revised down by 0.2% to 1.8% for 2024 with both household consumption (-0.4%) and dwelling investment (-1.5%) key drivers for the downward revision. Inflation is forecast to be back within the target range by the end of 2025 and back to around the mid-point by mid-2026. Nearer term, however, inflation is forecast to be lower than previously expected with trimmed mean for the year ended June 2024 and December 2024 expected to be at 3.6% and 3.1%.

Employment grew by a weaker than expected 500 jobs in January, resulting in the unemployment rate increasing from 3.9% to 4.1%. The participation rate was unchanged at 66.8%. This is the first time unemployment has been above 4% since January 2022.

The 4th quarter wage price index rose by 0.9%, resulting in an annual gain of 4.2% (consensus of 0.9% and 4.1%). Enterprise agreements indicate that 4% wage growth will be the pace of rises across early 2024 before potential moderation in the second half.

Australian three year bonds finished February at 3.70%, against a January close of 3.56%. 10 year bonds finished at 4.15% against 4.02%.

Credit review

February was a positive month for credit spreads as US company earnings provided a positive back drop, as did the supportive US economic data.

4th quarter US company reporting was a tailwind for markets. By the end of February, 98% of companies had reported with 76% beating earnings expectations by 7% on average. Sales grew 4% whilst earnings growth was 8% compared to the prior corresponding period.

US economic data continues to show a resilient economy with payrolls, jobless claims and manufacturing all printing better than expected during the month. We saw a further easing of bank lending standards in the US which is also a bullish sign for markets as this eases the ability of companies to access their bank funding requirements.

Credit spreads narrowed over the month. The Australian iTraxx index (series 40) traded in a 9bp range finishing 4bp tighter to close at 64bps. Australian physical credit spreads tightened 3bps on average. The best performing sectors were infrastructure and domestic banks that both narrowed 5bps, whilst the worst performing sector was industrials that only tightened 1bp. Semi-

government bonds underperformed widening 2bps to commonwealth government bonds.

Fund performance and activity

The Fund outperformed its benchmark over the month.

Financials, industrials, utilities and infrastructure were the main drivers of outperformance.

Activity during the month included adding exposure to telcos and bank sub-debt funded out of senior banks and cash.

Market outlook

The RBA are likely to remain on hold over the first half of 2024. It is not a requirement that inflation is below 3% before they start to ease monetary policy. Should the labour market ease and inflation move sustainably towards the inflation target then the RBA will have the set of conditions in place to ease policy. Those conditions are more likely to be met later this year.

Credit outlook

We are positive on credit spreads given the continued fall in US core inflation and the resilience of the consumer. This easing of inflation concerns will see central banks cut policy rates which will likely see a soft economic landing as opposed to a hard landing and in turn would be positive for risk assets.

The data on credit lending globally shows that the tightening of lending standards is easing which is a great sign for corporates, economic growth and markets.

We are still keeping a watchful eye on global labour market and services inflation given this will be a driver of Central Bank policy.

Higher oil prices, a slowing China and geopolitical concerns remain a risk for markets.

Estimated Environmental Outcomes of the Fund



Low carbon

61,398 tCO₂e

GHG EMISSION AVOIDED PA

Equivalent to: **26,996** cars taken off the road p.a.

15 hectares

OF FOREST RESTORED

Equivalent to: **6** the size of Melbourne Cricket Ground stadiums



Renewable energy

86,399 MWh/year

RENEWABLE ENERGY GENERATED

Equivalent to: **18,799** average household annual electricity use in Australia

29 MW

RENEWABLE ENERGY GENERATION INSTALLED CAPACITY

Equivalent to: **1.3%** of renewable energy capacity installed in Australia 2018



Water management

1,192,488 L

WATER CLEANED, RECYCLED OR TREATED P.A.

3,724,827 L

WATER USAGE SAVED P.A.

361,057,755 L

WATER CAPACITY SECURED

Equivalent to: **6,106** Melbourne population water usage secured



Green buildings

4,574 m²

FLOOR SPACE



Low carbon transport

314,623

PASSENGER TRIPS PA



Sustainable agriculture

4 hectares

LAND CONSERVED

The aggregated estimated environmental outcomes shown above are based on data provided by the issuers of bond securities (Issuers) held by the Fund. That data relates to the positive outcomes attributable to those securities held by the Fund. The information provided to us by the Issuers has not been verified by us and may be inaccurate or incomplete. The estimate is therefore indicative only and is provided for illustrative purposes and should not be relied on for the purpose of making investment decisions.

The outcome numbers are based on Issuers' data from 1 July 2022 to 30 June 2023 and the Fund's average investment value of \$203.5 million over the period. Actual results may differ and subsequent changes in circumstances may occur at any time that impact the accuracy of the results.

Estimated Social Outcomes of the Fund



Financial inclusion

4,880

MICRO-LOANS

made to financially under-served entrepreneurs from developing nations*

1,521

LOANS

made to female-owned micro, small and medium enterprises with little access to formal sources of financing*

81

SOCIAL/AFFORDABLE HOUSING*



Social quality

9,191

PEOPLE

with access to Information and Communication technology in third world remote regions*

517

SMALL-SCALE FARMERS

reached for improved agricultural technology*

252

TEACHERS TRAINED in developing nations*

2,567

UNDERPRIVILEGED STUDENTS

expected number of student education*

42

JOBS

created through supporting education & renewable energy plants in developing nations*

89

YOUTH in at risk training programs

*Contribution is based on forecast numbers provided by the issuer.

The aggregated estimated social outcomes shown above are based on data provided by the Issuers held by the Fund. That data relates to the positive outcomes attributable to those securities held by the Fund. The information provided to us by the Issuers has not been verified by us and may be inaccurate or incomplete. The estimate is therefore indicative only and is provided for illustrative purposes and should not be relied on for the purpose of making investment decisions.

The outcome numbers are based on Issuers' data from 1 July 2022 to 30 June 2023 and the Fund's average investment value of \$203.5 million over the period. Actual results may differ and subsequent changes in circumstances may occur at any time that impact the accuracy of the results.

For more information



Jeremy Dean

Head of Regnan and Responsible
Investment Distribution

Tel: 0419 460 551

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.
- **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.

This factsheet has been prepared by Pendal 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 and issuer of units in the Regnan Credit Impact Trust (**Fund**) ARSN: 638 304 220. A product disclosure statement (**PDS**) is available for the Fund and can be obtained by calling 1300 346 821 or visiting www.pendalgroup.com. The Target Market Determination (**TMD**) for the Fund is available at www.pendalgroup.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.

This factsheet is for general information purposes only, should not be considered as a comprehensive statement on any matter and should not be relied upon as such. It has been prepared without taking into account any recipient's personal objectives, financial situation or needs. Because of this, recipients should, before acting on this information, consider its appropriateness having regard to their individual objectives, financial situation and needs. This information is not to be regarded as a securities recommendation.

The information in this factsheet may contain material provided by third parties, is given in good faith and has been derived from sources believed to be accurate as at its issue date. While such material is published with necessary permission, and while all reasonable care has been taken to ensure that the information in this factsheet is complete and correct, to the maximum extent permitted by law neither PFSL nor any company in the Perpetual Group (Perpetual Limited ABN 86 000 431 827 and its subsidiaries) accepts any responsibility or liability for the accuracy or completeness of this information.

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.

The aggregated estimated environmental and social outcomes shown in this factsheet are based on data provided by the Issuers held by Fund. That data relates to the outcome attributable to those securities held by the Fund. Information provided is indicative only and should not be relied upon when making an investment decision or recommendation in relation to the Fund. The information provided to us by the Issuers has not been verified by us and may be inaccurate or incomplete. Actual results may differ and subsequent changes in circumstances may occur at any time that impact the accuracy of the results. The outcome numbers are based on data from 1 July 2022 to 30 June 2023 and the Fund's average investment value of \$203.5 million over the period. Actual results may differ and subsequent changes in circumstances may occur at any time that impact the accuracy of the results. Information in this factsheet should not be taken as a guarantee, forecast or prediction of any future environmental and social outcomes generated by the Fund.

Any projections contained in this factsheet are predictive and should not be relied upon when making an investment decision or recommendation. Whilst we have used every effort to ensure that the assumptions on which the projections are based are reasonable, the projections may be based on incorrect assumptions or may not take into account known or unknown risks and uncertainties. The actual results may differ materially from these projections.

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.