Regnan Credit Impact Trust

Factsheet | As at 31 March 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
	(post-fee)	(pre-fee)	Return
1 month	0.40	0.45	0.37
3 months	1.47	1.59	1.09
6 months	2.99	3.25	2.17
1 year	6.12	6.65	4.22
2 years (p.a)	4.09	4.61	3.15
3 years (p.a)	2.85	3.37	2.12
Since Inception (p.a)	3.18	3.70	1.59

Source: Pendal as at 31 March 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.pendalgroup.com/RegnanCreditImpactTrust-PDS

Regnan

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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 31 March 2024)	$244 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 31 March 2024)

Yield to Maturity#	5.33%
Running Yield*	4.67%
Modified duration	0.11 years
Credit spread duration	2.63 years
Weighted Average Maturity	3.52 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 31 March 2024)

AAA	15.0%
AA	24.0%
A	21.0%
BBB	36.8%
Money Market	3.2%

Sector Allocation (as at 31 March 2024)

Money Market	3.2%
Financials	45.2%
Industrials	22.4%
Supranational, Sovereign & Agencies	10.6%
Infrastructure & Utilities	13.1%
Real Estate	1.0%
Semis	1.8%
ABS	2.8%

Market review

March saw modest rallies in bonds, despite economic data holding up well and central bankers pushing back on rate cuts. Strong equity markets saw some flow back into bonds on rebalancing that supported bonds.

Data in Australia across the month was mixed. The Q4 GDP showed an economy struggling into year end, with quarterly GDP at 0.2% and annual growth at 1.5%. GDP per capita went backwards for the third quarter.

However, despite signs that late 2023 saw slowing growth and falling inflation, current data is seeing more resilience in 2024 than expected. Australian employment numbers in March showed a strong 116,000 jobs created and unemployment falling from 4.1% to 3.7%. Despite month-to-month volatility highlighting seasonal adjustment issues at the ABS, the trend is now that enough jobs are being created to meet new entrants, with both around 30k a month on a trend basis. This is not consistent with the RBA narrative of a slowly rising unemployment rate helping ease wage pressures.

Monthly inflation data showed a year-on-year rate of 3.4%. We expect that after the Q1 inflation is released in late April this series will also show inflation around 3.4%. This is consistent with the RBA mid-year forecast of 3.3%. On the negative front education inflation rose 5.8% in February (it is only measured once a year) but on a more positive note annual health fund rises in April were set at an average of 3.1%. The RBA needs to see service inflation move back to 4% from current levels above 5%.

Three-year yields fell from 3.72% to 3.59% in March whilst 10-year bonds fell from 4.14% to 3.96%. Australian bonds outperformed the US moving from 10 under to 20 under in the 10-year maturity. This is being driven by poorer growth outcomes in Australia, partly linked to a 6% budget deficit to GDP in the US against our balanced budget.

Credit review

March was generally a positive month for credit spreads as the US Federal Reserve kept their 2024 rate cut expectations unchanged relative to market expectations of reducing the number of cuts, and the Fed's preferred inflation gauge printing lower than the previous month. However, slightly stronger than expected US CPI and producer prices data weighed on the market.

The Federal Open Market Committee left their cash rates unchanged and also kept their Dot plots unaltered in 2024 (75bps of cuts). The market responded positively to this as there was an expectation that they may take a cut out of their 2024 projections. However, the slightly higher CPI and PPI data saw them take one cut out in 2025 & flows through to 2026 to a further 75bp cut each year. They also slightly increased their long term cash rates by 6bps to 2.56%

Credit spreads were mixed over the month. The Australian iTraxx index (series 40) traded in a tight 5bp range finishing 4bp tighter to close at 60bps. The new series 41 contract ended the month at 64bps. Australian physical credit spreads widened 1bp on average. The best performing sectors were domestic and offshore banks that both narrowed 1bp, whilst the worst performing sector was real estate that widened 2bps. Semi-government bonds widened 1bp to commonwealth government bonds.

Fund performance and activity

The Fund outperformed its benchmark over the month

Financials, utilities and supra-nationals were the main drivers of outperformance.

Activity during the month included adding exposure to domestic bank sub-debt funded out of utilities.

Market outlook

The main data in Australia in April will be the Q1 CPI data due out on the 24th. We have good visibility on this already from monthly data and expect either a 0.8% or 0.9% outcome. This will be higher than the last quarter but still shows a level of inflation in the low to mid 3% band. This is consistent with RBA forecasts and leaves rate cuts later in the year as a possibility. The employment data will also be closely watched to see if the recent noise resolves itself and unemployment settles around 4%. If it were to stay nearer 3.7% the RBA would be forced to question its forecast of 4.2% by the end of June. Downward revisions in unemployment levels are not usually consistent with lower rates.

Credit outlook

We are constructive on credit spreads on the back of the continued fall in US core inflation and the resilience of the consumer. This disinflation will see central banks ease policy rates and support a soft/no economic landing outcome and not a hard landing, this in turn should be positive for risk assets.

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

However, we are closely monitoring global labor markets and services inflation, as these will influence central bank decisions. Additionally, higher oil prices, a slowing Chinese economy, and geopolitical tensions are potential risks for markets.

Estimated Environmental Outcomes of the Fund

Low carbon

61,398 tCO_2e

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 m^2

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*

2,567
UNDERPRIVILEGED STUDENTS
expected number of student education*

517
SMALL-SCALE FARMERS
reached for improved agricultural technology*

42
JOBS
created through supporting education & renewable energy plants in developing nations*

252
TEACHERS TRAINED
in developing nations*

89
YOUTH
in at risk training programs

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

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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.
- **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.