Regnan Credit Impact Trust

ARSN 638 304 220

Annual report - for the period 17 January 2020 to 30 June 2020

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These financial statements cover Regnan Credit Impact Trust as an individual entity.

The Responsible Entity of Regnan Credit Impact Trust is Pendal Fund Services Limited (ABN 13 161 249 332). The Responsible Entity's registered office is Level 14, The Chifley Tower, 2 Chifley Square, Sydney, NSW 2000.

Directors' report

The directors of Pendal Fund Services Limited, the Responsible Entity of the Regnan Credit Impact Trust ("the Trust"), present their report together with the Trust's financial statements for the period 17 January 2020 to 30 June 2020.

Principal activities

During the period, the Trust invested in fixed interest securities, derivatives and cash management trusts in accordance with the provisions of the governing documents.

The Trust did not have any employees during the period.

There were no significant changes in the nature of the Trust's activities during the period.

The Trust was constituted on 18 December 2019.

The Trust was registered as a managed investment scheme by the Australian Securities and Investments Commission on 17 January 2020.

The first application occurred on 29 January 2020.

Directors

The following persons held office as directors of Pendal Fund Services Limited during the period or since the end of the period and up to the date of this report:

Richard Brandweiner (appointed 6 March 2019)
Justin Howell (appointed 7 May 2018)
Anthony Serhan (appointed 6 December 2019)
Cameron Williamson (appointed 15 November 2012)

Review and results of operations

Pendal Sustainable Australian Fixed Interest Fund gained control of the Trust from a single acquistion effective 29 January 2020.

The directors and management continue to assess the potential financial and other impacts to the Trust of the actions taken to address the coronavirus (COVID-19) outbreak. The current high-level of uncertainty regarding the severity and length of the outbreak and the depth and duration of the associated effects on economic and business activity and on investment markets has impacted investment outcomes and increased volatility in investment performance during the period.

There have been no other significant changes to the Trust's operations during the period. The Trust continued to invest in accordance with the investment objectives and guidelines as set out in the governing documents of the Trust and the provisions of the Trust's Constitution.

The performance of the Trust, as represented by the results of its operations, was as follows:

	Period 17 January 2020 to 30 June 2020
Operating profit/(loss) ($'000)	**372**
Distributions	
Distributions paid and payable ($'000)	**91**
Distributions (cents per unit)	**0.303**

Directors' report (continued)

The key differences, if any, between net assets for unit pricing purposes and net assets as reported in the financial statements prepared under Australian Accounting Standards have been outlined below:

	As at 30 June 2020 $'000
Redemption value of outstanding units	**30,242**
Adjustment for differences in valuation inputs	**44**
Net assets attributable to unitholders	**30,286**

Significant changes in the state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Trust that occurred during the financial period.

Matters subsequent to the end of the financial period

No matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect:

(i) the operations of the Trust in future financial periods, or
(ii) the results of those operations in future financial periods, or
(iii) the state of affairs of the Trust in future financial periods.

Likely developments and expected results of operations

The Trust will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Trust and in accordance with the provisions of the Trust's Constitution.

The results of the Trust's operations will be affected by a number of factors, including the performance of investment markets in which the Trust invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

At the date of signing there is a high level of uncertainty regarding the depth and duration of the impacts on global and domestic economies, business activity and investment market indices from actions taken to address the COVID-19 outbreak. The directors and management will continue to manage and monitor this situation.

Indemnity and insurance of officers

No insurance premiums are paid for out of the assets of the Trust for insurance cover provided to the officers of the Responsible Entity.

Indemnity of auditors

The auditors of the Trust are in no way indemnified out of the assets of the Trust.

Fees paid to and interests held in the Trust by the Responsible Entity or its associates

Fees paid to the Responsible Entity and its associates out of Trust property during the period are disclosed in note 13 to the financial statements.

No fees were paid out of Trust property directly to the directors of the Responsible Entity during the period.

The number of interests in the Trust held by the Responsible Entity or its associates as at the end of the financial period are disclosed in note 13 to the financial statements.

Directors' report (continued)

Interests in the Trust

The movement in units on issue in the Trust during the period is disclosed in note 7 to the financial statements.

The value of the Trust's assets and liabilities is disclosed in the balance sheet and derived using the basis set out in note 2 to the financial statements.

Environmental regulation

The operations of the Trust are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

Rounding of amounts to the nearest thousand dollars

Amounts in the Directors' report have been rounded to the nearest thousand dollars in accordance with *Australian Securities & Investments Commission ("ASIC") Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, unless otherwise indicated.

Auditor's independence declaration

A copy of the auditor's independence declaration, as required under section 307C of the *Corporations Act 2001*, is set out on page 5.

This report is made in accordance with a resolution of the directors.

Director

Director

Sydney
10 September 2020

Auditor's Independence Declaration

As lead auditor for the audit of Regnan Credit Impact Trust for the period 17 January 2020 to 30 June 2020, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

S Cuthbert
Partner
PricewaterhouseCoopers

Sydney
10 September 2020

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Statement of comprehensive income

	Notes	Period 17 January 2020 to 30 June 2020 $'000
Income		
Interest income	5	**194**
Distribution income		**4**
Net gains/(losses) on financial instruments held at fair value through profit or loss		**240**
Total income/(loss)		**438**
Expenses		
Responsible Entity's fees	13(d)	**62**
Other operating expenses		**4**
Total operating expenses		**66**
Operating profit/(loss)		**372**
Profit/(loss) for the period		**372**
Other comprehensive income		**-**
Total comprehensive income for the period		**372**

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Balance sheet

	Notes	As at 30 June 2020 $'000
Assets		
Cash and cash equivalents	9	**824**
Margin accounts		**494**
Accrued income		**94**
Receivables		**4**
Financial assets held at fair value through profit or loss	10	**29,148**
Total assets		**30,564**
Liabilities		
Distribution payable	8	**91**
Payables		**12**
Financial liabilities held at fair value through profit or loss	11	**175**
Total liabilities		**278**
Net assets attributable to unitholders - equity	7	**30,286**

The above balance sheet should be read in conjunction with the accompanying notes.

Statement of changes in equity

	Notes	Period 17 January 2020 to 30 June 2020 $'000
Total equity at the beginning of the financial period		-
Comprehensive income for the period		
Profit/(loss) for the period		372
Other comprehensive income		-
Total comprehensive income for the period		372
Transactions with unitholders		
Applications	7	30,005
Distributions paid and payable	8	(91)
Total transactions with unitholders		29,914
Total equity at the end of the financial period		30,286

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of cash flows

	Notes	Period 17 January 2020 to 30 June 2020 $'000
Cash flows from operating activities		
Proceeds from sale of financial instruments held at fair value through profit or loss		**13,036**
Purchase of financial instruments held at fair value through profit or loss		**(42,259)**
Interest received		**100**
Responsible Entity's fees received/(paid)		**(50)**
Payment of other expenses		**(8)**
Net cash inflow/(outflow) from operating activities	15	**(29,181)**
Cash flows from financing activities		
Proceeds from applications by unitholders		**30,005**
Net cash inflow/(outflow) from financing activities		**30,005**
Net increase/(decrease) in cash and cash equivalents		**824**
Cash and cash equivalents at the beginning of the period		**-**
Cash and cash equivalents at the end of the period	9	**824**

The above statement of cash flows should be read in conjunction with the accompanying notes.

1 General information

These financial statements cover Regnan Credit Impact Trust ("the Trust") as an individual entity. The Trust was constituted on 18 December 2019.

The Trust was registered as a managed investment scheme by the Australian Securities and Investments Commission on 17 January 2020.

The first application occurred on 29 January 2020.

The Responsible Entity of the Trust is Pendal Fund Services Limited ("the Responsible Entity"). The Responsible Entity's registered office is Level 14, The Chifley Tower, 2 Chifley Square, Sydney, NSW 2000. The financial statements are presented in Australian currency.

During the period, the Trust invested in fixed interest securities, derivatives and cash management trusts in accordance with the provisions of the governing documents.

The financial statements were authorised for issue by the directors of the Responsible Entity on 10 September 2020. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Accounting Standards Board and the *Corporations Act 2001* in Australia. The Trust is a for-profit unit trust for the purpose of preparing the financial statements.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

The balance sheet is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within 12 months, except for financial assets at fair value through profit or loss.

The Trust manages financial assets and liabilities at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such it is expected that a portion of the portfolio will be realised within 12 months, however an estimate cannot be reliably determined at the end of the reporting period.

In the case of net assets attributable to unitholders, the units are redeemed on demand at the unitholder's option. However holders of these instruments typically retain them for the medium to long term. As such the amount expected to be settled within 12 months cannot be reliably determined at the end of the reporting period.

The reporting period presented in these financial statements is from 17 January 2020 to 30 June 2020. As this is the first set of financial statements there are no comparative figures.

(i) Compliance with International Financial Reporting Standards

The financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

(ii) New and amended standards adopted by the Trust

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial period beginning 17 January 2020 that have a material impact on the future periods.

2 Summary of significant accounting policies (continued)

(b) Financial instruments

(i) Recognition/derecognition

The Trust recognises financial instruments ("investments") on the date it becomes party to the contractual agreement and recognises changes in the value of the financial instruments from this date.

Financial assets and liabilities are derecognised when the contractual right to cash flows from the investments has expired or has been transferred, and the Trust has transferred substantially all of the risks and rewards of ownership.

(ii) Classification

The Trust classifies its financial instruments based on its business model for managing its investments and their contractual cash flow characteristics. The Trust's investments are managed and performance is evaluated on a fair value basis in accordance with the Trust's documented investment strategy. The Trust's policy is for the Responsible Entity to evaluate the information about the investments on a fair value basis together with other related financial information.

For derivatives, the contractual cash flows are not solely principal and interest. Consequently, these investments are measured at fair value through profit or loss. Derivative contracts that have a negative fair value are presented as financial liabilities at fair value through profit or loss.

For fixed interest securities, the contractual cash flows are solely principal and interest, however they are neither held for collecting contractual cash flows nor held for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the objective of the Trust's business model. Consequently, the fixed interest securities are also measured at fair value through profit or loss.

(iii) Measurement

At initial recognition, a financial asset or liability is measured at fair value. Transaction costs associated with financial assets and liabilities carried at fair value through profit or loss are expensed in the statement of comprehensive income.

Subsequent to initial recognition, all financial assets and liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of financial assets or financial liabilities at fair value through profit or loss are presented in the statement of comprehensive income within net gains/(losses) on financial instruments held at fair value through profit or loss in the period in which they arise.

Refer to note 4 for further details on how the fair values of financial instruments are determined.

(iv) Offsetting financial instruments

Financial assets and liabilities may be offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

There are no significant financial assets and liabilities subject to offsetting arrangements as at the end of each reporting period.

(c) Net assets attributable to unitholders

Units are redeemable at the unitholder's option, however applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of unitholders. The units are classified as equity as the Trust has only one class of units and no contractual obligation to pay distributions.

A unitholder can redeem units at any time for cash based on the redemption price, which is equal to a proportionate share of the Trust's net asset value.

2 Summary of significant accounting policies (continued)

(c) Net assets attributable to unitholders (continued)

Units are classified as equity when they satisfy the following criteria under AASB 132 *Financial Instruments: Presentation*:

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Trust's liquidation,
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical,
- the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Trust, and it is not a contract settled in the Trust's own equity instruments, and
- the total expected cash flows attributed to the puttable financial instrument over its life are based substantially on the profit or loss of the Trust.

(d) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash at bank, deposits held at call with financial institutions and investments in cash management trusts.

Payments and receipts relating to the purchase and sale of financial assets and liabilities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Trust's main income generating activity.

(e) Margin accounts and collateral

Margin accounts comprise cash held, or owed, as collateral for derivative transactions and short sales. The cash is held by or owed to the broker and is only available to meet margin calls.

Cash collateral provided by the Trust is disclosed in the balance sheet as margin accounts and is not included as a component of cash and cash equivalents.

Cash collateral paid and receivable comprises cash paid as collateral for over-the-counter derivative transactions. The cash is held by the broker and is receivable by the Trust.

(f) Accrued income

Accrued income may include amounts owed to the Trust for trust distributions and interest. Trust distributions are accrued when the right to receive payment is established. Interest is accrued from the time of last payment. Amounts are generally received within 45 days of being recorded as receivables.

(g) Unsettled sales/purchases

Unsettled sales/purchases represent receivables for securities sold and/or payables for securities purchased that have been contracted for but not yet delivered by the end of the reporting period.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Trust measures the loss allowance on unsettled sales/purchases at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Trust measures the loss allowance at an amount equal to 12-month expected credit losses. The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses.

(h) Receivables

Receivables include such items as Reduced Input Tax Credits ("RITC") and application monies receivable from unitholders.

2 Summary of significant accounting policies (continued)

(i) Payables

Payables include liabilities, accrued expenses and redemption monies owing by the Trust which are unpaid as at the end of the reporting period.

Where the Trust has distributed income, a separate distribution payable is recognised in the balance sheet as at the end of each reporting period where this amount remains unpaid as at the end of the reporting period.

(j) Investment income

Interest income is recognised in the statement of comprehensive income for all financial instruments that are not held at fair value through profit or loss as it accrues.

Interest income and expenses are recognised in the statement of comprehensive income for all debt instruments using the effective interest method.

Interest income is recognised in the statement of comprehensive income as it accrues, using the original effective interest rate of the instrument calculated at acquisition or origination date. The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. Interest income includes the amortisation of any discount or premium or other differences between initial carrying amount of an interest-bearing instrument and its amount calculated on an effective interest rate basis.

Trust distributions (including distributions from cash management trusts) are recognised on an entitlements basis.

(k) Expenses

All expenses, including Responsible Entity's fees, are recognised in the statement of comprehensive income on an accruals basis.

(l) Transaction costs

Transaction costs include fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognised in the statement of comprehensive income as an expense.

(m) Income tax

Under current legislation, the Trust is not subject to income tax provided it attributes the entirety of its taxable income to its unitholders.

(n) Distributions

In accordance with the Trust's Constitution, the Responsible Entity is entitled to determine the amounts to be distributed to unitholders. The distributions are recognised in the statement of changes in equity.

(o) Foreign currency translation

(i) Functional and presentation currency

Items included in the Trust's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the Trust operates and is regulated. The Australian dollar is also the presentation currency.

2 Summary of significant accounting policies (continued)

(o) Foreign currency translation (continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value is determined. Translation differences on assets and liabilities carried at fair value are reported in the statement of comprehensive income on a net basis within net gains/(losses) on financial instruments held at fair value through profit or loss.

(p) Goods and Services Tax ("GST")

The GST incurred on the costs of various services provided to the Trust, such as management fees, has been passed onto the Trust. The Trust qualifies for RITC, hence fees and other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office ("ATO"). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the balance sheet. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

(q) Use of estimates

Management makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial period. Estimates are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

For the majority of the financial instruments held, quoted market prices are readily available. However, certain financial instruments, for example over-the-counter derivatives or unquoted securities, are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel, independent of the area that created them.

To the extent practicable, models use observable data. However areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

For certain other financial instruments, including unsettled sales and purchases and payables, the carrying amounts approximate fair value due to the short-term nature of these financial instruments.

For more information on how fair value is calculated refer to note 4.

(r) New accounting standards and interpretations

A number of new accounting standards and interpretations have been published that are not mandatory for the 30 June 2020 reporting period. None of these are expected to have a material effect on the financial statements of the Trust.

(s) Rounding of amounts

The Trust is an entity of the kind referred to in *Australian Securities & Investments Commission ("ASIC") Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, relating to the 'rounding off' amounts in the financial statements. Amounts in the financial statements have been rounded off to the nearest thousand dollars, unless otherwise indicated.

3 Financial risk management

The Trust's activities expose it to a variety of financial risks: market risk (including price risk, foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The Trust's overall risk management program focuses on ensuring compliance with its governing documents and seeks to maximise the returns derived for the level of risk to which the Trust is exposed. Derivative financial instruments may also be used (or are used) to alter certain risk exposures. Financial risk management is carried out by the investment manager.

The Trust uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and price risks and ratings analysis for credit risk.

The investment manager mitigates these financial risks through diversification and a careful selection of securities and other financial instruments within specified limits.

The Trust's performance exceptions to its benchmark are reported to senior management committees on a regular basis.

The directors and management continue to assess the potential financial and other impacts to the Trust of the actions taken to address the coronavirus (COVID-19) outbreak. The current high-level of uncertainty regarding the severity and length of the outbreak and the depth and duration of the associated effects on economic and business activity and on investment markets has impacted investment outcomes and increased volatility in investment performance during the period.

At the date of signing there is a high level of uncertainty regarding the depth and duration of the impacts on global and domestic economies, business activity and investment market indices from actions taken to address the COVID-19 outbreak. The directors and management will continue to manage and monitor this situation.

(a) Market risk

(i) Price risk

Price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices.

There is no significant direct price risk in this Trust.

(ii) Foreign exchange risk

Foreign exchange risk arises as the value of monetary securities denominated in other currencies fluctuates due to changes in exchange rates. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk and not foreign exchange risk.

The Trust does not hold any significant monetary assets denominated in currencies other than the Australian dollar as at 30 June 2020.

Exceptions to compliance are reported to management on a regular basis.

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Changes in interest rates can have a direct or indirect impact on the investment value and/or returns of all types of assets.

The Trust’s interest bearing financial assets expose it to interest rate risk. Interest rate risk from these investments is reported as a component of interest rate risk for the purposes of the sensitivity analysis.

Interest rate risk is mitigated through ensuring activities are transacted in accordance with the investment mandate, overall investment strategy and within approved limits.

Exceptions to compliance are reported to management on a regular basis.

3 Financial risk management (continued)

(a) Market risk (continued)

(iii) Interest rate risk (continued)

The table presented in note 3(b) summarises sensitivity analysis to interest rate risk.

(b) Summarised sensitivity analysis

The following table summarises the sensitivity of the operating profit and net assets attributable to unitholders to interest rate risk. The analysis is based on reasonably possible movements in the risk variables applied to the Trust's net assets. The reasonably possible movements in the risk variables have been determined based on management estimates, having regard to a number of factors including historical levels of changes in market indices, security prices and/or benchmark returns, interest rates and foreign exchange rates. However actual movements in the risk variables may be greater or less than anticipated due to a number of factors. As a result historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

The reasonably possible movements in the risk variables are based on long term averages consistent with the investing profile of the Trust. Though there have been significant movements in the period as a result of COVID-19, except for interest rate risk, the long term reasonably possible movements have remained consistent.

	Impact on operating profit/(loss)/Net assets attributable to unitholders	
	Interest rate risk	
	-0.25%	+0.50%
As at	**$'000**	**$'000**
30 June 2020	**124**	**(248)**

In determining the impact of an increase/(decrease) in net assets attributable to unitholders arising from market risk, the Responsible Entity has considered prior period and expected future movements of the portfolio based on market information.

(c) Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when they fall due, causing a financial loss to the Trust.

Credit risk primarily arises from investments in debt securities and from trading in derivative products. Other credit risk arises from cash and cash equivalents, deposits with banks and other financial institutions and amounts due from brokers.

The assets of the Trust are not impaired.

The Trust determines credit risk and measures expected credit losses for financial assets measured at amortised cost using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss. Management considers the probability of default to be close to zero as these financial assets have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be insignificant to the Trust.

Investments in unlisted unit trusts are exposed to credit risk.

All transactions in securities are settled or paid for upon delivery using approved brokers. The risk of default is considered minimal as the delivery of securities sold is only made once the broker has received payment. Payment is made on the purchase of securities once the securities have been received by the broker. The trade will fail if either party fails to meet its obligations.

3 Financial risk management (continued)

(c) Credit risk (continued)

Concentrations of direct credit risk are minimised primarily by:

- ensuring counterparties, together with the respective credit limits, are approved, and
- ensuring that transactions are undertaken with a number of counterparties.

Exceptions to compliance are reported to management on a regular basis.

Apart from the following investments with the respective counterparties, there were no significant direct concentrations of credit risk to counterparties as at 30 June 2020. Below is a summary of the holdings as a percentage of net assets attributable to unitholders:

	As at 30 June 2020	
	$'000	**%**
Australia and New Zealand Banking		
Floating rate notes	**3,771**	**12.45**
Total - Australia and New Zealand Banking	**3,771**	**12.45**
BPI NO 1 PTY LTD		
Floating rate notes	**4,463**	**14.74**
Total - BPI NO 1 PTY LTD	**4,463**	**14.74**
National Australia Bank Limited		
Corporate bonds	**4,206**	**13.89**
Total - National Australia Bank Limited	**4,206**	**13.89**
Total	**12,440**	**41.08**

Fixed interest securities

The Trust invests in fixed interest securities which have an investment grade as rated by an independent rating agency.

The maximum exposure to credit risk at the end of each reporting period is the carrying amount of the financial assets. An analysis by rating is set out in the table below:

	As at 30 June 2020
Fixed interest securities	**$'000**
Rating	
AAA	**8,417**
AA	**7,910**
A	**5,463**
BBB	**7,349**
Total	**29,139**

3 Financial risk management (continued)

(d) Liquidity risk

Liquidity risk is the risk that sufficient cash resources may not be able to be generated to settle obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Trust is exposed to daily cash redemptions of redeemable units and daily margin calls on derivatives. The liquidity risk associated with the need to meet redemption requests is mitigated by maintaining adequate liquidity to fulfil usual redemption volumes. The Trust therefore primarily holds investments that are traded in an active market and can be disposed of readily. Only a limited proportion of its assets are not traded on an active market.

The risk management guidelines adopted are designed to minimise liquidity risk through:

- ensuring that there is no significant exposure to illiquid or thinly traded financial instruments, and
- applying limits to ensure there is no concentration of liquidity risk to a particular counterparty.

Exceptions to the above are reported to management on a regular basis.

From time to time, investments may be held in derivative contracts traded over the counter, which are not traded in an organised market and may be illiquid. These investments may not be able to be quickly liquidated at an amount close to their fair value to meet liquidity requirements or to respond to specific events such as deterioration in the creditworthiness of any particular issuer or counterparty. Any such investments held at the end of each reporting period are disclosed in the note on derivative financial instruments below.

(i) Maturities of non-derivative financial liabilities

The non-derivative financial liabilities of the Trust comprise distribution payable, unsettled purchases and payables. These have no contractual maturities but are typically settled within 30 days.

(ii) Maturities of derivative financial instruments liabilities

The table below details the contractual maturities of the derivative financial instruments liabilities which are measured at fair value and considered important to understanding the timing of cash flows.

	Less than 1 month	**1-3 months**	**Greater than 3 months**
	$'000	**$'000**	**$'000**
As at 30 June 2020			
Net settled derivatives			
Australian fixed interest futures	**-**	**15**	**-**
Interest rate swaps	**-**	**143**	**-**
Credit default swaps	**-**	**17**	**-**

4 Fair value measurement

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1),
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2), or
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

Investments are valued in accordance with the accounting policies set out in note 2 to the financial statements.

4 Fair value measurement (continued)

(a) Fair value in an active market (level 1)

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Interest bearing financial assets are valued at quoted market prices at the end of the reporting period as provided by independent pricing services.

Exchange traded futures are valued at the market closing price.

(b) Fair value in an inactive or unquoted market (level 2 and level 3)

The fair value of financial assets and liabilities that are not traded in an active market is determined by using quoted market prices, dealer quotes and/or valuation techniques.

Fixed interest securities, such as mortgage backed securities, corporate bonds and floating rate notes, are valued using quoted market prices or dealer quotes at the end of the reporting period for similar instruments.

Management uses a variety of valuation methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Valuation techniques used for swaps include the use of discounted cash flow techniques or any other valuation technique that is commonly used by market participants.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

(i) Recognised fair value measurements

The following table presents the financial assets and liabilities measured and recognised at fair value by fair value hierarchy levels:

As at 30 June 2020	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Financial assets held at fair value through profit or loss:				
Fixed interest securities	2,047	27,092	-	29,139
Derivatives	-	9	-	9
Total	**2,047**	**27,101**	**-**	**29,148**
Financial liabilities				
Financial liabilities held at fair value through profit or loss:				
Derivatives	(15)	(160)	-	(175)
Total	**(15)**	**(160)**	**-**	**(175)**

Transfers into and transfers out of the fair value hierarchy levels are recognised at the end of the reporting period.

(ii) Transfers between levels

There were no transfers between levels as at 30 June 2020.

4 Fair value measurement (continued)

(iii) Valuation processes

Management undertakes regular portfolio reviews to identify securities that may not be actively traded or have stale security pricing and could be regarded as level 2 or level 3 securities. Further analysis, should it be required, is undertaken to determine the accounting significance of the identified securities. In the event that the security is not actively traded an assessment is performed by management to determine the appropriate valuation price to use that is most representative of fair value.

(c) Fair values of non-financial instruments

Due to their short-term nature, the carrying value of receivables and payables are assumed to approximate their fair values.

5 Interest income

	Period 17 January 2020 to 30 June 2020 $'000
Interest income from debt securities designated at fair value through profit or loss	**194**
Total interest income	**194**

6 Remuneration of auditors

	Period 17 January 2020 to 30 June 2020 $
Audit and other assurance services	
Audit of financial statements	**23,962**
Other services*	**3,823**
Total remuneration for audit and other assurance services	**27,785**

* Other services include compliance plan audit and controls reporting.

Audit fees were paid by the Responsible Entity for the period ended 30 June 2020.

7 Net assets attributable to unitholders

Movements in the number of units and net assets attributable to unitholders during the period were as follows:

	30 June 2020 No. '000	30 June 2020 $'000
Opening balance	-	-
Profit/(loss) for the period	-	372
Applications	30,005	30,005
Distributions paid and payable	-	(91)
Closing balance	30,005	30,286

As stipulated within the Trust's Constitution, each unit represents a right to an individual share in the Trust and does not extend to a right to the underlying assets of the Trust. There are no separate classes of units and each unit has the same rights attached to it as all other units of the Trust.

(a) Capital risk management

Management manages the Trust's net assets attributable to unitholders as capital. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Trust is subject to daily applications and redemptions at the discretion of unitholders.

Management monitors the level of daily applications and redemptions relative to the liquid assets in the Trust. In the event of a significant redemption, as permitted under the governing documents, management may decide to pay a special distribution and/or may delay payment of the redemption amount.

8 Distributions to unitholders

	Period 17 January 2020 to 30 June 2020 $'000	Period 17 January 2020 to 30 June 2020 CPU
Distribution payable		
- 30 June	91	0.303
	91	0.303

9 Cash and cash equivalents

	As at 30 June 2020 $'000
Cash at bank	58
Cash management trusts	766
Total cash and cash equivalents	824

10 Financial assets held at fair value through profit or loss

	As at 30 June 2020 Fair value $'000
Financial assets held at fair value through profit or loss	
Fixed interest securities	29,139
Derivatives (note 12)	9
Total financial assets held at fair value through profit or loss	**29,148**
Comprising:	
Fixed interest securities	
Commonwealth government securities	2,047
Other bonds*	27,092
Total fixed interest securities	29,139
Derivatives	
Credit default swaps	9
Total derivatives	9
Total financial assets held at fair value through profit or loss	**29,148**

* Other bonds include mortgage backed securities, corporate bonds and floating rate notes.

An overview of the risk exposures and fair value measurements relating to financial assets at fair value through profit or loss is included in note 3 and note 4.

11 Financial liabilities held at fair value through profit or loss

	As at 30 June 2020 Fair value $'000
Financial liabilities held at fair value through profit or loss	
Derivatives (note 12)	175
Total financial liabilities held at fair value through profit or loss	**175**

11 Financial liabilities held at fair value through profit or loss (continued)

	As at 30 June 2020 Fair value $'000
Derivatives	
Australian fixed interest futures	**15**
Interest rate swaps	**143**
Credit default swaps	**17**
Total derivatives	**175**
Total financial liabilities held at fair value through profit or loss	**175**

An overview of the risk exposures and fair value measurements relating to financial liabilities at fair value through profit or loss is included in note 3 and note 4.

12 Derivative financial instruments

A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating, credit index or other variable.

Derivative transactions are entered into in the normal course of business.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Derivative transactions include many different instruments such as forward currency contracts, futures and options. Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the Trust's portfolio management. Derivatives are not managed in isolation. Consequently the use of derivatives is multifaceted and includes:

- hedging to protect an asset or liability against a fluctuation in market values or to reduce volatility,
- a substitution for trading of physical securities, and
- adjusting asset exposures within the parameters set in the investment strategy, and/or adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

While derivatives are used for trading purposes, they are not used to gear (leverage) a portfolio. Gearing a portfolio occurs if the level of exposure to the markets exceeds the underlying value of the Trust.

The following derivative financial instruments were held during the period:

(a) Futures

Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price, established in an organised market. Futures contracts are collateralised by cash or marketable securities. Changes in the values of futures contracts are usually settled net daily with the exchange or broker. Interest rate futures are contractual obligations to receive or pay a net amount based on changes in interest rates at a future date at a specified price, established in an organised financial market.

12 Derivative financial instruments (continued)

(b) Interest rate swaps

An interest rate swap is an agreement between two parties to exchange their interest obligations (payments) or receipts at set intervals on a notional principal amount over an agreed time period.

(c) Credit default swaps

A credit default swap ("CDS") is a form of insurance which protects the buyer of the CDS in the case of a loan default. If the loan defaults, the buyer of the CDS can exchange or "swap" the defaulted loan (or in some CDSs the reduced cash value of the defaulted loan) for the face value of the loan. One difference between a traditional insurance policy and a CDS is that anyone can purchase a CDS, even those who have no direct "insurable interest" in the lender. The buyer of the CDS makes a series of payments to the seller and, in exchange, receives a payoff if the loan or any credit instrument named in the contract (typically a bond or loan) defaults, creating a credit event.

The derivative financial instruments held at the end of each reporting period are detailed below:

	As at 30 June 2020 Contract/ notional $'000
Buy	
Australian fixed interest futures	**1,287**
Interest rate swaps	**16,200**
Credit default swaps	**3,170**
Sell	
Australian fixed interest futures	**4,300**
Interest rate swaps	**16,200**
Credit default swaps	**3,170**

Risk exposures and fair value measurements

Information about the exposure to credit risk, foreign exchange risk and interest rate risk and the methods and assumptions used in determining fair values is provided in note 3 and note 4 to the financial statements. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of derivative financial instruments disclosed above.

13 Related party transactions

(a) Responsible Entity

The Responsible Entity of the Trust is Pendal Fund Services Limited (ABN 13 161 249 332), a wholly owned subsidiary of Pendal Group Limited (ABN 28 126 385 822). The registered office of the Responsible Entity and the Trust is Level 14, The Chifley Tower, 2 Chifley Square, Sydney, NSW 2000.

13 Related party transactions (continued)

(b) Directors

The directors of Pendal Fund Services Limited during the financial period or since the end of the period and up to the date of this report were as follows:

Richard Brandweiner (appointed 6 March 2019)
Justin Howell (appointed 7 May 2018)
Anthony Serhan (appointed 6 December 2019)
Cameron Williamson (appointed 15 November 2012)

(c) Other key management personnel

There was no other person with responsibility for planning, directing and controlling the activities of the Trust, directly or indirectly, during the financial period.

(d) Responsible Entity's/manager's fees and other transactions

For the period ended 30 June 2020, in accordance with the Trust's governing documents, the Trust incurred a total management fee of 0.50% (inclusive of GST, net of RITC available to the Trust) per annum.

This fee is partially paid out of the Trust and partially out of the assets of the underlying funds into which the Trust invests. The latter is reflected in the daily unit prices for the underlying funds.

All expenses in connection with the preparation of accounting records and the maintenance of the unit register are fully borne by the Responsible Entity.

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the period and amounts payable/(receivable) at the end of each reporting period between the Trust and the Responsible Entity were as follows:

	Period 17 January 2020 to 30 June 2020 $'000
Management fees incurred by the Trust #	**62**
Aggregate amounts payable/(receivable) to/(from) the Responsible Entity at the end of the reporting period	**12**

This represents the amount paid out of the Trust to the Responsible Entity. In addition to this amount, the total fee charged also includes the fee charged in the underlying fund.

Where the Trust invests into another fund, the Responsible Entity's fee is calculated after rebating the fee charged in the underlying fund. As a consequence, the amounts shown in the statement of comprehensive income reflect only the amount of the fee charged directly to the Trust.

13 Related party transactions (continued)

(e) Related party unitholdings

Parties related to the Trust (including the Responsible Entity, its related parties and other funds managed by the Responsible Entity) held units in the Trust as follows:

30 June 2020

Unitholder	Number of units held opening 000's Units	Number of units held closing 000's Units	Interest held %	Number of units acquired 000's Units	Number of units disposed 000's Units	Distributions paid/payable by the Trust $'000
Parent - Pendal Sustainable Australian Fixed Interest Fund	-	30,000	99.98	30,000	-	91

(f) Transactions with key management personnel

Key management personnel services are provided by Pendal Fund Services Limited and included in the management fees disclosed in (d) above. There is no separate charge for these services. There was no compensation paid directly by the Trust to any of the key management personnel.

The Trust has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.

Key management personnel unitholdings

At 30 June 2020 no key management personnel held units in the Trust.

(g) Investments

The Trust held the following investments including funds which are also managed by the Responsible Entity or its related parties:

30 June 2020

	Fair value of investment $'000	Interest held %	Distributions received/ receivable $'000	Units acquired during the period 000's Units	Units disposed during the period 000's Units
Pendal Stable Cash Plus Fund*	766	0.04	4	9,000	(8,234)

*This investment is included in cash and cash equivalents.

(h) Other transactions within the Trust

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Trust during the financial period and there were no material contracts involving key management personnel's interests existing at the end of the reporting period.

14 Structured entities

A structured entity is an entity in which voting or similar rights are not the dominant factor in deciding control. Structured entities are generally created to achieve a narrow and well defined objective with restrictions around their ongoing activities. Depending on the Trust's power over the activities of the entity and its exposure to and ability to influence its own returns, it may control the entity. However, the Trust applies the Investment Entity Exemption available under AASB 10 *Consolidated Financial Statements* and therefore does not consolidate its controlled entities. In other cases it may have exposure to such an entity but not control it.

An interest in a structured entity is any form of contractual or non-contractual involvement which creates variability in returns arising from the performance of the entity for the Trust. Such interests include holdings of units in unlisted trusts. The nature and extent of the Trust's interests in structured entities are summarised in note 9.

The Trust has exposures to unconsolidated structured entities through its investment activities. The Trust's maximum exposure to loss is restricted to the carrying value of the asset.

The Trust's overall risk management program focuses on ensuring compliance with its governing documents and seeks to maximise the returns derived for the level of risk to which the Trust is exposed. The risks associated with the investments are referred to in note 3.

During the period the Trust did not provide financial support to unconsolidated structured entities and has no intention of providing financial or other support.

The Trust's investment strategy entails investments in other funds on a regular basis. The Trust intends to continue investing in other funds.

As at 30 June 2020, there were no capital commitment obligations other than what is in unsettled sales or unsettled purchases in the balance sheet.

15 Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities

	Period 17 January 2020 to 30 June 2020 $'000
Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities	
Operating profit/(loss) for the period	**372**
Proceeds from sale of financial instruments held at fair value through profit or loss	**13,036**
Purchase of financial instruments held at fair value through profit or loss	**(42,259)**
Net (gains)/losses on financial instruments held at fair value through profit or loss	**(240)**
Income reinvested	**(4)**
Net change in accrued income and receivables	**(98)**
Net change in payables	**12**
Net cash inflow/(outflow) from operating activities	**(29,181)**

16 Events occurring after the reporting period

No significant events have occurred since the end of the reporting period which would impact on the financial position of the Trust disclosed in the balance sheet as at 30 June 2020 or on the results and cash flows of the Trust for the period ended on that date.

17 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2020.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

(a) the financial statements and notes set out on pages 6 to 28 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

  (ii) giving a true and fair view of the Trust's financial position as at 30 June 2020 and of its performance for the financial period 17 January 2020 to 30 June 2020,

(b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable, and

(c) note 2(a) confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors.

Director

Director

Sydney
10 September 2020

Independent auditor's report

To the unitholders of Regnan Credit Impact Trust

Our opinion

In our opinion:

The accompanying financial report of Regnan Credit Impact Trust (the Trust) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Trust's financial position as at 30 June 2020 and of its financial performance for the period 17 January 2020 to 30 June 2020

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the balance sheet as at 30 June 2020
- the statement of comprehensive income for the period 17 January 2020 to 30 June 2020
- the statement of changes in equity for the period 17 January 2020 to 30 June 2020
- the statement of cash flows for the period 17 January 2020 to 30 June 2020
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

We are independent of the Trust in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Other information

The directors of the Responsible Entity are responsible for the other information. The other information comprises the information included in the Trust's annual report for the period ended 30 June 2020, including the directors' report, but does not include the financial report and our auditor's report thereon.

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Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors of the Responsible Entity for the financial report

The directors of the Responsible Entity of the Trust are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors of the Responsible Entity determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors of the Responsible Entity are responsible for assessing the ability of the Trust to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Responsible Entity either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

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S Cuthbert
Partner

Sydney
10 September 2020