

eInvest Income Generator Fund (Managed Fund)

ASX:EIGA
MONTHLY REPORT JULY 2019

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	Since Inception [^] (% p.a.)
Income Distribution	0.4	8.2	0.4	12.0	10.3
Capital Growth	1.2	-3.6	1.2	-5.9	-2.0
Total Return	1.6	4.6	1.6	6.1	8.3
Franking Credits [#]	0.3	3.7	0.3	5.5	4.6
Income Distribution including Franking Credits	0.7	11.9	0.7	17.5	14.9
Benchmark Yield including Franking Credits [*]	0.0	1.1	0.0	6.6	6.3
Excess Income to Benchmark[#]	0.7	10.8	0.7	10.9	8.6

[^]Inception date was 7 May 2018. Fund returns are calculated using net asset value per unit at the start and end of the specified period and do not reflect the brokerage or the bid ask spread that investors incur when buying and selling units on the ASX. ^{*}Benchmark yield is calculated based on the difference between the return of the S&P/ASX300 Franking Credit Adjusted Daily Total Return Index (Tax Exempt) and return of the S&P/ASX300 Index. [#]Franking credits are an estimate only, as tax components will only be known with certainty at the end of the financial year. Past performance is not a reliable indicator of future performance.

Overview

- Global markets moved higher in July, on the prospects of Central Bank easing, with the S&P500 +1.3%, FTSE 100 +2.2%, Nikkei 225 +1.2%, while the Shanghai Composite eased, -1.6%.
- The Australian market delivered another strong result, finishing the month +3.0% and finally surpassing its pre-GFC high, as the RBA cut interest rates by a further 25bp to a record low of 1.0%.
- The better performing sectors included Consumer Staples (+9.6%), Healthcare (+6.0%), IT (+5.1%) and Consumer Discretionary (+4.7%). Metals & Mining (+1.1%), Materials (+1.2%), Energy (+1.5%) and Financials (+1.8%) lagged, while still all delivering positive returns.
- The Fund declared a distribution for July of 1.72cpu, bringing the total income return for the last 12 months to 17.5%.

Income Distribution

The EIGA distribution for July 2019 was of 1.72 cents per unit.



eInvest Income Generator Fund (Managed Fund)

The objective of EIGA is to provide investors with an attractive level of tax effective income, paid via monthly distributions. EIGA aims to provide a gross distribution yield, adjusted for applicable franking credits, above that provided by the S&P/ASX300 Franking Credit Adjusted Daily Total Return Index (Tax-Exempt).

Portfolio Manager	EIGA FUM
Stephen Bruce	\$22 million
Distribution Frequency	SMSF Compliant
Monthly	Yes
Inception Date	Management Cost
7 May 2018	0.80% (incl of GST and RITC)

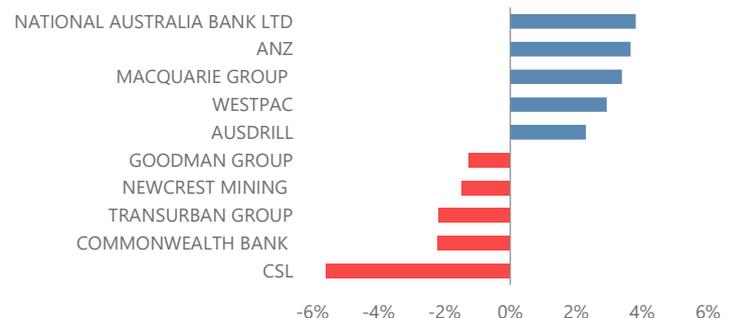
Portfolio Characteristics – FY20

	Fund	Market
Price to Earnings (x)	14.8	16.4
Price to Free Cash Flow (x)	13.3	15.8
Gross Yield (%)	6.6	5.3
Price to NTA (x)	2.4	2.5

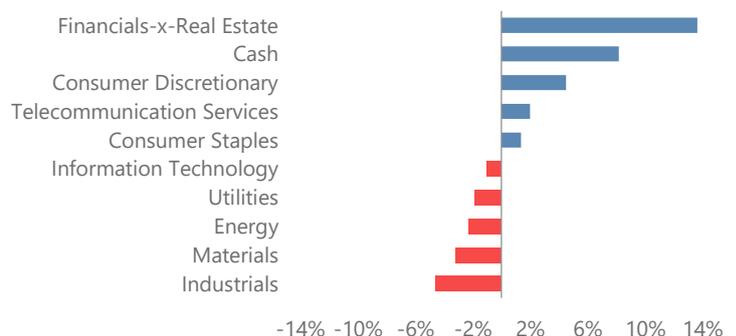
Source: Perennial Value Management. As at 31 July 2019.

The above figures are forecasts only. While due care has been used in the preparation of forecast information, actual outcomes may vary in a materially positive or negative manner.

Top 5 Over / Underweight Positions vs Index



Sector Active Exposure vs Index



Fund Review

Global markets moved higher again in July, on the prospects of Central Bank easing, with the S&P500 +1.3%, FTSE 100 +2.2%, Nikkei 225 +1.2%, while the Shanghai Composite eased, -1.6%.

The Australian market delivered another strong result, finishing the month +3.0% and finally surpassing its pre-GFC high, bringing the total return for the last 12 months to +13.2%.

The RBA followed up its June rate cut with another 25bp cut in July, sending the cash rate to a record low of 1.0%, with the aim of reducing the unemployment rate and stimulating wages growth. While the domestic economy has slowed, there was further evidence that the housing market has stabilised.

The combination of falling interest rates and increased geopolitical risks around trade disputes and Brexit, saw investors seek out more defensive parts of the market, resulting in strong performances from sectors such as Consumer Staples (+9.6%), Healthcare (+6.0%) and IT (+5.1%). This presented a headwind for the Fund, as we are underweight these sectors due to their very high valuations and low dividend yields.

By contrast, more cyclical sectors of the market such as Metals & Mining (+1.1%), Materials (+1.2%), Energy (+1.5%) and Financials (+1.8%) lagged, albeit while still all delivering positive returns.

Stocks the Fund holds which performed well included, Flight Centre (+10.9%), Calex (+8.9%), Wesfarmers (+8.4%), Ausdrill (+8.2%) and NAB (+7.2%). Stocks which detracted from performance included Perpetual (-6.5%), Crown Resorts (-4.7%), Rio Tinto (-4.7%) and Woodside Petroleum (-4.6%).

Fund Activity

During the month, we took profits and reduced our holdings in CocaCola Amatil and Medibank Private, both of which had performed strongly in recent times.

At month end, stock numbers were 32 and cash was 8.2%

Market Review – Australia (%)

S&P/ASX300 Accumulation Index	+3.0
Energy	+1.5
Materials	+1.2
Industrials	+3.4
Consumer Discretionary	+4.7
Health Care	+6.0
Financials-x-Real Estate	+1.8
Real Estate	+2.6
Information Technology	+5.1
Telecommunication Services	+2.8
Utilities	+1.9

Contact Us

Level 27, 88 Phillip Street Sydney NSW 2000

1300 088 660

hello@invest.com.au

www.invest.com.au

The Responsible Entity is Perennial Investment Management Limited ABN 13 108 747 637, AFSL: 275101. The Investment Manager is Perennial Value Management Limited ABN 22 090 879 904 AFSL: 247293. This report has been prepared by ETF Investments Australia Pty Ltd trading as invest Australia ('invest') ABN: 88 618 802 912, as the corporate authorised representative of Perennial Investment Management Limited. This report is for information purposes only. Accordingly, reliance should not be placed on this information as the basis for making an investment, financial or other decision. This information does not take into account your investment objectives, particular needs or financial situation. While every effort has been made to ensure the information is accurate; its accuracy, reliability or completeness is not guaranteed. Past performance is not a reliable indicator of future performance. The current relevant product disclosure statement can be found at www.perennial.net.au/EIGA

Distribution

In order to provide a regular income stream, EIGA pays monthly distributions. We aim to pay equal cash distributions each month, based on our estimate of the dividend income to be generated over the year. Franking credits, surplus income and any realised capital gains will then be distributed, as per usual, with the June distribution.

Looking forward to the current financial year, EIGA is again targeting a 7% distribution yield, comprising 5% cash plus 2% franking credits.

Outlook

The market is currently trading slightly above its long-term average, with a FY20 P/E ratio of 16.4x and offering an attractive gross dividend yield of 5.3%.

Within the overall market, we are currently finding many good value, high-yielding investment opportunities. Across both the industrial and resources sectors, we are seeing many quality companies trading on attractive valuations which should deliver solid returns to investors from these levels.

By contrast, there remain large pockets of expensive growth and momentum style stocks which present significant de-rating risks if the lofty growth rates implied in their valuations are not able to be met. We do not hold these types of stocks as they do not meet our value criteria.

EIGA continues to offer a higher forecast gross yield than the overall market and, as always, our focus will continue to be on investing in quality companies which are offering attractive valuations and have the ability to deliver high levels of franked dividend income to investors. Further, we believe the current very low interest rates highlight the relative attractiveness of financially-sound, high dividend yielding equities.

Global, Currency & Commodities (%)

S&P500	+1.3
Nikkei225	+1.2
FTSE100	+2.2
Shanghai Composite	-1.6
RBA Cash Rate	1.00
AUD / USD	-1.8
Iron Ore	+2.4
Oil	-2.1
Gold	+0.3
Copper	-1.8