

eInvest Income Generator Fund (Managed Fund)

ASX:EIGA
MONTHLY REPORT JANUARY 2020

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	Since Inception [^] (% p.a.)
Income Distribution	0.5	1.4	3.2	13.4	8.9
Capital Growth	2.5	1.6	0.9	3.9	-1.6
Total Return	2.9	3.0	4.1	17.2	7.3
Franking Credits [#]	0.3	0.6	1.4	6.1	4.0
Income Distribution including Franking Credits	0.7	2.0	4.6	19.5	12.9
Benchmark Yield including Franking Credits*	0.0	1.0	2.9	6.9	6.2
Excess Income to Benchmark[#]	0.7	1.0	1.7	12.6	6.7

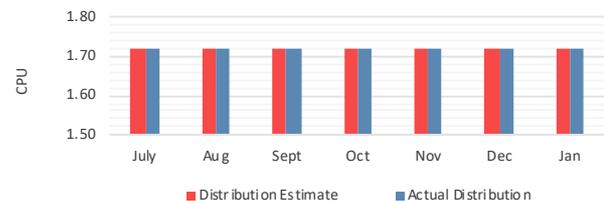
[^]Inception date was 7 May 2018. Fund returns are calculated using net asset value per unit at the start and end of the specified period and do not reflect the brokerage or the bid ask spread that investors incur when buying and selling units on the ASX. *Benchmark yield is calculated based on the difference 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

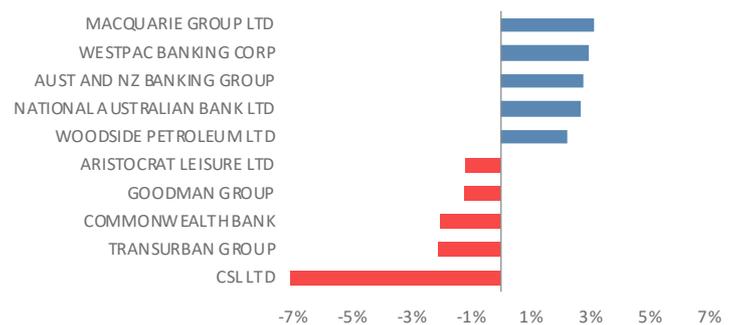
- Global markets sold off in January, as investors moved to risk-off mode, due to fears about the impact on economic growth of the unfolding coronavirus epidemic.
- Despite this, the Australian market delivered a very strong return of +4.9%. Falling bond yields and risk aversion saw a flight to defensive sectors such as Healthcare (+12.0%), Consumer Staples (+7.8%) and Telcos (+7.7%), while more cyclical sectors such as Metals and Mining (+0.7%) and Energy (+0.6%) lagged.
- The major positive contributors to performance were Woolworths (+15.7%), Coles (+11.5%), Graincorp (+10.8%) and Wesfarmers (+9.2%).
- The Fund continues to target a pre-tax distribution yield for FY20 of around 7.0%.

Income Distribution

The EIGA distribution for January 2020 was of 1.72 cents per unit.



Top 5 Over / Underweight Positions vs Index



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

Stephen Bruce

EIGA FUM

\$25 million

Distribution Frequency

Monthly

Management Cost

0.80% (incl of GST and RITC)

Inception Date

7 May 2018

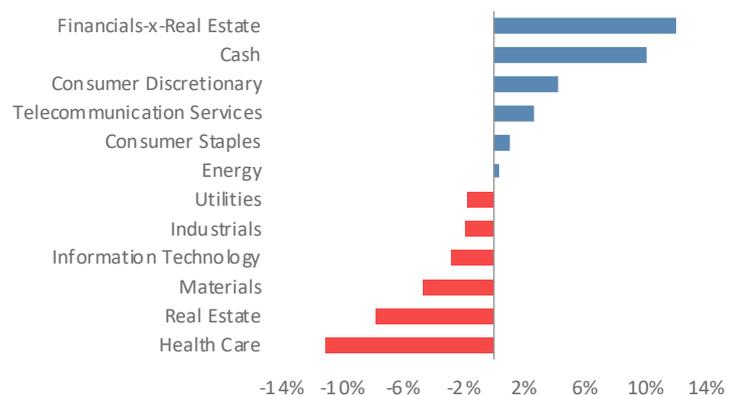
Portfolio Characteristics – FY21

	Fund	Market
Price to Earnings (x)	15.5	17.7
Price to Free Cash Flow (x)	17.3	16.9
Gross Yield (%)	6.4	5.1
Price to NTA (x)	2.3	2.6

Source: Perennial Value Management. As at 31 January 2020.

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.

Sector Active Exposure vs Index



Fund Review

Following a strong finish to 2019, global markets sold off in January, as optimism around an improving macroeconomic backdrop was replaced by fears about the impact on economic growth of the unfolding coronavirus epidemic. This move to a risk-off setting saw the S&P500 -0.2%, Nikkei 225 -1.9%, FTSE100 -3.4% and the Shanghai Composite -2.4%.

By contrast, the Australian market delivered a very strong return of +4.9%. Falling bond yields and risk aversion saw a flight to defensive sectors such as Healthcare (+12.0%), Consumer Staples (+7.8%) and Telcos (+7.7%), while Financials (+4.7%) also performed well, with the banks recovering some of their recent losses. These combined to drive the market higher, while more cyclical sectors such as Metals and Mining (+0.7%) and Energy (+0.6%) lagged.

Stocks which positively contributed to performance included Woolworths (+15.7%) and Coles (+11.5%), both of which rallied due to the announcement that Kaufland had decided not to enter the Australian market. Graincorp (+10.8%), Wesfarmers (+9.2%), Janus Henderson (+8.9%), Telstra (+8.5%) and Coca-Cola Amail (+8.3%) also performed well.

Stocks which detracted included Flight Centre (-10.8%) and Qantas (-9.8%), due to the risk to tourism from the coronavirus, as well as Downer (-9.3%), which issued an earnings downgrade. The Fund's Resources and Energy exposures also weighed on performance. More significantly, the rotation to expensive defensive sectors presented headwind to the Fund, which is underweight the defensive sectors on account of their excessive valuations and low dividend yields.

Fund Activity

During the month, we exited our position in Link Administration after a rally in the stock following it making an acquisition in Europe. While the acquisition was well-received, we believe there are a number of risks emerging in the core business.

At month end, stock numbers were 32 and cash was 10.0%.

Market Review – Australia (%)

S&P/ASX300 Accumulation Index	+4.9
Energy	+0.6
Materials	+1.6
Industrials	+1.9
Consumer Discretionary	+4.3
Health Care	+12.0
Financials-x-Real Estate	+4.7
Real Estate	+6.3
Information Technology	+10.2
Telecommunication Services	+7.7
Utilities	+1.0
Consumer Staples	+7.8

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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, the Fund 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.

The Fund declared a distribution for January of 1.7 cpu, bringing the total income return for the last 12 months to 48.1 cpu. This represents an income yield for the last 12 months of 13.3% or 19.5% including franking credits.

The distribution yield over the past 12 months was boosted as a result of the Fund participating in a number of off-market buy-backs. This is not expected to be repeated in the current year.

For the FY20 financial year, we are targeting a 7.0% distribution yield, comprising a 5.0% cash yield plus 2.0% in franking credits.

Outlook

The market is currently trading slightly above its long-term average, with a FY21 P/E ratio of 17.7x and offering a gross dividend yield of 5.1%.

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 numbers 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	-0.2
Nikkei225	-1.9
FTSE100	-3.4
Shanghai Composite	-2.4
RBA Cash Rate	0.75
AUD / USD	66.9c
Iron Ore	-11.2
Oil	-11.9
Gold	+4.7
Copper	-10.0