

eInvest Income Generator Fund (Managed Fund)

ASX:EIGA

MONTHLY REPORT JULY 2018

	Month (%)	Quarter (%)	FYTD (%)	1 Year (% p.a.)	Since Inception^ (%p.a.)
eInvest Income Generator Fund[#]	1.5	-	1.5	-	4.1
Capital Growth	1.1	-	1.1	-	3.7
Benchmark Growth^{**}	1.3	-	1.3	-	4.6
Income Distribution[#]	0.4	-	0.4	-	0.4
Benchmark Yield[*]	0.0	-	0.0	-	1.1
Excess income[#]	0.4	-	0.4	-	-0.7

[#]Includes franking credits [^]Since inception: 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. ^{*}S&P/ASX300 Franking Credit Adjusted Daily Total Return Index (Tax Exempt) Yield ^{**} S&P/ASX300 Franking Credit Adjusted Daily Total Return Index (Tax Exempt) Total Return

Overview

- The Fund announced its maiden monthly income distribution of 1.67 cents per unit, to be paid on 15 August 2018.
- The Australian stock market continued its rise, delivering a return of 1.3% for the month of July, bringing the total return for the last 12 months to a healthy 14.7%.
- The market was led higher by the Industrials, up 1.6% with the major banks continuing to recover, while the Resources were largely flat.

eInvest Income Generator Fund (Managed Fund)

The objective of the Fund is to provide investors with an attractive level of tax effective income, paid via monthly distributions. The Trust 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	\$19 million
Distribution Frequency	SMSF Compliant
Monthly	Yes
Inception Date	Management Cost
7 May 2018	0.80% (incl of GST and RITC)

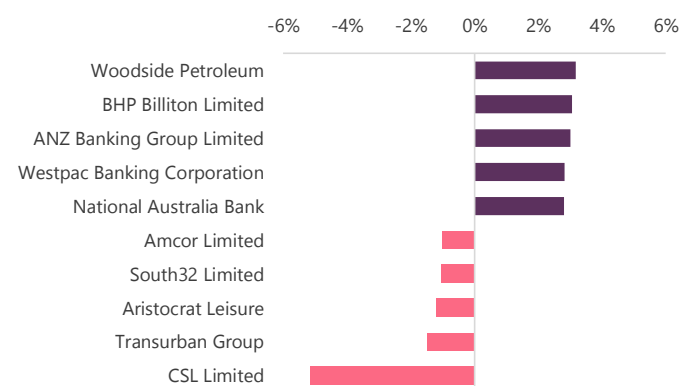
Portfolio Characteristics – FY19

	Fund	Market
Price to Earnings (x)	14.8	15.9
Price to Free Cash Flow (x)	14.0	15.5
Gross Yield (%)	7.3	5.7
Price to NTA (x)	2.1	2.4

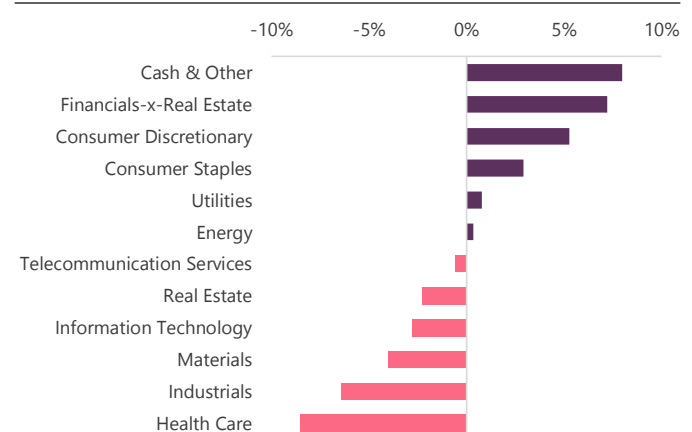
Source: Perennial Value Management. As at 31 July 2018.

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

Better performing holdings over the month included BHP (+2.8%), which outperformed after announcing the sale of its US shale oil operations for US\$10.8bn. The sale represents an important step in BHP refocussing on its core operations in iron ore, copper, coal and conventional petroleum. Given the already strong balance sheet, the bulk of the sale proceeds will be returned to investors through a combination of higher dividends and buy-backs. Along with the current strong commodity prices, it is this ability to return significant amounts of capital and franking credits to shareholders which makes BHP very attractive as an investment.

The major banks also outperformed, delivering an average return of +2.6%. Sentiment towards the sector is still negative due to the combination of the Royal Commission and concerns around the outlook for the housing market. However, while the growth outlook for the banks is definitely very muted, they are trading on attractive valuations and offering compelling dividend yields. At current prices, the sector is paying an average FY19 gross dividend yield of 8.9%.

Other stocks which outperformed included Downer (+8.8%), Telstra (+8.4%), Flight Centre (+6.8%), Perpetual (+4.9%), Tabcorp (+4.7%), and Stockland (+4.5%).

The main detractors from performance were IAG Insurance (-5.7%), Platinum Asset Management (-4.5%), Graincorp (-3.5%) and Rio Tinto (-2.7%).

Fund Activity

During the month, we took profits and trimmed holdings in a number of stocks which had performed strongly over recent months including Macquarie Group and Coca-Cola Amatil, with proceeds being reinvested into CBA and Rio Tinto. At month end, stock numbers were 31 and cash was 8.0%.

Market Review – Australia (%)

S&P/ASX300 Accumulation Index	+1.3
Energy	+1.2
Materials	-0.3
Industrials	+3.2
Consumer Discretionary	+1.8
Health Care	+2.2
Financials-x-Real Estate	+2.0
Real Estate	+1.0
Information Technology	-1.1
Telecommunication Services	+7.6
Utilities	-1.4

Distribution

The Fund targets a 7% pre-tax annual income yield, comprising a 5% cash yield plus 2% franking credits. In order to give investors more certainty over their income payments, the fund aims to pay equal monthly cash distributions, based on our estimate of the income to be generated over the year. Franking credits and any realised capital gains will then be distributed with the June year-end distribution. **The fund will pay its maiden income distribution on 15 August 18 and thereafter monthly.**

Outlook

Despite the ongoing negative political atmosphere, the economic backdrop continues to be positive, both domestically and offshore, with healthy growth and low unemployment in most major regions. This is supportive of ongoing moderate corporate earnings growth, healthy resources demand and financial system stability. The portfolio is exposed to this dynamic through its positions in the large-cap, low-cost resource stocks, the major banks and a range of quality industrials. We continue to avoid those sectors of the market where valuations are high and those which are exposed to the risk of rising interest rates such as Healthcare, REITs and Infrastructure.


The portfolio 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	+3.6
Nikkei225	+1.1
FTSE100	+1.5
Shanghai Composite	+1.0
RBA Cash Rate	1.50
AUD / USD	+0.6
Iron Ore	+3.8
Oil	-6.5
Gold	-2.3
Copper	-4.5

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