eInvest Income Generator Fund (Managed Fund)

ASX:EIGA

MONTHLY REPORT AUGUST 2018

	Month (%)	Quarter (%)	FYTD (%)	1 Year (% p.a.)	Since Inception^ (%)
eInvest Income Generator Fund#	-0.1	5.0	1.5	-	4.2
Capital Growth	-0.7	3.8	0.3	-	3.0
Benchmark Growth**	1.7	6.3	3.0	-	6.4
Income Distribution#	0.6	1.2	1.2	-	1.2
Benchmark Yield*	1.1	1.4	1.1	-	2.2
Excess income#	-0.5	-0.2	0.1	-	-1.0

#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 Australian stock market continued its rise, delivering a return of 1.4% for the month of August, bringing the total return for the last 12 months to a healthy 15.4%.
- The highlight of the month was the company reporting season, with the overall market delivering earnings per share growth of approximately 8% for FY18.
- Offshore markets were mixed, with the S&P500 up 3.0% and the Nikkei 225 up 1.4%, while the FTSE100 was down 4.1% and Shanghai Composite was down 5.3%.

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
Stephen Bruce

EIGA FUM
$20 million

Distribution Frequency
Monthly

SMSF Compliant
Yes

Inception Date
7 May 2018

Management Cost
0.80% (incl of GST and RITC)

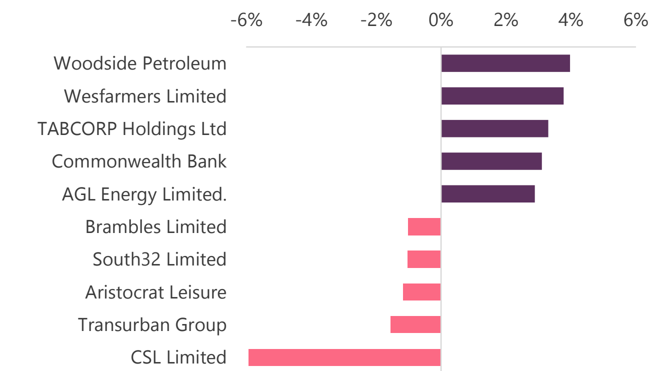
Portfolio Characteristics – FY19

	Fund	Market
Price to Earnings (x)	14.9	16.0
Price to Free Cash Flow (x)	13.4	15.4
Gross Yield (%)	7.3	5.7
Price to NTA (x)	2.4	2.5

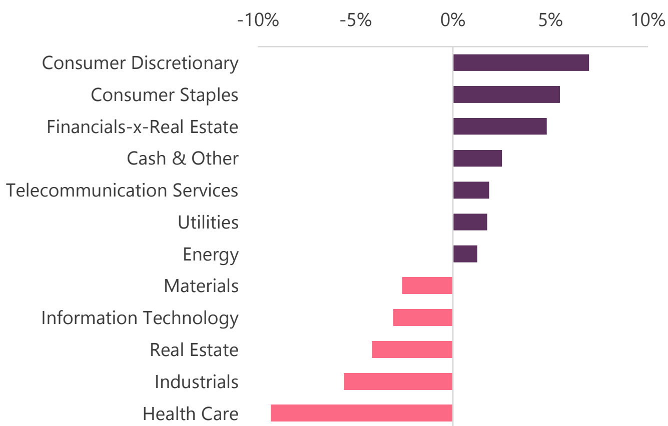
Source: Perennial Value Management. As at 31 August 2018.

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

The highlight of the month was the company reporting season, which could best be described as solid. The majority of companies delivered increased earnings and dividends, reflecting the overall health of the underlying economy both domestically and offshore.

Holdings which performed well over the month included Magellan Financial Group (+17.3%), which rallied after delivering a solid result and a significant increased in the dividend. Telstra (+13.0%) rose on the news of a merger between competitors TPG and Hutchison Australia, the operator of the Vodafone network. While the merger will create a stronger third player, it is expected to be significantly better for the competitive dynamic than if TPG had become a fourth entrant in the mobile market. Star Entertainment (+11.3%) outperformed after reporting a strong increase in International VIP business and Event Hospitality (+10.3%) rose on the back of strong growth in its hotel division.

The major banks underperformed slightly, as CBA (-1.8%) delivered a subdued result and sentiment continues to be impacted by the Royal Commission, while resources stocks were generally softer on trade and tariff concerns, with BHP (-4.7%) and Rio Tinto (-8.4%).

Other detractors from performance included Flight Centre (-14.1%), on the back of a slightly soft result, Janus Henderson (-10.0%) after announcing the departure of its well-regarded CEO and Caltex Australia (-7.2%).

Fund Activity

During the month, we reduced our holdings in the major banks following their recent rally. Proceeds were used to increase our holdings in a number of stocks including Suncorp and Telstra and to introduce HT&E into the portfolio. At month end, stock numbers were 31 and cash was 2.5%.

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 paid its maiden income distribution of 1.67 cents per unit on 15 August 18.**

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.

Market Review – Australia (%)

S&P/ASX300 Accumulation Index	+1.4
Energy	-1.2
Materials	-4.9
Industrials	+3.3
Consumer Discretionary	+3.6
Health Care	+10.4
Financials-x-Real Estate	+0.0
Real Estate	+2.6
Information Technology	+12.2
Telecommunication Services	+13.0
Utilities	+0.6

Global, Currency & Commodities (%)

S&P500	+3.0
Nikkei225	+1.4
FTSE100	-4.1
Shanghai Composite	-5.3
RBA Cash Rate	1.50
AUD / USD	-2.7
Iron Ore	-2.2
Oil	+4.3
Gold	-1.7
Copper	-6.4

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