

# eInvest Income Generator Fund (Managed Fund)

ASX:EIGA

MONTHLY REPORT FEBRUARY 2019

	Month (%)	Quarter (%)	FYTD (%)	1 Year (% p.a.)	Since Inception <sup>^</sup> (%)
Income Distribution	0.4	1.4	3.4	-	3.5
Capital Growth	6.8	7.0	-2.5	-	0.1
Total Return	7.2	8.4	0.9	-	3.5
Franking Credits <sup>#</sup>	0.2	0.7	1.5	-	1.5
<b>Income Distribution including Franking Credits</b>	<b>0.6</b>	<b>2.1</b>	<b>4.9</b>	<b>-</b>	<b>5.0</b>
Benchmark Yield* including Franking Credits	1.1	1.6	4.1	-	5.3
<b>Excess Income to Benchmark<sup>#</sup></b>	<b>-0.5</b>	<b>0.5</b>	<b>0.8</b>	<b>-</b>	<b>-0.3</b>

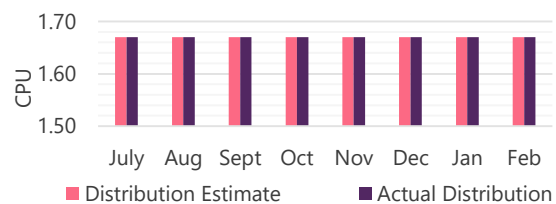
<sup>^</sup>Since inception: May 2018. Fund returns are calculated using net asset value per unit at the start and end of the specified period and do not reflect the brokerage or the bid ask spread that investors incur when buying and selling units on the ASX. \* Benchmark is S&P/ASX300 Franking Credit Adjusted Daily Total Return Index (Tax Exempt) Yield. 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

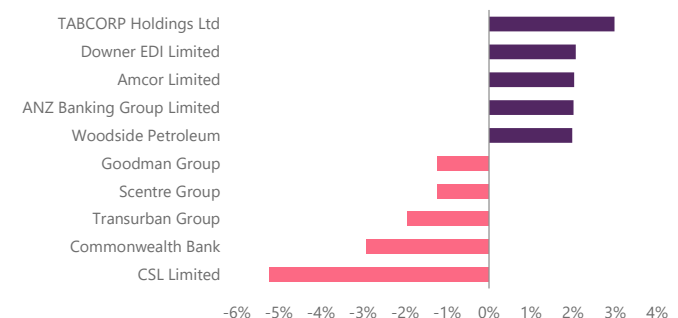
- Global markets continued their recovery in February, with the S&P500 +3.0%, FTSE 100 +1.5%, Nikkei 225 +2.9% and Shanghai Composite +13.8%.
- The Australian market also performed strongly, finishing the month +6.0%, on the back of a broad-based rally in both industrials and resources.
- The Fund's strong February total return of 7.2% reflected a generally positive reporting season across the portfolio's holdings, with a number of companies increasing their dividends.
- The market is currently trading close to its long-term average, with a FY20 P/E ratio of 15.2x and offering an attractive gross dividend yield of over 6.0%, presenting many very good value opportunities available for investors with a longer-term time horizon

## Income Distribution

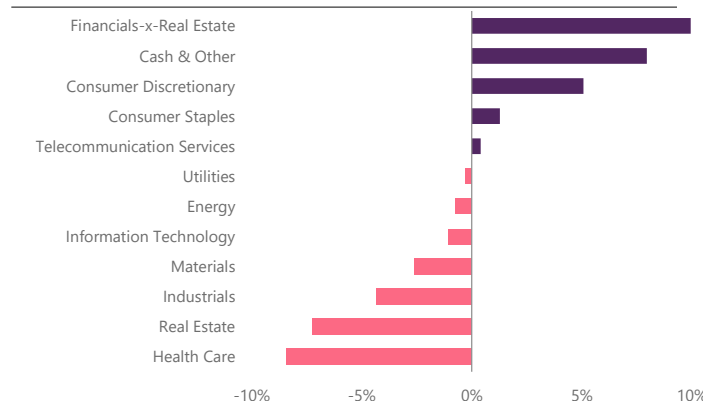
EIGA distribution of 1.67 cents per unit for February 2019. This is in line with our estimate.



## Top 5 Over / Underweight Positions vs Index



## Sector Active Exposure 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).

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

## Portfolio

### Characteristics – FY20

	Fund	Market
Price to Earnings (x)	14.2	15.2
Price to Free Cash Flow (x)	12.9	15.0
Gross Yield (%)	7.2	6.0
Price to NTA (x)	2.3	2.3

Source: Perennial Value Management. As at 31 February 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.

## Fund Review

Global markets continued their rally during February, as investors became more optimistic on the macro backdrop, in particular a more dovish tone being taken by the Fed regarding future interest rate rises. The Australian market also performed very strongly over the month, to close up +6.0%. The rally was broad-based, with Consumer Staples the only sector to record a negative return.

The highlight of the month was the company reporting season. Results were generally well-received, with the majority of companies held in the Fund reporting higher earnings and dividends. Several companies such as BHP, Rio Tinto and Flight Centre announced special dividends, while Caltex announced an off-market buy-back and Woolworths indicated that it intends to return up to \$1.7bn to shareholders following the sale of its petrol business.

Stocks which performed well included Resources companies Rio Tinto (+10.5%), Woodside Petroleum (+9.3%) and BHP (+6.9%), which rallied on the back of higher commodity prices. Mining services companies Ausdrill (+38.1%) and Seven Group (+22.5%), also performed well as they stand to benefit from the strength in the resources sector.

The major banks also rallied, rising an average of +8.9%. This followed the release of the Royal Commission report, which did not contain any recommendations which were likely to materially impact the long term profitability of the sector.

Stocks which detracted from performance included Coles (-9.4%) and Woolworths (-0.9%), which both reported softer sales and Event Hospitality (-2.4%) which saw weaker earnings from its hotel operations.

## Fund Activity

During the month we established positions in Link Administration and Medibank Private and increased our holding in IAG, while trimming our holdings in the major banks. At month end, stock numbers were 34 and cash was 6.0%.

## Market Review – Australia (%)

S&P/ASX300 Accumulation Index	+6.0
Energy	+7.8
Materials	+6.4
Industrials	+6.4
Consumer Discretionary	+6.7
Health Care	+1.3
Financials-x-Real Estate	+9.1
Real Estate	+1.8
Information Technology	+7.5
Telecommunication Services	+4.4
Utilities	+4.0

## Distribution

In order to provide a regular income stream, the Fund pays monthly distributions. We will aim to pay equal cash distributions each month, based on our estimate of the income to be generated over the year. Franking credits and any realised capital gains will then be distributed, as per usual, with the June distribution. This aims to give investors more certainty over their income payments.

## Outlook

The market is currently trading close to its long-term average, with a FY20 P/E ratio of 15.2x and offering an attractive gross dividend yield of over 6.0%.

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	+3.0
Nikkei225	+2.9
FTSE100	+1.5
Shanghai Composite	+13.8
RBA Cash Rate	1.50
AUD / USD	-2.4
Iron Ore	+4.2
Oil	+6.7
Gold	-0.6
Copper	+5.5

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