

# eInvest Income Generator Fund (Managed Fund)

ASX:EIGA  
MONTHLY REPORT JUNE 2019

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	Since Inception <sup>^</sup> (% p.a.)
Income Distribution	7.2	8.3	12.0	12.0	10.5
Capital Growth	-4.9	-2.9	-6.0	-6.0	-3.1
Total Return	2.3	5.4	5.9	5.9	7.4
Franking Credits <sup>#</sup>	3.2	3.7	5.5	5.5	4.7
<b>Income Distribution including Franking Credits</b>	<b>10.4</b>	<b>12.0</b>	<b>17.5</b>	<b>17.5</b>	<b>15.2</b>
Benchmark Yield including Franking Credits <sup>*</sup>	0.2	1.2	6.5	6.5	6.6
<b>Excess Income to Benchmark<sup>#</sup></b>	<b>10.2</b>	<b>10.8</b>	<b>11.0</b>	<b>11.0</b>	<b>8.6</b>

<sup>\*</sup>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. <sup>\*</sup>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. <sup>#</sup>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

- Central Bank easing and the prospects of a trade thaw following the G20 meeting, saw global equity markets rally strongly in June, with the S&P500 +6.9%, FTSE 100 +3.7%, Nikkei 225 +3.3% and Shanghai Composite +2.8%.
- The Australian market also performed strongly, finishing the month +3.6%, with both industrials and resources contributing positively.
- Resources (+7.7%) led the market higher, on the back of strong iron ore and gold prices, while Healthcare (+4.4%) and REITs (+4.2%) both rallied on the fall in bond yields. Consumer Discretionary (-1.5%) was the only sector to record a negative return.
- EIGA declared a final distribution for the FY19 year of 29cpc. This brings the total income return for the year to 47.7cpc. This represents an income yield for the last 12 months of 12.0% or 17.5% including franking credits.

## 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

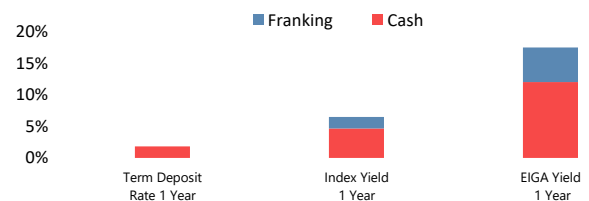
	Fund	Market
Price to Earnings (x)	14.5	15.9
Price to Free Cash Flow (x)	12.9	15.3
Gross Yield (%)	6.7	5.4
Price to NTA (x)	2.4	2.5

Source: Perennial Value Management. As at 30 June 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.

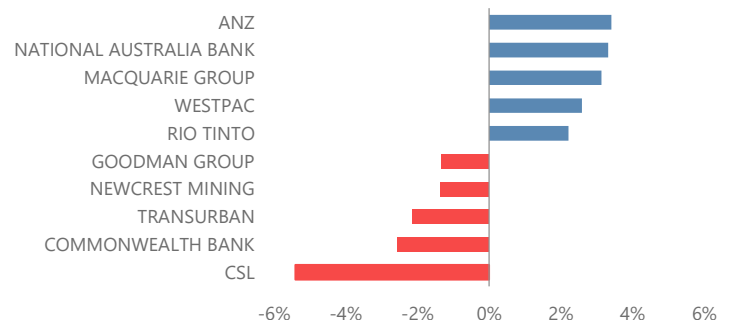
## Income Distribution

The EIGA distribution for June 2019 was of 29.4 cents per unit.

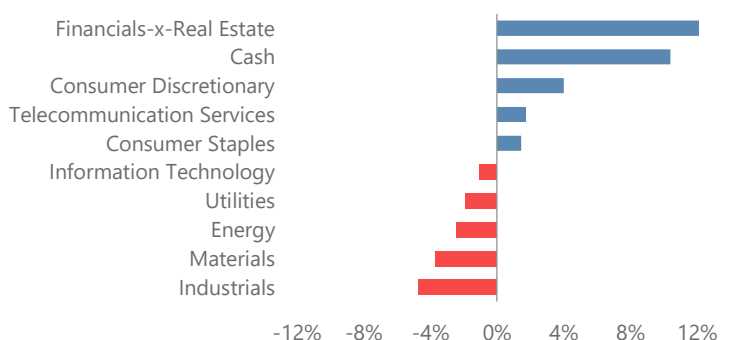


See page over for explanation regarding this unusually large distribution.

## Top 5 Over / Underweight Positions vs Index



## Sector Active Exposure vs Index



## Fund Review

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The Australian market followed on from May's post-election rally and also performed strongly, finishing the month +3.6%, with both industrials and resources contributing positively.

The most notable event of the month was widely-anticipated 25bp rate cut by the RBA, as Australia falls into line with other developed economies and adopts more accommodative monetary policy in order to support the economy in the face of increased geopolitical risks around trade disputes and Brexit. On the domestic front however, while growth has slowed, there are signs the housing market has stabilised and the resources sector continues to go from strength to strength on the back of strong demand for iron ore in a supply-constrained market, as well as a very strong gold price.

Against this backdrop, stocks which performed well included Ausdrill (+24.6%), which provides services to the gold sector, as well as iron ore miners BHP (+9.0%) and Rio Tinto (+3.4%). Macquarie Group (+4.2%) also outperformed, as its infrastructure business is a beneficiary of lower interest rates.

Stocks which detracted from performance included Link Market Services (-16.2%), due to UK issues in its UK operations and Star Entertainment (-7.8%), on weaker gaming revenues. EIGA continues to hold these stocks on the basis that they have solid medium-term prospects and represent good value at current levels.

## Fund Activity

During the month, we took profits reduced our holdings in Amcor, which had performed strongly following its merger with Bemis and Woodside Petroleum, which had benefited from the recovery in the oil price. At month end, stock numbers were 32 and cash was 10.4%.

## Market Review – Australia (%)

S&P/ASX300 Accumulation Index	+3.6
Energy	+2.2
Materials	+6.2
Industrials	+5.6
Consumer Discretionary	-1.5
Health Care	+4.4
Financials-x-Real Estate	+3.4
Real Estate	+4.2
Information Technology	+1.1
Telecommunication Services	+2.2
Utilities	+3.1

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## 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.

For the FY19 financial year, we had targeted a 7% distribution yield, comprising a 5% cash yield plus 2% in franking credits. However, as a result of participating in a number of tax-effective, off-market buy-backs over the past year, EIGA generated a significantly higher level of income, delivering a total income return of 17.5%, comprising a cash yield of 12.0% and franking credits of 5.5%. Investors who do not require this additional income may wish to consider reinvesting this back into the Fund.

Looking forward to the current financial year, the high level of buy-back activity is unlikely to be repeated and EIGA is again targeting a 7% distribution yield, comprising 5% cash plus 2% franking credits.

## Outlook

The market is currently trading close to its long-term average, with a FY20 P/E ratio of 15.9x and offering an attractive gross dividend yield of 5.4%.

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	+6.9
Nikkei225	+3.3
FTSE100	+3.7
Shanghai Composite	+2.8
RBA Cash Rate	1.25
AUD / USD	+1.3
Iron Ore	+14.2
Oil	+3.2
Gold	+8.0
Copper	+2.8