

eInvest Future Impact Small Caps Fund (Managed Fund)

ASX:IMPQ

MONTHLY REPORT OCTOBER 2019

	Month (%)	Quarter (%)	FYTD (%)	1 Year (% p.a.)	Since Inception [^] (%)
eInvest Future Impact Small Caps Fund (Managed Fund)	1.1	3.2	6.6	-	7.9
S&P/ASX Small Ordinaries Accum. Index	-0.5	-1.8	2.6	-	2.2
Value Added (Detracted)	1.6	5.0	4.0	-	5.7

[^]Inception date was 23 May 2019. Performance shown above are net of fees. 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. Past performance is not a reliable indicator of future performance.

Overview

- The Fund finished the month up 1.1% net of fees, outperforming the benchmark return by 1.6%. Since inception in May 2019, the Fund has delivered a +7.9% p.a. return net of fees, outperforming the benchmark by +5.7% p.a.
- Positive contributors this month included Janison Education (+20.0%), City Chic Collective (+11.6%), Integral Diagnostics (+10.7%) and Kathmandu (+7.1%).
- Negative contributors this month included Phoslock Environmental Technologies (-21.5%), Imricor (-16.0%) and Meridian Energy (-11.6%).

eInvest Future Impact Small Caps Fund (Managed Fund)

The aim of IMPQ is to grow the value of your investment over the long term by investing in companies predominantly outside the S&P/ASX Top 50 Index that conduct business taking into account environmental, social and governance ("ESG") considerations and/or conduct business in industries which have favourable characteristics having regard to ESG considerations. IMPQ seeks to provide a total return (after fees) that exceeds the S&P/ASX Small Ordinaries Accumulation Index.

Portfolio Manager

Damian Cottier

IMPQ FUM

<\$1 million

Distribution Frequency

Half yearly

SMSF Compliant

Yes

Inception Date

23 May 2019

Management Cost

0.99% (incl of GST and RITC)
+ performance fee

Portfolio

Characteristics – FY21

	Fund	Market
Price to Earnings (x)	17.4	15.1
Price to Free Cash Flow (x)	15.4	14.8
Net Interest Cover (x)	22.9	9.8
3 Year EPS Growth (%)	14.8	12.1
ESG&E Rating	7.2	5.6

Source: Perennial Value Management. As at 31 October 2019.

The above figures are forecasts only from the Perennial Smaller Companies Sustainable Futures Trust, a similarly run unlisted managed investment scheme. While due care has been used in the preparation of forecast information, actual outcomes may vary in a materially positive or negative manner.

Monthly Highlight

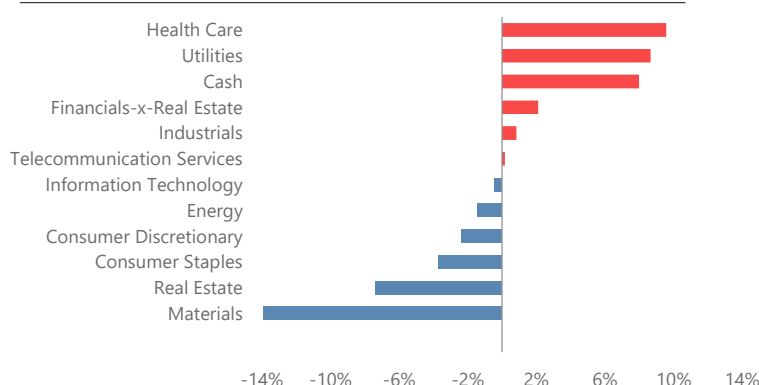
During the month the Fund initiated a position in Fluence Corporation as part of a capital raising undertaken by the company. Fluence is a global water engineering company that has developed modularised and decentralised water treatment and desalination plants.

The pre-engineered modular plants featuring the company's MABR membrane technology are able to be deployed relatively quickly in remote locations and are designed to substantially reduce energy use and operating costs. The company is seeking to address wastewater treatment and water shortage which are key aspects of Sustainable Development Goal 6 "Clean Water and Sanitation".

Top 5 Positions

	IMPQ	Index
CASH	8.0%	0.0%
CITY CHIC	4.0%	0.0%
INTEGRAL DIAGNOSTICS	3.8%	0.0%
KATHMANDU	3.7%	0.0%
SIMS METAL	3.3%	0.8%

Sector Active Exposure vs Index



Fund Review

The Fund finished the month up 1.1% net of fees, outperforming the benchmark return by 1.6%. Since inception in May 2019, the Fund has delivered a 7.9% p.a. return net of fees, outperforming the benchmark by 5.7% p.a.

Positive contributors this month included Janison Education (+20.0%), City Chic Collective (+11.6%), Integral Diagnostics (+10.7%) and Kathmandu (+7.1%).

Janison (+20.0%) announced a solid quarterly update and also announced that it had reached agreement with the OECD to deliver the PISA-Based Test for Schools to schools in the USA. This adds to the previous announcements to deliver the test in Brazil and Russia.

Engaged Improver stock, City Chic Collective (+11.6%), acquired the e-commerce assets of Avenue Stores, a US-based plus-size retailer. These assets will enhance the company's existing US business which it has grown organically through retailers such as Macy's. The company was able to secure the assets at a reasonable price as it acquired the e-commerce assets out of a "bricks and mortar" bankruptcy.

Negative contributors this month included Phoslock Environmental Technologies (-21.5%), Imricor (-16.0%) and Meridian Energy (-11.6%). Phoslock announced a weaker than expected quarterly update while NZ renewable energy company Meridian Energy was impacted by RIO Tinto's announcement that it was conducting a review of RIO's aluminium smelter in New Zealand. This may result in closure of the smelter which is likely to have a negative impact on the electricity price in New Zealand as the smelter accounts for greater than 10% of national electricity output. The potential closure is perhaps a little surprising as the smelter is powered by hydro energy and as a result the aluminium produced is sought after by companies such as Apple and is used to produce the Apple Watch. Our sense is that RIO is using the potential closure to seek to negotiate lower power prices while Aluminium prices are at relatively low levels.

During the month the Fund participated in the capital raising by Kathmandu (+7.1%) to assist with the funding of the acquisition of the surf and action sports company Rip Curl. Kathmandu acquired the business from Rip Curl's founders at a reasonable acquisition multiple. Kathmandu sees the potential to incrementally improve Rip Curl's operations and use Rip Curl's global operations as a platform to assist with the gradual rollout of the company's Kathmandu and Oboz brands in a number of overseas markets. Interestingly, Kathmandu has an "A" rating in the Baptist World Aid Ethical Fashion Report while Rip Curl has a "B+" rating.

In addition to Fluence (see over page) we added Genetic Signatures Ltd to the portfolio. GSS has developed products to improve the efficacy, cost and time required for the detection of the genetic sequence of viruses such as salmonella in medical tests.

At month end, the Fund held 46 stocks and cash is at 8.0%.

Our focus continues to be on investing in companies that are making a positive contribution to creating a sustainable future.



Fluence decentralised desalination plant Source: Fluence Corporation

Contact Us

Level 27, 88 Phillip Street Sydney NSW 2000

1300 088 660

hello@invest.com.au

www.invest.com.au

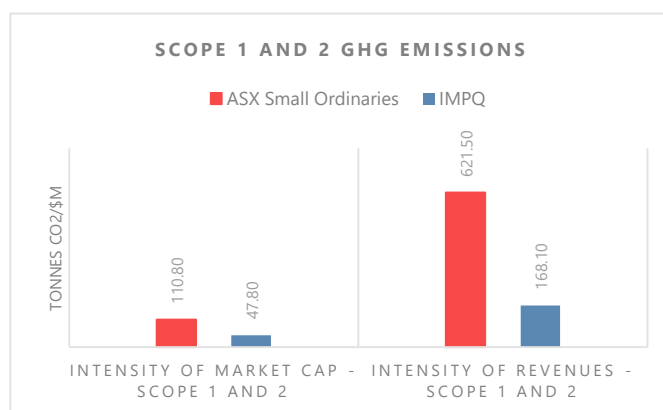
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ESG Activity

Recent ESG-related engagement included:

- City Chic Collective (held) – we discussed the supply chain issues arising out of the Company's acquisition of the Avenue Stores e-commerce assets.
- Phoslock Environmental Services (held) – we discussed governance and the independence of board members.
- Sims Metals (held) – we engaged with the company on safety performance, particularly the circumstances of 2 fatalities for the company in the last 12 months and the steps the company has taken to improve safety post these incidents. We informed the company that we are voting against the remuneration report on the basis the impact of the fatalities was not sufficiently taken into account in determining remuneration outcomes.
- Carbon Revolution – this company will be listing on ASX in November. The company is a global leader in the design and manufacture of carbon fibre wheels for cars. A key benefit of carbon fibre wheels is an improvement in fuel efficiency. During the IPO process we engaged with the company in relation to supply chain issues and greenhouse gas emissions.
- Bio-Gene Technology (not held) – we met with this company which is developing natural insecticides to address the issues of toxicity and insecticide resistance in the agricultural sector.
- Hazer (not held) – we met with Hazer which is developing technology to produce "clean" hydrogen fuel. Hydrogen is a fuel source that is being increasingly used in a number of applications as a low emission alternative to traditional fuel sources. For instance, Toyota has developed the hydrogen-powered SORA bus that will be used during the 2020 Tokyo Olympic Games.
- Integral Diagnostics (held) – we discussed remuneration and ESG disclosure with board members.

Portfolio Carbon Footprint



Source: CAER (Part of Vigeo Eris Network). Factset and Perennial as at 30 June 2019. Data for IMPQ is shown. Whilst due care has been used in preparation of the above, calculations are based on the information provided.