

eInvest Future Impact Small Caps Fund (Managed Fund)

ASX:IMPQ
MONTHLY REPORT MARCH 2020

	Month (%)	Quarter (%)	FYTD (%)	1 Year (% p.a.)	Since Inception ^A (%)
eInvest Future Impact Small Caps Fund (Managed Fund)	-22.8	-25.5	-19.1	-	-18.2
S&P/ASX Small Ordinaries Accum. Index	-22.4	-26.7	-23.9	-	-24.1
Value Added (Detracted)	-0.4	1.2	4.8	-	5.9

^AInception 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 Future Impact Small Caps Fund finished the month down 22.8% net of fees, underperforming the benchmark return by 0.4%. During the month global markets fell significantly as the Coronavirus (COVID-19) outbreak worsened, particularly in the US and Europe. This caused almost unprecedented peace-time disruption to the global economy.
- Positive contributors this month included Genetic Signatures (+57.0%), Blackmores (+13.4%), NIB Health (+13.0%) and Synlait (+8.1%).
- Negative contributors this month included Kathmandu (-66.1%), Carbon Revolution (-59.3%) and Imricor (-49.9%).

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

\$1.0 million

Distribution Frequency

Half yearly

Management Cost

0.99% (incl of GST and RITC)

+ performance fee

Inception Date

23 May 2019

Top 5 Positions

	IMPQ	Index
CASH	6.54%	0.00%
GENETIC SIGNATURES	4.20%	0.00%
CITY CHIC COLLECTIVE	3.61%	0.00%
MERIDIAN ENERGY	3.34%	0.00%
MERCURY NZ	3.32%	0.00%

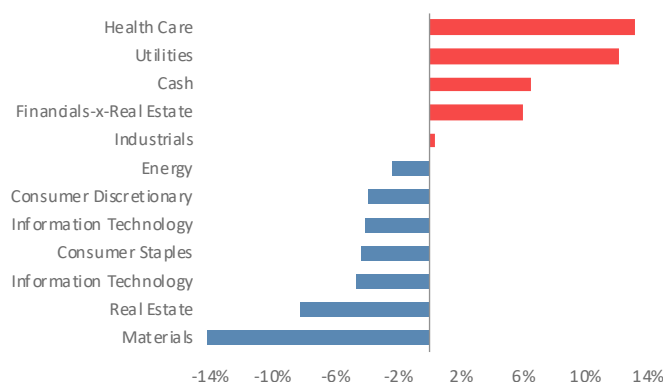
Monthly Highlight

We participated in a capital raising for Genetic Signatures in December 2019. The capital raising was to fund the ongoing development, regulatory approval process and sales of the company's 3base™ technology to detect infectious diseases. The 3base™ technology provides results more quickly than traditional tests and allows higher throughput.

During the month the company announced that it had modified its test kits to also detect the COVID-19 virus and that it was seeking fast-tracked regulatory approval for the new test in Europe, the UK, US and Australia. The company also announced that it had commenced sales of the tests to labs in the UK and Europe under regulatory exemptions in the interim. Subsequent to month end the company confirmed that it had received CE mark regulatory approval in Europe.

This is a significant milestone for the acceptance of the company's products in global markets and the share price reacted positively to this news (up 57.0% during the month).

Sector Active Exposure vs Index



Damian Cottier – Portfolio Manager

Emilie O'Neill – ESG & Equities Analyst

Fund Review

The Future Impact Small Caps Fund finished the month down 22.8% net of fees, underperforming the benchmark return by 0.4%.

Since the Fund's inception in May 2019, the Fund has delivered a -18.2% p.a. return net of fees, outperforming the benchmark by 5.9% p.a. during that time.

During the month global markets fell significantly as the Coronavirus (COVID-19) outbreak worsened, particularly in the US and Europe.

This caused almost unprecedented peace-time disruption to the global economy. In particular, as a large number of countries went into "lockdown", non-essential businesses were significantly impacted.

While Australia has gone into substantial hibernation, at the time of writing it appears to be better placed to manage the pandemic than many other countries.

We are also encouraged by the significant actions that have been taken by governments and central banks to attempt to cushion the financial impact while many talented people globally seek to develop treatments and vaccines for the virus.

Negative contributors this month included Kathmandu (-66.1%), Carbon Revolution (-59.3%), Imricor (-49.9%) and Integral Diagnostics (-37.5%), the prospects for each of which were impacted by the lockdown.

"Engaged Improver" Kathmandu shut all of the company's Kathmandu and Rip Curl stores globally and the company decided to undertake a dilutive capital raising at the end of the month. While this is a disappointing outcome for investors, the amount of capital raised is expected to provide it with substantial liquidity to see the company through an extended lockdown.

Carbon fibre automotive wheel manufacturer Carbon Revolution announced that the company's customers had shut manufacturing operations which impacted the company and the company undertook a pre-emptive capital raising.

Imricor is in the process of ramping up installation and sales of the company's products which allow heart surgeons to perform certain procedures in an MRI environment. The key initial markets for the product are in Europe – particularly Germany and so these initiatives are likely to be delayed. However, the company raised further capital in January to fund these initiatives so we remain positive about the outlook for the company.

Diagnostic imaging provider Integral Diagnostics was also impacted. While the business is typically perceived as relatively defensive, the market became concerned about the impact of a lock-down on diagnostic imaging volumes.

Positive contributors this month included Genetic Signatures (+57.0%), Blackmores (+13.4%), NIB Health (+13.0%) and Synlait (+8.1%).

As mentioned on the front page, Genetic Signatures announced that it had modified its 3base™ testing kits to test for COVID-19.

Blackmores and Synlait are likely beneficiaries of consumer stocking up on their products while NIB is expected to benefit from lower health insurance claims costs as elective surgery is delayed.

Other stocks to perform relatively well included renewable energy companies Meridian Energy (-7.3%) and Mercury Energy (-7.3%) as well as Fluence Corporation (+3.4%). Fluence announced during the month that it had secured a significant contract to build three of the company's SUBRE decentralised wastewater plants in Cambodia as well as a decentralised wastewater plant in Inner Mongolia.

Fund Activity

During the month we reduced our holdings in a number of outperforming stocks such as Meridian Energy and stocks that may be impacted by COVID-19 such as Bendigo Bank. We reinvested these funds and some of our cash holding into stocks which in our view were oversold such as City Chic Collective, Carbon Revolution, Infigen Energy and Starpharma Holdings. We also increased our holdings in stocks that are likely to be less impacted by COVID-19 such as Cleanaway and NIB Health.

At month end the Fund held 46 stocks and cash was 6.5%.

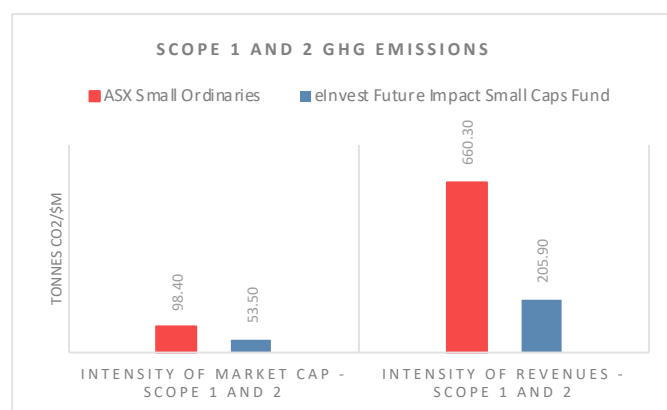
For March, the weighted average Perennial-derived Environmental, Social, Governance and Engagement ("ESG") Score of the Fund was 7.2 which is 28% higher than the benchmark ESG Score of 5.6.

ESG Activity

ESG-related engagement was negatively impacted by coronavirus considerations, however:

- We discussed with Fluence the energy efficiency of the company's products and ways in which Fluence's decentralised waste water technology is aligned with the Sustainable Development Goals.
- We discussed with Estia the work it has performed in relation to the company's environmental and social risk baseline and the initiatives it has in place to improve energy efficiency and solar energy usage.
- Phoslock – we discussed the company's water remediation products as well as the ways in which the company might be able to improve ESG processes and disclosures.
- Imricor – we discussed the regulatory approval process for the company's products and the new product development that is being undertaken to improve outcomes for heart surgeons and patients.

Portfolio Carbon Footprint



Source: CAER (Part of Vigeo Eris Network), Factset and Perennial as at 30 September 2019. Data Perennial Smaller Companies Sustainable Futures Trust shown. Whilst due care has been used in preparation of the above, calculations are based on the information provided.

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