

eInvest Future Impact Small Caps Fund (Managed Fund)

ASX:IMPQ
MONTHLY REPORT JUNE 2020

	Month (%)	Quarter (%)	FYTD (%)	1 Year (% p.a.)	Since Inception [^] (%)
eInvest Future Impact Small Caps Fund (Managed Fund)	2.9	28.3	3.7	3.7	4.5
S&P/ASX Small Ordinaries Accum. Index	-2.0	23.9	-5.7	-5.7	-5.5
Value Added (Detracted)	4.9	4.4	9.4	9.4	9.9

[^]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 Future Impact Small Caps Fund finished the month up 2.9% net of fees, outperforming the benchmark return by 4.9%.
- For the 2019/20 financial year, the Fund has delivered a 3.7% return net of fees, outperforming the benchmark by 9.4% and since inception in May 2019 has delivered a 4.5% p.a. return net of fees, outperforming the benchmark by 9.9% p.a.
- Negative contributors this month included Phoslock Environmental Technologies (-40.2%), Mesoblast (-18.8%) and G8 Education (-14.9%).
- Positive contributors this month included Infigen (+56.7%), Healius (+25.5%), Resmed (+16.1%), Bendigo Bank (+14.0%), Imricor (+12.9%), Cleanaway (+12.8%) and Genetic Signatures (+12.6%).

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

\$1.7 million

Distribution Frequency

Half yearly

Management Cost

0.99% (incl of GST and RITC)

+ performance fee

Inception Date

23 May 2019

Top 5 Portfolio Positions

	IMPQ	Index
CASH	8.65%	0.00%
INFIGEN ENERGY	3.86%	0.48%
INTEGRAL DIAGNOSTICS	3.61%	0.32%
CITY CHIC COLLECTIVE	3.43%	0.30%
STEADFAST GROUP	3.38%	1.52%

Monthly Highlight

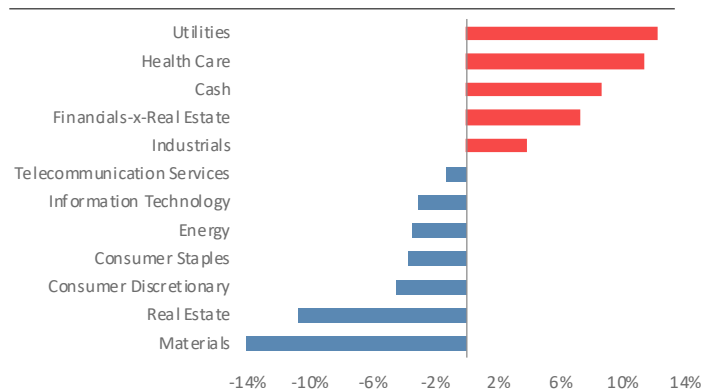
During the month Synlait Milk announced that it had become a Certified B Corporation ("B Corp"). Synlait is the second company in the Trust to satisfy the B Corp requirements in the last 12 months after Kathmandu became a B Corp in September 2019.

The B Corp assessment measures a business's ongoing impact on its workers, community and suppliers, customers, governance and the environment.

Key to Synlait's B Corp commitments are the company's climate change targets. These include off-farm targets of a 50% reduction in carbon dioxide per kg of product by 2028 vs a 2017-18 base year and on-farm targets of a 35% carbon dioxide per kg of milk solids by 2028 and a 30% reduction in methane.

A key aspect of the methane reduction target is the use of methane inhibition food technology incorporating seaweed.

Sector Active Exposure vs Index



Fund Review

The Future Impact Small Caps Fund finished the month up 2.9% net of fees, outperforming the benchmark return by 4.9%.

It is a key goal of the Fund to demonstrate that there is no performance trade-off to invest with a focus on ESG and sustainability. For the 2019/20 financial year, the Fund has delivered a 3.7% return net of fees, outperforming the benchmark by 9.4% and since inception in May 2019 has delivered a 4.5% p.a. return net of fees, outperforming the benchmark by 9.9% p.a.

Negative contributors this month included Phoslock Environmental Technologies (-40.2%), Mesoblast (-18.8%) and G8 Education (-14.9%).

Positive contributors this month included Infigen (+56.7%), Healius (+25.5%), Resmed (+16.1%), Bendigo Bank (+14.0%), Imricor (+12.9%), Cleanaway (+12.8%) and Genetic Signatures (+12.6%).

Water remediation company Phoslock announced a weaker than expected sales forecast as new management took a more cautious approach to revenue forecasts due to the potential impacts of a second outbreak of coronavirus. We used weakness in the stock to modestly increase one of the smaller positions in the Fund. G8 Education was also impacted by concerns over the impact of a “second wave” of COVID-19 cases.

Renewable energy company Infigen Energy received takeover offers from Iberdrola which is a global leader in wind power and also from UAC Energy. UAC’s first offer of \$0.80 has been trumped by Iberdrola’s current \$0.89 bid. This bid has been recommended by the Infigen Board subject to no superior proposal being put forward.

Healius announced that it had agreed to sell the company’s medical centre business to BGH Capital for \$500m, which was a good outcome from a valuation perspective.

Imricor announced that a new iCMR lab has opened at Haga Hospital in the Hague and that two procedures were performed on the opening day. The company also announced that the Dresden Heart Centre in Germany has resumed iCMR procedures using the company’s products after COVID-19 restrictions were lifted.

During the month we exited a number of holdings including Healius, Vista Group and Starpharma. We also trimmed City Chic and Infigen Energy.

We used some of the proceeds to initiate new positions in Smartgroup and Mach7 Technologies. Smartgroup offers salary packaging services with a focus on the healthcare, government and charities sectors. From an ESG viewpoint it has a focus on diversity and staff well-being. The company has a Perennial ESGE Score of 6.8.

Mach7 Technologies operates an enterprise imaging platform that consolidates patient data from disparate archive silos and simplifies sharing and access. This allows healthcare professionals to efficiently access patient diagnostic images and associated data from a range of different sources. During the month Mach7 acquired Client Outlook Inc which will allow it to offer a more comprehensive PACS (picture archiving and communication system) to existing and potential clients in several regions including Asia and North America. The company has a Perennial ESGE Score of 6.2. A key area of engagement with the company going forward will be gender diversity which is often an area for improvement in technology companies.

Fund Activity

At month end the Fund held 41 stocks and cash was 8.7%.

For June, the weighted average Perennial-derived Environmental, Social, Governance and Engagement (“ESGE”) Score of the Fund was 7.2 which is 27% higher than the benchmark ESGE Score of 5.7.

ESG Activity

During the month we sent our annual ESG survey to around 300 ASX listed companies and received the results just before month end. The survey seeks to understand which areas of ESG and sustainability are being focussed on by corporates and how companies are thinking about ESG at a strategic level. Our first glance at the results suggested some interesting outcomes and we will be collating the results and preparing a report on the findings during July.

Over May and June as part of our investment process we wrote to companies in the portfolio to confirm that they do not derive any revenue from our portfolio exclusions including the manufacture, distribution or sale of tobacco or alcohol products; the manufacture, distribution or sale of weapons or armaments; the extraction or sale of thermal coal, uranium, oil or gas; or gambling or betting operations.

During the month we engaged with a number of participants in the Climate Action 100+ group in relation to their approach to climate change scenario analysis.

We also participated in a call with the head of sustainability at “Engaged Improve” holding City Chic Collective. We discussed the company’s approach to supply chain issues, including the company’s Living Wage commitments as well as the sustainability of the company’s products. The company has put considerable work into improving the social outcomes in the company’s supply chain and is now putting greater focus on improving the sustainability of the company’s products.





Sustainable Future and ESG Team

Damian Cottier – Portfolio Manager

Emilie O’Neill – ESG & Equities Analyst

Contact Us

 Level 27, 88 Phillip Street Sydney NSW 2000

 1300 088 660

 hello@einvest.com.au

 www.einvest.com.au

The Responsible Entity is Perennial Investment Management Limited ABN 13 108 747 637, AFSL: 275101. The Investment Manager is Perennial Value Management Limited ABN 22 090 879 904 AFSL: 247293. This report has been prepared by ETF Investments Australia Pty Ltd trading as einvest Australia (“einvest”) ABN: 88 618 802 912, as the corporate authorised representative of Perennial Investment Management Limited. This report is for information purposes only. Accordingly, reliance should not be placed on this information as the basis for making an investment, financial or other decision. This information does not take into account your investment objectives, particular needs or financial situation. While every effort has been made to ensure the information is accurate; its accuracy, reliability or completeness is not guaranteed. Past performance is not a reliable indicator of future performance. The current relevant product disclosure statement can be found at www.perennial.net.au/IMPQ