

eInvest Future Impact Small Caps Fund (Managed Fund)

ASX:IMPQ
MONTHLY REPORT AUGUST 2020

	Month (%)	Quarter (%)	FYTD (%)	1 Year (% p.a.)	Since Inception [^] (%)
eInvest Future Impact Small Caps Fund (Managed Fund)	6.7	10.7	7.5	8.8	10.0
S&P/ASX Small Ordinaries Accum. Index	7.2	6.6	8.7	2.1	1.7
Value Added (Detracted)	-0.5	4.1	-1.2	6.7	8.3

[^]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 had a strong month, up 6.7% net of fees, albeit underperforming the benchmark return by 0.5%.
- Since inception in May 2019, the Fund has delivered a 10.0% p.a. return net of fees, outperforming the benchmark by 8.3% p.a.
- Positive contributors this month included 4D Medical (+104.1%), G8 Education (+28.0%), Telix Pharmaceuticals (+26.9%) and Cleanaway (+23.4%).
- Negative contributors this month included New Energy Solar (-19.0%), Resmed (-13.7%), Imricor (-13.2%) and Synlait (-12.1%).

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

\$2 million

Distribution Frequency

Half yearly

Management Cost

0.99% (incl of GST and RITC)

+ performance fee

Inception Date

23 May 2019

Top 5 Active Positions

	IMPQ	Index
CASH	8.85%	0.00%
INTEGRAL DIAGNOSTICS	4.21%	0.34%
MERCURY NZ	3.31%	0.00%
JANISON EDUCATION GROUP	3.06%	0.00%
KATHMANDU	2.94%	0.13%

Better Future Highlight

4D Medical has been recently added to the portfolio.

4DX is an innovative company focused on commercialising its four-dimensional lung imaging technology.

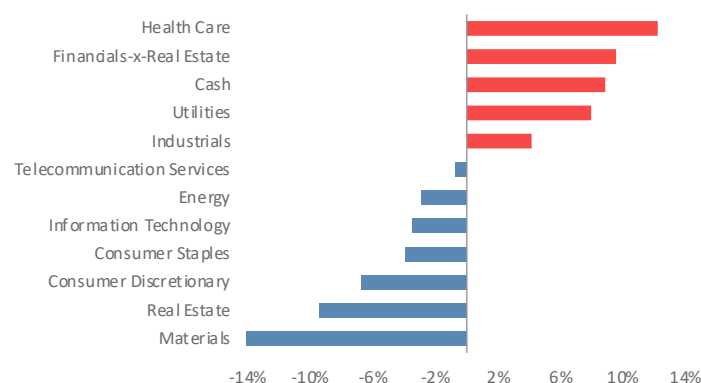
4DX's software has the ability to create a step change in the capacity of physicians to diagnose and manage patients with lung and respiratory disease.

The XV Ventilation product is software that couples traditional X-ray imaging with airflow analysis to identify respiratory deficiencies far earlier and with greater sensitivity in comparison to existing technologies. It also exposes the patient to less radiation and is fully compatible with existing hospital and clinic equipment. This provides benefits to physicians and patients with earlier intervention typically also reducing the cost of care.

4DX has received clearance from the US Food and Drug Administration (FDA) and is now seeking approval in Australia and Europe.

The company is in the process of launching the XV Ventilation product in the US following this approval and is investing in ongoing product development.

Sector Active Exposure vs Index



Fund Review

The Future Impact Small Caps Fund had a strong month, up 6.7% net of fees, albeit underperforming the benchmark return by 0.5%.

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. Since inception in May 2019, the Fund has delivered a 10.0% p.a. return net of fees, outperforming the benchmark by 8.3% p.a.

Positive contributors this month included 4D Medical (+104.1%), G8 Education (+28.0%), Telix Pharmaceuticals (+26.9%) and Cleanaway (+23.4%).

Negative contributors this month included New Energy Solar (-19.0%), Resmed (-13.7%), Imricor (-13.2%) and Synlait (-12.1%).

New Energy Solar announced reduced valuations for the company's solar assets due to the lower electricity price assumptions adopted as part of the annual valuation process. This outcome is disappointing however we continue to see value in the company given the long-term power purchase agreements that it has in place with large institutions such as Stanford University.

Resmed announced a weaker than expected result due to the impacts of COVID-19 on sales. Imricor fell after last month's strong performance but pleasingly announced that the company's sales pipeline is improving as the impact of COVID on the sales process reduces in the company's key European markets. Synlait was impacted by key customer A2 Milk announcing a proposal to acquire a stake in a competing manufacturer to reduce the company's reliance on Synlait in the medium term.

4DX (discussed overleaf) performed strongly after listing during the month. G8 Education announced a better than feared result as occupancy of the company's childcare centres demonstrated gradual improvement in attendance levels.

Telix Pharmaceuticals announced that the FDA had granted orphan drug designation for the company's treatment for multiple myeloma which is a form of blood cancer. This will assist with obtaining further support for development of company's treatment.

In a follow-up to last month's commentary, Mesoblast announced the Oncology Drugs Advisory Committee of the US Food and Drug Administration ("FDA") voted 9 to 1 in relation to the efficacy of the Company's RYONCIL product for the treatment of acute graft versus host disease (aGVHD) in children. aGVHD is a serious condition which typically impacts children who are being treated for leukemia. Following this vote it is likely that the treatment will be approved by the US FDA during September.

During the month we accepted the takeover offer for Infigen Energy and reduced our holdings in City Chic, Cleanaway and Netwealth after strong performance.

We increased our holdings in Calix, Equity Trustees and M7 Technologies as the results presentations of each of the companies suggested that there are interesting growth opportunities ahead.

Fund Activity

At month end the Fund held 41 stocks and cash was 8.85%.

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

ESG Activity

Our ESG activities during the month included:

- We engaged with Meridian Energy to discuss the company's approach to the Tiwai smelter closure including potential new demand for renewable energy from businesses converting from coal fired energy to renewable energy. We also engaged in relation to the circumstances around the regulators preliminary finding of an "undesirable trading situation" in relation to the company's management of the company's hydro assets during flooding in the south island of New Zealand earlier in the year.
- We engaged with Cleanaway after we discovered press reports that they were fined at the Unanderra operation for poor waste practices by the Environmental Protection Agency (EPA) to better understand the issues raised and the steps that it takes to monitor such issues.
- During a management meeting with Netwealth, we asked about their approach to cybersecurity given the increasing frequency of attacks on Australian government and corporates.
- During a meeting with Perpetual Investments, we discussed the company's approach to cybersecurity. We also discussed their plans for the Trillium ESG investment management acquisition earlier in the year.
- We engaged with New Energy Solar in relation to renewable energy demand broadly and the potential for commercialisation of green hydrogen. We also discussed whether they would be able to support green hydrogen if the demand presented itself.
- We engaged with Calix in relation to gender diversity both on the company's board and executive team. The company informed us that it had recently appointed a number of senior female appointments, including as project leader of the company's LEILAC carbon emissions mitigation project in Europe.



Sustainable Future and ESG Team

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