

eInvest Future Impact Small Caps Fund (Managed Fund)

ASX:IMPQ
MONTHLY REPORT OCTOBER 2020

	Month (%)	Quarter (%)	FYTD (%)	1 Year (% p.a.)	Since Inception [^] (%)
eInvest Future Impact Small Caps Fund (Managed Fund)	2.3%	8.2%	9.1%	6.1%	9.9%
S&P/ASX Small Ordinaries Accum. Index	0.5%	4.7%	6.2%	-2.4%	-0.2%
Value Added (Detracted)	1.8%	3.5%	2.9%	8.5%	10.1%

[^]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

- IMPQ was up 2.3% net of fees, outperforming the benchmark return by 1.8%.
- It is a key goal of the Fund to demonstrate that there is no performance trade-off to invest with a focus on sustainability and ESG. Since inception in May 2019, the Fund has delivered a 9.9% p.a. return net of fees, outperforming the benchmark by 10.1% p.a.
- Positive contributors this month included 4D Medical (+35.9%), Limeade (+32.7%) and Resmed (+16.9%).
- Negative contributors this month included Mesoblast (-39.8%), Mach7 Technologies (-15.3%), Calix (-11.7%) and City Chic Collective (-9.6%).

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

\$2.5 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	8.55%	0.00%
IIMRICOR MEDICAL SYSTEMS	4.67%	0.00%
INTEGRAL DIAGNOSTICS	4.22%	0.32%
MERCURY NZ	3.61%	0.00%
JANISON EDUCATION GROUP	3.35%	0.00%

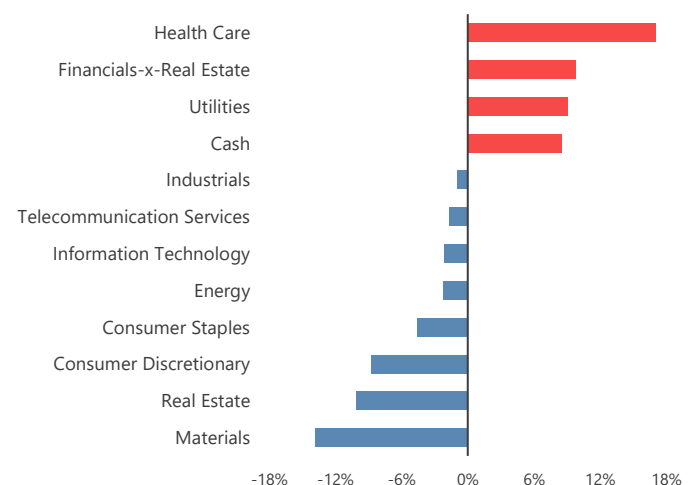
Better Future Highlight

During the month we added CleanSpace Holdings to the portfolio. CleanSpace designs, manufactures and sells respirators that are used for workplace safety in both industrial and healthcare settings.

CleanSpace products were initially developed for industrial users – with the respirators designed to be low-profile, lightweight and re-usable compared to bulkier traditional products. In 2018, CleanSpace launched a series of products directed at healthcare markets and the COVID-19 pandemic has accelerated the company's push into the healthcare markets with the re-usable CleanSpace Halo respirator being a more robust solution than traditional surgical face masks.

In industrial settings, the CleanSpace product is used to protect the respiratory health of workers, including from silica. It is also pleasing to see that women are well-represented on the CleanSpace management team with both the CEO and CFO of CleanSpace being female – something that in our view should more frequently be the case.

Sector Active Exposure vs Index



Fund Review

IMPQ was up 2.3% net of fees, outperforming the benchmark return by 1.8%.

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4D Medical's quarterly update was in line with expectations and the stock continued the strong share price performance from September. Limeade also announced a solid quarterly update in which it maintained revenue guidance and announced improved EBITDA guidance as the company's employee experience software business continues to navigate the challenges and opportunities that COVID-19 presents.

Resmed released a positive quarterly update as demand for the company's core sleep apnea products were less impacted by COVID-19 than expected.

Healthcare software provider Mach7 Technologies was weaker after noting that the ongoing COVID-19 pandemic made it more difficult to predict when new client projects would commence. There was no material news from Calix during the month.

Mesoblast announced that US Federal Drug Administration approval for the company's remestecel-L for the treatment of acute graft versus host disease had been delayed with the FDA recommending that Mesoblast conduct further trials. This was unexpected as the cancer drug expert panel that the FDA had convened to assess the product had generally been supportive of approval, and the FDA typically approves products in these circumstances. As this development was inconsistent with our investment thesis we sold the Fund's position after having generated good returns since the initial purchase.

During the month we also sold out of Envirosuite and Janus Henderson Group. We also reduced our holdings in 4D Medical, AUB Group, Limeade and Sims. We reinvested some of the proceeds into New Energy Solar, Integral Diagnostics, IRESS and Equity Trustees.

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Fund Activity

At month end the Fund held 40 stocks and cash was 8.6%.

For October, the weighted average Perennial-derived Environmental, Social, Governance and Engagement ("ESGE") Score of the Fund was 7.2 which is 30% higher than the benchmark ESGE Score of 5.6.

ESG Activity

Our ESG activities during the month included:

- We met with the Chair of Kathmandu (ASX: KMD). We discussed gender diversity on the board, human capital, the dilutive capital raise during COVID and promotion of the sustainability of the company's products. After the call, the notice of AGM was released, including the remuneration report. We sent an email to the company requesting greater detail on the remuneration report going forward and expressed our preference to implement a say-on-pay vote for shareholders, which is not a requirement for companies with a primary listing in NZ.
- A pleasing result from our engagements occurred during October with Blackmores (ASX: BKL). Early in the month we wrote to the company requesting that they appoint additional females to the board given they did not meet the minimum 30% gender diversity goal of the 30% Club (of which we are a member). Late in the month, the company announced board renewal including appointing a new female chairperson.
- We met with the board of Integral Diagnostics (ASX: IDX). We discussed ESG at length including modern slavery, gender diversity, carbon emissions, staff turnover, succession planning, training and development, cyber security and remuneration.
- New Energy Solar (ASX: NEW) announced the outcome of the company's strategic review, the first stage of which is to seek expressions of interest in the company's two Australian solar assets and we discussed the outcomes of the strategic review with the CEO. Topics included the performance of Australian and US solar assets and the steps the company is taking to reduce the discount to net asset value.



Sustainable Future and ESG Team

Damian Cottier – Portfolio Manager

Emilie O'Neill – ESG & Equities Analyst