

eInvest Future Impact Small Caps Fund (Managed Fund)

ASX:IMPQ
MONTHLY REPORT JANUARY 2021

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	Since Inception [^] (% p.a.)
eInvest Future Impact Small Caps Fund (Managed Fund)	1.5%	19.3%	30.2%	18.5%	20.2%
S&P/ASX Small Ordinaries Accum. Index	-0.3%	13.0%	20.0%	5.4%	7.4%
Value Added (Detracted)	1.8%	6.3%	10.2%	13.1%	12.8%

[^]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 was up 1.5% 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 20.2% p.a. return net of fees, outperforming the benchmark by 12.8% p.a.
- Positive contributors this month included Calix (+46.0%), Australian Ethical (+39.2%), Mach 7 Technologies (+14.8%) and Mercury Energy (+7.3%).
- Negative contributors this month included Control Bionics (-10.6%), 4D Medical (-9.5%) and Iress (-5.7%).

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

\$5.5 million

Distribution Frequency

Annually (if any)

Management Cost

0.99% (incl of GST and RITC)

+ performance fee

Inception Date

23 May 2019

Top 5 Portfolio Positions

	IMPQ	Index
INTEGRAL DIAGNOSTICS	4.21%	0.31%
SPARK NEW ZEALAND	4.03%	0.48%
JANISON EDUCATION GROUP	3.66%	0.00%
IRESS	3.63%	0.81%
CALIX LIMITED	3.05%	0.00%

Better Future Highlight

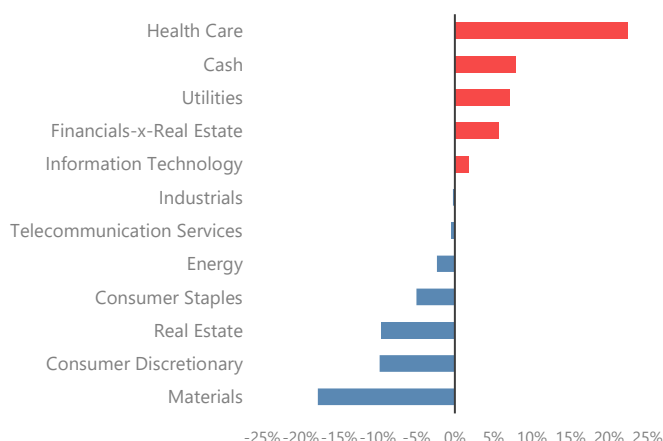
Readers may recall that portfolio company Calix has developed the Low Emissions Intensity Lime and Cement (LEILAC) carbon mitigation technology for use in the cement production process. The lime & cement industry is a large carbon dioxide emitter and represents approximately 8% of global carbon emissions.

Last year the company announced that it had entered into agreements with a number of European parties, including Heidelberg Cement to participate in the LEILAC-2 Project to significantly scale-up the technology

During January, Calix announced that CEMEX, one of the largest cement companies in the world, has joined the LEILAC-2 project. As part of the announcement the Global R&D Head of Cemex said "Amongst the different technologies that we are pursuing, it is one of the most promising technologies to mitigate CO2 emissions in clinker production."

The LEILAC technology is just one aspect of Calix's business. It also has an environmentally friendly, wastewater odour control business and is conducting R&D work in next generation battery technology.

Sector Active Exposure vs Index



Fund Review

The elnvest Future Impact Small Caps Fund has a strong focus on investing in companies that are making a positive contribution to a better future.

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 20.2% p.a. return net of fees, outperforming the benchmark by 12.8% p.a.

This is a pleasing result for investors, particularly as many of the stronger contributors to this return are also making a positive contribution to a better future.

For the month of January, the Fund was up 1.5% net of fees, outperforming the benchmark return by 1.8%.

Positive contributors this month included Calix (+46.0%), Australian Ethical (+38.9%), Mach 7 Technologies (+14.8%) and Mercury Energy (+8.1%).

Negative contributors this month included Control Bionics (-10.6%), 4D Medical (-9.0%) and Iress (-5.6%).

As mentioned overleaf, Calix announced that Cemex, one of the world's largest cement companies had joined the LEILAC-2 Project.

Australian Ethical provided a positive quarterly update. Mach 7 Technologies announced that it had signed a significantly expanded contract for the company's medical enterprise imaging software platform with the Adventist Hospital group which has 22 hospitals on the west coast of the US and Hawaii.

Control Bionics was weaker after a strong performance in December and 4D Medical released a quarterly update which suggest that the company's near-term progress in the US was being impacted by COVID restrictions.

A number of other companies in the portfolio delivered quarterly updates during the month.

Positive updates were delivered by Janison Education, Genetic Signatures and Netwealth, while a number of portfolio companies indicated short term delays to progress due to COVID restrictions in the US and Europe. These companies including EROAD, Fluence, Imricor and Limeade. We expect outcomes for these companies will improve as COVID conditions in the northern hemisphere taper.

After the market's strong run we sought to position the portfolio a little more defensively during the month. To this end, we increased our holdings in telecommunications provider Spark NZ and diagnostic imaging holding Integral Diagnostics. We also increased our holding in Equity Trustees.

Fund Activity

During the month, we reduced our holdings in Telix Pharmaceuticals, Sims Ltd and Australian Ethical after strong recent performance.

At month end the Fund held 41 stocks and cash was 8.0%.

For January, the weighted average Perennial-derived Environmental, Social, Governance and Engagement ("ESGE") Score of the Fund was 7.2 which is 26% higher than the benchmark ESGE Score of 5.7.

ESG Activity

We took advantage of a quieter January to undertake a number of engagement initiatives with our portfolio companies:

- **Gender Diversity:** We sent emails to companies that have less than 30% representation of women on the board, in line with the goals of the 30% Club. We detailed the business benefits of a diverse board and management team, and requested the appointment of appropriately qualified independent female directors to the board. We have had positive engagement responses, particularly from Telix Pharmaceuticals, Charter Hall Social Infrastructure & City Chic.
- **Remuneration & say on pay:** ASX best practice is to place a remuneration report up for shareholder vote. We took the opportunity to write to companies who do not have say on pay vote, typically internationally based companies, to encourage alignment with best practice. We had a positive response from EROAD.
- We had a call with Fluence, the wastewater and reusable water solutions business. We have been engaging with the company for some time on gender diversity on the board and were informed the recruitment was in process. We also discussed the governance of a dual CEO/chairperson role. It was acknowledged that best practice in Australia is to have an independent non-executive chair and we expect this to be addressed in the medium term.



Better Future and ESG Team

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