

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception^ (% p.a.)
Income Distribution	0.5	2.0	0.5	6.6	7.3	6.6	7.3
Capital Growth	2.7	4.4	2.7	4.0	-0.2	0.0	-0.4
Total Return	3.2	6.4	3.2	10.6	7.1	6.6	6.9
Franking Credits [#]	0.3	0.2	0.3	1.8	2.7	2.6	3.0
Income Distribution including Franking Credits	0.7	2.2	0.7	8.4	10.0	9.2	10.3
Benchmark Yield including Franking Credits*	0.0	0.8	0.0	5.7	5.9	5.4	5.5
Excess Income to Benchmark[#]	0.7	1.4	0.7	2.7	4.1	3.8	4.8

^Inception date was 7 May 2018. 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. *Benchmark yield is calculated based on the difference between the return of the S&P/ASX300 Franking Credit Adjusted Daily Total Return Index (Tax Exempt) and return of the S&P/ASX300 Index. #Franking credits are an estimate only, as tax components will only be known with certainty at the end of the financial year. Past performance is not a reliable indicator of future performance.

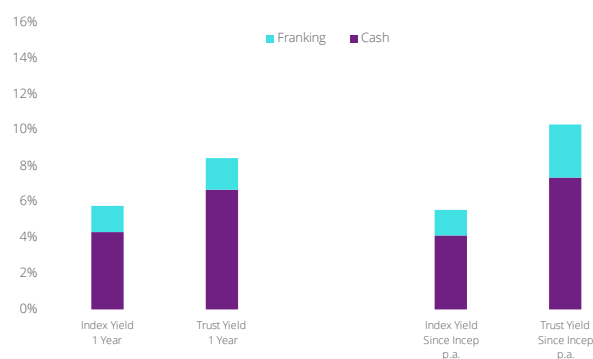
Overview

Markets were mixed in July, with the S&P500 up +1.1%, while the NASDAQ fell -0.8%, as the prospect of rate cuts saw investors rotate from Tech to more cyclical sectors of the market. The UK market rose, with the FTSE100 up +2.5%, while the Nikkei 225 fell -1.2%, and the Shanghai Composite declined -1.0%.

The Australian market was the standout in July, with the ASX300 Accumulation Index rising +4.1% over the month, to have delivered a return of +13.3% over the last 12 months.

The Fund is currently targeting FY25 net monthly distributions of 1.785 CPU. Based on the unit price at the start of the financial year, this equates to an annualised cash distribution yield of 5.6%.

Distribution Yield



Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

Fund Characteristics

The objective of EIGA is to provide investors with an attractive level of tax effective income, paid via monthly distributions. EIGA aims to provide a gross distribution yield, adjusted for applicable franking credits, above that provided by the S&P/ASX300 Franking Credit Adjusted Daily Total Return Index (Tax-Exempt).

Portfolio Manager EIGA FUM
Stephen Bruce \$34 million

Distribution Frequency
Monthly

Inception Date 7 May 2018
Fees 0.80% (incl. of GST and RITC)

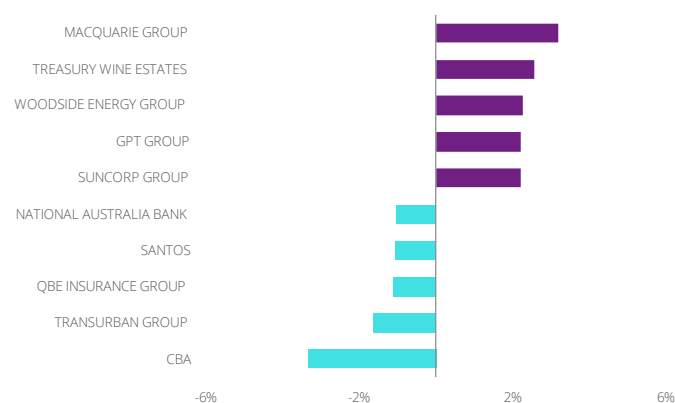
Portfolio Characteristics – FY25	Fund	Market
Price to Earnings (x)	16.3	17.3
Price to Free Cash Flow (x)	12.0	14.1
Gross Yield (%)	5.5	4.6
Price to NTA (x)	2.3	2.7

Source: Perennial Value Management. As at 31 July 2024.

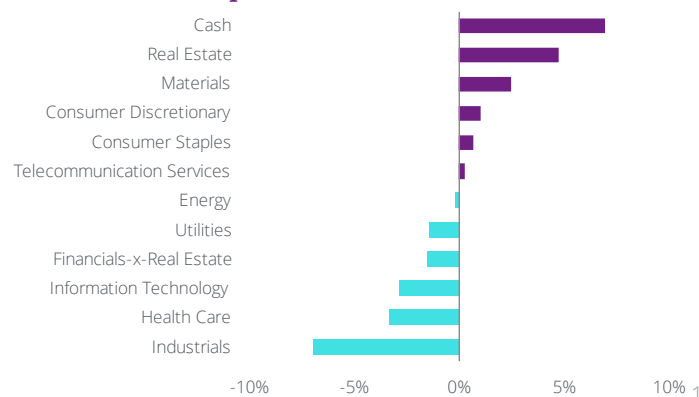
The above figures are forecasts only. While due care has been used in the preparation of forecast information, actual outcomes may vary in a materially positive or negative manner.

Franking Levels (%)			
FY24	60.0	FY21	100.0
FY23	75.5	FY20	100.0
FY22	99.6	FY19	101.4

Top 5 Over / Underweight Positions vs Index



Sector Active Exposure vs Index



Fund Review

The Fund returned +3.4%, including franking credits and after-fees in July, underperforming the benchmark by -0.8%.

More benign inflation data and some evidence of softening in the labour market, has led investors to confidently expect that the Fed will begin to ease rates in September. Cutting rates into a robust economy, combined with ongoing expansionary fiscal policy, saw a rotation in the US out of the mega-cap tech names which have been driving the market's rally since late 2023, and into the more cyclical sectors, which have lagged. This saw the S&P500 outperform the NASDAQ, and small caps make up some ground on large caps.

In Australia, while inflation has fallen significantly, it remains stubbornly above the RBA's target range, and the market is not expecting rate cuts until February next year. However, data suggesting that any further hikes are unlikely, was enough for investors here to similarly factor in a "Goldilocks", soft/no landing scenario, where domestic activity will soon re-accelerate. This optimism saw a rally in domestic cyclicals, and rate-sensitive stocks, with the Consumer Discretionary (+9.0%) and REIT (+6.8%) sectors the stand-out performers.

The banks also continued to grind higher, with the four majors up an average of +6.7%, to be trading at record valuations – despite having negligible earnings growth forecast over the next few years. While the banks are in strong financial shape, increased regulatory capital requirements and intensifying competitive dynamics, mean that the returns on equity generated are down significantly compared to historical levels. It is unlikely that any of these drivers will change materially any time soon.

By contrast, Resources (-1.1%), underperformed, as negative sentiment towards China intensified over the month. Ongoing weak economic data, particularly regarding the property market, combined with disappointment that the Third Plenum meeting failed to deliver a meaningful increase in stimulus measures as well as the threat of increased tariffs from the US. However, despite all the gloom and doom, it's worth noting that the iron ore price still hanging in there at >US\$100/t. At this level, the major miners are printing cash, and if we assume that spot commodity and exchange rates persist for the remainder of the FY25, then BHP, Rio Tinto and Fortescue are trading on an average P/E ratio of 10.8x.

While preferring the resources to banks and discretionary sector has cost us recently, given relative valuations and sentiment, we continue to position the fund this way.

Fund Activity

During the month, we took profits and exited our holdings in gold miners, Newmont and Northern Star. Proceeds were used to establish a position in Wesfarmers. At month end, stock numbers were 29 and cash was 6.9%.

Distribution

In order to provide a regular income stream, the Fund pays monthly distributions. We aim to pay equal cash distributions each month, based on our estimate of the dividend income to be generated over the year. Franking credits, surplus income and any realised capital gains will then be distributed, as per usual, with the June distribution.

Looking to the current financial year, while the economic outlook is more uncertain, most companies are in good financial shape, and are expected to continue to pay healthy dividends. The Fund is currently forecasting a flat monthly net cash distribution of 1.785 CPU. Based on the month end unit price, this represents an annualised cash distribution yield of 5.6%.

Outlook

Globally, inflation continues to moderate, albeit at a slowing pace. However, the consensus view is that US rate cuts will begin in September, and while the timing of cuts has been pushed out, there will be no further rate rises in Australia. As a result, growth will be supported, and a soft landing will be achieved. This would be an excellent outcome. However, history suggests that soft landings are few and far between, so a degree of caution is warranted. Should inflation prove resurgent, then the sentiment could change quickly. Given that much of the market – particularly the Tech sector – is very fully-valued, there is not much margin for error here..

Similarly, while corporate earnings have generally proven resilient to date, outside of the US, there is clear evidence that growth is slowing. In Australia, economic growth has stalled, and the economy has been in a per-capita recession for some time now. While tax cuts will boost disposable income, there are signs the labour market is beginning to soften and there are numerous stress points in the economy. Further, immigration – a key plank of our growth – has become a political issue and is set to be curtailed. This all leaves us cautious on discretionary sectors. This is at odds with the optimism that seems to be factored into the share prices of many consumer-facing stocks.

While Chinese data continues to be weak, sentiment is very poor, and this is now reflected in the prices of many resource stocks.

The Fund continues to offer a higher forecast gross yield than the overall market and, as always, our focus will continue to be on investing in quality companies with strong balance sheets, which are offering attractive valuations and have the ability to deliver high levels of franked dividend income to investors.

Contact us



Level 27, 88 Phillip Street
Sydney NSW 2000



1300 420 094



invest@perennial.net.au



www.perennial.net.au

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