

| | Month (%) | Quarter (%) | FYTD (%) | 1 Year (%) | 3 Years (% p.a.) | 5 Years (% p.a.) | Since Inception^ (% p.a.) |
|---|-------------|-------------|------------|------------|------------------|------------------|---------------------------|
| Income Distribution | 0.5 | 1.5 | 1.5 | 7.0 | 7.5 | 6.7 | 7.3 |
| Capital Growth | 3.3 | 5.9 | 5.9 | 11.6 | 1.6 | 0.6 | 0.1 |
| Total Return | 3.8 | 7.4 | 7.4 | 18.6 | 9.1 | 7.3 | 7.4 |
| Franking Credits [#] | 0.0 | 0.3 | 0.3 | 1.6 | 2.5 | 2.5 | 3.0 |
| Income Distribution including Franking Credits | 0.5 | 1.8 | 1.8 | 8.6 | 10.0 | 9.2 | 10.3 |
| Benchmark Yield including Franking Credits* | 1.0 | 1.8 | 1.8 | 5.9 | 5.8 | 5.4 | 5.7 |
| Excess Income to Benchmark[#] | -0.5 | 0.0 | 0.0 | 2.7 | 4.2 | 3.8 | 4.6 |

^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 continued to advance in September, boosted by a combination of the US Fed cutting interest rates by -50bp and the Chinese government announcing a raft of additional stimulus measures.

The Australian market rose strongly, with the ASX300 Accumulation Index up +3.1% over the month, to have delivered a return of +21.7% over the last 12 months. The Resources sector rally strongly (+11.4%), while defensive sectors tended to underperform, and the banks eased after their recent strong gains.

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%.

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

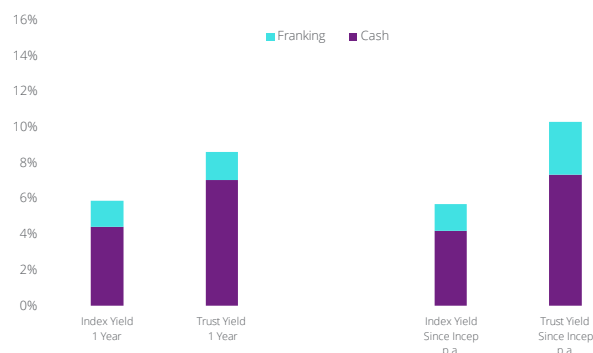
| Portfolio Characteristics – FY25 | Fund | Market |
|----------------------------------|------|--------|
| Price to Earnings (x) | 18.1 | 18.4 |
| Price to Free Cash Flow (x) | 14.9 | 15.8 |
| Gross Yield (%) | 5.2 | 4.6 |
| Price to NTA (x) | 2.6 | 2.8 |

Source: Perennial Value Management. As at 30 September 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.

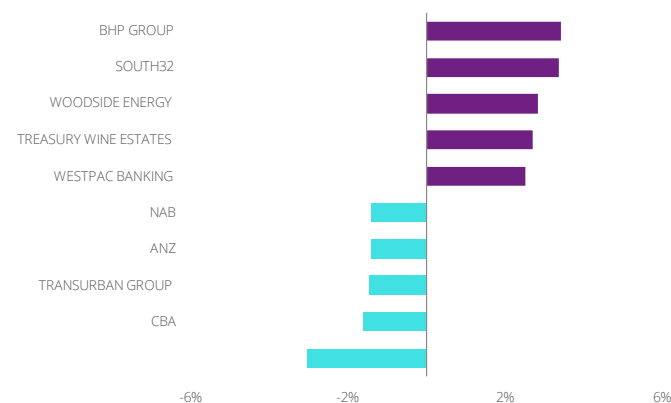
| Franking Levels (%) | | | |
|---------------------|------|------|-------|
| FY24 | 60.0 | FY21 | 100.0 |
| FY23 | 75.5 | FY20 | 100.0 |
| FY22 | 99.6 | FY19 | 101.4 |

Distribution Yield

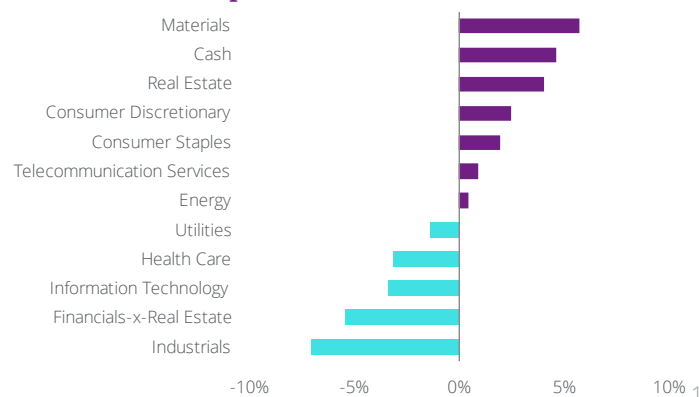


Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

Top 5 Over / Underweight Positions vs Index



Sector Active Exposure vs Index



Fund Review

The Fund returned +3.8%, including franking credits and after-fees in September, outperforming the benchmark by +0.4%.

In September, markets were dominated by two main factors. The first was the Fed's -50bp interest rate cut, which supported both equity valuations, and the "soft landing" narrative. The second was the announcement by the Chinese government of a range of additional stimulus measures. The Chinese economy has been struggling as the government attempts a rebalancing away from property and infrastructure investment, towards new, high-tech industries. However, with severe issues in the property sector, very weak consumer sentiment, and rising unemployment, they have been forced to act more aggressively to support growth.

The Chinese stimulus announcements boosted commodity prices and saw a strong rally in resources stocks. The Fund was well positioned for this, being overweight the sector. The bulk miners all performed strongly, with Fortescue Metals (+18.1%), Rio Tinto (+15.8%) and BHP (+15.5%) all outperforming. We have previously argued that these stocks had been oversold as, even with no recovery in Chinese demand, they were trading on very attractive valuations and generating large amounts of cash. Despite the increase in share prices, this remains the case, with iron ore now once again comfortably over US\$100/t. Base metals producer, South32 (+21.5%), also performed strongly.

Increased positivity towards the Chinese economy saw Treasury Wines (+5.0%) outperform. Following the lifting of tariffs, Treasury is re-establishing sales into the Chinese market, and an improvement in consumer spending should accelerate this process. In addition to the upside from sales into China, Treasury stands to benefit from an ongoing reshaping of their global portfolio, which has seen them divesting their lower-end, commercial wine brands and reinvesting in the premium segment, where greater brand equity results in higher margins. Other strong performers included Aristocrat Leisure (+7.1%), after it successfully sought an injunction against a key competitor, Light & Wonder, for infringing on its intellectual property.

REIT holdings also outperformed, buoyed by the Fed's interest rate cuts. The Fund currently holds an overweight position in the sector, as while the earnings outlook is subdued, the REITs will benefit from falling bond yields.

Financials underperformed over the month, with the major banks easing slightly, after a period of very strong outperformance. We have previously highlighted that the banks were trading at record high valuations, despite facing a very subdued earnings growth outlook, and risk to the downside around credit costs, which have been very low by historical standards, but are now beginning to increase. The Fund remains underweight this sector.

Holdings which detracted from performance included CSL (-6.1%), which fell as people rotated to less defensive names. Energy stocks were also weaker on the back of the lower oil price, with our holding in Woodside (-3.6%) underperforming. The energy sector looks particularly attractive to us at these levels.

Fund Activity

During the month, we reduced our holdings in the banks and increased our holdings in resources and energy. We also exited our holding in Medibank. At month end, stock numbers were 28 and cash was 4.6%.

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. The long-awaited US rate cutting cycle has begun, and this has been well-received by markets. Further, the step-up in Chinese stimulus measures is also positive for the global outlook. While the timing of cuts has been pushed out, there will likely be no further rate rises in Australia. As a result, the consensus view is that a soft landing will be achieved. This would be an excellent outcome. However, history suggests that soft landings are few and far between. Should inflation prove resurgent, then the sentiment could change quickly. In addition, it could be argued that factors such as the AI boom have driven a divergence between valuations and fundamentals, leaving large components of the market very fully-valued. Overall, we feel a degree of caution is warranted.

Corporate earnings have generally proven resilient to date, however, 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, the consumer remains under pressure, and there are numerous stress points in the economy. Further, immigration – a key plank of 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.

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.

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