Perennial Income Generator Active ETF

ASX: EIGA

Monthly Report April 2025

Perennial Partners

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception^ (% p.a.)
Income Distribution	0.5	1.4	4.6	6.2	7.2	6.9	7.1
Capital Growth	2.6	-4.7	-1.8	-0.2	-2.4	4.5	-1.0
Total Return	3.1	-3.3	2.9	6.0	4.8	11.4	6.1
Franking Credits#	0.0	0.0	0.2	0.1	2.0	2.3	2.7
Income Distribution including Franking Credits	**0.5**	**1.4**	**4.8**	**6.3**	**9.2**	**9.2**	**9.8**
Benchmark Yield including Franking Credits*	0.0	1.4	4.1	4.9	5.5	5.5	5.5
Excess Income to Benchmark#	**0.5**	**0.0**	**0.7**	**1.4**	**3.7**	**3.7**	**4.3**

^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

April got off to a poor start, with the "Liberation Day" tariff announcements seeing the markets down sharply. However, as the month progressed, a series of more conciliatory announcements saw a dramatic reversal of sentiment, with most markets rallying, to recover the majority of their losses.

The Australian market followed a similar pattern, with the ASX300 Accumulation Index falling sharply, then rallying strongly to finish the month up +3.6%.

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
Stephen Bruce

EIGA FUM
$33 million

Distribution Frequency
Monthly

Inception Date
7 May 2018

Fees
0.80% (incl. of GST and RITC)

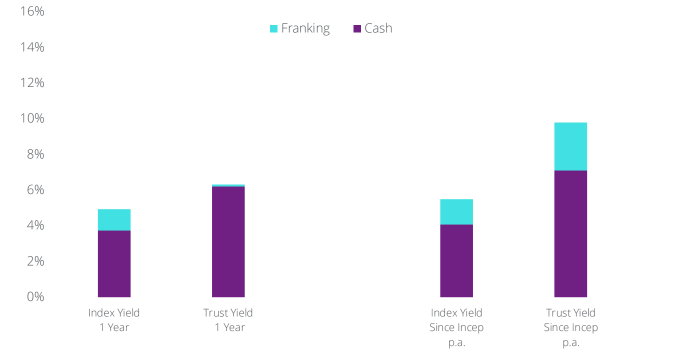
Portfolio Characteristics – FY26	Fund	Market
Price to Earnings (x)	16.5	17.0
Price to Free Cash Flow (x)	13.8	15.1
Gross Yield (%)	5.1	4.7
Price to NTA (x)	2.5	2.6

Source: Perennial Value Management. As at 30 April 2025.

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.

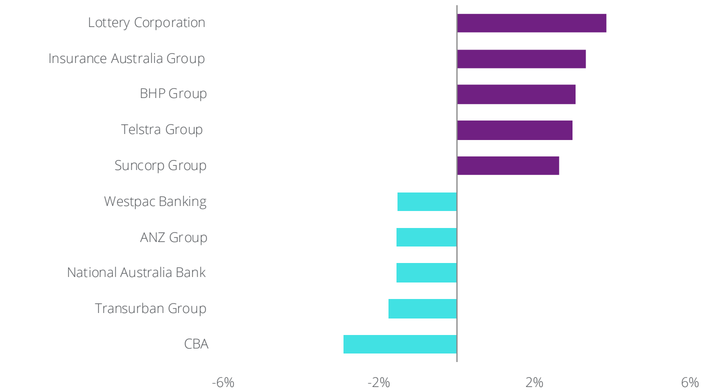
Franking Levels (%)			
FY24	60.0	FY21	100.0
FY23	75.5	FY20	100.0
FY22	99.6	FY19	101.4

Distribution Yield

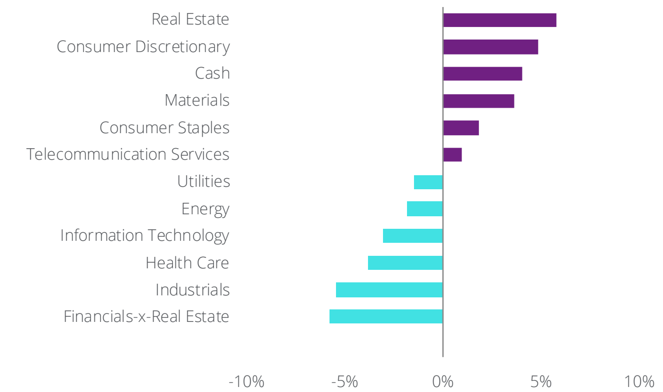


Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

Top 5 Over / Underweight Positions vs Index



Sector Active Exposure vs Index



Fund Review

Market volatility continued in April, as investors reacted to the ever-changing narratives around tariffs and other geopolitical issues. The Fund returned 3.1%, including franking credits and after-fees in April, underperforming the benchmark by -0.5%.

Key positive contributors to performance included Challenger (+17.6%), which rallied on news that a large Japanese insurer had taken a strategic stake in the business, which could potentially be a precursor to a full takeover at some point. REIT holdings, Stockland (+12.0%), Mirvac (+9.1%), Dexus (+6.2%), GPT (+6.2%) and Goodman Group (+5.5%) all outperformed on the prospect of lower interest rates. Lottery Corporation (+9.7%) and Telstra (+7.1%) also outperformed, with their defensive, domestic focus.

The main detractors from performance included the more cyclical and US-exposed holdings such as South32 (-14.6%), Treasury Wines (-8.3%) and James Hardie (-3.8%).

Recent uncertainty has seen many stocks sold off. Looking forward, however, should there be a sensible resolution to the trade and tariff situation – as there almost certainly will be – then the economic backdrop would be far more positive than the share prices of many more cyclical stocks would suggest. In this case, we would expect strong performance from many of our holdings as they re-rate from their current, depressed valuations.

Key holdings where we see significant upside include those exposed to the US economy, such as Treasury Wines. The stock has been sold down on valid concerns over the US consumer. However, Treasury serves the more resilient premium end of the market and, importantly, produces most of the wine it sells in the US in California, so is not impacted by tariffs. The stock is down -23% over the last 12 months, and trading at -20% discount to the market, on an FY26 P/E of only 12x. Historically, this stock has traded on a P/E premium of around +30% to the market. While the short-term macro concerns are valid, and sales of Penfolds into China will not grow the way it used to, it's not hard to see this stock enjoying a very strong re-rating at some point.

Also in the beverage space, and trading on only 12x is Orora, a leading global manufacturer of glass bottles for the wine and premium spirits industry, and the largest producer of cans in Australia. This is an unexciting, but well-run business with an excellent balance sheet, which has historically commanded a premium multiple, and we would expect to see a re-rating as the air clears around imports of spirits from Europe and Mexico into the US.

In the building materials space, we also see significant upside in Reliance Worldwide, whose innovative innovative "Shark bite" push-to-connect fitting, which brings significant efficiencies to plumbing jobs. It also has a large US business, with its products being distributed through over 20k plumbing and hardware outlets, including Home Depot and Lowes.

Fund Activity

During the month, we took profits and reduced our holdings in Challenger and Telstra as well as reducing holdings in Woodside. Proceeds were used to established positions in Reliance Worldwide and Newmont. At month end, stock numbers were 28 and cash was 4.0%.

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

At the time of writing, markets have recovered their "Liberation Day" tariff losses and, while still below February highs, are well off their recent lows. Investors appear keen to buy the market on any signs that tariffs are being walked back and/or trade deals negotiated, particularly on any signs of dialogue between the US and China. Any sustained change in confidence and activity in the US is likely to set the tone for other markets, including ours. Clearly, however, the risks to growth and inflation, as well as the smooth functioning of the global economy in general, have increased markedly. On the positive, Australia seems relatively well-placed, with a moderate 10% tariff on our ~$24bn of annual exports to the US. Further, looking at the composition of our listed market, the overall direct impact on most of our large companies appears to be fairly limited. This is due to them either having a predominantly domestic focus, or limited exports to the US. Of course, the indirect impacts could be significant, as the Australian economy and stock market would not be immune from the effects of a global downturn. While this outcome is not a foregone conclusion, if it did transpire, we would likely see interest rate cuts brought forward by the RBA and other central banks.

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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