

	Month (%)	Quarter (%)	FYTD (%)	1 Year (%)	3 Years (% p.a.)	5 Years (% p.a.)	Since Inception [^] (% p.a.)
Income Distribution	0.5	1.4	4.2	6.2	7.3	7.9	7.3
Capital Growth	2.5	1.6	5.8	3.7	1.6	-0.6	-0.6
Total Return	3.0	3.0	10.0	9.9	8.9	7.3	6.7
Franking Credits [#]	0.2	0.6	1.5	1.9	2.9	3.3	3.1
Income Distribution including Franking Credits	0.7	2.0	5.7	8.1	10.2	11.2	10.4
Benchmark Yield including Franking Credits [*]	0.9	1.7	4.9	5.9	6.0	5.5	5.7
Excess Income to Benchmark[#]	-0.2	0.3	0.8	2.2	4.2	5.7	4.7

[^]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

The global risk rally continued in March. Bond yields eased while economic data remained strong, causing investors to increase their bets that the major developed economies will avoid any meaningful cyclical downturn. The US market was particularly strong, with the S&P500 +3.1% and the NASDAQ +1.8%. The Nikkei 225 returned +2.6%, while the FTSE100 added +4.2%. The Shanghai Composite, by contrast, eased -0.1%, with ongoing negative sentiment to the Chinese outlook. The Australian market also performed strongly, with the ASX300 Accumulation Index rising +3.3%, and having delivered a very strong return of +14.4% over the last 12 months.

The Fund is currently targeting FY24 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 5.0%.

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 - FY24	Fund	Market
Price to Earnings (x)	15.2	16.8
Price to Free Cash Flow (x)	13.0	15.0
Gross Yield (%)	5.5	4.8
Price to NTA (x)	2.1	2.6

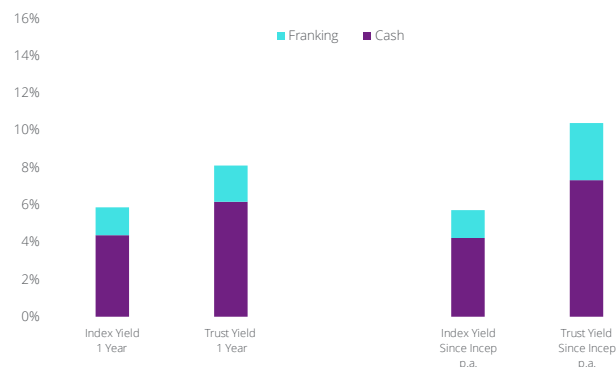
Source: Perennial Value Management. As at 31 March 2024

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 (%)

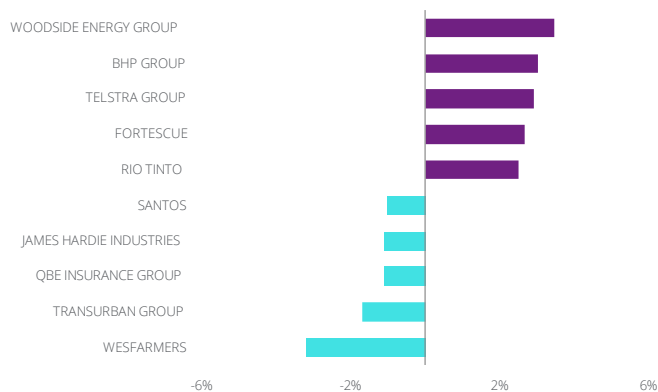
FY23	75.5	FY20	100.0
FY22	99.6	FY19	101.4
FY21	100.0		

Distribution Yield

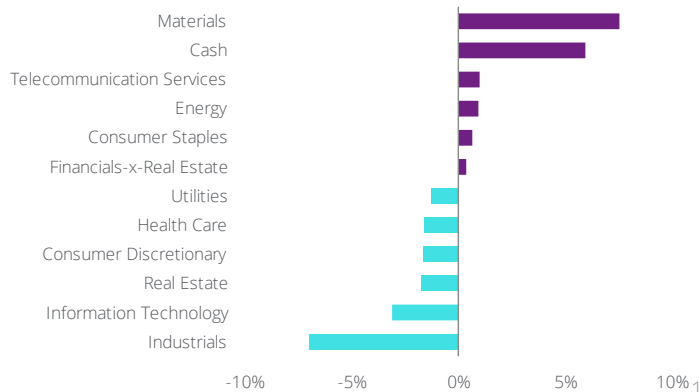


Performance shown net of fees with distributions reinvested. Does not take into account any taxes payable by an investor. Past performance is not a reliable indication of future performance.

Top 5 Over / Underweight Positions vs Index



Sector Active Exposure vs Index



Fund Review

The Fund returned +3.2%, including franking credits and after-fees in March, underperforming the benchmark by -0.3%.

Key contributors to performance over the month included Virgin Money (+35.2%), which rallied after receiving a takeover offer from Nationwide Building Society. The combination of the two businesses would create the UK's second largest provider of mortgages and savings. The Board of Virgin Money have recommended shareholders accept the offer. While we believe that there is potentially more upside to be extracted from Virgin Money over the longer-term, the offer represents a reasonable outcome given the risks around this being realised.

Gold holdings, Newmont (+17.7%) and Northern Star (+13.4%), both performed very strongly over the month, driven by the rally in the gold price, which rose +9% to over US\$2,200/oz. There are several possible drivers of the gold price strength, however, a key one is that Central Banks continue to be significant buyers of physical gold. With escalating geopolitical tensions, many countries are realising that once you get into a fight, your FX reserves aren't quite as secure as gold bars in your own vault. Both of these companies are top-10 global producers, with tier 1 assets and are well-placed to benefit from this strength.

Base metals were also generally stronger over the month, with copper and aluminium both up over +4%. In terms of commodity prices, supply is just as important as demand, and in many commodities, supply is tight. Copper is a good case in point, seeing significant downgrades to global production forecasts. The sum of these cuts is expected to move the market from surplus into deficit this year. This has driven the copper price to over US\$4/lb, which saw our holding in pure-play copper miner, Sandfire Resources (+17.1%), perform very strongly. Fund is also exposed to copper through holdings in BHP (+3.3%), Rio Tinto (+1.6%) and South32 (+1.9%).

Energy stocks, Woodside (+3.6%) and Santos (+9.5%) both outperformed on strength in the oil price, which has been rallying on the escalating conflicts in the Middle East and Ukraine, both of which have the potential to significantly disrupt supply. Notably, while Russian gas exports have been curtailed, crude oil is still traded freely. In response, the Ukrainians have recently begun attacking oil pipeline hubs deep inside Russia.

Other stocks which contributed positively included, Suncorp (+7.1%), with the Insurance sector seeing ongoing positive industry dynamics, and Challenger (+5.6%).

Fund Activity

During the month, we increased our gold exposure by adding to our position in Newmont, whose share price had lagged since its acquisition of Newcrest. At month end, stock numbers were 30 and cash was 5.9%.

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 we expect 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 5.0%.

We do not expect the same level of buy-backs or special dividends in the current year compared to the high levels seen in recent years, as many companies have now restored their balance sheets to their desired gearing ranges.

Outlook

Globally, inflation continues to moderate, albeit at a slowing pace, as while goods inflation has fallen sharply, services inflation is proving more persistent. While the expected timing of interest rate cuts has been pushed out, the consensus view is that rate cuts are coming, 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, the Australian economy continues to look reasonably healthy, boosted by immigration, however, GDP growth is weakening, and per capita GDP growth is negative. While the prospect of RBA interest rate cuts is positive for sentiment and the upcoming tax cuts will also boost disposable income, there are signs the labour market is beginning to soften, leaving us cautious on the consumer.

Despite the Chinese economic woes, demand for most commodities remains healthy and supply is generally constrained. As a result, it would not take much for sentiment to improve significantly towards the sector.

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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