eInvest

eInvest Cash Booster Fund (Managed Fund)
CODE: ECAS
MONTHLY REPORT SEPTEMBER 2020

	Month (%)	Quarter (%)	1 Year (% p.a.)	Since Inception^ (%)
eInvest Cash Booster Fund (ECAS)	0.07	0.23	-	0.81
RBA Cash Rate	0.02	0.06	-	0.39
Excess Return	**0.05**	**0.17**	**-**	**0.42**

^Inception date for the eInvest Cash Booster Fund was 12 November 2019. Performance shown above are net of fees. Fund returns are calculated using net asset value per unit of the underlying fund 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

eInvest Cash Booster Fund

ECAS provides investors with regular monthly income. ECAS invests in APRA regulated Authorised Deposit Taking Institutions as well as a range of high quality, investment-grade bonds and floating rate notes.

Fund Objective

ECAS aims to provide investors a high level of capital stability over the short term, by investing in a diversified portfolio of cash and short-term money market and fixed income securities, and to provide a total return (after fees) that exceeds the RBA Cash Rate by 50 basis points measured annually.

Monthly Highlights

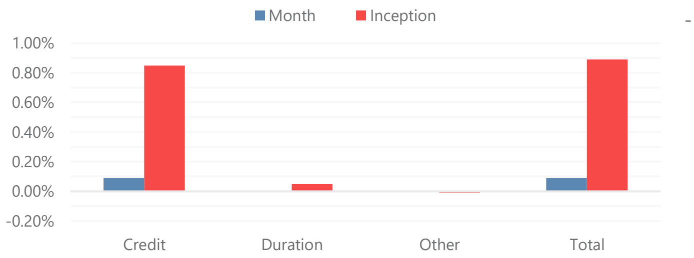
- Performance has been strong, with tighter credit spreads the main driver over both the month and the quarter.
- Our decision to reduce the core duration position across our funds has proven to be sensible, with bond yields rising over the quarter. We expect this to continue.

Fund Facts

Management Cost
0.15% (incl of GST & RITC)

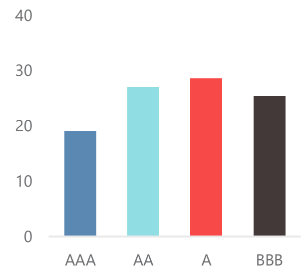
Inception Date
12 November 2019

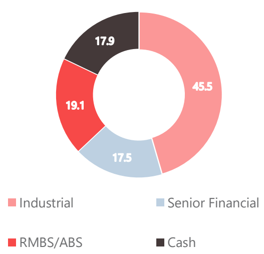
Performance Contributions



Source: Daintree Capital. As at 30 September 2020.

Rating & Sector Exposure





Key Statistics

Modified Duration
0.07

Portfolio Yield
0.57

Average Credit Quality
A-1

Investment Manager

Daintree Capital, the investment manager of ECAS, is a boutique investment manager specialising in the construction of absolute return, income generating portfolios. The firm was nominated as a Finalist for the Money Management Fund Manager of the Year Award in the Emerging Manager category for 2019, and ECAS has a 'Recommended' rating from Independent Investment Research (IIR). Daintree Capital is also a signatory to the United Nations Principles for Responsible Investment.

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Quarterly Fund Review

Despite the equity rally pausing in the month of September, the third quarter saw notable performance from risk assets. Divergence between US technology stocks and the wider US equity market remained a theme, but encouragingly the breadth of equity market performance increased during the quarter across both geographies and sectors.

This 'risk-on' environment has been constructive for credit spreads, and as a result the September quarter was a strong one for performance across the Daintree funds. We have remained cautious with respect to our risk-taking, however, as markets remain jittery going into the US election next month. We think there is a high likelihood that volatility remains elevated in the coming weeks.

Outlook

The strong performance seen across the risk-asset complex in recent months, including the contraction in credit spreads, has defied the fundamental weakness seen in most economies as the recovery from the pandemic continues. Of course, recent growth out-turns have been strong, but this is mostly due to base effects. Output gaps remain wide in most developed markets. As such the momentum-driven upswing came to an inevitable pause in September, amid concerns the US recovery is losing momentum. Fiscal support is fading and there is a low likelihood of further measures prior to the US Presidential election next month. The election itself is another key source of risk for markets and as it comes into focus, market participants are reducing their risk-taking given the potential for a contested outcome. Certainly, this has already been priced in various options markets.

We also think the recent move to higher US treasury yields is driven by the November election. Beyond worries about a contested outcome and associated market uncertainty, it seems some markets are now also considering the possibility of the Democrats winning not only the Presidency, but also both houses a 'clean sweep'. According to Predictit.org, this outcome has become 25% more likely in recent days. Such an outcome would of course have far-reaching implications. One important element would be massive fiscal stimulus which would likely lead to a meaningful growth impulse, a meaningful increase in government debt from already elevated levels, and a meaningful possibility that inflation returns more quickly than anticipated. It is hard to imagine a more negative backdrop for government bond markets, and conversely, we would expect such an outcome to lead to a further boost to equities and credit.

Closer to home, fiscal policy has also taken over the Australian headlines and we believe this will remain the case for the foreseeable future. Personal tax cuts and a business-friendly suite of policies were widely expected and delivered in the Commonwealth budget, but the measures will, at face value, be insufficient to offset the stimulus delivered by the Jobkeeper and Jobseeker packages when these roll off. This is Australia's version of a 'fiscal cliff' and it bears watching, because the economy is still too fragile, in our view, to successfully absorb a tightening in fiscal policy. Of course, expectations as to the multiplier effects of the suite of policies announced remain key, and it could well be that the stimulus that has been delivered accelerates activity sufficiently to cushion the inevitable slowing in growth as current emergency stimulus measures are wound down.

The RBA stands ready to deliver further easing if it is required in this circumstance; indeed, expectations in financial markets around the delivery of such easing in November are already elevated. A further cut in the cash rate to 0.10% would not be sufficient to stimulate much in the way of extra activity by itself, but the potential for this easing to be delivered along with greater volumes of asset purchases, potentially at longer tenors and potentially in state government as well as Commonwealth debt markets, would put further downward pressure on various fixed-term rates in the economy (e.g. fixed mortgage rates) and, importantly, the Australian dollar. Of course, in a world where most developed nations are following similar policies it remains to be seen whether such an impact on the Australian dollar lasts long; our feeling is that it would not. Whilst such a policy would allow a further fiscal expansion (because government debt servicing costs would fall), the US election remains a wildcard. Australian longer tenor bond yields would certainly move higher in sympathy with bond yields in the US and other markets if a democratic clean sweep is delivered. The AUD would likely appreciate as well, certainly versus the US dollar and potentially on a broader trade-weighted basis if commodity prices were to rise. In this sense, we feel that for the moment at least, it is difficult to have confidence around the near-term impacts of the policies delivered thus far by both the Federal government and the RBA, let alone the potential impacts of policies that remain under consideration. Circumstances in the US may work in the opposite direction, frustrating the efforts of local policy makers.

In this environment we believe it makes sense to be prudent in risk-taking. As ever the preservation of capital remains paramount, and we will be keeping a watchful eye on both credit spreads and potential hedges in what will likely be turbulent times ahead.