

Prime Value Equity Income (Imputation) Fund Fund Update – August 2019

- Share markets were softer in August as investors attention were focussed on what appears to be an escalation of China-US tariff war
- The Australian share market posted its first decline after seven consecutive positive months, rallying in the latter part of the month
- The Fund returned -2.6% for the month of August with Resources & Financial sectors lagged in performance

	Total Return*	Growth Return*	Distribution Return*	Total Return including Franking Credits**	S&P/ASX 300 Accumulation Index
Since inception (p.a.)	10.6%	5.4%	5.2%	12.6%	8.4%
10 Years (p.a.)	6.1%	1.8%	4.3%	8.3%	8.5%
5 Years (p.a.)	5.2%	0.9%	4.3%	7.3%	7.9%
3 Years (p.a.)	6.5%	1.8%	4.7%	8.7%	11.3%
1 Year	3.4%	(3.3%)	6.7%	6.5%	9.1%
3 Months	1.8%	(0.2%)	2.1%	2.3%	4.3%
1 Month	(2.6%)	(2.6%)	0%	(2.6%)	(2.3%)

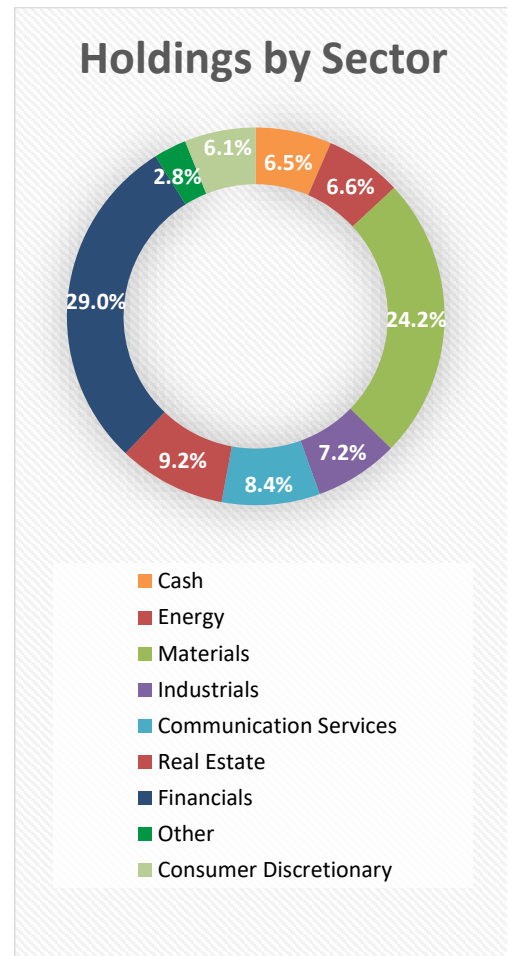
* Fund returns are calculated net of management fees, assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. The returns are calculated before performance fees which are charged against individual accounts. The returns exclude the benefits of imputation credits. Past performance is not necessarily an indicator of future performance.

** Returns grossed up for franking credits are estimates.

Top five holdings	Sector
BHP	Materials
Commonwealth Bank	Financials
Newcrest Mining	Materials
Westpac	Financials
Macquarie Group	Financials

The top five holdings make up approximately 30.3% of the portfolio.

Feature	Fund facts
Portfolio Manager	Leanne Pan
Investment objective	To provide regular tax-effective income, combined with competitive capital growth over the medium to long-term, by managing a portfolio of assets comprised mainly of Australian equities listed on any recognised Australian stock exchange.
Benchmark	S&P / ASX 300 Accumulation Index
Inception Date	20 December 2001
Cash	0 - 30%
Distributions	Quarterly
Recommended investment period	3 + years

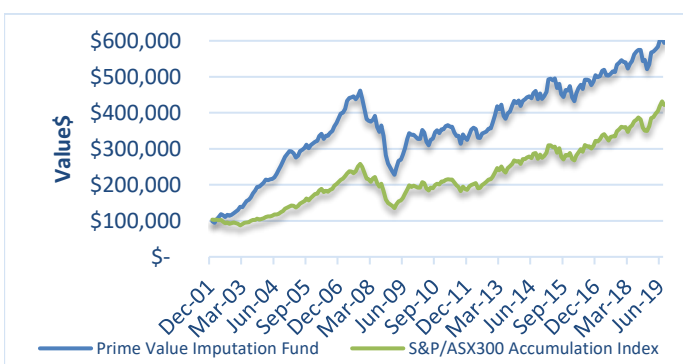


Market review

Markets were soft with DM down by -2.0% in USD terms, and EM slumping by -4.8%. Globally, REITs, Utilities & Consumer Staples led gains, while the Energy, Financials & Materials sectors underperformed. The AUD fell to \$0.674, as iron ore fell \$34.5/t to \$86.5/t. Gold prices surged +\$100.85 amid trade uncertainty. The US 10-year bond yield collapsed to just 1.50%, driving Australian 10-year yields to a record low 0.89%.

Since the December 2018 low, the Australian share market is up close to 25%, making it one of the best performing share markets globally over that period. Several key drivers were evident including a substantial rise in iron ore prices, an unexpected Coalition win, APRA easing mortgage lending requirements and RBA flagged interest rate cuts.

August's volatile results season and geopolitical concerns were enough to break the market's run of seven consecutive months of gains with the ASX 200 falling -2.4% (TR), closing the month at 6604 pts. The final performance print masks the extent how much the index had fallen through August, with a late market rally taking the index return from -5.8% lows to where it finished at -2.4%. Resources were the main drag on returns, with commodity prices dragging the Miners and Energy stocks lower. Iron Ore price fell as much as -29% (from 120 to 86 US\$/t 62% CFR (m/m)) and Brent Crude Oil fell -7.3% to 60 US\$/bbl.



This graph shows how \$100,000 invested at the Fund's inception has increased to \$594,000 (net of fees excluding performance fees). This compares very favourably with the return of the market, where a \$100,000 investment would have increased to \$421,900 over the same period. The returns exclude the benefits of imputation credits.

	Direct Investment (Class A)	Platform Investment (Class B)
APIR code	PVA0002AU	PVA0022AU
Minimum Investment	\$20,000	N/A
Issue price	\$ 2.5600	\$ 2.5606
Withdrawal price	\$ 2.5406	\$ 2.5606
Distribution (30/06/2019)	\$ 0.0530	\$ 0.0545
Indirect Cost Ratio (ICR)*	1.435% p.a.	1.23% p.a.
Performance fee**	20.5%	20.5%

* Unless otherwise stated, all fees quoted are inclusive of GST and the relevant RITC
 ** of performance (net of management fees and administration costs) above the agreed benchmark, subject to positive performance and a high water mark

Fund review & strategy

The fund returned -2.6% for the month, a touch below the market. It was the busy company results reporting time. The share price volatility on the day of the reporting is the highest we have seen. A 20% turnaround (ie down 10%, then up 10%) is not uncommon. Once again, IT and Health sectors were the big performers whereas the Material (Resources, Building Materials and Packaging) and Financial sectors lagged. Fund performance benefitted from our holdings in Newcrest (+3.9%), Event Hospitality & Entertainment (+3.4%) and Noni B (+9.7%) but detracted by BHP (-11%), Woodside (-7.4%) and Rio (-11.4%).

The trade war had moved from rhetoric to reality. Global economic growth has been revised down and commodity prices impacted negatively. Big miners continue to pay good dividends from their strong cashflow but there were no additional capital management initiatives undertaken in this reporting round. When using spot prices, the free cash flow needs to be adjusted downwards, thus it can impact dividends in the future.

We are particularly pleased with Event Hospitality & Entertainment (EVT). The stock has been sold down in recent months on concerns over abundant supply of hotel rooms, modest movie line-up and so forth. They have delivered a reasonable result. Their property holding is valued at around \$2B which is about the same as market cap of the company. In times of uncertainty, companies with strong asset backings offer higher safety margin.

Top Contributors (Absolute)	Sector
Newcrest Mining	Materials
Event Hospitality & Ent	Consumer Discretionary
Noni B	Consumer Discretionary

Top Detractors (Absolute)	Sector
BHP	Materials
Woodside Petroleum	Energy
Rio Tinto	Materials

Platforms
Ausmaq, Beacon, BT Wrap, First Wrap, Hub24, Netwealth, Symetry, Wealthtrac

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