

Prime Value

Equity Income (Imputation) Fund

Fund Update – February 2019

- Global share markets continued to rebound from the weak December quarter. Australia was one of the best performing markets in February
- Banks, resources and technology related sectors led the Australian share market’s strong February performance
- Fund returned 6.2% for the month of February, a touch better than its benchmark

| | Total Return* | Growth Return* | Distribution Return* | Total Return including Franking Credits** | S&P/ASX 300 Accumulation Index |
|------------------------|---------------|----------------|----------------------|---|--------------------------------|
| Since inception (p.a.) | 10.6% | 5.5% | 5.1% | 12.7% | 8.1% |
| 10 Years (p.a.) | 9.5% | 5.3% | 4.3% | 11.8% | 11.0% |
| 5 Years (p.a.) | 5.5% | 1.5% | 4.1% | 7.5% | 7.3% |
| 3 Years (p.a.) | 9.5% | 5.2% | 4.3% | 11.6% | 12.9% |
| 1 Year | 5.1% | (0.2%) | 5.3% | 7.9% | 6.8% |
| 3 Months | 6.6% | 3.9% | 2.7% | 7.9% | 9.9% |
| 1 Month | 6.2% | 6.2% | 0.0% | 6.2% | 6.0% |

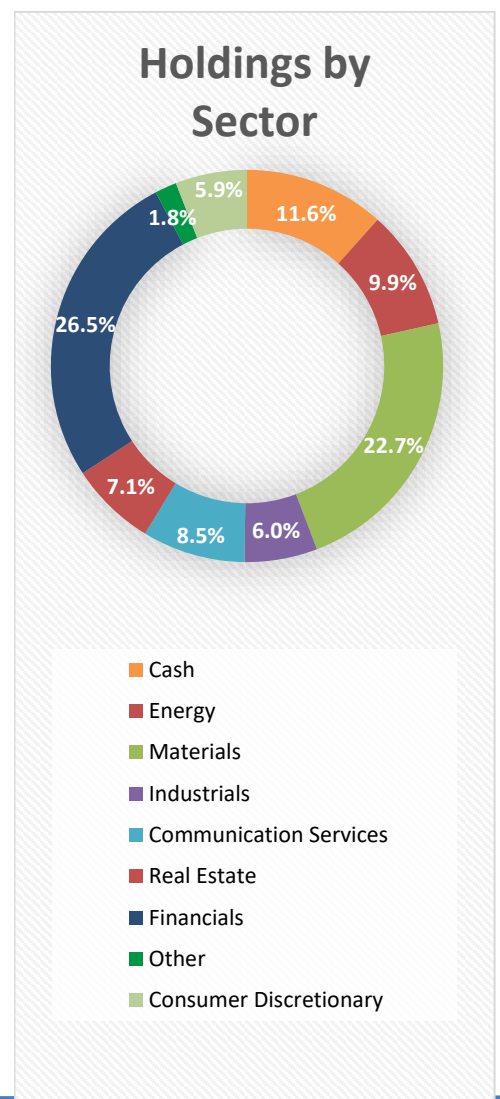
* Fund returns are calculated net of management fees, assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. The returns are calculated before performance fees which are charged against individual accounts. 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 |
| Macquarie Group | Financials |
| Westpac Bank | Financials |
| ANZ Bank | Financials |

The top five holdings make up approximately 31.1% 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

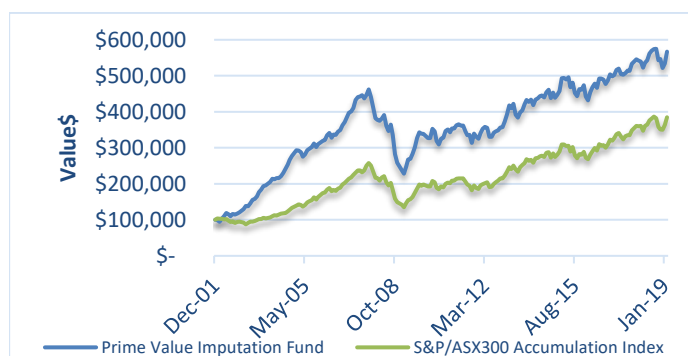
Global markets rallied again in February, with Emerging markets up 1.1% and Developed markets up 3.4%. The ASX 200 rose 6.0% (ASX300 Accumulation Index) and was the best performing major Developed market in local currency terms followed by the Euro Stoxx 50 (+4.4%) and the S&P500 (+3.2%).

Global bonds sold off due to a rise in inflation expectations from higher oil prices. The Australian Dollar fell to \$0.711, driven by the market pricing in a 25 basis point cut from the RBA by early 2020.

Bulk commodity prices were mixed in February, with iron ore up US\$0.50/t to US\$85/t, while thermal coal fell, but hard coking coal rose. Brent oil prices rose US\$4.14/bbl in February to US\$66.03/bbl on falling US inventories. Gold prices fell on a stronger US dollar.

The Australian equity market's 6.0% gain in February backed up the strong January gains to post a cumulative 10.1% return for the first two months of 2019. All sectors posted positive returns in February with the exception of Consumer Staples (-1.5%), whilst the Financials Sector (+9.1%) had its strongest monthly return since October 2011. The Financials sector performance was driven by the Banks, whilst large cap Miners held the fort for the Resources sector.

The Small Ordinaries Accumulation Index rose 6.8% in February. We note that The Small Ordinaries Index is currently trading on a one-year forward PER multiple of 16.8x, an 11% premium to its five-year average.



This graph shows how \$100,000 invested at the Fund's inception has increased to \$567,200 (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 \$385,200 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 | \$ 2.5153 | \$ 2.5160 |
| Withdrawal price | \$ 2.4963 | \$ 2.4970 |
| Distribution (31/12/2018) | \$ 0.0600 | \$ 0.0612 |
| 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

The information contained in this Fund Update is general in nature and has no regard to the specific investment objectives, financial or particular needs of any specific recipient. It is not intended to constitute investment advice or a personal securities recommendation. This document is not a Product Disclosure Statement (PDS) or an offer of units, and contains a brief overview of the investment only. Any prospective investor wishing to make an investment in the Prime Value Equity Income Fund must obtain and read the PDS dated September 2017 (particularly the risk factors discussed) and complete an application form. Neither Prime Value Asset Management Limited nor its associates or directors, nor any other person, guarantees the success of the Prime Value Equity Income Fund, the repayment of capital or any particular rate of capital or income return, or makes any representation in relation to the personal taxation consequences of any investor's investment.

Fund review and strategy

The Fund performed in line with the strong market, arguably a credible performance especially when we held about 10% cash. In absolute terms, contributors included the banks (**Macquarie Group** + 10.4%, **ANZ** +11.8% on better than feared outcomes from the Royal Commission report) and **BHP** (+6.9%). Detractors were more stock specific: Whitehaven Coal (-11.1%, on lower production guidance), Event Hospitality & Entertainment (-2.3%) and SRG Global (-18.9%, a small holding, since sold).

One of the big features in the February reporting season was the capital management activities (special dividends, buybacks etc) undertaken by companies with the aim to distribute the surplus franking credits to the shareholders before any policy change proposed by the potential Labor Government comes into effect. Whilst we expected this, we were still pleasantly surprised by its magnitude (across market caps, size of return etc). Corporates heeded the message.

Australia is going into an election mode for the 3 months or so. Economic activities, consumer spending typically slow down in times like this. We are mindful of any potential policy changes if there is a new government and are careful in how we allocate our risk capital. We continue to look for companies with sustainable dividend and medium term growth prospects. This total return approach to investment continues.

| Top Contributors (Absolute) | Sector |
|-----------------------------|------------|
| Macquarie Bank | Financials |
| BHP | Materials |
| ANZ | Financials |

| Top Detractors (Absolute) | Sector |
|---------------------------|------------------------|
| Whitehaven Coal | Energy |
| SRG Global | Industrials |
| Event Hospitality & Ent | Communication Services |

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

Contact details:

Brittany Shazell, Dora Grieve, Julie Abbott & Serena Shi
 Client Services Team
 Phone: 03 9098 8088
 Fax: 03 9098 8099
 Email: info@primevalue.com.au
 Web: www.primevalue.com.au

Mail:

Prime Value Asset Management Ltd
 Level 9, 34 Queen Street
 Melbourne VIC 3000