

Prime Value

Equity Income (Imputation) Fund

Fund Update – January 2019

- Global share markets started 2019 strongly following the US Federal Reserve’s dovish interest rate guidance
- The Fund returned 2.4% for the month of January, but did not participate in tech sector rally (non dividend paying)
- We expect more capital management initiatives announced by companies in the first half of 2019

	Total Return*	Growth Return*	Distribution Return*	Total Return including Franking Credits**	S&P/ASX 300 Accumulation Index
Since inception (p.a.)	10.3%	5.1%	5.1%	12.3%	7.8%
10 Years (p.a.)	8.4%	4.2%	4.2%	10.6%	9.9%
5 Years (p.a.)	5.0%	0.9%	4.0%	7.0%	7.0%
3 Years (p.a.)	6.5%	2.3%	4.2%	8.6%	10.0%
1 Year	(1.4%)	(6.4%)	5.0%	1.2%	1.1%
3 Months	(1.6%)	(4.1%)	2.5%	(0.4%)	1.4%
1 Month	2.4%	2.4%	0.0%	2.4%	3.9%

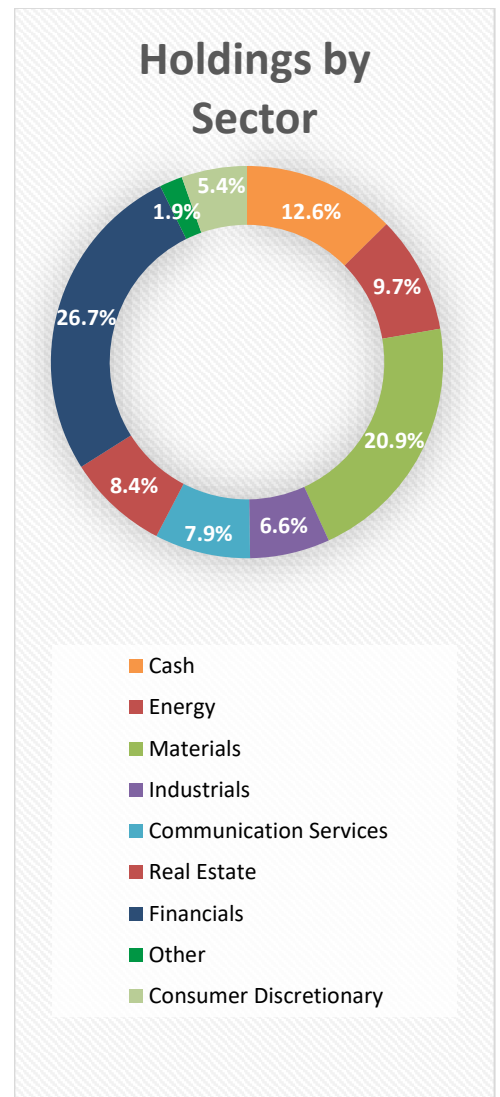
* Fund returns are calculated net of management fees, assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. The returns are calculated before performance fees which are charged against individual accounts.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

Share markets had a positive start to 2019 across the world, following a weak close to 2018. January this year proved to be strongest start to a calendar year since 1987. Emerging markets were up 7.2% and whilst Developed markets were up 7.3%. The US S&P 500 Index led gains (+8.0%), followed by the ASX 200 (+3.9%) and the Nikkei 225 (+3.8%).

Global bonds had a volatile month and rallied hard after a dovish Fed commentary. The Australian Dollar rose to 0.7200. Bulk commodity prices were mixed in January, with iron ore up US\$13.0/t to US\$84.5/t following supply disruptions in Brazil. Brent oil prices rose US\$8.09/bbl in January to US\$61.89/bbl on OPEC cuts and US sanctions on Venezuela.

Within the Australian share market, Energy (+11.5%), IT (+9.3%) and Telcos (+7.8%) sectors outperformed, while Financials (-0.2%), Consumer Staples (+2.8%) and Industrials (+3.1%) underperformed the most. Notably, the rise was very broad-based, with only 17% of the ASX 100 Index ending the month lower.

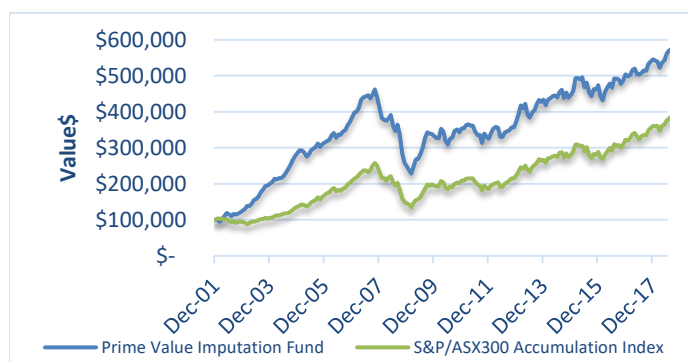
The key to the markets strong performance had been accommodative comments from the US Federal Reserve. The Fed downgraded US economic growth from "strong" to "solid". They also dialled back forward guidance, and "will be patient as it determines what future adjustments" to rates may be appropriate. The statement was more cautious than the market anticipated, highlighting the Fed would hold interest rate for as long as necessary.

Fund review and strategy

The Fund returned 2.4% for the month of January, a relief from the negative December Quarter 2018. Tech sector had a powerful comeback after the sold-off previously. In absolute terms, contributors were Newcrest (+12.1%, gold rally), Macquarie Bank (+7.2%) and Woodside (+9.5%). Detractors were commercial banks including CBA (-3.4%) & Westpac (-1.9%) as the market remained nervous about the outcome of Banking Royal Commission. In the same vein, Sydney Airport (-2.5%) had a negative month as market await the outcome of Productivity Commission report on economic regulation and was concerned on weakness shown in Chinese tourist numbers. In early February, we witnessed the reversal of some of these fears.

As we go into the February reporting season, we expect management commentaries to be cautious. In the last 3 months, we witnessed a number of earning expectation downgrades on the back of weaker housing, retail and investment environment. As a special feature, we also expect companies would look at their capital management strategies (buybacks, special dividends etc) more closely in anticipation of the franking refund changes proposed by the Labor Party. Investors are likely to get some "sugar hit" in the first half of 2019 before things return to normal.

We continue to look for companies with sustainable dividend and medium term growth prospects. This total return approach to investment continues.



This graph shows how \$100,000 invested at the Fund's inception has increased to \$534,200 (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 \$363,400 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	\$ 2.4336	\$ 2.4340
Withdrawal price	\$ 2.4152	\$ 2.4156
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

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Top Contributors (Absolute)	Sector
Newcrest Mining	Materials
Macquarie Group	Financials
Woodside Petroleum	Energy

Top Detractors (Absolute)	Sector
Commonwealth Bank	Financials
Westpac Bank	Financials
Sydney Airport	Industrials

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

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