

Prime Value

Equity Income (Imputation) Fund

Fund Update – July 2019

- Major share markets were mixed in July with good performances in the US and UK offset by weaker north Asian markets due to geopolitical tensions
- The Fund returned 1.4% for the month of July with Resources & Financial sectors lagged in performance
- We continue our Total Return approach to investment (dividend & capital return) for this Fund

	Total Return*	Growth Return*	Distribution Return*	Total Return including Franking Credits**	S&P/ASX 300 Accumulation Index
Since inception (p.a.)	10.8%	5.6%	5.2%	12.9%	8.6%
10 Years (p.a.)	7.3%	2.9%	4.4%	9.5%	9.5%
5 Years (p.a.)	6.1%	1.7%	4.3%	8.2%	8.6%
3 Years (p.a.)	7.4%	2.7%	4.7%	9.7%	11.6%
1 Year	7.0%	0.1%	6.9%	10.1%	13.2%
3 Months	5.8%	3.7%	2.1%	6.4%	8.6%
1 Month	1.4%	1.4%	0%	1.4%	3.0%

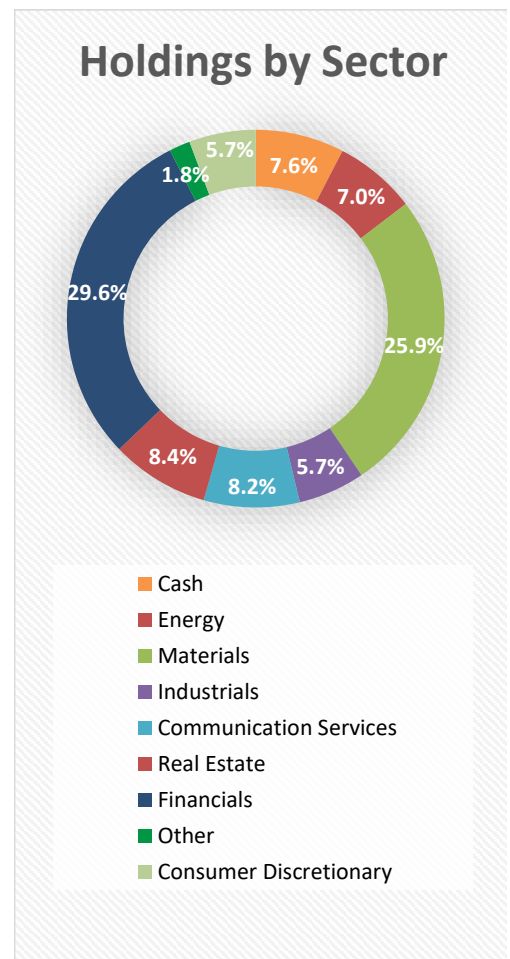
* Fund returns are calculated net of management fees, assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. The returns are calculated before performance fees which are charged against individual accounts.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

The top five holdings make up approximately 32.0% 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



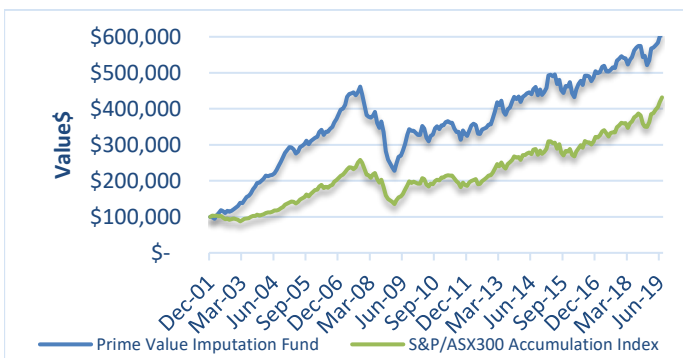
Market review

Global markets were mixed in July, with developed markets up 1.2% month on month in local currency terms, but emerging markets fell 0.9%. In local currency terms, the ASX 200 Index was the best performing major index (+2.9%), followed by the FTSE 100 Index (+2.2%) and S&P 500 Index (+1.4%).

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.

In July, defensive stocks led the Australian market higher. Consumer Staples (+9.5%) were the top performer, with all five ASX 100 constituents outperforming (A2M +23.6%, Treasury Wines +18.6%, Woolworths +7.2%, Coles +6.4% and Coca Cola Amatil +3.9%). Health Care (+5.9%) and IT (+5.0%) were the next best outperformers, while Materials (+1.0%), Energy (+1.7%) and Financials (+1.7%) underperformed. There was a contrast between the double-digit gains for gold stocks and the decline of major iron ore miners. The contrast is interesting, as the gold price was up less than 2% in July while iron ore was up nearly 10% in July.

The US Federal Reserve and RBA cut interest rates by 25bp, with the RBA signalling lower rates for longer. The Australian Dollar fell to \$0.689, despite another \$4.5 per ton lift in iron ore prices to \$121 per ton.



This graph shows how \$100,000 invested at the Fund's inception has increased to \$609,800 (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 \$431,700 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	\$ 2.5363	\$ 2.5365
Withdrawal price	\$ 2.5171	\$ 2.5173
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 return 1.4% for the month. The general market put on a very strong performance especially in the "high growth names". Resources and financial sectors lagged. Contributors were **Newcrest** (+11.3%, strong gold price in midst of low interest rate, global political and trade uncertainties), **Macpherson's** (+54.7%, strategic turnaround delivering strong results) and **Wesfarmers** (+8.4%). The main detractor was Adelaide Brighton (-12.3%). Its earnings downgrade was partly attributed to market environment and partly company specific. We had been a long-term holder of this name with changing weights at different times. We continue to monitor our holding which is less than 2% of the portfolio.

RBA reduced official rate consecutively in June and July by 25 basis points each – for a reason. After the strong performance in July, we again approach equity market with caution especially in the up-coming reporting season. Early signs are there are mixed bags (no surprise) – the unexpected good ones are being rewarded handsomely in share price movements. We continue to assess our investment thesis as information gets updated and adjust portfolio as warranted.

As a strategy, we seek out companies paying sustainable dividend and with medium-term growth potential. In a world of diminishing yield, this Fund with the dual-stream return in the form of distribution income (plus imputation credit) and potential capital growth over time should remain an attractive investment option.

Top Contributors (Absolute)	Sector
Newcrest Mining	Materials
Macpherson's	Consumer Discretionary
Wesfarmers	Consumer Discretionary

Top Detractors (Absolute)	Sector
Adelaide Brighton	Materials
Woodside Petroleum	Energy
Amcors	Materials

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

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