

# Prime Value

## Equity Income (Imputation) Fund

### Fund Update – June 2019

- Equities, bonds and gold rallied strongly in response to central banks’ communication in monetary policy
- The Fund returned 10.2% for FY19 including franking, made up primarily from distribution return. Cash distribution was 16.55 cents per unit and imputation credit was 7.29 cents per unit
- We continue our Total Return approach to investment (dividend & capital return) for this Fund and expect distribution return to be at a more “normal” level in the coming financial year

	Total Return*	Growth Return*	Distribution Return*	Total Return including Franking Credits**	S&P/ASX 300 Accumulation Index
Since inception (p.a.)	<b>10.7%</b>	5.5%	5.2%	<b>12.8%</b>	8.5%
10 Years (p.a.)	<b>7.9%</b>	3.5%	4.4%	<b>10.0%</b>	9.9%
5 Years (p.a.)	<b>6.5%</b>	2.1%	4.3%	<b>8.6%</b>	8.9%
3 Years (p.a.)	<b>8.9%</b>	4.1%	4.8%	<b>11.2%</b>	12.8%
1 Year	<b>7.1%</b>	0.1%	6.9%	<b>10.2%</b>	11.4%
3 Months	<b>5.6%</b>	3.4%	2.1%	<b>6.1%</b>	8.0%
1 Month	<b>3.1%</b>	1.0%	2.1%	<b>3.6%</b>	3.6%

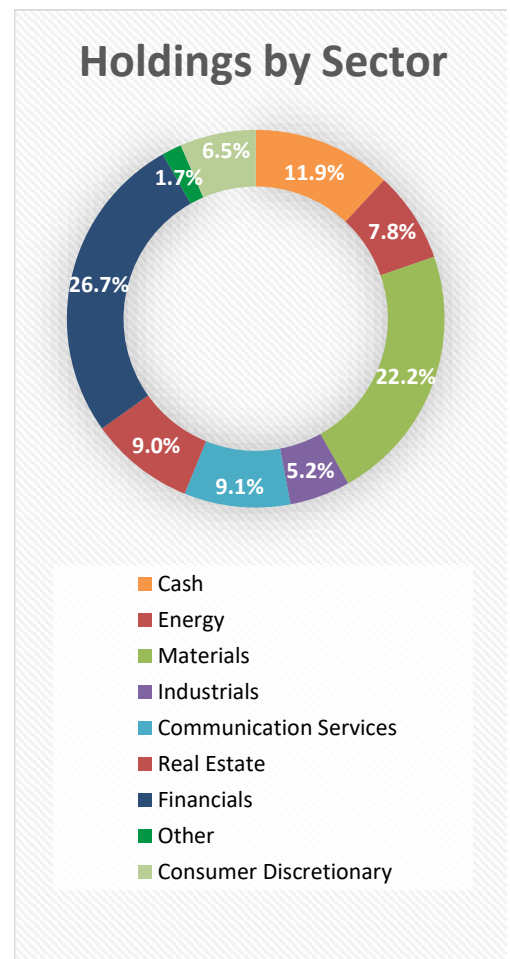
\* Fund returns are calculated net of management fees, assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. The returns are calculated before performance fees which are charged against individual accounts.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

The top five holdings make up approximately 31.8% 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

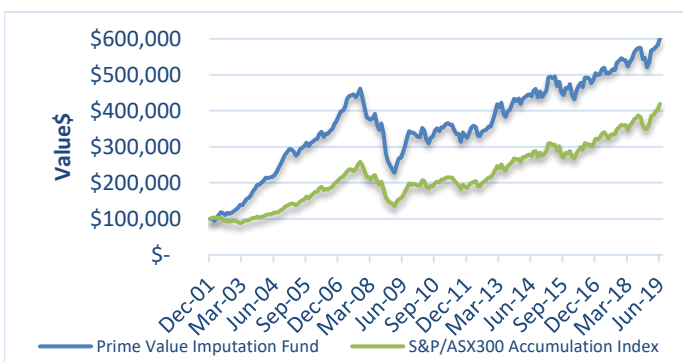


## Market review

Global markets rebounded in June after a sharp sell-off in May, with Developed Markets gaining 6.6% and Emerging Markets rising 6.3% (in US\$ terms). In local currency terms, the rebound was driven by the S&P 500 Index (+7.0%), followed by the Euro Stoxx 50 (+6.0%) and MSCI Asia ex Japan (+5.4%) indices.

Among MSCI developed world global sectors, the cyclical Materials (+10.7%), IT (+8.7%) and Consumer Discretionary (+7.8%) sectors outperformed the most, while the defensive REITs (+2.1%), Utilities (+3.8%) and Communication Services (+4.0%) sectors underperformed the most.

The ASX 300 Accumulation Index recorded a 3.6% rise in June, underperforming the rise in Developed Markets by 2.2%. By sector, Materials (+6.4%), Industrials (+5.4%) and REITs (+4.2%) sector outperformed the most, while Consumer Discretionary (-1.5%), IT (+1.0%) and Energy (+2.1%) underperformed the most. Clearly the most significant event in June was the RBA's decision to reduce the cash rate by 25 basis points. Although the decision was widely anticipated, it was significant as Australia joined other developed economies in loosening its monetary policy to lend support to the economy that is showing. The RBA rate decision, signs of the property market stabilising and a strong resources sector led by strong iron ore prices were key factors in underpinning the Australian market performance in June.



This graph shows how \$100,000 invested at the Fund's inception has increased to \$601,600 (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 \$419,300 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	\$ 2.5916	\$ 2.5720
Withdrawal price	\$ 2.5913	\$ 2.5717
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

FY19 has been a year of 2-halves – a weak 1H followed by an extremely strong 2H. This was partly driven by the global low yield environment. Valuation statistics are showing “record” highs whilst many of the global economic, geopolitical, trade issues are still abound. Domestically RBA's rate cuts and the return of incumbent government seemed to lift investment sentiment. Going into the new financial year, we are mindful of high market valuation and the dispersion of high / low PE names.

The Fund returned a highly tax-effective distribution of 10.2% including franking credits for the year. The distribution component was exceptionally strong as the high cash generating big miners returned excess cash from asset sales to shareholders whilst others critically examined their capital management practices in light of policy change threat. Going into FY20, if the current strong iron ore price holds, we can still expect good dividends from the miners but we do not expect this high level of distribution to continue (especially after tax).

We continue to 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
BHP	Materials
Newcrest Mining	Materials
Goodman Group	Real Estate

Top Detractors (Absolute)	Sector
Nine Entertainment Co.	Communication Services
GTN	Communication Services
Noni B	Consumer Discretionary

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

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