

# Prime Value Equity Income (Imputation) Fund Fund Update – March 2019

- Share markets were broadly positive in March, capping off the best quarterly performance in a decade
- The Fund returned 9.3% for the Quarter or 9.8% including franking credits
- Distribution was 3.25 cents per unit, consist of 2 cents “normal” and 1.25 cents “special”

	Total Return*	Growth Return*	Distribution Return*	Total Return including Franking Credits**	S&P/ASX 300 Accumulation Index
Since inception (p.a.)	<b>10.6%</b>	5.4%	5.2%	<b>12.6%</b>	8.1%
10 Years (p.a.)	<b>8.7%</b>	4.3%	4.4%	<b>11.0%</b>	10.3%
5 Years (p.a.)	<b>5.4%</b>	1.3%	4.1%	<b>7.5%</b>	7.4%
3 Years (p.a.)	<b>7.9%</b>	3.5%	4.4%	<b>10.1%</b>	11.4%
1 Year	<b>9.0%</b>	2.9%	6.0%	<b>11.9%</b>	11.7%
3 Months	<b>9.3%</b>	7.9%	1.4%	<b>9.8%</b>	10.9%
1 Month	<b>0.5%</b>	(0.8%)	1.3%	<b>0.9%</b>	0.7%

\* 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.

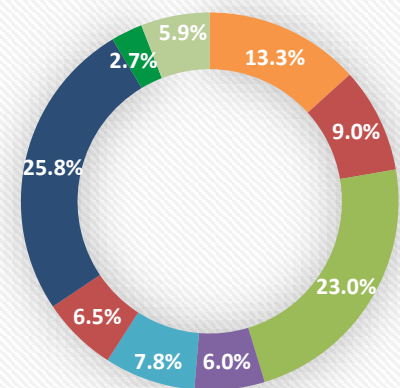
\*\* Returns grossed up for franking credits are estimates.

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 30.5% 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

## Holdings by Sector



## Market review

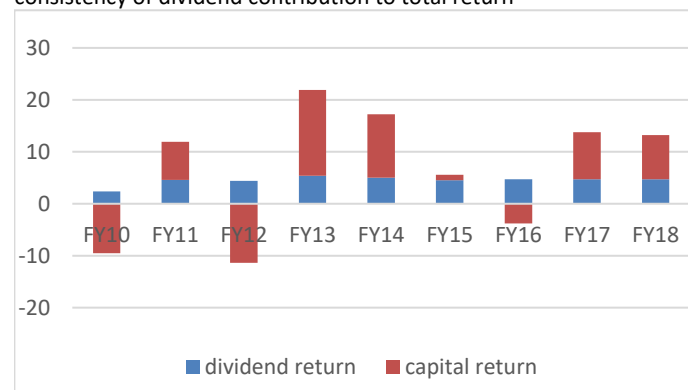
Markets fluctuated through the month trying to balance a view between slowing corporate earnings growth and falling interest rate expectations. However, by month's end, most markets posted gains. With bond yields declining through March, it was no surprise the defensive/yield sensitive REIT and consumer staples sectors outperformed, while the cyclical Financials and Industrials sectors underperformed. The ASX 300 Accumulation Index lagged its global peers but still ended up 0.7% higher. Global bonds rallied hard on a dovish US Federal Reserve, with the yield curve invert for the first time in more than a decade. The Australian Dollar fell to \$0.7100 as markets priced in more than 1½ cuts from the RBA by end 2019. It's noteworthy to highlight that the ASX 300 Accumulation Index rose 10.9% in the March quarter, delivering its best quarterly return for nearly a decade, while the MSCI World Index surged 11.6%.

In commodities, WTI crude rose 5.7%, ending the month at US\$60.14 a barrel, whilst Brent crude rallied 3.1%. WTI rose above \$60 a barrel for the first time in more than 4 months after the US experienced the biggest withdrawal of crude in US storage tanks since last July. Iron ore rose 2.8% to US\$86.9/t as markets positioned for diminished supply in the wake of the Vale tragedy. Gold prices dipped 1.6% as the US Dollar rallied.

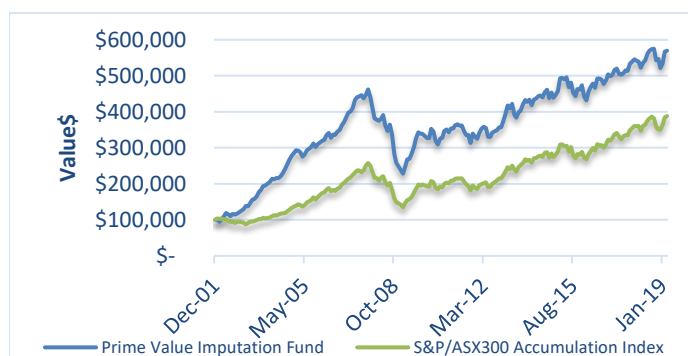
Within the ASX sectors, REITs (+6.2%), Telcos (+4.0%) and Consumer Staples (+3.9%) outperformed, while Energy (-4.1%), Financials (-2.7%) and Utilities (+1.3%) underperformed the most. The ASX Small Ordinaries fell 0.8% with the Small Industrials falling 0.5% compared to the Small Resources Index's decline of 1.8%.

## Fund review and strategy

The Fund returned 9.3% for the March Quarter, or 9.8% including franking. We are again able to deliver another "special" distribution of 1.25 cent per unit for this Quarter, in addition to the normal 2 cents. Franked component is likely to remain high as companies were active in distributing their franking balances in this reporting round. We consider this level of distribution for FY 19 as "abnormal" partly due to companies responding to the well broadcasted potential policy change for the likely incoming government. Having said that, we note that not all investors are impacted the same as many can continue to benefit from franked income. Dividend (franked or unfranked) continues to be a stable part of the total return and the long term "normal" market yield of 4%+ is likely to continue. The chart below illustrates the consistency of dividend contribution to total return



For the month, detractors were the banks as they wrestled with lower credit growth, wealth / mortgage broking businesses reset and some remediation cost. It would be an interesting reporting time in early May for them. Their dividend outlook and the timing of dividend payment will be keenly watched. Contributors were BHP (+3.4%), Newcrest (+4.9%) and Viva Energy Reit (+4.9%, after a successful raising to acquire more properties).



This graph shows how \$100,000 invested at the Fund's inception has increased to \$569,900 (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 \$388,100 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	\$ 2.4985	\$ 2.4984
Withdrawal price	\$ 2.4795	\$ 2.4794
Distribution (31/03/2019)	\$ 0.0325	\$ 0.0337
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
BHP	Materials
Newcrest Mining	Materials
Viva Energy Reit	Real Estate

Top Detractors (Absolute)	Sector
ANZ	Financials
Commonwealth Bank	Financials
Westpac Bank	Financials

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

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