

Prime Value

Equity Income (Imputation) Fund

Fund Update – May 2019

- The Australian share market posted a fifth consecutive positive month, despite falls in all other major share markets
- A combination of the surprise election result, significant fall in bond yields led to a strong gain in Australian share market
- The Fund returned 1.3% for the month, partly detracted by our higher cash holding

	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%	8.3%
10 Years (p.a.)	8.0%	3.7%	4.4%	10.3%	9.9%
5 Years (p.a.)	5.5%	1.4%	4.1%	7.6%	7.8%
3 Years (p.a.)	6.9%	2.5%	4.3%	9.1%	10.6%
1 Year	7.4%	1.5%	5.9%	10.3%	10.9%
3 Months	2.9%	1.5%	1.3%	3.3%	5.0%
1 Month	1.3%	1.3%	0.0%	1.3%	1.7%

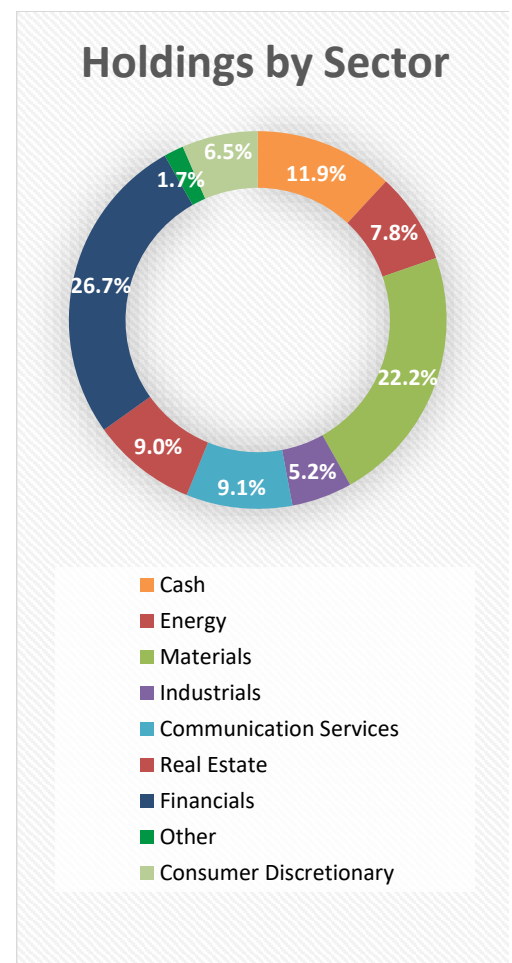
* Fund returns are calculated net of management fees, assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. The returns are calculated before performance fees which are charged against individual accounts.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

The top five holdings make up approximately 29.6% 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

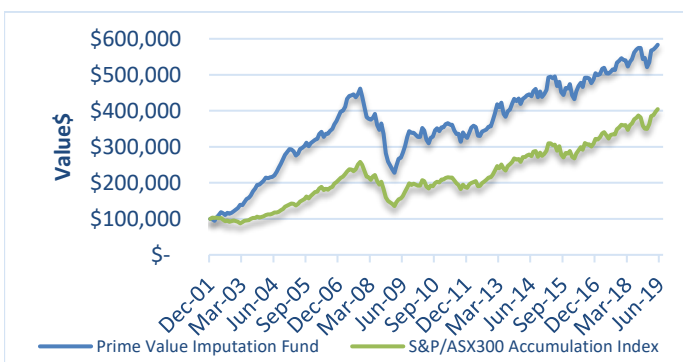


Market review

The ASX300 Accumulation Index closed the month 1.8% higher, while Developed Market and Emerging Markets equity indices fell by 5.7% and 7.2% respectively. The Australian share market benefited from a mid-month rally after the unexpected Federal Election outcome, with the Banks driving returns 9.9% higher. Australian banks received further positive news during the month when APRA proposed to loosen a key lending criteria to mortgage loans. The rotation to Banks and the broader blue chip yield companies and Consumer/Housing cycle plays was short lived within the month, giving back three-quarters of these return into month-end as Australian market was affected by the sentiment of falling global equity returns.

Large caps companies performed better than their small and mid-cap counterparts, whilst the Resources sector performance was mixed across the size-biased indices. The 10 year Australian bond yield fell below the cash rate to 1.46% from 1.79% the previous month. Within the Resources sector, the Metals and Mining companies outperformed its peers due to higher Iron prices, which closed at 9% higher at US\$103.5/t, whilst the Energy sector fell on lower Oil prices, with the Brent oil price closing 11% lower at US\$64.5/bb.

The Australian share market has returned 15.6% so far this year, leading global and regional indices, through strong returns within Materials, Communication Services and Discretionary Sectors.



This graph shows how \$100,000 invested at the Fund's inception has increased to \$583,400 (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 \$404,600 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	\$ 2.5466	\$ 2.5475
Withdrawal price	\$ 2.5274	\$ 2.5283
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

Fund review & strategy

You can never be 100% sure.... A surprised Coalition Party victory pushed the ASX Index to a recent high even though equity market on a whole was very much in a "risk-off" mode. 3 major banks and Macquarie Group reported their results and their dividends were as expected. Contributors (absolute) for the month were Nine Entertainment (+18.8%), CBA (+5.3%) and Newcrest (+8.8%, gold price rally). Detractors were Macquarie Group (-10.6%, a more conservative outlook), Adelaide Brighton (-5.0%, earning downgrades) and Santos (6.2%, weaker oil prices)

During the month, we have participated in Woolworths off-market buyback at a 14% discount. The scale back was close to 85%, so the net impact was rather minimal. Westpac decided to bring forward their dividend payment to this Financial Year (a decision made prior to Election result) as opposed to the usual July timetable. This adds further to what has already been a bonanza year for income distribution.

Our investment strategy remains intact following the Coalition Party win. We continue to value fully franked dividends as we seek a good after-tax outcome for our investors. We do recognise FY19 is an exceptional year for income distribution. Going forward, it is likely to revert to a more normal level. In a world of diminishing yield, this Fund with an average annual distribution income of 4%+ (plus imputation credit) and capital growth over the medium term should remain an attractive investment option.

Top Contributors (Absolute)	Sector
Nine Network	Communication Services
CBA	Financials
Newcrest	Materials

Top Detractors (Absolute)	Sector
Macquarie Group	Financials
Adelaide Brighton	Materials
Santos	Energy

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

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