Prime Value
Equity Income (Imputation) Fund
Fund Update – December 2019

- Global equity markets enjoyed a strong end to the year as trade tensions between China and US ease as a result of a progress in negotiations
- The ASX300 Accumulation Index ended the year on a soft note, down 2.0%, weighed down by banks
- Fund distributed 2 cents cash for December Quarter, making FYTD distribution return of 2.4% including franking

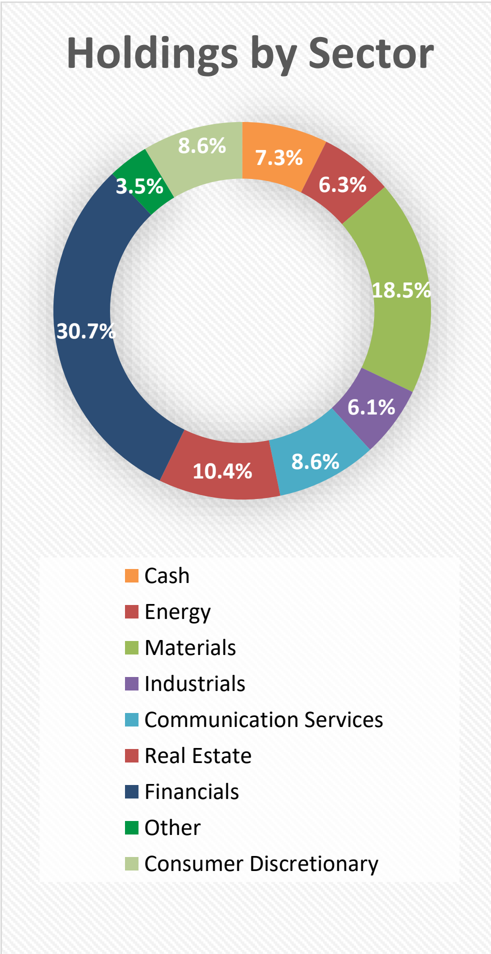
	Total Return*	Growth Return*	Distribution Return*	Total Return including Franking Credits**	S&P/ASX 300 Accumulation Index
Since inception (p.a.)	**10.3%**	5.2%	5.2%	**12.4%**	8.4%
10 Years (p.a.)	**5.4%**	1.2%	4.2%	**7.6%**	7.8%
5 Years (p.a.)	**5.8%**	1.5%	4.3%	**7.8%**	9.1%
3 Years (p.a.)	**5.6%**	0.9%	4.6%	**7.7%**	10.3%
1 Year	**13.7%**	8.3%	5.5%	**15.8%**	23.8%
3 Months	**(1.7%)**	(2.5%)	0.8%	**(1.4%)**	0.7%
1 Month	**(1.7%)**	(2.5%)	0.8%	**(1.4%)**	(2.0%)

* 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
Commonwealth Bank	Financials
BHP	Materials
Macquarie Group	Financials
Goodman Group	Real Estate
National Australia Bank	Financials

The top five holdings make up approximately 30.5% of the portfolio.

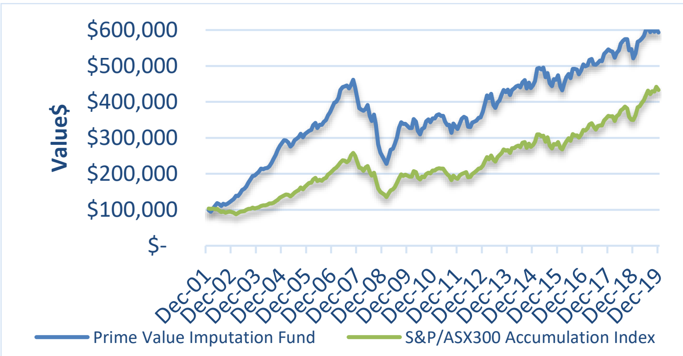
Feature	Fund facts
Portfolio Manager	Leanne Pan
Investment objective	To provide regular tax-effective income, combined with competitive capital growth over the medium to long-term, by managing a portfolio of assets comprised mainly of Australian equities listed on any recognised Australian stock exchange.
Benchmark	S&P / ASX 300 Accumulation Index
Inception Date	20 December 2001
Cash	0 - 30%
Distributions	Quarterly
Recommended investment period	3 + years



Market review

Global equity markets enjoyed a strong end to the year with the MSCI World Index gaining +2.7% in December, taking 2019 gains to +26%, the best year since 2013. The US S&P500 Index was one of the best performing indices, returning +3.0% with the market boosted by the US and China intention to sign a phase one trade deal. This led to optimism that additional increases in tariffs will be averted. We caution that, details are yet to be worked out, and a re-escalation is possible given the volatile feature of Trump's administration and their posturing for re-election in late 2020. Europe's Stoxx50 and Japan's Nikkei indices gained +1.2% and +1.7% respectively. The UK's FTSE100 Index had a strong month gaining +2.8%, boosted by the Conservatives landslide victory in December. We hope this will lead to a sensible resolution to the UK's Brexit situation.

The Australian share market ended 2019 on a soft note, with the ASX300 Accumulation Index falling 2.0% in December, after a strong performance through 2019. Similar to other markets, the share market rally over 2019 made up for losses in 2018 when markets were heavily sold down due to concerns of interest rate hikes against a backdrop of softening economic growth. During this window of 'weakness' the US Federal Reserve subsequently abandoned its rate hike agenda and delivered three 0.25% rate cuts over 2019. Similarly, the RBA also moved to cut interest rates three times in Australia. The market in December was weighed down by weakness primarily in the Financials and Consumer Staples sectors. The IT sector also came under pressure shedding -4%, with Wisetech falling -14% following yet another research firm questioning the company's accounting practices. The Small Ordinaries Accumulation Index fell by a small 0.3%, unencumbered by the declines of larger financial stocks.



This graph shows how $100,000 invested at the Fund's inception has increased to $593,000 (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 $433,000 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	$2.5026	$2.4836
Withdrawal price	$2.5032	$2.4842
Distribution (31/09/2019)	$ 0.0200	$ 0.0210
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 distributed 2 cents cash per unit for the Quarter, making a distribution return for FYTD of 2.4% including franking. Our investors would be aware that the distribution this year is reverting to a more "normal" level after the distribution bonanza in FY19 which had some "one-off" factors and was partly driven by a political scenario.

In the last 6 months, we witnessed the rising of some ASX listed companies with huge global presence. Other than the well-known healthcare companies, one such candidate is Macquarie Group (MQG), one of the Fund's regular top 5 holdings. It broadly fits into this "global growth" category and has generated ROE of 15%+ overtime. Having had a near-death experience during the GFC time (share price dropped from $80 to $20), MQG has refocussed its risk management framework, continued to reinvent itself and adapt their product mix to changing market conditions. The rise of annuity-style business now contributes some 60% of profit, arguably with less risk. Its growth levers are superior to the major commercial banks but it is yielding less at around 4.5%, partially franked. We remain comfortable with our holding.

Macro uncertainties and global conflicts – trade, political, ideology are "given" as we go into the New Year. Facts are: interest rates are lower and equity valuations are higher compared to a year ago. On the domestic front - interest rate and fiscal stimulus should remain constructive for the equity market in the short term. We cannot be totally macro agnostic even though we aim to reduce volatility and seek out companies with sustainable dividends. This is more so when we also take imputation credit (come from paid Australia Tax) into consideration; hence the portfolio invariably is more biased towards domestic companies.

Top Contributors (Absolute)	Sector
BHP	Materials
RIO	Materials
Amcor	Materials

Top Detractors (Absolute)	Sector
Goodman Group	Real Estate
Telstra	Communication Services
Woolworths	Consumer Staples

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

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