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

- Equity markets had a solid month in November driven by optimism of a US-China trade deal and potentially further monetary policy easing in 2020 by the Reserve Bank of Australia.
- Zero holdings in the strong performing Healthcare sector continued to hurt performance.
- We have reduced our bank holdings during the month.

	Total Return*	Growth Return*	Distribution Return*	Total Return including Franking Credits**	S&P/ASX 300 Accumulation Index
Since inception (p.a.)	**10.5%**	5.4%	5.1%	**12.6%**	8.6%
10 Years (p.a.)	**6.0%**	1.6%	4.4%	**8.2%**	8.4%
5 Years (p.a.)	**6.5%**	2.2%	4.3%	**8.7%**	9.9%
3 Years (p.a.)	**7.4%**	2.7%	4.7%	**9.6%**	12.7%
1 Year	**13.3%**	6.0%	7.3%	**16.5%**	26.0%
3 Months	**1.6%**	0.8%	0.8%	**2.1%**	4.7%
1 Month	**1.3%**	1.3%	0%	**1.3%**	3.2%

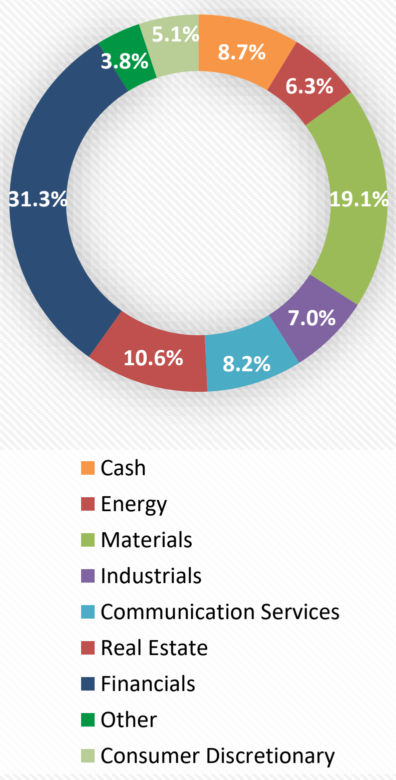
* Fund returns are calculated net of management fees, assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. The returns are calculated before performance fees which are charged against individual accounts. 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 30.4% 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

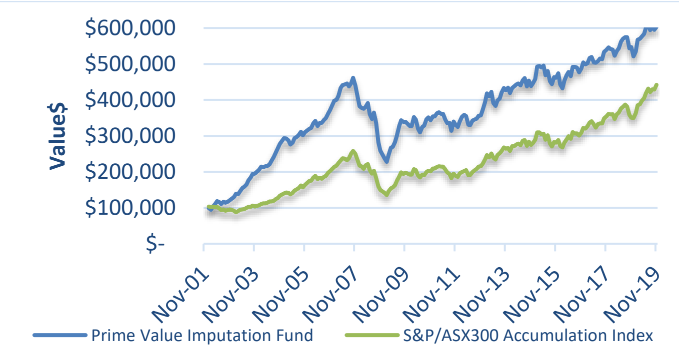


Market review

Global markets rallied in November. Developed markets rose 3.2% in local currency terms, while emerging markets lagged, with a rise of only 0.6%. By index, the S&P500 Index led markets, with a total return of 3.6%, followed by the ASX300 Accumulation Index (+3.2%) and Euro Stoxx 50 Index (+2.8%). The main focus of markets this month was the ongoing trade dispute between the US and China. Early in the month, China raised hopes a deal could be reached to end the trade war after the US agreed to roll back some tariffs. However, the following day, US President Donald Trump announced he was yet to agree to a tariff roll back.

Bulk commodity prices were mixed in November, with iron ore up US$4.0/t to US$87.0/t, but both thermal and hard coking coal fell. Brent oil prices ended the month up US$2.20/bbl to US$62.43/bbl. Gold prices fell $50.80/oz to $1,460.14/oz on the rise of the USD, reduced trade war risks and tentative signs of a recovery in global growth

The ASX300 Accumulation Index rose 3.2%. By sector, IT (+11.0%), Health Care (+8.2%) and Consumer Staples (+8.2%) led the rise in Australia, while Financials (-2.0%), Utilities (-0.6%) and REITS (+2.3%) underperformed the most. Defensives sectors continued to perform strongly. After Technology, and Health Care, Consumer Staples (+8.1%) continued to outperform in a rising market despite high valuations. In Health care, CSL (+10.7%) and Cochlear (+10.6%) were key contributors to the rise. For Consumer Staples, the key positive contributors to the sector outperformance were A2 Milk (+22.7%) and Coca-Cola (+12.1%). Banks lagged. Except for CBA (+2.7%) all the banks in the ASX 100 posted a negative total return in November, with 4 of the 5 worst performers being banks (WBC -10.2%, BOQ -10.1%, NAB -6.6%, BEN -5.8%).



This graph shows how $100,000 invested at the Fund's inception has increased to $603,200 (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 $442,000 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	$2.5230	$2.5038
Withdrawal price	$2.5242	$2.5050
Distribution (30/09/2019)	$ 0.0200	$ 0.0206
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 returned 1.3% for the month. From a sector performance perspective, not investing in healthcare hurts both absolute and relative performance. Big miners recovered some of the losses from previous months when China/US dialogue became more constructive. Detractors were the banks – we have reduced our holdings after capturing the dividends.

A surprising fact of 2019 is the strong equity market despite absence of earnings growth. In this ultra-low interest rate environment, "valuation expansion" became a global theme. Put crudely, despite drop in earnings, investors are happy to pay more. Companies with sustainable growth commanded very high valuation. A number of healthcare names fell into this category – **CSL**, **Resmed**, **Fisher & Paykel**, and **Cochlear**. High tech names with high growth potential also performed – Afterpay, Zip Co. We note the bond yield / dividend yield gap has expanded to some 4%, higher than long term average. We also note that the big miners continue to produce strong free cash flow (i.e. future dividend) and with no big capex plans. Despite their poor share price performance (partly trade war sentiment driven) in the last 6 months, we expect them to continue paying good dividends. As for the other big dividend payers – banks, we have seen enough headlines lately….

On the topic of technology disruptor, the Fund has an indirect exposure via Goodman Group. It started as a small industrial REIT, run by Greg Goodman back in 90s. Industrial assets were considered highly cyclical, low barrier to entry and were not investment-grade assets. How that thinking has changed over-time! With the rise of internet and on-line shopping; smart logistics are now necessity. The once dominant big shopping malls are facing rental decline. Goodman has evolved – with strong partners, now as a fund manager, asset owner, asset manager, developer and with a global footprint. These new structural trends should continue to benefit them.

Top Contributors (Absolute)	Sector
BHP	Materials
Telstra	Communication Services
Amcor	Materials

Top Detractors (Absolute)	Sector
Westpac Bank	Financials
National Aust Bank	Financials
ANZ Bank	Financials

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

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