

Prime Value

Equity Income (Imputation) Fund

Fund Update – April 2020

- Equity markets started to rally aggressively in late March and into April, with monetary stimulus proving effective
- Encouragingly our discussions with companies across numerous sectors indicate that business activity, whilst down, appears to be getting no worse and is poised to recover as economies restart
- Fund returned 8.6% for the month of April

	Total Return*	Growth Return*	Distribution Return*	Total Return including Franking Credits**	S&P/ASX 300 Accumulation Index
Since inception (p.a.)	8.7%	3.7%	5.1%	10.8%	7.2%
10 Years (p.a.)	3.0%	(1.2%)	4.3%	5.2%	5.9%
5 Years (p.a.)	(1.0%)	(5.1%)	4.1%	0.9%	3.5%
3 Years (p.a.)	(3.5%)	(7.9%)	4.3%	(1.5%)	2.0%
1 Year	(19.1%)	(22.8%)	3.7%	(17.5%)	(9.1%)
3 Months	(23.4%)	(24.3%)	0.8%	(23.0%)	(20.4%)
1 Month	8.6%	8.6%	0.0%	8.6%	9.0%

* 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.

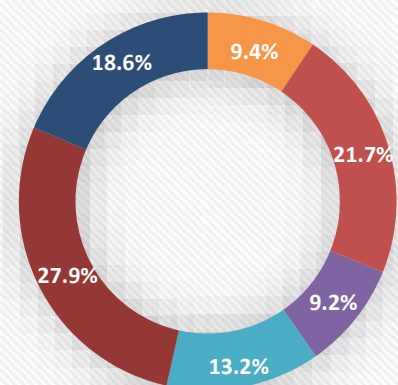
** Returns grossed up for franking credits are estimates.

Top five holdings	Sector
Commonwealth Bank	Financials
BHP	Materials
Macquarie Group	Financials
Goodman Group	Real Estate
Wesfarmers	Consumer Discretionary

The top five holdings make up approximately 33% 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
Suggested Investment Period	3 + years

Holdings by Sector



Market review

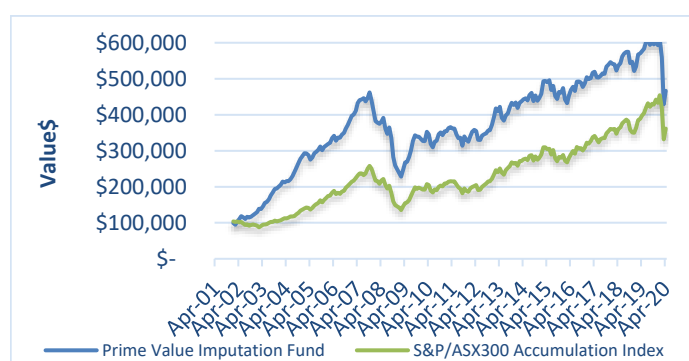
After the negative performance of March, most asset classes globally were largely positive in April. Share markets posted an aggressive recovery during April with most markets posting gains in the high single digits but closer to 20% from the lows seen on 23 March this year. The US was an exception with both the S&P500 and Nasdaq Composite indices up 30% off their lows and up 13% and 15% respectively for the month.

Rising confidence in stimulus measures by governments and central banks saw the ASX300 Accumulation Index rally 9% in April, the best month since 1992. The Australian share market would have been much stronger had it not been for the heavyweight banking sector which closed flat as the major banks reported soft earnings, increased bad debt provisioning, a capital raising, and regulatory headwinds. Towards the end of April focus on economies re-opening and eventual recovery scenarios took hold leading to Small cap stocks outperforming large caps. The Energy and IT sectors led performances, whilst Staples and Utilities lagged.

Following the bounce in April, while no market is ahead of its January 2020 levels (an arbitrary date to nominate as pre-COVID19), some markets are close such as the Nasdaq Composite (-3%), Shanghai Composite (-4%), and Korea Stock Exchange (-8%).

The Australian Dollar rallied 4.3 cents to \$0.655 against the US Dollar, more than 10 cents above the lows of \$0.55 touched in March. The gold price rallied to the highest since 2012. Notably oil prices turned negative for the first time due to production output disagreements between Saudi Arabia and Russia.

After closing out a very strong rebound in the month of April, the focus now moves to sustainability of the stock market rally, valuation multiples and companies' earnings.



This graph shows how \$100,000 invested at the Fund's inception has increased to \$466,300 (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 \$361,600 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	\$1.9461	\$1.9468
Withdrawal price	\$1.9313	\$1.932
Distribution (03/03/2020)	\$ 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 returned 8.6% for the month of April, largely in-line with the general market. Most companies returned positive from a sold-off situation in March. In the midst of this, some \$19 billion has been poured into ASX market through equity raising indicating the perceived value on offer. Whilst this is pleasing, we are mindful the business for a large number of enterprises continues to decline. In addition to short term immediate impacts, companies are challenged to reassess the longer term business assumptions. "What's the shape of the business when we return?" is the question often asked. The market seemed to be pricing a V-shaped recovery, we believe the market is still transitioning, and so is the economy. Having said that, equity market always anticipates and can overshoot either way. Hence it is important to look for mis-priced opportunities for longer term investment returns.

Dividend yield offered by Australian market has contributed to about 50% of the ASX return over the last 50 years or so. Banks traditionally accounted for about a third of the market dividend and we know this has been substantially reduced this year. At the time of writing, NAB has paid a token amount whereas ANZ and Westpac have chosen to defer their dividend decisions till the economic impact from Covid-19 situation becomes clearer. This has been largely anticipated since APRA note banks and insurers should "seriously consider" deferring dividends. Various industry reports estimated the total shortfall in dividends amounts to some \$25 billion for this financial year. We believe this uncertainty will continue into the August reporting season. This obviously has consequences on consumer spending and reinvestment cash. As previously stated, iron ore miners seemed to be less affected for now (thanks to China) and continued to generate strong cashflow which mitigate the possibility of dividend deferment. We are expecting to make distribution to our investors in the June Quarter (the last one for FY20) and will continue to manage the portfolio to deliver income and medium term capital growth.

Top Contributors (Absolute)	Sector
Macquarie Group	Financial
BHP	Materials
Nine Entertainment	Communication Services

Top Detractors (Absolute)	Sector
Insurance Australia Group	Financials
Metcash	Consumer Staples
Westpac	Financials

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

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