Prime Value
Equity Income (Imputation) Fund
Fund Update – May 2020

- Equity markets rallied for a second consecutive month as the number of new CV19 cases globally declined. In addition, economic activity has been improving week-on-week across most sectors through May
- Australia has emerged from the crisis earlier than expected, a key reason driving the ASX300 Accumulation Index higher by 4.6% and the Small Ordinaries Index by 10.5%
- Fund returned 5.7% for the month of April, outperformed market by 1.1%

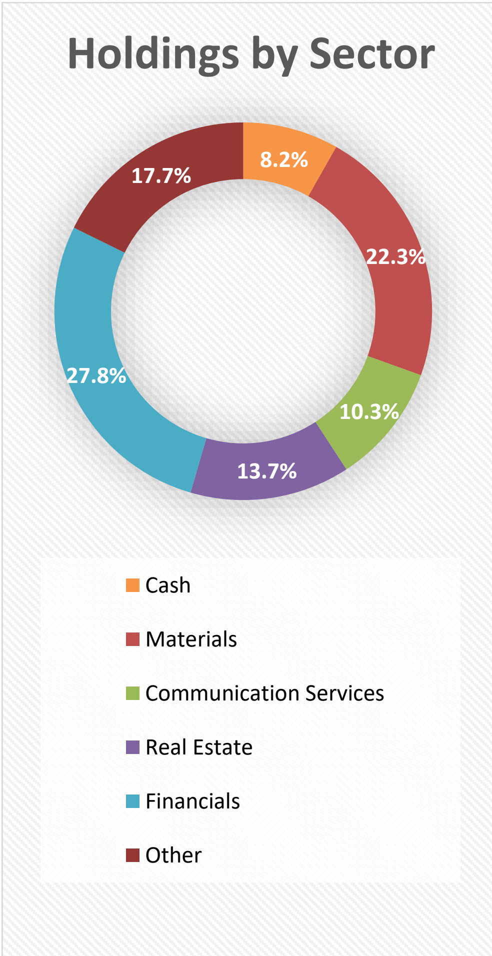
	Total Return*	Growth Return*	Distribution Return*	Total Return including Franking Credits**	S&P/ASX 300 Accumulation Index
Since inception (p.a.)	9.0%	4.0%	5.1%	11.0%	7.5%
10 Years (p.a.)	4.4%	0.1%	4.3%	6.6%	7.2%
5 Years (p.a.)	(0.1%)	(4.2%)	4.1%	1.8%	4.3%
3 Years (p.a.)	(0.8%)	(5.2%)	4.5%	1.3%	4.5%
1 Year	(15.5%)	(19.4%)	3.9%	(13.9%)	(6.5%)
3 Months	(11.9%)	(12.9%)	1.0%	(11.4%)	(9.7%)
1 Month	5.7%	5.7%	0.0%	5.7%	4.6%

* 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 33.6% 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
Suggested Investment Period	3 + years



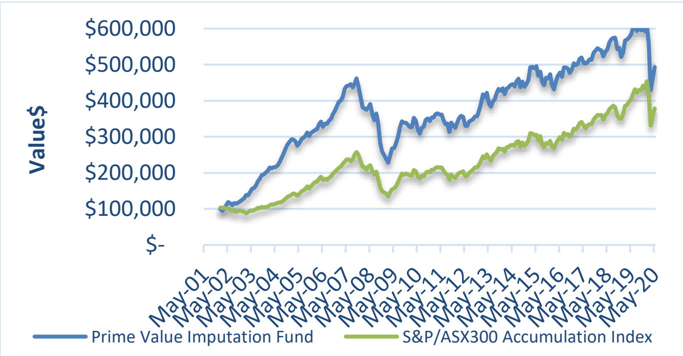
Market review

Rising confidence in government stimulus and a continued easing of lockdown measures saw global markets rally again in May. US stocks rallied throughout May, buoyed by optimism over hopes of a reopening of the economy and easing restrictions, with the S&P 500 Index bouncing 36% off its late March lows, and now just 10% below the record high set in February.

Key global commodity prices staged a recovery in May. Brent oil prices rose a solid US$10.06/bbl to US$35.33/bbl in May, partly driven by the improving global outlook and the lower US Dollar. Iron ore prices also increased substantially, breaching the US$100/t level for the first time in almost a year. The rise in iron ore prices was driven by a combination of robust demand and supply constraints in Brazil. Spot gold finished the month up 2.6%, closing at US$1730.27/oz and surpassing the highest level since October 2012, which was set just last month.

Australian equities also rallied steadily throughout May. The Australian market has rebounded approximately 31% since the March 23 low and remains about 20% below the February high. Gains have been driven by multiple expansion, as investors react to stimulus and position for the recovery in activity as the economy emerges from hibernation. We observe that recent trading updates from a range of listed companies showed that the impact on profits has not as bad as feared. As a result, companies within the finance (including banks), industrial and consumer discretionary sectors (especially small companies) could see earnings expectations revised upwards, and not down, when judged against overly pessimistic forecasts.

The Information Technology sector was the best performing sector over the month, rallying 14.5%, whilst Communication Services increased 8.4%. Health Care and Consumer Staples were the only sectors to close May in the negative, declining 5.3% and 0.4% respectively. For the month of May, the S&P/ASX Small Ordinaries rallied 10.5%, outperforming the S&P/ASX300 Accumulation Index's gain of 4.8%.



This graph shows how $100,000 invested at the Fund's inception has increased to $493,000 (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 $378,000 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	$2.0576	$2.042
Withdrawal price	$2.0586	$2.043
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 5.7% for the month, outperformed the benchmark by 1.1%. The "re-opening trade" continued from an oversold position in March as the fear of a worse Covid19 outcome has eased. The top contributors to performance in May were from our top 5 holdings – **BHP** (+7.1%), **Macquarie Bank** (+7.1%) and **Goodman Group** (+16.9%). Goodman Group is one of the best positioned companies through this CV19 crisis. In an early May update Goodman's management referenced an increase in demand for both temporary and permanent industrial space as e-commerce and pantry stocking accelerated. Medium-term structural tailwinds such as ecommerce, data usage and higher inventory levels have accelerated according to the Goodman's management. Discussions with capital partners remains robust towards prime assets. As a result, the group reaffirmed its FY20 EPS and DPS guidance of 57.3cps and 30.0cps, respectively. Detractors were **Sydney Airport** (-7.1%), **GPT** (-5.6%) and **Monash IVF** (-5.0%, equity issue to shore up balance sheet).

We cautioned that with almost 200 rate cuts globally this year and unprecedented amount of fiscal stimulus, the economy might appear better than what it is. It would be interesting to see how the it goes when all these "helps" fade overtime. Looking back to start of FY20, high market valuation and geopolitical tension between China and US were front of mind. The tension continues and the rhetoric or reality is getting worse especially in this US election year whereas market valuation had gone through some adjustment. Came Covid19, globalisation gave way to self-sufficiency as countries build their own defence in critical services. We are going into FY21 with quite a different mindset. Other than the early "re-opening trade", we continue to discern longer term winners and losers from this crisis and will adjust the portfolio accordingly. From the income distribution perspective, we expect a lower amount (cents per unit) in FY21, all else being equal. This is as a result of companies re-examine their stakeholder interest, re-cast their dividend policy and outlook, in the main a more conservative approach. On a return percentage basis, the Fund should still offer a good competitive income return (plus franking) especially when compared to an almost zero cash rate and with the potential for some capital growth overtime.

Top Contributors (Absolute)	Sector
Goodman Group	Real Estate
BHP	Materials
Macquarie Group	Financials

Top Detractors (Absolute)	Sector
Sydney Airport	Industrials
GPT Group	Real Estate
Monash IVF Group	Health Care

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

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