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

- Global markets recorded another solid rise in July
- The ASX300 Accumulation Index rose 0.6%. Mining stocks were strong performers in July, with the Mining index up 7.1% and gold stocks up 10.4%
- Fund returned 1.8% for the month of July, outperformed benchmark by 120 basis points

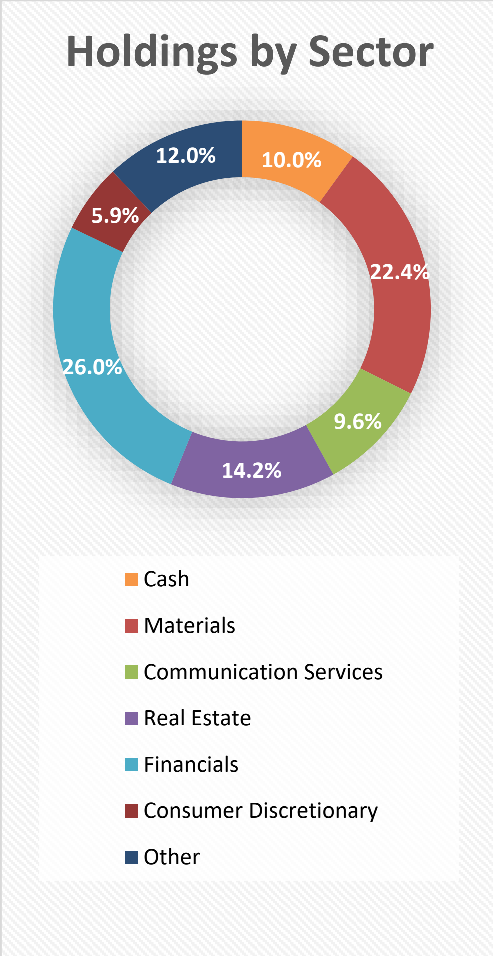
	Total Return*	Growth Return*	Distribution Return*	Total Return including Franking Credits**	S&P/ASX 300 Accumulation Index
Since inception (p.a.)	9.1%	4.1%	5.1%	11.2%	7.6%
10 Years (p.a.)	4.7%	0.3%	4.4%	6.8%	7.3%
5 Years (p.a.)	1.3%	(2.9%)	4.2%	3.3%	5.2%
3 Years (p.a.)	0.3%	(4.3%)	4.6%	2.4%	5.4%
1 Year	(16.0%)	(19.3%)	3.3%	(14.6%)	(9.7%)
3 Months	9.9%	8.4%	1.5%	10.1%	7.8%
1 Month	1.8%	1.8%	0.0%	1.8%	0.6%

* 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 35% 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

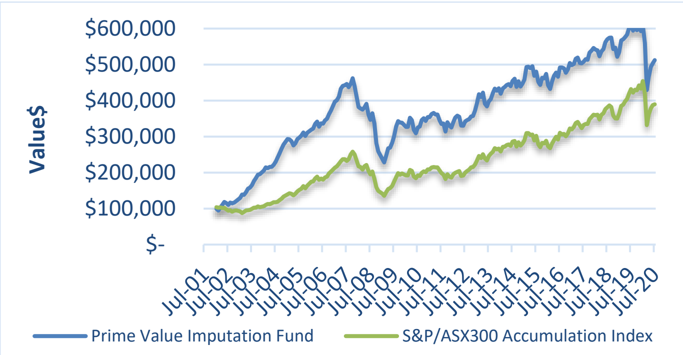


Market review

Global markets recorded another solid rise in July. Most global Developed Market sectors rose, with Materials, Consumer Discretionary and Utilities outperforming, while Energy, Financials and Industrials underperformed. In the US, the S&P500 Index rose 5.5%, while the Nasdaq Index rallied 6.8% to put on a +20% gain calendar year to date. However, share markets fell across the UK (-4%) and Europe (France -3%, Spain -5%) with Germany finishing flat. In no small part were the gains for the US and losses for Europe were a reflection on currency markets where the US dollar suffered one of its biggest monthly declines. The Australian Dollar rose 2.2c to US$0.71, partly due to the rise in iron ore prices to US$109.50 and improving China growth. A falling US Dollar and a more optimistic growth outlook saw oil prices rise modestly. Gold prices surged US$196.8/oz to a record high US$1,964.90/oz. Global bond yields continued to decline in July.

The ASX300 Accumulation Index rose 0.6% in local currency terms, underperforming the Developed Markets World's return of 3.4%. In Australia, Materials (+5.8%), IT (+4.6%) and Communication Services (+3.4%) outperformed the most, while Energy (-6.6%), Health Care (-3.9%) and Industrials (-3.9%) underperformed. In US Dollar terms, the ASX300 Index rose a much more robust 3.8%, but still underperformed the Developed Market average of +4.8%.

Mining stocks were strong performers in July, with the Mining index up 7.1% and gold stocks up 10.4%. The increase was driven by rising commodity prices, with gold +10.3%, copper +6.8% and iron ore +5.0%. The four top gainers in the ASX100 in July were all mining related companies. The strong gains in mining stocks did not appear to be hampered by the rise in the Australian Dollar. The Australian Dollar rose 4.2% in July and has been strengthening since the US Federal Reserve announced QE unlimited in March 2020.



This graph shows how $100,000 invested at the Fund's inception has increased to $512,300 (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 $389,700 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	$2.1093	$2.0933
Withdrawal price	$2.1102	$2.0942
Distribution (30/06/2020)	$0.0283	$0.029
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 1.8% for the month of July as the big miners performed strongly. Key contributors were **Fortescue Metals** (FMG +25.7%, strong iron ore prices), **Goodman Group** (GMG +14.0%) and **Oz Minerals** (OZL, +24.4%). OZL is a copper gold producer / explorer with operations mainly in South Australia. It has a pipeline of projects progressing through build or study phases; aiming to grow into a global copper focused mining company. In the short-term, the Covid-affected short copper supply and the current high gold prices all augur well for this name. Detractors were Event Hospitality & Entertainment (EVT -11.6%, delayed re-opening), Woodside (WPL -7.6%) and Westpac (WBC, -4.8%).

During the month, APRA has written to banks and insurers advising they should maintain caution in planning capital distributions, including dividend payments. We have written in the past on ANZ and Westpac deferring their dividend decision in May. We don't expect that decision to be reversed in their third quarter update (scheduled for August) as Covid economic impact is likely to be worse than first feared (Victoria goes to stage 4 restriction) and bad debt situation remains unclear (government assistance packages roll off at some stage). We understand that Bank of Queensland had effectively "cancelled" their "deferred dividend" in their recent update partly due to the stringent APRA requirement. We however still expect CBA to pay a dividend (albeit a lower amount) in this Half given their stronger financial position.

This August reporting season is one of the most "unknown" seasons for a long while as far as "forward looking" is concerned. Whilst the bad news of Second Half FY20 is largely anticipated, the market with high valuation dispersion is keen to assess any outlook guidance for FY21. We do not expect many companies giving meaningful guidance as there are so many unknowns. For now, we expect the major resources companies to be the main dividend payers based on current commodity prices and their strong free cashflow position.

Top Contributors (Absolute)	Sector
Fortescue Metals	Materials
Goodman Group	Real Estate
OZ Minerals	Materials

Top Detractors (Absolute)	Sector
Event Hospitality	Communication Services
Woodside Petroleum	Energy
Westpac	Financials

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

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