

Prime Value

Equity Income (Imputation) Fund

Fund Update – August 2020

- Global share markets recorded another solid rise in August as expectations of vaccines for COVID 19 build
- The ASX300 Accumulation Index rose 3.0% in August, which was a fifth consecutive positive month, despite news of a second lock down in Victoria
- Fund returned 3.3% for the month of August, slightly ahead of its benchmark

	Total Return*	Growth Return*	Distribution Return*	Total Return including Franking Credits**	S&P/ASX 300 Accumulation Index
Since inception (p.a.)	9.3%	4.2%	5.1%	11.3%	7.7%
10 Years (p.a.)	4.9%	0.5%	4.4%	7.0%	7.7%
5 Years (p.a.)	3.2%	(1.1%)	4.3%	5.2%	7.6%
3 Years (p.a.)	1.0%	(3.7%)	4.7%	3.1%	6.2%
1 Year	(10.9%)	(14.4%)	3.5%	(9.4%)	(4.8%)
3 Months	7.3%	5.9%	1.5%	7.6%	6.2%
1 Month	3.3%	3.3%	0.0%	3.3%	3.0%

* 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.

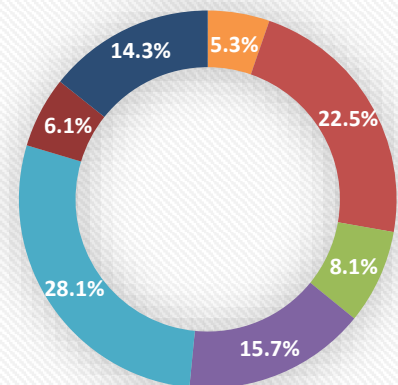
** Returns grossed up for franking credits are estimates.

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

The top five holdings make up approximately 34.1% 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



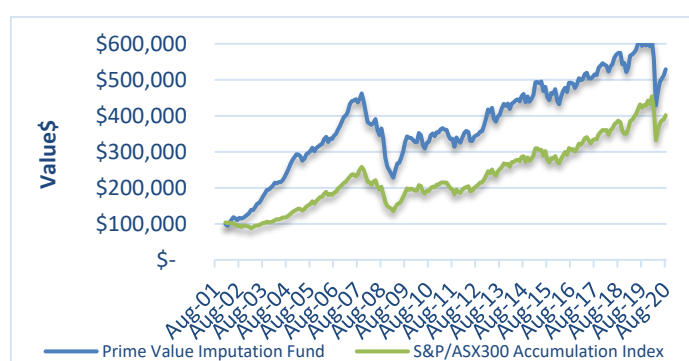
Market review

Global markets were strong in August, with all major indices rising, as positive announcements around vaccine trials, outweighed concerns around increasing COVID 19 infections in many countries. Particularly eye catching was the surge in technology stocks across many markets, including Australia.

Global commodity prices continued their recovery in August. Brent Oil prices rose US\$1.98/bbl to US\$45.28/bbl, partly driven by the improving global economic outlook and a depreciating US Dollar. Iron ore prices rose a further US\$15.00/t to US\$125.00/t on rising demand in China and reduced supply from low cost producers. Gold prices decreased slightly from a record high US\$1,964.90/oz to US\$1,957.35/oz due to the improving global growth outlook. The Australian Dollar rose 3% against the US Dollar in August and is now up 10% over the last year. The strength in the currency will be a headwind to companies with significant revenues in US dollars.

The ASX300 Accumulation Index rose 3.0% in local currency terms, underperforming the Developed Market's World Index return of 6.3%. The August gain was the fifth consecutive month of positive performance for the Australian share market which has rebounded 35% from its COVID 19 sell-off lows in March. During the month, IT (+15.5%), Consumer Discretionary (+8.7%) and REITs (+7.9%) outperformed the most, while Utilities (-4.8%), Communication Services (-3.8%) and Consumer Staples (-0.4%) underperformed.

The highlight of the month was the company reporting season. Against mostly pessimistic expectations, company results were better than expected with great resilience in revenues and/or margins for COVID 19 exposed stocks in Consumer Staples, Building Materials, Discretionary Retail, Gaming, General Industrial and Insurance. From our observations, many companies reported reasonable activity levels as economies progressively re-opened. Also heartening to observe was companies adapting to the dynamic environment by reducing costs, strengthening their balance sheet and some seeking to exploit new opportunities for future growth.



This graph shows how \$100,000 invested at the Fund's inception has increased to \$529,200 (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 \$401,600 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	\$2.1789	\$2.1804
Withdrawal price	\$2.1625	\$2.1638
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

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Fund review & strategy

We have gone through another reporting season. Zoom, Webex, Team were the new normal for result briefing, catching up with management, 1-1 meetings etc. To state the obvious; almost anything IT were the Covid winners – new machines, services, software, e-commerce; plus the umpteen delivery trucks in the streets. Some of these might change our way of life or the way of doing business going forward. In term of our dividend expectations, big miners such as BHP and RIO continued to remain conservative, both not electing to pay special dividends despite their strong financial position. Fortescue (FMG) with a payout ratio of 77% generated a 5% fully franked dividend yield for the Half as iron ore price stayed higher than the long-term average. We had a surprise from ANZ which decided to pay a small dividend (deferred from May reporting). The outlook for the banking sector remained highly uncertain and it is unlikely to be a source of dividend in the near future.

The Fund returned 3.3% for the month, slightly ahead of its benchmark. Key contributors were **Nine Entertainment** (NEC +22.5%, good cost outs and strong digital media performance), **Goodman group** (GMG +8.1%) and **Monash IVF** (MVF +20.9%, essential service well positioned). Detractors were **Telstra** (TLS -13.7%, as market questioned the sustainability of its dividend on reduced earnings expectation), **Newcrest** (NCM -9.1%, volatile gold prices) and **CBA** (-4.1%, price dropped after performing strongly into reporting)

The market is now trading on 19X PE ratio and dividend yield of 3.3%. Industrials is trading on 26X with some tech names trading at high revenue multiple. The very stringent Victoria re-open pathway means the negative economic impact will remain significant. High growth new economy companies are gaining momentum and are ascribed high valuation as they are fast becoming reality, accelerated by Covid.

Top Contributors (Absolute)	Sector
Nine Entertainment	Communication Services
Goodman Group	Real Estate
Monash IVF Group	Health Care

Top Detractors (Absolute)	Sector
Telstra	Communication Services
Newcrest Mining	Materials
Commonwealth Bank	Financials

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

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