

Prime Value

Equity Income (Imputation) Fund

Fund Update – October 2020

- Global share markets moved lower towards the latter part of October as COVID-19 cases mounted against a backdrop of fading US stimulus
- In contrast the ASX300 Accumulation Index rose 1.9% in October aided by a stimulatory Federal Budget, expectations of further monetary stimulus and a resilient domestic economy
- Fund returned 1.5% for the month, a touch below the benchmark

	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%	7.5%
10 Years (p.a.)	4.0%	(0.3%)	4.4%	6.2%	6.9%
5 Years (p.a.)	2.4%	(1.8%)	4.2%	4.3%	6.9%
3 Years (p.a.)	(0.7%)	(5.2%)	4.5%	1.3%	4.2%
1 Year	(12.3%)	(15.7%)	3.3%	(11.0%)	(7.9%)
3 Months	1.9%	1.3%	0.6%	2.4%	1.2%
1 Month	1.5%	1.5%	0%	1.5%	1.9%

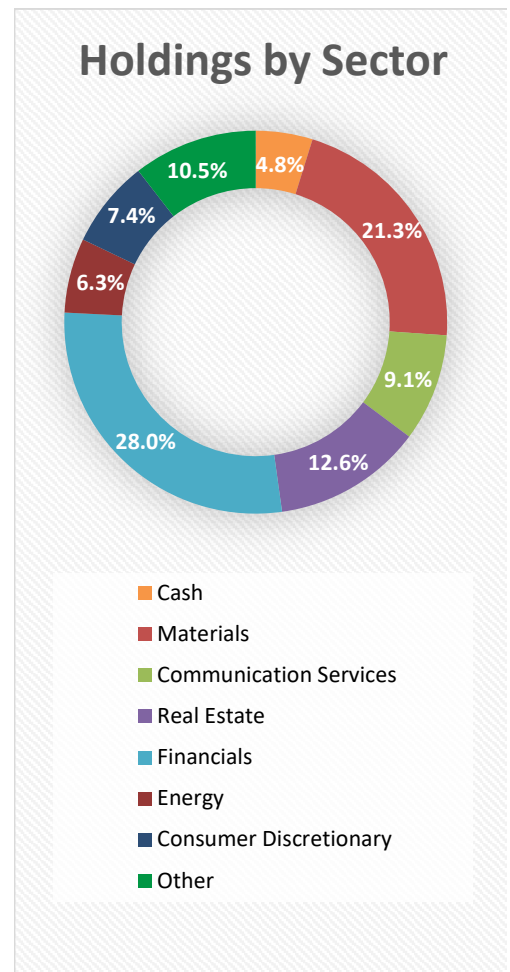
* Fund returns are calculated net of management fees, assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. The returns are calculated before performance fees which are charged against individual accounts.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

The top five holdings make up approximately 31.2% of the portfolio.

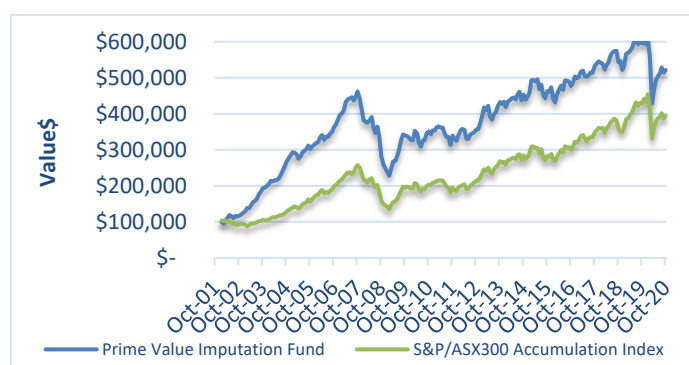
Feature	Fund facts
Portfolio Manager	Leanne Pan
Investment objective	To provide regular tax-effective income, combined with competitive capital growth over the medium to long-term, by managing a portfolio of assets comprised mainly of Australian equities listed on any recognised Australian stock exchange.
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 retreated through October, driven by fading stimulus expectations, weak US tech results and rising COVID-19 cases. Utilities and Communication Services were the only sectors that did not fall, as Energy, IT, and Health Care sectors underperformed. The S&P 500 Index fell 2.7%, but still slightly outperformed the Developed Market World Index return of -3.0%. The World Developed Markets Index underperformance was led by the Euro Stoxx Index, which fell sharply by -7.9% in US Dollar terms. In comparison, the World Emerging Markets Index outperformed, rising by 2.1% in US Dollar terms. Global commodity prices fell slightly in October. Brent Oil prices fell US\$3.49/bbl to US\$37.46/bbl, partly driven by an appreciating US Dollar. Iron ore prices fell by a slight US\$2.00/t to US\$118.00/t. Gold prices decreased slightly from US\$1886.90/oz to US\$1,881.85/oz but are still close to record highs.

ASX300 Index returns were positive in October (+1.9%) and outperformed most global peers. Drivers included a market-friendly Budget of which most ASX300 constituents were direct beneficiaries, increased prospects of further monetary easing (including a QE program) from the RBA, and a virus and mobility trajectory that was supported by the reopening of Victoria and compared favourably with reversals in Northern Hemisphere markets. IT (+9.0%), Financials (+6.3%) and Consumer Staples (+4.8%) outperformed the most, while Industrials (-3.9%), Utilities (-1.5%) and Materials (-1.2%) underperformed the most. However, the headline numbers belie a month of two halves. During the first half of October equity markets were extremely bullish as low interest rates and the prospect of further stimulus out of the US drove markets higher. Sentiment shifted in the latter part of October as a second wave of COVID-19 hit Europe, against a backdrop of delayed US stimulus and the prospect of higher taxes and regulation should there be a Democratic clean sweep in the US elections.



This graph shows how \$100,000 invested at the Fund's inception has increased to \$522,100 (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 \$394,500 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	\$2.1364	\$2.1374
Withdrawal price	\$2.1202	\$2.1212
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

The Fund gained 1.5% in October, below the broader market's 1.9% gain for the month. It was a month where investors were distracted by many external factors – US election being front of mind, second or third wave Covid-19 cases in Northern Hemisphere, the rhetoric between China/ Australia on trade (farm products, live lobsters etc), State vs State on border control, the daily briefing by premier Daniel Andrews on Covid-19 and the re-opening pathways if you live in Victoria. The top contributors to performance in October were: **Nine Entertainment** (NEC, +19.2%), **Commonwealth Bank** (CBA, +8.5%) and **Macquarie Group** (MQG, +6.0%). The top detractors from performance in October were: **BHP** (-5.1%), **Event Hospitality** (EVT, -14.4%) and **Newcrest** (NCM, -6.4%).

It is interesting to observe the diverging performance of NEC and EVT in October when they both performed strongly in the previous month. EVT arguably faced the perfect storm - hotels and cinemas, not in a Covid friendly sector. NEC with a portfolio of TV, Radio, publishing and digital assets faced similar issues – weak real estate listings, weak advertising environment, however they are moving aggressively to monetise the digital assets. Our investment thesis on EVT is based partly on NTA play. The property portfolio can be conservatively valued around \$8.50 per share. The market is giving no value for their operating businesses – granted, right now there is no earnings from their cinemas and limited earnings from the hotel business. As borders open or if vaccines become available, these businesses can turn around very quickly. We also expect the major Hollywood studios to release their blockbuster titles when cinemas re-open.

As we write this Fund update, promising news of an effective COVID-19 vaccine is emerging. The prospect of an improved COVID-19 outlook and the combination of low interest rates and strong fiscal stimulus should lead the way to economic recovery—all in, positive for equities. We believe as the outlook for COVID-19 gradually improves, we expect to see a strong recovery in many oversold companies.

Top Contributors (Absolute)	Sector
Nine Entertainment	Communication Services
Commonwealth Bank	Financials
Macquarie Group	Financials

Top Detractors (Absolute)	Sector
BHP	Materials
Event Hospitality	Communication Services
Newcrest	Materials

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

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