Prime Value
Equity Income (Imputation) Fund
Fund Update – January 2021

- Investors started the new year on a positive note, although sentiment waned post the Biden presidential inauguration
- Australian shares rose 0.3% in January, outperforming the 1.1% fall in the S&P500 Index. Large caps were outperformers, with the ASX20 Index gaining 1.6% while the Small Ordinaries Index fell 0.3%
- Fund returned 0.5% for the month of January, a touch ahead of its benchmark.

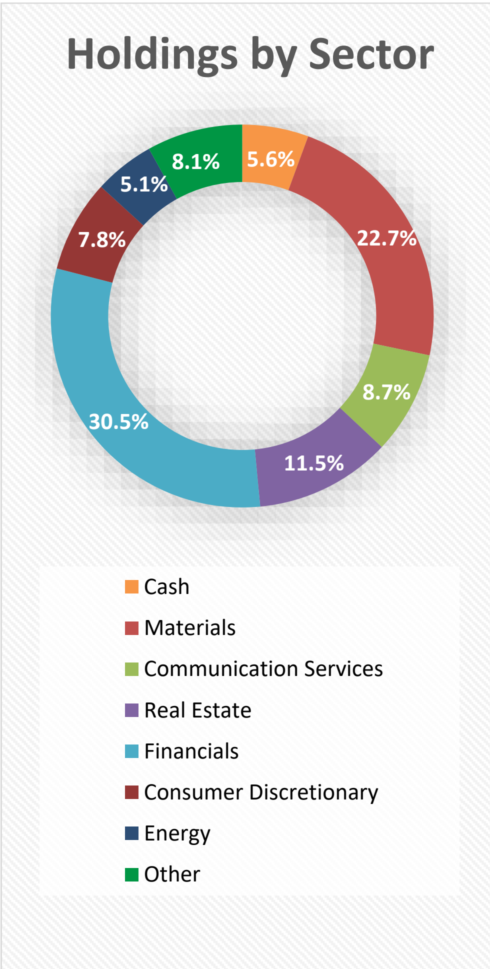
	Total Return*	Growth Return*	Distribution Return*	Total Return including Franking Credits**	S&P/ASX 300 Accumulation Index
Since inception (p.a.)	9.8%	4.7%	5.1%	11.8%	8.1%
10 Years (p.a.)	5.2%	0.9%	4.3%	7.3%	7.8%
5 Years (p.a.)	6.2%	1.9%	4.3%	8.1%	10.1%
3 Years (p.a.)	3.3%	(1.3%)	4.6%	5.4%	7.1%
2 Years (p.a.)	5.7%	1.3%	4.4%	7.5%	10.3%
1 Year	(2.0%)	(5.5%)	3.5%	(0.4%)	(2.7%)
3 Months	14.3%	13.7%	0.6%	14.7%	12.1%
1 Month	0.5%	0.5%	0%	0.5%	0.3%

* 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
ANZ Bank	Financials

The top five holdings make up approximately 32.7% 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



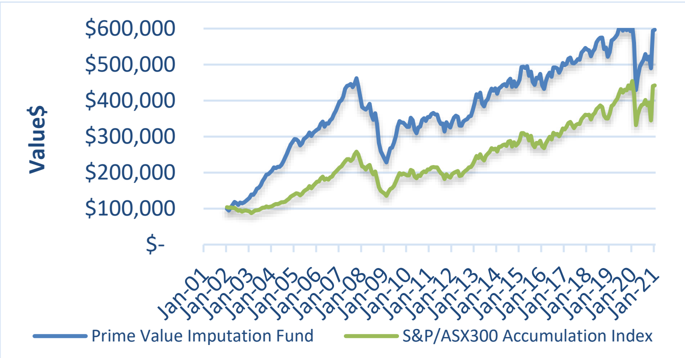
Market review

Equities ran up to record highs in early January as investors awaited the release of Biden's COVID-19 relief proposal. The S&P500 Index started to slide mid-month as optimism around President-elect Joe Biden's US$1.9 trillion COVID-19 relief proposal dissipated and bank stocks dragged after reporting earnings. Investors came into the year positively, with expectations of a strong second quarter. However, US consumer sentiment edged lower in late January, adding to signs that consumers remain subdued about prospects for the economic recovery as the pandemic wears on. Overall, the Nasdaq Composite Index finished the month up 1.4% while the Dow Jones Industrial Average and the S&P 500 Index fell 2.0% and 1.1% respectively.

Brent Oil prices rose US$4.08/bbl to US$55.88/bbl, partly driven by vaccine optimism and a surprise Saudi oil supply cut. Iron ore prices surged to US$170/Mt by late January but retraced back to US$158/Mt by the end of the month. Gold prices fell US$23.80/oz to US$1,863.80/oz.

It was a volatile month for Australian equities, with the local benchmark starting on a positive note before finishing the month +0.3% higher. The early to mid-January trading was dominated by another surge in optimism towards reflation and cyclically led rotation opportunities particularly post the US Georgia run-off election outcomes. However, this strength and direction faded into month end as the resources sector fell towards the end of the month with Industrials performing better across all size indices. In contrast to the recent trend, large caps were the better outperformers, with the ASX20 Index up 1.6% while the Small Ordinaries Index fell 0.3%.

In Australia, the Consumer Discretionary (+4.7%), Communication Services (+2.7%), and Financials (+2.2%) sectors outperformed the most, whilst REITs (-4.1%), Industrials (-3.0%) and Healthcare (-1.8%) underperformed the most.



This graph shows how $100,000 invested at the Fund's inception has increased to $596,900 (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 $442,000 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	$2.4294	$2.4308
Withdrawal price	$2.4110	$2.4124
Distribution (31/12/2020)	$0.0130	$0.0140
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 0.5% for the month of January, a touch ahead of its benchmark. Contributors were Wesfarmers (WES +8.3%), Harvey Norman (HVN +13.8% on strong trading update) and Navigator Global (NGI +18.4% on strong fund flow). Detractors were Macquarie (MQG -5.1%), Goodman Group (GMG -6.5% as rise in bond yield negatively impacted long duration names) and Fortescue (FMG -7.0% retraced on weaker iron ore prices towards month-end, albeit still well above long term average). We are mindful of the recent movement in bond yield (potentially a reflection of inflation expectation) and will keep watch.

The global vaccine rollout is expected to allow global activity to normalise and economic growth to improve quite markedly in 2021. This plus the near-zero rates, massive fiscal stimulus and high household savings should all augur well for economic recovery, hence earnings. As we faced another reporting season in Feb, we knew the recent trading updates and AGM comments had been largely positive. It has been a marked improvement in sentiment but one needs to discern if this is largely a Covid related short-term bounce or something more sustainable. Management commentaries will be keenly sought-after.

We also note there has not been much focus on dividend payout of late after many companies either suspended their dividend or changed dividend policy in the midst of Covid. The current market yield stands at 3.5% with a payout ratio of 65% (compared with longer term 4.5%, 75% payout) – obviously banking sector was a key contributor. We do not expect any major change in payout policy in this reporting round – after all, the situation is still fragile (just look at how premiers close/open state borders!). However, any change in payout (and on the back of strong earnings) can quickly elevate the market yield substantially.

Top Contributors (Absolute)	Sector
Wesfarmers	Consumer Discretionary
Navigator Global	Financials
Harvey Norman	Consumer Discretionary

Top Detractors (Absolute)	Sector
Macquarie Group	Financials
Goodman Group	Financials
Fortescue Metals	Materials

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

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