

Prime Value

Equity Income (Imputation) Fund

Fund Update – March 2021

- Globally, the more value-oriented regions outperformed in the March quarter. Strongest performances came from Europe and the UK, while in the US, the S&P500 and Dow Jones indices outperformed the NASDAQ
- The ASX300 Accumulation Index was up 2.3% in the month of March, and closed 4.2% higher for the March quarter
- Fund returned a strong one year performance of 50.6% including franking on Covid anniversary

| | Total Return* | Growth Return* | Distribution Return* | Total Return including Franking Credits** | S&P/ASX 300 Accumulation Index |
|------------------------|---------------|----------------|----------------------|---|--------------------------------|
| Since inception (p.a.) | 10.0% | 5.0% | 5.1% | 12.1% | 8.2% |
| 10 Years (p.a.) | 5.7% | 1.3% | 4.4% | 7.9% | 7.9% |
| 5 Years (p.a.) | 7.0% | 2.7% | 4.3% | 9.1% | 10.3% |
| 3 Years (p.a.) | 6.8% | 2.0% | 4.8% | 8.9% | 9.7% |
| 2 Years (p.a.) | 5.7% | 1.5% | 4.2% | 7.5% | 8.7% |
| 1 Year | 48.3% | 43.5% | 4.8% | 50.6% | 38.3% |
| 3 Months | 7.2% | 6.3% | 0.8% | 7.7% | 4.2% |
| 1 Month | 3.0% | 2.2% | 0.8% | 3.5% | 2.3% |

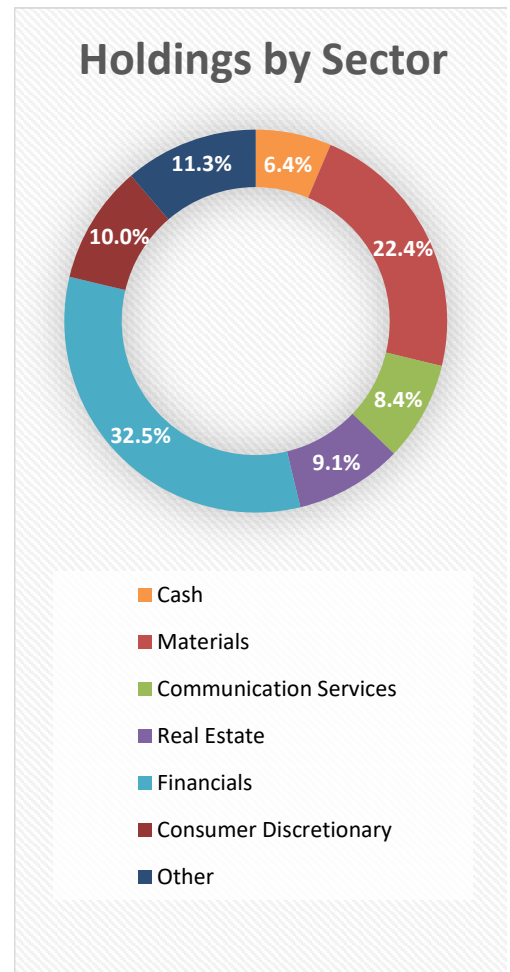
* Fund returns are calculated net of management fees, assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. The returns are calculated before performance fees which are charged against individual accounts.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

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 |



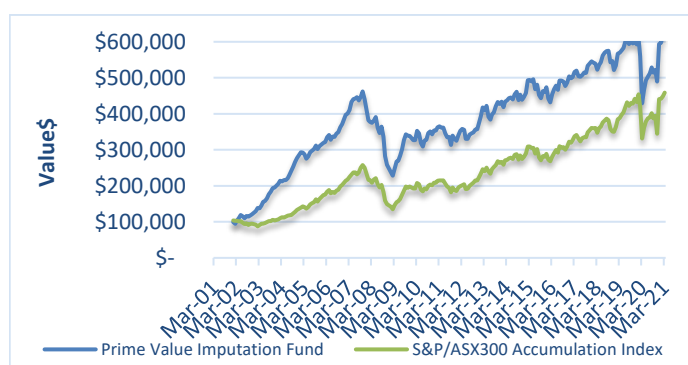
Market review

Global equities rallied in March despite global bond yields continuing to rise as investors oscillated between growth and value stocks. The MSCI World Developed Markets index dropped -3.3%, underperforming against the Emerging Market's World Index return which rose +1.5% in US Dollar terms. The DJ Euro Stoxx Index (-4.3%) and The FTSE 100 Index (-2.7%) also both dropped, however the Nikkei 225 Index rose +2.3%.

The Australian Dollar fell 0.007c against the US Dollar to \$0.767 as the spread between Australian and US bond yields narrowed and commodity prices pulled back. Iron Ore prices fell to US\$174/Mt (-US\$16/Mt) and gold prices fell. Oil prices declined to US\$63.54/bbl (-US\$2.59/bbl).

The ASX300 Accumulation Index rose by 2.3% in March, underperforming against the DM World Index return of 4.4% in local currency terms. Following the spike in February, Australian bond yields fell modestly in March, supporting returns for the Utilities, Discretionary and Communications sectors - the Consumer Discretionary (+7.0%), Utilities (+6.8%), and REITs (+6.6%) sectors outperformed in Australia. The largest underperforming sectors were Materials (-3.0%) and IT (-2.9%). Large caps led the market higher again, with the ASX50 Index up 1.8% compared to a 0.7% increase in the Small Ordinaries Index. This is consistent with the US market, where the Russell 2000 underperformed the S&P500 Index by 4.4 percentage points.

Style rotation remained a dominant theme through 1Q21. A strong rebound in cyclical earnings, a steepening yield curve, optimism around the re-opening of economies and expansionary fiscal policy are supporting cyclicals over growth stocks. This can be seen in the clear outperformance of Financials and the underperformance of the Technology sector. Interestingly, the Materials sector underperformed during the quarter, despite seeing a strong level of earnings upgrades. A late pull back in iron ore and base metals prices during March weighed on the sector following a period of strong outperformance in 2H20.



This graph shows how \$100,000 invested at the Fund's inception has increased to \$636,600 (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 \$458,800 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 | \$2.5708 | \$2.5718 |
| Withdrawal price | \$2.5514 | \$2.5524 |
| Distribution (31/03/2021) | \$0.0200 | \$0.0213 |
| 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 3.0% for the month of March or 7.7% for the March Quarter including franking. The quarterly return had been particularly strong, outperforming its benchmark in excess of 3 percentage points. This outcome was partly due to the stock rotation to the "value" names as economy recovers. Banks and Resources both benefitted from this. Contributors for the month were Mortgage Choice (MOC +64.1% on takeover offer from REA), Macquarie Group (MQG +7.3%) and ANZ (+10.9%). Macquarie Group ended the March quarter on an all-time high share price of \$152.83. We had been a long-term investor in Macquarie which has been a prime beneficiary of management's long-term plan to establish the Group as a global manager and investor in asset management and has proven itself to be an excellent capital allocator, acquiring key asset management assets as depressed prices (e.g. during the GFC, and more recently during the current pandemic) to grow shareholder value. It's no coincidence that it has been our top 5 holding for a while. Detractors were the big miners (BHP -7.8%, Fortescue -17.1%, RIO -12.9%) after they went ex-div.

Cash distribution for the Quarter was raised to 2 cents per unit from 1.3 cents previously. This is mainly due to income received from the big miners (upping their payout ratio) in what has been a very strong iron ore price and solid free cashflow environment. This plus the imputation credit, provided our investors with a very tax effective income return for the Quarter.

The market continues to be underwritten by central bank "put" with spurs of inflation fear from abundant liquidity. Equity continues to offer a good dividend yield relative to Fixed Income or Cash. We caution a bit of FOMO is creeping into the market. Capital transactions, M & A activities are strong as companies with solid balance sheets are seeking growth opportunities. As interest rates / bond yields settle, we will not be surprised by the resurgence of high growth technology names which had underperformed of late.

| Top Contributors (Absolute) | Sector |
|-----------------------------|------------|
| Mortgage Choice | Financials |
| Macquarie Group | Financials |
| ANZ | Financials |

| Top Detractors (Absolute) | Sector |
|---------------------------|-----------|
| BHP | Materials |
| Fortescue Metals | Materials |
| Rio Tinto | Materials |

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

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