

# Prime Value

## Equity Income (Imputation) Fund

### Fund Update – July 2021

- COVID variants emerged as a global concern but markets have remained largely calm and looking through the short-term noise.
- The ASX300 Accumulation Index gained 1.1% as Resources outperformed Industrial companies across all size indices.
- Fund returned 2.1% for the month of July, outperforming its benchmark

	Total Return*	Growth Return*	Distribution Return*	Total Return including Franking Credits**	S&P/ASX 300 Accumulation Index
Since inception (p.a.)	10.3%	5.3%	5.0%	12.4%	8.6%
10 Years (p.a.)	7.5%	3.2%	4.3%	9.6%	9.8%
5 Years (p.a.)	7.1%	2.8%	4.3%	9.1%	10.1%
3 Years (p.a.)	6.7%	2.0%	4.7%	8.8%	9.7%
2 Years (p.a.)	6.5%	2.9%	3.6%	8.2%	8.0%
1 Year	35.1%	31.3%	3.8%	37.1%	29.1%
3 Months	5.7%	4.8%	1.0%	5.9%	5.8%
1 Month	2.1%	2.1%	0%	2.1%	1.1%

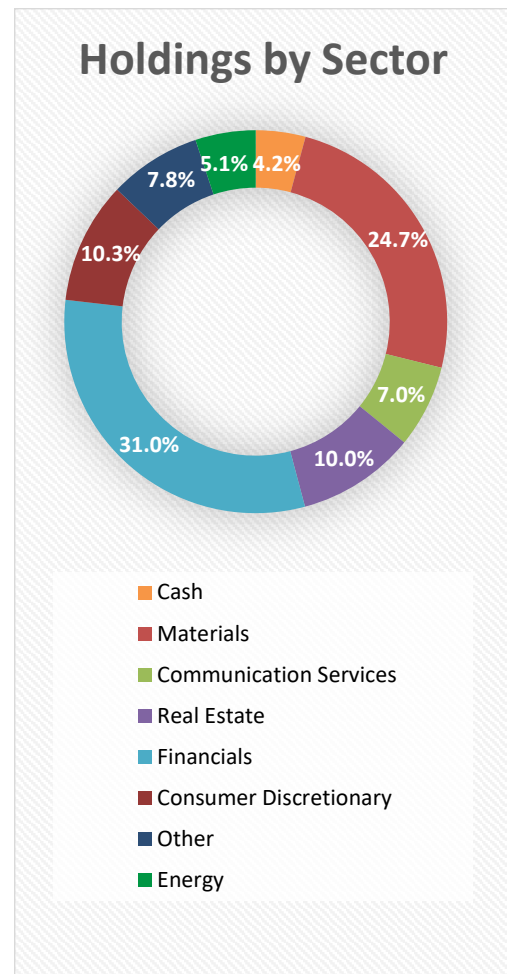
\* Fund returns are calculated net of management fees, assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. The returns are calculated before performance fees which are charged against individual accounts.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

The top five holdings make up approximately 33.3% 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



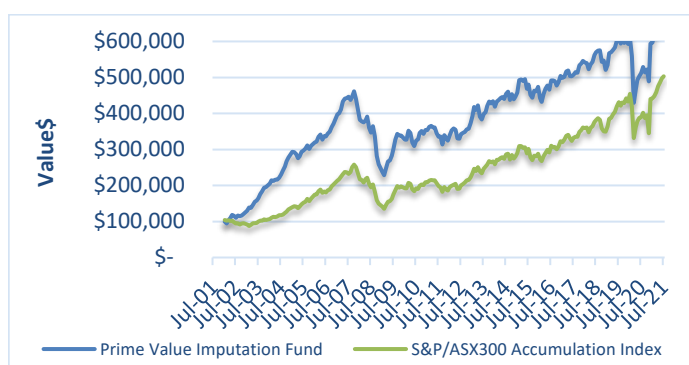
## Market review

Global markets had a mixed start to the new financial year as the Delta strain spread globally. This created some uncertainty amongst investors as to the durability of the economic recovery and was reflected in softer commodity prices and retracement in bond yields. Although investors are keeping a close watch on these developments, it's a fair observation to conclude that markets have not been overly bearish so far with vaccination roll outs continuing a pace. Naturally, the situation warrants attention with slowing economic growth and rising inflation a worst-case scenario.

The MSCI World Developed Markets Index rose (+1.8%) in US Dollar terms in July, outperforming the Emerging Markets World Index which declined -6.7%. The S&P500 Index drove developed market performance, rising (+2.4%). Globally, on local currency terms, the REITS (+4.2%), Health Care (+3.8%), and IT (+3.6%) sectors outperformed the most. The Energy (-6.2%), Financials (-0.1%), and Consumer Discretionary (+0.3%) sectors underperformed.

Brent Oil prices dropped \$2.23/bbl to \$72.89/bbl, as global concerns around the Delta variant spread. Iron ore prices also fell by \$US24.50/Mt to \$US191.00/Mt. Interestingly, Gold prices rose \$480.30/oz to \$1,811.45/oz.

The ASX300 Accumulation Index rose by 1.1% in July, underperforming against the DM World Index's return of 1.7% in local currency terms. Resources outperformed Industrials across all size indices with Small Cap Resources (+7.4%) the best performing. Large caps (+1.3%) outperformed Mid (+0.7%) and Small caps (+0.7%) in the month. The Materials (+7.1%), Industrials (+4.2%), and Utilities (+1.6%) sectors outperformed in Australia. The sectors which underperformed the most were the IT sector (-6.9%), and Energy (-2.5%). Interestingly, the cyclical resources sector and IT sectors performed inversely to their global peers with Australian resources and IT companies outperforming and underperforming its global peers respectively.



This graph shows how \$100,000 invested at the Fund's inception has increased to \$692,200 (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 \$503,200 over the same period. The returns exclude the benefits of imputation credits.

Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. No allowance has been made for taxation. Performance assumes the reinvestment of income distributions. Past performance is not necessarily an indicator of future performance.

	Direct Investment (Class A)	Platform Investment (Class B)
APIR code	PVA0002AU	PVA0022AU
Minimum Investment	\$20,000	N/A
Issue price	\$ 2.7698	\$ 2.7710
Withdrawal price	\$ 2.7488	\$ 2.7500
Distribution (30/06/2021)	\$ 0.0248	\$ 0.0263
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

Global markets had a mixed result in July, as the Delta strain spread globally and countries had varying success in keeping the virus under control while managing their vaccine rollout programs. Inflation was also at the forefront of index moves with Central Banks attempting to manage investor expectations. In the Asian region, we are reminded of the risk associated with China's "regulated open regime" in the name of social harmony or national security with focus on increased regulation in the Tech space.

The Fund returned 2.1% for the month of July, outperformed its benchmark. Key contributors were BHP (+10.1%), Sydney Airport (+34.9% takeover bid received from a consortium of infrastructure funds but rejected by the Board) and Goodman Group (GMG +6.9%). Detractors were Westpac (WBC -5.0%), Santos (STO -9.0% oil price weakness and merger discussion with Oil Search) and Nine Entertainment (NEC -5.1%). Once again, we see the disparity between the listed market and unlisted market. The unlisted players such as super funds, infrastructure funds, property funds are well cash-up and have a longer time frame looking at any investment. They are able to look past the short-term hiatus and look for longer term value. In the case of Sydney Airport - land development potential, balance sheet engineering and when using a lower risk-free rate, it makes valuation look compelling. There were plenty of M&A activities in the listed market too as acquirers with their higher-valued script making script bid for competitors.

The upcoming August result reporting time might be challenging for management to provide outlook and guidance. The optimistic view of economic recovery is somewhat moderated due to uncertainty created by current/future lockdowns plus less government supports. In addition, there are supply chain challenges caused by lockdowns in sourcing countries and rising global shipping costs. We will monitor and make adjustment as necessary.

Top Contributors (Absolute)	Sector
BHP	Materials
Sydney Airport	Industrials
Goodman Group	Real Estate

Top Detractors (Absolute)	Sector
Westpac	Financials
Santos	Energy
Nine Entertainment	Communication Services

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

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