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

- August was a solid month for global markets. Dovish commentary from the US Federal Reserve, was supportive for markets, as was corporate earnings.
- The ASX300 Accumulation Index gained 2.6% as outcomes from a good reporting season outweighed a much softer resources sector.
- Fund returned 0.2% for the month of August, underperformed its benchmark

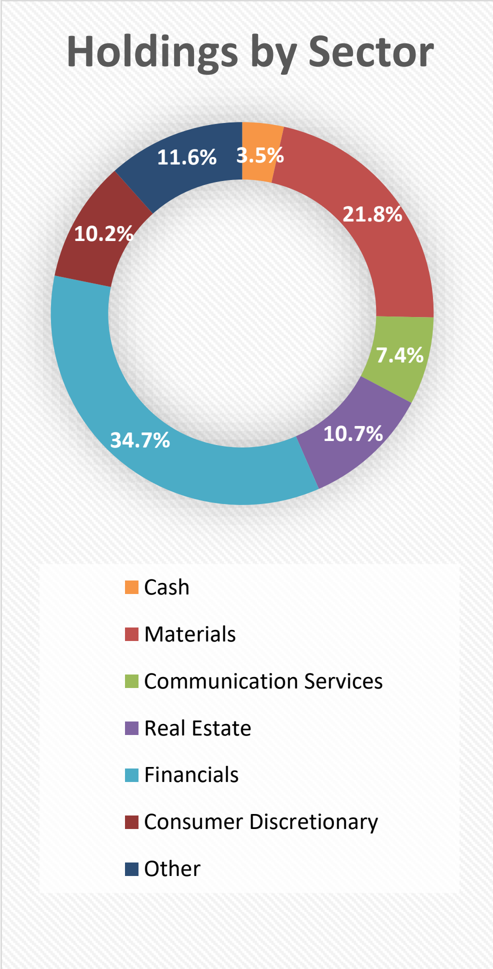
	Total Return*	Growth Return*	Distribution Return*	Total Return including Franking Credits**	S&P/ASX 300 Accumulation Index
Since inception (p.a.)	10.3%	5.3%	5.0%	12.3%	8.7%
10 Years (p.a.)	7.6%	3.3%	4.3%	9.8%	10.3%
5 Years (p.a.)	7.1%	2.8%	4.3%	9.1%	11.1%
3 Years (p.a.)	6.5%	1.8%	4.7%	8.6%	10.1%
2 Years (p.a.)	8.0%	4.4%	3.7%	9.7%	10.6%
1 Year	31.0%	27.3%	3.7%	33.0%	28.6%
3 Months	3.7%	2.8%	0.9%	3.9%	6.1%
1 Month	0.2%	0.2%	0%	0.2%	2.6%

* 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
Macquarie Group	Financial
BHP Group	Materials
Commonwealth Bank	Financials
Wesfarmers	Consumer Discretionary
NAB	Financials

The top five holdings make up approximately 33.8% 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



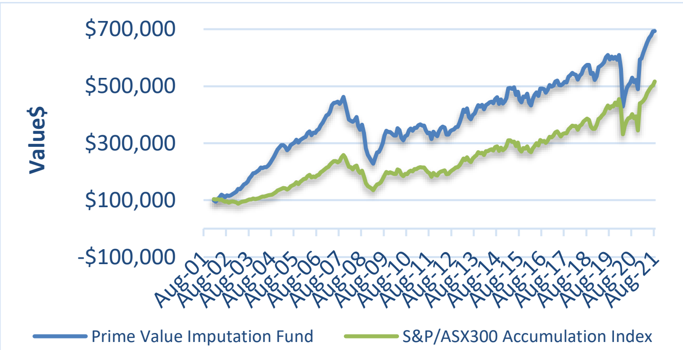
Market review

August saw positive results for global markets, with the S&P 500 and MSCI Developed Market World Indices returning +3.0% and 2.7%, respectively. The US market wrapped up its seventh consecutive month of gains in August, with the Nasdaq Composite Index climbing about 4% for its third winning month in a row while the Dow Jones Industrial Average Index added 1.2%. The FTSE 100 Index was up 1.2% in August for its best monthly performance since April. The S&P 500 Index posted its longest winning streak since a 10-month run ended in December 2017. August was also the benchmark's 9th positive month in the last 10.

Global bond yields retraced in August, with the US 10-year government bond yield falling 21bp to 1.23%. Notably the US Federal Reserve Chairman Jerome Powell provided the market with dovish commentary on 30 August.

Brent Oil prices dropped $3/bbl to $73/bbl, as global concerns around the Delta variant spread. Iron ore prices also fell $US34/Mt to $US156$/Mt, of the back of Chinese steel demand weaking. Interestingly, Gold prices dropped to $1,815 (-US$11).

Despite a pull-back with Resource stocks, the Australian share market extended its run to 11 months of consecutive month of outperformance. Small/Mid-caps stocks performed better than large caps and with Industrial stocks outpacing Resources across all size bias indices. The ASX300 Accumulation Index rose by 2.6% in August, slightly underperforming against the DM World's return of 2.7% in local currency terms. The Information Technology (+17.0%), Consumer Staples (+6.9%), and Health Care (+6.8%) sectors outperformed in Australia. The sectors which underperformed the most were the Materials sector (-7.3%), Energy (-3.9%) and Utilities (+1.0%).



This graph shows how $100,000 invested at the Fund's inception has increased to $693,400 (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 $516,400 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	$ 2.7748	$ 2.7766
Withdrawal price	$ 2.7538	$ 2.7556
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

Fund review & strategy

The Fund returned 0.2% for the month of August, underperformed its benchmark. It was a month dominated by the FY21 company result reporting. Some of the themes from the reporting include: supply-chain disruptions, rising freight and commodity costs, transition to online, and increasing investment in digital and automation. Capital management featured strongly – off market buybacks from CBA, Woolworths and a number of on-market buybacks including Wesfarmers, Telstra, ANZ, NAB. Big dividends were declared from the major miners – BHP, RIO and Fortescue as expected. The sharp decline in iron ore price in the meantime impacted their share prices. In addition, BHP's plan to unify its London & ASX listing added pressure to the ASX listing when the valuation gap between the two listings is reduced. Detractors for the month were the big miners, all returning around negative 15%. Contributors were the banking sector where they continued to report positive quarterly updates and initiated on-market buybacks as their capital positions are strong. Macquarie (MQG +6.3%), NAB (+6.9%) and Amcor (AMC +11.0%) all contributed positively.

Arguably the Big Australian – BHP, is aiming to future-proof itself for the new ESG environment. It is a good time to undertake such major portfolio transformation when the free cash flow is strong from its iron ore business. The articulated Capital Allocation Framework will remain unchanged. Maintaining a strong balance sheet will remain core and a minimum 50% dividend payout. In short there are a number of moving parts with capex commitment to a more environmentally friendly commodity - potash (Jensen project). BHP had its fair share of big mistakes made in acquisitions in the past. The project economics of Jensen looks attractive – of course, depends on assumptions! We can only assess the success or otherwise of any new investment with benefit of hind sight in due course. A company needs growth projects. For BHP, "what next" is critical post petroleum divestment. In the near term, the stock has a free cashflow yield in excess of 10% at spot iron ore price which should augur well for the next dividend payment.

We are likely to participate in the off-market buybacks of CBA and Woolworths in the interest of after-tax return for our investors.

Top Contributors (Absolute)	Sector
Macquarie Group	Financials
National Australia Bank	Financials
Amcor	Materials

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

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

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