

# Prime Value

## Equity Income (Imputation) Fund

### Fund Update – September 2021

- Share markets were weaker in September due to concerns of slower growth ahead and central banks policy actions.
- The ASX300 Accumulation Index fell 1.9% as investors sold down companies with higher earnings certainty for cyclical sectors.
- Fund returned -1.6% for the month of September and distributed 2 cents/unit plus franking for the Quarter

	Total Return*	Growth Return*	Distribution Return*	Total Return including Franking Credits**	S&P/ASX 300 Accumulation Index
Since inception (p.a.)	10.2%	5.1%	5.0%	12.2%	8.5%
10 Years (p.a.)	8.1%	3.6%	4.4%	10.2%	10.8%
5 Years (p.a.)	6.9%	2.6%	4.3%	8.7%	10.5%
3 Years (p.a.)	5.9%	1.2%	4.7%	7.7%	9.9%
2 Years (p.a.)	6.3%	2.8%	3.6%	7.7%	8.5%
1 Year	32.7%	28.8%	3.9%	34.0%	30.9%
3 Months	0.6%	-0.1%	0.7%	0.6%	1.8%
1 Month	-1.6%	-2.3%	0.7%	-1.6%	-1.9%

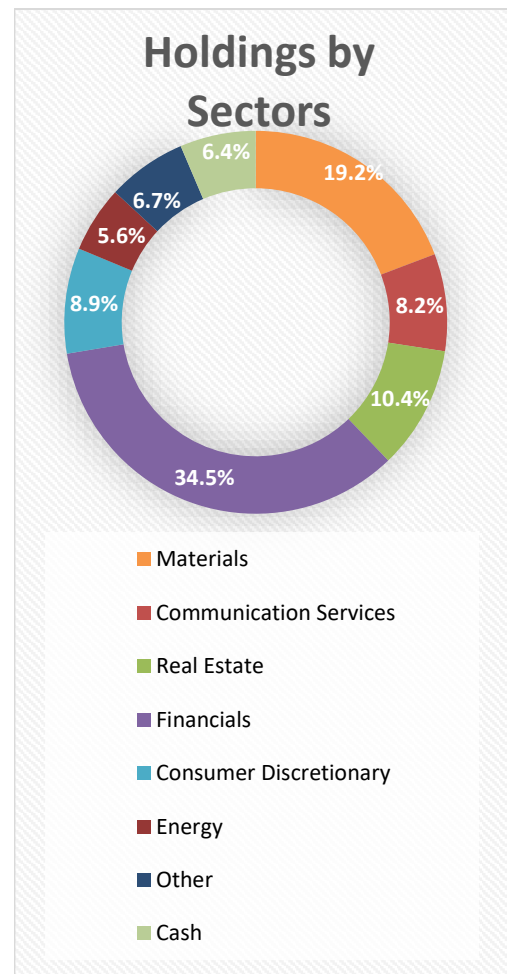
\* Fund returns are calculated net of management fees, assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. The returns are calculated before performance fees which are charged against individual accounts.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

The top five holdings make up approximately 32.3% 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



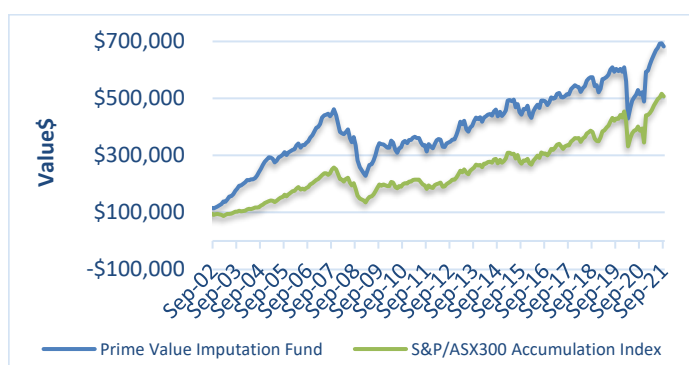
## Market review

September was a weak month for global equity markets. The combination of slowing growth concerns, central banks looking to withdraw liquidity and renewed inflationary concerns sent markets lower. The Developed World Index declined 3.6% in local currency terms, largely driven by the S&P 500 Index which dropped 4.7%. European markets followed suit with a -3% decline, with the UK -0.5%, Asia ex Japan markets -4%. Japan was an exception with the Nikkei Index up +5%.

Global bond yields rose in September, with the US 10-year government bond yield rising 24 basis points to 1.52%. The rise in yields could be driven by the US Federal Reserve increasingly signalling an earlier and faster tapering of asset purchases, as well as increased fears for persistent inflation and supply chain issues.

Brent Oil prices rose US\$6/bbl to US\$79/bbl. However, iron ore prices collapsed from \$US247/Mt to \$US110\$/Mt, of the back of slowing China crude steel demand. Interestingly, Gold prices saw a material drop, falling by US\$72/oz to US\$1,742/oz.

After 11 sequential months of positive returns, the ASX300 Accumulation Index bucked the trend to turn negative 1.9% in September. A month of negative returns was not a unique feature for the ASX with most major regions with the exception of Japan seeing similar bias to performance. We note that the performance of the Australian share market remains strong and is up more than 14% year-to-date, including dividends. On the back of rising inflation, the cyclical Energy (+16.7%), Utilities (+2.5%), and Financials (+1.6%) sectors outperformed in Australia. The sectors which underperformed the most were the Materials sector (-9.3%), Health Care (-4.9%) and Information Technology (-3.9%).



This graph shows how \$100,000 invested at the Fund's inception has increased to \$682,200 (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 \$506,600 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	\$ 2.7098	\$ 2.7109
Withdrawal price	\$ 2.6892	\$ 2.6903
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 -1.6% for the month of September, slightly ahead of its benchmark. For the Quarter, it was a touch behind relatively as the Materials sector (particularly iron ore producers) took the blunt of fall of iron ore price. Oil prices had a roller coaster ride, it came back from its low as inventories were drawn down and mobility statistics (read economic data) showed improvement. Energy sector (fossil fuels) will be an interesting sector to watch as ESG considerations driving limited new investments but the demand will take time to change over (look at the current power shortages). Distribution for the Quarter was 2.0 cents per unit plus franking. Contributors for the month were Macquarie Group (MQG +9.1%), Woodside (WPL +22.5%) and Santos (+18.5%). Detractors were BHP (-17.5%), Fortescue (FMG -28.7%) and Wesfarmers (WES -7.0%).

The "collapse" and/or restructuring of Evergrande (big property conglomerate in China) and its ramifications on China's growth rate were front of mind for the investment market. Iron ore price was affected by the grim outlook on near term property development. Whilst the market may not think there is a huge contagion effect but property buyers could be affected by headline negative sentiments. This plus government's credit tightening and restrictive policies can deter / defer buying decisions.

Waypoint REIT (WPR) has been a Fund's top-10 holding since its IPO in 2016. It has about 400+ properties, 75% in metro along the eastern seaboard. Its rental income is primarily secured by Viva Energy (Shell service stations). The properties are well positioned and its NTA has increased steadily overtime. Management has taken advantage of the current strong property market to "upgrade" its portfolio – divesting some non-core assets at substantial premium to NTA. It is yielding in excess of 5%, conservatively geared and is currently undertaking a buy-back programme. We continue to be a holder.

Top Contributors (Absolute)	Sector
Macquarie Group	Financials
Woodside Petroleum	Energy
Santos	Energy

Top Detractors (Absolute)	Sector
BHP	Materials
Fortescue Metals Group	Materials
Wesfarmers	Consumer Discretionary

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

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