

Equity Income (Imputation) Fund – December 2021

- Markets rallied in December, with most major global indices rising strongly, leading to 3 consecutive years of strong gains.
- The ASX300 Accumulation Index closed 2021 up 17.5% (+2.65% in December), led by Telco, Financial and Resources stocks.
- The Fund returned 19.4% or 22.0% including franking for CY2021 to close off a successful year.
- A higher than normal December 21 quarter distribution was paid in January.

	Total Return*	Growth Return*	Distribution Return*	Total Return including Franking Credits**	S&P/ASX 300 Accumulation Index
Since inception (p.a.)	10.2%	5.2%	5.0%	12.3%	8.5%
10 Years (p.a.)	8.1%	3.9%	4.2%	10.2%	10.8%
5 Years (p.a.)	7.1%	2.7%	4.4%	9.2%	9.9%
3 Years (p.a.)	10.8%	6.3%	4.5%	12.8%	14.0%
2 Years (p.a.)	9.4%	5.4%	4.0%	11.4%	9.4%
1 Year	19.4%	14.9%	4.5%	22.0%	17.5%
3 Months	4.0%	2.4%	1.5%	5.2%	2.2%
1 Month	4.3%	2.8%	1.5%	5.5%	2.7%

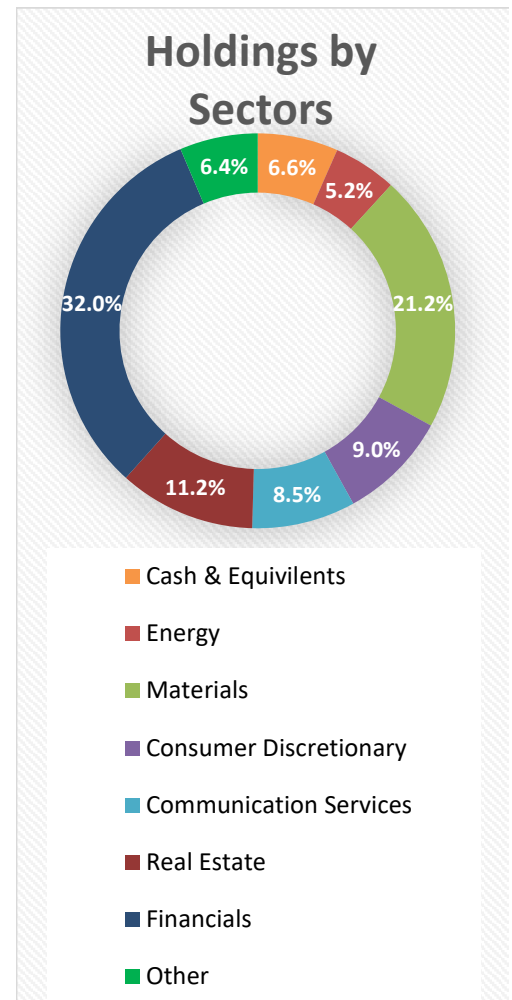
* Fund returns are calculated net of management fees, assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. The returns are calculated before performance fees which are charged against individual accounts.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

The top five holdings make up approximately 31.4% 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



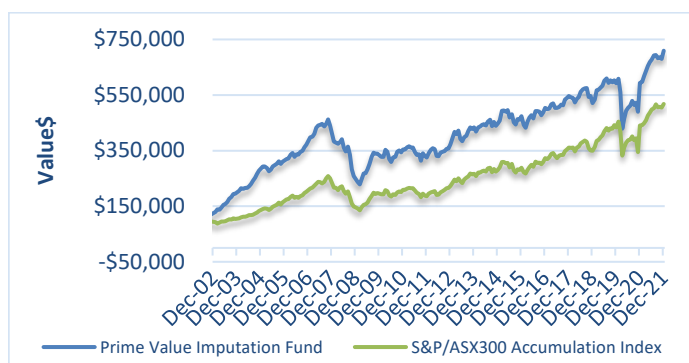
Market review

Global equity markets closed 2021 strongly. The MSCI World Index rose over 4% in December, leading to a third consecutive year of double-digit gains. The MSCI World Index returned 21% for the 2021 calendar year. US indices were buoyant through December with the S&P500 Index and the Dow Jones Index both rising 5% although the tech heavy NASDAQ Index posted a lacklustre +0.7% as investors rotated out of riskier names as the spectre of rising interest rates loomed large for investors. European stocks were equally positive with Europe's Stoxx 50 index returning +5.8% as investors looked through the short-term imposition of some lockdowns in a few countries.

Gold rose +3.08% in December but posted its first annual loss since 2019 at -3.64%. In a strong rebound from the omicron-induced plunge in November, oil surged +13.64% in December to reflect the market's recognition that economic activity remains strong despite the worsening COVID situation. Crude oil posted its biggest annual advance in over a decade in 2021, extending its longest streak of gains since February, starting December at US\$65/bbl and ending the month at just over US\$75/bbl.

The ASX300 Accumulation Index closed the year 17.5% higher with the barbell of Financials (+715bp) and Materials (+285bp) doing the heavy lifting. All sectors were positive, with the exception of Info Tech (-15bp). At a stock level, the banks were the top contributors to index returns with CBA (+221bp), NAB (+136bp), MQG (+133bp) and ANZ (+101bp) the top 4 stocks in the year.

After three consecutive months of negative returns, the market closed higher in the month of December, rising 2.65% (TR). Sector level returns were volatile with strong positive and negative movements across sectors. Utilities was the best-performing sector (+7.9%) followed by Materials (+6.5%), whilst Info Tech (-5.3%) and Consumer Staples (-2.3%) fell the most. Mid-caps were preferred over small and large caps, while Resources outperformed Industrials across all



This graph shows how \$100,000 invested at the Fund's inception has increased to \$709,400 (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 \$517,800 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	\$ 2.7777	\$ 2.7791
Withdrawal price	\$ 2.7567	\$ 2.7581
Distribution (31/12/2021)	\$ 0.0400	\$ 0.0412
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

The Fund returned 4.3% for the month of December or 4.6% for the first 6 months of FY2022 or 19.4% for CY2021; outperformed its benchmark. When including franking, the numbers are 5.5% / 6.2% / 22.0% respectively. We consider franking (imputation credits) a tangible benefit to our investors. The investment strategy targets fully franked distribution which also has influenced our decision to participate in tax effective company buybacks. Absolute contributors for the month were CBA (+8.4%), BHP (+5.4%) and Macquarie Group (MQG +4.4%). MQG, one of our top-5 holdings, is also the largest contributor for the first Half of FY22 returning 31.3%. Detractors for the month were Pental (PDL -9.7% affected by the general negative sentiment towards fund managers suffering some outflows), Woolworths (WOW -6.9% trading update highlighted covid cost impact to the bottom line) and Harvey Norman (HVN -2.6%).

Few things stood out in 2021, Covid aside. There was a higher awareness of ESG thematic - climate, carbon, energy transition, governance etc. Miners made decisions on longer term ESG palatable commodities, COP26 reinforced the climate and decarbonisation agenda. Of late, we saw a number of management governance issues playing out such as James Hardie, Bapcor, Cleanaway etc. These are strong performing companies and led by well-regarded CEOs from investors' eyes. Stakeholders' expectations of CEOs change overtime and we wonder if this partly contributed to the relatively shorter tenure of many CEOs. It adds another dimension to our assessment of succession risk.

Coming into 2022, it is an interesting year geopolitically as domestic political considerations are likely to drive policy direction in China and Australia. Interest rate movements continue to be front of mind, hence volatility. We remain selective in our stock picking – preferring names with a sustainable dividend, trading at reasonable valuation with potential medium-term capital growth.

Top Contributors (Absolute)	Sector
CBA	Financials
BHP	Materials
Macquarie Group	Financials

Top Detractors (Absolute)	Sector
Pental	Financials
Woolworths	Consumer Staples
Harvey Norman	Consumer Discretionary

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

Contact details:

Alyssa Hennessy, Riza Crisostomo, Julie Abbott, & Dora Grieve
 Client Services Team
 Phone: 03 9098 8088
 Email: info@primevalue.com.au
 Web: www.primevalue.com.au

Mail:

Prime Value Asset Management Ltd
 Level 9, 34 Queen Street
 Melbourne VIC 3000