

Prime Value

Equity Income (Imputation) Fund – October 2022

- Strong gains in the US markets led to improved sentiment in October, on expectations that central banks could start to ease off the pace of interest rate hikes.
- The Australian share market rose 6%, reversing most of the losses from the previous month. Banks accounted for most of the gains.
- The Fund returned 6.5% for the month of October, outperformed its benchmark.

	Total Return*	Growth Return*	Distribution Return*	Total Return including Franking Credits**	S&P/ASX 300 Accumulation Index
Since inception (p.a.)	9.6%	4.5%	5.1%	11.7%	7.9%
10 Years (p.a.)	6.7%	2.2%	4.5%	8.9%	8.7%
5 Years (p.a.)	5.1%	0.0%	5.1%	7.3%	7.2%
3 Years (p.a.)	4.7%	-0.3%	5.0%	6.9%	4.9%
2 Years (p.a.)	14.4%	8.4%	6.0%	17.1%	11.9%
1 Year	-0.3%	-7.9%	7.6%	3.0%	-2.6%
3 Months	1.7%	0.9%	0.8%	1.7%	0.5%
1 Month	6.5%	6.5%	0.0%	6.5%	6.0%

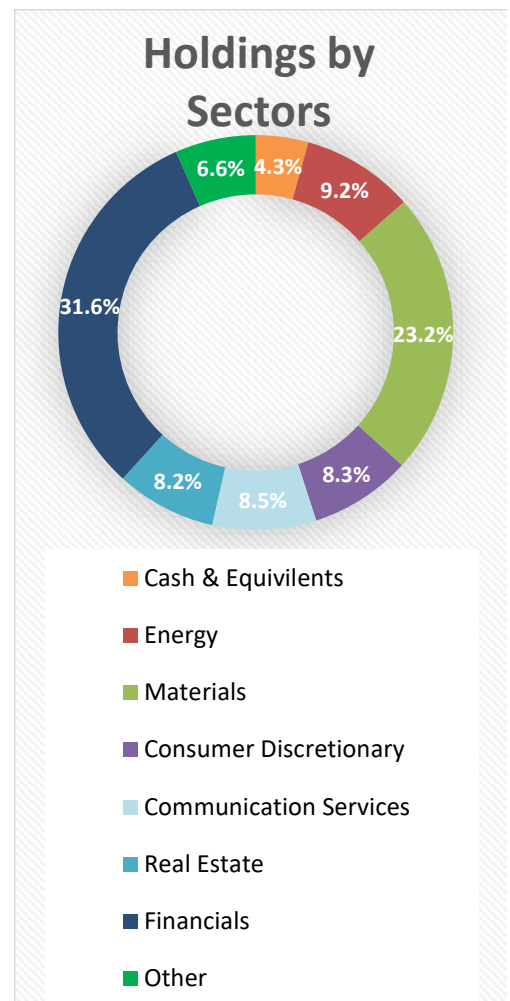
* Fund returns are calculated net of management fees, assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. The returns are calculated before performance fees which are charged against individual accounts.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

The top five holdings make up approximately 34.4% 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 rallied in October led by strong gains in the US, which drove Developed Markets outperformance relative to Emerging Markets. Broadly, markets reacted to the speculation that central banks are nearing the peak of interest rate policy tightening which lifted sentiment in share markets. The MSCI Developed Markets Index rose (+7.5%), and the S&P500 Index gained (+8.1%). Despite underperforming the US in October, Australia continues to lead the pack in terms of year-to-date performance in 2022.

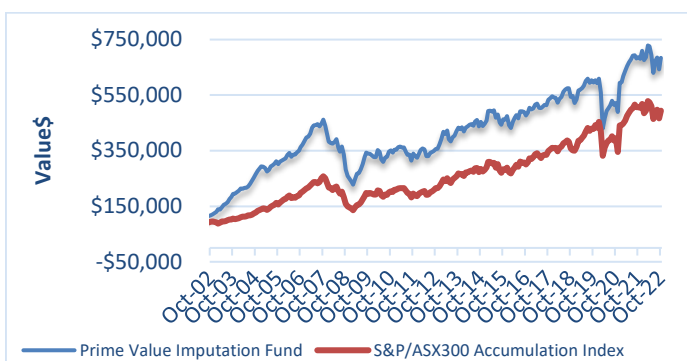
Some soft patches in recent economic data contributed to market participants contemplating once again the potential for the US Federal Reserve to be closer to the end of tightening. This triggered a move higher in gold, which spilled over to the rest of the precious metals complex. The overall uncertainty around US Federal Reserve policy and growing risks to economic growth are likely also helping gold currently hold onto much of its recent gains.

The RBA's October meeting hiked the cash rate by 25bps, to 2.60%, below market expectations of ~40bps, and a consensus of ~3/4 of economists for 50bps. Despite the rate hike, Australian 10-year yields fell 13bps across October to 3.76%.

The ASX300 Accumulation Index rose +6.0% in October, mostly reversing the significant market drawdown in September. The Banks did the heavy index lifting with CBA (+124bps), WBC (+63bps), NAB (+60bps) and ANZ (+43bps) adding the most, with support from Woodside (+42bps)

Financials (+12.2%), Energy (+9.5%) and Real Estate (+9.3%) rose the most in the month, whilst Consumer Staples (-0.2%) recorded the largest sector decline. Mid-caps were favoured, outperforming large and small cap counterparts. Industrials outperformed Resources across all size indices, performing best in mid-caps.

In terms of outlook, there has been a skew to analyst downgrades over upgrades in AGM season. Downgrades were more likely for stocks that benefited from 2021 COVID lockdowns, had exposure to high energy and gas costs, were negatively impacted.



This graph shows how \$100,000 invested at the Fund's inception has increased to \$683,800 (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 \$493,900 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	\$ 2.5099	\$ 2.5109
Withdrawal price	\$ 2.4909	\$ 2.4919
Distribution (30/06/2022)	\$ 0.0200	\$ 0.0214
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 6.5% for the month of October, outperformed its benchmark. Economically, the focus continued to be on inflation, central banks hawkish stand. Politically China's 20th CCP congress took centre-stage. Market was looking for indication of stimulus or economic growth drivers which seemed lacking at the first glance. Hong Kong and Shanghai market were both adversely affected as foreign investors exited mainland China stocks. Banks performed strongly for the month and were the main contributors to performance: CBA +15.4%, NAB +12.5% and Macquarie Group (MQG +10.9%). Detractors were primarily the resources names: BHP -3.0%, Oz Minerals (OZL -6.2%) and Ampol (ALD -5.3%)

One of the Budget initiatives announced during the month was the cracking down of companies using off-market buybacks to reduce tax payment. This change, which took effect from Budget night will discourage ASX-listed companies from paying shareholders a lower price for off market buybacks than the on-market price using franking credits to equalise the value. Major listed companies such as BHP, RIO and the banks have in the past undertaken such activity which had been an effective tool to distribute their excess franking to their shareholders. It formed part of their general capital management strategy. The Fund has participated in various "off-market" company buybacks from time to time. It has contributed to the higher income and higher imputation credits distributed to our investors. We have always considered them as "corporate" events and not part of the normal sustainable dividends. As a result of this change, companies with excess franking balance might opt for "special dividends" as part of their capital management strategy. We will watch this space.

As we head towards the all-important festive gifting season, the outlook for financial markets remains uncertain – policy makers have a challenging balance act. We remain cautious and continue to hold a balanced portfolio with emphasis on sustainable dividend.

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

Top Detractors (Absolute)	Sector
BHP	Materials
Oz Minerals	Materials
Ampol Ltd	Financials

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

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