# Prime Value
# Equity Income (Imputation) Fund – January 2023

- A strong start to equity markets in 2023 as fears of interest rate hikes recede and optimism generated by China's re-opening.
- The ASX300 Accumulation Index rose 6.2% in January on broad based increases across most sectors.
- The fund returned 6.3% for the month of January, in line with the strong market performance

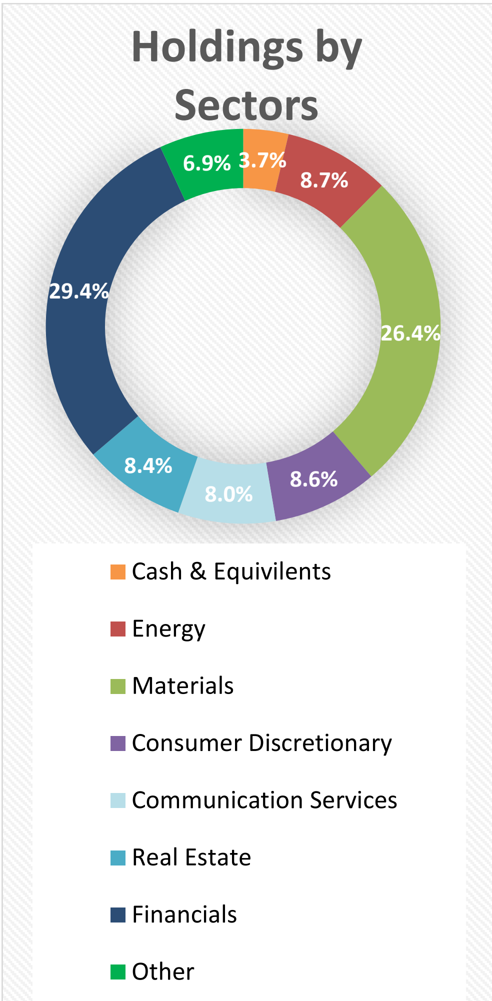
| | Total Return* | Growth Return* | Distribution Return* | Total Return including Franking Credits** | S&P/ASX 300 Accumulation Index |
|---|---|---|---|---|---|
| Since inception (p.a.) | 10.0% | 4.8% | 5.1% | 12.1% | 8.3% |
| 10 Years (p.a.) | 6.6% | 2.1% | 4.5% | 8.8% | 8.7% |
| 5 Years (p.a.) | 6.6% | 1.5% | 5.1% | 9.1% | 8.5% |
| 3 Years (p.a.) | 7.0% | 1.9% | 5.1% | 9.5% | 6.0% |
| 2 Years (p.a.) | 11.9% | 5.8% | 6.0% | 14.9% | 10.6% |
| 1 Year | 10.4% | 2.7% | 7.7% | 14.0% | 11.6% |
| 3 Months | 9.2% | 8.4% | 0.8% | 9.7% | 9.5% |
| 1 Month | 6.3% | 6.3% | - | 6.3% | 6.3% |

* 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 35.7% 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 |



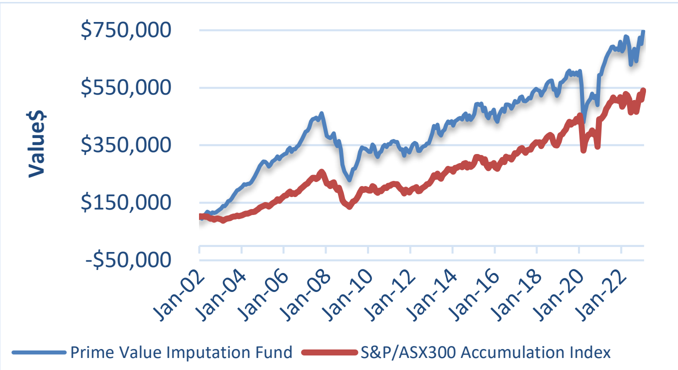
## Market review

Equities rallied over January off the back of stabilising recessionary expectations and easing rate hike fears after a soft US GDP data report. The MSCI Developed Markets Index rose +6.5%, and the S&P500 Index also gained ground (+6.2%). European equities closed January up +6.7%, with the strongest start to the year since 2015, outperforming US peers on hopes of easing inflation, declining gas prices amid milder weather, as well as China's reopening.

During the month the Australian 10-year bond yield decreased by 50bps, whilst the Australian Dollar rose +3.9% against the US Dollar.

Commodity prices had mixed results across the board. Brent Oil prices slightly fell US$1.01 to US$84.90/bbl with a strong US Dollar and uncertainty around Chinese demand. Iron Ore prices gained US$11.5 to US$129/Mt, on China's re-opening. Gold prices rose strongly US$110.35 to US$1,924, following a positive reaction to the softer US PPI reading and safe haven flows after renewed geopolitical tensions.

2023 has started strongly for Australian shares with the ASX300 Accumulation Index returning +6.2% in January, the 8th best start to a year (using All Ordinaries data) going back to 1935, and the best start since 1986. Except for the Utilities sector, all sectors had a positive impact on performance in January. Consumer Discretionary (+9.8%) rose the most in the month though due to index weight. Materials (+224bps) and Financials (+159bps) added the most alpha, with Utilities (-4bps) the only detractor. Large, Mid and Small caps all performed inline (rising ~6%) and Resources outperformed Industrials across the majority of size indices.




This graph shows how $100,000 invested at the Fund's inception has increased to $746,800 (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 $540,600 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 | $ 2.7198 | $ 2.7212 |
| Withdrawal price | $ 2.6992 | $ 2.7006 |
| Distribution (31/12/2022) | $ 0.0200 | $ 0.0210 |
| 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 6.3% in line with the strong January market performance. Most holdings had a positive return month. Key contributors were Macquarie Group (MQG +12.2%), BHP (+8.2%) and CBA (+7.3%). Only two holdings had negative return: Amcor (AMC -5.1%) and Santos (STO -0.4%). Companies that are seen as more defensive with stable earnings were the main detractors. The lower than expected US inflation data raised hope of an easing of the aggressive rate hikes, hence driving equity markets higher. Market especially interested in the previous "sold off" names as they can potentially provide the big share price upside.

February reporting season is upon us again. As part of continuous reporting practice, many companies provide trading updates to keep market informed and to manage market expectations. We hope this reporting of the last half year result would not have too much negative "surprises" but market daily price reaction can be volatile. Market would be more interested in any comments regarding the current trading conditions especially any discernible behavior change as consumers (mortgage payers) start to factor in higher loan repayment. This might be quite a new thinking for some new home owners who had enjoyed a very low interest rate and low unemployment environment for an extended period.

The rapid change of Covid policy and opening of China are expected provide a positive impetus to global growth. There is a massive potential demand for travel and retail when Chinese residents start moving again. Movements so far seemed to be within the country - presumably similar to Australia when people started to drive / domestic flights; then international flights. Barriers to travel are gradually coming down when countries remove the "extra" Covid tests requirements for travelers from China.

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

| Top Detractors (Absolute) | Sector |
|---|---|
| Amcor | Materials |
| Santos | Energy |
| Oz Minerals | Materials |

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