

# MONTHLY UPDATE DECEMBER 2013



## Fund Performance

Tables 1 and 2 show the PVGF performance relative to the S&P/ASX 300 Accumulation Index for the period to 31 December 2013. Table 1 shows the performance on an annual basis and Table 2 shows the cumulative return.

Table 1: Annual Return (Class A Units)*	1 mth	3 mths	Financial YTD	1 Yr	3 Yrs (pa)	5 Yrs (pa)	7 Yrs (pa)	10 Yrs (pa)	Since Apr 98 (pa)
Prime Value Growth Fund	1.1%	2.3%	14.2%	16.9%	7.0%	10.7%	5.0%	11.6%	13.9%
S&P/ASX300 Accumulation Index	0.8%	3.4%	14.0%	19.7%	8.5%	12.3%	3.5%	9.5%	8.5%
<b>Relative Performance To Benchmark</b>	<b>0.3%</b>	<b>-1.1%</b>	<b>0.2%</b>	<b>-2.8%</b>	<b>-1.5%</b>	<b>-1.6%</b>	<b>1.5%</b>	<b>2.1%</b>	<b>5.4%</b>
Approximate Annual Return (after Performance Fees)#				16.9%	7.0%	10.7%	4.7%	11.1%	12.8%

Table 2: Cumulative Return (Class A units)*	1 Yr	3 Yrs	5 Yrs	7 Yrs	10 Yrs	Since April 98
Prime Value Growth Fund	16.9%	22.6%	66.3%	40.6%	198.5%	677.9%
S&P/ASX300 Accumulation Index	19.7%	27.6%	78.9%	27.0%	147.6%	260.2%
<b>Relative Performance To Benchmark</b>	<b>-2.8%</b>	<b>-5.0%</b>	<b>-12.6%</b>	<b>13.6%</b>	<b>50.9%</b>	<b>417.7%</b>
Approximate Cumulative Return (after Performance Fees) #	16.9%	22.6%	66.3%	37.8%	188.1%	592.3%

\* Performance figures have been calculated in accordance with FSC Standard No 6.0, Product Performance – “Calculation of Returns” and FSC Standard No 10 – “Presentation of Past Performance Information”. The returns are calculated after management fees but before performance fees which are charged against individual accounts. The returns exclude the benefits of imputation credits. No allowance has been made for taxation. Performance assumes the reinvestment of income distributions. Past performance is not necessarily an indicator of future performance.

# Post-performance fee returns are an APPROXIMATION only, as performance fees are charged each year on June 30 (or on withdrawal), based on the performance of each investment. Performance fees are only payable where the return of the Fund exceeds the performance of the benchmark and the net return is positive.

## Manager's Commentary

Global equity markets continued to rise in December with the MSCI World index reaching a six-year high. Equity markets reacted positively to the US Federal Reserve's announcement that it will begin tapering its QE3 bond buying program following improved economic data and “the Fed's” strong commitment to keep interest rates near zero for a longer period.

Domestic economic data showed a strong increase in housing activity and another month of better than expected retail sales. However, the unemployment rate ticked up to 5.8% whilst business confidence slipped.

Commodities were mixed. WTI oil gained 6% while iron ore fell 1.6%. Gold had its first annual decline since 2000. The Aussie dollar fell a further 2%, hitting a 3 year low at \$0.89 USD.

The Australian equity market rose 0.8% offsetting earlier losses in December. Company specific earnings downgrades and heavy new stock issuance weighed on the market during the first half of the month. The Energy sector recovered whilst Telecoms also performed strongly. Banks lagged, post dividends and REITs underperformed.

The Fund rose 1.1% during December and a robust 14.2% for the first half of FY2014. The income distribution was 3.7% (gross of imputation credits). Major contributors were our holdings in Monadelphous (up 13%), Telstra (up 4%) and BHP (up 1.6%).

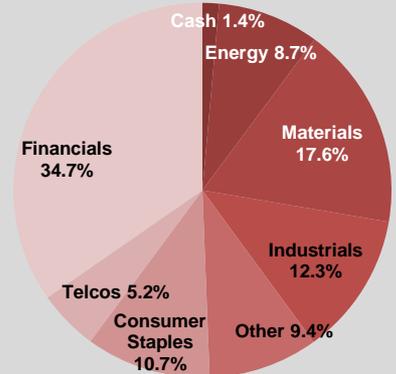
Telstra's performance was attributable to the company's agreement to sell CSL to HKT Ltd for US\$2.4bn. The market almost immediately attributed the prospect of a

capital return to shareholders as a result of the agreement. The CSL sale came on the back of the recent very successful IPO of Autohome (66% Telstra owned) on the NYSE. These events will add to Telstra's financial flexibility. Whilst we are less optimistic of the prospect of a capital return, they are supportive of Telstra's strategy of staying ahead of the competition by investing heavily into its network infrastructure.

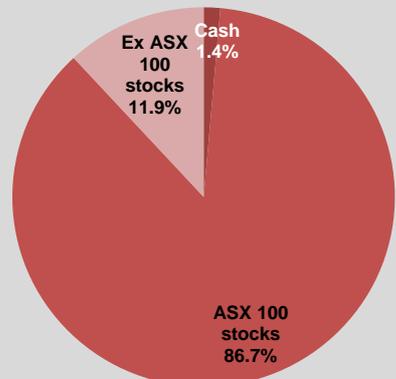
REA Group was a detractor from performance with its share price falling (-7%) sharply following the unexpected announcement of its MD's resignation. We make the observation that prior to the announcement, REA's stock price had doubled through the year. REA was one of the best performing stocks in 2013. Therefore, the share price reaction to the combination of the unexpected resignation following strong share price performance was understandable. In our view, the more critical issue is whether the company's strategic direction and operational excellence would be affected. REA's operational momentum is unlikely to change in the near term. We will be assessing any likelihood of strategic changes under new leadership.

The outlook for the Australian share market in 2014 will likely be supported by the government focus on infrastructure, stimulus from low interest rates and a softer A\$ and companies continued drive on efficiencies. Risks are largely offshore influences including sentiment surrounding China's economic growth rates and withdrawal of liquidity from global markets.

## Holdings by Sectors



## Holdings by Market Cap



## Top Five Holdings

ANZ	Financials
BHP Billiton	Materials
CBA	Financials
Telstra	Telcos
Wesfarmers	Consumer Staples

The portfolio is generally comprised of 25 - 45 stocks.

## Key Fund Details

### Investment Objectives

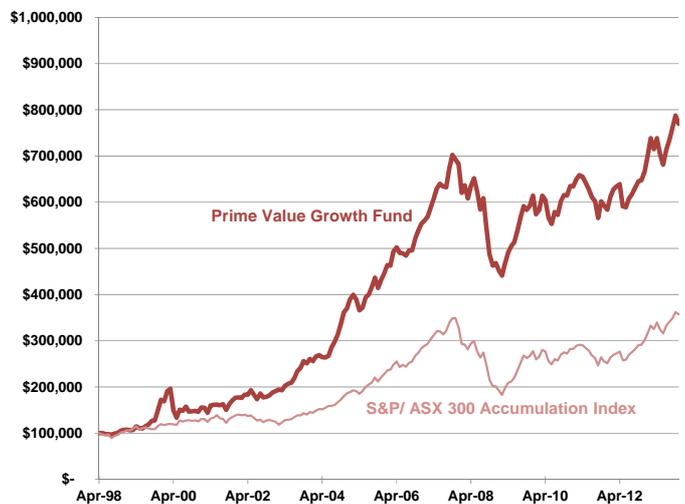
The Growth Fund aims to provide superior medium to long-term capital growth, with some income, by managing a portfolio of predominantly Australian equities listed on any recognised Australian stock exchange.

### Investor Profile

The Prime Value Growth Fund is appropriate for an investor seeking medium to long-term capital growth, who is prepared to accept some fluctuations in short-term returns. This type of investment is appropriate as a significant part of a properly diversified investment portfolio for individuals, companies, trusts and superannuation funds.

## Historical Performance (Class A Units)

### Value of \$100,000 Invested Since Inception (10 Apr 1998 – 31 Dec 2013)



This graph shows how a notional \$100,000 invested at the Fund's Inception (10 April 1998) has increased to \$777,900 (net of fees excluding performance fees) as at 31 December 2013. After performance fees, the amount would be approximately \$692,300. This compares very favourably with the return of the market, where a \$100,000 investment would have increased to \$360,200 over the same period. The returns exclude the benefits of imputation credits.

Launch Date: 10 April 1998	Direct Investment (Class A)		Indirect Investment via IDPS or IDPS-Like Schemes (Class B)	
	APIR Code	Investment Grade	APIR Code	Investment Grade
APIR Code	PVA0001AU (PVGAF)	Investment Grade Approved	PVA0011AU (PVGAF)	Investment Grade Approved
Indirect Cost Ratio (ICR)	1.435% p.a. <sup>1</sup>		1.23% p.a. <sup>1,2</sup>	
Performance Fee	20.5% p.a. <sup>1</sup> of performance (net of management fees and administration costs) above the agreed benchmark, subject to positive performance		20.5% p.a. <sup>1</sup> of performance (net of management fees and administration costs) above the agreed benchmark, subject to positive performance	
Benchmark	S&P / ASX 300 Accumulation Index		S&P / ASX 300 Accumulation Index	
Minimum Initial Investment	\$20,000		N/A	
Minimum Additional Investment	\$2,000		N/A	
Contribution Fee	Nil <sup>3</sup>		N/A	
Withdrawal Fee	Nil		N/A	
Income Distributions	Half-yearly		Half-yearly	
Research Rating	Lonsec Zenith	Investment Grade Approved	Lonsec Zenith	Investment Grade Approved
Unit Prices @ 31 December 2013	Issue Price:	\$3.2363	Issue Price:	\$3.2147
	Withdrawal Price:	\$3.2117	Withdrawal Price:	\$3.1903
	Distribution:	\$0.0815	Distribution:	\$0.0819

<sup>1</sup> Unless otherwise stated, all fees quoted are inclusive of GST and the relevant RITC.

<sup>2</sup> Fees for indirect investments do not include the fees charged by the IDPS operator. The fund is available in the following platforms: Asgard, Ausmaq, Beacon, BT Wrap, First Wrap, IOOF Global One, Macquarie Wrap, netwealth, Portfolio Advantage, Premium Choice, Symetry, Wealthtrac.

<sup>3</sup> Up to 3% may be charged where a Direct Investor is introduced by an adviser to the Fund, as mutually agreed between the investor & adviser.

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