

# PRIME VALUE IMPUTATION FUND

## MONTHLY UPDATE DECEMBER 2012



# PrimeValue®

Building Wealth Together

### Fund Performance

Table 1 shows the PVIF performance relative to the S&P/ASX 300 Accumulation Index for the period to 31 December 2012.

Table 2 shows the distribution by financial year.

Table 1: Annual Return (Class A Units)*	1 mth	3 mths	1 Yr	3 Yrs (pa)	5 Yrs (pa)	7 Yrs (pa)	10 Yrs (pa)	Since Dec 01 (pa)
Prime Value Imputation Fund	4.4%	7.1%	14.7%	2.2%	-2.7%	2.4%	11.5%	12.6%
S&P/ASX300 Accumulation Index	3.3%	6.8%	19.7%	2.8%	-1.8%	4.1%	9.1%	7.5%
<b>Relative Performance To Benchmark</b>	<b>1.1%</b>	<b>0.3%</b>	<b>-5.0%</b>	<b>-0.6%</b>	<b>-0.9%</b>	<b>-1.7%</b>	<b>2.4%</b>	<b>5.1%</b>
Approximate Annual Return (after Performance Fees)#			14.7%	2.2%	-2.7%	2.4%	11.0%	11.6%

Table 2: Distribution (Class A units)*	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13 (Dec Half)
Income Distribution	5.3%	5.2%	3.0%	4.2%	5.1%	2.3%
Grossed-up Distribution (for Imputation credits)	6.8%	7.6%	4.7%	6.4%	7.6%	3.8%

\* 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

The Australian equity market finished the year on a positive note, with the benchmark S&P/ASX 300 Accumulation index rising 3.3% during December, giving a financial year to date return of 16.1% and a calendar year return of 19.7%. Global influences were dominated by "fiscal cliff" negotiations (the simultaneous expiration of tax breaks with cuts in government expenditure) in the US while Italy's Prime Minister resigned. More positively, China's annual Economic Work Conference confirmed sustainable growth and urbanisation to boost domestic demand, while ECB president Mario Draghi stated a Eurozone recovery is likely in the second half of 2013. US employment data was very strong but sentiment suffered (fiscal cliff related), Chinese data confirmed economic growth was picking up and the European PMI suggested the recession was easing. Japan was the best performing market, up 10%. Iron ore rose strongly (over 25%) while base metals, oil and gold were all generally weaker. The \$A was also marginally weaker.

Domestically, the RBA cut interest rates for the fourth time in 2012 to 3.0% and the government scrapped budget surplus plans for 2012/13 due to lower revenues. Economic data was mixed. Employment numbers and trade data were positive but GDP was lower than expected and both consumer and business sentiment numbers disappointed.

In a month of low volumes the cyclical sectors performed well, particularly Materials, Industrials and Financials, while the more defensive sectors, including Consumer Staples, Telcos and REITs, took a breather following recent strength.

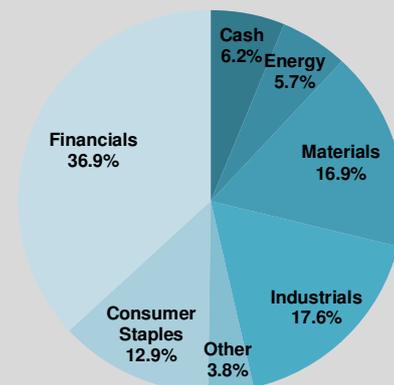
The Fund achieved a return of 4.4% during December. Sector allocation contributed positively to performance, as the Fund was overweight Industrials and underweight Telcos.

Stock selection also contributed positively to performance. The key positive holdings included Monadelphous (up 12.2%), Australand Property Group (up 14.9%) and IOOF (up 10.6%). The holdings which detracted from performance were WorleyParsons (down 4.9%) and Programmed Maintenance (down 1.3%).

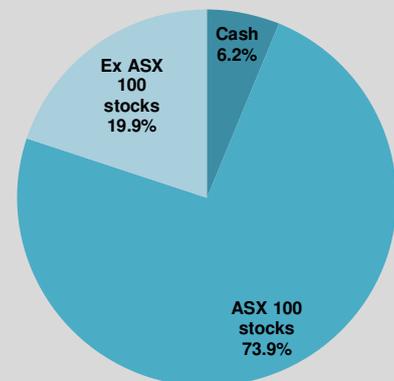
The financial half year return was 12.9% and we were pleased to pay distributions of 2.3% for the half (3.8% including Imputation credits). Distributions will continue on a quarterly basis. Sector allocation was a detractor from performance, due mainly to our overweight position in mining services companies. Underweight positions in the healthcare, financials and telcos also detracted from performance. We expect China and emerging markets will recover which should lead to strength in the materials and mining services sectors.

Overall, the Australian equity market remains attractive relative to other asset classes due to low government debt, solid economic growth, and an expected recovery in earnings. Valuations are reasonable; however significant global risks remain which will continue to affect domestic markets. We believe in a low interest rate environment, the global search for yield will continue. This will potentially benefit the Fund with its focus on companies paying high, sustainable and tax effective dividends.

### Holdings by Sectors



### Holdings by Market Cap



### Top Five Holdings

Monadelphous	Industrials
National Australia Bank	Financials
Orica	Materials
Wesfarmers	Consumer Staples
Westpac	Financials

The portfolio is generally comprised of 30 - 50 stocks.

## Key Fund Details

### Investment Objectives

The PVIF aims to provide capital growth over the medium to long-term, combined with regular tax-effective income, by managing a portfolio of assets comprised mainly of Australian equities listed on any recognised Australian stock exchange.

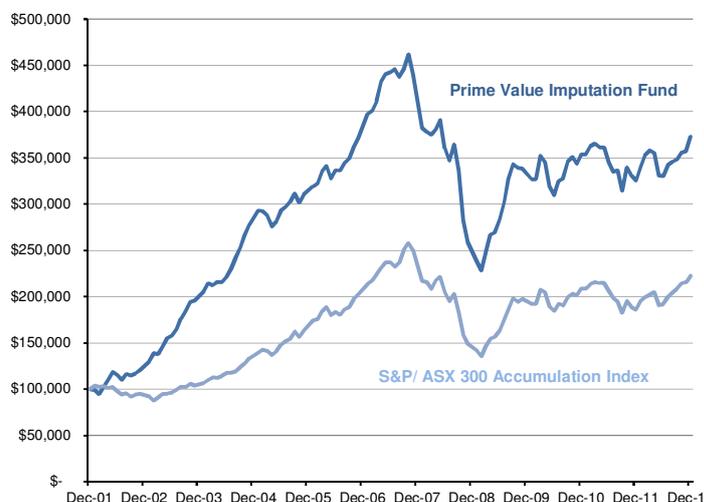
Due to the tax benefits under the current dividend imputation regime, the PVIF will typically have a core position of Australian equities with an attractive level of franked dividends.

### Investor Profile

The PVIF is appropriate for an investor seeking medium to long-term capital growth and regular income that includes imputation credits. Investors should be 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 (20 Dec 2001 – 31 Dec 2012)



This graph shows how a notional \$100,000 invested at the Fund's Inception (20 December 2001) has increased to \$372,800 (net of fees excluding performance fees) as at 31 December 2012. After performance fees, the amount would be approximately \$342,000. This compares very favourably with the return of the market, where a \$100,000 investment would have increased to \$222,600 over the same period. The returns exclude the benefits of imputation credits.

**Launch Date: 20 December 2001<sup>1</sup>**

**Size of Fund: \$42.7m**

### Direct Investment (Class A)

### Indirect Investment via IDPS or IDPS-Like Schemes (Class B)

APIR Code	PVA0002AU (PVIF)	PVA0022AU (PVIF)
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	\$5,000	N/A
Contribution Fee	Nil <sup>3</sup>	N/A
Withdrawal Fee	Nil	N/A
Income Distributions	Quarterly	Quarterly
Research Rating	Lonsec Morningstar ★★★	Lonsec Morningstar ★★★★
Unit Prices @ 31 December 2012	Issue Price: \$2.1124 Withdrawal Price: \$2.0964 Distribution: \$0.0240	Issue Price: \$2.1110 Withdrawal Price: \$2.0950 Distribution: \$0.0250

<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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