# MONTHLY UPDATE
# FEBRUARY 2014

Prime Value Imputation Fund

## Fund Performance

Tables 1 shows the PVIF performance relative to the S&P/ASX 300 Accumulation Index for the period to 28 February2014.
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 | 3.5% | 1.5% | 3.8% | 6.1% | 13.7% | 1.1% | 7.3% | 12.7% |
| S&P/ASX300 Accumulation Index | 4.9% | 2.6% | 10.2% | 8.2% | 14.9% | 3.2% | 9.4% | 8.5% |
| **Relative Performance To Benchmark** | **-1.4%** | **-1.1%** | **-6.4%** | **-2.1%** | **-1.2%** | **-2.1%** | **-2.1%** | **4.2%** |
| Approximate Annual Return (after Performance Fees)# | | | 3.8% | 6.1% | 13.7% | 1.1% | 7.3% | 11.6% |

| Table 2: Distribution (Class A units)* | 2008/09 | 2009/10 | 2010/11 | 2011/12 | 2012/13 | 2013/14 (Half Yr) |
|---|---|---|---|---|---|---|
| Income Distribution | 5.2% | 3.0% | 4.2% | 5.1% | 4.1% | 2.0% |
| Grossed-up Distribution (for Imputation credits) | 7.6% | 4.7% | 6.4% | 7.6% | 6.2% | 3.4% |

* 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 Jun 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

Equity markets posted strong gains in February with the MSCI Global Equities Index up 4.9%. Global markets gained confidence that the US Federal Reserve will continue the policy of gradually tapering its quantitative easing (QE) while at the same time retain flexibility about the pace.

The Australian equity market was dominated by the reporting season which has been solid in most sectors. Key themes have been: a continued focus on cost control, help from a weaker A$, a turnaround for large resources stocks and continuing strong results from the banks. Dividend payout was strong, which is usually a sign of confidence about the outlook. About 50% of companies exceeded expectations and full year earnings estimates were revised up.

Domestic economic data was mixed with employment the key negative. However, general business conditions rose to the highest level since 2011, building approvals and retail sales continue to be robust.

The Australian market outperformed in US$ terms due to a stronger Aussie dollar. Energy and Consumer Discretionary sectors performed well while defensive sectors including Health Care and Telecoms underperformed.

The Fund achieved a return of 3.5% for the month. Sector allocation was mildly negative, as the Fund was overweight in traditionally higher dividend paying Industrials, which underperformed. This was partly offset by underweight defensive Health Care and Telecoms.

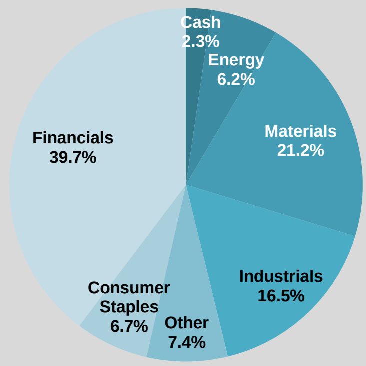
At a stock level, holdings in ANZ Bank, which rose 6.7% on a better than expected trading update, and Incitec Pivot (up 9.8%) contributed positively to performance. BHP (up 5.0%), which reported strong operating earnings and continued to focus on cost efficiencies and reducing debt, also contributed to the performance.

Detracting from the performance were Amcor (down 5.6%), Programmed Maintenance (down 2.6%) and Telstra (down 1.8%). We believe the underlying fundamentals and outlook remain robust for Amcor despite missing earnings estimates and seasonal issues caused by the Orora demerger. Telstra delivered a strong result, especially in mobile, margin increase and a higher interim dividend, but did not increase its full year earnings guidance.

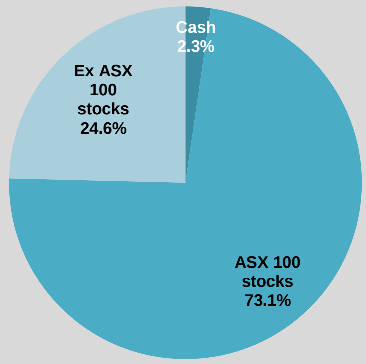
Another reporting season over and market rallied 5% as companies managed to hit relatively low consensus expectations. Management comments on domestic outlook remained subdued and "cost out" is still the focus. Dividend growth came primarily through a higher payout ratio. Online continues to disrupt industries such as retail and media.

The high PE stocks appeared to have met expectation and the share prices moved higher. In a market whereby "growth" appeared scarce, they seemed to command a healthy valuation premium. Typically such companies would continue to invest to generate returns and are not good dividend payers. The Imputation fund continues to stay with "quality" names with sustainable dividend yield, reasonable valuation and some growth potential.

## Holdings by Sectors




## Holdings by Market Cap




## Top Five Holdings

| | |
|---|---|
| Amcor | Materials |
| ANZ | Financials |
| BHP | Materials |
| National Australia Bank | Financials |
| Wesfarmers | Consumer Staples |

The portfolio is generally comprised of 25 - 45 stocks.

## Key Fund Details

### Investment Objectives

The Imputation Fund aims 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.

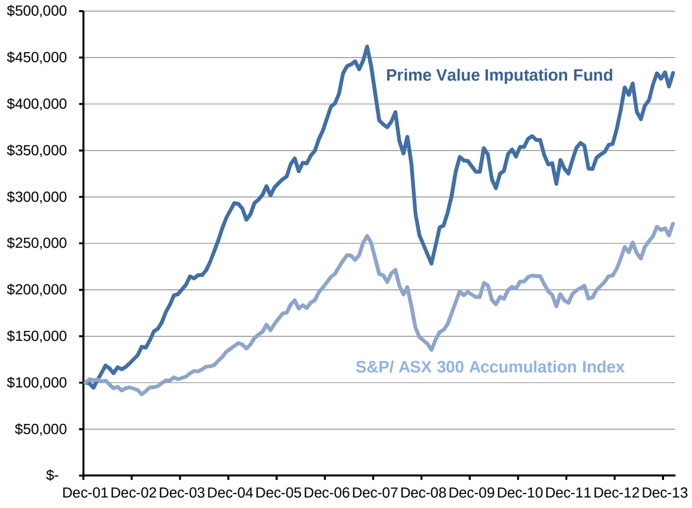
Due to the tax benefits under the current dividend imputation regime, the PVIF will typically have a core position of Australian equities with an attractive level of franked dividends.

### Investor Profile

The PVIF is appropriate for an investor seeking regular tax effective income that includes imputation credits, combined with competitive capital growth over the medium to long term. 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 – 28 Feb 2014)




This graph shows how a notional $100,000 invested at the Fund's Inception (20 December 2001) has increased to $433,500 (net of fees excluding performance fees) as at 28 February 2014. After performance fees, the amount would be approximately $400,200. This compares very favourably with the return of the market, where a $100,000 investment would have increased to $271,200 over the same period. The returns exclude the benefits of imputation credits.

| Launch Date: 20 December 2001[1] | 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.[1] | | 1.23% p.a.[1,2] | |
| Performance Fee | 20.5% p.a.[1] of performance (net of management fees and administration costs) above the agreed benchmark, subject to positive performance | | 20.5% p.a.[1] 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[3] | | N/A | |
| Withdrawal Fee | Nil | | N/A | |
| Income Distributions | Quarterly | | Quarterly | |
| Research Rating | Lonsec | Investment Grade | Lonsec | Investment Grade |
| Unit Prices @ 28 February2014 | Issue Price:<br>Withdrawal Price: | $2.3390<br>$2.3212 | Issue Price:<br>Withdrawal Price: | $2.3388<br>$2.3210 |

1 Unless otherwise stated, all fees quoted are inclusive of GST and the relevant RITC.
2 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.
3 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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