

# PRIME VALUE IMPUTATION FUND

## MONTHLY UPDATE OCTOBER 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 October 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	2.2%	4.1%	4.8%	1.6%	-5.1%	2.4%	11.8%	12.3%
S&P/ASX300 Accumulation Index	2.9%	7.4%	9.9%	3.4%	-3.6%	4.6%	8.6%	7.3%
<b>Relative Performance To Benchmark</b>	<b>-0.7%</b>	<b>-3.3%</b>	<b>-5.1%</b>	<b>-1.8%</b>	<b>-1.5%</b>	<b>-2.2%</b>	<b>3.2%</b>	<b>5.0%</b>
Approximate Annual Return (after Performance Fees)#			4.8%	1.6%	-5.1%	2.4%	11.1%	11.3%

Table 2: Distribution (Class A units)*	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13 (Sep Qtr)
Income Distribution	5.3%	5.2%	3.0%	4.2%	5.1%	1.2%
Grossed-up Distribution (for Imputation credits)	6.8%	7.6%	4.7%	6.4%	7.6%	2.0%

\* 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

Despite a negative lead from offshore, the Australian equity market rose further during October, with the benchmark S&P/ASX 300 Accumulation index rising 2.9% during the month. Weak 3Q earnings were negative for the US market and were compounded by Hurricane Sandy which closed markets for 2 days. However US economic data releases were positive, including GDP, retail sales, employment, consumer sentiment and purchasing managers' indices. Chinese data was also positive and many suggested that the economy had stabilised and a soft landing had been achieved. European markets were stronger on falling risks, despite generally weaker data, with the exception of the UK which emerged from recession. Commodities were generally weaker, particularly base metals; however iron ore continued its recovery above USD120/tonne.

Domestically, the RBA reduced interest rates by 0.25% and the economic data was generally positive. AGM season commenced with some reduced guidance, Graincorp received a takeover offer and the Billabong offer was withdrawn.

The defensive sectors continued to outperform, with Telcos and REITs (Real Estate Investment Trusts) the best performers. Banks and Materials lagged slightly, while the weaker sectors were IT and Energy.

The Fund achieved a return of 2.2% during October. Sector allocation was broadly neutral. The Fund benefitted from an overweight position in Industrials and an underweight position in Healthcare.

However this was largely offset by an underweight position in Telcos. The cash holding, while very modest, also detracted from performance in a rising market.

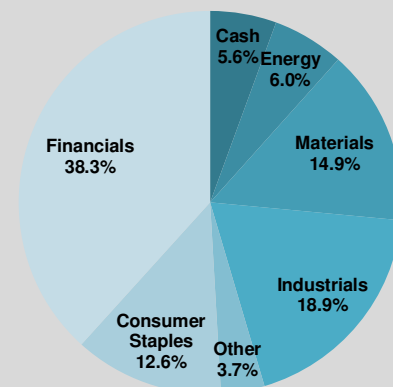
At a stock level, the companies which contributed positively to performance included Monadelphous (up 7.1%), IOOF (up 10.1% following last month's fall) and Westpac (up 2.7%). The holdings which detracted from performance were Bradken (down 11.3% following cautious commentary at their AGM), WorleyParsons (down 12.8%) and Programmed Maintenance (down 3.7%).

Financial markets have rallied since July on the view that the global economic and geopolitical outlook will not worsen, or if it does, that central banks stand ready to backstop economies and markets. A period of consolidation is therefore possible in coming months. With a potential fiscal cliff looming over the US, the likelihood that China will not significantly stimulate their economy, and a high Australian dollar, there is a risk that global investors will fund their equity purchases around the world by reducing their holdings in Australia.

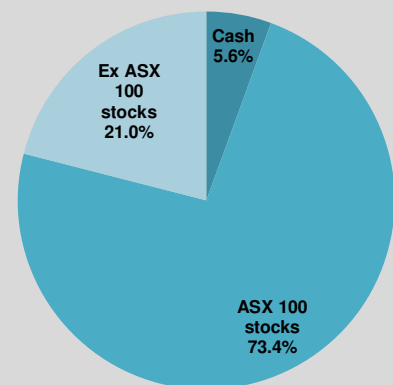
Despite all this, there are still plenty of good themes and ideas to watch in the lead-up into the new year.

Longer term, the global search for yield remains. The Australian market is attractive, particularly relative to cash. We continue to believe that the balance of risk will favour equity investors over the medium to long term.

### 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.

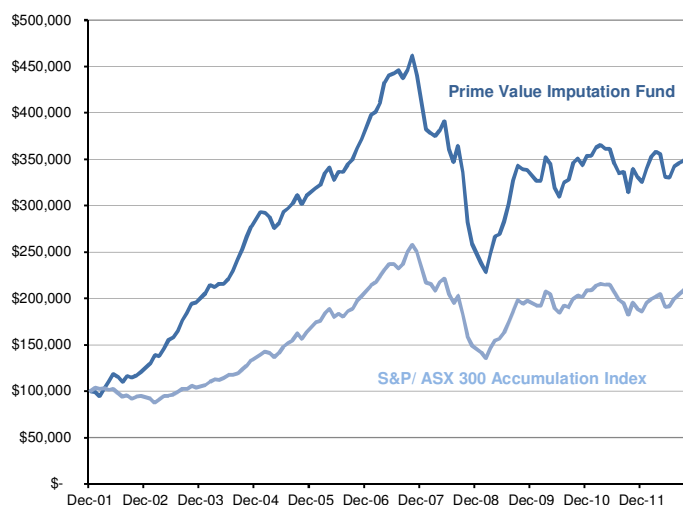
Due to the tax benefits under the current dividend imputation regime, the PVIF will typically have a core position of Australian equities with an attractive level of franked dividends.

### 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 Oct 2012)



This graph shows how a notional \$100,000 invested at the Fund's Inception (20 December 2001) has increased to \$356,000 (net of fees excluding performance fees) as at 31 October 2012. After performance fees, the amount would be approximately \$327,000. This compares very favourably with the return of the market, where a \$100,000 investment would have increased to \$214,600 over the same period. The returns exclude the benefits of imputation credits.

Launch Date: 20 December 2001 <sup>1</sup> Size of Fund: \$42.3m	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 October 2012	Issue Price: \$2.0169 Withdrawal Price: \$2.0017	Issue Price: \$2.0149 Withdrawal Price: \$1.9997

<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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