

Prime Value Imputation Fund

Fund Update – August 2016



- Global markets were broadly flat during the month following a good recovery in July post Brexit
- The Australian share market ended the month 1.6% lower. The August corporate reporting period introduced a degree of volatility in individual stocks, depending on their report and outlook.
- The Fund outperformed its benchmark by 1.6%, led by share price appreciation in GWA(+40%), Macquarie Bank (+8.5%) and BHP(+4.7%)

	Total Return*	Growth Return*	Distribution Return*	Total Return including Franking Credits**	S&P/ASX 300 Accumulation Index
Since inception (pa)	11.4%	6.1%	5.3%	13.4%	7.9%
10 Years (pa)	3.6%	-0.9%	4.5%	5.6%	5.1%
5 Years (pa)	8.2%	3.8%	4.4%	10.4%	9.5%
3 Years (pa)	6.8%	2.8%	4.0%	8.8%	6.6%
1 Year (pa)	8.9%	5.1%	3.8%	10.8%	9.7%
3 Months	3.0%	2.0%	1.0%	3.3%	2.1%
1 Month	0.0%	0.0%	0.0%	0.0%	-1.6%

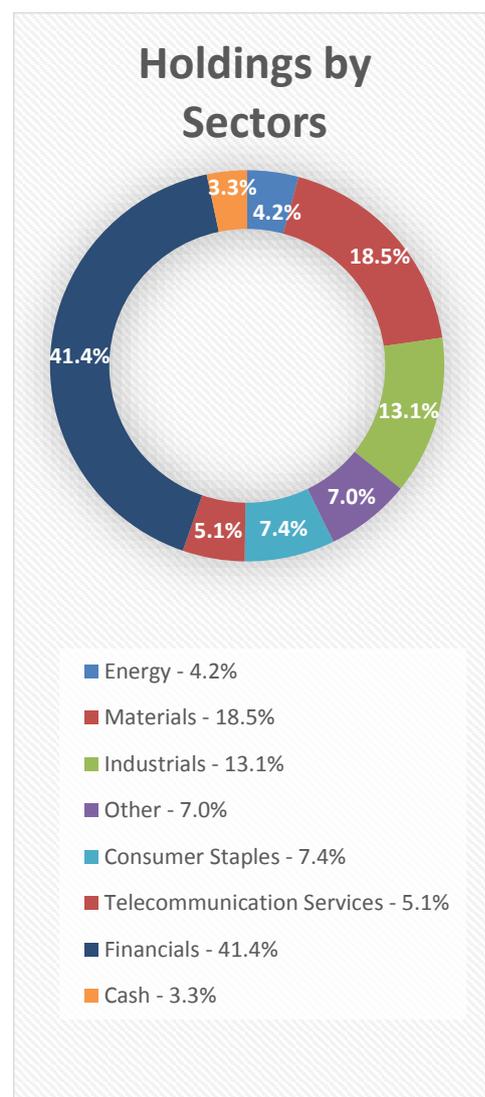
* Fund returns are calculated net of management fees, assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC). The returns are calculated before performance fees which are charged against individual accounts. The returns 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
CBA	Financials
Westpac	Financials
Sydney Airport	Industrials
Wesfarmers	Consumer Staples
ANZ	Financials

* The top five holdings make up approximately 31.4% 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 limit	0 - 30%
Distribution	Quarterly
Recommended investment period	3 + years
Annualised Return	11.4% (excl. franking credits) 13.4% (incl. franking credits)
Research Rating	Lonsec – Investment Grade

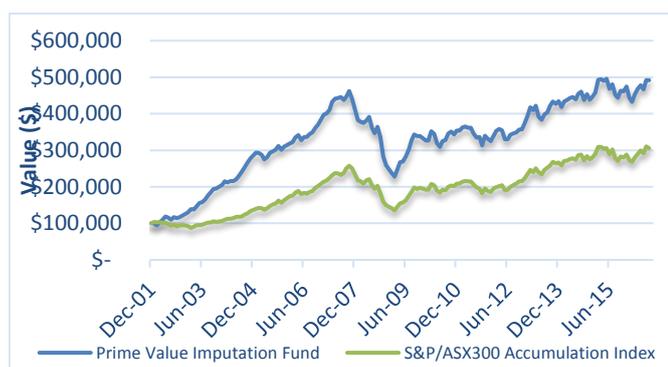


Market review

The Australian market declined 1.6% in August, following a strong July. Global equity markets were broadly flat, with emerging markets outperforming. The reporting season delivered a mix of winners and losers, with increased volatility. Overall outcomes were broadly in-line with modest market expectations, while stocks trading on premium valuations were highly sensitive to outlook statements. Discretionary retail was the best performing sub-sector.

Domestic economic data was strong, with July employment numbers and residential building approvals exceeding expectations. The Australia dollar weakened against most currencies. In contrast, the US dollar strengthened on comments from the Fed Chair, although market expectations for a rate hike have since unwound. The oil price rose \$US4.58 to US\$47.04 a barrel. Gold fell marginally and the price of iron ore closed flat for the month.

Three sectors posted positive returns for the month: IT (+4.6%), energy (+2.4%) and consumer staples (+1.9%). The worst performing sectors were telecommunications (-6.5%), utilities (-5.7%) and industrials (-4.3%). Mid-caps outperformed (-0.1%), while the returns from mega-caps (S&P/ASX top 20), large-caps and small-caps were all broadly in-line with the overall market return.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$492,040 (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 \$305,700 over the same period. The returns exclude the benefits of imputation credits.

	Direct Investment (Class A)	Platform Investment (Class B)
APIR code	PVA0002AU	PVA0022AU
Minimum Investment	\$20,000	N/A
Issue price	\$2.4156	\$2.4153
Withdrawal price	\$2.3974	\$2.3971
Indirect Cost Ratio (ICR)	1.435% pa	1.23% pa
Performance fee	20.5% ¹	20.5% ¹

¹ 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 outperformed its benchmark by 1.6% (after fees) in August.

In absolute terms, the Fund's major contributors to performance were **GWA** (+40%, after reporting a good result and the price movement partly reflects the valuation gap closing post result); **Macquarie** (+8.5%, no new news but AGM commentary was positive) and **BHP** (+4.7%, better than expected result). **Newcrest** (-11.2%, on a weaker gold price despite declaring their first dividend since 2013) and **Telstra** (-6.1%, announced off-market share buyback but also higher investment capex to come) were the main detractors to performance.

Management commentaries during August reporting were largely cautious. We note the reluctance of companies to invest despite record low interest rate. Instead, the payout ratio of industrial companies is now approaching 80%. This does not augur well for long term growth as companies pay increased dividends rather than reinvest. Resource names continue to focus on costs which mean further margin pressure for service companies and we are watching this space with caution.

We continue to seek companies with a sustainable dividend and moderate capital growth prospects. There was no major change to the portfolio during the month.

Top contributors (absolute)	Sector
GWA	Industrials
Macquarie	Financials
BHP	Mining

Top detractors (absolute)	Sector
Newcrest	Materials
Telstra	Telecommunications

Platforms
Ausmaq, Beacon, BT Wrap, First Wrap, Hub24, Macquarie Wrap, netwealth, Premium Choice, Symetry, Wealthtrac

Contact details:

Phone: 03 9098 8088
 Fax: 03 9098 8099
 Email: info@primevalue.com.au

Mail:

Prime Value Asset Management Ltd
 Level 9, 34 Queen Street
 Melbourne VIC 3000

Web: www.primevalue.com.au