

Prime Value Imputation Fund

Fund Update – August 2017



- Materials, energy and selected industrial companies led the Australian share market performance in August
- Company reporting season was typically volatile, with short term considerations the main driver of share price performance
- The Fund returned 1.4% for the month after fees.

	Total Return*	Growth Return*	Distribution Return*	Total Return including Franking Credits**	S&P/ASX 300 Accumulation Index
Since inception (p.a.)	11.0%	5.8%	5.2%	13.0%	8.0%
10 Years (p.a.)	1.6%	(2.5%)	4.2%	3.6%	3.5%
5 Years (p.a.)	8.3%	4.3%	4.0%	10.3%	10.4%
3 Years (p.a.)	3.8%	0.1%	3.6%	5.6%	5.2%
1 Year	4.6%	1.1%	3.5%	6.3%	9.5%
3 Months	2.1%	1.1%	0.9%	2.3%	1.0%
1 Month	1.4%	1.4%	0.0%	1.4%	0.7%

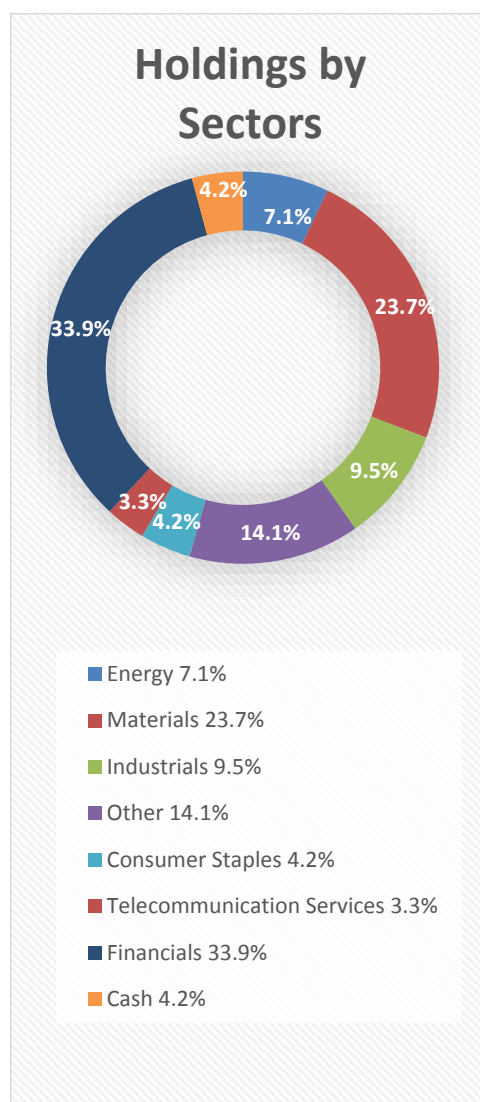
* Fund returns are calculated net of management fees, assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC). The returns are calculated before performance fees which are charged against individual accounts. The returns 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
BHP Ltd	Materials
Commonwealth Bank	Financials
Westpac	Financials
ANZ	Financials
IOOF Holdings	Financials

* The top five holdings make up approximately 29.5% of the portfolio.

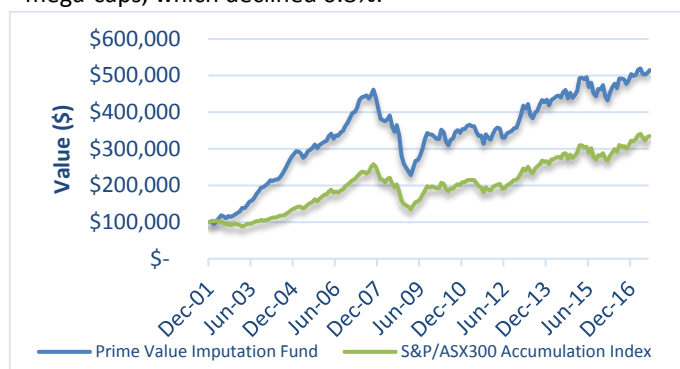
Feature	Fund facts
Portfolio Manager	Leanne Pan
Investment objective	To provide regular tax-effective income, combined with competitive capital growth over the medium to long-term, by managing a portfolio of assets comprised mainly of Australian equities listed on any recognised Australian stock exchange.
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	11.0% (excl. franking credits) 13.0% (incl. franking credits)
Research Rating	Lonsec – Investment Grade



Market review

The S&P/ASX 300 Accumulation Index rose 0.8% in August, outperforming global equities in local currency terms (+0.2%). Emerging markets (+2.1%) outperformed, reflecting the strong performance of commodity prices. Geopolitical tensions rose in August, with movements in global bond yields and a rising gold price reflecting a more 'risk-off' market environment. At least to date, political rhetoric and potential trade consequences have been a greater focus than the actual threat of a military strike on the Korean peninsula. Domestic investor attention was centred on the August company reporting season, with the usual mix of winners and losers. The overall outcome was generally considered to be lacklustre, with FY18 guidance a key area of market disappointment. Naturally, we were more focused on stock specific issues.

Relative sector performance reflected a combination of stock, sector and macro drivers during August. The better performing sectors were Consumer Staples (+5.2%), Industrials (+4.6%) and the Resource sectors (Energy +5.2% and Materials +4.5%). The key underperformers were Telcos (-7.2%), primarily driven by Telstra and Vocus, as well as the banks, which declined 2.5% (primarily driven by CBA). Small caps significantly outperformed (+2.7%) mid-caps (+0.8%) and large-caps (+0.5%) over the month. The major laggard was mega-caps, which declined 0.8%.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$514,810 (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 \$334,860 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	\$ 2.4433	\$ 2.4437
Withdrawal price	\$ 2.4249	\$ 2.4251
Distribution (30/06/2017)	\$ 0.0219	\$ 0.0229
Indirect Cost Ratio (ICR)	1.435%* p.a.	1.23%* p.a.
Performance fee	20.5%**	20.5%**

* Unless otherwise stated, all fees quoted are inclusive of GST and the relevant RITC
 ** of performance (net of management fees and administration costs) above the agreed benchmark, subject to positive performance and a high water mark

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Fund review & strategy

The Fund returned 1.4% for the month of August (after fees). In absolute terms, the major contributors to performance were **Newcrest Mining**, supported by gold price movements on "North Korea is begging for war" geopolitical concerns, while **BHP** and **IOOF** delivered better-than-expected results. The three major detractors were **CBA**, **Telstra** and **Event Hospitality**.

Another hectic period of company reporting has come to pass. Resources sector was the bright spot whereas some large companies including **Telstra** and **Suncorp** missed the mark. Corporate outlook statements were cautious. As we alluded to last month, the board of Telstra has now reset the capital management framework, rebasing the dividend to 22 cents. The dividend cut was larger and earlier than the market expected and shares sold off as a result. We understand that in a competitive environment, Telstra needs to invest for the future and it's prudent to have a more sustainable dividend payout ratio. Based on month-end share price, this still gives a fully franked dividend yield of 6% which is still very attractive in today's low interest rate environment. For this Fund, we continue to maintain the holding.

No major portfolio adjustments to our portfolio were required as a result of reporting season but, as usual, we continue to recalibrate the portfolio to achieve its objectives.

Top contributors (absolute)	Sector
Newcrest	Materials
IOOF	Finance
BHP	Materials

Top detractors (absolute)	Sector
Telstra	Telecommunications
Commonwealth Bank	Finance
Event Hospitality	Consumer Discretionary

Platforms

Ausmaq, Beacon, BT Wrap, First Wrap, Hub24, Netwealth, Symetry, Wealthtrac

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