

Prime Value Imputation Fund

Fund Update – December 2016



- Equity markets globally continued to draw on the optimism generated by the US election and traded up strongly
- We are cautious on the increased optimism as broad market valuations are relatively high and unlikely to move higher. Our focus remain on individual stock opportunities
- The Fund returned 3.5% in December. Positive contributors to performance were the banks. Mid-cap companies Sydney Airport, Event Hospitality & Entertainment and Capilano Honey were key detractors

	Total Return*	Growth Return*	Distribution Return*	Total Return including Franking Credits**	S&P/ASX 300 Accumulation Index
Since inception (pa)	11.3%	6.0%	5.3%	13.4%	8.1%
10 Years (pa)	2.7%	-1.6%	4.3%	4.7%	4.4%
5 Years (pa)	9.2%	5.2%	4.0%	11.3%	11.6%
3 Years (pa)	5.1%	1.3%	3.8%	7.0%	6.6%
1 Year (pa)	6.4%	2.7%	3.7%	8.1%	11.8%
3 Months	2.9%	2.1%	0.8%	3.4%	4.9%
1 Month	3.4%	2.6%	0.8%	3.9%	4.3%

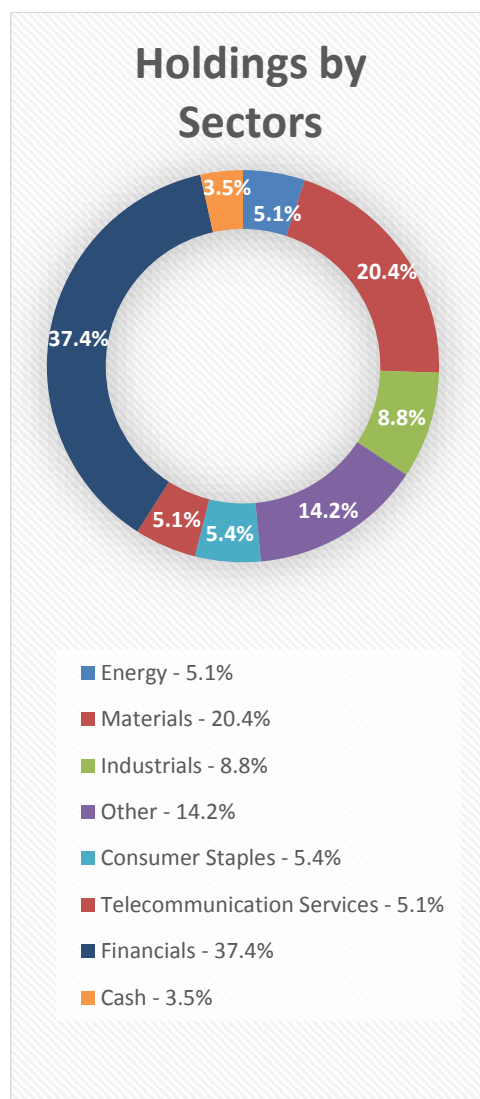
* Fund returns are calculated net of management fees, assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC). The returns are calculated before performance fees which are charged against individual accounts. The returns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

* The top five holdings make up approximately 33.5% of the portfolio.

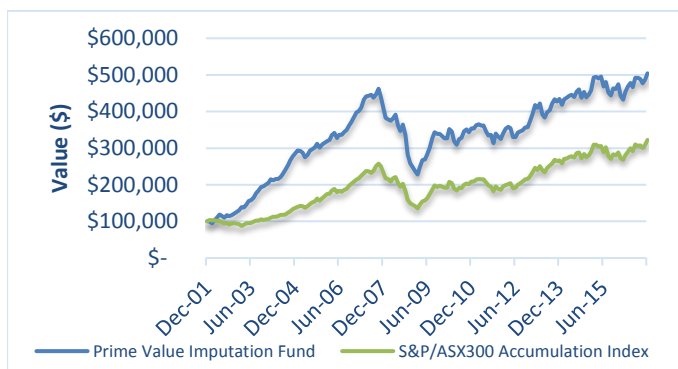
Feature	Fund facts
Portfolio Manager	Leanne Pan
Investment objective	To provide regular tax-effective income, combined with competitive capital growth over the medium to long-term, by managing a portfolio of assets comprised mainly of Australian equities listed on any recognised Australian stock exchange.
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	11.3% (excl. franking credits) 13.4% (incl. franking credits)
Research Rating	Lonsec – Investment Grade



Market review

Global equity markets traded higher in December, building on the positive sentiment emerging from the US election, economic data that sign-posted better-than-expected growth and rising expectation that governments may spend their way to growth. Oil prices also reacted to a significant OPEC agreement to cut oil production, joined later by a Russian commitment. Traders did not stop to assess the likelihood of successful enforcement of oil production cuts, which has proven to be extremely difficult in the past. WTI oil traded 8.7% higher in December.

The ASX300 Accumulation Index returned 4.3% for the month. Financials were a key contributor to the index rise, as concerns of banks capital requirements and bad debts eased. The sector also benefitted from the slip-stream of global financials which traded higher due to higher bond yields benefitting their books. Utilities, which had lagged the market in prior months, due to their sensitivities to rising bond yields, were another stand out sector in December. Not surprisingly, the Energy sector also performed well due to the surge in the oil price whilst the material sector continued to be robust. Selected small caps started to post a recovery after the sector endured a significant sell-off in the preceding months. However, the recovery was not broad-based indicating cautiousness for high PE stocks and those dependent on acquisitions to grow.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$504,200 (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 \$322,430 over the same period. The returns exclude the benefits of imputation credits.

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Fund review & strategy

For the 6 months to December 2016, the Fund's net return was 8.2% after all management fees. There were 2 distributions made FYTD, thus returning 9.3% including franking credits. Whilst the Fund has avoided the high profile downgrades in the market, it did not participate fully in the cyclical rally that dominated the half.

Of note is **Sydney Airport** which was operationally strong as we expected. However, this was partly overshadowed by the Notice of Intention issued by Government outlining terms for developing and operating the proposed Western Sydney Airport. The terms appear to be more stringent than anticipated with no Government support, making the investment case challenging.

Our thinking for the coming year revolves around the following macro themes:

- Aging demographics, services / experiences vs goods, "everything & everyone connected" technology developments impacting all businesses
- Potential rising bond yields, making a high yield market like Australia less attractive. However fully franked dividends continue to be highly valued for the Fund.
- Political populism – governments constrained by conflicting agendas. Watch US / China / ROW developments and potential escalation in trade tensions

We continue to consider macro factors as we seek companies with sustainable yield and potential growth over the medium term.

Top contributors (absolute)	Sector
Commonwealth Bank	Financials
ANZ	Financials
Westpac	Financials

Top detractors (absolute)	Sector
Sydney Airport	Industrials
Event Hospitality & Entertainment	Consumer Discretionary
Capilano Honey	Consumer Staples

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

	Direct Investment (Class A)	Platform Investment (Class B)
APIR code	PVA0002AU	PVA0022AU
Minimum Investment	\$20,000	N/A
Issue price	\$ 2.4547	\$2.4550
Withdrawal price	\$ 2.4361	\$2.4364
Distribution (31/12/2016)	\$ 0.0200	\$ 0.0210
Indirect Cost Ratio (ICR)	1.435% pa	1.23% pa
Performance fee	20.5% ¹	20.5% ¹

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