

Prime Value Imputation Fund

Fund Update – December 2017



- Share markets ended 2017 on an optimistic note, supported by continuing economic growth in major economies and low interest rates
- The positive global backdrop should continue in 2018. However, we expect a more volatile period that would lead to stock picking opportunities
- The fund returned 8.5% (after fees) for 1st Half of FY18 or 9.6% including franking credits

	Total Return*	Growth Return*	Distribution Return*	Total Return including Franking Credits**	S&P/ASX 300 Accumulation Index
Since inception (p.a.)	11.1%	6.0%	5.2%	13.2%	8.3%
10 Years (p.a.)	2.5%	(1.6%)	4.0%	4.5%	4.0%
5 Years (p.a.)	7.9%	4.1%	3.9%	9.9%	10.1%
3 Years (p.a.)	6.9%	3.2%	3.7%	8.7%	8.8%
1 Year	8.3%	4.7%	3.6%	10.1%	11.9%
3 Months	6.4%	5.5%	0.8%	6.7%	7.7%
1 Month	1.3%	0.5%	0.8%	1.6%	1.9%

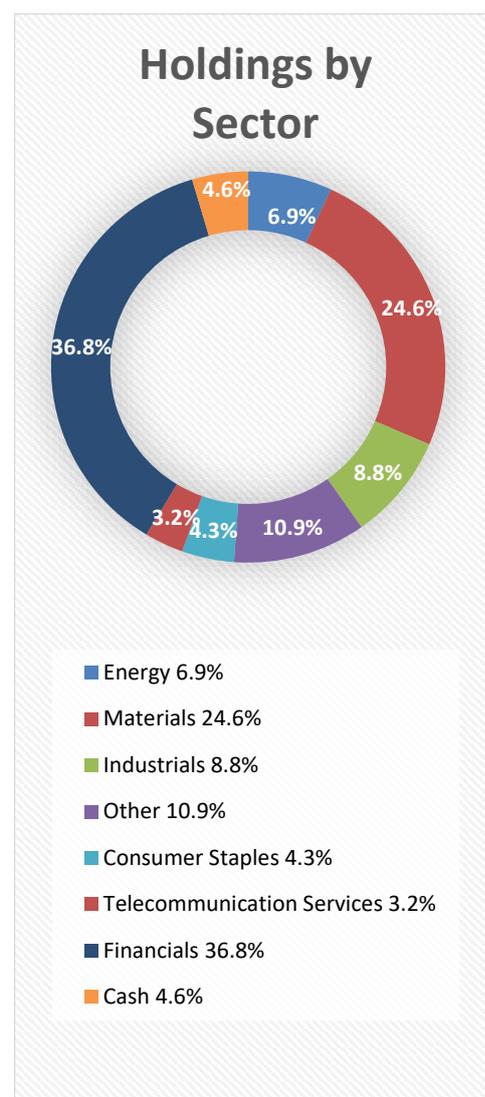
* Fund returns are calculated net of management fees, assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. The returns are calculated before performance fees which are charged against individual accounts.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

The top five holdings make up approximately 31.0% 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
Research Rating	Lonsec – Investment Grade



Market review

The Australian share market finished the year strongly, up 1.9% in December for a calendar year return of 11.9%. 2017 was the second consecutive year of double-digit returns for our market (including dividends). Strong gains were produced across a range of sectors, although in broader terms resources significantly outperformed industrials. US equities continued to rally in December, supported by approval of the Tax Bill, which provided a positive lead for global equities. Commodity price momentum was maintained, driven by positive global economic data (including China). The Australian dollar rose 3.2% to AUD 0.7890. Oil prices continued to strengthen (+5.3%), with WTI crude oil trading above US\$60 for the first time since June 2015.

The resource-related sectors continued to outperform in December. The energy sector rose 6.5%, while materials closed 6.1% higher. These two sectors are now up +26.6% and +20.6% respectively financial-year-to-date. The telco sector recovered some of its underperformance (+5.5%), while utilities (-4.5%), industrials (-0.9%) and health care (-0.5%) underperformed. Small caps also continued to outperform (also led by resources), returning +3.2% versus +2.7% for mid-caps and +1.5% for large-caps.



This graph shows how \$100,000 invested at the Fund's inception has increased to \$546,020 (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 \$360,910 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	\$ 2.5701	\$ 2.5712
Withdrawal price	\$ 2.5507	\$ 2.5518
Distribution (31/12/2017)	\$ 0.0200	\$ 0.0212
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

Fund review & strategy

The Fund returned 8.5% (after fees) for 1st Half of FY18 or 9.6% including franking credits. Our resources holdings (BHP, Energy) had contributed to Fund performance whilst the high yielding bond-proxy exposures such as Telstra, Sydney Airport lagged. For December, in absolute terms, the major contributors to performance were **BHP**, **Woodside** and **Telstra**. The major detractors were **Sydney Airport**, **IOOF Holdings** and **Goodman Group**. Both Sydney Airport and Goodman Group went ex-distributions in December. In the last two years, the resources sector has seen improvements to cash flows and costs leading to deleveraged balance sheets. These improvements and the current disciplined capex spend should enable resources companies to further examine their capital management strategies – dividends and/or buybacks. We continued to hold our resources names into the new year.

Towards end of 2017 we saw a significant increase in M&A and ECM activities – Transurban, Cleanaway, Macquarie Atlas Road, Westfield, News Corporation to name a few. Some of these transactions are aimed at driving future growth and investments into businesses whilst others were sell-downs from existing owners. The IPO pipeline remains robust – Colonial First State, Latitude Financial, Quadrant Energy are all looking to list during the year. In a strong market where valuations are high, we believe that many of the new IPOs may not be priced attractively. We will participate selectively and continue to seek out opportunities appropriate for this Fund.

Top Contributors (Absolute)	Sector
BHP	Materials
Woodside	Energy
Telstra	Telecommunications

Top Detractors (Absolute)	Sector
Sydney Airport	Industrials
IOOF Holdings	Financials
Goodman Group	Real Estate

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

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