

Prime Value Imputation Fund

Fund Update – February 2016



- The Australian share market fell 1.7% in February, but recovered significantly from its lows of the month
- Most of the pessimism came early in the month and resulted from global macro issues rather than domestic ones
- Earning season results were generally in line with expectations, which helped the market recover toward the end of February

	Total Return*	Growth Return*	Distribution Return*	Total Return including Franking Credits**	S&P/ASX 300 Accumulation Index
Since inception (pa)	10.8%	5.5%	5.3%	12.9%	7.2%
10 Years (pa)	2.9%	-1.7%	4.6%	5.0%	4.3%
5 Years (pa)	3.6%	-0.7%	4.3%	5.8%	4.6%
3 Years (pa)	1.2%	-2.6%	3.8%	3.1%	2.9%
1 Year (pa)	-12.3%	-15.5%	3.2%	-10.7%	-13.4%
3 Months	-6.3%	-7.1%	0.8%	-5.9%	-4.5%
1 Month	-2.3%	-2.3%	0.0%	-2.3%	-1.7%

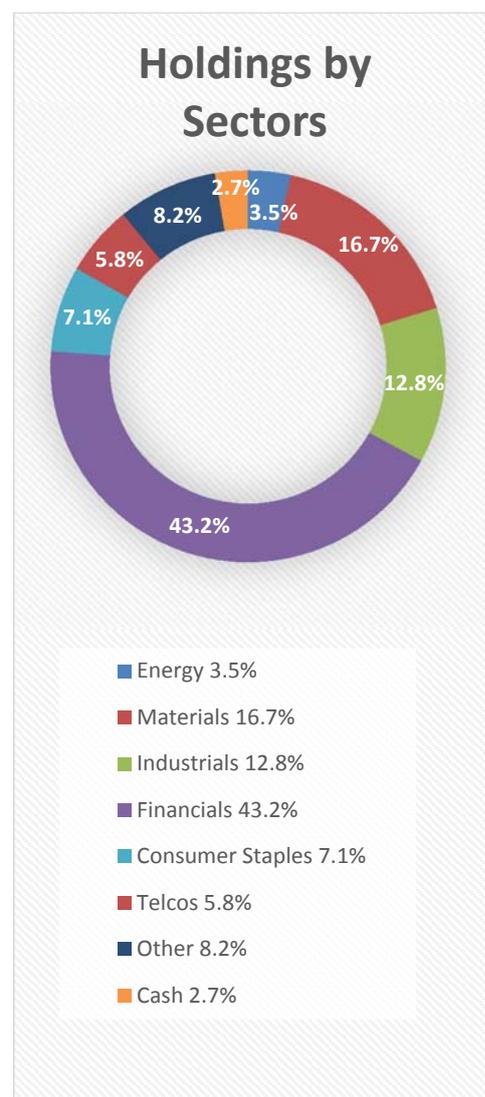
* Fund returns are calculated net of management fees, assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC). The returns are calculated before performance fees which are charged against individual accounts. The returns 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
Commonwealth Bank of Australia	Financials
Event Hospitality and Entertainment	Consumer Discretionary
Sydney Airport	Industrials
Westpac Banking Group	Financials
Wesfarmers	Consumer Staples

* The top five holdings make up approximately 32.4% of the portfolio.

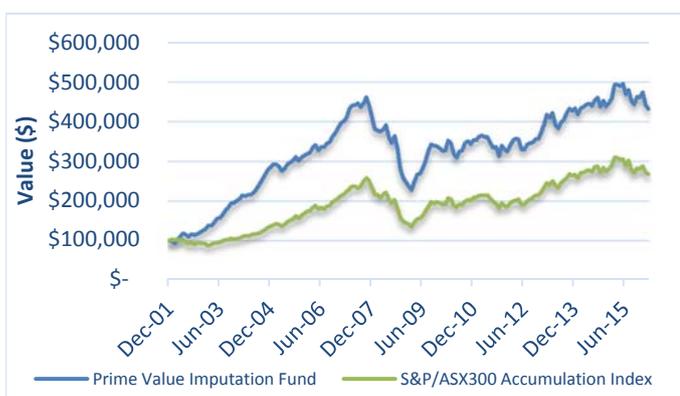
Feature	Fund facts
Portfolio Manager	Leanne Pan
Investment objective	To provide regular tax-effective income, combined with competitive capital growth over the medium to long-term, by managing a portfolio of assets comprised mainly of Australian equities listed on any recognised Australian stock exchange.
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	10.8% (excl. franking credits) 12.9% (incl. franking credits)
Research Rating	Lonsec – Investment Grade



Market review

Equity markets declined in February with the S&P/ASX300 Accumulation Index falling 1.7%. Despite the decline, equity markets took on a 'risk-on' tone midway through February which continued into March. A weakening global economic backdrop (particularly in China) and deflationary fears in Europe continued to weigh on markets in the first half of February, while the global sell-off in banks continued. By contrast, the metals and mining sector performed strongly on rising iron ore (+17.8%) and gold prices (+10.3%). Brent oil closed the month 3.5% higher.

Overall, the reporting season delivered slightly better than expected outcomes. Generally speaking, the reporting season is rarely a reliable predictor of future market performance but the outcomes indicate that the Australian economy is holding-up better than the general market commentary would suggest. The local bank sector continued to sell-off (-8.2%), while the mining sector had a reprieve, with Materials up 9% for the month and Energy flat (+0.3%).



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$432,200 (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 \$268,000 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	\$2.1613	\$2.1611
Withdrawal price	\$2.1449	\$2.1447
Distribution (31/12/2015)	\$0.0200	\$0.0211
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 declined 2.3% during February (after fees), slightly underperforming its benchmark (-1.7%). In absolute terms, the Fund's main positive contributors were Newcrest Mining (+35.8%), Goodman Group (+6.7% on upgraded guidance) and Event Hospitality and Entertainment (+3.2%, good result but modest outlook forward). Major detractors were CBA (-10.8%), Westpac (-6.8%) and Wesfarmers (-7.3% on margin concerns). In relative terms, sector allocation was a positive contributor, with the Fund benefitting from its overweight allocation to Materials and Industrials.

Much of the Fund's holdings met result expectation. One exception of note was Programmed Maintenance which released a trading update post its integration with Skilled. As expected, the deterioration in resources / oil outlook impacted their marine business which is now accounting for 10-15% of EBITA as they diversify into other sectors. Nevertheless the stock fell sharply and is now trading at forecast PE of 7X and 8% yield. We still hold the stock while monitoring its progress given its attractive yield.

Top contributors (absolute)	Sector
Newcrest Mining	Materials
Goodman Group	Financials
Event Hospitality and Entertainment	Consumer Discretionary

Top detractors (absolute)	Sector
Commonwealth Bank	Financials
Westpac	Financials
Wesfarmers	Consumer Staples

Platforms

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

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