

# Prime Value Imputation Fund

## Fund Update – February 2017



- Equity market performance was solid in February, helped by a benign domestic reporting season
- Company fundamentals returned to investors focus, after months of elevated offshore macro developments. We observe that broad-based market valuations have also risen which warrant some caution in the short term
- Positive contributors to fund performance for the month were Westpac, ANZ and Goodman Group

	Total Return*	Growth Return*	Distribution Return*	Total Return including Franking Credits**	S&P/ASX 300 Accumulation Index
Since inception (p.a.)	11.1%	5.9%	5.2%	13.2%	8.1%
10 Years (p.a.)	2.3%	(2.0%)	4.3%	4.3%	4.2%
5 Years (p.a.)	7.3%	3.4%	3.9%	9.4%	10.4%
3 Years (p.a.)	5.0%	1.2%	3.8%	6.9%	6.4%
1 Year	16.1%	12.1%	4.0%	18.0%	22.0%
3 Months	2.9%	2.1%	0.8%	3.4%	5.8%
1 Month	0.6%	0.6%	0.0%	0.6%	2.2%

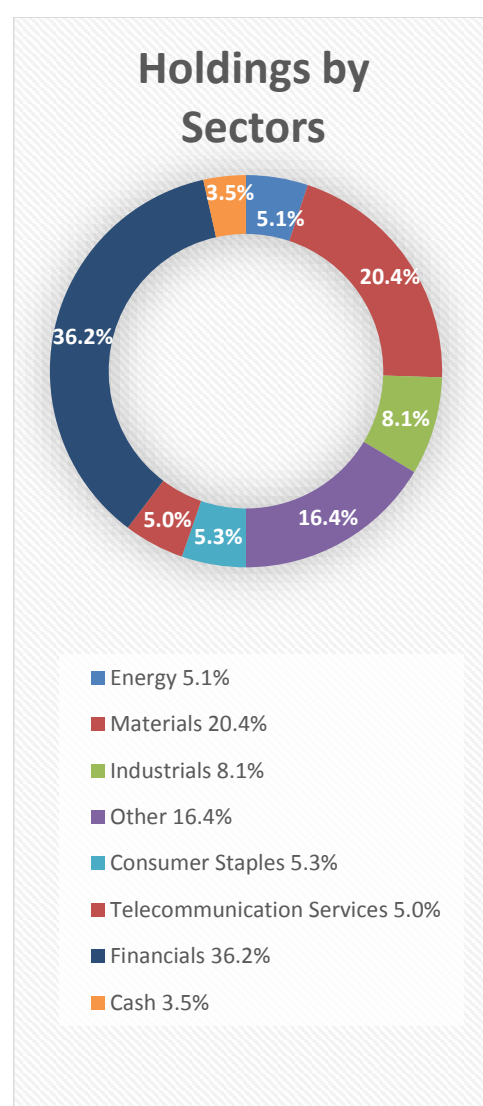
\* Fund returns are calculated net of management fees, assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC). The returns are calculated before performance fees which are charged against individual accounts. The returns 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	Telecommunications

\* The top five holdings make up approximately 33.1% of the portfolio.

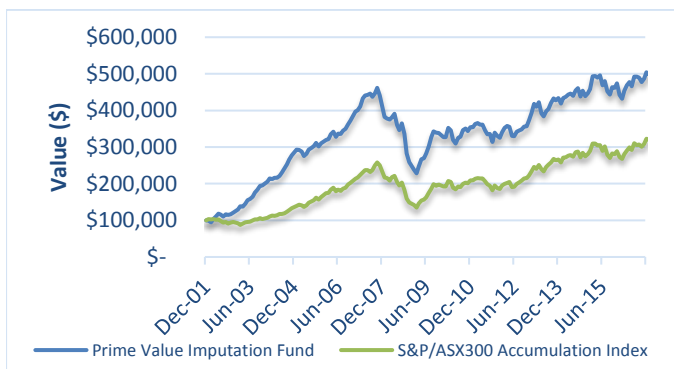
Feature	Fund facts
Portfolio Manager	Leanne Pan
Investment objective	To provide regular tax-effective income, combined with competitive capital growth over the medium to long-term, by managing a portfolio of assets comprised mainly of Australian equities listed on any recognised Australian stock exchange.
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	11.1% (excl. franking credits) 13.2% (incl. franking credits)
Research Rating	Lonsec – Investment Grade



## Market review

The Australian share market rose 2.2% in February reflecting the strong performance of equity markets globally and a benign domestic reporting season. The S&P500 delivered the biggest monthly gain (+4%), with emerging markets (+1.7%) and the Nikkei (+0.5%) underperforming. While equity markets rallied, the so-called Trump reflation trade took a pause with the more defensive and interest-rate sensitive sectors outperforming and bonds yields generally lower. Cyclical sectors underperformed, along with telcos. Mining was the worst performing sub-sector despite higher commodity prices, including iron ore which rose 10.2% to US\$92 a tonne. A pause in the mining sector was warranted after a strong performance in 2016. Australian large-caps stocks (+2.4%) once again outperformed mid-caps (+1.5%) and small-caps (+1.3%). Notably, the Australian reporting season was reasonably benign with company profits generally within expectations although we note an extremely high number of profit downgrades in the preceding three months.

Australian economic data was mixed: retail sales fell in January and are now a modest +3% year-on-year. On a more positive note the unemployment rate came-in lower than expected at 5.7%.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$501,790 (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 \$326,920 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	\$ 2.4230	\$ 2.4232
Withdrawal price	\$ 2.4046	\$ 2.4048
Distribution (31/12/2016)	\$ 0.0200	\$ 0.0210
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 0.6% for the month of February. In absolute terms, the Fund's major contributors to performance for the month were **Westpac**, **ANZ** and **Goodman Group**. **Event Hospitality**, **BHP** and **IOOF Holdings** were the major detractors. In relative performance terms, sector allocation was a detractor. The Fund's overweight allocation to materials and zero weighting to health care were the primary detractors.

**Event Hospitality** is an Australian provider of entertainment, hospitality and tourism & leisure services with operations in Australia, New Zealand and Germany. In this half, cinema screen growth, ticket price competition and a more aggressive competitor (Wanda, owner of Hoyts) did not augur well for the company's prospects. The Hotel operation was impacted by some "one-offs", which appeared genuine and the pending retirement of the CEO during CY17 added another element of uncertainty. Whilst we have reduced our holding, we continue to be attracted to its solid asset backing, strong cash flow, ample balance sheet flexibility and franking credit balance. Any blockbuster release will be a bonus.

A couple of high yielding names, **Telstra** & **IOOF**, faced challenging times whilst maintaining their dividends. Industry competitive landscape impacted their revenue whilst they worked hard to keep costs down. We continued to assess the structural change impacting these yielding companies.

Top contributors (absolute)	Sector
Westpac	Financials
ANZ	Financials
Goodman Group	Real Estate

Top detractors (absolute)	Sector
Event Hospitality	Consumer Discretionary
BHP	Materials
IOOF Holdings	Financials

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

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