

Prime Value Imputation Fund

Fund Update – January 2018



- Share markets started 2018 on an optimistic note, as global economic growth continues to accelerate
- The Australian market was an exception, as the stronger Australian Dollar and increases in long term government bond yields weighed on selected sectors
- The Fund's zero weight in the strong performing (but low yielding) HealthCare sector detracted from performance

	Total Return*	Growth Return*	Distribution Return*	Total Return including Franking Credits**	S&P/ASX 300 Accumulation Index
Since inception (p.a.)	11.0%	5.9%	5.1%	13.1%	8.2%
10 Years (p.a.)	3.5%	(0.5%)	4.1%	5.6%	5.2%
5 Years (p.a.)	6.6%	2.8%	3.8%	8.5%	9.0%
3 Years (p.a.)	5.8%	2.1%	3.7%	7.6%	7.5%
1 Year	8.6%	5.1%	3.6%	10.4%	12.4%
3 Months	1.6%	0.8%	0.8%	1.9%	3.2%
1 Month	(0.8%)	(0.8%)	0.0%	(0.8%)	(0.4%)

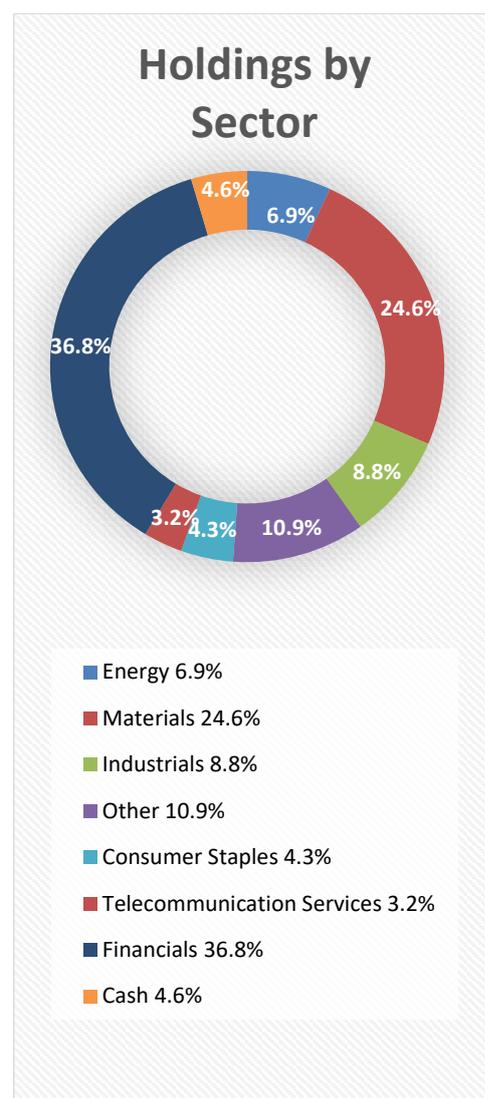
* Fund returns are calculated net of management fees, assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. The returns are calculated before performance fees which are charged against individual accounts. 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 32.0% 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

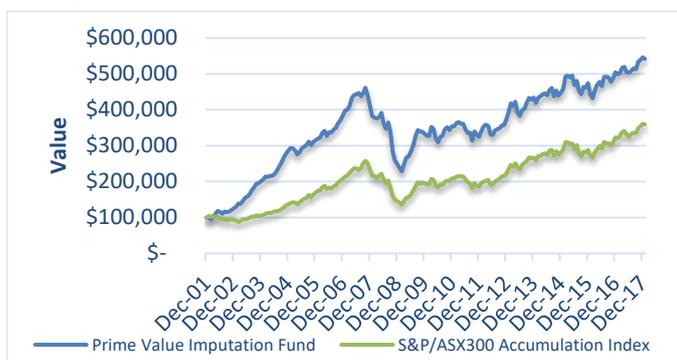


Market review

The Australian share market fell 0.4% in January, underperforming global equity markets which continued to rally. While emerging markets outperformed, the momentum in US equity markets accelerated. A strong fourth quarter reporting period, positive earnings revisions and the benefits of a weakening US dollar were the key drivers. However, by month-end, rising global bond yields were again the central focus. Suffice to say, it was a more challenging month for bond-yield sensitive sectors.

Domestically, the strongest performing sectors were Health Care (+3.2%) and Information Technology (+2.5%). The major underperformers were Utilities (-4.5%), REITs (-3.3%) and Industrials (-2.1%). Mid-caps outperformed (-0.1%) large-caps (-0.4%) and small-caps (-0.5%).

On the economic front, domestic data such as jobs growth, retail sales, and residential approvals was strong. However, December inflation of 1.9% year-on-year was weaker than expected and remains below the RBA's 2-3% target band. US, European and Chinese activity data was also generally strong. The Australian dollar rose 2.8 cents to USD 0.8100, largely reflecting US dollar weakness. Oil prices continued to strengthen, up 3.1% to US\$ 69.05 a barrel (Brent).



This graph shows how \$100,000 invested at the Fund's inception has increased to \$541,750 (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 \$359,500 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 -0.8% for the month. In absolute terms, the major contributors were **BHP Billiton, Macquarie Group and Lindsay Australia**. Detractors were Viva Energy (ex-distribution), Santos and Amcor. Sector allocation was negative, primarily driven by lack of exposure to the strength in the Health Care sector. Higher bond yields created some headwinds in the interest rate sensitive sectors. Lindsay Australia is a refrigerated transport, logistics and rural supply company. It stands to benefit from export demand for Australian horticulture products. After high capital expenditure in recent years, the focus now is on generating good returns from this investment and growing the dividends.

By the time you receive this update, you would have observed a "market correction" so far in February. After 10 years or so of easy money underpinning the financial market, the prospects for more aggressive interest rate tightening have unsettled the market. Changing sentiment and the myriad of complex financial instruments in play quite can often exaggerate movements (up or down). Whilst we cannot predict what the market return will be, we believe dividend returns are relatively safe. The 1H18 reporting season currently underway has been overshadowed by the rout in equity markets globally. We remain vigilant and continue to focus on companies with sustainable dividend yields and some medium-term growth prospects.

Top Contributors (Absolute)	Sector
BHP	Materials
Macquarie Bank	Financial
Lindsay Australia	Industrial

Top Detractors (Absolute)	Sector
Viva Energy REIT	Real Estate
Santos	Energy
Amcor	Materials

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

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