

# Prime Value Imputation Fund

## Fund Update – January 2016



- The Australian share market fell 5.5% in January, in line with global share markets and the falling oil price
- Australia's unemployment rate was steady at 5.8% in December 2015—a positive outcome, indicating that the economy has a good base as Australia transitions from the resources boom
- Best performing companies for the month were Sydney Airport (+3.6%), Wesfarmers (+1.4%) and Telstra (0.4%)

	Total Return*	Growth Return*	Distribution Return*	Total Return including Franking Credits**	S&P/ASX 300 Accumulation Index
Since inception (pa)	11.1%	5.7%	5.4%	13.1%	7.3%
10 Years (pa)	3.3%	-1.3%	4.6%	5.3%	4.6%
5 Years (pa)	4.3%	0.0%	4.3%	6.6%	5.5%
3 Years (pa)	4.0%	0.1%	3.9%	6.0%	5.3%
1 Year (pa)	-3.3%	-6.8%	3.5%	-1.6%	-5.8%
3 Months	-4.5%	-5.3%	0.8%	-4.0%	-3.5%
1 Month	-6.6%	-6.6%	0.0%	-6.6%	-5.5%

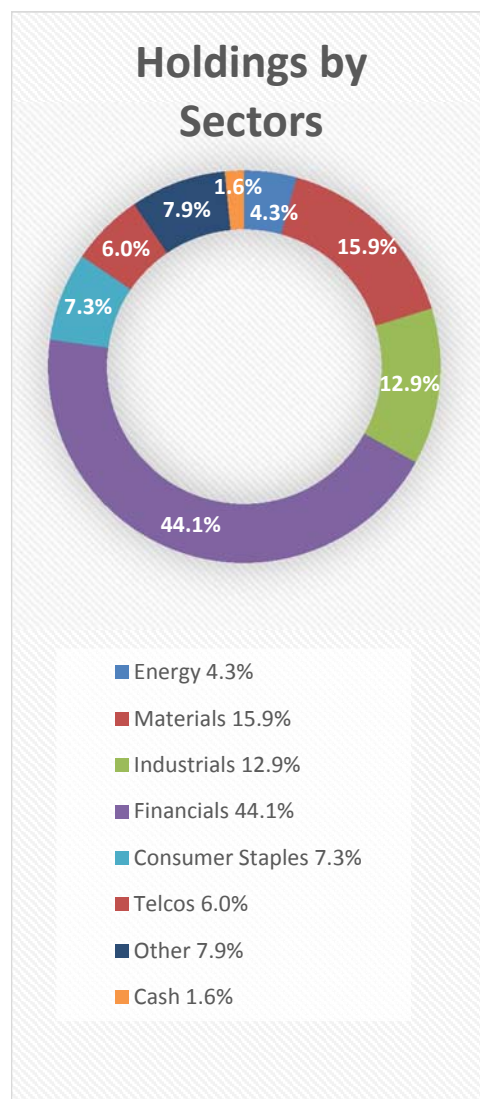
\* Fund returns are calculated net of management fees, assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC). The returns are calculated before performance fees which are charged against individual accounts. The returns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

\* The top five holdings make up approximately 33.6% 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) 13.1% (incl. franking credits)
Research Rating	Lonsec – Investment Grade

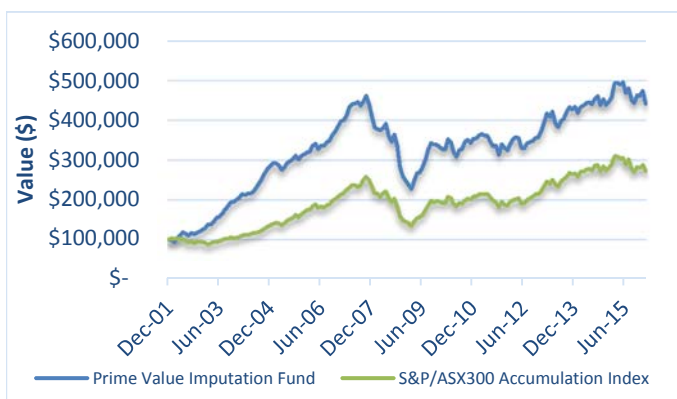


## Market review

The Australian share market had a difficult start to 2016, down 5.5% in January. Markets were concerned with slowing Chinese economic growth while the oil price continued to fall at a rapid pace. This led to a broad based sell-off with developed and emerging market indices both down more than 6% over the month.

Despite global concerns, the Australian economy is transitioning well. Sectors previously highlighted, particularly in service oriented industries are robust, leading to a steady unemployment rate of 5.8% for December 2015 which would indicate the economy has a good base to continue to transition away from the resource boom.

The REIT sector was the best performing sub-sector for the month, returning a modest 1.1%. Unsurprisingly, the defensive sectors outperformed - namely Utilities, Telcos and Consumer Staples. The resources sectors were hit hard, with Energy down -6.2% and the broader Materials sector down -9.5%. The major banks also came under renewed selling pressure, with Financials (ex REITs) down 9%.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$442,600 (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 \$272,700 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	\$2.2132	\$2.2125
Withdrawal price	\$2.1964	\$2.1957
Distribution (31/12/2015)	\$0.0200	\$0.0211
Indirect Cost Ratio (ICR)	1.435% pa	1.23% pa
Performance fee	20.5% <sup>1</sup>	20.5% <sup>1</sup>

<sup>1</sup> 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 6.6% for the month, largely giving up our return FYTD. In absolute terms, the Fund's major contributors to performance for the month were Sydney Airport (+3.6%), Wesfarmers (+1.4%) and Telstra (0.4%), in-line with market running to the relatively defensive area. Banks, faced renewed questions on the sustainability of their dividends, loan exposure to energy & emerging markets and further issuance in light of capital ratio requirements, suffered. CBA (-8%), ANZ (-13.4%) and Macquarie (-13.5%) were the three major detractors.

The market has turned to a "risk adverse" mode as the US Fed raised interest rates in December for the first time in eight years and China goes through their growth transition phase. Market dislocation will always throw up opportunities but it is necessary to remain selective by investing in businesses that can grow earnings over time. We have observed quite negative reactions to earning misses and currently investors appear willing to pay more for "certainty". We will continue to invest in quality companies with good earnings growth prospects.

Top contributors (absolute)	Sector
Sydney Airport	Industrials
Wesfarmers	Consumer Staples
Telstra	Telecommunications

Top detractors (absolute)	Sector
Commonwealth Bank	Financials
ANZ Bank	Financials
Macquarie	Financials

## Platforms

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

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