

Prime Value Imputation Fund

Fund Update – January 2017



- Political headlines moved markets, starting the month on optimistic promises and ending flat on hard realities
- Uncertainty around a new political administration should lead to individual stock opportunities as short term share price movements potentially deviate from longer term prospects
- The Fund's zero weighting to the healthcare sector detracted from performance while BHP, Event Hospitality and Newcrest were positive contributors.

	Total Return*	Growth Return*	Distribution Return*	Total Return including Franking Credits**	S&P/ASX 300 Accumulation Index
Since inception (p.a.)	11.2%	6.0%	5.2%	13.2%	8.0%
10 Years (p.a.)	2.3%	(2.0%)	4.3%	4.3%	4.1%
5 Years (p.a.)	8.0%	4.1%	3.9%	10.0%	10.4%
3 Years (p.a.)	6.0%	2.0%	3.8%	7.9%	7.4%
1 Year	12.7%	8.8%	3.9%	14.5%	17.3%
3 Months	4.5%	3.6%	0.9%	5.0%	6.4%
1 Month	(1.1%)	(1.1%)	0.0%	(1.1%)	(0.8%)

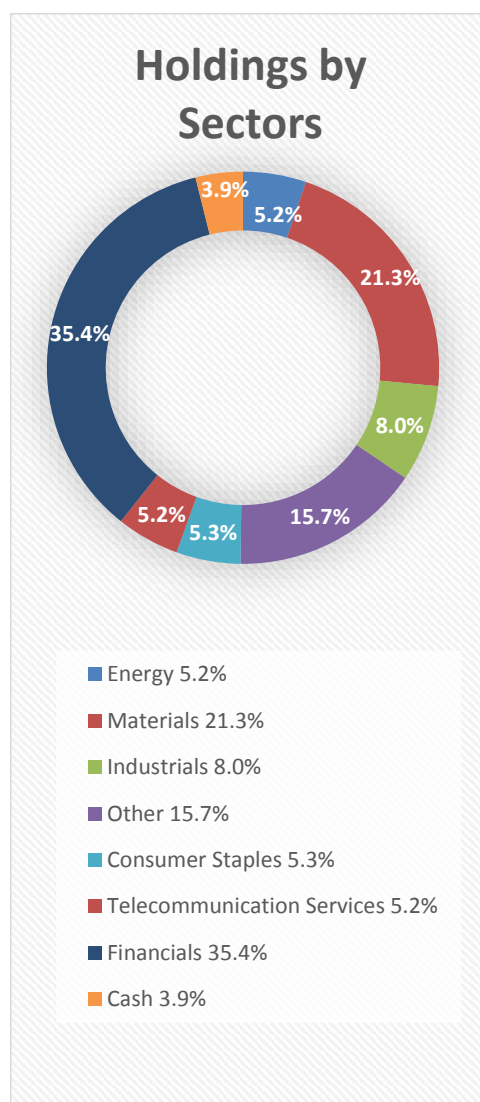
* Fund returns are calculated net of management fees, assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC). The returns are calculated before performance fees which are charged against individual accounts. The returns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

* The top five holdings make up approximately 33.4% of the portfolio.

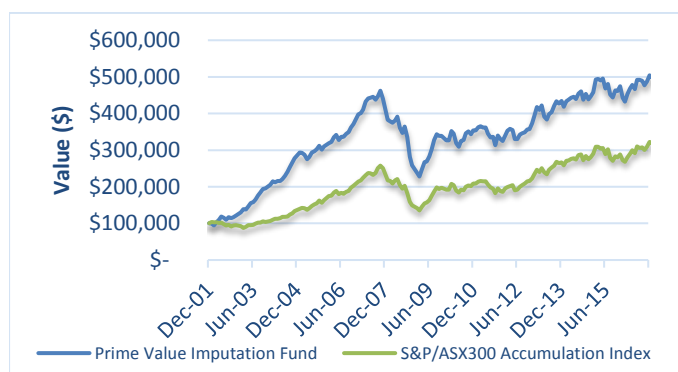
Feature	Fund facts
Portfolio Manager	Leanne Pan
Investment objective	To provide regular tax-effective income, combined with competitive capital growth over the medium to long-term, by managing a portfolio of assets comprised mainly of Australian equities listed on any recognised Australian stock exchange.
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	11.2% (excl. franking credits) 13.2% (incl. franking credits)
Research Rating	Lonsec – Investment Grade



Market review

The Australian share market declined -0.8% in January, underperforming global equity indices in local currency terms despite the ongoing rally in mining stocks and commodity prices. Domestically, the broader materials sector (+4.8%) and healthcare sectors (+4.6%) produced the strongest gains; however, most other sectors posted modest or negative returns including the banks. REITs (-4.7%) and industrials (-4.4%) were the major laggards. Mid-caps (0.1%) outperformed mega-caps (-0.6%), large-caps (-0.7%) and small-caps (-2.4%), which have significantly underperformed over the financial year-to-date.

Donald Trump continued to dominate world headlines: reiterating his pro-growth/reflationary policy agenda, imposing immigration restrictions, withdrawing from the Trans Pacific Partnership. Most commodities and base metals rose over the month, including iron ore which closed up 4.4% to US\$83.50 a tonne and gold (up 5.8% to US\$1,212.80). However, coal continued its recent falls, while oil was down 2% to US\$55.70 a barrel (Brent). The Australian dollar rallied against most currencies to close up 4.8% to 0.7590 US cents. Australian economic data was mixed: residential building approvals (November) rebounded more strongly than expected to an annualised rate of 211k.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$498,740 (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 \$319,930 over the same period. The returns exclude the benefits of imputation credits.

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Fund review & strategy

The Fund returned -1.1% in January. In absolute terms, the Fund's major contributors to performance for the month were **BHP, Event Hospitality** and **Newcrest**. **ANZ, Wesfarmers** and **Westpac** were the major detractors. The Funds' zero weight in health care detracted from relative performance. The banks have performed strongly since November 2016 but gave up some of the gains in January. They are now trading higher relative to the historical PE but with a more muted outlook. After much trumpeting Global / Asia expansion, the banks are now primarily home based competing in the local market. Slower balance sheet growth will impact revenue growth but expense growth is likely to continue due to technology investment and restructuring costs. The easier regulatory capital requirement outlook means the banks are likely to maintain their dividends.

Coming to the half yearly result season, we are mindful that much of Australia's earning revival is being driven by improving commodity prices. There is little evidence of improvement outside the commodity sector. As usual reporting season gives us an opportunity to re-examine our investment thesis and will make any necessary adjustments as required.

Top contributors (absolute)	Sector
BHP	Materials
Event Hospitality	Consumer Discretionary
Newcrest	Materials

Top detractors (absolute)	Sector
ANZ	Financials
Wesfarmers	Consumer Staples
Westpac	Financials

Platforms

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

	Direct Investment (Class A)	Platform Investment (Class B)
APIR code	PVA0002AU	PVA0022AU
Minimum Investment	\$20,000	N/A
Issue price	\$ 2.4082	\$2.4080
Withdrawal price	\$ 2.3900	\$2.3898
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

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