

# Prime Value Imputation Fund

## Fund Update – July 2016



- Share markets globally performed well during July on expectations interest rates would remain low for an extended period
- The Australian share market benefitted from similar sentiments although we note investors are generally cautious ahead of the August reporting period
- The Fund returned 5.5% for the month with IOOF, Sydney Airport and Qube performing strongly.

	Total Return*	Growth Return*	Distribution Return*	Total Return including Franking Credits**	S&P/ASX 300 Accumulation Index
Since inception (pa)	11.5%	6.2%	5.3%	13.5%	8.0%
10 Years (pa)	3.9%	-0.6%	4.5%	5.9%	5.6%
5 Years (pa)	8.0%	3.6%	4.4%	10.2%	9.4%
3 Years (pa)	7.3%	3.3%	4.0%	9.3%	8.1%
1 Year (pa)	2.4%	-1.2%	3.6%	4.2%	2.8%
3 Months	5.0%	4.0%	1.0%	5.3%	7.0%
1 Month	5.5%	5.5%	0.0%	5.5%	6.4%

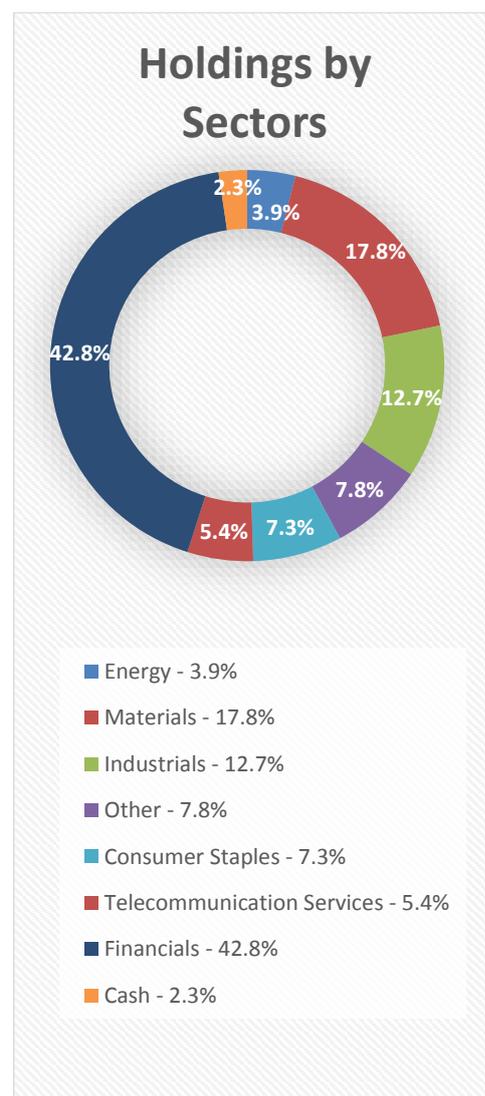
\* Fund returns are calculated net of management fees, assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC). The returns are calculated before performance fees which are charged against individual accounts. The returns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

\* The top five holdings make up approximately 32.5% of the portfolio.

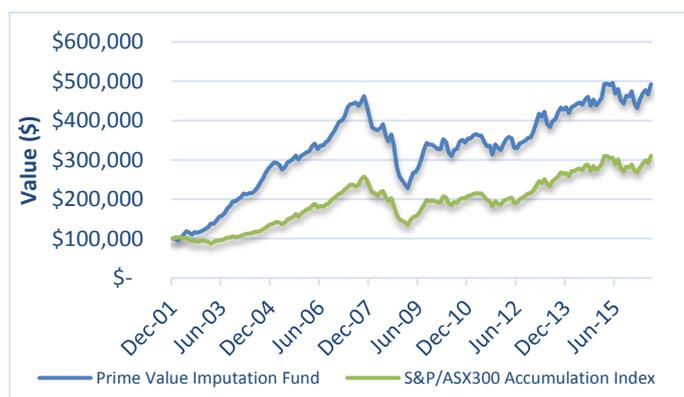
Feature	Fund facts
Portfolio Manager	Leanne Pan
Investment objective	To provide regular tax-effective income, combined with competitive capital growth over the medium to long-term, by managing a portfolio of assets comprised mainly of Australian equities listed on any recognised Australian stock exchange.
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	11.5% (excl. franking credits) 13.5% (incl. franking credits)
Research Rating	Lonsec – Investment Grade



## Market review

July was an exceptionally strong month for domestic equities with the ASX300 closing 6.4% higher as investors pushed aside last's month's political uncertainties. Global equity markets strengthened on expectations of further stimulus to mitigate the fallout from the Brexit vote, with the Australian market a strong beneficiary of the resulting yield pursuit. Above expectation US payrolls (nonfarm) and Chinese economic data (GDP, IP & retail sales) also contributed to the strong momentum within equity markets. The energy sector was the month's major laggard (flat), with the oil price down 13.9% to US\$41.60 a barrel (WTI). The gold price was volatile over the month but closed up 2.2% (US\$1351) on lower-for-longer interest rate expectations. The Australian dollar rose 1.9% to 76 US cents despite the increased odds of an August rate cut, which the RBA delivered on 2 August.

The consumer sectors were the best performing local sectors in July, with Discretionary up 8.9% and Staples up 8.5%. All other sectors posted very solid returns with the exception of Energy (+0.2%). Small-caps once again outperformed (+8.6%) aided by the ongoing rally in small-cap resources. Mid-caps returned +8.3%, outperforming large-caps (+5.8%) and mega-caps (+5.7%).



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$491,980 (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 \$310,530 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	\$2.4153	\$2.4145
Withdrawal price	\$2.3971	\$2.3963
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 returned 5.5% in July. In absolute terms, the Fund's major contributors to performance for the month were **IOOF** (+15.5%, on positive net fund flow), **Qube** (+15.4%, after the regulator approved Qubes' bid for logistics company Asciano) and **Sydney Airport** (+8.9%). Detractors were primarily oil-related names such as **Santos & Woodside** as higher oil production and lower gasoline demand in the US led to a weaker oil price.

During August we have the FY16 company result reporting period and we are mindful that after a strong July, the market is trading at a PE of 16.6X where earnings remain subdued. The recent modest improvement in commodity prices may lead to some upgrading of resource company earnings while the Banks are likely to continue facing headwinds.

A recent IPO the Fund participated in is **Viva Energy REIT** which owns a portfolio of 425 Shell service station properties around Australia. It has long lease expiry, estimate distribution yield of around 5.9% and is priced at a modest premium to NTA.

Top contributors (absolute)	Sector
IOOF	Financials
Qube	Industrials
Sydney Airport	Industrials

Top detractors (absolute)	Sector
Santos	Energy
Woodside	Energy

## Platforms

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

## Contact details:

Phone: 03 9098 8088  
 Fax: 03 9098 8099  
 Email: [info@primevalue.com.au](mailto:info@primevalue.com.au)

## Mail:

Prime Value Asset Management Ltd  
 Level 9, 34 Queen Street  
 Melbourne VIC 3000

Web: [www.primevalue.com.au](http://www.primevalue.com.au)

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