

Prime Value Imputation Fund

Fund Update – July 2017



- The Australian share market was flat for the month, with the strong Australian Dollar a large influence on share prices
- Resource companies performed well in July, as commodity prices rallied. The sector was also used as a proxy for weakness in the US Dollar
- The Fund returned a positive 0.9% for the month, outperforming the ASX300 which was flat in July

	Total Return*	Growth Return*	Distribution Return*	Total Return including Franking Credits**	S&P/ASX 300 Accumulation Index
Since inception (p.a.)	10.9%	5.7%	5.2%	12.9%	8.0%
10 Years (p.a.)	1.3%	(2.9%)	4.2%	3.3%	3.7%
5 Years (p.a.)	8.2%	4.2%	4.0%	10.2%	10.7%
3 Years (p.a.)	3.8%	0.1%	3.6%	5.6%	5.1%
1 Year	3.2%	(0.2%)	3.4%	4.9%	7.0%
3 Months	(2.3%)	(3.2%)	0.9%	(2.1%)	(2.5%)
1 Month	0.9%	0.9%	0.0%	0.9%	0.0%

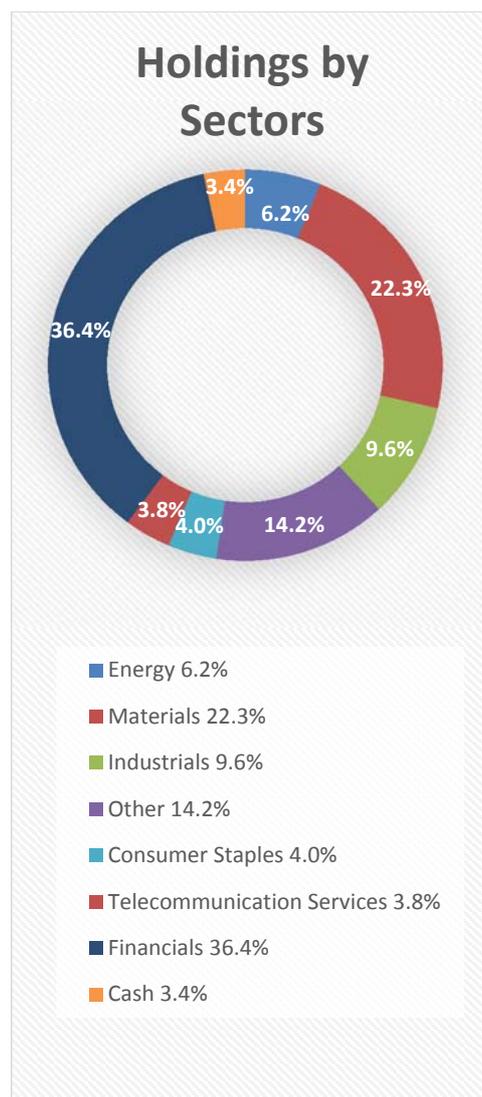
* Fund returns are calculated net of management fees, assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC). The returns are calculated before performance fees which are charged against individual accounts. The returns 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
BHP Ltd	Materials
Commonwealth Bank	Financials
Westpac	Financials
ANZ	Financials
IOOF Holdings	Financials

* The top five holdings make up approximately 30.7% of the portfolio.

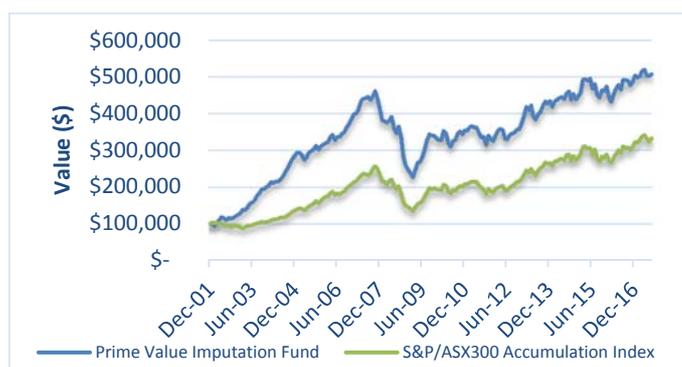
Feature	Fund facts
Portfolio Manager	Leanne Pan
Investment objective	To provide regular tax-effective income, combined with competitive capital growth over the medium to long-term, by managing a portfolio of assets comprised mainly of Australian equities listed on any recognised Australian stock exchange.
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	10.9% (excl. franking credits) 12.9% (incl. franking credits)
Research Rating	Lonsec – Investment Grade



Market review

The Australian share market was flat in July, despite strong performance from both the mining and banking sectors. By contrast, global equities performed strongly off the back of 'dovish' commentary from the US Fed. The sharp rise in the Australian dollar (+3.1 cents to US\$0.7980) drove the underperformance of our market in local currency terms. This AUD strength (a product of US dollar weakness, strong commodity prices & strengthening Chinese economic data) impacted the performance of industrial stocks with large offshore earnings, most notably within the Health Care sector (-7.5%). Reference to neutral cash rates (at circa 3.5%) within the RBA's July minutes also excited the Australian dollar bulls. Mega caps significantly outperformed mid-caps (-1.6%), while small-caps (+0.3%) and large-caps (+0.2%) also underperformed.

The release of APRA's much anticipated capital requirements drove the strong performance of the banking sector (+2.3%). The requirement for at least 10.5% of common equity tier 1 capital was considered less onerous than initially feared and removed a major source of uncertainty. Australian economic data was generally strong (retail sales, employment, business conditions survey). However, headline CPI was weaker than expected at 1.9% year-on-year, as were building approvals.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$507,770 (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 \$332,370 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	\$ 2.4099	\$ 2.4098
Withdrawal price	\$ 2.3917	\$ 2.3916
Distribution (30/06/2017)	\$ 0.0219	\$ 0.0229
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

The information contained in this Fund Update is general in nature and has no regard to the specific investment objectives, financial or particular needs of any specific recipient. It is not intended to constitute investment advice or a personal securities recommendation. This document is not a Product Disclosure Statement (PDS) or an offer of units, and contains a brief overview of the investment only. Any prospective investor wishing to make an investment in the Prime Value Imputation Fund must obtain and read the PDS dated 28 March 2013 (particularly the risk factors discussed) and complete an application form. Neither Prime Value Asset Management Limited nor its associates or directors, nor any other person, guarantees the success of the Prime Value Imputation Fund, the repayment of capital or any particular rate of capital or income return, or makes any representation in relation to the personal taxation consequences of any investor's investment.

Fund review & strategy

The Fund returned 0.9% for the month (after fees). In absolute terms, the Fund's major contributors for the month were **Lindsay Australia** (no specific company news but was on reasonable valuation) **BHP** and **Westpac** (banking sector expecting less risk of capital raising after APRA's release of capital requirements) and. The three major detractors were **Ancor**, **Sydney Airport** and **Telstra**. Sector allocation was a positive, with a strong relative contribution from the Fund's zero weighting to Health Care where the key players such as **CSL** and **Cochlear** suffered from a strong AUD among other negative sector issues.

August is a month of avoiding exposure to company downgrades. The market participants (with so many different mandates, time frame and objective) are typically very unforgiving for any downgrades on projections. Daily volatility can be quite dramatic but we continue to look for underlying themes, decipher management comments and make the necessary adjustments. For a high yielding name such as **Telstra**, where the sector is facing rising competition, contracting margins and rising capex, its capital allocation review and dividend policy would be a key focus.

This Fund continues to seek out companies paying sustainable dividends with good prospects for medium term capital growth.

Top contributors (absolute)	Sector
Lindsay Australia	Industrials
BHP	Materials
Westpac	Financials

Top detractors (absolute)	Sector
Ancor	Materials
Sydney Airport	Industrials
Telstra	Telecommunications

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

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