

Prime Value Imputation Fund

Fund Update – June 2017



- Global share markets put in a mixed performance in June but were generally more positive than expected
- The debate surrounding Amazon's Australian entry, a key factor for retailers' poor performance in the previous month, eased. This lifted some pressure on the consumer discretionary sector in June
- The Fund posted a return of (0.2%) in June and 8.0% for FY17, or 9.7% including franking

	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%	13.0%	8.0%
10 Years (p.a.)	1.3%	(2.9%)	4.2%	3.3%	3.4%
5 Years (p.a.)	8.8%	4.8%	4.0%	10.8%	11.6%
3 Years (p.a.)	4.6%	0.9%	3.7%	6.5%	6.6%
1 Year	8.0%	4.4%	3.6%	9.7%	13.8%
3 Months	(2.5%)	(3.4%)	0.9%	(2.4%)	(1.6%)
1 Month	(0.2%)	(1.1%)	0.9%	(0.0%)	0.2%

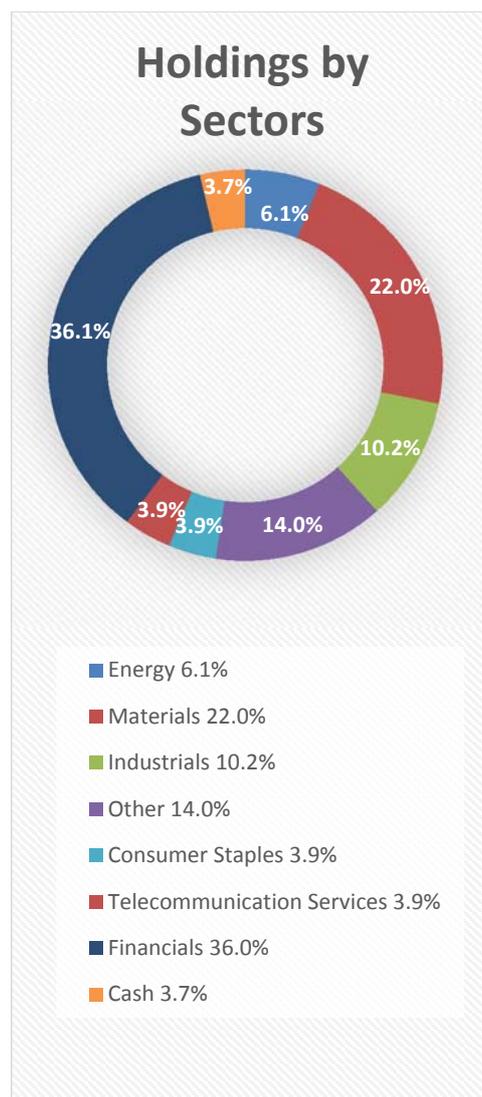
* Fund returns are calculated net of management fees, assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC). The returns are calculated before performance fees which are charged against individual accounts. The returns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

* The top five holdings make up approximately 29.8% 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) 13.0% (incl. franking credits)
Research Rating	Lonsec – Investment Grade

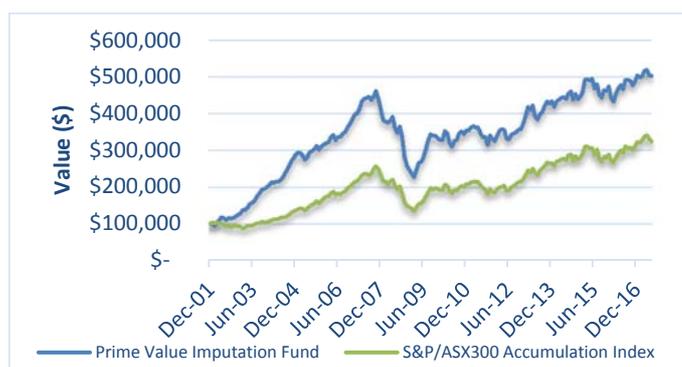


Market review

The Australian share market rose 0.2% in June to close FY17 up 13.8% including dividends. Developed market equities also posted a small 0.1% monthly gain, despite indications of potential stimulus withdrawal from European central banks. The major US indices all hit record highs during June, which offset declines from European markets (-3%) and the UK (-2.5%). Emerging markets outperformed (+1.7%).

Domestic economic data was generally stronger than expected in June. The unemployment rate fell to 5.5%; business sentiment remaining strong; and month-on-month retail sales (April) stronger than expected at 1%. Real GDP for Q1 rose 0.3% and 1.7% year-on-year. The Australian dollar rose 3% to US\$0.77 driven by higher commodity prices and yield expectations. Iron ore recovered strongly from its mid-month lows to close 9.5% higher at US\$63.50/t.

The strongest sector returns globally came from Financials. Our banks also posted gains (+1.5%). The Health Care sector was the strongest performer domestically, posting a return of +6.1%. Energy was the worst performing sector both globally and domestically (-6.8%), with the Brent oil price falling 4.8% to US\$47.92/bbl. Small caps (+2%) and mid-caps outperformed (+1.7%) in June, with large-caps underperforming (-0.2%).



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$503,330 (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 \$332,320 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	\$ 2.4108	\$ 2.4113
Withdrawal price	\$ 2.3926	\$ 2.3931
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

In June the Fund returned -0.2% after fees in what was a choppy month. For FY17, the total Fund return including franking credits was 9.7%. Imputation credits on average has contributed approximately 2% to the overall return since inception. The main positive contributors for the year were **ANZ, IOOF** and **BHP**. The key detractors were **Telstra, Newcrest** and **Event**. It was a year where the cyclical names outperformed the yield names (Telco, REIT sector). Gold prices did not perform despite a politically eventful year.

Going into FY18, market valuation is more elevated at 16X PE; however it still looks reasonable on the earnings yield / bond yield gap basis. We saw the usual earning downgrades coming through towards the end of June and we are expecting more in July. We have become cognisant of sovereign risk as we witnessed a bank levy tax proposed from the Budget, domestic gas policy (devised on the run) and so forth. During the year we were also saw a lot of media coverage on the potential impact of **Amazon** coming to Australia – with **Amazon** CEO saying “your margin is my opportunity”. Companies need to lift their game as competitors eye off the prospect of taking profits from existing players (eg Aldi challenging the supermarkets). As usual, the only certainty is uncertainty.

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

Top contributors (absolute)	Sector
IOOF	Financials
Commonwealth Bank	Financials
Amcort	Materials

Top detractors (absolute)	Sector
Goodman Group	Real Estate
Sydney Airport	Industrials
Woodside	Energy

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

Contact details:

Phone: 03 9098 8088

Fax: 03 9098 8099

Email: info@primevalue.com.au

Mail:

Prime Value Asset Management Ltd

Level 9, 34 Queen Street

Melbourne VIC 3000

Web: www.primevalue.com.au