

# Prime Value Imputation Fund

## Fund Update – May 2017



- Banks, which account for approximately a third of the ASX300 Index were the key reason for the weak Australian share market in May as the banking sector declined 9.8% for the month
- The economy continues its transition from the resource sector, with rising emphasis on infrastructure development to provide for the rising urban population
- The Australian sharemarket fell 2.7% for the month, as global markets were higher led by the US market and Japan.

	Total Return*	Growth Return*	Distribution Return*	Total Return including Franking Credits**	S&P/ASX 300 Accumulation Index
Since inception (p.a.)	11.0%	5.8%	5.2%	13.0%	8.0%
10 Years (p.a.)	1.4%	(3.0%)	4.4%	3.4%	3.4%
5 Years (p.a.)	8.8%	4.7%	4.1%	11.0%	11.7%
3 Years (p.a.)	4.2%	0.5%	3.7%	6.1%	6.0%
1 Year	5.6%	2.0%	3.6%	7.4%	10.8%
3 Months	0.5%	(0.3%)	0.8%	0.9%	1.4%
1 Month	(2.9%)	(2.9%)	0.0%	(2.9%)	(2.7%)

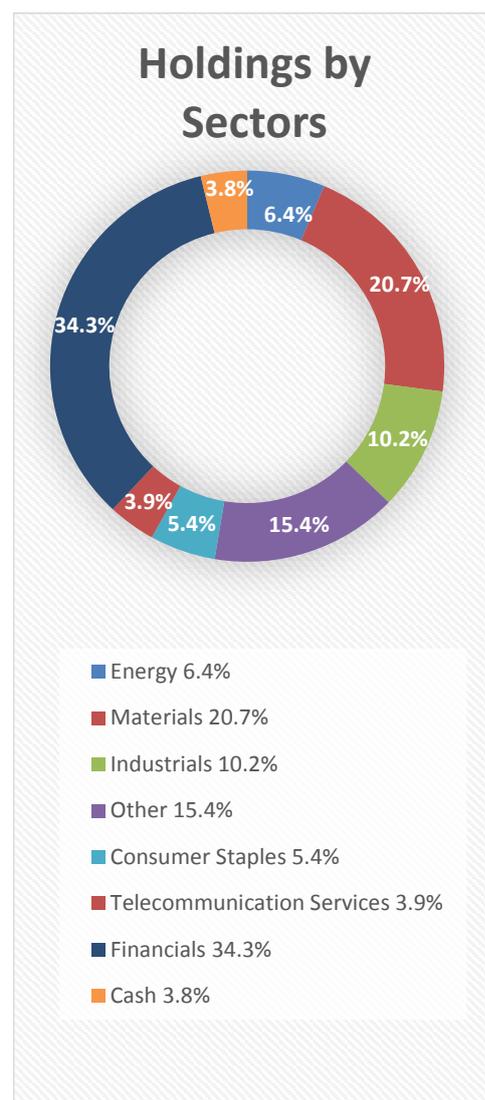
\* Fund returns are calculated net of management fees, assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC). The returns are calculated before performance fees which are charged against individual accounts. The returns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

\* The top five holdings make up approximately 29.3% of the portfolio.

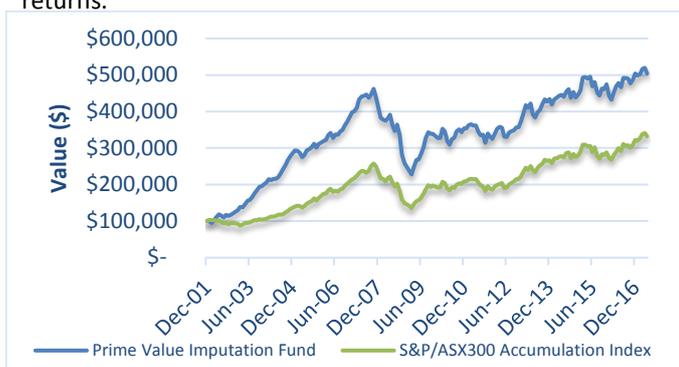
Feature	Fund facts
Portfolio Manager	Leanne Pan
Investment objective	To provide regular tax-effective income, combined with competitive capital growth over the medium to long-term, by managing a portfolio of assets comprised mainly of Australian equities listed on any recognised Australian stock exchange.
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	11.0% (excl. franking credits) 13.0% (incl. franking credits)
Research Rating	Lonsec – Investment Grade



## Market review

The Australian share market declined 2.7% in May, weighed down by a large sell-off in banks (-9.8%). By contrast, global equity markets continued to rally despite significant volatility from US political events. Global equities rose on strong US and European reporting seasons and robust economic indicators. A notable development in May was Moody's downgrade of China's sovereign debt rating. Domestically, employment data and business confidence remained solid but retail sales and residential building approvals disappointed. The Australian dollar was steady at US\$0.744, despite another significant leg down in the iron ore price (-14%). Brent oil price fell US\$1.42 to US\$50.31/barrel.

The big sell-off in domestic bank stocks was headlined by the Government's budget levy announcement. This only exacerbated what was a relatively lacklustre bank reporting season and rising housing market concerns. The discretionary retail sub-sector also came under significant pressure during the month (-8.9%), reflecting a number of high profile bankruptcy announcements and the ongoing overhang of Amazon's pending arrival. The best performing sector was once again industrials (+4.7), while the telco sector recovered some of last month's declines. Mid-caps (+0.8%) significantly outperformed, with small-caps (-2.1%), large-caps (-3.3%) and mega-caps (-4.8%) posting negative returns.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$504,330 (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 \$331,590 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	\$ 2.4156	\$ 2.3974
Withdrawal price	\$ 2.4158	\$ 2.3976
Distribution (31/03/2017)	\$ 0.0200	\$ 0.0212
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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## Fund review & strategy - draft

The Fund returned -2.9% for the month of May (after fees). In absolute terms, the Fund's major contributors to performance were **Sydney Airport** (+8%), **Caltex** (+10.7%) and **Goodman Group** (+4.8%). The banking sector was the major detractor as 4 banks were ex-dividend during the month. In relative terms, sector allocation was a small contributor. This reflected a positive contribution from the Fund's overweight exposure to industrials and materials, offset by a zero weighting to utilities.

There were no major surprises in the Banking sector reporting with modest top-line growth, margin pressure and rather benign bad debt experiences. The surprise Federal government budget levy caught the sector off guard with earnings estimates reduced by \$1B (Budget estimates \$1.6B). The sector remains under pressure from APRA prudential measures and therefore we have reduced our bank holdings after the dividend capture to lock in some profit.

Whilst the discretionary retail is doing it tough, our 3 major contributors for performance are "consumer related". Specifically tourism continues to be strong, the general public are not driving electric cars just yet and online retailers need warehouses.

We recently met a number of small-cap companies as part of our research. Some warrant additional work as we continue to seek out companies with sustainable dividend and potential capital growth.

Top contributors (absolute)	Sector
Sydney Airports	Industrials
Caltex	Energy
Goodman Group	Real Estate

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

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](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)