

# Prime Value Imputation Fund

## Fund Update – November 2016



- Unexpected outcomes in global events (Brexit and Trumps victory), reinforced the futility in trying to predict macro outcomes
- Sector and stock dispersion in the Australian market was extreme with banks and resources companies rising at the expense of smaller companies
- The Fund rose 2.1% in November with holdings in larger cap companies including banks and BHP Billiton helping to offset detractors in mid-cap companies

	Total Return*	Growth Return*	Distribution Return*	Total Return including Franking Credits**	S&P/ASX 300 Accumulation Index
Since inception (pa)	11.1%	5.9%	5.2%	13.2%	7.8%
10 Years (pa)	2.7%	-1.8%	4.6%	4.6%	4.3%
5 Years (pa)	8.1%	3.5%	4.6%	10.4%	10.4%
3 Years (pa)	4.5%	0.6%	3.9%	6.4%	5.4%
1 Year (pa)	5.6%	1.9%	3.7%	7.3%	10.1%
3 Months	-1.0%	-1.8%	0.8%	-0.3%	1.1%
1 Month	2.1%	2.1%	0.0%	2.1%	2.8%

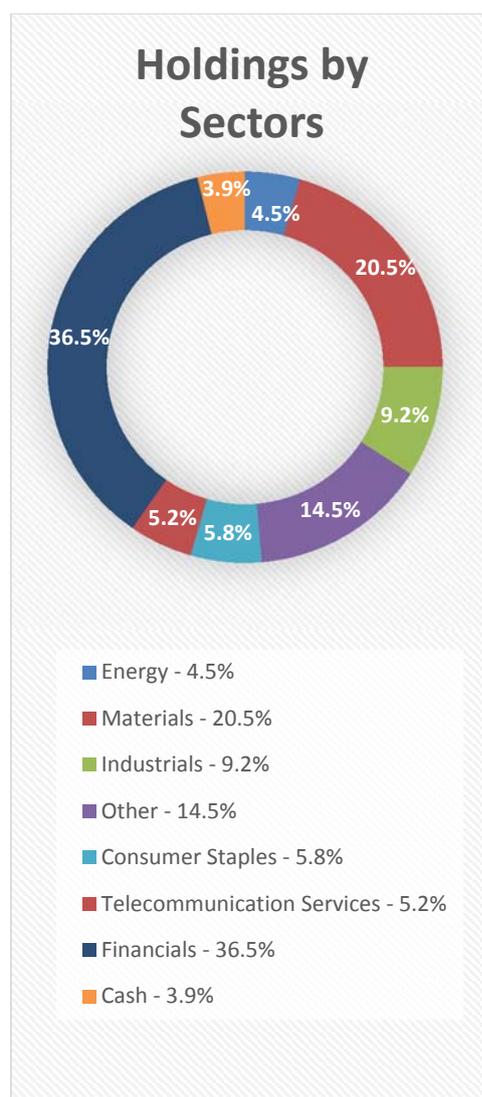
\* Fund returns are calculated net of management fees, assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC). The returns are calculated before performance fees which are charged against individual accounts. The returns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

\* The top five holdings make up approximately 33.1% of the portfolio.

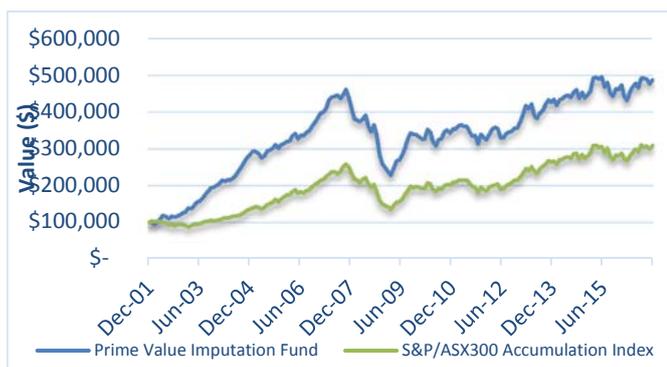
Feature	Fund facts
Portfolio Manager	Leanne Pan
Investment objective	To provide regular tax-effective income, combined with competitive capital growth over the medium to long-term, by managing a portfolio of assets comprised mainly of Australian equities listed on any recognised Australian stock exchange.
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	11.1% (excl. franking credits) 13.2% (incl. franking credits)
Research Rating	Lonsec – Investment Grade



## Market review

Global equities rallied and bond markets sold-off following Trump's unexpected victory in November. Equity markets rose on hopes President elect Trump could reignite US growth, along with prospects of lessened banking and healthcare regulation. Bond yields rose sharply on the view that Trump's economic program of fiscal stimulus and tax cuts would be reflationary, with US 10-year treasury yields up more than 50 basis points for the month.

Beneath the headline share market indices, however, the sector and stock dispersion was extreme. Driven by reflationary expectations, cyclical and value stocks rallied whilst defensive stocks, global bonds and gold were sold aggressively. The Australian share market outperformed most equity markets, driven by broad based outperformance of banking and resource stocks. Defensive and yield-oriented sectors underperformed, while discretionary retail was the worst performing sub-sector. Mega-caps (4.3%) and large-caps (3.6%) again outperformed mid-caps (0.8%) and small-caps (-1.2%). News flow was plentiful as the market digested a large number of progress updates from companies at their AGM.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$487,210 (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 \$309,020 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	\$2.3720	\$2.3720
Withdrawal price	\$2.3540	\$2.3540
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

The information contained in this Fact Sheet 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 main event in November was the US election. Below are screen shots of when news of a potential Trump victory broke, and then when a Trump victory was confirmed.



The Fund returned 2.1% in November (after fees). In absolute terms, major contributors to performance were **CBA**, **BHP** and **IOOF** (on speculation as an M&A target). **Newcrest** (opposite side of the Trump trade), **Lindsay Australia** and **Harvey Norman** were the major detractors. In relative performance terms, sector allocation was broadly neutral.

As we move to 2017, some potential key transitions include:

- Rising interest rate, easing off further PE ratio expansion. "Yield-trade" fading. However for this Fund, fully franked dividend continues to be highly valued.
- Global growth continues to remain subdued whilst sustainable growth is valued. Call for fiscal stimulus tends to boost "growth" sentiment.
- Longer term thematic such as ageing demographics, increase demand for healthcare & education services, technology developments & on-line penetration remain relevant.

We continue to consider macro factors as we seek companies with sustainable yield and potential growth over the medium term.

Top contributors (absolute)	Sector
Commonwealth Bank	Financials
BHP Billiton	Materials
IOOF	Financials

Top detractors (absolute)	Sector
Newcrest Mining	Materials
Lindsay Australia	Industrials
Harvey Norman	Consumer Discretionary

Platforms
Ausmaq, Beacon, BT Wrap, First Wrap, Hub24, 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)