

Prime Value Imputation Fund

Fund Update – November 2017



- The Australian share market posted another strong month with company AGMs setting a positive tone
- Further evidence of economic growth globally pushed share markets higher, although we note an increase in volatility towards the end of the month

	Total Return*	Growth Return*	Distribution Return*	Total Return including Franking Credits**	S&P/ASX 300 Accumulation Index
Since inception (p.a.)	11.1%	6.0%	5.1%	13.1%	8.2%
10 Years (p.a.)	2.0%	(2.2%)	4.3%	4.1%	3.5%
5 Years (p.a.)	8.6%	4.6%	4.0%	10.6%	10.5%
3 Years (p.a.)	7.1%	3.4%	3.7%	9.1%	8.8%
1 Year	10.7%	7.0%	3.7%	12.6%	14.7%
3 Months	4.7%	3.9%	0.9%	5.5%	5.8%
1 Month	1.1%	1.1%	0.0%	1.1%	1.7%

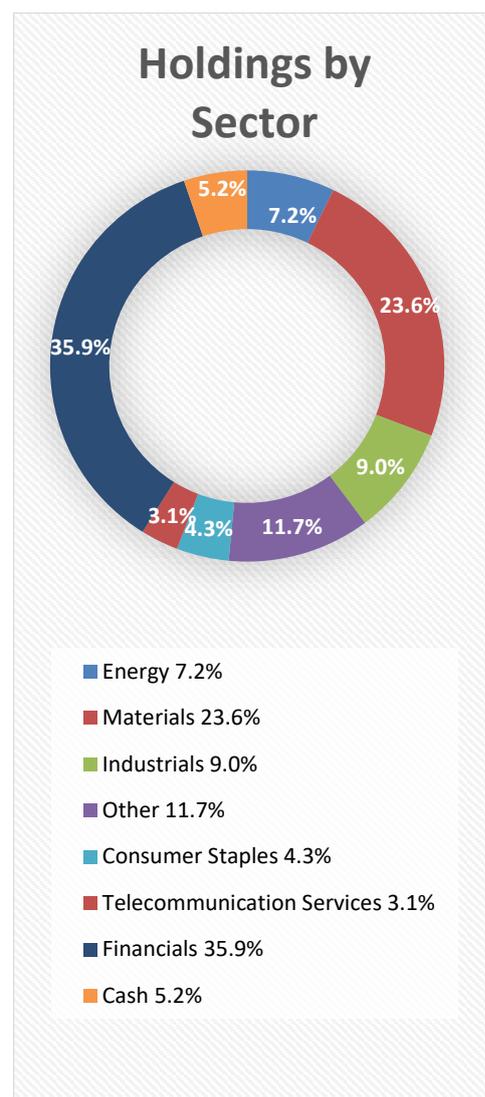
* Fund returns are calculated net of management fees, assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. The returns are calculated before performance fees which are charged against individual accounts.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

The top five holdings make up approximately 29.5% 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
Research Rating	Lonsec – Investment Grade



Market review

November was another strong month for the Australian share market (+1.7%), supported by ongoing momentum from the US. The S&P500 once again hit new highs, reflecting a better-than-expected US reporting season; falling US dollar; and a seemingly clearer path forward for tax reform. At the same time, falling long bond yields and a flattening US yield curve are providing a more cautionary signal for some. The Australian dollar weakened 0.8c to USD 0.7590 despite a strong rise in the iron ore price. Oil price strength was maintained (+3.6%), with OPEC and Russia extending their production cut to the end of 2018.

Domestic economic data was generally weaker-than-expected on the consumer front (retail sales, jobs growth and wage price index). However, construction data, including residential approvals came out ahead of expectations.

The best performing sector domestically was REITs (+5.3%), while telcos (-1.6%) and the banks (-1.4%) underperformed. The key development in the banking sector was the Government's announcement of a Royal Commission into alleged misconduct. Small caps continued their strong outperformance, returning +3.9% versus +2.9% for mid-caps, +1.2% for large-caps and +1% for mega-caps.



This graph shows how \$100,000 invested at the Fund's inception has increased to \$539,200 (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 \$354,330 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	\$ 2.5106	\$ 2.4916
Withdrawal price	\$ 2.5108	\$ 2.4918
Distribution (30/09/2017)	\$ 0.0200	\$ 0.0209
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 September 2017 (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 posted a return of 1.1% in November. In absolute terms, contributors to performance were Santos, BHP and Sydney Airport. Detractors were the banks as they lost ground after they went ex-div and Telstra. After the recent round of banks reporting, our take is subdued growth remains for this space. Outlook into 2018 remains challenging as housing market slows, interest margin comes under pressure from competition. Regulators continue to home in on responsible lending and of course the Royal Commission. Barring a global event, one ponders how much headwinds can be added even if there is a change of government?

During the month, we tendered our RIO holdings into their off-market buyback. We considered the buyback to be highly tax effective due to the large fully franked dividend amount payable. The scale back was close to 90%. So in reality, we could only participate in a very small way.

A talking point of CY17 has to be the rise of cryptocurrency. Is it "the" thing for the future or Ponzi scheme, take your pick. We wonder if it is a symptom of not trusting the "central bank paper system"? Perhaps a bit of gold in a portfolio is not a bad thing.

Top Contributors (Absolute)	Sector
Santos	Energy
BHP	Materials
Sydney Airport	Industrials

Top Detractors (Absolute)	Sector
NAB	Financials
Westpac	Financials
ANZ	Financials

Platforms

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

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