Prime Value Imputation Fund
Fund Update – October 2016

- Investors were extremely short term focussed as attention turned to rising bond yields and the US election.
- The materials sector performed well, offsetting weakness in interest rate sectors. Small caps stocks performance was affected by profit taking and news emerging from AGM updates.
- We continue to focus on investing in quality companies with attractive valuations.

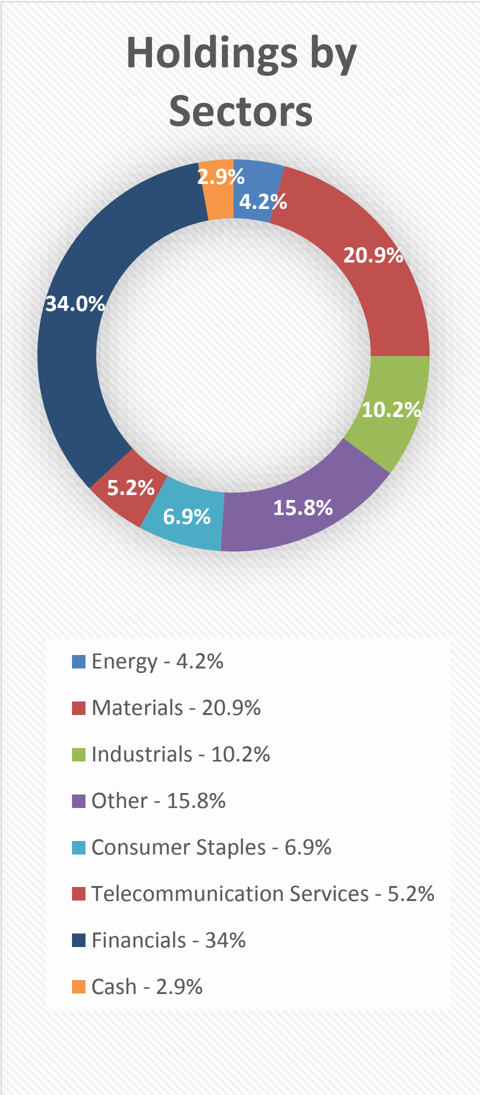
	Total Return*	Growth Return*	Distribution Return*	Total Return including Franking Credits**	S&P/ASX 300 Accumulation Index
Since inception (pa)	11.1%	5.8%	5.3%	13.1%	7.7%
10 Years (pa)	2.8%	-1.8%	4.6%	4.9%	4.3%
5 Years (pa)	7.0%	2.5%	4.5%	9.4%	9.0%
3 Years (pa)	3.3%	-0.5%	3.8%	5.2%	3.9%
1 Year (pa)	3.0%	-0.6%	3.6%	4.7%	6.3%
3 Months	-3.0%	-3.8%	0.8%	-2.4%	-3.2%
1 Month	-2.5%	-2.5%	0.0%	-2.5%	-2.2%

* 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
CBA	Financials
Westpac	Financials
BHP	Materials
Wesfarmers	Consumer Staples
ANZ	Financials

* The top five holdings make up approximately 32.1% of the portfolio.

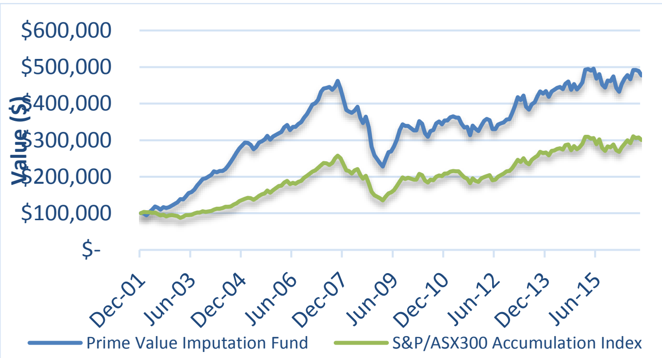
Feature	Fund facts
Portfolio Manager	Leanne Pan
Investment objective	To provide regular tax-effective income, combined with competitive capital growth over the medium to long-term, by managing a portfolio of assets comprised mainly of Australian equities listed on any recognised Australian stock exchange.
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	11.0% (excl. franking credits) 13.1% (incl. franking credits)
Research Rating	Lonsec – Investment Grade



Market review

Global equity markets were generally lower in October, weighed down by rising bond yields, ongoing rotation out of defensive sectors, including 'bond proxies' and significant profit taking of better performing stocks. The Australian share market as measured by the ASX 300 Accum. Index declined 2.2% despite positive returns from the mining and banking sectors. Health Care and REITS were the worst performing sectors.

We know that macro events have a long tail of possible outcomes and are unpredictable. 'Brexit' is a good example of the futility of predicting such outcomes. Investors are currently focussed on two events: the US election and rising bond yields which could signal diminishing quantitative easing. We cannot call the election results. Nor do we make macro predictions such as the short term direction of interest rates. Macro forecasting has never been the starting point of our investment philosophy. However, it doesn't mean we won't take advantage of opportunities presented by macro-related market movements. Our focus continues to be on company fundamentals – these are areas which we have better control of and are able to draw upon our insights and experience.



This graph shows how $100,000 invested at the Fund's Inception has increased to $477,210 (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 $300,590 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	$2.3233	$2.3229
Withdrawal price	$2.3057	$2.3053
Indirect Cost Ratio (ICR)	1.435% pa	1.23% pa
Performance fee	20.5%[1]	20.5%[1]

[1] of performance (net of management fees and administration costs) above the agreed benchmark, subject to positive performance and a high water mark

Fund review & strategy

The Fund returned -2.5% in September (after fees) in a volatile month. Macro factors such as US Election outcome, interest rate fears were front of mind for the investors. In absolute terms, the Fund's major contributors to performance for the month were **Westpac** (+3.3%), **BHP** (+3.1%) and **CBA** (+1.4%). **Sydney Airport** (-10.2%), **Wesfarmers** (-7%) and **Event Hospitality and Entertainment** (-7.2%) were the major detractors. In relative terms, sector allocation was positive, driven primarily by the zero allocation to health care.

The major supermarkets reported their 1st Quarter Sales during the month. Coles, which has dominated the space in the last few years posted the slowest rate of sales growth in eight years. It suffered from increased competitive intensity and slower market growth overall. **Woolworths** supermarkets showed initial signs of recovery with +0.7% sales growth the best in nearly two years. **Woolworths**, are now focussing on getting back to the basics –get the supermarkets right.

Going forward, with pressure from Aldi and new entrants such as Lidl and Amazon, this space may become even more competitive. The attractive return is likely to be competed away till all players stabilise. The Fund sold out of Woolworths when they started investing in Masters and stayed invested in Wesfarmers for the turnaround potential of Coles. This decision has paid dividends in the last few years. Obviously there are other important divisions within the conglomerate group to be considered and we continue to assess if the situation is now reversed and how a more competitive market landscape affects all players.

Top contributors (absolute)	Sector
BHP	Materials
Westpac	Financials
CBA	Financials

Top detractors (absolute)	Sector
Event Hospitality & Entertainment	Consumer Discretionary
Wesfarmers	Consumer Staples
Sydney Airports	Industrials

Platforms
Ausmaq, Beacon, BT Wrap, First Wrap, Hub24, Macquarie Wrap, netwealth, Premium Choice, Symetry, Wealthtrac

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