

Prime Value Imputation Fund

Fund Update – October 2017



- Global equity markets were largely buoyant through October. The positive sentiment fed through to the Australian market
- All the Fund's stock holdings posted positive returns except one (IOOF)
- The Fund returned 3.9% after fees, in October marginally below benchmark

	Total Return*	Growth Return*	Distribution Return*	Total Return including Franking Credits**	S&P/ASX 300 Accumulation Index
Since inception (p.a.)	11.1%	5.9%	5.2%	13.1%	8.2%
10 Years (p.a.)	1.4%	(2.8%)	4.2%	3.5%	3.1%
5 Years (p.a.)	8.4%	4.5%	3.9%	10.4%	10.2%
3 Years (p.a.)	5.6%	1.9%	3.7%	7.5%	7.0%
1 Year	11.8%	8.1%	3.7%	13.7%	15.9%
3 Months	5.0%	4.2%	0.9%	5.8%	4.8%
1 Month	3.9%	3.9%	0.0%	3.9%	4.0%

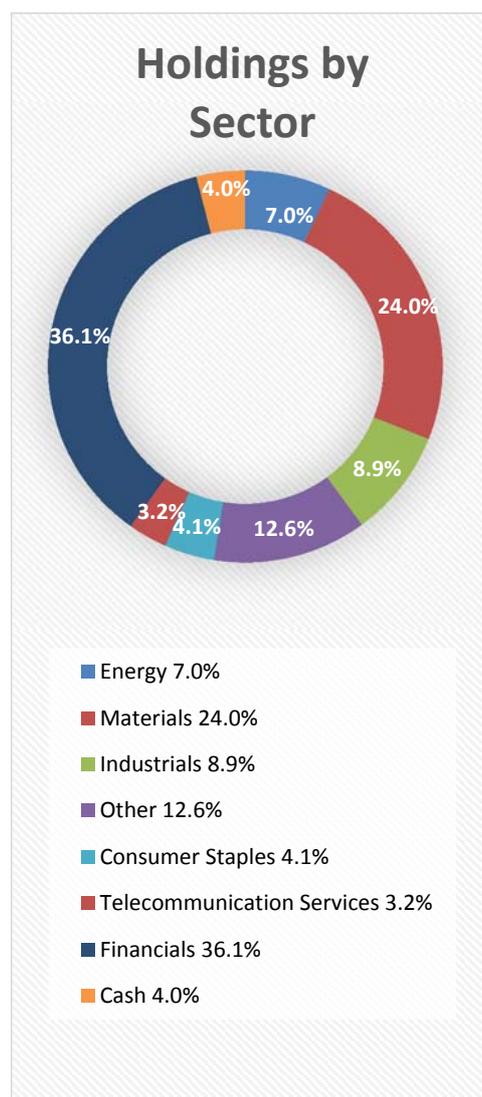
* Fund returns are calculated net of management fees, assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. The returns are calculated before performance fees which are charged against individual accounts.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

The top five holdings make up approximately 30.0% of the portfolio.

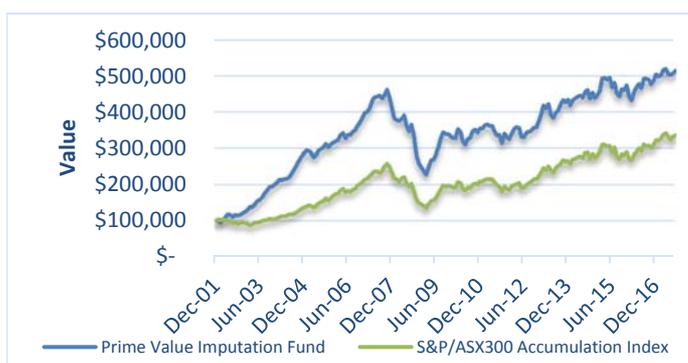
Feature	Fund facts
Portfolio Manager	Leanne Pan
Investment objective	To provide regular tax-effective income, combined with competitive capital growth over the medium to long-term, by managing a portfolio of assets comprised mainly of Australian equities listed on any recognised Australian stock exchange.
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

October was another strong month for equity markets globally, underpinned by a supportive economic backdrop and a revival of Trump's tax reform plans. The Australian share market posted its best return for the year (+4%), outperforming global indices in local currency terms with the exception of the Nikkei, which rose 8.2% on a landslide election outcome. While domestic economic data was mixed (employment positive but retails sales and CPI below expectations), global developed market manufacturing surveys were strong across the board, hitting levels not seen since 2004 in the case of the US. As a proxy for global economic conditions, base metals were the standout commodity class in October. However, oil also had another strong month, up 6.7% to US\$61.37 a barrel (Brent). The Australian dollar fell 1.8 cents to USD 0.7670 reflecting US dollar strength, soft CPI data and a weakening iron ore price.

As was the case globally, the best performing sector domestically was information technology (+8.4%), followed by energy (+6.4%). While all sectors posted strong returns, REITs (+2.2%), telcos (+2.4%) and the banks underperformed (+2.8%). Small caps continued their outperformance, returning +6% versus +5.8% for mid-caps, +3.5% for large-caps and +3.1% for mega-caps.



This graph shows how \$100,000 invested at the Fund's inception has increased to \$533,380 (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 \$348,430 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 (31/09/2017)	\$ 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

Fund review & strategy

The Fund returned 3.9% in October after fees. In absolute terms, the major contributors were **Macquarie**, **Pioneer Credit** and **Orora**, sole detractor being **IOOF**. IOOF had a rollercoaster ride. The purchase of part of ANZ's Wealth Business is a big acquisition which was well received when announced. The subsequent release of Q1 FUMA didn't meet market expectation, hence the selloff. This acquired business has been in an "orphan" state when ANZ put up the "for sale" sign and requires quick action to stop further deterioration. We locked in some profit during the month.

What's new from the epic 3.5 hours speech by President Xi (that poor sign language interpreter!) at China Party Congress? Xi is now proclaiming explicitly that it is time for China to take center stage within the global order, and to create a new type of international relations (Belt Road Initiative). Growth still matters, its environmental protection policies might see relative price winners in LNG, materials demanded by Electric Vehicles but coal and low grade iron ore losing out. The centralization of power means government is in a box seat to dial up/down any policy. Again we are seeing a "market economy" that is well "managed".

We are now into the banks reporting time again. We do not expect anything extraordinary as the macro backdrop remain benign. Franked dividend would be good for this Fund.

Top Contributors (Absolute)	Sector
Macquarie Bank	Financials
Pioneer Credit	Financials
Orora Ltd	Materials

Top Detractors (Absolute)	Sector
IOOF	Financials

Platforms

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

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