Prime Value Imputation Fund
Fund Update – September 2016

- Macro developments, largely centred around monetary policies, drove the direction of the market
- The materials sector performed well during the month as commodity prices proved to be resilient. At the same time, there was a significant rotation out of yield sensitive sectors such as telcos, utilities and REITs.
- Signs of a bottoming of resources earnings is positive. We continue to focus on investing in quality companies with attractive valuations

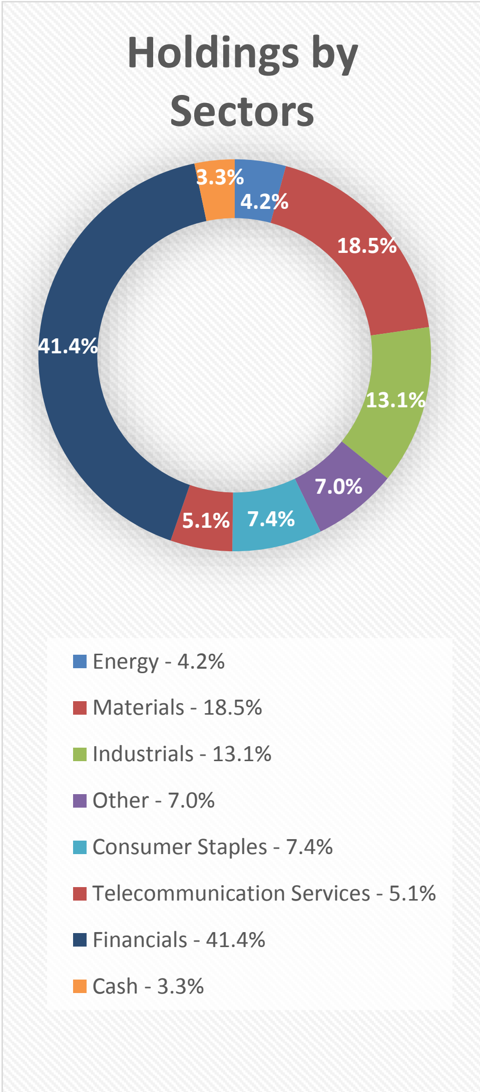
	Total Return*	Growth Return*	Distribution Return*	Total Return including Franking Credits**	S&P/ASX 300 Accumulation Index
Since inception (pa)	11.3%	6.0%	5.3%	13.4%	7.9%
10 Years (pa)	3.4%	-1.2%	4.6%	5.5%	5.0%
5 Years (pa)	9.3%	4.7%	4.6%	11.7%	11.0%
3 Years (pa)	5.2%	1.3%	3.9%	7.1%	6.6%
1 Year (pa)	10.4%	6.6%	3.8%	12.3%	13.5%
3 Months	5.0%	4.2%	0.9%	5.7%	5.2%
1 Month	-0.5%	-1.3%	0.8%	0.2%	0.5%

* 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
Sydney Airport	Industrials
Wesfarmers	Consumer Staples
ANZ	Financials

* The top five holdings make up approximately 31.8% 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	11.3% (excl. franking credits) 13.4% (incl. franking credits)
Research Rating	Lonsec – Investment Grade



Market review

The Australian share market posted a return of 0.5% in September. Central bank decision making remained the dominant market theme, with policy commentary and relative sector performance signalling a potential turning point for market leadership. The prospect of reduced monetary stimulus saw yield sectors come under pressure.

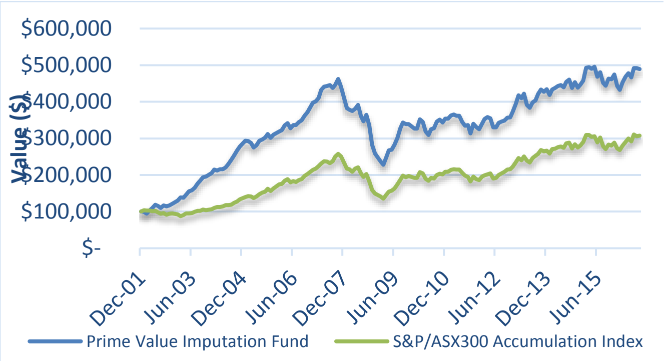
There was ongoing strength in commodity prices, except for iron ore (-6.4%). Coal continued to rally strongly, along with base metals. The Brent oil price rose 4.3% following the late month agreement by OPEC members to cut production. The Australian dollar rose 1.9% to USD 0.7650. Domestic economic data was strong with GDP growth at its highest level in four years. The unemployment rate of 5.6% was the lowest level in three years. Chinese data came in above consensus while US data were generally below expectations.

The materials sector (5.6%) was the clear outperformer in September followed by consumer staples (+1.7%). Yield sectors underperformed: REITs (-4.3%), telcos (-4.0%) and utilities (-3.3%). Health care (-0.4%) and industrials (-0.2%) also posted negative returns. Small-caps (+1.5%) outperformed mega-caps (+1.2%) and large-caps (+0.5%), with mid-caps the laggard (-1.0%).

Fund review & strategy

The Fund returned -0.5% in September. In absolute terms, the Fund's major contributors to performance for the month were **BHP** (+10.4%), **Wesfarmers** (+3.9%) and **ANZ** (+2.7%). The stronger commodity prices, especially coal, impacted positively on the performance of both **BHP** and **Wesfarmers**, whilst **Santos** (-18.7%), **Qube** (-7.2%) and **Sydney Airport** (-4.3%) were major detractors.

There was speculation **Santos** may need to raise equity to maintain investment grade credit ratings. This is possible especially as there has been management changes including a new CEO and CFO. However we believe the new CEO is embarking on a major cost-out initiative which should see the free cash-flow break-even price lowered in the coming years. This coupled with asset sales, hybrid-debt and a potential improvement in the oil-price should bode well for future equity value. We continue to monitor our holding.
We also had a taste of how markets have become hostage to central bank moves and commentaries during the month. An example is **Sydney Airport**, where the underlying business continues to be strong but interest rate fears saw it sold off as a proxy to bonds which we believe was unwarranted.



This graph shows how $100,000 invested at the Fund's Inception has increased to $489,690 (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 $307,270 over the same period. The returns exclude the benefits of imputation credits.

Top contributors (absolute)	Sector
BHP	Materials
Wesfarmers	Consumer Staples
ANZ	Financials

Top detractors (absolute)	Sector
Santos	Energy
Qube	Industrials
Sydney Airports	Industrials

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

	Direct Investment (Class A)	Platform Investment (Class B)
APIR code	PVA0002AU	PVA0022AU
Minimum Investment	$20,000	N/A
Issue price	$2.4041	$2.4042
Withdrawal price	$2.3859	$2.3860
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

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