

# Prime Value Imputation Fund

## Fund Update – September 2017



- The Australian share market was held back by defensive sectors such as Telecoms, Utilities and Consumer Staples. The broad market ended flat for the month
- There were few large themes currently influencing the market but we are finding investment opportunities in selected sectors and bottom up driven ideas
- The Fund had a strong Quarter, returning 2.8% including franking, comfortably outperformed Index

	Total Return*	Growth Return*	Distribution Return*	Total Return including Franking Credits**	S&P/ASX 300 Accumulation Index
Since inception (p.a.)	10.9%	5.7%	5.2%	12.9%	7.9%
10 Years (p.a.)	1.4%	(2.8%)	4.2%	3.5%	2.9%
5 Years (p.a.)	8.1%	4.1%	3.9%	10.1%	9.9%
3 Years (p.a.)	5.4%	1.8%	3.7%	7.4%	7.1%
1 Year	4.8%	1.4%	3.5%	6.7%	9.0%
3 Months	2.0%	1.2%	0.8%	2.8%	0.8%
1 Month	(0.3%)	(1.1%)	0.8%	0.5%	0.0%

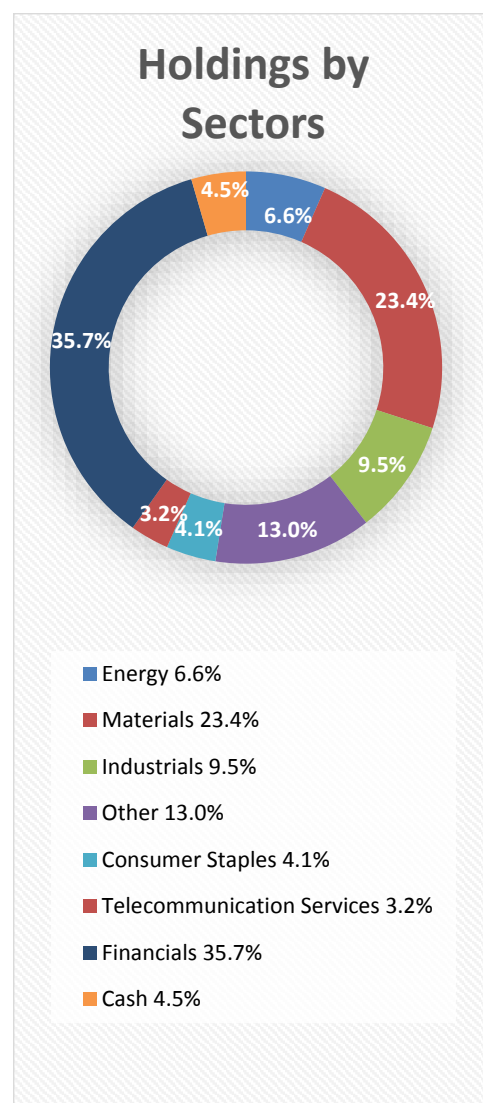
\* Fund returns are calculated net of management fees, assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC). The returns are calculated before performance fees which are charged against individual accounts. The returns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

\* The top five holdings make up approximately 29.7% of the portfolio.

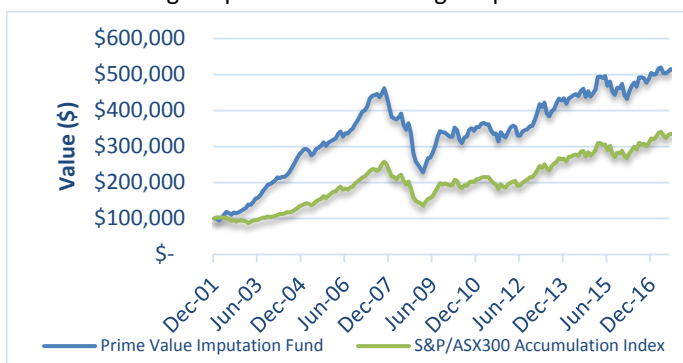
Feature	Fund facts
Portfolio Manager	Leanne Pan
Investment objective	To provide regular tax-effective income, combined with competitive capital growth over the medium to long-term, by managing a portfolio of assets comprised mainly of Australian equities listed on any recognised Australian stock exchange.
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	10.9% (excl. franking credits) 12.9% (incl. franking credits)
Research Rating	Lonsec – Investment Grade



## Market review

The S&P/ASX 300 Accumulation index was flat in September (+0.04%), underperforming global equities (developed markets). Drivers of the global equities rally included an easing of geopolitical tensions as well as the unveiling of US President Trump's much anticipated tax framework. Another key development was news that the US Federal Reserve would begin unwinding its \$4.5tr balance sheet, reversing the quantitative easing program. Defensive sectors underperformed, partly due to rising bond yields, with a 'hawkish' Fed keeping alive expectations of a December rate hike. Mining was the worst performing sub-sector globally. Key drivers included a strengthening US dollar and impending steel production cuts in China, which weighed heavily on the iron ore price (down almost 20%). Oil bucked the trend (Brent rose 7.1%) on a resumption of US refinery operations, higher forecast oil demand growth from the IEA and Kurdish referendum tensions. The gold price fell. The Australian dollar was down around 1% to USD 0.7850.

Domestically, the best performing sectors were Health Care (+2.3%), major banks (+1.4%) and Energy (+1.1%). The defensive sectors underperformed, led by Telcos (-4.5%), Utilities (-3.6%) and Consumer Staples (-1.9%). Small caps again outperformed, rising 1.3% versus +0.2% for mid-caps, +0.1% for mega-caps and -0.2% for large-caps.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$513,380 (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 \$334,980 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	\$ 2.4365	\$ 2.4372
Withdrawal price	\$ 2.4181	\$ 2.4188
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 -0.3% for the month and was up 2% for the September Quarter (after fees). In absolute terms, the major contributors to performance were **Macquarie** (on a positive trading update), **Incitec Pivot** and **National Australia Bank**. The three major detractors were **BHP Billiton**, **Newcrest** and **Ancor** (the underperforming Material sector). In relative terms, the Fund's zero holding in healthcare stocks detracted.

As the final siren sounded for the two football codes, the focus turns to the upcoming 19th Communist Party Congress in China. What is the potential leadership succession plan for the New China? We will also decipher any new policy direction which might have implications for our economy, particularly the Resources sector.

After years of focusing on cost-outs (post the big China-commodity boom spend), Australian corporates are signalling their intention to grow capex. Increased capex will support growth in the future, however it is done at the expense of dividends now. We attempt to seek out companies which balance growth capex (and hopefully future dividends) and current dividend requirement. We will examine the merits of Rio's off-market buyback (to return the Coal & Allied sale proceeds to shareholders) to ascertain if it is in our interest to participate as we seek tax-effective income for our investors.

Top contributors (absolute)	Sector
Macquarie Bank	Financials
Incitec Pivot	Materials
National Australia Bank	Financials

Top detractors (absolute)	Sector
BHP Limited	Materials
Newcrest	Materials
Ancor	Materials

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

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