

Prime Value Imputation Fund

Fund Update – April 2018



- Global equity markets stabilised in April, posting the first positive month this year, following declines March
- The Australian share market rebounded strongly rising +3.8% to a 7-week high. Higher base metal and oil prices saw Energy and Materials sectors post the best gains
- The Fund returned 2.5% for the month. Contributors were primarily resources names offsetting our holdings in financial sector in particular IOOF which was sold off on the back of AMP's dire situation

	Total Return*	Growth Return*	Distribution Return*	Total Return including Franking Credits**	S&P/ASX 300 Accumulation Index
Since inception (p.a.)	10.8%	5.7%	5.1%	12.8%	8.1%
10 Years (p.a.)	3.5%	(0.7%)	4.1%	5.6%	5.2%
5 Years (p.a.)	4.9%	1.1%	3.8%	6.8%	7.5%
3 Years (p.a.)	3.1%	(0.5%)	3.6%	4.8%	5.8%
1 Year	3.2%	(0.2%)	3.4%	5.0%	5.7%
3 Months	(1.0%)	(1.8%)	0.8%	(0.6%)	0.2%
1 Month	2.5%	2.5%	0.0%	2.5%	3.8%

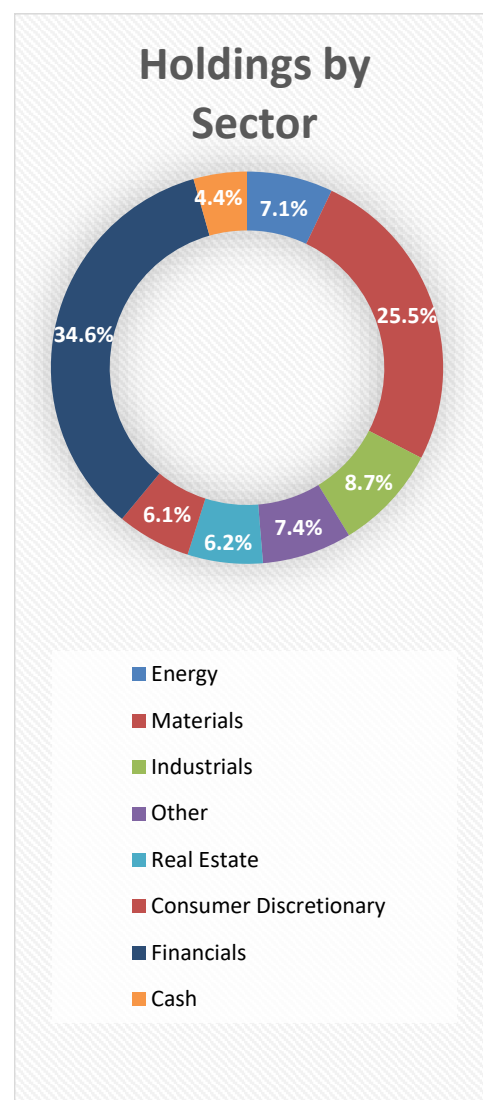
* Fund returns are calculated net of management fees, assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. The returns are calculated before performance fees which are charged against individual accounts.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

The top five holdings make up approximately 29.1% 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	0 - 30%
Distributions	Quarterly
Recommended investment period	3 + years
Research Rating	Lonsec – Investment Grade



Market review

Global equity markets stabilised in April, posting the first positive month this year. Although the performances across global equity markets were mixed, they came on the back of several notable developments. Tensions surrounding a potential US-China trade war eased following Chinese President Xi's 'reconciliatory tone' against the backdrop of a strong US corporate reporting season. Rising US bond yields drove the US dollar higher, in line with easing trade tensions and political risks. With large moves in the US Dollar, Europe's Stoxx 50 (+5.8%) and Japan's Nikkei (+4.7%) indices rallied as weaker domestic currencies drove export driven sectors. Oil rose 9% to a 4-year high, on expectations the US would reimpose sanctions on Iran.

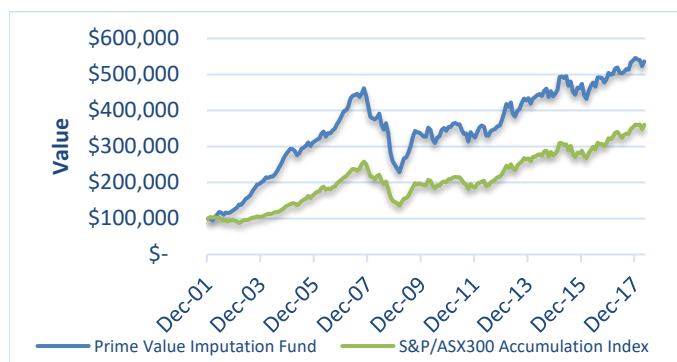
The Australian share market (as measured by the ASX300 Accumulation Index) rebounded strongly, rising +3.8% to a 7-week high. Higher base metal and oil prices saw the Energy (+10.8%) and Materials (+7.6%) sectors post the best gains. Financials (+0.2%) was the weakest sector, affected by negative sentiment due to the ongoing allegations of misconduct revealed by the Royal Commission, questions over bank-lending standards, and high-profile resignations of senior management.

Fund review and strategy

The Fund returned 2.5% for April as the market recovered from the losses in March. In absolute terms, the major contributors to performance were resources names including **BHP**, **Santos** (conditional takeover proposal) and **Woodside** as commodity prices recovered. The detractors were **IOOF** (watch AMP), **Eclix** and **Lindsay**. Overall, sector allocation was neutral in relative terms with gains in the resources sector offsetting the zero weighting in the strong performing healthcare sector.

Like many, we are concerned by some of the practices and allegations revealed in the Royal Commission. The Fund's holding in IOOF (financial services provider), suffered a share price drop of 12% during the month as AMP and others were put under the spotlight. Whilst there is no direct brand fallout for IOOF, we expect running cost will increase from the likely introduction of more compliance and monitoring system. There might be further mandated changes to business models. Financial services providers thrive on complexity (higher demand for services and more fees). Arguably if the retirement system (super, personal, tax, borrowing, Centrelink etc.) is less complicated or with less political interference, the end customer is better off. We reduced our IOOF holding during the month.

We aim to increase our holdings in the smaller cap names in the coming months and continue to seek out companies with sustainable yield and some capital growth.



This graph shows how \$100,000 invested at the Fund's inception has increased to \$536,300 (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 \$360,400 over the same period. The returns exclude the benefits of imputation credits.

Top Contributors (Absolute)	Sector
BHP	Materials
Santos	Energy
Woodside	Energy

Top Detractors (Absolute)	Sector
IOOF	Financials
Eclix	Financial
Lindsay	Industrials

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

	Direct Investment (Class A)	Platform Investment (Class B)
APIR code	PVA0002AU	PVA0022AU
Minimum Investment	\$20,000	N/A
Issue price	\$ 2.4842	\$ 2.4844
Withdrawal price	\$ 2.4654	\$ 2.4656
Distribution (31/03/2018)	\$ 0.0200	\$ 0.0213
Indirect Cost Ratio (ICR)	1.435%* p.a.	1.23%* p.a.
Performance fee	20.5%**	20.5%**

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* 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

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