

# Prime Value Imputation Fund

## Fund Update – June 2018



- The Australian share market stood out as one of the best performing markets in June, rising 3.2%
- Global share market performance was varied in FY18, with the Australian and US share markets posting double digit total returns while Europe and Asia markets saw more subdued returns
- The Fund returned 13.6% for the year, including franking.

	Total Return*	Growth Return*	Distribution Return*	Total Return including Franking Credits**	S&P/ASX 300 Accumulation Index
Since inception (p.a.)	<b>11.0%</b>	5.8%	5.1%	<b>13.0%</b>	8.3%
10 Years (p.a.)	<b>4.5%</b>	0.4%	4.1%	<b>6.3%</b>	6.3%
5 Years (p.a.)	<b>7.9%</b>	4.0%	3.9%	<b>9.9%</b>	10.0%
3 Years (p.a.)	<b>6.2%</b>	2.6%	3.6%	<b>8.0%</b>	9.1%
1 Year	<b>11.6%</b>	7.8%	3.8%	<b>13.6%</b>	13.2%
3 Months	<b>7.4%</b>	6.3%	1.1%	<b>7.7%</b>	8.4%
1 Month	<b>3.5%</b>	2.4%	1.1%	<b>3.7%</b>	3.2%

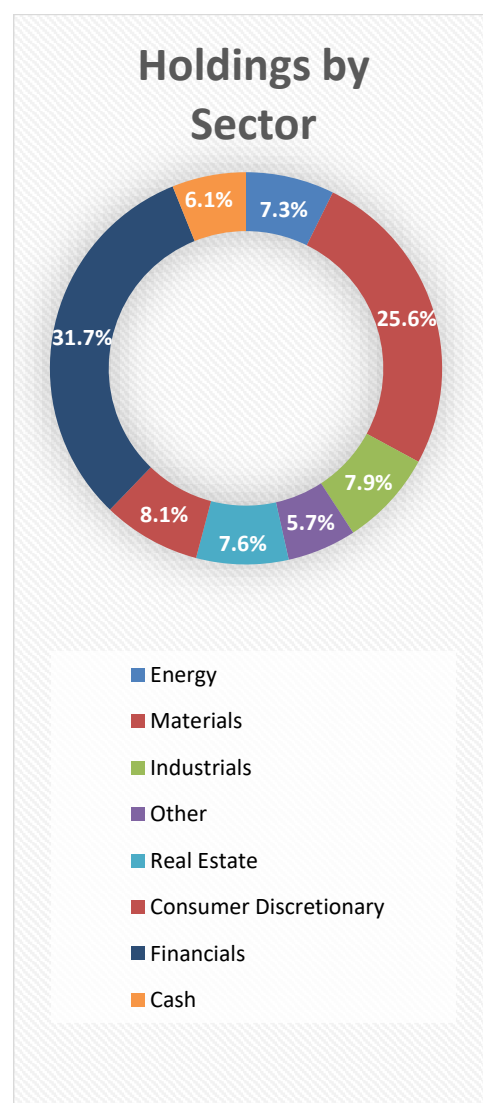
\* Fund returns are calculated net of management fees, assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. The returns are calculated before performance fees which are charged against individual accounts.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

The top five holdings make up approximately 30.2% 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

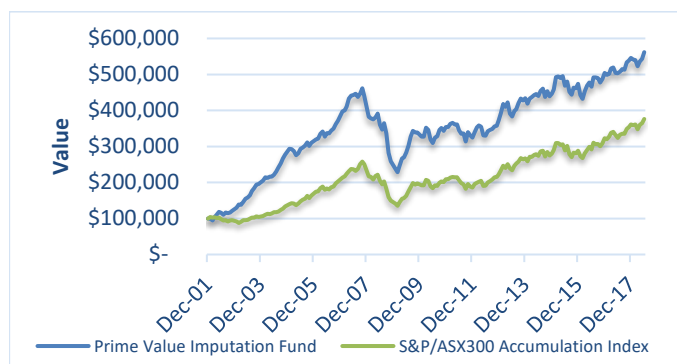


## Market review

Equity markets finished the 2018 financial year mixed. The US market was up marginally by 0.5% in June but Europe's Stoxx50 Index fell 0.3%. Emerging equity markets fell for a third consecutive month – notably, the Shanghai Composite Index fell 8% in June and the Chinese Yuan also weakened significantly. With the exception of oil, commodity prices and resources stocks were lower on account of emerging market developments and US-China trade tensions.

The S&P/ASX 200 Accumulation Index rose 3.2% in June and was up 13.2% for the financial year. Large cap companies performed well during the month, with the ASX Small Ords Accumulation Index posting a more modest 1.1% rise.

Most sectors gained in June, with the exception of the Telco sector (-5.8%) which was carried lower on Telstra's share price decline. The Energy (+7.8%) sector gained the most due to a rally in the crude oil price (+10.6%), backed by strong performances from the IT (+6.3%) and Consumer Staples (+6.2) sectors. It was notable that the ASX Small Ords Index lagged towards the end of the month, reflecting the view that valuations of smaller capitalisation companies are becoming expensive.



This graph shows how \$100,000 invested at the Fund's inception has increased to \$561,900 (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 \$376,300 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	\$ 2.6027	\$ 2.6038
Withdrawal price	\$ 2.5829	\$ 2.5840
Distribution (30/06/2018)	\$ 0.0270	\$ 0.0282
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 and strategy

FY18 was a year where "Growth" names dominated in performance. The typical yield names fell behind – banks and diversified finance companies suffered from broader regulation impose, Telstra with its woes. The Fund benefited from its holdings in resources names such as BHP Billiton (BHP), RIO Tinto (RIO) and Woodside (WPL) as the stronger global growth outlook lifted the oil prices from its unsustainable low last year. In relative terms, the portfolio did not benefit from "high flyer" healthcare names such as CSL and ResMed due to their lower dividend.

The Fund returned 11.6% for FY18, or 13.6% including franking credits. The distribution return including franking was 5.8%, again demonstrating the tax-effectiveness of this Fund. We continue to target tax-effective distributions with moderate capital growth over time. The distribution income compares favourably with term deposits or other cash accounts in the current low interest rate environment.

The Australia equity market finished FY18 on a strong note, trading at a premium to its long run median PE ratio. Going into the new financial year, things that could derail the positivity include risks around trade wars, the speed of Fed rate hikes, and leverage in the economy etc. We remain mindful of the price we pay for companies and continue to seek out opportunities.

Top Contributors (Absolute)	Sector
Macquarie Group	Financials
Woodside Petroleum	Energy
Wesfarmers	Consumer Staples

Top Detractors (Absolute)	Sector
Event Hospitality and Entertainment	Consumer Discretion
Telstra	Telecommunication
Eclix	Financials

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

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