Prime Value Imputation Fund
Fund Update – May 2018

- Developed countries' share markets posted small gains in May, in contrast to large falls in Emerging Markets
- The Australian share market performed better than most of its developed market peers. The Healthcare sector was a standout performer whilst Telstra fell heavily, exerting a considerable drag on the index
- The Fund returned 1.3% for the month, in line with benchmark.

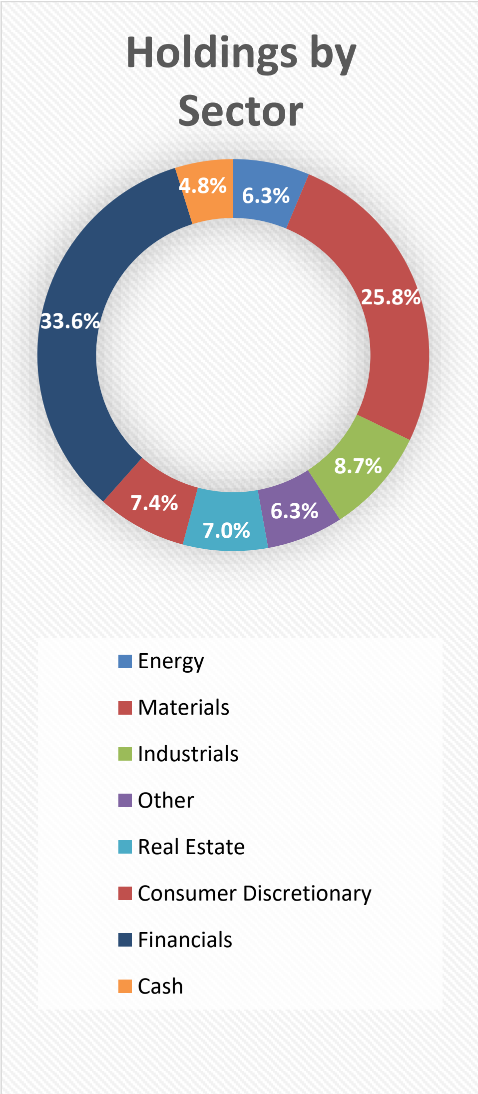
	Total Return*	Growth Return*	Distribution Return*	Total Return including Franking Credits**	S&P/ASX 300 Accumulation Index
Since inception (p.a.)	**10.8%**	5.7%	5.1%	**12.8%**	8.2%
10 Years (p.a.)	**3.3%**	(0.8%)	4.1%	**5.4%**	5.1%
5 Years (p.a.)	**6.8%**	2.9%	3.8%	**8.7%**	8.8%
3 Years (p.a.)	**3.1%**	(0.5%)	3.6%	**4.9%**	6.1%
1 Year	**7.7%**	4.1%	3.6%	**9.5%**	10.0%
3 Months	**0.7%**	(0.2%)	0.8%	**1.1%**	1.1%
1 Month	**1.3%**	1.3%	0.0%	**1.3%**	1.2%

* 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 29.3% of the portfolio.

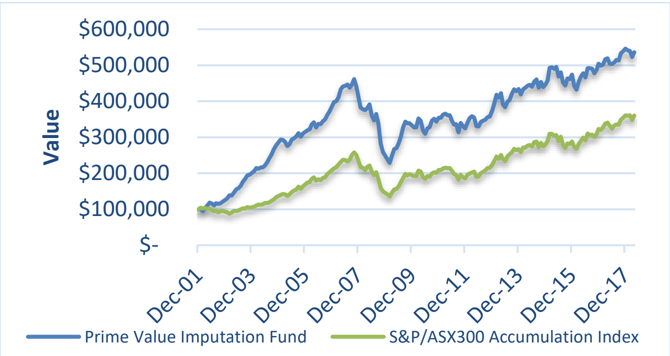
Feature	Fund facts
Portfolio Manager	Leanne Pan
Investment objective	To provide regular tax-effective income, combined with competitive capital growth over the medium to long-term, by managing a portfolio of assets comprised mainly of Australian equities listed on any recognised Australian stock exchange.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

Most equity markets built on the stability seen in April to post small gains in May. Nevertheless, it was a volatile month, and was difficult for Emerging Markets (Index falling -3.8% for the month). Eurozone geopolitical pressures, Argentinian and Turkish economic issues and continued trade policy friction limited share markets gains with selling escalating as some of these issue came to attention. It was also notable that quickly as bond yields rose this year, on concerns of inflation rising, they fell as quickly due to some of the above macro concerns.

The S&P/ASX 200 Accumulation Index rose 1.2% in May, better than most developed stock markets. The Healthcare (+5.6%) and Discretionary (+5.1%) sectors were the top performers, although Telecommunications fell 10.2%, exerting a considerable drag on the index. May marked the release of the federal budget, which confirmed the government's commitment to lower corporate and income taxes and increased infrastructure spend. Business indicators continue to paint an upbeat picture with the NAB conditions index rising 6 points to reach a new series high of +21. The Australian dollar was resilient, rising 0.5% to close out the month just below the US76c mark, buoyed by gains in commodity prices.



This graph shows how $100,000 invested at the Fund's inception has increased to $543,100 (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 $364,700 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	$ 2.5157	$ 2.5163
Withdrawal price	$ 2.4967	$ 2.4973
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%**

* 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

The Fund returned 1.3% for the month of May. In absolute terms, key contributors were **BHP, Macquarie Bank** and **Navigator Global** (positive reaction to the info release on their recent business acquisition). Detractors were the big cap names such as **Telstra**, **CBA and NAB.**

Telstra provided a trading update highlighting the competitive pressure and bode poorly for the FY19 outlook. Whilst the dividend policy is unchanged, it essentially removed the "implicit guarantee" dividend of 22 cents beyond FY18. As smart phone users, we all know that our data usage is UP, the phone lifespan is DOWN (read handset subsidy) but the "packages" seem to be getting more competitive. This competitive dynamic is nothing new, hence the relentless cost out initiatives by operators to watch the bottom line. As competition deepens, investment return for all industry players suffers. Therein lies opportunity for consolidation and/or more rational behaviour to return. The stock has returned -30% FYTD in a market that went up 10%. Reducing the dividend to say 15 cents yields 5.5% plus franking at current price. The Fund only has a small holding for yield purpose and will reassess after the Strategy Day in June.

Top Contributors (Absolute)	Sector
BHP	Materials
Macquarie Bank	Financials
Navigator Global	Financials

Top Detractors (Absolute)	Sector
Telstra	Telecommunication
CBA	Financials
NAB	Financials

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

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