

# Prime Value Imputation Fund

## Fund Update – October 2018

- October was a weak month for equity markets. The Australian share market moved in lock step with offshore markets. Defensive assets were preferred, pushing aside company fundamentals
- The Fund was down for the month returning -5.1%, but did better than its benchmark.

	Total Return*	Growth Return*	Distribution Return*	Total Return including Franking Credits**	S&P/ASX 300 Accumulation Index
Since inception (p.a.)	<b>10.5%</b>	5.5%	5.1%	<b>12.5%</b>	7.8%
10 Years (p.a.)	<b>6.8%</b>	2.5%	4.3%	<b>9.0%</b>	8.5%
5 Years (p.a.)	<b>4.6%</b>	0.9%	3.7%	<b>6.5%</b>	6.0%
3 Years (p.a.)	<b>5.4%</b>	1.9%	3.6%	<b>7.2%</b>	8.2%
1 Year	<b>1.8%</b>	(1.6%)	3.4%	<b>3.6%</b>	2.9%
3 Months	<b>(4.7%)</b>	(5.4%)	0.7%	<b>(4.0%)</b>	(6.0%)
1 Month	<b>(5.5%)</b>	(5.5%)	-	<b>(5.5%)</b>	(6.2%)

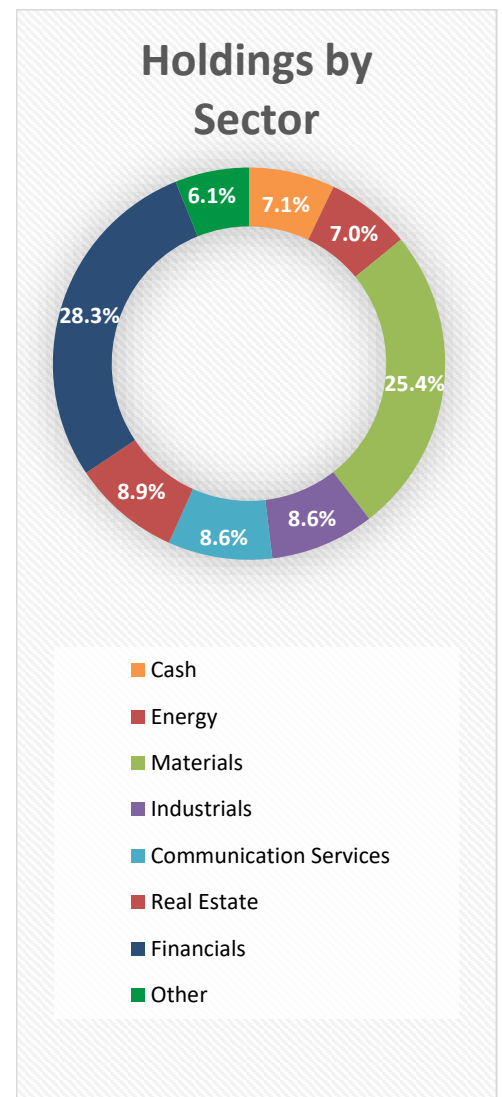
\* Fund returns are calculated net of management fees, assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. The returns are calculated before performance fees which are charged against individual accounts.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

The top five holdings make up approximately 30.3% 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



## Market review

Global share markets declined, in a difficult month for equities although gains towards the end of the month softened the falls. The Technology sector had the largest falls across all sectors and countries, with Energy not too far behind. The ASX200 Accumulation Index fell 6.1% during the month, in line with the global sell-off, the largest monthly drawdown in over three years. Banks (-132 points) and Resources (-135 points) carried the largest impact to bring the Australian market lower, although Technology was the worst-performing sector. During the month, large caps performed better over small and mid-cap counterparts. The growth sensitive materials, industrials & energy sectors underperformed, while REITs, utilities, consumer staples outperformed. The Australian dollar fell to \$0.7090 on US dollar strength.

The IT (-11.2%), health care (-7.0%) and energy sectors (-10.5%) led declines in the Australian market, while the defensive REITs (-3.1%) and utilities (-4.0%) sectors outperformed. The Australian gold sector also outperformed, recording a 21.8% month on month rise, the largest monthly outperformance since June 2016.

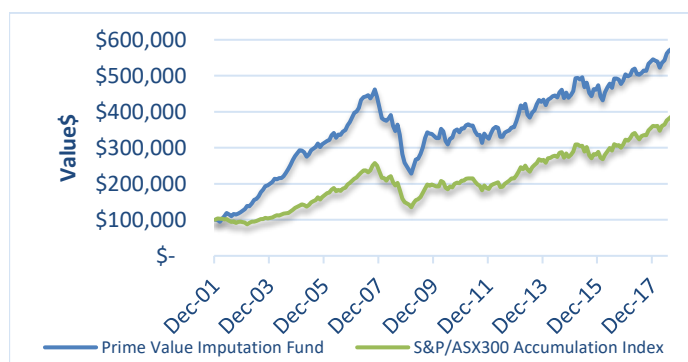
With the sell-off, the broader market is now trading in-line with the long term average of 14.5x. The Industrials ex Financials multiple continues to trade slightly above the long term average at 19.9x, down from the recent high of 22.2x.

## Fund review and strategy

The Fund posted a -5.5% return for the month of October, a period where general market weakness was prevalent across most sectors. Whereas we have a few “green” spots, most of the holdings went backwards. Gold typically shines in an environment of uncertainty, greater volatility and heightened geopolitical tensions. Our holding of Newcrest is a portfolio decision – a bit like an “insurance”. Our real estate holdings also posted positive returns. Key detractors were the banks and BHP.

The recent by-election results signalled a likely change of government in the next general election. The issue of “franking credit refund” articulated by Labor Party (likely next Government) has been debated in the press. This Fund regarded “fully franked dividend” highly in our investment decisions and it has added approx. 2% per annum of return to our investors who can fully utilise it. We continue to believe sustainable dividend is a positive attribute we look for and it forms a steady part of the total return.

In the midst of market volatility, we have not changed the way we manage the portfolio. Fundamental research, valuation, broad thematics and a healthy degree of scepticism all form part of investment process. We remain vigilant and nimble.



This graph shows how \$100,000 invested at the Fund’s inception has increased to \$543,200 (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 \$358,500 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	\$ 2.4288	\$ 2.4295
Withdrawal price	\$ 2.4104	\$ 2.4111
Distribution (30/09/2018)	\$ 0.0200	\$ 0.0211
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

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Top Contributors (Absolute)	Sector
Newcrest	Materials
Orora	Materials
Vicinity Centres	Real Estate

Top Detractors (Absolute)	Sector
BHP	Materials
Macquarie Bank	Financials
ANZ	Financials

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

### Contact details:

Brittany Shazell, Dora Grieve, Julie Abbott & Serena Shi  
 Client Services Team  
 Phone: 03 9098 8088  
 Fax: 03 9098 8099  
 Email: [info@primevalue.com.au](mailto:info@primevalue.com.au)  
 Web: [www.primevalue.com.au](http://www.primevalue.com.au)

### Mail:

Prime Value Asset Management Ltd  
 Level 9, 34 Queen Street  
 Melbourne VIC 3000