

Prime Value Imputation Fund

Fund Update – September 2018

- Major share markets were mixed during the month. The Australian share market was a notable laggard with a number of major sectors weaker
- The Fund returned 0.1% for the month or 2.3% for September quarter. Including franking, the Fund provided a return of 3.1% for the quarter.

	Total Return*	Growth Return*	Distribution Return*	Total Return including Franking Credits**	S&P/ASX 300 Accumulation Index
Since inception (p.a.)	11.0%	5.9%	5.1%	13.0%	8.3%
10 Years (p.a.)	5.5%	1.3%	4.2%	7.7%	7.7%
5 Years (p.a.)	6.4%	2.7%	3.8%	8.4%	8.2%
3 Years (p.a.)	9.0%	5.4%	3.7%	10.9%	12.2%
1 Year	12.0%	8.2%	3.8%	13.9%	14.0%
3 Months	2.3%	1.6%	0.8%	3.1%	1.5%
1 Month	0.1%	(0.7%)	0.8%	0.8%	(1.2%)

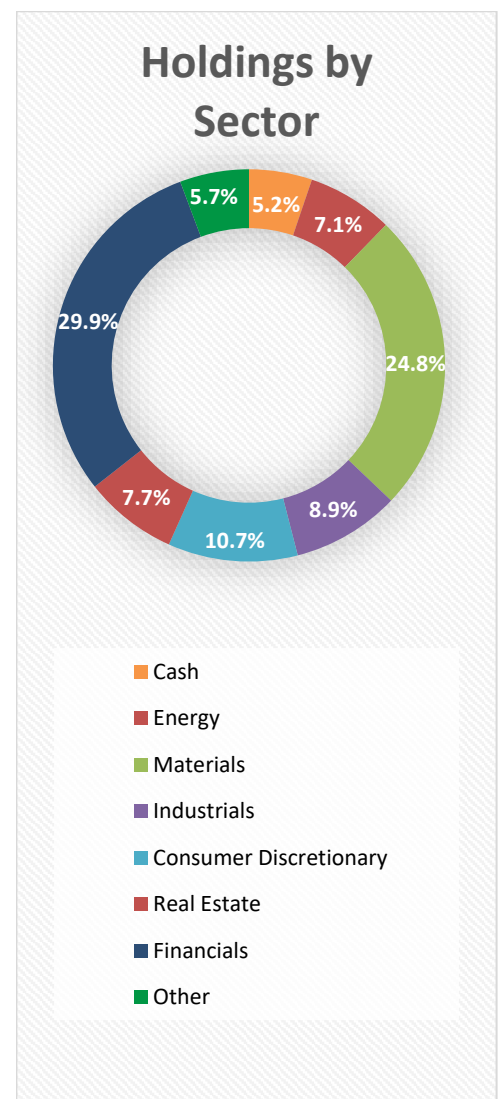
* Fund returns are calculated net of management fees, assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC) standards. The returns are calculated before performance fees which are charged against individual accounts.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

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

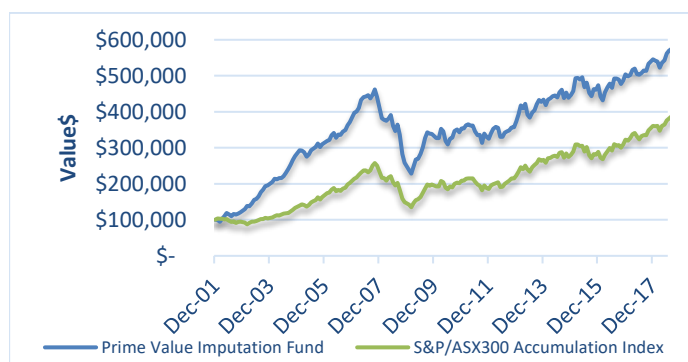


Market review

Global equity markets were mostly positive in September, with the US S&P 500 (+0.4%) reaching fresh highs and Chinese shares (Shanghai Composite +3.4%) outperforming, while European markets (Stoxx 600 -0.6%) were mixed. Key market events included additional US tariffs on Chinese imports, followed by retaliatory action. Chinese authorities also announced stimulus measures to offset emerging weakness in the economy.

As was generally expected, the US Federal Reserve increased interest rates by 25 basis points and the yield on the US 10-year bond rose 20 basis points to 3.06%, a 7-year high. Australian bonds were also weaker, with the 10 year yield rising 15bp to 2.67%. In commodity markets, oil rose 4.9% in anticipation of sanctions against Iran which will reduce global oil production. Iron ore (+3.7%) and copper (+4.7%) were also stronger. The Australian dollar rose 0.4% to US\$ 0.7218 over the month.

The Australian market (ASX200 -1.8%) was one of the worst performers, with the increases in the Energy (+4.0%) and Materials (+2.7%) sectors more than offset by falls in the Healthcare (-8.4%) and Consumer Discretionary (-4.7%) sectors. The banks (-1.9%) continued to come under pressure amidst the ongoing Royal Commission and softening property prices. Small companies (-0.9%) continued to outperform the Top 50 companies (-1.9%).



This graph shows how \$100,000 invested at the Fund's inception has increased to \$575,000 (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 \$382,000 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	\$ 2.6330	\$ 2.6337
Withdrawal price	\$ 2.6130	\$ 2.6137
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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Fund review and strategy

The Fund returned 0.1% during September and 2.3% for the quarter. This can be considered a pleasing result in a market held hostage to regulatory risks, international trade wars and domestic political drama. Contributors for the month were mainly resources names including **BHP Billiton** (BHP +6.9%) and **Woodside Petroleum** (WPL +4.6%) on stronger oil prices.

Detractors were primarily from the financial sector such as **ANZ** (-4.5%), **Suncorp** (SUN -6.7%) and **Orora** (ORA -4.1%). Capital market activity has been strong, with companies trading their assets as they hone in on strategy, generating capital returns for some but capital raisings for others. Private equity funds are keen to invest and a couple of Fund's holdings are subject to takeover offers. Scottish Pacific (SCO), a debtor financing company trading on 14X PE and 6% yield, has entered a scheme of arrangement with a private equity fund, priced at 19X PE. Universal Coal (UNV), a coal producer in South Africa, also received a non-binding offer. There seemed to be no shortage of funding (sorry, property speculators...).

As expected, RIO has announced another tax effective off-market buyback. Whilst we are likely to participate, we expect a large scale-back so the net impact might be minimal. Rate rises in the US and the deteriorating US/China relationship affect investment sentiment and the cost of doing business, and are not conducive for businesses profitability. We remain vigilant and continue to seek out companies with sustainable dividends and medium term growth prospects.

Top Contributors (Absolute)	Sector
BHP	Materials
Scottish Pacific	Financials
Woodside	Energy

Top Detractors (Absolute)	Sector
ANZ	Financials
Orora	Materials
Suncorp	Financials

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

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