



IDPS GUIDE

Prime Value Imputation Portfolio

Non-Unitised Portfolio Disclosure Document for IDPS Investors dated 22 December 2011.
The Portfolio Manager is Prime Value Asset Management Limited.

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Non-Unitised Portfolio

Non-Unitised Portfolio	Prime Value Imputation Portfolio
Code	PRM002
Inception date	13/12/2010
Manager	Prime Value Asset Management Limited (AFSL Number 222055; ABN 23 080 376 110)
Benchmark	S&P/ASX 300 Accumulation Index
Designed for	The Prime Value Imputation Portfolio is designed for investors who: <ul style="list-style-type: none"> • Are seeking medium to long-term capital growth and regular income that includes imputation credits; • Are prepared to accept some fluctuations in short-term returns; • Have an investment horizon of at least 3 years.
Investment objective	The Prime Value Imputation Portfolio aims to provide capital growth over the medium to long term, combined with regular, tax-effective income, by managing a portfolio of predominantly Australian equities.
Investment strategy	The Prime Value Imputation Portfolio will be comprised of securities, primarily companies listed on an Australian stock exchange or due to be listed in the next 12 months. The Portfolio will normally have short term cash investments for liquidity management purposes. Due to the tax benefits under the current dividend imputation regime, the Prime Value Imputation Portfolio will typically have a core position of Australian equities with an attractive level of franked dividends.
Investment universe	<ul style="list-style-type: none"> • Generally securities listed on any recognised Australian stock exchange. • Cash <p>The Non-Unitised Portfolio does not invest in derivatives.</p>
Typical number of stocks	Stock Count: Typically around 40
Investment management fee	0.935% p.a. (inc GST)
Performance fee	16.5% (inc GST) of performance above the S&P/ASX 300 Accumulation index

Prime Value Asset Management limited

A manager for all seasons

Prime Value is a 'style neutral' manager investing in Australian equities that has delivered consistent outperformance to investors since the Prime Value Imputation Fund was launched in 2001. It is best considered though to be a manager for all seasons with a track record of beating its investment benchmark in good times and bad.

Prime Value's stable, talented investment team has achieved excellent results across various economic cycles and investment style biases. The team has experienced many market cycles and with them just about every investment situation and emotion available. They are under no pressure to follow the herd. If our team thinks a stock should be avoided, they are free to ignore it.

The investment team's real edge comes from considerable experience in the corporate sector, an advantage which sets our team apart from most other investment managers. A corporate background means Prime Value speaks the language and asks the right questions of the companies when considering investment. This experience has also taught us that investment is more than just science, mathematics and statistics. Art and intuition also come into play.

Prime Value has established a unique style which is not easy to pigeon-hole and not easily replicated. This willingness to follow our own path, combined with a strong culture and sense of stewardship, has driven our consistent record of outperformance.

Alignment of interest

Prime Value and its investment team are cornerstone investors in the Prime Value Funds. As investors, we ourselves demand superior returns for accepting the investment risk – not just the average return of the market. As fellow investors, the management team at Prime Value has a true alignment of interest with other investors. In this way, "Building Wealth Together" is more than just a slogan; it is the heart and soul of Prime Value.

Our passion is on managing investments rather than gathering funds under management. A strong belief in 'stewardship' – that managing money for others is an

important responsibility – underpins our approach. This means a focus on absolute, after-tax performance and a clear priority of minimising mistakes.

Seven good reasons to invest in Prime Value

Performance

Prime Value's investment process plays to our strengths and has consistently delivered for investors. As at 30 June 2011, the underlying fund, the Prime Value Imputation Fund has returned 12.6% p.a. after all fees since inception in 2001.

Risk management

Minimising mistakes may be undervalued by many but not by us - it remains our central investment philosophy. While tools such as standard deviation can provide some insight into risk management, we tend to think along the same lines as investors; that is, we are more concerned about an investment's potential for losses ahead of its potential effect on standard deviation.

Independence

Our ownership is simple and transparent. We combine the discipline and investment expertise of a large fund manager with the flexibility and non-bureaucratic features of a boutique.

Culture

Prime Value has developed a successful culture which is open, inclusive and collaborative; and reflected in the longevity and stability of the investment team.

Stewardship

We take our role as stewards earnestly and value our responsibility to investors.

Exceptional team

When you invest in a boutique you invest in our people, and we are proud to have an experienced, stable, committed team.

Alignment of interest

Our management team and board invest in the Prime Value funds so we too depend on consistent outperformance – we can therefore say our aim is “building wealth together”.

Investment philosophy

Prime Value’s investment philosophy hinges on minimising mistakes, which we believe to be the most important aspect of long-term outperformance.

Successful investment is about the right balance between wealth creation and capital preservation. When evaluating investment opportunities, we focus on good companies selling below intrinsic value. We look beyond fundamental analysis of the companies and broader economic and industry data; we get to know our investments, their people and their strategies.

We believe that investment is an art as well as a science. Successful investing and funds management are not necessarily tied to a formula. There is no single correct way of investing. While there are characteristics that the more successful investment managers share, there are an infinite number of possibilities and approaches to the sometimes treacherous journey toward investment success.

As the naval historian, Samuel Eliot Morrison, once said, “In warfare, mistakes are inevitable. Military decisions are based on estimates of the enemies’ strengths and intentions that are usually faulty, and on intelligence that is never complete and often misleading.” He concluded that... “Other things being equal, the side that makes the fewest strategic errors wins the war.”

The same applies in investment management. Investment decisions are based on market views and intelligence which can often be faulty, and on investment research that is never complete nor totally error free. That is why we emphasise that, in practice; the investment manager who makes the fewest mistakes usually produces superior results.

This is a mundane and unspectacular approach, with no room for “heroics”. By making “the fewest strategic errors”, we generate consistently superior returns.

Flexibility and the freedom to invest in a way which brings out the best in our talent also define Prime Value’s approach.

For example there will be times, depending on the phase in the economic cycle or the type of stock, where balance sheet tests might be emphasised; at other times, earnings growth and earnings stability would be deemed most important. There is no standard way of identifying winners and losers; we must be prepared to adapt to any given situation.

The following four factors best describe our investment philosophy:

Minimising mistakes

Minimising mistakes is our number one imperative. We must remember investment decisions are based on market views and intelligence that is often faulty, and on research that is never complete and error-free. Managers therefore live and die on their own judgments. This may seem to be lacking the heroics of picking big winners, but in practice the Investment Manager who makes the fewest mistakes usually produces superior results.

Stock selection

Prime Value enjoys the flexibility of being a style-neutral manager because it allows us to select stocks from across the ASX. This independent approach has delivered and means our process is not easily replicated.

When evaluating investment opportunities, we focus on good companies selling below intrinsic value. We judge stocks based on investment fundamentals while also taking into account macro-economic data, corporate financial reports, industry data and comments from corporate officers to determine whether a stock is under or over-valued.

Prime Value believes all economic and financial tests require flexibility, depending on the phase in the economic cycle or the type of stock. There is no standard way of identifying winners or losers in the stock market. Experience and common sense dictate how the formula must be adapted to determine the appropriate investment decision for each security.

Portfolio strategy

Prime Value looks for companies selling below their intrinsic value whether they are large, mid, small or micro-cap stocks. The ability to consider “all caps” allows us opportunities often overlooked by major fund managers and stockbrokers.

There are good reasons to look beyond the obvious: share prices in the ASX 100 are not always driven by fundamentals; often trading factors and market tools such as leverage, short selling and financial derivatives play too great a role in top 100 share prices. Stocks outside the ASX 100, on the other hand, are less influenced by these factors. Hence they are more suited to detailed fundamental analysis as the basis for investment selections.

It is also true that the best investments are the small and mid-sized companies who become the larger companies of tomorrow.

Exit strategy

Finding a good stock is one thing; knowing when to hold and when to sell is another. We are not traders. Prime Value prefers to buy and hold onto good investments, reducing unnecessary transaction costs and tax burdens.

Many investment managers have held excellent investments only to undo that good work by not understanding when to get out. We try and minimise this classic mistake. As it is extremely difficult to consistently buy when the market is low and sell when the market is high, investment experience and smarts play a big role. The ability to adapt to a situation and the freedom to act quickly is vital. Prime Value will always have an exit strategy in mind for each allocation, but will also pay attention to broader variables such as interest rates, exchange rates, commodity and economic cycles.

A significant proportion of the portfolio will be invested in equities listed on any recognised Australian stock exchange, and a cash holding will also be maintained.

Australian equities

Equities (that is, shares) are a common form of investment with proven potential to increase wealth over the long-term. An investment in shares may generate returns in two forms: income and capital growth. Income may come in the form of dividends paid out of the company's earnings. The capital growth is delivered via a rising share price.

Historically, over the long-term, equities tend to outperform all other asset classes and the volatility of return for equities is higher than for other asset classes. Volatility refers to the degree to which actual returns deviate from the long-term average return. It should be noted that, historically, the return in

developed countries like Australia is lower than emerging markets, although the volatility of return is also lower. However, historical performance is not necessarily a predictor of future outcomes. The Portfolio may also invest in companies due to be listed in the next 12 months.

Cash

Cash investments are at best only intended to meet the criteria of wealth preservation, as longer term rates of return on cash investments are generally lower than those of other asset classes. The possibility of wealth being eroded by inflation is greater in the case of cash investments compared with other asset classes.

Ethical considerations

The subject of ethical investing is highly complex and there are often contradictions and difficulties in its application. While the Portfolio is not classified as ethical portfolio, Prime Value is a socially conscious investor and examines each investment on a case-by-case basis.

Prime Value is committed to the concept of "responsible investing" and applies a "negative screen" to avoid companies whose behaviour or activities are considered, in its opinion, to be highly unethical or not responsible. For instance, the Portfolio will not invest in companies which directly derive a significant proportion of their income from tobacco, armaments or pornographic activities.

Risks

Before investing, each potential investor should consider whether the Prime Value Imputation Portfolio is a suitable investment given their personal investment objectives. An Investor should not invest in the Prime Value Imputation Portfolio if:

- he/she only wants to make a short-term investment and expects to make substantial short-term gains;
- he/she expects the Prime Value Imputation Portfolio to achieve benchmark or better returns at all times;
- he/she is unable to accept significant fluctuations in market values; or
- he/she is unable to accept any loss of investment capital.

Every investment involves varying degrees of risk. While there are many factors which may impact on the performance of any investment, the summary below details the key risks that investors should be aware of when investing in the Prime Value Imputation Portfolio.

This summary is a guide only and is not an exhaustive list of all the risks.

Diversification risk

Lack of diversification across asset classes (for example shares, property, cash, fixed interest) over your entire portfolio of investments may result in more volatility of the Portfolio's return.

Market risk

Movements in a market sector, due (for example) to interest rate movements, or economic factors may have a negative impact on your investment and/or on the returns generated by your investment. Market values may be volatile and loss of capital may occur.

Global risk

International factors such as exchange rate fluctuations and movements in international stock markets may affect the value of your investment if they are priced in foreign currency. Additionally, these investments may not be hedged effectively or hedged at all from exchange rate fluctuations.

Sector risk

Risk associated with a particular industry's specific products or services due (for example) to changes in consumer demand or commodity prices.

Liquidity risk

We may be unable to sell underlying investments in a timely manner, for example illiquid Securities that are rarely traded on the ASX or are restricted or suspended from trading may not be able to be sold, or property trusts where the underlying property asset requires a considerable amount of time to sell.

Inflation risk

Your investments may not keep pace with inflation so that over time your money has less purchasing power.

How Prime Value Asset Management manages risk

Prime Value will seek to manage the above risks by employing consistent and integrated risk management techniques, by:

- Monitoring the strategic direction and trends of the markets;
- Maintaining a well-diversified portfolio, in terms of the number, size and class of investments; and
- Employing a highly qualified, experienced and stable team with a simple and well-understood investment philosophy.

Performance fees (for actively managed non-unitised portfolios)

Investment Performance Fee

Some Managers may charge a performance fee in addition to the investment management fee, as an additional incentive for the Manager to outperform the Non-unitised Portfolio's Benchmark. Performance fees relate to the outperformance of the Non-Unitised Portfolio in relation to the relevant Benchmark and will generally be paid to the relevant Manager. Please refer to the relevant Non-Unitised Portfolio disclosure documents provided to you by your Adviser for more information including the performance fee % which is used to calculate the \$ amount of performance fee to be deducted from your Account.

Benchmark

Each Manager sets an appropriate Benchmark for the Non-Unitised Portfolio so that performance can be measured in relation to this Benchmark. For example, the "S&P/ASX 200" may be a Benchmark for an Australian shares fund. HUB24 obtains data on these indices from Standard and Poor's including performance data, and we use this to determine the Non-Unitised Portfolio Benchmark return % each day.

We calculate the Non-Unitised Portfolio performance by measuring the daily returns on a notional amount (\$10,000,000) invested in accordance to the Manager's instructions (i.e. in the Securities that make up the Non-Unitised Portfolio using the weights as advised by the Manager).

This identifies the Value Added (defined below) by the Manager compared to its Benchmark, without being distorted by the timing of contributions and withdrawals, and the timing and settlement of trades, all of which can vary for each investor. In this manner the same value added % is charged to each investor in a particular Non-Unitised Portfolio. The % return each day is termed the Non-Unitised Portfolio return %.

Note that dividends are assumed to be reinvested in the Non-Unitised Portfolio in the form of cash. The Manager must regularly rebalance the Non-unitised Portfolio to redistribute any cash weight among Securities as it sees fit. The Non-Unitised Portfolio weights will have in the meantime moved from the original set of weights due to price movements and (possibly) other corporate actions – this is referred to as a “floating Non-unitised Portfolio”.

Calculation method

The Performance Fee is calculated as a set percentage applied to the Value Added by the Manager, so the higher the Value Added the higher the Performance Fee as the Manager shares the outperformance with the investor.

The fee is removed from the Account cash reserves at the end of each month (or on prior to full withdrawal from the Non-Unitised Portfolio).

Value Added is a dollar amount and is defined as Value Added % x your Non-Unitised Portfolio value, where Value Added % = (Non-Unitised Portfolio return % less the Non-Unitised Portfolio Benchmark return %) for that day.

Performance is calculated for the Non-Unitised Portfolio and the Benchmark in exactly the same way to identify the Value Added %.

The Value Added dollar amount is accumulated daily so that at the end of a given month, if the cumulative Value Added is greater than \$0 then a Performance Fee is payable on the Cumulative Value Added \$ x the Manager's performance Fee %, at which time the Cumulative Value Added is set to \$0. If the Cumulative Value Added is less than \$0 then a Performance Fee is not payable and the cumulative underperformance amount carries forward to the next month and must be made up before any outperformance fee can be charged.

Example

If at the end of the previous month the cumulative outperformance was negative or -\$1,000 (i.e. a cumulative underperformance) and this month's outperformance is \$1,500 then the cumulative outperformance is \$500. If the Manager charged a performance fee % of 25% then $25\% \times \$500 = \125 would be the performance fee for that month.

Say at the end of the previous month the cumulative outperformance was positive \$1,000 and a performance fee was charged of $25\% \times \$1,000 = \250 , then the cumulative outperformance is reset to \$0. If this month's outperformance is \$1,500 then the cumulative outperformance is $\$0 + \$1,500$ and another performance fee is due of $25\% \times \$1,500 = \375 .

The performance of the Manager's Non-Unitised Portfolio will usually differ to your actual Non-unitised Portfolio for many reasons including:

- cashflows – the timing of capital contributions into and out of your Non-Unitised Portfolio – the Manager's Non-Unitised Portfolio makes no allowance for capital contributions or withdrawals
- your Non-Unitised Portfolio will not be identical to the Manager's Non-Unitised Portfolio, and (minor) rounding adjustments and minimum trade sizes – the notional amount invested in the Manager's Non-Unitised Portfolio is assumed to start at \$10,000,000 which may be different to your actual Account size.

Important information

This document is intended only for purposes of providing an overview of the key features of the Non-Unitised Portfolio available via the IDPS Service operated by HUB24 Custodial Services Ltd (ABN 94 073 633 664, AFS licence No. 239 122) ("the Operator"). The information contained in this document is not intended to be a definitive statement on the subject matter nor an endorsement that this Non-Unitised Portfolio is appropriate for you and should not be relied upon in making a decision to invest in this Service.

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You must read the IDPS Guide and the Financial Services Guide for this IDPS Service available from your Adviser, in particular, in relation to the risks associated with, and the amounts that may be payable for using, this Service. You must speak to your Adviser and obtain your own independent financial, legal or tax advice before considering whether an investment in this Non-Unitised Portfolio and this Service is suitable for you.

Refer to the IDPS Guide for a general overview of the general risks associated with investing in this Non-Unitised Portfolio via this Service.

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and the Manager may or may not be successful in identifying investment opportunities.

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The Benchmark referred to above is a registered trademark unconnected with the Operator, its related parties or associates or the Manager.

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