

QUARTERLY UPDATE SEPTEMBER 2013



Fund Performance

The following table shows the performance of the PVOF for the period to 30 September 2013.

Return (Class A Units)*	3 mths	6 mths	Since 5 Nov 12
Prime Value Opportunities Fund	11.8%	11.8%	27.5%
Benchmark (8% pa)	2.0%	3.9%	7.2%
Relative Performance To Benchmark	9.8%	7.9%	20.3%
Approximate Return (after Performance Fees)#	10.3%	10.6%	24.5%

* Performance figures have been calculated in accordance with FSC Standard No 6.0, Product Performance – “Calculation of Returns” and FSC Standard No 10 – “Presentation of Past Performance Information”. The returns are calculated after management fees but before performance fees which are charged against individual accounts. The returns exclude the benefits of imputation credits. No allowance has been made for taxation. Performance assumes the reinvestment of income distributions. Past performance is not necessarily an indicator of future performance.

Post-performance fee returns are an APPROXIMATION only, as performance fees are charged half yearly on 30 June and 31 December (or on withdrawal), based on the performance of each investment. Performance fees are only payable where the return of the Fund exceeds the performance of the benchmark and is subject to a high water mark.

September Quarter Commentary

The negative sentiment from the June quarter did not carry over into the September quarter with investors taking a positive view to some of the macro concerns held in the June quarter. We believe structural issues remain, although some simply plastered over by the pool of central bank liquidity. The S&P ASX300 Accumulation Index rose 10.3% over the September quarter.

Three key events that stood out in the September quarter were the Federal election, the Australian corporate reporting season and the role of central banks and their impact on the market.

We were asked in the lead up to the election if a change in government would make a difference to the market. Although most seem to think that a change would be positive, we think it's quite a moot point to consider and did not take any positions on who would win. It may be naïve but we prefer to stick to old style investing: looking for good quality companies run by good management. This way, we know that management will be anticipating and reacting to changes in policies regardless of which political slant takes sway. For this reason the corporate reporting season held more importance to us than the outcome of the Federal election.

A key theme we were considering through the reporting season was the ‘bull market’ for high yielding stocks. Most investors would have no doubt been enamoured by how well bank stocks have performed in the past year or so. Fundamentally, we find such trades much less attractive today, compared to a year ago. The key for us is earnings potential.

The actions of central banks continue to have significant impact on markets. Bonds, currencies and shares experienced the rippling effect of central bank policies, in particular, the liquidity impact.

Last quarter we communicated the impact of a weaker Australian dollar on our portfolio. This quarter, the Australian dollar reversed its downward course. In looking at the markets, it's interesting to see how quickly sectors and

themes can jump in and out of favour. Our outlook is quite different to that of the share market index. We look for specific companies that fit our investment criteria. This very often means we assess our investment ideas on a stock specific basis with a view to minimising our mistakes.

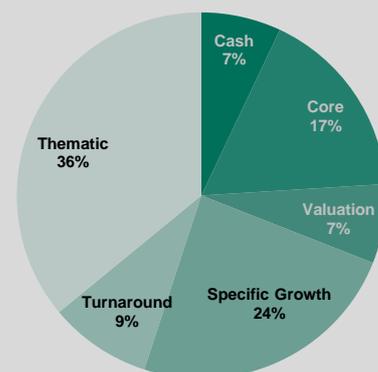
Key contributors to the Fund's performance during the quarter included Bega Cheese, Ingenia Communities and REA Group. Holdings that detracted from performance included Tox Free Solutions and CSL.

Portfolio Strategy

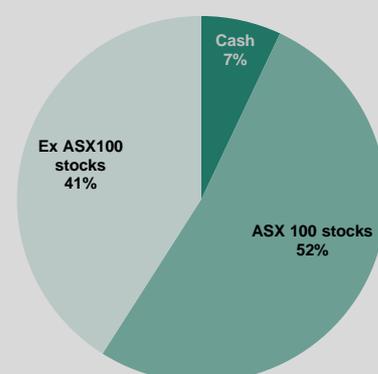
Our activity since inception of the Fund provides a clear picture of our willingness to take a longer term view when many investors preoccupied with short term market risks. Turnover remained quite low during the quarter although we did initiate positions in a number of new holdings. In response to the strong market appreciation in recent months, we have taken smaller position sizes in the portfolio, preferring to wait for an appropriate time to take larger positions. Correspondingly the number of stocks increased while the cash holding declined marginally.

A long standing interest we have is soft commodities. Our approach to investing in soft commodity companies is a little different than most. When we invest in dairy companies for example, we don't see them as proxy commodities investments i.e. exposure to rising soft commodity prices. At Prime Value we know how hard it is to predict the future and are naturally sceptical of any one's ability to make successful macroeconomic predictions. Therefore, our investment thesis will often encompass a strong bottom-up element. In this context we want to own companies that can perform well and execute their business strategies even if product prices remain persistently low. Rising soft commodity prices may help drive near term earnings upgrades but such conditions are not necessarily a requirement for us to make a successful investment. Our investment in Bega Cheese reflects the approach we have just outlined.

Holdings by Categories



Holdings by Market Cap



Top Five Holdings

ANZ	Financials
BHP Billiton	Materials
Ramsay Health Care	Health Care
Suncorp	Financials
Westpac	Financials

The portfolio is generally comprised of 10 – 30 stocks.

Key Fund Details

Investment Background

The Fund was established on 5 November 2012 and had returned 27.5% as at 30 September 2013.

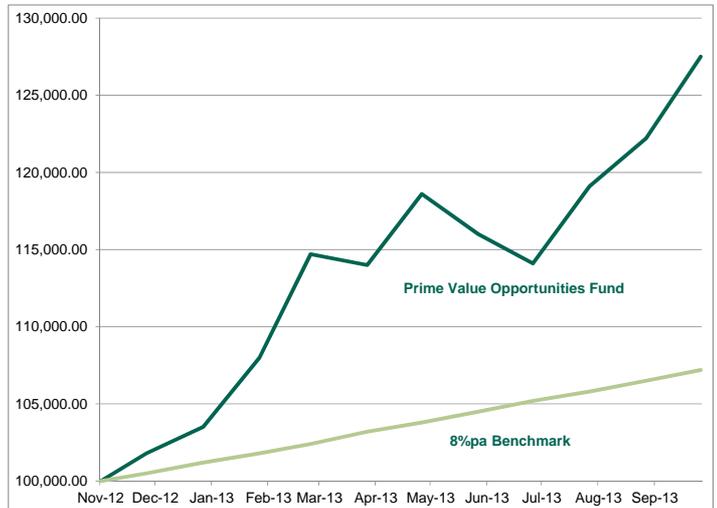
The Opportunities Fund is a highly concentrated portfolio of securities invested across the broad market (i.e. large, mid, small or micro cap stocks). There are no index weightings or sector limit constraints and the Fund can invest in global equities (up to 20%). The Fund may at times invest largely in cash and fixed interest (up to 100%) based on the attractiveness of investment opportunities and market conditions.

Investor Objectives and Investor Profile

The Fund is designed for an investor seeking to achieve superior absolute total returns by providing medium to long term capital growth without the constraints of a share market benchmark. Composition of the Fund will differ from the typical Australian equity fund.

Historical Performance (Class A Units)

Value of \$100,000 Invested Since Inception (5 Nov 2012 – 30 Sep 2013)



This graph shows how a notional \$100,000 invested at the Fund's Inception (5 November 2012) has increased to \$127,500 (net of fees excluding performance fees) as at 30 September 2013. After performance fees, the amount would be approximately \$124,500. This compares with an 8% absolute return, where a \$100,000 investment would have increased to \$107,200 over the same period. The returns exclude the benefits of imputation credits.

Launch Date: 5 November 2012	Direct Investment (Class A)		Indirect Investment via IDPS or IDPS-Like Schemes (Class B)	
APIR Code	PVA0005AU		PVA0006AU	
Indirect Cost Ratio (ICR)	0.95% pa ¹		0.95% pa ^{1,2}	
Performance Fee	15% ¹ of performance (net of management fees) above 8% pa, subject to a high water mark		15% ¹ of performance (net of management fees) above 8% pa, subject to a high water mark	
Benchmark	8% pa		8% pa	
Minimum Initial Investment	\$50,000		N/A	
Minimum Additional Investment	\$5,000		N/A	
Withdrawal Fee	Nil		N/A	
Income Distributions	Half-yearly		Half-yearly	
Research Rating	Lonsec	Investment Grade	Lonsec	Investment Grade
Unit Prices @ 30 Sep 2013	Issue Price:	\$1.2751	Issue Price:	\$1.2477
	Withdrawal Price:	\$1.2655	Withdrawal Price:	\$1.2383

¹ Unless otherwise stated, all fees quoted are inclusive of GST and the relevant RITC.

² Fees for indirect investments do not include the fees charged by the IDPS operator.

Prime Value Asset Management Ltd

Level 9, 34 Queen St,
Melbourne VIC 3000

Tel: +61 3 9098 8088

Fax: +61 3 9098 8099

Website: www.primevalue.com.au

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