

Prime Value Growth Fund

Fund Update – August 2016



- Global markets were broadly flat during the month following a good recovery in July post Brexit.
- The Australian share market ended the month 1.6% lower. The August corporate reporting period introduced a degree of volatility in individual stocks, depending on their report and outlook.
- Harvey Norman, Macquarie Group and Amcor were positive contributors to the portfolio during August.

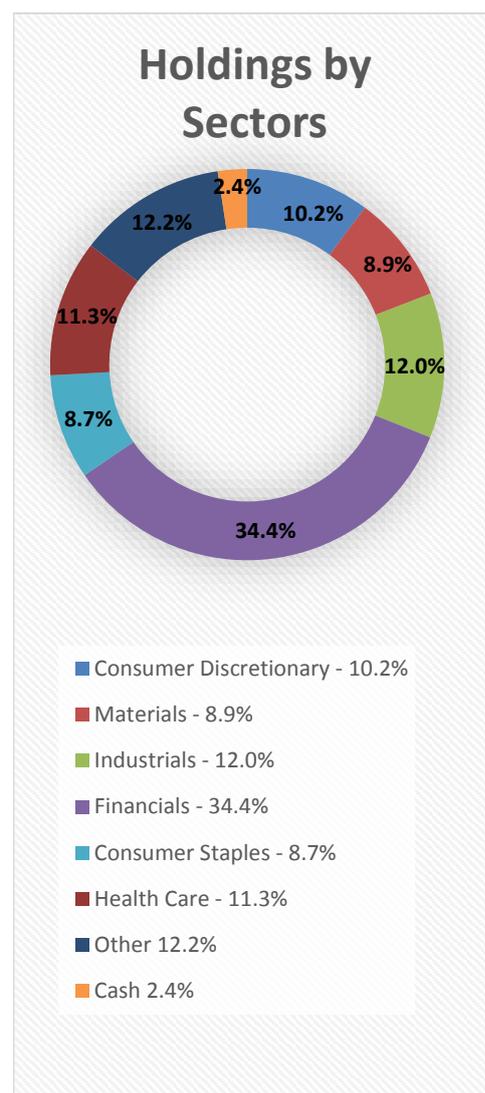
	Total Return*	S&P/ASX 300 Accumulation Index	Relative Performance to Benchmark
Since inception (pa)	12.2%	8.0%	4.2%
10 Years (pa)	5.4%	5.1%	0.3%
5 Years (pa)	6.7%	9.5%	-2.8%
3 Years (pa)	4.3%	6.6%	-2.3%
1 Year (pa)	7.1%	9.7%	-2.6%
3 Months	0.8%	2.2%	-1.4%
1 Month	-2.7%	-1.6%	-1.1%

*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). 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.

Top five holdings	Sector
CBA	Financials
ANZ	Financials
Wesfarmers	Consumer Staples
Telstra	Telecommunications
CSL	Health Care

* The top five holdings make up approximately 28.8 % of the portfolio

Feature	Fund facts
Portfolio Manager	ST Wong
Investment objective	To provide superior medium to long term capital growth, with some income, by managing a portfolio of predominantly Australian equities listed on any recognised Australian Stock Exchange.
Benchmark	S&P / ASX 300 Accumulation Index
Inception Date	10 April 1998
Cash limit	0 - 30%
Distribution	Half-yearly
Recommended investment period	3 + years
Annualised Return	12.2%
Research Rating	Lonsec - Investment Grade Zenith - Approved

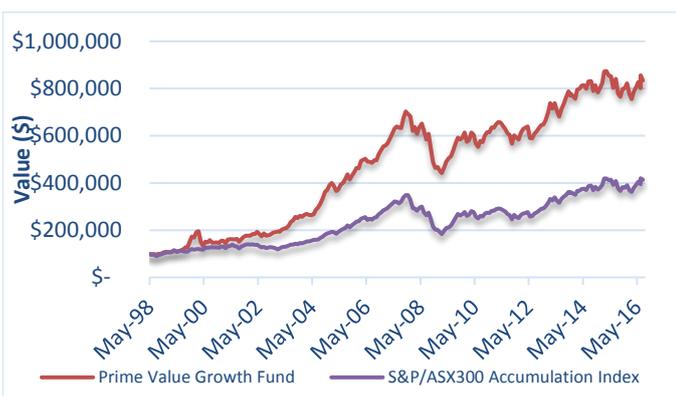


Market review

The Australian market declined 1.6% in August, following a strong July. Global equity markets were broadly flat, with emerging markets outperforming. The reporting season delivered a mix of winners and losers, with increased volatility. Overall outcomes were broadly in-line with modest market expectations, while stocks trading on premium valuations were highly sensitive to outlook statements. Discretionary retail was the best performing sub-sector.

Domestic economic data was strong, with July employment numbers and residential building approvals exceeding expectations. The Australia dollar weakened against most currencies. In contrast, the US dollar strengthened on comments from the Fed Chair, although market expectations for a rate hike have since unwound. The oil price rose \$US4.58 to US\$47.04 a barrel. Gold fell marginally and the price of iron ore closed flat for the month.

Three sectors posted positive returns for the month: IT (+4.6%), energy (+2.4%) and consumer staples (+1.9%). The worst performing sectors were telecommunications (-6.5%), utilities (-5.7%) and industrials (-4.3%). Mid-caps outperformed (-0.1%), while the returns from mega-caps (S&P/ASX top 20), large-caps and small-caps were all broadly in-line with the overall market return.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$833,460 (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 \$413,280 over the same period. The returns exclude the benefits of imputation credits.

	Direct Investment (Class A)	Platform Investment (Class B)
APIR code	PVA0001AU	PVA0011AU
Minimum Investment	\$20,000	N/A
Issue price	\$2.6905	\$2.6777
Withdrawal price	\$2.6701	\$2.6575
Indirect Cost Ratio (ICR)	1.435% pa	1.23% pa
Performance fee	20.5% ¹	20.5% ¹

¹ of performance (net of management fees and administration costs) above the agreed benchmark, subject to positive performance and a high water mark

Fund review & strategy

The Fund returned -2.7% in July, underperforming its benchmark by 1.1% (after fees). In absolute terms, the Fund's major contributors to performance were **Harvey Norman** (+11.2%), **Macquarie Group** (+8.5%) and **Amcor** (+8.5%). Key detractors to fund performance were **APN Outdoor** (-34.9%), **Infigen Energy** (-25.6%) and **IPH Limited** (-17.8%).

Both **Amcor** and **Harvey Norman** reported stand out corporate results. **Amcor** expects growth in the year ahead, even accounting for the weak Venezuelan economy. Market share gains, particularly in North America, will augment benefits from acquisitions. **Harvey Norman's** trading has continued its strong trend from the previous financial year into FY17. We note that **Harvey Norman** intends to return to store expansion after a number of years of reducing capacity. Two stores are to be opened in Australia and five internationally.

APN Outdoor and **Infigen Energy's** share prices had risen substantially in July in the run-up to the reporting season. Both companies share prices retreated in August when their outlooks failed to meet heightened market expectations. There's always an element of short term reaction to corporate results but we aim to look through the volatility to determine the underlying value of our investments. We maintain our holdings in both companies.

Top contributors (absolute)	Sector
Harvey Norman	Consumer Discretionary
Macquarie Group	Financials
Amcor	Materials

Top detractors (absolute)	Sector
Infigen Energy	Utilities
APN Outdoor	Consumer Discretionary
IPH Limited	Industrials

Platforms

Asgard, Ausmaq, Beacon, BT Wrap, First Wrap, Hub24, IOOF, Global One, Macquarie Wrap, Netwealth, Powerwrap Premium Choice, Symetry, Wealthtrac

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