

Prime Value Growth Fund

Fund Update – August 2017



- Materials, energy and selected industrial companies led the Australian share market performance in August
- Company reporting season was typically volatile, with short term considerations the main driver of share price performance
- The Fund rose 0.6% in August. Holdings in BHP, Sydney Airport and Amcor offset declines in Suncorp, Telstra and CBA

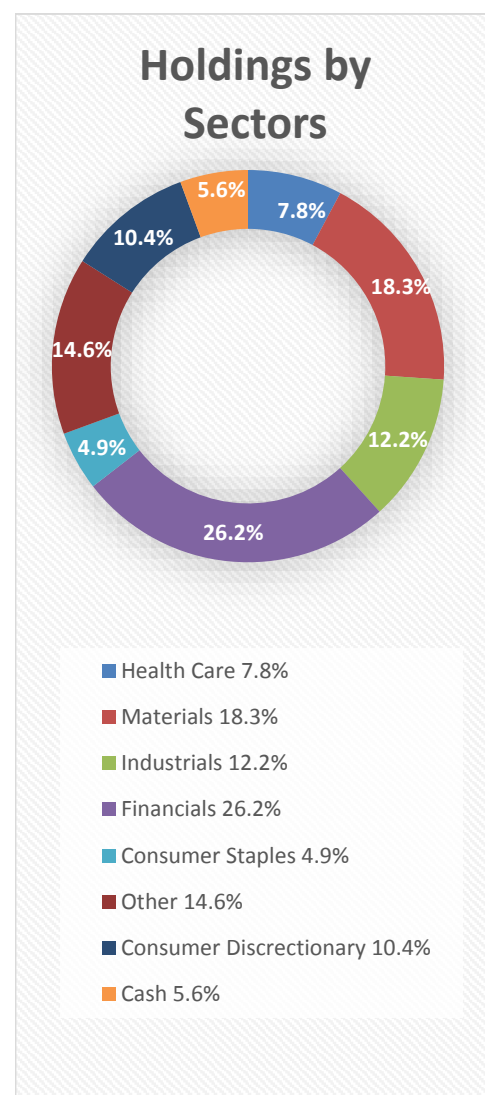
	Total Return*	S&P/ASX 300 Accumulation Index	Value Add
Since inception (p.a.)	11.7%	8.1%	2.9%
10 Years (p.a.)	3.0%	3.5%	(0.5%)
5 Years (p.a.)	6.6%	10.4%	(4.2%)
3 Years (p.a.)	0.8%	5.2%	(4.6%)
1 Year	2.3%	9.5%	(7.2%)
3 Months	1.3%	1.0%	0.3%
1 Month	0.6%	0.8%	(0.2%)

*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). 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
BHP Limited	Materials
Commonwealth Bank	Financials
ANZ	Financials
Westpac	Financials
CSL Limited	Healthcare

* The top five holdings make up approximately 30.5% of the portfolio

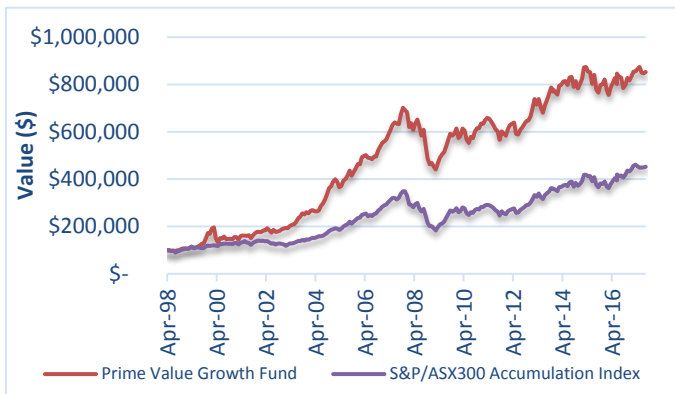
Feature	Fund facts
Portfolio Manager	ST Wong
Investment objective	To provide superior medium to long term capital growth, with some income, by managing a portfolio of predominantly Australian equities listed on any recognised Australian Stock Exchange.
Benchmark	S&P / ASX 300 Accumulation Index
Inception Date	10 April 1998
Cash limit	0 - 30%
Distribution	Half-yearly
Recommended investment period	3 + years
Annualised Return	11.7%
Research Rating	Lonsec - Investment Grade



Market review

The S&P/ASX 300 Accumulation Index rose 0.8% in August, outperforming global equities in local currency terms (+0.2%). Emerging markets (+2.1%) outperformed, reflecting the strong performance of commodity prices. Geopolitical tensions rose in August, with movements in global bond yields and a rising gold price reflecting a more 'risk-off' market environment. At least to date, political rhetoric and potential trade consequences have been a greater focus than the actual threat of a military strike on the Korean peninsula. Domestic investor attention was centred on the August company reporting season, with the usual mix of winners and losers. The overall outcome was generally considered to be lacklustre, with FY18 guidance a key area of market disappointment. Naturally, we were more focused on stock specific issues.

Relative sector performance reflected a combination of stock, sector and macro drivers during August. The better performing sectors were Consumer Staples (+5.2%), Industrials (+4.6%) and the Resource sectors (Energy +5.2% and Materials +4.5%). The key underperformers were Telcos (-7.2%), primarily driven by Telstra and Vocus, as well as the banks, which declined 2.5% (primarily driven by CBA). Small caps significantly outperformed (+2.7%) mid-caps (+0.8%) and large-caps (+0.5%) over the month. The major laggard was mega-caps, which declined 0.8%.



This graph shows how \$100,000 invested at the Fund's inception has increased to \$852,470 (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 \$452,700 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	\$ 2.4433	\$ 2.4437
Withdrawal price	\$ 2.4249	\$ 2.4251
Distribution (30/06/2017)	\$ 0.2939	\$ 0.2946
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

Fund review & strategy

The Fund rose 0.6% in August (after fees). In absolute terms, the major contributors to performance were **BHP**, **Sydney Airport** and **Amcors**. The three major detractors were **CBA**, **Suncorp** and **Telstra**. With the exception of CBA, the major contributors and detractors during the month were largely influenced by their specific result announcements - we note that August is a typically volatile month as company results drive share price movements.

Both **BHP** and **Rio Tinto** have performed well this year. Their FY17 results reveal a very telling story. Both companies posted dramatically higher profits despite a mixed commodity market. The critical strength for both BHP and Rio had been their cash flows. Surging cash flows, as a result of excellent cost and capital expenditure management, saw BHP and Rio's dividends more than double in FY17. Debt levels declined further as cash shored up both companies' balance sheets. We expect these trends to continue into the next financial year.

Suncorp was sold off despite delivering reasonable results as the company revealed plans for higher investment into its business. We view investments back into businesses as a positive development, if the objective is to defend and then grow a company's position. We are currently reviewing our position, taking into consideration that the valuation for Suncorp has fallen to attractive levels.

Top contributors (absolute)	Sector
Sydney Airport	Industrials
BHP Ltd	Materials
Amcor	Materials
Top detractors (absolute)	Sector
Telstra	Telecommunications
Commonwealth Bank	Financials
Suncorp	Financials
Platforms	
Asgard, Ausmaq, Beacon, BT Wrap, First Wrap, Hub24, IOOF, Global One, Macquarie Wrap, Netwealth, Powerwrap, Symetry, Wealthtrac	

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