

Prime Value Growth Fund

Fund Update – December 2016



- Equity markets globally continued to draw on the optimism generated by the US election and traded up strongly
- We are cautious on the increased optimism as broad market valuations are relatively high and unlikely to move higher. Our focus remain on individual stock opportunities
- The Fund returned 3.9% in December. Positive contributors to performance were Bapcor and the major financials. Mid-cap companies Bega Cheese and Hansen Technologies were key detractors

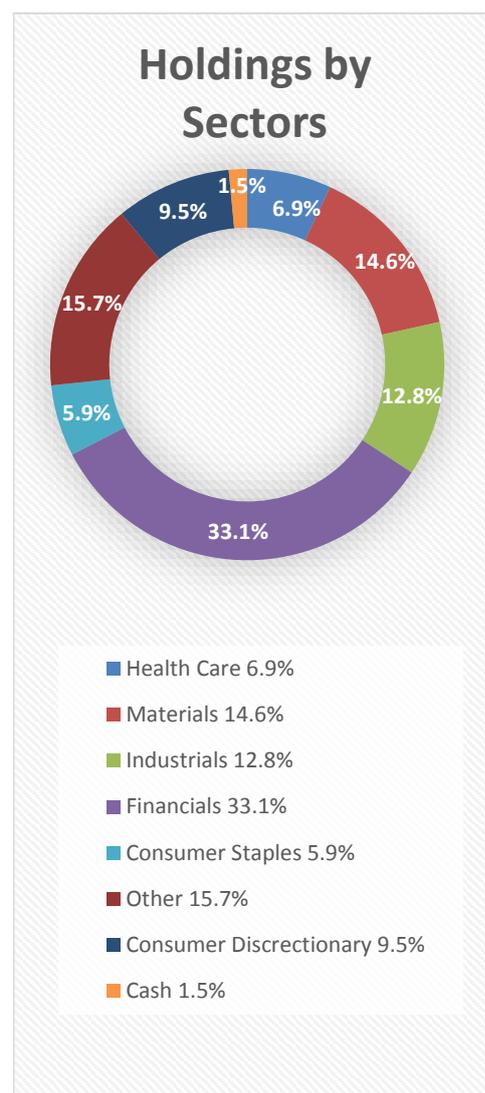
	Total Return*	S&P/ASX 300 Accumulation Index	Relative Performance to Benchmark
Since inception (pa)	11.9%	8.2%	3.7%
10 Years (pa)	4.1%	4.4%	-0.3%
5 Years (pa)	7.3%	11.6%	-4.3%
3 Years (pa)	2.1%	6.6%	-4.5%
1 Year (pa)	0.8%	11.8%	-11.0%
3 Months	-0.2%	4.9%	-5.1%
1 Month	3.9%	4.3%	-0.4%

*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
Commonwealth Bank	Financials
ANZ	Financials
BHP Billiton Limited	Materials
Telstra	Telecommunications
Westpac	Financials

* The top five holdings make up approximately 31.6% of the portfolio

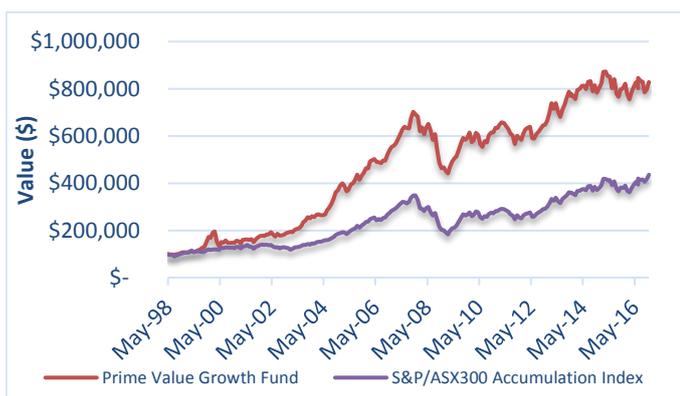
Feature	Fund facts
Portfolio Manager	ST Wong
Investment objective	To provide superior medium to long term capital growth, with some income, by managing a portfolio of predominantly Australian equities listed on any recognised Australian Stock Exchange.
Benchmark	S&P / ASX 300 Accumulation Index
Inception Date	10 April 1998
Cash limit	0 - 30%
Distribution	Half-yearly
Recommended investment period	3 + years
Annualised Return	11.9%
Research Rating	Lonsec - Investment Grade Zenith - Approved



Market review

Global equity markets traded higher in December, building on the positive sentiment emerging from the US election, economic data that sign-posted better-than-expected growth and rising expectation that governments may spend their way to growth. Oil prices also reacted to a significant OPEC agreement to cut oil production, joined later by a Russian commitment. Traders did not stop to assess the likelihood of successful enforcement of oil production cuts, which has proven to be extremely difficult in the past. WTI oil traded 8.7% higher in December.

The ASX300 Accumulation Index returned 4.3% for the month. Financials were a key contributor to the index rise, as concerns of banks capital requirements and bad debts eased. The sector also benefitted from the slip-stream of global financials which traded higher due to higher bond yields benefitting their books. Utilities, which had lagged the market in prior months, due to their sensitivities to rising bond yields, were another stand out sector in December. Not surprisingly, the Energy sector also performed well due to the surge in the oil price whilst the material sector continued to be robust. Selected small caps started to post a recovery after the sector endured a significant sell-off in the preceding months. However, the recovery was not broad-based indicating cautiousness for high PE stocks and those dependent on acquisitions to grow.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$828,020 (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 \$435,900 over the same period. The returns exclude the benefits of imputation credits.

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Fund review & strategy

The Fund returned 3.9% in December compared to the ASX300 Accumulation Index's 4.3%. In absolute terms, the Fund's major contributors to performance for the month were **Bapcor**, **ANZ** and **CBA**. The three major detractors were **Bega Cheese**, **Sydney Airport** and **Hansen Technologies**.

Bapcor's share price had been under some short-term pressure since the company announced a takeover of New Zealand based Hellaby, a 120 branch wholesale and a trade automotive business in September 2016. **Bapcor** raised its offer from NZ\$3.30 to \$NZ3.60 in December 2016 thereby increasing the probability of the offer being accepted. We are awaiting further developments but expect a resolution of the Hellaby takeover to be a positive.

We have increased our holdings in commercial banks over the past few months to approximately 25%. Valuations had become more attractive as concerns of higher capital requirements (and of capital raisings) ease. However, we view banks as cyclical companies, subject to the economic and bad debt cycles. At this part of the cycle it will be difficult for banks to continue with strong loan growth although net interest margins will fare better if interest rates rise. We have always been cautious on holding a large proportion of banks in the portfolio over an extended period of time. This is a view we continue to hold and will monitor closely.

Top contributors (absolute)	Sector
Bapcor	Consumer Discretionary
ANZ	Financials
CBA	Financials

Top detractors (absolute)	Sector
Bega Cheese	Consumer Staples
Sydney Airport	Industrials
Hansen Technologies	IT

Platforms

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

	Direct Investment (Class A)	Platform Investment (Class B)
APIR code	PVA0001AU	PVA0011AU
Minimum Investment	\$20,000	N/A
Issue price	\$ 2.6729	\$ 2.6622
Withdrawal price	\$ 2.6527	\$ 2.6420
Distribution (31/12/16)	\$ 0.0750	\$ 0.0770
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

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