

# Prime Value Growth Fund

## Fund Update – December 2017



- Share markets ended 2017 on an optimistic note, supported by continuing economic growth in major economies and low interest rates
- The positive global backdrop should continue in 2018. However, we expect a more volatile period that would lead to stock picking opportunities
- The Fund posted a return of 0.4% in December, with resources companies BHP, Rio Tinto and Oil Search key contributors to performance

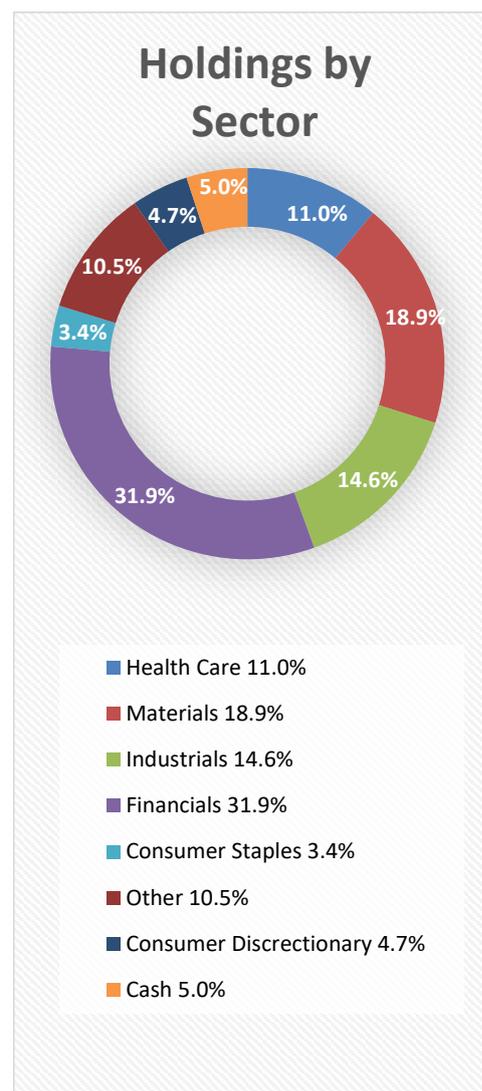
	Total Return*	S&P/ASX 300 Accumulation Index	Value Add
Since Inception (p.a.)	<b>11.8%</b>	8.4%	3.4%
10 Years (p.a.)	<b>2.8%</b>	4.0%	(1.2%)
5 Years (p.a.)	<b>6.2%</b>	10.1%	(4.0%)
3 Years (p.a.)	<b>3.9%</b>	8.8%	(4.8%)
1 Year	<b>8.6%</b>	12.0%	(3.4%)
3 Months	<b>6.1%</b>	7.7%	(1.6%)
1 Month	<b>0.4%</b>	1.9%	(1.5%)

\*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) standards. The returns are calculated before performance fees which are charged against individual accounts. The returns exclude the benefits of imputation credits. Past

Top five holdings	Sector
BHP Limited	Materials
Westpac Bank	Financials
Commonwealth Bank	Financials
CSL Limited	Healthcare
ANZ Bank	Financials

The top five holdings make up approximately 33.7% 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
Research Rating	Lonsec - Investment Grade Zenith Approved

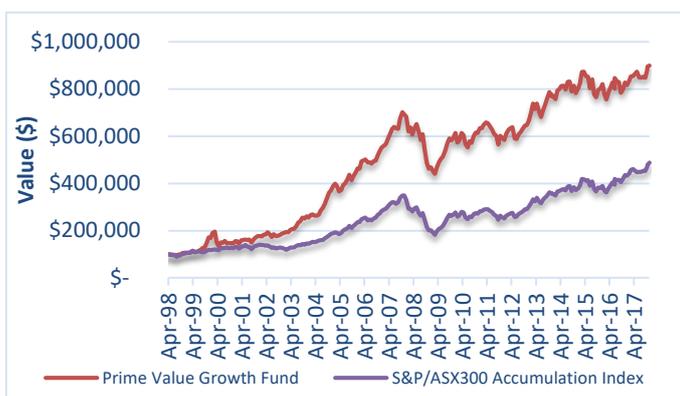


performance is not necessarily an indicator of future performance.

## Market review

The Australian share market finished the year strongly, up 1.9% in December for a calendar year return of 11.9%. 2017 was the second consecutive year of double-digit returns for our market (including dividends). Strong gains were produced across a range of sectors, although in broader terms resources significantly outperformed industrials. US equities continued to rally in December, supported by approval of the Tax Bill, which provided a positive lead for global equities. Commodity price momentum was maintained, driven by positive global economic data (including China). The Australian dollar rose 3.2% to AUD 0.7890. Oil prices continued to strengthen (+5.3%), with WTI crude oil trading above US\$60 for the first time since June 2015.

The resource-related sectors continued to outperform in December. The energy sector rose 6.5%, while materials closed 6.1% higher. These two sectors are now up +26.6% and +20.6% respectively financial-year-to-date. The telco sector recovered some of its underperformance (+5.5%), while utilities (-4.5%), industrials (-0.9%) and health care (-0.5%) underperformed. Small caps also continued to outperform (also led by resources), returning +3.2% versus +2.7% for mid-caps and +1.5% for large-caps.



This graph shows how \$100,000 invested at the Fund's inception has increased to \$899,100 (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 \$487,930 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	\$ 2.5085	\$ 2.4989
Withdrawal price	\$ 2.4895	\$ 2.4799
Distribution (31/12/2017)	\$ 0.1000	\$ 0.1014
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 less 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

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## Fund review & strategy

The Fund posted a return of 0.4% in December (after fees). In absolute terms, the major contributors to performance were resource exposures: **BHP**, **Oil Search** and **Rio Tinto**. The major detractors were **Monadelphous**, **Sydney Airport** and **Bega Cheese**.

A defining feature of 2017 was the improvement of the resources sector where improving cash flows and cost containment led to deleveraging balance sheets. These improvements, and after several years of restraining investments, have led to a positive step change in resources companies' investments into both production and infrastructure. We commenced investing into this development over 12 months ago through our investments in Downer and Monadelphous and anticipate there's more to this cycle in 2018. In many ways 2017 could be considered as an anomaly – interest rates stayed low, major economies grew in sync while markets have remarkably resilient to the plethora of uncertainty that had emerged through the year. We expect the positive global backdrop to continue in 2018, but also expect a more volatile period compared to last year. Against this backdrop, we expect to work to and benefit from our strengths: Focus on company fundamentals to drive fund performance through stock specific selections. We expect strong opportunities to emerge on a stock specific level but will also take advantage of market weaknesses to invest opportunistically as they arise.

Top Contributors (Absolute)	Sector
BHP Limited	Materials
Oil Search	Energy
Rio Tinto	Materials

Top Detractors (Absolute)	Sector
Monadelphous	Industrials
Sydney Airport	Industrials
Bega Cheese	Consumer Staples

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

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