

# Prime Value Growth Fund

## Fund Update – July 2017



- The Australian share market was flat for the month, with the strong Australian Dollar a large influence on share prices
- Resource companies performed well in July, as commodity prices rallied. The sector was also used as a proxy for weakness in the US Dollar
- The Fund was flat for the month in line with the Australian Sharemarket

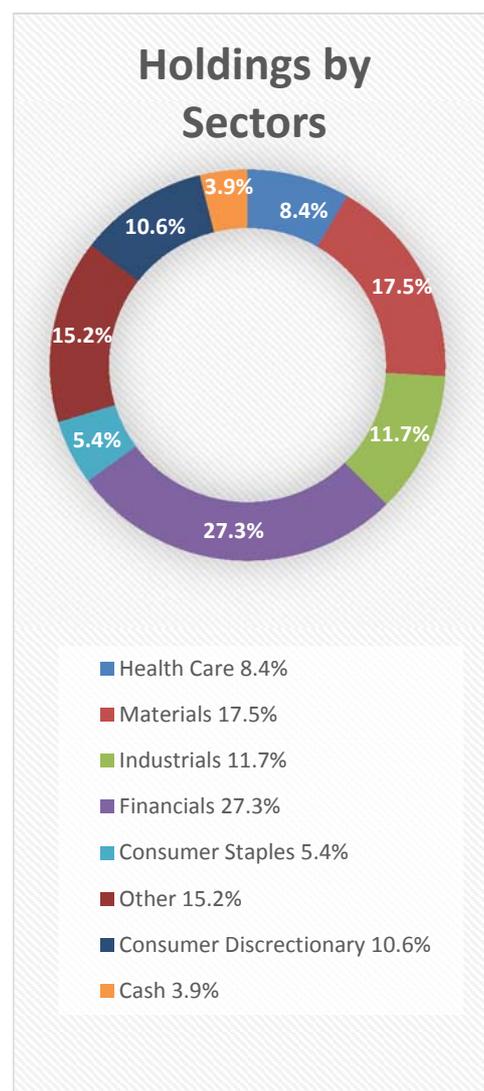
	Total Return*	S&P/ASX 300 Accumulation Index	Value Add
Since inception (p.a.)	11.7%	8.1%	2.9%
10 Years (p.a.)	3.0%	3.7%	(0.7%)
5 Years (p.a.)	6.9%	10.7%	(3.8%)
3 Years (p.a.)	0.7%	5.1%	(4.4%)
1 Year	(1.0%)	7.0%	(8.0%)
3 Months	(0.9%)	(2.5%)	1.6%
1 Month	(0.3%)	0.0%	(0.3%)

\*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
BHP Limited	Materials
ANZ	Financials
Westpac	Financials
CSL Limited	Healthcare

\* The top five holdings make up approximately 31.5% of the portfolio

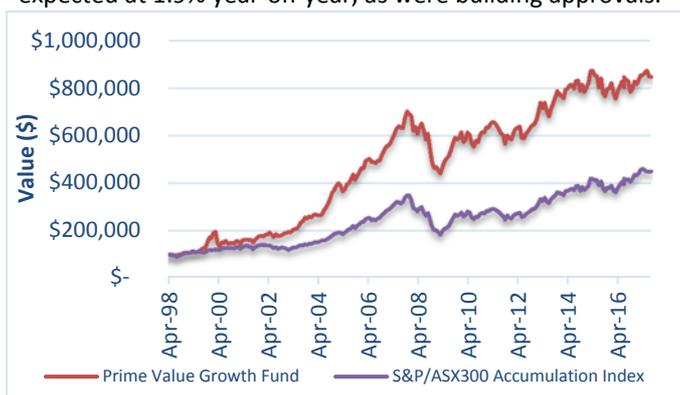
Feature	Fund facts
Portfolio Manager	ST Wong
Investment objective	To provide superior medium to long term capital growth, with some income, by managing a portfolio of predominantly Australian equities listed on any recognised Australian Stock Exchange.
Benchmark	S&P / ASX 300 Accumulation Index
Inception 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 Australian share market was flat in July, despite strong performance from both the mining and banking sectors. By contrast, global equities performed strongly off the back of 'dovish' commentary from the US Fed. The sharp rise in the Australian dollar (+3.1 cents to US\$0.7980) drove the underperformance of our market in local currency terms. This AUD strength (a product of US dollar weakness, strong commodity prices & strengthening Chinese economic data) impacted the performance of industrial stocks with large offshore earnings, most notably within the Health Care sector (-7.5%). Reference to neutral cash rates (at circa 3.5%) within the RBA's July minutes also excited the Australian dollar bulls. Mega caps significantly outperformed mid-caps (-1.6%), while small-caps (+0.3%) and large-caps (+0.2%) also underperformed.

The release of APRA's much anticipated capital requirements drove the strong performance of the banking sector (+2.3%). The requirement for at least 10.5% of common equity tier 1 capital was considered less onerous than initially feared and removed a major source of uncertainty. Australian economic data was generally strong (retail sales, employment, business conditions survey). However, headline CPI was weaker than expected at 1.9% year-on-year, as were building approvals.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$847,650 (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 \$449,340 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	\$ 2.3650	\$ 2.3539
Withdrawal price	\$ 2.3470	\$ 2.3361
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 underperformed its benchmark in July (after fees) slightly. In absolute terms, the Fund's major contributors to performance were **BHP**, **Westpac** and **Monadelphous**. The three major detractors were **CSL**, **Amcor** and **Sydney Airport**. The strength of the Australian Dollar was unexpected. For context: a common view at the start of 2017 was for the Australian Dollar to be closer to 0.6500 to the USD rather than the 0.7980 where it is now.

We are fundamental bottom up investors and sector and size agnostic when it comes to where our investment ideas originate. We do not explicitly forecast currencies, and therefore do not use currency predictions as a primary tool to make investment decisions. We are sceptical of people's ability to make successful macroeconomic predictions and therefore, our investment thesis will encompass a strong bottom-up element. In this context we like to own companies that can perform well and execute their business strategies in spite of difficult conditions.

We do hold long term convictions beliefs on some segments of the economy. As a result, we have high a concentration position in companies that should collectively outperform over the long term. One area of greatest concentration for the Fund is in demographic change. **CSL** forms part of this exposure. We believe **CSL** is well positioned for this secular theme. Occasionally, short term factors, such as the currency movements experienced in July, can influence share prices but not our investment case.

Top contributors (absolute)	Sector
BHP Ltd	Materials
Westpac	Financials
Monadelphous	Industrials
Top detractors (absolute)	Sector
CSL	Health Care
Amcor	Materials
Sydney Airport	Industrials

## Platforms

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

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