Prime Value Growth Fund
Fund Update – May 2017

- Banks, which account for approximately a third of the ASX300 Index were the key reason for the weak Australian share market in May as the banking sector declined 9.8% for the month
- The economy continues its transition from the resource sector, with rising emphasis on infrastructure development to provide for the rising urban population
- The Australian sharemarket fell 2.7% for the month with the Fund outperforming the benchmark by 1.1% as industrial and mid cap companies contributed to positive performance.

	Total Return*	S&P/ASX 300 Accumulation Index	Value Add
Since inception (p.a.)	11.8%	8.1%	3.7%
10 Years (p.a.)	2.9%	3.4%	(0.5%)
5 Years (p.a.)	7.3%	11.7%	(4.4%)
3 Years (p.a.)	1.1%	6.0%	(4.9%)
1 Year	1.8%	10.8%	(9.0%)
3 Months	0.9%	1.4%	(0.5%)
1 Month	(1.6%)	(2.7%)	1.1%

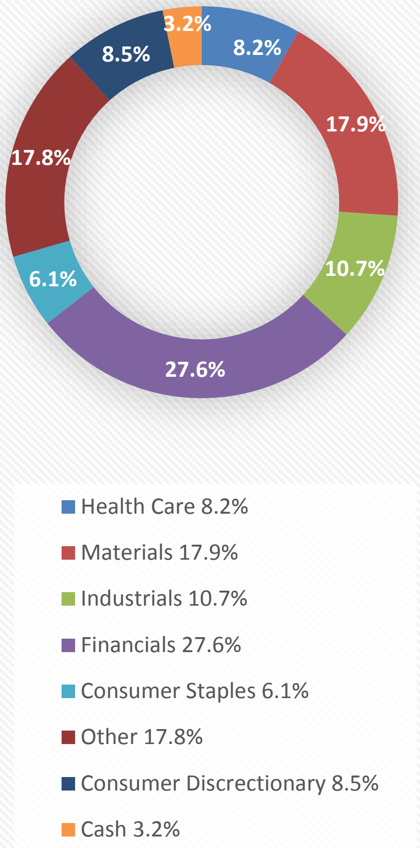
*Fund returns are calculated net of management fees, assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC). The returns are calculated before performance fees which are charged against individual accounts. The returns exclude the benefits of imputation credits. Past performance is not necessarily an indicator of future performance.

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

* The top five holdings make up approximately 29.3% 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	11.8%
Research Rating	Lonsec - Investment Grade Zenith - Approved

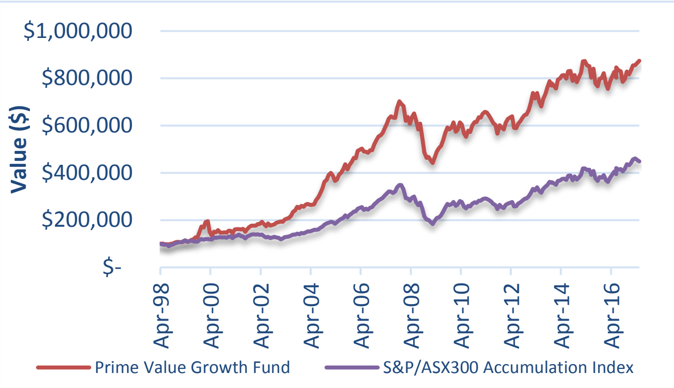
Holdings by Sectors



Market review

The Australian share market declined 2.7% in May, weighed down by a large sell-off in banks (-9.8%). By contrast, global equity markets continued to rally despite significant volatility from US political events. Global equities rose on strong US and European reporting seasons and robust economic indicators. A notable development in May was Moody's downgrade of China's sovereign debt rating. Domestically, employment data and business confidence remained solid but retail sales and residential building approvals disappointed. The Australian dollar was steady at US$0.744, despite another significant leg down in the iron ore price (-14%). Brent oil price fell US$1.42 to US$50.31/barrel.

The big sell-off in domestic bank stocks was headlined by the Government's budget levy announcement. This only exacerbated what was a relatively lacklustre bank reporting season and rising housing market concerns. The discretionary retail sub-sector also came under significant pressure during the month (-8.9%), reflecting a number of high profile bankruptcy announcements and the ongoing overhang of Amazon's pending arrival. The best performing sector was once again industrials (+4.7), while the telco sector recovered some of last month's declines. Mid-caps (+0.8%) significantly outperformed, with small-caps (-2.1%), large-caps (-3.3%) and mega-caps (-4.8%) posting negative returns.



This graph shows how $100,000 invested at the Fund's Inception has increased to $874,171 (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 $448,280 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	$ 2.6406	$ 2.6300
Withdrawal price	$ 2.6206	$ 2.6100
Distribution (31/12/2016)	$ 0.0750	$ 0.0770
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 outperformed its benchmark in May (after fees) by 1.1%. In absolute terms, the Fund's major contributors to performance for the month were **Sydney Airport**, **Boral** and **Caltex**. The three major detractors came from the banks: **ANZ**, **CBA** and **Westpac**. The Fund's bank holdings has been declining and accounted for approximately 21% of the portfolio's holdings at the end of May. As bank valuations rose relative to their earnings potential, we have been reducing our holdings.

Discussions around kitchen tables have firmly centred around the debate on whether the housing market has peaked. Our attention and research on housing is focussed on the broader implications across the economy. For example, what are the implications for the retirement or aged care sector? A long standing assumption in this sector is that retirees will use their home equity to fund the acquisition of lower priced, built for purpose accommodation. It also leaves a healthy balance to fund retirement. This assumption may not hold should house prices come under pressure as demand for retirement units may also decline. Under such a scenario, valuations for aged care stocks would look well over priced.

We continue to look for opportunities in stocks that have been sold off due to short term issues but have sound long term prospects. **Caltex** and **Boral** are examples of such opportunities.

Top contributors (absolute)	Sector
Sydney Airports	Industrials
Boral	Materials
Caltex	Energy

Top detractors (absolute)	Sector
ANZ	Financials
Commonwealth Bank	Financials
Westpac	Financials

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

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