

Prime Value Growth Fund

Fund Update - October 2015



- Global equity markets performed strongly buoyed by expectations the US Fed may stay its hand on interest rates
- The ACCC raised a red flag on the proposed takeover of Asciano by Brookfield. However, Qube entered the bidding competition and introduced a competing offer for the same assets
- Best performing stocks in the portfolio were Bega Cheese (+22.6%), Qube (+15.7%) and Macquarie (+11.8%)

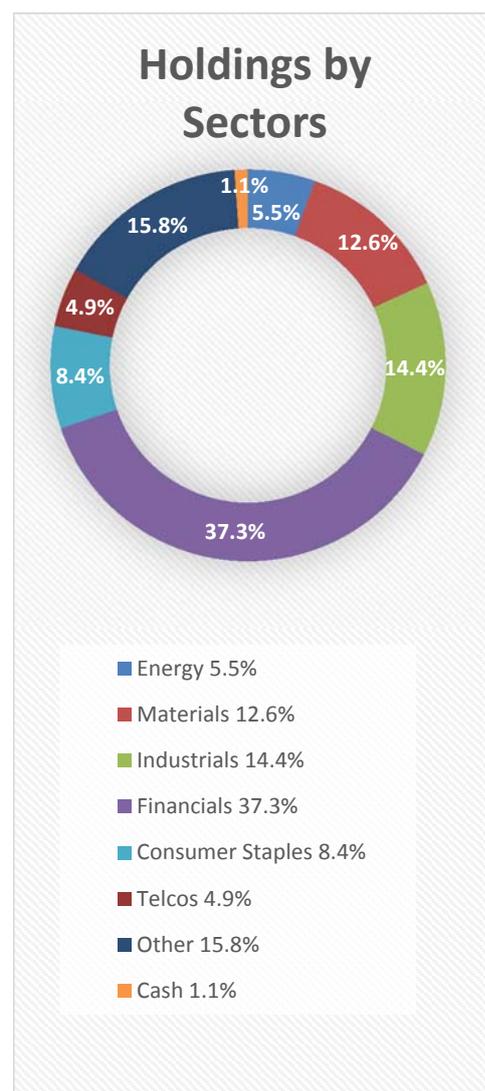
	Total Return*	S&P/ASX 300 Accumulation Index	Relative Performance to Benchmark
Since inception (pa)	12.5%	7.9%	4.6%
10 Years (pa)	6.8%	6.1%	0.7%
5 Years (pa)	5.3%	6.8%	-1.5%
3 Years (pa)	7.3%	9.6%	-2.3%
1 Years (pa)	-2.1%	-0.5%	-1.6%
3 Months	-5.2%	-6.4%	1.2%
1 Month	4.1%	4.4%	-0.3%

*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 Australia	Financials
National Australia Bank	Financials
BHP Billiton	Materials
Wesfarmers	Consumer Staples
Telstra	Telecommunications

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

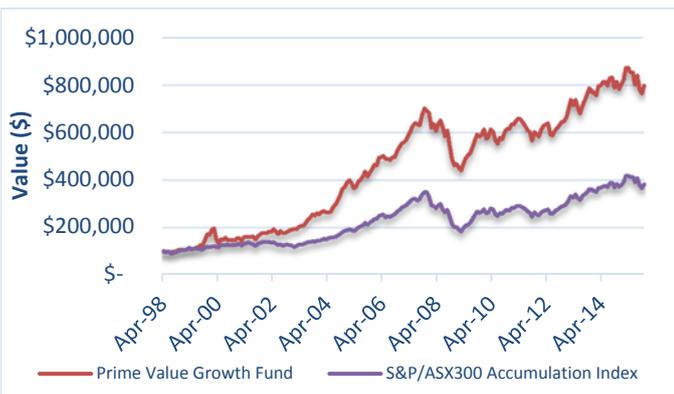
Feature	Fund facts
Portfolio Manager	ST Wong
Investment objective	To provide superior medium to long term capital growth, with some income, by managing a portfolio of predominantly Australian equities listed on any recognised Australian Stock Exchange.
Benchmark	S&P / ASX 300 Accumulation Index
Inception Date	10 April 1998
Cash limit	0 - 30%
Distribution	Half-yearly
Recommended investment period	3 + years
Annualised Return	12.5%
Research Rating	Lonsec - Investment Grade Zenith - Approved



Market review

October was a strong month for equity markets with generally weaker economic data spurring hopes of further monetary stimulus. The Australian share market returned 4.4%, underperforming global equities, which posted its biggest monthly return for 4 years (+8%) – defying the so-called ‘October effect’. Against the weakening global economic backdrop, the Fed again held-off raising rates; the People’s Bank of China cut rates; and the ECB and Bank of Japan both flagged the possibility of further stimulus.

Most sectors posted positive returns, apart from the more defensive consumer staples (flat) and telco sectors (-2.9%). Energy was the best performing sector; however, the materials sector underperformed its global sector return, dragged down by a weaker iron ore price (-9.0%). Small caps (7.1%) and mid-caps (7.3%) continued their trend of outperformance over large caps (3.8%) and mega caps (3.2%). The Australian dollar closed higher (up 1.1 cents to USD0.7130) despite easing back late in the month, reflecting weaker domestic inflation data and higher mortgage rates by the major banks (up 0.15 - 0.20%).



This graph shows how \$100,000 invested at the Fund’s Inception has increased to \$797,200 (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 \$382,200 over the same period. The returns exclude the benefits of imputation credits.

Fund review & strategy

The Fund posted a return of 4.1% for the month, underperforming the benchmark marginally after fees. In absolute terms, the Fund’s major contributors to performance were Bega Cheese (+22.6%), Qube (+15.7%) and Macquarie (+11.8%), while Capitol Health (-31.6%), Telstra (-3.7%) and Asciano (-2.4%) were the three major detractors.

Bega Cheese announced a strategic relationship with Bellamy’s to manufacture high quality infant formula. Fonterra sold its entire 9% holding in Bega which further opened up Bega’s shareholder base.

Qube announced it had acquired an aggregate interest of 19.99% in Asciano (with the support of two co-investors), reflecting its interest in acquiring Asciano's Patrick businesses (as an alternative transaction to the current scheme of arrangement for Brookfield to acquire all of Asciano). As a shareholder of both Asciano and Qube, we see merit in both Brookfield’s and Qube’s propositions. We will assess which proposal will yield the best return, including the option of exiting our position in Asciano in the near future and owning Brookfield and Qube for the longer term.

Top contributors (absolute)	Sector
Bega Cheese	Consumer Staples
Qube	Industrials
Macquarie	Financials

Top detractors (absolute)	Sector
Capitol Health	Health care
Telstra	Telecommunications
Asciano	Industrials

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	\$2.8340	\$2.8210
Withdrawal price	\$2.8126	\$2.7996
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

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