Prime Value Growth Fund
Fund Update – October 2016

- Investors were extremely short term focussed as attention turned to rising bond yields and the US election.
- The materials sector performed well, offsetting weakness in interest rate sectors. Small caps stocks performance was affected by profit taking and news emerging from AGM updates
- The fund underperformed its index in October while holdings in large cap companies including banks and South32 helped offset some detractors in mid-cap companies

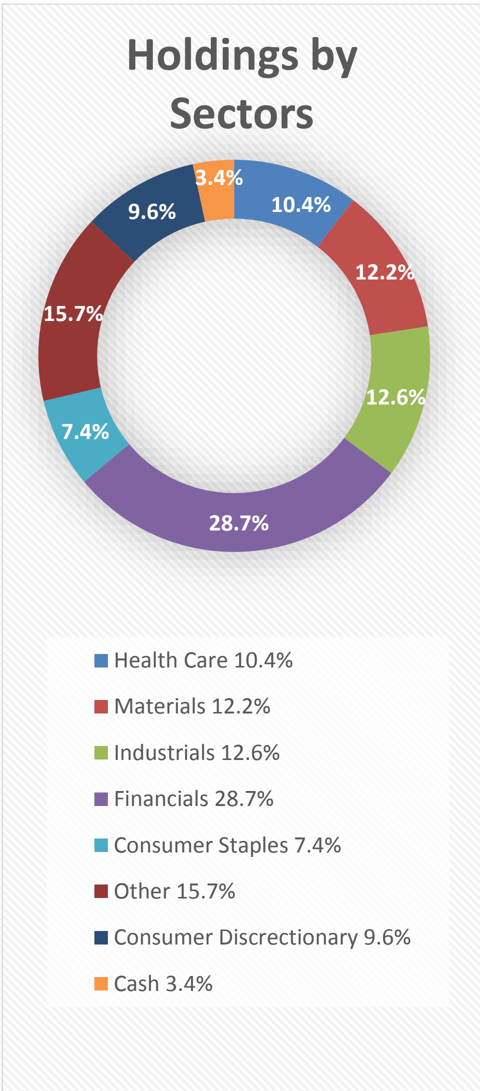
	Total Return*	S&P/ASX 300 Accumulation Index	Relative Performance to Benchmark
Since inception (pa)	11.7%	7.8%	3.9%
10 Years (pa)	4.2%	4.3%	-0.1%
5 Years (pa)	5.5%	9.0%	-3.5%
3 Years (pa)	-0.1%	3.9%	-4.0%
1 Year (pa)	-1.5%	6.3%	-7.8%
3 Months	-8.3%	-3.2%	-5.1%
1 Month	-5.3%	-2.2%	-3.2%

*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
CBA	Financials
Wesfarmers	Consumer Staples
CSL	Health Care
Telstra	Telecommunications
ANZ	Financials

* The top five holdings make up approximately 28.8 % 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 Zenith - Approved



Market review

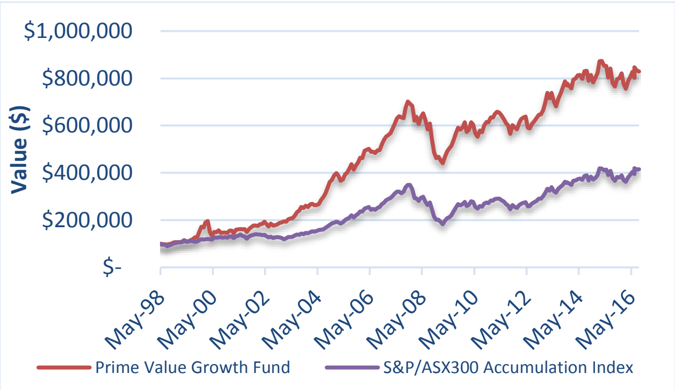
Global equity markets were generally lower in October, weighed down by rising bond yields, ongoing rotation out of defensive sectors, including 'bond proxies' and significant profit taking of better performing stocks. The Australian share market as measured by the ASX 300 Accum. Index declined 2.2% despite positive returns from the mining and banking sectors. Health Care and REITS were the worst performing sectors.

We know that macro events have a long tail of possible outcomes and are unpredictable. 'Brexit' is a good example of the futility of predicting such outcomes. Investors are currently focussed on two events: the US election and rising bond yields which could signal diminishing quantitative easing. We cannot call the election results. Nor do we make macro predictions such as the short term direction of interest rates. Macro forecasting has never been the starting point of our investment philosophy. However, it doesn't mean we won't take advantage of opportunities presented by macro-related market movements. Our focus continues to be on company fundamentals – these are areas which we have better control of and are able to draw upon our insights and experience.

Fund review & strategy

The Fund underperformed its benchmark in October (after fees). In absolute terms, the Fund's major contributors to performance for the month were **South32** (+6.6%), **Westpac** (+3.3%) and **CBA** (+1.4%). The three major detractors were **Healthscope** (-28%), **Bega Cheese** (-25.8%) and **Bapcor** (-15.4%).

We were disappointed with **Healthscope's** profit downgrade announcement in October, which was due to slower than expected revenue growth in 1Q17. It is still early in the financial year and it may well turn out the **Healthscope** is being conservative. Aging is one of life's certainties and this global trend means that demand for healthcare services are always on the rise. We take the view that **Healthscope** is a primary care provider that is an efficient operator in a structurally positive industry. We do however acknowledge that the higher variability in demand has increased, partly due to affordability and insurance coverage. We are holding our investment for now but our focus on **Healthscope** will be on management's ability to resolve current issues and to grow again. We believe the enduring theme of an aging population will underpin resilience in **Healthscope**.



This graph shows how $100,000 invested at the Fund's Inception has increased to $785,080 (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 $406,370 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	$ 2.4961	$ 2.4854
Withdrawal price	$ 2.4773	$ 2.4666
Distribution (30/06/2016)	$0.0750	$0.0767
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

Top contributors (absolute)	Sector
South32	Materials
Westpac	Financials
CBA	Financials

Top detractors (absolute)	Sector
Healthscope	Health Care
Bega Cheese	Consumer Staples
Bapcor	Consumer Discretionary

Platforms

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

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