Prime Value Growth Fund
Fund Update – October 2017

- Global equity markets were largely buoyant through October. The positive sentiment extended to the Australian market
- Performance of the Australian market was broad based, despite a softer banking sector
- ResMed and Macquarie Group were the leading contributors to performance as both global companies reported good revenue and profit growth

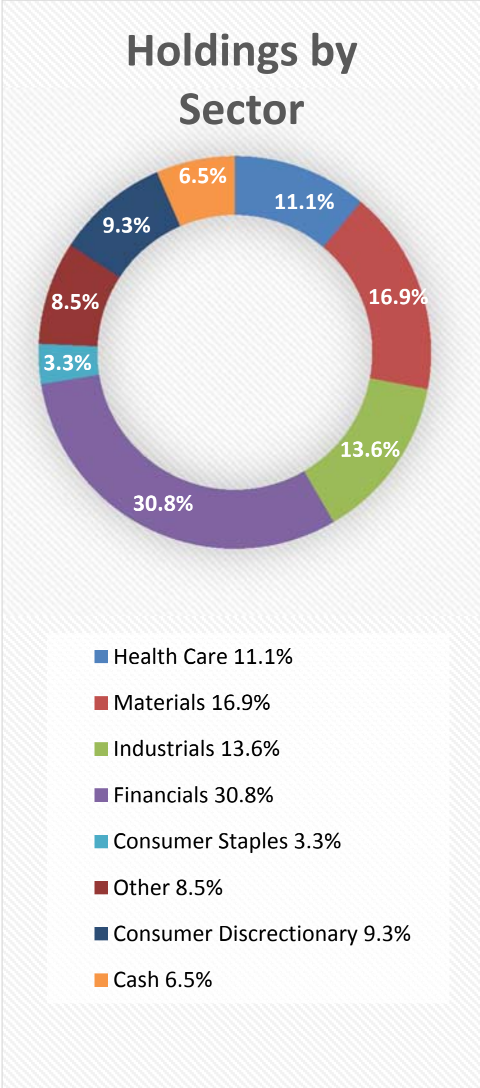
	Total Return*	S&P/ASX 300 Accumulation Index	Value Add
Since Inception (p.a.)	**11.8%**	8.2%	3.6%
10 Years (p.a.)	**2.3%**	3.1%	(0.8%)
5 Years (p.a.)	**6.4%**	10.2%	(3.8%)
3 Years (p.a.)	**2.7%**	7.0%	(4.3%)
1 Year	**12.2%**	15.9%	(3.7%)
3 Months	**3.9%**	4.8%	(0.9%)
1 Month	**3.9%**	4.0%	(0.1%)

*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) standards. 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
Westpac Bank	Financials
BHP Limited	Materials
ANZ Bank	Financials
Commonwealth Bank	Financials
CSL Limited	Healthcare

The top five holdings make up approximately 33.3% of the portfolio

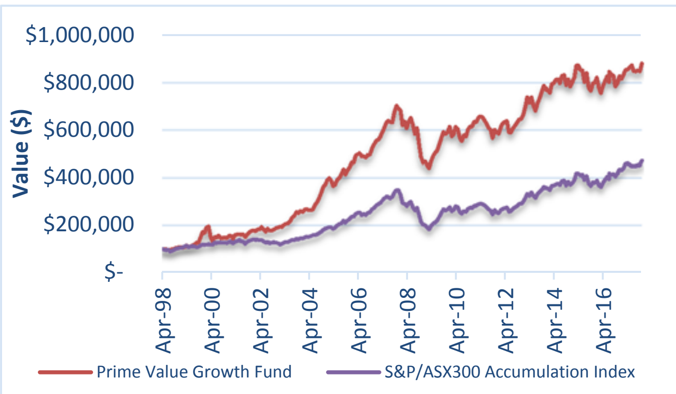
Feature	Fund facts
Portfolio Manager	ST Wong
Investment Objective	To provide superior medium to long term capital growth, with some income, by managing a portfolio of predominantly Australian equities listed on any recognised Australian Stock Exchange.
Benchmark	S&P, ASX 300 Accumulation Index
Inception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



Market review

October was another strong month for equity markets globally, underpinned by a supportive economic backdrop and a revival of US President Trump's tax reform plans. The S&P/ASX 300 Index posted its best return for the year (+4%), outperforming global indices in local currency terms with the exception of the Japanese Nikkei, which rose 8.2% on a landslide election outcome. While domestic economic data was mixed (employment positive but retail sales and CPI inflation below expectations), global developed-market manufacturing surveys were strong across the board, hitting levels not seen since 2004 in the case of the US. As a proxy for global economic conditions, base metals were the standout commodity class in October. Oil also had another strong month, up 6.7% to US$61.37 a barrel (Brent). The Australian dollar fell 1.8 cents to USD 0.7670 reflecting US dollar strength, soft CPI inflation data and a weakening iron ore price.

Consistent with global markets, the best performing domestic sector was information technology (+8.4%), followed by energy (+6.4%). While all sectors posted strong returns, REITs (+2.2%), telcos (+2.4%) and the banks (+2.8%) underperformed. Small caps continued to outperform, returning +6.0% versus +5.8% for mid-caps, +3.5% for large-caps and +3.1% for mega-caps.



This graph shows how $100,000 invested at the Fund's inception has increased to $880,790 (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 $471,050 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	$ 2.4574	$ 2.4472
Withdrawal price	$ 2.4388	$ 2.4286
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 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

Fund review & strategy

The Fund posted a return of 3.9% in October. In absolute terms, the major contributors to performance were **ResMed**, **Macquarie Group** and **Westpac**. The only detractors were **JB Hi-fi, Steadfast** and **Reliance Worldwide**.

ResMed reported a strong quarterly result with indicated good revenue growth due to the success of its newer sleep apnea products. Management also upgraded profit margin expectations for the year. The outlook for ResMed is positive and the company is making good progress in increasing penetration across most markets.

Our investment in Macquarie Group recognises that the bank is a changing business, with the more volatile capital markets facing businesses becoming a smaller part of the business. Instead, funds management is now the largest profit and growth contributors. Macquarie is now one of the most profitable financial institutions in the world with a return on equity in excess of 16%.

Looking forward, investors should expect the Prime Value team to allocate resources to bottom-up discovery and investment research. There is much talk of the market being overvalued. Parts of the market certainly seem to be expensive, but not all. We believe there are many opportunities that are attractively priced. We continue to build our pipeline of ideas through an extensive program of company visits and meetings with management.

Top Contributors (Absolute)	Sector
ResMed	Healthcare
Macquarie Group	Financials
Westpac	Financials
Top Detractors (Absolute)	**Sector**
Steadfast	Financials
Reliance Worldwide	Industrials
JB Hi Fi	Consumer discretionary

Platforms

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

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