

# Prime Value Growth Fund

## Fund Update - September 2015



- Mixed messages from the US Fed on interest rates and weak Chinese economic data cast a shadow over markets
- A new Australian Prime Minister has reignited debate on lifting Australia's economic prospects. We expect further developments to come as the economy transitions from resources sector leadership
- The pullback during the September quarter has provided opportunities to top up holdings in a number of companies we own

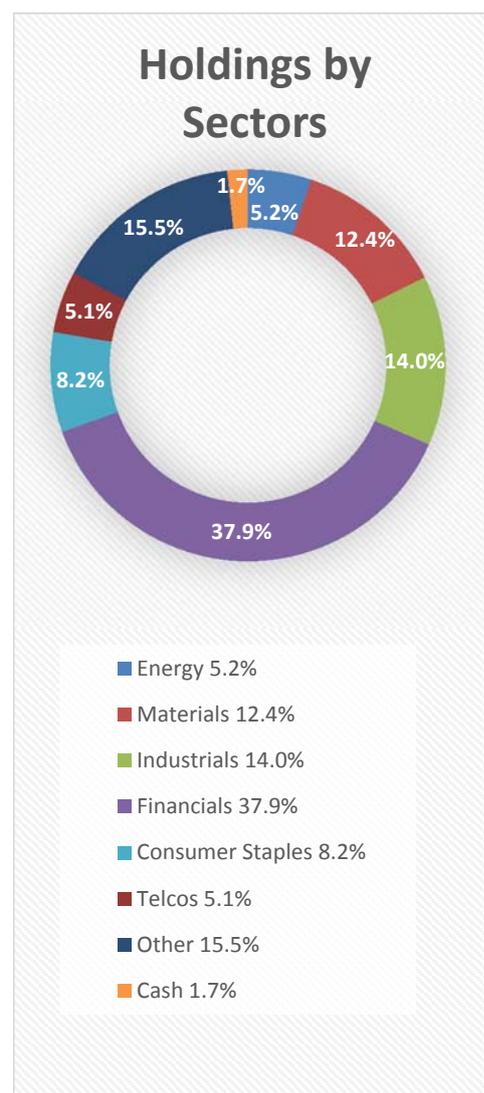
	Total Return*	S&P/ASX 300 Accumulation Index	Relative Performance to Benchmark
Since inception (pa)	12.3%	7.7%	4.6%
10 Years (pa)	5.8%	5.2%	0.6%
5 Years (pa)	4.9%	6.3%	-1.4%
3 Years (pa)	6.6%	9.1%	-2.5%
1 Years (pa)	-3.0%	-0.7%	-2.3%
3 Months	-4.6%	-6.5%	1.9%
1 Month	-1.7%	-2.9%	1.2%

\*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
Commonwealth Bank Australia	Financials
National Australia Bank	Financials
BHP Billiton	Materials
Telstra	Telecommunications
Oil Search	Energy

\* The top five holdings make up approximately 32.1% of the portfolio

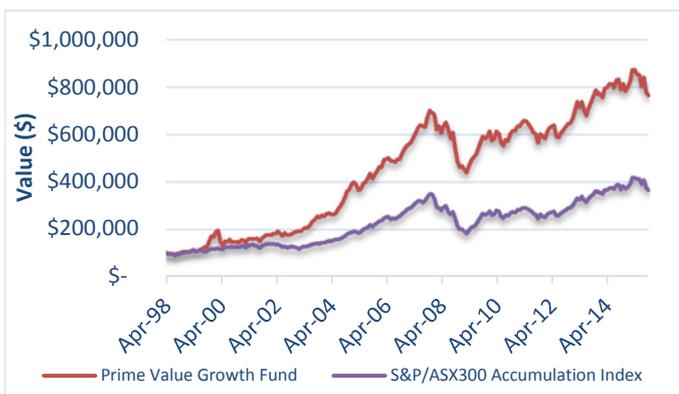
Feature	Fund facts
Portfolio Manager	ST Wong
Investment objective	To provide superior medium to long term capital growth, with some income, by managing a portfolio of predominantly Australian equities listed on any recognised Australian Stock Exchange.
Benchmark	S&P / ASX 300 Accumulation Index
Inception Date	10 April 1998
Cash limit	0 - 30%
Distribution	Half-yearly
Recommended investment period	3 - 5 years +
Annualised Return	12.3%
Research Rating	Lonsec - Investment Grade Zenith - Approved



## Market review

Equity markets continued to sell-off in September reflecting mixed messages from global events. The Australian share market declined 2.9% to extend the current correction to approximately 15% since April. Soft Chinese economic growth and no move from the US Fed on interest rates were dominant market themes. China's economic growth prospects remain under the microscope as official statistics signalled soft demand. Commodity prices and resource stocks were hit particularly hard. The Australian dollar sold off against most major currencies, falling below AUD0.70 at one point for the first time since early 2009 before closing down -0.7c at AUD0.702.

Unsurprisingly, the resource sectors were the worst performing sectors of the market, with the local energy sector down 12% for the month (-24.1% for the quarter). IT (+6.1%) and Industrials (+2.1%) were the only domestic sectors to post positive returns in September. The major banks continued to underperform, down 3.8% for the month and 11.3% for the quarter. Small caps (-0.5%) and mid-caps (-1.8%) outperformed large caps (-3.2%), continuing the trend for the quarter.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$765,700 (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 \$366,000 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	\$2.7220	\$2.7090
Withdrawal price	\$2.7014	\$2.6884
Indirect Cost Ratio (ICR)	1.435% pa	1.23% pa
Performance fee	20.5% <sup>1</sup>	20.5% <sup>1</sup>

<sup>1</sup> 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 -1.6% for the month, outperforming the benchmark by 1.2% after fees. In absolute terms, the Fund's major contributors to performance were Veda (+27.8%), REA (+7.3%) and Mantra (+17.3%), while BHP, CBA and NAB were the three major detractors (BHP -11.8%, CBA -3% and NAB -3.8%).

M&A activity featured heavily in company specific news for the Fund with the strong performance of Veda the result of a takeover offer from US based Equifax Inc. Oil Search also performed strongly in relative terms after the company received a takeover offer from Woodside, which was subsequently rejected by the Oil Search Board.

We expect market conditions to continue to be volatile in the near term, with the potential for market leadership to rotate quite quickly subject to macro events. We endeavour to maintain a nimble approach to market conditions—in our view, we believe our investment approach of combining macro observations and bottom up fundamental research will yield opportunities across market capitalisations. Areas we are finding opportunities at present include export related sectors, particularly services.

Top contributors (absolute)	Sector
Veda Group	Industrials
REA Group	Consumer Discretionary
Mantra Group	Consumer Discretionary

Top detractors (absolute)	Sector
BHP Billiton	Materials
Commonwealth Bank	Financials
National Australia Bank	Financials

### Platforms

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

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