Prime Value Growth Fund
Fund Update – September 2016

- Macro developments, largely centred around monetary policies, drove the direction of the market
- The materials sector performed well during the month as commodity prices proved to be resilient. At the same time, there was a significant rotation out of yield sensitive sectors such as telcos, utilities and REITs
- Signs of a bottoming of resources earnings is positive. We continue to focus on investing in quality companies with attractive valuations

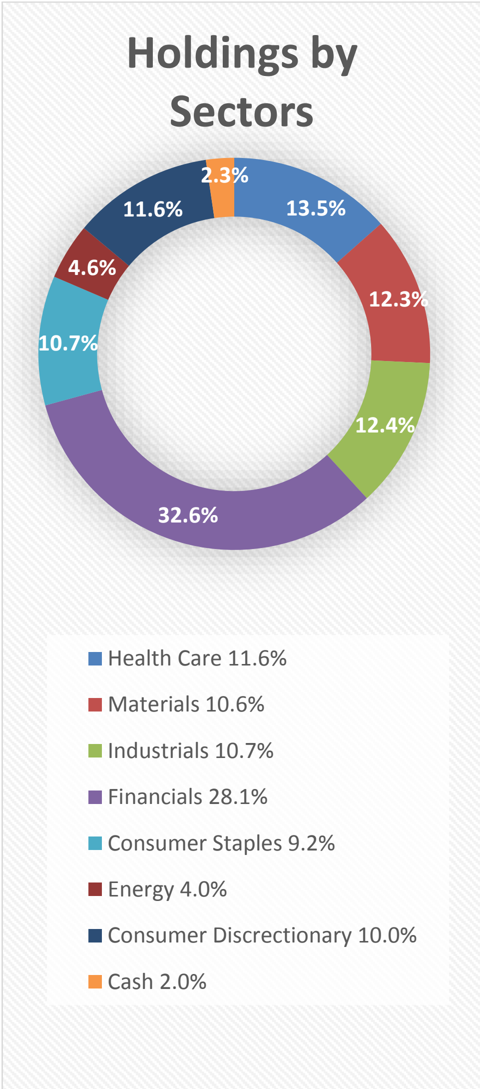
	Total Return*	S&P/ASX 300 Accumulation Index	Relative Performance to Benchmark
Since inception (pa)	12.1%	8.0%	4.1%
10 Years (pa)	5.3%	5.0%	0.3%
5 Years (pa)	8.0%	11.0%	-3.0%
3 Years (pa)	2.9%	6.0%	-3.1%
1 Year (pa)	8.3%	13.5%	-5.2%
3 Months	3.4%	5.2%	-1.8%
1 Month	-0.5%	0.5%	-1.0%

*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 29.8 % of the portfolio

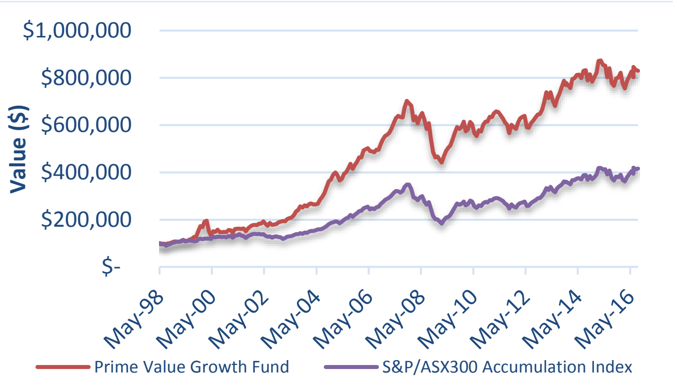
Feature	Fund facts
Portfolio Manager	ST Wong
Investment objective	To provide superior medium to long term capital growth, with some income, by managing a portfolio of predominantly Australian equities listed on any recognised Australian Stock Exchange.
Benchmark	S&P / ASX 300 Accumulation Index
Inception Date	10 April 1998
Cash limit	0 - 30%
Distribution	Half-yearly
Recommended investment period	3 + years
Annualised Return	12.1%
Research Rating	Lonsec - Investment Grade Zenith - Approved



Market review

The Australian share market posted a return of 0.5% in September. Central bank decision making remained the dominant market theme, with policy commentary and relative sector performance signalling a potential turning point for market leadership. The prospect of reduced monetary stimulus saw yield sectors come under pressure. There was ongoing strength in commodity prices, except for iron ore (-6.4%). Coal continued to rally strongly, along with base metals. The Brent oil price rose 4.3% following the late month agreement by OPEC members to cut production. The Australian dollar rose 1.9% to USD 0.7650. Domestic economic data was strong with GDP growth at its highest level in four years. The unemployment rate of 5.6% was the lowest level in three years. Chinese data came in above consensus while US data were generally below expectations.

The materials sector (5.6%) was the clear outperformer in September followed by consumer staples (+1.7%). Yield sectors underperformed: REITs (-4.3%), telcos (-4.0%) and utilities (-3.3%). Health care (-0.4%) and industrials (-0.2%) also posted negative returns. Small-caps (+1.5%) outperformed mega-caps (+1.2%) and large-caps (+0.5%), with mid-caps the laggard (-1.0%).



This graph shows how $100,000 invested at the Fund's Inception has increased to $829,420 (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 $415,400 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	$ 2.6774	$ 2.6653
Withdrawal price	$ 2.6572	$ 2.6451
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

Fund review & strategy

The Fund underperformed its benchmark in September (after fees). In absolute terms, the Fund's major contributors to performance for the month were **South32** (+25.5%), **BHP** (+9.5%) and **Wesfarmers** (+3.9%). The three major detractors were **TPG** (-29.3%), **Vocus** (-18.9%) and **Qube** (-8.3%).

We have held a preference for **Wesfarmers** over Woolworths for the past five years, primarily on an improving Coles business and a very well managed Bunnings chain. The rapid rise in hard coking coal prices in recent months, due to Chinese production restrictions, is likely to result in **Wesfarmers'** resources division turning around significantly. The resources division which was expected to break-even at the Earnings-Before-Interest and Tax level in FY18, is now estimated to be profitable by 2HFY17. **TPG** fell almost 30% after the company provided FY17 guidance that was approximately 7% below market expectations. The sell-off was primarily attributed to earlier-than-expected profit margin pressure as the subscriber base migrates to NBN. However, the underperformance of recent acquisitions was the major driver of our decision to exit the stock, along with a reassessment of the company's long-term growth prospects.

Top contributors (absolute)	Sector
South32	Materials
BHP	Materials
Wesfarmers	Consumer Staples

Top detractors (absolute)	Sector
TPG Telecom	Telecommunications
Vocus	Telecommunications
Qube	Industrials

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

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