

Prime Value Growth Fund

Fund Update – September 2017



- The Australian share market was held back by defensive sectors such as Telecoms, Utilities and Consumer Staples. The broad market ended flat for the month.
- There are few large themes currently influencing the market but we are finding investment opportunities in selected sectors and bottom up driven ideas.
- Holdings in CSL, Westpac and Macquarie offset declines in BHP, Amcor and Webjet.

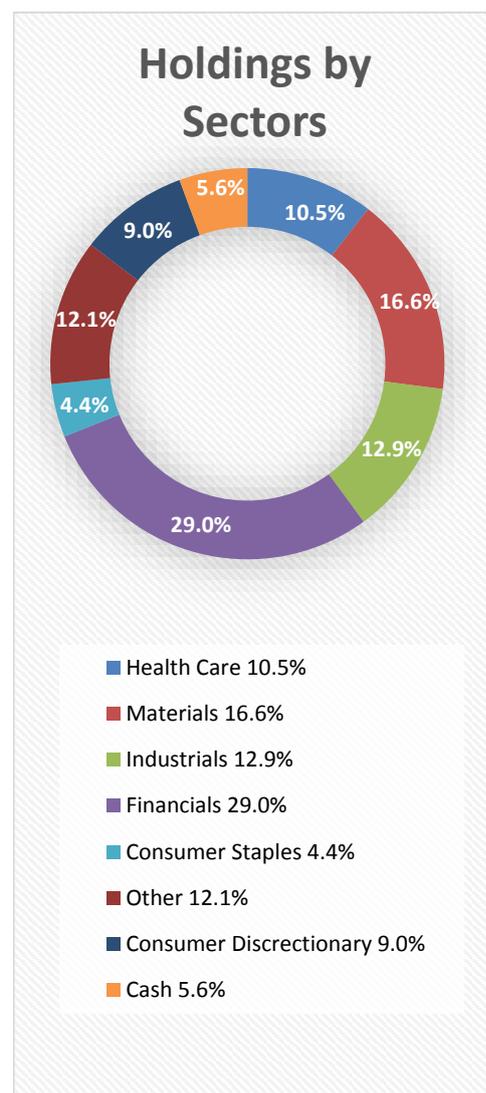
	Total Return*	S&P/ASX 300 Accumulation Index	Value Add
Since inception (p.a.)	11.6%	8.1%	3.5%
10 Years (p.a.)	2.3%	3.0%	(0.7%)
5 Years (p.a.)	6.0%	9.9%	(3.3%)
3 Years (p.a.)	2.4%	7.1%	(4.7%)
1 Year	2.2%	9.0%	(6.8%)
3 Months	(0.3%)	0.8%	(1.1%)
1 Month	(0.6%)	0.0%	(0.6%)

*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
Westpac	Financials
BHP Limited	Materials
ANZ	Financials
Commonwealth Bank	Financials
CSL Limited	Healthcare

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

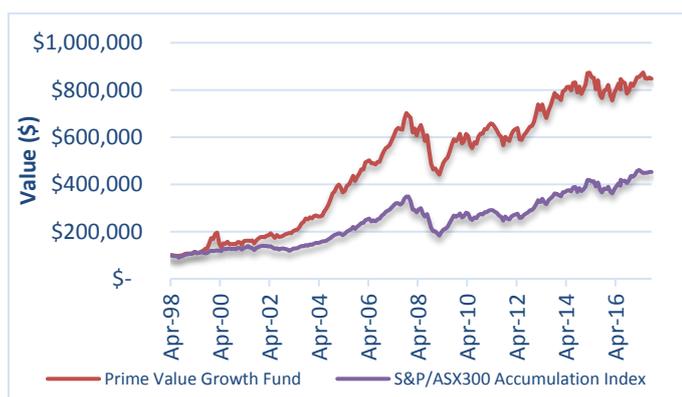
Feature	Fund facts
Portfolio Manager	ST Wong
Investment objective	To provide superior medium to long term capital growth, with some income, by managing a portfolio of predominantly Australian equities listed on any recognised Australian Stock Exchange.
Benchmark	S&P / ASX 300 Accumulation Index
Inception Date	10 April 1998
Cash limit	0 - 30%
Distribution	Half-yearly
Recommended investment period	3 + years
Annualised Return	11.6%
Research Rating	Lonsec - Investment Grade



Market review

The S&P/ASX 300 Accumulation index was flat in September (+0.04%), underperforming global equities (developed markets). Drivers of the global equities rally included an easing of geopolitical tensions as well as the unveiling of US President Trump's much anticipated tax framework. Another key development was news that the US Federal Reserve would begin unwinding its \$4.5tr balance sheet, reversing the quantitative easing program. Defensive sectors underperformed, partly due to rising bond yields, with a 'hawkish' Fed keeping alive expectations of a December rate hike. Mining was the worst performing sub-sector globally. Key drivers included a strengthening US dollar and impending steel production cuts in China, which weighed heavily on the iron ore price (down almost 20%). Oil bucked the trend (Brent rose 7.1%) on a resumption of US refinery operations, higher forecast oil demand growth from the IEA and Kurdish referendum tensions. The gold price fell. The Australian dollar was down around 1% to USD 0.7850.

Domestically, the best performing sectors were Health Care (+2.3%), major banks (+1.4%) and Energy (+1.1%). The defensive sectors underperformed, led by Telcos (-4.5%), Utilities (-3.6%) and Consumer Staples (-1.9%). Small caps again outperformed, rising 1.3% versus +0.2% for mid-caps, +0.1% for mega-caps and -0.2% for large-caps.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$847,580 (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 \$452,860 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	\$ 2.3648	\$ 2.3544
Withdrawal price	\$ 2.3468	\$ 2.3366
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 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 underperformed its benchmark in September. In absolute terms, the major contributors to performance were CSL, Westpac and Macquarie, which provided a positive trading update. The three major detractors were BHP Billiton, Webjet and Amcor.

Our discussions with miners indicate a nascent but growing need to sustain production capacity and replenish commodity reserves that have been run-down, signalling better prospects for mining services companies. We have investments in mining services companies ALS, Downer and Monadelphous for exposure to this development. We have owned and known all three companies for a long period of time and are very familiar with their strengths.

Our company visits also revealed further confidence in infrastructure activities rising on the East Coast. We have had exposure to this theme for the past 12 months but we believe that both the NSW and Victorian governments are starting to accelerate infrastructure commitments. Macquarie Bank estimates the Federal government will invest \$16bn over the next four years, adding to state based investments of \$221bn. As such, we expect Downer and Monadelphous to benefit from some of these investments.

We continue to invest with conviction for the Fund, with approximately 35 stocks at the end of September. We expect the number of holdings in the Fund to decline further, to approximately 30 in the very near future, as we build further conviction.

Top contributors (absolute)	Sector
CSL Limited	Healthcare
Westpac	Financials
Macquarie Bank	Financials
Top detractors (absolute)	Sector
BHP Limited	Materials
Webjet	Consumer Discretionary
Amcor	Materials

Platforms

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

Contact details:

Esther Oh, Julie Abbott & Serena Shi.

Client Services Team

Phone: 03 9098 8088

Fax: 03 9098 8099

Email: info@primevalue.com.au

Web: www.primevalue.com.au

Mail:

Prime Value Asset Management Ltd
Level 9, 34 Queen Street
Melbourne VIC 3000

The information contained in this Fund Update is general in nature and has no regard to the specific investment objectives, financial or particular needs of any specific recipient. It is not intended to constitute investment advice or a personal securities recommendation. This document is not a Product Disclosure Statement (PDS) or an offer of units, and contains a brief overview of the investment only. Any prospective investor wishing to make an investment in the Prime Value Growth Fund must obtain and read the PDS dated 28 March 2013 (particularly the risk factors discussed) and complete an application form. Neither Prime Value Asset Management Limited nor its associates or directors, nor any other person, guarantees the success of the Prime Value Growth Fund, the repayment of capital or any particular rate of capital or income return, or makes any representation in relation to the personal taxation consequences of any investor's investment.