

# Prime Value Opportunities Fund

## Fund Update – April 2017



- Global share markets, including Australia, were higher in April due to US corporate earnings and positive sentiment from the French presidential election
- Australian resource companies had a poor month as commodity prices fell. However, industrial, healthcare and utility companies' performance more than offset declines in that sector
- The Fund posted a return of 1.3% for the month. Fund performance was positive with a number of companies across both the large and small cap sector performing well

	Total Return*	Benchmark (8% pa)	Value Add
Since inception (p.a.)	13.6%	8.0%	5.6%
3 Years (p.a.)	8.1%	8.0%	0.1%
1 Year	9.0%	8.0%	1.0%
3 Months	6.0%	2.0%	4.0%
1 Month	1.3%	0.7%	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.

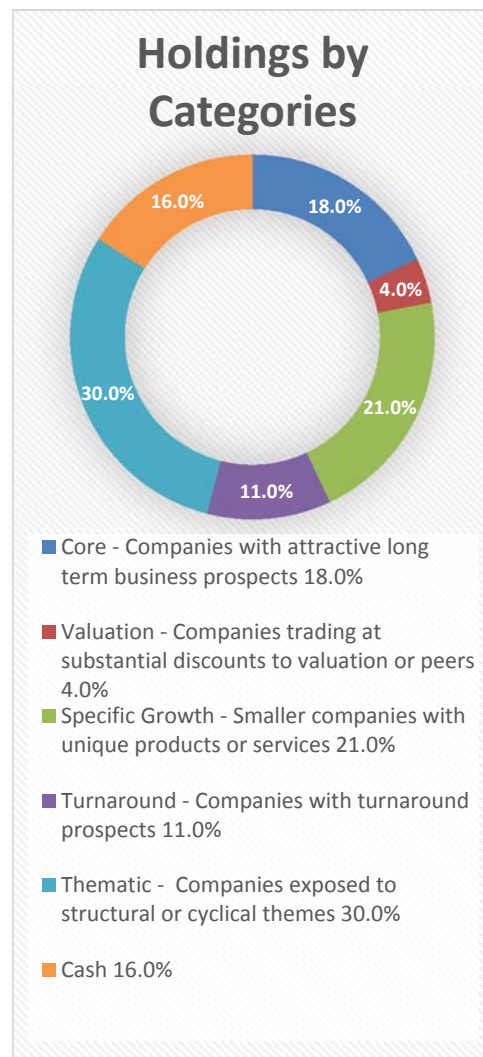
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD	ITD
FY 2013					1.8%	1.7%	4.3%	6.2%	(0.6%)	4.0%	(2.2%)	(1.7%)	14.1%	14.1%
FY 2014	4.4%	2.6%	4.4%	5.0%	(1.1%)	1.5%	(1.9%)	5.9%	0.2%	0.3%	0.3%	(1.4%)	21.4%	38.5%
FY 2015	2.5%	1.0%	(4.1%)	3.1%	(1.9%)	0.7%	1.5%	5.7%	1.4%	(1.0%)	0.5%	(4.3%)	4.6%	44.9%
FY 2016	5.3%	(3.7%)	0.1%	5.5%	1.7%	2.4%	(3.4%)	(1.9%)	3.6%	2.3%	4.4%	(1.8%)	14.9%	66.5%
FY 2017	6.5%	(1.7%)	(0.5%)	(4.9%)	(0.2%)	2.7%	(1.1%)	2.4%	2.1%	1.3%			6.3%	76.9%

Top five holdings	Sector
Commonwealth Bank	Financials
Westpac	Financials
CSL Limited	Healthcare
Ramsay Health Care	Healthcare
Orora Limited	Materials

\* The top five holdings make up approximately 29.3% of the portfolio

Feature	Fund facts
Portfolio Manager	ST Wong
Investment objective	To achieve superior absolute total returns by providing medium to long term capital growth without the constraints of a share market benchmark.
Benchmark	8% pa
Inception Date	5 November 2012
Cash	0 - 100%
International Exposure#	0 - 20%
Distribution	Half-yearly
Recommended investment period	3 + years
Annualised Return	13.6%
Research Rating	Lonsec - Investment Grade Zenith – Approved

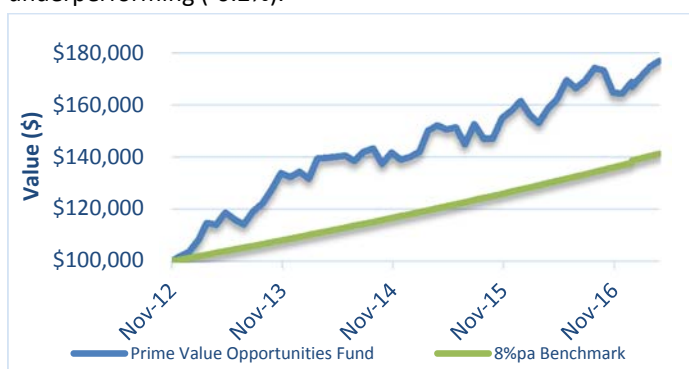
# The Prime Value SIV Opportunities Fund will have no exposure to international securities in accordance with SIV regulations



## Market review

The Australian share market rose 1% in April, but underperformed major global equity indices. Equity markets were generally lower during the first half of the month, weighed down by a combination of a lack of Trump policy progress, softer US economic data, rising geopolitical tensions and the upcoming French Presidential elections. However, sentiment turned positive mid-month on the French election outcome, a positive US earnings season and the end-of-month unveiling of Trump's much anticipated tax reform proposals.

Domestic economic data, such as the rate of unemployment was generally stronger than expected. House prices kept climbing, with the CoreLogic-RP Data price index up 12.9% year-on-year to March. The Australian dollar dropped 1.5 cents to USD0.748, weighed down by the falling iron ore price. There was significant divergence in sector performance during the month with the mining and metals sub-sectors underperforming on falling commodity prices, whilst the telecommunication sector was the clear underperformer, following TPG's announcement that it would build Australia's fourth mobile network. The standout sectors were industrials (+4.1%) and health care (+3.4%). Mid-caps (+1.7%) outperformed large caps (+1%), with small-caps once again underperforming (-0.2%).



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$176,890 (net of fees excluding performance fees). This compares very favourably with the return of the benchmark, where a \$100,000 investment would have increased to \$141,190 over the same period. The returns exclude the benefits of imputation credits.

	Direct Investment (Class A)	Platform Investment (Class B)
APIR code	PVA0005AU	PVA0006AU
Minimum Investment	\$20,000	N/A
Issue price	\$ 1.5909	\$ 1.5601
Withdrawal price	\$ 1.5789	\$ 1.5483
Distribution (31/12/16)	\$ 0.0200	\$ 0.0206
Indirect Cost Ratio (ICR)	0.95%* p.a.	0.95%* p.a.
Performance fee	15%**	15%**

\* Unless otherwise stated, all fees quoted are inclusive of GST and the relevant RITC  
 \*\* of performance (net of management fees) above the agreed benchmark, subject to a high water mark

## Fund review & strategy

The Fund outperformed its absolute return benchmark in April, with a return of 1.3% after fees. In absolute terms, the Fund's major contributors to performance for the month were **A2 Milk**, **CSL** and **Reliance Worldwide**. The three major detractors were **Bapcor**, **Wesfarmers** and **Mayne Pharma**. Overall, fund performance was good with a number of companies performing well within the portfolio. More importantly, we have observed that the 'reflation' trade that reflected optimism around the Trump Presidency and moved stocks on selected macro-themes has eased. Instead, stock fundamentals have returned to **driving underlying performance—it's an environment which suits our approach to investing**.

**A2 Milk**, a dairy products producer with approximately 5% of the Australian milk market, continued to experience strong demand for its infant milk products. During the month **A2 Milk** cited strong demand in both Australia and through the cross border e-commerce channel into China as the reason for lifting its FY17 sales expectations. **A2 Milk** has garnered an impressive share of the Australian milk market as a premium product and based on its Australian success, is looking to penetrate the UK and US markets which are both larger milk markets than Australia. Penetration of these markets are at an early stage and will require investments and persistence. We believe the **A2 Milk** brand has the potential to carve out a significant niche that would provide upside to longer term revenue growth.

Top contributors (absolute)	Sector
A2 Milk	Consumer Staples
CSL	Healthcare
Reliance Worldwide	Industrials

Top detractors (absolute)	Sector
Bapcor	Consumer Discretionary
Wesfarmers	Consumer Staples
Mayne Pharma	Healthcare

Platforms
BT Wrap, Macquarie Wrap, Netwealth, Hub24, Powerwrap

### Contact details:

Phone: 03 9098 8088

Fax: 03 9098 8099

Email: [info@primevalue.com.au](mailto:info@primevalue.com.au)

### Mail:

Prime Value Asset Management Ltd

Level 9, 34 Queen Street

Melbourne VIC 3000

Web: [www.primevalue.com.au](http://www.primevalue.com.au)

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