

Prime Value Opportunities Fund

Fund Update - August 2016



- Global markets were broadly flat during the month following a good recovery in July post Brexit.
- The Australian share market ended the month 1.6% lower. The August corporate reporting period introduced a degree of volatility in individual stocks, depending on their report and outlook.
- The Fund posted a return of -1.7% for the month with holdings in the outdoor advertising sector offsetting strong performances from travel intermediaries Webjet and Corporate Travel Management.

| | Total Return* | S&P/ASX300 Accumulation Index | Benchmark (8% pa) |
|----------------------|---------------|-------------------------------|-------------------|
| Since inception (pa) | 15.6% | 9.9% | 8.0% |
| 3 Years (pa) | 12.5% | 6.6% | 8.0% |
| 1 Year (pa) | 18.5% | 9.7% | 8.0% |
| 3 Months | 2.8% | 2.1% | 2.0% |
| 1 Month | -1.7% | -1.5% | 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.

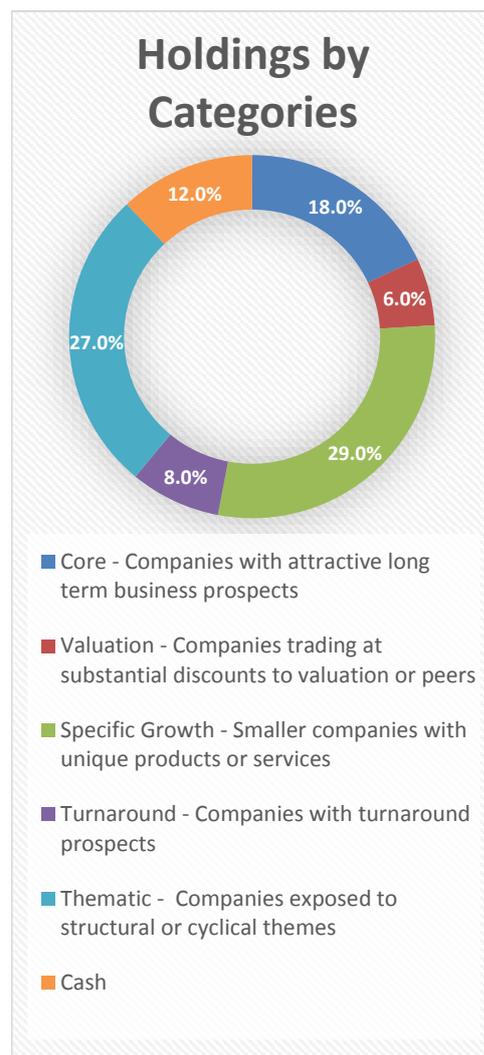
| | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | FYTD | ITD |
|---------|------|-------|-------|------|-------|------|-------|-------|-------|-------|-------|-------|-------|-------|
| FY 2013 | | | | | 1.8% | 1.7% | 4.3% | 6.2% | -0.6% | 4.0% | -2.2% | -1.7% | 14.1% | 14.1% |
| 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% | | | | | | | | | | | 4.6% | 74.2% |

| Top five holdings | Sector |
|-------------------|-------------|
| Ramsay Health | Health Care |
| Orora Limited | Materials |
| Commonwealth Bank | Financials |
| Westpac Bank | Financials |
| Sydney Airports | Industrials |

* The top five holdings make up approximately 24.8% 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 | 15.6% |
| Research Rating | Lonsec - Investment Grade Zenith – Approved |

Prime Value SIV Opportunities Fund units will have 0% of International Exposure in accordance with SIV regulations

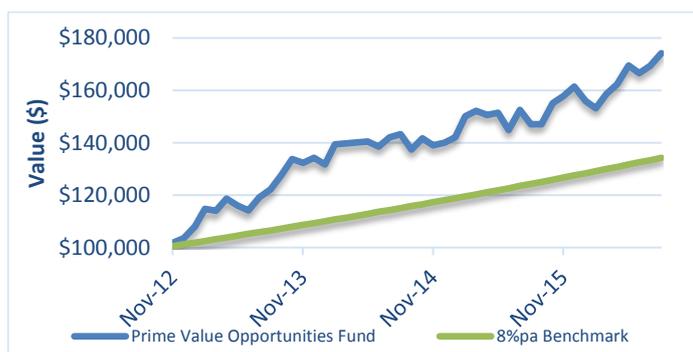


Market review

The Australian market declined 1.6% in August, following a strong July. Global equity markets were broadly flat, with emerging markets outperforming. The reporting season delivered a mix of winners and losers, with increased volatility. Overall outcomes were broadly in-line with modest market expectations, while stocks trading on premium valuations were highly sensitive to outlook statements. Discretionary retail was the best performing sub-sector.

Domestic economic data was strong, with July employment numbers and residential building approvals exceeding expectations. The Australia dollar weakened against most currencies. In contrast, the US dollar strengthened on comments from the Fed Chair, although market expectations for a rate hike have since unwound. The oil price rose \$US4.58 to US\$47.04 a barrel. Gold fell marginally and the price of iron ore closed flat for the month.

Three sectors posted positive returns for the month: IT (+4.6%), energy (+2.4%) and consumer staples (+1.9%). The worst performing sectors were telecommunications (-6.5%), utilities (-5.7%) and industrials (-4.3%). Mid-caps outperformed (-0.1%), while the returns from mega-caps (S&P/ASX top 20), large-caps and small-caps were all broadly in-line with the overall market return.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$174,180 (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 \$134,230 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 | \$1.5872 | \$1.5532 |
| Withdrawal price | \$1.5752 | \$1.5414 |
| Distribution (30/06/2016) | \$0.0207 | \$0.0133 |
| Indirect Cost Ratio (ICR) | 0.95% pa | 0.95% pa |
| Performance fee | 15% ¹ | 15% ¹ |

¹ of performance (net of management fees) above the agreed benchmark, subject to a high water mark

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Fund review & strategy

The Fund returned -1.7% in August, but continues to outperform over the longer term. Investors' attention was focussed short term in August as investors worked through companies' financial results, often throwing up significant share price movements both positive and negative.

Best contributors to Fund performance were **Webjet** (+28.4%), **Corporate Travel Management** (+18.7%) and **Harvey Norman** (+16.8%), all underpinned by stand out corporate results. **APN Outdoor** (-34.9%), **Aconex** (-20.1%) and **IPH Limited** (-17.7%) detracted from fund performance.

We wrote about our investment in **APN Outdoor** last month. Our key message was that whilst the demand for digital outdoor advertising is strong, **APN Outdoor's** business is cyclical and subject to the vagaries of competition and corporate budgets. This proved to be the case when the company reported its FY16 results. The company's FY17 outlook has dimmed, as demand for its services softened due to poor business sentiment and the Olympic Games diverting attention. These factors may prove to be of a short term nature and we continue to monitor developments but we have reduced our holdings as we redeploy capital to other opportunities.

| Top contributors (absolute) | Sector |
|-----------------------------|------------------------|
| Webjet | Consumer Discretionary |
| Corporate Travel | Consumer Discretionary |
| Harvey Norman | Consumer Discretionary |

| Top detractors (absolute) | Sector |
|---------------------------|------------------------|
| APN Outdoor | Consumer Discretionary |
| Aconex | Information Technology |
| IPH Limited | Industrials |

| Platforms |
|--------------------------------------|
| BT Wrap, Hub24, Netwealth, Powerwrap |

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