

# Prime Value Opportunities Fund

## Fund Update – August 2017



- Materials, energy and selected industrial companies led the Australian stock market performance in August
- Company reporting season was typically volatile, with short term considerations the main driver of share price performance
- The Fund opportunistically established several positions going into the reporting period, on expectations of positive longer-term developments affecting company fundamentals. The Fund returned 1.1% in August

	Total Return*	Benchmark (8% pa)	Value Add
Since inception (p.a.)	12.5%	8.0%	4.5%
3 Years (p.a.)	7.2%	8.0%	(0.8%)
2 Years (p.a.)	9.7%	8.0%	1.7%
1 Year	1.5%	8.0%	(6.5%)
3 Months	1.1%	2.0%	(0.9%)
1 Month	1.1%	0.7%	0.4%

\* 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.

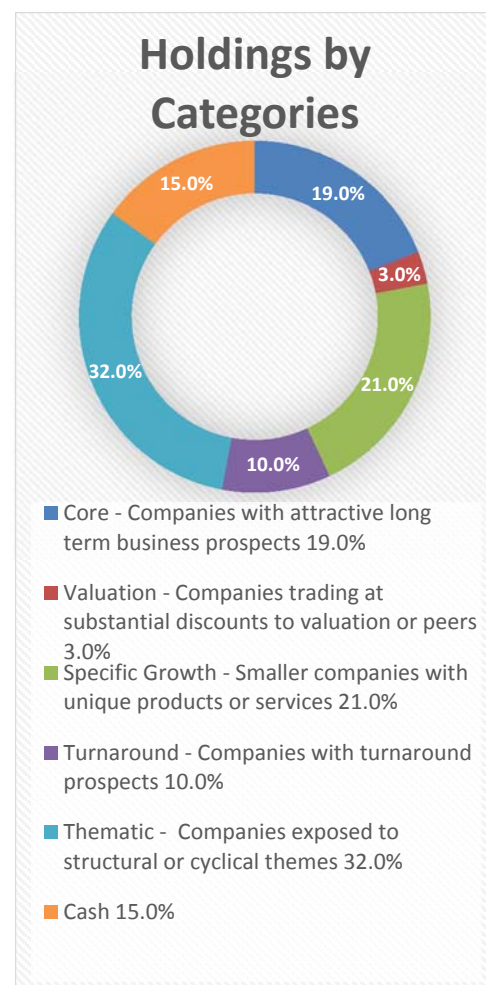
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD	ITD
FY 2013					1.8%	1.7%	4.3%	6.2%	(0.6%)	4.0%	(2.2%)	(1.7%)	14.1%	14.1%
FY 2014	4.4%	2.6%	4.4%	5.0%	(1.1%)	1.5%	(1.9%)	5.9%	0.2%	0.3%	0.3%	(1.4%)	21.4%	38.5%
FY 2015	2.5%	1.0%	(4.1%)	3.1%	(1.9%)	0.7%	1.5%	5.7%	1.4%	(1.0%)	0.5%	(4.3%)	4.6%	44.9%
FY 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%	(1.2%)	1.2%	6.3%	77.0%
FY 2018	(1.2%)	1.1%											(0.1%)	76.8%

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

\* The top five holdings make up approximately 27.0% 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	12.5%
Research Rating	Lonsec - Investment Grade Zenith – Approved

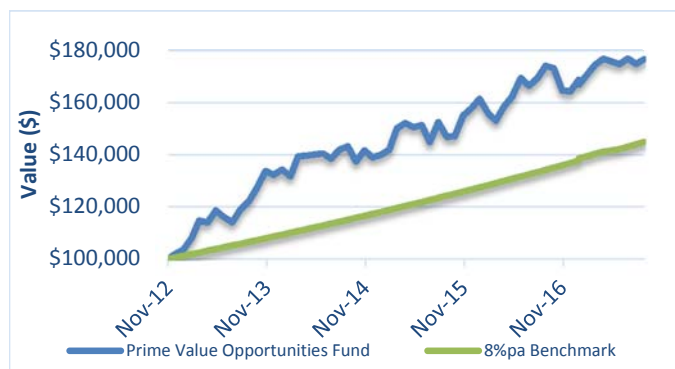
# The Prime Value SIV Opportunities Fund will have no exposure to international securities in accordance with SIV regulations



## Market review

The S&P/ASX 300 Accumulation Index rose 0.8% in August, outperforming global equities in local currency terms (+0.2%). Emerging markets (+2.1%) outperformed, reflecting the strong performance of commodity prices. Geopolitical tensions rose in August, with movements in global bond yields and a rising gold price reflecting a more 'risk-off' market environment. At least to date, political rhetoric and potential trade consequences have been a greater focus than the actual threat of a military strike on the Korean peninsula. Domestic investor attention was centred on the August company reporting season, with the usual mix of winners and losers. The overall outcome was generally considered to be lacklustre, with FY18 guidance a key area of market disappointment. Naturally, we were more focused on stock specific issues.

Relative sector performance reflected a combination of stock, sector and macro drivers during August. The better performing sectors were Consumer Staples (+5.2%), Industrials (+4.6%) and the Resource sectors (Energy +5.2% and Materials +4.5%). The key underperformers were Telcos (-7.2%), primarily driven by Telstra and Vocus, as well as the banks, which declined 2.5% (primarily driven by CBA). Small caps significantly outperformed (+2.7%) mid-caps (+0.8%) and large-caps (+0.5%) over the month. The major laggard was mega-caps, which declined 0.8%.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$176,750 (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 \$144,960 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	\$ 1.5600	\$ 1.5296
Withdrawal price	\$ 1.5482	\$ 1.5180
Distribution (30/06/17)	\$ 0.0296	\$ 0.0292
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

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## Fund review & strategy

The Fund rose 1.1% in August. Fund holdings that performed well included **A2 Milk**, **Orora** and **Sydney Airport**. However, **Commonwealth Bank (CBA)**, **Suncorp** and **JB Hi-Fi** detracted from performance. With the exception of CBA, the major contributors and detractors during the month were largely influenced by their specific result announcements - we note that August is a typically volatile month as company results drive share price movements.

There are typically three pieces of information we draw from companies announcing results. First, does the result tell us anything about the competitive environment and how is management responding? Second, does the result contain information to assist us to formulate our view of the company's earnings over the next two years? Finally, are there any changes to the medium term strategic direction of the company? Concentrating on these three factors helps us to focus on what's important: management driving companies to grow their business over a reasonable duration of time, and not over the next three months.

For example, we spent time assessing how **A2 Milk** and **Orora** are positioned to grow their revenues in the US market. A2 Milk is still in the infancy stage in penetrating the US market and if successful this could be a large source of new business. Orora is somewhat more established in the US compared to A2 Milk but is finding new opportunities to grow its addressable market. These are long term endeavours for both businesses. The timeframe for returns on these investment could potentially be long but ultimately rewarding.

Top contributors (absolute)	Sector
A2 Milk	Consumer Staples
Orora	Materials
Sydney Airport	Industrials
Top detractors (absolute)	Sector
Commonwealth Bank	Finance
Suncorp	Finance
JB Hifi	Consumer Discretionary
Platforms	
BT Wrap, Macquarie Wrap, Netwealth, Hub24, Powerwrap	

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