

Prime Value Opportunities Fund

Fund Update - December 2016



- Equity markets globally continued to draw on the optimism generated by the US election and traded up strongly
- We are cautious on the increased optimism as broad market valuations are relatively high and unlikely to move higher. Our focus remain on individual stock opportunities
- The fund posted a return of 2.7% for the month. Key positive contributors to performance included Bapcor, Orora and Commonwealth Bank. Detractors to performance included Mayne Pharma, A2 Milk and Hansen Technologies

	Total Return*	S&P/ASX300 Accumulation Index	Benchmark (8% pa)
Since inception (pa)	13.4%	10.5%	8.0%
3 Years (pa)	7.9%	6.6%	8.0%
1 Year (pa)	4.5%	11.8%	8.0%
3 Months	-2.5%	4.9%	2.0%
1 Month	2.7%	4.3%	0.7%

* 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.

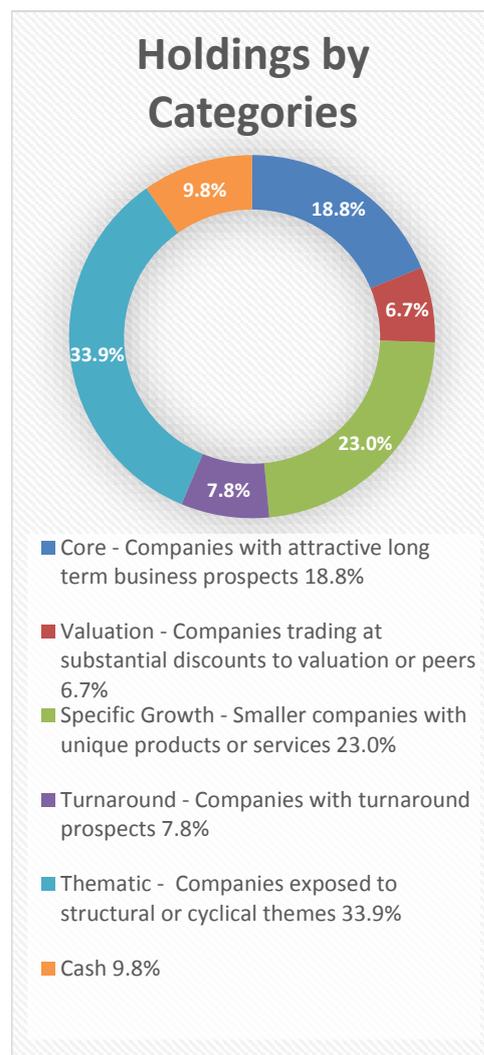
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD	ITD
FY 2013					1.8%	1.7%	4.3%	6.2%	-0.6%	4.0%	-2.2%	-1.7%	14.1%	14.1%
FY 2014	4.4%	2.6%	4.4%	5.0%	-1.1%	1.5%	-1.9%	5.9%	0.2%	0.3%	0.3%	-1.4%	21.4%	38.5%
FY 2015	2.5%	1.0%	-4.1%	3.1%	-1.9%	0.7%	1.5%	5.7%	1.4%	-1.0%	0.5%	-4.3%	4.6%	44.9%
FY 2016	5.3%	-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%							1.7%	68.8%

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

* The top five holdings make up approximately 29.8% 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	13.4%
Research Rating	Lonsec - Investment Grade Zenith – Approved

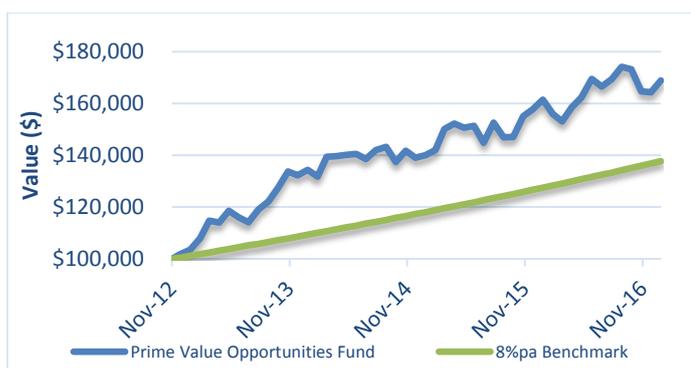
Prime Value SIV Opportunities Fund units will have 0% of International Exposure in accordance with SIV regulations



Market review

Global equity markets traded higher in December, building on the positive sentiment emerging from the US election, economic data that sign-posted better-than-expected growth and rising expectation that governments may spend their way to growth. Oil prices also reacted to a significant OPEC agreement to cut oil production, joined later by a Russian commitment. Traders did not stop to assess the likelihood of successful enforcement of oil production cuts, which has proven to be extremely difficult in the past. WTI oil traded 8.7% higher in December.

The ASX300 Accumulation Index returned 4.3% for the month. Financials were a key contributor to the index rise, as concerns of banks capital requirements and bad debts eased. The sector also benefitted from the slip-stream of global financials which traded higher due to higher bond yields benefitting their books. Utilities, which had lagged the market in prior months, due to their sensitivities to rising bond yields, were another stand out sector in December. Not surprisingly, the Energy sector also performed well due to the surge in the oil price whilst the material sector continued to be robust. Selected small caps started to post a recovery after the sector endured a significant sell-off in the preceding months. However, the recovery was not broad-based indicating cautiousness for high PE stocks and those dependent on acquisitions to grow.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$168,840 (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 \$137,720 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	\$ 1.5386	\$ 1.5098
Withdrawal price	\$ 1.5270	\$ 1.4984
Distribution (31/12/16)	\$ 0.0200	\$ 0.0206
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 outperformed its absolute return benchmark in December, with a return of 2.7% after fees. In absolute terms, the Fund's major contributors to performance for the month were **Bapcor**, **Orora** and **CBA**. The three major detractors were **Mayne Pharma**, **A2 Milk** and **Hansen Technologies**.

Bapcor's share price had been under some short-term pressure since the company announced a takeover of New Zealand based Hellaby, a 120 branch wholesale and a trade automotive business in September 2016. **Bapcor** raised its offer from NZ\$3.30 to NZ\$3.60 in December 2016 thereby increasing the probability of the offer being accepted. We are awaiting further developments but expect a resolution of the Hellaby takeover to be a positive.

A2 Milk has had a volatile period of performance in recent months. Bellamy's difficulties with its infant formula sales via the Chinese e-commerce and middle-men markets have affected the sentiment of most companies in the dairy sector. It's notable that **A2 Milk** reported revenues and EBITDA for the first four months of FY17 that indicated that **A2 Milk** hasn't suffered the difficulties Bellamy's has faced. Although we acknowledge that selling through the Chinese e-commerce market is increasingly complex, **A2 Milk** has managed both its sales and distribution and supply chain well. We continue to be invested in the company and will monitor closely.

Top contributors (absolute)	Sector
Bapcor	Consumer Discretionary
Orora	Materials
Commonwealth Bank	Financials

Top detractors (absolute)	Sector
Mayne Pharma	Health Care
A2 Milk	Consumer Staples
Hansen Technologies	IT

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

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