

Prime Value Opportunities Fund

Fund Update – February 2017



- Equity market performance was solid in February, helped by a benign domestic reporting season
- Company fundamentals returned to investors focus, after months of elevated offshore macro developments. We observe that broad-based market valuations have also risen which warrant some caution in the short term
- The Fund posted a positive return of 2.4% for the month with a cash position of over 14%. Westpac, CSL and Downer were key contributors to performance during the month

	Total Return*	Benchmark (8% pa)	Value Add
Since inception (p.a.)	13.2%	8.0%	5.2%
3 Years (p.a.)	7.0%	8.0%	(1.0%)
1 Year	11.7%	8.0%	3.7%
3 Months	4.0%	1.9%	2.1%
1 Month	2.4%	0.6%	1.8%

* 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.

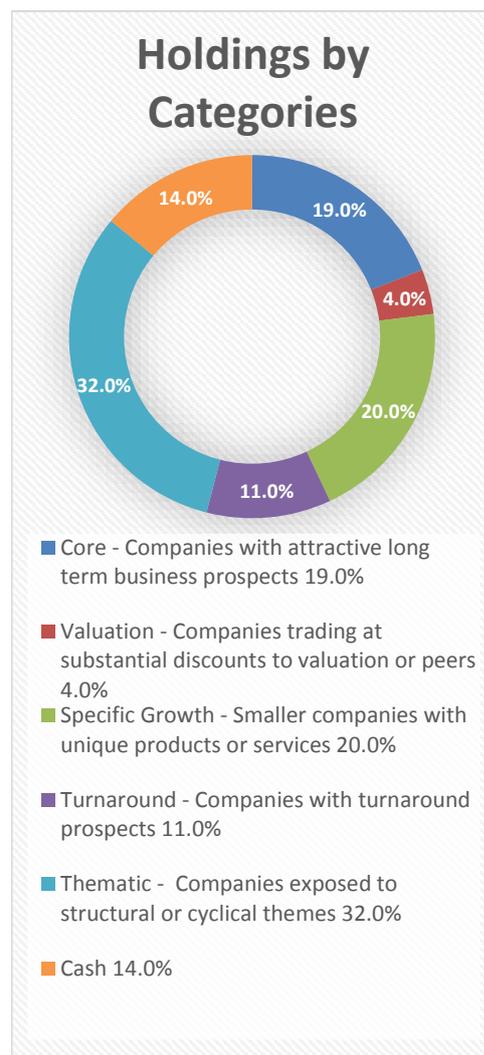
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD	ITD
FY 2013					1.8%	1.7%	4.3%	6.2%	(0.6%)	4.0%	(2.2%)	(1.7%)	14.1%	14.1%
FY 2014	4.4%	2.6%	4.4%	5.0%	(1.1%)	1.5%	(1.9%)	5.9%	0.2%	0.3%	0.3%	(1.4%)	21.4%	38.5%
FY 2015	2.5%	1.0%	(4.1%)	3.1%	(1.9%)	0.7%	1.5%	5.7%	1.4%	(1.0%)	0.5%	(4.3%)	4.6%	44.9%
FY 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%					2.7%	71.0%

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

* The top five holdings make up approximately 29.7% 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	13.2%
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 2.2% in February reflecting the strong performance of equity markets globally and a benign domestic reporting season. The S&P500 delivered the biggest monthly gain (+4%), with emerging markets (+1.7%) and the Nikkei (+0.5%) underperforming. While equity markets rallied, the so-called Trump reflation trade took a pause with the more defensive and interest-rate sensitive sectors outperforming and bonds yields generally lower. Cyclical sectors underperformed, along with telcos. Mining was the worst performing sub-sector despite higher commodity prices, including iron ore which rose 10.2% to US\$92 a tonne. A pause in the mining sector was warranted after a strong performance in 2016. Australian large-caps stocks (+2.4%) once again outperformed mid-caps (+1.5%) and small-caps (+1.3%). Notably, the Australian reporting season was reasonably benign with company profits generally within expectations although we note an extremely high number of profit downgrades in the preceding three months.

Australian economic data was mixed: retail sales fell in January and are now a modest +3% year-on-year. On a more positive note the unemployment rate came-in lower than expected at 5.7%.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$170,990 (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 \$139,450 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	\$ 1.5378	\$ 1.5080
Withdrawal price	\$ 1.5262	\$ 1.4966
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

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Fund review & strategy

The Fund posted a 2.4% return in February. The Fund's major contributors to performance for the month were **Westpac**, **CSL** and **Downer EDI**. The three major detractors were **BHP**, **Credit Corp** and **Reliance Worldwide**. February is typically an important but volatile period for companies we own. It's a period where knee jerk reactions both on the upside and downside are common as investors react to new information. We will generally look beyond transient issues when assessing the prospects of our investments.

Our top 10 holdings posted solid results, the best result coming from **CSL**. We had highlighted some of **CSL's** strengths in the previous month. **Downer** and **Cleanaway**, which were added to the portfolio in the past 6 months, also posted good results. The management of both companies continues to drive transformations across their businesses in efforts to diversify and improve profitability. **Reliance Worldwide**, a company which we have held since its IPO, was another company that posted very solid results. There was good revenue growth in its push-to-connect plumbing products in the US with margins improving further. Overshadowing **Reliance's** result was the progress in distribution transition from The Home Depot to Lowe's. Concerns of any significant loss of sales have not been realised thus far, but we will be monitoring the situation for any adverse changes.

Top contributors (absolute)	Sector
Westpac	Financials
CSL	Healthcare
Downer EDI	Industrials

Top detractors (absolute)	Sector
BHP	Industrials
Credit Corp	Financials
Reliance Worldwide	Industrials

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

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