

# Prime Value Opportunities Fund

## Fund Update – January 2017



- Political headlines moved markets, starting the month on optimistic promises and ending flat on hard realities
- Uncertainty around a new political administration should lead to individual stock opportunities as short term share price movements potentially deviate from longer term prospects
- Key contributors to performance included CSL, BHP and Webjet. Detractors to performance included Reliance Worldwide, Orora and Bapcor

	Total Return*	Benchmark (8% pa)	Value Add
Since inception (p.a.)	12.9%	8.0%	4.9%
3 Years (p.a.)	8.2%	8.0%	0.2%
1 Year	7.0%	8.0%	(1.0%)
3 Months	1.4%	2.0%	(0.6%)
1 Month	(1.1%)	0.7%	(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.

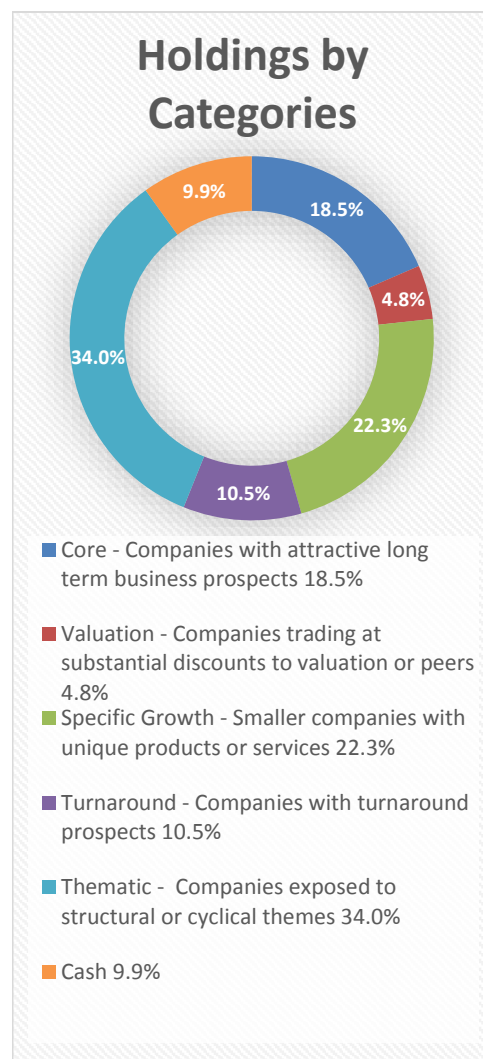
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD	ITD
FY 2013					1.8%	1.7%	4.3%	6.2%	(0.6%)	4.0%	(2.2%)	(1.7%)	14.1%	14.1%
FY 2014	4.4%	2.6%	4.4%	5.0%	(1.1%)	1.5%	(1.9%)	5.9%	0.2%	0.3%	0.3%	(1.4%)	21.4%	38.5%
FY 2015	2.5%	1.0%	(4.1%)	3.1%	(1.9%)	0.7%	1.5%	5.7%	1.4%	(1.0%)	0.5%	(4.3%)	4.6%	44.9%
FY 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%)						0.3%	67.0%

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 29.6% of the portfolio

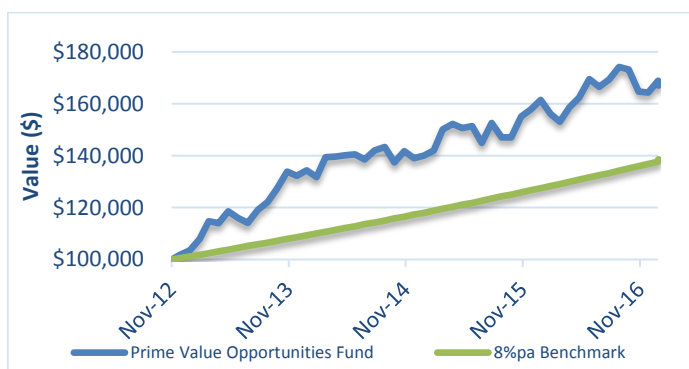
Feature	Fund facts
Portfolio Manager	ST Wong
Investment objective	To achieve superior absolute total returns by providing medium to long term capital growth without the constraints of a share market benchmark.
Benchmark	8% pa
Inception Date	5 November 2012
Cash	0 - 100%
International Exposure#	0 - 20%
Distribution	Half-yearly
Recommended investment period	3 + years
Annualised Return	12.9%
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 declined -0.8% in January, underperforming global equity indices in local currency terms despite the ongoing rally in mining stocks and commodity prices. Domestically, the broader materials sector (+4.8%) and healthcare sectors (+4.6%) produced the strongest gains; however, most other sectors posted modest or negative returns including the banks. REITs (-4.7%) and industrials (-4.4%) were the major laggards. Mid-caps (0.1%) outperformed mega-caps (-0.6%), large-caps (-0.7) and small-caps (-2.4%), which have significantly underperformed over the financial year-to-date. Donald Trump continued to dominate world headlines: reiterating his pro-growth/reflationary policy agenda, imposing immigration restrictions, withdrawing from the Trans Pacific Partnership. Most commodities and base metals rose over the month, including iron ore which closed up 4.4% to US\$83.50 a tonne and gold (up 5.8% to US\$1,212.80). However, coal continued its recent falls, while oil was down 2% to US\$55.70 a barrel (Brent). The Australian dollar rallied against most currencies to close up 4.8% to 0.7590 US cents. Australian economic data was mixed: residential building approvals (November) rebounded more strongly than expected to an annualised rate of 211k.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$167,000 (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 \$138,630 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	\$ 1.5020	\$ 1.4729
Withdrawal price	\$ 1.4906	\$ 1.4617
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 underperformed its absolute return benchmark in January, with a return of -1.1% after fees. The Fund has returned 7.0% over 1 year and 12.9% p.a since inception. In absolute terms, the Fund's major contributors to performance for the month were **CSL**, **BHP** and **Webjet**. The three major detractors were **Reliance Worldwide**, **Orora** and **Bapcor**.

**CSL** gained share in its core US plasma collection market. This comes on the back of a decision to invest in infrastructure over the past few years. Consequently, the company announced in January its FY17 profits are exceeding management's expectations – by 7% to 10%. **CSL** is an example of patient investing as the share price had been under pressure in the last six months. We believe though, the company has the requisite financial strength to underscore an ability to generate superior value creation through high margin products.

The Fund held approximately 30 positions at the end of the month, representing a concentrated but diverse collection of investments having a low correlation to major share market benchmarks. Our immediate focus will be on the February company profit reporting period. However, our portfolio construction framework focusses on a broad range of drivers, both short and long term. We are confident that our focus on absolute returns driven by stock selection and a strong portfolio construction framework will underpin Fund outperformance.

Top contributors (absolute)	Sector
CSL	Health Care
BHP	Materials
Webjet	Consumer Discretionary

Top detractors (absolute)	Sector
Reliance Worldwide	Industrials
Orora	Materials
Bapcor	Consumer Discretionary

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

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