

Prime Value Opportunities Fund

Fund Update – March 2017



- Large capitalisation companies led the Australian market higher in March, ending the quarter on a positive note
- Merger and acquisition activity was notably higher than normal during the March quarter with IPO activity subdued
- The Fund posted a return of 2.1% for the month and 3.4% for the March quarter. Sydney Airport, CSL and CBA were key contributors to performance during the month

	Total Return*	Benchmark (8% pa)	Value Add
Since inception (p.a.)	13.5%	8.0%	5.5%
3 Years (p.a.)	7.7%	8.0%	(0.3%)
1 Year	10.1%	8.0%	2.1%
3 Months	3.4%	2.0%	1.4%
1 Month	2.1%	0.7%	1.4%

* 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.

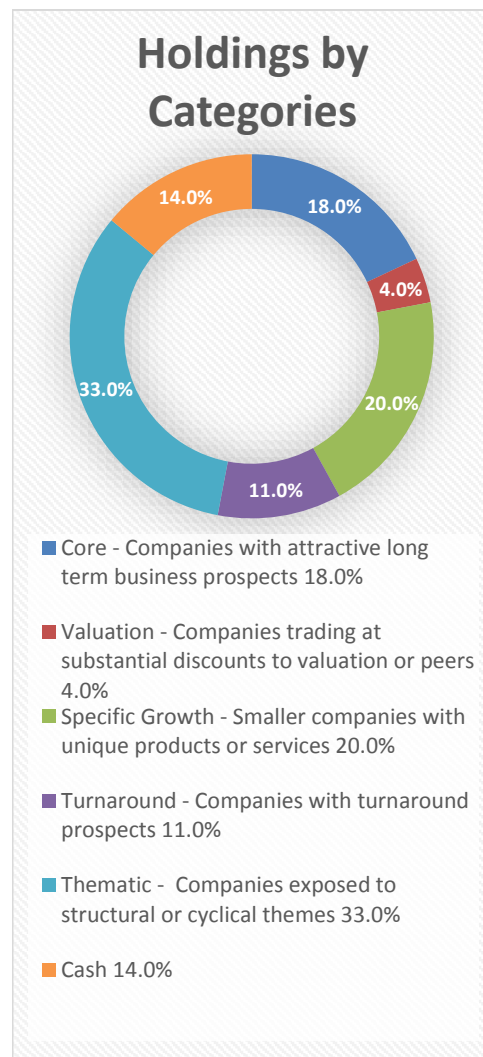
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD	ITD
FY 2013					1.8%	1.7%	4.3%	6.2%	(0.6%)	4.0%	(2.2%)	(1.7%)	14.1%	14.1%
FY 2014	4.4%	2.6%	4.4%	5.0%	(1.1%)	1.5%	(1.9%)	5.9%	0.2%	0.3%	0.3%	(1.4%)	21.4%	38.5%
FY 2015	2.5%	1.0%	(4.1%)	3.1%	(1.9%)	0.7%	1.5%	5.7%	1.4%	(1.0%)	0.5%	(4.3%)	4.6%	44.9%
FY 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%				4.9%	74.6%

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

* The top five holdings make up approximately 30.4% 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	13.5%
Research Rating	Lonsec - Investment Grade Zenith – Approved

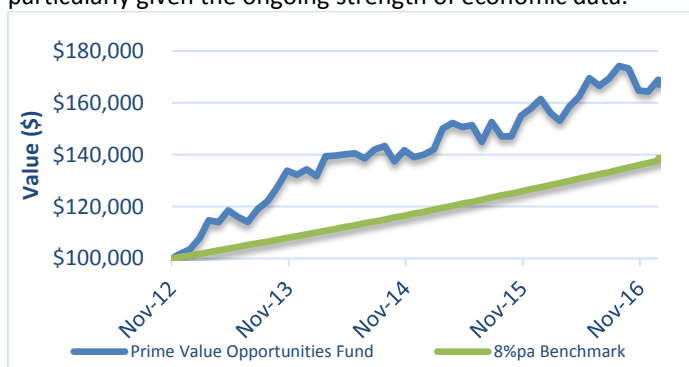
The Prime Value SIV Opportunities Fund will have no exposure to international securities in accordance with SIV regulations



Market review

March was another strong month for Australian equity investors, with the S&P/ASX 300 up 3.3% (including dividends). Global equity markets were generally strong. Developed markets (+1%), emerging markets (+2%) and the FTSE (+1%) all rose; however, the S&P 500 was flat (+0.1%) and the Nikkei fell 0.4%. As was the case in February, the materials and telco sectors underperformed. Mining was the worst performing sub-sector, weighed down by falling commodity prices including iron ore (-12% to US\$81 a tonne). The energy sector posted a positive return of 4.8% despite a 5% fall in the oil price to US\$52.83 a barrel (Brent). Domestically, all other sectors posted strong returns with the exception of the discretionary retail sub-sector. Mid-caps (+3.7%) outperformed large caps (+3.3%), while small-caps once again underperformed (+2.7%). Other noteworthy developments included APRA announcing further restrictions on mortgage lending (focused on interest-only lending). On the corporate front, Downer launched a takeover bid for Spotless.

Monetary policy and political developments continue to drive asset class markets. In the US, the Fed lifted rates as expected. However, its outlook statement and subsequent minutes were interpreted as more “dovish” than anticipated, particularly given the ongoing strength of economic data.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$174,550 (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 \$140,360 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	\$ 1.5698	\$ 1.5394
Withdrawal price	\$ 1.5580	\$ 1.5278
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

The information contained in this Fund Update is general in nature and has no regard to the specific investment objectives, financial or particular needs of any specific recipient. It is not intended to constitute investment advice or a personal securities recommendation. This document is not a Product Disclosure Statement (PDS) or an offer of units, and contains a brief overview of the investment only. Any prospective investor wishing to make an investment in the Prime Value Opportunities Fund must obtain and read the PDS dated 28 March 2013 (particularly the risk factors discussed) and complete an application form. Neither Prime Value Asset Management Limited nor its associates or directors, nor any other person, guarantees the success of the Prime Value Opportunities Fund, the repayment of capital or any particular rate of capital or income return, or makes any representation in relation to the personal taxation consequences of any investor's investment.

Fund review & strategy

The Fund outperformed its absolute return benchmark in March, with a return of 2.1% after fees. In absolute terms, the Fund's major contributors to performance for the month were **Sydney Airport, CSL** and **CBA**. The three major detractors were **BHP, Downer EDI** and **Harvey Norman**. Overall, it was a solid March quarter for the Fund, with a return of 3.4%.

Sydney Airport's CEO Kerrie Mather announced her retirement in March, after a long and successful period of value creation for investors. Whilst we will miss her leadership, we believe **Sydney Airport** has institutional strength and management depth and a long runway of initiatives to extend its growth potential.

We invested in **Downer** for four reasons: (1) an improving industry structure with activity rising and profitability pressures easing. (2) **Downer** has broadened its business base and is today less reliant on large, lumpy and potentially onerous liability rail contracts. We believe **Downer** is well positioned to win work across a number of sectors including construction, infrastructure and in mining services. (3) A strong balance sheet (the company doesn't carry debt). (4) Valuations that were attractive, with the company having the potential to re-rate as earnings improve. Nevertheless, we view **Downer's** bid for Spotless negatively and will be re-assessing our investment as new information is released.

Top contributors (absolute)	Sector
Sydney Airport	Industrials
CSL	Healthcare
CBA	Financials

Top detractors (absolute)	Sector
BHP	Materials
Downer EDI	Industrials
Harvey Norman	Consumer Discretionary

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

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