

# Prime Value Opportunities Fund

## Fund Update – May 2017



- Banks, which account for approximately a third of the ASX300 Index were the key reason for the weak Australian share market in May as the banking sector declined 9.8% for the month
- The economy continues its transition from the resource sector, with rising emphasis on infrastructure development to provide for the rising urban population
- The Fund held up relatively well during the month with industrials and mid-cap companies contributing positively to performance

	Total Return*	Benchmark (8% pa)	Value Add
Since inception (p.a.)	13.0%	8.0%	5.0%
3 Years (p.a.)	7.6%	8.0%	(0.4%)
1 Year	3.2%	8.0%	(4.8%)
3 Months	2.3%	2.0%	0.3%
1 Month	(1.2%)	0.6%	(0.6%)

\* 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.

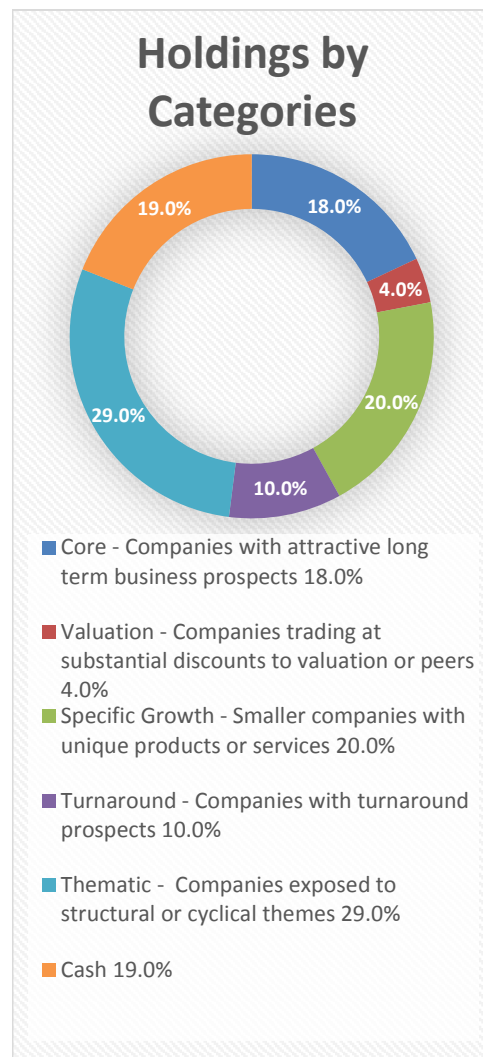
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD	ITD
FY 2013					1.8%	1.7%	4.3%	6.2%	(0.6%)	4.0%	(2.2%)	(1.7%)	14.1%	14.1%
FY 2014	4.4%	2.6%	4.4%	5.0%	(1.1%)	1.5%	(1.9%)	5.9%	0.2%	0.3%	0.3%	(1.4%)	21.4%	38.5%
FY 2015	2.5%	1.0%	(4.1%)	3.1%	(1.9%)	0.7%	1.5%	5.7%	1.4%	(1.0%)	0.5%	(4.3%)	4.6%	44.9%
FY 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%)		5.0%	74.8%

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

\* The top five holdings make up approximately 26.6% 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	13.0%
Research Rating	Lonsec - Investment Grade Zenith – Approved

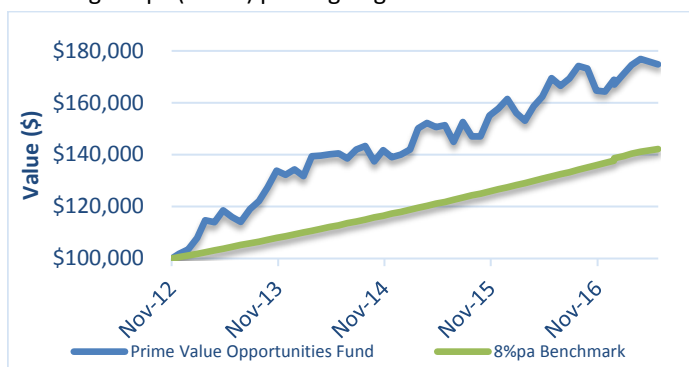
# The Prime Value SIV Opportunities Fund will have no exposure to international securities in accordance with SIV regulations



## Market review

The Australian share market declined 2.7% in May, weighed down by a large sell-off in banks (-9.8%). By contrast, global equity markets continued to rally despite significant volatility from US political events. Global equities rose on strong US and European reporting seasons and robust economic indicators. A notable development in May was Moody's downgrade of China's sovereign debt rating. Domestically, employment data and business confidence remained solid but retail sales and residential building approvals disappointed. The Australian dollar was steady at US\$0.744, despite another significant leg down in the iron ore price (-14%). Brent oil price fell US\$1.42 to US\$50.31/barrel.

The big sell-off in domestic bank stocks was headlined by the Government's budget levy announcement. This only exacerbated what was a relatively lacklustre bank reporting season and rising housing market concerns. The discretionary retail sub-sector also came under significant pressure during the month (-8.9%), reflecting a number of high profile bankruptcy announcements and the ongoing overhang of Amazon's pending arrival. The best performing sector was once again industrials (+4.7), while the telco sector recovered some of last month's declines. Mid-caps (+0.8%) significantly outperformed, with small-caps (-2.1%), large-caps (-3.3%) and mega-caps (-4.8%) posting negative returns.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$174,840 (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 \$142,180 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	\$ 1.5725	\$ 1.5419
Withdrawal price	\$ 1.5605	\$ 1.5303
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 underperformed its absolute return benchmark in May. In contrast to the S&P/ASX 300 Accumulation Index which fell 2.7% due to the large weighting of banks, the Fund held up relatively well. In absolute terms, the Fund's major contributors to performance for the month were **Sydney Airport**, **Reliance Worldwide** and **Webjet**. Industrial and mid-cap companies formed the backbone of fund performance in May. The three major detractors were the Fund's bank holdings, **Westpac** and **CBA**, along with **Orora**. The Fund's bank holdings has been declining and accounted for approximately 11% of the portfolio's holdings at the end of May. As bank valuations rose relative to their earnings potential, we have been reducing our holdings.

Discussions around kitchen tables have firmly centred around the debate on whether the housing market has peaked. Our attention and research on housing is focussed on the broader implications across the economy. For example, what are the implications for the retirement or aged care sector? A long standing assumption in this sector is that retirees will use their home equity to fund the acquisition of lower priced, built for purpose accommodation. It also leaves a healthy balance to fund retirement. This assumption may not hold should house prices come under pressure as demand for retirement units may also decline. Under such a scenario, valuations for aged care stocks would look well over priced.

We continue to look for opportunities in stocks that have been sold off due to short term issues but have sound long term prospects.

Top contributors (absolute)	Sector
Sydney Airport	Industrials
Reliance Worldwide	Industrials
Webjet	Consumer Discretionary

Top detractors (absolute)	Sector
Westpac	Financials
Commonwealth Bank	Financials
Orora	Materials

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

### Contact details:

Phone: 03 9098 8088

Fax: 03 9098 8099

Email: [info@primevalue.com.au](mailto:info@primevalue.com.au)

### Mail:

Prime Value Asset Management Ltd

Level 9, 34 Queen Street

Melbourne VIC 3000

Web: [www.primevalue.com.au](http://www.primevalue.com.au)