

# Prime Value Opportunities Fund

## Fund Update - November 2016



- Unexpected outcomes in global events (Brexit and Trumps victory), reinforced the futility in trying to predict macro outcomes
- Sector and stock dispersion in the Australian market was extreme with banks and resources companies rising at the expense of smaller companies
- The Fund was virtually flat for the month. Positive returns from our larger cap holdings helped to offset negative returns from our ex-top 50 companies

	Total Return*	S&P/ASX300 Accumulation Index	Benchmark (8% pa)
Since inception (pa)	13.0%	9.6%	8.0%
3 Years (pa)	7.5%	5.4%	8.0%
1 Year (pa)	4.2%	10.1%	8.0%
3 Months	-5.6%	1.1%	1.9%
1 Month	-0.2%	2.8%	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.

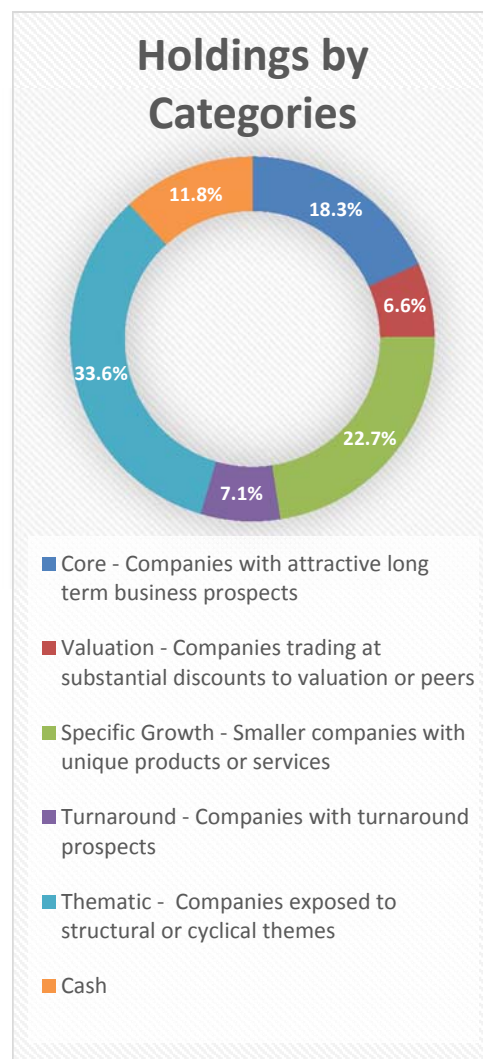
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD	ITD
FY 2013					1.8%	1.7%	4.3%	6.2%	-0.6%	4.0%	-2.2%	-1.7%	14.1%	14.1%
FY 2014	4.4%	2.6%	4.4%	5.0%	-1.1%	1.5%	-1.9%	5.9%	0.2%	0.3%	0.3%	-1.4%	21.4%	38.5%
FY 2015	2.5%	1.0%	-4.1%	3.1%	-1.9%	0.7%	1.5%	5.7%	1.4%	-1.0%	0.5%	-4.3%	4.6%	44.9%
FY 2016	5.3%	-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%								-1.3%	64.4%

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

\* The top five holdings make up approximately 29.1% 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

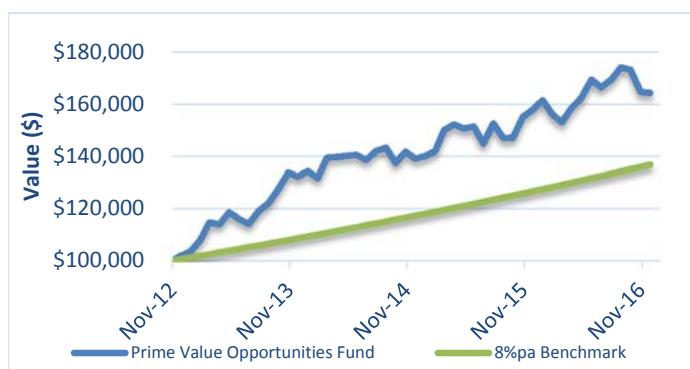
# Prime Value SIV Opportunities Fund units will have 0% of International Exposure in accordance with SIV regulations



## Market review

Global equities rallied and bond markets sold-off following Trump's unexpected victory in November. Equity markets rose on hopes President elect Trump could reignite US growth, along with prospects of lessened banking and healthcare regulation. Bond yields rose sharply on the view that Trump's economic program of fiscal stimulus and tax cuts would be reflationary, with US 10-year treasury yields up more than 50 basis points for the month.

Beneath the headline share market indices, however, the sector and stock dispersion was extreme. Driven by reflationary expectations, cyclical and value stocks rallied whilst defensive stocks, global bonds and gold were sold aggressively. The Australian share market outperformed most equity markets, driven by broad based outperformance of banking and resource stocks. Defensive and yield-oriented sectors underperformed, while discretionary retail was the worst performing sub-sector. Mega-caps (4.3%) and large-caps (3.6%) again outperformed mid-caps (0.8%) and small-caps (-1.2%). News flow was plentiful as the market digested a large number of progress updates from companies at their AGM.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$164,360 (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 \$136,830 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	\$ 1.4978	\$ 1.4697
Withdrawal price	\$ 1.4864	\$ 1.4585
Distribution (30/06/2016)	\$0.0207	\$0.0133
Indirect Cost Ratio (ICR)	0.95% pa	0.95% pa
Performance fee	15% <sup>1</sup>	15% <sup>1</sup>

<sup>1</sup> 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 declined 0.2% in October (after fees), underperforming its absolute return benchmark. The Fund's holdings in larger companies offset declines in smaller companies. During the month, **A2 Milk**, **Chorus** and **CBA** added to performance whilst **BWX**, **Webjet** and **Orora** were key detractors. It's noteworthy to highlight that the ASX300 Index gained 2.8% in November, contrasting the Small Ordinaries Index's 1.2% decline.

The theme of rotating from smaller or growth companies to value companies continued in November from the previous month. Not helping the sentiment for smaller companies was the large number of companies posting profit updates that were below expectations. Not surprisingly the share prices of the affected companies fell significantly. The Fund has a reasonably high proportion of holdings in ex-50 companies as we see better growth opportunities residing with these companies. We are pleased to report that none of our investments in ex-50 companies reported a profit downgrade in recent months. Nevertheless, this did not prevent the share prices of our holdings in some smaller companies falling due to the broad sell-off we highlighted above. We remain patient—value is emerging and the trend of selling off smaller companies will eventually exhaust itself. In the meantime we are focussed on what matters most for our investors—company fundamentals.

Top contributors (absolute)	Sector
A2 Milk	Consumer Staples
Chorus	Telecommunications
Commonwealth Bank of Australia	Financial

Top detractors (absolute)	Sector
BWX Limited	Consumer Staples
Webjet	Consumer Discretionary
Orora Limited	Materials

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

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