

Prime Value Opportunities Fund

Fund Update - October 2015



- Global equity markets performed strongly buoyed by the expectation the US Fed may stay its hand on interest rates
- The ACCC raised a red flag on the proposed takeover of Asciano by Brookfield. However, Qube has entered the bidding competition and introduced a competing offer interest for the same assets
- The Fund achieved its 3-year milestone, comfortably outperforming the 8% benchmark. The Fund was also comfortably ahead of the S&P/ASX300 Index by 5.8% p.a. since inception

| | Total Return* | S&P/ASX300 Accumulation Index | Benchmark (8% pa) |
|----------------------|---------------|-------------------------------|-------------------|
| Since inception (pa) | 15.8% | 10.0% | 8.0% |
| 2 Years (pa) | 7.7% | 2.7% | 8.0% |
| 1 Year (pa) | 9.5% | -0.5% | 8.0% |
| 3 Months | 1.7% | -6.4% | 1.9% |
| 1 Month | 5.5% | 4.4% | 0.6% |

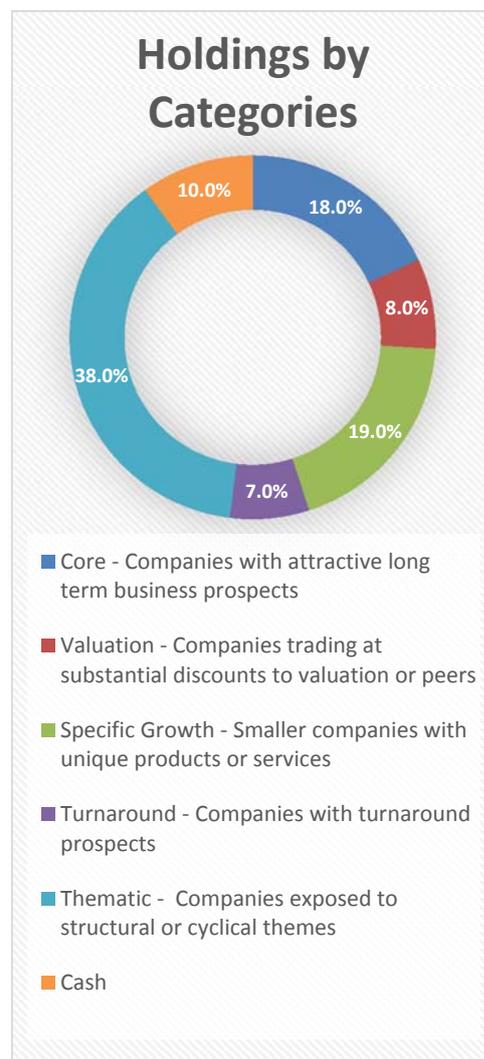
* Fund returns are calculated net of management fees, assuming all distributions are re-invested. Performance figures have been calculated in accordance with the Financial Services Council (FSC). The returns are calculated before performance fees which are charged against individual accounts. The returns 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% | | | | | | | | | 7.1% | 55.1% |

| Top five holdings | Sector |
|-----------------------------|-------------|
| National Australia Bank | Financials |
| Commonwealth Bank Australia | Financials |
| Ramsay Health Care | Health Care |
| Sydney Airport | Industrials |
| Amcor | Materials |

* The top five holdings make up approximately 27.5% of the portfolio

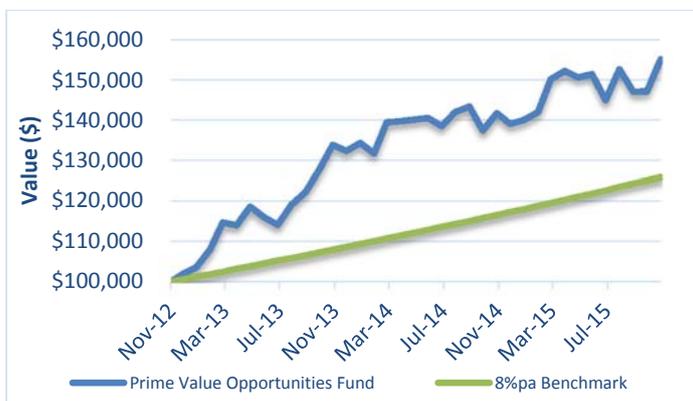
| Feature | Fund facts |
|-------------------------------|---|
| Portfolio Manager | ST Wong |
| Investment objective | To achieve superior absolute total returns by providing medium to long term capital growth without the constraints of a share market benchmark. |
| Benchmark | 8% pa |
| Inception Date | 5 November 2012 |
| Cash | 0 - 100% |
| International Exposure | 0 - 20% |
| Distribution | Half-yearly |
| Recommended investment period | 3 + years |
| Annualised Return | 15.8% |
| Research Rating | Lonsec - Investment Grade Zenith - Approved |



Market review

October was a strong month for equity markets with generally weaker economic data spurring hopes of further monetary stimulus. The Australian share market returned 4.4%, underperforming global equities, which posted its biggest monthly return for 4 years (+8%) – defying the so-called ‘October effect’. Against the weakening global economic backdrop, the Fed again held-off raising rates; the People’s Bank of China cut rates; and the ECB and Bank of Japan both flagged the possibility of further stimulus.

Most sectors posted positive returns, apart from the more defensive consumer staples (flat) and telco sectors (-2.9%). Energy was the best performing sector; however, the materials sector underperformed its global sector return, dragged down by a weaker iron ore price (-9.0%). Small caps (7.1%) and mid-caps (7.3%) continued their trend of outperformance over large caps (3.8%) and mega caps (3.2%). The Australian dollar closed higher (up 1.1 cents to USD0.7130) despite easing back late in the month, reflecting weaker domestic inflation data and higher mortgage rates by the major banks (up 0.15 – 0.20%).



This graph shows how \$100,000 invested at the Fund’s Inception has increased to \$155,100 (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 \$125,800 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 | \$1.4613 | \$1.4354 |
| Withdrawal price | \$1.4503 | \$1.4246 |
| Indirect Cost Ratio (ICR) | 0.95% pa | 0.95% pa |
| Performance fee | 15% ¹ | 15% ¹ |

¹ of performance (net of management fees) above the agreed benchmark, subject to a high water mark

Fund review & strategy

The Fund reached its 3 year milestone and we are pleased with its performance through what has been a volatile period. The Fund posted a return of 5.5% for the month and 15.8% p.a. since inception, outperforming the ASX300 Accumulation Index by 5.8% p.a. This performance was achieved through prudent stock selection within a well-constructed portfolio.

The Fund’s major contributors to performance in October were APN Outdoors (+24.4%), Bega Cheese (+22.6%) and BT Investment Management (+19.4%). Major detractors were Asciano (-2.4%), Burson Group (-2.2%) and Veda (-1.9%).

The Fund exhibits the hallmarks of Prime Value’s investment philosophy of investing in quality companies whilst maintaining a focus on capital preservation. In line with its objective, the Fund outperformed the broader market during all down months and delivered positive performance in 70% of months.

We expect stock selection to continue underpinning Fund performance. For this reason, we continue to build a pipeline of investment ideas to identify companies that are well placed to grow their businesses profitably.

| Top contributors (absolute) | Sector |
|-----------------------------|------------------------|
| APN Outdoors | Consumer Discretionary |
| Bega Cheese | Consumer Staples |
| BT Investment Management | Financials |

| Top detractors (absolute) | Sector |
|---------------------------|------------------------|
| Asciano | Industrials |
| Burson Group | Consumer Discretionary |
| Veda | Industrials |

| Platforms |
|--------------------------------------|
| BT Wrap, Hub24, Netwealth, Powerwrap |

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