

Prime Value Opportunities Fund

Fund Update - October 2016



- Investors were extremely short term focussed as attention turned to rising bond yields and the US election.
- The materials sector performed well, offsetting weakness in interest rate sensitive sectors. Small-caps stocks performance were affected by profit taking and news emerging from AGM updates
- We expect the fundamental outlook of our investments to overcome the short term share price vagaries of the markets
- The Opportunities Fund was added to the Macquarie Wrap platform on 1 November

| | Total Return* | S&P/ASX300 Accumulation Index | Benchmark (8% pa) |
|----------------------|---------------|-------------------------------|-------------------|
| Since inception (pa) | 13.3% | 9.1% | 8.0% |
| 3 Years (pa) | 7.2% | 3.9% | 8.0% |
| 1 Year (pa) | 6.2% | 6.3% | 8.0% |
| 3 Months | -7.1% | -3.2% | 2.0% |
| 1 Month | -4.9% | -2.2% | 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.

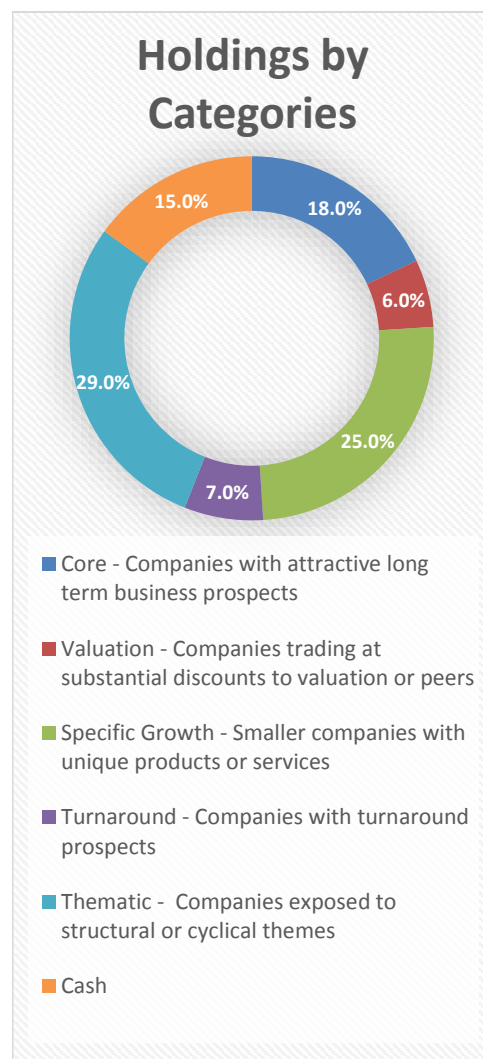
| | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | FYTD | ITD |
|---------|------|-------|-------|-------|-------|------|-------|-------|-------|-------|-------|-------|-------|-------|
| FY 2013 | | | | | 1.8% | 1.7% | 4.3% | 6.2% | -0.6% | 4.0% | -2.2% | -1.7% | 14.1% | 14.1% |
| 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% | | | | | | | | | -1.0% | 64.7% |

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

* The top five holdings make up approximately 25.7% 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 | 13.3% |
| Research Rating | Lonsec - Investment Grade Zenith – Approved |

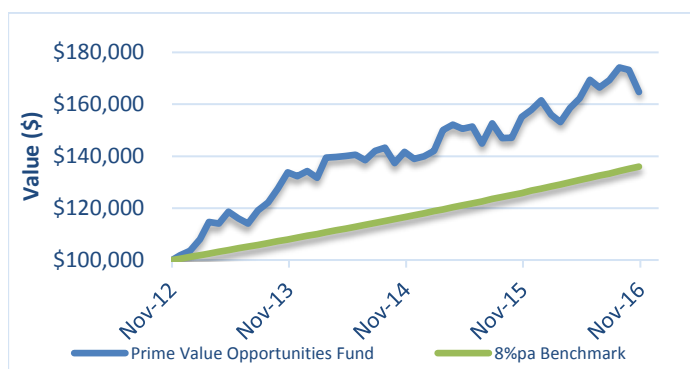
Prime Value SIV Opportunities Fund units will have 0% of International Exposure in accordance with SIV regulations



Market review

Global equity markets were generally lower in October, weighed down by rising bond yields, ongoing rotation out of defensive sectors, including 'bond proxies' and significant profit taking of better performing stocks. The Australian share market as measured by the ASX 300 Accum. Index declined 2.2% despite positive returns from the mining and banking sectors. Health Care and REITS were the worst performing sectors.

We know that macro events have a long tail of possible outcomes and are unpredictable. 'Brexit' is a good example of the futility of predicting such outcomes. Investors are currently focussed on two events: the US election and rising bond yields which could signal diminishing quantitative easing. We cannot call the election results. Nor do we make macro predictions such as the short term direction of interest rates. Macro forecasting has never been the starting point of our investment philosophy. However, it doesn't mean we won't take advantage of opportunities presented by macro-related market movements. Our focus continues to be on company fundamentals – these are areas which we have better control of and are able to draw upon our insights and experience. The Fund holds approximately 15% in cash which we expect to deploy when the right opportunities arise.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$164,740 (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 \$135,960 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 | \$ 1.5012 | \$ 1.4731 |
| Withdrawal price | \$ 1.4898 | \$ 1.4619 |
| Distribution (30/06/2016) | \$0.0207 | \$0.0133 |
| 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

The information contained in this Fact Sheet 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 declined 4.9% during September (after fees), underperforming its absolute return benchmark. A combination of profit taking due to short-term considerations such as the US election, fund rotation (highlighted above) and 'noise' around the AGM season resulted in large share price swings. These sorts of reactions to short term information is not abnormal. History is filled with significantly disruptive events that often invoke this sentiment seesaw.

The Fund's major contributors to performance for the month were **Westpac** (+3.3%), **Corporate Travel** (+7.7%) and a new holding in **Downer EDI** (+8.2%). The three major detractors were **Sydney Airport** (-10.2%), **Orora** (-7.9%) and **Chorus** (7.5%).

Sydney Airport was sold off as the company is deemed a 'bond-proxy'. We made our investment in **Sydney Airport** when the stock price was about \$3.30 compared to its price of \$6.26 (31 October 2016), an investment that has returned a compounded annual return of more than 20%. Our investment in **Sydney Airport** is for a management team that's adding value to the Airport's assets. The Airport has experienced a wave of growth due to the ground work laid with both domestic and international carriers. More recently, deals with Chinese airlines have started to contribute to growth. We have maintained our holding in **Sydney Airport**.

| Top contributors (absolute) | Sector |
|-----------------------------|------------------------|
| Webjet | Consumer Discretionary |
| Corporate Travel | Consumer Discretionary |
| Downer EDI | Industrials |

| Top detractors (absolute) | Sector |
|---------------------------|----------------------------|
| Sydney Airport | Industrials |
| Orora | Materials |
| Chorus | Telecommunication Services |

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

Contact details:

Phone: 03 9098 8088
 Fax: 03 9098 8099
 Email: info@primevalue.com.au

Mail:

Prime Value Asset Management Ltd
 Level 9, 34 Queen Street
 Melbourne VIC 3000

Web: www.primevalue.com.au