

# Prime Value Opportunities Fund

## Fund Update - September 2016



- Macro developments, largely centred around monetary policies, drove the direction of the market
- The materials sector performed well during the month as commodity prices proved to be resilient. At the same time, there was a significant rotation out of yield sensitive sectors such as telcos, utilities and REITs
- Signs of a bottoming of resources earnings is positive. We continue to focus on investing in quality companies with attractive valuations

	Total Return*	S&P/ASX300 Accumulation Index	Benchmark (8% pa)
Since inception (pa)	15.1%	9.9%	8.0%
3 Years (pa)	10.8%	6.0%	8.0%
1 Year (pa)	17.8%	13.5%	8.0%
3 Months	4.1%	5.2%	2.0%
1 Month	-0.5%	0.5%	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.

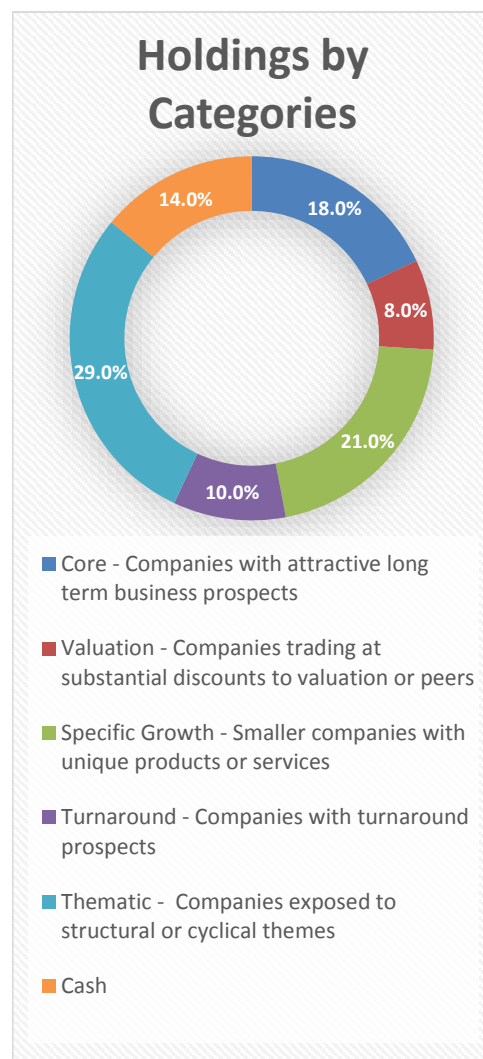
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD	ITD
FY 2013					1.8%	1.7%	4.3%	6.2%	-0.6%	4.0%	-2.2%	-1.7%	14.1%	14.1%
FY 2014	4.4%	2.6%	4.4%	5.0%	-1.1%	1.5%	-1.9%	5.9%	0.2%	0.3%	0.3%	-1.4%	21.4%	38.5%
FY 2015	2.5%	1.0%	-4.1%	3.1%	-1.9%	0.7%	1.5%	5.7%	1.4%	-1.0%	0.5%	-4.3%	4.6%	44.9%
FY 2016	5.3%	-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%										4.1%	73.3%

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% 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	15.1%
Research Rating	Lonsec - Investment Grade Zenith – Approved

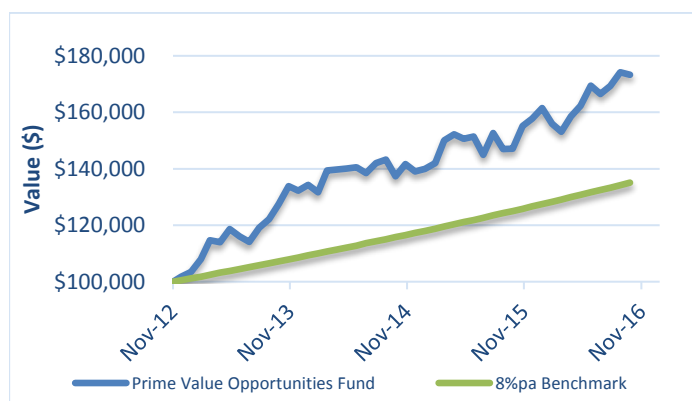
# Prime Value SIV Opportunities Fund units will have 0% of International Exposure in accordance with SIV regulations



## Market review

The Australian share market posted a return of 0.5% in September. Central bank decision making remained the dominant market theme, with policy commentary and relative sector performance signalling a potential turning point for market leadership. The prospect of reduced monetary stimulus saw yield sectors come under pressure. There was ongoing strength in commodity prices, except for iron ore (-6.4%). Coal continued to rally strongly, along with base metals. The Brent oil price rose 4.3% following the late month agreement by OPEC members to cut production. The Australian dollar rose 1.9% to USD 0.7650. Domestic economic data was strong with GDP growth at its highest level in four years. The unemployment rate of 5.6% was the lowest level in three years. Chinese data came in above consensus while US data were generally below expectations.

The materials sector (5.6%) was the clear outperformer in September followed by consumer staples (+1.7%). Yield sectors underperformed: REITs (-4.3%), telcos (-4.0%) and utilities (-3.3%). Health care (-0.4%) and industrials (-0.2%) also posted negative returns. Small-caps (+1.5%) outperformed mega-caps (+1.2%) and large-caps (+0.5%), with mid-caps the laggard (-1.0%).



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$173,260 (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 \$135,080 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	\$ 1.5789	\$ 1.5475
Withdrawal price	\$ 1.5669	\$ 1.5357
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 0.5% during September (after fees). The Fund has outperformed its 8% pa benchmark by 9.8% (after fees) over the past 12 months, while outperforming the S&P/ASX 300 Accumulation Index by 4.3%. In absolute terms, the Fund's major contributors to performance for the month were **Webjet** (+18.1%), **BHP** (+9.5%) and **Mayne Pharma** (+8.1%). The three major detractors were **TPG** (-29.3%), **Chorus** (-9%) and **Ramsay Health Care** (-4.6%).

There was no new information driving **Webjet's** share price in September and we attribute the share price movement to continued interest in the company's partnership with global travel services company Thomas Cook. The partnership is not expected to contribute until FY19 but it enhances **Webjet's** B2B business significantly. **TPG** fell almost 30% after the company provided FY17 guidance that was approximately 7% below market expectations. The sell-off was primarily attributed to earlier-than-expected profit margin pressure as the subscriber base migrates to NBN. However, the underperformance of recent acquisitions was the major driver of our decision to exit the stock, along with a reassessment of the company's long-term growth prospects.

Top contributors (absolute)	Sector
Webjet	Consumer Discretionary
BHP	Materials
Wisetech	Information Technology

Top detractors (absolute)	Sector
TPG Telecom	Telecommunications
Vocus	Telecommunications
Macquarie Atlas	Industrials

Platforms
BT Wrap, Hub24, Netwealth, Powerwrap

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