

Prime Value Opportunities Fund

Fund Update – September 2017



- The Australian share market was held back by defensive sectors such as Telecoms, Utilities and Consumer Staples. The broad market ended flat for the month
- There were few large themes currently influencing the market but we are finding investment opportunities in selected sectors and bottom up driven ideas
- The Fund returned 0.4% in September which was a solid outcome given another mixed month in the Australian market

	Total Return*	Benchmark (8% pa)	Value Add
Since inception (p.a.)	12.4%	8.0%	4.4%
3 Years (p.a.)	8.9%	8.0%	0.9%
2 Years (p.a.)	9.8%	8.0%	1.8%
1 Year	2.4%	8.0%	(5.6%)
3 Months	0.2%	2.0%	(1.8%)
1 Month	0.4%	0.6%	(0.2%)

* 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.

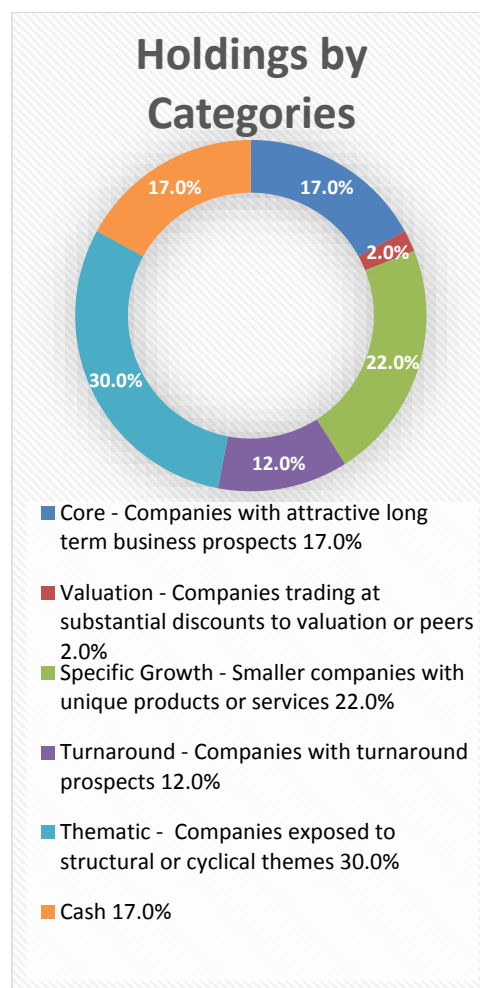
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD	ITD
FY 2013					1.8%	1.7%	4.3%	6.2%	(0.6%)	4.0%	(2.2%)	(1.7%)	14.1%	14.1%
FY 2014	4.4%	2.6%	4.4%	5.0%	(1.1%)	1.5%	(1.9%)	5.9%	0.2%	0.3%	0.3%	(1.4%)	21.4%	38.5%
FY 2015	2.5%	1.0%	(4.1%)	3.1%	(1.9%)	0.7%	1.5%	5.7%	1.4%	(1.0%)	0.5%	(4.3%)	4.6%	44.9%
FY 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%)	1.2%	6.3%	77.0%
FY 2018	(1.2%)	1.1%	0.4%										0.2%	77.4%

Top five holdings	Sector
Westpac	Financials
CSL Limited	Healthcare
BHP Limited	Materials
Orora	Materials
Commonwealth Bank	Financials

* The top five holdings make up approximately 27.8% 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	12.4%
Research Rating	Lonsec - Investment Grade Zenith – Approved

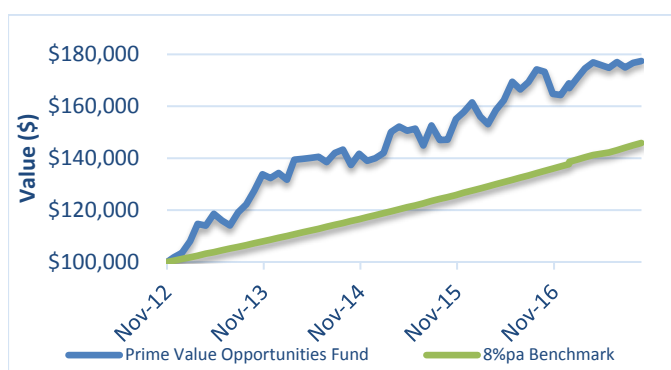
The Prime Value SIV Opportunities Fund will have no exposure to international securities in accordance with SIV regulations



Market review

The S&P/ASX 300 Accumulation index was flat in September (+0.04%), underperforming global equities (developed markets). Drivers of the global equities rally included an easing of geopolitical tensions as well as the unveiling of US President Trump's much anticipated tax framework. Another key development was news that the US Federal Reserve would begin unwinding its \$4.5tr balance sheet, reversing the quantitative easing program. Defensive sectors underperformed, partly due to rising bond yields, with a 'hawkish' Fed keeping alive expectations of a December rate hike. Mining was the worst performing sub-sector globally. Key drivers included a strengthening US dollar and impending steel production cuts in China, which weighed heavily on the iron ore price (down almost 20%). Oil bucked the trend (Brent rose 7.1%) on a resumption of US refinery operations, higher forecast oil demand growth from the IEA and Kurdish referendum tensions. The gold price fell. The Australian dollar was down around 1% to USD 0.7850.

Domestically, the best performing sectors were Health Care (+2.3%), major banks (+1.4%) and Energy (+1.1%). The defensive sectors underperformed, led by Telcos (-4.5%), Utilities (-3.6%) and Consumer Staples (-1.9%). Small caps again outperformed, rising 1.3% versus +0.2% for mid-caps, +0.1% for mega-caps and -0.2% for large-caps.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$177,430 (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 \$145,850 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	\$ 1.5660	\$ 1.5355
Withdrawal price	\$ 1.5542	\$ 1.5239
Distribution (30/06/17)	\$ 0.0296	\$ 0.0292
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 rose 0.4% in September which was a solid outcome given the broader ASX300 Index ended the month flat with very mixed market performance. The Fund holdings that performed well included **A2 Milk**, **Eclix** and **Reliance Worldwide**. However, **Bapcor**, **Ramsay** and **Webjet** detracted from performance.

Our investment selections remain eclectic, reflecting our bottom up approach to stock selection. More importantly, it reflects our sector and index agnostic investment approach. We form our investment view around the quality of a company's management and the outlook for compounding earnings growth on a well-financed balance sheet. In doing so, we have the flexibility to allocate our resources and capital to areas where we have the highest confidence.

Reliance Worldwide is an investment which characterises our investment approach. We invested in Reliance at its IPO in 2016. Today, Reliance represents 0.11% of the ASX300 Index – an irrelevant measure as it does not indicate the attractiveness of the opportunity nor confidence in the company (Reliance's weighting in the Fund is many multiples of its index weight).

Reliance provides plumbing supplies and water flow products to Australia, Canada and the US and is expanding into Europe. Most of its products are used in 'behind the wall' plumbing and hot water systems, and are sold through both wholesale and retail channels as well as to equipment manufacturers. The potential for the Reliance business is to further expand into adjacent types of push-to-connect fittings and accessories. Reliance will introduce a new range of push-to-connects products designed for the new US housing market in FY17. If successful, the new housing market could become a larger part of its US profits over time.

Top contributors (absolute)	Sector
A2 Milk	Consumer Staples
Eclix	Financials
Reliance Worldwide	Consumer Discretionary
Top detractors (absolute)	Sector
Bapcor	Consumer Discretionary
Ramsay	Healthcare
Webjet	Consumer Discretionary

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

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