

Prime Value Opportunities Fund

Fund Update – July 2017



- The Australian share market was flat for the month, with the strong Australian Dollar an influence on share prices
- Resource companies performed well in July, as commodity prices rallied. The sector was also used as a proxy for weakness in the US Dollar.
- The Fund fell 1.2% in July with the Fund's healthcare investments in CSL and Ramsay falling due to the Australian Dollar's appreciation against a flat share market.

	Total Return*	Benchmark (8% pa)	Value Add
Since inception (p.a.)	12.5%	8.0%	4.5%
3 Years (p.a.)	7.2%	8.0%	(0.8%)
2 Years (p.a.)	7.1%	8.0%	(0.9%)
1 Year	(1.3%)	8.0%	(9.3%)
3 Months	(1.1%)	2.0%	(3.1%)
1 Month	(1.2%)	0.7%	(1.9%)

* 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.

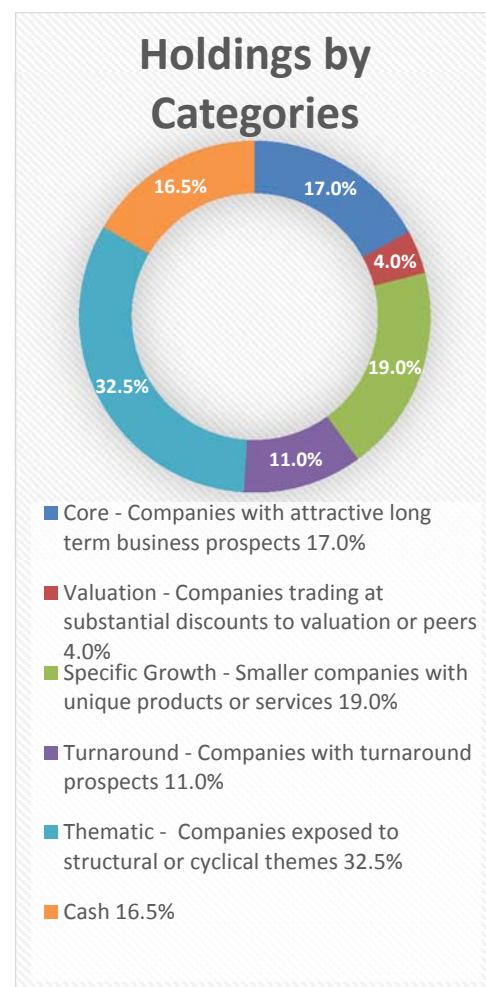
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD	ITD
FY 2013					1.8%	1.7%	4.3%	6.2%	(0.6%)	4.0%	(2.2%)	(1.7%)	14.1%	14.1%
FY 2014	4.4%	2.6%	4.4%	5.0%	(1.1%)	1.5%	(1.9%)	5.9%	0.2%	0.3%	0.3%	(1.4%)	21.4%	38.5%
FY 2015	2.5%	1.0%	(4.1%)	3.1%	(1.9%)	0.7%	1.5%	5.7%	1.4%	(1.0%)	0.5%	(4.3%)	4.6%	44.9%
FY 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%)												(1.2%)	74.9%

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

* The top five holdings make up approximately 28.9% 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	12.5%
Research Rating	Lonsec - Investment Grade Zenith – Approved

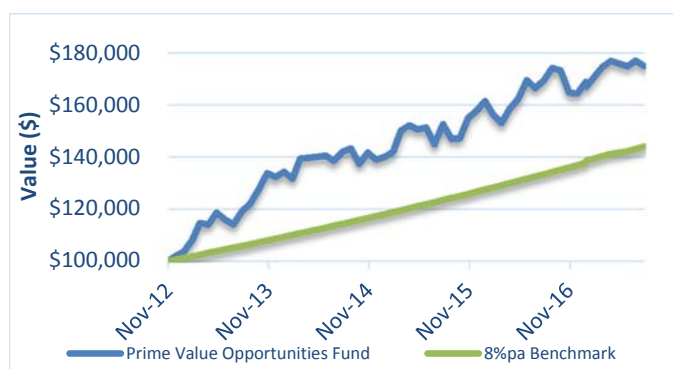
The Prime Value SIV Opportunities Fund will have no exposure to international securities in accordance with SIV regulations



Market review

The Australian share market was flat in July, despite strong performance from both the mining and banking sectors. By contrast, global equities performed strongly off the back of 'dovish' commentary from the US Fed. The sharp rise in the Australian dollar (+3.1 cents to US\$0.7980) drove the underperformance of our market in local currency terms. This AUD strength (a product of US dollar weakness, strong commodity prices & strengthening Chinese economic data) impacted the performance of industrial stocks with large offshore earnings, most notably within the Health Care sector (-7.5%). Reference to neutral cash rates (at circa 3.5%) within the RBA's July minutes also excited the Australian dollar bulls. Mega caps significantly outperformed mid-caps (-1.6%), while small-caps (+0.3%) and large-caps (+0.2%) also underperformed.

The release of APRA's much anticipated capital requirements drove the strong performance of the banking sector (+2.3%). The requirement for at least 10.5% of common equity tier 1 capital was considered less onerous than initially feared and removed a major source of uncertainty. Australian economic data was generally strong (retail sales, employment, business conditions survey). However, headline CPI was weaker than expected at 1.9% year-on-year, as were building approvals.



This graph shows how \$100,000 invested at the Fund's Inception has increased to \$174,920 (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 \$144,020 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	\$ 1.5521	\$ 1.5403
Withdrawal price	\$ 1.5217	\$ 1.5101
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 fell 1.2% in July against the backdrop of a flat Australian share market. July was marked by very strong performance of resource stocks while our holdings in healthcare companies such as CSL and Ramsay did not fare as well. The strength of the Australian Dollar was unexpected. For context: a common view at the start of 2017 was for the Australian Dollar to be closer to 0.6500 to the USD rather than the 0.7980 where it is now.

We are fundamental bottom up investors and sector and size agnostic when it comes to where our investment ideas originate. We do not explicitly forecast currencies, and therefore do not use currency predictions as a primary tool to make investment decisions. We are sceptical of people's ability to make successful macroeconomic predictions and therefore, our investment thesis will encompass a strong bottom-up element. In this context we like to own companies that can perform well and execute their business strategies in spite of difficult conditions.

We do hold long term convictions on some segments of the economy. As a result, we have high a concentration position in companies that should collectively outperform over the long term. One area of greatest concentration for the Fund is in demographic change. Both **CSL** and **Ramsay Health Care** form part of this exposure. We believe both **CSL** and **Ramsay** are well positioned for this secular theme. Occasionally, short term factors, such as the currency movements experienced in July, can influence share prices but not our investment case.

Top contributors (absolute)	Sector
BHP	Materials
Westpac	Financials
JB Hifi	Consumer Discretionary

Top detractors (absolute)	Sector
CSL	Healthcare
Ramsay Healthcare	Healthcare
Sydney Airport	Industrials

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