

# Prime Value Growth Fund

## Fund Update – February 2018



- The Australian share market ended February broadly flat, with an early market correction more than offset by a better than expected reporting season
- The Fund outperformed, rising 1.8% in February to bring the annual return to 9.3%. The performance contribution was broad based – across large and small cap companies - with a large number of holdings reporting positive earnings and dividend growth

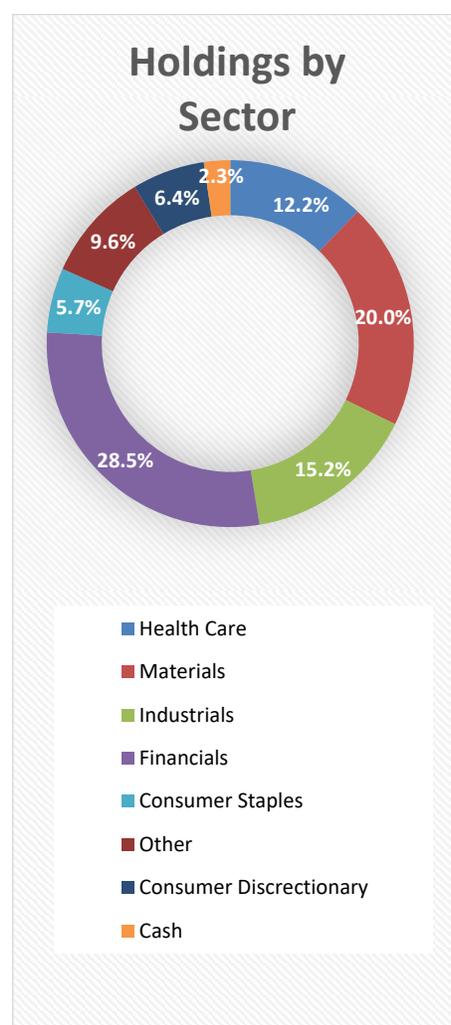
	Total Return*	S&P/ASX 300 Accumulation Index	Value Add
Since Inception (p.a.)	<b>11.7%</b>	8.3%	3.5%
10 Years (p.a.)	<b>3.7%</b>	5.3%	(1.6%)
5 Years (p.a.)	<b>4.3%</b>	7.9%	(3.6%)
3 Years (p.a.)	<b>1.5%</b>	5.2%	(3.7%)
1 Year	<b>9.3%</b>	10.3%	(1.0%)
3 Months	<b>1.9%</b>	1.8%	0.1%
1 Month	<b>1.8%</b>	0.3%	1.5%

\*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) standards. 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.

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

The top five holdings make up approximately 36.2% of the portfolio

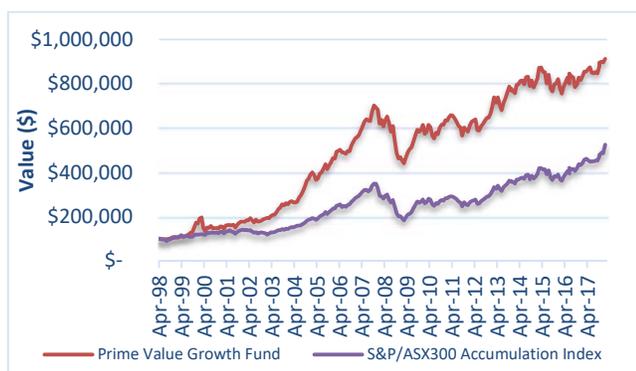
Feature	Fund facts
Portfolio Manager	ST Wong
Investment Objective	To provide superior medium to long term capital growth, with some income, by managing a portfolio of predominantly Australian equities listed on any recognised Australian Stock Exchange.
Benchmark	S&P, ASX 300 Accumulation Index
Inception Date	10 April 1998
Cash Limit	0 - 30%
Distribution	Half-yearly
Recommended Investment Period	3 + years
Research Rating	Lonsec - Investment Grade Zenith Approved



## Market review

Australian equities outperformed global peers in February, with the S&P/ASX 300 Accumulation Index rising 0.3% despite the broader sell-off in global equity markets. The US equity market entered official correction territory before recovering over the month. The pull-back was driven by rising bond yields and concerns about inflationary pressures, against a backdrop of elevated valuations. The Australian dollar fell 3 cents to USD 0.78 despite a rise in bulk commodity prices. Oil prices fell 4.7% to USD65.78 a barrel (Brent), reflecting a declining market risk appetite. The gold price fell 2% despite increased risk aversion, reflecting increased expectations of US interest rate hikes and US dollar strength.

The domestic reporting season was better than expected, although forecast earnings growth (ex-Resources) remains very moderate relative to expectations for corporate earnings globally. Those higher growth companies which continued to deliver performed very strongly. Health Care was the strongest performing sector over the reporting season, while Consumer Staples also performed well. The major laggards were Telcos, Energy and Utilities. Mid-caps outperformed (+0.9%) large-caps (+0.3%) while small-caps were flat.



This graph shows how \$100,000 invested at the Fund's inception has increased to \$912,300 (net of fees excluding performance fees). This compares very favourably with the return of the market, where a \$100,000 investment would have increased to \$524,600 over the same period. The returns exclude the benefits of imputation credits.

	Direct Investment (Class A)	Platform Investment (Class B)
APIR code	PVA0001AU	PVA0011AU
Minimum Investment	\$20,000	N/A
Issue price	\$ 2.4434	\$ 2.433
Withdrawal price	\$ 2.425	\$ 2.4146
Distribution (31/12/2017)	\$ 0.1000	\$ 0.1014
Indirect Cost Ratio (ICR)	1.435%* p.a.	1.23%* p.a.
Performance fee	20.5%**	20.5%**

\* Unless otherwise stated, all fees quoted are inclusive of GST and less the relevant RITC  
 \*\* Of performance (net of management fees and administration costs) above the agreed benchmark, subject to positive performance and a high water mark

## Fund review and strategy

The Fund outperformed in February, rising by 1.8% in the month and bringing the annual return to 9.3%. Despite a volatile start to the month, we maintained our positions into the reporting season and were rewarded with a number of strong share price performances including **A2 Milk**, **CSL** and **Nine Entertainment Co**. Detractors to performance during the month were **Ramsay Healthcare**, **CBA** and **Monadelphous**.

There were a number of drivers to Fund performance in February, underpinned by a favourable reporting season for our holdings. These included core holding CSL and Flight Centre, which we continue to view as undervalued due to the market focus on the structural decline in "bricks and mortar" travel. Both companies produced excellent results and upgraded guidance for the full year.

Another strong performer was Nine Entertainment Co, which we viewed as undervalued due to market concerns about the structural decline in the Free-to-Air TV industry. This has created attractive valuations for investors with a longer-term view. We shunned Nine Entertainment Co when it listed in December 2013 at \$2.05, concerned about declining Free-to-Air viewership which meant a shrinking share of advertising dollars as well as rising content costs. We held these concerns for a long period of time but adjusted our views when industry data suggested that Free-to-Air advertising was stabilising and had the potential to post some growth into 2018. Furthermore, with the Nine Network's viewership improving, market share gains in the TV advertising pool would follow. The combination of attractive valuations and low expectations introduced an attractive opportunity for the Fund to invest in Nine Entertainment Co.

Top Contributors (Absolute)	Sector
A2 Milk	Consumer Staples
CSL	Healthcare
Nine Entertainment Co.	Consumer Discretionary

Top Detractors (Absolute)	Sector
CBA	Financials
Monadelphous	Industrials
Ramsay Healthcare	Healthcare

Platforms
Asgard, Ausmaq, Beacon, BT Wrap, First Wrap, Hub24, IOOF, Global One, Macquarie Wrap, Netwealth, Powerwrap, Symetry, Wealthtrac

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