Prime Value Growth Fund
Fund Update – January 2018

- Share markets started 2018 on an optimistic note, as global economic growth continues to accelerate
- The Australian market was an exception, as the stronger Australian Dollar and increases in long term government bond yields weighed on selected sectors
- The Fund fell 0.3% in January. The Healthcare sector was a standout for the Fund with ResMed reporting very strong earnings

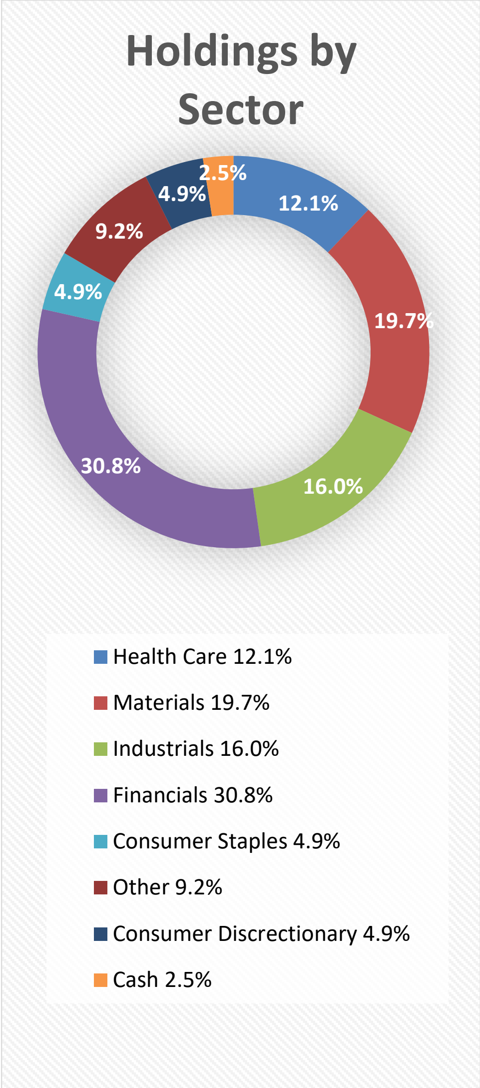
	Total Return*	S&P/ASX 300 Accumulation Index	Value Add
Since Inception (p.a.)	**11.7%**	8.3%	3.4%
10 Years (p.a.)	**3.8%**	5.2%	(1.4%)
5 Years (p.a.)	**5.0%**	9.0%	(4.0%)
3 Years (p.a.)	**2.9%**	7.5%	(4.6%)
1 Year	**9.7%**	12.4%	(2.7%)
3 Months	**1.7%**	3.2%	(1.4%)
1 Month	**(0.3%)**	(0.4%)	0.1%

*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
Westpac Bank	Financials
CSL Limited	Healthcare
Commonwealth Bank	Financials
ANZ Bank	Financials

The top five holdings make up approximately 35.3% 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

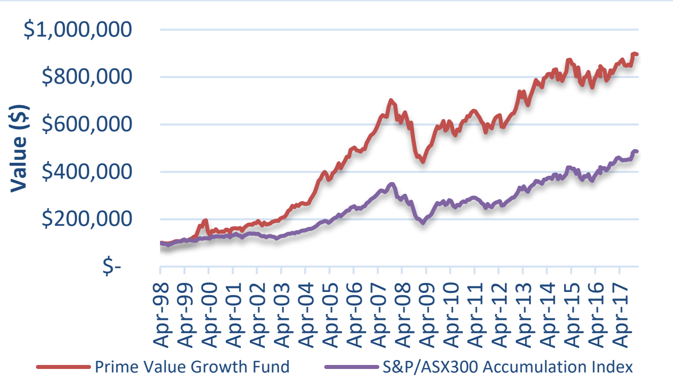


Market review

The Australian share market fell 0.4% in January, underperforming global equity markets which continued to rally. While emerging markets outperformed, the momentum in US equity markets accelerated. A strong fourth quarter reporting period, positive earnings revisions and the benefits of a weakening US dollar were the key drivers. However, by month-end, rising global bond yields were again the central focus. Suffice to say, it was a more challenging month for bond-yield sensitive sectors.

Domestically, the strongest performing sectors were Health Care (+3.2%) and Information Technology (+2.5%). The major underperformers were Utilities (-4.5%), REITs (-3.3%) and Industrials (-2.1%). Mid-caps outperformed (-0.1%) large-caps (-0.4%) and small-caps (-0.5%).

On the economic front, domestic data such as jobs growth, retail sales, and residential approvals was strong. However, December inflation of 1.9% year-on-year was weaker than expected and remains below the RBA's 2-3% target band. US, European and Chinese activity data was also generally strong. The Australian dollar rose 2.8 cents to USD 0.8100, largely reflecting US dollar weakness. Oil prices continued to strengthen, up 3.1% to US$ 69.05 a barrel (Brent).



This graph shows how $100,000 invested at the Fund's inception has increased to $896,100 (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 $486,020 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	$ 2.4001	$ 2.3819
Withdrawal price	$ 2.3894	$ 2.3714
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 fell 0.3% in January (after fees). In absolute terms, the major contributors to performance were **ResMed**, which beat expectations for its second quarter results, **CSL** and **A2 Milk**. The major detractors were Amcor, Macquarie Atlas and CBA.

Big Data, Artificial Intelligence and Bitcoin — three of the latest buzzwords that have recently caught the media's and the stock market's attention. Whatever your views of these three aspects of technology, there is one thread that's common across all three — they collect and store data from a myriad of sources and require significant amounts of computing power. This is one reason why we seek opportunities in technology infrastructure and have invested in companies such as NextDC, a data centre operator. NextDC has been building data centres in major Australian cities, and has been gradually filling these centres with clients handling ever increasing computing needs. NextDC has reached our valuation target and we recently exited our position as a result. However, we maintain an active watch on this and sectors that help enable growing computing needs.

As we write this update, share markets appear to be undergoing a correction. To put this in context, the US market recorded 12 months of consecutive positive returns in 2017. Hence, a correction will not look unusual. In broad terms, while there are risks relating to policy tightening by global central banks, the outlook for economic and corporate growth remain encouraging. We continue to identify a number of companies that are well positioned to generate strong cash flows from their underlying businesses. We will be looking to use the looking to use the cash in our portfolios to add to quality companies during periods of market weakness.

Top Contributors (Absolute)	Sector
ResMed	Healthcare
CSL	Healthcare
A2 Milk	Consumer Staples

Top Detractors (Absolute)	Sector
Amcor	Materials
Macquarie Atlas	Industrials
CBA	Financials

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

Contact details:

Esther Oh, Julie Abbott & Serena Shi
Client Services Team
Phone: 03 9098 8088
Fax: 03 9098 8099
Email: info@primevalue.com.au
Web: www.primevalue.com.au

Mail:

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